Annual Report 2016

Reliable

No Matter What...

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, no matter what, is a very apt declaration that truly captures the gist of SPEL’s business focus, our great customers!

Contents

Vision

To become Premium Player in the market by building a professional organization, having state of the art technology and expanding product range. Become 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 would value our shareholder by effective outlay of resources.

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

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

Core **Values**

Following are the core values of SPEL:

Customer Satisfaction

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

Respect

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

Integrity

- Building trust
- Honoring Commitments
- Dependability
- Staying within ethical and legal boundaries
- Reward 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 including 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. Muhammad Tabassum Munir
Independent Non-Executive Director

Mr. Khawar Anwar Khawaja
Independent Non-Executive Director

Mr. Raza Haider Naqi
Non-Executive Director

Mr. Sheikh Naseer Hyder
Non-Executive Director

Mr. Abid Saleem Khan
Chief Operating Officer/ Executive Director

CFO & Company Secretary

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

Mr. Sheikh Naseer Hyder
Member

Human Resource & Remuneration Committee

Mr. Almas Hyder
Chairman

Dr. S. M. Naqi
Member

Mr. Khawar Anwar Khawaja
Member

Mr. Muhammad Tabassum Munir
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

Registered Office

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

Factory

4-km Off Feroz Pur Road Raiwind
Lilliani Link, Road Pandoki Lahore.

Share Registrar

THK Associates (Pvt) Ltd
2nd Floor State Life Building # 3,
Dr. Ziauddin Ahmad Road Karachi.

Statutory Auditor

KPMG Taseer Hadi 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
Conventional Window

Bank Islami Pakistan Limited
Islamic Window

Habib Bank Limited
Conventional Window

Habib Metropolitan Bank Limited
Conventional Window

MCB Bank Limited
Conventional Window

Meezan Bank Limited
Islamic Window

Standard Chartered Bank (Pakistan) Limited
Conventional Window

United Bank Limited
Islamic Window

National Bank of Pakistan
Conventional Window

Website

www.spelgroup.com

Stock Symbol

SPEL

Code of Business Conduct and **Ethical Principles**

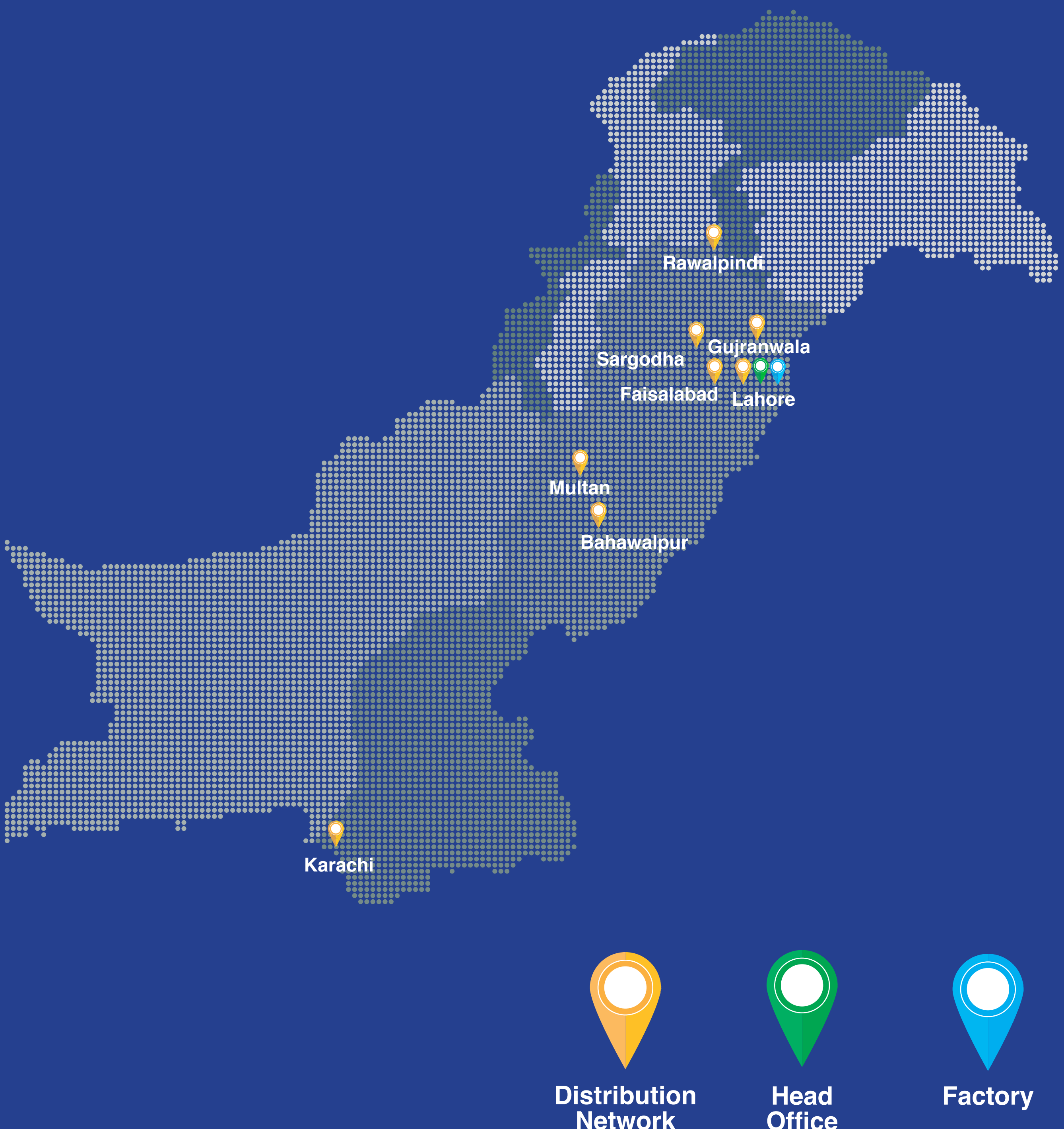
SPEL is committed to conduct its business with honesty, integrity and in ethical manner. For this purpose, the Company has developed a code of conduct to manage the Company's affairs.

The code is intended to set out principles relating to the behavior that should be observed in SPEL.

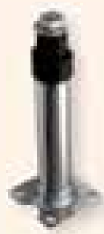
This code includes the following aspects:

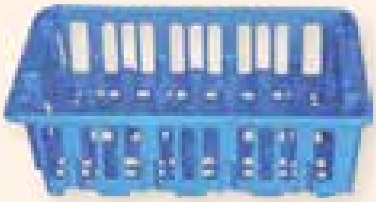
- act with integrity and truthfully
- respect each other
- work together as a team
- comply with all applicable laws and regulations
- never involve in any activity which leads to insiders' trading
- follow rules and regulations of the Company
- maintain work environment free from sexual harassment
- disclose personal interest, if any, in Company's matters and avoid conflict of interest
- inform any misconduct observed to immediate boss and management immediately

Geographical **Presence**



Our **Major Products**










Critical Performance **Indicators**

Indicator	2016	2015
Sales Revenue (Rs. in Million)	2,322	2,166
Profit After Tax (Rs. in Million)	356	230
Gross Profit (Rs. in Million)	582	493
Number of Shares Out Standing (000's)	77,350	77,350
Earning per Share-Basic and Diluted (Rs.)	4.60	3.48
Dividend (Rs. / Share)	1.50	1.00
Dividend Payout Ratio (Percentage)	32.6%	28.7%
Total Assets (Rs. in Million)	2,481	2,365
Shareholders Equity (Rs. in Million)	1,836	1,558
Return on Capital Employed (Percentage)	20%	18%
Current Ratio (Times)	2.13	2.23
Debt to Equity (Times)	0.06	0.11
Market Price Per Share (Rs.)	46.90	54.87
Breakup Value Per Share (Rs.)	23.74	20.14
Price to Earning Ratio (Times)	10.19	15.76
Net Assets Per Share (Rs.)	23.74	20.14

Calender of **Noteable Events**

For the Year 2015-16

July 15
QCC Competition held to promote the culture of continuous improvement

September 15
Land purchased at Rahim Yar Khan for establishing a manufacturing facility

September 15
Annual accounts approved by the Directors

October 15
Election of Directors

November 15
Final cash dividend paid to the shareholders

December 15
1st Extra Ordinary General Meeting held

May 16

Won first position in the Professional Excellence Award – 2016 from ICAP

May 16

Appreciation Award received from Pak Suzuki

May 16

Interim cash dividend paid to shareholders

June 16

Annual Iftar dinner held for all employees of the Company to promote social relations among the employees

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:

- Senior Vice President, Lahore Chamber of Commerce & Industries
- Director, Lahore Knowledge Park Company
- Director, National Transmission & Dispatch Company (NTDC) Limited
- Director, Punjab Skills Development Funds
- 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

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 Entrepreneurship from the US. He is a member of the Institute of Mechanical Engineers in London, European Institute of Project 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.

Profile of
The Directors

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 two sessions of 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 27 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 Injustries (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 Securities (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
Non- Executive Director

Mr. Naseer Hyder completed his BBA from Wilfred Laurier University in Canada. He then went on to complete his MBA from Cardiff University in the United Kingdom, where he completed his masters with a distinction. He is currently working at a senior position in a large American Corporation operates in Canada.

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 20 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 the conflicts of interests, if any.
- Reviewing the strategic direction of the company regularly, and 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.
- In concert with the Chairman, to develop Board agendas.
- 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

PROFESSIONAL EXCELLENCE AWARD

Institute of Chartered Accountants of Pakistan awarded SPEL 1st Position in the Professional Excellence Award 2016 on adopting the concept of Behavioural Finance.

APPRECIATION AWARD

Pak Suzuki Motor Company awarded Appreciation Award in May 2016 to SPEL in recognition of devoted efforts for completion of 50,000 taxis for the Government of Punjab.

Board **Committees**

Audit **Committee**

The Board has constituted an Audit Committee comprising of following members:

Name	Position	Status
Dr. Syed Salman Ali Shah	Chairman	Independent Non-Executive Director
Mr. Almas Hyder	Member	Non-Executive Director
Dr. S. M. Naqi	Member	Non-Executive Director
Mr. Muhammad Tabassum Munir	Member	Independent Non-Executive Director
Mr. Sheikh Naseer Hyder	Member	Non-Executive Director

Terms of Reference of the Audit Committee includes:

- Determination of appropriate measures to safeguard the Company's assets;
- Review of quarterly, half-yearly and annual financial statements of the 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 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 Company;
- Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
- 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 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 and **Remuneration Committee**

The Board has constituted a Human Resource and Remuneration Committee which comprises of following members:

Name	Position	Status
Mr. Almas Hyder	Chairman	Non-Executive Director
Dr. S. M. Naqi	Member	Non-Executive Director
Mr. Khawar Anwar Khawaja	Member	Independent Non-Executive Director
Mr. Muhammad Tabassum Munir	Member	Independent Non-Executive Director
Mr. Zia Hyder Naqi	Member	Executive Director
Mr. 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 has constituted a Finance Committee which comprises of the following members:

Name	Position	Status
Mr. Almas Hyder	Chairman	Non-Executive Director
Dr. Syes Salman Ali Shah	Member	Independent Non-Executive Director
Mr. Khawar Anwar Khawaja	Member	Independent Non-Executive Director
Mr. Zia Hyder Naqi	Member	Executive Director

Management **Review**

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 product on time
Create value for shareholders	Utilizing economic and human resources optimally Earning best 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 since consistently which has significantly helped in strengthening the liquidity position and healthy cash flows of the Company. In order to finance the Company's expansion plans and to maintain a healthy debt equity ratio, the Company raised fresh equity of Rs. 580.5 million by issuing new shares to the general public in the year 2014-15. These funds have been invested in the year under review for expansion.

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.

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 share of reduced prices of our products.

Financing Arrangements

The Company has good business relations with all 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 47.

Fair Value of Property Plant and Equipment

The fair value of the property plant and equipment is Rs. 1.658 billion as on 30 June 2016

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 31 October 2015. There was no issue raised. All agenda items were resolved unanimously.

Disaster Recovery Plan

The Company has a comprehensive Disaster Recovery Plan. The critical IT equipments are placed in a 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.

Shariah Compliance

The Company is shariah complaint as per the criteria mentioned in KSE Meezan Index (KMI). The criteria require that in order to be a Shariah Compliant; a company has to be filtered against the following parameters:

Shariah Screening Filters

- Core business should be shariah compliant
- Interest bearing debt to total assets should be less than 37%
- Non-compliant investments to total assets should be less than 33%
- Non-compliant income to total revenue should be less than 5%
- Non-liquid assets to total assets should be at least 25%
- Market price equal to or greater than the net liquid asset per share

Technical Screening Filters

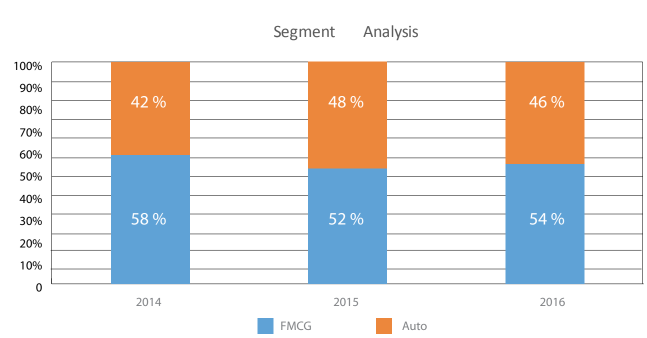
- Not on defaulter counter/ No trading suspended
- Securities availability at CDC
- Formal listing history of at least 2 months on KSE
- Operational track record of at least one financial year
- Minimum free-float shares of 5% of total outstanding shares
- Securities are traded for 75% of the total trading days
- Not a mutual fund

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 categorised into FMCG & auto industry. The segment wise breakup is as follows:



Cash Flow Statement **Direct Method**

for the year ended 30 June 2016

	2016 Rupees	2015 Rupees
Cash flows from operating activities		
Cash receipts from customers	2,289,848,153	2,101,775,975
Cash paid to suppliers and employees	(1,813,926,026)	(1,775,962,756)
Cash generated from operations	475,922,127	325,813,219
Workers' Profit Participation Fund and Workers' Welfare Fund paid	(20,620,438)	(12,122,756)
Finance cost paid	(40,322,350)	(55,008,182)
Taxes paid	(61,962,590)	(60,116,033)
Long term deposits - net	(9,967,098)	5,357,244
	(132,872,476)	(121,889,727)
Cash generated from operating activities	343,049,651	203,923,492
Cash flows from investing activities		
Fixed capital expenditure	(561,444,827)	(185,121,601)
Intangibles acquired	(1,671,830)	(226,200)
Proceeds from disposal of property, plant and equipment	929,595	5,117,851
Proceeds from disposal of investment in associate	–	4,674,194
Refund of advance for issue of shares	1,700,000	–
Short term investments	505,500,000	(580,500,000)
Net cash used in investing activities	(54,987,062)	(756,055,756)
Cash flows from financing activities		
Proceeds from issuance of capital - net	–	540,891,050
Principal repayment of lease liability	(47,701,543)	(47,165,458)
Long term finance obtained	–	47,250,000
Long term finance and diminishing musharika repaid	(21,113,732)	(9,197,030)
Short term borrowings - net	10,461,442	(88,765,114)
Cash dividend paid	(77,211,637)	(38,537,756)
Net cash generated from / (used in) financing activities	(135,565,470)	404,475,692
Net increase / (decrease) in cash and cash equivalents	152,497,119	(147,656,572)
Cash and cash equivalents at beginning of the year	(151,704,231)	(4,047,659)
Cash and cash equivalents at end of the year	792,888	(151,704,231)

Quarterly **Performance Analysis**

Nomenclature	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Sales –net	576,580,887	514,058,016	557,155,235	674,056,464	2,321,850,602
Cost of sales	(428,503,969)	(403,012,807)	(411,560,534)	(496,279,918)	(1,739,357,228)
Gross profit	148,076,918	111,045,209	145,594,701	177,776,546	582,493,374
Administrative exp.	(25,656,485)	(28,630,544)	(26,465,632)	(35,971,126)	(116,723,787)
Selling and dist. exp.	(11,088,042)	(10,470,897)	(11,822,643)	(14,063,411)	(47,444,993)
Operating profit	111,332,391	71,943,768	107,306,426	127,742,009	418,324,594
Other income	13,614,482	15,047,235	8,601,166	6,287,061	43,549,944
Other charges	(8,125,606)	(5,305,810)	(7,285,752)	(9,175,316)	(29,892,484)
Finance cost	(11,882,079)	(10,926,585)	(10,416,292)	(5,214,333)	(38,439,289)
Profit before taxation	104,939,188	70,758,608	98,205,548	119,639,421	393,542,765
Taxation	(18,332,383)	(22,410,033)	(20,157,376)	23,147,708	(37,752,084)
Profit after taxation	86,606,805	48,348,575	78,048,172	142,787,129	355,790,681
Earnings per share	1.12	0.63	1.01	1.85	4.60

Quarterly Results Analysis

Sales

Sales of the Company grew @ 7.21% in the FY 2016 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

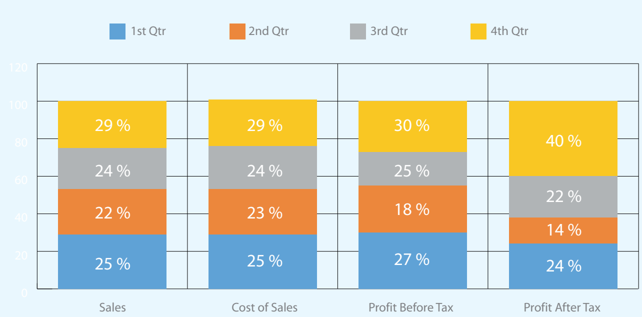
The cost of sales remained stable throughout the year except in the second quarter. The percentage of cost to sales increased due to less absorption of fixed cost due to lower sales volume and maintenance expenses incurred in preparation for the upcoming seasonal requirements.

Operating Profit

The operating profit represents the operational performance of the Company. In the first quarter the company earned a good profit, which declined by Rs. 62.5 million in the second quarter due to seasonal impact. The third and fourth quarter operating profit remained stable.

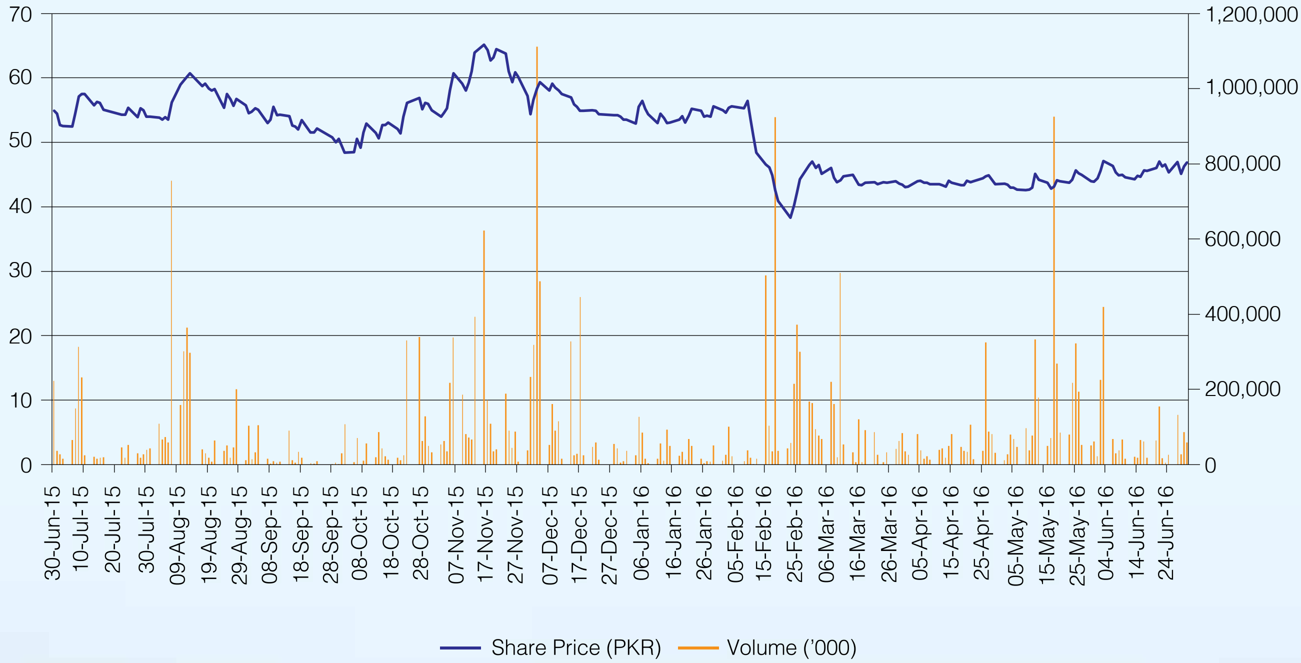
Taxation

The company is entitled to certain tax credits for making investment in plant and machinery, the condition to avail such credits were fulfilled in the last quarter of the year, hence, all the tax credits were accounted for in last quarter which has resulted in lower tax expenses and accordingly a tax reversal is seen in the fourth quarter, bringing the overall tax expense at Rs. 37.75 million.



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 2015-16 is as follows:



Risk and **Opportunity Report**

Risk and opportunities

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 also the Company acquired current 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 business friendly. However any levies go across the board, so we shall 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 Manager practices including arranging trainings and development programs for its employees, conducive work environment and competitive packages. Constant efforts in improving and training HR would 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	
Foreign Exchange Risk	
Raw material prices are linked with oil prices and major upward surge may erode margins. Rupee devaluation may push the prices of raw material up.	SPEL has every 3 months raw material prices true-up arrangement with all key customers which mitigates the risk of profitability erosion.

Risks	Mitigants
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.
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.

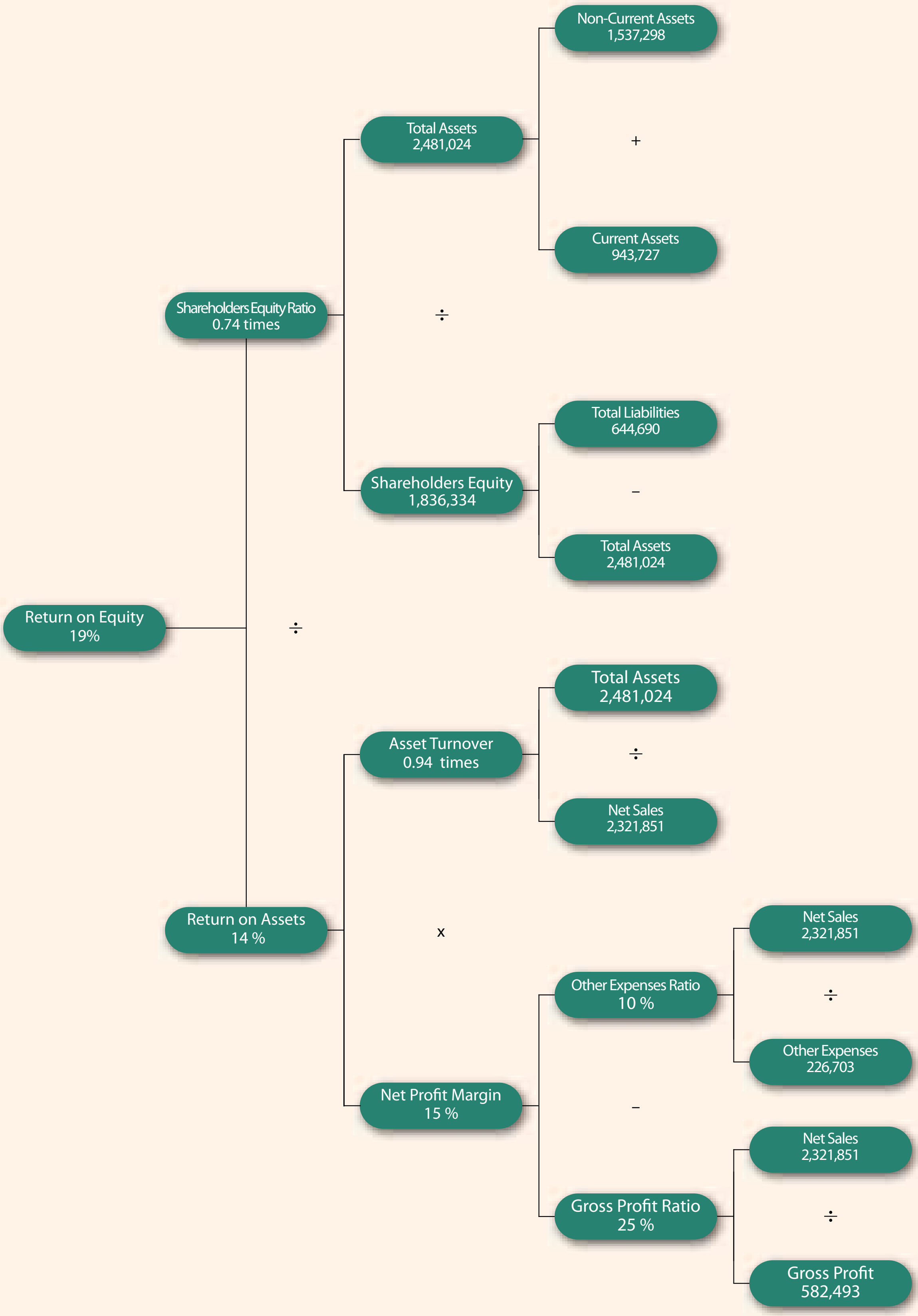
Long Term Business Relationships: SPEL maintains long term business relationships with its customers and trade partners. Most of the major customers are blue chip companies and are working with us since many years.

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 2016 – 2017 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.

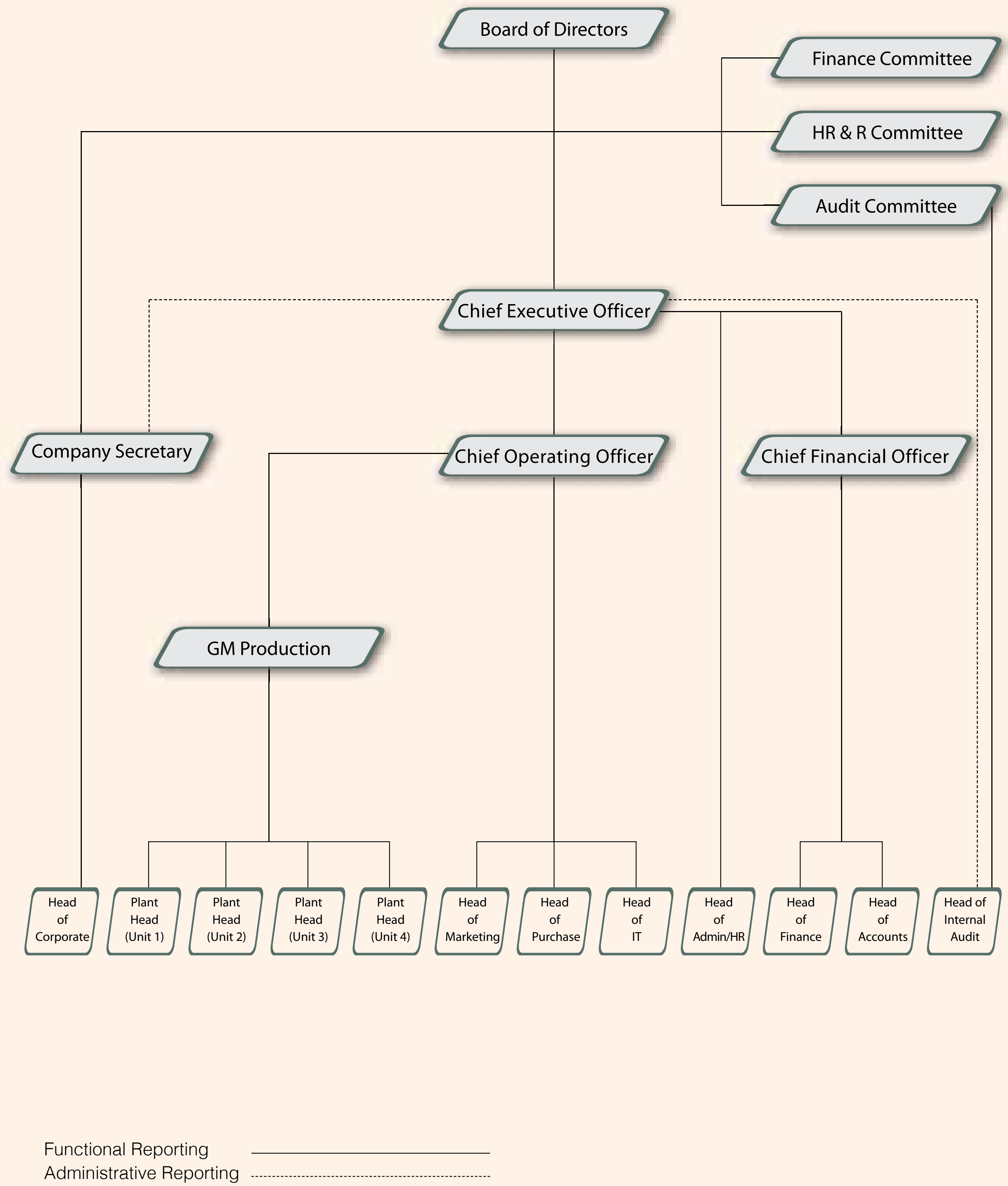
Duo Pont **Analysis**

As at 30 June 2016



Note: PKR in Thousand

Organogram


Board of Directors
Finance Committee
HR & R Committee
Audit Committee
Chief Executive Officer
Company Secretary
Chief Operating Officer
Chief Financial Officer
GM Production
Head of Corporate
Plant Head (Unit 1)
Plant Head (Unit 2)
Plant Head (Unit 3)
Plant Head (Unit 4)
Head of Marketing
Head of Purchase
Head of IT
Head of Admin/HR
Head of Finance
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 confidential 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.
- 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

It is policy of SPEL to:

- Prohibit the selective disclosure of material, nonpublic information about the Company,
- Set forth procedures designed to prevent such disclosure, and
- Provide 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 website 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 the 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 Website which may be followed by an Analyst briefing, date and venue to be posted on web site and communicated to the Stock Exchange.

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 and presentations. Duration of this period to be posted on website.

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 the 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

Company **Policies**

the length of time to cater for the Company's needs and statutory requirements;

- 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.

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 all related party transactions.

The internal control framework has been effectively implemented through an independent in-house Internal Audit function established by the Board which is independent of the External Audit function.

The Head of Internal Audit has direct access to Chairman of the Audit Committee and the Committee has ensured staffing of personnel with sufficient internal audit acumen.

Audit Committee has ensured that 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.

Audit Committee has ensured that the knowledge and skill level of the Head of Internal Audit was suffice for the performance of his role.

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

The external auditors have been allowed direct access to the Committee and the effectiveness, independence and objectivity of the auditors has thereby been ensured. The auditors attended the General Meetings of the Company during the year and have confirmed attendance of the upcoming Annual General Meeting scheduled for 21 September 2016 and have indicated their willingness to continue as Auditors.

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.

Appointment of external auditors 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 2016-17.

–sd–

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

Date: 26 July 2016
Lahore

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:

- 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.

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 flood relief operations, 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. 546,118,080 to National Exchequer in the form of Income Tax, Sales Tax, Custom duties, Federal Excise Duties, Levies, Cess, etc.

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.

Directors’ Report **to the Shareholders**

For the year ended 30 June 2016

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 2016.

Directors' Report **to the Shareholders**

Financial Overview

Financial Results

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

	2016	2015
	Rupees in million	
Turnover	2,321.85	2,165.70
Gross profit	582.49	492.80
Operating profit	418.3	346.05
Financial cost	38.44	59.03
Profit before taxation	393.54	286.31
Taxation	37.75	56.56
Profit after tax	355.8	229.75

	2016	2015
	Rupees in million	
Dividends and Appropriations		
Opening balance of un-appropriated profit	527.19	248.74
Interim cash dividend @ 5% (2015: @5%)	38.68	38.68
Proposed final cash dividend @ 10% (2015: @5%)	77.35	38.67
Sub total	116.03	77.35
Un-appropriated profit carried forward	411.16	171.39
Total Dividend	15%	10%

Earnings Per Share

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

Basic and diluted EPS – 2016 Rs. 4.60
Basic and diluted EPS – 2015 Rs. 3.48

Taxation

During the year under review, the Company has claimed a tax credit under section 65E of the Income Tax Ordinance, 2001 at the rate of 41% of tax payable on account of investing in plant and machinery financed through new equity, the company is entitled to claim this credit for the next four years as well.

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

Operations

The financial year 2015-16 was another successful year for the Company with sales, operating income and profits surpassing all previous heights.

Inspite of the commodity prices crash, the sales revenue of the Company increased by 7.2% from Rupees 2,166 million to Rupees 2,322 million. The gross profit increased by 18% due to higher sales volume and production efficiencies. Operating profit and net profit also increased by 21% and 55% respectively. During the year under review, the Company has developed tooling worth Rs. 81 million. The relevant overheads have been capitalized.

To increase productivity and to cater to growing market demand, the Company invested Rs. 481 million (2015: Rs. 121 million) in Plant and Machinery. The investment helped achieve higher productivity, lower cost and tax credits. Significant amount has also been spent for the technology upgradation and automation to ensure better quality, timely deliveries and improving efficiency. Most of the machinery became operational in the last quarter of financial year 2016, hence, the depreciation on new machinery is charged from the month in which it becomes available for use. This is in accordance with the accounting policy of the Company as mentioned in note number 3.2 to the accounts. This investment has added capacity which will be reflected in future.

There have been no material changes since 30 June 2016 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.

Award and Recognition

It gives us great pleasure to inform that the Company has the honour of receiving the following awards

Professional Excellence Award

Institute of Chartered Accountants of Pakistan awarded SPEL 1st Position in the Professional Excellence Award 2016 on adopting the concept of Behavioural Finance.

Appreciation Award

Pak Suzuki Motor Company awarded Appreciation Award in May 2016 to SPEL in recognition of devoted efforts for completion of 50,000 taxis for the Government of Punjab.

Human Resource Development:

We believe that our core strength is our people, who strive every day to meet individual challenges and help the Company to achieve its objectives. Developing the personal and organizational skills, knowledge and abilities has been a priority of the Company. The trainings ranged from fundamental skills for team measures to refresher courses on Toyota Production Systems (TPS), Kaizen, 5S and strategic managerial skills.

Corporate Social Responsibility

The Company considers social, environmental and ethical matters as an important element of the business activity. SPEL support the community by spending on health, education, community welfare and social causes. During the year under review, we have given donations to different organizations. We have arranged free medical camp for the unprivileged people living in nearby villages and provided financial assistance to the deserving employees who wished to enhance their education.

Corporate

Election of Directors

During the year under review, the election of Directors was conducted as per requirements of the Companies Ordinance, 1984. The previous Board had fixed nine seats for election of Directors against which nine nominations were received and all the persons consented were elected by the shareholders in the 33rd Annual General Meeting held on 31 October 2015.

A formal orientation was given to all directors on induction. The Board include three independent directors who constitutes one-third of the total number of directors. The Board has a good balance of independent, non-executive and executive directors.

Directors' Report **to the Shareholders**

Meetings of the Board and Attendance

During the year under review, five (05) Board meetings were held and attendance by each director is given below:

Name	Status	Meetings attended
Mr. Almas Hyder	Chairman/Non-Executive Director	5
Dr. S. M. Naqi	Non-Executive director	5
Mr. Zia Hyder Naqi	CEO/Executive director	5
Dr. Syed Salman Ali Shah	Independent Non-Executive Director	3*
Mr. Khawar Anwar Khawaja	Independent Non-Executive Director	3*
Mr. Muhammad Tabassum Munir	Independent Non-Executive Director	5
Mr. Raza Haider Naqi	Non-Executive Director	4
Mr. Sheikh Naseer hyder	Non-Executive Director	4
Mr. Abid Saleem khan	Executive Director	5

** Dr. Syed Salman Ali Shah and Mr. Khawar Anwar Khawaja were elected as directors on 31 October 2015. After their appointment only three board meetings were held during the year.*

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	2*
Mr. Almas Hyder	Member	4
Dr. S. M. Naqi	Member	4
Mr. Muhammad Tabassum Munir	Member	4
Mr. Sheikh Naseer Hyder	Member	1

** Dr. Syed Salman Ali Shah has joined the Committee on 12 November 2015 after his appointment only two (02) meetings of the Committee were held during the year. Before his joining Mr. Muhammad Tabassum Munir was Chairman of the Committee.*

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 two (02) Human Resource and Remuneration Committee meetings were held.

Name	Status	Meetings attended
Mr. Almas Hyder	Chairman	2
Dr. S. M. Naqi	Member	2
Mr. Sheikh Naseer Hyder	Member	2
Mr. Khawar Anwar Khawaja	Member	1*
Mr. Abid Saleem Khan	Member	2
Mr. Muhammad Tabassum Munir	Member	1*

** Mr. Muhammad Tabassum Munir and Mr. Khawar Anwar Khawaja joined the committee on 12 November 2015. After their joining only one meeting was held.*

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

Finance Committee

Finance Committee comprises of the following members. During the year no meeting of Finance Committee was held.

Name	Status
Mr. Almas Hyder	Committee Chairman
Mr. Zia Hyder Naqi	Member
Dr. Syed Salman Ali Shah	Member
Mr. Khawar Anwar Khawaja	Member

Training by Directors

During the year under review, Mr. Zia Hyder Naqi attended the second session of Owner President Management Program at Harvard Business School. In addition, Dr. Syed Salman Ali Shah and Mr. Muhammad Tabassum Munir have attended the Directors Training Program by the Institute of Chartered 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 to be held on 21 September 2016 and being eligible, offer themselves for re-appointment. The Board Audit Committee of the Company has suggested and the Board has recommended their re-appointment as auditors of the Company for the year ended 2016-17.

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.
- The Company operates a contributory Provident Fund Scheme for all its eligible employees. The value of investment as on 30 June 2016 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.

Abstract under section 218 of the Companies Ordinance, 1984

The Board of Directors in their meeting held on 12 November 2015 had approved the following remuneration packages of below mentioned directors:

Name	Designation	Monthly Salary
Mr. Almas Hyder	Chairman/ Non-Executive Director	Rs. 700,000/-
Mr. Zia Hyder Naqi	Chief Executive Officer/ Director	Rs. 700,000/-
Mr. Abid Saleem Khan	Executive Director	Rs. 430,000/-
Dr. S. M. Naqi	Advisor/Non-Executive Director	Rs. 450,000/-

The above directors are also entitled for the perquisites and benefits e.g. use of company maintained cars for official and private purposes, medical, telecommunication and travelling expenses, memberships of clubs and personal support staff as per the Company policy or as may be approved by the Board of Directors from time to time. Their remuneration is subject to such increments, adjustments and other entitlements as may be granted by the Board of Directors. The above directors have interest to the extent of their respective remuneration and benefits to which they are entitled.

Directors' Report **to the Shareholders**

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 footprint is also being enlarged. Ground breaking of new plant in Rahim Yar Khan has been done and construction started.

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 on 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 is also encouraging for us, and we extend our gratitude to them.

Almas Hyder
Chairman

Zia Hyder Naqi
Chief Executive Officer

Place: Lahore
26 July 2016

Six Years **Financial Information**

Financial Summary		2016	2015	2014	2013	2012	2011
Balance Sheet							
Share capital	Rs. in 000	773,500	773,500	580,000	412,275	329,820	242,439
No of shares (closing)	No. in 000	77,350	77,350	58,000	41,227	32,982	24,244
Fixed assets	Rs. in 000	1,515,337	1,030,345	873,185	629,246	504,469	489,318
Total assets	Rs. in 000	2,481,024	2,364,932	1,524,452	1,319,885	1,164,426	999,291
Equity	Rs. in 000	1,836,335	1,557,894	825,933	518,284	458,097	386,642
Long term loans & leases	Rs. in 000	41,332	92,707	75,091	83,843	25,974	56,417
Current assets	Rs. in 000	943,727	1,320,570	618,881	670,609	649,513	491,979
Stocks	Rs. in 000	333,875	337,658	260,073	319,781	331,603	293,723
Debtors	Rs. in 000	281,158	249,155	185,228	225,236	127,770	110,922
Cash and bank Balances	Rs. in 000	51,063	37,633	78,903	17,436	82,182	7,583
Creditors	Rs. in 000	128,045	127,469	82,923	191,474	199,457	111,502
Current liabilities	Rs. in 000	443,987	592,197	501,811	614,880	594,271	457,034
Non-Current liabilities	Rs. in 000	200,703	214,841	196,708	186,720	112,059	155,616
Total liabilities	Rs. in 000	644,690	807,038	698,519	801,600	706,330	612,649
Short term finances	Rs. in 000	311,800	456,605	414,784	418,089	373,527	322,310
Working capital	Rs. in 000	469,658	443,378	352,712	351,941	257,893	291,389
Profit and Loss Account							
Sales	Rs. in 000	2,321,851	2,165,703	1,718,561	1,415,829	1,399,020	1,191,922
Cost of sales	Rs. in 000	1,739,357	1,672,903	1,371,825	1,183,530	1,145,326	977,548
Gross profit	Rs. in 000	582,493	492,801	346,736	232,299	253,694	214,374
Profit before taxation	Rs. in 000	393,543	286,310	175,120	78,603	96,547	80,898
Depreciation	Rs. in 000	89,120	74,345	63,523	48,868	44,178	42,215
Amortization	Rs. in 000	1,588	1,387	1,342	-	-	-
Financial cost	Rs. in 000	38,439	59,028	56,462	50,352	47,813	50,571
Profit after tax	Rs. in 000	355,791	229,745	121,933	60,188	71,455	55,763
EBIT	Rs. in 000	431,982	345,338	231,582	128,954	144,360	131,469
EBITDA	Rs. in 000	522,690	421,070	296,447	177,822	188,538	173,684
Cash Flow Statement							
Cash flow from operating activities	Rs. in 000	343,050	203,923	212,996	61,060	153,316	43,475
Cash flow from investing activities	Rs. in 000	(54,987)	(756,056)	(98,246)	(48,640)	(62,883)	(59,713)
Cash flow from financing activities	Rs. in 000	(135,565)	404,476	(65,105)	1,560	(70,720)	29,853
Opening cash & cash equivalents	Rs. in 000	(151,704)	(4,048)	(53,694)	(67,674)	(87,387)	(101,002)
Closing cash & cash equivalents	Rs. in 000	793	(151,704)	(4,048)	(53,694)	(67,674)	(87,387)

Six Years **Financial Information**

Significant Ratios		2016	2015	2014	2013	2012	2011
Profitability							
Gross profit ratio	%age	25%	23%	20%	16%	18%	18%
Net profit ratio	%age	15%	11%	7%	4%	5%	5%
EBIDTA margin to sales	%age	23%	19%	17%	13%	13%	15%
Return on equity	%age	19%	15%	15%	12%	16%	14%
Return on capital employed	%age	20%	18%	16%	11%	15%	14%
Liquidity / Leverage							
Current ratio	Times	2.13	2.23	1.23	1.09	1.09	1.08
Quick/Acid test ratio	Times	1.37	1.66	0.72	0.57	0.53	0.43
Cash to current liabilities	%age	12%	6%	16%	3%	14%	2%
Cash flow from operations to sales	%age	20%	15%	17%	7%	13%	7%
Activity/Turnover Ratios							
Inventory turnover ratio	Times	5.18	5.60	4.73	3.63	3.66	3.95
No of days in inventory	Days	70.46	65.21	77.14	100.44	99.64	92.29
Debtor turnover ratio	Times	8.76	9.97	8.37	8.02	11.72	10.62
No of days in receivables	Days	41.68	36.60	43.59	45.50	31.14	34.36
Creditor turnover ratio	Times	13.61	15.90	10.00	6.05	7.37	8.54
No of days in payables	Days	26.81	22.95	36.50	60.28	49.55	42.72
Fixed assets turnover ratio	Times	1.53	2.10	1.97	2.25	2.77	2.44
Total assets turnover ratio	Times	0.94	0.92	1.13	1.07	1.20	1.19
Operating cycle	Days	85.33	78.86	84.23	85.66	81.23	83.92
Investment/Market Ratios							
Earning per share - Reported	Rs.	4.60	3.48	2.10	1.46	1.73	1.75
Dividend yield ratio*	%age	3.2%	1.8%	N/A	N/A	N/A	N/A
Dividend payout ratio*	%age	32.6%	28.7%	N/A	N/A	N/A	N/A
Dividend cover ratio	Times	3.07	3.48	2.10	0.00	0.00	1.25
Cash dividend per share**	Rs.	1.50	1.00	1.00	0.00	0.00	1.40
Market value per share at the year end*	Rs.	46.90	54.87	N/A	N/A	N/A	N/A
Market value per share high*	Rs.	67.13	64.25	N/A	N/A	N/A	N/A
Market value per share low*	Rs.	37.00	31.49	N/A	N/A	N/A	N/A
Breakup value per share (without land's revaluation surplus)	Rs.	20.81	17.21	10.33	12.57	13.89	15.95
Breakup value per share (with land's revaluation surplus)	Rs.	23.74	20.14	14.24	12.57	13.89	15.95

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

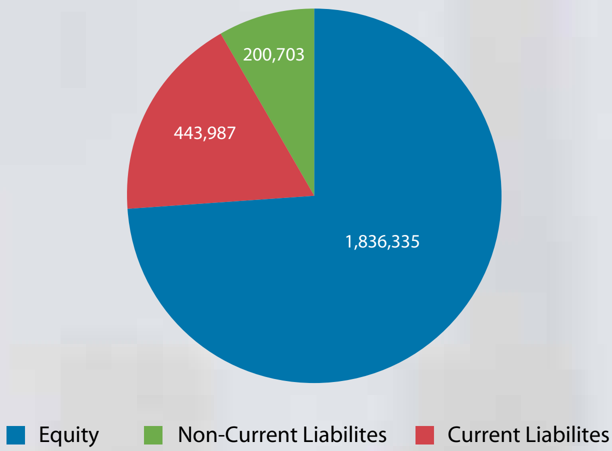
Significant Ratios		2016	2015	2014	2013	2012	2011
Capital Structure Ratios							
Financial leverage ratio	Times	0.19	0.35	0.59	0.97	0.87	0.98
Operating leverage ratio	Times	0.55	0.25	0.34	-0.92	0.06	0.00
Weighted average cost of debt	%age	9%	11%	11%	11%	12%	15%
Debt to equity ratio	Times	0.06	0.11	0.15	0.25	0.13	0.22
Interest cover ratio	Times	11.24	5.85	4.10	2.56	3.02	2.60
Return to Shareholders							
R.O.E. before tax	%age	21%	18%	21%	15%	21%	21%
R.O.E. after tax	%age	19%	15%	15%	12%	16%	14%
EPS	Rs.	4.60	3.48	2.10	1.46	1.73	1.75
Solvency							
Debtors turnover	Times	8.76	9.97	8.37	8.02	11.72	10.62
Creditors turnover	Times	13.61	15.90	10.00	6.05	7.37	8.54
Other Information							
Sale growth rate	%age	7%	26%	21%	1%	17%	8%

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

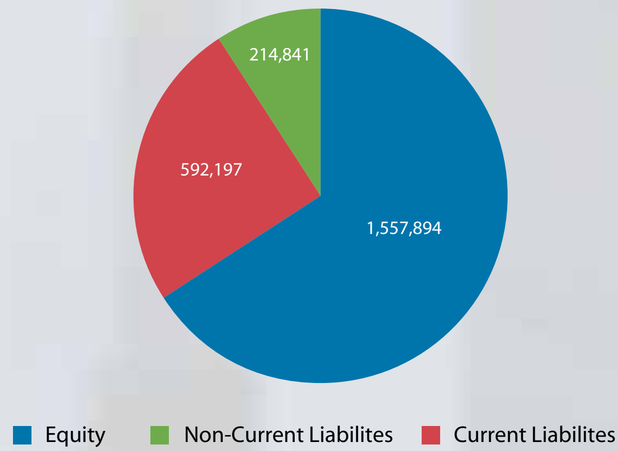
** This includes interim dividend paid during the year and Final dividend to be approved at annual general meeting to be held on 21-Sep-2016.

Graphical **Presentation**

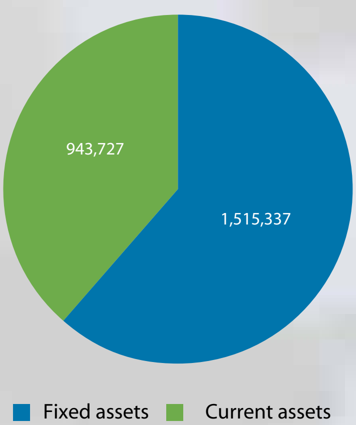
2016
Equity and Liabilites (Rs. in 000)



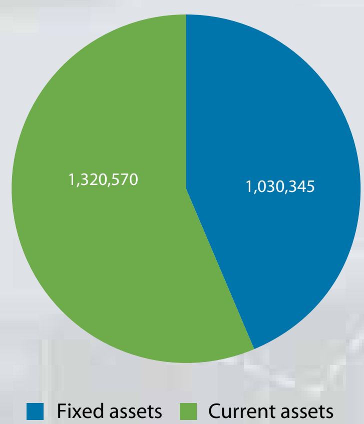
2015
Equity and Liabilites (Rs. in 000)



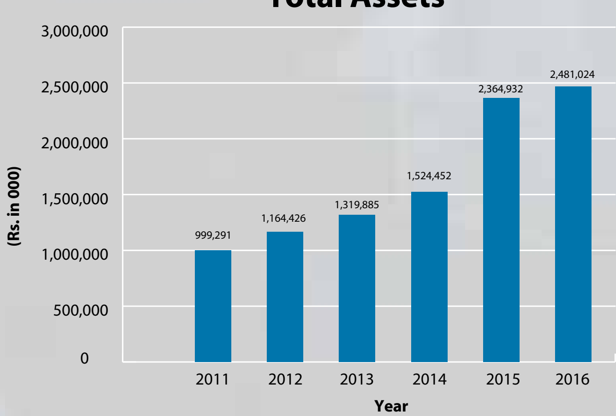
2016
Assets (Rs. in 000)



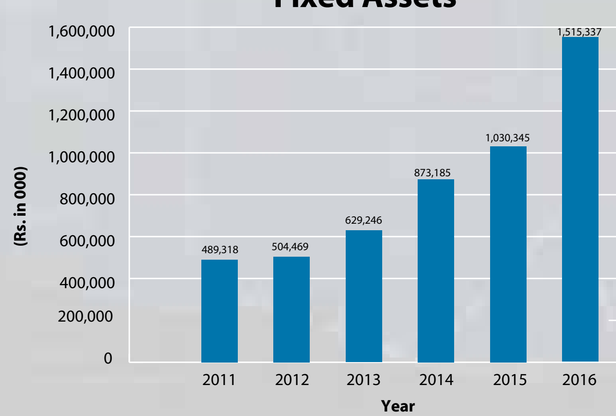
2015
Assets (Rs. in 000)



Total Assets

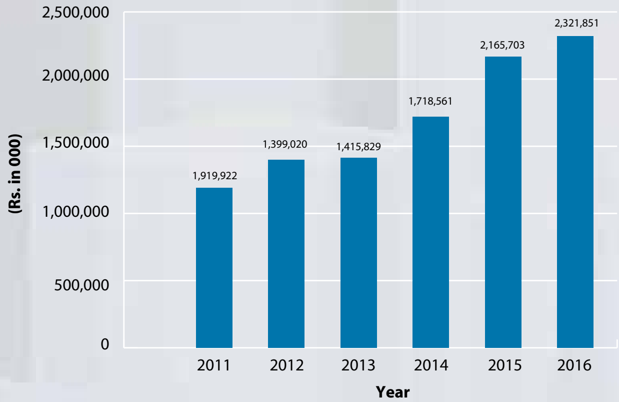


Fixed Assets

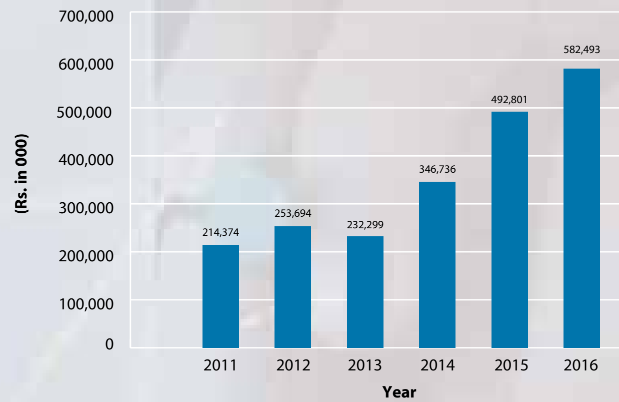


Graphical **Presentation**

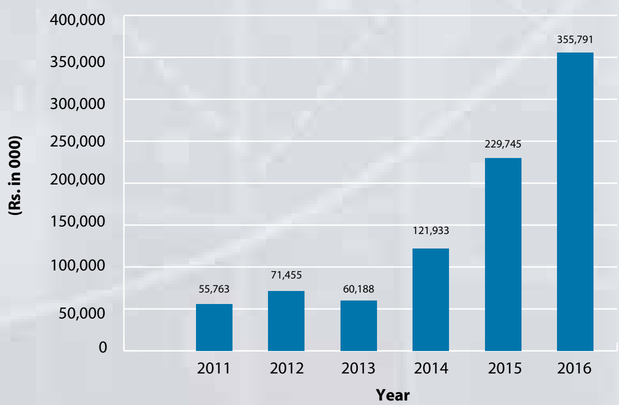
Sales



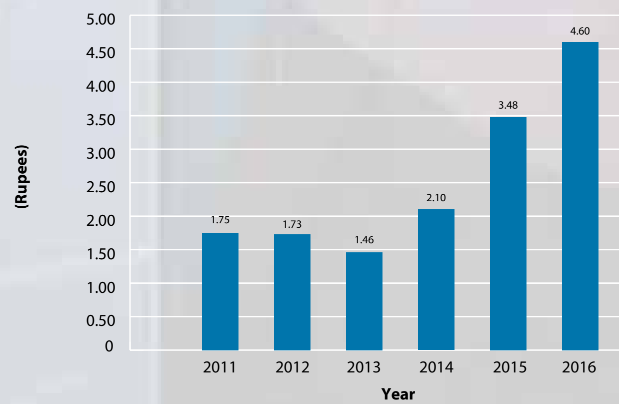
Gross Profit



Profit After Tax

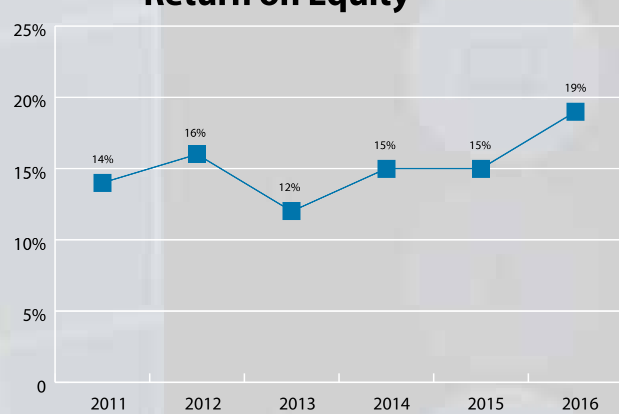


EPS



Current Ratio

Return on Equity



Vertical **Financial Analysis**

	2016		2015		2014		2013		2012		2011	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
Nomenclature												
Equity and reserves	1,609,392	64.87	1,330,951	56.28	598,990	39.29	518,284	39.27	458,097	39.34	386,642	38.69
Surplus on revaluation of land	226,943	9.15	226,943	9.60	226,943	14.89	–	–	–	–	–	–
Long term loans	24,585	0.99	63,326	2.68	34,147	2.24	–	–	–	–	–	–
Non current liabilities	176,117	7.10	151,516	6.41	162,561	10.66	186,720	14.15	112,059	9.62	155,616	15.57
Total current liabilities	443,987	17.90	592,197	25.04	501,811	32.92	614,880	46.59	594,271	51.04	457,034	45.74
	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	999,291	100.00
Property plant and equipment	1,515,337	61.08	1,030,345	43.57	873,185	57.28	629,246	47.67	504,469	43.32	489,318	48.97
Long Term Investments	438	0.02	2,546	0.11	4,496	0.29	4,417	0.33	3,916	0.34	4,157	0.42
Non current assets - Others	21,522	0.87	11,471	0.49	17,990	1.18	15,614	1.18	6,528	0.56	13,838	1.38
Stores spares and loose tools	17,330	0.70	15,966	0.68	9,666	0.63	1,603	0.12	2,023	0.17	1,754	0.18
Stock in trade	316,545	12.76	321,691	13.60	250,407	16.43	318,179	24.11	329,580	28.30	291,969	29.22
Trade debts	281,158	11.33	249,155	10.54	185,228	12.15	225,236	17.06	127,770	10.97	110,922	11.10
Income Tax Receivables	146,348	5.90	84,902	3.59	80,833	5.30	92,563	7.01	76,945	6.61	67,033	6.71
Short Term Investment	75,000	3.02	580,500	24.55	–	–	–	–	8,885	0.76	–	–
Advances, deposits, prepayments and other receivables	56,284	2.27	30,722	1.30	23,744	1.56	15,592	1.18	22,129	1.90	12,718	1.27
Cash and Bank Balances	51,063	2.06	37,633	1.59	78,903	5.18	17,436	1.32	82,182	7.06	7,583	0.76
	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	999,291	100.00
Nomenclature												
Sales - net	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	1,191,922	100.00
Cost of sales	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	977,548	82.01
Gross profit	582,493	25.09	492,801	22.75	346,736	20.18	232,299	16.41	253,694	18.13	214,374	17.99
Admin expenses	116,724	5.03	104,335	4.82	80,507	4.68	70,852	5.00	68,655	4.91	57,092	4.79
Selling and distribution expenses	47,445	2.04	42,417	1.96	33,102	1.93	33,335	2.35	39,611	2.83	30,471	2.56
Operating profit	418,325	18.02	346,049	15.98	233,127	13.57	128,112	9.05	145,428	10.39	126,811	10.64
Other charges	29,892	1.29	30,902	1.43	13,159	0.77	4,493	0.32	7,916	0.57	6,001	0.50
Finance cost	38,439	1.66	59,028	2.73	56,462	3.29	50,352	3.56	47,813	3.42	50,571	4.24
	349,993	15.07	256,120	11.83	163,506	9.51	73,267	5.17	89,699	6.41	70,238	5.89
Other income	43,550	1.88	30,191	1.39	11,614	0.68	4,835	0.34	7,089	0.51	10,659	0.89
Share of after tax profit/(loss) of an associated company	–	–	–	–	–	–	500	0.04	-241	-0.02	–	–
Profit before tax	393,543	16.95	286,310	13.22	175,120	10.19	78,603	5.55	96,547	6.90	80,898	6.79
Taxation	37,752	1.63	56,565	2.61	53,187	3.09	18,415	1.30	25,092	1.79	25,134	2.11
Profit after tax	355,791	15.32	229,745	10.61	121,933	7.10	60,188	4.25	71,455	5.11	55,763	4.68

Horizontal **Financial Analysis**

	2016		2015		2014		2013		2012		2011	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
Nomenclature												
Equity and reserves	1,609,392	20.92	1,330,951	122.20	598,990	15.57	518,284	13.14	458,097	18.48	386,642	16.85
Surplus on revaluation of land	226,943	–	226,943	–	226,943	100.00	–	–	–	–	–	–
Long term loans	24,585	-61.18	63,326	85.45	34,147	100.00	–	–	–	–	–	–
Non current liabilities	176,117	16.24	151,516	-6.79	162,561	-12.94	186,720	66.63	112,059	-27.99	155,616	52.62
Total current liabilities	443,987	-25.03	592,197	18.01	501,811	-18.39	614,880	3.47	594,271	30.03	457,034	8.11
	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	999,291	16.79
Property plant and equipment	1,515,337	47.07	1,030,345	18.00	873,185	38.77	629,246	24.73	504,469	3.10	489,318	15.66
Long term investments	438	-82.79	2,546	-43.38	4,496	1.81	4,417	12.77	3,916	-5.79	4,157	0.00
Non current assets - others	21,522	87.62	11,471	-36.23	17,990	15.21	15,614	139.19	6,528	-52.83	13,838	46.52
Stores spares and loose tools	17,330	8.54	15,966	65.18	9,666	503.12	1,603	-20.78	2,023	15.33	1,754	-47.59
Stock in trade	316,545	-1.60	321,691	28.47	250,407	-21.30	318,179	-3.46	329,580	12.88	291,969	48.00
Trade debts	281,158	12.84	249,155	34.51	185,228	-17.76	225,236	76.28	127,770	15.19	110,922	-2.23
Income tax receivables	146,348	72.37	84,902	5.03	80,833	-12.67	92,563	20.30	76,945	14.79	67,033	27.18
Short term investment	75,000	-87.08	580,500	100.00	–	–	–	-100.00	8,885	100.00	–	-100.00
Advances, deposits, prepayments and other receivables	56,284	83.20	30,722	29.39	23,744	52.28	15,592	-29.54	22,129	73.99	12,718	4.61
Cash and bank balances	51,063	35.68	37,633	-52.30	78,903	352.52	17,436	-78.78	82,182	983.82	7,583	-80.54
	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	999,291	16.79
Sales - net	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	1,191,922	8.46
Cost of sales	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	977,548	11.01
Gross profit	582,493	18.20	492,801	42.13	346,736	49.26	232,299	-8.43	253,694	18.34	214,374	-1.82
Admin expenses	116,724	11.87	104,335	29.60	80,507	13.63	70,852	3.20	68,655	20.25	57,092	5.21
Selling and distribution expenses	47,445	11.85	42,417	28.14	33,102	-0.70	33,335	-15.84	39,611	30.00	30,471	2.22
Operating profit	418,325	20.89	346,049	48.44	233,127	81.97	128,112	-11.91	145,428	14.68	126,811	-5.56
Other charges	29,892	-3.27	30,902	134.83	13,159	192.90	4,493	-43.24	7,916	31.91	6,001	-7.77
Finance cost	38,439	-34.88	59,028	4.54	56,462	12.14	50,352	5.31	47,813	-5.45	50,571	36.11
	349,993	36.65	256,120	56.64	163,506	123.16	73,267	-18.32	89,699	27.71	70,238	-22.48
Other income	43,550	44.25	30,191	159.96	11,614	140.21	4,835	-31.80	7,089	-33.49	10,659	209.94
Share of after tax profit/(loss) of an associated company	–	–	–	–	–	-100.00	500	307.76	-240.79	-100.00	–	0.00
Profit before tax	393,543	37.45	286,310	63.49	175,120	122.79	78,603	-18.59	96,547	19.35	80,898	-13.98
Taxation	37,752	-33.26	56,565	6.35	53,187	188.83	18,415	-26.61	25,092	-0.17	25,134	-27.16
Profit after tax	355,791	54.86	229,745	88.42	121,933	102.59	60,188	-15.77	71,455	28.14	55,763	-6.35

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 2011 to 15% in 2016 whereas the GP ratio has improved from 18% in the year 2011 to 25% in the year 2016. 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 19% compared to 14% 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. 1.75 in 2011 to Rs. 4.6 in 2016 whereas the break-up value has increased from Rs. 15.95 per share to Rs. 23.74 per share in 2016.

Capital Structure: The Company continuously monitors its capital structure and aims to keep it at its optimum level. Currently, the Company has a strong 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. 55.76 million in the year 2011 to Rs. 355.79 million in 2016. The gross profit has improved from Rs. 214.37 million in the year 2011 to Rs. 582.49 million in the year 2016. 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 19% from 14% 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 7.2% from Rupees 2,166 million to Rupees 2,322 million. The gross profit of the company stood at 25.09% as compared to 22.75% in the last year. The Company has witnessed a net profit ratio of 15.32% which is 4.7% higher compared to net profit ratio of last year .

To increase productivity and to cater to growing market demand, the Company invested Rs. 481 million (2015: Rs. 121 million) in Plant and Machinery. This investment helped achieve higher productivity, lower cost and in getting tax credits. Significant amount has also been spent for technology automation to ensure better quality, timely deliveries and improved efficiency.

Comments on Cash Flows

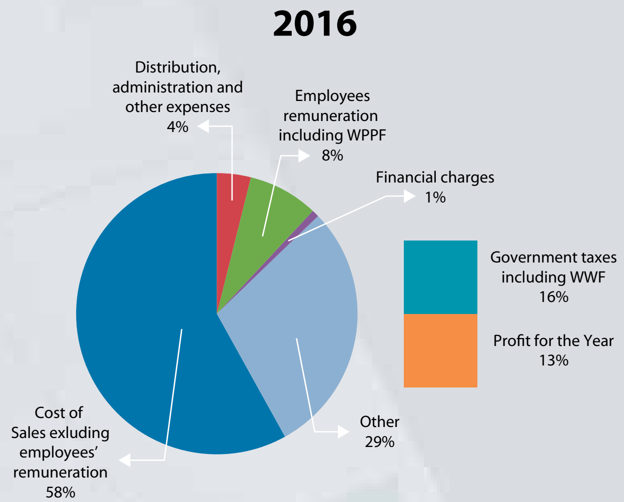
Cash Flow from Operating Activities: There is an increase in cash flows from operating activities due to higher profitability from FY 2011 to FY 2016.

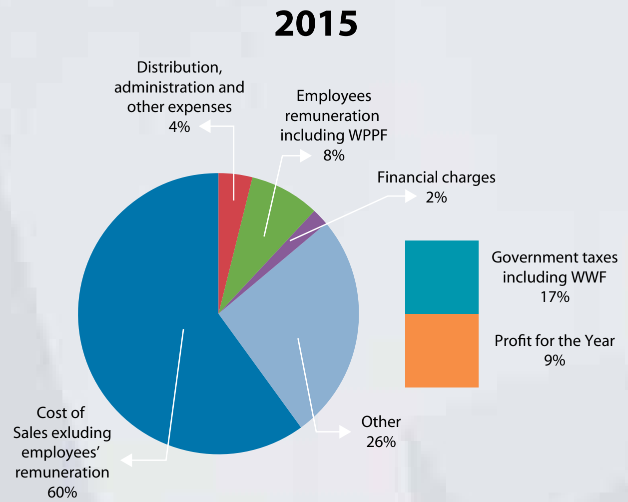
Cash Flows from Investing Activities: Net cash out flows from investing activities represent investment in plant and machinery, which was envisaged, at the time of initial public offering.

Cash Flows from Financing Activities: Cash outflow from financing activities increased during the current year because there was no equity injection in the current year, increased dividend payout and repayment of long term loans.

Statement of Wealth **Generated and Distributed**

	2016		2015	
	Rs. in 000	**%**	**Rs.in 000**	**%**
Total Revenue inclusive of sales tax	2,723,549	98	2,533,780	99
Other Income	43,550	2	30,191	1
	2,767,099	100	2,563,971	100
WEALTH DISTRIBUTION				
Cost of Sales excluding employees' remuneration	1,594,920	58	1,535,175	60
Distribution, administration and other expenses	104,916	4	103,893	4
Employees remuneration including WPPF	225,547	8	206,497	8
Financial charges	38,439	1	59,028	2
Government taxes including WWF	447,486	16	429,633	17
Profit for the Year	355,791	13	229,745	9
	2,767,099	100	2,563,971	100





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 2016 to comply with the requirements of Listing Regulations of the 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 2016.

Lahore
Date: 26 July 2016

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

Statement of Compliance **with Code of Corporate Governance**

For the year ended 30 June 2016

This statement is being presented to comply with the Code of Corporate Governance (the Code) set out in the listing regulations of Pakistan Stock Exchange Limited 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:

Category	Name
Independent Directors	Dr. Syed Salman Ali Shah Mr. Khawar Anwar Khawaja Mr. Muhammad Tabassum Munir
Non Executive Directors	Mr. Almas Hyder Dr. Sheikh Muhammad Naqi Mr. Raza Haider Naqi Mr. Sheikh Naseer Hyder
Executive Directors	Mr. Zia Hyder Naqi Mr. Abid Saleem Khan

The independent directors meets the criteria of independence under clause 5.19.1 (b) of the CCG.

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 member 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 and other executive and non-executive directors have been taken by 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 meeting. The minutes of the meeting were appropriately recorded and circulated.

9. Dr. Syed Salman Ali Shah and Mr. Muhammad Tabassum Munir attended directors training program conducted by the Institute of Chartered Accountants of Pakistan this year.

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 a Human Resource and Remuneration Committee. It comprises of six members, of whom four are non-executive directors including the Chairman of the committee.

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(s).

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

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

Zia Hyder Naqi
Chief Executive Officer

Dated: 26 July 2016
Lahore.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Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan

Financial **Statements**

For the year ended 30 June 2016

Auditors' Report to **The Members**

We have audited the annexed unconsolidated balance sheet of Synthetic Products Enterprises Limited ("the Company") as at 30 June 2016, 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, except for the change as indicated in note 3.1 with which we concur;

   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 2016 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: 26 July 2016
Lahore

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

Unconsolidated **Balance Sheet**

As at 30 June, 2016

	Note	2016 Rupees	2015 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	773,500,000	773,500,000
Share premium	6	347,391,050	347,391,050
Accumulated profit		488,500,699	210,060,018
		1,609,391,749	1,330,951,068
Surplus on revaluation of land	7	226,943,081	226,943,081
Non-current liabilities			
Long term finance - secured	8.1	24,585,369	53,306,045
Diminishing musharika - secured	8.2	–	11,069,808
Liabilities against assets subject to finance lease	9	16,746,867	29,381,452
Deferred taxation	10	159,370,532	122,134,405
		200,702,768	215,891,710
Current liabilities			
Trade and other payables	11	128,044,640	127,468,516
Short term borrowings - secured	12	251,844,351	380,450,601
Current maturity of long term liabilities	13	59,955,727	76,154,092
Accrued mark up	14	4,142,042	7,072,992
		443,986,760	591,146,201
		2,481,024,358	2,364,932,060
Contingencies and commitments	15		

The annexed notes 1 to 46 form an integral part of these unconsolidated financial statements.

Lahore | Chief Executive | Director

	Note	2016 Rupees	2015 Rupees
Assets			
Non-current assets			
Property, plant and equipment	16	1,515,337,213	1,030,345,221
Intangibles	17	4,291,029	4,207,204
Investment - related party	18	438,245	2,546,005
Long term deposits	19	17,231,046	7,263,948
		1,537,297,533	1,044,362,378
Current assets			
Stores, spares and loose tools		17,329,657	15,966,041
Stock-in-trade	20	316,544,988	321,691,498
Trade debts - unsecured, considered good		281,157,522	249,155,073
Income tax - net	21	146,348,210	84,901,576
Advances, deposits, prepayments and other receivables	22	56,283,534	30,722,007
Short term investments	23	75,000,000	580,500,000
Cash and bank balances	24	51,062,914	37,633,487
		943,726,825	1,320,569,682
		2,481,024,358	2,364,932,060

Lahore Chief Executive Director

Unconsolidated Profit **and Loss Account**

for the year ended 30 June, 2016

	Note	2016 Rupees	2015 Rupees
Sales - net	25	2,321,850,602	2,165,703,472
Cost of sales	26	(1,739,357,228)	(1,672,902,798)
Gross profit		582,493,374	492,800,674
Administrative expenses	27	(116,723,787)	(104,335,115)
Selling and distribution expenses	28	(47,444,993)	(42,416,731)
Operating profit		418,324,594	346,048,828
Other income	29	43,549,944	30,190,882
Other charges	30	(29,892,484)	(30,901,663)
Finance cost	31	(38,439,289)	(59,027,591)
Profit before taxation		393,542,765	286,310,456
Taxation	32	(37,752,084)	(56,564,959)
Profit after taxation		355,790,681	229,745,497
Earnings per share - basic and diluted	**33**	**4.60**	**3.48**

The annexed notes 1 to 46 form an integral part of these unconsolidated financial statements.

Lahore

Chief Executive

Director

Unconsolidated Statement of **Comprehensive Income**

for the year ended 30 June, 2016

	2016 Rupees	2015 Rupees
Profit after taxation	355,790,681	229,745,497
Other comprehensive income	–	–
Total comprehensive income for the year	355,790,681	229,745,497

The annexed notes 1 to 46 form an integral part of these unconsolidated financial statements.

Lahore

Chief Executive

Director

Unconsolidated Statement of **Change in Equity**

for the year ended 30 June, 2016

	Issued, subscribed and paid-up capital	Advance against share capital	Capital reserve Share premium	Revenue reserve Accumulated profit	Total
	Rupees				
As at 30 June 2014	580,000,000	–	–	18,989,521	598,989,521
Total comprehensive income for the year					
Profit after taxation	–	–	–	229,745,497	229,745,497
Other comprehensive income	–	–	–	–	–
	–	–	–	229,745,497	229,745,497
Transactions with owners of the Company					
Advance received against shares	–	580,500,000	–	–	580,500,000
Shares issued during the year 19,350,000 shares of Rs. 10 each	193,500,000	(193,500,000)	–	–	–
Share premium	–	(387,000,000)	387,000,000	–	–
Expenses incurred on issuance of shares	–	–	(39,608,950)	–	(39,608,950)
Interim cash dividend for the year ended 30 June 2015 @ Rs. 0.5 per share	–	–	–	(38,675,000)	(38,675,000)
	193,500,000	–	347,391,050	(38,675,000)	502,216,050
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

The annexed notes 1 to 46 form an integral part of these unconsolidated financial statements.

Lahore | Chief Executive | Director

Unconsolidated Cash **Flow Statement**

for the year ended 30 June, 2016

	Note	2016 Rupees	2015 Rupees
Cash flows from operating activities			
Cash generated from operations	34	475,922,127	325,813,219
Workers' Profit Participation Fund and Workers' Welfare Fund paid		(20,620,438)	(12,122,756)
Finance cost paid		(40,322,350)	(55,008,182)
Taxes paid		(61,962,590)	(60,116,033)
Long term deposits - net		(9,967,098)	5,357,244
Cash generated from operating activities		343,049,651	203,923,492
Cash flows from investing activities			
Fixed capital expenditure		(561,444,827)	(185,121,601)
Intangibles acquired		(1,671,830)	(226,200)
Proceeds from disposal of property, plant and equipment		929,595	5,117,851
Proceeds from disposal of investment in associate		–	4,674,194
Refund of advance for issue of shares		1,700,000	–
Short term investments		505,500,000	(580,500,000)
Net cash used in investing activities		(54,987,062)	(756,055,756)
Cash flows from financing activities			
Proceeds from issuance of capital - net		–	540,891,050
Principal repayment of lease liability		(47,701,543)	(47,165,458)
Long term finance obtained		–	47,250,000
Long term finance and diminishing musharika repaid		(21,113,732)	(9,197,030)
Short term borrowings - net		10,461,442	(88,765,114)
Cash dividend paid		(77,211,637)	(38,537,756)
Net cash generated from / (used in) financing activities		(135,565,470)	404,475,692
Net increase / (decrease) in cash and cash equivalents		152,497,119	(147,656,572)
Cash and cash equivalents at beginning of the year		(151,704,231)	(4,047,659)
Cash and cash equivalents at end of the year	35	792,888	(151,704,231)

The annexed notes 1 to 46 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 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.

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:

	2016	2015
	(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 and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

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 3.2.

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 16.1.

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 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 policies

The significant accounting policies adopted in the preparation of these unconsolidated financial statements are set out below. Except for a change as mentioned in note 3.1, the policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 During the year the Company has adopted IFRS 13 'Fair Value Measurement' which became effective for the financial periods beginning on or after 1 January 2015. IFRS 13 Fair Value Measurement establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair values as the prices 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. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments Disclosures. As a result, the Company has included the additional disclosure in this regard in note 37.5 to the unconsolidated financial statements. In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change has no such significant impacts on the measurements of the Company's financial assets and liabilities. The Company has also adopted IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interest in Other Entities' which became applicable from 1 January, 2015, as per the adoption status of IFRS in Pakistan.

The application of IFRS 10, IFRS 11 and IFRS 12 did not have any impact on the unconsolidated financial statements of the Company.

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 3.19.

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 16.1 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 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 17.

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 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.

3.5 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 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.

3.7 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.

3.8 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.

3.9 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.

3.10 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.

3.11 Regular way purchases and sales of financial assets

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

3.12 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.

3.13 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. 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.

3.14 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.

3.15 Trade and other payables

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

3.16 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.

3.17 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.

3.18 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.

3.19 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.

3.20 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 and revised approved accounting standards, interpretations and amendments thereto

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2016:

– Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's unconsolidated financial statements.

– Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016] clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Company's unconsolidated financial statements.

– Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Company's unconsolidated financial statements.

– Amendment to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on the Company's unconsolidated financial statements.

– Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Company's unconsolidated financial statements.

– 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 are not likely to have an impact on the Company's unconsolidated 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 recognised for new and outstanding awards. The amendments are not likely to have an impact on Company's unconsolidated financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

– IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

– IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

– IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

– IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The above amendments are not likely to have an impact on the Company's unconsolidated financial statements.

5 Share capital

5.1 Authorized share capital

2016 Number of shares	2015 Number of shares		2016 Rupees	2015 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
49,893,060	49,893,060	Fully paid bonus shares of Rs. 10 each	498,930,600	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
77,350,000	77,350,000		773,500,000	773,500,000

5.3 Reconciliation of ordinary shares

77,350,000	58,000,000	Balance at 01 July	773,500,000	580,000,000
–	19,350,000	Shares issued during the year - note 5.4	–	193,500,000
77,350,000	77,350,000	Balance at 30 June	773,500,000	773,500,000

5.4 During the previous year, the Company issued of 19.35 million ordinary shares of Rs. 10 each at a price of Rs. 30 per share (including premium of Rs. 20 per share), through Initial Public Offer.

5.5 Directors hold 55,236,635 (2015: 56,548,135) ordinary shares of Rs. 10 each of the Company.

6 Share premium

This reserve can be utilized by the Company only for the purpose specified in Section 83(2) of the Companies Ordinance, 1984 (refer note 5.4 for details).

7 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.

	Note	2016 Rupees	2015 Rupees
8 Long term finance - secured			
These comprise of:			
8.1 Long term finance			
- Standard Chartered Bank (Pakistan) Limited (conventional window)	8.1.1	5,005,728	11,680,008
- Loan from customer	8.1.2	49,504,723	48,300,329
		54,510,451	59,980,337
Less: Current maturity	13	(29,925,082)	(6,674,292)
		24,585,369	53,306,045
8.2 Diminishing musharika			
- United Bank Limited - I	8.2.1	1,638,800	3,605,360
- United Bank Limited - II	8.2.2	9,431,000	18,862,000
		11,069,800	22,467,360
Less: Current maturity	13	(11,069,800)	(11,397,552)
		–	11,069,808
		24,585,369	64,375,853

		2016 Rupees	2015 Rupees
8.3	**Type of loans**		
	Interest / mark-up based loans	54,510,451	59,980,337
	Islamic mode of financing	11,069,800	22,467,360
		65,580,251	82,447,697

8.1.1 The long term finance amounting to Rs. 20.02 million has been obtained from Standard Chartered Bank (Pakistan) Limited ("SCB") for the purpose of retirement of letters of credit established with Meezan Bank Limited and SCB for import of plant and machinery ("the Assets") for the Company's business. The term finance agreement ("the Agreement") was entered on 21 March 2014 between the Company and SCB. As per terms of the Agreement, principal is payable in thirty six equal monthly installments started from 30 April 2014 and ending on 31 March 2017. This finance carries mark-up at the rate of three months KIBOR plus a spread of 1.75% per annum (2015: three months KIBOR plus a spread rate of 1.75% per annum), payable quarterly.

The loan along with other facilities provided by SCB are secured by:

- exclusive first charge by way of hypothecation on plant and machinery amounting to Rs. 31 million;
- first pari passu over present and future current assets of the Company by way of hypothecation amounting to Rs. 126.67 million;
- first pari passu over present and future plant and machinery of the Company by way of hypothecation amounting to Rs. 126.67 million; and

During the year, the Company has made repayments amounting to Rs. 6.67 million.

8.1.2 This represents a loan from a customer for production of specific items to be utilized for the customer's order. This carries mark up at 7.7 % 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. 1.99 million.

8.2.1 The facility amounting to Rs. 5.90 million has been obtained from United Bank Limited, Islamic Bank Branch ("UBL Ameen") for import of machinery and equipment ("Machinery"). The diminishing musharika agreement ("DMA - I") was entered on 14 April 2014 between the Company and UBL Ameen. As per terms of the DMA - I, musharika units are repayable in thirty six equal monthly installments starting from 15 May 2014 and ending on 15 April 2017. Under the musharika agreement, the Company holds joint ownership of the machine with UBL Ameen. The finance carries mark-up at six months KIBOR plus a spread of 2.00% per annum (2015: six months KIBOR plus a spread of 2.00% per annum), payable monthly.

The facility is secured in favour of UBL Ameen by:

- hypothecation charge on the machinery;
- demand promissory note amounting to Rs. 9.60 million; and

During the year, the Company has made repayments amounting to Rs. 1.97 million.

8.2.2 The facility amounting to Rs. 18.86 million has been obtained from United Bank Limited, Islamic Bank Branch ("UBL Ameen") to finance the acquisition of conductors, poles and other related accessories for independent feeder ("Equipments") from Water and Power Development Authority ("WAPDA") for uninterrupted power supply. The diminishing musharika agreement ("DMA - II") was entered on 26 June 2014 between the Company and UBL Ameen. As per terms of the DMA - II, musharika units are repayable in twenty four equal monthly installments starting from 30 July 2015 and ending on 30 June 2017. Under the musharika agreement, the Company holds joint ownership of the equipment with UBL Ameen. The finance carries mark-up at six months KIBOR plus a spread of 2.00% per annum (2015: six months KIBOR plus a spread of 2.00% per annum), payable monthly.

The facility is secured in favour of UBL Ameen by:

- hypothecation charge on the equipment; and
- demand promissory note amounting to Rs. 22.64 million.

During the year, the Company has made repayments amounting to Rs. 9.43 million.

	2016	2015
9 Liability against assets subject to finance lease		
Salient features of the leases are as follows:		
Discounting factor	7.15% to 13.16%	8.9% to 13.30%
Period of lease	36 - 60 months	36 months
Security deposits	10%	10%
Year of maturity	2016-2020	2015-2017

The Company has entered into finance lease arrangements with various financial institutions for lease of plant and machinery and vehicles as shown in note 16.1. 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:

	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 years	17,753,096	1,006,229	16,746,867
	38,584,197	2,876,485	35,707,712

	2015		
	Total future minimum lease payments	**Finance charges allocated to future periods**	**Principal**
	Rupees		
Not later than one year	63,568,697	5,486,449	58,082,248
Later than one year and not later than five years	31,280,561	1,899,109	29,381,452
	94,849,258	7,385,558	87,463,700

Notes to the Unconsolidated **Financial Statements**

for the year ended 30 June, 2016

		2016 Rupees	2015 Rupees
10	**Deferred taxation**		
	The liability for deferred taxation comprises temporary differences relating to:		
	Deferred tax liability arising on:		
	– accelerated tax depreciation	188,327,012	151,947,683
	Deferred tax asset arising on:		
	– finance lease transactions - net	(10,712,314)	(27,577,079)
	– impairment loss on subsidiary and others	(18,244,166)	(2,236,199)
		159,370,532	122,134,405
11	**Trade and other payables**		
	Trade creditors	54,348,126	57,998,145
	Accrued liabilities	31,458,235	35,538,246
	Advances from customers	6,830,205	9,834,869
	Workers' Profit Participation Fund	21,151,351	15,331,647
	Workers' Welfare Fund	8,035,413	4,990,831
	Payable to Provident Fund Trust	1,122,499	997,325
	Withholding tax payable	612,627	1,747,779
	Unclaimed dividend	275,607	137,244
	Others	4,210,577	892,430
		128,044,640	127,468,516

12 Short term borrowings - secured

These represent short term finances utilized under interest / mark-up arrangements from banking companies and financial institutions.

	Note	2016 Rupees	2015 Rupees
Type of loans			
Interest / mark-up based loans		95,332,958	289,177,271
Islamic mode of financing		156,511,393	91,273,330
		251,844,351	380,450,601
Short term running finance	12.1	50,270,026	189,337,718
Finance against trust receipts	12.2	201,574,325	191,112,883
		251,844,351	380,450,601

12.1 This represents utilized amount of short term running finance facilities available from commercial banks aggregating Rs. 295 million (2015: Rs. 412 million). These carry mark-up rates ranging from one month to three months KIBOR plus an agreed spread (2015: one month to three months KIBOR plus an agreed spread).

12.2 This represents utilized amount of finance against trust receipt available from commercial banks aggregating Rs. 535 million (2015: Rs. 535 million). These carry mark-up rates ranging from one month to three months KIBOR plus an agreed spread (2015: one month to three months KIBOR plus an agreed spread).

12.3 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	2016 Rupees	2015 Rupees
13 Current maturity of long term liabilities			
Long term finance	8.1	29,925,082	6,674,292
Diminishing musharika	8.2	11,069,800	11,397,552
Liabilities against assets subject to finance lease	9	18,960,845	58,082,248
		59,955,727	76,154,092
14 Accrued mark up			
Diminishing musharika		5,630	18,061
Short term borrowings		4,136,412	7,054,931
		4,142,042	7,072,992

15 Contingencies and commitments

15.1 Contingencies

15.1.1 Counter guarantees given by the Company to its bankers as at the reporting date amount to Rs. 25.43 million (2015: Rs. 50.97 million).

15.1.2 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.

15.1.3 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.

15.1.4 The Deputy Commissioner Inland Revenue had issued an order against the Company raising demand of sales tax of Rs. 7.6 million pertaining to TY 2012 based on a procedural matter. The Company had filed appeal before the Tribunal which was decided in favor of the Company through order No. 597/LB/2015 dated 07 October 2015.

15.1.5 The Additional Commissioner Inland Revenue has passed an assessment order against the Company on 30 April 2015 raising demand of Rs. 6.1 million pertaining to TY 2013. The Company had filed appeal against the order before Commissioner Inland Revenue (Appeals). As a result, the case was remanded back to Additional Commissioner Inland Revenue. As there is no expectation of any liability arising from the case therefore no provision is recorded in this regard.

15.1.6 The Deputy Commissioner Inland Revenue (DCIR) has passed an order against the Company on 20 June 2016 raising demand of Rs. 3.7 million under Section 25(3) of the Sales Tax Act, 1990. The Company filed appeal against the order before Commissioner Inland Revenue (Appeals), decision of which is pending.

15.1.7 Petition No. 39131 / 2015 was filed by the Company for issuance of exemption certificate under section 148 of the Income Tax Ordinance, 2001 in Lahore High Court in respect of import of plant and machinery. The same is still pending. However, the interim relief has been granted to the Company subject to furnishing bank guarantee.

	Note	2016 Rupees	2015 Rupees
15.2 Commitments			
15.2.1 Commitments under irrevocable letters of credit for:			
– Purchase of machinery		63,077,729	72,384,510
– Purchase of raw material		148,896,931	141,076,786
		211,974,660	213,461,296
16 Property, plant and equipment			
Operating fixed assets	16.1	1,471,554,511	990,506,538
Capital work in progress	16.6	43,782,702	39,838,683
		1,515,337,213	1,030,345,221

16.1 Operating fixed assets

	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 16.2)	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

	2015											
	Cost						Accumulated depreciation					
	As at 01 July 2014	Addition	Transfers	Disposals	As at 30 June 2015	Rate	As at 01 July 2014	For the year	Transfers	Disposals	As at 30 June 2015	Net book value as at 30 June 2015
	Rupees					%	Rupees					Rupees
Owned												
Freehold land												
– cost	20,481,919	–	–	–	20,481,919	–	–	–	–	–	–	20,481,919
– revaluation	226,943,081	–	–	–	226,943,081	–	–	–	–	–	–	226,943,081
	247,425,000	–	–	–	247,425,000	–	–	–	–	–	–	247,425,000
Buildings on freehold land	33,472,011	3,518,656	–	–	36,990,667	10%	21,425,202	1,366,993	–	–	22,792,195	14,198,472
Plant and machinery	778,102,226	121,280,079	27,821,061	(22,675,000)	904,528,366	10%	346,103,203	52,864,161	10,557,102	(14,674,171)	394,850,295	509,678,071
Office equipment	2,115,753	1,442,204	–	–	3,557,957	10%	1,453,587	190,227	–	–	1,643,814	1,914,143
Tools and equipment	3,926,931	3,058,188	–	–	6,985,119	10%	2,136,731	290,537	–	–	2,427,268	4,557,851
Computer equipment	9,392,594	661,324	–	–	10,053,918	30%	7,402,847	681,549	–	–	8,084,396	1,969,522
Furniture and fittings	5,970,689	3,961,294	–	–	9,931,983	10%	2,726,909	624,261	–	–	3,351,170	6,580,813
Vehicles	8,311,995	12,702,518	1,742,000	(773,000)	21,983,513	20%	5,244,152	1,269,875	713,366	(530,788)	6,696,605	15,286,908
	1,088,717,199	146,624,263	29,563,061	(23,448,000)	1,241,456,523		386,492,631	57,287,603	11,270,468	(15,204,959)	439,845,743	801,610,780
Leased												
Leasehold land	22,083,915	–	–	–	22,083,915	1.67%	1,844,007	368,801	–	–	2,212,808	19,871,107
Plant and machinery	163,452,757	53,882,777	(27,821,061)	–	189,514,473	10%	17,978,710	15,964,267	(10,557,102)	–	23,385,875	166,128,598
Vehicles	6,329,000	–	(1,742,000)	–	4,587,000	20%	1,680,300	724,013	(713,366)	–	1,690,947	2,896,053
	191,865,672	53,882,777	(29,563,061)	–	216,185,388		21,503,017	17,057,081	(11,270,468)	–	27,289,630	188,895,758
2015	1,280,582,871	200,507,040	–	(23,448,000)	1,457,641,911		407,995,648	74,344,684	–	(15,204,959)	467,135,373	990,506,538

16.2 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.

	2016 Rupees	2015 Rupees
16.3 The depreciation charge for the year has been allocated as follows:		
Cost of goods sold	77,055,795	66,166,769
Capital work in progress	3,152,214	743,447
Administrative expenses	4,456,001	3,717,234
Selling and distribution expenses	4,456,001	3,717,234
	89,120,011	74,344,684

16.4 The carrying value of freehold land would have been Rs. 77.20 million (2015: Rs. 20.48 million), had there been no revaluation.

16.5 Disposal of property, plant and equipment

Particulars	Cost	Accumulated depreciation	Written down value	Sales Proceeds	Gain/(loss)	Mode of disposal	Particulars of buyer
	Rupees						
Vehicles							
Motor cycle CD 70	73,509	12,849	60,660	66,410	5,750	Insurance claim against theft	
Motor cycle CD 70	71,027	43,873	27,154	29,520	2,366	Company Policy	Mr. Muhammad Akhtar
Motor cycle CD 70	71,027	43,873	27,154	24,998	(2,156)	Company Policy	Mr. Muhammad Abbas
Motor cycle CD 70	71,027	43,873	27,154	40,527	13,373	Company Policy	Mr. Muhammad Atif
Motor cycle CD 70	71,027	43,873	27,154	35,000	7,846	Company Policy	Mr. Muhammad Fiaz
Motor cycle CD 70	71,027	45,813	25,214	35,000	9,786	Company Policy	Mr. Muhammad Ashraf
Motor cycle CD 70	71,027	44,851	26,176	27,512	1,336	Company Policy	Mr. Muhammad Mumtaz
Motor cycle CD 70	71,027	46,298	24,729	30,628	5,899	Company Policy	Mr. Abdul Rasheed
Toyota Corolla XLI	935,000	830,422	104,578	500,000	395,422	Company Policy	Mr. Khuram Jahangir
Motor cycle CD 70	71,027	43,873	27,154	50,000	22,846	Negotiation	Mr. Khalil Ahmad
Motor cycle CD 70	71,027	43,873	27,154	45,000	17,846	Negotiation	Mr. M. Rizwan Hadyat
Motor cycle CD 70	71,027	43,873	27,154	45,000	17,846	Negotiation	Mr .Muhammad Amjad
	1,718,779	1,287,344	431,435	929,595	498,160		
2016	1,718,779	1,287,344	431,435	929,595	498,160		
2015	23,448,000	15,204,959	8,243,041	5,117,851	(3,125,190)		

16.6 Capital Work In Progress

	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

	30 June 2015			
	As at 01 July 2014	Additions	Transfers	As at 30 June 2015
	Rupees			
Capital Work In Progress	597,898	49,786,747	10,545,962	39,838,683

	2016 Rupees	2015 Rupees
16.7 The breakup is as follows		
Plant and machinery	43,374,711	39,838,683
Civil works	407,991	–
	43,782,702	39,838,683

16.8 During the year the Company has capitalized borrowing cost of Rs. 3.19 million in plant and machinery at markup rate of 7.7 % per annum

	2016 Rupees	2015 Rupees
17 Intangibles		
Cost	8,608,436	6,936,606
Accumulated amortization	(4,317,407)	(2,729,402)
As at 30 June	4,291,029	4,207,204
Amortization rate	20%	20%
17.1 Balance as at 01 July	4,207,204	5,368,325
Additions during the year	1,671,829	226,200
Amortization charge for year	(1,588,004)	(1,387,321)
Balance as at 30 June	4,291,029	4,207,204

This represents expenditure incurred on implementation of SAP business one suite. The amortization charge has been allocated to administrative expenses.

		Note	2016 Rupees	2015 Rupees
18	**Investment - related party**			
	18.1 Investment in subsidiary			
	SPEL Pharmatec (Private) Limited			
	600,002 (2015: 600,002) fully paid ordinary shares of Rs. 10 each			
	Capital held: 100% (2015: 100%)			
	Activity: medical and surgical equipment			
	Cost		6,000,020	6,000,020
	Advance for purchase of shares	18.1.1	2,299,980	3,999,980
			8,300,000	10,000,000
	Less: Accumulated impairment during the year		(7,861,755)	(7,453,995)
			438,245	2,546,005

18.1.1 The Company acquired a wholly-owned subsidiary, SPEL Pharmatec (Private) limited, as on 01 November 2013. During the year, advance for purchase of shares amounting to Rs. 1.70 million was repaid back to the Company.

		Note	2016 Rupees	2015 Rupees
19	**Long term deposits**			
	Financial institutions	19.1	13,954,799	5,637,101
	Utility companies and regulatory authorities		1,626,847	1,626,847
	Others		1,649,400	–
			17,231,046	7,263,948

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

		Note	2016 Rupees	2015 Rupees
20	**Stock-in-trade**			
	Raw and packing material		246,185,243	255,622,377
	Stock in transit		39,403,293	32,697,008
	Work in process		11,658,090	12,712,071
	Finished goods	20.1	19,298,362	20,660,042
			316,544,988	321,691,498

20.1 This includes net realizable value adjustment of Nil (2015: Rs. 2.68 million).

		2016 Rupees	2015 Rupees
21	**Income tax - net**		
	Income tax refundable	79,910,745	78,072,559
	Advance taxation - net	66,437,465	6,829,017
		146,348,210	84,901,576

		2016 Rupees	2015 Rupees
22	**Advances, deposits, prepayments and other receivables**		
	Advances - unsecured, considered good		
	– to employees	451,987	422,781
	– to suppliers for raw material	3,130,679	3,268,756
	Amounts paid against future shipments	6,486,686	3,627,520
	Short term deposits	249,400	10,802,445
	Sales tax receivable - net	36,277,281	3,160,873
	Interest receivable	430,228	8,482,699
	Prepaid insurance	4,128,457	956,933
	Other receivables	5,128,816	–
		56,283,534	30,722,007

23 Short term investments

These represent term deposit receipts of Habib Bank Limited carrying interest rate ranging from 6.35% to 6.7% (2015: 6.7% - 7.7%) per annum and are for the period from six to twelve months. These are under interest / markup based arrangements from conventional window of the bank.

		Note	2016 Rupees	2015 Rupees
24	**Cash and bank balances**			
	Cash in hand		25,000	25,000
	Cash at bank			
	– current accounts in local currency	24.1	47,127,786	36,957,483
	– current accounts in foreign currency with conventional banks		216,770	532,119
	– saving accounts in local currency	24.2	3,693,358	118,885
			51,037,914	37,608,487
			51,062,914	37,633,487

24.1 These include deposits amounting to Rs. 36.80 million (2015: Rs. 10.58 million) placed under an arrangement permissible under Shariah. Remaining balance represents deposits with conventional windows of the banks.

24.2 These carry return at 3.5% to 5% per annum (2015: 5% to 5.50% per annum). This represents deposits placed under an arrangement permissible under Shariah.

		2016 Rupees	2015 Rupees
25	**Sales - net**		
	Local	2,704,985,470	2,510,037,505
	Export	18,563,317	23,742,819
		2,723,548,787	2,533,780,324
	Less: Sales tax	(401,698,185)	(368,076,852)
		2,321,850,602	2,165,703,472

	Note	2016 Rupees	2015 Rupees
26 Cost of goods sold			
Raw and packing materials consumed		1,338,097,984	1,278,447,735
Stores, spare parts and loose tools consumed		9,038,932	6,396,086
Salaries, wages and benefits	26.1	144,437,204	137,727,612
Electricity, fuel and water charges		123,242,590	154,782,029
Depreciation on property, plant and equipment	16.3	77,055,795	66,166,769
Repairs and maintenance		35,678,255	32,741,565
Sorting charges		3,284,347	3,537,979
Insurance		3,197,322	4,179,529
Oil and lubricants		2,909,138	2,184,318
		1,736,941,567	1,686,163,622
Work in progress			
- At beginning of the year		12,712,071	10,361,284
- At end of the year		(11,658,090)	(12,712,071)
Cost of goods manufactured		1,737,995,548	1,683,812,835
Finished goods			
- At beginning of the year		20,660,042	9,750,005
- At end of the year		(19,298,362)	(20,660,042)
Cost of goods sold		1,739,357,228	1,672,902,798

26.1 Salaries, wages and benefits include Rs. 4.63 million (2015: Rs. 3.58 million) in respect of defined contribution plan.

	Note	2016 Rupees	2015 Rupees
27 Administrative expenses			
Salaries, wages and benefits	27.1	23,534,294	19,219,577
Directors' remuneration	40	32,218,474	29,986,863
Traveling expenses		20,678,270	19,290,902
Legal and professional charges		4,052,637	5,757,077
Vehicle running expenses		3,910,154	3,353,783
Insurance		1,539,232	1,877,759
Repair and maintenance		1,877,803	1,723,240
Telephone and postage		3,039,037	2,869,981
Depreciation on property, plant and equipment	16.3	4,456,001	3,717,234
Amortization on intangibles	17.1	1,588,004	1,387,321
Printing and stationery		3,502,562	2,309,526
Staff training and development		5,038,766	4,888,570
Fee and subscription		1,854,883	795,347
Rent, rates and taxes		421,595	176,255
Entertainment		2,706,737	1,503,292
Donations	27.2	620,000	856,000
Auditors' remuneration	27.3	840,000	775,000
Research and development		1,294,198	693,808
Miscellaneous expenses		3,551,140	3,153,580
		116,723,787	104,335,115

27.1 Salaries, wages and benefits include Rs. 0.94 million (2015: Rs. 0.76 million) in respect of defined contribution plan.

27.2 None of Directors and their spouses had any interest in any of the donees.

	Note	2016 Rupees	2015 Rupees
27.3 Auditors' remuneration			
Statutory audit fee including consolidation		550,000	500,000
Half yearly review		150,000	150,000
Certifications		–	50,000
CDC audit		75,000	–
Out of pocket expenses		65,000	75,000
		840,000	775,000
28 Selling and distribution expenses			
Salaries and benefits	28.1	4,205,596	4,231,139
Depreciation on property, plant and equipment	16.3	4,456,001	3,717,234
Freight and forwarding		36,207,837	31,800,941
Advertisement		1,534,359	1,459,917
Sales promotion expenses		1,041,200	1,207,500
		47,444,993	42,416,731

28.1 Salaries, wages and benefits include Rs. 0.15 million (2015: Rs. 0.19 million) in respect of defined contribution plan.

	2016 Rupees	2015 Rupees
29 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 from conventional windows of the banks	28,285,255	16,653,783
Gain on forex transactions- net - actual currency conversion	806,400	137,522
Income from non-financial assets		
Sale of unusable items	13,319,434	10,635,269
Gain on disposal of property, plant and equipment	498,160	–
Reversal of impairment loss on investment in associate	–	277,828
Other income	608,671	2,486,480
	14,426,265	13,399,577
	43,549,944	30,190,882
30 Other charges		
Workers' Profit Participation Fund	21,151,351	15,331,647
Workers' Welfare Fund	8,333,373	4,990,831
Loss on disposal of property, plant and equipment	–	3,125,190
Impairment loss - subsidiary	407,760	7,453,995
	29,892,484	30,901,663

		2016 Rupees	2015 Rupees
31	**Finance cost**		
	Mark-up on:		
	– short term borrowings - secured	30,007,666	42,884,943
	– long term finance - secured	2,668,541	5,553,023
	– advance from customer	–	52,850
	– lease finance	4,602,899	9,100,866
	Bank charges	1,160,183	1,435,909
		38,439,289	59,027,591
32	**Taxation**		
	Current :		
	– for the year	110,564	56,047,642
	– prior year	405,394	–
	Deferred		
	– for the year	37,236,126	517,317
		37,752,084	56,564,959
32.1	**Relationship between tax expense and accounting profit**		
	Profit before taxation	393,542,765	286,310,456
	Tax at 32%/33%	125,933,685	94,482,450
	Tax effect of:		
	– income under Final Tax Regime	(301,696)	(1,497,710)
	– tax rate adjustment	–	(17,163,164)
	– change in proportion of local and export sales	–	4,137,320
	– tax credits	(69,790,664)	(29,128,764)
	– others	(18,089,241)	5,734,827
		37,752,084	56,564,959

		Unit	2016	2015
33	**Earnings per share**			
33.1	**Basic earnings per share**			
	Profit for the year after taxation	Rupees	355,790,681	229,745,497
	Weighted average number of ordinary shares in issue during the year	Number	77,350,000	66,062,500
	Earnings per share	Rupees	4.60	3.48
33.2	**Reconciliation of weighted average number of shares**			
	Ordinary shares issued at 01 July	Number	77,350,000	58,000,000
	Effect of shares issued under initial public offer	Number	–	8,062,500
	Weighted average number of ordinary shares	Number	77,350,000	66,062,500

33.3 Diluted earnings per share

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

	Note	2016 Rupees	2015 Rupees
34 Cash generated from operations			
Profit before taxation		393,542,765	286,310,456
Adjustments for non-cash items:			
Finance cost		38,439,289	59,027,591
Depreciation on property, plant and equipment		85,967,797	73,601,237
Amortization of intangibles		1,588,004	1,387,321
Impairment loss on investment in subsidiary		407,760	7,453,995
Reversal of impairment loss on investment in associate		–	(277,828)
(Gain) / loss on disposal of property, plant and equipment		(498,160)	3,125,190
Provision for Workers' Profit Participation Fund and Workers' Welfare Fund		29,484,724	20,322,478
		155,389,414	164,639,984
Operating profit before working capital changes		548,932,179	450,950,440
(Increase) / decrease in current assets:			
Stores, spares and loose tools		(1,363,616)	(6,299,942)
Stock-in-trade		5,146,510	(71,284,442)
Trade debts		(32,002,449)	(63,927,497)
Advances, deposits, prepayments and other receivables		(36,363,972)	(19,834,222)
		(64,583,527)	(161,346,103)
Increase / (decrease) in current liabilities:			
Trade and other payables		(8,426,525)	36,208,882
		475,922,127	325,813,219
35 Cash and cash equivalents			
Short term running finance	12	(50,270,026)	(189,337,718)
Cash and bank balances	24	51,062,914	37,633,487
		792,888	(151,704,231)

36 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	2016 Transactions during the year	2016 closing balance	2015 Transactions during the year	2015 closing balance
				Rupees			
SPEL Pharmatec (Private) Limited	Subsidiary Company	Reimbursement of expenses		–	–	529,606	–
		Adjustment of advance through issuance of shares		–		5,900,020	
			18		2,299,980		3,999,980
		Refund of advance for issuance of shares		1,700,000	–	–	–
SPEL Technology Support (Private) Limited	Associated Company	Purchase of goods		–		201,250	
		Reimbursement of expenses		–		1,196,268	
Provident Fund Trust	Post employment benefit fund	Contribution		12,167,892		9,737,688	
			11		1,122,499		997,325
Directors		Dividend - as shareholders		55,243,135		28,274,068	
Key Management Personnel		Remuneration	40	54,280,812		46,601,482	

37 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:

37.1 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.

37.1.1 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	2016 Rupees	2015 Rupees
Loans and receivables			
Long term deposits	19	17,231,046	7,263,948
Trade debts		281,157,522	249,155,073
Deposits and other receivables	22	679,628	19,285,144
Short term investments	23	75,000,000	580,500,000
Bank balances	24	51,037,914	37,608,487
		425,106,110	893,812,652

37.1.2 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:

	2016 Rupees	2015 Rupees
Customers	281,157,522	249,155,073
Banking companies and financial institutions	140,672,341	643,030,732
Others	3,276,247	1,626,847
	425,106,110	893,812,652

37.1.3 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.

37.1.3(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	2016	2015
				Rupees	
Bank					
Allied Bank Limited	A1+	AA+	PACRA	4,029	611,719
Bank Islami Pakistan Limited	A1	A+	PACRA	4,509,528	10,235,178
Habib Bank Limited	A-1+	AAA	JCR-VIS	247,990	550,746
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	2,396,536	19,683,287
KASB Bank Limited	A3	BBB	PACRA	16,118	8,153
MCB Bank Limited	A1+	AAA	PACRA	731,002	819,848
Meezan Bank Limited	A-1+	AA	JCR-VIS	32,282,990	338,042
National Bank of Pakistan	A1+	AAA	JCR-VIS	3,395,659	84,368
United Bank Limited	A-1+	AA+	JCR-VIS	7,454,062	5,277,146
				51,037,914	37,608,487
Security deposits					
MCB Bank Limited	A1+	AAA	PACRA	8,567,097	–
First National Bank Modaraba	A1+	AAA	JCR-VIS	249,400	964,262
Habib Bank Limited	A-1+	AAA	JCR-VIS	5,387,702	15,475,284
				14,204,199	16,439,546
Short term investments					
Habib Bank Limited	A-1+	AAA	JCR-VIS	75,000,000	580,500,000
Interest receivable					
Habib Bank Limited	A-1+	AAA	JCR-VIS	430,228	8,482,699
				140,672,341	643,030,732

37.1.3(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	
	2016 Rupees	2015 Rupees
The aging of trade debts at the reporting date is:		
Not due	206,144,081	189,278,799
Past due 0 - 30 days	64,467,374	51,189,065
Past due 31 - 60 days	7,574,825	4,298,679
Past due 61 - 90 days	1,018,861	1,346,503
Past due 91 - 120 days	1,655,009	702,639
Past due 120 days	297,372	2,339,388
	281,157,522	249,155,073

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 (2015: nil).

37.2 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.

37.2.1 Exposure to liquidity risk

37.2.1(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.

		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	8	65,580,251	70,453,889	44,911,911	25,541,978	–
Liabilities against assets subject to finance lease	9	35,707,712	38,584,197	20,831,101	14,149,357	3,603,739
Trade and other payables	11	91,415,044	91,415,044	91,415,044	–	–
Short term borrowings	12	251,844,351	251,844,351	251,844,351	–	–
Accrued mark up	14	4,142,042	4,142,042	4,142,042	–	–
		448,689,400	456,439,523	413,144,449	39,691,335	3,603,739

		2015				
	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	8	82,447,697	87,401,500	22,960,292	64,441,208	–
Liabilities against assets subject to finance lease	9	87,463,700	94,849,258	63,568,697	31,280,561	–
Trade and other payables	11	95,563,390	95,563,390	95,563,390	–	–
Short term borrowings	12	380,450,601	380,450,601	380,450,601	–	–
Accrued mark up	14	7,072,992	7,072,992	7,072,992	–	–
		652,998,380	665,337,741	569,615,972	95,721,769	–

37.3 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.

37.3.1 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.

37.3.1(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:

	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

	2015		
	EURO	**USD**	**Total (Rupees)**
Assets			
Trade debts	8,979	–	1,019,779
Bank balances	–	5,243	532,119
	8,979	5,243	1,551,898
Liabilities			
Trade and other payables	–	–	–
Net assets exposure	8,979	5,243	1,551,898

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

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

	EURO		USD	
	2016	2015	2016	2015
	Rupees		Rupees	
Reporting date spot rate				
– *buying*	116.08	113.57	104.50	101.50
– *selling*	116.31	113.70	104.70	101.70
Average rate for the year	114.92	124.02	103.10	100.03

37.3.1(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.

	2016 Rupees	2015 Rupees
Effect on profit and loss		
EURO	109,783	101,978
USD	21,677	53,212
	131,460	155,190

37.3.1(d) ***Currency risk management***

Since the maximum amount exposed to currency risk is only 0.306% (2015: 0.174%) 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.

37.3.2 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.

37.3.2(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:

	2016		2015	
	Financial asset	Financial liability	Financial asset	Financial liability
	Rupees		Rupees	
Non-derivative financial instruments				
Fixed rate instruments	78,693,358	49,504,723	580,618,885	48,300,329
Variable rate instruments	–	303,627,591	–	502,061,669

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.

37.3.2(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	
	2016 Rupees	2015 Rupees
Increase of 100 basis points	(3,036,276)	(5,020,617)
Decrease of 100 basis points	3,036,276	5,020,617

37.3.2(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.

37.3.3 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 exposed to equity price risk.

37.4 Fair values

37.4.1 Fair value estimation

All financial assets and financial liabilities are initially recognised at the fair value of consideration paid or received, net of transaction costs as appropriate, and subsequently carried at fair value or amortized cost. Carrying value of all financial instruments approximate their carrying value.

Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Non-derivative financial instrument

The fair value of non-derivative financial asset is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-Derivative financial liabilities

Fair value, which is determine for disclosures purposes, is calculated based on the present value of future principal and interest cash flows, discounted at market rate of interest at the reporting date.

37.5 Financial instruments-fair values

The additional disclosures due to the adoption of IFRS 13 Fair value measurement are as follows:

		Carrying Amount			Fair Value		
		Loans and receivables	Other financial	Total	Level 1	Level 2	Level 3
	Note	Rupees					
On-Balance sheet financial instruments							
30 June 2016							
Financial assets measured at fair value		–	–	–	–	–	–
		–	–	–	–	–	–
Financial assets not measured at fair value							
Cash and bank balances		51,062,914	–	51,062,914	–	–	–
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	–	–	–
	37.6	430,259,926	–	430,259,926	–	–	–
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	–	–	–
	37.6	–	448,689,400	448,689,400	–	–	–

37.6 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.

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.

38 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.

	2016 Rupees	2015 Rupees
39 Restriction on title and assets pledged as security against long and short term borrowings		
Mortgages and charges		
Hypothecation charge over plant and machinery	806,260,000	673,670,000
Hypothecation over current assets	684,340,000	551,010,000

40 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 Group is as follows:

	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
Meeting fee	–	–	875,000	–	–
Advisory fee	–	–	5,400,000	–	–
Other benefits	169,957	109,654	53,666	86,180	–
	8,569,957	8,509,654	6,328,666	8,810,197	22,062,338
Number of persons	1	1	3	1	8

	2015				
	Directors				
	Chairman	Chief executive	Non-executive	Executive	Executives
	Rupees				
Managerial remuneration	5,600,000	5,600,000	–	3,200,000	8,120,400
Utilities and house rent	2,800,000	2,800,000	–	1,600,000	3,999,600
Contribution to provident fund	–	–	–	319,968	807,919
Bonus and rewards	–	–	–	1,500,000	3,686,700
Advisory fee	–	–	5,400,000	–	–
Other benefits	396,780	319,527	450,588	–	–
	8,796,780	8,719,527	5,850,588	6,619,968	16,614,619
Number of persons	1	1	1	1	6

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

40.2 Meeting fee was paid to non executive directors during the year for Rs 875,000 (2015: Nil)

41 Plant capacity and actual production

	Installed processing capacity		Actual processing	
	2016	2015	2016	2015
Small, medium and large mould making facility	60 to 70 moulds	60 to 70 moulds	43 moulds	48 to 50 moulds
Injection mould facility	3,300 tons plastic	3,100 tons plastic	1,727 tons of plastic	1,516 tons of plastic
Blow moulding facility	2,560 tons plastic	1,680 tons plastic	1,609 tons plastic	1,112 tons plastic
Extrusion	5,700 tons plastic	5,400 tons plastic	2,301 tons plastic	2,000 tons plastic
Thermoforming	2,200 tons plastic	1,700 tons plastic	1024 tons plastic	966 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.

42 Provident Fund Trust

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

	Unit	Un-audited 2016	Audited 2015
Size of the fund - total assets	Rupees	35,508,944	31,233,815
Cost of investments made	Rupees	33,124,766	27,294,976
Percentage of investments made	Percentage	93.29%	87.39%
Fair value of investments	Rupees	33,124,766	27,294,976

The breakup of fair value of investments is as follows:

	2016		2015	
	Rupees	Percentage	Rupees	Percentage
Defence Saving Certificates	4,977,932	15.03%	4,775,367	17.50%
Bank balances	1,146,834	3.46%	1,519,609	5.60%
Certificate of musharika	27,000,000	81.51%	21,000,000	76.90%
	33,124,766	100.00%	27,294,976	100.00%

42.1 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 2016		(Audited) 30 June 2015	
	% of total fund	Rupees	% of total fund	Rupees
Synthetic Products Enterprises Limited	98.69%	35,045,161	98.12%	30,646,619
SPEL Pharmatec (Private) Limited	0%	–	1.49%	465,384
SPEL Technology Support Limited	1.31%	463,783	0.39%	121,812

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

43 Number of employees

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

	Number of Employees	
	2016	2015
– Average number of employees	462	465
– As at 30 June	444	448

44 Non adjusting events after the balance sheet date

The Board of Directors of the Company in its meeting held on 26 July 2016 has proposed a final cash dividend of Rs. 1.0 (2015: Rs.0.5) per share, for the year ended 30 June 2016, for approval of the members in the Annual General Meeting to be held on 21 September 2016.

45 Date of authorization for issue

These unconsolidated financial statements were authorized for issue by the Board of Directors of the Company in its meeting held on 26 July 2016.

46 General

Figures have been rounded off to the nearest rupee.

Lahore | Chief Executive | Director

Consolidated **Financial Statements**

For the year ended 30 June 2016

Group Directors' Report **to the Shareholders**

For the year ended 30 June 2016

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 2016.

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 2016 has been presented separately along with its respective financial statements. However, SPEL Pharmatec (Private) Limited has stopped its operations till identification of an appropriate product line.

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 2016 is Rs. 4.60/-

Payment of Debts

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

Almas Hyder
Chairman

Zia Hyder Naqi
Chief Executive Officer

Place: Lahore
26 July 2016

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 2016 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 2016 and the results of their operations for the year then ended.

Date: 26 July 2016
Lahore

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

Consolidated **Balance Sheet**

As at 30 June, 2016

	Note	2016 Rupees	2015 Rupees
Equity And Liabilities			
Share capital and reserves			
Authorized share capital of Rs. 10 each	5.1	1,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital	5.2	773,500,000	773,500,000
Share premium	6	347,391,050	347,391,050
Accumulated profit		486,142,173	207,808,962
		1,607,033,223	1,328,700,012
Surplus on revaluation of land	7	226,943,081	226,943,081
Non-current liabilities			
Long term finance - secured	8.1	24,585,369	53,306,045
Diminishing musharika - secured	8.2	–	11,069,808
Liabilities against assets subject to finance lease	9	16,746,867	29,381,452
Deferred taxation	10	161,729,058	124,370,604
		203,061,294	218,127,909
Current liabilities			
Trade and other payables	11	128,169,404	127,659,350
Short term borrowings - secured	12	251,844,351	380,450,601
Current maturity of long term liabilities	13	59,955,727	76,154,092
Accrued mark up	14	4,142,042	7,072,992
		444,111,524	591,337,035
		2,481,149,122	2,365,108,037
Contingencies and commitments	15		

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

Lahore

Chief Executive

Director

	Note	2016 Rupees	2015 Rupees
Assets			
Non-current assets			
Property, plant and equipment	16	1,515,353,994	1,030,363,969
Intangibles	17	4,291,029	4,207,204
Long term deposits	18	17,231,046	7,263,948
		1,536,876,069	1,041,835,121
Current assets			
Stores, spares and loose tools		17,329,657	15,966,041
Stock-in-trade	19	316,544,988	321,691,498
Trade debts - unsecured, considered good		281,157,522	249,451,311
Income tax - net	20	146,444,813	84,987,657
Advances, deposits, prepayments and other receivables	21	56,600,730	31,097,917
Short term investments	22	75,000,000	582,103,302
Cash and bank balances	23	51,195,343	37,975,190
		944,273,053	1,323,272,916
		2,481,149,122	2,365,108,037

Lahore　　Chief Executive　　Director

Consolidated Profit **and Loss Account**

for the year ended 30 June, 2016

	Note	2016 Rupees	2015 Rupees
Sales - net	24	2,321,735,945	2,166,769,428
Cost of sales	25	(1,739,357,228)	(1,673,470,689)
Gross profit		582,378,717	493,298,739
Administrative expenses	26	(117,067,186)	(107,644,835)
Selling and distribution expenses	27	(47,447,393)	(43,035,884)
Operating profit		417,864,138	342,618,020
Other income	28	43,621,700	30,474,069
Other charges	29	(29,484,724)	(23,447,668)
Finance cost	30	(38,442,557)	(59,030,566)
Profit before taxation		393,558,557	290,613,855
Taxation	31	(37,875,346)	(58,811,818)
Profit after taxation		355,683,211	231,802,037

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

Lahore | Chief Executive | Director

Consolidated Statement of **Comprehensive Income**

for the year ended 30 June, 2016

	2016 Rupees	2015 Rupees
Profit after taxation	355,683,211	231,802,037
Other comprehensive income	–	–
Total comprehensive income for the year	355,683,211	231,802,037

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

Lahore

Chief Executive

Director

Consolidated Statement of **Change in Equity**

for the year ended 30 June, 2016

	Issued subscribed and paid-up capital	Advance against share capital	Capital reserve Share premium	Revenue reserve Accumulated profit	Total
	Rupees				
As at 30 June 2014	580,000,000	–	–	14,681,925	594,681,925
Total comprehensive income for the year					
Profit after taxation	–	–	–	231,802,037	231,802,037
Other comprehensive income	–	–	–	–	–
	–	–	–	231,802,037	231,802,037
Transactions with owners of the Company					
Advance received against shares	–	580,500,000	–	–	580,500,000
Shares issued during the year					
19,350,000 shares of Rs. 10 each	193,500,000	(193,500,000)	–	–	–
Share premium	–	(387,000,000)	387,000,000	–	–
Expenses incurred on issuance of shares	–	–	(39,608,950)	–	(39,608,950)
Interim cash dividend for the year ended 30 June 2015 @ Rs. 0.5 per share	–	–	–	(38,675,000)	(38,675,000)
	193,500,000	–	347,391,050	(38,675,000)	502,216,050
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

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

Lahore

Chief Executive

Director

Consolidated Cash **Flow Statement**

for the year ended 30 June, 2016

	Note	2016 Rupees	2015 Rupees
Cash flows from operating activities			
Cash generated from operations	32	475,821,008	322,683,442
Workers' Profit Participation Fund and Workers' Welfare Fund paid		(20,620,438)	(12,122,756)
Finance cost paid		(40,322,350)	(55,011,157)
Taxes paid		(61,974,047)	(60,202,324)
Long term deposits - net		(9,967,098)	5,357,244
Cash generated from operating activities		342,937,075	200,704,449
Cash flows from investing activities			
Fixed capital expenditure		(561,444,827)	(185,121,601)
Intangibles acquired		(1,671,830)	(226,200)
Proceeds from disposal of property, plant and equipment		929,595	5,117,851
Proceeds from disposal of investment in associate		–	4,674,194
Short term investments		507,103,302	(582,103,302)
Net cash used in investing activities		(55,083,760)	(757,659,058)
Cash flows from financing activities			
Proceeds from issuance of capital - net		–	540,891,050
Principal repayment of lease liability		(47,701,543)	(47,165,458)
Long term finance obtained		–	47,250,000
Long term finance and diminishing musharika repaid		(21,113,732)	(9,197,030)
Short term borrowings - net		10,461,442	(88,765,114)
Cash dividend paid		(77,211,637)	(38,537,756)
Net cash (used in) / generated from financing activities		(135,565,470)	404,475,692
Net increase / (decrease) in cash and cash equivalents		152,287,845	(152,478,917)
Cash and cash equivalents at beginning of the year		(151,362,528)	1,116,389
Cash and cash equivalents at end of the year	33	925,317	(151,362,528)

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

Lahore | Chief Executive | Director

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.

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 and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board as notified under the provisions of the Companies Ordinance, 1984.Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

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 3.3.

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 16.1.

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 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 and 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 policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. Except for a change as mentioned in note 3.1, the policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 During the year the Group has adopted IFRS 13 'Fair Value Measurement' which became effective for the financial periods beginning on or after 1 January 2015. IFRS 13 Fair Value Measurement establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair values as the prices 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. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments Disclosures. As a result, the Group has included the additional disclosure in this regard in note 35.5 to the consolidated financial statements. In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change has no such significant impacts on the measurements of the Group's financial assets and liabilities. The Group has also adopted IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interest in Other Entities' which became applicable from 1 January, 2015, as per the adoption status of IFRS in Pakistan.

The application of IFRS 10, IFRS 11 and IFRS 12 did not have any impact on the consolidated financial statements of the Company.

3.2 Basis of consolidation

3.2.1 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 subsidiaries 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.

3.3 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 3.19.

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 16.1 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 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.

3.4 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 17.

3.5 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.

3.6 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.

3.7 Employee benefits

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

3.8 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.

3.9 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.

3.10 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.

3.11 Regular way purchases and sales of financial assets

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

3.12 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.

3.13 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.

3.14 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.

3.15 Trade and other payables

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

3.16 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.

3.17 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.

3.18 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.

3.19 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.

3.20 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 as the Board of Directors views the Holding Company's operations as one reportable segment. However, the Group derives revenue from local and export sales.

4 New and revised approved accounting standards, interpretations and amendments thereto

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 July 2016:

– Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Group's consolidated financial statements.

– Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016] clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Group's consolidated financial statements.

– Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Group's consolidated financial statements.

– Amendment to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on the Group's consolidated financial statements.

– Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a Group can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period;

and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Group's consolidated financial statements.

– 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 are not likely to have an impact on the Group's consolidated 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 recognised for new and outstanding awards. The amendments are not likely to have an impact on Group's consolidated financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

– IFRS 5 Non-current 'Assets Held for Sale and Discontinued Operations'. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

– IFRS 7 'Financial Instruments - Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

– IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

– IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The above amendments are not likely to have an impact on the Group's consolidated financial statements.

5 Share capital

5.1 Authorized share capital

2016 Number of shares	2015 Number of shares		2016 Rupees	2015 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
49,893,060	49,893,060	Fully paid bonus shares of Rs. 10 each	498,930,600	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
77,350,000	77,350,000		773,500,000	773,500,000

5.3 Reconciliation of ordinary shares

77,350,000	58,000,000	Balance at 01 July	773,500,000	580,000,000
–	19,350,000	Shares issued during the year - note 5.4	–	193,500,000
77,350,000	77,350,000	Balance at 30 June	773,500,000	773,500,000

5.4 During the previous year, the Group issued 19.35 million ordinary shares of Rs. 10 each at a price of Rs. 30 per share (including premium of Rs. 20 per share), through Initial Public Offer.

5.5 Directors hold 55,236,635 (2015: 56,548,135) ordinary shares of Rs. 10 each of the Group.

6 Share premium

This reserve can be utilized by the Group only for the purpose specified in Section 83(2) of the Companies Ordinance, 1984 (refer note 5.4 for details).

7 Surplus on revaluation of land

Land of the Group 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.

	Note	2016 Rupees	2015 Rupees
8 Long term finance - secured			
These comprise of:			
8.1 Long term finance			
– Standard Chartered Bank (Pakistan) Limited (conventional window)	8.1.1	5,005,728	11,680,008
– Loan from customer	8.1.2	49,504,723	48,300,329
		54,510,451	59,980,337
Less: Current maturity13		(29,925,082)	(6,674,292)
		24,585,369	53,306,045
8.2 Diminishing musharika			
– United Bank Limited - I	8.2.1	1,638,800	3,605,360
– United Bank Limited - II	8.2.2	9,431,000	18,862,000
		11,069,800	22,467,360
Less: Current maturity	13	(11,069,800)	(11,397,552)
		–	11,069,808
		24,585,369	64,375,853

		2016 Rupees	2015 Rupees
8.3	**Type of loans**		
	Interest / mark-up based loans	54,510,451	59,980,337
	Islamic mode of financing	11,069,800	22,467,360
		65,580,251	82,447,697

8.1.1 The long term finance amounting to Rs. 20.02 million has been obtained from Standard Chartered Bank (Pakistan) Limited ("SCB") for the purpose of retirement of letters of credit established with Meezan Bank Limited and SCB for import of plant and machinery ("the Assets") for the Group's business. The term finance agreement ("the Agreement") was entered on 21 March 2014 between the Group and SCB. As per terms of the Agreement, principal is payable in thirty six equal monthly installments started from 30 April 2014 and ending on 31 March 2017. This finance carries mark-up at the rate of three months KIBOR plus a spread of 1.75% per annum (2015: three months KIBOR plus a spread rate of 1.75% per annum), payable quarterly.

The loan along with other facilities provided by SCB are secured by:

- exclusive first charge by way of hypothecation on plant and machinery amounting to Rs. 31 million;
- first pari passu over present and future current assets of the Group by way of hypothecation amounting to Rs. 126.67 million;
- first pari passu over present and future plant and machinery of the Group by way of hypothecation amounting to Rs. 126.67 million; and

During the year, the Group has made repayments amounting to Rs. 6.67 million.

8.1.2 This represents a loan from a customer for production of specific items to be utilized for the customer's order. This carries mark up at 7.7 % 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. 1.99 million.

8.2.1 The facility amounting to Rs. 5.90 million has been obtained from United Bank Limited, Islamic Bank Branch ("UBL Ameen") for import of machinery and equipment ("Machinery"). The diminishing musharika agreement ("DMA - I") was entered on 14 April 2014 between the Group and UBL Ameen. As per terms of the DMA - I, musharika units are repayable in thirty six equal monthly installments starting from 15 May 2014 and ending on 15 April 2017. Under the musharika agreement, the Group holds joint ownership of the machine with UBL Ameen. The finance carries mark-up at six months KIBOR plus a spread of 2.00% per annum (2015: six months KIBOR plus a spread of 2.00% per annum), payable monthly.

The facility is secured in favour of UBL Ameen by:

- hypothecation charge on the machinery;
- demand promissory note amounting to Rs. 9.60 million; and

During the year, the Company has made repayments amounting to Rs. 1.97 million.

8.2.2 The facility amounting to Rs. 18.86 million has been obtained from United Bank Limited, Islamic Bank Branch ("UBL Ameen") to finance the acquisition of conductors, poles and other related accessories for independent feeder ("Equipments") from Water and Power Development Authority ("WAPDA") for uninterrupted power supply. The diminishing musharika agreement ("DMA - II") was entered on 26 June 2014 between the Group and UBL Ameen. As per terms of the DMA - II, musharika units are repayable in twenty four equal monthly installments starting from 30 July 2015 and ending on 30 June 2017. Under the musharika agreement, the Group holds joint ownership of the equipment with UBL Ameen. The finance carries mark-up at six months KIBOR plus a spread of 2.00% per annum

(2015: six months KIBOR plus a spread of 2.00% per annum), payable monthly.

The facility is secured in favour of UBL Ameen by:

– hypothecation charge on the equipment; and

– demand promissory note amounting to Rs. 22.64 million.

During the year, the Group has made repayments amounting to Rs. 9.43 million.

	2016	2015
9 Liability against assets subject to finance lease		
Salient features of the leases are as follows:		
Discounting factor	7.15% to 13.16%	8.9% to 13.30%
Period of lease	36 - 60 months	36 months
Security deposits	10%	10%
Year of maturity	2016-2020	2015-2017

The Group has entered into finance lease arrangements with various financial institutions for lease of plant and machinery and vehicles as shown in note 16.1. 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 Group'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 Group 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:

	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 years	17,753,096	1,006,229	16,746,867
	38,584,197	2,876,485	35,707,712

	2015		
	Total future minimum lease payments	**Finance charges allocated to future periods**	**Principal**
	Rupees		
Not later than one year	63,568,697	5,486,449	58,082,248
Later than one year and not later than five years	31,280,561	1,899,109	29,381,452
	94,849,258	7,385,558	87,463,700

		2016 Rupees	2015 Rupees
10	**Deferred taxation**		
	The liability for deferred taxation comprises temporary differences relating to:		
	Deferred tax liability arising on:		
	– accelerated tax depreciation	188,327,012	151,947,683
	Deferred tax asset arising on:		
	– finance lease transactions - net	(10,712,314)	(27,577,079)
	– others	(15,885,640)	–
		161,729,058	124,370,604
11	**Trade and other payables**		
	Trade creditors	54,348,126	57,998,145
	Accrued liabilities	31,508,235	35,648,685
	Advances from customers	6,830,205	9,834,869
	Workers' Profit Participation Fund	21,151,351	15,331,647
	Workers' Welfare Fund	8,035,413	4,990,831
	Payable to Provident Fund Trust	1,122,499	1,007,325
	Withholding tax payable	612,627	1,750,115
	Unclaimed dividend	275,607	137,244
	Others	4,285,341	960,489
		128,169,404	127,659,350

12 Short term borrowings - secured

These represent short term finances utilized under interest / mark-up arrangements from banking companies and financial institutions.

	Note	2016 Rupees	2015 Rupees
Type of loans			
Interest / mark-up based loans		95,332,958	289,177,271
Islamic mode of financing		156,511,393	91,273,330
		251,844,351	380,450,601
Short term running finance	12.1	50,270,026	189,337,718
Finance against trust receipts	12.2	201,574,325	191,112,883
		251,844,351	380,450,601

12.1 This represents utilized amount of short term running finance facilities available from commercial banks aggregating Rs. 295 million (2015: Rs. 412 million). These carry mark-up rates ranging from one month to three months KIBOR plus an agreed spread (2015: one month to three months KIBOR plus an agreed spread).

12.2 This represents utilized amount of finance against trust receipt available from commercial banks aggregating Rs. 535 million (2015: Rs. 535 million). These carry mark-up rates ranging from one month to three months KIBOR plus an agreed spread (2015: one month to three months KIBOR plus an agreed spread).

12.3 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	2016 Rupees	2015 Rupees
13	**Current maturity of long term liabilities**			
	Long term finance - secured	8	29,925,082	6,674,292
	Diminishing musharika - secured	8	11,069,800	11,397,552
	Liabilities against assets subject to finance lease	9	18,960,845	58,082,248
			59,955,727	76,154,092
14	**Accrued mark up**			
	Diminishing musharika		5,630	18,061
	Short term borrowings		4,136,412	7,054,931
			4,142,042	7,072,992

15 Contingencies and commitments

15.1 Contingencies

15.1.1 Counter guarantees given by the Group to its bankers as at the reporting date amount to Rs. 25.43 million (2015: Rs. 50.97 million).

15.1.2 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.

15.1.3 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.

15.1.4 The Deputy Commissioner Inland Revenue had issued an order against the Holding Company raising demand of sales tax of Rs. 7.6 million pertaining to TY 2012 based on a procedural matter. The Holding Company had filed appeal before the Tribunal which was decided in favor of the Holding Company through order No. 597/LB/2015 dated 07 October 2015.

15.1.5 The Additional Commissioner Inland Revenue has passed an assessment order against the Holding Company on 30 April 2015 raising demand of Rs. 6.1 million pertaining to TY 2013. The Holding Company had filed appeal against the order before Commissioner Inland Revenue (Appeals). As a result, the case was remanded back to Additional Commissioner Inland Revenue. As there is no expectation of any liability arising from the case therefore no provision is recorded in this regard in these consolidated financial statements

15.1.6 The Deputy Commissioner Inland Revenue (DCIR) has passed an order against the Holding Company on 20 June 2016 raising demand of Rs. 3.7 million under Section 25(3) of the Sales Tax Act, 1990. The Holding Company filed appeal against the order before Commissioner Inland Revenue (Appeals), decision of which is pending.

15.1.7 Petition No. 39131 / 2015 was filed by the Holding Company for issuance of exemption certificate under section 148 of the Income Tax Ordinance, 2001 in Lahore High Court in respect of import of plant and machinery. The same is still pending. However, the interim relief has been granted to the Holding Company subject to furnishing bank guarantee.

	Note	2016 Rupees	2015 Rupees
15.2 Commitments			
15.2.1 Commitments under irrevocable letters of credit for:			
– Purchase of machinery		63,077,729	72,384,510
– Purchase of raw material		148,896,931	141,076,786
		211,974,660	213,461,296
16 Property, plant and equipment			
Operating fixed assets	16.1	1,471,571,292	990,525,286
Capital work in progress	16.6	43,782,702	39,838,683
		1,515,353,994	1,030,363,969

16.1 Operating fixed assets

	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 16.2)	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

	2015											
	Cost						Accumulated depreciation					
	As at 01 July 2014	Addition	Transfers	Disposals	As at 30 June 2015	Rate	As at 01 July 2014	For the year	Transfers	Disposals	As at 30 June 2015	Net book value as at 30 June 2015
	Rupees					%	Rupees					Rupees
Owned												
Freehold land												
– cost	20,481,919	–	–	–	20,481,919	–	–	–	–	–	–	20,481,919
– revaluation	226,943,081	–	–	–	226,943,081	–	–	–	–	–	–	226,943,081
	247,425,000	–	–	–	247,425,000		–	–	–	–	–	247,425,000
Buildings on freehold land	33,472,011	3,518,656	–	–	36,990,667	10%	21,425,202	1,366,993	–	–	22,792,195	14,198,472
Plant and machinery	778,102,226	121,280,079	27,821,061	(22,675,000)	904,528,366	10%	346,103,203	52,864,161	10,557,102	(14,674,171)	394,850,295	509,678,071
Office equipment	2,129,343	1,442,204	–	–	3,571,547	10%	1,453,860	191,559	–	–	1,645,419	1,926,128
Tools and equipment	3,926,931	3,058,188	–	–	6,985,119	10%	2,136,731	290,537	–	–	2,427,268	4,557,851
Computer equipment	9,393,344	661,324	–	–	10,054,668	30%	7,402,941	681,746	–	–	8,084,687	1,969,981
Furniture and fittings	5,977,998	3,961,294	–	–	9,939,292	10%	2,727,214	624,961	–	–	3,352,175	6,587,117
Vehicles	8,311,995	12,702,518	1,742,000	(773,000)	21,983,513	20%	5,244,152	1,269,875	713,366	(530,788)	6,696,605	15,286,908
	1,088,738,848	146,624,263	29,563,061	(23,448,000)	1,241,478,172		386,493,303	57,289,832	11,270,468	(15,204,959)	439,848,644	801,629,528
Leased												
Leasehold land	22,083,915	–	–	–	22,083,915	1.67%	1,844,007	368,801	–	–	2,212,808	19,871,107
Plant and machinery	163,452,757	53,882,777	(27,821,061)	–	189,514,473	10%	17,978,710	15,964,267	(10,557,102)	–	23,385,875	166,128,598
Vehicles	6,329,000	–	(1,742,000)	–	4,587,000	20%	1,680,300	724,013	(713,366)	–	1,690,947	2,896,053
	191,865,672	53,882,777	(29,563,061)	–	216,185,388		21,503,017	17,057,081	(11,270,468)	–	27,289,630	188,895,758
2015	1,280,604,520	200,507,040	–	(23,448,000)	1,457,663,560		407,996,320	74,346,913	–	(15,204,959)	467,138,274	990,525,286

16.2 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.

	2016 Rupees	2015 Rupees
16.3 The depreciation charge for the year has been allocated as follows:		
Cost of goods sold	77,055,795	66,166,769
Capital work in progress	3,152,214	743,447
Administrative expenses	4,457,968	3,719,463
Selling and distribution expenses	4,456,001	3,717,234
	89,121,978	74,346,913

16.4 The carrying value of freehold land would have been Rs. 77.20 million (2015: Rs. 20.48 million), had there been no revaluation.

16.5 Disposal of property, plant and equipment

Particulars	Cost	Accumulated depreciation	Written down value	Sales Proceeds	Gain/(loss)	Mode of disposal	Particulars of buyer
	Rupees						
Vehicles							
Motor cycle CD 70	73,509	12,849	60,660	66,410	5,750	Insurance claim against theft	
Motor cycle CD 70	71,027	43,873	27,154	29,520	2,366	Group Policy	Mr. Muhammad Akhtar
Motor cycle CD 70	71,027	43,873	27,154	24,998	(2,156)	Group Policy	Mr. Muhammad Abbas
Motor cycle CD 70	71,027	43,873	27,154	40,527	13,373	Group Policy	Mr. Muhammad Atif
Motor cycle CD 70	71,027	43,873	27,154	35,000	7,846	Group Policy	Mr. Muhammad Fiaz
Motor cycle CD 70	71,027	45,813	25,214	35,000	9,786	Group Policy	Mr. Muhammad Ashraf
Motor cycle CD 70	71,027	44,851	26,176	27,512	1,336	Group Policy	Mr. Muhammad Mumtaz
Motor cycle CD 70	71,027	46,298	24,729	30,628	5,899	Group Policy	Mr. Abdul Rasheed
Toyota Corolla XLI	935,000	830,422	104,578	500,000	395,422	Group Policy	Mr. Khuram Jahangir
Motor cycle CD 70	71,027	43,873	27,154	50,000	22,846	Negotiation	Mr. Khalil Ahmad
Motor cycle CD 70	71,027	43,873	27,154	45,000	17,846	Negotiation	Mr. M. Rizwan Hadyat
Motor cycle CD 70	71,027	43,873	27,154	45,000	17,846	Negotiation	Mr .Muhammad Amjad
	1,718,779	1,287,344	431,435	929,595	498,160		
2016	1,718,779	1,287,344	431,435	929,595	498,160		
2015	23,448,000	15,204,959	8,243,041	5,117,851	(3,125,190)		

16.6 Capital Work In Progress

	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

	30 June 2015			
	As at 01 July 2014	Additions	Transfers	As at 30 June 2015
	Rupees			
Capital Work In Progress	597,898	49,786,747	10,545,962	39,838,683

	2016 Rupees	2015 Rupees
16.7 The breakup is as follows		
Plant and machinery	43,374,711	39,838,683
Civil works	407,991	–
	43,782,702	39,838,683

16.8 During the year the Group has capitalized borrowing cost of Rs. 3.19 million in plant and machinery at markup rate of 7.7 % per annum.

	2016 Rupees	2015 Rupees
17 Intangibles		
Cost	8,608,436	6,936,606
Accumulated amortization	(4,317,407)	(2,729,402)
As at 30 June	4,291,029	4,207,204
Amortization rate	20%	20%
17.1 Balance as at 01 July	4,207,204	5,368,325
Additions during the year	1,671,829	226,200
Amortization charge for year	(1,588,004)	(1,387,321)
Balance as at 30 June	4,291,029	4,207,204

This represents expenditure incurred on implementation of SAP business one suite. The amortization charge has been allocated to administrative expenses.

	Note	2016 Rupees	2015 Rupees
18 Long term deposits			
Financial institutions	18.1	13,954,799	5,637,101
Utility companies and regulatory authorities		1,626,847	1,626,847
Others		1,649,400	–
		17,231,046	7,263,948

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

		Note	2016 Rupees	2015 Rupees
19	**Stock-in-trade**			
	Raw and packing material		246,185,243	255,622,377
	Stock in transit		39,403,293	32,697,008
	Work in process		11,658,090	12,712,071
	Finished goods	19.1	19,298,362	20,660,042
			316,544,988	321,691,498

19.1 This includes net realizable value adjustment of Nil (2015: Rs. 2.68 million).

		2016 Rupees	2015 Rupees
20	**Income tax - net**		
	Income tax refundable	80,008,283	78,072,559
	Taxation - net	66,436,530	6,915,098
		146,444,813	84,987,657
21	**Advances, deposits, prepayments and other receivables**		
	Advances - unsecured, considered good		
	– to employees	451,987	426,374
	– to suppliers for raw material	3,447,875	3,641,073
	Amount paid against future shipments	6,486,686	3,627,520
	Short term deposits	249,400	10,802,445
	Sales tax receivable - net	36,277,281	3,160,873
	Interest receivable	430,228	8,482,699
	Prepaid insurance	4,128,457	956,933
	Other receivables	5,128,816	–
		56,600,730	31,097,917

22 Short term investments

These represent term deposit receipts of Habib Bank Limited under interest / markup based arrangement from conventional window of the bank amounting to Rs. 75 million (2015:Rs. 580.5 million); and First National Bank Modaraba under Shariah permissible arrangement amounting to Nil (2015:Rs. 1.6 million). These carry return ranging from 6.35% to 6.7% (2015: 6.7% - 7.7%) per annum and are for the period from six to twelve months.

		Note	2016 Rupees	2015 Rupees
23	**Cash and bank balances**			
	Cash in hand		25,087	25,087
	Cash at bank			
	– current accounts in local currency	23.1	47,128,696	36,958,393
	– current accounts in foreign currency with conventional banks		216,770	532,119
	– saving accounts in local currency	23.2	3,824,790	459,591
			51,170,256	37,950,103
			51,195,343	37,975,190

23.1 These include deposits amounting to Rs. 36.80 million (2015: Rs. 10.58 million) placed under an arrangement permissible under Shariah. Remaining balance represents deposits with conventional windows of the banks.

23.2 These carry return at 3.5% to 5% per annum (2015: 5% to 5.50% per annum). These include Rs. 3.69 million (2015 : Rs. 0.12 million) placed under Shariah permissible arrangement.

		Note	2016 Rupees	2015 Rupees
24	**Sales - net**			
	Local		2,704,870,813	2,511,103,461
	Export		18,563,317	23,742,819
			2,723,434,130	2,534,846,280
	Less: Sales tax		(401,698,185)	(368,076,852)
			2,321,735,945	2,166,769,428
25	**Cost of sales**			
	Raw and packing materials consumed		1,338,097,984	1,278,955,838
	Stores, spare and loose tools consumed		9,038,932	6,396,086
	Salaries, wages and benefits	25.1	144,437,204	137,727,612
	Electricity, fuel and water charges		123,242,590	154,782,029
	Depreciation on property, plant and equipment	16.3	77,055,795	66,166,769
	Repair and maintenance		35,678,255	32,741,565
	Sorting charges		3,284,347	3,537,979
	Insurance		3,197,322	4,179,529
	Oil and lubricants		2,909,138	2,184,318
			1,736,941,567	1,686,671,725
	Work in progress			
	- At beginning of the year		12,712,071	10,361,284
	- At end of the year		(11,658,090)	(12,712,071)
	Cost of goods manufactured		1,737,995,548	1,684,320,938
	Finished goods			
	- At beginning of the year		20,660,042	9,809,793
	- At end of the year		(19,298,362)	(20,660,042)
	Cost of goods sold		1,739,357,228	1,673,470,689

25.1 Salaries, wages and benefits include Rs. 4.63 million (2015: Rs. 3.58 million) in respect of defined contribution plan.

	Note	2016 Rupees	2015 Rupees
26 Administrative expenses			
Salaries, wages and benefits	26.1	23,774,294	21,156,962
Directors' remuneration		32,218,474	29,986,863
Traveling expenses		20,702,792	19,682,905
Legal and professional charges		4,053,272	5,899,922
Vehicle running expenses		3,910,154	3,353,783
Insurance		1,539,232	1,877,759
Repair and maintenance		1,882,803	1,724,570
Telephone and postage		3,040,037	2,902,724
Depreciation on property, plant and equipment	16.3	4,457,968	3,719,463
Amortization on intangibles	17.1	1,588,004	1,387,321
Printing and stationery		3,503,627	2,580,286
Staff training and development		5,038,766	4,888,570
Fee and subscription		1,862,118	1,221,688
Rent, rates and taxes		427,195	176,255
Entertainment		2,706,737	1,503,292
Donations	26.2	620,000	856,000
Auditors' remuneration	26.3	890,000	825,000
Research and development		1,294,198	705,058
Miscellaneous expenses		3,557,515	3,196,414
		117,067,186	107,644,835

26.1 Salaries, wages and benefits include Rs. 0.97 million (2015: Rs. 0.81 million) in respect of defined contribution plan.

26.2 None of Directors and their spouses had any interest in any of the donees.

	Note	2016 Rupees	2015 Rupees
26.3 Auditors' remuneration			
Statutory audit fee including consolidation		550,000	500,000
Half yearly review		150,000	150,000
Subsidiary audit fee		50,000	50,000
Certifications		–	50,000
CDC audit		75,000	–
Out of pocket expenses		65,000	75,000
		890,000	825,000
27 Selling and distribution expenses			
Salaries and benefits	27.1	4,205,596	4,231,139
Depreciation on property, plant and equipment	16.3	4,456,001	3,717,234
Freight and forwarding		36,207,837	31,800,941
Advertisement		1,534,359	1,497,517
Sales promotion expenses		1,043,600	1,789,053
		47,447,393	43,035,884

27.1 Salaries, wages and benefits include Rs. 0.15 million (2015: Rs. 0.19 million) in respect of defined contribution plan.

		2016 Rupees	2015 Rupees
28	**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 from conventional windows of the banks	28,357,011	16,936,970
	Gain on forex transactions-net-actual currency conversion	806,400	137,522
	Income from non-financial assets		
	Sale of unusable items	13,319,434	10,635,269
	Gain on disposal of property, plant and equipment	498,160	–
	Reversal of impairment loss on investment in associate	–	277,828
	Other income	608,671	2,486,480
		14,426,265	13,399,577
		43,621,700	30,474,069
29	**Other charges**		
	Workers' Profit Participation Fund	21,151,351	15,331,647
	Workers' Welfare Fund	8,333,373	4,990,831
	Loss on disposal of property, plant and equipment	–	3,125,190
		29,484,724	23,447,668
30	**Finance cost**		
	Mark-up on:		
	– short term borrowings - secured	30,007,666	42,884,943
	– long term finance - secured	2,668,541	5,553,023
	– advance from customer	–	52,850
	– lease finance	4,602,899	9,100,866
	Bank charges	1,163,451	1,438,884
		38,442,557	59,030,566
31	**Taxation**		
	Current :		
	– for the year	111,499	56,058,302
	– prior year	405,394	–
	Deferred		
	– for the year	37,358,453	2,753,516
		37,875,346	58,811,818

		2016 Rupees	2015 Rupees
31.1 Relationship between tax expense and accounting profit			
Profit before taxation		393,558,557	290,613,855
Tax at 32% / 33%		125,938,738	95,902,572
Tax effect of:			
– income under Final Tax Regime		(301,696)	(1,497,710)
– tax rate adjustment		–	(17,163,164)
– change in proportion of local and export sales		–	4,137,320
– permanent difference		–	5,511,207
– tax credits		(69,790,664)	(29,128,764)
– deferred tax asset not recognised		125,430	1,039,697
– minimum tax under section 113 of Income Tax Ordinance, 2001		935	10,660
– others		(18,097,397)	–
		37,875,346	58,811,818

32 Cash generated from operations

		2016 Rupees	2015 Rupees
Profit before taxation		393,558,557	290,613,855
Adjustments for non-cash items:			
Finance cost		38,439,289	59,030,566
Depreciation on property, plant and equipment		85,969,764	73,603,466
Amortization of intangibles		1,588,004	1,387,321
Reversal of impairment loss on investment in associate		–	(277,828)
(Gain) / loss on disposal of property, plant and equipment		(498,160)	3,125,190
Provision for Workers' Profit Participation Fund and Workers' Welfare Fund		29,484,724	20,322,478
		154,983,621	157,191,193
Operating profit before working capital changes		548,542,178	447,805,048
(Increase) / decrease in current assets:			
Stores, spares and loose tools		(1,363,616)	(6,299,942)
Stock-in-trade		5,146,510	(71,224,654)
Trade debts		(31,706,211)	(64,223,735)
Advances, deposits, prepayments and other receivables		(36,305,258)	(19,525,969)
		(64,228,575)	(161,274,300)
Increase / (decrease) in current liabilities:			
Trade and other payables		(8,492,595)	36,152,694
		475,821,008	322,683,442

33 Cash and cash equivalents

		2016 Rupees	2015 Rupees
Short term running finance	12	(50,270,026)	(189,337,718)
Cash and bank balances	23	51,195,343	37,975,190
		925,317	(151,362,528)

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	2016 Transactions during the year	2016 closing balance	2015 Transactions during the year	2015 closing balance
				Rupees			
SPEL Technology Support (Private) Limited	Associated Company	Purchase of goods		–		201,250	
		Reimbursement of expenses		–		1,196,268	
Provident Fund Trust	Post employment benefit fund	Contribution		12,182,892		9,883,386	
		Balance at year end	11		1,122,499		1,007,325
Directors		Dividend - as shareholders		55,243,135		28,274,068	
Key Management Personnel		Remuneration	38	54,280,812		47,541,482	

35 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:

35.1 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.

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	2016 Rupees	2015 Rupees
Loans and receivables			
Long term deposits	18	17,231,046	7,263,948
Trade debts		281,157,522	249,451,311
Deposits and other receivables	21	679,628	19,285,144
Short term investments	22	75,000,000	582,103,302
Bank balances	23	51,170,256	37,950,103
		425,238,452	896,053,808

35.1.2 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:

	2016 Rupees	2015 Rupees
Customers	281,157,522	249,451,311
Banking companies and financial institutions	140,804,683	644,975,650
Others	3,276,247	1,626,847
	425,238,452	896,053,808

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 Group. Following are the credit ratings of counterparties with external credit ratings:

	Rating				
	Short term	**Long term**	**Rating agency**	**2016**	**2015**
				Rupees	
Bank					
Allied Bank Limited	A1+	AA+	PACRA	4,029	611,719
Bank Islami Pakistan Limited	A1	A+	PACRA	4,509,528	10,235,178
Habib Bank Limited	A-1+	AAA	JCR-VIS	379,422	891,452
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	2,397,446	19,684,197
KASB Bank Limited	A3	BBB	PACRA	16,118	8,153
MCB Bank Limited	A1+	AAA	PACRA	731,002	819,848
Meezan Bank Limited	A-1+	AA	JCR-VIS	32,282,990	338,042
National Bank of Pakistan	A1+	AAA	JCR-VIS	3,395,659	84,368
United Bank Limited	A-1+	AA+	JCR-VIS	7,454,062	5,277,146
				51,170,256	37,950,103
Security deposits					
First National Bank Modaraba	A1+	AAA	JCR-VIS	249,400	964,262
MCB Bank Limited	A1+	AAA	PACRA	8,567,097	–
Habib Bank Limited	A-1+	AAA	JCR-VIS	5,387,702	15,475,284
				14,204,199	16,439,546
Short term investments					
Habib Bank Limited	A-1+	AAA	JCR-VIS	75,000,000	580,500,000
First National Bank Modaraba	A-1	A	JCR-VIS	–	1,603,302
				75,000,000	582,103,302
Interest receivable					
Habib Bank Limited	A-1+	AAA	JCR-VIS	430,228	8,482,699
				140,804,683	644,975,650

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 Group as at the reporting date is as follows:

	Carrying amount	
	2016 Rupees	**2015 Rupees**
The aging of trade debts at the reporting date is:		
Not due	206,144,081	189,278,799
Past due 0 - 30 days	64,467,374	51,485,303
Past due 31 - 60 days	7,574,825	4,298,679
Past due 61 - 90 days	1,018,861	1,346,503
Past due 91 - 120 days	1,655,009	702,639
Past due 120 days	297,372	2,339,388
	281,157,522	249,451,311

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 (2015: nil).

35.2 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.

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.

		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	8	65,580,251	70,453,889	44,911,911	25,541,978	–
Liabilities against assets subject to finance lease	9	35,707,712	38,584,197	20,831,101	14,149,357	3,603,739
Trade and other payables		91,539,808	91,539,808	91,539,808	–	–
Short term borrowings	12	251,844,351	251,844,351	251,844,351	–	–
Accrued mark up	14	4,142,042	4,142,042	4,142,042	–	–
		448,814,164	456,564,287	413,269,213	39,691,335	3,603,739

		2015				
	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	8	82,447,697	87,401,500	22,960,292	64,441,208	–
Liabilities against assets subject to finance lease	9	87,463,700	94,849,258	63,568,697	31,280,561	–
Trade and other payables		95,751,888	95,751,888	95,751,888	–	–
Short term borrowings	12	380,450,601	380,450,601	380,450,601	–	–
Accrued mark up	14	7,072,992	7,072,992	7,072,992	–	–
		653,186,878	665,526,239	569,804,470	95,721,769	–

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 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.

35.3.1 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.

35.3.1(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:

	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

	2015		
	EURO	**USD**	**Total (Rupees)**
Assets			
Trade debts	8,979	–	1,019,779
Bank balances	–	5,243	532,119
	8,979	5,243	1,551,898
Liabilities			
Trade and other payables	–	–	–
Net assets exposure	8,979	5,243	1,551,898

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

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

	EURO		USD	
	2016	2015	2016	2015
	Rupees		Rupees	
Reporting date spot rate				
– *buying*	116.08	113.57	104.50	101.50
– *selling*	116.31	113.70	104.70	101.70
Average rate for the year	114.92	124.02	103.10	100.03

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.

	2016 Rupees	2015 Rupees
Effect on profit and loss		
EURO	109,783	101,978
USD	21,677	53,212
	131,460	155,190

35.3.1(d) *Currency risk management*

Since the maximum amount exposed to currency risk is only 0.306% (2015: 0.174%) 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.

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 consolidated financial statements. The Group's interest / mark-up bearing financial instruments as at the reporting date are as follows:

	2016		2015	
	Financial asset	Financial liability	Financial asset	Financial liability
	Rupees		Rupees	
Non-derivative financial instruments				
Fixed rate instruments	78,824,790	49,504,723	582,562,893	48,300,329
Variable rate instruments	–	303,627,591	–	502,061,669

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.

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	
	2016 Rupees	2015 Rupees
Increase of 100 basis points	(3,036,276)	(5,020,617)
Decrease of 100 basis points	3,036,276	5,020,617

35.3.2(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.

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 Group is not exposed to commodity price risk since it has a diverse portfolio of commodity suppliers.

The Group is not exposed to equity price risk.

35.4 Fair values

35.4.1 Fair value estimation

All financial assets and financial liabilities are initially recognised at the fair value of consideration paid or received, net of transaction costs as appropriate, and subsequently carried at fair value or amortized cost. Carrying value of all financial instruments approximate their carrying value.

Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Non-derivative financial instrument

The fair value of non-derivative financial asset is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-Derivative financial liabilities

Fair value, which is determine for disclosures purposes, is calculated based on the present value of future principal and interest cash flows, discounted at market rate of interest at the reporting date.

35.5 Financial instruments-fair values

The additional disclosures due to the adoption of IFRS 13 Fair value measurement are as follows:

		Carrying Amount			Fair Value		
		Loans and receivables	Other financial	Total	Level 1	Level 2	Level 3
	Note	Rupees					
On-Balance sheet financial instruments							
30 June 2016							
Financial assets measured at fair value		–	–	–	–	–	–
		–	–	–	–	–	–
Financial assets not measured at fair value							
Cash and 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	–	–	–
	35.6	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 borrowings		–	251,844,351	251,844,351	–	–	–
Accrued mark up		–	4,142,042	4,142,042	–	–	–
	35.6	–	448,814,164	448,814,164	–	–	–

35.6 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.

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 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.

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 Group defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Group'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.

	2016 Rupees	2015 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	806,260,000	673,670,000
Hypothecation over current assets	684,340,000	551,010,000

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 Group is as follows:

	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
Meeting fee	–	–	875,000	–	–
Advisory fee	–	–	5,400,000	–	–
Other benefits	169,957	109,654	53,666	86,180	–
	8,569,957	8,509,654	6,328,666	8,810,197	22,062,338
Number of persons	1	1	3	1	8

	2015				
	Directors				
	Chairman	Chief executive	Non-executive	Executive	Executives
	Rupees				
Managerial remuneration	5,600,000	5,600,000	–	3,200,000	8,720,400
Utilities and house rent	2,800,000	2,800,000	–	1,600,000	4,299,600
Contribution to provident fund	–	–	–	319,968	847,919
Bonus and rewards	–	–	–	1,500,000	3,686,700
Advisory fee	–	–	5,400,000	–	–
Other benefits	396,780	319,527	450,588	–	–
	8,796,780	8,719,527	5,850,588	6,619,968	17,554,619
Number of persons	1	1	1	1	7

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

38.2 Meeting fee was paid to non executive directors during the year amounting to Rs. 875,000 (2015: Nil.)

39 Plant capacity and actual production

	Installed processing capacity		Actual processing	
	2016	2015	2016	2015
Small, medium and large mould making facility	60 to 70 moulds	60 to 70 moulds	43 moulds	48 to 50 moulds
Injection mould facility	3,300 tons plastic	3,100 tons plastic	1,727 tons of plastic	1,516 tons of plastic
Blow moulding facility	2,560 tons plastic	1,680 tons plastic	1,609 tons plastic	1,112 tons plastic
Extrusion	5,700 tons plastic	5,400 tons plastic	2,301 tons plastic	2,000 tons plastic
Thermoforming	2,200 tons plastic	1,700 tons plastic	1024 tons plastic	966 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 2016	Audited 2015
Size of the fund - total assets	Rupees	35,508,944	31,233,815
Cost of investments made	Rupees	33,124,766	27,294,976
Percentage of investments made	Percentage	93.29%	87.39%
Fair value of investments	Rupees	33,124,766	27,294,976

The breakup of fair value of investments is as follows:

	2016		2015	
	Rupees	**Percentage**	**Rupees**	**Percentage**
Defence Saving Certificates	4,977,932	15.03%	4,775,367	17.50%
Bank balances	1,146,834	3.46%	1,519,609	5.60%
Certificate of musharika	27,000,000	81.51%	21,000,000	76.90%
	33,124,766	100.00%	27,294,976	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 2016		(Audited) 30 June 2015	
	% of total fund	**Rupees**	**% of total fund**	**Rupees**
Synthetic Products Enterprises Limited	98.69%	35,045,161	98.12%	30,646,619
SPEL Pharmatec (Private) Limited	0%	–	1.49%	465,384
SPEL Technology Support Limited	1.31%	463,783	0.39%	121,812

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

41 Number of employees

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

	Number of Employees	
	2016	**2015**
– Average number of employees	463	467
– As at 30 June	444	449

42 Non adjusting events after the balance sheet date

The Board of Directors of the Group in its meeting held on 26 July 2016 has proposed a final cash dividend of Rs. 1.0 (2015: Rs.0.5) per share, for the year ended 30 June 2016, for approval of the members in the Annual General Meeting to be held on 21 September 2016.

43 Date of authorization for issue

These consolidated financial statements were authorized for issue by the Board of Directors of the Group in its meeting held on 26 July 2016.

44 General

Figures have been rounded off to the nearest rupee.

Lahore

Chief Executive

Director

Pattern of **Shareholding**

As on 30 June, 2016

No. of Shareholders	Shareholding From	Shareholding To	Total No. of Shares held	Percentage
98	1	100	1,355	0.0018
1455	101	500	724,914	0.9372
273	501	1000	270,852	0.3502
241	1001	5000	659,537	0.8527
60	5001	10000	489,700	0.6331
26	10001	15000	345,500	0.4467
15	15001	20000	273,000	0.3529
11	20001	25000	253,600	0.3279
6	25001	30000	173,180	0.2239
9	30001	35000	301,500	0.3898
1	35001	40000	36,000	0.0465
3	40001	45000	128,500	0.1661
6	45001	50000	291,093	0.3763
1	50001	55000	51,150	0.0661
1	55001	60000	56,500	0.0730
1	60001	65000	63,000	0.0814
2	70001	75000	150,000	0.1939
1	80001	85000	83,000	0.1073
1	85001	90000	90,000	0.1164
5	95001	100000	495,000	0.6399
2	140001	145000	285,000	0.3685
1	150001	155000	155,000	0.2004
1	185001	190000	186,000	0.2405
1	220001	225000	223,000	0.2883
2	245001	250000	496,500	0.6419
1	250001	255000	255,000	0.3297
2	295001	300000	600,000	0.7757
1	300001	305000	304,500	0.3937
1	355001	360000	359,648	0.4650
1	385001	390000	390,000	0.5042
1	420001	425000	423,000	0.5469
1	430001	435000	430,500	0.5566
1	495001	500000	500,000	0.6464
1	515001	520000	519,000	0.6710
1	615001	620000	620,000	0.8016
1	725001	730000	727,500	0.9405
1	845001	850000	846,669	1.0946
1	995001	1000000	1,000,000	1.2928
1	1030001	1035000	1,032,000	1.3342
1	1335001	1340000	1,339,500	1.7317
1	1395001	1400000	1,395,200	1.8037
1	1450001	1455000	1,451,250	1.8762
1	1465001	1470000	1,467,365	1.8970
1	2530001	2535000	2,533,500	3.2754
1	4570001	4575000	4,572,818	5.9119
2	10025001	10030000	20,050,724	25.9221
1	30245001	30250000	30,248,945	39.1066
2247			77,350,000	100.0000

Pattern of Shareholding as per **Code of Corporate Governance 2012**

As on 30 June, 2016

Particulars	Shareholding
Associated Companies, Undertakings and Related Parties	NIL
Sponsors, Directors, CEO and Children	
Mr. Almas Hyder	30,248,945
Mr. Zia Hyder Naqi	10,025,362
Mr. Raza Haider Naqi	10,025,362
Dr. S. M. Naqi	4,572,818
Mrs. Munawar Naqi	2,467,365
Mr. Sheikh Naseer Hyder	359,648
Mr. Abid Saleem Khan	2,500
Dr. Syed Salman Ali Shah	1,000
Mr. Khawar Anwar Khawaja	500
Mr. Muhammad Tabassum Munir	500
Mutual Funds	
CDC - Trustee Unit Trust Of Pakistan	1,339,500
MCBFSL - Trustee JS Value Fund	1,032,000
MC FSL - Trustee JS Growth Fund	727,500
CDC - Trustee NAFA Islamic Active Allocation Equity Fund	304,500
CDC - Trustee NIT-Equity Market Opportunity Fund	255,000
CDC - Trustee NAFA Islamic Stock Fund	246,500
CDC-Trustee JS Islamic Pension Savings Fund-Equity Account	186,000
CDC - Trustee NAFA Pension Fund Equity Sub-Fund Account	98,000
CDC - Trustee NAFA Islamic Pension Fund Equity Account	97,000
MCBFSL - Trustee Pak Oman Advantage Asset Allocation Fund	35,000
MCBFSL - Trustee Pak Oman Islamic Asset Allocation Fund	30,000
Executives	47,680
Public Sector Companies And Corporations	NIL
Banks, Development Finance Institutions, NBFCs, Insurance companies, Takaful and Modarabas	4,230,700
Shareholders Holding Five Percent or More Voting Rights	
Mr. Almas Hyder	30,248,945
Mr. Zia Hyder Naqi	10,025,362
Mr. Raza Haider Naqi	10,025,362
Dr. S. M. Naqi	4,572,818

Category wise **Shareholding**

Sr. No	Particulars	No. Folio	No. of Shares	Percentage
1	Sponsors, Directors, CEO And Children	11	57,704,000	74.6012
2	NIT And ICP	1	223,000	0.2883
3	Banks, DFI and NBFI	1	300,000	0.3878
4	Insurance Companies	2	3,928,700	5.0791
5	Modarabas and Mututal Funds	12	4,353,000	5.6277
6	General Public (Local)	2155	8,122,414	10.5009
7	General Public (Foreign)	42	913,385	1.1808
8	Others	23	1,805,501	2.3342
	Total	2247	77,350,000	100.00

Trading by Directors, Executives, their Spouses and Minor Children

Sr. No.	Name of Shareholder	Gifted	Gift Acquired	Sale	Purchase
1	Dr. S. M. Naqi	13,300,000	–	–	–
2	Mr. Almas Hyder	–	4,000,000	–	–
3	Mr. Zia Hyder Naqi	–	4,000,000	–	–
4	Mr. Raza Haider Naqi	–	4,000,000	–	–
5	Mrs. Munawar Naqi	–	1,000,000	–	–
6	Mr. Abid Saleem Khan	–	–	13,000	–
7	Mr. Khalil Ahmad Hashmi	–	–	–	2,500
8	Mr. Abu Bakar	–	–	1,500	–
9	Mr. Harris Islam	–	–	1,500	–

Notice of Annual **General Meeting**

for the year ended 30 June, 2016

Notice is hereby given that the Thirty Forth Annual General Meeting of the shareholders of Synthetic Products Enterprises Limited will be held on Wednesday 21 September 2016 at 3:30 PM 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 Extra Ordinary General Meeting held on 17 December 2015;

2. To receive, consider and adopt the audited financial statements including consolidated financial statements for the year ended 30 June 2016 together with Directors' and Auditors' Report thereon;

3. To approve the payment of cash dividend @ 10% i.e. Re 1.00 per ordinary share, out of the reserves for the year ended 30 June 2016, as recommended by the Directors;

4. To appoint auditors for the year ended 2016-17 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.

By the Order of the Board

Khalil Ahmad Hashmi, FCA
Company Secretary

30 August 2016
Lahore

Notice of Annual **General Meeting**

for the year ended 30 June, 2016

Notes:

1. The share transfer books of the Company will remain closed from September 15, 2016 to September 21, 2016 (both days inclusive). Transfers received in order at the Shares Department of M/s THK Associates (Pvt.) Limited, 2nd Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, P. O. Box No. 8533, Karachi-75530, Pakistan at the close of business on September 14, 2016 will be treated in time for the purpose of payment of final cash dividend, if approved by the shareholders.

2. A member entitled to attend and vote at the meeting is entitled to appoint any other member as his/her proxy to attend and vote. 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. An individual beneficial owner of shares, keeping shares in the Central Depository Company, entitled to vote at this meeting must bring his/her CNIC along with the participant ID numbers and sub account numbers with him/her to prove his/her identity and in case of proxy must enclose and attested copy of his/her CNIC. Representatives of corporate members should bring the usual documents required for such purposes.

4. Pursuant to SECP Circular No 10 dated May 21, 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.

Payment of Cash Dividend Electronically

5. In accordance with SECP's letter no. 8(4) SM/CDC 2008 dated 5th April 2013, we would like to apprise the shareholders that SECP has devised a strategy for implementation and promotion of e-dividend mechanism whereby the cash dividend amount would be directly credited into the respective bank account of the shareholder through electronic fund transfer facilities.

6. The shareholders can avail benefits of the e-dividend facility by providing dividend mandate in their CDC accounts through their Participants and in case of physical shares to the share registrar.

Withholding Tax on Dividend

7. As per requirements of Income Tax Ordinance, 2001, Income tax @ 12.5% will be withheld in case of filers and @ 20% in case of non-filers of tax returns, the shareholders are advised to make sure that their names are entered into the list of Active Tax Payers before the date of book closure of cash dividend, to avoid higher rate of tax deduction.

8. 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 deduction will be made accordingly.

9. Shareholders claiming tax exemption under clause 47(B) of Part IV of the Second Schedule of Income Tax Ordinance, 2001 are requested to provide valid exemption certificate under section 159(1) of the Income Tax Ordinance, 2001, or copy of stay order, if any, before the date of book closure, to our Share Registrar 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.

Electronic Transmission of Audited Financial Statements and Notices

10. Through SRO 787 (1)/2014 dated 8th September 2015 the Securities and Exchange Commission of Pakistan has permitted companies to circulate their annual audited financial statements and notice of annual general meetings through e-mail to its shareholders. Those shareholders who wish to receive the Company's Annual Report through e-mail are requested to provide a duly completed Consent Form. The forms are available on the Company's website. "www.spelgroup.com."

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 2016

محترم شیئرز ہولڈرز

آپ کی کمپنی کے ڈائریکٹرز 30 جون 2016 کو ختم ہونے والے سال کے لئے کمپنی کے ممبران کے لئے گروپ کی سالانہ رپورٹ معہ آڈٹ شدہ حسابات آپ کے روبرو پیش کرتے ہیں۔

گروپ

گروپ سنتھیٹک پروڈکٹس انٹرپرائزز لمیٹڈ اور ماتحت ادارہ SPEL ٹیک (پرائیویٹ) لمیٹڈ پر مشتمل ہے۔

گروپ کے امور

ڈائریکٹرز کی رپورٹ میں 30 جون 2016 کو ختم ہونے والے سال کے لئے سنتھیٹک پروڈکٹس انٹرپرائزز لمیٹڈ کی کارکردگی بارے مکمل معلومات اس کے متعلقہ مالیاتی گوشواروں کے ساتھ علیحدہ علیحدہ پیش کی گئی ہیں۔ تاہم، SPEL ٹیک (پرائیویٹ) لمیٹڈ نے اپنے آپریشنز کا آغاز نہیں کیا جب تک مناسب معلومات کی وابستگی کا شمار نہیں کیا جاتا ہے۔

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 سنتھیٹک پروڈکٹس انٹرپرائزز لمیٹڈ کے مالیاتی گوشواروں میں انکشاف کے سوائے وقوع پذیر نہیں ہوئے ہیں۔

آڈیٹرز کی رپورٹ

آڈیٹرز نے گروپ کی ہولڈنگ کمپنی کے مالی حسابات پر غیر مشروط آڈٹ رپورٹ جاری کی ہے۔

شیئر ہولڈنگ کا پیٹرن

SPEL ٹیک (پرائیویٹ) لمیٹڈ کے تمام شیئرز سنتھیٹک پروڈکٹس انٹرپرائزز لمیٹڈ کی ملکیت ہیں۔ سنتھیٹک پروڈکٹس انٹرپرائزز لمیٹڈ کی شیئر ہولڈنگ کا پیٹرن ڈائریکٹرز رپورٹ کے ساتھ منسلک ہے۔

قیام کا ملک

تمام گروپ کمپنیز پاکستان میں قائم ہوئی ہیں۔

فی شیئر آمدنی

مالی سال 2016 کے لئے فی شیئر آمدنی 4.00 روپے ہے۔

قرضوں کی ادائیگی

کمپنی پر تجارتی قرضوں کے سوائے کسی بھی ادائیگی کی واجب الادا نہیں ہے۔

الماس حیدر
چیئرمین

ضیاء حیدر نقی
چیف ایگزیکٹو آفیسر

مقام: لاہور
26 ستمبر 2016

انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس پاکستان کی طرف سے منعقدہ ڈائریکٹرز ٹریننگ پروگرام میں شرکت کی ہے۔

آڈیٹرز (محاسب) کی تقرری

موجودہ آڈیٹرز، میسرز KPMG تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس، آئندہ 21 ستمبر 2016 کو منعقد ہونے والے سالانہ اجلاس عام کے اختتام پر ریٹائر ہو رہے ہیں اور اہل ہونے کی بنا پر دوبارہ تقرری کے لئے خود کو پیش کیا ہے۔ کمپنی کی بورڈ آڈٹ کمیٹی نے تجویز دی ہے اور بورڈ نے مالی سال 2016-17 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 فنانشل رپورٹنگ فریم ورک

کمپنی نے کارپوریٹ گورننس کے کوڈ میں مقرر کردہ کارپوریٹ اور فنانشل رپورٹنگ فریم ورک کی تمام ضروریات پر عمل درآمد کیا 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 فلوز اور ایکوئٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتی ہیں۔
- کمپنی کے اکاؤنٹس کی کتابوں کو مناسب طور پر 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 پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ معیارات کے مطابق تیار کی گئی ہیں اور کسی بھی غیر مطابقت کو مناسب اور واضح طور پر ظاہر کیا گیا ہے۔
- اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہے جس پر مؤثر طریقے سے عمل ہوتا ہے اور نگرانی کی جاتی ہے۔
- کمپنی کی چلتے رہنے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔
- گزشتہ چھ سال کے لئے کلیدی آپریٹنگ اور مالیاتی ڈیٹا منسلک ہے۔
- ٹیکس اور لیوی کے بارے میں معلومات فنانشل سٹیٹمنٹس کے نوٹس میں دی گئی ہیں۔
- کمپنی کی طرف سے حاصل کردہ تمام قرضوں کے سلسلے میں کسی بھی ادائیگی میں 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 فنڈ کی جانے والی سرمایہ کاری کی قدر 30 جون 2016 کے مطابق اور دیگر متعلقہ معلومات فنانشل سٹیٹمنٹس کے نوٹس میں مذکور ہیں۔
- کمپنی کے ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف آپریٹنگ آفیسر، چیف فنانشل آفیسر، کمپنی سیکرٹری، سربراہ انٹرنل آڈٹ، ایگزیکٹوز اور ان کے زوج اور نابالغ بچوں کی طرف سے کمپنی کے حصص میں ٹریڈنگ کی تفصیل منسلک ہے۔
- بورڈ نے یہ فیصلہ کیا ہے کہ SPEL کا کوئی بھی ملازم جس کی ماہانہ مجموعی تنخواہ 100,000 روپے یا زیادہ ہو، وہ PSX کے رول بک کے رول 5.19.11 اور 5.9.15 کے مقاصد کے لئے ایگزیکٹو تصور کیا جائے گا۔

کمپنیز آرڈیننس 1984 کے سیکشن 218 کے تحت خلاصہ

بورڈ آف ڈائریکٹرز نے 12 نومبر 2015 کو منعقدہ اپنے اجلاس میں درج ذیل ڈائریکٹرز کی ماہانہ مشاہرہ میں حسب ذیل اضافے کی منظوری دی ہے۔

نام	عہدہ	ماہانہ تنخواہ
جناب الماس حیدر	چیئرمین/ ایگزیکٹو ڈائریکٹر	-/700,000 روپے
جناب ضیاء حیدر نقی	چیف ایگزیکٹو آفیسر/ ڈائریکٹر	-/700,000 روپے
جناب عابد سلیم خان	ایگزیکٹو ڈائریکٹر	-/430,000 روپے
ڈاکٹر انیس ایم حقی	مشیر/ ایگزیکٹو ڈائریکٹر	-/450,000 روپے

متذکرہ بالا ڈائریکٹرز کمپنی کی پالیسی یا بورڈ آف ڈائریکٹرز کی جانب سے وقتاً فوقتاً منظوری کے مطابق Perquisites اور فوائد کے بھی مستحق ہیں مثلاً کے طور پر سرکاری اور نجی مقاصد کے لئے کمپنی کی مہیا کردہ کاریں، طبی سہولیات اور سفر کے اخراجات، کلبوں کی رکنیت اور ذاتی امدادی عملہ کا استعمال کرنا، جن کا حسب ضرورت بورڈ آف ڈائریکٹرز کی طرف سے وقتاً فوقتاً تعین کیا جاتا ہے اور دیگر استحقاق سے مشروط ہے۔ متذکرہ بالا ڈائریکٹرز کو اپنے متعلقہ مشاہرے اور فوائد جس کے وہ حقدار ہیں کی حد تک دلچسپی ہے۔

مستقبل کا نقطہ نظر

کمپنی مستحکم ترقی کی راہ پر گامزن ہے۔ کمپنی اپنی کارکردگی اور مواقع کو وسعت دینے کیلئے سرمایہ کاری کر رہی ہے۔ پیداواری سہولیات میں اضافہ کیا جا رہا ہے اور اضافی صلاحیت کو شامل کیا جا رہا ہے۔ رحیم یار خان پلانٹ کا سنگ بنیاد رکھا جا چکا ہے اور تعمیر کا کام جاری ہو چکا ہے۔

ہم اپنی مارکیٹوں کے استحکام پر پُر امید ہیں۔ ہم ترقی کے رجحان کو برقرار رکھنے کے لئے ان کو مکمل صلاحیت رکھتے ہیں۔

کمپنی نے ایک نیا بزنس Cleanteks تعمیر کیا ہے اور کسٹمرز کی ترقی کے ساتھ کمپنی کی کاروباری حکمت عملی ہے۔ اس کے علاوہ کمپنی اپنی مصنوعات کا فائدہ اٹھانے کے لئے ترقی حاصل کرنے پر مرکوز ہے۔

اعتراف

ہم خلوص تسلیم کرتے ہیں کہ ملازمین کے ساتھ تعلق سال بھر میں خوشگوار رہا ہے۔ انتظامیہ تمام ملازمین کی مسلسل لگن اور محنت جس کے بغیر کارکردگی ممکن نہیں ہو سکتی تھی کو تسلیم اور ان کی تعریف کرتی ہے۔

ہم اپنے قابل قدر صارفین کے مسلسل تعاون اور ہماری مصنوعات پر اعتماد کو سراہتے ہیں۔ ہمارے مالیاتی اداروں کی طرف سے تعاون ہمارے لئے حوصلہ افزا ہے اور ہم ان کا تہہ دل سے شکر گزار ہیں۔

الماس حیدر
چیئرمین

ضیاء حیدر نقی
چیف ایگزیکٹو آفیسر

مقام: لاہور
26 ستمبر 2016

کارپوریٹ سماجی ذمہ داری

کمپنی سماجی، ماحولیاتی اور اخلاقی معاملات کو کاروباری سرگرمیوں کا ایک اہم عنصر تصور کرتی ہے۔ SPEL صحت، تعلیم، کھیلوں کی فلاح و بہبود اور سماجی وجوہات کو فروغ دے کر کمیونٹی کی مدد کرتی ہے۔ زیر جائزہ سال کے دوران ہم نے مختلف تنظیموں کو عطیات دیئے ہیں۔ ہم نے ترجیحی بنیادوں پر مستحق طلباء کے لیے تعلیم میں مدد کا اہتمام کیا ہے۔

کارپوریٹ

ڈائریکٹرز کا انتخاب

زیر جائزہ سال کے دوران کمپنیز آرڈیننس 1984 کی ضروریات کے مطابق ڈائریکٹرز کے انتخابات منعقد کیے گئے۔ گزشتہ بورڈ نے ڈائریکٹرز کے انتخاب کے لئے نشستیں مقرر کی تھیں جن کے مقابل نو امیدوار موصول ہوئے اور تمام امیدواران مورخہ 31 اکتوبر 2015 کو منعقدہ 33 ویں سالانہ اجلاس عام میں حصص یافتگان کی طرف سے منتخب کیے گئے۔

تمام نئے ڈائریکٹرز کو کمپنی کا معلوماتی تعارف کروایا گیا۔ بورڈ میں تین آزاد ڈائریکٹرز شامل ہیں جو ڈائریکٹرز کی کل تعداد کا ایک تہائی حصہ ہیں۔ بورڈ آزاد، غیر ایگزیکٹو اور ایگزیکٹو ڈائریکٹرز کا ایک اچھا توازن رکھتا ہے۔

بورڈ کا اجلاس اور حاضری

زیر جائزہ سال کے دوران بورڈ کے پانچ (05) اجلاس منعقد ہوئے جن میں ہر ایک ڈائریکٹر کی طرف سے حاضری حسب ذیل ہے:

نام	رتبہ	اجلاسوں میں حاضری
جناب الماس حیدر	چیئرمین / نان ایگزیکٹو ڈائریکٹر	5
ڈاکٹر شیخ محمد علی	نان ایگزیکٹو ڈائریکٹر	5
جناب ضیاء حیدر نقی	سی ای او / ایگزیکٹو ڈائریکٹر	5
ڈاکٹر سید سلمان علی شاہ	آزاد نان ایگزیکٹو ڈائریکٹر	3*
جناب شاہد انور ظفر	آزاد نان ایگزیکٹو ڈائریکٹر	3*
جناب محمد قاسم حسن	آزاد نان ایگزیکٹو ڈائریکٹر	5
جناب رضا حیدر نقی	نان ایگزیکٹو ڈائریکٹر	4
جناب شیخ نصیر حیدر	نان ایگزیکٹو ڈائریکٹر	4
جناب عابد سلیم خان	ایگزیکٹو ڈائریکٹر	5

*ڈاکٹر سید سلمان علی شاہ اور جناب شاہد انور ظفر 30 اکتوبر 2015 کو ڈائریکٹر بنے۔ ان کی تقرری کے بعد سال کے دوران بورڈ کے صرف تین اجلاس منعقد ہوئے۔

اجلاس میں شرکت نہ کر سکنے والے اراکین کو غیر حاضری 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 حسب ذیل ہے:

نام	حیثیت	اجلاسوں میں شرکت
ڈاکٹر سید سلمان علی شاہ	کمیٹی کے چیئرمین	2*
جناب الماس حیدر	رکن	4
ڈاکٹر ایس ایم نقی	رکن	4
جناب محمد قاسم حسن	رکن	4
جناب شیخ نصیر حیدر	رکن	1

*ڈاکٹر سید سلمان علی شاہ 12 نومبر 2015 کو کمیٹی میں شامل ہوئے۔ ان کی شمولیت کے بعد سال کے دوران کمیٹی کے صرف دو (02) اجلاس منعقد ہوئے۔ ان کی شمولیت سے قبل جناب محمد قاسم حسن کمیٹی کے چیئرمین تھے۔

اجلاس میں شرکت نہ کر سکنے والے اراکین کو غیر حاضری کی باقاعدہ اجازت دی گئی تھی۔

ہیومن ریسورس اور ریمونریشن کمیٹی

ہیومن ریسورس اور ریمونریشن کمیٹی درج ذیل اراکین پر مشتمل ہے: سال کے دوران ہیومن ریسورس اور ریمونریشن کمیٹی کے دو (02) اجلاس منعقد ہوئے۔

نام	حیثیت	اجلاسوں میں شرکت
جناب الماس حیدر	چیئرمین	2
ڈاکٹر ایس ایم نقی	رکن	2
جناب شیخ نصیر حیدر	رکن	2
جناب شاہد انور ظفر	ممبر	*1
جناب عابد سلیم خان	رکن	2
جناب محمد قاسم حسن	رکن	*1

*جناب محمد قاسم حسن اور جناب شاہد انور ظفر 12 نومبر 2015 کو کمیٹی میں شامل ہوئے۔ ان کی شمولیت کے بعد صرف ایک ہی اجلاس منعقد ہوا۔

اجلاس میں شرکت نہ کر سکنے والے اراکین کو غیر حاضری کی باقاعدہ اجازت دی گئی تھی۔

رسک کمیٹی

رسک کمیٹی درج ذیل اراکین پر مشتمل ہے۔ سال کے دوران رسک کمیٹی کا کوئی اجلاس منعقد نہیں ہوا۔

نام	حیثیت
جناب الماس حیدر	کمیٹی کے چیئرمین
جناب ضیاء حیدر نقی	رکن
ڈاکٹر سید سلمان علی شاہ	رکن
جناب شاہد انور ظفر	رکن

ڈائریکٹرز کی ٹریننگ

زیر جائزہ سال کے دوران، جناب ضیاء حیدر نقی نے ڈائریکٹرز سکول میں ڈائریکٹرز ٹریننگ پروگرام کے دوسرے سیشن میں شرکت کی ہے۔ اس کے علاوہ ڈاکٹر سید سلمان علی شاہ اور جناب محمد قاسم حسن نے اصل

ڈائریکٹرز رپورٹ

30 جون 2016

محترم شیئر ہولڈرز

آپ کی کمپنی کے ڈائریکٹرز مختتمہ سال 30 جون 2016ء کے لئے کمپنی کے آپریشنز کے نتائج پر سالانہ رپورٹ مع آڈٹ شدہ حسابات آپ کے روبرو خوشی سے پیش کرتے ہیں۔

مالیاتی جائزہ

مالیاتی نتائج

زیر جائزہ اور پچھلے سال کے لئے کمپنی کے مالیاتی نتائج مندرجہ ذیل ہیں:

(روپے ملین میں)

	2016	2015
سیلز	2,321.85	2,165.70
خام منافع	582.49	492.80
آپریٹنگ منافع	418.3	346.05
مالی لاگت	38.44	59.03
قبل از ٹیکس منافع	393.54	286.31
ٹیکس	37.75	56.56
بعد از ٹیکس منافع	355.8	229.75

اختصاص اور تصرفات

(روپے ملین میں)

غیر تصرفاتی منافع اوپننگ بیلنس	527.19	248.74
عبوری نقد ڈیویڈنڈ	38.68 @ 05%	38.68 @ 5%
مجوزہ کردہ حتمی نقد ڈیویڈنڈ	77.35 @ 10%	38.67 @ 5%
کل میزان	116.03	77.35
آگے منتقل غیر تصرفاتی منافع	411.16	171.39
ٹوٹل ڈیویڈنڈ کی شرح	15%	10%

فی شیئر آمدنی

موجودہ اور گزشتہ سال کے لئے فی شیئر آمدنی مندرجہ ذیل ہیں:

بنیادی اور معتدل آمدنی فی شیئر 2016ء	4.60 روپے
بنیادی اور معتدل آمدنی فی شیئر 2015ء	3.48 روپے

ٹیکسیشن

زیر جائزہ سال کے دوران، کمپنی نے انکم ٹیکس آرڈیننس 2001 کی دفعہ 65E کے تحت، کمپنی کے ذریعے قائم شدہ پلانٹ اور مشینری میں سرمایہ کاری کی مالیت کا کل اور مجموعی ٹیکس 41 فیصد کی شرح سے ٹیکس کریڈٹ لے لیا ہے۔ کمپنی آئندہ چار سالوں میں بھی یہ کریڈٹ لینے کی حقدار ہے۔ 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 ایک اور ٹیکس کریڈٹ لیا گیا ہے۔ اسی طرح کا کریڈٹ پلانٹ اور مشینری میں سرمایہ کاری کرنے کے لئے آئندہ سالوں میں حاصل کیا جا سکتا ہے۔

آپریشنز

مالی سال 16 - 2015 فروخت، آپریٹنگ آمدنی اور منافع تمام پہلوؤں سے مجموعی طور پر کمپنی کے لئے ایک اور کامیاب سال تھا۔

اشیاء کی قیمتوں میں کمی کے باوجود کمپنی کی سیلز 2,166 ملین روپے سے 2,322 ملین روپے تک 7.2 فیصد کا اضافہ ہوا۔ خام منافع میں زیادہ فروخت کے حجم اور بہتر مواد استعمال کرنے کے باعث 18 فی صد اضافہ ہوا۔ آپریٹنگ منافع اور خالص منافع میں بالترتیب 21 فیصد اور 55 فیصد بڑھ گیا۔ زیر جائزہ سال کے دوران کمپنی نے 81 ملین روپے کی لاگت اپنی مصنوعات کے لئے ادا کی، جس میں سے حصہ Capitalized Overhead کیا گیا۔

پیداوار میں اضافہ کرنے اور مارکیٹ کی بڑھتی ہوئی طلب کی ضروریات کو پورا کرنے کے لئے، کمپنی نے پلانٹ اور مشینری میں 481 ملین روپے (2015: 121 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 اور بہتر کارکردگی کو یقینی بنانے کے لئے ٹیکنالوجی کی جدت اور آٹومیشن کے لئے بھی خرچ کی گئی ہے۔ زیادہ تر مشینری مالی سال 2016 کی آخری سہ ماہی میں آپریشنل ہوئی۔ اس وجہ سے نئی مشینری پر فرسودگی جس ماہ میں استعمال کے لئے دستیاب ہوئی ریکارڈ کی گئی۔ یہ اکاؤنٹس پر نوٹ نمبر 3.2 میں مذکور کمپنی کی اکاؤنٹنگ پالیسی کے مطابق ہے۔ یہ سرمایہ کاری اضافی صلاحیت ہے جس کا آئندہ سال میں فائدہ ہوگا۔

30 جون 2016 سے اس رپورٹ کی تاریخ تک کوئی بڑی تبدیلیاں نہیں ہوئی ہیں اور کمپنی نے اس مدت کے دوران کوئی معاہدہ نہیں کیا ہے جس سے کمپنی کی مالی پوزیشن پر منفی اثرات مرتب ہوں گے۔

ایوارڈ اور منظوری:

آپ کو بتاتے ہوئے ہم بہت خوشی محسوس کرتے ہیں کہ ہماری کمپنی کو مندرجہ ذیل ایوارڈز حاصل کرنے کا شرف حاصل ہے:

پروفیشنل ایکسیلنس ایوارڈ

انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان نے Behavioural کلاس کا تصور اپنانے پر پروفیشنل ایکسیلنس ایوارڈ 2016 میں SPEL کو کیٹیگری پوزیشن سے نوازا۔

تعریفی ایوارڈ

پاک سوزوکی موٹر کمپنی نے حکومت پنجاب کے 50,000 ٹیکسیوں کی تکمیل کے لئے انتھک کوششوں کے اعتراف میں سال 2016 میں SPEL کو تعریفی ایوارڈ سے نوازا۔

انسانی وسائل کی ترقی:

ہمیں یقین ہے کہ ہماری بنیادی طاقت ہمارے لوگ ہیں جو انفرادی صلاحیتوں سے آراستہ ہونے اور کمپنی کے مقاصد کے حصول کے لئے پرعزم کوشاں ہیں۔ ذاتی اور تنظیمی صلاحیتوں کی ترقی علم اور افرادی قوت کمپنی کی ایک ترجیح رہی ہے۔ ٹویوٹا پیداواری سسٹم (ٹی پی ایس)، Kaizen اور 5S اور اسٹریٹجک انتظامی مہارتوں جیسے ٹریننگ پروگراموں پر باقاعدگی سے تربیت دی جاتی ہے۔

Form of **Proxy**

34th 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 September 21, 2016 and at any adjournment thereof.

Signed this ______________ day of ______________ 2016.

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 if 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
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The Company Secretary

SYNTHETIC PRODUCTS ENTERPISES 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

127-S قائد اعظم انڈسٹریل اسٹیٹ ٹاؤن شپ کوٹ لکھپت لاہور

پراکسی فارم (مختار نامہ)

میں / ہم ____________ کا / کی ____________

بحیثیت رکن سینتھیٹک پراڈکٹس انٹرپرائزز لمیٹڈ اور حامل ________ عام حصص بمطابق رجسٹرڈ فولیو نمبر ____________

بذریعہ ہذا محترم / محترمہ ____________ کمپیوٹرائزڈ قومی شناختی کارڈ نمبر ____________

مورخہ 21 ستمبر 2016ء 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 ________ 2016ء کو ممبر / ہمارے دستخط سے گواہوں کی تصدیق سے جاری ہوا۔

ممبر کے دستخط

ریونیو کی مہر 5 روپے

گواهان

1۔

دستخط: ____________

نام: ____________

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: ____________

گواهان

2۔

دستخط: ____________

نام: ____________

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: ____________

نوٹ:

1۔ پراکسی تقرری کے آلات مقرر 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 مختار نامہ یا دیگر اتھارٹی (اگر کوئی ہوں) تقرری کے آلات جس کے تحت یہ دستخط شدہ ہو یا اس مختار نامہ کی نوٹری 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 جائے گی بصورت دیگر پراکسی کا انسٹرومنٹ کالعدم تصور ہوگا۔

3۔ سی ڈی سی حصص یافتگان یا ان کے پراکسیز کو اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ معہ پارٹیسپنٹ (شراکت) 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۔

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Fax: 042 351 18507