



Synthetic Products Enterprises Limited

# **RELIABLE AS EVER**

## **ANNUAL REPORT**

FOR THE YEAR ENDED JUNE 30, 2018





## Cover Story



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

## Contents

### CORPORATE

02	Corporate Information
03	Company Profile
04	Organizational Overview and External Environment
04	Vision
04	Overall Strategic Objectives
06	Code of Conduct and Ethical Principals
07	Core Values
09	Geographical Presence
10	Key Performance Indicators
11	Calendar of Notable Events
12	Our Major Products
14	Profile of the Directors
17	Organogram
18	Strategy and Resource Allocation
20	Risks and Opportunities
22	Governance
31	Awards & Recognitions
32	DuPont Analysis
34	Performance and Position
36	Striving for Excellence in Corporate Reporting
37	Stake Holders Relationships and Engagement
38	Corporate Social Responsibility
40	Outlook
41	Report of the Board Audit Committee
42	Chairman’s Review
44	Directors’ Report to the Shareholders
50	Six Years Financial Information
52	Comments on Financial Analysis
53	Cash Flow Statement - Direct Method
54	Graphical Presentation
56	Horizontal Analysis
57	Vertical Analysis
58	Statement of Wealth Generated and Distributed
59	Independent Auditor’s Review Report
60	Statement of Compliance

### FINANCIAL STATEMENTS

65	Independent Auditor’s Report
70	Statement of Financial Position
72	Profit and Loss Account
73	Statement of Other Comprehensive Income
74	Statement of Changes in Equity
75	Statement of Cash Flow
76	Notes to the Financial Statements
115	Pattern of Shareholding
116	Key Shareholding
117	Category wise Shareholding
118	Notice of Annual General Meeting
122	Glossary of Terms
128	Directors’ Report (Urdu)
129	Form of Proxy / E-Voting
131	Form of Proxy / E-Voting (Urdu)



# Corporate Information

## BOARD OF DIRECTORS

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

**CHIEF FINANCIAL OFFICER**  
Mr. Khalil Ahmad Hashmi, FCA

**AUDIT COMMITTEE**

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

**HUMAN RESOURCE & REMUNERATION COMMITTEE**

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

**FINANCE COMMITTEE**

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

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

**FACTORIES**  
**Pandoki**  
4-km Off Ferozpur Road, Raiwind Lilliani Link Road, Pandoki, Lahore.

**RYK Plant**  
Plot # 41 Rahim Yar Khan Industrial Estate, KLP Road, Rahim Yar Khan.

**SHARE REGISTRAR**  
**THK Associates (Pvt) Limited**  
First Floor 40-C, Block-6 P.E.C.H.S., Karachi.

**STATUTORY AUDITOR**  
**KPMG Taseer Hadi and Co.**  
Chartered Accountants

**HEAD OF INTERNAL AUDIT**  
Mr. Abu Bakar, ACA

**TAX CONSULTANT**  
**PWC A. F. Ferguson**  
Chartered Accountants

**LEGAL ADVISORS**  
**Cornelius Lane and Mufti**  
Advocates & Solicitors

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

**WEBSITE**  
www.spelgroup.com

**STOCK SYMBOL**  
SPEL



# Company Profile



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

SPEL is engaged in manufacturing of following products:

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

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

The major products of the Company for food and FMCG industry include 19-liters water bottles, shampoo bottles, plastic glasses, disposable containers for food and non-food applications, and crates for beverages and yogurt. Auto parts include door trims, door handles, steering wheels, etc.

Major Customers of the Company in the auto sector include brands like Toyota, Honda, Suzuki, Massey Ferguson and in the FMCG sector include Nestle, Unilever, Coca Cola, Pepsi, KFC and some overseas customers.

**OWNERSHIP AND GROUP STRUCTURE**  
SPEL is a public listed company. Approximately seventy five percent shares of the company are held by the sponsors and remaining share are held by public and institutional investors. SPEL do not have any strategic investment in any other company. All businesses owned by SPEL are conducted under the umbrella of Synthetic Products Enterprises Limited.

**NUMBER OF EMPLOYEES**  
The number of employees of the company for the current and previous years are as follows:

2017-18	2016-17
564	539



## Organizational Overview and External Environment

### VISION

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

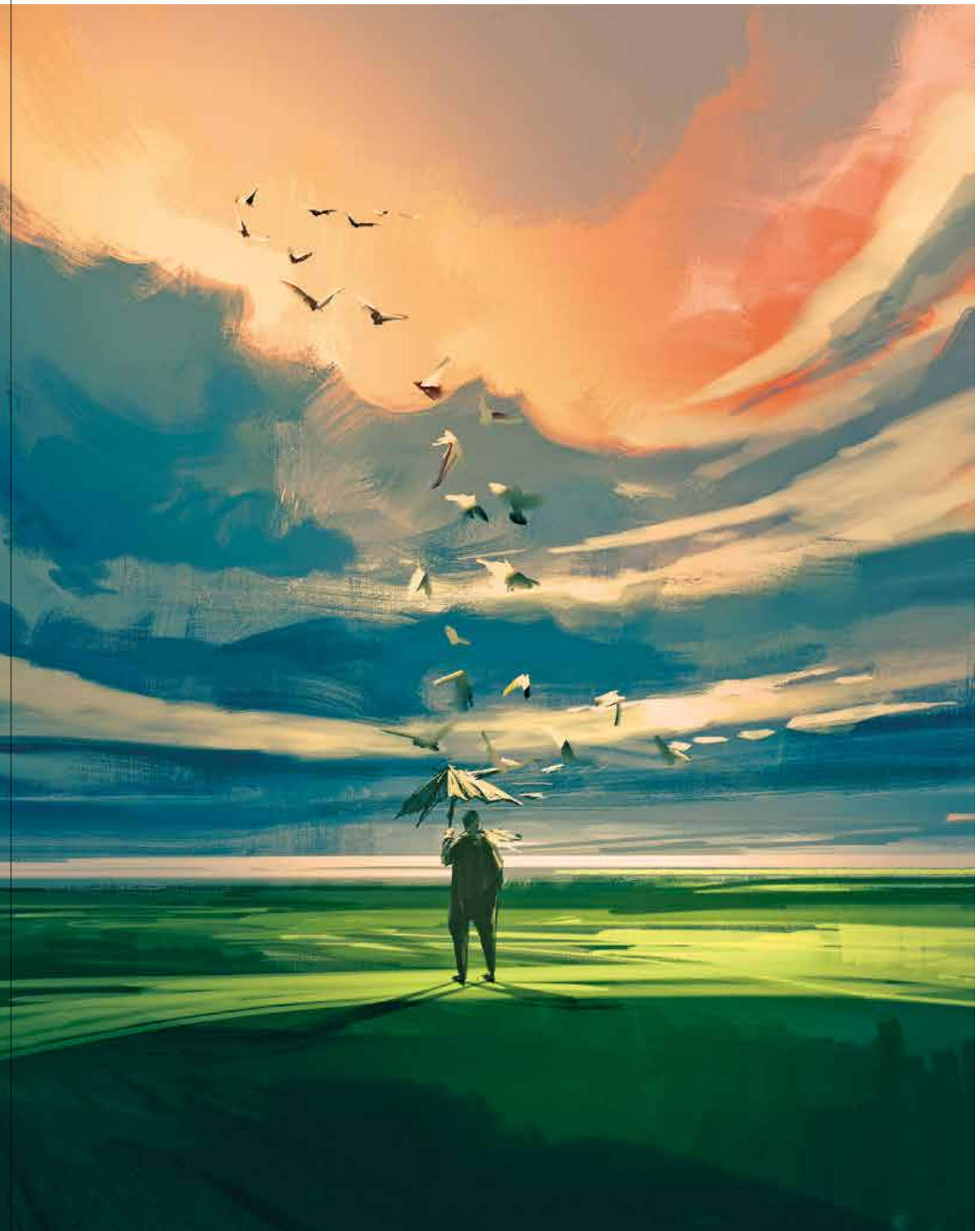
### OVERALL STRATEGIC OBJECTIVES

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

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

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

We will use resources efficiently to increase shareholders' value.





## Code of Conduct and Ethical Principles



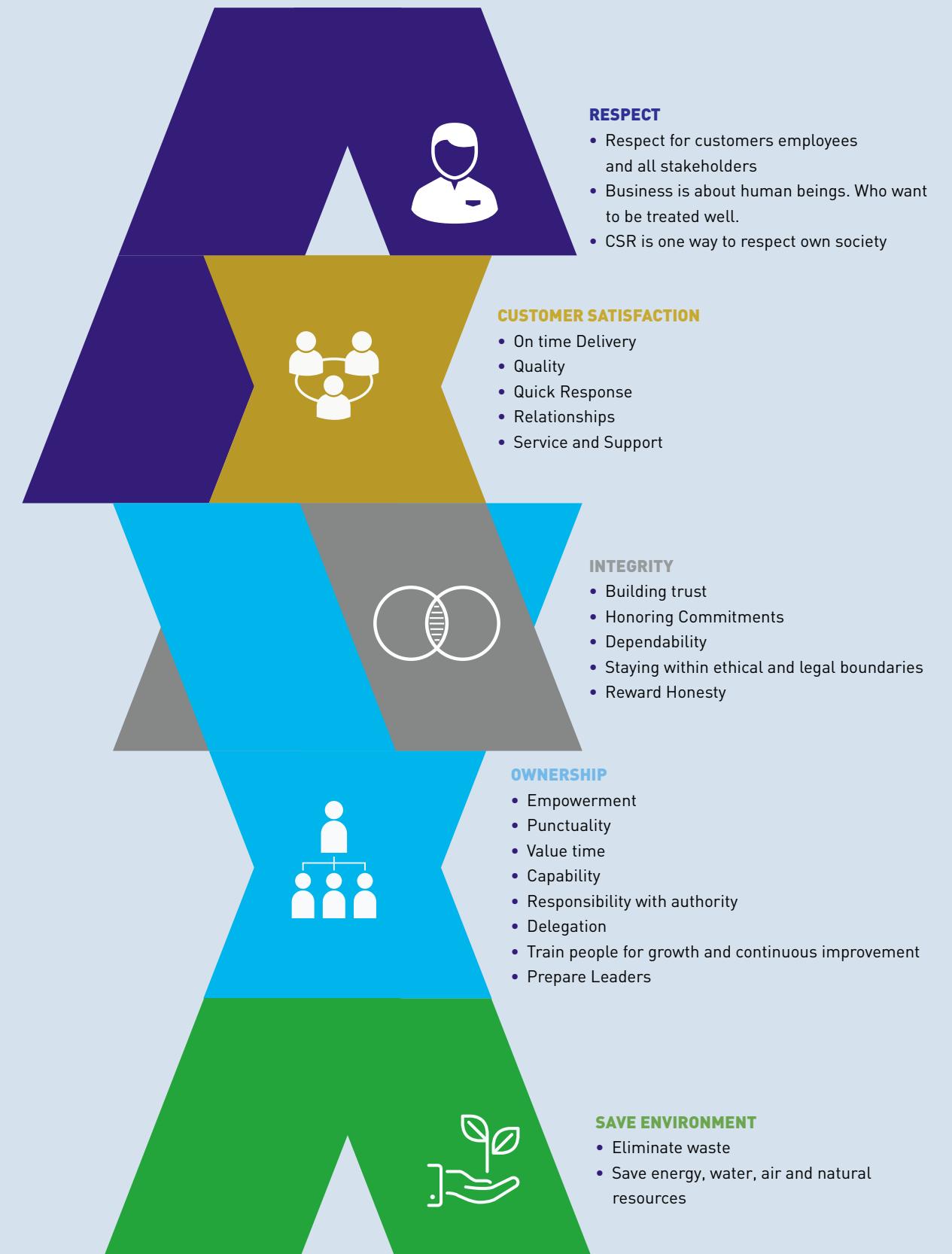
SPEL is committed to conduct its business with honesty, integrity and in ethical manner. For this purpose, the Company has developed a code of conduct to manage the Company's affairs.

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

This code includes the following aspects:



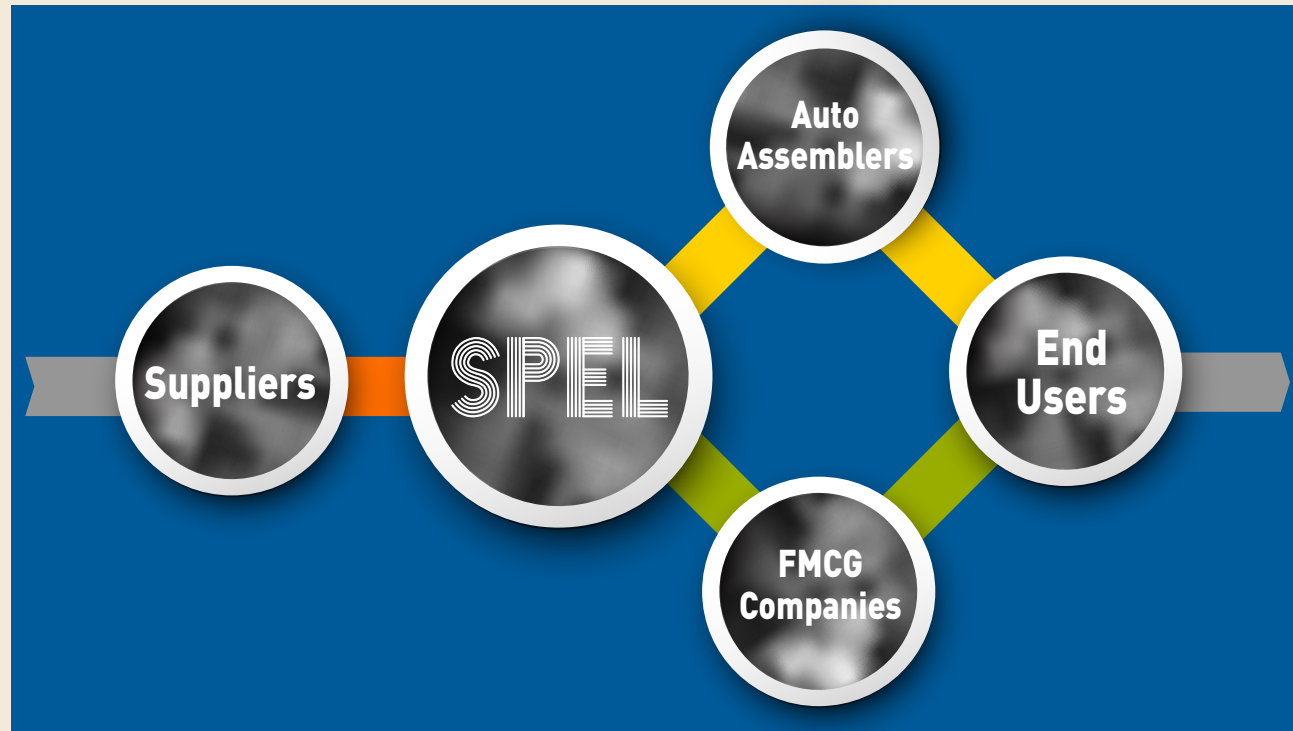
## Core Values





## Organizational Overview and External Environment

### POSITION WITHIN THE VALUE CHAIN



### COMPOSITION OF RAW MATERIAL

Maintaining quality of the products is the utmost priority of the Company. To meet the Customers' requirements, we import majority of our raw materials from various countries. Our Supply Chain department is constantly working on finding local substitutes of the imported material.

The company has cost-plus pricing mechanism with most of its customers and any fluctuation in the prices of raw materials and/or currency fluctuations are passed on to the customers as per the agreed timelines.

### SIGNIFICANT FACTORS AFFECTING THE EXTERNAL ENVIRONMENT

The performance of the Company is impacted by certain external factors. Such key external factors are as follows:

#### Political

- Government policies
- Improvement in law and order

#### Economic

- Improvement in GDP growth rate
- Forex fluctuations
- Borrowing rates are likely to increase
- Limited tax net in Pakistan

#### Social

- Rising trend of using disposable goods
- Population growth rate
- Growing middle class
- Rising per capita income

#### Technological

- Energy saving technologies
- Efficient plant and machinery

#### Environmental

- Safe drinking water awareness

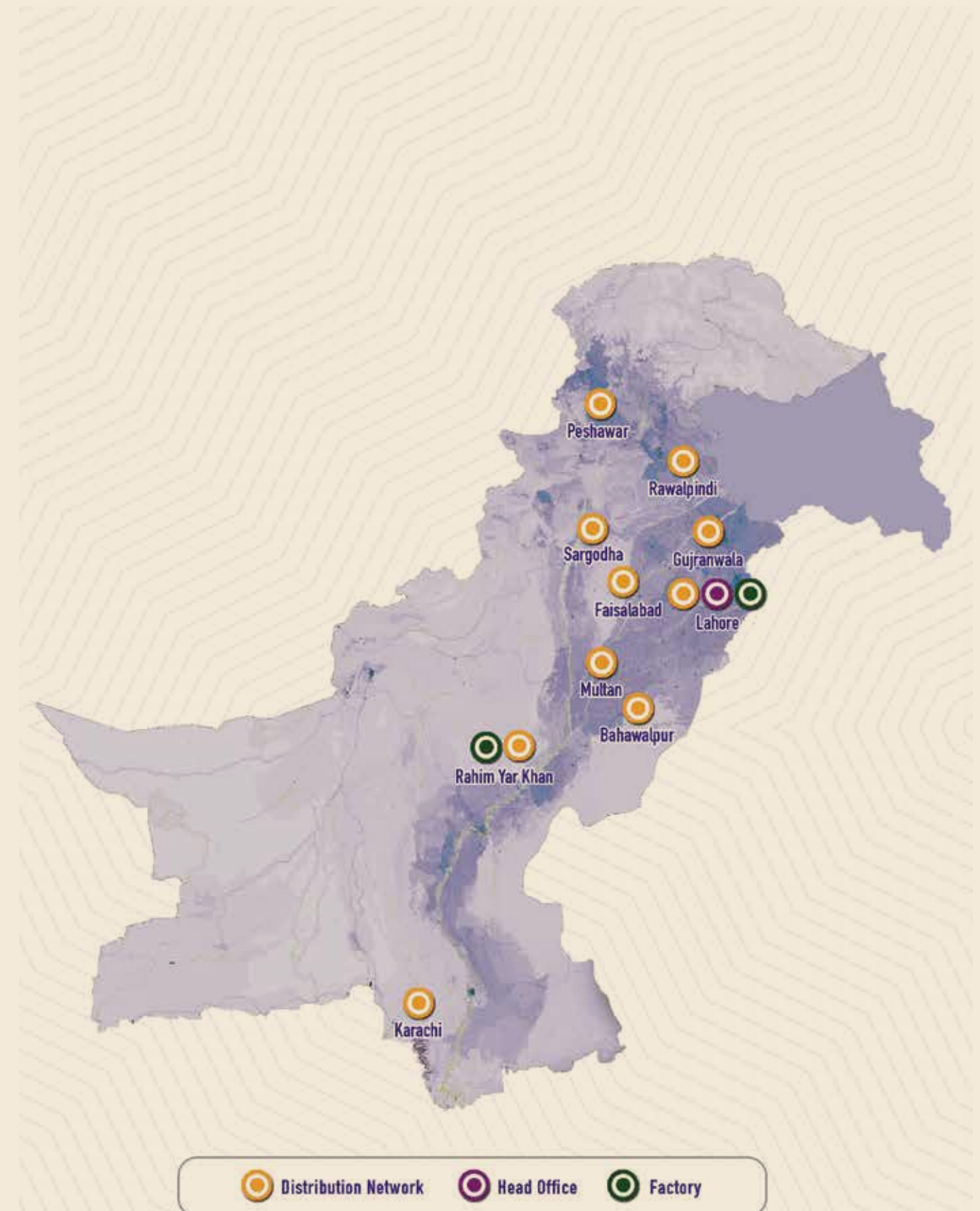
#### Legal

- Inaccurate declarations of imports & under invoicing in Pakistan
- Provincial Food Authorities

#### Company's Response to above factors:

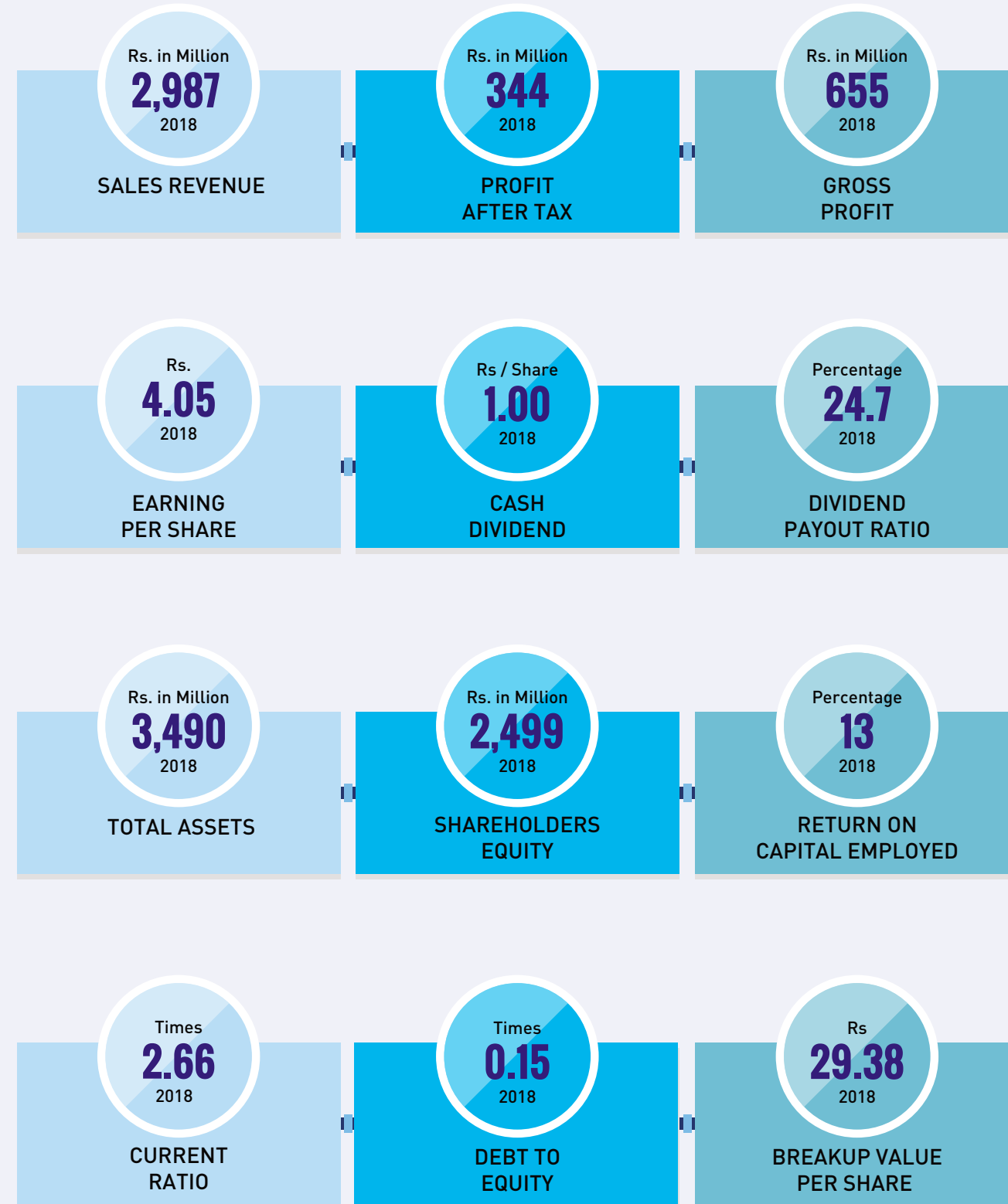
We are trying to keep ourselves aware of all relevant external factors and align our strategies to take associated benefits or avoid associated risks of changes in these factors.

## Geographical Presence

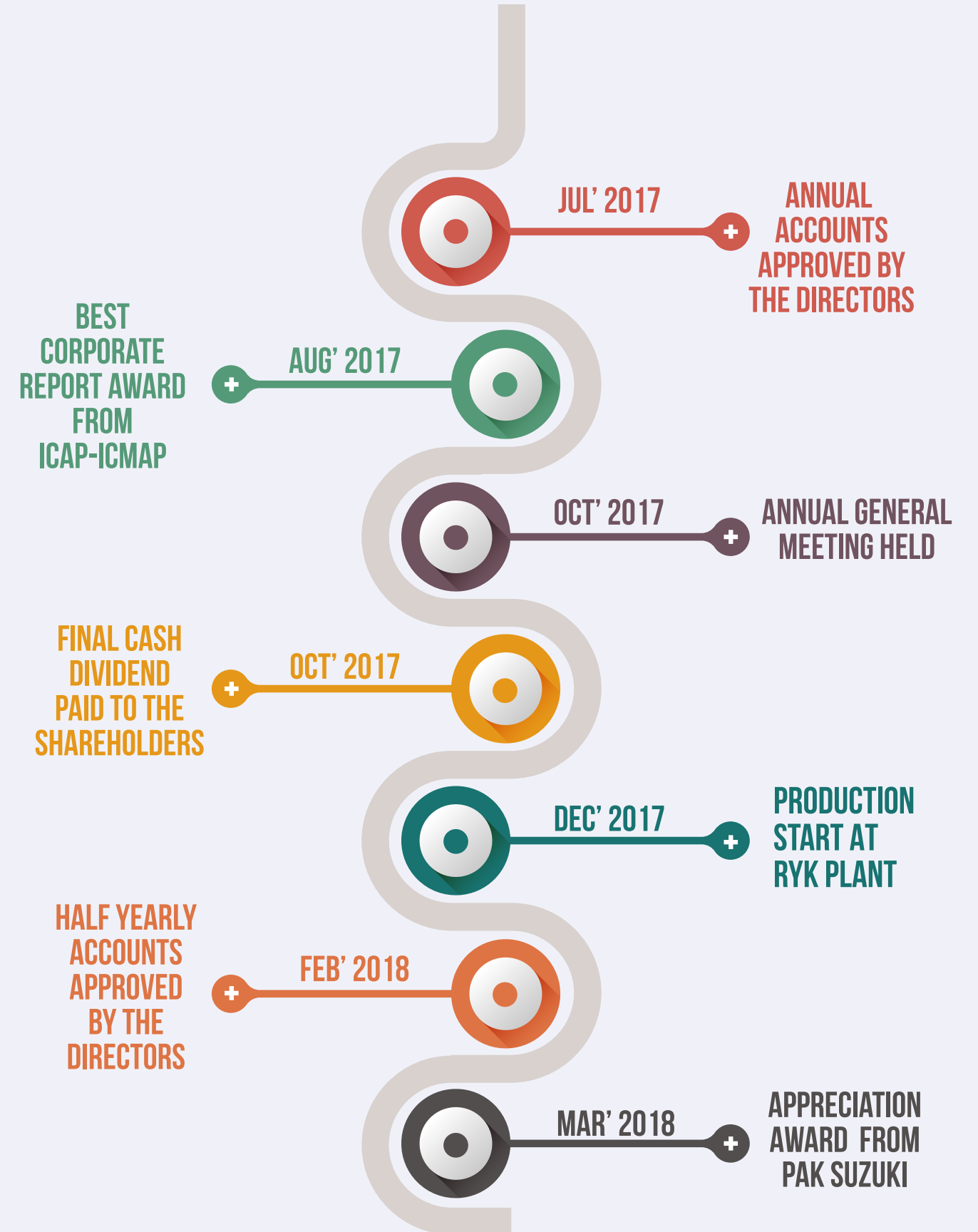




## Key Performance Indicators



## Calendar of Notable Events





## Our Major Products





# Profile of the Directors



**MR. ALMAS HYDER**  
Chairman

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

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

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

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

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

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



**DR. S. M. NAQI**  
Founder Chairman/ Non Executive Director

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

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

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

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



**MR. ZIA HYDER NAQI**  
Chief Executive Officer

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

Mr. Zia Hyder Naqi serves as Senior Vice President of the Quaid-e-Azam Industrial Estate, Lahore. He has been associated with Synthetic Products Enterprises Limited for 29 years.

His current engagements include:

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



**DR. SYED SALMAN ALI SHAH**  
Independent Director

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

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

Currently, Dr. Salman holds the following positions:

- Director, MCB Arif Habib Savings and Investments Limited
- Director, Mughal Iron and Steel Industries Limited
- Director, World Call Telecom Limited



**MR. KHAWAR ANWAR KHAWAJA**  
Independent Director

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

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

Currently, Mr. Khawar also holds these positions:

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



**MR. MUHAMMAD TABASSUM MUNIR**  
Independent Director

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

His skills of managing and participating in all inclusive capital markets and their infrastructure development is widely known. He has participated in numerous seminars, round tables and conferences, gaining valuable experience and knowledge.

This has strengthened his role and capacity in the management of finance and advisory services.

His other engagements include:

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

## Profile of the Directors



**MR. RAZA HAIDER NAQI**  
Non- Executive Director

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

**MR. SHEIKH NASEER HYDER**  
Executive Director

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

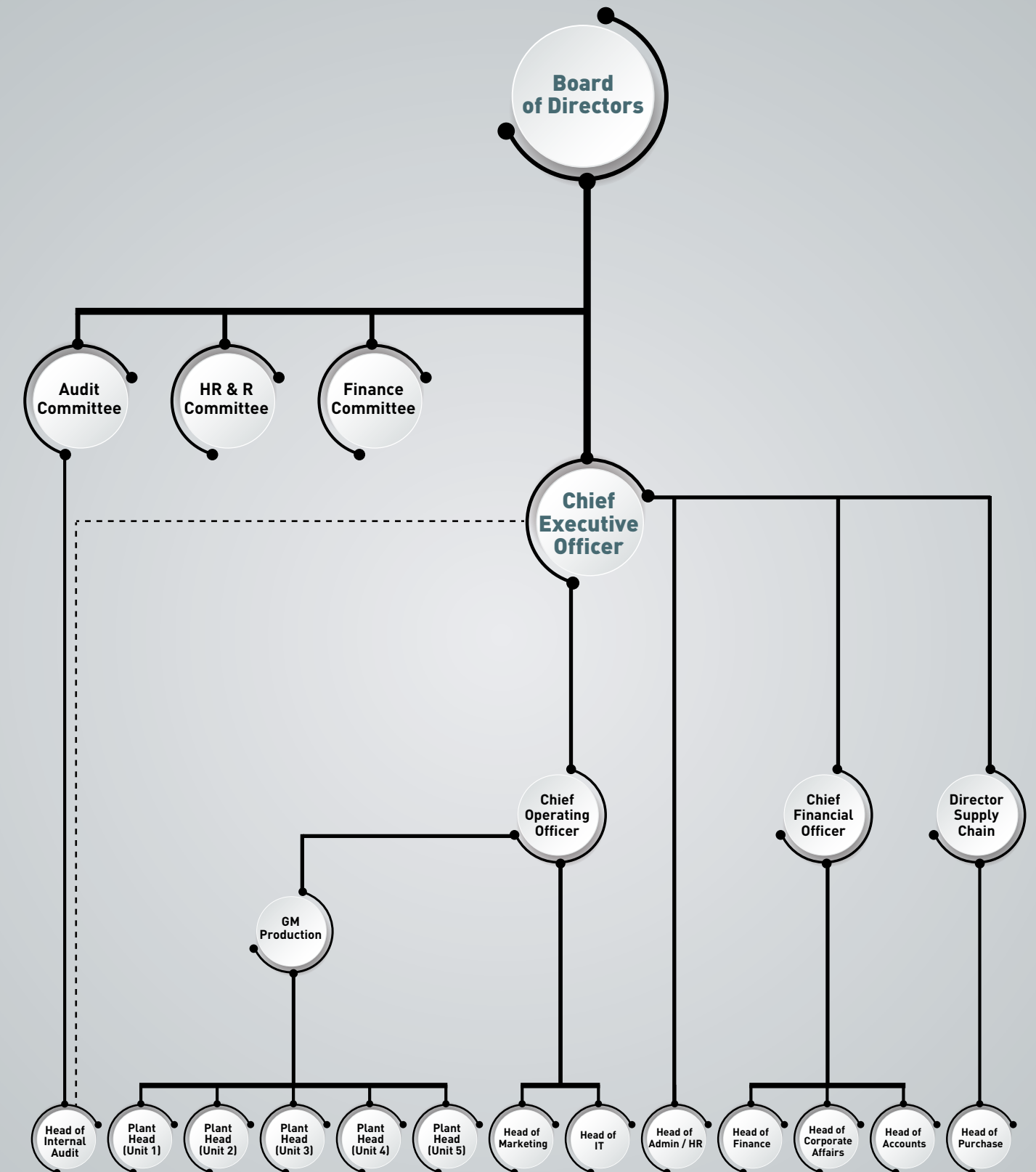
He is currently serving as Executive Director in Synthetic Products Enterprises Limited.

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

**MR. ABID SALEEM KHAN**  
Chief Operating Officer / Executive Director

Mr. Abid Saleem Khan has an MBA from the Institute of Management Sciences. He is a graduate of Management Development Program from Lahore University of Management Sciences (LUMS). He has been working with SPEL for 22 years and has a good understanding of the automobile industry and the Japanese systems of management.

## Organogram



—— Functional Reporting  
- - - - - Administrative Reporting



# Strategy and Resource Allocation

## STRATEGIC OBJECTIVES

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

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

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

We will use resources efficiently to increase shareholders’ value.

## MANAGEMENT STRATEGIES TO ACHIEVE OBJECTIVE

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

Objective	Strategies to achieve objectives
Reliability	<ul style="list-style-type: none"> <li>Encouraging a culture of innovation and continuous improvement</li> <li>Providing quality products to customers</li> <li>Delivering the product on time</li> </ul>
Create value for shareholders	<ul style="list-style-type: none"> <li>Utilizing economic and human resources optimally</li> <li>Earning best returns on investment</li> <li>Growing revenue</li> </ul>
Ensure long term sustainability	<ul style="list-style-type: none"> <li>Constantly upgrading technologies</li> <li>Developing and training employees.</li> <li>Committed to the ethical business values</li> </ul>

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

## ALLOCATION OF RESOURCES TO IMPLEMENT THE STRATEGIES AND CAPITAL STRUCTURE

The objective of this part of the report is to provide an insight about the resources and relationships used and affected by the Company to implement its strategies. These are collectively referred to as “the capitals” in this part, they are categorized as financial, manufactured, intellectual, human, social & relationship, and natural capital.

### FINANCIAL CAPITAL

The Company has a policy to finance the capital expenditure necessary to achieve the strategic objectives through equity or through long term loans. The management continuously monitors its cash flows on daily basis and keeps in view the future needs. It re-aligns the financing facilities

for optimized Company’s operations constantly.

The Company observes a self-defined formula for sustainable growth which requires that the amount invested in expansion plans should approximate the amount of profits earned in the year plus depreciation. This has greatly helped in managing a strong liquidity position.

### MANUFACTURED CAPITAL

Manufactured capital includes building, equipment and infrastructure. The management has a deliberate focus to utilize its available manufactured resources optimally to achieve the strategic objectives. The resources are allocated to difference parts of business keeping in view their linkage with the objective. The unevenness, if any, created due to changing

business environment, is balance-out by filling the gap in the relevant resource.

### INTELLECTUAL AND HUMAN CAPITAL

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

### SOCIAL AND RELATIONSHIP CAPITAL

Social and Relationship capital includes relationships within and between communities, groups of stakeholders and other networks, and the ability to enhance individual and collective well-being. SPEL gives equal importance to social and relationship capital and manage this capital by following the cultural norms of the areas in which it operates.



## NATURAL CAPITALS

Natural capital includes all renewable and nonrenewable environmental resources e.g. air, water, sun-light etc. SPEL is an ISO 14001 certified company. We are constantly working to reduce and optimize use of resources. While having a great focus on environment conservation, the company utilize these resources as per its needs.

## LIQUIDITY MANAGEMENT

The Company is a profit generating entity, which has significantly helped in strengthening the liquidity position and healthy cash flows. Careful employment of these funds is a priority of the management.

These factors have added to the sustainable growth of the Company, increased profitability and business stability. We

monitor and control the gearing of the Company in line with the business objectives. All installments of leases, long term loans, musharika finance, Ijara, FATR, markup were paid on due dates.

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

## BUSINESS EXPANSION

During the year under review, the company has completed its expansion project at Rahim Yar Khan. Further the company is considering to expand its foot print in the city of Karachi either by acquisition of an existing company or by establishing a new plant.

## DISCONTINUANCE OF WHOLLY OWNED SUBSIDIARY

During the year under review the company has wound up its wholly owned subsidiary as approved by the shareholders in 35th AGM held on 7th October 2017.

## CHANGES IN OBJECTIVE AND STRATEGIES FROM PRIOR YEAR

There are no significant changes in the objectives or strategies form prior years.

# Risks and Opportunities

## RISKS

Risks		Sources	Sensitivity	Mitigates
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.	External	Moderate	The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Company finances its operations through equity, long term and short term borrowings to maintain adequate working capital. With a view to maintaining an appropriate mix between various sources of finance to minimize risks. The management aims to maintain flexibility in funding by keeping regular committed credit lines with reputed banks.
Credit Risk	Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.	External	Moderate	To manage credit risk the Company maintains procedures covering the application for credit approvals, and monitoring of exposures against credit limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.
Pricing Risk	With new entrants in the market, there is a likelihood of price competition which might squeeze margins.	External	Moderate	The Company is constantly sourcing competitive suppliers, improving its technology, efficiency and productivity. Also, since SPEL has in-house capability to develop products with fast turn around time, that by itself obviates possibilities of competition affecting SPEL. The Company has developed interdependence with its customers and is considered a strategic supplier.
Competition Risk	Increasing entrants making their way into the plastic industry.	External	Moderate	SPEL's diversification of business activities and technical expertise makes it adequately prepared to face these challenges.
Machine breakdown Risk	Machine breakdown due to electricity load shedding may affect the operational performance of the Company.	Internal	Moderate	Adequate electricity backup systems are in place to overcome the problem. Adequate spares are also kept in stock.
Human Resource Risk	Increasing competition for skilled human resources may lead to higher turnover causing deterioration in service standards or increased payroll.	Internal	Moderate	The company HR practices include arranging trainings and developing programs for its employees; conducive work environment and competitive packages. Constant efforts in improving and training tend to offset this risk.
Technological risk	Technological obsolescence	External	Moderate	The company has been constantly upgrading its technologies. In the present expansion plan the Company acquired new generation technologies which are energy efficient, to stay ahead of the pack.
Regulatory Risk	Imposition/enhancement of duties, taxes, levies and other conditions may adversely affect the operations.	External	Moderate	Current government policies are largely business friendly. However fresh levies go across the board, so we stay competitive.

## OPPORTUNITIES:

### Determining Level of Risk Tolerance and Establishing Risk Management Framework

The Company has a significant focus on all the risks, its management and determining the company's level of risk tolerance. We have a well-developed system for risk management which include preventative, detective and reactive measures such as good house keeping, safety audits, fire hydrant systems, internal audit, insurances, awareness about changing business environment and about technological advancements. We constantly undertake an overall review of business risks to ensure that the management maintains a sound system of risk identification, risk management and related systemic and internal controls to safeguard assets, resources, reputation and interest of the Company and shareholders.

### Modern Technology

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

### In House Mold Shop

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

### Long Term Business Relationships

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

### Strategy to overcome Capital Inadequacy

Currently the Company has optimum capital mix and don't have any challenge for capital shortage, as evident form the fact that the Company's debt-to-equity ratio is 15% and current ratio is 2.6 which show the strong financial health of the Company. The Company maintains good relationships with reputed banks and have financing arrangements to overcome any liquidity problem (if any) faced by the Company.

SPEL is proud in stating that it has never defaulted in payments of any of its debt during its 36 years' life.





## Governance



### THE BOARD STRUCTURE AND ITS COMMITTEES

#### Board Structure

The composition of the Board has been established to ensure the company's need for expertise, capacity and diversity and to ensure that the Board functions well as a collegiate body. In order to comply with the best practices of Corporate Governance the Company has three independent directors which is one-third of the total number of board members. The independent directors meet the criteria of independence given in the law. The Company has three executive Directors including the Chief Executive Officer. The Board has decided to induct at least one female director in the upcoming election of directors to improve diversity in the Board. The Chairman of the Company is a non-executive Director.

The Board of Directors comprise of the following members.

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



### BOARD COMMITTEES

#### Audit Committee

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

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

#### Term of Reference of Audit Committee includes:

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

operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;

- Review of the listed company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;
- Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and to consider remittance of any matter to the external auditors or to any other external body;
- Determination of compliance with relevant statutory requirements;
- Monitoring compliance with the these regulations and identification of significant violations thereof;
- Review of arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
- Recommend to the board of directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements. The board of directors shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof.
- Consideration of any other issue or matter as may be assigned by the board of directors.

Governance

Human Resource & Remuneration Committee

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

Name	Position	Status
Khawar Anwar Khawaja	Chairman	Independent Non-Executive Director
Dr. S. M. Naqi	Member	Non-Executive Director
Almas Hyder	Member	Non-Executive Director
Zia Hyder Naqi	Member	Executive Director
Abid Saleem Khan	Member	Executive Director

The committee shall be responsible for:

- Recommend to the board for consideration and approval a policy framework for determining remuneration of directors (both executive and non-executive directors and members of senior management). The definition of senior management will be determined by the board which shall normally include the first layer of management below the chief executive officer level;
- Undertaking annually a formal process of evaluation of performance of the board as a whole and its committees either directly or by engaging external independent consultant and if so appointed, a statement to that effect shall be made in the directors’ report disclosing name, qualifications and major terms of appointment;
- Recommending human resource management policies to the board;
- Recommending to the board the selection, evaluation, development, compensation (including retirement benefits) of chief operating officer, chief financial officer, company secretary and head of internal audit;
- Consideration and approval on recommendations of chief executive officer on such matters for key management positions who report directly to chief executive officer or chief operating officer; and
- Where human resource and remuneration consultants are appointed, their credentials shall be known by the committee and a statement shall be made by them as to whether they have any other connection with the company.

Finance Committee

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

Name	Position	Status
Almas Hyder	Chairman	Non-Executive Director
Dr. Syed Salman Ali Shah	Member	Independent Non-Executive Director
Khawar Anwar Khawaja	Member	Independent Non-Executive Director
Muhammad Tabassum Munir	Member	Independent Non-Executive Director
Zia Hyder Naqi	Member	Executive Director

Board’s Operating Style

The Chairman sets the agenda of the meeting of the board and all matters critical for the success of business were put before the Board for guidance and decision making. The Chairman ensures that reasonable time is available for discussion of the same and equal opportunity is provided to all members for asking question and sharing their views and ideas. All strategic level decisions are taken by the Board and the CEO is given power to execute those decisions by using his expertise.



Annual Evaluation of Board’s performance

The Board has put in place a mechanism for evaluating the Board’s performance by the members of the Board themselves. Some significant matters included in the evaluation criteria are as follows:

- Business strategy
- Quality of Board meetings and discussion
- Internal Board relationships
- Competency and skills of Board members
- Reaction to events
- Attendance and contribution at meetings
- Communication

- Risk and control framework
- Composition
- Terms of reference
- Performance by Board Committees
- Management and administration of meetings
- Timeliness of information
- Training
- Succession planning

Evaluation forms are circulated to the members and each member is required to return duly filled Performa to the Company Secretary. The responses are consolidated with identification of the weak areas and discussed in the next Board meeting to formulate strategy for effecting improvement in the Board’s performance.

Formal Orientation for Directors

A formal orientation is conducted after the election of Directors to give them an understanding of the business, its operational structure and significant policies and procedures.

Policy for Security Clearance of Foreign Directors

It is our policy to follow all security clearance process for foreign director, if any. However, currently SPEL don’t have any foreign director on its Board.

Governance Practices exceeding Legal Requirements

The Company complies with all the requirements of Code of Corporate Governance and other Regulations. Following are some of the practices of Company which exceed the minimum legal requirements:

**Number of Directors on the Board:** The law requires a listed company to have at least 7 members on its Board, however, SPEL has nine directors on its Board, this greatly helped us in having the core competencies, diversity, requisite skills, knowledge, experience in the context of the Company’s operations.

**Timely and detailed announcements to the PSX:** The Company makes full disclosure of any material information and quarterly/half-yearly and annual results to the PSX within forty days, whereas, sixty days and one hundred and twenty days are available for half-yearly and annual financial statements respectively.

**Finance Committee:** Although the law does not require but the Company has constituted a Board Finance Committee for taking strategic financial decisions, the members of Committee are well versed with financial knowledge and have financial expertise.

Policy on Board’s Diversity

The Board of Directors of SPEL firmly believes that the diverse mix of gender, knowledge, expertise and skill sets of the members enhances the effectiveness of the Board.

- The Board composition will meet the minimum requirement of the applicable laws.
- The Board will have adequate female representation
- The Board will have such directors who bring along themselves diverse skill sets pertaining to financial matters, legal, marketing,
- The Board of Directors believes in merit and does not discriminate on the basis of gender, religion or caste.

Companies in which Executive Directors are serving as Non-Executive Directors:

Mr. Zia Hyder Naqi Chief Executive Officer is also serving as non-executive director on the Board of Quaid-e-Azam Industrial Estate, Lahore.

**Management’s Responsibility for Preparation of Financial Statements** Management of the Company is responsible for the preparation and fair

presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors is responsible for overseeing the Company’s financial reporting process.

Board Meetings

In order to save the cost of the Company, all meetings of the board are held at the registered office of the Company and no meeting is held outside Pakistan, during the year under review. The board members who are not available at Lahore had the facility to attend meetings through teleconference facility.

Conflict of Interest of Board Members

In order to manage any known or perceived conflict of interest, formal disclosure of vested interests is encouraged by the Board members. All Board members are well conversant with the principles provided under the regulatory requirements and the global best practices.

Board members’ suggestions and comments during their proceedings are accordingly recorded for evaluation, in addition to description and quantification of any foreseen conflict of interest prior to finalization of the proceedings’ agenda.

The board members who have any conflict of interest in any matter or agenda do not participate in relevant part of the meeting. The members are responsible for appropriate self-disclosure in a transparent manner and in the case of doubtful situation, are advised to discuss it with the chair of the meeting for guidance.



## Governance



### ROLE OF CHAIRMAN

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

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

The Chairman acts as the communicator for Board decisions where appropriate. He is Responsible for:

- Ensuring that the Board plays an effective role in fulfilling its responsibilities by providing equal opportunity to all Board members to express their ideas or concerns in a free environment and to contribute their professional input for the betterment of the Company.
- Ensuring that the Board as a whole is sufficiently equipped with requisite skills, competence, knowledge, experience, philosophical perspective and diversity considered necessary for managing a successful Company.

- Promoting highest moral, ethical and professional values and good governance throughout the Company.
- Reviewing the performance of the Board and to suggest training and development of the Board on individual and collective basis.
- Managing the conflicts of interests, if any.
- Reviewing the strategic direction of the company regularly, and counseling and advising the Chief Executive Officer.

### ROLE OF CEO

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

- To lead, in conjunction with the Board, the development of the Company's strategy.
- To lead and oversee the implementation of the Company's long and short term plans in accordance with its strategy.

- To ensure the Company is appropriately organized and staffed as necessary to enable it to achieve the approved strategy.
- To assess the principal risks of the Company and to ensure that these risks are being monitored and managed.
- To ensure effective internal controls and management information systems are in place.
- To ensure that the Company has appropriate systems to enable it to conduct its activities both lawfully and ethically.
- To ensure that the Company maintains high standards of corporate citizenship and social responsibility wherever it does business.
- To act as a liaison between management and the Board.
- To communicate effectively with shareholders, employees, Government authorities, other stakeholders and the public.
- To ensure that the Directors are properly informed and that sufficient

information is provided to the Board to enable the Directors to form appropriate judgments.

- To ensure the integrity of all public disclosure by the Company.
- Keeping abreast of changes in the industry and suggesting improvements in the overall strategic plan including diversification, consolidation, mergers and acquisitions etc.
- Developing an organizational culture of development, growth, innovation, efficiency and productivity, moral, ethical & professional values and good governance.
- To request that special meetings of the Board be called when appropriate.
- In concert with the Chairman, to determine the date, time and location of the annual meeting of shareholders and to develop the agenda for the meeting.
- To sit on committees of the Board where appropriate as determined by the Board.

### Understanding Shareholders Views

Shareholders view are of significant value for the Company. The company has diverse range of shareholders, including mutual funds, investment companies, brokerage houses, insurance companies, foreign shareholders, pension funds, high net worth individuals, housewives, professionals and individuals of varied requirements. The Company regularly interacts with all categories of shareholders, through corporate announcement, quarterly reports etc. The Chief Executive Officer and the Chief Finance Officer remains available to respond to any shareholder / investor's query in person or on telephone. The Chief Executive Officer updates the non-executive members of the views of the major shareholders about the Company.

### Compliance with Best Practices of Code of Corporate Governance

The Company is fully compliant with best practices of Code of Corporate Governance, the statement of Compliance and auditors' review report is available at page no. 59 .

### Presence of Chairman Audit Committee at the Annual General Meeting

The Chairman of the Board Audit Committee has consented to attend the upcoming Annual General Meeting of the Company to answer questions on the audit committee's activities and matters within the scope of the Audit Committee's responsibilities.

### Chairman's Significant Commitments

The Chairman of the Board is committed to provide leadership to the Board of Directors of the Company and to keep aligned the strategic direction of the company with best business practices. Further, the Chairman is committed to ensure that Board plays an effective role in the managing the business while promoting the highest moral, ethical and professional values.

### Linkage of Board Members' Remuneration with Value Creation

There is a well-defined policy and

procedure for determining the remuneration and incentives of Board members. The annual appraisal of the executive directors is initially carried out by the Human Resource and Remuneration Committee, which considers the individual and collective knowledge, skills, efforts, and contribution of the executive directors.

The Board members give due consideration to the recommendation of the Human Resource and Remuneration Committee and finalize the remuneration ensuring that levels of remuneration are appropriate and commensurate with the level of responsibility, expertise and contribution.

### Election of the Board

Upcoming election of Directors will be held on 27 October 2018. The Board in its meeting held on 2nd August 2018 has decided to restructure the Board and reserve one seat for female representation.

### Disaster Recovery Plan

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







Governance

## COMPANY POLICIES

### Environment Health & Safety Policy

It is policy of SPEL to:

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

### Policy for safety of records

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

The policy ensures that:

- Complete and accurate record of the transactions of the Company is created, captured and stored physically and in soft form along with proper backup;
- Records are to be maintained in conditions suitable for the length of time to cater for the Company's needs and statutory requirements;
- Records and archives are protected against the risks of unauthorized access, damage caused by fire, natural calamities and physical deterioration etc.
- The Records will be available to the authorized persons within the constraints of security, confidentiality, privacy and archival access conditions;
- Records are destroyed or disposed of in accordance with the disposal policies, procedures and guidelines of the Company;

### Investors Grievance Policy

It is policy of SPEL to:

Prohibits the selective disclosure of material, nonpublic information about the Company,

Sets forth procedures designed to prevent such disclosure, and

Provides for the broad, public distribution of material information regarding SPEL.

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

- **Disclosure Process**  
SPEL will communicate its anticipated approach to disclosure in general and compliance with the SECP regulation by posting the Investor Relations policy on the web site [www.spelgroup.com](http://www.spelgroup.com)
- **Communication Channels**  
The CEO or CFO or their nominee(s) will be the primary contacts who may communicate on behalf of the Company to analysts, securities market professionals, institutional investors, and major shareholders of the Company.

### Quarterly Earnings Release and Analyst Briefing

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

### Analyst Earnings Models and Reports

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

### Closed Period

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

### Responding to Market Rumors

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

*\*\* Investors' Relations section is also available on the Company's website. ["http://spelgroup.com/corporate"](http://spelgroup.com/corporate)*

### Directors' Remuneration Policy

#### Objective:

The objective of the policy is to provide a framework within which the remuneration of Directors will be determined.

#### Policy:

It is policy of SPEL to remunerate its directors for performing their services for SPEL. For this purpose, the Directors have been categorized as follows:

- Independent Directors
- Non-Executive Directors
- Executive Directors

### Independent Directors and Non-Executive Directors

shall be entitled to meeting fee for attending the meeting of the Board or any of its Committee as per the scale approved by the Board from time to time. However, the directors who are entitled to remuneration shall not be entitled to meeting fee. If any Non-Executive Director performs extra services, then he/she shall be entitled to remuneration.

**Executive Directors** shall be entitled to remuneration for managing the organizational functions assigned to them.

As per Articles of Association of the Company, the Board is authorized to determine the remuneration of Directors. In order to keep transparency, the Board shall observe the following principles while determining the remuneration of any Director:

- The remuneration package shall encourage value creation within the company.
- The remuneration package shall be appropriate to attract and retain directors needed to govern the company successfully.
- Levels of remuneration shall not be at a level that could be perceived to compromise their independence.

- The Board shall give due consideration to the recommendations of the HR & Remuneration Committee.

- No Director shall participate in a part of the meeting in which his/her own remuneration is to be determined.

- The details of the aggregate remuneration of executive and non- executive directors, including salary, meeting fee, benefits and performance-linked incentives etc. shall be disclose separately in the Annual Report of SPEL.

### Conflict of Interest Policy

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

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

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

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

### IT Governance Policy

We have strong devotion to continuously explore the prospects of implementing the latest IT infrastructure for efficient and



## Governance

timely decision making and to economize the costs related to operating and decision making processes.

Our IT governance is based on the following key features:

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

### Whistle Blowing Policy

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

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

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

- The whistle blower has appropriate evidence(s) substantiating the genuineness of the fact;
- The whistle blower understands that his act will add more value than the harm to the Company and he is doing this because of his loyalty with the Company;

- The whistle blower understands the seriousness of his action and is ready to assume his own responsibility; and
- SPEL shall provide reasonable protection to employee(s) who report the issue(s) as per this policy.

### Stakeholders' Engagements

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

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

- Institutional Investors and Banks (other lenders):** We meet the investors' needs by providing timely information and, if necessary, followed by corporate briefing. We consider our lenders as our business partners and make payment of all dues on time.
- Customers:** We communicate with customers in many ways as part of our normal business, through our dynamic marketing team who keep in closed contact with the customers and discuss day to day issues. There is a constant engagement between the top management with the customer's senior management also, to discuss on going and strategic expansions.
- Suppliers:** We communicate and work closely with suppliers to ensure that they maintain high standards required by the Company by conducting formal supplier assessments and by holding suppliers conventions. Procurement Department and users communicate constantly with suppliers to ensure reliability of supplies.
- Regulators & Government:** The Company has a policy to comply with all legal requirements and to provide appropriate and timely

information to the relevant regulatory and Government authorities. Furthermore, we participate in providing input to the legislative development process through direct interaction, and through associations, institutes, or chamber of commerce.

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

### Human Resource Management

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

### Succession Planning:

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

### Industrial Relations:

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

## Awards & Recognitions



### BEST CORPORATE REPORT AWARD

Institute of Chartered Accountants of Pakistan and Institute of Cost & Management Accountants of Pakistan has awarded the Company 3rd position in its category on the Annual Report for the year ended 2016-17.

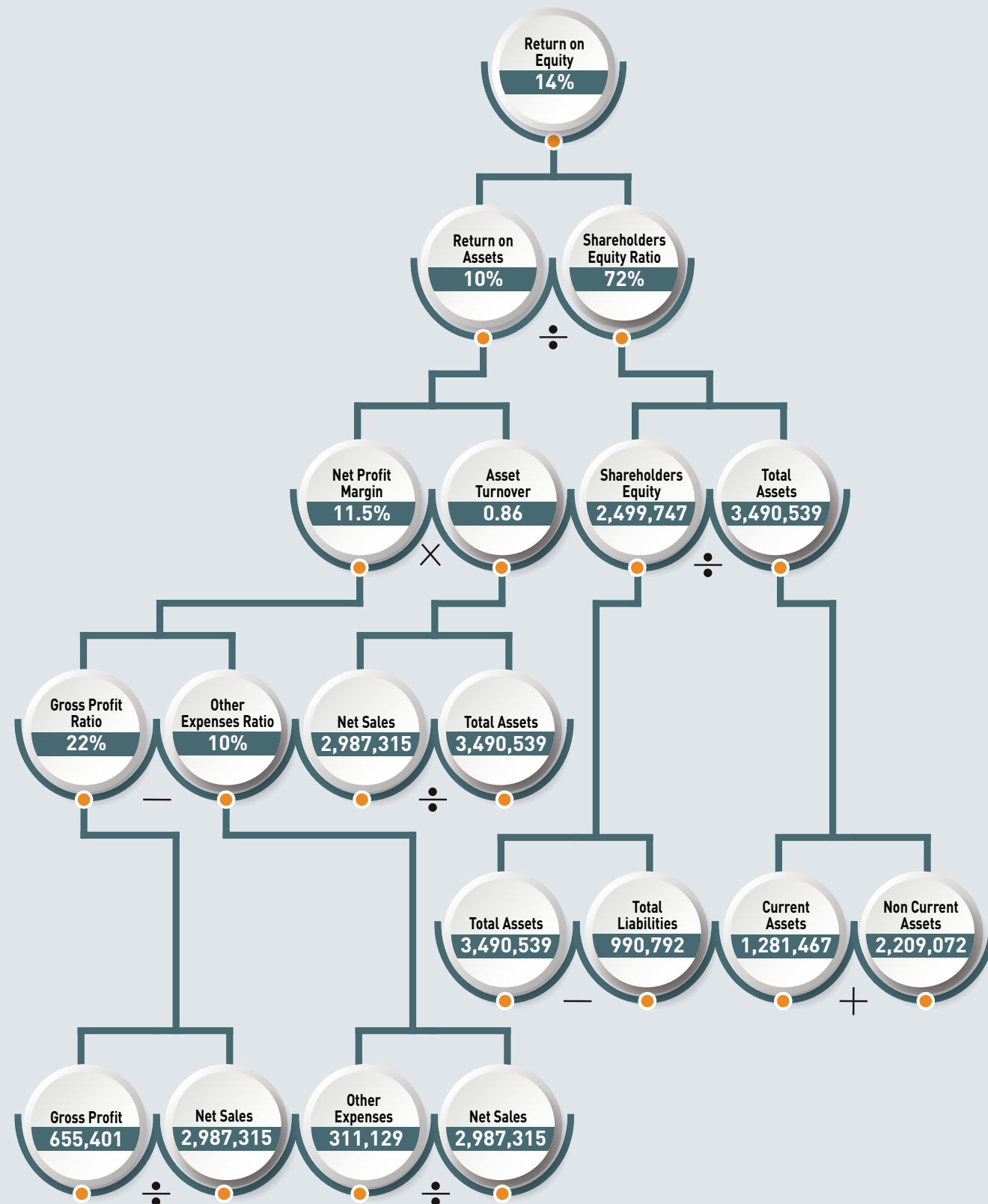
### APPRECIATION AWARDS

Pak Suzuki Motor Company Limited has honored SPEL by giving the "Outstanding Management Systems Award".



## DuPont Analysis

As on 30 June 2018





## Performance and Position

### ANALYSIS OF FINANCIAL AND NON-FINANCIAL TARGETS

There is a well-organized structure by which the key performance indicators (KPIs) and relevant targets are set and monitored throughout the year through regular review meetings.

Financial targets are set for sales, costs, profitability, gearing, liquidity etc., while non-financial targets are set for production efficiencies, quality improvements, automation, 5S, health and safety, quality control circles, human resource development, growth / expansion etc.

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

### EXPLANATION OF CHANGES IN PERFORMANCE

During the year under review, although there was an increase in the top line but the desired growth in profit was not achieved mainly due to currency devaluation, increase in the CNF values of raw material which resulted in increased cost of our raw material and reduction in net profit ratio.



### INTERIM ACCOUNTS ANALYSIS

	2017-18				Rupees in '000
	Q1	Q2	Q3	Q4	Total
Sales -net	746,067	602,074	745,984	893,190	2,987,315
Cost of sales	(558,037)	(465,109)	(596,538)	(712,231)	(2,331,914)
Gross profit	188,031	136,965	149,446	180,959	655,401
Administrative expenses	(40,732)	(43,958)	(40,049)	(32,707)	(157,446)
Selling & distribution	(16,155)	(12,840)	(13,540)	(17,392)	(59,928)
Operating profit	131,144	80,167	95,857	130,860	438,028
Other income	3,779	1,181	4,983	7,760	17,703
Other charges	(15,792)	(4,507)	(4,835)	(13,700)	(38,835)
Finance cost	(9,398)	(10,444)	(11,030)	(15,378)	(46,249)
Profit before taxation	109,733	66,398	84,975	109,541	370,647
Taxation	(9,039)	(4,928)	(8,140)	(4,267)	(26,375)
Profit after taxation	100,695	61,469	76,835	105,273	344,272
Earnings per share	1.18	0.72	0.90	1.24	4.05

### Operating Profit

The operating profit represents the operational performance of the Company. In the first quarter the company earned a good profit, which declined in the second quarter and third quarter due to seasonal impact. In the fourth quarter the Company regain saw an increase in the operating profit.

### METHODS AND ASSUMPTIONS USED IN COMPILING INDICATORS

Keeping in view the business model of SPEL, we have refined the performance indicators over time. The indicators highlight the direction of where SPEL is going and how it can create value and how it uses and affects various resources. Different methods and assumption were used in compiling the performance indicators e.g. brain storming sessions were held, input of team members were taken, industry practices were analyzed etc. The performance indicators can be further refined in future to incorporate the effect of changes arisen due to varying business environment and the relevant internal and external factors.

### CHANGES IN INDICATORS AND PERFORMANCE MEASURES

During the year under review there is no major change in the indicators and performance measures selected by SPEL.

### Sales

Sales of the Company grew @ 11% the FY 2017-18 as compared to previous year. The sales to the food and FMCG Packaging industry is seasonal and accordingly the sales declined in the second quarter whereas the number was highest in the fourth quarter, the Company follows the similar pattern almost every year.

### Cost of Sales

The cost of sales was increased during the year mainly due to currency devaluation, increase in CNF prices of raw materials and additional depreciation caused due to investment in fixed assets.

### SEGMENT REVIEW

The sales of the Company can broadly be categorized into FMCG & auto industry.

### MARKET SHARE

The company mainly operates in two business segments, i.e. auto parts and packaging for the food and FMCG industries. The parts which we produce SPEL is a single source supplier for majority of parts that we produce for the auto industry, are 100% held by SPEL whereas we own a significant market share of the products which we supply to the food and FMCG Companies.



### RATIONALE OF MAJOR CAPITAL EXPENDITURES

In order to further enhance our strategic relation with our Customer, the Company has decided to move closer to its strategic customers as this will have long term benefits for the Company. During the year under review, the company has completed its expansion project near to one of its large customer. Further the company, is working on a project to be acquired/ established facility in Karachi, as SPEL has good customer strong customer presence in the city.



## Striving for Excellence in Corporate Reporting

SPEL intends to share all relevant information with its stakeholders and strive to give maximum information as may be useful for the users of the Annual Report for making their decisions related to the Company.

### Compliance with International Financial Reporting Standards

SPEL prepares its financial statements in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and other applicable standards and legal requirements. It is our utmost effort to comply with all the requirements of the IFRSs, however, in case the requirement of IFRS differ with the local laws, then SPEL has a policy to comply with the local laws. A detailed note has been given in the financial statements regarding compliance with the IFRSs.

### Adoption and Statement of Adherence with the International Integrated Reporting Framework

While preparing annual report SPEL, among others, use the Integrated Reporting Framework developed by the International Integrated Reporting Council as it greatly helps to promote a more cohesive and efficient approach to corporate reporting that draws on different reporting aspects and communicates the full range of factors that materially affect the ability of an organization to create value over time and support integrated thinking, decision-making and actions that focus on the creation of value over the short, medium and long term.



## Stake Holders Relationships and Engagement



Shareholder are given the option to attend the meeting either through person or by proxy or through video link subject to fulfillment of legal requirements.

### Issues raised in last AGM

The 35th Annual General Meeting (AGM) started with a brief by the Chairman of the meeting about the Company's performance for the financial year 2016-17, and an update on the progress of ongoing projects.

Final cash dividend @ 5% i.e. PKR 0.5/- per share was approved by the shareholders in the meeting, which was distributed amongst the entitled shareholders.

It was also decided to reappoint M/s KPMG Taseer Hadi & Co. Chartered Accountants, as external auditors for the company for the year ending June 30, 2018.

The shareholder approved the option to circulate the Annual Audited Accounts to its members in soft form i.e. CD / USB / DVD or any other means instead of hard copy. This will result in cost savings for company. Accordingly, the company has amended its articles of association and is now legally able to circulate the accounts in soft form.

After deliberations and necessary discussions on all agenda items of the meeting was concluded, no issues were raised and meeting ended with a vote of thanks to the Chairman.

### Analyst Briefings

SPEL releases earnings information and shareholders' entitlements at dates to be announced publicly and post the same on the Company's website which may be followed by an analysis briefing. The price sensitive or material information are disclosed as per the requirements of law. General queries raised by the analysts are responded without disclosing any inside information.

Stakeholders' relationship is of significant importance for the company. Building "stakeholder's engagement", compliance with regulatory requirements and terms and conditions are one of the main business principles by which SPEL abide. To bring an accurate understanding of the company's management policies and business activities to all its stakeholders, we strive to make full disclosure of all material information to all stakeholders by various announcements on our website, to the Stock Exchange and other sources available to help investors to make informed decisions. While increasing management transparency, it aims to strengthen its relationships and trust with shareholders and investors. Our stakeholders include but are not limited to customers, employees, government, shareholders, suppliers, local communities and bankers.

### Investor Relations Section on Company's Website

The management of the Company is committed to provide equal and fair treatment to all investors/shareholders through transparent investor relations, increased awareness, effective communication, and prompt resolution of investors'/shareholders' complaints.

The Company disseminates information to its investors and shareholders through various means, including its corporate website. The Company's website is updated regularly to provide detailed and latest Company information including business strategy, financial highlights, investor information, unclaimed history and other requisite information besides the link to SECP's investor education portal, 'Jamapunji'

In order to promote investor relations and facilitate access to the Company for grievance / other query registration, a specific 'investors' relations' section is also maintained for the purpose on the Company's website.

### Attendance by Minority Shareholders in the General Meeting

We encourage full participation of the members including minority shareholders in the Annual General Meetings by inviting the shareholders through a notice sent at least 21 days before the date of the general meeting providing the corporate results and sufficient information enabling them to schedule their participation and attend the meeting on informed basis.



## Corporate Social Responsibility

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

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

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

- Provision of scholarship grants to the students of LUMS and Superior University.
- Contribution to charitable institutions for education and welfare purposes.
- Arrangement of free medical camps for the unprivileged people living in nearby villages.
- Provision of financial assistance to its employees for improving their education.



### Donation to Diamer Basha and Mohmand Dam Fund

SPEL has contributed a significant amount in "Supreme Court of Pakistan Diamer Basha and Mohmand Dam Fund" being a great national cause of building Dams. We consider that this contribution will go a long way in resolving the water needs in the coming decades and will also increase the business activity leading towards the growth of corporate sector, simultaneously.



### Energy Conservation

Pakistan is facing an energy crisis which has affected its economy. To play our part in reducing the energy crises, we are using the following measures:

- Conversion to energy efficient machinery and equipment.
- Emphasizing the need for minimum consumption and training of employees on energy conservation.
- Placing of glass windows and other openings in walls to optimize the usage of daylight.
- Conversion of computer monitors to LCDs.
- Conversion to LED lights.



### Environmental Protection Measures

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

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



### Community Investment and Welfare Schemes

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

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

### Consumer Protection Measures

We ensure that quality products are delivered to consumers. For food packaging, we use food grade materials and keep the facility clean as per requirements of international health and safety standards. SPEL has obtained the FSSC 22000 certification to ensure safety of food and beverage packaging and has also obtained HALAL certification.

### Concern for Employees

SPEL has established rules and procedures for better industrial relations. Employees' motivation and satisfaction



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

### Employment of Special Persons

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

### Occupational Safety and Health

SPEL believes that employee health and safety are of the utmost importance. We have implemented employee training programs to create awareness about work place safety measures.

Furthermore, there are fire safety systems in place to cater to any emergency situation that may arise. Fire safety drills are carried out on a periodic basis. There are regular medical tests conducted for employees from reputed medical laboratories.

SPEL also has a congenial working environment, which serves to the social needs of employees. We have ISO certification for standard operating procedures both to maximize efficiency and to ensure safety of operators.

### Business Ethics & Anticorruption Measures

SPEL has built a corruption free culture. SAP has been implemented as a database management system which ensures transparency.

### Contribution to National Exchequer

During the year under review, SPEL has contributed an amount of Rs. 576 million to National Exchequer in the form of Income Tax and Sales Tax.



Outlook

FORWARD LOOKING STATEMENT

Keeping in view the historical trends and depth in the market, the management is geared towards achieving growth in both segments, i.e. auto and packaging for food and FMCG industries. The investment made in plant and machinery in the year under review will help in catering for the upcoming requirements of customers. Another round of investment is also planned in the financial year 2018–19 to cater for future requirements of customers. The human resource is sufficiently trained to manage this growth. A detailed training plan has been prepared for further strengthening the capabilities of employees to cater for future growth.

ANALYSIS OF LAST YEAR'S FORWARD LOOKING DISCLOSURES

Disclosures	Current Status
Growth in Sales	11% sales growth achieved
Investment in operating fixed assets	An amount of Rs 420 million invested in capex
Training of staff	4,529 man-hours were invested on training of staff members

STATUS OF PROJECTS DISCLOSED IN LAST YEAR'S FORWARD LOOKING STATEMENT

In the last years' report the stakeholder were informed that the construction of a new project at Rahim Yar Khan was in progress and would be completed in time. We are pleased to inform that the project has been successfully completed during the year under review and sale of products has been started from the new unit.

SOURCES OF INFORMATION AND ASSUMPTIONS

SPEL puts all its efforts for gathering information and attempts to collect as much information as possible from internal and external sources while working on projections and forecasts. If needed, the help of external consultants was also taken, so that a realistic and appropriate image of the future is created.

CHALLENGES AND UNCERTAINTIES

As part of its normal business practices, SPEL always keep an eye on the upcoming business risks, threats, challenges and uncertainties and constantly keep on investing to equip itself to face such challenges and uncertainties.

BUSINESS MODEL

<b>Key Partners</b> - Customers - Distributors - Suppliers - HR Agencies - Banks - Transportation - Shareholders - Training Institutes - Construction Cos. - Warehouses - Government Institutions	<b>Key Activities</b> - Product Development - Product Manufacturing - Marketing & Sales - R&D - Customer Service - Supply Chain Management - Operations Management  <b>Key Resources</b> - Financial Resource - Human Resource - Machinery/Equipment - Raw Materials - Management/Marketing/ Sales/IT/Engineering/ Operations - Infrastructure/Building	<b>Value Propositions</b> - Complete solution from Design to Product - Quality Product - On time Delivery - Competitive Prices	<b>Customer Relationships</b> - Personal visits/ Relationships - Quick Response - Understanding Customer's Need & Aligning Organization to fulfil these Needs  <b>Channels</b> - Business to Business/ Direct - Distribution - Hole in the Wall	<b>Customer Segments</b> - Automotive OEMS - FMCGs - Food and Non Food Packaging
<b>Cost Structure</b> - Fixed Cost (Land, Building, Equipment etc.) - Raw Materials - Transportation - Salaries & Wages - Operations - Marketing & Selling, Traveling, Trainings, Entertainment etc.		<b>Revenue Streams</b> - Product Sales - Investments		

Report of the Board Audit Committee



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

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

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

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

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

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

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

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

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

Appointment of external auditors and fixing of their audit fee was reviewed and the Audit Committee following this review, recommended to the Board of Directors re-appointment of M/s KPMG Taseer Hadi and Co. Chartered Accountants as external auditors for the year 2018-19.

- sd -

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

02 August 2018  
Lahore



# Chairman's Review

**The year 2017-18 was another successful year for the Company, despite many challenges in business environment on both economic and business fronts.**

The challenges include exchange rate depreciation, rising raw material prices and enhanced cost of doing business, etc. Despite these factors, the growth in sales by 11% reflect the strength of this Company. The profitability was affected due to these factors. The management is alert to this issue and is taking countermeasures.

I am pleased to highlight the overall performance and effectiveness of the role played by the Board of Directors in achieving the Company's objectives and guiding the management to carry out the responsibilities effectively. I am confident that the Company will be successful in meeting the future challenges and achieving its targets.

The company believes that good governance means having effective systems, which lead to trust within the company and outside the company. This in turn leads to effective, transparent and accountable management. the key word is reliability, and this leads to customer confidence and employee confidence, which results in a healthy balance sheet.

The Board has performed its duties and responsibilities diligently and has

contributed effectively in guiding the Company in all its strategic affairs. All Directors including Independent Directors participated and contributed in decision making process of the Board.

As Chairman, I am responsible for leading the Board, fostering a culture of openness and constructive debate during which all views are heard and for ensuring that the board is knowledgeable about the plans made by the senior management. The Board carried out its annual self-evaluation and found its performance to be satisfactory. The main focus remained on strategic growth, business opportunities, risk and control framework, performance by Board Committees, training, succession planning, providing oversight to the management etc.

The Board normally meets once every quarter to consider and approve financial and operating results and to consider and approve budgets and other key matters. The Board, in addition to Audit and HR & Remuneration Committee, has formed a Finance Committee which is focused on the financial matters and strategy of the Company.

The Company has an independent Internal Audit department and follows a risk based audit methodology. Internal Audit reports are presented to Board Audit Committee on quarterly basis and areas for improvement are highlighted.

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

I wish to thank our shareholders, customers, suppliers, bankers, business partners, employees and other stakeholders for their confidence and support.

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

- sd -

**Almas Hyder**  
Chairman

02 August 2018  
Lahore



## Directors' Report to the 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 2018.

### FINANCIAL OVERVIEW

By the grace of Almighty, financial year 2017-18 was another successful year for the Company with sales reaching at Rs. 2,987.31 million (2017: Rs. 2,699.67 million) registering a growth of 11%. This year our investments focused on expansion, increased productivity and lowering cost of manufacturing in future and while doing this we also gained tax credits. We are also pleased to inform that during the year under review, the company inaugurated its first hole-in-the-wall project (New plant) at Rahim Yar Khan. The project has started manufacturing and supplying products. Further, the Company received orders for manufacturing molds for auto parts from some key players in the automotive industry. To improve capability and capacity to cater to growing market demand, the Company invested Rs. 420.60 million (2017: Rs. 335.12 million) in Operating Fixed Assets. Significant amount has also been spent for technology upgradation and automation to ensure better quality, timely deliveries through improved efficiency.

Despite being bullish on the growth of the economy during the year under review, the company faced many challenges including increase in the prices of raw materials & currency devaluation & variation in the customer's demand as perceived which have impacted the margins of the Company.

### Financial Results

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

	2018 Rupees in million	2017
Turnover	2,987.31	2,699.67
Gross profit	655.40	715.77
Operating profit	438.03	526.75
Financial cost	46.25	32.74
Profit before taxation	370.65	463.96
Taxation	26.37	46.80
Profit after tax	344.27	417.16

### Dividends and Appropriations

Interim cash dividend	NIL	(2017: @ 10%)	-	81.23
Interim bonus dividend	NIL	(2017: @ 10%)	-	77.35
* Proposed Final dividend	@10%	(2017: @ 5%)	85.08	42.54
Total Dividend			10%	25%

\* The final dividend for the year under review shall be paid to the entitled shareholders after approval in the Annual General Meeting of the Company.

### Earnings Per Share

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

Basic and diluted EPS – 2018	Rs. 4.05
Basic and diluted EPS – 2017	Rs. 4.90



### Taxation

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

## OPERATIONS

### Awards and Recognition

It gives the Directors great pleasure to inform you that the Company had the honour of receiving the following awards.

#### Appreciation Award

During the year under review, the company has received award from Pak Suzuki Motor Company Limited in recognition of outstanding Management Systems

#### Best Corporate Report Award

The Joint Committee on BCSRA of the Institute of Chartered Accountants of Pakistan and Institute of Cost & Management Accountants of Pakistan has awarded 3rd position to the Company's annual Report for the year 2017 in its category.





Directors' Report to the Shareholders

Corporate Social Responsibility

As an industry leader, we embrace our responsibilities to sustainability and environmental stewardship. We recognize that these responsibilities not only address our commitment to our employees and our plant sites, but also extend beyond our gates to other stakeholders, including customers and the communities in which we operate. Some CSR Activities taken up during the fiscal year:

- Scholarship Grant to the needy student(s) under the LUMS Financial Aid Program
- Donations to non-profit organizations
- Financial assistance to employees who wished to enhance their education
- Plantation of trees
- Donation for Diamer Bhasha and Mohmand Dams.



Human Resource Development

We are proud of the commitment and dedication of our employees. The Company values its employees and encourages a culture of teamwork, innovations, open communication, continuous development and training of personnel. The Company uses both Internal and External available resources to improve its employee's skills, knowledge and abilities.

**External Trainings:** During the year under review, the Company sent employees on different external courses which helped our employees

build their skills. Some external courses include, Leadership Grid, SLAM, Productivity Improvement, Logistics Management, Polymeric Materials and Processing, FEMA, etc.

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



CORPORATE GOVERNANCE

Composition of the Board

The composition of the Board has been established to ensure the company's need for expertise, capacity and diversity and to ensure that the Board functions well as a collegiate body. In the upcoming elections of Directors, the Company has reserved one seat for female contestants. This is in line with the requirements of the law.

The composition of the Board is as follows:

Independent Directors	03
Other Nonexecutive Directors	03
Executive Directors	03

Remuneration Policy for Non-Executive Directors and Independent Directors

The Board has approved a policy for directors' remuneration for its directors. As per the policy, Independent Directors and Non-Executive Directors shall be entitled to meeting fee for attending the meetings of the Board or any of its Committees as per the scale approved by the Board from time to time. If any Non-Executive Director performs extra services, then he/she shall be entitled to remuneration. The directors who are entitled to remuneration shall not be entitled to meeting fee.



Meetings of the Board and Attendance

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

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

Leave of absence were granted to the members who could not attend the meetings.

Board Audit Committee

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

Name	Status	Meetings Attended
Dr. Syed Salman Ali Shah	Committee Chairman	4
Mr. Almas Hyder	Member	4
Dr. S. M. Naqi	Member	4
Mr. Muhammad Tabassum Munir	Member	4
Mr. Raza Haider Naqi	Member	4



## Directors' Report to the Shareholders

**Human Resource & Remuneration Committee**

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

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

**Finance Committee**

Finance Committee comprises of the following members. During the year two (02) meetings of Finance Committee were held.

Name	Status	Meetings Attended
Mr. Almas Hyder	Committee Chairman	2
Mr. Zia Hyder Naqi	Member	2
Dr. Syed Salman Ali Shah	Member	2
Mr. Khawar Anwar Khawaja	Member	1
Mr. Muhammad Tabassum Munir	Member	2

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

**Training by Directors**

During the year under review, Mr. Sheikh Naseer Hyder attended the Directors Training Program (DTP) by the Institute of Cost & Management Accountants of Pakistan. Currently, five (05) directors of the Company are certified directors while one director is exempted from the requirement of DTP. The remaining directors will attend the DTP as per the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017.

**Investor Relations and Grievances**

The company places significant importance on its relations with investors and has established a robust grievance reporting mechanism which seeks to resolve any complaints or unattended issues. To ensure that the stakeholders can register their complaints conveniently, an online form is available on company's website.

**Appointment of Auditors**

The present auditors, M/s KPMG Taseer Hadi & Co. Chartered Accountants will retire at the conclusion of the upcoming Annual General Meeting and being eligible, offer themselves for re-appointment. The Board Audit Committee of the Company has suggested and the Board has approved & recommended their re-appointment to the shareholders as auditors of the Company for the year ended 2018-19.

**Pattern of Shareholding**

The pattern of shareholding is annexed on page no. 115.

**Corporate and Financial Reporting Framework**

The company is in compliance with the requirements of the Corporate and Financial Reporting Framework as enumerated in the Companies Act, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2017. We also confirm that:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained.
- The system of internal controls is sound in design and has been

effectively implemented and monitored.

- There are no significant doubts upon the company's ability to continue as a going concern.
- Key operating and financial data for the last six years is annexed on page no. 50.
- Information about taxes and levies is given in notes to the Financial Statements.
- There is no likelihood of any delayed payments or default in respect of all loans availed by the Company.
- There is no material risks and uncertainties specific to our Company except political and economic risks.
- There is no material impact of our business on the environment.
- The Company operates a contributory Provident Fund Scheme for all its eligible employees. The value of investment as on 30 June 2018 of the investments made by the Company's Provident and other relevant information has been mentioned in notes to the Financial Statements.
- The detail of trading in shares of the Company by the Company's Directors, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Company Secretary Head of Internal Audit, Executives their spouses and minor children is annexed.
- The Board has reviewed and decided that any employee of SPEL having monthly gross salary of Rs. 100,000 or above should be considered as "Executive" for the purposes of Rule 5.6.1(a) and Rule 5.6.1(d) of the PSX Rule Book.



- There have been no material changes since 30 June 2018 to the date of this report and the Company has not entered into any commitment during this period, which would have an adverse impact on the financial position of the Company.

**FUTURE OUTLOOK**

The Company foresee an expanding market and is on path of steady growth. To cater to this growth, manufacturing facilities are being expanded, Investments are being made in state of the art equipment to achieve efficiency, economies of scale and improve profitability. The Company is also considering expanding its geographical foot print further to capitalize on the opportunities being presented by the market growth.

We are committed and focused to sustain growth in the top and bottom lines of the Company in the next financial year.

**ACKNOWLEDGEMENT**

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

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

**Zia Hyder Naqi**  
Chief Executive Officer

Place: Lahore  
2 August 2018

**Sheikh Naseer Hyder**  
Director



## Six Years Financial Information



Financial Summary		2018	2017	2016	2015	2014	2013
Balance Sheet							
Share capital	Rs. in '000	850,850	850,850	773,500	773,500	580,000	412,275
No of shares (closing)	No. in '000	85,085	85,085	77,350	77,350	58,000	41,227
Fixed assets	Rs. in '000	2,194,146	1,875,868	1,515,337	1,030,345	873,185	629,246
Total assets	Rs. in '000	3,490,539	2,985,184	2,481,024	2,364,932	1,524,452	1,319,885
Equity	Rs. in '000	2,499,747	2,094,928	1,836,335	1,557,894	825,933	518,284
Long term loans & leases	Rs. in '000	323,132	202,292	41,332	92,707	75,091	83,843
Current assets	Rs. in '000	1,281,467	1,086,233	943,727	1,320,570	618,881	670,609
Stocks	Rs. in '000	654,310	448,138	333,875	337,658	260,073	319,781
Debtors	Rs. in '000	325,902	339,046	281,158	249,155	185,228	225,236
Cash and bank Balances	Rs. in '000	17,419	57,874	51,063	37,633	78,903	17,436
Creditors	Rs. in '000	168,491	164,643	128,045	127,469	82,923	191,474
Current liabilities	Rs. in '000	480,881	510,596	443,987	592,197	501,811	614,880
Non-Current liabilities	Rs. in '000	509,911	379,660	200,703	214,841	196,708	186,720
Total liabilities	Rs. in '000	990,792	890,256	644,690	807,038	698,519	801,600
Short term finances	Rs. in '000	307,027	342,313	311,800	456,605	414,784	418,089
Working capital	Rs. in '000	784,831	602,087	469,658	443,378	352,712	351,941
Profit and Loss Account							
Sales	Rs. in '000	2,987,315	2,699,673	2,321,851	2,165,703	1,718,561	1,415,829
Cost of sales	Rs. in '000	2,331,914	1,983,897	1,739,357	1,672,903	1,371,825	1,183,530
Gross profit	Rs. in '000	655,401	715,776	582,493	492,801	346,736	232,299
Profit before taxation	Rs. in '000	370,647	463,962	393,543	286,310	175,120	78,603
Depreciation	Rs. in '000	158,711	132,582	89,120	74,345	63,523	48,868
Amortization	Rs. in '000	1,907	1,922	1,588	1,387	1,342	-
Financial cost	Rs. in '000	46,249	32,744	38,439	59,028	56,462	50,352
Profit after tax	Rs. in '000	344,272	417,161	355,791	229,745	121,933	60,188
EBIT	Rs. in '000	416,897	496,706	431,982	345,338	231,582	128,954
EBITDA	Rs. in '000	551,401	631,211	522,690	421,070	296,447	177,822
Cash Flow Statement							
Cash flow from operating activities	Rs. in '000	293,035	403,894	343,050	204,667	212,996	61,060
Cash flow from investing activities	Rs. in '000	(367,692)	(430,278)	(54,987)	(756,799)	(98,246)	(48,640)
Cash flow from financing activities	Rs. in '000	(15,017)	49,113	(135,565)	404,476	(65,105)	1,560
Opening cash & cash equivalents	Rs. in '000	23,521	793	(151,704)	(4,048)	(53,693)	(67,674)
Closing cash & cash equivalents	Rs. in '000	(66,154)	23,521	793	(151,704)	(4,048)	(53,693)
Free Cash flows	Rs. in '000	(74,658)	(26,385)	288,063	(552,132)	114,750	12,420

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

Significant Ratios		2018	2017	2016	2015	2014	2013
Profitability							
Gross profit ratio	%age	22	26	25	23	20	16
Net profit ratio	%age	12	15	15	11	7	4
EBIDTA margin to sales	%age	19	23	23	19	17	13
Return on equity	%age	14	20	19	15	15	12
Return on capital employed	%age	13	20	20	18	16	11
Liquidity / Leverage							
Current ratio	Times	2.66	2.13	2.13	2.23	1.23	1.09
Quick/Acid test ratio	Times	1.30	1.25	1.37	1.66	0.72	0.57
Cash to current liabilities	%age	4	11	12	6	16	3
Cash flow from operations to sales	%age	14	19	20	15	17	7
Activity/Turnover Ratios							
Inventory turnover ratio	Times	4.23	5.07	5.18	5.60	4.73	3.63
No of days in inventory	Days	86.28	71.94	70.46	65.21	77.14	100.44
Debtor turnover ratio	Times	8.99	8.71	8.76	9.97	8.37	8.02
No of days in receivables	Days	40.62	41.93	41.68	36.60	43.59	45.50
Creditor turnover ratio	Times	14.00	13.56	13.61	15.90	10.00	6.05
No of days in payables	Days	26.07	26.92	26.81	22.95	36.50	60.28
Fixed assets turnover ratio	Times	1.36	1.44	1.53	2.10	1.97	2.25
Total assets turnover ratio	Times	0.86	0.90	0.94	0.92	1.13	1.07
Operating cycle	Days	100.83	86.92	85.33	78.86	84.23	85.66
Investment/Market Ratios							
Earning per share - Reported	Rs.	4.05	4.90	4.18	3.48	2.10	1.46
Dividend yield ratio	%age	2.0	3.3	3.2	1.8	N/A	N/A
Dividend payout ratio	%age	24.7	51.0	35.9	28.7	N/A	N/A
Dividend cover ratio	Times	4.05	1.96	2.79	3.48	2.10	0.00
Dividend per share***	Rs.	1.00	2.50	1.50	1.00	1.00	0.00
Market value per share at the							
year/ period end*	Rs.	51.1	75.45	46.90	54.87	N/A	N/A
Breakup value per share							
(without land's revaluation surplus)	Rs.	25.50	21.95	20.81	17.21	10.33	12.57
Breakup value per share							
(with land's revaluation surplus)	Rs.	29.38	24.62	23.74	20.14	14.24	12.57
Capital Structure Ratios							
Financial leverage ratio	Times	0.25	0.26	0.19	0.35	0.59	0.97
Weighted average cost of debt	%age	8	7	9	11	11	11
Debt to equity ratio	Times	0.15	0.12	0.06	0.11	0.15	0.25
Interest cover ratio	Times	9.01	15.17	11.24	5.85	4.10	2.56
Return to Shareholders							
R.O.E. before tax	%age	15	22	21	18	21	15
R.O.E. after tax	%age	14	20	19	15	15	12
EPS	Rs.	4.05	4.90	4.18	3.48	2.10	1.4
Solvency							
Debtors turnover	Times	8.99	8.71	8.76	9.97	8.37	8.02
Creditors turnover	Times	14.00	13.56	13.61	15.90	10.00	6.05
Other Information							
Sale growth rate	%age	11	16	7	26	21	1

\* Source of information is karachi stocks exchange website.

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

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

# Comments on Financial Analysis

## COMMENTS ON RATIOS

**Profitability:** The Company has been performing well over the last six years. The net profit ratio has increased from 4% in the year 2013 to 12% in 2018 whereas the GP ratio has improved from 16% in the year 2013 to 22% in the year 2018. The improvement was result of year on sales growth and effective & efficient utilization of economic resources. This resulted in an improved return on equity of 14% compared to 12% in the base year.

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

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

**Investment / Market Ratios:** The Company got listed during the FY 2014-15, hence, the data for market price of the shares is not available for the last six years. The EPS has improved from Rs. 1.46 in 2013 to Rs. 4.05 in 2018 whereas the break-up value has increased from Rs. 12.57 per share to Rs. 29.38 per share in 2018.

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

## COMMENTS ON HORIZONTAL ANALYSIS

The Company has been performing well over the last six years. The net profit has increased from Rs. 60.19 million in the year 2013 to Rs. 344.27 million in 2018. The gross profit has improved from Rs. 232.30 million in the year 2013 to Rs. 655.40 million in the year 2018. The improvement was mainly caused to the year on sales growth and effective and efficient utilization of economic resources. During the last six years, liquidity of the Company has improved significantly and the capital structure has also improved. A significant amount has been invested in property, plant and equipment to cater for growing needs of the customers.

## COMMENTS ON VERTICAL ANALYSIS

The gross profit ratio of the company stood at 22% as compared to 16.41 % in 2013. The Company has witnessed a net profit ratio of 12% which is higher as compared to net profit ratio of 4% in 2013.

## Financing Arrangements

The Company has good business relations with the reputed banks and financial institutions of the country. Adequate unutilized financing facilities are available at the Company's disposal.

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

The financial position and performance of the Company for the last six years is available on page 50.

## Fair Value of Property Plant and Equipment

The fair value of the property plant and equipment is around Rs. 2,500 million as on 30 June 2018.

## Prospects of Targets

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

## Measures to overcome Industrial Effluents

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

## Materiality Approach

The Board of Directors approved a materiality threshold which the management uses for day to day operations. The board evaluates this threshold from time to time. During the year under review, there is no major change in this threshold.

## Quality of Products

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

## COMMENTS ON CASH FLOWS

### Cash Flow from Operating Activities:

There is an increase in cash flows from operating activities due to higher profitability from FY 2013 to FY 2018.

# Cash Flow Statement - Direct Method

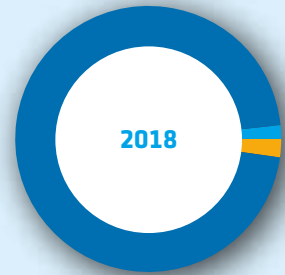


	2018 Rupees	2017 Rupees
<b>Cash flows from operating activities</b>		
Cash receipts from customers	3,000,459,578	2,641,784,213
Cash paid to suppliers and employees	(2,571,221,945)	(2,116,945,069)
<b>Cash generated from operations</b>	<b>429,237,633</b>	<b>524,839,144</b>
Workers' Profit Participation Fund and Workers' Welfare Fund paid	(37,287,406)	(25,439,599)
Finance cost paid	(44,526,242)	(33,245,736)
Taxes paid	(56,826,310)	(65,971,105)
Long term deposits - net	2,436,897	3,710,877
	(136,203,061)	(120,945,563)
<b>Cash generated from operating activities</b>	<b>293,034,572</b>	<b>403,893,581</b>
<b>Cash flows from investing activities</b>		
Fixed capital expenditure	(377,175,583)	(498,930,518)
Intangibles acquired	(614,216)	(873,148)
Proceeds from disposal of property, plant and equipment	8,107,239	4,107,735
Proceeds from disposal of available for sale investment	1,971,200	-
Proceeds from disposal of subsidiary	19,171	-
Investment in listed securities	-	(9,582,375)
Short term investments	-	75,000,000
<b>Net cash used in investing activities</b>	<b>(367,692,189)</b>	<b>(430,278,306)</b>
<b>Cash flows from financing activities</b>		
Principal repayment of lease liability	(15,727,656)	(12,881,617)
Long term finance repaid	(24,542,403)	(29,968,048)
Diminishing musharika acquired - net	173,774,709	183,082,501
Short term borrowings - net	(105,952,225)	67,156,051
Cash dividend paid	(42,569,421)	(158,276,258)
<b>Net cash generated from / (used in) financing activities</b>	<b>(15,016,996)</b>	<b>49,112,629</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(89,674,613)</b>	<b>22,727,904</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>23,520,793</b>	<b>792,888</b>
<b>Cash and cash equivalents at end of the year</b>	<b>(66,153,820)</b>	<b>23,520,793</b>



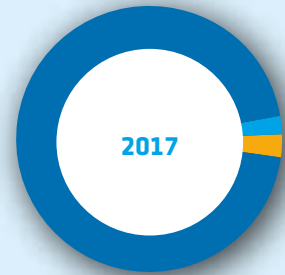
## Graphical Presentation

**Equity and Liabilities**  
(Rupees in '000)



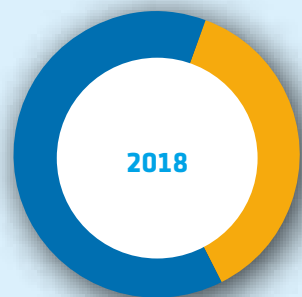
● 2,499,747 Equity ● 480,881 Current Liabilities  
● 509,911 Non Current Liabilities

**Equity and Liabilities**  
(Rupees in '000)



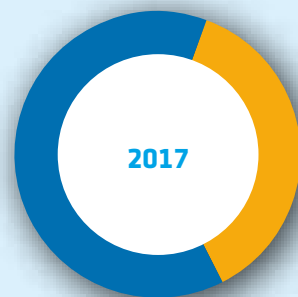
● 2,094,928 Equity ● 510,596 Current Liabilities  
● 379,660 Non Current Liabilities

**Assets**  
(Rupees in '000)



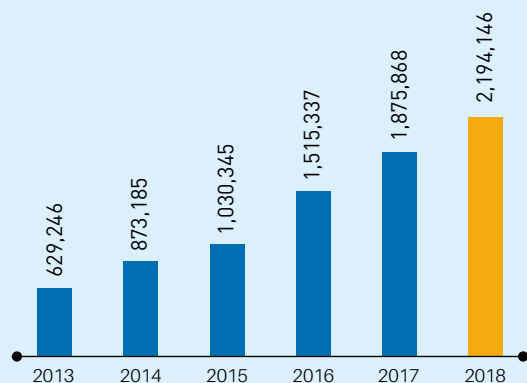
● 2,194,146 Fixed Assets  
● 1,281,467 Current Assets

**Assets**  
(Rupees in '000)

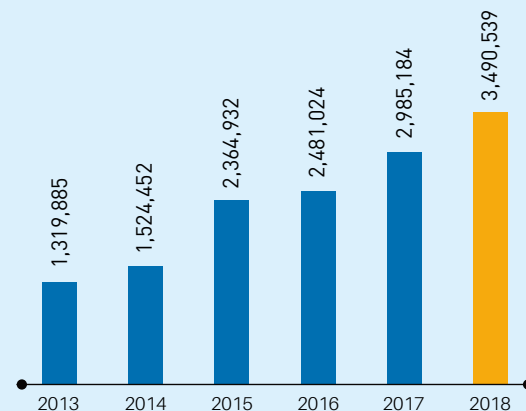


● 1,875,868 Fixed Assets  
● 1,086,233 Current Assets

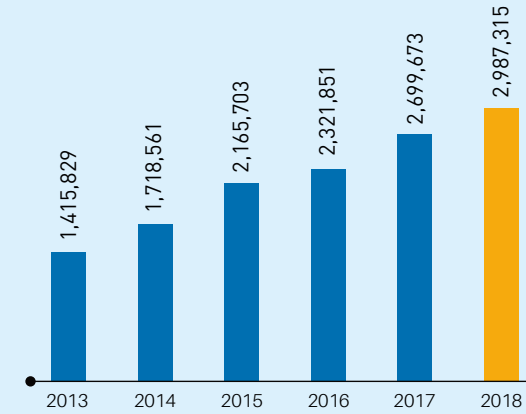
**Fixed Assets**  
(Rupees in '000)



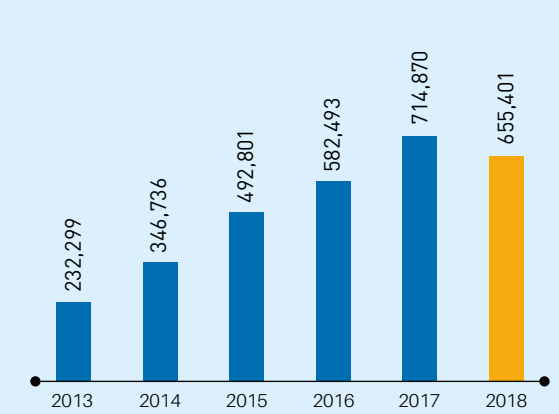
**Total Assets**  
(Rupees in '000)



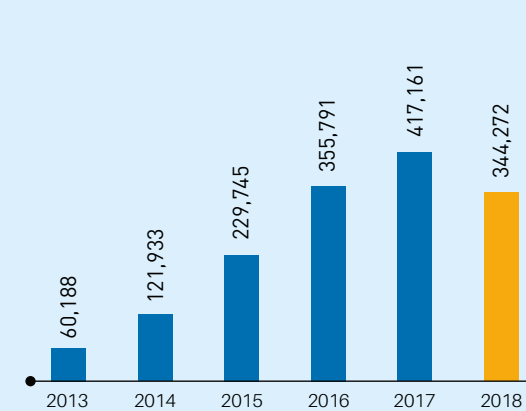
**Sales**  
(Rupees in '000)



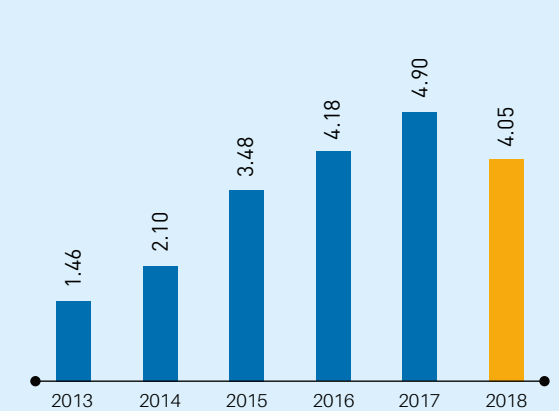
**Gross Profit**  
(Rupees in '000)



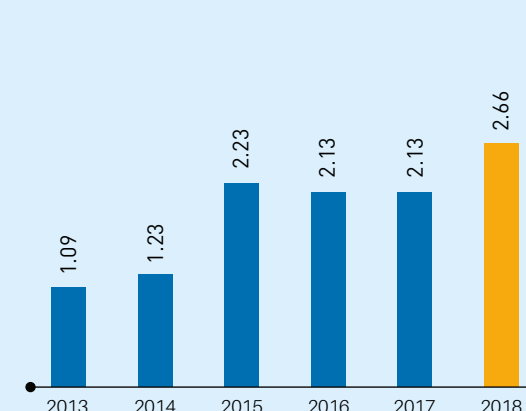
**Net Profit**  
(Rupees in '000)



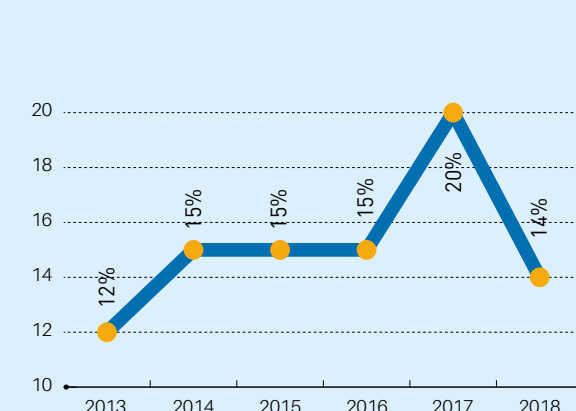
**Earnings Per Share**  
(Rupees)



**Current Ratio**  
(Times)



**Return on Equity**  
(Percentage)



# Horizontal Analysis

	2018		2017		2016		2015		2014		2013	
	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%
<b>Nomenclature</b>												
Equity and reserves	2,169,715	16.15	1,867,985	16.07	1,609,392	20.92	1,330,951	122.20	598,990	15.57	518,284	13.14
Surplus on revaluation of land	330,032	45.42	226,943	-	226,943	-	226,943	-	226,943	100.00	-	-
Long term loans	310,923	61.55	192,458	682.81	24,585	[61.18]	63,326	85.45	34,147	100.00	-	-
Non current liabilities	198,988	6.30	187,202	6.29	176,117	16.24	151,516	[6.79]	162,561	[12.94]	186,720	66.63
Total current liabilities	480,881	[5.82]	510,596	15.00	443,987	[25.03]	592,197	18.01	501,811	[18.39]	614,880	3.47
	3,490,539	16.93	2,985,184	20.32	2,481,024	4.91	2,364,932	55.13	1,524,452	15.50	1,319,885	13.35
Property plant and equipment	2,194,146	16.97	1,875,868	23.79	1,515,337	47.07	1,030,345	18.00	873,185	38.77	629,246	24.73
Long term investments	1,893	[70.05]	6,321	1342.41	438	[82.79]	2,546	[43.38]	4,496	1.81	4,417	12.77
Non current assets - others	13,033	[22.25]	16,762	[22.12]	21,522	87.62	11,471	[36.23]	17,990	15.21	15,614	139.19
Stores spares and loose tools	26,891	31.47	20,454	18.03	17,330	8.54	15,966	65.18	9,666	503.12	1,603	[20.78]
Stock in trade	627,420	46.70	427,684	35.11	316,545	[1.60]	321,691	28.47	250,407	[21.30]	318,179	[3.46
Trade debts	325,902	[3.88]	339,046	20.59	281,158	12.84	249,155	34.51	185,228	[17.76]	225,236	76.28
Income tax receivables	223,379	21.72	183,516	25.40	146,348	72.37	84,902	5.03	80,833	[12.67]	92,563	20.30
Short term investment	-	100.00	-	[100.00]	75,000	[87.08]	580,500	100.00	-	-	-	[100.00]
Advances, deposits, prepayments and other receivables	60,458	4.85	57,659	2.44	56,284	83.20	30,722	29.39	23,744	52.28	15,592	[29.54]
Cash and bank balances	17,419	[69.90]	57,874	13.34	51,063	35.68	37,633	[52.30]	78,903	352.52	17,436	[78.78]
	3,490,539	16.93	2,985,184	20.32	2,481,024	4.91	2,364,932	55.13	1,524,452	15.50	1,319,885	13.35
<b>Nomenclature</b>												
Sales - net	2,987,315	10.65	2,699,673	16.27	2,321,851	7.21	2,165,703	26.02	1,718,561	21.38	1,415,829	1.20
Cost of sales	2,331,914	17.54	1,983,897	14.06	1,739,357	3.97	1,672,903	21.95	1,371,825	15.91	1,183,530	3.34
Gross profit	655,401	[8.43]	715,776	22.88	582,493	18.20	492,801	42.13	346,736	49.26	232,299	[8.43]
Admin expenses	157,446	16.20	135,498	16.08	116,724	11.87	104,335	29.60	80,507	13.63	70,852	3.20
Selling and distribution expenses	59,928	11.96	53,525	12.81	47,445	11.85	42,417	28.14	33,102	[0.70]	33,335	[15.84]
Operating profit	438,028	[16.84]	526,752	25.92	418,325	20.89	346,049	48.44	233,127	81.97	128,112	[11.91]
Other charges	38,835	[12.87]	44,570	49.10	29,892	[3.27]	30,902	134.83	13,159	192.90	4,493	[43.24]
Finance cost	46,249	41.24	32,744	[14.82]	38,439	[34.88]	59,028	4.54	56,462	12.14	50,352	5.31
	352,944	[21.47]	449,438	28.41	349,993	36.65	256,120	56.64	163,506	123.16	73,267	[18.32]
Other income	17,703	21.89	14,524	[66.65]	43,550	44.25	30,191	159.96	11,614	140.21	4,835	[31.80]
Share of after tax profit/(loss) of an associated company	-	-	-	-	-	-	-	-	-	[100.00]	500	307.76
Profit before tax	370,647	[20.11]	463,962	17.89	393,563	37.45	286,310	63.49	175,120	122.79	78,603	[18.59]
Taxation	26,375	[43.64]	46,801	23.97	37,752	[33.26]	56,565	6.35	53,187	188.83	18,415	[26.61]
Profit after tax	344,272	[17.47]	417,161	17.25	355,791	54.86	229,745	88.42	121,933	102.59	60,188	[15.77]

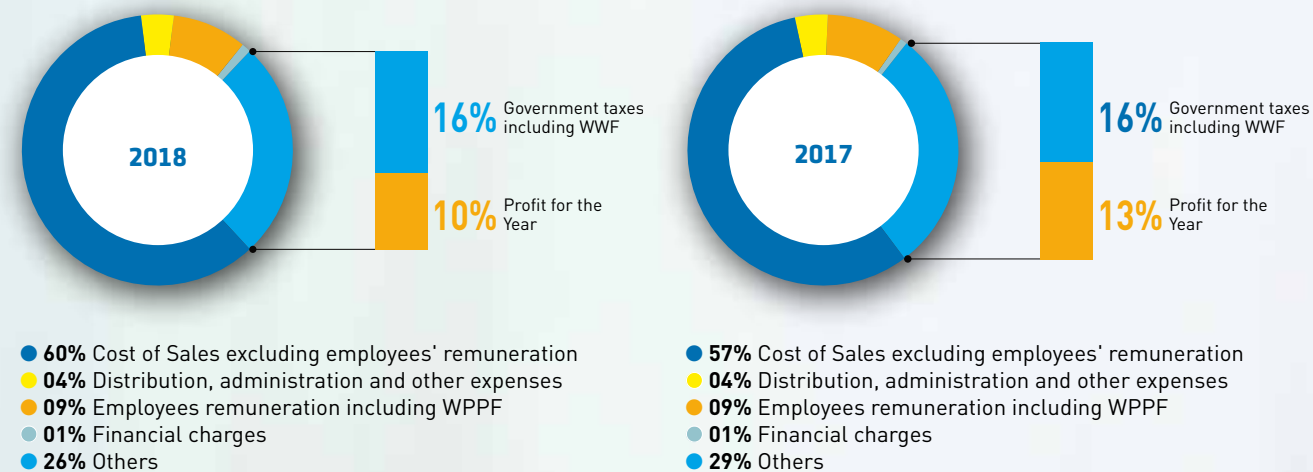
# Vertical Analysis

	2018		2017		2016		2015		2014		2013	
	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%
<b>Nomenclature</b>												
Equity and reserves	2,169,715	72.68	1,867,985	62.58	1,609,392	64.87	1,330,951	56.28	598,990	39.29	518,284	39.27
Surplus on revaluation of land	330,032	11.06	226,943	7.60	226,943	9.15	226,943	9.60	226,943	14.89	-	-
Long term loans	310,923	10.42	192,458	6.45	24,585	0.99	63,326	2.68	34,147	2.24	-	-
Non current liabilities	198,988	6.67	187,202	6.27	176,117	7.10	151,516	6.41	162,561	10.66	186,720	14.15
Total current liabilities	480,881	16.11	510,596	17.10	443,987	17.90	592,197	25.04	501,811	32.92	614,880	46.59
	3,490,539	100.00	2,985,184	100.00	2,481,024	100.00	2,364,932	100.00	1,524,452	100.00	1,319,885	100.00
Property plant and equipment	2,194,146	73.50	1,875,868	62.84	1,515,337	61.08	1,030,345	43.57	873,185	57.28	629,246	47.67
Long Term Investments	1,893	0.06	6,321	0.21	438	0.02	2,546	0.11	4,496	0.29	4,417	0.33
Non current assets - Others	13,033	0.44	16,762	0.56	21,522	0.87	11,471	0.49	17,990	1.18	15,614	1.18
Stores spares and loose tools	26,891	0.90	20,454	0.69	17,330	0.70	15,966	0.68	9,666	0.63	1,603	0.12
Stock in trade	627,420	21.02	427,684	14.33	316,545	12.76	321,691	13.60	250,407	16.43	318,179	24.11
Trade debts	325,902	10.92	339,046	11.36	281,158	11.33	249,155	10.54	185,228	12.15	225,236	17.06
Income Tax Receivables	223,379	7.48	183,516	6.15	146,348	5.90	84,902	3.59	80,833	5.30	92,563	7.01
Short Term Investment	-	0.00	-	0.00	75,000	3.02	580,500	24.55	-	-	-	-
Advances, deposits, prepayments and other receivables	60,458	2.03	57,659	1.93	56,284	2.27	30,722	1.30	23,744	1.56	15,592	1.18
Cash and Bank Balances	17,419	0.58	57,874	1.94	51,063	2.06	37,633	1.59	78,903	5.18	17,436	1.32
	3,490,539	100.00	2,985,184	100.00	2,481,024	100.00	2,364,932	100.00	1,524,452	100.00	1,319,885	100.00
<b>Nomenclature</b>												
Sales - net	2,987,315	100.00	2,699,673	100.00	2,321,851	100.00	2,165,703	100.00	1,718,561	100.00	1,415,829	100.00
Cost of sales	2,331,914	78.06	1,983,897	73.49	1,739,357	74.91	1,672,903	77.25	1,371,825	79.82	1,183,530	83.59
Gross profit	655,401	21.94	715,776	26.51	582,493	25.09	492,801	22.75	346,736	20.18	232,299	16.41
Admin expenses	157,446	5.27	135,498	5.02	116,724	5.03	104,335	4.82	80,507	4.68	70,852	5.00
Selling and distribution expenses	59,928	2.01	53,525	1.98	47,445	2.04	42,417	1.96	33,102	1.93	33,335	2.35
Operating profit	438,028	14.66	526,752	19.51	418,325	18.02	346,049	15.98	233,127	13.57	128,112	9.05
Other charges	38,835	1.30	44,570	1.65	29,892	1.29	30,902	1.43	13,159	0.77	4,493	0.32
Finance cost	46,249	1.71	32,744	1.21	38,439	1.66	59,028	2.73	56,462	3.29	50,352	3.56
	352,944	11.81	449,438	16.65	349,993	15.07	256,120	11.83	163,506	9.51	73,267	5.17
Other income	17,703	0.59	14,524	0.54	43,550	1.88	30,191	1.39	11,614	0.68	4,835	0.34
Share of after tax profit/(loss) of an associated company	-	-	-	-	-	-	-	-	500	0.04	-	-
Profit before tax	370,647	12.41	463,962	17.19	393,563	16.95	286,310	13.22	175,120	10.19	78,603	5.55
Taxation	26,375	0.88	46,801	1.73	37,752	1.63	56,565	2.61	53,187	3.09	18,415	1.30
Profit after tax	344,272	11.52	417,161	15.45	355,791	15.32	229,745	10.61	121,933	7.10	60,188	4.25



## Statement of Wealth Generated and Distributed

	2018		2017	
	Rs. in '000	%	Rs. in '000	%
Total Revenue inclusive of sales tax	3,506,876	99.5%	3,165,887	99.5%
Other Income	17,703	0.5%	14,524	0.5%
	3,524,579	100.0%	3,180,410	100.0%
<b>WEALTH DISTRIBUTION</b>				
Cost of Sales excluding employees' remuneration	2,129,397	60.4%	1,795,811	56.5%
Distribution, administration and other expenses	144,749	4.1%	126,185	4.0%
Employees remuneration including WPPF	305,946	8.7%	286,829	9.0%
Financial charges	46,249	1.3%	32,744	1.0%
Government taxes including WWF	553,966	15.7%	521,680	16.4%
Profit for the Year	344,272	9.8%	417,161	13.1%
	3,524,579	100.0%	3,180,410	100.0%



## Independent Auditor's Review Report

### To the members of Synthetic Products Enterprises Limited

#### Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Synthetic Products Enterprises Limited for the year ended 30 June 2018 in accordance with the requirements of regulation 40 of the Regulations.

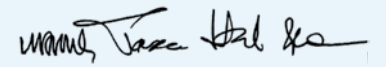
The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2018.

Lahore  
Date: 02 August 2018

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

# Statement of Compliance

with Listed Companies (Code of Corporate Governance) Regulations, 2017



## Synthetic Products Enterprises Limited

Year ending 30 June 2018

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

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

Male: Nine  
Female: Zero

2. The composition of the board is as follows:

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

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

4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All powers of the board have been duly exercised and decisions on relevant matters have been taken by board/shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chairman. The board has complied with the

requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board..

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

9. The Board of Directors consist of (9) Directors, out of which following (5) five Directors are certified under the Directors Training Program.

Mr. Almas Hyder  
Mr. Zia Hyder Naqi  
Dr. Syed Salman Ali Shah  
Mr. Muhammad Tabassum Munir  
Mr. Sheikh Naseer Hyder

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:

### a) Audit Committee

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

### b) HR and Remuneration Committee

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

### c) Finance Committee

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

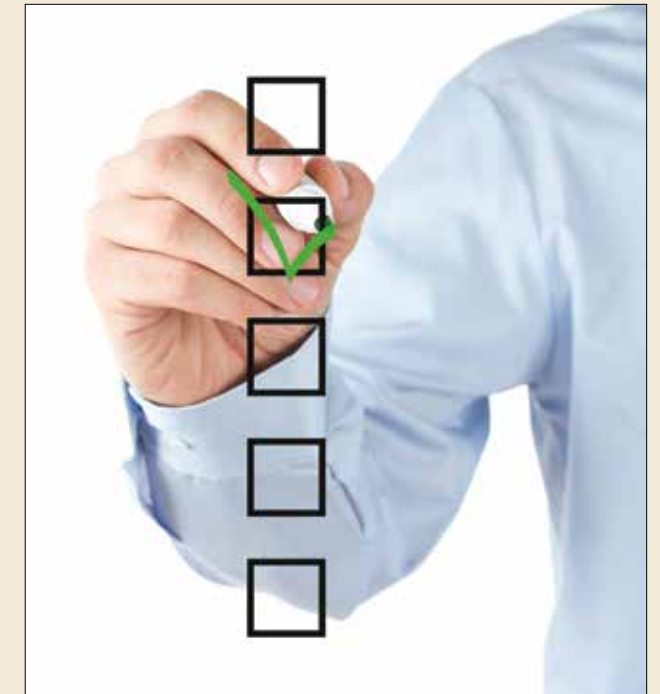
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the committee were as per following:

- a) Audit Committee – Quarterly
- b) HR and Remuneration Committee - Yearly
- c) Finance Committee – Half Yearly

15. The board has set up an effective internal audit function who is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partner of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.



17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

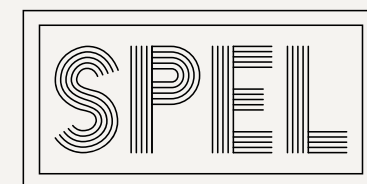
18. We confirm that all other requirements of the Regulations have been complied with. Further, the Company has continued to present the details of all related party transactions before the Audit Committee and upon their recommendation to the Board for review and approval. The definition of related party used is in accordance with repealed Companies Ordinance, 1984 and applicable financial reporting framework as the regulations under Section 208 of the Companies Act, 2017 have not yet been announced.

Chief Executive Officer

August 2, 2018

Director





## Financial Statements

for the year ended June 30, 2018



# Independent Auditor’s Report

## To the members of Synthetic Products Enterprises Limited

### Report on the Audit of the Financial Statements

We have audited the annexed financial statements of Synthetic Products Enterprises Limited (“the Company”), which comprise the statement of financial position as at 30 June 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company’s affairs as at 30 June 2018 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

#### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Independent Auditors' Report

Following are the Key audit matters.

Sr.No. Key audit matters	How the matters were addressed in our audit
<p><b>1. Revenue</b></p> <p>Refer to statement of profit or loss and note 3.17 to the financial statements.</p> <p>The Company recognized revenue of Rs. 2.99 billion from the sale of goods to domestic as well as export customers during the year ended 30 June 2018.</p> <p>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Company and gives rise to a risk that revenue is recognized without transferring the risk and rewards.</p>	<p>Our audit procedures to assess the recognition of revenue included the following:</p> <ul style="list-style-type: none"><li>● Obtaining an understanding of the process relating to recording of sales and testing the design, implementation and operating effectiveness of relevant key internal controls;</li><li>● assessing the appropriateness of the Company's accounting policies for recording of sales and compliance of those policies with applicable accounting standards;</li><li>● comparing a sample of sale transactions recorded during the year with sales orders, sales invoices, delivery challans, bill of ladings and other relevant underlying documents;</li><li>● comparing a sample of sale transactions recorded around the year end with the sales orders, sales invoices, delivery challans, bill of ladings and other relevant underlying documentation to assess if the revenue was recorded in the appropriate accounting period;</li><li>● comparing, on a sample basis, specific sales transactions recorded just before and just after the financial year end to determine whether the sale had been recognized in the appropriate financial period;</li><li>● Scanning for any manual journal entries relating to sale recorded during the year which were considered to be material or met other specific risk based criteria for inspecting underlying documentation.</li></ul>
<p><b>2. Capitalization of Property, Plant and Equipment</b></p> <p>Refer notes 1.2, 3.2, 15 and 15.11 to the financial statements.</p> <p>The Company has made significant capital expenditure on expansion, balancing, modernization and replacement of manufacturing facilities.</p> <p>We identified capitalization of property, plant and equipment as a key audit matter because there is a risk that amounts being capitalized may not meet the capitalization criteria with related implications on depreciation charge for the year.</p>	<p>Our audit procedures to assess the capitalization of property, plant and equipment, amongst others, included the following:</p> <ul style="list-style-type: none"><li>● understanding the design and implementation of management controls over capitalization and performing tests of control over authorization of capital expenditure and accuracy of its recording in the system;</li><li>● testing, on a sample basis, the costs incurred on projects with supporting documentation and contracts;</li></ul>

Sr.No. Key audit matters	How the matters were addressed in our audit
<p><b>3. Revaluation of freehold land</b></p> <p>Refer to note 3.2, 6 and 15 to the financial statements.</p> <p>The Company has adopted the revaluation model for subsequent measurement of freehold land. Revaluation of freehold land was performed at the date of the financial statements. The valuation was performed by independent external professional valuer for the Company.</p> <p>The revaluation of freehold land at its fair value is based on specific methods and models. Therefore, there is inherent uncertainty in this valuation.</p> <p>We identified the valuation of the Company's freehold land as a key audit matter because the valuation involves a significant degree of judgment and estimation.</p>	<ul style="list-style-type: none"><li>● assessing the nature of costs incurred for the capital projects through testing, on sample basis, of amounts recorded and considering whether the expenditure meets the criteria for capitalization as per the applicable accounting standards; and</li><li>● inspecting supporting documents for the date of capitalization when project was ready for its intended use to assess whether depreciation commenced and further capitalization of costs ceased from that date and assessing the useful life assigned by management including testing the calculation of related depreciation.</li></ul> <p>Our audit procedures to assess the revaluation of land included the following:</p> <ul style="list-style-type: none"><li>● Obtaining an understanding and testing the design of the process established by the Company with regards to determination of fair value of free hold land;</li><li>● Obtaining and inspecting the valuation reports prepared by the external independent expert engaged by the Company and on which the management's assessment of the valuation of freehold land was based.</li><li>● Evaluating the objectivity, competence and independence of the external professional valuer;</li><li>● Involving property valuation specialist engaged by us to assist in evaluating the appropriateness of valuation methodology and assessing the reasonableness of key estimates and assumptions adopted in the valuations report by the valuer engaged by the Company;</li><li>● Evaluating the information provided by the Company to the external professional valuer by inspecting the relevant underlying documentation.</li><li>● Considering the methodology of accounting for the surplus on revaluation and testing its application;</li><li>● Testing and assessing the completeness, appropriateness and adequacy of the disclosures in Company's financial statements with regard to the revaluation performed.</li></ul>

## Independent Auditors' Report

### INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended 30 June 2018, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF MANAGEMENT AND BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Based on our audit, we further report that in our opinion:

- a) a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is M. Rehan Chughtai.

Lahore  
Date: 02 August 2018



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



# Statement of Financial Position

as at June 30, 2018

	Note	2018 Rupees	2017 Rupees (Restated)	2016 Rupees (Restated)
<b>EQUITY AND LIABILITIES</b>				
<b>Share capital and reserves</b>				
Authorized share capital of Rs. 10 each	5	1,000,000,000	1,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital	5	850,850,000	850,850,000	773,500,000
Share premium		347,391,050	347,391,050	347,391,050
Accumulated profit		971,473,935	669,744,166	488,500,699
Surplus on revaluation of land	6	330,031,765	226,943,081	226,943,081
<b>Shareholders' equity</b>		<b>2,499,746,750</b>	<b>2,094,928,297</b>	<b>1,836,334,830</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Long term finance - <i>secured</i>	7.1	-	-	24,585,369
Diminishing musharika - <i>secured</i>	7.2	310,923,487	192,457,749	-
Liabilities against assets subject to finance lease	8	12,208,479	9,833,951	16,746,867
Deferred taxation	9	186,779,290	177,367,893	159,370,532
		509,911,256	379,659,593	200,702,768
<b>Current liabilities</b>				
Trade and other payables	10	166,419,800	162,784,622	126,646,534
Provident fund payable		1,530,934	1,291,311	1,122,499
Unclaimed dividend		539,928	566,849	275,607
Short term borrowings - <i>secured</i>	11	246,351,036	303,083,692	251,844,351
Current maturity of long term liabilities	12	60,675,483	39,229,099	59,955,727
Accrued mark up	13	5,363,909	3,640,698	4,142,042
		480,881,090	510,596,271	443,986,760
		3,490,539,096	2,985,184,161	2,481,024,358
<b>Contingencies and commitments</b>				
	14			

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

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

	Note	2018 Rupees	2017 Rupees (Restated)	2016 Rupees (Restated)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	15	2,194,145,949	1,875,867,724	1,515,337,213
Intangibles	16	1,949,348	3,241,687	4,291,029
Investments	17	1,893,306	6,321,302	438,245
Long term deposits	18	11,083,272	13,520,169	17,231,046
		2,209,071,875	1,898,950,882	1,537,297,533
<b>Current assets</b>				
Stores, spares and loose tools		26,890,679	20,454,067	17,329,657
Stock-in-trade	19	627,419,730	427,683,515	316,544,988
Trade debts - <i>unsecured, considered good</i>		325,901,613	339,046,438	281,157,522
Income tax - net	20	223,378,563	183,515,654	146,348,210
Advances to suppliers and employees	21	37,272,684	23,540,430	10,069,352
Deposits and short term prepayments	22	12,765,895	10,891,715	4,377,857
Other receivables	23	10,418,992	23,227,351	41,836,325
Short term investments		-	-	75,000,000
Cash and bank balances	24	17,419,065	57,874,109	51,062,914
		1,281,467,221	1,086,233,279	943,726,825
		3,490,539,096	2,985,184,161	2,481,024,358

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

Statement of Profit or Loss  
for the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
<b>Sales:</b>			
Local		3,493,182,754	3,151,228,229
Export		13,693,105	14,658,512
		3,506,875,859	3,165,886,741
Less: Sales tax		(519,561,106)	(466,213,612)
Net sales		2,987,314,753	2,699,673,129
Cost of sales	25	(2,331,913,762)	(1,983,897,291)
<b>Gross profit</b>		655,400,991	715,775,838
Administrative expenses	26	(157,445,697)	(135,498,428)
Selling and distribution expenses	27	(59,927,561)	(53,524,953)
<b>Operating profit</b>		438,027,733	526,752,457
Other income	28	17,703,428	14,523,521
Other charges	29	(38,834,641)	(44,569,598)
Finance cost	30	(46,249,453)	(32,744,392)
<b>Profit before taxation</b>		370,647,067	463,961,988
Taxation	31	(26,374,798)	(46,801,021)
<b>Profit after taxation</b>		344,272,269	417,160,967
		<b>Rupees</b>	<b>Rupees</b>
<b>Earnings per share - basic and diluted</b>	32	4.05	4.90

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

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

Statement of Other Comprehensive Income  
for the year ended June 30, 2018

	2018 Rupees	2017 Rupees
<b>Profit after taxation</b>	344,272,269	417,160,967
<b>Other comprehensive income</b>		
<i>Item that will not be subsequently reclassified in profit or loss:</i>		
Surplus on revaluation of land	103,088,684	-
<b>Total comprehensive income for the year</b>	447,360,953	417,160,967

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

  
Chief Executive Officer

  
Director

  
Chief Financial Officer



# Statement of Changes in Equity

for the year ended June 30, 2018

	Issued, subscribed and paid-up capital	Capital reserve	Revenue reserve		
		Share premium	Surplus on revaluation of land	Accumulated profit	Total
					Rupees
As at 30 June 2016, as previously reported	773,500,000	347,391,050	-	488,500,699	1,609,391,749
Effect of restatement - note 3.1	-	-	226,943,081	-	226,943,081
Balance as at 30 June 2016, restated	773,500,000	347,391,050	226,943,081	488,500,699	1,836,334,830
<b>Total comprehensive income for the year</b>					
Profit after taxation	-	-	-	417,160,967	417,160,967
Other comprehensive income	-	-	-	-	-
	-	-	-	417,160,967	417,160,967
<b>Transactions with owners of the Company</b>					
Final cash dividend for the year ended 30 June 2016 @ Re. 1.00 per share	-	-	-	(77,350,000)	(77,350,000)
Interim cash dividend for the year ended 30 June 2017 @ Rs. 0.5 per share	-	-	-	(38,675,000)	(38,675,000)
Issue of bonus shares @ 10% (i.e. 1 share for every 10 shares held)	77,350,000	-	-	(77,350,000)	-
Interim cash dividend for the year ended 30 June 2017 @ Rs. 0.5 per share	-	-	-	(42,542,500)	(42,542,500)
	77,350,000	-	-	(235,917,500)	(158,567,500)
As at 30 June 2017, restated	850,850,000	347,391,050	226,943,081	669,744,166	2,094,928,297
<b>As at 30 June 2017, as previously reported</b>	850,850,000	347,391,050	-	669,744,166	1,867,985,216
Effect of restatement - note 3.1	-	-	226,943,081	-	226,943,081
As at 30 June 2017, restated	850,850,000	347,391,050	226,943,081	669,744,166	2,094,928,297
<b>Total comprehensive income for the year</b>					
Profit after taxation	-	-	-	344,272,269	344,272,269
Other comprehensive income:					
Surplus on revaluation of land	-	-	103,088,684	-	103,088,684
	-	-	103,088,684	344,272,269	447,360,953
<b>Transaction with owners of the Company</b>					
Final cash dividend for the year ended 30 June 2017 @ Rs. 0.5 per share	-	-	-	(42,542,500)	(42,542,500)
	-	-	-	(42,542,500)	(42,542,500)
As at 30 June 2018	850,850,000	347,391,050	330,031,765	971,473,935	2,499,746,750

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

  
 Chief Executive Officer

  
 Director

  
 Chief Financial Officer

# Statement of Cash Flow

for the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
<b>Cash flows from operating activities</b>			
Cash generated from operations	33	429,237,633	524,839,145
Workers' Profit Participation Fund paid		(24,875,111)	(21,151,351)
Workers' Welfare Fund paid		(12,412,295)	(4,288,248)
Finance cost paid		(44,526,242)	(33,245,736)
Taxes paid		(56,826,310)	(65,971,105)
Long term deposits - net		2,436,897	3,710,877
Cash generated from operating activities		293,034,572	403,893,582
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(377,175,583)	(498,930,518)
Intangibles acquired		(614,216)	(873,148)
Proceeds from disposal of property, plant and equipment		8,107,239	4,107,735
Proceeds from disposal of available for sale investment		1,971,200	-
Proceeds from disposal of subsidiary		19,171	-
Investment in listed securities		-	(9,582,375)
Short term investments		-	75,000,000
Net cash used in investing activities		(367,692,189)	(430,278,306)
<b>Cash flows from financing activities</b>			
Principal repayment of lease liability		(15,727,656)	(12,881,617)
Long term finance paid		(24,542,403)	(29,968,048)
Diminishing musharika acquired - net		173,774,709	183,082,501
Short term borrowings - net		(105,952,225)	67,156,051
Cash dividend paid		(42,569,421)	(158,276,258)
Net cash (used in)/ generated from financing activities		(15,016,996)	49,112,629
Net (decrease)/ increase in cash and cash equivalents		(89,674,613)	22,727,905
Cash and cash equivalents at beginning of the year		23,520,793	792,888
Cash and cash equivalents at end of the year	34	(66,153,820)	23,520,793

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

  
 Chief Executive Officer

  
 Director

  
 Chief Financial Officer

# Notes to the Financial Statement

## for the year ended June 30, 2018

### 1. CORPORATE AND GENERAL INFORMATION

#### 1.1 Legal status and nature of business

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

- Sue-e-Asal Lalyani Road, Pandoki
- Quaid -e- Azam Industrial Estate, Rahim Yar Khan, and
- Quaid-e-Azam Industrial Estate, Kot Lakhpat, Lahore

#### 1.2 Summary of significant events and transactions in the current reporting period

The Company's financial position and performance was particularly affected by the following events and transactions during the reporting period:

- a) Incurred capital expenditure as part of its capacity enhancement. This is reflected in property, plant and equipment, note 15.
- b) Production facility located at Rahim Yar Khan has commenced production.
- c) Obtained long term finance from Habib Bank Limited of Rs. 107.8 million and further obtained finance from United Bank Limited of Rs. 65.9 million.
- d) The accounting policy for surplus on revaluation of land changed during the year as detailed in note 3.1.1 to these financial statements.
- e) Due to the first time application of financial reporting requirements under the Companies Act, 2017, including disclosure and presentation requirements of the fourth schedule of the Companies Act, 2017, some of the amounts reported for the previous period have been reclassified.
- f) For a detailed discussion about the Company's performance please refer to the Director's report accompanied in the annual report of the Company for the year ended 30 June 2018.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

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

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

#### 2.2 Basis of measurement

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

#### 2.3 Judgments, estimates and assumptions

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

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

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

##### 2.3.2 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.

##### 2.3.3 Taxation

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

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

##### 2.3.4 Provisions and contingencies

The Company reviews the status of all pending litigations and claims against the Company. Based on its judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the balance sheet date.

##### 2.3.5 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.

##### 2.3.6 Revaluation of property, plant and equipment

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

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.



Notes to the Financial Statement  
for the year ended June 30, 2018

2.3.7 Stores, spare parts and loose tools

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

2.3.8 Stock in trade

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

2.3.9 Provisions against trade debts, deposits, advances and other receivables

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

2.4 Functional and presentation currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

The significant accounting policies set out below have been consistently applied to all to all periods presented in these financial statements, except as disclosed in note 3.1.

3.1 Changes in accounting policies

3.1.1 Upto 30 June 2017, surplus on revaluation of land was being measured under the repealed Companies Ordinance, 1984. The surplus arising on the revaluation is credited to the surplus on revaluation of land account. With effect from 1 January 2018, Companies Act, 2017 has become applicable and section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Accordingly the management has changed the accounting policy to bring accounting of revaluation surplus on land in accordance with IAS 16 “Property, plant and equipment”. The effect of this change in accounting policy, which is applied with retrospective effect, has resulted in transfer of surplus on revaluation of land to equity which was previously being presented outside the equity.

The new Act specified certain additional disclosures to be included in the financial statements. Accordingly, the Company has presented the required disclosures in these financial statements and represented certain comparatives. However there was no change in the reported amounts of statement of profit or loss and other comprehensive income or the amounts presented in the statement of financial position due to these representations and further, there is no significant reclassification / representation on adoption of new Act.

3.1.2 Pursuant to the requirements of IAS 7 “Statement of Cash flows” a disclosure of reconciliation of movement of liabilities to cash flows arising from financing activities has been given in note 41 to these financial statements. This change does not have any impact on the figures reported in the financial statements.

3.2 Property, plant and equipment

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

Land is recognized at revalued amount based on valuation by external independent valuer. A revaluation surplus credited to other reserves (capital reserves) in shareholders’ equity and presented as separate line item in statement of financial position.

Increases in the carrying amounts arising on revaluation of land is recognised, in other comprehensive income and accumulated in reserves in shareholders’ equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

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

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

Capital work in progress

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

3.3 Intangibles

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

3.4 Stores, spares and loose tools

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

3.5 Stock in trade

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

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

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

# Notes to the Financial Statement

for the year ended June 30, 2018

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

### 3.6 Employee benefits

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

### 3.7 Loans and receivables

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

### 3.8 Financial instruments

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

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

### 3.9 Off-setting

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

### 3.10 Regular way purchases and sales of financial assets

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

### 3.11 Loans and borrowings

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

### 3.12 Finance leases

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

### 3.13 Operating leases

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

### 3.14 Trade and other payables

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

### 3.15 Provisions and contingencies

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

### 3.16 Trade and other receivables

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

### 3.17 Revenue

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

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

### 3.18 Borrowing costs

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

### 3.19 Available for sale investments

Investments which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity are classified as available for sale. Available for sale investments are recognized initially at fair value plus any directly attributable transaction costs. After initial recognition, these are stated at fair values unless fair values can not be measured reliably, with any resulting gains and losses being charged to other comprehensive income until the investment is disposed off or impaired. At each reporting date,



# Notes to the Financial Statement

## for the year ended June 30, 2018

these investments are remeasured at fair value, unless fair value cannot be reliably measured. At the time of disposal, the respective surplus or deficit is transferred to profit and loss account. Fair value of quoted investments is their bid price on Pakistan Stock Exchange at the balance sheet date.

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

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

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

### 3.20 Taxation

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

#### Current taxation

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

#### Deferred taxation

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

### 3.21 Earnings per share (EPS)

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

### 3.22 Cash and cash equivalents

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

### 3.23 Foreign currency transactions and balances

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

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

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

### 3.24 Impairment

#### 3.24.1 Financial assets

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

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

#### 3.24.2 Non-financial assets

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

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in 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.

# Notes to the Financial Statement

## for the year ended June 30, 2018

### 3.25 Dividend to ordinary shareholders

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

### 3.26 Share capital

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

## 4. NEW AND REVISED APPROVED ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS THERETO

**4.1** The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on the Company's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property', effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Company's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on the Company's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each

payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on the Company's financial statements.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Company's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' – Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Company's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Company's financial statements.



# Notes to the Financial Statement

## for the year ended June 30, 2018

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. The amendment, is not likely to have an impact on the Company's financial statements.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on the Company's financial statements.

### 5. SHARE CAPITAL

#### 5.1 Authorized share capital

2018 Number of shares	2017 Number of shares		2018 Rupees	2017 Rupees
100,000,000	100,000,000	Ordinary shares of Rs. 10 each	1,000,000,000	1,000,000,000

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

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

#### 5.3 Reconciliation of ordinary shares

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

#### 5.4 Directors hold 60,484,114 (2017: 60,484,114) ordinary shares of Rs. 10 each of the Company.

### 6 SURPLUS ON REVALUATION OF LAND

Land of the Company was revalued on 30 June 2014 and now on 30 June 2018 by a firm of independent valuer. The valuation was determined with respect to current market value of similar properties. Previously the surplus on revaluation of land was classified below shareholders' equity. As explained in note 3.1, the Company has changed its accounting policy and now the surplus on revaluation of land has been classified/presented within shareholders' equity.

	Note	2018 Rupees	2017 Rupees
<b>7. LONG TERM FINANCE - SECURED</b>			
These comprise of:			
<b>7.1 Long term finance, conventional mark-up bearing:</b>			
- Loan from customer	7.1.1	-	24,542,403
- Less: Current maturity	12	-	(24,542,403)
		-	-
<b>7.2 Diminishing musharika, Islamic mode of financing:</b>			
- United Bank Limited	7.2.1	158,077,010	92,152,301
- Bank Islami Pakistan Limited	7.2.2	102,000,000	102,000,000
- Habib Bank Limited	7.2.3	107,850,000	-
		367,927,010	194,152,301
- Less: Current maturity	12	(57,003,523)	(1,694,552)
		310,923,487	192,457,749
<b>7.3 Type of loans</b>			
Interest / mark-up based loans		-	24,542,403
Islamic mode of financing		367,927,010	194,152,301
		367,927,010	218,694,704
<b>7.1.1</b>	The loan has been fully repaid during the year.		
<b>7.2.1</b>	The facility amounting to Rs. 200 million has been obtained from United Bank Limited, Islamic Banking Branch ("UBL Ameen") to finance the acquisition of machinery and equipment. As per the terms of the Diminishing Musharika Agreement (DMA), musharika units are repayable in sixty monthly installments. As per agreement, profit payment starts from the month of disbursement and principal payment starts to redeem from 13th month from the date of disbursement in arrears. The finance carries mark-up at six months KIBOR plus a spread of 1.00% (2017: six months KIBOR plus a spread of 1.00%) per annum, payable monthly. The facility is secured in favour of UBL Ameen by way of specific charge over the diminishing musharika assets.		
<b>7.2.2</b>	The facility amounting to Rs. 200 million has been obtained from Bank Islami Pakistan Limited (BIPL) to finance the import of machinery and equipment. As per the terms of the DMA, musharika units are repayable in sixty monthly installments. As per agreement, profit payment starts from the month of disbursement and principal payment starts to redeem from 13th month from the date of disbursement in arrears. The finance carries mark-up at six months KIBOR plus a spread of 1.00% (2017: six months KIBOR plus a spread of 1.00%) per annum, payable monthly. The facility is secured in favour of BIPL by way of specific charge over the diminishing musharika assets.		
<b>7.2.3</b>	The facility amounting to Rs. 180 million has been obtained from Habib Bank Limited to finance the import of machinery and equipment. As per the terms of the DMA, musharika units are repayable in sixty monthly installments. As per agreement, profit payment starts from the month of disbursement and principal payment starts to redeem from 13th month from the date of disbursement in arrears. The finance carries mark-up at three months KIBOR plus a spread of 0.90% (2017: nil) per annum, payable monthly. The facility is secured in favour of HBL by way of specific charge over the diminishing musharika assets.		

# Notes to the Financial Statement

## for the year ended June 30, 2018

### 8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Salient features of the leases are as follows:

	2018	2017
Discounting factor	7.67% to 12%	7.5% to 12%
Period of lease	36 - 60 months	36 - 60 months
Security deposits	20%-48%	10%-38%
Maturity range	2018-2023	2017-2022

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

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

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

	2018		
	Total future minimum lease payments	Finance charges allocated to future periods	Principal
Not later than one year	4,799,700	1,127,740	3,671,960
Later than one year and not later than five year	13,705,003	1,496,524	12,208,479
	18,504,703	2,624,264	15,880,439
	2017		
	Total future minimum lease payments	Finance charges allocated to future periods	Principal
Not later than one year	14,002,339	1,010,195	12,992,144
Later than one year and not later than five year	11,160,384	1,326,433	9,833,951
	25,162,723	2,336,628	22,826,095

### 9. DEFERRED TAXATION

The liability for deferred taxation comprises temporary differences relating to:

	2018 Rupees	2017 Rupees
<i>Deferred tax liability arising on:</i>		
- accelerated tax depreciation	201,982,400	196,850,984
<i>Deferred tax asset arising on:</i>		
- finance lease transactions - net	(4,367,121)	(2,950,185)
- impairment loss on investment and others	(10,835,989)	(16,532,906)
	186,779,290	177,367,893

	Note	2018 Rupees	2017 Rupees
<b>9.1 Movement in deferred tax balances is as follows:</b>			
As at 01 July		177,367,893	159,370,532
Recognized in profit and loss account:			
- accelerated tax depreciation		5,131,416	8,523,972
- finance lease transactions - net		(1,416,936)	7,762,129
- impairment loss on investment and others		5,696,917	1,711,260
		9,411,397	17,997,361
		186,779,290	177,367,893

### 10. TRADE AND OTHER PAYABLES

Trade creditors		68,156,342	72,318,511
Accrued liabilities		45,655,262	35,470,069
Advances from customers		12,661,509	8,628,819
Workers' Profit Participation Fund	10.1	20,075,169	24,875,111
Workers' Welfare Fund	10.2	8,030,068	12,412,295
Withholding tax payable		663,323	672,602
Others		11,178,127	8,407,215
		166,419,800	162,784,622

#### 10.1 Workers' Profit Participation Fund

Balance as at July 01		24,875,111	21,151,351
Expense charged for the year	29	20,075,169	24,875,111
Payment made during the year		(24,875,111)	(21,151,351)
Balance as at June 30		20,075,169	24,875,111

#### 10.2 Workers' Welfare Fund

Balance as at July 01		12,412,295	8,035,413
Expense charged for the year	29	8,030,068	8,665,130
Payment made during the year		(12,412,295)	(4,288,248)
Balance as at June 30		8,030,068	12,412,295

### 11. SHORT TERM BORROWINGS - SECURED

#### Type of loans

Conventional Interest / mark-up based loans		133,553,046	215,352,067
Islamic mode of financing		112,797,990	87,731,625
		246,351,036	303,083,692

#### Conventional interest / markup based loans

Short term running finance	11.1	61,672,434	32,318,566
Finance against trust receipts	11.2	71,880,612	183,033,501
		133,553,046	215,352,067

#### Islamic mode of financing

Murabaha and Istisna	11.3	90,897,539	85,696,875
Running Musharika	11.4	21,900,451	2,034,750
		112,797,990	87,731,625



## Notes to the Financial Statement

for the year ended June 30, 2018

- 11.1** This represents utilized amount of short term running finance facilities from commercial banks aggregating Rs. 265 million (2017: Rs.267.4 million). These carry mark-up rates ranging from one month to three months KIBOR plus a spread of 0.6% to 0.75% (2017: one month to three months KIBOR plus a spread of 0.5% to 0.75%) per annum.
- 11.2** This represents utilized amount of finance against trust receipt facilities aggregating Rs. 330 million (2017: Rs. 280 million). These carry mark-up rates ranging from one month to three months KIBOR plus a spread of 0.5% to 0.75% (2017: one month to three months KIBOR plus a spread of 0.6% to 0.75% ) per annum.
- 11.3** This represents utilized amount of murabaha and istisna facilities aggregating Rs. 300 million (2017: Rs. 330 million). These carry mark-up rates ranging from one month to six months KIBOR plus a spread of 0.5% to 0.75% (2017: one month to six months KIBOR plus a spread of 0.5% to 0.75%) per annum.
- 11.4** This represents utilized amount of running musharika facilities aggregating Rs. 150 million (2017: Rs. 75 million). These carry mark-up rate of three months KIBOR plus a spread of 0.6% (2017: three months KIBOR plus a spread of 0.75%) per annum.
- 11.5** Above facilities are secured by first pari passu registered hypothecation charge on current and fixed assets of the Company, by lien over import documents and pledge of imported goods, local currency deposits.

	Note	2018 Rupees	2017 Rupees
<b>12. CURRENT MATURITY OF LONG TERM LIABILITIES</b>			
Long term finance	7.1	-	24,542,403
Diminishing musharika	7.2	57,003,523	1,694,552
Liabilities against assets subject to finance lease	8	3,671,960	12,992,144
		60,675,483	39,229,099
<b>13. ACCRUED MARK UP</b>			
Diminishing musharika		709,795	-
Short term borrowings		4,654,114	3,640,698
		5,363,909	3,640,698

## 14. CONTINGENCIES AND COMMITMENTS

### 14.1 Contingencies

- 14.1.1** Guarantees issued by the banks on behalf of the Company in favour of various parties as at the reporting date amounts to Rs. 27.52 million (2017: Rs. 27.52 million).
- 14.1.2** The Deputy Commissioner Inland Revenue has issued an order on 23 January 2015 against the Company in respect of tax year (TY) 2009 raising a demand of Rs. 45.8 million. The order was annulled by the Commissioner Inland Revenue (Appeals) against which the tax department has filed appeal before the Income Tax Appellate Tribunal (Tribunal) on 30 April 2015. As the decision of appeal is expected in favour of the Company, therefore no provision is recorded in these financial statements.
- 14.1.3** The Additional Commissioner Inland Revenue has issued an order on 28th February 2018 against the Company in respect of Tax Year 2012 raising a demand of Rs. 1.32 million. The Company has filed an appeal before the Commissioner Inland Revenue Appeals - 1, Lahore, however, the appeal has not yet been heard. Management of the Company is confident that this case will be decided in its favour.

### 14.2 Commitments

- 14.2.1** Aggregate commitments for capital expenditure as at 30 June 2018 amounted to Rs. 0.947 million (2017: 29.42 million).
- 14.2.2** Commitments under irrevocable letters of credit for:

	Note	2018 Rupees	2017 Rupees
- Purchase of machinery		115,582,800	75,322,478
- Purchase of raw material		130,421,974	112,121,261
		246,004,774	187,443,739
<b>15. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	15.1	2,016,335,058	1,665,004,747
Capital work in progress	15.9	177,810,891	210,862,977
		2,194,145,949	1,875,867,724

### 15.1 Operating fixed assets

Operating fixed assets													
2018													
	Cost				Accumulated depreciation				Net book				
	As at 01 July 2017	Additions	Surplus on revaluation	Transfers/ adjustment*	Disposals	As at 30 June 2018	Rate %	As at 01 July 2017	For the year	Transfers/ adjustment*	Disposals	30 June 2018	value as at 30 June 2018
Rupees													
Owned													
Freehold land													
- cost	93,393,235	-	-	-	-	93,393,235			-	-	-	-	93,393,235
- revaluation	226,943,081	-	103,088,684	-	-	330,031,765		-	-	-	-	-	330,031,765
	320,336,316	-	103,088,684	-	-	423,425,000		-	-	-	-	-	423,425,000
Buildings on freehold land	94,554,813	113,025,946	-	(5,105,517) *	-	202,475,262	10%	27,043,792	13,204,766	(484,483) *	-	-	39,744,075
Plant and machinery	1,740,191,350	287,781,761	-	53,882,776	(17,221,887)	2,061,860,078	10%	589,166,186	128,837,559	16,893,597	(8,316,783)	726,372,200	1,335,487,878
				(2,773,922) *						(210,359) *			
Office equipment	9,734,636	4,397,883	-	(2,090,099) *	(32,540)	12,009,880	10%	2,375,657	948,715	(206,679) *	(9,968)	3,107,725	8,902,155
Tools and equipment	10,837,776	346,767	-	576,391 *	(1,843,204)	9,917,730	10%	3,720,690	726,564	55,640 *	(791,923)	3,710,971	6,206,759
Computer equipment	11,573,181	348,450	-	99,949 *	(4,209,503)	7,812,077	30%	9,467,538	664,577	25,680 *	(4,106,315)	6,051,480	1,760,597
Furniture and fittings	15,728,290	1,736,668	-	9,293,198 *	(164,042)	26,594,114	10%	5,353,167	1,092,654	820,201 *	(157,722)	7,208,300	19,385,814
Vehicles	44,037,772	4,183,000	-	3,406,511	(7,133,096)	44,494,187	20%	15,620,253	6,219,937	681,302	(3,671,223)	18,847,269	25,646,918
	2,246,994,134	411,820,495	103,088,684	57,289,287	(30,604,272)	2,788,588,328		652,747,283	151,693,772	17,574,899	(16,953,934)	805,062,020	1,983,526,308
Leased													
Leasehold land (note 15.2)													
Plant and machinery	22,083,915	-	-	-	-	22,083,915	1.67%	2,907,298	320,250	-	-	3,227,548	18,856,367
Vehicles	53,882,776	-	-	(53,882,776)	-	-	10%	12,783,688	4,109,909	(16,893,597)	-	-	-
	13,205,210	8,782,000	-	(3,406,511)	-	18,580,699	20%	2,723,019	2,586,599	(681,302)	-	4,628,316	13,952,383
	89,171,901	8,782,000	-	(57,289,287)	-	40,664,614		18,414,005	7,016,758	(17,574,899)	-	7,855,864	32,808,750
	2,336,166,035	420,042,495	103,088,684	-	(30,604,272)	2,829,252,942		671,161,288	158,710,530	-	(16,953,934)	812,917,884	2,016,335,058

2017														
		Cost			Surplus on revaluation			Transfers/adjustment*			Accumulated depreciation			Net book value as at 30 June 2017
		Rupees			Rupees			Rupees			Rupees			Rupees
As at 01 July 2016	Additions	Surplus on revaluation	Transfers/adjustment*	Disposals	As at 30 June 2017	Rate %	As at 01 July 2016	For the year	Transfers/adjustment*	Disposals	As at 30 June 2017	As at 30 June 2017	As at 30 June 2017	
Freehold land														
- cost	77,208,844	16,184,391	-	-	93,393,235		-	-	-	-	-	-	93,393,235	
- revaluation	226,943,081	-	-	-	226,943,081		-	-	-	-	-	-	226,943,081	
	304,151,925	16,184,391	-	-	320,336,316		-	-	-	-	-	-	320,336,316	
Buildings on freehold land	45,103,377	49,451,436	-	-	94,554,813	10%	24,576,288	2,467,504	-	-	27,043,792	-	67,511,021	
Plant and machinery	1,520,982,950	241,383,167	-	-	1,740,191,350	10%	489,008,349	114,300,081	-	(14,142,244)	589,146,186	-	1,151,025,164	
Office equipment	5,767,961	3,966,675	-	-	9,734,636	10%	1,923,636	452,021	-	-	2,375,657	-	7,358,979	
Tools and equipment	9,744,490	1,093,286	-	-	10,837,776	10%	2,999,117	721,573	-	-	3,720,690	-	7,117,086	
Computer equipment	10,783,191	789,990	-	-	11,573,181	30%	8,799,218	668,320	-	-	9,467,538	-	2,105,643	
Furniture and fittings	14,641,927	1,086,363	-	-	15,728,290	10%	4,242,438	1,110,729	-	-	5,353,167	-	10,375,123	
Vehicles	301,138,139	14,711,303	-	-	44,037,772	20%	10,871,129	5,750,528	1,245,115	(2,246,519)	15,620,253	-	28,417,519	
	1,941,313,860	328,666,611	-	-	2,249,000		542,420,175	125,470,756	1,245,115	(16,388,763)	652,747,283	-	1,594,246,851	
Leased														
Leasehold land (note 15.2)	22,093,915	-	-	-	22,093,915	1.67%	2,581,609	325,689	-	-	2,907,298	-	19,176,617	
Plant and machinery	53,882,776	-	-	-	53,882,776	10%	8,217,123	4,566,565	-	-	12,783,688	-	41,099,088	
Vehicles	9,242,000	6,457,210	-	-	13,205,210	20%	1,749,133	2,219,001	(1,245,115)	-	2,723,019	-	10,482,191	
	85,208,691	6,457,210	-	-	89,171,901		12,547,865	7,111,255	(1,245,115)	-	18,414,005	-	70,757,896	
	2,026,522,551	335,123,821	-	-	2,336,166,035		554,968,040	132,582,011	-	(16,388,763)	671,161,288	-	1,665,004,747	



Notes to the Financial Statement  
for the year ended June 30, 2018

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

**15.3** Freehold land of the Company are located at Quaid-e-Azam Industrial Estate, Kot Lakhpat, Lahore, measuring 0.55 acres, Sue-e-Asal, Link Lalyani Road, Pandoki, measuring 23.09 acres and Quaid-e-Azam Industrial Estate, Rahim Yar Khan, measuring 8.58 acres.

Leasehold land of the Company is located at Downstream Industrial Estate, Pakistan Steel, Bin Qasim, Karachi, measuring 4 acres.

The buildings on freehold land and other immovable assets of the Company are constructed/located at above mentioned freehold land.

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

	2018 Rupees	2017 Rupees
Cost of goods sold	141,189,440	116,050,231
Capital work in progress	1,592,826	3,273,578
Administrative expenses	7,964,132	6,629,101
Selling and distribution expenses	7,964,132	6,629,101
	158,710,530	132,582,011

**15.5** As at 30 June 2018, the carrying value of freehold land would have been Rs. 93.39 million (2017: Rs. 93.39 million), had there been no revaluation.

**15.6** As at 30 June 2018, the forced sale value of land is Rs. 338.74 million.

**15.7** The Company has acquired land in Rahim Yar Khan from Punjab Industrial Estates Development and Management Company for Rs. 72.9 million for construction of production facility in prior year, however, the title of the land is in the process to transfer in the Company's name.

**15.8 Disposal of property, plant and equipment**

Particulars	Cost	Accumulated depreciation	down value	Sale proceeds	Gain / (loss)	Mode of disposal	Relationship with the Company	Particulars of purchaser
Rupees								
<i>Plant and machinery</i>								
Generator Diesel	7,685,032	3,246,542	4,438,490	792,000	(3,646,490)	Negotiation	Scrap dealer	Mr. Zafar
Generator	6,531,985	3,472,710	3,059,275	339,000	(2,720,275)	Negotiation	Scrap dealer	Mr. Zafar
Injection Molding Machine	3,004,870	1,597,531	1,407,339	701,800	(705,539)	Negotiation	Scrap dealer	Mr. Zafar
	17,221,887	8,316,783	8,905,104	1,832,800	(7,072,304)			
<i>Vehicles</i>								
Motor Cycles	80,833	48,027	32,806	40,500	7,694	Company Policy	Employees	Syed Sajjad Hussain
Motor Cycles	78,858	52,622	26,236	40,500	14,264	Company Policy	Employees	Imtiaz Ahmad
Motor Cycles	78,858	52,622	26,236	40,500	14,264	Company Policy	Employees	Majeed Shahzad
Motor Cycles	78,858	52,622	26,236	40,500	14,264	Company Policy	Employees	Asghar Ali
Motor Cycles	78,858	52,622	26,236	40,500	14,264	Company Policy	Employees	Muhammad Irfan Munir
Motor Cycles	78,858	52,622	26,236	40,500	14,264	Company Policy	Employees	Muhammad Rasheed
Motor Cycles	78,858	52,622	26,236	62,056	35,820	Company Policy	Employees	Muhammad Ahmad Sarwar
Motor Cycles	71,512	42,326	29,186	52,500	23,314	Company Policy	Employees	Muhammad Nadeem
Motor Cycles	77,948	49,844	28,104	30,000	1,896	Company Policy	Employees	Muhammad Imran Jhangir
Motor Cycles	81,030	51,797	29,233	40,527	11,294	Company Policy	Employees	Muhammad Yasin
Motor Cycles	78,858	55,537	23,321	40,527	17,206	Company Policy	Employees	Muhammad Imtiaz Ahmad
Motor Cycles	78,858	55,537	23,321	40,527	17,206	Company Policy	Employees	Muhammad Khalid Mehmood
Motor Cycles	78,858	55,537	23,321	40,527	17,206	Company Policy	Employees	Muhammad Nasir Abbas
Motor Cycles	78,858	55,537	23,321	40,527	17,206	Company Policy	Employees	Tariq Ismail
Motor Cycles	78,858	55,537	23,321	40,527	17,206	Company Policy	Employees	Abdul Sattar
Motor Cycles	78,858	55,537	23,321	40,527	17,206	Company Policy	Employees	Naseer Ahmad
Motor Cycles	78,858	55,537	23,321	40,527	17,206	Company Policy	Employees	Manzoor Ahmad
Motor Cycles	78,858	55,537	23,321	40,527	17,206	Company Policy	Employees	Motor Cycle Abdul Ghafaar
Suzuki Mehran	717,791	305,891	411,900	683,000	271,100	Company Policy	Employee	Abdul Rehman Baig
Toyota Corolla	1,402,093	1,082,057	320,036	1,200,000	879,964	Company Policy	Employee	Major Kamal Pasha
Suzuki Wagon R	1,084,790	332,669	752,121	1,049,000	296,879	Company Policy	Employee	Muhammad Mobeen
Suzuki Mehran	717,981	302,185	415,796	683,000	267,204	Company Policy	Employee	Mumtaz Ahmad
Suzuki Mehran	717,791	351,658	366,133	683,000	316,867	Company Policy	Employee	Muhammad Ashraf
Suzuki Wagon R	1,077,315	344,741	732,574	1,038,996	306,422	Company Policy	Employee	Muhmmad Zafar
	7,133,096	3,671,223	3,461,873	6,089,295	2,627,422			
Computer equipment	4,209,503	4,106,315	103,188	85,050	(18,138)	Negotiation	Scrap dealer	Muhammad Yaseen
Office equipment	32,540	9,968	22,572	2,500	(20,072)	Negotiation	Scrap dealer	Muhammad Yaseen
Tools and equipment	1,843,204	791,923	1,051,281	78,394	(972,887)	Negotiation	Scrap dealer	Muhammad Yaseen
Furniture and fixtures	164,042	57,722	106,320	19,200	(87,120)	Negotiation	Scrap dealer	Muhammad Yaseen
2018	30,604,272	16,953,934	13,650,338	8,107,239	(5,543,099)			
2017	25,480,337	16,388,763	9,091,574	4,107,735	(4,983,839)			

# Notes to the Financial Statement

for the year ended June 30, 2018

## 15.9 Capital Work In Progress

	30 June 2018			
	As at 01 July 2017	Transfers	Additions	As at 30 June 2018
	Rupees			
Capital Work In Progress	210,862,977	368,576,784	401,628,870	177,810,891
	30 June 2017			
	As at 01 July 2016	Transfers	Additions	As at 30 June 2017
	Rupees			
Capital Work In Progress	43,782,702	452,955,526	285,875,251	210,862,977

	2018 Rupees	2017 Rupees
<b>15.10</b> The breakup is as follows:		
Plant and machinery	61,145,798	66,970,320
Building	47,047,272	68,485,367
Advances to suppliers	69,617,821	75,407,290
	177,810,891	210,862,977

**15.11** Balance in capital work in progress at the year end and transfers during the year of Rs. 401.6 million to operating fixed assets represent expenditure incurred on expansion of manufacturing facilities.

	Note	2018 Rupees	2017 Rupees
<b>16. INTANGIBLES</b>			
Cost		10,095,799	9,481,584
Accumulated amortization		(8,146,451)	(6,239,897)
As at 30 June	16.1	1,949,348	3,241,687
<b>16.1 Balance as at 01 July</b>		3,241,687	4,291,029
Additions during the year		614,216	873,148
Amortization charge for year		(1,906,555)	(1,922,490)
Balance as at 30 June		1,949,348	3,241,687
Amortization rate		20%	20%
<b>17. INVESTMENTS</b>			
Investment in subsidiary	17.1	-	80,807
Available for sale, listed equity security	17.2	1,893,306	6,240,495
		1,893,306	6,321,302

**17.1** This represented investment in 100% shares of SPEL Pharmatec (Private) Limited (the Subsidiary). During the year, the Subsidiary has been liquidated and the Company has received Rs. 19,171 and recorded a loss of Rs. 61,636 on disposal against its carrying amount.

	2018 Rupees	2017 Rupees
<b>17.2 Available for sale, listed equity security</b>		
<i>Roshan Packages Limited</i>		
67,210 (30 June 2017: 111,100) fully paid ordinary shares having face value of Rs. 10 each		
<i>Cost:</i>		
Balance as at 1 July	9,582,375	9,582,375
Less: Disposal during the year	(4,312,500)	
Balance as at 30 June	5,269,875	9,582,375
<i>Impairment:</i>		
Balance as at 1 July	(3,341,880)	-
Impairment reversed due to disposal during the year	2,338,895	-
Impairment for the year charged to profit and loss account	(2,373,584)	(3,341,880)
Balance as at 30 June	(3,376,569)	(3,341,880)
Fair value	1,893,306	6,240,495
<b>18. LONG TERM DEPOSITS</b>		
Financial institutions	239,725	8,731,822
Utility companies and regulatory authorities	6,352,147	1,626,847
Others	4,491,400	3,161,500
	11,083,272	13,520,169
<b>19. STOCK-IN-TRADE</b>		
Raw and packing material	404,759,554	303,792,891
Stock in transit	58,723,097	75,100,903
Work in process	125,584,790	15,444,755
Finished goods	38,352,289	33,344,966
	627,419,730	427,683,515
<b>20. INCOME TAX - NET</b>		
Income tax refundable	115,302,869	74,279,637
Advance taxation - net	108,075,694	109,236,017
	223,378,563	183,515,654
<b>21. ADVANCES TO SUPPLIERS AND EMPLOYEES</b>		
<i>Considered good - unsecured:</i>		
Advances for supplies and services	17,243,438	8,510,639
Amounts paid against future shipments	19,751,739	14,794,751
	36,995,177	23,305,390
<i>Considered good - secured:</i>		
Amounts due from employees	277,507	235,040
	37,272,684	23,540,430



# Notes to the Financial Statement

for the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
<b>22. DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Short term deposits	22.1	9,244,955	7,483,948
Prepaid insurance		3,520,940	3,407,767
		12,765,895	10,891,715

**22.1** This includes deposits with banking company against margin on guarantees amounting to Rs. 8.8 million.

	Note	2018 Rupees	2017 Rupees
<b>23. OTHER RECEIVABLES</b>			
Sales tax receivable - net		6,368,605	18,171,037
Other receivables		4,050,387	5,056,314
		10,418,992	23,227,351

<b>24. CASH AND BANK BALANCES</b>			
Cash in hand		194,235	25,000
Cash at bank			
- <i>current accounts in local currency</i>	24.1	15,966,441	57,630,339
- <i>current accounts in foreign currency</i>		251,826	216,770
- <i>saving accounts in local currency</i>	24.2	1,006,563	2,000
		17,224,830	57,849,109
		17,419,065	57,874,109

**24.1** These include deposits amounting to Rs. 1.806 million (2017: Rs. 0.076 million) placed under an arrangement permissible under Shariah. Remaining balance represents deposits with conventional windows of the banks.

24.2 These carry return at 2.9% to 3% per annum (2017: 3.5% to 5% per annum). This represents deposits placed under an arrangement permissible under Shariah.

	Note	2018 Rupees	2017 Rupees
<b>25. COST OF SALES</b>			
Raw and packing materials consumed		1,880,824,308	1,494,815,346
Stores, spare parts and loose tools consumed		10,702,716	9,798,222
Salaries, wages and benefits	25.1	202,516,545	183,066,715
Security guard expense		6,998,647	4,114,459
Electricity, fuel and water charges		162,340,360	145,575,551
Depreciation on property, plant and equipment	15.4	141,189,440	116,050,231
Repairs and maintenance		34,148,538	38,579,265
Sorting charges		964,672	3,365,009
Insurance		4,344,898	4,086,418
Oil and lubricants		3,030,996	2,279,344
		2,447,061,120	2,001,730,560

*Work in process:*

- At beginning of the year		15,444,755	11,658,090
- At end of the year		(125,584,790)	(15,444,755)

<b>Cost of goods manufactured</b>		2,336,921,085	1,997,943,895
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*Finished goods*

- At beginning of the year		33,344,966	19,298,362
- At end of the year		(38,352,289)	(33,344,966)

		2,331,913,762	1,983,897,291
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**25.1** Salaries, wages and benefits include Rs. 6.11 million (2017: Rs. 5.63 million) in respect of defined contribution plan.

	Note	2018 Rupees	2017 Rupees
<b>26. ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and benefits	26.1	28,075,489	24,944,232
Directors' remuneration	38	46,092,609	41,083,336
Meeting fee		1,400,000	925,000
Traveling expenses		31,511,300	24,076,251
Legal and professional charges		3,607,331	2,089,031
Vehicle running expenses		7,393,981	6,044,777
Security guard expense		1,749,662	1,285,768
Insurance		1,628,396	1,329,191
Repairs and maintenance		1,733,528	1,931,950
Telephone and postage		5,006,788	4,253,121
Depreciation on property, plant and equipment	15.4	7,964,132	6,629,101
Amortization on intangibles	16.1	1,906,555	1,922,490
Printing and stationery		3,641,726	3,363,916
Staff training and development		1,673,925	6,565,764
Fee and subscription		6,872,574	3,573,219
Rent, rates and taxes		907,892	726,179
Entertainment		3,586,405	3,923,551
Research and development		866,698	161,173
Miscellaneous expenses		1,826,706	670,378
		157,445,697	135,498,428

**26.1** Salaries, wages and benefits include Rs. 1.44 million (2017: Rs. 1.16 million) in respect of defined contribution plan.

# Notes to the Financial Statement

for the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees
<b>27. SELLING AND DISTRIBUTION EXPENSES</b>			
Salaries and benefits	27.1	7,785,809	6,534,461
Depreciation on property, plant and equipment	15.4	7,964,132	6,629,101
Freight and forwarding		41,145,402	37,844,510
Advertisement		1,772,166	1,596,606
Sales promotion expenses		1,260,052	920,275
		59,927,561	53,524,953

**27.1** Salaries, wages and benefits include Rs. 0.32 million (2017: Rs. 0.21 million) in respect of defined contribution plan.

	Note	2018 Rupees	2017 Rupees
<b>28. OTHER INCOME</b>			
<b>Income from financial assets</b>			
Profit on bank deposits - arrangements permissible under Shariah		38,930	-
Profit on short term investments - interest / markup based arrangement		-	1,456,460
Gain on forex transactions- net - actual currency conversion		136,696	-
<b>Income from non-financial assets</b>			
Sale of unusable items		11,532,375	10,512,543
Other income		5,995,427	2,554,518
		17,527,802	13,067,061
		17,703,428	14,523,521

<b>29. OTHER CHARGES</b>			
Workers' Profit Participation Fund		20,075,169	24,875,111
Workers' Welfare Fund		8,030,068	8,665,130
Loss on disposal of property, plant and equipment		5,543,099	4,983,840
Loss on liquidation of subsidiary		61,636	-
Impairment loss on subsidiary		-	357,438
Auditor's remuneration	29.1	1,615,000	1,277,250
Donations	29.2	1,133,680	462,432
Loss on foreign currency transactions - net		-	606,517
Impairment loss on available for sale investment, including loss on disposal		2,375,989	3,341,880
		38,834,641	44,569,598

<b>29.1 Auditors' remuneration</b>			
Statutory audit fee		605,000	605,000
Half yearly review		175,000	150,000
Certifications and others		775,000	447,250
Out of pocket expenses		60,000	75,000
		1,615,000	1,277,250

**29.2** It includes donation paid to Lahore University of Management Sciences (LUMS) amounting to Rs. 858,680.

	2018 Rupees	2017 Rupees
<b>30. FINANCE COST</b>		
<i>Mark-up on:</i>		
- long term finance - secured	18,675,271	3,697,349
- lease finance	1,171,120	1,903,853
- short term borrowings - secured	25,068,866	24,855,537
Bank charges	1,334,196	2,287,653
	46,249,453	32,744,392

<b>31. TAXATION</b>		
<i>Current:</i>		
- for the year	14,770,043	41,677,993
- prior year	2,193,357	-
<i>Deferred:</i>		
- for the year	9,411,398	17,997,361
- prior year	-	(12,874,333)
	26,374,798	46,801,021

<b>31.1 Relationship between tax expense and accounting profit</b>		
Profit before taxation	370,647,067	463,961,988
Tax at 30% / 31%	111,194,120	143,828,216
<i>Tax effect of:</i>		
- income under Final Tax Regime	(180,592)	(403,327)
- tax credits	(63,399,440)	(84,891,835)
- prior year tax / (tax credits) carried forward	2,193,357	(12,874,333)
- effect of tax rate change	(17,534,530)	-
- others	(5,898,117)	1,142,300
	26,374,798	46,801,021

**31.2** The provision for current year tax represents tax on taxable income at the rate of 30%, net of tax credits. As per management's assessment, the provision for tax made in the financial statements is sufficient. A comparison of last three years' of income tax provisions with tax assessment is presented below:

	Tax provision as per financial statements	Tax as per assessment / return
<b>Tax Years</b>		
2015	56,047,642	52,478,096
2016	110,564	-
2017	41,677,993	33,882,169

**31.3** The Board of Directors in their meeting held on 2 August 2018 have recommended a final cash dividend of Rs. 1 per share for the year ended 30 June 2018 to comply with the requirements of section 5A of the Income Tax Ordinance, 2001. Accordingly, no provision for tax in this respect has been made in these financial statements.



# Notes to the Financial Statement

for the year ended June 30, 2018

		2018 Rupees	2017 Rupees
<b>32. EARNINGS PER SHARE</b>			
<b>32.1 Basic earnings per share</b>			
Profit for the year after taxation	Rupees	344,272,269	417,160,967
Weighted average number of ordinary shares in issue during the year	Number	85,085,000	85,085,000
Earnings per share	Rupees	4.05	4.90

Basic earnings per share has been calculated by dividing the profit attributable to equity holders of the Company by weighted average number of ordinary shares in issue during the year.

## 32.2 Diluted earnings per share

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

		2018 Rupees	2017 Rupees
<b>33. CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		370,647,067	463,961,988
<i>Adjustments for non-cash items:</i>			
Finance cost		46,249,453	32,744,392
Depreciation on property, plant and equipment		157,117,704	129,308,433
Amortization of intangibles		1,906,555	1,922,490
Loss on disposal of subsidiary		61,636	-
Impairment loss on investment in subsidiary		-	357,438
Impairment loss on available for sale investment including on disposal		2,375,989	3,341,880
Loss on disposal of property, plant and equipment		5,543,099	4,983,840
Provision for Workers' Profit Participation Fund and Workers' Welfare Fund		28,105,237	33,540,241
		241,359,673	206,198,714
<b>Operating profit before working capital changes</b>		<b>612,006,740</b>	<b>670,160,702</b>
<i>(Increase) / decrease in current assets:</i>			
Stores, spares and loose tools		[6,436,612]	[3,124,410]
Stock-in-trade		[199,736,215]	[111,138,527]
Trade debts		13,144,825	[57,888,916]
Advances to suppliers and employees		[13,732,254]	[13,471,078]
Deposits and short term prepayments		[1,874,180]	[6,513,858]
Other receivables		12,808,359	18,608,974
		[195,826,077]	[173,527,815]
<i>Increase / (decrease) in current liabilities:</i>			
Trade and other payables		12,817,347	28,037,446
Provident fund payable		239,623	168,812
		429,237,633	524,839,145

	Note	2018 Rupees	2017 Rupees
<b>34. CASH AND CASH EQUIVALENTS</b>			
Short term running finance	11	[61,672,434]	[32,318,566]
Running Musharika	11	[21,900,451]	[2,034,750]
Cash and bank balances	24	17,419,065	57,874,109
		[66,153,820]	23,520,793

## 35. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties comprise of associated companies, directors of the Company and entities under common directorship, key management personnel and post employment retirement plan. Amount due from and due to related parties are shown under respective notes. Other significant transactions and balances with related parties except those disclosed elsewhere are as follows:

	Name of parties	Relationship	Transactions	Note	2018 Rupees	2017 Rupees
a)	SPEL Pharmatec (Private) Limited, liquidated during the year	Subsidiary Company (100% equity held)	Advance for purchase of shares Cash received on liquidation Expenses paid for winding up	17	- 19,171 257,025	2,299,980 - -
b)	SPEL Technology Support (Private) Limited	Common directorship	Purchase of Goods		395,000	-
c)	OPEN Lahore	One of the directors of the Company is the member of the Governing Body of OPEN, Lahore	Donation		-	50,000
d)	Provident Fund Trust	Post employment benefit fund	Contribution Payable		17,387,813 1,530,934	14,769,314 1,291,311
e)	Key Management Personnel	Directors	Dividend - as shareholders - Cash - Bonus shares (face value)		30,242,057 -	113,097,010 55,236,610
		Non-Executive Directors	Meeting Fee	38.2	1,400,000	925,000
		Key Management Personnel	Remuneration	38	76,820,645	75,459,089

**35.1** Key management personnal are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The Company considers all members of their management team, including Chief Executive Officer and Directors to be its key management personnel.

# Notes to the Financial Statement

for the year ended June 30, 2018

## 36. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

### Risk Management Framework

The Board of Directors has the overall responsibility for establishment and oversight of risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework. The risk policy focuses on unpredictability of financial markets, the Company’s exposure to risk of adverse effects thereof and objectives, policies and processes for measuring and managing such risks. The Company’s risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company’s activities.

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

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

### 36.1.1 Credit risk

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

### 36.1.2 Exposure to credit risk

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

	Note	2018 Rupees	2017 Rupees
Long term deposits	18	11,083,272	13,520,169
Trade debts		325,901,613	339,046,438
Deposits and other receivables	22	13,295,342	12,540,262
Bank balances	24	17,224,830	57,849,109
		367,505,057	422,955,978

### 36.1.3 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:

	2018 Rupees	2017 Rupees
Customers	325,901,613	339,046,438
Banking companies and financial institutions	25,791,927	66,416,206
Others	15,811,517	17,493,334
	367,505,057	422,955,978

### 36.1.4 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.

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

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

	Rating		Rating agency	2018 Rupees	2017 Rupees
	Short term	Long term			
<b>Bank</b>					
Allied Bank Limited	A1+	AAA	PACRA	-	3,690
Standard Chartered Bank					
(Pakistan) Limited	A1+	AAA	PACRA	-	9,289,859
Bank Islami Pakistan Limited	A1	A+	PACRA	800,118	92,319
Habib Bank Limited	A-1+	AAA	JCR-VIS	286,629	32,624,941
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	4,476,735	6,301,421
MCB Bank Limited	A1+	AAA	PACRA	540,216	832,929
National Bank of Pakistan	AAA	A1+	PACRA	8,478,538	5,666,179
United Bank Limited	A-1+	AAA	JCR-VIS	2,642,594	3,037,771
				17,224,830	57,849,109
<b>Security deposits</b>					
MCB Bank Limited	A1+	AAA	PACRA	8,567,097	8,567,097
				8,567,097	8,567,097
				25,791,927	66,416,206

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

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

	Carrying amount	
	2018 Rupees	2017 Rupees
The aging of trade debts at the reporting date is:		
Not due	266,228,014	234,367,016
Past due 0 - 30 days	45,809,428	89,566,365
Past due 31 - 60 days	8,155,757	9,799,927
Past due 61 - 90 days	2,730,465	2,503,041
Past due 91 - 120 days	428,602	1,730,352
Past due 120 days	2,549,347	1,079,737
	325,901,613	339,046,438



# Notes to the Financial Statement

## for the year ended June 30, 2018

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 (2017: 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's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management aims to maintain flexibility in funding by keeping regular committed credit lines.

#### 36.2.1 Exposure to liquidity risk

##### 36.2.1(a) Contractual maturities of financial liabilities

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

			2018			
	Note	Carrying amount	Contractual cash flows	One year or less	One to three years	Three to five years
Rupees						
<b>Non-derivative financial liabilities</b>						
Long term finances	7	367,927,010	417,881,536	75,355,832	210,058,046	132,467,658
Liabilities against assets subject						
to finance lease	8	15,880,439	18,504,703	4,799,700	6,473,899	7,231,104
Trade and other payables	10	124,989,731	124,989,731	124,989,731	-	-
Unclaimed dividend		539,928	539,928	539,928	-	-
Short term borrowings	11	246,351,036	246,351,036	246,351,036	-	-
Accrued mark up	13	5,363,909	5,363,909	5,363,909	-	-
		761,052,053	813,630,843	457,400,136	216,531,945	139,698,762
2017						
	Note	Carrying amount	Contractual cash flows	One year or less	One to three years	Three to five years
Rupees						
<b>Non-derivative financial liabilities</b>						
Long term finances	7	218,694,704	260,684,952	40,206,942	117,945,553	102,532,457
Liabilities against assets subject						
to finance lease	8	22,826,095	25,162,723	14,002,339	5,380,787	5,779,597
Trade and other payables	10	117,487,106	117,487,106	117,487,106	-	-
Unclaimed dividend		566,849	566,849	566,849	-	-
Short term borrowings	11	303,083,692	303,083,692	303,083,692	-	-
Accrued mark up	13	3,640,698	3,640,698	3,640,698	-	-
		666,299,144	710,626,020	478,987,626	123,326,340	108,312,054

### 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 the 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 Yen 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:

2018			
	YEN	USD	Total (Rupees)
<b>Assets</b>			
Trade debts	-	10,144	1,231,482
Cash in hand	80,000	465	144,451
Bank balances	-	2,074	251,784
	80,000	12,683	1,627,717
<b>Liabilities</b>			
Net assets exposure	80,000	12,683	1,627,717
2017			
	YEN	USD	Total (Rupees)
<b>Assets</b>			
Trade debts		10,144	1,063,091
Bank balances	-	2,074	217,355
	-	12,218	1,280,446
<b>Liabilities</b>			
Net assets exposure	-	12,218	1,280,446

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

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

	YEN		USD	
	2018	2017	2018	2017
	Rupees		Rupees	
Reporting date spot rate				
- buying	1.10	0.93	121.40	104.80
- selling	1.10	0.93	121.60	105.00
Average rate for the year	1.02	0.98	113.20	104.66

# Notes to the Financial Statement

## for the year ended June 30, 2018

### 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.

	2018 Rupees	2017 Rupees
<b>Effect on profit and loss</b>		
USD	153,972	128,045
YEN	8,800	-
	162,772	128,045

### 36.3.1(d) Currency risk management

Since the maximum amount exposed to currency risk is only 0.048% (2017: 0.043%) of the Company's financial assets, any adverse / favorable movement in functional currency with respect to US dollar and Yen 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:

	2018		2017	
	Financial asset	Financial liability	Financial asset	Financial liability
	Rupees		Rupees	
<b>Non-derivative financial instruments</b>				
Fixed rate instruments	1,006,563	15,880,439	2,000	24,542,403
Variable rate instruments	-	614,278,046	-	520,062,088

### Fair value sensitivity analysis for fixed rate instruments

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

### 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.

	Profit	
	2018 Rupees	2017
Increase of 100 basis points	(6,142,780)	(5,200,621)
Decrease of 100 basis points	6,142,780	5,200,621

### 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 and long term borrowings of 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 Other price risk

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

The Company is not significantly exposed to equity price risk.

### 36.4 Fair values

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

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

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Unobservable inputs for the asset or liability (level 3).



# Notes to the Financial Statement

for the year ended June 30, 2018

## 36.4.1 Fair values of financial instruments

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

Note	Carrying Amount			Fair Value		
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
Rupees						
<b>On-Balance sheet financial instruments</b>						
<b>30 June 2018</b>						
<b>Financial assets measured at fair value</b>						
Available for sale investment	1,893,306	-	1,893,306	1,893,306	-	-
	1,893,306	-	1,893,306	1,893,306	-	-
<b>Financial assets not measured at fair value</b>						
Cash and bank balances	17,419,065	-	17,419,065	-	-	-
Deposits and other receivables	13,295,342	-	13,295,342	-	-	-
Long term deposits	11,083,272	-	11,083,272	-	-	-
Trade debts - unsecured, considered good	325,901,613	-	325,901,613	-	-	-
36.4.2	367,699,292	-	367,699,292	-	-	-
<b>Financial liabilities measured at fair value</b>						
	-	-	-	-	-	-
	-	-	-	-	-	-
<b>Financial liabilities not measured at fair value</b>						
Long term finances and diminishing musharika	-	367,927,010	367,927,010	-	-	-
Liabilities against assets subject to finance lease	-	15,880,439	15,880,439	-	-	-
Trade and other payables	-	124,989,731	124,989,731	-	-	-
Unclaimed dividend	-	539,928	539,928	-	-	-
Short term borrowing	-	246,351,036	246,351,036	-	-	-
Accrued mark up	-	5,363,909	5,363,909	-	-	-
36.4.2	-	761,052,053	761,052,053	-	-	-

	Note	Carrying Amount		Fair Value			
		Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
Rupees							
<b>On-Balance sheet financial instruments</b>							
<b>30 June 2017</b>							
Financial assets measured at fair value		6,240,495	-	6,240,495	6,240,495	-	-
		6,240,495	-	6,240,495	6,240,495	-	-
<b><i>Financial assets not measured at fair value</i></b>							
Cash and bank balances		57,874,109	-	57,874,109	-	-	-
Deposits and other receivables		12,540,262	-	12,540,262	-	-	-
Long term deposits		13,520,169	-	13,520,169	-	-	-
Trade debts - unsecured, considered good		339,046,438	-	339,046,438	-	-	-
	36.4.2	422,980,978	-	422,980,978	-	-	-
<b>Financial liabilities measured at fair value</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-
<b><i>Financial liabilities not measured at fair value</i></b>							
Long term finances and diminishing musharika		-	218,694,704	218,694,704	-	-	-
Liabilities against assets subject		-					
to finance lease		-	22,826,095	22,826,095	-	-	-
Trade and other payables		-	117,487,106	117,487,106	-	-	-
Unclaimed dividend		-	566,849	566,849	-	-	-
Short term borrowing		-	303,083,692	303,083,692	-	-	-
Accrued mark up		-	3,640,698	3,640,698	-	-	-
	36.4.2	-	666,299,144	666,299,144	-	-	-

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

**36.4.3** Land has been carried at revalued amounts determined by professional valuer (level 3 measurement) based on their assessment of the market values as disclosed in note 15. The valuations are conducted by the valuation experts appointed by the Company. The valuation experts used a market based approach to arrive at the fair value of the Company's land. The effect of changes in the unobservable inputs used in the valuation can not be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.

# Notes to the Financial Statement

## for the year ended June 30, 2018

### 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:

- 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
- to provide an adequate return to shareholders.

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

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

### 38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

2018					
	Directors				
	Chairman	Chief Executive	Non-Executive	Executive	Executives
	Rupees				
Managerial remuneration	8,040,000	8,040,000	-	8,643,000	16,516,417
Utilities and house rent	3,960,000	3,960,000	-	4,257,000	8,134,952
Contribution to provident fund	-	-	-	460,000	1,488,000
Bonus and rewards	-	-	-	1,725,000	-
Advisory fee	-	-	6,000,000	-	4,588,667
Other benefits	193,125	247,874	196,111	370,499	-
	12,193,125	12,247,874	6,196,111	15,455,499	30,728,036
Number of persons	1	1	1	2	8
2017					
	Directors				
	Chairman	Chief Executive	Non-Executive	Executive	Executives
	Rupees				
Managerial remuneration	8,040,000	8,040,000	-	5,829,000	15,975,078
Utilities and house rent	3,960,000	3,960,000	-	2,871,000	11,566,722
Contribution to provident fund	-	-	-	380,019	1,431,457
Bonus and rewards	-	-	-	1,720,000	5,402,496
Advisory fee	-	-	5,400,000	-	-
Other benefits	147,298	70,596	167,632	497,791	-
	12,147,298	12,070,596	5,567,632	11,297,810	34,375,753
Number of persons	1	1	1	2	13

38.1 The Company also provides the chairman, chief executive and some of the directors and executives the Company's maintained cars and certain other benefits.

38.2 Meeting fee was paid to non-executive directors who did not receive monthly remuneration during the year of Rs. 1,400,000 (2017: Rs. 925,000).

### 39. PLANT CAPACITY AND ACTUAL PRODUCTION

	Installed processing capacity		Actual processing	
	2018	2017	2018	2017
Small, medium and large				
moulds making facility	60 to 70 moulds	60 to 70 moulds	16 moulds	24 moulds
Injection moulds facility	4,250 tons plastic	4,100 tons plastic	2,046 tons plastic	1,754 tons plastic
Blow moulding facility	3,250 tons plastic	3,100 tons plastic	2,030 tons plastic	1,841 tons plastic
Extrusion	8,300 tons plastic	5,700 tons plastic	3,655 tons plastic	2,766 tons plastic
Thermoforming	3,250 tons plastic	2,700 tons plastic	1,733 tons plastic	1,383 tons plastic

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

### 40. PROVIDENT FUND TRUST

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

	Unit	Un-Audited 2018	Audited 2017
Size of the fund - total assets	Rupees	46,073,428	43,955,834
Cost of investments made	Rupees	44,425,833	41,632,519
Percentage of investments made	Percentage	96.42%	94.71%
Fair value of investments	Rupees	44,425,833	41,632,519

The breakup of fair value of investments is as follows:

	2018		2017	
	Rupees	Percentage	Rupees	Percentage
Defence Saving Certificates	7,530,158	16.95%	6,808,180	16.36%
Bank balance	5,021,395	11.30%	2,824,339	6.78%
Certificate of Musharika	30,000,000	67.53%	30,000,000	72.06%
NAFA certificates	1,874,280	4.22%	2,000,000	4.80%
	44,425,833	100%	41,632,519	100%

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

	(Un-audited) 30 June 2018		(Audited) 30 June 2017	
	% of total Fund	Rupees	% of total Fund	Rupees
Synthetic Products Enterprises Limited	99%	45,612,694	99%	43,516,276
SPEL Technology Support Limited	1%	460,734	1%	439,558

Investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act 2017 and the rules formulated for this purpose.



# Notes to the Financial Statement

for the year ended June 30, 2018

## 41. Reconciliation of movements of liabilities to cash flows arising from financing activities.

30 June 2018						
Liabilities						
	Long term finances	Diminishing Musharika	Liabilities against assets subject to finance lease	Short term borrowings	Unclaimed dividend	Total
Rupees						
Balance as at 01 July 2017	24,542,403	194,152,301	22,826,095	303,083,692	566,849	545,171,340
<b>Changes from financing activities</b>						
Repayment of short term borrowings - net	-	-	-	(105,952,225)	-	(105,952,225)
Long term loans repaid	(24,542,403)	-	-	-	-	(24,542,403)
Diminishing Musharika acquired, net	-	173,774,709	-	-	-	173,774,709
Repayment of finance lease liabilities	-	-	(15,727,656)	-	-	(15,727,656)
Dividend paid	-	-	-	-	(42,569,421)	(42,569,421)
Total changes from financing cash flows	(24,542,403)	173,774,709	(15,727,656)	(105,952,225)	(42,569,421)	(15,016,996)
<b>Other changes</b>						
Assets acquired on finance lease	-	-	8,782,000	-	-	8,782,000
Change in running finance	-	-	-	49,219,569	-	49,219,569
Dividend declared	-	-	-	-	42,542,500	42,542,500
Total liability related other changes	-	-	8,782,000	49,219,569	42,542,500	100,544,069
Closing as at 30 July 2018	-	367,927,010	15,880,439	246,351,036	539,928	630,698,413

## 42. NUMBER OF EMPLOYEES

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

	Number of Employees	
	2018 Rupees	2017 Rupees
Number of employees as at 30 June	564	539
Number of factory employees as at 30 June	516	501
Average number of employees during the year	554	492
Average number of factory employees during the year	510	462

## 43. NON ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company in its meeting held on 2 August 2018 has proposed a final cash dividend of Rs. 1 per share, for the year ended 30 June 2018, for approval of the members in the Annual General Meeting to be held on 27 October 2018.

## 44. GENERAL

**44.1** These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 2 August 2018.

**44.2** Figures have been rounded off to the nearest rupee.

# Pattern of Shareholding

as on 30 June 2018

No. of Shareholders	From	To	Shares Held	Percentage
240	1	100	7276	0.0086
95	101	500	38527	0.0453
991	501	1000	564059	0.6629
274	1001	5000	491643	0.5778
48	5001	10000	349900	0.4112
27	10001	15000	321944	0.3784
20	15001	20000	355141	0.4174
9	20001	25000	211666	0.2488
8	25001	30000	217521	0.2557
3	30001	35000	96598	0.1135
5	35001	40000	190254	0.2236
3	40001	45000	125932	0.1480
5	45001	50000	233062	0.2739
1	50001	55000	55000	0.0646
6	55001	60000	345259	0.4058
1	60001	65000	61867	0.0727
2	65001	70000	136000	0.1598
2	70001	75000	147000	0.1728
1	80001	85000	82125	0.0965
1	90001	95000	90885	0.1068
2	95001	100000	195500	0.2298
1	100001	105000	104000	0.1222
4	105001	110000	438500	0.5154
1	115001	120000	117162	0.1377
1	120001	125000	124713	0.1466
1	130001	135000	132000	0.1551
1	140001	145000	145000	0.1704
2	145001	150000	295200	0.3469
3	160001	165000	491500	0.5777
1	165001	170000	169615	0.1993
1	185001	190000	188310	0.2213
1	275001	280000	279225	0.3282
1	290001	295000	292250	0.3435
1	300001	305000	305000	0.3585
1	325001	330000	327990	0.3855
1	335001	340000	335850	0.3947
1	365001	370000	369975	0.4348
1	375001	380000	378000	0.4443
1	390001	39500	393814	0.4628
1	400001	405000	403587	0.4743
1	425001	430000	429000	0.5042
1	445001	450000	449500	0.5283
1	460001	465000	463185	0.5444
1	465001	470000	467017	0.5489
1	480001	485000	484500	0.5694
1	490001	495000	490500	0.5765
1	510001	515000	514500	0.6047
1	640001	645000	644000	0.7569
1	665001	67000	670000	0.7874

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

Pattern of Shareholding  
as on 30 June 2018

No. of Shareholders	From	Shareholdings	To	Shares Held	Percentage
1	680001		685000	680500	0.7998
1	875001		880000	876000	1.0296
1	1090001		1095000	1095000	1.2869
1	1400001		1405000	1402195	1.6480
1	1585001		1590000	1589118	1.8677
1	1605001		1610000	1606764	1.8884
1	1675001		1680000	1678500	1.9727
1	1850001		1855000	1850500	2.1749
1	5005001		5010000	5007235	5.8850
2	10975001		10980000	21955542	25.8042
1	33120001		33125000	33122594	38.9288
1790				85,085,000	100.0000

Key Shareholding  
as on 30 June 2018

Particulars	Shareholding
Associated Companies, Undertakings and Related Parties	NIL
Sponsors, Directors, CEO and Children	
Mr. Almas Hyder	33,122,594
Mr. Zia Hyder Naqi	10,977,771
Mr. Raza Haider Naqi	10,977,771
Dr. S. M. Naqi	5,007,235
Mrs. Munawar Naqi	2,701,764
Mr. Sheikh Naseer Hyder	393,814
Mr. Abid Saleem Khan	2,737
Dr. Syed Salman Ali Shah	1,095
Mr. Muhammad Tabassum Munir	550
Mr. Khawar Anwar Khawaja	547
Mutual Funds	
CDC - Trustee MCB Pakistan Stock Market Fund	1,678,500
MCBFSL - Trustee JS Value Fund	335,850
CDC - Trustee JS Large Cap. Fund	46,000
CDC - Trustee Alhamra Islamic Stock Fund	644,000
CDC - Trustee First Dawood Mutual Fund	6,500
CDC - Trustee Alfalah GHP Value Fund	38,455
CDC - Trustee Unit Trust of Pakistan	70
CDC - Trustee Al-Ameen Shariah Stock Fund	514,500
CDC - Trustee NAFA Stock Fund	163,000
CDC - Trustee NAFA Multi Asset Fund	2,500
CDC - Trustee Alfalah GHP Islamic Stock Fund	124,713
CDC - Trustee Alfalah GHP Stock Fund	46,195
CDC - Trustee Alfalah GHP Alpha Fund	26,805
CDC - Trustee NIT - Equity Market Opportunity Fund	279,225
MCFSL - Trustee Askari Islamic Asset Allocation Fund	18,000

Particulars	Shareholding
CDC - Trustee NAFA Islamic Asset Allocation Fund	369,975
MC FSL - Trustee JS Growth Fund	3,000
CDC - Trustee MCB Pakistan Asset Allocation Fund	680,500
CDC - Trustee JS Islamic Pension Savings Fund - Equity Account	3,230
CDC - Trustee NAFA Asset Allocation Fund	25,500
CDC - Trustee Askari Equity Fund	11,000
MCBFSL - Trustee Pak Oman Advantage Asset Allocation Fund	8,000
MCBFSL - Trustee Pak Oman Islamic Asset Allocation Fund	20,000
CDC - Trustee PIML Islamic Equity Fund	75,000
CDC -Trustee Al-Ameen Islamic Ret. Sav. Fund - Equity Sub Fund	484,500
CDC - Trustee UBL Retirement Savings Fund - Equity Sub Fund	490,500
CDC - Trustee National Investment (Unit) Trust	188,310
CDC - Trustee NAFA Islamic Stock Fund	1,402,195
CDC - Trustee PIML Value Equity Fund	59,500
CDC - Trustee PIML Asset Allocation Fund	165,000
CDC - Trustee NAFA Islamic Active Allocation Equity Fund	403,587
CDC - Trustee Alfalah GHP Islamic Dedicated Equity Fund	29,114
CDC - Trustee Js Islamic Dedicated Equity Fund (Jsidef)	44,500

Nit	
CDC - Trustee National Investment Unit Trust	193,310
Executives	32,640

Public Sector Companies and Corporations	-
Banks, Development Finance Institutions, NBFCs, Insurance companies, Takaful and Modarabas	2,609,437

Shareholders Holding Five Percent or More Voting Rights	
Mr. Almas Hyder	33,122,594
Mr. Zia Hyder Naqi	10,977,771
Mr. Raza Haider Naqi	10,977,771
Dr. S. M. Naqi	5,007,235

Category wise Shareholding  
as on 30 June 2018

Sr. No.	Particulars	No. Folio	No. of Shares	Percentage
1.	Sponsors, Directors, CEO And Children	11	63,185,878	74.2621
2.	Insurance Companies	4	2,608,737	3.0660
3.	Modarabas and Mututal Funds	34	8,388,424	9.8589
4.	General Public (Local)	1668	7,912,394	9.2994
5.	General Public (Foreign)	40	1,190,532	1.3992
6.	Others	33	1,799,035	2.1144
	Total	1790	85,085,000	100.00

Shares Trading By Directors /Executives  
During the year under review no shares were traded by the Dircetors and Executives of the Company.



# Notice of Annual General Meeting

Notice is hereby given that the Thirty Sixth Annual General Meeting of the shareholders of **Synthetic Products Enterprises Limited** (the "Company") will be held on Saturday 27 October 2018 at 11:00 AM at Jinnah Auditorium of Lahore Chamber of Commerce & Industries, Shahrah Aiwan-e-Tijarat, Lahore to transact the following business:

## Ordinary Business:

- To confirm the minutes of the Last Annual General Meeting held on 7 October 2017;
- To receive, consider and adopt the audited financial statements for the year ended 30 June 2018 together with Directors' and Auditors' Report thereon;
- To approve final cash dividend @ 10% as recommended by the Board of Directors.
- To appoint auditors for the year ended 2018-19 and fix their remuneration. The Board, has recommended, as suggested by the board audit committee, the appointment of M/s KPMG Taseer Hadi and Co., Chartered Accountants, the retiring auditors and being eligible offer themselves for re-appointment.
- To elect ten (10) Directors of the Company as fixed by the Board of Directors, in accordance with the provisions of section 159 of the Companies Act, 2017 for a term of three (3) years. Following are the retiring Directors:

Mr. Almas Hyder	Dr. S. M. Naqi
Mr. Zia Hyder Naqi	Dr. Syed Salman Ali Shah
Mr. Khawar Anwar Khawaja	Mr. Muhammad Tabassum Munir
Mr. Raza Haider Naqi	Mr. Sheikh Naseer Hyder
Mr. Abid Saleem Khan	

## Special Business:

- To ratify and approve transactions conducted with Related Parties for the year ended June 30, 2018 by passing the following special resolution with or without modification.

"Resolved that the following transactions conducted with Related Parties for the year ended June 30, 2018 be and are hereby ratified, approved and confirmed."

Name of Related Party	Nature of Transaction	Amount (PKR)
SPEL Technology Support (Private) Limited	Purchase of goods.	395,000
SPEL Pharmatec (Private) Limited	Winding up expenses of subsidiary	257,025

The statement as required under section 134(3) and 166(3) of the Companies Act 2017 is attached with this notice.

By the Order of the Board



**Khalil Ahmad Hashmi, FCA**  
Company Secretary

5 October 2018  
Lahore

## Notes:

- The share transfer books of the Company will remain closed from 20 October 2018 to 27 October 2018 (both days inclusive). Transfers received in order at the Shares Department of M/s THK Associates (Pvt.) Limited, First Floor 40-C Block-6 P.E.C.H.S. Karachi, Pakistan at the close of business on 19 October 2018 will be treated in time for the purpose of payment of final cash dividend, if approved by the shareholders. Only those person whose name appear in the Register of Members of the Company as on 19 October 2018 are entitled to attend, participate in and vote at the Annual General Meeting.
- A member entitled to attend and vote at the meeting is entitled to appoint any other person as his/her proxy to attend and vote. A member shall not be entitled to appoint more than one proxy to attend this meeting. Proxies in order to be effective must be received at the Registered Office of the Company, 127-S Quaid-e-Azam Industrial Estate Township Kot Lakhpat, Lahore duly stamped and signed not less than 48 hours before the time of the meeting. A proxy need not be a member of the Company. The proxy shall produce his/her original CNIC or passport at the time of the meeting.
- CDC account holders will have to follow the guidelines as laid down in Circular 1 dated 26 January 2000 for attending meetings and appointing proxies. The individual members entitled to attend this meeting must bring his/her original CNIC or passport to prove his/her identity and in case of proxy must enclose and attested copy of his/her CNIC/passport. Representatives of corporate members should bring the Board Resolution / Power of Attorney.
- Pursuant to SECP's Circular No 10 dated 21 May 2014 and section 132(2) of the Companies Act 2017, if the Company receives consent from members holding in aggregate 10% or more shareholding residing at geographical location, to participate in the meeting through video conference at least 10 days prior to the date of meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. In this regard please fill the following and submit to registered address of the Company at least 10 days before the date of AGM.



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

- Pursuant to SECP Companies (E-Voting) Regulations, 2016, Members can exercise their voting right to vote through e-voting by giving their consent in writing at least 10 days before the date of the meeting to the Company on appointment of Execution Officer by the Intermediary as proxy.
- Payment of Cash Dividend Electronically (Mandatory)  
As per section 242 of the Companies Act 2017 cash dividend will be paid to the shareholders of listed companies only by way of electronic mode directly into the bank account of shareholder.

The members are advised to provide their dividend mandate with complete bank account details along with International Bank Account Numbers (IBAN's) for payment of cash dividend directly in the bank accounts instead of issuance of physical cash dividend warrants. In this regard the shareholders may obtain Bank Mandate Form from the Company's website **www.spelgroup.com**. The shareholders are advised to submit above referred form duly filled to the share Registrar to M/s THK Associates (Pvt.) Limited, First Floor 40-C Block-6 P.E.C.H.S. Karachi, Pakistan in case of physical holding and in case of CDC account/sub account to Investor Account Services or their Brokerage firm as the case may be.

Notice of Annual General Meeting

7. Withholding Tax on Dividend

As per requirements of Income Tax Ordinance, 2001, Income tax @ 15% will be withheld in case of filers and @ 20% in case of non-filers of tax returns.

All shareholders who hold shares jointly are requested to provide shareholding proportions of principal shareholder and joint shareholder(s) in respect of shares held by them to our shares registrar, before the date of book closure, in wiring as follows:

Name of Principal Shareholder/ Joint Holders	Shareholding Proportion	CNIC No. (copy attached)	Signature

Kindly note that in case of non-receipt of the information then each Account Holder will be assumed to hold equal proportion of shares and the tax deduction will be made and and tax will be deposited accordingly.

8. Tax Exemption

Shareholders claiming tax exemption under clause 47(B) of Part IV of the Second Schedule of Income Tax Ordinance, 2001 or under any other provision of the law are requested to provide valid exemption certificate or copy of stay order, if any, before the date of book closure, to the Share Registrar of the Company as required vide FBR clarification letter No. 1(43) DG (WHT)/2008 - Vol. II-66417-R dated 12 May 2015. In case of non-submission of the requisite documents, deduction of tax under relevant sections shall be made as per requirements of law.

9. Election of Directors

Any person who seeks to contest the election to the office of the director, whether he is a retiring director or otherwise, is required to file with the Company at its registered office, not later than fourteen days before the date of the meeting at which elections are to be held, the following documents:

- i. Notice of his / her intention to offer himself / herself for the election of director in terms of Section 159(3) of the Companies Act, 2017.
- ii. Copy of computerized national identification card.
- iii. Consent to act as director on Form-28 under section 167 of the Companies Act, 2017.

iv. A detailed profile as required under SECP SRO 634(I) / 2014 dated 10 July 2014.

v. He / She should also confirm that :

- He / She is not ineligible to become a director of a listed Company under any applicable laws and regulations.
- He / She is not serving as director in more than five (5) listed companies simultaneously included this Company.
- Neither he / she nor his spouse is engaged in the business of brokerage or is a sponsor, director or officer of a corporate brokerage house.
- He / She is registered as taxpayer (except for non-residents) and has not defaulted in payment of any loan to a banking company, Development Finance Institution or a Non Banking Financial Institution or being a member of stock exchange has not been declared as a defaulter by that stock exchange.



Statement Under Section 134(3) of the Companies Act, 2017

The following is Statement as required by Section 134 (3) of the Companies Act, 2017, which sets out all material facts relating to Special Resolutions mentioned in the Notice for 36th Annual General Meeting of the members of the Synthetic Products Enterprises Limited (the “Company”):

AGENDA ITEM 6

The Related Party Transactions conducted with associated companies had to be approved by the Board duly recommended by the Board Audit Committee on quarterly basis. However, the majority of Company Directors were interested in these transactions due to their common directorships the quorum of directors could not be formed for approval of these transactions pursuant to section 207 of the Companies Act, 2017 and therefore, these transactions have to be approved by the shareholders in General Meeting.

No director has direct or indirect interest in the above said business except to the extent of their shareholding in these associated companies and common directorships in the company and associated companies.

Statement Under Section 166(3) of the Companies Act, 2017

Any person who is eligible under section 153 and meet the criteria under section 166(2) of the Companies, Act 2017, may submit nomination to be elected as independent directors. However, it is noteworthy to mention here that independent director shall be elected in the same manner as other directors are elected in terms of section 159 of the Companies Act, 2017. Final list of contesting directors will be published in Newspapers not later than seven days before the date of the said meeting in terms of section 159(4). Further, website of the company will also be updated with the required information for each Director.

No director has direct or indirect interest in the above said business except they may submit consent for election of directors accordingly.



Glossary of Terms

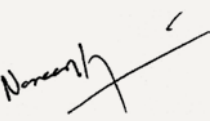
AGM:	Annual General Meeting to be held as per requirement of law.
SPEL:	Synthetic Products Enterprises Limited
HS&E:	Health, Safety and Environment.
EBITDA:	Earnings before Interest, Taxes, Depreciation and Amortization.
Return on Equity (ROE):	The value found by dividing the Company's net income by its net assets.
Current Ratio:	The current ratio indicates a company's ability to meet short-term debt obligations.
Acid Test Ratio:	The ratio of liquid assets to current liabilities.
Operating Cycle:	The average time between purchasing or acquiring inventory and receiving cash proceeds from its sale.
Earnings Per Share:	Earnings arrived at by dividing the net income of the Company by the number of shares of common outstanding shares.
Price-Earnings Ratio (P/E):	The ratio arrived at by dividing market price per share by earnings per share (This ratio indicates what investors think of the firm's earnings' growth and risk prospects).
Dividend Payout Ratio:	The ratio arrived at by dividing the annual dividends per share by the annual earnings per share.
Debt-to-Equity Ratio:	The ratio arrived at by dividing total debt by the equity (all assets minus debts) held in stock.
IASB:	International Accounting Standards Board.
IFRS:	International Financial Reporting Standard.
Amortisation:	To charge a regular portion of an expenditure over a fixed period of time.
KIBOR:	Karachi Inter Bank Offer Rate.
Spread:	Rate charged by the bank over KIBOR.
Gearing Ratio:	Compares some form of owner's equity (or capital) to borrow funds.
Security:	A pledge made to secure the performance of a contract or the fulfillment of an obligation.
Principal:	In commercial law, the principal is the amount that is received, in the case of a loan, or the amount from which flows the interest.
Debt:	An amount owed for funds borrowed.
Debt Service:	Amount of payment due regularly to meet a debt agreement; usually a monthly, quarterly or annual obligation.
Net Working Capital:	Current assets minus current liabilities.
Company:	Synthetic Products Enterprises Limited
WPPF:	Workers' Profit Participation Fund
WWF:	Workers' Welfare Fund


مستقبل کا نقطہ نظر

کمپنی مارکیٹ میں توسیع دیکھتی ہے اور مسلسل ترقی کی راہ پر گامزن ہے۔ اس نمو کو پورا کرنے کے لئے مینوفیکچرنگ سہولیات کو وسعت دی جا رہی ہے، کارکردگی کے حصول، معیاری معیشت اور منافع کو بہتر بنانے کے لئے جدید آلات میں سرمایہ کاری کی جا رہی ہے۔ مارکیٹ نمو کی طرف سے پیش کردہ مواقعوں پر کھپلا نز کرنے کے لئے جغرافیائی محل وقوع کو بھی مزید بڑھانے پر غور کر رہی ہے۔ ہم اگلے مالی سال میں کمپنی میں نمو کو مستحکم رکھنے کیلئے پُر عزم اور توجہ مرکوز کئے ہوئے ہیں۔

اظہار تشکر

ہم بخوشی تسلیم کرتے ہیں کہ ملازمین کے ساتھ تعلق سال بھر میں خوشگوار رہا ہے۔ انتظامیہ تمام ملازمین کی مسلسل لگن، عزم اور محنت جس کے بغیر یہ کارکردگی ممکن نہیں ہو سکتی تھی کو تسلیم اور ان کی تعریف ریکارڈ کرتی ہے۔ ہم اپنے قابل قدر صارفین کے مسلسل تعاون اور ہماری مصنوعات پر اعتماد کے لئے مشکور ہیں۔ ہمارے مالیاتی اداروں کی طرف سے تعاون بھی ہمارے لئے حوصلہ افزا ہے، اور ہم ان کے نہایت ہی شکر گزار ہیں۔

  
شیخ نصیر حیدر  
ڈائریکٹر

  
ضیاء حیدر رازی  
چیف ایگزیکٹو آفیسر

مقام: لاہور  
2 اگست 2018ء

## بورڈ آڈٹ کمیٹی

زیر جائزہ سال کے دوران، بورڈ آڈٹ کمیٹی کے چار (04) اجلاس منعقد ہوئے اور ہر رکن کی حاضری مندرجہ ذیل ہے:

نام	عہدہ	اجلاسوں میں شرکت
ڈاکٹر سید سلمان علی شاہ	کمیٹی کے چیئرمین	4
جناب الماس حیدر	رکن	4
ڈاکٹر ایس ایم نقی	رکن	4
جناب محمد تقسم منیر	رکن	4
جناب رضا حیدر نقی	رکن	4

## ہیومن ریسورس اور ریمزیشن کمیٹی

ہیومن ریسورس اور ریمزیشن کمیٹی درج ذیل اراکین پر مشتمل ہے: سال کے دوران ہیومن ریسورس اور ریمزیشن کمیٹی کا ایک (01) اجلاس منعقد ہوا۔

نام	عہدہ	اجلاسوں میں شرکت
جناب خاور انور خواجہ	چیئرمین	1
جناب الماس حیدر	رکن	1
ڈاکٹر ایس ایم نقی	رکن	1
جناب ضیاء حیدر نقی	رکن	1
جناب عابد سلیم خان	رکن	1

## فنانس کمیٹی

فنانس کمیٹی درج ذیل اراکین پر مشتمل ہے، سال کے دوران فنانس کمیٹی کے دو (02) اجلاس منعقد ہوئے۔

نام	عہدہ	اجلاسوں میں شرکت
جناب الماس حیدر	چیئرمین	2
جناب ضیاء حیدر نقی	رکن	2
جناب سید سلمان علی شاہ	رکن	2
جناب خاور انور خواجہ	رکن	1
جناب محمد تقسم منیر	رکن	2

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

## ڈائریکٹرز کی ٹریننگ

زیر جائزہ سال کے دوران، جناب شیخ نصیر حیدر نے انسٹیٹیوٹ آف کاسٹ اینڈ منیجمنٹ اکاؤنٹنٹس آف پاکستان کی طرف سے ڈائریکٹرز ٹریننگ پروگرام (DTP) میں شرکت کی ہے۔ فی الحال، کمپنی کے پانچ (5) ڈائریکٹرز سرٹیفائیڈ ڈائریکٹرز ہیں جبکہ ایک ڈائریکٹر DTP کی ضروریات سے مستثنیٰ ہیں۔ باقی ڈائریکٹرز لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2017 کی ضروریات کے مطابق DTP میں شرکت کریں گے۔

## سرمایہ کاری تعلقات / شکایات

کمپنی سرمایہ کاروں کے ساتھ اپنے تعلقات کو بہت زیادہ اہمیت دیتی ہے اور اس نے ایک مضبوط شکایت رپورٹنگ میکانزم قائم کیا ہے جس میں کسی بھی شکایات یا حل طلب مسائل کو حل کرنے کی کوشش کی جاتی ہے۔ اس بات کا یقین کرنے کے لئے کہ اسٹیک ہولڈرز اپنی شکایتوں کو آسانی سے درج کر سکتے ہیں، کمپنی کی ویب سائٹ پر ایک آن لائن فارم دستیاب ہے۔

## آڈیٹرز (محاسب) کی تقرری

موجودہ آڈیٹرز، میسرز KPMG تاخیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس آئیندہ سالانہ اجلاس عام کے اختتام پر ریٹائر ہو جائیں گے اور اہل ہونے کی بناء پر، دوبارہ تعیناتی کے لئے خود کو پیش کرتے ہیں۔ کمپنی کے بورڈ کی آڈٹ کمیٹی کی تجویز پر بورڈ نے تختہ سال 2018-19 کے لئے کمپنی کے آڈیٹرز کی حیثیت سے ان کی دوبارہ تقرری کی سفارش کی ہے۔

## شیر ہولڈنگ کا پیٹرن

شیر ہولڈنگ کا پیٹرن صفحہ نمبر 115 پر منسلک ہے۔

## کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

کمپنی کمپنیز ایکٹ 2017 اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 میں مقرر کردہ کارپوریٹ اور فنانشل رپورٹنگ فریم ورک کی تمام ضروریات پر عمل پیرا ہے۔ ہم اس بات کی تصدیق کرتے ہیں:

- ﴿ کمپنی کی انتظامیہ کی طرف سے تیار کی گئی، فنانشل سسٹمز، کمپنی کے موجودہ امور، اس کے آپریشنز کے نتائج، کیش فلو اور ایکویٹی میں تبدیلیوں کو ظاہر کرتے ہیں۔
- ﴿ کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔
- ﴿ مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔
- ﴿ فنانشل سسٹمز کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ معیارات کی پیروی کی گئی ہیں، اور کسی بھی غیر مطابقت کو مناسب اور واضح طور پر بیان کیا گیا ہے۔
- ﴿ انٹرنل کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور مؤثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔
- ﴿ کمپنی کے چلتے رہنے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہ ہیں۔
- ﴿ گزشتہ چھ سال کے لئے کلیدی آپرینٹنگ اور مالیاتی ڈیٹا صفحہ نمبر 50 پر منسلک ہے۔
- ﴿ ٹیکس اور لیوی بارے معلومات فنانشل سسٹمز کے نوٹ میں دی گئی ہیں۔
- ﴿ کمپنی کی طرف سے حاصل کردہ تمام قرضوں کے سلسلہ میں کسی بھی تاخیر سے ادائیگی یا ڈیفالٹ کا کوئی امکان نہیں ہے۔
- ﴿ ہماری کمپنی کو سیاسی اور اقتصادی خطرات کے سوائے کوئی مادی خطرات اور مخصوص غیر یقینی کی صورت حال درپیش نہیں ہے۔
- ﴿ ہمارے کاروبار کے ماحول پر کوئی مادی اثرات نہیں ہیں۔
- ﴿ کمپنی اپنے تمام اہل ملازمین کے لئے ایک کنٹری بیوٹری پراویڈنٹ فنڈ سکیم چلاتی ہے۔ کمپنی کے پراویڈنٹ کی طرف سے کی جانے والی سرمایہ کاری کی قدر 30 جون 2018 کے مطابق اور دیگر متعلقہ معلومات فنانشل سسٹمز کے نوٹ میں مذکور ہیں۔
- ﴿ کمپنی کے ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف آپرینٹنگ آفیسر، چیف فنانشل آفیسر، کمپنی سیکریٹری، سربراہ انٹرنل آڈٹ، ایگزیکٹو زان کے زوج اور نابالغ بچوں کی طرف سے کمپنی کے حصص میں ٹریڈنگ کی تفصیل منسلک ہے۔
- ﴿ بورڈ نے جائزہ لیا اور فیصلہ کیا ہے کہ SPEL کا کوئی بھی ملازم جس کی ماہانہ مجموعی تنخواہ 100,000 روپے یا اس سے زیادہ ہو، اسے PSX رول بک کے رول (a) 5.6.1 اور رول (d) 5.6.1 کے مقاصد کے لئے "ایگزیکٹو" تصور کیا جانا چاہئے۔
- ﴿ 30 جون 2018 سے اس رپورٹ کی تاریخ تک کوئی مادی تبدیلیاں وقوع پذیر نہیں ہوئی ہیں اور کمپنی اس مدت کو دوران کسی معاہدہ میں داخل نہیں ہوئی، جس کے کمپنی کی مالی حالت پر بُرے اثرات ہوں گے۔



#### فی شیئر آمدنی

موجودہ اورگزشتہ سال کے لئے فی شیئر آمدنی مندرجہ ذیل ہیں:

بنیادی اور معتدل آمدن فی شیئر 2018ء    4.05 روپے

بنیادی اور معتدل آمدن فی شیئر 2017ء    4.90 روپے

### ٹیکسیشن

اکم ٹیکس آرڈیننس 2001 کے سیکشن 65E کے تحت، کمپنی فی ایکویٹی کے ذریعے پلانٹ اور مشینری میں سرمایہ کاری کی مد میں ٹیکس کریڈٹ کلیم کرنے کی اہل ہے۔ یہ کریڈٹ ٹیکس سال 2016 سے شروع

ہونے والے ٹیکس سال 2020 تک کے لئے قابل عمل ہے۔ یہ کریڈٹ زیرِ جائزہ اکاؤنٹس میں شمار کیا گیا ہے۔ اس کے علاوہ، اکم ٹیکس آرڈیننس 2001 کے سیکشن 65B کے تحت، پلانٹ اور مشینری میں کی گئی سرمایہ کاری کی رقم کے %10 شرح پر ایک بار ٹیکس کریڈٹ کا بھی کلیم کیا گیا ہے۔ اس طرح کا کریڈٹ پلانٹ اور مشینری میں سرمایہ کاری کرنے کے لئے آئندہ سالوں میں کلیم کیا جاسکتا ہے۔

### آپریٹنجز

ایوارڈز:

ڈائریکٹرز آپ کو یہ بتاتے ہوئے بہت خوش محسوس کرتے ہیں کہ ہم نے اس سال مندرجہ ذیل اعزازات وصول کئے ہیں:

### تعلیمی ایوارڈ

زیرِ جائزہ سال کے دوران، کمپنی نے پاک سوز کی موثر کمپنی لیئڈ سے آؤٹ سٹینڈنگ مینجمنٹ سسٹمز کے اعتراف میں ایوارڈ وصول کیا ہے۔

#### بیسٹ کارپوریٹ رپورٹ ایوارڈ

انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان اور انسٹیٹیوٹ آف کاسٹ اینڈ مینجمنٹ اکاؤنٹنٹس آف پاکستان کے BCSRA پرمشتر کہ کمپنی نے سال 2017 کے لئے اپنی کمپگری میں کمپنی کی سالانہ رپورٹ کو تیسری پوزیشن سے نوازا ہے۔

### کارپوریٹ سماجی ذمہ داری

انڈسٹری لیڈر ہونے کی حیثیت سے، ہم ماحولیاتی استحکام سے قیادت کی اپنی ذمہ داریوں کو قبول کرتے ہیں۔ ہم تسلیم کرتے ہیں کہ یہ ذمہ داری نہ صرف ہمارے ملازمین اور ہمارے پلائس کی سائنس، بلکہ ہمارے گیٹ سے آگے دیگر اسٹیک ہولڈرز، بشمول کسٹمرز اور کمیونٹیوں جس میں ہم کام کرتے ہیں، تک اپنے عزم کو پورا کرتی ہیں۔ مالی سال کے دوران چند ہی ایس آسر گر میاں سرانجام دی گئی ہیں:

☆ LUMS فنانشل ایڈ پروگرام کے تحت ضرورت مند طلباء کو سکا لرشپ گرانٹ مہیا کرنا

☆ غیر منافع بخش تنظیموں کو عطیات دینا۔

☆ اپنی تعلیم میں اضافہ کرنے کے خواہش مند مستحق ملازمین کو مالی مدد فراہم کی ہے۔

☆ درختوں کی شجر کاری

☆ دیامر بھاشا اور مہمند ڈیمز کے لئے عطیہ

### انسانی وسائل کی ترقی:

ہمیں اپنے ملازمین کے عزم اور لگن پر فخر ہے۔ کمپنی اپنے ملازمین کی قدر اور ٹیم ورک کی ثقافت، جدت، عام مواصلات، مسلسل ترقی اور انفرادی تربیت کی حوصلہ افزائی کرتی ہے۔ کمپنی اپنے ملازمین کی مہارتوں، علم اور صلاحیتوں کو بہتر بنانے کے لئے اندرونی اور بیرونی دستیاب وسائل کو بروئے کار لاتی ہے۔

#### بیرونی تربیت:

زیرِ جائزہ سال کے دوران، کمپنی نے ملازمین کو مختلف بیرونی کورسز پری بھیجا، جس نے ہمارے ملازمین کی مہارتیں تعمیر کرنے میں مدد کی۔ کچھ بیرونی کورسز میں لیڈرشپ گرڈ، SLAM، پراڈکٹیوٹی امپروومنٹ، لاجسٹک مینجمنٹ، پولیمرک میٹریلز اوپروسیڈنگ، FEMA، وغیرہ شامل ہیں۔

#### اندرونی تربیت:

کمپنی کے سالانہ تربیتی پروگرام کے مطابق پورا سال باقاعدہ اندرونی تربیتوں کا بھی انعقاد کیا گیا ہے۔ تربیتوں میں ٹویونا پروڈکشن سسٹمز (ٹی پی ایس)، لیبر لاز، فائرسکیٹی، SS، Kaizen، QCC وغیرہ پر کورسز اور ٹیم ممبران کے لئے بنیادی مہارتیں شامل ہیں۔

#### کارپوریٹ گورننس

##### بورڈ کی تشکیل

بورڈ کی تشکیل مہارت، صلاحیت اور تنوع کے لئے کمپنی کی ضروریات کو یقینی بنانے اور اس بات کا یقین کرنے کے لئے قائم کیا گیا کہ بورڈ کا بحیثیت باڈی کے طور پر کام کرتا رہے۔ ڈائریکٹرز کے آئندہ انتخابات میں، کمپنی نے خاتون امیدوار کے لئے ایک سیٹ مختص کی ہے۔ کیپٹیز ایکٹ، 2017 کی ضروریات کے عین مطابق ہے۔

#### بورڈ کی تشکیل مندرجہ ذیل ہے:

آزاد ڈائریکٹرز	03
دیگرنان ایگزیکٹو ڈائریکٹرز	03
ایگزیکٹو ڈائریکٹرز	03

#### نان ایگزیکٹو ڈائریکٹرز اور آزاد ڈائریکٹرز کے لئے مشاہرہ کی پالیسی

بورڈ نے اپنے ڈائریکٹرز کے لئے ڈائریکٹرز کے معاوضہ کیلئے ایک پالیسی منظور کی دی ہے۔ پالیسی کے مطابق، آزاد ڈائریکٹرز اور نان ایگزیکٹو ڈائریکٹرز بورڈ کی طرف سے وقتاً فوقتاً منظور کردہ پیمانہ کے مطابق بورڈ یا کسی کمپنی کے اجلاسوں میں شرکت کے لئے اجلاس فیس وصول کرنے کے اہل ہوں گے۔ اگر کوئی نان ایگزیکٹو ڈائریکٹر اضافی خدمات سرانجام دیتا ہے، تو پھر وہ معاوضہ کا حقدار ہوگا۔ ڈائریکٹرز جو معاوضہ کے اہل ہیں اجلاس فیس وصول کرنے کے اہل نہیں ہوں گے۔

### بورڈ کے اجلاس اور حاضری

زیرِ جائزہ سال کے دوران، بورڈ کے پانچ (05) اجلاس منعقد ہوئے ہیں اور ہر ایک ڈائریکٹر کی طرف سے حاضری مندرجہ ذیل ہے:

نام	عہدہ	اجلاسوں میں حاضری
جناب الماس حیدر	چئیرمین / نان ایگزیکٹو ڈائریکٹر	5
ڈاکٹر ایس ایم نقی	نان ایگزیکٹو ڈائریکٹر	5
جناب ضیاء حیدر نقی	سی ای او / ایگزیکٹو ڈائریکٹر	5
ڈاکٹر سید سلمان علی شاہ	آزاد نان ایگزیکٹو ڈائریکٹر	5
جناب خاور انور خواجہ	آزاد نان ایگزیکٹو ڈائریکٹر	4
جناب محمد تمیم منیر	آزاد نان ایگزیکٹو ڈائریکٹر	5
جناب رضا حیدر نقی	نان ایگزیکٹو ڈائریکٹر	5
شیخ نصیر حیدر	ایگزیکٹو ڈائریکٹر	5
جناب عابد سلیم خان	ایگزیکٹو ڈائریکٹر	4

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

## ڈائریکٹرز رپورٹ

### محترم شیئر ہولڈرز

آپ کی کمپنی کے ڈائریکٹرز 30 جون 2018ء کو ختم ہونے والے سال کے لئے کمپنی کے آپریشنز کے نتائج پر سالانہ رپورٹ معہ آڈیٹڈ اکاؤنٹس آپ کے روبرو بخوشی پیش کرتے ہیں۔

### فنانشل جائزہ

اللہ تعالیٰ کے فضل سے، مالی سال 2017-18 کمپنی کے لئے ایک اور کامیاب سال تھا جس میں سیلز 2,987.31 ملین روپے (2017: 2,699.67 ملین روپے) تک پہنچ گئی جو کہ پچھلے سال سے 11 فیصد اضافی ہے۔ اس سال ہمارے سرمایہ کاری کی توجہ توسیع، پیداوار میں اضافے اور مستقبل میں مینوفیکچرنگ کی لاگت کو کم کرنے پر مرکوز رہی ہے جس کے نتیجے میں ہمیں ٹیکس کریڈٹ بھی حاصل ہوا ہے۔ ہم یہ مطلع کرتے ہوئے خوش محسوس کرتے ہیں کہ زیر جائزہ سال کے دوران، کمپنی نے رحیم یار خان میں اپنے پہلے hole-in-the-wall پروجیکٹ (سنے پلانٹ) کا افتتاح کیا ہے۔ اس منصوبے نے مینوفیکچرنگ اور مصنوعات کی فراہمی شروع کر دی ہے۔ اس کے علاوہ، کمپنی کو آٹوموٹیو انڈسٹری کے چند اہم پلیئرز سے آٹو پارٹس کے مولڈز کے آرڈرز موصول ہوئے ہیں۔ مارکیٹ کی بڑھتی ہوئی طلب کو پورا کرنے کے لئے صلاحیت اور استطاعت کو بہتر بنانے کے لئے، کمپنی نے آپریٹنگ فکسڈ اسسٹس میں 420.60 ملین روپے (2017: 335.12 ملین روپے) کی سرمایہ کاری کی ہے۔ بہتر کارکردگی کے ذریعے اعلیٰ معیار، بروقت ترسیل کو یقینی بنانے کے لئے ٹیکنالوجی کی اپ گریڈیشن اور آٹومیشن پر بھی خطیر رقم خرچ کی گئی ہے۔

زیر جائزہ سال کے دوران معیشت کی ترقی رفتار تیز ہونے کے ساتھ ساتھ، کمپنی کو خام مال کی قیمتوں میں اضافہ اور کرنسی کی قدر میں کمی اور کسٹمر کی طلب میں کمی سمیت مختلف قسم کے چیلنجوں کا سامنا کرنا پڑا جس نے کمپنی کے مارجن کو متاثر کیا ہے۔

### فنانشل نتائج

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

	2018	2017	روپے ملین میں
سیلز	2,987.31	2,699.67	
خام منافع	655.40	715.77	
آپریٹنگ منافع	438.03	526.75	
مالی لاگت	46.25	32.74	
قبل از ٹیکس منافع	370.65	463.96	
ٹیکس	26.37	46.80	
بعد از ٹیکس منافع	344.27	417.16	

### ڈیویڈنڈ اور تقسرات

	2018	2017	روپے ملین میں
عمومی نقد ڈیویڈنڈ NIL (2017: @10%)	-	81.23	
عمومی بونس ڈیویڈنڈ NIL (2017: @10%)	-	77.35	
پروپوزڈ فائل نقد ڈیویڈنڈ 10% (2017: @5%)	85.08	42.54	
ٹوٹل ڈیویڈنڈ	10%	20%	

فائل ڈیویڈنڈ کمپنی کے سالانہ اجلاس عام میں شیئر ہولڈرز سے منظوری کے بعد ادا کیا جائے گا۔

## Form of Proxy / E-Voting

Synthetic Products Enterprises Limited  
127-S, Q.I.E. Township, Kot Lakhpat, Lahore.



### Option 1

#### Appointing other person as Proxy

I/We \_\_\_\_\_ of \_\_\_\_\_, being member(s) of Mari Petroleum Company Limited, holder of \_\_\_\_\_ Ordinary Share(s) as per Registered Folio/CDC Account No. \_\_\_\_\_, hereby appoint Mr. \_\_\_\_\_ Folio / CDC Account No. \_\_\_\_\_ (if member) of \_\_\_\_\_ or failing him, Mr. \_\_\_\_\_ Folio / CDC Account No. \_\_\_\_\_ (if member) of \_\_\_\_\_, as my / our Proxy in my / our absence to attend and vote for me / us, and on my / our behalf at the 36th Annual General Meeting of the Company to be held on October 27, 2018 and at any adjournment thereof.

Signed under my / our hand(s) this \_\_\_\_\_ day of \_\_\_\_\_ 2018.

### Option 2

#### E-voting as per the Companies (E-Voting) Regulations, 2016

I/We \_\_\_\_\_ of \_\_\_\_\_, being member(s) of Mari Petroleum Company Limited, holder of \_\_\_\_\_ Ordinary Share(s) as per Registered Folio / CDC Account No. \_\_\_\_\_, hereby opt for e-voting through Intermediary and hereby consent the appointment of Execution Officer \_\_\_\_\_ as Proxy and will exercise e-voting as per the Companies (e-voting) Regulations, 2016 and hereby demand for poll for resolutions.  
My secured email address is \_\_\_\_\_. Please send login details, password and electronic signature through email.

Signature of Proxy

Signature of Member  
(Signature across Rs. 5  
Revenue Stamp)

#### Signed in the presence of:

Signature of Witnesses \_\_\_\_\_ Signature of Witnesses \_\_\_\_\_  
Name: \_\_\_\_\_ Name: \_\_\_\_\_  
Address: \_\_\_\_\_ Address: \_\_\_\_\_  
\_\_\_\_\_  
CNIC No. \_\_\_\_\_ CNIC No. \_\_\_\_\_

#### NOTES FOR APPOINTING PROXY:

This instrument appointing a proxy under option 1 shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation either under the common seal or under the hand of an official or attorney so authorised.

The instrument appointing a proxy under option 1 and the power of attorney or other authority (if any), under which it is signed or a notarially certified copy of that power of authority, shall be deposited at the office of the Company not less than 48 (forty eight) hours before the time for holding the meeting at which the person named in the instrument proposes to vote, and in default the instrument of a proxy shall not be treated as valid.

The instrument of e-voting under option 2 shall be deposited in advance in writing at least ten days before holding of general meeting, at the registered office of the Company.

The Company will arrange for e-voting if the Company receives demand for poll from atleast five members or by any member or members having not less than one tenth of the voting power.

#### FORM FOR VIDEO CONFERENCE FACILITY

I/We \_\_\_\_\_ of \_\_\_\_\_, being member(s) of Mari Petroleum Company Limited, holder of \_\_\_\_\_ Share(s) as per Registered Folio/CDC A/c No. \_\_\_\_\_, hereby opt for Video Conference facility at \_\_\_\_\_

Signature of member(s)



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POSTAGE

The Company Secretary,  
**SYNTHETIC PRODUCTS ENTERPRISES LIMITED**  
127-S, Q.I.E. Township,  
Kot Lakhpat, Lahore.

پراکسی ای ووٹنگ فارم  
**Synthetic Products Enterprises Limited**  
127-S, Q.I.E. Township, Kot Lakhpat, Lahore.



**اختیار-1-Option**

کسی دوسرے شخص کو بطور نمائندہ (پراکسی) مقرر کرنے کیلئے

میں / ہم \_\_\_\_\_ ساکن \_\_\_\_\_ بطور ممبر (ز) ماری  
پیٹرولیم کمپنی لمیٹڈ، حامل \_\_\_\_\_ عام حصص، رجسٹرڈ فولیو / سی ڈی سی اکاؤنٹ نمبر \_\_\_\_\_ محترم  
فولیو / سی ڈی سی اکاؤنٹ نمبر (اگر ممبر ہو) ساکن \_\_\_\_\_ یا اُن کے حاضر نہ  
ہونے کی صورت میں محترم \_\_\_\_\_ فولیو / سی ڈی سی اکاؤنٹ نمبر \_\_\_\_\_ (اگر ممبر ہو)  
ساکن \_\_\_\_\_ کو اپنے / ہمارے ایما پر کمپنی کے مورخہ 27 اکتوبر 2018ء کو ہونے والے 36ویں سالانہ  
اجلاس عام میں شرکت کرنے اور حق رائے دہی استعمال کرنے کیلئے یا کسی بھی التوا کی صورت میں اپنا / ہمارا نمائندہ (پراکسی) مقرر کرتا ہوں / کرتے ہیں۔

**اختیار-2-Option**

کمپنیز (ای ووٹنگ) قوانین 2016ء کے مطابق کسی دوسرے شخص کو بطور نمائندہ (پراکسی) مقرر کرنے کیلئے

میں / ہم \_\_\_\_\_ ساکن \_\_\_\_\_ بطور ممبر (ز) ماری  
پیٹرولیم کمپنی لمیٹڈ، حامل \_\_\_\_\_ عام حصص، رجسٹرڈ فولیو / سی ڈی سی اکاؤنٹ نمبر \_\_\_\_\_ انٹرمیڈری کے ذریعے ای ووٹنگ کا اختیار  
دیتا ہوں / دیتے ہیں اور اس کے ذریعے Execution Officer ( \_\_\_\_\_ ) کی بطور نمائندہ (پراکسی) کی تقرری کی منظوری دیتا  
ہوں / دیتے ہیں مزید یہ کہ میں / ہم کمپنیز (ای ووٹنگ) قوانین 2016ء کے مطابق ای ووٹنگ کا استعمال کروں گا / کریں گے اور اسکے ذریعے قراردادوں کے انتخاب کا مطالبہ کرتا ہوں / کرتے  
ہیں۔

نمائندہ (پراکسی) کے دستخط

گواہان۔

1 (دستخط)	2 (دستخط)
نام	نام
پتہ	پتہ
شناختی کارڈ نمبر:	شناختی کارڈ نمبر:
پاسپورٹ نمبر:	پاسپورٹ نمبر:

نمائندہ (پراکسی) کی تقرری سے متعلق نکات:

اختیار-1- (option) کے تحت مقرر کردہ نمائندہ (پراکسی) کی دستاویز تحریری طور پر مقرر کرنے والے کے ہاتھ سے لکھی گئی ہو یا اُس کے اختیار کے تحت مقرر کردہ وکیل کی طرف ہونی چاہیے۔ اگر مقرر کردہ کمپنی ہے تو نمائندہ کی دستاویز کمپنی کی عام ہیر

(Common Seal) کے ساتھ مجاز افسر یا اُن کے مقرر کردہ وکیل کی طرف ہونی چاہیے۔

اختیار-1- (option) کے تحت بر لحاظ سے مکمل اور دستخط شدہ نمائندہ (پراکسی) کی تقرری کی دستاویز عام اجلاس کے وقت سے کم از کم 48 گھنٹے قبل موصول ہو جانی چاہیے۔ بصورت دیگر پراکسی کی دستاویز درست تصدیق ہوگی۔

اختیار-2- (option) کے تحت ای ووٹنگ کی دستاویز عام اجلاس کے دن سے کم از کم دس یوم قبل کمپنی کے رجسٹرڈ آفس پہنچی جائے۔

اگر کمپنی کو کم از کم پانچ اراکین یا کسی ایک رکن یا اراکین جن کی ووٹنگ کی طاقت دس فیصد سے کم نہ ہو، کی طرف سے انتخاب کی درخواست موصول ہوگی تو کمپنی ای ووٹنگ کا بندوبست کرے گی۔

**ویڈیو کانفرنس کی سہولت کیلئے فارم**

کسی دوسرے شخص کو بطور نمائندہ (پراکسی) مقرر کرنے کیلئے میں / ہم \_\_\_\_\_ ساکن \_\_\_\_\_ بطور  
ممبر (ز) ماری پیٹرولیم کمپنی لمیٹڈ، حامل \_\_\_\_\_ عام حصص، رجسٹرڈ فولیو / سی ڈی سی اکاؤنٹ نمبر ویڈیو کانفرنس کی سہولت  
بہتمام \_\_\_\_\_ چاہیں گے۔

رکن کے دستخط

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The Company Secretary,  
**SYNTHETIC PRODUCTS ENTERPRISES LIMITED**  
127-S, Q.I.E. Township,  
Kot Lakhpat, Lahore.

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#### Key features:

- Licensed Entities Verification
- Scam meter\*
- Jamapunji games\*
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- Stock trading simulator (based on live feed from KSE)
- Knowledge center
- Risk profiler\*
- Financial calculator
- Subscription to Alerts (event notifications, corporate and regulatory actions)
- Jamapunji application for mobile device
- Online Quizzes



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\*Mobile apps are also available for download for android and ios devices





**Synthetic Products Enterprises Limited**

127-S Quaid-e-Azam Industrial Estate,  
Township, Kot Lakhpat, Lahore, Pakistan.  
Phone: 042 111 005 005 | Fax: 042 351 18507