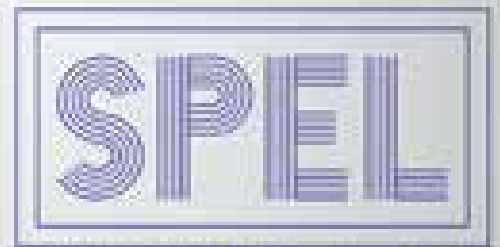
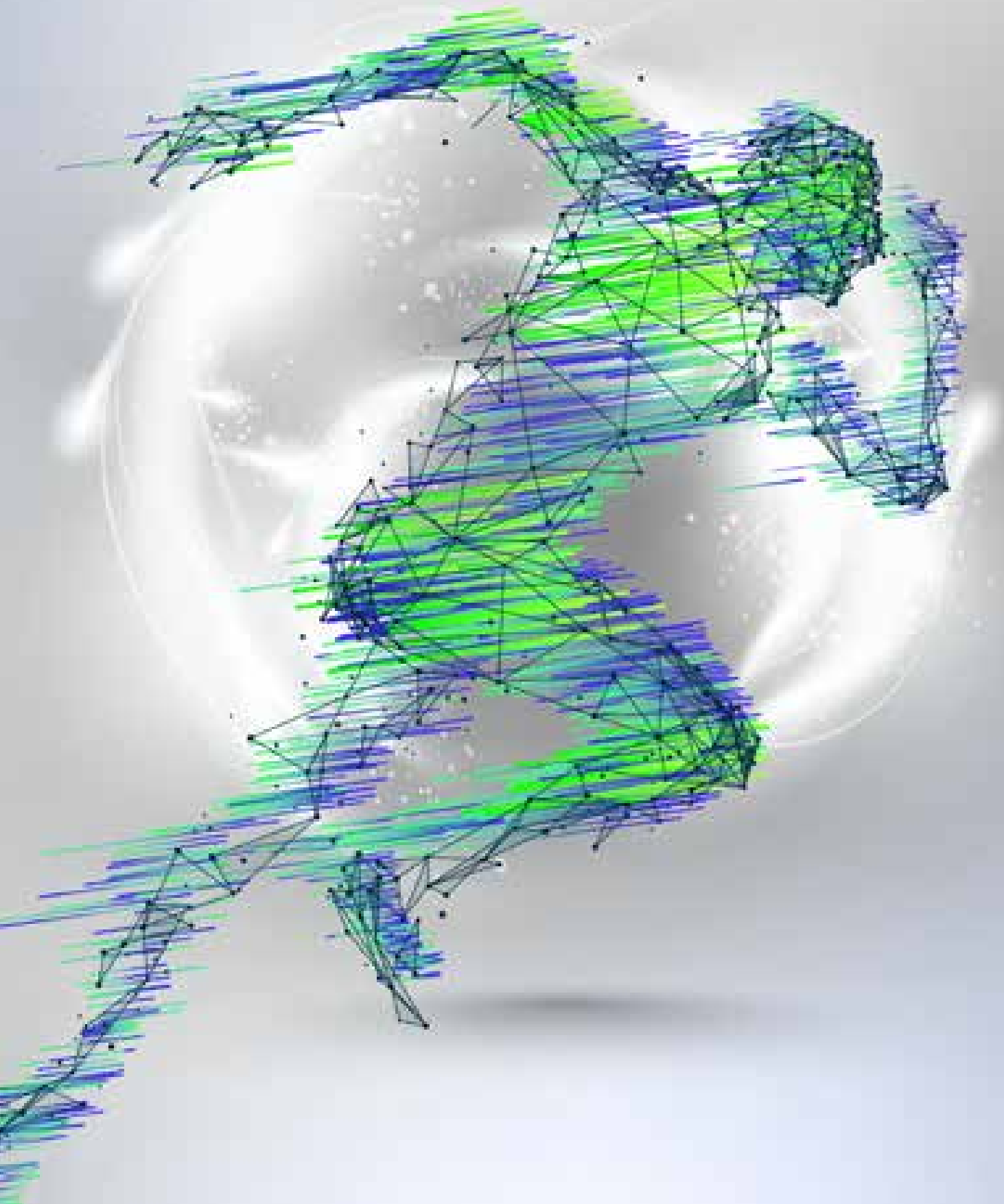


# MOVING FORWARD

ANNUAL REPORT 2021



Synthetic Products Enterprises Limited



# Cover Story



With over 39 years of experience and expertise, we have built a strong presence in manufacturing high-end products steered by our passion for the utmost excellence. We set out to provide our customers with superior products and unparalleled services through the latest technologies and skilled workforce. We are eager to develop innovative, sustainable and efficient solutions.



# Contents

## Corporate

Corporate Information .....	02
Vision .....	04
Overall Strategic Objectives .....	05
Code of Conduct and Ethical Principles .....	06
Core Values .....	07
Company Profile .....	08
Organogram .....	09
Our Major Products .....	10
Geographical Presence .....	16
Critical Performance Indicators .....	18
Calendar of Noteable Events .....	19
Profile of the Directors .....	20
Governance .....	23
Company Policies .....	30
DuPont Analysis .....	32
Strategy and Resource Allocation .....	34
Risks and Opportunities Report .....	36
Performance and Position .....	38
Striving for Excellence in Corporate Reporting .....	39
Stakeholders' Relationships and Engagements .....	40
Corporate Social Responsibility .....	41
Outlook .....	44
Report of the Board Audit Committee .....	46
Chairman's Review .....	47
Directors' Report to the Shareholders .....	48

Six Years Financial Information .....	52
Comments on Financial Analysis .....	54
Cash Flow Statement - Direct Method .....	55
Graphical Presentation .....	56
Horizontal Financial Analysis .....	58
Vertical Financial Analysis .....	59
Statement of Wealth Generated and Distributed .....	60
Independent Auditor's Review Report .....	61
Statement of Compliance .....	62

## Financial Statements

Independent Auditor's Report .....	67
Statement of Financial Position .....	72
Statement of Profit or Loss .....	74
Statement of Comprehensive Income .....	75
Statement of Changes in Equity .....	76
Statement of Cash Flow .....	77
Notes to the Financial Statements .....	78
Pattern of Shareholding .....	125
Category wise Shareholding .....	126
Notice of Annual General Meeting .....	127
Directors' Report (Urdu) .....	135
Glossary of Terms .....	136
Form of Proxy .....	137
Form of Proxy (Urdu) .....	139

# 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*

## 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.  
Tel: 042-111-005-005  
Fax: 042-35118507

## FACTORIES

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

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

**Karachi Plant**  
12-A, Down Stream Industrial Unit, Pakistan Steel, Karachi.

## CHIEF FINANCIAL OFFICER

Mr. Khalil Ahmad Hashmi, FCA

## COMPANY SECRETARY

Muhammad Kamran Farooq, ACMA

## HEAD OF INTERNAL AUDIT

Mr. Abu Bakar, ACA

## STATUTORY AUDITOR

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

## TAX CONSULTANT

**PWC A.F. Ferguson & Co.**  
Chartered Accountants

## SHARE REGISTRAR

**THK Associates (Pvt) Limited**  
Plot No. 32-C, Jami Commercial Street 2, DHA, Phase VII, Karachi.

## 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

# Vision

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



# Overall Strategic Objectives

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

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

We are focused to be a market leader for quality products and to grow

continuously by adding products and customers in our portfolio.

We will use resources efficiently to increase shareholders' value.





# Code of Conduct, Culture and Ethical Principles

The code is intended to set out principles relating to the behavior that should be observed in SPEL. This Code includes the following aspects:



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

## Core Values



# Organizational Overview and External Environment

## A BRIEF ABOUT THE COMPANY

SPEL is one of the leading manufacturers of technology-intensive engineering and plastic products in Pakistan. SPEL started its operations as a partnership concern in 1978, changed its legal status to a private limited company in 1982 followed by conversion into a public limited company in 2008. During the year 2015, the Company offered its shares to the public and became a listed Company by quoting its shares on the Pakistan Stock Exchange.

SPEL provides complete solutions, from design to product, which are precise, and meet quality and environmental standards. SPEL's capabilities include Product Designing, Molds & Dies Making, Injection Molding, Thermoforming, Blow Molding, Extrusion, Printing, Labeling, Shrink Sleeve Labelling, Sticking etc. SPEL has implemented numerous quality enhancement systems including

Quality Control Circles, Total Quality Management, 6S, Kaizen and Toyota Production Systems.

The products of SPEL can broadly be categorized into the following:

- Food Packaging
- FMCG Packaging
- Automotive Parts

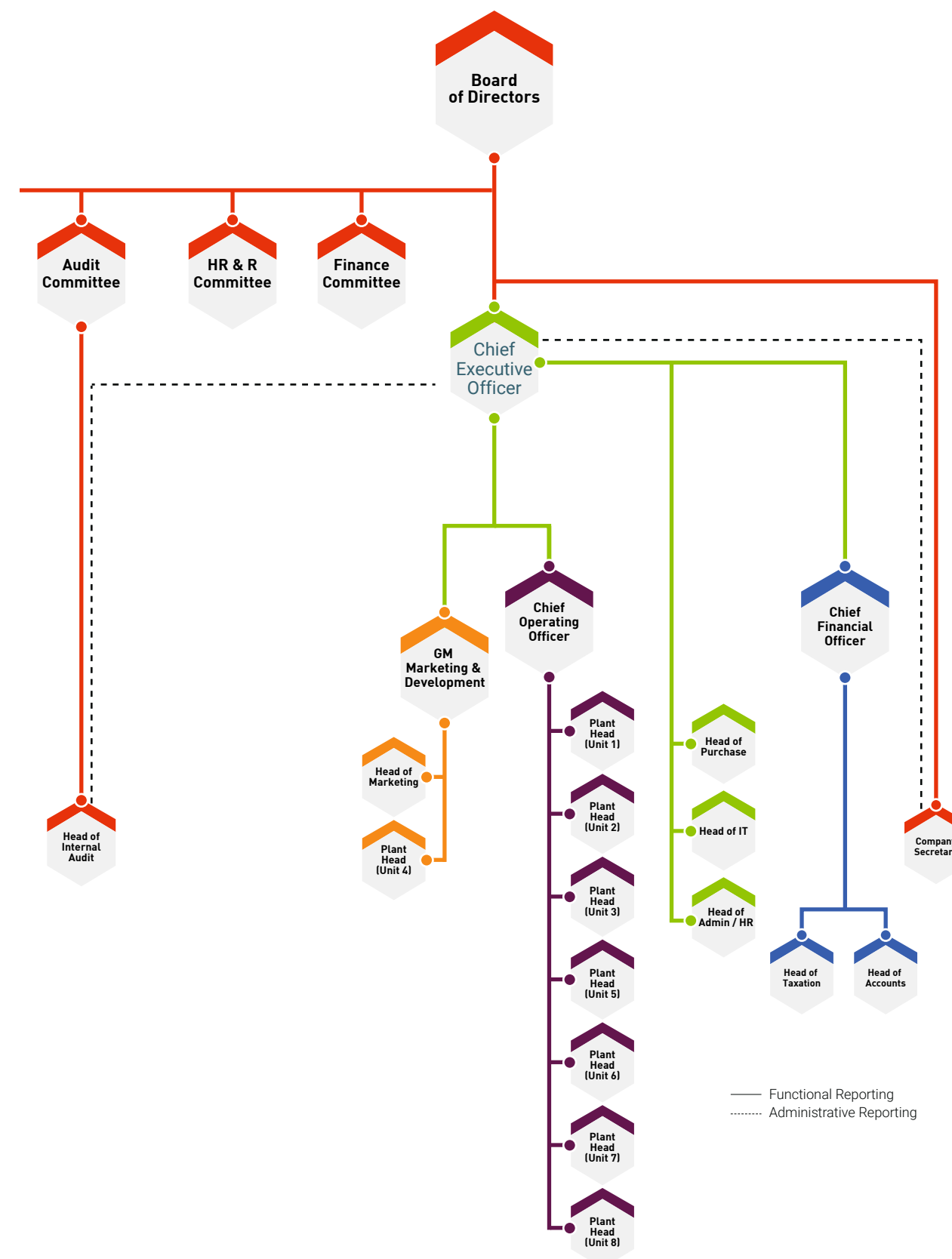
## OWNERSHIP STRUCTURE

SPEL is a public listed company, apart from sponsors, who hold seventy four percent shares, the company has shareholders from amongst the general public and institutional investors. SPEL does 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 packaging for the food & FMCG industry, plastic parts for the automotive industry, and molds & dies.

# Organogram



## Food Packaging

Packaging products for food items need to be safe for human health and such products should not release elements into food products. It is a wider concept that covers the processes involved in the production, processing and even storage of the packaging products.

To cater to the above objectives, SPEL has established clean-shop floors and the Company makes sure that the packaging for food industry meets all the requirements of its customers besides ensuring that food packaging is produced by following the international standards for food safety. Apart from other ISO Certifications, SPEL is also compliant with the requirements of FSSC 22000 (Food Safety System Certification) as assessed and certified by an independent certification agency

M/s Bureau Veritas. The company has also obtained Halal Certificate for its food packaging products.

The major products for food industry include 19-liter water bottles, yogurt cups, ice-cream tubs, plastic glasses, disposable containers etc. and our Customers in this sector include Nestle, Unilever, Pepsi, KFC, Baskin Robbins, Subway, Qarshi Industries, Sufi, Gourmet, Cakes & Bakes, Doce Foods, etc.





## FMCG Packaging

For FMCG industry, packaging plays an integral role in grabbing the buyer's attention. SPELs' customers have a great need for world-class packaging for its products which builds customers' brand, provides protection to their product, enhances convenience for transportation and reflects good aesthetics.

In order to cater the demands of its FMCG Customers, SPEL has installed state-of-the-art plant and machinery, developed GMPs and has implemented all the required processes. Apart from conforming to ISO 9001 standards, SPEL is also compliant with its customer's specific requirements e.g. it is compliant with the Unilever's Responsible Sourcing Policy (URSP), Pakistan Tobacco Company's Supplier

Quality Performance and Workplace Compliance Requirements.

The products for FMCG industry include shampoo bottles, packaging for detergents, caps for skincare products etc. and the customers in this sector include Unilever, Colgate Palmolive, Pakistan Tobacco Company, etc.



## Auto Parts

The requirements of the Auto Industry are significantly different from the above two sectors as it requires durable, high precision and long-lasting products so that the components do not get reshaped or lose their color and remained functionally fit over a long period and the component get fit with other adjacent components of the vehicle.

SPEL, being a pioneer in the auto-parts industry understands these requirements and can serve these needs to the satisfaction of the customers. SPEL has implemented Toyota Production Systems for providing required quality within the required time frame.

Major customers of the company in the automotive sector include Toyota, Honda, Suzuki, Massey Ferguson, etc. The auto parts being supplied by the Company include door trims, door handles, garnishes, grills, steering wheels, etc.





# Business Locations



SPEL operates through four locations along with dealers network within the country.

SPEL operates with a workforce of 565 persons out of which 530 employees are working in its factories.

# Strategy and Resource Allocation

## POSITION WITHIN THE VALUE CHAIN



## COMPOSITION OF RAW MATERIAL

Maintaining the quality of products is the utmost priority for the company. To meet customers' requirements, we import the 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 a cost-plus pricing model with most of its customers, and any fluctuation in the prices of raw materials and/or currency is 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. These key external factors include:

### 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

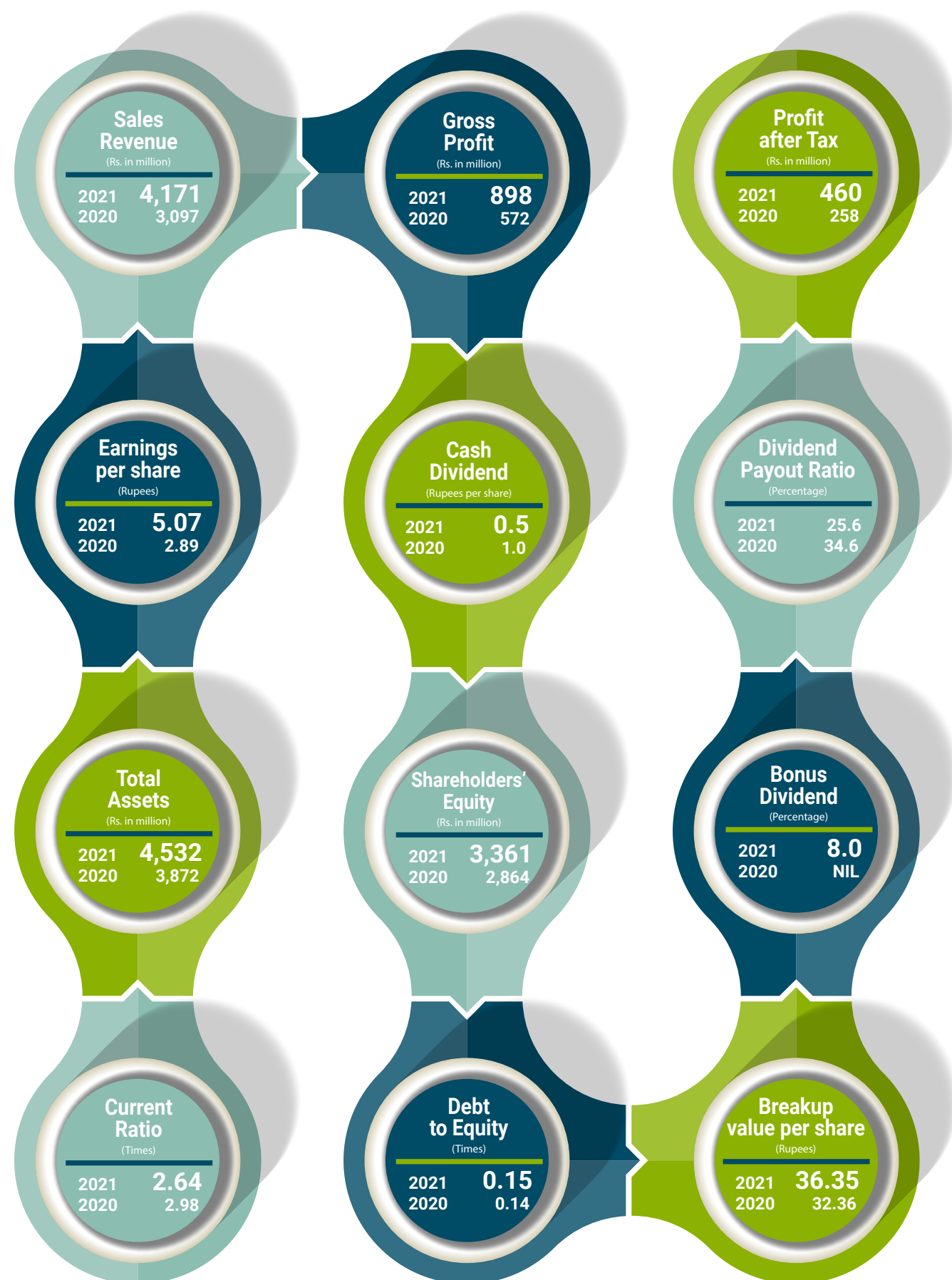
## Legal

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

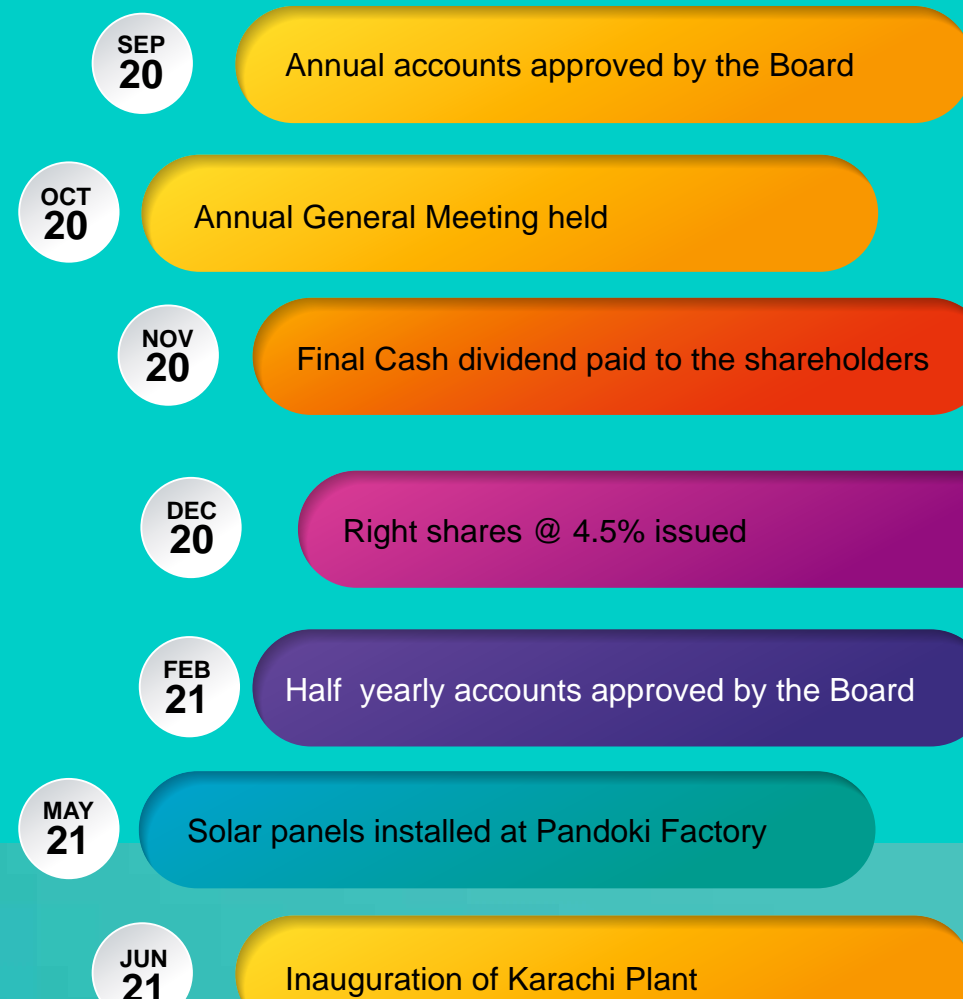
## COMPANY'S RESPONSE TO ABOVE FACTORS

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.

# Critical Performance Indicators



# Calendar of Major Events



# 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 in senior positions for many organizations. His current engagement(s) include:

- Chairman, Engineering Development Board
- Director, National Transmission & Despatch Company
- 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, the European Institute of Production Management in the United Kingdom, the Institute of Metallurgical Engineers in Pakistan, and the Institute of Electrical Engineers in Pakistan. He is also a visiting faculty member of the Institute of Business Administration at the Punjab University and several other business schools in Lahore.

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

Dr. Naqi received a civil award (Tamgha-e-Quaid-e-Azam) from the President of Pakistan for his distinguished services towards the country. He has published many books. He is a known personality around Pakistan and is acknowledged for his hard work, commitment and integrity. He is a 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 numerous 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 had served as Senior Vice President of the Quaid-e-Azam Industrial Estate, Lahore and on the Executive Committee of Lahore Chamber of Commerce and Industries. He has been associated with Synthetic Products Enterprises Limited for 32 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 the 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 Economics 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 traveled widely in connection with his business and has gained immense technical and marketing experience. He has demonstrated his abilities in 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 the 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



Profile of the Directors



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

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



**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 his 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 have 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.



**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 has travelled widely while gaining invaluable experience in training and management of the Asia Pacific Region Girl Guiding.

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

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



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

Mr. Abid Saleem Khan has an MBA from the Institute of Management Sciences. He is a graduate of Management Development Program from Lahore University of Management Sciences (LUMS). He has attended many training programs within & outside Pakistan. He has been working with SPEL for 24 years and has a good understanding of the automobile and FMCG industry and the Japanese systems of management.

# 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. To comply with the best practices of Corporate Governance, the Company has three independent directors which are approximately 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 met five times during the year under review, the composition of the Board along with attendance by each member is as follows,

Name	Position	Status	Attendance
Mr. Almas Hyder	Chairman	Non-Executive Director	5
Dr. S. M. Naqi	Director	Non-Executive Director	5
Mr. Zia Hyder Naqi	CEO	Executive Director	5
Mr. Haroon Sharif	Director	Independent Non- Executive Director	5
Mr. Khawar Anwar Khawaja	Director	Independent Non- Executive Director	5
Mr. Muhammad Tabassum Munir	Director	Independent Non- Executive Director	5
Dr. Nighat Arshad	Director	Non-Executive Director	5
Mr. Raza Haider Naqi	Director	Non-Executive Director	5
Mr. Sheikh Naseer Hyder	Director	Non-Executive Director	5
Mr. Abid Saleem Khan	Director	Executive Director	5



BOARD COMMITTEES

Audit Committee

The Board constitutes an Audit Committee and during the year, the Committee met four times, the composition of the Committee along with attendance by each member is as follows:

Name	Position	Status	Attendance
Mr. Haroon Sharif	Committee Chairman	Independent Non- Executive Director	4
Mr. Almas Hyder	Member	Non-Executive Director	4
Mr. Dr. S. M. Naqi	Member	Non-Executive Director	4
Mr. Muhammad Tabassum Munir	Member	Independent Non- Executive Director	4
Mr. Raza Haider Naqi	Member	Non-Executive Director	4



Salient Features Of Terms Of Reference Of Audit Committee:

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 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 and during the year committee met one time, the composition of the Committee along with attendance by each member is as follows:

Name	Position	Status	Attendance
Mr. Khawar Anwar Khawaja	Committee Chairman	Independent Non-Executive Director	1
Mr. Almas Hyder	Member	Non-Executive Director	1
Dr. Nighat Arshad	Member	Non-Executive Director	1
Mr. Zia Hyder Naqi	Member	Executive Director	1
Mr. Abid Saleem Khan	Member	Executive Director	1

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 and during the year committee met two times, the composition of the Committee along with attendance by each member is as follows:

Name	Position	Status	Attendance
Mr. Almas Hyder	Committee Chairman	Non-Executive Director	2
Mr. Zia Hyder Naqi	Member	Executive Director	2
Mr. Haroon Sharif	Member	Independent Non-Executive Director	2
Mr. Muhammad Tabassum Munir	Member	Independent Non-Executive Director	2
Mr. Sheikh Naseer Hyder	Member	Non-Executive Director	2
Mr. Abid Saleem Khan	Member	Executive Director	2







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 a 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.

DIRECTORS TRAINING PROGRAM

Currently seven directors of the Company have either acquired the prescribed certification under the director training program offered by the institutes approved by SECP or are exempted based on their education and experience.

POLICY FOR SECURITY CLEARANCE OF FOREIGN DIRECTORS

It is our policy to follow all security clearance processes for foreign director(s), if any. However, currently SPEL don’t has any foreign director on its Board.

CREDIBILITY OF INTERNAL CONTROL SYSTEM

The Company has an inhouse internal audit function which has requisite skilled staff headed by a qualified Chartered Accountant who is directly reportable to the Board Audit Committee. The Company considers that its internal audit department has qualified and sufficient staff to ensure the soundness of the internal control system.

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, which greatly helped us in having the core competencies, diversity, requisite skills, knowledge, and 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 quarter/ semi-annual and annual results to the PSX well before the statutory timelines.

Finance Committee:

Although the law does not require it, 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 skillsets 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, etc.

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

The Directors of the Company are also working in some other companies complete detail of other directorship of each director is given in the respective Director’s profile.

RELATED PARTIES

The Company has made detailed disclosures about related party transactions in its financial statements annexed with this annual report. Such disclosure is in line with the requirements of the applicable International Financial Reporting Standards. All transactions with all related parties were carried on an arm’s length basis.

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 a 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 a 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 operations 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 suggest training and development of the Board on an 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 SHAREHOLDER'S VIEWS

Shareholder's views are of significant value for the Company. The company has a 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 announcements, quarterly reports etc. The Chief Executive Officer and the Chief Financial Officer remain available to respond to any shareholder/investor's query in person or on the 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 had attended last 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.

The Chairman of the Board Audit Committee has also consented to attend the upcoming Annual General Meeting of the Company..

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.

SHARES HELD BY SPONSORS / DIRECTORS / EXECUTIVES

Shares held by Sponsors, Directors and Executives are disclosed in the Pattern of Shareholding annexed with this report.



# Significant 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.

Reduce waste, emission to air, water and land; and 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:

A 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.

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:

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

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

### Communication Channels

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

### Quarterly Earnings Release & 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 a 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 has the policy to comply with all applicable legal requirements related to rumors in the marketplace. SPEL takes precautions to ensure that it does not become the source of any 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 a 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 a 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.

## Salient Features Of Related Party Transactions Policy

The Board of Directors has approved a Policy for Related Party Transactions, which requires the company to carry out transactions with its related parties in accordance with the principles laid down in the Policy. This policy is in line with Companies (Related Party Transaction and Maintenance of Records Regulations), 2018.

In compliance with the Company's policy regarding related party transactions, a comprehensive list of all related parties is maintained and updated continuously. Further, details of transactions entered into with the related parties, nature of relationship and percentage of holding are maintained which is placed first before the Audit Committee and then before the Board of Directors for its review and approval on a quarterly basis. A summary of transactions with related parties specifying the name of related party, nature of relationship and nature of transaction has been



appropriately disclosed in notes to the Financial Statements.

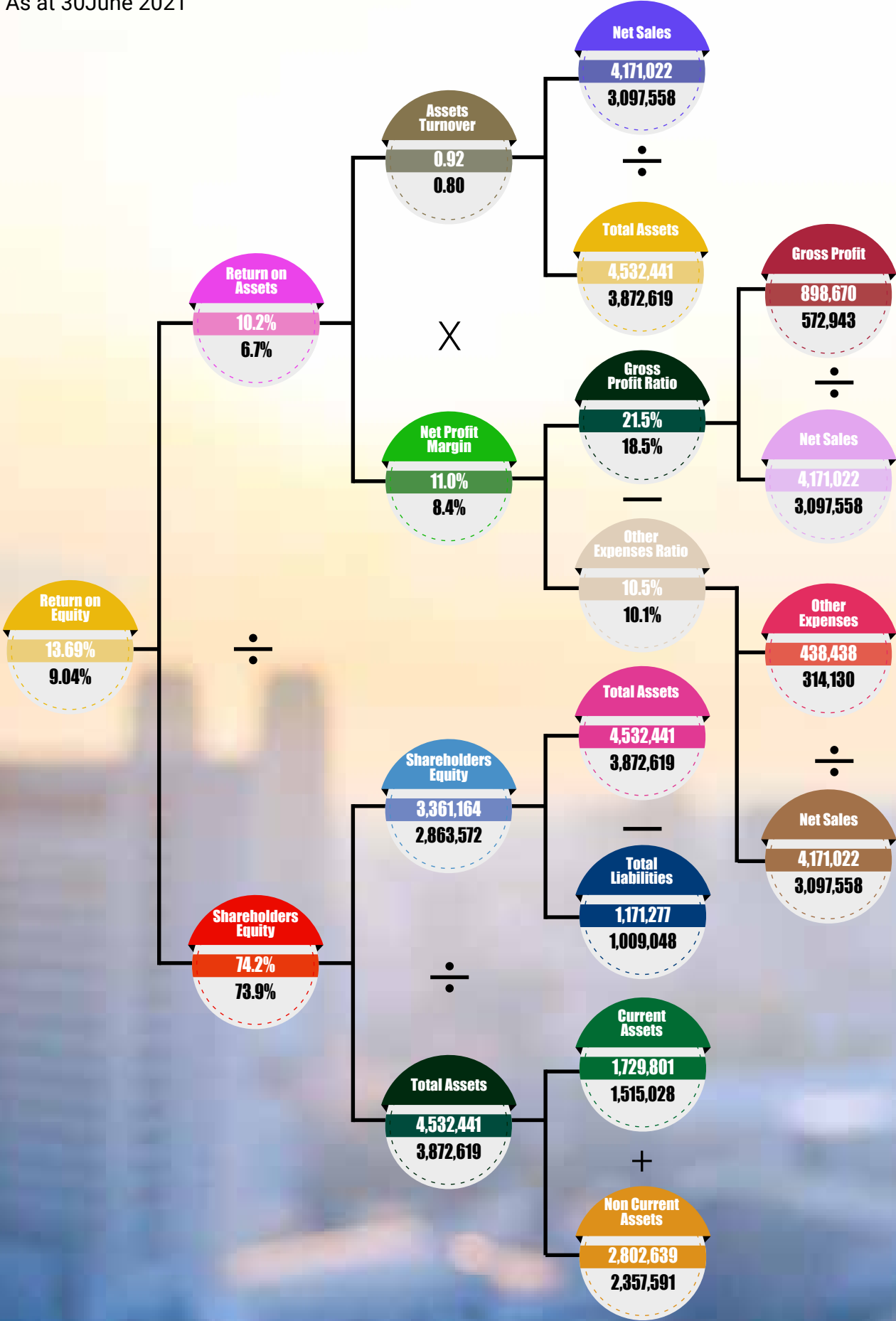
Transactions with related parties are carried at arm's length and no undue advantage is given or taken on such transactions. The interest of the Company, however, remains supreme while entering into any transaction/ contracts with the associated companies and related parties.

## Disaster Recovery Plan

The Company has a comprehensive Disaster Recovery Plan. The critical IT equipment is placed in fireproof 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 2021





# Strategy and Resource Allocation

STRATEGIC OBJECTIVES

At SPEL, we are committed to be a reliable supplier for our customers by meeting their expectations through innovation, continuous improvement and by utilizing the economic and human resources effectively.

In order to achieve the above objective SPEL has defined a road map in shape of Long, Medium and Short Term Objectives which are as follows:

Long Term Objective

SPEL aims to develop long-term sustainability of the organization by constantly upgrading its technologies, developing and training its employees and by following ethical and moral business values. The Company will continue to use resources efficiently to increase shareholders’ value.

Medium-Term Objective

The Company is focused to be a



market leader for quality products and growing continuously by adding products and customers to our portfolio.

Short Term Objectives

Our short-term objective is to further upgrade our management systems to manage growth and to manage businesses at multiple locations.

Allocation of Resources to Implement the Strategies and Capital Structure

SPEL deploys its resources and relationships in the optimal way to implement its strategies. The Company has different types of resources and has categorized its resources into 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 long-term loans. The management continuously monitors its cash flows on daily basis and keeps in view its future needs. It re-aligns the financing facilities to optimize the 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 that is engaged in the 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 manages this capital by following the cultural norms of the areas in which it operates.

Natural Capitals

Natural capital includes all renewable and non-renewable environmental resources e.g. air, water, sunlight etc. We are constantly working to reduce and optimize the use of natural resources while having a great focus on environment conservation. SPEL is compliant with the requirement of ISO14001 – Environment Management System and is also a certified company.

The Effect of Technological Change, Societal Issues and Environmental Challenges on the Company Strategy and Resource Allocation

We at SPEL, keep ourselves aligned with the changes in technologies, societal issues, and environmental challenges and we adjust our strategy and resources to address such change on time, therefore, we don’t foresee any major change in our strategy and resource allocation.

Processes used to Make Strategic Decisions and Attitude to Risk

Strategic decision-making is a critical aspect of any organization as it significantly impacts business, long-term survival, employees, customers, the market and ultimately the success of the company. At SPEL, the strategic decisions are taken after considering several key factors e.g. needs of the customers, business environment, economic situation and inputs from the relevant stakeholders etc.

Due consideration is also given to risk factors while taking strategic decisions. We try to achieve a balance between assuming too much risk and too little by engaging in risks that are consistent with our vision, objective, culture and our fiscal responsibilities.

Organization’ Culture and its Monitoring

At SPEL, we believe that the key to a successful organization is to have a culture based on a strongly held and widely shared set of beliefs that are supported by strategy and structure. We define culture as “what people do when the boss is away”. Our employees know, what top management wants them to respond to in any situation and they respond according to the expectations of the management We monitor our culture by carrying out orientation, training and performance management programs that outline and reinforce the organization’s core values.

Mechanisms for Addressing Integrity and Ethical Issues

The Company has a detailed policy for addressing integrity and ethical issues for raising alerts against any misconduct, deviations from policies, controls, applicable regulations or violation of the code of conduct.

Strategy to Overcome Liquidity Problems

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. At SPEL, 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, etc are 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.

Corporate restructuring, business expansion and discontinuance of operations etc.

During the year under review, the company has not taken any decision related to corporate restructuring and discontinuance of operations. During the year under review, the company has invested a significant amount for balancing, modernization and the expansion of manufacturing facilities. The company has decided to enlarge its footprints in the city of Karachi and has established a new project in Karachi in the year under review.

Changes in Objectives and Strategies from Prior Year

There are no significant changes in the objectives or strategies as disclosed in the previous year’s report.

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"><li>• Encouraging a culture of innovation and continuous improvement</li><li>• Providing high-quality products to customers</li><li>• Delivering products on time</li></ul>
Create value for shareholders	<ul style="list-style-type: none"><li>• Optimally utilizing economics and human resources</li><li>• Earning the highest returns on investments</li><li>• Growing revenue</li></ul>
Ensure long term sustainability	<ul style="list-style-type: none"><li>• Constantly upgrading technologies</li><li>• Developing and training employees</li><li>• Committed to the ethical business values</li></ul>

The results of these objectives are reflected in our increased profitability and controlled costs. These objectives are the same as the previous years.



# Risks and Opportunities

## RISK MANAGEMENT FRAMEWORK AND RISK MANAGEMENT METHODOLOGY

At SPEL, we believe that risk management is an ongoing and iterative process. Developing and implementing a strategy just once is not enough anymore. The risks continue to evolve based on changes in technology, the physical and economic climate, government policies, internal and external environments and many other factors.

SPEL's risk management policies are established to identify and analyze the risks faced by SPEL, 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 SPEL's activities. SPEL, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors has overall responsibility for the establishment and oversight of SPEL's risk management

framework. The Board is responsible for developing and monitoring SPEL's risk management policies.

The Audit Committee oversees how management monitors compliance with SPEL's risk management policies and procedures and reviews the adequacy of the risk management framework concerning the risks faced by SPEL. The Audit Committee is assisted in its oversight role by Internal Audit department. The 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.

### RISK ASSESSMENT

The Directors of the Company have carried out a robust assessment of the principal risks facing the Company, including those that would threaten the company's operations, business model, future performance, relations with its customers, solvency and liquidity.

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 enough 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 a fast turnaround 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.

Risks	Sources	Sensitivity	Mitigants
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 training 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 housekeeping, 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 for many years.

#### INITIATIVES TAKEN TO PROMOTE INNOVATION

SPEL encourages innovation in all fields of its business, the following initiatives are in place for promoting innovations:

- Allocation of budget for research and development;
- Quality Control Circles;
- Rewards for teams for implementing innovative ideas;

#### Capital Adequacy

Currently, the Company has an optimum capital mix and doesn't have any challenge for capital shortage, as evident from the fact that the Company's debt-to-equity ratio is 0.15 times and current ratio is 2.64 times which shows the strong financial health of the Company. The Company maintains good relationships with reputed banks and has 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 since its inception.

# 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, there is a growth of 35% in sales revenue and the Company was able to achieve 78% increase in profit after tax.

## SEGMENT REVIEW

The Company has different manufacturing units the management of the Company reviews the internal management reports of each segment separately on a monthly basis for decision making about allocating resources to the segment and assessing its performance. The detail of each segment is available in notes to the financial statements.

## SALES

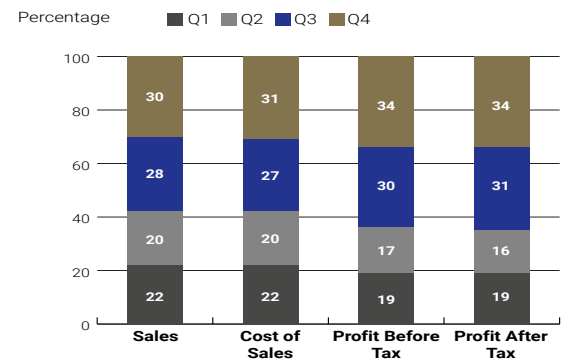
There is a significant growth of 35% in the sales of the Company increased in FY 2020-21 as compared to the previous year. Sales to the food and FMCG Packaging industry are seasonal, and accordingly, the sale in the second quarter is comparatively low as compared to other quarters.

## OPERATING PROFIT

The operating profit represents the operational performance of the Company. The operating profit of the Company is increased 77% from last year. In the first quarter, the company earned a good profit, which declined in the second quarter due to seasonal impact.

## COST OF SALES

The Company kept its focus on cost control. The cost of sales percentage is significantly reduced as compared to the previous year. Quarter-wise break up of different components of the profit and loss account is as follows:



# 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 from the local laws, SPEL has the 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 the 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.

## VIDEO PRESENTATION ON THE FINANCIAL INFORMATION

A video presentation on the financial information will be available in the Corporate Information Tab on our website [www.spelgroup.com](http://www.spelgroup.com) in due course of time.



# Stakeholders' Relationships and Engagements



## STAKEHOLDERS' RELATIONSHIPS AND ENGAGEMENTS

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 abides. 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, the company 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 an informed basis. Shareholders are given the option to attend the meeting either in person or by proxy or through video link subject to fulfillment of legal requirements.

## ISSUES RAISED IN LAST AGM

The 38th Annual General Meeting (AGM) started with a brief by the Chairman of the meeting about the Company's performance for the financial year 2019-20, and an update on the progress of ongoing projects.

Final cash dividend @ 10 % i.e. PKR 1/- per share was approved by the shareholders in the meeting, which was distributed amongst the entitled shareholders.

It was also decided to reappoint M/s KPMG Taseer Hadi & Co. Chartered Accountants, as external auditors of the company for the year ending June 30, 2021.

After deliberations and necessary discussions on all agenda items of the meeting was concluded, no issues were raised, and the 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 is disclosed as per the requirements of law. General queries raised by the analysts are responded to without disclosing any inside information.



# Sustainability and Corporate Social Responsibility

At SPEL, we believe that protecting the environment and investing in the welfare of society are imperative for sustainable development. SPEL supports the community by spending on health, education, community welfare and on social and national causes.

During the year Company has taken multiple initiatives and plans relating to the various aspects of sustainability and corporate social responsibility.

## ENVIRONMENTAL PROTECTION MEASURES

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

- Installation of around 500KW solar power to partially meet its needs;
- 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;
- Installation of RO plant for providing clean drinking water

## ENERGY CONSERVATION

Pakistan is facing an energy crisis that 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 glass windows and other openings in walls to optimize the usage of daylight.
- Conversion of computer monitors to LCDs.
- Conversion to LED lights.

#### COMMUNITY INVESTMENT AND WELFARE SCHEMES

SPEL has invested in the welfare of the community in the following ways:

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

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

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

#### 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 the 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 a burden on 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 workplace safety measures.

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

SPEL also has a congenial working environment, which serves 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 that ensures transparency.

#### CONTRIBUTION TO NATIONAL EXCHEQUER

During the year under review, SPEL has contributed an amount of Rs. 816 million to the 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 protecting against the spread of Corona Virus. The Company donated face visors to;

Govt. of the Punjab British High Commission	Punjab Rangers Hospitals	National Highways & Motorways Police Other non-profit organizations.
--	-----------------------------	---



INTERNATIONAL STANDARDS AND CERTIFICATION



# Outlook

FORWARD LOOKING STATEMENT

Keeping in view the economic recovery from Covid-19 pandemic and growing needs in the auto and packaging industry, the management is geared towards achieving growth in both the segments in which it is operating.

The newly installed project at Karachi recently became operational and the Company is planning to invest more funds into this project in the year 2021-22 which will help in expanding the business and footprints of the Company. Apart from investment in capital expenditure, the employees of the company are 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.

IMPACT OF POLITICAL, ECONOMIC, SOCIAL, TECHNOLOGICAL, ENVIRONMENTAL AND LEGAL ENVIRONMENT THAT IS LIKELY TO BE IN FUTURE AND ITS EFFECTS ON BUSINESS PERFORMANCE, STRATEGIC OBJECTIVES AND CAPITALS

EXTERNAL FACTORS	FUTURE LIKELIHOOD	EFFECT ON		
		Business Performance	Strategic Objectives	Capitals
Political	Stable	Positive	No Change	No Change
Technological	Improving	Positive	No Change	It may require some investments, which are affordable.
Environmental	Deteriorating	Stimulating	No Change	No Change
Legal	Improving	Positive	No Change	No Change

STATUS OF THE PROJECT AS WAS DISCLOSED IN THE FORWARD LOOKING STATEMENT IN THE PREVIOUS YEAR

During last year the company, in its forward looking statement the Company disclosed that it would establish a new project in Karachi and by the Grace of Almighty Allah, we are pleased to declare that the project has successfully been completed and is operational now. The Company has made appropriate disclosure in the stock market to keep its stakeholders informed.

PERFORMANCE OF THE COMPANY COMPARED TO THE FORWARD LOOKING DISCLOSURES MADE IN THE PREVIOUS YEAR

Disclosures	Current Status
Growth in Profit	78% profit growth achieved
Investment in operating fixed assets	An amount of Rs 430 million invested in capex
Training of staff	3,986 man-hours were invested on training of staff members

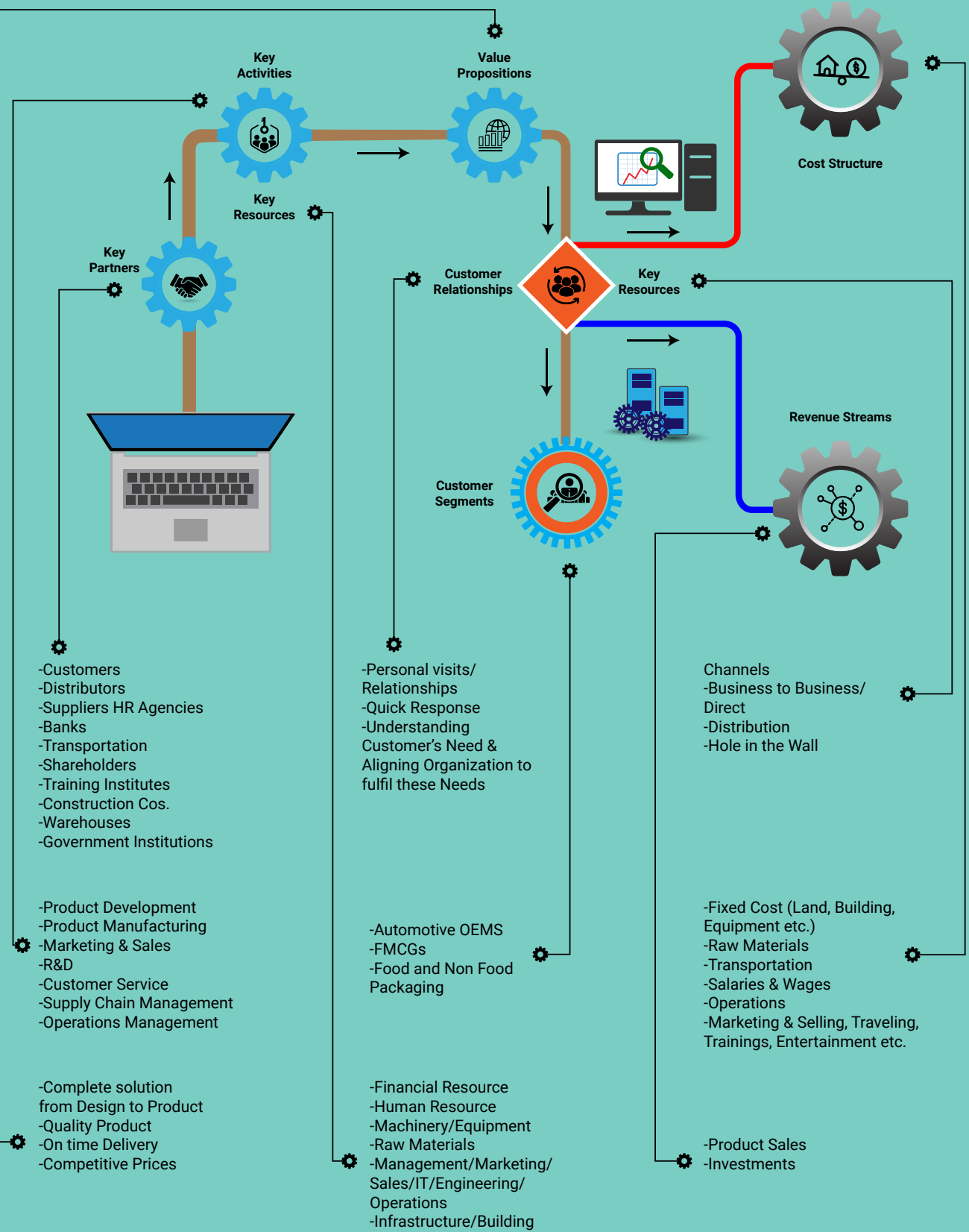
SOURCES OF INFORMATION AND ASSUMPTIONS

SPEL puts all its efforts into gathering information and attempts to collect as much information as possible from internal and external sources while working on projections and forecasts. As the Company is working under B2B model, therefore, it gives due weightage to inputs received from its customers, in turn, greatly help in getting right information and developing realistic assumptions. If needed, the helps of external consultants can also be taken, so that a realistic and appropriate image of the future is developed.

DEALING WITH CHALLENGES AND UNCERTAINTIES

As part of its normal business practices, SPEL always keeps an eye on the upcoming business risks, threats, challenges and uncertainties and constantly keeps on investing to equip itself to face such challenges and uncertainties. For this purpose, the company has identified, and evaluate at regular intervals, its key partners, key activities, value propositions, customer relationship, cost structures and revenue streams and put its efforts in the form of brain-storming sessions to envisage the upcoming challenges and uncertainties and develop strategies to overcome them.

# Business Model





# 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 indepth experience of finance and economics.

The Audit Committee reviewed the quarterly and annual Financial Statements of the Company and recommended them for approval of the Board of Directors. The Audit Committee has reviewed and recommended the related party transactions. The Committee also concluded its review on the operations of the Company on quarterly basis.

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

The Internal Audit Department carried out independent audits in accordance with an internal audit plan which was approved by the Board Audit Committee. Further, the Board Audit Committee has reviewed

material Internal Audit findings and management's response thereto, taking appropriate action or bringing the matters to the Board's attention where required.

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

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

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

The external auditors KPMG Taseer Hadi & Co. Chartered Accountants were allowed direct access to the Audit Committee. Major findings

arising from audits and any matters that the external auditors wished to highlight were freely discussed with them.

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

The auditors attended the General Meeting(s) 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 2021-22.

- sd -

**Haroon Sharif**

Chairman Board Audit Committee

Lahore  
24 August 2021



## Chairman's Review

Our philosophy revolves around the word "Reliability". Our Company has passed through a long and continuous efforts of improving skills and technologies. We have invested to develop capacities to fulfill requirements of our growing customers. Most of them being multinational blue-chip companies. With increased capacity and improved quality, SPEL is well-positioned to serve its customers.

Despite challenging economic environment, global supply chain issues and lockdown measures in the country, SPEL fulfilled all demands of its customers and managed to achieve a growth of 35% in the topline resulting in growth in profit after tax to 78%.

I am pleased to inform that a new manufacturing facility at Karachi has been completed and after successful commissioning & trial runs. The Karachi Project started its commercial production & operations in June 2021. This plant was set up with the equity raised through issuance of Right Shares and we will get tax credit u/s 65E of the Income Tax Ordinance, 2001 for a period of five years.

With state of art manufacturing equipment, trained human resources and good business practices, the Company will cater to growing market demand of our Karachi based customers also.

The Board and its Committees have played an effective role in providing strategic direction and oversight to the Company and performed its duties and responsibilities diligently. All Directors including Independent Directors have made valuable contributions to the decision-making process of the Board.

The Board carried out its annual performance evaluation and the results were satisfactory. The focus remained on strategic growth, business opportunities, risk and control frameworks, accurate reporting to the shareholders, performance of Board Committees, training, succession planning, etc.

Finally, it gives me immense pleasure that the Company is on track of growth, without compromising on our values of honesty and integrity, and I am thankful to our shareholders, customers, suppliers, bankers, business partners, employees and other stakeholders for their confidence and support.

We will continue to strive to make this Company great.

- sd -

**Almas Hyder**  
Chairman

Lahore  
24 August 2021

# 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 2021.

## BUSINESS PERFORMANCE

By the grace of Almighty, financial year 2020-21 was another successful year for the Company with sales reaching at Rs. 4,171 million (2020: Rs. 3,097 million) registering a growth of 35%.

This year our investments focus was on expansion, increased productivity and lowering cost of manufacturing in future. We are also pleased to inform that during the year under review, the company inaugurated its new manufacturing facility at Karachi. The Karachi project has started manufacturing and supplying products to the customers.

To improve capability and capacity, the Company invested Rs. 430 million (2020: Rs. 224 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.

During the year under review, the Company faced many challenges including lockdown and restricted business movements due to COVID, increase in the prices of raw materials & variation in the customer's demand. Despite these factors we are pleased to inform you that your Company delivered a 78% growth in net profit after tax.

## FINANCIAL RESULTS

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

	2021	2020
	Rupees in million	
Turnover	4,171.02	3,097.55
Gross profit	898.67	572.94
Operating profit	696.24	392.94
Financial cost	46.15	73.71
Profit before taxation	638.83	322.00
Taxation	178.60	63.19
Profit after tax	460.23	258.81

## Dividends and Appropriations

Final Cash Dividend @ 5% (2020: @10%)	46.24	88.49
Final Bonus Dividend @ 8% (2020: @ NIL)	73.98	-
Total Dividend	120.22	88.49

## Earnings Per Share

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

Basic and diluted EPS – 2021	Rs. 5.07
Basic and diluted EPS – 2020	Rs. 2.89

## 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 has arranged free medical camp in the nearby community of the Pankdoki factory.

Some other CSR activities taken up during the fiscal year includes:

- Donations to non-profit organizations
- Scholarship Grant to the needy student(s) under UET's Financial Aid Program
- Financial assistance to employees who wished to enhance their education

## 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 3,986 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, Supervisory Skills, 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 are as follows:

Male Directors	09
Female Director	01

The composition of the Board is as follows:

Independent Non-Executive 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.

## MEETINGS OF THE BOARD AND ATTENDANCE

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

Name	Status	Meetings Attended
Mr. Almas Hyder	Chairman/Non-Executive Director	5
Dr. S. M. Naqi	Non-Executive Director	5
Mr. Zia Hyder Naqi	CEO/Executive Director	5
Mr. Haroon Sharif	Independent Non-Executive Director	5
Mr. Khawar Anwar Khawaja	Independent Non-Executive Director	5
Mr. Muhammad Tabassum Munir	Independent Non-Executive Director	5
Mr. Raza Haider Naqi	Non-Executive Director	5
Dr. Nighat Arshad	Non-Executive Director	5
Mr. Sheikh Naseer Hyder	Non-Executive Director	5
Mr. Abid Saleem Khan	Executive Director	5



Directors' Report to the Shareholders

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	4
Mr. Raza Haider Naqi	Member	4

HUMAN RESOURCE & REMUNERATION COMMITTEE

During the year under review 01 (One) 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 02 (Two) meetings of the Finance Committee were 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	2
Mr. Zia Hyder Naqi	Member	2
Mr. Haroon Sharif	Member	2
Mr. Muhammad Tabassum Munir	Member	2
Mr. Sheikh Naseer Hyder	Member	2
Mr. Abid Saleem Khan	Member	2

TRAINING BY DIRECTORS

At the reporting date, six (06) 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 2021-22.

PATTERN OF SHAREHOLDING

The pattern of shareholding is annexed to this report.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Company is in compliance with the requirements of the Corporate and Financial Reporting Framework as enumerated in the Companies Act, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 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 (IFRSs), as applicable in Pakistan have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- Key operating and financial data for the last six years is annexed.
- Information about taxes and levies is given in notes to the Financial Statements.
- There is no likelihood of any delayed payments or default in respect of all loans availed by the Company.
- There is no material risks and uncertainties specific to our Company except political and economic risks.
- There is no material impact of our business on the environment.
- The Company operates a contributory Provident Fund Scheme for all its eligible employees. The value of investment as on 30 June 2021 of the investments made by the Company's Provident and other relevant information has been mentioned in notes to the Financial Statements.
- 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 5.6.4 of the PSX Rule Book.
- There have been no material changes since 30 June 2021 to the date of this report and the Company has not entered into any commitment during this period, which would have an adverse impact on the financial position of the Company.

FUTURE OUTLOOK

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

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

ACKNOWLEDGEMENT

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

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



CHIEF EXECUTIVE OFFICER

Dated: 24 August 2021  
Place: Lahore



DIRECTOR



# Six Years Financial Information

Financial Summary		2021	2020	2019	2018	2017	2016
Balance Sheet							
Share capital	Rs. in 000	924,704	884,884	850,850	850,850	850,850	773,500
No of shares (closing)	No. in 000	92,470	88,488	85,085	85,085	85,085	77,350
Fixed assets	Rs. in 000	2,784,822	2,344,473	2,230,299	2,194,146	1,875,868	1,515,337
Total assets	Rs. in 000	4,532,441	3,872,619	3,725,600	3,490,539	2,985,184	2,481,024
Equity	Rs. in 000	3,361,164	2,863,572	2,655,133	2,499,747	2,094,928	1,836,335
Long term loans & leases	Rs. in 000	296,215	282,522	271,388	323,132	202,292	41,332
Current assets	Rs. in 000	1,729,801	1,515,028	1,426,999	1,281,467	1,086,233	943,727
Stocks	Rs. in 000	757,803	669,672	594,567	654,310	448,138	333,875
Debtors	Rs. in 000	593,929	509,335	487,003	325,902	339,046	281,158
Cash and bank Balances	Rs. in 000	67,999	8,880	42,021	17,419	57,874	51,063
Creditors	Rs. in 000	320,296	157,292	167,975	168,491	164,643	128,045
Current liabilities	Rs. in 000	655,190	507,617	591,034	480,881	510,596	443,987
Non-Current liabilities	Rs. in 000	516,087	501,431	479,433	509,911	379,660	200,703
Total liabilities	Rs. in 000	1,171,277	1,009,048	1,070,467	990,792	890,256	644,690
Short term finances	Rs. in 000	325,889	344,451	416,876	307,027	342,313	311,800
Working capital	Rs. in 000	981,941	991,500	887,914	784,831	602,087	469,658
Profit and Loss Account							
Sales	Rs. in 000	4,171,022	3,097,558	3,431,045	2,987,315	2,699,673	2,321,851
Cost of sales	Rs. in 000	3,272,352	2,524,615	2,857,843	2,373,059	1,983,897	1,739,357
Gross profit	Rs. in 000	898,670	572,943	573,202	614,256	715,776	582,493
Profit before taxation	Rs. in 000	638,835	322,005	288,088	370,647	463,962	393,543
Depreciation	Rs. in 000	189,989	182,201	186,447	158,711	132,582	89,120
Amortization	Rs. in 000	135	140	1,851	1,907	1,922	1,588
Financial cost	Rs. in 000	46,158	73,715	76,045	46,249	32,744	38,439
Profit after tax	Rs. in 000	460,233	258,814	241,186	344,272	417,161	355,791
EBIT	Rs. in 000	684,993	395,720	364,133	416,897	496,706	431,982
EBITDA	Rs. in 000	875,117	578,061	552,431	577,514	631,211	522,690
Cash Flow Statement							
Cash flow from operating activities	Rs. in 000	780,232	377,347	281,387	293,035	403,894	343,050
Cash flow from investing activities	Rs. in 000	(617,784)	(296,424)	(230,235)	(367,692)	(430,278)	(54,987)
Cash flow from financing activities	Rs. in 000	(82,603)	(45,461)	(131,968)	(15,017)	49,113	(135,565)
Opening cash & cash equivalents	Rs. in 000	(111,507)	(146,969)	(66,154)	23,521	793	(151,704)
Closing cash & cash equivalents	Rs. in 000	(31,663)	(111,507)	(146,969)	(66,154)	23,521	793
Free Cash flows	Rs. in 000	162,448	80,922	51,153	(74,658)	(26,385)	288,063

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

Significant Ratios		2021	2020	2019	2018	2017	2016
Profitability							
Gross profit ratio	%age	22%	18%	17%	21%	27%	25%
Net profit ratio	%age	11%	8%	7%	12%	15%	15%
EBIDTA margin to sales	%age	21%	19%	16%	19%	23%	23%
Return on equity	%age	14%	9%	9%	14%	20%	19%
Return on capital employed	%age	14%	9%	8%	13%	20%	20%
Liquidity / Leverage							
Current ratio	Times	2.64	2.98	2.41	2.66	2.13	2.13
Quick/Acid test ratio	Times	1.48	1.67	1.41	1.30	1.25	1.37
Cash to current liabilities	%age	10%	2%	7%	4%	11%	12%
Cash flow from operations to sales	%age	22%	17%	13%	14%	19%	20%
Activity/Turnover Ratios							
Inventory turnover ratio	Times	4.58	3.99	4.58	4.31	5.07	5.18
No of days in inventory	Days	79.61	91.39	79.75	84.78	71.94	70.46
Debtor turnover ratio	Times	7.56	6.22	8.44	8.99	8.71	8.76
No of days in receivables	Days	48.27	58.70	43.24	40.62	41.93	41.68
Creditor turnover ratio	Times	13.70	15.52	16.99	14.25	13.56	13.61
No of days in payables	Days	26.64	23.51	21.49	25.62	26.92	26.81
Fixed assets turnover ratio	Times	1.50	1.32	1.54	1.36	1.44	1.53
Total assets turnover ratio	Times	0.92	0.80	0.92	0.86	0.90	0.94
Operating cycle	Days	101.25	126.58	101.51	99.79	86.94	85.33
Investment/Market Ratios							
Earning per share - Reported	Rs.	5.07	2.89	2.73	4.05	4.90	4.18
Dividend yield ratio	%age	3.0%	2.4%	4.5%	2.0%	3.3%	3.2%
Dividend payout ratio	%age	25.6%	34.6%	36.6%	24.7%	51.0%	35.9%
Dividend cover ratio	Times	3.90	2.89	2.73	4.05	1.96	2.79
Dividend per share**	Rs.	1.30	1.00	1.00	1.00	2.50	1.50
Market value per share at the year/ period end*	Rs.	43.01	41.58	22.19	51.1	75.45	46.90
Breakup value per share (without land's revaluation surplus)	Rs.	32.78	28.63	27.33	25.50	21.95	20.81
Breakup value per share (with land's revaluation surplus)	Rs.	36.35	32.36	31.21	29.38	24.62	23.74
Capital Structure Ratios							
Financial leverage ratio	Times	0.19	0.22	0.26	0.25	0.26	0.19
Weighted average cost of debt	%age	7%	11%	12%	8%	7%	9%
Debt to equity ratio	Times	0.15	0.14	0.14	0.15	0.12	0.06
Interest cover ratio	Times	14.84	5.37	4.79	9.01	15.17	11.24
Return to Shareholders							
R.O.E. before tax	%age	19%	11%	11%	15%	22%	21%
R.O.E. after tax	%age	14%	9%	9%	14%	20%	19%
EPS	Rs.	5.07	2.89	2.73	4.05	4.90	4.18
Solvency							
Debtors turnover	Times	7.56	6.22	8.44	8.99	8.71	8.76
Creditors turnover	Times	13.70	15.52	16.99	14.25	13.56	13.61
Other Information							
Sale growth rate	%age	35%	-10%	15%	11%	16%	7%

\* Source of information is Pakistan stocks exchange website.

\*\* 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 11% as compared to 8% 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 the raw materials of the Company are imported; hence, the Company must maintain reasonable levels of stocks. The Company extends credit to its customers keeping in view the creditworthiness of the customer. The Company has strong relations with creditors to assure a smooth supply of goods and services for which the Company must keep creditors turnover at an attractive level.

### Investment / Market Ratios:

The Company was listed during the FY 2014-15. The break-up value of the Company has increased from 20.14 in the year 2015 to 36.35 in 2021.

### 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 and net profit ratios are on the increasing trend. During the last six years, liquidity of the company has improved significantly, and the capital structure has also strengthened. A significant amount has been invested in property, plant and equipment to cater to the growing needs of the customers.

### Market Share

From the perspective of markets, the company mainly operates in two business segments, auto parts and packaging for the food and FMCG industries. SPEL is a single source supplier for majority of the parts that we produce for the auto industry. The market for these parts is mainly 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 has increased from 18.5% to 21.55% as compared to immediate preceding year. All other costs are stable. The tax charge has increased mainly due to non-availability of tax credit u/s 65B & 65E of the Income Tax Ordinance, 2001

### Financing Arrangements

The Company has good business relations with 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-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 xx.

### Fair Value of Property, Plant and Equipment

The cost of the property, plant and equipment is around Rs. 3,315 million as on 30 June 2021.

### 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 periodically.

## MEASURES TO OVERCOME INDUSTRIAL EFFLUENTS

The Company is ISO 14001 certified and manages effluents and wastes, to protect the environment and nearby communities.

## MATERIALITY APPROACH

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

## QUALITY OF PRODUCTS

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

# Cash Flow Statement - Direct Method

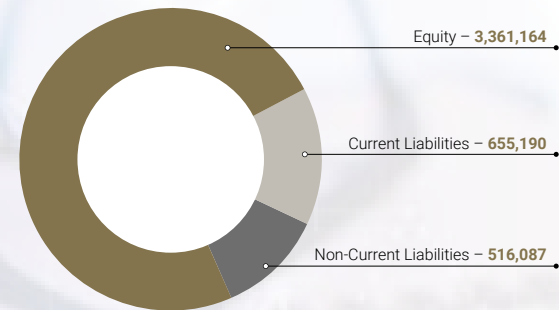


	2021 Rupees	2020 Rupees
<b>Cash flows from operating activities</b>		
Cash receipts from customers	4,082,843,116	3,071,789,550
Cash paid to suppliers and employees	(3,160,478,703)	(2,534,914,031)
<b>Cash generated from operations</b>	922,364,413	536,875,519
Workers' Profit Participation Fund and		
Workers' Welfare Fund paid	(23,269,677)	(20,465,466)
Finance cost paid	(42,435,206)	(74,024,683)
Taxes paid	(72,442,294)	(64,690,050)
Long term deposits - net	(3,985,258)	(348,600)
	(142,132,435)	(159,528,799)
<b>Cash generated from operating activities</b>	780,231,978	377,346,720
<b>Cash flows from investing activities</b>		
Fixed capital expenditure	(636,625,547)	(301,750,496)
Intangibles acquired	-	(531,488)
Proceeds from disposal of property, plant and equipment	18,841,407	5,857,615
<b>Net cash used in investing activities</b>	(617,784,140)	(296,424,369)
<b>Cash flows from financing activities</b>		
Principal repayment of lease liability	(6,555,895)	(3,689,470)
Proceeds from issuance of right shares - net of transaction cost	125,032,923	-
Long term loan received	248,176,119	134,456,178
Long term loan repaid	(144,541,670)	(105,101,527)
Short term borrowings - net	(51,805,383)	(20,429,129)
Cash dividend paid	(87,703,305)	(50,696,658)
<b>Net cash generated from / (used in) financing activities</b>	82,602,789	(45,460,606)
<b>Net increase / (decrease) in cash and cash equivalents</b>	245,050,627	35,461,745
<b>Cash and cash equivalents at beginning of the year</b>	(111,507,298)	(146,969,043)
<b>Cash and cash equivalents at end of the year</b>	133,543,329	(111,507,298)

# Graphical Presentation

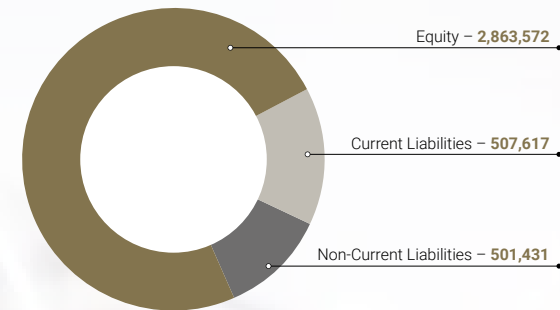
## 2021 Equity and Liabilities

(Rs. in 000)



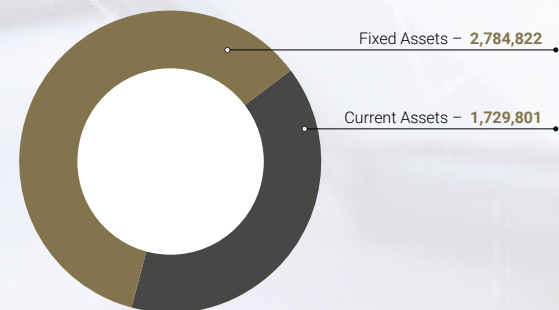
## 2020 Equity and Liabilities

(Rs. in 000)



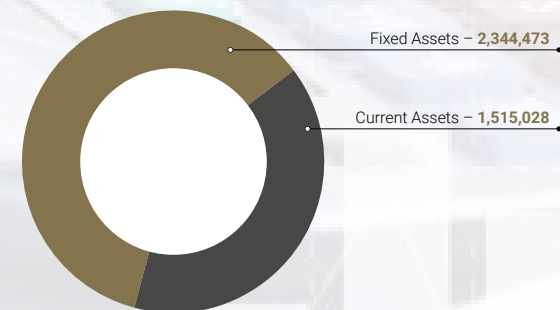
## 2021 Assets

(Rs. in 000)



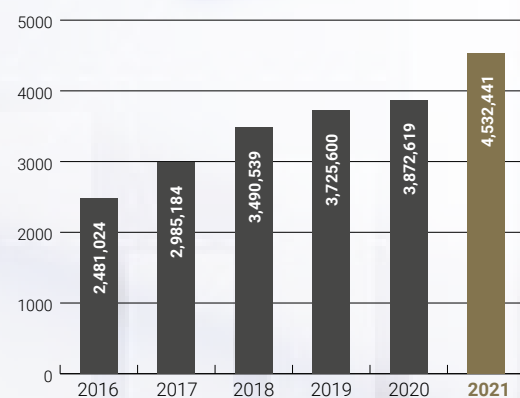
## 2020 Assets

(Rs. in 000)



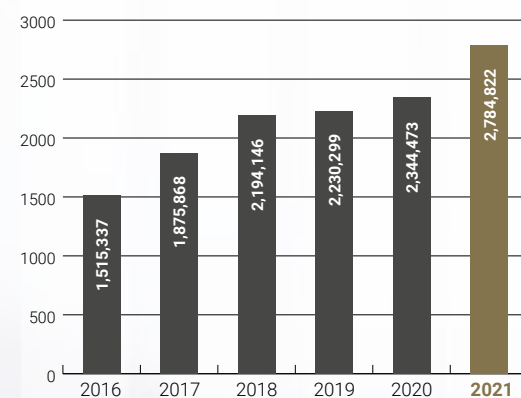
## Total Assets

(Rs. in 000)



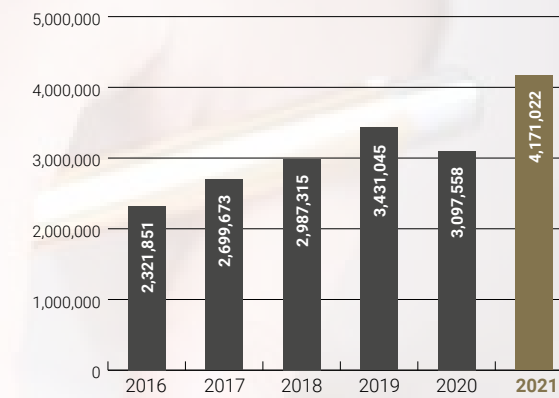
## Fixed Assets

(Rs. in 000)



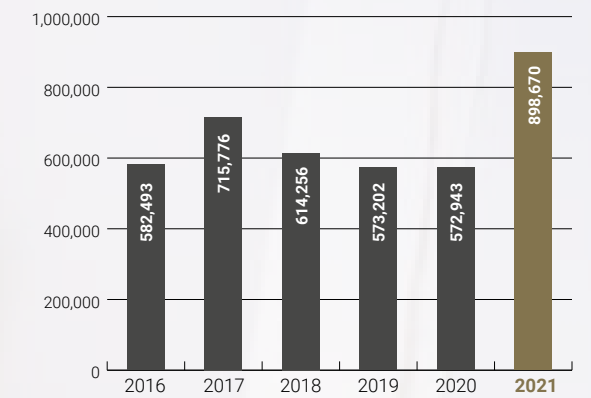
## Sales

(Rs. in 000)



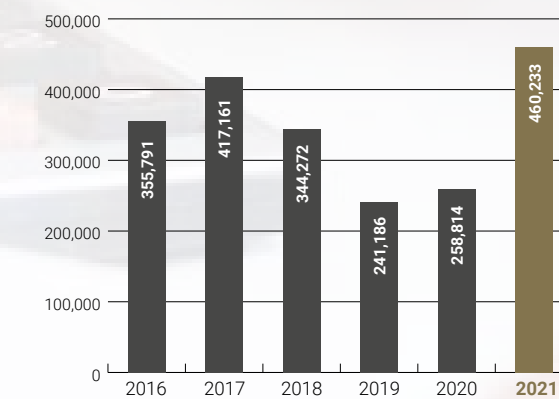
## Gross Profit

(Rs. in 000)



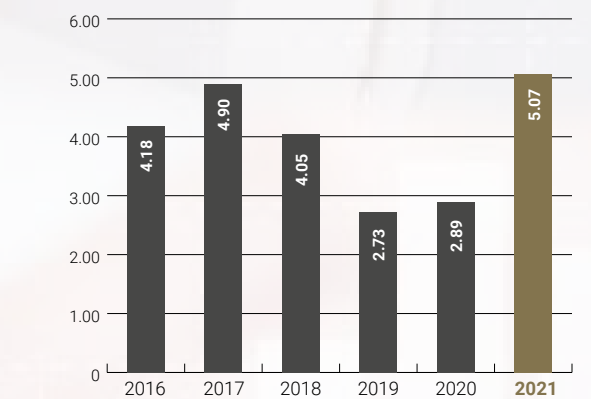
## Profit After Tax

(Rs. in 000)



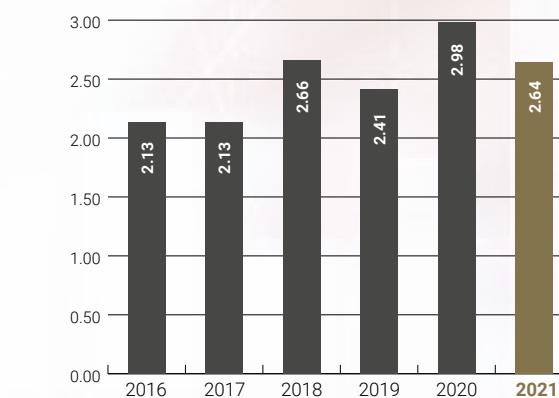
## EPS

(Rupees)



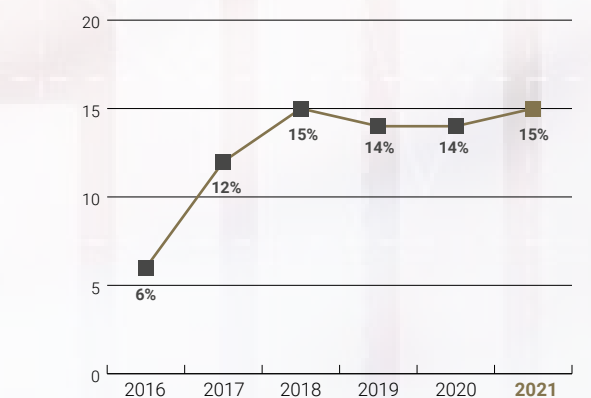
## Current Ratio

(Times)



## Debt to Equity

(Percentage)





# Horizontal Financial Analysis

Nomenclature	2021		2020		2019		2018		2017		2016	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
Equity and reserves	3,031,132	19.64	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
Surplus on revaluation of land	330,032	-	330,032	-	330,032	-	330,032	45.42	226,943	-	226,943	-
Long term loans	289,883	5.25	275,420	4.94	262,445	(15.59)	310,923	61.55	192,458	682.81	24,585	(61.18)
Non current liabilities	226,204	0.09	226,011	4.16	216,988	9.05	198,988	6.30	187,202	6.29	176,117	16.24
Total current liabilities	655,190	29.07	507,617	(14.11)	591,034	22.91	480,881	(5.82)	510,596	15.00	443,987	(25.03)
	4,532,441	17.04	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
Property plant and equipment	2,784,822	18.78	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
Long Term Investments	2,657	46.92	1,808	67.81	1,078	(43.09)	1,893	(70.05)	6,321	1,342.41	438	(82.79)
Non current assets - Others	15,161	34.04	11,310	(83.18)	67,225	415.82	13,033	(22.12)	16,762	(22.12)	21,522	87.62
Stores spares and loose tools	49,495	63.81	30,214	17.65	25,681	(4.50)	26,891	31.47	20,454	18.03	17,330	8.54
Stock in trade	708,308	10.77	639,457	12.41	568,886	(9.33)	627,420	46.70	427,684	35.11	316,545	(1.60)
Trade debts	593,929	16.61	509,335	4.59	487,003	49.43	325,902	(3.88)	339,046	20.59	281,158	12.84
Income Tax Receivables	166,332	(38.81)	271,851	4.74	259,543	16.19	223,379	21.72	183,516	25.40	146,348	72.37
Short Term Investment	130,000	100.00	-	100.00	-	100.00	-	100.00	-	(100.00)	75,000	(87.08)
Advances, deposits, prepayments and other receivables	13,738	(75.15)	55,291	26.05	43,865	(27.45)	60,458	4.85	57,659	2.44	56,284	83.20
Cash and Bank Balances	67,999	665.77	8,880	(78.87)	42,021	141.24	17,419	(69.90)	57,874	13.34	51,063	35.68
	4,532,441	17.04	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
Nomenclature												
Sales - net	4,171,022	34.66	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
Cost of sales	3,272,352	29.62	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
Gross profit	898,670	56.85	572,943	(0.05)	573,202	(6.68)	614,256	(14.18)	715,776	22.88	582,493	18.20
Admin expenses	168,885	9.43	154,336	(6.78)	165,558	5.15	157,446	16.20	135,498	16.08	116,724	11.87
Selling and distribution expenses	33,546	30.71	25,663	19.76	21,429	14.09	18,782	(64.91)	53,525	12.81	47,445	11.85
Operating profit	696,240	77.19	392,944	1.74	386,215	(11.83)	438,028	(16.84)	526,752	25.92	418,325	20.89
Other charges	54,045	64.04	32,946	(9.19)	36,279	(6.58)	38,835	(12.87)	44,570	49.10	29,892	(3.27)
Finance cost	46,158	(37.38)	73,715	(3.06)	76,045	64.42	46,249	41.24	32,744	(14.82)	38,439	(34.88)
	596,037	108.20	286,283	4.52	273,890	(22.40)	352,944	(21.47)	449,438	28.41	349,993	36.65
Other income	42,798	19.81	35,722	151.60	14,198	(19.80)	17,703	21.89	14,524	(66.65)	43,550	44.25
Profit before tax	638,835	98.39	322,005	11.77	288,088	(22.27)	370,647	(20.11)	463,962	17.89	393,543	37.45
Taxation	178,602	182.64	63,191	34.73	46,902	77.83	26,375	(43.64)	46,801	23.97	37,752	(33.26)
Profit after tax	460,233	77.82	258,814	7.31	241,186	(29.94)	344,272	(17.47)	417,161	17.25	355,791	54.86

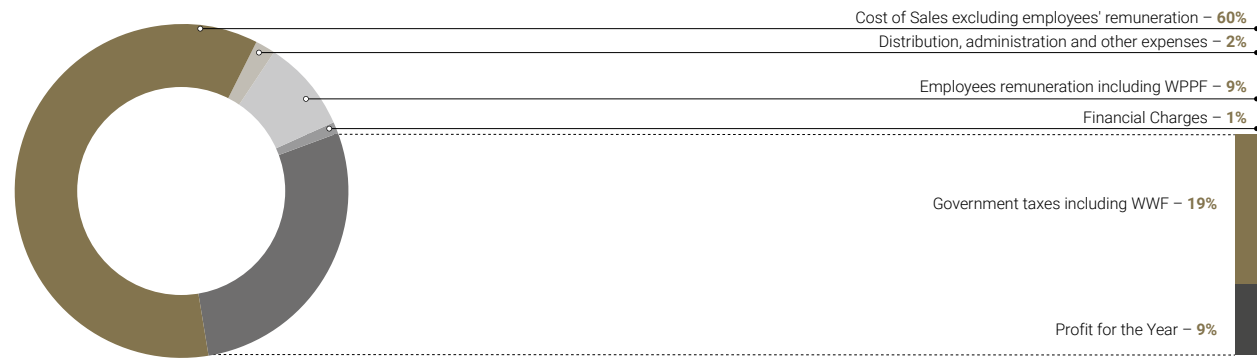
# Vertical Financial Analysis

Nomenclature	2021		2020		2019		2018		2017		2016	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
Equity and reserves	3,031,132	66.88	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
Surplus on revaluation of land	330,032	7.28	330,032	8.52	330,032	8.86	330,032	9.46	226,943	7.60	226,943	9.15
Long term loans	289,883	6.40	275,420	7.11	262,445	7.04	310,923	8.91	192,458	6.45	24,585	0.99
Non current liabilities	226,204	4.99	226,011	5.84	216,988	5.82	198,988	5.70	187,202	6.27	176,117	7.10
Total current liabilities	655,190	14.46	507,617	13.11	591,034	15.86	480,881	13.78	510,596	17.10	443,987	17.90
	4,532,441	100.00	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
Property plant and equipment	2,784,822	61.44	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
Long Term Investments	2,657	0.06	1,808	0.05	57,732	1.55	1,893	0.05	6,321	0.21	438	0.02
Non current assets - Others	15,161	0.33	11,310	0.29	10,571	0.28	13,033	0.37	16,762	0.56	21,522	0.87
Stores spares and loose tools	49,495	1.09	30,214	0.78	25,681	0.69	26,891	0.77	20,454	0.69	17,330	0.70
Stock in trade	708,308	15.63	639,457	16.51	568,886	15.27	627,420	17.97	427,684	14.33	316,545	12.76
Trade debts	593,929	13.10	509,335	13.15	487,003	13.07	325,902	9.34	339,046	11.36	281,158	11.33
Income Tax Receivables	166,332	3.67	271,851	7.02	259,543	6.97	223,379	6.40	183,516	6.15	146,348	5.90
Short Term Investment	130,000	2.87	-	-	-	-	-	-	-	-	75,000	3.02
Advances, deposits, prepayments and other receivables	13,738	0.30	55,291	1.43	43,865	1.18	60,458	1.73	57,659	1.93	56,284	2.27
Cash and Bank Balances	67,999	1.50	8,880	0.23	42,021	1.13	17,419	0.50	57,874	1.94	51,063	2.06
	4,532,441	100.00	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
Nomenclature												
Sales - net	4,171,022	100.00	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
Cost of sales	3,272,352	78.45	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
Gross profit	898,670	21.55	572,943	18.50	573,202	16.71	614,256	20.56	715,776	26.51	582,493	25.09
Admin expenses	168,885	4.05	154,336	4.98	165,558	4.83	157,446	5.27	135,498	5.02	116,724	5.03
Selling and distribution expenses	33,546	0.80	25,663	0.83	21,429	0.62	18,782	0.63	53,525	1.98	47,445	2.04
Operating profit	696,240	16.69	392,944	12.69	386,215	11.26	438,028	14.66	526,752	19.51	418,325	18.02
Other charges	54,045	1.30	32,946	1.06	36,279	1.06	38,835	1.30	44,570	1.65	29,892	1.29
Finance cost	46,158	1.11	73,715	2.38	76,045	2.22	46,249	1.55	32,744	1.21	38,439	1.66
	596,037	14.29	286,283	9.24	273,890	7.98	352,944	11.81	449,438	16.65	349,993	15.07
Other income	42,798	1.03	35,722	1.15	14,198	0.41	17,703	0.59	14,524	0.54	43,550	1.88
Profit before tax	638,835	15.32	322,005	10.40	288,088	8.40	370,647	12.41	463,962	17.19	393,543	16.95
Taxation	178,602	4.28	63,191	2.04	46,902	1.37	26,375	0.88	46,801	1.73	37,752	1.63
Profit after tax	460,233	11.03	258,814	8.36	241,186	7.03	344,272	11.52	417,161	15.45	355,791	15.32

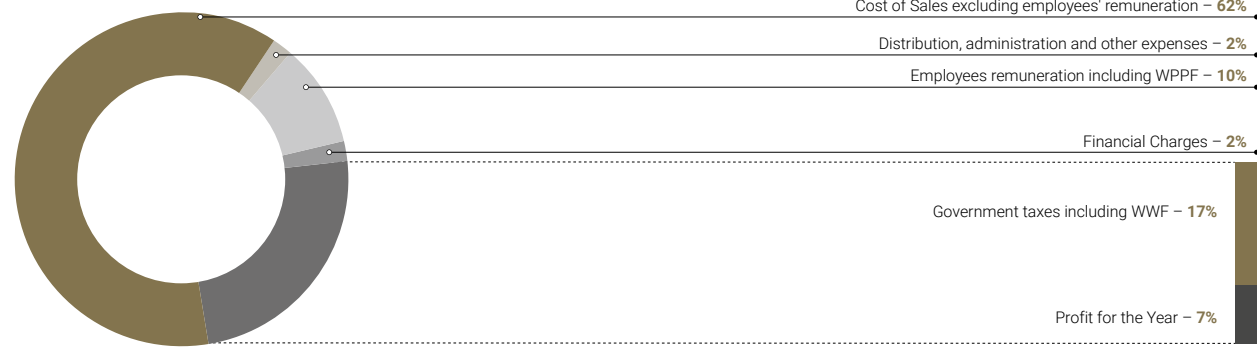
# Statement of Wealth Generated and Distributed

	2021		2020	
	Rs. 000	%	Rs. 000	%
Total Revenue inclusive of sales tax	4,907,711	99.14%	3,648,612	99.03%
Other Income	42,798	0.86%	35,722	0.97%
	4,950,509	100.00%	3,684,333	100.00%
<b>Wealth Distribution</b>				
Cost of Sales excluding employees' remuneration	2,973,705	60.07%	2,280,431	61.90%
Distribution, administration and other expenses	96,244	1.94%	94,307	2.56%
Employees remuneration including WPPF	446,491	9.02%	356,804	9.68%
Financial charges	46,158	0.93%	73,715	2.00%
Government taxes including WWF	927,678	18.74%	620,263	16.84%
Profit for the Year	460,233	9.30%	258,814	7.02%
	4,950,509	100.00%	3,684,333	100.00%

## 2021



## 2020



KPMG Taseer Hadi & Co.  
Chartered Accountants  
351 Shadman-1, Jail Road,  
Lahore 54000 Pakistan  
+92 (42) 111-KPMGTH (576484), Fax +92 (42) 3742 9907

### 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 2021 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 2021.

KPMG Taseer Hadi & Co.  
Chartered Accountants

Lahore

Date: 27 September 2021

# Statement of Compliance

## with Listed Companies

### (Code of Corporate Governance) Regulations, 2019

SYNTHETIC PRODUCTS ENTERPRISES LIMITED  
30 JUNE 2021

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

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

Male: Nine  
Female: One

2. 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 Mr. Raza Haider Naqi Mr. Sheikh Naseer Hyder
Executive Directors	Mr. Zia Hyder Naqi Mr. Abid Saleem Khan
Female Non Executive Director	Dr. Nighat Arshad

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. 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.
6. All powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.



9. The following 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
Dr. Nighat Arshad	Certified
Mr. Abid Saleem Khan	Certified

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

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

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

a) Audit Committee

Mr. 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



## Statement of Compliance with Listed Companies

## 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 – Bi Annually
15. The board has set up an effective internal audit function who is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they 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.
19. Currently seven directors of the Company have either attained the director training program (DTP) certification or are exempt from the requirement. The Company will arrange the DTP for remaining directors in the coming years to ensure that 100% of the eligible Directors have attained the DTP.



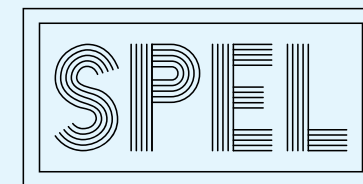
Chief Executive Officer

Dated: 24 August 2021

Place: Lahore



Director



Financial Statements

for the year ended June 30, 2021



KPMG Taseer Hadi & Co.  
Chartered Accountants  
351 Shadman-1, Jail Road,  
Lahore 54000 Pakistan  
+92 (42) 111-KPMGTH (576484), Fax +92 (42) 3742 9907

## INDEPENDENT AUDITOR'S 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 2021, 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 2021 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

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

### Key Audit Matters

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





KPMG Taseer Hadi & Co.

Following are the key audit matters.

Sr. No.	Key audit matters	How the matters were addressed in our audit
1.	<p><b>Revenue recognition</b></p> <p>Refer to notes 3.9 and 3.6 to the financial statements</p> <p>The Company recognized revenue of Rs. 4.17 billion from the sale of goods to domestic as well as export customers during the year ended 30 June 2021.</p> <p>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Company and gives rise to a risk that revenue is recognized without transferring the control.</p>	<p>Our audit procedures to assess the recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the process relating to recording of sales and testing the design, implementation and operating effectiveness of relevant key internal controls;</li> <li>• assessing the appropriateness of the Company's accounting policies for recording of sales and compliance of those policies with applicable accounting standards;</li> <li>• comparing a sample of sale transactions recorded during the year with sales orders, sales invoices, delivery challans, outward gate pass and other relevant underlying documents;</li> <li>• comparing, on a sample basis, specific sales transactions recorded just before and just after the financial year end to determine whether the sale had been recognized in the appropriate financial period; and</li> <li>• scanning for any manual journal entries relating to sale recorded during the year which were considered to be material or met other specific risk-based criteria for inspecting underlying documentation.</li> </ul>
2.	<p><b>Capitalization of Property, Plant and Equipment</b></p> <p>Refer to notes 3.1, 17 and 17.1 to the financial statements.</p> <p>The Company has made significant capital expenditure amounting to Rs. 636.63 million during the year</p> <p>We identified capitalization of property, plant and equipment as a key audit matter because there is a risk that amounts being capitalized may not meet the capitalization criteria with related implications on depreciation charge for the year.</p>	<p>Our audit procedures to assess the capitalization of property, plant and equipment, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• understanding the design and implementation of management controls over capitalization and performing tests of control over authorization of capital expenditure and accuracy of its recording in the system;</li> <li>• testing, on a sample basis, the costs incurred on projects with supporting documentation and contracts;</li> <li>• assessing the nature of costs incurred for the capital projects through testing, on sample basis, of amounts recorded and considering whether the expenditure meets the criteria for capitalization as per the applicable accounting standards; and</li> </ul>



KPMG Taseer Hadi & Co.

Sr. No.	Key audit matters	How the matters were addressed in our audit
		<ul style="list-style-type: none"> <li>• 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.</li> </ul>

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

Management is responsible for the other information. Other information comprises the information included in the Company's annual report for the year ended 30 June 2021 but does not include the financial statements and our auditor's report thereon.

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

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

#### Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

#### Auditor's Responsibilities for the Audit of the Financial Statements

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

*KPMG*





KPMG Taseer Hadi & Co.

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);

KPMG



KPMG Taseer Hadi & Co.

- 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 Ahsan Tariq.

Lahore

Date: 27 September 2021

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

## Synthetic Products Enterprises Limited

## Statement of Financial Position

As at 30 June 2021

	Note	2021 Rupees	2020 Rupees
<b>Equity and liabilities</b>			
<b>Share capital and reserves</b>			
Authorized share capital of Rs. 10 each	5	1,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital	5	924,703,780	884,884,000
Share premium	6	432,604,193	347,391,050
Accumulated profit		1,675,496,038	1,303,751,649
Fair value reserve on investment		(1,671,998)	(2,486,683)
Surplus on revaluation of land	7	330,031,765	330,031,765
Shareholders' equity		3,361,163,778	2,863,571,781
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long term loans - secured	8	289,882,825	275,419,567
Deferred grant	9	322,160	-
Lease liabilities	10	6,332,188	7,101,936
Deferred taxation	11	219,550,050	218,909,269
		516,087,223	501,430,772
<b>Current liabilities</b>			
Trade and other payables	12	292,209,676	146,827,516
Short term borrowings	13	112,370,444	220,106,929
Contract Liabilities		25,216,514	8,379,038
Current maturity of long term liabilities	14	213,518,377	124,344,511
Unclaimed dividend		2,870,151	2,085,056
Accrued mark up	15	9,004,485	5,873,819
		655,189,647	507,616,869
		4,532,440,648	3,872,619,422
<b>Contingencies and commitments</b>			
	16		

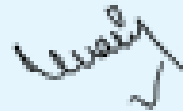
The annexed notes 1 to 48 form an integral part of these financial statements.



Chief Executive Officer



Director



Chief Financial Officer

	Note	2021 Rupees	2020 Rupees
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment			
– Operating fixed assets	17.1	2,404,803,631	2,177,776,341
– Capital work in progress	17.8	349,520,613	139,779,945
– Right of use assets	17.9	30,498,020	26,916,350
Intangible assets	18	354,325	489,486
Long term investments	19	2,656,679	1,808,219
Long term deposits	20	14,806,217	10,820,959
		2,802,639,485	2,357,591,300
<b>Current assets</b>			
Stores, spares and loose tools		49,495,183	30,214,137
Stock-in-trade	21	708,308,204	639,457,379
Trade debts - unsecured	22	593,928,707	509,334,671
Advance income tax - net of provision		166,332,104	271,851,005
Advances, deposits, prepayments and other receivables	23	13,737,520	55,291,010
Short term investments	24	130,000,000	-
Cash and bank balances	25	67,999,445	8,879,920
		1,729,801,163	1,515,028,122
		4,532,440,648	3,872,619,422



Chief Executive Officer



Director



Chief Financial Officer

Synthetic Products Enterprises Limited

# Statement of Profit or Loss

for the year ended 30 June 2021

	Note	2021 Rupees	2020 Rupees
Sales - net	26	4,171,021,974	3,097,557,986
Cost of sales	27	(3,272,351,507)	(2,524,614,632)
Gross profit		898,670,467	572,943,354
Administrative expenses	28	(168,884,667)	(154,335,622)
Selling and distribution expenses	29	(33,545,564)	(25,663,373)
Operating profit		696,240,236	392,944,359
Other income	30	42,797,865	35,721,513
Other charges	31	(54,045,428)	(32,945,903)
Finance cost	32	(46,157,908)	(73,715,062)
Profit before taxation		638,834,765	322,004,907
Taxation	33	(178,601,976)	(63,191,279)
Profit after taxation		460,232,789	258,813,628
		Rupees	Rupees Restated
Earnings per share - basic and diluted	34	5.07	2.89

The annexed notes 1 to 48 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 2021

	2021 Rupees	2020 Rupees
Profit after taxation	460,232,789	258,813,628
<b>Other comprehensive income</b>		
<i>Item that will not be subsequently reclassified in profit or loss:</i>		
Fair value gain on investment classified as FVOCI	814,685	675,905
Total comprehensive income for the year	461,047,474	259,489,533

The annexed notes 1 to 48 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 2021

		Capital reserve			Revenue reserve	
	Issued, subscribed and paid-up capital	Share premium	Surplus on revaluation of land	Fair value reserve on investment	Accumulated profit	Total
Rupees						
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
<b>Total comprehensive income for the year</b>						
Profit after taxation	-	-	-	-	258,813,628	258,813,628
<i>Other comprehensive income for the year:</i>						
Fair value gain on investment classified as FVOCI	-	-	-	675,905	-	675,905
	-	-	-	675,905	258,813,628	259,489,533
<b>Transactions with owners of the Company</b>						
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)
Balance 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
<b>Total comprehensive income for the year</b>						
Profit after taxation	-	-	-	-	460,232,789	460,232,789
<i>Other comprehensive income for the year:</i>						
Fair value gain on investment classified as FVOCI	-	-	-	814,685	-	814,685
	-	-	-	814,685	460,232,789	461,047,474
<b>Transactions with owners of the Company</b>						
Final cash dividend for the year ended						
30 June 2020 @ Rs. 1 per share	-	-	-	-	(88,488,400)	(88,488,400)
Ordinary shares issued during the year						
(@ Rs.32 each including premium of Rs.22 per share)	39,819,780	87,603,516	-	-	-	127,423,296
Transaction cost incurred for						
issuance of ordinary shares	-	(2,390,373)	-	-	-	(2,390,373)
	39,819,780	85,213,143	-	-	(88,488,400)	36,544,523
As at 30 June 2021	924,703,780	432,604,193	330,031,765	(1,671,998)	1,675,496,038	3,361,163,778

The annexed notes 1 to 48 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 2021

	Note	2021 Rupees	2020 Rupees
<b>Cash flows from operating activities</b>			
Cash generated from operations	35	922,364,413	536,875,519
Workers' Profit Participation Fund paid	12.1	(17,264,337)	(15,695,614)
Workers' Welfare Fund paid	12.2	(6,005,340)	(4,769,852)
Finance cost paid		(42,435,206)	(74,024,683)
Taxes paid		(72,442,294)	(64,690,050)
Long term deposits - net		(3,985,258)	(348,600)
Net cash generated from operating activities		780,231,978	377,346,720
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(636,625,547)	(301,750,496)
Expenditure incurred on intangibles		-	(531,488)
Proceeds from disposal of property, plant and equipment		18,841,407	5,857,615
Net cash used in investing activities		(617,784,140)	(296,424,369)
<b>Cash flows from financing activities</b>			
Principal repayment of lease liability		(6,555,895)	(3,689,470)
Proceeds from issuance of right shares - net of transaction cost		125,032,923	-
Long term loan received		248,176,119	134,456,178
Long term loan repaid		(144,541,670)	(105,101,527)
Short term borrowings repaid - net		(51,805,383)	(20,429,129)
Cash dividend paid		(87,703,305)	(50,696,658)
Net cash generated from / (used in) financing activities		82,602,789	(45,460,606)
Net increase in cash and cash equivalents		245,050,627	35,461,745
Cash and cash equivalents at beginning of the year		(111,507,298)	(146,969,043)
Cash and cash equivalents at end of the year	36	133,543,329	(111,507,298)

The annexed notes 1 to 48 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 2021

### 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 Link Road, Pandoki
- Rahim Yar Khan Industrial Estate, Rahim Yar Khan
- Quaid-e-Azam Industrial Estate, Kot Lakhpat, Lahore, and
- Pakistan Steel Industrial Estate ,Bin Qasim, Karachi

### 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;
- Land at revalued amount as referred in note 3.1; and
- Certain financial instruments at fair value through other comprehensive income as referred in note 3.7.

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 the 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 17.1.

#### 2.3.2 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 capital income and the change in proportions, if significant, is accounted for in the year of change.

#### 2.3.3 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 reporting date.

#### 2.3.4 Provisions

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

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

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

The Company has elected to measure loss allowances for trade debts using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Company has established a 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 amortised cost are deducted from the gross carrying amount of the assets.

Impairment on financial assets other than trade debts has been measured on 12 - months expected loss basis and reflects the short maturities of the exposure.

Synthetic Products Enterprises Limited

# Notes to the Financial Statements

for the year ended 30 June 2021

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.

3.1 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 17.1 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.

3.2 Leases

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 expense on a straight-line basis over the lease term.

3.3 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 specified in note 18 of the financial statements. Amortization 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.

3.4 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.

3.5 Stock in trade

Stock in trade 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



Synthetic Products Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

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

3.6 Employee benefits

The Company operates an approved defined contributory provident fund for its employees. Equal contributions are made by the Company and employees at 10% of basic salary. The Company's contribution is charged to profit or loss.

3.7 Financial instruments

3.7.1 Recognition and initial measurement

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

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

3.7.2 Classification and subsequent measurement

Financial Assets

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

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

Amortized cost

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

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

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

Financial assets measured at amortized cost comprise of cash and bank balances, deposits, loan to employees, accrued profit, term deposit receipts, 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 reporting date.

Equity Instrument - FVOCI

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

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

Fair Value Through Profit or Loss (FVTPL)

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

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

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss account. Short term investment in listed equities is classified as fair value through profit or loss account at the reporting date.

Financial Assets – Business Model Assessment:

For the purpose 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).

Synthetic Products Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2021

**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 account.

Financial liabilities comprise trade and other payables, long term loans from financial institutions (including current portion), markup accrued on borrowings, unclaimed dividend, long term deposits and short term borrowings.

**3.7.3 Derecognition**

**Financial Assets**

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

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

**Financial Liabilities**

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

**3.7.4 Trade Debts, deposits and other receivables**

These are classified at amortized cost and are initially 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.

**3.7.5 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.

**3.7.6 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.

**3.7.7 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.

**3.7.8 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.

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.

Synthetic Products Enterprises Limited

# Notes to the Financial Statements

for the year ended 30 June 2021

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

**3.8 Provisions**

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

**3.9 Revenue recognition**

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:

**3.9.1 Sale of goods**

Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customer which in case of local sales is when the goods are dispatched to the customers, for customer having “ex-factory” terms of delivery and when goods are delivered to the customers, for customers having “delivery” term of delivery on the basis of current agreements. Further in case of export sale, control is transferred when goods have reached the local port of shipment.

**3.9.2 Dividends**

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

**3.9.3 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.

**3.9.4 Contract liabilities**

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

**3.10 Deferred grant**

The Company follows deferral method of accounting for government grant related to subsidized long term loan. Government grant is initially recognized as deferred grant and measured as the difference between the initial

carrying value of the long term loan recorded at market rate (i.e. fair value of the long term loan in this case) and the proceeds of subsidized long term loan received. In subsequent years, the grant is recognized in statement of profit or loss account, in line with the recognition of interest expenses the grant is compensating and is presented under the heading ‘other income’ in the statement of profit and loss.

**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.

**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 term 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



## Synthetic Products Enterprises Limited

# Notes to the Financial Statements

for the year ended 30 June 2021

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 eight reportable operating segments i.e. Unit 1, Unit 2, Unit 3, Unit 4, Unit 5, Unit 6, Unit 7 and Unit 8.

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 on or after 1 July 2020 and 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) 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 2021:

- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 1 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.

- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) 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 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.

The practical expedient introduced in the 2020 amendments only applied to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021. In light of persistence of economic challenges posed by the COVID-19 pandemic, the Board has extended the practical expedient for COVID-19 related rent concessions by one year i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022.

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 2022; and
- There is no substantive change to the other terms and conditions of the lease.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprises 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 annual periods beginning on or after 1 January 2022 clarifies that sales proceeds and costs 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 the 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.
- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs

Synthetic Products Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2021

21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.

- Classification of liabilities as current or non-current (Amendments to IAS 1) amendments apply retrospectively for the annual periods beginning on or after 1 January 2023. 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.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:
- Requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

The above improvements are likely to have no impact on the Company's financial statements.

The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

- 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 improvements are likely to have no impact on the Company's financial statements.

5 Share capital

5.1 Authorized share capital

	2021 Number of shares	2020 Number of shares	2021 Rupees	2020 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	23,773,918	19,791,940	237,739,180	197,919,400
Fully paid bonus shares of Rs. 10 each	61,031,460	61,031,460	610,314,600	610,314,600
Shares of Rs. 10 each, issued under scheme of amalgamation	7,665,000	7,665,000	76,650,000	76,650,000
	92,470,378	88,488,400	924,703,780	884,884,000

	2021	2020
--	------	------

5.2.1 Movement in number of shares;

Opening number of shares	88,488,400	85,085,000
Fully paid bonus shares issue @ 4%	-	3,403,400
Shares issued during the year - fully paid in cash	3,981,978	-
Closing number of shares	92,470,378	88,488,400

5.3 Directors hold 65,914,626 (2020: 62,086,735) ordinary shares of Rs. 10 each of the Company.

## Synthetic Products Enterprises Limited

# Notes to the Financial Statements

for the year ended 30 June 2021

	2021 Rupees	2020 Rupees
<b>6 Share premium</b>		
<b>Reconciliation of Share premium</b>		
Opening Balance	347,391,050	347,391,050
Received during the year	87,603,516	-
Transaction cost incurred	(2,390,373)	-
<b>Closing Balance</b>	<b>432,604,193</b>	<b>347,391,050</b>

## 7 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	2021 Rupees	2020 Rupees
<b>8 Long term loans - secured</b>			
<b>Type of loans</b>			
<b>8.1 Islamic mode of financing - Diminishing Musharika</b>			
- United Bank Limited	8.1.1	46,809,983	86,786,097
- Bank Islami Pakistan Limited	8.1.2	25,500,000	51,000,000
- Habib Bank Limited	8.1.3	177,267,466	224,565,085
Less: Current maturity		(130,062,680)	(112,773,748)
		119,514,769	249,577,434
<b>8.2 Conventional loans</b>			
- Habib Bank Limited - Salary Refinance	8.2.1	82,939,723	34,456,178
- MCB Bank Limited - For renewable energy	8.2.2	41,252,000	-
- MCB and Allied Bank Limited - TERF	8.2.3	15,806,685	-
- Loan from customer	8.2.4	107,644,350	-
Less: Current maturity		(77,274,702)	(8,614,045)
		170,368,056	25,842,133
		289,882,825	275,419,567

**8.1.1** The facility amounting to Rs. 200 million has been obtained from United Bank Limited, Islamic Banking Branch ("UBL Ameen") to finance the acquisition of machinery and equipment. As per the terms of the Diminishing Musharika Agreement (DMA), musharika units are repayable in sixty monthly instalments. 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% (2020: six months KIBOR plus a spread of 1%) per annum, payable monthly. The facility is secured in favor of UBL Ameen by way of specific charge over the diminishing musharika assets.

**8.1.2** 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 instalments. 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% (2020: six months KIBOR plus a spread of 1%) per annum, payable monthly. The facility is secured in favor of BIPL by way of specific charge over the diminishing musharika assets.

**8.1.3** 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 instalments. 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% (2020: three months KIBOR plus a spread of 0.90%) per annum, payable monthly. The facility is secured in favor of HBL by way of specific charge over the diminishing musharika assets.

**8.2.1** This represents long term financing facility (net of deferred grant as explained in note 9 to these financial statements) availed from Habib Bank Limited 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. The total facility available amounts to Rs. 114.88 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 3% 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.

**8.2.2** This represents long term financing facility availed from MCB Bank Limited for financing new Solar power project up to 1.2MV. The total facility available amounts to Rs. 110 million. The financing is secured against first exclusive charge of Rs. 147 million over Solar machinery imported through MCB and Blow molding machine Parker EBM -05 (FA-03644), Blow molding machine Parker EBM -06 (FA-03644-1). It carries Markup at the rate of 3MK + 0.5% p.a, payable on quarterly basis. The principal amount is repayable in 36 equal quarterly instalments and having 10 years tenor inclusive of one year grace period. This facility will be converted to SBP - Refinance facility for renewable energy after necessary approval of State Bank of Pakistan and will carry markup at the rate of SBP rate i.e. 2% plus bank spread of 1.99%.

**8.2.3** This represents Syndicated Temporary Economic Refinance Facility ("TERF") offered by MCB Bank Limited ("MCB") and Allied Bank Limited ("ABL") for setting up a new manufacturing plant in Karachi and for Balancing, Modernization and Replacement ("BMR") of existing plant and machinery ("Project"). The total facility available amounts to Rs. 500 million. The financing is secured against exclusive hypothecation charge over specific Fixed Assets (excluding land & building) of the Company with 25% margin. It carries Markup at the rate of 3MK + 0.5% p.a. payable on quarterly basis. The principal amount is repayable in 32 quarterly instalments, commencing from the end of the 25th month from the date of first Drawdown. The facility has 10 years tenor inclusive of grace period of 2 years commencing from the date of first drawdown. It will be converted to SBP - TERF facility after necessary approval of State Bank of Pakistan and will carry markup at the rate of SBP rate i.e. 1 % plus bank spread of 1.05%.

**8.2.4** This represents long term financing facility availed from Customer Honda Atlas Cars Pakistan Limited in order to develop tooling (dies/molds) for upcoming product of HACPL, thus SPEL is bound to use this amount only for the development of tooling (dies/molds) and for the parts for HACPL. The total facility available amounts to Rs. 107.644 million. In case of failure of meeting desired quality requirements, SPEL will pay back the above mentioned amount in 12 equal instalments along with interest rate of 3 month KIBOR + 1.25%. After successful achievement of desired quality requirements SPEL will payback the above mentioned amount along with interest rate of 3 month KIBOR + 1.25% in 36 equal monthly instalments from mass production. KIBOR will be reset on every calendar quarter however, for the first time KIBOR will be date of disbursement.



## Synthetic Products Enterprises Limited

# Notes to the Financial Statements

for the year ended 30 June 2021

	Note	2021 Rupees	2020 Rupees
<b>9</b>	<b>Deferred grant</b>		
Balance as at 01 July		-	-
Recognized during the year	9.1	8,260,996	-
Amortization during the year		(5,039,395)	-
Balance as at 30 June		3,221,601	-
Non - current portion		322,160	-
Current portion		2,899,441	-

**9.1** The Company obtained SBP COVID-19 relief facility under "SBP refinance scheme for payment of wages and salaries" introduced by Government of Pakistan in order to prevent entities from laying-off employees during COVID-19 outbreak. The Company obtained Rs. 114.88 million, for paying salaries for the months from April 2020 to September 2020. 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 3% per annum, payable on quarterly basis. The loan has been measured at its fair value in accordance with IFRS 9 (Financial Instruments) using market rates at SBP approval dates of each tranche. The difference between fair value of loan and loan proceeds has been recognized as deferred grant as per requirements of IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance) and as per Circular 11/2020 issued by the Institute of Chartered Accountants of Pakistan.

	2021	2020
<b>10</b>	<b>Lease liabilities</b>	
<b>Salient features of the leases are as follows:</b>		
Discounting factor	12%	12%
Period of lease	36 to 60 months	36 to 60 months
Security deposits	20% to 49%	20% to 49%
Maturity range	2021 to 2026	2020 to 2025

The Company has entered into finance lease arrangements for acquisition of assets subject to right of use assets as shown in note 17.9. 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:

	2021		
	Total future minimum lease payments	Finance charges allocated to future periods	Principal
	Rupees		
Not later than one year	3,690,812	409,258	3,281,554
Later than one year and not later than five year	6,510,247	178,059	6,332,188
	10,201,059	587,317	9,613,742
	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

## 11 Deferred taxation

The liability for deferred taxation comprises temporary differences relating to:

	2021 Rupees	2020 Rupees
<b>Deferred tax liability arising on:</b>		
– accelerated tax depreciation	241,293,798	232,256,375
<b>Deferred tax asset arising on:</b>		
– finance lease transactions - net	(2,787,986)	(2,917,010)
– Others	(18,955,762)	(10,430,096)
	219,550,050	218,909,269
<b>11.1 Movement in deferred tax balances is as follows:</b>		
As at 01 July	218,909,269	208,044,803
Recognized in profit or loss:		
– accelerated tax depreciation	9,037,423	8,221,227
– finance lease transactions - net	129,024	467,906
– provisions and others	(8,525,666)	2,120,530
	640,781	10,809,663
Recognized in other comprehensive income:		
– fair value gain / (loss) on investments classified as FVOCI	-	54,803
	219,550,050	218,909,269

## Synthetic Products Enterprises Limited

# Notes to the Financial Statements

for the year ended 30 June 2021

	Note	2021 Rupees	2020 Rupees
<b>12 Trade and other payables</b>			
Trade and other creditors		134,679,179	49,338,878
Accrued liabilities		83,324,391	57,319,970
Workers' Profit Participation Fund	12.1	34,274,835	17,264,338
Workers' Welfare Fund	12.2	12,185,663	5,803,895
Withholding tax payable		1,363,593	900,525
Sales tax payable		9,504,255	-
Provident fund payable		1,844,990	1,609,744
Others	12.3	15,032,770	14,590,166
		292,209,676	146,827,516
<b>12.1 Workers' Profit Participation Fund</b>			
Balance as at July 01		17,264,337	15,695,614
Expense charged for the year	31	34,274,835	17,264,337
Payment made during the year		(17,264,337)	(15,695,614)
Balance as at June 30		34,274,835	17,264,337
<b>12.2 Workers' Welfare Fund</b>			
Balance as at July 01		5,803,895	4,556,256
Expense charged for the year	31	12,387,108	6,017,491
Adjustment made during the year		(6,005,340)	(4,769,852)
Balance as at June 30		12,185,663	5,803,895
<b>12.3</b>	This includes an amount of Rs. 14.25 million (2020: Rs. 13.71 million) representing deductions made from employees salary against the cars provided by the Company as per Company's policy.		

	Note	2021 Rupees	2020 Rupees
<b>13 Short term borrowings</b>			
<b>Secured:</b>			
- Conventional Interest / mark-up based loans	13.1	53,501,668	128,460,772
- Islamic mode of financing	13.2	58,868,776	76,646,157
		112,370,444	205,106,929
<b>Unsecured:</b>			
- Interest free financing		-	15,000,000
		112,370,444	220,106,929

	Note	2021 Rupees	2020 Rupees
<b>Types of short term borrowings</b>			
<b>13.1 Conventional Interest / mark-up based loans</b>			
Short term running finance	13.1.1	53,501,668	77,992,772
Finance against trust receipts		-	50,468,000
		53,501,668	128,460,772
Interest free financing		-	15,000,000
		53,501,668	143,460,772
<b>13.2 Islamic mode of financing</b>			
Murabaha and Istisna	13.2.1	47,914,328	34,251,711
Running Musharika	13.2.3	10,954,448	42,394,446
		58,868,776	76,646,157

**13.1.1** This represents short term facilities of running finance from commercial banks aggregating Rs. 385 million (2020: Rs.385 million). These carry mark-up rates ranging from one month to three months KIBOR plus a spread of 0.5% to 0.75% (2020: one month to three months KIBOR plus a spread of 0.6% to 0.75% ) per annum.

**13.2.1** This represents short term facilitates of murabaha and istisna aggregating Rs. 350 million (2020: Rs. 350 million). These carry mark-up rates ranging from one month plus a spread of 0.5% (2020: one month to six months KIBOR plus a spread of 0.5%) per annum.

**13.2.3** This represents short term facilities of running musharika aggregating Rs. 250 million (2020: Rs. 150 million). These carry mark-up rate of one months KIBOR plus a spread of 0.5% (2020: three months KIBOR plus a spread of 0.5%) per annum.

**13.3** All above facilities are secured by first pari passu registered hypothecation charge on present and future current assets of the Company, by lien over import documents.

	Note	2021 Rupees	2020 Rupees
<b>14 Current maturity of long term liabilities</b>			
Long term loans - secured	8	207,337,382	121,387,793
Deferred grant	9	2,899,441	-
Lease liabilities	10	3,281,554	2,956,718
		213,518,377	124,344,511
<b>15 Accrued mark up</b>			
Long term loans - secured		6,210,054	880,013
Short term borrowings		2,794,431	4,993,806
		9,004,485	5,873,819

Synthetic Products Enterprises Limited

# Notes to the Financial Statements

for the year ended 30 June 2021

16 Contingencies and commitments

16.1 Contingencies

16.1.1 Guarantees issued by the banks on behalf of the Company in favour of various parties as at the reporting date amounts to Rs. 65.38 million (2020: Rs. 5.85 million).

16.2 Commitments

16.2.1 Aggregate commitments for capital expenditure as at 30 June 2021 amounted to Rs. 529.85 million (2020: Rs. 29.68 million), these include commitments secured against irrevocable letters of credit for purchase of machinery amounting to Rs. 507.65 million.

16.2.2 Commitments under irrevocable letters of credit for:

	2021 Rupees	2020 Rupees
– Purchase of machinery	507,650,239	27,470,000
– Purchase of raw material	573,432,473	157,755,066
	1,081,082,712	185,225,066

17 Property, plant and equipment

	Note	2021 Rupees	2020 Rupees
Operating fixed assets	17.1	2,404,803,631	2,177,776,341
Capital work in progress	17.8	349,520,613	139,779,945
Right of use assets	17.9	30,498,020	26,916,350
		2,784,822,264	2,344,472,636

17.1 Operating fixed assets

	2021				2020			
	Cost		Accumulated depreciation		Cost		Accumulated depreciation	
	As at 1 July 2020	As at 30 June 2021	As at 1 July 2020	As at 30 June 2021	As at 1 July 2020	As at 30 June 2021	As at 1 July 2020	As at 30 June 2021
	Additions	Transfers	Disposals	Disposals	Additions	Transfers	Disposals	Disposals
	Rupees				Rupees			
<b>Owned</b>								
Freehold land								
– cost	98,790,635	-	-	-	98,790,635	-	-	-
– revaluation	330,031,765	-	-	-	330,031,765	-	-	-
	428,822,400	-	-	-	428,822,400	-	-	-
Buildings on freehold land	251,973,313	35,294,201	-	78,139,678	19,881,203	-	-	98,020,881
Buildings on leasehold land	-	111,713,534	-	10%	287,267,514	-	-	189,246,633
Plant and machinery	2,530,343,598	237,032,839	-	10%	930,946	-	-	990,946
Office equipment	13,541,310	1,704,825	-	10%	1,008,695,960	156,317,132	-	1,148,329,413
Tools and equipment	12,378,689	24,112,824	-	10%	467,659	952,127	-	1,148,329,413
Computer equipment	7,375,242	2,302,981	-	10%	4,641,868	1,499,792	-	5,630,786
Furniture and fittings	27,571,933	1,553,942	-	10%	5,891,535	673,933	-	6,141,660
Vehicles	42,497,021	16,728,506	-	20%	10,717,271	1,699,016	-	12,416,287
	3,314,509,506	430,443,653	-	20%	23,968,194	541,5661	-	16,605,559
					1,136,733,165	187,369,831	-	1,294,641,021
								2,404,903,631

	2020				2020			
	Cost		Accumulated depreciation		Cost		Accumulated depreciation	
	As at 1 July 2019	As at 30 June 2020	As at 1 July 2019	As at 30 June 2020	As at 1 July 2019	As at 30 June 2020	As at 1 July 2019	As at 30 June 2020
	Additions	Transfers	Disposals	Disposals	Additions	Transfers	Disposals	Disposals
	Rupees				Rupees			
<b>Owned</b>								
Freehold land								
– cost	93,393,235	5,397,400	-	-	98,790,635	-	-	-
– revaluation	330,031,765	-	-	-	330,031,765	-	-	-
	423,425,000	5,397,400	-	-	428,822,400	-	-	-
Buildings on freehold land	247,169,127	4,804,186	-	10%	59,225,633	18,914,045	-	78,139,678
Plant and machinery	2,334,671,257	211,142,923	-	10%	865,212,180	152,312,879	-	1,008,695,960
Office equipment	12,236,277	1,305,033	-	10%	3,780,500	893,159	-	4,678,659
Tools and equipment	11,364,721	1,013,968	-	10%	3,806,626	835,242	-	4,641,868
Computer equipment	7,226,242	149,000	-	30%	5,273,268	618,267	-	5,891,535
Furniture and fittings	27,365,042	212,891	-	10%	8,863,721	1,853,550	-	10,717,271
Vehicles	44,839,848	741,350	2,254,000	20%	21,120,877	4,768,425	1,178,626	23,968,194
	3,108,297,514	224,766,751	2,254,000	20%	96,728,895	180,200,567	1,178,626	1,136,733,165
								2,177,776,341
<b>Leased</b>								
Leasehold land (note 17.9)	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)		977,423,440	180,200,567	(8,962,009)	1,136,733,165
								2,177,776,341



Synthetic Products Enterprises Limited

# Notes to the Financial Statements

for the year ended 30 June 2021

**17.2** 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, Rahim Yar Khan Industrial Estate, Rahim Yar Khan, measuring 8.58 acres and Pakistan Steel Industrial Estate, Bin Qasim, Karachi measuring 4 acres.

The buildings on freehold and leasehold land and other immovable assets of the Company are constructed / located at above mentioned freehold and leasehold land as mentioned in note 17.9.2 to these financial statements respectively.

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

	Note	2021 Rupees	2020 Rupees
Cost of goods sold	27	166,645,570	160,378,507
Capital work in progress		669,777	1,631,964
Administrative expenses	28	9,368,492	9,010,029
Selling and distribution expenses	29	9,368,492	9,010,029
Work in process - stock in trade		1,317,501	170,042
		187,369,832	180,200,571

**17.4** As at 30 June 2021, the carrying value of freehold land would have been Rs. 98.79 million (2020: Rs. 93.39 million), had there been no revaluation.

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

**17.6** 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.

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

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (loss)	Mode of disposal	Relationship with the Company	Particulars of purchaser
Rupees								
<b>Plant and machinery</b>								
IMM Haixing 128 Ton - FPD M-06	3,004,870	1,996,457	1,008,413	390,880	(617,533)	Negotiation	Third party	Muhammad Akram
IMM Haixing 218 Ton - FPD M-03	6,285,904	2,725,618	3,560,286	771,680	(2,788,606)	Negotiation	Third party	Muhammad Akram
IMM Haixing 128 Ton - FPD M-05	1,708,365	1,164,961	543,404	330,600	(212,804)	Negotiation	Third party	Muhammad Israr
IMM Haixing 128 Ton - FPD M-07	3,006,505	1,944,504	1,062,001	646,125	(415,876)	Negotiation	Third party	Muhammad Israr
Lid Printing Machine P-11	1,709,295	1,105,513	603,782	116,894	(486,888)	Negotiation	Third party	Muhammad Israr
PC Bottle Printing Machine	3,477,026	2,371,041	1,105,985	47,936	(1,058,049)	Negotiation	Third party	Muhammad Israr
IMM FCS 520 Ton M-06	7,533,215	5,375,586	2,157,629	2,703,650	546,021	Negotiation	Third party	Muhammad Israr
	26,725,180	16,683,680	10,041,500	5,007,765	(5,033,735)			
<b>Owned Vehicles</b>								
Honda Vezel HRV	3,781,858	2,175,244	1,606,614	3,600,000	1,993,386	Insurance Claim	Third party	Reliance Insurance
Mercedes	13,002,418	9,467,540	3,534,878	8,500,000	4,965,122	Negotiation	Third party	Shah Nawaz
	16,784,276	11,642,784	5,141,492	12,100,000	6,958,508			
Others having net book value less than Rs. 500,000	1,999,051	1,135,511	863,540	1,733,642	870,102	Company Policy	Employees	Employees
2021	45,508,507	29,461,975	16,046,532	18,841,407	2,794,875			
2020	20,808,759	11,928,833	8,879,926	5,857,615	(3,022,311)			

**17.8 Capital Work In Progress**

	2021			
	As at 1 July 2020	Additions	Transfers	As at 30 June 2021
Rupees				
Capital Work In Progress				
– other than advances	130,981,155	535,264,975	401,283,433	264,962,697
Advances to supplier	8,798,790	75,686,385	-	84,485,175
	139,779,945	610,951,360	401,283,433	349,520,613

	2020			
	As at 1 July 2019	Additions	Transfers	As at 30 June 2020
Rupees				
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

	Note	2021 Rupees	2020 Rupees
<b>17.8.1</b> The breakup is as follows:			
Plant and machinery	17.8.2	214,642,347	97,977,311
Building		50,393,091	33,003,844
Advances to suppliers		84,485,175	8,798,790
		349,520,613	139,779,945

**17.8.2** This includes borrowing cost amounting to Rs. 4.71 million (2020: nil) capitalised during the year.

## Synthetic Products Enterprises Limited

# Notes to the Financial Statements

for the year ended 30 June 2021

### 17.9 Right of use assets

Note	2021		
	Cost		
	Lease hold land	Leased Vehicles	Total
	Rupees		
Opening as at 01 July 2020	22,083,915	16,168,699	38,252,614
Additions during the year	-	9,215,580	9,215,580
Matured during the year	-	(5,268,682)	(5,268,682)
<b>Closing as at 30 June 2021</b>	<b>22,083,915</b>	<b>20,115,597</b>	<b>42,199,512</b>
	2021		
	Accumulated depreciation		
	Lease hold land	Leased Vehicles	Total
	Rupees		
Opening as at 01 July 2020	3,905,092	7,431,172	11,336,264
Depreciation for the year 27	368,801	2,349,383	2,718,185
Matured during the year	-	(2,352,957)	(2,352,957)
Closing as at 30 June 2021	4,273,893	7,427,598	11,701,492
<b>Net Book Value 30 June 2021</b>	<b>17,810,022</b>	<b>12,687,999</b>	<b>30,498,020</b>
	2020		
	Cost		
	Lease hold land	Leased Vehicles	Total
	Rupees		
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)
<b>Closing as at 30 June 2020</b>	<b>22,083,915</b>	<b>16,168,699</b>	<b>38,252,614</b>
	2020		
	Accumulated depreciation		
	Lease hold land	Leased Vehicles	Total
	Rupees		
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
<b>Net Book Value 30 June 2020</b>	<b>18,178,823</b>	<b>8,737,527</b>	<b>26,916,350</b>

### 17.9.1 Disposal of right of use assets

**17.9.2** Leasehold land comprises of land 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. The new Karachi plant has been constructed on this land. Leasehold land is located at Downstream Industrial Estate, Pakistan Steel, Bin Qasim, Karachi, measuring 4 acres.

Particulars	Cost	Accumulated depreciation	Written down value	Adjustment against total deductions from salary	Gain / (loss)	Mode of disposal	Relationship with the Company
Suzuki Wagon R (LEA-16-1207)	1,084,790	635,523	449,267	1,049,000	599,733	Company Policy	Employee
Suzuki Swift (LE-20-4787)	2,050,000	297,250	1,752,750	2,050,000	297,250	Company Policy	Employee
Suzuki Wagon R (LEH-15-1807)	1,044,052	749,461	294,591	1,004,000	709,409	Company Policy	Employee
Suzuki Wagon R (LEA-16A-5059)	1,089,840	670,722	419,118	1,054,000	634,882	Company Policy	Employee
<b>2021</b>	<b>5,268,682</b>	<b>2,352,956</b>	<b>2,915,726</b>	<b>5,157,000</b>	<b>2,241,274</b>		
2020	2,254,000	1,179,626	1,074,374	2,254,000	1,179,626		

	Note	2021 Rupees	2020 Rupees
<b>18 Intangible assets</b>			
Cost		10,627,286	10,627,286
Accumulated amortization		(10,272,961)	(10,137,800)
As at 30 June	18.1	354,325	489,486
<b>18.1</b>			
Balance as at 01 July		489,486	98,163
Additions during the year		-	531,488
Amortization charge for the year		(135,161)	(140,165)
Balance as at 30 June		354,325	489,486
Amortization rate		20%	20%
<b>19 Long term investments</b>			
Investment classified as FVOCI	19.1	2,656,679	1,808,219
The breakup of cost and related fair value adjustment is as follows:			
Cost		5,531,860	5,531,860
Fair value adjustment		(2,875,181)	(3,723,641)
		2,656,679	1,808,219

This represents 80,652 ordinary shares having face value of Rs. 10 each (2020: 80,652 ordinary shares) in Roshan Packages Limited.

## Synthetic Products Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

		2021 Rupees	2020 Rupees
<b>20 Long term deposits</b>			
Utility companies and regulatory authorities		10,439,805	6,352,147
Others		4,366,412	4,468,812
		14,806,217	10,820,959
<b>21 Stock-in-trade</b>			
Raw and packing material		481,931,033	444,304,283
Stock in transit		31,084,852	82,212,808
Work in process		57,528,624	39,664,866
Finished goods		137,763,695	73,275,422
		708,308,204	639,457,379
<b>21.1</b>	The amount of stock-in-trade recognized as an expense during the year on account of adjustment to net realisable value (NRV) amounted to Rs. 8.29 (2020: Nil) million.		
	Note	2021 Rupees	2020 Rupees
<b>22 Trade debts - unsecured</b>			
Considered good		593,928,707	509,334,671
Considered doubtful		8,756,245	5,171,423
		602,684,952	514,506,094
Less: Provision for expected credit loss	22.1	(8,756,245)	(5,171,423)
		593,928,707	509,334,671
<b>22.1 Movement in provision for provision of doubtful debts</b>			
Balance as at 01 July		5,171,423	3,533,774
Expected credit loss charge for the year	31	3,584,822	3,436,691
Reversal of charge for expected credit loss		-	(1,799,042)
Balance as at 30 June		8,756,245	5,171,423
<b>23 Advances, deposits, prepayments and other receivables</b>			
Advances - unsecured, considered good:			
– Advances to suppliers for supplies and services		1,921,324	1,903,868
– Amounts paid against future shipments		2,823,485	1,331,487
Advances - secured, considered good:			
– Amounts due from employees		181,289	34,750
Prepaid insurance		8,709,480	2,877,295
Sales tax receivable - net		-	22,036,455
Other receivables		101,942	27,107,155
		13,737,520	55,291,010

**24 Short term investments**

This represents investments made in term deposits of Allied Bank Limited having maturities of one month ranging from 22 to 29 July 2021 at a mark-up rate ranging from 6.05% -7.00% per annum.

	Note	2021 Rupees	2020 Rupees
<b>25 Cash and bank balances</b>			
Cash in hand		354,500	104,500
Cash at bank			
– current accounts in local currency		61,918,561	7,766,623
– current accounts in foreign currency		2,687,869	940,974
– saving accounts in local currency	25.1	3,038,515	67,823
		67,644,945	8,775,420
		67,999,445	8,879,920

**25.1** These carry return at 2.5% to 5.5% per annum (2020: 4.5% to 6.0% per annum). This represents deposits placed under an arrangement permissible under Shariah.

		2021 Rupees	2020 Rupees
<b>26 Sales-net</b>			
Local		4,926,446,884	3,695,412,071
Export		21,282,011	15,862,590
		4,947,728,895	3,711,274,661
Less: Sales tax		(736,688,971)	(551,053,943)
Discounts		(40,017,950)	(62,662,732)
		4,171,021,974	3,097,557,986
<b>26.1 Disaggregation of Revenue</b>			
<b>26.1.1 Primary Products</b>			
Auto division and molds		1,397,484,187	919,167,331
Food and packaging division		2,773,537,787	2,178,390,655
		4,171,021,974	3,097,557,986
<b>26.1.2 Primary Geographical Markets (Gross Sales)</b>			
Pakistan		4,149,739,963	3,081,695,396
Turkey		3,289,671	1,659,861
Belgium		5,060,295	758,073
France		4,335,625	3,829,253
Italy		5,776,406	5,333,809
Taiwan		-	373,796
United Kingdom		528,203	1,618,846
United States of America		2,291,811	2,288,953
Total		4,171,021,974	3,097,557,987

**26.2** The amount of Rs. 8.4 million recognized in contract liabilities as at 30 June 2020 has been recognized as revenue for the year ended 30 June 2021.



## Synthetic Products Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

	Note	2021 Rupees	2020 Rupees
<b>27 Cost of sales</b>			
Raw and packing materials consumed		2,450,885,024	1,741,669,297
Stores, spares and loose tools consumed		13,870,108	10,306,533
Salaries, wages and benefits	27.1	290,178,325	235,324,172
Security guard expense		8,468,392	8,859,482
Electricity, fuel and water charges		287,426,756	247,004,648
Depreciation on property, plant and equipment	17.3	166,645,570	160,378,507
Depreciation on right of use asset	17.9	2,718,185	2,374,255
Repairs and maintenance		67,873,622	35,556,177
Insurance		7,167,131	6,443,588
Oil and lubricants		3,773,957	2,332,574
		3,299,007,070	2,450,249,233
<i>Work in process:</i>			
– At beginning of the year		39,664,866	88,456,508
– At end of the year		(57,528,624)	(39,664,866)
<b>Cost of goods manufactured</b>		3,281,143,312	2,499,040,875
<i>Finished goods</i>			
– At beginning of the year		73,275,422	58,733,269
– At end of the year		(137,763,695)	(73,275,422)
		3,216,655,039	2,484,498,722
Other cost of sale - Freight and forwarding		55,696,468	40,115,910
		3,272,351,507	2,524,614,632
<b>27.1</b> Salaries, wages and benefits include Rs. 7.42 million (2020: Rs. 6.81 million) in respect of defined contribution plan.			
	Note	2021 Rupees	2020 Rupees
<b>28 Administrative expenses</b>			
Salaries, wages and benefits	28.1	45,657,967	34,379,721
Directors' remuneration	41 & 28.2	47,112,801	45,139,380
Meeting fee		2,000,000	1,550,000
Traveling expenses		23,406,143	28,299,919
Legal and professional charges		2,196,821	1,519,140
Vehicle running expenses		9,779,572	10,818,224
Security guard expense		1,075,143	1,257,638
Insurance		2,283,732	1,994,576
Repairs and maintenance		3,037,632	1,126,142
Telephone and postage		4,741,863	3,920,314
Depreciation on property, plant and equipment	17.3	9,368,492	9,010,029
Amortization on intangibles	18.1	135,161	140,165
Printing and stationery		3,247,958	2,738,658
Staff training and development		733,094	1,219,254
Fee and subscription		8,520,133	6,618,020
Rent, rates and taxes		3,059,289	1,431,261
Entertainment		1,944,056	2,635,686
Miscellaneous expenses		584,810	537,495
		168,884,667	154,335,622

**28.1** Salaries, wages and benefits include Rs. 1.97 million (2020: Rs. 1.73 million) in respect of defined contribution plan.

**28.2** Director's remuneration includes Rs. 0.54 million (2020: Rs. 0.52 million) in respect of defined contribution plan opted by one of the executive directors.

	Note	2021 Rupees	2020 Rupees
<b>29 Selling and distribution expenses</b>			
Salaries and benefits	29.1	18,799,016	14,287,029
Depreciation on property, plant and equipment	17.3	9,368,492	9,010,029
Advertisement		971,170	1,942,595
Sales promotion expenses		4,406,886	423,720
		33,545,564	25,663,373

**29.1** Salaries, wages and benefits include Rs. 0.72 million (2020: Rs. 0.71 million) in respect of defined contribution plan.

	Note	2021 Rupees	2020 Rupees
<b>30 Other income</b>			
<b><i>Income from financial assets</i></b>			
Profit on bank deposits		6,584,108	135,633
Income on unwinding of long term receivable		6,763,183	20,454,616
Amortization of deferred grant		5,039,395	-
Provision for doubtful debts reversed during the year		-	1,799,042
		18,386,686	22,389,291
<b><i>Income from non-financial assets</i></b>			
Scrap sales		13,634,944	10,886,982
Gain on disposal of property, plant and equipment		5,036,149	-
Other income		5,740,086	2,445,240
		24,411,179	13,332,222
		42,797,865	35,721,513

<b>31 Other charges</b>			
Workers' Profit Participation Fund		34,274,835	17,264,337
Workers' Welfare Fund		12,387,108	6,017,491
Loss on disposal of property, plant and equipment		-	3,077,247
Auditor's remuneration	31.1	1,495,000	1,190,000
Donations	31.2 & 31.3	2,186,499	1,153,790
Loss on foreign currency transactions - net		117,164	806,347
Expected credit loss charge for the year	22.1	3,584,822	3,436,691
		54,045,428	32,945,903

## Synthetic Products Enterprises Limited

# Notes to the Financial Statements

for the year ended 30 June 2021

	2021 Rupees	2020 Rupees
<b>31.1 Auditors' remuneration</b>		
Statutory audit fee	1,000,000	800,000
Half yearly review	225,000	225,000
Certifications and others	200,000	105,000
Out of pocket expenses	70,000	60,000
	1,495,000	1,190,000
<b>31.2</b>		
It includes donation to Lahore Chamber of Commerce and Industry (LCCI) amounting to Rs. 50,000 (2020: Rs. 100,000/-) in which CEO of the Company was a member of the executive committee till September 2020.		
<b>31.3</b>		
It also includes donations to Shaukat Khanam Hospital were made during the year, amounting to Rs. 655,297.		
	2021 Rupees	2020 Rupees
<b>32 Finance cost</b>		
Mark-up on:		
– long term finance - secured	35,780,982	47,081,483
– lease liabilities	592,036	606,265
– short term borrowings - secured	8,547,640	24,751,643
Bank charges	1,237,250	1,275,671
	46,157,908	73,715,062
<b>33 Taxation</b>		
<i>Current:</i>		
– for the year	160,003,484	47,332,944
– prior year	17,957,711	5,048,672
<i>Deferred:</i>		
– for the year	640,781	10,809,663
	178,601,976	63,191,279
<b>33.1 Relationship between tax expense and accounting profit</b>		
Profit before taxation	638,834,765	322,004,907
Tax at 29% / 29%	185,262,082	93,381,423
Tax effect of:		
– income under Final Tax Regime	212,820	158,626
– tax credits	(16,231,216)	(38,334,232)
– prior year tax	17,957,711	5,048,672
– others	(8,599,421)	2,936,790
	178,601,976	63,191,279

		2021	2020 Restated
<b>34 Earning per share</b>			
<b>34.1 Basic earning per share</b>			
Profit for the year after taxation	Rupees	460,232,789	258,813,628
Weighted average number of ordinary shares in issue during the year	Number	90,827,473	89,474,037
Earning per share	Rupees	5.07	2.89
<b>34.2 Weighted average number of ordinary shares</b>			
Outstanding number of shares before right issue		88,488,400	88,488,400
<b>Add:</b> Bonus element of right issue in number of shares at the start of the year		-	985,638
<b>Add:</b> Impact on weighted average number of shares due to right issue during the year		2,339,074	-
		90,827,474	89,474,038
<b>34.3</b>			
There is no dilution effect on the basic earnings per share.			
	Note	2021 Rupees	2020 Rupees
<b>35 Cash generated from operations</b>			
Profit before taxation		638,834,765	322,004,907
<i>Adjustments for non-cash items:</i>			
Finance cost	32	46,157,908	73,715,062
Depreciation on property, plant and equipment	17.3	186,052,331	178,398,564
Depreciation on right of use assets	17.9	2,718,185	2,374,255
Amortization of intangibles	28	135,161	140,165
Unrealised gain on fair value of investment		(814,685)	-
(Gain)/loss on disposal of property, plant and equipment	30	(5,036,149)	3,022,311
Expected credit loss charge for the year	31	3,584,822	3,436,691
Provision for Workers' Profit Participation Fund and Workers' Welfare Fund	31	46,661,943	23,281,828
		279,459,516	284,368,876
<b>Operating profit before working capital changes</b>		918,294,281	606,373,783
<i>Increase in current assets:</i>			
Stores, spares and loose tools		(19,281,046)	(4,533,183)
Stock-in-trade		(68,850,825)	(70,571,084)
Trade debts		(88,178,858)	30,886,404
Advances, deposits, prepayments and other receivables		41,553,490	(11,426,305)
		(134,757,239)	(55,644,168)
<i>Increase / (decrease) in current liabilities:</i>			
Trade and other payables		121,989,895	(11,626,860)
Contract Liabilities		16,837,476	(2,227,236)
		922,364,413	536,875,519

## Synthetic Products Enterprises Limited

# Notes to the Financial Statements

for the year ended 30 June 2021

	Note	2021 Rupees	2020 Rupees
<b>36 Cash and cash equivalents</b>			
Short term running finance	13	(53,501,668)	(77,992,772)
Running musharika	13	(10,954,448)	(42,394,446)
Cash and bank balances	25	67,999,445	8,879,920
Short term investments	24	130,000,000	-
		133,543,329	(111,507,298)

## 37 Related party transactions and balances

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

	Name of parties	Relationship	Transactions	Note	2021 Rupees	2020 Rupees
a)	Provident Fund Trust	Post employment benefit fund	Contribution		20,817,324	19,414,669
			Payable balance at year end		1,844,990	1,609,744
b)	Directors	Directors	Cash dividend - as shareholders		62,086,735	36,355,811
			Bonus shares - as shareholders		-	24,237,160
			Right shares- as shareholders		94,251,712	-
		Directors - Other than key management personnel	Remuneration	41	21,023,416	19,302,834
		Non-Executive Directors	Meeting Fee	41.2	2,000,000	1,550,000
		Non-Executive Director	Purchase of Vehicle		2,850,000	-
c)	Key Management Personnel	Key Management Personnel	Remuneration	41	38,901,589	36,379,034
			Cash dividend - as shareholders		2,237	18,599
			Right shares- as shareolders		1,297,184	-
			Bonus shares - as shareholders		-	12,390

**37.1** 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.

## 38 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 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.

**38.1** 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:

### 38.1.1 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.

### 38.1.2 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	2021 Rupees	2020 Rupees
Long term deposits	20	10,439,805	10,820,959
Trade debts		593,928,707	509,334,671
Deposits and other receivables	23	283,231	27,107,155
Short term Investments	24	130,000,000	-
Bank balances	25	67,644,945	8,775,420
		802,296,688	556,038,205

### 38.1.3 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:

	2021 Rupees	2020 Rupees
Customers	593,928,707	509,334,671
Banking companies and financial institutions	197,730,972	8,775,420
Others	10,637,009	37,928,114
	802,296,688	556,038,205

### 38.1.4 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 default rates and present ages.

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

These include banking companies and financial institutions, which are counterparties to bank balances, short term investments/(TDRs) 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



## Synthetic Products Enterprises Limited

# Notes to the Financial Statements

for the year ended 30 June 2021

long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. Following are the credit ratings of counterparties with external credit ratings:

	Rating		Rating agency	2021	2020
	Short term	Long term		Rupees	Rupees
<b>Bank</b>					
Bank Islami Pakistan Limited	A1	A+	PACRA	30,585,844	250,734
Habib Bank Limited	A1+	AAA	JCR-VIS	3,278,284	1,327,026
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	30,606,335	2,334,652
MCB Bank Limited	A1+	AAA	PACRA	2,972,281	2,085,344
National Bank of Pakistan	A1+	AAA	PACRA	100,159	100,159
United Bank Limited	A1+	AAA	JCR-VIS	102,042	2,093,983
				67,644,945	8,191,898
<b>Short term investment - Term deposit receipts</b>					
Allied Bank Limited	A1+	AAA	PACRA	130,086,027	-
				197,730,972	8,191,898

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

These primarily include customers which are counter parties to trade debts. The Company recognises ECL for trade debts using the simplified approach as explained in note 3.7. The analysis of ages of trade debts and loss allowance using the aforementioned approach as at 30 June 2021 was determined as follows:

The aging of trade debts at the reporting date is:

	2021		2020	
	Gross carrying amount	Loss Allowance	Gross carrying amount	Loss Allowance
	Rupees			
Not due	485,286,329	432,941	463,613,338	617,569
Past due 0 - 90 days	91,178,588	517,958	52,346,432	488,031
Past due 91 - 180 days	10,840,226	1,039,346	9,973,196	1,545,676
Past due 181 - 270 days	11,338,706	3,172,742	1,420,010	552,200
Past due 271 - 360 days	704,511	256,666	1,053,176	456,064
Past due 360 days	3,336,591	3,336,591	1,511,884	1,511,884
	602,684,951	8,756,244	529,918,036	5,171,424

### 38.2 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.

### 38.2.1 Exposure to liquidity risk

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

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

		2021				
	Note	Carrying amount	Contractual cash flows	One year or less	One to three years	Three to five years
Rupees						
Financial liabilities at amortized cost						
Long term finances	8	539,854,554	576,865,877	233,400,987	166,892,242	176,572,648
Lease liabilities	10	9,613,742	10,201,040	5,097,312	5,103,728	-
Trade and other payables	12	233,036,340	233,036,340	233,036,340	-	-
Unclaimed dividend		2,870,151	2,870,151	2,870,151	-	-
Short term borrowings	13	112,370,444	112,370,444	112,370,444	-	-
Accrued mark up	15	9,004,485	9,004,485	9,004,485	-	-
		906,749,717	944,348,338	595,779,720	171,995,970	176,572,648

	Note	2020				
		Carrying amount	Contractual cash flows	One year or less	One to three years	Three to five years
		Rupees				
<b>Financial liabilities at amortized cost</b>						
Long term finances	8	396,807,360	504,091,155	192,461,020	261,760,196	49,869,939
Lease liabilities	10	10,058,654	11,067,091	3,548,413	8,369,330	(850,652)
Trade and other payables	12	121,249,014	121,249,014	121,249,014	-	-
Unclaimed dividend		2,085,056	2,085,056	2,085,056	-	-
Short term borrowings	13	205,106,929	205,106,929	205,106,929	-	-
Accrued mark up	15	5,873,819	5,873,819	5,873,819	-	-
		741,180,832	849,473,064	530,324,251	270,129,526	49,019,287

### 38.3 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.

#### 38.3.1 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 trading in market.

## Synthetic Products Enterprises Limited

# Notes to the Financial Statements

for the year ended 30 June 2021

### 38.3.1.1 Investments exposed to price risk

At the balance sheet date, the Company's investment in quoted equity securities is as follows:

	2021 Rupees	2020 Rupees
Investment in equity securities	2,656,679	1,808,219

### 38.3.1.2 Sensitivity analysis

A 10.00% increase / (decrease) share prices at year end would have increased / (decreased) the Company's fair value gain on investment as follows:

	Equity	
	2021 Rupees in thousand	2020 Rupees in thousand
<b><u>Short term investment at fair value through profit and loss account</u></b>		
Effect of increase	265,668	180,822
Effect of decrease	(265,668)	(180,822)

### 38.3.2 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.

### 38.3.2 Sensitivity analysis

A 10.00% increase / (decrease) share prices at year end would have increased / (decreased) the Company's fair value gain on investment as follows:

	Equity	
	2021 Rupees	2020 Rupees
<b><u>Long term investment at fair value through other comprehensive income</u></b>		
Effect of increase	265,668	180,822
Effect of decrease	(265,668)	(180,822)

### 38.3.2(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:

	2021			
	EURO	YEN	USD	Total Rupees
<b><u>Assets</u></b>				
Cash in hand	-	3,000	-	4,290
Bank balances	10,811	-	4,145	2,687,869
<b><u>Liabilities</u></b>	-	-	-	-
<b>Net Statement of financial position exposure</b>	10,811	3,000	4,145	2,692,159
<b>Off statement of financial position items</b>				
– Outstanding letters of credit	-	(63,065,502)	(6,289,306)	(1,085,780,808)
<b>Net exposure</b>	10,811	(63,062,502)	(6,285,161)	(1,083,088,649)

	2020			
	EURO	YEN	USD	Total Rupees
<b><u>Assets</u></b>				
Cash in Hand	-	3,000	-	4,500
Bank balances	2,050	-	3,216	940,914
<b><u>Liabilities</u></b>	-	-	-	-
<b>Net Statement of financial position exposure</b>	2,050	3,000	3,216	945,414
<b>Off statement of financial position items</b>				
– Outstanding letters of credit	-	(2,069,500)	(1,090,651)	(188,994,806)
<b>Net exposure</b>	2,050	(2,066,500)	(1,087,435)	(188,049,392)

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

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

	EURO		YEN		USD	
	2021 Rupees	2020 Rupees	2021 Rupees	2020 Rupees	2021 Rupees	2020 Rupees
Reporting date spot rate						
– buying	188.12	187.22	1.43	1.56	157.80	166.57
– selling	188.71	191.60	1.43	1.50	158.30	170.44
Average rate for the year	188.91	188.05	1.48	1.53	163.28	166.38

## Synthetic Products Enterprises Limited

# Notes to the Financial Statements

for the year ended 30 June 2021

### 38.3.2(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.

	2021 Rupees	2020 Rupees
<b>Effect on profit and loss</b>		
EURO	204,014	39,278
YEN	429	450
USD	65,615	54,814
	270,058	94,542

### 38.3.2(d) Currency risk management

Since the maximum amount exposed to currency risk is only 0.034% (2020: 0.017%) 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.

### 38.3.3 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.

### 38.3.3(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:

	2021		2020	
	Financial asset	Financial liability	Financial asset	Financial liability
	Rupees			
<b>Non-derivative financial instruments</b>				
Fixed rate instruments	-	9,613,742	-	10,058,654
Variable rate instruments	133,038,515	444,887,616	67,823	616,914,289

### 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.

### 38.3.3(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	
	2021 Rupees	2020 Rupees
Increase of 100 basis points	(4,448,876)	(6,169,143)
Decrease of 100 basis points	4,448,876	6,169,143

### 38.3.3(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.

### 38.4 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).

## Synthetic Products Enterprises Limited

# Notes to the Financial Statements

for the year ended 30 June 2021

### 38.4.1 Fair values of financial instruments

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

	Note	Carrying Amount			Fair Value			
		Investments - FVOCI	Financial assets at amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
Rupees								
On-Balance sheet financial instruments								
30 June 2021								
<b><i>Financial assets measured at fair value</i></b>								
Investment classified at FVOCI		2,656,679	-	-	2,656,679	2,656,679	-	-
		2,656,679	-	-	2,656,679	2,656,679	-	-
<b><i>Financial assets at amortized cost</i></b>								
Cash and bank balances		-	67,999,445	-	67,999,445	-	-	-
Deposits and other receivables		-	283,231	-	283,231	-	-	-
Long term deposits		-	10,439,805	-	10,439,805	-	-	-
Short term Investment		-	130,000,000	-	130,000,000	-	-	-
Trade debts - unsecured, considered good		-	593,928,707	-	593,928,707	-	-	-
	38.4.2	-	802,651,188	-	802,651,188	-	-	-
<b>Financial liabilities measured at fair value</b>								
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
<b><i>Financial liabilities measured at amortized cost</i></b>								
Long term finances and diminishing musharika		-	-	539,854,554	539,854,554	-	-	-
Trade and other payables		-	-	233,036,340	233,036,340	-	-	-
Unclaimed dividend		-	-	2,870,151	2,870,151	-	-	-
Lease Liabilities		-	-	9,613,742	9,613,742	-	-	-
Short term borrowing		-	-	112,370,444	112,370,444	-	-	-
Accrued mark up		-	-	9,004,485	9,004,485	-	-	-
	38.4.2	-	-	906,749,717	906,749,717	-	-	-

Note	Carrying Amount			Fair Value			
	Investments - FVOCI	Financial assets at amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
Rupees							
On-Balance sheet financial instruments							
30 June 2020							
Financial assets measured at fair value							
Investment classified at FVOCI	1,808,219	-	-	1,808,219	1,808,219	-	-
	1,808,219	-	-	1,808,219	1,808,219	-	-
Financial assets at amortized cost							
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	-	-	-
38.4.2	-	556,142,705	-	556,142,705	-	-	-
Financial liabilities measured at fair value							
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Financial liabilities not measured at fair value							
Long term finances and diminishing musharika	-	-	396,807,360	396,807,360	-	-	-
Lease Liabilities	-	-	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	-	-	-
38.4.2	-	-	741,180,832	741,180,832	-	-	-

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

**38.4.3** 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 17.5. 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 after performing inquiries in the vicinity of land and information obtained from estate dealers of the area. 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.

### 39 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.



# Synthetic Products Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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

	Unit	2021	2020
Total debt	Rupees	631,430,479	632,846,762
Total Equity	Rupees	3,361,163,778	2,863,571,781
Total capital employed	Rupees	3,992,594,257	3,496,418,543
Gearing	Percentage	15.82%	18.10%

Total debt comprises of long term loans from banking companies and customer, accrued markup on borrowings, deferred grant, lease liabilities and short term borrowings.

Total equity includes issued, subscribed and paid-up share capital, share premium, accumulated profits, fair value reserve on investment and surplus on revaluation of fixed assets.

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.

## 40 Operating segments

### 40.1 Basis of segmentation

The Company has different 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.

### 40.2 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.

	2021								
	Unit 1	Unit 2	Unit 3	Unit 4	Unit 5	Unit 6	Unit 7	Unit 8	Total
	Rupees								
Segment net sales	591,769,837	809,873,147	1,463,261,494	82,700,000	745,749,186	227,840,067	246,079,164	3,749,079	4,171,021,974
Segment cost of sales	(455,100,797)	(618,464,270)	(1,208,511,919)	(104,398,959)	(555,495,515)	(146,026,237)	(181,233,884)	(3,119,926)	(3,272,351,507)
Segment gross profit	136,669,040	191,408,877	254,749,575	(21,698,959)	190,253,671	81,813,830	64,845,280	629,153	898,670,467
Segment assets									
– plant and machinery	166,793,432	248,793,293	525,835,666	79,611,271	353,082,097	72,801,823	36,178,742	109,225,521	1,592,321,845
	2020								
	Unit 1	Unit 2	Unit 3	Unit 4	Unit 5	Unit 6	Unit 7	Unit 8	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	380,042,071	-	-	-	1,521,647,638

**40.2.1** Sales to three customers (2020: three customers) represent approximately Rs. 2,443 million (2020: Rs. 1,839 million) of the Company's total net sales.

### 40.3 Reconciliations of information on reportable segments to IFRS measures

	2021 Rupees	2020 Rupees
<b>40.3.1 Assets</b>		
Total assets for reportable segments	1,592,321,845	1,521,647,638
Other unallocated amounts	2,940,118,803	2,350,971,784
Total assets	4,532,440,648	3,872,619,422

## 41 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:

	2021				
	Directors				Executives
	Chairman	Chief Executive	Non-Executive	Executive	
	Rupees				
Managerial remuneration	8,040,000	9,648,000	-	5,467,200	24,432,173
Utilities and house rent	3,960,000	4,752,000	-	2,692,800	11,334,234
Post employment benefits	-	-	-	544,000	1,690,719
Advisory fee	-	-	6,000,000	-	-
Bonus and rewards	-	-	-	2,493,329	6,435,730
Others benefits	654,744	276,983	2,368,672	215,073	-
	12,654,744	14,676,983	8,368,672	11,412,402	43,892,856
Number of persons	1	1	1	1	7

## Synthetic Products Enterprises Limited

# Notes to the Financial Statements

for the year ended 30 June 2021

	2020				
	Directors				
	Chairman	Chief Executive	Non-Executive	Executive	Executives
	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
Other benefits	260,846	297,043	1,041,988	162,653	-
	12,260,846	14,697,043	7,041,988	11,139,503	32,670,958
Number of persons	1	1	1	2	7

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

**41.2** Meeting fee amounting to Rs. 2,000,000 (2020: Rs. 1,550,000) was paid to six (2020: six directors) directors during the year.

## 42 Plant capacity and actual production

	Installed processing capacity		Actual processing	
	2021	2020	2021	2020
Small, medium and large				
Moulds making facility	60 to 70 molds	60 to 70 moulds	30 molds	30 molds
Injection molds facility	5,700 tons plastic	5,110 tons plastic	2,100 tons plastic	1,500 tons plastic
Blow molding facility	4,200 tons plastic	4,650 tons plastic	2,600 tons plastic	2,300 tons plastic
Extrusion	6,500 tons plastic	6,500 tons plastic	3,600 tons plastic	2,600 tons plastic
Thermoforming	2,900 tons plastic	3,170 tons plastic	1,800 tons plastic	1,300 tons plastic

Lower capacity utilization of plant is due to seasonal increase in demand of the products. The capacity figures are based on 300 days.

## 43 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.

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

	30 June 2021							
	Liabilities							
	Issued, subscribed and paid-up capital	Share Premium	Long term loan Islamic mode	Long term loan conventional	Lease liabilities	Short term borrowings	Unclaimed dividend	Total
	Rupees							
Balance as at 01 July 2020	884,884,000	347,391,050	362,351,182	34,456,178	10,058,654	220,106,929	2,085,056	629,057,999
<b>Changes from financing activities</b>								
Proceeds from issuance of right shares - net of transaction cost	39,819,780	85,213,143	-	-	-	-	-	125,032,923
Repayment of short term borrowings - net	-	-	-	-	-	(107,736,485)	-	(107,736,485)
Long term loan obtained - net	-	-	-	216,408,181	-	-	-	216,408,181
Diminishing Musharika paid - net	-	-	(112,773,733)	-	-	-	-	(112,773,733)
Repayment of finance lease liabilities	-	-	-	-	(6,555,895)	-	-	(6,555,895)
Dividend paid	-	-	-	-	-	-	(87,703,305)	(87,703,305)
<b>Total changes from financing cash flows</b>	39,819,780	85,213,143	(112,773,733)	216,408,181	(6,555,895)	(107,736,485)	(87,703,305)	26,671,686
<b>Other liability related changes</b>								
Additions in lease liabilities	-	-	-	-	6,110,983	-	-	6,110,983
Dividend declared	-	-	-	-	-	-	88,488,400	88,488,400
<b>Total liability related other changes</b>	-	-	-	-	6,110,983	-	88,488,400	94,599,383
<b>Closing as at 30 June 2021</b>	924,703,780	432,604,193	249,577,449	250,864,359	9,613,742	112,370,444	2,870,151	750,329,068

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

	30 June 2020							
	Liabilities							
	Issued, subscribed and paid-up capital	Share Premium	Long term loan Islamic mode	Long term loan conventional	Lease liabilities	Short term borrowings	Unclaimed dividend	Total
	Rupees							
Balance as at 01 July 2019	850,850,000	347,391,050	367,452,709	-	11,672,124	309,138,985	1,730,714	689,994,532
<b>Changes from financing activities</b>								
Proceeds from issuance of ordinary shares	34,034,000	-	-	-	-	-	-	34,034,000
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)
<b>Total changes from financing cash flows</b>	34,034,000	-	(5,101,527)	34,456,178	(3,689,470)	(20,429,129)	(50,696,658)	(45,460,606)
<b>Other liability related changes</b>								
Assets acquired on finance lease	-	-	-	-	2,076,000	-	-	2,076,000
Change in running finance	-	-	-	-	-	(68,602,927)	-	(68,602,927)
Dividend declared	-	-	-	-	-	-	51,051,000	51,051,000
<b>Total liability related other changes</b>	-	-	-	-	2,076,000	(68,602,927)	51,051,000	(15,475,927)
<b>Balance as at 30 June 2020</b>	884,884,000	347,391,050	362,351,182	34,456,178	10,058,654	220,106,929	2,085,056	629,057,999

## Synthetic Products Enterprises Limited

# Notes to the Financial Statements

for the year ended 30 June 2021

### 45 Impact of COVID-19 (CORONA VIRUS)

The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. During the year, the Government of the Punjab from time to time announced a temporary smart lock downs as a measure to reduce the spread of the COVID-19. However, after implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company continued to carry out its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business. Management is actively monitoring the impact of the pandemic on its financial condition, liquidity, operations, supply chain, and workforce, which at this point is not considered to be significant. However, during the prior year and this year, the Company obtained SBP COVID-19 relief facility, under "SBP refinance scheme for payment of wages and salaries" introduced by Government of Pakistan, amounting to Rs. 114.88 million, for paying salaries for the months from April 2020 to September 2020 as explained in note 8.1.4 to these financial statements. Further, management believes that the Company has sufficient liquidity available to continue to meet its financial commitments for the foreseeable future when they become due. From the very outset of Covid-19, the management has adopted various policies and practices to minimize adverse impact of Covid-19 on the business and is continuously monitoring the situation in order to proactively address any challenges which may arise from Covid-19.

### 46 Number of employees

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

	Number of Employees	
	2021	2020
Number of employees as at 30 June	565	520
Average number of employees during the year	530	519

### 47 Non adjusting events after the balance sheet date

The Board of Directors of the Company in its meeting held on 24 August 2021 has proposed a final cash dividend of Rs. 0.5 per share and bonus dividend of 8 shares for every 100 shares held, after obtaining consent from relevant financial institution, for the year ended 30 June 2021, for approval of the members in the Annual General Meeting to be held on 27 October 2021.

### 48 General

**48.1** These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 24 August 2021.

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

## Synthetic Products Enterprises Limited

# Pattern of Shareholding

as on 30 June 2021

No. of Shareholders	Shareholdings		Shares Held	Percentage
	From	To		
301	1	100	8833	0.0096
128	101	500	47882	0.0518
870	501	1000	525496	0.5683
332	1001	5000	700088	0.7571
61	5001	10000	479105	0.5181
29	10001	15000	353551	0.3823
18	15001	20000	340693	0.3684
19	20001	25000	438496	0.4742
22	25001	30000	615090	0.6652
5	30001	35000	161770	0.1749
4	35001	40000	152730	0.1652
3	40001	45000	132330	0.1431
11	45001	50000	540782	0.5848
5	50001	55000	270931	0.2930
5	55001	60000	290827	0.3145
3	60001	65000	183219	0.1981
3	70001	75000	216000	0.2336
3	80001	85000	250287	0.2707
1	85001	90000	85410	0.0924
1	90001	95000	93500	0.1011
3	95001	100000	297914	0.3222
3	100001	105000	306407	0.3314
3	110001	115000	338959	0.3666
5	115001	120000	592060	0.6403
3	135001	140000	416500	0.4504
1	140001	145000	143000	0.1546
1	150001	155000	150757	0.1630
1	155001	160000	157995	0.1709
1	160001	165000	161876	0.1751
1	165001	170000	170000	0.1838
2	170001	175000	342700	0.3706
1	180001	185000	182000	0.1968
1	185001	190000	190000	0.2055
1	200001	205000	204654	0.2213
1	205001	210000	209000	0.2260
1	215001	220000	215500	0.2330
1	240001	245000	245000	0.2649
1	255001	260000	256505	0.2774
1	295001	300000	298956	0.3233
1	300001	305000	303461	0.3282
2	340001	345000	681309	0.7368
1	380001	385000	380164	0.4111
1	405001	410000	409000	0.4423
1	425001	430000	427996	0.4628

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

## Pattern of Shareholding

as on 30 June 2021

No. of Shareholders	Shareholdings		Shares Held	Percentage
	From	To		
1	450001	455000	452600	0.4895
1	455001	460000	457672	0.4949
1	505001	510000	507553	0.5489
2	510001	515000	1028302	1.1120
1	615001	620000	618729	0.6691
1	640001	645000	640201	0.6923
1	740001	745000	740612	0.8009
1	745001	750000	750000	0.8111
1	1040001	1045000	1040525	1.1253
1	1135001	1140000	1138800	1.2315
1	1670001	1675000	1671034	1.8071
1	1725001	1730000	1727052	1.8677
1	2250001	2255000	2253000	2.4365
1	2290001	2295000	2291657	2.4783
1	5205001	5210000	5207524	5.6316
2	11415001	11420000	22833762	24.6931
1	36140004	36145000	36142622	39.0856
1881			92,470,378	100.0000

## Category wise Shareholding

as on 30 June 2021

Sr. No.	Particulars	No. of Shares	Percentage
1.	Sponsors, Directors, CEO And Children		
	* Mr. Almas Hyder	36,142,622	39.086
	* Mr. Zia Hyder Naqi	12,057,082	13.039
	* Mr. Raza Haider Naqi	11,930,640	12.902
	Dr. S. M. Naqi	5,207,524	5.632
	Mrs. Munawar Naqi	2,809,834	3.039
	Mr. Sheikh Naseer Hyder	427,996	0.463
	Dr. Nighat Arshad	119,004	0.129
	Mr. Abid Saleem Khan	28,000	0.030
	Mr. Khawar Anwar Khawaja	618	0.001
	Mr. Muhammad Tabassum Munir	597	0.001
	Mr. Haroon Sharif	543	0.001
2.	Associated Companies, Undertakings and Related Parties	-	0.000
3.	NIT and ICP	-	0.000
4.	Banks, DFI And NBFI	55,625	0.060
5.	Insurance Companies	2,661,526	2.878
6.	Modarabas and Mututal Funds	2,877,804	3.112
7.	* Shareholders Holding Ten Percent or More	-	-
8.	General Public		
	a) Local	14,020,284	15.162
	b) Foreign	1,157,095	1.251
9.	Others	2,973,584	3.216
	Total	92,470,378	100.000

## Notice of Annual General Meeting



Notice is hereby given that the Thirty Ninth Annual General Meeting of the shareholders of Synthetic Products Enterprises Limited (the "Company") will be held on Wednesday 27 October 2021 at 11:00 AM at Jinnah Auditorium of Lahore Chamber of Commerce & Industries, Shahrah Aiwan-e-Tijarat, Lahore to transact the following business:

### Ordinary Business:

- To confirm the minutes of the Last Annual General Meeting held on 27 October 2020.
- To receive, consider and adopt the audited financial statements for the year ended 30 June 2021 together with Directors' and Auditors' Report thereon.
- To approve final cash dividend @ 5% as recommended by the Board of Directors.
- To appoint auditors for the financial year ending 2021-22 and fix their remuneration. The Board has recommended, as suggested by the board audit committee, the appointment of M/s KPMG Taseer Hadi and Co., Chartered Accountants, the retiring auditors and being eligible, offer themselves for re-appointment.
- To elect Nine (9) Directors of the Company as fixed by the Board of Directors, in accordance with the provisions of section 159 of the Companies Act, 2017 for a term of three (3) years. Following are the retiring Directors:

Mr. Almas Hyder  
Mr. Zia Hyder Naqi  
Mr. Khawar Anwar Khawaja  
Mr. Raza Haider Naqi  
Mr. Sheikh Naseer Hyder

Dr. S. M. Naqi  
Mr. Haroon Sharif  
Mr. Muhammad Tabassum Munir  
Dr. Nighat Arshad  
Mr. Abid Saleem Khan

### Special Business:

- To approve final bonus dividend @ 8% as recommended by the Board of Directors and pass the following resolutions with or without modification(s) as ordinary resolutions.
  - "Resolved that a final bonus dividend @ 8 % i.e. 8 shares each for every 100 shares held by issuance of 7,397,630.00 ordinary shares of Rs 10 each as fully paid bonus shares by capitalizing a sum of Rs. 73,976,300.00 out of the share premium account of the Company be and is hereby approved."
  - "Further Resolved that the bonus shares so allotted shall not be entitled to final cash dividend for the year ended 30 June 2021."
  - "Further Resolved that the bonus shares so allotted shall rank pari passu in every respect with the existing shares."
  - "Further Resolved that in case of members' entitlement to a fraction of a share, the Chief Executive Officer be and is hereby authorised to consolidate the fractions into whole shares and sell all the same on the Pakistan Stock Exchange and the proceeds so realized shall be paid to any charitable institution, as may be decided by the Chief Executive Officer of the Company."
  - "Further Resolved that the Company Secretary be and is hereby authorised and empowered to give effect to these resolutions and to do or cause to do all acts, deeds and things that may be necessary or required for issue, allotment and distribution of bonus shares or payment of the sale proceed of the fractional shares."
- To consider and, if thought fit, to approve the sub-division of face value of the shares of the Company and to pass, with or without modifications, the following resolution as a special resolution as recommended by the Board of Directors.



"Resolved that the face value of shares of the Company be and is hereby reduced from Rupees Ten (Rs. 10/-) each to Rupees Five (Rs. 5/-) each, by way of increasing the number of shares to double, under the provisions of Section 85 of the Companies Act, 2017 and to amend the clause VI of Memorandum of Association and Article 3A of Articles of Association of the Company and ancillary matters."

8. To consider and, if thought fit, approve the increase in the Authorised Share Capital of the Company and to pass, with or without modifications, the following resolution as a special resolution as recommended by the Board of Directors.

"Resolved that the Authorized Capital of the Company be increased from Rs. 1,000,000,000/- (Rupees One Billion Only) to Rs. 1,500,000,000/- (One Billion & Five Hundred Million Only) and to amend clause VI of Memorandum of Association and Article 3A of Articles of Association of the Company."

9. To ratify and approve the increase in remuneration of Dr. S. M. Naqi, Advisor of the Company and to pass the following resolutions, with or without modification(s), as a special resolutions.

"Resolved that the remuneration of Dr. S. M. Naqi, Advisor of the Company be increased from Rs. 500,000 per month to Rs. 600,000 per month w.e.f. 1 July 2021 be and is hereby ratified and approved."

"Further Resolved that in addition, he will be entitled to the perks (telecommunication facilities, actual medical expenses for self and family, two company maintained cars with drivers, two international roundtrips for self and spouse p.a., three clubs' membership and Secretariat support staff i.e. one Office Manager & one Security Guard), and other benefits as per company's policies."

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

By Order of the Board



**Muhammad Kamran Farooq**  
Company Secretary

Lahore  
5 October 2021

#### Notes:

- The share transfer books of the Company will remain closed from 21 October 2021 to 27 October 2021 (both days inclusive). Transfers received in order at the Shares Department of M/s THK Associates (Pvt.) Limited, Plot no. 32-C Jami Commercial Street 2, D.H.A. Phase VII, Karachi, Pakistan at the close of business on 20 October 2021 will be treated in time for the purpose of payment of final dividend if approved by the shareholders. Only those persons whose names appear in the Register of Members of the Company as on 20 October 2021 are entitled to attend, participate in and vote at the Annual General Meeting.
- A member entitled to attend and vote at the meeting is entitled to appoint any other person as his/her proxy to attend and vote. A member shall not be entitled to appoint more than one proxy to attend this meeting. Proxies, in order to be effective, must be received at the Registered Office of the Company, 127-S Quaid-e-Azam Industrial Estate Township Kot Lakhpat, Lahore duly stamped and signed not less than 48 hours before the time of the meeting. A proxy need not be a member of the Company. The proxy shall produce his/her original CNIC or passport at the time of the meeting.
- CDC account holders will have to follow the guidelines as laid down in Circular 1 dated 26 January 2000 for attending meetings and appointing proxies. The individual members entitled to attend this meeting must bring his/her original

CNIC or passport to prove his/her identity and in case of proxy must enclose 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 a geographical location, to participate in the meeting through video conference at least 7 days prior to the date of the 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 it to the registered address of the Company at least 10 days before the date of AGM.

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

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 24, 2021.

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

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

- 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.
- Members are requested to promptly notify any change of address to the Company's Share Registrar.
- 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 the shareholder(s).

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 dividends 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 the above referred form duly filled to the share Registrar to M/s THK Associates (Pvt.) Limited, 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 active taxpayers and @ 30% in case of in-active taxpayers.

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

# Notice of Annual General Meeting

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. In case of non-submission of the requisite documents, deduction of tax under relevant sections shall be made as per requirements of law.

### 11. Election of Directors

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

- i. Notice of his/her intention to offer himself/herself for the election of director in terms of Section 159(3) of the Companies Act, 2017.
- ii. Copy of computerized national identity card.
- iii. Consent to act as director on Form-28 under section 167 of the Companies Act, 2017.
- iv. A detailed profile as required under SECP SRO 634(I)/2014 dated 10 July 2014.
- v. He / She should also confirm that:
  - He / She is not ineligible to become a director of a listed Company under any applicable laws and regulations.
  - He / She is not serving as director in more than seven (7) listed companies simultaneously, including this Company.
  - Neither he/she nor his spouse is engaged in the business of brokerage or is a sponsor, director or officer of a corporate brokerage house.
  - He / She is registered as a taxpayer (except for non-residents) and has not defaulted in payment of any loan to a banking company, Development Finance Institution or a Non-Banking Financial Institution or being a member of stock exchange has not been declared as a defaulter by that stock exchange.

### 12. Deposit of Physical Shares in to Book Entry Form (CDC-Account)

As per Section 72 of the Companies Act, 2017 every existing listed company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four years from the commencement of this Act, i.e., May 30, 2017. The Shareholders having physical shareholding are encouraged to open CDC sub - account with any of the brokers or Investor Account directly with CDC to place their physical shares into scrip less form.

## STATEMENT UNDER SECTION 134 (3) OF THE COMPANIES ACT, 2017

The following Statement sets out all material facts relating to Special Businesses mentioned in the Notice for 39th Annual General Meeting of the members of the Synthetic Products Enterprises Limited (the “Company”):

### Agenda 6

#### Bonus Shares

The Directors are of the view that with the existing profitability, the Company’s financial position justifies capitalization of Rs. 73,976,300.00 out of the share premium account of the Company, by issuing fully paid bonus shares in the proportion of eight shares for every one hundred shares held.

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

### Agenda 7

#### Sub-Division of Shares

In order to increase the liquidity in the shares of the Company, the Board of Directors has recommended to reduce the face value of the Company from Rs. 10 (Ten) each to Rs. 5 (Five) each by way of increasing the number of shares as per section 85 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 in the Company.

### Agenda 8

#### Increase in Authorised Capital of the Company

In order to facilitate the future increase in the paid-up capital of the Company, it has been recommended by the Board of Directors to increase the Authorised Capital of the Company from Rs. 1,000,000,000/- (Rupees One Billion Only) to Rs. 1,500,000,000/- (One Billion Five Hundred Million Only).

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

### Agenda 9

#### Remuneration of Related Party

As per the Articles of Association of the Company, the Board of Directors has to determine the remuneration of Directors. During the meeting, it was pointed out that as the majority of directors were interested in this agenda, therefore the matter was referred to the shareholders for ratification & approval as special resolution as per requirements of the law.

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	Dr. Sheikh Muhammad Naqi
(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	Lineal Descendants
(iv)	Amount of Transaction(s)	Rs. 600,000 per month
(v)	Timeframe or duration of the transactions of contracts or arrangements;	01-07-2021 to 30-06-2024
(vi)	Detail, description, terms and conditions	N/A
(vii)	Pricing policy	N/A

## STATEMENT UNDER SECTION 166 (3) OF THE COMPANIES ACT, 2017

Any person who is eligible under section 153 and meets the criteria under section 166(2) of the Companies, Act 2017, may submit a nomination to be elected as independent director. However, independent director(s) shall be elected in the same manner as other directors are elected in terms of section 159 of the Companies Act, 2017. The Company shall exercise its due diligence before selecting a person as an independent director and ensure that his/her name is duly included in the databank of independent directors maintained by the Pakistan Institute of Corporate Governance. A final list of contesting candidates will be published in Newspapers not later than seven days before the date of the said meeting in terms of section 159(4). Further, the website of the company will also be updated with the required information for each Director.

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

### آڈیٹرز (محاسب) کی تقرری

موجودہ آڈیٹرز مینسرز KPMG تاخیر مادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس آئینہ 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 2021-22 کے لیے کمپنی کے آڈیٹرز کی حیثیت سے ان کی دوبارہ تقرری کی سفارش کی ہے۔

### شیر ہولڈنگ کا پیئر

شیر ہولڈنگ کا پیئر رپورٹ ہذا کے ہمراہ 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 5.6.4 کے مقاصد کے لئے "ایگزیکٹو" تصور کیا جانا چاہئے۔
- 30 جون 2021 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۔

### مستقبل کا نقطہ نظر

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

### انتہائی شکر

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 یکا کر دہ 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

24 اگست 2021

لاہور

### کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

کمپنی کمپنیز ایکٹ 2019 اور لسٹڈ کمپنیز (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 تیار کی گئی، فنانشل سسٹمز، کمپنی کے موجودہ امور، اس کے آپریشنز کے نتائج، کیش 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 آئینہ انداز فیصلوں پر مبنی ہیں۔
- فنانشل سسٹمز کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ اسٹینڈرڈز کی پیروی کی گئی ہیں، اور کسی بھی غیر مطابقت کو مناسب اور واضح طور پر بیان کیا گیا ہے۔
- انٹرل کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور مؤثر 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 کے لئے کلیدی آپریٹنگ اور مالیاتی ڈیٹا منسلک ہے۔
- ٹیکس اور لیوی کے بارے میں معلومات فنانشل سسٹمز کے نوٹ میں دی گئی ہیں۔
- کمپنی کی طرف سے حاصل کردہ تمام قرضوں کے سلسلہ میں کسی بھی تاخیر سے ادائیگی یا ڈیفالٹ کا کوئی امکان نہیں ہے۔
- ہماری کمپنی کو اقتصادی خطرات کے سوا کوئی مادی خطرات اور مخصوص غیر یقینی صورت حال درپیش نہیں ہے۔
- ہمارے کاروبار کے ماحول پر کوئی اثرات نہیں ہیں۔
- کمپنی اپنے تمام اہل ملازمین کے لئے ایک کنٹری بیوٹری پراویڈنٹ فنڈ سکیم چلاتی ہے۔ کمپنی کے پراویڈنٹ کی مدد میں کی جانے والی سرمایہ کاری کی قدر 30 جون 2021 کے مطابق اور دیگر متعلقہ معلومات فنانشل سسٹمز کے نوٹ میں مذکور ہیں۔

## ڈائریکٹرز کی رپورٹ برائے سال 30 جون 2021ء

### محترم شیئر ہولڈرز

آپ کی کمپنی کے ڈائریکٹرز 30 جون 2021ء کو ختم ہونے والے سال کے لئے کمپنی کے آپریشنز کے نتائج پر سالانہ رپورٹ معاً ڈیٹڈ اکاؤنٹس آپ کے روبرو بخوشی پیش کرتے ہیں۔

### فنانشل جائزہ

اللہ تعالیٰ کے فضل سے مالی سال 2021 کمپنی کیلئے ایک اور کامیاب سال تھا جس میں سلاز 4,171 ملین روپے (2020: 3,097 ملین روپے) تک پہنچ گئی جو کہ گزشتہ سال سے 35 فیصد اضافی ہے۔

اس سال ہماری سرمایہ کاری کی توجہ توسیع، پیداوار میں اضافے اور مینوفیکچرنگ کی لاگت کو کم کرنے پر مرکوز رہی ہے۔ ہم یہ مطلع کرے ہوئے خوشی محسوس کرتے ہیں کہ زیر جائزہ سال کے دوران کمپنی نے کراچی میں نئے مینوفیکچرنگ پلانٹ کا افتتاح کیا ہے۔ کراچی پلانٹ نے صارفین کو مصنوعات کی فراہمی شروع کر دی ہے۔

صلاحیت اور استطاعت کو بہتر بنانے کیلئے کمپنی نے آپریٹنگ فلوئڈ ایسٹس میں 430 ملین روپے (2020: 224 ملین روپے) کی سرمایہ کاری کی ہے۔ بہتر کارکردگی کے ذریعے اعلیٰ معیار اور برقت ترسیل کو یقینی بنانے کیلئے ٹیکنالوجی کی اپ گریڈیشن اور آٹومیشن پر بھی خطیر رقم خرچ کی گئی ہے۔

زیر جائزہ سال میں کمپنی نے مختلف چیلنجز جیسا کہ سمارٹ لاک ڈاؤن، محدود کاروباری نقل و حمل اور صارفین کی طلب میں تبدیلی کا سامنا کیا۔ ان عوامل کے باوجود آپ کی کمپنی نے بعد از ٹیکس منافع میں 78 فیصد اضافہ حاصل کیا۔

### مالیاتی نتائج

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

	2021 (ملین روپے)	2020 (ملین روپے)
سلاز	4,171.02	3,097.55
مجموعی منافع	898.67	572.94
آپریٹنگ منافع	696.24	392.94
فنانشل لاگت	46.15	73.71
قبل از ٹیکس منافع	638.83	322.00
ٹیکس	178.60	63.19
بعد از ٹیکس منافع	460.23	258.81

### ڈیویڈنڈ

فائنل کیش ڈیویڈنڈ @ 5% (@ 10% : 2020)	46.24	88.49
فائنل بونس ڈیویڈنڈ @ 8% (Nil : 2020)	73.98	Nil

### فی شیئر آمدنی

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

بنیادی اور معدّل آمدنی فی شیئر 2021ء	5.07 روپے
بنیادی اور معدّل آمدنی فی شیئر 2020ء	2.89 روپے

### کارپوریٹ سماجی ذمہ داری

SPEL کمیونٹی کی مدد کرنے میں یقین رکھتی ہے اور سماجی فلاح اور قومی مفاد کے بنیادی اقدامات میں شرکت کرنے کی پالیسی رکھتی ہے۔ ہم استحکام اور ماحولیاتی تحفظ کی اپنی ذمہ داریوں کو قبول کرتے ہیں۔ ہم یہ یقینی بنانے کے لئے کوشاں ہیں کہ یہ ذمہ داری نہ صرف ہمارے ملازمین اور ہمارے پلائس کی سائنس پر ہمارے عزم کو پورا کرتی ہے، بلکہ ہمارے گیسٹس سے آگے دیگر اسٹیک ہولڈرز بشمول کمیونٹیوں تک بھی توسیع دیتے ہیں۔

مالی سال کے دوران چند سی ایس آر سرگرمیاں سرانجام دی گئی ہیں:

- غیر منافع بخش تنظیموں کو عطیات دینا۔
- اپنی تعلیم میں اضافہ کرنے کے خواہش مند متعلق ملازمین کو مالی مدد فراہم کی ہے۔
- فری میڈیکل ٹیسٹ کا اہتمام۔
- ضرورت مند طلباء کو کالرشپ گرانٹ میا 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، کمیونیکیشن، مسلسل ترقی اور انفرادی تربیت کی حوصلہ افزائی کرتی ہے۔ زیر جائزہ مدت کے دوران کمپنی نے ملازمین کی تربیت پر 3,986 گھنٹے انویسٹ کئے۔ کمپنی اپنے ملازمین کی مہارتوں، علم اور صلاحیتوں کو بہتر بنانے کے لئے اندرونی اور بیرونی دستیاب وسائل کو بروئے کار لاتی ہے۔

ترقیی کورسز میں کووڈ آگاہی پروگرام، سپروائزری سکلز، فائز اینڈرٹیسٹنگ، کانزن، 6S، QCC اور ٹیکنیکل اور مینجریل ماڈیولز شامل ہیں۔

### بورڈ کی تشکیل

بورڈ کی تشکیل مہارت، صلاحیت اور تنوع، کوڈ آف کارپوریٹ گورننس کی ریکوایرمنٹس، کمپنی کی ضروریات کو پورا کرنے اور اس بات کا یقین کرنے کے لئے قائم کیا گیا کہ بورڈ کا جلیٹ 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
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 کمپنی 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 شرکت

زیر جائزہ سال کے دوران، بورڈ کے پانچ (05) اجلاس منعقد ہوئے ہیں جس میں ہر ڈائریکٹر کی شرکت مندرجہ ذیل ہے:

نام	عہدہ	اجلاسوں میں شرکت
جناب الماس حیدر	چیرمین / نان ایگزیکٹو ڈائریکٹر	5
ڈاکٹر ایس ایم نقی	نان ایگزیکٹو ڈائریکٹر	5
جناب ضیاء حیدر نقی	سی ای او / ایگزیکٹو ڈائریکٹر	5
جناب بارون شریف	آزاد نان ایگزیکٹو ڈائریکٹر	5
جناب خاور انور خواجہ	آزاد نان ایگزیکٹو ڈائریکٹر	5
جناب محمد تبسم منیر	آزاد نان ایگزیکٹو ڈائریکٹر	5
جناب رضا حیدر نقی	نان ایگزیکٹو ڈائریکٹر	5
ڈاکٹر نگہت ارشد	نان ایگزیکٹو ڈائریکٹر	5
جناب شیخ نصیر حیدر	نان ایگزیکٹو ڈائریکٹر	5
جناب عابد سلیم خان	ایگزیکٹو ڈائریکٹر	5

### بورڈ آڈٹ کمیٹی

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

نام	عہدہ	اجلاسوں میں شرکت
جناب بارون شریف	کمپنی چیرمین	4
جناب الماس حیدر	رکن	4
ڈاکٹر ایس ایم نقی	رکن	4
جناب محمد تبسم منیر	رکن	4
جناب رضا حیدر نقی	رکن	4

### ہیومن ریسورسز اور ریمیزیشن کمیٹی

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

نام	عہدہ	اجلاسوں میں شرکت
جناب خاور انور خواجہ	کمپنی چیرمین	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

زیر جائزہ سال کے دوران فنانس کمیٹی کے دو (02) اجلاس منعقد ہوئے۔ فنانس کمیٹی کے اراکین اور شرکت درج ذیل ہیں:

نام	عہدہ	اجلاسوں میں شرکت
جناب الماس حیدر	کمپنی چیرمین	2
جناب ضیاء حیدر نقی	رکن	2
جناب بارون شریف	رکن	2
جناب محمد تبسم منیر	رکن	2
جناب شیخ نصیر حیدر	رکن	2
جناب عابد سلیم خان	رکن	2

### ڈائریکٹرز کی ٹریننگ

اس رپورٹ کی تاریخ تک، کمپنی کے چھ (06) ڈائریکٹرز سرٹیفائیڈ ڈائریکٹرز ہیں جبکہ ایک ڈائریکٹر "ڈائریکٹرز ٹریننگ پروگرام" کی ضروریات سے مستثنیٰ ہے۔ باقی ڈائریکٹرز لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریلیگیشنز، 2019 کی ضروریات کے مطابق DTP میں شرکت کریں گے۔

### بورڈ کی کارکردگی کا تجزیہ

بورڈ نے بورڈ کے اراکین کے ذریعہ بورڈ کی 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
- چالشیں 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 شکایات 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 وائٹس کی ری ویلیڈیشن اور مالی رپورٹس کی ترسیل کے لئے چند درخواستیں وصول ہوئیں جن پر شیئر ہولڈرز کا متعلقہ مسئلہ تسلی بخش طریقے سے حل کیا گیا۔



# Glossary of Terms

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

## Form of Proxy

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



I/We \_\_\_\_\_ of \_\_\_\_\_, being member(s) of Synthetic Products Enterprises Limited, holder of \_\_\_\_\_ Ordinary Share(s) as per Registered Folio/CDC Account No. \_\_\_\_\_ hereby appoint Mr. \_\_\_\_\_ Folio / CDC Account No. \_\_\_\_\_ of \_\_\_\_\_ or failing him, Mr. \_\_\_\_\_ Folio / CDC Account No. \_\_\_\_\_ of \_\_\_\_\_, as my / our Proxy in my / our absence to attend and vote for me / us, and on my / our behalf at the 39th Annual General Meeting of the Company to be held on October 27, 2021 and at any adjournment thereof.

Signed under my / our hand(s) this \_\_\_\_\_ day of \_\_\_\_\_ 2021.

_____ Signature of Proxy	_____ Signature of Member (Signature across Rs. 5 Revenue Stamp)
<b>Signed in the presence of:</b>	
Signature of Witnesses _____	Signature of Witnesses _____
Name: _____	Name: _____
Address: _____	Address: _____
_____	_____
CNIC No. _____	CNIC No. _____

- Important:**
- 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.
  - 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.
  - 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.

## مختار نامہ (پراکسی فارم)

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



میں / ہم / مسماۃ \_\_\_\_\_  
ساکن \_\_\_\_\_ ضلع \_\_\_\_\_  
بحیثیت رکن (ممبر) سنیٹھیک پراڈکٹس انٹرپرائزز لمیٹڈ مقرر کرتا ہوں / کرتی ہوں / کرتے ہیں مسماۃ \_\_\_\_\_  
ساکن \_\_\_\_\_

کو بطور میرا / ہمارا مختار (پراکسی) سنیٹھیک پراڈکٹس انٹرپرائزز لمیٹڈ کے سالانہ اجلاس عام میں جو مورخہ 27 اکتوبر 2021 کو بوقت 11:00 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 \_\_\_\_\_ 2021 کے میرے / ہمارے دستخط سے جاری ہوا۔

فولیو نمبر	سی ڈی سی کھاتہ نمبر	حصص کی تعداد

دستخط

گواہ نمبر 1

دستخط

نام

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر

پتہ

گواہ نمبر 2

دستخط

نام

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر

پتہ

### ہدایات:

- ممبر (رکن) کے دستخط، نمونہ دستخط شدہ / اندراج شدہ دستخط سے مماثلت ضروری ہے۔
- 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۔
- مختار نامہ (پراکسی فارم) مکمل پر شدہ کمپنی کے رجسٹرار آفس میں اجلاس کے مقررہ وقت سے کم از کم 48 گھنٹے قبل جمع کرانا ضروری ہے۔

AFFIX  
CORRECT  
POSTAGE

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



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



**Synthetic Products Enterprises Limited**

127-S Qaid-e-Azam Industrial Estate,

Township, Kot Lakhpat, Lahore, Pakistan

Phone: 042 111 005 005 | Fax: 042 351 18507