Directors' Report

The Directors of your Company take pleasure in presenting their report together with the Company's Annual Financial Statements and Auditors' report thereon for the year ended June 30, 2020.

Operating Results and Appropriation

The operating results of your Company for the year ended June 30, 2020 under review are summarized as follows:

	2020 Rupees	2019 Rupees
Profit for the year before tax	174,982,435	312,911,540
Taxation		
Current Year	185,438,245	276,633,952
Prior Year	154,824	(4,600,668)
	185,593,069	272,033,284
(Loss)/Profit after tax	**(10,610,634)**	**40,878,256**

Dividends and Appropriations

The Directors have recommended a cash dividend of Re. 1 per share (2019: Re. 1 per share) as final cash dividend.

Accordingly, the appropriation of profit will be as under:

	2020 Rupees	2019 Rupees
Profit available for appropriation	98,658,075	161,363,987
Appropriation:		
Final Dividend - 2020: 10% (2019: 10%)	(55,000,000)	(55,000,000)
Un-appropriated profit carried forward	**43,658,075**	**106,363,987**

Earnings / (Loss) Per Share

Earnings / (Loss) Per Share after tax is at 2020: Rs. (0.19) - 2019: Rs.0.74.

Chairman's Review

The Chairman's review included in the Annual Report deals inter alia with the performance of the company for the year ended June 30, 2020 and future outlook. The Directors endorse the contents of the review.

Board of Directors

The Board comprises of six directors representing Shirazi Investments (Private) Limited. During the year one board meeting was held. The attendance of directors is as follows:

Sr. No.	Name of Directors	Status	Meeting held on 28-9-19	Attendance
1	Mr. Yusuf H. Shirazi	Passed away on 20-10-2019	1	1
2	Mr. Iftikhar H. Shirzi	Appointed on 21-10-2019 and elected on 5-5-2020	-	-
3	Mr. Aamir H. Shirazi	Re-elected on 5-5-2020	-	-
4	Mr. Frahim A. Khan	Re-elected on 5-5-2020	1	1
5	Mr. Saquib H. Shirazi	Re-elected on 5-5-2020	1	1
6	Mr. Ali H. Shirazi	Re-elected on 5-5-2020	1	1
7	Mr. Bashir Makki	Re-elected on 5-5-2020	1	1

On May 04, 2020 the existing Directors stood retired and offered themselves for re-election. The Directors were re-elected in Extraordinary General Meeting (EOGM) held on May 5, 2020 for a period of next three years commencing from May 05, 2020. Mr. Iftikhar H. Shirazi also got elected in said EOGM for a period of next three years commencing from May 5, 2020.

Leave of absence was granted to those Directors who could not attend the Board's meeting.

Statement of Directors' Responsibilities

The Board reviews the Company's strategic direction. Annual plans and performance targets for business are set by the Chief Executive and are reviewed by the Board in the light of the company's overall objectives. The Board is committed to maintain the high standard of good corporate governance.

Corporate and Financial Reporting Framework

The Directors confirm the compliance with Corporate and Financial Reporting Framework of the Securities and Exchange Commission of Pakistan and Code of Corporate Governance for the following matters:

- The financial statements prepared by the management of the company, fairly present its state of affairs, the results of its operations, cash flow and changes in equity.
- The Company has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International financial Reporting Standard, as applicable in Pakistan, have been followed

in
preparation of financial statements.

- The system of internal control is sound in design and has been effectively implemented and
monitored. The process of monitoring internal controls will continue as an ongoing process with the objective to further strengthen the controls and bring improvements in the system.
- There is no doubt about the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance.
- The Company operates a contributory provident fund scheme for all employees and Defined benefit gratuity fund scheme for its management employees. The value of investments based as at June 30, 2020 are as follows:

- Provident Fund	Rs. 110.25 million
- Gratuity Fund	Rs. 78.50 million

Health, Safety and Environment

We strongly believe in maintaining the highest standards in health, safety and environment (HSE) to ensure the well-being of the people who work with us as well as of the communities where we operate.

Donation

The company has a policy to donate 1% of the prior year's profit before tax. During the year, Company has donated Rs.3.13 million to Atlas Foundation.

Contribution to National Exchequer

The Company contributed Rs.882 million towards the National Exchequer on account of various government levies, taxes and import duties in the year under review. Payment of these taxes is 5 times of the profit before tax of the Company.

Code of Conduct

The Company's Code of Conduct promotes guidelines on various ethical standards including issues such as conflict of interests, employee rights, fraud etc. The code encourages honesty, integrity and openness in conduct of company's operation. It strictly abides all to follow the laws and regulations. The Code guides interactions with all stakeholders, including consumers, suppliers, shareholders, and partners.

The Code is communicated to all associates and is available on the Company's website. The responsibility for day to day implementation and monitoring of Code is delegated to the senior management.

Management Committee

The Management Committee comprises of all functional heads, Chief Operating Officer and is headed by Chief Executive, who ensures that a proper system is developed and implemented across the company that enable swift and appropriate decision making. It acts in an advisory capacity to the Chief Executive at the operating level, providing recommendation relating to business and other corporate affairs. It is responsible for reviewing and forwarding long –term-plans, capital and expense budget development and stewardship of business plans. The Committee meets monthly to review the performance of each function against set targets. The Chief Executive also ensures that all decisions and directions given by the Board are properly communicated and implemented.

Auditors

The present auditors M/s EY Ford Rhodes, Chartered Accountants, retire and being eligible, offer themselves for reappointment. The Board of Directors recommends their reappointment as statutory auditors of the company for the financial year 2020-21.

Pattern of Shareholding

The pattern of shareholding of the company as at June 30, 2020 is annexed.

Material changes

There have been no material changes since June 30, 2020 to date of the report and the Company has not entered into any commitment during this period, which would have an adverse impact on the financial position of the Company.

Statement of Value Addition and Distribution

The "Statement of Value Addition" is annexed to this report.

Operating and Financial Data

Operating and Financial Data and key ratios of the company for the last six years are annexed.

Safeguarding of Records

The company places due emphasis for storage and safe custody of this financial records. The Company is using Oracle ERP system for recording its financial information. Access to electronic documentation has been ensured through implementation of a comprehensive password protected authorization matrix.

Communication

Communication with stakeholders and at all management levels is given a high priority. The Company also has a web site www.shirazitrading.com.pk which contains up-to-date information of the Company's activities.

For and on behalf of The Board of Directors

Director

Chief Executive Officer

Karachi: September 29, 2020

Building a better working world

AUDITORS' REPORT ON FINANCIAL STATEMENTS OF

SHIRAZI TRADING COMPANY (PRIVATE) LIMITED

FOR THE YEAR ENDED 30 JUNE 2020

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

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

EY
Building a better working world

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

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

INDEPENDENT AUDITOR'S REPORT

To the members of Shirazi Trading Company (Private) Limited

Report on the Audit of the Financial Statements

Opinion

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

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of 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 30 June 2020 and of the loss, comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Director's report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will 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.

Building a better
working world

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 is responsible for overseeing the Company's financial reporting process.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

EYM

Building a better
working world

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

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, 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 auditor's report is **Shariq Ali Zaidi.**

EY Ford Rhodes

Chartered Accountants

Place: Karachi

Date: 20 October 2020

SHIRAZI TRADING COMPANY (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020	2019
		----------- Rupees -----------	
ASSETS			
NON CURRENT ASSETS			
Property and equipment	6	330,384,180	353,598,008
Intangible assets	7	3,301,207	6,196,968
Long-term investment	8	-	-
Long-term loans	9	1,362,959	3,167,262
		335,048,346	362,962,238
CURRENT ASSETS			
Stocks-in-trade	10	335,886,564	415,098,972
Trade debts	11	760,163,945	1,123,268,016
Contract asset	12	80,154,501	103,034,798
Loans and advances	13	78,327,659	54,919,530
Trade deposits and short-term prepayments	14	156,364,944	123,581,275
Other receivables	15	179,746,165	147,426,436
Taxation - net		142,732,375	101,539,294
Bank balances	16	3,621,966	13,816,871
		1,736,998,119	2,082,685,192
TOTAL ASSETS		2,072,046,465	2,445,647,429
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
80,000,000 (2019:80,000,000) ordinary shares of Rs.10/- each.		800,000,000	800,000,000
Issued, subscribed and paid-up capital	17	550,000,000	550,000,000
General reserves		35,265,000	35,265,000
Unappropriated profit		98,658,075	161,363,987
		683,923,075	746,628,987
NON CURRENT LIABILITIES			
Long-term deposits	18	4,471,610	4,094,166
Accrual for compensated absences	19	61,914,357	50,560,906
Lease liabilities	21	39,399,900	48,990,160
Long term loan	22	45,196,443	-
Deferred income - government grant	23	3,696,147	-
		154,678,457	103,645,232
CURRENT LIABILITIES			
Trade and other payables	20	386,868,853	499,986,892
Current portion of lease liabilities	21	45,825,011	16,170,957
Current maturity against long term loan	22	16,235,835	-
Current maturity of deferred income - government grant	23	2,956,918	-
Short-term borrowing and running finance	24	706,364,156	961,714,437
Contract liablity	25	50,558,682	84,970,035
Accrued mark-up		24,635,478	32,530,889
		1,233,444,933	1,595,373,210
CONTINGENCIES AND COMMITMENTS	26		
TOTAL EQUITY AND LIABILITIES		2,072,046,465	2,445,647,429

The annexed notes from 1 to 38 form an integral part of these financial statements.

CHIEF EXECUTIVE DIRECTOR CHAIRMAN

SHIRAZI TRADING COMPANY (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020	2019
		------------- Rupees -------------	
Turnover - net	27	3,352,673,139	5,191,942,497
Cost of sales and services	28	(2,622,504,235)	(4,179,033,360)
Gross profit		730,168,904	1,012,909,137
Selling and administrative expenses	29	(393,335,101)	(514,542,949)
		336,833,803	498,366,188
Other operating income	30	14,239,826	4,828,901
Operating profit		351,073,629	503,195,089
Finance costs	31	(161,858,334)	(155,850,729)
Other expenses	32	(14,232,860)	(34,432,820)
Profit before taxation		174,982,435	312,911,540
Taxation	33	(185,593,069)	(272,033,284)
(Loss) / profit after taxation		(10,610,634)	40,878,256

The annexed notes from 1 to 38 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

CHAIRMAN

SHIRAZI TRADING COMPANY (PRIVATE) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	------------- Rupees -------------	
(Loss) / profit after taxation	(10,610,634)	40,878,256
Other comprehensive income		
Items that will not be reclassified subsequently to statement of profit or loss		
Actuarial gain recognised during the year	2,904,722	2,301,601
Total comprehensive (loss) / income for the year	(7,705,912)	43,179,857

The annexed notes from 1 to 38 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

CHAIRMAN

SHIRAZI TRADING COMPANY (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020	2019
		---------- Rupees ----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		174,982,435	312,911,540
Adjustments for non-cash items:			
Depreciation	6.1.1 & 6.3.1	74,824,658	52,812,561
Amortisation	7	2,895,761	3,253,913
Provision for gratuity	20.1.3	6,082,220	8,599,391
Provision for compensated absences		13,826,890	13,869,528
Interest expense		156,695,456	150,887,796
Gain on disposal of operating fixed assets		(2,883,979)	5,163,406
Unrealized exchange gain		(821,316)	(15,223,822)
		250,619,690	219,362,773
Operating cash flows before working capital changes		425,602,125	532,274,313
(Increase) / decrease in current assets			
Stock-in-trade		79,212,408	(62,063,171)
Trade debts		368,450,328	473,542,028
Contract assets		22,880,297	2,691,420
Loans and advances		(23,408,129)	25,960,822
Trade deposits and prepayments		(33,627,778)	36,107,088
Other receivables		(32,319,729)	(99,953,924)
		381,187,397	376,284,263
Decrese in current liabilities			
Trade and other payables		(114,522,688)	(380,463,367)
Contract liablity		(34,411,353)	(14,279,652)
		(148,934,041)	(394,743,019)
		657,855,481	513,815,557
Payment of long term loans and advances		1,804,303	(1,849,200)
Payment of long term deposits		377,444	657,465
Compensated absences paid		(2,473,439)	(8,720,735)
Contribution to gratuity fund		(6,297,790)	(11,954,092)
Interest paid		(158,408,445)	(139,450,252)
Taxes paid		(226,786,154)	(280,670,655)
Net cash generated from operating activities		266,071,400	71,828,088
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(21,420,379)	(47,608,022)
Acquisition of intangible assets		-	(4,452,813)
Proceeds from sale of operating fixed assets		39,145,492	35,505,639
Net cash generated from/(used in) investing activities		17,725,113	(16,555,196)
CASH FLOWS FROM FINANCING ACTIVITIES			
Subscription money against further issuance of shares		-	300,000,000
Dividend paid		(55,000,000)	-
Lease rental paid		(51,726,482)	(14,898,682)
Loan obtained		68,085,343	-
Short term borrowing and running finance - net		(255,350,279)	(344,173,957)
Net cash used in financing activities		(293,991,418)	(59,072,639)
Net decrease in cash and cash equivalents during the year		(10,194,905)	(3,799,747)
Cash and cash equivalents at beginning of the year		13,816,871	17,616,618
Cash and cash equivalents at the end of the year		3,621,966	13,816,871

The annexed notes from 1 to 38 form an integral part of these financial statements.

CHIEF EXECUTIVE | DIRECTOR | CHAIRMAN

SHIRAZI TRADING COMPANY (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Share Capital	Revenue reserves: General Reserves	Revenue reserves: Unappropriated profit	Total
	---------- Rupees ----------			
Balance as at 30 June 2018	250,000,000	35,265,000	161,242,312	446,507,312
Impact of initial application of IFRS 9	-	-	(43,058,181)	(43,058,181)
Balance as at 01 July 2018 (restated)	250,000,000	35,265,000	118,184,131	403,449,131
Net profit for the year	-	-	40,878,255	40,878,255
Right shares issued during the year	300,000,000	-	-	300,000,000
Other comprehensive income	-	-	2,301,601	2,301,601
Total comprehensive income for the year	300,000,000	-	43,179,856	343,179,856
Balance as at 30 June 2019	**550,000,000**	**35,265,000**	**161,363,987**	**746,628,987**
Net loss for the year	-	-	(10,610,634)	(10,610,634)
Interim dividend for the year ended 30 June 2020 @ Re. 1 per share	-	-	(55,000,000)	(55,000,000)
Other comprehensive income	-	-	2,904,722	2,904,722
Total comprehensive loss for the year	-	-	(62,705,912)	(62,705,912)
Balance as at 30 June 2020	**550,000,000**	**35,265,000**	**98,658,075**	**683,923,075**

The annexed notes from 1 to 38 form an integral part of these financial statements.

CHIEF EXECUTIVE DIRECTOR CHAIRMAN

SHIRAZI TRADING COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

1. THE COMPANY AND ITS OPERATIONS

1.1. Shirazi Trading Company (Private) Limited (the Company) was incorporated in Pakistan as a private limited company on 20 June 1975 under the Companies Act, 1913 (now Companies Act, 2017). The Company is a wholly owned subsidiary of Shirazi Investments (Private) Limited (the Holding Company). The Company is primarily engaged in the business of trading and maintenance of office equipment, power generators, security and medical equipment and trading of automotive parts. The Company has countrywide sales and service network and its branches are located at Karachi, Lahore, Islamabad, Multan and Peshawar. The registered office of the Company is situated at Plot No. 114 C, Al-Murtaza Commercial Lane - 3, off Khayaban-e-Iqbal, Phase VIII, Defence Housing Authority, Karachi.

Business Unit	**Geographical location and address**
Registered Office	Plot No. 114C, Al-Murtaza Commercial Lane-3, Khayaban-e-Iqbal, Phase VIII, (DHA), Karachi.
Branch Offices	
Karachi	2nd Floor, Nadir House, I.I.Chundrigar Road, Karachi.
Lahore	Plot No. 67/A Block XX, Phase III, (Commercial), DHA Lahore.
Islamabad	Plot No. 41 Sector F-6/G6, Attaturk Avenue. East End Plaza, Blue Area, Islamabad.
Multan	Atlas Group Building, Azmat Wasti Road, Near Dera Addah, Multan.
Peshawar	4th Floor, Marhaba I.T Tower, University Road Peshawar.

1.2 IMPACT OF COVID

The COVID-19 pandemic caused significant and unprecedented curtailment in economic and social activities during the lock down period in line with the directives of the Government. This situation posed a range of business and financial challenges to the businesses globally and across various sectors of the economy in Pakistan. Complying with the lockdown, the Company temporarily closed its Head office and branches and managed its operations remotely.

The lockdown was subsequently relaxed, and the Company resumed operations in stages, after implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees. The management has ensured all necessary steps to ensure smooth and adequate continuation of its business in order to maintain business performance despite slowed down economic activity.

The Company's operations were partially disrupted due to the circumstances arising from COVID-19 particularly the supplies of industrial and office equipment related segments. Due to this, the management has assessed the accounting implications of these developments on these financial statements, including but not limited to expected credit losses under IFRS 9, 'Financial Instruments', the impairment of tangible and intangible assets under IAS 36, 'Impairment of non-financial assets', the net realisable value of inventory under IAS 2, 'Inventories', deferred tax assets in accordance with IAS 12, 'Income taxes', provisions and contingent liabilities under IAS 37, including onerous contracts, and going concern assumption used for the preparation of these financial statements.

According to management's assessment, there is no significant accounting impact of the effects of COVID-19 in these financial statements.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

3.1. These financial statements have been prepared under the historical cost convention except;

- Payable to gratuity (defined benefit plan) which is carried at present value of defined benefit obligation net of fair value of plan assets as required under IAS 19 "Employee benefit"; and
- Stocks-in-trade that are carried at lower of cost or net realisable value.

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

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS APPLICABLE TO FINANCIAL STATEMENTS

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

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

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

Improvements to Accounting Standards Issued by the IASB (2015-2017 cycle)
IFRS 3 - Business Combinations - Previously held Interests in a joint operation
IFRS 11 - Joint Arrangements - Previously held Interests in a joint operation
IAS 12 - Income Taxes - Income tax consequences of payments on financial instruments classified as equity
IAS 23 - Borrowing Costs - Borrowing costs eligible for capitalisation

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

IFRS 16 - Leases

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

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of July 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at July 1, 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Company has lease contracts for warehouses, sales offices and vehicles. Before the adoption of IFRS 16, the Companies classified each of its leases (as lessee) at the inception date as an operating lease.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to note 5.3 to these financial statements for the accounting policy beginning July 1, 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Company.

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application, where the rate implicit in the lease was not determinable.

For leases previously identified as finance leases, the Company did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from July 01, 2019.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at July 1, 2019:

- Additional right-of-use assets and corresponding lease liabilities of Rs.66,451,961 were recognised Further, lease assets recognised previously under finance leases of Rs. 65,524,419 were reclassified from operating fixed assets to right-of-use assets.
- Short-term prepayments of Rs 850,718 related to previous operating leases were derecognised.

The lease liabilities as at July 1, 2019 can be reconciled to the operating lease commitments as of June 30, 2019, as follows.

	Amount ----Rupees----
Operating lease commitments as at June 30, 2019	74,742,695
Weighted average incremental borrowing rate as at July 01, 2019	13.80%
Discounted operating lease commitments as at July 01, 2019	74,742,413
Less.	
Commitments related to leases of short-term leases	(8,290,452)
Lease liabilities as at July 01, 2019	66,451,961

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

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

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 3	Definition of a Business (Amendments)	
IFRS 3	Reference to the Conceptual Framework (Amendments)	
IFRS 9 / IAS 39 / IFRS 7	Interest Rate Benchmark Reform (Amendments)	
IFRS 10 / IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	
IAS 1 / IAS 8	Definition of Material (Amendments)	
IAS 1	Classification of Liabilities as Current or Non-current (Amendments)	
IAS 16	Proceeds before Intended Use (Amendments)	
IAS 37	Onerous Contracts – Costs of Fulfilling a Contract (Amendments)	

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

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

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

The above standards and amendments are not expected to have any material impact on the Company's unconsolidated financial statements in the period of initial application.

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

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

Standard or Interpretation		IASB effective date (annual periods beginning on or after)
IFRS 17	Insurance Contracts	01 January 2023

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in period of revision and future periods if the revision affects both current and future periods. The estimates and judgments that have a significant effect on the financial statements are in respect of the following:

	Note
Determining the residual values and useful lives of operating fixed assets	5.2 & 6
Determining the lease term of contracts with renewal and termination options	5.3 & 6.3
Leases - Estimating the incremental borrowing rate	5.3 & 6.3
Determining the residual values and useful lives of intangible assets	5.4 & 7
Recognition of taxation and deferred tax	5.8 & 33
Recognition for staff retirement benefits	5.12 & 20.1
Recognition of allowance for expected credit loss	5.16 & 30.1

5.2 Property and equipment

Owned assets

Operating fixed assets are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged to profit or loss account over the useful life of the asset on a systematic basis, by applying the reducing balance method at the rates specified in note 6 to these financial statements. In respect of additions and disposal of assets during the year, depreciation is charged from the month in which the asset is put to use and upto the month preceding the disposal respectively.

Maintenance and normal repairs are charged to statement of profit or loss account as and when incurred. Major renewals and improvements are capitalised and assets so replaced, if any, are retired.

An item of operating fixed assets is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on disposals of fixed assets, if any, are included in statement of profit or loss account.

The asset's residual value, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Capital work-in-progress

These are stated at cost less accumulated impairment losses, if any and represent expenditure in connection with specific assets incurred during the construction period. These are transferred to specific assets as and when assets are available for use.

5.3 Leases

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

Company as a lessee

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

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Buildings	2 to 3 years
Motor vehicles	4 to 5 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the note 5.5 to these financial statements for policy on impairment of non-financial assets.

Lease liabilities

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

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date, where the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in interest-bearing loans and borrowings, refer note 5.15 to these financial statements.

Short-term leases and leases of low-value assets

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

Determining the lease term of contracts with renewal and termination options – Company as lessee

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

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Leases - Estimating the incremental borrowing rate

Where the Company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Cpompany 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates).

5.4 Intangible assets

These are stated at cost less accumulated amortisation and impairment, if any. Amortisation is charged to statement of profit or loss account over the useful life of the asset on a systematic basis by applying the straight line method at the rates specified in note 7 to the financial statements.

The cost of intangible asset comprises of its purchase price and any directly attributable expenditure incurred in preparing the asset for its intended use.

5.5 Impairment of non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("the cash-generating unit, or CGU").

5.6 Stock-in-trade

Stock-in-trade, except items-in-transit, is valued at the lower of average purchase cost and net realizable value.

Stock-in-transit is stated at invoice value plus other charges paid thereon to the reporting date.

Net realizable value is determined by considering the prevailing selling prices in the ordinary course of business less cost of completion and cost necessary to be incurred in order to make the sale.

Provision is made in the financial statements for slow moving and obsolete items, if any.

5.7 Contract assets

A contract asset exists when an entity transfers goods or services to a customer but does not yet have an unconditional right to consideration. A right is unconditional if nothing other than the passage of time is required before the payment of that consideration is due.

A contract asset is initially recognised from revenue earned from after sales services because the receipt of consideration is conditional upon satisfactory performance of the goods transferred to customers upon completion of the performance obligation the contract asset is reclassified to trade receivables.

5.8 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in statement of other comprehensive income, respectively.

Current

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for current tax includes adjustments to charge for prior years, if any. However, for income covered under final tax regime, taxation is based on applicable tax rules under such regime.

Deferred

Since the major portion of the Company's income is covered under final tax regime, therefore, the Company does not account for deferred taxation.

5.9 Provisions

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

5.10 Foreign currency translation

Transaction in foreign currencies are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into rupees at the exchange rates prevailing on the reporting date. Any resulting gain or loss arising from changes in exchange rates on monetary assets and liabilities are taken to statement of profit or loss account.

5.11 Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Company transfers the related goods or services. Contract liabilities are recognised as revenue when the Company performs under the contract (i.e., transfers control of the related goods or services to the customer).

5.12 Employees' benefits

5.12.1 Staff gratuity scheme - Defined benefit plan

The Company operates an approved and funded gratuity scheme for its management staff and non management staff who have completed the minimum qualifying period of service for entitlement of gratuity. Contributions under the scheme are made on the basis of actuarial valuation and are charged to statement of profit or loss account. The actuarial valuation of both the schemes was carried out on 30 June 2019 using the "Projected Unit Credit Method".

Actuarial gains or losses if any are recognised in statement of comprehensive income as they occur.

5.12.2 Staff provident and pension fund - Defined contribution plan

The Company operates an approved defined contribution provident fund and an approved defined contribution pension fund for employees who have completed the minimum qualifying period of service. The assets of the pension fund are under the control of Atlas Asset Management Limited, a related party.

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

5.12.3 Employee compensated absences

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date using their current salary levels. No actuarial valuation of compensated absences is carried out as the management considers that the financial impact is not material.

5.13 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved by the shareholder.

5.14 Cash and cash equivalents

For the purpose of cash flow statements, cash and cash equivalents consist of balances with banks.

5.15 Financial instruments

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

i) Financial assets

Initial rocognition and measurement

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

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

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

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

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of a debt instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price, determined under IFRS 15) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments). These are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost includes trade receivables.
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments).
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).
- Financial assets at fair value through profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

ii) **Financial liabilities**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities at fair value through profit or loss

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

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

The benefit of a government loan at a below market rate of interest is treated as a government grant. The benefit of the below-market rate of interest shall be measured as the difference between the initial fair value of the loan determined at the market interest rate and the proceeds received.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) **Offsetting of financial instruments**

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

5.16 Impairment / expected credit losses on financial assets

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Company considers a financial asset in default when contractual payments are past due ranging from 210 days to 365 days depending upon customer segment. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Company has applied the standard's simplified approach and calculated ECL based on life-time ECL on its financial assets. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the financial assets and the economic environment. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The expected credit losses are recognised in the statement of profit or loss.

5.17 **Revenue from contracts with customers**

The Company is mainly involved in trading activity which involves import of goods and sale without any value addition to the customers which generally include single performance obligation. Further, company offer after sales services contracts with healthcare and office equipment.

The Company's contracts with customers for the sale of goods generally include one performance obligation. The Company has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Payment is generally due within 60 to 365 days from the date of invoice to the customer depending upon customer segments. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition and the amount of revenue recognised.

The Company recognises revenue from services rendered at a point in time as well as over time as required by the contracts with customers. Revenue from point in time service contracts is recognised as an when the services are recieved by customers. The revenue in case of longterm service contracts is recognised on a monthly basis as per the schedule of maintenance when performance obligation is satisfied.

The payment is generally due within 60 to 365 days from the date of invoice to the customer in case of point in time. Advance payment is received at the contract date in case of services provided over a period of time and the same is classified as contract liability until performance obligation is satisfied. Therefore the timings and amounts of revenue from service contracts are consistent in accordance with IFRS 15.

5.18 **Government grants**

Grants from the government 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 attached conditions.

Government grants relating to costs are deferred and recognised in statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate as more fully explained in note 22.1 to these financial statements.

6 Property and equipment	Note	2020	2019
		---------- Rupees ----------	
Operating fixed assets	6.1	**241,600,570**	353,598,008
Capital work-in-progress	6.2	-	-
Right of use assets	6.3	**88,783,610**	-
		330,384,180	353,598,008

6.1 Operating fixed assets

	Cost			Accumulated Depreciation				
	As at 01 July 2019	Additions / (deletions / adjustment*)	As at 30 June 2020	As at 01 July 2019	Charge for the year / (deletions) (note 6.1.1)	As at 30 June 2020	Book value as at 30 June 2020	Rate %
	Rupees							
Leasehold improvement	76,017,415	5,136,913 (96,930)	81,057,398	24,120,456	5,446,158 (55,170)	29,511,444	51,545,954	10
Furniture and fixture	23,300,701	- -	23,300,701	8,682,594	1,443,279 -	10,125,873	13,174,828	10
Office equipment	133,700,893	1,120,769 (29,044,757)	105,776,905	34,052,892	8,413,046 (5,296,191)	37,169,747	68,607,158	10
Computers and related	42,539,683	281,876 (9,695,323)	33,126,236	32,925,403	2,874,226 (8,954,587)	26,845,042	6,281,194	30
Tools and other equipment	59,080,724	- -	59,080,724	22,863,186	3,621,751 -	26,484,937	32,595,787	10
Electrical equipment	37,050,574	1,731,111 (2,107,788)	36,673,897	11,745,741	2,612,929 (1,129,651)	13,229,019	23,444,878	10
Vehicles	82,844,667	13,149,710 (14,885,593)	81,108,784	32,070,798	10,338,647 (7,251,432)	35,158,013	45,950,771	20
	454,534,657	21,420,379 (55,830,391)	420,124,645	166,461,070	34,750,036 (22,687,031)	178,524,075	241,600,570	
Leased Motor Vehicles	74,512,200	- (74,512,200) *	-	8,987,781	- (8,987,781) *	-	-	
	74,512,200	(74,512,200)	-	8,987,781	(8,987,781)	-	-	
2020	529,046,857	21,420,379 (55,830,391) (74,512,200) *	420,124,645	175,448,851	34,750,036 (22,687,031) (8,987,781) *	178,524,075	241,600,570	

* Represents assets reclassified to right-of-use assets on initial application of IFRS 16, as disclosed in note 5.2 to these financial statements.

	Cost			Accumulated Depreciation				
	As at 01 July 2018	Additions / Transferred from CWIP/ (deletions)	As at 30 June 2019	As at 01 July 2018	Charge for the year / (deletions)/	As at 30 June 2019	Book value as at 30 June 2019	Rate %
	Rupees							
Leasehold improvement	83,217,892	- (7,200,477)	76,017,415	21,890,068	5,860,082 (3,629,694)	24,120,456	51,896,959	10
Furniture and fixture	29,426,326	75,400 (6,201,025)	23,300,701	10,304,620	1,705,409 (3,327,435)	8,682,594	14,618,107	10
Office equipment	110,341,707	23,823,722 (464,536)	133,700,893	23,782,358	10,538,199 (267,665)	34,052,892	99,648,001	10
Computers and related	42,976,739	1,970,221 (2,407,277)	42,539,683	31,157,989	3,857,459 (2,090,045)	32,925,403	9,614,280	30
Tools and other equipment	53,979,032	6,680,445 (1,578,753)	59,080,724	19,955,490	3,591,059 (683,363)	22,863,186	36,217,537	10
Electrical equipment	37,496,987	567,744 (1,014,157)	37,050,574	9,479,416	2,787,677 (521,352)	11,745,741	25,304,833	10
Motor Vehicles	122,170,763	15,347,424 (54,673,520)	82,844,667	44,875,152	14,570,510 (27,374,864)	32,070,798	50,773,869	20
	479,609,446	48,464,956 (73,539,745)	454,534,657	161,445,094	42,910,395 (37,894,418)	166,461,071	288,073,589	
Leased Motor Vehicles	-	80,450,300 (5,938,100)	74,512,200	-	9,902,166 (914,385)	8,987,781	65,524,419	
	-	74,512,200	74,512,200	-	8,987,781	8,987,781	65,524,419	
2019	479,609,446	128,915,256 (79,477,845)	529,046,857	161,445,094	52,812,561 (38,808,803)	175,448,852	353,598,008	

6.1.1 The depreciation charge for the year has been allocated as follows.

	Note	2020	2019
		------------ Rupees ------------	
Cost of sales and services	26	10,810,706	11,872,860
Selling and administrative expenses	27	23,939,330	40,939,701
		34,750,036	52,812,561

6.1.2 The following fixed assets having aggregating net book value exceeding Rs. 5 million and in excess of Rs 500,000 each were disposed off during the year :

Description	Cost	Accumulated Depreciation	Written Down Value	Sale proceeds	Gain/(loss)on disposal	Mode of disposal	Particulars of buyer
Vehicle	2,551,000	1,673,293	877,707	2,263,000	1,385,293	Negotiation	Mauz Saleem
	1,652,000	834,370	817,630	1,725,000	907,370	Negotiation	Asif Hanif
	1,094,000	561,878	532,122	905,000	372,878	Negotiation	Muhammad Amir
	1,250,000	350,000	900,000	900,000	-	Company Policy	Umer Mumtaz - Employee
	1,250,000	440,000	810,000	810,000	-	Company Policy	Emad Muhammad Jadoon - Employee
	1,800,000	475,000	1,325,000	1,325,000	-	Company Policy	Sajid Mahmood -Employee
Items having a net book value not exceeding Rs.500,000 each	46,233,391	18,352,490	27,880,901	27,545,658	(335,243)		
2020	55,830,391	22,687,031	33,143,360	35,473,658	2,330,298		
2019	79,477,846	38,808,802	40,669,044	35,505,639	(5,163,406)		

6.2 The movement in capital work-in-progress is as follows:

	Note	2020	2019
		------------ Rupees ------------	
As at July 01		-	856,933
Addition during the year		-	29,144,981
Transfer to operating fixed assets		-	(30,001,914)
		-	-

6.3 **Right-of-use assets**

The Company has lease contracts for various sales office, warehouses and vehicles used in its operations. Leases of sales offices and warehouses generally have lease terms between 2 to 3 years, while motor vehicles generally have lease terms of between 4 to 5 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets.

The Company also has certain leases of warehouses with lease terms of 12 months or less. The Company applies the 'short-term lease' exemptions for these leases. For such contracts, the management has competitive options available in the market and the replacement costs are estimated to be minimal.

	Sales offices and warehouses	Motor vehicles	Total as at 30 June 2020
	------------ Rupees ------------		
Cost			
Reclassified from operating fixed assets on initial application of IFRS 16 (note 6.1)	-	74,612,200	74,612,200
Impact of initial application of IFRS 16 (note 4.1)	66,451,961	-	66,451,961
Disposed off during the year	-	(3,662,100)	(3,662,100)
	66,451,961	70,950,100	137,402,061
Accumulated depreciation			
Reclassified from operating fixed assets on initial application of IFRS 16 (note 6.1)	-	8,987,781	8,987,781
Charged during the year	27,528,766	12,545,851	40,074,617
Disposed off during the year	-	(443,947)	(443,947)
	27,528,765	21,089,685	48,618,451
Net carrying value	38,923,196	49,860,415	88,783,610

6.3.1 The depreciation charge for the year has been allocated as follows:

	Note	2020	2019
		------------ Rupees ------------	
Cost of sales and services	28	12,467,183	8,897,585
Selling and administrative expenses	29	27,607,434	24,509,931
		40,074,617	33,407,516

7 **INTANGIBLE ASSETS**

	Cost			Accumulated Amortisation				
	As at 01 July 2019	Additions/ (deletion)	As at 30 June 2020	As at 01 July 2019	Charge for the year (note 7.1) / (deletion)	As at 30 June 2020	Book value as at 30 June 2020	Rate %
	------------ Rupees ------------							
Computer software	44,803,667	- (1,865,122)	42,938,545	38,606,699	2,895,761 (1,865,122)	39,637,338	3,301,207	20-33
2020	44,803,667	- (1,865,122)	42,938,545	38,606,699	2,895,761 (1,865,122)	39,637,338	3,301,207	
Computer software 2019	40,350,854	4,452,813	44,803,667	35,352,786	3,253,913	38,606,699	6,196,968	20-33

7.1 The amortisation charge for the year has been allocated to selling and administrative expenses.

		Note	2020	2019
8	LONG TERM INVESTMENT		------------ Rupees ------------	
	Available for sale - unlisted shares			
	Arabian Sea Country Club Limited		500,000	500,000
	50,000 (2019: 50,000) Ordinary share of Rs.10/- each			
	Provision for impairment in value of investment		(500,000)	(500,000)
			-	-

		Note	2020	2019
9	LONG TERM LOANS - Unsecured, considered good			
	Loans			
	Executives	9.1	2,247,991	2,720,833
	Employees	9.1	3,108,602	7,619,635
			5,356,593	10,340,468
	Current portion of long term loans		(3,993,634)	(7,173,206)
			1,362,959	3,167,262

9.1 Represent interest free loans to employees in accordance with the Company's policy. These loans are recoverable in equal monthly installments. These loans have not been discounted to their present value as the financial impact therof is not considered material.

		Note	2020	2019
			------------ Rupees ------------	
10	STOCK-IN-TRADE - Finished goods			
	In hand		318,935,939	328,771,412
	Less: provision for obsolete stock	10.1	(5,588,801)	(5,849,105)
			313,347,138	322,922,307
	In transit		22,539,426	92,176,665
			335,886,564	415,098,972
10.1	Reconciliation of provision for obsolete stock is as follows:			
	As at July 01		5,849,105	4,852,510
	Charge for the year	28	5,588,801	5,849,105
	Amount written off during the year		(5,849,105)	(4,852,510)
			5,588,801	5,849,105
11	TRADE DEBTS			
	Considered good			
	Related parties	11.1 & 11.3	46,240,849	69,477,929
	Others		713,923,096	1,053,790,088
	Considered doubtful		30,965,153	37,369,858
			791,129,098	1,160,637,875
	Allowance for expected credit loss	11.2	(30,965,153)	(37,369,859)
			760,163,945	1,123,268,016
11.1	The ageing of trade debts of related parties is as follows:			
	Neither Past due nor impaired		44,551,814	68,101,543
	Past due but not impaired			
	- 60 - 180 days		1,614,314	1,376,386
	- 180 - 365 days		74,721	-
	- over 365 days		-	-
			46,240,849	69,477,929

11.1.1 The ageing of trade debts of non-related parties is as follows:

	Note	2020	2019
		------------ Rupees ------------	
Neither past due nor impaired		311,792,575	508,651,927
Past due but not impaired			
- 60 - 180 days		107,930,825	184,757,540
- 180 - 365 days		74,778,074	146,380,393
- over 365 days		250,386,775	251,370,086
		744,888,249	1,091,159,946

11.2 Reconciliation of allowance for expected credit loss (ECL) is as follows:

	2020	2019
As at July 01	37,369,859	8,570,490
Impact of ECL on opening retained earnings	-	30,183,781
	37,369,859	38,754,271
Charge for the year	-	173,053
Reversal during the year	(6,404,706)	(1,557,465)
	(6,404,706)	(1,384,412)
	30,965,153	37,369,859

11.3 The maximum aggregate amount of receivables from the related parties outstanding at any time during the year by reference to month-end balances are as follows:

	Note	2020	2019
		------------ Rupees ------------	
Atlas Honda Limited		196,930,124	309,104,041
Atlas Global FZE		34,134,957	-
Atlas World Wide General Trading (L.L.C)		17,171,765	-
Atlas Autos (Private) Limited		10,933,382	3,503,814
Atlas Engineering (Private) Limited		5,766,070	3,630,103
Atlas Aluminium (Private) Limited		729,780	-
Atlas Power Limited		722,198	3,272
Atlas Hitec (Private)Limited		485,268	541,616
Atlas Battery Limited		108,720	689,249
Shirazi Investments (Private) Limited		60,009	2,185,748
Atlas Metals (Private) Limited		43,300	332,400
Honda Atlas Cars (Pakistan) Limited		1,114	24,664
Atlas Die Casting (Private) Limited		-	61,729
Atlas Foundation		-	51,330
Atlas Insurance Limited		-	39,464
Atlas Asset Management Limited		-	33,000

12 CONTRACT ASSETS

	Note	2020	2019
Retention money		85,842,738	106,993,599
Allowance for expected credit loss	12.1	(5,688,237)	(3,958,801)
		80,154,501	103,034,798

12.1 Reconcilliation of provision for expected credit loss is as follows:

	2020	2019
As at July 01	3,958,801	-
Impact of ECL on opening retained earnings	-	3,534,949
As at July 01	3,958,801	3,534,949
Charge for the year	1,729,436	423,852
As at June 30	5,688,237	3,958,801

		Note	2020	2019
			---------- Rupees ----------	
13	LOANS AND ADVANCES - Unsecured, considered good			
	Loans			
	Current portion of long-term loans		3,993,634	7,173,205
	Advances			
	Employees		2,262,382	5,080,508
	Suppliers		72,071,643	42,665,817
			74,334,025	47,746,325
			78,327,659	54,919,530

13.1 Represent advances given to employees for business purposes and are settled as and when the expenses are incurred.

		Note	2020	2019
14	TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
	Trade deposits			
	Advances against security deposits		5,869,560	6,169,560
	Earnest money		137,849,576	120,325,453
	Deposits against letters of guarantee		1,163,737	1,453,737
	Deposits against letters of credit		16,759,275	603,820
			161,642,148	128,552,570
	Prepayments			
	Repairs and maintenance		22,114	21,410
	Prepaid insurance		-	944,545
	Prepaid software		-	656,173
	Prepaid rent		-	896,722
			22,114	2,518,850
	Allowance for expected credit loss on earnest money	14.1	(5,299,318)	(7,490,145)
			156,364,944	123,581,275

14.1 Reconcilliation of allowance for expected credit loss is as follows:

	Note	2020	2019
As at July 01		7,490,145	-
Impact of ECL on opening retained earnings		-	9,339,451
As at July 01		7,490,145	9,339,451
Charge for the year	30.1	(2,190,827)	(1,849,306)
As at June, 30		5,299,318	7,490,145

		2020	2019
15	OTHER RECEIVABLES - secured, considered good		
	Sales Tax refundable	162,788,862	120,259,395
	Receivables from suppliers	7,442,913	17,729,156
	Reimbursements due from employees	-	10,741
	Reimbursements due from suppliers	-	4,299,636
	Insurance claim receivables	920,980	850,981
	Witholding tax on sales tax	8,593,410	4,276,527
		179,746,165	147,426,436

16 BANK BALANCES

	2020	2019
	------------ Rupees ------------	
Current accounts - local currency	3,621,966	13,816,871

17 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2020	2019		2020	2019
-------- No. of Shares --------			------------ Rupees ------------	
		Ordinary shares of Rs. 10/- each		
46,000,000	46,000,000	Fully paid in cash	460,000,000	460,000,000
9,000,000	9,000,000	Fully paid bonus shares	90,000,000	90,000,000
55,000,000	55,000,000		550,000,000	550,000,000

17.1 Includes 54,999,995 ordinary shares Rs.10/- each held by Shirazi Investments (Private) Limited as at the reporting date.

17.2 There is only one class of ordinary shares. Voting rights, board selection, right of first refusal and block voting are in proportion to their shareholding

18 LONG-TERM DEPOSITS

	Note	2020	2019
		------------ Rupees ------------	
Deposits	18.1	7,825,708	5,123,317
Less:current portion of long term deposits		(3,354,098)	(1,029,151)
		4,471,610	4,094,166

18.1 Represents deposits from employees under Company's vehicle scheme. These loans have not been discounted to their present value as the financial impact therof is not considered material.

19 ACCRUAL FOR COMPENSATED ABSENCES

	Note	2020	2019
		------------ Rupees ------------	
As at July 01		50,560,906	45,412,113
Accrual for the year		13,826,890	13,869,528
		64,387,796	59,281,641
Paid during the year		(2,473,439)	(8,720,735)
As at Jun 30, 2020		61,914,357	50,560,906

20 TRADE AND OTHER PAYABLES

	Note	2020	2019
Trade creditors		32,785,683	144,762,339
Bills payable		129,375,534	-
Accrued expenses		7,428,793	16,860,524
Bonus payable to employees		40,999,189	497,344
Payable to gratuity fund	20.1	3,177,498	6,297,790
Current portion of long term deposits		3,354,098	1,029,151
Sindh development and maintenance infrastructure cess payable		65,170,606	51,902,849
Withholding tax payable		1,184,401	-
Other Provisions		103,393,051	278,636,895
		386,868,853	499,986,892

20.1 Payable to gratuity fund

The followings tables summarise the components of amounts recognised in statement of financial position and gratuity expense recognised in profit or loss.

	Note	2020	2019
		----------- Rupees -----------	
20.1.1 Reconciliation of obligation as at year end			
Present value of defined benefit obligation		81,681,773	70,616,869
Fair value of plan assets		(78,504,821)	(71,810,310)
		3,176,952	(1,193,441)
Payable to associate companies		546	7,491,231
		3,177,498	6,297,790
20.1.2 Movement in net liability			
As at July 01		6,297,790	11,954,092
Provision during the year		6,082,220	8,599,391
Remeasurement recognised in other comprehensive loss during the year		(2,904,722)	(2,301,601)
Contribution paid		(6,297,790)	(11,954,092)
		3,177,498	6,297,790
20.1.3 Charge for the year recognised in profit or loss account			
Current service cost		5,758,596	7,560,353
Interest cost		10,238,675	6,908,097
Expected return on assets		(9,915,051)	(5,869,059)
Net interest cost		323,624	1,039,038
		6,082,220	8,599,391
20.1.4 Charge for the year has been allocated as follows:			
Cost of sales and services	28	2,665,170	2,962,605
Selling and administrative expenses	29 1	3,417,050	5,636,785
		6,082,220	8,599,390
20.1.5 Movement in defined benefit obligation			
As at July 01		70,616,869	75,191,021
Service cost		5,758,596	7,560,353
Interest cost		10,238,675	6,908,097
Re-measurements Acturial loss		(3,725,922)	(6,313,729)
Actual benefits paid during the year		(1,206,445)	(5,283,253)
Liability recognised in respect of transferees		-	(7,445,620)
		81,681,773	70,616,869
20.1.6 Movement in fair value of plan assets			
As at July 01		71,810,310	63,042,912
Expected return		9,915,051	5,869,059
Contribution by the Company		6,297,790	11,954,092
Benefits paid		(1,206,445)	(5,283,253)
Actuarial loss on plan assets		(821,200)	(4,012,128)
Transfer of assets in respect of transferees		(7,490,685)	239,628
		78,504,821	71,810,310

20.1.7 Historical information

	2020	2019	2018	2017	2016
			Rupees		
Present value of defined benefit obligation	81,681,773	70,616,869	75,191,021	61,593,128	47,222,850
Fair value of plan assets	(78,504,821)	(71,810,310)	(63,042,912)	(52,152,109)	(47,726,536)
Net liability / (asset)	3,176,952	(1,193,441)	12,148,109	9,441,019	(503,686)

20.1.8 Major categories / composition of plan assets are as follows:

	2020	2019
	Rupees	
Debt instruments	41,799,357	41,422,444
Mutual Funds	36,154,413	29,391,343
Cash and Others	551,051	996,523
	78,504,821	71,810,310

Fair value of plan asset Investment	2020	2019
Pakistan Investment Bond	41,799,357	41,422,244

20.1.9 Principal actuarial assumption at the reporting date are as follows:

	2020	2019
Discount rate	8.50%	14.25%

The Pakistan Society of Actuaries has issued Guidance Note 4 "Determination of Discount Rate for Accounting of Post-Employment Benefits Scheme" which prescribes the discount rate for retirement benefits schemes by using the duration of expected cash flows over all defined benefit retirement schemes of the Company and selecting similar tenure yields for Government Bonds. As per the PSOA Discount Rate's committee recommendation of discount rate as at 30 June 2020, the discount rate applicable to the Company's retirement benefit schemes work out to be 8.50% per annum compound. The discount rate used as at 30 June 2019 valuation was 14.25% per annum.

	2020	2019
Future salary rate	7.50%	13.25%

With regard to the current general practice in the market, the valuation interest assumption and expectations of the management of the Company, it is assumed that the salaries would increase at the rate of 7.50% per annum compound in the long range. For the last valuation year, the long term salary increase rate assumed was 13.25% per annum.

20.1.10 Description of the risks to the Company

Morality risks - The risk that the actual morality experience is different. The effect depends on the beneficiaries' service/age distribution and the benefit.

Investment risks - The risk of the investment underperforming and not being sufficient to meet the liabilities.

Final salary risks - The risk that the final salary at the time of cessation of service is higher that what we assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Withdrawal risks - The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

20.1.11 Sensitivity Analysis on significant acturial assuptions

	Change in assumptions	Increase in assumptions	Decrease in assumptions
		Rupees	
2020			
Discount Rate	1.00%	75,633,082	88,573,389
Long term salary increase	1.00%	88,164,272	75,880,423
2019			
Discount Rate	1.00%	65,354,955	76,586,434
Long term salary increase	1.00%	76,250,527	65,557,017

	2020	2019
20.1.12 Maturity profile of the defined benefit obligation		
Weighted average duration of the BPO	7.41	7 45
Distribution of timing of benefit payment (time in years)	------------ Rupees	------------
Year 1	2,949,511	3,206,673
Year 2	11,262,702	3,094,428
Year 3	5,023,363	12,690,535
Year 4	8,009,757	5,772,426
Year 5	4,737,436	9,860,223
Years 6-10	92,963,266	106,936,724
Years 11-15	65,964,268	147,969,140
Years 16-20	77,744,478	174,013,144

21 LEASE LIABILITIES

	Note	2020	2019
		------------ Rupees	------------
Balance at beginnning of the year	21.1	65,161,117	-
Impact of initial application of IFRS 16 (note 4 2)	21.2	66,451,961	-
Additions during the year		-	80,450,300
Interest expense		6,182,423	-
Payments during the year		(52,570,590)	(15,289,183)
		85,224,911	65,161,117
Current portion under lease liablities		(45,825,011)	(16,170,957)
Balance at end of the year		39,399,900	48,990,160

21.1 Represents finance leases entered into with a financial institution for lease of motor vehicles. Lease rentals due under lease agreement are payable in quarterly installments latest by May 2023. Overdue rental payments are subject to an additional charge at 20% per annum. Taxes, repairs and insurance costs are to be borne by the Company. Financing rates ranging from KIBOR+0.3% (2019: KIBOR+0.25% - 0.3%) per annum have been used as discounting factor. These liabilities are secured by way of assigning title of vehicles in the name of the financial institution.

21.2 These represents lease contracts for registered office, branch office and warehouses used by the Company in its operations and have lease terms between 2 to 3 years. These have been discounted using the incremental borrowing rate of the Company i.e. 13.8%.

22 LONG TERM LOAN

	Note	2020	2019
		------------ Rupees	------------
Long term loan	22.1	61,432,278	-
less: current portion of long-term loan		(16,235,835)	-
		45,196,443	-

22.1 Represents financing obtained from a commercial bank under the refinance scheme for payment of wages and salaries introduced by State Bank of Pakistan carrying mark-up at the rate of 1% per annum. The loan along with the markup is repayable in 8 equal quarterly installments commencing from January 2021. The facility is secured by way of first pari-passu hypothecation charge over current assets. The total facility of the loan amounted to Rs. 68.09 million (2019: Nil) which remained unutilized as at the reporting date.

This loan is initially recorded at present value discounted at the effective interest rate and the difference of the actual proceeds and present value is recognized as a deferred income - government grant. The purpose of the government grant is to facilitate the Company in making timely payments of salaries and wages to their employees in light of the COVID-19 pandemic. The grant is conditional upon the fact that the Company would not lay off, terminate employee of or other wise dismiss any employee for a period of atleast three months from the date of receipt of the proceeds, except in the event of disciplinery action.

	Note	2020	2019
		------------ Rupees ------------	
23 DEFERRED INCOME - GOVERNMENT GRANT			
Recognized during the year	22.1	6,653,065	-
Less: Current portion of deferred income - government grant		(2,956,918)	-
		3,696,147	-

	Note	2020	2019
24 SHORT TERM BORROWING AND RUNNING FINANCE			
Money market loan	24.1	150,000,000	-
Murabaha / musharka financing	24 2	182,658,608	665,617,868
Short term running finance	24 2	373,705,548	296,096,569
		706,364,156	961,714,437

24.1 During the year, the Company obtained a money market loan from a commercial bank to meet working capital requirements amounting to Rs. 150 million (2019: Nil) carrying markup at the rate of KIBOR + 0.2% for a period of one month payable in full. The said facility is secured against ranking charge over the stocks and book debts of the Company.

24.2 These facilties have been arranged from various islamic commercial banks amounting to Rs. 1,850 million carrying profit at the rate ranging from KIBOR + 0 1% to KIBOR + 0 5% payable quarterly. The said facilities are secured against first pari passu charge over all the Company's present and future stock and receivables to the extent of facility amount upto Rs 1,850 million plus 11% average margin.

	2020	2019
	------------ Rupees ------------	
25 CONTRACT LIABLITY		
Advance from customer	50,558,682	84,970,035

26 CONTINGENCIES AND COMMITMENTS

26.1 Contingencies

There are no material contingencies that are required to be disclosed in these financial statements.

26.2 Commitments	Note	2020	2019
		------------ Rupees ------------	
(i) Guarantees issued by banks on behalf of the Company		1,131,460,378	2,146,665,806
(ii) Letter of credit in favour of the Company	25 2 1	399,933,450	403,592,330
		1,531,393,828	2,550,258,136

26.2.1 These are secured against first pari passu charge over all the Company's present and future stock and receivables.

	2020	2019
27 Turnover - net	------------ Rupees ------------	
Sale of goods	3,185,715,102	5,039,531,687
Service income	565,338,184	737,488,709
Commission income	74,999,581	155,602,967
	3,826,052,867	5,932,623,363
Sales and service tax	(473,379,728)	(740,680,866)
	3,352,673,139	5,191,942,497

	Note	2020	2019
		Rupees	
28 COST OF SALES AND SERVICES			
Cost of goods sold			
Stock as at July 01		415,098,972	353,035,800
Purchases		2,080,431,537	3,653,122,248
		2,495,530,509	4,006,158,048
Transfer from / (to) fixed assets		21,479,955	(29,144,981)
Consumeables for internal use		(958,106)	(1,205,396)
Stock as at June 30		(335,886,564)	(415,098,972)
		2,180,165,794	3,560,708,699
Cost of services rendered			
Salaries and benefits	28.1	166,603,442	138,175,122
Storage and transportation		1,131,540	2,295,020
Travelling, conveyance and entertainment		12,927,898	16,266,471
Vehicle running		8,949,921	8,102,816
Postage and telephone		546,679	1,379,246
Repairs and maintenance		133,326	224,762
Software charges		9,780,504	9,413,740
Subcontracting Cost		212,100,819	416,852,882
Rent, rates and taxes		2,744,580	10,183,960
Gas and electricity		8,574	15,097
Printing and stationary		211,154	160,151
Training expenses		163,580	771,821
Insurance		3,752,574	2,607,732
Depreciation on operating fixed assets	6.1.1	10,810,706	11,872,860
Depreciation on right-of-use assets	6.3	12,467,183	-
Others		5,961	2,981
		2,622,504,235	4,179,033,360

28.1 Includes staff gratuity and staff provident and pension fund contribution amounting to Rs.2.665 (2019: Rs. 2.963 million) and Rs. 6.946 (2019: Rs.5.480 million) respectively.

	Note	2020	2019
29 SELLING AND ADMINISTRATIVE EXPENSES		Rupees	
Salaries and benefits	29.1	233,513,807	302,543,269
Travelling, conveyance and entertainment		16,266,722	32,093,752
Rent rates and taxes		5,545,872	26,678,621
Printing and stationary		1,936,727	3,358,149
Postage and telephone		14,483,023	15,427,992
Repairs and maintenance		5,301,991	5,720,738
Legal and professional		4,274,472	9,843,859
Auditor's remuneration	29.2	1,205,756	1,811,386
Subscription and newspapers		767,569	1,358,683
Staff training		531,000	1,169,291
Advertisement / sales promotion		5,230,512	11,188,923
Insurance		14,158,437	15,205,099
Tender expenses		669,087	785,838
Vehicle running		12,790,059	19,001,319
Gas and electricity		11,487,010	10,367,531
Donation	29.3	3,129,115	1,543,764
Depreciation on operating fixed assets	6.1.1	23,939,330	40,939,701
Depreciation on right-of-use assets	6.3	27,607,434	-
Amortisation	7.1	2,895,761	3,253,913
Provision for obsolete stock	10.1	5,588,801	5,849,105
Others		2,012,616	6,402,016
		393,335,101	514,542,949

29.1 This includes staff gratuity and staff provident and pension fund contribution amounting to Rs.3.417 million (2019: Rs.5.637 million) and Rs.10.204 (2019: Rs. 12.833 million) respectively.

29.2 Represents auditors' remuneration as follows;

	2020	2019
	------------- Rupees -------------	
Audit fee for:		
- the Company	715,000	650,000
- provident and gratuity fund	143,000	130,000
Out of pocket expenses	116,500	89,898
Taxation	231,256	941,488
	1,205,756	1,811,386

29.3 Represents donation paid to Atlas Foundation - a related party.amounting to Rs.3.13 million (2019: Rs. 1.54 million).

30 OTHER OPERATING INCOME	Note	2020	2019
		------------ Rupees ------------	
Income from non-financial assets			
Gain on sale of operating fixed assets		2,883,979	-
Reversal of allowance for expected credit loss-net	30.1	6,866,097	1,252,401
Reversal of allowance due to recoveries		-	1,557,465
Scrap Sales		4,489,750	2,019,035
		14,239,826	4,828,901

30.1 Reversal of allowance for expected credit loss-net

Allowance for ECL - Trade debts	6,404,706	(173,053)
Allowance for ECL - Contract assets	(1,729,436)	(423,852)
Allowance for ECL - Earnest money	2,190,827	1,849,306
	6,866,097	1,252,401

31 FINANCE COSTS

Mark-up on short-term running finance and overdrafts	76,043,591	111,682,139
Interest aginst Lease finance	6,696,756	5,065,505
Interest on long-term loan	6,182,423	-
Mark-up on short-term borrowings	67,772,686	34,140,152
	156,695,456	150,887,796
Bank charges	5,162,878	4,962,933
	161,858,334	155,850,729

32 OTHER EXPENSES

Loss on sale of operating fixed assets	-	5,163,406
Exchange loss - net	14,232,860	29,236,168
Others	-	33,246
	14,232,860	34,432,820

33 TAXATION

Current	185,438,245	276,633,952
Prior	154,824	(4,600,668)
	185,593,069	272,033,284

33.1 Income tax assessments of the Company have been finalized up to and including the tax year 2019.

33.2 The Company is subject to Minimum Tax and Final Tax Regime, under section 113 and section 169 of the Income Tax Ordinance, 2001, respectively, therefore, relationship between income tax expense and accounting profit has not been presented.

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

34.1 Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate, foreign exchange rates and other prices risk such equity risk. At the reporting date, the Company is not exposed to any equity risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rate relates primarily to the Company's short-term borrowings. Management of the Company estimates that 1% increase in the market interest rate, with all other factor remaining constant, would decrease the Company's profit before tax by Rs. 7.57 million and a 1% decrease would result in the increase in the Company's profit before tax by the same amount. However, in practice, the actual result may differ from the sensitivity analysis. The company manages it's interest rate risk obtaining quotes for interest rate from various reputable banks and opting for the lowest price offered amongst them.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The company has both receivable and payable balances in foreign currency which acts as a natural hedge to company's exposure. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expenses are denominated in a different currency from the Company's functional currency).

	2020	2019
	------------ Rupees ------------	
Trade payables - US Dollar	753,737	145,869
Trade payables - JPY	1,393,300	42,404,391
Trade payables - EUR	-	4,575
Exchange rate – US Dollar	168.75	164.50
Exchange rate – JPY	1.566	1.529
Exchange rate – EUR	-	186.99

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's profit before tax and the Company's equity.

	Change in USD/JPY/EUR rates (%)	Effect of translation of foreign currency asset on profit or loss	Effect on equity
		------------ Rupees ------------	
2020	-5	6,468,779	6,468,779
	+5	(6,468,779)	(6,468,779)
2019	-5	4,483,302	4,483,302
	+5	(4,483,302)	(4,483,302)
Trade Receivables - US Dollar		363,300	538,222

The following significant exchange rates have been applied at reporting dates:

Exchange rate – US Dollar	168.25	164.00

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's profit before tax and the Company's equity.

	Change in USD rates (%)	Effect of translation of foreign currency asset on profit or loss	Effect on equity
		------------- Rupees	-------------
2020	+5	3,056,261	3,056,261
	-5	(3,056,261)	(3,056,261)
2019	+5	4,413,420	4,413,420
	-5	(4,413,420)	(4,413,420)

34.2 Credit risk and concentration of credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. Concentration of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Company is mainly exposed to credit risk on trade debts and bank balances. The Company seeks to minimize the credit risk exposure by dealing mostly with regular and permanent parties who pay on due dates.

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

	2020	2019
The analysis of trade debts is as follows:	----------- Rupees	-----------
Neither past due nor impaired	356,344,389	576,753,470
Past due but not impaired		
60 to 180 days	109,545,139	186,133,926
180 to 365 days	74,852,795	146,380,393
over 365 days	250,386,773	251,370,086
	434,784,707	583,884,405
	791,129,096	1,160,637,875
Bank balances		
Ratings - Current accounts		
A1+	371,476	9,685,248
A-3	-	4,131,623
No Rating	3,250,490	-
	3,621,966	13,816,871

34.3 Liquidity risk

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

2020	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	Rupees					
Lease Liablities	-	-	-	72,033,196	-	72,033,196
Long Term Loan	-	-	16,235,835	45,196,443	-	61,432,278
Trade and other payables	-	180,981,014	204,703,439	-	-	385,684,452
Accrued mark-up	-	50,558,682	-	-	-	50,558,682
Short term borrowings	-	-	24,635,478	-	-	24,635,478
Total	-	231,539,696	245,574,752	117,229,639	-	594,344,086

2019	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	Rupees					
Trade and other payables	-	23,655,657	476,331,235	-	-	499,986,892
Accrued mark-up	-	32,530,889	-	-	-	32,530,889
Liablity againt assets under Finance Lease	-	-	-	48,990,160	-	48,990,160
Short term borrowings	-	-	961,714,437	-	-	961,714,437
Total	-	56,186,546	1,438,045,672	48,990,160	-	1,543,222,378

35 CAPITAL RISK MANAGEMENT

The related parties comprise the Holding Company (Shirazi Investments (Private) Limited) and related group companies, directors of the Company, companies where directors also hold directorship, key employees and staff retirement funds. All the transactions with related parties are entered into at agreed terms duly approved by the Board of Directors of the Company. Details of transactions with related parties other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	Note	2020	2019
		Rupees	
The gearing ratios as at June 30, 2020 and 2019 were as follows:			
Lease liabilities	21	85,224,911	65,161,117
Long term loan	22	61,432,278	-
Short term borrowings and running finance	24	706,364,156	961,714,437
Total debt		853,021,344	1,026,875,554
Cash and bank balances	16	(3,621,966)	(13,816,871)
Net debt		849,399,378	1,013,058,683
Share Capital	17	550,000,000	550,000,000
General reserves		35,265,000	35,265,000
Unappropriated profit		98,658,075	161,363,987
Total equity		683,923,075	746,628,987
Total debt + equity		1,533,322,453	1,759,687,670
Gearing ratio		55.63%	58.36%

36 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Aggregate amounts charged in the financial statements for remuneration, including all benefits to Chief Executive and Executives of the Company are as follows:

	2020				2019			
	Chief Executive	Director	Other Executive	Total	Chief Executive	Director	Other Executive	Total
	Rupees				Rupees			
Remuneration	13,335,420	-	44,515,944	57,851,364	14,338,112	50,000	53,545,793	67,933,905
Fee & Subscription	166,315	-	12,000	178,315	140,700	-	176,220	316,920
Bonus	1,944,748	-	6,491,909	8,436,657	1,307,394	-	4,403,013	5,710,407
Retirement benefits	1,015,152	-	3,164,532	4,179,684	924,290	-	3,187,106	4,111,396
Others	1,130,557	-	3,482,090	4,612,647	1,011,494	-	3,824,103	4,835,597
	17,592,192	-	57,666,475	75,258,667	17,721,990	50,000	65,136,235	82,908,225
Number of persons	1	-	9	10	1	1	9	11

36.1 The Company provides the Chief Executive with free use of the Company maintained car.

37 RELATED PARTY TRANSACTIONS

The related parties comprise the Holding Company (Shirazi Investments (Private) Limited) and related group companies, directors of the Company, companies where directors also hold directorship, key employees and staff retirement funds. All the transactions with related parties are entered into at agreed terms duly approved by the Board of Directors of the Company. Details of transactions with related parties other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

The details of transactions with related parties during the year are as follows:

37.1 Balances as at year end	2020	2019
	Rupees	
Shirazi Investments (Private) Limited - Holding Company		
Trade debts	154,705	32,702
	-	3 000 000
Entities under common directorship - Associated Undertaking		
Atlas Honda Limited		
Trade debts	6,950,509	2,288,261
Payable	-	-
Atlas Battery Limited		
Trade debts	789,661	127,156
Atlas Insurance Limited		
Trade debts	25,560	-
Payable	5,412,465	3,411,806
Honda Atlas Cars (Pakistan) Limitd		
Trade debts	2,100,000	-
Payable	-	-
Atlas Engineering Limited		
Trade debts	5,446,046	3,791,927
Atlas Autos (Private) Limited		
Trade debts	1,207,227	8,703,266
Atlas Power Limited		
Trade debts	460,693	45,670
Atlas Metals (Private) Limited		
Trade debts	-	19,900
Payable	295,051	-
Atlas Hitec (Private) Limited		
Trade debts	578,180	433,180
Honda Atlas Power Products (Private) Limited		
Trade payable	3,833,598	-
Atlas Aluminium (Private) Limited		
Trade debts	-	729,780

	2020	2019
	------------ Rupees ------------	
Atlas Die Casting (Private) Limited		
Trade debts	-	1,985,138
Atlas D.I.D (Private) Limited		
Trade debts	4,708,927	-
Atlas Energy Limited		
Trade debts	105,000	-
Atlas Global		
Trade payable	57,690,648	17,593,135
Trade debts	18,268,706	34,134,957
Atlas Worldwide General Trading (L.L.C)		
Trade payable	892,500	-
Trade debts	5,396,794	17,171,765

37.2 Transactions during the year

	2020	2019
Holding Company		
Shirazi Investments (Private) Limited		
Sales of goods and rendering of services	874,997	544,187
Actual reimbursement of expenses	486,994	1,386,980
Issuance of Right Shares	-	300,000,000
Intergroup net tax receivables / receipts	-	16,476,746
Transfer of security deposit upon transfer of employee	-	4,967
Transfer of operating fixed assets and advances upon transfer of employee	-	278,757
Dividend Paid	55,000,000	-
Rent	20,614,452	19,285,617
Entities under common directorship - Associated Undertaking		
Atlas Honda Limited		
Sales of goods and rendering of services	2,093,319,093	2,648,125,590
Purchase of vehicles	4,349,282	4,121,324
Actual reimbursement of expenses	1,016,390	1,393,415
Commission received	481,820	-
Atlas Battery Limited		
Sales of goods and rendering of services	2,334,059	6,571,092
Purchase of batteries	-	36,367
Atlas Foundation		
Sales of goods and rendering of services	-	157,950
Rent Paid	3,123,371	2,839,428
Donation	3,129,115	1,543,764
Honda Atlas Power Products (Private) Limited		
Sales of goods and rendering of services	34,342	33,529
Purchase of generator	5,713,289	7,049,159
Atlas Engineering Limited		
Sales of goods and rendering of services	23,591,072	26,727,944
Commission Received	67,262	171,719

	2020	2019
	------------ Rupees ------------	
Atlas Autos (Pvt) Limited		
Sales of goods and rendering of services	41,649,440	50,082,657
Commission Received	2,897,940	-
Transfer of operating fixed assets and advacnes upon transfer of employee	-	936,934
Atlas Insurance Limited		
Sales of goods and rendering of services	604,765	908,792
Insurance premium	-	61,766,957
Insurance claim	31,998	1,848,633
Atlas Power Limited		
Sales of goods and rendering of services	2,516,016	1,206,175
Transfer of Fixed Assets	-	3,372,715
Transfer of Security Deposit upon transfer of Employee	-	189,925
Honda Atlas Cars (Pakistan) Limited		
Sales of goods and rendering of services	2,137,697	5,884,525
Actual reimbursement of Vehicle loan of Employee	-	3,054,700
Atlas Asset Management Limited		
Sales of goods and rendering of services	38,760	198,021
Atlas Metals (Private) Limited		
Sales of goods and rendering of services	23,400	523,231
Purchases	295,050	-
Commission received	283,026	19,900
Atlas Hitec (Private) Limited		
Sales of goods and rendering of services	2,308,557	5,959,683
Atlas Die Casting (Private) Limited		
Sales of goods and rendering of services	-	5,115,635
Atlas Aluminium (Private) Limited		
Commission received	-	929,780
Atlas D.I.D (Private) Limited		
Sales of goods and rendering of services	4,708,927	-
Atlas Energy Limited		
Sales of goods and rendering of services	105,000	-
Atlas Global		
Purchases	373,053,313	812,295,615
Commission Received	18,268,706	34,134,957
Atlas Worldwide General Trading (L.L.C)		
Purchases	-	1,441,050
Commission Received	5,396,794	17,171,765
<u>Retirement benefit funds</u>		
Atlas Group of Companies - Management Staff Gratuity Fund		
Contribution paid	6,297,790	11,954,092
Shirazi Trading Company (Private) Limited - Employees Provident & Pension Fund		
Contribution paid	17,150,435	18,313,044

BIM

38 GENERAL

38.1 The number of employees at the year end are 236 (2019 : 246) and average number of employees during the year are 241 (2019 : 260)

38.2 Certain prior year's figures have been reclassified, wherever necessary. However, there were no material reclassification to the report.

38.3 Investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified there under.

38.4 Figures have been rounded-off to nearest rupee.

38.5 These financial statements have been authorised for issue on 29 SEP 2020 by the Board of Directors of the Company.

CHIEF EXECUTIVE	DIRECTOR	CHAIRMAN