



**PAKISTAN SYNTHETICS LIMITED  
HALF YEARLY REPORT  
DECEMBER 2020**

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# Pakistan Synthetics Limited

## COMPANY INFORMATION

<b>BOARD OF DIRECTORS</b>	MR. KHURSHID AKHTAR MR. YAKOOB HAJI KARIM MR. NOMAN YAKOOB MR. ABID UMER MR. MUBBASHIR AMIN MR. ALI KAMAL MR. FARAZ YOUNUS BANDUKDA MRS. SAEED FATIMA NAQVI	CHAIRMAN-NON-EXECUTIVE CHIEF EXECUTIVE EXECUTIVE NON- EXECUTIVE NON- EXECUTIVE INDEPENDENT INDEPENDENT INDEPENDENT
<b>AUDIT COMMITTEE</b>	MR. ALI KAMAL – CHAIRMAN MR. MUBBASHIR AMIN MR. ABID UMER	
<b>HUMAN RESOURCE AND REMUNERATION COMMITTEE</b>	MR. ALI KAMAL – CHAIRMAN MR. MUBBASHIR AMIN MR. NOMAN YAKOOB	
<b>CHIEF FINANCIAL OFFICER</b>	MR. SHAHID YAQOOB	
<b>COMPANY SECRETARY</b>	MR. MUHAMMAD IMRAN	
<b>BANKERS</b>	DUBAI ISLAMIC BANK PAKISTAN LIMITED HABIB BANK LIMITED HABIB METROPOLITAN BANK LIMITED BANK AL HABIB LIMITED ASKARI BANK LIMITED MEEZAN BANK LIMITED BANK OF PUNJAB LIMITED BANK AL-FALAH LIMITED BANK ISLAMI PAKISTAN LIMITED	
<b>AUDITORS</b>	KPMG TASEER HADI & CO. CHARTERED ACCOUNTANTS	
<b>HEAD OF INTERNAL AUDIT</b>	MR. NABIL YAQOOB	
<b>REGISTRAR</b>	F.D REGISTRAR SERVICES (PVT.) LTD. OFF: # 1705 17TH FLOOR SAIMA TRADE TOWER-A I.I. CHUNDRIGAR ROAD, KARACHI	
<b>LEGAL ADVISOR</b>	TASAWUR ALI HASHMI ADVOCATE	
<b>REGISTERED OFFICE</b>	3RD FLOOR, KARACH DOCK LABOUR BOARD BUILDING, 58-WEST WHARF ROAD, KARACHI-74000	
<b>FACTORY</b>	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	

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# Pakistan Synthetics Limited

## DIRECTORS' REVIEW

*The Board of Directors of Pakistan Synthetics Limited takes pleasure in presenting review of the performance of the Company together with the auditor's reviewed financial statements for the half year ended 31 December 2020:*

### **OPERATING PERFORMANCE**

*During the period under review the Company produced 11,799 Mt of Resin as against 11,423 MT of Resin during the corresponding period last year and sold 7,152 MT of Resin as against 9,772 MT of Resin during the corresponding period last year. During the period under review, the Company produced octabins of preform 6,828 octabins as against 3,098 octabins produced during the corresponding period last year and sold 6,625 octabins during the period as against 3,484 octabins in the same period last year.*

*During the period under review the Company produced 246,678 cartons of plastic and crown caps as against 185,230 cartons during the corresponding period last year and sold 195,622 cartons as against 165,227 cartons during the corresponding period last year.*

### **FINANCIAL RESULTS**

*During the period under review, the Company recorded net sales revenue of Rs. 2,368.63 million as compared to Rs. 2,674.98 million during the same period last year. Gross margin has increased as compared to the corresponding period mainly due to favorable movement in imported raw material prices. Finance cost of the Company decreased from Rs. 210.245 million to Rs. 92.329 million as a result of decrease in discount rates. Accordingly, the Company earned net profit after tax for the period amounting to Rs. 107.883 million (December 31, 2019: 19.194 million) reflecting an increase of profit by Rs. 88.639 million. The results translated into earning per share of Rs. 1.28 per share (December 31, 2019: Rs. 0.35 per share).*

### **FUTURE OUTLOOK**

*The COVID pandemic affected the global economy at various levels. The country has faced severe economic challenges in last one and half year which have affected all the business. However, the economic turbulence our country witnessed is being effectively addressed by the government. The local economy is being forecasted to grow in coming months. The Company has planned development of existing infrastructure. In order to be more competitive and grab more market share, certain balancing, modernizing and rehabilitation projects are under consideration.*

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# Pakistan Synthetics Limited

## DIRECTORS' REVIEW

*Break crude prices has shot up by whopping 50% since October 2020 level. Due to this our product raw material prices have escalated drastically which is a severe challenge for us to pass on their price increments to our customers. Using our close and cordial relationships with our customers, we are under negotiations with all to bear this sudden cost increase. Going forward Raw material price increase and availability of raw material would be big challenge.*

### **ACKNOWLEDGEMENT**

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

*For and on behalf of the Board of Directors*



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**YAKOOB HAJI KARIM**  
**CHIEF EXECUTIVE**



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**NOMAN YAKOOB**  
**DIRECTOR**

*Date: February 19, 2021*  
*Karachi*



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

## **INDEPENDENT AUDITOR'S REVIEW REPORT**

**To the members of Pakistan Synthetic Limited**

**Report on review of Condensed Interim Financial Statements**

### **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of **Pakistan Synthetic Limited** as at 31 December 2020 and the related condensed interim statement of profit or loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flows, and condensed interim statement of changes in equity, and notes to the financial information for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.



KPMG Taseer Hadi & Co.

**Other matter**

The figures for the quarter ended 31 December 2020 and 31 December 2019 in the interim financial statements have not been reviewed and we do not express a conclusion on them.

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

**Date: 22 February 2021**

**Karachi**

  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**

# Pakistan Synthetics Limited

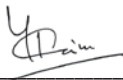
## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

		31 December 2020	30 June 2020
	Note	(Rupees in '000)	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	2,045,322	2,062,270
Right-of-use asset		46,964	14,925
Long term loan to employees		2,917	2,549
Long term deposits and prepayments		10,469	10,038
Deferred taxation - net		33,768	34,061
		<b>2,139,440</b>	<b>2,123,843</b>
<b>Current assets</b>			
Stores and spares		303,370	275,397
Stock-in-trade	6	1,685,915	1,148,874
Trade debts	7	417,779	876,612
Loans and advances		47,887	12,326
Short term deposits and prepayments		11,845	10,531
Short term investment		538	522
Other receivables		82,245	3,123
Advance tax - net of provision		515,899	630,594
Cash and bank balances		31,429	17,993
		<b>3,096,907</b>	<b>2,975,972</b>
		<b>5,236,347</b>	<b>5,099,815</b>
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Authorised share capital of 140,000,000 (30 June 2020: 140,000,000) ordinary shares of Rs. 10 each		1,400,000	1,400,000
Issued, subscribed and paid-up capital		840,600	840,600
Reserves		869,486	761,653
		<b>1,710,086</b>	<b>1,602,253</b>
<b>Non-current liabilities</b>			
Long term borrowings	8	238,472	271,140
Lease liability		38,732	12,186
Staff retirement benefits		37,953	36,096
		<b>315,157</b>	<b>319,422</b>
<b>Current liabilities</b>			
Trade and other payables		1,137,251	1,267,808
Accrued markup		9,725	24,539
Unclaimed dividend		4,219	4,219
Short term borrowings	9	1,822,247	1,793,868
Current portion of lease liability		11,000	5,834
Current portion of long term borrowings		226,662	81,872
		<b>3,211,104</b>	<b>3,178,140</b>
		<b>5,236,347</b>	<b>5,099,815</b>
<b>TOTAL EQUITY AND LIABILITIES</b>			

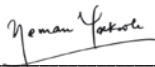
### Contingencies and commitments

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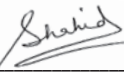
The annexed notes from 1 to 18 form an integral part of these financial statements.



**YAKOOB HAJI KARIM**  
CHIEF EXECUTIVE



**NOMAN YAKOOB**  
DIRECTOR



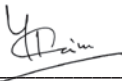
**SHAHID YAQOOB**  
CHIEF FINANCIAL OFFICER

# Pakistan Synthetics Limited

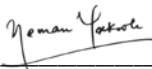
## CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS ACCOUNT (UN-AUDITED) FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2020

	Note	Six months period ended		Quarter ended	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
----- (Rupees in '000) -----					
Net sales	11	2,368,633	2,674,977	778,539	980,305
Cost of sales		(2,049,684)	(2,410,862)	(694,565)	(876,163)
<b>Gross profit</b>		<b>318,949</b>	<b>264,115</b>	<b>83,974</b>	<b>104,142</b>
Distribution and selling expenses		(52,603)	(36,544)	(12,527)	(12,978)
Administrative expenses		(39,744)	(36,381)	(22,086)	(18,360)
Other operating expenses		(11,961)	(3,127)	(2,051)	398
		(104,308)	(76,052)	(36,664)	(30,940)
Unrealised gain on remeasurement of investment		16	2	8	2
Other income		32,253	54,532	21,793	19,620
		246,910	242,597	69,111	92,824
Finance costs		(92,329)	(210,245)	(44,426)	(108,025)
<b>Profit / (loss) before tax</b>		<b>154,581</b>	<b>32,352</b>	<b>24,685</b>	<b>(15,201)</b>
Taxation	12	(46,748)	(13,176)	(8,926)	657
<b>Profit / (loss) after tax for the period</b>		<b>107,833</b>	<b>19,176</b>	<b>15,759</b>	<b>(14,544)</b>
<b>Profit / (loss) after tax from discontinued operation</b>		-	18	-	13
<b>Profit / (loss) after tax for the period</b>		<b>107,833</b>	<b>19,194</b>	<b>15,759</b>	<b>(14,531)</b>
----- (Rupees) -----					
Earning / (loss) per share - basic and diluted	13	1.28	0.35	0.18	(0.28)

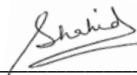
The annexed notes from 1 to 18 form an integral part of these financial statements.



**YAKOOB HAJI KARIM**  
CHIEF EXECUTIVE



**NOMAN YAKOOB**  
DIRECTOR



**SHAHID YAQOOB**  
CHIEF FINANCIAL OFFICER



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# Pakistan Synthetics Limited

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE SIX MONTHS PERIOD AND QUARTER ENDED 31 DECEMBER 2020

	Six months period ended		Quarter ended	
	December 2020	December 2019	December 2020	December 2019
	----- (Rupees in '000) -----			
Profit / (loss) for the period	107,833	19,194	15,759	(14,531)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income / (loss) for the period</b>	<b>107,833</b>	<b>19,194</b>	<b>15,759</b>	<b>(14,531)</b>

The annexed notes from 1 to 18 form an integral part of these financial statements.



YAKOOB HAJI KARIM  
CHIEF EXECUTIVE



NOMAN YAKOOB  
DIRECTOR



SHAHID YAQOOB  
CHIEF FINANCIAL OFFICER

# Pakistan Synthetics Limited

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2020

	Issued, subscribed and paid-up capital	Reserves			Total reserves	Total
		Capital reserve	Revenue reserve			
			Share premium	General reserve		
----- (Rupees in '000) -----						
Balance as at 30 June 2019	560,400	-	292,450	343,164	635,614	1,196,014
<i>Transactions with owners of the Company - Contribution</i>						
Issue of right share	280,200	224,160	-	-	224,160	504,360
<i>Total comprehensive income for the six months period ended 31 December 2019</i>						
Profit for the period	-	-	-	19,194	19,194	19,194
Other comprehensive income	-	-	-	-	-	-
	-	-	-	19,194	19,194	19,194
Balance as at 31 December 2019	840,600	224,160	292,450	362,358	878,968	1,719,568
Balance as at 30 June 2020	840,600	224,160	292,450	245,043	761,653	1,602,253
<i>Total comprehensive Income for the period ended 31 December 2020</i>						
Profit for the period	-	-	-	107,833	107,833	107,833
Other comprehensive income	-	-	-	-	-	-
	-	-	-	107,833	107,833	107,833
Balance as at 31 December 2020	840,600	224,160	292,450	352,876	869,486	1,710,086

The annexed notes from 1 to 18 form an integral part of these financial statements.



**YAKOOB HAJI KARIM**  
CHIEF EXECUTIVE



**NOMAN YAKOOB**  
DIRECTOR



**SHAHID YAQOOB**  
CHIEF FINANCIAL OFFICER

# Pakistan Synthetics Limited


## CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2020

	31 December 2020	31 December 2019
Note	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation - continued and discontinued operations	154,581	32,391
<i>Adjustments for:</i>		
Depreciation	120,795	114,968
Depreciation on right of use asset	6,203	3,731
Provision for staff gratuity	4,723	2,573
Amortization of intangible assets	-	211
Amortization of government grant	(2,092)	-
Reversal of provision for slow moving and obsolete stock	-	(1,540)
Finance costs	90,037	210,245
Mark-up on lease liability	2,292	-
Unrealised gain on remeasurement of investment	(16)	(2)
Gain on derecognition of right of use asset	(4,111)	-
Gain on disposal of property, plant and equipment	(2,497)	(5,008)
	<b>369,915</b>	<b>357,569</b>
<i>Changes in:</i>		
Working capital	14 (352,697)	(504,153)
Long term loan to employees - net	(837)	218
Cash generated from / (used in) operations	<b>16,381</b>	<b>(146,366)</b>
Staff gratuity paid	(2,866)	(1,266)
Financial costs paid	(104,851)	(208,961)
Taxes refund received / (paid)	68,240	(26,892)
Net cash generated from / (used in) operating activities	<b>(23,096)</b>	<b>(383,484)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital Expenditure	(106,277)	(67,246)
Proceeds from disposal of property, plant and equipment	4,927	5,008
Net cash used in investing activities	<b>(101,350)</b>	<b>(62,238)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from right issue	-	504,360
Payment of lease liabilities	(4,711)	-
Long term diminishing musharka - net	114,214	(128,416)
Short term foreign currency loan and money market loan - net	-	454,236
Short term istisna and murabaha - net	347,834	(69,961)
Net cash generated from financing activities	<b>457,337</b>	<b>760,219</b>
Net increase in cash and cash equivalents	<b>332,891</b>	<b>314,497</b>
Cash and cash equivalents at beginning of the period	<b>(326,746)</b>	<b>(149,411)</b>
Cash and cash equivalents at end of the period	<b>6,145</b>	<b>165,086</b>
<b>CASH AND CASH EQUIVALENTS COMPRISE</b>		
Cash and bank balances	31,429	165,086
Running finance under mark-up arrangement	(25,284)	-
	<b>6,145</b>	<b>165,086</b>

The annexed notes from 1 to 18 form an integral part of these financial statements.

  
YAKOOB HAJI KARIM  
CHIEF EXECUTIVE

  
NOMAN YAKOOB  
DIRECTOR

  
SHAHID YAQOOB  
CHIEF FINANCIAL OFFICER

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# Pakistan Synthetics Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2020

### 1. STATUS AND NATURE OF BUSINESS

Pakistan Synthetics Limited ("the Company") was incorporated on 18 November 1984 as a private limited company in Pakistan and subsequently converted into a public limited company on 30 December 1987. The shares of the Company are listed on Pakistan Stock Exchange with effect from 27 June 1995. The principal activity of the Company is manufacturing and sale of Plastic Caps, Crown Caps, PET resin, PET Preform and BOPET resin. The registered office of the Company is situated at 3rd floor, K.D.L.B, building, 58, West Wharf, Karachi.

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

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34 or IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statements of the Company does not include all of the information required for annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended 30 June 2020. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

These condensed interim financial statements are being submitted to the shareholders as required by listing regulations of Pakistan Stock Exchange vide section 237 of the Companies Act, 2017.

The comparative statement of financial position presented in these condensed interim financial statements as at 30 June 2020 has been extracted from the audited financial statements of the Company for the year ended 30 June 2020, whereas the comparative statement of profit or loss account, statement of comprehensive income, statement of cash flows and statement of changes in equity for the six months period ended 31 December 2019 have been extracted from the unaudited condensed interim financial statements for the period then ended.

#### 2.2 Basis of measurement

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

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# Pakistan Synthetics Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2020

### 2.3 Functional and presentation currency

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of audited annual financial statements of the Company as at and for the year ended 30 June 2020.

#### 3.1 New standards, interpretations and amendments adopted by the company

A number of other pronouncements are effective from 1 July 2020 as detailed in Company's annual audited financial statements as at and for the year ended 30 June 2020, but they do not have a material effect on these condensed interim financial statements.

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

There are certain new standards, interpretations and amendments to the approved accounting standards that will be mandatory for the Company's annual accounting periods beginning on or after 1 January 2021. However, currently management considers that these pronouncements will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these condensed interim financial statements.

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2021:

- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
  - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
  - there is no substantive change to the other terms and conditions of the lease.

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# Pakistan Synthetics Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2020

- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 1 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

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

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

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# Pakistan Synthetics Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2020

- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) - In response to concerns regarding temporary accounting mismatches and volatility, and increased costs and complexity, the Board issued amendments to IFRS 4 Insurance Contracts in 2017. The two optional solutions raised some considerations which required detailed analysis and management judgement. On the issue of IFRS 17 (Revised) Insurance Contracts in June 2020, the end date for applying the two options under the IFRS 4 amendments was extended to 1 January 2023, aligned with the effective date of IFRS 17.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

The above amendments and annual improvements are not likely to have an impact on these financial statements.

#### 4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience. Actual results may differ from these estimates.

The significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended 30 June 2020.

The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the annual financial statements as at and for the year ended 30 June 2020.

# Pakistan Synthetics Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2020

### 5. PROPERTY, PLANT AND EQUIPMENT

	31 December 2020 (Unaudited) (Rupees in '000)	30 June 2020 (Audited)
Operating fixed assets	2,045,322	1,974,957
Capital work in progress	-	87,313
	<u>2,045,322</u>	<u>2,062,270</u>

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

	For the half year ended	
	31 December 2020 (Rupees in '000)	31 December 2019
<i>Additions / transfers from CWIP:</i>		
Building on leasehold land	101,665	-
Plant and machinery	73,382	44,876
Vehicles	17,992	4,150
Furniture and equipment	235	-
Computer accessories	313	52
	<u>193,587</u>	<u>49,078</u>

5.2 Additions to operating fixed assets include transfers of Rs. 101.665 million (31 December 2019: Rs. 43.724 million) from capital work in progress.

5.3 Additions to capital work in progress amounted to Rs. 14.35 million (31 December 2019: Rs. 61.89 million).

### 6. STOCK IN TRADE

	31 December 2020 (Unaudited) (Rupees in '000)	30 June 2020 (Audited)
Raw and packing material		
- in hand	390,547	421,857
- in transit	115,672	194,363
	<u>506,219</u>	<u>616,220</u>
Work-in-process	498,105	109,072
Finished goods	682,198	424,189
Provision for slow moving and obsolete stock	(607)	(607)
	<u>681,591</u>	<u>423,582</u>
	<u>1,685,915</u>	<u>1,148,874</u>

### 7. TRADE DEBTS

Trade debts	666,259	1,127,792
Less: Allowance for impairment loss against trade debts	(248,480)	(251,180)
	<u>417,779</u>	<u>876,612</u>



# Pakistan Synthetics Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2020

7.1 Allowance for impairment loss against trade debts	31 December 2020 (Unaudited) (Rupees in '000)	30 June 2020 (Audited)
Opening balance	251,180	251,180
Reversal for impairment of trade debts	(2,700)	-
	248,480	251,180

### 8. LONG TERM FINANCE - secured

#### *Islamic*

Long term finances utilised under diminishing musharka	344,814	316,587
Loan obtained under refinance scheme for payment of wages and salaries	105,111	33,655
Less: current portion of long term finances	(220,412)	(80,252)
	229,513	269,990
Deferred income - government grant	15,209	2,770
Current portion of deferred income - government grant	(6,250)	(1,620)
	8,959	1,150
	238,472	271,140

### 9. SHORT TERM BORROWINGS - SECURED

#### *Conventional*

Running finance under mark-up arrangement	12,889	344,739
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#### *Islamic*

Murabaha	83,714	141,180
Istisna	1,713,249	1,307,949
Musharakah	12,395	-
	1,822,247	1,793,868

### 10. CONTINGENCIES AND COMMITMENTS

#### 10.1 Contingencies

There are no changes in the status of contingencies as disclosed in the annual financial statements except for the matter mentioned in note no. 25.1.2 for the year ended June 30, 2020. The current status of the said matter is given below:

# Pakistan Synthetics Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2020

### 10.1.1 CONTINGENCIES AND COMMITMENTS

The Supreme Court of Pakistan has dismissed the review petition filed for seeking review of the judgement and clarified that the remedy to seek relief granted under Section 8(2) of the GIDC Act, 2015 lies elsewhere and not in review petition. Therefore, the Company has filed a petition along with other parties in the High Court of Sindh challenging the levy of GIDC Cess to the industrial gas connection in violation of section 8(2) of GIDC Cess Act, 2015 and the Honourable Court has issued a stay order dated 24 December 2020 restraining any coercive action against the Company. Provision against Gas Infrastructure Development Cess (GIDC) included in Trade and other payables amounted to is Rs 169.623 million as at 31 December 2020 (30 June 2020: Rs. 166.892 million).

### 10.2 Commitments

**10.2.1** The Company has facilities of Rs. 2.269 million (30 June 2020: Rs. 2.269 million) for opening letters of credit. At 31 December 2020, the open letters of credits for stock in trade, stores and spares and capital commitment amounted to Rs. 706.587 million (30 June 2020: Rs. 340.232 million).

### 11. NET SALES

	<b>31 December 2020 (Unaudited)</b>	31 December 2019 (Unaudited)
	<b>(Rupees in '000)</b>	
Crowns and plastic caps	<b>1,017,617</b>	937,556
PET resin	<b>1,175,320</b>	1,876,228
Preform	<b>522,921</b>	332,180
Export	<b>7,271</b>	-
Others	<b>61,837</b>	3,715
	<b>2,784,966</b>	3,149,679
Sales tax	<b>(416,333)</b>	(474,702)
Net sales	<b>2,368,633</b>	2,674,977

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

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

#### Geographical markets

Pakistan	<b>2,361,362</b>	2,674,977
China	<b>7,271</b>	-
	<b>2,368,633</b>	2,674,977

# Pakistan Synthetics Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2020

12. TAXATION	Six months period ended	
	31 December	31 December
	2020	2019
	(Rupees in '000)	
Current tax	46,455	40,146
Deferred tax	293	(26,970)
	<u>46,748</u>	<u>13,176</u>

### 13. EARNINGS PER SHARE

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

	Six months period ended	
	31 December	31 December
	2020	2019
	(Rupees in '000)	
Profit for the period	<u>107,833</u>	<u>19,194</u>
	(Number)	
Weighted average number of ordinary shares	<u>84,060,000</u>	<u>54,487,364</u>
	----- (Rupees) -----	
Earnings per share - basic and diluted	<u>1.28</u>	<u>0.35</u>

### 14. WORKING CAPITAL CHANGES

	Six months period ended	
	31 December	31 December
	2020	2019
	(Rupees in '000)	
<i>Movement in working capital</i>		
<b>(Increase) / decrease in current assets</b>		
Stores and spares	(27,973)	(32,058)
Stock in trade	(537,041)	(109,567)
Trade debts	458,833	451,220
Loans and advances	(35,092)	(244)
Short term deposits and prepayments	(1,314)	(12,086)
Long-term deposits and prepayments - net	(431)	(3,929)
Other receivables	(79,122)	(81,038)
Short term investment	-	(502)
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	(130,557)	(107,563)
Long term payables	-	(608,386)
	<u>(352,697)</u>	<u>(504,153)</u>

# Pakistan Synthetics Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2020

### 15. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

Details of transactions with and balances from / to related parties, other than those which have been specifically disclosed elsewhere in these condensed interim financial statements are as follows:

15.1. Related party transactions:	Six months period ended	
	31 December 2020	31 December 2019
<i>Key management personnel compensation</i>		
Managerial remuneration	30,370	29,393
Gratuity	2,546	2,472
Other allowances	1,977	1,635

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

### 16. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in annual financial statement of the Company as at and the year ended 30 June 2020.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Level 1 : Fair value measurements using quoted (unadjusted) in active markets for identical asset or liability.

Level 2 : Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 : Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

# Pakistan Synthetics Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2020

31 December 2020 (Unaudited)							
Amortised cost	Carrying amount			Total	Fair value		
	At fair value through profit or loss	Other financial liabilities			Level 1	Level 2	Level 3
(Rupees in '000')							
<b>On-balance sheet financial instruments</b>							
<b>Financial assets measured at fair value</b>							
Short term investments	-	538	-	-	538	-	-
<b>Financial assets not measured at fair value</b>							
Loan to employees	5,751	-	-	5,751	-	-	-
Long / short term deposits	22,314	-	-	22,314	-	-	-
Trade receivables	417,779	-	-	417,779	-	-	-
Other receivables	82,245	-	-	82,245	-	-	-
Bank balances	31,111	-	-	31,111	-	-	-
	<b>559,200</b>	-	-	<b>559,200</b>	-	-	-
<b>Financial liabilities not measured at fair value</b>							
Long term financing	-	-	465,134	465,134	-	-	-
Trade and other payables	-	-	935,634	935,634	-	-	-
Accrued markup	-	-	9,725	9,725	-	-	-
Short term borrowings	-	-	1,822,247	1,822,247	-	-	-
	-	-	<b>3,232,740</b>	<b>3,232,740</b>	-	-	-
30 June 2020 (Audited)							
Amortised cost	Carrying amount			Total	Fair value		
	At fair value through profit or loss	Other financial liabilities			Level 1	Level 2	Level 3
<b>On-balance sheet financial instruments</b>							
<b>Financial assets measured at fair value</b>							
	-	-	522	522	-	-	-
<b>Financial assets not measured at fair value</b>							
Loan to employees	4,914	-	-	4,914	-	-	-
Long / short term deposits	20,569	-	-	20,569	-	-	-
Trade receivables	1,127,792	-	-	1,127,792	-	-	-
Other receivables	3,123	-	-	3,123	-	-	-
Bank balances	17,993	-	-	17,993	-	-	-
	<b>1,174,391</b>	-	-	<b>1,174,391</b>	-	-	-
<b>Financial liabilities not measured at fair value</b>							
Long term financing	-	-	353,012	353,012	-	-	-
Trade and other payables	-	-	993,996	993,996	-	-	-
Accrued markup	-	-	24,539	24,539	-	-	-
Short term borrowings	-	-	1,793,868	1,793,868	-	-	-
	-	-	<b>3,165,415</b>	<b>3,165,415</b>	-	-	-

The Company has not disclosed the fair values for all other financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

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# Pakistan Synthetics Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2020

### 17. INFORMATION ABOUT BUSINESS SEGMENTS

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

17.1 All non-current assets of the Company at 31 December 2020 are located in Pakistan.

17.2 The Company's customer base is diverse with no single customer accounting for more than 10% of net sales. Sales to domestic customers in Pakistan are 99.7% (2019: 100%) and to customer outside Pakistan are 0.30% (2019: Nil) of the revenue.

### 18. GENERAL

These condensed interim financial statements have been authorised for issue on February 19, 2021 by the Board of Directors of the Company.



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**YAKOOB HAJI KARIM**  
CHIEF EXECUTIVE



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**NOMAN YAKOOB**  
DIRECTOR



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**SHAHID YAQOOB**  
CHIEF FINANCIAL OFFICER

If undelivered please return to:

**PAKISTAN SYNTHETICS LIMITED**

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