

Agriauto Industries Limited

2020 annual report



ALI SULEMAN HABIB

IN MEMORIAM

Ali Suleman Habib has left behind a rich legacy of hope, ambition, success and compassion for his family, friends, colleagues, business partners and for all the lives he touched in his four decades at the Group. We are humbled to have known Ali's resolve, commitment, and, his innate ability to always lead from the front. Today, we draw strength from his calm and his embodiment of excellence in every sphere of life. We are proud to firmly stand on the soil he planted for all of us to grow from.

Ali S. Habib will be remembered as a giant amongst men for all times to come.



THE COMPANY

Agriauto Industries Limited is a public limited company incorporated in 1981 and quoted on the Pakistan Stock Exchange.

The company is one of the leading automotive components manufacturers in the private sector and the first company in Pakistan to acquire TS-16949 Certification.

Technical Collaborations with leading international companies have added to the company's technical versatility. The product range covers both original equipment manufacturers (OEM's) and the after market.

OUR GLOBAL PARTNERS



OUR CUSTOMERS

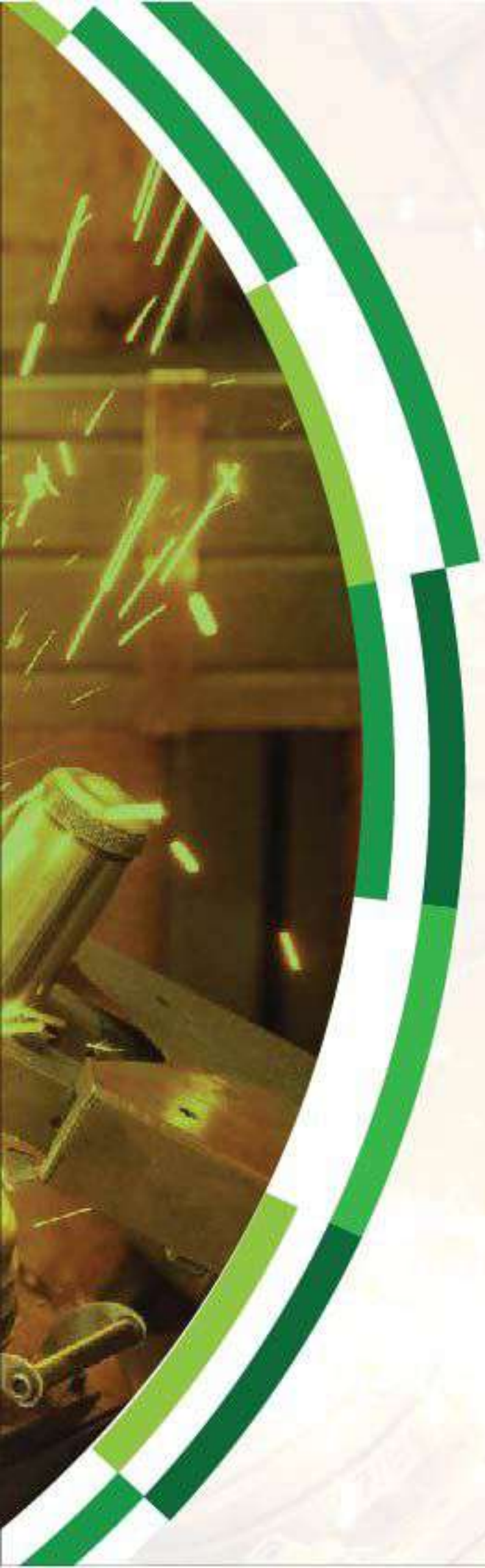




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VISION

A world class manufacturer and supplier of high entry barrier automotive components providing competitive returns to all stakeholders.



COMPANY INFORMATION

BOARD OF DIRECTORS

Yutaka Arae
Fahim Kapadia
Hamza Habib
Salman Burney
Sohail P. Ahmed
Ayesha T. Haq
Muhammad Ali Jameel

Chairman
Chief Executive
Non Executive Director
Non Executive Director
Non Executive Director
Independent Director
Independent Director

AUDIT COMMITTEE

Muhammad Ali Jameel
Sohail P. Ahmed
Ayesha T. Haq

Chairman
Member
Member

HUMAN RESOURCE & REMUNERATION COMMITTEE

Muhammad Ali Jameel
Salman Burney
Sohail P. Ahmed
Yutaka Arae
Fahim Kapadia

Chairman
Member
Member
Member
Member

CHIEF FINANCIAL OFFICER

Jawwad Haqqi

COMPANY SECRETARY

Tariq Iqbal Bawani



AUDITORS

EY Ford Rhodes
Chartered Accountants

SHARE REGISTRAR

FAMCO Associates (Pvt.) Limited
8-F, Next to Hotel Faran, Nursery,
Block-6, P.E.C.H.S.,
Shahrah-e-Faisal, Karachi.
Tel: 34380101-5, 34384621-3

BANKERS - CONVENTIONAL

Habib Metropolitan Bank Limited
Standard Chartered Bank (Pakistan) Ltd
National Bank of Pakistan
Habib Bank Limited
United Bank Limited
MCB Bank Limited

FACTORY

Agriauto Industries Limited
Mouza Baroot, Hub Chowki Distt. Lasbella,
Balochistan.

Agriauto Stamping Company (Pvt.) Ltd
DSU-12B, Down Stream Industrial Estate
Pakistan Steel, Bin Qasim, Karachi.

REGISTERED OFFICE

5th Floor, House of Habib
3 JCHS, Main Shahrah-e-Faisal, Karachi.
Website: www.agriauto.com.pk
Email: info@agriauto.com.pk



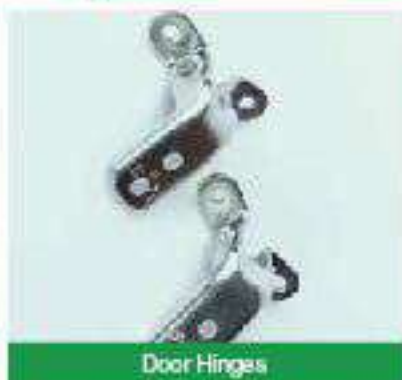
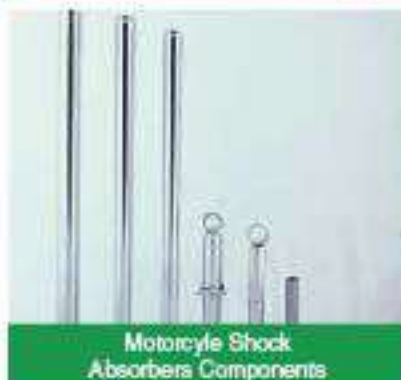
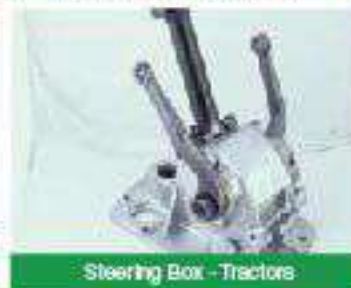
COMING TOGETHER TODAY FOR A **PROSPEROUS TOMORROW**

At **Agriauto**, we celebrate diversity. Whether it is in our business verticals or people, diversity is at the core of our strategy. It is through the spirit of diversity that we are able rise above and strengthen our position.





OUR PRODUCTS



NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the Thirty Ninth Annual General Meeting of the Members of the Company will be held on Thursday, October 22, 2020 at 10:00 AM through video link to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2020, together with the Chairman's Review Report, Report of the Directors and Auditors thereon.
2. To approve cash dividend of 20% i.e. Re 1/- per share for the year 2019-20 as recommended by the Board of Directors.
3. To appoint Auditors for the year 2020-21 and to fix their remuneration. The present auditors – M/s EY Ford Rhodes, Chartered Accountants, being eligible, have offered themselves for reappointment.
4. To elect 07 (seven) directors of the Company as fixed by the Board of Directors in their meeting held on August 27, 2020 for a term of three years, in accordance with the provisions of Section 159(1) of the Companies Act, 2017. The names of the retiring Directors who are eligible for re-election are:

1) Mr. Yutaka Arae	2) Mr. Fahim Kapadia	3) Mr. Hamza Habib
4) Mr. Sohail P. Ahmed	5) Mr. Muhammad Ali Jameel	6) Mr. Salman Burney
7) Ms. Ayesha T. Haq		

Karachi
Dated: August 27, 2020

By Order of the Board
Tariq Iqbal Bawani
Company Secretary

NOTES:

1. Closure of Share Transfer Books

The Share Transfer Books of the Company will remain closed from October 16, 2020 to October 22, 2020 (both days inclusive) and the final dividend will be paid to the Members whose names will appear in the Register of Members on October 16, 2020. Members (Non-CDC) are requested to promptly notify the Company's Registrar of any change in their addresses and submit, if applicable to them, the Non-deduction of Zakat Form CZ-50 with the Registrar of the Company M/s. FAMCO Associates (Private) Ltd., 8-F, Next to Hotel Faran, Nursery, Block-6, PECHS, Sharaf Faisal Karachi. Tel: +92-21-34380101-5, +92-21-34384621-3 (Ext-103) Fax: +92-21-34380106. All the Members holding the shares through the CDC are requested to update their addresses and Zakat statuses with their Participants.

2. Online Participation In AGM:

In view of the current situation on the spread of the COVID-19, the company has decided to conduct the Shareholders' Meeting online in order to protect their wellbeing.

The shareholders will be able to login and participate in the AGM proceedings through their smartphones or computer devices after completing all the formalities required for the verification and identification of the shareholders.

The shareholders can participate in the AGM through video-link, i.e. <https://zoom.us/download>.

For this purpose, shareholders are requested to get their following particulars registered with the Company by sending email to agm@agriauto.com.pk. Video-link and login credentials will be shared with only those shareholders/proxies whose emails, containing all the information required below, received via email no later than 48 hours before the meeting.

Shareholder Name	CNIC #	Folio/ CDC No.	Cell No	Registered Email ID

The shareholders can also provide their comments/suggestions for the proposed agenda items of the AGM by using the above given email address.

The login facility will be opened at 9:30 a.m. on October 22, 2020 enabling the participants to join the proceedings which will start at 10:00 a.m. sharp.

3. Participation In the Meeting

Members whose names appearing in the Register of Members as of October 16, 2020, are entitled to attend and vote at the Meeting. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend, speak and vote for him/her. A proxy must be a Member of the Company.

An Instrument of proxy applicable for the Meeting is being provided with the Notice sent to Members. Further copies of the instrument of proxy may be obtained from the Registered Office of the Company during normal office hours. Proxy form may also be downloaded from the Company's website: <http://www.agriauto.com.pk>.

An instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must, to be valid, be deposited at the Registered Office of the Company not less than 48 hours before the time of the Meeting.

Members are requested to submit a copy of their Computerized National Identity Card/Smart National Identity Card (CNIC/SNIC), if not already provided and notify immediately changes, if any, in their registered address to our Shares Registrar, FAMCO Associates (Pvt) Ltd.

4. Guidelines for Central Depository Company of Pakistan Limited ('CDC') Account Holders

CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000, Issued by the Securities and Exchange Commission of Pakistan (SECP).

A. For Attending the Meeting:

- I. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original CNIC/SNIC or original passport at the time of attending the Meeting.
- II. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies

- I. In case of individuals, the account holder or sub-account holder is and / or the person whose securities are in group account and their registration detail is uploaded as per the CDC Regulations, shall submit the proxy form as per the requirement.
- II. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- III. Attested copies of the CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- IV. The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
- V. In case of corporate entities, Board of directors' resolution/power of attorney with specimen signature of the nominee shall be submitted (unless provided earlier) along with the proxy form to Company.
- VI. Form of proxy is enclosed.

5. Election of Directors

In terms of Section 159(1) of the Companies Act, 2017 ("Act") the Board of Directors in its 150th meeting held on August 27, 2020 has fixed the number of elected Directors at 7 (Seven) to be elected in the Annual General Meeting of the Company for the period of next three years.

Any person who seeks to contest the election to the office of a Director, whether he is retiring director or otherwise, shall file the following documents with the Company Secretary, at its Registered Office, 5th Floor, House of Habib, 3-JCHS, Block 7/8, Shahrah-E-Faisal, Karachi - 75350, not later than fourteen days before the date of the meeting:

- a. Notice of his / her intention to offer him / herself for the election to the Office of Director in terms of section 159(3)
- b. Consent to act as director of the Company along with consent on Form 28 prescribed under the Act.
- c. A detail profile along with office address as required under SECP' SRO 634(1)2014 dated July 10, 2014.
- d. Declaration under Clause 3 of the Listed Companies (Code of Corporate Governance) Regulations 2019
- e. Declaration that he/she is not ineligible to become a director of a listed company under any provisions of the Act, the Listed Companies (Code of Corporate Governance) Regulations, 2019 and any other applicable law, rules and regulations.
- f. Declaration that he/she is aware of his/her duties and powers under the relevant laws, Memorandum & Articles of Association of the Company and listing regulations of the Pakistan Stock Exchange;

A director must be holding qualification share (i.e. 1,000) of the Company at the time of filing of his / her consent to act as director. The aforesaid qualification shall not be applicable for instances mentioned in Section 153(1) of the Companies Act 2017.

A candidate consenting for the election as director must be a member of the Company at the time of filing of his/her consent except a person representing a member, which is not a natural person.

Independent Directors will be elected through the process of election of directors in terms of Section 159 of the Act and they shall meet the criteria laid down under Section 166(2) of the Act.

Pursuant to Companies (Postal Ballot) Regulation 2018, for the purpose of election of Directors and for any other agenda item subject to the requirements of Section 143 and 144 of the Companies Act, 2017 members will be allowed to exercise their right of vote through postal ballot, that is voting by post or through any electronic mode, in accordance with the requirements and procedure contained in the aforesaid Regulations.

Statement of Material Facts under Section 166(3) of the Companies Act, 2017 in respect of Election of Directors

The present Directors are interested to the extent that they are eligible for re-election as Directors of the Company.

6. Distribution of Annual Report

Pursuant to the provision of section 223(6) of the (companies Act 2017) and SRO 470(I) / 2016, the Companies are permitted to circulate their annual financial statements, along with the Auditor's report, director review report etc. ("Annual Report") and the notice of Annual General Meeting ("Notice") to its shareholders electronically. Shareholders of the Company who wish to receive the hardcopy of Company's Annual Report are requested to provide the complete Standard Request Form (available at the Company's Website) to the Company's Share Registrar, FAMCO Associates (Private) Limited.

7. Submission of CNIC/SNIC/NTN (Mandatory)

Pursuant to the directives of the SECP, the dividend of shareholders whose CNIC/SNIC or NTN (in case of corporate entities), are not available with the Share Registrar could be withheld. Shareholders are therefore, requested to submit a copy of their valid CNIC/SNIC (if not already provided) to the Company's Share Registrar, FAMCO Associates (Pvt.) Ltd. 8-F, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi.

8. Dividend Mandate (Mandatory)

In accordance with the provisions of Section 242 of the Companies Act 2017, and Regulation 4 of the Companies (Distribution of Dividends) Regulations 2017, a listed company is required to pay cash dividend to the shareholders Only through electronic mode directly into the bank account designated by the entitled shareholders instead of issuing physical dividend warrants.

In compliance with the above law, in order to receive dividends directly in your bank account, you are requested to provide the information mentioned in the Form placed at the Company's website <http://www.agriauto.com.pk> otherwise the Company would be constrained to withhold payment dividend (if any) in terms of Regulation 6 of the Companies (Distribution of Dividends) Regulations 2017. Shareholders shall submit the information directly to their brokers / Central Depository Company Ltd. if the shares are held in the electronic form or to the Company's Shares Registrar if the shares are held in physical form.

9. Deposit of Physical Shares in CDC account

As per section 72 of the Companies Act, 2017 every listed company is required to replace its physical shares with book-entry form. Therefore, the shareholders having physical shares requested to convert the shares into book entry.

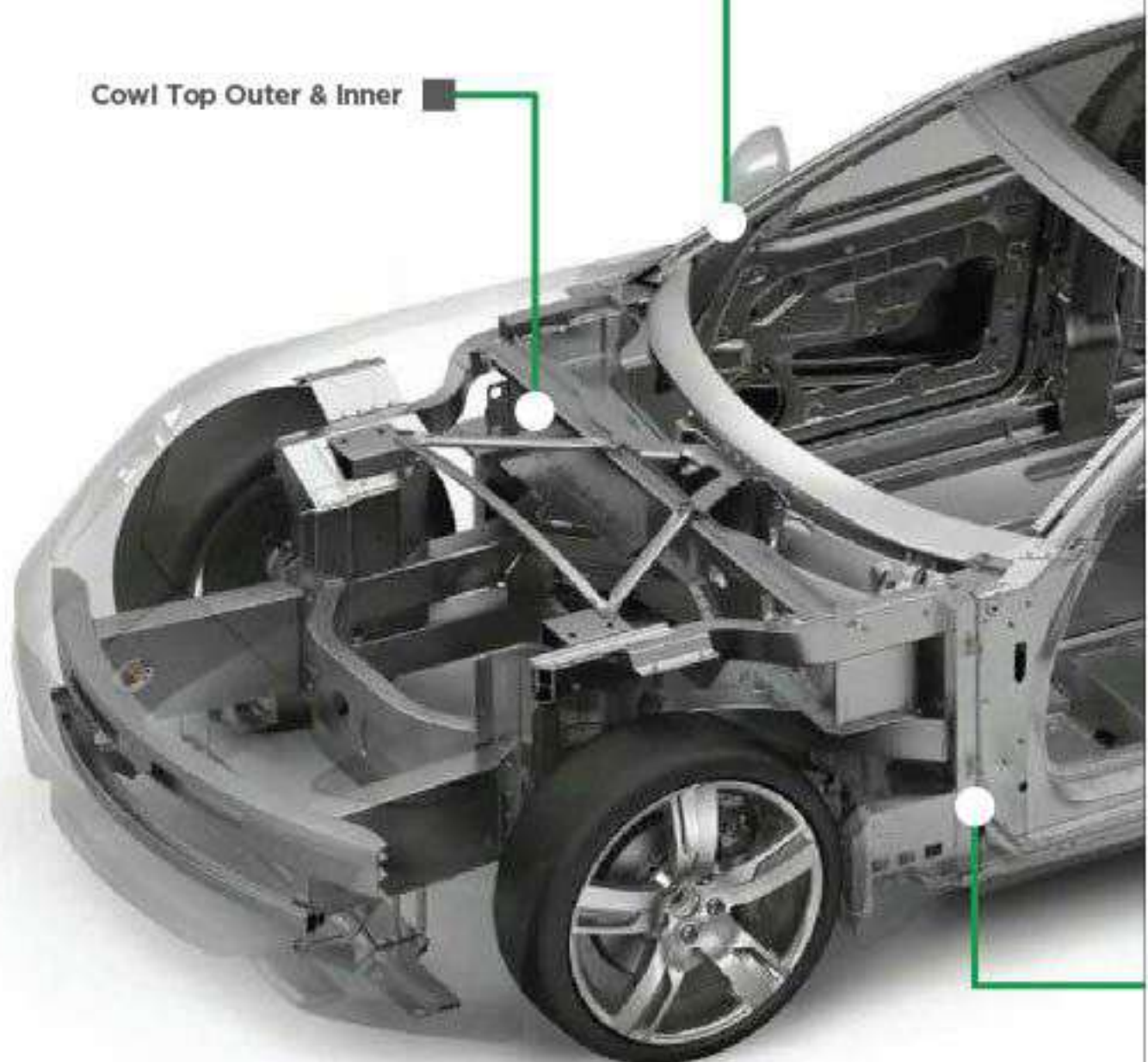
10. Availability of Annual Audited Financial Statements on the Company's website:

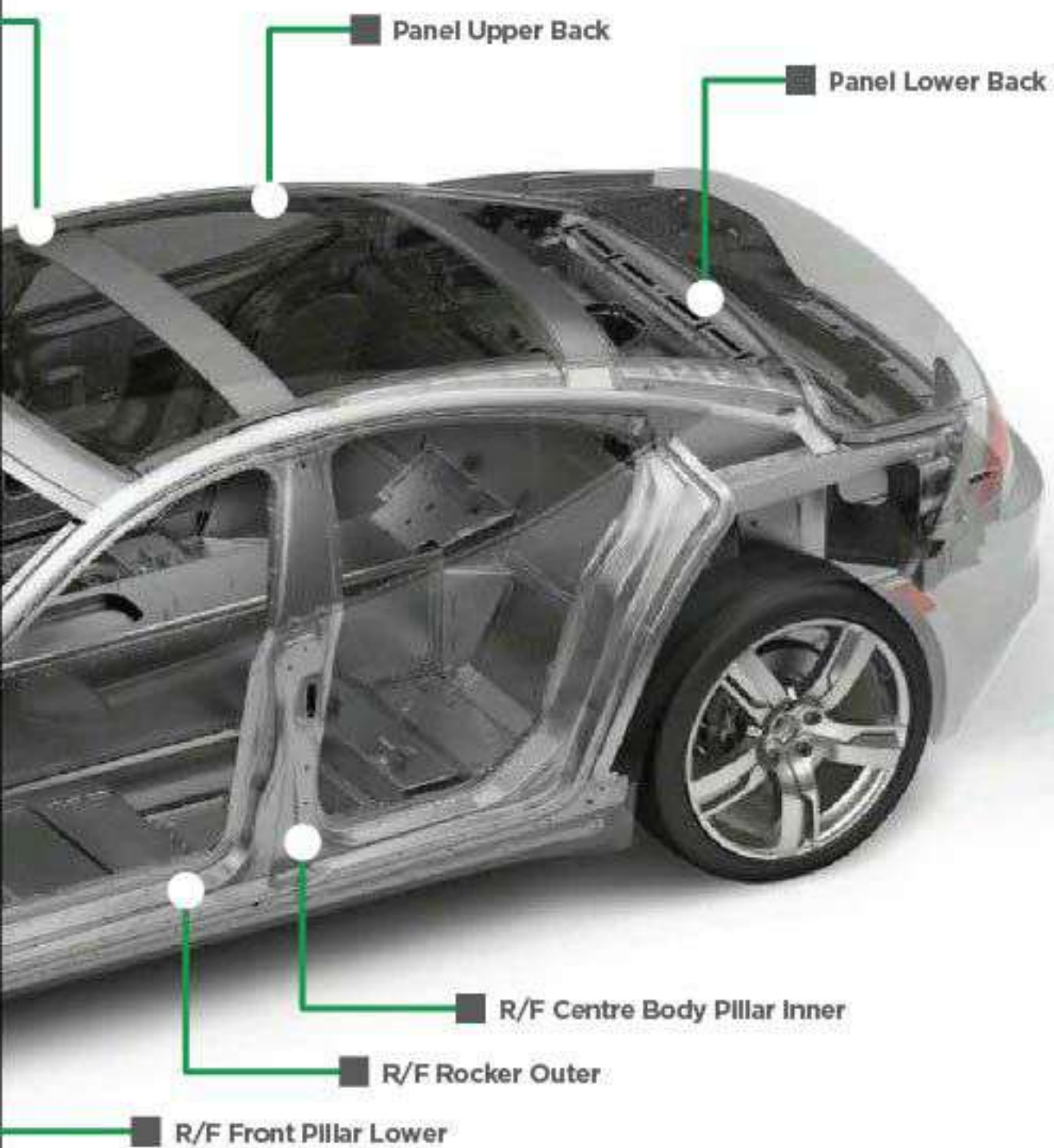
In accordance with the provisions of Section 223(7) of the Companies Act 2017, the audited financial statements of the Company for the year ended June 30, 2020, are available on the Company's website (www.agriauto.com.pk).

Rail Roof Side Inner

Panel Front Inner

Cowl Top Outer & Inner





SIX YEARS AT A GLANCE

	2020	2019	2018	2017	2016	2015
Operating Results						
Net Sales (Rs, 000)	3,768,756	7,122,487	6,112,990	5,657,541	5,759,390	4,923,276
Gross Profit (Rs, 000)	189,946	1,078,665	1,115,918	1,045,884	1,034,475	998,652
Profit Before Tax (Rs, 000)	10,416	805,391	773,238	810,364	713,332	733,399
(Loss)/Profit After Tax (Rs, 000)	(28,798)	603,012	520,407	588,637	484,484	485,061
(Loss)/Earnings Per Share (Rs.)	(1.03)	20.94	18.07	20.37	16.82	16.84
Cash Dividend (%)	20%	200%	250%	200%	175%	150%
Financial Position						
Current Ratio	3.30: 1	5.24: 1	5.48: 1	5.21: 1	5.09: 1	5.58: 1
Paid-up Share Capital (Rs, 000)	144,000	144,000	144,000	144,000	144,000	144,000
Res. & Unappropriated Profit (Rs, 000)	3,767,400	3,998,798	3,726,988	3,537,779	3,203,142	3,006,678
Shareholders' Equity (Rs, 000)	3,911,400	4,142,798	3,870,988	3,681,779	3,347,142	3,150,678
Breakup Value Per Share (Rs.)	135.91	143.85	134.41	127.84	116.22	109.40
Return on Equity (%)	-0.76%	14.56%	13.44%	15.93%	14.47%	15.40%

FINANCIAL HIGHLIGHTS

Contribution to National Exchequer



Revenue



Profit before tax



Shareholders' Equity



Breakup value per share



Earnings / (Loss) per share



BOARD OF **DIRECTORS**



Yutaka Arai
Chairman



Fahim Kapadia
Chief Executive



Hamza Habib
Director



Sohail P. Ahmed
Director



Salman Burney
Director



Ayesha T. Haq
Director



M. Ali Jameel
Director



CHAIRMAN'S REVIEW

I am pleased to present you the review on Annual Report of the Company for the year ended June 30, 2020. The Financial Year 2019-20 was one of the most challenging year for the Company. In earlier period of the year, demand for locally manufactured vehicles plunged sharply and afterwards pandemic of COVID-19 negatively impacted the overall economy including auto sector. Accordingly, on consolidated basis, the Agriauto Group witnessed a decline in its net sales which stands at Rs. 5,244 million. Group also incurred a loss after tax of Rs. 108 million for the year.

Despite these financial results, the Board has recommended a final cash dividend of 20% i.e. Rs. 1.0/- per share for approval from members at the Annual General Meeting.

The emergence of COVID-19 has caused major disruptions to economic activity around the world including Pakistan. The country's economy demonstrated its worst performance in 68 years, posting a negative growth of 0.40% in FY 2019-20. The drop in domestic and global demand compounded the strain on the economy. Monetary and fiscal policy interventions, such as interest rate reduction, payroll financing, announcement of stimulus package, have been made to ensure liquidity to cushion growth and employment. On the fiscal front, weak collections and higher expenditure in 4QFY20 mainly due to COVID-19 related developments resulted in a fiscal deficit of 9.5% of GDP. Keeping in view the unprecedented economic situation, the federal budget 2020-21 was presented without imposing any new taxes.

Health and safety of the employee will remain the top priority of the management in addition to protect and safeguard the interests of its shareholders through capitalization on growth opportunities.

Your Company is committed to good Corporate Governance. I am pleased to report that the performance of the Board has been par excellence which has helped in effective steering of the Company during the year. The Board acknowledges its responsibility in respect of Corporate & Financial Reporting Framework. The Board is also cognizant of its strategic role in achieving the Company's key objectives and is focused on enriching the returns for its shareholders & other stakeholders and shall continue contributing through sustained supply of premium quality products to its valued Customers.

-Sd- through email

Yutaka Arae
Chairman

August 27, 2020

چیرمین کا جائزہ

میں کمپنی کی سالانہ رپورٹ برائے ختم شدہ سال 30 جون 2020 کا جائزہ پیش کرتے ہوئے اظہار مسرت کرتا ہوں۔ مالیاتی سال 2019-20 کمپنی کا ایک انتہائی دشوار گزار ترین سال رہا۔ سال کے آغاز میں مقامی طور پر تیار کردہ گاڑیوں کی طلب میں تیزی سے کمی ہوئی اور بعد ازاں COVID-19 کی وبا نے مجموعی معیشت بشمول آٹو سیکٹر پر منفی اثرات مرتب کئے۔ لہذا مجموعی طور پر انگریزی آٹو گروپ کی خالص فروخت میں تنزلی ہوئی جو کہ 5,244 ملین روپے رہی۔ سال کے دوران گروپ کا بعد از ٹیکس خسارہ 108 ملین روپے رہا۔

ان تمام مالیاتی نتائج کے باوجود بورڈ نے 20 فیصد یعنی 1.0 روپیہ فی حصص کے حساب سے نقد حتمی منافع منقسمہ کی سفارش کی ہے جس کی منظوری سالانہ اجلاس عام میں ممبران سے لی جائے گی۔

COVID-19 کے پھیلاؤ نے دنیا بھر بشمول پاکستان میں معاشی سرگرمیوں میں بڑا انتشار پیدا کیا۔ گزشتہ 68 سالوں میں اس سال معیشت کی کارکردگی بدترین رہی، یعنی FY 2019-20 میں 0.40 فیصد کی منفی نمو ہوئی۔ مقامی اور عالمی طلب میں کمی نے معیشت کو مزید تباہ حال کر دیا۔ مالی اور مالیاتی پالیسی اقدامات جیسے شرح سود میں کمی، اجرتی سرمایہ کاری، بحالی ٹیکنیک کے اعلان شرح نمو میں بہتری اور روزگار میں روانیت کو یقینی بنایا۔ مالیاتی محاذ پر کمزور محصولات اور سال کے آخری سہ ماہی میں COVID-19 سے ملحقہ پمشدہ میوں کے نتیجے میں بلند اخراجات کی وجہ سے مالیاتی خسارہ GDP کا 9.5 فیصد ہو گیا۔ غیر معمولی معاشی صورتحال کو مد نظر رکھتے ہوئے پیش کردہ وفاقی بجٹ 2020-21 میں کوئی نئے ٹیکس عائد نہیں کئے گئے۔

ملازمین کی صحت اور تحفظ کے علاوہ ترقیاتی مواقع میں سرمایہ جاتی اخراجات کے ذریعہ حصص یافتگان کے مفادات کا تحفظ اور حفاظت انتظامیہ کی اولین ترجیح رہے گی۔

آپ کی کمپنی اچھے نظم و ضبط کے لئے کوشاں ہے۔ میں یہ بتاتے ہوئے اظہار مسرت کرتا ہوں کہ رواں سال بورڈ کی کارکردگی انتہائی شاندار رہی جس کی وجہ سے آپ کی کمپنی کو موثر سمت میں رہنمائی میں مدد ملی۔ بورڈ ادارتی اور مالیاتی رپورٹنگ کے نظام کے سلسلے میں اپنی ذمہ داری کو تسلیم کرتا ہے۔ بورڈ کمپنی کے بنیادی مقاصد کے حصول کے لئے اپنے کلیدی کردار کی اہمیت سے واقف ہے اور اس کی توجہ حصص یافتگان اور دیگر مستفیدان کو بہتر منفعت اور قابل قدر گاہکوں کو مسلسل اعلیٰ معیاری مصنوعات فراہم کرنے پر مرکوز ہے۔

-Sd- through email

یوہا آراٹے

چیرمین

27 اگست 2020



DIRECTORS' REPORT TO THE **SHAREHOLDERS**

FOR THE YEAR ENDED JUNE 30, 2020

Dear Shareholders,

The Directors of your Company are pleased to present their Report along with the Audited Financial Statements for the year ended June 30, 2020.

THE BOARD OF DIRECTORS

The Board of Directors of the Company as at the Balance Sheet date is as follows:

1.	Mr. Yutaka Arae – Chairman	Non-executive Director
2.	Mr. Fahim Kapadia – Chief Executive	Executive Director
3.	Mr. Hamza Habib	Non-executive Director
4.	Mr. Sohail P. Ahmed	Non-executive Director
5.	Mr. Salman Burney	Non-executive Director
6.	Ms. Ayesha T. Haq	Independent Director
7.	Mr. Muhammad Ali Jameel	Independent Director

PRINCIPAL ACTIVITIES OF THE COMPANY

The Company is engaged in the manufacture and sale of components for automotive vehicles, motorcycles and agricultural tractors.

PAKISTAN'S ECONOMY

The economy of Pakistan received a severe hit from the coronavirus pandemic and subsequent lockdown measures in the final quarter of FY 2020 (Apr-Jun). Industrial production contracted, exports plummeted owing to falling demand for textiles. After witnessing massive devaluation of currency, Pak Rupee largely remained stable during the year; but due to higher inflation, SBP kept its policy rate in double digits.

However, last quarter witnessed a sharp decrease in policy rate to mitigate the impact of COVID-19 pandemic on the economy. During the year, the growth rate declined by 0.4% primarily due to negative growth in the industrial sector.

To revitalize the growth, the Government of Pakistan (GoP) announced a Rs 1.24 trillion relief package to stimulate and boost overall economic growth. State Bank of Pakistan (SBP) took various steps including reduction in interest rate percentage, low rate refinancing for retaining workforce, BMR & expansion financing for manufacturing sector and refinance scheme for health sector. SBP also extended the availability of deferment for principal payments on certain loans and advancement.

Apart from the above initiatives GoP announced the Naya Pakistan Housing Scheme to jump start the ailing economy.

FINANCIAL & BUSINESS PERFORMANCE

This was the first time in last many years that company incurred a loss before tax. Financial year started off slowly and as a result inventory levels went all time high. Nonetheless, management used the available resources efficiently and managed to operate without any bank finance.

Start of the 2nd half of the year was very positive and economy was seen to accelerate but then the pandemic of COVID-19 literally stopped all the economic activities and month of Apr-20 recorded zero sales in the history of automobile industry.

Despite these challenges, the Company managed to achieve sales of Rs. 3.77 billion (2019: Rs. 7.12 billion) resulting in a decline of 47% over last year. The Gross Profit of the Company shrunk by 84% (2020: 170 millions v 2019 1,079 millions) predominantly due to loss of revenue during the Covid-19 Lockdown and decline in customer demand during the first half of the year.

Following are the summarized financial results of the Company for the year 2019-20:

STANDALONE		(Rs. '000)
	2020	2019
Turnover	3,768,756	7,122,487
Gross Profit	169,946	1,078,665
Profit before Taxation*	10,416	805,391
Taxation	(40,214)	(202,379)
(Loss)/Profit after Taxation	(29,798)	603,012
(Loss)/Earnings Per Share (Rs.)	(1.03)	20.94

* Includes dividend from subsidiary company of Rs.114 mil

CONSOLIDATED		(Rs. '000)
	2020	2019
Turnover	5,244,651	10,128,569
Gross Profit	251,466	1,681,151
(Loss)/Profit before Taxation	(24,969)	1,256,752
Taxation	(83,469)	(202,054)
(Loss)/Profit after Taxation	(108,438)	1,054,698
(Loss)/Earnings Per Share (Rs.)	(3.77)	36.62

DIVIDEND

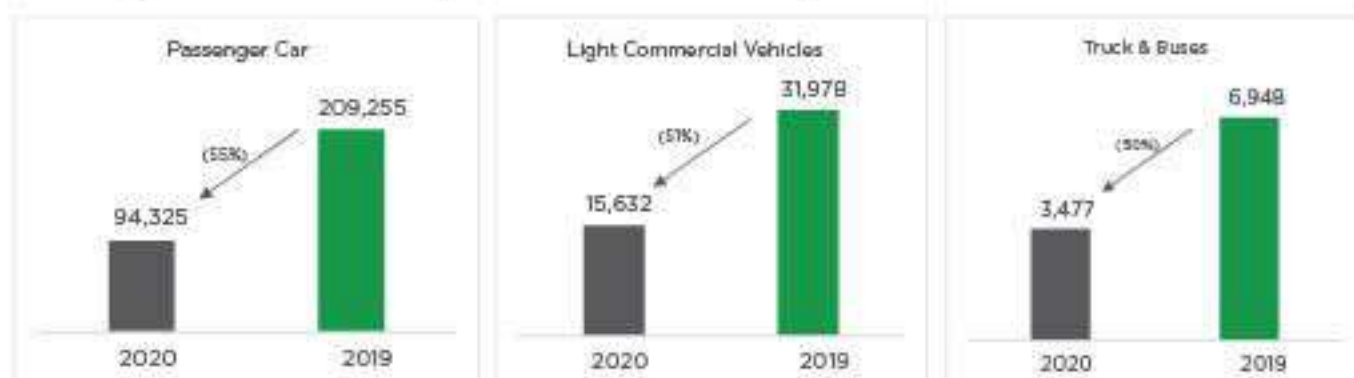
The Board of Directors is pleased to recommend a final cash dividend of Rs. 1.0 per share (20%) for the approval of the shareholders at the Annual General Meeting of the Company to be held on October 22, 2020.

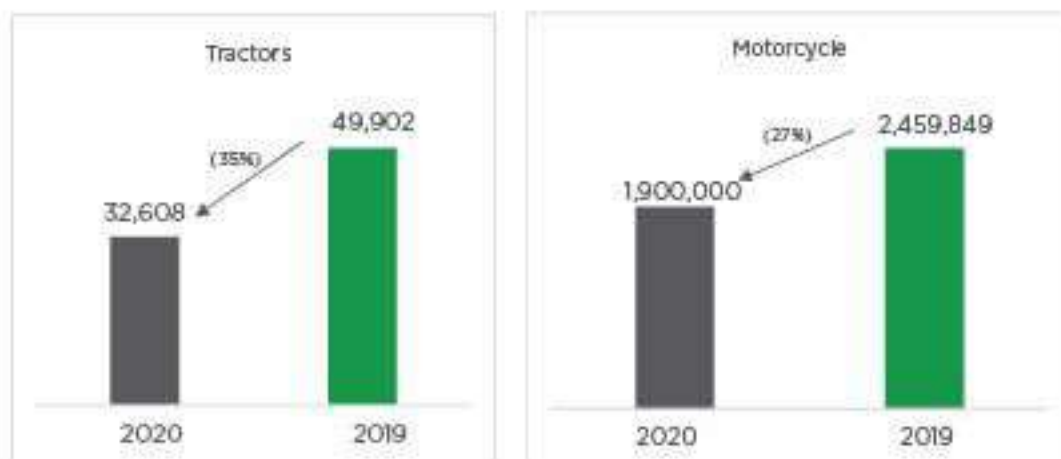
PERFORMANCE OF AUTOMOTIVE SECTOR

Auto sector felt the brunt of the double blow in the financial year 2019-20. Firstly, due to GoP fiscal measures such as increased rate of Additional Custom Duty, and imposition of FED on all locally manufactured vehicles and devaluation of PKR against USD, which resulted in cost hike and increase in price of vehicles thus contracted the demand for automobiles.

Secondly, COVID-19 pandemic halted the wheel of life around the globe and in Pakistan. Auto industry was shut down for over 2 months due to nationwide lockdown.

Following is the volumetric comparison of different auto segments.





NEW INITIATIVES:

The Board is pleased to share the new initiatives taken by the Company during the fiscal year 2019-20:

ED Paint Facility:

The Company is in the process of investing more than Rs.200 million for the development of automatic ED paint line. The ED Paint Facility will cater all existing struts and Sub Assembly Parts for McPherson. The Plant commissioning was delayed but we are hopeful that it will be commissioned in the next year.

NEW DEVELOPMENT

The company is developing shock absorbers, struts, press parts for new models planned by the existing automakers. Although, there have been certain delays in the development but the management is confident that supply will commence as per the agreed plan.

PROCESS IMPROVEMENT ACTIVITIES

Process improvement activities are part of the culture at Agriauto, following the KAIZEN philosophy. In order to manage the manufacturing operations, daily ASAKAI (morning meetings) are conducted where all departmental heads join to discuss current operational issues & progress related to safety, quality, production, maintenance, suppliability, projects, etc. and take immediate countermeasures.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk management process includes identification of strategic, financial, operational and legal risks affecting the performance of the Company and to ensure appropriate measures to mitigate these risks. At Agriauto, an effective risk management strategy is in place to detect these risks at an early stage and to devise action plans to address and mitigate the same.

The Board believes that the current pressure on the exchange rate carries a high risk and any further devaluation of Pak Rupee or increase in interest rates shall have a significantly adverse impact on the automotive industry in Pakistan.

Board further believes that although the impact of COVID-19 has subsided but this risk cannot be written-off altogether as some countries have witnessed its second wave. However, keeping in account the measures adopted and implemented by the company's management, Board considers that this can be managed effectively.

AGRIAUTO STAMPING COMPANY (PRIVATE) LIMITED (ASC)

This was the first year where the plant was operating under its capacity due to sudden drop in production volumes. Production improved slightly from Jan'20 due to increase in demand but was again hampered abruptly due to the enforcement of lockdown in light of COVID-19. The plant resumed its operational activities by implementing all protocols and guidelines of COVID-19.

During the year, the company received business from automakers for their new models.

The tax credit has expired on June 30th, 2019. Hence, the Company is now liable to pay income tax.

The following are the major achievements of the subsidiary company during the fiscal year 2019-20:

1. Realization of new stamping part business from other automakers.
2. Surveillance audit of all ISO certifications (ISO 9001-2015, ISO 1400, TS 16949)
3. In house tooling of critical assemblies realizing cost savings.



HEALTH, SAFETY AND ENVIRONMENT (HSE)

The commitment towards Health, Safety and Environment is fully reflected by the effective controls implemented by the company. During the COVID-19 outbreak, the company showed full responsibility to prevent the spread of COVID-19 among its employees. Following are the key highlights of the control measures implemented:

COVID-19 Outbreak Control

In order to prevent the spread of COVID-19 and to ensure smooth operations, the HSE Department developed and implemented a set of protocols based on Baluchistan/Sindh government Notifications, Requirements from customers, World Health Organization (WHO) and Centers for Disease Control & Prevention (CDC) recommendations. The protocols implemented were the provision of surgical safety masks (daily basis), hand sanitizer dispensers, enforcing of social distancing in operational activities, disinfecting of vehicles and creating awareness among employees, contractors and visitors through signage and training.



Disinfecting of Vehicles



Temperature monitoring of employees

Safety

- a) The company achieved the target of 'Zero' (0) Lost Work Day (LWD) Incident.
- b) Inspection of Lifting Equipment (forklift truck, Overhead bridge Cranes, Scissors Lifts, etc.) from third party inspectors.
- c) Training on the use of Rapid Intervention Vehicle and fire extinguishers were provided by the Emergency Response team members.
- d) Surveillance Audit from external Auditors on ISO14001:2015 and OHSAS18001:2007 were conducted and no major non-conformance was reported.



Training on the use of RIV



In-house training session on firefighting

Environment

- e) The 'No Objection Certificate' (NOC) was Issued from the Baluchistan Environmental Protection Agency to the factory located at Hub.
- f) All environmental monitoring, e.g. effluents, gaseous emissions, drinking water, etc. were carried out in accordance with government notifications.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Agriauto believes giving back to society is an essential duty for the business. CSR is embedded into the company's core business strategy. The company continues to spend 1% of its profit before tax over community welfare and development initiatives. Our objective remains, to support the local community for the welfare of all our stakeholders. The activities undertaken during the year include:

- Distribution of ration hampers to all workers during the Covid-19 pandemic
- Donation to various educational institutions especially in the Hub vicinity focusing on supporting provision of medical facilities to the underprivileged.
- Donation to different hospitals and welfare trusts
- Arranged general Medical & Eye Camp for staff
- Literacy program arranged for local workers
- Plantation at HUB/Port Qasim

CONTRIBUTION TO NATIONAL EXCHEQUER

During the year under review, the Company contributed Rs. 1.04 billion (2019: Rs.2.11 billion) to the National Exchequer.

REMUNERATION POLICY OF NON-EXECUTIVE DIRECTORS

The fee of the Non-Executive and Independent Directors for attending the Board and Committee meetings of the Company is determined by the Board from time to time.

HUMAN RESOURCE (HR)

HR Department remains committed to the professional development and training of the employees with emphasis on inculcating company values in employees and providing them an environment of team work and mutual respect.

Company remains committed to fulfilling its legal obligations towards the workforce and complies with regulations regarding their wages and benefits, thus leading to excellent industrial harmony and amicable management of labor relations. Following are the highlights of HR Initiatives:

Training & Development:

A variety of Training and Development opportunities were offered to employees in-house, external and international. Total trainings carried out during the year were over 1,025 hours. In addition, multiple online trainings were conducted during the Covid-19 pandemic through to continuously develop employees to best utilize time. Following are the training highlights for the year:

- Advance Business Communication & Interpersonal Skills.
- Changing Behavior (Motivation) conducted by AOTS-Japan.
- The Program on Productivity Improvement (TPPI) conducted by AOTS-Japan.
- Corporate Treasury to Optimize Cash Resources
- Dashboard Reporting (Self Service Business Intelligence)
- Emotional Intelligence W/ Positive Thinking
- Leading Your Team-The Right Way
- Operational Excellence and Plant Maintenance Management Optimization
- Pakistan: Economy of an Elitist State conducted by ICAP
- Safe Lift
- Safety & Time Management
- SMART Objective Setting

Awards & Recognitions

Agriauto Industries Ltd received following award(s) during the year:

- Participated in 7th Employer of the year Award-2018 Special Recognition Shield in category "Large National Companies" on October 25, 2019.

PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 2020 is annexed.

RELATED PARTY TRANSACTIONS

All transactions with related parties have been carried out in normal course of business at agreed terms and have been disclosed in the financial statements under relevant notes.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements prepared by the Management of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of account have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan have been followed in preparation of financial statements.
- The Board has outsourced the internal audit function to M/s. Noble Computer Services (Pvt) Ltd., who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedure of the Company.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- All members of the Audit Committee are Independent/ non-executive Directors.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations, except as disclosed in statement of compliance.
- The value of investment of provident fund stands at Rs. 222 million as at June 30, 2020.
- The key operating & finance data for the last 6 years are annexed to the report.

Following is the status of the attendance at meetings of the Board of Directors:

SL #	Names	No of meetings Attended/Held
1	Mr. Yutaka Arae	5/5
2	Mr. Fahim Kapadia	5/5
3	Mr. Sohail P. Ahmed	5/5
4	Mr. Salman Burney	4/5
5	Ms. Ayesha T. Haq	4/5
6	Mr. Muhammad Ali Jameel	3/5
7	Mr. Hamza Habib	5/5

During the year the Audit Committee met 4 times and attendance of the Directors was as follows:

SL #	Names	No of meetings Attended/Held
1	Mr. Muhammad Ali Jameel (Chairman)	2/4
2	Mr. Sohail P. Ahmed	4/4
3	Ms. Ayesha T. Haq	3/4

During the year the Human Resource and Remuneration Committee met once and attendance of the Directors was as follows:

SL #	Names	No of meetings Attended/Held
1	Mr. Muhammad Ali Jameel (Chairman)	1/1
2	Mr. Sohail P. Ahmed	1/1
3	Mr. Yutaka Arae	1/1
4	Mr. Salman Burney	1/1
5	Mr. Fahim Kapadia	1/1

AUDITORS

The existing Auditors; M/s. EY Ford Rhodes (Chartered Accountants) retired and have offered themselves for re-appointment. The reappointment has also been recommended by the Audit Committee of the Board.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The statement of compliance with the Code of Corporate Governance is annexed herewith.

FUTURE OUTLOOK

Inflation and interest rates are falling, current account deficit is in control and foreign exchange reserves are growing which are positive signs for the recovery of the auto sector. Financial support committed by multilateral agencies shall assist in fulfilling the potential financing gap. The low discount rate along with improving macro factors are likely to result in increased demand for automobiles.

Start of next financial year is quite uplifting. The projections being received from the auto makers are encouraging and we can expect a growth oriented year ahead.

Management further has a plan of introducing new products in aftermarket and exploring this segment more vigorously using existing capacity that has potential to meet demand.

ACKNOWLEDGMENT

We would like to express our sincere appreciation to all our employees for their untiring efforts and through a cordial and positive relationship during the year which helped us in meeting and overcoming our challenges due to which the company continued its year on year growth and we expect the same level of support from our employees in the year ahead.



On behalf of the Board of Directors, we would like to place on record our appreciation to all our Patrons, Dealers, Suppliers and Employees for their valuable help, continuous support and contribution to the Company. We are also thankful to all our overseas technical collaborators, M/s Ride Control, LLC, USA, M/s KYB Corporation, Japan, M/s Aisin Seiki Co. Ltd, Japan, M/s. Shiroki Corporation, Japan, M/s. Sannou Riken Co Ltd, Japan, M/s KMS (KYB Motorcycle Suspension, Japan) and M/s. Ogihara (Thailand) Co. Ltd for their technical assistance and advice.

On behalf of the Board of Directors,

Fahim Kapadia
Chief Executive

Salman Burney
Non-Executive Director

KARACHI
DATED: August 27, 2020

اعتراف

سال کے دوران اپنے ملازمین کی انتھک محنت اور ان کے مہذبانہ اور مثبت تعلقات پر ہم انہیں اپنی مخلصانہ تہنیت پیش کرتے ہیں جس کے نتیجے میں ہم نے چیلنجز پر قابو پاتے ہوئے سال بہ سال اپنی نمو برقرار رکھی اور ہمیں توقع ہے کہ ہمارے ملازمین کی طرف سے اسی طرح کا تعاون مستقبل میں بھی جاری رہے گا۔

بورڈ آف ڈائریکٹرز کی جانب سے اپنے تمام سرپرستوں، ڈیلروں اور ملازمین کے قابل قدر تعاون، مسلسل تائید اور مدد پر انہیں ستائش پیش کرتے ہیں۔ ہم بیرون ملک اپنے تمام تکنیکی مددگاروں میسرز رائڈ کنٹرول، ایل ایل سی، (یو ایس اے)، میسرز کے وائی بی کارپوریشن، (جاپان)، میسرز ایسن سکی کمپنی لمیٹڈ، (جاپان)، میسرز شری اوکی کارپوریشن (جاپان)، میسرز سانورا کن لمیٹڈ (جاپان)، میسرز کے ایم ایس (KYB) سوٹر سائیکل سپنشن) اور میسرز اوگی ہارا (تھائی لینڈ) کمپنی لمیٹڈ کی تکنیکی مدد اور مشوروں پر ان کے مشکور ہیں۔

برائے و منجانب



سلمان بنی

ڈائریکٹر



فہیم کھٹیا

چیف ایگزیکٹو

کراچی
مورخہ: 27 اگست 2020

سال کے دوران انسانی وسائل و معاوضہ کمیٹی کا ایک اجلاس ہوا اور ڈائریکٹران کی حاضری درج ذیل رہی:

نمبر شمار	نام	اجلاس کی تعداد / حاضری
۱	جناب محمد علی جمیل (چیئرمین)	1/1
۲	جناب سکیل پی. احمد	1/1
۳	جناب یونا کا آرائے	1/1
۴	جناب سلمان برنی	1/1
۵	جناب فہیم کپاڈیا	1/1

آڈیٹرز

موجودہ آڈیٹرز میسرز EY فورڈ روڈز (چارٹرڈ اکاؤنٹنٹس) سبکدوش ہو چکے ہیں اور انہوں نے اپنی دوبارہ تقرری کی پیشکش کی ہے۔ بورڈ کی آڈٹ کمیٹی نے دوبارہ تقرری کی سفارش کی ہے۔

ادارتی نظم و ضبط کے ضابطہ کی پاسداری کی رپورٹ

ادارتی نظم و ضبط کے ضابطہ کی پاسداری سے متعلق بیان منسلک ہے۔

مستقبل کی پیش بینی

افراط زر اور شرح سود گر رہے ہیں، رواں کھاتے کا خسارہ قابو میں ہے اور زر مبادلہ کے ذخائر میں اضافہ ہو رہا ہے جو کہ آئوٹسٹر کی بحالی کے لئے مثبت علامات ہیں۔ کثیر الملکی ادارے متوقع سرمایہ کاری کی خلیج کو پورا کرنے کے لئے مالیاتی تعاون فراہم کرنے کے لئے پرعزم ہیں۔ کم رعایتی نرخ کے ساتھ بہتر معاشی اشاریوں کے نتیجے میں گاڑیوں کی طلب میں اضافہ ہوگا۔ آئوٹسٹرز سے موصول ہونے والے امکانی نتائج حوصلہ افزا ہیں اور ہم سال کے آنے والے حصہ میں نمو کی توقع کرتے ہیں۔

مالیاتی سال کے آغاز کی سمت ترقی کی جانب تھی۔ آئوٹسٹرز سے موصول ہونے والے امکانی نتائج حوصلہ افزا ہیں اور ہم سال کے آنے والے حصہ میں نمو کی توقع کرتے ہیں۔

مزید یہ کہ انتظامیہ کے پاس فاضل پروڈکٹ کی مارکیٹ میں نئی مصنوعات کو متعارف کرانے کا منصوبہ ہے اور موجودہ گنجائش کو استعمال کرتے ہوئے اس شعبہ میں مستعدی کے ساتھ مواقع تلاش کر رہی ہے جس سے اس شعبہ کی طلب پوری ہوگی۔ جبکہ دوسری جانب زراعت کے ناموافق حالات سے ملحقہ غذائی قیمت میں رد بدل کے کچھ خطرے موجود ہیں۔

☆ اندرونی گرفت کے نظام کی شکل مضبوط ہے اور موثر انداز میں نافذ العمل ہے اور اس کی نگرانی کی جاتی ہے۔

☆ آڈٹ کمیٹی کے تمام ممبران آزاد/ نان ایگزیکٹو ڈائریکٹران ہیں۔

☆ کمپنی کی چلتے ہوئے ادارے کی صلاحیت میں کوئی قابل ذکر شک وشبہ نہیں ہے۔

☆ لسٹنگ ریگولیشنز میں دیئے گئے ادارتی نظم و ضبط کے بہترین طور طریقوں سے کوئی بھی بڑا انحراف نہیں کیا گیا ہے علاوہ اس کے جو Statement of Compliance میں منکشف کیا گیا ہے۔

☆ 30 جون 2020 کو پروویڈنٹ فنڈ سے کی گئی سرمایہ کاری کی مالیت 222 ملین روپے ہے۔

بورڈ آف ڈائریکٹرز کے اجلاسوں میں حاضری کی تفصیل درج ذیل ہے:

نمبر شمار	نام	اجلاس کی تعداد/ حاضری
۱	جناب یونا کا آرائے	5/5
۲	جناب فہیم کیاڈیا	5/5
۳	جناب سہیل پی احمد	5/5
۴	جناب سلمان برنی	4/5
۵	مس عائشہ ثی حق	4/5
۶	جناب محمد علی جمیل	3/5
۷	جناب حمزہ حبیب	5/5

سال کے دوران آڈٹ کمیٹی کے 4 اجلاس ہوئے اور ڈائریکٹران کی حاضری درج ذیل رہی:

نمبر شمار	نام	اجلاس کی تعداد/ حاضری
۱	جناب محمد علی جمیل (چیئرمین)	2/4
۲	جناب سہیل پی احمد	3/4
۳	مس عائشہ ثی حق	3/4

ایوارڈ اور قدر شناسی

سال کے دوران ایگری آٹو زائٹڈ سٹریٹجی لمیٹڈ کو مندرجہ ذیل ایوارڈ موصول ہوئے:

- ☆ 25 اکتوبر 2019 کو "7th Employer of the year Award-2018" میں شرکت کر کے "بڑی قومی کمپنیوں" کے درجہ میں خصوصی قدر شناسی شیلڈ موصول کی۔

حصص داری کی ساخت

30 جون 2020 کی حصص داری کی ساخت منسلک کی گئی ہے۔

مالحقہ فریقین کے سودے

تمام مالحقہ فریقین کے سودے معاہدے کے مطابق عمومی طریقہ کار کے مطابق انجام پائے اور انہیں مالیاتی گوشواروں میں متعلقہ نوٹس میں منکشف کیا گیا ہے۔

ادارتی اور مالیاتی رپورٹنگ پر ادارتی نظم و ضبط کے ضابطے کی پاسداری سے متعلق بیان

- ☆ کمپنی کی انتظامیہ کے تیار کردہ مالیاتی گوشوارے کمپنی کے معاملات، اس کے کاروباری نتائج، نقدی کے بہاؤ اور ایکویٹی میں تبدیلیوں کو شفافیت کے ساتھ پیش کرتے ہیں۔
- ☆ کمپنی میں حسابات کی کتابیں مناسب انداز میں رکھی گئی ہیں۔
- ☆ درست حساباتی پالیسیوں کو تسلسل کے ساتھ مالیاتی گوشواروں کی تیاری کے دوران ملحوظ خاطر رکھا گیا ہے اور حساباتی تخمینوں کی بنیاد معقول اور مضبوط فیصلوں پر ہے۔
- ☆ مالیاتی گوشواری کی تیاری کے دوران عالمی مالیاتی رپورٹنگ معیارات، جو پاکستان میں لاگو ہیں، ملحوظ خاطر رکھا گیا ہے۔
- ☆ بورڈ نے اندرونی گرفت کے شعبہ کو ایک کمپنی سے باہر ایک ادارے میسرز نوٹیل کمپیوٹرز سروسز (پرائیویٹ) لمیٹڈ کو سونپ دیا ہے جنہیں اس مقصد کے لئے اہل اور تجربہ کار سمجھا گیا ہے اور وہ کمپنی کی پالیسیوں اور طریقہ کاروں سے آگاہ ہیں۔

قومی خزانے کو معاونت

جائزہ سال کے دوران آپ کی کمپنی نے 1.04 بلین (2019 میں 2.11 بلین روپے) کی قومی خزانے میں معاونت فراہم کی۔

نان ایگزیکٹو ڈائریکٹران کے معاوضہ کی پالیسی

نان ایگزیکٹو اور آزاد ڈائریکٹران کے لئے کمپنی کے بورڈ اور کمیٹیوں کے اجلاس میں حاضری کی فیس کا تعین بورڈ وقتاً فوقتاً کرتا ہے۔

انسانی وسائل (HR)

HR ڈپارٹمنٹ ملازمین کی پیشہ ورانہ ترقی اور تربیت کے لئے کوشاں ہے جس میں ملازمین کو کمپنی کے اقدار کی پاسداری کرنے کی تاکید کی جاتی ہے اور انہیں باہمی احترام اور مل جل کر کام کرنے کا ماحول فراہم کیا جاتا ہے۔

افراد کی قوت سے متعلق کمپنی اپنی ذمہ داریوں سے عہدہ برآں ہونے کے لئے کوشاں ہے اور اجرتوں و مراعات سے متعلق ضابطوں کی پاسداری کرتی ہے، جس سے شاندار صنعتی ہم آہنگی اور دوستانہ مزدور تعلقات پیدا ہوتے ہیں۔ HR اقدامات کے نمایاں خدوخال درج ذیل ہیں:

تربیت و ترقی

فیکٹری کے اندر باہر اور عالمی سطح پر ملازمین کو کئی تربیت و ترقی کے مواقع فراہم کئے گئے۔ سال کے دوران تربیت کا کل دورانیہ 1025 گھنٹے رہا۔ اس کے علاوہ کثیر آئن لائن تربیتی نشستیں Covid-19 وباء کے دوران منعقد کی گئیں جن کا مقصد ملازمین کو اپنے وقت کے بہترین استعمال کے لئے تیار کرنا تھا۔ سال کے دوران کی تربیتی جھلکیاں درج ذیل رہیں:

- ☆ جدید کاروباری مراسلت اور باہمی ربط
- ☆ بدلتے ہوئے رویے (ترغیب) جسے AOTS جاپان نے منعقد کیا۔
- ☆ وی پروگرام آئن پروڈکٹوٹی امپروومنٹ (TTPI) کو AOTS جاپان نے منعقد کیا۔
- ☆ نقد وسائل کے بہترین استعمال کے لئے ادارتی مالیات
- ☆ ڈیش بورڈ رپورٹنگ (سیلف سروس بزنس انٹیلی جنس)
- ☆ جذباتی فہم جمع مثبت سوچ
- ☆ درست انداز میں اپنی ٹیم کی قیادت
- ☆ کاروباری شانداریت اور پلانٹ کی دیکھ بھال کا بہتر انتظام
- ☆ ”پاکستان: اتصالات اسٹیٹ کی ایک معیشت“ جسے ICAP نے منعقد کیا۔
- ☆ محفوظ انداز میں سامان اٹھانا
- ☆ تحفظ اور وقت کا اہتمام
- ☆ اسمارٹ مقاصد کا تعین

ڈپنر کی تنصیب، دفتری سرگرمیوں میں سماجی فاصلہ، گاڑیوں کی جراثیم کشی اور ملازمین، ٹھیکیداروں اور ملاقاتیوں کے مابین علامتی نشانات اور تربیت کے ذریعے آگاہی پیدا کرنا شامل تھی۔

تحفظ

- (a) کمپنی نے صفر (0) لوٹ ورک ڈے (کسی حادثے کے بغیر) کا اپنا ہدف حاصل کیا
- (b) سامان اٹھانے والے آلات (فورک لفٹ ٹرک، اوور ہیڈ برج کرینیں، میزرفٹ) کا تیسرے فریق کے انسپکٹرز کے ذریعے معائنہ کرایا گیا
- (c) ایمرجنسی ریسپانس ٹیم کے ممبران کو ہینڈ انٹرویشن ویٹیکل اور آگ بجھانے والے آلات کے استعمال کی تربیت فراہم کی گئی۔
- (d) بیرونی آڈیٹرز نے ISO14001:2015 اور OHSAS18001:2007 کی سرٹیفیکیشن آڈٹ کی اور کوئی بڑی عدم پاسداری رپورٹ نہیں کی گئی۔

ماحول

- (e) بلوچستان انوائرومنٹ پروٹیکشن ایجنسی نے فیکٹری بمقام حب کو "عدم اعتراض نامہ (NOC)" جاری کیا۔
- (f) تمام ماحولیاتی آلودگی جیسے دھوئیں، گیسوں کا اخراج، پینے کے پانی کی نگرانی سرکاری نوٹیفیکیشنز کے مطابق انجام دی گئی۔

ادارتی سماجی ذمہ داری (CSR)

ایگری آٹو اس بات پر یقین رکھتی ہے کہ معاشرے کی بہبود کسی بھی کاروبار کی بنیادی ذمہ داری ہے۔ کمپنی تسلسل کے ساتھ اپنے منافع قبل از ٹیکس کا 1 فیصد معاشرے کی بہبود اور ترقیاتی کاموں پر خرچ کرتی ہے۔ ہمارا عزم ہے کہ مستفیدان کی فلاح و بہبود کے لئے مقامی برادری کے ساتھ تعاون کیا جائے۔ سال کے دوران اس سلسلے میں جو سرگرمیاں انجام دی گئیں وہ درج ذیل ہیں:

- ☆ Covid-19 کی وباء کے دوران تمام ملازمین کو راشن کے تھیلوں کی تقسیم
- ☆ پسماندہ طبقے کو طبی سہولیات کی فراہمی پر توجہ مرکوز کرتے ہوئے مختلف تعلیمی اداروں خاص طور پر حب کے قرب و جوار کے تعلیمی اداروں کو عطیات
- ☆ مختلف ہسپتالوں اور فلاحی ٹرسٹوں کو عطیات
- ☆ اسٹاف کے لئے عمومی طبی اور آنکھوں کے کیمپ کے اہتمام
- ☆ مقامی مزدوروں کے لئے خواندگی پروگرام کا اہتمام
- ☆ حب / پورٹ قاسم پر شجرکاری

بورڈ اس بات پر یقین رکھتا ہے کہ شرح مبادلہ پر موجودہ دباؤ ایک بڑا خطرہ ہے اور پاکستانی روپے کی قدر میں مزید کمی سے پاکستان کی آٹوموبائل صنعت پر بہت ناموافق اثرات مرتب ہونگے۔

مزید برآں بورڈ اس بات سے آگاہ ہے کہ اگرچہ کہ COVID-19 کے اثرات کم ہو چکے ہیں لیکن یہ خطرہ مکمل طور پر ختم نہیں ہوا کیونکہ کچھ ممالک میں وباء کی دوسری لہر کا مشاہدہ کیا جا رہا ہے۔ تاہم کمپنی کی انتظامیہ کے اختیار کردہ اور نافذ کردہ اقدامات کو مد نظر رکھتے ہوئے بورڈ سمجھتا ہے کہ اس خطرہ پر موثر انداز میں قابو پایا جائے گا۔

ایگری آٹوموٹو ایسٹیمینٹ کمپنی (پرائیویٹ) لمیٹڈ (ASC)

پیداواری حجم میں اچانک کمی کے نتیجے میں یہ پہلا سال تھا جس میں پلانٹ کی پیداواری سرگرمی گنجائش سے کم رہی۔ پیداوار میں جنوری 2020 میں بڑھتی ہوئی طلب کی وجہ سے معمولی بہتری آئی لیکن پھر COVID-19 کے نتیجے میں لاک ڈاؤن کی وجہ سے مکمل طرح رک گئی۔ پلانٹ نے COVID-19 کے تمام رہنما اصولوں اور پروٹوکولز کو نافذ کر کے اپنی پیداواری سرگرمیوں کا دوبارہ آغاز کیا۔

سال کے دوران کمپنی کو آٹومیکرز کے نئے ماڈلز کے لئے کاروبار کا حصول ہوا۔ ٹیکس کریڈٹ 30 جون 2019 کو اختتام پذیر ہو چکا ہے۔ لہذا اب کمپنی انکم ٹیکس کی ادائیگی کی پابند ہے۔

مالیاتی سال 2019-20 کے دوران ذیلی کمپنی کی بڑی کامیابیاں درج ذیل رہیں:

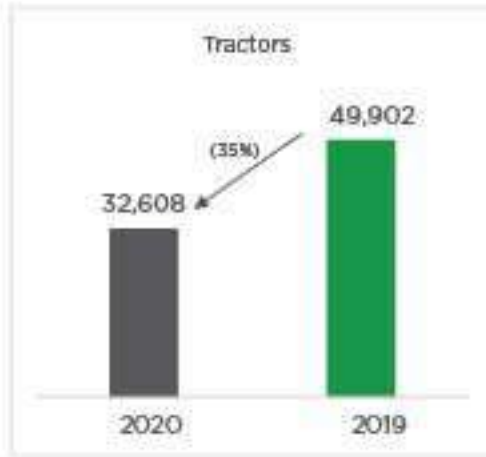
- ۱- دیگر آٹومیکرز سے نئے اسٹیمپنگ پارٹس کے کاروبار کا حصول
- ۲- ISO تصدیقات کے لئے کوالیفائیڈ سروس پیلنس آڈٹ (ISO 9001-2015، ISO 1400، TS 16949)
- ۳- لاگت کے بچاؤ کیلئے اندرونی سطح پر بنیادی اسمبلیوں کی ٹولنگ

تحفظ، صحت اور ماحول (HSE)

صحت، تحفظ اور ماحولیات میں مکمل عزم کی عکاسی، کمپنی میں نافذ موثر اقدامات سے ہوتی ہے۔ COVID-19 کی وباء کے دوران کمپنی نے اپنے ملازمین میں COVID-19 کی وباء کے پھیلاؤ سے بچنے کے لئے مکمل ذمہ داری دکھائی اور اس کو قابو کرنے کے اقدامات کے نفاذ کی بنیادی جھلکیاں درج ذیل ہیں:

COVID-19 کی وباء پر کنٹرول

COVID-19 کی وباء سے بچنے اور پیداواری افعال کو یقینی بنانے کے لئے HSE ڈپارٹمنٹ نے بلوچستان / سندھ حکومتوں کے نوٹیفیکیشنز، کسٹمرز کی ضروریات، ورلڈ ہیلتھ آرگنائزیشن (WHO) اور سینٹر فار ڈیزیز کنٹرول اینڈ پریوینشن کی سفارشات کی بنیاد پر پروٹوکولز کا ایک سلسلہ ترویج اور نافذ کیا۔ ان نافذ شدہ پروٹوکولز میں (روزانہ کی بنیاد پر) سیفٹی ماسک کی فراہمی، ہاتھوں کے جراثیم کش



نئے اقدامات

سال 2019-20 کے دوران کمپنی کی جانب سے لئے گئے اقدامات کو پور ڈبٹاتے ہوئے اظہار مسرت کرتا ہے۔

ED پینٹ کی سہولت

کمپنی میں خود کار ED پینٹ لائن کی ترویج کے لئے 200 ملین روپے سے زیادہ سرمایہ کاری کا عمل جاری ہے۔ ED پینٹ کی سہولت میک فرس کی ذیلی اسمبلی کے پرزوں اور تمام موجودہ اسٹریٹس کی ضروریات پورا کرے گی۔ پلانٹ کی تنصیب کے کام میں تاخیر ہوئی ہے لیکن ہم پر امید ہیں کہ تنصیب اگلے سال تک مکمل ہو جائے گی۔

نئے منصوبے

موجودہ آٹو میکرز کے نئے منصوبہ شدہ ماڈلز کے لئے کمپنی شاک ابزوربرز، اسٹریٹس، پریس کے پرزے ترویج کر رہی ہے۔ اگرچہ کہ ترویج میں کچھ تاخیر ہوئی ہے لیکن انتظامیہ پر اعتماد ہے کہ سپلائی کا آغاز طے شدہ منصوبہ کے مطابق ہوگا۔

پیداواری عمل میں بہتری کی سرگرمیاں

پیداواری عمل میں بہتری کی سرگرمیاں انگری آٹو کی ثقافت کا حصہ ہیں جس میں KAIZEN کے فلسفہ کو ملحوظ خاطر رکھا گیا ہے۔ پیداواری آپریشنز کے انتظام کے لئے روزانہ ASAKAI (صبح کے اجلاس) منعقد کئے جاتے ہیں جس میں تمام شعبوں کے سربراہ مل کر تحفظ، معیار، پیداوار، دیکھ بھال و مرمت، رسد، پروڈیکٹس وغیرہ سے متعلق مسائل اور ترقیاتی کاموں پر گفت و شنید کرتے ہیں اور فوری اصلاحی اقدامات کرتے ہیں۔

بنیادی خطرات اور غیر یقینی حالات

خطرات کا مقابلہ کرنے کے طریقہ کار میں کمپنی کی کارکردگی کو لاحق کلیدی، مالیاتی، کاروباری اور قانونی خطرات کی شناخت اور ان خطرات کو کم کرنے کے لئے ضروری اقدامات کو یقینی بنانا شامل ہے۔ خطرات سے مقابلہ کرنے کی ایک موثر حکمت عملی موجود ہے جس سے ان خطرات کا ابتدائی مرحلے ہی میں پتا چل جاتا ہے اور ان کا ازالہ اور ان میں کمی کے لئے تدبیری منصوبے ترتیب دیئے جاتے ہیں۔

مجموعی مالیاتی نتائج

(روپے '000' میں)

2019	2020	
10,128,569	5,244,651	فروخت
1,681,151	251,466	خام منافع
1,256,752	(24,969)	(خسارہ)/منافع قبل از ٹیکس
(202,054)	(83,469)	ٹیکس
1,054,698	(108,438)	(خسارہ)/منافع بعد از ٹیکس
36.62	(3.77)	فی حصص (خسارہ)/آمدنی (روپے)

منافع منقسمہ اور مصارف منافع

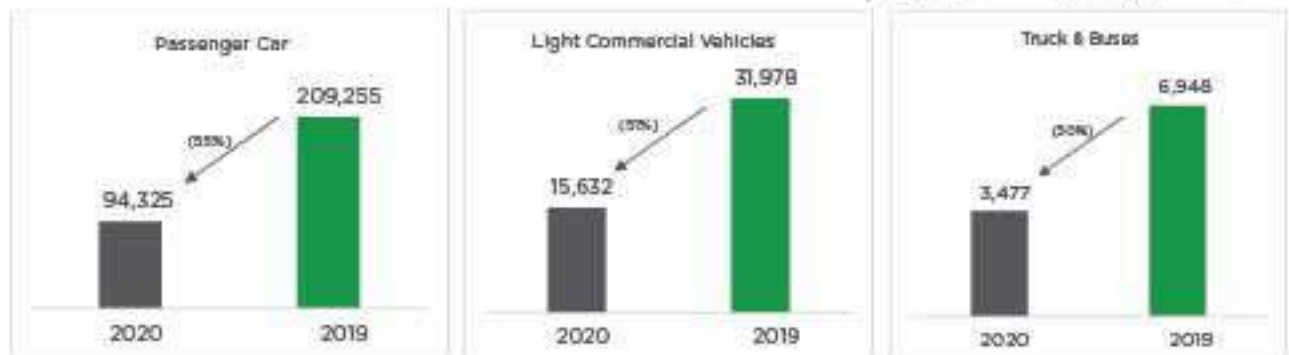
بورڈ آف ڈائریکٹرز 1.0 روپے فی حصص (20 فیصد) کے حساب سے نقد منافع منقسمہ کی سفارش کرتے ہوئے اظہار مسرت کرتے ہیں جس کی منظوری 22 اکتوبر 2020 کے سالانہ اجلاس عام میں حصص یافتگان سے لی جائے گی۔

آٹوموٹو سیکٹر کی کارکردگی

آٹوموٹو سیکٹر نے مالیاتی سال 2019-20 میں دہرے دھچکے کو محسوس کیا۔ اول الذکر حکومت پاکستان کے مالیاتی اقدامات جیسے اضافی کسٹم ڈیوٹی کی شرح میں اضافہ اور مقامی طور پر تیار کردہ تمام گاڑیوں پر FED کا نفاذ اور ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں کمی کی وجہ سے لاگت میں اضافہ ہوا اور گاڑیوں کی قیمت بڑھ گئی جس سے آٹوموبائل کی طلب میں کمی ہوئی۔

دوسرے COVID-19 کی وبا نے دنیا بھر اور پاکستان میں زندگی کا پہیہ جام کر دیا۔ ملک بھر میں لاک ڈاؤن کی وجہ سے آٹو کی صنعت 2 ماہ تک بند رہی۔

مختلف آٹوموٹو سیکٹر کا پیداواری موازنہ درج ذیل ہے۔



نمو کو بحال کرنے اور مجموعی معاشی نمو کی ترقی اور بہتری کے لئے حکومت پاکستان نے 1.24 ٹریلین روپے کارپلیف ٹیکنیج متعارف کروایا۔ اسٹیٹ بینک آف پاکستان نے مختلف اقدامات کئے جن میں شرح سود میں کمی، صنعتی پیداواری شعبہ کے لئے BMR اور توسیع کے لئے سرمایہ کاری، افرادی قوت کو برقرار رکھنے کے لئے ازسرنو سرمایہ کاری کا زیریں نرخ اور صحت کے شعبے کے لئے ازسرنو سرمایہ کاری شامل ہیں۔

مندرجہ بالا اقدامات کے علاوہ حکومت پاکستان نے نیا پاکستان ہاؤسنگ اسکیم کا اعلان کیا۔

مالیاتی اور کاروباری کارکردگی

گزشتہ کئی سالوں میں یہ پہلا موقع ہے کہ کمپنی کو قبل از ٹیکس خسارہ ہوا۔ مالیاتی سال کا آغاز سست روی سے ہوا اور جس کے نتیجے میں خام مال کے ذخائر انتہائی بلند سطح پر چلے گئے۔ تاہم انتظامیہ نے دستیاب وسائل کو مستعدی سے استعمال کیا اور کسی بینک سے قرضہ لئے بغیر اسے چلانے کے قابل رہی۔

سال کی دوسری ششماہی کا آغاز بہت مثبت رہا اور معیشت تیزی سے بڑھتی ہوئی نظر آ رہی تھی لیکن COVID-19 کی وبا نے حقیقی معنوں میں تمام سرگرمیاں بند کر دیں اور اپریل 2020 کے مہینے میں آنومو بائیل صنعت میں صفر فروخت ریکارڈ کی گئی۔

ان چیلنجز کے باوجود کمپنی 3.77 بلین روپے (2019 میں 7.12 بلین روپے) کی فروخت کرنے میں کامیاب رہی جو گزشتہ سال کی بہ نسبت 47 فیصد کم ہے۔ کمپنی کا خام منافع 84 فیصد سے کم ہوا (2020 میں 170 بلین روپے بمقابلہ 2019 میں 1,079 بلین روپے) جس کی وجہ Covid-19 لاک ڈاؤن کے دوران فروخت میں تنزلی اور سال کی پہلی ششماہی میں کسٹمر کی طلب میں کمی تھی۔

سال 2019-20 کے دوران کمپنی کے مالیاتی نتائج درج ذیل ہیں:

علیحدہ مالیاتی نتائج

(روپے '000 میں)

2019	2020
7,122,487	3,768,756
1,078,665	169,946
805,391	10,416
(202,379)	(40,214)
603,012	(29,798)
20.94	(1.03)

فروخت

خام منافع

منافع قبل از ٹیکس*

ٹیکس

(خسارہ)/منافع بعد از ٹیکس

فی حصص (خسارہ)/آمدنی (روپے)

* اس میں ذیلی کمپنی کا 114 ملین روپے کا منافع منقسمہ شامل ہے

حصص یافتگان کے لئے ڈائریکٹرز رپورٹ

برائے ختم شدہ سال 30 جون 2020

محترم حصص یافتگان!

آپ کی کمپنی کے ڈائریکٹران ختم شدہ سال 30 جون 2020 کے آڈٹ شدہ مالیاتی گوشواروں کے ساتھ اپنی رپورٹ پیش کرتے ہوئے اظہار مسرت کرتے ہیں۔

بورڈ آف ڈائریکٹرز

ختم شدہ سال پر کمپنی کا بورڈ آف ڈائریکٹرز درج ذیل تھا:

۱	جناب یونا کا آراءے - چیئرمین	نان ایگزیکٹو ڈائریکٹر
۲	جناب فہیم کپاڈیا - چیف ایگزیکٹو	ایگزیکٹو ڈائریکٹر
۳	جناب حمزہ حبیب	نان ایگزیکٹو ڈائریکٹر
۴	جناب سہیل پی احمد	نان ایگزیکٹو ڈائریکٹر
۵	جناب سلمان برنی	نان ایگزیکٹو ڈائریکٹر
۶	مس عائشہ فی حق	آزاد ڈائریکٹر
۷	جناب محمد علی جمیل	آزاد ڈائریکٹر

کمپنی کی بنیادی سرگرمیاں

کمپنی آٹوموٹو گاڑیوں، موٹر سائیکلوں اور زرعی ٹریکٹروں کے پرزوں کی تیاری اور فروخت میں مصروف عمل ہے۔

پاکستان کی معیشت

سال 2020 کی آخری سہ ماہی (اپریل تا جون) میں کرونا وائرس وباء اور بعد ازاں لاک ڈاؤن کے اقدامات کی وجہ سے پاکستان کی معیشت کو شدید دھچکا لگا۔ کرنسی کی قدر میں بڑے پیمانے پر کمی ہونے کے باوجود پاکستانی روپیہ سال کے دوران زیادہ تر مستحکم رہا، لیکن بلند افراط زر کی وجہ سے اسٹیٹ بینک آف پاکستان نے اپنے پالیسی نرخ کو ہرے ہند سے میں رکھا۔

تاہم، آخری سہ ماہی میں پالیسی نرخ میں تیزی سے کمی نے COVID-19 وباء کے معیشت پر اثرات کو کم کیا۔ صنعتی شعبے کی منفی نمو کی وجہ سے سال کے دوران شرح نمو میں 0.4 فیصد کمی ہوئی۔

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

AGRIAUTO INDUSTRIES LIMITED FOR THE YEAR ENDED JUNE 30, 2020

The company has complied with the requirements of the Regulations in the following manner:-

1. The total number of directors are 7 as per the following:

a. Male:	-	06
b. Female:	-	01
2. The composition of Board is as follows:

a) Independent Directors (Including a female director)	-	02
b) Other Non-executive Directors	-	04
c) Executive Director	-	01
3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of significant policies along with their date of approval or updating is maintained by the company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the Board were presided over by the Chairman. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. More than 66% Directors have either completed Directors' Training program or are exempt from doing so under these regulations. However, no Directors' Training Program was arranged during the year.
10. The Board has approved the change in remuneration of chief financial officer including terms and conditions of his employment. No new appointment or change in remuneration and terms and conditions of company secretary and head of internal audit took place during the year. The Board has complied with relevant requirements of the Regulations.

11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed committees comprising of members given below;
- a) Audit Committee
- | | |
|-----------------------|----------|
| - Mr. Ali Jameel | Chairman |
| - Mr. Sohail P. Ahmad | Member |
| - Ms. Ayesha T. Haq | Member |
- b) HR and Remuneration Committee
- | | |
|-----------------------|----------|
| - Mr. Ali Jameel | Chairman |
| - Mr. Yutaka Arae | Member |
| - Mr. Fahim Kapadia | Member |
| - Mr. Salman Burney | Member |
| - Mr. Sohail P. Ahmed | Member |
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The frequency of meetings of the committee were as per following:-
- | | | |
|----------------------------------|---|-------------------------|
| a) Audit Committee | - | Four quarterly meetings |
| b) HR and Remuneration Committee | - | One annual meeting |
15. The Board has outsourced the internal audit function to M/s. Noble Computer Services (Private) Limited who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (Spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard:-
18. We confirm that all requirements of the regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with except the following;
- a. Audit committee meeting minutes were once circulated by company secretary who was not the secretary of audit committee.



Fahim Kapadia
Chief Executive



Salman Burney
Non-Executive Director

DATED: August 27, 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Agriauto Industries Limited (the Company)

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **Agriauto Industries Limited** for the year ended **30 June 2020** in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended **30 June 2020**.

Further, we highlight below instance of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where it is stated in the statement of compliance:

Paragraph reference	Description
18 (a)	Audit committee meeting minutes were once circulated by company secretary who was not the secretary of audit committee.



Chartered Accountants

Place: Karachi

Date: 11 September 2020

INDEPENDENT AUDITOR'S REPORT

To the members of Agriauto Industries Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of **Agriauto Industries Limited** (the Company), which comprise the unconsolidated statement of financial position as at 30 June 2020, and the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of the loss, comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are the matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Following are the key audit matters:

Key audit matter	How our audit addressed the key audit matter
1. Existence and valuation of stock-in-trade	
<p>As disclosed in note 14 to the accompanying unconsolidated financial statements, the stock-in-trade balance constitutes approximately 30% of total assets of the Company. The cost of finished goods is determined at weighted average cost including a proportion of production overheads.</p> <p>The Net Realisable Value (NRV) of stock-in-trade is determined mainly keeping in view the estimated selling price, stock-in-trade usage and forecasted sales volume.</p> <p>We have considered this area to be a key audit matter due to its materiality and judgments involved in estimating the NRV of underlying stock-in-trade as well as the management's judgment involved in determining an appropriate costing basis and assessing its valuation.</p>	<p>Our audit procedures included, amongst others, reviewing management's procedures for evaluating the NRV of stock-in-trade, observing stock counts to ascertain the condition and existence of stock-in-trade, performing testing on a sample of items to assess the NRV of the stock-in-trade held and evaluating the adequacy of write down of stock-in-trade to NRV as at the year end.</p> <p>Further, we evaluated the appropriateness of the basis of identification of the obsolete stock-in-trade and the accuracy of write down of stock-in-trade to NRV assessed by the management, on a test basis.</p> <p>We tested the accuracy of the ageing analysis of stock-in-trade, on a sample basis.</p> <p>We also tested the calculations of per unit cost of finished goods and assessed the appropriateness of management's basis for the allocation of cost and production overheads.</p> <p>We further tested the NRV of stock-in-trade by performing a review of sales close to and subsequent to the year-end and comparing with the cost for a sample of products.</p> <p>We further assessed the adequacy of unconsolidated financial statement disclosures in accordance with the applicable financial reporting framework.</p>
2. Capital Expenditure	
<p>As disclosed in note 7.5.1 to the accompanying unconsolidated financial statements, the Company has incurred significant amount of capital expenditure including transfers from capital work in progress during the year.</p> <p>The significant nature of capital expenditure requires a number of considerations including the determination of a cut-off point on which assets are transferred to operating fixed assets, estimation of economic useful lives and residual values for determining the depreciation and evaluation of the cost that meets the criteria for capitalization under IAS 16 "Property, Plant and Equipment".</p>	<p>Our key audit procedures in this area included, amongst others, obtaining an understanding of the Company's process with respect to capital expenditure and related controls relevant to such process.</p> <p>We physically verified the newly acquired fixed assets and reviewed the relevant contracts and documents supporting various components of the capitalised cost.</p> <p>We performed substantive audit procedures including assessment of nature of costs incurred in capital expenditure through testing of amounts on sample basis and the related third-party invoices and contracts, and considered whether the expenditure met the criteria for capitalization under relevant accounting standards.</p>

CTC

Key audit matter	How our audit addressed the key audit matter
We have identified this as a key audit matter based on above consideration as well as this represents a significant transaction for the year.	<p>We also performed inspection of related documents supporting various components of the capitalized costs including review of supporting documents relating to amounts transferred to operating fixed assets during the year and review of the title documents to assess that these are in the name of the Company.</p> <p>We reviewed the timing of capitalisation by examining, on a sample basis, the completion certificates from the Company's technical departments.</p> <p>We reviewed management's estimates about the useful life of assets so capitalized and consequent depreciation rates used by the Company.</p> <p>We further assessed the adequacy of unconsolidated financial statement disclosures in accordance with the applicable financial reporting framework.</p>

Information Other than the Unconsolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the unconsolidated and consolidated financial statements and our auditor's report thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of directors are responsible for overseeing the Company's financial reporting process.



Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

ELW

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is **Tariq Feroz Khan**.



Chartered Accountants

Place: Karachi

Date: 11 September 2020

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2020

	Note	2020 (Rupees in '000)	2019
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	923,248	786,604
Right-of-use assets	8	15,351	-
Intangible asset	9	59,586	6,651
Long-term investment	10	1,144,006	1,144,006
Long-term deposits	11	6,634	6,634
Deferred taxation	12	17,659	-
		2,166,484	1,943,895
CURRENT ASSETS			
Stores, spares and loose tools	13	106,752	108,143
Stock-in-trade	14	1,385,313	1,085,156
Trade debts	15	321,641	669,222
Advances, deposits, prepayments and other receivables	16	110,428	264,958
Accrued profit		179	981
Short-term investments	17	73,329	74,629
Sales tax receivable		135,617	47,976
Taxation – net		312,017	338,070
Cash and bank balances	18	70,615	135,948
		2,515,891	2,725,083
TOTAL ASSETS		4,682,375	4,668,978
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 40,000,000 (2019: 40,000,000) ordinary shares of Rs. 5/- each		200,000	200,000
Issued, subscribed and paid-up capital	19	144,000	144,000
Reserves		3,767,400	3,998,798
		3,911,400	4,142,798
NON CURRENT LIABILITIES			
Deferred taxation	12	-	5,886
Lease liabilities	20	8,712	-
		8,712	5,886
CURRENT LIABILITIES			
Trade and other payables	21	723,596	490,028
Current portion of lease liabilities	20	6,325	-
Unpaid dividend	22	11,971	7,211
Undeclared dividend	22	20,271	23,055
		762,263	520,294
CONTINGENCIES AND COMMITMENTS	23		
TOTAL EQUITY AND LIABILITIES		4,682,375	4,668,978

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



Salman Burney
Director



Fahim Kapadia
Chief Executive



Jawwad Haqqi
Chief Financial Officer

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 ———— (Rupees in '000) ————	2019 ———— (Rupees) ————
Turnover – net	24	3,768,756	7,122,487
Cost of sales	25	(3,598,810)	(6,043,822)
Gross profit		169,946	1,078,665
Distribution cost	26	(70,816)	(128,674)
Administrative expenses	27	(226,126)	(228,443)
		(296,942)	(357,117)
Operating (loss) / profit		(126,996)	721,548
Other expenses	28	(3,141)	(69,724)
Other income	29	143,544	153,881
Finance cost		(2,991)	(314)
		137,412	83,843
Profit before taxation		10,416	805,391
Taxation	30	(40,214)	(202,379)
Net (loss) / profit for the year		(29,798)	603,012
		———— (Rupees) ————	
(Loss) / earnings per share – basic and diluted	31	(1.03)	20.94

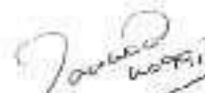
The annexed notes from 1 to 46 form an integral part of these unconsolidated financial statements.



Salman Burney
Director



Fahim Kapadia
Chief Executive



Jawwad Haqqi
Chief Financial Officer

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	(Rupees in '000)	
Net (loss) / profit for the year	(29,798)	603,012
Other comprehensive income	-	-
Total comprehensive (loss) / income for the year	(29,798)	603,012

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



Salman Burney
Director



Fahim Kapadia
Chief Executive



Jawwad Haqqi
Chief Financial Officer

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

Issued, subscribed and paid- up capital	Reserves			Total reserves	Total equity
	Capital reserve	Revenue reserves			
		Share premium	General		
(Rupees in '000)					
144,000	12,598	3,275,000	439,388	3,726,986	3,870,986
-	-	-	(244,800)	(244,800)	(244,800)
-	-	-	(86,400)	(86,400)	(86,400)
-	-	190,000	(190,000)	-	-
-	-	-	603,012	603,012	603,012
-	-	-	-	-	-
-	-	-	603,012	603,012	603,012
144,000	12,598	3,465,000	521,200	3,998,798	4,142,798
-	-	-	(201,600)	(201,600)	(201,600)
-	-	300,000	(300,000)	-	-
-	-	-	(29,798)	(29,798)	(29,798)
-	-	-	-	-	-
-	-	-	(29,798)	(29,798)	(29,798)
144,000	12,598	3,765,000	(10,198)	3,767,400	3,911,400

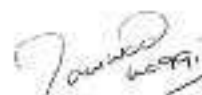
The annexed notes from 1 to 46 form an integral part of these unconsolidated financial statements.



Salman Burney
Director



Fahim Kapadia
Chief Executive



Jawwad Haqqi
Chief Financial Officer

UNCONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 (Rupees in '000)	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	348,507	126,680
Long-term deposits paid		-	(400)
Finance cost paid		(850)	(314)
Income tax paid		(37,706)	(297,097)
Net cash generated from / (used in) operating activities		309,951	(171,131)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(327,719)	(222,633)
Proceeds from disposal of operating fixed assets		20,958	12,905
Short-term investments disposed / (made) in mutual fund		1,491	(52,347)
Profit received on short-term investments - term deposit receipts		7,794	16,606
Profit received on deposit accounts		10,202	11,856
Dividend received		120,283	118,690
Net cash used in investing activities		(166,991)	(114,923)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(199,624)	(326,954)
Lease payments		(8,669)	-
Net cash used in financing activities		(208,293)	(326,954)
Net decrease in cash and cash equivalents		(65,333)	(613,008)
Cash and cash equivalents at the beginning of the year	33	157,948	770,956
Cash and cash equivalents at the end of the year	33	92,615	157,948

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



Salman Burney
Director



Fahim Kapadia
Chief Executive



Jawwad Haqqi
Chief Financial Officer

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

1 THE COMPANY AND ITS OPERATIONS

1.1 Agriauto Industries Limited (the Company) was incorporated in Pakistan on June 25, 1981 as a public limited company and is listed on Pakistan Stock Exchange Limited. The Company is engaged in the manufacture and sale of components for automotive vehicles, motor cycles and agricultural tractors. The registered office of the Company is situated at 5th Floor, House of Habib, Main Shahrah-e-Faisal, Karachi.

1.2 Geographical location and addresses of all the business units are as under:

Location	Business unit
Karachi 5th Floor, House of Habib, Main Shahrah-e-Faisal.	Registered office
Hub Mouza Baroot, Hub Chowki Distt. Lasbella, Balochistan.	Manufacturing facility

1.3 These unconsolidated financial statements are separate financial statements of the Company in which investments in subsidiary is accounted for at cost less accumulated impairment losses, if any and is not consolidated or accounted for using equity method.

2 STATEMENT OF COMPLIANCE

These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act); and
- Provisions of and directives issued under the Act.

Where provisions of and directives issued under the Act differ from the IFRSs, the provisions of and directives issued under the Act have been followed.

3 BASIS OF MEASUREMENT

3.1 These unconsolidated financial statements have been prepared under the historical cost convention except for short-term investments in mutual fund classified at fair value through profit or loss and lease liabilities under present value as disclosed in respective notes to the unconsolidated financial statements.

3.2 These unconsolidated financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

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

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

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

Standards, Amendments or Interpretation

- IFRS 9 - Prepayment Features with Negative Compensation (Amendments)
- IFRS 14 - Regulatory Deferral Accounts
- IFRS 16 - Leases
- IFRS 16 - COVID 19 Related Rent Concessions (Amendments)

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

IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)
IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments)
IFRIC 23 - Uncertainty over income tax treatments

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

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

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

4.1.1 IFRS 16 Leases

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

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

The new accounting policy in respect of leases is disclosed in note 5.2 & 5.10 to these unconsolidated financial statements. The impact of adoption of IFRS 16 on recognition and classification as at July 01, 2019 on the unconsolidated statement of financial position is summarised below:

(Rupees in '000)

Assets

Right-of-use assets
Prepayments

23,428
(1,863)
21,565

Liabilities

Non current lease liabilities
Current maturity of lease liabilities

15,369
6,196
21,565

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

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

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

(Rupees in '000)

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

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

(Rupees in '000)

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

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

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

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

*The IASB has issued an exposure draft proposing to defer the effective date of the Amendments to IAS 1 to 01 January 2023.

Improvements to Accounting Standards issued by the IASB (2018-2020 cycle)

IFRS 9 – Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities	01 January 2022
IAS 41 – Agriculture – Taxation in fair value measurements	01 January 2022

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

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Standard or Interpretation

Effective date (annual periods beginning on or after)

IFRS 1 – First time adoption of IFRSs
IFRS 17 – Insurance Contracts

01 January 2004
01 January 2023

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Property, plant and equipment

5.1.1 Operating fixed assets

These are stated at cost less accumulated depreciation and impairment loss, if any, except for freehold land which is stated at cost.

Depreciation on operating fixed assets is charged to the unconsolidated statement of profit or loss applying the reducing balance method at the rates specified in note 7.1 to these unconsolidated financial statements. Depreciation on additions is charged from the month of addition and in case of deletion up to the month of disposal. Maintenance and normal repairs are charged to unconsolidated statement of profit or loss as and when incurred, while major renewals and improvements are capitalised. Gains or losses on disposals of operating fixed assets, if any, are included in unconsolidated statement of profit or loss.

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or related cash-generating units are written down to their recoverable amount.

5.1.2 Capital work in progress

These are stated at cost less accumulated impairment in value, if any. Capital work in progress consist of expenditure incurred and advances made in respect of operating fixed assets in the course of their construction and installation.

5.2 Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received as applicable. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated using straight line method over the lease term. Right-of-use assets are subject to impairment.

5.3 Development costs or Intangible assets

Development costs are expensed as incurred, except for development costs that relate to the design of new or improved products which are recognised as an asset to the extent that it is expected that such asset will meet the recognition criteria mentioned in IAS – 38 "Intangible Assets". These amounts are amortised at the rate disclosed in note 9 to these unconsolidated financial statements.

5.4 Stores, spares and loose tools

Stores, spares and loose tools are stated at cost less provision for slow moving and obsolete items. The cost is determined by the weighted moving average cost method except for those in transit which are valued at actual cost.

5.5 Stock-in-trade

Stock-in-trade, except goods-in-transit, is stated at the lower of net realisable value (NRV) and cost determined as follows:

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Raw and packing materials	Moving average basis.
Work-in-process	Cost of direct materials plus conversion cost valued on the basis of equivalent production units.
Finished goods	Cost of direct materials plus conversion cost valued on time proportion basis.

Goods-in-transit are valued at purchase price, freight value and other charges incurred thereon upto the date of statement of financial position.

Stock-in-trade is regularly reviewed by the management and obsolete items, if any, are brought down to their NRV. NRV signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

5.6 Trade debts and other receivables

Trade debts and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method less an allowance for expected credit losses, if any. Allowance for expected credit losses is based on lifetime ECLs that result from all possible default events over the expected life of the trade debts and other receivables. Bad debts, if any, are written off when considered irrecoverable.

5.7 Investment in a subsidiary company

Investment in subsidiary is stated at cost less accumulated impairment, if any.

5.8 Cash and cash equivalents

For the purpose of unconsolidated statement of cash flow, cash and cash equivalents comprise of cash in hand, bank balances and short-term investments with a maturity of three months or less from the date of acquisition. The cash and cash equivalents are readily convertible to known amount of cash and are therefore subject to insignificant risk of changes in value.

5.9 Financial instruments

5.9.1 Financial assets

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

On initial recognition, a financial asset is classified as measured at amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value through Profit or Loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Based on the business model of the Company, the financial assets of the Company are measured and classified under IFRS 9 as follows;

Trade debts and other financial assets are measured at amortised cost using the effective interest rate method less an allowance for expected credit losses, if any.

Short-term investments in mutual fund are designated at FVTPL at initial recognition. These are carried in the unconsolidated statement of financial position at fair value with net changes in fair value recognised in the unconsolidated statement of profit or loss.

5.9.2 Financial liabilities

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. For the purpose of subsequent measurement financial liabilities are either classified at amortized cost or fair value through profit or loss. The Company does not have any financial liability at fair value through profit or loss.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

5.9.3 Impairment of financial assets - allowance for expected credit losses

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

At each date of statement of financial position, the Company assesses whether financial assets are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the respective asset.

The Company uses the standard's simplified approach and calculates ECL based on life time ECL on its financial assets. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the financial assets and the economic environment.

5.9.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the unconsolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

5.9.5 Impairment of non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax assets are assessed at date of statement of financial position to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognised, as an expense in the unconsolidated statement of profit or loss. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets.

5.10 Lease liabilities

The Company assesses at contract inception whether a contract is, or contains, a lease, i.e. if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the commencement date of the lease if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset."

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

5.10.1 Short-term leases

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on such leases are recognised as expense on a straight-line basis over the lease term.

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

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

5.11 Employees' benefits

Provident fund

The Company operates a recognised provident fund scheme (defined contribution plan) for all its employees who are eligible for the scheme in accordance with the Company's policy. Contributions in respect thereto are made in accordance with the terms of the scheme.

5.12 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, or minimum tax on turnover or Alternate Corporate Tax whichever is higher in accordance with the provisions of Income Tax Ordinance 2001. The Company has opted for Group Taxation under section 59AA of the Income Tax Ordinance, 2001. The Group consists of Agriauto Industries Limited (the Holding Company) and Agriauto Stamping Company (Private) Limited - wholly owned Subsidiary.

Deferred

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

5.13 Provisions

Provision is recognised in the unconsolidated statement of financial position when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each year end and adjusted to reflect the current best estimate.

5.14 Warranty obligations

The Company recognises the estimated liability to repair or replace products under warranty at the year end on the basis of historical experience. The warranty provided by the company to the customer is assurance warranty.

5.15 Foreign currency transactions

Transactions in foreign currencies are accounted for in Pakistani Rupees at the foreign exchange rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are re-translated into rupees at the foreign exchange rates approximating those prevailing at the date of statement of financial position. Exchange differences if any are taken to the unconsolidated statement of profit or loss.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

5.16 Revenue recognition

Revenue from contracts with customers is recognized when the control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods according to the negotiated contractual terms. The Company has generally concluded that it acts as a principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Performance obligations held by the Company are not separable, and are not partially satisfied, since they are satisfied at a point in time, when the customer accepts the products. Moreover, the payment terms identified in most sources of revenue are short-term usually 30 to 60 days upon delivery, without any variable considerations, financing components and guarantees.

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

Return on bank deposits / saving accounts is recognised on accrual basis.

Return on short term investments is recognised on accrual basis.

Dividend income is recognised when the Company's right to receive the dividend is established.

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

5.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

5.18 Dividends and appropriation to reserve

Dividend and appropriation to reserve are recognised in these unconsolidated financial statements in the period in which these are approved.

5.19 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of unconsolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the process of applying the accounting policies, management has made the following judgments and estimates which are significant to these unconsolidated financial statements:

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

	Notes
- residual values, method of depreciation, useful lives and impairment of assets	5.1, 5.2, 5.3, 7.1.8 & 9
- allowance for expected credit losses	5.6, 5.9.3 & 14.3
- provision for tax and deferred tax	5.12, 12 & 30
- warranty obligations	5.14 & 21.4
- Net realizable value (NRV) of stock-in-trade	5.5 & 14
- leases	5.10 & 20

	Note	2020 — (Rupees in '000) —	2019
7			
PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	7.1	752,965	733,836
Capital work-in-progress	7.5	170,283	52,769
		923,248	786,604

7.1 Operating fixed assets

	COST					ACCUMULATED DEPRECIATION			WRITTEN DOWN VALUE
	As at June 30, 2019	Additions / transfer/ (disposals)	As at June 30, 2020	Depreciation rate	As at June 30, 2019	Charge for the year (Note 7.2)	(On disposals)	As at June 30, 2020	As at June 30, 2020
	(Rupees in '000)			%	(Rupees in '000)				
Owned									
Freehold land	1,652	-	1,652	-	-	-	-	-	1,652
Building on freehold land	192,420	1,212 8,608 *	200,240	10	107,307	9,228	-	116,535	83,705
Plant and machinery	1,117,842	77,539 16,953 * (10,914)	1,201,219	10 – 20	556,994	64,258	(2,109)	619,143	582,076
Furniture and fittings	18,898	6,522 4,261 * (920)	28,761	15	8,923	2,135	(791)	10,267	18,494
Vehicles	96,483	6,572 (15,872)	87,083	20	41,953	10,991	(7,444)	45,500	41,583
Office equipment	6,179	-	6,179	20	3,344	587	-	3,911	2,268
Computer equipment	29,318	825 (393)	29,750	33	25,348	1,487	(343)	26,492	3,258
Dies and tools	53,059	- 17,150 *	70,209	40	37,946	12,334	-	50,280	19,929
2020	1,515,651	92,669 44,972 * (20,199)	1,625,093		781,815	101,000	(10,687)	872,128	752,965

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

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

	COST				ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
	As at June 30, 2019	Additions transfer*/ (disposals)	As at June 30, 2019	Depreciation rate	As at June 30, 2019	Charge for the year (Note 7.2)	(On disposals)	As at June 30, 2019	As at June 30, 2019
	(Rupees in '000)			%	(Rupees in '000)				
Owned									
Freehold land	1,852	-	1,852	-	-	-	-	-	1,852
Building on freehold land	189,872	2,748	192,420	10	98,079	9,228	-	107,307	85,113
Plant and machinery	1,000,572	121,384 15,528 * (19,842)	1,117,842	10 - 20	507,782	81,720	(12,488)	556,994	560,848
Furniture and fittings	15,558	3,624 (294)	18,898	15	7,795	1,397	(289)	8,923	9,975
Vehicles	83,407	26,854 (13,778)	96,483	20	40,524	11,723	(10,294)	41,953	54,530
Office equipment	4,473	1,899 (193)	6,179	20	3,092	441	(189)	3,344	2,835
Computer equipment	30,392	2,091 (3,165)	29,318	33	26,654	1,672	(2,978)	25,348	3,970
Dies and tools	37,891	15,168	53,059	40	35,453	2,493	-	37,946	15,113
2019	1,383,817	173,768 15,528 * (37,262)	1,515,651		719,359	98,874	(26,219)	781,815	733,836

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

Note 2020
— (Rupees in '000) —
2019

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

Cost of sales	25	90,952	78,696
Distribution cost	26	1,971	1,494
Administrative expenses	27	8,077	8,484
		101,000	88,674

7.3 Particulars of immovable property (i.e. freehold land and building on freehold land) in the name of Company is as follows:

Location	Use of immovable property	Total area
Mouza Baroot, Hub Chowki, Distt. Lasbella, Balochistan	Manufacturing Facility	18.4 acres

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

7.4 Particulars of disposal of each operating fixed asset having book value of five hundred thousand rupees or more, where aggregate book value of that class of assets exceeds five million rupees are as follows:

Particulars	Cost	Book value	Sales proceeds	Gain / (loss)	Mode of disposal	Particulars of buyer	Relationship
Plant and machinery							
Rupees in '000							
Tractor YTO X 750	1,483	1,090	800	(190)	Negotiation	Mr. Ajmal	Independent purchaser
Tractor YTO X 750	1,480	1,054	1,000	(54)	Negotiation	Mr. Shahid	Independent purchaser
Tractor YTO X 650	1,534	1,211	1,000	(211)	Negotiation	Mr. Mohsin Ali Khan	Independent purchaser
Tractor YTO-ELX 1094	2,638	2,218	2,600	384	Negotiation	Mr. Mohsin Ali Khan	Independent purchaser
Tractor YTO-BF-75 4 Wheel	1,452	1,428	1,600	172	Negotiation	Syed Hassan Raza	Independent purchaser
Tractor YTO-BF-75 4 Wheel	1,486	1,459	1,600	141	Negotiation	Mr. Mohsin Ali Khan	Independent purchaser
Vehicles							
Toyota Corolla	1,628	550	1,010	460	Company policy	Mr. Tahir Ijaz	Ex-employee
Toyota Corolla	1,752	581	581	-	Company policy	Mr. Zia Alam	Ex-employee
Toyota Corolla	1,863	860	900	40	Company policy	Mr. Shiraz Ahmed	Ex-employee
Toyota Corolla	1,642	883	1,610	727	Company policy	Mr. Danish Abrar	Ex-employee
Toyota Corolla	2,154	1,495	2,150	655	Negotiation	Mr. Ghulam Abbas	Ex-employee
Toyota Corolla	2,679	2,288	2,960	672	Negotiation	Mr. Asif Bashir	Independent purchaser
Suzuki Cultus	1,568	1,200	1,340	140	Company policy	Mr. Sabir Ali	Ex-employee
	23,379	16,315	19,251	2,936			
Operating fixed assets having WDV less than Rs. 0.5 million	4,820	1,197	1,707	510	Various	Various	
2020	28,199	17,512	20,958	3,446			
2019	37,262	11,044	12,906	1,861			

Note 2020 2019
— (Rupees in '000) —

7.5 Capital work in progress

Plant and machinery
Building on freehold land

	121,488	46,160
	48,795	6,608
7.5.1	170,283	52,768

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 — (Rupees in '000) —	2019
7.5.1 Movement in capital work-in-progress is as follows:			
As at July 01		52,768	23,365
Capital expenditure incurred / advances made during the year		170,284	47,581
Transfer to operating fixed assets during the year	7.1	(44,972)	(15,528)
Charged off during the year		(7,797)	(2,650)
As at June 30		<u>170,283</u>	<u>52,768</u>
8 RIGHT-OF-USE ASSETS			
As at July 01		23,428	-
Impact of initial application of IFRS 16 (note 4.1.1)		(8,077)	-
Depreciation charged during the year	8.1	<u>15,351</u>	<u>-</u>
As at June 30			
8.1 Depreciation charge for the year has been allocated as follows :			
Cost of sales	25	5,632	-
Distribution cost	26	781	-
Administrative expenses	27	1,664	-
		<u>8,077</u>	<u>-</u>
9 INTANGIBLE ASSET			
Cost			
As at July 01		10,736	9,452
Additions during the year	9.1	64,766	1,284
As at June 30		<u>75,502</u>	<u>10,736</u>
Accumulated amortisation			
As at July 01		(4,085)	(1,589)
Charge for the year	25	(11,831)	(2,496)
As at June 30		<u>(15,916)</u>	<u>(4,085)</u>
Net book value as at June 30		<u>59,586</u>	<u>6,651</u>
Annual rate of amortisation		<u>20%</u>	<u>20%</u>

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

	Note	2020 — (Rupees in '000) —	2019
10 LONG-TERM INVESTMENT			
Investment in a subsidiary company - at cost			
Agriauto Stamping Company (Private) Limited	10.1	<u>1,144,006</u>	<u>1,144,006</u>

10.1 Represents investment in wholly owned subsidiary company incorporated on January 20, 2012.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 — (Rupees in '000) —	2019
11 LONG-TERM DEPOSITS			
Security deposits - considered good	11.1	6,634	6,634
11.1 Represent interest free deposits.			
12 DEFERRED TAXATION			
Deductible temporary differences arising due to:			
- provisions and lease liabilities		95,120	79,647
- unused tax losses		14,948	-
Taxable temporary differences arising due to:			
- accelerated tax depreciation		(92,409)	(85,533)
		17,659	(5,886)
13 STORES, SPARES AND LOOSE TOOLS			
Stores		66,012	63,378
Spares		36,774	39,569
Loose tools		3,966	5,196
		106,752	108,143
14 STOCK-IN-TRADE			
Raw material		1,241,592	781,482
Packing material		3,959	3,475
Work-in-process		49,188	43,441
Finished goods		38,078	19,954
Goods-in-transit		52,496	236,804
		1,385,313	1,085,156
14.1 Write down of stock-in-trade to net realizable value during the year amounted to Rs. 49,777 million (2019: Rs. 12,338 million).			
14.2 Reversal of write down of stock-in-trade to net realizable value during the year amounted to Rs. Nil (2019: Rs. 7,806 million).			

	Note	2020 — (Rupees in '000) —	2019
15 TRADE DEBTS - unsecured			
Considered good	15.1 & 15.2	321,641	669,222
Considered doubtful		425	602
Allowance for expected credit losses	15.3	(425)	(602)
		-	-
		321,641	669,222

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

15.1 This includes an amount of Rs. 3.32 million (2019: Rs. 2.57 million) and Rs. 1.91 million (2019: Nil) receivable from Agriauto Stamping Company (Private) Limited, a wholly owned subsidiary and Thal Boshoku Pakistan (Private) Limited, against sales made by the Company respectively.

15.2 The amount due from the related parties is neither passed due nor impaired. The maximum aggregate amount receivable from the related parties at the end of any month during the year was Rs 8.43 million (2019: Rs 4.20 million).

	Note	2020 — (Rupees in '000) —	2019
15.3 Movement in allowance for expected credit losses:			
As at July 01		602	595
(Reversal) / charge for the year	28 & 29	(177)	7
As at June 30		425	602
16 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances – unsecured, considered good			
Contractors		1,312	15,594
Employees		713	953
Suppliers		2,135	12
		4,160	16,559
Deposits		577	425
Prepayments			
Insurance		4,619	4,426
Rent		-	3,810
Others		6,010	2,688
		10,629	10,924
Other receivables - secured, considered good	16.1	95,062	237,050
		110,428	264,958

16.1 This includes an amount of Rs. 21.42 million (2019: Rs. 231.46 million) and Rs. 73.64 million (2019: Rs. Nil) receivable against LC margins and claim against Additional custom duty from a customer respectively.

	Note	2020 — (Rupees in '000) —	2019
17 SHORT-TERM INVESTMENTS			
At amortised cost			
Term deposit receipts	17.1	22,000	22,000
Accrued profit thereon		291	53
		22,291	22,053
At fair value through profit or loss			
Mutual funds - open ended (4,847,847 units (2019: 5,323,943 units) at NAV of Rs.10.5282 each (2019: Rs. 9.875)		51,038	52,576
		73,329	74,629

17.1 Represents one to three months term deposit receipts with commercial banks under conventional banking relationship carrying profit rate of 6.70% (2019: 5.85%) per annum and will mature by August 29, 2020.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 — (Rupees in '000) —	2019
18 CASH AND BANK BALANCES			
In hand		9	3
With banks in			
- current accounts	18.1 & 18.2	38,561	85,570
- deposit accounts		32,045	50,375
		70,606	135,945
		70,615	135,948

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

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

19 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2020 Number of shares in ('000)	2019	Ordinary shares of Rs. 5/- each	2020 — (Rupees in '000) —	2019
22,800	22,800	Fully paid in cash	114,000	114,000
6,000	6,000	Issued as bonus shares	30,000	30,000
28,800	28,800		144,000	144,000

20 LEASE LIABILITIES

The Company has certain lease arrangements for its offices and warehouse in which rentals are payable in advance. Incidental expense related to these leases are borne by the Company. The weighted average incremental borrowing rate of the company is 14% (2019: Nil) per annum.

	Note	2020 — (Rupees in '000) —	2019
Lease liabilities		15,037	-
Current maturity of lease liabilities	20.1	(6,325)	-
		8,712	-
20.1 Movement of lease liabilities:			
As at July 01		-	-
Impact of initial application of IFRS 16 (note 4.1.1)		21,565	-
Finance cost during the year		2,141	-
Payments during the year		(8,669)	-
As at June 30		15,037	-
Current maturity of lease liabilities		(6,325)	-
		8,712	-
20.2 The maturity analysis of lease liabilities as at the reporting date is as follows:			
Up to one year		6,325	-
After one year		8,712	-
Total lease liabilities		15,037	-

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

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

	Note	2020 — (Rupees in '000) —	2019
21 TRADE AND OTHER PAYABLES			
Creditors	21.1	77,077	90,993
Accrued liabilities		401,095	243,593
Royalty payable		10,313	17,041
Advance from customer		113,569	1,059
Payable to provident fund	21.2	2,542	2,369
Withholding tax payable		1,146	10,586
Workers' Profit Participation Fund	21.3	566	3,140
Workers' Welfare Fund		-	14,650
Warranty obligations	21.4	113,285	102,127
Others		4,104	4,530
		723,696	490,028

21.1 This includes an amount of Rs. 0.07 million (2019: 0.05 million) payable to Shabbir Tiles and Ceramics Limited, a related party of the Company.

21.2 Investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

	Note	2020 — (Rupees in '000) —	2019
21.3 Workers' Profit Participation Fund			
As at July 01		3,140	584
Allocation for the year	26	566	43,140
		3,706	43,724
Payment made during the year		(3,140)	(40,584)
As at June 30		566	3,140
21.4 Warranty obligations			
As at July 01		102,127	77,464
Provision for the year	26	15,076	28,513
		117,203	105,977
Claims paid during the year		(3,918)	(3,850)
As at June 30		113,285	102,127

22 UNPAID DIVIDEND / UNCLAIMED DIVIDEND

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

23 CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

As at the reporting date, total outstanding claims on the Company by certain vendors amounted to Rs. 2.25 million (2019: Nil). The management of the Company is confident that no loss is likely to occur from these claims and accordingly no provision in this respect has been made in these unconsolidated financial statements.

23.2 Commitments

23.2.1 Commitments in respect of outstanding letters of credit for raw material amounting to Rs. 178.891 million (2019: Rs. 405.049 million).

23.2.2 Commitments in respect of capital expenditure amounting to Rs. 1.686 million (2019: Rs. 81.982 million).

23.2.3 Outstanding bank guarantees issued to Sul Southern Gas Company Limited amounting to Rs. 0.385 million (2019: Rs. 0.385 million).

24 TURNOVER – net

Sales

Trade discount

Sales tax

2020 2019
— (Rupees in '000) —

4,422,906	8,340,194
(161)	(170)
(653,989)	(1,217,537)
(654,150)	(1,217,707)
3,768,756	7,122,487

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

25	COST OF SALES	Note	2020 — (Rupees in '000) —	2019
Raw material consumed				
	Opening stock	14	781,482	669,766
	Purchases		3,235,051	5,062,378
			4,016,533	5,752,144
	Closing stock	14	(1,241,592)	(781,482)
			2,774,941	4,970,662
Manufacturing expenses				
	Salaries, wages and benefits		364,549	448,039
	Stores, spares and loose tools consumed		131,386	209,768
	Fuel and power		72,928	70,586
	Amortization	9	11,831	2,496
	Royalty		20,830	33,979
	Depreciation on operating fixed assets	7.2	90,952	78,696
	Depreciation on right-of-use assets	8.1	5,632	-
	Transportation and travelling		54,880	82,014
	Repairs and maintenance		61,813	72,452
	Packing material consumed		15,237	29,921
	Rent, rates and taxes		251	6,251
	Research and development costs		7,020	2,950
	Insurance		2,896	3,470
	Communications and professional fee		3,495	3,247
	Printing and stationery		824	1,522
	Others		3,216	9,078
			847,740	1,054,469
Work-in-process				
	Opening stock	14	43,441	48,913
	Closing stock	14	(49,188)	(43,441)
			(5,747)	5,472
			3,616,934	6,030,603
Cost of goods manufactured				
Finished goods				
	Opening stock	14	19,954	33,173
	Closing stock	14	(38,078)	(19,954)
			(18,124)	13,219
			3,598,810	6,043,822

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

Compan name	Address	Relationship with the Compan	2020 — (Rupees in '000) —	2019
KYB Corporation	World Trade Center Building 4-1, Hamamatsu-Cho 2 Chome, Minato-Ku, Tokyo 105 Japan	Technical Partner	23,799	23,701
Aisin Seiki Co., Ltd	2-1, Asahi-Machi, Kariya, Aichi, 448-4650, Japan	Technical Partner	972	993
Ride Control LLC	750 Old Hickory Blvd. Suite 1-180 Brentwood, TN 37027, USA	Technical Partner	2,786	5,500

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

		2020	2019
	Note	— (Rupees in '000) —	
26 DISTRIBUTION COST			
Salaries, wages and benefits		18,037	19,529
Advertisement and sales promotion		9,197	40,095
Carriage and forwarding		18,983	33,127
Travelling and conveyance		2,907	3,220
Depreciation on operating fixed assets	7.2	1,971	1,494
Depreciation on right-of-use assets	8.1	781	-
Provision for warranty claims	21.4	15,076	28,513
Trade debts written-off		-	101
Rent, rates and taxes		204	263
Communications		235	541
Insurance		1,784	1,486
Repairs and maintenance		1,442	82
Others		199	223
		70,816	128,674
27 ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits		80,006	83,349
Legal and professional charges		71,954	72,232
Travelling and conveyance		14,921	17,603
Repairs and maintenance		20,517	16,418
Depreciation on operating fixed assets	7.2	8,077	8,484
Depreciation on right-of-use assets	8.1	1,664	-
Security services		9,174	7,322
Communications and professional fee		2,396	3,724
Printing and stationery		1,532	3,767
Rent, rates and taxes		6,051	7,368
Utilities		2,028	1,899
Auditors' remuneration	27.1	2,091	1,630
Insurance		1,281	1,462
Others		4,354	3,385
		226,126	228,443
27.1 Auditors' remuneration			
Audit fee for standalone financial statements		900	900
Audit fee for consolidated financial statements		175	175
Fee for review of half yearly financial statements		100	100
Other certifications		671	250
Out of pocket expenses		245	205
		2,091	1,630
28 OTHER EXPENSES			
Workers' Profit Participation Fund	21.3	566	43,140
Workers' Welfare Fund		-	14,650
Donations	28.1	2,575	11,927
Allowance for expected credit losses	15.3	-	7
		3,141	69,724

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

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

	2020 — (Rupees in '000) —	2019 — (Rupees in '000) —
Habib Educational Trust	2,000	4,900
Mohammedali Habib Welfare Trust	-	4,000
Markaz-e-Umeed	-	1,500

- 28.2 None of the directors or their spouses had any interest in the donees except for Ms. Ayesha T. Haq (Independent director) who is a member of Board of Governors in Professional Education Foundation (PEF). Donation given to PEF during the year amounted to Rs. Nil (2019: 0.2 million).

	Note	2020 — (Rupees in '000) —	2019 — (Rupees in '000) —
29 OTHER INCOME			
Income from financial assets			
Profit on:			
- short-term investments - term deposit receipts		8,032	13,791
- deposit accounts		9,400	12,156
	29.1	17,432	25,947
(Loss) / gain on disposal of short-term investments - mutual funds		(47)	229
Unrealised (loss) / gain on short-term investments- mutual funds		(2,000)	189
Reversal of allowance for expected credit losses	15.3	177	-
Liabilities no longer payable - written back		403	-
Dividend income:			
- Agriauto Stamping Company (Private) Limited		114,401	114,401
- short-term investments - mutual funds		5,982	6,096
		120,283	120,497
Income from non-financial assets			
Gain on disposal of operating fixed assets	7.4	3,446	1,861
Scrap sales		1,313	5,158
Miscellaneous income		2,537	-
		7,296	7,019
		143,544	153,881

- 29.1 Represents profit earned under conventional banking relationship.

30 TAXATION

Current

For the year	57,413	199,068
Prior	6,346	(140)
Super tax	-	14,357

Deferred

	63,759	213,285
	(23,545)	(10,906)
	40,214	202,379

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

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

31 EARNINGS PER SHARE – basic and diluted

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

	Note	2020 — (Rupees in '000) —	2019
Net (loss) / profit for the year		(29,798)	603,012
Weighted average number of ordinary shares outstanding during the year (shares in '000)		28,800	28,800
(Loss) / earning per share (Rs.)		(1.09)	20.94
32 CASH GENERATED FROM OPERATIONS			
Profit before taxation		10,416	805,391
Adjustments for:			
Depreciation and amortisation	7.2, 8 & 9	120,908	91,170
Finance costs		2,991	314
(Reversal) / allowance for expected credit losses		(177)	7
Liabilities no longer payable - written back	29	(403)	-
Trade debts written off		-	101
Profit on short-term investments - term deposit receipts	29	(8,032)	(13,791)
Profit on deposit accounts	29	(9,400)	(12,156)
Dividend income	29	(120,283)	(120,497)
Capital work-in-progress charged off	7.5.1	7,797	2,650
Gain on disposal of operating fixed assets	29	(3,446)	(1,861)
Loss / (gain) on disposal of short-term investments - mutual funds	29	47	(229)
		(9,998)	(54,292)
		418	751,099
Decrease / (increase) in current assets			
Stores, spares and loose tools		1,391	(24,965)
Stock-in-trade		(300,157)	(120,914)
Trade debts		347,758	(237,399)
Advances, deposits, prepayments and other receivables		152,667	(256,052)
Sales tax receivable		(87,641)	(38,890)
		114,018	(678,220)
Increase in current liabilities			
Trade and other payables		234,071	53,801
		348,507	126,680
33 CASH AND CASH EQUIVALENTS			
Short-term investments - term deposit receipts	17	22,000	22,000
Cash and bank balances	18	70,615	135,948
		92,615	157,948

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Company's financial instruments are market risks, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

34.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate and foreign exchange rates which are discussed below:

(i) Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to the changes in market interest rates. The Company is exposed to interest rate risk in respect of bank deposits and term deposit receipts. Management of the Company estimates that 1% increase in the market interest rate, with all other factor remaining constant, would decrease the Company's loss for the year by Rs. 0.54 million (2019: Rs. 0.52 million) and a 1% decrease would result in the increase in the Company's loss for the year by the same amount. However, in practice, the actual result may differ from the sensitivity analysis.

(ii) Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. As at June 30, 2020, the Company does not have any financial assets or financial liabilities which are denominated in foreign currencies.

34.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is exposed to credit risk mainly on trade debts, short-term investments, long-term deposits, short-term deposits, other receivables and bank balances. The Company seeks to minimise the credit risk exposure through having exposure only to customers considered credit worthy and obtaining securities where applicable.

The table below provides the analysis of the credit quality of financial assets on the basis of external credit rating or the historical information about counter party default rates.

	Note	2020 — (Rupees in '000) —	2019
The maximum exposure to credit risk at reporting date is as follows:			
Long-term deposits	11	6,634	6,634
Trade debts	15	321,641	669,222
Deposits	16	577	425
Other receivables	16	95,062	237,050
Short-term investments	17	73,329	74,629
Bank balances	18	70,606	135,945
		567,849	1,123,905

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

The table below provides the analysis of the credit quality of financial assets on the basis of external credit rating or the historical information about counter party default rates.

	2020 — (Rupees in '000) —	2019 — (Rupees in '000) —
Trade debts		
The analysis of trade debts is as follows:		
Neither past due nor impaired	302,008	557,235
Past due but not impaired		
- 30 to 90 days	11,787	111,987
- 91 to 180 days	7,769	-
- 181 to 360 days	77	-
	<u>321,641</u>	<u>669,222</u>
Bank balances		
Ratings		
AAA	7,205	-
AA+	63,312	-
A-1+	-	135,945
	<u>70,607</u>	<u>135,945</u>
Short-term investments		
Ratings		
A-1+	73,329	52,576
AA(f)	-	22,053
	<u>73,329</u>	<u>74,629</u>

34.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet commitments associated with financial instruments. The management of the Company believes that it is not exposed to any significant level of liquidity risk.

The management forecasts the liquidity of the Company on the basis of expected cashflow considering the level of liquid assets necessary to mitigate the liquidity risk.

2020	Not later than 3 months	Later than 3 months but not more than a year	1 to 5 years	Total
	(Rupees in '000)			
Trade and other payables	530,533	75,000	-	605,533
Lease liabilities	6,000	325	8,712	15,037
Unpaid dividend	11,971	-	-	11,971
Unclaimed dividend	20,271	-	-	20,271
	<u>568,775</u>	<u>75,325</u>	<u>8,712</u>	<u>652,812</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

2019	Not later than 3 months	Later than 3 months but not more than a year	1 to 5 years	Total
	(Rupees in '000)			
Trade and other payables	458,224	-	-	458,224
Lease liabilities	-	-	-	-
Unpaid dividend	7,211	-	-	7,211
Unclaimed dividend	23,055	-	-	23,055
	<u>488,490</u>	<u>-</u>	<u>-</u>	<u>488,490</u>

35 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital is to safeguard the Company's ability to continue to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is currently financing majority of its operations through equity and working capital. The capital structure of the Company is equity based with no financing through long-term borrowings.

36 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

Fair value hierarchy

The different levels to analyse financial assets carried at fair value have been defined as follows:

- Level 1: Quoted market price
- Level 2: Valuation techniques (market observable); and
- Level 3: Valuation techniques (non-market observables)

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

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

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

	2020		2019	
	Unclaimed & Unpaid	Lease liabilities — (Rupees in '000) —	Unclaimed & Unpaid	Lease liabilities
As at July 01	30,266	-	26,020	-
Changes from financing cash flows				
Dividend paid during the year	(199,624)	-	(326,954)	-
Payments made during the year	-	(8,669)	-	-
	(199,624)	(8,669)	(326,954)	-
Other changes				
Dividend declared during the year	201,600	-	331,200	-
Impact of initial application of IFRS 16 (note 4.1.1)	-	21,565	-	-
Finance cost during the year	-	2,141	-	-
Additions during the year	-	-	-	-
	201,600	23,706	331,200	-
As at June 30	32,242	15,037	30,266	-

38 REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2020		2019	
	Chief executive	Executives — (Rupees in '000) —	Chief executive	Executives
Managerial remuneration	19,600	51,153	18,149	45,497
Bonus	4,800	6,588	6,612	10,463
Retirement benefits	1,633	2,662	1,512	2,100
Utilities	-	187	-	138
Medical expenses	52	373	54	298
	26,085	60,963	26,327	58,496
Number of persons	1	13	1	12

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

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

39 TRANSACTIONS WITH RELATED PARTIES

39.1 Related parties of the Company comprise the subsidiary company, companies with common directorship, retirement funds, directors and key management personnel. All the transactions with related parties are entered into at agreed terms in the normal course of business as approved by the Board of Directors of the Company. Detail of transactions with related parties during the year, other than disclosed elsewhere in the unconsolidated financial statements, are as follows:

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

Name of related party and relationship with the Company	Nature of transactions	Percentage of share holding in the Company %	2020 — (Rupees in '000) —	2019
Subsidiary (wholly owned)				
Agriauto Stamping Company (Private) Limited.	Sales	Nil	15,253	33,316
	Dividend received		114,401	114,401
	Tax credit claimed		49,280	13,424
	Service rendered		-	2,932
Associated companies (Common directorship)				
Auvitronics Limited	Purchase	Nil	-	2,149
Thal Limited	Dividend paid	7.35	14,809	24,329
Shabbir Tiles & Ceramics Limited	Purchases	Nil	865	103
Thal Boshoku Pakistan (Private) Limited	Sales	Nil	4,636	-
Retirement benefits fund				
Employees' Provident Fund	Contribution	Nil	11,612	10,426
Key management personnel	Remuneration and other benefits	Nil	38,815	39,254

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

39.3 Details of compensation to the key management personnel have been disclosed in the note 38 to the unconsolidated financial statements.

40 PRODUCTION CAPACITY

The production capacity of the Company cannot be determined as this depends on the relative proportions of various types of vehicles and agricultural tractors produced by OEMs.

41 UNUTILIZED CREDIT FACILITIES

As of the statement of financial position date, the Company has unutilized facilities for short-term running finance available from various banks amounted to Rs. 160 million (2019: 160 million). The rate of mark-up on these finances ranges from 1 to 3 months KIBOR plus rates varying from 0.75% to 1.25% (2019: 1 to 3 months KIBOR plus rates varying from 0.75% to 1.25%). The facilities are secured by way of pari passu hypothecation of Company's stock-in-trade, stores, spares, loose tools and trade debts.

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

2020 2019
 — (Rupees in '000) —

43 NUMBER OF EMPLOYEES

Total number of employees as at June 30	617	709
Average number of employees during the year	667	709

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

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

The revenue of the Company was impacted by COVID-19 in the period of lockdown and in addition, the Company had to incur additional cost to ensure safety of its employees and stakeholders. Consequently, Covid-19 being one of the major factors which contributed towards overall decrease in revenues by approximately 20% along with the corresponding variable cost and variable overheads. However, after implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company henceforth resumed its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business in order to maintain business performance despite slowed down economic activity. Due to this, the management has assessed the accounting implications arising out of these developments on these unconsolidated financial statements, including but not limited to the following areas:

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

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

45 GENERAL

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

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

46 DATE OF AUTHORISATION FOR ISSUE

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



Salman Burney
Director



Fahim Kapadia
Chief Executive



Jawwad Haqqi
Chief Financial Officer

A photograph of a male worker in a white hard hat and a green surgical mask, wearing a green long-sleeved shirt and a brown apron. He is working on a complex industrial machine with various hoses and components. The background shows a factory environment with a large fan and other equipment. The image has a green tint and is framed by a decorative green and white curved border on the right side.

FINANCIAL STATEMENTS (CONSOLIDATED)



Building a better
working world

EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

UAN: +9221 111 11 39 37 (EYFR)
Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

INDEPENDENT AUDITOR'S REPORT

To the members of Agriauto Industries Limited

Opinion

We have audited the annexed consolidated financial statements of **Agriauto Industries Limited** and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 30 June 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of the Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are the matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Following are the Key audit matters:

Key audit matter	How our audit addressed the key audit matter
<p>1. Existence and valuation of stock-in-trade</p> <p>As disclosed in note 12 to the accompanying consolidated financial statements, the stock-in-trade balance constitutes approximately 31% of total assets of the Group. The cost of finished goods is determined at weighted average cost including a proportion of production overheads.</p> <p>The Net Realisable Value (NRV) of stock-in-trade is determined mainly keeping in view the estimated selling price, stock-in-trade usage and forecasted sales volume.</p> <p>We have considered this area to be a key audit matter due to its materiality and judgments involved in estimating the NRV of underlying stock-in-trade as well as the management's judgment involved in determining an appropriate costing basis and assessing its valuation.</p>	<p>Our audit procedures included, amongst others, reviewing management's procedures for evaluating the NRV of stock-in-trade, observing stock counts to ascertain the condition and existence of stock-in-trade, performing testing on a sample of items to assess the NRV of the stock-in-trade held and evaluating the adequacy of write down of stock-in-trade to NRV as at the year end.</p> <p>Further, we evaluated the appropriateness of the basis of identification of the obsolete stock-in-trade and the accuracy of write down of stock-in-trade to NRV assessed by the management, on a test basis.</p> <p>We tested the accuracy of the ageing analysis of stock-in-trade, on a sample basis.</p> <p>We also tested the calculations of per unit cost of finished goods and assessed the appropriateness of management's basis for the allocation of cost and production overheads.</p> <p>We further tested the NRV of stock-in-trade by performing a review of sales close to and subsequent to the year-end and comparing with the cost for a sample of products.</p> <p>We further assessed the adequacy of consolidated financial statement disclosures in accordance with the applicable financial reporting framework.</p>
<p>2. Capital Expenditure</p> <p>As disclosed in note 7.5.1 to the accompanying consolidated financial statements, the Group has incurred significant amount of capital expenditure including transfers from capital work in progress during the year.</p> <p>The significant nature of capital expenditure requires a number of considerations including the determination of a cut-off point on which assets are transferred to operating fixed assets, estimation of economic useful lives and residual values for determining the depreciation and evaluation of the cost that meets the criteria for capitalization under IAS 16 "Property, Plant and Equipment".</p>	<p>Our key audit procedures in this area included, amongst others, obtaining an understanding of the Group's process with respect to capital expenditure and related controls relevant to such process.</p> <p>We physically verified the newly acquired fixed assets and reviewed the relevant contracts and documents supporting various components of the capitalised cost.</p> <p>We performed substantive audit procedures including assessment of nature of costs incurred in capital expenditure through testing of amounts on sample basis and the related third-party invoices and contracts, and considered whether the expenditure met the criteria for capitalization under relevant accounting standards.</p>

Key audit matter	How our audit addressed the key audit matter
	<p>We also performed inspection of related documents supporting various components of the capitalized costs including review of supporting documents relating to amounts transferred to operating fixed assets during the year and review of the title documents to assess that these are in the name of the Group.</p> <p>We reviewed the timing of capitalisation by examining, on a sample basis, the completion certificates from the Group's technical departments.</p> <p>We reviewed management's estimates about the useful life of assets so capitalized and consequent depreciation rates used by the Group.</p> <p>We further assessed the adequacy of consolidated financial statement disclosures in accordance with the applicable financial reporting framework.</p>

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated and unconsolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Group's financial reporting process.

EY

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

17/11

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is **Tariq Feroz Khan**.

EY Ford Rhodes

Chartered Accountants

Place: Karachi

Date: 11 September 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2020

	Note	2020 (Rupees in '000)	2019 (Rupees in '000)
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	2,159,468	2,089,475
Right-of-use assets	8	15,351	-
Intangible asset	9	59,586	6,651
Long-term deposits	10	13,438	13,438
		2,247,843	2,109,564
CURRENT ASSETS			
Stores, spares and loose tools	11	120,816	123,713
Stock-in-trade	12	1,937,205	1,601,264
Trade debts	13	492,234	985,768
Advances, deposits, prepayments and other receivables	14	141,916	340,052
Accrued profit		1,215	1,793
Short-term investments	15	494,329	187,513
Sales tax receivable		168,275	86,409
Taxation – net		458,746	530,309
Cash and bank balances	16	131,195	174,378
		3,945,931	4,031,199
TOTAL ASSETS		6,193,774	6,140,763
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 40,000,000 (2019: 40,000,000) ordinary shares of Rs. 5/- each		200,000	200,000
Issued, subscribed and paid-up capital	17	144,000	144,000
Reserves		4,970,140	5,280,178
		5,114,140	5,424,178
NON CURRENT LIABILITIES			
Deferred taxation - net	18	62,123	64,780
Lease liabilities	19	8,712	-
		70,835	64,780
CURRENT LIABILITIES			
Trade and other payables	20	970,232	621,539
Current portion of lease liabilities	19	6,325	-
Unpaid dividend	21	11,971	7,211
Unclaimed dividend	21	20,271	23,055
		1,008,799	651,805
CONTINGENCIES AND COMMITMENTS	22		
TOTAL EQUITY AND LIABILITIES		6,193,774	6,140,763

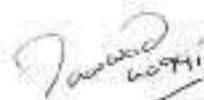
The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.



Salman Burney
Director



Fahim Kapadia
Chief Executive



Jawwad Haqqi
Chief Financial Officer

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2020

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

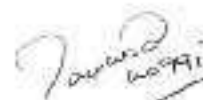
The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.



Salman Burney
Director



Fahim Kapadia
Chief Executive



Jawwad Haqqi
Chief Financial Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

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

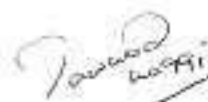
The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.



Salman Burney
Director



Fahim Kapadia
Chief Executive



Jawwad Haqqi
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2020

Issued, subscribed and paid-up capital	Reserves				Total reserves	Total equity
	Capital reserve	Revenue reserves				
		Share premium	General	Unappropriated profit		
(Rupees in '000)						
144,000	12,599	3,655,000	889,082	4,556,680	4,700,680	
-	-	-	(244,800)	(244,800)	(244,800)	
-	-	-	(88,400)	(88,400)	(88,400)	
-	-	(590,000)	590,000	-	-	
-	-	-	1,054,698	1,054,698	1,054,698	
-	-	-	-	-	-	
-	-	-	1,054,698	1,054,698	1,054,698	
144,000	12,598	3,665,000	2,202,580	5,280,178	5,424,178	
-	-	-	(201,600)	(201,600)	(201,600)	
-	-	(750,000)	750,000	-	-	
-	-	-	(108,438)	(108,438)	(108,438)	
-	-	-	-	-	-	
-	-	-	(108,438)	(108,438)	(108,438)	
144,000	12,599	2,315,000	2,642,542	4,970,140	5,114,140	

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



Salman Burney
Director



Fahim Kapadia
Chief Executive



Jawwad Haqqi
Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020

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

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



Salman Burney
Director



Fahim Kapadia
Chief Executive



Jawwad Haqqi
Chief Financial Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

1 THE GROUP AND ITS OPERATIONS

- 1.1 Agriauto Industries Limited (the Holding Company) was incorporated in Pakistan on June 25, 1981 as a public limited company and is listed on Pakistan Stock Exchange Limited. The Holding Company is engaged in the manufacture and sale of components for automotive vehicles, motor cycles and agricultural tractors. The registered office of the Holding Company is situated at 5th Floor, House of Habib, Main Shahrah-e-Faisal, Karachi.
- 1.2 The Group comprises of the Holding Company and Agriauto Stamping Company (Private) Limited (the Subsidiary Company). The Subsidiary Company was incorporated in Pakistan on January 20, 2012 as a private limited company. The Subsidiary Company is engaged in stamping of sheet metal parts, dies, fixtures primarily for the automotive industry and has commenced its commercial operations on 02 July, 2014. The registered office of the Subsidiary Company is situated at 5th Floor, House of Habib, Main Shahrah-e-Faisal, Karachi.
- 1.3 Geographical location and addresses of all the business units are as under:

Location	Business unit
Karachi 5th Floor, House of Habib, Main Shahrah-e-Faisal,	Registered office
DSU-12B, Downstream Industrial Estate, Pakistan Steel Mills, Bin Qasim Town, Karachi, Karachi city, Sindh	Manufacturing Facility
Hub Mouza Baroot, Hub Chowki Distt. Lasbella, Balochistan.	Manufacturing facility

2 STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act); and
- Provisions of and directives issued under the Act.

Where provisions of and directives issued under the Act differ from the IFRSs, the provisions of and directives issued under the Act have been followed.

3 BASIS OF MEASUREMENT

- 3.1 These consolidated financial statements have been prepared under the historical cost convention except for short-term investments in mutual fund classified at fair value through profit or loss and lease liabilities under present value as disclosed in respective notes to the consolidated financial statements..
- 3.2 These consolidated financial statements are presented in Pak Rupees which is the Group's functional and presentation currency.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Standards, Amendments or Interpretations

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

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

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

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

4.1.1 IFRS 16 Leases

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

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

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

(Rupees in '000)

Assets

Right-of-use assets
 Prepayments

23,428
 (1,863)
 21,565

Liabilities

Non current lease liabilities
 Current maturity of lease liabilities

15,369
 6,196
 21,565

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

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

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

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

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

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

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

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

*The IASB has issued an exposure draft proposing to defer the effective date of the Amendments to IAS 1 to 01 January 2023.

Improvements to Accounting Standards issued by the IASB (2018-2020 cycle)

IFRS 9 – Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities	01 January 2022
IAS 41 – Agriculture – Taxation in fair value measurements	01 January 2022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Basis of consolidation

These consolidated financial statements include the financial statements of the Holding Company and its subsidiary company, here-in-after referred to as "the Group".

A company is a subsidiary, if an entity (the Holding Company) directly or indirectly controls, beneficially owns or holds more than fifty percent of its voting securities or otherwise has power to appoint or remove majority of its directors. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiary are prepared for the same reporting year as the Holding Company, using consistent accounting policies. The accounting policies of the subsidiary have been changed to conform with accounting policies of the Group, where required.

The assets, liabilities, income and expenses of subsidiary company are consolidated on a line by line basis and carrying value of investments held by the Holding Company is eliminated against the subsidiary company's shareholders' equity in the consolidated financial statements. All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

5.2 Property, plant and equipment

5.2.1 Operating fixed assets

These are stated at cost less accumulated depreciation and impairment loss, if any, except for freehold land which are stated at cost.

Depreciation on operating fixed assets is charged to the consolidated statement of profit or loss applying the reducing balance method at the rates specified in note 7.1 to these consolidated financial statements. Depreciation on additions is charged from the month of addition and in case of deletion up to the month of disposal. Maintenance and normal repairs are charged to consolidated statement of profit or loss as and when incurred, while major renewals and improvements are capitalised. Gains or losses on disposals of operating fixed assets, if any, are included in consolidated statement of profit or loss.

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or related cash-generating units are written down to their recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

5.2.2 Capital work in progress

These are stated at cost less impairment in value, if any. Capital work in progress consist of expenditure incurred and advance made in respect of operating fixed assets in the course of their construction and installation.

5.3 Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received as applicable. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated using straight line method over the lease term. Right-of-use assets are subject to impairment.

5.4 Development costs or Intangible assets

Development costs are expensed as incurred, except for development costs that relate to the design of new or improved products which are recognised as an asset to the extent that it is expected that such asset will meet the recognition criteria mentioned in IAS – 38 "Intangible Assets". These amounts are amortised at the rate disclosed in note 9 to these consolidated financial statements.

5.5 Stores, spares and loose tools

Stores, spares and loose tools are stated at cost less provision for slow moving and obsolete items. The cost is determined by the weighted moving average cost method except for those in transit which are valued at actual cost.

5.6 Stock-in-trade

Stock-in-trade, except goods-in-transit, is stated at the lower of net realisable value (NRV) and cost determined as follows:

Raw and packing materials	Moving average basis.
Work-in-process	Cost of direct materials plus conversion cost valued on the basis of equivalent production units.
Finished goods	Cost of direct materials plus conversion cost valued on time proportion basis.

Goods-in-transit are valued at purchase price, freight value and other charges incurred thereon upto the date of statement of financial position.

Stock-in-trade is regularly reviewed by the management and obsolete items, if any, are brought down to their NRV. NRV signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

5.7 Trade debts and other receivables

Trade debts and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method less an allowance for expected credit losses, if any. Allowance for expected credit losses is based on lifetime ECLs that result from all possible default events over the expected life of the trade debts and other receivables. Bad debts, if any, are written off when considered irrecoverable.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

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

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

(i) Initial recognition and measurement

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value through Profit or Loss (FVTPL).

The classification of financial assets under IFRS 9 is generally based on the business model for managing the assets and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Subsequent measurement

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

Financial assets at amortised cost

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

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

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

(b) Impairment of financial assets

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

At each reporting date, the Company assesses whether financial assets are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the respective asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

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

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

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

5.8 Cash and cash equivalents

For the purpose of consolidated statement of cash flow, cash and cash equivalents comprise of cash in hand, bank balances and short-term investments with a maturity of three months or less from the date of acquisition. The cash and cash equivalents are readily convertible to known amount of cash and are therefore subject to insignificant risk of changes in value.

5.9 Financial instruments

5.9.1 Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value through Profit or Loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Based on the business model of the Group, the financial assets of the Group are measured and classified under IFRS 9 as follows;

Trade debts and other financial assets are measured at amortised cost using the effective interest rate method less an allowance for expected credit losses, if any.

Short-term investments in mutual fund are designated at FVTPL at initial recognition. These are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

5.9.2 Financial liabilities

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. For the purpose of subsequent measurement financial liabilities are either classified at amortized cost or fair value through profit or loss. The Group does not have any financial liability at fair value through profit or loss.

5.9.3 Impairment of financial assets - allowance for expected credit losses

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

At each date of statement of financial position, the Group assesses whether financial assets are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the respective asset.

The Group uses the standard's simplified approach and calculates ECL based on life time ECL on its financial assets. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the financial assets and the economic environment.

5.9.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

5.9.5 Impairment of non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax assets are assessed at date of statement of financial position to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognised, as an expense in the consolidated statement of profit or loss. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets.

5.10 Lease liabilities

The Group assesses at contract inception whether a contract is, or contains, a lease, i.e. if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the commencement date of the lease if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

5.10.1 Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on such leases are recognised as expense on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

5.11 Employees' benefits

Provident fund

The Group operates a recognised provident fund scheme (defined contribution plan) for all its employees who are eligible for the scheme in accordance with the Group's policy. Contributions in respect thereto are made in accordance with the terms of the scheme.

5.12 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, or minimum tax on turnover or Alternate Corporate Tax whichever is higher in accordance with the provisions of Income Tax Ordinance 2001. The Group has opted for Group Taxation under section 59AA of the Income Tax Ordinance, 2001. The Group consists of Agriauto Industries Limited (the Holding Company) and Agriauto Stamping Company (Private) Limited - wholly owned Subsidiary.

Deferred

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

5.13 Provisions

Provision is recognised in the consolidated statement of financial position when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each year end and adjusted to reflect the current best estimate.

5.14 Warranty obligations

The Group recognises the estimated liability to repair or replace products under warranty at the year end on the basis of historical experience. The warranty provided by the Group to the customer is assurance warranty.

5.15 Foreign currency transactions

Transactions in foreign currencies are accounted for in Pakistani Rupees at the foreign exchange rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are re-translated into rupees at the foreign exchange rates approximating those prevailing at the statement of financial position date. Exchange differences if any are taken to the consolidated statement of profit or loss.

5.16 Revenue recognition

Revenue from contracts with customers is recognized when the control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods according to the negotiated contractual terms. The Group has generally concluded that it acts as a principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Performance obligations held by the Group are not separable, and are not partially satisfied, since they are satisfied at a point in time, when the customer accepts the products. Moreover, the payment terms identified in most sources of revenue are short-term usually 30 to 60 days upon delivery, without any variable considerations, financing components and guarantees.

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

Return on bank deposits / saving accounts is recognised on accrual basis.

Return on short term investments is recognised on accrual basis.

Dividend income is recognised when the Group's right to receive the dividend is established.

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

5.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

5.18 Dividends and appropriation to reserve

Dividend and appropriation to reserve are recognised in the consolidated financial statements in the period in which these are approved.

5.19 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the process of applying the accounting policies, management has made the following judgments and estimates which are significant to these consolidated financial statements:

	Notes
- residual values, method of depreciation useful lives and impairment of assets	5.2, 5.3, 5.4, 7.1, 8 & 9
- allowance for expected credit losses	5.7, 5.9.3 & 13.1
- provision for tax and deferred tax	5.12, 18 & 29
- warranty obligations	5.14 & 20.3
- Net realizable value (NRV) of stock-in-trade	5.6 & 12
- leases	5.10 & 19

7 PROPERTY, PLANT AND EQUIPMENT

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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7.1 Operating fixed assets

	COST				ACCUMULATED DEPRECIATION			WRITTEN DOWN VALUE	
	As at June 30, 2019	Additions / transfer* (deposits)	As at June 30, 2020	Depreciation rate	As at June 30, 2019	Charge for the year (Note 7.2)	(On deposits)	As at June 30, 2020	As at June 30, 2020
	(Rupees in '000)			%	(Rupees in '000)				
Owned									
Freehold land	1,652	-	1,652	-	-	-	-	-	1,652
Leasehold land	29,418	-	29,418	1.79	3,678	525	-	4,201	25,217
Building on freehold land	102,420	1,212 6,608*	200,240	18	197,307	8,228	-	116,596	88,705
Building on leasehold land	379,833	524 42,114*	422,471	10	140,670	27,795	-	168,765	253,706
Plant and machinery	1,517,169	88,346 413,081* (10,914)	2,315,673	10 - 25	796,463	148,574	(2,108)	898,929	1,379,745
Furniture and fittings	25,038	6,522 4,251* (900)	37,901	15	12,136	2,728	(791)	14,073	23,828
Vehicles	115,357	8,572 (16,555)	105,804	20	58,208	13,889	(7,981)	55,306	49,308
Office equipment	4,730	377	9,107	20	4,824	781	-	5,605	3,502
Computer equipment	37,191	948 (465)	37,654	33	31,830	1,078	(397)	35,411	4,273
Die and tools	162,292	53,683 105,289*	319,563	40	110,268	66,941	-	177,239	142,324
2020	2,789,111	165,484 572,962* (28,944)	3,479,913		1,251,812	271,489	(11,188)	1,512,103	1,566,910

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

	COST				ACCUMULATED DEPRECIATION			WRITTEN DOWN VALUE	
	As at June 30, 2018	Additions / transfer* (deposits)	As at June 30, 2019	Depreciation rate	As at June 30, 2018	Charge for the year (Note 7.2)	(On deposits)	As at June 30, 2019	As at June 30, 2019
	(Rupees in '000)			%	(Rupees in '000)				
Owned									
Freehold land	1,652	-	1,652	-	-	-	-	-	1,652
Leasehold land	29,418	-	29,418	1.79	3,191	525	-	3,678	25,742
Building on freehold land	189,872	2,748	192,420	10	96,079	9,228	-	107,307	85,113
Building on leasehold land	379,833	-	379,833	10	114,430	26,540	-	140,970	238,863
Plant and machinery	1,659,596	152,401 25,922* (20,769)	1,817,150	10 - 20	860,757	112,529	(12,823)	790,463	1,026,687
Furniture and fittings	25,086	4,088 (1,138)	28,038	15	10,844	2,063	(581)	12,136	15,902
Vehicles	100,814	29,034 (14,481)	115,367	20	46,549	14,269	(10,810)	50,008	65,179
Office equipment	7,044	1,886 (213)	8,730	20	3,985	1,070	(201)	4,824	3,906
Computer equipment	36,233	2,180 (3,222)	37,191	33	32,926	2,547	(5,025)	31,630	5,361
Die and tools	137,657	21,898	159,292	40	67,180	23,218	-	110,398	48,894
2019	2,589,035	213,965 25,922* (39,801)	2,769,111		1,067,253	191,779	(27,223)	1,251,812	1,517,299

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	Note	2020 — (Rupees in '000) —	2019
7.2 Depreciation charge for the year has been allocated as follows :			
Cost of sales	24	259,931	179,929
Distribution cost	25	2,865	2,555
Administrative expenses	26	8,693	9,295
		271,489	191,779

7.3 Particulars of immovable properties (i.e. freehold land, leasehold land, building on freehold land and building on leasehold land) in the name of the Group, are as follows:

Location	Use of immovable properties	Total area
Mouza Baroot, Hub Chowki, Distt. Lasbella, Balochistan	Manufacturing Facility	18.4 acres
DSU-12B, Downstream Industrial Estate, Pakistan Steel Mills, Bin Qasim Town, Karachi, Karachi city, Sindh	Manufacturing Facility	6.08 acres

7.4 Particulars of disposal of each operating fixed asset having book value of five hundred thousand rupees or more, where aggregate book value of that class of assets exceeds five million rupees are as follows:

Particulars	Cost	Book value	Sales proceeds	Gain / (loss)	Mode of disposal	Particulars of buyer	Relationship
Plant and machinery							
		(Rupees in '000)					
Tractor YTO X 750	1,423	1,090	900	(190)	Negotiation	Mr. Ajmal	Independent purchaser
Tractor YTO X 750	1,490	1,054	1,000	(54)	Negotiation	Mr. Shahid	Independent purchaser
Tractor YTO X 850	1,534	1,211	1,000	(211)	Negotiation	Mr. Mohsin Ali Khan	Independent purchaser
Tractor YTO-ELX 1034	2,838	2,218	2,800	384	Negotiation	Mr. Mohsin Ali Khan	Independent purchaser
Tractor YTO-BF-75 4 Wheel	1,452	1,428	1,800	172	Negotiation	Syed Hassan Raza	Independent purchaser
Tractor YTO-BF-75 4 Wheel	1,496	1,450	1,800	141	Negotiation	Mr. Mohsin Ali Khan	Independent purchaser
Vehicles							
Toyota Corolla	1,828	650	1,010	460	Group policy	Mr. Tahir Ijaz	Ex-employee
Toyota Corolla	1,752	681	681	-	Group policy	Mr. Zia Alam	Ex-employee
Toyota Corolla	1,869	880	900	40	Group policy	Mr. Shiroz Ahmad	Ex-employee
Toyota Corolla	1,542	883	1,610	727	Group policy	Mr. Danish Abrar	Ex-employee
Toyota Corolla	2,154	1,465	2,150	655	Negotiation	Mr. Ghulam Abbas	Ex-employee
Toyota Corolla	2,679	2,288	2,060	672	Negotiation	Mr. Asif Bashir	Independent purchaser
Suzuki Outfit	1,568	1,200	1,340	140	Group policy	Mr. Sabir Ali	Ex-employee
	29,379	19,315	19,351	2,836			
Operating fixed assets having WDV less than Rs. 0.5 million	5,965	1,708	1,975	268	Various	Various	
2020	35,344	21,023	21,327	3,104			
2019	39,801	12,581	13,589	958			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 — (Rupees in '000) —	2019 — (Rupees in '000) —
10 LONG-TERM DEPOSITS			
Security deposits - considered good	10.1	13,438	13,438
10.1 Represent interest free deposits.			
11 STORES, SPARES AND LOOSE TOOLS			
Stores		73,833	72,344
Spares		41,514	44,736
Loose tools		5,469	6,633
		<u>120,816</u>	<u>123,713</u>
12 STOCK-IN-TRADE			
Raw material		1,731,879	1,086,127
Packing material		3,959	3,475
Work-in-process		49,188	43,441
Finished goods		66,860	75,914
Goods-in-transit		86,319	392,307
		<u>1,937,205</u>	<u>1,601,264</u>
12.1 Write down of stock-in-trade to Net realizable value during the year amounted to Rs. 77,569 million (2019: Rs. 12,618 million).			
12.2 Reversal of write down of stock-in-trade to Net realizable value during the year amounted to Rs. Nil (2019: Rs. 7,806 million).			
	Note	2020 — (Rupees in '000) —	2019 — (Rupees in '000) —
13 TRADE DEBTS - unsecured			
Considered good		492,234	985,768
Considered doubtful		663	602
Allowance for expected credit losses	13.1	(663)	(602)
		<u>492,234</u>	<u>985,768</u>
13.1 This includes an amount of Rs. 3,99 million (2019: Nil) receivable from Thal Boshoku Pakistan (Private) Limited, against sales made by the Group.			
13.2 The amount due from the related party is neither passed due nor impaired. The maximum aggregate amount receivable from the related party at the end of any month during the year was Rs 3,99 million (2019: Nil).			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 — (Rupees in '000) —	2019
13.1 Movement in allowance for expected credit losses:			
As at July 01		602	595
Charge for the year		61	7
As at June 30		663	602
14 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances – unsecured, considered good			
Contractors		3,120	15,714
Employees		756	1,217
Suppliers		2,135	48
		6,011	16,979
Deposits		577	425
Prepayments			
Insurance		5,321	4,925
Rent		-	3,810
Others		6,247	2,850
		11,568	11,585
Other receivables - secured, considered good	14.1	123,760	311,063
		141,916	340,052
14.1	This includes an amount of Rs. 28.67 million (2019: Rs. 305.47 million) and Rs. 95.09 million (2019: Rs. Nil) receivable against LC margins and claim against Additional custom duty from a customer respectively.		
	Note	2020 — (Rupees in '000) —	2019
15 SHORT-TERM INVESTMENTS			
At amortised cost			
Term deposit receipts	15.1	443,000	134,000
Accrued profit thereon		291	937
		443,291	134,937
At fair value through profit or loss			
Mutual funds - open ended			
4,847,847 units (2019: 5,323,943 units) at NAV of Rs.10.5282 each (2019: Rs. 9.875)		51,038	52,576
		494,329	187,513
15.1	Represents one to three months term deposit receipts with commercial banks under conventional banking relationship carrying profit rate of 5.75% to 7% (2019: 5.85% to 10.25%) per annum and will mature by August 29, 2020 and September 25, 2020.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

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

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

17 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2020 Number of shares in ('000)	2019	Ordinary shares of Rs. 5/- each	2020 — (Rupees in '000) —	2019
22,900	22,800	Fully paid in cash	114,000	114,000
6,000	6,000	Issued as bonus shares	30,000	30,000
28,900	28,800		144,000	144,000

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

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

19 LEASE LIABILITIES

The Group has certain lease arrangements for its offices and warehouse in which rentals are payable in advance. Incidental expense related to these leases are borne by the Group. The weighted average incremental borrowing rate of the Group is 14% (2019: Nil) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 — (Rupees in '000) —	2019
Lease liabilities		15,037	-
Current maturity of lease liabilities	19.1	(6,325)	-
		8,712	-
19.1 Movement of lease liabilities:			
As at July 01		-	-
Impact of initial application of IFRS 16 (note 4.1.1)		21,565	-
Finance cost during the year		2,141	-
Payments during the year		(8,669)	-
As at June 30		15,037	-
Current maturity of lease liabilities		(6,325)	-
		8,712	-
19.2 The maturity analysis of lease liabilities as at the reporting date is as follows:			
Up to one year		6,325	-
After one year		8,712	-
Total lease liabilities		15,037	-
19.3 Expenses relating to short-term leases amounted to Rs. 6,051 million (2019: Nil) during the year.			
20 TRADE AND OTHER PAYABLES			
Creditors	20.1	100,992	102,165
Accrued liabilities		488,535	300,769
Royalty payable		25,386	35,198
Advance from customer		225,762	1,059
Payable to provident fund	20.2	2,542	2,575
Withholding tax payable		1,301	11,785
Workers' Profit Participation Fund	20.3	4,731	33,568
Workers' Welfare Fund		821	27,446
Warranty obligations	20.4	113,285	102,127
Others		6,877	4,847
		970,232	621,539
20.1 This includes an amount of Rs. 0.07 million (2019: 0.05 million) payable to Shabbir Tiles and Ceramics Limited, a related party of the Group.			
20.2 Investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 — (Rupees in '000) —	2019 — (Rupees in '000) —
20.3 Workers' Profit Participation Fund			
As at July 01		33,568	845
Allocation for the year	27	4,731	73,568
		38,299	74,413
Payment made during the year		(33,568)	(40,845)
As at June 30		4,731	33,568
20.4 Warranty obligations			
As at July 01		102,127	77,464
Provision for the year	25	15,076	28,513
		117,203	105,977
Claims paid during the year		(3,918)	(3,850)
As at June 30		113,285	102,127
21 UNPAID DIVIDEND / UNCLAIMED DIVIDEND			
Subsequent to the year end, the Group has opened separate bank accounts as required under the provision of section 244 of the Act and the required amounts have been transferred accordingly.			
22 CONTINGENCIES AND COMMITMENTS			
22.1 Contingencies			
As at the reporting date, total outstanding claims on the Group by certain vendors amounted to Rs. 7.34 million (2019: Nil). The management of the Group is confident that no loss is likely to occur from these claims and accordingly no provision in this respect has been made in these consolidated financial statements.			
22.2 Commitments			
22.2.1	Commitments in respect of outstanding letters of credit for raw material amounting to Rs. 303.629 million (2019: Rs. 405.049 million).		
22.2.2	Commitments in respect of capital expenditure amounting to Rs. 37.314 million (2019: Rs. 81.982 million).		
22.2.3	Outstanding bank guarantees issued to Sul Southern Gas Company Limited amounting to Rs. 9.01 million (2019: Rs. 0.385 million).		
		2020 — (Rupees in '000) —	2019 — (Rupees in '000) —
23 TURNOVER – net			
Sales		6,152,296	11,863,964
Trade discount		(161)	(170)
Sales tax		(907,484)	(1,735,225)
		(907,645)	(1,735,395)
		5,244,651	10,128,569

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

23.1 Revenue recognised from amounts included in advance from customers at the beginning of the year amounted to Rs. 1,059 million (2019: Rs. 15.7 million).

	Note	2020 — (Rupees in '000) —	2019
24 COST OF SALES			
Raw material consumed			
Opening stock	12	1,086,127	1,031,827
Purchases		4,432,489	7,072,041
		5,518,616	8,103,868
Closing stock	12	(1,731,879)	(1,086,127)
		3,786,737	7,017,741
Manufacturing expenses			
Salaries, wages and benefits		459,898	582,670
Stores, spares and loose tools consumed		136,334	220,734
Fuel and power		93,701	100,058
Amortization	9	11,831	2,496
Royalty		35,903	70,006
Depreciation on operating fixed assets	7.2	259,931	179,929
Depreciation on right-of-use assets	8.1	5,632	-
Transportation and travelling		75,776	118,206
Repairs and maintenance		79,218	104,952
Packing material consumed		15,395	30,562
Rent, rates and taxes		1,271	7,234
Research and development costs		7,087	11,791
Insurance		4,489	5,263
Communications and professional fee		6,211	5,607
Printing and stationery		967	1,839
Others		8,497	12,371
		1,202,141	1,433,718
Work-in-process			
Opening stock	12	43,441	48,913
Closing stock	12	(49,188)	(43,441)
		(5,747)	5,472
Cost of goods manufactured		4,983,131	8,456,931
Finished goods			
Opening stock	12	75,914	66,401
Closing stock	12	(65,860)	(75,914)
		10,054	(9,513)
		4,993,185	8,447,418

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

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

Note 2020
— (Rupees in '000) —

25 DISTRIBUTION COST

Salaries, wages and benefits		18,037	19,529
Advertisement and sales promotion		9,197	40,095
Carriage and forwarding		21,489	39,769
Travelling and conveyance		2,907	3,220
Depreciation on operating fixed assets	7.2	2,865	2,555
Depreciation on right-of-use assets	8.1	781	-
Provision for warranty claims	20.4	15,076	28,513
Trade debts written-off		-	101
Rent, rates and taxes		204	283
Communications		235	541
Insurance		2,178	2,191
Repairs and maintenance		1,682	1,042
Others		795	423
		75,446	138,242

26 ADMINISTRATIVE EXPENSES

Salaries, wages and benefits		88,825	92,887
Legal and professional charges		74,804	73,307
Travelling and conveyance		15,895	18,269
Repairs and maintenance		22,182	16,948
Depreciation on operating fixed assets	7.2	8,693	9,295
Depreciation on right-of-use assets	8.1	1,664	-
Security services		11,820	9,643
Communications and professional fee		3,333	4,541
Printing and stationery		1,564	4,039
Rent, rates and taxes		6,051	7,368
Utilities		2,028	1,699
Auditors' remuneration	26.1	2,760	2,344
Insurance		1,847	1,613
Fuel and power		258	104
Others		5,398	3,421
		247,122	245,478

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 — (Rupees in '000) —	2019
26.1 Auditors' remuneration			
Audit fee for standalone financial statements		1,225	1,225
Audit fee for consolidated financial statements		175	175
Fee for review of half yearly financial statements		170	170
Other certifications		848	472
Out of pocket expenses		342	302
		2,760	2,344
27 OTHER EXPENSES			
Workers' Profit Participation Fund	20.3	4,731	73,568
Workers' Welfare Fund		-	27,010
Donations	27.1	2,575	11,927
Allowance for expected credit loss		238	7
		7,544	112,512
27.1	Donation to following parties equals to or exceeds 10% of the Group's total donations or Rs. 1 million, whichever is higher:		

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

None of the directors or their spouses had any interest in the donees except for Ms. Ayesha T. Haq (independent director) who is a member of Board of Governors in Professional Education Foundation (PEF). Donation given to PEF during the year amounted to Rs. Nil (2019: 0.2 million).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

		2020 — (Rupees in '000) —	2019 — (Rupees in '000) —
28.1	Represents profit earned under conventional banking relationship.		
29	TAXATION		
	Current		
	For the year	79,780	199,068
	Prior	6,346	(140)
	Super tax	-	14,957
	Deferred	86,126	213,285
		(2,657)	(11,231)
		83,469	202,054

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

30 EARNINGS PER SHARE – basic and diluted

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

	Note	2020 — (Rupees in '000) —	2019 — (Rupees in '000) —
Net (loss) / profit for the year		(108,438)	1,054,698
Weighted average number of ordinary shares outstanding during the year (shares in '000)		28,800	28,800
(Loss) / earning per share (Rs.)		(3.77)	36.62
31	CASH GENERATED FROM OPERATIONS		
(Loss) / profit before taxation		(24,969)	1,256,752
Adjustments for:			
Depreciation and amortisation	7, 2, 8 & 9	291,397	194,275
Finance costs		2,991	628
(Reversal) / allowance for expected credit losses		(177)	7
Liabilities no longer payable - written back	28	(403)	-
Trade debts written off		-	101
Profit on short-term investments - term deposit receipts	28	(23,593)	(30,274)
Profit on deposit accounts	28	(18,458)	(23,756)
Dividend income	28	(5,882)	(6,096)
Capital work-in-progress charged off	7.5.1	7,797	2,650
Gain on disposal of operating fixed assets	28	(3,481)	(988)
Loss / (gain) on disposal of short-term investments - mutual funds	28	47	(229)
		250,238	136,318
		225,269	1,393,070
Decrease / (increase) in current assets			
Stores, spares and loose tools		2,897	(27,925)
Stock-in-trade		(335,941)	(144,918)
Trade debts		492,964	(411,625)
Advances, deposits, prepayments and other receivables		196,273	(287,007)
Sales tax receivable		(81,866)	(49,734)
		274,327	(921,209)
Increase in current liabilities			
Trade and other payables		349,843	109,274
		849,439	581,135

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are market risks, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

33.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate and foreign exchange rates which are discussed below:

(i) Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to the changes in market interest rates. The Group is exposed to interest rate risk in respect of bank deposits and term deposit receipts. Management of the Group estimates that 1% increase in the market interest rate, with all other factor remaining constant, would decrease the Group's loss for the year by Rs. 5 million (2019: Rs. 1.779 million) and a 1% decrease would result in the increase in the Group's loss for the year by the same amount. However, in practice, the actual result may differ from the sensitivity analysis.

(ii) Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. As at June 30, 2020, the Group does not have any financial assets or financial liabilities which are denominated in foreign currencies.

33.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry.

The Group is exposed to credit risk mainly on trade debts, short-term investments, long-term deposits, short-term deposits, other receivables and bank balances. The Group seeks to minimise the credit risk exposure through having exposure only to customers considered credit worthy and obtaining securities where applicable.

The table below provides the analysis of the credit quality of financial assets on the basis of external credit rating or the historical information about counter party default rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 — (Rupees in '000) —	2019
The maximum exposure to credit risk at reporting date is as follows:			
Long-term deposits	10	13,438	13,438
Trade debts	13	492,234	985,768
Deposits	14	577	425
Other receivables	14	123,760	311,063
Short-term investments	15	494,329	187,513
Bank balances	16	131,104	174,294
		<u>1,255,442</u>	<u>1,672,501</u>

The table below provides the analysis of the credit quality of financial assets on the basis of external credit rating or the historical information about counter party default rates.

	2020 — (Rupees in '000) —	2019
Trade debts		
The analysis of trade debts is as follows:		
Neither past due nor impaired	441,495	819,937
- 30 to 90 days	35,027	165,831
- 91 to 180 days	15,070	-
- 181 to 360 days	642	-
	<u>492,234</u>	<u>985,768</u>
Bank balances		
Ratings		
AAA	7,295	-
AA+	63,311	-
A-1+	60,498	174,294
	<u>131,104</u>	<u>174,294</u>
Short-term investments		
Ratings		
A-1+	494,329	164,576
AA(r)	-	22,053
	<u>494,329</u>	<u>186,629</u>

33.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in raising funds to meet commitments associated with financial instruments. The management of the Group believes that it is not exposed to any significant level of liquidity risk.

The management forecasts the liquidity of the Group on the basis of expected cashflow considering the level of liquid assets necessary to mitigate the liquidity risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

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

34 CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital is to safeguard the Group's ability to continue to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group is currently financing majority of its operations through equity and working capital. The capital structure of the Group is equity based with no financing through long-term borrowings.

35 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

Fair value hierarchy

The different levels to analyse financial assets carried at fair value have been defined as follows:

Level 1: Quoted market price

Level 2: Valuation techniques (market observable); and

Level 3: Valuation techniques (non-market observables)

Short-term investments - mutual funds

	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
June 30, 2020	51,038	-	-	51,038
June 30, 2019	52,576	-	-	52,576

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

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

37 REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

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

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

37.3 Three non-executive directors (2019: Three) have been paid fees of Rs. 1.409 million (2019: Rs. 2.025 million) for attending board and other meetings.

38 TRANSACTIONS WITH RELATED PARTIES

38.1 Related parties of the Group comprise the subsidiary company, companies with common directorship, retirement funds, directors and key management personnel. All the transactions with related parties are entered into at agreed terms in the normal course of business as approved by the Board of Directors of the Group. Detail of transactions with related parties during the year, other than disclosed elsewhere in these consolidated financial statements, are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Name of related party and relationship with the Group	Nature of transactions	Percentage of share holding in the Holding Company	2020 — (Rupees in '000) —	2019 — (Rupees in '000) —
Associated Companies (Common directorship)				
Auvtionics Limited	Purchase	Nil	-	2,149
Thal Limited	Dividend paid	7.35	14,809	24,329
Shabbir Tiles & Ceramics Limited	Purchases	Nil	865	103
Thal Boshoku Pakistan (Private) Limited	Sales	Nil	8,148	-
Retirement benefits fund				
Employees' Provident Fund	Contribution	Nil	12,950	11,547
Key management personnel	Remuneration and other benefits	Nil	38,815	39,254

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

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

39 PRODUCTION CAPACITY

The production capacity of the Group cannot be determined as this depends on the relative proportions of various types of vehicles and agricultural tractors produced by OEMs.

40 UNUTILIZED CREDIT FACILITIES

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

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

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

2020
— (Rupees in '000) —

42 NUMBER OF EMPLOYEES

Total number of employees as at June 30
Average number of employees during the year

840	910
890	910

43 INFORMATION ABOUT OPERATING SEGMENTS

The activities of the Group are organized into one operating segment i.e. manufacture and sale of automotive parts. The Group operates in the said reportable operating segment based on the nature of products, risks and returns, organizational and management structure and internal financial reporting systems. Accordingly, the figures reported in these consolidated financial statements relates to the Group's only reportable segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

The operating interests of the Group are confined to Pakistan in terms of production areas and customers. Accordingly, the figures reported in these consolidated financial statements relate to the Group's only reportable operating segment in Pakistan. One of the customer, accounts for more than 10% of the Group's sales.

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

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

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

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

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

45 GENERAL

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

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

46 DATE OF AUTHORIZATION FOR ISSUE

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



Salman Burney
Director



Fahim Kapadia
Chief Executive



Jawwad Haqqi
Chief Financial Officer

PATTERN OF **SHAREHOLDING** AS AT JUNE 30, 2020

No. of Shareholders	Size of Shareholding		Total Shares Held
	From	To	
1,704	1	100	48,595
809	101	500	201,594
324	501	1000	236,079
358	1001	5000	804,547
57	5001	10000	418,736
35	10001	15000	435,514
18	15001	20000	316,113
18	20001	25000	426,748
19	25001	30000	518,528
8	30001	35000	263,132
7	35001	40000	268,594
5	40001	45000	212,205
8	45001	50000	387,423
1	50001	55000	51,000
2	55001	60000	114,938
6	60001	65000	369,299
1	65001	70000	66,033
1	70001	75000	75,000
4	75001	80000	307,624
5	85001	90000	435,488
2	90001	95000	188,659
2	95001	100000	198,362
1	105001	110000	107,900
3	115001	120000	357,892
1	120001	125000	123,741
1	130001	135000	131,832
1	140001	145000	145,000
3	145001	150000	442,869
1	160001	165000	162,122
1	165001	170000	165,600
1	190001	195000	191,661
3	195001	200000	600,000
1	205001	210000	207,500
1	215001	220000	216,600
1	260001	265000	262,000
1	280001	285000	280,920
1	345001	350000	347,600
4	360001	365000	1,451,545
1	380001	385000	381,800
1	395001	400000	398,500
1	435001	440000	436,300
1	450001	455000	451,080
1	475001	480000	476,500
1	525001	530000	525,626
4	595001	600000	2,400,000
1	885001	890000	886,900
1	945001	950000	948,000
1	1065001	1070000	1,069,020
1	1245001	1250000	1,248,139
1	2115001	2120000	2,115,600
1	5920001	5925000	5,923,542
3,435			28,800,000

PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2020

No.	Categories of Shareholders	No. of Shares Held	Category-wise No. of Folios /CDC Accounts	Category-wise Shares Held	Percentage (%)
1	Individuals		3,283	9,294,746	32.27
2	Investment Companies		4	11,729	0.04
3	Joint Stock Companies		38	961,415	3.34
4	Directors, Chief Executive Officer and Their Spouse and Minor Children		7	13,000	0.05
	Yutaka Arae	1,000			
	Fahim Kapadia	3,000			
	Hamza Habib	1,000			
	Sohail P. Ahmed	1,000			
	Muhammed Salman Burney	5,000			
	Muhammad Ali Jameel	1,000			
	Ayesha T. Haq	1,000			
5	Executives	-	-	-	-
6	Associated Companies, Undertakings and Related Parties		1	2,115,600	7.35
	Thal Limited				
7	Public Sector Companies and Corporations		2	122,486	0.43
8	Banks, DFFs, NBFIs, Insurance Companies, Takaful, Modarabas's and Pension Funds		27	1,410,794	4.90
	Financial Institutions	1,081,217			
	Insurance Companies	73,100			
	Modaraba	12,300			
	Pension Funds	244,177			
9	Mutual Funds		25	2,453,379	8.52
	Golden Arrow Selected Stocks Fund Limited	1,000			
	CDC - Trustee Alhamra Islamic Stock Fund	165,600			
	CDC - Trustee Meezan Balanced Fund	40,200			
	CDC - Trustee Unit Trust Of Pakistan	47,500			
	CDC - Trustee AKD Index Tracker Fund	4,300			
	CDC - Trustee Alhamra Islamic Asset Allocation Fund	37,600			
	CDC - Trustee Al Meezan Mutual Fund	75,000			
	CDC - Trustee Meezan Islamic Fund	436,300			
	CDC - Trustee NBP Stock Fund	7,000			
	CDC - Trustee Meezan Tahaftuz Pension Fund - Equity Sub Fund	63,000			
	CDC - Trustee NBP Islamic Samaya Izafa Fund	1,400			
	MCBFSL - Trustee JS Growth Fund	119,600			
	CDC - Trustee NIT-Equity Market Opportunity Fund	2,500			
	CDC - Trustee Lakson Equity Fund	94,259			
	CDC - Trustee National Investment (Unit) Trust	1,069,020			
	CDC - Trustee NBP Islamic Stock Fund	31,200			
	CDC - Trustee NIT Islamic Equity Fund	150,000			
	CDC - Trustee NITPF Equity Sub-fund	18,000			
	CDC - Trustee NITPF Equity Sub-fund	5,000			
	CDC - Trustee NBP Islamic Active Allocation Equity Fund	3,600			
	CDC - Trustee Meezan Asset Allocation Fund	40,000			
	CDC - Trustee Lakson Tactical Fund	12,400			
	CDC - Trustee Lakson Islamic Tactical Fund	4,900			
	CDC - Trustee - Meezan Dedicated Equity Fund	20,000			
	CDC - Trustee NBP Islamic Regular Income Fund	4,000			
10	Foreign Investors		20	12,216,373	42.42
11	Co-Operative Societies		3	1,942	0.01
12	Charitable Trust		1	25	0.00
13	Others		24	198,511	0.69
	TOTAL		3,435	28,800,000	100.00

Share-Holders Holding Five(5) Percent or more Voting Interest in the Company

Name of Share-Holder(s)	No of Shares Held	Description	%Age
Thal Limited	2,115,600	Falls in Category #6	7.35
Robert Finance Corporation, AG.	7,171,681	Falls in Category #10	24.90

Detail of trading in the shares by the Directors, Executives and their spouses and minor children:

None of the Directors, Executives and their spouses and minor Children has traded in the shares of the Company during the year, except the following:

	Buy	Sell
Mr. Sohail P. Ahmed	-	8,599
Non-executive Director		

FORM OF PROXY

The Secretary
Agriauto Industries Limited
House of Habib, 5th floor
Shahrah-e-Faisal,
Karachi-75350

I/We _____
of _____ in the district of _____
being a member of Agriauto Industries Limited and holder of _____
_____ Ordinary shares as per Share Register Folio _____
(No. of Shares) _____
No. _____ and/or CDC Participant I.D. No. _____
And Sub. Account No. _____ hereby appoint _____
of _____ in the district of _____
or falling him _____ of _____
who is/are also member/s of Agriauto Industries Limited as my/our proxy to vote for me/us and on my/our behalf at
the 39th Annual General Meeting of the Company to be held on October 22, 2020 and at any adjournment thereof.
Signed this _____ day of _____ 2020.

Folio No.	CDC Participant ID No.	CDC Account /Sub-Account No.	No. of Shares held	Signature

The signature should agree
with specimen registered
with the Company.

WITNESS 1

Signature _____
Name _____
CNIC /Passport No. _____
Address _____

WITNESS 2

Signature _____
Name _____
CNIC /Passport No. _____
Address _____

Note:

1. This proxy form duly completed and signed, must be received at the Registered Office of the Company or Share Registrar of the Company, not less than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he/she himself /herself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. If a member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

For CDC Account Holders / Corporate Entities:

In addition to the above the following requirements have to be met:

- i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iii) The proxy shall produce his original CNIC or original passport at the time of meeting.
- iv) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

پراکسی فارم

میں امم برائے انگریز آفیسر ریسٹورنٹ کے نمبر (ز) اور آؤٹری شیڈز کے
ہولڈر بطور صبر رجسٹرڈ / CDC اکاؤنٹ نمبر تحریر کرتا ہوں فیلو / CDC اکاؤنٹ نمبر اور
اور شناختی کارڈ اپا سپورٹ نمبر جس کے ذریعے فیلو / CDC
اکاؤنٹ نمبر کا شناختی کارڈ اپا سپورٹ نمبر جو کبھی کا نمبر بھی ہے میرے ادارے پر کسی کے طور پر مجھے اہمیت
39th سالانہ جنرل میٹنگ جو 22 اکتوبر 2020 کو منعقد کی جائے گی میں ووٹ ڈالنے کا اہل ہے۔
موجودہ 2020 کو میرے ادارے کو خط سے جاری ہوا۔

فیلو نمبر	CDC اکاؤنٹ / سب اکاؤنٹ نمبر	CDC Participant آئی ڈی نمبر	حصص کی تعداد
دستخط			

یہ خط کبھی کے پاس رجسٹرڈ شدہ
دستخط ہونی چاہئے

گواہان:

گواہان:

دستخط	دستخط
نام	نام
ایڈریس	ایڈریس
شناختی کارڈ اپا سپورٹ نمبر	شناختی کارڈ اپا سپورٹ نمبر

اہم نکات:

- 1۔ میٹنگ سے 48 گھنٹے قبل پراکسی کا یہ فارم جو ہر لحاظ سے مکمل اور دستخط شدہ ہو کبھی کے رجسٹرڈ آفس یا کبھی کے صبر رجسٹرڈ کے پاس جمع کرا دیا جائے۔
- 2۔ کوئی بھی فرد خود سے نمبر کے طور پر کام نہیں کر سکتا جب تک کہ کارپوریشن کسی فرد کو نمبر مقرر نہ کرے۔
- 3۔ اگر کوئی نمبر ایک سے زائد نمبر مقرر کرتا ہے اور نمبر کی جانب سے کبھی کوئی نمبر کی ایک سے زائد دستاویز جمع کرواتا ہے تو نمبر کی اس طرح کی تمام دستاویزات غیر قانونی تصور ہوں گی۔

برائے CDC اکاؤنٹ ہولڈرز / کارپوریٹ ادارے:

- a۔ پراکسی کے لیے دونوں گول نے گواہی دی اور جن کے نام پر یہ اور شناختی کارڈ اپا سپورٹ نمبر فارم پر درج ہوں۔
- ii۔ پراکسی فارم کے ہر ادارہ کا گول کے شناختی کارڈ اپا سپورٹ کی تصدیق شدہ نقل بھی دی جائے گی۔
- iii۔ پراکسی کو اپنا اصل شناختی کارڈ اپا سپورٹ میٹنگ کے وقت دکھانا ہوگا۔
- iv۔ کارپوریٹ ادارے کی صورت میں پورا آف ڈائریکٹرز کی قرارداد اور آف ڈائریٹی مع دستخط کے نمونے پراکسی کے ہر ادارہ (اگر پہلے جمع نہ کر لیا ہو) کبھی میں جمع کروانی ہوگی۔



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- 📖 Knowledge center
- 📊 Risk profiler*
- 📊 Financial calculator
- 📧 Subscription to Alerts (event
notifications, corporate and
regulatory actions)
- 📱 Jamapunji application for
mobile device
- 📖 Online Quizzes



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agriauto
INDUSTRIES LIMITED

Agriauto Industries Limited
5th Floor, House of Habib,
3 Jinnah Cooperative Housing Society,
Shahra-e-Faisal, Karachi-75350, Pakistan,
www.agriauto.com.pk
e-mail: info@agriauto.com.pk