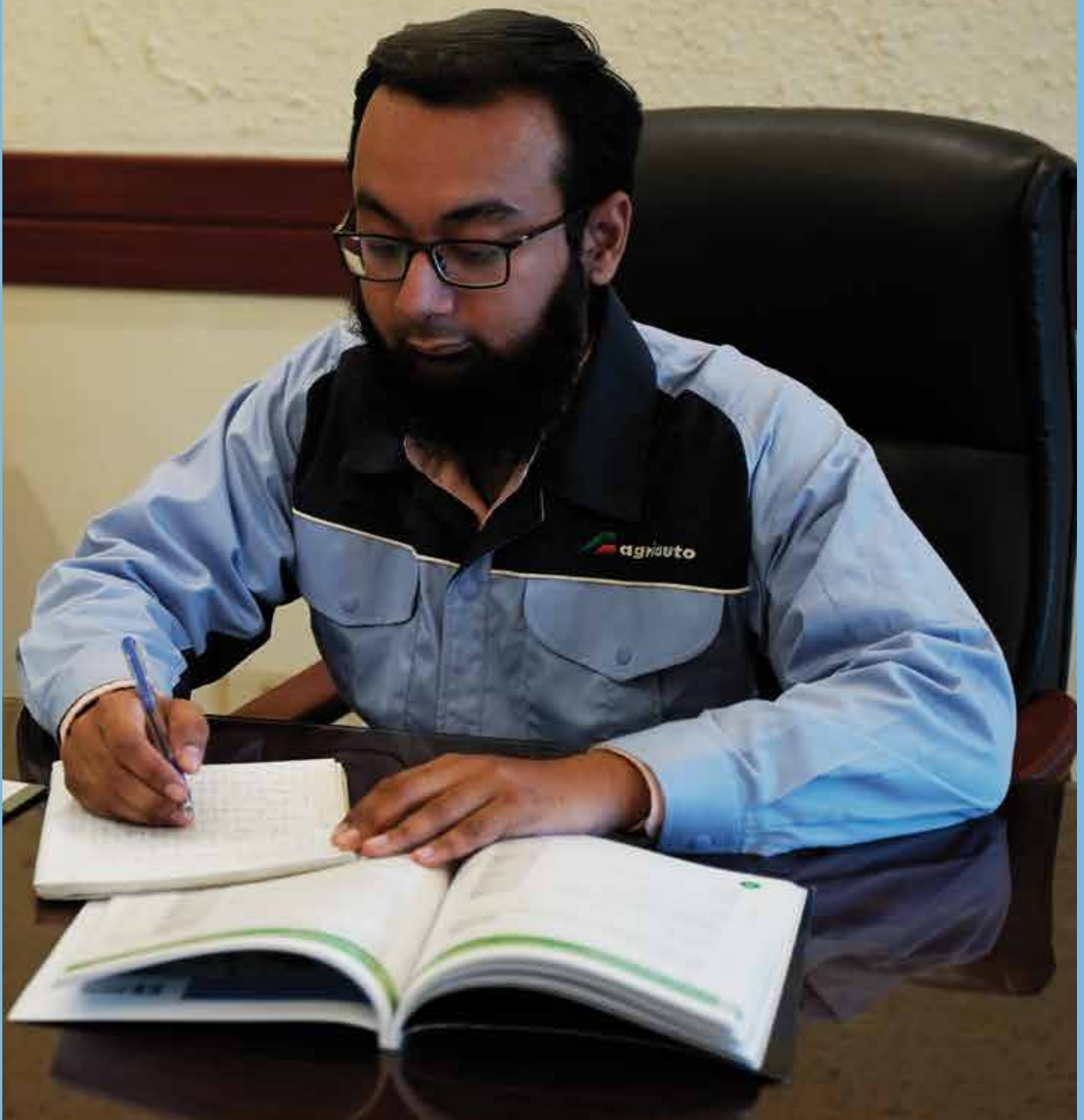
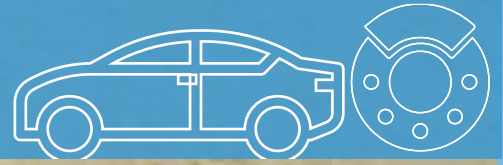


FINANCIAL STATEMENTS (CONSOLIDATED)



CONSOLIDATED STATEMENT OF FINANCIAL POSITION


AS AT JUNE 30, 2021

	Note	2021 ----- (Rupees in '000) -----	2020
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	2,281,986	2,159,468
Right-of-use assets	8	18,740	15,351
Intangible asset	9	36,225	59,586
Long-term deposits	10	13,605	13,438
		2,350,556	2,247,843
CURRENT ASSETS			
Stores, spares and loose tools	11	129,991	120,816
Stock-in-trade	12	1,726,252	1,937,205
Trade debts	13	1,159,086	492,234
Advances, deposits, prepayments and other receivables	14	882,286	141,916
Accrued profit		1,295	1,215
Short-term investments	15	266,780	494,329
Sales tax receivable		29,461	168,275
Taxation – net		346,860	458,746
Cash and bank balances	16	225,861	131,195
		4,767,872	3,945,931
TOTAL ASSETS		7,118,428	6,193,774
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 40,000,000 (2020: 40,000,000) ordinary shares of Rs. 5/- each		200,000	200,000
Issued, subscribed and paid-up capital	17	144,000	144,000
Reserves		5,627,004	4,970,140
		5,771,004	5,114,140
NON CURRENT LIABILITIES			
Deferred taxation - net	18	85,003	62,123
Lease liabilities	19	13,305	8,712
		98,308	70,835
CURRENT LIABILITIES			
Trade and other payables	20	1,134,084	970,232
Current maturity of lease liabilities	19	7,425	6,325
Sales tax payable		36,449	-
Unpaid dividend	21	11,655	11,971
Unclaimed dividend	21	22,857	20,271
Short-term running finance	22	36,646	-
		1,249,116	1,008,799
CONTINGENCIES AND COMMITMENTS			
	23		
TOTAL EQUITY AND LIABILITIES		7,118,428	6,193,774

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.



DIRECTOR



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 ----- (Rupees in '000) -----	2020
Turnover – net	24	10,485,027	5,244,651
Cost of sales	25	(8,872,898)	(4,993,185)
Gross profit		1,612,129	251,466
Distribution cost	26	(122,705)	(75,446)
Administrative expenses	27	(249,388)	(247,122)
		(372,093)	(322,568)
Operating profit / (loss)		1,240,036	(71,102)
Other expenses	28	(100,583)	(7,544)
Other income	29	67,937	56,886
Finance cost		(4,125)	(3,209)
		(36,771)	46,133
Profit / (loss) before taxation		1,203,265	(24,969)
Taxation	30	(373,601)	(83,469)
Net profit / (loss) for the year		829,664	(108,438)
Net profit / (loss) attributable to owners of the Holding Company		829,664	(108,438)
		----- (Rupees) -----	
Earnings / (loss) per share – basic and diluted	31	28.81	(3.77)

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.



DIRECTOR



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2021

	2021	2020
	----- (Rupees in '000) -----	
Net profit / (loss) for the year	829,664	(108,438)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the year	829,664	(108,438)
Total comprehensive income / (loss) attributable to owners of the Holding Company	829,664	(108,438)

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.



DIRECTOR



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2021

	Issued, subscribed and paid-up capital	Reserves			Total reserves	Total equity
		Capital reserve Share premium	Revenue reserves			
		General	Unappropriated profit			
----- (Rupees in '000) -----						
Balance as at June 30, 2019	144,000	12,598	3,065,000	2,202,580	5,280,178	5,424,178
Final dividend for the year ended June 30, 2019 @ Rs. 7.0/- per share	-	-	-	(201,600)	(201,600)	(201,600)
Transfer to general reserve	-	-	(750,000)	750,000	-	-
Net loss for the year	-	-	-	(108,438)	(108,438)	(108,438)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(108,438)	(108,438)	(108,438)
Balance as at June 30, 2020	144,000	12,598	2,315,000	2,642,542	4,970,140	5,114,140
Final dividend for the year ended June 30, 2020 @ Re. 1.0/- per share	-	-	-	(28,800)	(28,800)	(28,800)
Interim dividend for the year ended June 30, 2021 @ Rs. 5.0/- per share	-	-	-	(144,000)	(144,000)	(144,000)
Net profit for the year	-	-	-	829,664	829,664	829,664
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	829,664	829,664	829,664
Balance as at June 30, 2021	144,000	12,598	2,315,000	3,299,406	5,627,004	5,771,004

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.



DIRECTOR



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 ----- (Rupees in '000) -----	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	588,683	849,439
Long-term deposits paid		(167)	-
Finance cost paid		(1,903)	(850)
Income tax paid		(238,835)	(14,563)
Net cash generated from operating activities		347,778	834,026
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(435,370)	(431,791)
Proceeds from disposal of intangible asset		14,054	-
Proceeds from disposal of operating fixed assets		39,916	21,227
Short-term investments in mutual fund redeemed		52,972	1,491
Profit received on short-term investments - term deposit receipts		28,865	24,239
Profit received on deposit accounts		10,335	19,036
Dividend received		-	5,882
Net cash used in investing activities		(289,228)	(359,916)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(170,530)	(199,624)
Lease payments		(7,000)	(8,669)
Net cash used in financing activities		(177,530)	(208,293)
Net (decrease) / increase in cash and cash equivalents		(118,980)	265,817
Cash and cash equivalents at the beginning of the year	33	574,195	308,378
Cash and cash equivalents at the end of the year	33	455,215	574,195

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.



DIRECTOR



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

1 THE GROUP AND ITS OPERATIONS

1.1 Agriauto Industries Limited (the Holding Company) was incorporated in Pakistan on June 25, 1981 as a public limited company and is listed on Pakistan Stock Exchange Limited. The Holding Company is engaged in the manufacture and sale of components for automotive vehicles, motor cycles and agricultural tractors. The registered office of the Holding Company is situated at 5th Floor, House of Habib, Main Shahrah-e-Faisal, Karachi.

1.2 The Group comprises of the Holding Company and Agriauto Stamping Company (Private) Limited (the Subsidiary Company). The Subsidiary Company was incorporated in Pakistan on January 20, 2012 as a private limited company. The Subsidiary Company is engaged in stamping of sheet metal parts, dies, fixtures primarily for the automotive industry and has commenced its commercial operations on 02 July, 2014. The registered office of the Subsidiary Company is situated at 5th Floor, House of Habib, Main Shahrah-e-Faisal, Karachi.

1.3 Geographical location and addresses of all the business units are as under:

Location	Business unit
Karachi 5th Floor, House of Habib, Main Shahrah-e-Faisal.	Registered office
DSU-12B, Downstream Industrial Estate, Pakistan Steel Mills, Bin Qasim Town, Karachi, Karachi city, Sindh	Manufacturing Facility
Hub Mouza Baroot, Hub Chowki Distt. Lasbella, Balochistan.	Manufacturing Facility

2 STATEMENT OF COMPLIANCE

These consolidated 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 (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act); and
- Provisions of and directives issued under the Act.

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

3 BASIS OF MEASUREMENT

3.1 These consolidated financial statements have been prepared under the historical cost convention except for short-term investments in mutual fund classified at fair value through profit or loss and lease liabilities under present value as disclosed in respective notes to the consolidated financial statements.

3.2 These consolidated financial statements are presented in Pak Rupees which is the Group's functional and presentation currency.

4 NEW STANDARDS, AMENDMENTS, IMPROVEMENTS TO APPROVED ACCOUNTING STANDARDS AND THE FRAMEWORK FOR FINANCIAL REPORTING

4.1 Amendments to approved accounting standards and the framework for financial reporting that became effective during the current year

The Group has adopted the following amendments to International Financial Reporting Standards (IFRSs) and the framework for financial reporting which became effective for the current year:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Amendment and Conceptual Framework

IFRS 3 - Business Combinations - Definition of a Business (Amendments)

IFRS 9 / IAS 39 / IFRS 7 - Interest Rate Benchmark Reform (Amendments)

IAS 1 / IAS 8 - Definition of Material (Amendments)

Conceptual Framework for Financial Reporting

The adoption of above amendments to the approved accounting standards and the conceptual framework for financial reporting did not have any material impact on the Group's consolidated financial statements.

4.2 Standards, amendments and improvements to the approved accounting standards that are not yet effective

The following standards, amendments and improvements to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Amendment or Improvement	Effective date (annual periods beginning on or after)	
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform - Phase 2 (Amendment)	01 January 2021
IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments)	01 April 2021
IFRS 3	Reference to the Conceptual Framework (Amendments)	01 January 2022
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use (Amendments)	01 January 2022
IAS 37	Onerous Contracts – Costs of Fulfilling a Contract (Amendments)	01 January 2022
IAS 1	Classification of Liabilities as Current or Non-current (Amendments)	01 January 2023
IAS 1	Disclosure of Accounting Policies (Amendments)	01 January 2023
IAS 8	Definition of Accounting Estimates (Amendments)	01 January 2023
IAS 12	Deferred tax related to Assets and Liabilities arising from a single transaction	01 January 2023

Improvements to Accounting Standards Issued by the IASB (2018-2020 cycle)

IFRS 9	Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities	01 January 2022
IAS 41	Agriculture – Taxation in fair value measurements	01 January 2022
IFRS 16	Leases: Lease incentives	01 January 2022

The above amendments and improvements are not expected to have any material impact on the Group's consolidated financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan and are not expected to have any material impact on the Group's consolidated financial statements in the period of initial application.

Standard	Effective date (annual periods beginning on or after)	
IFRS 1	First-time Adoption of International Financial Reporting Standards	01 January 2004
IFRS 17	Insurance Contracts	01 January 2023

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Basis of consolidation

These consolidated financial statements include the financial statements of the Holding Company and its subsidiary company, here-in-after referred to as “the Group”.

A company is a subsidiary, if an entity (the Holding Company) directly or indirectly controls, beneficially owns or holds more than fifty percent of its voting securities or otherwise has power to appoint or remove majority of its directors. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiary are prepared for the same reporting year as the Holding Company, using consistent accounting policies. The accounting policies of the subsidiary have been changed to conform with accounting policies of the Group, where required.

The assets, liabilities, income and expenses of subsidiary company are consolidated on a line by line basis and carrying value of investments held by the Holding Company is eliminated against the subsidiary company's shareholders' equity in the consolidated financial statements. All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

5.2 Property, plant and equipment

5.2.1 Operating fixed assets

These are stated at cost less accumulated depreciation and impairment loss, if any, except for freehold land which are stated at cost.

Depreciation on operating fixed assets is charged to the consolidated statement of profit or loss applying the reducing balance method at the rates specified in note 7.1 to these consolidated financial statements. Depreciation on additions is charged from the month of addition and in case of deletion, prior to the month of disposal. Maintenance and normal repairs are charged to consolidated statement of profit or loss as and when incurred, while major renewals and improvements are capitalised. Gains or losses on disposals of operating fixed assets, if any, are included in consolidated statement of profit or loss.

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or related cash-generating units are written down to their recoverable amount.

5.2.2 Capital work in progress

These are stated at cost less impairment in value, if any. Capital work in progress consist of expenditure incurred and advance made in respect of operating fixed assets in the course of their construction and installation.

5.3 Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received as applicable. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated using straight line method over the lease term. Right-of-use assets are subject to impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

5.4 Development costs or Intangible assets

Development costs are expensed as incurred, except for development costs that relate to the design of new or improved products which are recognised as an asset to the extent that it is expected that such asset will meet the recognition criteria mentioned in IAS – 38 “Intangible Assets”. These amounts are amortised at the rate disclosed in note 9 to these consolidated financial statements.

5.5 Stores, spares and loose tools

Stores, spares and loose tools are stated at cost less provision for slow moving and obsolete items. The cost is determined by the weighted moving average cost method except for those in transit which are valued at actual cost.

5.6 Stock-in-trade

Stock-in-trade, except goods-in-transit, is stated at the lower of net realisable value (NRV) and cost determined as follows:

Raw and packing materials	Moving average basis.
Work-in-process	Cost of direct materials plus conversion cost valued on the basis of equivalent production units.
Finished goods	Cost of direct materials plus conversion cost valued on time proportion basis.

Goods-in-transit are valued at purchase price, freight value and other charges incurred thereon upto the reporting date.

Stock-in-trade is regularly reviewed by the management and obsolete items, if any, are brought down to their NRV. NRV signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

5.7 Trade debts and other receivables

Trade debts and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method less an allowance for expected credit losses, if any. Allowance for expected credit losses is based on lifetime ECLs that result from all possible default events over the expected life of the trade debts and other receivables. Bad debts, if any, are written off when considered irrecoverable.

5.8 Cash and cash equivalents

For the purpose of consolidated statement of cash flow, cash and cash equivalents comprise of cash in hand, bank balances, short-term running finance and short-term investments with a maturity of three months or less from the date of acquisition. The cash and cash equivalents are readily convertible to known amount of cash and are therefore subject to insignificant risk of changes in value.

5.9 Financial instruments

5.9.1 Financial assets

The financial assets of the Group mainly include long term deposits, trade debts, loans, deposits, short-term investments, accrued profit, other receivables and cash and bank balances.

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value through Profit or Loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Based on the business model of the Group, the financial assets of the Group are measured and classified under IFRS 9 as follows;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Trade debts and other financial assets are measured at amortised cost using the effective interest rate method less an allowance for expected credit losses, if any.

Short-term investments in mutual fund are designated at FVTPL at initial recognition. These are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

5.9.2 Financial liabilities

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. For the purpose of subsequent measurement financial liabilities are either classified at amortised cost or fair value through profit or loss. The Group does not have any financial liability at fair value through profit or loss.

5.9.3 Impairment of financial assets - allowance for expected credit losses

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

At each date of statement of financial position, the Group assesses whether financial assets are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the respective asset.

The Group uses the standard's simplified approach and calculates ECL based on life time ECL on its financial assets. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the financial assets and the economic environment.

5.9.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

5.9.5 Impairment of non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax assets are assessed at date of statement of financial position to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognised, as an expense in the consolidated statement of profit or loss. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

5.10 Lease liabilities

The Group assesses at contract inception whether a contract is, or contains, a lease, i.e. if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the commencement date of the lease if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

5.10.1 Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on such leases are recognised as expense on a straight-line basis over the lease term.

5.11 Employees' benefits

Provident fund

The Group operates a recognised provident fund scheme (defined contribution plan) for all its employees who are eligible for the scheme in accordance with the Group's policy. Contributions in respect thereto are made in accordance with the terms of the scheme.

5.12 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, or minimum tax on turnover or Alternate Corporate Tax whichever is higher in accordance with the provisions of the Income Tax Ordinance, 2001. The Group has opted for Group Taxation under section 59AA of the Income Tax Ordinance, 2001. The Group consists of Agriauto Industries Limited (the Holding Company) and Agriauto Stamping Company (Private) Limited - wholly owned Subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Deferred

Deferred tax is recognised, using the liability method, on all temporary differences at the date of statement of financial position between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in future and taxable income will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each date of statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part for the deferred tax asset to be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at date of statement of financial position.

5.13 Provisions

Provision is recognised in the consolidated statement of financial position when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an 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. Provisions are reviewed at each year end and adjusted to reflect the current best estimate.

5.14 Warranty obligations

The Group recognises the estimated liability to repair or replace products under warranty at the year end on the basis of historical experience. The warranty provided by the Group to the customer is assurance warranty and accordingly is accounted for under IAS 37 "Provision, contingent liabilities and contingent assets".

5.15 Foreign currency transactions

Transactions in foreign currencies are accounted for in Pakistani Rupees at the foreign exchange rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are re-translated into rupees at the foreign exchange rates approximating those prevailing at the statement of financial position date. Exchange differences if any are taken to the consolidated statement of profit or loss.

5.16 Revenue recognition

Revenue from contracts with customers is recognised when the control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods according to the negotiated contractual terms. The Group has generally concluded that it acts as a principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Performance obligations held by the Group are not separable, and are not partially satisfied, since they are satisfied at a point in time, when the customer accepts the products. Moreover, the payment terms identified in most sources of revenue are short-term usually 30 to 60 days upon delivery, without any variable considerations, financing components and guarantees.

The Group recognises an account receivable when the performance obligations have been met, recognising the corresponding revenue. Moreover, the considerations received before satisfying the performance obligations are recognised as advances from customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Return on bank deposits / saving accounts is recognised on accrual basis.

Return on short term investments is recognised on accrual basis.

Dividend income is recognised when the Group's right to receive the dividend is established.

Other income, if any, is recognised on accrual basis.

5.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

5.18 Dividends and appropriation to reserve

Dividend and appropriation to reserve are recognised in the consolidated financial statements in the period in which these are approved.

5.19 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the process of applying the accounting policies, management has made the following judgments and estimates which are significant to these consolidated financial statements:

	Notes
- residual values, method of depreciation useful lives and impairment of assets	5.2, 5.3, 5.4, 7.1,8 & 9
- allowance for expected credit losses	5.7, 5.9.3 & 13.1
- provision for tax and deferred tax	5.12,18 & 29
- warranty obligations	5.14 & 20.3
- Net realisable value (NRV) of stock-in-trade	5.6 & 12
- leases	5.10 & 19

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 ----- (Rupees in '000) -----	2020 -----
7 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	7.1	2,122,078	1,966,910
Capital work-in-progress	7.5	159,908	192,558
		2,281,986	2,159,468

7.1 Operating fixed assets

	COST				ACCUMULATED DEPRECIATION			WRITTEN DOWN VALUE	
	As at July 01, 2020	Additions / transfer* / (disposals)	As at June 30, 2021	Depreciation rate %	As at July 01, 2020	Charge for the year (Note 7.2)	(On disposals)	As at June 30, 2021	As at June 30, 2021
	----- (Rupees in '000) -----					----- (Rupees in '000) -----			
Owned									
Freehold land	1,652	-	1,652	-	-	-	-	-	1,652
Leasehold land	29,418	-	29,418	1.79	4,201	525	-	4,726	24,692
Building on freehold land	200,240	-	288,764	10	116,535	14,272	-	130,807	157,957
		88,524 *							
Building on leasehold land	422,471	-	422,471	10	168,765	25,371	-	194,136	228,335
Plant and machinery	2,315,673	17,954	2,470,434	10 – 20	936,928	153,150	(15,299)	1,074,779	1,395,655
		159,443 *							
		(22,636)							
Furniture and fittings	37,901	1,040	38,941	15	14,073	3,680	-	17,753	21,188
Vehicles	105,304	111,339	165,797	20	55,396	13,305	(27,745)	40,956	124,841
		3,905 *							
		(54,751)							
Office equipment	9,107	1,189	10,296	20	5,555	714	-	6,269	4,027
Computer equipment	37,684	3,012	38,241	33	33,411	1,975	(2,285)	33,101	5,140
		(2,455)							
Dies and tools	319,563	-	396,115	40	177,239	60,285	-	237,524	158,591
		76,552 *							
2021	3,479,013	134,534	3,862,129		1,512,103	273,277	(45,329)	1,740,051	2,122,078
		328,424 *							
		(79,842)							

* represents transfer from capital work-in-progress to operating fixed assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	COST			Depreciation rate %	ACCUMULATED DEPRECIATION			WRITTEN DOWN VALUE	
	As at July 01, 2019	Additions /transfer*/ (disposals)	As at June 30, 2020		As at July 01, 2019	Charge for the year (Note 7.2)	As at June 30, 2020		As at June 30, 2020
	(Rupees in '000)				(Rupees in '000)				
Owned									
Freehold land	1,652	-	1,652	-	-	-	-	1,652	
Leasehold land	29,418	-	29,418	1.79	3,676	525	4,201	25,217	
Building on freehold land	192,420	1,212 6,608 *	200,240	10	107,307	9,228	116,535	83,705	
Building on leasehold land	379,833	524 42,114 *	422,471	10	140,970	27,795	168,765	253,706	
Plant and machinery	1,817,150	96,346 413,091 * (10,914)	2,315,673	10 – 20	790,463	148,574 (2,109)	936,928	1,378,745	
Furniture and fittings	28,038	6,522 4,261 * (920)	37,901	15	12,136	2,728 (791)	14,073	23,828	
Vehicles	115,387	6,572 (16,655)	105,304	20	50,208	13,089 (7,901)	55,396	49,908	
Office equipment	8,730	377	9,107	20	4,824	731	5,555	3,552	
Computer equipment	37,191	948 (455)	37,684	33	31,830	1,978 (397)	33,411	4,273	
Dies and tools	159,292	53,983 106,288 *	319,563	40	110,398	66,841	177,239	142,324	
2020	2,769,111	166,484 572,362 * (28,944)	3,479,013		1,251,812	271,489 (11,198)	1,512,103	1,966,910	

* represents transfer from capital work-in-progress to operating fixed assets.

7.2 Depreciation charge for the year has been allocated as follows :

	Note	2021 ----- (Rupees in '000) -----	2020
Cost of sales	25	261,492	259,931
Distribution cost	26	2,598	2,865
Administrative expenses	27	9,187	8,693
		273,277	271,489

7.3 Particulars of immovable properties (i.e. freehold land, leasehold land, building on freehold land and building on leasehold land) in the name of the Group, are as follows:

Location	Use of immovable properties	Total area
Mouza Baroot, Hub Chowki, Distt. Lasbella, Balochistan	Manufacturing Facility	18.4 acres
DSU-12B, Downstream Industrial Estate, Pakistan Steel Mills, Bin Qasim Town, Karachi, Karachi city, Sindh	Manufacturing Facility	6.08 acres

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

7.4 Particulars of disposal of each operating fixed asset having book value of five hundred thousand rupees or more, where aggregate book value of that class of assets exceeds five million rupees are as follows:

Particulars	Cost	Book value	Sales proceeds	Gain / (loss)	Mode of disposal	Particulars of buyer	Relationship
Plant and machinery							
Piston Rod							
Longitudinal Buffing Machine	6,907	1,776	1,675	(101)	Auction	M/s. New ABC Neelam Ghar	Independent Purchasers
Spin Closing for IMV-640	8,424	4,900	1,400	(3,500)	Auction	M/s. New ABC Neelam Ghar	Independent Purchasers
Vehicles							
Toyota Corolla	2,303	705	806	101	Company policy	Mr. Fahim Kapadia	Chief Executive Officer
Toyota Corolla	1,753	570	695	125	Company policy	Mr. Hassan M. Khan	Employee
Toyota Corolla	1,753	603	1,950	1,347	Insurance claim	Habib Insurance Company Limited	Independent Purchasers
Suzuki Swift	1,375	559	756	197	Company policy	Mr. Mian Muhammad Saeed	Employee
Suzuki Cultus	1,391	585	768	183	Company policy	Mr. Amjad Elahi	Employee
Suzuki Cultus	1,250	544	627	83	Company policy	Mr. Shezan Ali Fareed	Employee
Suzuki Cultus	1,250	555	721	166	Company policy	Mr. Muhammad Sumair	Employee
Toyota Corolla	1,864	812	812	-	Negotiation	Mr. Taimoor Minwala	Independent Purchaser
Suzuki Cultus	1,250	601	695	94	Company policy	Mr. Shahid Sattar	Employee
Suzuki Cultus	1,250	601	708	107	Company policy	Mr. Minhajuddin Niazi	Employee
Suzuki Cultus	1,391	761	1,209	448	Negotiation	Mr. Farhan Siddiqui	Ex-Employee
Toyota Corolla	2,379	1,269	1,529	260	Company policy	Mr. Omar Razaq	Employee
Corolla Altis	2,379	1,321	1,586	265	Company policy	Mr. Saeed Ahmed	Employee
Suzuki Cultus	1,340	790	890	100	Company policy	Mr. Nadeemul Haque	Employee
Suzuki Cultus	1,340	790	919	129	Company policy	Mr. Mushtaq Ahmed	Employee
Suzuki Cultus	1,340	805	919	114	Company policy	Mr. Aqueel Ahmed	Employee
Suzuki Cultus	1,461	878	1,040	162	Company policy	Mr. Muhammad Akhtar Jami	Employee
Suzuki Cultus	1,528	971	1,625	654	Insurance claim	Habib Insurance Company Limited	Independent Purchasers
Suzuki Cultus	1,568	942	1,133	191	Company policy	Mr. Azeem Saadat	Employee
Corolla Altis	1,949	1,217	1,379	162	Company policy	Mr. Syed Nasruddin	Employee
Suzuki WagonR	1,264	847	949	102	Company policy	Mr. Hassan	Employee
Suzuki Alto	1,101	826	886	60	Company policy	Mr. Shaikh Adnan Sarwar	Employee
Suzuki Alto	1,101	765	827	62	Company policy	Mr. Syed Mohib Azam	Employee
Suzuki Cultus	1,745	1,387	1,443	56	Company policy	Mr. Syed Waqas Talib	Employee
	52,656	26,380	27,947	1,567			
Operating fixed assets having WDV less than Rs. 0.5 million	27,186	8,133	11,969	3,836	Various	Various	
2021	79,842	34,513	39,916	5,403			
2020	28,944	18,023	21,227	3,204			

7.5 Capital work in progress

Plant and machinery
Building on freehold land

Note	2021 ---- (Rupees in '000) ----	2020
	159,908	143,763
	-	48,795
7.5.1	159,908	192,558

7.5.1 Movement in capital work-in-progress is as follows:

As at July 01		572,176
Capital expenditure incurred / advances made during the year	192,558	200,541
Transfer to operating fixed assets during the year	300,836	(572,362)
Charged off during the year	(328,424)	(7,797)
As at June 30	(5,062)	192,558

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 ---- (Rupees in '000) ----	2020
8 RIGHT-OF-USE ASSETS			
As at July 01		15,351	-
Impact of initial application of IFRS 16		-	23,428
Additions during the year		11,466	-
Depreciation charge for the year	8.1	(8,077)	(8,077)
As at June 30		18,740	15,351
8.1 Depreciation charge for the year has been allocated as follows:			
Cost of sales	25	5,632	5,632
Distribution cost	26	781	781
Administrative expenses	27	1,664	1,664
		8,077	8,077
9 INTANGIBLE ASSET			
Cost			
As at July 01		75,502	10,736
(Disposal) / additions during the year		(14,071)	64,766
As at June 30		61,431	75,502
Accumulated amortisation			
As at July 01		(15,916)	(4,085)
Disposal during the year		5,394	-
Charge for the year	25	(14,684)	(11,831)
As at June 30		(25,206)	(15,916)
Net book value as at June 30		36,225	59,586
Annual rate of amortisation		20%	20%
10 LONG-TERM DEPOSITS			
Security deposits - considered good	10.1	13,605	13,438
10.1 Represent interest free deposits.			
11 STORES, SPARES AND LOOSE TOOLS			
Stores		58,840	73,833
Spares		63,517	41,514
Loose tools		7,634	5,469
		129,991	120,816

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	2021	2020
	----- (Rupees in '000) -----	
12 STOCK-IN-TRADE		
Raw material	1,193,542	1,731,879
Packing material	5,381	3,959
Work-in-process	98,076	49,188
Finished goods	136,623	65,860
Goods-in-transit	292,630	86,319
	1,726,252	1,937,205

12.1 Write down of stock-in-trade to net realisable value during the year amounted to Rs. Nil (2020: Rs. 77.57 million).

12.2 Reversal of write down of stock-in-trade to net realisable value during the year amounted to Rs. 70.77 million (2020: Rs. Nil).

	2021	2020
	----- (Rupees in '000) -----	
13 TRADE DEBTS - unsecured		
Considered good	1,159,086	492,234
Considered doubtful	1,951	663
Allowance for expected credit losses	(1,951)	(663)
	-	-
	1,159,086	492,234

13.1 This includes an amount of Rs. 4.04 million (2020: Rs. 3.99 million) receivable from Thal Boshoku Pakistan (Private) Limited - an associated company, against sales made by the Group.

13.2 The amount due from the related party is neither passed due nor impaired. The maximum aggregate amount receivable from the related party at the end of any month during the year was Rs 6.15 million (2020: Rs. 3.99 million).

	2021	2020
	----- (Rupees in '000) -----	
13.3 Movement in allowance for expected credit losses:		
As at July 01	663	602
Write off during the year	(149)	-
Charge for the year	1,437	61
As at June 30	1,951	663

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 ---- (Rupees in '000) ----	2020
14 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances – unsecured, considered good			
Contractors		5,532	3,120
Employees		513	756
Suppliers		3,281	2,135
		9,326	6,011
Deposits		12,125	577
Prepayments			
Insurance		4,882	5,321
Others		3,708	6,247
		8,590	11,568
Other receivables - secured, considered good	14.1	852,245	123,760
		882,286	141,916

14.1 This includes an amount of Rs. 536.61 million (2020: Rs. 28.67 million) and Rs. 301.17 million (2020: Rs. 95.09 million) receivable against LC margins and claim against Additional custom duty (note 20) from a customer respectively.

	Note	2021 ---- (Rupees in '000) ----	2020
15 SHORT-TERM INVESTMENTS			
At amortised cost			
Term deposit receipts	15.1	266,000	443,000
Accrued profit thereon		780	291
		266,780	443,291
At fair value through profit or loss			
Mutual funds - open ended			
Nil units (2020: 4,847,847 units) at NAV of Rs. Nil (2020: Rs. 10.52) each		-	51,038
		266,780	494,329

15.1 Represents one to three months term deposit receipts with commercial banks under conventional banking relationship carrying profit rate of 4% to 6.7% (2020: 5.75% to 7%) per annum and having latest maturity by September 08, 2021.

	Note	2021 ---- (Rupees in '000) ----	2020
16 CASH AND BANK BALANCES			
In hand		61	91
With banks in			
- current accounts		151,603	42,744
- deposit accounts	16.1 & 16.2	74,197	88,360
		225,800	131,104
		225,861	131,195

16.1 These carry profit rates ranging from 5.5% to 6.6% (2020: 7.1% to 13.1%) per annum.

16.2 Represents deposits and saving accounts placed with conventional banks under interest / mark-up arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

17 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2021	2020		2021	2020
Number of shares in ('000)		Ordinary shares of Rs. 5/- each	----- (Rupees in '000) -----	
22,800	22,800	Fully paid in cash	114,000	114,000
6,000	6,000	Issued as bonus shares	30,000	30,000
28,800	28,800		144,000	144,000

18 DEFERRED TAXATION - NET

Taxable temporary differences arising due to:

- accelerated tax depreciation

Deductible temporary differences arising due to:

- provisions and lease liabilities

- Unused tax losses

204,658	195,551
(119,655)	(111,613)
-	(21,815)
85,003	62,123

19 LEASE LIABILITIES

The Group has certain lease arrangements for its offices and warehouse in which rentals are payable in advance. Incidental expense related to these leases are borne by the Group. The weighted average incremental borrowing rate of the Group ranges from 8.08% to 14% (2020: 14%) per annum.

	Note	2021	2020
		----- (Rupees in '000) -----	
Lease liabilities		20,730	15,037
Current maturity of lease liabilities		(7,425)	(6,325)
	19.1	13,305	8,712

19.1 Movement of lease liabilities:

As at July 01

Impact of initial application of IFRS 16

Additions during the year

Finance cost during the year

Payments during the year

As at June 30

Current maturity of lease liabilities

15,037	-
-	21,565
11,466	-
1,227	2141
(7,000)	(8,669)
20,730	15,037
(7,425)	(6,325)
13,305	8,712

19.2 The maturity analysis of lease liabilities as at the reporting date is as follows:

Up to one year

After one year

Total lease liabilities

7,425	6,325
13,305	8,712
20,730	15,037

19.3 Expenses relating to short term leases amounted to Rs. 1.22 million (2020: Rs. 6.05 million) during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 ---- (Rupees in '000) ----	2020
20 TRADE AND OTHER PAYABLES			
Creditors	20.1	155,704	100,992
Accrued liabilities	20.3	407,051	371,111
Royalty payable		36,113	25,386
Advance from customers		2,514	225,762
Additional custom duty payable	14.1	362,001	117,424
Payable to provident fund	20.2	2,547	2,542
Withholding tax payable		-	1,301
Workers' Profit Participation Fund	20.4	4,073	4,731
Workers' Welfare Fund		27,811	821
Warranty obligations	20.5	132,887	113,285
Others		3,383	6,877
		1,134,084	970,232

20.1 This includes an amount of Rs. Nil (2020: Rs. 0.07 million) payable to Shabbir Tiles and Ceramics Limited, a related party of the Group.

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

20.3 Includes an amount of Rs. 221.07 million (2020: Rs. 187.21 million) in respect of Sindh Infrastructure Development Cess.

	Note	2021 ---- (Rupees in '000) ----	2020
20.4 Workers' Profit Participation Fund			
As at July 01		4,731	33,568
Allocation for the year	28	62,192	4,731
		66,923	38,299
Payment made during the year		(62,850)	(33,568)
As at June 30		4,073	4,731
20.5 Warranty obligations			
As at July 01		113,285	102,127
Provision for the year	26	28,143	15,076
		141,428	117,203
Claims paid during the year		(8,541)	(3,918)
As at June 30		132,887	113,285

21 UNPAID DIVIDEND / UNCLAIMED DIVIDEND

The Group has opened separate bank accounts as required under the provision of section 244 of the Companies Act, 2017 and the required amounts have been transferred accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

22 SHORT-TERM RUNNING FINANCE

Represents short-term running finance obtained from a commercial bank amounting to Rs. 36.65 million (2020: Rs. Nil). The total facility limit amounts to Rs. 370 million (2020: Rs. 410 million). The rate of mark-up on these finances ranges from 1 to 3 months KIBOR plus rates varying from 0.75% to 1.25% (2020: 1 to 3 months KIBOR plus rates varying from 0.75% to 1.25%) per annum. The facilities are secured by way of pari passu hypothecation of the Group's stock-in-trade, stores, spares, loose tools and trade debts.

23 CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

As at the reporting date, total outstanding claims on the Group by certain vendors amounted to Rs. 5.44 million (2020: Rs. 7.34 million). The management of the Group is confident that no loss is likely to occur from these claims and accordingly no provision in this respect has been made in these consolidated financial statements.

23.2 Commitments

23.2.1 Commitments in respect of outstanding letters of credit for raw material amounting to Rs. 1,320.45 million (2020: Rs. 303.63 million).

23.2.2 Commitments in respect of capital expenditure amounting to Rs. 80.47 million (2020: Rs. 37.31 million).

23.2.3 Outstanding bank guarantees issued to Sui Southern Gas Company Limited and Collector of Customs amounting to Rs. 0.39 million (2020: Rs. 0.39 million) and Rs. 7.6 million (2020: Rs. 8.62 million) respectively.

24 TURNOVER – net

2021 **2020**
----- (Rupees in '000) -----

Sales	12,281,992	6,152,296
Trade discount	(88)	(161)
Sales tax	(1,796,877)	(907,484)
	(1,796,965)	(907,645)
	10,485,027	5,244,651

24.1 Revenue recognised from amounts included in advance from customer at the beginning of the year amounted to Rs. Nil (2020: Rs. 1.06 million) as such advance was refunded back to the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 ----- (Rupees in '000) -----	2020
25 COST OF SALES			
Raw material consumed			
Opening stock	12	1,731,879	1,086,127
Purchases		6,845,587	4,432,489
		8,577,466	5,518,616
Closing stock	12	(1,193,542)	(1,731,879)
		7,383,924	3,786,737
Manufacturing expenses			
Salaries, wages and benefits		589,982	463,564
Stores, spares and loose tools consumed		275,160	136,334
Fuel and power		146,423	93,701
Amortization	9	14,684	11,831
Royalty		68,325	35,903
Depreciation on operating fixed assets	7.2	261,492	259,931
Depreciation on right-of-use assets	8.1	5,632	5,632
Transportation and travelling		98,634	77,944
Repairs and maintenance		87,253	79,422
Packing material consumed		39,031	15,395
Rent, rates and taxes		1,460	1,271
Research and development costs		144	480
Insurance		4,668	4,489
Communications and professional fee		5,209	6,247
Printing and stationery		1,449	967
Others		9,079	9,030
		1,608,625	1,202,141
Work-in-process			
Opening stock	12	49,188	43,441
Closing stock	12	(98,076)	(49,188)
		(48,888)	(5,747)
Cost of goods manufactured		8,943,661	4,983,131
Finished goods			
Opening stock	12	65,860	75,914
Closing stock	12	(136,623)	(65,860)
		(70,763)	10,054
		8,872,898	4,993,185

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

25.1 Royalty paid during the year comprise of the following:

Company name	Address	Relationship with the Group	2021 ---- (Rupees in '000) ----	2020
KYB Corporation	World Trade Center Building 4-1, Hamamatsu-Cho 2 Chome, Minato-Ku, Tokyo 105 Japan	Technical Partner	25,405	23,799
Aisin Seiki Co., Ltd	2-1, Asahi-Machi, Kariya, Aichi, 448-4650, Japan	Technical Partner	962	972
Ride Control LLC	750 Old Hickory Blvd. Suite 1-180 Brentwood, TN 37027, USA	Technical Partner	1,649	2,786
Ogihara (Thailand) Company Limited	172 Ladkrabang Industrial Estate, Soi Chalongkrung 31, Chalongkrung Rd, Lamplathiw, Ladkrabang, Bangkok 10520	Technical Partner	29,582	18,156

26 DISTRIBUTION COST	Note	2021 ---- (Rupees in '000) ----	2020
Salaries, wages and benefits		12,944	18,037
Advertisement and sales promotion		28,050	9,197
Carriage and forwarding		40,065	21,489
Travelling and conveyance		2,665	2,907
Depreciation on operating fixed assets	7.2	2,598	2,865
Depreciation on right-of-use assets	8.1	781	781
Provision for warranty claims	20.5	28,143	15,076
Legal and professional charges		1,033	-
Rent, rates and taxes		-	204
Communications		314	235
Insurance		3,492	2,178
Repairs and maintenance		1,226	1,682
Others		1,394	795
		122,705	75,446

27 ADMINISTRATIVE EXPENSES	Note	2021	2020
Salaries, wages and benefits		95,096	88,825
Legal and professional charges		67,425	74,804
Travelling and conveyance		16,732	15,895
Repairs and maintenance		28,151	22,182
Depreciation on operating fixed assets	7.2	9,187	8,693
Depreciation on right-of-use assets	8.1	1,664	1,664
Security services		13,763	11,820
Communications and professional fee		3,956	3,333
Printing and stationery		1,333	1,564
Rent, rates and taxes		1,366	6,051
Utilities		1,798	2,028
Auditors' remuneration	27.1	3,087	2,760
Insurance		1,834	1,847
Fuel and power		-	258
Others		3,996	5,398
		249,388	247,122

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 ----- (Rupees in '000) -----	2020
27.1 Auditors' remuneration			
Audit fee for standalone financial statements		1,470	1,225
Audit fee for consolidated financial statements		210	175
Fee for review of half yearly financial statements		264	170
Other certifications		788	848
Out of pocket expenses		355	342
		3,087	2,760
28 OTHER EXPENSES			
Workers' Profit Participation Fund	20.4	62,192	4,731
Workers' Welfare Fund		27,112	-
Donations	28.1	9,417	2,575
Allowance for expected credit loss		1,862	238
		100,583	7,544
28.1 Donation to following parties equals to or exceeds 10% of the Group's total donations or Rs. 1 million, whichever is higher:			
		2021 ----- (Rupees in '000) -----	2020
Habib Educational Trust		2,500	2,000
Mohammed Ali Habib Welfare Trust		4,325	-
Jam Ghulam Qadir Hospital		1,024	-
28.2 None of the directors or their spouses had any interest in the donees except for Ms. Ayesha T. Haq (independent director) who is a member of the Board of Governors in Professional Education Foundation (PEF). Donation given to PEF during the year amounted to Rs. 0.2 million (2020: Nil).			
29 OTHER INCOME	Note	2021 ----- (Rupees in '000) -----	2020
Income from financial assets			
Profit on:			
- short-term investments - term deposit receipts		28,499	23,593
- deposit accounts		11,270	18,458
	29.1	39,769	42,051
Gain / (loss) on disposal of short-term investments - mutual funds		1,934	(47)
Unrealised loss on short-term investments - mutual funds		-	(2,000)
Reversal of allowance for expected credit losses		425	177
Dividend income on short-term investments - mutual funds		-	5,882
		42,128	46,063
Income from non-financial assets			
Gain on disposal of operating fixed assets	7.4	5,403	3,481
Gain on disposal of intangible assets		5,377	-
Liabilities no longer payable - written back		1,085	403
Scrap sales		13,054	4,402
Miscellaneous income		890	2,537
		25,809	10,420
		67,937	56,886

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

29.1 Represents profit earned under conventional banking relationship.

30 TAXATION

Current

For the year
Prior

Deferred

2021
----- (Rupees in '000) -----

2020

350,721	79,780
-	6,346
350,721	86,126
22,880	(2,657)
373,601	83,469

2021
(Rupees in `000)

30.1 Reconciliation between tax expense and accounting profit

Accounting profit for the year before taxation

Tax at applicable rate of 29%

Expenses that are admissible in determining taxable profit

Expenses that are inadmissible in determining taxable profit

Deferred tax expense

Carried forward business losses

Tax credit

Effective tax %

1,203,265

348,947

(98,913)

128,737

22,880

(25,319)

(2,731)

373,601

31%

30.2 Provision for taxation for the prior year was based on Minimum Tax u/s 113 of the Income Tax Ordinance 2001. Accordingly, reconciliation between tax expense and accounting profit was not presented.

31 EARNINGS PER SHARE – basic and diluted

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

2021
----- (Rupees in '000) -----

2020

Net profit / (loss) for the year

Weighted average number of ordinary shares

outstanding during the year (shares in '000)

Earning / (loss) per share (Rs.)

829,664	(108,438)
28,800	28,800
28.81	(3.77)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 ----- (Rupees in '000) -----	2020
32 CASH GENERATED FROM OPERATIONS			
Profit / (loss) before taxation		1,203,265	(24,969)
Adjustments for:			
Depreciation and amortisation	7.2, 8 & 9	296,038	291,397
Finance costs		3,130	2,991
Allowance / (reversal) for expected credit losses		1,437	(177)
Liabilities no longer payable - written back	29	(1,085)	(403)
Profit on short-term investments - term deposit receipts	29	(28,499)	(23,593)
Profit on deposit accounts	29	(11,270)	(18,458)
Dividend income	29	-	(5,882)
Capital work-in-progress charged off	7.5.1	5,062	7,797
Gain on disposal of operating fixed assets	29	(5,403)	(3,481)
Gain on disposal of intangible asset		(5,377)	-
(Gain) / loss on disposal of short-term investments - mutual funds	29	(1,934)	47
		252,099	250,238
		1,455,364	225,269
Decrease / (increase) in current assets			
Stores, spares and loose tools		(9,175)	2,897
Stock-in-trade		210,953	(335,941)
Trade debts		(664,973)	492,964
Advances, deposits, prepayments and other receivables		(740,370)	196,273
Sales tax receivable		138,814	(81,866)
		(1,064,751)	274,327
Increase in current liabilities			
Trade and other payables		161,621	349,843
Sales tax payable		36,449	-
		588,683	849,439
33 CASH AND CASH EQUIVALENTS			
Short-term investments - term deposit receipts	15	266,000	443,000
Short-term running finance	22	(36,646)	-
Cash and bank balances	16	225,861	131,195
		455,215	574,195
34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES			
The main risks arising from the Group's financial instruments are market risks, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:			
34.1 Market risk			
Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate and foreign exchange rates which are discussed below:			
(i) Interest rate risk			
Interest rate risk is the risk that the value of financial instrument will fluctuate due to the changes in market interest rates. The Group is exposed to interest rate risk in respect of bank deposits and term deposit receipts. Management of the Group estimates that 1% increase in the market interest rate, with all other factor remaining constant, would decrease the Group's loss for the year by Rs. 3.03 million (2020: Rs. 5 million) and a 1% decrease would result in the increase in the Group's loss for the year by the same amount. However, in practice, the actual result may differ from the sensitivity analysis.			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

(ii) Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. As at June 30, 2021, the Group does not have any financial assets or financial liabilities which are denominated in foreign currencies.

34.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry.

The Group is exposed to credit risk mainly on trade debts, short-term investments, long-term deposits, short-term deposits, other receivables and bank balances. The Group seeks to minimise the credit risk exposure through having exposure only to customers considered credit worthy and obtaining securities where applicable.

The table below provides the analysis of the credit quality of financial assets on the basis of external credit rating or the historical information about counter party default rates.

	Note	2021 ---- (Rupees in '000) ----	2020
The maximum exposure to credit risk at reporting date is as follows:			
Long-term deposits	10	13,605	13,438
Trade debts	13	1,159,086	492,234
Deposits	14	12,125	577
Other receivables	14	852,245	123,760
Accrued profit		1,295	1,215
Short-term investments	15	266,780	494,329
Bank balances	16	225,800	131,104
		<u>2,530,936</u>	<u>1,256,657</u>

The table below provides the analysis of the credit quality of financial assets on the basis of external credit rating or the historical information about counter party default rates.

	2021 ---- (Rupees in '000) ----	2020
Trade debts		
The analysis of trade debts is as follows:		
Neither past due nor impaired	1,070,870	441,495
Past due but not impaired		
- 30 to 90 days	85,396	35,027
- 91 to 180 days	1,519	15,070
- 181 to 360 days	1,301	642
	<u>1,159,086</u>	<u>492,234</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	2021	2020
	----- (Rupees in '000) -----	
Bank balances		
Ratings		
AAA	-	7,295
AA+	-	63,311
A-1+	225,800	60,498
	225,800	131,104
Short-term investments		
Ratings		
A-1+	266,323	494,329
	266,323	494,329

34.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in raising funds to meet commitments associated with financial instruments. The management of the Group believes that it is not exposed to any significant level of liquidity risk.

The management forecasts the liquidity of the Group on the basis of expected cashflow considering the level of liquid assets necessary to mitigate the liquidity risk.

	2021			Total
	Not later than 3 months	Later than 3 months but not more than a year	1 to 5 years	
	----- (Rupees in '000) -----			
Trade and other payables	326,480	46,319	-	372,799
Lease liabilities	6,000	1,425	13,305	20,730
Unpaid dividend	11,655	-	-	11,655
Short-term running finance	36,646	-	-	36,646
Unclaimed dividend	22,857	-	-	22,857
	403,638	47,744	13,305	464,687

	2020			Total
	Not later than 3 months	Later than 3 months but not more than a year	1 to 5 years	
	----- (Rupees in '000) -----			
Trade and other payables	475,836	165,952	-	641,788
Lease liabilities	6,000	325	8,712	15,037
Unpaid dividend	11,971	-	-	11,971
Short-term running finance	-	-	-	-
Unclaimed dividend	20,271	-	-	20,271
	514,078	75,325	8,712	689,067

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

35 CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital is to safeguard the Group's ability to continue to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group is currently financing majority of its operations through equity and working capital. The capital structure of the Group is equity based with no financing through long-term borrowings.

36 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

Fair value hierarchy

The different levels to analyse financial assets carried at fair value have been defined as follows:

Level 1: Quoted market price

Level 2: Valuation techniques (market observable); and

Level 3: Valuation techniques (non-market observables)

Short-term investments - mutual funds

June 30, 2021

June 30, 2020

Fair value measurement using			
Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----			
-	-	-	-
51,038	-	-	51,038

37 CHANGES IN LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES:

	2021		2020	
	Unclaimed & Unpaid dividend	Lease liabilities	Unclaimed & Unpaid dividend	Lease liabilities
	---- (Rupees in '000) ----			
As at July 01	32,242	15,037	30,266	-
Changes from financing cash flows				
Dividend paid during the year	(170,530)	-	(199,624)	-
Payments made during the year	-	(7,000)	-	(8,669)
	(170,530)	(7,000)	(199,624)	(8,669)
Other changes				
Dividend declared during the year	172,800	-	201,600	-
Impact of initial application of IFRS 16	-	-	-	21,565
Finance cost during the year	-	1,227	-	2,141
Additions during the year	-	11,466	-	-
	172,800	12,693	201,600	23,706
As at June 30	34,512	20,730	32,242	15,037

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

38 REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

38.1 The aggregate amount charged in the consolidated financial statements for remuneration including certain benefits to the chief executive, directors and executives of the Group are as follows:

	2021		2020	
	Chief Executive	Executives	Chief Executive	Executives
	----- (Rupees in '000) -----			
Managerial remuneration	22,918	63,505	19,600	63,649
Bonus	7,200	12,099	4,800	8,169
Retirement benefits	1,682	2,624	1,633	2,818
Utilities	649	175	-	216
Medical expenses	12	397	52	373
	32,461	78,800	26,085	75,225
Number of persons	1	16	1	16

38.2 The Chief Executive and certain executives are also provided with free use of Group's maintained vehicles in accordance with the Group's policy.

38.3 Three non-executive directors (2020: Three) have been paid fees of Rs. 2.1 million (2020: Rs. 1.4 million) for attending board and other meetings.

39 TRANSACTIONS WITH RELATED PARTIES

39.1 Related parties of the Group comprise the companies with common directorship, retirement funds, directors and key management personnel. All the transactions with related parties are entered into at agreed terms in the normal course of business as approved by the Board of Directors of the Group. Detail of transactions with related parties during the year, other than disclosed elsewhere in these consolidated financial statements, are as follows:

Name of related party and relationship with the Group	Nature of transactions	Percentage of share holding in the Holding Company	2021	2020
			----- (Rupees in '000) -----	
			%	
Associated Companies (Common directorship)				
Thal Limited	Dividend paid	7.35	12,694	14,809
Shabbir Tiles & Ceramics Limited	Purchases	Nil	3,375	865
Thal Boshoku Pakistan (Private) Limited	Sales	Nil	99,298	8,148
Retirement benefits fund				
Employees' Provident Fund	Contribution	Nil	14,114	12,950
Key management personnel				
	Remuneration and other benefits	Nil	44,009	38,815
	Sale of vehicle having net book value of Rs. 0.705 million as per the Company's policy		806	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

39.2 The outstanding balance with related parties as at reporting date have been disclosed in the respective notes to the consolidated financial statements.

39.3 Details of compensation to the key management personnel have been disclosed in the note 38 to the consolidated financial statements.

40 PRODUCTION CAPACITY

The production capacity of the Group cannot be determined as this depends on the relative proportions of various types of vehicles and agricultural tractors produced by Original Equipment Manufacturers.

41 UNUTILIZED CREDIT FACILITIES

As of reporting date, the Group has unutilized facilities for letter of credit, bonds and guarantees and terms of loan available from various banks amounted to Rs. 838.09 million (2020: Rs. 1,174 million). The facilities are secured by way of pari passu hypothecation of Group's stock-in-trade, stores, spares, loose tools and trade debts.

42 NON-ADJUSTING EVENT AFTER THE STATEMENT OF FINANCIAL POSITION DATE

42.1 The Board of Directors in its meeting held on August 26, 2021 (i) approved the transfer of Rs. 200 million (2020: Nil) from unappropriated profits to general reserve and (ii) proposed cash dividend of Rs. 6 per share (2020: Rs. 1 per share) for the year ended June 30, 2021 amounting to Rs. 172.8 million (2020: Rs. 28.8 million) for approval of the members at the Annual General Meeting to be held on October 21, 2021.

43 NUMBER OF EMPLOYEES

	2021	2020
Total number of employees as at June 30	<u>990</u>	<u>840</u>
Average number of employees during the year	<u>907</u>	<u>890</u>

44 INFORMATION ABOUT OPERATING SEGMENTS

The activities of the Group are organised into one operating segment i.e. manufacture and sale of automotive parts. The Group operates in the said reportable operating segment based on the nature of products, risks and returns, organisational and management structure and internal financial reporting systems. Accordingly, the figures reported in these consolidated financial statements relates to the Group's only reportable segment.

The operating interests of the Group are confined to Pakistan in terms of production areas and customers. Accordingly, the figures reported in these consolidated financial statements relate to the Group's only reportable operating segment in Pakistan. Two customers account for more than 10% of the Group's sales.

45 COVID-19 OUTBREAK AND ITS IMPACT ON CONSOLIDATED FINANCIAL STATEMENTS

During the year, the Group had to operate in the unprecedented context created by the COVID-19 pandemic, the resulting economic and social conditions including Government directives to prevent the spread of COVID-19. This situation posed a range of business and financial challenges across various sectors of the economy in Pakistan. However, Auto Sector has recovered and with the implementation of Standard Operating Procedures (SOPs), the Group has resumed its operations at normal levels. Management has assessed the accounting implications of these developments on these consolidated financial statements, including but not limited to the impairment of tangible and intangible assets under IAS 36, 'Impairment of non-financial assets', the net realisable value of inventory under IAS 2, 'Inventories' used for the preparation of these consolidated financial statements.

Accordingly, there is no significant accounting and financial impact of the effects of COVID-19 on these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

46 GENERAL

46.1 Figures have been rounded off to the nearest thousands unless otherwise stated.

46.2 Certain prior year's figures have been reclassified for better presentation, wherever necessary. However, there are no material reclassifications to report.

47 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on August 26, 2021 by the Board of Directors of the Group.



DIRECTOR



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER