ANNUAL REPORT **2017**

Moving Forward With Reliability

SPEL

Synthetic Products Enterprises Limited

"Reliability is the precondition for trust." Although a very redundant expression, at SPEL we all strive to be always steady and firm to foster our customers' most valued input—their trust. Though, being reliable, committed, passionate, and upright at all instances is really hard but of course not impossible! SPEL, for almost four decades has been developing long-term strategic relationships with its customers by providing unparalleled services and uncompromised quality. Thus, asserting to be professionally reliable, is a very apt declaration that truly captures the gist of SPEL's business focus!

CONTENTS

VISION

To become premium player in the market by building a professional organization, having state of the art technology and expanding product range, and the most progressive and profitable Company in the sector.

OVERALL STRATEGIC OBJECTIVES

We are committed to be reliable supplier for our customers by meeting their expectations through innovation, continuous improvement and by utilizing the economic and human resource effectively.

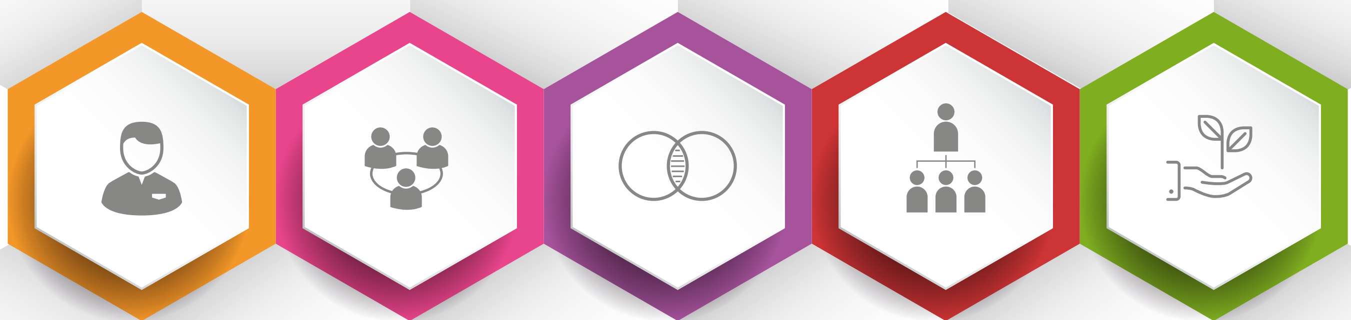
We aim to develop the long term sustainability of the organization by constantly upgrading our technologies, developing and training our employees and committing to ethical and moral business values.

We are focused to be a market leader for quality products and to grow continuously by adding products and customers in our portfolio.

We will use resources efficiently to increase shareholders' value.

CORE VALUES

Following are the core values of SPEL:



RESPECT

- Respect for customers employees and all stakeholders
- Business is about human beings. Who want to be treated well.
- CSR is one way to respect our society

CUSTOMER SATISFACTION

- On time Delivery
- Quality
- Quick Response
- Relationships
- Service and Support

INTEGRITY

- Building trust
- Honoring Commitments
- Dependability
- Staying within ethical and legal boundaries
- Rewarding Honesty

OWNERSHIP

- Empowerment
- Punctuality
- Value time
- Capability
- Responsibility with authority
- Delegation
- Train people for growth and continuous improvement
- Prepare Leaders

SAVE ENVIRONMENT

- Eliminate waste
- Save energy, water, air and natural resources

COMPANY PROFILE

SPEL is one of the leading manufacturers of technology intensive engineering and plastic products in Pakistan. Initially in 1978, SPEL started its operations as a partnership concern. In 1982, SPEL incorporated as a private limited company and then converted into a public limited company in 2008. The Company got listed on Pakistan Stock Exchange in the year 2015.

SPEL is engaged in manufacturing of following products:

- Automotive Parts
- Food and FMCG Packaging
- Molds and Dies

GROUP STRUCTURE

SPEL owns a wholly owned subsidiary namely SPEL Pharmatec (Private) Limited.

NATURE OF BUSINESS

SPEL is a manufacturing company and has B2B (Business to Business) relations with most of its customers. It is principally engaged in the manufacturing and sale of plastic parts for the automotive industry, plastic packaging for Food & FMCG industry, and moulds & dies.

The major products of the Company for food and FMCG industry include 19 liter water bottles, shampoo bottles, crates for beverages, yogurt cups, plastic glasses, disposable containers. Auto parts include door trims, door handles, steering wheels, etc. Major Customers of the Company in the auto sector include Toyota, Honda, Suzuki, Massey Ferguson and in the FMCG sector include Nestle, Unilever, Coca Cola, Pepsi, KFC and some overseas customers.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Almas Hyder
Chairman/Non-Executive Director
Mr. Zia Hyder Naqi
Chief Executive Officer/Executive Director
Dr. S. M. Naqi
Non-Executive Director
Dr. Syed Salman Ali Shah
Independent Non-Executive Director
Mr. Khawar Anwar Khawaja
Independent Non-Executive Director
Mr. Muhammad Tabassum Munir
Independent Non-Executive Director
Mr. Raza Haider Naqi
Non-Executive Director
Sheikh Naseer Hyder
Executive Director
Mr. Abid Saleem Khan
Chief Operating Officer/ Executive Director

CHIEF FINANCIAL OFFICER

Mr. Khalil Ahmad Hashmi, FCA

AUDIT COMMITTEE

Dr. Syed Salman Ali Shah
Chairman
Mr. Muhammad Tabassum Munir
Member
Mr. Almas Hyder
Member
Dr. S. M. Naqi
Member
Raza Haider Naqi
Member

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Almas Hyder
Chairman
Dr. S. M. Naqi
Member
Mr. Khawar Anwar Khawaja
Member
Mr. Zia Hyder Naqi
Member
Mr. Abid Saleem Khan
Member

FINANCE COMMITTEE

Mr. Almas Hyder
Chairman
Dr. Syed Salman Ali Shah
Member
Mr. Khawar Anwar Khawaja
Member
Mr. Zia Hyder Naqi
Member
Mr. Muhammad Tabassum Munir
Member

REGISTERED OFFICE

127-S Quaid-e-Azam Industrial Estate Township, Kot Lakhpat, Lahore.
Ph: 042-111-005-005
Fax: 042-35118507

FACTORY

4-km OffFerozPur Road Raiwind Lilliani Link, Road Pandoki Lahore.

SHARE REGISTRAR

THK Associates (Pvt) Ltd
First Floor 40-C Block-6 P.E.C.H.S.
Karachi.

STATUTORY AUDITOR

KPMG TaseerHadi and Co.
Chartered Accountants

HEAD OF INTERNAL AUDIT

Mr. Abu Bakar, ACA

TAX CONSULTANT

PWC A.F. Ferguson
Chartered Accountants

LEGAL ADVISORS

Cornelius Lane and Mufti
Advocates & Solicitors

BANKERS

Allied Bank Limited
Bank Islami Pakistan Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank limited
Meezan Bank Limited
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

WEBSITE

www.spelgroup.com

STOCK SYMBOL

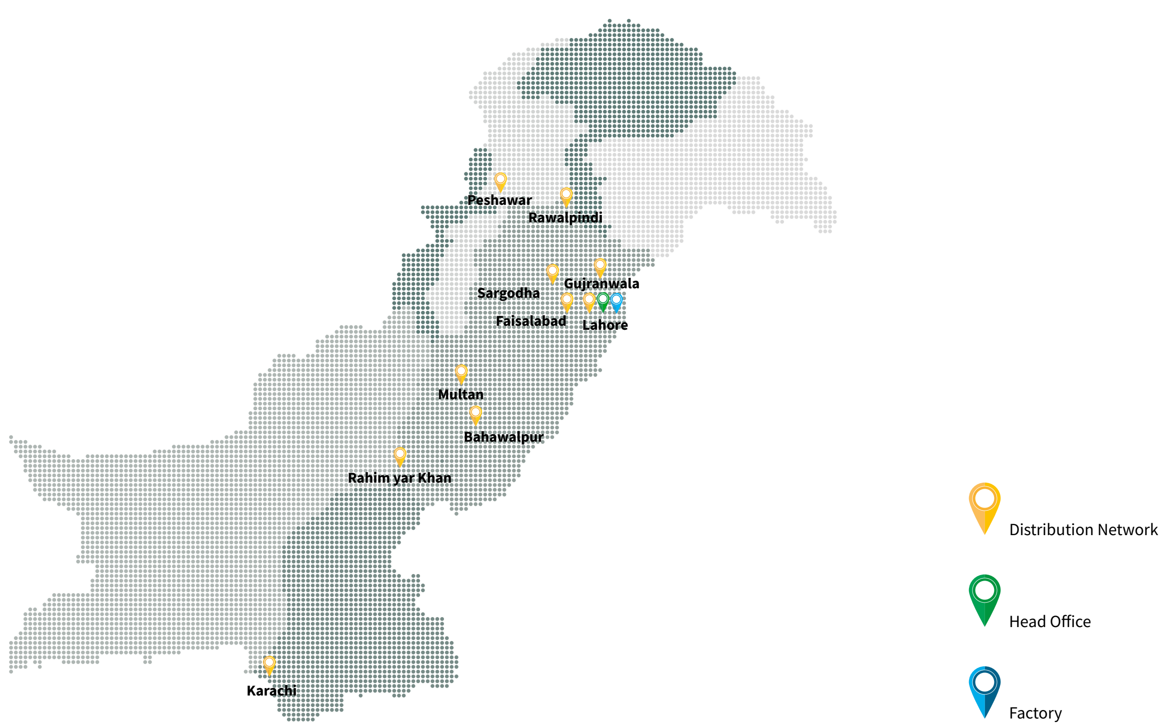
SPEL

CODE OF BUSINESS CONDUCT AND ETHICAL PRINCIPLES

SPEL is committed to conduct its business with honesty, integrity and in ethical manner. For this purpose, the Company has developed a code of conduct to manage the Company's affairs.

The code is intended to set out principles relating to the behavior that should be observed in SPEL. This code includes the following aspects:

GEOGRAPHICAL PRESENCE



OUR MAJOR PRODUCTS

CRITICAL PERFORMANCE INDICATORS

Indicator	Unit	2017	2016
SALES REVENUE	Rs. in Million	2,699	2,322
PROFIT AFTER TAX	Rs. in Million	417	356
GROSS PROFIT	Rs. in Million	714	582
NUMBER OF SHARES OUT STANDING	(OOO'S)	85,850	77,350
EARNING PER SHARE-BASIC AND DILUTED	Rs.	4.9	4.60
CASH DIVIDEND	Rs. / Share	1.50	1.50
BONUS DIVIDEND	Per Share	10%	Nil
DIVIDEND PAYOUT RATIO	Percentage	51	32.6
TOTAL ASSETS	Rs. in Million	2,985	2,481
SHAREHOLDERS EQUITY	Rs. in Million	2,094	1,836
RETURN ON CAPITAL EMPLOYED	Percentage	20	18
CURRENT RATIO	Times	2.13	2.13
DEBT TO EQUITY	Times	0.12	0.11
MARKET PRICE PER SHARE	Rs.	75.45	46.90
BREAKUP VALUE PER SHARE	Rs.	24.62	23.74
PRICE TO EARNING RATIO	Times	15.3	10.19

CALENDER OF NOTEABLE EVENTS
FOR THE YEAR 2016-17

JUL ‘16
Annual accounts approved by the Directors

SEP ‘16
Annual General Meeting Held

OCT ‘16
Final cash dividend paid to the shareholders

NOV ‘16
1st Cash Dividend paid to shareholders

JAN ‘17
half yearly accounts approved by the Directors

MAR ‘17
Bonus shares @ 10% issued to the shareholders

MAY ‘17
Second interm cash dividend paid to shareholders

PROFILE OF THE DIRECTORS

Mr. Almas Hyder

Chairman

Mr. Almas Hyder is an Engineering graduate from University of Engineering & Technology, a Certified Trainer of Entrepreneurship and has completed his OPM (Owner/President Management Program) from Harvard Business School. He is currently a member of the Institute of Engineers in Pakistan, Institute of Material in London and Vice President of the Harvard Club of Pakistan.

Mr. Hyder also serves at senior positions for many organizations. His current engagements include:

- Director, SPEL Technology Support (Private) Limited
- Director, SPEL Pharmatec (Private) Limited
- CEO, Entrepreneurship Development and Advisory Services (Private) Limited
- CEO, AJ Power (Private) Limited
- CEO, RT Power (Private) Limited
- CEO, MST Power (Private) Limited
- CEO, ONESP (Private) Limited

To his credit is also the writing of the 'Engineering Vision 2012 of Pakistan'. He established TUSDEC (Technology Up-gradation and Skills Development Company), where he was the Founder Chairman, under the Ministry of Industries, Production and Special Initiatives.

Mr. Hyder was the first President of the Quaid-e-Azam Industrial Estate Board, set up Punjab Industrial Estate Development and Management Company of the Government of Punjab in an effort to manage and upgrade the infrastructure of Kot Lakhpat Industrial Estate in Lahore.

Through his hard work and effective leadership, Mr. Hyder has had an everlasting positive impact in both the plastic industry and the entrepreneurship circles of Pakistan.

Dr. S. M. Naqi

Founder Chairman / Non-Executive Director

Dr. S. M. Naqi is a Chartered Engineer from London and has a Ph.D. in Business Administration from the US. He is a member of the Institute of Mechanical Engineers in London, European Institute of Production Management in the United Kingdom, Institute of Metallurgical Engineers in Pakistan, and the Institute of Electrical Engineers in Pakistan. He is also a visiting faculty member of the Institute of Business Administration at the Punjab University and several other business schools in Lahore.

Dr. Naqi has offered his expertise in many senior positions in Pakistan. He has been the Managing Director for Karachi Pipe Mills Limited, Pakistan Engineering Company Limited (PECO), and the Lahore Engineering Foundry Limited (LEFO). He has also served as the Chairman of the Management Association of Pakistan, Lahore Advisory Board as well as the Federal Light Engineering Corporation.

Dr. Naqi received a civil award (Tamgha-e-Quaid-e-Azam) from the President of Pakistan for his distinguished services towards the country. He has published seven books, and is in the process of writing his eighth. He is a known personality around Pakistan and is acknowledged for his hard work, commitment and integrity. He is mentor for many of his students who have been trained by him.

Dr. Naqi is Director in SPEL Technology Support (Private) Limited.

Mr. Zia Hyder Naqi

Chief Executive Officer

Mr. Zia Hyder Naqi completed his Mechanical Engineering from the University of Engineering & Technology in Lahore. He then went on to complete his MBA in Finance from the Institute of Management Sciences. He is a certified Project Management Professional, IT Expert, and has participated in a number of training programs in Japan, Germany and Canada. He has completed the Owner/President Management Program (OPM) from Harvard Business School, USA.

Mr. Zia Hyder Naqi serves on the Board of Directors of the Quaid-e-Azam Industrial Estate in Lahore. He has been associated with Synthetic Products Enterprises Limited for 28 years.

His current engagements include:

- Director, SPEL Technology Support (Private) Limited
- Director, SPEL Pharmatec (Private) Limited
- Director, AJ Power (Private) Limited
- Director, RT Power (Private) Limited
- Director, MST Power (Private) Limited

Dr. Syed Salman Ali Shah

Independent Director

Dr. Syed Salman Ali Shah is Ph. D in Finance from the Kelley School of Business in Indiana, USA. He has served as an advisor to the Prime Minister of Pakistan on various fields including Finance, Revenue, Economic Affairs and Statistics.

Dr. Salman has worked as the former Chairman of the Privatization Commission of Pakistan. He has also served on the Board of Governors of the State Bank of Pakistan (SBP), Pakistan International Airlines (PIA), Foundation University, and the Bank of Punjab (BoP).

Currently, Dr. Salman holds the following positions:

- Chairman, Pakistan Mercantile Exchange Limited
- Chairman, Dairy and Rural Development Foundation
- Director, MCB Arif Habib Savings and Investments Limited
- Director, Mughal Iron and Steel Industries Limited
- Director, World Call Telecom Limited

Mr. Khawar Anwar Khawaja

Independent Director

Mr. Khawar Anwar Khawaja holds a bachelor's degree in Mechanical Engineering. He has served as the Chief Executive Officer of Grays of Cambridge (Pakistan) Limited. He has also been President of the Sialkot Chamber of Commerce and Industry.

Mr. Khawar has travelled widely in connection with his business, and has gained immense technical and marketing experience. He has demonstrated his abilities of funds & investment management. Under his effective management and leadership, Grays of Cambridge (Pakistan) Limited has won the top 25 companies award on the Karachi Stock Exchange multiple times.

Currently, Mr. Khawar also holds these positions:

- CEO, Sialkot International Airport Limited
- CEO, Port Services (Private) Limited
- Director, Gujranwala Power Supply Company Limited
- Director, Anwar Khawaja Industries (Private) Limited

Mr. Muhammad Tabassum Munir

Independent Director

Mr. Muhammad Tabassum Munir has worked with Lahore Stock Exchange for more than 3 decades. He has served as Vice President of Lahore Stock Exchange. He has also been a member of the Pakistan Mercantile Exchange and director of Annoor Textile Mills Limited.

His skills of managing and participating in all-inclusive capital markets and their infrastructure development is widely known. He has participated in numerous seminars, round tables and conferences, gaining valuable experience and knowledge. This has strengthened his role and capacity in the management of finance and advisory services.

His other engagements include:

- CEO, MTM Universe (Private) Limited
- Director, Hi Tech Lubricants Limited

PROFILE OF THE DIRECTORS

Mr. Raza Haider Naqi
Non- Executive Director

Mr. Raza Haider is a Chemical Engineer and has an MBA in Marketing. He began his career from manufacturing electronic security systems for both cars and homes. He has tremendous amount of insight into sales and marketing. He is now into Real Estate business in Canada.

Mr. Sheikh Naseer Hyder
Executive Director

Mr. Naseer Hyder completed his undergraduate degree from Wilfrid Laurier University in Canada. He then went on to complete his MBA from Cardiff University along with professional education and certifications from Georgia Institute of Technology, Harvard University and Massachusetts Institute of Technology. He worked at a senior position in a NYSE listed organization's American and Canadian operations.

He is currently serving as Executive Director in Synthetic Products Enterprises Limited.

He is also Director in SPEL Technology Support (Private) Limited.

Mr. Abid Saleem Khan
Chief Operating Officer / Executive Director

Mr. Abid Saleem Khan has an MBA from the Institute of Management Sciences. He is a graduate of Management Development Program from Lahore University of Management Sciences (LUMS). He has been working with SPEL for 21 years and has a good understanding of the automobile industry and the Japanese systems of management.

He is also CEO of SPEL Pharmatec (Private) Limited.

ROLE OF CHAIRMAN AND CEO

ROLE OF CHAIRMAN

The position of Chairman is held by a Non-Executive Director who is not involved in the day to day activities of the Company.

The principal role of the Chairman of the Board is to manage and to provide leadership to the Board of Directors of the Company. The Chairman is accountable to the Board and acts as a direct liaison between the Board and the management of the Company, through the Chief Executive Officer ("CEO"). The Chairman acts as the communicator for Board decisions where appropriate. He is Responsible for:

- Ensuring that the Board plays an effective role in fulfilling its responsibilities by providing equal opportunity to all Board members to express their ideas or concerns in a free environment and to contribute their professional input for the betterment of the Company.
- Ensuring that the Board as a whole is sufficiently equipped with requisite skills, competence, knowledge, experience, philosophical perspective and diversity considered necessary for managing a successful Company.
- Promoting highest moral, ethical and professional values and good governance throughout the Company.
- Reviewing the performance of the Board and to suggest training and development of the Board on individual and collective basis.
- Managing conflict of interests, if any.
- Reviewing the strategic direction of the company regularly, counseling and advising the Chief Executive Officer.

ROLE OF CHIEF EXECUTIVE OFFICER

The CEO is the Head of the Company's management. This position is held by an Executive Director responsible for the overall operations and performance of the Company. He is primarily responsible:

- To lead, in conjunction with the Board, the development of the Company's strategy;
- To lead and oversee the implementation of the Company's long and short term plans in accordance with its strategy.
- To ensure the Company is appropriately organized and staffed as necessary to enable it to achieve the approved strategy.
- To assess the principal risks of the Company and to ensure that these risks are being monitored and managed.

- To ensure effective internal controls and management information systems are in place.
- To ensure that the Company has appropriate systems to enable it to conduct its activities both lawfully and ethically.
- To ensure that the Company maintains high standards of corporate citizenship and social responsibility wherever it does business.
- To act as a liaison between management and the Board.
- To communicate effectively with shareholders, employees, Government authorities, other stakeholders and the public.
- To ensure that the Directors are properly informed and that sufficient information is provided to the Board to enable the Directors to form appropriate judgments.
- To ensure the integrity of all public disclosure by the Company.
- Keeping abreast of changes in the industry and suggesting improvements in the overall strategic plan including diversification, consolidation, mergers and acquisitions etc.
- Developing an organizational culture of development, growth, innovation, efficiency and productivity, moral, ethical & professional values and good governance.
- To request that special meetings of the Board be called when appropriate.
- In concert with the Chairman, to determine the date, time and location of the annual meeting of shareholders and to develop the agenda for the meeting.
- To sit on committees of the Board where appropriate as determined by the Board.

AWARDS

BEST CORPORATE REPORT AWARD

- Institute of Chartered Accountants of Pakistan and Institute of Cost & Managemant Accountants of Pakistan has awarded the Company 2nd position in its category on the Annual Report for the year ended 2016.

APPRECIATION AWARDS

- Pak Suzuki Motor Company Limited
- Nestle Pakistan Limited

THE BOARD STRUCTURE AND ITS COMMITTEES

BOARD STRUCTURE

The Board of Directors comprise of the following members.

NAME	POSITION
Almas Hyder	Chairman/Non-Executive Director
Dr. S. M. Naqi	Non-Executive Director
Zia Hyder Naqi	CEO/Executive Director
Dr. Syed Salman Ali Shah	Independent Non-Executive Director
Khawar Anwar Khawaja	Independent Non-Executive Director
Muhammad Tabassum Munir	Independent Non-Executive Director
Raza Haider Naqi	Non-Executive Director
Sheikh Naseer Hyder	Executive Director
Abid Saleem Khan	Executive Director

The Chairman of the Board and Chief Executive Officer of the Company are not the same person.

ANNUAL EVALUATION OF BOARD'S PERFORMANCE

The Board has put in place a mechanism for evaluating the Board's performance by the members of the Board themselves. Evaluation forms are circulated to the members and each member is required to return duly filled Performa to the Company Secretary. The responses are consolidated with identification of the weak areas and discussed in the next Board meeting to formulate strategy for effecting improvement in the Board's performance.

AUDIT COMMITTEE

The Board constitutes an Audit Committee and during the year audit committee held four meetings, the audit committee comprises of following members.

NAME	POSITION	STATUS
Dr. Syed Salman Ali Shah	Chairman	Independent Non-Executive Director
Almas Hyder	Member	Non-Executive Director
Dr. S. M. Naqi	Member	Non-Executive Director
Muhammad Tabassum Munir	Member	Independent Non-Executive Director
Raza Haider Naqi	Member	Non-Executive Director

Term of Reference of Audit Committee includes:

- Determination of appropriate measures to safeguard the Company's assets;
- Review of quarterly, half-yearly and annual financial statements of the listed company, prior to their approval by the Board of Directors, focusing on:
    - major judgmental areas;
    - significant adjustments resulting from the audit;
    - the going concern assumption;
    - any changes in accounting policies and practices;
    - compliance with applicable accounting standards;
    - compliance with listing regulations and other statutory and regulatory requirements; and
    - significant related party transactions.
- Review of preliminary announcements of results prior to publication;
- Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- Review of management letter issued by external auditors and management's response thereto;
- Ensuring coordination between the internal and external auditors of the listed company;
- Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the listed company;
- Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;

THE BOARD STRUCTURE AND ITS COMMITTEES

- Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
- Review of the listed company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;
- Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and to consider remittance of any matter to the external auditors or to any other external body;
- Determination of compliance with relevant statutory requirements;
- Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and
- Consideration of any other issue or matter as may be assigned by the Board of Directors.

HUMAN RESOURCE & REMUNERATION COMMITTEE

The Board constitutes an Human Resource and Remuneration Committee which comprises of following members among them majority are non-executive directors.

NAME	POSITION	STATUS
ALMAS HYDER	CHAIRMAN	NON-EXECUTIVE DIRECTOR
DR. S. M. NAQI	MEMBER	NON-EXECUTIVE DIRECTOR
KHAWAR ANWAR KHAWAJA	MEMBER	NON-EXECUTIVE DIRECTOR
ZIA HYDER NAQI	MEMBER	EXECUTIVE DIRECTOR
ABID SALEEM KHAN	MEMBER	EXECUTIVE DIRECTOR

The committee shall be responsible for:

- Recommending human resource management policies to the board;
- Recommending to the board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO;
- Recommending to the board the selection, evaluation, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit; and
- Consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO or COO.

FINANCE COMMITTEE

The Board constitutes a Finance Committee which comprises of the following members.

NAME	POSITION	STATUS
ALMAS HYDER	CHAIRMAN	NON-EXECUTIVE DIRECTOR
DR. SYES SALMAN ALI SHAH	MEMBER	INDEPENDENT NON-EXECUTIVE DIRECTOR
KHAWAR ANWAR KHAWAJA	MEMBER	NON-EXECUTIVE DIRECTOR
ZIA HYDER NAQI	MEMBER	EXECUTIVE DIRECTOR
MUHAMMAD TABASSUM MUNIR	MEMBER	INDEPENDENT NON-EXECUTIVE DIRECTOR

MANAGEMENT REVIEW AND REPRESENTATIONS

MANAGEMENT OBJECTIVES AND STRATEGIES

The objectives of the management are well aligned and synchronised with the overall strategic objectives of the Company. Following strategies were adopted by the management to achieve its objectives:

Objective	Strategies to achieve objectives
Reliability	• Encouraging a culture of innovation and continuous improvement • Providing quality products to customers • Delivering the products on time
Create value for shareholders	• Utilizing economic and human resources optimally • Earning optimum returns on investment • Growing revenue
Ensure long term sustainability	• Constantly upgrading technologies • Developing and training employees. • Committed to the ethical business values
Continue as market leader for quality products	• Using the leading edge technologies • Promoting Quality Control Circles and 5S • Working with world class supplier for raw materials
Grow continuously	• Being responsive and keeping customers satisfied • Continuously adding new products to the portfolio • Adding new customer to the portfolio

The results of these objectives are reflected in our increased revenue, controlled costs and enhanced profitability. These objective are same as previous year's.

LIQUIDITY AND CAPITAL STRUCTURE

CASH FLOWS AND CAPITAL STRUCTURE

The Company is earning profits consistently which has significantly helped in strengthening the liquidity position and healthy cash flows.

These factors have added to the sustainable growth of the Company, increased profitability and business stability. We monitor and control the gearing of the Company in line with the business objectives. All installments of leases, long term loans, musharika finance, Ijara, FATR, markup were paid on due dates.

LIQUIDITY MANAGEMENT

The Company has a policy to finance the capital expenditure through equity or through long term loans. The management continuously monitors its cash flows on daily basis and keeps in view the future needs. It re-aligns the financing facilities for optimized Company's operations constantly.
The Company observes a self-defined formula for sustainable growth which requires that the amount invested in expansion plans should approximate the amount of profits earned in the year plus depreciation. This has greatly helped in managing a strong liquidity position.

Keeping in view the current liquidity position, available short-term finance facilities and future business plans, the management is confident that the Company would not face any liquidity issues in the foreseeable future.

ANALYSIS OF FINANCIAL AND NON-FINANCIAL TARGETS

There is a well-organized structure by which the key performance indicators (KPIs) and relevant targets are set and monitored throughout the year through regular review meetings. Financial targets are set for sales, costs, profitability, gearing, liquidity etc, while non-financial targets are set for production efficiencies, quality improvements, automation, 5S, health and safety, quality control circles, human resource development, growth / expansion etc.

All the targets are translated into numbers in the form of a budget which is duly approved by the Board of Directors

During the year under review, we surpassed the key targets set in last year's budget especially pertaining to profitability, gross profit ratio, and net profit ratio.

MANAGEMENT REVIEW AND REPRESENTATIONS

Although there was an increase in the top line, the desired growth was not achieved mainly due to depressed oil prices which resulted in lower prices of our raw material and the effect was passed through to our customers in the shape of reduced prices of our products.

FINANCING ARRANGEMENTS

The Company has good business relations with the reputed banks and financial institutions of the country. Adequate unutilized short-term financing facilities are available at the Company's disposal. In the past the Company has obtained long-term loans to finance expansion projects at attractive mark-up rates.

The Company has good arrangements with the reputed banks to manage short term and long term financing needs. The management is confident to maintain this relationship in the future.

The financial performance of the Company is better than the previous year. For detail analysis, data for six years Financial information is available on page 41.

FAIR VALUE OF PROPERTY PLANT AND EQUIPMENT

The fair value of the property plant and equipment is Rs. 1.875 billion as on 30 June 2017

HUMAN RESOURCE

The Company has established an effective human resource department which is engaged in hiring and training of employees. The Company provides an attractive working environment and career to all its employees.

PROSPECTS OF TARGETS

The Company makes annual and periodic targets for all major functions including Sales, Purchases, Production, Investments, expansion etc. These targets are approved by the board of directors annually and strictly reviewed by the management on monthly basis.

STRATEGY TO OVERCOME LIQUIDITY

The Company maintains good relationships with reputed banks and have financing arrangements to overcome any liquidity problem (if any) faced by the Company.

MEASURES TO OVERCOME INDUSTRIAL EFFLUENTS

The Company is ISO 140001 certified and manages effluents and wastes, to protect the environment and nearby communities.

MATERIALITY APPROACH

The Board of Directors approved a materiality threshold which the management uses for day to day operations. The board critically evaluates this threshold. In the period under review there is no major change in this threshold.

ENERGY SAVING MEASURES

During the purchase process of any equipment, energy efficiency is consideration. The expansion during the year is based on energy efficient machines.

QUALITY OF PRODUCTS

SPEL is known in the market for its quality and reliability. Quality is the cornerstone of our production. Modern techniques are used and trainings are conducted frequently on improvement of quality control and assurance.

ISSUES RAISED IN LAST AGM

Last year AGM was conducted on 21 September 2016. There was no issue raised. All agenda items were passed unanimously.

DISASTER RECOVERY PLAN

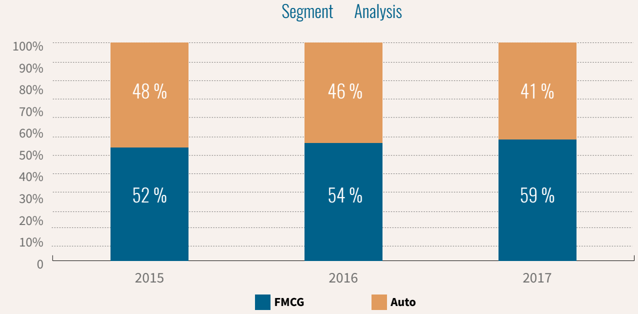
The Company has a comprehensive Disaster Recovery Plan. The critical IT equipments are placed in fire proof premises, in addition, the management has arranged offsite data storage facilities. Employees are aware of the steps required to be taken in case of any emergency.

THRESHOLD FOR TRADING IN SHARES OF THE COMPANY

As per requirements of the Code of Corporate Governance as mentioned in Explanation to Rule 5.19.11(xii) of the PSX Rule Book, the Board decided that any employee of SPEL having monthly gross salary of Rs. 100,000 or above should be considered as "Executive" for the purposes of Rule 5.19.11 and Rule 5.9.15 of the PSX Rule Book.

SEGMENT REVIEW

The sales of the Company can broadly be categorized into FMCG & auto industry. The segment wise breakup is as follows:



CASH FLOW STATEMENT DIRECT METHOD

FOR THE YEAR ENDED 30 JUNE 2017

	2017 Rupees	2016 Rupees
Cash flows from operating activities		
Cash receipts from customers	2,641,784,213	2,289,848,153
Cash paid to suppliers and employees	(2,116,945,068)	(1,813,926,026)
Cash generated from operations	524,839,145	475,922,127
Workers' Profit Participation Fund and Workers' Welfare Fund paid	(25,439,599)	(20,620,438)
Finance cost paid	(33,245,736)	(40,322,350)
Taxes paid	(65,971,105)	(61,962,590)
Long term deposits - net	3,710,877	(9,967,098)
	(120,945,563)	(132,872,476)
Cash generated from operating activities	403,893,582	343,049,651
Cash flows from investing activities		
Fixed capital expenditure	(498,930,518)	(561,444,827)
Intangibles acquired	(873,148)	(1,671,830)
Proceeds from disposal of property, plant and equipment	4,107,735	929,595
Investment in listed securities	(9,582,375)	–
Refund of advance for issue of shares	–	1,700,000
Short term investments	75,000,000	505,500,000
Net cash used in investing activities	(430,278,306)	(54,987,062)
Cash flows from financing activities		
Principal repayment of lease liability	(12,881,617)	(47,701,543)
Long term finance and diminishing musharika	153,114,453	(21,113,732)
Short term borrowings - net	67,156,051	10,461,442
Cash dividend paid	(158,276,258)	(77,211,637)
Net cash generated from / (used in) financing activities	49,112,629	(135,565,470)
Net increase / (decrease) in cash and cash equivalents	22,727,905	152,497,119
Cash and cash equivalents at beginning of the year	792,888	(151,704,231)
Cash and cash equivalents at end of the year	23,520,793	792,888

QUARTERLY PERFORMANCE ANALYSIS

Nomenclature	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Sales -net	649,644,129	570,354,900	715,828,768	763,845,332	2,699,673,129
Cost of sales	(484,902,307)	(425,502,740)	(517,003,782)	(557,393,973)	(1,984,802,802)
Gross profit	164,741,822	144,852,160	198,824,986	206,451,359	714,870,327
Administrative expenses	(31,582,782)	(31,680,820)	(35,456,735)	(37,612,262)	(136,332,599)
Selling and distribution expenses	(13,322,425)	(12,345,930)	(14,236,470)	(13,620,128)	(53,524,953)
Operating profit	119,836,615	100,825,410	149,131,781	155,218,969	525,012,775
Other income	3,546,138	6,891,558	984,652	3,101,173	14,523,521
Other charges	(8,071,739)	(7,232,657)	(9,373,551)	(18,151,969)	(42,829,916)
Finance cost	(7,000,595)	(8,500,500)	(8,063,657)	(9,179,640)	(32,744,392)
Profit before taxation	108,310,419	91,983,811	132,679,226	130,988,532	463,961,988
Taxation	(18,486,132)	(1,992,068)	(13,060,714)	(13,262,107)	(46,801,021)
Profit after taxation	89,824,287	89,991,743	119,618,512	117,726,425	417,160,967
Earnings per share	1.06	1.06	1.41	1.38	4.90

SALES

Sales of the Company grew @ 16% in the FY 2017 as compared to previous year. The sales to the food and FMCG Packaging industry is seasonal and accordingly the sales declined in the second quarter whereas the number was highest in the fourth quarter, the Company follows the similar pattern almost every year.

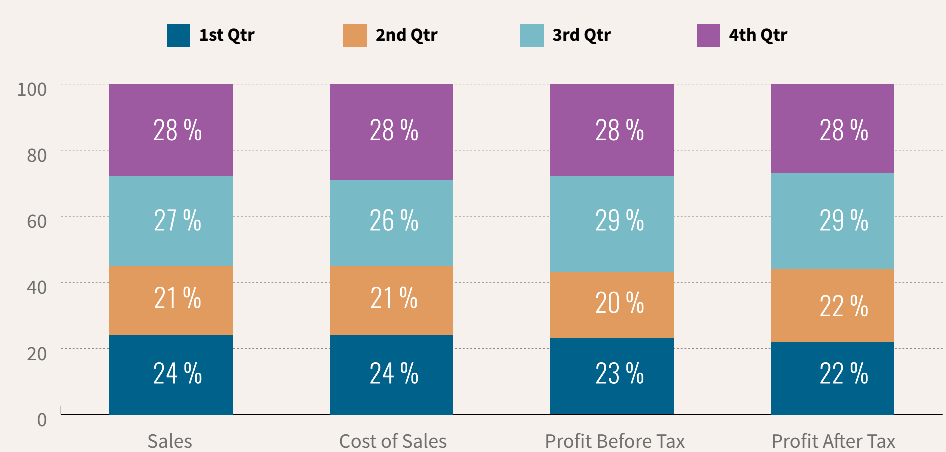
COST OF SALES

The cost of sales remained stable throughout the year .

OPERATING PROFIT

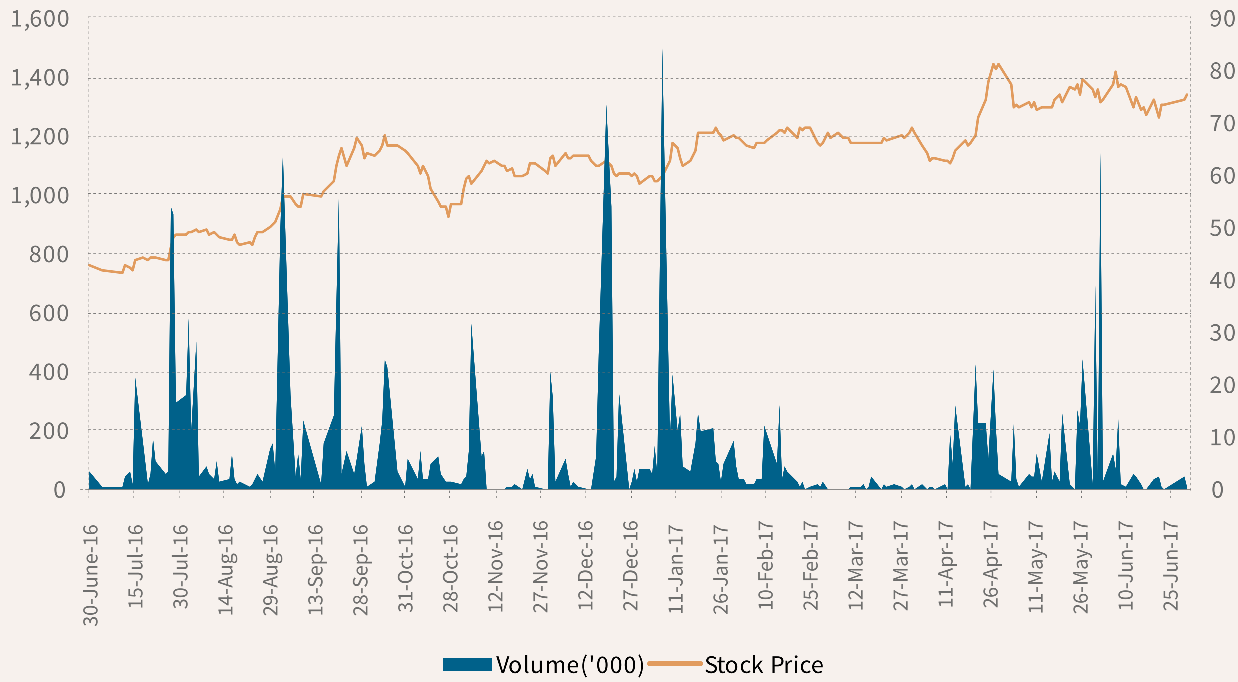
The operating profit represents the operational performance of the Company.

In the first quarter the operating profit to sales ratio was 18.4% which declined slightly in the second quarter to 17.7% due to seasonal impact. However in the third and fourth quarter operating profit increased over 20% owing to higher sales volume.



SHARE PRICE SENSITIVITY ANALYSIS

The performance of Synthetic Products Enterprises Limited ("the Company") is affected by various factors including internal and external variables which impact the profitability of the Company. As a result of change in the bottom line, the Company's share price eventually fluctuates. In addition the fundamentals of stock market e.g. risk free rate of return, risk factors, cost of equity, market perception, perspective of foreign investors, etc. also impact the price of Company's share. The performance of share price and volume traded during the year 2016-17 is as follows:



RISK AND OPPORTUNITY REPORT

RISKS

The objectives of the management are well aligned and harmonized with the overall strategic objectives of the Company. Following strategies were adopted by the management to achieve its objectives:

Risks	Mitigants
Strategic Risks	
Technological risk	
Technological obsolescence	The company has been constantly upgrading its technologies. In the present expansion plan the Company acquired new generation technologies which are energy efficient, to stay ahead of the pack.
Regulatory Risk	
Imposition/enhancement of duties, taxes, levies and other conditions may adversely affect the operations.	Current government policies are largely business friendly. However fresh levies go across the board, so we stay competitive.
Commercial risks	
Pricing Risk	
With new entrants in the market, there is a likelihood of price competition which might squeeze margins.	The Company is constantly sourcing competitive suppliers, improving its technology, efficiency and productivity. Also, since SPEL has in-house capability to develop products with fast turn around time, that by itself obviates possibilities of competition affecting SPEL. The Company has developed interdependence with its customers and is considered a strategic supplier.
Competition Risk	
Increasing entrants making their way into the plastic industry.	SPEL's diversification of business activities and technical expertise makes it adequately prepared to face these challenges.
Operational risks	
Human Resource Risk	
Increasing competition for skilled human resources may lead to higher turnover causing deterioration in service standards or increased payroll.	The company HR practices include arranging trainings and developing programs for its employees; conducive work environment and competitive packages. Constant efforts in improving and training tend to offset this risk.
Machine Breakdown Risk	
Machine breakdown due to electricity load shedding may affect the operational performance of the Company.	Adequate electricity backup systems are in place to overcome the problem. Adequate spares are also kept in stock.
Financial Risks	
Liquidity Risk	
Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.	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. The Company finances its operations through equity, long term and short term borrowings to maintain adequate working capital. With a view to maintaining an appropriate mix between various sources of finance to minimize risks. The management aims to maintain flexibility in funding by keeping regular committed credit lines with reputed banks.

Risks	Mitigants
Credit Risk	
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.	To manage credit risk the Company maintains procedures covering the application for credit approvals, and monitoring of exposures against credit limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

OPPORTUNITIES:

Modern Technology: SPEL is using state of the art modern technology which provides an opportunity to lead in the market for premium quality products.

In House Mold Shop: In-house design and mold shop is the strength which gives competitive advantage through which SPEL produced most of its innovations. The design and mold shop was established soon after the inception of SPEL. It is now one of the biggest mold shops in Pakistan.

Long Term Business Relationships: SPEL maintains long term business relationships with its customers and trade partners. Most of the major customers are blue chip companies and are working with us since many years.

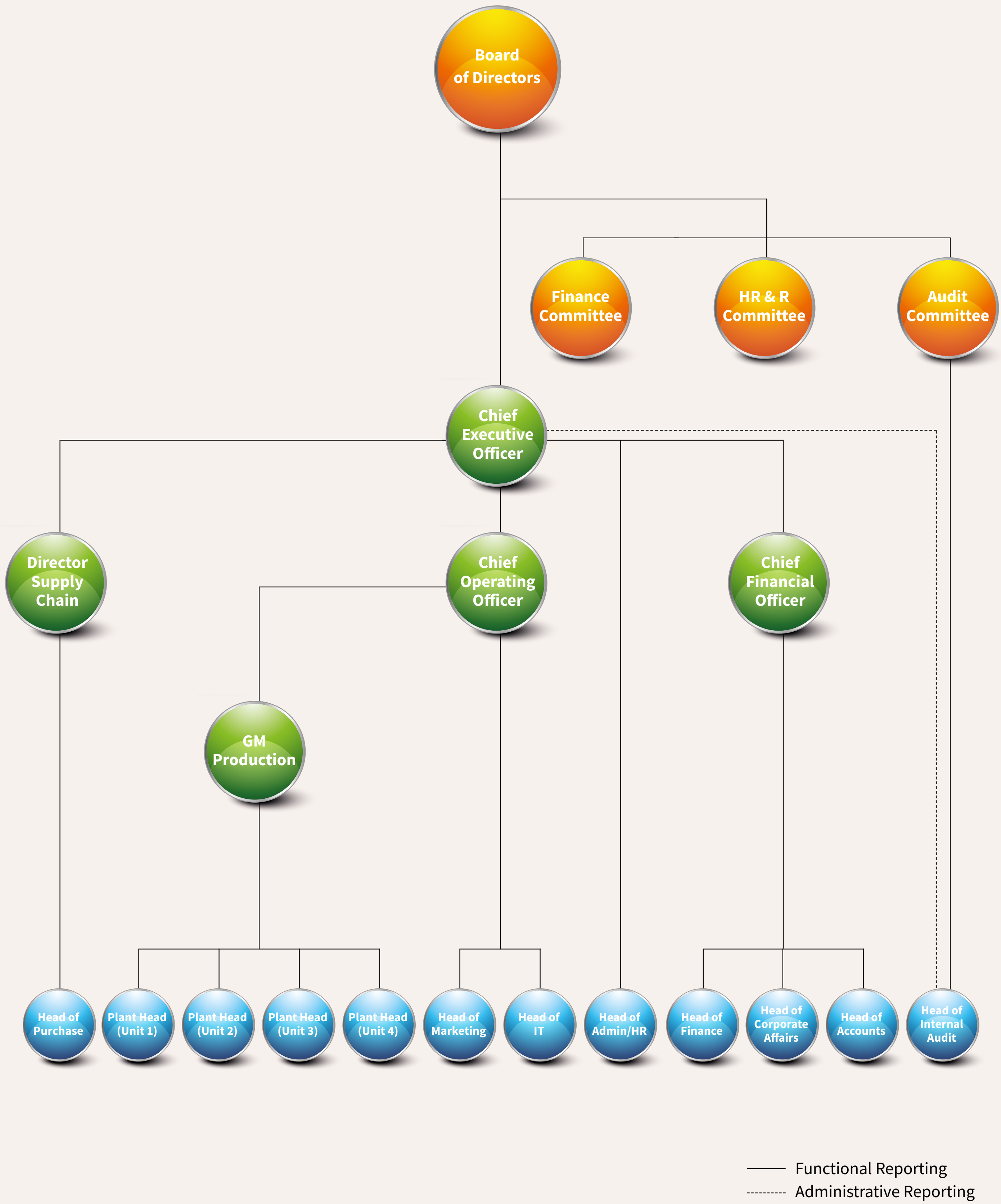
FORWARD LOOKING STATEMENT

Keeping in view the historical trends and depth in the market, the management is geared towards achieving growth in both segments, i.e. auto and packaging for food and FMCG industries. The investment made in plant and machinery in the year under review will help in catering for the upcoming requirements of customers. Another round of investment is also planned in the financial year 2017–18 to cater for future requirements of customers. The human resource is sufficiently trained to manage this growth. A detailed training plan has been prepared for further strengthening the capabilities of employees to cater for future growth.

DUPONT ANALYSIS
AS AT 30 JUNE 2017

Note: PKR in Thousand

ORGANOGRAM



Board of Directors
Finance Committee
HR & R Committee
Audit Committee
Chief Executive Officer
Director Supply Chain
Chief Operating Officer
Chief Financial Officer
GM Production
Head of Purchase
Plant Head (Unit 1)
Plant Head (Unit 2)
Plant Head (Unit 3)
Plant Head (Unit 4)
Head of Marketing
Head of IT
Head of Admin/HR
Head of Finance
Head of Corporate Affairs
Head of Accounts
Head of Internal Audit
Functional Reporting
Administrative Reporting

COMPANY POLICIES

CONFLICT OF INTEREST POLICY

The Company stands fully committed to the transparent disclosures, management and monitoring of actual, potential or perceived conflicts of interest.

Any Director with personal interest, relationship or responsibility which conflicts with the interest of the Company or its shareholders shall excuse himself or herself from any discussions on the matter that would give rise to conflict of interest and, if necessary, from the Board meeting, or applicable part thereof.

All Directors under the policy are obligated and have a duty to avoid actual, potential or perceived conflicts of interest.

The policy provides guidance on what constitutes a conflict of interest and how it will be managed and monitored by the Company. The policy is applicable to Directors as the Company strongly believes that a Director owes certain fiduciary duties, including the duties of loyalty, diligence and confidentiality to the Company which requires that the Directors act in good faith on behalf of the Company and to exercise his or her powers for stakeholders' interests and not for their own or others interests.

IT GOVERNANCE POLICY

We have strong devotion to continuously explore the prospects of implementing the latest IT infrastructure for efficient and timely decision making and to economize the costs related to operating and decision making processes.

Our IT governance is based on the following key features:

- To promote culture of paperless environment
- Providing a disciplined and well established decision making processes for IT investment decisions
- To avoid redundancy
- To ensure integration and compatibility
- To promote culture of accountability, transparency and dialogues about technology that facilitates effective strategy adoption
- To promote innovation in IT function

WHISTLE BLOWING POLICY

SPEL have a properly documented and implemented whistle blowing policy to ensure doing the business lawfully, ethically and with integrity.

SPEL encourages a culture to detect, identify and report any activity which is not in line with the Code of Ethics, Corporate Governance, Company's policies, or involves any misuse of Company's properties or any breach of law, etc which may affect the reputation of the Company.

SPEL encourages whistle blower to raise the issue directly to competent authority provided that:

- the whistle blower has appropriate evidence(s) substantiating the genuineness of the fact;
- the whistle blower understands that his act will add more value than the harm to the Company and he is doing this because of his loyalty with the Company;
- the whistle blower understands the seriousness of his action and is ready to assume his own responsibility; and
- SPEL shall provide reasonable protection to employee(s) who report the issue(s) as per this policy.

ENVIRONMENT HEALTH & SAFETY POLICY

It is policy of SPEL to:

- Place continuous and concerted efforts towards minimizing the impacts on the environment and use of energy and natural resources.
- We strive to reduce waste, emission to air, water and land; and are committed to comply with all the applicable legal requirements.
- Ensure adequate controls to prevent any adverse effect on the environment and to reduce or eliminate health and safety hazards.
- Practice efficient energy management with resource conservation and promote recycling, reuse, reduction and replacement wherever possible.
- Promote awareness, responsibility and commitment for the conservation of the global environment as well as health safety and protection amongst all levels of employees.
- Educate employees on the issues of health, safety and environment.
- Work in the spirit of cooperation with the relevant authorities.

INVESTORS' GRIEVANCES POLICY

Prohibits the selective disclosure of material, nonpublic information about the Company, Sets forth procedures designed to prevent such disclosure, and Provides for the broad, public distribution of material information regarding SPEL.

At all times SPEL will guard the Company's need for confidentiality about key business and operating strategies & SECP's directive on nonpublic earnings guidance.

DISCLOSURE PROCESS

SPEL will communicate its anticipated approach to disclosure in general and compliance with the SECP regulation by posting the Investor Relations policy on the web site www.spelgroup.com

COMMUNICATION CHANNELS

The CEO or CFO or their nominee(s) will be the primary contacts who may communicate on behalf of the Company to analysts, securities market professionals, institutional investors, and major shareholders of the Company.

QUARTERLY EARNINGS RELEASE & ANALYST BRIEFING

SPEL will release earnings information quarterly as required by stock exchange soon after the accounts are reviewed by the Board of Directors at date to be announced publicly and post the same on the Company Web site which may be followed by an Analyst briefing, date and venue to be posted on web site and communicated to the Stock Exchanges.

ANALYST EARNINGS MODELS AND REPORTS

SPEL will not share earnings projections and will not provide focused guidance to analysts in their efforts to develop earnings estimates.

CLOSED PERIOD

SPEL expects to observe a "closed period," at time of finalizing quarterly / annual earnings during which the Company will not participate in any further one-on-one or group conversations that relate to the Company's financial performance or current business activities Presentations. Duration of this period to be posted on website.

RESPONDING TO MARKET RUMORS

The Company does not have a general duty to monitor and to correct or verify rumors in the market place unless such rumors can be attributed to SPEL or the stock exchange requests disclosure when the rumor is causing unusual trading activity in SPEL shares. Generally, SPEL will adopt a "no comment" policy with respect to rumors that are not attributable to SPEL and will take precautions to ensure that it is not the source of rumors.

SAFETY OF RECORDS POLICY

The Company pursues an effective policy for the safety of its records and to ensure that authentic, reliable and usable records are created, captured and stored to meet the needs of Company's business and statutory requirements.

The policy ensures that:

- Complete and accurate record of the transactions of the Company is created, captured and stored physically and in soft form along with proper backup;
- Records are to be maintained in conditions suitable for the length of time to cater for the Company's needs and statutory requirements;

COMPANY POLICIES

- Records and archives are protected against the risks of unauthorized access, damage caused by fire, natural calamities and physical deterioration etc.
- The Records will be available to the authorized persons within the constraints of security, confidentiality, privacy and archival access conditions;
- Records are destroyed or disposed of in accordance with the disposal policies, procedures and guidelines of the Company;

STAKEHOLDERS' ENGAGEMENTS

The Company considers stakeholders engagement as a significant part of the business and it takes necessary steps to ensure that the interest of the Stakeholders are given due care and are protected.

The following stakeholders are engaged to add value to the Company:

a) **Institutional Investors and Banks (other lenders):** We meet the investors' needs by providing timely information and, if necessary, followed by corporate briefing. We consider our lenders as our business partners and make payment of all dues on time.

b) **Customers:** We communicate with customers in many ways as part of our normal business, through our dynamic marketing team who keep in closed contact with the customers and discuss day to day issues. There is a constant engagement between the top management with the customer's senior management also, to discuss on going and strategic expansions.

c) **Suppliers:** We communicate and work closely with suppliers to ensure that they maintain high standards required by the Company by conducting formal supplier assessments and by holding suppliers conventions. Procurement Department and users communicate constantly with suppliers to ensure reliability of supplies.

d) **Regulators & Government:** The Company has a policy to comply with all legal requirements and to provide appropriate and timely information to the relevant regulatory and Government authorities. Furthermore, we participate in providing input to the legislative development process through direct interaction, and through associations, institutes, or chamber of commerce.

e) **Employees:** The Company engages with its employees through regular communication, the employees are free to discuss their matters with any level in the organization without any barrier. In addition, certain structured annual events are in place to further strengthening the employees' relations.

HUMAN RESOURCE MANAGEMENT

SPEL hires for attitudes while giving due consideration to qualification, capability and skills of required for the each respective position. The Company provides a congenial and healthy working environment to utilize the capabilities of its employees efficiently. The Company believes that its core strength is its people, who strive every day to meet individual challenges and help the Company achieve its collective targets. There is well structured Performance Review Process in place which helps in recognizing the employees' contribution and reward them according to their performances.

SUCCESSION PLANNING

SPEL puts great emphasis on training all its employees and preparing them for the next positions. The Company has a process for identifying and developing people who has the potential to fill key business leadership positions. This process increases the availability of experienced and capable employees who are prepared to assume these roles as they get to that level.

INDUSTRIAL RELATIONS

SPEL maintains excellent relations with its employees & labour and the Company takes every reasonable step for swift and amicable resolution of all their issues.

CORPORATE SOCIAL RESPONSIBILITY

SPEL believes that investing on welfare of society is a sign of good corporate citizen. SPEL supports the community by spending on health, education, community welfare and social causes.

SPEL is further improving the social and economic conditions of its community by providing financial assistance to project that work for the welfare of the society.

SPEL has taken the following initiatives to cater to the welfare of society:

- Signing of MOU with LUMS for providing scholarship grants to the needy students.
- SPEL contributes funds to charitable institutions for education and welfare purposes.
- SPEL has arranged free medical camps for the unprivileged people living in nearby villages.
- SPEL provides financial assistance to its employees who wish to improve their educational qualification.

ENERGY CONSERVATION

Pakistan is facing an energy crisis which has affected its economy. Energy demand-supply gap is further widening. To play our part in reducing the energy crises, we are using the following measures:

- Conversion to energy efficient machinery and equipment.
- Street lights are being converted into solar lights.
- Emphasizing the need for smart consumption efforts and training the employees on how to minimize energy consumption.
- Placing of glass windows and other openings in walls to optimize the usage of daylight.
- Conversion of computer monitors to LCDs.
- Enhanced use of energy saver bulbs.

ENVIRONMENTAL PROTECTION MEASURES

SPEL has implement environmental sustainability measures to its core operations. The following measures have been taken to protect the environment:

- Use of "Canopy Generators" to minimize noise pollution.
- Use of diesel based generators instead of furnace oil based generator as the furnace oil based engines are noisier and more environmentally hazardous.
- Plantation of trees to promote a greener environment. SPEL has planted 500 trees in the year under review.

COMMUNITY INVESTMENT AND WELFARE SCHEMES

SPEL has invested on the welfare of community in the following way:

- Safeguard the environment from emissions and hazards.
- Creating employment opportunities for the society.
- Compliant and paying taxes.
- Helping the society through donations and other welfare activities.

CORPORATE SOCIAL RESPONSIBILITY

CONSUMER PROTECTION MEASURES

We ensure that quality products are delivered to consumers. In packaging manufacturing unit we use food grade materials and keep the facility clean as per requirements of international health and safety standards. SPEL has obtained the FSSC 22000 certification to ensure safety of food and drink packaging.

INDUSTRIAL RELATIONS

SPEL has established rules and procedures for better industrial relations. Employees' motivation and satisfaction is of vital importance. Annual bonuses, market competitive salaries and benefits, provident fund, leave encashment and other benefits reflect our best efforts for good industrial relations. SPEL is also offering incentive schemes to employees on achieving various milestones; SPEL is an equal opportunity employer.

EMPLOYMENT OF SPECIAL PERSONS

Special persons are a part of our community who need proper attention, care and opportunities so that they can live independently without becoming burden on the society. As a principle, we welcome special persons to work with us, we consider that providing employment to such persons will help create an egalitarian society.

OCCUPATIONAL SAFETY AND HEALTH

SPEL believes that employee health and safety are of the utmost importance. We have implemented employee training programs to create awareness about work place safety measures. Furthermore, there are fire safety systems in place to cater to any emergency situation that may arise. Fire safety drills are carried out on a periodic basis. There are regular medical tests conducted for employees from reputed medical laboratories. SPEL also has a congenial working environment, which serves to the social needs of employees. We have ISO certification for standard operating procedures both to maximize efficiency and to ensure safety of operators.

BUSINESS ETHICS & ANTI-CORRUPTION MEASURES

SPEL has built a corruption free culture. SAP has been implemented as a database management system which ensures transparency. SPEL has also engaged a qualified consultant to improve the integrity of procurement system. His responsibility is to analyze the existing system, identify weaknesses if any, and suggest measures to improve it and plug and loop holes.

NATIONAL CAUSE DONATIONS

During the year under review, SPEL has donated for orphanages and educational scholarships and for other similar causes to contribute for the betterment of the society.

CONTRIBUTION TO NATIONAL EXCHEQUER

During the year under review, SPEL has contributed an amount of Rs. 512 million to National Exchequer in the form of Income Tax and Sales Tax.

INVESTOR RELATIONS

The Company is maintaining an Investor Relations section on its website for providing detailed information to the users. Interested members may log in to www.spelgroup.com for getting more information.

REPORT OF THE BOARD AUDIT COMMITTEE

The Audit Committee of the Company comprises of five non-executive directors including two independent directors. The Chairman of the Committee is an independent Director and holds a Ph. D Degree in Finance from the Kelly School of Business Administration, Indiana University, USA.

The Audit Committee reviewed the quarterly and annual financial statements of the Company and recommended them for approval of the Board of Directors.

The Audit Committee has reviewed and approved the related party transactions.

The internal control framework has been implemented through an independent in-house internal audit function established by the Board. The internal audit function is independent of the external audit function.

The Head of Internal Audit has direct access to the Audit Committee.

The internal audit function team has access to Management and the right to seek information and explanations and that the team is satisfied with the level of co-operation of the Company's staff.

The external auditors KPMG Taseer Hadi & Co. Chartered Accountants were allowed direct access to the Audit Committee. Major findings arising from audits and any matters that the external auditors wished to highlight were freely discussed with them.

The Audit Committee reviewed the Management Letter issued by the external auditors and the management response thereto. Observations were discussed with the auditors and required actions recorded.

The auditors attended the General Meetings of the Company during the year and have confirmed attendance of the upcoming Annual General Meeting and have informed in writing their willingness to continue as Auditors.

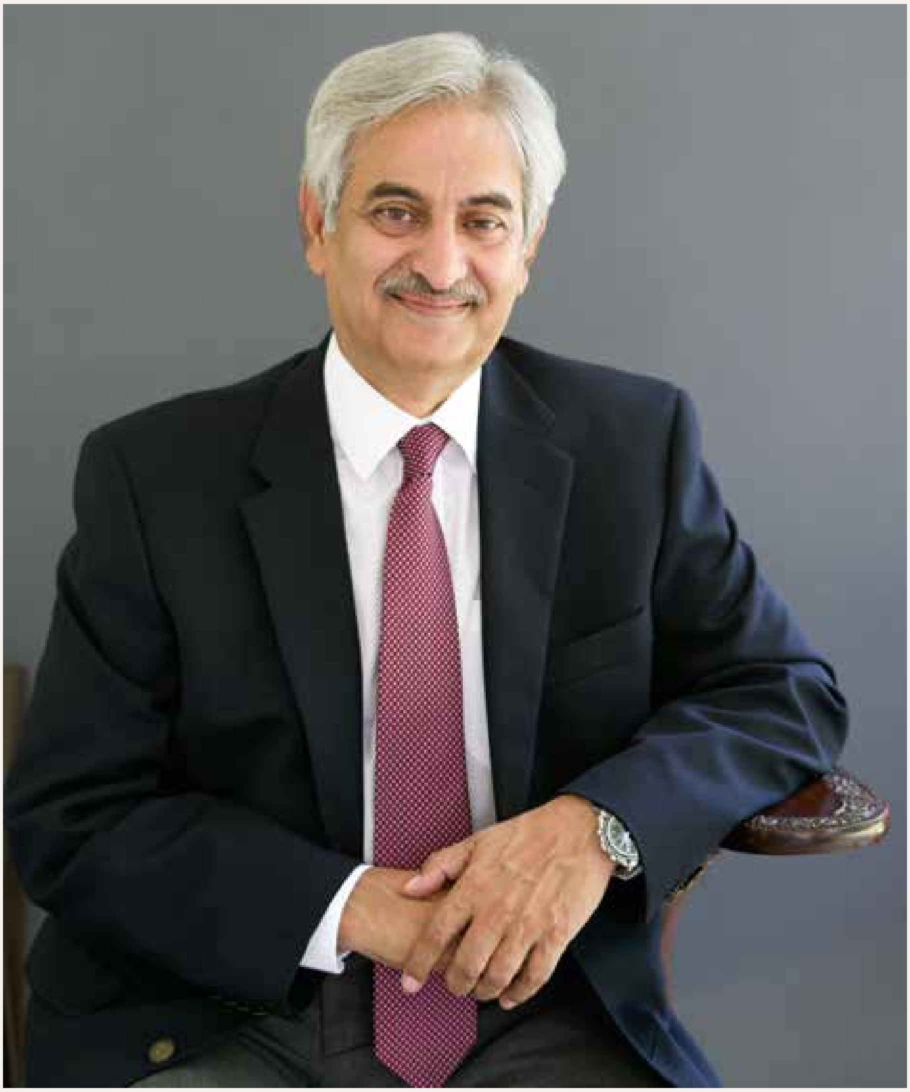
Appointment of external auditors and fixing of their audit fee was reviewed and the Audit Committee following this review, recommended to the Board of Directors re-appointment of M/s KPMG Taseer Hadi and Co. Chartered Accountants as external auditors for the year 2017-18

–sd–

Dr. Syed Salman Ali Shah
Chairman of the Board Audit Committee

Date: 31 July 2017
Lahore

CHAIRMAN'S REVIEW REPORT



The Company has achieved highest ever after tax profit of Rs. 417/- million. I must congratulate the team for an excellent performance.

The financial results of the Company reflect healthy growth in the top and the bottom line, earnings per share and shareholders' equity.

Strategically focusing on a mix of customers' portfolios, an emphasis on technology, optimization and improving efficiencies enabled the growth.

The profit before tax of 463 million was 26 percent higher than last year while profit after tax of Rs. 417 million recorded a growth of 17 percent. Based on these financial results, the Board is pleased to propose a final cash dividend of Rs. 0.5 per share (i.e. 5 percent), making the total cash dividend Rs. 1.5 per share (i.e. 15%) for the year 2017. This is in addition to a bonus dividend of 10%. already declared

The Company's approach to sustainable business is based on the spirit of partnership with its customers, as present day's business must extend beyond transactions. Being a reliable supplier to our customers is a core value for us at SPEL. We strive to ensure that our employees practice the highest ethical and professional standards and respect the values of the Company. We believe that good governance is having effective systems, which lead to creating trust. This in turn leads to effective, transparent and accountable management.

As we look to the year ahead and beyond, the economic landscape is changing due to geopolitical changes, which may or may not be favorable. Inspite of this, huge investments are expected in the economy due to CPEC and similar projects. Our large population, growing middle class and improved per capita income is a source of optimism. We plan to continue to invest prudently and grow.

We will further build upon our success and capture opportunities in our field, which has a great potential. And will continue to review our strategies to keep them aligned with the changing socio-economic dynamics.

We remain committed to excellence in all aspects of our business including product quality, customer satisfaction, finding innovative solutions and service delivery.

I express my heartiest gratitude to our customers who have continued to build stronger relationships enabling us to record excellent performance.

I take this opportunity to extend my appreciation to the management and staff for their commitment and hard work. I also appreciate support of our suppliers, bankers, service providers, and all other stakeholders.

We will continue to strive for taking SPEL to even greater heights.

–sd–

Almas Hyder
Chairman

Date: 30 Aug 2017
Lahore

DIRECTORS' REPORT TO THE SHAREHOLDERS
FOR THE YEAR ENDED 30 JUNE 2017

Dear Shareholders,

The Directors of your Company are pleased to place before you the Company's Annual Report on the results of its operations along with the Audited Accounts for the year ended 30 June 2017.

FINANCIAL OVERVIEW

FINANCIAL RESULTS

The financial results of the Company for the year under review and of the previous year are as follows:

	2017	2016
	Rupees in million	
Turnover	2,699.67	2,321.85
Gross profit	714.87	582.49
Operating profit	525.01	418.30
Financial cost	32.74	38.44
Profit before taxation	463.96	393.54
Taxation	46.80	37.75
Profit after tax	417.16	355.79

DIVIDENDS AND APPROPRIATIONS

	2017	2016
Opening balance of un-appropriated profit	828.32	527.19
Interim cash dividend @ 10% (2016: @5%)	81.23	38.68
Interim bonus dividend @ 10% (2016: Nil)	77.35	–
Final cash dividend @ 5% (2016: @10%)	42.54	77.35
Sub total	201.12	116.03
Un-appropriated profit carried forward	627.20	411.16
Total Dividend	25%	15%

EARNINGS PER SHARE

The earnings per share for the current and the previous year are as follows:

Basic and diluted EPS – 2017	Rs. 4.90
Basic and diluted EPS – 2016	Rs. 4.18 (Restated)*

* The figure is re-stated as the number of outstanding shares has been changed consequent to issuance of bonus shares.

OPERATIONS

The financial year 2016-17 was another successful year for the Company with sales, operating income and profits showing a healthy increase.

The sales revenue of the Company increased by 16% from Rupees 2,322 million to Rupees 2,699 million. The gross profit increased by 23% due to higher sales volume and production efficiencies. Operating profit and net profit also increased by 26 % and 17% respectively. The other income of the Company decreased mainly due to encashment of fixed deposits.

To improve capability and to cater to growing market demand, the Company invested Rs. 335.12 million (2016: Rs. 570.59 million) in Property Plant and Equipment. The investment helped achieve higher productivity, lower cost and gained tax credits. Significant amount has also been spent for technology upgradation and automation to ensure better quality, timely deliveries through improved efficiency.

There have been no material changes since 30 June 2017 to the date of this report and the Company has not entered into any commitment during this period, which would have an adverse impact on the financial position of the Company.

TAXATION

The Company is entitled to claim a tax credit at the rate of 48% of tax payable under section 65E of the Income Tax Ordinance, 2001 on account of investing in plant and machinery financed through new equity. The credit is allowable for five years starting from Tax Year 2016 till Tax Year 2020 accordingly the credit has also been accounted for in the accounts under review. In addition, a one-time tax credit under section 65B of the Income Tax Ordinance, 2001 at the rate of 10% of the amount invested in plant and machinery, has been claimed. Such credits can be claimed in future also subject to investment in plant and machinery in the respective years.

OPERATIONS

AWARD AND RECOGNITION

It gives us great pleasure to inform that the Company had the honour of receiving the awards.

APPRECIATION AWARD

During the year under review, the company has received awards form following customers:

- Pak Suzuki Motor Company Limited
- Nestle Pakistan Limited

BEST CORPORATE RECORD AWARD

The Joint Committee on BCSRA of the Institute of Chartered Accountants of Pakistan and Institute of Cost & Management Accountants of Pakistan has awarded second position to the Company's annual Report for the year 2016 in its category.

HUMAN RESOURCE DEVELOPMENT:

We believe that our team members are our core strength, who strive every day to meet the company challenges and work for achieving its objectives. Developing and training personal, improving organizational skills, knowledge and abilities is a consistent priority of the Company.

External Trainings: During the year under review, the Company sent employees on different external courses which helped our employees build their skills. Some external courses include, Owner President Management Program, Advance Training Program, Leadership Development Program, Solving Human and Organizational Problems, Executive Program on Production Management, Leadership Grid, Supervisory Skills, etc. The trainings institutions include, Harvard Business School, National University of Singapore, Pakistan Institute of Management Sciences, Superior University and, HIDA Japan.

Internal Training: Regular internal trainings were also conducted throughout the year as per the annual training program of the Company. The trainings include the basic skills for team members as well as courses on Toyota Production Systems (TPS), Kaizen, 5S, QCC etc.

CORPORATE SOCIAL RESPONSIBILITY

The Company considers social, environmental and ethical matters as important elements of business activity. SPEL supports the community by spending on education, health, community welfare and social causes. Some CSR Activities during the year include the following:

- Signing of MoU with Lahore University of Management Sciences (LUMS) for providing Scholarship Grant to the needy student(s) under the LUMS Financial Aid Program.
- Free medical camp for the unprivileged living in nearby villages
- Donations to different organizations
- Financial assistance to employees who wished to enhance their education

CORPORATE

MEETINGS OF THE BOARD AND ATTENDANCE

During the year under review, four (04) Board meetings were held and attendance by each director is given below:

Name	Status	Meetings attended
Mr. Almas Hyder	Chairman/Non-Executive Director	4
Dr. S. M. Naqi	Non-Executive director	4
Mr. Zia Hyder Naqi	CEO/Executive director	4
Dr. Syed Salman Ali Shah	Independent Non-Executive Director	4
Mr. Khawar Anwar Khawaja	Independent Non-Executive Director	3
Mr. Muhammad Tabassum Munir	Independent Non-Executive Director	4
Mr. Raza Haider Naqi	Non-Executive Director	3
Mr. Sheikh Naseer Hyder	Executive Director	4
Mr. Abid Saleem khan	Executive Director	4

Leave of absence was granted to the members who could not attend the meeting.

BOARD AUDIT COMMITTEE

During the year under review, four (04) Board Audit Committee meetings were held and attendance by each member is given below:

Name	Status	Meetings attended
Dr. Syed Salman Ali Shah	Committee Chairman	4
Mr. Almas Hyder	Member	4
Dr. S. M. Naqi	Member	4
Mr. Muhammad Tabassum Munir	Member	4
Mr. Sheikh Naseer Hyder	Member	2*
Mr. Raza Haider Naqi	Member	1**

*Mr. Sheikh Naseer Hyder resigned from audit Committee consequent to his appointment as executive director of the Company w.e.f. 1st January 2017, he was eligible to attend only two meetings.

**Mr. Raza Haider Naqi has joined the Board Audit Committee on 28th January 2017, after his joining only one meetings of the Audit Committee was held.
Leave of absence was granted to the members who could not attend the meeting.

HUMAN RESOURCE & REMUNERATION COMMITTEE

Human Resource and Remuneration Committee comprises of following members: During the year one (01) Human Resource and Remuneration Committee meetings was held.

Name	Status	Meetings attended
Mr. Almas Hyder	Chairman	1
Dr. S. M. Naqi	Member	1
Mr. Zia Hyder Naqi	Member	1
Mr. Khawar Anwar Khawaja	Member	1
Mr. Abid Saleem Khan	Member	1

FINANCE COMMITTEE

Finance Committee comprises of the following members. During the year one (01) meeting of Finance Committee was held.

Name	Status	Meetings attended
Mr. Almas Hyder	Committee Chairman	1
Mr. Zia Hyder Naqi	Member	1
Dr. Syed Salman Ali Shah	Member	1
Mr. Khawar Anwar Khawaja	Member	1
Mr. Muhammad Tabassum Munir	Member	1

TRAINING BY DIRECTORS

During the year under review, Mr. Abid Saleem Khan has attended the Advanced Management Program by the Pakistan Institute of Management Sciences and Mr. Zia Hyder Naqi attended the final session of Owner President Management Program at Harvard Business School. Mr. Zia Hyder Naqi also attended the Directors Training Program by the Institute of Cost & Management Accountants of Pakistan.

APPOINTMENT OF AUDITORS

The present auditors, M/s KPMG Taseer Hadi & Co. Chartered Accountants will retire at the conclusion of the upcoming Annual General Meeting and being eligible, offer themselves for re-appointment. The Board Audit Committee of the Company has suggested and the Board has approved & recommended their re-appointment to the shareholders as auditors of the Company for the year ended 2017-18.

PATTERN OF SHAREHOLDING

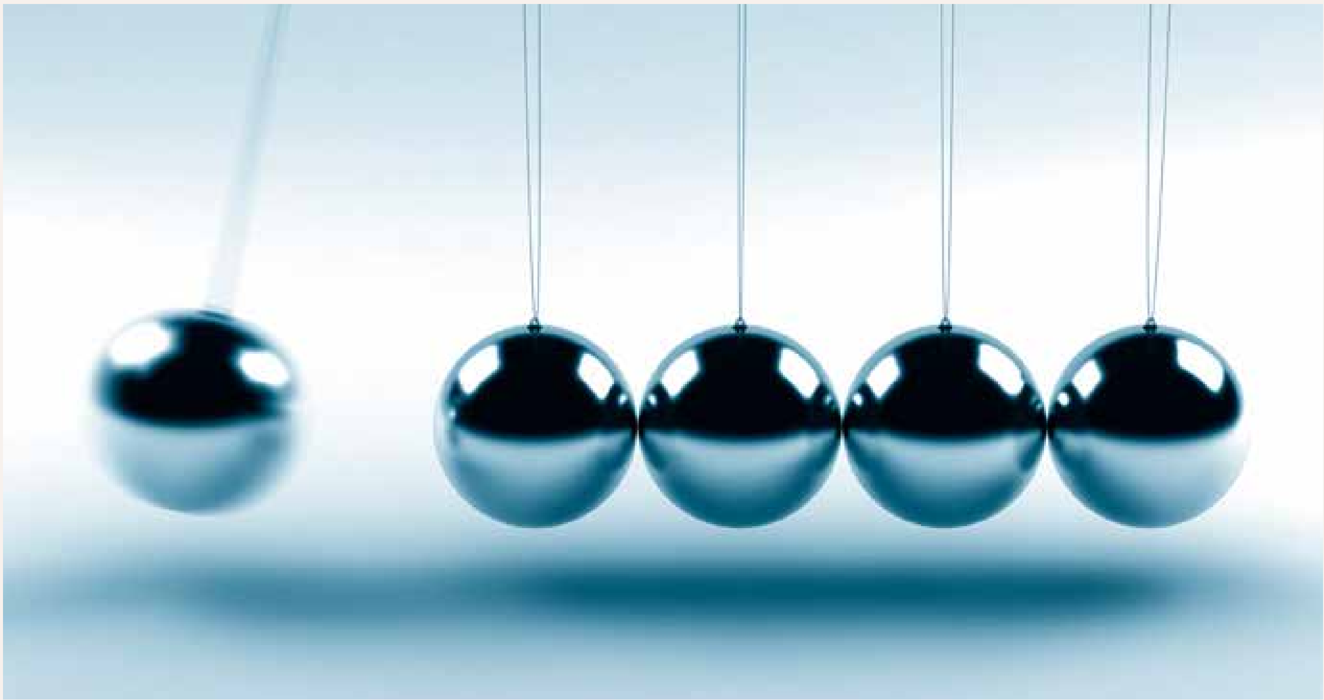
The pattern of shareholding is annexed to this report.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The company is in compliance with the all requirements of the Corporate and Financial Reporting Framework as enumerated in the Code of Corporate Governance and we confirm that:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern.
- Key operating and financial data for the last six years is annexed.
- Information about taxes and levies is given in notes to the Financial Statements.
- There is no likelihood of any delayed payments or default in respect of all loans availed by the Company.
- There is no material risks and uncertainties specific to our Company except political and economic risks.
- There is no material impact of our business on the environment.
- The Company operates a contributory Provident Fund Scheme for all its eligible employees. The value of investment as on 30 June 2017 of the investments made by the Company's Provident and other relevant information has been mentioned in notes to the Financial Statements.
- The detail of trading in shares of the Company by the Company's Directors, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Company Secretary Head of Internal Audit, Executives their spouses and minor children is annexed.
- The Board has reviewed and decided that any employee of SPEL having monthly gross salary of Rs. 100,000 or above should be considered as "Executive" for the purposes of Rule 5.19.11 and Rule 5.9.15 of the PSX Rule Book.

DIRECTORS' REPORT TO THE SHAREHOLDERS
FOR THE YEAR ENDED 30 JUNE 2017



FUTURE OUTLOOK

The Company is on the path of steady growth. Manufacturing facilities are being expanded, Investments are being made to achieve efficiency and improve profitability. The geographical foot print is also being enlarged. Construction on Rahim Yar Khan Project is in progress and will be completed on time.

We are positive on the stability of our markets. The Company has the ability and capacity to develop strategies to maintain pattern of sustained growth.

The Company has a blue-chip clientele, which provides natural growth to sales as the clients are growing. The Company is investing in horizontal growth also by developing and adding new product lines.

ACKNOWLEDGEMENT

We are pleased to acknowledge that the relation with employees remained congenial throughout the year. The management recognizes and records its sincere appreciation to all employees for their continued dedication, commitment and hard work without which this performance could not have been possible.

We would also like to appreciate our valuable customers for their continued support and reliance on our products as well as quality. The support extended by financial institutions gave us great comfort, and we extend our gratitude to them.

Zia Hyder Naqi
Chief Executive Officer
Place: Lahore
30 Aug 2017

Sheikh Naseer Hyder
Director

SIX YEARS FINANCIAL INFORMATION

Financial Summary		2017	2016	2015	2014	2013	2012
Balance Sheet							
Share capital	Rs. in 000	850,850	773,500	773,500	580,000	412,275	329,820
No of shares (closing)	No. in 000	85,085	77,350	77,350	58,000	41,227	32,982
Fixed assets	Rs. in 000	1,875,868	1,515,337	1,030,345	873,185	629,246	504,469
Total assets	Rs. in 000	2,985,184	2,481,024	2,364,932	1,524,452	1,319,885	1,164,426
Equity	Rs. in 000	2,094,928	1,836,335	1,557,894	825,933	518,284	458,097
Long term loans & leases	Rs. in 000	202,292	41,332	92,707	75,091	83,843	25,974
Current assets	Rs. in 000	1,086,233	943,727	1,320,570	618,881	670,609	649,513
Stocks	Rs. in 000	448,138	333,875	337,658	260,073	319,781	331,603
Debtors	Rs. in 000	339,046	281,158	249,155	185,228	225,236	127,770
Cash and bank Balances	Rs. in 000	57,874	51,063	37,633	78,903	17,436	82,182
Creditors	Rs. in 000	164,643	128,045	127,469	82,923	191,474	199,457
Current liabilities	Rs. in 000	510,596	443,987	592,197	501,811	614,880	594,271
Non-Current liabilities	Rs. in 000	379,660	200,703	214,841	196,708	186,720	112,059
Total liabilities	Rs. in 000	890,256	644,690	807,038	698,519	801,600	706,330
Short term finances	Rs. in 000	342,313	311,800	456,605	414,784	418,089	373,527
Working capital	Rs. in 000	602,087	469,658	443,378	352,712	351,941	257,893
Profit and Loss Account							
Sales	Rs. in 000	2,699,673	2,321,851	2,165,703	1,718,561	1,415,829	1,399,020
Cost of sales	Rs. in 000	1,984,803	1,739,357	1,672,903	1,371,825	1,183,530	1,145,326
Gross profit	Rs. in 000	714,870	582,493	492,801	346,736	232,299	253,694
Profit before taxation	Rs. in 000	463,962	393,543	286,310	175,120	78,603	96,547
Depreciation	Rs. in 000	132,582	89,120	74,345	63,523	48,868	44,178
Amortization	Rs. in 000	1,922	1,588	1,387	1,342	-	-
Financial cost	Rs. in 000	32,744	38,439	59,028	56,462	50,352	47,813
Profit after tax	Rs. in 000	417,161	355,791	229,745	121,933	60,188	71,455
EBIT	Rs. in 000	496,706	431,982	345,338	231,582	128,954	144,360
EBITDA	Rs. in 000	631,211	522,690	421,070	296,447	177,822	188,538
Cash Flow Statement							
Cash flow from operating activities	Rs. in 000	403,894	343,050	203,923	212,996	61,060	153,316
Cash flow from investing activities	Rs. in 000	(430,278)	(54,987)	(756,056)	(98,246)	(48,640)	(62,883)
Cash flow from financing activities	Rs. in 000	49,113	(135,565)	404,476	(65,105)	1,560	(70,720)
Opening cash & cash equivalents	Rs. in 000	793	(151,704)	(4,048)	(53,693)	(67,674)	(87,387)
Closing cash & cash equivalents	Rs. in 000	23,521	793	(151,704)	(4,048)	(53,694)	(67,674)

* Cash and cash equivalents represents the cash & bank balances net of short term running finances.

SIX YEARS FINANCIAL INFORMATION

Significant Ratios		2017	2016	2015	2014	2013	2012
Profitability							
Gross profit ratio	%age	2 6%	25%	23%	20%	16%	18%
Net profit ratio	%age	15%	15%	11%	7%	4%	5%
EBIDTA margin to sales	%age	23%	23%	19%	17%	13%	13%
Return on equity	%age	20%	19%	15%	15%	12%	16%
Return on capital employed	%age	20%	20%	18%	16%	11%	15%
Liquidity / Leverage							
Current ratio	Times	2.13	2.13	2.23	1.23	1.09	1.09
Quick/Acid test ratio	Times	1.25	1.37	1.66	0.72	0.57	0.53
Cash to current liabilities	%age	11%	12%	6%	16%	3%	14%
Cash flow from operations to sales	%age	19%	20%	15%	17%	7%	13%
Activity/Turnover Ratios							
Inventory turnover ratio	Times	5.08	5.18	5.60	4.73	3.63	3.66
No of days in inventory	Days	71.90	70.46	65.21	77.14	100.44	99.64
Debtor turnover ratio	Times	8.71	8.76	9.97	8.37	8.02	11.72
No of days in receivables	Days	41.93	41.68	36.60	43.59	45.50	31.14
Creditor turnover ratio	Times	13.56	13.61	15.90	10.00	6.05	7.37
No of days in payables	Days	26.91	26.81	22.95	36.50	60.28	49.55
Fixed assets turnover ratio	Times	1.44	1.53	2.10	1.97	2.25	2.77
Total assets turnover ratio	Times	0.90	0.94	0.92	1.13	1.07	1.20
Operating cycle	Days	86.92	85.33	78.86	84.23	85.66	81.23
Investment/Market Ratios							
Earning per share - Reported****	Rs.	4.90	4.60	3.48	2.10	1.46	1.73
Dividend yield ratio	%age	3.3%	3.2%	1.8%	N/A	N/A	N/A
Dividend payout ratio	%age	51%	32.6%	28.7%	N/A	N/A	N/A
Dividend cover ratio	Times	1.96	3.07	3.48	2.10	0.00	0.00
Dividend per share***	Rs.	2.5	1.50	1.00	1.00	0.00	0.00
Market value per share at the year end*	Rs.	75.45	46.90	54.87	N/A	N/A	N/A
Breakup value per share (without land's revaluation surplus)	Rs.	21.95	20.81	17.21	10.33	12.57	13.89
Breakup value per share (with land's revaluation surplus)	Rs.	24.62	23.74	20.14	14.24	12.57	13.89
Capital Structure Ratios							
Financial leverage ratio	Times	0.26	0.19	0.35	0.59	0.97	0.87
Weighted average cost of debt	%age	7%	9%	11%	11%	11%	12%
Debt to equity ratio	Times	0.12	0.06	0.11	0.15	0.25	0.13
Interest cover ratio	Times	15.17	11.24	5.85	4.10	2.56	3.02
Return to Shareholders							
R.O.E. before tax	%age	22%	21%	18%	21%	15%	21%
R.O.E. after tax	%age	20%	19%	15%	15%	12%	16%
EPS	Rs.	4.90	4.60	3.48	2.10	1.46	1.73
Solvency							
Debtors turnover	Times	8.71	8.76	9.97	8.37	8.02	11.72
Creditors turnover	Times	13.56	13.61	15.90	10.00	6.05	7.37
Other Information							
Sale growth rate	%age	16%	7%	26%	21%	1%	17%

* *Source of information is karachi stocks exchange website.*

** *N/A refers to "not applicable" as the Company was not listed during those years.*

*** *This includes interim dividend paid during the year (cash & stock). This figure will be updated after announcement of final dividend for current year.*

**** *EPS of the last year is re-stated.*

COMMENTS ON FINANCIAL ANALYSIS

COMMENTS ON RATIOS

Profitability: The Company has been performing well over the last six years. The net profit ratio has increased from 5% in the year 2012 to 15% in 2017 whereas the GP ratio has improved from 18% in the year 2012 to 26% in the year 2017. The improvement was result of year on sales growth and effective & efficient utilization of economic resources. This resulted in an improved return on equity of 20% compared to 15% in the base year.

Liquidity: With better profitability, improved cash flows and equity injection, to finance the fixed capital expenditure, the liquidity of the company has strengthened during the last six years.

Activity / Turnover: The Company maintains reasonable inventory and debtor turn-over ratios as per the industry practice. The Company strives to implement efficient and effective inventory management systems which are helping in maintaining the inventory turnover at optimum level. Most of raw materials of the Company are imported; hence, the Company has to maintain reasonable levels of stocks. The Company extends credit to its customers keeping in view the credit worthiness of the customer. The Company has strong relation with creditors to assure smooth supply of goods and services for which the Company has to keep creditors turnover at an attractive level.

Investment / Market Ratios: The Company got listed during the FY 2014-15, hence, the data for market price of the shares is not available for the last six years. The EPS has improved from Rs. 1.73 in 2012 to Rs. 4.9 in 2017 whereas the break-up value has increased from Rs. 13.89 per share to Rs. 24.62 per share in 2017.

Capital Structure: The Company continuously monitors its capital structure and aims to keep it at its optimum level. Currently, the Company has optimum debt and equity ratio having lesser interest cost and lower credit risk.

COMMENTS ON HORIZONTAL ANALYSIS

The Company has been performing well over the last six years. The net profit has increased from Rs. 71.45 million in the year 2012 to Rs. 417.16 million in 2017. The gross profit has improved from Rs. 253.6 million in the year 2012 to Rs. 714.87 million in the year 2017. The improvement was mainly caused to the year on sales growth and effective and efficient utilization of economic resources. This resulted in an improved return on equity of 20% from 15% in the base year.

During the last six years, liquidity of the Company has improved significantly and the capital structure has also improved. A significant amount has been invested in property, plant and equipment to cater for growing needs of the customers.

COMMENTS ON VERTICAL ANALYSIS

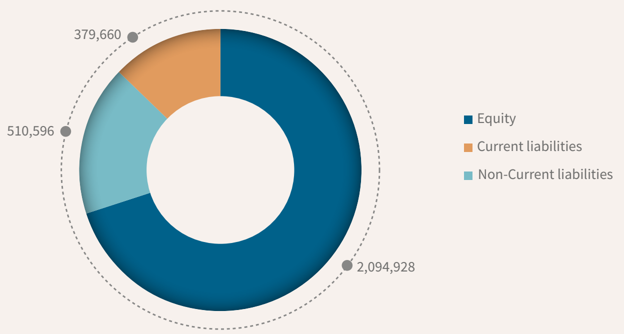
The sales revenue of the Company increased by 16% from Rupees 2,322 million to Rupees 2,699 million. The gross profit of the company stood at 26.48% as compared to 25.09% in the last year. The Company has witnessed a net profit ratio of 15.45% which is higher compared to net profit ratio of last year .

COMMENTS ON CASH FLOWS

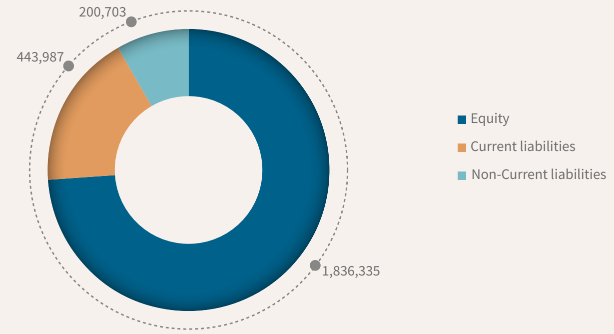
Cash Flow from Operating Activities: There is an increase in cash flows from operating activities due to higher profitability from FY 2012 to FY 2017.

GRAPHICAL PRESENTATION

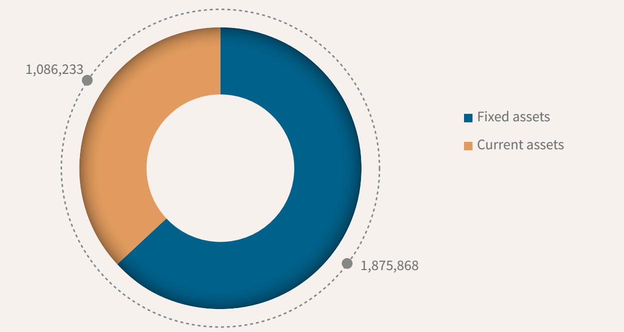
2017 Equity and Liabilities
(Rs. in 000)



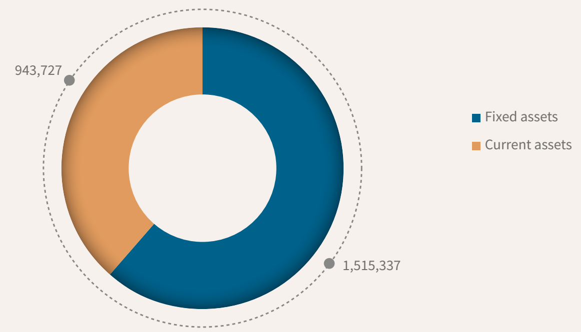
2016 Equity and Liabilities
(Rs. in 000)



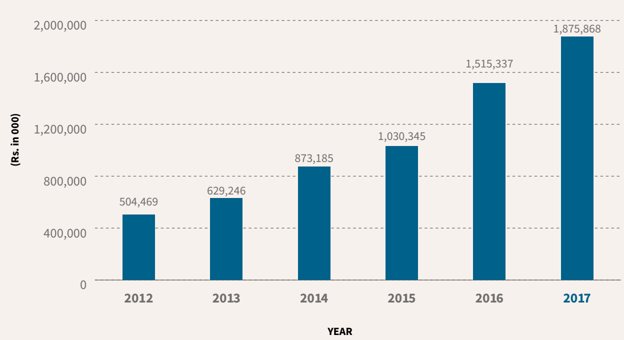
2017 Assets
(Rs. in 000)



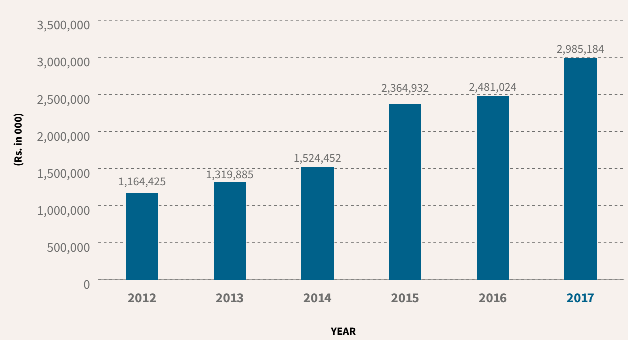
2016 Assets
(Rs. in 000)



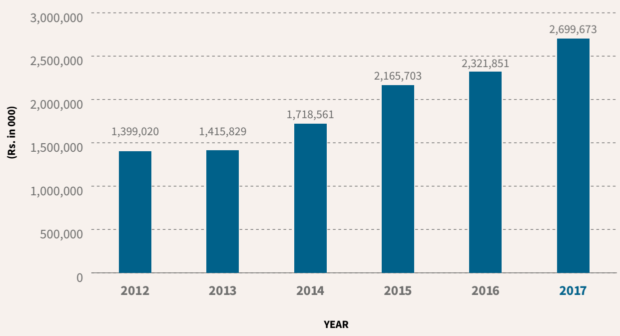
Fixed Assets



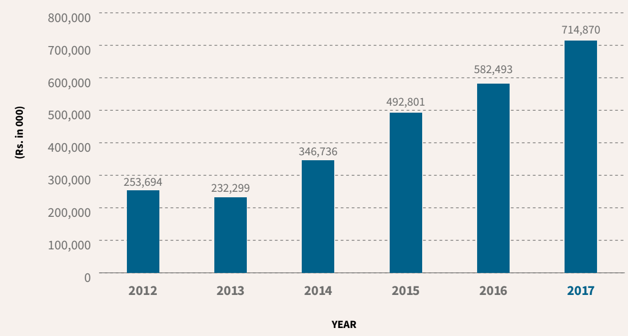
Total Assets



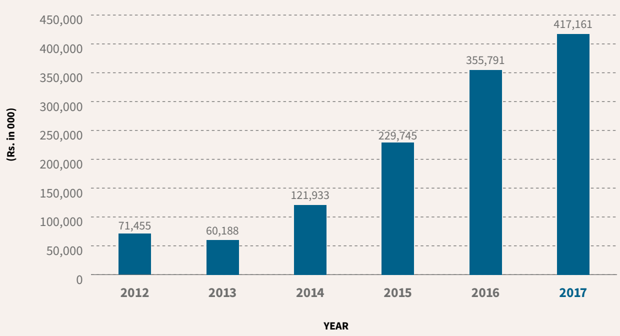
Sales



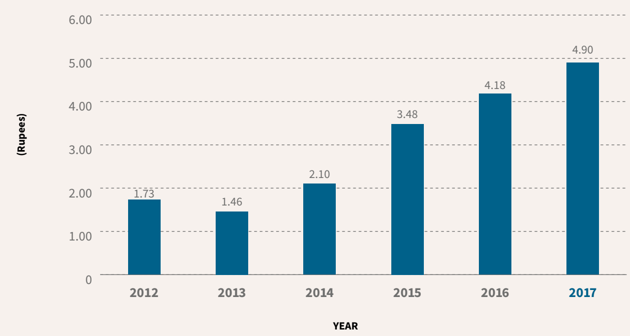
Gross Profit



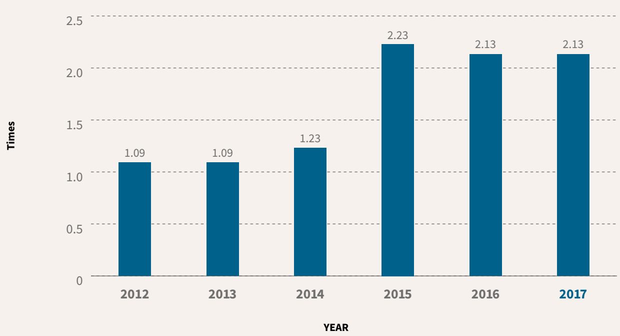
Profit After Tax



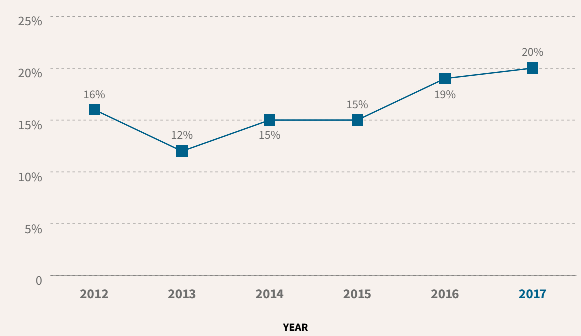
EPS



Current Ratio



Return on Equity



VERTICAL FINANCIAL ANALYSIS

	2017		2016		2015		2014		2013		2012	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
Nomenclature												
Equity and reserves	1,867,985	62.58	1,609,392	64.87	1,330,951	56.28	598,990	39.29	518,284	39.27	458,097	39.34
Surplus on revaluation of land	226,943	7.60	226,943	9.15	226,943	9.60	226,943	14.89	_	_	_	_
Long term loans	192,458	6.45	24,585	0.99	63,326	2.68	34,147	2.24	_	_	_	_
Non current liabilities	187,202	6.27	176,117	7.10	151,516	6.41	162,561	10.66	186,720	14.15	112,059	9.62
Total current liabilities	510,596	17.10	443,987	17.90	592,197	25.04	501,811	32.92	614,880	46.59	594,271	51.04
	2,985,184	100.00	2,481,024	100.00	2,364,932	100.00	1,524,452	100.00	1,319,885	100.00	1,164,426	100.00
Property plant and equipment	1,875,868	62.84	1,515,337	61.08	1,030,345	43.57	873,185	57.28	629,246	47.67	504,469	43.32
Long Term Investments	6,321	0.21	438	0.02	2,546	0.11	4,496	0.29	4,417	0.33	3,916	0.34
Non current assets - Others	16,762	0.56	21,522	0.87	11,471	0.49	17,990	1.18	15,614	1.18	6,528	0.56
Stores spares and loose tools	20,454	0.69	17,330	0.70	15,966	0.68	9,666	0.63	1,603	0.12	2,023	0.17
Stock in trade	427,684	14.33	316,545	12.76	321,691	13.60	250,407	16.43	318,179	24.11	329,580	28.30
Trade debts	339,046	11.36	281,158	11.33	249,155	10.54	185,228	12.15	225,236	17.06	127,770	10.97
Income Tax Receivables	183,516	6.15	146,348	5.90	84,902	3.59	80,833	5.30	92,563	7.01	76,945	6.61
Short Term Investment	_	0.00	75,000	3.02	580,500	24.55	_	_	_	_	8,885	0.76
Advances, deposits, prepayments and other receivables	57,659	1.93	56,284	2.27	30,722	1.30	23,744	1.56	15,592	1.18	22,129	1.90
Cash and Bank Balances	57,874	1.94	51,063	2.06	37,633	1.59	78,903	5.18	17,436	1.32	82,182	7.06
	2,985,184	100.00	2,481,024	100.00	2,364,932	100.00	1,524,452	100.00	1,319,885	100.00	1,164,426	100.00
Nomenclature												
Sales - net	2,699,673	100.00	2,321,851	100.00	2,165,703	100.00	1,718,561	100.00	1,415,829	100.00	1,399,020	100.00
Cost of sales	1,984,803	73.52	1,739,357	74.91	1,672,903	77.25	1,371,825	79.82	1,183,530	83.59	1,145,326	81.87
Gross profit	714,870	26.48	582,493	25.09	492,801	22.75	346,736	20.18	232,299	16.41	253,694	18.13
Admin expenses	136,333	5.05	116,724	5.03	104,335	4.82	80,507	4.68	70,852	5.00	68,655	4.91
Selling and distribution expenses	53,525	1.98	47,445	2.04	42,417	1.96	33,102	1.93	33,335	2.35	39,611	2.83
Operating profit	525,013	19.45	418,325	18.02	346,049	15.98	233,127	13.57	128,112	9.05	145,428	10.39
Other charges	42,830	1.59	29,892	1.29	30,902	1.43	13,159	0.77	4,493	0.32	7,916	0.57
Finance cost	32,744	1.21	38,439	1.66	59,028	2.73	56,462	3.29	50,352	3.56	47,813	3.42
	449,438	16.65	349,993	15.07	256,120	11.83	163,506	9.51	73,267	5.17	89,699	6.41
Other income	14,524	0.54	43,550	1.88	30,191	1.39	11,614	0.68	4,835	0.34	7,089	0.51
Share of after tax profit/(loss) of an associated company	_	_	_	_	_	_	_	_	500	0.04	(241)	(0.02)
Profit before tax	463,962	17.19	393,543	16.95	286,310	13.22	175,120	10.19	78,603	5.55	96,547	6.90
Taxation	46,801	1.73	37,752	1.63	56,565	2.61	53,187	3.09	18,415	1.30	25,092	1.79
Profit after tax	417,161	15.45	355,791	15.32	229,745	10.61	121,933	7.10	60,188	4.25	71,455	5.11

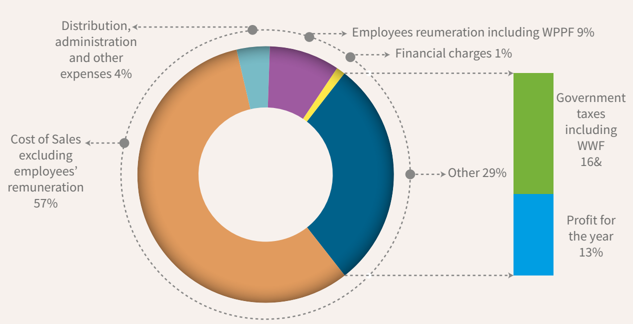
HORIZONTAL FINANCIAL ANALYSIS

	2017		2016		2015		2014		2013		2012	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
Nomenclature												
Equity and reserves	1,867,985	16.07	1,609,392	20.92	1,330,951	122.20	598,990	15.57	518,284	13.14	458,097	18.48
Surplus on revaluation of land	226,943	_	226,943	_	226,943	_	226,943	100.00	_	_	_	_
Long term loans	192,458	682.81	24,585	(61.18)	63,326	85.45	34,147	100.00	_	_	_	_
Non current liabilities	187,202	6.29	176,117	16.24	151,516	(6.79)	162,561	(12.94)	186,720	66.63	112,059	(27.99)
Total current liabilities	510,596	15.00	443,987	(25.03)	592,197	18.01	501,811	(18.39)	614,880	3.47	594,271	30.03
	2,985,184	20.32	2,481,024	4.91	2,364,932	55.13	1,524,452	15.50	1,319,885	13.35	1,164,426	16.53
Property plant and equipment	1,875,868	23.79	1,515,337	47.07	1,030,345	18.00	873,185	38.77	629,246	24.73	504,469	3.10
Long term investments	6,321	1342.41	438	(82.79)	2,546	(43.38)	4,496	1.81	4,417	12.77	3,916	(5.79)
Non current assets - others	16,762	(22.12)	21,522	87.62	11,471	(36.23)	17,990	15.21	15,614	139.19	6,528	(52.83)
Stores spares and loose tools	20,454	18.03	17,330	8.54	15,966	65.18	9,666	503.12	1,603	(20.78)	2,023	15.33
Stock in trade	427,684	35.11	316,545	(1.60)	321,691	28.47	250,407	(21.30)	318,179	(3.46)	329,580	12.88
Trade debts	339,046	20.59	281,158	12.84	249,155	34.51	185,228	(17.76)	225,236	76.28	127,770	15.19
Income tax receivables	183,516	25.40	146,348	72.37	84,902	5.03	80,833	(12.67)	92,563	20.30	76,945	14.79
Short term investment	_	(100.00)	75,000	(87.08)	580,500	100.00	_	_	_	(100.00)	8,885	100.00
Advances, deposits, prepayments and other receivables	57,659	2.44	56,284	83.20	30,722	29.39	23,744	52.28	15,592	(29.54)	22,129	73.99
Cash and bank balances	57,874	13.34	51,063	35.68	37,633	(52.30)	78,903	352.52	17,436	(78.78)	82,182	983.82
	2,985,184	20.32	2,481,024	4.91	2,364,932	55.13	1,524,452	15.50	1,319,885	13.35	1,164,426	16.53
Nomenclature												
Sales - net	2,699,673	16.27	2,321,851	7.21	2,165,703	26.02	1,718,561	21.38	1,415,829	1.20	1,399,020	17.38
Cost of sales	1,984,803	14.11	1,739,357	3.97	1,672,903	21.95	1,371,825	15.91	1,183,530	3.34	1,145,326	17.16
Gross profit	714,870	22.73	582,493	18.20	492,801	42.13	346,736	49.26	232,299	(8.43)	253,694	18.34
Admin expenses	136,333	16.80	116,724	11.87	104,335	29.60	80,507	13.63	70,852	3.20	68,655	20.25
Selling and distribution expenses	53,525	12.81	47,445	11.85	42,417	28.14	33,102	(0.70)	33,335	(15.84)	39,611	30.00
Operating profit	525,013	25.50	418,325	20.89	346,049	48.44	233,127	81.97	128,112	(11.91)	145,428	14.68
Other charges	42,830	43.28	29,892	(3.27)	30,902	134.83	13,159	192.90	4,493	(43.24)	7,916	31.91
Finance cost	32,744	(14.82)	38,439	(34.88)	59,028	4.54	56,462	12.14	50,352	5.31	47,813	(5.45)
	449,438	28.41	349,993	36.65	256,120	56.64	163,506	123.16	73,267	(18.32)	89,699	27.71
Other income	14,524	(66.65)	43,550	44.25	30,191	159.96	11,614	140.21	4,835	(31.80)	7,089	(33.49)
Share of after tax profit/(loss) of an associated company	_	_	_	_	_	_	_	(100.00)	500	307.76	240.79	(100.00)
Profit before tax	463,962	17.89	393,543	37.45	286,310	63.49	175,120	122.79	78,603	(18.59)	96,547	19.35
Taxation	46,801	23.97	37,752	(33.26)	56,565	6.35	53,187	188.83	18,415	(26.61)	25,092	0.17
Profit after tax	417,161	17.25	355,791	(54.86)	229,745	88.42	121,933	102.59	60,188	(15.77)	71,455	28.14

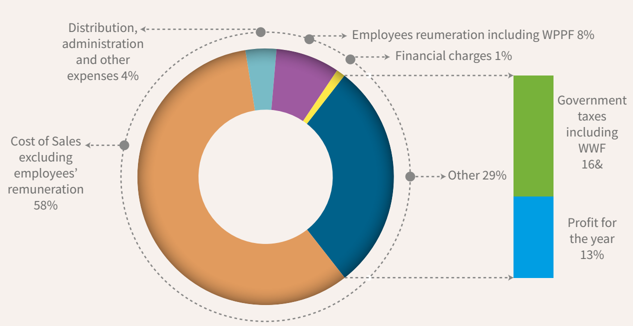
STATEMENT OF WEALTH GENERATED AND DISTRIBUTED

	2017		2016	
	Rs. in 000	%	Rs.in 000	%
Total Revenue inclusive of sales tax	3,165,887	99.5%	2,723,549	98%
Other Income	14,524	0.5%	43,550	2%
	3,180,410	100%	2,767,099	100%
WEALTH DISTRIBUTION				
Cost of Sales excluding employees' remuneration	1,796,716	56.5%	1,594,920	57.6%
Distribution, administration and other expenses	125,280	3.9%	104,618	3.8%
Employees remuneration including WPPF	286,829	9.0%	225,547	8.2%
Financial charges	32,744	1.0%	38,439	1.4%
Government taxes including WWF	521,680	16.4%	447,784	16.2%
Profit for the Year	417,161	13.1%	355,791	12.9%
	3,180,410	100%	2,767,099	100%

2017



2016



REVIEW REPORT TO THE MEMBERS
ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (''the Code'') prepared by the Board of Directors of Synthetic Products Enterprises Limited ("the Company") for the year ended 30 June 2017 to comply with the requirements of Regulation No. 5.19.24 (b) of the Rule Book of Pakistan Stock Exchange Limited where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

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 Code requires 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. 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 any procedures to determine 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 best practices contained in the Code as applicable to the Company for the year ended 30 June 2017.

Lahore
Date: 30 Aug 2017

KPMG Taseer Hadi & Co.
Chartered Accountants
(M. Rehan Chughtai)

STATEMENT OF COMPLIANCE
WITH CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2017

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 5.19.24 of the Rule Book of Pakistan Stock Exchange Limited (PSX) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the Board includes:

   ### INDEPENDENT DIR ECTORS

   Dr. Syed Salman Ali Shah
   Mr. Khawar Anwar Khawaja
   Mr. Muhammad Tabassum Munir

   ### EXECUTIVE DIRECTORS

   Mr. Zia Hyder Naqi
   Mr. Sheikh Naseer Hyder
   Mr. Abid Saleem Khan

   ### NON EXECUTIVE DIRECTORS

   Mr. Almas Hyder
   Dr. Sheikh Muhammad Naqi
   Mr. Raza Haider Naqi

   The independent directors meets the criteria of independence under clause 5.19.1 (b) of the Rule Book of PSX.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred on the board during the current year.

5. 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.

6. The board has developed a 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.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.

8. The meetings of the board were presided over by the Chairman and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Company arranged orientation course for its directors as and when needed to apprise them of their duties and responsibilities. Four of the director have already acquired certification under the directors training program conducted by approved institution of SECP whereas one director is exempted on the basis of experience criteria.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The directors’ report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

13. The Directors, CEO and Executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee. It comprises of five members, all of them are Non-Executive Directors and the Chairman of the committee is an independent director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises of five members, of whom three are non-executive directors and the Chairman of the committee is a non-executive director.

18. The Board has set up an effective Internal Audit function, which is considered suitably qualified and experienced for the purpose and is conversant with policies and procedures of the Company.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/ final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.

23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of name of persons from the said list.

24. We confirm that all other material principles enshrined in the CCG have been complied with.

Chief Executive Officer
30 Aug 2017

Director

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed unconsolidated balance sheet of Synthetic Products Enterprises Limited ("the Company") as at 30 June 2017, the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof, for the year ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also include assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the unconsolidated balance sheet and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, 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 2017 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Date: 31 July 2017
Lahore

KPMG Taseer Hadi & Co.
Chartered Accountants
(M. Rehan Chughtai)

UNCONSOLIDATED BALANCE SHEET
AS AT 30 JUNE, 2017

	Note	2017 Rupees	2016 Rupees
Equity And Liabilities			
Share capital and reserves			
Authorized share capital of Rs. 10 each	5	1,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital	5	850,850,000	773,500,000
Share premium		347,391,050	347,391,050
Accumulated profit		669,744,166	488,500,699
		1,867,985,216	1,609,391,749
Surplus on revaluation of land	6	226,943,081	226,943,081
Non-current liabilities			
Long term finance - secured	7.1	–	24,585,369
Diminishing musharika - secured	7.2	192,457,749	–
Liabilities against assets subject to finance lease	8	9,833,951	16,746,867
Deferred taxation	9	177,367,893	159,370,532
		379,659,593	200,702,768
Current liabilities			
Trade and other payables	10	164,642,782	128,044,640
Short term borrowings - secured	11	303,083,692	251,844,351
Current maturity of long term liabilities	12	39,229,099	59,955,727
Accrued mark up	13	3,640,698	4,142,042
		510,596,271	443,986,760
		2,985,184,161	2,481,024,358
Contingencies and commitments	14		

The annexed notes 1 to 44 form an integral part of these unconsolidated financial statements.

Lahore | Chief Executive | Director

	Note	2017 Rupees	2016 Rupees
Assets			
Non-current assets			
Property, plant and equipment	15	1,875,867,724	1,515,337,213
Intangibles	16	3,241,687	4,291,029
Investments	17	6,321,302	438,245
Long term deposits	18	13,520,169	17,231,046
		1,898,950,882	1,537,297,533
Current assets			
Stores, spares and loose tools		20,454,067	17,329,657
Stock-in-trade	19	427,683,515	316,544,988
Trade debts - unsecured, considered good		339,046,438	281,157,522
Income tax - net	20	183,515,654	146,348,210
Advances, deposits, prepayments and other receivables	21	57,659,496	56,283,534
Short term investments		–	75,000,000
Cash and bank balances	22	57,874,109	51,062,914
		1,086,233,279	943,726,825
		2,985,184,161	2,481,024,358

Lahore

Chief Executive

Director

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE, 2017

	Note	2017 Rupees	2016 Rupees
Sales - net	23	2,699,673,129	2,321,850,602
Cost of sales	24	(1,984,802,802)	(1,739,357,228)
Gross profit		714,870,327	582,493,374
Administrative expenses	25	(136,332,599)	(116,723,787)
Selling and distribution expenses	26	(53,524,953)	(47,444,993)
Operating profit		525,012,775	418,324,594
Other income	27	14,523,521	43,549,944
Other charges	28	(42,829,916)	(29,892,484)
Finance cost	29	(32,744,392)	(38,439,289)
Profit before taxation		463,961,988	393,542,765
Taxation	30	(46,801,021)	(37,752,084)
Profit after taxation		417,160,967	355,790,681
		Rupees	Rupees *Restated*
Earnings per share - basic and diluted	31	4.90	4.18

The annexed notes 1 to 44 form an integral part of these unconsolidated financial statements.

Lahore

Chief Executive

Director

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE, 2017

	2017 Rupees	2016 Rupees
Profit after taxation	417,160,967	355,790,681
Other comprehensive income	–	–
Total comprehensive income for the year	417,160,967	355,790,681

The annexed notes 1 to 44 form an integral part of these unconsolidated financial statements.

Lahore

Chief Executive

Director

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE, 2017

	Issued, subscribed and paid-up capital	Capital reserve	Revenue reserve	
		Share premium	Accumulated profit	Total
	Rupees			
As at 30 June 2015	773,500,000	347,391,050	210,060,018	1,330,951,068
Total comprehensive income for the year				
Profit after taxation	–	–	355,790,681	355,790,681
Other comprehensive income	–	–	–	–
	–	–	355,790,681	355,790,681
Transactions with owners of the Company				
Final cash dividend for the year ended 30 June 2015 @ Rs. 0.5 per share	–	–	(38,675,000)	(38,675,000)
Interim cash dividend for the year ended 30 June 2016 @ Rs. 0.5 per share	–	–	(38,675,000)	(38,675,000)
	–	–	(77,350,000)	(77,350,000)
As at 30 June 2016	773,500,000	347,391,050	488,500,699	1,609,391,749
Total comprehensive income for the year				
Profit after taxation	–	–	417,160,967	417,160,967
Other comprehensive income	–	–	–	–
	–	–	417,160,967	417,160,967
Transactions with owners of the Company				
Final cash dividend for the year ended 30 June 2016 @ Re. 1.00 per share	–	–	(77,350,000)	(77,350,000)
Interim cash dividend for the year ended 30 June 2017 @ Rs. 0.5 per share	–	–	(38,675,000)	(38,675,000)
Issue of bonus shares @ 10% (i.e. 1 share for every 10 shares held)	77,350,000	–	(77,350,000)	–
Interim cash dividend for the year ended 30 June 2017 @ Rs. 0.5 per share	–	–	(42,542,500)	(42,542,500)
	77,350,000	–	(235,917,500)	(158,567,500)
As at 30 June 2017	850,850,000	347,391,050	669,744,166	1,867,985,216

The annexed notes 1 to 44 form an integral part of these unconsolidated financial statements.

Lahore

Chief Executive

Director

UNCONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE, 2017

	Note	2017 Rupees	2016 Rupees
Cash flows from operating activities			
Cash generated from operations	32	524,839,145	475,922,127
Workers' Profit Participation Fund and Workers' Welfare Fund paid		(25,439,599)	(20,620,438)
Finance cost paid		(33,245,736)	(40,322,350)
Taxes paid		(65,971,105)	(61,962,590)
Long term deposits - net		3,710,877	(9,967,098)
Cash generated from operating activities		403,893,582	343,049,651
Cash flows from investing activities			
Fixed capital expenditure		(498,930,518)	(561,444,827)
Intangibles acquired		(873,148)	(1,671,830)
Proceeds from disposal of property, plant and equipment		4,107,735	929,595
Investment in listed securities		(9,582,375)	–
Refund of advance for issue of shares		–	1,700,000
Short term investments		75,000,000	505,500,000
Net cash used in investing activities		(430,278,306)	(54,987,062)
Cash flows from financing activities			
Principal repayment of lease liability		(12,881,617)	(47,701,543)
Long term finance and diminishing musharika acquired/(repaid)-net		153,114,453	(21,113,732)
Short term borrowings - net		67,156,051	10,461,442
Cash dividend paid		(158,276,258)	(77,211,637)
Net cash generated from / (used in) financing activities		49,112,629	(135,565,470)
Net increase in cash and cash equivalents		22,727,905	152,497,119
Cash and cash equivalents at beginning of the year		792,888	(151,704,231)
Cash and cash equivalents at end of the year	33	23,520,793	792,888

The annexed notes 1 to 44 form an integral part of these unconsolidated financial statements.

Lahore

Chief Executive

Director

1 Legal status and nature of business

Synthetic Products Enterprises Limited ("the Company") was incorporated in Pakistan on 16 May 1982 as a private limited company. The Company converted into public limited company on 21 July 2008 and subsequently listed on Pakistan Stock Exchange on 10 February 2015. The registered office of the Company is situated at 127-S, Quaid-e-Azam Industrial Estate, Kot Lakhpat, Lahore. The Company is principally engaged in the manufacturing and sale of plastic auto parts, plastic packaging for food and FMCG industry and moulds & dies.

2 Basis of preparation

2.1 Separate financial statements

These financial statements are the separate financial statements of the Company in which investment in subsidiary is accounted for on the basis of direct equity interest rather than on the basis of reported results and net assets of the investee. Consolidated financial statements of the Company are prepared and presented separately.
The Company has the following long term investment:

	2017	2016
	(Direct holding percentage)	
Subsidiary Company		
SPEL Pharmatec (Private) Limited	100	100

2.2 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

During the year on 30 May 2017, the Companies Act, 2017 (the Act) was enacted which replaced and repealed the Companies Ordinance, 1984 (the repealed Ordinance). However, the Securities and Exchange Commission of Pakistan (SECP) through its Circular No. 17 of 2017 dated 20 July 2017 has advised the Companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

2.3 Basis of measurement

These unconsolidated financial statements have been prepared under the historical cost convention except for certain items of property, plant and equipment which are stated at revalued amounts as referred in note 3.1 and available for sale investment which is stated at fair value as referred in note 3.19.

2.4 Judgments, estimates and assumptions

The preparation of unconsolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

2.4.1 Depreciation method, rates and useful lives of property, plant and equipment

The management of the Company reassesses useful lives, depreciation method and rates for each item of property, plant and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item and the maximum period up to which such benefits are expected to be available. The rates of depreciation are specified in note 15.1.

2.4.2 Recoverable amount of assets / cash generating units and impairment

The management of the Company reviews carrying amounts of its assets and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

2.4.3 Taxation

The Company takes into account the current income tax law and decisions taken by appellate authorities while estimating its tax liabilities. Instances where the Company's views differ from the views taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

The Company also regularly reviews the trend of proportion of income between Presumptive Tax Regime income and Normal Tax Regime income and the change in proportions, if significant, is accounted for in year of change.

2.4.4 Provisions

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

2.4.5 Revaluation of property, plant and equipment

Revaluation of property, plant and equipment is carried out by independent professional valuers.

The frequency of revaluations depends upon the changes in fair values of the items of land being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required.

Further the surplus on revaluation is utilized in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984.

2.4.6 Stores, spare parts and loose tools

The Company reviews the stores, spare parts and loose tools for possible impairment on an annual basis. Any change in estimates in future years might affect the carrying amounts of the respective items of stores and spare parts and loose tools with a corresponding effect on the provision.

2.4.7 Stock in trade

The Company reviews the carrying amount of stock-in-trade on a regular basis. Carrying amount of stock-in-trade is adjusted where the net realisable value is below the cost.

2.4.8 Provisions against trade debts, advances and other receivables

The Company reviews the recoverability of its trade debts, advances and other receivables to assess amount of bad debts provision required there against on an annual basis.

2.5 Functional and presentation currency

These unconsolidated financial statements have been prepared in Pak Rupees which is the Company's functional currency.

3 Significant accounting polices

The significant accounting policies set out below have been consistently applied to all to all periods presented in these unconsolidated financial statements.

3.1 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any, with the exception of freehold land, which is measured at revalued amount less accumulated impairment losses, if any, and capital work in progress, which is stated at cost less accumulated impairment loss. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation. Cost in relation to certain property, plant and equipment signifies historical cost and borrowing costs as referred to in note 3.18.

Major renewals and improvements to an item of property, plant and equipment are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognized in unconsolidated profit and loss account as incurred.

The Company recognizes depreciation by applying reducing balance method, over the useful life of each item of property, plant and equipment using rates specified in note 15.1 to the unconsolidated financial statements, except for leasehold land which is amortised using straight line basis. Depreciation on additions to property, plant and equipment is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

Any gain or loss on disposal of property, plant and equipment is recognized in unconsolidated profit and loss account.

Surplus on revaluation is utilized in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984.

Capital work in progress

Capital work in progress is stated at cost less any identified impairment and includes the expenditures on material, labour and appropriate overheads directly relating to the project. These costs are transferred to property, plant and equipment as and when assets are available for intended use.

3.2 Intangibles

The cost of acquisition, development and installation of identifiable software products having finite useful lives of more than one year is recognized as an intangible asset at cost and are amortized on a straight line basis. Subsequent to initial recognition, it is measured at cost less accumulated amortization and accumulated impairment losses, if any. The rate of amortization is specified in note 16.

3.3 Stores, spares and loose tools

These are stated at lower of cost and net realizable value. Cost is determined using the weighted average method. Items in transit are valued at cost comprising invoice value plus other charges paid thereon. The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools. Impairment is also made for slow moving items.

3.4 Stock in trade

These are valued at lower of cost and net realizable value, with the exception of stock of waste which is valued at net realizable value. Cost is determined using the following basis:

Raw materials	Moving average
Packing materials	Moving average
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Stock in transit	Invoice price plus related expense incurred up to the reporting date

Average manufacturing cost in relation to work in process and finished goods consists of direct material, labour and a proportion of appropriate manufacturing overheads.

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

3.5 Employee benefits

The Company operates an approved defined contributory provident fund for its employees. Equal contributions are made by the Company and employees at 10.00% of basic salary. The Company's contribution is charged to unconsolidated profit and loss account currently.

3.6 Investment in equity instruments of subsidiary

Investment in subsidiary company is measured at cost as per the requirements of IAS 27 "Consolidated and Separate Financial Statements". However, at subsequent reporting dates, the Company reviews the carrying amount of the investment and its recoverability to determine whether there is an indication that such investment has suffered an impairment loss. If any such indication exists the carrying amount of the investment is adjusted to the extent of impairment loss. Impairment losses are recognized as an expense in unconsolidated profit and loss account. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in unconsolidated profit and loss account.

3.7 Loans and receivables

Loans and receivables are non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less impairment, if any.

3.8 Financial instruments

Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the instruments. Financial assets are de-recognized when the Company looses control of the contractual rights that comprise the financial assets. Financial liabilities are de-recognized when they are extinguished, that is, when the obligation specified in the contract is extinguished, cancelled, or expired. Any gain or loss on de-recognizing of the financial assets and financial liabilities is taken to unconsolidated profit and loss account currently.

The particular measurement methods adopted for various financial instruments are disclosed in the individual policy statements associated with each item.

3.9 Off-setting

A financial asset and a financial liability is offset and the net amount reported in the balance sheet if the Company has legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.10 Regular way purchases and sales of financial assets

Regular way purchases and sales of financial assets are recognized on trade dates.

3.11 Loans and borrowings

Loans and borrowings are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in the profit and loss account over the period of the borrowings on an effective interest basis.

3.12 Finance leases

Leases in terms of which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are classified as 'property, plant and equipment'. On initial recognition, these are measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, these are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation, subsequent expenditure, de-recognition, and gains and losses on de-recognition are accounted for in accordance with the respective policies for property, plant and equipment. Liabilities against assets subject to finance lease and deposits against finance lease are classified as 'financial liabilities at amortized cost' and 'loans and receivables' respectively. Subsequent to initial recognition, minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Deposits against finance leases, subsequent to initial recognition are carried at amortised cost, less impairment, if any.

3.13 Operating leases

Leases that do not transfer substantially all risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in unconsolidated profit and loss account on a straight line basis over the lease term.

3.14 Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently at amortized cost using effective interest rate method.

3.15 Provisions and contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provision is recognized at an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where outflow of resources embodying economic benefits is not probable, or where a reliable estimate of the amount of obligation cannot be made, a contingent liability is disclosed, unless the possibility of outflow is remote.

3.16 Trade and other receivables

On initial recognition, these are measured at cost, being their fair value at the date of transaction. Subsequent to initial recognition, these are measured at amortized cost less impairment losses if any, using the effective interest method, with interest recognized in profit and loss account. Bad debts are written off when identified.

3.17 Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided and other income earned in the normal course of business. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of revenue and the associated costs incurred or to be incurred can be measured reliably.

- Revenue from sale of goods is recognized when risks and rewards incidental to the ownership of goods are transferred to the buyer;
- Dividend income is recognized when the Company's right to receive payment is established; and
- Interest income is recognized as and when accrued on effective interest method.

3.18 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in unconsolidated profit and loss account as incurred.

3.19 Available for sale investments

Investments which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity are classified as available for sale. Available for sale investments are recognized initially at fair value plus any directly attributable transaction costs. After initial recognition, these are stated at fair values unless fair values can not be measured reliably, with any resulting gains and losses being charged to other comprehensive income until the investment is disposed off or impaired. At each reporting date, these investments are remeasured at fair value, unless fair value cannot be reliably measured. At the time of disposal, the respective surplus or deficit is transferred to profit and loss account. Fair value of quoted investments is their bid price on Pakistan Stock Exchange at the balance sheet date.

Investments intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

All purchases and sales of investments are recognized on the trade date which is the date that the Company commits to purchase or sell the investment.

At subsequent reporting dates, the Company reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount.

3.20 Taxation

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in unconsolidated profit and loss account except to the extent that it relates to items recognized directly in other comprehensive income, or equity, in which case it is recognized in other comprehensive income, or equity, as the case may be.

Current taxation

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

Deferred taxation

Deferred tax is accounted for using the balance sheet approach providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.21 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit and loss account attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

3.22 Cash and cash equivalents

Cash and cash equivalents comprise running finances, cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

3.23 Foreign currency transactions and balances

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate prevailing at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Foreign currency differences arising on retranslation are generally recognized in unconsolidated profit and loss account.

3.24 Impairment

3.24.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

3.24.2 Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in unconsolidated profit and loss account. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

3.25 Dividend to ordinary shareholders

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, in the Company's unconsolidated financial statements in the year in which the dividends are approved.

3.26 Share capital

Incremental cost directly attributable to the issue of ordinary shares are recognised as deduction from equity.

4 New Companies Act, 2017 and new and revised approved accounting standards, interpretations and amendments thereto

4.1 The Companies Act, 2017 applicable for financial year beginning on 1 July 2017 requires certain additional disclosures and Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017. This would require change in accounting policy relating to surplus on revaluation of land to bring it in line with the requirements of IAS 16 – Property, plant and equipment. The effect of the change is disclosed in note 6 to these unconsolidated financial statements.

4.2 The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2017:

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Company's financial statements.

- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

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

– Transfers of Investment Property (Amendments to IAS 40 'Investment Property' -effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements.

Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

– Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on Company's financial statements.

– Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.

– IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

– 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 above amendments are not likely to have an impact on the Company's unconsolidated financial statements, except for certain additional disclosures.

5 Share capital

5.1 Authorized share capital

2017 Number of shares	2016 Number of shares		2017 Rupees	2016 Rupees
100,000,000	100,000,000	Ordinary shares of Rs. 10 each	1,000,000,000	1,000,000,000

5.2 Issued, subscribed and paid-up capital

2017 Number of shares	2016 Number of shares		2017 Rupees	2016 Rupees
19,791,940	19,791,940	Ordinary shares of Rs. 10 each, fully paid in cash	197,919,400	197,919,400
57,628,060	49,893,060	Fully paid bonus shares of Rs. 10 each	576,280,600	498,930,600
7,665,000	7,665,000	Shares of Rs. 10 each, issued under scheme of amalgamation	76,650,000	76,650,000
85,085,000	77,350,000		850,850,000	773,500,000

5.3 Reconciliation of ordinary shares

2017 Number of shares	2016 Number of shares		2017 Rupees	2016 Rupees
77,350,000	77,350,000	Balance at 01 July	773,500,000	773,500,000
7,735,000	–	Shares issued during the year - note 5.4	77,350,000	–
85,085,000	77,350,000	Balance at 30 June	850,850,000	773,500,000

5.4 During the year the Company has issued bonus shares @ 10% (i.e. 1 share for every 10 shares held), (2016: Nil).

5.5 Directors hold 60,484,114 (2016: 55,236,635) ordinary shares of Rs. 10 each of the Company.

6 Surplus on revaluation of land

Land of the Company was revalued on 30 June 2014 by a firm of independent valuers, Hamid Mukhtar & Company (Private) Limited. The valuation was determined with respect to current market value of similar properties. As discussed in note 4.1 of these unconsolidated financial statements, the Companies Act, 2017 is applicable for financial year beginning on 1 July 2017 which will result in reclassification of surplus on revaluation of land as part of the shareholders' equity.

	Note	2017 Rupees	2016 Rupees
7 Long term finance - secured			
These comprise of:			
7.1 Long term finance, conventional mark-up bearing:			
- Standard Chartered Bank (Pakistan) Limited *(Conventional window)*		–	5,005,728
- Loan from customer	7.1.1	24,542,403	49,504,723
		24,542,403	54,510,451
Less: Current maturity	12	(24,542,403)	(29,925,082)
		–	24,585,369
7.2 Diminishing musharika, Islamic mode of financing:			
- United Bank Limited - I		–	1,638,800
- United Bank Limited - II		–	9,431,000
- United Bank Limited	7.2.1	92,152,301	–
- BankIslami Pakistan Limited (BIPL)	7.2.2	102,000,000	–
		194,152,301	11,069,800
Less: Current maturity	12	(1,694,552)	(11,069,800)
		192,457,749	–
		192,457,749	24,585,369

		2017 Rupees	2016 Rupees
7.3	**Type of loans**		
	Interest / mark-up based loans	24,542,403	54,510,451
	Islamic mode of financing	194,152,301	11,069,800
		218,694,704	65,580,251

7.1.1 This represents a loan from a customer and carries mark up ranging between 7.28%-7.38% per annum. Loan is being repaid in 24 monthly installments which started from June 2016.

During the year, the Company has made repayments amounting to Rs. 24.96 million (2016:Rs. 1.99 million).

7.2.1 The facility amounting to Rs. 150 million has been obtained from United Bank Limited, Islamic Bank Branch ("UBL Ameen") to finance the acquisition of machinery and equipments. As per terms of the Diminishing Musharika Agreement (DMA), musharika units are repayable in sixty monthly installments. Profit payment will start from the month of disbursement and principal will start to redeem from 13th month from the date of disbursement in arrears. The finance carries mark-up at six months KIBOR plus a spread of 1.00% per annum (2016: Nil), payable monthly.

The facility is secured in favour of UBL Ameen by:

- specific charge over the diminishing musharika assets.

7.2.2 The facility amounting to Rs. 200 million has been obtained from Bank Islami Pakistan Limited to finance the import of machinery and equipments. As per terms of the DMA, musharika units are repayable in sixty monthly installments. Profit payment will start from the month of disbursement and principal will start to redeem from 13th month from the date of disbursement in arrears. The finance carries mark-up at six months KIBOR plus a spread of 1.00% per annum (2016: Nil), payable monthly.

The facility is secured in favour of BIPL by:

- specific charge over the diminishing musharika assets.

		2017	2016
8	**Liability against assets subject to finance lease**		
	Salient features of the leases are as follows:		
	Discounting factor	7.5% to 12%	7.15% to 13.16%
	Period of lease	36 - 60 months	36 - 60 months
	Security deposits	10%-38%	10%
	Year of maturity	2017-2022	2016-2020

The Company has entered into finance lease arrangements with various financial and non-financial institutions for lease of plant and machinery and vehicles as shown in note 15.1. The liabilities under these arrangements are payable in monthly installments. Interest rates implicit in the leases are used as discounting factor to determine the present value of minimum lease payments. The Company's finance lease liability is interest / markup based. Finance lease liabilities are obtained from conventional mode of leasing.

All lease agreements carry purchase option at the end of lease term and the Company intends to exercise its option to purchase the leased assets upon completion of the respective lease terms. Residual value of the leased assets has already been paid by the Company at inception of the lease in form of security deposit. There are no financial restrictions imposed by lessor. Taxes, repairs, replacements and insurance costs are borne by the lessee.

The amount of future minimum lease payments along with their present value and the periods during which they will fall due are:

	2017		
	Total future minimum lease payments	Finance charges allocated to future periods	Principal
	Rupees		
Not later than one year	14,002,339	1,010,195	12,992,144
Later than one year and not later than five year	11,160,384	1,326,433	9,833,951
	25,162,723	2,336,628	22,826,095

	2016		
	Total future minimum lease payments	Finance charges allocated to future periods	Principal
	Rupees		
Not later than one year	20,831,101	1,870,256	18,960,845
Later than one year and not later than five year	17,753,096	1,006,229	16,746,867
	38,584,197	2,876,485	35,707,712

	2017 Rupees	2016 Rupees
9 Deferred taxation		
The liability for deferred taxation comprises temporary differences relating to:		
Deferred tax liability arising on:		
– accelerated tax depreciation	196,850,984	188,327,012
Deferred tax asset arising on:		
– finance lease transactions - net	(2,950,185)	(10,712,314)
– impairment loss on subsidiary and others	(16,532,906)	(18,244,166)
	177,367,893	159,370,532
10 Trade and other payables		
Trade creditors	72,318,511	54,348,126
Accrued liabilities	35,470,069	31,458,235
Advances from customers	8,628,819	6,830,205
Workers' Profit Participation Fund	24,875,111	21,151,351
Workers' Welfare Fund	12,412,295	8,035,413
Payable to Provident Fund Trust	1,291,311	1,122,499
Withholding tax payable	672,602	612,627
Unclaimed dividend	566,849	275,607
Others	8,407,215	4,210,577
	164,642,782	128,044,640

		Note	2017 Rupees	2016 Rupees
11	**Short term borrowings - secured**			
	Type of loans			
	Conventional Interest / mark-up based loans		215,352,067	95,332,958
	Islamic mode of financing		87,731,625	156,511,393
			303,083,692	251,844,351
	Conventional interest/markup bearing			
	Short term running finance	11.1	32,318,566	50,270,026
	Finance against trust receipts	11.2	183,033,501	45,062,932
			215,352,067	95,332,958
	Islamic mode of financing			
	Murabaha and Istisna	11.3	85,696,875	156,511,393
	Running Musharika	11.4	2,034,750	–
			87,731,625	156,511,393

11.1 This represents utilized amount of short term running finance facilities available from commercial banks aggregating Rs. 267.4 million (2016: Rs.295.5 million). These carry mark-up rates ranging from one month to three months KIBOR plus a spread of 0.5% to 0.75% (2016: one month to three months KIBOR plus a spread of 0.5% to 1.25%) per annum.

11.2 This represents utilized amount of finance against trust receipt facilities available aggregating Rs. 280 million (2016: Rs. 280 million). These carry mark-up rates ranging from one month to three months KIBOR plus a spread of 0.6% to 0.75% (2016: one month to three months KIBOR plus a spread of 1% to 1.25%) per annum.

11.3 This represents utilized amount of murabaha and istisna facilities available aggregating Rs. 330 million (2016: Rs. 255 million). These carry mark-up rates ranging from one month to six months KIBOR plus a spread of 0.5% to 0.75% (2016: one month to three months KIBOR plus a spread of 0.65% to 1.25%) per annum.

11.4 This represents utilized amount of running musharika facilities available aggregating Rs. 75 million (2016: Nil). This carries mark-up rate of three months KIBOR plus a spread of 0.75% (2016: Nil) per annum.

11.5 These facilities are secured by first pari passu registered hypothecation charge on current and fixed assets of the Company, by lien over import documents and pledge of imported goods, local currency deposits.

		Note	2017 Rupees	2016 Rupees
12	**Current maturity of long term liabilities**			
	Long term finance	7.1	24,542,403	29,925,082
	Diminishing musharika	7.2	1,694,552	11,069,800
	Liabilities against assets subject to finance lease	8	12,992,144	18,960,845
			39,229,099	59,955,727

		2017 Rupees	2016 Rupees
13	**Accrued mark up**		
	Diminishing musharika	–	5,630
	Short term borrowings	3,640,698	4,136,412
		3,640,698	4,142,042

14 Contingencies and commitments

14.1 Contingencies

14.1.1 Counter guarantees given by the Company to its bankers as at the reporting date amount to Rs. 27.52 million (2016: Rs. 25.43 million).

14.1.2 The Deputy Commissioner Inland Revenue has issued an order on 23 January 2015 against the Company in respect of tax year (TY) 2009 raising a demand of Rs. 45.8 million. The order was annulled by the Commissioner Inland Revenue (Appeals) against which the tax department has filed appeal before the Income Tax Appellate Tribunal (Tribunal) on 30 April 2015. As the decision of appeal is expected in favour of the Company, therefore no provision is recorded in these unconsolidated financial statements.

14.1.3 The Deputy Commissioner Inland Revenue has issued an assessment order on 27 June 2015 against SPEL Packaging Industries (Private) Limited (which was merged with Company in financial year 2011-12) in respect of TY 2009 and assessed Rs. 53.2 million payable by the Company. The Company filed an appeal before the Commissioner Inland Revenue (Appeals) which was decided against the Company. The management has filed a second appeal before the Tribunal. No provision has been made in these unconsolidated financial statements as the management is confident of favourable outcome of the matter.

14.1.4 Petition No. 449/ 2017 was filed by the Company for issuance of exemption certificate under section 148 of the Income Tax Ordinance, 2001 before the Honorable Lahore High Court (the Court). The Court ordered that if the Company desires, may file an application for exemption. The Company's application for validation of exemption certificates issued earlier and release of the related bank guarantees is pending for an order from the Commissioner Inland Revenue, Zone – III, Large Taxpayers Unit, Lahore (CIR).

14.2 Commitments

14.2.1 Aggregate commitments for capital expenditure as at 30 June 2017 amounted to Rs. 29.42 million (2016: Nil).

14.2.2 Commitments under irrevocable letters of credit for:

		Note	2017 Rupees	2016 Rupees
	– Purchase of machinery		75,322,478	63,077,729
	– Purchase of raw material		112,121,261	148,896,931
			187,443,739	211,974,660
15	**Property, plant and equipment**			
	Operating fixed assets	15.1	1,665,004,747	1,471,554,511
	Capital work in progress	15.7	210,862,977	43,782,702
			1,875,867,724	1,515,337,213

15.1 Operating fixed assets

	2017											
	Cost						Accumulated depreciation					
	As at 01 July 2016	Addition	Transfers	Disposals	As at 30 June 2017	Rate	As at 01 July 2016	For the year	Transfers	Disposals	As at 30 June 2017	Net book value as at 30 June 2017
	Rupees					%	Rupees					Rupees
Owned												
Freehold land												
- cost	77,208,844	16,184,391	-	-	93,393,235	-	-	-	-	-	-	93,393,235
- revaluation	226,943,081	-	-	-	226,943,081	-	-	-	-	-	-	226,943,081
	304,151,925	16,184,391	-	-	320,336,316	-	-	-	-	-	-	320,336,316
Buildings on freehold land	45,103,377	49,451,436	-	-	94,554,813	10%	24,576,288	2,467,504	-	-	27,043,792	67,511,021
Plant and machinery	1,520,982,850	241,383,167	-	(22,174,667)	1,740,191,350	10%	489,008,349	114,300,081	-	(14,142,244)	589,166,186	1,151,025,164
Office equipment	5,767,961	3,966,675	-	-	9,734,636	10%	1,923,636	452,021	-	-	2,375,657	7,358,979
Tools and equipment	9,744,490	1,093,286	-	-	10,837,776	10%	2,999,117	721,573	-	-	3,720,690	7,117,086
Computer equipment	10,783,191	789,990	-	-	11,573,181	30%	8,799,218	668,320	-	-	9,467,538	2,105,643
Furniture and fittings	14,641,927	1,086,363	-	-	15,728,290	10%	4,242,438	1,110,729	-	-	5,353,167	10,375,123
Vehicles	30,138,139	14,711,303	2,494,000	(3,305,670)	44,037,772	20%	10,871,129	5,750,528	1,245,115	(2,246,519)	15,620,253	28,417,519
	1,941,313,860	328,666,611	2,494,000	(25,480,337)	2,246,994,134	_	542,420,175	125,470,756	1,245,115	(16,388,763)	652,747,283	1,594,246,851
Leased												
Leasehold land (note 15.2)	22,083,915	-	-	-	22,083,915	1.67%	2,581,609	325,689	-	-	2,907,298	19,176,617
Plant and machinery	53,882,776	-	-	-	53,882,776	10%	8,217,123	4,566,565	-	-	12,783,688	41,099,088
Vehicles	9,242,000	6,457,210	(2,494,000)	-	13,205,210	20%	1,749,133	2,219,001	(1,245,115)	-	2,723,019	10,482,191
	85,208,691	6,457,210	(2,494,000)	-	89,171,901	_	12,547,865	7,111,255	(1,245,115)	-	18,414,005	70,757,896
2017	2,026,522,551	335,123,821	-	(25,480,337)	2,336,166,035	_	554,968,040	132,582,011	-	(16,388,763)	671,161,288	1,665,004,747

	2016											
	Cost						Accumulated depreciation					
	As at 01 July 2015	Addition	Transfers	Disposals	As at 30 June 2016	Rate	As at 01 July 2015	For the year	Transfers	Disposals	As at 30 June 2016	Net book value as at 30 June 2016
	Rupees					%	Rupees					Rupees
Owned												
Freehold land												
- cost	20,481,919	56,726,925	-	-	77,208,844	-	-	-	-	-	-	77,208,844
- revaluation	226,943,081	-	-	-	226,943,081	-	-	-	-	-	-	226,943,081
	247,425,000	56,726,925	-	-	304,151,925	-	-	-	-	-	-	304,151,925
Buildings on freehold land	36,990,667	8,112,710	-	-	45,103,377	10%	22,792,195	1,784,093	-	-	24,576,288	20,527,089
Plant and machinery	904,528,366	480,822,787	135,631,697	-	1,520,982,850	10%	394,850,295	64,225,265	29,932,789	-	489,008,349	1,031,974,501
Office equipment	3,557,957	2,210,004	-	-	5,767,961	10%	1,643,814	279,822	-	-	1,923,636	3,844,325
Tools and equipment	6,985,119	2,759,371	-	-	9,744,490	10%	2,427,268	571,849	-	-	2,999,117	6,745,373
Computer equipment	10,053,918	729,273	-	-	10,783,191	30%	8,084,396	714,822	-	-	8,799,218	1,983,973
Furniture and fittings	9,931,983	4,709,944	-	-	14,641,927	10%	3,351,170	891,268	-	-	4,242,438	10,399,489
Vehicles	21,983,513	7,780,405	2,093,000	(1,718,779)	30,138,139	20%	6,696,605	4,220,803	1,241,065	(1,287,344)	10,871,129	19,267,010
	1,241,456,523	563,851,419	137,724,697	(1,718,779)	1,941,313,860	_	439,845,743	72,687,922	31,173,854	(1,287,344)	542,420,175	1,398,893,685
Leased												
Leasehold land (note 15.2)	22,083,915	-	-	-	22,083,915	1.67%	2,212,808	368,801	-	-	2,581,609	19,502,306
Plant and machinery	189,514,473	-	(135,631,697)	-	53,882,776	10%	23,385,875	14,764,037	(29,932,789)	-	8,217,123	45,665,653
Vehicles	4,587,000	6,748,000	(2,093,000)	-	9,242,000	20%	1,690,947	1,299,251	(1,241,065)	-	1,749,133	7,492,867
	216,185,388	6,748,000	(137,724,697)	-	85,208,691	_	27,289,630	16,432,089	(31,173,854)	-	12,547,865	72,660,826
2016	1,457,641,911	570,599,419	-	(1,718,779)	2,026,522,551	_	467,135,373	89,120,011	-	(1,287,344)	554,968,040	1,471,554,511

15.2 Leasehold land comprises of land situated in Karachi which was obtained by the Company on lease and is being amortized over the term of 60 years. The title of land remains with the lessor at end of the lease term. However, leasehold land has been included in property, plant and equipment in accordance with clarification issued by Institute of Chartered Accountants of Pakistan through selected opinion issued on IAS 17 Leases.

	2017 Rupees	2016 Rupees
15.3 The depreciation charge for the year has been allocated as follows:		
Cost of goods sold	116,050,231	77,055,795
Capital work in progress	3,273,578	3,152,214
Administrative expenses	6,629,101	4,456,001
Selling and distribution expenses	6,629,101	4,456,001
	132,582,011	89,120,011

15.4 The carrying value of freehold land would have been Rs. 93.39 million (2016: Rs. 77.20 million), had there been no revaluation.

15.5 During the year the Company has acquired land in Rahim Yar Khan for Rs. 16. 18 million for construction of production facility. Title of the land is yet to be transferred in the Company's name.

15.6 Disposal of property, plant and equipment

Particulars	Cost	Accumulated depreciation	Written down value	Sales Proceeds	Gain/(loss)	Mode of disposal	Particulars of buyer
	Rupees						
Plant & Machinery							
Injection Molding Machine	6,425,667	3,410,549	3,015,118	994,290	(2,020,828)	Negotiation	Mr. Maqsood
Radial Drill Machine	500,000	231,819	268,181	164,403	(103,778)	Negotiation	Muhammad Amin
Miling Machine	290,000	134,455	155,545	95,353	(60,192)	Negotiation	Muhammad Amin
Extruder -2	11,497,000	8,574,617	2,922,383	962,985	(1,959,398)	Negotiation	Muhammad Irfan
Crush Machine	1,650,000	937,301	712,699	270,270	(442,429)	Negotiation	Muhammad Asif
Injection Molding Machine	1,812,000	853,503	958,497	221,450	(737,047)	Negotiation	Muhammad Irfan
	22,174,667	14,142,244	8,032,423	2,708,751	(5,323,672)		
Fork Lifter	2,022,670	1,573,342	449,328	300,984	(148,344)	Negotiation	Muhammad Amin
Suzuki Mehran	600,000	408,855	191,145	415,000	223,855	Company Policy	Mr. Muhammad Ehsan
Suzuki Mehran	683,000	264,322	418,678	683,000	264,322	Company Policy	Mr. Harris Islam
	3,305,670	2,246,519	1,059,151	1,398,984	339,833		
2017	25,480,337	16,388,763	9,091,574	4,107,735	(4,983,839)		
2016	1,718,779	1,287,344	434,435	929,595	498,160		

15.7 Capital Work In Progress

	30 June 2017			
	As at 01 July 2016	Additions	Transfers	As at 30 June 2017
	Rupees			
Capital Work In Progress	43,782,702	452,955,526	285,875,251	210,862,977

	30 June 2016			
	As at 01 July 2015	Additions	Transfers	As at 30 June 2016
	Rupees			
Capital Work In Progress	39,838,683	336,438,284	332,494,265	43,782,702

	Note	2017 Rupees	2016 Rupees
15.8 The breakup is as follows			
Plant and machinery		45,496,572	1,089,592
Building		68,485,367	407,991
Moulds		21,473,748	4,569,181
Advances to suppliers		75,407,290	37,715,938
		210,862,977	43,782,702
16 Intangibles			
Cost		9,481,584	8,608,436
Accumulated amortization		(6,239,897)	(4,317,407)
As at 30 June		3,241,687	4,291,029
Amortization rate		20%	20%
16.1 Balance as at 01 July		4,291,029	4,207,204
Additions during the year		873,148	1,671,829
Amortization charge for year		(1,922,490)	(1,588,004)
Balance as at 30 June		3,241,687	4,291,029
17 Investments			
Investment in subsidiary	17.1	80,807	438,245
Available for sale, listed equity security	17.2	6,240,495	–
		6,321,302	438,245

		Note	2017 Rupees	2016 Rupees
17.1	**Investment in subsidiary - wholly owned**			
	SPEL Pharmatec (Private) Limited -			
	Subsidiary Company			
	600,002 (2016: 600,002) fully paid ordinary shares of Rs. 10 each			
	Capital held: 100% (2016: 100%)			
	Activity: medical and surgical equipment			
	Cost		6,000,020	6,000,020
	Advance for purchase of shares		2,299,980	2,299,980
			8,300,000	8,300,000
	Less: Accumulated impairment during the year		(8,219,193)	(7,861,755)
			80,807	438,245
17.2	**Available for sale, listed equity security**			
	Roshan Packages Limited			
	111,100 (30 June 2016: nil) fully paid ordinary shares having face value of Rs. 10 each			
	- Cost		9,582,375	–
	- Impairment loss charged to profit and loss account		(3,341,880)	–
	Fair value		6,240,495	–
18	**Long term deposits**			
	Financial institutions	18.1	8,731,822	13,954,799
	Utility companies and regulatory authorities		1,626,847	1,626,847
	Others		3,161,500	1,649,400
			13,520,169	17,231,046

18.1 These represent deposits with various banking companies and financial institutions against finance lease and margin on guarantees.

		2017 Rupees	2016 Rupees
19	**Stock-in-trade**		
	Raw and packing material	303,792,891	246,185,243
	Stock in transit	75,100,903	39,403,293
	Work in process	15,444,755	11,658,090
	Finished goods	33,344,966	19,298,362
		427,683,515	316,544,988
20	**Income tax - net**		
	Income tax refundable	74,279,637	79,910,745
	Advance taxation - net	109,236,017	66,437,465
		183,515,654	146,348,210

	Note	2017 Rupees	2016 Rupees
21 Advances, deposits, prepayments and other receivables			
Advances - unsecured, considered good			
– to employees		235,040	451,987
– to suppliers for raw material		8,510,639	3,130,679
Amounts paid against future shipments		14,794,751	6,486,686
Short term deposits		7,483,948	249,400
Sales tax receivable - net		18,171,037	36,277,281
Interest receivable		–	430,228
Prepaid insurance		3,407,767	4,128,457
Other receivables		5,056,314	5,128,816
		57,659,496	56,283,534
22 Cash and bank balances			
Cash in hand		25,000	25,000
Cash at bank			
– current accounts in local currency	22.1	57,630,339	47,127,786
– current accounts in foreign currency		216,770	216,770
– saving accounts in local currency	22.2	2,000	3,693,358
		57,849,109	51,037,914
		57,874,109	51,062,914

22.1 These include deposits amounting to Rs. 0.932 million (2016: Rs. 36.80 million) placed under an arrangement permissible under Shariah. Remaining balance represents deposits with conventional windows of the banks.

22.2 These carry return at 3.5% to 5% per annum (2016: 3.5% to 5% per annum). This represents deposits placed under an arrangement permissible under Shariah.

	2017 Rupees	2016 Rupees
23 Sales - net		
Local	3,151,228,229	2,704,985,470
Export	14,658,512	18,563,317
	3,165,886,741	2,723,548,787
Less: Sales tax	(466,213,612)	(401,698,185)
	2,699,673,129	2,321,850,602

	Note	2017 Rupees	2016 Rupees
24 Cost of sales			
Raw and packing materials consumed		1,494,815,346	1,338,097,984
Stores, spare parts and loose tools consumed		9,798,222	9,038,932
Salaries, wages and benefits	24.1	188,086,685	144,437,204
Electricity, fuel and water charges		145,575,551	123,242,590
Depreciation on property, plant and equipment	15.3	116,050,231	77,055,795
Repairs and maintenance		38,579,265	35,678,255
Sorting charges		3,365,009	3,284,347
Insurance		4,086,418	3,197,322
Oil and lubricants		2,279,344	2,909,138
		2,002,636,071	1,736,941,567
Work in progress:			
- At beginning of the year		11,658,090	12,712,071
- At end of the year		(15,444,755)	(11,658,090)
Cost of goods manufactured		1,998,849,406	1,737,995,548
Finished goods			
- At beginning of the year		19,298,362	20,660,042
- At end of the year		(33,344,966)	(19,298,362)
Cost of goods sold		1,984,802,802	1,739,357,228

24.1 Salaries, wages and benefits include Rs. 5.63 million (2016: Rs. 4.63 million) in respect of defined contribution plan.

	Note	2017 Rupees	2016 Rupees
25 Administrative expenses			
Salaries, wages and benefits	25.1	25,324,489	23,534,294
Directors' remuneration	38	41,083,336	31,343,474
Meeting fee		925,000	875,000
Traveling expenses		24,076,251	20,678,270
Legal and professional charges		2,089,031	4,052,637
Vehicle running expenses		6,044,777	3,910,154
Insurance		1,329,191	1,539,232
Repairs and maintenance		1,931,950	1,877,803
Telephone and postage		4,253,121	3,039,037
Depreciation on property, plant and equipment	15.3	6,629,101	4,456,001
Amortization on intangibles	16.1	1,922,490	1,588,004
Printing and stationery		3,363,916	3,502,562
Staff training and development		6,565,764	5,038,766
Fee and subscription		3,573,219	1,854,883
Rent, rates and taxes		726,179	421,595
Entertainment		3,923,551	2,706,737
Donations	25.2	462,432	620,000
Auditors' remuneration	25.3	1,277,250	840,000
Research and development		161,173	1,294,198
Miscellaneous expenses		670,378	3,551,140
		136,332,599	116,723,787

25.1 Salaries, wages and benefits include Rs. 1.16 million (2016: Rs. 0.94 million) in respect of defined contribution plan.

25.2 None of Directors and their spouses have any interest in the donee organizations, except donation of Rs. 50,000/- given to OPEN Lahore in which Mr. Almas Hyder is member of the Governing body.

	Note	2017 Rupees	2016 Rupees
25.3 Auditors' remuneration			
Statutory audit fee		605,000	550,000
Half yearly review		150,000	150,000
Certifications and others		447,250	75,000
Out of pocket expenses		75,000	65,000
		1,277,250	840,000
26 Selling and distribution expenses			
Salaries and benefits	26.1	6,534,461	4,205,596
Depreciation on property, plant and equipment	15.3	6,629,101	4,456,001
Freight and forwarding		37,844,510	36,207,837
Advertisement		1,596,606	1,534,359
Sales promotion expenses		920,275	1,041,200
		53,524,953	47,444,993

26.1 Salaries, wages and benefits include Rs. 0.21 million (2016: Rs. 0.15 million) in respect of defined contribution plan.

	2017 Rupees	2016 Rupees
27 Other income		
Income from financial assets		
Profit on bank deposits - arrangements permissible under Shariah	–	32,024
Profit on short term investments - interest / markup based arrangement	1,456,460	28,285,255
Gain on forex transactions- net - actual currency conversion	–	806,400
Income from non-financial assets		
Sale of unusable items	10,512,543	13,319,434
Gain on disposal of property, plant and equipment	–	498,160
Other income	2,554,518	608,671
	13,067,061	14,426,265
	14,523,521	43,549,944
28 Other charges		
Workers' Profit Participation Fund	24,875,111	21,151,351
Workers' Welfare Fund	8,665,130	8,333,373
Loss on disposal of property, plant and equipment	4,983,840	–
Impairment loss - subsidiary	357,438	407,760
Loss on foreign currency transactions - net	606,517	–
Impairment loss on available for sale investment	3,341,880	–
	42,829,916	29,892,484

		2017 Rupees	2016 Rupees
29	**Finance cost**		
	Mark-up on:		
	– short term borrowings - secured	24,855,537	30,007,666
	– long term finance - secured	3,697,349	2,668,541
	– lease finance	1,903,853	4,602,899
	Bank charges	2,287,653	1,160,183
		32,744,392	38,439,289
30	**Taxation**		
	Current:		
	– for the year	41,677,993	110,564
	– prior year	–	405,394
	Deferred:		
	– for the year	17,997,361	37,236,126
	– prior year	(12,874,333)	–
		46,801,021	37,752,084

30.1 Relationship between tax expense and accounting profit

	2017 Rupees	2016 Rupees
Profit before taxation	463,961,988	393,542,765
Tax at 31% / 32%	143,828,216	125,933,685
Tax effect of:		
– income under Final Tax Regime	(403,327)	(301,696)
– tax credits	(84,891,835)	(69,790,664)
– prior year tax credits carried forward	(12,874,333)	–
– others	1,142,300	(18,089,241)
	46,801,021	37,752,084

30.2 During the year the Company has received notice from Commissioner Inland Revenue, Zone-III, LTU Lahore (CIT) under section 214C of the Income Tax Ordinance, 2001 for the audit of the Company's record for tax year 2016. As per the provision inserted through Finance Act 2016 in the Clause 72B of Part IV of the Second Schedule to the Income tax Ordinance, 2001, (Clause 72B), every manufacturer, who obtained exemption certificate, for import of raw material for own use, from deduction of tax on import stage, under section 148 of the Income Tax Ordinance, 2001, CIT shall conduct audit of the taxpayer's accounts during the financial year in which the certificate is issued. The Company has filed an application for the stay of the audit proceeding before the Honorable Lahore High Court, which is still pending for decision.

30.3 During the year the Company has received notice from Deputy Commissioner Inland Revenue, Audit-17, Zone-III, LTU Lahore under section 214C of the Income Tax Ordinance, 2001 regarding audit of income tax return for tax year 2015. In response to the notice, the Company has submitted the requested documents, however, no further proceeding has been taken place.

			2017	2016 Restated
31	**Earnings per share**			
31.1	**Basic earnings per share**			
	Profit for the year after taxation	Rupees	417,160,967	355,790,681
	Weighted average number of ordinary shares in issue during the year	Number	85,085,000	85,085,000
	Earnings per share	Rupees	4.90	4.18

Basic earnings per share has been calculated by dividing the profit attributable to equity holders of the Company by weighted average number of ordinary shares in issue during the year. The Company has issued Bonus Shares @ 10% during the year accordingly, the earnings per share of the comparative period has been re-stated.

31.2 Diluted earnings per share

There is no dilutive effect on the basic earnings per share of the Company.

		2017 Rupees	2016 Rupees
32	**Cash generated from operations**		
	Profit before taxation	463,961,988	393,542,765
	Adjustments for non-cash items:		
	Finance cost	32,744,392	38,439,289
	Depreciation on property, plant and equipment	129,308,433	85,967,797
	Amortization of intangibles	1,922,490	1,588,004
	Impairment loss on investment in subsidiary	357,438	407,760
	Impairment loss on available for sale investment	3,341,880	–
	Loss / (Gain) on disposal of property, plant and equipment	4,983,840	(498,160)
	Provision for Workers' Profit Participation Fund and Workers' Welfare Fund	33,540,241	29,484,724
		206,198,714	155,389,414
	Operating profit before working capital changes	670,160,702	548,932,179
	(Increase) / decrease in current assets:		
	Stores, spares and loose tools	(3,124,410)	(1,363,616)
	Stock-in-trade	(111,138,527)	5,146,510
	Trade debts	(57,888,916)	(32,002,449)
	Advances, deposits, prepayments and other receivables	(1,375,962)	(36,363,972)
		(173,527,815)	(64,583,527)
	Increase / (decrease) in current liabilities:		
	Trade and other payables	28,206,258	(8,426,525)
		524,839,145	475,922,127

		Note	2017 Rupees	2016 Rupees
33	**Cash and cash equivalents**			
	Short term running finance	11	(32,318,566)	(50,270,026)
	Running Musharika	11	(2,034,750)	–
	Cash and bank balances	22	57,874,109	51,062,914
			23,520,793	792,888

34 Related party transactions and balances

Related parties comprise of subsidiary company, associated undertaking, key management personnel (including chief executive and directors), post employment benefit plan and entities in which the directors have significant influence. Details of transactions and balances with related parties is as follows:

Name of parties	Nature of relationship	Nature of transactions	Note	2017 Transactions during the year	2017 closing balance	2016 Transactions during the year	2016 closing balance
				Rupees			
SPEL Pharmatec (Private) Limited	Subsidiary Company	Advance for purchase of shares	17	–	2,299,980	–	2,299,980
		Refund of advance for issuance of shares		–	–	1,700,000	–
OPEN Lahore	Mr. Almas Hyder is a member of the Governing body	Donation	25.2	50,000	–	–	–
Provident Fund Trust	Post employment benefit fund	Contribution		14,769,314	–	12,167,892	–
			10	–	1,291,311	–	1,122,499
Directors		Dividend - as shareholders Cash		113,097,010	–	55,243,135	–
		Bonus shares (face value)		55,236,610	–	–	–
Key Management Personnel		Remuneration	38	75,459,089	–	53,405,812	–
Non-Executive Directors		Meeting Fee		925,000	–	875,000	–

35 Financial risk management

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 has the overall responsibility for establishment and oversight of risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework. The risk policy focuses on unpredictability of financial markets, the Company's exposure to risk of adverse effects thereof and objectives, policies and processes for measuring and managing such risks. The Company's risk management policies are established to identify and analyze 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's 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. Audit committee is assisted in its oversight role by internal audit department. Internal audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

The Company's exposure to financial risks, the way these risks affect the financial position and performance, and forecast transactions of the Company and the manner in which such risks are managed as follows:

35.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Company maintains procedures covering the application for credit approvals, and monitoring of exposures against credit limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

35.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting period was as follows:

	Note	2017 Rupees	2016 Rupees
Available for sale investment	17	6,240,495	–
Long term deposits	18	13,520,169	17,231,046
Trade debts		339,046,438	281,157,522
Deposits and other receivables	21	12,540,262	5,808,444
Short term investments		–	75,000,000
Bank balances	22	57,849,109	51,037,914
		429,196,473	430,234,926

35.1.2 Concentration of credit risk

The Company identifies concentrations of credit risk by reference to type of counter party. Maximum exposure to credit risk by type of counterparty is as follows:

	2017 Rupees	2016 Rupees
Customers	339,046,438	281,157,522
Banking companies and financial institutions	79,121,193	145,801,157
Others	11,028,842	3,276,247
	429,196,473	430,234,926

35.1.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. All counterparties, with the exception of customers, have external credit ratings determined by various credit rating agencies. Credit quality of customers is assessed by reference to historical defaults rates and present ages.

35.1.3(a) ***Counterparties with external credit ratings***

These include banking companies and financial institutions, which are counterparties to term deposits, bank balances, security deposits, and accrued return on deposits. Credit risk is considered minimal as these counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. Following are the credit ratings of counterparties with external credit ratings:

	Rating				
	Short term	Long term	Rating agency	2017	2016
				Rupees	
Bank					
Allied Bank Limited	A1+	AA+	PACRA	3,690	4,029
Standard chartered Bank	AAA	A1+	PACRA	9,289,859	–
Bank Islami Pakistan Limited	A1	A+	PACRA	76,201	4,509,528
Habib Bank Limited	A-1+	AAA	JCR-VIS	32,624,941	247,990
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	6,301,421	2,396,536
KASB Bank Limited	A1	A+	PACRA	16,118	16,118
MCB Bank Limited	A1+	AAA	PACRA	832,929	731,002
Meezan Bank Limited	A-1+	AA	JCR-VIS	–	32,282,990
National Bank of Pakistan	A1+	AAA	PACRA	5,666,179	3,395,659
United Bank Limited	A-1+	AAA	JCR-VIS	3,037,771	7,454,062
				57,849,109	51,037,914
Security deposits					
MCB Bank Limited	A1+	AAA	PACRA	8,567,097	8,567,097
First National Bank Modaraba	A3	BBB+	JCR-VIS	–	249,400
Habib Bank Limited	A-1+	AAA	JCR-VIS	5,387,702	5,387,702
				13,954,799	14,204,199
Short term investments					
Habib Bank Limited	A-1+	AAA	JCR-VIS	–	75,000,000
Interest receivable					
Habib Bank Limited	A-1+	AAA	JCR-VIS	–	430,228
				71,803,908	140,672,341

35.1.3(b) ***Counterparties without external credit ratings***

These include customers which are counter parties to trade receivables. The analysis of ages of trade receivables of the Company as at the reporting date is as follows:

	Carrying amount	
	2017 Rupees	2016 Rupees
The aging of trade debts at the reporting date is:		
Not due	234,367,016	206,144,081
Past due 0 - 30 days	89,566,365	64,467,374
Past due 31 - 60 days	9,799,927	7,574,825
Past due 61 - 90 days	2,503,041	1,018,861
Past due 91 - 120 days	1,730,352	1,655,009
Past due 120 days	1,079,737	297,372
	339,046,438	281,157,522

Based on past experience the management believes that no impairment allowance is necessary in respect of trade debts past due as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable grounds to believe that the amounts will be recovered in short course of time. As at year end, trade debts do not include any balance receivable from related parties (2016: nil).

35.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner unfavorable to the Company. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and availability of adequate funds through committed credit facilities. 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. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management aims to maintain flexibility in funding by keeping regular committed credit lines.

35.2.1 Exposure to liquidity risk

35.2.1(a) *Contractual maturities of financial liabilities*

The following are the remaining contractual maturities of financial liabilities at the reporting date. The cash flows are undiscounted, and include estimated interest payments.

		2017				
	Note	Carrying amount	Contractual cash flow	One year or less	One to three year	Three to five year
		Rupees				
Non-derivative financial liabilities						
Long term finances	7	218,694,704	260,684,952	40,206,942	117,945,553	102,532,457
Liabilities against assets subject to finance lease	8	22,826,095	25,068,653	14,003,545	5,285,511	5,779,597
Trade and other payables	10	118,053,955	118,053,955	118,053,955	–	–
Short term borrowings	11	303,083,692	303,083,692	303,083,692	–	–
Accrued mark up	13	3,640,698	3,640,698	3,640,698	–	–
		666,299,144	710,531,950	478,988,832	123,231,064	108,312,054

		2016				
	Note	Carrying amount	Contractual cash flow	One year or less	One to three year	Three to five year
		Rupees				
Non-derivative financial liabilities						
Long term finances	7	65,580,251	70,453,889	44,911,911	25,541,978	–
Liabilities against assets subject to finance lease	8	35,707,712	38,584,197	20,831,101	14,149,357	3,603,739
Trade and other payables	10	91,415,044	91,415,044	91,415,044	–	–
Short term borrowings	11	251,844,351	251,844,351	251,844,351	–	–
Accrued mark up	13	4,142,042	4,142,042	4,142,042	–	–
		448,689,400	456,439,523	413,144,449	39,691,335	3,603,739

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 optimizing the return.

35.3.1 Currency risk

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales purchases and bank balances are denominated and the respective functional currency of the Company. The functional currency of the Company is Pak Rupee. The currencies in which these transactions are primarily denominated are Euro and US dollars.

35.3.1(a) Exposure to currency risk

The summary quantitative data about the Company's exposure to currency risk as reported to the management of the Company is as follows:

	2017		
	EURO	**USD**	**Total (Rupees)**
Assets			
Trade debts	–	10,144	1,063,091
Bank balances	–	2,074	217,355
	–	12,218	1,280,446
Liabilities			
Trade and other payables	–	–	–
Net assets exposure	–	12,218	1,280,446

	2016		
	EURO	**USD**	**Total (Rupees)**
Assets			
Trade debts	9,458	–	1,097,834
Bank balances	–	2,074	216,770
	9,458	2,074	1,314,604
Liabilities			
Trade and other payables	–	–	–
Net assets exposure	9,458	2,074	1,314,604

35.3.1(b) *Exchange rates applied during the year*

The following significant exchange rates have been applied during the year:

	EURO		USD	
	2017	2016	2017	2016
	Rupees		Rupees	
Reporting date spot rate				
– buying	119.91	116.08	104.80	104.50
– selling	120.14	116.31	105.00	104.70
Average rate for the year	114.40	114.92	104.66	103.10

35.3.1(c) *Sensitivity analysis*

A reasonably possible strengthening / (weakening) of 10% in Pak Rupee against the following currencies would have affected the measurement of financial instruments denominated in foreign currency and affected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	2017 Rupees	2016 Rupees
Effect on profit and loss		
EURO	106,309	109,783
USD	21,736	21,677
	128,045	131,460

35.3.1(d) *Currency risk management*

Since the maximum amount exposed to currency risk is only 0.299% (2016: 0.306%) of the Company's financial assets, any adverse / favorable movement in functional currency with respect to US dollar and Euro will not have any material impact on the operational results.

35.3.2 Interest rate risk

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates. Sensitivity to interest rate risk arises from mismatch of financial assets and financial liabilities that mature or re-price in a given period.

35.3.2(a) *Interest / mark-up bearing financial instruments*

The effective interest / mark-up rates for interest / mark-up bearing financial instruments are mentioned in relevant notes to the unconsolidated financial statements. The Company's interest / mark-up bearing financial instruments as at the reporting date are as follows:

	2017		2016	
	Financial asset	Financial liability	Financial asset	Financial liability
	Rupees		Rupees	
Non-derivative financial instruments				
Fixed rate instruments	2,000	24,542,403	78,693,358	49,504,723
Variable rate instruments	–	520,062,088	–	303,627,591

Fair value sensitivity analysis for fixed rate instruments

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

35.3.2(b) ***Cash flow sensitivity analysis for variable rate instruments***

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit by amounts shown below. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

	Profit	
	2017 Rupees	2016 Rupees
Increase of 100 basis points	(5,200,621)	(3,036,276)
Decrease of 100 basis points	5,200,621	3,036,276

35.3.2(c) ***Interest rate risk management***

The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The short term borrowing, finance lease and loans and advances by the Company has variable rate pricing that is mostly dependent on Karachi Inter Bank Offer Rate ("KIBOR") as indicated in respective notes.

35.3.3 Other price risk

Price risk represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in market. The Company is not exposed to commodity price risk since it has a diverse portfolio of commodity suppliers.

The Company is not significantly exposed to equity price risk.

35.4 Fair values

Fair value is 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.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Company is current bid price.

IFRS 13, 'Fair Value Measurements' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).

– Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).

– Unobservable inputs for the asset or liability (level 3).

The following table shows the carrying amounts and fair values of financial instruments and non-financial instruments including their levels in the fair value hierarchy:

	Note	Carrying Amount			Fair Value		
		Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
		Rupees					
On-Balance sheet financial instruments							
30 June 2017							
Financial assets measured at fair value							
Available for sale investment		6,240,495	–	6,240,495	6,240,495	–	–
		6,240,495	–	6,240,495	6,240,495	–	–
Financial assets not measured at fair value							
Bank balances		57,849,109	–	57,849,109	–	–	–
Deposits and other receivables		12,540,262	–	12,540,262	–	–	–
Long term deposits		13,520,169	–	13,520,169	–	–	–
Trade debts - unsecured, considered good		339,046,438	–	339,046,438	–	–	–
		422,955,978	–	422,955,978	–	–	–
Financial liabilities measured at fair value		–	–	–	–	–	–
		–	–	–	–	–	–
Financial liabilities not measured at fair value							
Long term finances and diminishing musharika		–	218,694,704	218,694,704	–	–	–
Liabilities against assets subject to finance lease		–	22,826,095	22,826,095	–	–	–
Trade and other payables		–	118,053,955	118,053,955	–	–	–
Short term borrowing		–	303,083,692	303,083,692	–	–	–
Accrued mark up		–	3,640,698	3,640,698	–	–	–
	35.4.1	–	666,299,144	666,299,144	–	–	–

	Carrying Amount			Fair Value		
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
	Rupees					
On-Balance sheet financial instruments						
30 June 2016						
Financial assets measured at fair value	–	–	–	–	–	–
	–	–	–	–	–	–
Financial assets not measured at fair value						
Bank balances	51,037,914	–	51,037,914	–	–	–
Deposits and other receivables	5,808,444	–	5,808,444	–	–	–
Long term deposits	17,231,046	–	17,231,046	–	–	–
Trade debts - unsecured, considered good	281,157,522	–	281,157,522	–	–	–
Short term investments	75,000,000	–	75,000,000	–	–	–
	430,234,926	–	430,234,926	–	–	–
Financial liabilities measured at fair value	–	–	–	–	–	–
	–	–	–	–	–	–
Financial liabilities not measured at fair value						
Long term finances and diminishing musharika	–	65,580,251	65,580,251	–	–	–
Liabilities against assets subject to finance lease	–	35,707,712	35,707,712	–	–	–
Trade and other payables	–	91,415,044	91,415,044	–	–	–
Short term borrowing	–	251,844,351	251,844,351	–	–	–
Accrued mark up	–	4,142,042	4,142,042	–	–	–
	–	448,689,400	448,689,400	–	–	–

35.4.1 The Company has not disclosed the fair values of these financial assets and liabilities as these are for short term or reprice over short term. Therefore, their carrying amounts are reasonable approximation of fair value.

35.4.2 Land has been carried at revalued amounts determined by professional valuers (level 3 measurement) based on their assessment of the market values as disclosed in note 7. The valuations are conducted by the valuation experts appointed by the Company. The valuation experts used a market based approach to arrive at the fair value of the Company's land. The effect of changes in the unobservable inputs used in the valuation can not be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these unconsolidated financial statements.

36 Capital management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

i. to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

ii. to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

	2017 Rupees	2016 Rupees
37 Restriction on title and assets pledged as security against long and short term borrowings		
Mortgages and charges		
Hypothecation charge over plant and machinery	1,006,170,000	806,260,000
Hypothecation over current assets	684,370,000	684,340,000

38 Remuneration of chief executive, directors and executives

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

	2017				
	Directors				
	Chairman	Chief executive	Non-executive	Executive	Executives
	Rupees				
Managerial remuneration	8,040,000	8,040,000	–	5,829,000	15,975,078
Utilities and house rent	3,960,000	3,960,000	–	2,871,000	11,566,722
Contribution to provident fund	–	–	–	380,019	1,431,457
Bonus and rewards	–	–	–	1,720,000	5,402,496
Advisory fee	–	–	5,400,000	–	–
Other benefits	147,298	70,596	167,632	497,791	–
	12,147,298	12,070,596	5,567,632	11,297,810	34,375,753
Number of persons	1	1	1	2	13

	2016				
	Directors				
	Chairman	Chief executive	Non-executive	Executive	Executives
	Rupees				
Managerial remuneration	5,600,000	5,600,000	–	3,457,200	10,446,955
Utilities and house rent	2,800,000	2,800,000	–	1,702,800	5,225,045
Contribution to provident fund	–	–	–	344,017	1,025,102
Bonus and rewards	–	–	–	3,220,000	5,365,236
Advisory fee	–	–	5,400,000	–	–
Other benefits	169,957	109,654	53,666	86,180	–
	8,569,957	8,509,654	5,453,666	8,810,197	22,062,338
Number of persons	1	1	1	1	8

38.1 The Company also provides the chief executive and some of the directors and executives the Company's maintained cars.

38.2 Meeting fee was paid to non-executive directors who did not receive monthly remuneration during the year of Rs. 925,000 (2016: Rs. 875,000).

39 Plant capacity and actual production

	Installed processing capacity		Actual processing	
	2017	2016	2017	2016
Small, medium and large mould making facility	60 to 70 moulds	60 to 70 moulds	24 moulds	43 moulds
Injection mould facility	4,100 tons plastic	3,300 tons plastic	1,754 tons plastic	1,727 tons plastic
Blow moulding facility	3,100 tons plastic	2,560 tons plastic	1,841 tons plastic	1,609 tons plastic
Extrusion	5,700 tons plastic	5,700 tons plastic	2,766 tons plastic	2,301 tons plastic
Thermoforming	2,700 tons plastic	2,200 tons plastic	1,383 tons plastic	1,024 tons plastic

Lower capacity utilization of plant is due to gap between demand and supply of products. The capacity figures are based on 300 days.

40 Provident Fund Trust

The following information is based on financial statements of Provident Fund Trust.

	Unit	Un-audited 2017	Audited 2016
Size of the fund - total assets	Rupees	42,611,757	35,790,214
Cost of investments made	Rupees	40,278,824	33,418,376
Percentage of investments made	Percentage	94.53%	93.37%
Fair value of investments	Rupees	40,278,824	33,418,376

The breakup of fair value of investments is as follows:

	2017		2016	
	Rupees	Percentage	Rupees	Percentage
Defence Saving Certificates	5,468,673	13.58%	5,137,770	15.40%
Bank balances	2,810,151	6.98%	1,188,880	3.60%
Certificate of musharika	30,000,000	74.48%	27,091,726	81.00%
NAFA certificates	2,000,000	4.97%	–	0.00%
	40,278,824	100%	33,418,376	100.00%

40.1 The provident fund trust is a common fund for employees of the group. Entity wise break up of the fund as on 30 June is as follows:

	(Un-Audited) 30 June 2017		(Audited) 30 June 2016	
	% of total fund	Rupees	% of total fund	Rupees
Synthetic Products Enterprises Limited	99%	42,185,639	97%	34,716,508
SPEL Pharmatec (Private) Limited	0%	–	0%	–
SPEL Technology Support Limited	1%	426,118	3%	1,073,706

The investments out of provident fund have been made in accordance with the provisions of Section 227 of the repealed Companies Ordinance, 1984 and the rules formulated for this purpose.

41 Number of employees

The Company has employed following number of persons including permanent and contractual staff:

	Number of Employees	
	2017	2016
– Average number of employees	492	462
– As at 30 June	539	444

42 Corresponding figures

Comparative figures have been re-arranged, wherever necessary, for comparison purposes. However, there is no material re-arrangement.

43 Date of authorization for issue

These unconsolidated financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 31 July 2017.

44 General

Figures have been rounded off to the nearest rupee.

Lahore

Chief Executive

Director

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

GROUP DIRECTORS' REPORT TO THE SHAREHOLDERS
FOR THE YEAR ENDED 30 JUNE 2017

The Directors are pleased to place before you the Group's Annual Report on the results of its operations along with the Audited Accounts for the year ended 30 June 2017.

The Group

The group comprises Synthetic Products Enterprises Limited and it wholly owned subsidiary SPEL Pharmatec (Private) Limited.

State of Group's Affairs

The Directors' report giving complete information about the performance of Synthetic Products Enterprises Limited for the year ended 30 June 2017 has been presented separately along with its respective financial statements.

Subsequent Events

No material changes or commitments affecting the financial position of the Group Companies have occurred between the end of the financial year of the Companies and the date of this report, except as disclosed in the financial statement of Synthetic Products Enterprises Limited.

Auditor's Report

The auditors have expressed unqualified opinions on the financial statement of each group Company.

Pattern of Shareholding

All the shares of SPEL Pharmatec (Private) Limited are held by Synthetic Products Enterprises Limited. The pattern of shareholding of Synthetic Products Enterprises Limited is annexed to its Directors' Report.

Country of Incorporation

All Group Companies have been incorporated in Pakistan.

Earnings Per Share

The earnings per share for the financial year 2017 is Rs. 4.90/-

Payment of Debts

There is no default in any payment by the Company either on account of principal or mark-up/profit.

Zia Hyder Naqi
Chief Executive Officer

Sheikh Naseer Hyder
Director

Place: Lahore
30 Aug 2017

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of Synthetic Products Enterprises Limited ("the Holding Company") and its subsidiary Company as at 30 June 2017 and the related consolidated Profit and Loss Account, consolidated Statement of Comprehensive Income, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Synthetic Products Enterprises Limited and its subsidiary company. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Synthetic Products Enterprises Limited and its subsidiary company as at 30 June 2017 and the results of their operations for the year then ended.

Date: 31 July 2017
Lahore

KPMG Taseer Hadi & Co.
Chartered Accountants
(M. Rehan Chughtai)

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE, 2017

	Note	2017 Rupees	2016 Rupees
Equity And Liabilities			
Share capital and reserves			
Authorized share capital of Rs. 10 each	5	1,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital	5	850,850,000	773,500,000
Share premium		347,391,050	347,391,050
Accumulated profit		667,278,409	486,142,173
		1,865,519,459	1,607,033,223
Surplus on revaluation of land	6	226,943,081	226,943,081
Non-current liabilities			
Long term finance - secured	7.1	–	24,585,369
Diminishing musharika - secured	7.2	192,457,749	–
Liabilities against assets subject to finance lease	8	9,833,951	16,746,867
Deferred taxation	9	179,833,650	161,729,058
		382,125,350	203,061,294
Current liabilities			
Trade and other payables	10	164,692,782	128,169,404
Short term borrowings - secured	11	303,083,692	251,844,351
Current maturity of long term liabilities	12	39,229,099	59,955,727
Accrued mark up	13	3,640,698	4,142,042
		510,646,271	444,111,524
		2,985,234,161	2,481,149,122
Contingencies and commitments	14		

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.

Lahore

Chief Executive

Director

	Note	2017 Rupees	2016 Rupees
Assets			
Non-current assets			
Property, plant and equipment	15	1,875,882,763	1,515,353,994
Intangibles	16	3,241,687	4,291,029
Investments	17	6,240,495	–
Long term deposits	18	13,520,169	17,231,046
		1,898,885,114	1,536,876,069
Current assets			
Stores, spares and loose tools		20,454,067	17,329,657
Stock-in-trade	19	427,683,515	316,544,988
Trade debts - unsecured, considered good		339,046,438	281,157,522
Income tax - net	20	183,612,452	146,444,813
Advances, deposits, prepayments and other receivables	21	57,659,496	56,600,730
Short term investments		–	75,000,000
Cash and bank balances	22	57,893,079	51,195,343
		1,086,349,047	944,273,053
		2,985,234,161	2,481,149,122

Lahore

Chief Executive

Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE, 2017

	Note	2017 Rupees	2016 Rupees
Sales - net	23	2,699,673,129	2,321,735,945
Cost of sales	24	(1,984,802,802)	(1,739,357,228)
Gross profit		714,870,327	582,378,717
Administrative expenses	25	(136,454,776)	(117,067,186)
Selling and distribution expenses	26	(53,524,953)	(47,447,393)
Operating profit		524,890,598	417,864,138
Other income	27	14,607,033	43,621,700
Other charges	28	(42,789,674)	(29,484,724)
Finance cost	29	(32,745,969)	(38,442,557)
Profit before taxation		463,961,988	393,558,557
Taxation	30	(46,908,252)	(37,875,346)
Profit after taxation		417,053,736	355,683,211

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.

Lahore

Chief Executive

Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE, 2017

	2017 Rupees	2016 Rupees
Profit after taxation	417,053,736	355,683,211
Other comprehensive income	–	–
Total comprehensive income for the year	417,053,736	355,683,211

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.

Lahore

Chief Executive

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE, 2017

		Capital reserve	Revenue reserve	
	Issued, subscribed and paid-up capital	Share premium	Accumulated profit	Total
	Rupees			
As at 30 June 2015	773,500,000	347,391,050	207,808,962	1,328,700,012
Total comprehensive income for the year				
Profit after taxation	–	–	355,683,211	355,683,211
Other comprehensive income	–	–	–	–
	–	–	355,683,211	355,683,211
Transactions with owners of the Company				
Final cash dividend for the year ended 30 June 2015 @ Rs. 0.5 per share	–	–	(38,675,000)	(38,675,000)
Interim cash dividend for the year ended 30 June 2016 @ Rs. 0.5 per share	–	–	(38,675,000)	(38,675,000)
	–	–	(77,350,000)	(77,350,000)
As at 30 June 2016	773,500,000	347,391,050	486,142,173	1,607,033,223
Total comprehensive income for the year				
Profit after taxation	–	–	417,053,736	417,053,736
Other comprehensive income	–	–	–	–
	–	–	417,053,736	417,053,736
Transactions with owners of the Company				
Final cash dividend for the year ended 30 June 2016 @ Re. 1.00 per share	–	–	(77,350,000)	(77,350,000)
Interim cash dividend for the year ended 30 June 2017 @ Rs. 0.5 per share	–	–	(38,675,000)	(38,675,000)
Issue of bonus shares @ 10% (i.e. 1 share for every 10 shares held)	77,350,000	–	(77,350,000)	–
Interim cash dividend for the year ended 30 June 2017 @ Rs. 0.5 per share	–	–	(42,542,500)	(42,542,500)
	77,350,000	–	(235,917,500)	(158,567,500)
As at 30 June 2017	850,850,000	347,391,050	667,278,409	1,865,519,459

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.

Lahore

Chief Executive

Director

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE, 2017

	Note	2017 Rupees	2016 Rupees
Cash flows from operating activities			
Cash generated from operations	31	524,725,881	475,821,008
Workers' Profit Participation Fund and Workers' Welfare Fund paid		(25,439,599)	(20,620,438)
Finance cost paid		(33,245,736)	(40,322,350)
Taxes paid		(65,971,300)	(61,974,047)
Long term deposits - net		3,710,877	(9,967,098)
Cash generated from operating activities		403,780,123	342,937,075
Cash flows from investing activities			
Fixed capital expenditure		(498,930,518)	(561,444,827)
Intangibles acquired		(873,148)	(1,671,830)
Proceeds from disposal of property, plant and equipment		4,107,735	929,595
Investment in listed securities		(9,582,375)	–
Short term investments		75,000,000	507,103,302
Net cash used in investing activities		(430,278,306)	(55,083,760)
Cash flows from financing activities			
Principal repayment of lease liability		(12,881,617)	(47,701,543)
Long term finance and diminishing musharika acquired/(repaid)-net		153,114,453	(21,113,732)
Short term borrowings - net		67,156,051	10,461,442
Cash dividend paid		(158,276,258)	(77,211,637)
Net cash generated from / (used in) financing activities		49,112,629	(135,565,470)
Net increase in cash and cash equivalents		22,614,446	152,287,845
Cash and cash equivalents at beginning of the year		925,317	(151,362,528)
Cash and cash equivalents at end of the year	32	23,539,763	925,317

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.

Lahore

Chief Executive

Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2017

1 Legal status and nature of business

The Group comprises of the following Companies:

1.1 Synthetic Products Enterprises Limited - ("the Holding Company")

Synthetic Products Enterprises Limited was incorporated in Pakistan on 16 May 1982 under the Companies Act 1913 (now the Companies Ordinance, 1984) as a private limited company. The Company converted into public limited company on 21 July 2008 and subsequently listed on Pakistan Stock Exchange on 10 February 2015. The registered office of the Company is situated at 127-S, Quaid-e-Azam Industrial Estate, Kot Lakhpat, Lahore. The Company is principally engaged in the manufacturing and sale of plastic auto parts, plastic packaging for food and FMCG industry and moulds & dies.

1.2 SPEL Pharmatec (Private) Limited - ("the Subsidiary Company")

SPEL Pharmatec (Private) Limited was incorporated on 01 November 2013 under the Companies Ordinance, 1984 as a private limited company. The principal business of the Subsidiary company is trading and manufacturing of medical devices, machines, disposable items, surgical instruments, drugs and pharmaceuticals. The registered office of the Company is situated at 127-S, Quaid-e-Azam Industrial Estate, Kot Lakhpat, Lahore. The Board of Directors of the Subsidiary Company in its meeting held on 31 July 2017 has decided to liquidate the Subsidiary Company within twelve month of the balance sheet date. Accordingly, the financial statements of the Subsidiary Company has been prepared using non-going concern basis of accounting and the auditor of the Subsidiary Company in their auditor's report has included an emphasis of matter paragraph referring to this fact in the Subsidiary Company's financial statements.

2 Basis of preparation

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

During the year on 30 May 2017, the Companies Act, 2017 (the Act) was enacted which replaced and repealed the Companies Ordinance, 1984 (the repealed Ordinance). However, the Securities and Exchange Commission of Pakistan (SECP) through its Circular No. 17 of 2017 dated 20 July 2017 has advised the Companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the Companies Ordinance, 1984.

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for certain items of property, plant and equipment which are stated at revalued amounts as referred in note 3.2.and available for sale investment which is stated at fair value as referred in note 3.19.

2.3 Judgments, estimates and assumptions

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

2.3.1 Depreciation method, rates and useful lives of property, plant and equipment

The management of the Group reassesses useful lives, depreciation method and rates for each item of property, plant and equipment annually by considering expected pattern of economic benefits that the Group expects to derive from that item and the maximum period up to which such benefits are expected to be available. The rates of depreciation are specified in note 15.1.

2.3.2 Recoverable amount of assets / cash generating units and impairment

The management of the Group reviews carrying amounts of its assets and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

2.3.3 Taxation

The Group takes into account the current income tax law and decisions taken by appellate authorities while estimating its tax liabilities. Instances where the Group's views differ from the views taken by the income tax department at the assessment stage and where the Group considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

The Group also regularly reviews the trend of proportion of income between Presumptive Tax Regime income and Normal Tax Regime income and the change in proportions, if significant, is accounted for in year of change.

2.3.4 Provisions

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Group would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

2.3.5 Revaluation of property, plant and equipment

Revaluation of property, plant and equipment is carried out by independent professional valuers.

The frequency of revaluations depends upon the changes in fair values of the items of land being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required.

Further the surplus on revaluation is utilized in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984.

2.3.6 Stores, spares and loose tools

The Group reviews the stores, spares and loose tools for possible impairment on an annual basis. Any change in estimates in future years might affect the carrying amounts of the respective items of stores, spares and loose tools with a corresponding effect on the provision.

2.3.7 Stock-in-trade

The Group reviews the carrying amount of stock-in-trade on a regular basis. Carrying amount of stock-in-trade is adjusted where the net realisable value is below the cost.

2.3.8 Provisions against trade debts, advances and other receivables

The Group reviews the recoverability of its trade debts, advances and other receivables to assess amount of bad debts provision required there against on an annual basis.

2.4 Functional and presentation currency

These consolidated financial statements have been prepared in Pak Rupees which is the Group's functional currency.

3 Significant accounting polices

The significant accounting policies set out below have been consistently applied to all to all periods presented in these consolidated financial statements.

3.1 Basis of consolidation

3.1.1 Subsidiary

The financial statements of the Subsidiary Company have been consolidated on a line-by-line basis and the carrying values of the investments held by the Holding Company have been eliminated against the shareholders' equity in the Subsidiary Company.

The financial statements of the Subsidiary Company are prepared for the same reporting year as the Holding Company, using consistent accounting policies.

All intragroup balances, transactions, income and expenses and profits and losses resulting from intragroup transactions that are recognised in assets, have been eliminated in full.

3.2 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses with the exception of freehold land, which is measured at revalued amount less accumulated impairment losses and capital work in progress, which is stated at cost less accumulated impairment loss. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation. Cost in relation to certain property, plant and equipment signifies historical cost and borrowing costs as referred to in note 3.18.

Major renewals and improvements to an item of property, plant and equipment are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Group and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognized in consolidated profit and loss account as incurred.

The Group recognizes depreciation by applying reducing balance method, over the useful life of each item of property, plant and equipment using rates specified in note 15.1 to the consolidated financial statements, except for leasehold land which is amortised using straight line basis. Depreciation on additions to property, plant and equipment is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

Any gain or loss on disposal of property, plant and equipment is recognized in consolidated profit and loss account.

Surplus on revaluation is utilized in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984.

Capital work in progress

Capital work in progress is stated at cost less any identified impairment and includes the expenditures on material, labour and appropriate overheads directly relating to the project. These costs are transferred to property, plant and equipment as and when assets are available for intended use.

3.3 Intangibles

The cost of acquisition, development and installation of identifiable software products having finite useful lives of more than one year is recognized as an intangible asset at cost and are amortized on a straight line basis. Subsequent to initial recognition, it is measured at cost less accumulated amortization and accumulated impairment losses, if any. The rate of amortization is specified in note 16.

3.4 Stores, spares and loose tools

These are stated at lower of cost and net realizable value. Cost is determined using the weighted average method. Items in transit are valued at cost comprising invoice value plus other charges paid thereon. The Group reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools. Impairment is also made for slow moving items.

3.5 Stock-in-trade

These are valued at lower of cost and net realizable value, with the exception of stock of waste which is valued at net realizable value. Cost is determined using the following basis:

Raw materials	Moving average
Packing materials	Moving average
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Stock in transit	Invoice price plus related expense incurred up to the reporting date

Average manufacturing cost in relation to work in process and finished goods consists of direct material, labour and a proportion of appropriate manufacturing overheads.

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

3.6 Employee benefits

The Group operates an approved defined contributory provident fund for its employees. Equal contributions are made by the Group and employees at 10% of basic salary. The Group's contribution is charged to consolidated profit and loss account currently.

3.7 Loans and receivables

Loans and receivables are non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less impairment, if any.

3.8 Financial instruments

Financial assets and liabilities are recognized when the Group becomes party to the contractual provisions of the instruments. Financial assets are de-recognized when the Group looses control of the contractual rights that comprise the financial assets. Financial liabilities are de-recognized when they are extinguished, that is, when the obligation specified in the contract is extinguished, cancelled, or expired. Any gain or loss on de-recognizing of the financial assets and financial liabilities is taken to consolidated profit and loss account currently.

The particular measurement methods adopted for various financial instruments are disclosed in the individual policy statements associated with each item.

3.9 Off-setting

A financial asset and a financial liability is offset and the net amount reported in the balance sheet if the Group has legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.10 Regular way purchases and sales of financial assets

Regular way purchases and sales of financial assets are recognized on trade dates.

3.11 Loans and borrowings

Loans and borrowings are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in consolidated profit and loss account over the period of the borrowings on an effective interest basis.

3.12 Finance leases

Leases in terms of which the Group assumes substantially all risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are classified as 'property, plant and equipment'. On initial recognition, these are measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, these are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation, subsequent expenditure, de-recognition, and gains and losses on de-recognition are accounted for in accordance with the respective policies for property, plant and equipment. Liabilities against assets subject to finance lease and deposits against finance lease are classified as 'financial liabilities at amortized cost' and 'loans and receivables' respectively. Subsequent to initial recognition, minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Deposits against finance leases, subsequent to initial recognition are carried at amortised cost, less impairment, if any.

3.13 Operating leases

Leases that do not transfer substantially all risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in consolidated profit and loss account on a straight line basis over the lease term.

3.14 Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently at amortized cost using effective interest rate method.

3.15 Provisions and contingencies

Provisions are recognized when the Group has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provision is recognized at an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where outflow of resources embodying economic benefits is not probable, or where a reliable estimate of the amount of obligation cannot be made, a contingent liability is disclosed, unless the possibility of outflow is remote.

3.16 Trade and other receivables

On initial recognition, these are measured at cost, being their fair value at the date of transaction. Subsequent to initial recognition, these are measured at amortized cost less impairment losses if any, using the effective interest method, with interest recognized in consolidated profit and loss account. Bad debts are written off when identified.

3.17 Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns, allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided and other income earned in the normal course of business. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group, and the amount of revenue and the associated costs incurred or to be incurred can be measured reliably.

- Revenue from sale of goods is recognized when risks and rewards incidental to the ownership of goods are transferred to the buyer;
- Dividend income is recognized when the Group's right to receive payment is established; and
- Interest income is recognized as and when accrued on effective interest method.

3.18 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in consolidated profit and loss account as incurred.

3.19 Available for sale investments

Investments which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity are classified as available for sale. Available for sale investments are recognized initially at fair value plus any directly attributable transaction costs. After initial recognition, these are stated at fair values unless fair values can not be measured reliably, with any resulting gains and losses being charged to other comprehensive income until the investment is disposed off or impaired. At each reporting date, these investments are remeasured at fair value, unless fair value cannot be reliably measured. At the time of disposal, the respective surplus or deficit is transferred to profit and loss account. Fair value of quoted investments is their bid price on Pakistan Stock Exchange at the balance sheet date.

Investments intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

All purchases and sales of investments are recognized on the trade date which is the date that the Group commits to purchase or sell the investment.

At subsequent reporting dates, the Group reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount.

3.20 Taxation

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in consolidated profit and loss account except to the extent that it relates to items recognized directly in other comprehensive income, or equity, in which case it is recognized in other comprehensive income, or equity, as the case may be.

Current taxation

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

Deferred taxation

Deferred tax is accounted for using the balance sheet approach providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.21 Cash and cash equivalents

Cash and cash equivalents comprise running finances, cash and bank balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

3.22 Foreign currency transactions and balances

Transactions in foreign currencies are translated to the respective functional currencies of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate prevailing at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Foreign currency differences arising on retranslation are generally recognized in consolidated profit and loss account.

3.23 Impairment

3.23.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in consolidated profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

3.23.2 Non-financial assets

The carrying amount of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in consolidated profit and loss account. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

3.24 Dividend to ordinary shareholders

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability in the Group's consolidated financial statements in the year in which the dividends are approved.

3.25 Share capital

Incremental cost directly attributable to the issue of ordinary shares are recognised as deduction from equity.

3.26 Segment reporting

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Group that makes strategic decisions. The management has determined that the Holding Company which has significant operations has a single reportable segment. However, the Group drives revenue from local and export sales.

4 New Companies Act, 2017 and new and revised approved accounting standards, interpretations and amendments thereto

4.1 The Companies Act, 2017 applicable for financial year beginning on 1 July 2017 requires certain additional disclosures and Section 235 of the Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017. This would require change in accounting policy relating to surplus on revaluation of land to bring it in line with the requirements of IAS 16 – Property, plant and equipment. The effect of the change is disclosed in note 6 to these consolidated financial statements.

4.2 The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2017:

– Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Group's financial statements.

- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

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

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' -effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Group's financial statements.

Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

- Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on Group's financial statements.

- Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Group's financial statements.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

- 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 above amendments are not likely to have an impact on the Group's consolidated financial statements, except for certain additional disclosures.

5 Share capital

5.1 Authorized share capital

2017 Number of shares	2016 Number of shares		2017 Rupees	2016 Rupees
100,000,000	100,000,000	Ordinary shares of Rs. 10 each	1,000,000,000	1,000,000,000

5.2 Issued, subscribed and paid-up capital

19,791,940	19,791,940	Ordinary shares of Rs. 10 each, fully paid in cash	197,919,400	197,919,400
57,628,060	49,893,060	Fully paid bonus shares of Rs. 10 each	576,280,600	498,930,600
7,665,000	7,665,000	Shares of Rs. 10 each, issued under scheme of amalgamation	76,650,000	76,650,000
85,085,000	77,350,000		850,850,000	773,500,000

5.3 Reconciliation of ordinary shares

77,350,000	77,350,000	Balance at 01 July	773,500,000	773,500,000
7,735,000	–	Shares issued during the year - note 5.4	77,350,000	–
85,085,000	77,350,000	Balance at 30 June	850,850,000	773,500,000

5.4 During the year the Group has issued bonus shares @ 10% (i.e. 1 share for every 10 shares held), (2016: Nil).

5.5 Directors hold 60,484,114 (2016: 55,236,635) ordinary shares of Rs. 10 each of the Group.

6 Surplus on revaluation of land

Land of the Group was revalued on 30 June 2014 by a firm of independent valuers, Hamid Mukhtar & Group (Private) Limited. The valuation was determined with respect to current market value of similar properties. As discussed in note 4.1 to these consolidated financial statements, the Companies Act, 2017 is applicable for financial year beginning on 1 July 2017 which will result in reclassification of surplus on revaluation of land as part of the shareholders' equity.

	Note	2017 Rupees	2016 Rupees
7 Long term finance - secured			
These comprise of:			
7.1 Long term finance, conventional mark-up bearing:			
- Standard Chartered Bank (Pakistan) Limited *(Conventional window)*		–	5,005,728
- Loan from customer	7.1.1	24,542,403	49,504,723
		24,542,403	54,510,451
Less: Current maturity	12	(24,542,403)	(29,925,082)
		–	24,585,369
7.2 Diminishing musharika, Islamic mode of financing:			
- United Bank Limited - I		–	1,638,800
- United Bank Limited - II		–	9,431,000
- United Bank Limited	7.2.1	92,152,301	–
- BankIslami Pakistan Limited (BIPL)	7.2.2	102,000,000	–
		194,152,301	11,069,800
Less: Current maturity	12	(1,694,552)	(11,069,800)
		192,457,749	–
		192,457,749	24,585,369

		2017 Rupees	2016 Rupees
7.3	**Type of loans**		
	Interest / mark-up based loans	24,542,403	54,510,451
	Islamic mode of financing	194,152,301	11,069,800
		218,694,704	65,580,251

7.1.1 This represents a loan from a customer and carries mark up ranging between 7.28%-7.38% per annum. Loan is being repaid in 24 monthly installments which started from June 2016.

During the year, the Group has made repayments amounting to Rs. 24.96 million (2016:Rs. 1.99 million).

7.2.1 The facility amounting to Rs. 150 million has been obtained from United Bank Limited, Islamic Bank Branch ("UBL Ameen") to finance the acquisition of machinery and equipments. As per terms of the Diminishing Musharika Agreement (DMA), musharika units are repayable in sixty monthly installments. Profit payment will start from the month of disbursement and principal will start to redeem from 13th month from the date of disbursement in arrears. The finance carries mark-up at six months KIBOR plus a spread of 1.00% per annum (2016: Nil), payable monthly.

The facility is secured in favour of UBL Ameen by:

– specific charge over the diminishing musharika assets.

7.2.2 The facility amounting to Rs. 200 million has been obtained from Bank Islami Pakistan Limited to finance the import of machinery and equipments. As per terms of the DMA, musharika units are repayable in sixty monthly installments. Profit payment will start from the month of disbursement and principal will start to redeem from 13th month from the date of disbursement in arrears. The finance carries mark-up at six months KIBOR plus a spread of 1.00% per annum (2016: Nil), payable monthly.

The facility is secured in favour of BIPL by:

– specific charge over the diminishing musharika assets.

		2017	2016
8	**Liability against assets subject to finance lease**		
	<u>Salient features of the leases are as follows:</u>		
	Discounting factor	7.5% to 12%	7.15% to 13.16%
	Period of lease	36 - 60 months	36 - 60 months
	Security deposits	10%-38%	10%
	Year of maturity	2017-2022	2016-2020

The Group has entered into finance lease arrangements with various financial and non-financial institutions for lease of plant and machinery and vehicles as shown in note 15.1. The liabilities under these arrangements are payable in monthly installments. Interest rates implicit in the leases are used as discounting factor to determine the present value of minimum lease payments. The Company's finance lease liability is interest / markup based. Finance lease liabilities are obtained from conventional mode of leasing.

All lease agreements carry purchase option at the end of lease term and the Company intends to exercise its option to purchase the leased assets upon completion of the respective lease terms. Residual value of the leased assets has already been paid by the Group at inception of the lease in form of security deposit. There are no financial restrictions imposed by lessor. Taxes, repairs, replacements and insurance costs are borne by the lessee.

The amount of future minimum lease payments along with their present value and the periods during which they will fall due are:

	2017		
	Total future minimum lease payments	Finance charges allocated to future periods	Principal
	Rupees		
Not later than one year	14,002,339	1,010,195	12,992,144
Later than one year and not later than five year	11,160,384	1,326,433	9,833,951
	25,162,723	2,336,628	22,826,095

	2016		
	Total future minimum lease payments	Finance charges allocated to future periods	Principal
	Rupees		
Not later than one year	20,831,101	1,870,256	18,960,845
Later than one year and not later than five year	17,753,096	1,006,229	16,746,867
	38,584,197	2,876,485	35,707,712

	2017 Rupees	2016 Rupees
9 Deferred taxation		
The liability for deferred taxation comprises temporary differences relating to:		
Deferred tax liability arising on:		
– accelerated tax depreciation	196,850,984	188,327,012
Deferred tax asset arising on:		
– finance lease transactions - net	(2,950,185)	(10,712,314)
– Others	(14,067,149)	(15,885,640)
	179,833,650	161,729,058
10 Trade and other payables		
Trade creditors	72,318,511	54,348,126
Accrued liabilities	35,520,069	31,508,235
Advances from customers	8,628,819	6,830,205
Workers' Profit Participation Fund	24,875,111	21,151,351
Workers' Welfare Fund	12,412,295	8,035,413
Payable to Provident Fund Trust	1,291,311	1,122,499
Withholding tax payable	672,602	612,627
Unclaimed dividend	566,849	275,607
Others	8,407,215	4,285,341
	164,692,782	128,169,404

	Note	2017 Rupees	2016 Rupees
11 Short term borrowings - secured			
Type of loans			
Conventional Interest / mark-up based loans		215,352,067	95,332,958
Islamic mode of financing		87,731,625	156,511,393
		303,083,692	251,844,351
Conventional interest/markup bearing			
Short term running finance	11.1	32,318,566	50,270,026
Finance against trust receipts	11.2	183,033,501	45,062,932
		215,352,067	95,332,958
Islamic mode of financing			
Murabaha and Istisna	11.3	85,696,875	156,511,393
Running Musharika	11.4	2,034,750	–
		87,731,625	156,511,393

11.1 This represents utilized amount of short term running finance facilities available from commercial banks aggregating Rs. 267.4 million (2016: Rs.295.5 million). These carry mark-up rates ranging from one month to three months KIBOR plus a spread of 0.5% to 0.75% (2016: one month to three months KIBOR plus a spread of 0.5% to 1.25%) per annum.

11.2 This represents utilized amount of finance against trust receipt facilities available aggregating Rs. 280 million (2016: Rs. 280 million). These carry mark-up rates ranging from one month to three months KIBOR plus a spread of 0.6% to 0.75% (2016: one month to three months KIBOR plus a spread of 1% to 1.25%) per annum.

11.3 This represents utilized amount of murabaha and istisna facilities available aggregating Rs. 330 million (2016: Rs. 255 million). These carry mark-up rates ranging from one month to six months KIBOR plus a spread of 0.5% to 0.75% (2016: one month to three months KIBOR plus a spread of 0.65% to 1.25%) per annum.

11.4 This represents utilized amount of running musharika facilities available aggregating Rs. 75 million (2016: Nil). This carries mark-up rate of three months KIBOR plus a spread of 0.75% (2016: Nil) per annum.

11.5 These facilities are secured by first pari passu registered hypothecation charge on current and fixed assets of the Group, by lien over import documents and pledge of imported goods, local currency deposits.

	Note	2017 Rupees	2016 Rupees
12 Current maturity of long term liabilities			
Long term finance	7.1	24,542,403	29,925,082
Diminishing musharika	7.2	1,694,552	11,069,800
Liabilities against assets subject to finance lease	8	12,992,144	18,960,845
		39,229,099	59,955,727

		2017 Rupees	2016 Rupees
13	**Accrued mark up**		
	Diminishing musharika	–	5,630
	Short term borrowings	3,640,698	4,136,412
		3,640,698	4,142,042

14 Contingencies and commitments

14.1 Contingencies

14.1.1 Counter guarantees given by the Group to its bankers as at the reporting date amount to Rs. 27.52 million (2016: Rs. 25.43 million).

14.1.2 The Deputy Commissioner Inland Revenue has issued an order on 23 January 2015 against the Holding Company in respect of tax year (TY) 2009 raising a demand of Rs. 45.8 million. The order was annulled by the Commissioner Inland Revenue (Appeals) against which the tax department has filed appeal before the Income Tax Appellate Tribunal (Tribunal) on 30 April 2015. As the decision of appeal is expected in favour of the Holding Company, therefore no provision is recorded in these consolidated financial statements.

14.1.3 The Deputy Commissioner Inland Revenue has issued an assessment order on 27 June 2015 against SPEL Packaging Industries (Private) Limited (which was merged with Holding Company in financial year 2011-12) in respect of TY 2009 and assessed Rs. 53.2 million payable by the Holding Company. The Holding Company filed an appeal before the Commissioner Inland Revenue (Appeals) which was decided against the Holding Company. The management has filed a second appeal before the Tribunal. No provision has been made in these consolidated financial statements as the management is confident of favourable outcome of the matter.

14.1.4 Petition No. 449/ 2017 was filed by the Holding Company for issuance of exemption certificate under section 148 of the Income Tax Ordinance, 2001 before the Honorable Lahore High Court (the Court). The Court ordered that if the Holding Company desires, may file an application for exemption. The Holding Company's application for validation of exemption certificates issued earlier and release of the related bank guarantees is pending for an order from the Commissioner Inland Revenue, Zone – III, Large Taxpayers Unit, Lahore (CIR).

14.2 Commitments

14.2.1 Aggregate commitments for capital expenditure as at 30 June 2017 amounted to Rs. 29.42 million (2016: Nil).

14.2.2 Commitments under irrevocable letters of credit for:

		Note	2017 Rupees	2016 Rupees
	– Purchase of machinery		75,322,478	63,077,729
	– Purchase of raw material		112,121,261	148,896,931
			187,443,739	211,974,660
15	**Property, plant and equipment**			
	Operating fixed assets	15.1	1,665,019,786	1,471,571,292
	Capital work in progress	15.7	210,862,977	43,782,702
			1,875,882,763	1,515,353,994

15.1 Operating fixed assets

	2017											
	Cost					Rate	Accumulated depreciation					
	As at 01 July 2016	Addition	Transfers	Disposals	As at 30 June 2017		As at 01 July 2016	For the year	Transfers	Disposals	As at 30 June 2017	Net book value as at 30 June 2017
	Rupees					%	Rupees					Rupees
Owned												
Freehold land												
- cost	77,208,844	16,184,391	–	–	93,393,235	–	–	–	–	–	–	93,393,235
- revaluation	226,943,081	–	–	–	226,943,081	–	–	–	–	–	–	226,943,081
	304,151,925	16,184,391	–	–	320,336,316	–	–	–	–	–	–	320,336,316
Buildings on freehold land	45,103,377	49,451,436	–	–	94,554,813	10%	24,576,288	2,467,504	–	–	27,043,792	67,511,021
Plant and machinery	1,520,982,850	241,383,167	–	(22,174,667)	1,740,191,350	10%	489,008,349	114,300,081	–	(14,142,244)	589,166,186	1,151,025,164
Office equipment	5,767,961	3,966,675	–	–	9,734,636	10%	1,923,636	452,021	–	–	2,375,657	7,358,979
Tools and equipment	9,744,490	1,093,286	–	–	10,837,776	10%	2,999,117	721,573	–	–	3,720,690	7,117,086
Computer equipment	10,783,191	789,990	–	–	11,573,181	30%	8,799,218	668,320	–	–	9,467,538	2,105,643
Furniture and fittings	14,663,576	1,086,363	–	–	15,749,939	10%	4,247,306	1,112,471	–	–	5,359,777	10,390,162
Vehicles	30,138,139	14,711,303	2,494,000	(3,305,670)	44,037,772	20%	10,871,129	5,750,528	1,245,115	(2,246,519)	15,620,253	28,417,519
	1,941,335,509	328,666,611	2,494,000	(25,480,337)	2,247,015,783	–	542,425,043	125,472,498	1,245,115	(16,388,763)	652,753,893	1,594,261,890
Leased												
Leasehold land (note 15.2)	22,083,915	–	–	–	22,083,915	1.67%	2,581,609	325,689	–	–	2,907,298	19,176,617
Plant and machinery	53,882,776	–	–	–	53,882,776	10%	8,217,123	4,566,565	–	–	12,783,688	41,099,088
Vehicles	9,242,000	6,457,210	(2,494,000)	–	13,205,210	20%	1,749,133	2,219,001	(1,245,115)	–	2,723,019	10,482,191
	85,208,691	6,457,210	(2,494,000)	–	89,171,901	–	12,547,865	7,111,255	(1,245,115)	–	18,414,005	70,757,896
2017	2,026,544,200	335,123,821	–	(25,480,337)	2,336,187,684	–	554,972,908	132,583,753	–	(16,388,763)	671,167,898	1,665,019,786

	2016											
	Cost						Accumulated depreciation					
	As at 01 July 2015	Addition	Transfers	Disposals	As at 30 June 2016	Rate	As at 01 July 2015	For the year	Transfers	Disposals	As at 30 June 2016	Net book value as at 30 June 2016
	Rupees					%	Rupees					Rupees
Owned												
Freehold land												
- cost	20,481,919	56,726,925	–	–	77,208,844	–	–	–	–	–	–	77,208,844
- revaluation	226,943,081	–	–	–	226,943,081	–	–	–	–	–	–	226,943,081
	247,425,000	56,726,925	–	–	304,151,925	–	–	–	–	–	–	304,151,925
Buildings on freehold land	36,990,667	8,112,710	–	–	45,103,377	10%	22,792,195	1,784,093	–	–	24,576,288	20,527,089
Plant and machinery	904,528,366	480,822,787	135,631,697	–	1,520,982,850	10%	394,850,295	64,225,265	29,932,789	–	489,008,349	1,031,974,501
Office equipment	3,571,547	2,210,004	–	–	5,781,551	10%	1,645,419	281,021	–	–	1,926,440	3,855,111
Tools and equipment	6,985,119	2,759,371	–	–	9,744,490	10%	2,427,268	571,849	–	–	2,999,117	6,745,373
Computer equipment	10,054,668	729,273	–	–	10,783,941	30%	8,084,687	714,960	–	–	8,799,647	1,984,294
Furniture and fittings	9,939,292	4,709,944	–	–	14,649,236	10%	3,352,175	891,898	–	–	4,244,073	10,405,163
Vehicles	21,983,513	7,780,405	2,093,000	(1,718,779)	30,138,139	20%	6,696,605	4,220,803	1,241,065	(1,287,344)	10,871,129	19,267,010
	1,241,478,172	563,851,419	137,724,697	(1,718,779)	1,941,335,509	–	439,848,644	72,689,889	31,173,854	(1,287,344)	542,425,043	1,398,910,466
Leased												
Leasehold land (note 15.2)	22,083,915	–	–	–	22,083,915	1.67%	2,212,808	368,801	–	–	2,581,609	19,502,306
Plant and machinery	189,514,473	-	(135,631,697)	–	53,882,776	10%	23,385,875	14,764,037	(29,932,789)	–	8,217,123	45,665,653
Vehicles	4,587,000	6,748,000	(2,093,000)	–	9,242,000	20%	1,690,947	1,299,251	(1,241,065)	–	1,749,133	7,492,867
	216,185,388	6,748,000	(137,724,697)	–	85,208,691	–	27,289,630	16,432,089	(31,173,854)	–	12,547,865	72,660,826
2016	1,457,663,560	570,599,419	–	(1,718,779)	2,026,544,200	–	467,138,274	89,121,978	–	(1,287,344)	554,972,908	1,471,571,292

15.2 Leasehold land comprises of land situated in Karachi which was obtained by the Group on lease and is being amortized over the term of 60 years. The title of land remains with the lessor at end of the lease term. However, leasehold land has been included in property, plant and equipment in accordance with clarification issued by Institute of Chartered Accountants of Pakistan through selected opinion issued on IAS 17 Leases.

	2017 Rupees	2016 Rupees
15.3 The depreciation charge for the year has been allocated as follows:		
Cost of goods sold	116,050,231	77,055,795
Capital work in progress	3,273,578	3,152,214
Administrative expenses	6,630,843	4,457,968
Selling and distribution expenses	6,629,101	4,456,001
	132,583,753	89,121,978

15.4 The carrying value of freehold land would have been Rs. 93.39 million (2016: Rs. 77.20 million), had there been no revaluation.

15.5 During the year the Holding Company has acquired land in Rahim Yar Khan for Rs. 16.18 million for construction of production facility. Title of the land is yet to be transferred in the Holding Company's name.

15.6 Disposal of property, plant and equipment

Particulars	Cost	Accumulated depreciation	Written down value	Sales Proceeds	Gain/(loss)	Mode of disposal	Particulars of buyer
	Rupees						
Plant & Machinery							
Injection Molding Machine	6,425,667	3,410,549	3,015,118	994,290	(2,020,828)	Negotiation	Mr. Maqsood
Radial Drill Machine	500,000	231,819	268,181	164,403	(103,778)	Negotiation	Muhammad Amin
Miling Machine	290,000	134,455	155,545	95,353	(60,192)	Negotiation	Muhammad Amin
Extruder -2	11,497,000	8,574,617	2,922,383	962,985	(1,959,398)	Negotiation	Muhammad Irfan
Crush Machine	1,650,000	937,301	712,699	270,270	(442,429)	Negotiation	Muhammad Asif
Injection Molding Machine	1,812,000	853,503	958,497	221,450	(737,048)	Negotiation	Muhammad Irfan
	22,174,667	14,142,244	8,032,423	2,708,751	(5,323,673)		
Fork Lifter	2,022,670	1,573,342	449,328	300,984	(148,344)	Negotiation	Muhammad Amin
Suzuki Mehran	600,000	408,855	191,145	415,000	223,855	Group Policy	Mr. Muhammad Ehsan
Suzuki Mehran	683,000	264,322	418,678	683,000	264,322	Group Policy	Mr. Harris Islam
	3,305,670	2,246,519	1,059,151	1,398,984	339,833		
2017	25,480,337	16,388,763	9,091,574	4,107,735	(4,983,840)		
2016	1,718,779	1,287,344	431,435	929,595	498,160		

15.7 Capital Work In Progress

	30 June 2017			
	As at 01 July 2016	Additions	Transfers	As at 30 June 2017
	Rupees			
Capital Work In Progress	43,782,702	452,955,526	285,875,251	210,862,977

	30 June 2016			
	As at 01 July 2015	Additions	Transfers	As at 30 June 2016
	Rupees			
Capital Work In Progress	39,838,683	336,438,284	332,494,265	43,782,702

		Note	2017 Rupees	2016 Rupees
15.8	The breakup is as follows			
	Plant and machinery		45,496,572	1,089,592
	Building		68,485,367	407,991
	Moulds		21,473,748	4,569,181
	Advances to suppliers		75,407,290	37,715,938
			210,862,977	43,782,702
16	**Intangibles**			
	Cost		9,481,584	8,608,436
	Accumulated amortization		(6,239,897)	(4,317,407)
	As at 30 June		3,241,687	4,291,029
	Amortization rate		20%	20%
16.1	Balance as at 01 July		4,291,029	4,207,204
	Additions during the year		873,148	1,671,829
	Amortization charge for year		(1,922,490)	(1,588,004)
	Balance as at 30 June		3,241,687	4,291,029
17	**Investments**			
	Available for sale, listed equity security	17.1	6,240,495	–
			6,240,495	–

		Note	2017 Rupees	2016 Rupees
17.1	**Available for sale, listed equity security**			
	Roshan Packages Limited			
	111,100 (30 June 2016: nil) fully paid ordinary shares having face value of Rs. 10 each			
	- Cost		9,582,375	–
	- Impairment loss charged to profit and loss account		(3,341,880)	–
	Fair value		6,240,495	–
18	**Long term deposits**			
	Financial institutions	18.1	8,731,822	13,954,799
	Utility companies and regulatory authorities		1,626,847	1,626,847
	Others		3,161,500	1,649,400
			13,520,169	17,231,046

18.1 These represent deposits with various banking companies and financial institutions against finance lease and margin on guarantees.

		2017 Rupees	2016 Rupees
19	**Stock-in-trade**		
	Raw and packing material	303,792,891	246,185,243
	Stock in transit	75,100,903	39,403,293
	Work in process	15,444,755	11,658,090
	Finished goods	33,344,966	19,298,362
		427,683,515	316,544,988
20	**Income tax - net**		
	Income tax refundable	74,376,240	80,008,283
	Advance taxation - net	109,236,212	66,436,530
		183,612,452	146,444,813
21	**Advances, deposits, prepayments and other receivables**		
	Advances - unsecured, considered good		
	- to employees	235,040	451,987
	- to suppliers for raw material	8,827,835	3,447,875
	Amounts paid against future shipments	14,794,751	6,486,686
	Short term deposits	7,483,948	249,400
	Sales tax receivable - net	18,171,037	36,277,281
	Interest receivable	–	430,228
	Prepaid insurance	3,407,767	4,128,457
	Other receivables	5,056,314	5,128,816
		57,976,692	56,600,730
	Provision against doubtful receivables	(317,196)	–
		57,659,496	56,600,730

		Note	2017 Rupees	2016 Rupees
22	**Cash and bank balances**			
	Cash in hand		25,087	25,087
	Cash at bank			
	– current accounts in local currency	22.1	57,631,249	47,128,696
	– current accounts in foreign currency		216,770	216,770
	– saving accounts in local currency	22.2	19,973	3,824,790
			57,867,992	51,170,256
			57,893,079	51,195,343

22.1 These include deposits amounting to Rs. 0.932 million (2016: Rs. 36.80 million) placed under an arrangement permissible under Shariah. Remaining balance represents deposits with conventional windows of the banks.

22.2 These carry return at 3.5% to 5% per annum (2016: 3.5% to 5% per annum). This represents deposits placed under an arrangement permissible under Shariah.

		Note	2017 Rupees	2016 Rupees
23	**Sales - net**			
	Local		3,151,228,229	2,704,870,813
	Export		14,658,512	18,563,317
			3,165,886,741	2,723,434,130
	Less: Sales tax		(466,213,612)	(401,698,185)
			2,699,673,129	2,321,735,945
24	**Cost of sales**			
	Raw and packing materials consumed		1,494,815,346	1,338,097,984
	Stores, spare parts and loose tools consumed		9,798,222	9,038,932
	Salaries, wages and benefits	24.1	188,086,685	144,437,204
	Electricity, fuel and water charges		145,575,551	123,242,590
	Depreciation on property, plant and equipment	15.3	116,050,231	77,055,795
	Repairs and maintenance		38,579,265	35,678,255
	Sorting charges		3,365,009	3,284,347
	Insurance		4,086,418	3,197,322
	Oil and lubricants		2,279,344	2,909,138
			2,002,636,071	1,736,941,567
	Work in progress:			
	- At beginning of the year		11,658,090	12,712,071
	- At end of the year		(15,444,755)	(11,658,090)
	Cost of goods manufactured		1,998,849,406	1,737,995,548
	Finished goods			
	- At beginning of the year		19,298,362	20,660,042
	- At end of the year		(33,344,966)	(19,298,362)
	Cost of goods sold		1,984,802,802	1,739,357,228

24.1 Salaries, wages and benefits include Rs. 5.63 million (2016: Rs. 4.63 million) in respect of defined contribution plan.

		Note	2017 Rupees	2016 Rupees
25	**Administrative expenses**			
	Salaries, wages and benefits	25.1	25,324,489	23,774,294
	Directors' remuneration	37	41,083,336	31,343,474
	Meeting fee		925,000	875,000
	Traveling expenses		24,076,251	20,702,792
	Legal and professional charges		2,089,031	4,053,272
	Vehicle running expenses		6,044,777	3,910,154
	Insurance		1,329,191	1,539,232
	Repairs and maintenance		1,936,950	1,882,803
	Telephone and postage		4,253,121	3,040,037
	Depreciation on property, plant and equipment	15.3	6,630,843	4,457,968
	Amortization on intangibles	16.1	1,922,490	1,588,004
	Printing and stationery		3,363,916	3,503,627
	Staff training and development		6,565,764	5,038,766
	Fee and subscription		3,588,254	1,862,118
	Rent, rates and taxes		776,579	427,195
	Entertainment		3,923,551	2,706,737
	Donations	25.2	462,432	620,000
	Auditors' remuneration	25.3	1,327,250	890,000
	Research and development		161,173	1,294,198
	Miscellaneous expenses		670,378	3,557,515
			136,454,776	117,067,186

25.1 Salaries, wages and benefits include Rs. 1.16 million (2016: Rs. 0.97 million) in respect of defined contribution plan.

25.2 None of Directors and their spouses have any interest in the donee organizations, except donation of Rs. 50,000/- given to OPEN Lahore in which Mr. Almas Hyder is member of the Governing body.

		Note	2017 Rupees	2016 Rupees
25.3	**Auditors' remuneration**			
	Statutory audit fee		655,000	600,000
	Half yearly review		150,000	150,000
	Certifications and others		447,250	75,000
	Out of pocket expenses		75,000	65,000
			1,327,250	890,000
26	**Selling and distribution expenses**			
	Salaries and benefits	26.1	6,534,461	4,205,596
	Depreciation on property, plant and equipment	15.3	6,629,101	4,456,001
	Freight and forwarding		37,844,510	36,207,837
	Advertisement		1,596,606	1,534,359
	Sales promotion expenses		920,275	1,043,600
			53,524,953	47,447,393

26.1 Salaries, wages and benefits include Rs. 0.21 million (2016: Rs. 0.15 million) in respect of defined contribution plan.

		2017 Rupees	2016 Rupees
27	**Other income**		
	Income from financial assets		
	Profit on bank deposits - arrangements permissible under Shariah	–	32,024
	Profit on short term investments - interest / markup based arrangement	1,458,407	28,357,011
	Gain on forex transactions- net - actual currency conversion	–	806,400
	Income from non-financial assets		
	Sale of unusable items	10,512,543	13,319,434
	Gain on disposal of property, plant and equipment	–	498,160
	Others	2,636,083	608,671
		13,148,626	14,426,265
		14,607,033	43,621,700
28	**Other charges**		
	Workers' Profit Participation Fund	24,875,111	21,151,351
	Workers' Welfare Fund	8,665,130	8,333,373
	Loss on disposal of property, plant and equipment	4,983,840	–
	Impairment of receivables	317,196	–
	Loss on foreign currency transactions - net	606,517	–
	Impairment loss on available for sale investment	3,341,880	–
		42,789,674	29,484,724
29	**Finance cost**		
	Mark-up on:		
	- short term borrowings - secured	24,855,537	30,007,666
	- long term finance - secured	3,697,349	2,668,541
	- lease finance	1,903,853	4,602,899
	Bank charges	2,289,230	1,163,451
		32,745,969	38,442,557
30	**Taxation**		
	Current:		
	- for the year	41,677,993	111,499
	- prior year	–	405,394
	Deferred:		
	- for the year	18,104,592	37,358,453
	- prior year	(12,874,333)	–
		46,908,252	37,875,346

	2017 Rupees	2016 Rupees
30.1 Relationship between tax expense and accounting profit		
Profit before taxation	463,961,988	393,558,557
Tax at 31% / 32%	143,828,216	125,938,738
Tax effect of:		
– income under Final Tax Regime	(403,327)	(301,696)
– tax credits	(84,891,835)	(69,790,664)
– prior year tax credits carried forward	(12,759,953)	–
– others	1,135,151	(17,971,032)
	46,908,252	37,875,346

30.2 During the year the Holding Company has received notice from Commissioner Inland Revenue, Zone-III, LTU Lahore (CIT) under section 214C of the Income Tax Ordinance, 2001 for the audit of the Holding Company's record for tax year 2016. As per the provision inserted through Finance Act 2016 in the Clause 72B of Part IV of the Second Schedule to the Income tax Ordinance, 2001, (Clause 72B), every manufacturer, who obtained exemption certificate, for import of raw material for own use, from deduction of tax on import stage, under section 148 of the Income Tax Ordinance, 2001, CIT shall conduct audit of the taxpayer's accounts during the financial year in which the certificate is issued. The Holding Company has filed an application for the stay of the audit proceeding before the Honorable Lahore High Court, which is still pending for decision.

30.3 During the year the Holding Company has received notice from Deputy Commissioner Inland Revenue, Audit-17, Zone-III, LTU Lahore under section 214C of the Income Tax Ordinance, 2001 regarding audit of income tax return for tax year 2015. In response to the notice, the Holding Company has submitted the requested documents, however, no further proceeding has been taken place.

	2017 Rupees	2016 Rupees
31 Cash generated from operations		
Profit before taxation	463,961,988	393,558,557
Adjustments for non-cash items:		
Finance cost	32,744,392	38,439,289
Depreciation on property, plant and equipment	129,310,175	85,969,764
Amortization of intangibles	1,922,490	1,588,004
Impairment of receivables	317,196	–
Liabilities written back	(81,565)	–
Impairment loss on available for sale investment	3,341,880	–
Loss / (Gain) on disposal of property, plant and equipment	4,983,840	(498,160)
Provision for Workers' Profit Participation Fund and Workers' Welfare Fund	33,540,241	29,484,724
	206,078,649	154,983,621
Operating profit before working capital changes	670,040,637	548,542,178
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(3,124,410)	(1,363,616)
Stock-in-trade	(111,138,527)	5,146,510
Trade debts	(57,888,916)	(31,706,211)
Advances, deposits, prepayments and other receivables	(1,375,962)	(36,305,258)
	(173,527,815)	(64,228,575)
Increase / (decrease) in current liabilities:		
Trade and other payables	28,213,059	(8,492,595)
	524,725,881	475,821,008

	Note	2017 Rupees	2016 Rupees
32 Cash and cash equivalents			
Short term running finance	11	(32,318,566)	(50,270,026)
Running Musharika	11	(2,034,750)	–
Cash and bank balances	22	57,893,079	51,195,343
		23,539,763	925,317

33 Related party transactions and balances

Related parties comprise of associated undertaking, key management personnel (including chief executive and directors), post employment benefit plan and entities in which the directors have significant influence. Details of transactions and balances with related parties is as follows:

Name of parties	Nature of relationship	Nature of transactions	Note	2017 Transactions during the year	2017 closing balance	2016 Transactions during the year	2016 closing balance
				Rupees			
Provident Fund Trust	Post employment benefit fund	Contribution		14,769,314	–	12,182,892	–
			10	–	1,291,311	–	1,122,499
OPEN Lahore	Mr. Almas Hyder is a member of the Governing body	Donation	25.2	50,000	–	–	–
Directors		Dividend - as shareholders Cash		113,097,010	–	55,243,135	–
		Bonus shares (face value)		55,236,610	–	–	–
Key Management Personnel		Remuneration	37	75,459,089	–	53,405,812	–
Non-Executive Directors		Meeting Fee		925,000	–	875,000	–

34 Financial risk management

The Group 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 has the overall responsibility for establishment and oversight of risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework. The risk policy focuses on unpredictability of financial markets, the Group's exposure to risk of adverse effects thereof and objectives, policies and processes for measuring and managing such risks. The Group's risk management policies are established to identify and analyze the risks faced by the Group, 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 Group's activities.

The Group's audit committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Audit committee is assisted in its oversight role by internal audit department. Internal audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

The Group's exposure to financial risks, the way these risks affect the financial position and performance, and forecast transactions of the Group and the manner in which such risks are managed as follows:

34.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Group maintains procedures covering the application for credit approvals, and monitoring of exposures against credit limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

34.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting period was as follows:

	Note	2017 Rupees	2016 Rupees
Available for sale investment	17	6,240,495	–
Long term deposits	18	13,520,169	17,231,046
Trade debts		339,046,438	281,157,522
Deposits and other receivables	21	12,540,262	679,628
Short term investments		–	75,000,000
Bank balances	22	57,868,079	51,170,256
		429,215,443	425,238,452

34.1.2 Concentration of credit risk

The Group identifies concentrations of credit risk by reference to type of counter party. Maximum exposure to credit risk by type of counterparty is as follows:

	2017 Rupees	2016 Rupees
Customers	339,046,438	281,157,522
Banking companies and financial institutions	79,140,163	140,804,683
Others	11,028,842	3,276,247
	429,215,443	425,238,452

34.1.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. All counterparties, with the exception of customers, have external credit ratings determined by various credit rating agencies. Credit quality of customers is assessed by reference to historical defaults rates and present ages.

34.1.3(a) ***Counterparties with external credit ratings***

These include banking companies and financial institutions, which are counterparties to term deposits, bank balances, security deposits, and accrued return on deposits. Credit risk is considered minimal as these counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Group. Following are the credit ratings of counterparties with external credit ratings:

	Rating			2017	2016
	Short term	Long term	Rating agency	Rupees	
Bank					
Allied Bank Limited	A1+	AA+	PACRA	3,690	4,029
Standard chartered Bank	AAA	A1+	PACRA	9,289,859	–
Bank Islami Pakistan Limited	A1	A+	PACRA	76,201	4,509,528
Habib Bank Limited	A-1+	AAA	JCR-VIS	32,642,914	379,422
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	6,302,331	2,397,446
KASB Bank Limited	A1	A+	PACRA	16,118	16,118
MCB Bank Limited	A1+	AAA	PACRA	832,929	731,002
Mezan Bank Limited	A-1+	AA	JCR-VIS	–	32,282,990
National Bank of Pakistan	A1+	AAA	PACRA	5,666,179	3,395,659
United Bank Limited	A-1+	AAA	JCR-VIS	3,037,771	7,454,062
				57,867,992	51,170,256
Security deposits					
MCB Bank Limited	A1+	AAA	PACRA	8,567,097	8,567,097
First National Bank Modaraba	A3	BBB+	JCR-VIS	–	249,400
Habib Bank Limited	A-1+	AAA	JCR-VIS	5,387,702	5,387,702
				13,954,799	14,204,199
Short term investments					
Habib Bank Limited	A-1+	AAA	JCR-VIS	–	75,000,000
Interest receivable					
Habib Bank Limited	A-1+	AAA	JCR-VIS	–	430,228
				71,822,791	140,804,683

34.1.3(b) ***Counterparties without external credit ratings***

These include customers which are counter parties to trade receivables. The analysis of ages of trade receivables of the Group as at the reporting date is as follows:

	Carrying amount	
	2017 Rupees	2016 Rupees
The aging of trade debts at the reporting date is:		
Not due	234,367,016	206,144,081
Past due 0 - 30 days	89,566,365	64,467,374
Past due 31 - 60 days	9,799,927	7,574,825
Past due 61 - 90 days	2,503,041	1,018,861
Past due 91 - 120 days	1,730,352	1,655,009
Past due 120 days	1,079,737	297,372
	339,046,438	281,157,522

Based on past experience the management believes that no impairment allowance is necessary in respect of trade debts past due as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable grounds to believe that the amounts will be recovered in short course of time. As at year end, trade debts do not include any balance receivable from related parties (2016: nil).

34.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner unfavorable to the Group. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and availability of adequate funds through committed credit facilities. The Group'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. The Group finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management aims to maintain flexibility in funding by keeping regular committed credit lines.

34.2.1 Exposure to liquidity risk

34.2.1(a) *Contractual maturities of financial liabilities*

The following are the remaining contractual maturities of financial liabilities at the reporting date. The cash flows are undiscounted, and include estimated interest payments.

		2017				
	Note	Carrying amount	Contractual cash flow	One year or less	One to three year	Three to five year
		Rupees				
Non-derivative financial liabilities						
Long term finances	7	218,694,704	260,684,952	40,206,942	117,945,553	102,532,457
Liabilities against assets subject to finance lease	8	22,826,095	25,118,653	14,053,545	5,285,511	5,779,597
Trade and other payables	10	118,103,955	118,053,955	118,053,955	–	–
Short term borrowings	11	303,083,692	303,083,692	303,083,692	–	–
Accrued mark up	13	3,640,698	3,640,698	3,640,698	–	–
		666,349,144	710,581,950	479,038,832	123,231,064	108,312,054

		2016				
	Note	Carrying amount	Contractual cash flow	One year or less	One to three year	Three to five year
		Rupees				
Non-derivative financial liabilities						
Long term finances	7	65,580,251	70,453,889	44,911,911	25,541,978	–
Liabilities against assets subject to finance lease	8	35,707,712	38,584,197	20,831,101	14,149,357	3,603,739
Trade and other payables	10	91,539,808	91,539,808	91,539,808	–	–
Short term borrowings	11	251,844,351	251,844,351	251,844,351	–	–
Accrued mark up	13	4,142,042	4,142,042	4,142,042	–	–
		448,814,164	456,564,287	413,269,213	39,691,335	3,603,739

34.3 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 Group'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 optimizing the return.

34.3.1 Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales purchases and bank balances are denominated and the respective functional currency of the Group. The functional currency of the Group is Pak Rupee. The currencies in which these transactions are primarily denominated are Euro and US dollars.

34.3.1(a) Exposure to currency risk

The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows:

	2017		
	EURO	**USD**	**Total (Rupees)**
Assets			
Trade debts	–	10,144	1,063,091
Bank balances	–	2,074	217,355
	–	12,218	1,280,446
Liabilities			
Trade and other payables	–	–	–
Net assets exposure	–	12,218	1,280,446

	2016		
	EURO	**USD**	**Total (Rupees)**
Assets			
Trade debts	9,458	–	1,097,834
Bank balances	–	2,074	216,770
	9,458	2,074	1,314,604
Liabilities			
Trade and other payables	–	–	–
Net assets exposure	9,458	2,074	1,314,604

34.3.1(b) ***Exchange rates applied during the year***

The following significant exchange rates have been applied during the year:

	EURO		USD	
	2017	2016	2017	2016
	Rupees		Rupees	
Reporting date spot rate				
– buying	119.91	116.08	104.80	104.50
– selling	120.14	116.31	105.00	104.70
Average rate for the year	114.40	114.92	104.66	103.10

34.3.1(c) ***Sensitivity analysis***

A reasonably possible strengthening / (weakening) of 10% in Pak Rupee against the following currencies would have affected the measurement of financial instruments denominated in foreign currency and affected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	2017 Rupees	2016 Rupees
Effect on profit and loss		
EURO	106,309	109,783
USD	21,736	21,677
	128,045	131,460

34.3.1(d) ***Currency risk management***

Since the maximum amount exposed to currency risk is only 0.299% (2016: 0.306%) of the Group's financial assets, any adverse / favorable movement in functional currency with respect to US dollar and Euro will not have any material impact on the operational results.

34.3.2 Interest rate risk

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates. Sensitivity to interest rate risk arises from mismatch of financial assets and financial liabilities that mature or re-price in a given period.

34.3.2(a) ***Interest / mark-up bearing financial instruments***

The effective interest / mark-up rates for interest / mark-up bearing financial instruments are mentioned in relevant notes to the consolidated financial statements. The Group's interest / mark-up bearing financial instruments as at the reporting date are as follows:

	2017		2016	
	Financial asset	Financial liability	Financial asset	Financial liability
	Rupees		Rupees	
Non-derivative financial instruments				
Fixed rate instruments	2,000	24,542,403	78,824,790	49,504,723
Variable rate instruments	–	520,062,088	–	303,627,591

Fair value sensitivity analysis for fixed rate instruments

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

34.3.2(b) ***Cash flow sensitivity analysis for variable rate instruments***

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit by amounts shown below. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

	Profit	
	2017 Rupees	2016 Rupees
Increase of 100 basis points	(5,200,621)	(3,036,276)
Decrease of 100 basis points	5,200,621	3,036,276

34.3.2(c) ***Interest rate risk management***

The Group manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The short term borrowing, finance lease and loans and advances by the Group has variable rate pricing that is mostly dependent on Karachi Inter Bank Offer Rate ("KIBOR") as indicated in respective notes.

34.3.3 Other price risk

Price risk represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in market. The Group is not exposed to commodity price risk since it has a diverse portfolio of commodity suppliers.

The Company is not significantly exposed to equity price risk.

34.4 Fair values

Fair value is 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.

Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Group is current bid price.

IFRS 13, 'Fair Value Measurements' requires the Group to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).

– Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).

– Unobservable inputs for the asset or liability (level 3).

The following table shows the carrying amounts and fair values of financial instruments and non-financial instruments including their levels in the fair value hierarchy:

		Carrying Amount			Fair Value		
		Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
	Note	Rupees					
On-Balance sheet financial instruments							
30 June 2017							
Financial assets measured at fair value							
Available for sale investment		6,240,495	–	6,240,495	6,240,495	–	–
		6,240,495	–	6,240,495	6,240,495	–	–
Financial assets not measured at fair value							
Bank balances		57,868,079	–	57,868,079	–	–	–
Deposits and other receivables		12,540,262	–	12,540,262	–	–	–
Long term deposits		13,520,169	–	13,520,169	–	–	–
Trade debts - unsecured, considered good		339,046,438	–	339,046,438	–	–	–
		422,974,948	–	422,974,948	–	–	–
Financial liabilities measured at fair value		–	–	–	–	–	–
		–	–	–	–	–	–
Financial liabilities not measured at fair value							
Long term finances and diminishing musharika		–	218,694,704	218,694,704	–	–	–
Liabilities against assets subject to finance lease		–	22,826,095	22,826,095	–	–	–
Trade and other payables		–	118,103,955	118,103,955	–	–	–
Short term borrowing		–	303,083,692	303,083,692	–	–	–
Accrued mark up		–	3,640,698	3,640,698	–	–	–
	34.4.1	–	666,349,144	666,349,144	–	–	–

	Carrying Amount			Fair Value		
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
	Rupees					
On-Balance sheet financial instruments						
30 June 2016						
Financial assets measured at fair value	–	–	–	–	–	–
	–	–	–	–	–	–
Financial assets not measured at fair value						
Bank balances	51,195,343	–	51,195,343	–	–	–
Deposits and other receivables	679,628	–	679,628	–	–	–
Long term deposits	17,231,046	–	17,231,046	–	–	–
Trade debts - unsecured, considered good	281,157,522	–	281,157,522	–	–	–
Short term investments	75,000,000	–	75,000,000	–	–	–
	425,263,539	–	425,263,539	–	–	–
Financial liabilities measured at fair value	–	–	–	–	–	–
	–	–	–	–	–	–
Financial liabilities not measured at fair value						
Long term finances and diminishing musharika	–	65,580,251	65,580,251	–	–	–
Liabilities against assets subject to finance lease	–	35,707,712	35,707,712	–	–	–
Trade and other payables	–	91,539,808	91,539,808	–	–	–
Short term borrowing	–	251,844,351	251,844,351	–	–	–
Accrued mark up	–	4,142,042	4,142,042	–	–	–
	–	448,814,164	448,814,164	–	–	–

34.4.1 The Group has not disclosed the fair values of these financial assets and liabilities as these are for short term or reprice over short term. Therefore, their carrying amounts are reasonable approximation of fair value.

34.4.2 Land has been carried at revalued amounts determined by professional valuers (level 3 measurement) based on their assessment of the market values as disclosed in note 6. The valuations are conducted by the valuation experts appointed by the Group. The valuation experts used a market based approach to arrive at the fair value of the Group's land. The effect of changes in the unobservable inputs used in the valuation can not be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these consolidated financial statements.

35 Capital management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Group defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

i. to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

ii. to provide an adequate return to shareholders.

The Group manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

	2017 Rupees	2016 Rupees
36 Restriction on title and assets pledged as security against long and short term borrowings		
Mortgages and charges		
Hypothecation charge over plant and machinery	1,006,170,000	806,260,000
Hypothecation over current assets	684,370,000	684,340,000

37 Remuneration of chief executive, directors and executives

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

	2017				
	Directors				
	Chairman	Chief executive	Non-executive	Executive	Executives
	Rupees				
Managerial remuneration	8,040,000	8,040,000	–	5,829,000	15,975,078
Utilities and house rent	3,960,000	3,960,000	–	2,871,000	11,566,722
Contribution to provident fund	–	–	–	380,019	1,431,457
Bonus and rewards	–	–	–	1,720,000	5,402,496
Advisory fee	–	–	5,400,000	–	–
Other benefits	147,298	70,596	167,632	497,791	–
	12,147,298	12,070,596	5,567,632	11,297,810	34,375,753
Number of persons	1	1	1	2	13

	2016				
	Directors				
	Chairman	Chief executive	Non-executive	Executive	Executives
	Rupees				
Managerial remuneration	5,600,000	5,600,000	–	3,457,200	10,446,955
Utilities and house rent	2,800,000	2,800,000	–	1,702,800	5,225,045
Contribution to provident fund	–	–	–	344,017	1,025,102
Bonus and rewards	–	–	–	3,220,000	5,365,236
Advisory fee	–	–	5,400,000	–	–
Other benefits	169,957	109,654	53,666	86,180	–
	8,569,957	8,509,654	5,453,666	8,810,197	22,062,338
Number of persons	1	1	1	1	8

37.1 The Group also provides the chief executive and some of the directors and executives the Group's maintained cars.

37.2 Meeting fee was paid to non-executive directors who did not receive monthly remuneration during the year of Rs. 925,000 (2016: Rs. 875,000).

38 Plant capacity and actual production

	Installed processing capacity		Actual processing	
	2017	2016	2017	2016
Small, medium and large mould making facility	60 to 70 moulds	60 to 70 moulds	24 moulds	43 moulds
Injection mould facility	4,100 tons plastic	3,300 tons plastic	1,754 tons plastic	1,727 tons plastic
Blow moulding facility	3,100 tons plastic	2,560 tons plastic	1,841 tons plastic	1,609 tons plastic
Extrusion	5,700 tons plastic	5,700 tons plastic	2,766 tons plastic	2,301 tons plastic
Thermoforming	2,700 tons plastic	2,200 tons plastic	1,383 tons plastic	1,024 tons plastic

Lower capacity utilization of plant is due to gap between demand and supply of products. The capacity figures are based on 300 days.

39 Provident Fund Trust

The following information is based on financial statements of Provident Fund Trust.

	Unit	Un-audited 2017	Audited 2016
Size of the fund - total assets	Rupees	42,611,757	35,790,214
Cost of investments made	Rupees	40,278,824	33,418,376
Percentage of investments made	Percentage	94.53%	93.37%
Fair value of investments	Rupees	40,278,824	33,418,376

The breakup of fair value of investments is as follows:

	2017		2016	
	Rupees	Percentage	Rupees	Percentage
Defence Saving Certificates	5,468,673	13.58%	5,137,770	15.40%
Bank balances	2,810,151	6.98%	1,188,880	3.60%
Certificate of musharika	30,000,000	74.48%	27,091,726	81.00%
NAFA certificates	2,000,000	4.97%	–	–0.00%
	40,278,824	100%	33,418,376	100.00%

39.1 The provident fund trust is a common fund for employees of the group. Entity wise break up of the fund as on 30 June is as follows:

	(Un-Audited) 30 June 2017		(Audited) 30 June 2016	
	% of total fund	Rupees	% of total fund	Rupees
Synthetic Products Enterprises Limited	99%	42,185,639	97%	34,716,508
SPEL Pharmatec (Private) Limited	0%	–	0%	–
SPEL Technology Support Limited	1%	426,118	3%	1,073,706

The investments out of provident fund have been made in accordance with the provisions of Section 227 of the repealed Companies Ordinance, 1984 and the rules formulated for this purpose.

40 Number of employees

The Group has employed following number of persons including permanent and contractual staff:

	Number of Employees	
	2017	2016
– Average number of employees	492	463
– As at 30 June	539	444

41 Corresponding figures

Comparative figures have been re-arranged, wherever necessary, for comparison purposes. However, there is no material re-arrangement.

42 Date of authorization for issue

These consolidated financial statements were authorized for issue by the Board of Directors of the Group in their meeting held on 31 July 2017.

43 General

Figures have been rounded off to the nearest rupee.

Lahore | Chief Executive | Director

PATTERN OF SHAREHOLDING

AS ON 30 JUNE, 2017

No. of Shareholders	Shareholding From	Shareholding To	Total No. of Shares held	Percentage
205	1	100	5,861	0.0069
73	101	500	28,358	0.0333
1071	501	1000	601,600	0.7071
296	1001	5000	523,136	0.6148
51	5001	10000	379,066	0.4455
33	10001	15000	399,698	0.4698
13	15001	20000	237,010	0.2786
8	20001	25000	188,927	0.2220
5	25001	30000	140,082	0.1646
6	30001	35000	195,223	0.2294
4	35001	40000	154,816	0.1820
5	40001	45000	209,994	0.2468
3	45001	50000	144,818	0.1702
4	50001	55000	217,900	0.2561
3	55001	60000	172,409	0.2026
1	60001	65000	61,867	0.0727
2	65001	70000	139,125	0.1635
1	70001	75000	75,000	0.0881
1	75001	80000	76,650	0.0901
1	80001	85000	82,125	0.0965
1	90001	95000	90,885	0.1068
4	95001	100000	400,000	0.4701
4	100001	110000	438,500	0.5154
1	115001	120000	118,500	0.1393
1	125001	130000	125,500	0.1475
2	140001	145000	285,662	0.3357
1	145001	150000	146,730	0.1725
1	150001	160000	159,500	0.1875
2	160001	165000	322,240	0.3787
1	190001	195000	193,310	0.2272
1	220001	225000	224,805	0.2642
1	235001	240000	237,615	0.2793
1	255001	260000	258,155	0.3034
1	275001	280000	279,225	0.3282
1	290001	295000	292,250	0.3435
3	325001	330000	985,990	1.1588
2	390001	395000	785,814	0.9236
2	400001	405000	802,695	0.9434
1	425001	430000	429,000	0.5042
1	460001	465000	463,185	0.5444
1	465001	470000	467,017	0.5489
1	470001	475000	470,850	0.5534
1	480001	485000	484,500	0.5694
1	490001	495000	490,500	0.5765
1	500001	505000	502,000	0.5900
1	575001	580000	577,975	0.6793
1	600001	605000	605,000	0.7111
1	665001	670000	670,000	0.7874
1	770001	775000	773,070	0.9086
1	875001	880000	876,000	1.0296
1	910001	915000	911,587	1.0714
1	1080001	1085000	1,084,827	1.2750
1	1090001	1095000	1,095,000	1.2869
1	1585001	1590000	1,589,118	1.8677
1	16050001	1610000	1,606,764	1.8884
1	1720001	1725000	1,722,195	2.0241
1	5005001	5010000	5,007,235	5.8850
2	10975001	10980000	21,955,542	25.8042
1	33120001	33125000	33,122,594	38.9288
1838			85,085,000	100.0000

PATTERN OF SHAREHOLDING AS PER CODE OF CORPORATE GOVERNANCE 2012

AS ON 30 JUNE, 2017

Particulars	Shareholding
Associated Companies, Undertakings and Related Parties	NIL
Sponsors, Directors, CEO and Children	
Mr. Almas Hyder	33,122,594
Mr. Zia Hyder Naqi	10,977,771
Mr. Raza Haider Naqi	10,977,771
Dr. S. M. Naqi	5,007,235
Mrs. Munawar Naqi	2,701,764
Mr. Sheikh Naseer Hyder	393,814
Mr. Abid Saleem Khan	2,737
Dr. Syed Salman Ali Shah	1,095
Mr. Muhammad Tabassum Munir	550
Mr. Khawar Anwar Khawaja	547
Mutual Funds	
CDC - Trustee Mcb Pakistan Stock Market Fund	605,000
MCBFSL - Trustee Js Value Fund	470,850
CDC - Trustee Alhamra Islamic Stock Fund	392,000
CDC - Trustee First Dawood Mutual Fund	7,000
CDC - Trustee Js Islamic Fund	400,500
CDC - Trustee Alfalah Ghp Value Fund	258,155
CDC - Trustee Unit Trust Of Pakistan	773,070
CDC - Trustee Alfalah Ghp Islamic Stock Fund	1,084,827
CDC - Trustee Nafa Islamic Asset Allocation Fund	577,975
CDC - Trustee Js Islamic Pension Savings Fund-Equity Account	146,730
CDC - Trustee Alfalah Ghp Stock Fund	402,195
CDC - Trustee Alfalah Ghp Alpha Fund	224,805
CDC - Trustee Nit-Equity Market Opportunity Fund	279,225
CDC - Trustee Nafa Pension Fund Equity Sub-Fund Account	140,662
CDC - Trustee Nafa Islamic Pension Fund Equity Account	237,615
CDC - Trustee Piml Strategic Multi Asset Fund	70,000
CDC - Trustee Al-Ameen Islamic Asset Allocation Fund	502,000
CDC - Trustee Piml Islamic Equity Fund	100,000
CDC-Trustee Al-Ameen Islamic Ret. Sav. Fund-Equity Sub Fund	484,500
CDC - Trustee Ubl Retirement Savings Fund - Equity Sub Fund	490,500
CDC - Trustee Nafa Islamic Stock Fund	1,722,195
CDC - Trustee Piml Value Equity Fund	100,000
CDC - Trustee Piml Asset Allocation Fund	118,500
CDC - Trustee Nafa Islamic Active Allocation Equity Fund	911,587
MCBFSL Trustee Js Capital Proctected Fund V	14,000
NIT	
CDC - Trustee National Investment Unit Trust	193,310
Executives	32,640
Public Sector Companies And Corporations	–
“Banks, Development Finance Institutions, NBFCs, Insurance companies, Takaful and Modarabas”	19,032
Shareholders Holding Five Percent or More Voting Rights	
Mr. Almas Hyder	33,122,594
Mr. Zia Hyder Naqi	10,977,771
Mr. Raza Haider Naqi	10,977,771
Dr. S. M. Naqi	5,007,235

CATEGORY WISE SHAREHOLDING

Sr. No	Particulars	No. Folio	No. of Shares	Percentage
1	Sponsors, Directors, CEO And Children	11	63,185,878	74.2621
2	NIT And ICP	1	193,310	0.2272
3	Banks, DFI and NBFI	1	1,095	0.0013
4	Insurance Companies	3	17,237	0.0203
5	Modarabas and Mututal Funds	26	10,514,591	12.3577
6	General Public (Local)	1715	8,255,415	9.7026
7	General Public (Foreign)	44	1,073,196	1.2613
8	Others	37	1,844,278	2.1676
	Total	1838	85,085,000	100.00

TRADING BY DIRECTORS, EXECUTIVES, THEIR SPOUSES AND MINOR CHILDREN

Sr. No	Name of Shareholder	Sale	Purchase
1	Mr. Muhammad Munir	–	1,500

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Thirty Fifth Annual General Meeting of the shareholders of Synthetic Products Enterprises Limited (the "Company") will be held on Saturday 07 October 2017 at 11:00 AM at Jinnah Auditorium of Lahore Chamber of Commerce & Industries, Shahrah Aiwan-e-Tijarat, Lahore to transact the following business:

Ordinary Business:

1. To confirm the minutes of the Last Annual General Meeting held on 21 September 2016;

2. To receive, consider and adopt the audited financial statements including consolidated financial statements for the year ended 30 June 2017 together with Directors' and Auditors' Report thereon;

3. To approve final cash dividend @ 5 % as recommended by the Board of Directors.

4. To appoint auditors for the year ended 2017-18 and fix their remuneration. The Board, has recommended, as suggested by the board audit committee, the appointment of M/s KPMG Taseer Hadi and Co., Chartered Accountants, the retiring auditors and being eligible offer themselves for re-appointment.

Special Business:

5. Winding of SPEL Pharmatec (Private) Limited (a wholly owned subsidiary)

   To Consider & if deemed appropriate pass, with or without modification(s), addition(s) or deletion(s), the following special resolutions:

   "Resolved that consent and approval of the members of the Company be and is hereby accorded under Section 199 of the Companies Act, 2017 for winding-up of its wholly owned subsidiary i.e. SPEL Pharmatec (Private) Limited having its registered office at 127-S Quaid-e-Azam Industrial Estate Township Kot Lakhpat, Lahore, in accordance with members' voluntary winding-up procedure under section 347(b) of the Companies Act, 2017 (the "Voluntary Winding-up")."

   "Further Resolved that Mr. Zia Hyder Naqi, the Chief Executive Officer of the Company be and is hereby authorized to give effect to the above resolution and take all necessary steps as required under law or otherwise and to sign and execute any resolutions, documents etc. for and on behalf of the Company in relation to the Voluntary Winding-up."

6. Changes in the Articles of Association of the Company

   To Consider & if deemed appropriate pass, with or without modification(s), addition(s) or deletion(s), the following special resolutions to Alter the Articles of Association of the Company.

After Article 21, the following Article 21A shall be inserted:

21A.) The Company Shall comply with the mandatory requirements of law regarding the use of electronic voting (E-Voting) by its members at the general meetings and attendance by members at general meetings through video conference facility as prescribe by the Securities and Exchange Commission of Pakistan (including any statutory modifications thereof). Members can appoint members and non-members as their proxy.

Article 24 shall be substituted with the following Article:

24.) No business shall be transacted in any general meeting unless a quorum of the members is present at that time when the meeting proceeds to business. At least ten (10) Members entitled and present personally or through video-link who represent not less than Thirty percent (30%) of the total voting power, either of their own account or as proxies shall be a quorum.

After Article 78, the following Article 78A shall be inserted:

78A.) The Company may opt to circulate the Annual Audited Accounts (i.e. annual balance sheet and profit and loss account, auditor's report and directors report etc.) to its members in soft form i.e. CD/USB/DVD or any other means instead of hard copy as prescribe by the Securities & Exchange Commission of Pakistan, from time to time.

The statement of special business as required under section 134(3) of the Companies Act 2017 is attached with this notice.

By the Order of the Board

12 September 2017
Lahore

Khalil Ahmad Hashmi, FCA
Company Secretary

Notes:

1. The share transfer books of the Company will remain closed from 1 October 2017 to 7 October 2017 (both days inclusive). Transfers received in order at the Shares Department of M/s THK Associates (Pvt.) Limited, First Floor 40-C Block-6 P.E.C.H.S. Karachi, Pakistan at the close of business on 30 September 2017 will be treated in time for the purpose of payment of final cash dividend, if approved by the shareholders. Only those person whose name appear in the Register of Members of the Company as on 30 September 2017 are entitled to attend, participate in and vote at the Annual General Meeting.

2. A member entitled to attend and vote at the meeting is entitled to appoint any other person as his/her proxy to attend and vote. A member shall not be entitled to appoint more than one proxy to attend this meeting. Proxies in order to be effective must be received at the Registered Office of the Company, 127-S Quaid-e-Azam Industrial Estate Township Kot Lakhpat, Lahore duly stamped and signed not less than 48 hours before the time of the meeting. A proxy need not be a member of the Company. The proxy shall produce his/her original CNIC or passport at the time of the meeting.

3. CDC account holders will have to follow the guidelines as laid down in Circular 1 dated 26 January 2000 for attending meetings and appointing proxies. The individual members entitled to attend this meeting must bring his/her original CNIC or passport to prove his/her identity and in case of proxy must enclose and attested copy of his/her CNIC/passport. Representatives of corporate members should bring the Board Resolution / Power of Attorney.

4. Pursuant to SECP's Circular No 10 dated 21 May 2014, if the Company receives consent from members holding in aggregate 10% or more shareholding residing at geographical location, to participate in the meeting through video conference at least 10 days prior to the date of meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. In this regard please fill the following and submit to registered address of the Company at least 10 days before the date of AGM.

   I/We ______________ of ______________, being member(s) of Synthetic Products Enterprises Limited holder ______________ Ordinary share(s) as per Register Folio No. ______________ hereby opt for video conference facility at ______________

5. Payment of Cash Dividend Electronically (Mandatory)

   The dividend will be paid to the shareholders by way of dividend warrants as per the previous arrangements. However after 31 October 2017, the cash dividend will paid only through electronic mode directly in the bank accounts of the said shareholders as per required by law.

   The members are advised to provide their dividend mandate with complete bank account details along with International Bank Account Numbers (IBAN's) for payment of cash dividend directly in the bank accounts instead of issuance of physical cash dividend warrants. In this regard the shareholders may obtain Bank Mandate Form from the Company's website www.spelgroup.com . The shareholders are advised to submit above referred form duly filled to the share Registrar to M/s THK Associates (Pvt.) Limited, First Floor 40-C Block-6 P.E.C.H.S. Karachi, Pakistan in case of physical holding and in case of CDC account/ sub account to Investor Account Services or their Brokerage firm as the case may be.

6. Withholding Tax on Dividend

   As per requirements of Income Tax Ordinance, 2001, Income tax @ 15% will be withheld in case of filers and @ 20% in case of non-filers of tax returns.

   All shareholders who hold shares jointly are requested to provide shareholding proportions of principal shareholder and joint shareholder(s) in respect of shares held by them to our shares registrar, before the date of book closure, in wiring as follows:

Name of Principal Shareholder/Joint Holders	Shareholding Proportion	CNIC No.(copy attached)	Signature

   Kindly note that in case of non-receipt of the information then each Account Holder will be assumed to hold equal proportion of shares and the tax deduction will be made and and tax will be deposited accordingly.

7. Tax Exemption

   Shareholders claiming tax exemption under clause 47(B) of Part IV of the Second Schedule of Income Tax Ordinance, 2001 or under any other provision of the law are requested to provide valid exemption certificate or copy of stay order, if any, before the date of book closure, to the Share Registrar of the Company as required vide FBR clarification letter No. 1(43) DG (WHT)/2008 - Vol. II-66417-R dated 12 May 2015. In case of non-submission of the requisite documents, deduction of tax under relevant sections shall be made as per requirements of law.

NOTICE OF ANNUAL GENERAL MEETING

STATEMENT UNDER SECTION 134 (3) OF THE COMPANIES ACT, 2017

The following is Statement as required by Section 134 (3) of the Companies Act, 2017, which sets out all material facts relating to Special Resolutions mentioned in the Notice for 35th Annual General Meeting of the members of the Synthetic Products Enterprises Limited (the "Company"):

AGENDA ITEM 5

- SPEL Pharmatec (Private) Limited ("SPPL") SPPL was incorporated as a private limited company on November 2013. The principal business of SPPL is to deal in all kinds of medical devices etc.The SPPL is a wholly owned subsidiary of the Company.

- The Board of Directors of the Company proposes for the SPPL to be wound-up in accordance with members' voluntary winding-up procedure under section 347(b) of the Companies Act, 2017 (the "Voluntary Winding-up").

- Pursuant to the provisions of section 199(4) of the Companies Act, 2017 the Company needs to obtain prior approval of shareholders / members by way of special resolution passed at the General Meeting in case of any change in the nature of investment or the terms and conditions attached thereto. Accordingly, the Board of Directors of the Company proposes to obtain approval of shareholders by way of special resolution as contained in the notice of the Annual General Meeting for the Voluntary Winding-up of SPPL. The Directors therefore, recommend the Special Resolution for approval of the shareholders.

- None of the Directors, Key Managerial Personnel of the Company or their relatives or any of other officials of the Company as contemplated in the under the Companies Act, 2017 is, in any way, financially or otherwise, concerned or interested in the resolution.

AGENDA ITEM 6

- Securities and Exchange Commission of Pakistan has issued Companies (E-Voting) Regulations 2016 vide SRO 43(1)/2016. Similarly SECP has also prescribed procedure for participation of members in general meetings through video conferencing vide Circular No. 10 of 2014. The directors have recommended to alter the Articles of Association of the Company by inserting new article 21A after article 21, article 78A after article 78 and amending article 24 of the Articles of Association of the Company.

- In order to promote the use of technology and implementation of SECP's directions with respect to transmission/ circulation of Audited Annual Accounts through CD/DVD/USB instead of hard copies, amendment in Articles of Association is proposed.

GLOSSARY OF TERMS

AGM:	Annual General Meeting to be held as per requirement of law.
SPEL:	Synthetic Products Enterprises Limited
HS&E:	Health, Safety and Environment.
EBITDA:	Earnings before Interest, Taxes, Depreciation and Amortization.
Return on Equity (ROE):	The value found by dividing the Company's net income by its net assets.
Current Ratio:	The current ratio indicates a company's ability to meet short-term debt obligations.
Acid Test Ratio:	The ratio of liquid assets to current liabilities.
Operating Cycle:	The average time between purchasing or acquiring inventory and receiving cash proceeds from its sale.
Earnings Per Share:	Earnings arrived at by dividing the net income of the Company by the number of shares of common outstanding shares.
Price-Earnings Ratio (P/E):	The ratio arrived at by dividing market price per share by earnings per share (This ratio indicates what investors think of the firm's earnings' growth and risk prospects).
Dividend Payout Ratio:	The ratio arrived at by dividing the annual dividends per share by the annual earnings per share.
Debt-to-Equity Ratio:	The ratio arrived at by dividing total debt by the equity (all assets minus debts) held in stock.
IASB:	International Accounting Standards Board.
IFRS:	International Financial Reporting Standard.
Amortisation:	To charge a regular portion of an expenditure over a fixed period of time.
KIBOR:	Karachi Inter Bank Offer Rate.
Spread:	Rate charged by the bank over KIBOR.
Gearing Ratio:	Compares some form of owner's equity (or capital) to borrow funds.
Security:	A pledge made to secure the performance of a contract or the fulfillment of an obligation.
Principal:	In commercial law, the principal is the amount that is received, in the case of a loan, or the amount from which flows the interest.
Debt:	An amount owed for funds borrowed.
Debt Service:	Amount of payment due regularly to meet a debt agreement; usually a monthly, quarterly or annual obligation.
Net Working Capital:	Current assets minus current liabilities.
Company:	Synthetic Products Enterprises Limited
WPPF:	Workers' Profit Participation Fund
WWF:	Workers' Welfare Fund

گروپ ڈائریکٹرز رپورٹ

30 جون 2017

محترم شیئر ہولڈرز

آپ کی کمپنی کے ڈائریکٹرز 30 جون 2017 کو ختم ہونے والے سال کے لئے کمپنی کے آپریشنز کے نتائج پر گروپ کی سالانہ رپورٹ معہ آڈٹ شدہ حسابات آپ کے روبرو بخوشی پیش کرتے ہیں۔

گروپ

گروپ، سینتھیٹک پراڈکٹس انٹر پرائزز لمیٹڈ اور ماتحت ادارہ SPEL فارمنگ (پرائیویٹ) لمیٹڈ پر مشتمل ہے۔

گروپ کے امور

ڈائریکٹرز کی رپورٹ میں 30 جون 2017 کو ختم ہونے والے سال کے لئے سینتھیٹک پراڈکٹس انٹر پرائزز لمیٹڈ کی کارکردگی بارے مکمل معلومات اس کے متعلقہ فنانشل سٹیٹمنٹس کے ساتھ علیحدہ علیحدہ پیش کی گئی ہیں۔

بعد کے واقعات

گروپ کمپنیز کی مالیاتی حیثیت کو متاثر کرنے والی کوئی بڑی تبدیلیاں یا معاہدے کمپنیز کے مالیاتی سال کے اختتام اور اس رپورٹ کی تاریخ کے درمیان سینتھیٹک پراڈکٹس انٹر پرائزز لمیٹڈ کے فنانشل سٹیٹمنٹس میں انکشاف کے سوائے، واقع نہیں ہوئے ہیں۔

آڈیٹرز کی رپورٹ

آڈیٹرز نے گروپ کی ہر ایک کمپنی کو مالی تفصیلات پر کلین آڈٹ رپورٹ جاری کی ہے۔

شیئر ہولڈنگ کا پیٹرن

SPEL فارمنگ (پرائیویٹ) لمیٹڈ کے تمام شیئرز سینتھیٹک پراڈکٹس انٹر پرائزز لمیٹڈ کی ملکیت ہیں۔ سینتھیٹک پراڈکٹس انٹر پرائزز لمیٹڈ کی شیئر ہولڈنگ کا پیٹرن ڈائریکٹرز رپورٹ کے ہمراہ منسلک ہے۔

قیام کا ملک

تمام گروپ کمپنیز پاکستان میں قائم ہوئی ہیں

فی شیئر آمدنی

مالی سال 2017 کے لئے فی شیئر آمدنی -/4.90 روپے ہے۔

قرضوں کی ادائیگی

کمپنی پرنسپل یا مارک اپ / منافع کی بنا پر کسی بھی ادائیگی کی نادہندہ نہیں ہے۔

Nveed

شیخ نصیر حید

ڈائریکٹر

ضیا حیدر نقی

چیف ایگزیکٹو آفیسر

مقام: لاہور

30 اگست 2017

مستقبل کا جائزہ

کمپنی مسلسل ترقی کے راستے پر ہے۔ مینوفیکچرنگ سہولیات کو وسعت دی جا رہی ہے، کارکردگی کے حصول اور منافع بخش بنانے کے لئے سرمایہ کاری کی جا رہی ہے۔ جغرافیائی محل وقوع بھی بڑھایا جا رہا ہے۔ رحیم یار خان پراجیکٹ پر تعمیر جاری ہے اور بروقت مکمل ہو جائے گی۔

ہم اپنے مارکیٹ کے استحکام پر مثبت ہیں۔ کمپنی مسلسل ترقی کی رفتار کو برقرار رکھنے کے لئے حکمت عملی تیار کرنے کی قابلیت اور صلاحیت رکھتی ہے۔

کمپنی نے ایک بلیو چپ Clientele تعمیر کی ہے، جو صارف بڑھانے کے طور پر قدرتی ترقی فراہم کرتی ہے۔ کمپنی ترقی پذیر اور نئی مصنوعات کی اقسام شامل کر کے بھی افقی ترقی پر توجہ مرکوز کئے ہوئے ہے۔

اعتراف

ہم بخوشی تسلیم کرتے ہیں کہ ملازمین کے ساتھ تعلقات خوشگوار رہے۔ انتظامیہ تمام ملازمین کی مسلسل لگن، عزم اور محنت جس کے بغیر یہ کارکردگی ممکن نہیں ہو سکتی تھی کو تسلیم اور ان کی تعریف ریکارڈ کرتی ہے۔

ہم اپنے قابل قدر صارفین کے مسلسل تعاون اور ہماری مصنوعات پر اعتماد کے لئے مشکور ہیں۔ ہمارے مالیاتی اداروں کی طرف سے تعاون ہمارے لئے حوصلہ افزا ہے، اور ہم ان کے نہایت ہی شکر گزار ہیں۔

ضیا حیدر نقی
چیف ایگزیکٹو آفیسر

شیخ نصیر حیدر
ڈائریکٹر

مقام: لاہور
30 اگست 2017

ہیومن ریسورس اور ریمونریشن کمیٹی

ہیومن ریسورس اور ریمونریشن کمیٹی درج ذیل اراکین پر مشتمل ہے: سال کے دوران ہیومن ریسورس اور ریمونریشن کمیٹی کا ایک (01) اجلاس منعقد ہوا۔

نام	عہدہ	اجلاسوں میں شرکت
جناب الماس حیدر	چیئرمین	1
ڈاکٹر ایس ایم نقی	رکن	1
جناب ضیاء حیدر نقی	رکن	1
جناب خاور انور خواجہ	رکن	1
جناب عابد سلیم خان	رکن	1

فنانس کمیٹی

فنانس کمیٹی درج ذیل اراکین پر مشتمل ہے۔سال کے دوران فنانس کمیٹی کا ایک (01) اجلاس منعقد ہوا۔

نام	عہدہ	اجلاسوں میں شرکت
جناب الماس حیدر	چیئرمین	1
جناب ضیاء حیدر نقی	رکن	1
جناب سید سلمان علی شاہ	رکن	1
جناب خاور انور خواجہ	رکن	1
جناب محمد تبسم منیر	رکن	1

ڈائریکٹرز کی ٹریننگ

زیر جائزہ سال کے دوران، جناب عابد سلیم خان نے پاکستان انسٹیٹیوٹ آف مینجمنٹ سائنسز کی طرف سے ایڈوانس مینجمنٹ پروگرام میں شرکت کی اور جناب ضیاء حیدر نقی نے ہارورڈ بزنس سکول میں اونر پریذیڈنٹ مینجمنٹ پروگرام کے آخری سیشن میں شرکت کی ہے۔ جناب ضیاء حیدر نقی نے انسٹی ٹیوٹ آف کاسٹ اینڈ مینجمنٹ اکاؤنٹنٹس آف پاکستان کی طرف سے منعقدہ ڈائریکٹرز ٹریننگ پروگرام میں بھی شرکت کی ہے۔

آڈیٹرز (محاسب) کی تقرری

موجودہ آڈیٹرز میسرز KPMG تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس آئندہ منعقد ہونے والے سالانہ اجلاس عام کے اختتام پر ریٹائر ہو رہے ہیں،انہوں نے اہل ہونے کی بناء پر خود کو دوبارہ تعیناتی کے لئے کو پیش کیا ہے۔ کمپنی کی بورڈ آڈٹ کمیٹی نے تجویز دی ہے اور بورڈ نے مختتمہ سال 2017-18 کے لئے کمپنی کے آڈیٹرز کے طور پر ان کی دوبارہ تقرری کی سفارش کی ہے۔

شیئر ہولڈنگ کا پیٹرن

شیئر ہولڈنگ کا پیٹرن رپورٹ ہذا کے ہمراہ منسلک ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

کمپنی ،کارپوریٹ گورننس کے کوڈ میں مقرر کردہ کارپوریٹ اور فنانشل رپورٹنگ فریم ورک کی تمام نکات پر عمل پیرا ہے اور ہم اس بات کی تصدیق کرتے ہیں:

- کمپنی کی انتظامیہ کی طرف سے تیار، فنانشل سٹیٹمنٹس، کمپنی کے موجودہ امور، اس کے آپریشنز کے نتائج کیش فلو اور ایکوئٹی میں تبدیلیوں کو ظاہر کرتے ہیں۔
- کمپنی کے اکاؤنٹ کی کتابوں کو باقاعدہ برقرار رکھا گیا ہے۔
- فنانشل سٹیٹمنٹس کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔
- فنانشل سٹیٹمنٹس کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ معیارات کی پیروی کی گئی ہیں، اور کسی بھی غیر مطابقت کو مناسب اور واضح طور پر بیان کیا گیا ہے۔
- انٹرنل کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور موثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔
- کمپنی کے چلتے رہنے کی صلاحیت پر کوئی قابل ذکر شکوک وشبہات نہ ہیں۔
- گزشتہ چھ سال کے لئے کلیدی آپریٹنگ اور مالیاتی اعدادوشمار رپورٹ کیساتھ منسلک ہے۔
- ٹیکس اور لیوی کے بارے میں معلومات فنانشل سٹیٹمنٹس کے نوٹ میں دی گئی ہیں۔
- کمپنی کی طرف سے حاصل کردہ تمام قرضوں کے سلسلہ میں کسی بھی تاخیر سے ادائیگی یا ڈیفالٹ کا کوئی امکان نہیں ہے۔
- کمپنی اپنے تمام اہل ملازمین کے لئے ایک کنٹری بیوٹری پراویڈنٹ فنڈ سکیم چلاتی ہے۔ کمپنی کے پراویڈنٹ سے کی جانے والی سرمایہ کاری کی قدر 30 جون 2017 کے مطابق اور دیگر متعلقہ معلومات فنانشل سٹیٹمنٹس کے نوٹ میں مذکور ہیں۔
- کمپنی کے ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف آپریٹنگ آفیسر، چیف فنانشل آفیسر، کمپنی سیکریٹری، سربراہ انٹرنل آڈٹ، ایگزیکٹوزان کے زوج اور نابالغ بچوں کی طرف سے کمپنی کے حصص میں ٹریڈنگ کی تفصیل منسلک ہے۔
- جائزے کے بعد بورڈ نے فیصلہ کیا ہے کہ SPEL کا کوئی بھی ملازم جس کی ماہانہ مجموعی تنخواہ 100,000 روپے یا زیادہ ہو اسے PSX رول بک کے رول 5.9.15 اور رول 5.19.11 کے مقاصد کے لئے "ایگزیکٹو" تصور کیا جانا چاہئے۔

بیسٹ کارپوریٹ رپورٹ ایوارڈ:

انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان اور انسٹیٹیوٹ آف کاسٹ اینڈ مینجمنٹ اکاؤنٹنٹس آف پاکستان کی جوائنٹ کمیٹی برائے BCSRA نے کمپنی کو سالانہ رپورٹ برائے سال 2016ء، اپنی کیٹگری میں دوسری پوزیشن سے نوازا ہے۔

انسانی وسائل کی ترقی

ہمیں یقین ہے کہ ہماری بنیادی طاقت ہمارے لوگ ہیں جو انفرادی چیلنجوں کو پورا کرنے اور کمپنی کے مقاصد کے حصول میں کمپنی کی مدد کے لئے ہر روز کوشاں ہیں۔ ذاتی اور تنظیمی مہارتوں میں اضافہ، علم اور قابلیت کمپنی کی ایک مسلسل ترجیح رہی ہے۔

بیرونی تربیت:

زیر جائزہ سال کے دوران، کمپنی نے ملازمین کو مختلف بیرونی کورسز پر بھیجا، جس نے ہمارے ملازمین کی مہارتیں بڑھانے میں مدد کی۔ بیرونی کورسز میں پروڈکشن مینجمنٹ، لیڈرشپ گروتھ، سپروائزری مہارتوں، اونر پریذیڈنٹ مینجمنٹ پروگرام، ایڈوانس ٹریننگ پروگرام، لیڈرشپ ڈویلپمنٹ پروگرام، سولونگ ہیومن اینڈ آرگنائزیشنل پرابلمز وغیرہ شامل ہیں۔ تربیتی اداروں میں ہارورڈ بزنس سکول، نینشنل یونیورسٹی سنگاپور، پاکستان انسٹیٹیوٹ آف مینجمنٹ سائنسز، ہیمپیریئر یونیورسٹی اور HIDA جاپان شامل ہیں۔

اندرونی تربیت:

کمپنی کے سالانہ تربیتی پروگرام کے مطابق پورا سال باقاعدہ اندرونی تربیتوں کا بھی انعقاد کیا جاتا ہے۔ تربیتوں میں ٹویوٹا پروڈکشن سسٹم (ٹی پی ایس)، Kaizen، 5S، QCC وغیرہ پر کورسز اور ٹیم ممبران کے لئے بنیادی صلاحیتیں شامل ہیں۔

کارپوریٹ سماجی ذمہ داری

کمپنی سماجی ماحولیاتی اور اخلاقی معاملات کو کاروبار کی سرگرمیوں کا ایک اہم عضو تصور کرتی ہے۔ SPEL صحت، تعلیم، کمیونٹی کی فلاح و بہبود اور سماجی وجوہات پر خرچ کرکے کمیونٹی کی مدد کرتی ہے۔ سال کے دوران چند CSR سرگرمیوں میں مندرجہ ذیل شامل ہیں:

- ☆ LUMS فنانشل ایڈ پروگرام کے تحت ضرورت مند طلباء کو سکالرشپ گرانٹ مہیا کرنے کے لئے لاہور یونیورسٹی آف مینجمنٹ سائنسز (LUMS) کے ساتھ MoU پر دستخط کرنا۔
- ☆ قریبی دیہاتوں میں رہنے والے غیر مراعات یافتہ لوگوں کے لیے مفت طبی کیمپ کا اہتمام کیا۔
- ☆ مختلف تنظیموں کو عطیات دیئے۔
- ☆ اپنی تعلیم میں اضافہ کرنے کے خواہش مند مستحق ملازمین کو مالی مدد فراہم کی ہے۔

بورڈ کے اجلاس اور حاضری

زیر جائزہ سال کے دوران، بورڈ کے چار (04) اجلاس منعقد ہوئے ہیں اور ہر ایک ڈائریکٹر کی طرف سے حاضری مندرجہ ذیل ہے:

نام	عہدہ	اجلاسوں میں حاضری
جناب الماس حیدر	چیئرمین / نان ایگزیکٹو ڈائریکٹر	4
ڈاکٹر ایس ایم نقی	نان ایگزیکٹو ڈائریکٹر	4
جناب ضیاء حیدر نقی	سی ای او / ایگزیکٹو ڈائریکٹر	4
ڈاکٹر سید سلمان علی شاہ	آزاد نان ایگزیکٹو ڈائریکٹر	4
جناب خاور انور خواجہ	آزاد نان ایگزیکٹو ڈائریکٹر	3
جناب محمد تبسم منیر	آزاد نان ایگزیکٹو ڈائریکٹر	4
جناب رضا حیدر نقی	نان ایگزیکٹو ڈائریکٹر	3
شیخ نصیر حیدر	ایگزیکٹو ڈائریکٹر	4
جناب عابد سلیم خان	ایگزیکٹو ڈائریکٹر	4

اجلاس میں شرکت نہ کر سکنے والے ارکان کو شرکت سے استثنٰی کی باقاعدہ اجازت دی گئی تھی۔

بورڈ آڈٹ کمیٹی

زیر جائزہ سال کے دوران، بورڈ آڈٹ کمیٹی کے چار (04) اجلاس منعقد ہوئے اور ہر رکن کی حاضری مندرجہ ذیل ہے:

نام	عہدہ	اجلاسوں میں شرکت
ڈاکٹر سید سلمان علی شاہ	کمیٹی کے چیئرمین	4
جناب الماس حیدر	رکن	4
ڈاکٹر ایس ایم نقی	رکن	4
جناب محمد تبسم منیر	رکن	4
شیخ نصیر حیدر	رکن	2*
جناب رضا حیدر نقی	رکن	1**

* جناب شیخ نصیر حیدر یکم جنوری 2017ء سے کمپنی کے ایگزیکٹو ڈائریکٹر کے طور پر تقرری کے نتیجہ میں آڈٹ کمیٹی سے مستعفی ہوگئے، وہ صرف دو اجلاسوں میں شرکت کے اہل تھے۔

** جناب رضا حیدر نقی 28 جنوری 2017ء کو کمیٹی میں شامل ہوئے، ان کی تقرری کے بعد آڈٹ کمیٹی کا صرف ایک (01) اجلاس منعقد ہوا۔

اجلاس میں شرکت نہ کر سکنے والے ارکان کو شرکت سے استثنٰی کی باقاعدہ اجازت دی گئی تھی۔

ڈائریکٹرز رپورٹ برائے سال 30 جون 2017ء

محترم شیئرہولڈرز

آپ کی کمپنی کے ڈائریکٹرز مختتمہ سال 30 جون 2017ء کے لئے کمپنی کے آپریشنز کے نتائج پر سالانہ رپورٹ معہ آڈٹ شدہ اکاؤنٹس آپ کے روبرو بخوشی پیش کرتے ہیں۔

فنانشل جائزہ

فنانشل نتائج

زیر جائزہ اور پچھلے سال کے لئے کمپنی کے فنانشل نتائج مندرجہ ذیل ہیں:

روپے ملین میں

	2017	2016
سیلز	2,699.67	2,321.85
خام منافع	714.87	582.49
آپریٹنگ منافع	525.01	418.30
مالی لاگت	32.74	38.44
قبل از ٹیکس منافع	463.96	393.54
ٹیکس	46.80	37.75
بعد از ٹیکس منافع	417.16	355.79

ڈیویڈینڈ اور تصرفات

روپے ملین میں

غیر تصرفاتی منافع کا اوپننگ بیلنس	828.32	527.19
عبوری نقد ڈیویڈینڈ 10% @ (2016: 05%)	81.23	38.68
عبوری بونس ڈیویڈینڈ 10% @ (2016: Nil)	77.35	-
فائنل نقد ڈیویڈینڈ 5% (2016: 10%)	42.54	77.35
ضمنی میزان	201.12	116.03
آگے منتقل غیر تصرفاتی منافع	627.20	411.16
ٹوٹل ڈیویڈینڈ	25%	15%

فی شیئر آمدنی

موجودہ اور گزشتہ سال کے لئے فی شیئر آمدنی مندرجہ ذیل ہیں:

بنیادی اور معتدل آمدن فی شیئر 2017ء	4.90 روپے
بنیادی اور معتدل آمدن فی شیئر 2016ء	4.18 روپے*

*اعداد و شمار کو دوبارہ بیان کیا گیا ہے کیونکہ بونس شیئرز جاری کرنے کے نتیجے میں بقایا شیئرز کی تعداد میں تبدیلی کی گئی ہے۔

مالی سال 17 - 2016 سیلز، آپریٹنگ آمدنی اور منافع میں صحت مند اضافہ کے ساتھ کمپنی کے لئے ایک اور کامیاب سال تھا۔

کمپنی کی سالانہ سیلز 2,322 ملین روپے سے بڑھ کر 2,699 ملین روپے ہوگئی ہے۔ خام منافع میں زیادہ فروخت کے حجم اور پیداواری استعداد کار کے باعث 23 فی صد اضافہ ہوا۔ آپریٹنگ منافع اور خالص منافع بھی بالترتیب 26 فیصد اور 17 فیصد بڑھ گیا۔ کمپنی کی دیگر آمدنی میں کمی بنیادی طور پر فکسڈ ڈیپازٹ کے ان کیشمنٹ کی وجہ سے ہوئی ہے۔

استعداد کار کو بڑھانے اور مارکیٹ کی بڑھتی ہوئی طلب کی ضروریات کو پورا کرنے کے لئے، کمپنی نے پراپرٹی پلانٹ اور مشینری میں 335.12 ملین روپے (2016: 570.59 ملین روپے) کی سرمایہ کاری کی۔ سرمایہ کاری سے اعلیٰ پیداوار، کم لاگت اور ٹیکس کریڈٹس کے حصول میں مدد ملی۔ خطیر رقم بہتر معیار، بروقت ترسیل کو یقینی بنانے، ٹیکنالوجی کی اپ گریڈیشن اور آٹومیشن کے لئے بھی خرچ کی گئی ہے۔

30 جون 2017ء سے اس رپورٹ کی تاریخ تک کوئی مادی تبدیلیاں نہیں ہوئی ہیں اور کمپنی نے اس مدت کے دوران کوئی معاہدہ نہیں کیا ہے، جس میں کمپنی کی مالی پوزیشن پر منفی اثرات مرتب ہوں۔

ٹیکسیشن

زیر جائزہ سال کے دوران، کمپنی انکم ٹیکس آرڈیننس 2001 کی دفعہ 65E کے تحت نئی ایکوئٹی کے ذریعے فنانسڈ پلانٹ اور مشینری میں سرمایہ کاری کی بنا پر قابل ادائیگی ٹیکس 48 فیصد کی شرح سے ٹیکس کلیم کرنے کی مستحق ہے۔ کمپنی یہ کریڈٹ پانچ سالوں تک کلیم کرسکتی ہے، جس میں ٹیکس سال 2016ء سے ٹیکس سال 2020ء تک کے 5 سال شامل ہیں۔ اس کے علاوہ، پلانٹ اور مشینری میں سرمایہ کاری کی رقم کے 10 فی صد شرح سے انکم ٹیکس آرڈیننس 2001 کی دفعہ 65B کے تحت ٹیکس کریڈٹ لیا گیا ہے۔ اس طرح کا کریڈٹ پلانٹ اور مشینری میں سرمایہ کاری کرنے کے لئے آئندہ سالوں میں بھی کلیم کیا جاسکتا ہے۔

ایوارڈز

ایوارڈز:

ہم آپ کو یہ بتاتے ہوئے بہت خوشی محسوس کرتے ہیں کہ ہماری کمپنی کو اعزازات وصول کرنے کا شرف حاصل ہے۔

تعریفی ایوارڈز

زیر جائزہ سال کے دوران، کمپنی نے مندرجہ ذیل صارفین سے اعزازات حاصل کئے ہیں:

☆ پاک سوزوکی موٹر کمپنی لمیٹڈ

☆ نیسلے پاکستان لمیٹڈ

Form of **Proxy**

35th Annual General Meeting

I/We ______________________________ Of ______________________________ ,being a member of Synthetic Products Enterprises Limited, holder of ______________, Ordinary Share(s) as per Register Folio No. ______________ hereby Appoint Mr. ______________,having CNIC No. ______________ ______________ as my/our proxy in my/our absence to attend and vote for me /us, and on my/our behalf at the Annual General Meeting of the Company to be held on October 07, 2017 and at any adjournment thereof.

Signed this __________ day of________ 2017.

Signature across Rs. 5
Revenue Stamp

Witness 1 ______________________	Witness 2 ______________________
Signature ______________________	Signature ______________________
Name ______________________	Name ______________________
CNIC # ______________________	CNIC # ______________________

NOTES:

1. This instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing, or i f the appointer is a corporation either under the common seal or under the hand of an official or attorney so authorized. No person shall be appointed as proxy who is not member of the Company qualified to vote except that a corporation being a member may appoint a person who is not a member.

2. The Instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a notarially certified copy of that power of authority, shall be deposited at the office of the Company not less than 48 (forty eight) hours before the time for holding the meeting at which the person named in the instrument proposes to vote, and in default the instrument of a proxy shall not be treated as valid.

3. CDC Shareholders or their Proxies should bring their original CNICs or Passport along with the Participant's ID Number and their Account Number to facilitate their identification. Detail procedure is given in Notes to the Notice of AGM.

AFFIX
CORRECT
POSTAGE

The Company Secretary

SYNTHETIC PRODUCTS ENTERPRISES LIMITED

127-S Quaid-e-Azam Industrial Estate,
Township Kot Lakhpat, Lahore.
Postal Code: 54000
Lahore - Pakistan.
Phone: +92 42 35115506-07
Website: www.spelgroup.com

سینتھیٹک پراڈکٹس انٹرپرائزز لمیٹڈ

S-127 قائداعظم انڈسٹریل اسٹیٹ ٹاؤن شپ کوٹ لکھپت لاہور

پراکسی فارم (مختارنامہ

میں/ہم __________ کا/کی __________

بحیثیت رکن سینتھیٹک پراڈکٹس انٹرپرائزز لمیٹڈ اور حامل __________ عام حصص بمطابق رجسٹر فولیو نمبر __________

بذریعہ ہذا محترم/محترمہ __________ کمپیوٹرائزڈ قومی شناختی کارڈ نمبر __________

مورخہ 7 اکتوبر 2017ء کو

کو اپنے/ ہمارے ایماء پر: __________

منعقد ہونے والے کمپنی کے سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے، تقریر اور شرکت کرنے یا کسی بھی التواء کی صورت میں اپنا/ ہمارا بطور مختار (پراکسی) مقرر کرتا ہوں/کرتے ہیں۔

آج بروز............ بتاریخ............ 2017ء کو میرے/ ہمارے دستخط سے گواہوں کی تصدیق سے جاری ہوا۔

ممبر کے دستخط

ریونیو کی مہر 5 روپے

گواہان

1۔

دستخط: __________

نام: __________

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: __________

گواہان

2۔

دستخط: __________

نام: __________

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: __________

نوٹ:

1۔ پراکسی تقرری کے یہ آلات تقرر کرنے والے کے دستخط یا اس کے باقاعدہ بااختیار وکیل کے تحریری اجازت نامہ، یا اگر تقرر کرنے والا کارپوریشن ہے تو عام مہر یا ایک آفیشل دستخط کے تحت یا ایسے بااختیار وکیل کے دستخط ہوں گے۔ جو کمپنی کا رکن نہیں ہے اسے پراکسی مقرر نہیں کیا جائے گا سوائے ایک کارپوریشن کے جو ووٹ ڈالنے کے لئے ایک غیر رکن شخص کو پراکسی مقرر کر سکتی ہے۔

2۔ پراکسی اور مختارنامہ یا دیگر اتھارٹی (اگر کوئی ہوں) تقرری کے آلات، جس کے تحت یہ دستخط شدہ ہو یا اس مختارنامہ کی نوٹریلی مصدقہ کاپی، کمپنی کے دفتر میں وقت سے کم از کم 48 (اڑتالیس) گھنٹے قبل اجلاس جس میں ووٹ دینے کے مقاصد کے لئے انسٹرومنٹ میں نامزد شخص کی تجویز پیش کی جمع کروایا جائے گا، بصورت دیگر پراکسی کا انسٹرومنٹ کارآمد تصور نہ ہوگا۔

3۔ سی ڈی سی حصص یافتگان یا ان کے پراکسیز کو اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ معہ پارٹیسپنٹ (شرکت) آئی ڈی نمبر اور اکاؤنٹ نمبر اپنی شناخت کی سہولت کے لئے اپنے ہمراہ لانا چاہئے۔ تفصیلی طریقہ کار نوٹس AGM کے نوٹ میں دیا گیا ہے۔

AFFIX
CORRECT
POSTAGE

The Company Secretary

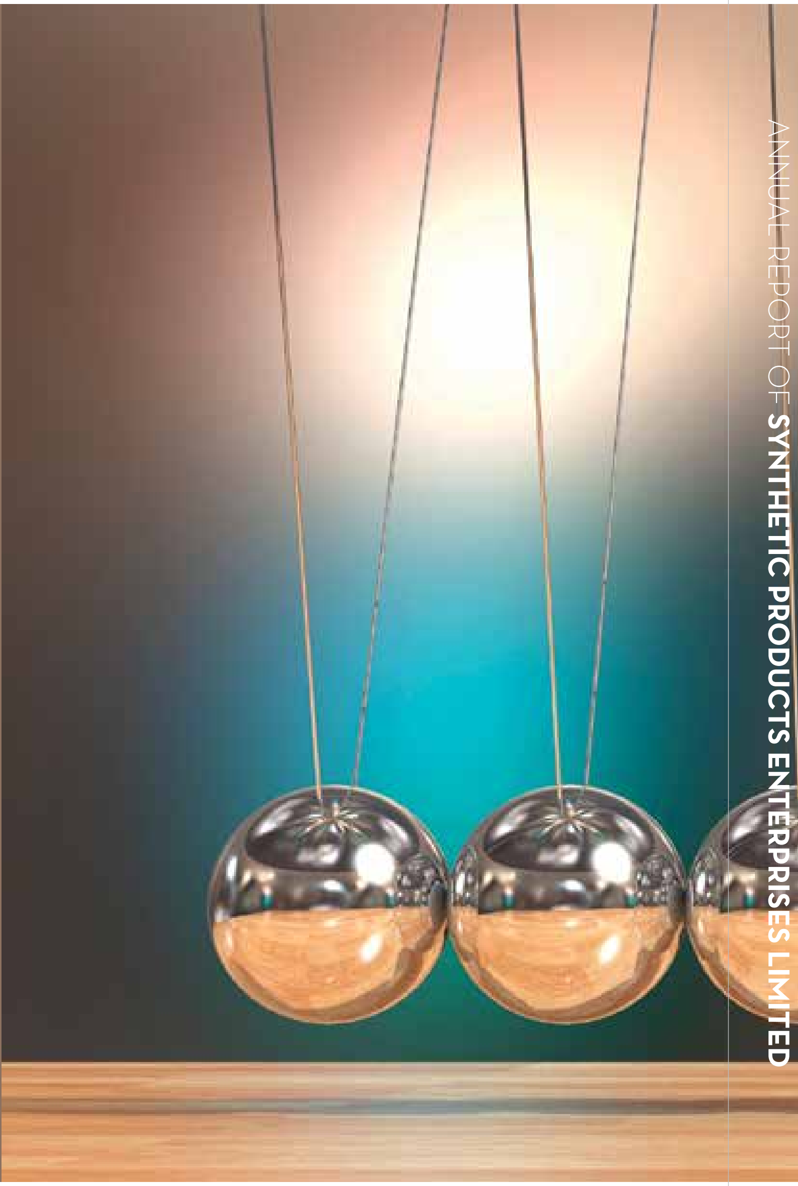
SYNTHETIC PRODUCTS ENTERPRISES LIMITED

127-S Quaid-e-Azam Industrial Estate,
Township Kot Lakhpat, Lahore.
Postal Code: 54000
Lahore - Pakistan.
Phone: +92 42 35115506-07
Website: www.spelgroup.com

NOTES

NOTES

SPELGROUP.COM



ANNUAL REPORT OF **SYNTHETIC PRODUCTS ENTERPRISES LIMITED**

2017

Synthetic Products Enterprises Limited
127-S Quaid-e-Azam Industrial Estate, Township Kot Lakhpat Lahore
Phone: 042 111 005 005
Fax: 042 351 18507