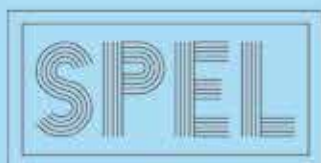


STRIVING FOR **EXCELLENCE**



ANNUAL REPORT 2020

The background of the entire page is an abstract, flowing pattern of blue and white. It features large, sweeping, curved lines that create a sense of motion and depth, reminiscent of water or a dynamic light effect. The colors transition from deep blues to bright whites, giving it a vibrant and modern feel.

STRIVING FOR EXCELLENCE

With over 45 years' of experience and expertise, we have built a strong presence in manufacturing high-end products steered by our passion for utmost excellence. We set out to provide our customers with unparalleled services and superior products through latest technological inventions in order to develop innovative, sustainable and efficient solutions for the plastics industry.

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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
Non-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
Committee 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
Committee Chairman

Mr. Almas Hyder
Member

Mr. Zia Hyder Naqi
Member

Dr. Nighat Arshad
Member

Mr. Abid Saleem Khan
Member

FINANCE COMMITTEE

Mr. Almas Hyder
Committee 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 Plant

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

RYK Plant

Plot # 41 Rahim Yar Khan Industrial Estate KLP Road
Rahim Yar Khan

SHARE REGISTRAR

THK Associates (Pvt) 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, Sticking etc. SPEL has implemented numerous quality enhancement systems including Quality Control Circles, Total Quality Management, 6S, 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 four 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, Colgate Palmolive 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

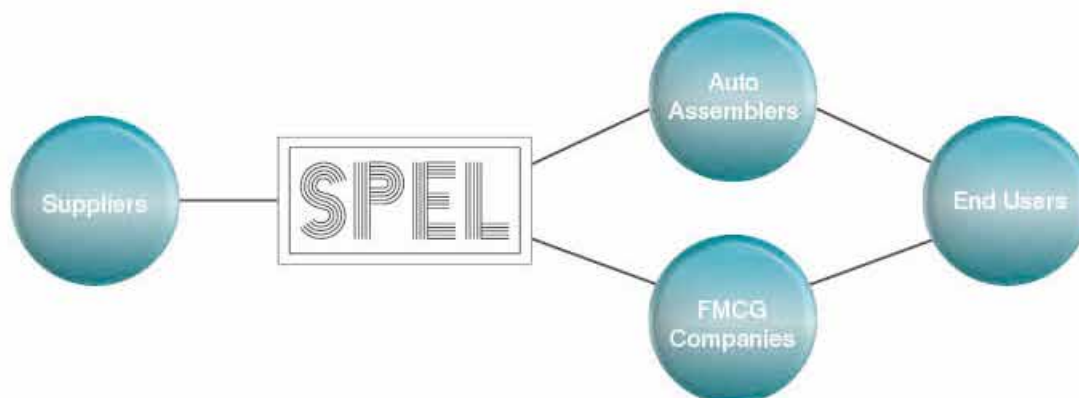
- Empowerment
- Punctuality
- Value time
- Capability
- Responsibility with authority
- Delegation
- Train people for growth and continuous improvement
- Prepare Leaders



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 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

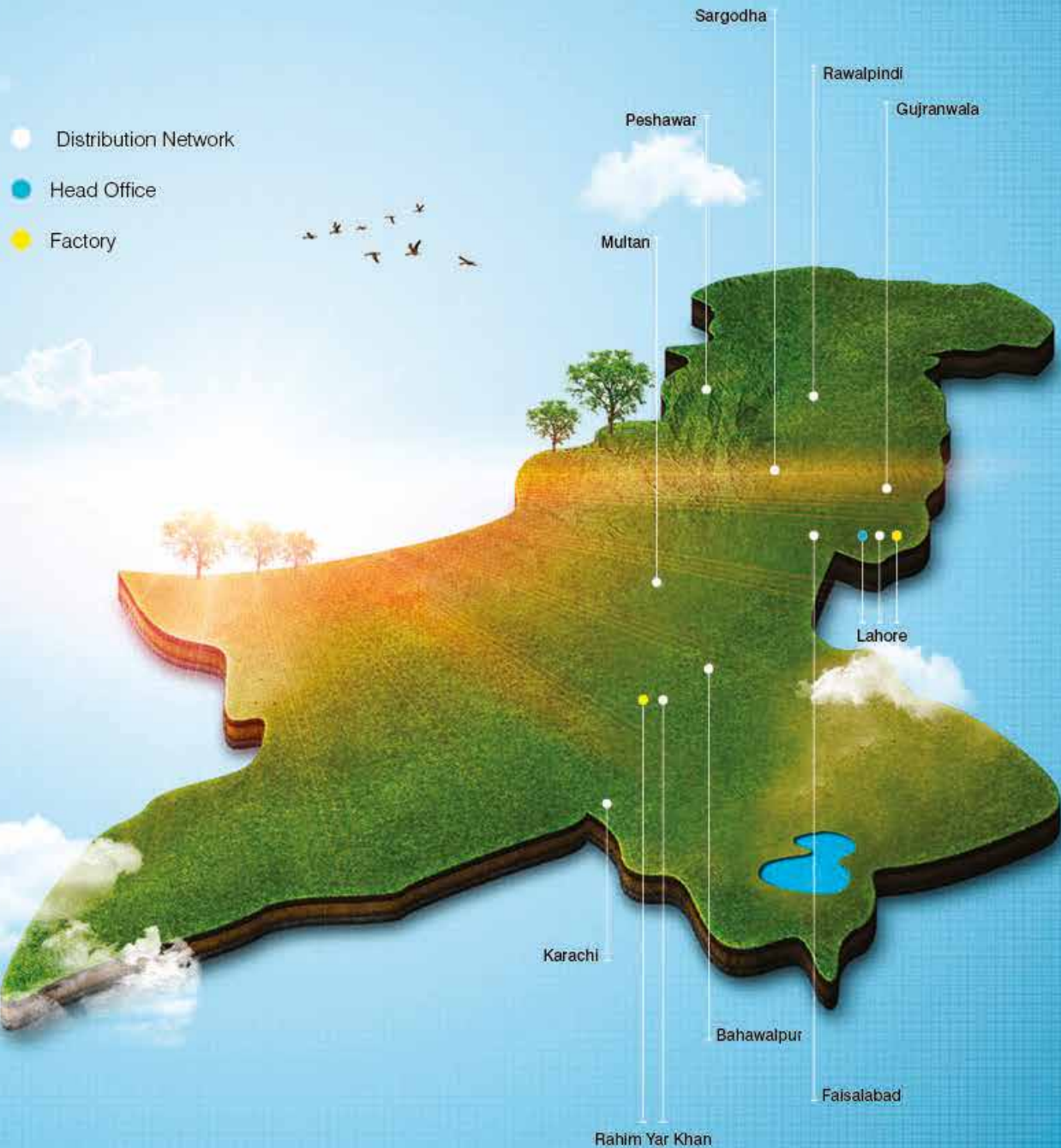
Legal

- 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



CRITICAL PERFORMANCE INDICATORS



Sales Revenue

Rs. in Million

2019	3,431
2020	3,097



Gross Profit

Rs. in Million

2019	573
2020	572



Profit after Tax

Rs. in Million

2019	241
2020	258



Earnings per Share

Basic & Diluted

Rupees

2019	2.73
2020	2.92



Cash Dividend

Rs. / Share

2019	0.60
2020	1.0



Dividend Payout Ratio

Percentage

2019	36.6
2020	34.2



Total Assets

Rs. in Million

2019	3,725
2020	3,872



Shareholders' Equity

Rs. in Million

2019	2,655
2020	2,863



Right Issue

Percentage

2019	Nil
2020	4.5



Current Ratio

Times

2019	2.41
2020	2.98



Debt to Equity

Times

2019	0.14
2020	0.14



Breakup Value per Share

Rupees

2019	31.21
2020	32.36

CALENDER OF NOTEABLE EVENTS

For the Year 2019 -20

September 2019

Annual accounts approved by the Directors

October 2019

Annual General Meeting held

November 2019

Final cash dividend paid to the shareholders

November 2019

Quality control circle - convention held

November 2019

Final bonus shares issued to the shareholders

February 2020

Half yearly accounts approved by the Directors

April 2020

Face Visors introduced by SPEL

OUR MAJOR PRODUCTS





PROFILE OF THE DIRECTORS



Mr. Almas Hyder

Chairman

Mr. Almas Hyder is an Engineering graduate from University of Engineering & Technology, Lahore, 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.

Mr. Hyder serves at senior positions for many organizations. His current engagement(s) 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 Up-gradation and Skills Development Company), where he was the Founder Chairman, under the Ministry of Industries, Production and Special Initiatives.

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

Through his hard work and effective leadership, Mr. Hyder has had a strong positive impact in both the plastic industry and entrepreneurship in Pakistan.



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 has served as Senior Vice President of the Quaid-e-Azam Industrial Estate, Lahore till recently. He is currently serving on Executive Committee of Lahore Chamber of Commerce and Industries. He has been associated with Synthetic Products Enterprises Limited for 31 years.

His current engagement(s) 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. As a senior member of Prime Minister's economic team, he actively contributed to major decisions taken by the Cabinet's Economic Coordination Committee and the Cabinet Committee on Privatisation. He was Pakistan's Lead Representative for Industrial Cooperation in the Joint Cooperation Committee (JCC) of China-Pakistan Economic Corridor (CPEC). He championed various reforms for improving Ease of Doing Business, Specialized Economic Zones and facilitating foreign direct investment from China, the Arabian Gulf and East Asia. Pakistan's ranking on Ease of Doing Business Index improved by 28 places under his leadership. He has been recognized among top 100 leaders in Pakistan in 2019. He is a member of several high-level task forces including Prime Minister's Task Force on Economic Diplomacy. He is currently advising United Nations and governments in Asia.

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 has been served as 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 engagement(s) 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.

His current engagement(s) include:

- 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.



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. Sheikh Naseer Hyder

Non-Executive Director

Mr. Naseer Hyder completed his undergraduate degree from Wilfrid Laurier University in Canada and completed his MBA from Cardiff University along with professional education and certifications from Georgia Institute of Technology, Harvard University and Massachusetts Institute of Technology.

During the tenure 2017-2019, he served SPEL as Director Supply Chain. His knowledge and skills coupled with his international exposure in the field of supply chain has greatly helped SPEL in improving its systems resulting in cost savings and better supply chain management.

He has also worked at senior positions in NYSE listed organizations in their American and Canadian operations.

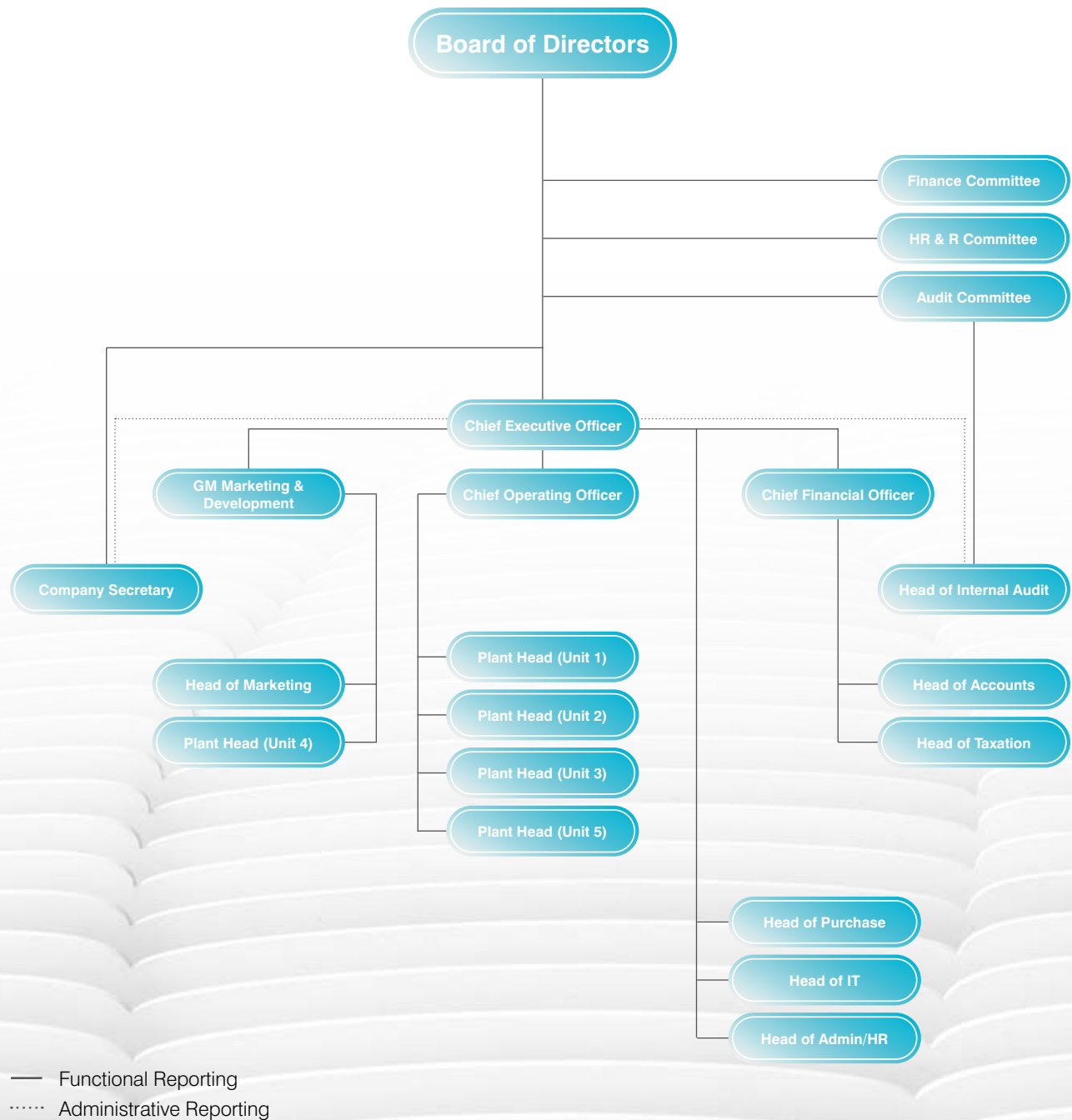


Mr. Abid Saleem Khan

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 24 years and has a good understanding of the automobile and FMCG industry and the Japanese systems of management.

ORGANOGRAM



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, new customers and new locations 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 profitability 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 to optimize 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 manufacturing 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 utilize these resources as per its needs.

Liquidity Management

The Company is a profit generating entity, which has significantly helped in strengthening the liquidity position and healthy cash flows. Careful deployment 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, 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.

The Company has decided to enlarge its foot prints in the city of Karachi & the board approved to initiate a new project in Karachi.

Changes in Objectives and Strategies from Prior Year

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

RISKS AND OPPORTUNITIES 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 maintain 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 includes 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 14% and current ratio is 2.98 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 38 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 two 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 comprises of the following members.

Name	Position	Status
Mr. Almas Hyder	Chairman	Non-Executive Director
Dr. S. M. Naqi	Director	Non-Executive Director
Mr. Zia Hyder Naqi	CEO	Executive Director
Mr. Haroon Sharif	Director	Independent Non-Executive Director
Mr. Khawar Anwar Khawaja	Director	Independent Non-Executive Director
Mr. Muhammad Tabassum Munir	Director	Independent Non-Executive Director
Dr. Nighat Arshad	Director	Non-Executive Director
Mr. Raza Haider Naqi	Director	Non-Executive Director
Mr. Sheikh Naseer Hyder	Director	Non-Executive Director
Mr. 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
Mr. Haroon Sharif	Committee Chairman	Independent Non-Executive Director
Mr. Almas Hyder	Member	Non-Executive Director
Mr. Dr. S. M. Naqi	Member	Non-Executive Director
Mr. Muhammad Tabassum Munir	Member	Independent Non-Executive Director
Mr. 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.

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	Committee 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
Mr. Almas Hyder	Committee Chairman	Non-Executive Director
Mr. Zia Hyder Naqi	Member	Executive Director
Mr. Haroon Sharif	Member	Independent Non-Executive Director
Mr. Muhammad Tabassum Munir	Member	Independent Non-Executive Director
Mr. Sheikh Naseer Hyder	Member	Non-Executive Director
Mr. 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 the 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 the 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 served as non-executive director on the Board of Quaid-e-Azam Industrial Estate, Lahore till recently.

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 had the facility to attend meetings through video conference 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 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 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:

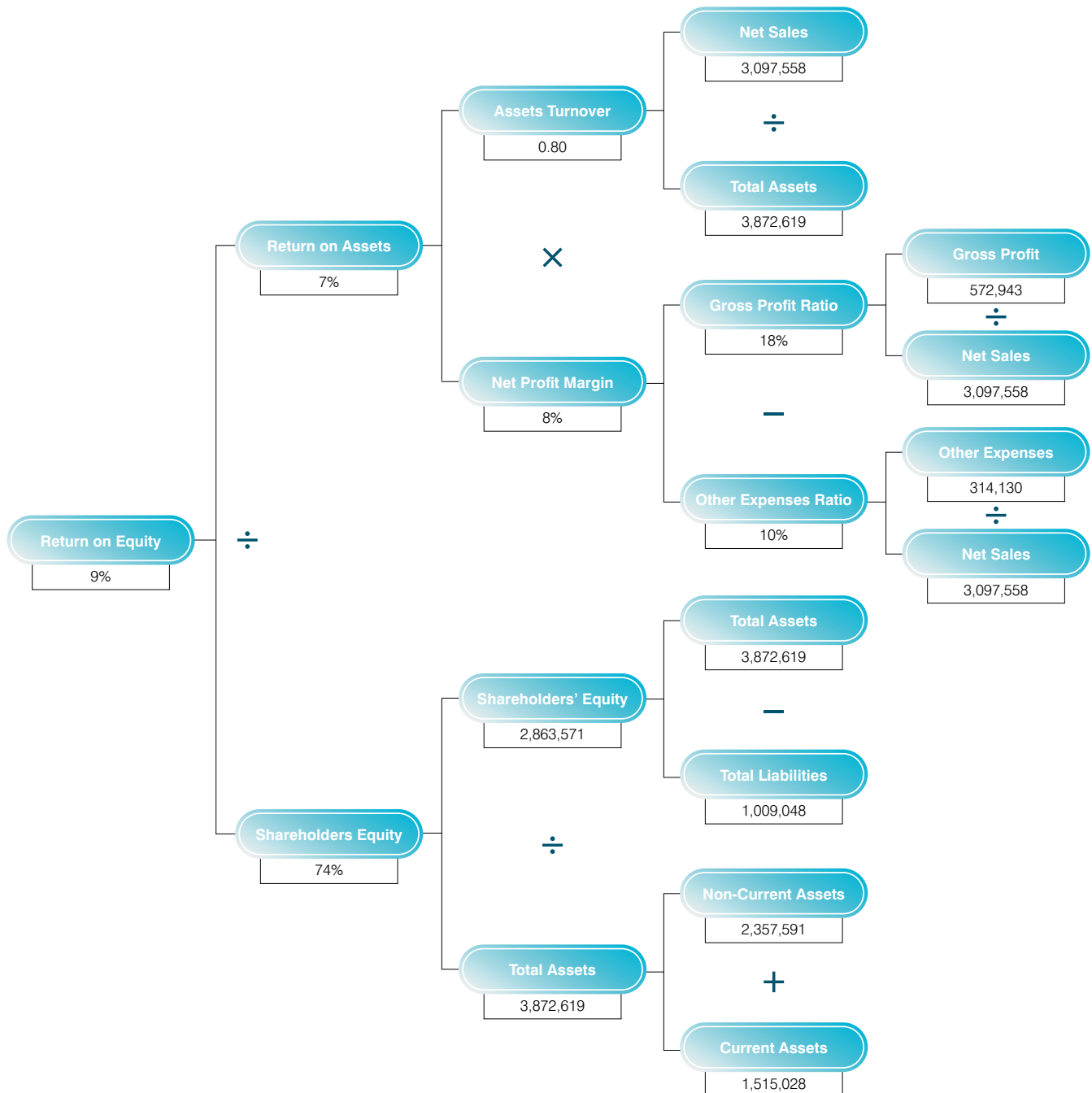
- The remuneration package shall encourage value creation within the company.
- The remuneration package shall be appropriate to attract and retain directors needed to govern the company successfully.
- Levels of remuneration shall not be at a level that could be perceived to compromise their independence.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

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.

DUPONT ANALYSIS

As at 30 June 2020



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, 6S, 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, the sales revenue decrease due to COVID-19 however the Company was able to deliver 7% increase in profit after tax.

SEGMENT REVIEW

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

Interim Accounts Analysis	Q1	Q2	Q3	Q4	Total
Rupees in thousand					
Sales -net	955,515	664,478	821,178	656,387	3,097,558
Cost of sales	(789,131)	(558,078)	(654,123)	(523,283)	(2,524,615)
Gross profit	166,384	106,400	167,055	133,105	572,943
Administrative expenses	(42,010)	(40,198)	(38,131)	(33,998)	(154,336)
Selling & distribution	(6,238)	(6,973)	(6,457)	(5,996)	(25,663)
Operating profit	118,137	59,229	122,467	93,111	392,944
Other income	10,010	10,091	7,715	7,905	35,722
Other charges	(11,490)	(4,085)	(8,831)	(8,540)	(32,946)
Finance cost	(22,365)	(16,964)	(16,543)	(17,843)	(73,715)
Profit before taxation	94,292	48,272	104,809	74,633	322,005
Taxation	(20,322)	(4,980)	(20,474)	(17,415)	(63,191)
Profit after taxation	73,969	43,291	84,334	57,218	258,814
Earnings per share (Rupees)	0.83	0.49	0.95	0.65	2.92

Restated

SALES

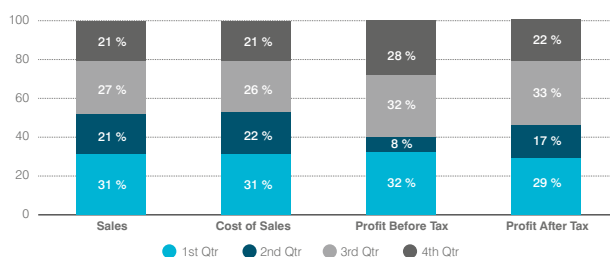
Sales of the Company decline in the FY 2019-20 as compared to previous year due to the effect of COVID-19. The sales to the food and FMCG Packaging industry is seasonal and accordingly the sales declined in the second quarter whereas the sales of the last quarter declined due to shutdown in auto sales.

COST OF SALES

The Company kept its focus on cost control. The cost of sales percentage is reduced as compared to previous year.

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 due to seasonal impact. In the fourth quarter the operating profit suffer due to COVID-19.



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 requirements 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.

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. Shareholders 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 37th Annual General Meeting (AGM) started with a brief by the Chairman of the meeting about the Company's performance for the financial year 2018-19, and an update on the progress of ongoing projects.

Final cash dividend @ 6% i.e. PKR 0.6/- per share and bonus dividend @ 4% 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, 2020.

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 the 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.

ENERGY CONSERVATION

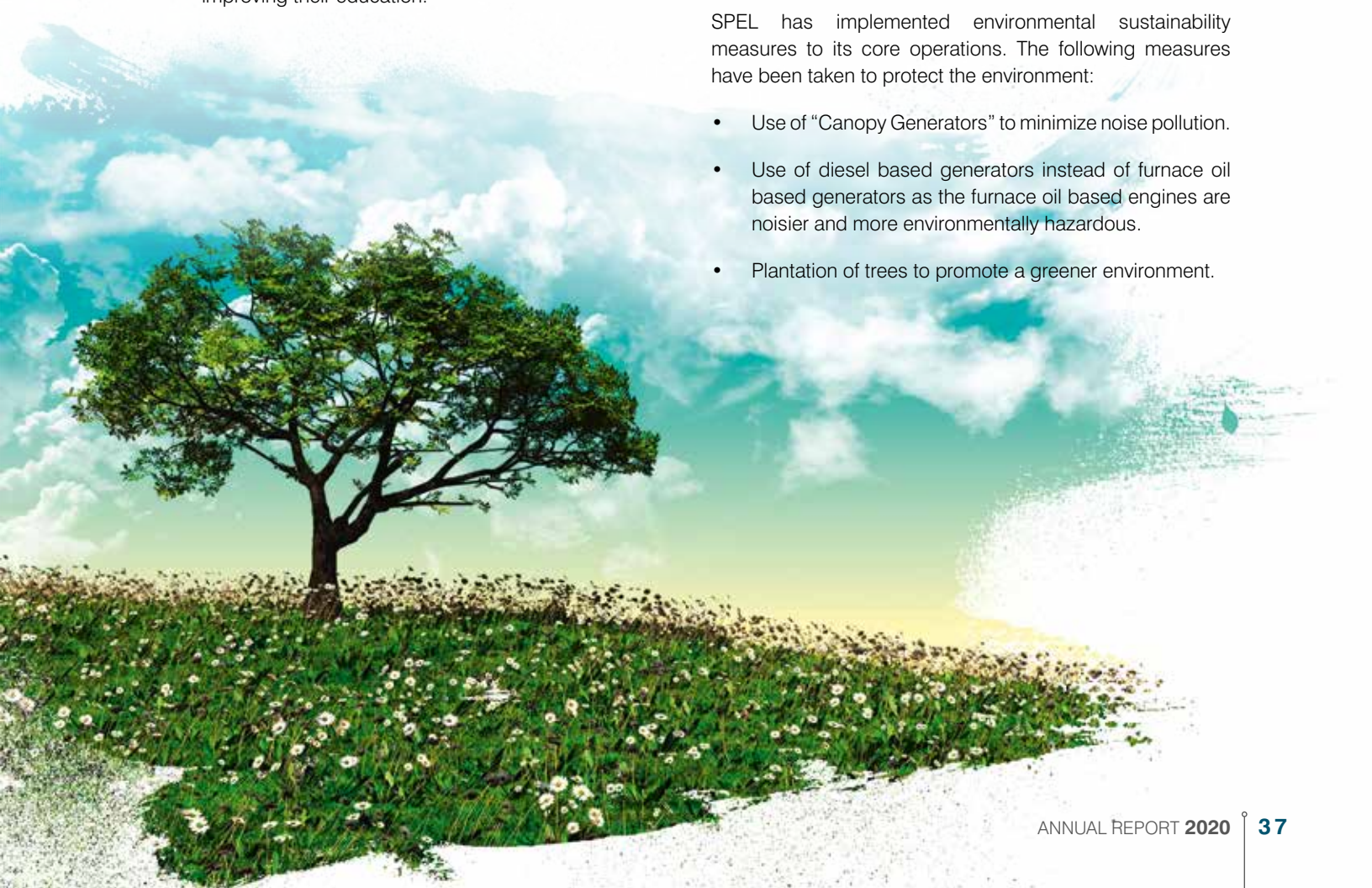
Pakistan is facing an energy crisis which has affected its economy. To play our part in reducing the energy crises, we are using the following measures:

- 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 implemented 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 generators 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. 641 million to National Exchequer in the form of Income Tax and Sales Tax.

SUPPORT FOR PERSONAL PROTECTION AGAINST COVID

The Company has developed a new product "Face Visors" which is FDA registered and CE marked. Face Visor provides defense against the Splashes which helps in providing protection against the spread of Corona Virus. The Company donated face visors to;

<ul style="list-style-type: none"> Govt. of the Punjab British High Commission 	<ul style="list-style-type: none"> Punjab Rangers Hospitals 	<ul style="list-style-type: none"> National Highways & Motorways Police Other non-profit organizations.
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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. The Board has approved to initiate a new project (manufacturing facility) in Karachi. 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 Profit	7% profit growth achieved
Investment in fixed assets	An amount of Rs 224 million invested in capex
Training of staff	3,282 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.

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

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 2020-21.



Haroon Sharif

Chairman of the Board Audit Committee

Date: 17 September 2020

Lahore



CHAIRMAN'S REVIEW

I am pleased to present the review for the year ended 30 June 2020 highlighting the Company's performance and the role of the Board of Directors. During the year, the business faced numerous external challenges including COVID-19 pandemic, global economic shock leading to steep recession, within and outside Pakistan, which resulted in a slowdown of economic activity, rising inflation, etc. In this business environment, your company has managed to achieve a growth in profit after tax of 7%, while there was a slight drop in the topline.

As Chairman, I am responsible for leading the Board, fostering a culture of openness and constructive debate, ensuring all views are heard, and that the board is knowledgeable about the plans made by the management.

The Board and its committees have played an effective role in providing a strategic oversight to the Company and performed its duties and responsibilities diligently. All Directors including Independent Directors participated and contributed in decision making process of the Board. These deliberations and discussions have helped bring the company out of the difficult period with a healthy balance sheet.

The Board carried out its annual self-evaluation and found its performance to be satisfactory. The main focus stayed on strategic growth, business opportunities, risk and control framework, performance by Board Committees, training, succession planning, providing oversight to the management etc.

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

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

I express my heartiest gratitude to our customers who have supported us consistently and built strong relationships enabling us to record excellent performance.

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

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



Almas Hyder
Chairman

17 September 2020
Lahore

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders

The Directors of your Company are pleased to place before you the Company's Annual Report on the results of its operations along with the Audited Accounts for the year ended 30 June 2020.

BUSINESS PERFORMANCE

The year under review has remained a very challenging time, not only for the Company but for the Country and the world at large due to COVID 19 pandemic.

The Company is engaged in two major segments one is manufacturing of auto parts and the other is FMCG & Food packaging segment. The FMCG & Food packaging segment performed well, however, the auto segment remained under pressure during the year under review. Initially the Govt. imposed ban on purchase of vehicles for non-filers of income tax return and then imposition of excise duty on vehicles which resulted in increased prices of the automobiles and decreased the sales of auto sector.

The last quarter was specifically marked with lock downs, closures of businesses and restricted movement of normal business activities. The Government deployed its resources to provide relief to people from low income group by providing cash assistance while incentives were also provided to the Industry that included financial assistance on concessionary interest rates and reduction in the SBP discount rate. We also faced challenges and our volumes dropped significantly in April and May but, by the grace of Almighty Allah and the efforts of the team, we sailed through this difficult time. We kept focus on cost control, best and efficient utilization of our resources and ensuring continuity of supplies to our customers. Safety of our people from the effects of COVID 19 remained our priority during the pandemic.

Despite reduction in the top line and tougher business environment, your company delivered a 7 % growth in net profit after tax.

FINANCIAL RESULTS

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

	2020	2019
Rupees in million		
Turnover	3,097.55	3,431.05
Gross profit	572.94	573.20
Operating profit	392.94	386.21
Financial cost	73.71	76.04
Profit before taxation	322.00	288.09
Taxation	63.19	46.90
Profit after tax	258.81	241.18
Dividends and Appropriations		
Final cash dividend @ 10% (2019: @6%)	88.49	51.05
Final Bonus dividend @ Nil% (2019: @4%)	-	34.03
Total Dividend @ 10% (2019: @10%)	88.49	85.08

To improve capability and capacity, the Company invested Rs. 224 million (2019: Rs. 355 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.

EARNINGS PER SHARE

The earnings per share for the year under review is as follows:

Basic and diluted EPS – 2020	Rs. 2.92
Basic and diluted EPS – 2019 (Restated)	Rs. 2.73

CORPORATE SOCIAL RESPONSIBILITY

SPEL believe in 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.

The Company developed new product "Face Visors" which is FDA registered and CE marked. Face Visor plays a vital role in providing defense against the Splashes which helps in providing protection against the spread of Corona Virus. During the period under review Company donated face visors to Govt. of the Punjab, British High Commission, Punjab Rangers, Hospitals, National Highways & Motorways Police and some other non-profit organisations.

Some other 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 Diemer 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 3,282 man hours on the training of its employees. The Company used both Internal and External available resources to improve its employee's skills, knowledge and abilities.

The trainings include courses on COVID Awareness, SAP User Training, Supervisory Skills, Labour Laws, Fire & Safety, Kaizen, 6S, QCC and Technical & Managerial modules of different departments & units of the organisation.

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 Non-Executive Directors	05
Executive Directors	02

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.

DIRECTORS' REPORT TO THE SHAREHOLDERS

MEETINGS OF THE BOARD AND ATTENDANCE

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

Name	Status	Meetings Attended
Mr. Almas Hyder	Chairman/Non-Executive Director	4
Dr. S. M. Naqi	Non-Executive director	4
Mr. Zia Hyder Naqi	CEO/Executive director	3
Mr. Haroon Sharif	Independent Non-Executive Director	4
Mr. Khawar Anwar Khawaja	Independent Non-Executive Director	4
Mr. Muhammad Tabassum Munir	Independent Non-Executive Director	3
Mr. Raza Haider Naqi	Non-Executive Director	4
Dr. Nighat Arshad	Non-Executive Director	4
Mr. Sheikh Naseer Hyder	Executive Director	4
Mr. Abid Saleem Khan	Executive Director	4

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	4
Mr. Almas Hyder	Member	4
Dr. S. M. Naqi	Member	4
Mr. Muhammad Tabassum Munir	Member	3
Mr. Raza Haider Naqi	Member	4

Mr. Khawar Anwar Khawaja attended one meeting of the Board Audit Committee on invitation of the Chairman.

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

HUMAN RESOURCE & REMUNERATION COMMITTEE

During the year under review one (01) meeting of the Human Resource and Remuneration Committee (HR Committee) was 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	1
Mr. Almas Hyder	Member	1
Mr. Zia Hyder Naqi	Member	1
Dr. Nighat Arshad	Member	1
Mr. Abid Saleem Khan	Member	1

FINANCE COMMITTEE

During the year under review one (01) meeting of the Finance Committee was held. The composition of the Finance Committee and the attendance by each member is as follows:

Name	Status	Meetings Attended
Mr. Almas Hyder	Committee Chairman	1
Mr. Zia Hyder Naqi	Member	1
Mr. Haroon Sharif	Member	1
Mr. Muhammad Tabassum Munir	Member	1
Mr. Sheikh Naseer Hyder	Member	1
Mr. Abid Saleem Khan	Member	1

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, 2019.

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 recommended their re-appointment to the shareholders as auditors of the Company for the year ended 2020-21.

PATTERN OF SHAREHOLDING

The pattern of shareholding is available on page 119.

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, 2019 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.

DIRECTORS' REPORT TO THE SHAREHOLDERS

- 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 2020 of the investments made by the Company's Provident Fund 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 and Rule 5.6.4 of the PSX Rule Book.
- There have been no material changes since 30 June 2020 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 of the industry is positive.

The Company is on the path of steady growth. Manufacturing facilities are being expanded, Investments are being

made to achieve efficiency and improve profitability. The geographical foot print is also being enlarged. The Company has decided to initiate its manufacturing facility at Karachi which will be financed through new equity of right shares @ 4.5% and internal generation.

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



Director

Date: 17 September 2020
Place: Lahore



SIX YEARS FINANCIAL INFORMATION

Financial Summary		2020	2019	2018	2017	2016	2015
Balance Sheet							
Share capital	Rs. in 000	884,884	850,850	850,850	850,850	773,500	773,500
No of shares (closing)	No. in 000	88,488	85,085	85,085	85,085	77,350	77,350
Fixed assets	Rs. in 000	2,344,473	2,230,299	2,194,146	1,875,868	1,515,337	1,030,345
Total assets	Rs. in 000	3,872,619	3,725,600	3,490,539	2,985,184	2,481,024	2,364,932
Equity	Rs. in 000	2,863,571	2,655,133	2,499,747	2,094,928	1,836,335	1,557,894
Long term loans & leases	Rs. in 000	282,522	271,388	323,132	202,292	41,332	92,707
Current assets	Rs. in 000	1,515,028	1,426,999	1,281,467	1,086,233	943,727	1,320,570
Stocks	Rs. in 000	669,672	594,567	654,310	448,138	333,875	337,658
Debtors	Rs. in 000	509,335	487,003	325,902	339,046	281,158	249,155
Cash and bank Balances	Rs. in 000	8,880	42,021	17,419	57,874	51,063	37,633
Creditors	Rs. in 000	157,291	167,975	168,491	164,643	128,045	127,469
Current liabilities	Rs. in 000	507,616	591,034	480,881	510,596	443,987	592,197
Non-Current liabilities	Rs. in 000	501,430	479,433	509,911	379,660	200,703	214,841
Total liabilities	Rs. in 000	1,009,046	1,070,467	990,792	890,256	644,690	807,038
Short term finances	Rs. in 000	344,451	416,876	307,027	342,313	311,800	456,605
Working capital	Rs. in 000	991,280	887,914	784,831	602,087	469,658	443,378
Profit and Loss Account							
Sales	Rs. in 000	3,097,558	3,431,045	2,987,315	2,699,673	2,321,851	2,165,703
Cost of sales	Rs. in 000	2,524,615	2,857,843	2,373,059	1,983,897	1,739,357	1,672,903
Gross profit	Rs. in 000	572,943	573,202	614,256	715,776	582,493	492,801
Profit before taxation	Rs. in 000	322,005	288,088	370,647	463,962	393,543	286,310
Depreciation	Rs. in 000	180,200	186,447	158,711	132,582	89,120	74,345
Amortization	Rs. in 000	140	1,851	1,907	1,922	1,588	1,387
Financial cost	Rs. in 000	73,715	76,045	46,249	32,744	38,439	59,028
Profit after tax	Rs. in 000	258,814	241,186	344,272	417,161	355,791	229,745
EBIT	Rs. in 000	395,720	364,133	416,897	496,706	431,982	345,338
EBITDA	Rs. in 000	576,060	552,431	577,514	631,211	522,690	421,070
Cash Flow Statement							
Cash flow from operating activities	Rs. in 000	377,347	281,387	293,035	403,894	343,050	204,667
Cash flow from investing activities	Rs. in 000	(296,424)	(230,235)	(367,692)	(430,278)	(54,987)	(756,799)
Cash flow from financing activities	Rs. in 000	(45,461)	(131,968)	(15,017)	49,113	(135,565)	404,476
Opening cash & cash equivalents	Rs. in 000	(146,969)	(66,154)	23,521	793	(151,704)	(4,048)
Closing cash & cash equivalents	Rs. in 000	(111,507)	(146,969)	(66,154)	23,521	793	(151,704)

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

Financial Summary		2020	2019	2018	2017	2016	2015
Profitability							
Gross profit ratio	%age	18.5	16.7	20.6	26.5	25.1	22.8
Net profit ratio	%age	8.4	7.0	11.5	15.5	15.3	10.6
EBIDTA margin to sales	%age	18.9	16.1	19.3	23.4	22.5	19.4
Return on equity	%age	9.0	9.1	13.8	19.9	19.4	14.7
Return on capital employed	%age	8.5	8.4	13.4	20.0	20.2	18.0
Liquidity / Leverage							
Current ratio	Times	2.98	2.41	2.66	2.13	2.13	2.23
Quick/Acid test ratio	Times	1.66	1.41	1.30	1.25	1.37	1.66
Cash to current liabilities	%age	1.7	7.1	3.6	11.3	11.5	6.4
Cash flow from operations to sales	%age	17.3	13.0	14.4	19.4	20.5	15.1
Activity/Turnover Ratios							
Inventory turnover ratio	Times	3.99	4.58	4.31	5.07	5.18	5.60
No of days in inventory	Days	91.47	79.69	84.78	71.94	70.46	65.21
Debtor turnover ratio	Times	6.22	8.44	8.99	8.71	8.76	9.97
No of days in receivables	Days	58.70	43.24	40.62	41.93	41.68	36.60
Creditor turnover ratio	Times	15.51	16.99	14.25	13.56	13.61	15.90
No of days in payables	Days	23.53	21.49	25.62	26.92	26.81	22.95
Fixed assets turnover ratio	Times	1.32	1.54	1.36	1.44	1.53	2.10
Total assets turnover ratio	Times	0.80	0.92	0.86	0.90	0.94	0.92
Operating cycle	Days	134.66	105.94	99.79	86.94	85.33	78.86
Investment/Market Ratios							
Earning per share - Reported	Rs.	2.92	2.73	4.05	4.90	4.18	3.48
Dividend yield ratio	%age	2.4	4.5	2.0	3.3	3.2	1.8
Dividend payout ratio	%age	34.2	36.6	24.7	51.0	35.9	28.7
Dividend cover ratio	Times	2.92	2.73	4.05	1.96	2.79	3.48
Dividend per share***	Rs.	1.00	1.00	1.00	2.50	1.50	1.00
Market value per share at the year/ period end*	Rs.	41.58	22.19	51.1	75.45	46.90	54.87
Breakup value per share (without land's revaluation surplus)	Rs.	28.63	27.33	25.50	21.95	20.81	17.21
Breakup value per share (with land's revaluation surplus)	Rs.	32.36	31.21	29.38	24.62	23.74	20.14
Capital Structure Ratios							
Financial leverage ratio	Times	0.22	0.26	0.25	0.26	0.19	0.35
Weighted average cost of debt	%age	11.2	11.5	7.9	7.3	8.5	11.4
Debt to equity ratio	Times	0.14	0.14	0.15	0.12	0.06	0.11
Interest cover ratio	Times	5.37	4.79	9.01	15.17	11.24	5.85
Return to Shareholders							
R.O.E. before tax	%age	11.2	10.9	14.8	22.1	21.4	18.4
R.O.E. after tax	%age	9.0	9.1	13.8	19.9	19.4	14.7
EPS	Rs.	2.92	2.73	4.05	4.90	4.18	3.48
Solvency							
Debtors turnover	Times	6.22	8.44	8.99	8.71	8.76	9.97
Creditors turnover	Times	15.51	16.99	14.25	13.56	13.61	15.90
Other Information							
Sale growth rate	%age	-9.7	14.9	10.7	16.3	7.2	26.0

* 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 interim dividend paid during the year (cash & stock).

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 to 8% as compared to 7% in the previous year.

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

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

Investment / Market Ratios: The Company got listed during the FY 2014-15. The break-up value of the Company has increased from 20.14 in the year 2015 to 32.36 in 2020.

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 gross profit ratio and net profit ratio is decreased in last six year, however, the ratio is increased in the current year from the immediate proceeding year. During the last six years, liquidity of the Company has improved significantly and the capital structure has also improved. A significant amount has been invested in property, plant and equipment to cater for growing needs of the customers.

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 in the previous six years due to increased cost of raw materials, however, GP ratio is increased in the current year.

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 2020.

Prospects of Targets

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

Measures to Overcome Industrial Effluents

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

Materiality Approach

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

Quality of Products

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

CASH FLOW STATEMENT DIRECT METHOD

	2020 Rupees	2019 Rupees
Cash flows from operating activities		
Cash receipts from customers	3,071,789,550	3,269,943,720
Cash paid to suppliers and employees	(2,534,914,031)	(2,824,399,005)
Cash generated from operations	536,875,519	445,544,715
Workers' Profit Participation Fund and Workers' Welfare Fund paid	(20,465,466)	(28,105,237)
Finance cost paid	(74,024,683)	(75,225,867)
Taxes paid	(64,690,050)	(61,437,097)
Long term deposits - net	(348,600)	610,913
	(159,528,799)	(164,157,288)
Cash generated from operating activities	377,346,720	281,387,427
Cash flows from investing activities		
Fixed capital expenditure	(301,750,496)	(237,280,837)
Intangibles acquired	(531,488)	—
Proceeds from disposal of property, plant and equipment	5,857,615	7,046,328
Net cash used in investing activities	(296,424,369)	(230,234,509)
Cash flows from financing activities		
Principal repayment of lease liability	(3,689,470)	(4,970,315)
Long term finance obtained	34,456,178	—
Diminishing musharika paid - net	(5,101,527)	(474,301)
Short term borrowings - net	(20,429,129)	(42,629,311)
Cash dividend paid	(50,696,658)	(83,894,214)
Net cash generated from / (used in) financing activities	(45,460,606)	(131,968,141)
Net increase / (decrease) in cash and cash equivalents	35,461,745	(80,815,223)
Cash and cash equivalents at beginning of the year	(146,969,043)	(66,153,820)
Cash and cash equivalents at end of the year	(111,507,298)	(146,969,043)

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 2019 to FY 2020.

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.

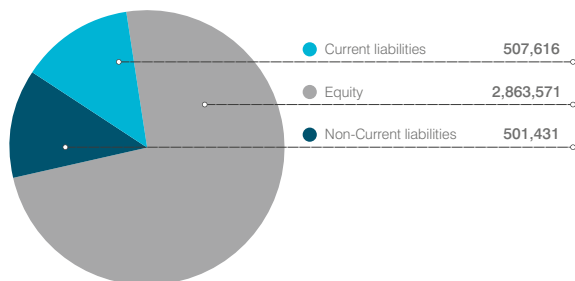
RATIONALE OF MAJOR CAPITAL EXPENDITURES

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 has decided to initiate a project to establish a manufacturing facility in Karachi, as SPEL has strong customer presence in the city.

GRAPHICAL PRESENTATION

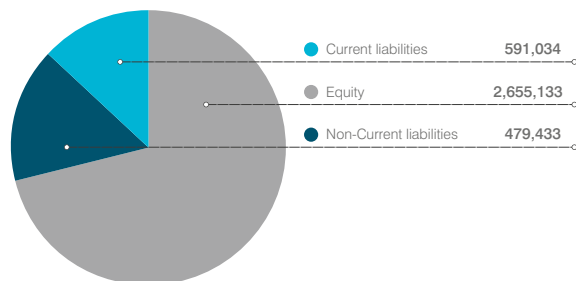
2020 Equity and Liabilities

(Rs. in 000)



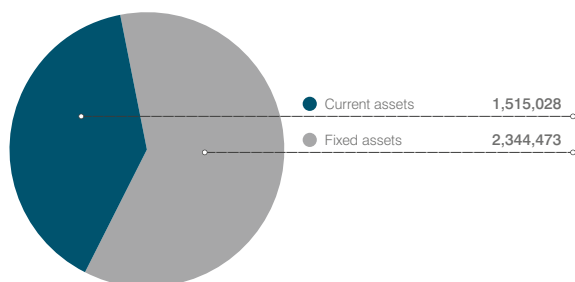
2019 Equity and Liabilities

(Rs. in 000)



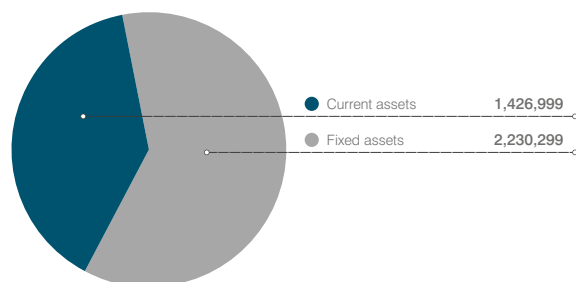
2020 Assets

(Rs. in 000)



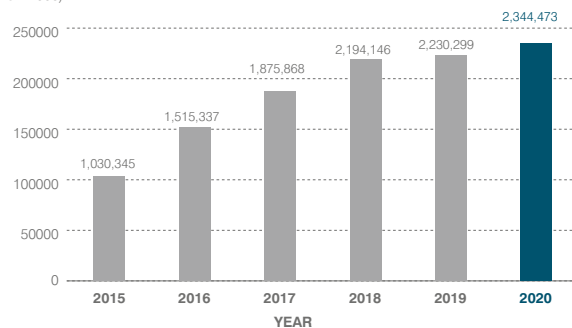
2019 Assets

(Rs. in 000)



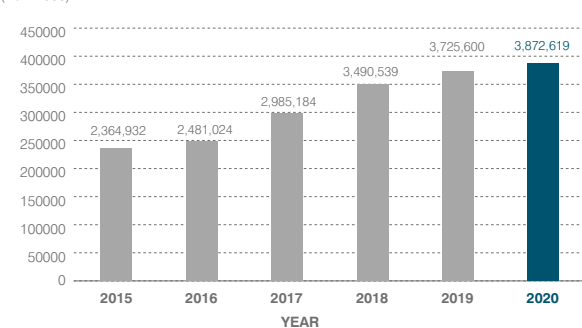
Fixed Assets

(Rs. in 000)



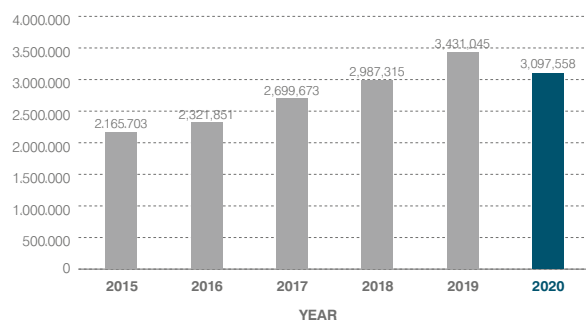
Total Assets

(Rs. in 000)



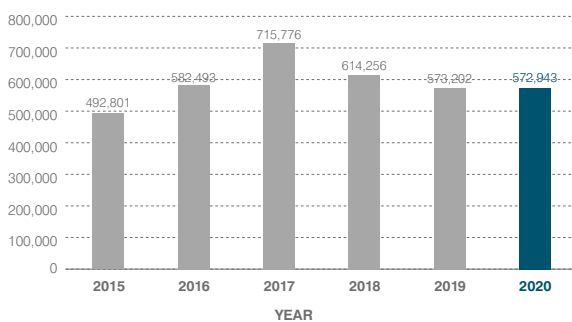
Sales

(Rs. in 000)



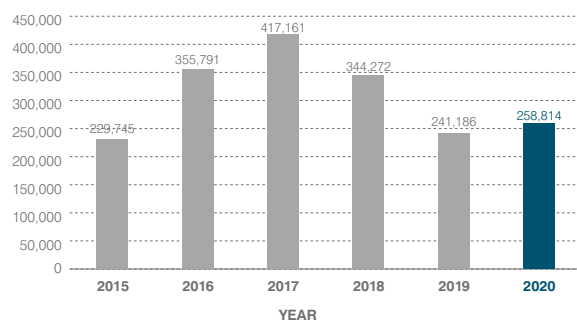
Gross Profit

(Rs. in 000)



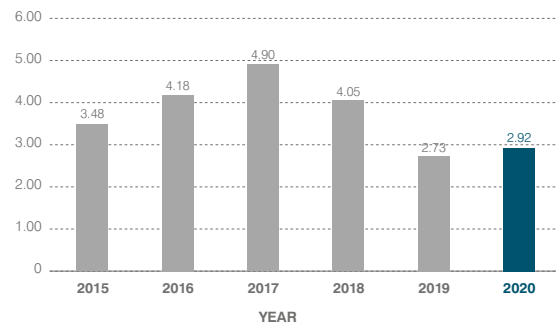
Profit After Tax

(Rs. in 000)



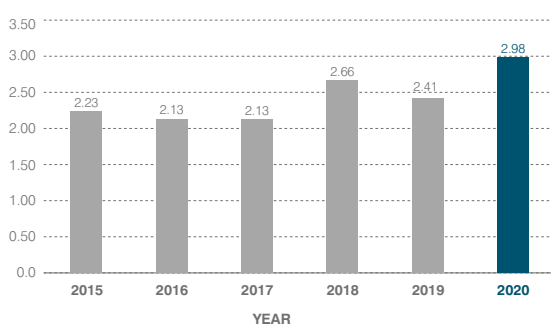
EPS

(Rupees)



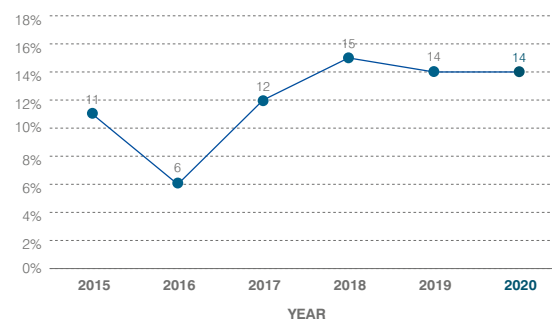
Current Ratio

(Times)



Debt to Equity

(Percentage)



HORIZONTAL FINANCIAL ANALYSIS

	2020		2019		2018		2017		2016		2015	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
Nomenclature												
Equity and reserves	2,533,540	8.96	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
Surplus on revaluation of land	330,032	-	330,032	-	330,032	45.42	226,943	-	226,943	-	226,943	-
Long term loans	275,420	4.94	262,445	-15.59	310,923	61.55	192,458	682.81	24,585	-61.18	63,326	85.45
Non current liabilities	226,011	4.16	216,988	9.05	198,988	6.30	187,202	6.29	176,117	16.24	151,516	-6.79
Total current liabilities	507,616	-14.11	591,034	22.91	480,881	-5.82	510,596	15.00	443,987	-25.03	592,197	18.01
	3,872,619	3.95	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
Property plant and equipment	2,344,473	5.12	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
Long term investments	1,808	67.81	1,078	-43.09	1,893	-70.05	6,321	1342.41	438	-82.79	2,546	-43.38
Non current assets - others	11,310	-83.18	67,225	415.82	13,033	-22.25	16,762	-22.12	21,522	87.62	11,471	-36.23
Stores spares and loose tools	30,214	17.65	25,681	-4.50	26,891	31.47	20,454	18.03	17,330	8.54	15,966	65.18
Stock in trade	639,457	12.41	568,886	-9.33	627,420	46.70	427,684	35.11	316,545	-1.60	321,691	28.47
Trade debts	509,335	4.59	487,003	49.43	325,902	-3.88	339,046	20.59	281,158	12.84	249,155	34.51
Income tax receivables	271,851	4.74	259,543	16.19	223,379	21.72	183,516	25.40	146,348	72.37	84,902	5.03
Advances, deposits, prepayments and other receivables	55,291	26.05	43,865	-27.45	60,458	4.85	57,659	2.44	56,284	83.20	30,722	29.39
Cash and bank balances	8,880	-78.87	42,021	141.24	17,419	-69.90	57,874	13.34	51,063	35.68	37,633	-52.30
	3,872,619	3.95	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
Nomenclature												
Sales - net	3,097,558	-9.72	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
Cost of sales	2,524,615	-11.66	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
Gross profit	572,943	-0.05	573,202	-6.68	614,256	-14.18	715,776	22.88	582,493	18.20	492,801	42.13
Admin expenses	154,336	-6.78	165,558	5.15	157,446	16.20	135,498	16.08	116,724	11.87	104,335	29.60
Selling and distribution expenses	25,663	19.76	21,429	14.09	18,782	-64.91	53,525	12.81	47,445	11.85	42,417	28.14
Operating profit	392,944	1.74	386,215	-11.83	438,028	-16.84	526,752	25.92	418,325	20.89	346,049	48.44
Other charges	32,946	-9.19	36,279	-6.58	38,835	-12.87	44,570	49.10	29,892	-3.27	30,902	134.83
Finance cost	73,715	-3.06	76,045	64.42	46,249	41.24	32,744	-14.82	38,439	-34.88	59,028	4.54
	286,283	4.52	273,890	-22.40	352,944	-21.47	449,438	28.41	349,993	36.65	256,120	56.64
Other income	35,722	151.60	14,198	-19.80	17,703	21.89	14,524	-66.65	43,550	44.25	30,191	159.96
Profit before tax	322,005	11.77	288,088	-22.27	370,647	-20.11	463,962	17.89	393,543	37.45	286,310	63.49
Taxation	63,191	34.73	46,902	77.83	26,375	-43.64	46,801	23.97	37,752	-33.26	56,565	6.35
Profit after tax	258,814	7.31	241,186	-29.94	344,272	-17.47	417,161	17.25	355,791	54.86	229,745	88.42

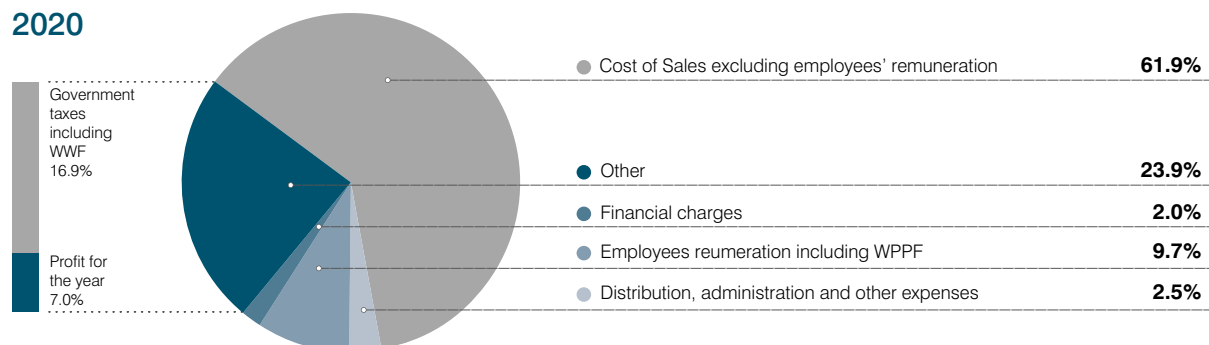
VERTICAL FINANCIAL ANALYSIS

Nomenclature	2020		2019		2018		2017		2016		2015	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
Equity and reserves	2,533,540	65.42	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
Surplus on revaluation of land	330,032	8.52	330,032	8.86	330,032	9.46	226,943	7.60	226,943	9.15	226,943	9.60
Long term loans	275,420	7.11	262,445	7.04	310,923	8.91	192,458	6.45	24,585	0.99	63,326	2.68
Non current liabilities	226,011	5.84	216,988	5.82	198,988	5.70	187,202	6.27	176,117	7.10	151,516	6.41
Total current liabilities	507,616	13.11	591,034	15.86	480,881	13.78	510,596	17.10	443,987	17.90	592,197	25.04
	3,872,619	100.00	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
Property plant and equipment	2,344,473	60.54	2,230,299	59.86	2,194,146	62.86	1,875,868	62.84	1,515,337	61.08	1,030,345	43.57
Long Term Investments	1,808	0.05	57,732	1.55	1,893	0.05	6,321	0.21	438	0.02	2,546	0.11
Non current assets - Others	11,310	0.29	10,571	0.28	13,033	0.37	16,762	0.56	21,522	0.87	11,471	0.49
Stores spares and loose tools	30,214	0.78	25,681	0.69	26,891	0.77	20,454	0.69	17,330	0.70	15,966	0.68
Stock in trade	639,457	16.51	568,886	15.27	627,420	17.97	427,684	14.33	316,545	12.76	321,691	13.60
Trade debts	509,335	13.15	487,003	13.07	325,902	9.34	339,046	11.36	281,158	11.33	249,155	10.54
Income Tax Receivables	271,851	7.02	259,543	6.97	223,379	6.40	183,516	6.15	146,348	5.90	84,902	3.59
Advances, deposits, prepayments and other receivables	55,291	1.43	43,865	1.18	60,458	1.73	57,659	1.93	56,284	2.27	30,722	1.30
Cash and Bank Balances	8,880	0.23	42,021	1.13	17,419	0.50	57,874	1.94	51,063	2.06	37,633	1.59
	3,872,619	100.00	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
Nomenclature												
Sales - net	3,097,558	100.00	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
Cost of sales	2,524,615	81.50	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
Gross profit	572,943	18.50	573,202	16.71	614,256	20.56	715,776	26.51	582,493	25.09	492,801	22.75
Admin expenses	154,336	4.98	165,558	4.83	157,446	5.27	135,498	5.02	116,724	5.03	104,335	4.82
Selling and distribution expenses	25,663	0.83	21,429	0.62	18,782	0.63	53,525	1.98	47,445	2.04	42,417	1.96
Operating profit	392,944	12.69	386,215	11.26	438,028	14.66	526,752	19.51	418,325	18.02	346,049	15.98
Other charges	32,946	1.06	36,279	1.06	38,835	1.30	44,570	1.65	29,892	1.29	30,902	1.43
Finance cost	73,715	2.38	76,045	2.22	46,249	1.55	32,744	1.21	38,439	1.66	59,028	2.73
	286,283	9.24	273,890	7.98	352,944	11.81	449,438	16.65	349,993	15.07	256,120	11.83
Other income	35,722	1.15	14,198	0.41	17,703	0.59	14,524	0.54	43,550	1.88	30,191	1.39
Profit before tax	322,005	10.40	288,088	8.40	370,647	12.41	463,962	17.19	393,543	16.95	286,310	13.22
Taxation	63,191	2.04	46,902	1.37	26,375	0.88	46,801	1.73	37,752	1.63	56,565	2.61
Profit after tax	258,814	8.36	241,186	7.03	344,272	11.52	417,161	15.45	355,791	15.32	229,745	10.61

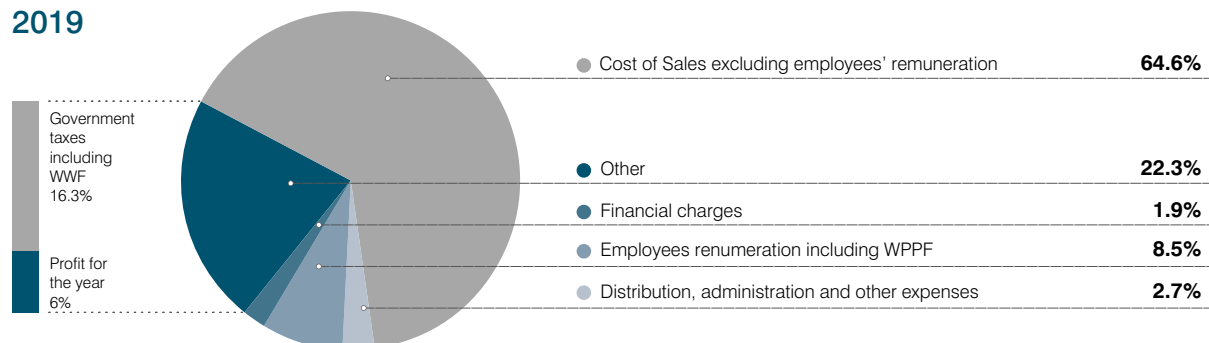
STATEMENT OF WEALTH GENERATED AND DISTRIBUTED

	2020		2019	
	Rs. in 000	%	Rs. in 000	%
Total Revenue inclusive of sales tax	3,648,612	99.03%	4,039,797	99.65%
Other Income	35,722	0.97%	14,198	0.35%
	3,684,333	100.00%	4,053,994	100.00%
Wealth Distribution				
Cost of Sales excluding employees' remuneration	2,280,431	61.90%	2,619,714	64.62%
Distribution, administration and other expenses	93,049	2.53%	111,219	2.74%
Employees remuneration including WPPF	358,061	9.71%	345,621	8.53%
Financial charges	73,715	2.00%	76,045	1.88%
Government taxes including WWF	620,263	16.84%	660,210	16.29%
Profit for the Year	258,814	7.02%	241,186	5.95%
	3,684,333	100.00%	4,053,994	100.00%

2020



2019





KPMG Taseer Hadi & Co.
Chartered Accountants
351 Shadman-1, Jail Road,
Lahore 54000 Pakistan
+ 92 (42) 111-KPMGTH (576484), Fax + 92 (42) 37429907

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Synthetic Products Enterprises Limited

Review report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 ('the Regulations') prepared by the Board of Directors of Synthetic Products Enterprises Limited ('the Company') for the year ended 30 June 2020 in accordance with the requirements of regulation 36 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 part of our audit of 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. 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.

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 2020.

Lahore
Date: 21 September 2020

KPMG Taseer Hadi & Co.
Chartered Accountants

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES

(Code of Corporate Governance) Regulations, 2019

Synthetic Products Enterprises Limited

30 June 2020

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

- The total number of directors are ten as per the following:

Male: **Nine**

Female: **One**

- The composition of the board is as follows:

Category	Name
Independent Directors	Mr. Khawar Anwar Khawaja
	Mr. Muhammad Tabassum Munir
	Mr. Haroon Sharif
Non-Executive Directors	Mr. Almas Hyder
	Dr. Sheikh Muhammad Naqi
	Dr. Nighat Arshad
	Mr. Raza Haider Naqi
	Mr. Sheikh Naseer Hyder
Executive Directors	Mr. Zia Hyder Naqi
	Mr. Abid Saleem Khan

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
- 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.
- The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company.
- 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.

- 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.

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

- The following (4) four 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

- 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.

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

- The board has formed committees comprising of members given below:

a) Audit Committee

Mr. Haroon Sharif	Chairman
Mr. Almas Hyder	Member
Mr. Muhammad Tabassum Munir	Member
Dr. S. M. Naqi	Member
Mr. Raza Haider Naqi	Member

b) HR and Remuneration Committee

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

c) Finance Committee

Mr. Almas Hyder	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

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 – Annually
 - c) Finance Committee - 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 and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company.

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 Regulations 3,6,7,8,27,32,33 and 36 of the Regulations have been complied with.


Chief Executive Officer

Lahore
Date: 17 September 2020


Director

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

INDEPENDENT AUDITORS' REPORT

To the Members of Synthetic Products Enterprises Limited

Report on the Audit of the Financial Statements

Opinion

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 2020, 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 2020 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the key audit matters.

S r . No.	Key audit matters	How the matters were addressed in our audit
1.	Revenue Recognition	
	<p>Refer to notes 3.10 and 24 to the financial statements.</p> <p>The Company recognized net revenue of Rs. 3.097 billion from the sale of goods to domestic as well as export customers during the year ended 30 June 2020.</p> <p>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicator 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 orders, 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 the sales orders, 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; and 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 to notes 3.2, 15 and 15.1 to the financial statements.</p> <p>The Company has made significant capital expenditure on expansion, balancing and modernization 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 on sample basis 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.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2020, 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.

The 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 Kamran Iqbal Yousafi.

Lahore
Date: 21 September 2020



KPMG Taseer Hadi & Co.
Chartered Accountants

SYNTHETIC PRODUCTS ENTERPRISES LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE, 2020

	Note	2020 Rupees	2019 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	884,884,000	850,850,000
Share premium		347,391,050	347,391,050
Accumulated profit		1,303,751,649	1,130,023,021
Fair value reserve on investment		(2,486,683)	(3,162,588)
Surplus on revaluation of land	6	330,031,765	330,031,765
Shareholders' equity		2,863,571,781	2,655,133,248
Liabilities			
<u>Non-current liabilities</u>			
Long term loans - secured	7	275,419,567	262,445,152
Lease liabilities	8	7,101,936	8,942,868
Deferred taxation	9	218,909,269	208,044,803
		501,430,772	479,432,823
<u>Current liabilities</u>			
Trade and other payables	10	155,206,554	166,244,288
Unclaimed dividend		2,085,056	1,730,714
Short term borrowings	11	220,106,929	309,138,985
Current maturity of long term liabilities	12	124,344,511	107,736,813
Accrued mark up	13	5,873,819	6,183,440
		507,616,869	591,034,240
		3,872,619,422	3,725,600,311

Contingencies and commitments

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



Chief Executive Officer



Director



Chief Financial Officer

	Note	2020 Rupees	2019 Rupees
Assets			
<u>Non-current assets</u>			
Property, plant and equipment			
- Operating fixed assets	15.1	2,177,776,341	2,169,304,688
- Capital work in progress	15.8	139,779,945	60,994,199
- Right of use asset	15.9	26,916,350	-
Intangibles	16	489,486	98,163
Investments	17	1,808,219	1,077,511
Long term deposits	18	10,820,959	10,472,359
Long term receivable	19	-	56,654,840
		2,357,591,300	2,298,601,760
<u>Current assets</u>			
Stores, spares and loose tools		30,214,137	25,680,954
Stock-in-trade	20	639,457,379	568,886,295
Trade debts - unsecured	21	509,334,671	487,002,926
Income tax - net		271,851,005	259,542,569
Advances, deposits, prepayments and other receivables	22	55,291,010	43,864,705
Cash and bank balances	23	8,879,920	42,021,102
		1,515,028,122	1,426,998,551
		3,872,619,422	3,725,600,311


 Chief Executive Officer


 Director


 Chief Financial Officer

SYNTHETIC PRODUCTS ENTERPRISES LIMITED

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE, 2020

	Note	2020 Rupees	2019 Rupees
Sales - net	24	3,097,557,986	3,431,045,033
Cost of sales	25	(2,524,614,632)	(2,857,842,613)
Gross profit		572,943,354	573,202,420
Administrative expenses	26	(154,335,622)	(165,558,182)
Selling and distribution expenses	27	(25,663,373)	(21,429,089)
Operating profit		392,944,359	386,215,149
Other income	28	35,721,513	14,197,557
Other charges	29	(32,945,903)	(36,279,426)
Finance cost	30	(73,715,062)	(76,045,398)
Profit before taxation		322,004,907	288,087,882
Taxation	31	(63,191,279)	(46,901,809)
Profit after taxation		258,813,628	241,186,073
		Rupees	Rupees Restated
Earnings per share - basic and diluted	32	2.92	2.73

The annexed notes 1 to 46 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, 2020

	2020 Rupees	2019 Rupees
Profit after taxation	258,813,628	241,186,073
<u>Other comprehensive income</u>		
<i>Item that will not be subsequently reclassified in profit or loss:</i>		
Fair value gain / (loss) on investment classified as FVOCI		
- net of related deferred tax	675,905	(714,575)
Total comprehensive income for the year	259,489,533	240,471,498

The annexed notes 1 to 46 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, 2020

	Note	Issued, subscribed and paid-up capital	Share premium	Capital reserve		Revenue reserve		Total
				Surplus on revaluation of land	Fair value reserve on investment	Accumulated profit		
Rupees								
As at 30 June 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 for the year:								
Fair value loss on investment classified as FVOCI - net of tax		–	–	–	(714,575)	–	(714,575)	
		–	–	–	(714,575)	241,186,073	240,471,498	
<u>Transactions with owners of the Company</u>								
Final cash dividend for the year ended 30 June 2018 @ Rs. 1.0 per share		–	–	–	–	(85,085,000)	(85,085,000)	
		–	–	–	–	(85,085,000)	(85,085,000)	
Balance 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	
<u>Total comprehensive income for the year</u>								
Profit after taxation		–	–	–	–	258,813,628	258,813,628	
Other comprehensive income for the year:								
Fair value gain on investment classified as FVOCI - net of tax		–	–	–	675,905	–	675,905	
		–	–	–	675,905	258,813,628	259,489,533	
<u>Transaction with owners of the Company</u>								
Final cash dividend for the year ended 30 June 2019 @ Rs. 0.6 per share		–	–	–	–	(51,051,000)	(51,051,000)	
Fully paid bonus shares issued during the year @ 4%		34,034,000	–	–	–	(34,034,000)	–	
		34,034,000	–	–	–	(85,085,000)	(51,051,000)	
As at 30 June 2020		884,884,000	347,391,050	330,031,765	(2,486,683)	1,303,751,649	2,863,571,781	

The annexed notes 1 to 46 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, 2020

	Note	2020 Rupees	2019 Rupees
<u>Cash flows from operating activities</u>			
Cash generated from operations	33	536,875,519	445,544,715
Workers' Profit Participation Fund paid		(15,695,614)	(20,075,169)
Workers' Welfare Fund paid		(4,769,852)	(8,030,068)
Finance cost paid		(74,024,683)	(75,225,867)
Taxes paid		(64,690,050)	(61,437,097)
Long term deposits - net		(348,600)	610,913
Net cash generated from operating activities		377,346,720	281,387,427
<u>Cash flows from investing activities</u>			
Fixed capital expenditure		(301,750,496)	(237,280,837)
Expenditure incurred on intangibles		(531,488)	—
Proceeds from disposal of property, plant and equipment		5,857,615	7,046,328
Net cash used in investing activities		(296,424,369)	(230,234,509)
<u>Cash flows from financing activities</u>			
Principal repayment of lease liability		(3,689,470)	(4,970,315)
Long term loan acquired		34,456,178	—
Diminishing musharika paid - net		(5,101,527)	(474,301)
Short term borrowings - net		(20,429,129)	(42,629,311)
Cash dividend paid		(50,696,658)	(83,894,214)
Net cash used in financing activities		(45,460,606)	(131,968,141)
Net increase / (decrease) in cash and cash equivalents		35,461,745	(80,815,223)
Cash and cash equivalents at beginning of the year		(146,969,043)	(66,153,820)
Cash and cash equivalents at end of the year	34	(111,507,298)	(146,969,043)

The annexed notes 1 to 46 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, 2020

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
- Rahim Yar Khan 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:

- translation of foreign currency at spot / average rate;
- certain items of property and equipment at revalued amounts as referred in note 3.2; and
- certain financial instruments at fair value through other comprehensive income as referred in note 3.8.

In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

2.3 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 including receivables and advances 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 land is carried out by an independent professional valuer. Revalued amounts are determined by reference to local market values of similar properties.

The frequency of revaluations depends upon the changes in fair values of the items of land being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Such frequent revaluations are unnecessary for land with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every three or five years.

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.

SYNTHETIC PRODUCTS ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2020

2.3.8 Stock in trade

Inventories are stated at lower of cost and net realizable value. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale.

The Company reviews the carrying amount of stock in trade on a regular basis and as appropriate, inventory is written down to its net realizable value.

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 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 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 amortized 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 are presented in Pak Rupees ("Rs."), which is the Company's functional and presentation currency. All financial information has been rounded to the nearest rupee, except when otherwise indicated.

3 Summary of Significant Accounting Policies

The significant accounting policies set out below have been consistently applied 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 16 'Leases' from 01 July 2019 which is effective from annual periods beginning on or after 01 January 2019. Key changes to the Company's accounting policies resulting from adoption of IFRS 16 are summarized below.

3.1.1 IFRS 16 'Leases'

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognized right-of-use asset representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Company has applied IFRS 16 using the modified retrospective approach as at 01 July 2019. Accordingly, the comparative information presented for 2019 has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of changes in accounting policies are disclosed below:

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The entity mainly leases vehicles and properties for its operations. The entity recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses if any, and adjusted for certain remeasurements of the lease liability. The lease hold land classified as right-of-use asset is depreciated using the straight line method over the lease term. Leased vehicles classified as right of use asset are depreciated using reducing balance method over shorter of lease term or useful life. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the entity's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has elected not to recognize right-of-use assets and lease liabilities for some leases of low value assets. The lease payments associated with these leases are recognized as an expenses on a straight-line basis over the lease term. The right-of-use assets are presented as separate line item in the statement of financial position.

The Company has presented non-current and current portion of related lease liabilities in the statement of financial position considering their due dates for payment.

3.1.1.1 Transition

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 01 July 2019, if any.

Previously, the Company classified property leases as operating leases under IAS 17. These mainly include leasehold land obtained and certain warehouses. Some of the lease includes an option to renew the lease for an additional period after the end of the contracted period.

At transition, for lease classified as operating lease under IAS 17, lease liability was measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate. Right of use asset is measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments if any. The Company has not recognized any additional right of use asset or corresponding lease liability since the impact was immaterial. However, leasehold land and leased vehicles presented in property, plant and equipment are now being presented as right of use asset as disclosed in note 15.9 to these financial statements.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
- Did not recognize right of use asset and liabilities for leases of which the lease term ends within 12 months of the date of the initial application.

SYNTHETIC PRODUCTS ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2020

Rupees

Impact at transition

Reclassification of leasehold land to right of use asset - <i>carrying value</i>	18,487,565
Reclassification of leased vehicles to right of use asset - <i>carrying value</i>	9,802,414
Reclassification of 'liabilities against assets subject to finance lease' to 'lease liabilities'	11,672,124

Impact during the period

Depreciation of right to use asset recognized in profit or loss	2,374,255
Finance cost charged to profit or loss	606,265
Repayment of lease liabilities	3,689,470

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. 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 3.11.

The Company recognizes depreciation by applying reducing balance method, over the useful life of each item of property, plant and equipment, except freehold land using rates specified in note 15.1 to the financial statements. 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.

Costs incurred subsequently on 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 gain or loss on disposal or retirement of an asset is represented by the difference between the sale proceeds and the carrying amount of the asset. Net gain or loss on disposal of assets is presented in other income or other charges.

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.

Revaluation of land measured at revalued amount is carried out with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value. Any revaluation increase arising on the revaluation is recognized, by restating gross carrying amount in proportion to the change in their carrying amounts due to revaluation, in other comprehensive income and presented as a separate component of equity as 'Surplus on revaluation on land', except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to statement of profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation is charged to statement of profit or loss to the extent that it exceeds the balance, if any, held in the surplus on revaluation of land relating to a previous revaluation of that asset. Upon disposal, any revaluation reserve relating to the particular assets being sold is transferred to unappropriated profit. All transfers to / from revaluation surplus on property, plant and machinery account are net of applicable deferred income tax. Further, the revaluation surplus on land shall be utilized in accordance with IAS 16 - Property, plant and equipment.

Capital work in progress

Capital work in progress is stated at cost less any identified impairment losses. Cost includes the expenditures on material, labor, appropriate directly attributable overheads and includes borrowing cost in respect of qualifying assets. Transfers are made to relevant operating fixed assets category as and when assets are available for use.

3.3 Leases

3.3.1 Policy applicable before 1 July 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Company. All other leases are classified as operating leases.

Assets held under finance leases along with corresponding lease liabilities are initially recognized at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognized in statement of profit or loss, unless they are directly attributable to qualifying assets.

Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

3.3.2 Policy applicable after 1 July 2019

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The entity mainly leases vehicles and properties for its operations. The entity recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses if any, and adjusted for certain remeasurements of the lease liability. The lease hold land classified as right-of-use asset is depreciated using the straight line method over the lease term. Leased vehicles classified as right of use asset are depreciated using reducing balance method over shorter of lease term or useful life. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the entity's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has elected not to recognize right-of-use assets and lease liabilities for some leases of low value assets. The lease payments associated with these leases are recognized as an expenses on a straight-line basis over the lease term.

3.4 Intangibles

Intangibles are recognized when it is probable that the expected future economic benefits will flow to the entity and the cost of the asset can be measured reliably. Intangibles are stated at cost less accumulated amortization and accumulated impairment losses, if any. Cost of the intangible asset (i.e. computer software) includes purchase cost and directly attributable expenses incidental to bring the asset for its intended use.

Amortization is based on the cost of an asset less its residual value, if any. Amortization is recognized in profit or loss on a straight-line basis at the rate of specified in note 16 of the financial statements. Amortization

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methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

3.5 Stores, spares and loose tools

Stores, spares and loose tools are stated at lower of cost and net realizable value. Cost is determined using the weighted average method. The Company reviews the carrying amount of stores and spares on a regular basis and creates provision for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools. Impairment is also recognized for slow moving items.

3.6 Stock in trade

Inventory is 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. The Company reviews the carrying amount of stock in trade on a regular basis and as appropriate.

3.7 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% of basic salary. The Company's contribution is charged to profit or loss currently.

3.8 Financial instruments

3.8.1 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.

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.

3.8.2 Classification and subsequent measurement

Financial assets - Initial measurement

The Company classifies its financial assets in to following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

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.

Financial assets - Subsequent Measurement

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.

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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.

3.8.3 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.

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.

3.8.4 Trade Debts, deposits and other receivables

These are classified at amortized cost and are initially recognized 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.

3.8.5 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost.

3.8.6 Investments

Investment in Listed securities are classified at fair value through other comprehensive income and is initially measured at fair value and is subsequently measured at fair value determined using the market value of securities at each reporting date. Net gains and losses are recognized in the statement of other comprehensive income.

3.8.7 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.

3.8.8 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.

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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 amortized 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.

3.9 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.

3.10 Revenue and other income

Revenue from contracts with customers is recognized, when a performance obligation has been fulfilled by transferring control of goods 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:

3.10.1 Sale of goods

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

3.10.2 Dividends

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

3.10.3 Interest income

Interest income is recognized 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.

3.10.4 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.

3.11 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.

3.12 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.

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3.13 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.

3.14 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.

3.15 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.

3.16 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.

3.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

3.18 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 New or Amendments / Interpretations to Existing Standards, Interpretations

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 1 July 2019 other than those disclosed in note 3.1, are considered not to be relevant or do not have any significant effect on the Company's financial statements and are therefore not stated in these financial statements.

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

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 2020:

- 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.
- 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 crystallize. 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.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term ‘interest rate benchmark reform’ refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB’s recommendations set out in its July 2014 report ‘Reforming Major Interest Rate Benchmarks’ (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.
- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard’s previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees

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are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
 - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
 - there is no substantive change to the other terms and conditions of the lease.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

Annual Improvements to IFRS Standards 2018–2020 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The above amendments are effective from annual period beginning on or after 1 January 2022 and are not likely to have an impact on Company's financial statements.

5 Share capital

5.1 Authorized share capital

	2020 Number of shares	2019 Number of shares	2020 Rupees	2019 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	61,031,460	57,628,060	610,314,600	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
	88,488,400	85,085,000	884,884,000	850,850,000

	2020 Rupees	2019 Rupees
5.2.1 Movement in number of shares;		
Opening number of shares	85,085,000	85,085,000
Fully paid bonus shares issued @ 4%	3,403,400	—
Closing number of shares	88,488,400	85,085,000

5.3 Directors hold 62,086,735 (2019: 60,592,519) ordinary shares of Rs. 10 each of the Company.

6 Surplus on revaluation of land

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

	Note	2020 Rupees	2019 Rupees
7 Long term loans - secured			
<i>Diminishing musharika - Islamic mode of financing:</i>			
- United Bank Limited	7.1.1	86,786,097	126,762,208
- Bank Islami Pakistan Limited	7.1.2	51,000,000	76,500,000
- Habib Bank Limited	7.1.3	224,565,085	164,190,501
Less: Current maturity		(112,773,748)	(105,007,557)
		249,577,434	262,445,152
<i>Loan under refinance Scheme - conventional loans</i>			
- Habib Bank Limited	7.1.4	34,456,178	—
Less: Current maturity		(8,614,045)	—
		25,842,133	—
		275,419,567	262,445,152

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- 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. 280 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 forty-eight 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.
- 7.1.4** This represents long term financing facility availed from Habib Bank Limited ("HBL") under State Bank of Pakistan's (SBP) refinance scheme for payment of wages and salaries to the workers and employees of business concerns ('Refinance Scheme'). Under this scheme, the company agrees and declares that no employee or worker has been laid off since 01 April 2020 nor will any such employee be dismissed for the period of the loan. Furthermore, the company is also required to take HBL's consent prior to declaring any dividend and / or taking out drawings during the tenor of the facility. The total facility available amounts to Rs. 63.36 million. The financing is secured against first exclusive charge over fixed assets comprising of the machinery which includes 'Injection Blow Molding Machine'. It carries markup at the rate of SBP profit rate under the Refinance Scheme plus 3.0% per annum, payable on quarterly basis. The principal amount is repayable in 8 equal quarterly instalments starting from 01 January 2021 after a grace period of six months. SBP has decided to extend the validity of this scheme by another 3 months to September 2020.

	2020	2019
8 Lease liabilities		
<u>Salient features of the leases are as follows:</u>		
Discounting factor	12%	7.67% to 12%
Period of lease	36 to 60 months	36 to 60 months
Security deposits	20% to 49%	20% to 48%
Maturity range	2020 to 2025	2019 to 2024

The Company has entered into finance lease arrangements for lease of vehicles as shown in note 15.9. 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:

	2020		
	Total future minimum lease payments	Finance charges allocated to future periods	Principal
	Rupees		
Not later than one year	3,548,413	591,695	2,956,718
Later than one year and not later than five year	7,518,678	416,742	7,101,936
	11,067,091	1,008,437	10,058,654

	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

	2020 Rupees	2019 Rupees
9 Deferred taxation		
The liability for deferred taxation comprises temporary differences relating to:		
<i>Deferred tax liability arising on:</i>		
– accelerated tax depreciation	232,256,375	224,035,148
<i>Deferred tax asset arising on:</i>		
– finance lease transactions - net	(2,917,010)	(3,384,916)
– fair value gain / (loss) on investments classified as FVOCI and others	(10,430,096)	(12,605,429)
	218,909,269	208,044,803

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	Note	2020 Rupees	2019 Rupees
9.1 Movement in deferred tax balances is as follows:			
As at 01 July		208,044,803	186,779,290
Recognized in profit or loss:			
– accelerated tax depreciation		8,221,227	22,052,748
– finance lease transactions - net		467,906	982,205
– provisions and others		2,120,530	(1,406,235)
		10,809,663	21,628,718
Recognized in other comprehensive income:		–	
- fair value gain / (loss) on investments classified as FVOCI		54,803	(363,205)
		218,909,269	208,044,803
10 Trade and other payables			
Trade and other creditors		49,338,878	72,569,616
Accrued liabilities		57,319,970	48,229,876
Contract liabilities		8,379,038	10,606,274
Workers' Profit Participation Fund	10.1	17,264,337	15,695,614
Workers' Welfare Fund	10.2	5,803,895	4,556,256
Withholding tax payable		900,525	545,851
Provident fund payable		1,609,744	1,476,673
Others	10.3	14,590,166	12,564,128
		155,206,554	166,244,288
10.1 Workers' Profit Participation Fund			
Balance as at July 01		15,695,614	20,075,169
Expense charged for the year	29	17,264,337	15,695,614
Payment made during the year		(15,695,614)	(20,075,169)
Balance as at June 30		17,264,337	15,695,614
10.2 Workers' Welfare Fund			
Balance as at July 01		4,556,256	8,030,068
Expense charged for the year	29	6,017,491	4,556,256
Payment made during the year		(4,769,852)	(8,030,068)
Balance as at June 30		5,803,895	4,556,256
10.3	This includes an amount of Rs. 13.71 million (2019: Rs. 11.97 million) representing deductions made from employees salary against the cars provided by the Company as per Company's policy.		
	Note	2020 Rupees	2019 Rupees
11 Short term borrowings			
Secured:			
- Conventional Interest / mark-up based loans	11.1	128,460,772	140,172,675
- Islamic mode of financing	11.2	76,646,157	168,966,310
		205,106,929	309,138,985

	Note	2020 Rupees	2019 Rupees
Unsecured:			
- Interest free financing	11.1	15,000,000	–
		220,106,929	309,138,985
Types of short term borrowings			
11.1 Conventional loans			
Short term running finance	11.3	77,992,772	98,491,557
Finance against trust receipts	11.4	50,468,000	41,681,118
		128,460,772	140,172,675
Interest free financing	11.5	15,000,000	–
		143,460,772	140,172,675
11.2 Islamic mode of financing			
Murabaha and Istisna	11.6	34,251,711	78,467,722
Running Musharika	11.7	42,394,446	90,498,588
		76,646,157	168,966,310

11.3 This represents utilized amount of short term running finance facilities from commercial banks aggregating Rs. 385 million (2019: Rs.385 million). These carry mark-up rates ranging from one month to three months KIBOR plus a spread of 0.6% to 0.75% (2019: one month to three months KIBOR plus a spread of 0.6% to 1%) per annum.

11.4 This represents utilized amount of finance against trust receipt facilities aggregating Rs. 480 million (2019: Rs. 330 million). These carry mark-up rates ranging from one month to three months KIBOR plus a spread of 0.3% to 0.6% (2019: one month to three months KIBOR plus a spread of 0.5% to 0.6%) per annum.

11.5 This represents unsecured interest free loan obtained on 04 May 2020 from Indus Motor Company Limited - customer of the Company to meet working capital requirements. The loan is repayable in six equal monthly installments with grace period of six months.

11.6 This represents utilized amount of murabaha and istisna facilities aggregating Rs. 350 million (2019: Rs. 350 million). These carry mark-up rates ranging from one month to six months KIBOR plus a spread of 0.5% (2019: one month to six months KIBOR plus a spread of 0.5%) per annum.

11.7 This represents utilized amount of running musharika facilities aggregating Rs. 150 million (2019: Rs. 150 million). These carry mark-up rate of three months KIBOR plus a spread of 0.5% (2019: three months KIBOR plus a spread of 0.6%) per annum.

11.8 All above facilities except as mentioned in note 11.5 are secured by first pari passu registered hypothecation charge on current and fixed assets of the Company, by lien over import documents, pledge of imported goods and local currency deposits.

	Note	2020 Rupees	2019 Rupees
12 Current maturity of long term liabilities			
Long term loans - secured	7	121,387,793	105,007,557
Lease liabilities	8	2,956,718	2,729,256
		124,344,511	107,736,813

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	2020 Rupees	2019 Rupees
13 Accrued mark up		
Diminishing musharika	880,013	897,629
Short term borrowings	4,993,806	5,285,811
	5,873,819	6,183,440

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. 5.85 million (2019: 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.

14.2 Commitments

14.2.1 Aggregate commitments for capital expenditure as at 30 June 2020 amounted to Rs. 2.28 million (2019: Rs. Nil).

14.2.2 Commitments under irrevocable letters of credit for:

	Note	2020 Rupees	2019 Rupees
– Purchase of machinery		27,470,000	–
– Purchase of raw material		157,755,066	294,417,556
		185,225,066	294,417,556
15 Property, plant and equipment			
Operating fixed assets	15.1	2,177,776,341	2,169,304,688
Capital work in progress	15.8	139,779,945	60,994,199
Right of use assets	15.9	26,916,350	–
		2,344,472,636	2,230,298,887

15.1 Operating fixed assets

2020											
	Cost			Rate	Accumulated depreciation					Net book value as at 30 June 2020	
	As at 01 July 2019	Addition	Transfers		Disposals	As at 30 June 2020	As at 01 July 2019	For the year	Transfers		Disposals
	Rupees			%	Rupees					Rupees	
Owned											
Freehold land											
- cost	98,393,235	5,397,400	-	-	98,790,635	-	-	-	-	-	98,790,635
- revaluation	330,031,765	-	-	-	330,031,765	-	-	-	-	-	330,031,765
	423,425,000	5,397,400	-	-	428,822,400	-	-	-	-	-	428,822,400
Buildings on freehold land	247,169,127	4,804,186	-	10%	251,973,313	59,225,633	18,914,045	-	-	78,139,678	173,833,635
Plant and machinery	2,334,671,257	211,142,923	-	10%	2,530,343,598	865,212,180	152,312,879	-	(8,829,099)	1,008,695,960	1,521,647,638
Office equipment	12,236,277	1,305,033	-	10%	13,541,310	3,780,500	898,159	-	-	4,678,659	8,862,651
Tools and equipment	11,364,721	1,013,968	-	10%	12,378,689	3,806,626	835,242	-	-	4,641,868	7,736,821
Computer equipment	7,226,242	149,000	-	30%	7,375,242	5,273,268	618,267	-	-	5,891,535	1,483,707
Furniture and fittings	27,365,042	212,891	-	10%	27,577,933	8,863,721	1,853,550	-	-	10,717,271	16,860,662
Vehicles	44,839,848	741,350	2,254,000	20%	42,497,021	21,120,877	4,768,425	1,178,626	(3,099,734)	23,968,194	18,528,827
	3,108,297,514	224,766,751	2,254,000		3,314,509,506	967,282,805	180,200,570	1,178,626	(11,928,833)	1,136,733,165	2,177,776,341
Leased											
Leasehold land (note 15.9)	22,083,915	-	(22,083,915)	1.67%	-	3,596,350	-	(3,596,350)	-	-	-
Vehicles	16,346,699	-	(16,346,699)	20%	-	6,544,285	-	(6,544,285)	-	-	-
	38,430,614	-	(38,430,614)		-	10,140,635	-	(10,140,635)	-	-	-
	3,146,728,128	224,766,751	(36,176,614)		3,314,509,506	977,423,440	180,200,570	(8,962,009)	(11,928,833)	1,136,733,165	2,177,776,341

FOR THE YEAR ENDED 30 JUNE, 2020

	2019										
	Cost			Accumulated depreciation							
	As at 01 July 2018	Addition	Transfers/ adjustment*	As at 30 June 2019	Rate	As at 01 July 2018	For the year	Transfer/ adjustment*	Disposals	As at 30 June 2019	Net book value as at 30 June 2019
	Rupees	Rupees	%	Rupees		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Owned											
Freehold land											
- cost	93,393,235	-	-	93,393,235	-	-	-	-	-	-	93,393,235
- revaluation	330,031,765	-	-	330,031,765	-	-	-	-	-	-	330,031,765
	423,425,000	-	-	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	187,943,494
Plant and machinery	2,061,860,078	298,910,336	-	2,334,671,257	10%	726,372,200	154,287,233	-	(15,447,253)	865,212,180	1,469,459,077
Office equipment	12,009,880	736,417	-	12,236,277	10%	3,107,725	933,829	-	(261,054)	3,780,500	8,455,777
Tools and equipment	9,917,730	3,107,477	-	11,364,721	10%	3,710,971	840,823	-	(745,168)	3,806,626	7,558,095
Computer equipment	7,812,077	1,111,400	-	7,226,242	30%	6,051,480	650,839	-	(1,429,051)	5,273,268	1,952,974
Furniture and fittings	26,594,114	1,424,928	-	27,365,042	10%	7,208,300	2,002,843	-	(347,422)	8,863,721	18,501,321
Vehicles	44,494,187	4,696,100	-	44,839,848	20%	18,847,269	5,248,347	-	(2,974,739)	21,120,877	23,718,971
	2,788,588,328	354,680,523	-	3,108,297,514		805,062,020	183,425,472	-	(21,204,687)	967,282,805	2,141,014,709
Leased											
Leasehold land (note 15.9)	22,083,915	-	-	22,083,915	1.67%	3,227,548	368,802	-	-	3,596,350	18,487,565
Vehicles	18,580,699	762,000	-	16,346,699	20%	4,628,316	2,652,610	-	(736,641)	6,544,285	9,802,414
	40,664,614	762,000	-	38,430,614		7,855,864	3,021,412	-	(736,641)	10,140,635	28,289,979
	2,829,252,942	355,442,523	-	3,146,728,128		812,917,884	186,446,884	-	(21,941,328)	977,423,440	2,169,304,688

- 15.2** 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 Rahim Yar Khan Industrial Estate, Rahim Yar Khan, measuring 8.58 acres.

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

	Note	2020 Rupees	2019 Rupees
15.3 The depreciation charge for the year has been allocated as follows:			
Cost of goods sold	25	160,378,507	167,365,120
Capital work in progress		1,631,964	210,654
Administrative expenses	26	9,010,029	9,249,385
Selling and distribution expenses	27	9,010,029	9,249,385
Work in process - stock in trade		170,042	372,340
		180,200,570	186,446,884

- 15.4** As at 30 June 2020, the carrying value of freehold land would have been Rs. 93.39 million (2019: Rs. 93.39 million), had there been no revaluation.

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

- 15.6** 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 2018, however, the title of the land is in the process to transfer in the Company's name.

- 15.7** 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								
Extruder	15,470,582	8,829,099	6,641,483	1,342,875	(5,298,608)	Negotiation	Scrap dealer	Mr. Ashiq Hussain
	15,470,582	8,829,099	6,641,483	1,342,875	(5,298,608)			
Owned Vehicles								
Honda Civic	2,494,000	1,561,587	932,413	1,950,000	1,017,587	Negotiation	Auto dealer	Mr. Imran Khursheed
Suzuki Cultus	1,250,000	495,731	754,269	1,250,000	495,731	Company Policy	Employees	Mr. Abdul Rehman
Other vehicles	1,594,177	1,042,416	551,761	1,314,740	762,979	Company Policy	Employees	Employees
	5,338,177	3,099,734	2,238,443	4,514,740	2,276,297			
2020	20,808,759	11,928,833	8,879,926	5,857,615	(3,022,311)			
2019	37,967,337	21,941,328	16,026,009	7,046,228	(8,979,681)			

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2020				
	As at 01 July 2019	Additions	Transfers	As at 30 June 2020
Rupees				
15.8 Capital Work In Progress				
Capital Work In Progress -				
other than advances	60,587,714	283,744,688	213,351,247	130,981,155
Advances to supplier	406,485	8,798,790	406,485	8,798,790
	60,994,199	292,543,478	213,757,732	139,779,945

2019				
	As at 01 July 2018	Additions	Transfers	As at 30 June 2019
Rupees				
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

	2020 Rupees	2019 Rupees
15.8.1 The breakup is as follows:		
Plant	97,977,311	55,010,194
Building	33,003,844	5,577,520
Advances to suppliers	8,798,790	406,485
	139,779,945	60,994,199

15.8.2 Balance in capital work in progress at the year end and transfers during the year of Rs. 213.76 million to operating fixed assets include expenditure incurred on expansion, balancing, modernization and replacement of manufacturing facilities.

2020			
	Cost		
	Lease hold land	Leased Vehicles	Total
15.9 Right of use asset			
Opening as at 01 July 2019	—	—	—
Impact of first time implementation of IFRS 16	22,083,915	16,346,699	38,430,614
Additions during the year	—	2,076,000	2,076,000
Matured during the year	—	(2,254,000)	(2,254,000)
Closing as at 30 June 2020	22,083,915	16,168,699	38,252,614

	2020		
	Accumulated depreciation		
	Lease hold land	Leased Vehicles	Total
Opening as at 01 July 2019	–	–	–
Impact of first time implementation of IFRS 16	3,596,350	6,544,285	10,140,635
Depreciation for the year	308,742	2,065,513	2,374,255
Matured during the year	–	(1,178,626)	(1,178,626)
Closing as at 30 June 2020	3,905,092	7,431,172	11,336,264
Net Book Value	18,178,823	8,737,527	26,916,350

15.9.1 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. Leasehold land has been transferred from property, plant and equipment to right of use asset due to first time adoption of IFRS 16.

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

	Note	2020 Rupees	2019 Rupees
16 Intangibles			
Cost		10,627,286	10,095,798
Accumulated amortization		(10,137,800)	(9,997,635)
As at 30 June	16.1	489,486	98,163
16.1 Balance as at 01 July		98,163	1,949,348
Additions during the year		531,488	–
Amortization charge for the year		(140,165)	(1,851,185)
Balance as at 30 June		489,486	98,163
Amortization rate		20%	20%
17 Investments			
Investment classified as FVOCI		1,808,219	1,077,511
		1,808,219	1,077,511

This represents 80,652 ordinary shares having face value of Rs. 10 each (2019: 80,652 ordinary shares) in Roshan Packages Limited.

	2020 Rupees	2019 Rupees
18 Long term deposits		
Utility companies and regulatory authorities	6,352,147	6,352,147
Others	4,468,812	4,120,212
	10,820,959	10,472,359

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	Note	2020 Rupees	2019 Rupees
19 Long term receivable			
Total amount receivable		100,321,776	117,559,103
Less: current portion included in trade debts		(100,321,776)	(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	2020 Rupees	2019 Rupees
20 Stock-in-trade			
Raw and packing material		444,304,283	325,014,947
Stock in transit		82,212,808	96,681,571
Work in process		39,664,866	88,456,508
Finished goods		73,275,422	58,733,269
		639,457,379	568,886,295
21 Trade debts - unsecured			
Considered good		509,334,671	487,002,926
Considered doubtful		5,171,423	3,533,774
		514,506,094	490,536,700
Less: Provision for doubtful debts	21.1	(5,171,423)	(3,533,774)
		509,334,671	487,002,926
21.1 Movement in provision for doubtful debts			
Balance as at 01 July		3,533,774	–
Provision for the year		3,436,691	3,533,774
Provision reversed during the year		(1,799,042)	–
Balance as at 30 June		5,171,423	3,533,774
22 Advances, deposits, prepayments and other receivables			
Advances - unsecured, <i>considered good</i> :			
- Advances to suppliers for supplies and services		1,903,868	10,184,291
- Amounts paid against future shipments		1,331,487	5,670,813
Advances - secured, <i>considered good</i> :			
- Amounts due from employees		34,750	116,734
Short term deposits	22.1	–	9,244,955
Prepaid insurance		2,877,295	2,394,118
Sales tax receivable - net		22,036,455	13,279,317
Other receivables	22.2	27,107,155	2,974,477
		55,291,010	43,864,705

22.1 This includes deposits with banking company against margin on guarantees amounting to Rs. Nil (2019: Rs. 8.5 million).

22.2 This includes receivable from Uniliver Pakistan Limited for repair and maintenance incurred on molds held by the Company on their behalf amounting to Rs. 26.04 million (2019: Rs. 2.97 million).

	Note	2020 Rupees	2019 Rupees
23 Cash and bank balances			
Cash in hand		104,500	50,000
Cash at bank			
- current accounts in local currency		7,766,623	40,463,525
- current accounts in foreign currency		940,974	405,793
- saving accounts in local currency	23.1	67,823	1,101,784
		8,775,420	41,971,102
		8,879,920	42,021,102

23.1 These carry return at 4.5% to 6.0% per annum (2019: 2.9% to 4.5% per annum). This represents deposits placed under an arrangement permissible under Shariah.

		2020 Rupees	2019 Rupees
24 Sales-net			
Local		3,695,412,071	4,086,182,320
Export		15,862,590	12,505,088
		3,711,274,661	4,098,687,408
Less: Sales tax		(551,053,943)	(608,751,847)
Discounts		(62,662,732)	(58,890,528)
		3,097,557,986	3,431,045,033
24.1 Disaggregation of revenue			
Revenue is disaggregated by major products as shown below:			
Auto division and molds		919,167,331	1,462,721,124
Food and packaging division		2,178,390,655	1,968,323,909
Total		3,097,557,986	3,431,045,033

24.2 The amount of Rs. 10.61 million recognized in contract liabilities as at 30 June 2019 has been recognized as revenue for the year ended 30 June 2020.

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	Note	2020 Rupees	2019 Rupees
25 Cost of sales			
Raw and packing materials consumed		1,741,669,297	2,156,721,126
Stores, spares and loose tools consumed		10,306,533	8,131,106
Salaries, wages and benefits	25.1	235,324,172	229,158,076
Security guard expense		8,859,482	8,970,649
Electricity, fuel and water charges		247,004,648	175,030,215
Depreciation on property, plant and equipment	15.3	160,378,507	167,365,120
Depreciation on right of use asset	15.9	2,374,255	–
Repairs and maintenance		35,556,177	41,509,217
Insurance		6,443,588	6,635,319
Oil and lubricants		2,332,574	4,985,904
		2,450,249,233	2,798,506,732
Work in process:			
- At beginning of the year		88,456,508	125,584,790
- At end of the year		(39,664,866)	(88,456,508)
Cost of goods manufactured		2,499,040,875	2,835,635,014
Finished goods			
- At beginning of the year		58,733,269	38,352,289
- At end of the year		(73,275,422)	(58,733,269)
		2,484,498,722	2,815,254,034
Other cost of sale - <i>Freight and forwarding</i>		40,115,910	42,588,579
		2,524,614,632	2,857,842,613

25.1 Salaries, wages and benefits include Rs. 6.81 million (2019: Rs. 6.38 million) in respect of defined contribution plan.

	Note	2020 Rupees	2019 Rupees
26 Administrative expenses			
Salaries, wages and benefits	26.1	34,379,721	32,612,057
Directors' remuneration	39	45,139,380	49,403,647
Meeting fee		1,550,000	1,125,000
Traveling expenses		28,299,919	33,852,901
Legal and professional charges		1,519,140	1,145,463
Vehicle running expenses		10,818,224	8,698,312
Security guard expense		1,257,638	1,618,007
Insurance		1,994,576	1,489,562
Repairs and maintenance		1,126,142	2,158,268
Telephone and postage		3,920,314	4,631,889
Depreciation on property, plant and equipment	15.3	9,010,029	9,249,385
Amortization on intangibles	16.1	140,165	1,851,185
Printing and stationery		2,738,658	2,573,507
Staff training and development		1,219,254	1,307,760
Fee and subscription		6,618,020	9,867,169
Rent, rates and taxes		1,431,261	853,860
Entertainment		2,635,686	2,580,739
Miscellaneous expenses		537,495	539,471
		154,335,622	165,558,182

26.1 Salaries, wages and benefits include Rs. 1.73 million (2019: Rs. 1.50 million) in respect of defined contribution plan.

	Note	2020 Rupees	2019 Rupees
27 Selling and distribution expenses			
Salaries and benefits	27.1	14,287,029	8,655,587
Depreciation on property, plant and equipment	15.3	9,010,029	9,249,385
Advertisement		1,942,595	2,501,834
Sales promotion expenses		423,720	1,022,283
		25,663,373	21,429,089

27.1 Salaries, wages and benefits include Rs. 0.71 million (2019: Rs. 0.39 million) in respect of defined contribution plan.

	Note	2020 Rupees	2019 Rupees
28 Other income			
<u>Income from financial assets</u>			
Profit on bank deposits - arrangements permissible under Shariah		135,633	59,523
Income on unwinding of long term receivable	19.1	20,454,616	2,509,908
Provision for doubtful debts reversed during the year		1,799,042	—
		22,389,291	2,569,431
<u>Income from non-financial assets</u>			
Sale of unusable items		10,886,982	9,095,817
Other income		2,445,240	2,532,309
		13,332,222	11,628,126
		35,721,513	14,197,557
29 Other charges			
Workers' Profit Participation Fund		17,264,337	15,695,614
Workers' Welfare Fund		6,017,491	4,556,256
Loss on disposal of property, plant and equipment		3,077,247	8,979,681
Auditor's remuneration	29.1	1,190,000	1,190,000
Donations	29.2	1,153,790	2,224,000
Loss on foreign currency transactions - net		806,347	100,101
Provision for doubtful debts	21.1	3,436,691	3,533,774
		32,945,903	36,279,426
29.1 Auditors' remuneration			
Statutory audit fee		800,000	800,000
Half yearly review		225,000	225,000
Certifications and others		105,000	105,000
Out of pocket expenses		60,000	60,000
		1,190,000	1,190,000

29.2 It includes donations to Lahore Chamber of Commerce and Industry (LCCI) amounting to Rs. 100,000 in which CEO of the Company, Mr. Zia Hyder Naqi is member of the Executive Committee.

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		2020 Rupees	2019 Rupees
30 Finance cost			
<i>Mark-up on:</i>			
- long term finance - <i>secured</i>		47,081,483	39,422,898
- lease liabilities		606,265	1,090,109
- short term borrowings - <i>secured</i>		24,751,643	35,104,180
Bank charges		1,275,671	428,211
		73,715,062	76,045,398
31 Taxation			
<i>Current:</i>			
- for the year		47,332,944	21,929,360
- prior year		5,048,672	3,343,731
<i>Deferred:</i>			
- for the year		10,809,663	21,628,718
		63,191,279	46,901,809
31.1 Relationship between tax expense and accounting profit			
Profit before taxation		322,004,907	288,087,882
Tax at 29% / 29%		93,381,423	83,545,486
<i>Tax effect of:</i>			
- income under Final Tax Regime		158,626	171,893
- tax credits		(38,334,232)	(44,261,408)
- prior year tax		5,048,672	3,343,731
- others		2,936,790	4,102,107
		63,191,279	46,901,809
32 Earning per share			
32.1 Basic earning per share			
Profit for the year after taxation	Rupees	258,813,628	241,186,073
			<i>Restated</i>
Weighted average number of ordinary shares in issue during the year	Number	88,488,400	88,488,400
Earning per share	Rupees	2.92	2.73

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.

32.2 Diluted earning per share

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

	Note	2020 Rupees	2019 Rupees
33 Cash generated from operations			
Profit before taxation		322,004,907	288,087,882
<i>Adjustments for non-cash items:</i>			
Finance cost		73,715,062	76,045,398
Depreciation on property, plant and equipment		178,398,564	185,863,890
Depreciation / amortization on right of use assets		2,374,255	–
Amortization of intangibles		140,165	1,851,185
Bonus dividend received		–	(261,985)
Loss on disposal of property, plant and equipment		3,022,311	8,979,681
Provision for doubtful debts		3,436,691	3,533,774
Provision for Workers' Profit Participation Fund and Workers' Welfare Fund		23,281,828	20,251,870
		284,368,876	296,263,813
Operating profit before working capital changes		606,373,783	584,351,695
<i>(Increase) / decrease in current assets:</i>			
Stores, spares and loose tools		(4,533,183)	1,209,725
Stock-in-trade		(70,571,084)	58,533,435
Trade debts including non-current portion		30,886,404	(221,289,927)
Advances, deposits, prepayments and other receivables		(11,426,305)	16,592,866
		(55,644,168)	(144,953,901)
<i>(Decrease) / increase in current liabilities:</i>			
Trade and other payables		(13,854,096)	6,146,921
		536,875,519	445,544,715
34 Cash and cash equivalents			
Short term running finance	11	(77,992,772)	(98,491,557)
Running Musharika	11	(42,394,446)	(90,498,588)
Cash and bank balances	23	8,879,920	42,021,102
		(111,507,298)	(146,969,043)

35 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:

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Name of parties	Relationship	Transactions	Note	2020 Rupees	2019 Rupees
a) Provident Fund Trust	Post employment benefit fund	Contribution Payable balance at year end		19,414,669 1,609,744	19,080,206 1,476,673
b) Directors	Directors	Cash dividend - as shareholders Bonus shares - as shareholders		36,355,811 24,237,160	60,593,614 –
	Directors - Other than key management personnel	Remuneration	39	19,302,834	18,389,958
	Non-Executive Directors	Meeting Fee	39.2	1,550,000	1,125,000
c) Key Management Personnel	Key Management Personnel	Remuneration Cash dividend - as shareholders Bonus shares - as shareholders	39	36,379,034 18,599 12,390	40,750,083 30,998 –

35.1 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.

36 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

Risk Management Framework

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

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

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

36.1.1 Credit risk

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

36.1.2 Exposure to credit risk

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

	Note	2020 Rupees	2019 Rupees
Long term deposits	18	10,820,959	10,472,359
Trade debts including non-current portion		509,334,671	543,657,766
Deposits and other receivables	22	27,107,155	12,219,432
Bank balances	23	8,775,420	41,971,102
		556,038,205	608,320,659

36.1.3 Concentration of credit risk

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

	2020 Rupees	2019 Rupees
Customers	509,334,671	543,657,766
Banking companies and financial institutions	17,342,517	50,538,199
Others	29,361,017	14,124,694
	556,038,205	608,320,659

36.1.4 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. All counterparties, with the exception of customers 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.

36.1.4(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		Rating agency	2020	2019
	Short term	Long term		Rupees	
<u>Bank</u>					
Bank Islami Pakistan Limited	A1	A+	PACRA	250,734	376,338
Habib Bank Limited	A1+	AAA	JCR-VIS	1,327,026	1,260,967
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	2,334,652	35,002,607
MCB Bank Limited	A1+	AAA	PACRA	2,085,344	1,731,002
National Bank of Pakistan	A1+	AAA	PACRA	100,159	100,159
United Bank Limited	A1+	AAA	JCR-VIS	2,093,983	3,500,029
				8,191,898	41,971,102
<u>Security deposits</u>					
MCB Bank Limited	A1+	AAA	PACRA	–	8,567,097
United Bank Limited Ameen	A1+	AAA	JCR-VIS	–	677,858
				–	9,244,955
				8,191,898	51,216,057

36.1.4(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 3.8. The analysis of ages of trade debts and loss allowance using the aforementioned approach as at 30 June 2020 was determined as follows:

The aging of trade debts at the reporting date is:

	2020		2019	
	Gross carrying amount	Loss Allowance	Gross carrying amount	Loss Allowance
	Rupees			
Not due	463,613,338	617,569	489,381,572	1,228,292
Past due 0 - 90 days	52,346,432	488,031	55,484,358	539,099
Past due 91 - 180 days	9,973,196	1,545,676	704,852	207,276
Past due 181 - 270 days	1,420,010	552,200	80,000	46,428
Past due 271 - 360 days	1,053,176	456,064	939	678
Past due 360 days	1,511,884	1,511,884	99,938	72,120
	529,918,036	5,171,424	545,751,659	2,093,893

36.2 Liquidity risk

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

36.2.1 Exposure to liquidity risk

36.2.1(a) Contractual maturities of financial liabilities

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

		2020				
	Note	Carrying amount	Contractual cash flows	One year or less	One to three years	Three to five years
Rupees						
Non-derivative financial liabilities						
Long term finances	7	396,807,360	504,091,155	192,461,020	261,760,196	49,869,939
Lease liabilities	8	10,058,654	11,067,091	3,548,413	8,369,330	(850,652)
Trade and other payables	10	121,249,014	121,249,014	121,249,014	–	–
Unclaimed dividend		2,085,056	2,085,056	2,085,056	–	–
Short term borrowings	11	205,106,929	205,106,929	205,106,929	–	–
Accrued mark up	13	5,873,819	5,873,819	5,873,819	–	–
		741,180,832	849,473,064	530,324,251	270,129,526	49,019,287
		2019				
	Note	Carrying amount	Contractual cash flows	One year or less	One to three years	Three to five years
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

36.3 Market risk

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

36.3.1 Currency risk

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

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36.3.1(a) *Exposure to currency risk*

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

	2020			
	EURO	YEN	USD	Total (Rupees)
<u>Assets</u>				
Cash in hand	–	3,000	–	4,500
Bank balances	2,050	–	3,216	940,914
<u>Liabilities</u>				
Net assets exposure	2,050	3,000	3,216	945,414

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

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

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

	EURO		YEN		USD	
	2020	2019	2020	2019	2020	2019
	Rupees		Rupees		Rupees	
Reporting date spot rate						
- <i>buying</i>	187.22	186.37	1.56	1.52	166.57	164.00
- <i>selling</i>	191.60	186.99	1.50	1.53	170.44	164.50
Average rate for the year	188.05	164.07	1.53	1.31	166.38	142.88

36.3.1(c) *Sensitivity analysis*

A reasonably possible strengthening / (weakening) of 10% in Pak Rupee against the EURO, YEN and 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.

	2020 Rupees	2019 Rupees
<u>Effect on profit and loss</u>		
EURO	39,278	40,574
YEN	450	–
USD	54,814	–
	94,542	40,574

36.3.1(d) **Currency risk management**

Since the maximum amount exposed to currency risk is only 0.0011% (2019: 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.

36.3.2 **Interest rate risk**

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

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

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

	2020		2019	
	Financial asset	Financial liability	Financial asset	Financial liability
	Rupees		Rupees	
<u>Non-derivative financial instruments</u>				
Fixed rate instruments	67,823	10,058,654	1,101,784	11,672,124
Variable rate instruments	–	616,914,289	–	676,591,694

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.

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

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

	Profit	
	2020 Rupees	2019 Rupees
<u>Increase of 100 basis points</u>	(6,169,143)	(6,765,917)
<u>Decrease of 100 basis points</u>	6,169,143	6,765,917

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

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

36.3.3 **Other price risk**

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

The Company is not significantly exposed to equity price risk.

36.4 **Fair values**

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

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

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

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

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

36.4.1 **Fair values of financial instruments**

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

Carrying Amount					Fair Value		
Note	Investments	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
On-Balance sheet financial instruments							
<u>30 June 2020</u>							
<u>Financial assets measured at fair value</u>							
Investment classified at FVOCI	1,808,219	–	–	1,808,219	1,808,219	–	–
	1,808,219	–	–	1,808,219	1,808,219	–	–
<u>Financial assets at amortized cost</u>							
Cash and bank balances	–	8,879,920	–	8,879,920	–	–	–
Deposits and other receivables	–	27,107,155	–	27,107,155	–	–	–
Long term deposits	–	10,820,959	–	10,820,959	–	–	–
Trade debts - unsecured, considered good	–	509,334,671	–	509,334,671	–	–	–
36.4.2	–	556,142,705	–	556,142,705	–	–	–
<u>Financial liabilities measured at fair value</u>							
	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
<u>Financial liabilities measured at amortized cost</u>							
Long term finances and diminishing musharika	–	–	396,807,360	396,807,360	–	–	–
Liabilities against leased assets	–	–	10,058,654	10,058,654	–	–	–
Trade and other payables	–	–	121,249,014	121,249,014	–	–	–
Unclaimed dividend	–	–	2,085,056	2,085,056	–	–	–
Short term borrowing	–	–	205,106,929	205,106,929	–	–	–
Accrued mark up	–	–	5,873,819	5,873,819	–	–	–
36.4.2	–	–	741,180,832	741,180,832	–	–	–

Carrying Amount				Fair Value			
Note	investments	loan and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
On-Balance sheet financial instruments							
<u>Financial assets measured at fair value</u>							
Investment classified at FVOCI	1,077,511	–	–	1,077,511	1,077,511	–	–
	1,077,511	–	–	1,077,511	1,077,511	–	–
<u>Financial assets at amortized cost</u>							
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	–	–	–
36.4.2	–	608,370,659	–	608,370,659	–	–	–
<u>Financial liabilities measured at fair value</u>							
	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
<u>Financial liabilities not measured at fair value</u>							
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	–	–	–
36.4.2	–	–	829,541,592	829,541,592	–	–	–

SYNTHETIC PRODUCTS ENTERPRISES LIMITED

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FOR THE YEAR ENDED 30 JUNE, 2020

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

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

37 Capital management

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

The Company's objectives when managing capital are:

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

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

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

38 Operating segments

38.1 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.

38.2 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.

	2020					
	Unit 1	Unit 2	Unit 3	Unit 4	Unit 5	Total
	Rupees					
Segment net sales	585,159,374	523,302,009	1,213,520,292	94,259,766	681,316,545	3,097,557,986
Segment cost of sales	(441,018,811)	(424,868,991)	(1,020,559,825)	(115,725,389)	(522,441,616)	(2,524,614,632)
Segment gross profit	144,140,563	98,433,018	192,960,467	(21,465,623)	158,874,929	572,943,354
Segment assets - plant and machinery	176,524,698	274,623,391	632,643,705	57,813,773	380,042,072	1,521,647,639

	2019					Total
	Unit 1	Unit 2	Unit 3	Unit 4	Unit 5	
	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

38.2.1 Sales to three customers (2019: three customers) represent approximately Rs. 1,839 million (2019: Rs. 1,960 million) of the Company's total net sales.

38.3 Reconciliations of information on reportable segments to IFRS measures

	2020 Rupees	2019 Rupees
38.3.1 Assets		
Total assets for reportable segment	1,521,647,639	1,456,089,543
Other unallocated amounts	2,350,971,783	2,269,510,768
Total assets	3,872,619,422	3,725,600,311

39 Remuneration of chief executive, directors and executives

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

	2020				
	Directors				Executives
	Chairman	Chief Executive	Non-Executive	*Executive	
	Rupees				
Managerial remuneration	8,040,000	9,648,000	–	5,922,130	18,348,669
Utilities and house rent	3,960,000	4,752,000	–	2,916,870	9,037,404
Post employment benefits	–	–	–	516,600	1,714,017
Advisory fee	–	–	6,000,000	–	–
Bonus and rewards	–	–	–	1,621,250	3,570,868
Others benefits	260,846	297,043	1,041,988	133,153	–
	12,260,846	14,697,043	7,041,988	11,110,003	32,670,958
Number of persons	1	1	1	2	7

* During the period one director remained as executive for two months and as non executive director for last 10 months.

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FOR THE YEAR ENDED 30 JUNE, 2020

	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
Contribution to provident fund	–	–	–	492,000	1,421,653
Bonus and rewards	–	–	6,000,000	–	–
Advisory fee	–	–	–	1,546,667	2,440,000
Other 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

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

39.2 Meeting fee was paid to six (2019: five directors) directors during the year of Rs. 1,550,000 (2019: Rs. 1,125,000).

40 Plant capacity and actual production

	Installed processing capacity		Actual processing	
	2020	2019	2020	2019
Small, medium and large				
Moulds making facility	60 to 70 moulds	60 to 70 moulds	30 moulds	22 moulds
Injection moulds facility	5,110 tons plastic	5,110 tons plastic	1,500 tons plastic	2,000 tons plastic
Blow moulding facility	4,650 tons plastic	3,540 tons plastic	2,300 tons plastic	2,200 tons plastic
Extrusion	6,500 tons plastic	8,300 tons plastic	2,600 tons plastic	3,200 tons plastic
Thermoforming	3,170 tons plastic	3,170 tons plastic	1,300 tons plastic	1,600 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.

41 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.

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

	30 June 2020					
	Liabilities					
	Diminishing Musharika	Long term loan	Lease Liabilities	Short term borrowings	Unclaimed dividend	Total
	Rupees					
Balance as at 01 July 2019	367,452,709	–	11,672,124	309,138,985	1,730,714	689,994,532
<u>Changes from financing activities</u>						
Repayment of short term borrowings - net	–	–	–	(20,429,129)	–	(20,429,129)
Long term loan acquired	–	34,456,178	–	–	–	34,456,178
Diminishing Musharika paid - net	(5,101,527)	–	–	–	–	(5,101,527)
Repayment of finance lease liabilities	–	–	(3,689,470)	–	–	(3,689,470)
Dividend paid	–	–	–	–	(50,696,658)	(50,696,658)
Total changes from financing cash flows	(5,101,527)	34,456,178	(3,689,470)	(20,429,129)	(50,696,658)	(45,460,606)
<u>Other liability related changes</u>						
Additions in lease liabilities	–	–	2,076,000	–	–	2,076,000
Change in running finance	–	–	–	(68,602,927)	–	(68,602,927)
Dividend declared	–	–	–	–	34,034,000	34,034,000
Total liability related other changes	–	–	2,076,000	(68,602,927)	34,034,000	(32,492,927)
Closing as at 30 June 2020	362,351,182	34,456,178	10,058,654	220,106,929	(14,931,944)	612,040,999

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

	30 June 2019				
	Liabilities				
	Diminishing Musharika	Lease Liabilities	Short term borrowings	Unclaimed dividend	Total
	Rupees				
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
Balance as at 30 June 2019	367,452,709	11,672,124	309,138,985	1,730,714	689,994,532

SYNTHETIC PRODUCTS ENTERPRISES LIMITED

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FOR THE YEAR ENDED 30 JUNE, 2020

43 Impact of COVID-19 (CORONA VIRUS)

A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on 11 March 2020, impacting countries globally including Pakistan. Government of Pakistan has taken certain measures to reduce the spread of the COVID-19 including lockdown of businesses, suspension of flight operations, intercity movements, cancellation of major events etc. The Company is conducting business with some modifications to employee working and cancellation of certain events, among other modifications while following all necessary Standard Operating Procedures (SOPs). The Company will continue to actively monitor the situation and may take further actions that alter its business operations as may be required by federal, provincial or local authorities or that are in the best interests of our employees, customers, partners, suppliers and stockholders. Management based on its assessment has concluded that there are no material implications that adversely affect its businesses, results of operations and financial condition in future period. However, pursuant to relaxation announced by State Bank of Pakistan in view of this pandemic, the Company has availed a long term loan under SBP refinance scheme as disclosed in note 7.1.4.

44 Number of employees

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

	Number of Employees	
	2020	2019
Number of employees as at 30 June	520	558
Average number of employees during the year	519	553

45 Non adjusting events after the balance sheet date

The Board of Directors of the Company in its meeting held on 17 September 2020 has proposed a final cash dividend of Re. 1.0 per share after obtaining consent from relevant financial institution, for the year ended 30 June 2020, for approval of the members in the Annual General Meeting to be held on 27 October 2020.

46 General

46.1 These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 17 September 2020.

46.2 Figures have been rounded off to the nearest rupee.



Chief Executive Officer



Director



Chief Financial Officer

PATTERN OF SHAREHOLDING

AS ON 30 JUNE, 2020

No. of Shareholders	Shareholding		Shares held	Percentage
	From	To		
295	1	100	8,877	0.0100
106	101	500	36,433	0.0412
933	501	1,000	543,376	0.6141
321	1,001	5,000	645,681	0.7297
52	5,001	10,000	369,283	0.4173
36	10,001	15,000	434,210	0.4907
17	15,001	20,000	298,329	0.3371
9	20,001	25,000	191,994	0.2170
14	25,001	30,000	380,666	0.4302
8	30,001	35,000	263,874	0.2982
3	35,001	40,000	111,394	0.1259
3	40,001	45,000	125,440	0.1418
4	45,001	50,000	197,242	0.2229
1	50,001	55,000	53,500	0.0605
4	55,001	60,000	233,489	0.2639
1	60,001	65,000	64,341	0.0727
1	65,001	70,000	69,500	0.0785
2	85,001	90,000	171,530	0.1938
1	90,001	95,000	90,680	0.1025
1	95,001	100,000	95,612	0.1080
4	110,001	115,000	456,040	0.5154
1	120,001	125,000	123,500	0.1396
1	135,001	140,000	136,430	0.1542
1	150,001	155,000	150,800	0.1704
1	155,001	160,000	156,000	0.1763
2	160,001	165,000	326,780	0.3693
2	180,001	185,000	362,960	0.4102
1	195,001	200,000	195,842	0.2213
1	235,001	240,000	236,760	0.2676
1	285,001	290,000	287,040	0.3244
1	290,001	295,000	290,394	0.3282
1	340,001	345,000	341,109	0.3855
1	405,001	410,000	409,566	0.4628
1	435,001	440,000	435,120	0.4917
1	440,001	445,000	442,200	0.4997
1	455,001	460,000	458,672	0.5183
1	470,001	475,000	473,900	0.5356
1	485,001	490,000	485,697	0.5489
1	510,001	515,000	510,140	0.5765
1	625,001	630,000	625,880	0.7073
1	640,001	645,000	645,000	0.7289
1	705,001	710,000	708,720	0.8009
1	715,001	720,000	716,638	0.8099
1	750,001	755,000	750,760	0.8484
1	755,001	760,000	759,202	0.8580
1	895,001	900,000	900,000	1.0171
1	1,135,001	1,140,000	1,138,800	1.2869
1	1,650,001	1,655,000	1,652,682	1.8677
1	1,670,001	1,675,000	1,671,034	1.8884
1	5,205,001	5,210,000	5,207,524	5.8850
1	6,695,001	6,700,000	6,696,500	7.5677
2	11,415,001	11,420,000	22,833,762	25.8042
1	33,515,001	33,520,000	33,517,497	37.8778
1851			88,488,400	100.0000

SYNTHETIC PRODUCTS ENTERPRISES LIMITED

KEY SHAREHOLDING

AS ON 30 JUNE, 2020

Particulars	Shareholding	Percentage
Associated Companies, Undertakings and Related Parties	NIL	—
Sponsors, Directors, CEO their spouse and Children		
Mr. Almas Hyder	33,517,497	37.8778
Mr. Zia Hyder Naqi	11,416,881	12.9021
Mr. Raza Haider Naqi	11,416,881	12.9021
Dr. S. M. Naqi	5,207,524	5.8850
Mrs. Munawar Naqi	2,809,834	3.1754
Mr. Sheikh Naseer Hyder	409,566	0.4628
Dr. Nighat Arshad	113,880	0.1287
Mr. Abid Saleem Khan	2,846	0.0032
Mr. Muhammad Tabassum Munir	572	0.0006
Mr. Khawar Anwar Khawaja	568	0.0006
Mr. Haroon Sharif	520	0.0006
Mutual Funds		
CDC - Trustee Atlas Stock Market Fund	900,000	1.0171
CDC - Trustee NBP Islamic Stock Fund	759,202	0.8580
CDC - Trustee Al-Ameen Shariah Stock Fund	750,760	0.8484
CDC - Trustee Ubl Stock Advantage Fund	645,000	0.7289
CDC - Trustee MCB Pakistan Stock Market Fund	510,140	0.5765
CDC-Trustee Al-Ameen Islamic Ret. Sav. Fund-Equity Sub Fund	473,900	0.5356
CDC - Trustee UBL Retirement Savings Fund - Equity Sub Fund	442,200	0.4997
CDC - Trustee Nit-Equity Market Opportunity Fund	290,394	0.3282
CDC - Trustee Alhamra Islamic Stock Fund	236,760	0.2676
CDC - Trustee National Investment (Unit) Trust	195,842	0.2213
CDC - Trustee NBP Stock Fund	180,960	0.2045
CDC - Trustee Atlas Islamic Stock Fund	163,500	0.1848
CDC - Trustee Al Ameen Islamic Dedicated Equity Fund	156,000	0.1763
CDC - Trustee APF-Equity Sub Fund	53,500	0.0605
CDC - Trustee APIF - Equity Sub Fund	35,000	0.0396
CDC - Trustee NBP Sarmaya Izafa Fund	28,080	0.0317
CDC - Trustee Atlas Islamic Dedicated Stock Fund	25,500	0.0288
CDC - Trustee Alfalah Ghp Value Fund	17,113	0.0193
CDC - Trustee Alfalah Ghp Stock Fund	12,162	0.0137
CDC - Trustee Awt Islamic Stock Fund	9,000	0.0102
CDC - Trustee UBL Dedicated Equity Fund	7,400	0.0084
CDC - Trustee Alfalah Ghp Islamic Dedicated Equity Fund	5,318	0.0060
CDC - Trustee NBP Balanced Fund	2,080	0.0024
CDC - Trustee Alfalah Ghp Alpha Fund	837	0.0009
CDC - Trustee ABL Stock Fund	520	0.0006
CDC - Trustee ABL Pension Fund - Equity Sub Fund	520	0.0006
MCBFSL - Trustee Js Value Fund	500	0.0006
CDC - Trustee Alfalah Ghp Islamic Stock Fund	401	0.0005
CDC - Trustee Unit Trust Of Pakistan	72	0.0001
CDC - Trustee JS Islamic Pension Savings Fund-Equity Account	39	0.0001
Executives	3,944	0.0045
Public Sector Companies And Corporations	—	—
Banks, Development Finance Institutions, NBFCs, Insurance companies, Takaful and Modarabas	309	0.0003
Shareholders Holding Ten Percent or More Voting Rights		
Mr. Almas Hyder	33,517,497	37.8778
Mr. Zia Hyder Naqi	11,416,881	12.9021
Mr. Raza Haider Naqi	11,416,881	12.9021

SYNTHETIC PRODUCTS ENTERPRISES LIMITED

CATEGORY WISE SHAREHOLDING

AS ON 30 JUNE, 2020

Sr. No	Particulars	No. of Shareholder	No. of Shares	Percentage
1	Sponsors, Directors, CEO And Children	11	64,896,569	73.3391
2	Insurance Companies	3	309	0.0003
3	Modarabas and Mututal Funds	30	5,902,700	6.6706
4	General Public (Local)	1,701	15,534,036	17.5549
5	General Public (Foreign)	57	634,201	0.7167
6	Others	49	1,520,585	1.7184
	Total	1,851	88,488,400	100.00

TRADING BY DIRECTORS, EXECUTIVES, THEIR SPOUSES AND MINOR CHILDREN

Sr. No.	Name of Shareholder	Sale	Purchase	Bonus
1	Mr. Almas Hyder	930,000	-	1,324,903
2	Mr. Zia Hyder Naqi	-	-	439,110
3	Mr. Raza Haider Naqi	-	-	439,110
4	Dr. S. M. Naqi	-	-	200,289
5	Mrs. Munawar Naqi	-	-	108,070
6	Mr. Sheikh Naseer Hyder	-	-	15,752
7	Dr. Nighat Arshad	-	-	4,380
8	Mr. Abid Saleem Khan	-	-	109
9	Mr. Muhammad Tabassum Munir	-	-	22
10	Mr. Khawar Anwar Khawaja	-	-	21
11	Mr. Haroon Sharif	-	-	20
12	Mr. Khalil Ahmad Hashmi	30,000	-	1,239
13	Mr. Muhammad Zafar Iqbal	-	-	65

NOTICE OF ANNUAL GENERAL MEETING



Notice is hereby given that the Thirty Eighth Annual General Meeting of the shareholders of Synthetic Products Enterprises Limited (the "Company") will be held on Tuesday 27 October 2020 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 Annual General Meeting held on 28 October 2019.
2. To receive, consider and adopt the audited financial statements for the year ended 30 June 2020 together with Directors' and Auditors' Report thereon.
3. To approve final cash dividend @ 10% as recommended by the Board of Directors.
4. To appoint auditors for the year ended 2020-21 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 approve transaction(s) conducted with Related Parties for the period commencing from 01-07-2020 to 30-08-2020 by passing the following resolution as special resolution with or without modification.

"Resolved that the following transaction(s) conducted with Related Parties for the period commencing from 01-07-2020 to 30-08-2020 be and are hereby approved.

Name of Related Party	Nature of Transaction	Amount (PKR)
SPEL Technology Support (Pvt.) Ltd	Availing of Services	204,160"

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

By the Order of the Board

2 October 2020
Lahore

Muhammad Kamran Farooq
Company Secretary

Notes:

1. The share transfer books of the Company will remain closed from 17 October 2020 to 31 October 2020 (both days inclusive). Transfers received in order at the Shares Department of M/s THK Associates (Pvt.) Limited, First Floor 40-C Block-6 P.E.C.H.S. Karachi, Pakistan at the close of business on 16 October 2020 will be treated in time for the purpose of payment of final dividend, if approved by the shareholders. Only those persons whose name appear in the Register of Members of the Company as on 16 October 2020 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's Circular No 5 and 25 of 2020 shareholders can attend the meeting through video link facility.

The shareholders who wish to attend the Annual General Meeting through video link are requested to get themselves registered by sending their particulars at the designated email address corporate@spelgroup.com, giving particulars as per below table on or before October 25, 2020.

Name of Shareholder	CNIC No./ NTN No.	CDC Participant ID/Folio No.	Cell No	Email address	Signature

The webinar link would be emailed to the registered shareholders/proxies who have provided all the requested information.

6. 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 in writing at least 10 days before the date of the meeting.
7. Members are requested to promptly notify any change of address to the Company's Share Registrar.
8. Payment of Cash Dividend Electronically (Mandatory)

As per section 242 of the Companies Act 2017 cash dividend will be paid to the shareholders of listed companies only by way of electronic mode directly into the bank account of shareholder.

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

9. 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.

10. 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 Resolution(s) mentioned in the Notice for 38th Annual General Meeting of the members of the Synthetic Products Enterprises Limited (the "Company"):

Agenda 5

Mr. Almas Hyder, Mr. Zia Hyder Naqi and Mr. Sheikh Naseer Hyder were considered as directly interested in this transaction by virtue of holding the position of Director(s) in SPEL Technology Support (Pvt.) Ltd and some other directors are considered indirectly interested by virtue of being relatives of the interested director. As majority of the Directors were considered interested (directly and indirectly), therefore, these transaction(s) 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	SPEL Technology Support (Pvt.) Ltd
(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, Mr. Zia Hyder Naqi and Mr. Sheikh Naseer Hyder are Directors of Spel Technology Support (Pvt.) Ltd and other directors are interested as per definition of relatives defined section 208 of the Companies Act, 2017. (Siblings, Lineal Ascendant & Descendant)
(iv)	Amount of Transaction(s)	Rs. 204,160/- (Rs. Two Hundred Four Thousand, One Hundred & Sixty Only)
(v)	Timeframe or duration of the transactions of contracts or arrangements;	01-07-2020 to 30-08-2020
(vi)	Detail, description, terms and conditions	Repair and maintenance of machine. (Kreon 3D measuring and scanning arm)
(vii)	Pricing policy	At market price on arm length basis

GLOSSARY OF TERMS

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

مستقبل کا نقطہ نظر

موجودہ اقتصادی مشکلات اور مجموعی معاشی حالات میں، آپ کی کمپنی سمجھتی ہے کہ مستقبل قریب میں انڈسٹری کو کچھ مشکلات درپیش آسکتی ہیں۔ طویل مدت میں انڈسٹری کا مستقبل مثبت دکھائی دیتا ہے۔ SPEL کی صحت مندمالی حیثیت کمپنی کی آپریشنل افادیت کو مزید بہتر بنانے اور نئی سرمایہ کاری کے وژن میں مزید معاون ہوگی۔

کمپنی مستحکم ترقی کی راہ پر گامزن ہے مینوفیکچرنگ کی سہولیات کو بڑھایا جا رہا ہے بہتر کارکردگی کو حاصل کرنے اور منافع کو بہتر بنانے کیلئے سرمایہ کاری کی جارہی ہے۔ جغرافیائی حدود کو بڑھایا جا رہا ہے جس کے لئے کمپنی نے کراچی میں نئے مینوفیکچرنگ پلانٹ لگانے کا فیصلہ کیا ہے جو کہ 4.5 فیصد رابٹ شیئرز کی نئی ایکویٹی اور دیگر اندرونی وسائل سے فنڈس ہوگا۔

اتحاد تشکر

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

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



ڈائریکٹر



چیف ایگزیکٹو آفیسر

17 ستمبر 2020

لاہور

ڈائریکٹرز کی ٹریننگ

اس رپورٹ کے اجراء کی تاریخ تک، کمپنی کے چار (04) ڈائریکٹرز سرٹیفائیڈ ڈائریکٹرز ہیں جبکہ ایک ڈائریکٹر "ڈائریکٹرز ٹریننگ پروگرام" کی ٹریننگ سے مستثنیٰ ہے۔

بورڈ کی کارکردگی کا تجزیہ

بورڈ نے اپنی کارکردگی کا جائزہ لینے کا ایک طریقہ کار وضع کیا ہے۔ کارکردگی کے معیار میں شامل کچھ اہم امور مندرجہ ذیل ہیں:

- مجموعی بورڈ کا تجزیہ
- بورڈ کی کمیٹیوں کا تجزیہ
- تمام ارکان کی مہارتوں کا تجزیہ
- کاروباری حکمت عملی
- جانشینی کی منصوبہ بندی

سرمایہ کاری تعلقات / شکایات

کمپنی سرمایہ کاروں کے ساتھ اپنے تعلقات کو بہت زیادہ اہمیت دیتی ہے اور اس نے ایک مضبوط شکایت رپورٹنگ میکانزم قائم کیا ہے جس میں کسی بھی شکایت یا غیر حل شدہ مسائل کو حل کرنے کی کوشش کی جاتی ہے۔ اس بات کا یقین کرنے کے لئے کہ اسٹیک ہولڈرز اپنی شکایتوں کو آسانی سے درج کر سکتے ہیں، کمپنی کی ویب سائٹ پر ایک آن لائن فارم دستیاب ہے۔ سال کے دوران کمپنی کو کوئی شکایت موصول نہیں ہوئی ہے، تاہم، ڈیویڈنڈ وارنٹس کی ری ویلیٹیشن اور مالی رپورٹس کی ترسیل کے لئے چند درخواستیں موصول ہوئیں جن پر شیئر ہولڈر کا متعلقہ مسئلہ تسلی بخش طریقے سے حل کیا گیا۔

آڈیٹرز (حاسب) کی تقرری

موجودہ آڈیٹرز، میسرز KPMG تاہم بادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس آئینڈ سالانہ اجلاس عام کے اختتام پر ریٹائر ہو جائیں گے اور اہل ہونے کی بناء پر، دوبارہ تعیناتی کے لئے خود کو پیش کرتے ہیں۔ کمپنی کے بورڈ کی آڈٹ کمیٹی کی تجویز پر بورڈ نے سال 2020-21 کے لئے کمپنی کے آڈیٹرز کی حیثیت سے ان کی دوبارہ تقرری کی سفارش کی ہے۔

شیئر ہولڈنگ کا پیرن

شیئر ہولڈنگ کا پیرن رپورٹ ہذا کے ہمراہ منسلک ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

کمپنی کمپنیز ایکٹ 2017 اور سیکورٹیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 میں درج شدہ کارپوریٹ اور فنانشل رپورٹنگ فریم ورک کی تمام ضروریات پر عمل پیرا ہے اور ہم اس بات کی تصدیق کرتے ہیں کہ:

- کمپنی کی انتظامیہ کی طرف سے تیاری گئی، فنانشل سٹیٹمنٹس، کمپنی کے موجودہ امور، اس کے آپریشنز کے نتائج، ریکش فلو اور ایکٹیوٹی میں تبدیلیوں کو ظاہر کرتے ہیں۔
- کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔
- مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور آئیندہ فیصلوں پر مبنی ہیں۔
- فنانشل سٹیٹمنٹس کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ سٹینڈرڈز کی پیروی کی گئی ہے، اور کسی بھی غیر مطابقت کو مناسب اور واضح طور پر بیان کیا گیا ہے۔
- انٹرنل کنٹرول کے نظام کا ڈیزائن مضبوط ہے اور موثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔
- کمپنی کے رواں دواں رہنے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔
- گزشتہ چھ سال کا کلیدی آپریشننگ اور مالیاتی ڈیٹا منسلک ہے۔
- ٹیکس اور لیوی کے بارے میں معلومات فنانشل سٹیٹمنٹس کے نوٹ میں دی گئی ہیں۔
- کمپنی کی طرف سے حاصل کردہ تمام قرضوں کے سلسلہ میں کسی بھی تاخیر سے ادائیگی یا ڈیفالٹ کا کوئی امکان نہیں ہے۔
- ہماری کمپنی کو اقتصادی خطرات کے سوا کوئی مادی خطرات اور مخصوص غیر یقینی کی صورت حال درپیش نہیں ہے۔
- ہمارے کاروبار کے ماحول پر کوئی اثرات نہیں ہیں۔
- کمپنی اپنے تمام اہل ملازمین کے لئے ایک کنٹری بیوٹری پروویڈنٹ فنڈ سکیم چلاتی ہے۔ کمپنی کے پروویڈنٹ کی مد میں کی جانے والی سرمایہ کاری کی قدر 30 جون 2020 کے مطابق اور دیگر متعلقہ معلومات فنانشل سٹیٹمنٹس کے نوٹ میں مذکور ہیں۔
- کمپنی کے ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف آپریشننگ آفیسر، چیف فنانشل آفیسر، کمپنی سیکریٹری، سربراہ انٹرنل آڈٹ، ایگزیکٹوز آفیسرز ان کے زوج اور بالغ بچوں کی طرف سے کمپنی کے شیئرز میں ٹریڈنگ کی تفصیل منسلک ہے۔
- بورڈ نے جائزہ لیا اور فیصلہ کیا ہے کہ SPEL کا کوئی بھی ملازم جس کی ماہانہ مجموعی تنخواہ 100,000 روپے یا اس سے زیادہ ہو، اسے PSX رول بک کے رول 5.6.1 اور رول 5.6.4 کے مقاصد کے لئے "ایگزیکٹو" تصور کیا جاتا ہے۔
- 30 جون 2020 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 بڑے اثرات مرتب ہوں۔

بورڈ کی تشکیل

بورڈ کی تشکیل مہارت، صلاحیت اور تنوع، کوڈ آف کارپوریٹ گورننس کی ریکوئزمنٹس، کمپنی کی ضروریات کو پورا کرنے اور اس بات کا یقین کرنے کے لئے قائم کیا گیا کہ بورڈ کا لچھیت باڈی کے طور پر کام کرتا ہے۔ کمپنی کے ڈائریکٹرز کی کل تعداد مندرجہ ذیل ہے:

مرد ڈائریکٹرز	09
خاتون ڈائریکٹرز	01
بورڈ کی تشکیل مندرجہ ذیل ہے:	
آزاد ڈائریکٹرز	03
دیگر نان ایگزیکٹو ڈائریکٹرز	05
ایگزیکٹو ڈائریکٹرز	02

نان ایگزیکٹو ڈائریکٹرز اور آزاد ڈائریکٹرز کے لئے معاوضہ کی پالیسی

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

بورڈ کے اجلاس اور حاضری

زیر جائزہ سال کے دوران، بورڈ کے چار (04) اجلاس منعقد ہوئے ہیں جس میں ہر ڈائریکٹر کی حاضری مندرجہ ذیل ہے:

نام	عہدہ	اجلاسوں میں حاضری
جناب الماس حیدر	چیرمین / نان ایگزیکٹو ڈائریکٹر	4
ڈاکٹر ایس ایم نقی	نان ایگزیکٹو ڈائریکٹر	4
جناب ضیاء حیدر نقی	سی ای او / ایگزیکٹو ڈائریکٹر	3
جناب بارون شریف	آزاد نان ایگزیکٹو ڈائریکٹر	4
جناب خاور انور خواجہ	آزاد نان ایگزیکٹو ڈائریکٹر	4
جناب محمد تقیسم منیر	آزاد نان ایگزیکٹو ڈائریکٹر	3
جناب رضا حیدر نقی	نان ایگزیکٹو ڈائریکٹر	4
ڈاکٹر نگہت ارشد	نان ایگزیکٹو ڈائریکٹر	4
شیخ نصیر حیدر	نان ایگزیکٹو ڈائریکٹر	4
جناب عابد سلیم خان	ایگزیکٹو ڈائریکٹر	4

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

بورڈ آڈٹ کمیٹی

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

نام	عہدہ	اجلاسوں میں شرکت
جناب بارون شریف	کمیٹی چیئر مین	4
جناب الماس حیدر	رکن	4
ڈاکٹر ایس ایم نقی	رکن	4
جناب محمد تقیسم منیر	رکن	3
جناب رضا حیدر نقی	رکن	4

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

ہیومن ریسورس اور ریکرٹمنٹ کمیٹی

سال کے دوران ہیومن ریسورس اور ریکرٹمنٹ کمیٹی (ایچ آر کمیٹی) کا ایک (01) اجلاس منعقد ہوئے۔ ایچ آر کمیٹی کی تشکیل اور ہر ایک رکن کی حاضری مندرجہ ذیل ہے:

نام	عہدہ	اجلاسوں میں شرکت
جناب خاور انور خواجہ	کمیٹی چیئر مین	1
جناب الماس حیدر	رکن	1
جناب ضیاء حیدر نقی	رکن	1
ڈاکٹر نگہت ارشد	رکن	1
جناب عابد سلیم خان	رکن	1

فنانس کمیٹی

سال کے دوران فنانس کمیٹی کا ایک (01) اجلاس منعقد ہوئے۔ فنانس کمیٹی کی تشکیل اور ہر ایک رکن کی حاضری مندرجہ ذیل ہے:

نام	عہدہ	اجلاسوں میں شرکت
جناب الماس حیدر	کمیٹی چیئر مین	1
جناب ضیاء حیدر نقی	رکن	1
جناب بارون شریف	رکن	1
جناب محمد تقیسم منیر	رکن	1
جناب شیخ نصیر حیدر	رکن	1
جناب عابد سلیم خان	رکن	1

ڈائریکٹرز کی رپورٹ برائے سال 30 جون 2020ء

محترم شیئر ہولڈرز

آپ کی کمپنی کے ڈائریکٹرز 30 جون 2020ء کو ختم ہونے والے سال کے لئے کمپنی کے آپریٹرز کے نتائج پر سالانہ رپورٹ معاً فیڈبک اکاؤنٹس آپ کے روبرو پیش کر رہے ہیں۔

فناصل جائزہ

زیر جائزہ سال میں COVID-19 کی وبا کی وجہ سے پورے ملک اور دنیا نے انتہائی مشکل حالات کا سامنا کیا۔

ہماری کمپنی دو بڑے سیکٹرز میں کام کرتی ہے جن میں سے ایک آٹو پارٹس اور دوسرا FMCG اور فوڈ بیکیٹنگ سیکٹر ہے۔ FMCG اور فوڈ بیکیٹنگ سیکٹر نے عمدہ کارکردگی کا مظاہرہ کیا جبکہ آٹو سیکٹر بڑا چیلنگ کا سامنا کر رہا ہے۔ سال کے ابتدا میں حکومت نے نان فیکٹریز کیلئے گاڑیوں کی خریداری پر پابندی لگا دی تھی اس کے ساتھ ساتھ ایکسائز ڈیوٹی کے نفاذ سے گاڑیوں کی قیمتوں میں اضافہ ہوا جس کی وجہ سے آٹو سیکٹر کی سیکڑ مندی کا شکار رہی۔

سال کی آخری سہ ماہی لاک ڈاؤن، کاروبار کی بندش اور محدود نقل و حمل کا شکار رہی۔ حکومت نے کم آمدن والے طبقے کے لئے امداد فراہم کی جبکہ صنعتی اداروں کو ٹینٹ بنک کی طرف سے کم شرح سود پر قرضہ کی سہولت فراہم کی گئی۔ ہمیں بھی ان چیلنجز کا سامنا کرنا پڑا اور ہماری سیکڑ میں کمی واقع ہوئی، لیکن اللہ رب العزت کے فضل اور ہماری ٹیم کی کارکردگی سے ہم اس مشکل وقت سے تندرست نکلے ہوئے۔

ہم نے لاگت پر قابو پانے، اپنے وسائل کے بہترین اور موثر استعمال اور اپنے صارفین کو رسد کی فراہمی کا تسلسل یقینی بنانے پر توجہ مرکوز رکھی۔

سیکڑ میں کمی کو مشکل کاروباری حالات کے باوجود آپ کی کمپنی نے بعد از ٹیکس منافع میں 7% اضافہ حاصل کیا۔

مالیاتی نتائج

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

	2020	2019
روپے ملین میں		
سیکڑ	3097.55	3431.05
مجموعی منافع	572.94	573.20
آپریٹنگ منافع	392.94	386.21
فناصل لاگت	73.71	76.04
قبل از ٹیکس منافع	322.00	288.09
ٹیکس	63.19	46.90
بعد از ٹیکس منافع	258.81	241.18

ڈیویڈنڈ

فیکل کیش ڈیویڈنڈ @ 10% (2019: @6%)	88.49	51.05
فیکل بونس ڈیویڈنڈ @ Nil (2019: @4%)	-	34.03
ٹوٹل ڈیویڈنڈ @ 10% (2019: @10%)	88.49	85.08

قابلیت اور صلاحیت بہتر بنانے کے لئے کمپنی نے آپریٹنگ فیکسڈ اسٹیس میں 224 ملین روپے (2019 : 355 ملین روپے) کی سرمایہ کاری کی ہے۔ بہتر کارکردگی کے ذریعے بہتر کوالٹی اور بروقت ڈیویڈنڈ کو یقینی بنانے کے لئے ٹیکنالوجی کی ایپ گریڈیشن اور آٹومیشن پر بھی نمایاں رقم خرچ کی گئی۔

فی شیئر آمدنی

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

بنیادی اور معتدل آمدنی فی شیئر 2020ء	2.92 روپے
بنیادی اور معتدل آمدنی فی شیئر 2019ء	2.73 روپے

کارپوریٹ سماجی ذمہ داری

SPEL کمپنی کی مدد کرنے میں یقین رکھتی ہے اور سماجی فلاح اور قومی مفاد کے بنیادی اقدامات میں شرکت کرنے کی پالیسی رکھتی ہے۔ ہم ماحولیاتی استحکام اور تحفظ کی اپنی ذمہ داریوں کو سمجھتے ہیں اور ان ذمہ داریوں سے تندرست رہنے کے لئے پرعزم ہیں۔ یہ ذمہ داری نہ صرف ہمارے ملازمین اور ہمارے پلائس کی سائنس پر ہمارے عزم کو پورا کرتی ہے، بلکہ ہمارے گھنٹے سے آگے دیکھنا سیک ہولڈرز، بشمول معاشرہ جس میں ہم کام کرتے ہیں، تک بھی توسیع دیتے ہیں۔

کمپنی نے ایک نئی پراڈکٹ Face Visors تیار کی ہے جو کہ FDA Registered اور CE Marked ہے۔ یہ پراڈکٹ چہرے کو چھینٹوں سے بچاؤ فراہم کرتے ہوئے کرونا وائرس سے تحفظ فراہم کرنے میں مددگار ثابت ہوئی ہے۔ زیر جائزہ مدت کے دوران کمپنی نے یہ پراڈکٹ حکومت پنجاب، برٹش ہائی کمیشن، پنجاب رینجرز، ہاسٹل، بمبش ہائی ویز اینڈ موٹوریز پولیس اور دیگر تان پرافٹ اداروں کو عطیہ کی ہے۔

مالی سال کے دوران چند دیگر ایسی آرسرگرمیاں بھی سرانجام دی گئی ہیں

- غیر منافع بخش تنظیموں کو عطیات دینا۔
- اپنی تعلیم میں اضافہ کرنے کے خواہش مند متعلق ملازمین کو مالی مدد فراہم کی ہے۔
- دیاسرمبھاشا اور مہند ڈیز کے لئے عطیہ
- LUMS کے فی نائل ایڈ پروگرام کے تحت اور UET کے ضرورت مند طلباء کو کورسکالرشپ گرانٹ مہیا کرنا

انسانی وسائل کی ترقی:

ہمیں اپنے ملازمین کے عزم اور لگن پر فخر ہے۔ کمپنی اپنے ملازمین کی قدر اور ٹیم ورک کی ثقافت، جدت، کیونٹی کشن، مسلسل ترقی اور انفرادی تربیت کی حوصلہ افزائی کرتی ہے۔ زیر جائزہ مدت کے دوران کمپنی نے ملازمین کی ٹریننگ پر 3,282 گھنٹے انویسٹ کیے۔ کمپنی اپنے ملازمین کی مہارت، علم اور صلاحیتوں کو بہتر بنانے کے لئے اندرونی اور بیرونی دستیاب وسائل کو بروئے کار لاتی ہے۔

ان ٹریننگوں میں کرونا وائرس پراگاہی، SAP User، ٹریننگ، سپروائزری سکھو، لیبر لاء، فائز اینڈ سیفٹی، QCC, 6S, KAIZEN اور کمپنی کے مختلف محکموں کی تکنیکی و انتظامی صلاحیت کے کورسز شامل ہیں۔

NOTES

[illegible]

Form of Proxy

38th 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 Tuesday, October 27, 2020 at 3:00 pm and / or any adjournment thereof.

Signature this _____ year 2020.
(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

مختار نامہ (پراکسی فارم)

میں / ہم مسمیٰ / مسماۃ _____
 ساکن _____ ضلع _____
 بحیثیت رکن (ممبر) سنیٹھیک پراڈکٹس انٹرپرائزز لمیٹڈ مقرر کرتا ہوں / کرتی ہوں کرتے ہیں مسمیٰ / مسماۃ _____
 ساکن _____
 کو بطور میرا / ہمارا مختار (پراکسی) سنیٹھیک پراڈکٹس انٹرپرائزز لمیٹڈ کے سالانہ اجلاس عام میں جو مورخہ 27 اکتوبر 2020 کو بوقت 3:00 بجے منعقد ہو رہا ہے
 یا اس کے کسی ملتوی شدہ اجلاس میں شرکت کرے اور میری / ہماری جگہ میری / ہماری طرف سے حق رائے دہی استعمال کرے۔
 مورخہ _____ 2020 کے میرے / ہمارے دستخط سے جاری ہوا۔

فولیو نمبر	سی ڈی سی کھاتہ نمبر	حصص کی تعداد

دستخط

گواہ نمبر 2

گواہ نمبر 1

دستخط _____
 نام _____
 کمپیوٹرائزڈ قومی شناختی کارڈ نمبر _____
 پتہ _____
 دستخط _____
 نام _____
 کمپیوٹرائزڈ قومی شناختی کارڈ نمبر _____
 پتہ _____

ہدایات:

- 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 مختار نامہ (پراکسی فارم) کے ہمراہ کمپیوٹرائزڈ 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۔ مختار نامہ (پراکسی فارم) مکمل پر شدہ کمپنی کے رجسٹرار آفس میں اجلاس کے مقررہ وقت سے کم از کم 48 گھنٹے قبل جمع کرنا ضروری ہے۔



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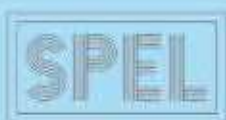
The Company Secretary

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Synthetic Products Enterprises Limited

127-S Quaid-e-Azam Industrial Estate, Township Kot Lakhpat Lahore

Phone: 042 111 005 005

Fax: 042 35118507