

**2014**

# Annual Report

## Synthetic Products Enterprises Limited

127-S, Quaid-e-Azam Industrial Estate,  
Kot Lakhpat, Lahore  
[www.spelgroup.com](http://www.spelgroup.com)



# **Synthetic Products Enterprises Limited**

## **Annual Report - 2014**

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## **OUR VISION**

SPEL is committed to deliver, on time every time, products of world class quality and provide perceptible value to its customers; simultaneously striving to achieve visibility and presence in the global market

## Company Information



### ***The Board of Directors***

Mr. Almas Hyder - Chairman  
Dr. S. M. Naqi - Advisor  
Mr. Zia Hyder Naqi - CEO  
Mr. Raza Haider Naqi  
Sheikh Naseer Hyder  
Mr. Abid Saleem Khan

### **Auditors**

KPMG Taseer Hadi & Co.  
Chartered Accountants

### **Legal Advisors**

Ch. Ghulam Hussain  
Lawyers' Inn

### **Bankers**

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

### **Company Secretary & CFO**

Khalil Hashmi ACA

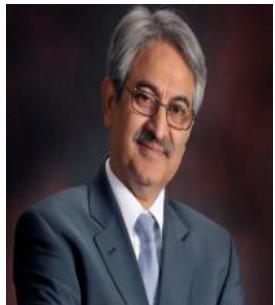
### **Registered Office**

127-S, Quid-e-Azam Industrial Estate  
Kot Lakhpat Lahore  
Ph: 042 111 005 005  
Fax: 024-35118507

### **Website**

[www.spelgroup.com](http://www.spelgroup.com)

## Board of Directors



**Mr. Almas Hyder**

Chairman

Mr. Hyder is a graduate engineer from University of Engineering & Technology, Lahore and a member of the Institute of Engineers Pakistan. He also holds memberships in Institute of Materials (London) and Society of Plastic Engineers (USA).

Apart from his personal business activities, Mr. Hyder has also served many public organizations at senior positions. To his credit is the writing of the 'Engineering Vision 2012 for Pakistan' and the establishment of TUSDEC (Technology Upgradation and Skill Development Company), where he was the Founder Chairman, under the Ministry of Industries, Production and Special Initiatives (MOIP). TUSDEC is working for upgradation of Industrial Technologies and development of related skills in Pakistan.

He was also the first President of Quaid-e-Azam Industrial Estate Board, set up by the Government of Punjab to manage and upgrade the infrastructure of Kot Lakhpat Industrial Estate, Lahore.

Mr. Hyder currently holds the following positions:

- Member of the BoD of Punjab Skill Development Fund (PSDF)
- Member of the BoD of Punjab Small Industries Corporation (PSIC)
- Member, Advanced Studies & Research Board, University of Engineering & Technology, Lahore; and

He has also held the following positions:

- Member of the BoD of National Transmission and Despatch Company Ltd (NTDC)
- Chairman, Technology Upgradation and Skill Development Company (TUSDEC);
- Member of the Governing Body of Small and Medium Enterprise Development Authority (SMEDA);
- Chief Executive Officer, Engineering Development Board, Government of Pakistan;
- Director, Pakistan Industrial Development Corporation (PIDC)
- Chairman, Pakistan Industrial Technical Assistance Centre (PITAC);
- Member, of the Governing Body of Punjab Industrial Estates Development and Management Company (PIEDMC)
- Member of the Board, Technical Education & Vocational Training Authority (TEVTA) Government of Punjab;
- Chairman, Steering Committee for Engineering Vision 2012, MOIP;
- Member, National Steering Committee on TQM & Productivity, Planning Commission of Pakistan;
- Chairman, TQM Bureau in Lahore Chamber of Commerce & Industry;
- Member, Advanced Studies & Research Board, University of Engineering & Technology, Lahore;
- Member, Advisory Council of the Ministry of Commerce;
- Member, Federal Export Board; and
- Member, Executive Committee, Lahore Chamber of Commerce and Industry.
- Member of the Academic Council of GC University, Lahore



### **Dr. S. M. Naqi**

Advisor

Dr. S. M. Naqi is a Chartered Engineer and has a Ph. D. in Business Administration. He is a Fellow member of Institute of Mechanical Engineers (London), European Institute of Products Management (U.K.), Pakistan Institute of Metallurgical Engineers, and Institute of Engineers - Electrical (Pakistan).

He is also a visiting faculty member of Institute of Business Administration, Punjab University and several other business schools in Lahore.

Dr. S. M. Naqi has also received a civil award from the President of Pakistan for the distinguished services. He is a known figure of the country and has held the following positions during his professional career.

- Chairman, Management Association of Pakistan, Lahore Advisory Board (12 years)
- President, Pakistan Institute of Metallurgical Engineers and Material Scientists (6 years)
- Chairman, Federal Light Engineering Corporation (1978-79)
- Managing Director, Pakistan Engineering Company Limited (PECO) (1976-78)
- Managing Director, Lahore Engineering Foundry Limited (LEFO) (1975-76)
- Managing Director, Karachi Pipe Mills Limited (1972-74)
- Mechanical Engineer, Pakistan Railways (1945-72)

Dr. S. M. Naqi has a vast experience of industrial management and presently is the Advisor of SPEL Group of Companies.



### **Mr. Zia Hyder Naqi**

Chief Executive Officer

Mr. Zia Hyder Naqi did his Mechanical Engineering in 1989 from University of Engineering & Technology Lahore and Master in Business Administration in 1994. He started his professional career with SPEL Packaging Industries in July 1989, and made the business a success story. Presently he is working as Chief Executive Officer of Synthetic Products Enterprises Limited. He also serves on the BoD of Quaid-e-Azam Industrial Estate, Lahore

Mr. Zia Hyder Naqi has participated in a number of training programs from renowned trainers in Japan, Germany and Canada, He is also a Certified Project Management Professional and IT expert.



**Mr. Raza Haider Naqi**

Director

A Chemical Engineer and an MBA in marketing started his career from manufacturing of electronic security systems, researching and developing top of the line car and home security systems including the real time auto tracking system for security as well as fleet management system. Later he gained tremendous amount of insight in sale and marketing of durable goods .



**Sheikh Naseer Hyder**

Director

Sheikh Naseer Hyder did his MBA with a distinction from Cardiff University, UK in 2007 and Graduation from Wilfrid Laurier University, Canada in 2001.



**Abid Saleem Khan**

Director/ Chief Operating Officer

Mr. Khan is an MBA from The Institute of Management Sciences (Previously Pak American Institute of Management Sciences), and graduate of Management Development Programme from LUMS. He is working for SPEL for over 15 years he has deep understanding of the automotive industry and Japanese systems of management.

## **DIRECTORS REPORT TO THE SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2014**

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 2014.

### **Financial Overview**

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

|                                    | <b>2014</b>              | <b>2013</b> |
|------------------------------------|--------------------------|-------------|
|                                    | <b>Rupees in million</b> |             |
| Turnover                           | 1,718.56                 | 1,415.83    |
| Gross profit                       | 345.93                   | 232.30      |
| Operating profit                   | 232.11                   | 128.11      |
| Financial cost                     | 56.46                    | 50.35       |
| Profit before taxation             | 175.12                   | 78.10       |
| Taxation                           | 53.19                    | 18.41       |
| Profit available for appropriation | 121.93                   | 60.19       |

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

|                  |          |
|------------------|----------|
| Basic EPS – 2014 | Rs. 2.10 |
| Basic EPS – 2013 | Rs. 1.04 |

**Contribution to National Exchequer:** During the year, the company paid Rs. 360 million (**2013:** Rs. 307 million) towards the government revenue in the form of sales tax, income tax and custom duties.

**Dividends:** During the year under review, the Company has announced an interim cash dividend of 10% and an interim stock dividend @ 40.68%.

### **Operations**

**Operations:** FY 2014 was the revival year for the company. In recent past the operations of the company were adversely affected due to unplanned electricity load-shedding. This had put a burden on our costs essentially resulting from material & labour wastages and higher cost of energy.

During FY 2014, the management has been able to acquire an Express Power Line from LESCO following which our load-shedding was consolidated, resulting in lower wastages of material, power and labour time.

To cater to the growing market demand, we invested Rs. 88 million in additional Plant and Machinery. The investment helped us achieve higher productivity and lower the cost. Significant

amount has also been spent for the automation of the processes to ensure timely delivery to our customers and improving efficiency of our workforce.

### **Award and Recognition:**

During the year under review, Honda Atlas Cars (Pakistan) Limited has given us the following two awards:

- Best Development Award in recognition of on time development of Door Trims of Honda Civic
- Environment Excellent Award

Your Company has also successfully developed the door trims for recently launched Toyota Corolla with in-house mould development for the project. The quality has been appreciated both nationally and internationally by Toyota.



**SAP ERP:** We are pleased to inform that the management has successfully implemented SAP with the help of M/s Abacus Consulting. The FY 2014 was the first year when new ERP was fully operational. SAP delivers a comprehensive set of business benefits, including reduced risk, better financial management and better planning of Company's resources.

**ISO Certification:** During the year, ISO 14001 certification, ISO 9001 and SEDEX surveillance audits were conducted. These systems were found in compliance with the international standards and were accredited accordingly.

The audit for FSSC-22000 certification (food safety) was also conducted; the Company will receive its certification in FY 2015.

**Human Resource Development:** Developing the personal and organizational skills, knowledge and abilities has been one of the main priorities of the Company. The trainings ranged from fundamental skills for production members to refresher courses on Toyota Production Systems (TPS), Kaizen, 5S and strategic managerial skills. During the year under review, 3070 man-hours were spent on different trainings.

The services of outside training intuitions including Institute of Social Sciences, Pakistan Institute of Management etc were used for advanced trainings which helped the personnel to sharpen their relevant skills and competencies.



During the year 5S competitions were conducted and teams of employees participated enthusiastically in all the competitions.

Keeping in view the better performance in productivity, sales and profit, the Company gave pedestal fans to all eligible employee of the Company to recognize the team work and dedication to the Company.

During the year, a few friendly cricket match were also arranged in which the employees participated and enjoyed themselves.

## **Participation in Exhibitions:**

During the year the Company participated in local as well as international exhibitions and trade shows including, PAPS Show Lahore, 3P Karachi and Agritechnica Germany. The participations created Company's visibility for current and prospective customers.



**Values:** Our values are the foundation of our business. They guide the way we work with our business partners, within our communities and with each other. Through integrity, accountability, passion, humility, simplicity and focus, we have created a vibrant company culture where ideas can blossom, people can thrive and be a part of Company's success.

Following is the summary of our values:

| Customer Satisfaction  | Respect   | Integrity  | Ownership  | Save Environment  |
|--|---|--|--|---|
| <ul style="list-style-type: none"><li>•Delivery</li><li>•Quality</li><li>•Response</li><li>•Relationships</li><li>•Service and Support</li></ul> | <ul style="list-style-type: none"><li>•Respect for customers employees and all stakeholders</li><li>•Business is about human beings. They want to be treated well.</li><li>•CSR is one way to show respect to society</li></ul> | <ul style="list-style-type: none"><li>•Building trust</li><li>•Honoring Commitments</li><li>•Dependability</li><li>•Staying within ethical and legal boundaries</li><li>•Rewarding Honesty</li></ul> | <ul style="list-style-type: none"><li>•Empowerment</li><li>•Punctuality</li><li>•Value time</li><li>•Capability</li><li>•Delegation</li><li>•Responsibility with authority</li><li>•Training of people for growth and continuous improvement</li><li>•Prepare Leaders for the future</li></ul> | <ul style="list-style-type: none"><li>•Eliminate waste</li><li>•Save energy, water, air and natural resources</li><li>•Eliminate pollutants from the system</li></ul> |

## **Corporate**

**Appointment of Auditors:** The present auditors, M/s KPMG Taseer Hadi & Co Chartered Accountants will retire at the conclusion of the upcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

**Pattern of Shareholding:** The pattern of shareholding is attached with the report.

**Corporate governance:** Good governance is one of the key elements of our business. Our management systems are geared towards effective decision making, direction and control. There is a well organized structure by which the Company's objectives are set, the key performance indicators (KPIs) and relevant targets are discussed and monitored through regular management review meetings.

At SPEL, we practice Kaizen (continuous improvement) and Respect for People through which we aspire to improve efficiency and effectiveness across the organization.

We are pleased to state that, in order to maintain high level of transparency and to give maximum information to our shareholder, we have adopted all applicable requirements of IFRS as elaborated in note number 2 to the financial statements.

We further state that:

1. 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.
2. Proper books of account of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. The system of internal controls is sound in design and has been effectively implemented and monitored.
5. International Financial Reporting Standards, as applicable in Pakistan have been followed in preparation of financial statements.
6. There are no significant doubts upon the company's ability to continue as a going concern.
7. Key operating and financial data for the last six years is attached.

#### **Future outlook**

The Pakistan's economy currently is causing some concerns but there are still some inherent strengths; and we are positive on the stability of our markets and the ability of Company's management to develop such strategies to maintain the pattern of sustained growth.

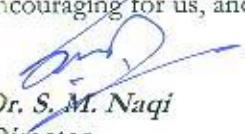
Further, the Company is striving to expand its geographical markets by focusing on exports and at the same time cognizant of the need to further increase its domestic market share to maintain a competitive edge through quality and service.

The Company has built a blue-chip clientele which provide natural growth as the clients grow. The Company focuses 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 our financial institutions is also encouraging for us, and we extend our gratitude to them.

  
Dr. S. M. Naqi  
Director

  
Zia Hyder Naqi  
Chief Executive Officer

Place: Lahore  
6 September 2014

# SIX YEARS AT A GLANCE

| Nomenclature                   | Unit          | 2014   | 2013   | 2012   | 2011   | 2010   | 2009   |
|--------------------------------|---------------|--------|--------|--------|--------|--------|--------|
| <b>FINANCIAL INFORMATION</b>   |               |        |        |        |        |        |        |
| <b>PROFIT AND LOSS ACCOUNT</b> |               |        |        |        |        |        |        |
| Sales                          | Rs in million | 1,718  | 1,416  | 1,399  | 1,192  | 1,099  | 831    |
| Cost of Sales                  | Rs in million | 1,372  | 1,184  | 1,145  | 978    | 881    | 688    |
| Gross Profit                   | Rs in million | 346    | 232    | 254    | 214    | 218    | 143    |
| Profit before taxation         | Rs in million | 175    | 79     | 97     | 81     | 94     | 50     |
| Depreciation                   | Rs in million | 63     | 49     | 44     | 42     | 35     | 36     |
| Financial cost                 | Rs in million | 56     | 50     | 48     | 51     | 37     | 38     |
| Profit after tax               | Rs in million | 122    | 60     | 71     | 56     | 60     | 33     |
| EBIDTA                         | Rs in million | 294    | 178    | 189    | 174    | 166    | 124    |
| <b>BALANCE SHEET</b>           |               |        |        |        |        |        |        |
| Share Capital                  | Rs in million | 580    | 412    | 330    | 319    | 265    | 214    |
| No of Shares (Closing)         | No. in 000    | 58,000 | 41,227 | 32,982 | 31,909 | 26,517 | 21,417 |
| Fixed Assets                   | Rs in million | 873    | 629    | 504    | 489    | 423    | 442    |
| Total Assets                   | Rs in million | 1,559  | 1,320  | 1,164  | 999    | 856    | 733    |
| Equity                         | Rs in million | 599    | 512    | 458    | 387    | 331    | 281    |
| Long Term Loans & Leases       | Rs in million | 75     | 84     | 26     | 81     | 38     | 27     |
| Current Assets                 | Rs in million | 653    | 671    | 650    | 492    | 419    | 285    |
| Stocks                         | Rs in million | 260    | 318    | 330    | 292    | 197    | 101    |
| Debtors                        | Rs in million | 185    | 225    | 128    | 111    | 113    | 105    |
| Creditors                      | Rs in million | 30     | 44     | 43     | 37     | 43     | 43     |
| Current Liabilities            | Rs in million | 536    | 621    | 594    | 457    | 423    | 280    |
| Short term finances            | Rs in million | 362    | 371    | 374    | 312    | 270    | 191    |
| Working Capital                | Rs in million | 117    | 50     | 55     | 35     | (4)    | 5      |
| <b>SIGNIFICANT RATIOS</b>      |               |        |        |        |        |        |        |
| <b>Profitability</b>           |               |        |        |        |        |        |        |
| Gross profit ratio             | %age          | 20%    | 16%    | 18%    | 18%    | 20%    | 17%    |
| Profit before taxation         | %age          | 10%    | 6%     | 7%     | 7%     | 9%     | 6%     |
| Net profit ratio               | %age          | 7%     | 4%     | 5%     | 5%     | 5%     | 4%     |
| EBIDTA Ratio                   | %age          | 17%    | 13%    | 13%    | 15%    | 15%    | 15%    |
| Return on investment           | %age          | 17%    | 16%    | 21%    | 20%    | 22%    | 16%    |
| <b>Return to Shareholders</b>  |               |        |        |        |        |        |        |
| R.O.E. before tax              | %age          | 29%    | 15%    | 21%    | 21%    | 28%    | 18%    |
| R.O.E. after tax               | %age          | 20%    | 12%    | 16%    | 14%    | 18%    | 12%    |
| EPS - Basic & Diluted          | Rs.           | 2.10   | 1.46   | 1.73   | 1.75   | 2.25   | 1.53   |
| <b>Activity</b>                |               |        |        |        |        |        |        |
| Sales to fixed assets          | Times         | 1.97   | 2.25   | 2.77   | 2.44   | 2.60   | 1.88   |
| Sales to total assets          | Times         | 1.10   | 1.07   | 1.20   | 1.19   | 1.28   | 1.13   |
| <b>Liquidity / Leverage</b>    |               |        |        |        |        |        |        |
| Current Ratio                  | Times         | 1.22   | 1.08   | 1.09   | 1.08   | 0.99   | 1.02   |
| Quick Ratio                    | Times         | 0.73   | 0.57   | 0.54   | 0.44   | 0.52   | 0.66   |
| Long Term Debt to Equity Ratio | %age          | 11%    | 14%    | 5%     | 17%    | 10%    | 9%     |
| Total Debt to Equity Ratio     | %age          | 42%    | 47%    | 47%    | 50%    | 48%    | 44%    |
| <b>Solvency</b>                |               |        |        |        |        |        |        |
| Debtors turnover ratio         | Days          | 39     | 58     | 33     | 34     | 38     | 46     |
| Creditors turnover ratio       | Days          | 8      | 14     | 14     | 14     | 18     | 23     |
| <b>Other Information</b>       |               |        |        |        |        |        |        |
| Break up value per share       | Rupees        | 10.33  | 12.43  | 13.89  | 12.12  | 12.48  | 13.14  |
| Sale growth rate               | %age          | 21%    | 1%     | 17%    | 8%     | 32%    | 33%    |

## Revenue Application

|                | 30 June<br>2014             | 30 June<br>2013             |
|----------------|-----------------------------|-----------------------------|
| <b>REVENUE</b> |                             |                             |
| Gross Sales    | 1,996,497,458               | 1,637,545,266               |
| Other Income   | <u>11,593,518</u>           | 5,335,130                   |
|                | <b><u>2,008,090,976</u></b> | <b><u>1,642,880,396</u></b> |

| <b>APPLICATION</b>                                   |               |               |
|--|---------------|---------------|
| <b>Product Cost</b>                                  |               |               |
| Cost of Sales<br>(excluding employees' remuneration) | 1,267,799,768 | 1,092,815,506 |

| <b>Other Cost</b>   |                    |                    |
|---|--------------------|--------------------|
| Operating Expenses<br>(excluding employees' remuneration) | 95,007,824         | 79,893,656         |
| Financial Charges   | 56,461,988         | 50,351,570         |
|   | <b>151,469,812</b> | <b>130,245,226</b> |

| <b>Employees</b>        |                    |                    |
|-------------------------|--------------------|--------------------|
| Employees' Remuneration | 123,642,325        | 115,008,115        |
| WPPF                    | 9,362,132          | 4,129,751          |
|                         | <b>133,004,457</b> | <b>119,137,866</b> |

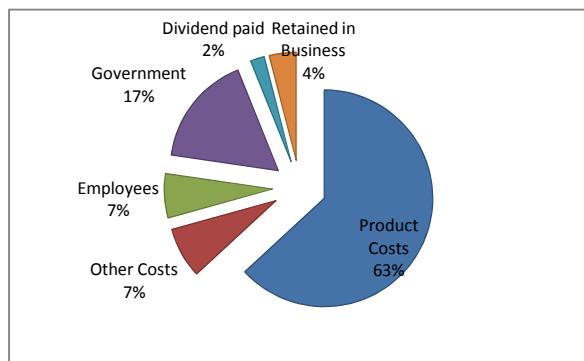
| <b>Government</b>           |                    |                    |
|-----------------------------|--------------------|--------------------|
| Income Tax                  | 53,187,370         | 18,414,844         |
| Sales Tax and Excise Duties | 277,936,431        | 221,716,248        |
| WWF                         | 2,760,624          | 363,041            |
|                             | <b>333,884,425</b> | <b>240,494,133</b> |

|               |                   |   |
|---------------|-------------------|---|
| Dividend paid | <b>41,227,483</b> | - |
|---------------|-------------------|---|

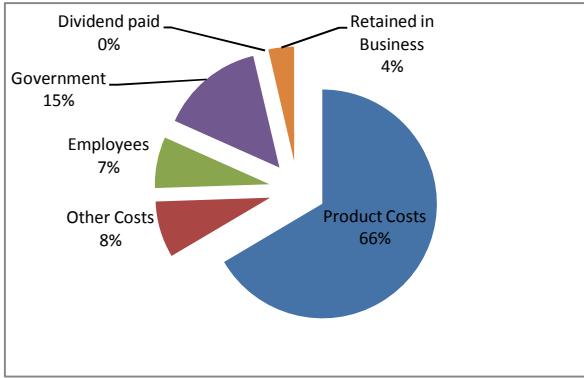
| <b>Retained in Business</b> |                      |                      |
|-----------------------------|----------------------|----------------------|
| Profit Retained             | 80,705,031           | 60,187,665           |
| <b>Revenue</b>              | <b>2,008,090,976</b> | <b>1,642,880,396</b> |

| <b>APPLICATION IN</b> |             |             |
|-----------------------|-------------|-------------|
| Product Costs         | 63%         | 67%         |
| Other Costs           | 8%          | 8%          |
| Employees             | 7%          | 7%          |
| Government            | 17%         | 15%         |
| Dividend paid         | 2%          | 0%          |
| Retained in Business  | 4%          | 4%          |
|                       | <b>100%</b> | <b>100%</b> |

30-Jun-14



30-Jun-13



# PATTERN OF SHAREHOLDING

## AS AT JUNE 30, 2014

| NUMBER OF<br>SHAREHOLDERS | SHAREHOLDING |           | TOTAL SHARES<br>HELD | % OF PAID UP<br>CAPITAL |
|---------------------------|--------------|-----------|----------------------|-------------------------|
|                           | FROM         | TO        |                      |                         |
| 1                         | 1            | 500,000   | 359,648              | 0.62%                   |
| 1                         | 500,001      | 2,000,000 | 1,467,365            | 2.53%                   |
| 2                         | 2,000,001    | 7,000,000 | 12,050,724           | 20.78%                  |
| 2                         | 7,000,001    | Above     | 44,122,263           | 76.07%                  |
|                           |              |           |                      |                         |
|                           |              |           |                      |                         |
|                           |              |           |                      |                         |
| <b>6</b>                  |              |           | <b>58,000,000</b>    | <b>100.00%</b>          |

### CATEGORIES OF SHAREHOLDERS

| Sr. No. | Description            | No. of<br>Shareholders | Shares Held       | % OF PAID UP<br>CAPITAL |
|---------|------------------------|------------------------|-------------------|-------------------------|
| 1       | Individuals            | 6                      | 58,000,000        | 100%                    |
| 2       | Joint Stock Companies  | -                      | -                 | -                       |
| 3       | Financial Institutions | -                      | -                 | -                       |
| 4       | Modarabas              | -                      | -                 | -                       |
| 5       | Insurance Companies    | -                      | -                 | -                       |
| 6       | Investment Companies   | -                      | -                 | -                       |
| 7       | Foreign Companies      | -                      | -                 | -                       |
| 8       | Others                 | -                      | -                 | -                       |
|         |                        | <b>6</b>               | <b>58,000,000</b> | <b>100%</b>             |

**Synthetic Products Enterprises Limited**

Financial statements for year ended  
30 June 2014



KPMG Taseer Hadi & Co.  
Chartered Accountants  
2nd Floor,  
Servis House  
2-Main Gulberg Jail Road,  
Lahore Pakistan

Telephone + 92 (42) 3579 0901-6  
Fax + 92 (42) 3579 0907  
Internet [www.kpmg.com.pk](http://www.kpmg.com.pk)

## Auditors' Report to the Members

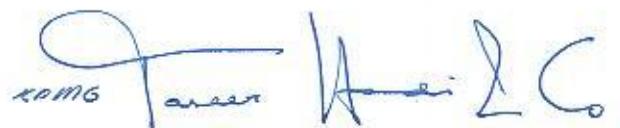
We have audited the annexed balance sheet of **Synthetic Products Enterprises Limited ("the Company")** as at 30 June 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then 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 conduct 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 accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and 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 accounts and are further in accordance with accounting policies consistently applied except for the change as stated in note 2.3 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 balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and 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 2014 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.



Lahore

Date: 06 September 2014

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KPMG Taseer Hadi & Co.  
Chartered Accountants  
(Kamran Iqbal Yousafi)

Synthetic Products Enterprises Limited  
 Balance Sheet  
*As at 30 June 2014*

|   | Note | 2014<br>Rupees       | 2013<br>Rupees       | Note                           | 2014<br>Rupees     | 2013<br>Rupees     |
|---|------|----------------------|----------------------|--------------------------------|--------------------|--------------------|
| <b>EQUITY AND LIABILITIES</b>                       |      |                      |                      |                                |                    |                    |
| <b>ASSETS</b>                                       |      |                      |                      |                                |                    |                    |
| Share capital and reserves                          |      |                      |                      | Non-current assets             |                    |                    |
| Authorized share capital of Rs. 10 each             | 5    | <b>1,000,000,000</b> | <b>530,000,000</b>   | Property, plant and equipment  | 16                 | <b>873,185,121</b> |
| Issued, subscribed and paid-up capital              | 5    | <b>580,000,000</b>   | <b>412,274,830</b>   | Intangible asset               | 17                 | <b>5,368,325</b>   |
| Accumulated profit                                  |      | <b>18,989,521</b>    | <b>106,009,660</b>   | Advance for purchase of shares | 18                 | <b>9,900,020</b>   |
|   |      | <b>598,989,521</b>   | <b>518,284,490</b>   | Long term investments          | 19                 | <b>4,496,346</b>   |
| Surplus on revaluation of land                      | 6    | <b>226,943,081</b>   | -                    | Long term deposits             | 20                 | <b>12,621,192</b>  |
| Non-current liabilities                             |      |                      |                      |                                | <b>905,571,004</b> | <b>649,276,308</b> |
| Long term finance - secured                         | 7    | <b>11,679,995</b>    | -                    |                                |                    |                    |
| Diminishing musharika - secured                     | 8    | <b>22,467,360</b>    | -                    |                                |                    |                    |
| Liabilities against assets subject to finance lease | 9    | <b>40,943,933</b>    | <b>83,842,519</b>    |                                |                    |                    |
| Deferred taxation                                   | 10   | <b>121,617,088</b>   | <b>102,877,636</b>   |                                |                    |                    |
|   |      | <b>196,708,376</b>   | <b>186,720,155</b>   |                                |                    |                    |
| Current liabilities                                 |      |                      |                      |                                |                    |                    |
| Trade and other payables                            | 11   | <b>82,922,668</b>    | <b>191,473,542</b>   |                                |                    |                    |
| Short term borrowings - secured                     | 12   | <b>362,828,683</b>   | <b>370,661,597</b>   |                                |                    |                    |
| Current maturity of non-current liabilities         | 13   | <b>51,955,797</b>    | <b>47,427,409</b>    |                                |                    |                    |
| Accrued markup                                      | 14   | <b>4,103,912</b>     | <b>3,695,340</b>     |                                |                    |                    |
| Provision for taxation                              |      | <b>34,447,918</b>    | <b>1,622,296</b>     |                                |                    |                    |
|   |      | <b>536,258,978</b>   | <b>614,880,184</b>   |                                |                    |                    |
| Contingencies and commitments                       | 15   | <b>1,558,899,956</b> | <b>1,319,884,829</b> |                                |                    |                    |

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

*M. Iqbal*

Lahore

*J. A. Khan*  
 Director

*J. A. Khan*  
 Chief Executive

# Synthetic Products Enterprises Limited

## Profit and Loss Account

For the year ended 30 June 2014

|                                   | <i>Note</i> | 2014<br>Rupees     | 2013<br>Rupees     |
|-----------------------------------|-------------|--------------------|--------------------|
| Sales - net                       | 24          | 1,718,561,027      | 1,415,829,018      |
| Cost of sales                     | 25          | (1,372,627,788)    | (1,183,530,463)    |
| <b>Gross profit</b>               |             | <b>345,933,239</b> | <b>232,298,555</b> |
| Administrative expenses           | 26          | (77,120,900)       | (70,852,026)       |
| Selling and distribution expenses | 27          | (36,701,229)       | (33,334,786)       |
| <b>Operating profit</b>           |             | <b>232,111,110</b> | <b>128,111,743</b> |
| Other income                      | 28          | 11,593,518         | 5,335,130          |
| Other charges                     | 29          | (12,122,756)       | (4,492,792)        |
| Finance cost                      | 30          | (56,461,988)       | (50,351,570)       |
| <b>Profit before taxation</b>     |             | <b>175,119,884</b> | <b>78,602,511</b>  |
| Taxation                          | 31          | (53,187,370)       | (18,414,844)       |
| <b>Profit after taxation</b>      |             | <b>121,932,514</b> | <b>60,187,667</b>  |

|  | 2014<br>Rupees    | 2013<br>Rupees |
|--|-------------------|----------------|
| Earnings per share - basic and diluted | 32<br><u>2.10</u> | <u>1.04</u>    |
|  |                   | (Restated)     |

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

*M. M. S. M.*

Lahore



Chief Executive



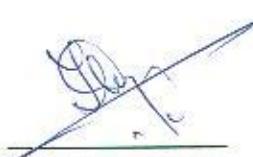
Director

Synthetic Products Enterprises Limited  
Statement of Comprehensive Income  
*For the year ended 30 June 2014*

|  | 2014<br>Rupees            | 2013<br>Rupees           |
|--|---------------------------|--------------------------|
| <b>Profit after tax</b>                        | <b>121,932,514</b>        | 60,187,667               |
| Other comprehensive income                     | -                         | -                        |
| <b>Total comprehensive income for the year</b> | <b><u>121,932,514</u></b> | <b><u>60,187,667</u></b> |

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

*Amritpal Singh*

  
Chief Executive

Lahore

  
Director

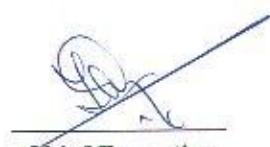
Synthetic Products Enterprises Limited  
 Statement of Changes in Equity  
*For the year ended 30 June 2014*

|  | Revenue reserve                                   |                           |              |
|--|---|---------------------------|--------------|
|  | <u>Issued, subscribed<br/>and paid-up capital</u> | <u>Accumulated profit</u> | <u>Total</u> |
|  | -----<br><u>Rupees</u>                            | -----                     | -----        |
| <b>As at 30 June 2012</b>                      | 329,819,870                                       | 128,276,953               | 458,096,823  |
| Total comprehensive income for the year        | -   | 60,187,667                | 60,187,667   |
| <i>Transactions with owners of the Company</i> |   |                           |              |
| Bonus shares issued                            | 82,454,960  | (82,454,960)              | -            |
| <b>As at 30 June 2013</b>                      | 412,274,830                                       | 106,009,660               | 518,284,490  |
| Total comprehensive income for the year        | -   | 121,932,514               | 121,932,514  |
| <i>Transactions with owners of the Company</i> |   |                           |              |
| Bonus shares issued                            | 167,725,170                                       | (167,725,170)             | -            |
| Dividend paid                                  | -   | (41,227,483)              | (41,227,483) |
| <b>As at 30 June 2014</b>                      | 580,000,000                                       | 18,989,521                | 598,989,521  |

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

*MMS/2014*

Lahore



Chief Executive



Director

Synthetic Products Enterprises Limited  
 Cash Flow Statement  
*For the year ended 30 June 2014*

|  | <i>Note</i> | 2014<br>Rupees       | 2013<br>Rupees      |
|--|-------------|----------------------|---------------------|
| <b>Cash generated from operations</b>                                | 33          | 294,889,663          | 97,151,736          |
| Workers' Profit Participation Fund and<br>Workers' Welfare Fund paid |             | (4,492,792)          | (7,267,011)         |
| Taxes paid   |             | (24,340,335)         | (28,824,307)        |
| <b>Cash generated from operating activities</b>                      |             | <b>266,056,536</b>   | <b>61,060,418</b>   |
| <b>Cash flows from investing activities</b>                          |             |                      |                     |
| Capital expenditure  |             | (93,083,839)         | (49,928,978)        |
| Proceeds from disposal of property, plant and equipment              |             | 4,837,984            | 1,490,010           |
| Advance for purchase of shares                                       |             | (9,900,020)          | -                   |
| Long term deposits   |             | 2,992,831            | (9,086,263)         |
| Proceeds from disposal of short term investments                     |             | -                    | 8,885,000           |
| Acquisition of subsidiary  |             | (99,980)             | -                   |
| <b>Net cash used in investing activities</b>                         |             | <b>(95,253,024)</b>  | <b>(48,640,231)</b> |
| <b>Cash flows from financing activities</b>                          |             |                      |                     |
| Principal repayment of lease liability                               |             | (47,567,241)         | (64,312,270)        |
| Long term finance obtained   |             | 20,022,860           | -                   |
| Long term finance repaid   |             | (1,112,382)          | -                   |
| Redeemable capital obtained  |             | 24,761,680           | -                   |
| Redeemable capital repaid  |             | (327,760)            | -                   |
| Short term borrowings - net  |             | (19,654,310)         | 111,694,553         |
| Cash dividend paid   |             | (41,227,483)         | -                   |
| Finance cost paid  |             | (56,053,416)         | (45,822,076)        |
| <b>Net cash (used in) / generated from financing activities</b>      |             | <b>(121,158,052)</b> | <b>1,560,207</b>    |
| <b>Net increase in cash and cash equivalents</b>                     |             | <b>49,645,460</b>    | <b>13,980,394</b>   |
| <b>Cash and cash equivalents at beginning of the year</b>            |             | <b>(53,693,119)</b>  | <b>(67,673,513)</b> |
| <b>Cash and cash equivalents at end of the year</b>                  | 34          | <b>(4,047,659)</b>   | <b>(53,693,119)</b> |

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

*ADMS 94*

Lahore

*[Signature]*  
 Chief Executive

*[Signature]*  
 Director

# Synthetic Products Enterprises Limited

## Notes to the Financial Statements

For the year ended 30 June 2014

### 1 Reporting entity

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. The registered office of the Company is situated at 127-S, Quaid-e-Azam Industrial Estate, Kot Lakhpat, Lahore. It is principally engaged in the manufacturing and sale of plastic auto parts, plastic food packaging, moulds and dies.

### 2 Basis of preparation

#### 2.1 Statement of compliance

These 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, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives under the Companies Ordinance, 1984 shall prevail.

#### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial instruments at amortized cost and certain items of property, plant and equipment at revalued amounts. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

#### 2.3 Change in accounting policy

The Company during the year changed its accounting policy for land included in property, plant and equipment from cost model to revaluation model.

#### 2.4 Judgments, estimates and assumptions

The preparation of 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.

#### **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 was carried out by independent professional valuers. Revalued amounts of property, plant and equipment was determined by reference to local market values.

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. Such frequent revaluations are unnecessary for items of land with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every three or five years.

Further the surplus on revaluation of land shall be utilized in accordance with the provisions of section 235 of the Companies Ordinance, 1984.

#### **2.5 Functional currency**

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

### **3 Significant accounting policies**

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

#### **3.1 Property, plant and equipment**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses with the exception of freehold land, which is measured at revalued amount less accumulated impairment losses, plant and machinery and building which are measured at revalued amount less accumulated depreciation and accumulated impairment losses and capital work in progress, which is stated at cost less accumulated impairment losses. 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 3.16.

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 profit and loss account as incurred.

The Company recognizes depreciation in profit and loss account 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 financial statements. Depreciation on additions to property, plant and equipment is charged from the year in which the item becomes available for use. Depreciation is discontinued from the year in which it is disposed or classified as held for disposal.

An item of property, plant and equipment is de-recognized when permanently retired from use. Any gain or loss on disposal of property, plant and equipment is recognized in profit and loss account.

#### Capital work in progress

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

#### **3.2 Software**

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.

#### **3.3 Stores, spares and loose tools**

These are stated at lower of cost and net realizable value. Cost is determined using the weighted average method. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

#### **3.4 Stock in trade**

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

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

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

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

#### **3.5 Employee benefits**

The Company operates an approved defined contributory provident fund for its employees. Equal contributions are made by the Company and employees at 10.00% of basic salary.

#### **3.6 Investments**

##### **3.6.1 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 profit and loss account.

##### **3.6.2 Investment in equity instruments of associate**

Associates are all entities over which the Company has significant influence but not control. Investments in associates are measured at cost less accumulated impairment in the Company's separate financial statements.

The Company is required to issue consolidated financial statements along with its separate financial statements, in accordance with the requirements of IAS 27 'Consolidated and Separate Financial Statements'. Investments in associated undertakings, in the consolidated financial statements, are being accounted for using the equity method.

The effect of this change is considered immaterial, hence the effect has been incorporated in current year.

### **3.7 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.

### **3.8 Regular way purchases and sales of financial assets**

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

### **3.9 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.

### **3.10 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 cost, being 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, however, since they fall outside the scope of measurement requirements of IAS 39 'Financial Instruments - Recognition and Measurement', these are measured in accordance with the requirements of IAS 17 'Leases'. On initial recognition, these are measured at cost, being their fair value at the date of commencement of lease, less attributable transaction costs. 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 cost.

### **3.11 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 profit and loss account on a straight line basis over the lease term.

### **3.12 Trade and other payables**

#### **3.12.1 Financial liabilities**

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being their fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit and loss account.

### **3.12.2 Non-financial liabilities**

These, on initial recognition and subsequently, are measured at cost.

### **3.13 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.

### **3.14 Trade and other receivables**

#### **3.14.1 Financial assets**

These are classified as 'loans and receivables'. On initial recognition, these are measured at cost, being their fair value at the date of transaction, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit and loss account.

#### **3.14.2 Non-financial assets**

These, on initial recognition and subsequently, are measured at cost.

### **3.15 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 different sources is recognized as follows:

- 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.

### **3.16 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 profit and loss account as incurred.

### **3.17 Income tax**

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

### 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.

### **3.18 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.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit and loss account attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

### **3.19 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.

### **3.20 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 at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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

### **3.21 Impairment**

#### **3.21.1 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.

#### **3.21.2 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 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.

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

There were certain new standards and amendments to the approved accounting standards which became effective during the year but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2014:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is not likely to have an impact on Company's financial statements.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have an impact on Company’s financial statements.
- Amendment to IAS 36 “Impairment of Assets” Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.
- Amendments to IAS 19 “Employee Benefits” Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.
- 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 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.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

- IFRS 2 ‘Share-based Payment’. IFRS 2 has been amended to clarify the definition of ‘vesting condition’ by separately defining ‘performance condition’ and ‘service condition’. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
- IFRS 3 ‘Business Combinations’. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.
- Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

## 5 Share capital

### 5.1 Authorized share capital

| Number of shares | 2014               | 2013              |                                | 2014                 | 2013               |
|------------------|--------------------|-------------------|--------------------------------|----------------------|--------------------|
|                  |                    |                   | Number of shares               | Rupees               | Rupees             |
|                  | <u>100,000,000</u> | <u>53,000,000</u> | Ordinary shares of Rs. 10 each | <u>1,000,000,000</u> | <u>530,000,000</u> |

### 5.2 Issued, subscribed and paid-up capital

|                   |                   |   |                    |                    |
|-------------------|-------------------|---|--------------------|--------------------|
|                   |                   | Ordinary shares of Rs. 10 each,                               |                    |                    |
|                   | 441,940           | fully paid in cash  | 4,419,400          | 4,419,400          |
| 49,893,060        | 33,120,543        | Fully paid bonus shares of<br>Rs. 10 each                     | 498,930,600        | 331,205,430        |
| 7,665,000         | 7,665,000         | Shares or Rs. 10 each, issued<br>under scheme of amalgamation | 76,650,000         | 76,650,000         |
| <u>58,000,000</u> | <u>41,227,483</u> |   | <u>580,000,000</u> | <u>412,274,830</u> |

- 5.3 Under the scheme of arrangement of amalgamation of SPEL Packaging Industries (Private) Limited ("SPEL Packaging") with the Company, as approved by Honorable Lahore High Court on 15 July 2011, authorized share capital of both the companies have been merged and consolidated pursuant to the scheme of amalgamation. Further, the Company issued shares in the ratio of 1.46 shares of the Company for each share of SPEL Packaging during the year ended 30 June 2012. Accordingly, the Company issued 7,665,000 ordinary shares of Rs. 10 each in exchange for 5,250,000 ordinary shares of Rs. 10 each of SPEL Packaging.

## 6 Surplus on revaluation of land

Land of the Company was revalued as at 30 June 2014 by a firm of independent valuers, Hamid Mukhtar & Company (Private) Limited.

|  | <i>Note</i> | 2014<br>Rupees    | 2013<br>Rupees |
|--|-------------|-------------------|----------------|
| <b>7 Long term finance - secured</b>                       |             |                   |                |
| Standard Chartered Bank (Pakistan) Limited                 | 7.1         | 18,910,478        | -              |
| Less: current maturity presented under current liabilities | 13          | (7,230,483)       | -              |
|  |             | <b>11,679,995</b> | <b>-</b>       |

**7.1** The long term finance has been obtained from Standard Chartered Bank (Pakistan) Limited ("SCB") for the purpose of retirement of letters of credit established with Meezan Bank Limited ("MBL") and SCB for import of plant and machinery ("the Assets"). 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 repayable in thirty six equal monthly installments starting from 30 April 2014 and ending on 31 March 2017. The term finance carries mark-up at three months KIBOR plus an agreed spread, payable monthly.

The loan is secured in favour of SCB by:

- personal guarantees of two directors;
- exclusive first charge by way of hypothecation on the Assets amounting to Rs. 39.00 million; and
- exclusive charge over present and future current assets of the Company by way of hypothecation amounting to Rs. 39.00 million.

During current year, the Company has received loan disbursement amounting to Rs. 20.02 million and has made repayments amounting to Rs. 1.12 million.

|  | <i>Note</i> | 2014<br>Rupees     | 2013<br>Rupees |
|--|-------------|--------------------|----------------|
| <b>8 Diminishing musharika - secured</b>                   |             |                    |                |
| Diminishing musharika                                      |             |                    |                |
| United Bank Limited - I                                    | 8.1         | 5,571,920          | -              |
| United Bank Limited - II                                   | 8.2         | 18,862,000         | -              |
|  |             | <b>24,433,920</b>  | <b>-</b>       |
| Less: current maturity presented under current liabilities | 13          | <b>(1,966,560)</b> | <b>-</b>       |
|  |             | <b>22,467,360</b>  | <b>-</b>       |

**8.1** The facility has been obtained from United Bank Limited ("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. The finance carries mark-up at six months KIBOR plus an agreed spread, payable monthly.

The facility is secured in favour of UBL Ameen by:

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

During current year, the Company has availed musharika facility amounting to Rs. 5.90 million and has made repayments amounting to Rs. 0.33 million.

- 8.2 The facility has been obtained from UBL Ameen to finance the acquisition of conductors, poles and other related accessories for independent feeder ("Equipment") 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 thirty six equal monthly installments starting from 30 June 2015 and ending on 30 June 2017. The finance carries mark-up at six months KIBOR plus an agreed spread, 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 current year, the Company has availed musharika facility amounting to Rs. 18.86 million.

## 9 Liability against assets subject to finance lease

*Salient features of the leases are as follows:*

|                    | 2014                | 2013                |
|--------------------|---------------------|---------------------|
| Discounting factor | 11.09% to<br>13.16% | 11.09% to<br>13.76% |
| Period of lease    | 36 months           | 36 months           |
| Security deposits  | 10.00%              | 10.00%              |
| Year of maturity   | 2014-2016           | 2013-2016           |

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.

All lease agreements carry renewal 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 lessors. 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:

|  | <u>2014</u>                               |   |                     |
|--|---|---|---------------------|
|  | Total future<br>minimum lease<br>payments | Finance charges<br>allocated to<br>future periods | Principal<br>Rupees |
| Not later than one year                          | 48,649,422                                | 5,890,668   | 42,758,754          |
| Later than one year and not later than five year | <u>42,675,150</u>                         | <u>1,731,217</u>                                  | <u>40,943,933</u>   |
|  | <u>91,324,572</u>                         | <u>7,621,885</u>                                  | <u>83,702,687</u>   |
|  | <u>2013</u>                               |   |                     |
|  | Total future<br>minimum lease<br>payments | Finance charges<br>allocated to future<br>periods | Principal<br>Rupees |
| Not later than one year                          | 58,122,544                                | 10,695,135  | 47,427,409          |
| Later than one year and not later than five year | <u>91,138,924</u>                         | <u>7,296,405</u>                                  | <u>83,842,519</u>   |
|  | <u>149,261,468</u>                        | <u>17,991,540</u>                                 | <u>131,269,928</u>  |

## 10 Deferred taxation

The liability for deferred taxation comprises temporary differences relating to:

|   | Note | 2014<br>Rupees     | 2013<br>Rupees     |
|---|------|--------------------|--------------------|
| Deferred tax liability arising on:        |      |                    |                    |
| - <i>accelerated tax depreciation</i>     |      | 149,949,192        | 150,479,065        |
| Deferred tax asset arising on:            |      |                    |                    |
| - <i>long term investment</i>             |      | -                  | (217,973)          |
| - <i>finance lease transactions - net</i> |      | (28,332,104)       | (44,566,141)       |
| - <i>minimum taxation</i>                 |      | -                  | (2,817,315)        |
|   |      | <u>121,617,088</u> | <u>102,877,636</u> |

## 11 Trade and other payables

|  |      |                   |                    |
|--|------|-------------------|--------------------|
| Trade creditors                          |      | 29,723,823        | 44,118,710         |
| Accrued liabilities                      |      | 17,244,015        | 16,695,361         |
| Sales Tax payable                        |      | 2,545,294         | 7,657,112          |
| Advances from customers                  | 11.1 | 16,364,508        | 110,741,729        |
| Workers' Profit Participation Fund       |      | 9,362,132         | 4,129,751          |
| Workers' Welfare Fund                    |      | 2,760,624         | 363,041            |
| Advances from employees against vehicles |      | 1,028,650         | 1,420,221          |
| Payable to Provident Fund Trust          |      | 794,757           | 802,032            |
| Withholding tax payable                  |      | 746,500           | 1,114,709          |
| Audit fee payable                        |      | 350,000           | 270,000            |
| Due to executive directors               |      | -                 | 4,145,671          |
| Others                                   |      | <u>2,002,365</u>  | <u>15,205</u>      |
|  |      | <u>82,922,668</u> | <u>191,473,542</u> |

11.1 This includes advance in the amount of Rs. 4.19 million (2013: Rs. 19.85 million) from Honda Atlas Cars Pakistan Limited for manufacture of moulds and it carries markup at a rate of 15.00%.

## 12 Short term borrowings - secured

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

|                                | Note | 2014<br>Rupees     | 2013<br>Rupees     |
|--------------------------------|------|--------------------|--------------------|
| Short term running finance     | 12.1 | 82,950,686         | 71,129,290         |
| Finance against trust receipts | 12.2 | 279,877,997        | 299,532,307        |
|                                |      | <u>362,828,683</u> | <u>370,661,597</u> |

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- 12.1 The Company has obtained short term running finance facility under mark up arrangements of Rs. 161.23 million (2013: Rs. 115.00 million) from commercial banks. The mark-up rates range from one month to three months KIBOR plus an agreed spread (2013: one month to three months KIBOR plus an agreed spread).
- 12.2 The Company has obtained finance against trust receipts of Rs. 445.00 million (2013: Rs. 410.00 million) from commercial banks. The mark-up rates range from one month to three months KIBOR plus an agreed spread (2013: one month to three months KIBOR plus an agreed spread).
- 12.3 These facilities are secured by first pari passu hypothecation charge on current and fixed assets of the Company, by lien over import documents and pledge of imported goods and equitable and registered mortgage of properties and personal guarantee of directors of the Company.

|   | <i>Note</i> | 2014<br>Rupees    | 2013<br>Rupees    |
|---|-------------|-------------------|-------------------|
| Long term finance - <i>secured</i>                  | 7           | 7,230,483         | -                 |
| Diminishing musharika - <i>secured</i>              | 8           | 1,966,560         | -                 |
| Liabilities against assets subject to finance lease | 9           | 42,758,754        | 47,427,409        |
|   |             | <u>51,955,797</u> | <u>47,427,409</u> |

#### 14 Accrued markup

|                       |                  |                  |
|-----------------------|------------------|------------------|
| Long term finances    | 598,031          | -                |
| Short term borrowings | 3,505,881        | 3,695,340        |
|                       | <u>4,103,912</u> | <u>3,695,340</u> |

#### 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. 3.77 million (2013: Rs. nil).

|   | <i>Note</i> | 2014<br>Rupees     | 2013<br>Rupees |
|---|-------------|--------------------|----------------|
| 15.2 Commitments  |             |                    |                |
| 15.2.1 Commitments under irrevocable letters of credit for: |             |                    |                |
| - purchase of machinery                                     |             | 2,325,500          | -              |
| - purchase of raw material                                  |             | <u>100,688,295</u> | <u>-</u>       |
|   |             | <u>103,013,795</u> | <u>-</u>       |

#### 16 Property, plant and equipment

|                          |      |                    |                    |
|--------------------------|------|--------------------|--------------------|
| Operating fixed assets   | 16.1 | 872,587,223        | 627,059,481        |
| Capital work in progress |      | 597,898            | 2,186,182          |
|                          |      | <u>873,185,121</u> | <u>629,245,663</u> |

16.1 Operating fixed assets

|                            | 30 June 2014          |                        |                        |             |                        |                        | Depreciation / amortization |               |                       |                       |              |                        | Net book value<br>as at<br>30 June 2014<br>Rupees |                        |                        |                        |               |               |            |
|----------------------------|-----------------------|------------------------|------------------------|-------------|------------------------|------------------------|-----------------------------|---------------|-----------------------|-----------------------|--------------|------------------------|---|------------------------|------------------------|------------------------|---------------|---------------|------------|
|                            | As at<br>01 July 2013 |                        | Additions              |             | Revaluation<br>surplus |                        | Cost                        |               | As at<br>30 June 2014 |                       | Rate %       |                        | As at<br>01 July 2013                             |                        | For the year<br>Rupees |                        |               |               |            |
|                            | As at<br>01 July 2013 | Additions              | Revaluation<br>surplus | Transfers   | Disposals              | Cost                   | As at<br>01 July 2014       | Transfers     | Disposals             | Cost                  | Rate %       | For the year<br>Rupees | Transfers   | Disposals              | Cost                   |                        |               |               |            |
| <i>Owned</i>               |                       |                        |                        |             |                        |                        |                             |               |                       |                       |              |                        |   |                        |                        |                        |               |               |            |
| Freehold land              | 20,481,919            | -                      | 226,943,081            | -           | -                      | 226,943,081            | -                           | -             | 20,481,919            | -                     | -            | -                      | -   | -                      | -                      | 20,481,919             | 226,943,081   | 247,425,000   |            |
| - cost                     | -                     | -                      | -                      | -           | -                      | -                      | -                           | -             | -                     | -                     | -            | -                      | -   | -                      | -                      | -                      | -             | -             |            |
| - revaluation              | 20,481,919            | -                      | 226,943,081            | -           | -                      | 226,943,081            | -                           | -             | 20,481,919            | -                     | -            | -                      | -   | -                      | -                      | 20,481,919             | 226,943,081   | 247,425,000   |            |
| Buildings on freehold land | 33,008,635            | 463,376                | -                      | -           | -                      | -                      | 247,425,000                 | -             | -                     | 20,121,421            | 1,303,781    | -                      | -   | -                      | -                      | 21,425,202             | 12,046,809    | 431,999,023   |            |
| Plant and machinery        | 685,122,072           | 82,113,427             | -                      | -           | 25,396,880             | (14,530,153)           | 778,102,226                 | 10,00%        | 307,372,967           | 39,324,365            | 8,711,130    | (9,705,259)            | 346,103,203                                       | (1,231)                | 1,453,587              | 662,166                | 662,166       | 662,166       |            |
| Office equipment           | 1,746,415             | 411,338                | -                      | -           | -                      | (42,000)               | 2,115,753                   | 10,00%        | 1,421,048             | 43,770                | -            | -                      | -   | -                      | 2,136,731              | 1,790,200              | 1,790,200     | 1,790,200     |            |
| Tools and equipment        | 3,445,220             | 481,711                | -                      | -           | -                      | -                      | 3,926,931                   | 10,00%        | 1,985,695             | 151,036               | -            | -                      | -   | -                      | 7,402,847              | 1,989,747              | 3,243,780     | 3,243,780     |            |
| Computer equipment         | 9,050,485             | 342,409                | -                      | -           | -                      | -                      | 9,392,594                   | 30,00%        | 6,613,980             | 788,867               | -            | -                      | -   | -                      | 2,726,909              | 3,067,843              | 3,067,843     | 3,067,843     |            |
| Furniture and fittings     | 4,554,773             | 1,415,916              | -                      | -           | -                      | -                      | 5,970,689                   | 10,00%        | 2,484,270             | 242,639               | -            | -                      | -   | -                      | 4,431,387              | 4,431,387              | 3,864,923     | 3,864,923     |            |
| Vehicles                   | 10,469,725            | 239,840                | -                      | -           | 1,037,500              | (3,430,070)            | 8,311,995                   | 20,00%        | 6,426,961             | 627,801               | 550,777      | (12,147,877)           | 346,896,342                                       | 42,482,259             | 9,261,907              | (12,147,877)           | 386,492,631   | 702,224,568   |            |
|                            | 767,879,244           | 85,467,717             | -                      | 226,943,081 | -                      | 26,429,380             | (18,022,223)                | 1,008,717,199 | -                     | -                     | -            | -                      | -   | -                      | 1,844,007              | 20,239,908             | 145,474,047   | 145,474,047   |            |
| <i>Leased</i>              |                       |                        |                        |             |                        |                        |                             |               |                       |                       |              |                        |   |                        |                        |                        |               |               |            |
| Leasehold land             | 22,083,915            | -                      | -                      | -           | -                      | -                      | 22,083,915                  | 1,67%         | -                     | 18,017,755            | (8,711,130)  | -                      | -   | -                      | 17,978,710             | 1,680,300              | 1,680,300     | 1,680,300     |            |
| Plant and machinery        | 188,849,637           | -                      | -                      | -           | -                      | -                      | 163,452,757                 | 10,00%        | 8,672,085             | 1,178,689             | (550,777)    | -                      | -   | -                      | 21,503,017             | 170,362,655            | 170,362,655   | 170,362,655   |            |
| Vehicles                   | 4,867,500             | 2,494,000              | -                      | -           | -                      | -                      | 6,329,000                   | 20,00%        | 1,072,388             | 9,744,473             | 21,040,451   | (9,261,907)            | -   | -                      | 407,995,648            | 872,587,223            | 872,587,223   | 872,587,223   |            |
|                            | 215,801,052           | 2,494,000              | -                      | -           | -                      | -                      | (26,429,380)                | -             | 191,865,672           | 356,620,815           | 63,522,710   | (12,147,877)           | -   | -                      | -                      | -                      | -             | -             |            |
|                            | 983,680,496           | 87,961,717             | -                      | 226,943,081 | -                      | -                      | (18,022,223)                | 1,280,582,871 | -                     | -                     | -            | -                      | -   | -                      | -                      | -                      | -             | -             |            |
| <i>30 June 2013</i>        |                       |                        |                        |             |                        |                        |                             |               |                       |                       |              |                        |   |                        |                        |                        |               |               |            |
| As at<br>01 July 2012      |                       |                        |                        |             |                        | Revaluation<br>surplus |                             | Cost          |                       | As at<br>30 June 2013 |              | Rate %                 |   | As at<br>01 July 2012  |                        | For the year<br>Rupees |               | Depreciation  |            |
| As at<br>01 July 2012      | Additions             | Revaluation<br>surplus | Transfers              | Disposals   | Cost                   | As at<br>30 June 2013  | Transfers                   | Disposals     | Cost                  | As at<br>01 July 2012 | Transfers    | Disposals              | Cost  | For the year<br>Rupees | Transfers              | Disposals              | Cost          | Depreciation  |            |
| <i>Owned</i>               |                       |                        |                        |             |                        |                        |                             |               |                       |                       |              |                        |   |                        |                        |                        |               |               |            |
| Freehold land              | 20,481,919            | -                      | -                      | -           | -                      | 33,008,635             | 10,00%                      | 18,750,805    | 1,370,616             | -                     | -            | -                      | -   | -                      | -                      | -                      | -             | 20,481,919    | 20,481,919 |
| Buildings on freehold land | 537,796,239           | 51,908,939             | 47,225                 | -           | 92,216,874             | (2,800,000)            | 685,122,072                 | 10,00%        | 238,847,791           | 37,640,179            | 32,991,220   | (1,715,223)            | 303,772,967                                       | 1,421,048              | 1,421,048              | 1,421,048              | 1,421,048     | 1,421,048     | 1,421,048  |
| Plant and machinery        | 1,699,190             | -                      | -                      | -           | -                      | -                      | 1,746,415                   | 10,00%        | 1,388,008             | 3,445,220             | 1,823,525    | 162,170                | -   | -                      | 1,985,695              | 6,613,980              | 6,613,980     | 6,613,980     |            |
| Office equipment           | 3,445,220             | -                      | -                      | -           | -                      | -                      | 9,050,485                   | 30,00%        | 5,849,266             | 764,714               | -            | -                      | -   | -                      | 2,484,270              | 2,484,270              | 2,484,270     | 2,484,270     |            |
| Tools and equipment        | 8,098,953             | 951,532                | -                      | -           | -                      | -                      | 4,554,773                   | 10,00%        | 2,270,112             | 214,138               | -            | -                      | -   | -                      | 6,496,961              | 3,972,764              | 3,972,764     | 3,972,764     |            |
| Computer equipment         | 4,299,938             | 254,815                | -                      | -           | -                      | -                      | 10,469,725                  | 26,00%        | 6,011,770             | 976,135               | -            | -                      | -   | -                      | 3,864,923              | 4,209,982,902          | 4,209,982,902 | 4,209,982,902 |            |
| Furniture and fittings     | 10,786,023            | 233,702                | -                      | -           | -                      | -                      | 92,216,874                  | (3,350,000)   | 767,879,244           | -                     | 41,170,012   | 32,991,220             | -   | -                      | -                      | -                      | -             | -             |            |
| Vehicles                   | 618,571,550           | 60,440,820             | -                      | -           | -                      | -                      | -                           | -             | -                     | -                     | -            | -                      | -   | -                      | -                      | -                      | -             | -             |            |
|                            | 22,083,915            | -                      | -                      | -           | -                      | -                      | -                           | -             | -                     | -                     | -            | -                      | -   | -                      | -                      | -                      | -             | -             |            |
| <i>Leased</i>              |                       |                        |                        |             |                        |                        |                             |               |                       |                       |              |                        |   |                        |                        |                        |               |               |            |
| Leasehold land             | 160,042,162           | 121,024,349            | -                      | -           | (92,216,874)           | -                      | 188,849,637                 | 10,00%        | 34,701,311            | 6,961,994             | (32,991,220) | -                      | -   | -                      | 8,672,085              | 180,177,552            | 3,815,112     | 3,815,112     |            |
| Plant and machinery        | 1,032,500             | 3,835,000              | -                      | -           | -                      | -                      | 4,867,500                   | 20,00%        | 3,16,633              | 735,755               | -            | -                      | -   | -                      | 1,032,388              | 9,724,473              | 206,031,579   | 206,031,579   |            |
| Vehicles                   | 183,158,577           | 124,839,349            | -                      | -           | (92,216,874)           | -                      | -                           | -             | 35,017,944            | 7,697,749             | (32,991,220) | -                      | -   | -                      | 9,724,473              | 3,56,620,815           | 627,059,481   | 627,059,481   |            |
|                            | 801,730,127           | 185,300,169            | -                      | -           | -                      | -                      | -                           | -             | 309,959,221           | 48,867,761            | (2,206,167)  | -                      | -   | -                      | -                      | -                      | -             | -             |            |
|                            | -                     | -                      | -                      | -           | -                      | -                      | -                           | -             | -                     | -                     | -            | -                      | -   | -                      | -                      | -                      | -             | -             |            |

**16.2** Leasehold land comprises of land situated in Karachi which has been 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*.

**16.3** The depreciation / amortization charge for the year has been allocated as follows:

|                                   | 2014<br>Rupees          | 2013<br>Rupees          |
|-----------------------------------|-------------------------|-------------------------|
| Cost of goods sold                | 56,270,812              | 44,742,813              |
| Capital work in progress          | 1,115,078               | 1,238,976               |
| Administrative expenses           | 3,068,410               | 1,442,986               |
| Selling and distribution expenses | 3,068,410               | 1,442,986               |
|                                   | <hr/> <u>63,522,710</u> | <hr/> <u>48,867,761</u> |

## **17 Intangible asset**

|                   |                        |       |
|-------------------|------------------------|-------|
| Cost              | 6,710,406              | -     |
| Amortization      | (1,342,081)            | -     |
| As at 30 June     | <hr/> <u>5,368,325</u> | <hr/> |
| Amortization rate | <hr/> <u>20.00%</u>    | <hr/> |

This represents expenditure incurred on implementation of SAP business one suite.

## **18 Advance for purchase of shares**

This represents advance paid to SPEL Pharmatec (Private) Limited ("SPEL Pharmatec") for purchase of shares.

|  | Note | 2014<br>Rupees | 2013<br>Rupees |
|--|------|----------------|----------------|
|--|------|----------------|----------------|

## **19 Long term investments**

Investment in related parties - *unquoted*

|                                   |      |                        |                        |
|-----------------------------------|------|------------------------|------------------------|
| - <i>investment in subsidiary</i> | 19.1 | 99,980                 | -                      |
| - <i>investment in associate</i>  | 19.2 | <hr/> <u>4,396,366</u> | <hr/> <u>4,416,622</u> |
|                                   |      | <hr/> <u>4,496,346</u> | <hr/> <u>4,416,622</u> |

### **19.1 Investment in subsidiary**

#### **SPEL Pharmatec (Private) Limited**

9,998 (2013: nil) ordinary shares of Rs. 10 each

Proportion of capital held: 99.98% (2013: nil)

Activity: medical and surgical equipment

Relationship: subsidiary

|      |        |        |   |
|------|--------|--------|---|
| Cost | 19.1.1 | 99,980 | - |
|------|--------|--------|---|

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- 19.1.1** The Company during the year acquired a wholly-owned subsidiary SPEL Pharmatec on its inception dated 01 November 2013. The cost of investment represents shares acquired by the Company at par and is measured at cost.

## 19.2 Investment in associate

### SPEL Fujiya Limited

762,150 (2013: 762,150) ordinary shares of Rs. 10 each

Proportion of capital held: 49.65% (2013: 49.65%)

Activity: Manufacturing and trading of industrial appliances

Relationship: Associate

|                              | Note   | 2014<br>Rupees | 2013<br>Rupees |
|------------------------------|--------|----------------|----------------|
| Cost                         |        | 7,621,500      | 7,621,500      |
| Less: accumulated impairment |        | (3,225,134)    | (3,204,878)    |
| As at 30 June                | 19.2.1 | 4,396,366      | 4,416,622      |

- 19.2.1** Summarized financial information of the associated company as at and for the period ended 30 June 2014, based on the audited financial statements is as follows:

|                           | 2014<br>Rupees | 2013<br>Rupees |
|---------------------------|----------------|----------------|
| Assets                    | 8,879,715      | 9,447,830      |
| Liabilities               | 25,000         | 567,565        |
| Operating revenues        | -              | -              |
| (Loss) / profit after tax | (25,550)       | 1,007,621      |

SPEL Fujiya Limited is an associated undertaking as per Companies Ordinance, 1984 and the said investment is measured using equity method.

## 20 Long term deposits

|  | Note | 2014<br>Rupees | 2013<br>Rupees |
|--|------|----------------|----------------|
| Financial institutions                       | 20.1 | 11,111,345     | 13,341,346     |
| Utility companies and regulatory authorities |      | 1,509,847      | 2,272,677      |
|  |      | 12,621,192     | 15,614,023     |

- 20.1** These have been deposited with various banking companies and financial institutions against leases.

*Amounts ru*

|   | <i>Note</i> | 2014<br>Rupees     | 2013<br>Rupees     |
|---|-------------|--------------------|--------------------|
| <b>21 Stock-in-trade</b>  |             |                    |                    |
| Raw and packing material  |             | 212,043,962        | 211,103,883        |
| Stock in transit  |             | 18,251,805         | 13,540,025         |
| Work in process   |             | 10,361,284         | 83,720,272         |
| Finished goods  |             | 9,750,005          | 9,814,368          |
|   |             | <b>250,407,056</b> | <b>318,178,548</b> |
| <b>22 Advances, deposits, prepayments and other receivables</b> |             |                    |                    |
| Advances - <i>unsecured, considered good</i>                    |             |                    |                    |
| - to employees  | 22.1        | 1,838,497          | 348,817            |
| - to suppliers  |             | 7,902,286          | 12,246,147         |
| Margin deposits   |             | 2,956,306          | 2,182,938          |
| Letters of credit   |             | -                  | 92,176             |
| Prepaid insurance   |             | 1,147,002          | 721,814            |
|   |             | <b>13,844,091</b>  | <b>15,591,892</b>  |

**22.1** These are interest free advances to the Company's employees for business expenses.

|   | <i>Note</i> | 2014<br>Rupees    | 2013<br>Rupees    |
|---|-------------|-------------------|-------------------|
| <b>23 Cash and bank balances</b>              |             |                   |                   |
| Cash in hand                                  |             | 2,461             | 4,461             |
| Cash at bank                                  |             |                   |                   |
| - <i>current accounts in local currency</i>   |             | 59,937,062        | 17,395,533        |
| - <i>current accounts in foreign currency</i> |             | 63,156            | 18,909            |
| - <i>saving accounts in local currency</i>    | 23.1        | 18,900,348        | 17,268            |
|   |             | 78,900,566        | 17,431,710        |
|   |             | <b>78,903,027</b> | <b>17,436,171</b> |

**23.1** These carry return at 5.50% to 6.50% per annum (2013: 5.50% to 6.50% per annum).

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|                       | Note | 2014<br>Rupees       | 2013<br>Rupees       |
|-----------------------|------|----------------------|----------------------|
| <b>24 Sales - net</b> |      |                      |                      |
| Local                 |      | <b>1,975,450,666</b> | 1,594,488,479        |
| Export                |      | <b>21,046,792</b>    | 43,056,787           |
|                       |      | <b>1,996,497,458</b> | 1,637,545,266        |
| Less: sales tax       |      | (277,936,431)        | (221,716,248)        |
|                       |      | <b>1,718,561,027</b> | <b>1,415,829,018</b> |

|  |      |                      |                      |
|--|------|----------------------|----------------------|
| <b>25 Cost of goods sold</b>                 |      |                      |                      |
| Raw and packing materials consumed           | 25.1 | 938,169,758          | 902,145,707          |
| Stores, spare parts and loose tools consumed |      | 12,700,226           | 3,874,795            |
| Salaries, wages and benefits                 | 25.2 | 104,828,020          | 90,714,957           |
| Electricity and water charges                |      | 159,559,319          | 175,108,576          |
| Depreciation                                 | 16.3 | 56,270,812           | 44,742,813           |
| Repair and maintenance                       |      | 23,849,280           | 16,599,023           |
| Insurance                                    |      | 2,353,337            | 2,386,531            |
| Oil and lubricants                           |      | 1,473,685            | 3,689,645            |
|  |      | <b>1,299,204,437</b> | <b>1,239,262,047</b> |

|                                   |  |                      |                      |
|-----------------------------------|--|----------------------|----------------------|
| <b>Work in progress</b>           |  |                      |                      |
| - as at beginning of the year     |  | 83,720,272           | 16,908,857           |
| - as at end of the year           |  | (10,361,284)         | (83,720,272)         |
| <b>Cost of goods manufactured</b> |  | <b>1,372,563,425</b> | <b>1,172,450,632</b> |
| <b>Finished goods</b>             |  |                      |                      |
| - as at beginning of the year     |  | 9,814,368            | 20,894,199           |
| - as at end of the year           |  | (9,750,005)          | (9,814,368)          |
| <b>Cost of goods sold</b>         |  | <b>1,372,627,788</b> | <b>1,183,530,463</b> |

#### 25.1 Raw and packing material consumed

|                          |                      |                      |
|--------------------------|----------------------|----------------------|
| Opening stock            | 211,103,883          | 245,538,375          |
| Purchases                | 942,654,056          | 880,028,901          |
| Less: moulds capitalized | (3,544,219)          | (12,317,686)         |
|                          | <b>1,150,213,720</b> | <b>1,113,249,590</b> |
| Less: closing stock      | (212,043,962)        | (211,103,883)        |
|                          | <b>938,169,758</b>   | <b>902,145,707</b>   |

25.2 Salaries, wages and amenities include Rs. 3.01 million (2013: Rs. 2.72 million) in respect of defined contribution scheme.

|   | <i>Note</i> | 2014<br>Rupees    | 2013<br>Rupees    |
|---|-------------|-------------------|-------------------|
| <b>26 Administrative expenses</b>                 |             |                   |                   |
| Salaries, wages and amenities                     | 26.1        | 11,868,909        | 14,728,234        |
| Directors' remuneration                           |             | 16,800,000        | 15,200,000        |
| Traveling expenses                                |             | 21,587,090        | 20,410,671        |
| Legal and professional charges                    |             | 2,325,689         | 3,254,028         |
| Vehicle running expenses                          |             | 3,119,570         | 2,925,762         |
| Insurance   |             | 1,057,297         | 1,052,073         |
| Repair and maintenance                            |             | 1,562,969         | 1,298,760         |
| Telephone and postage                             |             | 2,691,541         | 2,381,317         |
| Depreciation                                      | 16.3        | 3,068,410         | 1,442,986         |
| Amortization                                      | 17          | 1,342,081         | -                 |
| Loss on disposal of property, plant and equipment |             | 1,016,362         | -                 |
| Printing and stationery                           |             | 1,561,901         | 1,135,828         |
| Fee and subscription                              |             | 1,996,795         | 870,408           |
| Rent, rates and taxes                             |             | 161,652           | 943,455           |
| Entertainment                                     |             | 1,700,527         | 1,235,859         |
| Auditors' remuneration                            |             | 350,000           | 270,000           |
| Sorting charges                                   |             | 1,953,499         | 601,730           |
| Research and development                          |             | 154,278           | 887,812           |
| Bad debts   |             | 255,105           | 1,144,296         |
| Miscellaneous expenses                            |             | 2,547,225         | 1,068,807         |
|   |             | <b>77,120,900</b> | <b>70,852,026</b> |

**26.1** Salaries, wages and amenities include Rs. 0.59 million (2013: Rs. 0.530 million) in respect of defined contribution scheme.

|   | <i>Note</i> | 2014<br>Rupees    | 2013<br>Rupees    |
|---|-------------|-------------------|-------------------|
| <b>27 Selling and distribution expenses</b> |             |                   |                   |
| Salaries, wages and benefits                | 27.1        | 6,945,396         | 9,564,924         |
| Depreciation                                | 16.3        | 3,068,410         | 1,442,986         |
| Freight and forwarding                      |             | 24,517,828        | 21,001,915        |
| Advertisement                               |             | 2,066,319         | 1,170,043         |
| Sales promotion expenses                    |             | 103,276           | 154,918           |
|   |             | <b>36,701,229</b> | <b>33,334,786</b> |

**27.1** Salaries, wages and amenities include Rs. 0.43 million (2013: Rs. 0.46 million) in respect of defined contribution scheme.

|   | <i>Note</i> | 2014<br>Rupees    | 2013<br>Rupees   |
|---|-------------|-------------------|------------------|
| <b>28 Other income</b>                                  |             |                   |                  |
| <i>Income / (expense) from financial asset</i>          |             |                   |                  |
| Profit on bank deposits                                 |             | 77,455            | 748,927          |
| Impairment (loss) / reversal on investment in associate |             | (20,256)          | 500,284          |
|   |             | <b>57,199</b>     | <b>1,249,211</b> |
| <i>Income from non-financial assets</i>                 |             |                   |                  |
| Profit on disposal of property, plant and equipment     |             | -                 | 346,178          |
| Scrap sales   |             | 6,622,388         | 3,437,538        |
| Other income  |             | 4,913,931         | 302,203          |
| <i>Interest</i>   |             | <b>11,536,319</b> | <b>4,085,919</b> |
|   |             | <b>11,593,518</b> | <b>5,335,130</b> |

|                                    | <i>Note</i> | 2014<br>Rupees    | 2013<br>Rupees   |
|------------------------------------|-------------|-------------------|------------------|
| <b>29 Other charges</b>            |             |                   |                  |
| Workers' Profit Participation Fund |             | 9,362,132         | 4,129,751        |
| Workers' Welfare Fund              |             | 2,760,624         | 363,041          |
|                                    |             | <b>12,122,756</b> | <b>4,492,792</b> |

### 30 Finance cost

Mark-up on:

|                                 |                   |                   |
|---------------------------------|-------------------|-------------------|
| - <i>short term borrowings</i>  | 40,921,077        | 37,347,524        |
| - <i>long term loan</i>         | 598,031           | -                 |
| - <i>redeemable capital</i>     | 118,494           | -                 |
| - <i>advance from customers</i> | 1,899,938         | 2,831,753         |
| - <i>on lease finance</i>       | 11,226,241        | 8,914,899         |
| Bank charges                    | 1,698,207         | 1,257,394         |
|                                 | <b>56,461,988</b> | <b>50,351,570</b> |

### 31 Taxation

|          |      |                   |                   |
|----------|------|-------------------|-------------------|
| Current  | 31.2 | 34,447,918        | 1,622,296         |
| Deferred |      | 18,739,452        | 16,792,548        |
|          |      | <b>53,187,370</b> | <b>18,414,844</b> |

**31.1** Numerical tax reconciliation between applicable and average effective tax rate:

|  | 2014<br>Percentage | 2013<br>Percentage |
|--|--------------------|--------------------|
| Applicable tax rate                        | 34.00              | -                  |
| <i>Tax effect of:</i>                      |                    |                    |
| - income chargeable under Final Tax Regime | 0.15               | -                  |
| - recognized temporary differences         | 10.96              | -                  |
| - amount not deductible for tax purposes   | 14.89              | -                  |
| - amount deductible for tax purposes       | (22.17)            | -                  |
| - tax credits                              | (7.46)             | -                  |
|  | <b>30.37</b>       | <b>-</b>           |

Since the last year tax provision was based on minimum tax on turnover under section 113 therefore, no numerical reconciliation has been presented for previous year.

**31.2** Provision for current tax has been made in accordance with section 154 of the Income Tax Ordinance, 2001 ("the Ordinance").

**31.3** Assessments have been completed for tax year 2011 have been finalized except for tax year 2003 and 2004.

**31.4** Income tax returns for the tax year 2012 and 2013 have been filed which deemed to have been assessed under section 120 of the Ordinance.

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**31.5** A demand was raised by the tax department for Rs. 2.78 million and Rs. 0.27 million in respect of income tax return for tax year 2003 and 2004 under section 137(2) of the Ordinance. The Company filed an appeal against the order in CIT-A. The CIT-A allowed tax payers appeal. Currently, the tax department has filed writ petitions dated 09 June 2011 for the aforementioned tax years against the honourable tribunal's orders dated 06 February 2010 before the honourable Lahore High Court, pending adjudication. The Company has a strong case and the management expects a favourable outcome.

## 32 Earnings per share

### 32.1 Basic earnings per share

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

|   | Unit   | 2014               | 2013<br>(Restated) |
|---|--------|--------------------|--------------------|
| Profit for the year after taxation                                  | Rupees | <u>121,932,514</u> | <u>60,187,667</u>  |
| Weighted average number of ordinary shares in issue during the year | Number | <u>58,000,000</u>  | <u>58,000,000</u>  |
| Earnings per share  | Rupees | <u>2.10</u>        | <u>1.04</u>        |

### 32.2 Diluted earnings per share

There is no dilutive effect on the basic earnings per share as the Company does not have any convertible instruments in issue as at 30 June 2014 and 30 June 2013.

|  | 2014<br>Rupees       | 2013<br>Rupees      |
|--|----------------------|---------------------|
| <b>33 Cash generated from operations</b>                                   |                      |                     |
| Profit after taxation  | <u>121,932,514</u>   | <u>60,187,667</u>   |
| <i>Adjustments for non-cash items:</i>                                     |                      |                     |
| Finance cost   | <u>56,461,988</u>    | <u>50,351,570</u>   |
| Taxation   | <u>53,187,370</u>    | <u>18,414,844</u>   |
| Depreciation on property, plant and equipment                              | <u>63,522,710</u>    | <u>48,867,761</u>   |
| Amortization of intangible asset   | <u>1,342,081</u>     | -                   |
| Impairment loss / (reversal) on investment in associate                    | <u>20,256</u>        | <u>(500,284)</u>    |
| Loss / (gain) on disposal of property, plant and equipment                 | <u>1,016,362</u>     | <u>(346,178)</u>    |
| Provision for Workers' Profit Participation Fund and Workers' Welfare Fund | <u>12,122,756</u>    | <u>4,492,792</u>    |
|  | <u>187,673,523</u>   | <u>121,280,505</u>  |
| <b>Operating profit before working capital changes</b>                     | <u>309,606,037</u>   | <u>181,468,172</u>  |
| <i>(Increase) / decrease in current assets:</i>                            |                      |                     |
| Stores, spares and loose tools   | <u>(8,063,412)</u>   | <u>420,430</u>      |
| Stock-in-trade   | <u>67,771,492</u>    | <u>11,401,768</u>   |
| Trade receivables  | <u>40,008,583</u>    | <u>(97,466,297)</u> |
| Advances, deposits, prepayments and other receivables                      | <u>1,747,801</u>     | <u>6,536,773</u>    |
|  | <u>101,464,464</u>   | <u>(79,107,326)</u> |
| <i>Decrease in current liabilities:</i>                                    |                      |                     |
| Trade and other payables   | <u>(116,180,838)</u> | <u>(5,209,110)</u>  |
|  | <u>294,889,663</u>   | <u>97,151,736</u>   |

|  | <i>Note</i> | 2014<br>Rupees     | 2013<br>Rupees      |
|--|-------------|--------------------|---------------------|
| <b>34 Cash and cash equivalents</b>        |             |                    |                     |
| Running finance under mark-up arrangements | 12          | (82,950,686)       | (71,129,290)        |
| Cash and bank balances                     | 23          | 78,903,027         | 17,436,171          |
|  |             | <u>(4,047,659)</u> | <u>(53,693,119)</u> |

### **35 Transactions with related parties**

Related parties from the Company's perspective comprise subsidiary, associated undertaking, key management personnel (including chief executive and directors), post employment benefit plan and other related parties. The Company in the normal course of business carries out transactions with various related parties and continues to have a policy whereby all such transactions are carried out on permissible basis with the expectations as approved by the Board of Directors.

Details of transactions and balances with related parties is as follows:

|  | <i>Note</i> | 2014<br>Rupees | 2013<br>Rupees |
|--|-------------|----------------|----------------|
| <b>35.1 Transactions with related parties</b>  |             |                |                |
| <b>35.1.1 Post employment benefit plans</b>    |             |                |                |
| Contribution to employees Provident Fund Trust |             | 8,047,406      | 7,655,120      |
| <b>35.1.2 Subsidiary</b>                       |             |                | -              |
| Expenses reimbursed by SPEL Pharmatec          |             | 3,523,084      | -              |
| <b>35.2 Balances with related parties</b>      |             |                |                |
| <b>35.2.1 Subsidiary</b>                       |             |                |                |
| Advance for purchase of shares                 | 18          | 9,900,020      | -              |
| <b>35.2.2 Post employment benefit plans</b>    |             |                |                |
| Payable to employees Provident Fund Trust      | 11          | 794,757        | 802,032        |
| Due to executive directors                     | 11          | -              | 4,145,671      |

### **36 Financial risk management**

The Company has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Company's Board of Directors ("the Board") has overall responsibility for establishment and oversight of the Company's risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework.

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 Company's activities.

### 36.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations.

To manage exposure to credit risk in respect of loans and advances, management performs credit reviews taking into account the borrower's financial position, past experience and other factors.

#### 36.1.1 Exposure to credit risk

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

|   | Note | 2014<br>Rupees     | 2013<br>Rupees     |
|---|------|--------------------|--------------------|
| <b>Loans and receivables</b>                              |      |                    |                    |
| Advance for purchase of shares                            |      | 9,900,020          | -                  |
| Long term deposits  |      |                    |                    |
| - <i>financial institutions</i>                           | 20.1 | 11,111,345         | 13,341,346         |
| - <i>utility companies and regulatory authorities</i>     |      | 1,509,847          | 2,272,677          |
| Trade receivables   |      | 185,227,576        | 225,236,159        |
| Advances to employees - <i>unsecured, considered good</i> | 22   | 7,902,286          | 12,246,147         |
| Margin deposits   | 22   | 2,956,306          | 2,182,938          |
| Cash at banks   | 23   | 78,900,566         | 17,431,710         |
|   |      | <u>297,507,946</u> | <u>272,710,977</u> |

#### 36.1.2 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:

|  | 2014<br>Rupees     | 2013<br>Rupees     |
|--|--------------------|--------------------|
| Customers                                    | 185,227,576        | 225,236,159        |
| Banking companies and financial institutions | 92,968,217         | 32,955,994         |
| Others                                       | 19,312,153         | 14,518,824         |
|  | <u>297,507,946</u> | <u>272,710,977</u> |

#### 36.1.3 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.

### 36.1.3(a) Counterparties with external credit ratings

These include banking companies and financial institutions, which are counterparties to cash deposits, security deposits, margin deposits and accrued return on deposits. 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:

| Bank                            | Rating     |           | Rating agency | 2014              | 2013              |
|---------------------------------|------------|-----------|---------------|-------------------|-------------------|
|                                 | Short term | Long term |               | Rupees            | Rupees            |
| Allied Bank Limited             | A1+        | AA+       | PACRA         | 4,504             | 68,321            |
| Askari Bank Limited             | A1+        | AA        | PACRA         | -                 | 675               |
| Bank Alfaal Limited             | A1+        | AA        | PACRA         | -                 | 318               |
| Bank Islami Pakistan Limited    | A1         | A         | PACRA         | 91,190            | 15,071,401        |
| Barclays Bank Pakistan          | F1         | A         | Fitch         | -                 | 657,835           |
| Habib Bank Limited              | A-1+       | AAA       | JCR-VIS       | 48,458,617        | 19,324            |
| Habib Metropolitan Bank Limited | A1+        | AA+       | PACRA         | 2,489,687         | 1,125,417         |
| KASB Bank Limited               | A3         | BBB       | PACRA         | 16,153            | 21,153            |
| MCB Bank Limited                | A1+        | AAA       | PACRA         | 3,487             | 505               |
| Meezan Bank Limited             | A-1+       | AA        | JCR-VIS       | 7,279,760         | 28,362            |
| National Bank of Pakistan       | A-1+       | AAA       | JCR-VIS       | 63,893            | 61,405            |
| Summit Bank Limited             | A-3        | A-        | JCR-VIS       | -                 | 436               |
| United Bank Limited             | A-1+       | AA+       | JCR-VIS       | 20,493,275        | 376,558           |
|                                 |            |           |               | <u>78,900,566</u> | <u>17,431,710</u> |

### 36.1.3(b) Counterparties without external credit ratings

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

|  | Carrying amount    |                    |
|--|--------------------|--------------------|
|  | 2014               | 2013               |
|  | Rupees             | Rupees             |
| The aging of trade receivables at the reporting date is: |                    |                    |
| Not due  | 141,494,323        | 169,610,377        |
| Past due 0 - 30 days                                     | 28,315,143         | 38,450,887         |
| Past due 31 - 60 days                                    | 11,159,691         | 7,788,957          |
| Past due 61 - 90 days                                    | 2,511,306          | 1,058,305          |
| Past due 91 - 120 days                                   | 14,079             | 3,749,388          |
| Past due 120 days  | 1,733,034          | 4,578,245          |
|  | <u>185,227,576</u> | <u>225,236,159</u> |

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 (2013: nil).

## 36.2 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 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.

### 36.2.1 Exposure to liquidity risk

#### 36.2.1(a) Contractual maturities of financial liabilities, including estimated interest payments

The following are the remaining contractual maturities at the reporting date. The amounts are grossed and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

| Note  | 2014            |                        |                    |                    |                       |
|---|-----------------|------------------------|--------------------|--------------------|-----------------------|
|   | Carrying amount | Contractual cash flows | One year or less   | One to three years | More than three years |
|   | Rupees -----    |                        |                    |                    |                       |
| <b>Non-derivative financial liabilities</b>         |                 |                        |                    |                    |                       |
| Long term finances - secured                        | 7               | 18,910,478             | 23,069,548         | 10,065,967         | 13,003,581            |
| Diminishing musharika - secured                     | 8               | 22,467,360             | 30,117,368         | 4,831,601          | 25,285,767            |
| Liabilities against assets subject to finance lease | 9               | 83,702,687             | 91,324,572         | 48,649,422         | 42,675,150            |
| Trade creditors                                     | 11              | 29,723,823             | 29,723,823         | 29,723,823         | -                     |
| Accrued liabilities                                 | 11              | 17,244,015             | 17,244,015         | 17,244,015         | -                     |
| Advances from customers                             | 11              | 16,364,508             | 16,364,508         | 16,364,508         | -                     |
| Payable to provident fund                           | 11              | 794,757                | 794,757            | 794,757            | -                     |
| Audit fee payable                                   | 11              | 350,000                | 350,000            | 350,000            | -                     |
| Short term borrowing                                | 12              | 362,828,683            | 362,828,683        | 362,828,683        | -                     |
| Accrued markup                                      | 14              | 4,103,912              | 4,103,912          | 4,103,912          | -                     |
|   |                 | <b>556,490,223</b>     | <b>575,921,186</b> | <b>494,956,688</b> | <b>80,964,498</b>     |
| <b>2013</b>   |                 |                        |                    |                    |                       |
| Note  | Carrying amount | Contractual cash flows | One year or less   | One to three years | More than three years |
|   | Rupees -----    |                        |                    |                    |                       |
|   | -----           |                        |                    |                    |                       |
| <b>Non-derivative financial liabilities</b>         |                 |                        |                    |                    |                       |
| Liabilities against assets subject to finance lease | 9               | 131,269,928            | 149,261,468        | 58,122,544         | 44,742,627            |
| Trade creditors                                     | 11              | 44,118,710             | 44,118,710         | 44,118,710         | -                     |
| Accrued liabilities                                 | 11              | 16,695,361             | 16,695,361         | 16,695,361         | -                     |
| Advances from customers                             | 11              | 110,741,729            | 110,741,729        | 110,741,729        | -                     |
| Payable to provident fund                           | 11              | 802,032                | 802,032            | 802,032            | -                     |
| Audit fee payable                                   | 11              | 270,000                | 270,000            | 270,000            | -                     |
| Due to executive directors                          | 11              | 4,145,671              |                    | 4,145,671          | -                     |
| Short term borrowing                                | 12              | 370,661,597            | 370,661,597        | 370,661,597        | -                     |
| Accrued markup                                      | 14              | 3,695,340              | 3,695,340          | 3,695,340          | -                     |
|   |                 | <b>682,400,368</b>     | <b>696,246,237</b> | <b>609,252,984</b> | <b>44,742,627</b>     |
|   |                 |                        |                    |                    | <b>46,396,297</b>     |

### 36.3 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 return.

#### 36.3.1 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 Euros and US dollars.

### 36.3.1(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:

|                                   | 2014               |                  |                    |
|-----------------------------------|--------------------|------------------|--------------------|
|                                   | EURO               | USD              | Total              |
|                                   | Rupees -----       |                  |                    |
| <i>Assets</i>                     |                    |                  |                    |
| Trade receivables                 | 7,310              | 1,635,321        | 1,642,631          |
| Cash at bank                      | -                  | 63,156           | 63,156             |
|                                   | 7,310              | 1,698,477        | 1,705,787          |
| <i>Liabilities</i>                |                    |                  |                    |
| Trade and other payables          | (1,639,200)        | (1,846,100)      | (3,485,300)        |
| <i>Net balance sheet exposure</i> | <u>(1,631,890)</u> | <u>(147,623)</u> | <u>(1,779,513)</u> |
|                                   | 2013               |                  |                    |
|                                   | EURO               | USD              | Total              |
|                                   | Rupees -----       |                  |                    |
| <i>Assets</i>                     |                    |                  |                    |
| Trade receivables                 | 268,220            | 1,640,919        | 1,909,139          |
| Cash at bank                      | -                  | 18,909           | 18,909             |
|                                   | 268,220            | 1,659,828        | 1,928,048          |
| <i>Liabilities</i>                |                    |                  |                    |
| Trade and other payables          | (1,572,001)        | (379,540)        | (1,951,541)        |
| <i>Net balance sheet exposure</i> | <u>(1,303,781)</u> | <u>1,280,288</u> | <u>(23,493)</u>    |

### 36.3.1(b) Exchange rates applied during the year

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

|                           | EURO         |        | USD          |       |
|---------------------------|--------------|--------|--------------|-------|
|                           | 2014         | 2013   | 2014         | 2013  |
|                           | Rupees ----- |        | Rupees ----- |       |
| Reporting date spot rate  |              |        |              |       |
| - buying                  | 134.46       | 128.85 | 98.55        | 98.60 |
| - selling                 | 134.73       | 129.11 | 98.75        | 98.80 |
| Average rate for the year | 140.70       | 126.25 | 103.69       | 97.56 |

### 36.3.1(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.

|      | 2014             | 2013           |
|------|------------------|----------------|
|      | Profit           | Profit         |
|      | Rupees           | Rupees         |
| EURO | (163,189)        | (130,378)      |
| USD  | (14,762)         | 128,029        |
|      | <u>(177,951)</u> | <u>(2,349)</u> |

### **36.3.1(d) Currency risk management**

Since the maximum amount exposed to currency risk is only 0.114% (2013: 0.002%) of the Company's total 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.

### **36.3.2 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.

#### **36.3.2(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 financial statements. The Company's interest / mark-up bearing financial instruments as at the reporting date are as follows:

|   | 2014            | 2013                |                 |
|---|-----------------|---------------------|-----------------|
|   | Financial asset | Financial liability | Financial asset |
|   | Rupees          | Rupees              | Rupees          |
| <i>Non-derivative financial instruments</i> |                 |                     |                 |
| Variable rate instruments                   | 18,900,348      | 489,875,768         | 17,268          |
|   |                 |                     | 501,931,525     |

#### **36.3.2(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.

|                                     | 2014   | 2013        |             |
|-------------------------------------|--------|-------------|-------------|
|                                     | Equity | Profit      | Equity      |
|                                     | Rupees | Rupees      | Rupees      |
| <i>Increase of 100 basis points</i> |        |             |             |
| Variable rate instruments           | -      | (4,709,754) | -           |
|                                     |        |             | (5,019,143) |
| <i>Decrease of 100 basis points</i> |        |             |             |
| Variable rate instruments           | -      | 4,709,754   | -           |
|                                     |        |             | 5,019,143   |

#### **36.3.2(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 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.

### **36.3.3 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. The Company's exposure to price risk is insignificant.

### **36.4 Fair values**

#### **36.4.1 Fair value versus carrying amounts**

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

### 37 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, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

|                        | Unit       | 2014                 | 2013                 |
|------------------------|------------|----------------------|----------------------|
| Total debt             | Rupees     | 489,875,768          | 501,931,525          |
| Total equity           | Rupees     | 825,932,602          | 518,284,490          |
| Total capital employed | Rupees     | <u>1,315,808,370</u> | <u>1,020,216,015</u> |
| Gearing                | Percentage | <u>37.23%</u>        | <u>49.20%</u>        |

Total debt comprises of long term finance, diminishing musharika, liabilities against assets subject to finance lease and short term borrowings.

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, except those, related to maintenance of debt covenants, commonly imposed by the providers of debt finance. Decrease in gearing ratio is mainly due to repayments of debt.

|  | 2014   | 2013   |
|--|--------|--------|
|  | Rupees | Rupees |

### 38 Restriction on title and assets pledged as security

#### Mortgages and charges

|   |             |             |
|---|-------------|-------------|
| Mortgage over land and building               | 155,000,000 | 218,000,000 |
| Hypothecation charge over plant and machinery | 653,400,000 | 411,000,000 |
| Hypothecation over current assets             | 605,300,000 | 559,700,000 |

38.1 Mortgage over land and building is registered in favour of Habib Bank Limited which is in the process of vacation.

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### 39 Remuneration of chief executive, directors and executives

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

|                          | 2014             |                   |                   |
|--------------------------|------------------|-------------------|-------------------|
|                          | Directors        |                   | Executives        |
|                          | Chief Executive  | Executive         |                   |
| ----- Rupees -----       |                  |                   |                   |
| Managerial remuneration  | 4,000,000        | 9,880,000         | 8,942,224         |
| Utilities and house rent | 2,000,000        | 4,940,000         | 4,471,112         |
| Post employment benefits | -                | 267,996           | 894,222           |
| Bonus                    | -                | -                 | 1,779,666         |
|                          | <u>6,000,000</u> | <u>15,087,996</u> | <u>16,087,224</u> |
| Number of persons        | 1                | 3                 | 9                 |

|                          | 2013             |                   |                   |
|--------------------------|------------------|-------------------|-------------------|
|                          | Directors        |                   | Executives        |
|                          | Chief Executive  | Executive         |                   |
| ----- Rupees -----       |                  |                   |                   |
| Managerial remuneration  | 4,000,000        | 7,813,333         | 8,150,400         |
| Utilities and house rent | 2,000,000        | 3,906,667         | 4,075,200         |
| Post employment benefits | -                | 168,000           | 815,040           |
| Bonus                    | -                | 350,000           | 1,581,333         |
|                          | <u>6,000,000</u> | <u>12,238,000</u> | <u>14,621,973</u> |
| Number of persons        | 1                | 3                 | 13                |

### 40 Plant capacity and actual production

|   | Installed processing capacity |                    | Actual processing  |                    |
|---|-------------------------------|--------------------|--------------------|--------------------|
|   | 2014                          | 2013               | 2014               | 2013               |
| Small, medium and large mould making facility | 60 to 70 moulds               | 60 to 70 moulds    | 48 to 50 moulds    | 48 to 50 moulds    |
| Injection mold facility                       | 2,500 tons plastic            | 2,544 tons plastic | 1,584 tons plastic | 1,456 tons plastic |
| Blow molding facility                         | 1,600 tons plastic            | 1,602 tons plastic | 1,053 tons plastic | 490 tons plastic   |
| Extrusion                                     | 5,400 tons plastic            | 5,400 tons plastic | 2,850 tons plastic | 1,850 tons plastic |
| Thermoforming                                 | 2,400 tons plastic            | 1,695 tons plastic | 1,368 tons plastic | 877 tons plastic   |

### 41 Provident Fund Trust

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

|  | Unit       | 2014              | 2013       |
|--|------------|-------------------|------------|
| Size of the fund - <i>total assets</i> | Rupees     | <u>21,708,029</u> | 21,082,547 |
| Cost of investments made               | Rupees     | <u>18,777,003</u> | 20,000,723 |
| Percentage of investments made         | Percentage | <u>86.50%</u>     | 94.87%     |
| Fair value of investments              | Rupees     | <u>18,777,003</u> | 20,000,723 |

The breakup of fair value of investments is as follows:

|                             | 2014              |                | 2013              |                |
|-----------------------------|-------------------|----------------|-------------------|----------------|
|                             | Rupees            | Percentage     | Rupees            | Percentage     |
| Defence Saving Certificates | 3,175,000         | 16.90%         | 3,175,000         | 19.47%         |
| Bank balances               | 102,003           | 0.50%          | 2,657,699         | 16.29%         |
| PLS term deposits receipts  | 5,500,000         | 29.30%         | 9,000,000         | 55.18%         |
| Certificate of musharika    | 10,000,000        | 53.30%         | -                 | -              |
| Bank saving schemes         | -                 | -              | 1,477,437         | 9.06%          |
|                             | <b>18,777,003</b> | <b>100.00%</b> | <b>16,310,136</b> | <b>100.00%</b> |

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.

#### 42 Number of employees

The total average number of employees during the year and as at 30 June 2014 and 30 June 2013 respectively are as follows:

|   | Number of Employees |      |
|---|---------------------|------|
|   | 2014                | 2013 |
| Average number of employees during the year | <b>418</b>          | 403  |
| Number of employees as at 30 June           | <b>446</b>          | 413  |

#### 43 Date of authorization for issue

These financial statements were authorized for issue on 06 SEP 2014 by the Board of Directors of the Company.

#### 44 General

Figures have been rounded off to the nearest rupee.

*MWB*

Lahore

  
Chief Executive

  
Director