



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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, 2019 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-16 "Leases" which is effective for accounting period beginning on or after July 01, 2019 as notified by the SECP, which replaces existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases- Incentive' and SIC-27 'Evaluating the substance of transactions involving the legal form of a Lease'. IFRS 16 introduces a single, on statement of financial position, lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the previous standard i.e. lessors continue to classify leases as finance or operating leases. The Company has assessed that the application of this standard does not have any material financial impact on the financial statements of the Company.

2.4.2 The company has adopted IFRIC 23, "Uncertainty over income tax treatments" which clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements. The Company is already in compliance with the requirements of this IFRIC.

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

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, 2020 but are considered not to be relevant or to have any significant effect on the Company's operations:

| Standards or Interpretation | | Effective date |
|-----------------------------|--|------------------|
| IAS 1 | Presentation of Financial Statements-Definition of Material | January 01, 2021 |
| IAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors-Definition of Material | January 01, 2021 |
| IAS 16 | Property, Plant and Equipment — Proceeds before Intended Use | January 01, 2021 |

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.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after July 1, 2020 but are considered not to be relevant or will not have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 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.

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 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, 2020

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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

3.7 Leases

From July 01, 2019, The Company as a lessee, at inception of a contract, assesses whether a contract is, or contains, a lease, based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Right-of-use assets are measured at cost comprising of the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and restoration costs. The right-of-use asset is depreciated in line with normal depreciation policy adopted for assets owned by the Company. The security deposits are made part of the cost of right of use assets and treated as residual value of the asset. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liabilities include the net present value of the lease payments comprising of fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payment that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of profit or loss if the carrying amount of right-of-use asset has been reduced to zero.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The company has elected not to recognise right of use assets and lease liabilities for short term leases of properties that have a lease term of 12 months or less and leases of low-value assets. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 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 or future usability 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 quarterly 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 of related stock in trade. The provision of slow moving is determined based on the management's assessment regarding their future usability.

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

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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 borrowings 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 loses 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 derecognition of the financial assets and financial liabilities are taken to the statement of profit or loss.

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 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 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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 other 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 comprehensive income (FVTCL)

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 FVTCL. Movements in the carrying amount are taken through statement of 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 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 other 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.

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

Assets that do not meet the criteria for amortized cost or FVTCL 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 FVTCL. 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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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. Gains 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.

De-recognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. 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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 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 |
|--|-----------|
| 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.

5 SHARE CAPITAL

5.1 AUTHORIZED SHARE CAPITAL

| June 30, 2020 Number | June 30, 2019 Number | | Note | June 30, 2020 Rupees | June 30, 2019 Rupees |
|----------------------------|----------------------------|-----------------------------------|------|----------------------------|----------------------------|
| 50,000,000 | 50,000,000 | Ordinary shares of Rupees 10 each | | 500,000,000 | 500,000,000 |

5.2 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

| | | | | | |
|------------|------------|--|-------|-------------|-------------|
| 21,363,000 | 7,163,000 | Ordinary shares of Rupees 10 each fully paid in cash | 5.2.1 | 213,630,000 | 71,630,000 |
| 14,403,842 | 14,403,842 | Ordinary shares of Rupees 10 each allotted as bonus shares | 5.2.2 | 144,038,420 | 144,038,420 |
| 35,766,842 | 21,566,842 | | | 357,668,420 | 215,668,420 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

5.2.1 During the year, the Company issued 14,200,000 right shares at Rs. 50 per share at a premium of Rs. 40 per share amounting to total Rs. 710.00 million. These funds will be utilized to complete the project in time by procurement of plant & machinery, repayment of some portion of loan and to finance the working capital partially of four wheeler project.

5.2.2 No bonus shares issued by the company during the year.

| | June 30, 2020 | June 30, 2019 |
|------|------------------|------------------|
| Note | Rupees | Rupees |

5.3 CAPITAL RESERVE

| | | | |
|--|-------|--------------|---|
| Premium on issuance of Right Shares | 5.3.1 | 568,000,000 | - |
| Less: Expenses of Right Share Issuance | | (10,593,808) | - |
| | | 557,406,192 | - |

5.3.1 This amount represents the amount of premium received on the Right shares issued during the year.

6 LONG TERM FINANCING

DIMINISHING MUSHARAKAH - Islamic banking

| | | | |
|---------------------------|-----|-------------|-------------|
| MCB Islamic Bank Limited. | 6.1 | 64,109,989 | 31,700,000 |
| Meezan Bank Limited | 6.2 | 212,477,505 | 192,371,555 |
| Habib Bank Limited | 6.3 | 39,458,309 | - |

| | |
|-------------|-------------|
| 316,045,803 | 224,071,555 |
|-------------|-------------|

Less: Amount due within twelve months, shown under current portion of long term liabilities

| | | |
|----|-------------|-------------|
| 13 | 66,637,943 | 22,401,560 |
| | 249,407,861 | 201,669,995 |

| NOTE | FINANCIAL INSTITUTIONS NAME / FACILITY TYPE | FOR THE YEAR | TOTAL | UTILIZED | UN-UTILIZED | PURPOSE OF | RATE OF PROFIT | NUMBER OF | REPAYMENT | DATE OF | TENURE | SECURITY |
|------|---|----------------|------------|----------|-------------|--|---|------------------------|---|----------------|---|--|
| | | ENDED JUNE 30, | FACILITY | FACILITY | FACILITY | FACILITY | | INSTALLMENT | COMMENCEMENT DATE | MATURITY | | |
| | | | IN MILLION | | | | | | | | | |
| 6.1 | MCB Islamic Bank Limited - Diminishing Musharakah "For 2019, Rs. 35.71 M and for 2020 Rs. 275.00 M is sublimit of note 10.2.7" | 2020 | 30.00 | 30.00 | - | For the acquisition of four wheeler & Plant Machinery. | KIBOR PLUS 1.35% with floor of 12.00% and Cap of 20.00% | Quarterly Installments | April 2020 | January 2025 | Six years including One Year grace period | -Pari passu charge over fixed assets of Rs. 90.00 Million. -Personal guarantees of some of the directors. |
| | | | 1.70 | 1.70 | - | For the acquisition of four wheeler & Plant Machinery. | KIBOR PLUS 1.35% with floor of 12.00% and Cap of 20.00% | Quarterly Installments | Three Months after the date of trial production | October 2024 | Six years including One Year grace period | |
| | | | 35.71 | 33.99 | 1.72 | For the acquisition of four wheeler & Plant Machinery. | KIBOR PLUS 1.75% with floor of 12.00% and Cap of 20.00% | Quarterly Installments | Three Months after the date of trial production | September 2025 | Six years including One Year grace period | |
| | | 2020 - Total | 67.41 | 65.69 | 1.72 | Machinery. | Cap of 20.00% | | | | | |
| | | 2019 | 275.00 | 33.74 | 241.26 | For the acquisition of four wheeler & Plant Machinery. | KIBOR PLUS 1.35% with floor of 7.00% and Cap of 18.00% | Quarterly Installments | December 2019 | August 2025 | Six years including One Year grace period | |

6.1.1 During the year, MCB Islamic Bank Limited has reduced the Diminishing Musharakah facility of the Company from Rs. 275.00 Million to 67.41 Million.

| | | | | | | | | | | | | |
|-----|--|------|--------|--------|--------|---|--|------------------------|---------------|----------|--|---|
| 6.2 | Meezan Bank Limited - Diminishing Musharakah | 2020 | 370.00 | 212.48 | 157.52 | For acquisition of four wheelers & Plant Machinery. | KIBOR PLUS 1.75% with floor of 8.00% and Cap of 22.00% | Quarterly Installments | August 2020 | May 2025 | Six years including One Year and 7 months grace period | -Pari passu charge over fixed assets of Rs. 493.33 million. -Personal guarantees of some of the directors. |
| | | 2019 | 370.00 | 192.37 | 177.63 | | KIBOR PLUS 1.75% with floor of 7.00% and Cap of 15.00% | Quarterly Installments | December 2019 | May 2025 | Six years including One Year grace period | |

The State Bank of Pakistan announced the loan deferment policy in March - 2020, accordingly, the Company applied to Meezan Bank Limited to avail the benefit of the policy in form of deferment of principal amount of Diminishing Musharakah. Subsequent to the statement of financial position date, the bank has approved one year grace period by deferring the repayment of principle amount of Diminishing Musharakah. After the effect of deferment, the first installment of Diminishing Musharakah will be due as on August - 2021 and last date of maturity will be May-2026. The Company will not pay any amount from the current portion of Diminishing Musharakah during the financial year ended June 30, 2021. However, The Company has not revised its current portion of long term liabilities in these financial statements to comply with the International Financial Reporting Standards.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

| NOTE | FINANCIAL INSTITUTIONS NAME / FACILITY TYPE | FOR THE YEAR ENDED JUNE 30, | TOTAL FACILITY | UTILIZED FACILITY | UN-UTILIZED FACILITY | PURPOSE OF FACILITY | RATE OF PROFIT | NUMBER OF INSTALLMENT | REPAYMENT COMMENCEMENT DATE | DATE OF MATURITY | TENURE | SECURITY |
|------|---|-----------------------------|----------------|-------------------|----------------------|---|-------------------------|------------------------|-----------------------------|------------------|----------|---|
| | | | IN MILLION | | | | | | | | | |
| 6.3 | Habib Bank Limited - Diminishing Musharakah (Sub-Limit of Note No.10.4) | 2020 | 70.26 | 44.63 | 25.63 | For the payment of wages and salaries for the month April-2020 to June-2020 | Fixed at the rate 3.00% | Quarterly Installments | January 2021 | October 2022 | 6 Months | -Pari passu charge over fixed assets of Rs. 214.00 million. -Pari passu charge over current assets of Rs. 160.00 million. -Personal guarantees of some of the directors.. |
| | | 2019 | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | |

6.3.1 The Company has availed the refinance facility for the payment of wages & salaries of company's employees for the months April-June 2020 during the year and for the months July-September 2020 subsequent to the date of these financial statements.

7 LEASE LIABILITIES

Present value of minimum lease payments
Less: Current portion shown under current liabilities

Note

| June 30, 2020 | June 30, 2019 |
|---------------|---------------|
| Rupees | Rupees |

13

| | |
|------------------|----------|
| 72,800,000 | - |
| 65,000,000 | - |
| 7,800,000 | - |

The amount of future payments and the periods in which these payments will become due are as under:

Due not later than one year:

Minimum lease payments
Less: Future finance charges
Present value

| | |
|-------------------|----------|
| 69,030,272 | - |
| 4,030,272 | - |
| 65,000,000 | - |

Due later than one year and not later than five years:

Minimum lease payments
Less: Future finance charges
Present value

| | |
|-------------------|----------|
| 8,229,064 | - |
| 429,064 | - |
| 7,800,000 | - |
| 72,800,000 | - |

7.1 The Company entered into Ijarah arrangement of Rs.93.75 million with ORIX Modaraba for lease of Car Welding Line. The lease term of these arrangements is three years (2019: Nil). The minimum lease payments have been discounted using the effective interest rates implicit in leases 11.98% per annum (June 30, 2019: Nil) to arrive at the present value. Rentals are payable in monthly installments. Repairs and maintenance costs are to be borne by the lessee. The liability is secured by deposit of Rs. 18.75 million (June 30, 2019: Nil) pari passu charge of Rs.100.00 M over fixed assets of the Company and personal guarantees of some directors of the Company.

8 DEFERRED LIABILITIES

Employee benefits obligation
Deferred tax Liability

8.1

8.2

| | |
|--------------------|--------------------|
| 202,107,551 | 159,833,484 |
| - | 9,133,675 |
| 202,107,551 | 168,967,159 |

Deferred tax Asset

8.2

| | |
|-------------------|----------|
| 21,670,008 | - |
|-------------------|----------|

8.1 Employee benefits obligation

8.1.1 Movement in the present value of defined benefit obligations

Present value of defined benefit obligations 1st July
Current Service Cost
Interest cost on defined benefit obligation
Benefits due but not paid (payables)
Benefits paid
Actuarial (gain) / losses from changes in financial assumptions
Experience Adjustments

| | |
|--------------------|--------------------|
| 159,833,484 | 139,269,648 |
| 19,790,933 | 17,289,258 |
| 22,571,350 | 12,365,723 |
| - | (219,902) |
| (2,876,090) | (3,525,541) |
| (2,637,193) | (8,795,143) |
| 5,425,067 | 3,449,441 |
| 202,107,551 | 159,833,484 |



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

| | Note | June 30, 2020 Rupees | June 30, 2019 Rupees | | | |
|---|-----------------------|----------------------------|----------------------------|----------------------|-----------------------|---------------|
| 8.1.2 Movement in the net liability recognized in the statement of financial position | | | | | | |
| Net liability as at 1st July | | 159,833,484 | 139,269,648 | | | |
| Expense recognized in the statement of profit or loss | 8.1.3 | 42,362,283 | 29,654,981 | | | |
| Liability discharged during the year | | (2,876,090) | (3,525,541) | | | |
| Benefit Payable transferred to Short Term Liability | | - | (219,902) | | | |
| Re-measurement recognized in comprehensive income | 8.1.6 | 2,787,874 | (5,345,702) | | | |
| Net liability as at June 30 | | 202,107,551 | 159,833,484 | | | |
| 8.1.3 Expense recognized in the statement of profit or loss | | | | | | |
| Current service cost | | 19,790,933 | 17,289,258 | | | |
| Interest cost | | 22,571,350 | 12,365,723 | | | |
| | | 42,362,283 | 29,654,981 | | | |
| 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. | | | | | | |
| Cost of sales | | 32,755,921 | 22,915,205 | | | |
| Administrative expenses | | 8,597,178 | 6,053,441 | | | |
| Distribution cost | | 1,009,184 | 686,335 | | | |
| | | 42,362,283 | 29,654,981 | | | |
| 8.1.5 Year end sensitivity analysis(± 100 Bps) on Defined Benefit Obligation | | | | | | |
| | June 30, 2020 | June 30, 2019 | | | | |
| Discount Rate + 100 bps | 186,361,504 | 147,815,689 | | | | |
| Discount Rate - 100 bps | 220,644,016 | 173,874,629 | | | | |
| Salary Increase + 100 Bps | 220,972,618 | 174,236,447 | | | | |
| Salary Increase - 100 Bps | 185,794,558 | 147,298,078 | | | | |
| 8.1.6 Re-measurement recognized in Comprehensive Income | | | | | | |
| Actuarial (gain) / losses from changes in financial assumptions | | (2,637,193) | (8,795,143) | | | |
| Experiences adjustments | | 5,425,067 | 3,449,441 | | | |
| Total re-measurement recognized in Comprehensive Income | | 2,787,874 | (5,345,702) | | | |
| 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 Year | From 5 to 10 Year | More Than 10 Years | Total |
| | Rupees | | | | | |
| As At June 30, 2020 | | | | | | |
| Defined Benefit Obligations | 37,993,905 | 26,445,521 | 96,703,370 | 74,954,615 | 1,506,575,734 | 1,742,673,145 |
| 8.1.8 The amount of expected expense of gratuity benefit in 2020-21 will be Rs. 38,812,792/- as per the actuary's report. | | | | | | |
| 8.1.9 The average duration of defined benefit obligation (unfunded) is 8 years (June 30, 2019, 8 Years). | | | | | | |
| 8.1.10 Principal actuarial assumptions | | | | | | |



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

| | Note | June 30, 2020 Rupees | June 30, 2019 Rupees |
|---|------|----------------------------|----------------------------|
| Discount rate for year end Obligation | | 8.50 % p.a. | 14.25 % p.a. |
| Discount rate for interest cost in statement of profit or loss | | 14.25 % p.a. | 9.00 % p.a. |
| Expected rate of future salary increase for the year 2021 (2020) | | Nil % p.a. | 5.00 % p.a. |
| Expected rate of future salary increase from 2022 onward | | 7.50 % p.a. | 13.25 % p.a. |
| Next Salary is increased at | | July 01, 2020 | July 01, 2019 |
| Mortality rates | | SLIC 2001-2005 | SLIC 2001-2005 |
| Withdrawal Rates | | Setback 1 Year | Setback 1 Year |
| Retirement assumption | | Age-Based (per appendix) | Age-Based (per appendix) |
| | | 60 Years | 60 Years |
| 8.2 Deferred taxation | | | |
| Taxable temporary differences arising from: | | | |
| Accelerated depreciation for tax purposes | | 17,182,390 | 18,525,715 |
| Right of use asset | | 21,750,000 | - |
| Deductible temporary differences arising from: | | | |
| Minimum tax u/s 113 of Income Tax Ordinance, 2001 | | (39,737,408) | (9,392,040) |
| Liabilities under lease that are deducted for tax purposes only when paid | | (20,864,990) | - |
| | | (21,670,008) | 9,133,675 |
| 8.2.1 Movement of deferred tax is as follows: | | | |
| Opening Balance - Deferred Tax Liability | | 9,133,675 | 20,332,909 |
| Less: Deferred tax income during the year | | (29,460,358) | (9,392,040) |
| Less: Transfer from deferred tax asset to taxation - net | | (1,343,325) | (1,807,194) |
| Closing balance - Deferred Tax Asset | | (21,670,008) | 9,133,675 |
| 9 DEFERRED GRANT | | | |
| Opening Balance | | - | - |
| Add: Received during the Year | 9.1 | 5,190,029 | - |
| Less: Amortized during the Year | 32 | (19,428) | - |
| Closing Balance | | 5,170,602 | - |
| 9.1 The amount represents the difference of loan proceed and fair value of the loan from Habib Bank Limited for payment of wages and salaries for the months of April to June-2020 under the discount profit scheme 3% fixed issued by the State bank of Pakistan. | | | |
| 10 TRADE AND OTHER PAYABLES | | | |
| Creditors | | 334,232,870 | 393,155,423 |
| Advances from trade customers - Contract Liability | 10.1 | 3,387,015 | 14,826 |
| Accrued & Other liabilities | | 52,213,974 | 38,998,350 |
| Murabaha Payable: (Islamic banking) | | | |
| Meezan Bank Limited | 10.3 | - | 45,884,998 |
| Habib Bank Limited | 10.4 | - | 17,147,823 |
| MCB Islamic Bank Limited | 10.5 | - | 2,041,907 |
| United Bank Limited | 10.6 | - | - |
| Allied Bank Limited | 10.7 | - | - |
| Sales tax payable | | 1,570,438 | 6,270,121 |
| Income tax deducted at source | | 19,099,918 | 4,151,262 |
| Payable towards: | | | |
| Workers' Profit Participation Fund | 10.8 | 2,233,024 | 6,080,459 |
| Workers' Welfare Fund | 10.9 | 832,730 | 2,235,910 |
| | | 413,569,969 | 515,981,079 |



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

10.1 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.

| NOTE | FINANCIAL INSTITUTIONS NAME / FACILITY TYPE | FOR THE YEAR ENDED JUNE 30, | TOTAL FACILITY | UTILIZED FACILITY | UN-UTILIZED FACILITY | SECURITY |
|---------------|---|-----------------------------|----------------|-------------------|----------------------|--|
| IN MILLION | | | | | | |
| 10.2 | Letter of Credit facilities | | | | | |
| 10.2.1 | Meezan Bank Limited | 2020 | 500.00 | 40.25 | 459.75 | Lien on import Documents and Personal guarantees of some of the directors. |
| | | 2019 | 500.00 | 53.80 | 446.20 | |
| 10.2.2 | Habib Bank Limited - Islamic Banking | 2020 | 160.00 | 75.31 | 84.69 | Lien on import Documents and Personal guarantees of some of the directors. |
| | | 2019 | 160.00 | 54.77 | 105.23 | |
| 10.2.3 | United Bank Limited - Ameen Islamic Banking | 2020 | 200.00 | 28.54 | 171.46 | Lien on import Documents and Personal guarantees of some of the directors. |
| | | 2019 | 200.00 | - | 200.00 | |
| 10.2.4 | Allied Bank Limited | 2020 | 225.00 | - | 225.00 | Lien on import Documents and Personal guarantees of some of the directors. |
| | | 2019 | 225.00 | - | 225.00 | |
| 10.2.5 | MCB Islamic Bank Limited | 2020 | - | - | 0.0 | Lien on import Documents and Personal guarantees of some of the directors. |
| | | 2019 | 100.00 | 7.36 | 92.64 | |

Letter of Credit facilities - for Capital Expenditure

| | | | | | | |
|---------------|--|------|--------|-------|--------|--|
| 10.2.6 | Meezan Bank Limited "Sublimit of note no. 6.2" | 2020 | 5.20 | - | 5.20 | Lien on import Documents and Personal guarantees of some of the directors. |
| | | 2019 | 53.20 | - | 53.20 | |
| 10.2.7 | MCB Islamic Bank Limited | 2020 | 35.71 | 35.71 | - | Lien on import Documents and Personal guarantees of some of the directors. |
| | | 2019 | 275.00 | 35.71 | 239.29 | |

| NOTE | FINANCIAL INSTITUTIONS NAME / FACILITY TYPE | FOR THE YEAR ENDED JUNE 30, | TOTAL FACILITY | UTILIZED FACILITY | UN-UTILIZED FACILITY | MAXIMUM PERIOD | RATE OF PROFIT | SECURITY |
|-------------|--|-----------------------------|----------------|-------------------|----------------------|----------------|------------------|---|
| IN MILLION | | | | | | | | |
| 10.3 | Meezan Bank Limited - Murabaha Arrangement | 2020 | 200.00 | - | 200.00 | 180 Days | KIBOR PLUS 1.25% | -Pari passu charge over fixed assets of Rs. 268.00 million keeping 25% margin. -Pari passu charge over current assets of Rs. 200.00 million. -Personal guarantees of some of the directors. |
| | | 2019 | 200.00 | 45.89 | 154.11 | 180 Days | KIBOR PLUS 1.25% | |
| 10.4 | Habib Bank Limited - Islamic Banking - Murabaha Arrangement | 2020 | 160.00 | - | 160.00 | 120 Days | KIBOR PLUS 1.10% | -Pari passu charge over fixed assets of Rs. 214.00 million. -Pari passu charge over current assets of Rs. 160.00 million. -Personal guarantees of some of the directors. |
| | | 2019 | 160.00 | 17.15 | 142.85 | 120 Days | KIBOR PLUS 1.10% | |
| 10.5 | MCB Islamic Bank Limited - Murabaha Arrangement "sublimit of Note no. 6.1 (June 30, 2019)" | 2020 | - | - | - | - | - | - |
| | | 2019 | 275.00 | 33.74 | 241.26 | 180 Days | KIBOR PLUS 1.15% | -Pari passu charge over fixed assets of Rs. 367.00 million with 25% margin. -Pari passu charge over current assets of Rs. 275.00 million. -Personal guarantees of some of the directors. |
| 10.6 | United Bank Limited - Ameen Islamic Banking Murabaha Arrangement (sublimit of Note no. 10.2.3) | 2020 | 200.00 | - | 200.00 | 180 Days | KIBOR PLUS 1.10% | -Pari passu charge over fixed assets of Rs. 267.00 million with 25% margin. -Pari passu charge over current assets of Rs. 200.00 million. -Personal guarantees of some of the directors. |
| | | 2019 | 200.00 | - | 200.00 | 180 Days | KIBOR PLUS 1.10% | |
| 10.7 | Allied Bank Limited - Murabaha Arrangement (sublimit of Note no. 10.2.4) | 2020 | 135.00 | - | 135.00 | 90 Days | KIBOR PLUS 1.10% | -Pari passu charge over fixed assets of Rs. 185.00 million. -Pari passu charge over current assets of Rs. 110.00 million. -Personal guarantees of some of the directors. |
| | | 2019 | 135.00 | - | 135.00 | 90 Days | KIBOR PLUS 1.10% | |



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

| | Note | June 30, 2020 Rupees | June 30, 2019 Rupees |
|--|------|----------------------------|----------------------------|
| 10.8 Workers' Profit Participation Fund | | | |
| Balance at beginning of the year | | 6,080,459 | 24,793,863 |
| Charged during the year | 30 | 2,233,024 | 6,080,459 |
| | | 8,313,483 | 30,874,322 |
| Payment made during the year | | (6,080,459) | (24,793,863) |
| | | 2,233,024 | 6,080,459 |
| 10.9 Workers' Welfare Fund | | | |
| Balance at beginning of the year | | 2,235,910 | 4,995,387 |
| Charged during the year | | 832,730 | 2,235,910 |
| Adjustment for prior years | | 119,530 | (42,170) |
| Charged to Statement of Profit or Loss | 30 | 952,260 | 2,193,740 |
| | | 3,188,170 | 7,189,127 |
| Payment made during the year | | (2,355,440) | (4,953,217) |
| | | 832,730 | 2,235,910 |
| 11 PROFIT ACCRUED ON LOANS AND OTHER PAYABLES | | | |
| Lease Liabilities - secured | | 314,941 | - |
| Short term borrowing - secured | | 1,796,739 | 1,386,227 |
| Long term borrowing - secured | | 37,955,816 | 14,172,320 |
| Profit on Murabaha Payable | | 5,865 | 136,661 |
| | | 40,073,361 | 15,695,208 |
| 12 SHORT TERM BORROWINGS - SECURED | | | |
| Running Musharakah arrangements - Islamic Banking | | | |
| Habib Bank Limited | 12.1 | - | - |
| United Bank Limited | 12.2 | - | - |
| Meezan Bank Limited | 12.3 | - | - |
| Allied Bank Limited | 12.4 | - | - |
| Istisna arrangements - Islamic Banking | | | |
| Meezan Bank Limited | 12.5 | - | - |

| NOTE | FINANCIAL INSTITUTIONS NAME / FACILITY TYPE | FOR THE YEAR ENDED JUNE 30, | SUB-LIMIT OF NOTE NO. | TOTAL FACILITY | UTILIZED FACILITY | UN-UTILIZED FACILITY | RATE OF PROFIT | SECURITY |
|------------|---|-----------------------------|-----------------------|----------------|-------------------|----------------------|------------------|--|
| IN MILLION | | | | | | | | |
| 12.1 | Habib Bank Limited - Islamic Banking - Running Musharakah Arrangements | 2020 | 10.4 | 160.00 | - | 160.00 | KIBOR PLUS 1.10% | -Pari passu charge over fixed assets of Rs. 214.00 million. |
| | | 2019 | 10.4 | 160.00 | 17.15 | 142.85 | KIBOR PLUS 1.10% | -Pari passu charge over current assets of Rs. 160.00 million. |
| 12.2 | United Bank Limited - Ameen Islamic Banking - Running Musharakah Arrangements | 2020 | 10.2.3 | 200.00 | - | 200.00 | KIBOR PLUS 1.10% | -Pari passu charge over fixed assets of Rs. 267.00 million with 25% margin. |
| | | 2019 | 10.2.3 | 200.00 | - | 200.00 | KIBOR PLUS 1.10% | -Pari passu charge over current assets of Rs. 200.00 million. |
| 12.3 | Meezan Bank Limited - Running Musharakah Arrangements | 2020 | 10.3 | 60.00 | - | 60.00 | KIBOR PLUS 1.25% | -Pari passu charge over fixed assets of Rs. 268.00 million keeping 25% margin. |
| | | 2019 | 10.3 | 60.00 | - | 60.00 | KIBOR PLUS 1.25% | -Pari passu charge over current assets of Rs. 200.00 million. |
| 12.4 | Allied Bank Limited - Business Running Musharakah Arrangements | 2020 | 10.7 | 45.00 | - | 45.00 | KIBOR PLUS 1.10% | -Pari passu charge over fixed assets of Rs. 185.00 million. |
| | | 2019 | 10.7 | 45.00 | - | 45.00 | KIBOR PLUS 1.10% | -Pari passu charge over current assets of Rs. 110.00 million. |
| 12.5 | Meezan Bank Limited - Istisna Arrangement | 2020 | 10.3 | 40.00 | - | 40.00 | KIBOR PLUS 1.25% | -Pari passu charge over fixed assets of Rs. 268.00 million keeping 25% margin. |
| | | 2019 | 10.3 | 40.00 | - | 40.00 | KIBOR PLUS 1.25% | -Pari passu charge over current assets of Rs. 200.00 million. |



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

| 13 CURRENT PORTION OF LONG TERM LIABILITIES | Note | June 30, 2020 | June 30, 2019 |
|---|------|--------------------|-------------------|
| | | Rupees | Rupees |
| Diminishing Musharakah - Islamic banking | 6 | 66,637,943 | 22,401,560 |
| Lease Liability - Islamic banking | 7 | 65,000,000 | - |
| | | 131,637,943 | 22,401,560 |

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 till reporting date is Rs. 1,069,096/-. 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.
- 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** The Employees' Old-Age Benefits Institution issued a circular no. 01/2015-16 dated: March 01, 2016 for enhancing the monthly wage ceiling from Rs. 8,000/- to Rs. 13,000/- in different years retrospectively. Therefore, The Company has filed a writ petition with The Honorable Lahore High Court, Lahore (LHC) and has been granted a stay order as on April 27, 2016. The petition is still pending in LHC. The estimated effect of this notification on financial statements of the company till reporting date is Rs. 13,223,209/-. In the opinion of legal advisor, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

- 14.1.5** 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.
- 14.1.6** 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, proceeding is still pending. In the opinion of tax consultant, favorable outcome is expected, hence no provision is made in these financial statements.
- 14.1.7** 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, appeal is still pending. In the opinion of tax consultant, favorable outcome is expected, hence no provision is made in these financial statements.
- 14.1.8** 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), proceeding 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.
- 14.1.9** DCIR initiated proceedings under section 122 (5A) for tax year 2009 and created a tax demand of Rs. 5,439,326/- as on March 31, 2015. The company filed an appeal against this order with CIR (Appeals) and got relief up to Rs.5,318,163/-. For remaining tax demand of Rs.121,899/-, company filed 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.
- 14.1.10** DCIR initiated proceedings under section 122 (1)/122 (5A) for tax year 2013 and created a tax demand of Rs. 6,845,112/- as on January 31, 2013. The company filed appeals against the order with CIR (Appeals) and got relief of Rs. 4,365,419/-. For remaining tax demand of Rs.2,479,693/-, the company has filed an appeal with ATIR. The appeal is still pending. Further in 2017, the DCIR has also filed an appeal with the ATIR against the relief of Rs. 4,365,419/- given by CIR (A) for tax year 2013, which is also pending. In the opinion of tax consultant, favorable outcomes of the appeals are 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-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). The CIR (Appeals) has remand back the case to DCIR with upheld amount of Rs.2,223,033/-. The Company intends to file an appeal with ATIR against the decision of CIR (Appeals) for the upheld amount and decision of remand back. 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** 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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

14.1.13 Additional Commissioner Inland Revenue (ACIR) initiated proceedings under section 122(5A) of Income Tax Ordinance 2001 for tax year 2018 and created a tax demand of Rs. 8,848,110/- as on February 06, 2020. The Company filed an appeal before the Commissioner Inland Revenue Appeal CIR(A) against this order of ACIR and has been granted a stay order, proceedings are still pending. In the opinion of tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.

14.1.14 DCIR initiated proceedings under section 161/205 of Income Tax Ordinance 2001 for tax year 2017 and created a tax demand of Rs. 33,952,716/- as on March 30, 2019. The Company filed an appeal against this order with CIR (A) and CIR (A) deleted the order of DCIR as on June 25, 2019. However DCIR filed an appeal with ATIR against the order of CIR (A) as on August 27, 2019, proceedings are still pending. In the opinion of tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.

14.1.15 The Company has filed Writ Petition in Lahore High Court, Lahore (LHC) against the illegal selection by the Commissioner Inland Revenue for the audit of sales tax affairs for tax year 2017 under section 25 of Sales Tax Act 1990. Which was rejected by the honourable Court. The Company filed an Interim Court Appeal (ICA) before honourable Lahore High Court, Lahore and honourable Court has granted an interim relief to the Company and restrained the Commissioner Inland Revenue to pass a final order till the decision of appeal as on January 21, 2020. The case is still pending. In the opinion of the lawyer, outcome of this case will be in favour of the company.

14.1.16 For the financial year ended June 30, 2018, the management did not make an announcement of dividend due to cash requirement for the setting up a project of manufacturing/assembly of passenger and off-road vehicles, which 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, Lahore as on July 03, 2018, the said writ petition is pending before the Honourable 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.

14.1.17 A group of persons in rickshaw market Karachi was deposited a sum of Rs. 10.93 Million unilaterally in the Company's bank account for the purchase of auto rickshaw without any authorization from the Company. The company filed a suit in Honorable Sindh High Court, Karachi (SHC) against these persons as on September 24, 2019. Instead of appearing in the Honorable Sindh High Court, Karachi, they filed nine civil suits against the Company for the declaration, cancellation, recovery and damages amounting to Rs. 109.43 Million. The cases are still pending. In the opinion of the lawyer, these claims are frivolous and the outcome of these cases will be in favour of the company. Therefore, the Company has not made any provision for this amount in these financial statements.

14.2 Commitments

14.2.1 Commitments in respect of outstanding letters of credit for raw material amount to Rs. 102.73 Million (June 30, 2019: Rs. 134.26 Million).

14.2.2 Commitments in respect of capital expenditures amount to Rs. 117.17 Million (June 30, 2019: Rs. 146.52 Million).

14.2.3 Commitments for future minimum payments in respect of Ijarah arrangements are as follows:

| | June 30, 2020 Rupees | June 30, 2019 Rupees |
|---|----------------------------|----------------------------|
| Not later than one year | 69,030,272 | - |
| Later than one year but not later than five years | 8,229,064 | - |
| Later than five years | - | - |



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

| | Note | June 30, 2020 Rupees | June 30, 2019 Rupees |
|---|------|----------------------------|----------------------------|
| 15 PROPERTY, PLANT AND EQUIPMENT | | | |
| Operating fixed assets - Tangible | 15.1 | 335,796,920 | 348,588,354 |
| Capital work in progress | 15.3 | 982,535,886 | 649,491,034 |
| | | 1,318,332,806 | 998,079,388 |

15.1 OPERATING FIXED ASSETS - Tangible

| 2020 | | | | | | | | | | Rupees |
|--|------------------|--------------------------|----------|------------------|---------|------------------|--------------|------------------|------------------|-------------------------|
| Particulars | Cost | | | | Rate % | Depreciation | | | | W.D.V. as at 30-06-2020 |
| | As at 01-07-2019 | Additions/(Deletions) | Transfer | As at 30-06-2020 | | As at 01-07-2019 | For the Year | Adjustment | As at 30-06-2020 | |
| 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 | 59,126,314 | 2,840,253 | - | 61,966,567 | 26,306,834 |
| Building and Civil Works on leasehold land | 2,509,800 | - | - | 2,509,800 | 10 | 786,886 | 172,291 | - | 959,177 | 1,550,623 |
| Plant and Machinery | 218,870,317 | 4,183,340 | - | 223,053,657 | 10 | 144,536,406 | 7,617,725 | - | 152,154,131 | 70,899,526 |
| Electric Fittings | 9,189,359 | - | - | 9,189,359 | 10 | 6,209,815 | 297,954 | - | 6,507,769 | 2,681,590 |
| Furniture and Fittings | 2,996,463 | 620,804 | - | 3,617,267 | 10 | 1,688,418 | 139,011 | - | 1,827,429 | 1,789,838 |
| Office Equipment | 7,147,155 | 618,722 | - | 7,765,877 | 10 | 3,039,113 | 443,628 | - | 3,482,741 | 4,283,136 |
| Electric Installations | 5,231,950 | 916,300 | - | 6,148,250 | 10 | 2,101,599 | 321,362 | - | 2,422,961 | 3,725,289 |
| Vehicles | 76,059,961 | 3,183,000 (7,742,500) | - | 71,500,461 | 20 | 39,753,440 | 7,395,926 | (4,657,050) | 42,492,317 | 29,008,144 |
| Total 2020 | 605,830,345 | 9,522,166 (7,742,500) | - | 607,610,011 | | 257,241,991 | 19,228,150 | - (4,657,050) | 271,813,091 | 335,796,920 |

| 2019 | | | | | | | | | | Rupees |
|---|---------------------|---------------------------|----------|---------------------|-----------|---------------------|-----------------|-------------|---------------------|-------------------------------|
| Particulars | Cost | | | | Rate % | Depreciation | | | As at 30-06-2019 | W.D.V. as at 30-06-2019 |
| | As at 01-07-2018 | Additions/ (Deletions) | Transfer | As at 30-06-2019 | | As at 01-07-2018 | For the Year | Adjustment | | |
| 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 |

15.2 Depreciation for the year has been allocated as follows:

| | Note | June 30, 2020 Rupees | June 30, 2019 Rupees |
|-------------------------|------|----------------------------|----------------------------|
| Cost of sales | 27 | 10,996,596 | 11,867,169 |
| Distribution cost | 28 | 3,844,074 | 3,089,976 |
| Administrative expenses | 29 | 4,387,480 | 4,959,186 |
| | | 19,228,150 | 19,916,331 |



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

15.3 CAPITAL WORK-IN-PROGRESS

Tangible

Plant and machinery

| | Note | June 30, 2020 Rupees | June 30, 2019 Rupees |
|----------------------------------|------|----------------------------|----------------------------|
| Opening balance | | 263,850,066 | 22,888,612 |
| Additions made during the year | 15.4 | 288,506,873 | 240,961,454 |
| | | 552,356,939 | 263,850,066 |
| Transferred to Plant & Machinery | | - | - |
| | | 552,356,939 | 263,850,066 |

Civil works

| | | | |
|---------------------------------------|--|-------------|-------------|
| Opening balance | | 385,299,717 | 338,580,335 |
| Additions made during the year | | 44,537,979 | 46,719,382 |
| | | 429,837,696 | 385,299,717 |
| Transferred to operating fixed assets | | - | - |
| | | 429,837,696 | 385,299,717 |

Intangible

| | | | |
|----------------------------------|--|-------------|-------------|
| Opening balance | | 341,251 | 490,334 |
| Additions made during the year | | - | - |
| | | 341,251 | 490,334 |
| Transferred to Intangible Assets | | - | 149,083 |
| | | 341,251 | 341,251 |
| | | 982,535,886 | 649,491,034 |

15.4 This includes right of use asset of Rs. 93.75 Million (June 30, 2019: nil).

15.5 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 |

15.6 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 | 2,637,000 | 1,282,637 | 2,780,000 | 1,497,364 | Negotiation | Mr. Shahbaz Ahmed Khan, H no. 937, Molana Shoukat Ali Road, Block -D, Lahore. |
| Honda Civic | 2,468,500 | 655,191 | 1,700,000 | 1,044,809 | Negotiation | Mrs. Shakeela Akhtar, H no. 105, Street No. 11, Block 16, Sargodha. |
| Honda Civic | 2,637,000 | 1,147,622 | 2,540,000 | 1,392,378 | Negotiation | Mr. Rana Anwar Zia, House no. 117-B, Phase -1, Ali View Garden Badian Road, Lahore. |
| June 30, 2020 | 7,742,500 | 3,085,450 | 7,020,000 | 3,934,551 | | |
| June 30, 2019 | 4,181,000 | 973,125 | 2,500,000 | 1,526,877 | | |



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

16 INTANGIBLE ASSETS

| Particulars | Cost | | | Amortization | | | (Rupees) |
|-------------------|---------------------|--------------------------|---------------------|---------------------|-----------------|---------------------|-----------------------------------|
| | As at 01-07-2019 | Additions/ (deletion) | As at 30-06-2020 | As at 01-07-2019 | For the Year | As at 30-06-2020 | Book Value as at 30-06-2020 |
| Intangible Assets | 4,357,922 | - | 4,357,922 | 4,249,362 | 31,616 | 4,280,978 | 76,944 |
| Jun-20 | 4,357,922 | - | 4,357,922 | 4,249,362 | 31,616 | 4,280,978 | 76,944 |
| Jun-19 | 4,208,839 | 149,083 | 4,357,922 | 4,198,264 | 51,098 | 4,249,362 | 108,560 |

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, 2020 | June 30, 2019 |
|------|------------------|------------------|
| | Rupees | Rupees |

17 LONG TERM LOANS AND ADVANCES - SECURED

Loans and advances - considered good, to:

| | | |
|--|----------------------|-------------------|
| Executives | 8,528,925 | 7,853,925 |
| Non-Executives | 33,950,368 | 33,064,873 |
| | 42,479,293 | 40,918,798 |
| Less: Amount due within twelve months, shown under current portion of loans and advances | 22 14,989,140 | 16,023,545 |
| | 27,490,153 | 24,895,253 |

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

| | Opening balance as at July 01, 2019 | Disbursements / Transfer | Repayments / Transfer | Closing Balance as at June 30, 2020 |
|----------------------|--|-----------------------------|--------------------------|--|
| Executives | 7,853,925 | 1,500,000 | 825,000 | 8,528,925 |
| Non-Executives | 33,064,873 | 18,304,282 | 17,418,787 | 33,950,368 |
| June 30, 2020 | 40,918,798 | 19,804,282 | 18,243,787 | 42,479,293 |
| June 30, 2019 | 30,163,920 | 27,822,462 | 17,067,584 | 40,918,798 |

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. 8,613,925 (2019: Rs. 8,448,925). 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.

18 LONG TERM DEPOSITS

| | | |
|----------------------------------|------------------|------------------|
| Deposit with Pakistan Steel Mill | 400,000 | 400,000 |
| Utilities and others | 3,112,855 | 2,919,855 |
| | 3,512,855 | 3,319,855 |

18.1 Long term deposits are 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, 2020

| | Note | June 30, 2020 Rupees | June 30, 2019 Rupees |
|---|--------|----------------------------|----------------------------|
| 19 STORES, SPARES AND LOOSE TOOLS | | | |
| Stores | | 4,826,567 | 2,614,622 |
| Spares | | 420,217 | 351,994 |
| Loose tools | | 35,148 | 25,913 |
| | | 5,281,932 | 2,992,529 |
| 20 STOCK-IN-TRADE | | | |
| Raw materials and components | | 416,574,470 | 448,907,241 |
| Work-in-process | | 30,553,475 | 28,239,219 |
| Finished goods | | 222,905,224 | 178,368,962 |
| Less: | | | |
| Provision for slow moving items | 20.1 | (9,922,842) | (9,667,692) |
| | | 660,110,327 | 645,847,730 |
| 20.1 Provision for slow moving items | | | |
| Balance at the beginning of the year | | 9,667,692 | 7,505,112 |
| Charged during the year | 27 | 255,150 | 2,162,580 |
| Balance at the closing of the year | | 9,922,842 | 9,667,692 |
| 21 TRADE DEBTS - Unsecured | 21.1 | 122,597,252 | 115,605,575 |
| 21.1 Classification: | | | |
| Considered Good | | 122,597,252 | 115,605,575 |
| Considered Doubtful | | 9,641,805 | 9,641,805 |
| | | 132,239,057 | 125,247,380 |
| Less: Provision for expected credit losses | 21.2 | (9,641,805) | (9,641,805) |
| | | 122,597,252 | 115,605,575 |
| 21.2 Provision for Expected Credit losses (ECL) | | | |
| Balance at the beginning of the year | | 9,641,805 | 9,647,305 |
| Charged during the year | | - | - |
| | | 9,641,805 | 9,647,305 |
| Reversal during the year | 21.2.1 | - | (5,500) |
| Balance at the closing of the year | | 9,641,805 | 9,641,805 |
| 21.2.1 Amount recovered during the year. | | | |
| 22 LOANS & ADVANCES | | | |
| Advances - considered good | | | |
| - Current portion of loans and advances | 17 | 14,989,140 | 16,023,545 |
| - To employees for incurring business expenses | | 76,097 | 3,961 |
| - To suppliers-unsecured | | 1,036,684 | 192,499 |
| | | 16,101,921 | 16,220,005 |
| 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, 2020

| | Note | June 30, 2020 Rupees | June 30, 2019 Rupees |
|---|--|----------------------------|----------------------------|
| 23 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS | | | |
| Contract securities | | 400,000 | 400,000 |
| Prepaid expenses | | 1,399,528 | 1,132,262 |
| Letter of credit margin | | 19,877,112 | 19,935,002 |
| Letter of credit in process | | 44,571,498 | 27,143,291 |
| | | 66,248,138 | 48,610,555 |
| 23.1 | These amount given in the normal course of business and do not carry any interest or mark-up. | | |
| 24 OTHER RECEIVABLES | | | |
| Advance income tax - net | | 118,345,962 | 107,271,671 |
| Advance Sales tax | | 9,532,464 | 2,000,000 |
| Others | | 2,050,373 | - |
| | | 129,928,799 | 109,271,671 |
| 25 CASH AND BANK BALANCES | | | |
| Cash in hand | | 298,459 | 175,176 |
| Balance with banks | | | |
| In current accounts - Conventional banking | | 7,852,046 | 2,992,544 |
| In current accounts - Islamic banking | | 44,796,992 | 2,774,642 |
| In saving accounts - Islamic banking | 25.1 | 395,871,558 | 24,999 |
| | | 448,819,055 | 5,967,361 |
| 25.1 | This carry profit at the rates ranging from 3.65% to 8.00% (June 30, 2019: From .10% to .20%) per annum. | | |
| 26 SALES - NET | | | |
| Gross sales | 26.1 | 3,567,680,810 | 4,211,272,674 |
| Less: Sales tax | | 499,435,176 | 561,894,153 |
| Sales returns | | 124,940,920 | 364,310,305 |
| Commission | | 51,550,212 | 66,544,378 |
| | | 675,926,308 | 992,748,836 |
| | | 2,891,754,502 | 3,218,523,838 |
| 26.1 | This includes Rs. 30.24 million (June 30, 2019: Rs. 11.05 million) on account of export sales. | | |



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

| | Note | June 30, 2020 Rupees | June 30, 2019 Rupees |
|--|------|----------------------------|----------------------------|
| 27 COST OF SALES | | | |
| Raw materials and components consumed | | 2,117,655,984 | 2,451,348,991 |
| Salaries, wages and other benefits | 27.1 | 325,067,632 | 275,782,776 |
| Stores, spares and loose tools consumed | | 38,219,049 | 41,485,641 |
| Power and fuel charges | | 64,317,268 | 62,729,654 |
| Repair and maintenance | | 52,527,631 | 56,004,913 |
| Other expenses | | 12,339,607 | 10,714,001 |
| Provision for slow moving items | 20.1 | 255,150 | 2,162,580 |
| Depreciation | 15.2 | 10,996,596 | 11,867,169 |
| Amortization | 16 | 31,616 | 51,098 |
| | | 2,621,410,533 | 2,912,146,823 |
| Opening work-in-process | | 28,239,219 | 11,921,639 |
| | | 2,649,649,752 | 2,924,068,462 |
| Closing work-in-process | | 30,553,475 | 28,239,219 |
| Cost of goods manufactured | | 2,619,096,277 | 2,895,829,243 |
| Opening finished goods | | 178,368,962 | 137,357,026 |
| | | 2,797,465,239 | 3,033,186,269 |
| Cost of finished goods purchased during the year | | 24,180,346 | 32,984,200 |
| | | 2,821,645,585 | 3,066,170,469 |
| Closing finished goods | | 222,905,224 | 178,368,962 |
| | | 2,598,740,361 | 2,887,801,507 |

27.1 Salaries, wages and other benefits include Rs.32,755,921 (June 30, 2019: Rs. 22,915,205) in respect of retirement benefits.

28 DISTRIBUTION COST

| | | | |
|----------------------------------|------|-------------------|-------------------|
| Salaries and other benefits | 28.1 | 29,418,148 | 26,761,665 |
| Freight and octroi | | 41,283,980 | 49,042,133 |
| Traveling & conveyance | | 4,585,024 | 4,342,779 |
| Packing material consumed | | 3,577,974 | 3,259,403 |
| Advertisement and sale promotion | | 7,790,144 | 1,684,001 |
| Insurance | | 575,758 | 404,026 |
| Rent Expenses | 28.2 | 4,032,591 | 3,626,289 |
| After sales service | | 1,166,618 | 950,299 |
| Printing & Stationery | | 103,978 | 304,532 |
| Depreciation | 15.2 | 3,844,074 | 3,089,976 |
| | | 96,378,289 | 93,465,103 |

28.1 Salaries and other benefits include Rs. 1,009,184 (June 30,2019: Rs. 686,335) in respect of retirement benefits.

28.2 This represents short term lease rentals.

29 ADMINISTRATIVE EXPENSES

| | | | |
|------------------------------------|------|--------------------|-------------------|
| Salaries and other benefits | 29.1 | 67,835,242 | 62,064,242 |
| Electricity, gas and water charges | | 393,615 | 361,966 |
| Communication expenses | | 4,804,787 | 5,393,274 |
| Vehicle running expenses | | 4,522,378 | 4,331,463 |
| Legal and professional | | 3,621,297 | 3,244,708 |
| Traveling and conveyance | | 2,318,571 | 1,916,354 |
| Fee and subscription | | 3,267,144 | 4,123,095 |
| Insurance | | 402,111 | 365,849 |
| Rent, rates and taxes | 29.2 | 1,167,388 | 1,142,122 |
| Printing and stationery | | 2,798,475 | 2,107,019 |
| Entertainment | | 2,422,148 | 1,642,276 |
| Office supplies | | 363,758 | 266,006 |
| Miscellaneous expenses | | 2,128,507 | 1,396,374 |
| Depreciation | 15.2 | 4,387,480 | 4,959,186 |
| | | 100,432,901 | 93,313,934 |

29.1 Salaries and other benefits include Rs. 8,597,178 (June 30, 2019: Rs. 6,053,441) in respect of retirement benefits.

29.2 This includes short term lease rentals.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

| | Note | June 30, 2020 Rupees | June 30, 2019 Rupees |
|---|------|----------------------------|----------------------------|
| 30 OTHER OPERATING EXPENSES | | | |
| Tax Consultancy Services | | 2,160,000 | 2,236,500 |
| Auditors' remuneration | 30.1 | 991,500 | 951,500 |
| Contribution towards: | | | |
| Workers' profit participation fund | 10.8 | 2,233,024 | 6,080,459 |
| Workers' welfare fund | 10.9 | 952,260 | 2,193,740 |
| | | 6,336,784 | 11,462,199 |
| 30.1 Auditors remuneration | | | |
| H.Y.K & Co. | | | |
| Statutory audit | | 760,000 | 715,000 |
| Half yearly review | | 171,500 | 171,500 |
| Workers' Profit Participation Fund audit | | 20,000 | 20,000 |
| Certificate fee | | 40,000 | 45,000 |
| | | 991,500 | 951,500 |
| 31 OTHER INCOME | | | |
| Income from financial assets | | | |
| Profit from Islamic banking deposits | | 9,094,817 | - |
| Exchange Gain | | 230,104 | 157,889 |
| Income from non Financial Assets | | | |
| Gain on sale of fixed asset | | 3,934,550 | 1,526,877 |
| Reversal of provision for doubtful Debts | | - | 5,500 |
| Miscellaneous Income | | 1,709,557 | 1,965,942 |
| | | 14,969,028 | 3,656,208 |
| 32 FINANCE COST | | | |
| Profit on: | | | |
| Long term finances - Islamic banking | | 36,514,169 | 14,172,320 |
| Short term borrowings - secured - Islamic Banking | | 13,118,548 | 5,002,372 |
| Profit on Murabaha - Islamic Banking | | 10,906,000 | 3,112,698 |
| Less: Amortization of Deferred Grant | 9 | (19,428) | - |
| Interest on Workers' Profit Participation Fund | | 701,576 | 1,490,471 |
| Financial charges on lease - Islamic Banking | | 1,801,459 | - |
| Bank charges and others | | 1,039,243 | 514,929 |
| | | 64,061,567 | 24,292,790 |



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

| | Note | June 30, 2020 Rupees | June 30, 2019 Rupees |
|--------------------|------|----------------------------|----------------------------|
| 33 TAXATION | | | |
| Current | | | |
| For the Year | 33.1 | 44,143,284 | 40,997,011 |
| Prior Year | 33.2 | (199,520) | 49,579 |
| Deferred | | | |
| For the Year | 33.4 | (30,803,683) | (11,199,235) |
| | | 13,140,081 | 29,847,355 |

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 charge under section 113 and final tax regime under Income Tax Ordinance, 2001. The management is confident that sufficient future taxable profits would be available against which minimum tax can be utilized.

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 2019, except as mentioned in note 14.1. The Provision for taxation is considered adequate to discharge the expected liability for current year.

33.4 Tax charge reconciliation

| | | |
|--|-------------------|-------------------|
| Profit before taxation | 40,773,628 | 111,844,513 |
| Tax charge on accounting profit at applicable tax rate 29% (29%: 2019) as per Income Tax Ordinance, 2001 | 11,824,352 | 32,434,909 |
| Tax effect of amounts that are: | | |
| - allowable deductions for tax purposes | 2,917,492 | 163,572 |
| Tax effect of profit attributable to presumptive income | (1,336,376) | (2,621,162) |
| Effect of presumptive tax | 317,803 | 100,239 |
| Tax effect due to reversal of prior year's WWF | 34,664 | (12,229) |
| Tax Credit for Investment u/s 65B | (418,334) | (267,553) |
| Adjustment of prior year taxation | (199,520) | 49,579 |
| Taxation for the year | 13,140,081 | 29,847,355 |

34 EARNINGS PER SHARE - BASIC AND DILUTED

Basic earnings per share

| | | | |
|--|--------|------------|------------|
| Profit after taxation for the year | Rupees | 27,633,547 | 81,997,158 |
| Weighted average number of ordinary shares outstanding during the year | Number | 28,933,340 | 26,984,350 |
| Basic earnings per share - Rupees | Rupees | 0.96 | 3.04 |

34.1 During the year, the company issued 14,200,000 right shares therefore the earning per share for the year ended June 30, 2019 has been restated.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

34.2 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, 2020 and June 30, 2019 which would have any effect on earning per share if the option to convert is exercised.

| | Note | June 30, 2020 Rupees | June 30, 2019 Rupees |
|--|------|----------------------------|----------------------------|
| 35 CASH GENERATED FROM OPERATIONS | | | |
| Profit before taxation | | 40,773,628 | 111,844,513 |
| Adjustment for non cash charges and other items: | | | |
| Depreciation | | 19,228,150 | 19,916,331 |
| Amortization | | 31,616 | 51,098 |
| Provision of staff retirement gratuity | | 42,362,283 | 29,654,981 |
| Finance cost | | 64,061,567 | 24,292,790 |
| Other income | | (14,969,028) | (3,656,208) |
| | | 110,714,588 | 70,258,992 |
| Working capital changes | 35.1 | 151,488,216 | 182,103,505 |
| Increase in long term loans and advances | | (142,681,564) | (32,736,785) |
| | | (2,594,900) | (6,774,285) |
| Cash generated from operations | | 6,211,752 | 142,592,435 |

35.1 Working capital changes

(Increase)/decrease in current assets

| | | |
|---|--------------|---------------|
| Store, spares and loose tools | (2,289,403) | 772,632 |
| Stock-in-trade | (14,262,598) | (168,061,436) |
| Trade debts | (6,991,677) | (17,986,797) |
| Loans and advances | 118,084 | (2,823,555) |
| Trade deposits and short term prepayments | (17,637,583) | 87,864,321 |
| Other receivables | (2,050,373) | - |

Increase in current liabilities

| | | |
|--------------------------|----------------------|---------------------|
| Trade and other payables | (99,568,014) | 67,498,050 |
| | (142,681,564) | (32,736,785) |

36 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include:

| | | | |
|------------------------|----|--------------------|------------------|
| Cash and bank balances | 25 | 448,819,055 | 5,967,361 |
| Short term borrowings | 12 | - | - |
| | | 448,819,055 | 5,967,361 |

37 TRANSACTIONS WITH RELATED PARTIES

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

Non-Executive Director (s)

| | | |
|-------------|-----------|---------|
| Meeting fee | 1,080,000 | 815,000 |
|-------------|-----------|---------|

Key Management Personnel

| | | |
|---------------------------------------|------------|------------|
| Remuneration, Allowances and benefits | 55,038,427 | 53,488,800 |
|---------------------------------------|------------|------------|

Other Executives

| | | |
|---------------------------------------|-----------|---|
| Remuneration, Allowances and benefits | 2,312,500 | - |
|---------------------------------------|-----------|---|



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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:

| Particulars | (Rupees) | | | | | | | | | |
|--------------------------|-----------------|------------|---------------------|------------|-------------------------|---------|------------|------------|-------------|------------|
| | Chief Executive | | Executive Directors | | Non Executive Directors | | Executives | | Total | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Managerial Remuneration | 23,738,710 | 22,800,000 | 15,704,032 | 15,000,000 | - | - | 66,002,826 | 46,558,800 | 105,445,568 | 84,358,800 |
| Bonus & Leave encashment | 550,000 | 1,425,000 | 368,750 | 937,500 | - | - | 2,975,085 | 2,597,425 | 3,893,835 | 4,959,925 |
| Meeting Fee | - | - | - | - | 1,080,000 | 815,000 | - | - | 1,080,000 | 815,000 |
| Total | 24,288,710 | 24,225,000 | 16,072,782 | 15,937,500 | 1,080,000 | 815,000 | 68,977,911 | 49,156,225 | 110,419,403 | 90,133,725 |
| Number of persons | 1 | 1 | 2 | 2 | 6 | 6 | 19 | 14 | 28 | 23 |

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

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 imported by the Company.

iv) AUTOMOBILES - FOUR WHEELER

This segment relates to the sale of four wheeler automobiles imported by the company.

| | Auto rickshaw | | Automotive parts | | Household appliances | | Automobiles - Four Wheeler | | Total | |
|---|----------------|----------------|------------------|----------------|----------------------|----------------|----------------------------|----------------|----------------|----------------|
| | 2020 Rupees | 2019 Rupees | 2020 Rupees | 2019 Rupees | 2020 Rupees | 2019 Rupees | 2020 Rupees | 2019 Rupees | 2020 Rupees | 2019 Rupees |
| Segment revenue - Net | 2,404,965,336 | 2,697,040,522 | 476,004,929 | 500,196,485 | 4,408,169 | 9,380,848 | 6,376,068 | 11,905,983 | 2,891,754,502 | 3,218,523,838 |
| Segment operating results | 139,229,543 | 151,425,817 | 3,012,992 | 11,654,068 | 477,112 | 1,286,109 | (49,668,195) | (23,610,701) | 93,051,452 | 140,755,293 |
| Segment assets | 886,713,906 | 796,322,599 | 318,443,272 | 369,627,198 | 12,341,603 | 15,603,816 | 1,010,663,339 | 658,967,615 | 2,228,162,120 | 1,840,521,229 |
| Unallocated assets | - | - | - | - | - | - | - | - | 592,008,070 | 130,397,252 |
| Total assets | | | | | | | | | 2,820,170,190 | 1,970,918,481 |
| Segment liabilities | 532,983,023 | 593,428,782 | 58,487,368 | 77,561,300 | - | - | 3,536,773 | 3,536,773 | 595,007,164 | 674,526,855 |
| Unallocated liabilities | - | - | - | - | - | - | - | - | 456,203,914 | 251,684,380 |
| Total liabilities | | | | | | | | | 1,051,211,078 | 926,211,235 |
| Capital expenditure | 4,221,840 | 1,592,823 | - | - | - | - | 338,345,178 | 308,721,450 | 342,567,018 | 310,314,273 |
| Depreciation and amortization | 13,986,421 | 14,175,645 | 4,755,604 | 5,783,000 | 7,466 | 8,784 | 510,274 | - | - | - |
| Non-cash charges other than depreciation and amortization | 26,881,388 | 21,980,151 | 12,127,311 | 9,817,536 | 24,549 | 19,874 | 3,584,185 | - | - | - |



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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:

| | Note | June 30, 2020 Rupees | June 30, 2019 Rupees |
|-------------------------------|---------|----------------------------|----------------------------|
| FINANCIAL ASSETS | | | |
| Long term deposits | 18 | 3,512,855 | 3,319,855 |
| Trade debts - Considered Good | 21 | 122,597,252 | 115,605,575 |
| Loans and advances | 17 & 22 | 43,592,074 | 41,115,258 |
| Trade deposits | 23 | 66,248,138 | 48,610,555 |
| Cash and bank balances | 25 | 448,819,055 | 5,967,361 |
| | | 684,769,374 | 214,618,604 |

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

| | | |
|----------|--------------------|--------------------|
| Pakistan | 122,597,252 | 115,605,575 |
| | 122,597,252 | 115,605,575 |

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

| | | |
|---------------------|--------------------|--------------------|
| Corporate customers | 106,365,871 | 88,372,112 |
| Distributor | - | - |
| Dealers & customers | 12,337,501 | 20,579,314 |
| Others | 3,893,880 | 6,654,149 |
| | 122,597,252 | 115,605,575 |

The aging of trade debts at the reporting date was:

| | | |
|-----------------------------|--------------------|--------------------|
| Not past due | 65,436,112 | 58,259,806 |
| Past Due 0-30 days | 33,266,614 | 23,573,671 |
| Past due 31-120 days | 7,392,905 | 13,381,017 |
| Past due more than 120 days | 16,501,621 | 20,391,081 |
| | 122,597,252 | 115,605,575 |

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. As at June 30, 2020 and 2019, the Company had surplus reserves to meet its requirements.

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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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).

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. 219.98 million (June 30, 2019: Rs. 280.78 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. 388.85 Million (June 30, 2019: Rs. 224.07 million) 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. 3.888 million (2019: 2.241 million).

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 - 2020 | | | | | | (Rupees) |
|--|--------------------|------------------------|--------------------|-------------------|-------------------|--------------------|-------------------|
| | Carrying Amount | Contractual Cash Flows | 6 months or less | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
| Long term loan | 316,045,803 | 351,171,204 | 42,458,539 | 44,265,642 | 82,143,255 | 182,303,768 | - |
| Liability under finance lease | 72,800,000 | 77,259,335 | 54,407,478 | 14,622,793 | 8,218,515 | 10,549 | - |
| Trade and other payables | 392,899,613 | 392,899,613 | 392,899,613 | - | - | - | - |
| Mark-up & profit accrued on loans and other payables | 40,073,361 | 40,073,361 | 40,073,361 | - | - | - | - |
| Short term borrowing | - | - | - | - | - | - | - |
| | 821,818,777 | 861,403,513 | 529,838,991 | 58,888,435 | 90,361,770 | 182,314,317 | - |



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

| | JUNE - 2019 | | | | | | (Rupees) |
|--|-----------------|------------------------|------------------|-------------|------------|-------------|-------------------|
| | Carrying Amount | Contractual Cash Flows | 6 months or less | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
| Long term loan | 224,071,555 | 293,849,966 | 16,371,922 | 33,511,138 | 67,528,267 | 172,650,796 | 3,787,843 |
| Trade and other payables | 505,559,696 | 505,559,696 | 505,559,696 | - | - | - | - |
| Mark-up & profit accrued on loans and other payables | 15,695,208 | 15,695,208 | 15,695,208 | - | - | - | - |
| Short term borrowing | - | - | - | - | - | - | - |
| | 745,326,459 | 815,104,870 | 537,626,826 | 33,511,138 | 67,528,267 | 172,650,796 | 3,787,843 |

41 PLANT CAPACITY AND ACTUAL PRODUCTION

Installed Capacity

Auto rickshaw (8 hours single shift basis)

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

Automotive Parts

Wheel Rims

| June 30, 2020 | June 30, 2019 |
|------------------|------------------|
| Numbers | Numbers |
| 20,000 | 20,000 |

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

Average number of permanent employees during the year

| | |
|-----|-----|
| 868 | 827 |
| 834 | 832 |

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. 6, 10, 12 |
| 43.2 Shariah compliant bank deposits/bank balances. | Disclosed in Note no. 25. |
| 43.3 Profit earned from shariah compliant bank deposits/bank balances. | Disclosed in 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. 6, 10, 12 |
| 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 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

The outbreak of COVID-19 pandemic throughout the world including Pakistan has adversely impacted not only the lives of human beings but also disrupted the operation of businesses. After the massive increase in the affected cases of COVID-19 Pandemic in Pakistan, the Provincial and Federal Government of Pakistan announced temporary lock downs as a measure to reduce the further spread of the COVID-19. Accordingly, the Company shut down its plant as on March 24, 2020. However, in compliance with the relaxation announced by Governments, the Company resumed its operation partially as on April 15, 2020 and completely as on May 18, 2020 after ensuring the implementation of the necessary Standard Operating Procedures (SOPs) for the safety of employees and for the smooth and adequate continuation of its business.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The Company's operation disruption, including the suspension of production, sales and other operational activities, resulted in a decline of sales revenue of around 7% and the corresponding profitability considering its pre-COVID-19 business trend.

The COVID-19 has also adversely impacted the progress on setting up of Company's four wheeler project due to which the Company could not achieve its desired date of completion.

Considering the applicable IFRS and going concern assumptions used for the preparation of these financial statements, the Company has assessed the accounting implications of this pandemic on these financial statements and determines that there has been no specifically quantifiable material impact of COVID-19 on the Company's financial statements except for the decrease in revenue and corresponding profitability as stated above.

The State Bank of Pakistan announced various relaxations and refinance schemes to facilitate the business organizations to come out of the impact of pandemic, out of which the Company has availed the deferment of payment of principal amount of Diminishing Musharikh facility for a period of one year and refinance facility for the payment of wages & salaries of company's employees for the months April-June 2020 during the year and for the months July-September 2020 subsequent to the date of these financial statements. Complete detail has been stated in note 6 to these financial statements.

45 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors, at their meeting held on September 24, 2020 has recommended issuance of 30% bonus shares i.e. 30 ordinary shares for every 100 ordinary shares subject to the approval of shareholders in the forthcoming 29th Annual General Meeting of the Company.

These Financial Statements for the year ended June 30, 2020 do not include the effect of the above stated recommendation of bonus shares, which will be accounted for in the financial statements for the year ended June 30, 2021, once it is approved in the forthcoming 29th Annual General Meeting of the Company.

46 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.

47 DATE OF AUTHORIZATION FOR ISSUE

The Board of Directors of the Company has authorized these financial statements for issue on September 24, 2020.

48 GENERAL

The figures have been rounded off to the nearest rupees.


MIAN ASAD HAMEED
CHIEF EXECUTIVE


SAEED IQBAL KHAN
DIRECTOR


MUHAMMAD ATIF RAO
CHIEF FINANCIAL OFFICER