



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 geographic location of 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 Western Tank Link Road, Near Ijtimah Chowk, Sundar Road, 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, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are 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, 2020 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.

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, 2021 but are considered not to be relevant or to have any significant effect on the Company's operations:

Standards	Interpretation	Effective date
IFRS-3	Business Combinations - reference to the Conceptual Framework	January 01, 2022
IFRS-9	Financial instruments (Amendments)	January 01, 2022
IAS 16	Property, Plant and Equipment — Proceeds before Intended Use	January 01, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets - costs of fulfilling a contract	January 01, 2022

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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021 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.

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 from previous estimates.

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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

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

3.6 Loan, advances and prepayments

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

3.7 Leases

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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Deferred

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

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

Deferred tax is charged or credited in the statement of profit or loss, except in case where the item to which the deferred tax asset or liability pertains, is recorded in 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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

3.14 Borrowing costs

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

3.15 Segment reporting

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

3.16 Cash and cash equivalents

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Recognition and derecognition

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

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. In the case of a financial asset at fair value through statement of profit or loss (FVTPL), the Transaction costs of financial assets carried at FVTPL are expensed in the statement of profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

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

(i) Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in 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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021****3.20 Research and Development**

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

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

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

3.21 Earning Per Share

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

3.22 Dividends

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

3.23 Warranty Expenses

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

4 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, 2021 Number	June 30, 2020 Number	Note	June 30, 2021 Rupees	June 30, 2020 Rupees
100,000,000	50,000,000	Ordinary shares of Rupees 10 each	1,000,000,000	500,000,000

5.2 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

21,363,000	21,363,000	Ordinary shares of Rupees 10 each fully paid in cash	213,630,000	213,630,000
25,133,895	14,403,842	Ordinary shares of Rupees 10 each allotted as bonus shares	251,338,950	144,038,420
46,496,895	35,766,842	5.2.1	464,968,950	357,668,420

5.2.1 These shares include 10,730,053 bonus shares of Rs.10 each (June 30, 2020: Nil) issued by the company during the current year.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2021	June 30, 2020
	Rupees	Rupees
5.3 CAPITAL RESERVE		
Premium on issuance of Right Shares	557,406,192	568,000,000
Less: Expenses of Right Share Issuance	-	(10,593,808)
	557,406,192	557,406,192

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

6 LONG TERM FINANCING

DIMINISHING MUSHARAKAH - Islamic banking

MCB Islamic Bank Limited.	6.1	54,506,490	64,109,989
Meezan Bank Limited	6.2	279,703,531	212,477,505
Habib Bank Limited	6.3	95,314,247	39,458,309
		429,524,268	316,045,803
Less: Amount due within twelve months, shown under current portion of long term liabilities	13	134,125,605	66,637,943
		295,398,663	249,407,861

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										
6.1	MCB Islamic Bank Limited - Diminishing Musharakah	2021	30.00	30.00	-	For the acquisition of four wheeler Plant & Machinery.	KIBOR plus 1.35% with floor of 7.00% and Cap of 15.00%	Quarterly Installments	April 2020	January 2025	Six years including One Year grace period	-Paripassu 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 7.00% and Cap of 21.00%	Quarterly Installments	Feb-21	November 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	Feb-21	November 2025	Six years including One Year grace period		
		2021 - Total	67.41	65.69	1.72								
		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		-Paripassu 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										
6.2	Meezan Bank Limited - Diminishing Musharakah	2021		258.49	90.29	For the acquisition of four wheeler Plant & Machinery.	KIBOR plus 1.75% with floor of 8.00% and Cap of 22.00%	Quarterly Installments	August 2021	Nov 2025	Six years including Two year and 7 months grace period	-Paripassu charge over fixed assets of Rs. 493.33 million. -Personal guarantees of some of the directors.	
				21.22			SBP rate plus 4%	Quarterly Installments	October 2021	April 2026	Five years and six months including 9 months grace period		
		2021 - Total	370.00	279.71	90.29								
2020	370.00	212.48	157.52		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				
6.3	Habib Bank Limited - Diminishing Musharakah (Sub-Limit of Note No.10.4)	2021	134.68	134.68	-	For the payment of wages and salaries for the month April-2020 to September-2020	Fixed at the rate 3.00%	Quarterly Installments	January 2021	October 2022	2.5 Years	-Paripassu charge over fixed assets of Rs. 214.00 million. -Paripassu charge over current assets of Rs. 160.00 million. -Personal guarantees of some of the directors.	
		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	2.5 Years	-Paripassu charge over fixed assets of Rs. 214.00 million. -Paripassu charge over current assets of Rs. 160.00 million. -Personal guarantees of some of the directors.	



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	Note	June 30, 2021 Rupees	June 30, 2020 Rupees
7 LEASE LIABILITIES			
Present value of minimum lease payments		-	72,800,000
Less: Current portion shown under current liabilities	13	-	65,000,000
		<u>-</u>	<u>7,800,000</u>
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		-	69,030,272
Less: Future finance charges		-	4,030,272
Present value		<u>-</u>	<u>65,000,000</u>
Due later than one year and not later than five years:			
Minimum lease payments		-	8,229,064
Less: Future finance charges		-	429,064
Present value		<u>-</u>	<u>7,800,000</u>
		<u>-</u>	<u>72,800,000</u>
7.1 The Company entered into islamic financing arrangement of Nil million (2020: Rs.93.75) with ORIX Modaraba for lease of Car Welding Line. The lease term of these arrangements is Nil years (2020: Rs. 3 years). The minimum lease payments have been discounted using the effective interest rates implicit in leases Nil (June 30, 2020: 11.98%) 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 Nil (June 30, 2020: 18.75 million), paripassu charge of Nil (2020: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	8.1	244,891,848	202,107,551
Deferred tax Liability	8.2	-	-
		<u>244,891,848</u>	<u>202,107,551</u>
Deferred tax Asset	8.2	54,931,308	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		202,107,551	159,833,484
Current Service Cost		24,833,111	19,790,933
Interest cost on defined benefit obligation		17,010,747	22,571,350
Benefits due but not paid (payables)		(111,578)	-
Benefits paid		(3,850,642)	(2,876,090)
Actuarial (gain) / losses from changes in financial assumptions		814,888	(2,637,193)
Experience Adjustments		4,087,771	5,425,067
		<u>244,891,848</u>	<u>202,107,551</u>
8.1.2 Movement in the net liability recognized in the statement of financial position			
Net liability as at 1st July		202,107,551	159,833,484
Expense recognized in the statement of profit or loss	8.1.3	41,843,858	42,362,283
Liability discharged during the year		(3,850,642)	(2,876,090)
Benefit Payable transferred to Short Term Liability		(111,578)	-
Re-measurement recognized in comprehensive income	8.1.6	4,902,659	2,787,874
Net liability as at June 30		<u>244,891,848</u>	<u>202,107,551</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2021	June 30, 2020
	Rupees	Rupees
8.1.3 Expense recognized in the statement of profit or loss		
Current service cost	24,833,111	19,790,933
Interest cost	17,010,747	22,571,350
	41,843,858	42,362,283

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	32,595,611	32,755,921
Administrative expenses	8,251,728	8,597,178
Distribution cost	996,519	1,009,184
	41,843,858	42,362,283

8.1.5 Year end sensitivity analysis(± 100 Bps) on Defined Benefit Obligation

	June 30, 2021	June 30, 2020
Discount Rate + 100 bps	226,650,094	186,361,504
Discount Rate - 100 bps	266,341,395	220,644,016
Salary Increase + 100 Bps	266,720,716	220,972,618
Salary Increase - 100 Bps	225,997,715	185,794,558

8.1.6 Re-measurement recognized in Comprehensive Income

Actuarial (gain) / losses from changes in financial assumptions	814,888	(2,637,193)
Experiences adjustments	4,087,771	5,425,067
Total re-measurement recognized in Comprehensive Income	4,902,659	2,787,874

8.1.7 Expected Benefit Payments for the Next 10 Years and Beyond

	Less than one Year	From 1 to 2 Year	From 2 to 5 Year	From 5 to 10 Year	More Than 10 Years	Total
	Rupees					
As At June 30, 2021						
Defined Benefit Obligations	46,900,265	34,211,832	113,570,706	104,299,376	2,580,138,965	2,879,121,144

8.1.8 The amount of expected expense of gratuity benefit in 2021-22 will be Rs. 51,911,525/- as per the actuary's report.

8.1.9 The average duration of defined benefit obligation (unfunded) is 8 years (June 30, 2020, 8 Years).

8.1.10 Principal actuarial assumptions

The company has carried out actuarial valuation as at June 30, 2021 from professional actuary expert under the 'Projected Unit Credit Actuarial Cost Method' for calculating the accounting entries for these financial statements. The main assumptions used for actuarial valuation are as follows:

Discount rate for year end Obligation	10.00 % p.a.	8.50 % p.a.
Discount rate for interest cost in statement of profit or loss	8.50 % p.a.	14.25 % p.a.
Expected rate of future salary increase for the year 2022 (2021)	N/A	7.50 % p.a.
Expected rate of future salary increase from 2023 onward	9.00 % p.a.	7.50 % p.a.
Next Salary is increased at	July 01, 2021	July 01, 2020
Mortality rates	SLIC 2001-2005 Setback 1 Year	SLIC 2001-2005 Setback 1 Year
Withdrawal Rates	Age-Based (per appendix)	Age-Based (per appendix)
Retirement assumption	60 Years	60 Years



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	Note	June 30, 2021 Rupees	June 30, 2020 Rupees
8.2 Deferred taxation			
Taxable temporary differences arising from:			
Accelerated depreciation for tax purposes		15,731,712	17,182,390
Right of use asset		21,750,000	21,750,000
Deductible temporary differences arising from:			
Minimum tax u/s 113 of Income Tax Ordinance, 2001	8.2.2	(92,413,020)	(39,737,408)
Liabilities under lease that are deducted for tax purposes only when paid		-	(20,864,990)
		(54,931,308)	(21,670,008)
8.2.1 Movement of deferred tax is as follows:			
Opening Balance - Deferred Tax Liability		(21,670,008)	9,133,675
Less: Deferred tax income during the year		(31,810,622)	(29,460,358)
Less: Transfer from deferred tax asset to taxation - net		(1,450,678)	(1,343,325)
Closing balance - Deferred Tax Asset		(54,931,308)	(21,670,008)
8.2.2 Deferred tax asset on tax credit representing minimum tax available for carry forward under section 113 of the Income Tax Ordinance, 2001 has been recognised as sufficient taxable profits would be available for adjustment/utilisation in the foreseeable future. Minimum tax would expire as follows:			
Accounting year to which minimum tax relates	Accounting year in which minimum tax will expire	Amount of minimum tax (Rupees)	
2019	2024	7,326,684	
2020	2025	32,380,302	
2021	2026	52,706,034	
		92,413,020	
9 DEFERRED GRANT			
Opening Balance		5,170,602	-
Add: Received during the Year	9.1	9,240,576	5,190,029
Less: Amortized during the Year	32	(8,712,002)	(19,428)
Closing Balance		5,699,176	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 September-2020 under the discount profit scheme 3% fixed issued by the State bank of Pakistan.			
10 TRADE AND OTHER PAYABLES			
Creditors		446,566,755	334,232,870
Advances from trade customers - Contract Liability	10.1	1,474,382,197	3,387,015
Accrued & Other liabilities		49,522,113	52,213,974
Murabaha Payable: (Islamic banking)			
Meezan Bank Limited	10.3	-	-
Habib Bank Limited	10.4	-	-
United Bank Limited	10.5	-	-
Allied Bank Limited	10.6	-	-
Habib Metro Bank Limited	10.7	-	-
Faysal Bank Limited	10.8	-	-
Sales tax payable		1,763,856	1,570,438
Income tax deducted at source		29,763,333	19,099,918
Payable towards:			
Workers' Profit Participation Fund	10.9	5,543,487	2,233,024
Workers' Welfare Fund	10.10	646,361	832,730
		2,008,188,102	413,569,969



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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.

10.2 Letter of Credit facilities

NOTE	FINANCIAL INSTITUTIONS NAME / FACILITY TYPE	FOR THE YEAR ENDED JUNE 30,	TOTAL FACILITY	UTILIZED FACILITY	UN-UTILIZED FACILITY	SECURITY
			IN MILLION			
10.2.1	Meezan Bank Limited	2021	1000.00	396.20	603.80	-100% cash margin or as per SBP requirement, which ever is higher . -Lien on import Documents, -Personal guarantees of some of the directors.
			500.00	132.15	367.85	-Nil cash margin or as per SBP requirement, which ever is higher . -Lien on import Documents, -Personal guarantees of some of the directors.
		2020	500.00	40.25	459.75	
10.2.2	Habib Bank Limited - Islamic Banking	2021	250.00	76.00	174.00	-Nil cash margin or as per SBP requirement, which ever is higher . -Lien on import Documents, -Personal guarantees of some of the directors.
		2020	160.00	75.31	84.69	
10.2.3	United Bank Limited - Ameen Islamic Banking	2021	350.00	36.94	313.06	-Nil cash margin or as per SBP requirement, which ever is higher . -Lien on import Documents, -Personal guarantees of some of the directors.
		2020	200.00	28.54	171.46	
10.2.4	Allied Bank Limited - Islamic Banking	2021	500.00	83.02	416.98	-100% cash margin or as per SBP requirement, which ever is higher . -Lien on import Documents.
			225.00	37.63	187.37	-Nil cash margin or as per SBP requirement, which ever is higher . -Lien on import Documents, -Personal guarantees of some of the directors.
		2020	225.00	-	225.00	
10.2.5	Habib Metro Bank Limited - Sirat Islamic Banking	2021	750.00	565.79	184	-100% cash margin or as per SBP requirement, which ever is higher . -Lien on import Documents.
			350.00	-	350	-Nil cash margin or as per SBP requirement, which ever is higher . -Lien on import Documents, -Personal guarantees of some of the directors.
		2020	Nil	Nil	Nil	Nil
10.2.6	Faysal Bank Limited - Islamic Banking	2021	500.00	382.07	118	-100% cash margin or as per SBP requirement, which ever is higher . -Lien on import Documents.
			400.00	-	400	-Nil cash margin or as per SBP requirement, which ever is higher . -Lien on import Documents, -Personal guarantees of some of the directors.
		2020	Nil	Nil	Nil	Nil
Letter of Credit facilities - for Capital Expenditure						
10.2.7	Meezan Bank Limited "Sublimit of note no. 6.2"	2021	75.20	-	75.20	-Nil cash margin or as per SBP requirement, which ever is higher . -Lien on import Documents, -Personal guarantees of some of the directors.
		2020	5.20	-	5.20	
10.2.8	MCB Islamic Bank Limited	2021	Nil	Nil	Nil	Nil
		2020	35.71	35.71	-	-Nil cash margin or as per SBP requirement, which ever is higher . -Lien on import Documents, -Personal guarantees of some of the directors.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE	FINANCIAL INSTITUTIONS NAME / FACILITY TYPE	FOR THE YEAR	TOTAL	UTILIZED	UN-UTILIZED	MAXIMUM	RATE OF	SECURITY
		ENDED JUNE 30,	FACILITY	FACILITY	FACILITY	PERIOD	PROFIT	
			IN MILLION					
10.3	Meezan Bank Limited - Murabaha Arrangement	2021	200.00	-	200.00	180 Days	KIBOR PLUS 1.25%	-Paripassu charge over fixed assets of Rs. 268.00 million keeping 25% margin. -Paripassu charge over current assets of Rs. 200.00 million. -Personal guarantees of some of the directors.
		2020	200.00	-	200.00	180 Days	KIBOR PLUS 1.25%	
10.4	Habib Bank Limited - Islamic Banking - Murabaha Arrangement	2021	250.00	-	250.00	120 Days	KIBOR PLUS 1.10%	-Paripassu charge over fixed assets of Rs. 334.00 million. -Paripassu charge over current assets of Rs. 250.00 million. -Personal guarantees of some of the directors.
		2020	160.00	-	160.00	120 Days	KIBOR PLUS 1.10%	
10.5	United Bank Limited - Ameen Islamic Banking Murabaha Arrangement (sublimit of Note no. 10.2.3)	2021	350.00	-	350.00	180 Days	KIBOR PLUS 1.10%	-Paripassu charge over fixed assets of Rs. 467.00 million. -Paripassu charge over current assets of Rs. 350.00 million. -Personal guarantees of some of the directors.
		2020	200.00	-	200.00	180 Days	KIBOR PLUS 1.10%	
10.6	Allied Bank Limited - Murabaha Arrangement (sublimit of Note no. 10.2.4)	2021	135.00	-	135.00	90 Days	KIBOR PLUS 1.10%	-Paripassu charge over fixed assets of Rs. 185.00 million. -Paripassu charge over current assets of Rs. 110.00 million. -Personal guarantees of some of the directors.
		2020	135.00	-	135.00	90 Days	KIBOR PLUS 1.10%	
10.7	Habib Metro Bank Limited - Sirat Islamic Banking Murabaha Arrangement (sublimit of Note no. 10.2.5)	2021	150.00	-	150.00	120 Days	KIBOR PLUS 1.10%	-Paripassu charge over fixed assets of Rs. 267.00 million with 25% margin. -Paripassu charge over current assets of Rs. 200.00 million. -Personal guarantees of some of the directors.
		2020	Nil	Nil	Nil	Nil	Nil	
10.8	Faysal Bank Limited - Islamic Banking (sublimit of Note no. 10.2.6)	2021	100.00	-	100.00	120 Days	KIBOR PLUS 1.00%	-Paripassu charge over fixed assets of Rs. 133.00 million with 25% margin. -Paripassu charge over current assets of Rs. 100.00 million. -Personal guarantees of some of the directors.
		2020	Nil	Nil	Nil	Nil	Nil	



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	Note	June 30, 2021 Rupees	June 30, 2020 Rupees
10.9 Workers' Profit Participation Fund			
Balance at beginning of the year		2,233,024	6,080,459
Charged during the year	30	5,543,487	2,233,024
		7,776,511	8,313,483
Payment made during the year		(2,233,024)	(6,080,459)
		5,543,487	2,233,024
10.10 Workers' Welfare Fund			
Balance at beginning of the year		832,730	2,235,910
Charged during the year		646,361	832,730
Adjustment for prior years		44,557	119,530
Charged to Statement of Profit or Loss	30	690,918	952,260
		1,523,648	3,188,170
Payment made during the year		(877,287)	(2,355,440)
		646,361	832,730
11 PROFIT ACCRUED ON LOANS AND OTHER PAYABLES			
Lease Liabilities - secured		-	314,941
Short term borrowing - secured		90,181	1,796,739
Long term borrowing - secured		8,907,883	37,955,816
Profit on Murabaha Payable		-	5,865
		8,998,064	40,073,361
12 SHORT TERM BORROWINGS - SECURED			
Running Musharakah arrangements - Islamic Banking			
Habib Bank Limited	12.1	12,427,912	-
United Bank Limited	12.2	50,571,110	-
Meezan Bank Limited	12.3	56,410,350	-
Allied Bank Limited	12.4	270,236	-
Istisna arrangements - Islamic Banking			
Meezan Bank Limited	12.5	-	-
		119,679,608	-

NOTE	FINANCIAL INSTITUTIONS NAME / FACILITY TYPE	FOR THE YEAR ENDED JUNE 30,	SUB-LIMIT OF NOTE NO.	TOTAL FACILITY	UTILIZED FACILITY IN MILLION	UN-UTILIZED FACILITY	RATE OF PROFIT	SECURITY
12.1	Habib Bank Limited - Islamic Banking - Running Musharakah Arrangements	2021	10.4	160.00	12.43	147.57	KIBOR PLUS 1.10%	-Paripassu charge over fixed assets of Rs. 334.00 million. -Paripassu charge over current assets of Rs. 250.00 million. -Personal guarantees of some of the directors.
		2020	10.4	160.00	-	160.00	KIBOR PLUS 1.10%	-Paripassu charge over fixed assets of Rs. 214.00 million. -Paripassu charge over current assets of Rs. 160.00 million. -Personal guarantees of some of the directors.
12.2	United Bank Limited - Ameen Islamic Banking - Running Musharakah Arrangements	2021	10.2.5	200.00	50.57	149.43	KIBOR PLUS 1.10%	-Paripassu charge over fixed assets of Rs. 467.00 million. -Paripassu charge over current assets of Rs. 350.00 million. -Personal guarantees of some of the directors.
		2020	10.2.3	200.00	-	200.00	KIBOR PLUS 1.10%	-Paripassu charge over fixed assets of Rs. 267.00 million with 25% margin. -Paripassu charge over current assets of Rs. 200.00 million. -Personal guarantees of some of the directors.
12.3	Meezan Bank Limited - Running Musharakah Arrangements	2021	10.3	60.00	56.41	3.59	KIBOR PLUS 1.25%	-Paripassu charge over fixed assets of Rs. 268.00 million keeping 25% margin. -Paripassu charge over current assets of Rs. 200.00 million. -Personal guarantees of some of the directors.
		2020	10.3	60.00	-	60.00	KIBOR PLUS 1.25%	-Personal guarantees of some of the directors.
12.4	Allied Bank Limited - Business Running Musharakah Arrangements	2021	10.6	45.00	0.27	44.73	KIBOR PLUS 1.10%	-Paripassu charge over fixed assets of Rs. 185.00 million. -Paripassu charge over current assets of Rs. 110.00 million. -Personal guarantees of some of the directors.
		2020	10.6	45.00	-	45.00	KIBOR PLUS 1.10%	-Personal guarantees of some of the directors.
12.5	Meezan Bank Limited - Istisna Arrangement	2021	10.3	40.00	-	40.00	KIBOR PLUS 1.25%	-Paripassu charge over fixed assets of Rs. 268.00 million keeping 25% margin. -Paripassu charge over current assets of Rs. 200.00 million. -Personal guarantees of some of the directors.
		2020	10.3	40.00	-	40.00	KIBOR PLUS 1.25%	-Personal guarantees of some of the directors.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

		June 30, 2021	June 30, 2020
		Rupees	Rupees
13 CURRENT PORTION OF LONG TERM LIABILITIES	Note		
Diminishing Musharakah - Islamic banking	6	134,125,605	66,637,943
Lease Liability - Islamic banking	7	-	65,000,000
		134,125,605	131,637,943

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. 2,746,009/-. 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 and has been granted a stay order as on April 27, 2016. The petition is still pending in the Honorable Lahore High Court, Lahore. The estimated effect of this notification on financial statements of the company till reporting date is Rs. 15,503,837/-. In the opinion of legal advisor, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.
- 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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

- 14.1.8** DCIR initiated proceedings under section 6,7 and 8 of The Sales Tax Act 1990 for the tax period from January 2014 to February 2017 and created a tax demand Rs. 6,770,083/- on May 18, 2020. The Company filed an appeal before CIR(A) on June 16, 2020 and got a relief of Rs. 4,881,666/- with the directions of re-assessment of the remaining amount. However DCIR filed an appeal before ATIR against the order of CIR(A) as on August 27, 2020, on the other hand Company also filed an appeal before The ATIR as on September 07, 2020 and obtained a stay order against the order of CIR(A). 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.
- 14.1.9** 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 file an appeal with ATIR. Further, the DCIR has also filed an appeal with ATIR against the Relief of Rs. 5,318,163/- given by the CIR (A). In the opinion of tax consultant, favorable outcomes of the appeals are expected, hence no provision is made in these financial statements.
- 14.1.10** 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 filed 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 got a relief of Rs. 5,328,780/- as on April 30, 2021. For remaining tax demand of Rs. 2,090,169/-, company file an appeal before ATIR as on June 29, 2021. The appeal is still pending and in the opinion of the tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.
- 14.1.13** 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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 Intera 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. 145.93 Million (June 30, 2020: Rs. 102.73 Million).

14.2.2 Commitments in respect of capital expenditures amount to Rs. 93.69 Million (June 30, 2020: Rs. 117.17 Million).

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

	June 30, 2021	June 30, 2020
	Rupees	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	-	-

15 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets - Tangible	15.1	344,171,829	335,796,920
Capital work in progress	15.3	1,454,249,214	982,535,886
Advance for purchase of land		46,000,000	-
		1,844,421,043	1,318,332,806



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

15.1 OPERATING FIXED ASSETS - Tangible

Particulars	2021				2020				W.D.V. as at 30-06-2021
	As at 01-07-2020	Cost Additions/ (Deletions)	As at 30-06-2021	Rate %	As at 01-07-2020	For the Year	Adjustment / Disposal	As at 30-06-2021	
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	61,966,567	2,559,950	-	64,526,517	23,746,884
Building and Civil Works on leasehold land	2,509,800	-	2,509,800	10	959,177	155,062	-	1,114,239	1,395,561
Plant and Machinery	223,053,657	1,365,000	224,418,657	10	152,154,131	7,190,369	-	159,344,500	65,074,157
Electric Fittings	9,189,359	-	9,189,359	10	6,507,769	268,159	-	6,775,928	2,413,431
Furniture and Fittings	3,617,267	-	3,617,267	10	1,827,429	178,984	-	2,006,413	1,610,854
Office Equipment	7,765,877	1,205,900	8,971,777	10	3,482,741	480,262	-	3,963,003	5,008,774
Electric Installations	6,148,250	409,604	6,557,854	10	2,422,961	387,336	-	2,810,297	3,747,557
Vehicles	71,500,461	28,572,932 (2,529,000)	97,544,393	20	42,492,317	10,577,336	(1,147,931)	51,921,722	45,622,671
Total 2021	607,610,011	31,553,436 (2,529,000)	636,634,447		271,813,091	21,797,458	(1,147,931)	292,462,619	344,171,829

Particulars	2020				2020				W.D.V. as at 30-06-2020
	As at 01-07-2019	Cost Additions/ (Deletions)	As at 30-06-2020	Rate %	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

15.2 Depreciation for the year has been allocated as follows:

	Note	June 30, 2021 Rupees	June 30, 2020 Rupees
Cost of sales	27	11,710,336	10,996,596
Distribution cost	28	4,929,647	3,844,074
Administrative expenses	29	5,157,475	4,387,480
		21,797,458	19,228,150

15.3 CAPITAL WORK-IN-PROGRESS

Tangible

Plant and machinery

Opening balance		552,356,939	263,850,066
Additions made during the year	15.4	453,843,428	288,506,873
		1,006,200,367	552,356,939
Transferred to Plant & Machinery		-	-
		1,006,200,367	552,356,939

Civil works

Opening balance		429,837,696	385,299,717
Additions made during the year		18,211,151	44,537,979
		448,048,847	429,837,696
Transferred to operating fixed assets		-	-
		448,048,847	429,837,696



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	Note	June 30, 2021	June 30, 2020
		Rupees	Rupees
Intangible			
Opening balance		341,251	341,251
Additions made during the year		-	-
		341,251	341,251
Transferred to Intangible Assets		341,251	-
		-	341,251
		1,454,249,214	982,535,886

15.4 This includes right of use asset of Nil (June 30, 2020: 93.75) and borrowing cost related to the Plant and Machinery amounting to Rs. 16.32 million (2020: Nil) using rate ranging between 5.00% - 11.98% per annum (2020: 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 during the year is as follows:

Particulars	Cost	Net Book Value	Sale Price	Gain / (Loss)	Mode of Disposal	Particulars of Purchaser
	Rupees					
BAIC X25	1,925,000	1,362,900	2,000,000	637,100	Negotiation	Ms. Aliya Hamza Malik, H No. 153-C, Phase-1, DHA, Lahore.
Suzuki Cultus	604,000	18,169	300,000	281,831	Negotiation	Mr. Mubeen Niaz, H No. E-232/1, Gulistan Colony, Chungi Amar sidhu, Lahore.
June 30, 2021	2,529,000	1,381,069	2,300,000	918,931		
June 30, 2020	7,742,500	3,085,450	7,020,000	3,934,551		

16 INTANGIBLE ASSETS

Particulars	(Rupees)						
	Cost			Amortization			Book Value as at 30-06-2021
	As at 01-07-2020	Additions/ (deletion)	As at 30-06-2021	As at 01-07-2020	For the Year	As at 30-06-2021	
Intangible Assets	4,357,922	341,251	4,699,173	4,280,978	35,504	4,316,482	382,691
Jun-21	4,357,922	341,251	4,699,173	4,280,978	35,504	4,316,482	382,691
Jun-20	4,357,922	-	4,357,922	4,249,362	31,616	4,280,978	76,944

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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	Note	June 30, 2021 Rupees	June 30, 2020 Rupees
17 LONG TERM LOANS AND ADVANCES - SECURED			
Loans and advances - considered good, to:			
Executives		11,663,925	8,528,925
Non-Executives		46,565,491	33,950,368
		58,229,416	42,479,293
Less: Amount due within twelve months, shown under current portion of loans and advances	22	29,270,353	14,989,140
		28,959,063	27,490,153

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

	Opening balance as at July 01, 2020	Disbursements / Transfer	Repayments / Transfer	Closing Balance as at June 30, 2021
Executives	8,528,925	4,565,000	1,430,000	11,663,925
Non-Executives	33,950,368	32,509,515	19,894,392	46,565,491
June 30, 2021	42,479,293	37,074,515	21,324,392	58,229,416
June 30, 2020	40,918,798	19,804,282	18,243,787	42,479,293

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 2.5 years and for a maximum period of fourteen years under the special approval of management. The maximum amount of loan outstanding to executives at the end of any month during the year was Rs. 11,663,925 (2020: Rs. 8,613,925). 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. Any outstanding loan due from an employee at the time of leaving the service of the Company is adjustable against final settlement of gratuity. Long term loans have been carried at cost as the effect of carrying these balances at amortised cost is not considered to be material.

18 LONG TERM DEPOSITS

Deposit with Pakistan Steel Mill	400,000	400,000
Utilities and others	3,645,855	3,112,855
	4,045,855	3,512,855

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, 2021

	Note	June 30, 2021 Rupees	June 30, 2020 Rupees
19 STORES, SPARES AND LOOSE TOOLS			
Stores		2,927,767	4,826,567
Spares		303,032	420,217
Loose tools		47,490	35,148
		3,278,289	5,281,932
20 STOCK-IN-TRADE			
Raw materials and components		563,749,293	416,574,470
Work-in-process		31,392,103	30,553,475
Finished goods		232,678,793	222,905,224
Less:			
Provision for slow moving items	20.1	(9,922,842)	(9,922,842)
		817,897,347	660,110,327
20.1 Provision for slow moving items			
Balance at the beginning of the year		9,922,842	9,667,692
Charged during the year	27	-	255,150
Balance at the closing of the year		9,922,842	9,922,842
21 TRADE DEBTS - Unsecured	21.1	116,923,695	122,597,252
21.1 Classification:			
Considered Good		116,923,695	122,597,252
Considered Doubtful		9,596,805	9,641,805
		126,520,500	132,239,057
Less: Provision for expected credit losses	21.2	(9,596,805)	(9,641,805)
		116,923,695	122,597,252
21.2 Provision for Expected Credit losses (ECL)			
Balance at the beginning of the year		9,641,805	9,641,805
Charged during the year		-	-
		9,641,805	9,641,805
Reversal during the year	21.2.1	(45,000)	-
Balance at the closing of the year		9,596,805	9,641,805
21.2.1 Amount recovered during the year.			
22 LOANS & ADVANCES			
Advances - considered good			
- Current portion of loans and advances	17	29,270,353	14,989,140
- To employees for incurring business expenses		-	76,097
- To suppliers-unsecured		1,741,863	1,036,684
		31,012,216	16,101,921
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, 2021

	Note	June 30, 2021 Rupees	June 30, 2020 Rupees
23 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Contract securities		400,000	400,000
Prepaid expenses		1,609,413	1,399,528
Letter of credit margin		1,497,480,558	19,877,112
Letter of credit in process		126,498,000	44,571,498
		1,625,987,971	66,248,138
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		101,176,791	118,345,962
Advance Sales tax		14,246,838	9,532,464
Others		-	2,050,373
		115,423,629	129,928,799
25 CASH AND BANK BALANCES			
Cash in hand		538,204	298,459
Balance with banks			
In current accounts - Conventional banking		2,185,523	7,852,046
In current accounts - Islamic banking		10,201	44,796,992
In saving accounts - Islamic banking	25.1	12,243,164	395,871,558
		14,977,092	448,819,055
25.1	This carry profit at the rates ranging from 3.08% to 6.50% (June 30, 2020: From 3.65% to 8.00%) per annum.		
26 SALES - NET			
Gross sales	26.1	5,263,914,714	3,567,680,810
Less: Sales tax		699,041,868	499,435,176
Sales returns		433,768,212	124,940,920
Commission		97,503,626	51,550,212
		1,230,313,706	675,926,308
		4,033,601,008	2,891,754,502
26.1	This includes Rs. 66.24 million (June 30, 2020: Rs. 30.24 million) on account of export sales.		



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	Note	June 30, 2021 Rupees	June 30, 2020 Rupees
27 COST OF SALES			
Raw materials and components consumed		3,059,606,140	2,117,655,984
Salaries, wages and other benefits	27.1	357,626,465	325,067,632
Stores, spares and loose tools consumed		60,409,523	38,219,049
Power and fuel charges		87,404,341	64,317,268
Repair and maintenance		75,595,616	52,527,631
Other expenses		15,319,374	12,339,607
Provision for slow moving items	20.1	-	255,150
Depreciation	15.2	11,710,336	10,996,596
Amortization	16	35,504	31,616
		3,667,707,299	2,621,410,533
Opening work-in-process		30,553,475	28,239,219
		3,698,260,774	2,649,649,752
Closing work-in-process		31,392,103	30,553,475
Cost of goods manufactured		3,666,868,671	2,619,096,277
Opening finished goods		222,905,224	178,368,962
		3,889,773,895	2,797,465,239
Cost of finished goods purchased during the year		9,782,237	24,180,346
		3,899,556,132	2,821,645,585
Closing finished goods		232,678,793	222,905,224
		3,666,877,339	2,598,740,361

27.1 Salaries, wages and other benefits include Rs.32,595,611 (June 30, 2020: Rs. 32,755,921) in respect of retirement benefits.

28 DISTRIBUTION COST

Salaries and other benefits	28.1	34,266,533	29,418,148
Freight and octroi		61,083,095	41,283,980
Traveling & conveyance		7,723,666	4,585,024
Packing material consumed		8,285,472	3,577,974
Advertisement and sale promotion		3,410,780	7,790,144
Insurance		784,266	575,758
Rent Expenses	28.2	4,888,754	4,032,591
After sales service		1,287,460	1,166,618
Printing & Stationery		217,131	103,978
Depreciation	15.2	4,929,647	3,844,074
		126,876,804	96,378,289

28.1 Salaries and other benefits include Rs.996,519 (June 30,2020: Rs. 1,009,184) in respect of retirement benefits.

28.2 This represents short term lease rentals.

29 ADMINISTRATIVE EXPENSES

Salaries and other benefits	29.1	80,289,491	67,835,242
Electricity, gas and water charges		359,887	393,615
Communication expenses		6,747,229	4,804,787
Vehicle running expenses		6,649,360	4,522,378
Legal and professional		4,914,825	3,621,297
Traveling and conveyance		537,450	2,318,571
Fee and subscription		7,390,902	3,267,144
Insurance		334,495	402,111
Rent, rates and taxes	29.2	1,737,773	1,167,388
Printing and stationery		4,349,178	2,798,475
Entertainment		2,266,091	2,422,148
Office supplies		569,111	363,758
Miscellaneous expenses		1,066,526	2,128,507
Depreciation	15.2	5,157,475	4,387,480
		122,369,793	100,432,901

29.1 Salaries and other benefits include Rs. 8,251,728 (June 30, 2020: Rs. 8,597,178) in respect of retirement benefits.

29.2 This includes short term lease rentals.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	Note	June 30, 2021 Rupees	June 30, 2020 Rupees
30 OTHER OPERATING EXPENSES			
Tax Consultancy Services		2,147,750	2,160,000
Auditors' remuneration	30.1	1,041,500	991,500
Contribution towards:			
Workers' profit participation fund	10.9	5,543,487	2,233,024
Workers' welfare fund	10.10	690,918	952,260
		9,423,655	6,336,784
30.1 Auditors remuneration			
H.Y.K & Co.			
Statutory audit		810,000	760,000
Half yearly review		171,500	171,500
Workers' Profit Participation Fund audit		20,000	20,000
Certificate fee		40,000	40,000
		1,041,500	991,500
		1,041,500	991,500
31 OTHER INCOME			
Income from financial assets			
Profit from Islamic banking deposits		15,051,839	9,094,817
Exchange Gain		518,724	230,104
Income from non Financial Assets			
Gain on sale of fixed asset		918,931	3,934,550
Reversal of provision for doubtful Debts		45,000	-
Miscellaneous Income		1,077,699	1,709,557
		17,612,193	14,969,028
32 FINANCE COST			
Profit on:			
Long term finances - Islamic banking		26,536,964	36,514,169
Short term borrowings - secured - Islamic Banking		316,030	13,118,548
Profit on Murabaha - Islamic Banking		-	10,906,000
Less: Amortization of Deferred Grant	9	(8,712,002)	(19,428)
Interest on Workers' Profit Participation Fund		155,330	701,576
Financial charges on lease - Islamic Banking		1,790,988	1,801,459
Bank charges and others		1,098,297	1,039,243
		21,185,607	64,061,567



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	Note	June 30, 2021 Rupees	June 30, 2020 Rupees
33 TAXATION			
Current			
For the Year	33.1	62,459,491	44,143,284
Prior Year	33.2	(513,509)	(199,520)
Deferred			
For the Year	33.4	(33,261,301)	(30,803,683)
		28,684,681	13,140,081

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 2020, 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		104,480,003	40,773,628
Tax charge on accounting profit at applicable tax rate 29% (29%: 2020) as per Income Tax Ordinance, 2001		30,299,201	11,824,352
Tax effect of amounts that are:			
- allowable deductions for tax purposes		(923,137)	2,917,492
Tax effect of profit attributable to presumptive income		(759,469)	(1,336,376)
Effect of presumptive tax		705,173	317,803
Tax effect due to reversal of prior year's WWF		12,922	34,664
Tax Credit for Investment		(136,500)	(418,334)
Adjustment of prior year taxation		(513,509)	(199,520)
Taxation for the year		28,684,681	13,140,081

34 EARNINGS PER SHARE - BASIC AND DILUTED

Basic earnings per share

Profit after taxation for the year	Rupees		75,795,322	27,633,547
Weighted average number of ordinary shares outstanding during the year	Number		46,496,895	39,663,393
Basic earnings per share - Rupees	Rupees	34.1	1.63	0.70

34.1 During the year, the company issued 10,730,053 bonus shares therefore the earning per share for the year ended June 30, 2020 has been restated.

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, 2021 and June 30, 2020 which would have any effect on earning per share if the option to convert is exercised.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	Note	June 30, 2021 Rupees	June 30, 2020 Rupees
35 CASH GENERATED FROM OPERATIONS			
Profit before taxation		104,480,003	40,773,628
Adjustment for non cash charges and other items:			
Depreciation		21,797,458	19,228,150
Amortization		35,504	31,616
Provision of staff retirement gratuity		41,843,858	42,362,283
Finance cost		21,185,607	64,061,567
Other income		(17,612,193)	(14,969,028)
		67,250,234	110,714,588
Working capital changes	35.1	171,730,237	151,488,216
Increase in long term loans and advances		(128,054,082)	(142,681,564)
		(1,468,910)	(2,594,900)
Cash generated from operations		42,207,245	6,211,752
35.1 Working capital changes			
(Increase)/decrease in current assets			
Store, spares and loose tools		2,003,643	(2,289,403)
Stock-in-trade		(157,787,020)	(14,262,598)
Trade debts		5,718,557	(6,991,677)
Loans and advances		(14,910,295)	118,084
Trade deposits and short term prepayments		(1,559,739,833)	(17,637,583)
Other receivables		2,050,373	(2,050,373)
Increase in current liabilities			
Trade and other payables		1,594,610,493	(99,568,014)
		(128,054,082)	(142,681,564)
36 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents include:			
Cash and bank balances	25	14,977,092	448,819,055
		14,977,092	448,819,055
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		920,000	1,080,000
Others		150,000	-
Key Management Personnel			
Remuneration, Allowances and benefits		67,159,290	55,038,427
Other Executives			
Remuneration, Allowances and benefits		5,025,000	2,312,500



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Managerial Remuneration	27,088,387	23,738,710	18,161,532	15,704,032	-	-	77,715,234	66,002,826	122,965,153	105,445,568
Bonus & Leave encashment	1,155,000	550,000	774,375	368,750	-	-	4,277,400	2,975,085	6,206,775	3,893,835
Meeting Fee	-	-	-	-	920,000	1,080,000	-	-	920,000	1,080,000
Total	28,243,387	24,288,710	18,935,907	16,072,782	920,000	1,080,000	81,992,634	68,977,911	130,091,928	110,419,403
Number of persons	1	1	2	2	6	6	22	19	31	28

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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Segment revenue - Net	3,286,430,204	2,404,965,336	721,228,858	476,004,929	3,664,169	4,408,169	22,277,777	6,376,068	4,033,601,008	2,891,754,502
Segment operating results	148,766,850	139,229,543	29,761,569	3,012,992	598,947	477,112	(64,839,543)	(49,668,195)	114,287,822	93,051,452
Segment assets	955,779,718	886,713,906	332,032,257	318,443,272	9,725,235	12,341,603	3,218,661,158	1,010,663,339	4,516,198,368	2,228,162,120
Unallocated assets	-	-	-	-	-	-	-	-	142,041,831	592,008,070
Total assets									4,658,240,199	2,820,170,190
Segment liabilities	717,909,391	532,983,023	53,943,370	58,487,368	-	-	1,449,700,000	3,536,773	2,221,552,761	595,007,164
Unallocated liabilities	-	-	-	-	-	-	-	-	596,835,663	456,203,914
Total liabilities									2,818,388,424	1,051,211,078
Capital expenditure	17,900,504	4,221,840	-	-	-	-	485,707,511	338,345,178	503,608,015	342,567,018
Depreciation and amortization	16,514,745	13,986,421	4,713,037	4,755,604	5,480	7,466	599,700	510,274		
Non-cash charges other than depreciation and amortization	26,393,447	26,881,388	11,907,181	12,127,311	24,104	24,549	3,519,126	3,584,185		

40 FINANCIAL INSTRUMENTS

40.1 Concentration of credit risk

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	Note	June 30, 2021 Rupees	June 30, 2020 Rupees
FINANCIAL ASSETS			
Long term deposits	18	4,045,855	3,512,855
Trade debts - Considered Good	21	116,923,695	122,597,252
Loans and advances	17 & 22	59,971,279	43,592,074
Trade deposits	23	1,625,987,971	66,248,138
Cash and bank balances	25	14,977,092	448,819,055
		1,821,905,892	684,769,374
The maximum exposure to credit risk for trade debts on geographical basis:			
Pakistan		116,923,695	122,597,252
		116,923,695	122,597,252
The maximum exposure to credit risk for trade debts at the reporting date by type of parties was:			
Corporate customers		105,744,187	106,365,871
Distributor		-	-
Dealers & customers		11,179,508	12,337,501
Others		-	3,893,880
		116,923,695	122,597,252
The aging of trade debts at the reporting date was:			
Not past due		82,648,109	65,436,112
Past Due 0-30 days		22,824,613	33,266,614
Past due 31-120 days		-	7,392,905
Past due more than 120 days		11,450,973	16,501,621
		116,923,695	122,597,252

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.

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, 2021 and 2020, 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.

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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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. 1257.63 million (June 30, 2020: Rs. 219.98 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. 549.20 Million (June 30, 2020: Rs. 388.85 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. 5.492 million (2020: 3.888 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 - 2021						(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	429,524,268	498,151,503	84,020,948	161,205,892	91,879,745	161,044,918	-
Trade and other payables	1,976,660,913	1,976,660,913	1,976,660,913	-	-	-	-
Mark-up & profit accrued on loans and other payables	8,998,064	8,998,064	8,998,064	-	-	-	-
Short term borrowing	119,679,608	119,679,608	119,679,608	-	-	-	-
	2,534,862,853	2,603,490,088	2,189,359,533	161,205,892	91,879,745	161,044,918	-

	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 loan 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, 2021****41 PLANT CAPACITY AND ACTUAL PRODUCTION****Installed Capacity**

Auto rickshaw (8 hours single shift basis)

June 30, 2021	June 30, 2020
Numbers	Numbers
20,000	20,000

Automotive parts

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

Actual Production

Auto Rickshaw

Automotive Parts

Wheel Rims

15,806	12,253
97,066	68,533

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

979	868
922	834

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

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 for the year ended June 30, 2021.

45 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors, at their meeting held on September 24, 2021 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 30th Annual General Meeting of the Company.

These Financial Statements for the year ended June 30, 2021 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, 2022, once it is approved in the forthcoming 30th Annual General Meeting of the Company.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021.

48 GENERAL

The figures have been rounded off to the nearest rupees.

MIAN MUHAMMAD ALI HAMEED
DIRECTOR

SAEED IQBAL KHAN
DIRECTOR

MUHAMMAD ATIF RAO
CHIEF FINANCIAL OFFICER