Atlas Autos

## DIRECTORS' REPORT

The Directors of your company take pleasure in presenting their report together with the Audited Accounts and Auditor's Report thereon for the year ended June 30, 2021.

### Financial Results

The standalone financial results of your company for the year ended June 30, 2021 under review are summarized as follows:

| | Year ended June 30, 2021 | Year ended June 30, 2020 |
|---|---|---|
| | ----------(Rs. In "000")---------- | |
| Profit / (Loss) before taxation | 1,264,644 | (110,578) |
| Taxation | | |
| Current tax | (366,156) | (207,791) |
| Minimum tax recouped | 279,026 | - |
| Current tax | (87,130) | (207,791) |
| Deffered | (303,050) | 263,851 |
| | (390,180) | 56,060 |
| **Profit / (Loss) after taxation** | **874,464** | **(54,518)** |
| Other comprehensive income | | |
| Gain/(Loss) on remeasurement of staff retirement | 8,981 | 229 |
| Impact of deferred taxation | (2,604) | (66) |
| | 6,377 | 163 |
| **Total comprehensive income** | **880,841** | **(54,355)** |

### Dividend

Total interim dividend amounting to Rs. 300 million (Rs. 3 per share) was paid during the year.

### Earnings per share

Basic earnings per share after tax is Rs. 8.7 per share (2020: Loss per share Rs. -0.54)

**Atlas Autos (Private) Limited**
**Head Office & Karachi Plant:** 15th Mile, National Highway, Landhi, Karachi. **Ph:** (92-21) 35016921-4, 35015527, **Fax:** (92-21) 35011709
**Sheikhupura Plant:** 26/27 Km. LHR-SKP Road, Sheikhupura. **Ph:** (92-42) 7222222, (92-563) 406501-8 **Fax:** (92-563) 406009
**Lahore Office:** 1-McLeod Road, Lahore. **Ph:** (92-42) 7225015-17, 7233515-17 **Fax:** (92-42) 7233518
**Islamabad Office:** Islamabad Corporate Center Plot # 784/785, Gohlra Road Islamabad. **Ph:** (92-51) 5495921-7 **Fax:** (92-51) 5195928
**Multan Office:** Azmat Wasti Road, Multan. **Ph:** (92-61) 111-112-411, 4570413-14 **Fax:** (92-61) 4541690
**Rahimyar Khan Office:** Makhdoom Altaf Road, West Sadiq Canal Bank, Rahimyar Khan. **Ph:** (068) 5883415-19 **Fax:** (068) 5883414
**Hyderabad Office:** 2nd Floor, Dawood Centre, Autobhan Road, Hyderabad. **Ph:** (022) 3411361-9 **Fax:** (022) 34113670

Atlas Autos

**Economic Overview**

The COVID-19 pandemic has led global crisis to an unprecedented level. However, Pakistan's macro-economic factors recouped its momentum amid the detrimental impact of epidemic. The V-Shaped recovery was largely supported by adoption of prudent monetary and fiscal policies including low interest rates (7%), subsidized loans (Salary refinance scheme and TERF facility), Ehsas Program, etc. which resulted in GPD growth of 3.9% in FY 2021.

The auto sector depicted massive recovery with the ease in lockdown restrictions. The two-wheeler sector showed a significant development in sales volume despite the months of inactivity due to pandemic and multiple rounds of price hikes due to increased cost of inputs.

**Overview of Company's affairs**

The promising effects of COVID-19 relief measures taken by the Government of Pakistan resulted in industrial boom, which catalyzed Company's revenue growth of 39% year on year basis.

The profitability of the Company significantly improved mainly due to volume increase as compared to the last year & the budget. In addition, sharp Rupee appreciation also played substantial role.

Lubricant sales significantly improved due to network expansion, sales promotion and various other marketing activities.

However, despite challenges, the Company continued its efforts to expand and reduce costs. Resultantly, the Company recorded the profit before tax of Rs. 1,264 million.

**Board of Directors**

The Board comprises of one Executive and four Non-Executive directors. All the non-executive directors are independent from the management.

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Atlas Autos

**Auditors Appointment**

The retiring auditors M/s ShineWing Hameed Chaudhri & Co. Chartered Accountants, being eligible, offered themselves for re-appointment. The Board of Directors has recommended their re-appointment as auditors of the Company for the year 2021 - 22.

**Future Outlook**

The Country has shown significant signs of recovery with fast resumption in agricultural, construction, LSM & SMEs despite of the Rupee devaluation. The promised growth-oriented initiatives coupled with positive reforms will boost competitiveness of Pakistan's economy. Associating these measures with Company's continuous efforts in expanding its product range, constant localization and steady pace in Lubricant's network development, lays a strong foundation for a more optimistic Company's outlook.

For and on behalf of the
Board of Directors

Chief Executive Officer

ATLAS AUTOS (PRIVATE) LIMITED

Director

Karachi: September 10, 2021

ATLAS AUTOS (PRIVATE) LIMITED

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2021

Karachi Chambers,
Hasrat Mohani Road, Karachi.
Tel: +92 21 32412754, 32411474
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Principal Office
HM House,
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Tel: +92 42 37235084-87
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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ATLAS AUTOS (PRIVATE) LIMITED

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the annexed financial statements of **Atlas Autos (Private) Limited** (the Company), which comprise the statement of financial position as at June 30, 2021, and the statement of profit or loss and other 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 and other comprehensive income, the statement of changes in equity and the 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 June 30, 2021 and of the profit and other 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 of 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.

SHC

**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 and other 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 Raheel Ahmed.

Shinewing Hameed Chaudhri & Co.

**SHINEWING HAMEED CHAUDHRI & CO.**
**CHARTERED ACCOUNTANTS**
**KARACHI;** 10 SEP 2021

**ATLAS AUTOS (PRIVATE) LIMITED**
**STATEMENT OF FINANCIAL POSITION**
**AS AT JUNE 30, 2021**

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | ---- Rupees in '000 ---- | |
| **ASSETS** | | | |
| **Non current assets** | | | |
| Property, plant and equipment | 5 | 3,037,428 | 3,131,506 |
| Intangible assets | 6 | 10,554 | 7,362 |
| Long term investments | 7 | 1,071,000 | 1,071,000 |
| Long term deposits | | 26,440 | 18,940 |
| Long term loans and advances | 8 | 11,110 | 10,390 |
| Deferred tax | 23 | - | 235,322 |
| | | 4,156,532 | 4,474,520 |
| **Current assets** | | | |
| Stores, spares and loose tools | 9 | 171,783 | 122,495 |
| Stock-in-trade | 10 | 840,498 | 980,466 |
| Trade debts | 11 | 578,110 | 382,699 |
| Loans and advances | 12 | 17,005 | 22,673 |
| Deposits and other receivables | 13 | 607,878 | 582,830 |
| Short term investments | 14 | 1,234,207 | - |
| Taxation - net | | 852,876 | 667,458 |
| Bank balances | 15 | 1,000,791 | 701,704 |
| | | 5,303,148 | 3,460,325 |
| Non-current assets classified as held for sale | 16 | - | 13,918 |
| **Total assets** | | 9,459,680 | 7,948,763 |

**Chief Executive Officer**

**Director**

**ATLAS AUTOS (PRIVATE) LIMITED**
**STATEMENT OF FINANCIAL POSITION**
**AS AT JUNE 30, 2021**

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | ---- Rupees in '000 ---- | |
| **EQUITY AND LIABILITIES** | | | |
| **Share capital and reserve** | | | |
| Share capital | 17 | 1,000,000 | 1,000,000 |
| Capital reserve - under scheme of merger / amalgamation | 18 | 61,598 | 61,598 |
| Revenue reserves - unappropriated profit | | 4,014,152 | 3,433,311 |
| **Total equity** | | 5,075,750 | 4,494,909 |
| **Liabilities** | | | |
| **Non current liabilities** | | | |
| Lease liabilities | 19 | 335,819 | 217,850 |
| Long term loans | 20 | 791,582 | 1,004,896 |
| Deferred income - government grant | 21 | 3,881 | 3,642 |
| Compensated absences | 22 | 99,133 | 85,200 |
| Deferred taxation | 23 | 70,332 | - |
| | | 1,300,747 | 1,311,588 |
| **Current liabilities** | | | |
| Current portion of long term loans | 20 | 324,225 | 57,272 |
| Current portion of lease liabilities | 19 | 24,467 | 13,784 |
| Current portion of deferred income - government grant | 21 | 7,168 | 7,030 |
| Trade and other payables | 24 | 2,701,813 | 2,020,452 |
| Accrued mark-up | | 25,510 | 43,728 |
| | | 3,083,183 | 2,142,266 |
| **Total liabilities** | | 4,383,930 | 3,453,854 |
| **Contingencies and commitments** | 26 | | |
| **Total equity and liabilities** | | 9,459,680 | 7,948,763 |

The annexed notes 1 to 40 form an integral part of these financial statements.

**Chief Executive Officer** **Director**

**ATLAS AUTOS (PRIVATE) LIMITED**
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED JUNE 30, 2021**

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | ---- Rupees in '000 ---- | |
| Sales | 27 | 18,670,921 | 13,458,676 |
| Cost of sales and services | 28 | (16,938,955) | (13,049,949) |
| **Gross profit** | | 1,731,966 | 408,727 |
| Administrative and general expenses | 29 | (387,458) | (306,074) |
| Other income | 30 | 163,132 | 84,086 |
| Other expenses | 31 | (95,684) | 17,680 |
| **Profit from operations** | | 1,411,956 | 204,419 |
| Impairment of operating fixed asset | 5.3 | (30,000) | - |
| Impairment of non-current assets held for sale | 16 | - | (110,000) |
| Finance cost | 32 | (117,312) | (204,997) |
| **Profit / (loss) before taxation** | | 1,264,644 | (110,578) |
| Taxation | 33 | (390,180) | 56,060 |
| **Profit / (loss) after taxation** | | 874,464 | (54,518) |
| **Other comprehensive income** | | | |
| **Items that will not be reclassified to profit or loss** | | | |
| Re-measurement of staff retirement benefit obligation | | 8,981 | 229 |
| Impact of deferred tax | | (2,604) | (66) |
| Other comprehensive income for the year - net of tax | | 6,377 | 163 |
| **Total comprehensive income / (loss)** | | 880,841 | (54,355) |

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive Officer

Director

**ATLAS AUTOS (PRIVATE) LIMITED**
**STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED JUNE 30, 2021**

| | Share capital | Capital reserve - under scheme of merger / amalgamation | Revenue reserve unappro-priated profit | Total |
|---|---|---|---|---|
| | ------------------- Rupees in '000 ------------------- | | | |
| Balance as at July 1, 2019 | 1,000,000 | - | 3,487,666 | 4,487,666 |
| Transfer under scheme of arrangement (note 18) | - | 61,598 | - | 61,598 |
| **Total comprehensive loss for the year ended June 30, 2020** | | | | |
| Loss for the year | - | - | (54,518) | (54,518) |
| Other comprehensive income | - | - | 163 | 163 |
| | - | - | (54,355) | (54,355) |
| **Balance as at June 30, 2020** | **1,000,000** | **61,598** | **3,433,311** | **4,494,909** |
| **Transaction with owners recognised directly in equity** | | | | |
| Interim cash dividend for the year ended June 30, 2021 at the rate of Rs.3 per share | - | - | (300,000) | (300,000) |
| **Total comprehensive income for the year ended June 30, 2021** | | | | |
| Profit for the year | - | - | 874,464 | 874,464 |
| Other comprehensive income | - | - | 6,377 | 6,377 |
| | - | - | 880,841 | 880,841 |
| **Balance as at June 30, 2021** | **1,000,000** | **61,598** | **4,014,152** | **5,075,750** |

The annexed notes 1 to 40 form an integral part of these financial statements.

**Chief Executive Officer** **Director**

**ATLAS AUTOS (PRIVATE) LIMITED**
**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED JUNE 30, 2021**

| | 2021 | 2020 |
|---|---|---|
| | ---- Rupees in '000 ---- | |
| **Cash flows from operating activities** | | |
| Profit / (loss) before taxation | **1,264,644** | (110,578) |
| **Adjustments for non cash charges and other items:** | | |
| Depreciation and amortisation | **348,630** | 329,674 |
| Provision for compensated absences | **16,176** | 15,139 |
| Provision for gratuity | **8,386** | 10,272 |
| Provision for doubtful debts | **837** | 2,000 |
| (Reversal) / provision for slow moving stock - net | **(14,158)** | 53,879 |
| Gain on sale of investments at fair value through profit or loss | **(1,265)** | - |
| Fair value gain on investments at fair value through profit or loss | **(5,819)** | - |
| Impairment of operating fixed asset | **30,000** | - |
| Transfer under scheme of arrangement | - | 61,598 |
| Impairment of non-current assets held for sale | - | 110,000 |
| Gain on disposal non-current assets held for sale | **(19,154)** | - |
| Gain on disposal of operating fixed assets | **(51,170)** | (25,826) |
| Mark-up accrued on long term loans | **92,950** | 104,995 |
| Mark-up accrued on short term finances | **2,331** | 58,908 |
| Interest on lease liabilities | **28,693** | 32,500 |
| Mark-up / interest on saving accounts and term deposit receipts | **(33,131)** | (33,336) |
| Dividend income | **(34,815)** | (8,730) |
| **Cash flows before working capital changes** | **1,633,135** | 600,495 |
| **(Increase) / decrease in current assets:** | | |
| Stores, spares and loose tools | **(49,288)** | (10,197) |
| Stock-in-trade | **154,126** | (326,426) |
| Trade debts | **(196,248)** | 90,986 |
| Loans and advances | **5,668** | (8,266) |
| Deposits and other receivables | **(24,548)** | (209,312) |
| **Increase in current liabilities** | | |
| Trade and other payables | **698,137** | 129,582 |
| | **587,847** | (333,633) |
| **Cash generated from operations** | **2,220,982** | 266,862 |
| Income tax paid | **(272,548)** | (440,505) |
| Compensated absences and gratuity paid | **(18,424)** | (10,254) |
| Long term deposits | **(7,500)** | (5,000) |
| Long term loans and advances - net | **(720)** | (361) |
| **Net cash generated from / (used in) operating activities** - carried forward | **1,921,790** | (189,258) |

**ATLAS AUTOS (PRIVATE) LIMITED**
**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED JUNE 30, 2021**

| | 2021 | 2020 |
|---|---|---|
| | ---- Rupees in '000 ---- | |
| **Net cash generated from / (used in) operating activities** - brought forward | **1,921,790** | (189,258) |
| **Cash flows from investing activities** | | |
| Payments for property, plant and equipment | **(231,465)** | (1,491,117) |
| Payment for intangible asset | **(6,755)** | (5,574) |
| Sale proceeds from disposal of property, plant and equipment | **159,819** | 366,160 |
| Sale proceeds from disposal of non current asset held for sale | **23,790** | - |
| Profit on saving accounts and deposits received | **32,631** | 33,336 |
| Long term investment | - | 178,497 |
| Short term investment acquired | **(1,502,123)** | - |
| Proceeds from sale of short term investment | **275,000** | - |
| Short term loan to Subsidiary Company - net | - | 1,000,000 |
| Dividend received | **34,815** | 8,730 |
| **Net cash (used in) / generated from investing activities** | **(1,214,288)** | 90,032 |
| **Cash flows from financing activities** | | |
| Lease rental paid | **(48,932)** | (44,483) |
| Long term loan obtained | **140,244** | 604,090 |
| Long term loan repaid | **(86,228)** | (31,250) |
| Mark-up paid | **(113,499)** | (141,174) |
| Dividend paid | **(300,000)** | - |
| **Net cash (used in) / generated from financing activities** | **(408,415)** | 387,183 |
| **Net increase in cash and cash equivalents** | **299,087** | 287,957 |
| Cash and cash equivalents at beginning of the year | **701,704** | 413,747 |
| **Cash and cash equivalents at end of the year** | **1,000,791** | 701,704 |

The annexed notes 1 to 40 form an integral part of these financial statements.

**Chief Executive Officer** **Director**

## ATLAS AUTOS (PRIVATE) LIMITED
## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED JUNE 30, 2021

### 1. LEGAL STATUS AND OPERATIONS

Atlas Autos (Private) Limited (the Company) is a private limited company incorporated in Pakistan on March 16, 2011, under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The Company is a wholly owned subsidiary of Shirazi Investments (Private) Limited. The registered office is situated at Federation House, Shara-e-Firdousi, Clifton, Karachi. The Company is engaged in the manufacturing, processing and trading of automotive parts, components, accessories, tools and dies including trading of automotive & logistic services. The manufacturing and assembly facilities of the Company are situated at Karachi and Sheikhupura with branches at Lahore, Multan, Islamabad, Rahim Yar Khan and Hyderabad.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

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

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

#### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for staff retirement benefit - gratuity which is measured at the present value of defined benefit obligation net of the fair value of plan assets.

#### 2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the functional currency of the Company and figures are rounded off to the nearest thousand of Rupees.

### 3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

#### 3.1 Standards and amendments to approved accounting standard effective in current year

New and amended standards mandatory for the first time for the financial year beginning July 1, 2020:

**(a)** Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' is applicable on accounting periods beginning on or after January 1, 2020. The amendments intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS. Refined definition of materiality - Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

**(b)** Amendments to IFRS 16 'Leases' is applicable on accounting periods beginning on or after June 1, 2020. Under IFRS 16, rent concessions often met the definition of a lease modification, unless they were envisaged in the original lease agreement. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to Covid-19-related rent concessions that reduce lease payments due on or before June 30, 2021. This optional exemption gives timely relief to lessees and enables them to continue providing information about their leases that is useful to investors. The amendment does not affect lessors.

The other new standards, amendments to published accounting and reporting standards and interpretations that are mandatory in Pakistan for the financial year beginning on July 1, 2020 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

**3.2 Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the Company**

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on July 1, 2020 and have not been early adopted by the Company:

**(a)** Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' are applicable for accounting periods beginning on or after January 1, 2022. Under IAS 37, a contract is 'onerous' when the unavoidable costs of meeting the contractual obligations – i.e. the lower of the costs of fulfilling the contract and the costs of terminating it – outweigh the economic benefits. The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. The amendment is not expected to have material impact on the Company's financial statements.

**(b)** Annual improvements 2018 are applicable for annual periods beginning on or after January 1, 2022. These amendments include changes from the 2018-2020 cycle of annual improvements project that mainly affect following standards:

**(i)** Amendment to IFRS 1 'First-time Adoption of International Financial Reporting Standards', simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS later than its parent – i.e. if a subsidiary adopts IFRS later than its parent and applies, then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to IFRS.

**(ii)** Amendment to IFRS 9 'Financial Instruments', clarifies that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

**(iii)** Amendment to IFRS 16 'Leases' Illustrative Example 13, removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

**(iv)** Amendment to IAS 41 'Agriculture', removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 'Fair Value Measurement'.

**(c)** Amendment to IAS 16 'Property, Plant and Equipment' is applicable on accounting periods beginning on or after January 1, 2022. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The amendments apply retrospectively, but only to items of PPE made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

**(d)** Amendment to IAS 1 'Presentation of Financial Statements' is applicable on accounting periods beginning on or after January 1, 2023. Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of this amendments, the requirement for a right to be unconditional has been removed and instead, the amendment requires that a right to defer settlement must have substance and exist at the end of the reporting period.

**(e)** Amendment to IAS 1, 'Presentation of Financial Statements' is applicable on accounting periods beginning on or after January 1, 2023. The amendment includes requiring companies to disclose their material accounting policies rather than their significant accounting policies, clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed and also clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

**(f)** Amendments to IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' are applicable on accounting periods beginning on or after January 1, 2023. The International Accounting Standards Board (the Board) has issued amendments to end diversity in treatment of accounting estimates and clarified how companies should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. Developing an accounting estimate includes both selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 'Financial Instruments'; and – choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented here.

### 3.3 Use of estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses.

The estimates and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances and are continually evaluated. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods. Judgements made by management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in respective policy note. The areas involving significant estimates or judgements are:

**(i)** Estimate of useful lives and residual values of property, plant & equipment and intangible assets - notes 4.1 and 4.2

**(ii)** Lease term and discount rate for calculation of lease liabilities - note 4.1(b)

**(iii)** Provision for doubtful debts - note 4.9

**(iv)** Estimate of payables and receivables in respect of employees' retirement benefit - note 4.14

**(v)** Estimation of current and deferred tax - note 4.17

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

### 4.1 Property, plant and equipment

#### a) Owned assets

Property, plant and equipment except for capital work-in-progress are stated at cost less accumulated depreciation and impairment loss if any. Capital work-in-progress is stated at cost accumulated up to the reporting date less accumulated impairment loss if any. Capital work-in-progress is recognised as an operating fixed asset when it is made available for its intended use.

Depreciation is charged to the statement of profit or loss using straight line basis except for vehicles. Depreciation on vehicles is charged to the statement of profit or loss using the reducing balance method. Depreciation is charged at rates stated in note 5.1. Depreciation on additions is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

The depreciation methods, useful lives and residual values of items of property, plant and equipment are reviewed periodically and altered if circumstances or expectations have changed significantly. Any change or adjustment in depreciation method, useful lives and residual values is accounted for as a change in accounting estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and is applied prospectively in the financial statements by adjusting the depreciation charge for the period in which the amendment or change has been made and for future periods.

Disposal of an asset is recognised when significant risk and rewards, incidental to the ownership of the asset, have been transferred to the buyer. Gains and losses on disposals are determined by comparing the carrying amount of the asset with the realised sales proceeds and are recognised in the statement of profit or loss.

**b) Right of use assets and related liabilities**

The Company leases land for production and related facilities. At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

Leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Company.

The lease liabilities are initially measured at the present value of the remaining lease payments at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Lease payment includes fixed payments with annual increments. The lease liabilities are subsequently measured at amortised cost using the effective interest rate.

Right of use assets are initially measured based on the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right of use assets are depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The carrying amounts of the right of use assets are reduced by impairment losses, if any. At transition, the Company recognised right of use assets equal to the present value of lease payments.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of profit or loss. Short-term leases are leases with a lease term of 12 months or less.

## 4.2 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any. Intangible assets are amortised using the straight-line method over their estimated useful lives. Amortisation is charged at the rate stated in note 6.

Amortisation on additions is charged from the month following in which an asset is put to use and on deletions up to the month immediately preceding the deletion.

Useful lives of intangible assets are reviewed at each reporting date and adjusted if the impact of amortisation is significant.

### 4.3 Impairment of non-financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised as an expense in the statement of profit or loss for the amount by which the 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. The value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects the current market assessment of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation if no impairment loss had been recognised.

### 4.4 Investments in Subsidiary and Associated Companies

Investments in Subsidiary and Associated Companies are carried at cost less impairment if any. Impairment losses are recognised as an expense. At each reporting date, the Company reviews the carrying amounts of investments and its recoverability to determine whether there is an indication that such investments have suffered an impairment loss. If any such indication exists, the carrying amount of the investments is adjusted to the extent of impairment loss which is recognised as an expense in the statement of profit or loss.

### 4.5 Loan to Subsidiary Company

Loan provided to the Subsidiary Company is recognized on fair value at the time of disbursement plus directly attributable transaction costs.

### 4.6 Stores, spares and loose tools

Stores, spares and loose tools are stated at cost which is based on weighted average cost less provision for obsolescence if any. Items-in-transit is stated at cost comprising of invoice value plus other charges accumulated up to the reporting date.

### 4.7 Stock-in-trade

Stock-in-trade is valued at the lower of cost and net realisable value. The cost of materials and components represents invoice values plus other charges incurred thereon. The cost of inventory is based on weighted average cost. Goods-in-transit is valued at cost accumulated up to the reporting date.

The Company reviews the carrying amount of stock-in-trade on an on-going basis and as appropriate, inventory is written down to its net realisable value or provision is made for obsolescence if there is any change in usage pattern and physical form of related inventory.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated costs necessary to be incurred in order to make the sale.

### 4.8 Loans and advances

These are stated at amortised cost less impairment if any.

### 4.9 Trade debts and other receivables and related impairment

Trade debts and other receivables shall be classified as financial assets at amortised cost according to IFRS 9.

Trade debts are initially recognised at original invoice amount which is the fair value of the consideration to be received in future and subsequently measured at cost less provision for doubtful debts. The Company uses simplified approach for measuring the expected credit losses for all trade and other receivables including contract assets based on lifetime expected credit losses. The Company has estimated the credit losses using a provision matrix where trade receivables are grouped based on different customer attributes along with historical, current and forward looking assumptions. Debts considered irrecoverable are written off.

**4.10 Financial assets**

The classification of financial assets is determined upon initial recognition based on the business model used for managing the financial assets and contractual terms of the cash flows.

**Financial assets at amortised cost**

A financial asset shall be classified as financial asset at amortised cost if both of the following conditions are met:

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

**4.11 Financial liabilities**

Financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. All financial liabilities are recognised initially at fair value less directly attributable transactions costs, if any, and subsequently measured at amortised cost using effective interest method unless financial liabilities are held for trading, in which case it is required to be measured at fair value through profit or loss or where entity elects to measure at financial liability, under fair value option.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of original liability and recognition of a new liability and the difference in respective carrying amounts is recognised in the statement of profit or loss.

Financial instruments carried on the statement of financial position includes deposits, loans & advances, trade debts, other receivables, bank balances and trade & other payables. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at amortised cost. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

**4.12 Off-setting of financial assets and financial liabilities**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

**4.13 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at amortized cost. For the purpose of cash flow statement, cash and cash equivalents comprise of balances with banks.

**4.14 Retirement and other service benefits**

The Company has following plans for its employees:

**4.14.1 Defined contribution plan**

The Company operates defined contribution plan for its permanent employees through voluntary pension schemes managed by Atlas Asset Management Limited, an Associated Company, under the Voluntary Pension System Rules, 2005, viz. Atlas Pension Fund and Atlas Pension Islamic Fund.

Equal monthly contributions at the rate of 11% of the basic salary are made to the scheme both by the Company and the employees.

### 4.14.2 Defined benefit plan - Gratuity

The Company operates an approved funded gratuity scheme for its staff who completes the qualifying period of service. The liability recognised in the statement of financial position in respect of defined benefit plan is the present value of defined benefit obligation at the end of reporting period less fair value of plan assets. Contribution under the scheme is made on the basis of actuarial valuation.

The amount arising as a result of re-measurements is recognised in the statement of financial position immediately, with a charge or credit to other comprehensive income in the periods in which they occur. Past-service cost is recognised immediately in the statement of profit or loss.

### 4.14.3 Compensated absences

Employees' entitlement to annual leaves is recognised when they accrue to the employees. A provision is made for the estimated liability for annual leaves as a result of services rendered by employees upto the reporting date.

## 4.15 Trade and other payables

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

## 4.16 Interest / mark-up bearing loans and borrowings

Interest / mark-up bearing loans and borrowings are recorded at the proceeds received. Finance charges are accounted for on accrual basis.

## 4.17 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

**Current**

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at reporting date. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in the previous years arising from assessments framed during the year for such years.

**Deferred**

Deferred tax is recognised using the statement of financial position method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**4.18 Foreign currency translations**

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency equivalents using year-end foreign exchange rates Non-monetary assets and liabilities are translated using the exchange rate that existed when the values were determined. Exchange differences on foreign currency translations are taken to the statement of profit or loss.

**4.19 Revenue recognition**

The Company recognises revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those good and services. The Company recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when the entity satisfies a performance obligation

The Company manufactures and sales automotive parts and allied products. Revenue from sale of goods is recognized when the Company satisfies a performance obligation (at a point of time) by transferring promised goods to customer being when the goods are dispatched to customers.

**4.20 Government grants**

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all conditions of the grant. The benefit of a government loan at a below-market rate of interest is treated as a government grant. Government grants relating to costs are deferred and recognised in the statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

**4.21 Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

**4.22 Dividend and appropriation to reserves**

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

**5. PROPERTY, PLANT AND EQUIPMENT**

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | --- Rupees in '000 --- | |
| Operating fixed assets | 5.1 | 2,640,260 | 2,360,536 |
| Capital work-in-progress | 5.5 | 69,927 | 551,715 |
| Right of use asset | 5.9 | 327,241 | 219,255 |
| | | 3,037,428 | 3,131,506 |

## 5.1 Operating fixed assets

| | Leasehold improvements | Plant and machinery | Dies and jigs | Factory equipment | Computers and accessories | Furniture and fixtures | Motor vehicles | Total |
|---|---|---|---|---|---|---|---|---|
| | Rupees in '000 | | | | | | | |
| **At July 1, 2019** | | | | | | | | |
| Cost | 677,665 | 1,843,726 | 75,523 | 24,717 | 12,180 | 37,194 | 120,005 | 2,791,010 |
| Accumulated depreciation | 25,021 | 379,435 | 50,528 | 4,055 | 5,901 | 6,596 | 30,099 | 501,635 |
| Net book value | **652,644** | **1,464,291** | **24,995** | **20,662** | **6,279** | **30,598** | **89,906** | **2,289,375** |
| **Year ended June 30, 2020** | | | | | | | | |
| Opening net book value | 652,644 | 1,464,291 | 24,995 | 20,662 | 6,279 | 30,598 | 89,906 | 2 269,375 |
| Additions related to merger / amalgamation | 264,907 | 311,217 | 8,040 | 492 | 664 | - | 3,242 | 588,562 |
| Additions other than merger | 212,429 | 168,553 | 11,202 | 6,134 | 2,849 | 5,657 | 74,409 | 481,233 |
| Disposals | | | | | | | | |
| - cost | 56,291 | 557,439 | - | 7,006 | 649 | 659 | 67,650 | 689,694 |
| - accumulated depreciation | (2,345) | (95,906) | - | (619) | (279) | (109) | (19,057) | (118,315) |
| | 53,946 | 461,533 | - | 6,387 | 370 | 550 | 48,593 | 571,379 |
| Transferred to non-current assets held for sale | | | | | | | | |
| - cost | - | 123,918 | - | - | - | - | - | 123,918 |
| - accumulated depreciation | - | - | - | - | - | - | - | - |
| | - | 123,918 | - | - | - | - | - | 123,918 |
| Depreciation charge | 49,893 | 190,380 | 27,034 | 2,263 | 2,756 | 7,629 | 23,382 | 303,337 |
| Closing net book value | **1,026,141** | **1,168,230** | **17,203** | **18,638** | **6,666** | **28,076** | **95,582** | **2,360,536** |
| **At June 30, 2020** | | | | | | | | |
| Cost | 1,098,710 | 1,642,139 | 94,765 | 24,337 | 15,044 | 42,192 | 130,006 | 3,047,193 |
| Accumulated depreciation | 72,569 | 473,909 | 77,562 | 5,699 | 8,378 | 14,116 | 34,424 | 686,657 |
| Net book value | **1,026,141** | **1,168,230** | **17,203** | **18,638** | **6,666** | **28,076** | **95,582** | **2,360,536** |
| **Year ended June 30, 2021** | | | | | | | | |
| Opening net book value | 1,026,141 | 1,168,230 | 17,203 | 18,638 | 6,666 | 28,076 | 95,582 | 2,360,536 |
| Additions | 222,725 | 335,034 | 58,251 | 43,102 | 2,580 | 1,841 | 59,002 | 722,535 |
| Disposals (note 5.4) | | | | | | | | |
| - cost | - | 122,396 | 6,528 | 602 | 312 | - | 31,671 | 161,509 |
| - accumulated depreciation | - | (39,767) | (2,448) | (111) | (113) | - | (10,421) | (52,860) |
| | - | 82,629 | 4,080 | 491 | 199 | - | 21,250 | 108,649 |
| Depreciation charge | 58,244 | 174,061 | 30,849 | 5,026 | 3,268 | 8,383 | 24,331 | 304,162 |
| Impairment charge (note 5.3) | 30,000 | - | - | - | - | - | - | 30,000 |
| Closing net book value | **1,160,622** | **1,246,574** | **40,525** | **56,223** | **5,779** | **21,534** | **109,003** | **2,640,260** |
| **At June 30, 2021** | | | | | | | | |
| Cost | 1,321,435 | 1,854,777 | 146,488 | 66,837 | 17,312 | 44,033 | 157,337 | 3,608,219 |
| Accumulated depreciation | 160,813 | 608,203 | 105,963 | 10,614 | 11,533 | 22,499 | 48,334 | 967,959 |
| Net book value | **1,160,622** | **1,246,574** | **40,525** | **56,223** | **5,779** | **21,534** | **109,003** | **2,640,260** |
| **Depreciation rate** (% per annum) | **5** | **10** | **50** | **10** | **25** | **20** | **20** | |

### 5.2 Depreciation charge has been allocated as follows:

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | --- Rupees in '000 --- | |
| Cost of goods manufactured | **28.1** | **281,435** | 283,079 |
| Administrative and general expenses | **29** | **22,727** | 20,258 |
| | | **304,162** | 303,337 |

**5.3** The Company, on June 28, 2021 through external surveyor M/s. Surval conducted valuation exercise of its Aluminium plant which resulted in value of Rs.47,523 thousand and consequently the Company recorded an impairment of Rs.30,000 thousand.

### 5.4 Details of operating fixed assets disposed-off during the year:

| Particulars of assets | Cost | Accumu-lated depreci-ation | Net book value | Sales proceeds | Gain / (loss) | Method of disposal | Sold / transferred to |
|---|---|---|---|---|---|---|---|
| | ----------------- Rupees in '000 ----------------- | | | | | | |
| **Items having net book value exceeding Rs.500,000 each** | | | | | | | |
| **Plant & Machinery** | | | | | | | |
| | 3,347 | (920) | 2,427 | 3,901 | 1,474 | Negotiation | Askari Bank Limited, First Floor, Plot # 64-B D/1 Ghalib Road, Gulberg - III, Lahore. |
| | 16,252 | (4,469) | 11,783 | 19,231 | 7,448 | Negotiation | |
| | 16,188 | (4,452) | 11,736 | 18,030 | 6,294 | Negotiation | |
| | 6,968 | (1,916) | 5,052 | 7,384 | 2,332 | Negotiation | |
| | 5,643 | (1,552) | 4,091 | 6,040 | 1,949 | Negotiation | |
| | 4,929 | (1,356) | 3,573 | 5,181 | 1,608 | Negotiation | |
| | 1,139 | (313) | 826 | 1,370 | 544 | Negotiation | |
| | 1,127 | (150) | 977 | 977 | - | Negotiation | |
| | 16,000 | (11,373) | 4,627 | 14,523 | 9,896 | Negotiation | |
| | 1,750 | (408) | 1,342 | 1,342 | - | Negotiation | |
| | 15,191 | (3,545) | 11,646 | 18,501 | 6,855 | Negotiation | |
| | 25,469 | (5,943) | 19,526 | 32,109 | 12,583 | Negotiation | |
| | 4,388 | (841) | 3,547 | 427 | (3,120) | | Tradex International, K-214, Street # 10, Faridabad Colony, Orangi Town, Karachi |
| | 118,391 | (37,238) | 81,153 | 129,016 | 47,863 | | |
| **Dies and jig** | | | | | | | |
| | 6,528 | (2,448) | 4,080 | 6,528 | 2,448 | Negotiation | Askari Bank Limited, Plot # 64-B D/1 Ghalib Road, Gulberg - III Lahore. |
| **Furniture and fixtures** | | | | | | | |
| | 1,551 | (427) | 1,124 | 1,124 | - | Negotiation | Askari Bank Limited, Plot # 64-B D/1 Ghalib Road, Gulberg - III Lahore |
| **Vehicles** | | | | | | | |
| | 1,678 | (1,111) | 567 | 567 | - | Company Policy | Ibrahim Saeed Bhamji (Employee) |
| | 1,398 | (70) | 1,328 | 1,328 | - | Company Policy | Hafiz Fasih Ur Rehman (Ex-employee) |
| | 1,308 | (249) | 1,059 | 1,059 | - | Company Policy | Shujaat Raza (Ex-employee) |
| | 1,250 | (557) | 693 | 693 | - | Company Policy | Atlas Honda Limited, a related party |
| | 795 | (254) | 541 | 541 | - | Company Policy | Atlas Honda Limited, a related party |
| | 840 | (326) | 514 | 514 | - | Company Policy | Atlas Honda Limited, a related party |
| | 3,070 | (563) | 2,507 | 2,507 | - | Company Policy | Atlas Honda Limited, a related party |
| | 1,101 | (196) | 905 | 905 | - | Company Policy | Hamza Abid (Ex-employee) |
| | 2,225 | (1,055) | 1,170 | 1,170 | - | Company Policy | Atlas Honda Limited, a related party |
| | 1,820 | (675) | 1,145 | 1,145 | - | Company Policy | Atlas Honda Limited, a related party |
| | 795 | (254) | 541 | 541 | - | Company Policy | Atlas Honda Limited, a related party |
| | 1,441 | (510) | 931 | 931 | - | Company Policy | Atlas Honda Limited, a related party |
| | 674 | (139) | 535 | 535 | - | Company Policy | Nazir Ahmed (Employee) |
| | 1,308 | (153) | 1,155 | 1,155 | - | Company Policy | Atlas Honda Limited, a related party |
| | 1,308 | (153) | 1,155 | 1,155 | - | Company Policy | Atlas Honda Limited, a related party |
| | 21,011 | (6,265) | 14,746 | 14,746 | - | | |
| | **147,481** | **(46,378)** | **101,103** | **151,414** | **50,311** | | |
| **Items having net book value upto Rs.500,000 each** | **14,028** | **(6,482)** | **7,546** | **8,405** | **859** | | Various |
| **June 30, 2021** | **161,509** | **(52,860)** | **108,649** | **159,819** | **51,170** | | |
| June 30, 2020 | 689,694 | (118,315) | 571,379 | 597,205 | 25,826 | | |

| | | | 2021 | 2020 |
|---|---|---|---|---|
| 5.5 | **Capital work-in-progress** | Note | --- Rupees in '000 --- | |
| | Leasehold improvements | | 1,933 | 12,598 |
| | Plant and machinery | 5.6 | 14,056 | 523,022 |
| | Dies and jigs | | 18,527 | - |
| | Factory equipment | | 731 | 633 |
| | Electric and gas fittings | 5.7 | 23,948 | 3,948 |
| | Motor vehicles | 5.7 | 6,441 | 1,406 |
| | Furniture and fixtures | | - | 678 |
| | Computer software | | 4,291 | 9,430 |
| | | | 69,927 | 551,715 |

5.6 During the preceding year, the Company transferred asset aggregating to Rs.74,851 thousands against in-kind consideration for investment in Atlas DID (Private) Limited - a related party.

5.7 Includes Rs.20,000 thousand advance payment made to Atlas Energy Limited - a related party for installation of solar panels.

5.8 Capital work-in-progress includes Rs.25,215 thousand (2020: Rs.117,832 thousand) representing advance payments made to suppliers for procurement / construction of operating fixed assets.

| | | | 2021 | 2020 |
|---|---|---|---|---|
| 5.9 | **Right of use assets** | Note | --- Rupees in '000 --- | |
| | Balance at beginning of the year | | 219,255 | - |
| | Effect of lease modification | 19 | 148,891 | - |
| | Transition effect on initial application | | - | 243,617 |
| | Depreciation charged during the year | | (40,905) | (24,362) |
| | Net book value at end of the year | | 327,241 | 219,255 |

5.9.1 Depreciation expense relating to right of use asset - properties of Rs.40,905 thousand has been charged in 'Cost of sales', and Nil in 'Administrative expenses'.

| | | | 2021 | 2020 |
|---|---|---|---|---|
| 6. | **INTANGIBLE ASSETS** | Note | --- Rupees in '000 --- | |
| | These represent computer software licenses. | | | |
| | **Year ended June 30, 2021** | | | |
| | Net book value at beginning of the year | | 7,362 | 3,763 |
| | Addition | | 6,755 | 5,574 |
| | Less: amortisation charge | 28.1 | 3,563 | 1,975 |
| | Net book value at end of the year | | 10,554 | 7,362 |
| | **At June 30, 2021** | | | |
| | Cost | | 23,127 | 16,372 |
| | Less: accumulated amortisation | | 12,573 | 9,010 |
| | **Net book value** | | 10,554 | 7,362 |
| | **Amortisation rate** (% per annum) | | 20 | 20 |

| **7. LONG TERM INVESTMENTS** - unquoted | Note | 2021 | 2020 |
|---|---|---|---|
| | | --- Rupees in '000 --- | |
| **Subsidiary Companies** | | | |
| **Atlas DID (Private) Limited** | | | |
| 72,000,000 (2020: 72,000,000) ordinary shares of Rs.10 each - **cost** | 7.1 | **720,000** | 720,000 |
| Equity held: 60% (2020: 60%) | | | |
| Break-up value per share on the basis of un-audited financial statements Rs.10.55 (2020: Rs.10.2) | | | |
| **Associated Companies** | | | |
| **Atlas Hitec (Private) Limited {AHTL}** | | | |
| 29,100,000 (2020: 29,100,000) ordinary shares of Rs.10 each - **cost** | 7.2 | **291,000** | 291,000 |
| Equity held: 44.77% (2020: 44.77%) | | | |
| Break-up value per share on the basis of un-audited financial statements Rs.17.52 (2020: Rs.16.17) | | | |
| **Atlas GCI (Private) Limited** | | | |
| 6,000,000 (2020: 6,000,000) ordinary shares of Rs.10 each - **cost** | 7.3 | **60,000** | 60,000 |
| Equity held: 20% (2020: 20%) | | | |
| Break-up value per share on the basis of un-audited financial statements Rs.9.69 (2020: Rs.10.07) | | | |
| | | **1,071,000** | 1,071,000 |

**7.1** The Company during the preceding year acquired 60% shareholding of Atlas DID (Private) Limited {ADID}. ADID is a private limited company incorporated in Pakistan on July 22, 2019, under the Companies Act, 2017. ADID is engaged in the manufacturing, processing and trading of automotive parts, components, accessories and tools.

**7.2** AHTL was incorporated in Pakistan as a private limited company on September 13, 2012 and its principal activity is to manufacture and sale any kind of automobile parts and allied products.

**7.3** The Company, on January 22, 2020, has acquired 20% shareholding of Atlas GCI (Private) Limited, Associated Company. AGCI is a private limited company incorporated in Pakistan on August 6, 2019, under the Companies Act, 2017. AGCI is engaged in the manufacturing of parts for electric components of two-wheeler vehicles.

| **8. LONG TERM LOANS AND ADVANCES** | Note | 2021 | 2020 |
|---|---|---|---|
| | | --- Rupees in '000 --- | |
| **Considered good** | | | |
| Loans and advances to: | | | |
| Related parties - Key Management Personnel | | - | 3,419 |
| Other employees | | **18,186** | 15,216 |
| | 8.1 | **18,186** | 18,635 |
| Less: amounts due within one year and shown under current assets | 12 | | |
| Related parties - Key Management Personnel | | - | 3,296 |
| Other employees | | **7,076** | 4,949 |
| | | **7,076** | 8,245 |
| | | **11,110** | 10,390 |

8.1 These represent interest free loans and advances provided to employees as per the terms of employment. Loans aggregating Rs.11,146 thousand (2020: Rs.10,696 thousand) are provided for purchase of motorcycles and are repayable in forty eight equal monthly instalments. These loans are secured against respective motorcycles and employees' vested retirement benefits. Employees advances are recoverable over a period of eighteen to twenty four months.

8.2 The maximum amount of loans and advances to the key management personnel outstanding at the end of any month during the year ended June 30, 2021 was Rs.3,162 thousand (2020: Rs.4,906 thousand).

8.3 The carrying values of these loans and advances are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to negligible defaults in recent history.

## 9. STORES, SPARES AND LOOSE TOOLS

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | --- Rupees in '000 --- | |
| Consumable stores | | **31,198** | 22,086 |
| Maintenance spares | | **81,095** | 52,364 |
| Loose tools | | **66,145** | 54,700 |
| Less: provision for slow moving stores | **10.1** | **6,655** | 6,655 |
| | | **171,783** | 122,495 |

## 10. STOCK-IN-TRADE

| | Note | 2021 | 2020 |
|---|---|---|---|
| Raw materials and components | | | |
| - in hand | | **417,040** | 779,456 |
| - held with vendors | | **132,404** | 109,504 |
| | | **549,444** | 888,960 |
| Finished goods | | **220,088** | 137,909 |
| Items in transit | | **115,687** | 12,476 |
| | | **885,219** | 1,039,345 |
| Less: provision for slow moving stock | **10.1** | **44,721** | 58,879 |
| | | **840,498** | 980,466 |

### 10.1 Movement of provision for slow moving inventories

| | Stores, spares & loose tools | | Stock-in-trade | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | ----- Rupees in '000 ----- | | | |
| Balance at beginning of the year | **6,655** | - | **58,879** | 5,000 |
| Provision related to merger / amalgamation (note - 18) | - | 6,655 | - | 160,000 |
| Provision (reversed) / made made during the year - net | - | - | **(14,158)** | 53,879 |
| Provision adjusted during the year | - | - | - | (160,000) |
| Balance at end of the year | **6,655** | 6,655 | **44,721** | 58,879 |

## 11. TRADE DEBTS - Unsecured

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | --- Rupees in '000 --- | |
| **Consider good** | | | |
| Associated Companies | 11.1 | **30,317** | 7,203 |
| Others | | **547,793** | 375,496 |
| | | **578,110** | 382,699 |
| **Consider doubtful** - others | | **28,827** | 27,990 |
| | | **606,937** | 410,689 |
| Less: provision for expected credit loss | 11.3 | **28,827** | 27,990 |
| | | **578,110** | 382,699 |

**11.1** Includes Rs.1,155 thousand (2020: Rs.1,002 thousand), Rs.29,008 thousand (2020: Rs.6,201 thousand) and Rs.154 thousand (2020: Nil) due from Atlas Honda Limited, Atlas Battery Limited and Atlas Power Limited, respectively.

**11.2** The maximum aggregate amount of trade receivable from related parties at the end of any month during the year was Rs.1,230,800 thousand (2020: Rs.717,000 thousand).

**11.3 Provision for expected credit loss**

| | 2021 | 2020 |
|---|---|---|
| | --- Rupees in '000 --- | |
| Balance at beginning of the year | **27,990** | 25,990 |
| Add: charge for the year | **837** | 2,000 |
| Balance at end of the year | **28,827** | 27,990 |

**11.4** At June 30, 2021, trade debts aggregating to Rs.7,296 thousand were past due but not impaired. The ageing analysis of these trade debts are as follows:

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | --- Rupees in '000 --- | |
| Past due within 30 days | | **2,446** | 3,869 |
| Past due beyond 30 days but not later than 60 days | | **2,703** | 1,113 |
| Past due beyond 60 days but not later than 90 days | | **843** | 521 |
| Past due later than 90 days | | **1,304** | 4,190 |
| | | **7,296** | 9,693 |

## 12. LOANS AND ADVANCES

| | Note | 2021 | 2020 |
|---|---|---|---|
| **Considered good** | | | |
| Current portion of long term loans and advances to key management personnel and other employees | 8 | **7,076** | 8,245 |
| Advances to employees | | **909** | 656 |
| Advances to suppliers - unsecured | | **9,020** | 13,772 |
| | | **17,005** | 22,673 |

## 13. DEPOSITS AND OTHER RECEIVABLES

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | --- Rupees in '000 --- | |
| Trade deposits | | **2,143** | 3,818 |
| Margin against letter of credits | | **142,905** | 29,348 |
| Other receivable - net | | **168** | 563 |
| Prepayments | 13.1 | **16,783** | 2,323 |
| Accrued mark-up | | **500** | - |
| Sales tax refundable - net | | **445,379** | 546,778 |
| | | **607,878** | 582,830 |

**13.1** Include prepaid insurance of Rs.13,201 thousand to Atlas Insurance Limited, a related party.

## 14. SHORT TERM INVESTMENTS - at fair value through profit or loss

| 2021 | 2020 | | Note | 2021 | 2020 |
|---|---|---|---|---|---|
| -- Number of units -- | | | | --- Rupees in '000 --- | |
| | | **Related parties** | | | |
| **1,569,590** | - | Atlas Income Fund | | **820,205** | - |
| **818,385** | - | Atlas Money Market Fund | | **414,002** | - |
| | | | | **1,234,207** | - |

## 15. BANK BALANCES

| | Note | 2021 | 2020 |
|---|---|---|---|
| Balances with banks in: | | | |
| - current accounts | | **112,033** | 165,806 |
| - saving accounts | 15.1 | **778,758** | 525,898 |
| - term deposit receipts | 15.2 | **110,000** | 10,000 |
| | | **1,000,791** | 701,704 |

**15.1** Saving accounts carry profit ranging up to 5.5% (2020: 6.54%) per annum.

**15.2** Includes Rs.100,000 thousand placed on roll over basis in Habib Metro Bank Limited at a mark-up rate of 6.60%.Term deposit receipts of Rs.10,000 thousand (2020: Rs.10,000 thousand) are under lien with the bank against a bank guarantee issued on behalf of the Company.

## 16. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

| | 2021 | 2020 |
|---|---|---|
| | ---- Rupees in '000 ---- | |
| Carrying value at beginning of the period | **13,918** | 123,918 |
| Less: transferred to operating fixed asset | **9,282** | - |
| Less: impairment loss charged during the year | - | 110,000 |
| Carrying value before disposal | **4,636** | 13,918 |
| Gross proceed from disposal | **30,640** | - |
| Less: expense incurred for selling | **6,850** | - |
| Net sale proceeds | **23,790** | - |
| Gain on disposal | **19,154** | - |

**16.1** The above assets were transferred to the Company from Atlas Aluminium (Private) Limited (ATAL) pursuant to the Scheme of Arrangement as further detailed in note 18. ATAL closed the aluminium plant prior to amalgamation due to lower production output as compared to output expected. The management of the Company intended to dispose-off the plant and had classified the above assets related to discontinued aluminium business as held for sale. The Company had also recorded an impairment during the preceding year on the above assets to reflect their realizable values. The assets were sold to Atlas Global FZE, Dubai a related party.

## 17. SHARE CAPITAL

| | 2021 | 2020 |
|---|---|---|
| | ---- Rupees in '000 ---- | |
| **17.1 Authorised capital** | | |
| 265,000,000 (2020: 265,000,000) ordinary shares of Rs.10 each | **2,650,000** | 2,650,000 |
| **17.2 Issued, subscribed and paid-up capital** | | |
| 100,000,000 (2020: 100,000,000) ordinary shares of Rs.10 each issued as fully paid in cash | **1,000,000** | 1,000,000 |

**17.3** Shirazi Investments (Private) Limited and its nominees hold 100% ordinary shares of the Company as at June 30, 2021 and 2020.

## 18. CAPITAL RESERVE - UNDER SCHEME OF MERGER / AMALGAMATION

The Board of Directors of the Company approved a Scheme of Arrangement (the Scheme) on May 17, 2019 for merger / amalgamation of Atlas Die Casting (Private) Limited and Atlas Aluminium (Private) Limited (the Subsidiary Companies) with and into the Company. The Subsidiary Companies were wholly owned subsidiaries of the Company.

At June 1, 2019, the Company filed a petition in the Honourable High Court of Sindh to this effect under sections 279 to 283 and 285 of the Companies Act, 2017. Under the Scheme and upon its approval on October 24, 2019 by the Honourable High Court of Sindh, effective from July 1, 2019, all the business, functions, operations, assets, liabilities and obligations, rights to execute deeds, contracts, legal proceedings, judgments etc. of the Subsidiary Companies were transferred to and vested in the Company.

The Subsidiary Companies were group companies under common control, the merger has been accounted for as a common control transaction and predecessor accounting has been applied. Under predecessor accounting, the acquired net assets of the Subsidiary Companies were included in the financial statements of the Company at the same carrying values as recorded in the financial statements of the Subsidiary Companies on July 1, 2019. The results and the statement of financial position of the Subsidiary Companies are consolidated prospectively from the date of merger.

## 19. LEASE LIABILITIES

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | ---- Rupees in '000 ---- | |
| Balance at beginning of the year | | **231,634** | - |
| Effect of lease modification | | **148,891** | - |
| Impact of initial application of IFRS 16 | | **-** | 243,617 |
| Interest accrued | 32 | **28,693** | 32,500 |
| Repaid / adjusted during the year | | **(48,932)** | (44,483) |
| | | **360,286** | 231,634 |
| Current portion grouped under current liabilities | | **(24,467)** | (13,784) |
| Balance at end of the year | | **335,819** | 217,850 |

**19.1** These represent lease contract for use of land and have estimated lease terms of 9 years. These are discounted using incremental borrowing rate (7.9%) of the Company. The whole of the leased property is under the ownership of Atlas Engineering (Private) Limited, a related party.

**19.2** The future minimum lease payments to which the Company is committed under the agreements will be due as follows:

| Particulars | Upto one year | From one to five years | Over five years | Total 2020 |
|---|---|---|---|---|
| | ---------------- Rupees in '000 ---------------- | | | |
| Minimum lease payments | 51,378 | 298,093 | 141,146 | 490,617 |
| Finance cost allocated to future periods | (26,911) | (94,030) | (9,390) | (130,331) |
| Present value of minimum lease payments | 24,467 | 204,063 | 131,756 | 360,286 |

**20. LONG TERM LOAN - Secured**

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | ---- Rupees in '000 ---- | |
| Term finance | 20.2 | **437,500** | 468,750 |
| Demand finance | 20.3 | **500,000** | 500,000 |
| Salary loan | 20.4 | **164,934** | 104,090 |
| Temporary Economic Refinance Facility (TERF) | 20.5 | **24,422** | - |
| | 20.1 | **1,126,856** | 1,072,840 |
| Adjustment pertaining to fair value of loan at below market interest rate | 20.6 | **(11,049)** | (10,672) |
| | | **1,115,807** | 1,062,168 |
| Current portion | | **(324,225)** | (57,272) |
| | | **791,582** | 1,004,896 |

**20.1 Movement in long term loan at face value**

| | 2021 | 2020 |
|---|---|---|
| Balance at beginning of the year | **1,072,840** | 500,000 |
| Loan obtained during the year | **140,244** | 604,090 |
| Loan re-paid during the year | **(86,228)** | (31,250) |
| | **1,126,856** | 1,072,840 |

**20.2** The Company has obtained term finance amounting Rs.500,000 thousand from Allied Bank Limited for the purpose of strategic investments. The loan carries mark-up at the rate of 3 months KIBOR plus 0.6% and is secured against first pari passu hypothecation charge on existing and future plant & machinery with 25% margin and equitable mortgage against land with 25% margin. This loan is for five years from the date of disbursement (November 28, 2018) and is repayable in 16 quarterly instalments with grace period of one year. The principal repayments have been further deferred for twelve months inline with the State Bank of Pakistan's BPRD Circular letter No. 13 of 2020 dated March 26, 2020. Resultantly the revised maturity date is November 28, 2024 as compare to its previous maturity of November 28, 2023. The Company during the year repaid Rs.31,250 thousand.

**20.3** The Company has obtained demand finance amounting Rs.500,000 thousand from National Bank of Pakistan for the purpose of strategic investments. The loan carries mark-up at the rate of 6 months KIBOR plus 0.95% and is secured against first pari passu by the way of hypothecation on existing and future plant & machinery and equipment with 25% margin amounting to Rs.666,667 thousands. This loan is for six and half years from the date of disbursement (December 20, 2019) and is repayable in 10 semi-annual equal instalments with grace period of one and half year.

**20.4** This represents long term loan received from Habib Bank Limited under 'Refinance Scheme for payment of Wages and Salaries to the Workers and Employees of Business Concerns' (the Scheme) introduced by State Bank of Pakistan. The facility is secured against first pari passu hypothecation charge over all present and future plant, machinery and equipment with 25% margin limited to Rs.243,000 thousands. Mark-up is chargeable at 1.0% per annum. The principal is repayable in eight quarterly instalments starting from January 2021. The Company during the year repaid Rs.54,978 thousand.

**20.5** This represents loan received from Allied Bank Limited under Temporary Economic Refinance Facility (TERF) introduced by State Bank of Pakistan the purpose to finance / retire letter of credits for CAPEX / BMR related activities and project. The facility is secured against first pari passu hypothecation charge over all present and future plant, machinery and equipment with 25% margin. Mark-up is chargeable at SBP rate (1%) plus 0.80% bps per annum. The loan is for ten years with a grace period of two years and is repayable in thirty two quarterly instalments. This also includes Rs.10,239 thousand applied as Temporary Economic Refinance Facility (TERF). The approval from State Bank of Pakistan has been obtained subsequent to year end.

| | Note | 2021 | 2020 |
|---|---|---|---|
| **20.6 Adjustment pertaining to fair value of loan at below market interest rate** | | ---- Rupees in '000 ---- | |
| Difference of fair value of loan and loan received | | **22,372** | 11,149 |
| Less: amortisation of loan | | **11,323** | 477 |
| | | **11,049** | 10,672 |

## 21. DEFERRED INCOME - GOVERNMENT GRANT

| | Note | 2021 | 2020 |
|---|---|---|---|
| Balance at beginning of the year | | **10,672** | - |
| Grant recognised on loan at below market interest rate | **21.1** | **11,700** | 11,149 |
| Less: released to statement of profit or loss | | **11,323** | 477 |
| | | **11,049** | 10,672 |
| Less : current portion | | **7,168** | 7,030 |
| | | **3,881** | 3,642 |

**21.1** The Company recognised government grant on loan at below market interest rate received - (note 20.4 and 20.5) in accordance with IAS - 20 'Accounting for government grants and disclosure of government assistance'.

## 22. COMPENSATED ABSENCES

| | 2021 | 2020 |
|---|---|---|
| | ---- Rupees in '000 ---- | |
| Balance at beginning of the year | **85,200** | 80,315 |
| Add: transfer related to merger / amalgamation (note 18) | - | 2,757 |
| Add: provision for the year | **16,176** | 12,382 |
| Less: payments made during the year | **2,243** | 10,254 |
| Balance at end of the year | **99,133** | 85,200 |

**22.1** Includes liability in respect of key management personnel aggregating to Rs.32,073 thousand (2020: Rs.22,359 thousand).

## 23. DEFERRED TAXATION - Net

| | 2021 | 2020 |
|---|---|---|
| | ---- Rupees in '000 ---- | |
| The liability for deferred tax comprises temporary differences relating to: | | |
| Accelerated tax depreciation and amortization | **130,280** | 105.473 |
| Lease liabilities - net | **(9,583)** | (3,590) |
| Provision for doubtful debts | **(8,360)** | (8,117) |
| Provision for compensated absences | **(28,748)** | (24,708) |
| Provision for gratuity | **(288)** | (5,153) |
| Provision for slow moving stock | **(12,969)** | (17,075) |
| Minimum tax recoupable | **-** | (282,152) |
| | **70,332** | (235,322) |

### 23.1 Movement in deferred taxation

| | Accelerated tax depreciation & amortisation | Lease liabilities - net | Provision for doubtful debts | Provision for compensa-ted absences | Provision for gratuity | Provision for slow moving stock | Minimum tax recoupable | Total |
|---|---|---|---|---|---|---|---|---|
| | ---- Rupees in 000 ---- | | | | | | | |
| At July 1, 2019 | 170,661 | - | (7,396) | (22,854) | (2,199) | (1,423) | (114,883) | 21,906 |
| Charge / (credited) to. | | | | | | | | |
| Profit and loss account | (82,472) | (3,590) | (721) | (1,697) | (2,393) | (15,652) | (157,326) | (263,851) |
| Other comprehensive income | - | - | - | - | 66 | - | - | 66 |
| Effect of amalgamation | 17,284 | - | - | (157) | (627) | - | (9,943) | 6,557 |
| | (65,188) | (3,590) | (721) | (1,854) | (2,954) | (15,652) | (167,269) | (257,228) |
| At June 30, 2020 | **105,473** | **(3,590)** | (8,117) | **(24,708)** | **(5,153)** | **(17,075)** | **(282,152)** | **(235,322)** |
| Charged / (credited) to: | | | | | | | | |
| Profit and loss account | **24,807** | **(5,993)** | **(243)** | **(4,040)** | **2,261** | **4,106** | **282,152** | **303,050** |
| Other comprehensive income | **-** | **-** | **-** | - | **2,604** | - | - | **2,604** |
| | **24,807** | **(5,993)** | **(243)** | **(4,040)** | **4,865** | **4,106** | **282,152** | **305,654** |
| **At June 30, 2021** | **130,280** | **(9,583)** | **(8,360)** | **(28,748)** | **(288)** | **(12,969)** | - | **70,332** |

## 24. TRADE AND OTHER PAYABLES

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | ---- Rupees in '000 ---- | |
| Trade payables | | | |
| - Associated Companies | | - | 3,836 |
| - Others | | **1,085,836** | 1,009,014 |
| Accrued liabilities | | **516,743** | 580,980 |
| Royalty payable | | **266,798** | 51,587 |
| Additional custom duty | | **376,312** | 174,212 |
| Contract liabilities - advances from customers | | **171,680** | 29,269 |
| Retention money | | **789** | 789 |
| Workers' profit participation fund | **24.1** | **68,527** | 623 |
| Workers' welfare fund | | **25,796** | 1,674 |
| Payable to staff retirement benefit fund - gratuity | **24.2.4** | **994** | 17,770 |
| Sindh government infrastructure fee | **24.3** | **178,690** | 144,294 |
| Others | **24.4** | **9,648** | 6,404 |
| | | **2,701,813** | 2,020,452 |

### 24.1 Workers' profit participation fund

| | | | |
|---|---|---|---|
| Balance at beginning of the year | | **623** | 27,430 |
| Add: transfer related to merger / amalgamation (note 18) | | - | 2,493 |
| Add: allocation for the year | **31** | **67,884** | - |
| Add: interest on funds utilised in the Company's business | **32** | **20** | 412 |
| | | **68,527** | 30,335 |
| Less: payments made during the year | | - | 29,712 |
| Balance at end of the year | | **68,527** | 623 |

### 24.2 Payable to staff retirement benefit fund

**24.2.1** As stated in note 4.14.2, the Company operates an approved funded gratuity scheme for its staff who completes the qualifying period of service.

**24.2.2** Plan assets held in trust are governed by local regulations which mainly include Trust Act, 1882, Companies Act, 2017, Income Tax Rules, 2002 and Rules under the Trust deed of the Plan. Responsibility for governance of the Plan, including investment decisions and contributions schedules lies with the Board of Trustees. The Company appoints the trustees.

**24.2.3** The latest actuarial valuation of the scheme as at June 30, 2021 was carried out by an independent expert, using the 'Projected Unit Credit Method'. Details of the scheme as per the actuarial valuation are as follows:

**24.2.4 Reconciliation**

| | 2021 | 2020 |
|---|---|---|
| | --- Rupees in '000 --- | |
| Present value of defined benefit obligation | **140,030** | 121,770 |
| Fair value of plan assets | **(132,790)** | (117,267) |
| Receivable (from) / payable to related parties in respect of transferees | **(6,246)** | 13,267 |
| Net liability at end of the year | **994** | 17,770 |

| | 2021 | 2020 |
|---|---|---|
| **24.2.5 Movement in the present value of defined benefit obligation** | --- Rupees in '000 --- | |
| Balance at beginning of the year | **121,770** | 128,511 |
| Current service cost | **7,488** | 7,738 |
| Interest cost | **10,351** | 17,464 |
| Re-measurement on obligation | **1,521** | (169) |
| Benefits paid | **(3,975)** | (22,010) |
| Amount recognised in respect of transfers between related parties | **2,875** | (9,764) |
| Balance at end of the year | **140,030** | 121,770 |
| **24.2.6 Movement in the fair value of plan assets** | | |
| Balance at beginning of the year | **117,267** | 98,958 |
| Contributions | **16,181** | - |
| Benefits paid | **(3,975)** | (22,010) |
| Interest income | **9,453** | 14,930 |
| Re-measurement | **10,502** | 60 |
| Fund transferred | **(16,638)** | 25,329 |
| Balance at end of the year | **132,790** | 117,267 |
| **24.2.7 Plan assets comprise of:** | | |
| Fixed income instruments | **61,977** | 62,438 |
| Mutual funds | **70,192** | 54,006 |
| Cash | **621** | 823 |
| | **132,790** | 117,267 |
| **24.2.8 Expense recognised in the statement of profit or loss** | | |
| Current service cost | **7,488** | 7,738 |
| Net interest cost | **898** | 2,534 |
| | **8,386** | 10,272 |
| **24.2.9 Re-measurement recognised in other comprehensive income** | | |
| Loss / (gain) from change in financial assumptions | **2,351** | (632) |
| Experience (gain) / loss | **(830)** | 463 |
| Gain on re-measurement of plan assets | **(10,502)** | (60) |
| | **(8,981)** | (229) |
| **24.2.10 Net liability recognised** | | |
| Balance at beginning of the year | **17,770** | 7,727 |
| Charge for the year | **8,386** | 10,272 |
| Contributions | **(16,181)** | - |
| Re-measurement recognised in other comprehensive income | **(8,981)** | (229) |
| Balance at end of the year | **994** | 17,770 |

| 24.2.11 **Actuarial assumptions used** | **2021** | 2020 |
|---|---|---|
| Discount rate - per annum | **10.00%** | 8.50% |
| Expected rate of increase in future salaries | | |
| - first year | **10.00%** | 10.00% |
| - long term | **9.00%** | 7.50% |
| Demographic assumptions | | |
| - Mortality rates (for death in service) | **SLIC (2001-05) - 1** | SLIC (2001-05) - 1 |
| - Rates of employee turnover | **Moderate** | Moderate |

24.2.12 **Sensitivity analysis for actuarial assumptions**

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

| | | Impact on defined benefit obligation | |
|---|---|---|---|
| | **Change in assumptions** | **Increase in assumption** | **Decrease in assumption** |
| | | **--- Rupees in '000 ---** | |
| Discount rate | 1.00% | 129,595 | 151,987 |
| Long term salaries | 1.00% | 151,295 | 130,013 |

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constants. In practice, this is unlikely to occur, and change 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 defined benefit obligation calculated with the projected unit credit method at the end of reporting period) has been applied as when calculating the gratuity liability recognised within the statement of financial position.

The method and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

24.2.13 Based on actuary's advice, the expected charge for the year ending June 30, 2022 amounts to Rs.8,463 thousand.

23.2.14 The weighted average duration of the gratuity scheme is 7.96 years. Expected maturity analysis of undiscounted retirement benefit plans:

| | **Less than a year** | **Between 1-2 years** | **Between 2-5 years** | **Over 5 years** | **Total** |
|---|---|---|---|---|---|
| | **Rupees in '000** | | | | |
| **As at June 30, 2021** | 16,163 | 7,208 | 40,685 | 1,027,878 | 1,091,934 |

**24.3** This represents provision against infrastructure fee levied by the Government of Sindh through Sindh Finance (Amendment) Ordinance, 2001 and later. The levy of infrastructure fee is disputed and various companies had filed appeals before the High Court of Sindh (SHC) and also had obtained stay from the SHC. The SHC, on June 4, 2021, upheld the infrastructure levy by declaring it within competence of provincial legislature. The Company is in the process of filing an appeal before the Honourable Supreme Court of Pakistan to challenge this judgement.

**24.4** Other liabilities include vehicle deposits under Company's vehicle policy aggregating Rs.7,242 thousand (2020: Rs.5,614 thousand).

## 25. SHORT TERM FINANCES - Secured

Short term finance facilities available from various commercial banks under mark-up arrangements aggregated to Rs.2,600,000 thousand (2020: Rs.2,600,000 thousand) and are secured against pari passu hypothecation charge over the Company's stock-in-trade and trade debts to the extent of Rs.3,469,000 thousand (2020: Rs.2,935,000 thousand). During the year these finance facilities carry mark-up at the rates ranging from 7.45%. to 7.94%. These facilities are expiring on various dates by January 17, 2022.

The facilities for opening letters of credit as at June 30, 2021 aggregated to Rs.2,122,500 thousand (2020: Rs.2,100,000 thousand) of which unutilized balance at year-end aggregated to Rs.1,041,766 thousand (2020: Rs.1,837,255 thousand). These facilities are secured by lien on import documents and are expiring on various dates up to January 17, 2022.

## 26. CONTINGENCIES AND COMMITMENTS

### 26.1 Contingencies

26.1.1 There was no significant litigation against the Company as at June 30, 2021 and June 30, 2020.

26.1.2 Guarantees aggregating Rs.209,049 thousand (2020: Rs.192,141 thousand) have been issued by a commercial bank on behalf of the Company to Collector of Customs, Excise & Taxation Department, Government of Sindh, SSGC LPG (Private) Limited and Sui Northern Gas Pipelines Limited.

### 26.2 Commitments

26.2.1 Commitments outstanding for letters of credit relating to capital expenditure and stock-in-trade as at June 30, 2021 aggregated to Rs.1,080,734 thousand (2020: Rs.262,745 thousand).

26.2.2 Commitments outstanding for capital expenditure other than through letters of credit as at June 30, 2021 aggregated to Nil (2020: Nil).

## 27. SALES - Net

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | --- Rupees in '000 --- | |
| Local sales | | | |
| - manufacturing activity | | **15,297,835** | 11,188,067 |
| - trading and services | | **6,798,623** | 4,722,241 |
| | | **22,096,458** | 15,910,308 |
| Less: | | | |
| - sales tax | | **3,346,112** | 2,401,242 |
| - discounts | | **79,425** | 50,390 |
| | | **3,425,537** | 2,451,632 |
| | | **18,670,921** | 13,458,676 |

## 28. COST OF SALES AND SERVICES

| | Note | 2021 | 2020 |
|---|---|---|---|
| Opening stock of finished goods | | **137,909** | 72,164 |
| Cost of goods manufactured and service provided | 28.1 | **12,414,920** | 11,004,814 |
| Purchased during the year | | **4,606,214** | 2,110,880 |
| | | **17,021,134** | 13,115,694 |
| Less: closing stock of finished goods | | **220,088** | 137,909 |
| | | **16,938,955** | 13,049,949 |

| | | | 2021 | 2020 |
|---|---|---|---|---|
| **28.1** | **Cost of goods manufactured and services provided** | **Note** | **--- Rupees in '000 ---** | |
| | Raw materials and components consumed | **28.2** | **10,209,696** | 8,791,637 |
| | Stores consumed | | **303,726** | 265,007 |
| | Direct labour | **28.3** | **276,947** | 349,055 |
| | Salaries and other benefits | **28.3** | **388,529** | 413,339 |
| | Travelling and conveyance | | **4,916** | 22,359 |
| | Light, heat and water | | **223,642** | 281,866 |
| | Repair and maintenance | | **130,538** | 114,506 |
| | Rent, rates and taxes | | **2,644** | 63,076 |
| | Royalty | **28.4** | **464,302** | 249,741 |
| | Insurance | | **39,907** | 46,547 |
| | Canteen | | **39,897** | 26,200 |
| | Vehicle running expenses | | **12,577** | 13,277 |
| | Depreciation related to operating fixed assets | **5.2** | **281,435** | 283,079 |
| | Depreciation related to right of use assets | **5.9.1** | **40,905** | 24,362 |
| | Amortisation | **6** | **3,563** | 1,975 |
| | (Reversal) / provision for slow moving stock | **10.1** | **(14,158)** | 53,879 |
| | Others | | **5,854** | 4,909 |
| | | | **12,414,920** | 11,004,814 |
| | Work in process at the year end | | - | - |
| | | | **12,414,920** | 11,004,814 |
| **28.2** | **Raw materials and components consumed** | | | |
| | Opening stock | | **888,960** | 638,666 |
| | Add: purchases during the year | | **9,870,180** | 9,041,931 |
| | | | **10,759,140** | 9,680,597 |
| | Less: closing stock | | **549,444** | 888,960 |
| | | | **10,209,696** | 8,791,637 |

**28.3** Direct labour and Salaries & other benefits include Rs.37,710 thousand (2020: Rs.32,914 thousand) in respect of staff retirement benefits.

**28.4** Royalty charged in current year financial statement pertains to following companies;

i) Hitachi Astemo Ltd., Shin-Otemachi Building, 2-1, Otemachi 2-chome, Tokyo, 100-0004, Japan *(Formally Showa Corporation, Japan and Keihin Corporation, Japan.)*

ii) F.C.C Co. Ltd - 7000-36, Nakagawa, Hosoe-cho Kita-ku, Hamammatsu-shi, Shizouka-ken, Japan.

iii) Atsumitec Company Ltd. - 4-6-1 Takaokanishi Naka-ku, Hamamatsu-shi Shizuoka Prefecture, Japan

iv) Toyo Denso Company Limited, 10-4, 2-Chome, Shinbashi Minato-ku, Tokyo, Japan.

v) Yamada Manufacturing Co., Ltd., 1262-2, Koubayashi, Isesaki, Gunma, 379-2206, Japan.

## 29. ADMINISTRATIVE AND GENERAL EXPENSES

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | --- Rupees in '000 --- | |
| Salaries and other benefits | 29.1 | 185,170 | 142,360 |
| Travelling, conveyance and entertainment | | 33,399 | 15,154 |
| Repairs and maintenance | | 3,353 | 8,726 |
| Depreciation | 5.2 | 22,727 | 20,258 |
| Provision for expected credit loss | 11.3 | 837 | 2,000 |
| Legal and professional charges | | 9,555 | 4,302 |
| Utilities | | 11,911 | 8,293 |
| Advertisement and sales promotion | | 64,046 | 49,304 |
| Printing & stationery and rates & taxes | | 2,128 | 2,508 |
| Insurance | | 31,614 | 24,046 |
| Vehicle running expense | | 7,889 | 6,265 |
| Donation | 29.2 | - | 12,794 |
| Others | | 14,829 | 10,064 |
| | | 387,458 | 306,074 |

**29.1** Salaries and other benefits include Rs.14,040 thousand (2020: Rs.11,661 thousand) in respect of staff retirement benefits.

**29.2** Donation of Nil (2020: Rs.12,794 thousand) charged in these financial statements is paid to Atlas Foundation, 2nd Floor, Federation House, Shara-e-Firdousi, Clifton, Karachi (the Foundation). Mr. Frahim Ali Khan, Director of the Company is also Director of the Foundation.

## 30. OTHER INCOME

| | 2021 | 2020 |
|---|---|---|
| | --- Rupees in '000 --- | |
| **Income from financial assets** | | |
| Mark-up / interest on saving accounts and term deposit receipts | 33,131 | 33,336 |
| Dividend income | - | 8,730 |
| **Income from investments in related parties** | | |
| Gain on sale of investments at fair value through profit or loss | 1,265 | - |
| Fair value gain on investments at fair value through profit or loss | 5,819 | - |
| Dividend income | 34,815 | - |
| **Income from assets other than financial assets** | | |
| Commission and others | 17,778 | 16,194 |
| Gain on disposal of property, plant and equipment and non-current asset held for sale | 70,324 | 25,826 |
| | 163,132 | 84,086 |

## 31. OTHER EXPENSES

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | --- Rupees in '000 --- | |
| Workers' profit participation fund | 24.1 | **67,884** | - |
| Workers' welfare fund | | | |
| - current year | | **25,796** | 1,674 |
| - prior year | | **(644)** | (21,369) |
| | | **25,152** | (19,695) |
| Auditors' remuneration | | | |
| - statutory audit fee | | **1,850** | 1,500 |
| - certifications and others | | **619** | 426 |
| - out of pocket expenses | | **179** | 89 |
| | | **2,648** | 2,015 |
| | | **95,684** | (17,680) |

## 32. FINANCE COST

| | Note | 2021 | 2020 |
|---|---|---|---|
| Mark-up / amortisation on long term loans | | **92,950** | 104,995 |
| Mark-up on short term finances | | **2,331** | 58,908 |
| Interest on lease liabilities | | **28,693** | 32,500 |
| Interest on workers' profit participation fund | 24.1 | **20** | 412 |
| Bank and other financial charges | | **4,641** | 8,659 |
| Government grant | | **(11,323)** | (477) |
| | | **117,312** | 204,997 |

## 33. TAXATION

| | 2021 | 2020 |
|---|---|---|
| **Current tax** | | |
| Current tax | **364,129** | 207,791 |
| Minimum tax recouped | **(279,026)** | - |
| Adjustments for current tax of prior year | **2,027** | - |
| | **87,130** | 207,791 |
| **Deferred tax -** Origination and reversal of temporary differences | **303,050** | (263,851) |
| | **390,180** | (56,060) |

**33.1** The returns of the Company is filed under group taxation in term of section 59AA of the Income Tax Ordinance, 2001. Further separate returns of the Company also filed in compliance with the provision of Rule 231D for record purposes only. No numeric tax rate reconciliation for the preceding year is given in the financial statements, as provision made during that year primarily represents minimum tax due under section 113 of the Income Tax Ordinance, 2001 (the Ordinance) and tax deducted under section 150 and 153 of the Ordinance.

Relationship between tax expense and accounting profit for the year is as follows:

| | **2021**<br>**Rupees in '000** |
|---|---|
| Profit before taxation | **1,264,644** |
| Tax at the applicable rate of 29% | **366,747** |
| Tax effect of: | |
| - amount not deductible for tax purposes | **130,659** |
| - amount deductible for tax purposes but not taken to the statement of profit or loss | **(108,183)** |
| - income not subject to tax / income subject to final tax regime / tax credits | **(25,094)** |
| Prior years' tax charge | **2,027** |
| Minimum tax recouped | **(279,026)** |
| Deferred taxation | **303,050** |
| | **390,180** |

## 34. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

| | **Chief Executive Officer** | | **Executives** | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **--- Rupees in '000 ---** | | **--- Rupees in '000 ---** | |
| Managerial remuneration | **14,633** | 14,002 | **78,811** | 54,241 |
| House rent and utilities | **5,726** | 5,479 | **30,839** | 21,225 |
| Bonus | **5,588** | 3,278 | **29,829** | 13,045 |
| Retirement benefits | **1,400** | 1,340 | **7,538** | 5,188 |
| Medical and others | **221** | 70 | **2,032** | 1,687 |
| | **27,568** | 24,169 | **149,049** | 95,386 |
| Number of persons | **1** | 1 | **28** | 28 |

**34.1** The Chief Executive is provided with free use of the Company maintained cars and telephones at residence. Certain executives are also provided with the Company's vehicles in accordance with terms of employment.

**34.2** No remuneration has been paid or is payable by the Company on account of remuneration of other Directors for the year.

## 35. RELATED PARTIES

Related parties comprise of the Holding Company, Subsidiary Companies, Associated Companies, staff retirement funds, directors and key management personnel (members of management committee). The Company in the normal course of business carries out transactions with various related parties on mutually agreed terms. Amounts due from and to related parties are shown under receivables and payables. Detail of related parties (with whom the Company has transacted) along with relationship and transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

### 35.1 Name and nature of relationship

**a) The Holding Company**

Shirazi Investments (Private) Limited - 100% shares held in the Company

**b) Subsidiary Company**

Atlas DID (Private) Limited - 60% shares held by the Company

**c) Associated Companies due to significant influence**

Atlas GCI (Private) Limited - 20% shares held by the Company

Atlas Hitec (Private) Limited - 44.77% shares held by the Company

**d) Associated Companies due to common directorship**

| | |
|---|---|
| Atlas Engineering (Private) Limited | Atlas Metals (Private) Limited |
| Atlas Honda Limited | Shirazi Trading Company (Private) Limited |
| Atlas Battery Limited | Honda Atlas Cars Pakistan Limited |
| Atlas Insurance Limited | Atlas Power Limited |
| Atlas Foundation | Atlas Global, FZE, Jebeal Ali, UAE |
| Atlas Asset Management Limited | Atlas Energy Limited |
| SF Global Holdings Limited, Dubai | Atlas Venture Limited |
| Oyster International Holdings Limited | Zhenfa Pakistan New Energy Co. (Private) Limited |
| Madian Hydro Power Limited | Murree Brewery Company Limited |

**e) Associated companies under common management**

Atlas Worldwide General Trading LLC, Dubai

| | 2021 | 2020 |
|---|---|---|
| **35.2 Transactions with related parties** | --- Rupees in '000 --- | |
| **The Holding Company** | | |
| Dividend paid | **300,000** | - |
| Lease rental paid | - | 38,363 |
| Receipt under group taxation | - | 96,487 |
| Sales of | | |
| - goods and services | **7,857** | - |
| - operating fixed assets | **1,656** | - |
| **Subsidiary Companies** | | |
| Sales of | | |
| - goods and services | **43,196** | 126,492 |
| - operating fixed assets | - | 310,912 |
| Purchases of goods and services | **9** | 32,701 |
| Long term investment | - | 720,000 |
| Reimbursement claimed | **1,053** | 11,375 |
| **Associated Companies** | | |
| Sales of | | |
| - goods and services | **15,703,906** | 11,315,979 |
| - operating fixed assets | **11,655** | 391,110 |
| - non-current asset held for sale | **30,640** | - |
| Purchases of | | |
| - goods and services | **2,076,259** | 1,831,258 |
| - operating fixed assets | **181,443** | 9,525 |
| Sale of units in mutual funds | **275,000** | - |
| Purchase of units in mutual funds | **1,475,000** | - |
| Dividend received | **30,029** | 8,730 |
| Commission paid | **81** | 301 |
| Insurance premium paid | **123,298** | 113,262 |
| Lease rental paid | **50,957** | 50,876 |
| Reimbursement for utilities and shared services | **63,688** | 123,386 |
| Donation paid | - | 12,794 |
| Long term investment acquired | - | 60,000 |
| **Other related parties** | | |
| Contributions paid to: | | |
| - gratuity funds | **16,181** | - |
| - pension schemes | **21,382** | 21,921 |
| Key management personnel | | |
| - salaries and other employment benefits | **116,617** | 66,345 |
| - sale of vehicles / laptop under company policy | **61** | 8,095 |

## 36. FINANCIAL RISK MANAGEMENT

### 36.1 Financial risk factors

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk (including foreign exchange risk, interest rate risk and price risk).

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's overall risk management program focuses on having cost effective funding as well as to manage financial risk to minimise earnings volatility and provide maximum return to shareholders.

**(a) Credit risk**

Credit risk represents the risk of financial loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Credit risk mainly arises from deposits, loans and advances, trade debts, other receivables and balances with banks.

The carrying amount of financial assets represents the maximum credit exposure. The financial assets exposed to credit risk amounted to Rs.1,626,579 thousand (2020: Rs.1,126,452 thousand) as at June 30, 2021. Out of the total financial assets credit risk is concentrated in trade debts and deposits with banks as they constitute 97% (2020: 96%) of the total financial assets.

The maximum exposure to credit risk at the end of the reporting period is as follows:

| | 2021 | 2020 |
|---|---|---|
| | ---- Rupees in '000 ---- | |
| Long term deposits | **26,440** | 18,940 |
| Long term loans and advances | **11,110** | 10,390 |
| Trade debts | **578,110** | 382,699 |
| Loans and advances | **7,985** | 8,901 |
| Deposits and other receivables | **2,143** | 3,818 |
| Bank balances | **1,000,791** | 701,704 |
| | **1,626,579** | 1,126,452 |

To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties.

All the trade debts at the reporting date represent domestic parties.

The credit quality of loans, advances, deposits and other receivables can be assessed with reference to their historical performance with no or negligible defaults in recent history and no losses incurred. Accordingly, management does not expect any counter party to fail in meeting their obligations.

The credit quality of Company's bank balances can be assessed with reference to the external credit ratings as follows:

| | Rating | | |
|---|---|---|---|
| **Banks** | **agency** | **short term** | **long term** |
| Habib Bank Limited | JCR-VIS | A-1+ | AAA |
| Habib Metropolitan Bank Limited | PACRA | A-1+ | AA+ |
| National Bank of Pakistan | PACRA | A1+ | AAA |
| Allied Bank Limited | PACRA | A1+ | AAA |
| Standard Chartered Bank (Pakistan) Limited | PACRA | A1+ | AAA |
| Meezan Bank Limited | JCR-VIS | A-1+ | AA+ |

### (b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty, in meeting obligation associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At June 30, 2021, the Company had Rs.2,600,000 thousand available borrowings limits from banks / financial institutions and of bank balances Rs.1,000,791 thousand.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows:

| | Carrying amount | Contractual cash flows | Maturity upto one year | Maturity more than one year |
|---|---|---|---|---|
| | Rupees in '000 | | | |
| **June 30, 2021** | | | | |
| Long term loans | **1,115,807** | **1,321,224** | **415,246** | **905,978** |
| Lease liabilities | **360,286** | **490,617** | **51,378** | **439,239** |
| Trade and other payables | **2,701,813** | **2,701,813** | **2,701,813** | - |
| Accrued mark-up | **25,510** | **25,510** | **25,510** | - |
| | **4,203,416** | **4,539,164** | **3,193,947** | **1,345,217** |

| | Carrying amount | Contractual cash flows | Maturity upto one year | Maturity more than one year |
|---|---|---|---|---|
| | Rupees in '000 | | | |
| June 30, 2020 | | | | |
| Long term loans | 1,062,168 | 1,349,546 | 143,817 | 1,205,729 |
| Lease liabilities | 231,634 | 400,351 | 44,483 | 355,868 |
| Trade and other payables | 2,020,452 | 2,020,452 | 2,020,452 | - |
| Accrued mark-up | 43,728 | 43,728 | 43,728 | - |
| | 3,357,982 | 3,814,077 | 2,252,480 | 1,561,597 |

### (c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

**Foreign exchange risk**

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument shall fluctuate because of changes in foreign exchange rates.

Foreign exchange risk mainly arises where receivables and payables exist due to transactions with foreign undertakings. The Company's exposure to foreign exchange risk at the reporting date is as follows:

| | **June 30, 2021** | | | June 30, 2020 | | |
|---|---|---|---|---|---|---|
| | **Rupees** | **Japanese Yen** | **US Dollar** | Rupees | Japanese Yen | US Dollar |
| | **-- Amount in '000 --** | | | -- Amount in '000 -- | | |
| Trade and other payables | **294,727** | **202,406** | **600** | 51,923 | 29,427 | 35 |

Exchange rate of 1.4324 (2020: 1.5664) for Rupee to Japanese Yen and 158.30 for Rupee to US dollar (2020 :168.75 ) has been applied.

At June 30, 2021, if the Rupee had strengthened / weakened by 5% against Japanese Yen / US dollar with all other variables held constant, profit before taxation for the year would have been higher / (lower) by Rs.13,340 thousand (2020: Rs.2,596 thousand) mainly as a result of foreign exchange gain / (loss) on translation of foreign denominated financial liabilities.

**Interest rate risk**

Interest rate risk represents the risk that the fair value or future cash flow of a financial instrument will fluctuate because of change in market interest rates.

The Company's interest rate exposure arises from long term loans and short term borrowings. Borrowings issued at variable rates expose the Company to cash flow risk and borrowings issued at fixed rate expose the Company to fair value interest rate risk. At June 30, 2021, the Company's interest bearing borrowings aggregated to Rs.1,115,807 thousand (2020: Rs.1,072,840 thousand)

At June 30, 2021, if the interest rates on the Company's borrowings had been 1% higher / (lower) with all other variables held constant, the calculated post-tax profit for the year would have been Rs.11,158 thousand (2020: Rs.10,728 thousand) lower / higher mainly as a result of higher / (lower) interest expense on floating rate borrowings.

**Price risk**

Price risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from foreign exchange risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company currently has no exposure to such risk.

**36.2 Fair value measurement of financial instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is going concern and there is no intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

The estimated fair value of all financial assets and liabilities is considered not significantly different from book values as the items are either short - term in nature or periodically re-priced.

IFRS 7, 'Financial Instruments Disclosures' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The following table presents the Company's financial assets that are measured at fair value at June 30, 2021.

| | June 30, 2021 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Assets** - Recurring fair value measurement | ----------- Rupees in '000 ----------- | | | |
| **Financial assets at fair value through profit or loss** | | | | |
| Short term investments | **1,234,207** | - | - | **1,234,207** |

### 36.3 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders and / or issue new shares. There was no change to the Company's approach to capital management during the year. The Company monitors capital on the basis of gearing ratio calculated as follows:

| | **2021** | 2020 |
|---|---|---|
| | **--- Rupees in '000 ---** | |
| Total borrowings | **1,476,093** | 1,293,802 |
| Bank balances | **1,000,791** | 701,704 |
| Net debt | **475,302** | 592,098 |
| Total equity | **5,075,750** | 4,494,909 |
| Total capital | **5,551,052** | 5,087,007 |
| Gearing ratio | **9%** | 12% |

## 37. PLANT CAPACITY AND ACTUAL PRODUCTION

The production capacity of the plant cannot be determined as it depends upon the relative proportion of various types of products manufactured by the Company.

## 38. NUMBER OF EMPLOYEES

| | **2021** | 2020 |
|---|---|---|
| | **Numbers** | |
| Total number of employees | **517** | 467 |
| Average number of employees | **482** | 532 |

## 39. CORRESPONDING FIGURES

The corresponding figures have been rearranged and reclassified, wherever considered necessary for the purposes of comparison and better presentation, the effect of which is not material.

## 40. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on September 10 , 2021 by the Board of Directors of the Company.

**Chief Executive Officer** **Director**