

The Right **Fit**



Cover Story

Upholding its stellar reputation, SPEL has exponentially evolved over the past decades through innovation & Technological breakthroughs in the spheres of engineering & plastics. The Company serves as The Right Fit for providing tailored products to a diverse portfolio, playing a pivotal role in the growth of manufacturing sector, which ultimately contributes to Economic prosperity of Pakistan.

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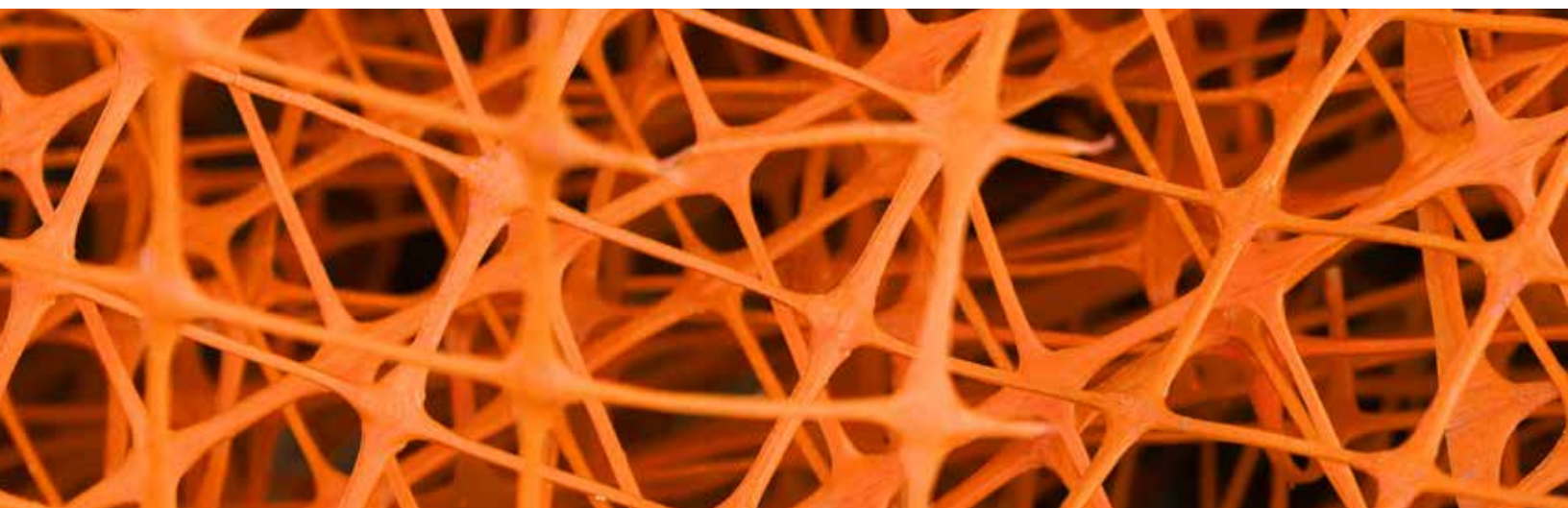
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CORPORATE INFORMATION



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

Mr. Haroon Sharif

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

Dr. Nighat Arshad

Non-Executive Director

Mr. Sheikh Naseer Hyder

Executive Director

Mr. Abid Saleem Khan

Chief Operating Officer/ Executive Director

Chief Financial Officer

Mr. Khalil Ahmad Hashmi, FCA

Company Secretary

Muhammad Kamran Farooq, ACMA

Audit Committee

Mr. Haroon Sharif

Chairman

Mr. Almas Hyder

Member

Dr. S. M. Naqi

Member

Mr. Muhammad Tabassum Munir

Member

Mr. Raza Haider Naqi

Member

Human Resource & Remuneration Committee

Mr. Khawar Anwar Khawaja

Chairman

Mr. Almas Hyder

Member

Mr. Zia Hyder Naqi

Member

Dr. Nighat Arshad

Member

Mr. Abid Saleem Khan

Member

Finance Committee

Mr. Almas Hyder

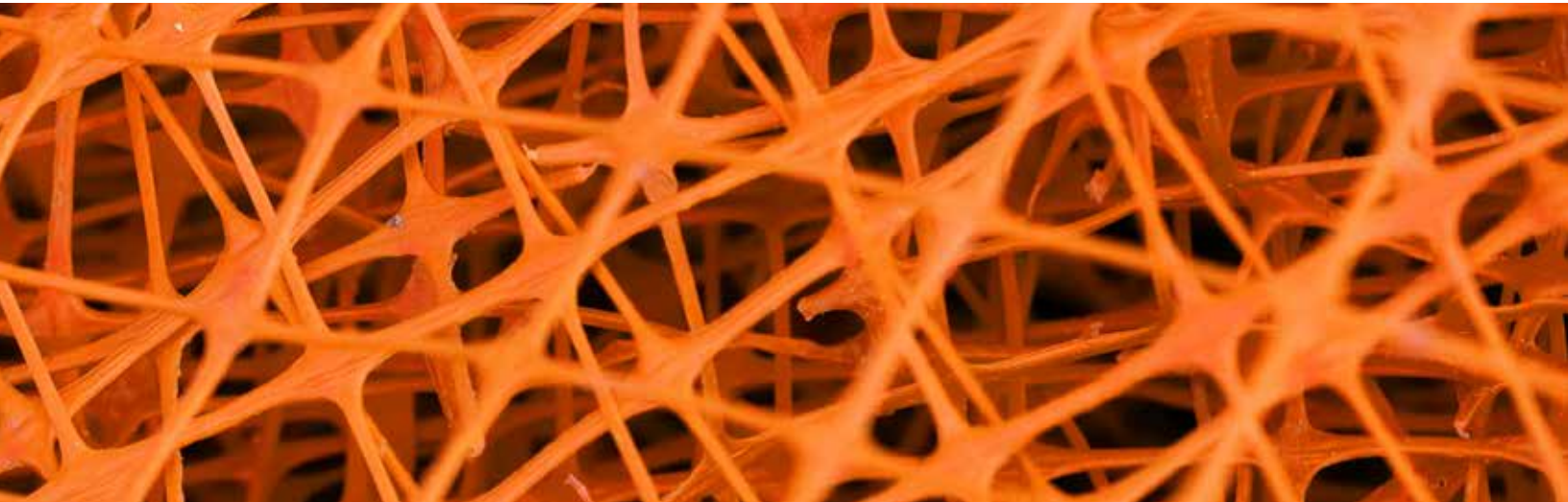
Chairman

Mr. Haroon Sharif

Member

Mr. Zia Hyder Naqi

Member



Mr. Muhammad Tabassum Munir
Member

Mr. Sheikh Naseer Hyder
Member

Mr. Abid Saleem Khan
Member

Registered Office

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

Factory

Pandoki

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

RYK Plant

Plot # 41 Punjab Industrial Estate KLP Road
Rahim Yar Khan

Share Registrar

THK Associates (Pvt) Ltd
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. 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 provides complete solutions, from design to product, which are aesthetically appealing, precise and meet quality and environmental standards. SPEL's capabilities include Designing, Molds & Dies Making, Injection Molding, Thermoforming, Blow Molding, Extrusion, Printing, Labeling, Shrink Sleeved Bottles, Stickering etc. SPEL has implemented numerous quality enhancement systems including Quality Control Circles, Total Quality Management, 5S, Kaizen and Toyota Production Systems. SPEL targets Quality as a lifestyle to produce world class products.

SPEL is engaged in manufacturing of following products:

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

Group Structure

SPEL is a public listed company. Approximately seventy five percent shares of the company are held by the sponsors and remaining shares 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.

Nature of Business

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

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

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

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 resources effectively.

We aim to develop long term sustainability of the organization by constantly upgrading our technologies, developing and training our employees and by following 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

Following are the core values of SPEL:



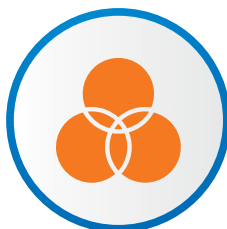
Respect

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



Customer Satisfaction

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



Integrity

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



Ownership

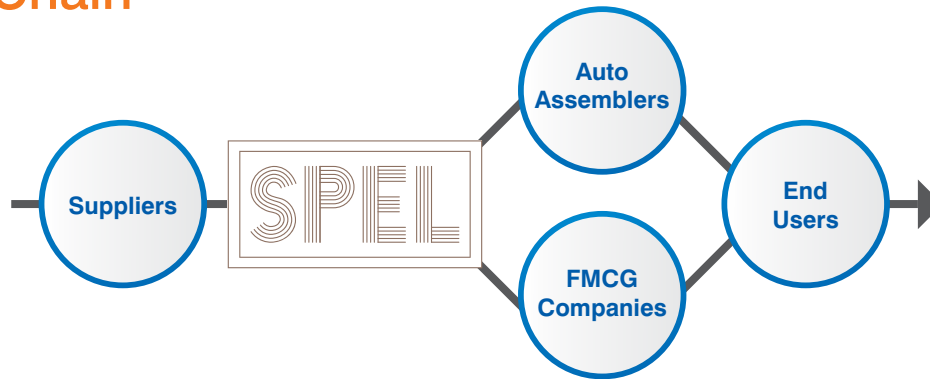
- Empowerment
- Punctuality
- Value time
- Capability
- Responsibility with authority
- Delegation
- Train people for growth and continuous improvement
- Prepare Leaders



Save Environment

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

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
- Limited tax net in Pakistan

Social

- Population growth rate
- Growing middle class
- Per capita income

Technological

- Energy saving technologies
- Efficient plant and machinery

Environmental

Safe drinking water awareness

Legal

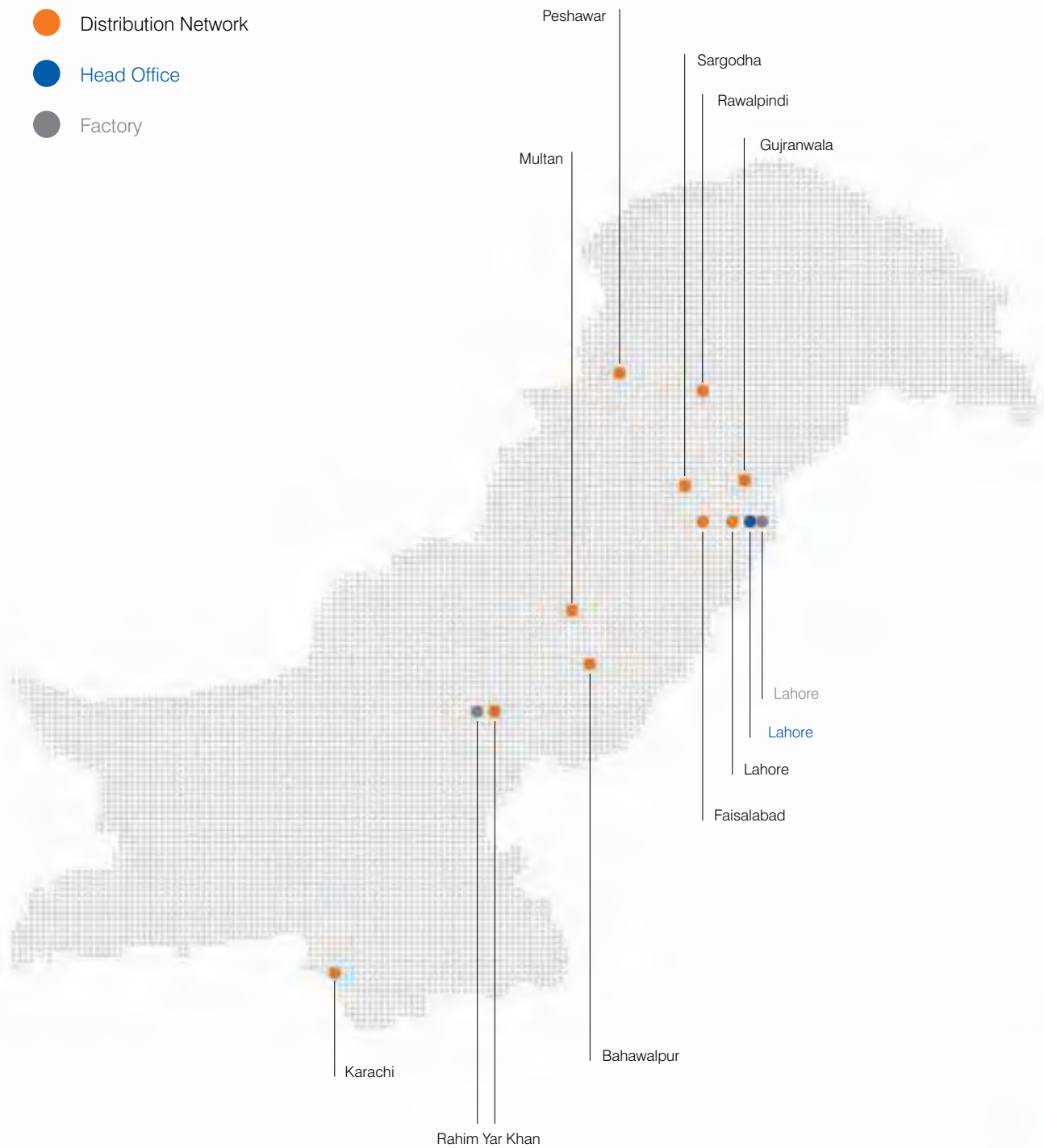
- Inaccurate declarations of imports & under invoicing in Pakistan
- Provincial Food Authorities

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

- Distribution Network
- Head Office
- Factory



CRITICAL PERFORMANCE INDICATORS



Sales Revenue



Profit After Tax



Gross Profit



Earning per Share-Basic and Diluted



Cash Dividend



Dividend Payout Ratio



Total Assets



Shareholders Equity



Bonus Dividend



Current Ratio



Debt to Equity



Breakup Value Per Share



CALENDER OF NOTEABLE EVENTS

For the Year 2018 -19

August 2018

Annual accounts approved by the Directors

October 2018

Annual General Meeting held

October 2018

Election of Directors

November 2018

Final cash dividend paid to the shareholders

January 2019

Inauguration of auto welding robot

February 2019

Half yearly accounts approved by the Directors

March 2019

Quality control circle - convention held

March 2019

Company received award on "Outstanding Quality Performance" by PSMC

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

- Chairman, Engineering Development Board
- 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 Upgradation 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 a strong positive impact in both the plastic industry and entrepreneurship in Pakistan. He was the President of Lahore Chamber of Commerce & Industry till recently.



Dr. Sheikh Muhammad 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 eighth book is in final stages. 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.



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 30 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



Mr. Haroon Sharif
(Independent Director)

Mr. Haroon Sharif served as the Minister of State and Chairman of Pakistan's Board of Investment in 2018-19. In his capacity as a senior member of the economic team of the Prime minister, he actively contributed on major decisions taken by the Economic Coordination Committee of the Cabinet and the Cabinet Committee on Privatisation. He was Pakistan's Lead Representative in the Joint Cooperation Committee (JCC) of China-Pakistan Economic Corridor (CPEC). He championed various reforms for improving Ease of Doing Business, setting up Specialized Economic Zones and facilitating foreign direct investment from China, the Arabian Gulf and East Asia. He was also a member of the Pakistan Tourism Board and high-level task forces.

Mr. Sharif worked for the UK's Department for International Development (DFID) as the Head of Economic Growth Group. He worked as the Regional Advisor to the World Bank Group. He remained the Executive Director of the Securities and Exchange Commission of Pakistan.

Mr. Haroon Sharif holds postgraduate qualifications in international business and development economics from the London School of Economic and Political Science and the University of Hawaii, USA.



Mr. Khawar Anwar Khawaja
(Independent Director)

Mr. Khawar Anwar Khawaja holds a bachelor's degree in Mechanical Engineering. He is serving 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.

His current engagements include:

- Director, Sialkot International Airport Limited
- Director, Port Services (Private) 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 current engagements include:

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



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.



Dr. Nighat Arshad

Non- Executive Director

Dr. Nighat Arshad has been Vice Chairman, Executive Board of the Asia Pacific Region Committee of the (WAGGGS) World Association of Girl Guides and Girl Scouts. She has served on the Executive Board for 6 years (2004-2010), and travelled widely while gaining invaluable experience in trainings and management of the Asia Pacific Region Girl Guiding.

In Pakistan she has been the Deputy National Commissioner of Pakistan Girl Guides Association. She has won many awards nationally and internationally.

She has strong academic records at all levels of education. She is a health service provider par excellence, practicing and teaching Homeopathy for over two decades. She also holds an MBA degree in Marketing.

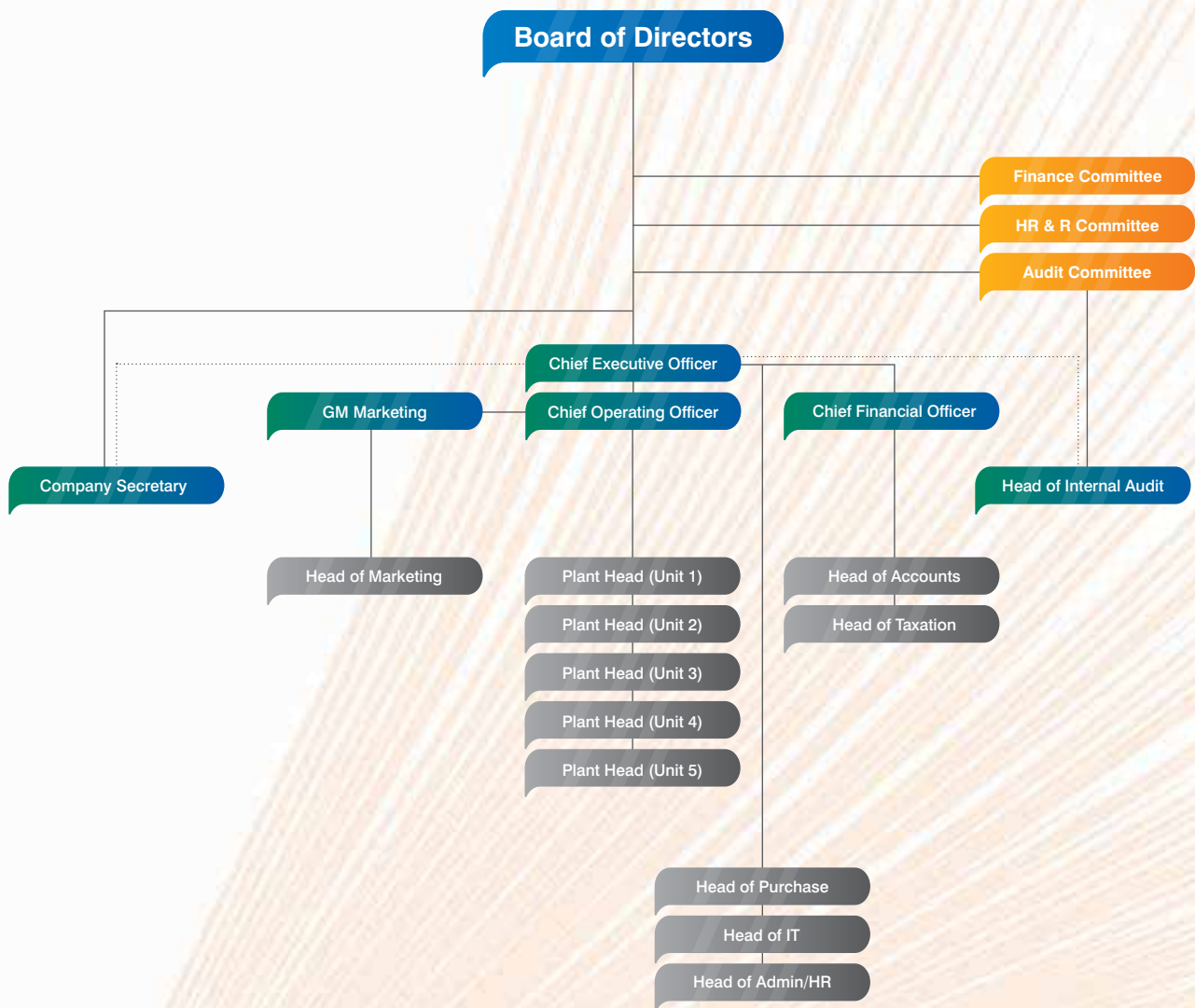


Mr. Abid Saleem Khan

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 attended many training programs within & outside Pakistan. He has been working with SPEL for 23 years and has a good understanding of the automobile and FMCG 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 Objectives

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

The results of these objectives are reflected in our increased revenue and controlled costs. 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 different 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 utilizes 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, 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 invested a significant amount for balancing, modernization and in expansion of manufacturing facilities.

Changes in Objective and Strategies from Prior Year

There are no significant changes in the objectives or strategies from prior year.

RISK AND OPPORTUNITY REPORT

Risks	Sources	Sensitivity	Mitigants
Liquidity Risk			
Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.	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	New levies go across the board, so we stay competitive.



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.

Opportunities:

Modern Technology

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

In House Mold Shop

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

Long Term Business Relationships

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

Strategy to Overcome Capital Inadequacy

Currently the Company has optimum capital mix and don't have any challenge for capital shortage, as evident from the fact that the Company's debt-to-equity ratio is 15% and current ratio is above 2 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 37 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. One female director has been inducted in the last 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
Mr. Haroon Sharif	Director	Independent non-executive Director
Khawar Anwar Khawaja	Director	Independent non-executive Director
Muhammad Tabassum Munir	Director	Independent non-executive Director
Dr. Nighat Arshad	Director	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 met four times, the audit committee comprises of following members.

NAME	POSITION	STATUS
Haroon Sharif	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

Terms of Reference of Audit Committee includes:

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



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

Human Resource & Remuneration Committee

The Board constitutes a Human Resource and Remuneration Committee which comprises of following members.

NAME	POSITION	STATUS
Mr. Khawar Anwar Khawaja	Chairman	Independent Non-Executive Director
Mr. Almas Hyder	Member	Non-Executive Director
Dr. Nighat Arshad	Member	Non-Executive Director
Mr. Zia Hyder Naqi	Member	Executive Director
Mr. Abid Saleem Khan	Member	Executive Director

The committee shall be responsible for:

Recommending human resource management policies to the board;

Recommending to the board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO;

Recommending to the board the selection, evaluation, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit; and

Consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO or COO.

Finance Committee

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

NAME	POSITION	STATUS
Almas Hyder	Chairman	Non-Executive Director
Zia Hyder Naqi	Member	Executive Director
Haroon Sharif	Member	Independent Non-Executive Director
Muhammad Tabassum Munir	Member	Independent Non-Executive Director
Sheikh Naseer Hyder	Member	Executive Director
Abid Saleem Khan	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 questions 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 has any foreign director on its Board.

Governance Practices Exceeding Legal Requirements

The Company complies with all the requirements of Law, 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 ten 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 well before the statutory timelines.

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 out of Pakistan

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.

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 Financial 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 annexed to this report.

Presence of Chairman Audit Committee at the Annual General Meeting

The Chairman of the Board Audit Committee attended the last Annual General Meeting of the Company held on 27 October 2018. The new Chairman has consented to attend the upcoming Annual General Meeting of the Company to answer the 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.

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

Communication Channels

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

Quarterly Earnings Release & Analyst Briefing

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

- **Analyst Earnings Models and Reports**

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

- **Closed Period**

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

- **Responding to Market Rumors**

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

** Investors’ Relations section is also available on the Company’s website.
“<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.

Election of the Board

Election of Directors was held on 27th October 2018. Dr. Nighat Arshad joined the Board as female Non-Executive Director. All of the Retiring Directors were re-elected un opposed.

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.

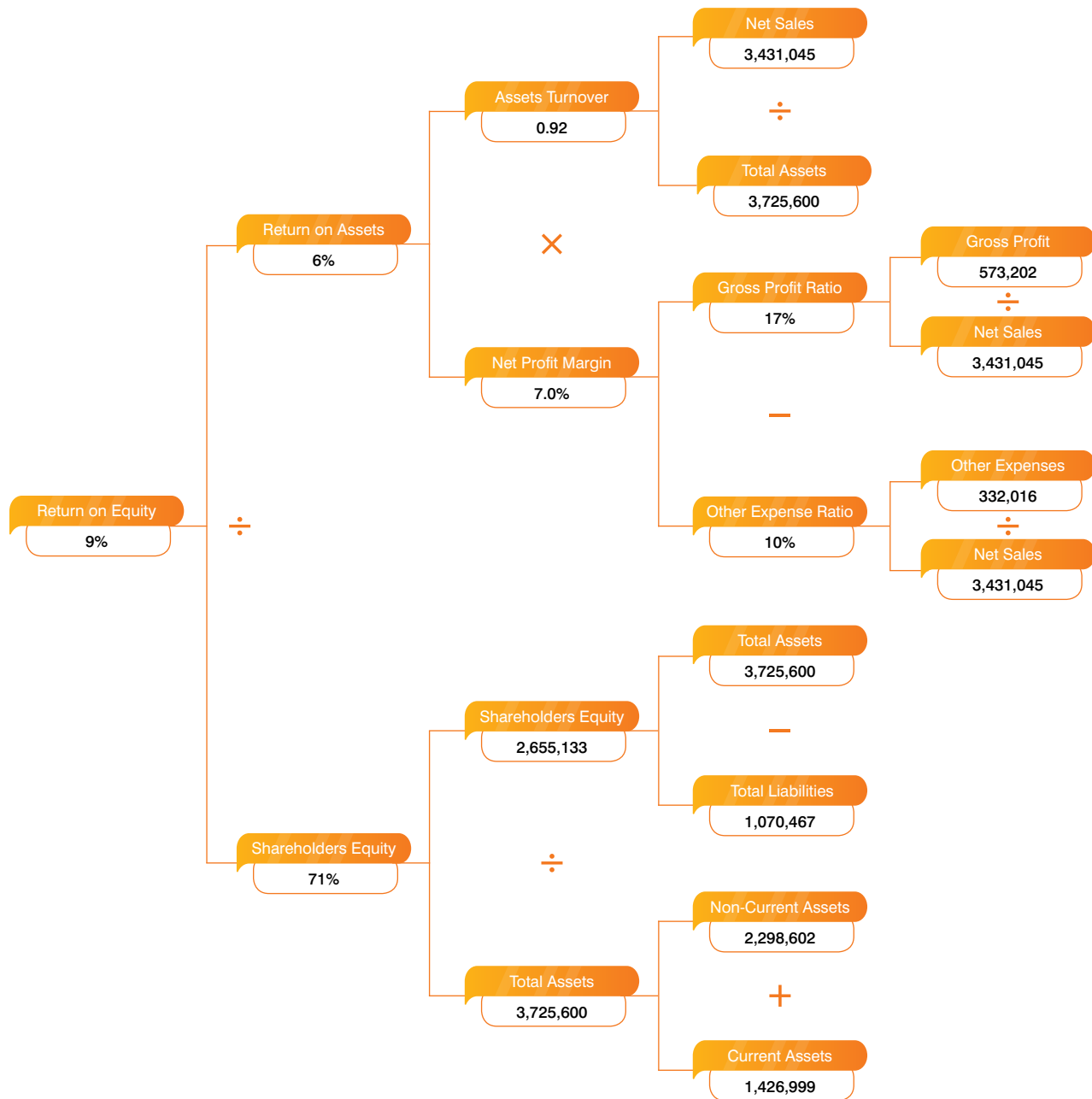


OUTSTANDING QUALITY PERFORMANCE AWARD

- Pak Suzuki Motor Company Limited

DUPONT ANALYSIS

As at 30 June 2019



Note: PKR in Thousand

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.

Segment Review

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

Interim Accounts Analysis	Q1	Q2	Q3	Q4	Total
Sales -net	876,344	674,006	741,406	1,139,289	3,431,045
Cost of sales	(710,630)	(566,629)	(604,812)	(975,772)	(2,857,843)
Gross profit	165,714	107,377	136,594	163,517	573,202
Administrative expenses	(43,392)	(37,072)	(40,325)	(44,769)	(165,558)
Selling & distribution	(16,335)	(13,512)	(15,457)	23,874	(21,429)
Operating profit	105,988	56,793	80,811	142,623	386,215
Other income	2,910	3,792	1,716	5,780	14,198
Other charges	(7,852)	(3,429)	(6,284)	(18,715)	(36,279)
Finance cost	(11,962)	(21,747)	(21,365)	(20,970)	(76,045)
Profit before taxation	89,083	35,409	54,878	108,718	288,088
Taxation	(12,660)	(4,233)	(5,061)	(33,413)	(46,902)
Profit after taxation	76,423	39,641	49,816	75,306	241,186
Earnings per share	0.90	0.47	0.59	0.89	2.83

Sales

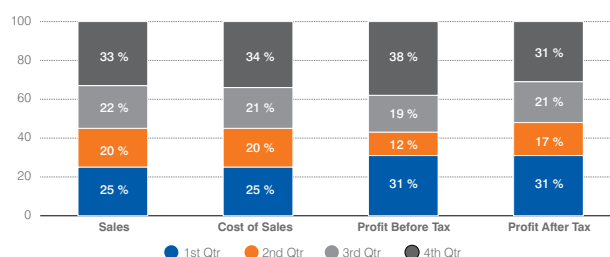
Sales of the Company grew @ 15% in the FY 2018-19 as compared to previous year. The sales to the food and FMCG Packaging industry is seasonal and accordingly the sales declined in the second quarter whereas the number was highest in the fourth quarter, the Company follows the similar pattern almost every 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.

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.



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.

STAKEHOLDERS RELATIONSHIPS AND ENGAGEMENT

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. 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 36th Annual General Meeting (AGM) started with a brief by the Chairman of the meeting about the Company's performance for the financial year 2017-18, and an update on the progress of ongoing projects.

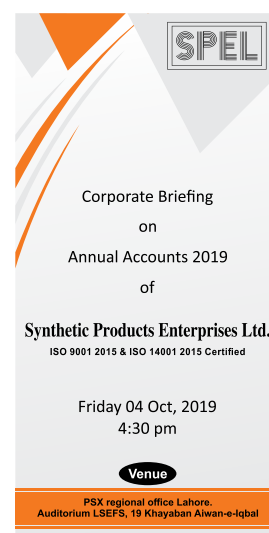
Final cash dividend @ 10% i.e. PKR 1.00/- per share was approved by the shareholders in the meeting, which was distributed amongst the entitled shareholders.

It was also decided to reappoint M/s KPMG Taseer Hadi & Co. Chartered Accountants, as external auditors of the company for the year ending June 30, 2019.

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.



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 University of Engineering and Technology (UET).
- 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 Bhasha 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. 670 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 2019–20 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.

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.










Analysis of Last Year's Forward Looking Disclosures

Disclosures	Current Status
Growth in Sales	15% sales growth achieved
Investment in fixed assets	An amount of Rs 355 million invested in capex
Training of staff	4,278 man-hours were invested on training of staff members

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

Key Partners  <ul style="list-style-type: none"> -Customers -Distributors -Suppliers -HR Agencies -Banks -Transportation -Shareholders -Training Institutes -Construction Cos. -Warehouses -Government Institutions 	Key Activities  <ul style="list-style-type: none"> -Product Development -Product Manufacturing -Marketing & Sales -R&D -Customer Service -Supply Chain Management -Operations Management 	Value Propositions  <ul style="list-style-type: none"> -Complete solution from Design to Product -Quality Product -On time Delivery -Competitive Prices 	Customer Relationships  <ul style="list-style-type: none"> -Personal visits/ Relationships -Quick Response -Understanding Customer's Need & Aligning Organization to fulfil these Needs 	Customer Segments  <ul style="list-style-type: none"> -Automotive OEMS -FMCGs -Food and Non Food Packaging
Key Resources  <ul style="list-style-type: none"> -Financial Resource -Human Resource -Machinery/Equipment -Raw Materials -Management/Marketing/ Sales/ IT/Engineering/ Operations -Infrastructure/Building 		Channels  <ul style="list-style-type: none"> -Business to Business/ Direct -Distribution -Hole in the Wall 		
Cost Structure  <ul style="list-style-type: none"> -Fixed Cost (Land, Building, Equipment etc.) -Raw Materials -Transportation -Salaries & Wages -Operations -Marketing & Selling, Traveling, Trainings, Entertainment etc. 		Revenue Streams  <ul style="list-style-type: none"> -Product Sales -Investments 		

REPORT OF THE BOARD AUDIT COMMITTEE

The Board Audit Committee is pleased to present its report:

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 have in-depth experience of finance and economics.

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 recommended the related party transactions. The Committee also concluded its review on the operations of the Company on quarterly basis.

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 Internal Audit Department carried out independent audits in accordance with an internal audit plan which was approved by the Board Audit Committee. Further, the Board Audit Committee has reviewed material Internal Audit findings and management's response thereto, taking appropriate action or bringing the matters to the Board's attention where required.

The Head of Internal Audit has direct access to the Chairman of the Board Audit Committee and the Committee has ensured appropriate staffing of personnel with sufficient internal audit wisdom and that the function has all necessary access to Management and the right to seek information and explanations.

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 Committee is of the view that management has issued a comprehensive Annual Report, which gives true and fair view, balanced and understandable information and provides in depth understanding to the shareholders to assess the Company's position and performance, business model and strategy.

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 has recommended to the Board re-appointment of M/s KPMG Taseer Hadi and Co. Chartered Accountants as external auditors for the year 2019-20.



Haroon Sharif
Chairman of the Board Audit Committee

Date: 27 September 2019
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 2019.

Business Performance

During the period under review, country's economy showed mixed performance. The pressure on foreign exchange reserves coupled with higher international commodity prices started to reflect in higher cost of production. On the other side the Company also faced variations in customer's as perceived which have impacted the top and bottom line of the Company.

Despite difficult economic conditions and tougher business environment, your company was able to achieve a sale of Rs. 3,431 million showing a healthy growth of 15%. The gross profit margins have come under pressure mainly due to pressure on the costs of input caused due to depreciation of rupee by 32% during the year. The management has kept a control on administrative and selling expenses which collectively increased by 6.3% only despite higher inflation rates during the year under review.

Financial Results

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

	2019	2018
Rupees in million		
Turnover	3431.05	2,987.31
Gross profit	573.20	614.25
Operating profit	386.21	438.03
Financial cost	76.04	46.25
Profit before taxation	288.09	370.65
Taxation	46.90	26.37
Profit after tax	241.18	344.27
Dividends and Appropriations		
Final cash dividend @ 6% (2018: @10%)	51.05	85.08
Final Bonus dividend @ 4% (2018: NIL)	34.03	–
Total Dividend	10%	10%

To improve capability and capacity, the Company invested Rs. 355 million (2018: Rs. 420 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.

The company has also completed installation of the industrial robotic system. The project started its operations in the month of January 2019, the President & Chief Executive Officer of Honda Cars Pakistan Limited, Mr. Hironbou Yoshimura inaugurated the project.

Earnings per Share

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

Basic and diluted EPS – 2019	Rs. 2.83
Basic and diluted EPS – 2018	Rs. 4.05

Taxation

The Finance Act, 2019 has reduced the benefit of tax credit for investing in plant and machinery from 10% to 5%. Accordingly the tax credit of 5% has been accounted for in the accounts of fiscal year 2019. Such tax credit has been abolished for tax year 2020 and onward.

The Company is entitled to claim a tax credit on account of investing in plant and machinery financed through new equity till the tax year 2020. This credit has been accounted for in the accounts under review.

Operations Awards and Recognition:

It gives the Directors great pleasure to inform you that the Company had the honour of receiving an award from Pak Suzuki Motor Company Limited in recognition of outstanding Quality Performance.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Corporate Social Responsibility

SPEL believe is supporting the community and has a policy to contribute for the social welfare and for initiatives of national interest. We recognize our responsibilities to sustainability and environmental stewardship. We strive to make sure 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 the communities in which we operate. Some CSR Activities taken up during the fiscal year includes:

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

Human Resource

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. During the period under review Company invested 4,278 man hours on the training of its employees. 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, Toyota Management Systems, Energy Management Systems, Basic Life Support & Emergency Support etc.

Internal Trainings: 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 Injection Molding Helper & Operator Module, Blow Molding Helper & Operator Module, Labour Laws, Fire Safety (with the help of Rescue 1122 Trainers), Kaizen, 6S, QCC etc.

Election of Directors

During the year under review, your company conducted the election of Directors as per requirements of the Companies Act, 2017. The previous Board had fixed ten seats for election of Directors against which ten nominations were received including one female nomination and all the consenting nominees were elected by the shareholders in the 36th Annual General Meeting held on 27 October 2018.

Composition of the Board

The composition of the Board has been established to fulfil the company's need for expertise, capacity and diversity, requirements of code of corporate governance and to ensure that the Board functions well as a collegiate body.

Total number of Directors of the Company is as follows:

Male Directors	09
Female Directors	01

The composition of the Board is as follows:

Independent Directors	03
Other Nonexecutive Directors	04
Executive Directors	03

Remuneration Policy for Non-Executive Directors and Independent Directors

The Board has approved a policy for remuneration to 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, four (04) Board meetings were held and attendance by each director is given below:

NAME	STATUS	MEETINGS ATTENDED
Mr. Almas Hyder	Chairman/Non-Executive Director	4
Dr. S. M. Naqi	Non-Executive director	3
Mr. Zia Hyder Naqi	CEO/Executive director	3
*Dr. Syed Salman Ali Shah	Independent Non-Executive Director	3
*Mr. Haroon Sharif	Independent Non-Executive Director	0
Mr. Khawar Anwar Khawaja	Independent Non-Executive Director	2
Mr. Muhammad Tabassum Munir	Independent Non-Executive Director	4
Mr. Raza Haider Naqi	Non-Executive Director	4
**Dr. Nighat Arshad	Non-Executive Director	3
Mr. Sheikh Naseer Hyder	Executive Director	3
Mr. Abid Saleem Khan	Executive Director	4

*Dr. Syed Salman Shah has resigned from the Board on 16 May 2019 upon joining Government of the Punjab. Before his resignation only 04 meetings were held during the period under review. Mr. Haroon Sharif has been appointed as Director in place of Dr. Syed Salman Ali Shah subsequent to the period under review.

**Dr. Nighat Arshad joined the board on 27 Oct 2018 after her appointment only 3 meetings were held during the period under review.

Leaves of absence were granted to the members on their request 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
*Mr. Haroon Sharif	Committee Chairman	0
*Dr. Syed Salman Ali Shah	Ex-Committee Chairman	3
Mr. Almas Hyder	Member	4
Dr. S. M. Naqi	Member	3
Mr. Muhammad Tabassum Munir	Member	4
Mr. Raza Haider Naqi	Member	4

*Mr. Haroon Sharif has been appointed as member and Chairman of the Audit Committee on 9 August 2019, there is no meeting held after his appointment.

Leaves of absence were granted to the members on their request who could not attend the meetings.

Human Resource & Remuneration Committee

During the year under review 02 (Two) meetings of the Human Resource and Remuneration Committee (HR Committee) were held. The composition of the HR Committee and the attendance by each member is as follows:

NAME	STATUS	MEETINGS ATTENDED
Mr. Khawar Anwar Khawaja	Committee Chairman	2
Mr. Almas Hyder	Member	2
*Dr. S. M. Naqi	Member	1
Mr. Zia Hyder Naqi	Member	2
*Dr. Nighat Arshad	Member	0
Mr. Abid Saleem Khan	Member	2

*After the election of Director on 27 October 2018 the Committee reconstituted and Dr. Nighat Arshad joined the Committee in place of Dr. S. M. Naqi. Dr. S. M. Naqi is no longer the part of this committee.

Leaves of absence were granted to the members on their request who could not attend the meetings.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Finance Committee

During the year under review no meetings of the Finance Committee was held. The composition of the Finance Committee is as follows:

NAME	STATUS
Mr. Almas Hyder	Committee Chairman
Mr. Zia Hyder Naqi	Member
Mr. Haroon Sharif	Member
Mr. Muhammad Tabassum Munir	Member
Mr. Sheikh Naseer Hyder	Member
Mr. Abid Saleem Khan	Member

Training by Directors

At the reporting date, four (04) directors of the Company are certified directors while one director is exempted from the requirement of Directors Training Program under the criteria prescribed in the Listed Companies (Code of Corporate Governance) Regulations, 2017. The remaining directors will attend the DTP as per the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017.

Performance Evaluation of the Board

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:

- Evaluation of Overall Board
- Evaluation of Board Committees
- Evaluation of skills of all members
- Business Strategy
- Succession Planning

Investor Relations and Grievances

The company places significant importance on its relations with investors and has established a 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. During the year the company has not received any complaint or grievances, however, certain requests for revalidation of dividend warrants and despatch of physical reports were received which were addressed to the satisfaction of the shareholders.

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 2019-20.

Pattern of Shareholding

The pattern of shareholding is annexed to this report.

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 and we confirm that:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern.
- Key operating and financial data for the last six years is annexed.
- Information about taxes and levies is given in notes to the Financial Statements.
- There is no likelihood of any delayed payments or default in respect of all loans availed by the Company.
- There is no material risks and uncertainties specific to our Company except political and economic risks.
- There is no material impact of our business on the environment.
- The Company operates a contributory Provident Fund Scheme for all its eligible employees. The value of investment as on 30 June 2019 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 2019 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

With the current economic challenges and macro-economic situation, your Company considers that in short to medium term, the outlook of the industry will continue to remain challenging. In the long-term, the outlook on industry is positive.

SPEL's healthy financial position and cash generating ability is anticipated to further support the Company's Vision to improve operational efficiencies as well as to make new investments, which can bring in further improvement in efficiencies and will enhance shareholders' value.

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.



Chief Executive Officer

Date: 27 Sep 2019
Lahore



Director

SIX YEARS FINANCIAL INFORMATION

Financial Summary		2019	2018	2017	2016	2015	2014
Balance Sheet							
Share capital	Rs. in 000	850,850	850,850	850,850	773,500	773,500	580,000
No of shares (closing)	No. in 000	85,085	85,085	85,085	77,350	77,350	58,000
Fixed assets	Rs. in 000	2,230,299	2,194,146	1,875,868	1,515,337	1,030,345	873,185
Total assets	Rs. in 000	3,725,600	3,490,539	2,985,184	2,481,024	2,364,932	1,524,452
Equity	Rs. in 000	2,655,133	2,499,747	2,094,928	1,836,335	1,557,894	825,933
Long term loans & leases	Rs. in 000	271,388	323,132	202,292	41,332	92,707	75,091
Current assets	Rs. in 000	1,426,999	1,281,467	1,086,233	943,727	1,320,570	618,881
Stocks	Rs. in 000	594,567	654,310	448,138	333,875	337,658	260,073
Debtors	Rs. in 000	487,003	325,902	339,046	281,158	249,155	185,228
Cash and bank Balances	Rs. in 000	42,021	17,419	57,874	51,063	37,633	78,903
Creditors	Rs. in 000	167,975	168,491	164,643	128,045	127,469	82,923
Current liabilities	Rs. in 000	591,034	480,881	510,596	443,987	592,197	501,811
Non-Current liabilities	Rs. in 000	479,433	509,911	379,660	200,703	214,841	196,708
Total liabilities	Rs. in 000	1,070,467	990,792	890,256	644,690	807,038	698,519
Short term finances	Rs. in 000	416,876	307,027	342,313	311,800	456,605	414,784
Working capital	Rs. in 000	887,914	784,831	602,087	469,658	443,378	352,712
Profit and Loss Account							
Sales	Rs. in 000	3,431,045	2,987,315	2,699,673	2,321,851	2,165,703	1,718,561
Cost of sales	Rs. in 000	2,857,843	2,373,059	1,983,897	1,739,357	1,672,903	1,371,825
Gross profit	Rs. in 000	573,202	614,256	715,776	582,493	492,801	346,736
Profit before taxation	Rs. in 000	288,088	370,647	463,962	393,543	286,310	175,120
Depreciation	Rs. in 000	186,447	158,711	132,582	89,120	74,345	63,523
Amortization	Rs. in 000	1,851	1,907	1,922	1,588	1,387	1,342
Financial cost	Rs. in 000	76,045	46,249	32,744	38,439	59,028	56,462
Profit after tax	Rs. in 000	241,186	344,272	417,161	355,791	229,745	121,933
EBIT	Rs. in 000	364,133	416,897	496,706	431,982	345,338	231,582
EBITDA	Rs. in 000	552,431	577,514	631,211	522,690	421,070	296,447
Cash Flow Statement							
Cash flow from operating activities	Rs. in 000	244,113	293,035	403,894	343,050	204,667	212,996
Cash flow from investing activities	Rs. in 000	(204,579)	(367,692)	(430,278)	(54,987)	(756,799)	(98,246)
Cash flow from financing activities	Rs. in 000	9,594	(15,017)	49,113	(135,565)	404,476	(65,105)
Opening cash & cash equivalents	Rs. in 000	(66,154)	23,521	793	(151,704)	(4,048)	(53,693)
Closing cash & cash equivalents	Rs. in 000	(17,026)	(66,154)	23,521	793	(151,704)	(4,048)
Free Cash flows		39,534	(74,658)	(26,385)	288,063	(552,132)	114,750

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

Significant Ratios		2019	2018	2017	2016	2015	2014
Profitability							
Gross profit ratio	%age	17%	21%	27%	25%	23%	20%
Net profit ratio	%age	7%	12%	15%	15%	11%	7%
EBIDTA margin to sales	%age	15%	19%	23%	23%	19%	17%
Return on equity	%age	9%	14%	20%	19%	15%	15%
Return on capital employed	%age	8%	13%	20%	20%	18%	16%
Liquidity / Leverage							
Current ratio	Times	2.41	2.66	2.13	2.13	2.23	1.23
Quick/Acid test ratio	Times	1.41	1.30	1.25	1.37	1.66	0.72
Cash to current liabilities	%age	7%	4%	11%	12%	6%	16%
Cash flow from operations to sales	%age	13%	14%	19%	20%	15%	17%
Activity/Turnover Ratios							
Inventory turnover ratio	Times	4.58	4.31	5.07	5.18	5.60	4.73
No of days in inventory	Days	59.87	84.78	71.94	70.46	65.21	77.14
Debtor turnover ratio	Times	8.44	8.99	8.71	8.76	9.97	8.37
No of days in receivables	Days	43.24	40.62	41.93	41.68	36.60	43.59
Creditor turnover ratio	Times	16.99	14.25	13.56	13.61	15.90	10.00
No of days in payables	Days	21.49	25.62	26.92	26.81	22.95	36.50
Fixed assets turnover ratio	Times	1.54	1.36	1.44	1.53	2.10	1.97
Total assets turnover ratio	Times	0.92	0.86	0.90	0.94	0.92	1.13
Operating cycle	Days	81.62	99.79	86.94	85.33	78.86	84.23
Investment/Market Ratios							
Earning per share - Reported	Rs.	2.83	4.05	4.90	4.18	3.48	2.10
Dividend yield ratio	%age	4.5%	2.0%	3.3%	3.2%	1.8%	N/A
Dividend payout ratio	%age	35.3%	24.7%	51.0%	35.9%	28.7%	N/A
Dividend cover ratio	Times	2.83	4.05	1.96	2.79	3.48	2.10
Dividend per share***	Rs.	1.00	1.00	2.50	1.50	1.00	1.00
Market value per share at the year/ period end*	Rs.	22.19	51.1	75.45	46.90	54.87	N/A
Breakup value per share (without land's revaluation surplus)	Rs.	27.33	25.50	21.95	20.81	17.21	10.33
Breakup value per share (with land's revaluation surplus)	Rs.	31.21	29.38	24.62	23.74	20.14	14.24
Capital Structure Ratios							
Financial leverage ratio	Times	0.26	0.25	0.26	0.19	0.35	0.59
Weighted average cost of debt	%age	12%	8%	7%	9%	11%	11%
Debt to equity ratio	Times	0.14	0.15	0.12	0.06	0.11	0.15
Interest cover ratio	Times	4.79	9.01	15.17	11.24	5.85	4.10
Return to Shareholders							
R.O.E. before tax	%age	11%	15%	22%	21%	18%	21%
R.O.E. after tax	%age	9%	14%	20%	19%	15%	15%
EPS	Rs.	2.83	4.05	4.90	4.18	3.48	2.10
Solvency							
Debtors turnover	Times	8.44	8.99	8.71	8.76	9.97	8.37
Creditors turnover	Times	16.99	14.25	13.56	13.61	15.90	10.00
Other Information							
Sale growth rate	%age	15%	11%	16%	7%	26%	21%

* Source of information is Pakistan stocks exchange website.

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

*** This includes bonus & cash dividend to be paid after approval from shareholders in Annual General Meeting.

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 7% in the year 2014 to 15% in the previous years, however it is maintained at 7% in current year despite the economic crisis.

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. 2.10 in 2014 to Rs. 2.83 in 2019 whereas the break-up value has increased from Rs. 14.24 per share to Rs. 31.21 per share in 2019.

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. 121 million in the year 2014 to Rs. 241 million in 2019. The gross profit has improved from Rs. 346 million in the year 2014 to Rs. 573 million in the year 2019. 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.

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.

Comments on Vertical Analysis

The gross profit ratio of the company decreased from 20.18% to 16.71% from the year 2014 to 2019 due to increased cost of raw materials. However the net profit ratio of the company is maintained at 7% by controlling administrative and other cost.

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 2019.

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 14001 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.

CASH FLOW STATEMENT DIRECT METHOD

	2019 Rupees	2018 Rupees
Cash flows from operating activities		
Cash receipts from customers	3,269,943,720	3,000,459,578
Cash paid to suppliers and employees	(2,824,399,005)	(2,571,221,945)
Cash generated from operations	445,544,715	429,237,633
Workers' Profit Participation Fund and Workers' Welfare Fund paid	(28,105,237)	(37,287,406)
Finance cost paid	(75,225,867)	(44,526,242)
Taxes paid	(61,437,097)	(56,826,310)
Long term deposits - net	610,913	2,436,897
	(164,157,288)	(136,203,061)
Cash generated from operating activities	281,387,427	293,034,572
Cash flows from investing activities		
Fixed capital expenditure	(237,280,837)	(377,175,583)
Intangibles acquired	-	(614,216)
Proceeds from disposal of property, plant and equipment	7,046,328	8,107,239
Proceeds from disposal of available for sale investment	-	1,971,200
Proceeds from disposal of subsidiary	-	19,171
Net cash used in investing activities	(230,234,509)	(367,692,189)
Cash flows from financing activities		
Principal repayment of lease liability	(4,970,315)	(15,727,656)
Long term finance repaid	-	(24,542,403)
Diminishing musharika paid / acquired - net	(474,301)	173,774,709
Short term borrowings - net	(42,629,311)	(105,952,225)
Cash dividend paid	(83,894,214)	(42,569,421)
Net cash generated from / (used in) financing activities	(131,968,141)	(15,016,996)
Net increase / (decrease) in cash and cash equivalents	(80,815,223)	(89,674,613)
Cash and cash equivalents at beginning of the year	(66,153,820)	23,520,793
Cash and cash equivalents at end of the year	(146,969,043)	(66,153,820)

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 2014 to FY 2019.

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.

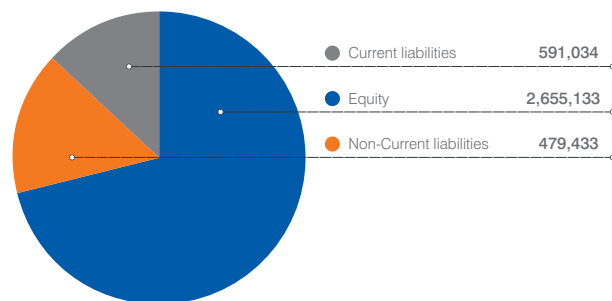
Rationale of Major Capital Expenditures

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. Further the company, is working on a project to establish a manufacturing facility in Karachi, as SPEL has strong customer presence in the city.

GRAPHICAL PRESENTATION

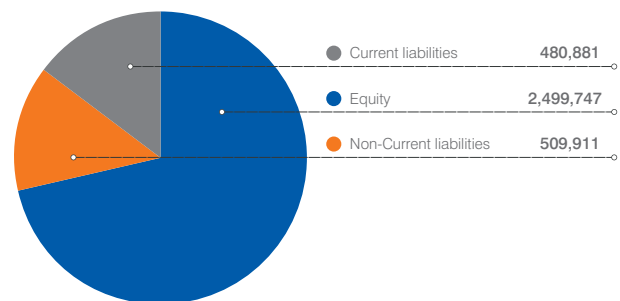
2019 Equity and Liabilities

(Rs. in 000)



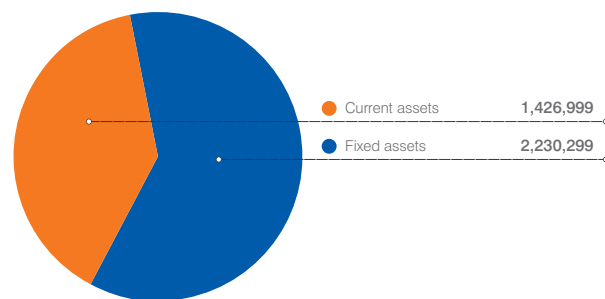
2018 Equity and Liabilities

(Rs. in 000)



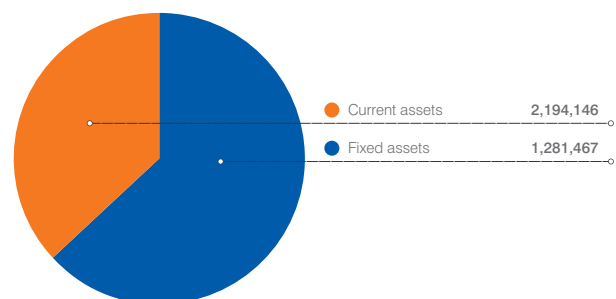
2019 Assets

(Rs. in 000)



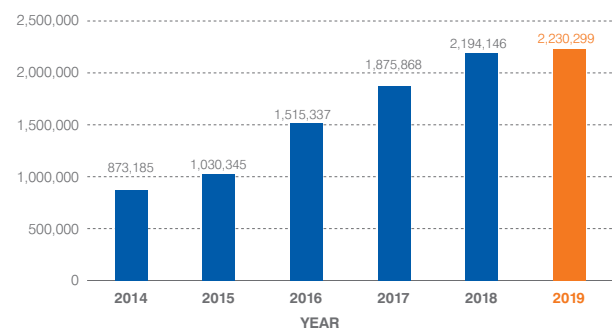
2018 Assets

(Rs. in 000)



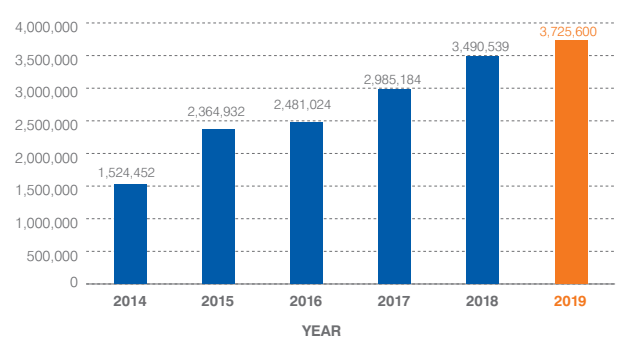
Fixed Assets

(Rs. in 000)



Total Assets

(Rs. in 000)



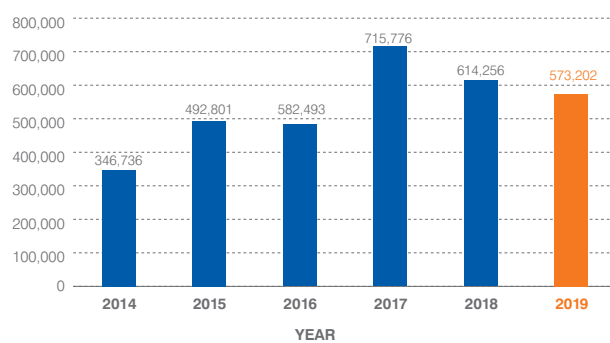
Sales

(Rs. in 000)



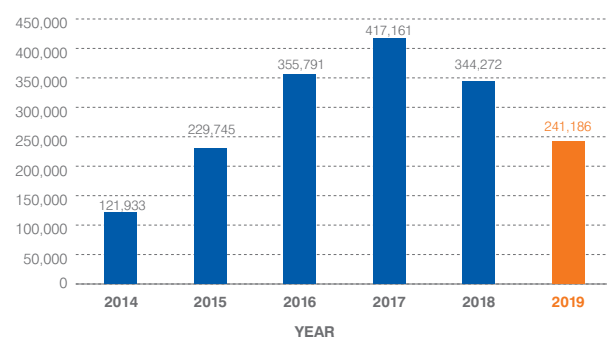
Gross Profit

(Rs. in 000)



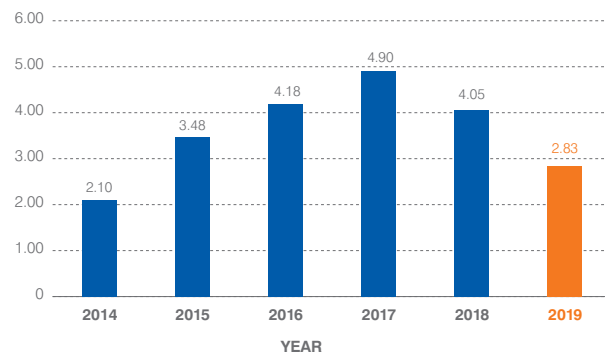
Profit After Tax

(Rs. in 000)



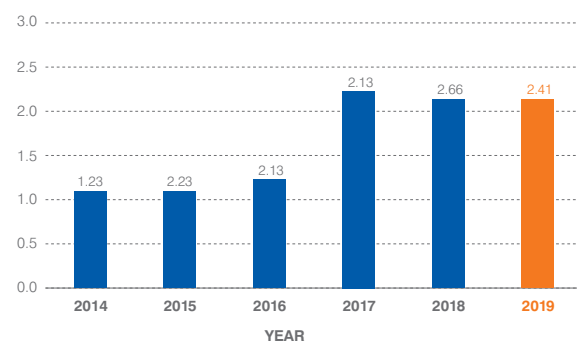
EPS

(Rupees)



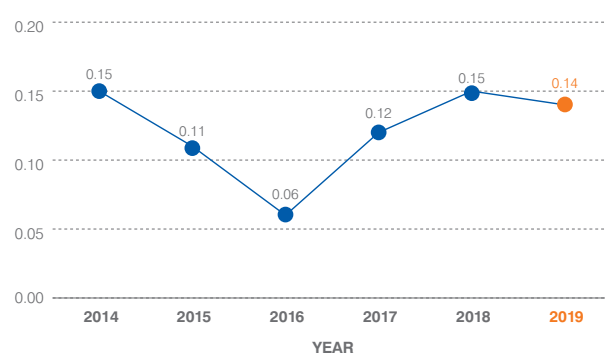
Current Ratio

(Times)



Debt to Equity Ratio

(Times)



HORIZONTAL FINANCIAL ANALYSIS

	2019		2018		2017		2016		2015		2014	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
Nomenclature												
Equity and reserves	2,325,101	7.16	2,169,715	16.15	1,867,985	16.07	1,609,392	20.92	1,330,951	122.20	598,990	15.57
Surplus on revaluation of land	330,032	-	330,032	45.42	226,943	-	226,943	-	226,943	-	226,943	100.00
Long term loans	262,445	-15.59	310,923	61.55	192,458	682.81	24,585	-61.18	63,326	85.45	34,147	100.00
Non current liabilities	216,988	9.05	198,988	6.30	187,202	6.29	176,117	16.24	151,516	-6.79	162,561	-12.94
Total current liabilities	591,034	22.91	480,881	-5.82	510,596	15.00	443,987	-25.03	592,197	18.01	501,811	-18.39
	3,725,600	6.73	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
Property plant and equipment	2,230,299	1.65	2,194,146	16.97	1,875,868	23.79	1,515,337	47.07	1,030,345	18.00	873,185	38.77
Long term investments	1,078	-43.09	1,893	-70.05	6,321	1342.41	438	-82.79	2,546	-43.38	4,496	1.81
Non current assets - others	10,571	-18.89	13,033	-22.25	16,762	-22.12	21,522	87.62	11,471	-36.23	17,990	15.21
Stores spares and loose tools	25,681	-4.50	26,891	31.47	20,454	18.03	17,330	8.54	15,966	65.18	9,666	503.12
Stock in trade	568,886	-9.33	627,420	46.70	427,684	35.11	316,545	-1.60	321,691	28.47	250,407	-21.30
Trade debts	487,003	49.43	325,902	-3.88	339,046	20.59	281,158	12.84	249,155	34.51	185,228	-17.76
Income tax receivables	259,543	16.19	223,379	21.72	183,516	25.40	146,348	72.37	84,902	5.03	80,833	-12.67
Advances, deposits, prepayments and other receivables	43,865	-27.45	60,458	4.85	57,659	2.44	56,284	83.20	30,722	29.39	23,744	52.28
Cash and bank balances	42,021	141.24	17,419	-69.90	57,874	13.34	51,063	35.68	37,633	-52.30	78,903	352.52
	3,668,945	5.11	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
Nomenclature												
Sales - net	3,431,045	14.85	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
Cost of sales	2,857,843	20.43	2,373,059	19.62	1,983,897	14.06	1,739,357	3.97	1,672,903	21.95	1,371,825	15.91
Gross profit	573,202	-6.68	614,256	-14.18	715,776	22.88	582,493	18.20	492,801	42.13	346,736	49.26
Admin expenses	165,558	5.15	157,446	16.20	135,498	16.08	116,724	11.87	104,335	29.60	80,507	13.63
Selling and distribution expenses	21,429	14.09	18,782	-64.91	53,525	12.81	47,445	11.85	42,417	28.14	33,102	-0.70
Operating profit	386,215	-11.83	438,028	-16.84	526,752	25.92	418,325	20.89	346,049	48.44	233,127	81.97
Other charges	36,279	-6.58	38,835	-12.87	44,570	49.10	29,892	-3.27	30,902	134.83	13,159	192.90
Finance cost	76,045	64.42	46,249	41.24	32,744	-14.82	38,439	-34.88	59,028	4.54	56,462	12.14
Other income	273,890	-22.40	352,944	-21.47	449,438	28.41	349,993	36.65	256,120	56.64	163,506	123.16
	14,198	-19.80	17,703	21.89	14,524	-66.65	43,550	44.25	30,191	159.96	11,614	140.21
Profit before tax	288,088	-22.27	370,647	-20.11	463,962	17.89	393,543	37.45	286,310	63.49	175,120	122.79
Taxation	46,902	77.83	26,375	-43.64	46,801	23.97	37,752	-33.26	56,565	6.35	53,187	188.83
Profit after tax	241,186	-29.94	344,272	-17.47	417,161	17.25	355,791	54.86	229,745	88.42	121,933	102.59

VERTICAL FINANCIAL ANALYSIS

	2019		2018		2017		2016		2015		2014	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
Nomenclature												
Equity and reserves	2,325,101	62.41	2,169,715	62.16	1,867,985	62.58	1,609,392	64.87	1,330,951	56.28	598,990	39.29
Surplus on revaluation of land	330,032	8.86	330,032	9.46	226,943	7.60	226,943	9.15	226,943	9.60	226,943	14.89
Long term loans	262,445	7.04	310,923	8.91	192,458	6.45	24,585	0.99	63,326	2.68	34,147	2.24
Non current liabilities	216,988	5.82	198,988	5.70	187,202	6.27	176,117	7.10	151,516	6.41	162,561	10.66
Total current liabilities	591,034	15.86	480,881	13.78	510,596	17.10	443,987	17.90	592,197	25.04	501,811	32.92
	3,725,600	100.00	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
Property plant and equipment	2,230,299	60.79	2,194,146	62.86	1,875,868	62.84	1,515,337	61.08	1,030,345	43.57	873,185	57.28
Long Term Investments	1,078	0.03	1,893	0.05	6,321	0.21	438	0.02	2,546	0.11	4,496	0.29
Non current assets - Others	10,571	0.29	13,033	0.37	16,762	0.56	21,522	0.87	11,471	0.49	17,990	1.18
Stores spares and loose tools	25,681	0.70	26,891	0.77	20,454	0.69	17,330	0.70	15,966	0.68	9,666	0.63
Stock in trade	588,886	15.51	627,420	17.97	427,684	14.33	316,545	12.76	321,691	13.60	250,407	16.43
Trade debts	487,003	13.27	325,902	9.34	339,046	11.36	281,158	11.33	249,155	10.54	185,228	12.15
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Advances, deposits, prepayments and other receivables	43,865	1.20	60,458	1.73	57,659	1.93	56,284	2.27	30,722	1.30	23,744	1.56
Cash and Bank Balances	42,021	1.15	17,419	0.50	57,874	1.94	51,063	2.06	37,633	1.59	78,903	5.18
	3,668,945	100.00	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
Nomenclature												
Sales - net	3,431,045	100.00	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
Cost of sales	2,857,843	83.29	2,373,059	79.44	1,983,897	73.49	1,739,357	74.91	1,672,903	77.25	1,371,825	79.82
Gross profit	573,202	16.71	614,256	20.56	715,776	26.51	582,493	25.09	492,801	22.75	346,736	20.18
Admin expenses	165,558	4.83	157,446	5.27	135,498	5.02	116,724	5.03	104,335	4.82	80,507	4.68
Selling and distribution expenses	21,429	0.62	18,782	0.63	53,525	1.98	47,445	2.04	42,417	1.96	33,102	1.93
Operating profit	386,215	11.26	438,028	14.66	526,752	19.51	418,325	18.02	346,049	15.98	233,127	13.57
Other charges	36,279	1.06	38,835	1.30	44,570	1.65	29,892	1.29	30,902	1.43	13,159	0.77
Finance cost	76,045	2.22	46,249	1.55	32,744	1.21	38,439	1.66	59,028	2.73	56,462	3.29
	273,890	7.98	352,944	11.81	449,438	16.65	349,993	15.07	256,120	11.83	163,506	9.51
Other income	14,198	0.41	17,703	0.59	14,524	0.54	43,550	1.88	30,191	1.39	11,614	0.68
Profit before tax	288,088	8.40	370,647	12.41	463,962	17.19	393,543	16.95	286,310	13.22	175,120	10.19
Taxation	46,902	1.37	26,375	0.88	46,801	1.73	37,752	1.63	56,565	2.61	53,187	3.09
Profit after tax	241,186	7.03	344,272	11.52	417,161	15.45	355,791	15.32	229,745	10.61	121,933	7.10

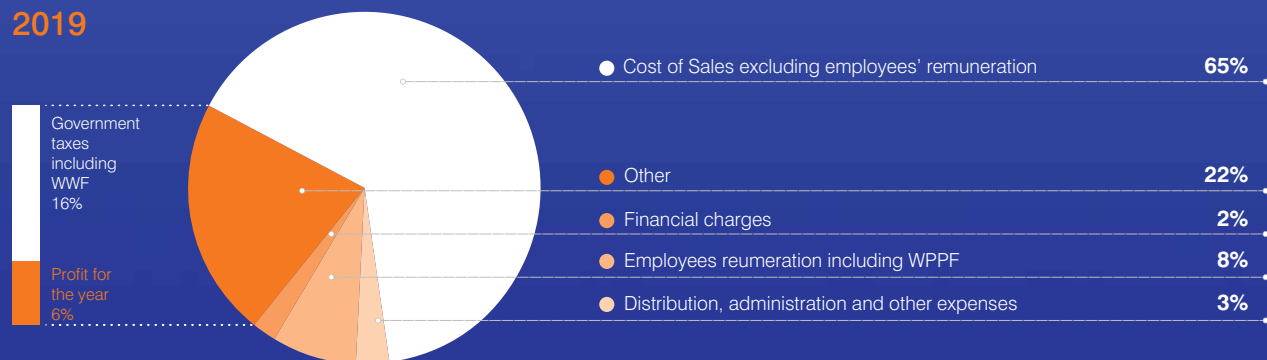
STATEMENT OF WEALTH GENERATED AND DISTRIBUTED

	2019		2018	
	Rs. in 000	%	Rs.in 000	%
Total Revenue inclusive of sales tax	4,039,797	99.6%	3,506,876	99.5%
Other Income	14,198	0.4%	17,703	0.5%
	4,053,994	100%	3,524,579	100%

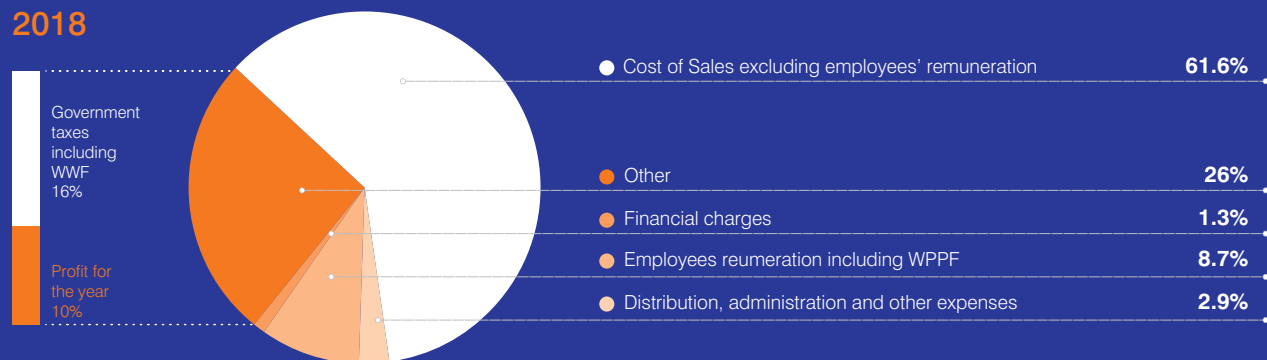
WEALTH DISTRIBUTION

Cost of Sales excluding employees' remuneration	2,632,565	64.9%	2,170,543	61.6%
Distribution, administration and other expenses	111,219	2.7%	103,603	2.9%
Employees remuneration including WPPF	332,769	8.2%	305,946	8.7%
Financial charges	76,045	1.9%	46,249	1.3%
Government taxes including WWF	660,210	16.3%	553,966	15.7%
Profit for the Year	241,186	5.9%	344,272	9.8%
	4,053,994	100%	3,524,579	100%

2019



2018



REVIEW REPORT TO THE MEMBERS

on the Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the 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 2019 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 2019.

Lahore
Date: 27 Sep 2019



KPMG Taseer Hadi & Co.
Chartered Accountants

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES

(Code Of Corporate Governance) Regulations, 2017

Synthetic Products Enterprises Limited

30 June 2019

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:

Female:

**Eight
One**

2. The composition of the board is as follows:

Independent Directors

- Mr. Khawar Anwar Khawaja
- Mr. Muhammad Tabassum Munir

Non-Executive Directors

- Mr. Almas Hyder
- Dr. Sheikh Muhammad Naqi
- Dr. Nighat Arshad
- Mr. Raza Haider Naqi

Executive Directors

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

Dr. Syed Salman Ali Shah an independent Director of the Company has resigned from Directorship on 16 May 2019. Subsequent to the year-end Mr. Haroon Sharif has been appointed as independent director and accordingly the casual vacancy has been filled within specified time.

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 following (4) five Directors are certified under the Directors Training Program and one Director is exempted from the requirement of DTP.

Mr. Almas Hyder	Certified
Mr. Zia Hyder Naqi	Certified
Mr. Muhammad Tabassum Munir	Certified
Mr. Sheikh Naseer Hyder	Certified
Mr. Khawar Anwar Khawaja	Exempted

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

Mr. Khawar Anwar Khawaja	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
Dr. Nighat Arshad	Member
Mr. Zia Hyder Naqi	Member
Mr. Abid Saleem Khan	Member

c) Finance Committee

Mr. Almas Hyder	Chairman
Mr. Zia Hyder Naqi	Member
Mr. Muhammad Tabassum Munir	Member
Mr. Sheikh Naseer Hyder	Member
Mr. Abid Saleem Khan	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 Bi-Annually

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.



Chief Executive Officer

Lahore
Date: 27 Sep 2019



Director

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

INDEPENDENT AUDITORS' 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 2019, 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, 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 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 2019 and of the profit and other comprehensive loss, 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.

Following are the key audit matters.

S r . No.	Key audit matters	How the matters were addressed in our audit
1.	Revenue	
	<p>Refer to statement of profit or loss and note 3.9 to the financial statements.</p> <p>The Company recognized revenue of Rs. 3.43 billion from the sale of goods to domestic as well as export customers during the year ended 30 June 2019.</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 control.</p>	<p>Our audit procedures to assess the recognition of revenue , amongst others, included the following:</p> <ul style="list-style-type: none"> Obtaining an understanding of the process relating to recording of sales and testing the design, implementation and operating effectiveness of relevant key internal controls; assessing the appropriateness of the Company's accounting policies for recording of sales and compliance of those policies with applicable accounting standards; comparing a sample of sale transactions recorded during the year with sales invoices, delivery challans, bill of lading and other relevant underlying documents;

	Key audit matters	How the matters were addressed in our audit
		<ul style="list-style-type: none"> comparing a sample of sale transactions recorded around the year end with sales invoices, delivery challans, bill of lading and other relevant underlying documentation to assess if the revenue was recorded in the appropriate accounting period; 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; 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.
2.	Capitalization of Property, Plant and Equipment	
	<p>Refer notes 3.2, 15 and 15.11 to the financial statements. 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"> 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; testing, on a sample basis, the costs incurred on projects with supporting documentation and contracts; 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 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.

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 2019, 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) 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: 27 September 2019



KPMG Taseer Hadi & Co.

Chartered Accountants

SYNTHETIC PRODUCTS ENTERPRISES LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE, 2019

	Note	2019 Rupees	2018 Rupees
Equity And Liabilities			
<u>Share capital and reserves</u>			
Authorized share capital of Rs. 10 each	5	1,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital	5	850,850,000	850,850,000
Share premium		347,391,050	347,391,050
Accumulated profit		1,130,023,021	971,473,935
Fair value reserve on investment		(3,162,588)	–
Surplus on revaluation of land	6	330,031,765	330,031,765
Shareholders' equity		2,655,133,248	2,499,746,750
Liabilities			
<u>Non-current liabilities</u>			
Diminishing musharika - secured	7	262,445,152	310,923,487
Liabilities against assets subject to finance lease	8	8,942,868	12,208,479
Deferred taxation	9	208,044,803	186,779,290
		479,432,823	509,911,256
<u>Current liabilities</u>			
Trade and other payables	10	166,244,288	167,950,734
Unclaimed dividend		1,730,714	539,928
Short term borrowings - secured	11	309,138,985	246,351,036
Current maturity of long term liabilities	12	107,736,813	60,675,483
Accrued mark up	13	6,183,440	5,363,909
		591,034,240	480,881,090
		3,725,600,311	3,490,539,096

Contingencies and commitments

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



Chief Executive Officer




Director



Chief Financial Officer

	Note	2019 Rupees	2018 Rupees
Assets			
<u>Non-current assets</u>			
Property, plant and equipment	15	2,230,298,887	2,194,145,949
Intangibles	16	98,163	1,949,348
Investments	17	1,077,511	1,893,306
Long term deposits	18	10,472,359	11,083,272
Long term receivable	19	56,654,840	–
		2,298,601,760	2,209,071,875
<u>Current assets</u>			
Stores, spares and loose tools		25,680,954	26,890,679
Stock-in-trade	20	568,886,295	627,419,730
Trade debts - unsecured, considered good		487,002,926	325,901,613
Income tax - net		259,542,569	223,378,563
Advances, deposits, prepayments and other receivables	21	43,864,705	60,457,571
Cash and bank balances	22	42,021,102	17,419,065
		1,426,998,551	1,281,467,221
		3,725,600,311	3,490,539,096


 Chief Executive Officer


 Director


 Chief Financial Officer

SYNTHETIC PRODUCTS ENTERPRISES LIMITED

STATEMENT OF PROFIT OR LOSS


FOR THE YEAR ENDED 30 JUNE, 2019

	Note	2019 Rupees	2018 Rupees
Sales-net	23	3,431,045,033	2,987,314,753
Cost of sales	24	(2,857,842,613)	(2,373,059,164)
Gross profit		573,202,420	614,255,589
Administrative expenses	25	(165,558,182)	(157,445,697)
Selling and distribution expenses	26	(21,429,089)	(18,782,159)
Operating profit		386,215,149	438,027,733
Other income	27	14,197,557	17,703,428
Other charges	28	(36,279,426)	(38,834,641)
Finance cost	29	(76,045,398)	(46,249,453)
Profit before taxation		288,087,882	370,647,067
Taxation	30	(46,901,809)	(26,374,798)
Profit after taxation		241,186,073	344,272,269
		Rupees	Rupees
Earnings per share - basic and diluted	31	2.83	4.05

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



Chief Executive Officer



Director



Chief Financial Officer

SYNTHETIC PRODUCTS ENTERPRISES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE, 2019

	2019 Rupees	2018 Rupees
Profit after taxation	241,186,073	344,272,269
<u>Other comprehensive (loss) / income</u>		
<i>Item that will not be subsequently reclassified in profit or loss:</i>		
- Surplus on revaluation of land	–	103,088,684
- Fair value loss on investment classified as FVOCI		
- net of related deferred tax	(714,575)	–
Total comprehensive income for the year	240,471,498	447,360,953

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


 Chief Executive Officer


 Director


 Chief Financial Officer

SYNTHETIC PRODUCTS ENTERPRISES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE, 2019

	Note	Issued, subscribed and paid-up capital	Capital reserve		Revenue reserve		Total
			Share premium	Surplus on revaluation of land	Fair value reserve on investment	Accumulated profit	
Rupees							
As at 30 June 2017		850,850,000	347,391,050	226,943,081	–	669,744,166	2,094,928,297
<u>Total comprehensive income for the year</u>							
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
<u>Transactions with owners of the Company</u>							
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)
Balance as at 30 June 2018 as previously reported		850,850,000	347,391,050	330,031,765	–	971,473,935	2,499,746,750
Adjustment on initial application							
of IFRS 9, net of tax	3.1.2.2	–	–	–	(2,448,013)	2,448,013	–
Adjusted balance at 01 July 2018		850,850,000	347,391,050	330,031,765	(2,448,013)	973,921,948	2,499,746,750
<u>Total comprehensive income for the year</u>							
Profit after taxation						241,186,073	241,186,073
Other comprehensive loss:							
Fair value loss on investment classified							
as FVOCI - net of tax		–	–	–	(714,575)	–	(714,575)
		–	–	–	(714,575)	241,186,073	240,471,498
<u>Transaction with owners of the Company</u>							
Final cash dividend for the year ended							
30 June 2018 @ Re. 1 per share		–	–	–	–	(85,085,000)	(85,085,000)
		–	–	–	–	(85,085,000)	(85,085,000)
As at 30 June 2019		850,850,000	347,391,050	330,031,765	(3,162,588)	1,130,023,021	2,655,133,248

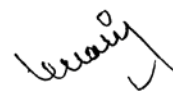
The annexed notes 1 to 44 form an integral part of these financial statements.



Chief Executive Officer



Director



Chief Financial Officer

SYNTHETIC PRODUCTS ENTERPRISES LIMITED

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 30 JUNE, 2019

	Note	2019 Rupees	2018 Rupees
<u>Cash flows from operating activities</u>			
Cash generated from operations	32	445,544,715	429,237,633
Workers' Profit Participation Fund paid		(20,075,169)	(24,875,111)
Workers' Welfare Fund paid		(8,030,068)	(12,412,295)
Finance cost paid		(75,225,867)	(44,526,242)
Taxes paid		(61,437,097)	(56,826,310)
Long term deposits - net		610,913	2,436,897
Cash generated from operating activities		281,387,427	293,034,572
<u>Cash flows from investing activities</u>			
Fixed capital expenditure		(237,280,837)	(377,175,583)
Intangibles acquired		–	(614,216)
Proceeds from disposal of property, plant and equipment		7,046,328	8,107,239
Proceeds from disposal of available for sale investment		–	1,971,200
Proceeds from disposal of subsidiary		–	19,171
Net cash used in investing activities		(230,234,509)	(367,692,189)
<u>Cash flows from financing activities</u>			
Principal repayment of lease liability		(4,970,315)	(15,727,656)
Long term finance paid		–	(24,542,403)
Diminishing musharika paid / acquired - net		(474,301)	173,774,709
Short term borrowings - net		(42,629,311)	(105,952,225)
Cash dividend paid		(83,894,214)	(42,569,421)
Net cash used in financing activities		(131,968,141)	(15,016,996)
Net decrease in cash and cash equivalents		(80,815,223)	(89,674,613)
Cash and cash equivalents at beginning of the year		(66,153,820)	23,520,793
Cash and cash equivalents at end of the year	33	(146,969,043)	(66,153,820)

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


Chief Executive Officer


Director


Chief Financial Officer

SYNTHETIC PRODUCTS ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2019

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

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 investments at fair value through other comprehensive income which is stated at fair value as referred in note 3.7.

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 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.

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 Expected credit loss / Loss allowances against trade debts, deposits, advances and other receivables

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Company has elected to measure loss allowances for trade debts using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. When determining whether the credit risk of a financial asset has

SYNTHETIC PRODUCTS ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2019

increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The Company reviews the recoverability of its trade debts, deposits, advances and other receivables to assess amount of loss allowances 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 Policies

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

During the year, the Company has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 01 July 2018. Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards. The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

3.1.1 IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time requires judgment. The Company manufactures and contracts with customers for the sale of plastic auto parts, plastic packaging for food and FMCG industry and moulds & dies which generally include single performance obligation. Management has concluded that revenue from sale of goods be recognised at the point in time when control of the asset is transferred to the customer. The above is generally consistent with the timing and amounts of revenue the Company recognised in accordance with the previous standard, IAS 18. Therefore, the adoption of IFRS 15 which replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations, did not have an impact on the timing and amounts of revenue recognition of the Company.

Upon adoption of IFRS 15 amounts received for future sale of goods were reclassified to 'contract liabilities'. Previously, these amounts were classified as "advances from customers"

Impact of financial statements

As at 01 July 2018, contract liabilities were increased by Rs. 12,661,509 and advance from customers decreased by the same amount.

3.1.2 IFRS 9 Financial Instruments

IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

3.1.2.1 Classification and measurement of financial instruments

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. Under IFRS 9, on initial recognition, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value either through Other Comprehensive Income (FVOCI), or through profit or loss (FVTPL); and
- those to be measured at amortised cost

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within business model whose objective is to hold assets to collect contractual cash flows;
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income is recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

3.1.2.2 Impact of change in classification and measurement of financial assets due to adoption of IFRS 9

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets at 01 July 2018:

Financial Assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Listed equity security	Available for sale	FVOCI	1,893,306	1,893,306
Cash and bank balances	Loans and receivable	Amortized cost	17,419,065	17,419,065
Deposits and other receivables	Loans and receivable	Amortized cost	13,295,342	13,295,342
Long term deposits	Loans and receivable	Amortized cost	11,083,272	11,083,272
Trade debts - unsecured, considered good	Loans and receivable	Amortized cost	325,901,613	325,901,613

Pursuant to the requirement of IFRS-9, accumulated impairment loss - net of tax on available for sale investment of Rs. 2.4 million at 1 July 2018 previously recognised in profit or loss statement has been recorded in fair value reserve in Statement of Changes in Equity with corresponding effect in accumulated profit.

SYNTHETIC PRODUCTS ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2019

3.1.2.3 Impairment of financial assets

The adoption of IFRS 9 has changed the Company's impairment model by replacing the IAS 39 'incurred loss model' with a forward looking 'expected credit loss' (ECL) model when assessing the impairment of financial assets in the scope of IFRS 9. IFRS 9 requires the Company to recognize ECLs for trade debts earlier than IAS 39. Cash and bank balances, deposits and other receivables are also subject to ECL but there is no or immaterial impairment for the current year.

Under IFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. Trade and other receivables are written off when there is no reasonable expectation of recovery.

Loss allowance on bank balances is measured at 12 months expected credit losses. Since they are short term in nature and there is no adverse change in credit rating of the banks where the balances are maintained, therefore no credit loss is expected on these balances.

Impact of ECL

Considering the quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information, no loss allowance has been recorded against trade debts upon transition to IFRS 9 as of 01 July 2018 and Rs. 2.09 million has been recorded during the year ended 30 June 2019.

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 3.10.

Land is recognized at revalued amount based on valuation by external independent valuer. Revaluation surplus is 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 or loss 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 or loss.

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.

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 or loss currently.

3.7 Financial instruments

3.7.1 Recognition and initial measurement

All financial assets or financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

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A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A receivable without a significant financing component is initially measured at the transaction price.

3.7.2 Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial assets measured at amortized cost comprise of cash and bank balances, deposits, trade debts and other receivables.

Debt Instrument - FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. However, the Company has no such instrument at the balance sheet date.

Equity Instrument - FVOCI

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. However, the Company has no such instrument at the balance sheet date.

Financial assets – Business model assessment:

For the purposes of the assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Financial liabilities comprise trade and other payables, long term and short term financing, liabilities against assets subject to finance lease and dividend payable.

3.7.3 Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company might enter into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

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Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

3.7.4 Trade Debts, deposits and other receivables

These are classified at amortized cost and are initially recognised when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

3.7.5 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3.7.6 Impairment

Financial assets

The Company recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the Gross carrying amount of the assets.

The Gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

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

3.8 Provisions

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.

3.9 Revenue and other income

Revenue from contracts with customers is recognised, when control of goods is transferred to the customers, at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods excluding sales taxes and after deduction of any trade discounts. Specific revenue and other income recognition policies are as follows:

3.9.1 Sale of goods

Revenue from sale of goods is recognised when the goods are shipped from the Company's warehouses, delivered at the customers' premises, or loaded on board on the basis of transfer of control.

3.9.2 Dividends

Dividend income is recognized when the Company's right to receive payment is established.

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3.9.3 Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

3.9.4 Contract liabilities

A contract liability is the obligation of the Company to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract. It also includes refund liabilities arising out of customers' right to claim amounts from the Company on account of contractual delays in delivery of performance obligations and incentive on target achievements.

3.10 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 or loss as incurred.

3.11 Taxation

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss 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.

3.12 Earnings per share (EPS)

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

3.13 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.

3.14 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 or loss.

3.15 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.

3.16 Share capital

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

3.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating results of the business separately for the purpose of making decisions regarding resource allocation and performance assessment. All operating segments' operating results are reviewed regularly by the Company's Chief Executive Officer to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. The business of the Company has five reportable operating segments i.e., Unit 1, Unit 2, Unit 3, Unit 4 and Unit 5.

Segment results that are reported for review and performance evaluation include segment net sales and cost of sales. Segment assets represent the carrying amount of plant and machinery held within individual segment.

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

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 2019:

- 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 Company's financial statements.

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- 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 IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). For a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on Company's financial statements.
- 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 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 Company's financial statements.
- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements. The application of amendments is not likely to have an impact on Company's financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the

IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

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. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the 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.

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

5 Share capital

5.1 Authorized share capital

	2019 Number of shares	2018 Number of shares	2019 Rupees	2018 Rupees
Ordinary shares of Rs. 10 each	100,000,000	100,000,000	1,000,000,000	1,000,000,000
5.2 Issued, subscribed and paid-up capital				
Ordinary shares of Rs. 10 each, fully paid in cash	19,791,940	19,791,940	197,919,400	197,919,400
Fully paid bonus shares of Rs. 10 each	57,628,060	57,628,060	576,280,600	576,280,600
Shares of Rs. 10 each, issued under scheme of amalgamation	7,665,000	7,665,000	76,650,000	76,650,000
	85,085,000	85,085,000	850,850,000	850,850,000

5.3 Directors hold 60,592,519 (2018: 60,484,114) ordinary shares of Rs. 10 each of the Company.

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6 Surplus on revaluation of land

Land of the Company was revalued on 30 June 2014 and then on 30 June 2018 by a firm of independent valuer. The valuation was determined with respect to current market value of similar properties.

	Note	2019 Rupees	2018 Rupees
7 Diminishing musharika - secured			
Diminishing musharika, Islamic mode of financing:			
United Bank Limited	7.1.1	126,762,208	158,077,010
Bank Islami Pakistan Limited	7.1.2	76,500,000	102,000,000
Habib Bank Limited	7.1.3	164,190,501	107,850,000
		367,452,709	367,927,010
Less: Current maturity	12	(105,007,557)	(57,003,523)
		262,445,152	310,923,487
7.1 Type of loans			
Islamic mode of financing		367,452,709	367,927,010
		367,452,709	367,927,010

7.1.1 The facility amounting to Rs. 150 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% (2018: 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.

7.1.2 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% (2018: 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.

7.1.3 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% (2018: three months KIBOR plus a spread of 0.90%) per annum, payable monthly. The facility is secured in favour of HBL by way of specific charge over the diminishing musharika assets.

	2019	2018
8 Liabilities against assets subject to finance lease		
Salient features of the leases are as follows:		
Discounting factor	7.67% to 12%	7.67% to 12%
Period of lease	36 - 60 months	36 - 60 months
Security deposits	20%-48%	20%-48%
Maturity range	2019-2024	2018-2023

The Company has entered into finance lease arrangements 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:

	2019		
	Total future minimum lease payments	Finance charges allocated to future periods	Principal
	Rupees		
Not later than one year	3,915,615	1,186,359	2,729,256
Later than one year and not later than five year	9,673,062	730,194	8,942,868
	13,588,677	1,916,553	11,672,124

	2018		
	Total future minimum lease payments	Finance charges allocated to future periods	Principal
	Rupees		
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

	2019 Rupees	2018 Rupees
9 Deferred taxation		
The liability for deferred taxation comprises temporary differences relating to:		
Deferred tax liability arising on:		
– accelerated tax depreciation	224,035,148	201,982,400
Deferred tax asset arising on:		
– finance lease transactions - net	(3,384,916)	(4,367,121)
– impairment loss on investment and others	–	(10,835,989)
– fair value loss on investments classified as FVOCI and others	(12,605,429)	–
	208,044,803	186,779,290

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	Note	2019 Rupees	2018 Rupees
9.1 Movement in deferred tax balances is as follows:			
As at 01 July		186,779,290	177,367,893
Recognized in profit or loss:			
– accelerated tax depreciation		22,052,748	5,131,416
– finance lease transactions - net		982,205	(1,416,936)
– impairment loss on investment and others		(1,406,235)	5,696,917
		21,628,718	9,411,397
Recognized in other comprehensive income:			
-fair value loss on investments classified as FVOCI		(363,205)	–
		208,044,803	186,779,290
10 Trade and other payables			
Trade and other creditors		72,569,616	68,156,342
Accrued liabilities		48,229,876	45,655,262
Contract liabilities		10,606,274	–
Advance from customers		–	12,661,509
Workers' Profit Participation Fund	10.1	15,695,614	20,075,169
Workers' Welfare Fund	10.2	4,556,256	8,030,068
Withholding tax payable		545,851	663,323
Provident fund payable		1,476,673	1,530,934
Others		12,564,128	11,178,127
		166,244,288	167,950,734
10.1 Workers' Profit Participation Fund			
Balance as at July 01		20,075,169	24,875,111
Expense charged for the year	28	15,695,614	20,075,169
Payment made during the year		(20,075,169)	(24,875,111)
Balance as at June 30		15,695,614	20,075,169
10.2 Workers' Welfare Fund			
Balance as at July 01		8,030,068	12,412,295
Expense charged for the year	28	4,556,256	8,030,068
Payment made during the year		(8,030,068)	(12,412,295)
Balance as at June 30		4,556,256	8,030,068
11 Short term borrowings - secured			
Type of loans			
Conventional Interest / mark-up based loans	11.1	140,172,675	133,553,046
Islamic mode of financing	11.2	168,966,310	112,797,990
		309,138,985	246,351,036

	Note	2019 Rupees	2018 Rupees
11.1 Conventional interest / markup based loans			
Short term running finance	11.3	98,491,557	61,672,434
Finance against trust receipts	11.4	41,681,118	71,880,612
		140,172,675	133,553,046
11.2 Islamic mode of financing			
Murabaha and Istisna	11.5	78,467,722	90,897,539
Running Musharika	11.6	90,498,588	21,900,451
		168,966,310	112,797,990

11.3 This represents utilized amount of short term running finance facilities from commercial banks aggregating Rs. 385 million (2018: Rs.265 million). These carry mark-up rates ranging from one month to three months KIBOR plus a spread of 0.6% to 1% (2018: one month to three months KIBOR plus a spread of 0.6% to 0.75%) per annum.

11.4 This represents utilized amount of finance against trust receipt facilities aggregating Rs. 330 million (2018: Rs. 330 million). These carry mark-up rates ranging from one month to three months KIBOR plus a spread of 0.5% to 0.6% (2018: one month to three months KIBOR plus a spread of 0.5% to 0.75%) per annum.

11.5 This represents utilized amount of murabaha and istisna facilities aggregating Rs. 350 million (2018: Rs. 300 million). These carry mark-up rates ranging from one month to six months KIBOR plus a spread of 0.5% (2018: one month to six months KIBOR plus a spread of 0.5% to 0.75%) per annum.

11.6 This represents utilized amount of running musharika facilities aggregating Rs. 150 million (2018: Rs. 150 million). These carry mark-up rate of three months KIBOR plus a spread of 0.6% (2018: three months KIBOR plus a spread of 0.6%) per annum.

11.7 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	2019 Rupees	2018 Rupees
12 Current maturity of long term liabilities			
Diminishing musharika	7	105,007,557	57,003,523
Liabilities against assets subject to finance lease	8	2,729,256	3,671,960
		107,736,813	60,675,483
13 Accrued mark up			
Diminishing musharika		897,629	709,795
Short term borrowings		5,285,811	4,654,114
		6,183,440	5,363,909

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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 (2018: 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. The management based on the advice of its tax advisor expects a favorable outcome in this case.

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 on 26 March 2018, however, the appeal has not yet been heard. The management based on the advice of its tax advisor expects a favorable outcome in this case.

14.1.4 The Deputy Commissioner Inland Revenue, Audit- 17, Zone - III, Large Taxpayers Unit, Lahore has concluded the audit proceedings in respect of tax year 2015 through order dated September 30, 2018 passed under section 122(1)/(5) of the Ordinance whereby, an aggregate income tax demand of Rs. 8.1 million has been raised against the Company. The Company has impugned the amendment order before the learned Commissioner Inland Revenue Appeals - I, Lahore through letter dated October 19, 2018, which has not yet been heard. The Company based on advise of tax advisor expects that there are reasonable grounds to defend the case before the appellate authorities, therefore, no provision is recorded in these financial statements.

14.1.5 The Additional Commissioner Inland Revenue, Audit Division, Zone - III, Large Taxpayers' Unit, Lahore has passed an amendment order dated February 28, 2019 under section 122(4)/122(5A) of the Ordinance whereby an income tax demand of Rs 402,051 has been raised against the Company in respect of tax year 2013. The Company has impugned the order before the learned Commissioner Inland Revenue Appeals - I, Lahore through letter dated March 20, 2019, which has not yet been heard. The Company based on advise of tax advisor expects that there are reasonable grounds to defend the case before the appellate authorities, therefore, no provision is recorded in these financial statements.

14.2 Commitments

14.2.1 Aggregate commitments for capital expenditure as at 30 June 2019 amounted to Rs. Nil (2018: Rs. 0.947 million).

14.2.2 Commitments under irrevocable letters of credit for:

	Note	2019 Rupees	2018 Rupees
– Purchase of machinery		—	115,582,800
– Purchase of raw material		294,417,556	130,421,974
		294,417,556	246,004,774
15 Property, plant and equipment			
Operating fixed assets	15.1	2,169,304,688	2,016,335,058
Capital work in progress	15.10	60,994,199	177,810,891
		2,230,298,887	2,194,145,949

15.1 Operating fixed assets

2019												
Cost						Accumulated depreciation						
As at 01 July 2018	Addition	Surplus on revaluation	Transfers/ adjustment*	Disposals	As at 30 June 2019	Rate	As at 01 July 2018	For the year	Transfers/ adjustment*	Disposals	As at 30 June 2019	
Rupees						%	Rupees					
Owned												
Freehold land												
- cost	93,393,235	-	-	-	93,393,235	-	-	-	-	-	-	
- revaluation	330,031,765	-	-	-	330,031,765	-	-	-	-	-	-	
	423,425,000	-	-	-	423,425,000	-	-	-	-	-	-	
Buildings on freehold land	202,475,262	44,693,865	-	-	247,169,127	10%	39,764,075	19,461,558	-	-	59,225,633	
Plant and machinery	2,061,860,078	298,910,336	-	(26,099,157)	2,334,671,257	10%	726,372,200	154,287,233	-	(15,447,253)	865,212,180	
Office equipment	12,009,880	736,417	-	(510,020)	12,236,277	10%	3,107,725	933,829	-	(261,054)	3,780,500	
Tools and equipment	9,917,730	3,107,477	-	(1,660,486)	11,364,721	10%	3,710,971	840,823	-	(745,168)	3,806,626	
Computer equipment	7,812,077	1,111,400	-	(1,697,235)	7,226,242	30%	6,051,480	650,839	-	(1,429,051)	5,273,268	
Furniture and fittings	26,594,114	1,424,928	-	(664,000)	27,365,042	10%	7,208,300	2,002,843	-	(347,422)	8,863,721	
Vehicles	44,494,187	4,696,100	-	(4,350,439)	44,839,848	20%	18,847,269	5,248,347	-	(2,974,739)	21,120,877	
	2,788,588,328	354,680,523	-	(34,971,337)	3,108,297,514		805,062,020	183,425,472	-	(21,204,687)	967,282,805	
Leased												
Leasehold land (note 15.2)	22,083,915	-	-	-	22,083,915	1.67%	3,227,548	368,802	-	-	3,596,350	
Vehicles	18,580,699	762,000	-	(2,996,000)	16,346,699	20%	4,628,316	2,652,610	-	(736,641)	6,544,285	
	40,664,614	762,000	-	(2,996,000)	38,430,614		7,855,864	3,021,412	-	(736,641)	10,140,635	
	2,829,252,942	355,442,523	-	(37,967,337)	3,146,728,128		812,917,884	186,446,884	-	(21,941,328)	977,423,440	
											2,169,304,688	

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15.1 Operating fixed assets

2018											
Cost						Accumulated depreciation					
As at 01 July 2017	Addition	Surplus on revaluation	Transfers/ adjustment*	As at 30 June 2018	Rate	As at 01 July 2017	For the year	Transfers/ adjustment*	Disposals	As at 30 June 2018	Net book value as at 30 June 2018
Rupees					%	Rupees					Rupees
Owned											
Freehold land											
- cost	93,393,235	-	-	93,393,235	-	-	-	-	-	-	93,393,235
- revaluation	226,943,081	-	-	330,031,765	-	-	-	-	-	-	330,031,765
	320,336,316	-	-	423,425,000	-	-	-	-	-	-	423,425,000
Buildings on freehold land	94,554,813	113,025,966	(5,105,517)*	202,475,262	10%	27,043,792	13,204,766	(484,483)*	-	39,764,075	162,711,187
Plant and machinery	1,740,191,350	287,781,761	53,882,776	2,061,860,078	10%	589,166,186	128,839,559	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)*	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*	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*	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*	26,594,114	10%	5,353,167	1,092,654	820,201*	(57,722)	7,208,300	19,385,814
Vehicles	44,037,772	4,183,000	3,406,511	44,494,187	20%	15,620,253	6,216,937	681,302	(3,671,223)	18,847,269	25,646,918
	2,246,994,134	411,820,495	57,289,287	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)	22,083,915	-	-	22,083,915	1.67%	2,907,298	320,250	-	-	3,227,548	18,856,367
Plant and machinery	53,882,776	-	(53,882,776)	-	10%	12,783,688	4,109,909	(16,893,597)	-	-	-
Vehicles	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	420,602,495	-	2,829,252,942		671,161,288	158,710,530	(16,953,934)	-	812,917,884	2,016,335,058

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.

	Note	2019 Rupees	2018 Rupees
15.4 The depreciation charge for the year has been allocated as follows:			
Cost of goods sold	24	167,365,120	141,189,440
Capital work in progress		210,654	1,592,826
Administrative expenses	25	9,249,385	7,964,132
Selling and distribution expenses	26	9,249,385	7,964,132
Work in process - stock in trade		372,340	—
		186,446,884	158,710,530

15.5 As at 30 June 2019, the carrying value of freehold land would have been Rs. 93.39 million (2018: Rs. 93.39 million), had there been no revaluation.

15.6 As per the revaluation conducted on 30 June 2018, the forced sale value of land is Rs. 338.74 million

15.7 The Company had 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	Written down value	Sales Proceeds	Gain/(loss)	Mode of disposal	Relationship with the Company	Particulars of purchaser
Rupees								
Plant and machinery								
Thermoforming Machine	10,300,000	6,271,534	4,028,466	394,190	(3,634,276)	Negotiation	Scrap dealer	Mr. Ashiq
Printing Machine	6,120,000	3,727,032	2,392,968	234,155	(2,158,813)	Negotiation	Scrap dealer	Mr. Ashiq
Printing Machine	6,120,000	3,727,032	2,392,968	234,155	(2,158,813)	Negotiation	Scrap dealer	Mr. Ashiq
Cutting Plates	1,090,483	341,648	748,835	193,064	(555,771)	Negotiation	Scrap dealer	Mr. Ashiq
Cutting Die U-2	732,189	122,276	609,913	157,247	(452,666)	Negotiation	Scrap dealer	Mr. Ashiq
Other plant and machinery	1,736,485	1,257,731	478,754	123,432	(355,322)	Negotiation	Scrap dealer	Mr. Ashiq
	26,099,157	15,447,253	10,651,904	1,336,243	(9,315,661)			

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Particulars	Cost	Accumulated depreciation	Written down value	Sales Proceeds	Gain/(loss)	Mode of disposal	Relationship with the Company	Particulars of purchaser
Rupees								
Owned Vehicles								
Honda Civic	2,235,143	1,613,304	621,839	1,469,000	847,161	Negotiation	Auto dealer	Imran Khursheed
Other vehicles	2,115,296	1,361,435	753,861	804,714	50,853	Company Policy	Employees	Various
	4,350,439	2,974,739	1,375,700	2,273,714	898,014			
Leased Vehicles								
Suzuki Cultus	1,250,000	164,236	1,085,764	1,250,000	164,236	Company Policy	Employees	Omer Qureshi
Suzuki Mehran	742,000	36,687	705,313	742,000	36,687	Company Policy	Employees	Fiaz Hussain
Suzuki Wagon R	1,004,000	535,718	468,282	1,004,000	535,718	Company Policy	Employees	Malik Saleem
	2,996,000	736,641	2,259,359	2,996,000	736,641			
Computer equipment	1,697,235	1,429,051	268,184	69,143	(199,041)	Negotiation	Scrap dealer	Mr. Ashiq
Office equipment	510,020	261,054	248,966	64,186	(184,780)	Negotiation	Scrap dealer	Mr. Ashiq
Tools and equipment	1,660,486	745,168	915,318	235,986	(679,332)	Negotiation	Scrap dealer	Mr. Ashiq
Furniture and fixtures	654,000	347,422	306,578	71,056	(235,522)	Negotiation	Scrap dealer	Mr. Ashiq
2019	37,967,337	21,941,328	16,026,009	7,046,328	(8,979,681)			
2018	30,604,272	16,953,934	13,650,338	8,107,239	(5,543,099)			

30 June 2019

	As at 01 July 2018	Additions	Transfers	As at 30 June 2019
Rupees				
15.9 Capital Work In Progress				
Capital Work In Progress - other than advances	108,193,070	280,252,520	327,857,876	60,587,714
Advances to supplier	—	—	—	406,485
	108,193,070	280,252,520	327,857,876	60,994,199

30 June 2018

	As at 01 July 2017	Additions	Transfers	As at 30 June 2018
Rupees				
Capital Work In Progress - other than advances	135,455,687	374,366,253	401,628,870	108,193,070
Advances to supplier	—	—	—	69,617,821
	135,455,687	374,366,253	401,628,870	177,810,891

	2019 Rupees	2018 Rupees
15.10 The breakup is as follows:		
Plant and machinery	55,010,194	61,145,798
Building	5,577,520	47,047,272
Advances to suppliers	406,485	69,617,821
	60,994,199	177,810,891

15.11 Balance in capital work in progress at the year end and transfers during the year of Rs. 327.858 million to operating fixed assets include expenditure incurred on expansion, balancing, modernization and replacement of manufacturing facilities.

	Note	2019 Rupees	2018 Rupees
16 Intangibles			
Cost		10,095,798	10,095,799
Accumulated amortization		(9,997,635)	(8,146,451)
As at 30 June	16.1	98,163	1,949,348
16.1 Balance as at 01 July		1,949,348	3,241,687
Additions during the year		–	614,216
Amortization charge for year		(1,851,185)	(1,906,555)
Balance as at 30 June		98,163	1,949,348
Amortization rate		20%	20%
17 Investments			
Investment classified as available for sale		–	1,893,306
Investment classified as fair value through other comprehensive income		1,077,511	–
		1,077,511	1,893,306

This represents 80,652 ordinary shares having face value of Rs. 10 each (2018: 67,210 ordinary shares) in Roshan Packages Limited.

	2019 Rupees	2018 Rupees
18 Long term deposits		
Utility companies and regulatory authorities	6,352,147	6,352,147
Others	4,120,212	4,731,125
	10,472,359	11,083,272

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	Note	2019 Rupees	2018 Rupees
19 Long term receivable			
Total amount receivable		117,559,103	–
Less: current portion included in trade debts		(60,904,263)	–
Non current portion	19.1	56,654,840	–

19.1 This represents non-current portion of receivable from a customer recognised at present value using discount rate of one month KIBOR plus 1% . The amount is receivable in 24 equal monthly installments. The effect of unwinding of long term receivable is recognised in other income.

	Note	2019 Rupees	2018 Rupees
20 Stock-in-trade			
Raw and packing material		325,014,947	404,759,554
Stock in transit		96,681,571	58,723,097
Work in process		88,456,508	125,584,790
Finished goods		58,733,269	38,352,289
		568,886,295	627,419,730
21 Advances, deposits, prepayments and other receivables			
Advances- unsecured, considered good:			
-Advances to suppliers for supplies and services		10,184,291	17,243,438
-Amounts paid against future shipments		5,670,813	19,751,739
Advances- secured, considered good :			
-Amounts due from employees		116,734	277,507
Short term deposits	21.1	9,244,955	9,244,955
Prepaid insurance		2,394,118	3,520,940
Sales tax receivable - net		13,279,317	6,368,605
Other receivables		2,974,477	4,050,387
		43,864,705	60,457,571

21.1 This includes deposits with banking company against margin on guarantees amounting to Rs. 8.5 million.

	Note	2019 Rupees	2018 Rupees
22 Cash and bank balances			
Cash in hand		50,000	194,235
Cash at bank			
- current accounts in local currency	22.1	40,463,525	15,966,441
- current accounts in foreign currency		405,793	251,826
- saving accounts in local currency	22.2	1,101,784	1,006,563
		41,971,102	17,224,830
		42,021,102	17,419,065

22.1 These include deposits amounting to Rs. Nil (2018: Rs. 1.806 million) placed under an arrangement permissible under Shariah. Remaining balance represents deposits with conventional windows of the banks.

22.2 These carry return at 2.9% to 4.5% per annum (2018: 2.9% to 3% per annum). This represents deposits placed under an arrangement permissible under Shariah.

	2019 Rupees	2018 Rupees
23 Sales-net		
Local	4,086,182,320	3,506,710,983
Export	12,505,088	13,693,105
	4,098,687,408	3,520,404,088
Less: Sales tax	(608,751,847)	(519,561,106)
Discounts	(58,890,528)	(13,528,229)
	3,431,045,033	2,987,314,753
23.1 Disaggregation of revenue		
Revenue is disaggregated by major products as shown below:		
Auto division	1,462,721,124	1,163,301,380
Food and packaging division	1,968,323,909	1,824,013,373
Total	3,431,045,033	2,987,314,753

23.2 The amount of Rs. 12.06 million recognised in advance from customer as at 30 June 2018 has been recognised as revenue for the year ended 30 June 2019.

	Note	2019 Rupees	2018 Rupees
24 Cost of sales			
Raw and packing materials consumed		2,156,721,126	1,880,824,308
Stores, spare parts and loose tools consumed		8,131,106	10,702,716
Salaries, wages and benefits	24.1	225,277,256	202,516,545
Security guard expense		8,970,649	6,998,647
Electricity, fuel and water charges		175,030,215	162,340,360
Depreciation on property, plant and equipment	15.4	167,365,120	141,189,440
Repairs and maintenance		41,509,217	34,148,538
Sorting charges		3,880,820	964,672
Insurance		6,635,319	4,344,898
Oil and lubricants		4,985,904	3,030,996
		2,798,506,732	2,447,061,120
Work in process:			
- At beginning of the year		125,584,790	15,444,755
- At end of the year		(88,456,508)	(125,584,790)
Cost of goods manufactured		2,835,635,014	2,336,921,085
Finished goods			
- At beginning of the year		38,352,289	33,344,966
- At end of the year		(58,733,269)	(38,352,289)
		2,815,254,034	2,331,913,762
Other cost of sale-Freight and forwarding		42,588,579	41,145,402
Total cost of sale		2,857,842,613	2,373,059,164

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24.1 Salaries, wages and benefits include Rs. 6.38 million (2018: Rs. 6.11 million) in respect of defined contribution plan.

	Note	2019 Rupees	2018 Rupees
25 Administrative expenses			
Salaries, wages and benefits	25.1	32,612,057	28,075,489
Directors' remuneration	38	49,403,647	46,092,609
Meeting fee		1,125,000	1,400,000
Traveling expenses		33,852,901	31,511,300
Legal and professional charges		1,145,463	3,607,331
Vehicle running expenses		8,698,312	7,393,981
Security guard expense		1,618,007	1,749,662
Insurance		1,489,562	1,628,396
Repairs and maintenance		2,158,268	1,733,528
Telephone and postage		4,631,889	5,006,788
Depreciation on property, plant and equipment	15.4	9,249,385	7,964,132
Amortization on intangibles	16.1	1,851,185	1,906,555
Printing and stationery		2,573,507	3,641,726
Staff training and development		1,307,760	1,673,925
Fee and subscription		9,867,169	6,872,574
Rent, rates and taxes		853,860	907,892
Entertainment		2,580,739	3,586,405
Research and development		–	866,698
Miscellaneous expenses		539,471	1,826,706
		165,558,182	157,445,697

25.1 Salaries, wages and benefits include Rs. 1.50 million (2018: Rs. 1.44 million) in respect of defined contribution plan.

	Note	2019 Rupees	2018 Rupees
26 Selling and distribution expenses			
Salaries and benefits	26.1	8,655,587	7,785,809
Depreciation on property, plant and equipment	15.4	9,249,385	7,964,132
Advertisement		2,501,834	1,772,166
Sales promotion expenses		1,022,283	1,260,052
		21,429,089	18,782,159

26.1 Salaries, wages and benefits include Rs. 0.39 million (2018: Rs. 0.32 million) in respect of defined contribution plan.

	Note	2019 Rupees	2018 Rupees
27 Other income			
<u>Income from financial assets</u>			
Profit on bank deposits - arrangements permissible under Shariah		59,523	38,930
Income on unwinding of long term receivable		2,509,908	–
Gain on forex transactions- net - actual currency conversion		–	136,696
<u>Income from non-financial assets</u>			
Sale of unusable items		9,095,817	11,532,375
Other income		2,532,309	5,995,427
		11,628,126	17,527,802
		14,197,557	17,703,428
28 Other charges			
Workers' Profit Participation Fund		15,695,614	20,075,169
Workers' Welfare Fund		4,556,256	8,030,068
Loss on disposal of property, plant and equipment		8,979,681	5,543,099
Loss on liquidation of subsidiary		–	61,636
Auditor's remuneration	28.1	1,190,000	1,615,000
Donations	28.2	2,224,000	1,133,680
Loss on foreign currency transactions - net		100,101	–
Provision for loss allowance for trade debts		2,093,893	–
Provision for doubtful debts		1,439,881	–
Impairment loss on available for sale investment, including loss on disposal		–	2,375,989
		36,279,426	38,834,641
28.1 Auditors' remuneration			
Statutory audit fee		800,000	605,000
Half yearly review		225,000	175,000
Certifications and others		105,000	775,000
Out of pocket expenses		60,000	60,000
		1,190,000	1,615,000

- 28.2** It includes donations paid to The Supreme Court of Pakistan and the Prime Minister of Pakistan Diamer-Bhasha and Mohmand Dams Fund amounting to Rs. 1 million. Further, it includes donations to Lahore Chamber of Commerce and Industry (LCCI) amounting to Rs. 1 million in which director of the Company, Mr. Almas Hyder is the President.

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		2019 Rupees	2018 Rupees
29 Finance cost			
Mark-up on:			
- long term finance - secured		39,422,898	18,675,271
- liabilities against assets subject to finance lease		1,090,109	1,171,120
- short term borrowings - secured		35,104,180	25,068,866
Bank charges		428,211	1,334,196
		76,045,398	46,249,453
30 Taxation			
Current:			
- for the year		21,929,360	14,770,043
- prior year		3,343,731	2,193,357
Deferred:			
- for the year		21,628,718	9,411,398
		46,901,809	26,374,798
30.1 Relationship between tax expense and accounting profit			
Profit before taxation		288,087,882	370,647,067
Tax at 29% / 30%		83,545,486	111,194,120
Tax effect of:			
- income under Final Tax Regime		171,893	(180,592)
- tax credits		(44,261,409)	(63,399,440)
- prior year tax		3,343,731	2,193,357
- effect of tax rate change and others		4,102,108	(23,432,647)
		46,901,809	26,374,798

30.2 The Board of Directors in their meeting held on 27 September 2019 has recommended a final cash dividend of Re. 0.6 per share for the year ended 30 June 2019 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.

		2019 Rupees	2018 Rupees
31 Earning per share			
31.1 Basic earning per share			
Profit for the year after taxation	Rupees	241,186,073	344,272,269
Weighted average number of ordinary shares in issue during the year	Number	85,085,000	85,085,000
Earning per share	Rupees	2.83	4.05

Basic earning 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.

31.2 Diluted earning per share

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

	Note	2019 Rupees	2018 Rupees
32 Cash generated from operations			
Profit before taxation		288,087,882	370,647,067
<i>Adjustments for non-cash items:</i>			
Finance cost		76,045,398	46,249,453
Depreciation on property, plant and equipment		185,863,890	157,117,704
Amortization of intangibles		1,851,185	1,906,555
Loss on disposal of subsidiary		—	61,636
Bonus dividend received		(261,985)	—
Impairment loss on available for sale investment including on disposal		—	2,375,989
Loss on disposal of property, plant and equipment		8,979,681	5,543,099
Provision for doubtful debts		1,439,881	—
Provision for loss allowance for trade debts		2,093,893	—
Provision for Workers' Profit Participation Fund and Workers' Welfare Fund		20,251,870	28,105,237
		296,263,813	241,359,673
Operating profit before working capital changes		584,351,695	612,006,740
<i>(Increase) / decrease in current assets:</i>			
Stores, spares and loose tools		1,209,725	(6,436,612)
Stock-in-trade		58,533,435	(199,736,215)
Trade debts including non-current portion		(221,289,927)	13,144,825
Advances, deposits, prepayments and other receivables		16,592,866	(2,798,075)
		(144,953,901)	(195,826,077)
<i>Increase / (decrease) in current liabilities:</i>			
Trade and other payables		6,146,921	13,056,970
		445,544,715	429,237,633
33 Cash and cash equivalents			
Short term running finance	11	(98,491,557)	(61,672,434)
Running Musharika	11	(90,498,588)	(21,900,451)
Cash and bank balances	22	42,021,102	17,419,065
		(146,969,043)	(66,153,820)

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34 Related party transactions and balances

The related parties comprise of associated companies, directors of the Company, 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	2019 Rupees	2018 Rupees
a) SPEL Pharmatec (Private) Limited, liquidated in last year	Subsidiary Company (100% equity held)	Cash received on liquidation Expenses paid for winding up		– –	19,171 257,025
b) Provident Fund Trust	Post employment benefit fund	Contribution Payable balance at year end		19,080,206 1,476,673	17,387,813 1,530,934
c) Directors	Directors	Cash Dividend - as shareholders		60,593,614	30,242,057
	Directors-Other than key management personnel	Remuneration	38	18,389,958	18,389,236
	Non-Executive Directors	Meeting Fee	38.2	1,125,000	1,400,000
d) Key Management Personnel	Key Management Personnel	Remuneration	38	40,750,083	37,305,948

34.1 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company considers Chief Executive Officer, whole time Directors, Chief Financial Officer and Company Secretary to be its key management personnel.

35 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

Risk Management Framework

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

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

35.1 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:

35.1.1 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.

35.1.2 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	2019 Rupees	2018 Rupees
Long term deposits	18	10,472,359	11,083,272
Trade debts including non-current portion		543,657,766	325,901,613
Deposits and other receivables	21	12,219,432	13,295,342
Bank balances	22	41,971,102	17,224,830
		608,320,659	367,505,057

35.1.3 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:

	2019 Rupees	2018 Rupees
Customers	543,657,766	325,901,613
Banking companies and financial institutions	50,538,199	25,791,927
Others	14,124,694	15,811,517
	608,320,659	367,505,057

35.1.4 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 and utility Companies, have external credit ratings determined by various credit rating agencies. Credit quality of customers is assessed by reference to historical defaults rates and present ages.

35.1.4(a) Counterparties with external credit ratings

These include banking companies and financial institutions, which are counterparties to 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:

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	Rating			2019	2018
	Short term	Long term	Rating agency		
				Rupees	
<u>Bank</u>					
Bank Islami Pakistan Limited	A1	A+	PACRA	376,338	800,118
Habib Bank Limited	A1+	AAA	JCR-VIS	1,260,967	286,629
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	35,002,607	4,476,735
MCB Bank Limited	A1+	AAA	PACRA	1,731,002	540,216
National Bank of Pakistan	A1+	AAA	PACRA	100,159	8,478,538
United Bank Limited	A1+	AAA	JCR-VIS	3,500,029	2,642,594
				41,971,102	17,224,830
<u>Security deposits</u>					
MCB Bank Limited	A1+	AAA	PACRA	8,567,097	8,567,097
United Bank Limited Ameen	A1+	AAA	JCR-VIS	677,858	677,858
				9,244,955	9,244,955
				51,216,057	26,469,785

35.1.4(b) Counterparties without external credit ratings

These include customers which are counter parties to trade debts. The Company recognises ECL for trade debts using the simplified approach as explained in note 3.7. The analysis of ages of trade debts and loss allowance using the aforementioned approach as at 30 June 2019 (on adoption of IFRS 9) was determined as follows:

The aging of trade debts at the reporting date is:

	2019		2018	
	Gross carrying amount	Loss Allowance	Gross carrying amount	Loss Allowance
	Rupees			
Not due	489,381,572	1,228,292	266,351,122	–
Past due 0 - 90 days	55,484,358	539,099	55,955,899	–
Past due 91 - 180 days	704,852	207,276	603,035	–
Past due 181 - 270 days	80,000	46,428	1,814,241	–
Past due 271 - 360 days	939	678	970,381	–
Past due 360 days	99,938	72,120	206,935	–
	545,751,659	2,093,893	325,901,613	–

Being immaterial, the Company has not recognised any loss allowance on 1 July 2018 upon adoption of IFRS 9

35.2 Liquidity risk

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

35.2.1 Exposure to liquidity risk

35.2.1(a) Contractual maturities of financial liabilities

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

2019						
Note	Carrying amount	Contractual cash flow	One year or less	One to three year	Three to five year	
Rupees						
Non-derivative financial liabilities						
Long term finances	7	367,452,709	398,080,682	140,556,599	246,612,815	10,911,268
Liabilities against assets subject to finance lease	8	11,672,124	13,588,677	3,915,615	9,407,569	265,493
Trade and other payables	10	133,363,620	133,363,620	133,363,620	–	–
Unclaimed dividend		1,730,714	1,730,714	1,730,714	–	–
Short term borrowings	11	309,138,985	309,138,985	309,138,985	–	–
Accrued mark up	13	6,183,440	6,183,440	6,183,440	–	–
		829,541,592	862,086,118	594,888,973	256,020,384	11,176,761
2018						
Note	Carrying amount	Contractual cash flow	One year or less	One to three year	Three to five year	
Rupees						
Non-derivative financial liabilities						
Long term finances	7	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

35.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

35.3.1 Currency risk

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

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35.3.1(a) Exposure to currency risk

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

	2019	
	USD	Total (Rupees)
<u>Assets</u>		
Bank balances	2,474	405,736
<u>Liabilities</u>		
Net assets exposure	2,474	405,736

	2018		
	YEN	USD	Total (Rupees)
<u>Assets</u>			
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
<u>Liabilities</u>	—	—	—
Net assets exposure	80,000	12,683	1,627,717

35.3.1(b) Exchange rates applied during the year

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

	YEN		USD	
	2019	2018	2019	2018
	Rupees		Rupees	
Reporting date spot rate				
- buying	1.52	1.10	164.00	121.40
- selling	1.53	1.10	164.50	121.60
Average rate for the year	1.31	1.02	142.88	113.20

35.3.1(c) Sensitivity analysis

A reasonably possible strengthening / (weakening) of 10% in Pak Rupee against the US Dollar 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.

	2019 Rupees	2018 Rupees
<u>Effect on profit and loss</u>		
USD	40,574	153,972
YEN	—	8,800
	40,574	162,772

35.3.1(d) **Currency risk management**

Since the maximum amount exposed to currency risk is only 0.0011% (2018: 0.047%) 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.

35.3.2 **Interest rate risk**

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

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

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

	2019		2018	
	Financial asset	Financial liability	Financial asset	Financial liability
	Rupees		Rupees	
<u>Non-derivative financial instruments</u>				
Fixed rate instruments	1,101,784	11,672,124	1,006,563	15,880,439
Variable rate instruments	—	676,591,694	—	614,278,046

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 or loss. Therefore, a change in profit / mark-up / interest rates at the reporting date would not affect profit and loss account.

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

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

	Profit	
	2019 Rupees	2018 Rupees
<u>Increase of 100 basis points</u>	(6,765,917)	(6,142,780)
<u>Decrease of 100 basis points</u>	6,765,917	6,142,780

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

The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The short 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.

35.3.3 **Other price risk**

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

The Company is not significantly exposed to equity price risk.

35.4 **Fair values**

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

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

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

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

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

35.4.1 **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			
		Investments	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
		Rupees						
On-Balance sheet financial instruments								
30 June 2019								
Financial assets measured at fair value								
Investment at FVOCI		1,077,511	–	–	1,077,511	1,077,511	–	
		1,077,511	–	–	1,077,511	1,077,511	–	
Financial assets at amortised cost								
Cash and bank balances		–	42,021,102	–	42,021,102	–	–	
Deposits and other receivables		–	12,219,432	–	12,219,432	–	–	
Long term deposits		–	10,472,359	–	10,472,359	–	–	
Trade debts – unsecured, considered good		–	543,657,766	–	543,657,766	–	–	
	35.4.2	–	608,370,659	–	608,370,659	–	–	
Financial liabilities measured at fair value								
		–	–	–	–	–	–	
		–	–	–	–	–	–	
Financial liabilities measured at amortised cost								
Long term finances and diminishing musharika		–	–	367,452,709	367,452,709	–	–	
Liabilities against assets subject to finance lease		–	–	11,672,124	11,672,124	–	–	
Trade and other payables		–	–	133,363,620	133,363,620	–	–	
Unclaimed dividend		–	–	1,730,714	1,730,714	–	–	
Short term borrowing		–	–	309,138,985	309,138,985	–	–	
Accrued mark up		–	–	6,183,440	6,183,440	–	–	
	35.4.2	–	–	829,541,592	829,541,592	–	–	

	Note	Carrying Amount			Fair Value			
		investments	loan and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
		Rupees						
On-Balance sheet financial instruments								
30 June 2018								
Financial assets measured at fair value								
Available for sale		1,893,306	–	–	1,893,306	1,893,306	–	
		1,893,306	–	–	1,893,306	1,893,306	–	
Financial assets at amortised cost								
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	–	–	
	35.4.2	–	367,699,292	–	367,699,292	–	–	
Financial liabilities measured at fair value								
		–	–	–	–	–	–	
		–	–	–	–	–	–	
Financial liabilities not measured at fair value								
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	–	–	–	
	35.4.2	–	761,052,053	761,052,053	–	–	–	

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35.4.2 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.

35.4.3 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.

36 Capital management

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

The Company's objectives when managing capital are:

- 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.

37 Operating segments

37.1 Basis of segmentation

The Company has five manufacturing units, which are its reportable segments. These units offer more than one products, and are managed separately.

The Company's chief executive officer reviews the internal management reports of each unit separately on a monthly basis for the purpose decision making about allocating resources to the segment and assessing its performance.

37.2 Information about reportable segments

Information related to each reportable segments is set out below. Segment gross profit is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments.

	2019					
	Unit 1	Unit 2	Unit 3	Unit 4	Unit 5	Total
	Rupees					
Segment net sales	539,434,587	604,330,678	1,583,645,767	187,490,293	516,143,708	3,431,045,033
Segment cost of sales	(459,761,119)	(504,847,137)	(1,277,199,482)	(172,181,808)	(443,853,067)	(2,857,842,613)
Segment gross profit	79,673,468	99,483,541	306,446,285	15,308,485	72,290,641	573,202,420
Segment assets - plant and machinery	162,105,633	288,401,038	579,741,074	49,907,125	375,934,673	1,456,089,543

	2018					
	Unit 1	Unit 2	Unit 3	Unit 4	Unit 5	Total
	Rupees					
Segment net sales	554,095,841	605,202,733	1,262,623,448	35,818,085	529,574,646	2,987,314,753
Segment cost of sales	(446,414,550)	(483,514,020)	(988,240,767)	(35,134,179)	(419,755,648)	(2,373,059,164)
Segment gross profit	107,681,291	121,688,713	274,382,681	683,906	109,818,998	614,255,589
Segment assets - plant and machinery	172,810,670	322,161,864	446,695,399	53,942,720	339,877,225	1,335,487,878

37.2.1 Sales to three customers (2018: three customers) represent approximately Rs. 1,960 million (2018 : Rs. 1,709 million) of the Company's total net sales.

37.3 Reconciliations of information on reportable segments to IFRS measures

	2019 Rupees	2018 Rupees
37.3.1 Assets		
Total assets for reportable segment	1,456,089,543	1,335,487,878
Other unallocated amounts	2,269,510,768	2,155,051,218
Total assets	3,725,600,311	3,490,539,096

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:

	2019				
	Directors				Executives
	Chairman	Chief executive	Non-executive	Executive	
	Rupees				
Managerial remuneration	8,040,000	9,648,000	–	9,326,400	16,021,323
Utilities and house rent	3,960,000	4,752,000	–	4,593,600	7,891,100
Post employment benefits	–	–	492,000	1,421,653	
Advisory fee	–	–	6,000,000	–	–
Bonus and rewards	–	–	–	1,546,667	2,440,000
Others benefits	217,883	243,306	172,075	411,716	–
	12,217,883	14,643,306	6,172,075	16,370,383	27,774,076
Number of persons	1	1	1	2	7

SYNTHETIC PRODUCTS ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2019

	2018				
	Directors				Executives
	Chairman	Chief executive	Non-executive	Executive	
	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

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 five (2018: four directors) directors during the year of Rs. 1,125,000 (2018: Rs. 1,400,000).

39 Plant capacity and actual production

	Installed processing capacity		Actual processing	
	2019	2018	2019	2018
Small, medium and large moulds making facility	60 to 70 moulds	60 to 70 moulds	22 moulds	16 moulds
Injection moulds facility	5,110 tons plastic	4,250 tons plastic	2,000 tons plastic	2,046 tons plastic
Blow moulding facility	3,540 tons plastic	3,250 tons plastic	2,200 tons plastic	2,030 tons plastic
Extrusion	8,300 tons plastic	8,300 tons plastic	3,200 tons plastic	3,655 tons plastic
Thermoforming	3,170 tons plastic	3,250 tons plastic	1,600 tons plastic	1,733 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 related disclosure

The investments by the provident fund have been made in accordance with the provisions of section 218 of the Act and the conditions specified thereunder.

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

	30 June 2019				
	Liabilities				
	Liabilities against assets				
	Diminishing Musharika	subject to finance lease	Short term borrowings	Unclaimed dividend	Total
Balance as at 01 July 2018	367,927,010	15,880,439	246,351,036	539,928	630,698,413
<u>Changes from financing activities</u>					
Repayment of short term borrowings - net	–	–	(42,629,311)	–	(42,629,311)
Diminishing Musharika paid - net	(474,301)	–	–	–	(474,301)
Repayment of finance lease liabilities	–	(4,970,315)	–	–	(4,970,315)
Dividend paid	–	–	–	(83,894,214)	(83,894,214)
Total changes from financing cash flows	(474,301)	(4,970,315)	(42,629,311)	(83,894,214)	(131,968,141)
<u>Other liability related changes</u>					
Assets acquired on finance lease	–	762,000	–	–	762,000
Change in running finance	–	–	105,417,260	–	105,417,260
Dividend declared	–	–	–	85,085,000	85,085,000
Total liability related other changes	–	762,000	105,417,260	85,085,000	191,264,260
Closing as at 30 June 2019	367,452,709	11,672,124	309,138,985	1,730,714	689,994,532

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

	30 June 2018					
	Liabilities					
	Liabilities against					
	Long term finances	Diminishing Musharika	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
<u>Changes from financing activities</u>						
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)
<u>Other liability related changes</u>						
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 June 2018	–	367,927,010	15,880,439	246,351,036	539,928	630,698,413

SYNTHETIC PRODUCTS ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2019

42 Number of employees

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

	Number of Employees	
	2019	2018
Number of employees as at 30 June	558	564
Average number of employees during the year	553	554

43 Non adjusting events after the balance sheet date

The Board of Directors of the Company in its meeting held on 27 September 2019 has proposed a final cash dividend of 6% i.e. Re. 0.6 per share, and a bonus dividend of 4% i.e. 1 share for every 25 shares held for the year ended 30 June 2019, for approval of the members in the Annual General Meeting to be held on 28, October 2019.

44 General

44.1 These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 27 September 2019.

44.2 Figures have been rounded off to the nearest rupee.



Chief Executive Officer



Director



Chief Financial Officer

PATTERN OF SHAREHOLDING

AS ON 30 JUNE, 2019

No. of Shareholders	Shareholding		Shares held	Percentage
	From	To		
238	1	100	7116	0.0084
111	101	500	45169	0.0531
965	501	1000	553085	0.6500
306	1001	5000	586301	0.6891
51	5001	10000	395392	0.4647
25	10001	15000	295551	0.3474
23	15001	20000	405528	0.4766
4	20001	25000	99637	0.1171
10	25001	30000	278102	0.3269
10	30001	35000	319731	0.3758
2	35001	40000	75799	0.0891
1	40001	45000	41250	0.0485
2	45001	50000	95425	0.1122
2	50001	55000	110000	0.1293
3	55001	60000	172759	0.2030
2	60001	65000	126867	0.1491
1	65001	70000	67000	0.0787
2	70001	75000	147000	0.1728
2	80001	85000	167125	0.1964
1	85001	90000	89000	0.1046
1	90001	95000	90885	0.1068
1	100001	105000	104000	0.1222
4	105001	110000	438500	0.5154
1	115001	120000	118162	0.1389
1	120001	125000	125000	0.1469
1	135001	140000	137000	0.1610
1	140001	145000	145000	0.1704
1	155001	160000	157000	0.1845
1	160001	165000	165000	0.1939
1	165001	170000	169700	0.1994
2	170001	175000	343115	0.4033
1	185001	190000	188310	0.2213
2	275001	280000	555225	0.6526
1	290001	295000	292250	0.3435
1	300001	305000	305000	0.3585
1	325001	330000	327990	0.3855
1	355001	360000	359587	0.4226
1	365001	370000	368500	0.4331
1	390001	395000	393814	0.4628
1	415001	420000	415500	0.4883
1	425001	430000	428000	0.5030
1	435001	440000	439500	0.5165
1	445001	450000	449685	0.5285
1	455001	460000	455475	0.5353
1	465001	470000	467017	0.5489
1	485001	490000	488000	0.5735
1	500001	505000	503000	0.5912
1	585001	590000	589500	0.6928
1	620001	625000	624500	0.7340
1	640001	645000	644000	0.7569
1	685001	690000	688000	0.8086
1	730001	735000	730500	0.8586
1	1090001	1095000	1095000	1.2869
1	1295001	1300000	1295195	1.5222
1	1585001	1590000	1589118	1.8677
1	1605001	1610000	1606764	1.8884
1	1675001	1680000	1678500	1.9727
1	1950001	1955000	1950500	2.2924
1	5005001	5010000	5007235	5.8850
2	10975001	10980000	21955542	25.8042
1	33120001	33125000	33122594	38.9288
1808			85,085,000	100.0000

SYNTHETIC PRODUCTS ENTERPRISES LIMITED

KEY SHAREHOLDING

AS ON 30 JUNE, 2019

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. Nighat Arshad	109,500
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	4,350
CDC - Trustee Alhamra Islamic Stock Fund	644,000
CDC - Trustee Alfalah Ghp Value Fund	16,455
CDC - Trustee Unit Trust Of Pakistan	70
CDC - Trustee Al-Ameen Shariah Stock Fund	439,500
CDC - Trustee Nafa Stock Fund	171,000
CDC - Trustee Nbp Balanced Fund	2,000
CDC - Trustee Alfalah Ghp Islamic Stock Fund	17,213
CDC - Trustee Nbp Islamic Sarmaya Izafa Fund	455,475
MC FSL - Trustee Js Growth Fund	3,000
CDC - Trustee Mcb Pakistan Asset Allocation Fund	730,500
CDC - Trustee Js Islamic Pension Savings Fund-Equity Account	230
CDC - Trustee Alfalah Ghp Stock Fund	11,695
CDC - Trustee Alfalah Ghp Alpha Fund	805
CDC - Trustee Nit-Equity Market Opportunity Fund	279,225
M C F S L-Trustee Askari Islamic Asset Allocation Fund	16,000
CDC-Trustee Nbp Sarmaya Izafa Fund	27,000
CDC - Trustee Askari Equity Fund	9,000
MCBFSL - Trustee Pak Oman Advantage Asset Allocation Fund	6,000
MCBFSL - Trustee Pak Oman Islamic Asset Allocation Fund	30,000
CDC - Trustee Piml Islamic Equity Fund	75,000
CDC-Trustee Al-Ameen Islamic Ret. Sav. Fund-Equity Sub Fund	589,500
CDC - Trustee Ubl Retirement Savings Fund - Equity Sub Fund	503,000
CDC - Trustee National Investment (Unit) Trust	188,310
CDC - Trustee Nafa Islamic Stock Fund	1,295,195
CDC - Trustee Piml Value Equity Fund	59,500
CDC - Trustee Piml Asset Allocation Fund	165,000
CDC - Trustee Nafa Islamic Active Allocation Equity Fund	359,587
CDC - Trustee Alfalah Ghp Islamic Dedicated Equity Fund	5,114
CDC - Trustee Ubl Dedicated Equity Fund	85,000
Executives	32,640
Public Sector Companies And Corporations	—
“Banks, Development Finance Institutions, NBFCs, Insurance companies, Takaful and Modarabas”	2,746,435
Shareholders Holding Five Percent or More Voting Rights	
Mr. Almas Hyder	33,122,594
Mr. Zia Hyder Naqi	10,977,771
Mr. Raza Haider Naqi	10,977,771
Dr. S. M. Naqi	5,007,235

CATEGORY WISE SHAREHOLDING

Sr. No	Particulars	No. Folio	No. of Shares	Percentage
1	Sponsors, Directors, CEO And Children	11	63,294,283	74.3895
2	Insurance Companies	4	2,745,735	3.2270
3	Modarabas and Mututal Funds	32	7,867,924	9.2471
4	General Public (Local)	1690	8,261,417	9.7096
5	General Public (Foreign)	43	1,364,995	1.6043
6	Others	28	1,550,646	1.8225
	Total	1808	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 Seventh Annual General Meeting of the shareholders of Synthetic Products Enterprises Limited (the "Company") will be held on Monday 28 October 2019 at 3:00 PM at Jinnah Auditorium of Lahore Chamber of Commerce & Industries, Shahrah Aiwan-e-Tijarat, Lahore to transact the following business:

Ordinary Business:

1. To confirm the minutes of the Last Extra Ordinary General Meeting held on 22 March 2019.
2. To receive, consider and adopt the audited financial statements for the year ended 30 June 2019 together with Directors' and Auditors' Report thereon.
3. To approve final cash dividend @ 6% as recommended by the Board of Directors.
4. To appoint auditors for the year ended 2019-20 and fix their remuneration. The Board, has recommended, as suggested by the board audit committee, the appointment of M/s KPMG Taseer Hadi and Co., Chartered Accountants, the retiring auditors and being eligible offer themselves for re-appointment.

Special Business:

5. To consider and if thought fit, to pass the following resolution as an ordinary resolution:

"Resolved:

- that a sum of Rs. 34.034 million be capitalized out of the free reserves of the Company and applied towards issue of 3.4034 million ordinary shares of Rs. 10 each as fully paid bonus shares in proportion of one (01) ordinary share for every twenty five (25) ordinary shares held by the members of the Company whose names appear on the register of members as at close of business on 21 October 2019;
- that the bonus shares so allotted shall not be entitled for final cash dividend for the year ended 30 June 2019;
- that the bonus shares so allotted shall rank pari passu in every respect with the existing shares;
- that in case of members' entitlement to a fraction of a share, the Chief Executive Officer be and is hereby authorised to consolidate the fractions into whole shares in the name of Company Secretary and sell all the same on the Pakistan Stock Exchange and the

proceeds so realized shall be paid to any charitable institution, as may be decided by the Chief Executive Officer of the Company;

- that the Company secretary be and is hereby authorised and empowered to give effect to this resolution and to do or cause to do all acts, deeds and things that may be necessary or required for issue, allotment and distribution of bonus shares or payment of the sale proceed of the fractional shares.
6. To ratify and approve transactions conducted with Related Parties for the year ended June 30, 2019 by passing the following resolution as special resolution with or without modification.

"Resolved that the following transactions conducted with Related Parties for the year ended June 30, 2019 be and are hereby ratified, approved and confirmed."

Name of Related Party	Nature of Transaction	Amount (PKR)
Lahore Chamber of Commerce & Industries	Donation	1,000,000

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

By the Order of the Board

7 October 2019
Lahore

Muhammad Kamran Farooq
Company Secretary

Notes:

1. The share transfer books of the Company will remain closed from 22 October 2019 to 28 October 2019 (both days inclusive). Transfers received in order at the Shares Department of M/s THK Associates (Pvt.) Limited, First Floor 40-C Block-6 PE.C.H.S. Karachi, Pakistan at the close of business on 21 October 2019 will be treated in time for the purpose of payment of final cash dividend, if approved by the shareholders. Only those persons whose name appear in the Register of Members of the Company as on 21 October 2019 are entitled to attend, participate in and vote at the Annual General Meeting.
2. A member entitled to attend and vote at the meeting is entitled to appoint any other person as his/her proxy to attend and vote. A member shall not be entitled to appoint more than one proxy to attend this meeting. Proxies in order to be effective must be received at the Registered Office of the Company, 127-S Quaid-e-Azam Industrial Estate Township Kot Lakhpat, Lahore duly stamped and signed not less than 48 hours before the time of the meeting. A proxy need not be a member of the Company. The proxy shall produce his/her original CNIC or passport at the time of the meeting.
3. CDC account holders will have to follow the guidelines as laid down in Circular 1 dated 26 January 2000 for attending meetings and appointing proxies. The individual members entitled to attend this meeting must bring his/her original CNIC or passport to prove his/her identity and in case of proxy must enclose an attested copy of his/her CNIC/passport. Representatives of corporate members should bring the Board Resolution / Power of Attorney.
4. Pursuant to SECP's Circular No 10 dated 21 May 2014 read with section 132(2) & 134(1)(b) 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 7 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.

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

5. Pursuant to SECP Companies Postal Ballot Regulations, 2016, Members can exercise their voting right to vote through e-voting or postal ballots by giving their consent as per requirements of the aforesaid regulation.
6. Members are requested to promptly notify any change of address to the Company's Share Registrar.
7. **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 PE.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.

8. Withholding Tax on Dividend

As per requirements of Income Tax Ordinance, 2001, Income tax @ 15% will be withheld in case of filers and @ 30% 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 writing 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 tax will be deposited accordingly.

9. 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.

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 37th Annual General Meeting of the members of the Synthetic Products Enterprises Limited (the "Company"):

Agenda 5

The Directors are of the view that with the existing profitability, the Company's financial position justifies capitalization of Rs. 34.034 million out of the free reserves as at June 30, 2019, by issuing fully paid bonus shares in the proportion of one share for every twenty five shares held.

No director has any direct or indirect interest in the above said business except to the extent of their shareholding.

Agenda 6

Mr. Almas Hyder was considered as directly interested in this transaction by virtue of holding the position of President in Lahore Chamber of Commerce and Industry and some other directors are considered indirectly interested by virtue of being relatives of the interested director. As majority of the Directors are considered interested (directly and indirectly), therefore, these transactions have to be approved by the shareholders pursuant to section 208 of the Companies Act, 2017.

No director has any direct or indirect interest in the above said business except to the extent of their shareholding or as mentioned above.

The detailed information as per regulation number 5(2) of the (Related Party Transactions and Maintenance of Related Records) Regulations, 2018 is as follows:

(i)	Name of related party	Lahore Chamber of Commerce & Industries
(ii)	Names of the interested or concerned persons or directors	Mr. Almas Hyder Dr. Sheikh Muhammad Naqi Mr. Zia Hyder Naqi Mr. Raza Haider Naqi Dr. Nighat Arshad Mr. Sheikh Naseer Hyder
(iii)	Nature of relationship, interest or concern along with complete information of financial or other interest or concern of directors, managers or key managerial personnel in the related party	(Mr. Almas Hyder is President of Lahore Chamber of Commerce & Industries and other directors are interested as per definition of relatives defined section 208 of the Companies Act, 2017. (Siblings, Lineal Ascendant & Descendent)
(iv)	Amount of Transactions	Rs. 1,000,000/- (Rs. One Million Only)
(v)	Timeframe or duration of the transactions of contracts or arrangements;	During the Year Ended 30-06-2019
(vi)	Detail, description, terms and conditions	N/A
(vii)	Pricing policy	N/A

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): ratio pepts).	The ratio arrived at by dividing market price per share by earnings per share (This 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: loan, or	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

اعمالیہ نوٹ

ہم بخوشی تسلیم کرتے ہیں کہ ملازمین کے ساتھ تعلق سال بھر میں ٹھیکہ دار ہے۔ انتظامیہ تمام ملازمین کی مسلسل نگرانی، غور و محنت جس کے نتیجے میں کارکردگی ممکن نہیں ہو سکتی تھی تو تسلیم اور ان کی تعریف کو یاد رکھتی ہے۔

ہم اپنے قابل قدر صارفین کے مسلسل تعاون اور جاری مصنوعات پر اعتماد کے لئے مشکور ہیں۔ مالیاتی اداروں کی طرف سے سپورٹ بھی ہمارے لئے حوصلہ افزا ہے اور ہم ان کے انتظامی شکر گزار ہیں۔

- کمپنی اپنے تمام اہل ملازمین کے لئے ایک کٹری بیٹری پراویڈنٹ فنانسنگ چارٹی ہے۔ کمپنی کے پراویڈنٹ کی مدد میں کی جانے والی سرمایہ کاری کی قدر 30 جون 2019 کے مطابق اور دیگر متعلقہ معلومات فی انٹرنل مینٹنس کے نوٹ میں مذکور ہیں۔
- کمپنی کے ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف آپریٹنگ آفیسر، چیف فی انٹرنل آفیسر، کمپنی سیکرٹری سربراہ انٹرنل آڈٹ، ایگزیکٹو ان کے ذریعہ اور ڈپٹی مینجنگ کی طرف سے کمپنی کے شیئرز میں فریڈنگ کی تفصیل منسلک ہے۔
- ہمارے 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 2019 سے اس رپورٹ کی تاریخ تک کوئی بڑی تبدیلیاں وقوع پذیر نہیں ہوئی ہیں اور کمپنی نے اس مدت کے دوران کوئی ایسا معاہدہ نہیں کیا جس کے کمپنی کی مالی حیثیت پر نہ سے اثرات مرتب ہوں۔

مستقبل کا نقطہ نظر

موجودہ اقتصادی مشکلات اور مجموعی معاشی حالات کے ساتھ، آپ کی کمپنی کا خیال ہے کہ مستقبل قریب میں انڈسٹری مشکلات کا شکار ہو سکتی ہے۔ طویل مدت میں انڈسٹری کا مستقبل مثبت دکھائی دیتا ہے۔ SPEL کی صحت مندانہ مالی حیثیت کمپنی کی آپریشنل کارکردگی کو مزید بہتر بنانے اور نئی سرمایہ کاری کے وژن میں طرے محدود ہوگی۔



ڈیپٹی چیف ایگزیکٹو

27 جنوری 2019

لاہور



ڈائریکٹرز کی رپورٹ برائے سال 30 جون 2019ء

محرم چتر جملہ

آپ کی کمپنی کے ڈائریکٹرز 30 جون 2019ء کو ختم ہونے والے سال کے لئے کمپنی کے آپریشن کے نتائج پر سالانہ رپورٹ معاً لفظ اکاؤنٹس آپ کے درپردہ خوشی بھجی کرتے ہیں۔

ذات لعل چتر

زیر جائزہ مدت کے دوران، الیکٹریسیٹی کے منتقلی کے طور پر کارکردگی کا مظاہرہ کیا۔ غیر ملکی زرمبادلہ کے ذخائر پر دباؤ اور اس کے ساتھ ساتھ بین الاقوامی منیجنگ پر نظام مالی کی قیمتوں میں اضافے سے پیداواری اخراجات میں بھی اضافہ ہوا شروع ہو گیا۔ مزید برآں کمپنی کو صارفین کی طرف سے ڈیماٹ میں آجارج حاد کا سامنا کرنا پڑا جس نے کمپنی کے بارہن کو متاثر کیا ہے۔

مشکل معاشی حالات اور سخت کاروباری احوال کے باوجود، آپ کی کمپنی 3,43 ملین روپے ملز کرنے میں کامیاب رہی جو 15 فیصد کی صحت مند نمو ظاہر کر رہی ہے۔ مجموعی منافع مارچ 2019ء میں آگیا، جس کی بنیادی وجہ سال کے دوران روپے کی قدر میں 32 فیصد کی کمی ہے۔ ہونے والے اخراجات پر دباؤ ہے۔ منجبت نے انتظامی اور فروخت کے اخراجات پر قابو پایا ہے جس میں مجموعی طور پر 6.3 فیصد کا اضافہ ہوا ہے جبکہ فراڈز کی شرح اس سے زیادہ ہے۔

مالیاتی نتائج

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

	2018	2019
سکلر	2,987.31	3431.05
مجموعی منافع	614.25	573.20
آپریٹنگ منافع	438.03	386.21
فنانس لاگت	46.25	76.04
کل از گیس منافع	370.65	288.09
ٹیکس	26.37	46.90
بعد از ٹیکس منافع	344.27	241.18

ایم پی جی

ٹیکس ڈیوٹی پیئر @ 6% (2018: @ 10%)	51.05	85.08
ٹیکس بوس ڈیوٹی پیئر @ 4% (2018: Nil)	34.03	Nil

قابلیت اور صلاحیت بھرتا ہے کے لئے، کمپنی نے آپریٹنگ لگاتار ٹیکس میں 355 ملین روپے (2018: 420 ملین روپے) کی سرمایہ کاری کی ہے۔ بہتر کارکردگی کے ذریعے بھرتا کوئی اور برکت لیڈر کو بھرتی بنانے کے لئے ٹیکنالوجی کی کپ گریڈیشن اور آؤٹیشن پر بھی نمایاں رقم خرچ کی گئی۔

کمپنی نے انٹرپرائز روٹنگ ٹھکانہ کی تعینات بھی مکمل کر لی ہے۔ پروڈیکٹ لے ماہ جنوری 2019 میں اپنے آپریٹنگ کا آغاز کیا، ہنڈا کار (پاکستان) پبلک کے صدر ایڈیٹیف آئیڈیو ایٹر، Mr. Hironbou Yoshimura نے منصوبہ کا افتتاح کیا۔

لی ایئر امداد

موجودہ اور گزشتہ سال کے لئے لی ایئر آمدنی مندرجہ ذیل ہیں:

بنیادی اور منتقل آمدنی فی صفر 2019ء	2.83 روپے
بنیادی اور منتقل آمدنی فی صفر 2018ء	4.05 روپے

ٹیکس

ٹیکس ایکٹ، 2019ء نے پلاٹ اور مشینری میں سرمایہ کاری کے لئے ٹیکس کریڈٹ 10 فیصد سے کم کر کے 5 فیصد کر دیا ہے۔ اس کے مطابق مالی سال 2019ء کے اکاؤنٹس میں 5 فیصد ٹیکس کریڈٹ لیا گیا ہے۔ یہ ٹیکس کریڈٹ سال 2020ء اور اس کے بعد ختم کر دیا گیا ہے۔

کمپنی ٹیکس سال 2020ء تک پلاٹ اور مشینری میں نئی ایکویٹی کے ذریعے مالی اعانت کی فراہمی کی مدد میں ٹیکس کریڈٹ حاصل کرنے کی ہمدار ہے۔ یہ کریڈٹ زیر جائزہ اکاؤنٹس میں تسلیم کیا گیا ہے۔

آپریٹنگ

ایئر امداد اور تحلیلات

ڈائریکٹرز آپ کو یہ بتاتے ہوئے بہت خوشی محسوس کرتے ہیں کہ جاری کمپنی نے پانچ سو روپے کی موٹر کمپنی لیڈر سے آؤٹ سٹینڈنگ کو اپنی برکار ٹیکس کا ایڈیڈ وصول کیا ہے۔

کارپوریٹ سوسائٹی اسپال

SPAL کمپنی کی مدد کرنے میں یقین رکھتی ہے اور سبکی طرح اور قومی مفاد کے بنیادی اقدامات میں شرکت کرنے کی پالیسی رکھتی ہے۔ ہم اسپال اور ماحولیاتی تحفظ کی اپنی ذمہ داریوں کو نبھاتے ہیں۔ ہم یہ یقینی بنانے کے لئے کوشاں ہیں کہ یہ امداد صرف ہمارے ملازمین اور ہمارے پائلٹس کی سہولت پر ہمارے عزم کو ظاہر کرتی ہے، بلکہ ہمارے ٹیکس سے آگے نکلنا سبکی ہولڈرز بشمول کمیونٹیوں جس میں ہم کام کرتے ہیں، تک بھی توسیع دیتے ہیں۔ مالی سال کے دوران چند سی ایس آر سرگرمیاں سرانجام دی گئی ہیں:

- غیر منافع بخش تنظیموں کو عطیات دینا۔
- اپنی تنظیم میں اضافہ کرنے کے خواہش مند شخص ملازمین کو مالی مدد فراہم کی ہے۔
- ایمر معاشرہ اور بھندری کے لئے عطیہ
- LUMS کے فنانس ایڈیٹیف پروگرام کے تحت اور UET کے ضرورت مند طلباء کو کالرشپ گرانٹ میلا کرنا

انسانی وسائل کی ترقی

ہمیں اپنے ملازمین کے عزم اور گہن پر فخر ہے۔ کمپنی اپنے ملازمین کی قدر اور محنت و ہر کی تحفظ، جدت، عام مواصلات، مسلسل ترقی اور انفرادی تربیت کی حوصلہ افزائی کرتی ہے۔ زیر جائزہ مدت کے دوران کمپنی نے ملازمین کی تربیت پر 278,76 روپے لگائے۔ انویسٹ کی۔ کمپنی اپنے ملازمین کی مہارتوں، علم اور صلاحیتوں کو بہتر بنانے کے لئے انفرادی اور بیرونی دستیاب وسائل کو بروئے کار لاتی ہے۔

This image shows a full page of blank, lined paper. It features approximately 20 evenly spaced horizontal grey lines across its entire surface, typical of notebook or composition paper. There are no margins, text, or other markings present.

Form of Proxy

37th Annual General Meeting

I/We _____
of (full address) _____

being member of Synthetic Products Enterprises Limited, holding _____ ordinary shares as
per Share Register Folio No. _____ and/or CDC Participant I.D. No. _____ and
Sub-Account No. _____ hereby appoint _____
of (full address) _____
or failing him/her _____
of (full address) _____ as my/
our proxy in my/our absence to attend and vote for me/us and on my/our behalf at annual general meeting of the company to
be held on Monday, October 28, 2019 at 3:00 pm and / or any adjournment thereof.

Signature this _____ year 2019.
(day) (date, month)

Witnesses:

1. Signature: _____
Name _____
Address _____
CNIC No. _____

2. Signature: _____
Name _____
Address _____
CNIC No. _____

Signature

Signature of members
should match with the
specimen signature
registered with the
company

Important:

1. In order to be effective, this form of proxy duly completed, stamped, signed and witnessed along with power of attorney, or other instruments (if any), must be deposited at the registered office of the company at 127-S Quaid-e-Azam Industrial Estate Kot Lakhpat, Lahore at least 48 hours before the time of the meeting.
2. If a member appoints more than one proxy and more than one form of proxy are deposited by a member with the company, all such forms of proxy shall be rendered invalid.
3. In case of proxy for an individual beneficial owner of shares from CDC, attested copies of beneficial owner's computerized national identity card (CNIC) or passport, account and participant's ID numbers must be deposited along with the form of proxy. In case of proxy for representative of corporate members from CDC, board of directors' resolution and power of attorney and the specimen signature of the nominee must be deposited along with the form of proxy. The proxy shall produce his / her original CNIC or passport at the time of meeting.



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The Company Secretary

SYNTHETIC PRODUCTS ENTERPRISES LIMITED

127-S Quaid-e-Azam Industrial Estate,
Township Kot Lakhpat, Lahore.
Postal Code: 54000
Lahore - Pakistan.
Phone: +92 42 35115506-07
Website: www.spelgroup.com

مختارنامہ (پرائکسی فارم)

میں اہم مسکی اسماء
ساکن
ضلع
بجیٹ رکن (ممبر) سٹھیک پراؤکس انٹرپرائز ڈیولپمنٹ مقرر کرتا ہوں کرتی ہوں کرتے ہیں مسکی اسماء
ساکن
کو بطور میرا ہمارا مختار (پرائکسی) سٹھیک پراؤکس انٹرپرائز ڈیولپمنٹ کے سالانہ اجلاس عام میں جو مورخہ 28 اکتوبر 2019 کو بوقت 3:00 بجے منعقد ہو رہا ہے
یاس کے کسی ملتی شدہ اجلاس میں شرکت کرے اور میری اہماری جگہ میری اہماری طرف سے حق رائے دی استعمال کرے۔
مورخہ 2019 کے میرے اہماری سے دخل سے جاری ہوا۔

دستخط

فولیو نمبر	سی ڈی سی کھاتہ نمبر	حصص کی تعداد

گواہ نمبر 1
دستخط
نام
کیپیڈرائز ڈیولپمنٹ قومی شناختی کارڈ نمبر
پتہ
گواہ نمبر 2
دستخط
نام
کیپیڈرائز ڈیولپمنٹ قومی شناختی کارڈ نمبر
پتہ

ہدایت

- 1۔ ممبر (رکن) کے دستخط نمونہ دستخط شدہ اندراج شدہ دستخط سے مماثلت ضروری ہے۔
- 2۔ سی ڈی سی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر کو مختارنامہ (پرائکسی فارم) کے ہمراہ کیپیڈرائز ڈیولپمنٹ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقل منسلک کرنا ضروری ہے۔ کارپوریٹ اداروں کے نمائندوں کو معمول کے مطابق دستاویزات ساتھ لانا ضروری ہے۔
- 3۔ مختارنامہ (پرائکسی فارم) مکمل پر شدہ کچنی کے رجسٹرار آفس میں اجلاس کے مقررہ وقت سے کم از کم 48 گھنٹے قبل جمع کرنا ضروری ہے۔

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SYNTHETIC PRODUCTS ENTERPRISES LIMITED









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