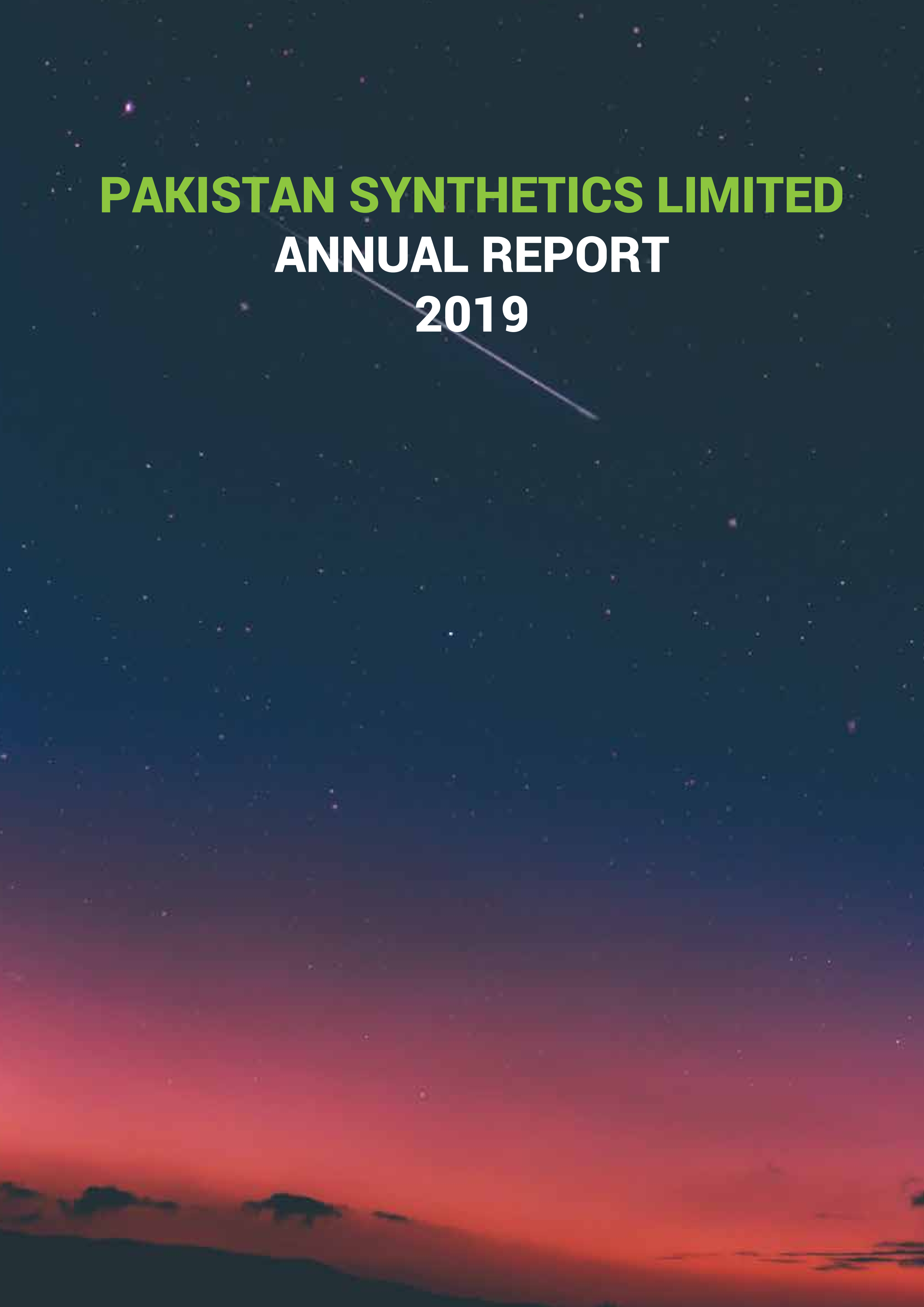

PAKISTAN SYNTHETICS LIMITED
ANNUAL REPORT
2019

Quality is the best BUSINESS PLAN.

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Pakistan Synthetics Limited
COMPANY INFORMATION

BOARD OF DIRECTORS	*ANWAR HAJI KARIM*	*CHAIRMAN-NON-EXECUTIVE*
	YAKOOB HAJI KARIM	*CHIEF EXECUTIVE -EXECUTIVE*
	NOMAN YAKOOB	*EXECUTIVE*
	ABID UMER	*NON- EXECUTIVE*
	SAJID HAROON	*NON- EXECUTIVE*
	MUHAMMAD AHMED ASLAM	*NON- EXECUTIVE*
	ALI KAMAL	*INDEPENDENT*
	SAEED FATIMA NAQVI	*INDEPENDENT*
	FARAZ YOUNUS BANDUKDA	*INDEPENDENT*
AUDIT COMMITTEE	*ALI KAMAL – CHAIRMAN* *SAJID HAROON* *ABID UMER*	
HUMAN RESOURCE AND REMUNERATION COMMITTEE	*ALI KAMAL – CHAIRMAN* *SAJID HAROON* *NOMAN YAKOOB*	
CHIEF FINANCIAL OFFICER	*SALEEM ADVANI*	
COMPANY SECRETARY	*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 (PVT.) LTD.* *OFF: # 1705 17TH FLOOR SAIMA TRADE TOWER-A* *I.I. CHUNDRIGAR ROAD, KARACHI*	
LEGAL ADVISOR	*TASAWUR ALI HASHMI* *ADVOCATE*	
REGISTERED OFFICE	*3RD FLOOR, KARACH DOCK LABOUR BOARD* *BUILDING, 58-WEST WHARF ROAD,* *KARACHI-74000*	
FACTORY	*F-1, 2, 3, & 13, 14 & 15* *HUB INDUSTRIAL TRADING ESTATE* *DISTRICT LASBELLA, BALOCHISTAN* *PLOT # A-5, N.W.I.Z, PORT QASIM AUTHORITY,* *KARACHI*	

Pakistan Synthetics Limited
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.

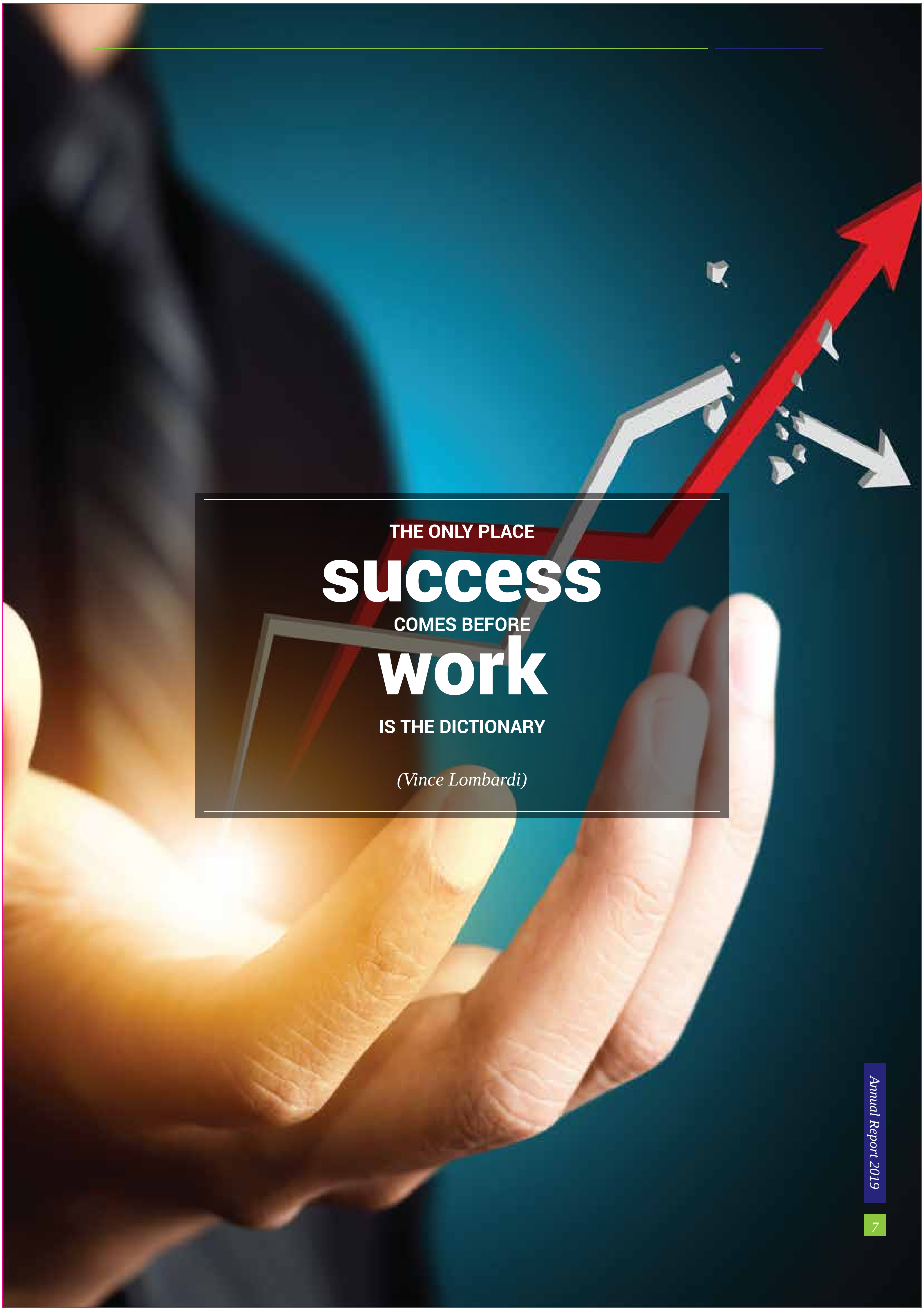
PET Resin and PET Preform

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
STATISTICAL SUMMARY	**Rupees in million**									
Gross sales	3,349	4,234	4,491	5,359	5,107	2,419	2,006	3,404	6,001	8,213
Profit / (loss) before taxation	77	441	40	66	70	(36)	96	(30)	37	(150)
Taxation	(25)	(154)	(22)	(23)	(20)	26	(4)	69	80	26
Profit / (loss) after taxation	52	287	18	43	50	(10)	92	39	117	(124)
Gross assets employed (including capital work-in-progress)	1,324	2,644	3,010	3,101	3,348	2,896	3,874	4,896	6,060	5,934
Paid-up capital	560	560	560	560	560	560	560	560	560	560
Shareholders' equity	881	1,167	1,072	1,118	1,167	1,149	1,240	1,222	1,336	1,196
EARNINGS AND PAY OUT	**Rs. per share of Rs. 10 each**									
Earnings/(loss) per share after taxation	0.92	5.11	0.33	0.77	0.89	(0.18)	1.63	0.69	2.09	(2.21)
Break-up value	15.71	20.82	19.13	19.94	20.82	20.50	22.12	21.82	23.86	21.34
Cash dividend	—	2.00	—	—	1.00	—	1.00	—	—	—
FINANCIAL RATIOS	**Ratios**									
Current Assets : Current Liabilities	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	0.78:1
Long-term Debts : Equity	0:1	0:1	27:73	20:80	17:83	19:81	26:74	26:74	30:70	31:69
PRODUCTION	**Quantity**									
Polyester Staple Fibre - Tons	25,837	24,449	23,868	23,910	18,566	—	—	—	—	—
PET Resin / Polyester Chips - Tons	—	—	—	120	—	—	—	20,952	25,782	25,121
Plastic and Crown Caps - Cartons	—	3,785	129,492	201,986	301,971	354,283	404,813	409,253	495,057	459,345
PET Preform - Octabins	—	—	—	—	—	—	—	—	1,771	5,986


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 30 June 2019, 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
Date: 19 September 2019

ANWAR HAJI KARIM
Chairman

Pakistan Synthetics Limited
DIRECTORS' REPORT

We are pleased to present before you the 34th Annual Report together with the Audited Financial Statements of the Company for the year ended 30 June 2019.

OPERATING PERFORMANCE

During the year under review the Company produced 25,121 MT of Resin as against 25,782 MT of Resin during the corresponding period last year and sold 29,522 MT of Resin as against 26,528 MT of Resin during the corresponding period last year. Further, last year the Company has successfully commissioned PET preform manufacturing plant on 16 May 2018. During the year, the Company produced 5,986 octabins of preform as against 1,771 octabins of preform during the corresponding period last year and sold 3,463 octabins of preform during the year.

During the year under review, the Company produced 459,345 cartons of plastic and crown caps as against 495,057 cartons of last year and sold 442,594 cartons during the year as against 489,358 cartons of last year.

FINANCIAL RESULTS

As the Company had converted existing fibre manufacturing plant into PET resin manufacturing plant in 2016 by making necessary modifications in existing plant, the Company has presented fibre segment as discontinued operation. 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. 8,199.37 million from Rs. 5,997.01 million during the corresponding last year.

The Company incurred loss before tax from continuing operations of Rs. 150.44 million as against profit before tax of Rs. 83.44 million in the last year. The net loss after tax stood from continuing operations at Rs. 124.16 million as against net profit after tax of Rs. 150.50 million in the last year. Loss is mainly attributable to exchange loss of Rs. 352.88 million (2018: exchange loss of Rs. 171.26 million).

Discontinued operations

During the year under review, the company's gross turnover of discontinued operations increased to Rs. 14.10 million from Rs. 3.73 million during the corresponding last year.

The Company posted profit before tax from discontinued operations of Rs. 0.35 million as against loss before tax of Rs. 46.52 million in the last year. The net profit after tax from discontinued operations was Rs. 0.26 million as against net loss after tax of Rs. 33.54 million in the last year.

EARNING PER SHARE

The net loss per share, after providing for taxation, for the year ended 30 June 2019 was Rs. 2.21 (30 June 2018: earnings per share of Rs. 2.09).

DIVIDEND

Based on the current liquidity position of the Company, the Directors did not recommend any dividend for the year ended 30 June 2019.

Pakistan Synthetics Limited
DIRECTORS' REPORT

RIGHT ISSUE

The Directors have decided to issue 50 right shares for every 100 shares held i.e. 50% at a right price of Rs. 18 per share (including a premium of Rs. 8 per share).

PRINCIPAL RISKS AND UNCERTAINITIES

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

In financial year 2019, we witnessed a most demanding year to-date in our history. Faced with unprecedented trade and current account deficits, the government resorted to increased custom duties and rupee devaluation. Within a year, Pak rupee saw its value drop by almost 32%. This immense drop in such a short span of period, posed multiple pronged challenges to your company. Amidst the efforts to curtail inflationary pressures and reduce the otherwise widening macroeconomic imbalances, domestic economic activity experienced the brunt of the stabilization measures implemented thus far. Your company, reliant on import of almost all its raw materials, has had to endure losses due to the sudden changes in the exchange rate. Besides tremendous increase in the raw material value due to falling Pak rupee, the cost of doing business has also increased where we have witnessed massive increase in gas prices and policy rate of State Bank of Pakistan.

Going forward, we remain highly hopeful that the turbulence our country witnessed in the previous 12-months is behind us. The uncertainty on the exchange rate front seems to much under control too. The latest inflation report reflects that the inflation numbers are not as high as was being predicted. Hence, we remain optimistic that going forward, interest rates will recede from the current levels.

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

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.

Pakistan Synthetics Limited
DIRECTORS' 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 except for change in accounting policy due to adoption of IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' as disclosed in Note 3, 4.2 and 4.9 to the financial statements.

d) International Accounting and Reporting 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) No Trade was made by the Directors, executives and their spouses and minor children in the shares of the Company.

l) Information about outstanding taxes and levies are given in the Notes to the Financial Statements.

Pakistan Synthetics Limited
DIRECTORS' REPORT

COMPOSITION OF THE BOARD OF DIRECTORS

Composition of the Board of Directors as at 30 June 2019 is as under;

Independent Directors:	*3*
Other Non-Executive Directors:	*4*
Executive Directors:	*2*

The total number of directors are nine as per the following:

a.	*Male:*	*Eight*
b.	*Female:*	*One*

MEETING OF THE BOARD OF DIRECTORS

During the year, five (05) meetings of the Board of Directors were held. Attendance by each Director was as follows:-

	NAME OF DIRECTOR	NO OF MEETING ATTENDANCE
I.	*Mr. Umer Haji Karim – Non Executive (Note 1)*	*-*
II.	*Mr. Anwar Haji Karim – Non - Executive*	*4*
III.	*Mr. Yakoob Haji Karim – Executive (Note 2)*	*5*
IV.	*Mr. Abid Umer – Non Executive*	*5*
V.	*Mr. Sajid Haroon – Non Executive*	*4*
VI.	*Mr. Pir Mohammad A. Kaliya – Non Executive (Note 1)*	*3*
VII.	*Mr. Noman Yakoob – Executive*	*5*
VIII.	*Mr. Ali Kamal - NIT - Independent*	*5*
IX.	*Mr. Muhammad Ahmed Aslam - Non Executive (Note 1)*	*1*
X.	*Mrs. Saeed Fatima Naqvi – Independent (Note 1)*	*-*
XI.	*Mr. Faraz Younus Bandukda – Independent (Note 2)*	*-*

Note 1: Mr. Umer Haji Karim and Mr. Pir Mohammad A. Kaliya have retired from the directorship of the Company on 6 April 2019. Mr. Muhammad Ahmed Aslam and Mrs. Saeed Fatima Naqvi were elected as director in sixteenth extra-ordinary general meeting of the Company for a term of three years commencing from 6 April 2019.

Note 2: Mr. Yakoob Haji Karim has resigned as Director of the Company with effect from 28 June 2019. The Board has appointed Mr. Faraz Younus Bandukda on 28 June 2019 to fill in the casual vacancy. Mr. Yakoob Haji Karim will continue to serve as Chief Executive of the Company.

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:-

	NAME OF DIRECTOR	NO OF MEETING ATTENDANCE
I.	*Mr. Ali Kamal-NIT*	*4*
II.	*Mr. Pir Mohammad A. Kaliya*****	*3*
III.	*Mr. Abid Umer*	*4*
IV.	*Mr. Sajid Haroon*****	*1*

*** Mr. Sajid Haroon replaces Mr. Pir Mohammad A. Kaliya as member of the audit committee after retirement of Mr. Pir Mohammad A. Kaliya from the board of directors of the Company.*

Pakistan Synthetics Limited
DIRECTORS' REPORT

MEETING OF THE 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:-

	NAME OF DIRECTOR	NO OF MEETING ATTENDANCE
I.	Mr. Sajid Haroon	1
II.	Mr. Yakoob 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.

APPOINTMENT OF CHIEF EXECUTIVE

During the year, Mr. Yakoob Haji Karim has been appointed as Chief Executive of the Company in place of Mr. Anwar Haji Karim for a term of 3 years with effect from 18 April 2019 at monthly remuneration of Rs.500,000/-.

PATTERN OF SHARE HOLDING

The pattern of shareholding as on 30 June 2019 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 2020.

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

ANWAR HAJI KARIM
Chairman

YAKOOB HAJI KARIM
Chief executive

Karachi
Dated: 19 September 2019

پاکستان سینتیٹاکس لمیٹڈ

ڈائریکٹرز رپورٹ

30 جون 2019 کو ختم ہونے والے سال کے لئے ہم 34 ویں سالانہ رپورٹ کمپنی کے آڈٹ کردہ مالی حسابات کے ساتھ پیش کرتے ہیں.

کارکردگی کا جائزہ

رواں مالی سال کے دوران کمپنی نے 25,121 میٹرک ٹن پیٹ ریزن کی پیداوار کی جو گزشتہ برس 25,782 میٹرک ٹن تھی۔ رواں مالی سال کے دوران کمپنی نے 29,522 میٹرک ٹن پیٹ ریزن فروخت کیے جو گزشتہ برس 26,528 میٹرک ٹن تھی۔ کمپنی کے پیٹ پریفورم مینوفیکچرنگ پلانٹ نے 16 مئی 2018 کو تجارتی پیداوار شروع کردی ہے۔ رواں مالی سال کے دورانِ کمپنی نے 5,986 اوکتبانس پریفورم کی پیداوار کی جو گزشتہ برس 1,771 اوکتبانس تھے۔ رواں مالی سال کے دوران کمپنی نے 3,463 اوکتبانس فروخت کیے۔

رواں مالی سال کے دوران کمپنی نے 459,345 کارٹون پلاسٹک اور کراون کیپ کی پیداوار کی جو گزشتہ برس 495,057 کارٹون تھے۔ رواں مالی سال کے دوران کمپنی نے 442,594 کارٹون فروخت کیے جو گزشتہ برس 489,358 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 پرپیش 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 8,199.37 ملین روپے رہا جو گزشتہ برس 5,997.01 ملین تھا۔

اس سال کمپنی نے 150.44 ملین روپے ٹیکس سے قبل خسارہ کیا جو گزشتہ سال 83.44 ملین روپے ٹیکس سے قبل منافع تھا۔ ٹیکس کے بعد خالص خسارہ مسلسل آپریشن سے 124.16 ملین روپے رہا جو گزشتہ سال 150.50 ملین روپے خالص منافع تھا۔ خسارے بنیادی وجہ 352.88 ملین کرنسی تبدیلی کا نقصان ہے (2018: کرنسی تبدیلی کا نقصان 171.26 ملین)

بند ہونے والے آپریشن

رواں مالی سال کے دوران کمپنی کے بند ہونے والے آپریشن کے مجموعی کاروبار میں اضافہ ہوا جو اس سال 14.10 ملین روپے رہا جو گزشتہ برس 3.73 ملین تھا۔

اس سال کمپنی نے 0.35 ملین روپے ٹیکس سے قبل منافع حاصل کیا جو گزشتہ سال 46.52 ملین خسارہ تھا۔ ٹیکس کے بعد منافع بند ہونے والے آپریشن سے 0.26 ملین روپے رہا جو گزشتہ سال 33.54 ملین خسارہ تھا۔

پاکستان سینتیٹاکس لمیٹڈ
ڈائریکٹرز رپورٹ

فی حصص آمدنی

30 جون 2019 کو ختم ہونے والے سال کے لئے ، ٹیکس فراہم کرنے کے بعد ، فی حصہ خالص نقصان 2.21 روپے تھا (30 جون 2018: فی حصہ خالص آمدنی 2.09 روپے).

ڈیوڈینڈ

کمپنی کی موجودہ لیکویڈیٹیی پوزیشن کی بنیاد پر ڈائریکٹرز نے 30 جون 2019 کو ختم ہونے والے سال کے لئے ڈیوڈینڈ تجویز نہیں کیا۔

رائٹ حصص

ڈائریکٹرز نے فیصلہ کیا ہے جاری کرنے کا 50 رائٹ حصص ہر 100 حصص کے لے 18 روپے فی حصص پر (بشمول 8 روپے پریمیم فی حصص)

بنیادی خطرات اور غیر یقینی صورتحال

کمپنی کچھ خطرات اور غیر یقینی صورتحال سے متعلق ہے. تاہم، ہم اہم خطرات کے طور پرمندرجہ 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

مالی سال 2019 کو ہم نے اپنی تاریخ کے اب تک کا سب سے اہم ترین سال کےطور پردیکھا۔ غیر معمولی تجارت اور کرنٹ اکاؤنٹ خسارے کا سامنا کرتے ہوئے حکومت نے کسٹم ڈیوٹی اور روپے کی قدرمیں کمی کا سہارا لیا۔ ایک سال کے اندر ، پاک روپیہ کی قیمت میں تقریبا 32٪ کی کمی واقع ہوئی۔ اتنے مختصر عرصے میں اس زبردست کمی سے آپ کی کمپنی کو متعدد جہتی چیلنج درپیش ہوے۔ افراط زر کے دباؤ کو کم کرنے اور دوسری صورت میں وسیع پیمانے پر معاشی عدم توازن کو کم کرنے کی کوششوں کے درمیان معاشی سرگرمی نے استحکام کے تمام اقدامات کو جواب تک لاگو کیےضائع ہوتےدیکھا۔آپ کی کمپنی جو اپنے تقریبا تمام خام مال کی درآمد پر انحصار کرتی ہے ، زر مبادلہ کی شرح میں اچانک تبدیلیوں کی وجہ سےاسے نقصان اٹھانا پڑا ہے۔ پاک روپے کے گرنے کی وجہ سے خام مال کی قیمت میں زبردست اضافے کےعلاوہ کاروبار کرنے کی لاگت میں بھی اضافہ ہوا ہے ہم نے گیس کی قیمتوں اور اسٹیٹ بینک آف پاکستان کی پالیسی کی شرح میں بڑے پیمانے پر اضافہ دیکھا ہے۔

مستقبل میں ہم انتہائی پرامید ہیں کہ پچھلے 12 مہینوں میں ہمارے ملک میں جو غیر یقینی تھی وہ پیچھے رہ گی ھے ، ایکسچینج ریٹ کے محاذ پر غیر یقینی صورتحال بھی بظاہر زیادہ قابو میں ہے۔ تازہ ترین افراط زر رپورٹ ظاہر کرتا ہے کہ افراط زر کی شرح زیادہ نہیں ہیں جیسا کہ پیش گوئی کی جا رہی تھی. لہذا ، ہم امید رکھتے ہیں کہ مستقبل میں سود کی شرح موجودہ سطح سے کم ہوگی.

آپ کی کمپنی درآمدی متبادل کی حکومت کی پالیسی میں اہم کردار ادا کرنے کے لے اچھی حیثیت سے تیار ہے۔ ہمارا پریفورم کا جدید ترین پروجیکٹ تمام ملٹی نیشنل کمپنیوں کی منظوری حاصل کر چکا ہے اور صارفین کے پاس اطمینان بخش چل رہا ہے۔ انتظامیہ اپنے صارفین کے لئے ٹوٹل پیکیج ڈیل کے ذریعے پریفورم اور کیپ فراہم کرکے اور آپریشنل اہلیت حاصل کرکے اپنی فروخت میں اضافہ کرنے کی خواہاں ہے۔

پاکستان سینتیٹاکس لمیٹڈ

ڈائریکٹرز رپورٹ

ویب سائٹ

ہمارے تمام اسٹیک ہولڈرز اور عام عوام کمپنی کی ویب سائٹ www.pstpet.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 اوراس رپورٹ کی تاریخ کے درمیان کمپنی کی مالیاتی پوزیشن کو متاثر کرنے والی ذمہ داریاں یا کوئی اہم تبدیلی نہیں ہوی۔

کارپوریٹ گورننس

کارپوریٹ گورننس کے ضابطہ کے مطابق ڈائریکٹر مندرجہ زیل کارپوریٹ اور مالی رپورٹنگ فریم ورک کےساتھ عمل کی تصدیق کرتے ہیں۔

- کمپنی کی انتظامیہ کے تیار کردہ مالیاتی گوشواروں سے اس کےمعاملات کی حالات،اس کے آپرشنز کے نتائج ،نقدی کا بہاو اور ایکویٹی میں تبدیلیوں کو ظاھر کرتے ھیں۔
- کمپنی نے اکاؤنٹس کی مناسب کتابیں تیار کرلی ھیں
- کمپنی کے مالیاتی گوشواروں کی تیاری میں مستقل طور پر درست شماریاتی پالیسیوں کا اطلاق کیا جاتا ھے اور شماریاتی تخمینے قابل فھم اور محتاط اندازوں پرمبنی ھیں۔سوائے IFRS 15 ‘صارفین کے ساتھ معاہدوں سے حاصل ہونے والا محصول’ اورIFRS 9 ‘ مالی آلات ‘اپنانے کی وجہ سے اکاؤنٹنگ پالیسی میں تبدیلی کے علاوہ ، جومالیاتی گوشوارے میں نوٹ 3 ، 4.2 اور4.9 میں انکشاف کیا گیا ھے
- کمپنی کے مالیاتی گوشواروں کی تیاری میں پاکستان میں قابل اطلاق بین الاقوامی مالیاتی رپورٹنگ معیارات، کی پاسداری کی گی ھے۔
- کمپنی کے اندرونی کنٹرول کا نظام ڈیزائن میں مستحکم ھے اور موثر طور پراس کا اطلاق اور مانیٹر کیاگیا ھے بورڈ اس عمل کی نگرانی کرتا ھے۔
- ایک چلتے کاروبار کے طور پر کمپنی کی جاری رہنے کی صلاہیت پرکوئی 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 بتاَیا گایا ہے۔
- قرض کی ادائیگی پر کوئی نادہندگی نہیں ہوی۔
- 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.

پاکستان سینتیٹاکس لمیٹڈ
ڈائریکٹرز رپورٹ

- آخری دس سالوں کے آپریٹنگ اور مالیاتی اعداد و شمارکا خلاصہ رپورٹ میں موجود ہے
- کمپنی کے حصص میں ڈائریکٹرز، ایگزیکٹوز اور ان کے بیویوں اور چھوٹے بچوں کی طرف سے تجارت نھیں کی گئ ہے۔
- بقایا ٹیکس اور لیویوں کے بارے میں معلومات مالیاتی حسابات کے ساتھ منسلک نوٹس میں دی گئ ہے۔

بورڈ آف ڈائریکٹرز کی ترتیب

بورڈ آف ڈائریکٹرز کی ترتیب 30 جون 2019 میں یہ ہے

آزاد ڈائریکٹر	3
غیر انتظامیڈائریکٹر	4
انتظامی ڈائریکٹر	2

مندرجہ ذیل کے مطابق ڈائریکٹر کی کل تعداد نو ہے۔

(۱) مرد: آٹھ
(۲) عورت: ایک۔

سال کے دوران منعقدہ بورڈ کے اجلاس

زیر جائزہ سال کے دوران بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقدہکیےگے ہیں جن میں ڈائریکٹرزکی حاضری مندرجہ زیل کے مطابق رہی:

ڈائریکٹرز کے نام	حاضری	عہدہ
جناب عمر حاجی کریم	-	غیر انتظامی (نوٹ ۱)
جناب انور حاجی کریم	4	غیر انتظامی
جناب یعقوب حاجی کریم	5	انتظامی (نوٹ ۲)
جناب عابد عمر	5	غیر انتظامی
جناب ساجد ہارون	4	غیر انتظامی
جناب پیر محمد کالیا	3	غیر انتظامی (نوٹ ۱)
جناب نعمان یعقوب	5	انتظامی
جناب علی کمال	5	آزاد- این آئی ٹی
جناب محمد احمد اسلم	1	غیر انتظامی (نوٹ ۱)
سعید فاطمہ نقوی	-	آزاد (نوٹ ۱)
جناب فراز یونس باندوکڑا	-	آزاد (نوٹ ۲)

پاکستان سینتیٹاکس لمیٹڈ

ڈائریکٹرز رپورٹ

(نوٹ ۱): جناب عمر حاجی کریم اور جناب پیر محمد کالیا 6 اپریل 2019 کو کمپنی کی ڈائریکٹرشپ سے ریٹائر ہوگئے۔ ان کی جگہ جناب محمد احمد اسلم اور مسز سیدہ فاطمہ نقوی کو کمپنی کے سولھویں غیر معمولی عمومی اجلاس میں 6 اپریل 2019 سے شروع ہونے والی تین سال کی مدت کے لئے بطور ڈائریکٹر منتخب کیا گیا۔

(نوٹ ۲): جناب یعقوب حاجی کریم نے 28 جون 2019 کو کمپنی کی ڈائریکٹرشپ سے استعفا دیا۔ بورڈ نے 28 جون 2019 کو جناب فراز یونس بانڈوکڑا کو خالی جگہ پرکرنے کے لئے مقرر کیا ہے۔ جناب یعقوب حاجی کریم کمپنی کے چیف ایگزیکٹو کی حیثیت سے خدمات انجام دیتے رہیں گے۔

ان ڈائریکٹرز کو جو بورڈ کے اجلاس میں حاضر نیں ہوسکتے تھے غیر حاضری کی چھوٹ دی گی تھی۔

سال کے دوران منعقدہ آڈٹ کمیٹی کے اجلاس

اس سال آڈٹ کمیٹی کے چار اجلاس منعقد کے گے ہیں، جس میں ڈائریکٹرز کی حاضری مندرجہ زیل کے مطابق رہی:

ڈائریکٹرز کے نام	حاضری
جناب علی کمال - این آئی ٹی	4
جناب پیر محمد کالیا**	3
جناب عابد عمر	4
جناب ساجد ہارون**	1

** جناب ساجد ہارون نے جناب پیر محمد کالیا کے کمپنی کی ڈائریکٹرشپ سے استعفے کے بعد ان کی جگہ آڈٹ کمیٹی کے ممبر کا عہدہ سمنبھال لیا ھے۔

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

اس سال انسانی وسائل اور ادائگیوں کی کمیٹی کا ایک اجلاس منعقدہ کیا گیا، جس میں ڈائریکٹرز کی حاضری مندرجہ زیل 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 انتظامی 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۔

پاکستان سینتیٹاکس لمیٹڈ
ڈائریکٹرز رپورٹ

چیف ایگزیکٹو کی تقرری

اس سال کے دوران ، جانب یعقوب حاجی کریم کو جناب انور حاجی کریم کی جگہ پر تین سال کی مدت کے لئے 500،000 روپے ماہانہ معاوضہ پر کمپنی کا چیف ایگزیکٹو مقرر کیا گیا ہے جس کی مدت 18 اپریل 2019 سےشروع ہوئی

حصہ داری کا نمونہ

30 جون 2019 پر حصہ داری کے نمونہ کا بیان موجود ہے۔

آڈیٹرز

موجودہ آڈیٹر،KPMG تاثیر ہادی & کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائراوراہل، نے دوبارہ اپنی تعیناتی کی پیشکش کی ھے۔ بورڈ آف ڈائریکٹرز،کمپنی کے لیےبطور آڈیٹر برائے سال مختتمہ 30 جون 2020 باہمی متفقہ فیس پر،ان کی دوبارہ تعیناتی کے لئے آڈٹ کمیٹی کی سفارش کو منظورکرتا ہے ۔

اعتراف

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

بورڈ کی جانب سے

جناب یعقوب حاجی کریم
چیف ایگزیکٹیو

جناب انور حاجیکریم
چیئرمین

کراچیتاریخ: 19 ستمبر 2019

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 2019

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

1. *The total number of directors are nine as per the following:*
   a. *Male:* *Eight*
   b. *Female:* *One*

2. *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
	2) Faraz Younus Bandukda
	3) Saeed Fatima Naqvi
Executive Directors	1) Yakoob Haji Karim
	2) Noman Yakoob
Non-Executive Directors	1) Anwar Haji Karim
	2) Sajid Haroon
	3) Abid Umer
	4) Muhammad Ahmed Aslam

3. *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).*

4. *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.*

5. *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.*

6. *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.*

7. *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.*

8. *The Board of directors have a formal and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.*

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 FOR THE YEAR ENDED 30 JUNE 2019

9. *The Board has arranged directors' training program for the following.*
   a. *Mr. Noman Yakoob*
   b. *Mr. Ali Kamal*

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:

Mr. Ali Kamal	*Chairman*
Mr. Abid Umer and	*Member*
Mr. Sajid Haroon	*Member*

HR and Remuneration Committee:

Mr. Ali Kamal	*Chairman*
Mr. Sajid Haroon and	*Member*
Mr. Noman Yakoob	*Member*

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*

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 FOR THE YEAR ENDED 30 JUNE 2019

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.*

18. *The Company continued to present the details of all related party transactions as disclosed in the financial statements before the Board Audit Committee and upon their recommendation to the Board for review and approval. The Company also has in place a process to identify the related parties and related transactions entered into with them. However, full compliance of the requirements as laid down in Section 208 of the Companies Act, 2017 is dependent on clarification from SECP with respect to definition of related parties.*

19. *We confirm that all other material principles enshrined in the Code have been complied with.*

ANWAR HAJI KARIM
Chairman

YAKOOB HAJI KARIM
Chief Executive

Karachi
Date: 19 September 2019

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 2019 to comply 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 2019.

KPMG TASEER HADI & CO.
Chartered Accountants

Dated: 27 September 2019
Karachi

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 2019, 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 purpose 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, 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 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 2019 and of the loss 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 Auditors' 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.	**Revenue recognition**	
	Refer notes 3.1, 4.9 and 24 to the financial statements. *The Company is engaged in sales of different products namely Plastic caps, Crown Caps, PET Resin, BoPET resin and Preform. The Company generates revenue from sale of goods to various customers.* *The Company generated revenue of Rs. 7,024.935 million which constitutes 70% revenue i.e. Rs. 4,896.348 million from the sales of PET and BoPET resin, 26% revenue i.e. Rs. 1,839.869 million from the sales of crown and plastic caps and remaining 4% from the sales of preform.* *We identified revenue recognition as key audit matter because recognition of sales in the appropriate period is subject to the point in time when control of goods is transferred to the customers. Therefore, there could be potential risk that revenue transactions may not recorded in the appropriate accounting period.*	*Our audit procedures in relation to recognition of revenue, amongst others, included the following:* • *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 based on at prevailing agreed price;* • *assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting and reporting standards as applicable in Pakistan; and* • *testing revenue transactions recorded before and subsequent to the reporting period on a sample basis to assess whether the revenue transactions are recorded in appropriate period based on underlying documents.*

Pakistan Synthetics Limited

INDEPENDENT AUDITOR'S REPORT

2.	***Valuation of Trade Receivables***	
	Refer notes 4.2.1 and 12 to the financial statements *As at 30 June 2019, the Company's gross trade receivables amounted to Rs. 1,202.645 million against which provision for doubtful receivables amounting to Rs. 251.180 million have been recorded which has been determined based on loss allowance for expected credit loss (ECL) model.* *The ECL model has been adopted during the year due to the application of IFRS 9 (Financial Instruments). Provision for doubtful receivables while using ECL is based on management judgment and estimates involving default rate based on credit history of the customers, experience of recovery period, customer-specific conditions and forward looking information.* *We identified valuation of trade receivables as a key audit matter as it involves significant management judgment in determining the expected loss allowance and specific write off.*	*Our audit procedures in relation to valuation of trade receivables, amongst others, included the following:* • *obtaining an understanding of the management's basis for the determination of the provision required at the year end and the receiables collection process;* • *assessing, on a sample basis, whether items in the trade receivables' ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with underlying documentation, which included sales invoices and goods delivery notes;* • *Involving a specialist to assess the adequacy and appropriateness of assumptions, basis and estimation used by management to determine the loss allowance while using ECL.* • *Assessing the adequacy of adjustments and appropriateness of disclosures presented in the financial statements in accordance with the requirements of IFRS 9.*

Pakistan Synthetics Limited

INDEPENDENT AUDITOR'S REPORT

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Company's Annual Report for 30 June 2019 but does not include the financial statements and our auditors' 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.

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

Auditors' 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 auditors' 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 auditors' 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 auditors' 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 auditors' 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;*

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 auditors' report is Muhammad Nadeem.

Dated: 27 September 2019
Karachi

KPMG TASEER HADI & CO.
Chartered Accountants

Pakistan Synthetics Limited

Statement of Financial Position

AS AT 30 JUNE 2019	*Note*	**2019**	2018
		(RUPEES IN '000)	
ASSETS			
Non-current assets	*5*	**2,166,193**	2,195,300
Property, plant and equipment	*6*	**421**	842
Intangible assets	*7*	**3,575**	4,526
Long term loan to employees - secured	*8*	**5,163**	4,362
Long term deposits and prepayments	*9*	**187,935**	108,439
Deferred taxation		**2,363,287**	2,313,469
Current assets	*10*	**248,454**	201,674
Stores and spares	*11*	**1,866,070**	2,250,892
Stock-in-trade	*12*	**951,465**	644,967
Trade receivables	*13*	**12,841**	17,039
Loans and advances	*14*	**8,331**	22,344
Short term deposits and prepayments	*15*	**2,084**	107,183
Other receivables		**440,016**	437,875
Taxation - net	*16*	**41,270**	64,258
Cash and bank balances		**3,570,531**	3,746,232
Total assets		**5,933,818**	6,059,701
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	*17*	**560,400**	560,400
General reserve		**292,450**	292,450
Unappropriated profit		**343,164**	482,823
		1,196,014	1,335,673
Non-current liabilities			
Long term finance - secured	*18*	**126,035**	377,853
Staff retirement benefits	*19*	**30,925**	23,834
Long term payables - secured	*20*	**-**	572,423
		156,960	974,110
Current liabilities			
Trade and other payables	*21*	**1,110,554**	1,504,425
Accrued mark-up		**21,971**	21,779
Short term borrowings - secured	*22*	**2,432,290**	2,012,587
Unclaimed dividend		**4,223**	16,847
Current portion of long term finance	*18*	**403,420**	194,280
Current portion of long term payable	*20*	**608,386**	-
		4,580,844	3,749,918
Total equity and liabilities		**5,933,818**	6,059,701
Contingencies and commitments	*23*		

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

YAKOOB HAJI KARIM	*SALEEM ADVANI*	*ANWAR HAJI KARIM*
Chief Executive	*Chief Financial Officer*	*Director*

Pakistan Synthetics Limited
Statement of Profit or Loss
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019	2018
		(RUPEES IN '000)	
Net sales	24	**7,024,935**	5,252,627
Cost of sales	25	**(6,353,221)**	(4,682,668)
Gross profit		**671,714**	569,959
Distribution and selling costs	26	**(81,031)**	(75,884)
Administration and general expenses	27	**(58,911)**	(50,121)
Impairment loss on trade receivables	12	**(8,481)**	(1,832)
Other operating expenses	28	**(354,176)**	(175,295)
		(502,599)	(303,132)
		169,115	266,827
Other income	29	**9,227**	21,818
Operating profit before finance costs		**178,342**	288,645
Finance costs	30	**(328,778)**	(205,203)
(Loss) / profit before taxation		**(150,436)**	83,442
Taxation	31	**26,274**	67,054
(Loss) / profit after taxation from continuing operation		**(124,162)**	150,496
Profit / (loss) after taxation from discontinued operation	32	**261**	(33,539)
(Loss) / profit for the year		**(123,901)**	116,957
		(RUPEES)	
(Loss) / earnings per share - basic and diluted	33	**(2.21)**	2.09

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

YAKOOB HAJI KARIM	SALEEM ADVANI	ANWAR HAJI KARIM
Chief Executive	*Chief Financial Officer*	*Director*

Pakistan Synthetics Limited
Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2019	**2019**	2018
	(RUPEES IN '000)	
(Loss) / profit for the year	**(123,901)**	116,957
Items that will never be reclassified to statement of profit or loss		
Remeasurements of defined benefit liability	**(3,113)**	(4,565)
Tax thereon	**903**	1,370
	(2,210)	(3,195)
Total comprehensive (loss) / income for the year	**(126,111)**	113,762

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

YAKOOB HAJI KARIM	*SALEEM ADVANI*	*ANWAR HAJI KARIM*
Chief Executive	*Chief Financial Officer*	*Director*

Pakistan Synthetics Limited

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2019

	Issued, subscribed and paid-up capital	General reserve	Unappropriated profit	Total reserves	Total
	(RUPEES IN '000)				
Balance as at 1 July 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 loss	-	-	(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
Adjustment on initial application of IFRS 9, net of tax	-	-	(13,548)	(13,548)	(13,548)
Adjusted balance as at 01 July 2018	560,400	292,450	469,275	761,725	1,322,125
Total comprehensive income for the year ended 30 June 2019					
Loss for the year	-	-	(123,901)	(123,901)	(123,901)
Other comprehensive loss	-	-	(2,210)	(2,210)	(2,210)
	-	-	(126,111)	(126,111)	(126,111)
Balance as at 30 June 2019	560,400	292,450	343,164	635,614	1,196,014

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

YAKOOB HAJI KARIM	*SALEEM ADVANI*	*ANWAR HAJI KARIM*
Chief Executive	*Chief Financial Officer*	*Director*

Pakistan Synthetics Limited

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2019	Note	2019	2018
		(RUPEES IN '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		**(150,084)**	36,920
Adjustments for:			
Depreciation		**230,087**	189,816
Charge for staff gratuity		**6,772**	4,079
Amortization		**421**	421
Gain on revaluation of derivative financial assets		**-**	(42,557)
Profit on disposal of property, plant and equipment		**(1,496)**	-
Profit on saving and deposit accounts		**(8)**	(3)
Unrealised exchange loss		**188,011**	110,677
Finance costs		**324,150**	200,757
Ijarah rental		**339**	-
Provision / (reversal) against slow moving and obsolete stock		**(3,336)**	5,252
Provision for doubtful advances - net		**2,322**	1,474
Provision for doubtful debts and deposits - net		**8,481**	50,766
		605,659	557,602
Changes in:			
Working capital changes	38	**(315,675)**	68,050
Long term deposit - net		**(801)**	(3,597)
Long term payables		**(102,277)**	514,391
Long term loan to employees - net		**951**	(555)
Cash generated from operations		**187,857**	1,135,891
Staff gratuity paid		**(2,794)**	(1,698)
Financial charges paid		**(323,958)**	(191,469)
Taxes paid		**(49,018)**	(81,753)
Net cash (used in) / from operating activities		**(187,913)**	860,971
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure including intangible assets		**(201,234)**	(848,691)
Proceeds from disposal of property, plant and equipment		**1,750**	43
Profit on saving accounts received		**8**	3
Net cash (used in) investing activities		**(199,476)**	(848,645)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term diminishing musharka - net		**(42,678)**	142,316
Short term foreign currency loan and money market loan - net		**(100,000)**	(403,435)
Short term istisna and murabaha - net		**758,731**	9,670
Dividend paid		**(12,624)**	(22,412)
Net cash from / (used in) financing activities		**603,429**	(273,861)
Net increase / (decrease) in cash and cash equivalents	38	**216,040**	(261,535)
Cash and cash equivalents at beginning of the year		**(365,451)**	(103,916)
Cash and cash equivalents at end of the year		**(149,411)**	(365,451)
CASH AND CASH EQUIVALENTS COMPRISE			
Cash and bank balances	16	**41,270**	64,258
Running finance under mark-up arrangement	22	**(190,681)**	(429,709)
		(149,411)	(365,451)

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

YAKOOB HAJI KARIM	SALEEM ADVANI	ANWAR HAJI KARIM
Chief Executive	*Chief Financial Officer*	*Director*

Pakistan Synthetics Limited
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2019

1. STATUS AND NATURE OF BUSINESS

Pakistan Synthetics Limited (the Company) was incorporated on 18 November 1984 as a private limited company in Pakistan and subsequently converted into a public limited company on 30 December 1987. The shares of the Company are listed on Pakistan Stock Exchange with effect from 27 June 1995. The principal activity of the Company is manufacturing and sale of Plastic Caps 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. BASIS OF PREPARATION

2.1 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 provisions of and directives issued under the Companies Act 2017 differ from IFRS Standards or IFAS, the provisions of and directives issued under the Companies Act 2017 have been followed.

2.2 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.

2.3 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.

2.4 Use of estimates and judgments

In preparing these financial statements, management has made judgment, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognized prospectively. Information about judgments made in applying accounting policies that have the most significant effects on the amount recognized in the financial statements to the carrying amount of the assets and liabilities and assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment in the subsequent year are set forth below:

i) Employee benefits (refer note 4.1)
ii) Income taxes (refer note 4.3)
iii) Property, plant and equipment (refer note 4.4)
iv) Intangible assets (refer note 4.5)
v) Stores and spares(refer note 4.6)
vi) Stock in trade (refer note 4.7)
vii) Impairment (refer note 4.2.1.7 and 4.8)
viii) Provisions (refer note 4.11)

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2019:

- *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 an impact on the Company's financial statements.*

- *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 lessee. 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. The Company is currently in the process of analysing the potential impact of its lease arrangements that will result in recognition of right to use assets and lease liabilities on adoption of the standard.*

- *Amendment to IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). For a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on the Company's financial statements.*

- *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 is not likely to have an impact on the 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 is not likely to have an impact on Company's financial statements.*

- *Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.*

- *Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.*

  On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The Company may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, the Company should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

- *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 entity increases its interest in a joint operation that meets the definition of a business. A entity remeasures its previously held interest in a joint operation when it obtains control of the business. A entity 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 entity 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 amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on the Company's financial statements.

3. CHANGES IN ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all periods presented except for the change in accounting policies as stated below. A number of other new standards are effective from 01 July 2018 but they do not have a material effect on the Company's financial statements.

The Company has adopted IFRS 15 ‘Revenue from Contracts with Customers’ and IFRS 9 ‘Financial Instruments’ from 01 July 2018 which are effective for annual periods beginning on or after 01 July 2018 and for reporting period / year ending on or after 30 June 2019 respectively. The Company has also adopted consequential amendments to IAS 1 and IFRS 7 as a result of adoption of IFRS 9.

The key changes to the Company's accounting policies resulting from adoption of IFRS 15 and IFRS 9 are summarized below:

3.1 IFRS 15 ‘Revenue from Contracts with Customers’

On 28 May 2014, the International Accounting Standards Board ("IASB") issued International Financial Reporting Standards ("IFRS") 15 "Revenue From Contracts with Customers" which provides a unified five-step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognize revenue as performance obligations are made rather than based on the transfer of risk and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and the number of revenue related interpretations.

The Company manufactures and contracts with customers for the sale of Plastic caps, Crown caps, PET Resin, BoPET Resin and Preform which generally include single performance obligation. Management has concluded that revenue from sale of goods be recognised at the point in time when control of the asset is transferred to the customer, which is when the goods are dispatched to the customer. Invoices are generated and revenue is recognised at that point in time, as the risks of loss have been transferred to the customers. The above is generally consistent with the timing and amounts of revenue the Company recognised in accordance with the previous standard, IAS 18. Accordingly, there is no impact on comparative information.

3.2 IFRS 9 'Financial Instruments'

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the Company has adopted consequential amendments to IAS 1 'Presentation of Financial Statements', which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss. Previously, the Company's approach was to include the impairment of trade receivables in administration and general expenses. Consequently, the Company reclassified impairment losses amounting to Rs. 1.832 million, recognised under IAS 39, from 'administration and general expenses' to 'impairment loss on trade receivables' in the statement of profit or loss for the year ended 30 June 2018.

Additionally, the Company has adopted consequential amendments to IFRS 7 'Financial Instruments: Disclosures' that are applied to disclosures for the year ended 30 June 2019 but have not been generally applied to comparative information.

The key changes to the Company's accounting policies resulting from its adoption of IFRS 9 are summarised below:

i. Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities therefore its adoption did not have a significant effect on the Company's accounting policies related to financial liabilities.

For an explanation of how the Company classifies financial assets under IFRS 9, see note 4.2 tothe financial statements.

ii. Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized. The Company has classified its financial assets as measured at: amortised cost. IFRS 9 has scoped out impairment for financial assets measured at 'fair value through profit or loss' where as for financial assets measured at amortised cost there are impairment requirements.

The Company applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. Impairment losses related to trade and other receivables, are presented separately in the statement of profit or loss. Trade and other receivables are written off when there is no reasonable expectation of recovery. Management used actual credit loss experience over past years to base the calculation of ECL on adoption of IFRS 9.

For assets in the scope of IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of IFRS 9's impairment requirements at 01 July 2018 results in an additional allowance for impairment as follows:

	(RUPEES IN '000)
Loss Allowances at 30 June 2018 under IAS 39	
Long term deposits	1,094
Trade receivables	223,618
	224,712
*Additional impairment recognised at 01 July 2018 on trade receivables as at 30 June 2018 (Rs. 13.548 million net of tax)**	19,081
Loss Allowances at 01 July 2018 under IFRS 9	243,793

** Defered tax asset of Rs 5.533 million was recogised in respect of additional impairment recognised at 01 July 2018 on trade receivables as at 30 June 2018. Resultantly, deferred tax asset increased from Rs 108.439 million as at 30 June 2018 to Rs. 113.972 million as at 01 July 2018*

iii. Change in classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 July 2018.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 01 July 2018 relates solely to the new impairment requirements.

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Remeasure ment	New carrying amount under IFRS 9
				(Rupees in '000)		
Financial assets						
Loan to employees	(a)	Loans and receivables	Amortised cost	6,122	-	6,122
Long / short term deposits	(a)	Loans and receivables	Amortised cost	8,668	-	8,668
Trade receivables	(a)	Loans and receivables	Amortised cost	644,967	(19,081)	625,886
Other receivables	(a)	Loans and receivables	Amortised cost	45,871	-	45,871
Cash and bank balances	(a)	Loans and receivables	Amortised cost	64,258	-	64,258
				769,886	(19,081)	750,805
Financial liabilities						
Long term finance - secured		Amortised cost	Amortised cost	572,133	-	572,133
Long term payables - secured		Amortised cost	Amortised cost	572,423	-	572,423
Trade and other payables		Amortised cost	Amortised cost	1,290,087	-	1,290,087
Accrued markup		Amortised cost	Amortised cost	21,779	-	21,779
Short term borrowings - secured		Amortised cost	Amortised cost	2,012,587	-	2,012,587
				4,469,009	-	4,469,009

(a) These financial assets were originally classified as loans and receivables under IAS 39 and are now classified as measured at amortised cost under IFRS 9.

iv. Transition

The Company has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in unappropriated profit as at 01 July 2018. Accordingly, the information presented for 2018 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise (refer note 3).

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 statement of 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 statement of profit or loss. 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.

4.2 Financial instruments

4.2.1 Financial assets

4.2.1.1 Classification

4.2.1.1.1 Policies applicable before 01 July 2018

The management determined 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 were categorised as follows:

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

c) ***Held-to-maturity***

These were financial assets with fixed or determinable payments and fixed maturity for which the Company had 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 could be sold in response to needs for liquidity or changes in equity prices, were classified as 'available for sale'. Available for sale financial instruments were those non-derivative financial assets that were designated as available for sale or were not classified either as (a) financial assets at fair value through profit or loss; (b) loans and receivables or (c) held to maturity.

4.2.1.1.2 Policies applicable from 01 July 2018

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- *it is held within a business model whose objective is to hold assets to collect contractual cash flows; and*

- *its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.*

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- *it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and*

- *its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.*

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Company's financial assets comprise of loans and receivables, the assessment of business model for other financial assets is made on a portfolio / asset basis. The information considered in making this assessment includes:

- *the stated policies and objectives for the asset and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile or realising cash flows through the sale of the assets;*

- *how the performance of the portfolio / asset is evaluated and reported to the Company's management;*

- *the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;*

- *how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and*

- *the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.*

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment on debt securities, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and "administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- *contingent events that would change the amount and timing of cash flows;*
- *leverage features;*
- *prepayment and extension terms;*
- *terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse loans); and*
- *features that modify consideration of the time value of money (e.g. periodical reset of interest rates).*

On the basis of above assessment the Company determined that Held-to-collect business model is relevant for the Company as its financial assets comprise of only cash and cash equivalents and trade and other receivables. These financial assets are held to collect contractual cash flow.

4.2.1.2 Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

4.2.1.3 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 assets.

4.2.1.4 Subsequent measurement

4.2.1.4.1 Policies applicable before 01 July 2018

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

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

A financial asset was classified as at fair value through profit or loss if it was classified as held for trading or was designated as such on initial recognition. Financial assets that were acquired principally for the purpose of generating profit from short-term fluctuations in prices were 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 could be sold in response to needs for liquidity or changes in equity prices, were classified as 'available for sale'. Available for sale financial instruments were those non-derivative financial assets that were designated as available for sale or were not classified either as (a) financial assets at fair value through profit or loss; (b) loans and receivables or (c) held to maturity.

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

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

4.2.1.4.2 Policies applicable from 01 July 2018

Financial assets measured at amortized cost	*These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / mark-up income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss.*
Financial assets at FVTPL	*These assets are subsequently measured at fair value. Net gains and losses, including any interest / mark-up or dividend income, are recognized in profit or loss.*
Equity Investments at FVOCI	*These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to the statement of profit or loss.*

Debt Investments at FVOCI	*These assets are subsequently measured at fair value. Interest / mark-up income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss. Other net gains and losses are recognized in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit or loss.*

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

4.2.1.5.1 Policies applicable before 01 July 2018

These were classified as loans and receivables and were 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 was established when there was an objective evidence that the Company would not be able to collect all amounts due according to the original terms of receivables. Items considered irrecoverable were written off.

4.2.1.5.2 Policies applicable from 01 July 2018

These are classified at amortized cost and are initially recognised when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

4.2.1.6 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.

4.2.1.7 Impairment

4.2.1.7.1 Policies applicable before 01 July 2018

Financial assets

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

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

4.2.1.7.2 Policies applicable from 01 July 2018

The Company recognises loss allowances for ECLs in respect of financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- *debt securities that are determined to have low credit risk at the reporting date; and*
- *other debt securities and bank balance for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.*

Loss allowances for trade and other receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for two hundred and ten days. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the Gross carrying amount of the assets.

The Gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4.2.1.8 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and where the Company has transferred substantially all risks and rewards of ownership.

4.2.2 Financial liabilities

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on de-recognition is also recognized in the statement of profit or loss. Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

4.2.2.1 Mark-up bearing borrowings and borrowing costs

Mark-up bearing borrowings are recognised 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 statement of profit or loss 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 Trade and other payables

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

4.2.3 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 qualifies 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.

4.2.4 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 recognised amounts and the Company intends either to settle on a net basis or to realise 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 statement of profit or loss, except to the extent that it relates to items recognised directly in equity or in statement of comprehensive income, in which case it is recognised in equity or in statement of 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.

Deferred

Deferred tax is recognised 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 statement of profit or loss as an expense when it is incurred.

Depreciation

Depreciation on all items is charged on straight line method. The useful lives for depreciation are indicated in note 5.1 to these financial statements.

Depreciation on additions to property, plant and equipment is charged from the quarter the asset is available for use up to 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 statement of profit or loss.

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 statement of profit or loss 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 off.

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.

4.8 Impairment of 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 statement of profit or loss.

4.9 Revenue recognition

4.9.1 Policies applicable before 01 July 2018

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

4.9.2 Policies applicable from 01 July 2018

Revenue is measured based on the consideration specified in a contract with a customer. Revenue from operations of the Company are recognized when the goods are provided, and thereby the performance obligations are satisfied. Revenue consists of Plastic caps, Crown caps, PET Resin, BoPET Resin and Preform which generally include single performance obligation. The Company's contract performance obligations are fulfilled at the point in time when the goods are dispatched to the customer. Invoices are generated and revenue is recognised at that point in time, as the control has been transferred to the customers. Revenue is measured at fair value of the consideration received or receivable, excluding amount of sales tax. The Company assesses its revenue arrangements against specific criteria that must be met before revenue is recognised.

4.10 Foreign currency translation

Transactions in foreign currencies are translated into Pakistani Rupees at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into Pakistani Rupees at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into Pakistani Rupees at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in the statement of profit or loss and presented with in other operating expenses.

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 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, abounding or when the operation meets the criteria to be classified as held for sale. When an operation is classified as discontinued operation, the comparative statement of profit or loss is represented as if the operation had been discontinued from the start of the comparative year.

4.13 Asset held under Ijarah financing

Assets held under Ijarah financing are accounted for using the guidelines of Islamic Financial Accounting Standard-2 (IFAS 2), "Ijarah". The assets are not recognized on the Company's statement of financial position and payments made under Ijarah financing are recognized in the statement of profit or loss on a straight line basis over the term of the lease.

4.14 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.

5. PROPERTY, PLANT AND EQUIPMENT

		2019	2018
		(RUPEES IN '000)	
Operating fixed assets	*5.1*	**2,091,366**	2,180,308
Capital work-in-progress	*5.2*	**74,827**	14,992
		2,166,193	2,195,300

5.1 Operating fixed assets

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

	2019								
	Leasehold land	Building on leasehold land	Plant and machinery	Spare parts and stand-by equipment	Vehicles	Office Improvements	Furniture and equipment	Computer accessories	Total
	(Rupees in '000)								
As at 1 July 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
Additions	-	4,226	122,663	-	13,572	-	314	624	141,399
Disposal									
Cost	-	-	-	-	(2,365)	-	-	-	(2,365)
Accumulated depreciation	-	-	-	-	2,111	-	-	-	2,111
	-	-	-	-	(254)	-	-	-	(254)
Depreciation charge for the year	658	19,429	202,837	1,399	4,475	-	881	408	230,087
Closing net book value	20,998	310,447	1,741,290	-	16,284	-	1,805	542	2,091,366
As at 30 June 2019									
Cost	28,118	456,061	4,753,355	52,693	59,313	1,976	17,279	5,652	5,374,447
Accumulated depreciation	(7,120)	(145,614)	(3,012,065)	(52,693)	(43,029)	(1,976)	(15,474)	(5,110)	(3,283,081)
Net book value	20,998	310,447	1,741,290	-	16,284	-	1,805	542	2,091,366
Useful life (in years)	30 - 99	20	5 - 20	5	8	3	5 - 10	3	

	2018								
	Leasehold land	Building on leasehold land	Plant and machinery	Spare parts and stand-by equipment	Vehicles	Office Improvements	Furniture and equipment	Computer accessories	Total
	(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
	-	-	-	-	(43)	-	-	-	(43)
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	

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

	Note	2019	2018
		(Rupees in '000)	
Continuing operations			
Cost of sales	*25*	**220,884**	182,224
Distribution and selling costs	*26*	**2,301**	1,898
Administration and general expenses	*27*	**6,902**	5,694
		230,087	189,816

5.1.2 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

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

5.2 Capital work-in-progress

	Cost			
	As at 1 July 2018	**Additions**	**Transfers**	**As at 30 June 2019**
	(Rupees in '000)			
Building on leasehold land	**728**	**28,620**	**(4,226)**	**25,122**
Plant and machinery	**14,264**	**41,967**	**(14,264)**	**41,967**
Advance against capital expenditure	**-**	**7,738**	**-**	**7,738**
	14,992	**78,325**	**(18,490)**	**74,827**

	Cost			
	As at 1 July 2017	Additions	Transfers	As at 30 June 2018
	(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)	-
	7,696	574,895	(567,599)	14,992

6. INTANGIBLE ASSETS

	2019	2018
	(Rupees in '000)	
Computer Software		
Opening	**842**	-
Addition during the year	**-**	1,263
Amortization during the year	**(421)**	(421)
Closing as at 30 June	**421**	842

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7. LONG TERM LOAN TO EMPLOYEES - *secured*

	2019	2018
	(Rupees in '000)	
Due from employees - considered good	**6,024**	6,122
Less: Recoverable within one year	**(2,449)**	(1,596)
	3,575	4,526

7.1 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 instalments over a period of 24 to 86 months. These are secured against staff retirement benefits of such employees.

7.2 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 instalments. The loan is secured against staff retirement benefits of the employee.

8. LONG TERM DEPOSITS AND PREPAYMENTS

		2019	2018
Deposits			
- Utility deposits	*8.1*	**1,718**	1,609
- Security deposits	*8.1*	**4,539**	738
		6,257	2,347
Provision for doubtful deposits		**(1,094)**	(1,094)
		5,163	1,253
Islamic			
Long term prepayments	*8.2*	**3,109**	18,038
Less: current portion of long term prepayments		**(3,109)**	(14,929)
		-	3,109
		5,163	4,362

8.1 These long term deposits are non-interest bearing.

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

9. DEFERRED TAXATION

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

	2019	2018
	(Rupees in '000)	
Taxable temporary difference		
Accelerated tax depreciation	**190,141**	155,923
Deductible temporary differences		
Provision for staff gratuity	**(8,968)**	(6,912)
Provision for doubtful debts, doubtful advances, slow moving and obsolete stocks, stores and spares and doubtful deposits	**(143,727)**	(81,505)
Un-used tax losses and tax credits	**(225,381)**	(175,945)
	(378,076)	(264,362)
	(187,935)	(108,439)

10. STORES AND SPARES

	2019	2018
Stores and spares		
- in hand	**285,099**	238,867
- in transit	**11,836**	11,287
	296,935	250,154
Provision for slow moving and obsolete items	**(48,481)**	(48,480)
	248,454	201,674

11. STOCK-IN-TRADE

	2019	2018
Raw and packing material		
- in hand	**585,776**	456,855
- in transit	**365,998**	387,319
	951,774	844,174
Work-in-process	**233,126**	66,918
Finished goods	**684,219**	1,346,185
Provision for slow moving and obsolete stock	**(3,049)**	(6,385)
	681,170	1,339,800
	1,866,070	2,250,892

12. TRADE RECEIVABLES

	Note	2019	2018
Considered good - unsecured	*12.1*	**951,465**	644,967
Considered doubtful		**251,180**	223,618
		1,202,645	868,585
Provision for doubtful receivables	*12.2*	**(251,180)**	(223,618)
		951,465	644,967

12.1 This includes an amount of Rs. 29.990 million (2018: Rs. 29.990 million) receivable from a customer which has been guaranteed by Al Karam Textile (Private) Limited, an associated company.

12.2	Provision for doubtful receivables		2019	2018
			(Rupees in '000)	
	Opening balance		**223,618**	172,852
	Additional impairment recognised at 01 July 2018 on trade receivables as at 30 June 2018		**19,081**	-
	Impairment loss on trade receivables during the year			
	- Continued operations		**8,481**	1,832
	- Discontinued operations		**-**	48,934
			251,180	223,618

13. LOANS AND ADVANCES

			2019	2018
	Loans - considered good			
	Current maturity of long term loan due from employees	*7*	**2,449**	1,596
	Advances - considered good			
	- employees against salary		**115**	164
	- letters of credit fees and expenses		**899**	152
	- suppliers	*13.1*	**9,378**	15,127
			10,392	15,443
	Advances - considered doubtful			
	Advances to supplier		**3,795**	1,474
	Provision for doubtful advances		**(3,795)**	(1,474)
			-	-
			12,841	17,039

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

	2019	2018
Hydero Motion	**-**	1,606
Ulong Hefei Xulong	**-**	930
Sacmi Imola	**283**	322
Lianyungang Yuanji	**-**	168
Piovan S.P.A	**-**	814
	283	3,840

14. SHORT TERM DEPOSITS AND PREPAYMENTS

		2019	2018
Conventional			
Short term deposits		**5,222**	7,415
Islamic			
Current portion of long term prepayments	*8.2*	**3,109**	14,929
		8,331	22,344

15. OTHER RECEIVABLES

		2019	2018
Islamic			
Derivative financial assets	*15.1*	-	42,557
Sales tax refundable		**-**	61,312
Others		**2,084**	3,314
		2,084	107,183

15.1 The Company had entered into forward exchange contracts for USD 3.826 million and a cross forward contract for Euro into USD which was settled during the year.

16. CASH AND BANK BALANCES

	Note	2019	2018
		(Rupees in '000)	
With Islamic banks			
- current accounts		**5,599**	56,725
- saving accounts	*16.1*	**90**	-
With conventional banks			
- current accounts		**35,231**	7,463
		40,920	64,188
Cash in hand		**350**	70
		41,270	64,258

16.1 Rate of return on saving accounts range from 3.85% to 6.43% (2018: 3.45% to 3.70%) per annum.

17. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2019	2018		2019	2018
(Number of shares)			(Rupees in '000)	
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
56,040,000	56,040,000		**560,400**	560,400

18. LONG TERM FINANCE - secured

Islamic

	2019	2018
Long term finances utilised under diminishing musharka	**529,455**	572,133
Less: current portion of long term finances	**(403,420)**	(194,280)
	126,035	377,853

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

	Note	2019	2018
Meezan Bank Limited	*18.1*	**127,641**	183,305
Askari Bank Limited - Islamic Banking Services	*18.2*	**115,212**	208,828
MCB Islamic Bank Limited	*18.3*	**112,500**	180,000
Bank Al-Falah Limited - Islamic Banking Branch	*18.4*	**111,600**	-
Bank Al-Habib Limited - Islamic Banking Branch	*18.5*	**62,502**	-
		529,455	572,133

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18.1 *The Company entered into Diminishing Musharka arrangements with Meezan Bank Limited amounting to Rs. 140.77 million, Rs. 63.64 million and Rs. 42.02 million. These carry profit at the rate of 6 months average KIBOR + 0.6% per annum, 6 months KIBOR + 0.7% per annum and 6 months KIBOR + 0.7% per annum respectively, with a floor of 5% per annum and cap of 25% per annum and is payable on semi-annual basis. The tenor of facilities is up to five years with grace period of 1 year from the date of drawdown. The principal is payable in 8 equal semi-annual instalments and last instalment is payable on 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.*

18.2 *This represents Diminishing Musharka arrangements entered with Askari Bank Limited - Islamic Banking Services amounting to Rs. 54.25 million and Rs. 300 million. The first tranche carry profit at the rate of 3 months 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, second tranche carry profit at the rate of 3 months 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 instalments and last instalment is payable on 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 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.*

18.3 *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 up to three years with grace period of 1 year from the date of drawdown. The principal is payable in 8 equal quarterly instalments and last instalment 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.*

18.4 *The Company has entered into Diminishing Musharka arrangements with Bank Al-Falah Limited - Islamic Banking Branch amounting to Rs. 124 million. This carry profit at the rate of 6 months KIBOR plus 0.85% per annum with a floor of 7% and cap of 20% per annum. The tenor of facility is five years. The principal amount is payable in 10 equal semi-annual instalments and last instalment is payable on 5 July 2023. This facility is secured against 1st exclusive hypothecation charge of Rs. 125 million over imported plant and machinery financed through the facility along with pari passu hypothecation charge of Rs. 40 million over general plant and machinery of the company covering 25% margin requirement.*

18.5 *The Company has entered into Diminishing Musharka arrangements with Bank Al-Habib Limited - Islamic Banking Branch amounting to Rs. 62.502 million. This carry profit at the rate of 6 months KIBOR plus 1.50% per annum with a floor of 5% and cap of 18% per annum. The tenor of facility is three years. The principal amount is payable in 24 equal monthly instalments and last instalment is payable on 10 May 2022. This facility is secured against 1st exclusive hypothecation charge over imported plant and machinery financed through the facility.*

18.6 *The loans mentioned in notes 18.4 and 18.5 have been classified to current portion as per the requirements of IAS 1 as there were certain covenants mentioned in respective loan agreements which were not met at the reporting date.*

19. STAFF RETIREMENT BENEFITS

19.1 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 2019 are as follows:

	2019	2018
- Discount rate per annum - percentage	**12.0%**	10.0%
- Expected rate of increase in salary level per annum - percentage	**12.0%**	10.0%
- 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:	2019	2018
	(Rupees in '000)	
Present value of defined benefit obligation	**30,925**	23,834
Fair value of plan assets	**-**	-
	30,925	23,834

Movement in net defined benefit liability

	2019	2018
Opening balance	**23,834**	16,888
Charge for the year	**6,772**	4,079
Re-measurement: Actuarial loss recognised in other comprehensive income	**3,113**	4,565
Benefits paid	**(2,794)**	(1,698)
Closing balance	**30,925**	23,834

Amounts recognized in total comprehensive income

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

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Component of defined benefit costs recognised in statement of profit or loss	**2019**	2018
	(Rupees in '000)	
Current service cost	**4,528**	2,635
Interest cost	**2,244**	1,444
	6,772	4,079
Component of defined benefit costs (re-measurement) recognised in statement of comprehensive income		
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	**3,113**	4,565
	3,113	4,565
Total defined benefit cost recognised in statement of profit or loss and statement of comprehensive income	**9,885**	8,644
Expected contribution in the following year	**6,276**	7,289
Expected benefit payments to retire in the following year	**2,381**	289
Re-measurements: Accumulated actuarial loss recognised in statement of comprehensive income	**3,113**	4,565
Weighted average duration of the defined benefit obligation (years)	**12.48**	35.54

Analysis of present value of defined benefit obligation

Type of Members:		
- Management	**23,133**	17,926
- Non - management	**7,792**	5,908
	30,925	23,834
Vested / Non-Vested		
- Vested benefits	**23,310**	19,043
- Non - vested benefits	**7,615**	4,791
	30,925	23,834
Type of benefits		
- Accumulated benefit obligation	**11,038**	11,068
- Amount attributed to future salary increase	**19,887**	12,766
	30,925	23,834

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.

	2019	2018
	(Rupees in '000)	
Discount rate + 1%	**27,878**	21,276
Discount rate - 1%	**34,584**	26,848
Long term salary increase + 1%	**34,838**	26,925
Long term salary decrease - 1%	**27,624**	21,175

20. LONG TERM PAYABLE - secured

Islamic			
Husky Injection Molding Systems	*20.1*	**608,386**	448,423
less: current portion		**(608,386)**	-
		-	448,423
Sacmi Imola S.C.	*20.2*	**-**	124,000
		-	572,423

20.1 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 mark-up at the rate of 3.05% per annum. The LC is maturing on 14 September 2019.

20.2 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.

21. TRADE AND OTHER PAYABLES

Trade creditors including bills payable		**906,761**	1,263,568
Accrued expenses		**1,235**	1,035
Advances from customers		**30,408**	114,782
Workers' welfare fund		**-**	754
Workers' profit participation fund	*21.1*	**8,948**	8,099
Bonus payable		**-**	5,223
Insurance premium payable		**2,084**	3,421
Due to employees	*21.2*	**8,580**	13,939
Sales tax payable		**20,493**	759
Short term compensated absences		**3,903**	2,293
Provision for Government levies		**1,000**	1,000
Provision for gas infrastructure cess	*23.1.2*	**126,200**	88,944
Ijarah Payable		**339**	-
Others		**603**	608
		1,110,554	1,504,425

21.1 Workers' profit participation fund

	Note	2019	2018
		(Rupees in '000)	
Balance as at 1 July		**8,099**	5,585
Interest on funds utilised in the Company's business at 10.5% (2018: 9.5%) per annum	*30*	**850**	531
		8,949	6,116
Allocation for the year	*28*	**-**	1,983
Balance as at 30 June		**8,949**	8,099

21.2 This represents salary and gratuity payable to employees amounting to Rs. 7.587 million (2018: Rs. 13.869 million) and Rs. 0.565 million (2018: Rs. 0.070 million) respectively.

21.3 Murabaha and Istisna payable amounting to Rs. 525.910 million and Rs. 1,515.699 million have been reclassified to short term borrowings in order to give better presentation and accordingly comparatives have been rearranged.

22. SHORT TERM BORROWINGS - secured

	Note	2019	2018
Conventional			
Money market loan under mark-up arrangement	*22.1*	**200,000**	300,000
Running finance under mark-up arrangement	*22.2*	**190,681**	429,709
Islamic			
Murabaha	*22.5*	**525,910**	168,487
Istisna	*22.5*	**1,515,699**	1,114,391
		2,432,290	2,012,587

22.1 *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% (2018: KIBOR plus 0.50%) per annum. The arrangement is secured against 1st pari passu hypothecation over Company's stock and trade debts.*

22.2 *The facility for running finance available from an associated banking company is for the purpose of meeting working capital requirements. The rate of mark-up is KIBOR plus 1.00% (2018: 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.*

22.4 *Total amount of facility available against above borrowings amounted to Rs. 517.36 million (2018: Rs. 845.37 million). Further, as at 30 June 2019, the unavailed facilities from the above borrowings amounted to Rs. 126.68 million (2018: Rs. 115.66 million).*

22.3 *Last year, in addition to the above, the Company had 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. 394.5 million.*

22.5 *The Company has obtained facility of Rs. 2,020.95 million (2018: Rs. 1,480.95 million) from Islamic banks for short term finance under Murabaha and Istisna financing arrangement and has availed Rs. 514.974 million under Murabaha financing and Rs. 1,484.836 million under Istisna financing as at 30 June 2019 (2018: Rs. 165.326 million under Murabaha financing and Rs. 1,095.545 million under Istisna financing). The rate of profit approved by the bank at time of disbursement ranges from 7.26% to 14.06% (2018: 6.34% to 7.54%) per annum. These facilities can be availed either in Pakistani rupees or in USD and carries profit at the preferential rate as approved by the banks from time to time and is based on KIBOR.*

23. CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

23.1.1 *The facility for opening letter of guarantees from an associated banking company amounted to Rs. 119.242 million (2018: Rs. 119.242 million). Bank guarantees amounting to Rs. 119.242 million (2018: Rs. 119.242 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.*

23.1.2 *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 (2018: 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.

23.1.3 *For the year 2015, the Company engaged legal advisor to file appeal against order passed under section 122(1) on account of disallowance of expenses on different heads. The appeal was filed and has been heard by the Learned Commissioner Inland Revenue (Appeals-II), LTU, Karachi. Based on consultation with tax advisor, the management is confident of favorable outcome and is not likely to sustain any loss from the cases and has not recorded any provision in this regard.*

23.1.4 *Nine ex-workers of the Company have filed a case with National Industrial Relations Commission at Quetta Bench bearing case no. 07(01)/2015-Q and 07(169)/2016-Q for recovery of their final settlement amount. The Company is contesting the case vigorously. Based on consultation with legal advisor, the management is confident of favourable outcome and is not likely to sustain any loss from the cases and has not recorded any provision in this regard.*

23.2 Commitments

23.2.1 Letters of credits

The Company has facilities of Rs. 2,362 million (2018: Rs. 2,233 million) for opening letters of credit including Rs. 800 million from an associated banking company (2018: Rs. 900 million). At 30 June 2019, the open letters of credits for stock in trade, stores and spares and for capital commitment amounted to Rs. 228.84 million (2018: Rs. 445.354 million) including Rs. 74.39 million from an associated banking company (2018: Rs. 182.121 million).

23.2.2 *The facilities disclosed in notes 23.1.1 and 23.2.1 are secured against ranking 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.*

23.2.3 Ijarah financing

The Company has car ijarah facility from the Askari Bank Limited amounting to Rs. 30 million (2018: Rs. Nil) out of which Rs. 12.55 million (2018: Rs. Nil) were utilised. The ownership of the cars are with Askari Bank Limited Islamic Banking Services during the tenor of the facility of each vehicle. As per requirement of IFAS-2 Ijarah financing has been treated as an operating lease.

	2019	2018
	(Rupees in '000)	
The total of future Ijarah payment under arrangement are as follows:		
Not later than one year	**2,828**	-
Later than one year and not later than five years	**11,312**	-
	14,140	-

24. NET SALES

Local - Crowns and plastic caps		**2,163,427**	2,062,276
Local - PET resin		**5,697,444**	3,930,108
Export - PET resin		**-**	2,578
Preform		**337,799**	-
Others		**702**	2,045
		8,199,372	5,997,007
Sales tax		**(1,174,437)**	(744,380)
Net sales		**7,024,935**	5,252,627

25. COST OF SALES

Raw and packing material consumed			
- Opening stock		**798,823**	670,707
- Purchases		**5,104,863**	4,316,813
		5,903,686	4,987,520
- Closing stock		**(919,756)**	(798,823)
		4,983,930	4,188,697
Salaries, wages and other benefits	*25.1*	**233,823**	191,580
Fuel and power		**249,993**	211,967
Depreciation	*5.1.1*	**220,884**	182,224
Repairs and maintenance		**10,025**	12,798
Rent, rates and taxes		**12,545**	11,878
Stores and spares consumed		**99,111**	70,132
Provision for / (reversal against) slow moving and obsolete stock		**(3,336)**	5,252
Printing and stationary		**1,397**	1,536
Travelling and conveyance		**26,078**	18,669
Communication		**392**	318
Insurance		**19,162**	15,365
General expenses		**3,459**	4,575
		5,857,463	4,914,991
Opening stock of work-in-process		**66,918**	18,828
Closing stock of work-in-process		**(233,126)**	(66,918)
Cost of goods manufactured		**5,691,255**	4,866,901
Opening stock of finished goods		**1,346,185**	1,161,952
Closing stock of finished goods		**(684,219)**	(1,346,185)
		6,353,221	4,682,668

25.1 Salaries, wages and other benefits include Rs. 5.42 million (2018: Rs. 3.26 million) in respect of staff gratuity expense.

26.	DISTRIBUTION AND SELLING COSTS		2019	2018
			(Rupees in '000)	
	Salaries and other benefits	26.1	**10,235**	8,945
	Depreciation	5.1.1	**2,301**	1,898
	Outward freight and handling charges		**66,625**	63,267
	Marketing expense		**-**	360
	Travelling and conveyance		**749**	627
	Fuel and power		**492**	305
	Repair and maintenance		**70**	46
	Communication		**174**	170
	Other expenses		**385**	266
			81,031	75,884

26.1 Salaries and other benefits include Rs. 0.34 million (2018: Rs. 0.20 million) in respect of staff gratuity expense.

27. ADMINISTRATION AND GENERAL EXPENSES

Salaries and other benefits	27.1	**31,805**	26,834
Rent, rates and taxes		**6,463**	5,876
Depreciation	5.1.1	**6,902**	5,694
Amortisation		**421**	421
Fuel and power		**1,474**	914
Travelling and conveyance		**2,248**	1,881
Communication		**521**	509
Printing, stationary and subscription fees		**2,641**	2,499
Provision against doubtful advances		**2,322**	1,474
Repair and maintenance		**211**	138
Ijarah Rental		**339**	-
Legal and professional charges		**2,410**	3,096
Other expenses		**1,154**	785
		58,911	50,121

27.1 Salaries and other benefits include Rs. 1.10 million (2018: Rs. 0.61 million) in respect of staff gratuity expense.

28. OTHER OPERATING EXPENSES

Auditors' remuneration	28.1	**1,300**	1,300
Workers' profit participation fund	21.1	**-**	1,983
Workers' welfare fund		**-**	754
Exchange loss - net	28.2	**352,876**	171,258
		354,176	175,295

28.1 Auditors' remuneration

Audit fee	**650**	650
Half yearly review	**250**	250
Special certifications	**250**	250
Out of pocket expenses	**150**	150
	1,300	1,300

28.2 This includes exchange gain amounting to Rs. 48.78 million (2018: Rs. 44.41 million) on account of forward contracts entered during the year.

29. OTHER INCOME

	Note	2019	2018
		(Rupees in '000)	
Income from financial assets - Islamic			
Profit on saving accounts		**8**	3
Income from non-financial assets			
Scrap sales		**7,723**	9,356
Gain on disposal of property, plant and equipment		**1,496**	1
Liabilities written back		**-**	12,458
		9,227	21,818

30. FINANCE COSTS

	Note	2019	2018
Conventional			
Mark-up on:			
- short term running finance		**71,498**	51,063
- short term import finances		**265**	1,158
		71,763	52,221
Islamic			
Mark-up on:			
- long term finance		**57,009**	36,549
- short term murabaha		**20,854**	11,306
- short term istisna		**124,114**	72,111
Amortization of:			
- long term payables		**21,723**	10,663
- LC confirmation charges		**14,929**	11,412
		238,629	142,041
Conventional			
Bank guarantee commission		**1,043**	634
Inland bill discounting and documentation charges		**12,908**	5,964
Interest on workers' profit participation fund	*21.1*	**850**	531
Bank charges		**3,585**	3,812
		18,386	10,941
		328,778	205,203

31. TAXATION

	2019	2018
Current tax	**46,786**	2,769
Deferred	**(73,060)**	(69,823)
	(26,274)	(67,054)

31.1 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 up to a prescribed amount (requisite dividend) within six months of the end of the tax year. The Company has reported loss before tax and therefore Company has not charged additional tax under section 5A.

31.2 Relationship between income tax expense and accounting profit

		2019	2018
		(Rupees in '000)	
Accounting (loss) / profit before taxation - continuing operation		**(150,436)**	83,442
Accounting profit / (loss) before taxation - discontinued operation		**352**	(46,522)
		(150,084)	36,920
Tax at the applicable rate of 29% (2018: 30%)		**(43,524)**	11,076
Tax effect of permanent difference on land depreciation		**191**	197
Effect of minimum tax and tax credits		**(6,133)**	(69,365)
Effect of change in tax rate		**23,282**	(24,764)
Tax under section 5A of the Ordinance		**-**	2,769
Others		**1**	50
		(26,183)	80,037
Taxation - continuing operation		**(26,274)**	(67,054)
Taxation - discontinued operation		**91**	(12,983)
		(26,183)	(80,037)

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

As per the Board of Directors (BOD) decision held in the BOD meeting on 20 April 2015, polyester staple fibre plant was converted into PET resin manufacturing plant by making necessary modifications in fibre plant. Accordingly, the fibre business was discontinued.

Results of discontinued operation

		2019	2018
Net sales	*32.1*	**13,685**	3,656
Cost of sales	*32.2*	**(13,333)**	(3,687)
Gross profit / (loss)		**352**	(31)
Impairment loss on trade receivables		**-**	(48,934)
Profit / (loss) from operation		**352**	(48,965)
Other income	*32.3*	**-**	2,443
Profit / (loss) before taxation		**352**	(46,522)
Taxation	*32.4*	**(91)**	12,983
Profit / (loss) after taxation from discontinued operation		**261**	(33,539)

32.1 Net sales

	2019	2018
Raw material	**14,096**	3,729
Sales tax	**(411)**	(73)
Net sales	**13,685**	3,656

32.2 Cost of sales

	2019	2018
	(Rupees in '000)	
Raw and packing materials consumed		
- Opening stock	**45,351**	49,038
- Closing stock	**(32,018)**	(45,351)
	13,333	3,687

32.3 Other income

Income from non-financial assets		
Liabilities written back	**-**	2,443

32.4 Taxation

Current year	**91**	-
Deferred	**-**	(12,983)
	91	(12,983)

32.5 Cash flow statement - discontinued operation

Net cash generated from operating activities	**13,685**	13,656

32.6 As at 30 June 2019, stock in trade and trade receivables included balances of Rs. 32.108 million and Rs. 29.9 million (2018: Rs. 45.762 million and Rs. 29.9 million) respectively pertaining to discontinued operation.

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.

33. (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED

(Loss) / profit for the year after taxation - continuing operation	**(124,162)**	150,496
Profit / (loss) for the year after taxation - discontinued operation	**261**	(33,539)
	(123,901)	116,957
	(Number of shares)	
Weighted average number of ordinary shares	**56,040,000**	56,040,000
	(Rupees)	
(Loss) / earnings per share - basic and diluted - continuing operation	**(2.21)**	2.69
Earnings / (loss) per share - basic and diluted - discontinued operation	**0.00**	(0.60)
Net (loss) / earnings per share - basic and diluted	**(2.21)**	2.09

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	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	(Rupees in '000)									
Managerial remuneration	**3,524**	2,772	**2,740**	1,980	**-**	-	**26,459**	20,617	**32,723**	25,369
Housing and utilities	**1,876**	1,428	**1,460**	1,020	**-**	-	**12,625**	10,342	**15,961**	12,790
Gratuity	**-**	-	**-**	-	**-**	-	**1,441**	1,140	**1,441**	1,140
Medical expenses	**-**	-	**-**	-	**-**	-	**1,709**	1,431	**1,709**	1,431
Leave encashment	**-**	-	**-**	-	**-**	-	**1,399**	2,339	**1,399**	2,339
Other allowances	**-**	-	**-**	-	**-**	-	**448**	182	**448**	182
Meeting fees	**100**	100	**125**	100	**875**	775	**-**	-	**1,100**	975
	5,500	4,300	**4,325**	3,100	**875**	775	**44,081**	36,051	**54,781**	44,226
Number of persons	**1**	1	**1**	1	**8**	7	**23**	16	**33**	25

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

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 meets 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 Plastic caps, Crown caps, PET Resin, BoPET Resin and Preform 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:

	2019	2018
	(Rupees in '000)	
Loan to employees	**6,024**	6,122
Long / short term deposits	**10,385**	8,668
Trade receivables	**951,465**	644,967
Other receivables	**2,084**	45,871
Bank balances	**40,920**	64,188
	1,010,878	769,816

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 A-3 to A1+.

The aging of trade receivables at the reporting date is:

	2019		
	Gross	**Impairment**	**Total**
		(Rupees in '000)	
Not past due	**813,956**	**(1)**	**813,955**
Past due 90-180 days	**95,831**	**(61)**	**95,770**
Past due 181-360 days	**7,119**	**-**	**7,119**
Past due over 360 days	**285,739**	**(251,118)**	**34,621**
	1,202,645	**(251,180)**	**951,465**

	2018		
	Gross	Impairment	Total
		(Rupees in '000)	
Not past due	574,204	-	574,204
Past due 90-180 days	42,285	-	42,285
Past due 181-360 days	-	-	-
Past due over 360 days	252,096	(223,618)	28,478
	868,585	(223,618)	644,967

Based on the calculation of expected credit losses which is estimated based on past experience, consideration of financial position, past track records and recoveries, the Company believes that appropriate impairment has been made and no additional 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. Prior year provision was based on the Company's policy with respect of IAS 39 as disclosed in note 4.2 to the financial statements.

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 reputation, by having credit lines available as disclosed in note 22 to these financial statements. The Company 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:

	2019			
	Carrying amount	**Contractual cash flows**	**Up to one year**	**Two to five years**
	(Rupees in '000)			
Non-derivative financial liabilities				
Long term finance - secured (refer note 18.6)	**529,455**	**(624,480)**	**(482,785)**	**(141,695)**
Long term payables - secured	**608,386**	**(612,208)**	**(612,208)**	**-**
Trade and other payables	**923,505**	**(923,505)**	**(923,505)**	**-**
Short term borrowings - secured	**2,432,290**	**(2,454,255)**	**(2,454,255)**	**-**
Accrued mark-up	**21,971**	**(21,971)**	**(21,971)**	**-**
	4,515,607	**(4,636,419)**	**(4,494,724)**	**(141,695)**

	2018			
	Carrying amount	Contractual cash flows	Up to one year	Two to five years
	(Rupees in '000)			
Non-derivative financial liabilities				
Long term finance - secured	572,133	(634,948)	(229,409)	(405,539)
Long term payables - secured	572,423	(613,217)	(16,782)	(596,435)
Trade and other payables	1,290,087	(1,290,087)	(1,290,087)	-
Short term borrowings - secured	2,012,587	(2,016,714)	(2,016,714)	-
Accrued mark-up	21,779	(21,779)	(21,779)	-
	4,469,009	**(4,576,745)**	**(3,574,771)**	**(1,001,974)**

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 18 and 22 to these financial statements.

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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:

	2019		
	Rupees	**US Dollars**	**Euro**
		(Amount in '000)	
Long term payables	**(608,386)**	**(3,826)**	**-**
Foreign creditors	**(803,024)**	**(4,540)**	**(419)**
	(1,411,410)	**(8,366)**	**(419)**
Gross balance sheet exposure	**(1,411,410)**	**(8,366)**	**(419)**

	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)

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2019	2018	**2019**	2018
USD to PKR	**136.44**	110.29	**160.00**	121.60
Euro to PKR	**155.48**	132.34	**182.16**	141.57

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 or loss	
	2019	2018
USD	**(47,519)**	(38,500)
EURO	**(2,710)**	(1,333)
	(50,229)	(39,833)

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	
	2019	2018	**2019**	2018
	(Percentage)		(Rupees in '000)	
Variable rate instruments				
Bank balances	**3.85% - 6.43%**	3.45% - 3.70%	**90**	-
Variable rate instruments				
Long term finances	**6.81% - 13.69%**	6.66% - 7.61%	**(529,455)**	(572,133)
Long term payable	**3.05% - 7.01%**	3.05% - 7.01%	**(608,386)**	(572,423)
Short term borrowings	**3.5% - 14.06%**	6.34% - 7.54%	**(2,432,290)**	(2,012,587)
			(3,570,131)	(3,157,143)

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 or loss. Therefore a change in interest rates at the reporting date would not affect statement of profit or loss.

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. 25.348 million (2018: Rs. 21.289 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2018.

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 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).

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

	2019				
	Carrying amount		**Fair value**		
	amortised cost	**amortised cost**	**Level 1**	**Level 2**	**Level 3**
	(Rupees in '000)				
Financial assets not measured at fair value					
Loan to employees	**6,024**	-	-	-	-
Long / short term deposits	**10,385**	-	-	-	-
Trade receivables	**951,465**	-	-	-	-
Other receivables	**2,084**	-	-	-	-
Cash and bank balances	**41,270**	-	-	-	-
Financial liabilities not measured at fair value					
Long term finance - secured	-	**529,455**	-	-	-
Long term payables - secured	-	**608,386**	-	-	-
Trade and other payables	-	**923,505**	-	-	-
Short term borrowings - secured	-	**2,432,290**	-	-	-
Accrued mark-up	-	**21,971**	-	-	-

	2018				
	Carrying amount		Fair value		
	Loans and receivables	amortised cost	Level 1	Level 2	Level 3
	(Rupees in '000)				
Financial assets not measured at fair value					
Loan to employees	6,122	-	-	-	-
Long / short term deposits	8,668	-	-	-	-
Trade receivables	644,967	-	-	-	-
Other receivables	45,871	-	-	-	-
Cash and bank balances	64,258	-	-	-	-
Financial liabilities not measured at fair value					
Long term finance - secured	-	572,133	-	-	-
Long term payables - secured	-	572,423	-	-	-
Trade and other payables	-	1,290,087	-	-	-
Short term borrowings - secured	-	2,012,587	-	-	-
Accrued mark-up	-	21,779	-	-	-

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 AND BALANCES WITH RELATED PARTIES

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

Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2019	2018
	(Rupees in '000)	
Key management personnel compensation		
Managerial remunerations	**32,723**	25,369
Others	**22,058**	18,857
Associated banking company		
Current bank account balance	**1,716**	7,129
Saving account balance	**90**	-
Long term finance	**62,502**	-
Short term murabaha	**370,393**	36,203
Short term istisna	**355,276**	248,072
Short term borrowings	**390,681**	729,709
Accrued mark-up	**10,585**	10,120
Bank collection charges paid	**756**	3,312
Bank guarantee commission	**1,043**	634
Mark up on long term finance	**1,160**	-
Interest income on bank deposits	**8**	3
Mark up on short term import finance under mark-up arrangement	**265**	1,158
Mark up on short term borrowings	**71,498**	51,063
Mark up on short term murabaha	**7,382**	5,511
Mark up on short term istisna	**24,307**	8,100
Mark up on inland bill discounting	**747**	4,363
Amna Industries (Private) Limited		
Purchase of generator	**5,000**	-

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*
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*
Al-Hilal Shariah Advisors (Private) Limited	*Associated Company due to common directorship*
Al-Hilal Securities Advisors (Private) Limited	*Associated Company due to common directorship*

36.2 *No associated company owns any shares of the company except for Sattar (Private) Limited which own 400 ordinary 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

		2019	2018
Capacity available - Plastic and crown caps	*Cartons*	**558,570**	558,570
Actual production - Plastic and crown caps	*Cartons*	**459,345**	495,057
Capacity available - PET resin	*Metric tons*	**28,000**	28,000
Actual production - PET resin	*Metric tons*	**25,121**	25,782
Capacity available - PET preform	*Octabins*	**31,000**	3,265
Actual production - PET preform	*Octabins*	**5,986**	1,771

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 or increased demand.

38. WORKING CAPITAL CHANGES AND FINANCING ACTIVITIES

38.1 Working capital changes

	2019	2018
	(Rupees in '000)	
(Increase) / decrease in current assets:		
Stores and spares	**(46,780)**	(18,911)
Stock in trade	**388,158**	(356,752)
Trade debts	**(334,060)**	99,517
Loans and advances	**1,876**	(6,267)
Short term deposits and prepayments	**14,013**	(18,071)
Other receivables	**105,099**	(709)
	128,306	(301,193)
(decrease) / increase in current liabilities:		
Trade and other payables	**(443,981)**	369,243
	(315,675)	68,050

Pakistan Synthetics Limited

38.2 Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Long term finance - secured	Short term borrowings - secured	Accrued mark-up	Unclaimed dividend	Total
	(Rupees in '000)				
Balance as at 1 July 2018	572,133	2,012,587	21,779	16,847	2,623,346
Changes from financing cash flows					
Proceeds from loans and borrowings	186,502	6,487,751	-	-	6,674,253
Repayments of loans and borrowings	(229,180)	(5,829,020)			(6,058,200)
Dividend paid	-	-	-	(12,624)	(12,624)
Total changes from financing activities	(42,678)	658,731	-	(12,624)	603,429
Other changes - interest cost					
Interest expense	-	-	324,150	-	324,150
Interest paid	-	-	(323,958)	-	(323,958)
Changes in running finance	-	(239,028)	-	-	(239,028)
	-	(239,028)	192	-	(238,836)
Balance as at 30 June 2019	529,455	2,432,290	21,971	4,223	2,987,939

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

During the year, the management has reassessed the segment reporting process and concluded that discontinued business (refer note 32) is no more a segment because of no operation and not material to the business operation. Currently the Company deals in Plastic caps, Crown caps, PET Resin, BoPET Resin and Preform which is considered as single reportable segment as there is no process of reviewing and monitoring of operating activities, financial results, forecast / plan for the segment and no decision is made or allocation of resources by Chief Executive or Chief Operating Officer (key decision makers) for product wise. Further, there is no discrete information available specific to the segment nor the segment information presented to the Board of Directors and key decision makers. Therefore, disclosures of segment reporting has not been presented in these financial statements.

41. NUMBER OF EMPLOYEES

The detail of number of employees are as follows:	**2019**	2018
	(Number of employees)	
Average employees of the Company during the year	**317**	298
Total employees of the Company at year end	**325**	306

42. GENERAL

42.1 Comparative Information

Certain comparative amounts have been reclassified or re-presented in order to give better presentation and accordingly comparatives have been rearranged.

42.2 Non adjusting event after reporting date

The Board of Directors in their meeting held on 19 September 2019 have decided to issue 50 right shares for every 100 shares held i.e. 50% at a right price of Rs. 18 per share (including a premium of Rs. 8 per share) The financial statements for the year ended 30 June 2019 do not include the effect of the right issue which will be accounted for in the financial statements for the year ending 30 June 2020.

42.3 Authorisation for Issue

These financial statements were authorised for issue in the meeting of Board of Directors held on 19 September 2019

YAKOOB HAJI KARIM	*SALEEM ADVANI*	*ANWAR HAJI KARIM*
Chief Executive	*Chief Financial Officer*	*Director*

Pakistan Synthetics Limited
PATTERN OF SHAREHOLDING
AS AT 30 JUNE 2019

NO. OF SHAREHOLDERS	SHAREHOLDING			TOTAL SHARES HELD
	From		To	
388	1	–	100	15,797
409	101	–	500	114,251
211	501	–	1000	165,062
251	1001	–	5000	605,152
30	5001	–	10000	241,594
22	10001	–	15000	283,863
4	15001	–	20000	63,000
5	20001	–	25000	114,400
2	25001	–	30000	58,000
3	30001	–	35000	99,400
1	35001	–	40000	40,000
2	40001	–	45000	84,400
1	50001	–	55000	53,500
1	65001	–	70000	67,450
2	95001	–	100000	197,500
1	120001	–	125000	121,082
1	240001	–	245000	242,848
1	275001	–	280000	279,500
1	370001	–	375000	370,500
1	495001	–	500000	500,000
1	505001	–	510000	508,000
1	600001	–	605000	601,500
2	855001	–	860000	1,714,596
2	930001	–	935000	1,861,394
1	945001	–	950000	947,848
1	1055001	–	1060000	1,056,191
1	1160001	–	1165000	1,165,000
1	1270001	–	1275000	1,273,845
1	1460001	–	1465000	1,460,896
1	1635001	–	1640000	1,639,000
1	1860001	–	1865000	1,861,245

Pakistan Synthetics Limited

PATTERN OF SHAREHOLDING

AS AT 30 JUNE 2019

NO. OF SHAREHOLDERS	SHAREHOLDING From		SHAREHOLDING To	TOTAL SHARES HELD
1	1880001	–	1885000	1,880,591
1	2055001	–	2060000	2,057,783
1	2140001	–	2145000	2,140,640
1	2275001	–	2280000	2,277,790
1	2380001	–	2385000	2,383,704
1	2530001	–	2535000	2,531,469
1	2615001	–	2620000	2,615,005
1	3595001	–	3600000	3,596,402
1	3825001	–	3830000	3,829,851
1	4125001	–	4130000	4,125,864
1	5225001	–	5230000	5,227,349
1	5565001	–	5570000	5,566,738
1362				56,040,000

S. NO.	CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	TOTAL SHARES HELD	PERCENTAGE
1	INDIVIDUAL	1,319	50,052,455	89.32%
2	JOINT STOCK COMPANIES	13	96,906	0.17%
3	FINANCIAL INSTITUTIONS	2	1,592	0.00%
4	INVESTMENT COMPANIES	8	17,100	0.03%
5	INSURANCE COMPANIES	3	1,881,951	3.36%
6	FOREIGN INVESTORS	4	1,452	0.00%
7	BANK	2	1,592	0.00%
8	MODARABA	1	100	0.00%
9	MUTUAL FUND	7	3,733,483	6.66%
10	OTHERS	3	253,369	0.46%
		1,362	56,040,000	100.00%

Pakistan Synthetics Limited

PATTERN OF SHAREHOLDING

AS AT 30 JUNE 2019

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

Directors, CEO & their Spouses

1	Mr. Anwar Haji Karim - Director		1,273,845
2	Mrs. Zeenat (W/O Mr. Anwar Haji Karim)		1,056,191
3	Mr. Yakoob Haji Karim - Chief Executive Officer		2,140,640
4	Mrs. Shahida (W/o Mr. Yakoob Haji Karim)		947,848
5	Mr. Sajid Haroon - Director		2,531,469
6	Mrs. Akila (W/o Mr. Sajid Haroon)		930,700
7	Mr. Abid Umer - Director		1,861,245
8	Mr. Ahmed Aslam - Director		40,500
9	Mr. Noman Yakoob - Director		2,383,704
10	Mr. Faraz Younus Bandukda - Director		500
11	Mrs. Saeed Fatima Naqvi - Director		500
		11	**13,167,142**

Executives	Nil	_
Public Sector Companies & Corporation		
State Life Insuracne Corp. of Pakistan	1	1,880,591
		1,880,591
Banks, Development Finance Institutions, Banking Finance Institutions, Insurance Companies, Modarabas and Others	32	373,471
Mutual Funds		
CDC-Trustee AKD Opportunity Fund		508,000
Golden Arrow Selected Stocks Fund Ltd.		1,165,000
Asian Stock Funds Limited		500
	3	**1,673,500**
Individuals		36,885,313
	Total	**56,040,000**

Shareholders holding 5% or more

Mrs. Noor Jehan	6.42%	3,596,402
Mrs. Sana Yakoob	6.83%	3,829,851
Mrs. Farah Yakoob	7.36%	4,125,864
Mr. Fawad Anwar	9.33%	5,227,349
Mr. Anis Yakoob	9.93%	5,566,738

Associated Companies, Undertakings & Related Parties

Sattar (Pvt) Limited	400

No trade in the shares of the Company has been carried out by Directors, Exectuives and their spouses and minor children during the year.

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Pakistan Synthetics Limited

NOTICE OF MEETING

Notice is hereby given that the Thirty Fourth Annual General Meeting of the shareholders of Pakistan Synthetics Limited will be held on Wednesday, 23 October 2019 at 3.00 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 Seventeenth Extra-Ordinary General Meeting of the Company held on 31 August 2019.*

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 2019.*

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

YAKOOB HAJI KARIM
Chief Executive

Karachi
Dated: 19 September 2019

NOTES:-

- *The Shares Transfer Books of the Company will remain closed from Wednesday, 16 October 2019 to Wednesday, 23 October 2019 (both days inclusive). Transfer received at the office of the Company's share registrar M/s F.D. Registrar Services (Private) Limited, 1705, 17th Floor, Saima Trade Tower A, I.I. Chundrigar Road, Karachi, at the close of business on 15 October 2019 will be treated in time to attend the Thirty Fourth 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 Fourth 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 (Private) 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 (Private) 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 Further, it is the responsibility of the member to timely update the Share Registrar of any change in the registered e-mail address.*

- *The Company shall provide its Member, with the option of e-voting or voting by postal ballot in accordance with the provisions of Companies (Postal Ballot) Regulations, 2018. Shareholders who wish to participate through e-voting are requested to provide not later than seven days from the date of Thirty Fourth Annual General Meeting, through a letter duly signed by them carrying name, Folio/CDC A/c. no., email address, contact number to the share registrar of the Company, M/s F.D. Registrar Services (Private) Limited.*

- *As per Companies Act, 2017, if the Company receives consent from members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the meeting through video conference at least 7 days prior to the date of Thirty Fourth Annual General Meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility, please provide the following information to the Share Registrar, M/s. F.D. Registrar Services (Private) Limited.*

  I/We, being a member of Pakistan Synthetics Limited holder of __________ Ordinary shares as per register folio no./CDC A/c. no. ___________ hereby opt for video conference facility at ____________ (Please insert name of the City)

- *Shareholders who have not yet collected their dividend / physical shares are advised to contact our Share Registrar immediately to collect / enquire about their unclaimed dividend or shares.*

Pakistan Synthetics Limited

FORM OF PROXY

THIRTY FOURTH 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 Fourth Annual General Meeting of the Company to be held on 23 October 2019 and / or any adjournment thereof.

As witness my/our hand/seal this ______________ day of ____________________ 2019

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 سینتیٹاکس لمیٹڈ

مختار نامہ (پراکسی فارم)

میں/ہم ____________________

ساکن ____________________

بحیثیت رکن (ممبر) پاکستان سینتیٹاکس لمیٹڈ مقرر کرتا / کرتی ہوں / کرتے ہیں مسمّی /مسماۃ ____________________

ساکن ____________________

کو یا ان کی غیر حاضری میں مسمّی/مسماۃ ____________________

ساکن ____________________

کو جو خود بھی پاکستان سینتیٹاکس لمیٹڈ کا رکن ہے کہ وہ بطور میرا / ہمارا مختار نامہ (پراکسی) پاکستان سینتیٹاکس لمیٹڈ کے سالانہ اجلاس عام میں جو ۲۳ اکتوبر ۲۰۱۹ 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 ____________________ ۲۰۱۹ کو میرے/ہمارے دستخط سے جاری ہوا۔

فولیو نمبر	سی ڈی سی کھاتہ نمبر	حصص کی تعداد

دستخط

گواہ نمبر ا

دستخط ____________________

نام ____________________

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر ____________________

پتہ ____________________

گواہ نمبر ۲

دستخط ____________________

نام ____________________

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر ____________________

پتہ ____________________

ہدایات:

ا۔ 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 مقررہ وقت سے کم ازکم 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.