FINANCIAL STATEMENTS **(CONSOLIDATED)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Note	2020	2019
		---------- (Rupees in '000) ----------	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	**2,159,468**	2,089,475
Right-of-use assets	8	**15,351**	-
Intangible asset	9	**59,586**	6,651
Long-term deposits	10	**13,438**	13,438
		2,247,843	2,109,564
CURRENT ASSETS			
Stores, spares and loose tools	11	**120,816**	123,713
Stock-in-trade	12	**1,937,205**	1,601,264
Trade debts	13	**492,234**	985,768
Advances, deposits, prepayments and other receivables	14	**141,916**	340,052
Accrued profit		**1,215**	1,793
Short-term investments	15	**494,329**	187,513
Sales tax receivable		**168,275**	86,409
Taxation – net		**458,746**	530,309
Cash and bank balances	16	**131,195**	174,378
		3,945,931	4,031,199
TOTAL ASSETS		**6,193,774**	6,140,763
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
40,000,000 (2019: 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		**4,970,140**	5,280,178
		5,114,140	5,424,178
NON CURRENT LIABILITIES			
Deferred taxation - net	18	**62,123**	64,780
Lease liabilities	19	**8,712**	-
		70,835	64,780
CURRENT LIABILITIES			
Trade and other payables	20	**970,232**	621,539
Current portion of lease liabilities	19	**6,325**	-
Unpaid dividend	21	**11,971**	7,211
Unclaimed dividend	21	**20,271**	23,055
		1,008,799	651,805
CONTINGENCIES AND COMMITMENTS	22		
TOTAL EQUITY AND LIABILITIES		**6,193,774**	6,140,763

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

Salman Burney	**Fahim Kapadia**	**Jawwad Haqqi**
Director	Chief Executive	Chief Financial Officer

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		---------- (Rupees in '000) ----------	
Turnover – net	23	**5,244,651**	10,128,569
Cost of sales	24	**(4,993,185)**	(8,447,418)
Gross profit		**251,466**	1,681,151
Distribution cost	25	**(75,446)**	(138,242)
Administrative expenses	26	**(247,122)**	(245,478)
		(322,568)	(383,720)
Operating (loss) / profit		**(71,102)**	1,297,431
Other expenses	27	**(7,544)**	(112,512)
Other income	28	**56,886**	72,461
Finance cost		**(3,209)**	(628)
		46,133	(40,679)
(Loss) / profit before taxation		**(24,969)**	1,256,752
Taxation	29	**(83,469)**	(202,054)
Net (loss) / profit for the year		**(108,438)**	1,054,698
Net (loss) / profit attributable to owners of the Holding Company		**(108,438)**	1,054,698
		---------- (Rupees in '000) ----------	
(Loss) / earnings per share – basic and diluted	30	**(3.77)**	36.62

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

Salman Burney	**Fahim Kapadia**	**Jawwad Haqqi**
Director	Chief Executive	Chief Financial Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	---------- (Rupees in '000) ----------	
Net (loss) / profit for the year	**(108,438)**	1,054,698
Other comprehensive income	-	-
Total comprehensive (loss) / income for the year	**(108,438)**	1,054,698
Total comprehensive (loss) / income attributable to owners of the Holding Company	**(108,438)**	1,054,698

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

Salman Burney	**Fahim Kapadia**	**Jawwad Haqqi**
Director	Chief Executive	Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020

	Issued, subscribed and paid-up capital	Reserves				Total equity
		Capital reserve	Revenue reserves		Total reserves	
		Share premium	General	Unappropriated profit		
	(Rupees in '000)					
Balance as at June 30, 2018	**144,000**	**12,598**	**3,655,000**	**889,082**	**4,556,680**	**4,700,680**
Final dividend for the year ended June 30, 2018 @ Rs. 8.5/- per share	-	-	-	(244,800)	(244,800)	(244,800)
Interim dividend for the year ended June 30, 2019 @ Rs. 3.0/- per share	-	-	-	(86,400)	(86,400)	(86,400)
Transfer to general reserve	-	-	(590,000)	590,000	-	-
Net profit for the year	-	-	-	1,054,698	1,054,698	1,054,698
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	1,054,698	1,054,698	1,054,698
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**

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

Salman Burney
Director

Fahim Kapadia
Chief Executive

Jawwad Haqqi
Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		---------- (Rupees in '000) ----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	31	**849,439**	581,135
Long-term deposits paid		**-**	(410)
Finance cost paid		**(850)**	(628)
Income tax paid		**(14,563)**	(419,392)
Net cash generated from operating activities		**834,026**	160,705
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(431,791)**	(712,951)
Proceeds from disposal of operating fixed assets		**21,227**	13,569
Short-term investments disposed / (made) - mutual fund		**1,491**	(52,347)
Profit received on short-term investments - term deposit receipts		**24,239**	33,458
Profit received on deposit accounts		**19,036**	23,281
Dividend received		**5,882**	4,289
Net cash used in investing activities		**(359,916)**	(690,701)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**(199,624)**	(326,954)
Lease payments		**(8,669)**	-
Net cash used in financing activities		**(208,293)**	(326,954)
Net increase / (decrease) in cash and cash equivalents		**265,817**	(856,950)
Cash and cash equivalents at the beginning of the year	32	**308,378**	1,165,328
Cash and cash equivalents at the end of the year	32	**574,195**	308,378

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

Salman Burney	**Fahim Kapadia**	**Jawwad Haqqi**
Director	Chief Executive	Chief Financial Officer

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 facillity

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 STANDARDS, AMENDMENTS, INTERPRETATION AND IMPROVEMENTS APPLICABLE TO THE FINANCIAL STATEMENTS

4.1 New standards, amendments, interpretation and improvements effective during the current year

The Group has adopted the following standards, amendments, interpretation and improvements to International Financial Reporting Standards (IFRSs) which became effective for the current year:

Standards, Amendments or Interpretations

IFRS 9 - Prepayment Features with Negative Compensation (Amendments)
IFRS 14 - Regulatory Deferral Accounts
IFRS 16 - Leases
IFRS 16 - COVID 19 Related Rent Concessions (Amendments)
IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)
IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments)
IFRIC 23 - Uncertainty over income tax treatments

Improvements to Accounting Standards Issued by the IASB (2015-2017 cycle)

IFRS 3 - Business Combinations - Previously held Interests in a joint operation
IFRS 11 - Joint Arrangements - Previously held Interests in a joint operation
IAS 12 - Income Taxes - Income tax consequences of payments on financial instruments classified as equity
IAS 23 - Borrowing Costs - Borrowing costs eligible for capitalisation

The adoption of the above standards, amendments, interpretations and improvements to the accounting standards did not have any effect on the Group's financial statements except for IFRS 16. The impact of adoption of IFRS 16 and its amendments are described below:

4.1.1 IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single note on statement of financial position model.

The Group adopted IFRS 16 using the modified retrospective approach with the date of initial application of July 01, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Accordingly the information presented for prior years has not been restated. The Group elected to use the transition practical expedient allowing the standard to be applied only to lease contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases').

The new accounting policy in respect of leases is disclosed in note 5.3 & 5.10 to these consolidated financial statements. The impact of adoption of IFRS 16 on recognition and classification as at July 01, 2019 on the consolidated statement of financial position is summarised below:

	(Rupees in '000)
Assets	
Right-of-use assets	23,428
Prepayments	(1,863)
	21,565
Liabilities	
Non current lease liabilities	15,369
Current maturity of lease liabilities	6,196
	21,565

The right-of-use assets were recognised based on the amount equal to the lease liabilities adjusted for related prepayments. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The Group did not have any sub-lease as at July 01, 2019.

The impact of adoption of IFRS 16 on the consolidated statement of profit or loss for the year ended June 30, 2020 is summarized below:

	(Rupees in '000)
Decrease in rent expenses	8,529
Increase in depreciation expense	(8,077)
Increase in finance costs	(2,141)
	(1,689)

The lease liabilities as at July 01, 2019 can be reconciled to the operating lease commitments as of June 30, 2019 as follows:

	(Rupees in '000)
Operating lease commitments as at June 30, 2019	34,411
Impact of discounting	(4,970)
Short-term leases	(7,876)
Total lease liability at July 01, 2019	21,565
Weighted average incremental borrowing rate as at July 01, 2019	14%

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:

Standard or Amendments	Effective date (annual periods beginning on or after)
IFRS 3 -- Definition of a Business (Amendments)	01 January 2020
IFRS 3 -- Reference to the Conceptual Framework (Amendments)	01 January 2022
IFRS 9 / IAS 39 / IFRS 7 -- Interest Rate Benchmark Reform (Amendments)	01 January 2020
IFRS 10 / IAS 28 -- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalised
IAS 1 / IAS 8 -- Definition of Material (Amendments)	01 January 2020
IAS 1 -- Classification of Liabilities as Current or Non-current (Amendments)	01 January 2022*
IAS 16 -- Proceeds before Intended Use (Amendments)	01 January 2022
IAS 37 -- Onerous Contracts – Costs of Fulfilling a Contract (Amendments)	01 January 2022

*The IASB has issued an exposure draft proposing to defer the effective date of the Amendments to IAS 1 to 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

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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.

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 1 -- First time adoption of IFRSs	01 January 2004
IFRS 17 -- Insurance Contracts	01 January 2023

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 up 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 recognized right-of-use assets are depreciated using straight line method over the lease term. Right-of-use assets are subject to impairment.

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 date of statement of financial position.

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.

The Company has applied IFRS 9 prospectively at the initial application date of 1 July 2018 without restating the comparative financial information. Accordingly, the financial information presented for 2018 does not reflect the requirements of IFRS 9.

(a) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below:

(i) Initial recognition and measurement

Under IFRS 9, 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 for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

A financial asset is measured at amortised 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.

(ii) Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at amortised cost
These are subsequently measured at amortised cost using the effective interest rate method (EIR) less any impairment. The EIR is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of financial instruments to the carrying amount of financial instruments. Interest income, foreign exchange gains and losses and impairment are recognised in the consolidated statement of profit or loss. Any gain or loss on derecognition is recognised in the consolidated statement of profit or loss.

Financial assets at fair value through other comprehensive income (FVOCI)

These are subsequently measured at fair value with changes in fair value recognised in the statement of comprehensive income. The cumulative gains or losses recognised in "Fair value reserve" within the consolidated statement of changes in equity are never reclassified to the consolidated statement of profit or loss on disposals. Dividends are recognised as investment income in the consolidated statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in the consolidated statement of profit or loss. Equity instruments designated at FVOCI are not subject to impairment assessment.

(b) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

At each reporting date, the Company 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 Company uses the standard's simplified approach and calculates ECL based on life time ECL on its financial assets. For this purpose, the management conducts an exercise to assess the impairment of its financial assets using historical data and forward looking information.

Based on such exercise, the Company has concluded that it is in compliance with the requirements of the new accounting standard including the assessment of impairment on its financial assets using expected credit loss model.

(c) Effect of adopting IFRS 9 on the classification of financial assets

Financial asset	Original category under IAS 39	New category under IFRS 9
Trade debts	Loans and receivables	Amortised cost
Deposits and other receivables	Loans and receivables	Amortised cost
Short-term investments	Held to maturity	Amortised cost
Cash and bank balances	Loans and receivables	Amortised cost
Long-term deposits	Loans and receivables	Amortised cost

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 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;

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 recognitiion. 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 initailly 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 amortized 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.

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.

5.10.2 Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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 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.

Deferred

Deferred tax is provided, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of recognised or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the 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.

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 recognized 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 recognizes an account receivable when the performance obligations have been met, recognizing the corresponding revenue. Moreover, the considerations received before satisfying the performance obligations are recognized as advances from customer.

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 recognized 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 capitalized 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 realizable value (NRV) of stock-in-trade	5.6 & 12
- leases	5.10 & 19

7 PROPERTY, PLANT AND EQUIPMENT

	Note	2020	2019
		----- (Rupees in '000) -----	
Operating fixed assets	7.1	1,966,910	1,517,299
Capital work-in-progress	7.5	192,558	572,176
		2,159,468	2,089,475

7.1 Operating fixed assets

	COST				ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
	As at June 30, 2019	Additions / transfer*/ (disposals)	As at June 30, 2020	Deprec-iation rate	As at June 30, 2019	Charge for the year (Note 7.2)	(On disposals)	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.

	COST				ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
	As at June 30, 2018	Additions /transfer*/ (disposals)	As at June 30, 2019	Deprec-iation rate	As at June 30, 2018	Charge for the year (Note 7.2)	(On disposals)	As at June 30, 2019	As at June 30, 2019
	---------- (Rupees in '000) ----------			%	---------- (Rupees in '000) ----------				
Owned									
Freehold land	1,652	-	1,652	-	-	-	-	-	1,652
Leasehold land	29,418	-	29,418	1.79	3,151	525	-	3,676	25,742
Building on freehold land	189,672	2,748	192,420	10	98,079	9,228	-	107,307	85,113
Building on leasehold land	379,833	-	379,833	10	114,430	26,540	-	140,970	238,863
Plant and machinery	1,659,596	152,401 25,922* (20,769)	1,817,150	10 – 20	690,757	112,529	(12,823)	790,463	1,026,687
Furniture and fittings	25,086	4,088 (1,136)	28,038	15	10,644	2,053	(561)	12,136	15,902
Vehicles	100,814	29,034 (14,461)	115,387	20	46,549	14,269	(10,610)	50,208	65,179
Office equipment	7,044	1,899 (213)	8,730	20	3,955	1,070	(201)	4,824	3,906
Computer equipment	38,233	2,180 (3,222)	37,191	33	32,508	2,347	(3,025)	31,830	5,361
Dies and tools	137,657	21,635	159,292	40	87,180	23,218	-	110,398	48,894
2019	2,569,005	213,985 25,922* (39,801)	2,769,111		1,087,253	191,779	(27,220)	1,251,812	1,517,299

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

	Note	2020	2019
		----- (Rupees in '000) -----	

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

Cost of sales	24	**259,931**	179,929
Distribution cost	25	**2,865**	2,555
Administrative expenses	26	**8,693**	9,295
		271,489	191,779

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

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	---------- (Rupees in '000) ----------						
Tractor YTO X 750	1,483	1,090	900	(190)	Negotiation	Mr. Ajmal	Independent purchaser
Tractor YTO X 750	1,490	1,054	1,000	(54)	Negotiation	Mr. Shahid	Independent purchaser
Tractor YTO X 850	1,534	1,211	1,000	(211)	Negotiation	Mr. Mohsin Ali Khan	Independent purchaser
Tractor YTO-ELX 1034	2,638	2,216	2,600	384	Negotiation	Mr. Mohsin Ali Khan	Independent purchaser
Tractor YTO-BF-75 4 Wheel	1,452	1,428	1,600	172	Negotiation	Syed Hassan Raza	Independent purchaser
Tractor YTO-BF-75 4 Wheel	1,496	1,459	1,600	141	Negotiation	Mr. Mohsin Ali Khan	Independent purchaser
Vehicles							
Toyota Corolla	1,628	550	1,010	460	Group policy	Mr. Tahir Ijaz	Ex-employee
Toyota Corolla	1,752	581	581	-	Group policy	Mr. Zia Alam	Ex-employee
Toyota Corolla	1,863	860	900	40	Group policy	Mr. Shiraz Ahmed	Ex-employee
Toyota Corolla	1,642	883	1,610	727	Group policy	Mr. Danish Abrar	Ex-employee
Toyota Corolla	2,154	1,495	2,150	655	Negotiation	Mr. Ghulam Abbas	Ex-employee
Toyota Corolla	2,679	2,288	2,960	672	Negotiation	Mr. Asif Bashir	Independent purchaser
Suzuki Cultus	1,568	1,200	1,340	140	Group policy	Mr. Sabir Ali	Ex-employee
	23,379	**16,315**	**19,251**	**2,936**			
Operating fixed assets having WDV less than Rs. 0.5 million	5,565	1,708	1,976	268	Various	Various	
2020	**28,944**	**18,023**	**21,227**	**3,204**			
2019	39,801	12,581	13,569	988			

		Note	2020	2019
			----- (Rupees in '000) -----	
7.5	**Capital work in progress**			
	Building on leasehold land		-	37,262
	Plant and machinery		143,763	528,306
	Building on freehold land		48,795	6,608
		7.5.1	192,558	572,176
7.5.1	**Movement in capital work-in-progress is as follows:**			
	As at July 01		572,176	103,066
	Capital expenditure incurred / advances made during the year		200,541	497,682
	Transfer to operating fixed assets during the year	7.1	(572,362)	(25,922)
	Charged off during the year		(7,797)	(2,650)
	As at June 30		192,558	572,176
8	**RIGHT-OF-USE ASSETS**			
	As at July 01		-	-
	Impact of initial application of IFRS 16 (note 4.1.1)		23,428	-
	Depreciation charged during the year	8.1	(8,077)	-
	As at June 30		15,351	-
8.1	**Depreciation charge for the year has been allocated as follows :**			
	Cost of sales	24	5,632	-
	Distribution cost	25	781	-
	Administrative expenses	26	1,664	-
			8,077	-
9	**INTANGIBLE ASSET**			
	Cost			
	As at July 01		10,736	9,452
	Additions during the year	9.1	64,766	1,284
	As at June 30		75,502	10,736
	Accumulated amortisation			
	As at July 01		(4,085)	(1,589)
	Charge for the year	24	(11,831)	(2,496)
	As at June 30		(15,916)	(4,085)
	Net book value as at June 30		59,586	6,651
	Annual rate of amortisation		20%	20%

9.1 This represents development costs incurred in respect of parts for upcoming models of motor vehicles.

		Note	2020	2019
			----- (Rupees in '000) -----	
10	**LONG-TERM DEPOSITS**			
	Security deposits - considered good	10.1	**13,438**	13,438
10.1	Represent interest free deposits.			
11	**STORES, SPARES AND LOOSE TOOLS**			
	Stores		**73,833**	72,344
	Spares		**41,514**	44,736
	Loose tools		**5,469**	6,633
			120,816	123,713
12	**STOCK-IN-TRADE**			
	Raw material		**1,731,879**	1,086,127
	Packing material		**3,959**	3,475
	Work-in-process		**49,188**	43,441
	Finished goods		**65,860**	75,914
	Goods-in-transit		**86,319**	392,307
			1,937,205	1,601,264

12.1 Write down of stock-in-trade to Net realizable value during the year amounted to Rs. 77.569 million (2019: Rs. 12.618 million).

12.2 Reversal of write down of stock-in-trade to Net realizable value during the year amounted to Rs. Nil (2019: Rs. 7.806 million).

		Note	2020	2019
			----- (Rupees in '000) -----	
13	**TRADE DEBTS - unsecured**			
	Considered good		**492,234**	985,768
	Considered doubtful		**663**	602
	Allowance for expected credit losses	13.1	**(663)**	(602)
			-	-
			492,234	985,768

13.1 This includes an amount of Rs. 3.99 million (2019: Nil) receivable from Thal Boshoku Pakistan (Private) Limited, 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 3.99 million (2019: Nil).

	Note	2020	2019
		----- (Rupees in '000) -----	
13.1 Movement in allowance for expected credit losses:			
As at July 01		**602**	595
Charge for the year		**61**	7
As at June 30		**663**	602
14 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances – unsecured, considered good			
Contractors		**3,120**	15,714
Employees		**756**	1,217
Suppliers		**2,135**	48
		6,011	16,979
Deposits		**577**	425
Prepayments			
Insurance		**5,321**	4,925
Rent		**-**	3,810
Others		**6,247**	2,850
		11,568	11,585
Other receivables - secured, considered good	14.1	**123,760**	311,063
		141,916	340,052

14.1 This includes an amount of Rs. 28.67 million (2019: Rs. 305.47 million) and Rs. 95.09 million (2019: Rs. Nil) receivable against LC margins and claim against Additional custom duty from a customer respectively.

	Note	2020	2019
		----- (Rupees in '000) -----	
15 SHORT-TERM INVESTMENTS			
At amortised cost			
Term deposit receipts	15.1	**443,000**	134,000
Accrued profit thereon		**291**	937
		443,291	134,937
At fair value through profit or loss			
Mutual funds - open ended			
4,847,847 units (2019: 5,323,943 units) at NAV of Rs.10.5282 each (2019: Rs. 9.875)		**51,038**	52,576
		494,329	187,513

15.1 Represents one to three months term deposit receipts with commercial banks under conventional banking relationship carrying profit rate of 5.75% to 7% (2019: 5.85% to 10.25%) per annum and will mature by August 29, 2020 and September 25, 2020.

	Note	2020	2019
		----- (Rupees in '000) -----	
16 CASH AND BANK BALANCES			
In hand		91	84
With banks in			
- current accounts		42,744	109,972
- deposit accounts	16.1 & 16.2	88,360	64,322
		131,104	174,294
		131,195	174,378

16.1 These carry profit rates ranging from 7.1% to 13.1% (2019: 9.5% to 10.25%) per annum.

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

17 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2020	2019		2020	2019
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

17.1 Thal Limited - an associated company held 2,115,600 (2019: 2,115,600) ordinary shares of Rs. 5/- each in the Holding Company as at the date of statement of financial position.

	2020	2019
	----- (Rupees in '000) -----	
18 DEFERRED TAXATION - net		
Taxable temporary differences arising due to:		
- accelerated tax depreciation	195,551	144,427
Deductible temporary differences arising due to:		
- provisions and lease liabilities	(111,613)	(79,647)
- unused tax losses	(21,815)	-
	62,123	64,780

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 is 14% (2019: Nil) per annum.

	Note	2020	2019
		----- (Rupees in '000) -----	
Lease liabilities		15,037	-
Current maturity of lease liabilities	19.1	(6,325)	-
		8,712	-

19.1 Movement of lease liabilities:

As at July 01	-	-
Impact of initial application of IFRS 16 (note 4.1.1)	21,565	-
Finance cost during the year	2,141	-
Payments during the year	(8,669)	-
As at June 30	15,037	-
Current maturity of lease liabilities	(6,325)	-
	8,712	-

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

Up to one year	6,325	-
After one year	8,712	-
Total lease liabilities	15,037	-

19.3 Expenses relating to short-term leases amounted to Rs. 6.051 million (2019: Nil) during the year.

20 TRADE AND OTHER PAYABLES

Creditors	20.1	100,992	102,165
Accrued liabilities		488,535	300,769
Royalty payable		25,386	35,198
Advance from customer		225,762	1,059
Payable to provident fund	20.2	2,542	2,575
Witholding tax payable		1,301	11,785
Workers' Profit Participation Fund	20.3	4,731	33,568
Workers' Welfare Fund		821	27,446
Warranty obligations	20.4	113,285	102,127
Others		6,877	4,847
		970,232	621,539

20.1 This includes an amount of Rs. 0.07 million (2019: 0.05 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.

		Note	2020	2019
			----- (Rupees in '000) -----	
20.3	**Workers' Profit Participation Fund**			
	As at July 01		**33,568**	845
	Allocation for the year	27	**4,731**	73,568
			38,299	74,413
	Payment made during the year		**(33,568)**	(40,845)
	As at June 30		**4,731**	33,568
20.4	**Warranty obligations**			
	As at July 01		**102,127**	77,464
	Provision for the year	25	**15,076**	28,513
			117,203	105,977
	Claims paid during the year		**(3,918)**	(3,850)
	As at June 30		**113,285**	102,127

21 UNPAID DIVIDEND / UNCLAIMED DIVIDEND

Subsequent to the year end, the Group has opened separate bank accounts as required under the provision of section 244 of the Act and the required amounts have been transferred accordingly.

22 CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

As at the reporting date, total outstanding claims on the Group by certain vendors amounted to Rs. 7.34 million (2019: Nil). 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.

22.2 Commitments

22.2.1 Commitments in respect of outstanding letters of credit for raw material amounting to Rs. 303.629 million (2019: Rs. 405.049 million).

22.2.2 Commitments in respect of capital expenditure amounting to Rs. 37.314 million (2019: Rs. 81.982 million).

22.2.3 Outstanding bank guarantees issued to Sui Southern Gas Company Limited amounting to Rs. 9.01 million (2019: Rs. 0.385 million).

		2020	2019
		----- (Rupees in '000) -----	
23	**TURNOVER – net**		
	Sales	**6,152,296**	11,863,964
	Trade discount	**(161)**	(170)
	Sales tax	**(907,484)**	(1,735,225)
		(907,645)	(1,735,395)
		5,244,651	10,128,569

23.1 Revenue recognised from amounts included in advance from customers at the beginning of the year amounted to Rs. 1.059 million (2019: Rs. 15.7 million).

	Note	2020	2019
		----- (Rupees in '000) -----	
24 COST OF SALES			
Raw material consumed			
Opening stock	12	1,086,127	1,031,827
Purchases		4,432,489	7,072,041
		5,518,616	8,103,868
Closing stock	12	(1,731,879)	(1,086,127)
		3,786,737	7,017,741
Manufacturing expenses			
Salaries, wages and benefits		459,898	562,670
Stores, spares and loose tools consumed		136,334	220,734
Fuel and power		93,701	100,058
Amortization	9	11,831	2,496
Royalty		35,903	70,006
Depreciation on operating fixed assets	7.2	259,931	179,929
Depreciation on right-of-use assets	8.1	5,632	-
Transportation and travelling		75,776	118,206
Repairs and maintenance		79,218	104,952
Packing material consumed		15,395	30,562
Rent, rates and taxes		1,271	7,234
Research and development costs		7,087	11,791
Insurance		4,489	5,263
Communications and professional fee		6,211	5,607
Printing and stationery		967	1,839
Others		8,497	12,371
		1,202,141	1,433,718
Work-in-process			
Opening stock	12	43,441	48,913
Closing stock	12	(49,188)	(43,441)
		(5,747)	5,472
Cost of goods manufactured		4,983,131	8,456,931
Finished goods			
Opening stock	12	75,914	66,401
Closing stock	12	(65,860)	(75,914)
		10,054	(9,513)
		4,993,185	8,447,418

24.1 Royalty paid during the year (excluding Sindh Sales Tax on services) comprise of the following:

Company name	Address	Relationship with the Group	2020	2019
			----- (Rupees in '000) -----	
KYB Corporation	World Trade Center Building 4-1, Hamamatsu-Cho 2 Chome, Minato-Ku, Tokyo 105 Japan	Technical Partner	**23,799**	23,701
Aisin Seiki Co., Ltd	2-1, Asahi-Machi, Kariya, Aichi, 448-4650, Japan	Technical Partner	**972**	993
Ride Control LLC	750 Old Hickory Blvd. Suite 1-180 Brentwood, TN 37027, USA	Technical Partner	**2,786**	5,500
Ogihara (Thailand) Company Limited	172 Ladkrabang Industrial Estate, Soi Chalongkrung 31,Chalongkrung Rd, Lamplathiw, Ladkrabang, Bangkok 10520	Technical Partner	**18,156**	31,120

	Note	2020	2019
		----- (Rupees in '000) -----	
25 DISTRIBUTION COST			
Salaries, wages and benefits		**18,037**	19,529
Advertisement and sales promotion		**9,197**	40,095
Carriage and forwarding		**21,489**	39,769
Travelling and conveyance		**2,907**	3,220
Depreciation on operating fixed assets	7.2	**2,865**	2,555
Depreciation on right-of-use assets	8.1	**781**	-
Provision for warranty claims	20.4	**15,076**	28,513
Trade debts written-off		**-**	101
Rent, rates and taxes		**204**	263
Communications		**235**	541
Insurance		**2,178**	2,191
Repairs and maintenance		**1,682**	1,042
Others		**795**	423
		75,446	138,242
26 ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits		**88,825**	92,887
Legal and professional charges		**74,804**	73,307
Travelling and conveyance		**15,895**	18,269
Repairs and maintenance		**22,182**	16,948
Depreciation on operating fixed assets	7.2	**8,693**	9,295
Depreciation on right-of-use assets	8.1	**1,664**	-
Security services		**11,820**	9,643
Communications and professional fee		**3,333**	4,541
Printing and stationery		**1,564**	4,039
Rent, rates and taxes		**6,051**	7,368
Utilities		**2,028**	1,699
Auditors' remuneration	26.1	**2,760**	2,344
Insurance		**1,847**	1,613
Fuel and power		**258**	104
Others		**5,398**	3,421
		247,122	245,478

	Note	2020	2019
		----- (Rupees in '000) -----	
26.1 Auditors' remuneration			
Audit fee for standalone financial statements		**1,225**	1,225
Audit fee for consolidated financial statements		**175**	175
Fee for review of half yearly financial statements		**170**	170
Other certifications		**848**	472
Out of pocket expenses		**342**	302
		2,760	2,344
27 OTHER EXPENSES			
Workers' Profit Participation Fund	20.3	**4,731**	73,568
Workers' Welfare Fund		**-**	27,010
Donations	27.1	**2,575**	11,927
Allowance for expected credit loss		**238**	7
		7,544	112,512

27.1 Donation to following parties equals to or exceeds 10% of the Group's total donations or Rs. 1 million, whichever is higher:

	2020	2019
	----- (Rupees in '000) -----	
Habib Educational Trust	**2,000**	4,300
Mohammedali Habib Welfare Trust	**-**	4,000
Markaz-e-Umeed	**-**	1,500

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 Board of Governors in Professional Education Foundation (PEF). Donation given to PEF during the year amounted to Rs. Nil (2019: 0.2 million).

	Note	2020	2019
		----- (Rupees in '000) -----	
28 OTHER INCOME			
Income from financial assets			
Profit on:			
- short-term investments - term deposit receipts		**23,593**	30,274
- deposit accounts		**18,458**	23,756
	28.1	**42,051**	54,030
(Loss) / gain on disposal of short-term investments - mutual funds		**(47)**	229
Unrealised (loss) / gain on short-term investments- mutual funds		**(2,000)**	189
Reversal of allowance for expected credit losses		**177**	-
Liabilities no longer payable - written back		**403**	-
Dividend income:			
- short-term investments - mutual funds		**5,882**	6,096
		5,882	6,096
Income from non-financial assets			
Gain on disposal of operating fixed assets	7.4	**3,481**	988
Scrap sales		**4,402**	10,929
Miscellaneous income		**2,537**	-
		10,420	11,917
		56,886	72,461

		2020	2019
		----- (Rupees in '000) -----	
28.1	Represents profit earned under conventional banking relationship.		
29	**TAXATION**		
	Current		
	For the year	**79,780**	199,068
	Prior	**6,346**	(140)
	Super tax	**-**	14,357
		86,126	213,285
	Deferred	**(2,657)**	(11,231)
		83,469	202,054

29.1 Provision for current tax has been made on the basis of minimum tax under section 113 of Income Tax Ordinance 2001 (the Ordinance), accordingly tax expense reconcilation with the accounting profit is not presented.

30 EARNINGS PER SHARE – basic and diluted

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

	Note	2020	2019
		----- (Rupees in '000) -----	
Net (loss) / profit for the year		**(108,438)**	1,054,698
Weighted average number of ordinary shares outstanding during the year (shares in '000)		**28,800**	28,800
(Loss) / earning per share (Rs.)		**(3.77)**	36.62

31 CASH GENERATED FROM OPERATIONS

(Loss) / profit before taxation		**(24,969)**	1,256,752
Adjustments for:			
Depreciation and amortisation	7.2, 8 & 9	**291,397**	194,275
Finance costs		**2,991**	628
(Reversal) / allowance for expected credit losses		**(177)**	7
Liabilities no longer payable - written back	28	**(403)**	-
Trade debts written off		**-**	101
Profit on short-term investments - term deposit receipts	28	**(23,593)**	(30,274)
Profit on deposit accounts	28	**(18,458)**	(23,756)
Dividend income	28	**(5,882)**	(6,096)
Capital work-in-progress charged off	7.5.1	**7,797**	2,650
Gain on disposal of operating fixed assets	28	**(3,481)**	(988)
Loss / (gain) on disposal of short-term investments - mutual funds	28	**47**	(229)
		250,238	136,318
		225,269	1,393,070
Decrease / (increase) in current assets			
Stores, spares and loose tools		**2,897**	(27,925)
Stock-in-trade		**(335,941)**	(144,918)
Trade debts		**492,964**	(411,625)
Advances, deposits, prepayments and other receivables		**196,273**	(287,007)
Sales tax receivable		**(81,866)**	(49,734)
		274,327	(921,209)
Increase in current liabilities			
Trade and other payables		**349,843**	109,274
		849,439	581,135

	Note	2020	2019
		----- (Rupees in '000) -----	
32 CASH AND CASH EQUIVALENTS			
Short-term investments - term deposit receipts	15	**443,000**	134,000
Cash and bank balances	16	**131,195**	174,378
		574,195	308,378

33 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 summarized below:

33.1 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. 5 million (2019: Rs. 1.779 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.

(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, 2020, the Group does not have any financial assets or financial liabilities which are denominated in foreign currencies.

33.2 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	2020	2019
		----- (Rupees in '000) -----	

The maximum exposure to credit risk at reporting date is as follows:

Long-term deposits	10	**13,438**	13,438
Trade debts	13	**492,234**	985,768
Deposits	14	**577**	425
Other receivables	14	**123,760**	311,063
Short-term investments	15	**494,329**	187,513
Bank balances	16	**131,104**	174,294
		1,255,442	1,672,501

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.

	2020	2019
	----- (Rupees in '000) -----	

Trade debts

The analysis of trade debts is as follows:

Neither past due nor impaired Past due but not impaired	**441,495**	819,937
- 30 to 90 days	**35,027**	165,831
- 91 to 180 days	**15,070**	-
- 181 to 360 days	**642**	-
	492,234	985,768

Bank balances

Ratings		
AAA	**7,295**	-
AA+	**63,311**	-
A-1+	**60,498**	174,294
	131,104	174,294

Short-term investments

Ratings		
A-1+	**494,329**	164,576
AA(f)	**-**	22,053
	494,329	186,629

33.3 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.

2020	Not later than 3 months	Later than 3 months but not more than a year	1 to 5 years	Total
	(Rupees in '000)			
Trade and other payables	663,050	75,000	-	738,050
Lease liabilities	6,000	325	8,712	15,037
Unpaid dividend	11,971	-	-	11,971
Unclaimed dividend	20,271	-	-	20,271
	701,292	75,325	8,712	785,329

2019	Not later than 3 months	Later than 3 months but not more than a year	1 to 5 years	Total
	(Rupees in '000)			
Trade and other payables	589,529	57,885	-	647,414
Lease liabilities	-	-	-	-
Unpaid dividend	7,211	-	-	7,211
Unclaimed dividend	23,055	-	-	23,055
	619,795	57,885	-	677,680

34 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.

35 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)

	Fair value measurement using			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Short-term investments - mutual funds				
June 30, 2020	51,038	-	-	51,038
June 30, 2019	52,576	-	-	52,576

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

	2020		2019	
	Unclaimed & Unpaid dividend	Lease liabilities	Unclaimed & Unpaid dividend	Lease liabilitiesv
	----- (Rupees in '000) -----		----- (Rupees in '000) -----	
As at July 01	30,266	-	26,020	-
Changes from financing cash flows				
Dividend paid during the year	(199,624)	-	(441,356)	-
Payments made during the year	-	(8,669)	-	-
	(199,624)	(8,669)	(441,356)	-
Other changes				
Dividend declared during the year	201,600	-	445,602	-
Impact of initial application of IFRS 16 (note 4.1.1)	-	21,565	-	-
Finance cost during the year	-	2,141	-	-
Additions during the year	-	-	-	-
	201,600	23,706	445,602	-
As at June 30	32,242	15,037	30,266	-

37 REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

37.1 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:

	2020		2019	
	Chief executive	Executives	Chief executive	Executives
	----- (Rupees in '000) -----			
Managerial remuneration	19,600	63,649	18,149	57,132
Bonus	4,800	8,169	6,612	13,374
Retirement benefits	1,633	2,818	1,512	2,100
Utilities	-	216	-	167
Medical expenses	52	373	54	424
	26,085	75,225	26,327	73,197
Number of persons	1	16	1	14

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

37.3 Three non-executive directors (2019: Three) have been paid fees of Rs. 1.403 million (2019: Rs. 2.025 million) for attending board and other meetings.

38 TRANSACTIONS WITH RELATED PARTIES

38.1 Related parties of the Group comprise the subsidiary company, 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	2020	2019
			----- (Rupees in '000) -----	
Associated Companies (Common directorship)				
Auvitronics Limited	Purchase	Nil	-	2,149
Thal Limited	Dividend paid	7.35	14,809	24,329
Shabbir Tiles & Ceramics Limited	Purchases	Nil	865	103
Thal Boshoku Pakistan (Private) Limited	Sales	Nil	8,148	-
Retirement benefits fund				
Employees' Provident Fund	Contribution	Nil	12,950	11,547
Key management personnel	Remuneration and other benefits	Nil	38,815	39,254

38.2 The outstanding balance with related parties as at the year-end have been disclosed in the respective notes to the consolidated financial statements.

38.3 Details of compensation to the key management personnel have been disclosed in the note 37 to the consolidated financial statements.

39 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 OEMs.

40 UNUTILIZED CREDIT FACILITIES

As of the statement of financial position date, the Group has unutilized facilities for short-term running finance available from various banks amounted to Rs. 410 million (2019: 410 million). The rate of mark-up on these finances ranges from 1 to 3 months KIBOR plus rates varying from 0.25% to 1.25% (2019: 1 to 3 months KIBOR plus rates varying from 0.25% to 1.25%). The facilities are secured by way of pari passu hypothecation of Group's stock-in-trade, stores, spares, loose tools and trade debts.

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

41.1 The Board of Directors in its meeting held on August 27, 2020 (i) approved the transfer of Rs. Nil million (2019: Rs.300 million) from unappropriated profits to general reserve and (ii) proposed cash dividend of Re.1 per share (2019: Rs. 7 per share) for the year ended June 30, 2020 amounting to Rs. 28.8 million (2019: Rs. 201.6 million) for approval of the members at the Annual General Meeting to be held on October 22, 2020.

42 NUMBER OF EMPLOYEES

	2020	2019
	----- (Rupees in '000) -----	
Total number of employees as at June 30	840	910
Average number of employees during the year	890	910

43 INFORMATION ABOUT OPERATING SEGMENTS

The activities of the Group are organized 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, organizational 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. One of the customer, accounts for more than 10% of the Group's sales.

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

The sudden spread of COVID-19 has disrupted lives, livelihoods, communities and businesses worldwide. In March, 2020, the relevant authorities announced a temporary lockdown as a measure to reduce the spread of the COVID-19. Complying with the lockdown, the Group temporarily suspended its operations from the month of March. At that difficult time, our focus was to safeguard the well-being of everyone including our associates and those within the dealer & the supply chain network. The Group believes that this crisis presents an opportunity to take bold actions and show leadership and solidarity. Level of communication has been significantly increased and associates have been empowered to work remotely.

The revenue of the Group was impacted by COVID-19 in the period of lockdown and in addition, the Group had to incur additional cost to ensure safety of its employees and stakeholders. Consequently, Covid-19 being one of the major factors which contributed towards overall decrease in revenues by approximately 22% along with the corresponding variable cost and variable overheads. However, after implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Group henceforth resumed its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business in order to maintain business performance despite slowed down economic activity. Due to this, the management has assessed the accounting implications arising out of these developments on these financial statements, including but not limited to the following areas:

- The impairment of tangible and intangible assets under IAS 36, "Impairment of non-financial assets"
- The net realizable value of Inventory under IAS 2, "Inventories"

Based on the assessment, there is no significant accounting implication arising out of the effects of COVID-19 in these consolidated financial statements except for the decrease in revenue and corresponding variable cost and variable overheads as stated above.

45 GENERAL

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

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

46 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue on August 27, 2020 by the Board of Directors of the Group.

Salman Burney	Fahim Kapadia	Jawwad Haqqi
Director	Chief Executive	Chief Financial Officer