

Agriauto Industries Limited

2019 annual report



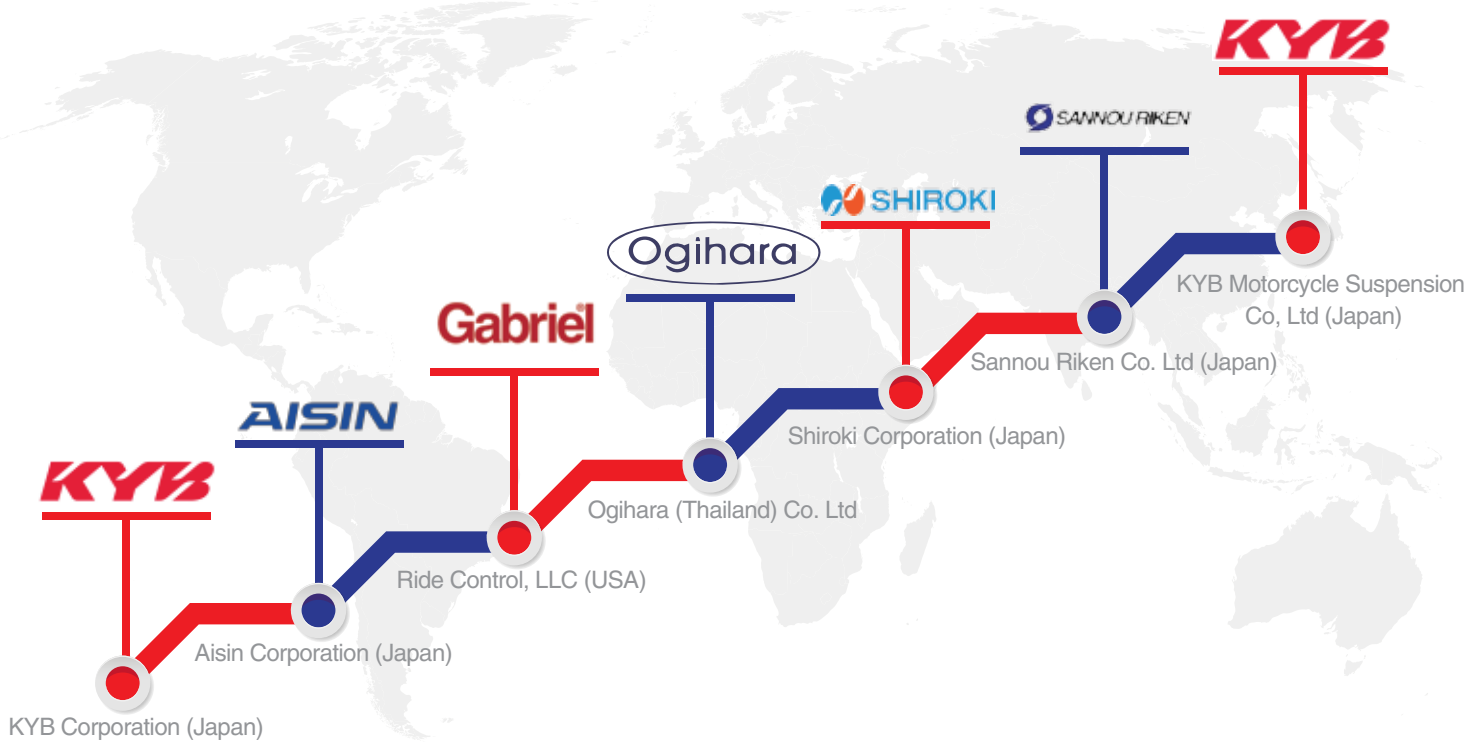
The Company

Agriauto Industries Limited is a public limited company incorporated in 1981 and quoted on the Pakistan Stock Exchange.

The company is one of the leading automotive components manufacturers in the private sector and the first company in Pakistan to acquire TS-16949 Certification.

Technical Collaborations with leading international companies have added to the company's technical versatility. The product range covers both original equipment manufacturers (OEM's) and the after market.

Our Global Partners



Our Customers





04	Vision
05	Corporate Information
07	Our Products
11	Notice of the Meeting
15	Six years at a glance
16	Financial Highlights
17	Board of Directors
19	Chairman's Review
20	Chairman's Review in Urdu

Contents



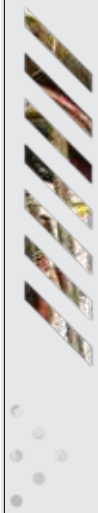
21	Directors' Report
38	Directors' Report in Urdu
29	Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017
41	Review Report
42	Auditors' Report
47	Financial Statements (Unconsolidated)
76	Financial Statements (Consolidated)
113	Pattern of Shareholding Proxy Form

GEARING UP

AGAINST CHALLENGES

GEARING UP AGAINST CHALLENGES





Vision

A world class manufacturer and supplier of high entry barrier automotive components providing competitive returns to all stakeholders.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Yutaka Arae
Fahim Kapadia
Hamza Habib
Salman Burney
Sohail P. Ahmed
Ayesha T. Haq
Muhammad Ali Jameel

Chairman
Chief Executive
Non Executive Director
Non Executive Director
Non Executive Director
Independent Director
Independent Director

AUDIT COMMITTEE

Muhammad Ali Jameel
Sohail P. Ahmed
Ayesha T. Haq

Chairman
Member
Member

HUMAN RESOURCE & REMUNERATION COMMITTEE

Muhammad Ali Jameel	Chairman
Salman Burney	Member
Sohail P. Ahmed	Member
Yutaka Arae	Member
Fahim Kapadia	Member

CHIEF FINANCIAL OFFICER

Saad Usman

COMPANY SECRETARY

Syed Jawwad ul Haq Haqqi

AUDITORS

EY Ford Rhodes
Chartered Accountants



CHALLENGES

SHARE REGISTRAR

FAMCO Associates (Pvt.) Limited
8-F, Next to Hotal Faran, Nursery,
Block-6, P.E.C.H.S.,
Shahrah-e-Faisal, Karachi.
Tel: 34380101-5, 34384621-3

BANKERS - CONVENTIONAL

Habib Metropolitan Bank Limited
Standard Chartered Bank (Pakistan) Ltd
National Bank of Pakistan
Habib Bank Limited
United Bank Limited
MCB Bank Limited

FACTORY

Agriauto Industries Limited
MouzaBaroot, Hub Chowki Distt. Lasbella,
Balochistan.

Agriauto Stamping Company (Pvt.) Ltd
DSU-12B, Down Stream Industrial Estate
Pakistan Steel, Bin Qasim, Karachi.

REGISTERED OFFICE

5th Floor, House of Habib
3 JCHS, Main Shahrah-e-Faisal, Karachi.
Website: www.agriauto.com.pk
Email: info@agriauto.com.pk



OUR PRODUCTS



McPherson Assembly



Power Window Regulator



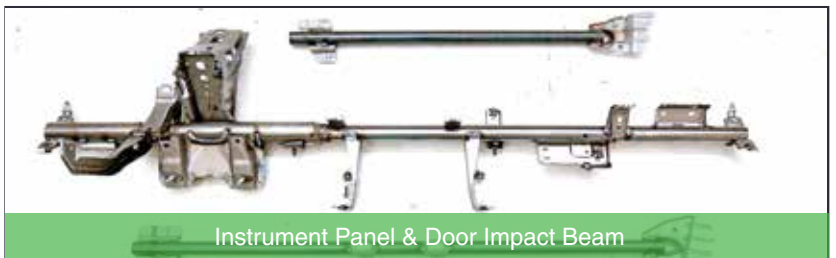
Fuel Tank - Passenger Car



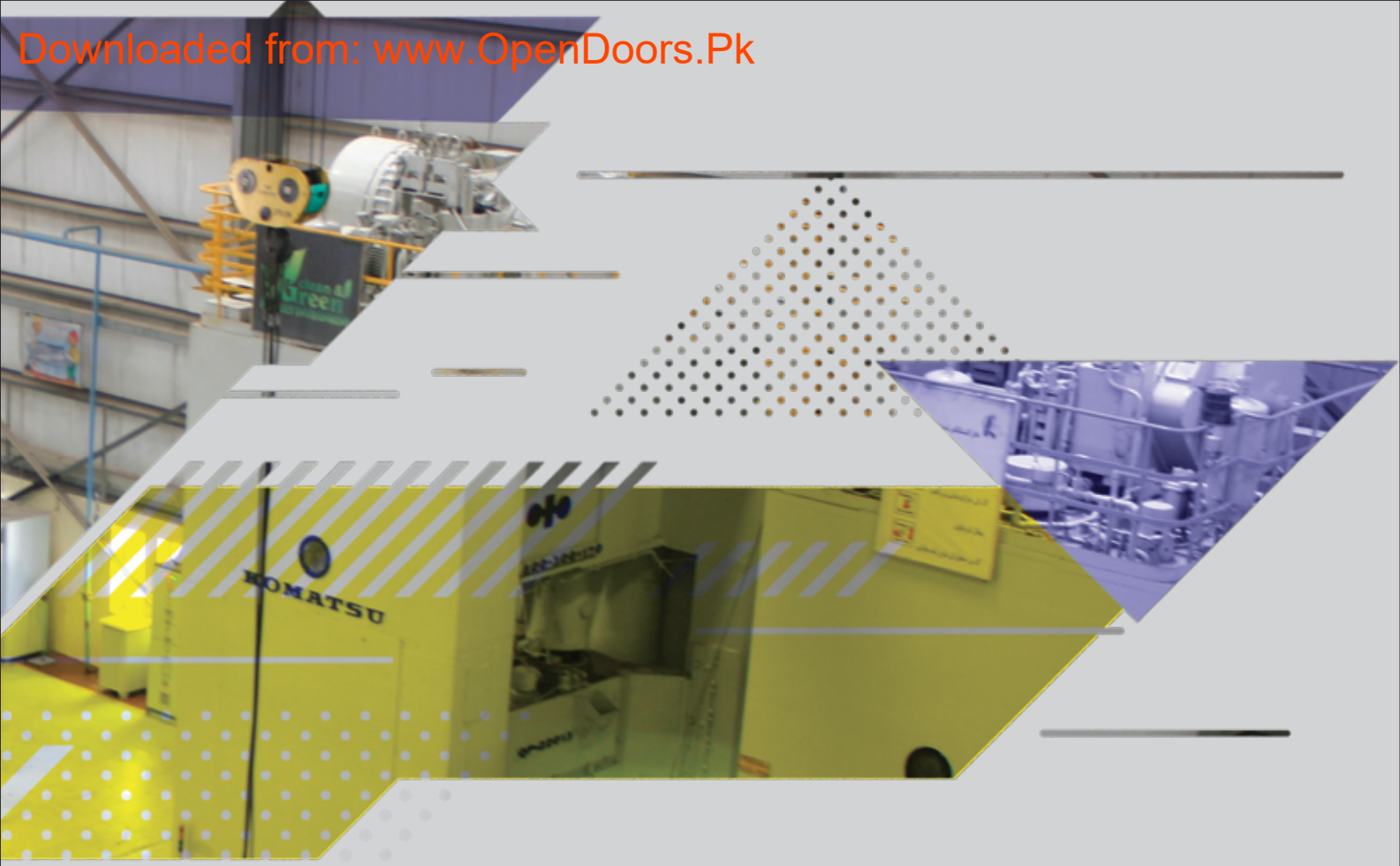
Catalytic Converters



Steering Box - Tractors



Instrument Panel & Door Impact Beam



Motorcycle Shock Absorbers Components



Door Hinges



Shock Absorbers



Front Suspension for Motorcycle



Camshafts - Tractors



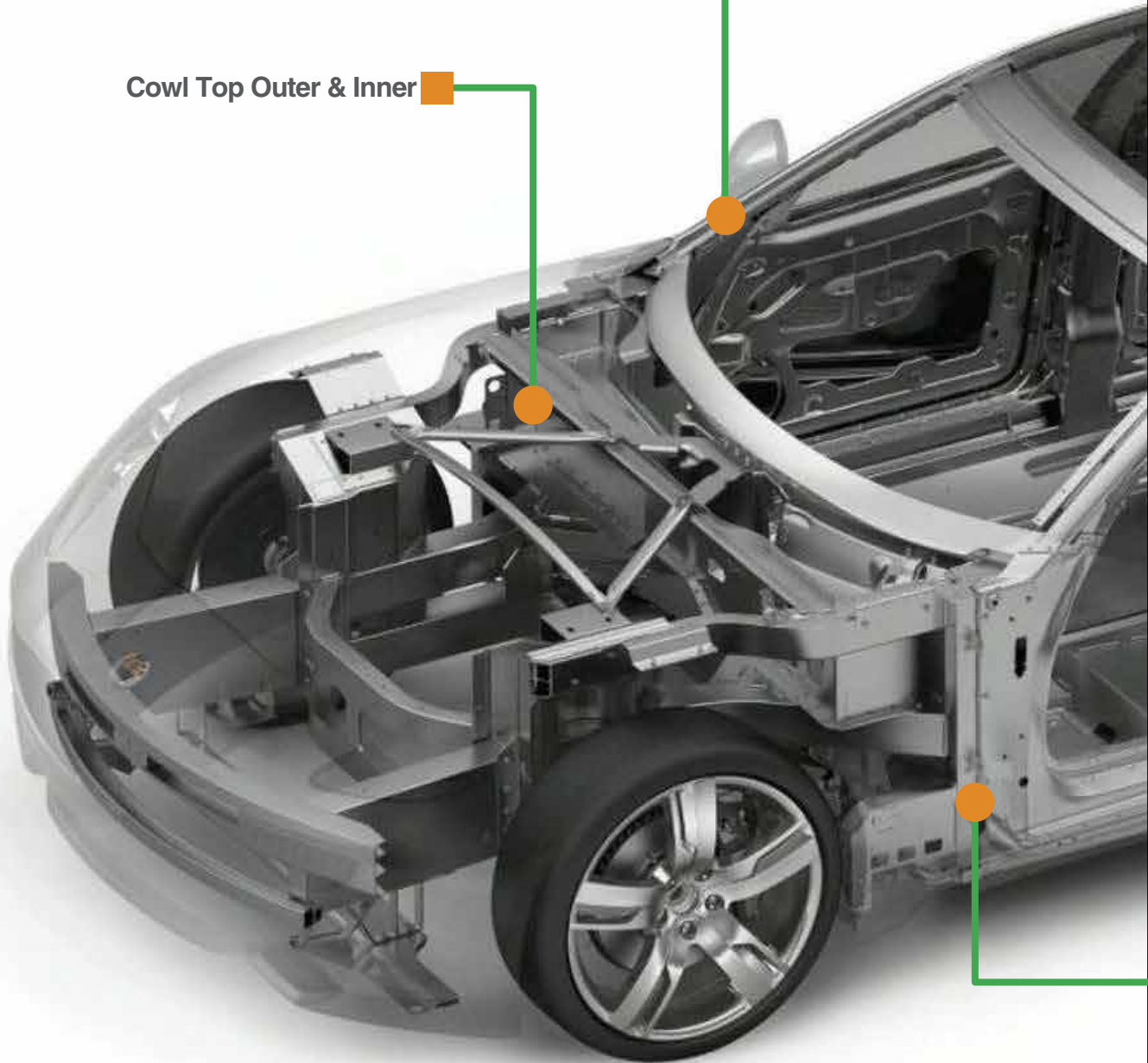
Suspension Strut Assembly

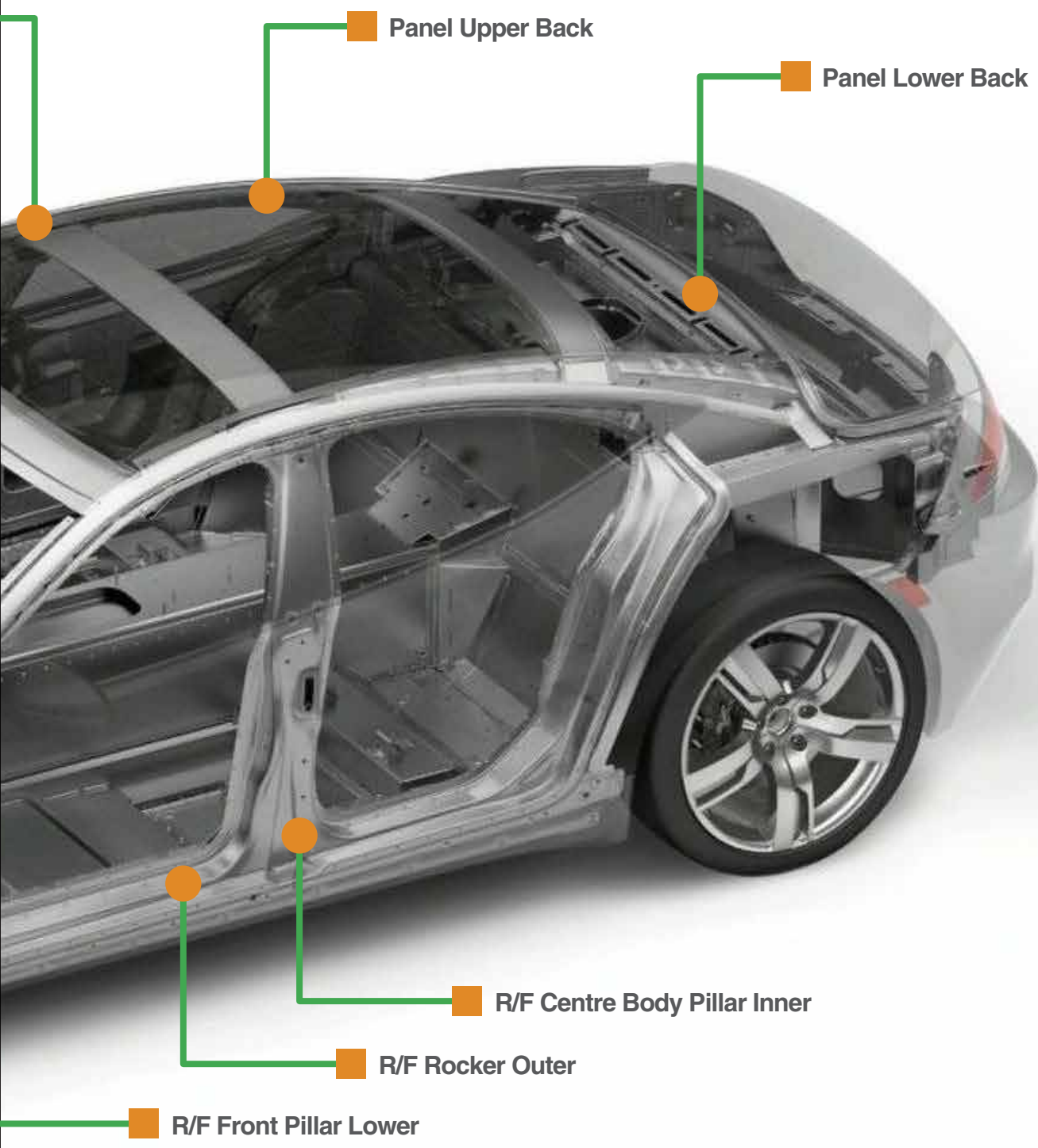


Rail Roof Side Inner

Panel Front Inner

Cowl Top Outer & Inner





NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the Thirty Eighth Annual General Meeting of the Members of the Company will be held on Monday, October 21, 2019 at 10:30 AM, at the Institute of Chartered Accountants of Pakistan Auditorium, Clifton, Karachi to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2019, together with the Chairman's Review Report, Report of the Directors and Auditors thereon.
2. To approve a final cash dividend of 140% i.e. Rs. 7.00 per share for the year 2018-19 as recommended by the Board of Directors. This is in addition to the Interim Dividend of 60% i.e. Rs. 3.00 per share already paid. The total dividend for 2018-19 will thus amount to 200% i.e. Rs. 10.00 per share.
3. To appoint Auditors for the year 2019-20 and to fix their remuneration. The present auditors – M/s EY Ford Rhodes, Chartered Accountants, being eligible, have offered themselves for reappointment.

SPECIAL BUSINESS

4. To consider, and if thought fit, pass the following as an Ordinary Resolution, with or without modification, to obtain consent from the members for the transmission of Annual Audited Accounts of the Company in electronic form:

“RESOLVED that the consent and approval of the members of the Company be and is hereby accorded for transmission of annual reports including annual audited accounts, auditor's report and directors' report, notices of annual general meetings and other information contained therein of the Company to the members for future years through CD/DVD/USB instead of transmitting the same in hard copies.

FURTHER RESOLVED that the Chief Executive Officer or the Company Secretary of the Company be and is hereby authorized to do all acts, deeds and things, take or cause to be taken all necessary actions to comply with all legal formalities and requirements and file necessary documents as may be necessary or incidental for the purposes of implementing this resolution.”

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017 REGARDING THE SPECIAL BUSINESS:

ITEM # 4 OF THE NOTICE

The directors of the Company have recommended the resolution which will enable company to transmit its annual statement of financial position, profit or loss account, auditor's report and directors' report etc. ("annual audited accounts") through CD/DVD/USB at the registered address of the member and to bring about and implement the Securities and Exchange Commission of Pakistan's directive communicated through Notification # SRO 470(1)2016 dated 31st May 2016.

The Directors are not interested, directly or indirectly, in the above business except to the extent of their investment as has been detailed in the pattern of shareholding annexed to the Directors' Report.

Karachi.
Dated: August 29, 2019

By Order of the Board
Syed Jawwad ul Haq Haqqi
Company Secretary

NOTES:

1. Closure of Share Transfer Books

The Share Transfer Books of the Company will remain closed from October 15, 2019 to October 21, 2019 (both days inclusive) and the final dividend will be paid to the Members whose names will appear in the Register of Members on October 14, 2019. Members (Non-CDC) are requested to promptly notify the Company's Registrar of any change in their addresses and submit, if applicable to them, the Non-deduction of Zakat Form CZ-50 with the Registrar of the Company M/s. FAMCO Associates (Private) Ltd., 8-F, Next to Hotel Faran, Nursery, Block-6, PECHS, Sharae Faisal Karachi. Tel: +92-21-34380101-5, +92-21-34384621-3 (Ext-103) Fax: +92-21-34380106. All the Members holding the shares through the CDC are requested to update their addresses and Zakat statuses with their Participants.

2. Participation in the Meeting

Members whose names appearing in the Register of Members as of October 14, 2019, are entitled to attend and vote at the Meeting. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend, speak and vote for him/her. A proxy must be a Member of the Company.

An instrument of proxy applicable for the Meeting is being provided with the Notice sent to Members. Further copies of the instrument of proxy may be obtained from the Registered Office of the Company during normal office hours. Proxy form may also be downloaded from the Company's website: <http://www.agriauto.com.pk>.

An instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must, to be valid, be deposited at the Registered Office of the Company not less than 48 hours before the time of the Meeting.

Members are requested to submit a copy of their Computerized National Identity Card/Smart National Identity Card (CNIC/SNIC), if not already provided and notify immediately changes, if any, in their registered address to our Shares Registrar, FAMCO Associates (Pvt) Ltd.

3. Guidelines for Central Depository Company of Pakistan Limited ('CDC') Account Holders

CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000, issued by the Securities and Exchange Commission of Pakistan (SECP).

A. For Attending the Meeting:

- I. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original CNIC/SNIC or original passport at the time of attending the Meeting.
- II. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies

- I. In case of individuals, the account holder or sub-account holder is and / or the person whose securities are in group account and their registration detail is uploaded as per the CDC Regulations, shall submit the proxy form as per the requirement.
- II. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

- III. Attested copies of the CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- IV. The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
- V. In case of corporate entities, Board of directors' resolution/power of attorney with specimen signature of the nominee shall be submitted (unless provided earlier) along with the proxy form to Company.
- VI. Form of proxy is enclosed.

4. Distribution of Annual Report Through Email

Pursuant to the provision of section 223(6) of the (companies Act 2017) and SRO 470(I) / 2016, the Companies are permitted to circulate their annual financial statements, along with the Auditor's report, director review report etc. ("Annual Report") and the notice of Annual General Meeting ("Notice") to its shareholders by email. Shareholders of the Company who wish to receive the hardcopy of Company's Annual Report and Notice of Annual General Meeting are requested to provide the complete Standard Request Form (available at the Company's Website) to the Company's Share Registrar, FAMCO Associates (Private) Limited.

Pursuant to the directives of the SECP, the dividend of shareholders whose CNIC/SNIC or NTN (in case of corporate entities), are not available with the Share Registrar could be withheld. Shareholders are therefore, requested to submit a copy of their valid CNIC/SNIC (if not already provided) to the Company's Share Registrar, FAMCO Associates (Pvt.) Ltd. 8-F, Block-6, P.E.C.H.S., Shakra-e-Faisal, Karachi.

6. Dividend Mandate (Mandatory)

In accordance with the provisions of Section 242 of the Companies Act 2017, and Regulation 4 of the Companies (Distribution of Dividends) Regulations 2017, a listed company is required to pay cash dividend to the shareholders ONLY through electronic mode directly into the bank account designated by the entitled shareholders instead of issuing physical dividend warrants.

In compliance with the above law, in order to receive dividends directly in your bank account, you are requested to provide the information mentioned in the Form placed at the Company's website <http://www.agriauto.com.pk> otherwise the Company would be constrained to withhold payment dividend (if any) in terms of Regulation 6 of the Companies (Distribution of Dividends) Regulations 2017. Shareholders shall submit the information directly to their brokers / Central Depository Company Ltd. If the shares are held in the electronic form or to the Company's Shares Registrar if the shares are held in physical form.

7. Revised Treatment of Withholding Tax

Dividend income on shares is liable to deduction of withholding tax under Section 150 of the Income Tax Ordinance, 2001 and pursuant to Finance Act 2019, effective July 1, 2019, withholding of tax on dividend based on 'Active' and 'Non-Active' status of shareholders shall be @ 15% and 30% respectively. Where 'Active' means a person whose name appears on the Active Taxpayers List available at e-portal of FBR (<http://www.fbr.gov.pk/>) and 'Non-Active' means a person whose name is not being appeared on the Active Taxpayers List.

Furthermore, according to clarification provided by the FBR; in case a Folio/CDS Account is jointly held, each joint-holder is to be treated separately as Active or Non-Active. In terms of the said clarification, tax of each joint-holder has been deducted on the gross dividend amount determined by bifurcating the shareholding of each joint-holder on equal proportions, except where shareholding proportion of joint-holder(s) is pre-defined as per the records of the Company's Share Registrar and thus tax rates are applied in line with respective proportions.

Those shareholders who are holding Folio/CDS jointly; are requested to notify (in writing) any change in their shareholding proportions to Company's Share Registrar (in case of physical shareholding) or their Participants/CDC Investor Account Services so that their revised shareholding proportions are considered by the Company in all prospective dividend payouts of the Company, if any.

8. Exemption from Deduction of Income Tax

As per FBR Circulars C. No.1 (29) WHT/2006 dated 30 June 2010 and C. No.1 (43) DG (WHT)/2008-Vol. II -66417-R dated 12 May 2015, the valid exemption certificate is mandatory to claim exemption of withholding tax U/S 150 of the Income Tax Ordinance, 2001 (tax on dividend amount) where the statutory exemption under clause 47B of Part -IV of Second Schedule is available. The shareholders who fall in the category mentioned in above clause and want to avail exemption U/S 150 of the Ordinance, must provide valid Tax Exemption Certificate to our Share Registrar before book closure otherwise tax will be deducted on dividend as per applicable rates.

9. Unclaimed Dividend

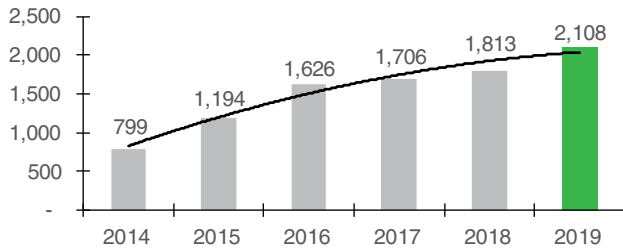
As per the provisions of section 244 of the Companies Act, 2017, any shares issued or dividend declared by the Company which have remained unclaimed/unpaid for a period of three years from the date on which it was due and payable, are required to be deposited with Securities and Exchange Commission of Pakistan for the credit of Federal Government after issuance of notices to the Shareholders to file their claim. The details of the shares issued and dividend declared by the Company which have remained due for more than three years are available on the Company's website <http://www.agriauto.com.pk>. Shareholders are requested to ensure that their claims for unclaimed dividend and shares are lodged promptly. In case, no claim is lodged, the Company shall proceed to deposit the unclaimed/unpaid amount and shares with the Federal Government pursuant to the provision of Section 244(2) of Companies Act, 2017.

SIX YEARS AT A GLANCE

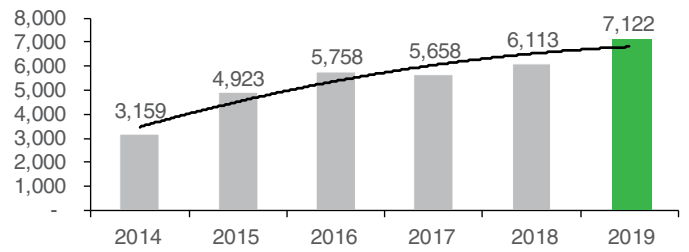
	Rs. '000'					
	2019	2018	2017	2016	2015	2014
Operating Results						
Net Sales	7,122,487	6,112,980	5,657,541	5,758,380	4,923,276	3,158,800
Gross Profit	1,078,665	1,115,918	1,045,884	1,034,475	988,652	510,937
Profit Before Tax	805,391	773,238	810,364	713,332	733,399	403,565
Profit After Tax	603,012	520,407	586,637	484,464	485,061	308,238
Earnings per share (Rs.)	20.94	18.07	20.37	16.82	16.84	10.70
Cash Dividend	200%	250%	200%	175%	150%	100%
Financial Position						
Current Ratio	5.24: 1	5.46: 1	5.21: 1	5.09: 1	5.58: 1	6.48: 1
Paid up share capital	144,000	144,000	144,000	144,000	144,000	144,000
Res. & unappropriated profit	3,998,798	3,726,986	3,537,779	3,203,142	3,006,678	2,665,617
Shareholders' equity	4,142,798	3,870,986	3,681,779	3,347,142	3,150,678	2,809,617
Breakup value per share (Rs.)	143.85	134.41	127.84	116.22	109.40	97.56
Return on Equity	14.56%	13.44%	15.93%	14.47%	15.40%	10.97%

FINANCIAL HIGHLIGHTS

Contribution to National Exchequer

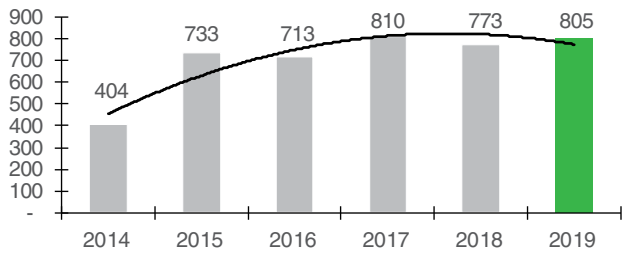


Revenues

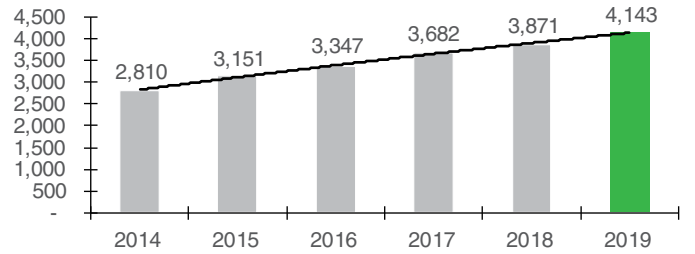


Profit before tax

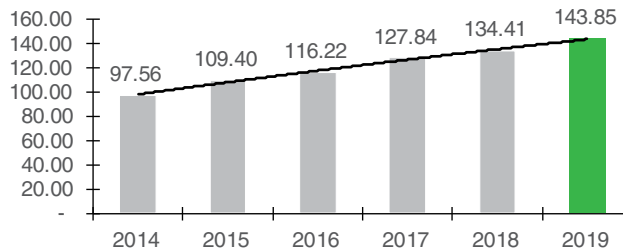
Rs. In million



Shareholders' Equity

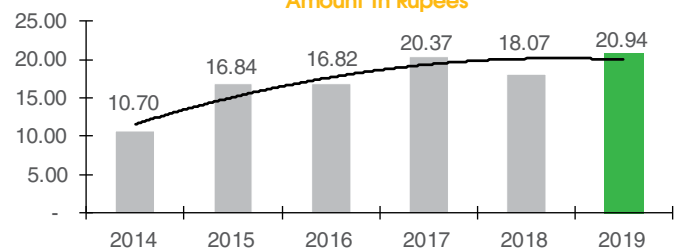


Breakup value per share



Earnings per share

Amount In Rupees

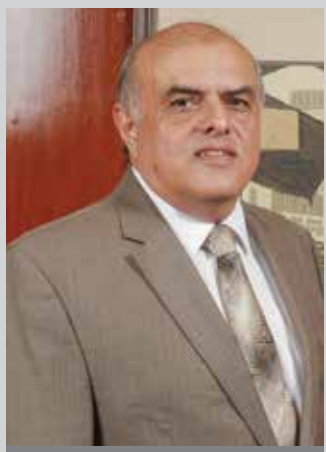




BOARD OF DIRECTORS



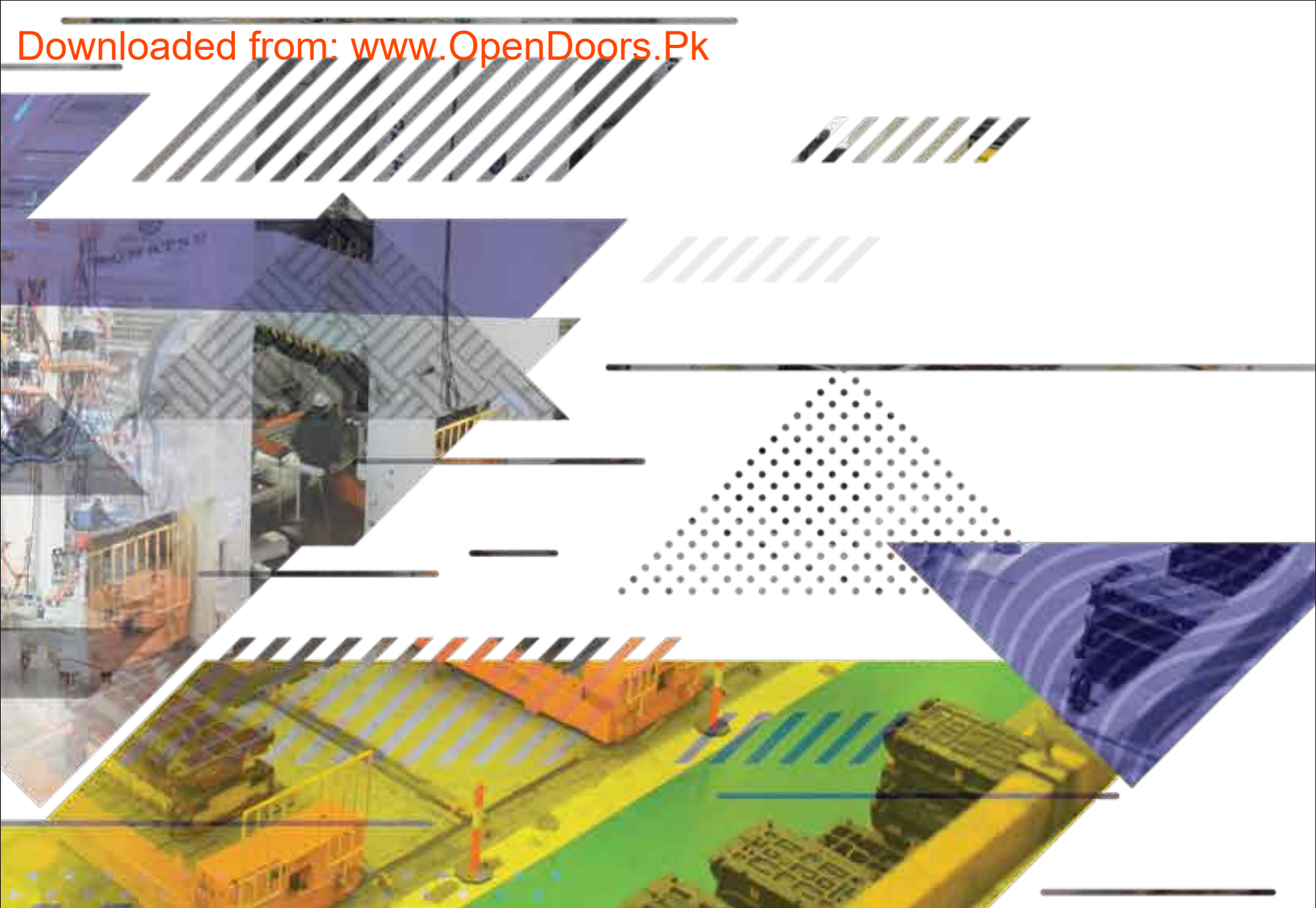
Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive



Hamza Habib
Director



Sohail P. Ahmed
Director



Salman Burney
Director



Ayesha T. Haq
Independent Director



M. Ali Jameel
Independent Director

CHAIRMAN'S REVIEW

I am pleased to present you the review on Annual Report of the Company for the year ended June 30, 2019. The Financial Year 2018-19 has been another year of successful performance and growth for Agriauto Industries Limited. On a consolidated basis, the Agriauto Group achieved its highest net sales and profit after tax of Rs.10.128 billion and Rs.1.054 billion respectively.

Based on the financial performance, the Board has recommended a final cash dividend of 140% i.e. Rs.7.0/- per share for approval from members at the Annual General Meeting. This is in addition to the Interim Dividends of 60% i.e. Rs.3.0/- per share already paid. The total dividend for the year 2018-19 will thus amount to 200% i.e., Rs.10.0/- per share.

On a national level, the economic indicators of the Country are currently showing a mixed picture. Although the Current Account Deficit (CAD) which ballooned to \$18B at the end of 2017-18 has reduced to \$12B at the end of 2018-19, this reduction has been accompanied with a deceleration in economic activity led by increase in import duties, interest rates and above all a sharp devaluation of the Pak Rupee. The increase in cost of vehicles due to higher import costs and increased duties/taxes, has impacted auto industry volumes which in turn will impact the auto-parts makers, industry demand & profitability as well as discourage fresh investments. We believe that the Government should take cognizance of the ground realities and endeavor to create a conducive environment for the auto industry which is a significant sector of the national economy in order to foster growth and economic momentum.

The Company's Management is closely monitoring the challenges faced by the Company and will take all steps necessary to safeguard the interests of its shareholders as well as to capitalize on growth opportunities through its diversification and expansion in its product line.

Your Company is committed to good Corporate Governance. I am pleased to report that the performance of the Board has been par excellence which has helped in effective steering of the Company during the year. The Board acknowledges its responsibility in respect of Corporate & Financial Reporting Framework. The Board is also cognizant of its strategic role in achieving the Company's key objectives and is focused on enriching the returns for its shareholders & other stakeholders and shall continue contributing through sustained supply of premium quality products to its valued Customers.



Yutaka Arae
Chairman

August 29, 2019

چیسر مین کا جائزہ

میں کمپنی کی سالانہ رپورٹ برائے ختم شدہ سال 30 جون 2019 کا جائزہ پیش کرتے ہوئے اظہار مسرت کرتا ہوں۔ گزشتہ برسوں کی طرح مالیاتی سال 2018-19 میں بھی ایگری آٹو انڈسٹریز لمیٹڈ کی کارکردگی اور نمونہ شاندار رہی۔ مجموعی طور پر ایگری آٹو گروپ کی خالص فروخت اور منافع بعد از ٹیکس بلند ترین رہا یعنی بالترتیب 10.128 بلین روپے اور 1.054 بلین روپے۔

مالیاتی کارکردگی کی بنیاد پر بورڈ نے 140 فیصد یعنی 7.0 روپے فی حصص کے حساب سے حتمی منافع منقسمہ کی سفارش کی ہے جس کی منظوری سالانہ اجلاس عام میں ممبران سے لی جائے گی۔ یہ اس عبوری منافع منقسمہ 60 فیصد یعنی 3.0 روپے فی حصص کے علاوہ ہے جو پہلے ہی ادا کیا جا چکا ہے۔ اس طرح مالیاتی سال 2018-19 کے لئے کل منافع منقسمہ 200 فیصد یعنی 10.0 روپے فی حصص رہا۔

قومی سطح پر ملک کے معاشی اشاریے ملی جلی تصویر دکھا رہے ہیں۔ اگرچہ کہ رواں کھاتے کا خسارہ (CAD) جو کہ 2017-18 میں 18 بلین ڈالر تک پہنچ گیا تھا 2018-19 کے اختتام تک کم ہو کر 12 بلین ڈالر رہ گیا، تاہم اس کمی کے ساتھ معاشی سرگرمی میں کمی ہوئی جس کی وجہ درآمدی ڈیوٹیوں میں اضافہ، شرح سود میں اضافہ اور سب سے بڑھ کر پاکستان روپے کی قدر میں تیز ترین کمی ہے۔ درآمدی لاگتوں اور بڑھتی ہوئی ڈیوٹیوں / ٹیکسوں کی وجہ سے گاڑیوں کی قیمتوں میں اضافہ ہوا جس کی وجہ سے آٹو صنعت کے فروخت کے حجم میں کمی آئی جس کے نتیجے میں آٹو پارٹس بنانے والوں، صنعت کی طلب اور منافع میں کمی کے ساتھ ساتھ نئی سرمایہ کاریوں کی حوصلہ شکنی ہوئی۔ ہم سمجھتے ہیں کہ حکومت کو زمینی حقائق کو تسلیم کرنا چاہئے اور آٹو صنعت کے لئے سازگار ماحول فراہم کرنا چاہئے جو کہ قومی معیشت کا ایک اہم شعبہ ہے تاکہ نمو اور معاشی رفتار میں تیزی آئے۔

کمپنی کو درپیش چیلنجز کا انتظامیہ باریک بینی سے جائزہ لے رہی ہے اور اپنے حصص یافتگان کے مفادات کے تحفظ کے ساتھ ساتھ اپنی مصنوعات کے ذریعے ترقی کے مواقع سے استفادہ حاصل کرنے کے لئے ضروری اقدامات کر رہی ہے۔

آپ کی کمپنی اچھے نظم و ضبط کے لئے پرعزم ہے۔ میں یہ بتائے ہوئے اظہار مسرت کرتا ہوں کہ رواں سال بورڈ کی کارکردگی انتہائی شاندار رہی جس کی وجہ سے آپ کی کمپنی کی موثر رہنمائی میں مدد ملی۔ بورڈ ادا رتی اور مالیاتی رپورٹنگ کے اصولوں کے سلسلے میں اپنی ذمہ داری کو تسلیم کرتا ہے۔ بورڈ کمپنی کے بنیادی مقاصد کے حصول کے لئے اپنے کلیدی کردار کی اہمیت سے واقف ہے اور اس کی توجہ حصص یافتگان اور دیگر مستفیدان کو بہتر منفعت اور قابل قدر گاہکوں کو مسلسل اعلیٰ معیاری مصنوعات فراہم کرنے پر مرکوز ہے۔

Mue

یونٹا آرائے
چیسر مین

29 اگست 2019

DIRECTORS' REPORT TO THE SHAREHOLDERS

FOR THE YEAR ENDED JUNE 30, 2019

Dear Shareholders,

The Directors of your Company are pleased to present their Report along with the Audited Financial Statements for the year ended June 30, 2019.

THE BOARD OF DIRECTORS

The Board of Directors of the Company as at the Balance Sheet date is as follows:

1.	Mr. Yutaka Arae – Chairman	Non-executive Director
2.	Mr. Fahim Kapadia – Chief Executive	Executive Director
3.	Mr. Hamza Habib	Non-executive Director
4.	Mr. Sohail P. Ahmed	Non-executive Director
5.	Mr. Salman Burney	Non-executive Director
6.	Ms. Ayesha T. Haq	Independent Director
7.	Mr. Muhammad Ali Jameel	Independent Director

PRINCIPAL ACTIVITIES OF THE COMPANY

The Company is engaged in the manufacture and sale of components for automotive vehicles, motor cycles and agricultural tractors.

PAKISTAN'S ECONOMY

During the year, Pakistan faced many challenges, especially on the economic front with the Government making economic reforms as its highest priority & addressing various structural issues. With significant devaluation & interest rate increases, the economy saw a slowdown in demand & growth.

During the year, the growth rate declined to 3.29 percent against the target of 6.2 percent. This was caused by reduction in growth in most of the sectors of the economy, such as, agriculture sector declined by 0.85 percent, manufacturing sector declined by 1.4 percent and services sector significantly declined by 4.7 percent.

Owing to the slower growth of the economy, the government felt the need to streamline the economy and undertook the following major initiatives:

- Trade imbalance and current account deficit were successfully consolidated by tightening the import of non-essential goods. Compared to 2017-18 where current account deficit stood at USD 18.1 billion, it closed at USD 12 billion for the year 2018-19, recording a sizable reduction of USD 6.1 billion or 34 percent. However, foreign exchange reserves fell from USD 16.4 billion to USD 14.5 billion, a reduction of 11.5 percent.

In addition, discount rates increased from 7.50 percent to 13.25 percent, an increase of 575 bps. This was necessary to align SBP policy rate with rising inflationary condition.

- Pak Rupee was devalued on multiple occasions during the year to align the exchange rate with market forces. During the year, Pak Rupee parity with US Dollar was adjusted by around 34 percent.

In addition to the above, another significant measure finalized by the new government was to avail the International Monetary Fund (IMF) Program. The government believed that the IMF Program was necessary to introduce necessary reforms in the economy, such as implementation of various taxation measures by empowering (FBR), strengthening of the State Bank of Pakistan for effective execution of monetary policy, bringing efficiency in the power sector and better management of State-Owned Enterprises. The government is determined to bring these structural reforms to ensure long term benefits to the economy.

FINANCIAL & BUSINESS PERFORMANCE

During the year 2018-19, the Company achieved its highest ever sales of Rs.7.12 billion (2018: Rs.6.11 billion) showing a growth of 16.5% over last year. The Gross Profit of the Company decreased from Rs.1.12 billion last year to Rs.1.08 billion mainly on account of adverse impact of currency devaluation on import of raw material and other costs of input that were partly offset by higher sales and production efficiencies. Other Income increased during the year from Rs.54.2 million to Rs.153.4 million on account of dividend was paid by the wholly-owned subsidiary of the Company amounting to Rs.114.4 million (2018: Rs. Nil).

Following are the summarized financial results of the Company for the year 2018-19:

STANDALONE RESULTS

	(Rs. '000)	
	2019	2018
Turnover	7,122,487	6,112,980
Gross Profit	1,078,665	1,115,918
Profit before Taxation*	805,391	773,238
Taxation	(202,379)	(252,831)
Profit after Taxation	603,012	520,407
Earnings Per Share (Rs.)	20.94	18.07

* Includes dividend from subsidiary company of Rs.114 million

CONSOLIDATED RESULTS

	(Rs. '000)	
	2019	2018
Turnover	10,128,569	8,315,021
Gross Profit	1,681,151	1,592,200
Profit before Taxation *	1,256,752	1,207,756
Taxation	(202,054)	(248,039)
Profit after Taxation	1,054,698	959,717
Earnings Per Share (Rs.)	36.62	33.32

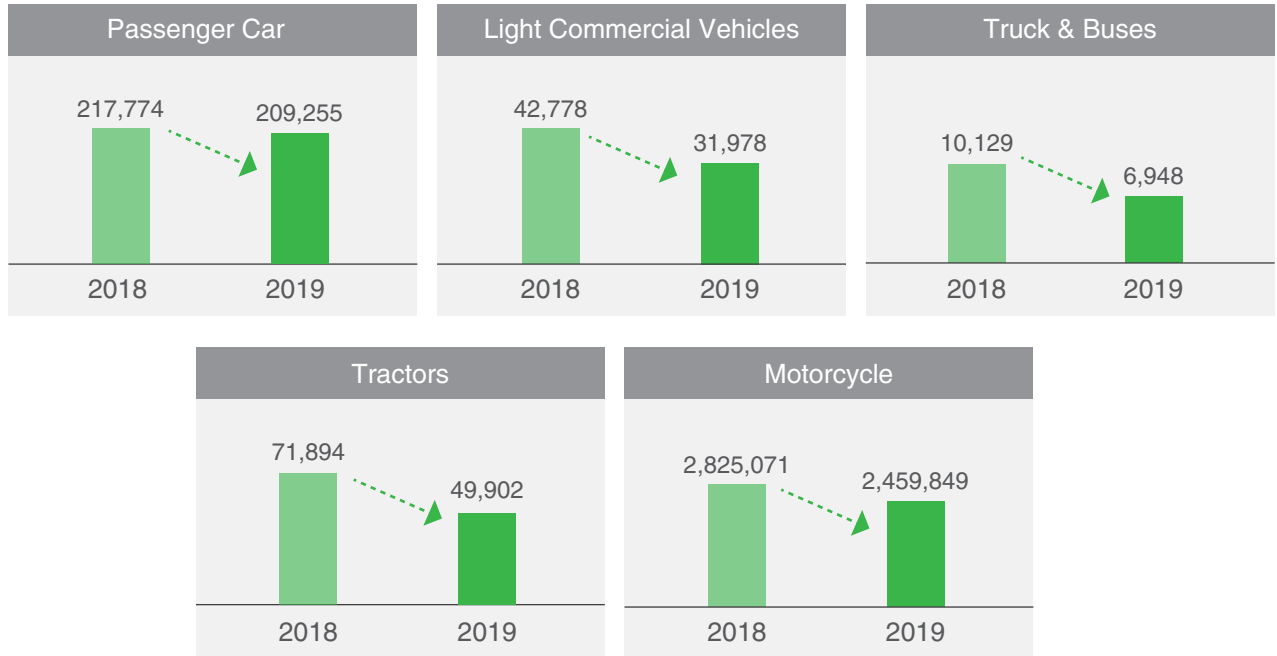
APPROPRIATION OF PROFIT

The Board of Directors is pleased to recommend a final cash dividend of Rs.7.0 per share (140%) for the approval of the shareholders at the Annual General Meeting of the Company to be held on October 21, 2019. The final dividend is in addition to the interim dividend of Rs: 3.0 per share (60%) already paid. The total dividend for the year, therefore, aggregates to Rs. 10 per share (200%). The Board has also recommended to transfer Rs.300 million from un-appropriated profits to General Reserve.

PERFORMANCE OF AUTOMOTIVE SECTOR

The fiscal year 2018-19 turned out to be a challenging year for auto sector due to prevailing economic conditions of the Country. The structural reforms by the Government, mentioned above resulted in multiple price corrections by automakers. Hike in interest rates dampened the demand for auto leasing as well. The measures taken by the Government had an adverse impact on the volume of auto sector during the fiscal year 2018-19 compared to last year, despite launch of some new models by automakers.

Analysts believe that the auto sector would continue to face headwinds in the existing environment where sale volumes for the year 2020 may not match the volumes of 2019.



NEW INITIATIVES:

The Board is pleased to share the new initiatives taken by the Company during the fiscal year 2018-19:

ED Paint Facility:

The Board has approved an investment of Rs. 201 million for the setup of Electro Deposition (ED Paint) facility at Hub Site, which shall become operational by the end of the fiscal year 2019-20. This plant shall cater to the customer requirements for ED paint on the front shock absorbers / struts.

Solar Power Energy Project:

To take advantage of the low-cost financing and tax concessions offered by the State Bank of Pakistan, the Board approved investment in the facility for Solar Power generation in both companies, i.e., Agriauto Industries Ltd and Agriauto Stamping Company (Pvt) Ltd. The project which is expected to be commissioned by 3rd quarter of 2019-20, shall help reducing the energy cost of the Company making its products more competitive in the market place.

PROCESS IMPROVEMENT ACTIVITIES

Process improvement activities are part of culture at Agriauto, following the KAIZEN philosophy. In order to manage the manufacturing operations, daily ASAKAI (morning meetings) are conducted where all departmental heads join to discuss current operational issues & progress related to safety, quality, production, maintenance, suppliability, projects, etc. and take immediate countermeasures.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk management process includes identification of strategic, financial, operational and legal risks affecting the performance of the Company and to ensure appropriate measures to mitigate these risks. At Agriauto, an effective risk management strategy is in place to detect these risks at an early stage and to devise action plans to address and mitigate the same.

The Board believes that the current pressure on the exchange rate carries a high risk and any further devaluation of Pak Rupee or increase in interest rates shall have a significantly adverse impact on the automotive industry in Pakistan.



AGRIAUTO STAMPING COMPANY (PRIVATE) LIMITED (ASC)

The current fiscal year 2018-19 has been another successful year for the Agriauto Stamping Company (Pvt) Ltd, wherein the plant was operating at its full capacity. For the year 2018-19, the Company paid 100% interim cash dividend amounting to Rs.114 million to Agriauto Industries Limited, which is reflected in the stand-alone income statement of the Parent Company.

The Board is also pleased to report that the plant expansion planned last year through the installation of new half tandem line of 800 and 500-tons presses was successfully completed. In order to cater to additional welding assembly operations, the welding area has been extended with the addition of 32 transformers and 40 welding guns. This expansion will pave the way for adding further new business into the Company.

The Board would also like to apprise that the Subsidiary Company was availing 100% income tax credit for a five-year period starting from the date of commercial production, i.e., from July 2014. The tax credit has expired on June 30th, 2019. Hence, the Subsidiary Company will be liable to pay income tax at the prescribed rates.

The following are the major achievements of the subsidiary company during the fiscal year 2018-19:

1. Plant expansion project completed on time
2. Zero defects in supplies to customers.
3. Maintained 100% delivery of parts despite of major expansion activity.
4. Qualified surveillance audit of all ISO certifications (ISO 9001-2015, ISO 1400, TS 16949)





HEALTH, SAFETY AND ENVIRONMENT (HSE)

The Company is fully cognizant of its responsibility to Health, Safety and Environment. We believe growth is only sustainable if it is achieved respecting the environment and by ensuring the health and safety of the employees. We are fully committed as well as complying with all applicable legal and other HSE requirements. Following are the key highlights for the year 2018-19.

- a) Enforcement of hazards elimination process based on HIRA (Hazard Identification and Risk Assessment) in progress.
- b) Paint Booth of the shock absorber plant was to remove environmental hazards of high VOC fumes in Paint Booth and provision of suitable PPEs to the Operators.
- c) Effluent Treatment Plant (ETP) which is treating the infected water is installed with a Reverse Osmosis Plant (RO) to recycle the treated water to be used for processes again.
- d) Introduction of in-house Rapid Intervention Vehicle (RIV) at factory for any fire related emergency.
- e) Fire Suppression System (FM200/CO2) is installed and functional in the Paint Shop Area.
- f) New Fire Alarm System has been installed across the plant to detect any smoke, excessive heat. The philosophy of your company is "Safety First". Due to on-going activities, we ensure "Zero Accident Policy" at the plant and provide safe and clean working environment to all our members.



RIV Fire Fighting Training



RIV Fire Fighting Drill



Fire Alarm System



CORPORATE SOCIAL RESPONSIBILITY (CSR)

Corporate social responsibility is embedded in to Company's core business strategy. We believe that what is good for the people is good for the business. The Company continues to spend 1% of its profit before tax over community welfare and development initiatives. Our objective remains, to support the local community for the welfare of all our stakeholders. The activities undertaken during the year include:

- Distribution of ration hampers to all Workers during the month of Ramazan.
- Donation to various educational institutions especially in the Hub vicinity
- Donation to different hospitals and welfare trusts
- Free medical check-up

Company remains committed to fulfilling its legal obligations towards the workforce and complies with regulations regarding their wages and benefits, thus leading to excellent industrial harmony and amicable management of labor relations

CONTRIBUTION TO NATIONAL EXCHEQUER

During the year under review, the Company contributed Rs. 2.11 billion (2018: Rs.1.81 billion) to the National Exchequer.

HUMAN RESOURCE (HR)

HR Department remains committed to the professional development and training of the employees with emphasis on inculcating Company values in employees and providing them an environment of team work and mutual respect. Following are the highlights of HR initiatives:

Training & Development:

A variety of Training and Development opportunities were offered to employees in-house, external and international. Total Foreign Trainings carried out during the year were over 960 hours.

- A course on "Leadership for Built to Last" was arranged for management employees, which had a positive result on the participants to improve upon and implement new techniques in leadership.
- Training on TPM (Total Preventive Maintenance) was conducted by JTS Institute, Karachi through a Japanese trainer for Officers cadre.
- Supply Chain Management course at LUMS was attended by a member of senior management
- Directors' Training Program by PICG was attended by a member of senior management

Awards & Recognitions

The Board is pleased to inform that the Company received following awards during the year.

- "Living the Global Compact Best Practices Sustainability Award 2017 – 2018": Participated and won 3rd Prize in the category "Large National Companies"
- Pak Suzuki awarded Agriauto Industries "The Best Quality Improvement Award" in Vendor Conference 2019 held in March'19.
- "Employer of the Year Award – 2017": Participated and received Special Recognition Shield in category "Large National Companies".
- "EFP Award on Best HRM Practices 2018": Participated and received Special Recognition Shield in the category "Large National Companies".

PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 2019 is annexed.

RELATED PARTY TRANSACTIONS

All transactions with related parties have been carried out in normal course of business at arm's length and have been disclosed in the financial statements under relevant notes.

CORPORATE AND FINANCIAL REPORTING

As required by the Code of Corporate Governance, incorporated in the Listing Regulations of the Pakistan Stock Exchange, the Directors of the Company do hereby declare the following:

- a) The financial statements prepared by the Management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b) Proper books of account of the Company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) IFRS, as applicable in Pakistan, have been followed in preparation of financial statements
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts upon the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

The value of investments made by the Provident Fund for the year ended June 30, 2019 amounted to Rs.207.5 million.



NUMBER OF BOARD MEETINGS

Following is the status of the attendance at meetings of the Board of Directors:

SL #	Names	No of meetings Attended/held
1	Mr. Yutaka Arae	5/5
2	Mr. Fahim Kapadia	5/5
3	Mr. Hamza Habib	2/2
4	Mr. Sohail P. Ahmed	5/5
5	Mr. Salman Burney	4/5
6	Ms. Ayesha T. Haq	3/5
7	Mr. Muhammad Ali Jameel	3/5
8	Mr. Owaisul Mustafa	1/2
9	Mr. Abbasul Husaini	1/1

AUDITORS

The existing Auditors M/s. EY Ford Rhodes (Chartered Accountants) retired and have offered themselves for re-appointment. The reappointment has also been recommended by the Audit Committee of the Board.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The statement of compliance to the Code of Corporate Governance is annexed herewith.

FUTURE OUTLOOK

The Fiscal year 2018-19 ended with major challenges to the country on the economic front. On July 3, 2019, the IMF formally approved the USD 6 billion, Extended Fund Facility (EFF) for Pakistan. While the bailout is expected to provide much needed financial support, the ambitious revenue collection targets will likely cause short-term hardships on the economy.

The outlook for the year 2020 is expected to remain volatile. Government spending will be constrained by ambitious fiscal consolidation efforts, while high inflation will likely continue to erode private consumption.

The auto industry is going to be worst hit due to the slow-down in the economy coupled with the measures to bring the tax non-filers in the tax net. The industry forecast is also showing a negative growth versus the previous year. In order to cope with the crisis, the Company is taking various steps to control costs to bring further production efficiencies.

ACKNOWLEDGMENT

We would like to express our sincere appreciation to all our employees for their untiring efforts and through a cordial and positive relationship during the year which helped us in meeting and overcoming our challenges due to which the company continued its year on year growth and we expect the same level of support from our employees in the year ahead.



On behalf of the Board of Directors, we would like to place on record our appreciation to all our Patrons, Dealers, Suppliers and Employees for their valuable help, continuous support and contribution to the Company. We are also thankful to all our overseas technical collaborators, M/s Ride Control, LLC. USA, M/s KYB Corporation, Japan, M/s Aisin Seiki Co. Ltd, Japan, M/s. Shiroki Corporation, Japan, M/s. Sannou Riken Co Ltd, Japan, M/s KMS (KYB Motorcycle Suspension, Japan) and M/s. Ogihara (Thailand) Co. Ltd for their technical assistance and advice.

On behalf of the Board of Directors.

Fahim Kapadia
Chief Executive

KARACHI
DATED: August 29, 2019

معاشری ست روی کے ساتھ میں انکم ٹیکس ریٹرن فائل نہ کرنے والوں کو ٹیکس نیٹ میں شامل کرنے کے اقدامات کی وجہ سے کی وجہ سے آٹو انڈسٹری اتری کا شکار رہے گی - صنعتی پیشگوئی کے مطابق گزشتہ سال کی بہ نسبت صنعت میں منفی نمو کا اندیشہ ہے۔ اس اتر صورتحال کا مقابلہ کرنے کے لئے کمپنی لاگوں کو قابو کر کے پیداواری استعداد میں مزید اضافے کے لئے اقدامات کر رہی ہے۔

اعتراف

بورڈ آف ڈائریکٹرز کی جانب سے اپنے تمام سرپرستوں، ڈیلروں اور ملازمین کے قابل قدر تعاون، مسلسل تائید اور مدد پر انہیں ستائش پیش کرتے ہیں۔ ہم بیرون ملک اپنے تمام تکنیکی مددگاروں میسرز رائڈ کنٹرول، لیل لیل سی، یو ایس اے، میسرز کے وائی بی کارپوریشن، جاپان، میسرز این سبکی کمپنی لمیٹڈ، جاپان، میسرز شیروکی کارپوریشن جاپان، میسرز سانو راکن کمپنی لمیٹڈ جاپان، میسرز کے ایم ایس (KYB موٹر سائیکل سپینشن) اور میسرز اوگیھارا (تھائی لینڈ) کمپنی لمیٹڈ کو تکنیکی مدد اور مشوروں پر ان کے مشکور ہیں۔

سال کے دوران اپنے ملازمین کی انتھک محنت اور ان کے مہذبانہ اور مثبت تعلقات پر ہم انہیں اپنی مخلصانہ تنہیت پیش کرتے ہیں جس کے نتیجے میں ہم نے چیلنجز پر قابو پاتے ہوئے سال بہ سال اپنی نمو برقرار رکھی اور ہمیں توقع ہے کہ ہمارے ملازمین کی طرف سے اسی طرح کا تعاون مستقبل میں بھی جاری رہے گا۔

برائے و منجانب



فہمیدہ کھٹون
چیف ایگزیکٹو
کراچی

تاریخ: 29 اگست 2019



- ۳- درست حساباتی پالیسیوں کو تسلسل کے ساتھ مالیاتی گوشواروں کی تیاری کے دوران ملحوظ خاطر رکھا گیا ہے اور حساباتی تخمینوں کی بنیاد معقول اور مضبوط فیصلوں پر ہے۔
- ۴- مالیاتی گوشواری کی تیاری کے دوران عالمی مالیاتی رپورٹنگ معیارات، جو پاکستان میں لاگو ہیں کو ملحوظ خاطر رکھا گیا ہے۔
- ۵- اندرونی گرفت کے نظام کی شکل مضبوط ہے اور موثر انداز میں نافذ العمل ہے اور اس کی نگرانی کی جاتی ہے۔
- ۶- کمپنی کی چلتے ہوئے ادارے کی صلاحیت میں کوئی قابل ذکر شک و شبہ نہیں ہے۔
- ۷- لسٹنگ ریگولیشنز دئے گئے ادارتی نظم و ضبط کے بہترین طور طریقوں سے کوئی بھی بڑا انحراف نہیں کیا گیا ہے۔ ختم شدہ سال 30 جون 2019 کو پروویڈنٹ فنڈ سے کی گئی سرمایہ کاری کی مالیت 207.5 ملین روپے تھی۔

بورڈ کے اجلاسوں کی تعداد

سال کے دوران ہونے والے بورڈ اجلاسوں میں حاضری کی تفصیل درج ذیل ہے:

نمبر شمار	نام	حاضر اجلاس کی تعداد
۱	جناب یوناکا آرائے	5/5
۲	جناب فہیم کپاڈیا	5/5
۳	جناب حمزہ حبیب	2/2
۴	جناب سہیل پی احمد	5/5
۵	جناب سلمان برنی	4/5
۶	محترمہ عائشہ ٹی. حق	3/4
۷	جناب محمد علی جمیل	3/5
۸	جناب اولیس المصطفیٰ	1/2
۹	جناب عباس الحسینی	1/1

آڈیٹرز

موجودہ آڈیٹرز میسرز EY فورڈ روڈز (چارٹرڈ اکاؤنٹنٹس) ریٹائرڈ ہو چکے ہیں اور انہوں نے اپنی دوبارہ تقرری کی پیشکش کی ہے۔ بورڈ کی آڈٹ کمیٹی نے دوبارہ تقرری کی سفارش کی ہے۔

ادارتی نظم و ضبط کے ضابطے کی پاسداری سے متعلق بیان

ادارتی نظم و ضبط کے ضابطے کی پاسداری سے متعلق بیان منسلک ہے۔

مستقبل کی پیش بینی

مالی سال 2018-19 اقتصادی محاز پر ملک کو درپیش بڑے چیلنجز کے ساتھ ختم ہوا۔ 3 جولائی 2019 کو IMF نے باضابطہ طور پر پاکستان کے لئے 6 ارب یو ایس ڈالر کی توسیعی سرمایہ کاری سہولت (EFF) کی منظوری دے دی تاہم متوقع طور پر بیل آؤٹ پیکیج سے انتہائی ضروری مالیاتی امداد حاصل ہوگی، وہاں دوسری جانب محصولات کے ہدف کا حصول معیشت کے لئے قلیل مدتی دشواریوں کا سبب بنے گا۔

سال 2020 کا منظر نامہ غیر یقینی اور نازک رہے گا۔ سرکاری اخراجات کو مالیاتی استحکام کی کوشش کے لئے محدود کیا جائے گا جبکہ بلند افراط زر کی وجہ سے نجی اخراجات میں اضافہ ہوگا۔

شعبہ انسانی وسائل ملازمین کی پیشہ ورانہ ترقی اور تربیت کے لئے پر عزم ہے جس کا مقصد ملازمین کو کمپنی کی اقدار کی پاسداری کرنے کی تاکید کی جاتی ہے اور انہیں باہمی احترام اور مل جل کر کام کرنے کا ماحول فراہم کیا جاتا ہے۔ HR اقدامات کے نمایاں خدوخال درج ذیل ہیں:

تربیت و ترقی

- ☆ فیکٹری کے اندر، باہر اور عالمی سطح پر ملازمین کو تربیت و ترقی کے مواقع فراہم کئے گئے۔ بیرون ملک تربیت کا کل دورانیہ 960 گھنٹے رہا۔
- ☆ منظم عملے کے لئے ایک کورس بعنوان "آغاز سے آخر تک قیادت" کا اہتمام کیا گیا جس کے شرکاء پر مثبت نتائج پڑے جس میں قیادت میں نئی تکنیکوں کا نفاذ اور بہتری شامل تھی۔
- ☆ TPM (مکمل حفاظتی نگہداشت) پر تربیت JTS انسٹیٹیوٹ کراچی نے جاپانی ماہرین کے ذریعے آفیسران کو فراہم کی۔
- ☆ اعلیٰ انتظامیہ کے ممبران نے LUMS میں سپلائی چین مینجمنٹ کورس میں شرکت کی۔
- ☆ PICG کے ڈائریکٹران کے تربیتی پروگرام میں اعلیٰ انتظامیہ کے ایک ممبر نے شرکت کی۔

ایوارڈ اور قدر شناسی

ایوارڈ مسرت کے ساتھ مطلع کرتا ہے کہ کمپنی کو سال کے دوران مندرجہ ذیل ایوارڈ موصول ہوئے:

- ☆ "Living the Global Compact Best Practices Sustainability Award 2017 - 2018" میں "بڑی قومی کمپنیوں" کے درجہ میں شرکت کی اور تمییرا انعام جیتا۔
- ☆ پاک سوزوکی نے ایگری آٹو انڈسٹریز کو مارچ 2019 میں ہونے والی وینڈر ز کانفرس میں "دی بیسٹ کوالٹی امپروومنٹ ایوارڈ" سے نوازا۔
- ☆ "EFP Award on Best HRM Practices 2018" میں "بڑی قومی کمپنیوں" کے درجہ میں شرکت اور خصوصی ستائشی شیلڈ سے نوازا گیا۔

حصص داری کی ساخت

30 جون 2019 کو حصص داری کی ساخت منسلک کی گئی ہے۔

متعلقہ فریقین سے مالی معاملات

تمام ملحقہ پارٹیوں کے سوسے غیر جانبداری کی بنیاد پر عمومی طریقہ کار کے مطابق انجام پائے اور انہیں مالیاتی گوشواروں میں متعلقہ نوٹس میں منکشف کیا گیا ہے۔

ادارتی اور مالیاتی رپورٹنگ

ادارتی نظم و ضبط کے ضابطے جو پاکستان اسٹاک ایکسچینج کے لسٹنگ ریگولیشنز میں شامل ہیں، کی پاسداری کرتے ہوئے کمپنی کے ڈائریکٹران اقرار کرتے ہیں کہ:

- 1- کمپنی کی انتظامیہ کے تیار کردہ مالیاتی گوشوارے کمپنی کے معاملات، اس کے کاروباری نتائج، نقدی کے بہاؤ اور ایکویٹی میں تبدیلیوں کی شفافیت کے ساتھ پیش کرتے ہیں۔
- 2- کمپنی میں حسابات کی کتابیں مناسب انداز میں رکھی گئی ہیں۔

سال کے دوران ذیلی کمپنی کی بڑی کامیابیاں درج ذیل رہیں:

- ۱- پلانٹ کا توسیعی پروجیکٹ وقت پر مکمل ہو گیا
- ۲- گاہکوں کو فراہم کی جانے والی مصنوعات میں کوئی نقائص نہیں پائے گئے
- ۳- بڑی توسیعی سرگرمی کے باوجود پوزوں کی 100 فیصد فراہمی کو برقرار رکھا گیا
- ۴- ISO تصدیقات کے لئے کوالیفائیڈ سرویلنس آڈٹ (ISO 9001-2015، ISO 1400، TS 16949) کروایا گیا

تحفظ، صحت اور ماحول (SHE)

کمپنی صحت، ماحولیات اور حفاظت سے متعلق مکمل طور پر اپنی ذمہ داری سے آگاہ ہے۔ ہمیں یقین ہے کہ ماحول کا لحاظ رکھے بغیر پائیدار نمو حاصل نہیں ہو سکتی۔ ہم تمام قانونی اور دیگر ضروریات کی پاسداری کے لئے کوشاں رہتے ہیں۔

سال 2018-19 جھلکیاں درج ذیل ہیں۔

- ۱) HIRA (خطرہ کی نشاندہی اور خطرہ کا مقابلہ) کی بنیاد پر خطرات کو ختم کرنے کا عمل جاری رہتا ہے۔
- ۲) شاک ایسزبر کی پیٹ بوتھ میں بلند دھوئیں کی وجہ سے پیدا ہونے والے ماحولیاتی خطرات کو ختم کیا جاتا ہے اور اور پیٹ شاپ میں کام کرنے والوں کو مناسب ذاتی حفاظتی آلات (PPEs) فراہم کئے جاتے ہیں۔
- ۳) صنعتی فضلہ کی صفائی کا پلانٹ (ETP) مکمل طور پر فعال ہے جو کہ گندے پانی کو ریورس اوسموس پلانٹ (RO) کے ذریعے صاف کر کے دوبارہ قابل استعمال بناتا ہے۔
- ۴) فیکٹری کے اندر کسی بھی متعلقہ ہنگامی حالات سے نمٹنے کے لئے تیز رفتار امدادی گاڑی (RIV) متعارف کروائی گی ہے۔
- ۵) آگ سے بچاؤ کا نظام (FMC200/CO2) پیٹ شاپ ایریا میں نصب اور فعال ہے۔
- ۶) کسی قسم کے دھوئیں، شدید گرمی کی نشاندہی کرنے والا نیا فائر الارم سسٹم پورے پلانٹ میں نصب ہے۔

آپ کی کمپنی ”سب سے پہلے تحفظ“ کی فلسفہ پر گامزن ہے۔ جاری سرگرمیوں کے دوران ہم پلانٹ پر ”صفر حادثاتی پالیسی“ کو یقینی بناتے ہیں اور اپنے عملے کے تمام ممبران کو صاف اور محفوظ کام کا ماحول فراہم کرتے ہیں۔

ادارتی، سماجی ذمہ داری (CSR)

ادارتی سماجی ذمہ داری کمپنی کے بنیادی کاروباری حکمت عملی میں شامل ہے۔ ہمیں یقین ہے کہ جو کچھ لوگوں کے لئے اچھا ہے وہی کاروبار کے لئے بھی اچھا ہے۔ کمپنی تسلسل کے ساتھ اپنے منافع قبل از ٹیکس کا 1 فیصد معاشرے کی بہبود اور ترقیاتی کاموں پر خرچ کرتی ہے۔ ہمارا عزم ہے کہ مستقبل کی فلاح و بہبود کے لئے مقامی برادری کے ساتھ تعاون کیا جائے۔ سال کے دوران اس سلسلے میں جو سرگرمیاں انجام دی گئیں وہ درج ذیل ہیں:

- ☆ ماہ رمضان میں تمام ملازمین کو راشن کے تھیلوں کی تقسیم
- ☆ مختلف تعلیمی اداروں خاص طور پر حب کے قرب و جوار کے تعلیمی اداروں کو عطیات
- ☆ مختلف ہسپتالوں اور بہبودی ٹرسٹوں کو عطیات
- ☆ اسٹاف کے لئے مفت طبی معائنے

کمپنی اپنے مزدوروں سے متعلق قانونی ذمہ داریوں کو پورا کرنے کے لئے پرعزم ہے اور اجرتوں اور مراعاتوں سے متعلق ضابطوں کی پاسداری کرتی ہے جس سے بہترین صنعتی ہم آہنگی اور مزدوروں سے مفاہمت پر مبنی صنعتی تعلقات قائم ہوتے ہیں۔

قومی خزانے کو معاونت

زیر جائزہ سال کے دوران آپ کی کمپنی نے 2.11 بلین روپے کی قومی خزانے میں جمع کئے۔

وفاقی حکومت کی طرف سے کم لاگت کی سرمایہ کاری اور ٹیکس مراعات کا فائدہ اٹھاتے ہوئے بورڈ نے دونوں کمپنیوں یعنی ایگری آٹو انڈسٹریز لمیٹڈ اور ایگری آٹو اسٹیمپنگ کمپنی (پرائیویٹ) لمیٹڈ میں شمسی توانائی پیدا کرنے کی سہولت قائم کرنے کی منظوری دی ہے۔ توقع ہے کہ یہ پروجیکٹ 2019-2020 کی تیسری سہ ماہی تک پایہ تکمیل تک پہنچ جائے گا جس سے کمپنی کی توانائی کی لاگت کم ہونے کے نتیجے میں مارکیٹ میں اس کی مصنوعات کی قیمتیں مسابقتی ہو جائیں گی۔

پیداواری عمل میں بہتری کی سرگرمیاں

پیداواری عمل میں بہتری کی سرگرمیاں ایگری آٹو کی ثقافت کا حصہ ہیں جس میں KAIZEN کے فلسفہ کو ملحوظ خاطر رکھا گیا ہے۔ پیداواری آپریشنز کے انتظام کے لئے روزانہ ASAKI (صبح کے اجلاس) منعقد کئے جاتے ہیں جس میں تمام شعبوں کے سربراہ مل کر تحفظ، معیار، پیداوار، دیکھ بھال و مرمت، رسد، پروجیکٹس وغیرہ سے متعلق مسائل اور ترقیاتی کاموں پر گفت و شنید کرتے ہیں اور فوری اصلاحی اقدامات کرتے ہیں۔

بنیادی خطرات اور غیر یقینی حالات

خطرات کا مقابلہ کرنے کے طریقہ کار میں کمپنی کی کارکردگی کو لاحق کلیدی، مالیاتی، کاروباری اور قانونی خطرات کی شناخت اور ان خطرات کو کم کرنے کے لئے ضروری اقدامات کو یقینی بنانا شامل ہے۔ خطرات سے مقابلہ کرنے کی ایک موثر حکمت عملی موجود ہے جس سے ان خطرات کا ابتدا ہی میں پتا چل جاتا ہے اور ان کا ازالہ اور ان میں کمی کے لئے تدبیری منصوبے ترتیب دیئے جاتے ہیں۔

بورڈ اس بات سے آگاہ ہے کہ شرح مبادلہ پر موجودہ دباؤ ایک بہت بڑا خطرا ہے اور پاکستانی روپے کی قدر میں مزید کمی سے پاکستان کی آٹوموبائل صنعت پر بہت برے اثرات مرتب ہوں گے۔

ایگری آٹو اسٹیمپنگ کمپنی (پرائیویٹ) لمیٹڈ (ASC)

موجودہ مالیاتی سال 2018-19 ایگری آٹو اسٹیمپنگ کمپنی (پرائیویٹ) لمیٹڈ کا ایک اور کامیاب سال تھا جس میں پلانٹ نے اپنی گنجائش کے مطابق پیداوار دی۔ سال 2018-19 میں ذیلی کمپنی نے ایگری آٹو انڈسٹریز لمیٹڈ کو 114 ملین روپے کا 100 فیصد عبوری منافع منقسمہ کی رقم ادا کی، جس کی عکاسی سرپرست کمپنی کے اپنے آمدن کے گوشوارے میں ہوتی ہے۔

بورڈ آپ کو اس بات سے آگاہ کرنا چاہتا ہے کہ ذیلی کمپنی کو پانچ سال کے لئے 100 فیصد انکم ٹیکس استثناء حاصل ہے جس کا آغاز جولائی 2014 یعنی تجارتی پیداوار کی تاریخ سے ہوا تھا۔ یہ ٹیکس استثناء 30 جون 2019 کو ختم ہو گیا ہے۔ لہذا ذیلی کمپنی رائج نرخوں کے مطابق انکم ٹیکس ادا کرنے کی پابند ہوگی۔

گاہکوں کی بڑھتی ہوئی طلب کی وجہ سے ذیلی کمپنی ایگری آٹو اسٹیمپنگ کمپنی (پرائیویٹ) لمیٹڈ (ASC) اپنی مکمل گنجائش کے ساتھ پیداوار دے رہی ہے۔ مزید طلب کو پورا کرنے کے لئے کمپنی 800 اور 500 ٹن کے پریسوں کی ایک نئی ٹینڈم لائن قائم کر رہی ہے جو کہ 2019 کی دوسری سہ ماہی میں پیداوار شروع کر دے گی۔

گزشتہ سال پلانٹ میں توسیع کی منصوبہ بندی کی گئی تھی جس میں 800 ٹن کی نئی ہاف ٹینڈم لائن اور 500 ٹن کے پریسوں کی تنصیب شامل تھی، بورڈ مسرت کے ساتھ آگاہ کرتا ہے یہ توسیع کامیابی سے مکمل ہو گئی ہے۔ ویلڈنگ کی اسمبلی کے آپریشنز کی اضافی ضروریات کو پورا کرنے کے لئے ویلڈنگ ایریا میں مزید 32 ٹرانسفارمرز اور 40 ویلڈنگ گنز نصب کی گئی ہیں۔ اس توسیع سے کمپنی کے کاروبار میں مزید اضافہ ہوگا۔

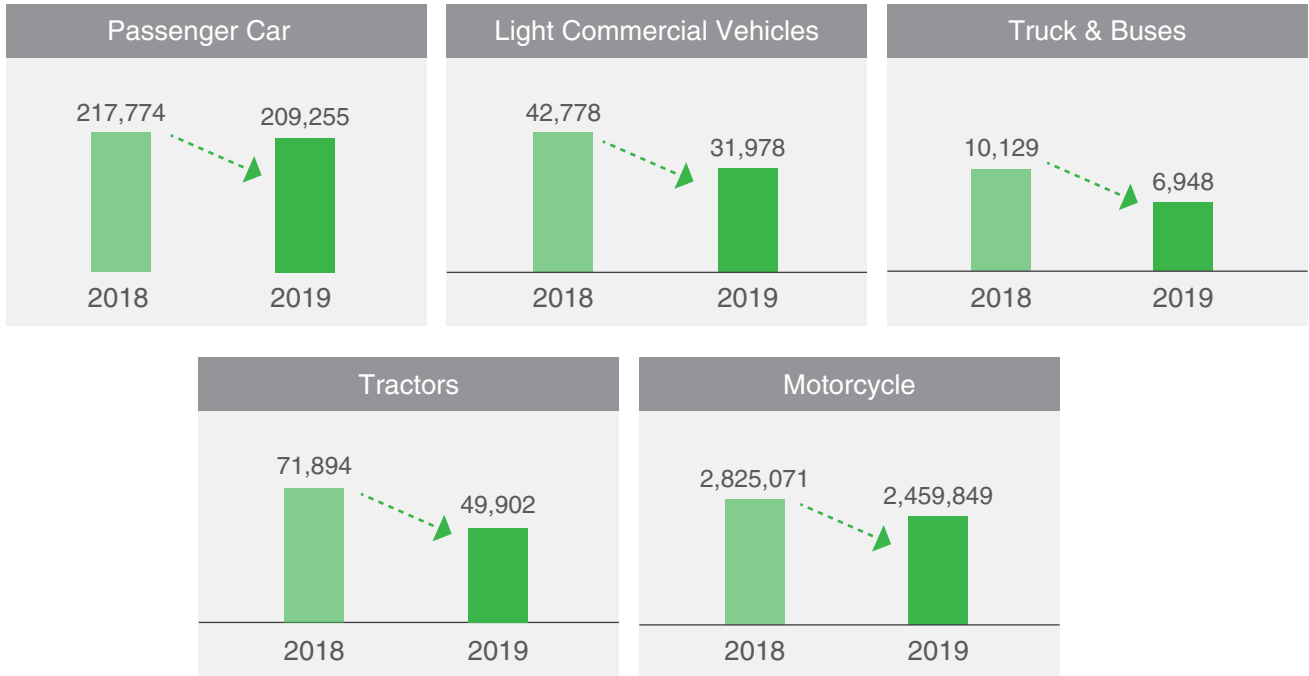
منافع کے مصارف

بورڈ آف ڈائریکٹرز 7.00 روپے فی حصص (140 فیصد) کے حساب سے منافع منقسمہ کی سفارش کرتے ہوئے اظہار مسرت کرتے ہیں جس کی منظوری 21 اکتوبر 2019 کے سالانہ اجلاس عام میں حصص یافتگان سے لی جائے گی۔ حتمی منافع منقسمہ کے علاوہ عبوری منافع منقسمہ 3.00 روپے فی حصص (60 فیصد کے علاوہ ہے) جو پہلے ہی ادا کیا جا چکا ہے۔ لہذا سال کا مجموعی منافع منقسمہ 10.00 روپے فی حصص ہو گیا ہے۔ بورڈ نے غیر مصرف شدہ منافع کے 300 ملین روپے کو عمومی ذخیرہ میں منتقل کرنے کی سفارش کی ہے۔

آٹوموٹو سیکٹر کی کارکردگی

ملک کی موجودہ معاشی صورتحال کی وجہ سے مالیاتی سال 2018-19 آٹو سیکٹر کے لئے دشوار گزار رہا۔ حکومت کی جانب سے مندرجہ بالا اصلاحات کے نتیجے میں آٹو میکرز کو کئی مرتبہ اپنی قیمتیں درست کرنا پڑیں - شرح سود میں اضافہ کی وجہ سے گاڑیوں کی لیز کی طلب میں کمی ہوئی۔ حکومت کے اقدامات کی وجہ سے گزشتہ سال کی بہ نسبت 2018-19 میں آٹو میکرز کی جانب سے نئے ماڈل متعارف کروانے کے باوجود آٹو سیکٹر کے فروخت کے حجم پر ناموافق اثرات مرتب ہوئے -

تجزیہ کاروں کو یقین ہے کہ آٹو سیکٹر کو موجودہ ماحول میں ناموافق حالات کا سامنا رہے گا جس کی وجہ سے سال 2020 میں فروخت کا حجم 2019 کے فروخت کے حجم سے کم رہے گا۔



نئے اقدامات

کمپنی کے ڈائریکٹران سال 2018-19 کے دوران کمپنی کی جانب سے کئے گئے اقدامات کو بتاتے ہوئے خوشی محسوس کرتے ہیں۔

ED پینٹ کی سہولت

بورڈ نے حب سائٹ پر الیکٹرو ڈپازیشن پینٹ (ED Paint) کی سہولت کے قیام کے لئے 201 ملین روپے کی سرمایہ کاری کی منظور دی ہے جو کہ مالیاتی سال 2019-2020 کے اختتام تک اپنا آپریشن شروع کر دے گی۔ اس پلانٹ پر گاہکوں کی ضروریات کی مطابق فرنٹ شاک لیبرزوربر / اسٹریٹس پر ED Paint کیا جائے گا۔

اس کے علاوہ شرح سود 7.50 فیصد سے بڑھ کر 13.25 فیصد ہو گیا یعنی اس میں 575 بی پی ایس کا اضافہ ہوا۔ افراط زر کی حالت کو مد نظر رکھتے ہوئے SBP کے لئے ضروری ہو گیا تھا کہ وہ پالیسی نرخ میں اضافہ کرے۔

☆ سال کے دوران بازاری قوتوں کے ساتھ زرمبادلہ کی مطابقت پیدا کرنے کے لئے کئی مرتبہ پاکستانی روپے کی قدر میں کمی کی گئی۔ سال کے دوران یو ایس ڈالر کے ساتھ پاکستانی روپے کی مساواتی قدر میں 34 فیصد کمی ہوئی۔

اس کے علاوہ دیگر قابل ذکر قدم یہ ہے کہ حکومت نے انٹرنیشنل مانیٹری فنڈ (IMF) پروگرام کو حتمی شکل دی۔ حکومت کو یقین تھا کہ معیشت میں ضروری اصلاحات جیسے کہ فیڈرل بورڈ آف ریونیو (FBR) کو اختیارات دیتے ہوئے مختلف ٹیکس اقدامات کا نفاذ، اسٹیٹ بینک آف پاکستان کی مالیاتی پالیسی کی موثر تکمیل کے لئے اس کا استحکام، توانائی کے شعبہ کی بہتر کارکردگی اور سرکاری ملکیتی اداروں کے بہتر انتظام کے لئے IMF پروگرام ناگزیر ہے۔ معیشت میں طویل مدتی فوائد کو یقینی بنانے کے لئے حکومت ڈھانچے میں اصلاحات لانے کے لئے پرعزم ہے۔

مالیاتی اور کاروباری کارکردگی

سال 2018-19 کے دوران کمپنی کی فروخت بلند ترین رہی یعنی 7.12 بلین روپے (2018 : 6.11 بلین روپے) جو کہ گزشتہ سالہ کی بہ نسبت 16.5 فیصد زیادہ ہے۔ کمپنی کا خام منافع گزشتہ سال کے 1.12 بلین روپے سے کم ہو کر 1.08 بلین روپے رہ گیا۔ جس کی بنیادی وجہ کرنسی کی قدر میں کمی ہے جس کی وجہ سے درآمدی اور دیگر خام مال کی لاگتوں میں ناموافق اضافہ ہے جس کی وجہ سے بلند فروخت اور پیداواری استعداد کے اثرات جزوی طور پر کم ہو گئے۔ سال کے دوران دیگر آمدن 54.2 ملین روپے سے بڑھ کر 153.4 ملین ہو گئی جس کی وجہ کمپنی کی مکمل ملکیتی ذیلی کمپنی سے موصول ہونے والا منافع منقسمہ جو کہ 114.4 ملین روپے (جبکہ 2018 میں کوئی نہیں) تھا۔

مالیاتی سال 2017-18 میں کمپنی کے مختصراً مالیاتی نتائج درج ذیل ہیں:

انفرادی مالیاتی نتائج

(روپے '000 میں)

	2018	2019	
	6,112,980	7,122,487	فروخت
	1,115,918	1,078,665	خام منافع
اس میں ذیلی کمپنی کا	773,238	805,391	منافع قبل از ٹیکس*
114 ملین روپے کا	(252,831)	(202,379)	ٹیکس
منافع منقسمہ شامل ہے	520,407	603,012	منافع بعد از ٹیکس
	18.07	20.94	فی حصص آمدنی (روپے)

مجموعی مالیاتی نتائج

(روپے '000 میں)

	2018	2019	
	8,315,021	10,128,569	فروخت
	1,592,200	1,681,151	خام منافع
	1,207,756	1,256,752	منافع قبل از ٹیکس*
	(248,039)	(202,054)	ٹیکس
	959,717	1,054,698	منافع بعد از ٹیکس
	33.32	36.62	فی حصص آمدنی (روپے)

حصص یافتگان کے لئے ڈائریکٹران کی رپورٹ

برائے ختم شدہ سال 30 جون 2019

محترم حصص یافتگان!

آپ کی کمپنی کے ڈائریکٹران ختم شدہ سال 30 جون 2019 کے آڈٹ شدہ مالیاتی گوشواروں کے ساتھ اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

بورڈ آف ڈائریکٹرز

ختم شدہ سال پر کمپنی کا بورڈ آف ڈائریکٹرز درج ذیل تھا:

- | | |
|------------------------|----------------------------------|
| 1- جناب یوٹاکا آرائے | چیئرمین - نان ایگزیکٹو ڈائریکٹر |
| 2- جناب نسیم کپاڈیا | چیف ایگزیکٹو - ایگزیکٹو ڈائریکٹر |
| 3- جناب حمزہ حبیب | نان ایگزیکٹو ڈائریکٹر |
| 4- جناب سہیل پی. احمد | نان ایگزیکٹو ڈائریکٹر |
| 5- جناب سلمان برنی | نان ایگزیکٹو ڈائریکٹر |
| 6- محترمہ عائشہ ٹی. حق | آزاد ڈائریکٹر |
| 7- جناب محمد علی جمیل | آزاد ڈائریکٹر |

کمپنی کی بنیادی سرگرمیاں

کمپنی آٹو موٹو گاڑیوں، موٹر سائیکلوں اور زرعی ٹریکٹروں کے پرزوں کی تیاری اور فروخت میں مصروف عمل ہے۔

پاکستان کی معیشت

زیر جائزہ سال میں پاکستان کو کئی چیلنجز کا سامنا رہا خاص طور پر معاشی محاذ پر جس میں حکومت کی اولین ترجیح معاشی اصلاحات اور مختلف انتظامی ڈھانچوں کے مسائل کے ازالے پر رہی۔ روپے کی قدر میں قابل ذکر کمی اور شرح سود میں اضافہ کی وجہ سے معیشت طلب و نمو کے لحاظ سے سست روی کا شکار ہے۔

سال کے دوران 6.2 فیصد کے ہدف کے مقابلے میں شرح نمو کم ہو کر صرف 3.29 فیصد رہی۔ جس کی بنیادی وجہ معیشت کے مختلف شعبوں میں کم شرح نمو تھی جیسے کہ زراعت میں 0.85 فیصد کمی، مینوفیکچرنگ کے شعبہ میں 1.4 فیصد کمی اور خدمات کے شعبہ میں 4.7 فیصد کمی رہی۔

معیشت کی شرح نمو میں سست روی کو مد نظر رکھتے ہوئے حکومت نے معیشت کو تیز تر کرنے کی ضرورت کو محسوس کیا اور مندرجہ ذیل بڑے اقدامات کئے:

☆ غیر ضروری اشیاء کی درآمد پر پابندی سے تجارتی عدم توازن اور رواں کھاتے کے خسارے کو کامیابی سے کم کیا گیا۔ 2017-18 میں رواں کھاتے کا خسارہ جو کہ 18.1 بلین یو ایس ڈالر تھا، وہ 2018-19 میں 12 بلین یو ایس ڈالر پر بند ہوا جس میں 6.1 بلین یو ایس ڈالر یعنی 34 فیصد کمی ہوئی۔ تاہم زرمبادلہ کے ذخائر 16.4 بلین یو ایس ڈالر سے کم ہو کر 14.5 بلین یو ایس ڈالر رہ گئے جو کہ 11.5 فیصد کمی شرح سے کم ہوئے۔

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

For The Year Ended June 30, 2019

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 7 as per the following:
 - a. Male: 06
 - b. Female: 01
2. The composition of board is as follows:
 - a) Independent Directors 02
 - b) Other Non-executive Directors 04
 - c) Executive Director 01
3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The board has arranged Directors' Training program for Ms. Ayesha T. Haq (Independent Director).
10. The board has approved appointment of Company Secretary, including his remuneration and terms and conditions of employment. No new appointment or change in remuneration and terms and conditions of CFO and Head of Internal Audit took place. The Board has complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:

a) Audit Committee

-	Mr. Ali Jameel	Chairman
-	Mr. Sohail P. Ahmad	Member
-	Ms. Ayesha T. Haq	Member

b) HR and Remuneration Committee

-	Mr. Ali Jameel	Chairman
-	Mr. Sohail P. Ahmed	Member
-	Mr. Salman Burney	Member
-	Mr. Yutaka Arae	Member
-	Mr. Fahim Kapadia	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the committee were as per following:

a)	Audit Committee	-	Four quarterly meetings
b)	HR and Remuneration Committee	-	One annual meeting

15. The board has outsourced the internal audit function to M/s. Noble Computer Services (Private) Limited who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.



Yutaka Arae
Chairman

August 29, 2019



Building a better
working world

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

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

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Agriauto Industries Limited (the Company)

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Agriauto Industries Limited for the year ended 30 June 2019 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2019.

Chartered Accountants

Place: Karachi

Date: 13 September 2019



Building a better
working world

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

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

INDEPENDENT AUDITOR'S REPORT

To the members of Agriauto Industries Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of Agriauto Industries Limited (the Company), which comprise the unconsolidated statement of financial position as at 30 June 2019, and the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated 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 unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of the profit, comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

Key audit matters are the matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

E-10



Building a better
working world

Following are the key audit matters:

Key audit matter	How our audit addressed the key audit matter
1. Adoption of IFRS 9 - Financial Instruments and IFRS - 15 Revenue from Contracts with Customers	
<p>As referred to in note 4.1 to the accompanying unconsolidated financial statements, the Company has adopted IFRS 9 and IFRS 15 with effect from 1 July 2018.</p> <p>IFRS 9 requires the Company to calculate loss allowances for financial assets using expected credit loss (ECL) model as against the incurred loss model previously applied by the management.</p> <p>Assessment of allowance for ECL against trade debts requires significant judgement, estimates and assumptions applied by the management including historical credit loss experience adjusted with forward-looking macro-economic information.</p> <p>IFRS 15 provides comprehensive model of revenue recognition along with detailed presentation and disclosure requirements. The standard requires the Company to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying the model to contracts with customers.</p> <p>Given the significance of the estimates and judgments used by the management related particularly to the calculation of allowance for ECL and to the timing and measurement of revenue recognition as well as incremental qualitative and quantitative disclosure, we considered these as a key audit matter.</p>	<p>Our key audit procedures in this area included, amongst others, review of the methodology developed and applied by the management to estimate the allowance for ECL against trade debts. We considered and evaluated the assumptions used in applying the ECL model based on historical information and qualitative factors as relevant for such estimates.</p> <p>Further, we assessed the integrity and quality of the data used for allowance for ECL computation based on the accounting records and information system of the Company as well as the external sources used for this purpose.</p> <p>We checked the mathematical accuracy of the ECL model by performing recalculation on test basis.</p> <p>We obtained an understanding of the additional processes and tested controls over revenue recognition established by the management and also assessed the warranty obligations there against in accordance with IFRS 15.</p> <p>We reviewed the assessment prepared by the management relating to the application of five-step model for revenue recognition. We assessed the reasonableness of judgments exercised by the management. We also considered and reviewed, on a sample basis, terms of revenue contracts and evaluated the timing and amount of revenue recognised.</p> <p>We further assessed the adequacy of unconsolidated financial statement disclosures in accordance with the applicable financial reporting framework.</p>
2. Existence and valuation of stock-in-trade	
<p>As disclosed in note 12 to the accompanying unconsolidated financial statements, the stock-in-trade balance constitutes approximately 24% of total assets of the Company. The cost of finished goods is determined at weighted average cost including a proportion of production overheads.</p> <p>The obsolescence is calculated by taking into account the Net Realisable Value (NRV) of related stock-in-trade while mainly keeping in view the estimated selling price, forecasted stock-in-trade usage and forecasted sales volume.</p>	<p>Our audit procedures included, amongst others, reviewing the management's procedures for evaluating the NRV of stock-in-trade, observing physical stock counts to ascertain the condition and existence of stock-in-trade, performing testing on a sample of items to assess the NRV of the stock-in-trade held and evaluating the adequacy of write down of stock-in-trade to NRV as at the year end.</p> <p>Further, we evaluated the appropriateness of the basis of identification of the obsolete stock-in-trade and the accuracy of write down of stock-in-trade to NRV assessed by the management, on a test basis.</p>



Building a better working world

Key audit matter	How our audit addressed the key audit matter
<p>We have considered this area to be a key audit matter due to its materiality and judgments involved in estimating the NRV of underlying stock-in-trade as well as the management judgment in determining an appropriate costing basis and assessing its valuation.</p>	<p>We tested the accuracy of the ageing analysis of stock-in-trade, on a sample basis and cost of goods with underlying invoices and expenses incurred in accordance with stock-in-trade valuation method.</p> <p>We also tested the calculations of per unit cost of finished goods and assessed the appropriateness of management's basis for the allocation of cost and production overheads.</p> <p>We further tested the NRV of stock-in-trade by performing a review of sales close to and subsequent to the year-end and comparing with the cost for a sample of products.</p> <p>We further assessed the adequacy of unconsolidated financial statement disclosures in accordance with the applicable financial reporting framework.</p>
<p>3. Capital Expenditure</p>	
<p>As disclosed in note 7 to the accompanying unconsolidated financial statements, the Company has incurred significant amount of capital expenditure including transfers from capital work in progress during the year.</p> <p>We focused on capital expenditure incurred during the year as this represents a significant transaction for the year and involves certain judgmental areas, such as management's estimates about the useful life of assets and capitalization of elements of eligible components of cost as per the applicable financial reporting standards. Therefore, we have identified this as a key audit matter.</p>	<p>Our key audit procedures in this area included, amongst others, obtaining an understanding of the Company's process with respect to capital expenditure and related controls relevant to such process.</p> <p>We performed substantive audit procedures through inspection of related documents supporting various components of the capitalized costs.</p> <p>We also considered whether the items of cost capitalized meet the recognition criteria of an asset in accordance with the applicable financial reporting standards.</p> <p>We reviewed management's estimates about the useful life of assets so capitalized and consequent depreciation rates used by the Company.</p> <p>We further assessed the adequacy of unconsolidated financial statement disclosures in accordance with the applicable financial reporting framework.</p>

ETW



Building a better
working world

Information Other than the Unconsolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the unconsolidated and consolidated financial statements and our auditor's report thereon.

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

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

In preparing the unconsolidated 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.

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the unconsolidated 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.

EM



Building a better
working world

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

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated 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) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

Chartered Accountants

Place: Karachi

Date: 13 September 2019

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At June 30, 2019

	Note	2019 ----- (Rupees in '000) -----	2018
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	786,604	667,623
Intangible asset	8	6,651	7,863
Long-term investment	9	1,144,006	1,144,006
Long-term deposits	10	6,634	6,234
		1,943,895	1,825,726
CURRENT ASSETS			
Stores, spares and loose tools	11	108,143	83,178
Stock-in-trade	12	1,085,156	964,242
Trade debts	13	669,222	431,931
Advances, deposits, prepayments and other receivables	14	264,958	7,099
Accrued profit		981	681
Short-term investments	15	74,629	543,560
Sales tax receivable		47,976	9,086
Taxation – net		338,070	254,258
Cash and bank balances	16	135,948	230,264
		2,725,083	2,524,299
		4,668,978	4,350,025
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 40,000,000 (2018: 40,000,000) ordinary shares of Rs. 5/- each		200,000	200,000
Issued, subscribed and paid-up capital	17	144,000	144,000
Reserves		3,998,798	3,726,986
		4,142,798	3,870,986
NON CURRENT LIABILITIES			
Deferred taxation	18	5,886	16,792
CURRENT LIABILITIES			
Trade and other payables	19	490,028	436,227
Unpaid dividend		7,211	2,516
Unclaimed dividend		23,055	23,504
		520,294	462,247
COMMITMENTS			
	20		
		4,668,978	4,350,025
TOTAL EQUITY AND LIABILITIES			

The annexed notes from 1 to 41 form an integral part of these unconsolidated financial statements.



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive



Saad Usman
Chief Financial Officer

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS

For The Year Ended June 30, 2019

	Note	2019 ----- (Rupees in '000) -----	2018
Turnover – net	21	7,122,487	6,112,980
Cost of sales	22	(6,043,822)	(4,997,062)
Gross profit		1,078,665	1,115,918
Distribution cost	23	(128,681)	(118,783)
Administrative expenses	24	(228,443)	(207,076)
		(357,124)	(325,859)
Operating profit		721,541	790,059
Other expenses	25	(69,717)	(70,667)
Other income	26	153,881	54,180
Finance cost		(314)	(334)
		83,850	(16,821)
Profit before taxation		805,391	773,238
Taxation	27	(202,379)	(252,831)
Profit after taxation		603,012	520,407
		----- (Rupees) -----	
Earnings per share – basic and diluted	28	20.94	18.07

The annexed notes from 1 to 41 form an integral part of these unconsolidated financial statements.



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive



Saad Usman
Chief Financial Officer

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended June 30, 2019

	2019	2018
	----- (Rupees in '000) -----	
Net profit for the year	603,012	520,407
Other comprehensive income	-	-
Total comprehensive income for the year	603,012	520,407

The annexed notes from 1 to 41 form an integral part of these unconsolidated financial statements.



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive



Saad Usman
Chief Financial Officer

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended June 30, 2019

	R e s e r v e s					Total equity
	Issued, Subscribed and paid-up Capital	Capital reserve	Revenue reserves		Total reserves	
		Share premium	General	Unappropriated profit		
------(Rupees in '000)-----						
Balance as at June 30, 2017	144,000	12,598	2,975,000	550,181	3,537,779	3,681,779
Final dividend for the year ended June 30, 2017 @ Rs. 7.5/- per share	-	-	-	(216,000)	(216,000)	(216,000)
Interim dividend for the year ended June 30, 2018 @ Rs. 4.0/- per share	-	-	-	(115,200)	(115,200)	(115,200)
Transfer to general reserve	-	-	300,000	(300,000)	-	-
Profit after taxation for the year	-	-	-	520,407	520,407	520,407
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	520,407	520,407	520,407
Balance as at June 30, 2018	144,000	12,598	3,275,000	439,388	3,726,986	3,870,986
Final dividend for the year ended June 30, 2018 @ Rs. 8.5/- per share	-	-	-	(244,800)	(244,800)	(244,800)
Interim dividend for the year ended June 30, 2019 @ Rs. 3.0/- per share	-	-	-	(86,400)	(86,400)	(86,400)
Transfer to general reserve	-	-	190,000	(190,000)	-	-
Profit after taxation for the year	-	-	-	603,012	603,012	603,012
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	603,012	603,012	603,012
Balance as at June 30, 2019	144,000	12,598	3,465,000	521,200	3,998,798	4,142,798

The annexed notes from 1 to 41 form an integral part of these unconsolidated financial statements.



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive



Saad Usman
Chief Financial Officer

UNCONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended June 30, 2019

	Note	2019 ----- (Rupees in '000) -----	2018 -----
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	29	126,680	568,860
Long-term deposits paid		(400)	-
Finance cost paid		(314)	(334)
Income tax paid		(297,097)	(289,178)
Net cash (used in) / generated from operating activities		(171,131)	279,348
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(222,633)	(111,243)
Proceeds from disposal of operating fixed assets		12,905	11,027
Short-term investments made in mutual fund - net		(52,347)	-
Profit received on short-term investments - term deposit receipts		16,606	39,408
Profit received on deposit accounts		11,856	9,023
Dividend received		118,690	-
Net cash used in investing activities		(114,923)	(51,785)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(326,954)	(326,442)
Net cash used in financing activities		(326,954)	(326,442)
Net decrease in cash and cash equivalents		(613,008)	(98,879)
Cash and cash equivalents at the beginning of the year	30	770,956	869,835
Cash and cash equivalents at the end of the year	30	157,948	770,956

The annexed notes from 1 to 41 form an integral part of these unconsolidated financial statements.



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive



Saad Usman
Chief Financial Officer

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

1 THE COMPANY AND ITS OPERATIONS

1.1 Agriauto Industries Limited (the Company) was incorporated in Pakistan on June 25, 1981 as a public limited company and is listed on Pakistan Stock Exchange Limited. The Company is engaged in the manufacture and sale of components for automotive vehicles, motor cycles and agricultural tractors. The registered office of the Company is situated at 5th Floor, House of Habib, Main Shahrah-e-Faisal, Karachi.

1.2 Geographical location and addresses of all the business units are as under:

Location	Business unit
Karachi 5th Floor, House of Habib, Main Shahrah-e-Faisal.	Registered office
Hub Mouza Baroot, Hub Chowki Distt. Lasbella, Balochistan.	Manufacturing facility

1.3 These unconsolidated financial statements are separate financial statements of the Company in which investments in subsidiary is accounted for at cost less accumulated impairment losses, if any and is not consolidated or accounted for using equity method.

2 STATEMENT OF COMPLIANCE

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

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

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

3 BASIS OF MEASUREMENT

3.1 These unconsolidated financial statements have been prepared under the historical cost convention except for short-term investments in mutual fund classified at fair value through profit or loss as disclosed in note 15 to the financial statements.

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

4 STANDARDS, AMENDMENTS AND IMPROVEMENTS APPLICABLE TO FINANCIAL STATEMENTS

4.1 New standards, amendments and improvements effective during the year

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

IFRS 9: Financial Instruments
IFRS 15: Revenue from Contracts with Customers
IAS 40: Investment Property: Transfers of Investment Property (Amendments)
IFRIC 22: Foreign Currency Transactions and Advance Consideration

Improvements to IFRSs Issued by IASB in December 2016

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

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

4.1.1 IFRS 9 Financial Instruments

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

The management of the Company has assessed and concluded that the Company is in compliance with the requirements of IFRS 9. The new accounting policy in respect of financial instruments along with the impact on the classification of financial assets and impairment of financial assets is stated in note 5.8 to these unconsolidated financial statements.

4.1.2 IFRS 15 Revenue from Contracts with Customers

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

The management of the Company has assessed and concluded that the Company is in compliance with the requirements of IFRS 15. The new accounting policy in respect of revenue recognition is stated in note 5.15 to these unconsolidated financial statements.

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

Standard or Interpretation	“Effective date (annual periods beginning on or after)”
IFRS 3 -- Definition of a Business (Amendments)	01 January 2020
IFRS 3 -- Business Combinations: Previously held interests in a joint operation	01 January 2019
IFRS 9 -- Prepayment Features with Negative Compensation (Amendments)	01 January 2019
IFRS 10 / IAS 28 -- Consolidated Financial Statements and Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 11 -- Joint Arrangements: Previously held interests in a joint operation	01 January 2019
IFRS 16 -- Leases	01 January 2019
IAS 1 / IAS 8 -- Definition of Material (Amendments)	01 January 2019
IAS 12 -- Income Taxes: Income tax consequences of payments on financial instruments classified as equity	01 January 2019
IAS 19 -- Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 23 -- Borrowing Costs - Borrowing costs eligible for capitalisation	01 January 2019
IAS 28 -- Long-term Interests in Associates and Joint Ventures (Amendments)	01 January 2019
IFRIC 23 -- Uncertainty over Income Tax Treatments	01 January 2019

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

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

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

“Effective date
(annual periods
beginning on or
after)”

Standard or Interpretation

IFRS 1 -- First time adoption of IFRSs	01 January 2004
IFRS 14 -- Regulatory Deferral Accounts	01 January 2016
IFRS 17 -- Insurance Contracts	01 January 2021

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Property, plant and equipment

Owned

These are stated at cost less accumulated depreciation and impairment loss except for freehold land and capital work in progress which are stated at cost.

Depreciation on fixed assets is charged to the unconsolidated statement of profit or loss applying the reducing balance method at the rates specified in note 7.1 to these unconsolidated financial statements. Depreciation on additions is charged from the month of addition and in case of deletion up to the month of disposal. Maintenance and normal repairs are charged to unconsolidated statement of profit or loss as and when incurred, while major renewals and improvements are capitalised. Gains or losses on disposals of operating fixed assets, if any, are included in unconsolidated statement of profit or loss.

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or related cash-generating units are written down to their recoverable amount.

5.2 Development costs or Intangible assets

Development costs are expensed as incurred, except for development costs that relate to the design of new or improved products which are recognised as an asset to the extent that it is expected that such asset will meet the recognition criteria mentioned in IAS – 38 “Intangible Assets”. These amounts are amortised at the rate disclosed in note 8 to these unconsolidated financial statements.

5.3 Stores, spares and loose tools

Stores, spares and loose tools are stated at cost which is determined by the weighted moving average cost method except for those in transit which are valued at actual cost. Provision is made for slow moving and obsolete items, (if any).

5.4 Stock-in-trade

Stock-in-trade, except goods-in-transit, is stated at the lower of net realisable value (NRV) and cost determined as follows:

Raw and packing materials	Moving average basis.
Work-in-process	Cost of direct materials plus conversion cost valued on the basis of equivalent production units.
Finished goods	Cost of direct materials plus conversion cost valued on time proportion basis.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

Goods-in-transit are valued at purchase price, freight value and other charges incurred thereon upto the date of statement of financial position.

Stock-in-trade is regularly reviewed by the management and any obsolete items are brought down to their NRV.

NRV signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

5.5 Trade debts and other receivables

Trade debts and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method less an allowance for expected credit losses, if any. Allowance for expected credit losses is based on lifetime ECLs that result from all possible default events over the expected life of the trade debts and other receivables. Bad debts, if any, are written off when considered irrecoverable.

5.6 Investment in a subsidiary company

Investment in subsidiary is stated at cost less impairment, if any.

5.7 Cash and cash equivalents

For the purpose of unconsolidated statement of cash flow, cash and cash equivalents comprise of cash in hand, bank balances and short-term investments with a maturity of three months or less from the date of acquisition. The cash and cash equivalents are readily convertible to known amount of cash and are therefore subject to insignificant risk of changes in value.

5.8 Financial instruments

5.8.1 Financial assets

The financial assets of the Company mainly include trade debts, loans, deposits, short-term investments, other receivables and cash and bank balances.

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

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

Short-term investments in mutual fund are designated at FVTPL at initial recognition. These are carried in the unconsolidated statement of financial position at fair value with net changes in fair value recognised in the unconsolidated statement of profit or loss.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

5.8.2 Financial liabilities

There are no changes in classification and measurement for the Company's financial liabilities on the adoption of IFRS 9.

Financial liabilities at fair value through profit or loss

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

5.8.3 Impairment of financial assets

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

"ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company."

At each date of statement of financial position, the Company assesses whether financial assets are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the respective asset.

The Company uses the standard's simplified approach and calculates ECL based on life time ECL on its financial assets. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the financial assets and the economic environment.

5.8.4 Offsetting of financial instruments

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

5.9 Impairment of non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax assets are assessed at date of statement of financial position to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognised, as an expense in the unconsolidated statement of profit or loss. The recoverable amount is the higher of an asset's fair value less cost to disposal and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

5.10 Employees' benefits

Provident fund

The Company operates a recognised provident fund scheme (defined contribution plan) for all its employees who are eligible for the scheme in accordance with the Company's policy. Contributions in respect thereto are made in accordance with the terms of the scheme.

Compensated absences

The Company accounts for these benefits in the period in which the absences are earned.

5.11 Taxation

Current

Provision 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 and tax paid on final tax regime basis in accordance with the provisions of Income Tax Ordinance 2001. The Company has opted for Group Taxation under section 59AA of the Income Tax Ordinance, 2001. The Group consists of Agriauto Industries Limited (the Holding Company) and Agriauto Stamping Company (Private) Limited - wholly owned Subsidiary.

Deferred

Deferred tax is provided, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of recognised or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the date of statement of financial position.

5.12 Provisions

Provision is recognised in the unconsolidated statement of financial position when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each year end and adjusted to reflect the current best estimate.

5.13 Warranty obligations

The Company recognises the estimated liability to repair or replace products under warranty at the year end on the basis of historical experience. The warranty provided by the company to the customer is assurance warranty.

5.14 Foreign currency transactions

Transactions in foreign currencies are accounted for in Pakistani Rupees at the foreign exchange rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are re-translated into rupees at the foreign exchange rates approximating those prevailing at the statement of financial position date. Exchange differences are taken to the unconsolidated statement of profit or loss.

5.15 Revenue recognition

Revenue from contracts with customers is recognized when the control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods according to the negotiated contractual terms. The Company has generally concluded that it acts as a principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

Performance obligations held by the Company are not separable, and are not partially satisfied, since they are satisfied at a point in time, when the customer accepts the products. Moreover, the payment terms identified in most sources of revenue are short-term usually 30 to 60 days upon delivery, without any variable considerations, financing components and guarantees.

The Company recognizes an account receivable when the performance obligations have been met, recognizing the corresponding revenue. Moreover, the considerations received before satisfying the performance obligations are recognized as advances from customer.

Return on bank deposits / saving accounts is recognised on accrual basis.

Other income, if any, is recognized on accrual basis.

5.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

5.17 Dividends and appropriation to reserve

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

5.18 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of unconsolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the process of applying the accounting policies, management has made the following judgments and estimates which are significant to these unconsolidated financial statements:

	Notes
- determining the residual values and useful lives of property, plant and equipment	5.1 & 7
- allowance for expected credit losses	5.5
- provision for tax and deferred tax	5.11, 18 & 27
- warranty obligations	5.13 & 19.3
- provision for employee benefits	5.10 & 19.2

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

	Note	2019 ----(Rupees in '000)----	2018
7			
PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	7.1	733,836	644,258
Capital work-in-progress	7.5	52,768	23,365
		786,604	667,623

7.1 Operating fixed assets

	COST			Depreciation rate %	ACCUMULATED DEPRECIATION			WRITTEN DOWN VALUE	
	As at June 30, 2018	Additions / transfer /(disposals)	As at June 30, 2019		As at June 30, 2018	Charge for the year (Note 7.2)	On disposals	As at June 30, 2019	As at June 30, 2019
	----- (Rupees in '000) -----				----- (Rupees in '000) -----				
Owned									
Freehold land	1,652	-	1,652	-	-	-	-	1,652	
Building on freehold land	189,672	2,748	192,420	10	98,079	9,228	-	107,307	85,113
Plant and machinery	1,000,572	121,384 15,528 (19,842)	1,117,642	10 – 20	507,762	61,720	(12,488)	556,994	560,648
Furniture and fittings	15,558	3,624 (284)	18,898	15	7,795	1,397	(269)	8,923	9,975
Vehicles	83,407	26,854 (13,778)	96,483	20	40,524	11,723	(10,294)	41,953	54,530
Office equipment	4,473	1,899 (193)	6,179	20	3,092	441	(189)	3,344	2,835
Computer equipment	30,392	2,091 (3,165)	29,318	33	26,654	1,672	(2,978)	25,348	3,970
Dies and tools	37,891	15,168	53,059	40	35,453	2,493	-	37,946	15,113
2019	1,363,617	173,768 15,528 (37,262)	1,515,651		719,359	88,674	(26,218)	781,815	733,836

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

	COST			Depreciation rate %	ACCUMULATED DEPRECIATION			WRITTEN DOWN VALUE	
	As at June 30, 2017	Additions / (disposals)	As at June 30, 2018		As at June 30, 2017	Charge for the year (Note 7.2)	On disposals	As at June 30, 2018	As at June 30, 2018
	----- (Rupees in '000) -----				----- (Rupees in '000) -----				
Owned									
Freehold land	1,652	-	1,652	-	-	-	-	-	1,652
Building on freehold land	189,672	-	189,672	10	87,902	10,177	-	98,079	91,593
Plant and machinery	947,823	56,876 690 (4,817)	1,000,572	10 – 20	453,383	55,474	(1,095)	507,762	492,810
Furniture and fittings	13,854	1,704	15,558	15	6,577	1,218	-	7,795	7,763
Vehicles	78,082	18,511 (13,186)	83,407	20	39,829	9,525	(8,830)	40,524	42,883
Office equipment	4,360	113	4,473	20	2,758	334	-	3,092	1,381
Computer equipment	30,599	1,222 (1,429)	30,392	33	26,323	1,674	(1,343)	26,654	3,738
Dies and tools	37,891	-	37,891	40	33,826	1,627	-	35,453	2,438
2018	1,303,933	78,426 690 (19,432)	1,363,617		650,598	80,029	(11,268)	719,359	644,258

Note 2019 2018
----- (Rupees in '000) -----

7.2 Depreciation charge for the year has been allocated as follows :

Cost of sales	22	78,696	70,482
Distribution costs	23	1,494	1,528
Administrative expenses	24	8,484	8,019
		88,674	80,029

7.3 Particulars of immovable properties (i.e. freehold land and building on freehold land) in the name of Company are as follows:

Location	Use of Immovable Property	Total Area
Mouza Baroot, Hub Chowki, Distt. Lasbella, Balochistan	Manufacturing Facility	18.4 acres

7.4 The following operating fixed assets were disposed off during the year having written down value (WDV) of Rs. 0.5 million or more:

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

	Cost	Accumulated depreciation	Book value	Sales proceeds	Gain / (loss)	Mode of disposal	Particulars of buyer
----- (Rupees in '000) -----							
Plant and machinery							
Tractor MF650	1,209	161	1,048	900	(148)	Negotiation	Mr.Ikram Khan Niazi
Tractor LX 650	1,461	195	1,266	1,000	(266)	Negotiation	Mr.Mumtaz Khan
Tractor X 850	1,534	230	1,304	1,300	(4)	Negotiation	Syed Hasan Raza
Tractor X 854	1,778	267	1,511	1,300	(211)	Negotiation	Mr.Ghulam Khan
Tractor X 854	1,775	266	1,509	1,300	(209)	Negotiation	M/s. Banu Mukhtar
Vehicles							
Toyota Corolla	1,587	1,060	527	555	28	Company policy	Syed Nasr
	9,344	2,179	7,165	6,355	(810)		
Operating fixed assets having WDV less than Rs. 0.5 million	27,918	24,039	3,879	6,550	2,671	Various	Various
2019	37,262	26,218	11,044	12,905	1,861		
2018	19,432	11,268	8,164	11,030	2,866		

Note 2019 2018
----(Rupees in '000)----

7.5 Capital work in progress

Plant and Machinery	46,160	23,365
Building on freehold land	6,608	-
	52,768	23,365

7.5.1

7.5.1 Movement in capital work-in-progress is as follows:

As at July 01	23,365	690
Capital expenditure incurred / advances made during the year	47,581	23,365
Transfer to operating fixed assets during the year	(15,528)	(690)
Charged off during the year	(2,650)	-
As at June 30	52,768	23,365

8 INTANGIBLE ASSET

Cost		
Opening as at July 1	9,452	-
Additions during the year	1,284	9,452
Closing Balance	10,736	9,452

8.1

Accumulated amortisation

Opening as at July 1	(1,589)	-
Charge for the year	(2,496)	(1,589)
Closing Balance	(4,085)	(1,589)

Net book value as at June 30

6,651 7,863

Annual rate of amortisation

20% 20%

8.1 This represents development costs incurred in respect of parts for upcoming models of motor vehicles.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

	Note	2019 ----(Rupees in '000)----	2018
13	TRADE DEBTS - unsecured		
Considered good	13.1 & 13.2	669,222	431,931
Considered doubtful		602	595
Allowance for expected credit losses		(602)	(595)
		-	-
		<u>669,222</u>	<u>431,931</u>
13.1	This includes an amount of Rs. 2.57 million (2018: Rs. 2.18 million) receivable from Agriauto Stamping Company (Private) Limited, a wholly owned subsidiary against sales made by the Company.		
13.2	The amount due from the wholly owned subsidiary is neither passed due nor impaired. The maximum aggregate amount receivable from the wholly owned subsidiary at the end of any month during the year was Rs 4.20 million (2018: Rs 3.67 million).		

	Note	2019 ----(Rupees in '000)----	2018
14	ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Advances – unsecured, considered good			
Contractors		15,606	623
Employees		953	655
Suppliers		12	67
		<u>16,559</u>	1,345
Deposits		425	215
Prepayments			
Insurance		4,426	3,391
Rent		3,810	2,148
Others		2,688	-
		<u>10,924</u>	5,539
Other receivables - secured, considered good	14.1	<u>237,050</u>	-
		<u>264,958</u>	<u>7,099</u>
14.1	This includes an amount of Rs. 231.46 million (2018: Rs. Nil) receivable against LC margins.		
14.2	These advances, trade deposits and other receivables are interest free.		

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

	Note	2019 ----(Rupees in '000)----	2018
15			
SHORT-TERM INVESTMENTS			
At amortised cost			
Term deposit receipts	15.1	22,000	442,000
Treasury bills		-	98,692
Accrued profit thereon		53	2,868
		<u>22,053</u>	<u>543,560</u>
At fair value through profit or loss			
Mutual funds - open ended (5,323,943 units at NAV of Rs. 9.875 each)		52,576	-
		<u>74,629</u>	<u>543,560</u>

15.1 Represents one to three months term deposit receipts with commercial banks under conventional banking relationship carrying profit rate of 5.85% (2018: 5.50% to 6.00%) per annum and will mature by July 17, 2019.

	Note	2019 ----(Rupees in '000)----	2018
16			
CASH AND BANK BALANCES			
In hand		3	197
With banks in			
- current accounts		85,570	78,567
- deposit accounts	16.1 & 16.2	50,375	151,500
		<u>135,945</u>	<u>230,067</u>
		<u>135,948</u>	<u>230,264</u>

16.1 These carry profit rates ranging from 9.5% to 10.25% (2018: 4% to 4.50%) per annum.

16.2 Represents deposits and saving accounts placed with conventional banks under interest / mark-up arrangements.

17 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	2019	2018		2019	2018
	Number of shares in ('000)		Ordinary shares of Rs. 5/- each	-----(Rupees in '000)----	
	22,800	22,800	Fully paid in cash	114,000	114,000
	6,000	6,000	Issued as fully paid bonus shares	30,000	30,000
	<u>28,800</u>	<u>28,800</u>		<u>144,000</u>	<u>144,000</u>

17.1 Thal Limited - an associated company held 2,115,600 (2018: 2,115,600) ordinary shares of Rs. 5/- each in the Company as at the date of statement of financial position.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

20 COMMITMENTS

- 20.1** Commitments in respect of outstanding letters of credit for raw material amounting to Rs. 405.049 million (2018: Rs. 634.494 million).
- 20.2** Commitments in respect of capital expenditure amounting to Rs. 81.982 million (2018: Rs. 78.342 million).
- 20.3** Outstanding bank guarantees issued to Sui Southern Gas Company Limited amounting to Rs. 0.385 million (2018: Rs. 0.385 million).

21 TURNOVER – net

	Note	2019 ----(Rupees in '000)----	2018
Sales		8,340,194	7,164,751
Trade discount		(170)	(580)
Sales tax		(1,217,537)	(1,051,191)
		(1,217,707)	(1,051,771)
		<u>7,122,487</u>	<u>6,112,980</u>

22 COST OF SALES

Raw material consumed

Opening stock	12	669,766	540,069
Purchases		5,082,378	4,179,397
		5,752,144	4,719,466
Closing stock	12	(781,482)	(669,766)
		4,970,662	4,049,700

Manufacturing expenses

Salaries, wages and benefits		448,039	399,431
Stores, spares and loose tools consumed		209,768	177,670
Fuel and power		70,586	76,290
Royalty and technical fees		36,475	34,965
Depreciation	7.2	78,696	70,482
Transportation and travelling		82,014	74,577
Repairs and maintenance		72,452	60,724
Packing material consumed		29,921	32,003
Rent, rates and taxes		6,251	6,382
Research and development costs		2,950	7,130
Insurance		3,470	2,829
Communications and professional fee		3,247	2,558
Printing and stationery		1,522	1,966
Others		9,078	5,374
		1,054,469	952,381

Work-in-process

Opening stock	12	48,913	47,379
Closing stock	12	(43,441)	(48,913)
		5,472	(1,534)

Cost of goods manufactured

6,030,603

5,000,547

Finished goods

Opening stock	12	33,173	29,688
Closing stock	12	(19,954)	(33,173)
		13,219	(3,485)
		<u>6,043,822</u>	<u>4,997,062</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

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

Company name	Address	Relationship with the Company	2019 ---- (Rupees in '000) ----	2018
KYB Corporation	World Trade Center Building 4-1, Hamamatsu-Cho 2 Chome, Minato-Ku, Tokyo 105 Japan	Technical Partner	23,701	23,390
Aisin Seiki Co., Ltd	2-1, Asahi-Machi, Kariya, Aichi, 448-4650, Japan	Technical Partner	993	831
Ride Control LLC	750 Old Hickory Blvd. Suite 1-180 Brentwood, TN 37027, USA	Technical Partner	5,500	5,585

23 DISTRIBUTION COST

Salaries, wages and benefits		19,529	16,600
Advertisement and sales promotion		40,095	38,736
Carriage and forwarding		33,127	32,410
Travelling and conveyance		3,220	2,803
Depreciation	7.2	1,494	1,528
Provision for warranty claims	19.3	28,513	24,452
Allowance / (reversal) for expected credit losses		7	(39)
Trade debts written-off		101	-
Rent, rates and taxes		263	206
Communications		541	210
Insurance		1,486	1,613
Repairs and maintenance		82	112
Others		223	152
		128,681	118,783

24 ADMINISTRATIVE EXPENSES

Salaries, wages and benefits		83,349	70,103
Legal and professional charges		72,232	67,993
Travelling and conveyance		17,603	16,789
Repairs and maintenance		16,418	17,153
Depreciation	7.2	8,484	8,019
Security services		7,322	7,190
Communications and professional fee		3,724	5,369
Advertisement		607	585
Printing and stationery		3,767	1,749
Rent, rates and taxes		7,368	6,402
Utilities		1,699	1,451
Auditors' remuneration	24.1	1,630	1,519
Insurance		1,462	846
Others		2,778	1,908
		228,443	207,076

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

	Note	2019 ----(Rupees in '000)----	2018
24.1 Auditors' remuneration			
Audit fee for standalone financial statements		900	840
Audit fee for consolidated financial statements		175	155
Fee for review of half yearly financial statements		100	75
Other certifications		250	260
Out of pocket expenses		205	189
		<u>1,630</u>	<u>1,519</u>
25 OTHER EXPENSES			
Workers' Profit Participation Fund	19.2	43,140	41,584
Workers' Welfare Fund		14,650	16,860
Donations	25.1 & 25.2	11,927	12,223
		<u>69,717</u>	<u>70,667</u>
25.1	Donation to following parties equals to or exceeds 10% of the Company's total donations or Rs. 1 million, whichever is higher:		
	Note	2019 ----(Rupees in '000)----	2018
Habib Educational Trust		4,300	5,500
Mohammedali Habib Welfare Trust		4,000	4,200
Markaz-e-Umeed		1,500	50
25.2	None of the directors or their spouses had any interest in the donees except for Ms. Ayesha T.Haq (independent director) who is a member of Board of Governors in Professional Education Foundation (PEF). Donation given to PEF during the year amounted to Rs. 0.2 million (2018: Nil).		
26 OTHER INCOME			
Income from financial assets			
Profit on:			
- short-term investments - term deposit receipts and treasury bills		13,791	38,217
- deposit accounts		12,156	8,925
	26.1	<u>25,947</u>	<u>47,142</u>
Gain on disposal of short-term investments - mutual funds		229	-
Unrealised gain on short-term investments- mutual funds		189	-
Dividend income:			
- Agriauto Stamping Company (Private) Limited		114,401	-
- short-term investments - mutual funds		6,096	-
		<u>120,497</u>	<u>-</u>
Income from non-financial assets			
Gain on disposal of operating fixed assets	7.4	1,861	2,866
Scrap sales		5,158	4,157
Miscellaneous income		-	15
		<u>7,019</u>	<u>7,038</u>
		<u>153,881</u>	<u>54,180</u>

26.1 Represents profit earned under conventional banking relationship.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

	Note	2019 ----(Rupees in '000)----	2018
27 TAXATION			
Current			
For the year		199,068	238,556
Prior		(140)	1,001
Super tax		14,357	24,784
		<u>213,285</u>	<u>264,341</u>
Deferred		(10,906)	(11,510)
		<u>202,379</u>	<u>252,831</u>
27.1 Relationship between tax expense and accounting profit			
Profit before taxation		<u>805,391</u>	<u>773,238</u>
Tax at the rate of 29% (2018: 30%)		233,563	231,971
Tax effects of:			
Expenses that are admissible in determining taxable profit		(25,388)	15,873
Effect of previous year's tax charge		(140)	1,001
Tax rebates		(10,021)	(9,288)
Effect of changes in tax rate		914	-
Deferred		(10,906)	(11,510)
Super tax		14,357	24,784
		<u>202,379</u>	<u>252,831</u>
28 EARNINGS PER SHARE – basic and diluted			
There is no dilutive effect on the basic earnings per share of the Company, which is based on:			
		2019	2018
Profit after taxation (Rs. in '000)		<u>603,012</u>	<u>520,407</u>
Weighted average number of ordinary shares outstanding during the year (shares in '000)		<u>28,800</u>	<u>28,800</u>
Basic earning per share (Rs.)		<u>20.94</u>	<u>18.07</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

	Note	2019 ----(Rupees in '000)----	2018
29 CASH GENERATED FROM OPERATIONS			
Profit before taxation		805,391	773,238
Adjustments for:			
Depreciation and amortisation	7.2 & 8	91,170	81,618
Finance costs		314	334
Allowance / (reversal) for expected credit losses		7	(39)
Trade debts written off		101	-
Profit on short-term investments - term deposit receipts and treasury bills	26	(13,791)	(38,217)
Profit on deposit accounts	26	(12,156)	(8,925)
Dividend income	26	(120,497)	-
Capital work-in-progress charged off	7.5.1	2,650	-
Gain on disposal of operating fixed assets	26	(1,861)	(2,866)
Gain on disposal of short-term investments - mutual funds	26	(229)	-
		(54,292)	31,905
		751,099	805,143
Decrease / (increase) in current assets			
Stores, spares and loose tools		(24,965)	(21,251)
Stock-in-trade		(120,914)	(218,420)
Trade debts		(237,399)	(1,532)
Advances, deposits, prepayments and other receivables		(256,052)	4,072
Sales tax receivable		(38,890)	(3,827)
		(678,220)	(240,958)
Decrease in current liabilities			
Trade and other payables		53,801	4,675
		126,680	568,860
30 CASH AND CASH EQUIVALENTS			
Short-term investments - term deposit receipts and treasury bills	15	22,000	540,692
Cash and bank balances	16	135,948	230,264
		157,948	770,956
31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES			

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

31.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate and foreign exchange rates.

(i) Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to the changes in market interest rates. The Company is exposed to interest rate risk in respect of bank deposits and term deposit receipts. Management of the Company estimates that 1% increase in the market interest rate, with all other factor remaining constant, would increase the Company's profit after tax by Rs. 0.52 million (2018: Rs. 4.845 million) and a 1% decrease would result in the decrease in the Company's profit after tax by the same amount. However, in practice, the actual result may differ from the sensitivity analysis.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

(ii) Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. As at June 30, 2019, the Company does not have any financial assets or financial liabilities which are denominated in foreign currencies.

31.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is exposed to credit risk mainly on trade debts, short-term investments, long-term deposits, short-term deposits, other receivables and bank balances. The Company seeks to minimise the credit risk exposure through having exposure only to customers considered credit worthy and obtaining securities where applicable.

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

	Note	2019 ----(Rupees in '000)----	2018
The maximum exposure to credit risk at reporting date is as follows:			
Long-term deposits	10	6,634	6,234
Trade debts	13	669,222	431,931
Deposits	14	425	215
Other receivables	14	237,050	-
Short-term investments	15	74,629	543,560
Bank balances	16	135,945	230,067
		<u>1,123,905</u>	<u>1,212,007</u>

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

	Note	2019 ----(Rupees in '000)----	2018
Trade debts			
The analysis of trade debts is as follows:			
Neither past due nor impaired		557,235	345,793
Past due but not impaired – 30 to 90 days		111,987	86,138
		<u>669,222</u>	<u>431,931</u>
Bank balances			
Ratings			
A-1+		135,945	230,067
Short-term investments			
Ratings			
A-1+		52,576	540,692
AA(f)		22,053	-
		<u>74,629</u>	<u>540,692</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

31.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet commitments associated with financial instruments. The management of the Company believes that it is not exposed to any significant level of liquidity risk.

The management forecasts the liquidity of the Company on the basis of expected cashflow considering the level of liquid assets necessary to mitigate the liquidity risk.

	On demand	Less than 3 months	3 to 12 months	Total
	----- (Rupees in '000) -----			
2019				
Trade and other payables	222,984	224,774	14,662	462,420
Unpaid dividend	7,211	-	-	7,211
Unclaimed dividend	23,055	-	-	23,055
	<u>253,250</u>	<u>224,774</u>	<u>14,662</u>	<u>492,686</u>
	On demand	Less than 3 months	3 to 12 months	Total
	----- (Rupees in '000) -----			
2018				
Trade and other payables	197,741	195,400	16,860	410,001
Unpaid dividend	2,516	-	-	2,516
Unclaimed dividend	23,504	-	-	23,504
	<u>223,761</u>	<u>195,400</u>	<u>16,860</u>	<u>436,021</u>

32 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital is to safeguard the Company's ability to continue to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is currently financing majority of its operations through equity and working capital. The capital structure of the Company is equity based with no financing through long-term borrowings.

33 FAIR VALUE 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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

Fair value hierarchy

The different levels to analyse financial assets carried at fair value have been defined as follows:

- Level 1: Quoted market price
- Level 2: Valuation techniques (market observable); and
- Level 3: Valuation techniques (non-market observables)

	Fair value measurement using			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
June 30, 2019				
Short-term investments - mutual funds	-	52,576	-	52,576
June 30, 2018	-	-	-	-

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

34 REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

34.1 The aggregate amount charged in the unconsolidated financial statements for remuneration including certain benefits to the chief executive, directors and executives of the Company are as follows:

	2019		2018	
	Chief executive	Executives	Chief executive	Executives
	----- (Rupees in '000) -----			
Managerial remuneration	18,149	45,497	13,895	28,463
Bonus	6,612	10,463	2,867	2,563
Retirement benefits	1,512	2,100	725	1,383
Utilities	-	138	179	81
Medical expenses	54	298	41	166
	26,327	58,496	17,707	32,656
Number of persons	1	12	1	7

34.2 The Chief Executive and certain executives are also provided with free use of Company maintained vehicles in accordance with the Company's policy.

34.3 Three non-executive directors (2018: Two) have been paid fees of Rs. 2.025 million (2018: Rs. 1.275 million) for attending board and other meetings.

35 TRANSACTIONS WITH RELATED PARTIES

35.1 Related parties of the Company comprise the subsidiary company, companies with common directorship, retirement funds, directors and key management personnel. Detail of transactions with related parties during the year, other than disclosed elsewhere in the unconsolidated financial statements, are as follows:

Name of related party and relationship with the Group	Nature of transaction	Percentage of shareholding in the Holding Company	2019	2018
			----- (Rupees in '000) -----	
Subsidiary (wholly owned)				
Agriauto Stamping Company (Private) Limited.	Sales	Nil	33,316	30,455
	Dividend received		114,401	-
Associated Companies (Common directorship)				
Auvitronics Limited	Purchase	Nil	2,149	1,026
TPL Direct Insurance Limited	Insurance premium	Nil	5,923	4,943
Shabbir Tiles & Ceramics Limited	Purchases	Nil	103	3,725
Retirement benefits fund				
Employees' Provident Fund	Contribution	Nil	10,426	7,867
Key management personnel	Remuneration and other benefits	Nil	39,254	28,075

The outstanding balance with related parties as at the year-end have been disclosed in the respective notes to the unconsolidated financial statements.

35.2 Details of compensation to the key management personnel have been disclosed in the note 34 to the unconsolidated financial statements.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

36 PRODUCTION CAPACITY

The production capacity of the Company cannot be determined as this depends on the relative proportions of various types of vehicles and agricultural tractors produced by OEMs.

37 UNUTILIZED CREDIT FACILITIES

As of the statement of financial position date, the Company has unutilized facilities for short-term running finance available from various banks amounted to Rs. 160 million (2018: 160 million). The rate of mark-up on these finances ranges from 1 to 3 months KIBOR plus rates varying from 0.75% to 1.25% (2018: 1 to 3 months KIBOR plus rates varying from 0.75% to 1.25%). The facilities are secured by way of pari passu hypothecation of Company's stock-in-trade, stores, spares, loose tools and trade debts.

38 NON-ADJUSTING EVENT AFTER THE STATEMENT OF FINANCIAL POSITION DATE

The Board of Directors in its meeting held on August 29, 2019 (i) approved the transfer of Rs. 300 million (2018: Rs.190 million) from unappropriated profits to general reserve and (ii) proposed cash dividend of Rs. 7.00 per share (2018: Rs. 8.50 per share) for the year ended June 30, 2019 amounting to Rs. 201.6 million (2018: Rs. 244.8 million) for approval of the members at the Annual General Meeting to be held on October 21, 2019.

	2019	2018
39 NUMBER OF EMPLOYEES		
Total number of employees as at June 30	<u>709</u>	<u>712</u>
Average number of employees during the year	<u>709</u>	<u>714</u>

40 GENERAL

Figures have been rounded off to the nearest thousands unless otherwise stated.

41 DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorized for issue on August 29, 2019 by the Board of Directors of the Company.



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive



Saad Usman
Chief Financial Officer



CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019



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

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

INDEPENDENT AUDITOR'S REPORT

To the members of Agriauto Industries Limited

Opinion

We have audited the annexed consolidated financial statements of **Agriauto Industries Limited** and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 30 June 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of the 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.

Key Audit Matters

Key audit matters are the matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

EW



Building a better
working world

Following are the Key audit matters:

Key audit matter	How our audit addressed the key audit matter
<p>1. Adoption of IFRS 9 - Financial Instruments and IFRS - 15 Revenue from Contracts with Customers</p> <p>As referred to in note 4.1 to the accompanying consolidated financial statements, the Group has adopted IFRS 9 and IFRS 15 with effect from 1 July 2018.</p> <p>IFRS 9 requires the Group to calculate loss allowances for financial assets using expected credit loss (ECL) model as against the incurred loss model previously applied by the management.</p> <p>Assessment of allowance for ECL against trade debts requires significant judgement, estimates and assumptions applied by the management including historical credit loss experience adjusted with forward-looking macro-economic information.</p> <p>IFRS 15 provides comprehensive model of revenue recognition along with detailed presentation and disclosure requirements. The standard requires the Group to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying the model to contracts with customers.</p> <p>Given the significance of the estimates and judgments used by the management related particularly to the calculation of allowance for ECL and to the timing and measurement of revenue recognition as well as incremental qualitative and quantitative disclosure, we considered these as a key audit matter.</p>	<p>Our key audit procedures in this area included, amongst others, review of the methodology developed and applied by the management to estimate the allowance for ECL against trade debts. We considered and evaluated the assumptions used in applying the ECL model based on historical information and qualitative factors as relevant for such estimates.</p> <p>Further, we assessed the integrity and quality of the data used for allowance for ECL computation based on the accounting records and information system of the Group as well as the external sources used for this purpose.</p> <p>We checked the mathematical accuracy of the ECL model by performing recalculation on test basis.</p> <p>We obtained an understanding of the additional processes and tested controls over revenue recognition established by the management and also assessed the warranty obligations there against in accordance with IFRS 15.</p> <p>We reviewed the assessment prepared by the management relating to the application of five-step model for revenue recognition. We assessed the reasonableness of judgments exercised by the management. We also considered and reviewed, on a sample basis, terms of revenue contracts and evaluated the timing and amount of revenue recognised.</p> <p>We further assessed the adequacy of consolidated financial statement disclosures in accordance with the applicable financial reporting framework.</p>
<p>2. Existence and valuation of stock-in-trade</p> <p>As disclosed in note 11 to the accompanying consolidated financial statements, the stock-in-trade balance constitutes approximately 26% of total assets of the Group. The cost of finished goods is determined at weighted average cost including a proportion of production overheads.</p> <p>The obsolescence is calculated by taking into account the Net Realisable Value (NRV) of related stock-in-</p>	<p>Our audit procedures included, amongst others, reviewing the management's procedures for evaluating the NRV of stock-in-trade, observing physical stock counts to ascertain the condition and existence of stock-in-trade, performing testing on a sample of items to assess the NRV of the stock-in-trade held and evaluating the adequacy of write down of stock-in-trade to NRV as at the year end.</p>

EY



Building a better
working world

Key audit matter	How our audit addressed the key audit matter
<p>trade while mainly keeping in view the estimated selling price, forecasted stock-in-trade usage and forecasted sales volume.</p> <p>We have considered this area to be a key audit matter due to its materiality and judgments involved in estimating the NRV of underlying stock-in-trade as well as the management judgment in determining an appropriate costing basis and assessing its valuation.</p>	<p>Further, we evaluated the appropriateness of the basis of identification of the obsolete stock-in-trade and the accuracy of write down of stock-in-trade to NRV assessed by the management, on a test basis.</p> <p>We tested the accuracy of the ageing analysis of stock-in-trade, on a sample basis and cost of goods with underlying invoices and expenses incurred in accordance with stock-in-trade valuation method.</p> <p>We also tested the calculations of per unit cost of finished goods and assessed the appropriateness of management's basis for the allocation of cost and production overheads.</p> <p>We further tested the NRV of stock-in-trade by performing a review of sales close to and subsequent to the year-end and comparing with the cost for a sample of products.</p> <p>We further assessed the adequacy of consolidated financial statement disclosures in accordance with the applicable financial reporting framework.</p>
<p>3. Capital Expenditure</p>	
<p>As disclosed in note 7 to the accompanying consolidated financial statements, the Group has incurred significant amount of capital expenditure including transfers from capital work in progress during the year.</p> <p>We focused on capital expenditure incurred during the year as this represents a significant transaction for the year and involves certain judgmental areas, such as management's estimates about the useful life of assets and capitalization of elements of eligible components of cost as per the applicable financial reporting standards. Therefore, we have identified this as a key audit matter.</p>	<p>Our key audit procedures in this area included, amongst others, obtaining an understanding of the Group's process with respect to capital expenditure and related controls relevant to such process.</p> <p>We performed substantive audit procedures through inspection of related documents supporting various components of the capitalized costs.</p> <p>We also considered whether the items of cost capitalized meet the recognition criteria of an asset in accordance with the applicable financial reporting standards.</p> <p>We reviewed management's estimates about the useful life of assets so capitalized and consequent depreciation rates used by the Group.</p> <p>We further assessed the adequacy of consolidated financial statement disclosures in accordance with the applicable financial reporting framework</p>

em



Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated and unconsolidated financial statements and our auditor's report thereon.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

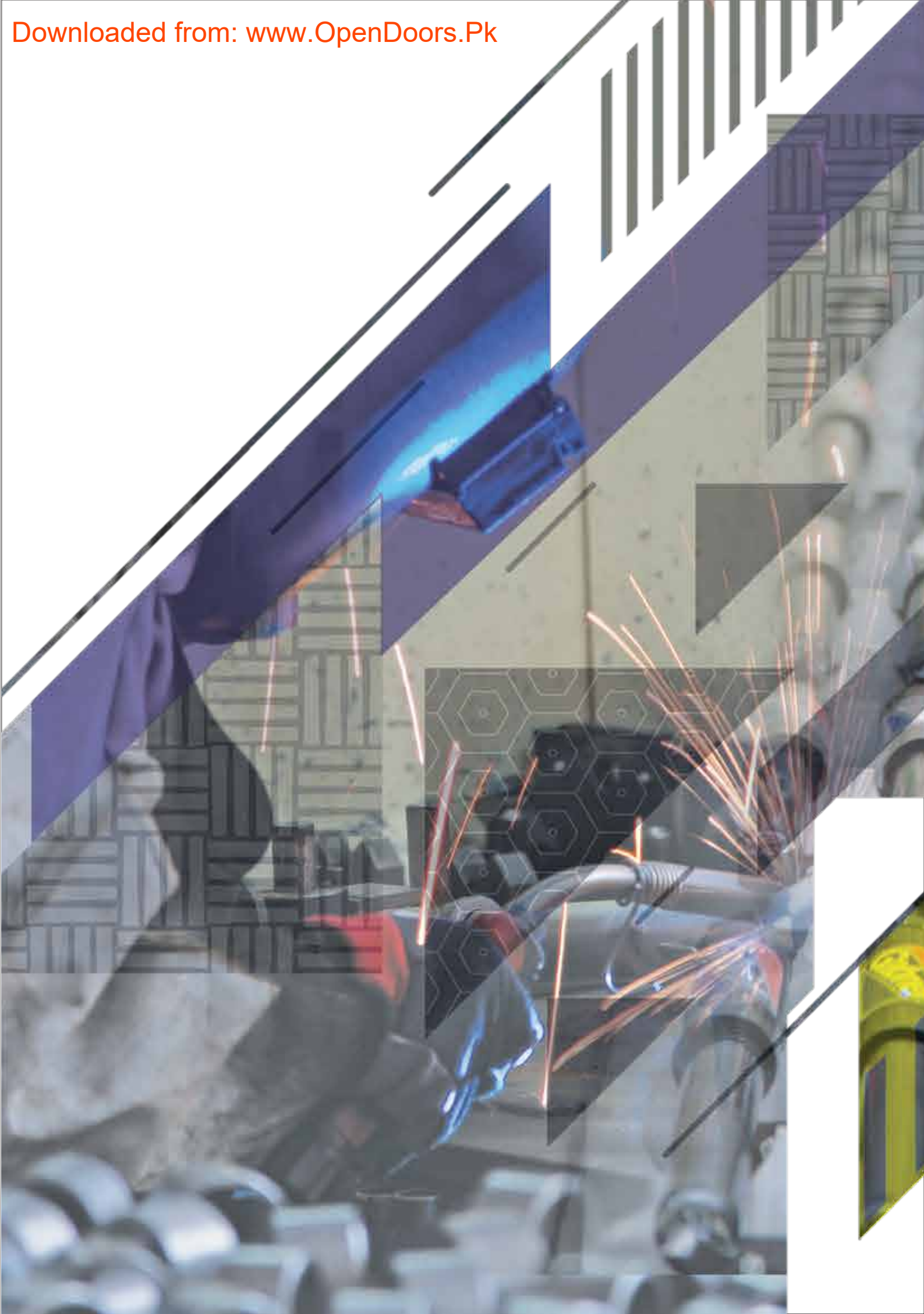
From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Chartered Accountants

Place: Karachi

Date: 13 September 2019



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2019

	Note	2019 ----(Rupees in '000)----	2018
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	2,089,475	1,584,818
Intangible asset	8	6,651	7,863
Long-term deposits	9	13,438	13,028
		2,109,564	1,605,709
CURRENT ASSETS			
Stores, spares and loose tools	10	123,713	95,788
Stock-in-trade	11	1,601,264	1,456,346
Trade debts	12	985,768	574,251
Advances, deposits, prepayments and other receivables	13	340,052	51,238
Accrued profit		1,793	1,318
Short-term investments	14	187,513	743,488
Sales tax receivable		86,409	36,675
Taxation – net		530,309	324,202
Cash and bank balances	15	174,378	425,961
		4,031,199	3,709,267
TOTAL ASSETS		6,140,763	5,314,976
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 40,000,000 (2018: 40,000,000) ordinary shares of Rs. 5/- each		200,000	200,000
Issued, subscribed and paid-up capital	16	144,000	144,000
Reserves		5,280,178	4,556,680
		5,424,178	4,700,680
NON CURRENT LIABILITIES			
Deferred taxation	17	64,780	76,011
CURRENT LIABILITIES			
Trade and other payables	18	621,539	512,265
Unpaid dividend		7,211	2,516
Unclaimed dividend		23,055	23,504
		651,805	538,285
COMMITMENTS			
	19		
TOTAL EQUITY AND LIABILITIES		6,140,763	5,314,976

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive



Saad Usman
Chief Financial Officer

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 ----(Rupees in '000)----	2018
Turnover – net	20	10,128,569	8,315,021
Cost of sales	21	(8,447,418)	(6,722,821)
Gross profit		1,681,151	1,592,200
Distribution cost	22	(138,249)	(127,153)
Administrative expenses	23	(245,478)	(225,983)
		(383,727)	(353,136)
Operating profit		1,297,424	1,239,064
Other expenses	24	(112,505)	(101,376)
Other income	25	72,461	70,665
Bank charges		(628)	(597)
		(40,672)	(31,308)
Profit before taxation		1,256,752	1,207,756
Taxation	26	(202,054)	(248,039)
Profit after taxation		1,054,698	959,717
		----- (Rupees) -----	
Earnings per share – basic and diluted	27	36.62	33.32

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive



Saad Usman
Chief Financial Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended June 30, 2019

	2019	2018
	---(Rupees in '000)---	
Net profit of the year	1,054,698	959,717
Other comprehensive income	-	-
Total comprehensive income for the year	<u>1,054,698</u>	<u>959,717</u>

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive



Saad Usman
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended June 30, 2019

Issued, Subscribed and paid-up Capital	R e s e r v e s				Total reserves	Total equity
	Capital reserve	Revenue reserves				
		Share premium	General	Unappropriated profit		

------(Rupees in '000)-----

Balance as at June 30, 2017 **144,000** **12,598** **3,075,000** **840,565** **3,928,163** **4,072,163**

Final dividend for the year ended
June 30, 2017 @ Rs. 7.5/- per share - - - (216,000) (216,000) (216,000)

Interim dividend for the year ended
June 30, 2018 @ Rs. 4.0/- per share - - - (115,200) (115,200) (115,200)

Transfer to general reserve

- - 580,000 (580,000) - -

Profit after taxation

Other comprehensive income - - - 959,717 959,717 959,717

Total comprehensive income for the year - - - 959,717 959,717 959,717

Balance as at June 30, 2018

144,000 **12,598** **3,655,000** **889,082** **4,556,680** **4,700,680**

Final dividend for the year ended
June 30, 2018 @ Rs. 8.5/- per share - - - (244,800) (244,800) (244,800)

Interim dividend for the year ended
June 30, 2019 @ Rs. 3.0/- per share - - - (86,400) (86,400) (86,400)

Transfer to general reserve

- - (590,000) 590,000 - -

Profit after taxation

Other comprehensive income - - - 1,054,698 1,054,698 1,054,698

Total comprehensive income for the year - - - 1,054,698 1,054,698 1,054,698

Balance as at June 30, 2019

144,000 **12,598** **3,065,000** **2,202,580** **5,280,178** **5,424,178**

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive



Saad Usman
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN CASH FLOWS

For The Year Ended June 30, 2019

	Note	2019 ----(Rupees in '000)----	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	28	581,135	857,727
Long-term deposits		(410)	(10)
Finance cost paid		(628)	(597)
Income tax paid		(419,392)	(276,384)
Net cash generated from operating activities		160,705	580,736
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(712,951)	(197,725)
Proceeds from disposal operating fixed assets		13,569	12,693
Short-term investments made in mutual funds - net		(52,347)	-
Profit received on short-term investments - term deposit receipts and treasury bills		33,458	39,408
Profit received on deposit accounts		23,281	19,397
Dividend received		4,289	-
Net cash used in investing activities		(690,701)	(126,227)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(326,954)	(326,442)
Net cash used in financing activities		(326,954)	(326,442)
Net decrease / increase in cash and cash equivalents		(856,950)	128,067
Cash and cash equivalents at the beginning of the year	29	1,165,328	1,037,261
Cash and cash equivalents at the end of the year	29	308,378	1,165,328

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive



Saad Usman
Chief Financial Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

1 THE GROUP AND ITS OPERATIONS

1.1 Agriauto Industries Limited (the Holding Company) was incorporated in Pakistan on June 25, 1981 as a public limited company and is listed on Pakistan Stock Exchange. The Holding Company is engaged in the manufacture and sale of components for automotive vehicles, motor cycles and agricultural tractors. The registered office of the Holding Company is situated at 5th Floor, House of Habib, Main Shahrah-e-Faisal, Karachi.

1.2 The Group comprises of the Holding Company and Agriauto Stamping Company (Private) Limited (the Subsidiary Company). The Subsidiary Company was incorporated in Pakistan on January 20, 2012 as a private limited company. The Subsidiary Company is engaged in stamping of sheet metal parts, dies, fixtures primarily for the automotive industry and has commenced its commercial operations on 02 July, 2014. The registered office of the Subsidiary Company is situated at 5th Floor, House of Habib, Main Shahrah-e-Faisal, Karachi.

1.3 Geographical location and addresses of all the business units are as under:

Location	Business unit
Karachi	
5th Floor, House of Habib, Main Shahrah-e-Faisal.	Registered office
DSU-12B, Downstream Industrial Estate, Pakistan Steel Mills, Bin Qasim Town, Karachi, Sind	Manufacturing Facility
Hub	
Mouza Baroot, Hub Chowki Distt. Lasbella, Balochistan.	Manufacturing Facility

2 STATEMENT OF COMPLIANCE

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

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

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

3 BASIS OF MEASUREMENT

3.1 These consolidated financial statements have been prepared under the historical cost convention except for short-term investments in mutual fund classified at fair value through profit or loss as disclosed in note 14 to the consolidated financial statements.

3.2 These consolidated financial statements are presented in Pak Rupees which is the Group's functional and presentation currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

4 STANDARDS, AMENDMENTS AND IMPROVEMENTS APPLICABLE TO FINANCIAL STATEMENTS

4.1 New standards, amendments and improvements effective during the year

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

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

IFRS 9: Financial Instruments

IFRS 15: Revenue from Contracts with Customers

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

IFRIC 22: Foreign Currency Transactions and Advance Consideration

Improvements to IFRSs Issued by IASB in December 2016

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

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

4.1.1 IFRS 9 Financial Instruments

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

The management of the Group has assessed and concluded that the Group is in compliance with the requirements of IFRS 9.

The new accounting policy in respect of financial instruments along with the impact on the classification of financial assets and impairment of financial assets is stated in note 5.8 to these consolidated financial statements.

4.1.2 IFRS 15 Revenue from Contracts with Customers

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

The management of the Group has assessed and concluded that the Group is in compliance with the requirements of IFRS 15. The new accounting policy in respect of revenue recognition is stated in note 5.15 to these consolidated financial statements.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

	“Effective date (annual periods beginning on or after)”
Standard or Interpretation	
IFRS 3 -- Definition of a Business (Amendments)	01 January 2020
IFRS 3 -- Business Combinations: Previously held interests in a joint operation	01 January 2019
IFRS 9 -- Prepayment Features with Negative Compensation (Amendments)	01 January 2019
IFRS 10 / IAS 28 -- Consolidated Financial Statements and Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 11 -- Joint Arrangements: Previously held interests in a joint operation	01 January 2019
IFRS 16 -- Leases	01 January 2019
IAS 1 / IAS 8 -- Definition of Material (Amendments)	01 January 2019
IAS 12 -- Income Taxes: Income tax consequences of payments on financial instruments classified as equity	01 January 2019
IAS 19 -- Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 23 -- Borrowing Costs - Borrowing costs eligible for capitalisation	01 January 2019
IAS 28 -- Long-term Interests in Associates and Joint Ventures (Amendments)	01 January 2019
IFRIC 23 -- Uncertainty over Income Tax Treatments	01 January 2019

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

**“Effective date
(annual periods
beginning on or
after)”**

Standard

IFRS 1 -- First time adoption of IFRSs	01 January 2004
IFRS 14 -- Regulatory Deferral Accounts	01 January 2016
IFRS 17 -- Insurance Contracts	01 January 2021

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Basis of consolidation

These consolidated financial statements include the financial statements of the Holding Company and its subsidiary company, here-in-after referred to as “the Group”.

A company is a subsidiary, if an entity (the Holding Company) directly or indirectly controls, beneficially owns or holds more than fifty percent of its voting securities or otherwise has power to elect and appoint more than fifty percent of its directors. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiary are prepared for the same reporting year as the Holding Company, using consistent accounting policies. The accounting policies of the subsidiary have been changed to conform with accounting policies of the Group, where required.

The assets, liabilities, income and expenses of subsidiary company are consolidated on a line by line basis and carrying value of investments held by the Holding Company is eliminated against the subsidiary company' shareholders' equity in the consolidated financial statements. All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

5.2 Property, plant and equipment

Owned

These are stated at cost less accumulated depreciation and impairment loss except for freehold land and capital work in progress which are stated at cost.

Depreciation on fixed assets is charged to the consolidated statement of profit or loss applying the reducing balance method at the rates specified in note 7.1 to these consolidated financial statements. Depreciation on additions is charged from the month of addition and in case of deletion up to the month of disposal. Maintenance and normal repairs are charged to consolidated statement of profit or loss as and when incurred, while major renewals and improvements are capitalised. Gains or losses on disposals of operating fixed assets, if any, are included in consolidated statement of profit or loss.

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or related cash-generating units are written down to their recoverable amount.

5.3 Development costs or Intangible assets

Development costs are expensed as incurred, except for development costs that relate to the design of new or improved products which are recognised as an asset to the extent that it is expected that such asset will meet the recognition criteria mentioned in IAS – 38 “Intangible Assets”. These amounts are amortised at the rate disclosed in note 8 to these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

5.4 Stores, spares and loose tools

Stores, spares and loose tools are stated at cost which is determined by the weighted moving average cost method except for those in transit which are valued at actual cost. Provision is made for slow moving and obsolete items, (if any).

5.5 Stock-in-trade

Stock-in-trade, except goods-in-transit, is stated at the lower of net realisable value (NRV) and cost determined as follows:

Raw and packing materials	Moving average basis.
Work-in-process	Cost of direct materials plus conversion cost valued on the basis of equivalent production units.
Finished goods	Cost of direct materials plus conversion cost valued on time proportion basis.

Goods-in-transit are valued at purchase price, freight value and other charges incurred thereon upto the date of statement of financial position.

Stock-in-trade is regularly reviewed by the management and any obsolete items are brought down to their NRV.

NRV signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

5.6 Trade debts and other receivables

Trade debts and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method less an allowance for expected credit losses, if any. Allowance for expected credit losses is based on lifetime ECLs that result from all possible default events over the expected life of the trade debts and other receivables. Bad debts, if any, are written off when considered irrecoverable.

5.7 Cash and cash equivalents

For the purpose of consolidated statement of cash flow, cash and cash equivalents comprise of cash in hand, bank balances and short-term investments with a maturity of three months or less from the date of acquisition. The cash and cash equivalents are readily convertible to known amount of cash and are therefore subject to insignificant risk of changes in value.

5.8 Financial instruments

5.8.1 Financial assets

The financial assets of the Group mainly include trade debts, loans, deposits, short-term investments, other receivables and cash and bank balances.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

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

Short-term investments in mutual fund are designated at FVTPL at initial recognition. These are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

5.8.2 Financial liabilities

There are no changes in classification and measurement for the Group's financial liabilities on the adoption of IFRS 9.

Financial liabilities at fair value through profit or loss

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

5.8.3 Impairment of financial assets

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

"ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group."

At each date of statement of financial position, the Group assesses whether financial assets are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the respective asset.

The Group uses the standard's simplified approach and calculates ECL based on life time ECL on its financial assets. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the financial assets and the economic environment.

5.8.4 Offsetting of financial instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

5.9 Impairment of non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax assets are assessed at date of statement of financial position to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognised, as an expense in the consolidated statement of profit or loss. The recoverable amount is the higher of an asset's fair value less cost to disposal and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets.

5.10 Employees' benefits

Provident fund

The Group operates a recognised provident fund scheme (defined contribution plan) for all its employees who are eligible for the scheme in accordance with the Group's policy. Contributions in respect thereto are made in accordance with the terms of the scheme.

Compensated absences

The Group accounts for these benefits in the period in which the absences are earned.

5.11 Taxation

Current

Provision 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 and tax paid on final tax regime basis in accordance with the provisions of Income Tax Ordinance 2001. The Holding Company has opted for Group Taxation under section 59AA of the Income Tax Ordinance, 2001. The Group consists of Agriauto Industries Limited (the Holding Company) and Agriauto Stamping Company (Private) Limited - wholly owned Subsidiary.

Deferred

Deferred tax is provided, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of recognised or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the date of statement of financial position.

5.12 Provisions

Provision is recognised in the consolidated statement of financial position when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each year end and adjusted to reflect the current best estimate.

5.13 Warranty obligations

The Group recognises the estimated liability to repair or replace products under warranty at the year end on the basis of historical experience. The warranty provided by the Group to the customer is assurance warranty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

5.14 Foreign currency transactions

Transactions in foreign currencies are accounted for in Pakistani Rupees at the foreign exchange rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are re-translated into rupees at the foreign exchange rates approximating those prevailing at the date of financial reporting. Exchange differences are taken to the consolidated statement of profit or loss.

5.15 Revenue recognition

Revenue from contracts with customers is recognized when the control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods according to the negotiated contractual terms. The Group has generally concluded that it acts as a principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Performance obligations held by the Group are not separable, and are not partially satisfied, since they are satisfied at a point in time, when the customer accepts the products. Moreover, the payment terms identified in most sources of revenue are short-term usually 30 to 60 days upon delivery, without any variable considerations, financing components and guarantees

The Group recognizes an account receivable when the performance obligations have been met, recognizing the corresponding revenue. Moreover, the considerations received before satisfying the performance obligations are recognized as advances from customer.

Return on bank deposits / saving accounts is recognised on accrual basis.

Other income, if any, is recognized on accrual basis.

5.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

5.17 Dividends and appropriation to reserve

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

5.18 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Holding Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

6 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the process of applying the accounting policies, management has made the following judgments and estimates which are significant to the financial statements:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

	Notes
- determining the residual values and useful lives of property, plant and equipment	5.2 & 7
- allowance for expected credit losses against trade debts and other receivables	5.6, 12 & 13
- provision for tax and deferred tax	5.11, 17 & 26
- warranty obligations	5.13 & 18.3
- provision for employee benefits	5.10 & 18.2

	Note	2019 ---(Rupees in '000)---	2018
7			
PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	7.1	1,517,299	1,481,752
Capital work in progress	7.5	572,176	103,066
		<u>2,089,475</u>	<u>1,584,818</u>

7.1 Operating fixed assets

	COST			Depreciat- ion rate	ACCUMULATED DEPRECIATION			WRITTEN DOWN VALUE
	As at July 01, 2018	Additions / transfers / (disposals)	As at June 30, 2019		As at July 01, 2018	Charge for the year (note 7.2)	On disposals	As at June 30, 2019
	----- (Rs. in 000') -----				----- (Rs. in 000') -----			
Owned								
Freehold land	1,652	-	1,652	-	-	-	-	1,652
Leasehold land	29,418	-	29,418	1.79	3,151	525	-	3,676
Building on freehold land	189,672	2,748	192,420	10	98,079	9,228	-	107,307
Building on leasehold land	379,833	-	379,833	10	114,430	26,540	-	140,970
Plant and machinery	1,659,596	152,401 25,922 (20,769)	1,817,150	10 – 20	690,757	112,529	(12,823)	790,463
Furniture and fittings	25,086	4,088 (1,136)	28,038	15	10,644	2,053	(561)	12,136
Vehicles	100,814	29,034 (14,461)	115,387	20	46,549	14,269	(10,610)	50,208
Office equipment	7,044	1,899 (213)	8,730	20	3,955	1,070	(201)	4,824
Computer equipment	38,233	2,180 (3,222)	37,191	33	32,508	2,347	(3,025)	31,830
Dies and tools	137,657	21,635	159,292	40	87,180	23,218	-	110,398
2019	2,569,005	213,985 25,922 (39,801)	2,769,111		1,087,253	191,779	(27,220)	1,251,812
					1,087,253	191,779	(27,220)	1,251,812
					1,087,253	191,779	(27,220)	1,251,812

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

	COST			Depreciat- ion rate	ACCUMULATED DEPRECIATION			WRITTEN DOWN VALUE	
	As at July 01, 2017	Additions / transfers / (disposals)	As at June 30, 2018		As at July 01, 2017	Charge for the year (note 8.2)	On disposals	As at June 30, 2018	As at June 30, 2018
	----- (Rs. in 000) -----				----- (Rs. in 000) -----				
Owned									
Freehold land	1,652	-	1,652	-	-	-	-	1,652	
Leasehold land	29,418	-	29,418	1.79	2,626	525	3,151	26,267	
Building on freehold land	189,672	-	189,672	10	87,902	10,177	98,079	91,593	
Building on leasehold land	379,833	-	379,833	10	84,941	29,489	114,430	265,403	
Plant and machinery	1,605,531	58,192 690 (4,817)	1,659,596	10 – 20	582,778	109,074	(1,095)	690,757	968,839
Furniture and fittings	22,883	2,203	25,086	15	8,711	1,933	-	10,644	14,442
Vehicles	93,520	22,905 (15,611)	100,814	20	44,521	12,060	(10,032)	46,549	54,265
Office equipment	6,883	161	7,044	20	3,433	522	-	3,955	3,089
Computer equipment	37,986	1,746 (1,499)	38,233	33	31,305	2,599	(1,396)	32,508	5,725
Dies and tools	137,657	-	137,657	40	53,528	33,652	-	87,180	50,477
2018	2,505,035	85,207 690 (21,927)	2,569,005		899,745	200,031	(12,523)	1,087,253	1,481,752

Note 2019
----(Rupees in '000)----

7.2 Depreciation charge for the year has been allocated as follows :

Cost of sales	21	179,929	188,108
Distribution costs	22	2,555	2,804
Administrative expenses	23	9,295	9,119
		<u>191,779</u>	<u>200,031</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

7.3 The following operating fixed assets were disposed off during the year having written down value (WDV) of Rs. 0.5 million or more:

Particulars	Cost	Accumulated depreciation	Written	Sales proceeds	Gain / (loss)	Mode of disposal	Particulars of buyer
			down value				
----- (Rupees in '000) -----							
Plant and machinery							
Tractor MF650	1,209	161	1,048	900	(148)	Negotiation	Mr.Ikram Khan Niazi
Tractor LX 650	1,461	195	1,266	1,000	(266)	Negotiation	Mr.Mumtaz Khan
Tractor X 850	1,534	230	1,304	1,300	(4)	Negotiation	Syed Hasan Raza
Tractor X 854	1,778	267	1,511	1,300	(211)	Negotiation	Mr.Ghulam Khan
Tractor X 854	1,775	266	1,509	1,300	(209)	Negotiation	M/s. Banu Mukhtar
Vehicles							
Toyota Corolla	1,587	1,060	527	555	28	Group policy	Syed Nasr
	9,344	2,179	7,165	6,355	(810)		
Operating fixed assets having WDV less than Rs. 0.5 million	30,457	25,041	5,416	7,214	1,798	Various	Various
2019	39,801	27,220	12,581	13,569	988		
2018	21,927	12,523	9,404	12,693	3,289		

7.4 Particulars of immovable properties (i.e. freehold land, leasehold land, building on freehold land and building on leasehold land) are as follows:

Location	Use of Immovable Property	Total Area
Mouza Baroot, Hub Chowki, Distt. Lasbella, Balochistan	Manufacturing Facility	18.4 acres
DSU-12B, Downstream Industrial Estate, Pakistan Steel Mills, Bin Qasim Town, Karachi, Karachi city, Sind	Manufacturing Facility	6.08 acres

Note 2019 2018
----(Rupees in '000)----

7.5 Capital work in progress

Plant and machinery	565,568	103,066
Building on freehold land	6,608	-
	572,176	103,066

7.5.1

7.5.1 Movement in capital-in-progress is as follows:

As at July 01	103,066	690
Capital expenditure incurred / advances made during the year	497,682	103,066
Transfer to operating fixed assets during the year	(25,922)	(690)
Charged off during the year	(2,650)	-
As at June 30	572,176	103,066

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

	Note	2019 ----(Rupees in '000)----	2018
8 INTANGIBLE ASSET			
Cost			
As at July 1		9,452	-
Additions during the year	8.1	1,284	9,452
Closing balance		10,736	9,452
Accumulated amortisation			
As at July 1			
Charge for the year		(1,589)	-
Closing balance		(2,496)	(1,589)
		(4,085)	(1,589)
Written down value as at June 30			
		6,651	7,863
Annual rate of amortisation			
		20%	20%
8.1	This represents development costs incurred in respect of parts for upcoming models of motor vehicles.		
	Note	2019 ----(Rupees in '000)----	2018
9 LONG-TERM DEPOSITS			
Security deposits - considered good	9.1	13,438	13,028
9.1	Represents interest free deposits.		
10 STORES, SPARES AND LOOSE TOOLS			
Stores		72,344	55,990
Spares		44,736	34,887
Loose tools		6,633	4,911
		123,713	95,788
11 STOCK-IN-TRADE			
Raw material		1,086,127	1,031,827
Packing material		3,475	3,693
Work-in-process		43,441	48,913
Finished goods		75,914	66,401
Goods-in-transit		392,307	305,512
		1,601,264	1,456,346
11.1	The write down of stock-in-trade to Net realizable value during the year amounted to Rs. 12.338 million (2018: Rs. 0.056 million).		
11.2	The reversal of write down of stock-in-trade to Net realizable value during the year amounted to Rs. 7.806 million (2018: Rs. 24.68 million).		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

		2019 ---- (Rupees in '000) ----	2018 ---- (Rupees in '000) ----
15	CASH AND BANK BALANCES		
	In hand	84	247
	With banks in		
	- current accounts	109,972	98,902
	- deposit accounts	64,322	326,812
		174,294	425,714
	15.1 & 15.2	<u>174,378</u>	<u>425,961</u>

15.1 These carry profit rates ranging from 9.5% to 10.25% (2018: 4% to 4.50%) per annum.

15.2 Represents deposits and saving accounts placed with conventional banks under interest / mark-up arrangements.

16 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2019	2018		2019	2018
Number of shares in ('000)		Ordinary shares of Rs. 5/- each	---- (Rupees in '000) ----	
22,800	22,800	Fully paid in cash	114,000	114,000
6,000	6,000	Issued as fully paid bonus shares	30,000	30,000
<u>28,800</u>	<u>28,800</u>		<u>144,000</u>	<u>144,000</u>

16.1 Thal Limited (an associated company) held 2,115,600 (2018: 2,115,600) ordinary shares of Rs. 5/- each in the Company as of the statement of financial position date.

		2019 ---- (Rupees in '000) ----	2018 ---- (Rupees in '000) ----
17	DEFERRED TAXATION		
	Taxable temporary differences arising due to: accelerated tax depreciation	144,427	139,083
	Deductible temporary differences arising due to: provisions	(79,647)	(63,072)
		<u>64,780</u>	<u>76,011</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

	Note	2019 ---- (Rupees in '000) ----	2018
18			
TRADE AND OTHER PAYABLES			
Creditors		102,165	88,226
Accrued liabilities		300,769	263,158
Royalty payable		35,198	25,733
Advance from customers		1,059	15,700
Payable to provident fund	18.1	2,575	2,038
Tax deducted at source		11,785	7,496
Workers' Profit Participation Fund	18.2	33,568	845
Workers' Welfare Fund		27,446	26,935
Warranty obligations	18.3	102,127	77,464
Others		4,847	4,670
		<u>621,539</u>	<u>512,265</u>

18.1 Investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

	Note	2019 ---- (Rupees in '000) ----	2018
18.2			
Workers' Profit Participation Fund			
Balance at the beginning of the year		845	61,532
Allocation for the year	24	73,568	64,845
		<u>74,413</u>	<u>126,377</u>
Payments made during the year		(40,845)	(125,532)
Balance at the end of the year		<u>33,568</u>	<u>845</u>

18.3 Warranty obligations

Balance at the beginning of the year		77,464	58,730
Provision for the year	22	28,513	24,452
		<u>105,977</u>	<u>83,182</u>
Claims paid during the year		(3,849)	(5,718)
Balance at the end of the year		<u>102,128</u>	<u>77,464</u>

19 COMMITMENTS

19.1 Commitments in respect of outstanding letters of credit for raw material amounting to Rs. 817.209 million (2018: Rs. 967.347 million).

19.2 Commitments in respect of capital expenditure amounting to Rs. 132.202 million (2018: Rs. 287.962 million).

19.3 Outstanding bank guarantees issued to Sui Southern Gas Company Limited amounting to Rs. 0.385 million (2018: Rs. 0.385 million).

19.4 Outstanding bank guarantees issued to collector of customs in respect of non-deduction of withholding tax amounting to Rs. 7.68 million (2018: Rs. 8.622 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

	Note	2019 ---- (Rupees in '000) ----	2018
20 TURNOVER – net			
Sales		11,863,964	9,747,018
Trade discount		(170)	(580)
Sales tax		(1,735,225)	(1,431,417)
		(1,735,395)	(1,431,997)
		10,128,569	8,315,021
21 COST OF SALES			
Raw material consumed			
Opening stock	11	1,031,827	752,429
Purchases		7,072,041	5,722,721
		8,103,868	6,475,150
Closing stock	11	(1,086,127)	(1,031,827)
		7,017,741	5,443,323
Manufacturing expenses			
Salaries, wages and benefits		562,670	494,645
Stores, spares and loose tools consumed		220,734	188,325
Fuel and power		100,058	99,689
Royalty and technical fees		72,502	83,014
Depreciation	7.2	179,929	188,108
Transportation and travelling		118,206	100,466
Repairs and maintenance		104,952	78,797
Packing material consumed		30,562	32,552
Rent, rates and taxes		7,234	7,323
Research and development costs		11,791	12,994
Insurance		5,263	4,045
Communications and professional fee		5,607	3,230
Printing and stationery		1,839	2,275
Others		12,371	7,767
		1,433,718	1,303,230
Work-in-process			
Opening stock	11	48,913	47,379
Closing stock	11	(43,441)	(48,913)
		5,472	(1,534)
Cost of goods manufactured		8,456,931	6,745,019
Finished goods			
Opening stock	11	66,401	44,203
Closing stock	11	(75,914)	(66,401)
		(9,513)	(22,198)
		8,447,418	6,722,821

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

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

Company name	Address	Relationship with the Company	2019 ---- (Rupees in '000) ----	2018
KYB Corporation	World Trade Center Building 4-1, Hamamatsu-Cho 2 Chome, Minato-Ku, Tokyo 105 Japan	Technical Partner	23,701	23,390
Aisin Seiki Co., Ltd	2-1, Asahi-Machi, Kariya, Aichi, 448-4650, Japan	Technical Partner	993	831
Ride Control LLC	750 Old Hickory Blvd. Suite 1-180 Brentwood, TN 37027, USA	Technical Partner	5,500	5,585
Ogihara (Thailand) Company Limited	172 Ladkrabang Industrial Estate, Soi Chalongkrung 31, Chalongkrung Rd, Lamplathiw, Ladkrabang, Bangkok 10520	Technical Partner	31,120	27,500

22 DISTRIBUTION COST

Salaries, wages and benefits		19,529	16,600
Advertisement and sales promotion		40,095	38,736
Carriage and forwarding		39,769	37,980
Travelling and conveyance		3,220	2,803
Depreciation	7.2	2,555	2,804
Provision for warranty claims	18.3	28,513	24,452
Allowance/(reversal) for expected credit losses		7	(39)
Trade debts written off		101	-
Rent, rates and taxes		263	206
Communications		541	210
Insurance		2,191	2,159
Repairs and maintenance		1,042	788
Others		423	454
		138,249	127,153

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

	Note	2019 ---- (Rupees in '000) ----	2018
23 ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits		92,887	78,121
Legal and professional charges		73,307	69,669
Travelling and conveyance		18,269	17,259
Repairs and maintenance		16,948	20,664
Depreciation	7.2	9,295	9,119
Security services		9,643	9,610
Communications and professional fee		4,541	6,152
Advertisement		607	585
Printing and stationery		4,039	1,923
Rent, rates and taxes		7,368	6,402
Utilities		1,699	1,451
Auditors' remuneration	23.1	2,344	1,974
Insurance		1,613	994
Fuel and power		104	-
Others		2,814	2,060
		245,478	225,983
23.1 Auditors' remuneration			
Audit fee for standalone financial statements		1,225	1,130
Audit fee for consolidated financial statements		175	155
Fee for review of half yearly financial statements		170	128
Other certifications		472	308
Out of pocket expenses		302	253
		2,344	1,974
24 OTHER EXPENSES			
Workers' Profit Participation Fund	18.2	73,568	64,845
Workers' Welfare Fund		27,010	24,308
Donations	24.1 & 24.2	11,927	12,223
		112,505	101,376
24.1			
Donation to following parties equals to or exceeds 10% of the Group's total donations or Rs. 1 million, whichever is higher.			
	Note	2019 ---- (Rupees in '000) ----	2018
Habib Educational Trust		4,300	5,500
Mohammedali Habib Welfare Trust		4,000	4,200
Markaz-e-Umeed		1,500	50

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

24.2 None of the directors or their spouses had any interest in the donees except for Ms. Ayesha T.Haq (independent director) who is a member of Board of Governors in Professional Education Foundation (PEF). Donation given to PEF during the year amounted to Rs. 0.2 million (2018: Nil).

	2019	2018
Note	---- (Rupees in '000) ----	
25 OTHER INCOME		
Income from financial assets		
Profit on:		
- short-term investments - term deposit receipts and treasury bills	30,274	44,779
- deposit accounts	23,756	14,253
25.1	54,030	59,032
Gain on disposal of short-term investments - mutual funds	229	-
Unrealised gain on short-term investments - mutual funds	189	-
Dividend income:		
short-term investments - mutual funds	6,096	-
Income from non-financial assets		
Gain on disposal of operating fixed assets	988	3,289
Scrap sales	10,929	8,329
Miscellaneous income	-	15
	11,917	11,633
	72,461	70,665
25.1	Represents profit earned under conventional banking relationship.	
26 TAXATION		
Current		
For the year	199,068	238,556
Prior	(140)	1,001
Super tax	14,357	24,784
	213,285	264,341
Deferred	(11,231)	(16,302)
	202,054	248,039
26.1 Relationship between tax expense and accounting profit		
Profit before taxation	1,256,752	1,207,756
Tax at the rate of 29% (2018: 30%)	364,458	362,327
Tax effects of:		
Expenses that are inadmissible in determining taxable profit	(25,388)	15,873
Effect of previous year's tax charge	(140)	1,001
Tax rebates	(140,916)	(139,643)
Effect of changes in tax rate	914	(2,116)
Deferred	(11,231)	(14,187)
Super tax	14,357	24,784
	202,054	248,039

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

	Note	2019 ----- (Rupees in '000) -----	2018
27 EARNINGS PER SHARE – Basic and diluted			
There is no dilutive effect on basic earning per share of the Group, which is based on Profit after taxation (Rs. in '000)		<u>1,054,698</u>	<u>959,717</u>
Weighted average number of ordinary shares outstanding during the year (shares in '000)		<u>28,800</u>	<u>28,800</u>
Basic earnings per share (Rs.)		<u>36.62</u>	<u>33.32</u>
28 CASH GENERATED FROM OPERATIONS			
Profit before taxation		1,256,752	1,207,756
Adjustments for:			
Depreciation and amortisation	7.2	194,275	201,620
Finance costs		628	597
Allowance / (reversal) for expected credit losses	12.1	7	(39)
Trade debts written off		101	-
Profit on short-term investments - trade deposit receipts and treasury bills	25	(30,274)	(44,779)
Profit on deposit accounts	25	(23,756)	(14,253)
Dividend income	25	(6,096)	-
Capital work-in-progress charged off	7.5.1	2,650	-
Gain on disposal of operating fixed assets	25	(988)	(3,289)
Gain on disposal of short-term investments - mutual funds		(229)	-
		<u>136,318</u>	<u>139,857</u>
		<u>1,393,070</u>	<u>1,347,613</u>
(Increase) / Decrease in current assets			
Stores, spares and loose tools		(27,925)	(27,275)
Stock-in-trade		(144,918)	(409,541)
Trade debts		(411,625)	(66,189)
Advances, deposits, prepayments and other receivables		(287,007)	1,746
Sales tax receivable		(49,734)	5,425
		<u>(921,209)</u>	<u>(495,834)</u>
Decrease in current liabilities			
Trade and other payables		109,274	5,948
		<u>581,135</u>	<u>857,727</u>
29 CASH AND CASH EQUIVALENTS			
Short-term investments	14	134,000	739,367
Cash and bank balances	15	174,378	425,961
		<u>308,378</u>	<u>1,165,328</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

30.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate and foreign exchange rates.

(i) Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to the changes in market interest rates. The Group is exposed to interest rate risk in respect of bank deposits and term deposit receipts. Management of the Group estimates that 1% increase in the market interest rate, with all other factor remaining constant, would increase the Group's profit after tax by Rs. 1.779 million (2018: Rs. 8.585 million) and a 1% decrease would result in the decrease in the Group's profit after tax by the same amount. However, in practice, the actual result may differ from the sensitivity analysis.

(ii) Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. As at June 30, 2019, the Group does not have any financial assets or financial liabilities which are denominated in foreign currencies.

30.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry.

The Group is exposed to credit risk mainly on trade debts, short-term investments, long-term deposits, short-term deposits, other receivables and bank balances. The Group seeks to minimise the credit risk exposure through having exposure only to customers considered credit worthy and obtaining securities where applicable.

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

2019 2018
----- (Rupees in '000)-----

The maximum exposure to credit risk at reporting date is as follows:

Long-term deposits	9	13,438	13,028
Trade debts	12	985,768	574,251
Deposits	13	425	215
Other receivables	13	311,063	40,594
Short-term investments	14	187,513	743,488
Bank balances	15	174,294	425,714
		<u>1,672,501</u>	<u>1,797,290</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

	2019	2018
Note	----- (Rupees in '000) -----	
Trade debts		
The analysis of trade debts is as follows:		
Neither past due nor impaired	819,937	345,793
Past due but not impaired – 30 to 90 days	165,831	86,138
	985,768	431,931
Bank balances		
Ratings		
A-1+	174,294	424,432
A-1	-	1,282
	174,294	425,714
Short-term investments		
Ratings		
A-1+	186,629	739,367

30.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in raising funds to meet commitments associated with financial instruments. The management of the Group believes that is not exposed to any significant level of liquidity risk.

The management forecasts the liquidity of the Group on the basis of expected cashflow considering the level of liquid assets necessary to mitigate the liquidity risk.

	On demand	Less than 3 months	3 to 12 months	Total
	----- (Rupees in '000) -----			
2019				
Trade and other payables	221,520	278,556	57,885	557,961
Unpaid dividend	7,211	-	-	7,211
Unclaimed dividend	23,055	-	-	23,055
	251,786	278,556	57,885	588,227
2018				
Trade and other payables	215,503	242,055	29,253	486,811
Unpaid dividend	2,516	-	-	2,516
Unclaimed dividend	23,504	-	-	23,504
	241,523	242,055	29,253	512,831

31 CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital is to safeguard the Group's ability to continue to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group is currently financing majority of its operations through equity and working capital. The capital structure of the Group is equity based with no financing through long-term borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

32 FAIR VALUE 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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

Fair value hierarchy

The different levels to analyse financial assets carried at fair value have been defined as follows:

Level 1: Quoted market price

Level 2: Valuation techniques (market observable); and

Level 3: Valuation techniques (non-market observables)

	Fair value measurement using			Total
	Level 1	Level 2	Level 3	
	----- (Rupees in '000) -----			
June 30, 2019				
Short-term investments - mutual funds	-	52,576	-	52,576
June 30, 2018	-	-	-	-

33 REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

33.1 The aggregate amount charged in the consolidated financial statements for remuneration including certain benefits to the chief executive, directors and executives of the Company are as follows:

	2019		2018	
	Chief executive	Executives	Chief executive	Executives
	----- (Rupees in '000) -----			
Managerial remuneration	18,149	57,132	13,895	34,441
Bonus	6,612	13,374	2,867	3,567
Retirement benefits	1,512	2,100	725	1,383
Utilities	-	167	179	182
Medical expenses	54	424	41	224
	26,327	73,197	17,707	39,797
Number of persons	1	14	1	9

33.2 The Chief Executive and certain executives are also provided with free use of Group's maintained vehicles in accordance with the Group's policy.

33.3 Three non-executive directors (2018: Two) have been paid fees of Rs. 2.025 million (2018: 1.275 million) for attending board and other meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

34 TRANSACTIONS WITH RELATED PARTIES

Related parties of the Group comprise the companies with common directorship, retirement funds, directors and key management personnel. Detail of transactions with related parties during the year, other than disclosed elsewhere in the consolidated financial statements, are as follows:

Name of related party and relationship with the Group	Nature of transaction	Percentage of shareholding in the Holding Company	2019	2018
			---- (Rupees in '000) ----	
Associated company (Common directorship)				
Auvitronics Limited	Purchase	Nil	2,149	1,026
TPL Direct Insurance Limited	Insurance premium	Nil	5,923	4,943
Shabbir Tiles & Ceramics Limited	Purchases	Nil	103	3,725
Retirement benefit fund				
Employees' Provident Fund	Contribution	Nil	11,547	8,838
Key management personnel				
	Remuneration and other benefits	Nil	39,254	28,075

35 PRODUCTION CAPACITY

The production capacity of the Group cannot be determined as this depends on the relative proportions of various types of vehicles and agricultural tractors produced by OEMs.

36 UNUTILIZED CREDIT FACILITIES

As of the statement of financial position date, the Group has unutilized facilities for short-term running finance available from various banks amounted to Rs. 410 million (2018: 410 million). The rate of mark-up on these finances ranges from 1 to 3 months KIBOR plus rates varying from 0.25% to 1.25% (2018: 1 to 3 months KIBOR plus rates varying from 0.25% to 1.25%). The facilities are secured by way of pari passu hypothecation of Group's stock-in-trade, stores, spares, loose tools and trade debts.

37 NON-ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors in its meeting held on August 29, 2019 (i) approved the transfer of Rs. 300 million (2018: Rs. 190 million) from unappropriated profits to general reserve and (ii) proposed cash dividend of Rs. 7.00 per share (2018: Rs. 8.50 per share) for the year ended June 30, 2019 amounting to Rs. 201.6 million (2018: Rs. 244.8 million) for approval of the members at the Annual General Meeting to be held on October 21, 2019.

38 NUMBER OF EMPLOYEES

	2019	2018
Total number of employees as at June 30	910	907
Average number of employees during the year	910	907

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

39 INFORMATION ABOUT OPERATING SEGMENTS

The activities of the Group are organized into one operating segment i.e. manufacture and sale of automotive parts. The Group operates in the said reportable operating segment based on the nature of products, risks and returns, organizational and management structure and internal financial reporting systems. Accordingly, the figures reported in these consolidated financial statements relates to the Group's only reportable segment.

The operating interests of the Group are confined to Pakistan in terms of production areas and customers. Accordingly, the figures reported in these consolidated financial statements relate to the Group's only reportable operating segment in Pakistan. One of the customer, accounts for more than 10% of the Group's sales.

40 GENERAL

Figures have been rounded off to the nearest thousands, unless otherwise stated.

41 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue on August 29, 2019 by the Board of Directors of the Holding Company.



Yutaka Arae
Chairman



Fahim Kapadia
Chief Executive



Saad Usman
Chief Financial Officer

PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2019

Number of Shareholders	Size of Shareholdings		Total Shares held
	From	To	
1,699	1	100	47,026
795	101	500	196,223
332	501	1000	242,236
368	1001	5000	819,980
70	5001	10000	502,835
34	10001	15000	426,724
21	15001	20000	372,013
16	20001	25000	380,948
18	25001	30000	494,528
9	30001	35000	294,832
7	35001	40000	267,994
4	40001	45000	171,805
6	45001	50000	289,923
1	50001	55000	51,000
3	55001	60000	170,638
4	60001	65000	246,099
1	65001	70000	66,033
1	70001	75000	75,000
4	75001	80000	307,624
5	85001	90000	435,488
1	90001	95000	94,400
2	95001	100000	198,362
2	115001	120000	238,292
1	120001	125000	123,741
1	125001	130000	125,500
1	130001	135000	131,832
1	140001	145000	145,000
3	145001	150000	442,869
1	150001	155000	151,200
1	160001	165000	162,122
1	190001	195000	191,661
2	195001	200000	400,000
1	205001	210000	207,500
1	210001	215000	213,100
1	215001	220000	216,600
1	220001	225000	224,900
1	260001	265000	262,000
1	280001	285000	280,920
1	305001	310000	305,800
1	345001	350000	347,600
4	360001	365000	1,451,545
1	380001	385000	381,800
1	395001	400000	398,500
1	430001	435000	434,400
1	450001	455000	451,080
1	475001	480000	476,500
1	525001	530000	525,626
4	595001	600000	2,400,000
1	685001	690000	690,000
1	885001	890000	886,900
1	1090001	1095000	1,094,020
1	1245001	1250000	1,248,139
1	2115001	2120000	2,115,600
1	5920001	5925000	5,923,542
3,443			28,800,000

PATTERN OF SHAREHOLDING**AS AT JUNE 30, 2019**

No.	Categories of Shareholders	No. of Shares Held	Category-wise No. of Folios /CDC Accounts	Category-wise Shares Held
1	Individuals		3,318	9,833,806
2	Investment Companies		3	15,129
3	Joint Stock Companies		29	1,174,015
4	Directors, Chief Executive Officer and Their Spouse and Minor Children Yutaka Arae Fahim Kapadia Muhammed Salman Burney Hamza Habib Sohail P. Ahmed Muhammad Ali Jameel Ayesha T. Haq	1,000 3,000 5,000 1,000 9,599 1,000 1,000	7	21,599
5	Executives	-	-	-
6	Associated Companies, Undertakings and Related Parties Thal Limited		1	2,115,600
7	Public Sector Companies and Corporations		2	122,486
8	Banks, DFI's , NBFIs, Insurance Companies, Takaful, Modarabas's and Pension Funds Financial Institutions Insurance Companies Modaraba Pension Funds	1,149,717 111,300 12,300 162,177	23	1,435,494
9	Mutual Funds Golden Arrow Selected Stocks Fund CDC - Trustee Alhamra Islamic Stock Fund CDC - Trustee AKD Index Tracker Fund CDC - Trustee Alhamra Islamic Asset Allocation Fund CDC - Trustee NBP Islamic Sarmaya Izafa Fund CDC - Trustee NIT - Equity Market Opportunity Fund MCBFSL - Trustee Askari Islamic Asset Allocation Fund CDC - Trustee Lakson Equity Fund CDC - Trustee Askari Equity Fund MCBFSL - Trustee Pak Oman Advantage Asset Allocation Fund MCBFSL - Trustee Pak Oman Islamic Asset Allocation Fund CDC - Trustee Al-Ameen Islamic Asset Allocation Fund CDC - Trustee National Investment (Unit) Trust CDC - Trustee NAFA Islamic Stock Fund CDC - Trustee NIT Islamic Equity Fund CDC - Trustee NIT-IPF Equity Sub-Fund CDC - Trustee NIT-PF Equity Sub-Fund CDC - Trustee NAFA Islamic Active Allocation Equity Fund CDC - Trustee Lakson Tactical Fund CDC - Trustee Lakson Islamic Tactical Fund	1,000 125,500 4,000 37,000 1,400 2,500 3,500 151,200 1,500 1,800 7,000 200 1,094,020 26,100 150,000 18,000 5,000 3,600 29,900 7,900	20	1,671,120
10	Foreign Investors		21	12,242,373
11	Co-Operative Societies		3	1,942
12	Charitable Trust		1	25
13	Others		15	166,411
	TOTAL		3,443	28,800,000

Share-Holders Holders Five(5) Percent or More Voting Interest in the Company Name(S) of Share-Holder(S)	Company Description	No of Shares Held	% AGE
Thal Limited	Falls in Category # 6	2,115,600	7.35%
Robert Finance Corporation, AG.	Falls in Category # 10	7,171,681	24.90%

Detail of trading in the shares by the Directors, Executive and their spouses and minor children:

None of the Directors, Executives and their spouses and minor Children has traded in the shares of the Company during the year of the company, except the following:

Mr. Hamza Habib - Non-executive director	BUY	SELL
Ms. Ayesha T. Haq - Independent director	1,000	-
	1,000	-

This page is intentionally left blank

FORM OF PROXY

**The Secretary
Agriauto Industries Limited
5th floor House of Habib,
Shahrah-e-Faisal,
Karachi-75350**

I/We _____
of _____ in the district of _____
being a member of Agriauto Industries Limited and holder of _____
_____ Ordinary shares as per Share Register Folio _____
(No. of Shares) _____
No. _____ and/or CDC Participant I.D. No. _____
And Sub. Account No. _____ hereby appoint _____
of _____ in the district of _____
or failing him _____ of _____
who is/are also member/s of Agriauto Industries Limited as my/our proxy to vote for me/us and on my/our behalf at
the 38th Annual General Meeting of the Company to be held on October 21, 2019 and at any adjournment thereof.
Signed this _____ day of _____ 2019.

Folio No.	CDC Participant ID No.	CDC Account / Sub-Account No.	No. of Shares held

Signature

WITNESS 1

Signature _____

Name _____

CNIC /Passport No. _____

Address _____

WITNESS 2

Signature _____

Name _____

CNIC /Passport No. _____

Address _____

The signature should agree
with specimen registered
with the Company.

Signature on Rs. 5/-
revenue stamps

Note :

1. This proxy form duly completed and signed, must be received at the Registered Office of the Company or Share Registrar of the Company, not less than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he/she himself /herself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. If a member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

For CDC Account Holders / Corporate Entities:

In addition to the above the following requirements have to be met:

- i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iii) The proxy shall produce his original CNIC or original passport at the time of meeting.
- iv) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

پراکسی فارم

سیکرٹری
ایگری آٹو انڈسٹریز لمیٹڈ
ہاؤس آف حبیب، 5th فلور
شاہراہ فیصل، کراچی 75350

میں / ہم برائے _____ ایگری آٹو انڈسٹریز لمیٹڈ کے ممبر (ز) اور _____ آڈنری شیئرز کے
ہولڈر بطور شیئر رجسٹرڈ فلیو / CDC اکاؤنٹ نمبر _____ تقرر کرتا ہوں _____ فلیو / CDC اکاؤنٹ نمبر _____ اور
اور _____ شناختی کارڈ / پاسپورٹ نمبر _____ جس کے ذریعے _____ فلیو / CDC
اکاؤنٹ نمبر _____ کا شناختی کارڈ / پاسپورٹ نمبر _____ جو کمپنی کا ممبر بھی ہے میرے / ہمارے پراکسی کے طور پر مجھے / ہمیں
38th سالانہ جنرل میٹنگ جو 21 اکتوبر 2019 کو منعقد کی جائے گی میں ووٹ ڈالنے کا اہل ہے۔
مورخہ _____ 2019 کو میرے / ہمارے دستخط سے جاری ہوا۔

فلیو نمبر	CDC اکاؤنٹ / سب اکاؤنٹ نمبر	CDC Participant آئی ڈی نمبر	حصص کی تعداد
دستخط			

گواہان:

دستخط _____
نام _____
ایڈریس _____
شناختی کارڈ / پاسپورٹ نمبر _____

گواہان:

دستخط _____
نام _____
ایڈریس _____
شناختی کارڈ / پاسپورٹ نمبر _____

5 روپے کے ریوینیوٹ پر
دستخط

یہ دستخط کمپنی کے پاس رجسٹرڈ شدہ
دستخط جیسی ہونی چاہئے

اہم نکات:

- 1- میٹنگ سے 48 گھنٹے قبل پراکسی کا یہ فارم جو ہر لحاظ سے مکمل اور دستخط شدہ ہو کمپنی کے رجسٹرڈ آفس یا کمپنی کے شیئر رجسٹرار کے پاس جمع کرا دیا جائے۔
- 2- کوئی بھی فرد خود سے ممبر کے طور پر کام نہیں کر سکتا جب تک کہ کارپوریشن کسی فرد کو ممبر مقرر نہ کرے۔
- 3- اگر کوئی ممبر ایک سے زائد نمائندہ مقرر کرتا ہے اور ممبر کی جانب سے کمپنی کو نمائندہ کی ایک سے زائد دستاویز جمع کرواتا ہے تو نمائندہ کی اس طرح کی تمام دستاویزات غیر قانونی تصور ہوں گی۔

برائے CDC اکاؤنٹ ہولڈرز / کارپوریٹ ادارے:

- i- پراکسی کے لیے دو لوگوں نے گواہی دی وہ جن کے نام، پتہ اور شناختی کارڈ یا پاسپورٹ نمبر فارم پر درج ہوں۔
- ii- پراکسی فارم کے ہمراہ مالکان کے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقول بھی دی جائیں۔
- iii- پراکسی کو اپنا اصل شناختی کارڈ یا پاسپورٹ میٹنگ کے وقت دکھانا ہوگا۔
- iv- کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / پارٹ آف آٹارنی مع دستخط کے نمونے پر کسی کے ہمراہ (اگر پہلے جمع نہ کرایا ہو) کمپنی میں جمع کروانی ہوگی۔



agriauto
INDUSTRIES LIMITED

Agriauto Industries Limited
5th Floor, House of Habib,
3 Jinnah Cooperative Housing Society,
Shahra-e-Faisal, Karachi-75350, Pakistan,
www.agriauto.com.pk
e-mail: info@agriauto.com.pk