NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1 LEGAL STATUS AND NATURE OF BUSINESS

Sazgar Engineering Works Limited was incorporated in Pakistan on September 21, 1991 as a Private Limited Company and converted into a Public Limited Company on November 21, 1994. The Company is listed on the Pakistan Stock Exchange Limited. The Company is engaged in the manufacture and sale of automobiles, automotive parts and household electric appliances. The registered office of the company is situated at 88- Ali Town, Thokar Niaz Baig, Raiwind Road, Lahore. The three wheeler, wheel rim and household electric appliances manufacturing facility is located at 18 K.m Raiwind Road, Lahore and four wheeler manufacturing facility, which is under construction, is situated at Mouza Bhai kot, near tablighi ijtama, Raiwind, Lahore.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of; International Financial Reporting Standards (IFR Standards) issued by the International Accounting Standards Board (IASB) as notified under the companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFR Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of Measurement

These financial statements have been prepared under the historical cost convention except for the recognition of employees retirement benefits at present value.

2.3 Functional and Presentation Currency

These financial statements are presented in Pak Rupee, which is the functional and presentation currency of the Company.

2.4 New accounting standards, IFRIC interpretations, amendments to the published approved accounting standards and Companies Act, 2017 that are effective in current year:

Certain standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on July 01, 2018 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

2.4.1 The company has adopted IFRS-15 "Revenue from contract with customer" which is effective for accounting period beginning on or after July 01, 2018 as notified by the SECP. IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognize revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The details are mentioned in Note No. 4.

2.4.2 IFRIC 22, 'Foreign currency transactions and advance consideration'. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. The Company's accounting treatment is already in line with this interpretation.

2.4.3 IFRS 9 'Financial Instruments' - This standard replaces the guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. It includes requirements on the classification and measurement of financial assets and liabilities derecognition of financial instruments, impairment of financial assets and hedge accounting; it also includes an expected credit losses impairment model that replaces the current incurred loss impairment model. The details are mentioned in Note No. 4.

The adoption of the above standards, amendments and interpretations have no material impact on the Company's financial statements, except for increased disclosures in certain cases as mentioned in note no 4.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

2.5 New accounting standards, IFRIC interpretations and amendments to the published approved accounting standards that are not effective in current year and have not been early adopted by the Company:

The following standards, amendments to the approved accounting standards and interpretations that are mandatory for the companies having accounting periods beginning on or after July 01, 2019 but are considered not to be relevant or to have any significant effect on the Company's operations:

Standards or Interpretation		Effective date
IFRS-3	Business Combinations (Amendments)	January 01, 2020
IFRS-9	Financial instruments (Amendments)	January 01, 2019
IFRS-16	Leases	January 01, 2019
IFRIC 23	Uncertainty Over Income Tax Treatments	January 01, 2019
IAS 1	Presentation of Financial Statements-Definition of Material	January 01, 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors-Definition of Material	January 01, 2020
IAS 12	Income Taxes: Income tax consequences of payments on financial instruments	January 01, 2019
IAS 19	Plan Amendment, Curtailment or Settlement (Amendments)	January 01, 2019
IAS 23	Borrowing Costs - Borrowing costs eligible for capitalization	January 01, 2019
IAS 28	Long-term Interests in Associates and Joint Ventures (Amendments)	January 01, 2019
Amendments to references to the Conceptual Framework in IFRS standards		January 01, 2020

The above standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements except for the increased disclosures in certain cases.

3 SIGNIFICANT ACCOUNTING POLICIES

The Significant accounting policies adopted in the preparation of these financial statements are set out below and have been consistently applied to all the years presented.

3.1 Employee benefits

Defined benefit plan

Defined benefit plan is a post-employment benefit plan other than the defined contribution plan.

The Company operates an unfunded gratuity scheme for all its permanent employees. The provision is made on the basis of actuarial valuation by using the projected unit credit method. In calculating the Company's obligation in respect of a plan, any actuarial gains and losses are recognized immediately in the statement of other comprehensive income.

3.2 Compensated Absences

The Company accounts for compensated absences of its employees on un-availed balance of leave in the period in which the leave is earned.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

3.3 Property, Plant and Equipment-Owned

Operating fixed assets except freehold land and capital work in progress are stated at cost less accumulated depreciation and impairment losses, if any. Land and capital work in progress are stated at cost. Cost in relation to self manufactured assets includes direct cost of materials, labour and applicable manufacturing overheads. Cost of tangible fixed assets consists of historical cost, borrowing cost pertaining to the construction/erection period and directly attributable cost of bringing the assets to working condition.

Depreciation on all property, plant and equipment except freehold land is charged by applying the reducing balance method in accordance with the rates specified in note no. 15.1 of these financial statements, whereby the cost of an asset is written off over its estimated useful life. Depreciation on additions is charged from the month in which the asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

The assets' residual values and useful lives are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

Normal maintenance and repairs are charged to statement of profit or loss as and when incurred. Major renewals and replacements are capitalized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Disposal of an asset is recognized when significant risks and rewards, incidental to the ownership of the assets have been transferred to the buyer. Gain or Loss on disposal of Property, Plant and Equipment is determined by comparing the carrying amount of the assets with the realized sale proceeds and is recognized in the current year's statement of profit or Loss.

3.4 Impairment of fixed assets

The company assesses at each statements of financial position date whether there is any indication that a fixed asset may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceeds recoverable amount, assets are written down to the recoverable amount.

3.5 Intangible Assets

The Intangible Assets are stated at cost less accumulated amortization and identified impairment loss, if any. The cost of intangible assets is amortized over a period of five (5) years using the straight line method.

Amortization on additions to the intangible assets is charged from the month in which an asset is capitalized and / or is available for use, while no amortization is charged for the month in which the asset is disposed off. The amortization expense is charged to the statement of profit or Loss.

International Accounting Standard (IAS) 38 "Intangible Assets" requires review of amortization period and the amortization method at least at each financial year end. Accordingly the management assesses at each statement of financial position date the assets' residual values and useful lives in addition to considering any indication of impairment, and adjustments are made if impact on amortization is significant.

3.6 Loan, advances and Prepayments

These are recognized at cost, which is fair value of the consideration given. However, an assessment is made at each statement of financial position date to determine whether there is an indication that assets may be impaired. If such indication exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for the difference between the recoverable amount.

3.7 Assets subject to finance lease

Lease that substantially transfers all the risks and rewards, incidental to the ownership of an asset to the company is classified as finance lease.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Assets under finance lease are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of assets at the inception of the lease. The aggregate amount of obligation relating to these assets are accounted for at net present value of liabilities. Depreciation on these assets is charged in line with normal depreciation policy adopted for assets owned by the Company.

3.8 Taxation

Current and Prior Year

Provision for current year's taxation is determined in accordance with the prevailing law of taxation on income enacted by the statement of financial position date and is based on current rates of taxation being applied on the taxable income for the year, after taking into account, tax credits and rebates available, if any and taxes paid under the Final tax regime. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalized during the year.

Deferred

Deferred tax is accounted for using the statement of financial position liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income. Deferred tax is calculated by using the tax rates enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available and the credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is charged or credited in the statement of profit or loss, except in case where the item to which the deferred tax asset or liability pertains, is recorded in other comprehensive income or equity, the corresponding deferred tax charge is also recognized in other comprehensive income or equity.

3.9 Trade debts and other receivables

These are recognized and carried at the original invoice amounts, being the fair value, less an allowance for uncollectible amounts, if any. The Company applies the IFRS 9 simplified approach to measure the expected credit losses (ECL) which uses a lifetime expected loss allowance for trade debts.

3.10 Store, spares and loose tools

These are valued at weighted average cost except items in transit which are valued at cost comprising invoice value and other charges paid thereon.

The company reviews the carrying amount of stores, spares and loose tools on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form. Impairment, if any, is also made for slow moving items identified as surplus to the requirements of the company.

3.11 Stock-in-trade

Stock in trade is valued at the lower of weighted average cost and net realizable value. The average cost in relation to work in process and finished goods represents direct costs of raw materials, labour and appropriate portion of overheads. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale.

The company reviews the carrying amount of stock in trade on a regular basis and as appropriate, inventory is written down to its net realizable value or provision is made for obsolescence if there is any change in its usage pattern and physical form.

Cost of work in process and finished goods include direct material, labour and appropriate portion of manufacturing expenses.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

3.12 Foreign currency translation

Transactions in foreign currencies are translated into Pak rupees using the exchange rate prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak rupees at the rates of exchange approximating those prevalent at the statement of financial position date. All exchange differences are charged to statement of profit or loss.

3.13 Revenue recognition

Revenue is recognized when or as performance obligations are satisfied by transferring control of a promised goods or service to a customer under contract.

3.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to statements of profit or loss in the period in which they are incurred.

3.15 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, a reportable segment is identified where it becomes a distinguishable component that is engaged in providing an individual product or service or a group of related products or services within a particular economic environment and that is subject to risks and returns that are different from those of other segments. Expenses which cannot be directly allocated activity-wise, are apportioned on appropriate basis as required by Chief Operating Decision Maker.

3.16 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalent consists of cash in hand, balances with banks and short term running finance facilities.

3.17 Trade and accrued liabilities

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services received, whether billed or not to the Company.

3.18 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provisions are reversed.

3.19 Financial instruments

Financial assets and financial liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the Company losses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires.Any gains or losses on de-recognition of the financial assets and financial liabilities are taken to the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

3.19.1 Financial assets

The Company classifies its financial assets in the following measurement categories:
a) Amortized cost where the effective interest rate method will apply;
b) Fair value through statement of profit or loss;
c) Fair value through statement of other comprehensive income.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in the statement of profit or loss or statement of other comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular purchases and sales of financial assets are recognized on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. In the case of a financial asset at fair value through statement of profit or loss (FVTPL), the Transaction costs of financial assets carried at FVTPL are expensed in the statement of profit or loss.
Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

(i) Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in statement of profit or loss and presented in other operating income/(expenses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

(ii) Fair value through statement of other comprehensive income (FVTOCI)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through statement of other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in statement of profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in statement of other comprehensive income is reclassified from equity to statement of profit or loss and recognized in other income/expenses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/expenses and impairment expenses are presented as separate line item in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

(iii) Fair value through statement of profit or loss (FVTPL)

Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in the statement of profit or loss and presented In operating gains/(losses) in the period in which it arises.

De-recognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Impairment of financial assets

The Company assesses on a forward looking basis the Expected Credit Losses (ECL) associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Following are financial instruments that are subject to the ECL model:

– Trade debts
– Loans, advances, deposits, prepayments and other receivables
– Cash and bank balances

For trade debts, the Company applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables. The Company recognizes in statement of profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

Write-off

The Company write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery.

3.19.2 Financial Liabilities

Classification, initial recognition and subsequent measurement

The Company classifies its financial liabilities in the following categories:

• At fair value through statement of profit or loss; and
• Other financial liabilities

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, also include directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as follows:

(i) Fair value through statement of profit or loss

Financial liabilities at fair value through statement of profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as being at fair value through statement of profit or loss. The Company has not designated any financial liability upon recognition as being at fair value through statement of profit or loss.

(ii) Amortized cost

After initial recognition, other financial liabilities which are interest bearing are subsequently measured at amortized cost, using the effective interest rate method. Gain and losses are recognized in the statement of profit or loss, when the liabilities are derecognized as well as through effective interest rate amortization process.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

De-recognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender with substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

3.19.3 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position if the Company has legally enforceable right to set off the recognized amount and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.20 Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognized in the statement of profit or loss as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if the product or process is technically and commercially feasible and the company has sufficient resources to complete development. The expenditure capitalized includes the cost of materials, direct labour, an appropriate proportion of overheads and other directly attributable expenditure. Other development expenditure is recognized in the statement of profit or loss as an expense as incurred.

Expenditure on development activities, capitalized during the year, are classified under "Intangible Assets".

3.21 Earning Per Share

The Company presents Earning Per Share (EPS) data for its ordinary shares, EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the year.

3.22 Dividends

Dividend distribution to the shareholders is recognized as a liability in the period in which it is approved.

3.23 Warranty Expenses

Warranty expenses are recorded as and when valid claims are received from customers.

4 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” on the Company’s financial statements that have been applied w.e.f July 1, 2018:

4.1 IFRS - 9 Financial Instruments

IFRS 9 “Financial Instruments” (IFRS 9) replaces IAS 39 “Financial Instruments: Recognition and Measurement” (IAS 39). IFRS 9 introduces the following new requirements;
a) the classification and measurement of financial assets and financial liabilities
b) impairment for financial assets
c) hedge accounting

IFRS 9 permits either a full retrospective or a modified retrospective approach for adoption. The Company has adopted the standard using the modified retrospective approach for classification, measurement and impairment. This means that the cumulative impact, if any, of the adoption is recognized in unappropriated profit as of July 1, 2018 and comparatives are not restated. However, the adoption of IFRS 9 did not have any impact on opening retained earnings as on July 1, 2018. Accordingly, the comparative information is presented as per the requirements of IAS 39. Details of these new requirements as well as their impact on the Company's financial statements are described below:

a) Classification and measurement of financial assets and financial liabilities

The new standard requires the Company to assess the classification of financial assets on its statement of financial position in accordance with the cash flow characteristics of the financial assets and the relevant business model that the Company has for a specific class of financial assets.
IFRS 9 no longer has an "Available-for-sale" (AFS) classification for financial assets. The new standard has different requirements for debt or equity financial assets.

Debt instruments should be classified and measured either at:
- Amortized cost, where the effective interest rate method will apply;
- Fair value through statement of other comprehensive income, with subsequent recycling to the statement of profit or loss upon disposal of the financial asset (FVTOCI); or
- Fair value through statement of profit or loss (FVTPL)

Investments in equity instruments, other than those to which consolidation or equity accounting apply, should be classified and measured either at:
- Fair value through statement of other comprehensive income, with no subsequent recycling to the statement of profit or loss upon disposal of the financial asset; or
- Fair value through statement of profit or loss.

The Company has no impact on these financial statements for the adoption of IFRS 9 except measurement requirements and policy amendments in accordance with the IFRS-9. Assessment of the impact of the measurement requirements for adoption of IFRS 9 as of July 1, 2018 is as follows:

Head of Accounts	Measurement category		Carrying amount	
	Original (IAS 39)	New (IFRS 9)	Original Rupees	New Rupees
NON CURRENT LIABILITIES				
Long term financing	Amortized cost	Amortized cost	-	-
Deferred Liabilities			159,602,557	159,602,557
CURRENT LIABILITIES				
Trade and other payables	Amortized cost	Amortized cost	485,425,032	485,425,032
Unclaimed dividend			1,621,865	1,621,865
Profit accrued on loans and other payables			2,849,361	2,849,361
Short term borrowings			-	-
Current portion of long term liabilities			-	-
NON CURRENT ASSETS				
Long term loans and advances	Held to maturity	Amortized cost	18,120,968	18,120,968
Long term deposits			2,998,705	2,998,705
CURRENT ASSETS				
Trade debts	Loans and receivables	Amortized cost	97,613,278	97,613,278
Loans & advances			13,396,450	13,396,450
Trade deposits and short term prepayments			136,474,876	136,474,876
Other receivables			112,568,437	112,568,437
Cash and bank balances			35,324,803	35,324,803

b) Impairment of financial assets

IFRS 9 introduces the Expected Credit Loss (ECL) model, which replaces the incurred loss model of IAS 39 whereby an allowance for doubtful debt was required only in circumstances where a loss event has occurred. By contrast, the ECL model requires the

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Company to recognize an allowance for doubtful debt for all financial assets carried at amortized cost (including, for example, trade debts and other receivables), as well as debt instruments classified as financial assets carried at fair value through statement of other comprehensive income, since initial recognition, irrespective whether a loss event has occurred.

For trade receivables and other receivables, the Company applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected loss allowance while general 3-stage approach for other financial assets i.e. to measure ECL through loss allowance is an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition.

c) Hedge accounting

IFRS 9 requires that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. There is no impact of the said change on these financial statements as there is no hedge activity carried on by the Company.

4.2 IFRS-15 Revenue from Contracts with Customers

The Company has applied IFRS 15 “Revenue from Contracts with Customers” for determining its revenue recognition policy. IFRS 15 “Revenue from Contracts with Customers” (IFRS 15) replaces IAS 18 “Revenue” and IAS 11 “Construction Contracts” and related interpretations. IFRS 15 is applicable on the Company with effect from July 1, 2018. IFRS 15 addresses revenue recognition for contracts with customers as well as treatment of incremental costs incurred in acquiring a contract with a customer.

IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognize revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard is also based on the principle that revenue is recognized when control of a good or service transfers to a customer, The single five-step model is as follows;

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. The application of IFRS 15 has no material impact on the financial statements of the Company.

4.3 The following policies have been changed due to adoption of IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” w.e.f July 1, 2018:

		Notes
a)	Trade debts	3.9
b)	Revenue recognition	3.13
c)	Financial instruments	3.19

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards. These standards require the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

		Notes
a)	Liability in respect of staff retirement benefits.	3.1
b)	Useful life of depreciable Property, Plant and Equipment and amortizable Intangible assets.	3.3 & 3.5
c)	Taxation	3.8
d)	Stock in trade	3.11
e)	Contingencies and Commitments	14

Estimates and judgments are continually evaluated and are based on historic experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

6 SHARE CAPITAL

6.1 AUTHORIZED SHARE CAPITAL

June 30, 2019 Number	June 30, 2018 Number		Note	June 30, 2019 Rupees	June 30, 2018 Rupees
50,000,000	50,000,000	Ordinary shares of Rupees 10 each		500,000,000	500,000,000

6.2 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

June 30, 2019 Number	June 30, 2018 Number		Note	June 30, 2019 Rupees	June 30, 2018 Rupees
7,163,000	7,163,000	Ordinary shares of Rupees 10 each fully paid in cash		71,630,000	71,630,000
14,403,842	14,403,842	Ordinary shares of Rupees 10 each allotted as bonus shares	6.2.1	144,038,420	144,038,420
21,566,842	21,566,842			215,668,420	215,668,420

6.2.1 No bonus shares issued by the company during the year (June 30, 2018: 3,594,474 bonus shares of Rs. 10 each) .

7 LONG TERM FINANCING

	Note	June 30, 2019 Rupees	June 30, 2018 Rupees
DIMINISHING MUSHARAKAH - Islamic banking			
MCB Islamic Bank Limited.	7.1	31,700,000	-
Meezan Bank Limited	7.2	192,371,555	-
		224,071,555	-
Less: Amount due within twelve months, shown under current portion of long term liabilities	12	22,401,560	-
		201,669,995	-

7.1 The total amount of facility available from the MCB Islamic Bank Limited under Diminishing Musharakah arrangement is Rs.275.00 million (June 30, 2018: 275.00million) for the acquisition of four wheeler Plant & Machinery and repayable in equal quarterly installments in arrears which commenced from December 2019. The maximum period of financing facility is six years, including one year grace period. The profit margin is charged at the rate of six month KIBOR plus 1.35% with floor of 7.00% and Cap of 18.00% (June 30, 2018: 1.35% with floor of 7.00% and Cap of 18.00%). This facility is secured against paripassu charge over fixed assets of the company of Rs.275.00 million with 25% margin (June 30, 2018: Rs.275.00 million with 25% margin) and over all present and future current assets of Rs. 275.00 million (June 30, 2018: Rs.375.00 million). The un-utilized amount of this facility as at statement of financial position date is Rs. 241.26 million (June 30, 2018: Rs. 275.00 million).

7.2 The total amount of facility available from the Meezan Bank Limited under Diminishing Musharakah arrangement is Rs.370.00 million (June 30, 2018: 370.00 million) for the acquisition of Plant & Machinery of four wheeler and repayable in equal quarterly installments in arrears which commenced from December 2019. The maximum period of financing facility is six years, including one year grace period . The profit margin is charged at the rate of six month KIBOR plus 1.75% with floor of 7.00% and Cap of 15.00% (June 30, 2018: KIBOR plus 1.75% with floor of 7.00% and Cap of 15.00%). This facility is secured against paripassu charge over fixed assets of the company amounting to Rs. 493.33 million (June 30, 2018: Rs. 493.33 million) and personal guarantees of some of the directors. The un-utilized amount of this facility as at statement of financial position date is Rs. 177.63.00 million (June 30, 2018: Rs. 370.00 million).

NOTES TO THE FINANCIAL STATEMENTS
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		Note	June 30, 2019 Rupees	June 30, 2018 Rupees
8	**DEFERRED LIABILITIES**			
	Employee benefits obligation	8.1	**159,833,484**	139,269,648
	Deferred taxation	8.2	**9,133,675**	20,332,909
			168,967,159	159,602,557

8.1 Employee benefits obligation

8.1.1 Movement in the present value of defined benefit obligations

		2019	2018
Present value of defined benefit obligations 1st July		**139,269,648**	116,308,552
Current Service Cost		**17,289,258**	15,385,652
Interest cost on defined benefit obligation		**12,365,723**	8,869,641
Benefits due but not paid (payables)		**(219,902)**	-
Benefits paid		**(3,525,541)**	(3,723,133)
Actuarial (gain) / losses from changes in financial assumptions		**(8,795,143)**	435,488
Experience Adjustments		**3,449,441**	1,993,449
		159,833,484	139,269,648

8.1.2 Movement in the net liability recognized in the statement of financial position

	Note	2019	2018
Net liability as at 1st July		**139,269,648**	116,308,552
Expense recognized in the statement of profit or loss	8.1.3	**29,654,981**	24,255,293
Liability discharged during the year		**(3,525,541)**	(3,723,134)
Benefit Payable transferred to Short Term Liability		**(219,902)**	-
Re-measurement recognized in other comprehensive income	8.1.6	**(5,345,702)**	2,428,937
Net liability as at June 30		**159,833,484**	139,269,648

8.1.3 Expense recognized in the statement of profit or loss

	2019	2018
Current service cost	**17,289,258**	15,385,652
Interest cost	**12,365,723**	8,869,641
	29,654,981	24,255,293

8.1.4 Distribution of expense recognized in the statement of profit or loss

The expense is recognized in the following line items in the statement of profit or loss under the head salaries, wages and other benefits.

	2019	2018
Cost of sales	**22,915,205**	18,727,673
Administrative expenses	**6,053,441**	4,958,753
Distribution cost	**686,335**	568,867
	29,654,981	24,255,293

8.1.5 Year end sensitivity analysis(± 100 Bps) on Defined Benefit Obligation	**June 30, 2019**
Discount Rate + 100 bps	147,815,689
Discount Rate - 100 bps	173,874,629
Salary Increase + 100 Bps	174,236,447
Salary Increase - 100 Bps	147,298,078

8.1.6 Re-measurement recognized in Other Comprehensive Income

	2019	2018
Actuarial (gain) / losses from changes in financial assumptions	**(8,795,143)**	435,488
Experiences adjustments	**3,449,441**	1,993,449
Total re-measurement recognized in Other Comprehensive Income	**(5,345,702)**	2,428,937

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

8.1.7 Expected Benefit Payments for the Next 10 Years and Beyond

	Less than one Year	From 1 to 2 Year	From 2 to 5 Year	From 5 to 10 Year	More Than 10 Years	Total
				Rupees		
As At June 30, 2019						
Defined Benefit Obligations	31,451,103	23,808,369	56,348,339	134,422,247	4,593,598,968	4,839,629,026

8.1.8 The amount of expected expense of gratuity benefit in 2019-20 will be Rs. 40,326,313/- as per the actuary's report.

8.1.9 The average duration of defined benefit obligation (unfunded) is 8 years (June 30, 2018, 9 Years).

8.1.10 Principal actuarial assumptions

The company has carried out actuarial valuation as at June 30, 2019 under the 'Projected Unit Credit Actuarial Cost Method'. The main assumptions used for actuarial valuation are as follows:

	Note	June 30, 2019 Rupees	June 30, 2018 Rupees
Discount rate for year end Obligation		**14.25 % p.a.**	9.00 % p.a.
Discount rate for interest cost in statement of profit or loss		**9.00 % p.a.**	7.75 % p.a.
Expected rate of future salary increase for the year 2020 (2019)		**5.00 % p.a.**	8.00 % p.a.
Expected rate of future salary increase from 2021 onward		**13.25 % p.a.**	8.00 % p.a.
Next Salary is increased at		**July 01, 2019**	July 01, 2018
Mortality rates		**SLIC 2001-2005 Setback 1 Year**	SLIC 2001-2005 Setback 1 Year
Withdrawal Rates		**Age-Based (Per Appendix)**	Age-Based (per appendix)
Retirement assumption		**60 Years**	60 Years

8.2 Deferred taxation

	2019	2018
Taxable temporary differences arising from:		
Accelerated depreciation for tax purposes	**18,525,715**	20,332,909
Deductible temporary differences arising from:		
Minimum tax u/s 113 of Income Tax Ordinance, 2001	**(9,392,040)**	-
	9,133,675	20,332,909

9 TRADE AND OTHER PAYABLES

	Note	2019	2018
Creditors		**393,155,423**	388,475,670
Advances from trade customers - Contract Liability	9.1	**14,826**	7,785,912
Accrued & Other liabilities		**38,998,350**	49,089,050
Murabaha Payable: (Islamic banking)			
Meezan Bank Limited	9.2	**45,884,998**	-
Habib Bank Limited	9.3	**17,147,823**	-
MCB Islamic Bank Limited	9.4	**2,041,907**	-
United Bank Limited	9.5	**-**	-
Allied Bank Limited	9.6	**-**	-
Sales tax payable		**6,270,121**	-
Income tax deducted at source		**4,151,262**	10,285,150
Payable towards:			
Workers' Profit Participation Fund	9.7	**6,080,459**	24,793,863
Workers' Welfare Fund	9.8	**2,235,910**	4,995,387
		515,981,079	485,425,032

9.1 These represent advance received from customers in respect of sale of vehicles and parts. All the opening balance of advance has been recognized as revenue during the year.

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9.2 The total amount of the facility available from the Meezan Bank Limited under Murabaha arrangement is Rs.200.00 million (June 30, 2018: Rs. 200.00 Million) for a maximum period of 180 days (June 30,2018: 180 Days). The profit margin is charged at the rate of preceding day respective KIBOR plus 1.25% (June 30, 2018: 1.25%). This facility is secured against paripassu charge over fixed assets (Land, Building and Machinery) of the company amounting to Rs. 268.00 million (June 30, 2018: Rs. 268.00 Million) with 25% margin (June 30, 2018: 25%), paripassu charge over current assets of the company amounting to Rs. 200.00 million (June 30, 2018: Rs. 200.00 Million) and personal guarantees of some of the directors. The un-utilized amount of this facility as at statement of financial position date is Rs. 154.11 million (June 30, 2018: Rs. 200.00 Million).

9.3 The total amount of the facility available from the Habib Bank Limited - Islamic Banking under Murabaha arrangement is Rs.160.00 million (June 30, 2018: Rs. 90.00 million) for a maximum period of 120 days (June 30,2018: 120 days). The profit margin is charged at the rate of matching KIBOR plus 1.10% (June 30, 2018: 2.00%). This facility is secured against first paripassu charge of Rs. 214.00 million (June 30, 2018: Rs. 214.00 million) over fixed assets of the company and over current assets Rs. 160.00 million (June 30, 2018: Rs. 90.00 million) of the company. The un-utilized amount of this facility as at statement of financial position date is Rs. 142.85 million (June 30, 2018: Rs. 90.00 million).

9.4 The total amount of the facility available from the MCB Islamic Bank Limited under Murabaha arrangement is Rs.275.00 million (June 30, 2018: Rs. 275.00 million) for a maximum period of 180 days (June 30,2018: 180 days). This is a sublimit of Diminishing Musharakah. The profit margin is charged at the rate of matching KIBOR plus 1.15% (June 30, 2018: 1.15%). This facility is secured against first paripassu charge of Rs. 275.00 million (June 30, 2018: Rs. 275.00 million) over fixed assets of the company with 25% margin (June 30, 2018: 25%) and over current assets Rs. 275.00 million (June 30, 2018: Rs. 375.00 million) of the company. The un-utilized amount of this facility as at statement of financial position date is Rs. 241.26 million (June 30, 2018: Rs. 275.00 million).

9.5 The total amount of the facility available from the United Bank Limited under Murabaha arrangement is Rs.200.00 million (June 30, 2018: Rs. 200.00 million) for a maximum period of 180 days (June 30,2018: 180 days). The profit margin is charged at the rate of matching KIBOR plus 1.10% (June 30, 2018: 1.10%). This facility is secured against first paripassu charge of Rs. 200.00 million (June 30, 2018: Rs. 200.00 million) over fixed assets of the company with 25% margin (June 30, 2018: 25%), first paripassu charge over current assets Rs. 200.00 million (June 30, 2018: Rs. 200.00 million) of the company with Nil margin (June 30, 2018: 25%) and personal guarantees of some of the directors. The un-utilized amount of this facility as at statement of financial position date is Rs. 200.00 million (June 30, 2018: Rs. 200.00 million).

9.6 The total amount of facility available from Allied Bank Limited under Murabaha arrangement is Rs. 135.00 million (June 30, 2018: FATR of Rs. 90.00 million) for a maximum period of 180 days (June 30,2018: 180 days). The profit margin is charged at the rate KIBOR plus 1.10% (June 30, 2018: 2.00%). This facility is secured against paripassu charge over fixed assets Rs. 185.00 million (June 30, 2018: Rs. 185.00 million), paripassu charge over current assets Rs. 110.00 million (June 30, 2018: Rs. 110.00 million) of the company and personal guarantees of some of the directors. The un-utilized amount of this facility as at statement of financial position date is Rs. 90.00 million (June 30, 2018: Rs. 90.00 million).

	Note	June 30, 2019 Rupees	June 30, 2018 Rupees
9.7 Workers' Profit Participation Fund			
Balance at beginning of the year		**24,793,863**	10,994,813
Charged during the year	30	**6,080,459**	13,799,050
		30,874,322	24,793,863
Payment made during the year		**(24,793,863)**	-
		6,080,459	24,793,863

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FOR THE YEAR ENDED JUNE 30, 2019

		Note	June 30, 2019 Rupees	June 30, 2018 Rupees
9.8	**Workers' Welfare Fund**			
	Balance at beginning of the year		4,995,387	4,316,877
	Charged during the year		2,235,910	4,995,387
	Adjustment for prior years		(42,170)	(172,059)
	Charged to Statement of Profit or Loss	30	2,193,740	4,823,328
			7,189,127	9,140,205
	Payment made during the year		(4,953,217)	(4,144,818)
			2,235,910	4,995,387
10	**PROFIT ACCRUED ON LOANS AND OTHER PAYABLES**			
	Short term borrowing - secured		1,386,227	2,849,361
	Long term borrowing - secured		14,172,320	-
	Profit on Murabaha Payable		136,661	-
			15,695,208	2,849,361
11	**SHORT TERM BORROWINGS**			
	Secured			
	Running Musharakah arrangements - Islamic Banking			
	Habib Bank Limited	11.1	-	-
	MCB Islamic Bank Limited	11.2	-	-
	United Bank Limited	11.3	-	-
	Meezan Bank Limited	11.4	-	-
	Allied Bank Limited	11.5	-	-
	Istisna arrangements - Islamic Banking			
	Meezan Bank Limited	11.6	-	-
			-	-

11.1 The total amount of the facility available from the Habib Bank Limited - Islamic Banking under Running Musharakah arrangement is Rs.160.00 million (June 30, 2018: Rs. 50.00 million).This facility is a sub-limit of the murabaha facility of Rs. 160.00 million (June 30, 2018: Rs. 90.00 million) (Note No. 9.3). The profit margin is charged at the rate of matching KIBOR plus 1.10% (June 30, 2018: 2.00%). This facility is secured against first paripassu charge of Rs. 214.00 million (June 30, 2018: Rs. 214.00 million) over fixed assets of the company and over current assets Rs. 160.00 million (June 30, 2018: Rs. 90.00 million) of the company. The un-utilized amount of this facility as at statement of financial position date is Rs. 142.85 million (June 30, 2018: Rs. 90.00 million).

11.2 The total amount of the facility available from the MCB Islamic Bank Limited under Running Musharakah arrangement is Rs.275.00 million (June 30, 2018: Rs. 275.00 million). This facility is a sub-limit of the murabaha facility of Rs. 275.00 million (June 30, 2018: Rs. 275.00 million) (Note No. 9.4). The profit margin is charged at the rate of matching KIBOR plus 1.15% (June 30, 2018: 1.15%). This facility is secured against first paripassu charge of Rs. 275.00 million (June 30, 2018: Rs. 275.00 million) over fixed assets of the company with 25% margin (June 30, 2018: 25%) and over current assets Rs. 275.00 million (June 30, 2018: Rs. 375.00 million) of the company. The un-utilized amount of this facility as at statement of financial position date is Rs. 241.26 million (June 30, 2018: Rs. 275.00 million).

11.3 The total amount of the facility available from the United Bank Limited under Murabaha arrangement is Rs.200.00 million (June 30, 2018: Rs. 200.00 million). This facility is a sub-limit of the murabaha facility of Rs. 200.00 million (June 30, 2018: Rs. 200.00 million) (Note No. 9.5) The profit margin is charged at the rate of matching KIBOR plus 1.10% (June 30, 2018: 1.10%). This facility is secured against first paripassu charge of Rs. 200.00 million (June 30, 2018: Rs. 200.00 million) over fixed assets of the company with 25% margin (June 30, 2018: 25%), first paripassu charge over current assets Rs. 200.00 million (June 30, 2018: Rs. 200.00 million) of the company with Nil margin (June 30, 2018: 25%) and personal guarantees of some of the directors. The un-utilized amount of this facility as at statement of financial position date is Rs. 200.00 million (June 30, 2018: Rs. 200.00 million).

11.4 The total amount of facility available from the Meezan Bank Limited under Running Musharakah arrangement is Rs. 60.00 million (June 30, 2018: Rs. 60.00 million).This facility is a sub-limit of the murabaha facility of Rs. 200.00 million (June 30, 2018: Rs. 200.00 million) (Note No. 9.2). The profit margin is charged on quarterly basis at the rate of respective KIBOR plus 1.25% (June 30, 2018:

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1.25%) per annum. This facility is secured against paripassu charge over fixed assets (Land, Building and Machinery) of the company amounting to Rs. 268.00 million (June 30, 2018: Rs. 268.00 million) with margin of 25% (June 30, 2018: 25%), paripassu charge over current assets of the company amounting to Rs. 200.00 million (June 30, 2018: Rs. 200.00 million) and personal guarantees of some of the directors. The un-utilized amount of this facility as at statement of financial position date is Rs. 60.00 million (June 30, 2018: Rs. 60.00 million).

11.5 The total amount of facility available from the Allied Bank Limited under Business Musharakah arrangement is Rs. 45.00 million (June 30, 2018: Rs. 45.00 million). This facility is a sub-limit of murabaha facility of Rs. 135.00 million (June 30, 2018: Rs. 90.00 million) (Note No. 9.6). The profit margin is charged on three months basis at the rate of respective KIBOR plus 1.10% (June 30, 2018: 2.00%) per annum. This facility is secured against paripassu charge over fixed assets Rs. 185.00 million (June 30, 2018: Rs. 185.00 million) of the company , paripassu charge over current assets Rs. 110.00 million (June 30, 2018: Rs. 110.00 million) and personal guarantees of some of the directors. The un-utilized amount of this facility as at statement of financial position date is Rs. 45.00 million (June 30, 2018: Rs. 45.00 million).

11.6 The total amount of facility available from the Meezan Bank Limited under Istisna arrangement is Rs. 40.00 million (June 30, 2018: Rs. 40.00 million) for a maximum period of 180 days (June 30, 2018: 180 days). This facility is a sub-limit of murabaha facility of Rs. 200 million (June 30, 2018: Rs. 200.00 million) (Note No. 9.2). The profit margin is charged at the rate of preceding day respective KIBOR plus 1.25% (June 30, 2018: 1.25%) per annum. This facility is secured against paripassu charge over fixed assets (Land, Building and Machinery) of the company amounting to Rs. 268.00 million (June 30, 2018: Rs. 268.00 million) with 25% margin (June 30, 2018: 25%), paripassu charge over current assets of the company amounting to Rs. 200.00 million (June 30, 2018: Rs. 200.00 million) and personal guarantees of some of the directors. The un-utilized amount of this facility as at statement of financial position date is Rs. 40.00 million (June 30, 2018: Rs. 40.00 million).

		June 30, 2019 Rupees	June 30, 2018 Rupees
12 CURRENT PORTION OF LONG TERM LIABILITIES	Note		
Current portion of Diminishing Musharakah - Islamic banking	7	22,401,560	-
		22,401,560	-
13 PROVISION FOR TAXATION			
Balance at beginning		-	-
Add: Provision for the Year			
-Current Year		40,997,011	72,893,882
-Prior Year		49,579	(2,526,084)
Less: Payment/Adjustment during the year		(41,046,590)	(70,367,798)
Balance at closing		-	-

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 The Director General (HQ)/Adjudicating Officer of Punjab Employees Social Security Institution (PESSI) has passed an order against the company and sustained the demand created by Deputy Director (Admin) of Rs. 6,547,688/- as on June 12, 2019. The company filed an appeal against the said order before The Honorable Labour Court, Lahore and has been granted a stay order. The appeal is still pending. In the opinion of the legal advisor, favorable outcome of the appeal is expected; hence no provision is made in these financial statements.

14.1.2 The Honorable Lahore High Court, Lahore has decided the case in favor of PEESI against the appeal filed by the company with respect to the notification issued by the Government of Punjab (Labour & Human Resource Department) for enhancing the monthly wage ceiling from Rs. 18,000/- to 22,000/-. The estimated effect of this notification on financial statements of the company is Rs. 506,470/-. The company challenged the order by filing an Intra Court Appeal (ICA) before the Honorable Lahore High Court, Lahore as on July 04, 2019, and has been granted a stay order. The appeal is still pending. In the opinion of the legal advisor, favorable outcome of the appeal is expected; hence no provision is made in these financial statements.

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14.1.3 The Sindh Revenue Board (SRB) retrospectively restored sales tax on renting of immovable property services vide Sindh Sales Tax on Services (Amendment) Act, 2018, Therefore Landlord of Company's Karachi office has claimed sales tax on rent services of Rs. 257,064/- for the tax year 2016, 2017 and 2018. The Company has challenged the law by filing a writ petition in Honorable Sindh High Court, Karachi and has been granted a stay order as on December 31, 2018. In the opinion of the lawyer, the outcome of the case is expected in favour of the company, hence no provision is made in these financial statements.

14.1.4 ACIR initiated proceedings under section 122 (5A) of Income Tax Ordinance 2001 for tax year 2017 and created a tax demand of Rs. 11,385,589/- as on September 26, 2018. The company filed an appeal against this order with CIR (Appeals) and also file a writ petition in Honourable Lahore High Court, Lahore for obtaining a stay order against recovery of said amount. The Honourable Lahore high court, Lahore has granted a stay order against recovery of tax demand till the decision of CIR (Appeals). The proceedings of CIR (Appeals) are still pending, In the opinion of tax consultant, favorable outcome of the appeals is expected, hence no provision is made in these financial statements.

14.1.5 ACIR initiated proceedings under section 124/129/221 of Income Tax Ordinance 2001 for tax year 2008 and rejected the refund of Rs. 1,432,320/-. The company filed an appeal against this order with CIR (Appeals) as on June 30, 2016, proceedings are still pending. In the opinion of tax consultant, favorable outcome is expected, hence no provision is made in these financial statements.

14.1.6 ACIR initiated proceedings under section 3(1A) of Sales Tax act 1990 for tax period July-Sep 2015 and created sales tax demand of Rs. 9,392,789/- as on June 06, 2016 . The company filed an appeal against this order with CIR (A) and CIR (A) vacated the order of ACIR. However ACIR filed an appeal with ATIR, proceedings are still pending. In the opinion of tax consultant, favorable outcome is expected, hence no provision is made in these financial statements.

14.1.7 The appeal filed by the company with ATIR against the order of CIR (Appeals) for tax demand of Rs. 545,930/- for tax year 2003 as on November 12, 2009 under section 122 (5A) is still pending. In the opinion of the tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.

14.1.8 DCIR initiated proceedings under section 122 (5A) for tax year 2009 and created a tax demand of Rs. 5,318,163/- as on March 31, 2015 . The company filed an appeal against this order with CIR (Appeals) and got relief up to Rs.5.32 million. For remaining tax demand of Rs. 121,899/-, company file an appeal with ATIR. Further, the DCIR has also filed an appeal with ATIR against the Relief of Rs. 5,318,163/- given by the CIR (A) In the opinion of tax consultant, favorable outcomes of the appeals are expected, hence no provision is made in these financial statements.

14.1.9 DCIR initiated proceedings under section 122 (1)/122 (5A) for tax year 2013 and 2007 and created a tax demand of Rs. 6,845,112/- and Rs. 16,554,680/- as on January 31, 2013 and April 25, 2014 respectively. The company filed appeals against these orders with CIR (Appeals) and got relief of Rs. 4,365,419/- and Rs, 15,940,450/- respectively. For remaining tax demand of Rs.2,479,693/- and Rs. 614,230/- company has filed appeals with ATIR. The appeals are still pending. Further in 2017, the DCIR has also filed an appeal to ATIR against the relief of Rs. 4,365,419/- given by CIR (A) for tax year 2013. In the opinion of tax consultant, favorable outcomes of the appeals are expected, hence no provision is made in these financial statements.

14.1.10 DCIR passed an order under section 11 (2) of Sales Tax Act, 1990 for the tax period from July-2011 to June-2012 and created a demand of Rs. 192,568,536/- as on May 30, 2018, . The company filed an appeal against this order with CIR (Appeals). Further, The Company has been granted a stay order from ATIR till the decision of CIR (Appeals). The proceedings of CIR (Appeals) are still pending and in the opinion of the tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.

14.1.11 DCIR passed an order under section 11 (2) of Sales Tax Act, 1990 for the tax period from July-2013 to June-2014 and created a demand of Rs. 7,418,949/- as on September 28, 2017. The company filed an appeal against this order with CIR (Appeals) and has been granted a stay order. The proceedings are still pending and in the opinion of the tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.

14.1.12 Through the Finance Act, 2017, Section 5A of the Income Tax Ordinance, 2001 was amended, Through the revised provision income tax shall be charged at the rate of seven and a half percent of accounting profit before tax on every public company, other than a scheduled bank or a modaraba, that derives profit for a tax year but does not distribute at least forty percent of its after tax profits within six months of the end of the tax year through cash or bonus shares. However, for the financial year ended June 30, 2018, the management has assessed its cash requirement for the setting up a project of manufacturing/assembly of passenger

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and off-road vehicles and has not made an announcement of dividend which has attracted the provisions of Section 5 (A) of Income Tax Ordinance 2001. The company has challenged the legality and constitutionality of section 5 (A) of Income Tax Ordinance 2001 by filing a Constitutional petition in the Lahore High Court as on July 03, 2018, the said writ petition is pending before the Learned Court. In the opinion of the lawyer, favorable outcome of the appeal is expected, hence provision of Rs.19.10 Million is not made in these financial statements.

14.2 Commitments

14.2.1 Commitments in respect of outstanding letters of credit for raw material amount to Rs. 134.258 Million (June 30, 2018: Rs. 254.96 Million).

14.2.2 Commitments in respect of capital expenditures amount to Rs. 146.519 Million (June 30, 2018: Rs. 161.40 Million).

	Note	June 30, 2019 Rupees	June 30, 2018 Rupees
15 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets - Tangible	15.1	**348,588,354**	346,844,374
Capital work in progress	15.3	**649,491,034**	361,959,281
		998,079,388	708,803,655

15.1 OPERATING FIXED ASSETS - Tangible

2019 — Rupees

Particulars	Cost: As at 01-07-2018	Cost: Additions/ (Deletions)	Cost: Transfer	Cost: As at 30-06-2019	Depreciation: Rate %	Depreciation: As at 01-07-2018	Depreciation: For the Year	Depreciation: Adjustment	Depreciation: As at 30-06-2019	W.D.V. as at 30-06-2 019
Freehold land	195,551,940	-	-	**195,551,940**	-	-	-	-	-	**195,551,940**
Building and Civil Works on freehold land	88,273,401	-	-	**88,273,401**	5 to 10	55,974,833	3,151,481	-	**59,126,314**	**29,147,087**
Building and Civil Works on leasehold land	2,509,800	-	-	**2,509,800**	10	595,451	191,435	-	**786,886**	**1,722,914**
Plant and Machinery	216,194,790	2,675,527	-	**218,870,317**	10	136,464,681	8,071,725		**144,536,406**	**74,333,911**
Electric Fittings	9,189,359	-	-	**9,189,359**	10	5,878,755	331,060	-	**6,209,815**	**2,979,544**
Furniture and Fittings	2,311,633	684,830 -	-	**2,996,463**	10	1,552,061	136,357	- -	**1,688,418**	**1,308,045**
Office Equipment	6,141,575	1,005,580 -	-	**7,147,155**	10	2,621,572	417,541	- -	**3,039,113**	**4,108,042**
Electric Installations	3,300,450	1,931,500 -		**5,231,950**	10	1,867,026	234,573	- -	**2,101,599**	**3,130,351**
Vehicles	63,904,961	16,336,000 (4,181,000)	-	**76,059,961**	20	35,579,155	7,382,160	- (3,207,875)	**39,753,440**	**36,306,521**
Total 2019	587,377,908	22,633,437 (4,181,000)	- -	**605,830,345**		240,533,534	19,916,331	- (3,207,875)	**257,241,991**	**348,588,354**

2018 — Rupees

Particulars	Cost: As at 01-07-2017	Cost: Additions/ (Deletions)	Cost: Transfer	Cost: As at 30-06-2018	Depreciation: Rate %	Depreciation: As at 01-07-2017	Depreciation: For the Year	Depreciation: Adjustment	Depreciation: As at 30-06-2018	W.D.V. as at 30-06-2018
Freehold land	107,692,008	87,859,932	-	**195,551,940**	-	-	-	-	**-**	**195,551,940**
Building and Civil Works on freehold land	88,273,401	-	-	**88,273,401**	5 to 10	52,477,770	3,497,063	-	**55,974,833**	**32,298,568**
Building and Civil Works on leasehold land	2,509,800	-	-	**2,509,800**	10	382,745	212,706	-	**595,451**	**1,914,349**
Plant and Machinery	205,692,696	10,502,094	-	**216,194,790**	10	128,019,721	8,444,960		**136,464,681**	**79,730,109**
Electric Fittings	9,189,359	-	-	**9,189,359**	10	5,510,910	367,845	-	**5,878,755**	**3,310,604**
Furniture and Fittings	2,311,633	- -	-	**2,311,633**	10	1,467,664	84,397	- -	**1,552,061**	**759,572**
Office Equipment	4,481,242	1,660,333 -	-	**6,141,575**	10	2,338,228	283,344	- -	**2,621,572**	**3,520,003**
Electric Installations	3,300,450	- -		**3,300,450**	10	1,707,756	159,270	- -	**1,867,026**	**1,433,424**
Vehicles	60,145,461	2,700,500 -	1,059,000	**63,904,961**	20	28,088,972	6,959,836	530,347 -	**35,579,155**	**28,325,806**
	483,596,049	102,722,859 -	1,059,000 -	**587,377,908**		219,993,766	20,009,421	530,347 -	**240,533,534**	**346,844,374**
Assets subject to Finance Lease										
Vehicles	1,059,000	-	(1,059,000)	**-**	20	471,608	58,739	(530,347)	**-**	**-**
	1,059,000	- -	(1,059,000) -	**-**		471,608	58,739	- (530,347)	**-**	**-**
Total 2018	484,655,049	102,722,859 -	- -	**587,377,908**		220,465,374	20,068,160	530,347 (530,347)	**240,533,534**	**346,844,374**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

15.2 Depreciation for the year has been allocated as follows:

	Note	June 30, 2019 Rupees	June 30, 2018 Rupees
Cost of sales	27	11,867,169	12,889,803
Distribution cost	28	3,089,976	1,482,494
Administrative expenses	29	4,959,186	5,695,863
		19,916,331	20,068,160

15.3 CAPITAL WORK-IN-PROGRESS

	June 30, 2019 Rupees	June 30, 2018 Rupees
Tangible		
Plant and machinery		
Opening balance	22,888,612	4,545,261
Additions made during the year	240,961,454	23,209,201
	263,850,066	27,754,462
Transferred to Plant & Machinery	-	4,865,850
	263,850,066	22,888,612
Civil works		
Opening balance	338,580,335	262,481,902
Additions made during the year	46,719,382	76,098,433
	385,299,717	338,580,335
Transferred to operating fixed assets	-	-
	385,299,717	338,580,335
Intangible		
Opening balance	490,334	490,334
Additions made during the year	-	-
	490,334	490,334
Transferred to Intangible Assets	149,083	-
	341,251	490,334
	649,491,034	361,959,281

15.4 Particulars of Company's Immovable Fixed Assets:

SR No.	PARTICULARS	LOCATION	NATURE	AREA OF LAND (In Acres)
1	Manufacturing Facility of Three Wheeler, Appliances and Automotive Parts	18 K.M Raiwind Road, Lahore.	OWNED	5.46
2	Four Wheeler Manufacturing Facility - Under Construction	Mouza Bhai Kot, Near Tablighi Ijtama, Raiwind, Lahore	OWNED	36.92
3	Warranty Center, Karachi	B-66, State Avenue S.I.T.E, Karachi	LEASED	0.36

15.5 The detail of property, plant and equipment disposed off is as follows:

Particulars	Cost	Net Book Value	Sale Price	Gain / (Loss)	Mode of Disposal	Particulars of Purchaser
	Rupees					
Honda Civic	2,410,500	661,738	1,450,000	788,262	Negotiation	Mr. Zohaib Rafiq, House no. 623, Huma Block, Iqbal Town, Lahore
Honda Civic	1,666,000	257,381	1,000,000	742,620	Negotiation	Mr. Muhammad Ahmed Khan, House No, 324 A-1, Johar Town, Lahore
Honda - 125	104,500	54,006	50,000	(4,005)	Negotiation	Mr. Mazhar Mansoor, House no. 91 & 92, Block C, Shershah Colony, Raiwind Road, Lahore.
June 30, 2019	4,181,000	973,125	2,500,000	1,526,877		
June 30, 2018	-	-	-	-		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

16 INTANGIBLE ASSETS

(Rupees)

Particulars	Cost			Amortization			Book Value
	As at 01-07-2018	Additions/ (deletion)	As at 30-06-2019	As at 01-07-2018	For the Year	As at 30-06-2019	as at 30-06-2019
Intangible Assets	4,208,839	149,083	4,357,922	4,198,264	51,098	4,249,362	108,560
Jun-19	**4,208,839**	**149,083**	**4,357,922**	**4,198,264**	**51,098**	**4,249,362**	**108,560**
Jun-18	4,208,839	-	4,208,839	4,158,020	40,244	4,198,264	10,575

16.1 Intangible assets include cost incurred on patents, copyrights, trade marks and designs.
16.2 The amortization cost is included in cost of sales.

	Note	June 30, 2019 Rupees	June 30, 2018 Rupees
17 LONG TERM LOANS AND ADVANCES - SECURED			
Loans and advances - considered good, to:			
Executives		7,853,925	6,287,425
Non-Executives		33,064,873	23,876,495
		40,918,798	30,163,920
Less: Amount due within twelve months, shown under current portion of loans and advances	22	16,023,545	12,042,952
		24,895,253	18,120,968

Reconciliation of carrying amount of loans and advances to executives and non-Executives:

	Opening balance as at July 01, 2018	Disbursements / Transfer	Repayments / Transfer	Closing Balance as at June 30, 2019
Executives	6,287,425	2,385,000	818,500	7,853,925
Non-Executives	23,876,495	25,437,462	16,249,084	33,064,873
June 30, 2019	**30,163,920**	**27,822,462**	**17,067,584**	**40,918,798**
June 30, 2018	**25,178,073**	**22,107,238**	**17,121,391**	**30,163,920**

These loans and advances have been granted under staff loan and advances policy to facilitate the employees for purchase of house and meeting other household payments. These are secured against the gratuity payable to employees. These are interest free loans which are repayable within maximum fourteen years. The maximum amount of loan outstanding to executives at the end of any month during the year was Rs. 8,448,925 (2018: Rs. 6,511,455). Receivable from executives of the Company does not include any amount receivable from Directors or Chief Executive. The carrying values of these loans are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to no default in recent history.

	June 30, 2019 Rupees	June 30, 2018 Rupees
18 LONG TERM DEPOSITS		
Deposit with Pakistan Steel Mill	400,000	400,000
Utilities and others	2,919,855	2,598,705
	3,319,855	2,998,705

18.1 Long term deposits are given in the normal course of business and do not carry any interest or mark-up.

	June 30, 2019 Rupees	June 30, 2018 Rupees
19 STORES, SPARES AND LOOSE TOOLS		
Stores	2,614,622	3,411,001
Spares	351,994	348,910
Loose tools	25,913	5,250
	2,992,529	3,765,161

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

		Note	June 30, 2019 Rupees	June 30, 2018 Rupees
20	**STOCK-IN-TRADE**			
	Raw materials and components		**448,907,241**	336,012,742
	Work-in-process		**28,239,219**	11,921,639
	Finished goods		**178,368,962**	137,357,025
	Less:			
	Provision for slow moving items	20.1	**(9,667,692)**	(7,505,112)
	Provision for Loss of Stock	20.2	-	-
			645,847,730	477,786,294
20.1	**Provision for slow moving items**			
	Balance at the beginning of the year		**7,505,112**	4,163,512
	Charged during the year	27	**2,162,580**	3,341,600
	Balance at the closing of the year		**9,667,692**	7,505,112
20.2	**Provision for Loss of Stock**			
	Balance at the beginning of the year		-	5,889,077
	Charged during the year		-	-
	Reversal during the year		-	(5,889,077)
	Balance at the closing of the year		-	-
21	**TRADE DEBTS - Unsecured**	21.1	**115,605,575**	97,613,278
21.1	**Classification:**			
	Considered Good		**115,605,575**	97,613,278
	Considered Doubtful		**9,641,805**	9,647,305
			125,247,380	107,260,583
	Less: Provision for expected credit losses	21.2	**(9,641,805)**	(9,647,305)
			115,605,575	97,613,278
21.2	**Provision for Expected Credit losses (ECL)**			
	Balance at the beginning of the year		**9,647,305**	8,099,517
	Charged during the year		-	5,558,488
			9,647,305	13,658,005
	Reversal during the year	21.2.1	**(5,500)**	(4,010,700)
	Balance at the closing of the year		**9,641,805**	9,647,305

21.2.1 Amount recovered during the year.

		Note	June 30, 2019 Rupees	June 30, 2018 Rupees
22	**LOANS & ADVANCES**			
	Advances - considered good			
	- Current portion of loans and advances	17	**16,023,545**	12,042,952
	- To employees for incurring business expenses		**3,961**	17,480
	- To suppliers-unsecured		**192,499**	1,336,018
			16,220,005	13,396,450

22.1 These amount given in the normal course of business and do not carry any interest or mark-up.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

		Note	June 30, 2019 Rupees	June 30, 2018 Rupees
23	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Contract securities		**400,000**	400,000
	Prepaid expenses		**1,132,262**	1,325,907
	Letter of credit margin		**19,935,002**	2,054,248
	Letter of credit in process		**27,143,291**	132,694,721
			48,610,555	136,474,876

23.1 These amount given in the normal course of business and do not carry any interest or mark-up.

		Note	June 30, 2019 Rupees	June 30, 2018 Rupees
24	**OTHER RECEIVABLES**			
	Advance income tax - net		**107,271,671**	105,497,345
	Advance Sales tax		**2,000,000**	7,071,092
			109,271,671	112,568,437
25	**CASH AND BANK BALANCES**			
	Cash in hand		**175,176**	183,080
	Balance with banks			
	In current accounts - Conventional banking		**2,992,544**	25,922,932
	In current accounts - Islamic banking		**2,774,642**	9,218,791
	In saving accounts - Islamic banking	25.1	**24,999**	-
			5,967,361	35,324,803

25.1 This carry profit at the rates ranging from 0.10% to 0.20% (June 30, 2018: Nil) per annum.

		Note	June 30, 2019 Rupees	June 30, 2018 Rupees
26	**SALES - NET**			
	Gross sales	26.1	**4,211,272,674**	4,868,817,143
	Less: Sales tax		**561,894,153**	685,562,554
	Sales returns		**364,310,305**	126,235,781
	Commission		**66,544,378**	88,801,698
			992,748,836	900,600,033
			3,218,523,838	3,968,217,110

26.1 This includes Rs. 11.05 million (June 30, 2018: Rs. 52.58 million) on account of export sales.

		Note	June 30, 2019 Rupees	June 30, 2018 Rupees
27	**COST OF SALES**			
	Raw materials and components consumed		**2,451,348,991**	2,959,418,435
	Salaries, wages and other benefits	27.1	**275,782,776**	284,281,883
	Stores, spares and loose tools consumed		**41,485,641**	48,062,243
	Power and fuel charges		**62,729,654**	63,144,281
	Repair and maintenance		**56,004,913**	87,883,913
	Other expenses		**10,714,001**	8,546,620
	Provision for slow moving items	20.1	**2,162,580**	3,341,600
	Depreciation	15.2	**11,867,169**	12,889,803
	Amortization	16	**51,098**	40,244
			2,912,146,823	3,467,609,022
	Opening work-in-process		**11,921,639**	13,548,770
			2,924,068,462	3,481,157,792
	Closing work-in-process		**28,239,219**	11,921,639
	Cost of goods manufactured		**2,895,829,243**	3,469,236,153
	Opening finished goods		**137,357,026**	191,425,091
			3,033,186,269	3,660,661,244
	Cost of finished goods purchased during the year		**32,984,200**	-
			3,066,170,469	3,660,661,244
	Closing finished goods		**178,368,962**	137,357,025
			2,887,801,507	3,523,304,219

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	June 30, 2019 Rupees	June 30, 2018 Rupees

27.1 Salaries, wages and other benefits include Rs.22,915,205 (June 30,2018: Rs. 18,727,673) in respect of retirement benefits.

28 DISTRIBUTION COST

	Note	June 30, 2019 Rupees	June 30, 2018 Rupees
Salaries and other benefits	28.1	26,761,665	18,212,012
Freight and octroi		49,042,133	58,143,571
Traveling & conveyance		4,342,779	7,015,367
Packing material consumed		3,259,403	4,606,886
Advertisement and sale promotion		1,684,001	1,068,064
Insurance		404,026	401,165
Rent, rates and taxes		3,626,289	2,877,552
After sales service		950,299	983,121
Printing & Stationery		304,532	250,510
Depreciation	15.2	3,089,976	1,482,494
		93,465,103	95,040,742

28.1 Salaries and other benefits include Rs. 686,335 (June 30, 2018: Rs. 568, 867) in respect of retirement benefits.

29 ADMINISTRATIVE EXPENSES

	Note	June 30, 2019 Rupees	June 30, 2018 Rupees
Salaries and other benefits	29.1	62,064,242	44,458,473
Electricity, gas and water charges		361,966	295,083
Communication expenses		5,393,274	6,258,843
Vehicle running expenses		4,331,463	3,550,445
Legal and professional		3,244,708	1,623,523
Traveling and conveyance		1,916,354	2,281,371
Fee and subscription		4,123,095	2,754,690
Insurance		365,849	452,239
Rent, rates and taxes		1,142,122	940,081
Printing and stationery		2,107,019	2,105,340
Entertainment		1,642,276	2,363,372
Office supplies		266,006	252,048
Miscellaneous expenses		1,396,374	1,638,725
Depreciation	15.2	4,959,186	5,695,863
		93,313,934	74,670,096

29.1 Salaries and other benefits include Rs. 6,053,441 (June 30, 2018: Rs. 4,958,753) in respect of retirement benefits.

30 OTHER OPERATING EXPENSES

	Note	June 30, 2019 Rupees	June 30, 2018 Rupees
Tax Consultancy Services		2,236,500	1,455,000
Auditors' remuneration	30.1	951,500	865,000
Exchange loss		-	707,416
Provision for doubtful debts		-	5,558,488
Contribution towards:			
Workers' profit participation fund	9.7	6,080,459	13,799,050
Workers' welfare fund	9.8	2,193,740	4,823,328
		11,462,199	27,208,282

30.1 Auditors remuneration

	June 30, 2019 Rupees	June 30, 2018 Rupees
H.Y.K & Co.		
Statutory audit	715,000	650,000
Half yearly review	171,500	150,000
Workers' Profit Participation Fund audit	20,000	20,000
Certificate fee	45,000	45,000
	951,500	865,000
	951,500	865,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

		Note	June 30, 2019 Rupees	June 30, 2018 Rupees
31	**OTHER INCOME**			
	Income from financial assets			
	Exchange Gain		157,889	-
	Income from non Financial Assets			
	Gain on sale of fixed asset		1,526,877	-
	Reversal of provision for doubtful Debts		5,500	4,010,700
	Reversal of provision for loss of stock		-	5,889,077
	Miscellaneous Income		1,965,942	1,680,853
			3,656,208	11,580,630
32	**FINANCE COST**			
	Profit on:			
	Long term finances - Islamic banking		14,172,320	-
	Short term borrowings - secured - Islamic Banking		5,002,372	177,031
	Profit on Murabaha - Islamic Banking		3,112,698	1,470,354
	Interest on Workers' Profit Participation Fund		1,490,471	2,679,986
	Financial charges on finance lease - Islamic Banking		-	965
	Bank charges and others		514,929	567,423
			24,292,790	4,895,759
33	**TAXATION**			
	Current			
	For the Year	33.1	40,997,011	72,893,882
	Prior Year	33.2	49,579	(2,526,084)
	Deferred			
	For the Year		(11,199,235)	(1,694,174)
		33.4	29,847,355	68,673,624

33.1 The Company computes tax expense based on the generally accepted interpretation of the tax laws to ensure that the sufficient provision for the purpose of taxation is available. Provision for the current year has been made on the basis of minimum tax on turnover and final tax regime under Income Tax Ordinance, 2001.

33.2 This amount relates to adjustment of provision for taxation of previous year.

33.3 The income tax assessments of the company have been finalized up to tax year 2018, except as mentioned in note 14.1. The Provision for taxation is considered adequate to discharge the expected liability for current year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	June 30, 2019 Rupees	June 30, 2018 Rupees
33.4 Tax charge reconciliation			
Profit before taxation		**111,844,513**	254,678,642
Tax charge on accounting profit at applicable tax rate 29% (30%: 2018) as per Income Tax Ordinance, 2001		**32,434,909**	76,403,593
Tax effect of amounts that are:			
- allowable deductions for tax purposes		**163,572**	(871,588)
Tax effect of profit attributable to presumptive income		**(2,621,162)**	(3,742,374)
Effect of presumptive tax		**100,239**	511,904
Tax effect due to reversal of prior year's WWF		**(12,229)**	(51,618)
Tax Credit for Investment u/s 65B		**(267,553)**	(1,050,209)
Adjustment of prior year taxation		**49,579**	(2,526,084)
Taxation for the year		**29,847,355**	68,673,624

34 EARNINGS PER SHARE - BASIC AND DILUTED

Basic earnings per share

		June 30, 2019	June 30, 2018
Profit after taxation for the year	Rupees	**81,997,158**	186,005,018
Weighted average number of ordinary shares outstanding during the year	Number	**21,566,842**	21,566,842
Basic earnings per share - Rupees	Rupees	**3.80**	8.62

34.1 Diluted earnings per share

A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2019 and June 30, 2018 which would have any effect on earning per share if the option to convert is exercised.

35 CASH GENERATED FROM OPERATIONS

	Note	June 30, 2019 Rupees	June 30, 2018 Rupees
Profit before taxation		**111,844,513**	254,678,642
Adjustment for non cash charges and other items:			
Depreciation		**19,916,331**	20,068,160
Amortization		**51,098**	40,244
Provision of staff retirement gratuity		**29,654,981**	24,255,293
Finance cost		**24,292,790**	4,895,759
Other income		**(3,656,208)**	(11,580,630)
		70,258,992	37,678,826
		182,103,505	292,357,468
Working capital changes	35.1	**(32,736,785)**	(31,341,283)
Increase in long term loans and advances		**(6,774,285)**	(3,251,811)
Cash generated from operations		**142,592,435**	257,764,374

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	June 30, 2019 Rupees	June 30, 2018 Rupees
35.1 Working capital changes			
(Increase)/decrease in current assets			
Store, spares and loose tools		772,632	(1,036,430)
Stock-in-trade		(168,061,436)	76,227,734
Trade debts		(17,986,797)	(21,521,988)
Loans and advances		(2,823,555)	(2,599,691)
Trade deposits and short term prepayments		87,864,321	(103,367,560)
Other receivables		-	100,000
Increase in current liabilities			
Trade and other payables		67,498,050	20,856,652
		(32,736,785)	(31,341,283)

36 CASH AND CASH EQUIVALENTS

	Note	June 30, 2019 Rupees	June 30, 2018 Rupees
Cash and cash equivalents include:			
Cash and bank balances	25	5,967,361	35,324,803
		5,967,361	35,324,803

37 TRANSACTIONS WITH RELATED PARTIES

The related party comprises of non-executive directors and key management personnel. The detail of related party transactions is given below:

The detail is given below;

	June 30, 2019 Rupees	June 30, 2018 Rupees
Non-Executive Director (s)		
Meeting fee	815,000	995,000
Bonus shares	-	2,326,160
Key Management Personnel		
Remuneration, Allowances and benefits	53,488,800	54,384,870
Bonus shares	-	20,982,550

In addition to above, The some of key management personnel of the company are also provided with company maintained car for official and personal use.

38 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these financial statements for the year for remuneration, including certain benefits to the Chief Executive, Directors and Other Executives of the Company are as follows:

(Rupees)

Particulars	Chief Executive		Executive Directors		Non Executive Directors		Executives		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Managerial Remuneration	22,800,000	13,800,000	15,000,000	11,400,000	-	-	46,558,800	34,616,160	84,358,800	59,816,160
Bonus & Leave encashment	1,425,000	450,000	937,500	425,000	-	-	2,597,425	2,688,290	4,959,925	3,563,290
Meeting Fee	-	-	-	-	815,000	995,000	-	-	815,000	995,000
Total	24,225,000	14,250,000	15,937,500	11,825,000	815,000	995,000	49,156,225	37,304,450	90,133,725	64,374,450
Number of persons	1	1	2	2	6	6	14	12	23	21

The Chief Executive, executive directors and some of the executives of the company are also provided with company maintained car for offical and personal use.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

39 SEGMENT REPORTING

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Operating segments are reported in a manner consistent with internal reporting provided to the Chief Operating Decision Maker (CODM). Segment performance is generally evaluated based on certain key performance indicators including business volume and gross profit.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The management has determined the operating segments and segment wise assets and liabilities based on the reports reviewed by the CODM that are used to make strategic and business decisions.

i) AUTO-RICKSHAW

This segment relates to the sale of auto-rickshaw assembled by the company.

ii) AUTOMOTIVE PARTS

This segment relates to the sale of automotive parts manufactured by the company.

iii) HOUSEHOLD APPLIANCES

This segment relates to the sale of household appliances.

iv) AUTOMOBILES - FOUR WHEELER

This segment relates to the project of four wheeler automobiles.

	Auto rickshaw		Automotive parts		Household appliances		Automobiles - Four Wheeler		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Segment revenue -Net	2,697,040,522	3,335,894,636	500,196,485	617,634,311	9,380,848	14,688,163	11,905,983	-	3,218,523,838	3,968,217,110
Segment operating results	151,425,817	258,955,088	11,654,068	14,548,652	1,286,109	1,948,136	(23,610,701)	(1,114,823)	140,755,293	274,337,053
Segment assets	796,322,599	522,814,697	369,627,198	318,527,903	15,603,816	12,065,789	658,967,615	588,089,358	1,840,521,229	1,441,497,747
Unallocated assets	-	-	-	-	-	-	-	-	130,397,252	165,365,455
Total assets									1,970,918,481	1,606,863,202
Segment liabilities	593,428,782	544,247,978	77,561,300	90,494,461	-	-	3,536,773	-	674,526,855	634,742,439
Unallocated liabilities	-	-	-	-	-	-	-	-	251,684,380	14,756,376
Total liabilities									926,211,235	649,498,815
Capital expenditure	1,592,823	14,862,927	-	-	-	-	308,721,450	187,167,566	310,314,273	202,030,493
Depreciation and amortization	14,175,645	13,678,325	5,783,000	6,420,499	8,784	9,580	-	-		
Non-cash charges other than depreciation and amortization	21,980,151	18,836,060	9,817,536	8,413,213	19,874	17,031	-	-		

40 FINANCIAL INSTRUMENTS

40.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	June 30, 2019 Rupees	June 30, 2018 Rupees
FINANCIAL ASSETS			
Long term deposits	18	**3,319,855**	2,998,705
Trade debts	21	**115,605,575**	97,613,278
Loans and advances	17 & 22	**41,115,258**	31,517,418
Trade deposits	23	**48,610,555**	136,474,876
Cash and bank balances	25	**5,967,361**	35,324,803
		214,618,604	303,929,080

The maximum exposure to credit risk for trade debts on geographical basis:

Pakistan	**115,605,575**	97,613,278
	115,605,575	97,613,278

The maximum exposure to credit risk for trade debts at the reporting date by type of parties was:

Corporate customers	**88,372,112**	61,944,690
Distributor	-	-
Dealers & customers	**20,579,314**	24,845,198
Others	**6,654,149**	10,823,390
	115,605,575	97,613,278

The aging of trade debts at the reporting date was:

Not past due	**58,259,806**	43,329,008
Past Due 0-30 days	**23,573,671**	11,427,523
Past due 31-120 days	**13,381,017**	16,444,727
Past due more than 120 days	**20,391,081**	26,412,020
	115,605,575	97,613,278

The trade debts provision for ECL has been disclosed in note 21.2 of these financial statements.

40.2 Foreign exchange risk management

Foreign currency risk arises mainly where payable exist due to transactions with foreign undertakings. Payable exposed to foreign currency risks are identified as either creditors or bills payable. The Company considers hedging if it is feasible. However the banks are not allowing any hedging and forward booking of foreign currency at the moment.

40.3 Capital Risk Management

The Company's objective when managing capital is to safe guard the company's ability to continue as a going concern so that it can provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business. The company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the company may adjust the amount of dividend paid to shareholders or issue new shares.

40.4 Fair value of financial instruments

The carrying value of all the financial instruments i.e. financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. International Financial Reporting Standard 13, 'Fair Value Measurements' requires the company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Currently there are no financial assets or financial liabilities which are measured at their fair value in the statement of financial position.

40.5 Market Risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. Market risk comprises of three types of risk: Currency risk, interest rate risk and price risk.

40.5.1 Currency Risk

Currency risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company is exposed to currency risk on import of raw materials and finished goods being denominated in US dollars. The Company's exposure to foreign currency risk for US Dollars is on account of outstanding letter of credits of Rs. 280.78 million (June 30, 2018: Rs. 254.96 million).

40.5.2 Interest / profit rate Risk

Interest rate risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest / profit rates. Financial liabilities include balance of Rs. 224.07 Million (June 30, 2018: Rs. Nil) which is subject to interest / profit rate risk.

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through statement of profit or loss. Therefore a change in interest rates at the reporting date would not affect statement of profit or loss.

Cash Flow Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date, with all other variables remaining constant, the net income for the year would have been lower or higher by Rs. 2.241 million (2018: Nil).

40.5.3 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (Other than those arising from interest/profit risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. At present, the company is not exposed to price risk as there are no investments in marketable securities.

40.5.4 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The company follows an effective cash management planning policy to ensure availability of funds and to take appropriate measures for new requirements.

The following are the contractual maturities of financial liabilities, including estimated interest payments.

	JUNE - 2019						(Rupees)
	Carrying Amount	Contractual Cash Flows	6 months or less	6-12 months	1-2years	2-5years	More than 5 years
Trade and other payables	515,981,079	515,981,079	515,981,079	-	-	-	-
Mark-up & profit accrued on loans and other payables	15,695,208	15,695,208	15,695,208	-	-	-	-
Short term borrowing	-	-	-	-	-	-	-
	531,676,287	**531,676,287**	**531,676,287**	**-**	**-**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

	JUNE - 2018						(Rupees)
	Carrying Amount	Contractual Cash Flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Trade and other payables	485,425,032	485,425,032	485,425,032	-	-	-	-
Mark-up & profit accrued on loans and other payables	2,849,361	2,849,361	2,849,361	-	-	-	-
Short term borrowing	-	-	-	-	-	-	-
	488,274,393	488,274,393	488,274,393	-	-	-	-

41 PLANT CAPACITY AND ACTUAL PRODUCTION

	June 30, 2019	June 30, 2018
	Numbers	Numbers
Installed Capacity		
Auto rickshaw (8 hours single shift basis)	20,000	20,000

Automotive parts

The capacity of the plant and machinery relating to automotive parts is indeterminable due to the versatility of production.

Actual Production

Auto Rickshaw	15,887	21,722
Automotive Parts		
Wheel Rims	73,395	106,593

Under utilization of capacity was due to lower demand of Auto Rickshaw during the year.

42 NUMBER OF EMPLOYEES

Number of permanent employees at the year end	827	807
Average number of permanent employees during the year	832	821

43 DISCLOSURE REQUIREMENT FOR THE COMPANIES LISTED ON ISLAMIC INDEX

As per the requirements of the fourth schedule to the Companies Act, 2017, shariah compliant companies and the companies listed on Islamic Index shall disclose the following:

43.1	Loans/advances obtained as per Islamic mode	Disclosed in Note no. 7, 9, 11
43.2	Shariah compliant bank deposits/bank balances	Disclosed in Note no. 25.
43.3	Profit earned from shariah compliant bank deposits/bank balances	Rs. 258/- profit earned during the year, included in misc income note no 31
43.4	Revenue earned from a shariah compliant business segment	Disclosed in Note no. 26.
43.5	Gain/loss or dividend earned from shariah compliant investments	No investment made during the year.
43.6	Exchange gain earned from actual currency	Disclosed in Note no. 31.
43.7	Profit paid on Islamic mode of financing	Disclosed in Note no. 32
43.8	Relationship with shariah compliant banks	Disclosed in Note no. 7, 9, 11
43.9	Profits earned or interest paid on any conventional loan or advance.	No profit earned or interest paid to any conventional bank during the year.

44 CORRESPONDING FIGURES

Corresponding figures are re-arranged, wherever necessary, for the purpose of comparison. However, no such significant re-arrangements have been made in these financial statements.

45 DATE OF AUTHORIZATION FOR ISSUE:

The Board of Directors of the Company has authorized these financial statements for issue on September 24, 2019.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

46 GENERAL

The figures have been rounded off to the nearest rupees.

MIAN ASAD HAMEED	SAEED IQBAL KHAN	MUHAMMAD ATIF RAO
CHIEF EXECUTIVE	DIRECTOR	CHIEF FINANCIAL OFFICER