Atlas Autos

DIRECTORS' REPORT

The Directors of your company take pleasure in presenting their report together with the Audited Accounts and Auditor's Report thereon for the year ended June 30, 2019.

Financial Results

The standalone financial results of your company for the year ended June 30, 2019 under review are summarized as follows:

	Year ended June 30, 2019	Year ended June 30, 2018
	----------(Rs. In "000")----------	
Profit before taxation	1,279,372	1,326,403
Taxation		
Current	(162,930)	(308,449)
Deffered	48,497	(38,469)
	(114,433)	(346,918)
Profit after taxation	**1,164,939**	**979,485**
Other comprehensive income		
Loss/(gain) on remeasurement of staff retirement	3,461	(8,920)
Impact of deferred taxation	(1,004)	2,474
	2,457	(6,446)
Total comprehensive income	**1,167,396**	**973,039**

For and on behalf of the
Board of Directors

Suhail Ahmed
Chief Executive Officer

Karachi: September 17, 2019.

Atlas Autos (Private) Limited
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ATLAS AUTOS (PRIVATE) LIMITED

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2019

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of **Atlas Autos (Private) Limited** (the Company), which comprise the statement of financial position as at June 30, 2019, 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, 2019 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.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

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

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

Shinewing Hameed Chaudhri & Co.
SHINEWING HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS
KARACHI;

17 SEP 2019

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

	Note	2019	2018
		---- Rupees in '000 ----	
ASSETS			
Non current assets			
Property, plant and equipment	6	**2,494,619**	1,715,702
Intangible assets	7	**3,763**	4,837
Long term investments	8	**943,601**	1,441,000
Long term deposits		**13,940**	13,940
Long term loans and advances	9	**10,029**	7,634
		3,465,952	3,183,113
Current assets			
Stores, spares and loose tools	10	**112,298**	54,008
Stock-in-trade	11	**707,919**	719,403
Trade debts	12	**475,685**	282,449
Loan to Subsidiary Company	13	**1,000,000**	-
Loans and advances	14	**14,407**	11,295
Deposits and other receivables	15	**373,518**	167,341
Taxation - net		**428,187**	234,385
Bank balances	16	**413,747**	703,221
		3,525,761	2,172,102
Total assets		**6,991,713**	5,355,215

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

	Note	2019	2018
		---- Rupees in '000 ----	
EQUITY AND LIABILITIES			
Share capital and reserve			
Share capital	17	1,000,000	400,000
Revenue reserves - unappropriated profit		3,487,666	3,320,270
Total equity		4,487,666	3,720,270
Liabilities			
Non current liabilities			
Long term loans	18	437,500	-
Compensated absences	19	80,315	59,693
Deferred taxation	20	21,906	69,399
		539,721	129,092
Current liabilities			
Current portion of long term loans	18	62,500	-
Trade and other payables	21	1,880,827	1,505,853
Accrued mark-up		20,999	-
		1,964,326	1,505,853
Total liabilities		2,504,047	1,634,945
Contingencies and commitments	23		
Total equity and liabilities		6,991,713	5,355,215

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive Officer **Director**

ATLAS AUTOS (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		---- Rupees in '000 ----	
Sales	24	13,782,317	12,789,473
Cost of sales and services	25	(12,867,554)	(11,212,538)
Gross profit		914,763	1,576,935
Administrative and general expenses	26	(358,872)	(260,866)
Other income	27	48,860	93,576
Other expenses	28	(52,049)	(79,935)
Profit from operations		552,702	1,329,710
Gain on sale of a Subsidiary Company	8.1	1,448,691	-
Impairment of long term investment	8.2	(647,399)	-
Finance cost	29	(74,622)	(3,307)
Profit before taxation		1,279,372	1,326,403
Taxation	30	(114,433)	(346,918)
Profit after taxation		1,164,939	979,485
Other comprehensive income / (loss)			
Items that will not be reclassified to profit or loss			
Re-measurement of staff retirement benefit obligation		3,461	(8,920)
Impact of deferred tax		(1,004)	2,474
Other comprehensive income / (loss) for the year - net of tax		2,457	(6,446)
Total comprehensive income		1,167,396	973,039

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive Officer

Director

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

	Share capital	Revenue reserve Unappro-priated profit	Total
	------------- Rupees in '000 -------------		
Balance as at July 1, 2017	400,000	2,447,231	2,847,231
Transaction with owners recognised directly in equity			
Cash dividend for the year ended June 30, 2018 at the rate of Rs.2.50 per share	-	(100,000)	(100,000)
Total comprehensive income for the year ended June 30, 2018			
Profit for the year	-	979,485	979,485
Other comprehensive loss	-	(6,446)	(6,446)
	-	973,039	973,039
Balance as at June 30, 2018	**400,000**	**3,320,270**	**3,720,270**
Transaction with owners recognised directly in equity			
Issuance of shares at the rate of Rs.10 per share	600,000	-	600,000
Interim cash dividend for the year ended June 30, 2019 at the rate of Rs.10 per share	-	(1,000,000)	(1,000,000)
Total comprehensive income for the year ended June 30, 2019			
Profit for the year	-	1,164,939	1,164,939
Other comprehensive income	-	2,457	2,457
	-	1,167,396	1,167,396
Balance as at June 30, 2019	**1,000,000**	**3,487,666**	**4,487,666**

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive Officer **Director**

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

	2019	2018
	---- Rupees in '000 ----	
Cash flows from operating activities		
Profit before taxation	**1,279,372**	1,326,403
Adjustments for non cash charges and other items:		
Depreciation and amortisation	**226,272**	138,903
Provision for compensated absences	**23,941**	23,714
Provision for gratuity	**9,599**	4,357
Provision for doubtful debts	**9,000**	3,000
Gain on disposal of long term investment	**(1,448,691)**	-
Impairment of long term investment	**647,399**	-
Gain on disposal of operating fixed assets	-	(829)
Mark-up accrued on long term loan	**32,784**	-
Mark-up accrued on short term finances	**38,360**	-
Mark-up / interest on savings accounts and term deposit receipts	**(9,147)**	(11,937)
Dividend income	**(26,190)**	(27,645)
Cash flows before working capital changes	**782,699**	1,455,966
(Increase) / decrease in current assets:		
Stores, spares and loose tools	**(58,290)**	(33,939)
Stock-in-trade	**11,484**	(155,259)
Trade debts	**(202,236)**	249,768
Loans and advances	**(3,112)**	(4,532)
Deposits and other receivables	**(206,177)**	(8,944)
Increase in current liabilities		
Trade and other payables	**382,112**	514,686
	(76,219)	561,780
Cash generated from operations	**706,480**	2,017,746
Income tax paid	**(356,732)**	(510,536)
Compensated absences and gratuity paid	**(16,595)**	(8,782)
Long term deposits	-	(9,470)
Long term loans and advances - net	**(2,395)**	(3,328)
Net cash generated from operating activities	**330,758**	1,485,630

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

	2019	2018
	---- Rupees in '000 ----	
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1,036,443)**	(1,119,039)
Payment for intangible asset	**(211)**	(5,369)
Sale proceeds from disposal of long term investments	**1,998,691**	-
Sale proceeds from disposal of operating fixed assets	**32,539**	36,222
Profit on saving accounts and deposits received	**9,147**	11,937
Long term investment in Subsidiary Company	**(700,000)**	(300,000)
Short term loan provided to Subsidiary Company	**(1,000,000)**	-
Dividend received	**26,190**	27,645
Net cash used in investing activities	**(670,087)**	(1,348,604)
Cash flows from financing activities		
Issue of shares	**600,000**	-
Long term loan obtained	**500,000**	-
Mark-up paid	**(50,145)**	-
Dividend paid	**(1,000,000)**	(100,000)
Net cash generated from / (used in) financing activities	**49,855**	(100,000)
Net (decrease) / increase in cash and cash equivalents	**(289,474)**	37,026
Cash and cash equivalents at beginning of the year	**703,221**	666,195
Cash and cash equivalents at end of the year	**413,747**	703,221

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive Officer

Director

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

1. LEGAL STATUS AND OPERATIONS

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

1.1 Merger / amalgamation

The Board of Directors of the Company has approved the scheme of arrangement (the Scheme) for merger / amalgamation of the Company with Atlas Die Casting (Private) Limited and Atlas Aluminium (Private) Limited (the Subsidiary Companies) on May 17, 2019. Also the Company on June 1, 2019, has filed the petition in the Honourable High Court of Sindh to this effect under section 279 to 283 and 285 of the Companies Act, 2017. Under the Scheme and upon it's approval from Honourable High Court of Sindh, all the business, functions, operations, assets, liabilities and obligations, rights to execute deeds, contracts, legal proceedings, judgments etc. of the Subsidiary Companies shall be transferred to the Company and vested in the Company on effective date.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

3. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS

Capital expenditure

During the year, the Company has incurred major capital expenditures in respect of new projects, as reflected in note 6.1.

Group restructuring / reorganization

During the year, the Company acquired 100% interest in Atlas Aluminium (Private) Limited (Refer note 8.1) and disposed it's share holding in Atlas Metals (Private) Limited - Subsidiary Company (Refer note 8.2).

Loan to a Subsidiary Company

During the year, the Company provided interest fee loan amounting to Rs.1,000,000 thousand Atlas Aluminium (Private) Limited - Subsidiary Company (Refer note 13).

Issue of share capital

The Company has issued 60,000 thousand shares of Rs.10 each to Shirazi Investments (Private) Limited - Parent Company.

Cash dividend

The Company has paid interim cash dividend amounting to Rs.1,000,000 thousand.

Long term loans

During the year, the Company has obtained long term loan of Rs.500,000 thousand from Allied Bank Limited under terms as reflected in note 18.

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

4.1 Standards and amendments to approved accounting standard effective in current year

New and amended standard mandatory for the first time for the financial year beginning July 1, 2018:

(a) IFRS 15, 'Revenue from Contracts with Customers' is applicable in Pakistan on accounting periods beginning on or after July 1, 2018. The IASB has issued a new standard for the recognition of revenue. This has replaced IAS 18, 'Revenue Recognition' which covers contracts for goods and services and IAS 11, 'Construction Contracts' which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

As stated in note 5.19 to the financial statements the management has concluded that the adoption of IFRS 15 doesn't not have significant impact on the timing and amount of revenue recognition of the Company.

(b) IFRS 9, 'Financial Instruments' is applicable in Pakistan on accounting periods ending on or after June 30, 2019. IASB has published the complete version of IFRS 9, 'Financial instruments', which replaces the guidance in IAS 39, 'Financial Instruments : Recognition and Measurement'. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today.

The adoption of IFRS 9 have changed the classification of financial assets and related disclosures as stated in note 5.9, 5.10 and note 5.11 to the financial statements. The adoption of standards doesn't effect the reported figures of the financial assets and liabilities of the Company.

(c) 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, 2018 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

4.2 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, 2019 and have not been early adopted by the Company:

(a) IFRS 16, 'Leases' is applicable on accounting periods beginning on or after January 1, 2019. IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has yet to assess the full impact of this standard on its financial statements.

(b) IFRIC 23, 'Uncertainty over Income Tax Treatment' is applicable for annual periods beginning on or after January 1, 2019. The amendment clarifies the accounting for income tax when there is uncertainty over income tax treatment under IAS12, 'Income Taxes'. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The interpretation is not expected to have a material impact on the Company's financial statements.

(c) Amendment to IAS 28, 'Investments in Associates and Joint Ventures' - is applicable for annual periods beginning on or after January 1, 2019. The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The Company has yet to assess the full impact of this amendment on its financial statements

(d) Amendments to IAS 19, 'Employee Benefits'- Plan Amendment, Curtailment or Settlement is applicable for annual periods beginning on or after January 1, 2019. The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The amendment is not likely to have an impact on Company's financial statements.

(e) Annual improvements 2017 applicable for annual periods beginning on or after January 1, 2019. These amendments include changes from the 2015-2017 cycle of annual improvements project that mainly affect following standards:

- **(i)** Amendments to IFRS 3, 'Business Combinations' and IFRS 11, 'Joint Arrangements', clarifies how a company accounts for increase of its interest in a joint operation that meets the definition of a business. If a party maintains (or obtains) joint control, then the previously held interest is not re-measured. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party re-measures the previously held interest at fair value.
- **(ii)** Amendment to IAS 12, 'Income taxes', clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI or equity.
- **(iii)** Amendment to IAS 23, 'Borrowing Costs', clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non qualifying assets – are included in that general pool. This amendment will be applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

(f) Amendment to IFRS 3, 'Business Combinations' – Definition of a Business is applicable for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after January 1, 2020. IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test.

(g) Amendments to IAS 1, 'Presentation of Financial Statements' and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' is applicable on accounting periods beginning on or after January 1, 2020. The amendments 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.

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

4.3 Use of estimates and judgements

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

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

(i) Estimate of useful lives and residual values of property, plant & equipment and intangible assets - notes 5.1 and 5.2

(ii) Provision for doubtful debts - note 5.9

(iii) Estimate of payables and receivables in respect of employees' retirement benefit - note 5.14

(iv) Estimation of current and deferred tax - note 5.17

5. 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.

5.1 Property, plant and equipment

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

Depreciation is charged to the statement of profit or loss using straight line basis except for vehicles. Depreciation on vehicles is charged to the statement of profit or loss using the reducing balance method. Depreciation is charged at rates stated in note 6.1. Depreciation on additions is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

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

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

5.2 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 7.

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

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

5.3 Impairment of non-financial assets

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

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

5.4 Investments in Subsidiary and Associated Companies

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

5.5 Loan to Subsidiary Company

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

5.6 Stores, spares and loose tools

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

5.7 Stock-in-trade

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

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

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

5.8 Loans and advances

These are stated at amortised cost less impairment if any.

5.9 Trade debts and other receivables and related impairment

Trade debts and other receivables shall be classified as financial assets at amortised cost according to IFRS 9. Under IAS 39, trade and other receivables were previously classified as loans and receivables.

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.

5.10 Financial assets

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

Financial assets at amortised cost

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

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

5.11 Financial liabilities

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

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

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

5.12 Off-setting of financial assets and financial liabilities

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

5.13 Cash and cash equivalents

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

5.14 Retirement and other service benefits

The Company has following plans for its employees:

5.14.1 **Defined contribution plan**

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

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

5.14.2 **Defined benefit plan** - Gratuity

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

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

5.14.3 **Compensated absences**

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

5.15 Trade and other payables

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

5.16 Interest / mark-up bearing loans and borrowings

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

5.17 Taxation

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

Current

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

Deferred

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

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

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

5.18 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.

5.19 Revenue recognition

According to the core principle of IFRS 15, the Company recognises revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those good and services. The Company recognises revenue in accordance with that core principle by applying the following steps:

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

The Company manufactures and sale automative parts and allied products. Revenue from sale of goods is recognized when the Company satisfies a performance obligation (at a point of time) by transferring promised goods to customer being when the goods are dispatched to customers. This criteria of revenue recognition for its timing and amount is in accordance with repealed IAS 18 which is also consistent with IFRS 15 therefore, the management concludes that the adoption of IFRS 15 does not have impact on the timing and amount of revenue recognition of the Company.

5.20 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.

5.21 Dividend and appropriation to reserves

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

6. PROPERTY, PLANT AND EQUIPMENT

	Note	2019	2018
		--- Rupees in '000 ---	
Operating fixed assets	6.1	**2,289,375**	1,478,788
Capital work-in-progress	6.5	**205,244**	236,914
		2,494,619	1,715,702

6.1 **Operating fixed assets**

	Leasehold Improvements	Plant and machinery	Dies and Jigs	Factory equipment	Computers and accessories	Furniture and fixtures	Motor vehicles	Total
	Rupees in '000							
At July 1, 2017								
Cost	5,088	659,400	21,251	7,632	4,995	8,385	82,639	789,390
Accumulated depreciation	346	126,976	11,646	1,566	2,631	2,178	17,615	162,958
Net book value	**4,742**	**532,424**	**9,605**	**6,066**	**2,364**	**6,207**	**65,024**	**626,432**
Year ended June 30, 2018								
Opening net book value	4,742	532,424	9,605	6,066	2,364	6,207	65,024	626,432
Additions	318,660	596,050	41,715	2,453	5,402	506	60,152	1,024,938
Disposal								
- cost	-	1,290	14	-	335	536	45,908	48,083
- accumulated depreciation	-	(460)	(14)	-	(212)	(134)	(11,870)	(12,690)
	-	830	-	-	123	402	34,038	35,393
Depreciation charge	3,221	100,904	13,512	881	1,517	1,591	15,563	137,189
Closing net book value	**320,181**	**1,026,740**	**37,808**	**7,638**	**6,126**	**4,720**	**75,575**	**1,478,788**
At June 30, 2018								
Cost	323,748	1,254,160	62,952	10,085	10,062	8,355	96,883	1,766,245
Accumulated depreciation	3,567	227,420	25,144	2,447	3,936	3,635	21,308	287,457
Net book value	**320,181**	**1,026,740**	**37,808**	**7,638**	**6,126**	**4,720**	**75,575**	**1,478,788**
Year ended June 30, 2019								
Opening net book value	320,181	1,026,740	37,808	7,638	6,126	4,720	75,575	1,478,788
Additions	353,917	589,566	12,571	14,632	2,344	28,839	66,244	1,068,113
Disposal (note 6.3)								
- cost	-	-	-	-	226	-	43,122	43,348
- accumulated depreciation	-	-	-	-	(63)	-	(10,746)	(10,809)
	-	-	-	-	163	-	32,376	32,539
Depreciation charge	21,454	152,015	25,384	1,608	2,028	2,961	19,537	224,987
Closing net book value	**652,644**	**1,464,291**	**24,995**	**20,662**	**6,279**	**30,598**	**89,906**	**2,289,375**
At June 30, 2019								
Cost	677,665	1,843,726	75,523	24,717	12,180	37,194	120,005	2,791,010
Accumulated depreciation	25,021	379,435	50,528	4,055	5,901	6,596	30,099	501,635
Net book value	**652,644**	**1,464,291**	**24,995**	**20,662**	**6,279**	**30,598**	**89,906**	**2,289,375**
Depreciation rate (% per annum)	**5**	**10**	**50**	**10**	**25**	**20**	**20**	

6.2 Depreciation charge has been allocated as follows:

	Note	2019	2018
		--- Rupees in '000 ---	
Cost of goods manufactured	25.1	**211,334**	125,869
Administrative and general expenses	26	**13,653**	11,320
		224,987	137,189

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

Particulars of assets	Cost	Accumulated depreciation	Net book value	Sales proceeds	Gain	Method of disposal	Sold to
	------------------ Rupees in '000 ------------------						
Items having net book value exceeding Rs.500,000 each							
Vehicles							
	1,129	(372)	757	757	-	Company policy	M.Usman Khan (Employee)
	1,425	(360)	1,065	1,065	-	Company policy	Ghazanfar Allah Buksh (Key Management Personnel)
	1,250	(275)	975	975	-	Company policy	Zehra Khalid (Ex employee)
	2,007	(1,212)	795	795	-	Company policy	Fahad Masood (Key Management Personnel)
	1,665	(246)	1,419	1,419	-	Company policy	M. Akhlaq (Ex employee)
	2,112	(1,021)	1,091	1,091	-	Company policy	M. Tariq Haider Khan (Key Management Personnel)
	2,315	(803)	1,512	1,512	-	Company policy	Atlas Honda Limited - a related party
	2,205	(500)	1,705	1,705	-	Company policy	Ghulam Mujtaba (Employee)
	814	(92)	722	722	-	Company policy	M. Ilyas Gujar (Employee)
	1,168	(77)	1,091	1,091	-	Company policy	Tahir Naseem (Key Management Personnel)
	1,029	(17)	1,012	1,012	-	Company policy	Waqas Asghar(Key Management Personnel)
	1,208	(121)	1,087	1,087	-	Company policy	Musharaf Akhter (Employee)
	1,636	(975)	661	661	-	Company policy	Zaheer Minhas (Employee)
	1,099	(430)	669	669	-	Company policy	Muhammad Saad (Ex Employee)
	1,250	(167)	1,083	1,083	-	Company policy	Atlas Honda Limited - a related party
	1,838	(92)	1,746	1,746	-	Company policy	Adeel Safdar (Key Management Personnel)
	2,225	(74)	2,151	2,151	-	Company policy	Atlas Honda Limited - a related party
	1,148	(221)	927	927	-	Company policy	Zia Khan (Employee)
	1,199	(492)	707	707	-	Company policy	Atlas Honda Limited - a related party
	1,126	(217)	909	909	-	Company policy	Atlas Honda Limited - a related party
	1,300	(130)	1,170	1,170	-	Company policy	Atlas Honda Limited - a related party
	1,300	(130)	1,170	1,170	-	Company policy	Atlas Honda Limited - a related party
	32,448	(8,024)	24,424	24,424	-		
	32,448	**(8,024)**	**24,424**	**24,424**	-		
Items having net book value upto Rs.500,000 each	10,900	(2,785)	8,115	8,115	-		
June 30, 2019	**43,348**	**(10,809)**	**32,539**	**32,539**	**-**		
June 30, 2018	48,083	(12,690)	35,393	36,222	829		

6.4 During the year, the management after due exercise have revised the useful life of its leasehold improvements and revised the rate of depreciation from 10% to 5%. The change have been recognised prospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors. Had the management depreciated the leasehold improvement at previous rate, depreciation charge for the year would have been increased by Rs.16,187 thousand.

6.5 Capital work-in-progress

	Note	2019	2018
		--- Rupees in '000 ---	
Leasehold improvements		**115,367**	40,883
Plant and machinery		**76,176**	179,350
Factory equipment		**752**	445
Electric and gas fittings		**3,948**	3,948
Computer and accessories		**4,409**	-
Motor vehicles	6.6	**1,464**	9,472
Computer software		**3,128**	2,816
		205,244	236,914

6.6 Includes Rs.1,464 thousand advance payment made to Atlas Honda Limited - a related party (June 30, 2018: Rs.4,936 thousand made to Honda Atlas Cars (Pakistan) Limited - a related party).

6.7 Capital work-in-progress includes Rs.124,586 thousand (June 30, 2018: Rs.56,151 thousand) representing advance payments made to suppliers for procurement / construction of operating fixed assets.

7. INTANGIBLE ASSETS

	Note	2019	2018
		--- Rupees in '000 ---	
These represent computer software licenses.			
Year ended June 30, 2019			
Opening net book value		**4,837**	1,182
Addition		**211**	5,369
Less: amortisation charge	25.1	**1,285**	1,714
Closing net book value		**3,763**	4,837
At June 30, 2019			
Cost		**10,798**	10,587
Less: accumulated amortisation		**7,035**	5,750
Net book value		**3,763**	4,837
Amortisation rate (% per annum)		**20**	20

8. LONG TERM INVESTMENTS - unquoted

	Note	2019	2018
Subsidiary Companies - unquoted			
Atlas Metals (Private) Limited			
Nil (June 30, 2018: 55,000,000) ordinary shares of Rs.10 each - **cost**	8.1	**-**	550,000
Equity held: Nil (June 30, 2018: 100%)			
Break-up value per share on the basis of un-audited financial statements (June 30, 2018: Rs.39.91)			
Atlas Die Casting (Private) Limited			
60,000,000 (June 30, 2018: 60,000,000) ordinary shares of Rs.10 each - **cost**		**600,000**	600,000
Equity held: 100% (June 30, 2018: 100%)			
Break-up value per share on the basis of audited financial statements Rs.11.03 (June 30, 2018: Rs.10.49)			
Atlas Aluminium (Private) Limited			
70,000,000 (June 30, 2018: Nil) ordinary shares of Rs. 10 each - **cost**			
Equity held: 100%		**700,000**	-
Break-up value per share on the basis of audited financial statements Re.0.75 (June 30, 2018: Nil)			
Less: impairment in value of investment		**647,399**	-
	8.2	**52,601**	-
Associated Company - unquoted			
Atlas Hitec (Private) Limited			
29,100,000 (June 30, 2018: 29,100,000) ordinary shares of Rs.10 each - **cost**		**291,000**	291,000
Equity held: 44.77% (June 30, 2018: 44.77%)			
Break-up value per share on the basis of un-audited financial statements Rs.16.89 (June 30, 2018: Rs.17.30)			
		943,601	1,441,000

8.1 The Company, on December 12, 2018, has disposed 100% shareholding of Atlas Metals (Private) Limited - Subsidiary Company to Shirazi Investments (Private) Limited - Parent Company for consideration of Rs.1,998,692 thousand.

8.2 The Company, on October 25, 2018, has acquired 100% shareholding of Atlas Aluminium (Private) Limited (ATAL) from Atlas Metals (Private) Limited - Subsidiary Company against the consideration of Rs.700,000 thousand.

The Company has recognised impairment in value of it's investment in ATAL, as due to strategic reasons ATAL has closed it's aluminium plant since November 2018. Impairment has been recognised as the difference between cost and break-up value, calculated on the basis of audited financial statements of ATAL for year ended June 30, 2019.

9. LONG TERM LOANS AND ADVANCES

	Note	2019	2018
		--- Rupees in '000 ---	
Considered good			
Loans and advances to:			
Related parties - Key Management Personnel		**833**	639
Other employees		**18,323**	17,461
	9.1	**19,156**	18,100
Less: amounts due within one year and shown under current assets	14		
Related parties - Key Management Personnel		**666**	639
Other employees		**8,461**	9,827
		9,127	10,466
		10,029	7,634

9.1 These represent interest free loans and advances provided to employees as per the terms of employment. Loans aggregating Rs.14,435 thousand (June 30, 2018: Rs.11,083 thousand) are provided for purchase of motorcycles and are repayable in forty eight-equal monthly instalments. These loans are secured against respective motorcycles and employees' vested retirement benefits. Advances are unsecured and are repayable in eighteen equal monthly instalments.

9.2 The maximum amount of loans and advances to the key management personnel outstanding at the end of any month during the year ended June 30, 2019 was Rs.1,000 thousand (June 30, 2018: Rs.1,801 thousand).

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

10. STORES, SPARES AND LOOSE TOOLS

	2019	2018
	--- Rupees in '000 ---	
Consumable stores	**14,816**	9,135
Maintenance spares	**24,223**	11,093
Loose tools	**73,259**	33,780
	112,298	54,008

11. STOCK-IN-TRADE

	Note	2019	2018
		--- Rupees in '000 ---	
Raw materials and components			
- in hand		**532,630**	524,158
- held with vendors		**106,036**	119,962
		638,666	644,120
Work in process		**257**	-
Finished goods		**72,164**	75,715
Items in transit		**1,832**	4,568
		712,919	724,403
Less: provision for slow moving stock		**5,000**	5,000
		707,919	719,403

12. TRADE DEBTS - Unsecured

	Note	2019	2018
Consider good			
Associated Companies	**12.1**	**1,617**	2,250
Others		**474,068**	280,199
		475,685	282,449
Consider doubtful - others		**25,990**	16,990
		501,675	299,439
Less: provision for doubtful debts	**12.3**	**25,990**	16,990
		475,685	282,449

12.1 Includes Rs.142 thousand (2018: Nil) and Rs.1,475 thousand (2018: Rs.2,250 thousand) due from Atlas Honda Limited and Atlas Battery Limited, respectively.

12.2 The maximum aggregate amount of trade receivable from related parties at the end of any month during the year was Rs.782,000 thousand (June 30, 2018: Rs.361,100 thousand).

12.3 Provision for doubtful debts

	2019	2018
	--- Rupees in '000 ---	
Balance at beginning of the year	**16,990**	13,990
Add: charge for the year	**9,000**	3,000
Balance at end of the year	**25,990**	16,990

12.4 The ageing of trade debts is as follows:

	Associated Companies		Others	
	2019	2018	**2019**	2018
	Rupees in '000			
Not past due	**1,617**	2,250	**491,544**	292,347
Past due within 30 days	-	-	**4,754**	1,335
Past due beyond 30 days but not later than 60 days	-	-	**2,649**	1,130
Past due later than 60 days	-	-	**1,111**	2,377
	1,617	2,250	**500,058**	297,189
Less: provision for doubtful debts	-	-	**25,990**	16,990
	1,617	2,250	**474,068**	280,199

13. LOAN TO SUBSIDIARY COMPANY

The Company has provided interest free loan to Atlas Aluminium (Private) Limited - a Subsidiary Company after approval from Board of Directors on December 7, 2018.

14. LOANS AND ADVANCES

	Note	**2019**	2018
		--- Rupees in '000 ---	
Considered good			
Current portion of long term loans and advances to key management personnel and other employees	**9**	**9,127**	10,466
Advances to employees		**1,715**	609
Advances to suppliers - unsecured		**3,565**	220
		14,407	11,295

15. DEPOSITS AND OTHER RECEIVABLES

		2019	2018
Trade deposits		**1,295**	1,995
Margin against letter of credits		**82,555**	-
Other receivable		**126**	14
Prepayments		**1,568**	7,809
Sales tax refundable - net		**287,974**	157,523
		373,518	167,341

16. BANK BALANCES

	Note	**2019**	2018
Balances with banks in:			
- current accounts		**129,967**	48,691
- savings accounts	**16.1**	**273,780**	644,530
- term deposit receipts	**16.2**	**10,000**	10,000
		413,747	703,221

16.1 Savings accounts carry mark-up ranging up to 10.25% (June 30, 2018: 4.5%) per annum.

16.2 Term deposit receipts of Rs.10,000 thousand (June 30, 2018: Rs.10,000 thousand) are under lien with the bank against a bank guarantee issued on behalf of the Company.

17. SHARE CAPITAL

	2019	2018
	---- Rupees in '000 ----	
17.1 Authorised capital		
120,000,000 (June 30, 2018: 80,000,000) ordinary shares of Rs.10 each	**1,200,000**	800,000
17.2 Issued, subscribed and paid-up capital		
100,000,000 (June 30, 2018: 40,000,000) ordinary shares of Rs.10 each issued as fully paid in cash	**1,000,000**	400,000

17.3 Movement in issued, subscribed and paid-up capital

2019	2018		2019	2018
---Number of shares---				
40,000,000	40,000,000	Balance at beginning of the year	**400,000**	400,000
60,000,000	-	Ordinary shares of Rs.10 each issued during the year in cash	**600,000**	-
100,000,000	40,000,000	Balance at end of the year	**1,000,000**	400,000

17.3 Shirazi Investments (Private) Limited and its nominees hold 100% ordinary shares of the Company as at June 30, 2019 and June 30, 2018.

18. LONG TERM LOAN - Secured

The Company has obtained term finance amounting Rs.500,000 thousand from Allied Bank Limited for the purpose of capital expenditure. The loan carries mark-up at the rate of 3 months KIBOR plus 0.6% and is secured against first pari passu hypothecation charge on existing and future plant & machinery with 25% margin and equitable mortgage against land with 25% margin. This loan is for five years from the date of disbursement (November 28, 2018) and is repayable in 16 quarterly instalments with grace period of one year.

19. COMPENSATED ABSENCES

	2019	2018
	---- Rupees in '000 ----	
Balance at beginning of the year	**59,693**	39,783
Add: provision for the year	**23,941**	23,714
Less: payments made during the year	**3,319**	3,804
Balance at end of the year	**80,315**	59,693

19.1 Includes liability in respect of key management personnel aggregating to Rs.20,649 thousand (June 30, 2018: Rs.13,503 thousand).

20. DEFERRED TAXATION - Net

	2019	2018
	---- Rupees in '000 ----	
The liability for deferred tax comprises temporary differences relating to:		
Accelerated tax depreciation and amortization	**170,661**	96,177
Provision for doubtful debts	**(7,396)**	(4,712)
Provision for compensated absences	**(22,854)**	(16,556)
Provision for gratuity	**(2,199)**	(4,123)
Provision for slow moving stock	**(1,423)**	(1,387)
Minimum tax recoupable	**(114,883)**	-
	21,906	69,399

21. TRADE AND OTHER PAYABLES

	Note	2019	2018
		---- Rupees in '000 ----	
Trade payables			
- Associated Companies		**10,055**	3,774
- Others		**1,197,314**	880,113
Accrued liabilities		**317,333**	312,324
Royalty payable		**111,729**	97,835
Contract liabilities - advances from customers		**103,177**	62,170
Retention money		**789**	789
Workers' profit participation fund	21.1	**27,430**	52,597
Workers' welfare fund		**26,136**	27,058
Payable to staff retirement benefit fund - gratuity	21.2	**7,727**	14,866
Sindh government infrastructure fee	21.3	**73,224**	49,919
Others	21.4	**5,913**	4,408
		1,880,827	1,505,853

21.1 Workers' profit participation fund

	Note	2019	2018
Balance at beginning of the year		**52,597**	51,258
Add: allocation for the year	28	**27,135**	52,269
Add: interest on funds utilised in the Company's business	29	**295**	328
		80,027	103,855
Less: payments made during the year		**52,597**	51,258
Balance at end of the year		**27,430**	52,597

21.2 Payable to staff retirement benefit fund

21.2.1 As stated in note 5.14.2, the Company operates an approved funded gratuity scheme for its staff who completes the qualifying period of service.

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

21.2.3 The latest actuarial valuation of the scheme as at June 30, 2019 was carried out by an independent expert, using the 'Projected Unit Credit Method'. Details of the scheme as per the actuarial valuation are as follows:

21.2.4 Reconciliation

	2019	2018
	--- Rupees in '000 ---	
Present value of defined benefit obligation	**128,511**	108,469
Fair value of plan assets	**(98,958)**	(82,105)
Receivable from related parties in respect of transferees	**(21,826)**	(11,498)
Net liability at end of the year	**7,727**	14,866

	2019	2018
	--- Rupees in '000 ---	
21.2.5 Movement in the present value of defined benefit obligation		
Balance at beginning of the year	**108,469**	65,374
Current service cost	**7,812**	3,840
Interest cost	**9,658**	5,026
Re-measurement on obligation	**(8,992)**	6,079
Benefits paid	**(7,112)**	(9,410)
Liability recognised in respect of transfers from related parties	**18,676**	37,560
Balance at end of the year	**128,511**	108,469
21.2.6 Movement in the fair value of plan assets		
Balance at beginning of the year	**82,105**	58,103
Contributions	**13,276**	4,978
Benefits paid	**(7,112)**	(9,410)
Interest income	**7,871**	4,509
Re-measurement	**(5,531)**	(2,841)
Fund transferred	**8,349**	26,766
Balance at end of the year	**98,958**	82,105
21.2.7 Plan assets comprise of:		
Equity instrument	**-**	42,113
Fixed income instruments	**57,083**	39,849
Cash and others	**41,875**	143
	98,958	82,105
21.2.8 Expense recognised in the statement of profit or loss		
Current service cost	**7,812**	3,840
Net Interest cost	**1,787**	517
	9,599	4,357
21.2.9 Re-measurement recognised in other comprehensive income		
Gain from change in financial assumptions	**(5,778)**	(541)
Experience (gain) / loss	**(3,214)**	6,620
Loss on re-measurement of plan assets	**5,531**	2,841
	(3,461)	8,920
21.2.10 Net liability recognised		
Balance at beginning of the year	**14,865**	6,567
Charge for the year	**9,599**	4,357
Contribution	**(13,276)**	(4,978)
Re-measurement recognised in other comprehensive income	**(3,461)**	8,920
Balance at end of the year	**7,727**	14,865

21.2.11 **Actuarial assumptions used**	**2019**	2018
	14.25%	9.00%
Expected rate of increase in future salaries		
- first year	**5.00%**	10.00%
- long term	**13.25%**	8.00%
Demographic assumptions		
- Mortality rates (for death in service)	**SLIC (2001-05)**	SLIC (2001-05)
- Rates of employee turnover	**Moderate**	Moderate

21.2.12 **Sensitivity analysis for actuarial assumptions**

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

	Impact on defined benefit obligation		
	Change in assumptions	**Increase in assumption**	**Decrease in assumption**
		--- Rupees in '000 ---	
Discount rate	1.00%	121,077	136,979
Increase in future salaries	1.00%	136,378	121,490

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

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

21.2.13 Based on actuary's advice, the expected charge for the year ending June 30, 2020 amounts to Rs.10,271 thousand.

21.2.14 The weighted average duration of the gratuity scheme is 6.16 years. Expected maturity analysis of undiscounted retirement benefit plans:

	Less than a year	**Between 1-2 years**	**Between 2-5 years**	**Over 5 years**	**Total**
	Rupees in '000				
As at June 30, 2019	20,069	33,402	45,155	1,967,813	2,066,439

21.3 This represents provision against infrastructure fee levied by the Government of Sindh through Sindh Finance (Amendment) Ordinance, 2001. The levy of infrastructure fee is disputed and various companies have filed appeals before the High Court of Sindh (the Court) which are pending adjudication.

21.4 Other liabilities include vehicle deposits under Company's vehicle policy aggregating Rs.5,025 thousand (June 30, 2018: Rs.4,215 thousand).

22. SHORT TERM FINANCES - Secured

Short term finance facilities available from various commercial banks under mark-up arrangements aggregate to Rs.1,150,000 thousand (June 30, 2018: Rs.1,150,000 thousand) and are secured against pari passu hypothecation charge over the Company's stock-in-trade and trade debts to the extent of Rs.1,535,000 thousand (June 30, 2018: Rs. 1,535,000 thousand). During the year these finance facilities carry mark-up at the rates ranging from 7.02%. to 11.43% These facilities are expiring on various dates by March 31, 2020.

The facilities for opening letters of credit as at June 30, 2019 aggregated to Rs.1,250,000 thousand (June 30, 2018: Rs.1,150,000 thousand) of which unutilized balance at year-end aggregated to Rs.825,632 thousand (June 30, 2018: Rs.788,692 thousand). These facilities are secured by lien on import documents and are expiring on various dates up to March 31, 2020.

23. CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

23.1.1 There was no significant litigation against the Company as at June 30, 2019 and June 30, 2018.

23.1.2 Guarantees aggregating Rs.132,141 thousand (June 30, 2018: Rs.65,378 thousand) have been issued by a commercial bank on behalf of the Company to Collector of Customs, Excise & Taxation Department, Government of Sindh, SSGC LPG (Private) Limited and Sui Northern Gas Pipelines Limited.

23.2 Commitments

23.2.1 Commitments outstanding for letters of credit relating to capital expenditure and stock-in-trade as at June 30, 2019 aggregated to Rs.424,368 thousand (June 30, 2018: Rs.361,308 thousand).

23.2.2 Commitments outstanding for capital expenditure other than through letters of credit as at June 30, 2019 aggregated to Rs.83,503 thousand (June 30, 2018: Rs. 49,353 thousand).

24. SALES - Net

	Note	2019	2018
		--- Rupees in '000 ---	
Local sales			
- manufacturing activity		**10,452,457**	11,311,138
- trading and services		**5,152,502**	3,334,291
		15,604,959	14,645,429
Less:			
- sales tax		**1,782,077**	1,823,863
- discounts		**40,565**	32,093
		1,822,642	1,855,956
		13,782,317	12,789,473

25. COST OF SALES AND SERVICES

	Note	2019	2018
Opening stock of finished goods		**75,715**	35,335
Cost of goods manufactured and service provided	**25.1**	**9,144,108**	9,594,439
Purchases during the year		**3,719,895**	1,658,479
		12,864,003	11,252,918
Less: closing stock of finished goods		**72,164**	75,715
		12,867,554	11,212,538

25.1 Cost of goods manufactured and services provided	Note	2019	2018
		--- Rupees in '000 ---	
Raw materials and components consumed	25.2	**7,077,398**	7,973,945
Stores consumed		**270,263**	250,906
Direct labour	25.3	**409,815**	381,358
Salaries and other benefits	25.3	**380,092**	286,483
Travelling and conveyance		**15,971**	17,812
Light, heat and water		**185,057**	96,401
Repair and maintenance		**131,355**	83,575
Rent, rates and taxes		**75,277**	58,137
Royalty	25.4	**323,252**	278,834
Insurance		**29,691**	18,487
Canteen		**18,810**	12,162
Vehicle running expenses		**11,644**	7,662
Depreciation	6.2	**211,334**	125,869
Amortisation	7	**1,285**	1,714
Others		**3,121**	1,094
		9,144,365	9,594,439
Work in process at the year end		**(257)**	-
		9,144,108	9,594,439

25.2 Raw materials and components consumed		
Opening stock	**644,120**	499,396
Purchases during the year	**7,071,944**	8,118,669
	7,716,064	8,618,065
Less: closing stock of finished goods	**638,666**	644,120
	7,077,398	7,973,945

25.3 Direct labour and Salaries & other benefits include Rs.37,340 thousand (June 30, 2018: Rs.30,568 thousand) in respect of staff retirement benefits.

25.4 Royalty charged in these financial statement pertains to Showa Corporation having registered office at 1-14-1, Fujiwara-cho Gyoda, Saitama 361-8506 Japan, F.C.C Co. Limited having registered office at 7000-36, Nakagawa, Hosoe-cho Kita-ku, Hamammatsu-shi, Shizouka-ken, Japan , Atsumitec Company Limited having registered office at 4-6-1 Takaokanishi Naka-ku, Hamamatsu-shi Shizuoka Prefecture, 433-8118 Japan and Daido Kogyo Co., Ltd having registered office I-197 Kumasaka -cho Kaga city, Isikawa Pref., 922-8686, Japan.

26. ADMINISTRATIVE AND GENERAL EXPENSES

	Note	2019	2018
		--- Rupees in '000 ---	
Salaries and other benefits	26.1	**148,061**	157,829
Travelling, conveyance and entertainment		**13,938**	13,820
Repairs and maintenance		**5,279**	5,187
Depreciation	6.2	**13,653**	11,320
Provision for doubtful debts	12.3	**9,000**	3,000
Legal and professional charges		**25,575**	8,429
Advertisement and sales promotion		**91,961**	20,500
Printing & stationery, insurance and rates & taxes		**23,032**	14,955
Vehicle running expense		**6,179**	5,127
Donation	26.2	**13,264**	12,063
Others		**8,930**	8,636
		358,872	260,866

26.1 Salaries and other benefits include Rs.17,737 thousand (June 30, 2018: Rs.17,872 thousand) in respect of staff retirement benefits.

26.2 Donation of Rs.13,264 thousand (June 30, 2018: Rs.12,063 thousand) charged in these financial statements is paid to Atlas Foundation, 2nd Floor, Federation House, Shara-e-Firdousi, Clifton, Karachi (the Foundation). Mr. Yusuf H. Shirazi, Chairman of the Company and Frahim Ali Khan, Director of the Company are Directors of the Foundation.

27. OTHER INCOME

	Note	2019	2018
		--- Rupees in '000 ---	
Income from financial assets			
Mark-up / interest on savings accounts and term deposit receipts		**9,147**	11,937
Dividend income		**26,190**	27,645
Income from assets other than financial assets			
Commission and others		**13,523**	53,165
Gain on disposal of operating fixed assets		**-**	829
		48,860	93,576

28. OTHER EXPENSES

	Note	2019	2018
Workers' profit participation fund	21.1	**27,135**	52,269
Workers' welfare fund			
- current year		**26,136**	27,058
- prior year		**(3,656)**	(546)
		22,480	26,512
Auditors' remuneration			
- statutory audit fee		**1,000**	800
- certifications, special audit fee and others		**1,385**	324
- out of pocket expenses		**49**	30
		2,434	1,154
		52,049	79,935

29. FINANCE COST

	Note	2019	2018
		--- Rupees in '000 ---	
Mark-up on long term loans		**32,784**	-
Mark-up on short term finances		**38,360**	-
Interest on workers' profit participation fund	21.1	**295**	328
Bank and other financial charges		**3,183**	2,979
		74,622	3,307

30. TAXATION

	2019	2018
Current tax		
Current tax on profits for the year	**152,132**	308,449
Adjustments for current tax of prior year	**10,798**	-
	162,930	308,449
Deferred tax		
Origination and reversal of temporary differences	**(48,497)**	39,582
Impact of change in tax rate	**-**	(1,113)
	(48,497)	38,469
	114,433	346,918

30.1 No numeric tax rate reconciliation for the year is given in the financial statements, as provision made during the current 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 preceding financial year is as follows:

	June 30, 2018 Rupees in '000
Profit before taxation	1,326,403
Tax at the applicable rate of 30%	397,921
Tax effect of:	
- amount not deductible for tax purposes	54,611
- amount deductible for tax purposes but not taken to the statement of profit or loss	(90,743)
- income not subject to tax / income subject to final tax regime / tax credits	(89,519)
Super tax	36,179
Deferred taxation	38,469
	346,918

31. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	Executives	
	2019	2018
	--- Rupees in '000 ---	
Managerial remuneration	**64,736**	53,636
House rent and utilities	**25,331**	20,988
Bonus	**15,949**	28,411
Retirement benefits	**6,192**	5,135
Medical and others	**2,207**	1,575
	114,415	109,745
Number of persons	**29**	32

31.1 Some executives are also provided with the Company's vehicles in accordance with terms of employment.

31.2 No remuneration has been paid or is payable by the Company on account of remuneration of Chief executive officer and Directors for the year.

32. RELATED PARTIES

Related parties comprise of the Holding Company, Subsidiary Companies, Associated Companies, staff retirement funds, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. 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:

32.1 Name and nature of relationship

a) The Holding Company

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

b) Subsidiary Companies - wholly owned

Atlas Aluminium (Private) Limited

Atlas Die Casting (Private) Limited

c) Associated Companies due to significant influence

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

d) Associated Companies due to common directorship

Atlas Engineering (Private) Limited

Atlas Metals (Private) Limited

Atlas Honda Limited

Shirazi Trading Company (Private) Limited

Atlas Battery Limited

Pakistan Cables Limited

Atlas Insurance Limited

Honda Atlas Cars Pakistan Limited

Atlas Foundation

Atlas Power Limited

Atlas Asset Management Limited

Atlas Global, FZE (note 32.1.1)

e) Associated companies under common management

Atlas Worldwide General Trading LLC (note 32.1.2)

32.1.1 Atlas Global FZE (AG) is a Free Zone establishment with limited liability in the Jebel Ali Free Zone, Dubai, UAE formed under the Law 9 of 1992 and implementing regulation issued there under by Jebel Ali Free Zone. The registered office of AG is P.O. Box 17442, Dubai, UAE. Mr. Iftikhar H. Shirazi is the Chief Executive Officer of AG. Major line of business of AG is general trading activities. Auditors have expressed unqualified opinion on the financial statements of AG for the year ended June 30, 2018.

32.1.2 Atlas Worldwide General Trading (L.L.C) (AWWT) established with limited liability in Dubai formed under Federal Law 2 of 2015 by Dubai, UAE. The registered office of AWWT is Office 311, Nasir Ahmed Nasir Lootah Building, Khalid Bin Al Waleed Road, Dubai, UAE. Mr. Iftikhar H. Shirazi is the Chief Executive Officer of AWWT. Major line of business of AWWT is general trading activities. Auditors have expressed unqualified opinion on the financial statements of AWWT for the period ended June 30, 2018.

32.2 Transactions with related parties	**2019**	2018
	--- Rupees in '000 ---	
The Holding Company		
Dividend paid	**1,000,000**	100,000
Rent paid	**48,713**	37,400
Proceed from sale of a Subsidiary Company	**1,998,692**	-
Proceed from issue of shares	**600,000**	-
Receipt under group taxation	**151,091**	23,582
Subsidiary Companies		
Sales goods and services	**108,782**	129,386
Purchases		
- goods and services	**18,352**	1,855
- operating fixed assets	**10,942**	22,064
Long term investment acquired	**700,000**	300,000
Reimbursement claimed	**1,070**	1,681
Loan disbursed	**1,000,000**	-
Associated Companies		
Sales		
- goods and services	**10,541,659**	11,405,767
- operating fixed assets	**12,325**	22,583
Purchases		
- goods and services	**1,959,691**	1,986,915
- operating fixed assets	**54,402**	490,375
- intangible asset	**-**	264
Dividend received	**26,190**	27,645
Commission income	**-**	17,003
Insurance premium paid	**82,595**	56,205
Rent paid	**3,570**	8,825
Reimbursement for utilities and shared services	**42,856**	37,522
Donation paid	**13,264**	12,063
Other related parties		
Contributions paid to:		
- gratuity funds	**13,276**	4,978
- pension schemes	**21,596**	20,369
Key management personnel		
- salaries and other employment benefits	**58,130**	52,426
- sale of vehicles under company policy	**6,800**	1,151

33. FINANCIAL RISK MANAGEMENT

33.1 Financial risk factors

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

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

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

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

(a) Credit risk

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

The carrying amount of financial assets represents the maximum credit exposure. The financial assets exposed to credit risk amounted to Rs.925,538 thousand (June 30, 2018: Rs.1,020,314 thousand) as at June 30, 2019. Out of the total financial assets credit risk is concentrated in trade debts and deposits with banks as they constitute 96% (June 30, 2018: 97%) of the total financial assets.

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

	2019	2018
	---- Rupees in '000 ----	
Long term deposits	**13,940**	13,940
Long term loans and advances	**10,029**	7,634
Trade debts	**475,685**	282,449
Loans and advances	**10,842**	11,075
Deposits and other receivables	**1,295**	1,995
Bank balances	**413,747**	703,221
	925,538	1,020,314

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:

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

(b) Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At June 30, 2019, the Company had Rs.1,150,000 thousand available borrowings limits from banks / financial institutions and of bank balances Rs.413,747 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, 2019				
Long term loans	**500,000**	**685,035**	**132,199**	**552,836**
Trade and other payables	**1,880,827**	**1,880,827**	**1,880,827**	**-**
Accrued mark-up	**20,999**	**20,999**	**20,999**	**-**
	2,401,826	**2,586,861**	**2,034,025**	**552,836**
June 30, 2018				
Trade and other payables	1,505,853	1,505,853	1,505,853	-

(c) Market risk

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

Foreign exchange risk

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

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

	June 30, 2019			June 30, 2018		
	Rupees	**Japanese Yen**	**US Dollar**	Rupees	Japanese Yen	US Dollar
	-- Amount in '000 --			-- Amount in '000 --		
Trade and other payables	**97,541**	**62,522**	**12**	80,216	71,452	16

Exchange rate of 1.5285 (June 30, 2018: 1.0962) for Rupee to Japanese Yen and 164.5 for Rupee to US dollar (June 30, 2018 :121.56) has been applied.

At June 30, 2019, if the Rupee had strengthened / weakened by 5% against Japanese Yen / US dollar with all other variables held constant, profit before taxation for the year would have been higher / (lower) by Rs.4,877 thousand (June 30, 2018: Rs.4,011 thousand) mainly as a result of foreign exchange gain / (loss) on translation of foreign denominated financial liabilities.

Interest rate risk

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

The Company's interest rate exposure arises from long term loans and short term borrowings. Borrowings issued at variable rates expose the Company to cash flow risk and borrowing issued at fixed rate expose the Company to fair value interest rate risk. At June 30, 2019, the Company's interest bearing borrowings aggregated to Rs.500,000 thousand (June 30, 2018: Nil).

At June 30, 2019, 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.5,000 thousand (June 30, 2018: Nil) lower / higher mainly as a result of higher / (lower) interest expense on floating rate borrowings.

Price risk

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

33.2 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].

Currently there are no financial assets or financial liabilities which are measured at their fair value in the statement of financial position.

33.3 Capital management

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

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

34. PLANT CAPACITY AND ACTUAL PRODUCTION

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

35. NUMBER OF EMPLOYEES

	Factory		Others	
	2019	2018	**2019**	2018
Total number of employees	**435**	446	**106**	44
Average number of employees	**436**	350	**100**	40

36. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on September 17, 2019 by the board of directors of the Company.

Chief Executive Officer **Director**