Building a better working world

ATLAS ENGINEERING (PRIVATE) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

EY Ford Rhodes
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INDEPENDENT AUDITORS' REPORT

To the members of Atlas Engineering (Private) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Atlas Engineering (Private) Limited** (the Company), which comprise the statement of financial position as at **30 June 2019**, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the 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 statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity 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 2019 and of the profit, comprehensive income, 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 *Auditors' Responsibilities for the Audit of the 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.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 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 auditors' report to the related disclosures in the 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 auditors' 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 financial statements, including the disclosures, and whether the 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.

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 statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the 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) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

EY Ford Rhodes

Chartered Accountants

Place: Karachi

Date: 24 September 2019

ATLAS ENGINEERING (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019	2018
		(Rupees in thousands)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	**1,638,223**	1,560,999
Intangibles	6	**2,023**	2,029
Long-term loans and advances	7	**607**	505
Long-term deposits	8	**2,800**	2,800
		1,643,653	1,566,333
CURRENT ASSETS			
Stores, spare parts and loose tools	9	**50,818**	45,658
Stock-in-trade	10	**397,562**	297,084
Trade debts	11	**53,265**	39,575
Loans and advances	12	**3,575**	5,519
Trade deposits and short-term prepayments	13	**8,124**	3,937
Other receivables	14	**43,857**	12,407
Taxation – net		**71,328**	107,900
Cash and bank balances	15	**7,947**	8,066
		636,476	520,146
TOTAL ASSETS		**2,280,129**	2,086,479
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
40,000,000 (June 30, 2018: 40,000,000) ordinary shares of Rs. 10/- each		**400,000**	400,000
Issued, subscribed and paid-up capital	16	**236,865**	236,865
Revenue reserve		**751,282**	763,601
Surplus on revaluation of leasehold land	17	**548,061**	548,061
		1,536,208	1,548,527
NON-CURRENT LIABILITIES			
Deferred liabilities	18	**14,353**	12,002
Deferred taxation - net	19	**32,415**	71,181
		46,768	83,183
CURRENT LIABILITIES			
Trade and other payables	20	**412,095**	355,557
Unclaimed dividends		**848**	848
Short-term borrowings	21	**271,792**	94,674
Accrued mark-up		**12,418**	3,690
		697,153	454,769
CONTINGENCIES AND COMMITMENTS	22		
TOTAL EQUITY AND LIABILITIES		**2,280,129**	2,086,479

The annexed notes from 1 to 37 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

CHAIRMAN / DIRECTOR

ATLAS ENGINEERING (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		(Rupees in thousands)	
Sales	23	**2,075,915**	2,230,414
Cost of sales	24	**(2,022,380)**	(1,993,297)
Gross profit		**53,535**	237,117
Selling and distribution expenses	25	**(26,929)**	(27,965)
Administrative expenses	26	**(110,000)**	(114,349)
Other expenses	27	**(13,446)**	(142,990)
		(150,375)	(285,304)
Operating loss		**(96,840)**	(48,187)
Finance costs	28	**(43,517)**	(10,639)
Other income	29	**142,469**	135,732
Profit before taxation		**2,112**	76,906
Taxation	30	**11,437**	16,685
Net profit for the year		**13,549**	93,591

The annexed notes from 1 to 37 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

CHAIRMAN / DIRECTOR

ATLAS ENGINEERING (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	(Rupees in thousands)	
Net profit for the year	**13,549**	93,591
Other comprehensive (loss) / gain not to be reclassified to statement of profit or loss in subsequent periods		
Re-measurement (loss) / gain on defined benefit plan	**(3,072)**	1,430
Income tax effect	**891**	(429)
	(2,181)	1,001
Total comprehensive income for the year	**11,368**	94,592

The annexed notes from 1 to 37 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

CHAIRMAN / DIRECTOR

ATLAS ENGINEERING (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019

		Reserves			
	Issued, subscribed and paid-up capital	Revenue reserve - Unappropriated profit	Capital reserve - Surplus on revaluation of leasehold land	Total reserves	Total equity
	---------------------- (Rupees in thousands) ----------------------				
Balance as at June 30, 2017- restated	236,865	669,009	548,061	1,217,070	1,453,935
Net profit for the year	-	93,591	-	93,591	93,591
Other comprehensive income	-	1,001	-	1,001	1,001
Total comprehensive income for the year	-	94,592	-	94,592	94,592
Balance as at June 30, 2018	**236,865**	**763,601**	**548,061**	**1,311,662**	**1,548,527**
Net profit for the year	-	13,549	-	13,549	13,549
Other comprehensive income	-	(2,181)	-	(2,181)	(2,181)
Total comprehensive income for the year	-	11,368	-	11,368	11,368
Final dividend for the year ended June 30, 2018 @ Rs. 1/- per share	-	(23,687)	-	(23,687)	(23,687)
Balance as at June 30, 2019	**236,865**	**751,282**	**548,061**	**1,299,343**	**1,536,208**

CHIEF EXECUTIVE OFFICER

CHAIRMAN / DIRECTOR

ATLAS ENGINEERING (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		(Rupees in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	31	91,911	458,658
Finance costs paid		(34,789)	(8,111)
Gratuity paid		(2,995)	(3,105)
Compensated absences paid		(2,990)	(3,995)
Income taxes paid - net		(77,938)	(56,840)
Intra group Settlement - under group taxation		88,072	-
Net cash generated from operating activities		61,271	386,607
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incured		(234,523)	(361,654)
Proceeds from disposal of operating fixed assets		20,759	9,188
Additions to intangible assets		(955)	(2,155)
Long-term loans and advances - net		(102)	(224)
Net cash used in investing activities		(214,821)	(354,845)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term loan		80,000	-
Repayment of short-term loan		-	(80,000)
Dividend paid		(23,687)	-
Net cash generated from / (used in) financing activities		56,313	(80,000)
Net decrease in cash and cash equivalents		(97,237)	(48,238)
Cash and cash equivalents as at the beginning of the year		(86,608)	(38,370)
Cash and cash equivalents as at the end of the year		(183,845)	(86,608)
Cash and cash equivalents			
Cash and bank balances	15	7,947	8,066
Short-term running finance	21	(191,792)	(94,674)
		(183,845)	(86,608)

The annexed notes from 1 to 37 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

CHAIRMAN / DIRECTOR

ATLAS ENGINEERING (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1 THE COMPANY AND ITS OPERATIONS

Atlas Engineering (Private) Limited (the Company) was incorporated in Pakistan as a private limited company in 1963 and was converted into a public listed company in 1966. During the year ended March 31, 2012, the Company was delisted from the relevant stock exchanges. The Company is engaged in manufacturing of components and parts for automotive vehicles. The registered office and factory's geographical location of the Company is situated at 15th Mile, National Highway, Landhi, Karachi, Pakistan.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Accounting Convention

These financial statements have been prepared under the historical cost convention, except for leasehold land which is valued at revalued amount and provision for management staff gratuity fund and non-management staff gratuity scheme which are stated at present value.

3 STANDARDS, AMENDMENTS AND IMPROVEMENTS APPLICABLE TO FINANCIAL STATEMENTS

3.1 New Standards, Amendments and Improvements effective during the year

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

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

IFRS 9 Financial instruments

IFRS 15 Revenue from Contracts with Customers

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

IFRIC 22 Foreign Currency Transactions and Advance Consideration

Improvements to IFRSs Issued by IASB in December 2016

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

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

IFRS 9 Financial Instruments

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

The management of the Company has assessed and concluded that the Company is in compliance with the requirements of IFRS 9. The new accounting policy in respect of financial instruments along with the impact on the classification of financial assets and impairment of financial assets is stated in note 4.3 and note 4.3.3 to these financial statements respectively.

IFRS 15 Revenue from Contracts with Customers

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

The management of the Company has assessed and concluded that the Company is in compliance with the requirements of IFRS 15. The new accounting policy in respect of revenue recognition is stated in note 4.15.1 to these financial statements.

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

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

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application, except for IFRS 16 - 'Leases'. The management of the Company is currently evaluating the impact of this standard on the financial statements of the Company.

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

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 1 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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

		IASB Effective date (annual periods beginning on or after)
IFRS 1	- First adoption of IFRSs	January 01, 2004
IFRS 14	- Regulatory Deferral Accounts	January 01, 2016
IFRS 17	- Insurance Contracts	January 01, 2021

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment

4.1.1 Operating fixed assets

These are stated at cost less accumulated depreciation and any impairment in value except for leasehold land which is stated at revalued amount.

Depreciation on operating fixed assets is charged to the statement of profit or loss applying the reducing balance method, except for *measuring instruments, dies, jigs, patterns, and other equipments*, *plant and machinery of radiator and CDI & Regulator segment* and *Computer and other IT related Equipments* which are being depreciated applying the straight line method, at the rates specified in note 5.1 to the financial statements. Depreciation is charged from the month asset is available for use while no depreciation is charged in the month in which an asset is disposed off. Assets' residual values, useful lives and methods are reviewed, and adjusted, if appropriate, at each financial year end. During current year, the estimate of useful life of various components of property, plant and equipment were revised as disclosed in note 5.3 of these financial statements.

Maintenance and normal repairs are charged to the statement of profit or loss as and when incurred. Major renewals and improvements, if any, are capitalized when it is probable that respective future economic benefits will flow to the Company.

Increase in the carrying amount arising on revaluation of land is recognized in the statement of comprehensive income and accumulated in surplus on revaluation of property, plant and equipment.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property, plant and equipment are taken to the statement of profit or loss.

4.1.1 Capital work-in-progress

These are stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when these assets are available for use.

4.2 Intangible assets

These are stated at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized on straight line method when assets are available for use. Amortization is charged from the month in which addition / capitalization occurs while no amortization is charged in the month in which an asset is disposed.

4.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

4.3.1 Financial assets

The financial assets of the company mainly include trade debts, loans, advances, trade deposits, other receivables, cash and bank balances.

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

Trade debts and other financial assets previously classified as 'loans and receivables' are now classified as 'amortised cost'. These assets are measured at amortised cost using the effective interest rate method less an allowance for expected credit losses, if any.

4.3.2 Financial Liabilities

The Company has not designated any financial liabilities at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities on the adoption of IFRS-9.

Financial liabilities at fair value through profit or loss

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

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category applies to short-term borrowings of the Company as disclosed in note 21 to the financial statements.

4.3.3 Impairment of financial assets

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

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the 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. 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 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.

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.

4.3.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the 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.

4.4 Non - financial assets

The carrying value of non-financial assets are assessed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, then the recoverable amount is estimated. An impairment loss is recognised, as an expense in the statement of profit or loss, for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is determined through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and risks specific to the assets.

4.5 Stores, spare parts and loose tools

These are valued at lower of cost and net realizable value. Cost is determined on weighted average basis except for goods in transit which are valued at invoice price plus other related charges paid thereon upto the statement of financial position date.

4.6 Stock-in-trade

These are valued at the lower of cost and net realizable value. Cost is determined on weighted average basis and includes costs incurred in bringing raw material to its present location and condition. Work-in-process and finished goods consist of direct materials and labour and a proportion of manufacturing overheads.

Stock in transit is stated at invoice price plus other charges paid thereon upto the date of statement of financial position.

4.7 Trade debts, loans, advances and other receivables

Trade debts, loans, advances 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, loans, advances and other receivables. Bad debts, if any, are written off as and when considered irrecoverable.

4.8 Cash and cash equivalents

For the purpose of the 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.

4.9 Taxation

4.9.1 Current

The charge for current taxation is based on taxable income at the current rates of taxation in accordance with Income Tax Ordinance, 2001. The Company has opted for group taxation under section 59AA of the Income Tax Ordinance, 2001.

4.9.2 Deferred

Deferred tax is recognised using the statement of financial position liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or subsequently enacted at the statement of financial position date.

4.10 Staff retirement benefits

4.10.1 Defined benefit plan

The Company operates a funded gratuity scheme for management staff and an unfunded gratuity scheme for non-management staff. The Company's obligation under the scheme is determined through actuarial valuations carried out under the "Projected Unit Credit Method". The latest actuarial valuations were carried out at June 30, 2019. The amounts arising as a result of remeasurements are recognised comprehensive income in the periods in which they occur. Past service costs are recognised immediately in statement of profit or loss irrespective of the fact that the benefits are vested or non-vested.

4.10.2 Defined contribution plan

The Company operates a recognized provident fund for its permanent employees. Equal monthly contributions are made to the fund at the rate of 9% for workers and 11 % for management staff by the employees and the Company in accordance with the rules of the scheme.

4.11 Compensated absences

Company provides a facility to its permanent employees for accumulating their annual earned leave under an unfunded scheme.

Provisions are made to cover the obligation under the scheme on accrual basis and are charged to the statement of profit or loss. Accrual for compensated absences is calculated on the basis of one month's gross salary. The Company's liability under the scheme is determined through actuarial valuations carried out under the "Projected Unit Credit Method". The latest actuarial valuations were carried out at June 30,

4.12 Trade and other payables

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

4.13 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, if 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 statement of financial position date and adjusted to reflect the current best estimate.

4.14 Foreign currency translation

Transactions in foreign currencies are translated into Pak Rupees (presentation currency) at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates ruling at the statement of financial position date. Exchange differences on foreign currency translations are included in the statement of profit or loss.

4.15 Revenue recognition

4.15.1 Revenue from contracts with customers

According to IFRS 15, revenue is recognized to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The Company receives revenue for supply of goods to external customers. The majority of contracts that the Company enters into relate to sales orders containing single performance obligations for the delivery of the goods. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customer. The point at which control passes is determined by each customer arrangement, but generally occurs on delivery of goods to the customer. The normal credit term is 30 to 45 days upon delivery.

Revenue represents net invoice value including fixed and variable consideration wherever applicable. Variable consideration arises on the sale of goods as a result of discounts and allowances given and accruals for estimated future returns and rebates. Revenue is not recognised in full until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

The methodology and assumptions used to estimate rebates and returns wherever applicable are monitored and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions. Once the uncertainty associated with the returns and rebates is resolved, revenue is adjusted accordingly.

If the time between the recognition of revenue and payment from the customer is expected to be more than one year and the impact is material, the amount of consideration is discounted using appropriate discount rates wherever necessary.

4.15.2 Other Income

Rental income on land and buildings from related parties is accounted for on an accrual basis.

Profit on bank deposits is accounted for using the effective interest rate method.

4.16 Borrowing costs

Borrowings costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as a part of the cost of that asset. All other borrowing costs are charged to the statement of profit or loss.

4.17 Ijarah rentals

Ijarah payments under an Ijarah arrangement are recognized as an expense in the profit or loss account on a straight line basis over the Ijarah term unless another systematic basis is representative of the time pattern of the user's benefit.

4.18 Critical accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards require management to make judgments and estimates that affects the application of accounting policies and the reported amount of assets, liabilities, income and expenses. The estimates are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Judgments and estimates made by the management that may have a significant risk of material adjustments to the financial statements in the subsequent years are as follows:

	Note
determining the residual values, useful lives and impairment of property, plant and equipment and intangibles	4.1 & 5.1
impairment of financial and non-financial assets	4.3.3 & 4.4
provision for slow moving stores, spares and loose tools and stock-in-trade	4.5 & 4.6
allowance for expected credit loss	4.7 & 4.3.3
provision of taxation and deferred tax	4.9
provision of compensated absences	4.11

5 PROPERTY, PLANT AND EQUIPMENT

	Note	2019	2018
		(Rupees in thousands)	
Operating fixed assets	5.1	1,579,168	1,463,863
Capital work-in-progress	5.5	59,055	97,136
		1,638,223	**1,560,999**

5.1 Operating fixed assets

	COST / REVALUATION ***				ACCUMULATED DEPRECIATION				NET BOOK VALUE	
	As at July 01, 2018	Additions / Transfers *	Disposals	As at June 30, 2019	As at July 01, 2018	Charge for the year	Disposals	As at June 30, 2019	As at June 30, 2019	Depreciation rate %
	(Rupees in thousands)									
Leasehold land ***	601,030	10,160 *	-	611,190	-	-	-	-	611,190	-
Factory building on leasehold land	220,601	63,392 *	(129)	283,864	34,474	21,640	(85)	56,029	227,835	10
Office building on leasehold land	4,368	-	(15)	4,353	2,694	29	(7)	2,716	1,637	5
Plant and machinery	606,817	65,457 *	(18,337)	653,937	216,409	44,755	(9,374)	251,790	402,147	10 & 20
Power generators	234,753	33,173 *	(27,265)	240,661	77,260	18,526	(26,163)	69,623	171,038	10 & 35
Electrical fittings	35,852	3,341	(15)	39,178	4,049	3,320	(12)	7,357	31,821	10
Office equipment	8,914	2,148	-	11,062	3,209	992	-	4,201	6,861	15
Computers and other IT related equipment	16,218	4,977 *	-	21,195	11,737	2,553	-	14,290	6,905	33.33
Furniture and fittings	6,344	1,056 *	-	7,400	1,976	395	-	2,371	5,029	10
Vehicles	24,454	11,883	(15,629)	20,708	11,381	2,534	(7,846)	6,069	14,639	20
Sui gas, water and drainage lines	4,568	-	-	4,568	1,128	344	-	1,472	3,096	10
Measuring instruments, dies, jigs, patterns and other equipments	95,796	77,017 *	-	172,813	31,535	44,308	-	75,843	96,970	50
2019	1,859,715	17,372 255,232 *	(61,390)	2,070,929	395,852	139,396	(43,487)	491,761	1,579,168	

	COST / REVALUATION ***				ACCUMULATED DEPRECIATION				NET BOOK VALUE	
	As at July 01, 2017	Additions / Transfers *	Disposals/ written- off **	As at June 30, 2018	As at July 01, 2017	Charge for the year	Disposals/ written- off **	As at June 30, 2018	As at June 30, 2018	Depreciation rate %
	(Rupees in thousands)									
Leasehold land ***	573,529	27,501 *	-	601,030	-	-	-	-	601,030	-
Factory building on leasehold land	161,038	90,969 *	(31,406) **	220,601	43,185	19,806	(28,517) **	34,474	186,127	10
Office building on leasehold land	4,368	-	-	4,368	2,605	89	-	2,694	1,674	5
Generator premises	4,924	-	(4,924) **	-	4,193	69	(4,262) **	-	-	10
Plant and machinery	885,917	77,756 *	(356,856)	606,817	398,572	55,196	(237,359)	216,409	390,408	10 & 20
Power generators	153,310	141,241 *	(59,798)	234,753	121,072	5,225	(49,037)	77,260	157,493	10 & 35
Electrical fittings	20,036	28,357	(12,541)	35,852	11,449	1,748	(9,148)	4,049	31,803	10
Office equipment	9,520	1,748	(2,354)	8,914	4,617	861	(2,269)	3,209	5,705	15
Computers and other IT related equipment	25,534	1,379 *	(10,695)	16,218	19,748	2,213	(10,224)	11,737	4,481	30
Furniture and fittings	8,279	989 *	(2,924)	6,344	4,397	400	(2,821)	1,976	4,368	10
Vehicles	17,402	15,442	(8,390)	24,454	8,829	2,552	-	11,381	13,073	20
Sui gas, water and drainage lines	6,665	-	(2,097) **	4,568	2,472	427	(1,771) **	1,128	3,440	10
Measuring instruments, dies, jigs, patterns and other equipments	118,098	47,748 *	(70,050) **	95,796	56,533	32,854	(57,852) **	31,535	64,261	25
2018	1,988,620	45,547 387,583 *	(453,558) (108,477) **	1,859,715	677,672	121,440	(310,858) (92,402) **	395,852	1,463,863	

	Note	2019	2018
		(Rupees in thousands)	
5.2 Allocation of depreciation charge:			
Cost of sales	24	135,896	118,379
Selling and distribution expenses	25	17	23
Administrative expenses	26	3,483	3,038
		139,396	121,440

5.3 Useful life of property, plant and equipment

The mangement of the Company has assessed the useful lives and residual values of the remaining useful lives of certain components of property, plant and equipment and accordingly revised the useful lives of the following assets. The previous and revised remaining useful lives are as under:

Categories	Revised useful life	Previous useful life
	-------- Years --------	
Plant and machinery - CDI & Regulator segment	5	10
Computers and other IT related equipment	3	6
Measuring instruments, dies, jigs, patterns and other equipments	2	4

The effect of these changes in useful life on depreciation charge in the current and future periods are as follows:

	Accumulated depreciation expense			
	2019	2020	2021	From July 01, 2022 and onwards
	-------------- Rupees in thousands --------------			
Increase / (decrease) in depreciation charge	9,913	10,920	(12,189)	(8,863)

5.4 The details of operating assets disposed of, having net book value in excess of Rs. 500,000 each are as follows:

	Cost	Accumulated Depreciation	Net Book value	Sale proceeds	Mode of Disposal	Particulars of buyers
	----------(Rupees in thousands)-----------					
Plant and Machinery						
Multi Drill Machine	2,138	941	1,197	177	Negotiation	M/s Akram Scrap Dealer
Milling Machie	1,290	344	946	119	Negotiation	M/s Akram Scrap Dealer
Spectrometer	4,121	3,145	976	112	Negotiation	M/s Akram Scrap Dealer
Jolt & Squeeze Sand Molding	1,136	333	803	100	Negotiation	M/s Akram Scrap Dealer
Leakage Testing Unit	1,496	748	748	94	Negotiation	M/s Akram Scrap Dealer
Vehicles						
Suzuki Cultus	1,027	-	1,027	1,027	Company policy	Atlas Autos (Private) Limited - Group Company
Suzuki Mehran	562	-	562	562	Company policy	Atlas Battery Limited - Group Company
Honda Civic	1,450	609	841	841	Company policy	Mr. Tariq Wasi - Employee
Honda City	1,210	-	1,210	1210	Company policy	Mr. Junaid Ahmed Siddiqui- Employee
Honda Civic	2,405	-	2,405	2,405	Company policy	Atlas Autos (Private) Limited - Group Company

5.5 Capital work-in-progress

	Leashold land	Factory building on leashold land	Plant and machinery	Power Generators	Computers and other IT related equipment	Furniture and fittings	Measuring Instruments, dies, jigs, patterns and other equipment	Total
	------------------------------(Rupees In thousands)---------------------------							
Balance as at June 30, 2017	-	43,919	91,695	-	-	989	32,009	168,612
Capital expenditure incurred / advances paid	27,501	48,720	70,143	141,241	2,403	-	26,099	316,107
Transferred to operating fixed assets	(27,501)	(90,969)	(77,756)	(141,241)	(1,379)	(989)	(47,748)	(387,583)
Balance as at June 30, 2018	-	1,670	84,082	-	1,024	-	10,360	97,136
Balance as at July 01, 2018	-	**1,670**	**84,082**	-	**1,024**	-	**10,360**	**97,136**
Capital expenditure incurred / advances paid	**10,160**	**61,722**	**40,430**	**33,173**	**3,953**	**1,056**	**66,657**	**217,151**
Transferred to operating fixed assets	**(10,160)**	**(63,392)**	**(65,457)**	**(33,173)**	**(4,977)**	**(1,056)**	**(77,017)**	**(255,232)**
Balance as at June 30, 2019	-	-	**59,055**	-	-	-	-	**59,055**

5.5.1 During the year, borrowing costs at the general rate of 3 months' KIBOR plus 0.5% (June 30, 2018 :3 months' KIBOR plus 0.5%) per annum have been capitalized to plant and machinery and power generators amounting to Rs. 2.73 million (June 30, 2018: Rs. 7.92 million) as a part of cost of such assets.

6 INTANGIBLES

	COST			ACCUMULATED AMORTIZATION			NET BOOK VALUE	
	As at July 01, 2018	Additions	As at June 30, 2019	As at July 01, 2018	Charge for the year	As at June 30, 2019	As at June 30, 2019	Amortization rate
	(Rupees in thousands)							%
Computer softwares								
2019	**12,368**	**955**	**13,323**	**10,339**	**961**	**11,300**	**2,023**	**33**
2018	10,213	2,155	12,368	9,788	551	10,339	2,029	33

6.1 The entire amortization has been charged to administrative expenses (note 26).

	Note	2019	2018
		(Rupees in thousands)	
7 LONG-TERM LOANS AND ADVANCES - secured, considered good			
Loans to employees	7.1	**852**	765
Less: current maturity shown under current assets	12	**(260)**	(260)
		592	505
Advances to employees		**25**	10
Less: current maturity shown under current assets	12	**(10)**	(10)
		15	-
		607	505

7.1 Represent loans provided to employees in accordance with the terms of employment . These carry mark-up at the rate of 1% (June 30, 2018: 1%) per month and are recoverable in equal monthly installments over a period of maximum 20 months. These are secured against employees' retirement benefits.

	2019	2018
	(Rupees in thousands)	
8 LONG TERM DEPOSITS		
Ijarah	**735**	735
Utilities	**1,051**	1,051
Suppliers	**246**	246
Others	**768**	768
	2,800	2,800
9 STORES, SPARE PARTS AND LOOSE TOOLS		
Stores and spare parts	**14,490**	13,406
Loose tools	**36,328**	32,252
	50,818	45,658
10 STOCK-IN-TRADE		
Raw and ancillary materials:		
In hand	**285,899**	195,111
In transit	**26,976**	10,707
	312,875	205,818
Work-in-process	**20,833**	18,093
Finished goods	**75,094**	79,377
Less: Provision for obsolescence	**(11,240)**	(6,204)
	63,854	73,173
	397,562	297,084

		Note	2019	2018
			(Rupees in thousands)	
11	**TRADE DEBTS – unsecured, considered good**	11.1	**53,265**	39,575

11.1 The ageing analysis of unimpaired trade debts is as follows:

	2019	2018
Neither past due nor impaired	**33,920**	5,402
Past due but not impaired		
Upto 3 months	**19,180**	7,452
More that 3 months and upto 6 months	**76**	6,486
More than 6 months and upto 9 months	**89**	20,235
	53,265	39,575

12 LOANS AND ADVANCES - considered good

	Note	2019	2018
Secured			
Current maturity of:			
loans to employees	7	**260**	260
advances to employees	7	**10**	10
		270	270
Unsecured			
Advances to suppliers		**-**	2,913
Advances to employees		**3,305**	2,336
		3,305	5,249
		3,575	5,519

13 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	2019	2018
Trade deposits	**6,448**	2,415
Short-term prepayments	**1,676**	1,522
	8,124	3,937

14 OTHER RECEIVABLES

	Note	2019	2018
Atlas Aluminum (Private) Limited - a related party	14.1 & 14.2	**37,598**	-
Provident Fund	14.3	**5,060**	-
		42,658	-
Receivable against disposal of plant and machinery		**1,199**	12,407
		43,857	12,407

14.1 The maximum aggregate amount receivable from related parties at the end of any month during the year was Rs. 124 million (June 30, 2018: Nil).

14.2 These are neither past due nor impaired, aged 0-30 days.

14.3 The investments out of aforementioned fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

	2019	2018
	(Rupees in thousands)	
15 CASH AND BANK BALANCES		
Cash in hand	**838**	1,598
Bank balances - current accounts	**7,109**	6,468
	7,947	8,066

16 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2019	2018		2019	2018
Number of shares			(Rupees in thousands)	
		Ordinary shares of Rs.10/- each		
21,610,283	21,610,283	- fully paid in cash	**216,103**	216,103
49,800	49,800	- issued for consideration other than cash	**498**	498
3,013,307	3,013,307	- issued as fully paid bonus shares	**30,133**	30,133
(986,936)	(986,936)	- reduction in capital	**(9,869)**	(9,869)
23,686,454	23,686,454		**236,865**	236,865

16.1 As of the statement of financial position date, Shirazi Investments (Private) Limited, the Parent Company held 100% (June 30, 2018: 100%) shares of the Company.

	2019	2018
	(Rupees in thousands)	
17 SURPLUS ON REVALUATION OF LEASEHOLD LAND	**548,061**	548,061

17.1 The latest revaluation was carried out in March, 2016 by M/s. Surval - Engineers, Surveyor and Technical Consultant resulting in surplus amounting to Rs.191.701 million which was credited to surplus on revaluation of leasehold land. Had the land been carried at cost, it would have been carried at Rs. 25.468 million. Forced sale value of the land at the time of revaluation was Rs. 445.82 million.

18 DEFERRED LIABILITIES	Note	2019	2018
		(Rupees in thousands)	
Non-management employees' gratuity scheme	18.1	**2,391**	2,245
Compensated absences	18.2	**11,962**	9,757
		14,353	12,002

	2019		2018	
	Management staff gratuity fund (Note 20)	Non-Management employees' gratuity scheme	Management staff gratuity fund (Note 20)	Non-Management employees' gratuity scheme
	---------- (Rupees in thousands) -------------			
18.1 Statement of financial position reconciliation as at year end				
Present value of defined benefit obligation	**32,029**	**2,391**	30,749	2,245
Fair value of plan assets	**(20,168)**	**-**	(28,122)	
	11,861	**2,391**	2,627	2,245
Payable in respect of inter group transfers	**151**	**-**	5,747	
Net liability as at the end of the year	**12,012**	**2,391**	8,374	2,245
18.1.1 Movement in present value of defined benefit obligation				
Present value of defined benefit obligation as at the beginning of the year	**30,749**	**2,245**	34,828	2,258
Current service cost	**2,949**	**88**	1,981	91
Interest cost	**2,664**	**201**	2,631	176
Benefits paid during the year	**(5,649)**	**(326)**	(1,344)	(258)
Remeasurement loss / (gain)	**1,269**	**183**	(1,858)	(22)
Liability recognized in respect of inter group transfers	**47**	**-**	(5,489)	-
Present value of defined benefit obligation as at the end of the year	**32,029**	**2,391**	30,749	2,245

	2019		2018	
	Management staff gratuity fund (Note 20)	Non-Management employees' gratuity scheme	Management staff gratuity fund (Note 20)	Non-Management employees' gratuity scheme
	---------- (Rupees in thousands) -------------			
18.1.2 Movement in fair value of plan assets				
Fair value of plan assets as at the beginning of the year	28,122	-	25,623	-
Expected return on plan assets	2,195	-	1,943	-
Contributions made during the year	2,669	-	2,848	-
Benefits paid during the year	(5,649)	-	(1,344)	-
Remeasurement loss	(1,620)	-	(1,206)	-
Assets in respect of inter group transfers	(5,549)	-	258	-
Present value of plan assets as at the end of the year	20,168	-	28,122	-
18.1.3 Amounts recognised in the statement of profit or loss				
Current service cost	2,949	88	1,981	91
Interest cost	2,664	201	2,631	176
Expected return on assets	(2,195)	-	(1,943)	-
Charge for the year	3,418	289	2,669	267
18.1.4 Principal actuarial assumptions:				
Discount rate – per annum compound	14.25%	9%	9.00%	9.00%
Expected rate of return on plan assets – per annum	8%	-	7.58%	-
Expected rate of increase in future salaries – per annum	10%	8%	8.00%	8.00%
18.1.5 Actual return on plan assets	574	-	737	-

18.1.6 Plan assets comprise of the following:

	2019		2018	
	(Rupees in thousands)	%	(Rupees in thousands)	%
Debt instruments	11,634	58%	13,648	48%
Shares and units of mutual funds	8,255	41%	14,425	51%
Cash	280	1%	49	1%
	20,169	100%	28,122	100%

18.1.7 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy.

18.1.8 Expected contribution to management staff gratuity fund for the year ending June 30, 2020 is Rs. 3.83 million (June 30, 2019: Rs. 2.297 million).

18.1.9 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumptions	Increase in assumption	Decrease in assumption
2019			
Discount rate	1.00%	30,416	33,832
Salary growth rate	1.00%	33,684	30,524
2018			
Discount rate	1.00%	29,010	32,695
Salary growth rate	1.00%	32,545	29,115

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the Projected Unit Credit Method at the end of the reporting period) has been applied as when calculating the liability recognised in the statement of financial position.

	Notes	2019	2018
		(Rupees in thousands)	
18.2 Compensated absences			
Balance at the beginning of the year		9,757	11,529
Charge for the year		5,195	2,223
Payments made during the year		(2,990)	(3,995)
Balance at the end of the year		11,962	9,757

19 DEFERRED TAXATION - net

	2019	2018
Accelerated tax depreciation and amoritisation	88,324	83,924
Provisions	(10,905)	(4,359)
Unused tax losses	(45,004)	-
Carry forward of Minimum tax	-	(6,623)
Unused tax credit	-	(1,751)
Others	-	(10)
	32,415	71,181

20 TRADE AND OTHER PAYABLES

	Notes	2019	2018
Trade creditors		61,756	59,166
Murabaha		53,920	-
Accrued liabilities		41,468	27,418
Advance rent from related parties	20.1	3,754	10,076
Management staff gratuity fund	18.1	12,012	8,374
Royalty and technical fee payable		7,845	9,391
Sales tax payable		6,292	18,685
Provisions	20.2	219,950	217,308
Deposits from employees		3,015	2,791
Workers' Profits Participation Fund		-	900
Workers' Welfare Fund		-	-
Others		2,083	1,448
		412,095	355,557

20.1 Advance rent from related parties

	2019	2018
Atlas Hitech (Private) Limited - a related party	3,754	3,709
Atlas Autos (Private) Limited - a related party	-	6,367
	3,754	10,076

20.2 Provisions

	Opening balance	Charge for the year	Payments during the year	Closing balance
	----------- (Rupees in thousands) -----------			
Gas infrastructure development cess	95,333	28,522	-	123,855
OGRA Gas tariff difference	43,410	4,162	-	47,572
Sindh Infrastructure development cess	18,105	11,262	(5,631)	23,736
Bonus	60,460	35,013	(70,686)	24,787
2019	217,308	78,959	(76,317)	219,950
2018	118,410	122,803	(23,905)	217,308

	Note	2019	2018
		(Rupees in thousands)	
21 SHORT TERM BORROWINGS-secured			
Short-term loan	21.1	80,000	-
Short-term running finance	21.2	191,792	97,674
		271,792	97,674

21.1 Represents facility for short-term loan obtained from a commercial bank amounted to Rs. 80 million (June 30, 2018: Rs. Nil) of which Rs. Nil (June 30, 2018: Rs. Nil) remained unutilized at year end.The facility carries mark-up at the rate ranging from 1 month KIBOR plus 0.35% (2018:Nil). These are secured by way of first pari-passu joint hypothecation of stock and book debts of the Company.

21.2 The aggregate facilities for short term running finance from various banks amounted to Rs. 682 million (June 30, 2018: Rs. 582 million). These facilities carry mark-up ranging from 1 month and 3 months KIBOR plus 0.10% to 1% (June 30,2018: 1 month KIBOR plus 0.50% to 1%) per annum. These are secured by first pari-passu joint hypothecation of stocks and book debts of the Company.

	2019	2018
	(Rupees in thousands)	

22 CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

As of reporting date, there are no material contingencies to report.

22.2 Commitments

	2019	2018
22.2.1 Letters of credit		
- outstanding	68,843	87,978
- limit	1,180,000	1,180,000
22.2.2 Letter of guarantees		
- outstanding	92,446	104,588
- limit	115,000	115,000
22.2.3 Commitments for capital expenditure	2,449	3,024

22.2.4 The amount of future Ijarah rentals for Ijarah financing and the period in which these payments will become due are as follows:

	Note	2019	2018
		(Rupees in thousands)	
Within one year		10,118	8,833
After one year but not more than five years		31,881	15,772
		41,999	24,605

23 SALES – net

	Note	2019	2018
Local sales		2,455,520	2,639,525
Less: discount		(12,767)	(18,535)
Less: sales tax		(373,782)	(400,237)
		2,068,971	2,220,753
Export sales		6,944	9,661
		2,075,915	2,230,414

24 COST OF SALES

	Note	2019	2018
Raw and ancillary materials consumed		1,041,995	1,075,658
Stores, spare parts and loose tools consumed		103,415	113,913
Salaries, wages and other benefits	24.1	468,347	473,691
Fuel, water and power		208,220	161,922
Depreciation	5.2	135,896	118,379
Rent, rates and taxes		341	110
Insurance		10,354	8,905
Training expenses		3,962	4,145
Travelling		5,523	942
Repairs and maintenance		37,121	38,496
Provision for obsolescence		5,036	5,004
Ijarah rentals		5,834	6,454
Royalty and technical fee	24.2	12,917	14,596
Printing and stationery		687	910
Postage, telephone and telegrams		495	974
General expenses		7,643	3,931
Reimbursement of fixed expenses	24.3	(26,949)	(25,970)
		2,020,837	2,002,060
Opening work-in-process		18,093	32,071
Closing work-in-process		(20,833)	(18,093)
		(2,740)	13,978
Cost of goods manufactured		2,018,097	2,016,038
Opening stock of finished goods		79,377	56,636
Closing stock of finished goods		(75,094)	(79,377)
		4,283	(22,741)
		2,022,380	1,993,297

24.1 These include Rs. 3.934 million (June 30, 2018: Rs. 6.164 million) in respect of staff retirement benefits.

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

Company Name	Address	2019	2018
		(Rupees in thousands)	
- Honda Foundary Ltd	1620, Matoba Kawago, Saitama, Japan.	11,558	6,235
- Shingdengen Electric Ltd.	New-Ohtemachi Bldg., 2-1 Ohtemachi 2-chome, Chiyoda-Ku, Tokyo, Japan.	2,313	5,692

24.3 Represent reimbursement of expenses received by the Company on account of salaries, wages and benefits and general expenses incurred during the year on behalf of related parties.

25 SELLING AND DISTRIBUTION EXPENSES

	Note	2019	2018
		(Rupees in thousands)	
Salaries and allowances	25.1	**11,329**	12,095
Advertisement and publicity		**1,199**	1,945
Cartage and octroy		**2,328**	2,335
Travelling and conveyance		**4,681**	3,915
Insurance		**4,482**	4,642
Rent, rates and taxes		**1,568**	953
Executive training		**-**	120
Depreciation	5.2	**17**	23
Ijarah rentals		**857**	1,393
Printing and stationery		**14**	90
Postage, telephone and telegrams		**241**	120
Repairs and maintenance		**6**	23
General expenses		**207**	311
		26,929	27,965

25.1 These include Rs. 0.358 million (June 30, 2018: Rs. 0.308 million) in respect of staff retirement benefits

26 ADMINISTRATIVE EXPENSES

	Note	2019	2018
		(Rupees in thousands)	
Salaries and allowances	26.1	**77,299**	85,966
Repairs and maintenance		**11,226**	8,955
Travelling and conveyance		**2,718**	2,188
Rent, rates and taxes		**2,263**	1,885
Depreciation	5.2	**3,483**	3,038
Amortization	6.1	**961**	551
Insurance		**1,058**	542
Printing and stationery		**583**	974
Postage, telephone and telegrams		**467**	624
Subscriptions		**476**	430
Ijarah rentals		**3,773**	4,816
Advertisement and publicity		**288**	267
Training expenses		**875**	1,035
General expenses		**4,530**	3,078
		110,000	114,349

26.1 These include Rs.1.244 million (June 2018: Rs. 1.027 million) in respect of staff retirement benefits.

	Note	2019	2018
		(Rupees in thousands)	
27 OTHER EXPENSES			
Operating fixed assets written off		-	16,075
Loss on disposal of operating fixed assets		8,352	121,105
Legal and professional charges		3,550	3,664
Auditors' remuneration	27.1	1,544	1,371
Donation	27.2	-	775
		13,446	142,990

27.1 Auditors' remuneration

	2019	2018
Audit fee	800	726
Other certifications	634	545
Out of pocket expenses	110	100
	1,544	1,371

27.2 Represents donation to Atlas Foundation. Mr. Yusuf H. Shirazi, Mr. Frahim Ali Khan and Mr. Jawaid Iqbal Ahmed, directors of the Company are also the directors in Atlas Foundation.

	Note	2019	2018
		(Rupees in thousands)	
28 FINANCE COSTS			
Mark-up on short-term borrowings		41,959	9,362
Bank and other charges		1,558	1,277
		43,517	10,639
29 OTHER INCOME			
Rental income from related parties	29.1	142,469	135,732

29.1 Represents rental income earned from following related parties:

	2019	2018
Atlas Metals (Private) Limited	76,524	79,618
Atlas Autos (Private) Limited	12,508	8,268
Atlas Hi-tech (Private) Limited	13,495	12,047
Atlas Aluminium (Private) Limited	34,992	31,309
Atlas Die Casting (Private) Limited	4,950	4,490
	142,469	135,732

30 TAXATION

	2019	2018
- Current	23,777	-
- Prior	2,661	(2,440)
- Deferred	(37,875)	(14,245)
	(11,437)	(16,685)

30.1 Reconciliation between tax expense and accounting profit

	2019	2018
Accounting profit before taxation	2,112	76,906
Corporate tax rate	29%	30%
Tax on accounting profit at applicable rate	612	23,072
Tax effects of:		
- prior year	2,661	(2,440)
- tax credit / rebate	(8,949)	(27,992)
- (admissible) / inadmissible expenses	(11,272)	559
- income assessed under FTR	(1,620)	(2,262)
- minimum tax carry forward	-	6,623
- unused tax losses	45,006	-
- deferred tax	(37,875)	(14,245)
	(11,437)	(16,685)

31 CASH GENERATED FROM OPERATIONS

	Note	2019	2018
		(Rupees in thousands)	
Profit before taxation		**2,112**	76,906
Adjustments for:			
Depreciation	5.2	**139,396**	121,440
Amortization	6.1	**961**	551
Loss on disposal of operating fixed assets		**8,352**	121,105
Operating fixed assets written off		**-**	16,075
Provision for gratuity	18.1.3	**3,707**	2,935
Accrual for compensated absences	18.2	**5,195**	2,223
Finance costs		**43,517**	9,362
		201,128	273,691
Operating profit before working capital changes		**203,240**	350,597
Working capital changes	31.1	**(111,329)**	108,061
Cash generated from operations		**91,911**	458,658

31.1 Working capital changes

	2019	2018
(Increase) / decrease in current assets		
Stores, spares parts and loose tools	**(5,160)**	3,672
Stock-in-trade	**(100,478)**	(56,344)
Trade debts	**(13,690)**	45,623
Loans and advances	**1,944**	(3,629)
Trade deposits and short-term prepayments	**(4,187)**	6,628
Other receivables	**(42,658)**	32,291
	(164,229)	28,241
Increase in current liabilities		
Trade and other payables	**52,900**	79,820
	(111,329)	108,061

32 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2019	2018	2019	2018	2019	2018
	(Rupees in thousands)					
Managerial remuneration	**9,560**	8,497	**-**	-	**11,537**	16,504
Rent	**3,741**	3,325	**-**	-	**4,515**	6,458
Bonus	**1,178**	3,664	**-**	-	**1,418**	6,134
Utilities	**831**	738	**-**	-	**1,003**	1,435
Retirement benefits	**914**	812	**-**	-	**1,104**	1,578
Reimbursable expenses	**874**	848	**-**	-	**1,896**	1,744
	17,098	17,884	**-**	-	**21,473**	33,853
Number of persons	**1**	1	**6**	6	**5**	7

In addition to the above, Chief Executive is provided with Company maintained car and telephone at residence.

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks i.e. market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Company's senior management oversees the management of these risks. The Company's senior management provides policies for overall risk management, as well as policies covering specific areas. The Board of Directors review and agree policies for managing each of these risks which are summarized below:

33.1 Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligations and cause the other party to incur a financial loss. The Company's attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continuously assessing the creditworthiness of counterparties.

Concentrations of credit risks arise 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.

The maximum exposure to credit risk at the statement of financial position date is as follows:

	2019	2018
	(Rupees in thousands)	
Long-term loans	**852**	765
Long-term deposits	**2,800**	2,800
Loans	**260**	260
Deposits	**6,448**	2,415
Trade debts	**53,265**	39,575
Other receivables	**43,857**	12,407
Bank balances	**7,109**	6,468
	114,591	64,690

Quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or the historical information about counter party default rates as shown below:

	2019	2018
Customers with no defaults in the past one year		
Trade debts	**53,265**	39,575
Bank balances		
A1+	-	1,862
A-1+	**7,109**	3,650
A-1	-	956
	7,109	6,468

33.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company applies the prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines. The table below summarizes the maturity profile of the Company's financial liabilities at the following reporting dates:

	2019		
	On demand	Less than 3 months	Total
	--------- (Rupees in thousands) -------		
Short term borrowing - secured	-	271,792	271,792
Trade and other payables	3,015	213,917	216,932
Accrued mark-up	-	12,418	12,418
	3,015	498,127	501,142

	2018		
	On demand	Less than 3 months	Total
	--------- (Rupees in thousands) -------		
Short term borrowing - secured	-	94,675	94,675
Trade and other payables	2,791	105,796	108,587
Accrued mark-up	-	3,689	3,689
	2,791	204,160	206,951

33.3 Interest rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to the risk of changes in market interest rate relates to the Company's short term running finance with floating interest rates. The company mitigates its risk against the exposure through focusing on maintaining sufficient bank balances.

The following figures demonstrate the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Company's profit before tax:

	Increase / decrease in basis points	Effect on profit before tax
	(Rupees in thousands)	
2019	**± 100**	**± 2,718**
2018	± 100	± 947

33.4 Foreign currency risk

Foreign currency risk is the risk that the value of a financial asset or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist as a result of transactions with foreign undertakings. As of the statement of financial position date, the Company is not materialy exposed to any such risk.

33.5 Capital risk management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business, sustain the development of the business and maximize the shareholders' value. The Company manages its capital structure and makes adjustment to it in light of changes in economic conditions. As of statement of financial position date, the Company does not have any interest bearing long-term financing.

33.6 Fair values of financial assets and liabilities

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.

As of the statement of financial position date, the carrying value of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

34 RELATED PARTY TRANSACTIONS

34.1 The related parties comprise the parent Company, associated Companies, directors, key management personnel and retirement funds. Transactions with related parties, other than those disclosed elsewhere in the financial statements are as follows:

Relationship	Nature of transactions	2019	2018
		(Rupees in thousands)	
Parent Company	Rent expense	1,473	1,339
Fellow Subsidiaries	Purchases	369,616	431,670
	Sales	1,857,253	1,604,377
	Purchase of operating fixed assets	65,448	3,323
	Sale of operating fixed assets	4,099	3,393
	Rent expense	754	685
	Insurance premium	29,580	23,237
Retirement funds	Contribution during the year	16,423	10,452

34.2 Details to compensation to the key management personnel have been disclosed in the note 32 to the financial statements.

34.3 Following are the details of related parties of the Company:

Company Name	Relationship	Percentage of shareholding in the Company	Registered Address	Country of Incorporation
Shirazi Investments (Private) Limited	Parent Company	100%	2nd Floor, Federation House, Sharah-e-Firdousi, Clifton, Karachi	Pakistan
Atlas Honda Limited	Fellow Subsidiary	Nil	F-36, Estate Avenue, SITE Area, Karachi	Pakistan
Atlas Asset Management Limited	Fellow Subsidiary	Nil	Ground Floor, Federation House, Sharah-e-Firdousi, Clifton, Karachi	Pakistan
Atlas Metals (Private) Limited	Fellow Subsidiary	Nil	15th Mile National Highway, Landhi, Karachi	Pakistan
Atlas Autos (Private) Limited	Fellow Subsidiary	Nil	F-36, Estate Avenue, SITE Area, Karachi	Pakistan
Atlas Hitech (Private) Limited	Fellow Subsidiary	Nil	F-36, Estate Avenue, SITE Area, Karachi	Pakistan
Atlas Die Casting (Private) Limited	Fellow Subsidiary	Nil	F-36, Estate Avenue, SITE Area, Karachi	Pakistan
Atlas Foundation	Fellow Subsidiary	Nil	2nd Floor, Federation House, Sharah-e-Firdousi, Clifton, Karachi	Pakistan
Atlas Insurance Limited	Fellow Subsidiary	Nil	Federation House, Abdullah Shah Ghazi Road, Main Clifton Karachi	Pakistan
Shirazi Trading (Private) Limited	Fellow Subsidiary	Nil	Plot no. 114C, Al-Murtaza Commercial lane-3 off Khayaban-e-Iqbal, Phase VIII DHA, Karachi	Pakistan
Atlas Aluminum (Private) Limited	Fellow Subsidiary	Nil	15th Mile National Highway, Landhi, Karachi	Pakistan
Atlas Worldwide	Fellow Subsidiary	Nil	Office No. 311, Nasir Ahmed Nasir Lootah Bldg. Khalid Bin Waleed Road Dubai, United Arab Emirates	United Arab Emirates
Atlas Global	Fellow Subsidiary	Nil	Office 323, Block-B, Techno Park Building, Sheikh Mohammed Bin Zayed Road Dubai, United Arab Emirates	United Arab Emirates
Atlas Venture	Fellow Subsidiary	Nil	Room 17, Floor 14, Wangfujing Building No. "B" Shapingba District, Chongqing, China.	China
Provident fund	Retirement benefits	Nil	15th Mile, National Highway, Landhi, Karachi, Pakistan	Pakistan

35 NUMBER OF EMPLOYEES

	2019	2018
Total number of employees as at year end	156	179
Average number of employees during the year	154	178

36 PRODUCTION CAPACITY

The production capacity of the plant cannot be determined as this depends on the relative proportions of various types of components and parts of vehicles and tractors produced.

37 GENERAL

37.1 Certain prior year figures have been rearranged and reclassified, wherever necessary, for better presentation.

37.2 Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

37.3 These financial statements were authorized for issue on 23.09.2019 by the Board of Directors of the Company.

37.4 The Board of Directors of the Company in their meeting held on 23.09.2019 have recommended cash dividend of Rs. Nil per share (June 30, 2018: Rs. 1 per share) amounting to Rs. Nil million (June 30, 2018: Rs. 23.687 million) for approval of the shareholders in the annual general meeting to be held on 18.10.2019.

CHIEF EXECUTIVE OFFICER

CHAIRMAN / DIRECTOR