

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2019

	Note	2019 ----(Rupees in '000)----	2018
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	2,089,475	1,584,818
Intangible asset	8	6,651	7,863
Long-term deposits	9	13,438	13,028
		2,109,564	1,605,709
CURRENT ASSETS			
Stores, spares and loose tools	10	123,713	95,788
Stock-in-trade	11	1,601,264	1,456,346
Trade debts	12	985,768	574,251
Advances, deposits, prepayments and other receivables	13	340,052	51,238
Accrued profit		1,793	1,318
Short-term investments	14	187,513	743,488
Sales tax receivable		86,409	36,675
Taxation – net		530,309	324,202
Cash and bank balances	15	174,378	425,961
		4,031,199	3,709,267
TOTAL ASSETS		6,140,763	5,314,976
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 40,000,000 (2018: 40,000,000) ordinary shares of Rs. 5/- each		200,000	200,000
Issued, subscribed and paid-up capital	16	144,000	144,000
Reserves		5,280,178	4,556,680
		5,424,178	4,700,680
NON CURRENT LIABILITIES			
Deferred taxation	17	64,780	76,011
CURRENT LIABILITIES			
Trade and other payables	18	621,539	512,265
Unpaid dividend		7,211	2,516
Unclaimed dividend		23,055	23,504
		651,805	538,285
COMMITMENTS			
	19		
TOTAL EQUITY AND LIABILITIES		6,140,763	5,314,976

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive



Saad Usman
Chief Financial Officer

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 ----(Rupees in '000)----	2018
Turnover – net	20	10,128,569	8,315,021
Cost of sales	21	(8,447,418)	(6,722,821)
Gross profit		1,681,151	1,592,200
Distribution cost	22	(138,249)	(127,153)
Administrative expenses	23	(245,478)	(225,983)
		(383,727)	(353,136)
Operating profit		1,297,424	1,239,064
Other expenses	24	(112,505)	(101,376)
Other income	25	72,461	70,665
Bank charges		(628)	(597)
		(40,672)	(31,308)
Profit before taxation		1,256,752	1,207,756
Taxation	26	(202,054)	(248,039)
Profit after taxation		1,054,698	959,717
		----- (Rupees) -----	
Earnings per share – basic and diluted	27	36.62	33.32

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive



Saad Usman
Chief Financial Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended June 30, 2019

	2019	2018
	---(Rupees in '000)---	
Net profit of the year	1,054,698	959,717
Other comprehensive income	-	-
Total comprehensive income for the year	1,054,698	959,717

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive



Saad Usman
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended June 30, 2019

Issued, Subscribed and paid- up Capital	R e s e r v e s				Total reserves	Total equity
	Capital reserve	Revenue reserves				
		Share premium	General	Unapp- ropriated profit		

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

Balance as at June 30, 2017 **144,000** **12,598** **3,075,000** **840,565** **3,928,163** **4,072,163**

Final dividend for the year ended
June 30, 2017 @ Rs. 7.5/- per share - - - (216,000) (216,000) (216,000)

Interim dividend for the year ended
June 30, 2018 @ Rs. 4.0/- per share - - - (115,200) (115,200) (115,200)

Transfer to general reserve

- - 580,000 (580,000) - -

Profit after taxation

Other comprehensive income

-	-	-	959,717	959,717	959,717
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Total comprehensive income for the year

-	-	-	-	-	-
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- - - 959,717 959,717 959,717

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 - -

Profit after taxation

Other comprehensive income

-	-	-	1,054,698	1,054,698	1,054,698
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Total comprehensive income for the year

-	-	-	-	-	-
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- - - 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**

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.

Yutaka Arae
Chairman

Fahim Kapadia
Chief Executive

Saad Usman
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN CASH FLOWS

For The Year Ended June 30, 2019

	Note	2019 ----(Rupees in '000)----	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	28	581,135	857,727
Long-term deposits		(410)	(10)
Finance cost paid		(628)	(597)
Income tax paid		(419,392)	(276,384)
Net cash generated from operating activities		160,705	580,736
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(712,951)	(197,725)
Proceeds from disposal operating fixed assets		13,569	12,693
Short-term investments made in mutual funds - net		(52,347)	-
Profit received on short-term investments - term deposit receipts and treasury bills		33,458	39,408
Profit received on deposit accounts		23,281	19,397
Dividend received		4,289	-
Net cash used in investing activities		(690,701)	(126,227)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(326,954)	(326,442)
Net cash used in financing activities		(326,954)	(326,442)
Net decrease / increase in cash and cash equivalents		(856,950)	128,067
Cash and cash equivalents at the beginning of the year	29	1,165,328	1,037,261
Cash and cash equivalents at the end of the year	29	308,378	1,165,328

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive



Saad Usman
Chief Financial Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

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. 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, Sind	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 as disclosed in note 14 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

4 STANDARDS, AMENDMENTS AND IMPROVEMENTS APPLICABLE TO FINANCIAL STATEMENTS

4.1 New standards, amendments and improvements effective during the year

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

IFRS 2: Share-based Payments: Classification and Measurement of Share Based Payments Transactions (Amendments)

IFRS 9: Financial Instruments

IFRS 15: Revenue from Contracts with Customers

IAS 40: Investment Property: Transfers of Investment Property (Amendments)

IFRIC 22: Foreign Currency Transactions and Advance Consideration

Improvements to IFRSs Issued by IASB in December 2016

IAS 28 — Investment in Associates and Joint Ventures: Clarification that measuring investees at fair value through profit or loss in an investment-by-investment choice.

The adoption of the above standards, amendments and improvements to IFRSs did not have any effect on these consolidated financial statements, except for IFRS 9 and IFRS 15 as explained below:

4.1.1 IFRS 9 Financial Instruments

The Group has applied IFRS 9 using modified retrospective approach with initial application date of 1 July 2018 as notified by the SECP. IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

The management of the Group has assessed and concluded that the Group is in compliance with the requirements of IFRS 9.

The new accounting policy in respect of financial instruments along with the impact on the classification of financial assets and impairment of financial assets is stated in note 5.8 to these consolidated financial statements.

4.1.2 IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 using modified retrospective approach with initial application date of 1 July 2018 as notified by the Securities and Exchange Commission of Pakistan (SECP). The first-time application of IFRS 15 has not had any significant effects with regard to the amount of revenue recognised and when it is recognised. Hence, no cumulative adjustment amounts have been recognised to adjust the opening retained earnings as at 1 July 2018. Accordingly, the information presented for prior years has not been restated, as previously reported, under IAS 18 and related interpretations.

The management of the Group has assessed and concluded that the Group is in compliance with the requirements of IFRS 15. The new accounting policy in respect of revenue recognition is stated in note 5.15 to these consolidated financial statements.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

	“Effective date (annual periods beginning on or after)”
Standard or Interpretation	
IFRS 3 -- Definition of a Business (Amendments)	01 January 2020
IFRS 3 -- Business Combinations: Previously held interests in a joint operation	01 January 2019
IFRS 9 -- Prepayment Features with Negative Compensation (Amendments)	01 January 2019
IFRS 10 / IAS 28 -- Consolidated Financial Statements and Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 11 -- Joint Arrangements: Previously held interests in a joint operation	01 January 2019
IFRS 16 -- Leases	01 January 2019
IAS 1 / IAS 8 -- Definition of Material (Amendments)	01 January 2019
IAS 12 -- Income Taxes: Income tax consequences of payments on financial instruments classified as equity	01 January 2019
IAS 19 -- Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 23 -- Borrowing Costs - Borrowing costs eligible for capitalisation	01 January 2019
IAS 28 -- Long-term Interests in Associates and Joint Ventures (Amendments)	01 January 2019
IFRIC 23 -- Uncertainty over Income Tax Treatments	01 January 2019

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

In addition to the above standards and amendments, improvements to various IFRSs have also been issued by the IASB in December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2019. The Group expects that such improvements to the standards will not have any material impact on the Group's consolidated financial statements in the period of initial application.

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 1 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, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan. The management of the Group expects that below new standards will not have any material impact on the Group's consolidated financial statements in the period of initial application.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

**“Effective date
(annual periods
beginning on or
after)”**

Standard

IFRS 1 -- First time adoption of IFRSs	01 January 2004
IFRS 14 -- Regulatory Deferral Accounts	01 January 2016
IFRS 17 -- Insurance Contracts	01 January 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 elect and appoint more than fifty percent 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' 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

Owned

These are stated at cost less accumulated depreciation and impairment loss except for freehold land and capital work in progress which are stated at cost.

Depreciation on 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.

5.3 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 8 to these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

5.4 Stores, spares and loose tools

Stores, spares and loose tools are stated at cost which is determined by the weighted moving average cost method except for those in transit which are valued at actual cost. Provision is made for slow moving and obsolete items, (if any).

5.5 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 any obsolete items 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.

5.6 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.

5.7 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.

5.8 Financial instruments

5.8.1 Financial assets

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

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 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, 2019

Trade debts and other financial assets previously classified as 'loans and receivables' are now classified as 'amortised cost'. These 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.

5.8.2 Financial liabilities

There are no changes in classification and measurement for the Group's financial liabilities on the adoption of IFRS 9.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

5.8.3 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.

"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.

5.8.4 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

5.9 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 to 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 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.

Compensated absences

The Group accounts for these benefits in the period in which the absences are earned.

5.11 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 and tax paid on final tax regime basis in accordance with the provisions of Income Tax Ordinance 2001. The Holding Company 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.

5.12 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.

5.13 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

5.14 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 date of financial reporting. Exchange differences are taken to the consolidated statement of profit or loss.

5.15 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.

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

5.16 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.

5.17 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.

5.18 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 Holding Company 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 AND ESTIMATES

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 the financial statements:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

	Notes
- determining the residual values and useful lives of property, plant and equipment	5.2 & 7
- allowance for expected credit losses against trade debts and other receivables	5.6, 12 & 13
- provision for tax and deferred tax	5.11, 17 & 26
- warranty obligations	5.13 & 18.3
- provision for employee benefits	5.10 & 18.2

	Note	2019 ---(Rupees in '000)---	2018
7			
PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	7.1	1,517,299	1,481,752
Capital work in progress	7.5	572,176	103,066
		<u>2,089,475</u>	<u>1,584,818</u>

7.1 Operating fixed assets

	COST			Depreciat- ion rate	ACCUMULATED DEPRECIATION			WRITTEN DOWN VALUE
	As at July 01, 2018	Additions / transfers / (disposals)	As at June 30, 2019		As at July 01, 2018	Charge for the year (note 7.2)	On disposals	As at June 30, 2019
	----- (Rs. in 000') -----				----- (Rs. in 000') -----			
Owned								
Freehold land	1,652	-	1,652	-	-	-	-	1,652
Leasehold land	29,418	-	29,418	1.79	3,151	525	-	3,676
Building on freehold land	189,672	2,748	192,420	10	98,079	9,228	-	107,307
Building on leasehold land	379,833	-	379,833	10	114,430	26,540	-	140,970
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
Furniture and fittings	25,086	4,088 (1,136)	28,038	15	10,644	2,053	(561)	12,136
Vehicles	100,814	29,034 (14,461)	115,387	20	46,549	14,269	(10,610)	50,208
Office equipment	7,044	1,899 (213)	8,730	20	3,955	1,070	(201)	4,824
Computer equipment	38,233	2,180 (3,222)	37,191	33	32,508	2,347	(3,025)	31,830
Dies and tools	137,657	21,635	159,292	40	87,180	23,218	-	110,398
2019	2,569,005	213,985 25,922 (39,801)	2,769,111		1,087,253	191,779	(27,220)	1,251,812
					<u>1,087,253</u>	<u>191,779</u>	<u>(27,220)</u>	<u>1,251,812</u>
								<u>1,517,299</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

	COST			Depreciat- ion rate	ACCUMULATED DEPRECIATION			WRITTEN DOWN VALUE	
	As at July 01, 2017	Additions / transfers / (disposals)	As at June 30, 2018		As at July 01, 2017	Charge for the year (note 8.2)	On disposals	As at June 30, 2018	As at June 30, 2018
	----- (Rs. in 000) -----				----- (Rs. in 000) -----				
Owned									
Freehold land	1,652	-	1,652	-	-	-	-	1,652	
Leasehold land	29,418	-	29,418	1.79	2,626	525	3,151	26,267	
Building on freehold land	189,672	-	189,672	10	87,902	10,177	98,079	91,593	
Building on leasehold land	379,833	-	379,833	10	84,941	29,489	114,430	265,403	
Plant and machinery	1,605,531	58,192 690 (4,817)	1,659,596	10 – 20	582,778	109,074	(1,095)	690,757	968,839
Furniture and fittings	22,883	2,203	25,086	15	8,711	1,933	-	10,644	14,442
Vehicles	93,520	22,905 (15,611)	100,814	20	44,521	12,060	(10,032)	46,549	54,265
Office equipment	6,883	161	7,044	20	3,433	522	-	3,955	3,089
Computer equipment	37,986	1,746 (1,499)	38,233	33	31,305	2,599	(1,396)	32,508	5,725
Dies and tools	137,657	-	137,657	40	53,528	33,652	-	87,180	50,477
2018	2,505,035	85,207 690 (21,927)	2,569,005		899,745	200,031	(12,523)	1,087,253	1,481,752

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

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

Cost of sales	21	179,929	188,108
Distribution costs	22	2,555	2,804
Administrative expenses	23	9,295	9,119
		<u>191,779</u>	<u>200,031</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

7.3 The following operating fixed assets were disposed off during the year having written down value (WDV) of Rs. 0.5 million or more:

Particulars	Cost	Accumulated depreciation	Written	Sales proceeds	Gain / (loss)	Mode of disposal	Particulars of buyer
			down value				
----- (Rupees in '000) -----							
Plant and machinery							
Tractor MF650	1,209	161	1,048	900	(148)	Negotiation	Mr.Ikram Khan Niazi
Tractor LX 650	1,461	195	1,266	1,000	(266)	Negotiation	Mr.Mumtaz Khan
Tractor X 850	1,534	230	1,304	1,300	(4)	Negotiation	Syed Hasan Raza
Tractor X 854	1,778	267	1,511	1,300	(211)	Negotiation	Mr.Ghulam Khan
Tractor X 854	1,775	266	1,509	1,300	(209)	Negotiation	M/s. Banu Mukhtar
Vehicles							
Toyota Corolla	1,587	1,060	527	555	28	Group policy	Syed Nasr
	9,344	2,179	7,165	6,355	(810)		
Operating fixed assets having WDV less than Rs. 0.5 million	30,457	25,041	5,416	7,214	1,798	Various	Various
2019	39,801	27,220	12,581	13,569	988		
2018	21,927	12,523	9,404	12,693	3,289		

7.4 Particulars of immovable properties (i.e. freehold land, leasehold land, building on freehold land and building on leasehold land) are as follows:

Location	Use of Immovable Property	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, Sind	Manufacturing Facility	6.08 acres

Note 2019 2018
----(Rupees in '000)----

7.5 Capital work in progress

Plant and machinery	565,568	103,066
Building on freehold land	6,608	-
	572,176	103,066

7.5.1

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

As at July 01	103,066	690
Capital expenditure incurred / advances made during the year	497,682	103,066
Transfer to operating fixed assets during the year	(25,922)	(690)
Charged off during the year	(2,650)	-
As at June 30	572,176	103,066

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

	Note	2019 ----(Rupees in '000)----	2018
8 INTANGIBLE ASSET			
Cost			
As at July 1		9,452	-
Additions during the year	8.1	1,284	9,452
Closing balance		10,736	9,452
Accumulated amortisation			
As at July 1			
Charge for the year		(1,589)	-
Closing balance		(2,496)	(1,589)
		(4,085)	(1,589)
Written down value as at June 30			
		6,651	7,863
Annual rate of amortisation			
		20%	20%
8.1	This represents development costs incurred in respect of parts for upcoming models of motor vehicles.		
	Note	2019 ----(Rupees in '000)----	2018
9 LONG-TERM DEPOSITS			
Security deposits - considered good	9.1	13,438	13,028
9.1	Represents interest free deposits.		
10 STORES, SPARES AND LOOSE TOOLS			
Stores		72,344	55,990
Spares		44,736	34,887
Loose tools		6,633	4,911
		123,713	95,788
11 STOCK-IN-TRADE			
Raw material		1,086,127	1,031,827
Packing material		3,475	3,693
Work-in-process		43,441	48,913
Finished goods		75,914	66,401
Goods-in-transit		392,307	305,512
		1,601,264	1,456,346
11.1	The write down of stock-in-trade to Net realizable value during the year amounted to Rs. 12.338 million (2018: Rs. 0.056 million).		
11.2	The reversal of write down of stock-in-trade to Net realizable value during the year amounted to Rs. 7.806 million (2018: Rs. 24.68 million).		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

	Note	2019 ----(Rupees in '000)----	2018
12	TRADE DEBTS - unsecured		
Considered good		985,768	574,251
Considered doubtful		602	595
Allowance for expected credit losses		(602)	(595)
		-	-
		<u>985,768</u>	<u>574,251</u>
13	ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Advances – unsecured, considered good			
Contractors		15,714	1,834
Employees		1,217	623
Suppliers		48	655
		<u>16,979</u>	<u>3,112</u>
Deposits		425	215
Prepayments			
Insurance		4,925	5,015
Rent		3,972	2,302
Others		2,688	-
		<u>11,585</u>	<u>7,317</u>
Other receivables - secured, considered good	13.1	311,063	40,594
		<u>340,052</u>	<u>51,238</u>
13.1	This includes an amount of Rs. 305.473 million (2018: 40.594 million) against LC margins.		
13.2	These advances, trade deposits and other receivables are interest free.		
	Note	2019 ---- (Rupees in '000) ----	2018
14	SHORT-TERM INVESTMENTS		
At amortised cost			
Term deposit receipts	14.1	134,000	542,000
Treasury bills		-	197,367
Accrued profit thereon		937	4,121
		<u>134,937</u>	<u>743,488</u>
At fair value through profit or loss			
Mutual funds - open ended (5,323,943 units at NAV of Rs. 9.875 each)		52,576	-
		<u>187,513</u>	<u>743,488</u>
14.1	Represents one to three months term deposit receipts with commercial banks under conventional banking relationship carrying profit rate of 5.85% (2018: 5.50% to 6.00%) per annum and will mature by July 17, 2019.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

		2019 ---- (Rupees in '000) ----	2018 ---- (Rupees in '000) ----
15	CASH AND BANK BALANCES		
	In hand	84	247
	With banks in		
	- current accounts	109,972	98,902
	- deposit accounts	64,322	326,812
		174,294	425,714
	15.1 & 15.2	<u>174,378</u>	<u>425,961</u>

15.1 These carry profit rates ranging from 9.5% to 10.25% (2018: 4% to 4.50%) per annum.

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

16 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2019	2018		2019	2018
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 fully paid bonus shares	30,000	30,000
<u>28,800</u>	<u>28,800</u>		<u>144,000</u>	<u>144,000</u>

16.1 Thal Limited (an associated company) held 2,115,600 (2018: 2,115,600) ordinary shares of Rs. 5/- each in the Company as of the statement of financial position date.

		2019 ---- (Rupees in '000) ----	2018 ---- (Rupees in '000) ----
17	DEFERRED TAXATION		
	Taxable temporary differences arising due to: accelerated tax depreciation	144,427	139,083
	Deductible temporary differences arising due to: provisions	(79,647)	(63,072)
		<u>64,780</u>	<u>76,011</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

	Note	2019 ---- (Rupees in '000) ----	2018
18			
TRADE AND OTHER PAYABLES			
Creditors		102,165	88,226
Accrued liabilities		300,769	263,158
Royalty payable		35,198	25,733
Advance from customers		1,059	15,700
Payable to provident fund	18.1	2,575	2,038
Tax deducted at source		11,785	7,496
Workers' Profit Participation Fund	18.2	33,568	845
Workers' Welfare Fund		27,446	26,935
Warranty obligations	18.3	102,127	77,464
Others		4,847	4,670
		<u>621,539</u>	<u>512,265</u>

18.1 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	2019 ---- (Rupees in '000) ----	2018
--	------	------------------------------------	------

18.2 Workers' Profit Participation Fund

Balance at the beginning of the year		845	61,532
Allocation for the year	24	73,568	64,845
		<u>74,413</u>	<u>126,377</u>
Payments made during the year		(40,845)	(125,532)
Balance at the end of the year		<u>33,568</u>	<u>845</u>

18.3 Warranty obligations

Balance at the beginning of the year		77,464	58,730
Provision for the year	22	28,513	24,452
		<u>105,977</u>	<u>83,182</u>
Claims paid during the year		(3,849)	(5,718)
Balance at the end of the year		<u>102,128</u>	<u>77,464</u>

19 COMMITMENTS

19.1 Commitments in respect of outstanding letters of credit for raw material amounting to Rs. 817.209 million (2018: Rs. 967.347 million).

19.2 Commitments in respect of capital expenditure amounting to Rs. 132.202 million (2018: Rs. 287.962 million).

19.3 Outstanding bank guarantees issued to Sui Southern Gas Company Limited amounting to Rs. 0.385 million (2018: Rs. 0.385 million).

19.4 Outstanding bank guarantees issued to collector of customs in respect of non-deduction of withholding tax amounting to Rs. 7.68 million (2018: Rs. 8.622 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

	Note	2019 ---- (Rupees in '000) ----	2018
20 TURNOVER – net			
Sales		11,863,964	9,747,018
Trade discount		(170)	(580)
Sales tax		(1,735,225)	(1,431,417)
		(1,735,395)	(1,431,997)
		10,128,569	8,315,021
21 COST OF SALES			
Raw material consumed			
Opening stock	11	1,031,827	752,429
Purchases		7,072,041	5,722,721
		8,103,868	6,475,150
Closing stock	11	(1,086,127)	(1,031,827)
		7,017,741	5,443,323
Manufacturing expenses			
Salaries, wages and benefits		562,670	494,645
Stores, spares and loose tools consumed		220,734	188,325
Fuel and power		100,058	99,689
Royalty and technical fees		72,502	83,014
Depreciation	7.2	179,929	188,108
Transportation and travelling		118,206	100,466
Repairs and maintenance		104,952	78,797
Packing material consumed		30,562	32,552
Rent, rates and taxes		7,234	7,323
Research and development costs		11,791	12,994
Insurance		5,263	4,045
Communications and professional fee		5,607	3,230
Printing and stationery		1,839	2,275
Others		12,371	7,767
		1,433,718	1,303,230
Work-in-process			
Opening stock	11	48,913	47,379
Closing stock	11	(43,441)	(48,913)
		5,472	(1,534)
Cost of goods manufactured		8,456,931	6,745,019
Finished goods			
Opening stock	11	66,401	44,203
Closing stock	11	(75,914)	(66,401)
		(9,513)	(22,198)
		8,447,418	6,722,821

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

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

Company name	Address	Relationship with the Company	2019 ---- (Rupees in '000) ----	2018
KYB Corporation	World Trade Center Building 4-1, Hamamatsu-Cho 2 Chome, Minato-Ku, Tokyo 105 Japan	Technical Partner	23,701	23,390
Aisin Seiki Co., Ltd	2-1, Asahi-Machi, Kariya, Aichi, 448-4650, Japan	Technical Partner	993	831
Ride Control LLC	750 Old Hickory Blvd. Suite 1-180 Brentwood, TN 37027, USA	Technical Partner	5,500	5,585
Ogihara (Thailand) Company Limited	172 Ladkrabang Industrial Estate, Soi Chalongkrung 31, Chalongkrung Rd, Lamplathiw, Ladkrabang, Bangkok 10520	Technical Partner	31,120	27,500

22 DISTRIBUTION COST

Salaries, wages and benefits		19,529	16,600
Advertisement and sales promotion		40,095	38,736
Carriage and forwarding		39,769	37,980
Travelling and conveyance		3,220	2,803
Depreciation	7.2	2,555	2,804
Provision for warranty claims	18.3	28,513	24,452
Allowance/(reversal) for expected credit losses		7	(39)
Trade debts written off		101	-
Rent, rates and taxes		263	206
Communications		541	210
Insurance		2,191	2,159
Repairs and maintenance		1,042	788
Others		423	454
		138,249	127,153

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

	Note	2019 ---- (Rupees in '000) ----	2018
23 ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits		92,887	78,121
Legal and professional charges		73,307	69,669
Travelling and conveyance		18,269	17,259
Repairs and maintenance		16,948	20,664
Depreciation	7.2	9,295	9,119
Security services		9,643	9,610
Communications and professional fee		4,541	6,152
Advertisement		607	585
Printing and stationery		4,039	1,923
Rent, rates and taxes		7,368	6,402
Utilities		1,699	1,451
Auditors' remuneration	23.1	2,344	1,974
Insurance		1,613	994
Fuel and power		104	-
Others		2,814	2,060
		245,478	225,983
23.1 Auditors' remuneration			
Audit fee for standalone financial statements		1,225	1,130
Audit fee for consolidated financial statements		175	155
Fee for review of half yearly financial statements		170	128
Other certifications		472	308
Out of pocket expenses		302	253
		2,344	1,974
24 OTHER EXPENSES			
Workers' Profit Participation Fund	18.2	73,568	64,845
Workers' Welfare Fund		27,010	24,308
Donations	24.1 & 24.2	11,927	12,223
		112,505	101,376
24.1			
Donation to following parties equals to or exceeds 10% of the Group's total donations or Rs. 1 million, whichever is higher.			
	Note	2019 ---- (Rupees in '000) ----	2018
Habib Educational Trust		4,300	5,500
Mohammedali Habib Welfare Trust		4,000	4,200
Markaz-e-Umeed		1,500	50

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

24.2 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 Board of Governors in Professional Education Foundation (PEF). Donation given to PEF during the year amounted to Rs. 0.2 million (2018: Nil).

	2019	2018
Note	---- (Rupees in '000) ----	
25 OTHER INCOME		
Income from financial assets		
Profit on:		
- short-term investments - term deposit receipts and treasury bills	30,274	44,779
- deposit accounts	23,756	14,253
25.1	54,030	59,032
Gain on disposal of short-term investments - mutual funds	229	-
Unrealised gain on short-term investments - mutual funds	189	-
Dividend income:		
short-term investments - mutual funds	6,096	-
Income from non-financial assets		
Gain on disposal of operating fixed assets	988	3,289
Scrap sales	10,929	8,329
Miscellaneous income	-	15
	11,917	11,633
	72,461	70,665
25.1		
Represents profit earned under conventional banking relationship.		
26 TAXATION		
Current		
For the year	199,068	238,556
Prior	(140)	1,001
Super tax	14,357	24,784
	213,285	264,341
Deferred	(11,231)	(16,302)
	202,054	248,039
26.1 Relationship between tax expense and accounting profit		
Profit before taxation	1,256,752	1,207,756
Tax at the rate of 29% (2018: 30%)	364,458	362,327
Tax effects of:		
Expenses that are inadmissible in determining taxable profit	(25,388)	15,873
Effect of previous year's tax charge	(140)	1,001
Tax rebates	(140,916)	(139,643)
Effect of changes in tax rate	914	(2,116)
Deferred	(11,231)	(14,187)
Super tax	14,357	24,784
	202,054	248,039

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

	Note	2019 ----- (Rupees in '000) -----	2018
27 EARNINGS PER SHARE – Basic and diluted			
There is no dilutive effect on basic earning per share of the Group, which is based on Profit after taxation (Rs. in '000)		1,054,698	959,717
Weighted average number of ordinary shares outstanding during the year (shares in '000)		28,800	28,800
Basic earnings per share (Rs.)		36.62	33.32
28 CASH GENERATED FROM OPERATIONS			
Profit before taxation		1,256,752	1,207,756
Adjustments for:			
Depreciation and amortisation	7.2	194,275	201,620
Finance costs		628	597
Allowance / (reversal) for expected credit losses	12.1	7	(39)
Trade debts written off		101	-
Profit on short-term investments - trade deposit receipts and treasury bills	25	(30,274)	(44,779)
Profit on deposit accounts	25	(23,756)	(14,253)
Dividend income	25	(6,096)	-
Capital work-in-progress charged off	7.5.1	2,650	-
Gain on disposal of operating fixed assets	25	(988)	(3,289)
Gain on disposal of short-term investments - mutual funds		(229)	-
		136,318	139,857
		1,393,070	1,347,613
(Increase) / Decrease in current assets			
Stores, spares and loose tools		(27,925)	(27,275)
Stock-in-trade		(144,918)	(409,541)
Trade debts		(411,625)	(66,189)
Advances, deposits, prepayments and other receivables		(287,007)	1,746
Sales tax receivable		(49,734)	5,425
		(921,209)	(495,834)
Decrease in current liabilities			
Trade and other payables		109,274	5,948
		581,135	857,727
29 CASH AND CASH EQUIVALENTS			
Short-term investments	14	134,000	739,367
Cash and bank balances	15	174,378	425,961
		308,378	1,165,328

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

30 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:

30.1 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.

(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 increase the Group's profit after tax by Rs. 1.779 million (2018: Rs. 8.585 million) and a 1% decrease would result in the decrease in the Group's profit after tax 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, 2019, the Group does not have any financial assets or financial liabilities which are denominated in foreign currencies.

30.2 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.

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.

2019 2018
----- (Rupees in '000)-----

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

Long-term deposits	9	13,438	13,028
Trade debts	12	985,768	574,251
Deposits	13	425	215
Other receivables	13	311,063	40,594
Short-term investments	14	187,513	743,488
Bank balances	15	174,294	425,714
		<u>1,672,501</u>	<u>1,797,290</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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

	2019	2018
Note	----- (Rupees in '000) -----	
Trade debts		
The analysis of trade debts is as follows:		
Neither past due nor impaired	819,937	345,793
Past due but not impaired – 30 to 90 days	165,831	86,138
	985,768	431,931
Bank balances		
Ratings		
A-1+	174,294	424,432
A-1	-	1,282
	174,294	425,714
Short-term investments		
Ratings		
A-1+	186,629	739,367

30.3 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 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.

	On demand	Less than 3 months	3 to 12 months	Total
	----- (Rupees in '000) -----			
2019				
Trade and other payables	221,520	278,556	57,885	557,961
Unpaid dividend	7,211	-	-	7,211
Unclaimed dividend	23,055	-	-	23,055
	251,786	278,556	57,885	588,227
2018				
Trade and other payables	215,503	242,055	29,253	486,811
Unpaid dividend	2,516	-	-	2,516
Unclaimed dividend	23,504	-	-	23,504
	241,523	242,055	29,253	512,831

31 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

32 FAIR VALUE OF FINANCIAL INSTRUMENTS

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			Total
	Level 1	Level 2	Level 3	
	----- (Rupees in '000) -----			
June 30, 2019				
Short-term investments - mutual funds	-	52,576	-	52,576
June 30, 2018	-	-	-	-

33 REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2019		2018	
	Chief executive	Executives	Chief executive	Executives
	----- (Rupees in '000) -----			
Managerial remuneration	18,149	57,132	13,895	34,441
Bonus	6,612	13,374	2,867	3,567
Retirement benefits	1,512	2,100	725	1,383
Utilities	-	167	179	182
Medical expenses	54	424	41	224
	26,327	73,197	17,707	39,797
Number of persons	1	14	1	9

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

33.3 Three non-executive directors (2018: Two) have been paid fees of Rs. 2.025 million (2018: 1.275 million) for attending board and other meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

34 TRANSACTIONS WITH RELATED PARTIES

Related parties of the Group comprise the companies with common directorship, retirement funds, directors and key management personnel. Detail of transactions with related parties during the year, other than disclosed elsewhere in the consolidated financial statements, are as follows:

Name of related party and relationship with the Group	Nature of transaction	Percentage of shareholding in the Holding Company	2019	2018
			---- (Rupees in '000) ----	
Associated company (Common directorship)				
Auvitronics Limited	Purchase	Nil	2,149	1,026
TPL Direct Insurance Limited	Insurance premium	Nil	5,923	4,943
Shabbir Tiles & Ceramics Limited	Purchases	Nil	103	3,725
Retirement benefit fund				
Employees' Provident Fund	Contribution	Nil	11,547	8,838
Key management personnel				
	Remuneration and other benefits	Nil	39,254	28,075

35 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.

36 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 (2018: 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% (2018: 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.

37 NON-ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors in its meeting held on August 29, 2019 (i) approved the transfer of Rs. 300 million (2018: Rs. 190 million) from unappropriated profits to general reserve and (ii) proposed cash dividend of Rs. 7.00 per share (2018: Rs. 8.50 per share) for the year ended June 30, 2019 amounting to Rs. 201.6 million (2018: Rs. 244.8 million) for approval of the members at the Annual General Meeting to be held on October 21, 2019.

38 NUMBER OF EMPLOYEES

	2019	2018
Total number of employees as at June 30	910	907
Average number of employees during the year	910	907

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

39 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.

40 GENERAL

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

41 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue on August 29, 2019 by the Board of Directors of the Holding Company.



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive



Saad Usman
Chief Financial Officer