DIRECTORS' REPORT

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

Financial Results

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

	Year ended June 30, 2021	Year ended June 30, 2020
	------ (Rupees in 000's)-----	
Profit / (loss) before taxation	85,011	(290,175)
Taxation	(20,575)	83,632
Profit after taxation	**64,436**	**(206,543)**

Earnings / (loss) per Share

Basic earnings / (loss) per share after tax is Rs. 2.72 per share (2020: Rs. (8.72)).

Overview of Company's affairs

Year 2020-21 proved to be a promising year with respect to business growth and profitability. From the second quarter of the year under review, Pakistan's economy has regained momentum as COVID-19 related impacts were largely well managed. This was supported by timely introduced stimulus packages by State Bank of Pakistan (SBP), it includes considerate monetary policy and introduction of refinancing facilities at concessional rates. Contracted current account deficit and splendid forex inflows resulted in 5.9% appreciation in Pak Rupee against US dollar since July 2020. All these factors compositely contributed in uptick of motorcycle demand and also pent-up demand after lock down provided much anticipated boost to the industry.

Surge in motorcycles demand resulted in increase in motorcycle parts' segment revenue. Volumetric increase contributed in profitability increase of the Company. However, increase in raw material prices and import logistics cost stranded profit margins of the Company. In radiator segment, available raw material converted into finished goods, sold out all available stock and discontinued business segment. During the financial year, restructuring of assets had been carried out. Relatively less performing fixed assets had been disposed-off / Written-off.

Due to technology advancement, cast iron based cylinder (CD-70) superseded by aluminum based cylinder. Consequently, cast iron cylinder related machines disposed-off during the year. Moreover, we have successfully developed new cast iron part (Sleeve CD-70) for OEM customer. It will add on profitability and liquidity in years to come.

During the year under review, investments of Rs. 76 million made on Balancing, Modernization and Replacement (BMR). Moreover, orders have been placed for two new piston machining lines (semi-automatic). It will increase production capacity and will enable us to fulfill increasing demand of OEM and replacement market. These machines will be commissioned in next financial year.

Focus remained to improve liquidity and cash flow generation capability of the Company. During the year under review cash flow generated from operations of

Atlas Engineering (Private) Limited

Head Office: 15th Mile National Highway, Landhi, Karachi-75120 **Ph:** (92-21) 35016921-4, 35001482-5 **UAN:** 111-111-235 **Fax:** (92-21) 35011709
E-mail: aelkhi@allwin.com.pk, ael@atlasengineering.com.pk **Website:** www.allwin.com.pk, www.atlasengineering.com.pk
Regional Sales offices:
Lahore : 1st Floor, 2-Kothalia Building, Mclood Road, Lahore. **Ph:** (92-42) 37354640, **Fax:** (92-42) 37352724
Multan : Azmat Wasti Road, Chowk Dera Adda, Multan. **Ph:** (92-61) 4512181 **Fax:** (92-61) 4541690
Rawalpindi : C/o. Atlas Honda Ltd. 60-Bank Road, Saddar Rawalpindi. **Ph:** (92-51) 5120495, 0333-5129411
Faisalabad : 54 Chanab Market, Madina Town, Faisalabad. **Ph:** (92-41) 8549376 **Fax:** (92-41) 8726628

Rs. 619 million (2020: Rs. 119 million). Surplus liquidity available with the Company invested in Mutual Funds (Money Market Fund) to earn sustainable and low risk return.

During challenging period of COVID-19 epidemic, your Company, being socially responsible, has strictly safeguarded wellbeing of their employees & associates and ensured compliance with Standard Operating Procedures (SOPs) to cope with COVID-19 pandemic.

Dividend

The Board of Directors has recommended final cash dividend of Rs. 1.00 per share, i.e., 10%. (2020: Nil). Accordingly, following appropriation has been made.

	----(Rupees in 000's) ----	
	2021	**2020**
Profit available for appropriation	610,591	546,155
Appropriation		
- Proposed Dividend	(23,687)	-
Un-appropriated profit carried forward	586,904	546,155

Board of Directors

The Board comprises of one Executive and four Non-Executive directors, as at June 30, 2021. All the non-executive directors are independent from management.

Future Outlook

The COVID-19 pandemic has had a significant impact on the domestic as well as the global economy. The Country has dealt reasonably well with the aftermath but maintaining the positive momentum remains critical in the immediate term. On the growth front, risks remain due to the emergence of third, more virulent wave of COVID-19. Elevating inflation trajectory will pose pressure on purchasing power of customers and simultaneously on domestic demand.

Given the Company's strengths, and as the growth path becomes a reality, it is become even more important to leverage every opportunity of cost optimization and productivity gains. Addition of new part in products' portfolio and enhancement of production capacities will remain pivotal for future growth and affluences. The principles of the Atlas Way will continue to provide a firm premise for the Company's all future endeavors.

For and on behalf of the
Board of Directors

Chairman

Chief Executive Officer

Karachi: September 21, 2021

Atlas Engineering (Private) Limited

Head Office: 15th Mile National Highway, Landhi, Karachi-75120 **Ph:** (92-21) 35016921-4, 35001482-5 **UAN:** 111-111-235 **Fax:** (92-21) 35011709
E-mail: aeilkhi@allwin.com.pk, ael@atlasengineering.com.pk **Website:** www.allwin.com.pk, www.atlasengineering.com.pk

Regional Sales offices:

Lahore : 1st Floor, 2-Kothalia Building, Mcleod Road, Lahore. **Ph:** (92-42) 37354640, **Fax:** (92-42) 37352724
Multan : Azmat Wasti Road, Chowk Dera Adda, Multan. **Ph:** (92-61) 4512181 **Fax:** (92-61) 4541690
Rawalpindi : C/o. Atlas Honda Ltd. 60-Bank Road, Saddar Rawalpindi. **Ph:** (92-51) 5120495, 0333-5129411
Faisalabad : 54 Chanab Market, Madina Town, Faisalabad. **Ph:** (92-41) 8549376 **Fax:** (92-41) 8726628

ATLAS ENGINEERING (PRIVATE) LIMITED

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

ShineWing PAKISTAN

SHINEWING HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

Karachi Chambers,
Hasrat Mohani Road, Karachi.
Tel: +92 21 32412754, 32411474
Fax: +92 21 32424835
Email: khi@hccpk.com

Principal Office:
HM House,
7-Bank Square, Lahore.
Tel: +92 42 37235084-87
Fax: +92 42 37235083
Email: lhr@hccpk.com
www.hccpk.com

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ATLAS ENGINEERING (PRIVATE) LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of **Atlas Engineering (Private) Limited** (the Company), which comprise the statement of financial position as at June 30, 2021, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2021 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

SHC

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

SHC

ShineWing PAKISTAN | **SHINEWING HAMEED CHAUDHRI & CO.**
CHARTERED ACCOUNTANTS

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

OTHER MATTER

The financial statements of the Company for the year ended June 30, 2020 were audited by another firm of Chartered Accountants whose report dated September 10, 2020, expressed an unmodified opinion there on.

The engagement partner on the audit resulting in this independent auditors' report is Raheel Ahmed.

Shinewing Hameed Chaudhri & Co.

SHINEWING HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS
KARACHI; 21 SEP 2021 SHC

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

	Note	2021	2020
		---- Rupees in '000 ----	
ASSETS			
Non current assets			
Property, plant and equipment	5	**5,671,749**	5,964,526
Intangible assets	6	**1,643**	3,588
Long term loans	7	**345**	410
Long term deposits	8	**2,066**	3,193
Deferred tax	9	**51,176**	33,099
		5,726,979	6,004,816
Current assets			
Stores, spares and loose tools	10	**29,241**	69,659
Stock-in-trade	11	**177,201**	245,076
Trade debts	12	-	20,331
Loans and advances	13	**856**	9,053
Trade deposits and prepayments	14	**16,766**	19,329
Other receivables	15	**44,327**	50,614
Short term investments	16	**388,405**	300,000
Taxation - net		**108,524**	92,825
Cash and bank balances	17	**248,949**	5,577
		1,014,269	812,464
Total assets		**6,741,248**	6,817,280

Chairman

Chief Executive Officer

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

	Note	2021	2020
		---- Rupees in '000 ----	
EQUITY AND LIABILITIES			
Share capital and reserve			
Share capital	18	236,865	236,865
Revenue reserves - unappropriated profit		610,591	546,155
Capital reserves			
Surplus on revaluation of leasehold land	19	4,937,524	4,937,524
Re-measurement loss on defined benefit plan		(643)	(1,694)
		4,936,881	4,935,830
Total equity		5,784,337	5,718,850
Liabilities			
Non current liabilities			
Long term loans	20	240,627	317,541
Deferred income - government grant	21	62	2,437
Deferred liabilities	22	31,333	29,469
		272,022	349,447
Current liabilities			
Trade and other payables	23	538,701	365,973
Current portion of long term loans	20	134,605	46,886
Unclaimed dividends		848	848
Current portion of deferred income - government grant	21	4,671	4,239
Short term borrowings	24	-	310,835
Accrued mark-up		6,064	20,202
		684,889	748,983
Total liabilities		956,911	1,098,430
Contingencies and commitments	25		
Total equity and liabilities		6,741,248	6,817,280

The annexed notes 1 to 42 form an integral part of these financial statements.

Chairman **Chief Executive Officer**

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

	Note	2021	2020
		---- Rupees in '000 ----	
Sales	26	2,379,608	1,688,900
Cost of sales	27	(2,035,897)	(1,739,954)
Gross profit / (loss)		343,711	(51,054)
Selling and distribution expenses	28	(9,718)	(19,117)
Administrative and general expenses	29	(171,492)	(114,543)
Expected credit loss allowance	12.1	(4,103)	(14,997)
Other expenses	30	(154,742)	(115,725)
Profit / (loss) from operations		3,656	(315,436)
Finance cost	31	(51,000)	(74,855)
Other income	32	132,355	100,116
Profit / (loss) before taxation		85,011	(290,175)
Taxation	33	(20,575)	83,632
Profit / (loss) after taxation		64,436	(206,543)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation surplus on leasehold land		-	4,389,463
Re-measurement of staff retirement benefit obligation		1,480	(392)
Impact of deferred tax		(429)	114
		1,051	(278)
Other comprehensive income for the year - net of tax		1,051	4,389,185
Total comprehensive income		65,487	4,182,642

The annexed notes 1 to 42 form an integral part of these financial statements.

Chairman **Chief Executive Officer**

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

	Issued, subscribed and paid-up capital	Revenue reserves - unappropriated profit	Re-measurement loss on defined benefits plans	Surplus on revaluation of leasehold land	Total reserves	Total
	Rupees in '000					
Balance as at July 1, 2019	236,865	752,698	(1,416)	548,061	1,299,343	1,536,208
Total comprehensive income for the year ended June 30, 2020						
Loss for the year	-	(206,543)	-	-	(206,543)	(206,543)
Other comprehensive (loss) / income	-	-	(278)	4,389,463	4,389,185	4,389,185
	-	(206,543)	(278)	4,389,463	4,182,642	4,182,642
Balance as at June 30, 2020	**236,865**	**546,155**	**(1,694)**	**4,937,524**	**5,481,985**	**5,718,850**
Total comprehensive income for the year ended June 30, 2021						
Profit for the year	-	64,436	-	-	64,436	64,436
Other comprehensive income	-	-	1,051	-	1,051	1,051
	-	64,436	1,051	-	65,487	65,487
Balance as at June 30, 2021	**236,865**	**610,591**	**(643)**	**4,937,524**	**5,547,472**	**5,784,337**

The annexed notes 1 to 42 form an integral part of these financial statements.

SHL

Chairman

Chief Executive Officer

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

	2021	2020
	---- Rupees in '000 ----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	**85,011**	(290,175)
Adjustments for:		
Depreciation	**139,203**	178,399
Amortisation	**1,945**	2,196
Provision for compensated absences	**5,492**	4,983
Provision for gratuity	**3,381**	4,274
Allowance for expected credit loss	**4,103**	14,997
(Adjustment) / provision for slow moving inventories - net	**(10,000)**	16,040
Finance costs	**51,000**	74,855
Amortisation of deferred income - government grant	**-**	(147)
Loss on disposal of operating fixed assets	**63,582**	110,400
Operating fixed asset written off	**84,985**	-
Dividend income from mutual funds	**(8,970)**	-
Fair value gain on investments in mutual fund	**(389)**	-
	419,343	115,822
Changes in working capital		
Decrease / (increase) in current assets		
- Stores, spares and loose tools	**40,418**	(18,841)
- Stock-in-trade	**77,875**	136,446
- Trade debts	**16,228**	17,937
- Loans and advances	**8,197**	(5,478)
- Trade deposits and prepayments	**2,563**	(11,205)
- Other receivables	**6,287**	39,090
	151,568	157,949
Increase / (decrease) in trade and other payables	**172,728**	(34,110)
Cash generated from operations	**743,639**	239,661
Finance costs paid	**(65,138)**	(66,902)
Gratuity paid	**(4,059)**	(3,927)
Compensated absences paid	**(1,470)**	(2,619)
Income taxes paid - net	**(54,780)**	(46,830)
Long term loans and advances - net	**65**	197
Long term deposits - net	**1,127**	(393)
Net cash generated from operating activities - carried forward	**619,384**	119,187

SHC

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

	Note	2021	2020
		---- Rupees in '000 ----	
Net cash generated from operating activities - brought forward		**619,384**	119,187
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(90,560)**	(246,519)
Payments for intangible assets		-	(3,761)
Payments for investments in mutual funds		**(388,016)**	-
Dividend received		**8,970**	
Sale proceeds from disposal of operating fixed assets		**95,567**	18,599
Net cash used in investing activities		**(374,039)**	(231,681)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term loans		**79,983**	371,081
Repayment of long term loan		**(71,121)**	-
Repayment of short term loan		-	(80,000)
Net cash generated from financing activities		**8,862**	291,081
Net increase in cash and cash equivalents		**254,207**	178,587
Cash and cash equivalents at beginning of the year		**(5,258)**	(183,845)
Cash and cash equivalents at end of the year	**34**	**248,949**	(5,258)

The annexed notes 1 to 42 form an integral part of these financial statements.

Chairman **Chief Executive Officer**

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

1. LEGAL STATUS AND OPERATIONS

Atlas Engineering (Private) Limited (the Company) was incorporated in Pakistan as a private limited company in 1963 and was converted into a public listed company in 1966. During the year ended March 31, 2012, the Company was delisted from the relevant stock exchanges. The Company was re-coverted to a private limited company with effect from January 5, 2018. The Company is engaged in manufacturing of components and parts of automotive vehicles. The registered office and factory of the Company is situated at 15th Mile, National Highway, Landhi, Karachi, Pakistan.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial instruments, which are carried at fair values & leasehold land which is valued at revalued amount and staff retirement benefit - gratuity which is carried at present value of defined benefit obligation net of fair value of plan assets.

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgements

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

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

(i) Valuation of leasehold land and estimate of useful lives and residual values of property, plant & equipment and intangible assets - notes 4.1 and 4.2;

(ii) Provision for slow moving inventories - notes 4.7 and 4.8;

(iii) Provision for doubtful debts - note 4.10;

(iv) Estimate of payables and receivables in respect of employees' retirement benefits - note 4.12;

(v) Estimation of current and deferred tax - note 4.20.

3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

3.1 Standards and amendments to approved accounting standards effective in current year

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

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

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

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

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

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

(a) Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' are applicable for accounting periods beginning on or after January 1, 2022. Under IAS 37, a contract is 'onerous' when the unavoidable costs of meeting the contractual obligations – i.e. the lower of the costs of fulfilling the contract and the costs of terminating it – outweigh the economic benefits. The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property, plant and equipment

(a) Operating fixed assets

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

Depreciation of operating fixed assets is charged to the statement of profit or loss applying the reducing balance method, except for dies, jigs, and other equipments and computer and other IT related equipment which are being depreciated applying the straight line method at the rates specified in note 5.1 to the financial statements. Depreciation is charged from the month asset is available for use while no depreciation is charged in the month in which an asset is disposed off. Assets' residual values, useful lives and methods are reviewed, and adjusted, if appropriate, at each statement of financial position date.

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

Increase in the carrying amount arising on revaluation of land is recognised in the statement of comprehensive income and accumulated in surplus on revaluation of leasehold land.

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

(b) Capital work-in-progress

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

4.2 Intangible assets

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

Amortisation on additions is charged from the month in which addition / capitalisation occurs while no amortisation is charged in the month in which an asset is disposed.

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

4.3 Financial assets

4.3.1 Classification

The Company has classified its financial assets into following categories: financial assets at amortised cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The financial assets are classified at initial recognition based on the business model used for managing the financial assets and contractual terms of the cash flows.

(a) Financial assets at amortised cost

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

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

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

(b) Financial assets at fair value through profit or loss

A debt instrument can be classified as a financial asset at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases.

All equity instruments are to be classified as financial assets at fair value through profit or loss, except for those equity instruments for which the Company has elected to present value changes in other comprehensive income.

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

The fair value through other comprehensive income classification is mandatory for certain debt instrument assets unless the option to classify as fair value through profit or loss is taken.

If an equity investment is not held for trading, an entity can make an irrevocable election at initial recognition to measure it at fair value through other comprehensive income with only dividend income recognised in the statement of profit or loss.

4.3.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of profit and loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

After initial recognition, an entity shall measure a financial asset at fair value or amortised cost.

Gains or losses arising from changes in fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of profit and loss within 'Other income / other expenses' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of profit or loss as part of 'Other income' when the Company's right to receive payments is established.

Gains or losses arising from changes in fair value of the 'financial assets at fair value through other comprehensive income' category are recognised in other comprehensive income with only dividend income recognised in the statement of profit or loss.

4.4 Financial liabilities

Financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. All financial liabilities are recognised initially at fair value, in the case of loans and borrowings, less directly attributable transactions costs, if any, and subsequently measured at amortised cost using effective interest method unless financial liabilities are held for trading, in which case it is required to be measured at fair value through profit or loss or where entity elects to measure at financial liability, under fair value option. The Company does not have any financial liability at fair value through profit or loss.

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

4.5 Off-setting of financial assets and financial liabilities

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

4.6 Impairment of non-financial assets

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

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

4.7 Stores, spares and loose tools

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

4.8 Stock-in-trade

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

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

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

4.9 Loans and advances

These are stated at amortised cost less impairment if any.

4.10 Trade debts and other receivables and related impairment

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

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

4.11 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at amortised cost. For the purpose of the statement of cash flows, cash and cash equivalents comprise of cash in hand, balances with banks less short-term running finances with the maturity of three months or less from the date of acquisition. The cash and cash equivalent are readily convertible to known amount of cash and are therefore subject to insignificant risk of changes in values.

4.12 Retirement and other service benefits

The Company has following plans for its employees:

4.12.1 Defined contribution plan

The Company operates defined contribution plans for its permanent employees, through either one of the following ways:

- a recognised provident fund; or
- voluntary pension schemes managed by Atlas Asset Management Limited, a related party, under the Voluntary Pension System Rules, 2005, viz, Atlas Pension Islamic Fund.

All the newly appointed employees are offered voluntary pension scheme only. However, those employees who are provident fund trust members, have the option to opt for either of two above-mentioned defined contribution plans.

Equal monthly contributions at the rate of 9% for workers and 11% for management staff of the basic salary are made to the fund / scheme both by the Company and the employees. The fund is a separate legal entity and its assets are being held separately under the control of its Trustees.

The investments out of provident fund have been made in accordance with the provisions of section 218 of the Act and conditions specified thereunder.

4.12.2 Defined benefit plan - Gratuity

The Company operates a funded gratuity scheme for management staff and an unfunded gratuity scheme for non-management employees. The Company's obligation under the scheme is determined through actuarial valuations carried out under the "Projected Unit Credit Method". The latest actuarial valuations were carried out at June 30, 2021.

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

4.12.3 Compensated absences

Provisions are made to cover the obligations under the scheme on accrual basis and are charged to the statement of profit or loss. Provision for compensated absences is calculated on the basis of one month's gross salary. The Company's liability under the scheme is determined through actuarial valuations carried out under the "Projected Unit Credit Method". The latest actuarial valuation were carried out at June 30, 2021.

4.13 Trade and other payables

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

4.14 Borrowing costs

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

4.15 Ijarah rentals

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

4.16 Government grants

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

4.17 Provisions

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

4.18 Foreign currency translations

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

4.19 Interest / mark-up bearing loans and borrowings

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

4.20 Taxation

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

Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, or minimum tax on turnover or Alternate Corporate Tax whichever is higher in accordance with income Tax Ordinances, 2001. The Company has opted for group taxation under section 59AA of the Income Tax Ordinance, 2001 and accordingly, the assessed tax losses of the Company are surrendered in favour of the Group.

Deferred

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

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

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

4.21 Revenue recognition

The Company recognises revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those good and services.

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

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

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

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

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

4.22 Other income

Rental income on land and buildings from related parties is recognised as revenue on a straight line basis over the term of the respective lease arrangements.

Mark-up on bank accounts, return on short term investments and other income is recognised on accrual basis.

4.23 Dividend and appropriation to reserves

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

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2021	2020
		--- Rupees in '000 ---	
Operating fixed assets	5.1	**5,637,434**	5,944,318
Capital work-in-progress	5.4	**34,315**	20,208
		5,671,749	5,964,526

5.1 Operating fixed assets

	Leasehold Land	Factory Building on Leasehold Land	Office Building on Leasehold Land	Plant and Machinery	Power Generators	Electrical Fittings	Office Equipment	Computer and Other IT Related Equipment	Furniture and Fittings	Vehicles	Sui Gas, Water and Drainage Lines	Dies, Jigs & Other Equipment	Total
	Rupees in '000												
At July 1, 2019													
Cost	611,190	283,864	4,353	653,937	240,661	39,178	11,062	21,195	7,400	20,708	4,568	172,813	2,070,929
Accumulated depreciation	-	56,029	2,716	251,790	69,623	7,357	4,201	14,290	2,371	6,069	1,472	75,843	491,761
Net book value	**611,190**	**227,835**	**1,637**	**402,147**	**171,038**	**31,821**	**6,861**	**6,905**	**5,029**	**14,639**	**3,096**	**96,970**	**1,579,168**
Year ended June 30, 2020													
Opening net book value	611,190	227,835	1,637	402,147	171,038	31,821	6,861	6,905	5,029	14,639	3,096	96,970	1,579,168
Revaluation / transfers / additions	4,389,463	18,940	-	173,131	37,775	4,774	92	2,445	365	10,654	-	37,190	4,674,829
Disposal													
- cost	-	3,881	-	222,704	75,124	322	2,051	885	690	12,629	-	2,783	321,069
- accumulated depreciation	-	(944)	-	(124,984)	(56,111)	(183)	(1,198)	(477)	(344)	(3,385)	-	(2,163)	(189,789)
	-	2,937	-	97,720	19,013	139	853	408	346	9,244	-	620	131,280
Depreciation charge	-	23,287	28	50,915	17,987	3,342	1,000	3,728	435	2,959	310	74,408	178,399
Closing net book value	**5,000,653**	**220,551**	**1,609**	**426,643**	**171,813**	**33,114**	**5,100**	**5,214**	**4,613**	**13,090**	**2,786**	**59,132**	**5,944,318**
At June 30, 2020													
Cost	5,000,653	298,923	4,353	604,364	203,312	43,630	9,103	22,755	7,075	18,733	4,568	207,220	6,424,689
Accumulated depreciation	-	78,372	2,744	177,721	31,499	10,516	4,003	17,541	2,462	5,643	1,782	148,088	480,371
Net book value	**5,000,653**	**220,551**	**1,609**	**426,643**	**171,813**	**33,114**	**5,100**	**5,214**	**4,613**	**13,090**	**2,786**	**59,132**	**5,944,318**
Year ended June 30, 2021													
Opening net book value	5,000,653	220,551	1,609	426,643	171,813	33,114	5,100	5,214	4,613	13,090	2,786	59,132	5,944,318
Additions including transfer from CWIP	-	2,115	-	30,673	16,286	218	304	849	-	13,333	-	12,675	76,453
Transfers													
- cost	-	33,324	-	-	(33,324)	-	-	-	-	-	-	-	-
- accumulated depreciation	-	(8,830)	-	-	8,830	-	-	-	-	-	-	-	-
	-	24,494	-	-	(24,494)	-	-	-	-	-	-	-	-
Disposal (note 5.3)													
- cost	-	-	-	190,394	21,885	6,659	2,064	852	786	6,792	-	171,866	401,298
- accumulated depreciation	-	-	-	(60,692)	(2,337)	(3,029)	(915)	(425)	(329)	(2,935)	-	(171,487)	(242,149)
	-	-	-	129,702	19,548	3,630	1,149	427	457	3,857	-	379	159,149
Write off													
- cost	-	116,749	-	-	-	-	-	-	-	-	-	-	116,749
- accumulated depreciation	-	(31,764)	-	-	-	-	-	-	-	-	-	-	(31,764)
	-	84,985	-	-	-	-	-	-	-	-	-	-	84,985
Depreciation charge	-	30,176	218	37,834	13,979	3,263	770	3,842	453	3,743	279	44,646	139,203
Closing net book value	**5,000,653**	**131,999**	**1,391**	**289,780**	**130,078**	**26,439**	**3,485**	**1,794**	**3,703**	**18,823**	**2,507**	**26,782**	**5,637,434**
At June 30, 2021													
Cost	5,000,653	217,613	4,353	444,643	164,389	37,189	7,343	22,752	6,289	25,274	4,568	48,029	5,983,095
Accumulated depreciation	-	85,614	2,962	154,863	34,311	10,750	3,858	20,958	2,586	6,451	2,061	21,247	345,661
Net book value	**5,000,653**	**131,999**	**1,391**	**289,780**	**130,078**	**26,439**	**3,485**	**1,794**	**3,703**	**18,823**	**2,507**	**26,782**	**5,637,434**
Depreciation rate (% per annum)		10	5	10-20	10-35	10	15	33.33	10	20	10	50	

5.2 Depreciation charge has been allocated as follows:

	Note	2021	2020
		--- Rupees in '000 ---	
Cost of sales	27.1	133,389	173,070
Selling and distribution expenses	28	-	37
Administrative and general expenses	29	5,814	5,292
		139,203	178,399

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

Particulars of assets	Cost	Accumulated depreciation	Net book value	Sale proceeds	Profit / (loss)	Method of disposal	Sold to
	-------- Rupees in '000 --------						
Items having net book value exceeding Rs.500,000 each							
Plant and machinery	14,547	1,427	13,120	16,247	3,127	Negotiation	Atlas Honda Limited, a related party
	13,936	4,117	9,819	12,160	2,341	Negotiation	Atlas Honda Limited, a related party
	7,370	1,553	5,817	7,203	1,386	Negotiation	Atlas Honda Limited, a related party
	6,709	1,455	5,254	6,507	1,253	Negotiation	Atlas Honda Limited, a related party
	4,592	996	3,596	4,453	857	Negotiation	Atlas Honda Limited, a related party
	4,472	970	3,502	4,337	835	Negotiation	Atlas Honda Limited, a related party
	4,472	970	3,502	4,337	835	Negotiation	Atlas Honda Limited, a related party
	3,506	945	2,561	3,171	610	Negotiation	Atlas Honda Limited, a related party
	3,202	694	2,508	3,105	597	Negotiation	Atlas Honda Limited, a related party
	3,187	691	2,496	3,091	595	Negotiation	Atlas Honda Limited, a related party
	3,042	660	2,382	2,950	568	Negotiation	Atlas Honda Limited, a related party
	4,999	2,766	2,233	2,764	531	Negotiation	Atlas Honda Limited, a related party
	1,943	742	1,201	1,486	285	Negotiation	Atlas Honda Limited, a related party
	9,098	6,045	3,053	4,099	1,046	Negotiation	Atlas Autos (Private) Limited, a related party
	32,728	9,102	23,626	605	(23,021)	Negotiation	Akram Scrap Dealer, Karachi
	14,855	5,139	9,716	105	(9,611)	Negotiation	Akram Scrap Dealer, Karachi
	7,427	1,639	5,788	134	(5,654)	Negotiation	Akram Scrap Dealer, Karachi
	6,561	2,761	3,800	128	(3,672)	Negotiation	Akram scrap dealer, Karachi
	3,790	1,634	2,156	48	(2,108)	Negotiation	Akram scrap dealer, Karachi
	3,316	1,229	2,087	237	(1,850)	Negotiation	Akram scrap dealer, Karachi
	3,294	1,236	2,058	34	(2,024)	Negotiation	Akram scrap dealer, Karachi
	3,054	1,361	1,693	66	(1,627)	Negotiation	Akram scrap dealer, Karachi
	2,205	904	1,301	81	(1,220)	Negotiation	Akram scrap dealer, Karachi
	2,151	793	1,358	130	(1,228)	Negotiation	Akram scrap dealer, Karachi
	1,562	623	939	1,471	532	Negotiation	Akram scrap dealer, Karachi
	1,350	574	776	58	(718)	Negotiation	Akram scrap dealer, Karachi
	1,228	171	1,057	85	(972)	Negotiation	Akram scrap dealer, Karachi
	953	400	553	32	(521)	Negotiation	Akram scrap dealer, Karachi
	803	284	519	32	(487)	Negotiation	Akram scrap dealer, Karachi
	803	284	519	32	(487)	Negotiation	Akram scrap dealer, Karachi
	803	284	519	32	(487)	Negotiation	Akram scrap dealer, Karachi
	803	284	519	-	(519)	Negotiation	Akram scrap dealer, Karachi
	1,253	713	540	540	-	Negotiation	Asif Mughal radiator, Sana plaza Tulsi Das Road, Gari Khata, Hyderabad.
	174,014	**53,446**	**120,568**	**79,760**	**(40,808)**		
Power generators	**21,885**	**2,337**	**19,548**	**1,000**	**(18,548)**	Negotiation	Ali Abbas scrap dealer, Karachi

Particulars of assets	Cost	Accumulated depreciation	Net book value	Sale proceeds	(Loss) / profit	Method of disposal	Sold to
	----------	Rupees in '000	----------				
Electrical fittings	1,200	391	809	50	(759)	Negotiation	Akram scrap dealer, Karachi
	900	293	607	38	(569)	Negotiation	Akram scrap dealer, Karachi
	568	56	512	512	-	Negotiation	Asif Mughal Radiator, Sana Plaza, Tulsi Das Road, Gari Khata, Hyderabad.
	2,668	**740**	**1,928**	**600**	**(1,328)**		
Vehicles	2,163	1,084	1,079	1,059	(20)	Negotiation	Sarwar Shamim (Ex- employee)
	1,470	555	915	854	(61)	Negotiation	Arshad Siddiqui (Ex- employee)
	3,633	**1,639**	**1,994**	**1,913**	**(81)**		
	202,200	58,162	144,038	83,273	(60,765)		
Items having net book value upto Rs.500,000 each	199,098	183,987	15,111	12,294	(2,817)		
June 30, 2021	401,298	242,149	159,149	95,567	(63,582)		
June 30, 2020	321,069	189,789	131,280	20,880	(110,400)		

		Note	2021	2020
5.4	**Capital work-in-progress**		--- Rupees in '000 ---	
	Plant and machinery		**6,223**	20,208
	Power generators		**26,659**	-
	Vehicles		**1,433**	-
			34,315	20,208

6. INTANGIBLE ASSETS

These represent computer software licenses.

	Note	2021	2020
Year ended June 30,			
Opening net book value		**3,588**	2,023
Addition		-	3,761
Less: amortisation charge	**29**	**1,945**	2,196
Closing net book value		**1,643**	3,588
At June 30,			
Cost		**17,084**	17,084
Less: accumulated amortisation		**15,441**	13,496
Net book value		**1,643**	3,588
Amortisation rate (% per annum)		**33.33**	33.33

7. LONG TERM LOANS

Considered good

	Note	2021	2020
Loans and advances to employees other than key management personnel	**7.1**	**1,060**	3,255
Less: amounts due within one year and shown under current assets	**13**	**715**	2,845
		345	410

7.1 These represent loans and advances provided to employees as per the terms of employment. These carry mark-up at the rate of 1% per month (2020: 1%) and are recoverable in equal monthly instalments over a period of maximum 20 months. These loans are secured against employees' retirement benefits.

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

8. LONG TERM DEPOSITS

	Note	2021	2020
		--- Rupees in '000 ---	
Considered good - unsecured and interest-free			
Security deposits for:			
-Ijarah		-	1,128
-Utilities		1,051	1,051
-Suppliers		246	246
-Others		769	768
		2,066	3,193

9. DEFERRED TAXATION - NET

	2021	2020
Deductible temporary differences arising in respect of:		
- provisions	19,637	17,780
- unused tax losses	87,705	83,906
	107,342	101,686
Taxable temporary differences arising in respect of:		
- accelerated tax depreciation and amortisation	(56,166)	(68,587)
	51,176	33,099

10. STORES, SPARES AND LOOSE TOOLS

	2021	2020
Consumable stores	8,118	11,985
Maintenance spares	2,036	5,497
Loose tools	19,087	52,177
	29,241	69,659

11. STOCK-IN-TRADE

	Note	2021	2020
Raw materials and components - in hand		123,760	173,483
Work in process		8,212	16,890
Finished goods		29,697	77,973
Items in transit		32,812	4,010
		194,481	272,356
Less: provision for slow moving stock	11.1	17,280	27,280
		177,201	245,076

		Note	2021	2020
11.1	**Movement of provision for slow moving inventories**		--- Rupees in '000 ---	
	Balance at beginning of the year		27,280	11,240
	Provision made during the year		-	16,040
	Provision adjusted during the year		(10,000)	-
	Balance at end of the year		17,280	27,280

12. TRADE DEBTS - Unsecured

	Note	2021	2020
Consider good - others		-	20,331
Consider doubtful - others		19,100	14,997
		19,100	35,328
Less: expected credit loss allowance	12.1	19,100	14,997
		-	20,331

12.1 Expected credit loss allowance

	2021	2020
Balance at beginning of the year	14,997	-
Add: charge for the year	4,103	14,997
Balance at end of the year	19,100	14,997

12.2 The maximum aggregate amount of trade receivable from related parties at the end of any month during the year was Nil (2020: Nil).

13. LOANS AND ADVANCES

	Note	2021	2020
		--- Rupees in '000 ---	
Considered good			
Current portion of long term loans to employees other than key management personnel	7	715	2,845
Advances to employees		141	-
Advances to suppliers - unsecured		-	6,208
		856	9,053

14. TRADE DEPOSITS AND PREPAYMENTS

	Note	2021	2020
Deposits			
Margin against letter of guarantees	14.1	16,261	16,261
Others		505	525
		16,766	16,786
Prepayments			
Ijarah		-	790
Insurance		-	599
Others		-	1,154
		-	2,543
		16,766	19,329

14.1 This includes term deposits of Rs.13,223 thousand and placed on roll over basis with commercial banks at a mark-up rate upto 5.60% and are under lien with the banks against a bank guarantees issued on behalf of the Company.

15. OTHER RECEIVABLES - considered good

	Note	2021	2020
		--- Rupees in '000 ---	
Sales tax refundable - net		-	1,438
Profit on term deposit receipts and saving account		761	2,130
Receivable against disposal of plant and machinery		-	3,480
Due from Shirazi Investments (Private) Limited - related party	15.1	43,566	43,566
		44,327	50,614

15.1 Represents amount receivables in respect of group taxation under section 59AA of Income Tax Ordinance, 2001 for the year ended June 30, 2019. The maximum aggregate amount due from related parties at the end of any month during the year was Rs.43.566 million (2020: Rs.43.566 million). The amount is due for more than one year.

16. SHORT TERM INVESTMENTS

	Note	2021	2020
		--- Rupees in '000 ---	
Term deposit receipts		-	300,000
Investment in units of mutual fund	16.1	388,405	-
		388,405	300,000

16.1 Investment in units of mutual fund - At fair value through profit or loss

2021	2020		2021	2020
----- Number of units -----		Related party	-----Rupees in '000-----	
767,785.04	-	Atlas Money Market Fund	388,405	-

17. CASH AND BANK BALANCES

	2021	2020
Cash in hand	71	85
Cash at banks in:		
- current accounts	28,186	5,492
- saving deposit account	220,692	-
	248,949	5,577

18. SHARE CAPITAL

18.1 Authorised capital

2021	2020		2021	2020
---Number of shares---			--- Rupees in '000 ---	
40,000,000	40,000,000	Ordinary shares of Rs.10 each	400,000	400,000

18.2 Issued, subscribed and paid-up capital

2021	2020		2021	2020
---Number of shares---			--- Rupees in '000 ---	
21,610,283	21,610,283	Ordinary shares of Rs.10 each fully paid in cash	**216,103**	216,103
49,800	49,800	Ordinary shares of Rs.10 each issued as fully paid for consideration other than cash	**498**	498
3,013,307	3,013,307	Ordinary shares of Rs.10 each issued as fully paid bonus shares	**30,133**	30,133
(986,936)	(986,936)	Reduction in capital	**(9,869)**	(9,869)
23,686,454	23,686,454		**236,865**	236,865

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

19. SURPLUS ON REVALUATION OF LEASEHOLD LAND

	Note	2021	2020
		---- Rupees in '000 ----	
Surplus on revaluation of leasehold land	**19.1**	**4,937,524**	4,937,524

19.1 The latest revaluation of leasehold land was carried out in June 30, 2020 by M/s. Surval - Engineers, Surveyor and Technical Consultant resulting in surplus amounting Rs.4,389.46 million which is credited to surplus on revaluation of leasehold land. Had the land been carried at cost, it would have been carried 63.129 million. Forced sale value of the land at the time of revaluation was 4,002.98 million.

20. LONG TERM LOANS

	Note	2021	2020
		---- Rupees in '000 ----	
Financing under term finance agreement	**20.2**	**266,667**	300,000
Financing under refinance scheme for salaries and wages	**20.3**	**113,298**	71,081
Adjustment pertaining to fair value of loan at below market interest rate	**20.4**	**(4,733)**	(6,654)
		375,232	364,427
Less: current maturity		**(134,605)**	(46,886)
		240,627	317,541

20.1 Movement in long term loan at face value

	2021	2020
Balance at beginning of the year	**371,081**	-
Loan obtained during the year	**79,983**	371,081
Loan re-paid during the year	**(71,099)**	-
	379,965	371,081

20.2 Represents financing obtained from a commercial bank for capital expenditure (incurred and to be incurred) carrying mark-up at the rate of 3 months KIBOR + 0.95% (2020: 3 months KIBOR + 0.95%). The loan along with the mark-up is repayable in 18 equal quarterly instalment commencing from January 2021. The Company during the year repaid instalments aggregating Rs.33.33 million. The facility is secured by way of first pari-passu charge over immovable fixed assets and by way of hypothecation on movable fixed assets of the Company. The total facility of the loan amounted to Rs.500 million (2020: Rs.500 million) out of which Rs.200 million (2020: Rs.200 million) remained unutilised as at the statement of financial position date.

20.3 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 mark-up is repayable in 8 equal quarterly instalments commencing from January 2021. The Company during the year repaid instalments aggregating Rs.37.77 million. The facility is secured by way of first pari-passu hypothecation charge over the current assets. The total facility of the loan amounting to Rs.155 million (2020: Rs.101 million) out of which Rs.3.98 million (2020: Rs.30 millions) remained unutilised at the statement of financial position date.

This loan is initially recorded at present value discounted at the effective interest rate i.e. 3 months KIBOR + 1% and the difference of the actual proceeds and present value is recognised 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.

		Note	2021	2020
			---- Rupees in '000 ----	
20.4	**Adjustment pertaining to fair value of loan at below market interest rate**			
	Difference of fair value of loan and loan received		**12,853**	6,801
	Amortisation of loan		**(8,120)**	(147)
			4,733	6,654
21.	**DEFERRED INCOME - GOVERNMENT GRANT**			
	Balance at beginning of the year		**6,676**	-
	Recognised during the year		**6,177**	6,823
	Less: released to the statement of profit or loss	**32**	**8,120**	147
	Balance at end of the year		**4,733**	6,676
	Less: current portion		**4,671**	4,239
			62	2,437
22.	**DEFERRED LIABILITIES**			
	Staff retirement benefit funds - gratuity	**22.1.4**	**12,985**	15,143
	Compensated absences	**22.2**	**18,348**	14,326
			31,333	29,469

22.1 Staff retirement benefit funds - gratuity

22.1.1 The Company has established two separate funded gratuity schemes for its management and non-management staff, who completes qualifying period of service.

22.1.2 These benefit plans are trustee-administered funds and are governed by local regulations which mainly include Trust Act, 1882, the Act, Income Tax Rules, 2002 and Rules under the Trust deed of the Plans. Responsibility for governance of the Plans, including investment decisions and contributions schedules lies with the board of trustees. The Company appoints the trustees and all trustees are employees of the Company.

22.1.3 The latest actuarial valuations of the Funds as at June 30, 2021 were carried out using the 'Projected Unit Credit Method'. Details of the Funds as per the actuarial valuations are as follows:

	2021		2020	
	Management	**Non-Management**	Management	Non-Management
	Rupees in '000			
22.1.4 Reconciliation				
Present value of defined benefit obligation	**28,440**	**2,793**	31,630	2,130
Fair value of plan assets	**(20,887)**	-	(20,577)	-
	7,553	**2,793**	11,053	2,130
Payable in respect of inter group transfers	**2,639**	-	1,960	-
	10,192	**2,793**	13,013	2,130
22.1.5 Movement in present value of defined benefit obligation				
Balance at beginning of the year	**31,630**	**2,130**	32,029	2,392
Current service cost	**2,078**	**127**	2,239	101
Interest cost	**2,484**	**195**	4,606	344
Benefits paid	**(6,958)**	**(230)**	(5,613)	(509)
Re-measurements	**106**	**571**	71	(198)
Receivable from related parties in respect of transferees	**(900)**	-	(1,702)	-
Balance at end of the year	**28,440**	**2,793**	31,630	2,130
22.1.6 Movement in fair value of plan assets				
Balance at beginning of the year	**20,577**	-	20,168	-
Expected return on plan assets	**1,503**	-	3,016	-
Contributions	**3,829**	-	3,418	-
Benefits paid	**(6,958)**	-	(5,613)	-
Re-measurement	**2,157**	-	(519)	-
(Payable) / receivable from related parties in respect of transferees	**(221)**	-	107	-
Balance at end of the year	**20,887**	-	20,577	-

	2021		2020	
	Management	**Non-Management**	Management	Non-Management
22.1.7 Movement in net liability in the statement of financial position	---------- **Rupees in '000** ----------			
Balance at beginning of the year	**13,013**	**2,129**	12,012	2,391
Expense recognised for the year	**3,059**	**322**	3,829	445
Contributions benefits paid	**(3,829)**	**(230)**	(3,418)	(509)
Re-measurements	**(2,051)**	**571**	590	(198)
Balance at end of the year	**10,192**	**2,792**	13,013	2,129
22.1.8 Amounts recognised in the statement of profit or loss				
Current service cost	**2,078**	**127**	2,239	101
Interest cost	**2,484**	**195**	4,606	344
Expected return on assets	**(1,503)**	**-**	(3,016)	-
Charge for the year	**3,059**	**322**	3,829	445
22.1.9 Re-measurements recognised in other comprehensive income				
Loss from change in financial assumptions	**111**	**14**	651	33
Experience (gain) / loss on re-measurement	**(5)**	**557**	(580)	(231)
Loss / (gain) on re-measurement of plan assets	**1,994**	**-**	(519)	-
Difference in opening fair value	**(163)**	**-**	-	-
	(2,051)	**571**	590	(198)
22.1.10 Principal actuarial assumptions:				
Discount rate as at June 30,	**10.00%**	**10.25%**	8.50%	9.25%
Expected rate of increase in future salaries - first year	**12.00%**	**12.00%**	12.00%	-
-long term	**9.00%**	**9.25%**	7.50%	8.25%
Mortality rates (for death in service)	**SLIC (2001-05)-1**	**SLIC (2001-05)-1**	SLIC (2001-05)-1	SLIC (2001-05)-1
Rates of employee turnover	**Moderate**	**Light**	Moderate	Light
22.1.11 Actual return on plan assets	**3,497**	**-**	2,497	-

22.1.12 Plan assets comprise of the following:

	2021		2020	
	Rs. in '000	%	Rs. in '000	%
Debt instruments	**9,749**	**46.7%**	10,957	53.2%
Shares and units of mutual funds	**11,041**	**52.9%**	9,476	46.1%
Cash	**98**	**0.5%**	144	0.7%
	20,888	**100%**	20,577	100%

22.1.13 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yeilds on the fixed interest investments are based on gross redemption yields as at the reporting date.

22.1.14 Expected contribution to management and non management staff gratuity fund for the year ending June 30, 2022 is Rs.2.760 million and 0.462 million respectively.

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

	Impact on defined benefit obligation - Non Management			Impact on defined benefit obligation - Management		
	Change in assumptions	Increase in assumption	Decrease in assumption	Change in assumptions	Increase in assumption	Decrease in assumption
Discount rate	0.50%	2,638	2,964	1.00%	27,027	30,046
Future salary increase	0.50%	2,958	2,642	1.00%	29,909	27,127

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

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

22.1.16 The weighted average duration of defined benefit obligation for management and non-management plans is 5.15 years and 11.61 years respectively. The expected maturity analysis of undiscounted retirement benefits is as follows:

	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
	Rupees in '000				
Management staff	1,971	6,167	15,364	43,746	67,248
Non-management staff	69	488	902	56,920	58,379
Total	**2,040**	**6,655**	**16,266**	**100,666**	**125,627**

22.2 Compensated absences

	2021	2020
	Rupees in '000	
Balance at beginning of the year	**14,326**	11,962
Add: provision for the year	**5,492**	4,983
Less: payments made during the year	**1,470**	2,619
Balance at end of the year	**18,348**	14,326

22.2.1 Includes liability in respect of key management personnel aggregating to Rs.6.302 million (2020: Rs.7.052 million).

23. TRADE AND OTHER PAYABLES

	Note	2021	2020
		---- Rupees in '000 ----	
Creditors		**77,269**	41,324
Accrued liabilities		**100,776**	38,669
Royalty and technical fee payable		**10,341**	6,117
Sales tax payable - net		**31,192**	-
Workers' Welfare Fund	30	**1,735**	-
Provisions	23.1	**298,199**	263,399
Deposit from employees		**2,719**	3,422
Others		**16,470**	13,042
		538,701	365,973

23.1 Provisions

	Balance at beginning of the year	Charge for the year	Payments during the year	Balance at end of the year
	----------- (Rupees in '000) -----------			
Gas Infrastructure Development Cess (note 23.1.1)	**146,083**	**4,471**	**(3,459)**	**147,095**
OGRA Gas tariff difference	**47,572**	**-**	**-**	**47,572**
Sindh Infrastructure Development Cess	**26,741**	**2,996**	**-**	**29,737**
Bonus	**43,003**	**73,795**	**(43,003)**	**73,795**
2021	**263,399**	**81,262**	**(46,462)**	**298,199**
2020	219,950	71,238	(27,789)	263,399

23.1.1 Represents provision for Gas Infrastructure Development Cess (GIDC). During the year, the Honourable Supreme Court of Pakistan (SCP) has upheld the GIDC Act, 2015 to be constitutional and intra-vires allowing settlement of GIDC over a period of forty-eight monthly instalments. However, the Company has filed as appeal before the Honourable High Court of Sindh (the Court) on the grounds that no burden of GIDC had been passed to its customers and thus, the Company is not liable to pay GIDC under GIDC Act, 2015. The Court vide its order dated October 20, 2020 has granted stay to the Company.

24. SHORT TERM BORROWINGS - Secured

24.1 Represents the running finance facilities available from various commercial banks under mark-up arrangements aggregated to Rs.530 million (2020: Rs.430 million) and are secured against pari passu hypothecation charge over the Company's stock-in-trade and trade debts with 25% margin. The rates of mark-up of these facilities during the year ranged from 3 months KIBOR + 0.2% to 1 month KIBOR + 2% (2020: 3 months KIBOR + 0.2% to 1 month KIBOR + 2%) per annum. These facilities are expiring on various dates by November 30, 2021.

24.2 The facilities for opening letters of credit as at June 30, 2021 aggregated to Rs.650 million (2020: Rs.500 million) of which the amount remained unutilised at year end was Rs.422 million (2020: Rs.361 million). These finance facilities are also secured against joint pari passu hypothecation charge over the Company's stock-in-trade and trade debts.

25. CONTINGENCIES AND COMMITMENTS

25.1 Contingencies

Various cases have been filed against the Company by some of the former employees for reinstatement of service and are pending in different courts of Pakistan. The management is confident that outcome of these cases will be in favour of the Company and hence no provision is made in these financial statements.

Guarantees aggregating to Rs.71.72 million (2020: Rs.103.37 million) have been issued by commercial banks to government and semi government institutions for utilities, import of raw materials and supply of goods.

25.2 Commitments

25.2.1 Commitments outstanding for letters of credit relating to capital expenditure, raw materials and components as at June 30, 2021 aggregated to Rs.227.79 million (2020: Rs.68.12 million).

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

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

	Note	2021	2020
		--- Rupees in '000 ---	
Within one year		**7,027**	10,656
After one year but not more than five years		**13,371**	16,953
		20,398	27,609

26. SALES - Net

	Note	2021	2020
Local sales			
- manufacturing activity		**2,786,920**	1,982,050
Less:			
- sales tax		**406,653**	291,242
- discounts		**659**	1,908
		407,312	293,150
		2,379,608	1,688,900

27. COST OF SALES

	Note	2021	2020
Opening stock of finished goods		**77,973**	75,094
Cost of goods manufactured	27.1	**1,987,621**	1,742,833
Less: closing stock of finished goods		**29,697**	77,973
		2,035,897	1,739,954

		Note	2021	2020
27.1	**Cost of goods manufactured**	**Note**	**--- Rupees in '000 ---**	
	Raw and ancillary materials consumed		**900,281**	767,875
	Stores, spares and loose tools consumed		**133,335**	96,059
	Salaries and other benefits	**27.2**	**487,240**	444,858
	Travelling		**1,696**	1,990
	Fuel, water and power		**241,808**	163,456
	Ijarah rentals		**8,071**	26,461
	Repair and maintenance		**59,150**	35,001
	Rent, rates and taxes		**181**	188
	Royalty and technical fee	**27.3**	**20,605**	12,982
	Insurance		**11,825**	12,289
	Printing and stationery		**396**	488
	Training expenses		**3,492**	-
	Postage and telephone		**533**	557
	Depreciation related to operating fixed assets	**5.2**	**133,389**	173,070
	General expenses		**15,532**	8,397
	Provision for slow moving stock	**11.1**	**-**	16,040
	Reimbursement of fixed expenses	**27.4**	**(38,591)**	(20,821)
			1,978,943	1,738,890
	Opening work-in-process		**16,890**	20,833
	Closing work-in-process		**(8,212)**	(16,890)
			8,678	3,943
	Cost of goods manufactured		**1,987,621**	1,742,833
	Opening stock of finished goods		**77,973**	75,094
	Closing stock of finished goods		**(29,697)**	(77,973)
			48,276	(2,879)
			2,035,897	1,739,954

27.2 These include Rs.12.243 million (2020: Rs.8.424 million) in respect of staff retirement benefits.

27.3 Royalty charged in these financial statement pertains to Honda Foundry Limited - 1620, Matoba Kawago, Saitama, Japan.

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

28. SELLING AND DISTRIBUTION EXPENSES

	Note	2021	2020
		--- Rupees in '000 ---	
Salaries wages and allowances	28.1	9,718	11,084
Advertisement and publicity		-	1,208
Cartage and octroy		-	1,259
Travelling and conveyance		-	3,003
Rent rates and taxes		-	651
Depreciation	5.2	-	37
Ijarah rentals		-	1,299
Postage and telephone		-	254
General expenses		-	322
		9,718	19,117

28.1 These include Rs.0.26 million (2020: Rs.0.850 million) in respect of staff retirement benefits.

29. ADMINISTRATIVE AND GENERAL EXPENSES

	Note	2021	2020
		--- Rupees in '000 ---	
Salaries wages and allowances	29.1	127,178	76,638
Repairs and maintenance		16,582	10,190
Travelling and conveyance		1,799	1,931
Depreciation	5.2	5,814	5,292
Amortisation	6	1,945	2,196
Insurance		4,520	4,505
Subscription		444	440
Ijarah rentals		2,863	4,067
Printing & stationery		159	116
Rent rates and taxes	29.2	2,795	2,742
Postage and telephone		725	576
Advertisement and publicity		844	234
Training expenses		1,383	21
General expenses		4,441	5,595
		171,492	114,543

29.1 Salaries and other benefits include Rs.3.461 million (2020: Rs.2.591 million) in respect of staff retirement benefits.

29.2 These include an amount of Nil (2020: Rs.1.961 million) in respect of short term leases.

30. OTHER EXPENSES

	Note	2021	2020
		--- Rupees in '000 ---	
Loss on disposal of operating fixed assets	5.3	63,582	110,400
Operating fixed asset written off	5.1	84,985	-
Legal and professional charges		1,787	3,438
Workers' welfare fund	23	1,735	-
Donation	30.1	800	-
Auditors' remuneration			
- statutory audit fee		1,030	1,030
- certifications and others		723	732
- out of pocket expenses		100	125
		1,853	1,887
		154,742	115,725

30.1 Donation of Rs.800 thousand (2020: Nil) charged in these financial statements pertains to Atlas Foundation, 2nd Floor, Federation House, Shara-e-Firdousi, Clifton, Karachi (the Foundation). Mr. Frahim Ali Khan, Director of the Company is also Director of the Foundation.

31. FINANCE COSTS

	Note	2021	2020
		--- Rupees in '000 ---	
Mark-up on long term loans		33,014	7,371
Mark-up on short term finances		15,809	65,388
Bank and other financial charges		2,177	2,096
		51,000	74,855

32. OTHER INCOME

	Note	2021	2020
Rental income from related parties	32.1	101,917	95,296
Mark-up income on investment in term deposit receipts	32.2	12,737	4,673
Dividend income from mutual funds		8,970	-
Fair value gain on investments at fair value through profit or loss - mutual funds		389	-
Mark-up income on saving account		222	-
Amortisation of deferred income - government grant	21	8,120	147
		132,355	100,116

32.1 Represents rental income earned from following related parties:

	2021	2020
Atlas Autos (Private) Limited	50,958	56,562
Atlas Hitech (Private) Limited	16,683	15,027
Atlas GCI (Private) Limited	1,310	328
Atlas DID (Private) Limited	32,966	23,379
	101,917	95,296

32.2 Term deposit receipts (TDRs) matured during the year having maturity upto 30 days from the respective date of acquisition. Mark-up on these TDRs ranged from 6.05% to 12.00% (2020: 7.30% to 8.25%) per annum.

33. TAXATION

	2021	2020
	--- Rupees in '000 ---	
Current tax		
Current tax on profit for the year	**40,120**	25,334
Adjustments for current tax of prior years	**(1,039)**	1,438
	39,081	26,772
Deferred tax -		
Origination and reversal of temporary differences	**(18,506)**	(110,404)
	20,575	(83,632)

33.1 No numeric tax reconciliation for the preceding year is given in the financial statements, as provision made during that year primarily represents minimum tax due under section 113 of the Income Tax Ordinance, 2001 (the Ordinance) and tax deducted under section 150 and 153 of the Ordinance. Relationship between tax expense and accounting profit for the current year is as follows:

	2021
	Rupees in '000
Profit before taxation	**85,011**
Tax at the applicable rate of 29%	**24,653**
Tax effect of:	
- amount not deductible for tax purposes	**88,177**
- amount deductible for tax purposes but not taken to the statement of profit or loss	**(71,341)**
- income not subject to tax / income subject to final tax regime / prior year	**(2,408)**
Deferred taxation	**(18,506)**
	20,575

34. CASH AND CASH EQUIVALENTS

	2021	2020
	--- Rupees in '000 ---	
Short term investments - term deposit receipts	-	300,000
Cash and bank balances	**248,949**	5,577
Short term borrowings	-	(310,835)
	248,949	(5,258)

35. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	Chief Executive Officer		Executives	
	2021	2020	2021	2020
	---- Rupees in '000 ----		---- Rupees in '000 ----	
Managerial remuneration	**10,988**	10,030	**12,995**	17,634
House rent and utilities	**5,255**	4,797	**7,587**	6,654
Bonus	**4,467**	2,134	**6,171**	2,922
Retirement benefits	**1,051**	997	**1,517**	1,467
Reimbursable expenses	**844**	1,020	**2,135**	2,163
	22,605	18,978	**30,405**	30,840
Number of person(s)	**1**	1	**6**	5

35.1 Chief Executive is provided with the Company's maintained car and telephone at residence and some executives are also provided with the Company's vehicles in accordance with terms of employment.

35.2 No remuneration has been paid or is payable by the Company on account of remuneration of other directors for the year.

36. RELATED PARTIES

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

36.1 Name and nature of relationship

a) The Holding Company

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

b) Associated Companies due to common directorship

Atlas Honda Limited
Atlas Insurance Limited
Atlas Autos (Private) Limited
Atlas Foundation
Atlas Asset Management Limited
Atlas Battery Limited
Atlas Energy Limited
Atlas Hitec (Private) Limited
Atlas Power Limited
SF Global Holdings Limited, Dubai
Atlas Metals (Private) Limited
Shirazi Trading Company (Private) Limited
Atlas DID (Private) Limited
Atlas Global, FZE, Jebeal Ali, UAE
Atlas Venture Limited
Honda Atlas Cars Pakistan Limited
Atlas GCI (Private) Limited
Zhenfa Pakistan New Energy Co. (Private) Limited
Oyster International Holdings Limited

c) Associated companies under common management

Atlas Worldwide General Trading
Honda Atlas Power Product (Private) Limited

36.2 Transactions with related parties

	2021	2020
	--- Rupees in '000 ---	
The Holding Company		
Lease rental paid	-	1,961
Purchases of goods and services	3,001	1,473
Associated Companies		
Sales of		
- goods and services	2,237,247	1,431,146
- operating fixed assets	80,734	4,563
Purchases of		
- goods and services	114,812	166,793
- operating fixed assets	23,380	30,930
Insurance premium paid	22,535	28,569
Lease rental paid	101,917	415
Reimbursement of expenses	222,774	157,550
Investment made	388,016	-
Dividend received	8,970	-
Other related parties		
Contributions paid to:		
- Gratuity funds	4,059	3,927
- Provident fund / pension scheme	14,190	11,865
Key management personnel		
- salaries and other employment benefits	38,899	36,291
- sale of vehicles under company policy	2,928	-

The related party status of outstanding balances as at June 30, 2021 is included in 'Other receivables - note 15.1', 'Short term investments - note 16.1' and 'Compensated abcenses - note 22.2.1' respectively. These are generated in ordinary course of business.

37. FINANCIAL INSTRUMENTS BY CATEGORY

	2021	2021
	--- Rupees in '000 ---	
FINANCIAL ASSETS - amortised cost		
Long term loans and advances	**345**	410
Long term deposits	**2,066**	3,193
Current portion of long term loans and advances	**715**	2,845
Trade debts	-	20,331
Advances to employees	**141**	-
Trade deposits	**16,766**	16,786
Other receivables	**44,327**	50,614
Short term investments	-	300,000
Cash and bank balances	**248,949**	5,577
	313,309	399,756
At fair value through profit or loss		
Short term investments	**388,405**	-
	701,714	399,756
FINANCIAL LIABILITIES - amortised cost		
Long term financing	**240,627**	317,541
Trade and other payables	**314,297**	145,577
Current maturity of long term financing	**134,605**	46,886
Unclaimed dividends	**848**	848
Short term borrowings	-	310,835
Accrued mark-up	**6,064**	20,202
	696,441	841,889

38. FINANCIAL RISK MANAGEMENT

38.1 Financial risk factors

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

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

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

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

(a) Credit risk

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

The carrying amount of financial assets represents the maximum credit exposure. The financial assets exposed to credit risk amounted to Rs.701,643 thousand (2020: Rs.399,671 thousand) as at June 30, 2021.

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

	2021	2020
	---- Rupees in '000 ----	
Long term loans	345	410
Long term deposits	2,066	3,193
Current portion of long term loans	715	2,845
Trade deposits	16,766	16,786
Advances to employees	141	-
Trade debts	-	20,331
Other receivables	44,327	50,614
Short term investments	388,405	300,000
Bank balances	248,878	5,492
	701,643	399,671

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

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

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

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

	Ratings		
Banks	**Agency**	**Short term**	**Long term**
Habib Bank Limited	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A-1+	AA+
National Bank of Pakistan	PACRA	A1+	AAA
Faysal Bank Limited	JCR-VIS	A-1+	AA
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A-1+	AA
Summit Bank Limited	PACRA	A1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A-1+	AAA

(b) Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At June 30, 2021, the Company had Rs.530,000 thousand available borrowings limits from banks / financial institutions and of bank balances Rs.248,878 thousand.

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

	Carrying amount	Contractual cash flows	Maturity upto one year	Maturity more than one year
	Rupees in '000			
June 30, 2021				
Long term loans	**375,232**	**425,456**	**163,403**	**262,053**
Trade and other payables	**538,701**	**538,701**	**538,701**	-
Accrued mark-up	**6,064**	**6,064**	**6,064**	-
Unclaimed dividend	**848**	**848**	**848**	-
	920,845	**971,069**	**709,016**	**262,053**
June 30, 2020				
Long term financing	364,427	439,017	70,374	368,643
Short term borrowings - secured	310,835	310,835	310,835	-
Trade and other payables	365,973	365,973	365,973	-
Accrued mark-up	20,202	20,202	20,202	-
Unclaimed dividend	848	848	848	-
	1,062,285	1,136,875	768,232	368,643

(c) Market risk

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

Foreign exchange risk

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

Interest rate risk

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

The Company's interest rate exposure arises from long term loans and short term borrowings. Borrowings issued at variable rates expose the Company to cash flow risk and borrowing issued at fixed rate expose the Company to fair value interest rate risk. At June 30, 2021, the Company's interest bearing borrowings aggregated to Rs.375,232 thousand (2020: Rs.675,262 thousand).

At June 30, 2021, if the interest rates on the Company's borrowings had been 1% higher / (lower) with all other variables held constant, the calculated post-tax profit for the year would have been Rs.3,752 thousand (2020: Rs.6,753 thousand) lower / higher mainly as a result of higher / (lower) interest expense on floating rate borrowings.

Equity price risk

Equity price risk is the risk of loss arising from movement in price of equity instruments. The Company is not exposed to an equity price risk, as the Company does not have any instrument in equity shares as at the statement of financial position date.

38.2 Fair value measurement of financial instruments

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

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

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

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

All assets and liabilities of the Company fall within level 2 of the fair value hierarchy, except of short term investments which fall within level 1 of the fair value hierarchy, as of the statement of financial position date. However, there were no transfers between level 1, 2 or 3 of the fair value hierarchy during the year.

38.3 Capital risk management

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

	Note	2021	2020
		--- Rupees in '000 ---	
Long term loans	20	375,232	364,427
Short term borrowing	24	-	310,835
Total interest bearing debts		375,232	675,262
Total equity		5,784,337	5,718,850
		6,159,569	6,394,112
Gearing ratio		6.09%	10.56%

39. PLANT CAPACITY AND ACTUAL PRODUCTION

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

40. NUMBER OF EMPLOYEES

	2021	2020
	Numbers	
Total number of employees	**126**	156
Average number of employees	**129**	154

41. CORRESPONDING FIGURES

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

42. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on September 21 , 2021 by the Board of Directors of the Company.

Chairman **Chief Executive Officer**