# UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT JUNE 30, 2020

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | --------(Rupees in '000')-------- | |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 3,118,492 | 2,187,780 |
| Intangible assets | 8 | 172,696 | 90,745 |
| Investment property | 9 | 990 | 995 |
| Long-term investments | 10 | 5,795,615 | 5,431,550 |
| Long-term loans | 11 | 1,927,286 | 861,282 |
| Long-term deposits | 12 | 16,259 | 14,861 |
| Deferred tax asset | 13 | 204,927 | 165,194 |
| | | 11,236,265 | 8,752,407 |
| Current assets | | | |
| Stores, spares and loose tools | 14 | 127,155 | 124,710 |
| Stock-in-trade | 15 | 5,553,816 | 5,635,305 |
| Trade debts | 16 | 2,507,538 | 2,347,946 |
| Loans and advances | 17 | 42,056 | 21,860 |
| Trade deposits and short-term prepayments | 18 | 186,006 | 316,623 |
| Interest accrued | | 15,679 | 3,699 |
| Other receivables | 19 | 184,579 | 71,168 |
| Short-term investments | 20 | 3,413,334 | 2,943,298 |
| Income tax - net | | - | 93,918 |
| Sales tax refundable | | - | 300,186 |
| Cash and bank balances | 21 | 849,429 | 611,509 |
| | | 12,879,592 | 12,470,222 |
| TOTAL ASSETS | | 24,115,857 | 21,222,629 |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorised capital | | | |
| 200,000,000 (2019: 200,000,000) ordinary shares of Rs.5/- each | 22 | 1,000,000 | 1,000,000 |
| Issued, subscribed and paid-up capital | 22 | 405,150 | 405,150 |
| Reserves | 23 | 20,496,003 | 18,226,309 |
| | | 20,901,153 | 18,631,459 |
| NON-CURRENT LIABILITIES | | | |
| Long-term deposits | 24 | 1,463 | 1,463 |
| Long-term borrowing | 25 | 149,355 | - |
| | | 150,818 | 1,463 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 26 | 2,684,480 | 2,483,601 |
| Accrued mark-up | | 263 | - |
| Unclaimed dividend | | 66,197 | 56,697 |
| Unpaid dividend | | 45,252 | 49,409 |
| Current portion of long-term borrowing | 25 | 49,786 | - |
| Lease liabilities | 27 | 8,443 | - |
| Short-term financing | 28 | 145,000 | - |
| Income tax - net | 29 | 22,592 | - |
| Sales tax payable | | 41,873 | - |
| | | 3,063,886 | 2,589,707 |
| CONTINGENCIES AND COMMITMENTS | 30 | | |
| TOTAL EQUITY AND LIABILITIES | | 24,115,857 | 21,222,629 |

The annexed notes 1 to 53 form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE OFFICER | DIRECTOR | CHIEF FINANCIAL OFFICER



# UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS

## FOR THE YEAR ENDED JUNE 30, 2020

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | --------(Rupees in '000')-------- | |
| Revenue - net | 31 | 16,448,479 | 22,374,364 |
| Cost of sales | 32 | (14,170,963) | (18,217,120) |
| Gross profit | | 2,277,516 | 4,157,244 |
| Distribution and selling expenses | 33 | (197,290) | (252,897) |
| Administrative expenses | 34 | (773,316) | (753,584) |
| Other charges | 35 | (326,672) | (334,600) |
| | | (1,297,278) | (1,341,081) |
| Other income | 36 | 1,408,276 | 1,528,284 |
| Operating profit | | 2,388,514 | 4,344,447 |
| Finance costs | 37 | (16,908) | (9,805) |
| Profit before taxation | | 2,371,606 | 4,334,642 |
| Taxation | 38 | (504,448) | (1,179,977) |
| Net profit for the year | | 1,867,158 | 3,154,665 |
| | | ------ (Rupees) ----- | |
| Basic and diluted earnings per share | 39 | 23.04 | 38.93 |

The annexed notes 1 to 53 form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE OFFICER | DIRECTOR | CHIEF FINANCIAL OFFICER

# UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED JUNE 30, 2020

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | --------(Rupees in '000')-------- | |
| Net profit for the year | | 1,867,158 | 3,154,665 |
| Other comprehensive income | | | |
| Item that will not be reclassified to unconsolidated statement of profit or loss in subsequent periods; | | | |
| Gain/(loss) on long-term investments classified at fair value through other comprehensive income (FVOCI) | 10 | 20,768 | (69,545) |
| Total comprehensive income for the year | | 1,887,926 | 3,085,120 |

The annexed notes 1 to 53 form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE OFFICER DIRECTOR CHIEF FINANCIAL OFFICER



# UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED JUNE 30, 2020

| | Issued, subscribed and paid-up capital | RESERVES | | | | Total equity |
|---|---|---|---|---|---|---|
| | | Capital reserves | General reserves | Unappropriated profit | Gain on revaluation of investment at fair value through other comprehensive income | |
| | ----------------------------------(Rupees in '000')---------------------------------- | | | | | |
| Balance as at June 30, 2018 | 405,150 | 55,704 | 13,531,499 | 2,281,141 | 164,176 | 16,437,670 |
| Transfer to general reserve | - | - | 1,592,000 | (1,592,000) | - | - |
| Final dividend @ Rs 8.5/- per share for the year ended June 30, 2018 | - | - | - | (688,755) | - | (688,755) |
| First Interim dividend @ Rs. 2.50/- per share for the year ended June 30, 2019 | - | - | - | (202,576) | - | (202,576) |
| | - | - | - | (891,331) | - | (891,331) |
| Net Profit for the year | - | - | - | 3,154,665 | - | 3,154,665 |
| Other comprehensive loss | - | - | - | - | (69,545) | (69,545) |
| Total comprehensive income for the year | - | - | - | 3,154,665 | (69,545) | 3,085,120 |
| Balance as at June 30, 2019 | 405,150 | 55,704 | 15,123,499 | 2,952,475 | 94,631 | 18,631,459 |
| Impact of first time adoption of IFRS 16 | - | - | - | (3,145) | - | (3,145) |
| Deferred tax impact | - | - | - | 912 | - | 912 |
| Balance as at July 1, 2019 - restated | 405,150 | 55,704 | 15,123,499 | 2,950,242 | 94,631 | 18,629,226 |
| Transfer to general reserve | - | - | 2,506,500 | (2,506,500) | - | - |
| Final dividend @ Rs 5.5/- per share for the year ended June 30, 2019 | - | - | - | (445,666) | - | (445,666) |
| Interim dividend @ Rs 1.50/- per share for the year ended June 30, 2020 | - | - | - | (121,544) | - | (121,544) |
| | - | - | - | (567,210) | - | (567,210) |
| Net Profit for the year | - | - | - | 1,867,158 | - | 1,867,158 |
| Other comprehensive income | - | - | - | - | 20,768 | 20,768 |
| Total comprehensive income for the year | - | - | - | 1,867,158 | 20,768 | 1,887,926 |
| Reserve on amalgamation of A-One Enterprises (Private) Limited as of June 30, 2020 (note 1.4.2) | - | 951,211 | - | - | - | 951,211 |
| Balance as at June 30, 2020 | 405,150 | 1,006,915 | 17,629,999 | 1,743,690 | 115,399 | 20,901,153 |

The annexed notes 1 to 53 form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE OFFICER DIRECTOR CHIEF FINANCIAL OFFICER

# UNCONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED JUNE 30, 2020

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | --------(Rupees in '000')-------- | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 40 | 2,121,912 | 395,769 |
| Finance costs paid | | (16,646) | (9,805) |
| Leave encashment paid | | (2,824) | (4,901) |
| Income tax paid | | (426,759) | (1,185,110) |
| Long-term loans - net | | 3,996 | 3,996 |
| Long-term deposits - net | | (1,398) | (2,381) |
| Net cash generated from / (used in) operating activities | | 1,678,281 | (802,432) |
| | | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Addition to property, plant and equipment | | (1,344,878) | (1,042,913) |
| Addition to intangible assets | | (125,075) | (86,148) |
| Proceeds from disposal of operating fixed assets and intangible assets | | 13,251 | 42,938 |
| Net assets acquired on amalgamation of A-One Enterprises (Private) Limited other than cash and cash equivalents | | (9,328) | - |
| Long-term investments made during the year | | (404,691) | (562,708) |
| Short-term investments made during the year | | 763,362 | 2,302,164 |
| Long-term loans to subsidiaries - net | | (1,068,651) | (76,850) |
| Dividend income received during the year | | 968,882 | 1,333,170 |
| Interest income received during the year | | 129,323 | 90,734 |
| Net cash (used in) / generated from investing activities | | (1,077,805) | 2,000,387 |
| | | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Lease rentals paid | | (6,513) | - |
| Export Refinance Facility obtained | | 145,000 | - |
| SBP Refinance Facility for Salaries and Wages obtained | | 199,141 | - |
| Dividends paid | | (561,867) | (882,891) |
| Net cash used in financing activities | | (224,239) | (882,891) |
| | | | |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 376,237 | 315,064 |
| Cash and cash equivalents acquired on amalgamation of A-One Enterprises (Private) Limited | 1.4.2 | 1,021,934 | - |
| | | | |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | | 1,657,208 | 1,342,144 |
| | | | |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 41 | 3,055,379 | 1,657,208 |

The annexed notes 1 to 53 form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2020

### 1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Thal Limited (the Company) was incorporated on January 31, 1966 as a public company limited by shares and is listed on the Pakistan Stock Exchange Limited.

The Company is engaged in the manufacture of engineering goods, jute goods, papersack and laminate sheets.

1.2 Geographical location and address of business units

Head Office
The registered office of the Company is situated at 4th Floor, House of Habib, 3-Jinnah Co-perative Housing Society, Block 7/8, Sharae Faisal, Karachi.

Plants:
Engineering operations are located at Korangi and Port Qasim, Karachi, Sindh.

The Jute operations are located at Muzaffargarh, Punjab.

Papersack operations are located at Hub, Balochistan and Gadoon, Khyber Pakhtunkhwa.

Laminates operations are located at Hub, Balochistan.

1.3 These unconsolidated financial statements are separate financial statements of the Company in which investments in subsidiaries and associates are accounted for at cost and are not consolidated or accounted for by using equity method of accounting.

1.4 Significant events during the year

1.4.1 COVID-19

During the year COVID-19 created unprecedented global economic crisis. As a measure to control the spread of virus, non-essential businesses in Pakistan were forced to shut down their operations under the directives of Government of Pakistan. In compliance with the Government directives, the operations of Engineering and Laminates division were at a halt during the lockdown period. In addition, the Papersack division, also experienced a slowdown in momentum in the last quarter of the financial year due to closure of local businesses and global economic downturn resulting from COVID-19. However, the lockdown conditions were lifted in May 2020 and the affected businesses resumed operations from May onwards and are currently operating at normal levels. The management believes that the Company is well capitalized and has sufficient liquidity to absorb the impacts of the COVID-19 related business conditions. In this regard, the management has also reviewed the financial statement items that may be exposed to the impacts of the economic conditions arising from COVID-19 such as recoverable values of inventories, trade receivables and fixed assets relating to the affected businesses. As a result of such review, the carrying values of such assets are considered in line with the requirements of applicable financial reporting standards.

1.4.2 Amalgamation of A-One Enterprises (Private) Limited

The Board of directors (the Board) of the Company in a meeting held on April 23, 2020 considered and approved in principle the merger of the Company and its wholly owned subsidiary A-One Enterprises (Private) Limited (A-One) in accordance with the terms of a scheme of amalgamation prepared under the provisions of section 284 to the Companies Act, 2017. In pursuance of the scheme of amalgamation approved by the Board as above, the Securities and Exchange Commission of Pakistan vide its order dated July 24, 2020 sanctioned the scheme effective from June 30, 2020.

Pursuant to this sanction, the entire business of A-One including its assets, liabilities and rights and obligations vested into the Company while the shares of A-One held by the Company stood cancelled. The impact of the arrangement [increase / (decrease)] on the unconsolidated financial statements of the Company is as follows:

| | Rs in '000' |
|---|---|
| Assets (including cash and cash equivalents of Rs. 1,021.934 million) | 963,116 |
| Liabilities | 15,136 |
| Equity / Amalgamation reserve | 951,211 |

As the above amalgamation represents a transaction between commonly controlled entities, the said transaction is outside the scope of IFRS-3 'Business Combinations' and therefore is accounted for using the pooling of interest method as of the date of amalgamation. Accordingly the assets and liabilities of A-One have been amalgamated in the unconsolidated financial statements of the Company at their net carrying amount as on June 30, 2020. The difference in value of the net assets and cost of investment in A-One recorded in the long term investments of the Company has been recognized in equity under the head 'Reserve on merger of A-One Enterprises (Private) Limited'.

## 2. STATEMENT OF COMPLIANCE

2.1 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 Standard Board (IASB) as notified under the Companies Act, 2017 (the Act);
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Act; and
- Provisions of and directives issued under the Act

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

## 3. BASIS OF MEASUREMENT

3.1 These unconsolidated financial statements have been prepared under the historical cost convention, except for investments in shares of listed companies and mutual funds which have been disclosed in the accounting policies below.

3.2 The unconsolidated financial statements are presented in Pakistani Rupees, which is also the Company’s functional currency.

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates underlying the assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates, assumptions and judgements made by the management that are subject to risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

| | | Notes |
|---|---|---|
| (a) | capitalization of new assets and determining the residual values and useful lives of property, plant and equipment and investment property | 5.2, 5.4, 7 & 9 |
| (b) | determining the residual values and useful lives impairment of intangibles assets | 5.3 & 8 |
| (c) | impairment of financial and non-financial assets | 5.22 |
| (d) | net realizable value estimation for inventories | 5.6, 5.7, 14 & 15 |
| (e) | allowance for expected credit losses | 5.8, 5.22, 16 & 19 |
| (f) | provision for tax and deferred tax | 5.5, 13, 29 & 38 |
| (g) | provision and warranty obligation | 5.13 & 26.3 |
| (h) | contingencies | 5.20 & 30 |
| (i) | compensated absences | 5.14 & 26 |
| (j) | determining the lease term of contracts with renewal and termination options; | 5.19.3 & 27 |
| (k) | leases - estimating the incremental borrowing rate | 5.19.4 & 27 |



## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 New standards, amendments to approved accounting standards and new interpretations

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

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

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

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

5.1.1 IFRS 16 - Leases

IFRS 16 'Leases' supersedes IAS 17 'Leases', 'IFRIC 4' Determining whether an Arrangement contains a Lease, 'SIC-15' Operating Leases Incentives and 'SIC-27' Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. Under IFRS 16, distinction between operating and finance leases has been removed and all lease contracts, with limited exceptions, will be recognised in statement of financial position by way of right-of-use assets along with their corresponding lease liabilities.

Lease obligations of the Company comprises of lease arrangements giving it the right-of-use over properties utilized as office premises, showrooms and guest house.

The Company adopted IFRS 16 with effect from July 1, 2019 using the modified retrospective method. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application with no restatement of comparative information. The Company elected to use the transition practical expedient allowing the Company to use a single discount rate to a portfolio of leases with the similar characteristics.

In applying the standard, the Company has recognized lease liability at the date of initial application as present value of remaining lease payments discounted using the incremental borrowing rate at the date of initial application and a right-of-use asset at its carrying value as if the new standard had always been applied.

Lease term is the non-cancelable period for which the Company has right to use the underlying asset in line with the lease contract together with the periods covered by an option to extend which the Company is reasonably certain to exercise and option to terminate which the Company is not reasonably certain to exercise.

The impact of adoption of IFRS 16 as at July 01, 2019 [increase / (decrease)] is as follows:

| | Rupees in '000 |
|---|---|
| **Assets** | |
| Property, plant and equipment | 11,811 |
| Deferred tax asset | 912 |
| | 12,723 |
| **Liabilities** | |
| Lease liabilities | 8,443 |
| Current portion of lease liabilitie | 6,513 |
| | 14,956 |

| | |
|---|---|
| Equity | |
| Unappropriated profit | (2,233) |
| **Unconsolidated statement of profit or loss for the year** | |
| Depreciation charge on right-of-use assets | 5,906 |
| Interest expense on lease liabilities | 2,073 |
| Reversal of deferred tax asset on right of use assets and lease liabilities - net | (176) |

The lease liabilities as at July 01, 2019 can be reconciled to the operating lease commitments as of June 30, 2019 as follows:

| | Rupees in '000 |
|---|---|
| Operating lease commitments as at June 30, 2019 | 26,091 |
| Impact of discounting | (3,164) |
| Rentals pertaining to short-term lease exemptions | (7,971) |
| Lease liabilities at July 01, 2019 | 14,956 |
| Weighted average incremental borrowing rate as at July 01, 2019 | 13.86% |

5.2 Property, plant and equipment

Operating fixed assets

These are stated at cost less accumulated depreciation / amortisation and impairment loss, if any, except for freehold land and capital work-in-progress which are stated at cost.

Depreciation is charged to the unconsolidated statement of profit or loss applying the reducing balance method except for computer equipment and jigs and fixtures which are depreciated on straight line method at the rates specified in note 7 to these unconsolidated financial statements. Depreciation on additions is charged from the month asset is available for use and in case of deletion, up to the month preceding the month of disposal.

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

An item of operating fixed assets and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of operating fixed assets are reviewed at each financial year end and adjusted prospectively, if appropriate.

Right-of-use assets

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

Capital work-in-progress

All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

5.3 Intangible assets

These are stated at cost less accumulated amortization and impairment loss, if any.

Costs in relation to intangible assets are only capitalized when it is probable that future economic benefits attributable to that asset will flow to the Company and the same is amortized applying the straight line method at the rates stated in note 8 to these unconsolidated financial statements.

5.4 Investment property

Investment property is stated at cost less accumulated depreciation and impairment, if any. Depreciation on investment properties is charged on reducing balance method at the rate specified in note 9 to the financial statements. Depreciation on additions is charged from the month of addition and incase of deletion up to the month of disposal. Maintenance and normal repairs are charged to statement of profit or loss as and when incurred while major repairs and renewals are capitalised. Any gains or losses on disposal of an investment property are recognised in the profit and loss account in the year of disposal. The carrying values of investment properties are reviewed at each financial year end 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 investment properties are written down to their recoverable amount.

5.5 Taxation

(a) Current

The charge for current taxation in respect of certain income streams of the Company is based on Final Tax Regime at the applicable tax rates and remaining income streams at current rate of taxation under the normal tax regime after taking into account tax credits and rebates available, if any, 1% of turnover or 17% alternate corporate tax, whichever is higher. The Company had also availed Group Tax Relief under the provisions of Section 59AA and Group Taxation under the provisions of section 59B of the Income Tax Ordinance, 2001 as explained in note 29 to these unconsolidated financial statements.

(b) Deferred

Deferred tax is provided using the statement of financial position liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognised deferred tax assets are re-assessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

5.6 Stores, spares and loose tools

These are valued at lower of cost, determined using weighted average method, and Net Realisable Value (NRV), less provision for obsolete items (if any). Items in transit are valued at cost comprising purchase price, freight value and other charges incurred thereon upto the reporting date. Provision is made for items which are obsolete and slow moving and is determined based on management estimate regarding their future usability.

5.7 Stock-in-trade

Stock-in-trade, except goods-in-transit, is stated at the lower of weighted average cost or Net Realisable Value. The cost is determined as follows:

| | |
|---|---|
| Raw and packing materials | - Purchase cost |
| Work-in-process | - Cost of materials, labour cost and appropriate production overheads |
| Finished goods | - Cost of materials, labour cost and appropriate production overheads |

Goods-in-transit are valued at cost comprising purchase price, freight value and other charges incurred thereon upto the reporting date.

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. Provision is made for slow moving and obsolete items as and when identified.

5.8 Trade debts and other receivables

These are recognized and carried at original invoice amount being the fair value and subsequently measured at amortised cost. Provision is made on the basis of lifetime ECLs that result from all possible default events over the expected life of the trade debts and other receivables. Bad debts are written off when considered irrecoverable.

Exchange gains or losses arising in respect of trade debts and other receivables in foreign currency are added to their respective carrying amounts.

5.9 Loans, advances, deposits and short term prepayments (other than financial assets)
These are initially recognised at cost, which is the fair value of the consideration given. Subsequent to initial recognition, assessment is made at each statement of financial position date to determine whether there is an indication that a financial asset or group of assets may be impaired. If such indication exists, the estimated recoverable amount of that asset or group of assets is determined and any impairment loss is recognised for the difference between the recoverable amount and the carrying value.

5.10 Cash and cash equivalents
For the purpose of cash flow statement, 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 net of short-term borrowings. The cash and cash equivalents are readily convertible to known amount of cash and are therefore subject to insignificant risk of changes in value.

5.11 Share capital
Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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

Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

5.13 Provisions
General
Provisions are recognised in the statement of financial position where the Company has a legal or constructive obligation as a result of past event, it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. When the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. Provisions are reviewed at each statement of financial position date and adjusted to reflect current best estimate.

Warranty obligations
The Company recognizes the estimated liability to repair or replace products under warranty at the statement of financial position date. These are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is reviewed annually and adjusted, if required.

5.14 Compensated absences
Accrual is made for employees' compensated absences on the basis of accumulated leaves and the last drawn pay. No actuarial valuation of compensated absences is carried out as the management considers that the financial impact is not material.

5.15 Staff retirement benefits

Defined contribution plan

Provident fund
The Company operates a recognised provident fund for its permanent employees. Equal monthly contributions are made to the fund by the Company and the employees in accordance with the rules of the scheme. The Company has no further obligation once the contributions have been paid. The contributions made by the Company are recognised as employee benefit expense when they are due.

Retirement benefit fund
The Company operates an approved funded scheme for retirement benefits for all employees on the basis of defined contribution made by the Company on attaining the retirement age with a minimum qualifying period of ten years which is managed by a Trust.

5.16 Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

5.17 Unclaimed dividend
This is recognised at the amount of dividend declared and unclaimed by shareholders from the date it became due and payable.

5.18 Unpaid dividend
This is recognised at the amount of dividend declared and claimed by shareholders but remained unpaid for the period of 3 years from the date it became due and payable.

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

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

5.19.2 Lease liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less lease incentives receivable (if any), variable lease payments that depend on an index or a rate (if any), and amounts expected to be paid under residual value guarantees (if any). The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company (if any) and payments of penalties for terminating the lease (if any), if the termination option is reasonably certain to be exercised. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments at the lease commencement date, the Company uses the interest rate implicit in the lease. In case where the interest rate implicit in the lease is not readily determinable, the Company uses its incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

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

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

5.19.4 Estimating the incremental borrowing rate.

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

5.20 Contingent liabilities

Contingent liability is disclosed when

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

- there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measure with sufficient reliability.

5.21 Financial instruments

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

i) Financial assets

Initial recognition and measurement

Under IFRS 9 Financial assets are classified, at initial recognition , as subsequently measured at following:

(a) at amortised cost
(b) at fair value through other comprehensive income (FVOCI); and
(c) at fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the business model for managing them.

(a) At amortised cost

A financial asset is measured at amortised cost if both of the following conditions are met:

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

(b) At fair value through other comprehensive income

A debt instrument is measured at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-byinvestment basis. The company has irrevocably elected to carry its quoted investments in equity instruments under this category.

(c) At fair value through profit and loss

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

Susbequent measurement

For purposes of subsequent measurement, financial assets are classified into following categories;

- Financial assets at amortised cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at FVPL

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)

These assets are subsequently measured at fair value. Interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets at FVOCI with no recycling of cumulative gains and losses (equity instruments)

These assets are subsequently measured at fair value. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at FVPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Derecognition

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

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

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

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

ii) Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

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

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

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

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

5.22 Impairment of financial and non financial assets

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. 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 reporting date, 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.

Impairment of non-financial assets
The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If 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 statement of profit or loss and other comprehensive income. 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 for which the estimate of future cash flow have not been adjusted. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).



An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised previously. Reversal of an impairment loss is recognised immediately in statement of profit or loss and other comprehensive income.

5.23 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 (if any).

5.24 Revenue recognition
Revenue is recognised at amounts that reflect the consideration that the Company expects to be entitled to in exchange for transferring goods or services to a customer. Revenue is measured at the fair value of the consideration received or receivable, and is recognised when control of goods have passed to the customer either on the dispatch / acceptance of goods for local sales or on the issuance of bill of lading in case of export sales. The normal credit period ranges between 7 to 120 days.

5.25 Other income
Other income is recognised to the extent it is probable that the economic benefits will flow to the Company and amount can be measured reliably. Other income is measured at the fair value of the consideration received or receivable and is recognised on the following basis:

- Dividend income is recognised when the right to receive the dividend is established.
- Interest on Term Deposit Receipts is recognised on constant rate of return to maturity.
- Interest on deposit accounts is recognised on accrual basis.
- Rental income arising from investment property is accounted for on a straight-line basis over the lease term.
- Scrap sales are recognised on an accrual basis.
- Claim from customers is recognised as income when the claim is accepted by customer.
- Service income is recognised on a straight line basis over the period that the services are provided.

5.26 Foreign currency transactions
Foreign currency transactions are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Exchange gains or losses are included in statement of profit or loss of the current period.

5.27 Operating segments
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Chief Executive of the Group.

5.28 Research and development expenditure
Research expenditure is recognised as an expense when incurred. Costs incurred on development projects are recognised as intangible assets to the extent that such expenditure is expected to generate future economic benefits. Other development expenditure is recognised as an expense when incurred.

5.29 Ijarah rentals
Ijarah payments for assets under Ijarah (lease) agreements are recognised as an expense in the statement of profit or loss on a straight line basis over the Ijarah term.

5.30 Dividends and appropriation to reserves
The Company recognises a liability for dividend to equity holder when it is authorized as per corporate laws in Pakistan. The transfer of reserves within the equity are recognized when these are approved as per the applicable laws.

## 6. STANDARDS, AMENDMENTS AND IMPROVEMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

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

| Standard or Interpretation | | Effective date (annual periods beginning on or after) |
|---|---|---|
| IFRS 3 | Definition of a Business (Amendments) | 01 January 2020 |
| IFRS 3 | Reference to the Conceptual Framework (Amendments) | 01 January 2022 |
| IFRS 9 / IAS 39 / IFRS 7 | Interest Rate Benchmark Reform (Amendments) | 01 January 2020 |
| IFRS 10 / IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment) | Not yet finalised |
| IAS 1 / IAS 8 | Definition of Material (Amendments) | 01 January 2020 |
| IAS 1 | Classification of Liabilities as Current or Non-current (Amendments) | 01 January 2022* |
| IAS 16 | Proceeds before Intended Use (Amendments) | 01 January 2022 |
| IAS 37 | Onerous Contracts – Costs of Fulfilling a Contract (Amendments) | 01 January 2022 |

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

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

| Standard or Interpretation | | IASB effective date (annual periods beginning on or after) |
|---|---|---|
| IFRS 1 | First time adoption of IFRSs | January 01, 2004 |
| IFRS 17 | Insurance Contracts | January 01, 2021 |

## 7. PROPERTY, PLANT AND EQUIPMENT

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | --------(Rupees in '000')-------- | |
| Operating fixed assets | 7.1 | 3,057,278 | 2,047,233 |
| Capital work-in-progress | 7.3 | 61,214 | 140,547 |
| | | 3,118,492 | 2,187,780 |

7.1 Operating fixed assets

| | COST | | | | | ACCUMULATED DEPRECIATION / AMORTIZATION | | | | WRITTEN DOWN VALUE |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at July 01, 2019 | Additions/ (Transfers) (7.1.1) | Disposals/ Adjustment (7.1.2) | As at June 30, 2020 | Rate | As at July 01, 2019 | Charge for the year | On Disposals/ Adjustment (7.1.2) | As at June 30, 2020 | As at June 30, 2020 |
| | ---(Rupees in '000')--- | | | | % | ---(Rupees in '000')--- | | | | |
| Freehold land | 4,362 | - | - | 4,362 | - | - | - | - | - | 4,362 |
| Leasehold land | 21,829 | - | (21,829) | - | 5 | 6,168 | - | (6,168) | - | - |
| Right of use asset - lands | - | 15,661 | - | 15,661 | 5 | - | 496 | - | 496 | 15,165 |
| Right of use asset - office premises | - | 11,811 | - | 11,811 | 25 | - | 5,906 | - | 5,906 | 5,905 |
| Factory building | 625,590 | 147,692 | - | 773,282 | 10 | 216,150 | 43,976 | - | 260,126 | 513,156 |
| Non factory building | 62,486 | 45,469 | (1,029) | 106,926 | 7.5-10 | 37,920 | 2,672 | (568) | 40,024 | 66,902 |
| Railway sliding | 792 | 3,424 | - | 4,216 | 5-10 | 730 | 31 | - | 761 | 3,455 |
| Plant and machinery | 2,448,830 | 1,044,221 | - | 3,493,051 | 10-33 | 1,146,646 | 255,304 | - | 1,401,950 | 2,091,101 |
| Furniture and fittings | 29,506 | 6,626 | (199) | 35,933 | 7.5-20 | 20,108 | 1,818 | (174) | 21,752 | 14,181 |
| Vehicles | 55,570 | 7,147 | (11,654) | 51,063 | 20 | 38,480 | 3,574 | (6,983) | 35,071 | 15,992 |
| Office and mills equipment | 157,459 | 20,760 | (1,317) | 176,902 | 10-30 | 73,333 | 16,303 | (1,252) | 88,384 | 88,518 |
| Computer equipment | 101,320 | 71,103 | (2,898) | 169,525 | 33.33 | 75,384 | 20,524 | (2,635) | 93,273 | 76,252 |
| Jigs and fixtures | 390,325 | 77,769 | - | 468,094 | 33.33 | 235,917 | 69,888 | - | 305,805 | 162,289 |
| 2020 | 3,898,069 | 1,451,683 | (17,097) | 5,310,826 | | 1,850,836 | 420,492 | (11,612) | 2,253,548 | 3,057,278 |
| | | | (21,829) | | | | | (6,168) | | |

| | COST | | | | | ACCUMULATED DEPRECIATION / AMORTIZATION | | | | WRITTEN DOWN VALUE |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at July 01, 2018 | Additions/ Transfers (7.1.1) | Disposals/ Transfers | As at June 30, 2019 | Rate | As at July 01, 2018 | Charge for the year | On disposals/ Transfers | As at June 30, 2019 | As at June 30, 2019 |
| | (Rupees in '000') | | | | % | (Rupees in '000') | | | | |
| Freehold land | 5,012 | - | (650) | 4,362 | - | - | - | - | - | 4,362 |
| Leasehold land | 21,829 | - | - | 21,829 | 5 | 5,672 | 496 | - | 6,168 | 15,661 |
| Factory building | 353,686 | 271,904 | - | 625,590 | 10 | 197,285 | 18,865 | - | 216,150 | 409,440 |
| Non factory building | 62,486 | - | - | 62,486 | 7.5-10 | 35,190 | 2,730 | - | 37,920 | 24,566 |
| Railway sliding | 792 | - | - | 792 | 5 | 726 | 4 | - | 730 | 62 |
| Plant and machinery | 1,817,118 | 632,603 | (891) | 2,448,830 | 10-33 | 973,927 | 173,433 | 714 | 1,146,646 | 1,302,184 |
| Furniture and fittings | 31,935 | 646 | (3,075) | 29,506 | 7.5-20 | 20,896 | 1,756 | 2,544 | 20,108 | 9,398 |
| Vehicles | 56,921 | 5,448 | (6,799) | 55,570 | 20 | 38,325 | 3,942 | 3,787 | 38,480 | 17,090 |
| Office and mills equipment | 139,964 | 17,971 | (476) | 157,459 | 10-30 | 58,885 | 14,773 | 325 | 73,333 | 84,126 |
| Computer equipment | 91,381 | 22,895 | (12,738) | 101,320 | 33.33 | 75,989 | 11,857 | 12,244 | 75,384 | 25,936 |
| | | | (218) | | | | | (218) | | |
| Jigs and fixtures | 247,963 | 142,362 | - | 390,325 | 33.33 | 203,405 | 32,512 | - | 235,917 | 154,408 |
| 2019 | 2,829,087 | 1,093,829 | (24,629) | 3,898,069 | | 1,610,300 | 260,368 | 19,396 | 1,850,836 | 2,047,233 |
| | | | (218) | | | | | (218) | | |

7.1.1 Represents transfers to operating fixed assets from capital work-in-progress.

7.1.2 Represents leasehold land which has been recognized as a right of use asset under IFRS-16 'Leases'.

7.1.3 Jigs and fixtures include moulds having written down value of Rs. 86.790 million (2019: Rs 197.750) in the possession of sub-contractors dispersed all over the country.

7.1.4 Operating fixed assets include items having an aggregate cost of Rs.263.822 million (2019: Rs. 259.724 million) which have been fully depreciated and are still in use of the Company.

7.1.5 The following operating fixed assets of the Company have been pledged as security against guarantees issued by commercial banks in respect of the investment by the Company and its wholly-owned subsidiary, Thal Power (Private) Limited, in Sindh Engro Coal Mining Company Limited and ThalNova Power Thar (Private) Limited, respectively.



Mortgage over the following leasehold lands and buildings over leasehold lands:

| | 2020 | 2019 |
|---|---|---|
| | (Rupees in '000') | |
| 1) Plot number 1,2,25 and 26, Sector 22 Korangi Industrial Area (Thal Engineering Division); and | 4,494,328 | 4,494,328 |
| 2) Plot numbers 35 - 42, 69 and 70 of survey 749 and 749/1, Mauza Pathra, Tehsil Hub, District Lasbella, (Papersack and Balochistan Laminates Division). | 325,144 | 325,144 |
| 3) An area measuring 1425 Kanals and 8 Marlas comprising of Khasra Nos.1757, 1758, 1765, 1766, 1767, 1768, 1780, 1775, 1777, 1778, 1764, 1779, 1792-1795/1, 1776, 1793, 1794, 1791, situated in Mouza Rakh, Khanpur, Tehsil & District Muzaffargarh. | 4,361,802 | 4,362,795 |
| | 9,181,274 | 9,182,267 |

Plant, machinery and equipment of the Company present at the following locations:

| | 2020 | 2019 |
|---|---|---|
| 1) Plot number 1,2,25 and 26, Sector 22 Korangi Industrial Area (Thal Engineering Division); | 874,250 | 874,250 |
| 2) Plot numbers 35 - 42, 69 and 70 of survey 749 and 749/1, Mauza Pathra, Tehsil Hub, District Lasbella, (Papersack and Balochistan Laminates Division); | 250,000 | 250,000 |
| 3) Mauza Rakh Khanpur, Tehsil and District Muzaffargarh - Thal Jute Division; and | 527,922 | - |
| 4) Thal Limited Industrial building and machinery situated at Plot bearing number DSU-14, Sector II, Downstream Industrial Estate, Bin Qasim, Karachi (Yazaki Unit). | 257,591 | - |
| 5) An area measuring 1425 Kanals and 8 Marlas comprising of Khasra Nos.1757, 1758, 1765, 1766, 1767, 1768, 1780, 1775, 1777, 1778, 1764, 1779, 1792-1795/1, 1776, 1793, 1794, 1791, situated in Mouza Rakh, Khanpur, Tehsil & District Muzaffargarh. | 613,209 | 435,000 |
| | 2,522,972 | 1,559,250 |

7.1.6 Details of operating fixed assets disposed off during the year and having a net book value of Rs 500,000 or more are as follows:

| | Cost | Accumulated depreciation | Written down value | Sales proceeds | Gain/ (loss) on disposal | Mode of disposal | Particulars of buyers |
|---|---|---|---|---|---|---|---|
| | (Rupees in '000') | | | | | | |
| **Non-factory building** | | | | | | | |
| Items having book value upto Rs 500,000 | 1,029 | 568 | 461 | - | (461) | | |
| **Furniture and fittings** | | | | | | | |
| Items having book value upto Rs 500,000 | 199 | 174 | 25 | 17 | (8) | | |
| **Vehicles** | | | | | | | |
| Toyota Altis Grande A/T 1.8 | 1,183 | 446 | 737 | 737 | - | Employees' car scheme | Mr. Mazhar Valjee - Ex-employee |
| Toyota Corolla XLI | 1,702 | 1,097 | 605 | 728 | 123 | Employees' car scheme | Mr. Mazharullah Khan - Ex-Employee |
| Suzuki Alto VXL | 1,261 | - | 1,261 | 1,330 | 69 | Employees' car scheme | Ms. Komal Advani - Ex-Employee |
| Items having book value upto Rs 500,000 | 7,508 | 5,440 | 2,068 | 9,904 | 7,836 | | |
| | 11,654 | 6,983 | 4,671 | 12,699 | 8,028 | | |
| **Office and mills equipment** | | | | | | | |
| Items having book value upto Rs 500,000 | 1,317 | 1,252 | 65 | 109 | 44 | | |
| **Computer equipment** | | | | | | | |
| Items having book value upto Rs 500,000 | 2,898 | 2,635 | 263 | 424 | 161 | | |
| **2020** | 17,097 | 11,612 | 5,485 | 13,249 | 7,764 | | |
| 2019 | 24,629 | 19,614 | 5,015 | 42,938 | (37,923) | | |

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

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | --------(Rupees in '000')-------- | |
| Cost of sales | 32 | 398,963 | 250,902 |
| Distribution and selling expenses | 33 | 1,584 | 2,032 |
| Administrative expenses | 34 | 19,945 | 7,434 |
| | | 420,492 | 260,368 |

7.3 Capital Work-In-Progress

| | Opening balance | Additions during the year | Transfers to operating fixed assets | Closing balance |
|---|---|---|---|---|
| | --------(Rupees in '000')-------- | | | |
| Civil Works | 41,258 | 157,418 | (182,093) | 16,583 |
| Plant and machinery | 84,362 | 960,285 | (1,041,346) | 3,301 |
| Furniture and fittings | 1,379 | 4,246 | (5,625) | - |
| Office and mills equipment | 3,391 | 38,568 | (8,909) | 33,050 |
| Computer equipment | 7,082 | 2,381 | (9,463) | - |
| Jigs and fixtures | 3,075 | 29,441 | (24,236) | 8,280 |
| 2020 | 140,547 | 1,192,339 | (1,271,672) | 61,214 |

| | Opening balance | Additions during the year | Transfers to operating fixed assets | Closing balance |
|---|---|---|---|---|
| | --------(Rupees in '000')-------- | | | |
| Civil Works | 124,661 | 185,442 | (268,845) | 41,258 |
| Plant and machinery | 18,998 | 581,143 | (515,779) | 84,362 |
| Furniture and fittings | 49 | 1,379 | (49) | 1,379 |
| Vehicles | 3,190 | - | (3,190) | |
| Office and mills equipment | 1,349 | 10,862 | (8,820) | 3,391 |
| Computer equipment | 5,881 | 10,171 | (8,970) | 7,082 |
| Jigs and fixtures | 37,297 | 112,459 | (146,681) | 3,075 |
| 2019 | 191,425 | 901,456 | (952,334) | 140,547 |

7.4 Details of the Company's immovable operating fixed assets are as under:

| S. No. | Locations | Land Area (square yards) | Building Covered Area (square feet) |
|---|---|---|---|
| | | --------(In '000')-------- | |
| 1 | Thal Limited (Jute Division) , D.G. Khan Road, Muzaffargarh, Punjab | 862 | 647 |
| 2 | Plot #448 & 449 Sundar Industrial Estate Raiwin Road, Lahore, Punjab. | 8 | 39 |
| 3 | Plot 1, 2, 25 & 26 Sector 22 Korangi Industrial Area Karachi, Sindh. | 51 | 229 |
| 4 | DSU-14 sector II Downstream Industrial estate Bin Qasim, Karachi, Sindh. | 24 | 32 |
| 5 | Shop number 6, Clifton Pride, G -3/18, Clifton, Karachi, Sindh. | 0.50 | 0.50 |
| 6 | Plot # 35, 36, 37, 38, 39, 39A, 40, 40A, 41, 42, 69, 69A, 70 and 71, Zila Moza Pathra, Hub, Balochistan | 92 | 211 |
| 7 | Plot C-49-58, Sector C, Hub Industrial Area. Hub, Balochistan | 6 | 12 |
| 8 | Plot # 38, Road # 3, Industrial Estate, Gadoon Amazai, Swabi, Khyber Pakhtunkhwa. | 19 | 40 |



## 8. INTAGIBLE ASSETS

| | Note | COST | | | | | Rate | ACCUMULATED AMORTIZATION | | | | | WRITTEN DOWN VALUE |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | As at July 01, 2019 | Additions | Transfers | Disposals | As at June 30, 2020 | | As at July 01, 2019 | Charge for the year | Transfers | On disposals | As at June 30, 2020 | As at June 30, 2020 |
| | | --------(Rupees in '000')-------- | | | | | % | --------(Rupees in '000')-------- | | | | | |
| Softwares | | 10,881 | 3,900 | - | - | 14,781 | 33 | 8,789 | 1,892 | - | - | 10,681 | 4,100 |
| Licenses | | | | | | | | | | | | | |
| - Software | | 35,909 | 23,570 | - | (5) | 59,474 | 33 | 17,476 | 14,579 | - | (3) | 32,052 | 27,422 |
| - Product | 8.2 | 71,411 | 97,605 | - | - | 169,016 | 20-33 | 1,191 | 26,651 | - | - | 27,842 | 141,174 |
| 2020 | | 118,201 | 125,075 | - | (5) | 243,271 | | 27,456 | 43,122 | - | (3) | 70,575 | 172,696 |
| 2019 | | 32,100 | 86,148 | 218 | (265) | 118,201 | | 17,006 | 10,275 | 218 | (43) | 27,456 | 90,745 |

8.1 The amortisation charge for the year has been allocated as follows:

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | --------(Rupees in '000')-------- | |
| Cost of sales | 32 | 34,619 | 5,223 |
| Distribution and selling expenses | 33 | 849 | 325 |
| Administrative expenses | 34 | 7,654 | 4,727 |
| | | 43,122 | 10,275 |

8.2 Represents patent rights and technical services acquired in respect of engineering business.

8.3 Intangible assets include items having an aggregate cost of Rs 19.832 million (2019: Rs 14.141 million) which are fully amortised and still in use of the Company.

## 9. INVESTMENT PROPERTY

| | COST | | | ACCUMULATED DEPRECIATION | | | | |
|---|---|---|---|---|---|---|---|---|
| | As at July 01, 2019 | Additions/ subsequent expenditures | As at June 30, 2020 | As at July 01, 2019 | Charge for the year (Note 34) | As at June 30, 2020 | Written down value as at June 30, 2020 | Depre-ciation Rate % |
| | -----------------------------------(Rupees in '000')----------------------------------- | | | | | | | |
| Freehold land | 891 | - | 891 | - | - | - | 891 | - |
| Building on freehold land | 694 | - | 694 | 590 | 5 | 595 | 99 | 5 |
| 2020 | 1,585 | - | 1,585 | 590 | 5 | 595 | 990 | |
| 2019 | 1,585 | - | 1,585 | 583 | 7 | 590 | 995 | |

9.1 Investment property comprises of godown in Multan. The fair value of which has been determined on the basis of a valuation carried out by an independent valuer, as of June 30, 2020 which amounts to Rs 131.31 million. The valuation was arrived on the basis of market intelligence, indexation of the original cost, year of construction and present physical condition and location. The Company has entered into a long-term agreement with Shabbir Tiles and Ceramics Limited, a related party in respect of investment property. The rental agreement has a remaining lease term of 9 months, with escalation clause upon renewal of contract based on mututal agreement. The rental income from investment property is disclosed in Note 36 to these unconsolidated financial statements.

9.2 Details of the Company's immovable investment property is as under:

| Location | Land Area (square yards) | Building Covered Area (square feet) |
|---|---|---|
| | --------------(in '000)-------------- | |
| Industrial Property bearing khewat number 861, 862, 890, 895, 905, khatooni number 1086,1087,1116, 1121,1133, Mouza Taraf Ravi, Multan, Punjab. | 5 | 20 |

## 10. LONG-TERM INVESTMENTS

| Investments in related parties | Note | 2020 | 2019 | 2020 | 2019 |
|---|---|---|---|---|---|
| | | Holding % | | --------(Rupees in '000')-------- | |
| **Subsidiaries, unquoted – at cost** | | | | | |
| Noble Computer Services (Private) Limited | | 100 | 100 | 1,086 | 1,086 |
| Pakistan Industrial Aids (Private) Limited | | 100 | 100 | 10,000 | 10,000 |
| Habib METRO Pakistan (Private) Limited | | 60 | 60 | 2,789,223 | 2,789,223 |
| A-One Enterprises (Private) Limited | 1.4.2 | - | 100 | - | 61,395 |
| Thal Power (Private) Limited | | 100 | 100 | 100 | 100 |
| Thal Electrical (Private) Limited | | 100 | 100 | 100 | 100 |
| Thal Boshoku Pakistan (Private) Limited | | 55 | 55 | 379,500 | 379,500 |
| Makro-Habib Pakistan Limited | | 100 | 100 | 223,885 | 223,885 |
| Less: Provision for impairment | | | | (223,885) | (223,885) |
| | | | | - | - |
| | | | | 3,180,009 | 3,241,404 |
| **Associates – at cost** | 10.1 | | | | |
| **Quoted** | | | | | |
| Indus Motor Company Limited | | 6.22 | 6.22 | 48,900 | 48,900 |
| Habib Insurance Company Limited | | 4.63 | 4.63 | 561 | 561 |
| Agriauto Industries Limited | | 7.35 | 7.35 | 9,473 | 9,473 |
| Shabbir Tiles & Ceramics Limited | | 1.30 | 1.30 | 21,314 | 21,314 |
| | | | | 80,248 | 80,248 |
| **Unquoted** | | | | | |
| Sindh Engro Coal Mining Company Limited | 10.2 | 11.9 | 11.9 | 2,365,311 | 1,960,619 |
| | | | | 2,445,559 | 2,040,867 |
| **Other investments** | | | | | |
| **Listed shares - At FVOCI** | | | | | |
| Habib Sugar Mills Limited | | | | 55,074 | 55,447 |
| GlaxoSmithKline (Pakistan) Limited | | | | 292 | 160 |
| GlaxoSmithKline Healthcare (Pakistan) Limited | | | | 137 | 97 |
| Dynea Pakistan Limited | | | | 88,088 | 57,181 |
| Allied Bank Limited | | | | 13,924 | 19,095 |
| Habib Bank Limited | | | | 6,308 | 7,376 |
| TPL Properties Limited | | | | 6,224 | 9,923 |
| | | | | 170,047 | 149,279 |
| | | | | 5,795,615 | 5,431,550 |

10.1 Although the Company has less than 20% equity interest in all its associates, the management believes that significant influence over these associates exists by virtue of the Company's representation on the Board of Directors and participation in policy making decisions of the these companies.

10.2 This represents investment in an associate established for the construction of coal mine. Although the Company has less than 20% equity interest in the associate, the management believes that it has significant influence due to the contractual agreement with the shareholders. The Company undertook to invest a total of USD 25.6 million to expand the mine to 7.6 mtpa. Phase I of the Project achieved commercial operations in July 2019 and Phase II achieved financial close in Dec 2019. As on the statement of financial position date the Company has invested Rs. 2,365.311 million acquiring 159,602,637 ordinary shares having face value of Rs. 10 each, at a price of Rs. 14.82 per share. The balance commitment of the investment is USD 5.5 million.

## 11. LONG-TERM LOANS - considered good

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| **Employee - secured** | | | |
| Interest free | 11.1 | 3,996 | 7,992 |
| Current portion | 17 | (3,996) | (3,996) |
| | | - | 3,996 |
| **Subsidiary - unsecured** | | | |
| Thal Power (Private) Limited | 11.2 | 1,652,286 | 857,286 |
| Thal Boshoku Pakistan (Private) Limited | 11.3 | 275,000 | - |
| | | 1,927,286 | 861,282 |

11.1 The loan is secured against mortgage of property. The maximum aggregate amount due from the employee at the end of any month during the year was Rs 7.992 million (2019: Rs 11.655 million).

11.2 Represents interest free loan provided to Thal Power (Private) Limited for investment in ThalNova Power Thar (Private) Limited (TNTPL) which is a company developing a coal based power plant. The loan is likely to be converted into equity based on the progress achieved by TNTPL for its underlying project. The maximum aggregate amount due from Thal (Power) Private Limited at the end of any month during the year was Rs 1,652.286 million (2019: Rs 857.286 million).

The Company undertook to invest USD 34.3 million in PKR equivalent and upto the statement of financial position date it has invested Rs. 1,534.534 million acquiring 153,453,275 ordinary shares having face value of Rs. 10 each. The balance commitment of the investment is USD 22.6 million in PKR equivalent.

To secure the Company's commitment as above, a commercial bank has issued a guarantee in favour of the Company amounting to Rs 3,729.053 million.

On January 31, 2020 TNTPL received a notice for intimation of Force Majeure Event (FME) from EPC contractors under the EPC contracts due to COVID-19. Subsequently, on February 11, 2020, TNTPL notified Private Power and Infrastructure Board (PPIB) and Central Power Purchasing Agency (Guarantee) Limited (CPPA) regarding the occurrence of FME which has adversely effected the progress of the project. Accordingly, the financial close of TNTPL is expected to be no later than October 31, 2020 and commercial operations on or before March 31, 2021 as per the extended financial close deadline approved by PPIB.

Based on the commitment of the lenders and EPC contractors as well as the progress achieved to date, the management of Company is confident that TNTPL would be able to meet the extended deadline approved by PPIB.

11.3 This carries interest at the rate of 3 month KIBOR + 0.75% per annum and will mature in January 2021. However, the loan is extendable at the option of the subsidary and considering the financial and cashflow projections, it seems likely that the extension option would be excercised.

## 12. LONG-TERM DEPOSITS

| | 2020 | 2019 |
|---|---|---|
| | --------(Rupees in '000)-------- | |
| Utilities | 7,918 | 6,820 |
| Others | 8,341 | 8,041 |
| | 16,259 | 14,861 |

## 13. DEFERRED TAX ASSET

| | 2020 | 2019 |
|---|---|---|
| Deferred tax asset arising in respect of provisions | 445,790 | 332,664 |
| Deferred tax liability arising due to accelerated tax depreciation allowance | (240,863) | (167,470) |
| | 204,927 | 165,194 |

## 14. STORES, SPARES AND LOOSE TOOLS

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| **Stores** | | | |
| - In hand | | 30,737 | 30,250 |
| - In transit | | 847 | - |
| | | 31,584 | 30,250 |
| Spares in hand | | 169,015 | 147,325 |
| Loose tools | | 122 | 367 |
| Less: Provision for obsolesence | | (73,566) | (53,232) |
| | | 127,155 | 124,710 |

## 15. STOCK-IN-TRADE

| | Note | 2020 | 2019 |
|---|---|---|---|
| **Raw material** | | | |
| - In hand | 15.1 | 4,038,282 | 4,452,963 |
| - In transit | | 668,214 | 496,245 |
| | | 4,706,496 | 4,949,208 |
| Work-in-process | | 377,192 | 263,699 |
| Finished goods | | 652,073 | 646,619 |
| Less: Provision for obsolesence | | (181,945) | (224,221) |
| | | 5,553,816 | 5,635,305 |

15.1 Raw materials amounting to Rs 7.706 million (2019: Rs 6.422 million) are held with the sub-contractors.

## 16. TRADE DEBTS

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| Considered good | 16.1 & 16.2 | 2,720,944 | 2,399,686 |
| Allowance for expected credit losses | 16.3 | (213,406) | (51,740) |
| | | 2,507,538 | 2,347,946 |

16.1 This includes amount due from the following related parties:

| | 2020 | 2019 |
|---|---|---|
| Indus Motor Company Limited | 155,083 | 660,235 |
| Shabbir Tiles and Ceramics Limited | 15,210 | 17,252 |
| | 170,293 | 677,487 |

16.2 The maximum aggregate amount due from the related parties at the end of any month during the year is as follows:

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| Indus Motor Company Limited | | 621,327 | 859,645 |
| Shabbir Tiles and Ceramics Limited | | 17,756 | 18,561 |

16.3 Movement - Allowance for expected credit losses

| | 2020 | 2019 |
|---|---|---|
| Opening balance | 51,740 | 16,284 |
| Charge for the year | 162,309 | 35,456 |
| Bad debts written off during the year | (643) | - |
| Closing balance | 213,406 | 51,740 |

## 17. LOANS AND ADVANCES

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| **Loans** | | | |
| Employee - secured | 11 & 17.1 | 3,996 | 3,996 |
| Makro Habib Pakistan Limited - unsecured | 17.2 | 263,203 | 264,552 |
| Provision for doubtful loan | 17.3 | (263,203) | (264,552) |
| | | - | - |
| | | 3,996 | 3,996 |
| **Advances - considered good - unsecured** | | | |
| Suppliers | 17.4 | 37,903 | 17,106 |
| Employees | | 157 | 758 |
| | | 38,060 | 17,864 |
| | | 42,056 | 21,860 |

17.1 The maximum aggregate amount due from the employee at the end of any month during the year was Rs 3.996 million (2019: Rs 3.996 million).

17.2 The maximum aggregate amount due from the related party at the end of any month during the year was Rs 264.552 million (2019: Rs 264.552 million).

17.3 Movement in provision for doubtful loan is as follows:

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| Opening balance | | 264,552 | 264,552 |
| Reversal of provision during the year | 17.3.1 | (1,349) | - |
| Closing balance | | 263,203 | 264,552 |

17.3.1 During the year, MHPL repaid loan amounting to Rs. 1.349 million resulting in the reversal of provision.

17.4 Includes advances amounting to Rs.10.132 million paid to the collector of customs which shall be adjusted against actual invoices raised.

## 18. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| **Trade deposits** | | | |
| Tender / performance guarantee | | 487 | 23,690 |
| Margin against letter of credit | | 71,963 | 255,525 |
| Deposit against custom duty | | 7,182 | 7,182 |
| Container deposits | | 58,405 | 6,977 |
| | 18.1 | 138,037 | 293,374 |
| **Short-term prepayments** | | | |
| Insurance | 18.2 | 19,719 | 11,665 |
| Others | | 28,250 | 11,584 |
| | | 47,969 | 23,249 |
| | | 186,006 | 316,623 |

18.1 These deposits are interest free.

18.2 This includes prepaid insurance amounting to Rs 14.963 million (2019: 9.866 million) paid to Habib Insurance Company Limited, a related party.



## 19. OTHER RECEIVABLES

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| Tooling income receivable | | 45,190 | 61,179 |
| Duty drawback | | 2,413 | 2,971 |
| Custom duty reimbursable | 26.2 | 126,286 | - |
| Receivable from Workers' Profit Participation Fund | 19.1 | 2,937 | - |
| Receivable under group taxation from Makro Habib Pakistan Limited | 29 | 5,866 | - |
| Receivable under group taxation from A-One Enterprises (Private) Limited | | - | 4,089 |
| Others | 19.2 | 1,887 | 2,929 |
| | | 184,579 | 71,168 |

19.1 Workers' Profit Participation Fund (WPPF)

| | Note | 2020 | 2019 |
|---|---|---|---|
| Opening balance | | (6,332) | (1,255) |
| Interest on funds utilised in the Company's business | | (1,096) | (224) |
| Allocation for the current year | 35 | (126,563) | (231,332) |
| | | (133,991) | (232,811) |
| Paid during the year | | 136,928 | 226,479 |
| Closing balance | | 2,937 | (6,332) |

19.2 This includes receivable from the following related parties:

| | 2020 | 2019 |
|---|---|---|
| Noble Computer Services (Private) Limited | 804 | - |
| Habib Metro Pakistan (Private) Limited | 110 | 287 |
| Pakistan Industrial Aids (Private) Limited | 701 | - |
| | 1,615 | 287 |

19.3 The maximum aggregate amount due from related parties at the end of any month during the year is as follows:

| | 2020 | 2019 |
|---|---|---|
| Noble Computer Services (Private) Limited | 1,241 | 1,534 |
| Habib Metro Pakistan (Private) Limited | 110 | - |
| Pakistan Industrial Aids (Private) Limited | 701 | - |

## 20. SHORT-TERM INVESTMENTS

| | Note | 2020 | 2019 |
|---|---|---|---|
| **At amortised cost** | | | |
| Term deposit receipts (TDRs) | 20.1 & 20.2 | 2,205,950 | 1,045,699 |
| Accrued interest | | 6,219 | 3,395 |
| | | 2,212,169 | 1,049,094 |
| **At fair value through statement of profit or loss** | | | |
| Atlas Money Market Fund | | 200,158 | 101,310 |
| UBL Liquidity Plus Fund | | 200,171 | 105,051 |
| NBP Money Market Fund | | 200,162 | 510,971 |
| Alfalah GHP Money Market Fund | | 100,025 | 204,092 |
| MCB Cash Management Optimizer Fund | | 100,104 | 205,648 |
| HBL Cash Fund | | 200,307 | 411,758 |
| ABL Cash Fund | | 200,238 | 355,374 |
| | | 1,201,165 | 1,894,204 |
| | | 3,413,334 | 2,943,298 |

20.1 These carry interest at rates ranging from 6.50% to 9.80% (2019: 12%) per annum having maturity latest by September 2020.

20.2 TDR amounting to Rs. 145.950 million is under lien against a letter of guarantee issued by a commercial bank on Company's behalf.

## 21. CASH AND BANK BALANCES

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| Cash in hand | | 172 | 451 |
| Bank balances | | | |
| Current accounts | | 188,962 | 158,076 |
| Deposit accounts | 21.1, 21.2 & 21.3 | 660,295 | 452,982 |
| | | 849,257 | 611,058 |
| | | 849,429 | 611,509 |

21.1 These carry interest at the rate of 6.50% (2019: 12.5%) per annum.

21.2 This includes Rs. 100 million deposited in a separate account for unpaid and unclaimed dividend in accordance with the requirements of Companies Act, 2017 (Act). During the year, interest income amounting to Rs. 0.015 million has been generated from this account. Subsequent to year end the Company has further deposited remaining amount to meet its obligation under the Act.

21.3 This includes a special bank account maintained in respect of security deposit in compliance with the requirements of Companies Act, 2017.

## 22. SHARE CAPITAL

22.1 Authorized Capital

The Company has authorised capital of 200 million ordinary shares of Rs. 5/- each amounting to Rs. 1,000 million.

22.2 Issued, subscribed and paid-up capital

| 2020 | 2019 | | 2020 | 2019 |
|---|---|---|---|---|
| Number of ordinary shares of Rs. 5/- each | | | ------(Rupees in '000)------ | |
| 5,149,850 | 5,149,850 | Fully paid in cash | 25,750 | 25,750 |
| 64,640,390 | 64,640,390 | Issued as fully paid bonus shares | 323,202 | 323,202 |
| 11,239,669 | 11,239,669 | Shares issued under the Scheme of Arrangement for Amalgamation | 56,198 | 56,198 |
| 81,029,909 | 81,029,909 | | 405,150 | 405,150 |

22.3 Voting rights, board selection, right of first refusal and block voting are in proportion to the shareholding.

## 23. RESERVES

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| **Capital reserves** | | | |
| Reserve on merger of former Pakistan Jute and Synthetics Limited and former Thal Jute Mills Limited | | 13,240 | 13,240 |
| Reserve on merger of former Pakistan Paper Sack Corporation Limited and former Khyber Papers (Private) Limited | | 42,464 | 42,464 |
| Reserve on merger of A-One Enterprises (Private) Limited | 1.4.2 | 951,211 | - |
| | | 1,006,915 | 55,704 |
| **Revenue reserves** | | | |
| General reserve | | 17,629,999 | 15,123,499 |
| Unappropriated profit | | 1,743,690 | 2,952,475 |
| | | 19,373,689 | 18,075,974 |
| Gain on revaluation of investments held at fair value through OCI | | 115,399 | 94,631 |
| | | 20,496,003 | 18,226,309 |

## 24. LONG-TERM DEPOSITS

| | Note | 2020 | 2019 |
|---|---|---|---|
| Related party | 24.1 | 708 | 708 |
| Others | | 755 | 755 |
| | | 1,463 | 1,463 |

24.1 Represents security deposit received from Shabbir Tiles and Ceramics Limited in respect of godown space rented thereto.

## 25. LONG-TERM BORROWING - secured

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| State Bank of Pakistan's (SBP) Refinance Facility for Payment of Salaries and Wages | 25.1 | 199,141 | - |
| Less: Current maturity | | (49,786) | - |
| | | 149,355 | - |

25.1 During the year, SBP introduced a temporary Refinance Scheme for payment of wages and salaries to the workers and employees of business concerns to support companies in making the payment of salaries and wages due to economic challenges imposed by COVID-19. This carries interest at the rate of 1.25% per annum and is repayable in eight equal quarterly installments starting from January 2021. The borrowing is secured against a joint Pari Passu hypothecation charge on all present and future stocks, book debts and certain receivables of the Company.

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |

## 26. TRADE AND OTHER PAYABLES

| | Note | 2020 | 2019 |
|---|---|---|---|
| Creditors | 26.1 | 641,038 | 655,368 |
| Accrued liabilities and levies | | 1,001,217 | 873,708 |
| Additional custom duty provision | 26.2 | 224,786 | 75,644 |
| Payable to TBPK against group taxation | 29.1 | 50,604 | 39,215 |
| Payable to MHPL against group taxation | | - | 754 |
| Salaries payable | | 22,133 | 9,506 |
| Warranty obligations | 26.3 | 532,352 | 487,116 |
| Advances from customers (Contract liabilities) | 26.4 | 29,428 | 8,084 |
| Initial technical fee payable | | - | 71,411 |
| Royalty payable | 26.5 | 40,492 | 104,104 |
| Security deposits | | 2,272 | 1,395 |
| Payable to retirement benefit fund | | 8,166 | 7,901 |
| Other liabilities | 26.6 | 131,992 | 149,395 |
| | | 2,684,480 | 2,483,601 |

26.1 This includes amounts due to the following related parties:

| | 2020 | 2019 |
|---|---|---|
| Habib Insurance Company Limited | 1,031 | 846 |
| Noble Computer Services (Private) Limited | 148 | 3,438 |
| Habib Metro Pakistan (Private) Limited | 171 | 2,074 |
| Shabbir Tiles & Ceramics Limited | 1,714 | - |
| | 3,064 | 6,358 |

26.2 During the year, the Federal Board of Revenue vide its SRO dated June 28, 2019 imposed additional custom duty on the imports of certain items specified in the First Schedule to the Customs Act, 1969. The Company aggrieved by the notification is contesting its applicability by filing appeal before the Appealte Tribunal Customs Karachi (ATC) where the hearing is currently pending.

In order to secure the Company's commitment as above, a commercial bank has issued a gurantee in favour of the Company amounting to Rs 109.416 million.

The management, based on the opinion of legal advisor, is confident that the Company would not be liable to pay any amount in respect of this matter. With reference to the above Indus Motor Company Limited (IMC), a related party, committed to reimbuse the Company for any outflow that it may incur on account of additonal customs duty paid on goods imported for supplies made to IMC. Accordingly, a reimbursement asset is recorded as disclosed in note 19 to the unconsolidated financial statements.

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| **26.3 Warranty obligations** | | | |
| Opening balance | | 487,116 | 395,825 |
| Charge for the year | | 58,106 | 106,113 |
| Claims paid during the year | | (12,870) | (14,822) |
| Closing balance | | 532,352 | 487,116 |

26.4 Revenue recognised during the period that was included in contract liabilities balance at the beginning of the year amounts to Rs. 8.084 million (2019: Rs. 20.654 million).



| | Note | 2020 | 2019 |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| **26.5 Royalty payable** | | | |
| Opening balance | | 104,104 | 87,393 |
| Charge for the year | 32.2 | 91,955 | 179,910 |
| Paid during the year | | (155,567) | (163,199) |
| Closing balance | | 40,492 | 104,104 |
| **26.6 Other liabilities** | | | |
| With holding tax payable | | 540 | 1,202 |
| Employees Old-Age Benefits Institution | | 68,825 | 62,650 |
| Workers' Profit Participation Fund | | - | 6,332 |
| Workers' Welfare Fund | | 50,672 | 64,561 |
| Others | | 11,955 | 14,650 |
| | | 131,992 | 149,395 |

## 27. LEASE LIABILITIES

| | 2020 | 2019 |
|---|---|---|
| Impact of initial application of IFRS 16 | 14,956 | - |
| Accretion of interest during the year | 2,073 | - |
| Less: Lease rentals paid during the year | (8,586) | - |
| Closing balance | 8,443 | - |

## 28. SHORT TERM FINANCING - Secured

This represents Export Refinance Facility obtained by the Company from a commercial bank. The total amount of the facility is Rs. 359 million. It carries markup at the rate of 3% per annum and is secured against a joint Pari Passu hypothecation charge on all present and future stocks, book debts and certain receivables of the Company. The portion of the facility utilized during the year amounted to Rs 145 million and is repayable within a maximum period of 180 days.

## 29. INCOME TAX - net

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| Group Tax Relief adjustments | 29.1 | 683,879 | 632,681 |
| Group Taxation adjustments | 29.2 | (20,239) | (15,645) |
| Income tax provision less tax payments – net | 29.3 | (686,232) | (523,118) |
| | | (22,592) | 93,918 |

29.1 In terms of the provisions of Section 59B of the Income Tax Ordinance, 2001 (the Ordinance), a subsidiary company may surrender its tax losses in favour of its holding company for a set off against the income of its holding Company subject to certain conditions as prescribed under the Ordinance.

Accordingly, the Company adjusted its tax liabilities for the tax years 2008 to 2010 by acquiring the losses of its subsidiary company and consequently an aggregate sum of Rs. 593.466 million equivalent to the tax value of the losses acquired had been paid to the subsidiary company.

The original assessments of the Company for the tax years 2008 to 2010 were amended under Section 122(5A) of the Ordinance by the tax authorities by disallowing Group Relief claimed by the Company under Section 59B of the Ordinance aggregating to Rs. 593.466 million. The Company preferred appeals against the said amended assessments before the Commissioner Inland Revenue (Appeals) who vide his orders dated 10 June 2011 and 11 July 2011 has held that the Company is entitled to Group Relief under Section 59B of the Ordinance. However, the tax department filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the Commissioner Inland Revenue (Appeal) (CIR) Order. The ATIR has passed an order in favour of the Company for the above tax years. In response, the Tax department filed reference application / appeal against the order of ATIR before the High Court of Sindh and with the Chairman ATIR which are under the process of hearings.

In addition to the above, the Company has decided to acquire tax losses incurred by Thal Boshoku Pakistan (Private) Limited during the year amounting to Rs 50.604 million (2019: Rs 39.215 million) for set off against its tax liability. The amount of tax losses acquired are yet to be paid to the subsidiary.

29.2 In terms of provision of Section 59AA of Income Tax Ordinance, 2001 (the Ordinance), Thal Limited and certain subsidiaries have irrevocably opted to be taxed as one fiscal unit. Accordingly, the tax transferred by these subsidiaries under group taxation opted by the Company amounted to Rs. 30.553 million (2019: Rs. 18.611 million).

## 30. CONTINGENCIES AND COMMITMENTS

30.1 Contingencies

30.1.1 As of June 30, 2020, the Company has no contingencies other than those disclosed in notes 26.2 and 29.1 to these unconsolidated financial statements.

| | | Note | 2020 | 2019 |
|---|---|---|---|---|
| | | | --------(Rupees in '000)-------- | |
| 30.2 | Commitments | | | |
| 30.2.1 | Post dated cheques have been issued to Collector of Custom | | 108,275 | 141,811 |
| 30.2.2 | Outstanding letters of credit | | 719,972 | 616,156 |
| 30.2.3 | Letter of guarantees issued by banks on behalf of the Company in respect of financial committments of the Company. | 30.2.8 | 3,960,800 | 1,402,908 |
| 30.2.4 | Commitments in respect of raw material | | 576,655 | - |
| 30.2.5 | Commitments in respect of capital expenditure | | 28,655 | 1,049,042 |
| 30.2.6 | Commitments for rentals under Ijarah (lease) agreements | | | |
| | Within one year | | 32,330 | 21,642 |
| | After one year but not later than five years | | 33,375 | 20,344 |
| | | 30.2.9 | 65,705 | 41,986 |

30.2.7 Commitments in respect of investments are disclosed in notes 10.2 and 11.2 to these unconsolidated financial statements.

30.2.8 This guarantee is secured by assets disclosed in note 7.1.5 to these unconsolidated financial statements.

30.2.9 Represent Ijarah (lease) agreement entered into with a Modaraba in respect of vehicles. Total Ijarah payments due under the agreements are Rs 65.705 million and are payable in monthly installments latest by June 2023. These commitments are secured by on-demand promissory notes of Rs 106.364 million.

## 31. REVENUE - net

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| Export sales | 31.1 | 1,211,783 | 486,907 |
| Local sales | 31.2 | 17,901,484 | 25,583,127 |
| | | 19,113,267 | 26,070,034 |
| Less: Sales tax | | (2,659,089) | (3,698,765) |
| Sales discount | | (9,180) | (1,116) |
| | | (2,668,269) | (3,699,881) |
| Add: Duty drawback | | 3,481 | 4,211 |
| | | 16,448,479 | 22,374,364 |

31.1 Export sales are stated net of export related freight and other expenses of Rs. 61.029 million (2019: Rs. 20.836 million).

31.2 Local sales are stated net of freight and other expenses of Rs. 97.997 million (2019: Rs. 110.063 million).

## 32. COST OF SALES

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| Raw material consumed | 32.1 | 11,550,322 | 15,813,189 |
| Salaries, wages and benefits | | 1,558,428 | 1,513,398 |
| Stores and spares consumed | | 199,236 | 225,203 |
| Repairs and maintenance | | 95,524 | 102,923 |
| Power and fuel | | 256,918 | 216,418 |
| Rent, rates and taxes | | 2,401 | 6,874 |
| Vehicle running and maintenance | | 14,009 | 14,343 |
| Insurance | | 12,717 | 11,918 |
| Communication | | 8,325 | 6,366 |
| Travelling and conveyance | | 10,471 | 14,158 |
| Entertainment | | 556 | 634 |
| Printing and stationery | | 7,276 | 8,576 |
| Legal and professional | | 4,871 | 3,176 |
| Computer accessories and software maintenace fee | | 10,173 | 7,764 |
| Royalty | 32.2 | 91,955 | 179,910 |
| Depreciation | 7.2 | 398,963 | 250,902 |
| Amortisation | 8.1 | 34,619 | 5,223 |
| Research | | 3,021 | 8,281 |
| Ijarah rentals | | 13,081 | 8,176 |
| Technical assistance fee | | 12,298 | 1,286 |
| Others | | 3,366 | 2,264 |
| | | 14,288,530 | 18,400,982 |
| Work-in-process | | | |
| Opening | | 263,699 | 226,833 |
| Closing | | (377,192) | (263,699) |
| | | (113,493) | (36,866) |
| Cost of goods manufactured | | 14,175,037 | 18,364,116 |
| Finished goods | | | |
| Opening | | 647,999 | 501,003 |
| Closing | | (652,073) | (647,999) |
| | | (4,074) | (146,996) |
| | | 14,170,963 | 18,217,120 |

| | | 2020 | 2019 |
|---|---|---|---|
| 32.1 | Raw material consumed | | |
| | Opening stock | 4,949,208 | 2,586,886 |
| | Purchases | 11,307,610 | 18,175,511 |
| | Closing stock | (4,706,496) | (4,949,208) |
| | | 11,550,322 | 15,813,189 |

32.2 Royalty

| Party Name | Registered Address | Relationship with Company or its directors | 2020 | 2019 |
|---|---|---|---|---|
| Denso Corporation | 448-8661 1-1, ShowaCho, Kariya-city, Aichi-Pref., Japan | None | 44,942 | 96,037 |
| Furukawa Electric Comapny Limited | 1000, Amago, Koura, Inukami, Shiga Pref, 522-0242, Japan | None | 47,013 | 83,873 |
| | | | 91,955 | 179,910 |

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |

## 33. DISTRIBUTION AND SELLING EXPENSES

| | Note | 2020 | 2019 |
|---|---|---|---|
| Salaries and benefits | | 80,536 | 90,116 |
| Vehicle running expense | | 5,724 | 4,951 |
| Utilities | | 789 | 1,577 |
| Insurance | | 1,681 | 3,202 |
| Rent, rates and taxes | | 8,394 | 8,484 |
| Communication | | 2,134 | 2,157 |
| Advertisement and publicity | | 4,094 | 11,231 |
| Travelling and conveyance | | 8,109 | 8,556 |
| Entertainment | | 270 | 419 |
| Printing and stationery | | 567 | 558 |
| Legal and professional | | - | 20 |
| Computer accessories | | 1,003 | 822 |
| Research and development | | 29 | 94 |
| Depreciation | 7.2 | 1,584 | 2,032 |
| Amortisation | 8.1 | 849 | 325 |
| Repairs and maintenance | | 746 | 2,618 |
| Export expenses | | 16,313 | 6,008 |
| Provision for warranty obligations | 26.3 | 58,106 | 106,113 |
| Ijarah rentals | | 5,570 | 3,017 |
| Others | | 792 | 597 |
| | | 197,290 | 252,897 |

## 34. ADMINISTRATIVE EXPENSES

| | Note | 2020 | 2019 |
|---|---|---|---|
| Salaries and benefits | | 434,599 | 420,916 |
| Vehicle running expense | | 14,667 | 14,385 |
| Printing and stationery | | 3,068 | 3,838 |
| Rent, rates and taxes | | 14,889 | 19,746 |
| Utilities | | 6,790 | 6,517 |
| Insurance | | 1,915 | 2,015 |
| Entertainment | | 862 | 1,226 |
| Subscription | | 1,447 | 1,334 |
| Communication | | 4,239 | 4,192 |
| Advertisement and publicity | | 3,475 | 515 |
| Repairs and maintenance | | 7,982 | 7,610 |
| Travelling and conveyance | | 8,861 | 16,529 |
| Legal and professional | | 184,757 | 160,528 |
| Computer accessories | | 8,676 | 5,428 |
| Auditors' remuneration | 34.1 | 5,816 | 4,972 |
| Depreciation | 7.2 | 19,945 | 7,434 |
| Depreciation on investment property | 9 | 5 | 7 |
| Amortisation | 8.1 | 7,654 | 4,727 |
| Ijarah rentals | | 15,339 | 10,280 |
| Charity and donations | 34.2 & 34.3 | 23,716 | 51,236 |
| Directors' fee and meeting expenses | | 2,260 | 2,585 |
| Others | | 2,354 | 7,564 |
| | | 773,316 | 753,584 |



| | Note | 2020 | 2019 |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |

### 34.1 Auditors' remuneration

| | 2020 | 2019 |
|---|---|---|
| Audit fee | 2,050 | 2,050 |
| Half-yearly review | 325 | 325 |
| Taxation services | 1,117 | 273 |
| Other certification | 1,774 | 1,720 |
| Out of pocket expenses | 550 | 604 |
| | 5,816 | 4,972 |

### 34.2 Charity and donations

Charity and donations include the following donees in whom directors or their spouses are interested:

| Name of donee | Address of donee | Name of directors/spouse | 2020 | 2019 |
|---|---|---|---|---|
| Mohamedali Habib Welfare Trust | 2nd Floor, House of Habib, 3-Jinnah Co-operative Housing Society, Block 7/8, Sharae Faisal, Karachi. | Mr. Rafiq M. Habib - Trustee<br>Mr. Ali S. Habib (late) - Trustee | 8,017 | 14,930 |
| Habib Education Trust | 4th floor, United Bank building, I.I. Chundrigar Road, Karachi. | Mr. Ali S. Habib (late) - Trustee<br>Mr. Mohamedali R. Habib - Trustee | - | 10,000 |
| Habib University Foundation | 147, Block 7&8, Banglore Cooperative Housing Society, Tipu Sultan Road, Karachi. | Mr. Rafiq M. Habib - Trustee<br>Mr. Ali S. Habib (late) - Trustee<br>Mr. Mohamedali R. Habib - Trustee | - | 7,500 |
| Ghulaman-e-Abbas School | Ghulaman-e-Abbas School, Bab-e-Ali, Al-alamdar Building, Near Lyari Expressway, Mauripur Road, Karachi | Mr. Rafiq M. Habib - Trustee<br>Mr. Ali S. Habib (late) - Trustee | - | 5,000 |
| Hussaini Heamotology & Oncology Trust | 43-Rehmat Manzil, Bhurgari Road, Numaish, Karachi. | Mr. Mohamedali R. Habib - Trustee | 96 | 96 |
| Anjuman -e- Behbood-Samat -e- Itefal | ABSA School 26-C National Highway, Korangi Road, Karachi. | Mrs. Rafiq M. Habib - Vice President | 35 | 32 |

34.3 There are no donees, other than already disclosed in note 34.2 to these unconsolidated financial statements, to whom donations exceed 10% of total donation or Rs 1 million, whichever is higher.

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| **35. OTHER CHARGES** | | | |
| Workers' profits participation fund | 19.1 | 126,563 | 231,332 |
| Workers' welfare fund | | 33,099 | 60,662 |
| Allowance for expected credit losses | 16.3 | 162,309 | 35,456 |
| Exchange loss - net | | 4,701 | 7,150 |
| | | 326,672 | 334,600 |
| **36. OTHER INCOME** | | | |
| Income from financial assets | | | |
| Dividend income from: | | | |
| Related parties | | | |
| Indus Motor Company Limited | | 246,945 | 647,925 |
| Agriauto Industries Limited | | 14,809 | 24,329 |
| Habib Insurance Company Limited | | 2,868 | 4,302 |
| Shabbir Tiles and Ceramics Limited | | 780 | 1,561 |
| Habib Metro Pakistan (Private) Limited | | 529,008 | 402,897 |
| | | 794,410 | 1,081,014 |
| Others | | | |
| Dynea Pakistan Limited | | 2,042 | 5,310 |
| Habib Sugar Mills Limited | | 5,134 | 5,134 |
| Allied Bank Limited | | 1,455 | 1,455 |
| Habib Bank Limited | | 326 | 293 |
| GlaxosmithKline Pakistan Limited | | 3 | 3 |
| Mutual Funds | | 165,512 | 239,961 |
| | | 174,472 | 252,156 |
| Interest on: | | | |
| Loan to subsidiary - Thal Boshoku Pakistan (Private) Limited | | 10,803 | - |
| Deposit accounts | | 72,732 | 46,037 |
| Term deposit receipts | | 59,285 | 44,803 |
| Government treasury bills | | 1,307 | - |
| | | 144,127 | 90,840 |
| Capital gain on sale of Government treasury bills | | 61,212 | 39,081 |
| Loss on revaluation of investments classified at FVPL | | (10,207) | (118,525) |
| Gain / (loss) on disposal of investments classified at FVPL | | 19,318 | 74,934 |
| Liabilities no longer payable written back | | - | 1,332 |
| Reversal of provision for impairment of loan - MHPL | | 1,349 | - |
| | | 1,184,681 | 1,420,832 |
| Income from non financial assets | | | |
| Gain on disposal of operating fixed assets and intangibles | | 7,764 | 37,740 |
| Rental income | 36.1 | 2,714 | 4,047 |
| Service income | 36.2 | 32,400 | 26,201 |
| Scrap sales | | 22,683 | 17,134 |
| Claim from customers | | 157,739 | 22,315 |
| Insurance claim | | 295 | 15 |
| | | 223,595 | 107,452 |
| | | 1,408,276 | 1,528,284 |



| | Note | 2020 | 2019 |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| 36.1 Maturity analysis of operating lease payments | | | |
| The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows: | | | |
| Within one year | | 2,714 | 2,714 |

36.2 The Company has a service agreement with Thal Boshoku Pakistan (Private) Limited. As per the agreement, the Company provides service and support for production, plant maintenance, and engineering, imports, logistics, material handling, sales administration, HR and general administration and financial, corporate, legal and tax advisory.

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| **37. FINANCE COSTS** | | | |
| Interest on: | | | |
| - Export Refinance Scheme - Related party | | 1,881 | - |
| - State Bank of Pakistan's Refinance Scheme for payment of salaries and wages - Related party | | 183 | - |
| - Short-term running finance | | - | 800 |
| - Workers' profit participation fund | 19.1 | 1,096 | 224 |
| - Lease liabilities | 27 | 2,073 | - |
| | | 5,233 | 1,024 |
| Bank charges and commission | | 11,675 | 8,781 |
| | | 16,908 | 9,805 |
| **38. TAXATION** | | | |
| Current | | 565,656 | 1,116,699 |
| Prior | | (22,387) | 37,320 |
| | | 543,269 | 1,154,019 |
| Deferred | | (38,821) | 25,958 |
| | 38.1 | 504,448 | 1,179,977 |
| 38.1 Relationship between income tax expense and accounting profit | | | |
| Profit before taxation | | 2,371,606 | 4,334,642 |
| Tax at the rate of 29% (2019: 29%) | | 687,766 | 1,257,046 |
| Super tax @ nil (2019: 2%) of taxable income | | - | 88,209 |
| | | 687,766 | 1,345,255 |
| Tax effects of: | | | |
| Income taxed at reduced rates | | (8,570) | (10,491) |
| Income taxed under Final Tax Regime | | (197,781) | (200,585) |
| Tax effect of inadmissible items | | 48,252 | 61,900 |
| Tax credits | | (2,832) | (53,422) |
| Prior year tax | | (22,387) | 37,320 |
| | | 504,448 | 1,179,977 |

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |

## 39. BASIC AND DILUTED EARNINGS PER SHARE

| | | | |
|---|---|---|---|
| There is no dilutive effect on the basic earnings per share of the Company, which is based on: | | | |
| Net profit for the year | | 1,867,158 | 3,154,665 |
| | | Number of shares in thousands | |
| Weighted average number of ordinary shares of Rs. 5/- each | | 81,030 | 81,030 |
| | | ------------(Rupees)------------ | |
| Basic and diluted earnings per share | | 23.04 | 38.93 |

## 40. CASH GENERATED FROM OPERATIONS

| | 2020 | 2019 |
|---|---|---|
| Profit before taxation | 2,371,606 | 4,334,642 |
| Adjustments for non-cash charges and other items: | | |
| Depreciation: | | |
| - Right of use assets | 6,402 | - |
| - Others | 414,095 | 260,375 |
| Amortisation | 43,122 | 10,275 |
| Finance costs on: | | |
| - Lease liabilities | 2,073 | - |
| - Others | 14,835 | 9,805 |
| Interest income | (144,127) | (90,840) |
| Liabilities no longer payable written back | - | (1,332) |
| (Gain) / loss on revaluation / redemption / disposal of investments classified at FVPL | (70,323) | 4,510 |
| Dividend income | (968,882) | (1,333,170) |
| Allowance for expected credit losses | 162,309 | 35,456 |
| Provision for retirement benefits | 3,089 | 4,901 |
| Reversal of provision for impairment on loan to MHPL | (1,349) | - |
| Gain on disposal of operating fixed assets and intangibles | (7,764) | (37,740) |
| | (546,520) | (1,137,760) |
| | 1,825,086 | 3,196,882 |
| Decrease / (increase) in current assets | | |
| Stores, spares and loose tools | (2,445) | 6,862 |
| Stock-in-trade | 81,489 | (1,681,391) |
| Trade debts | (321,901) | (863,674) |
| Loans and advances | (20,196) | 50,836 |
| Trade deposits and short-term prepayments | 130,617 | (175,305) |
| Other receivables | (113,411) | (35,557) |
| Sales tax refundable | 342,059 | (208,669) |
| | 96,212 | (2,906,898) |
| Increase in current liabilities | | |
| Trade and other payables | 200,614 | 105,785 |
| | 2,121,912 | 395,769 |

## 41. CASH AND CASH EQUIVALENTS

| | Note | 2020 | 2019 |
|---|---|---|---|
| Cash and bank balances | 21 | 849,429 | 611,509 |
| Short-term investments in TDRs | 20 | 2,205,950 | 1,045,699 |
| | | 3,055,379 | 1,657,208 |

## 42. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties of the Company comprise of subsidiaries, associates, retirement funds, directors and key management personnel. Detail of transactions with related parties during the year are as under:

| Relationship | Nature of transactions | 2020 | 2019 |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| Subsidiaries | Professional services acquired | 154,183 | 164,107 |
| | Purchase of goods | 217 | 1,072 |
| | Sale of assets | 4,413 | 1,343 |
| | Service fee | 32,400 | 26,201 |
| | Tax profit / loss and challans acquired | 60,447 | 43,924 |
| Associates | Sales of goods | 5,961,538 | 11,419,180 |
| | Insurance premium | 42,967 | 33,255 |
| | Services acquired | 8,452 | - |
| | Insurance claim received | 3,632 | 3,607 |
| | Rent received | 2,714 | 354 |
| Employee benefit plans | Contribution to provident fund | 42,636 | 45,562 |
| | Contribution to retirement benefit fund | 3,089 | 7,361 |

42.1 Transactions with key management personnel are disclosed in note 43 to the unconsolidated financial statements.

42.2 Receivable from and payable to related parties as at June 30, 2020 are disclosed in the respective notes to the unconsolidated financial statements.

42.3 Following are the related parties of the Company with whom the Company had entered into transactions or have arrangement/agreement in place.

| S. No | Company Name | Basis of association | Aggregate % of shareholding | Nature of transactions |
|---|---|---|---|---|
| 1 | Noble Computer Services (Private) Limited | Subsidiary (note 42.3.1) | 100% | Professional services acquired |
| 2 | Pakistan Industrial Aids (Private) Limited | Subsidiary (note 42.3.1) | 100% | Sale of goods |
| 3 | Makro-Habib Pakistan Limited | Subsidiary (note 42.3.1) | 100% | Tax profit and challans acquired |
| 4 | Habib METRO Pakistan (Private) Limited | Subsidiary (note 42.3.1) | 60% | Dividend recieved |
| 5 | Thal Boshoku Pakistan (Private) Limited | Subsidiary (note 42.3.1) | 55% | Service fees, tax loss acquired and loan granted |
| 6 | Thal Power (Private) Limited | Subsidiary (note 42.3.1) | 100% | Loan disbursed |
| 7 | Thal Electrical (Private) Limited | Subsidiary (note 42.3.1) | 100% | Advance against issuance of shares |
| 8 | Sindh Engro Coal Mining Company Limited | Associate (note 42.3.1) | 11.90% | Equity investment |
| 9 | Indus Motor Company Limited | Associate (note 42.3.1) | 6.22% | Sales of goods |
| 10 | Shabbir Tiles and Ceramics Limited | Associate (note 42.3.1) | 1.30% | Sales of goods / supplies purchased |
| 11 | Habib Insurance Company Limited. | Associate (note 42.3.1) | 4.63% | Insurance premium / Insurance claim received |
| 12 | Habib Metropolitan Bank Limited | Common directorship (note 42.3.1) | - | Mark-up and bank charges paid / profit received |
| 13 | Thal Limited - Employees' Provident Fund | Retirement benefit fund | - | Contribution made |
| 14 | Thal Limited - Employees' Retirement Benefit Fund | Retirement benefit fund | - | Contribution made |

42.3.1 These entities are associated companies / undertakings of the Company under Companies Act, 2017.



## 43. REMUNERATION OF EXECUTIVES, DIRECTORS AND CHIEF EXECUTIVE

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Chief executive | Directors | Executives | Chief executive | Directors | Executives |
| | -----------------------------------(Rupees in '000)----------------------------------- | | | | | |
| Managerial remuneration | 48,150 | - | 277,001 | 16,320 | - | 243,097 |
| Bonus | - | - | 34,090 | 3,189 | | 54,022 |
| Company's contribution to provident fund | 1,687 | - | 10,780 | - | - | 10,249 |
| Company's contribution to retirement benefit fund | - | - | 5,761 | - | - | 2,731 |
| Other perquisites | - | - | 3,210 | - | - | 2,977 |
| | 49,837 | - | 330,842 | 19,509 | - | 313,076 |
| Number of persons | 1 | 6 | 46 | 1 | 7 | 44 |

43.1 The chief executive, directors and certain executives of the company are provided with free of cost use of company maintained cars.

43.2 Five non-executive directors (2019: Five) have been paid fees of Rs 2,260,000 (2019: Rs 2,585,000) for attending board and other meetings.

## 44. PLANT CAPACITY AND ACTUAL PRODUCTION

| | 2020 | 2019 |
|---|---|---|
| **Annual Capacity** | | |
| Jute (Metric Tons) | 33,800 | 33,800 |
| Auto air conditioners (Units) | 90,000 | 90,000 |
| Paper bags (Nos. 000s) | 356,000 | 251,000 |
| Alternator (Units) | 90,000 | 90,000 |
| Starter (Units) | 90,000 | 90,000 |
| **Actual Production** | | |
| Jute (Metric Tons) | 23,226 | 22,898 |
| Auto air conditioners (Units) | 23,053 | 68,095 |
| Wire harness (Units) | 93,365 | 173,532 |
| Paper bags (Nos. 000s) | 124,137 | 123,545 |
| Alternator (Units) | 22,061 | 56,542 |
| Starter (Units) | 22,061 | 56,542 |
| Reason for shortfall | Low demand | Low demand |

44.1 The capacity of wire harness is dependent on product mix.

44.2 The production capacity of laminate operations depends on the relative proportion of various types of products.

## 45. PROVIDENT FUND

Investments out of provident fund have been made in compliance with the provisions of section 218 of the Act and the rules formulated for this purpose.

## 46. FINANCIAL INSTRUMENTS BY CATEGORY

2020

| | Interest / Mark-up bearing | | | | Non-Interest / Mark-up bearing | | | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | No Maturity/ on demand | Maturity upto one year | Maturity after one year | Subtotal | No Maturity/ on demand | Maturity upto one year | Maturity after one year | Subtotal | |
| | (Rupees in '000') | | | | | | | | |
| **Financial assets** | | | | | | | | | |
| Fair value through OCI | | | | | | | | | |
| Long-term investments | - | - | - | - | 170,047 | - | - | 170,047 | 170,047 |
| Fair value through profit or loss | | | | | | | | | |
| Short-term investments | - | - | - | - | 1,201,165 | - | - | 1,201,165 | 1,201,165 |
| Amortized cost | | | | | | | | | |
| Long term loans | - | - | 275,000 | 275,000 | - | - | 1,652,286 | 1,652,286 | 1,927,286 |
| Long term deposits | - | - | - | - | - | - | 16,259 | 16,259 | 16,259 |
| Trade debts | - | - | - | - | - | 2,507,538 | - | 2,507,538 | 2,507,538 |
| Loans and advances | - | - | - | - | - | 4,153 | | 4,153 | 4,153 |
| Trade deposits | - | - | - | - | - | 65,587 | - | 65,587 | 65,587 |
| Interest accrued | - | - | - | - | - | 15,679 | - | 15,679 | 15,679 |
| Other receivables | - | - | - | - | - | 184,579 | - | 184,579 | 184,579 |
| Short term investments | - | 2,205,950 | - | 2,205,950 | - | 6,219 | - | 6,219 | 2,212,169 |
| Cash and bank balances | 660,295 | - | - | 660,295 | 189,134 | - | - | 189,134 | 849,429 |
| | 660,295 | 2,205,950 | 275,000 | 3,141,245 | 1,560,346 | 2,783,755 | 1,668,545 | 6,012,646 | 9,153,891 |
| **Financial liabilities** | | | | | | | | | |
| Amortized cost | | | | | | | | | |
| Long-term deposits | - | - | - | - | - | - | 1,463 | 1,463 | 1,463 |
| Long-term borrowings | - | 49,786 | 149,355 | 199,141 | - | - | - | - | 199,141 |
| Trade and other payables | - | - | - | - | - | 2,652,780 | - | 2,652,780 | 2,652,780 |
| Accrued mark-up | - | - | - | - | - | 263 | - | 263 | 263 |
| Unclaimed dividend | - | - | - | - | 66,197 | - | - | 66,197 | 66,197 |
| Unpaid dividend | - | - | - | - | 45,252 | - | - | 45,252 | 45,252 |
| Lease liabilities | - | 8,443 | - | 8,443 | - | - | - | - | 8,443 |
| Short-term financing | - | 145,000 | - | 145,000 | - | - | - | - | 145,000 |
| | - | 203,229 | 149,355 | 352,584 | 111,449 | 2,653,043 | 1,463 | 2,765,955 | 3,118,539 |

2019

| | Interest / Mark-up bearing | | | | Non-Interest / Mark-up bearing | | | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | No Maturity/ on demand | Maturity upto one year | Maturity after one year | Subtotal | No Maturity/ on demand | Maturity upto one year | Maturity after one year | Subtotal | |
| | (Rupees in '000') | | | | | | | | |
| **Financial assets** | | | | | | | | | |
| Fair value through OCI | | | | | | | | | |
| Long-term investments | - | - | - | - | 149,279 | - | - | 149,279 | 149,279 |
| Fair value through profit or loss | | | | | | | | | |
| Short-term investments | - | - | - | - | 1,894,204 | - | - | 1,894,204 | 1,894,204 |
| Amortized cost | | | | | | | | | |
| Long term loans | - | - | - | - | - | - | 861,282 | 861,282 | 861,282 |
| Long term deposits | - | - | - | - | - | - | 14,861 | 14,861 | 14,861 |
| Trade debts | - | - | - | - | - | 2,347,946 | - | 2,347,946 | 2,347,946 |
| Loans and advances | - | - | - | - | - | 4,754 | - | 4,754 | 4,754 |
| Trade deposits | - | - | - | - | - | 14,159 | - | 14,159 | 14,159 |
| Interest accrued | - | - | - | - | - | 3,699 | - | 3,699 | 3,699 |
| Other receivables | - | - | - | - | - | 71,168 | - | 71,168 | 71,168 |
| Short term investments | - | 1,045,699 | - | 1,045,699 | - | 3,395 | - | 3,395 | 1,049,094 |
| Cash and bank balances | 452,982 | - | - | 452,982 | 158,527 | - | - | 158,527 | 611,509 |
| | 452,982 | 1,045,699 | - | 1,498,681 | 2,202,010 | 2,445,121 | 876,143 | 5,523,274 | 7,021,955 |
| **Financial liabilities** | | | | | | | | | |
| Amortized cost | | | | | | | | | |
| Long-term deposits | - | - | - | - | - | - | 1,463 | 1,463 | 1,463 |
| Trade and other payables | - | - | - | - | - | 2,474,122 | - | 2,474,122 | 2,474,122 |
| Unclaimed dividend | - | - | - | - | 56,697 | - | - | 56,697 | 56,697 |
| Unpaid dividend | - | - | - | - | 49,409 | - | - | 49,409 | 49,409 |
| | - | - | - | - | 106,106 | 2,474,122 | 1,463 | 2,581,691 | 2,581,691 |

## 47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial instruments expose it to a variety of financial risks namely operational risk, credit risk and market risk. The Board of Directors oversees policies for managing each of these risks which are summarised below.

### 47.1 Operational Risk

COVID-19 pandemic has created an unprecedented challenge for Company in terms of Business Continuity Plans. The Company is closely monitoring the situation and has invoked required actions to ensure the safety and security of Company's staff and uninterrupted service to shareholders.

Business Continuity Plans for respective areas are in place and tested. Work-from-Home capabilities have been enabled for staff where required, while ensuring adequate controls to ensure that Company's information assets are adequately protected from emerging cyber threats.

### 47.2 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted.

The maximum credit risk is equal to the carrying amount of financial assets. For banks and financial institutions, only independently rated parties with reasonable credit rating are accepted. For trade receivables, internal risk assessment process considers the credit risk of the customer, taking into account its financial position, past experience and other factors.

The carrying values of financial assets which are neither past due nor impaired are as under:

| | 2020 | 2019 |
|---|---|---|
| | --------(Rupees in '000)-------- | |
| Long term loans | 1,927,286 | 861,282 |
| Long term deposits | 16,259 | 14,861 |
| Trade debts | 2,507,538 | 2,347,946 |
| Loans and advances | 4,153 | 4,754 |
| Trade deposits | 138,037 | 293,374 |
| Interest accrued | 15,679 | 3,699 |
| Other receivables | 55,880 | 68,197 |
| Short term investments | 3,413,334 | 2,943,298 |
| Cash and bank balances | 849,257 | 611,058 |
| | 8,927,423 | 7,148,469 |

The credit quality of financial assets other than bank balances and short term investments in TDRs can be assessed with reference to their historical performance with no or some defaults in recent history, however, no losses.

The credit quality of Company's bank balances and short term investments in TDRs can be assessed with reference to external credit ratings as follows:

| Bank Balances | Rating agency | Rating |
|---|---|---|
| Habib Metropolitan Bank | PACRA | A1+ |
| Habib Bank Limited | JCR VIS | A-1+ |
| Bank Al Habib Limited | PACRA | A1+ |
| Industrial and Commercial Bank of China | S&P | A1 |
| Meezan Bank Limited | JCR VIS | A-1+ |
| United Bank Limited | JCR VIS | A-1+ |
| Standard Chartered Bank Limited | PACRA | A1+ |
| National Bank of Pakistan | PACRA | A1+ |
| Al Baraka Bank Pakistan | PACRA | A1 |
| Faysal Bank Limited | PACRA | A1+ |
| Telenor Microfinance Bank Limited | PACRA | A1+ |

This includes rating assigned by an international rating agency to foreign bank.

### 47.3 Market risk

Market risk is the risk that the value of the financial instruments may fluctuate as a result of changes in market currency rates, interest rates or the equity prices due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. There has been no change in the Company's exposure to market risk or the manner in which this risk is managed and measured.

Under market risk the Company is exposed to currency risk, interest rate risk, price risk and liquidity risk.

#### 47.3.1 Foreign currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies.

| | 2020 | 2019 |
|---|---|---|
| | --------(FCY in '000)-------- | |
| USD | | |
| Bank balances | 391 | 235 |
| Trade receivables | 131 | 481 |
| Trade and other payables | (1,411) | (165) |
| | (889) | 551 |
| EUR | | |
| Trade and other payables | (553) | (1,232) |
| JPY | | |
| Trade and other payables | (70,879) | (43,927) |
| CHF | | |
| Trade and other payables | (27) | (20) |

The following exchange rates have been applied at the statement of financial position date:

| | 2020 | 2019 |
|---|---|---|
| | --------(Rs / FCY)-------- | |
| US Dollars | 168.75 | 164.50 |
| EUR | 189.73 | 186.99 |
| JPY | 1.57 | 1.53 |
| CHF | 177.43 | 168.61 |

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

| | Change in exchange rate | Effect on profit before tax | Effect on equity |
|---|---|---|---|
| | % | --------(Rupees in '000)-------- | |
| 2020 | + 10 | (37,101) | (26,995) |
| | - 10 | 37,101 | 26,995 |
| 2019 | + 10 | (21,031) | (15,063) |
| | - 10 | 21,031 | 15,063 |

47.3.2 Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loan to Thal Boshoku Pakistan (Private) Limited, cash in deposit accounts and short-term financing.

Sensitivity analysis:
The following figures demonstrate the sensitivity of a possible change in interest rate, with all other variables held constant, on the Company's profit before tax:

| | Increase / decrease in basis points | Effect on profit before tax |
|---|---|---|
| 2020 | | |
| KIBOR | + 100 | 7,903 |
| KIBOR | - 100 | (7,903) |
| 2019 | | |
| KIBOR | + 100 | 4,530 |
| KIBOR | - 100 | (4,530) |

47.3.3 Price risk
Price risk represents the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from currency risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instruments traded in the market. The Company is exposed to price risk in respect of its investments in listed shares and mutual funds.

As at the statement of financial position date, the exposure to listed equity securities at fair value was Rs 170.047 million. A decrease of 10% in the fair value of these securities would have an impact of approximately Rs 17.005 million on the equity or income depending whether or not the decline is significant and prolonged. An increase of 10% in the share price of the listed security would impact equity with the similar amount.

47.3.4 Liquidity risk
Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with the financial instruments.

Through its treasury function, the Company continually monitors its liquidity position and ensures availability of funds by maintaining flexibility in funding by keeping committed credit lines available.

The maturity profile of the Company's liabilities based on contractual maturities is disclosed in note 46 to these financial statements.



## 48. CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern, maintain healthy capital ratios, strong credit rating and optimal capital structure in order to ensure ample availability of finance for its existing and potential investment projects, to maximize shareholder value and reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets.

As of the date of unconsolidated statement of financial position, the Company is financing its operations primarily through equity and working capital.

## 49. 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. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

Fair value hierarchy
The different levels of fair valuation methods have been defined as follows:

- Quoted prices in active markets for identical assets or liabilities (level1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (level 3).

| | Note | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| 2020 | | ----------------------------(Rupees in '000)---------------------------- | | | |
| Assets | | | | | |
| - Investments carried at fair value through OCI | 10 | 170,047 | - | - | 170,047 |
| - Investments carried at fair value through profit or loss | 20 | - | 1,201,165 | - | 1,201,165 |

| | Note | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| 2019 | | ----------------------------(Rupees in '000)---------------------------- | | | |
| Assets | | | | | |
| - Investments carried at fair value through OCI | 10 | 149,279 | - | - | 149,279 |
| - Investments carried at fair value through profit or loss | 20 | - | 1,894,204 | - | 1,894,204 |

There were no transfers amongst levels during the year.

The market prices of listed shares and mutual fund units have been obtained from Pakistan Stock Exchange and Mutual fund association of Pakistan respectively.

## 50. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on September 08, 2020 has approved the following:

(i) transfer of Rs 1,460 million from unappropriated profit to general reserve; and
(ii) payment of cash dividend of Rs 3.50 per share for the year ended June 30, 2020 for approval of the members at the Annual General Meeting to be held on October 22, 2020.

## 51. NUMBER OF EMPLOYEES

Total number of employees

| | 2020 | 2019 |
|---|---|---|
| Total number of Company's employees as at June, 30 | 4,518 | 4,074 |
| Average number of Company's employees during the year | 4,296 | 4,325 |

## 52. GENERAL

52.1 Corresponding figures have been re-arranged and reclassified, wherever necessary. However, there were no significant reclassifications to report.

52.2 Figures have been rounded off to the nearest thousands.

## 53. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorized for issue on September 08, 2020 by the Board of Directors of the Company.

| | | |
|---|---|---|
| CHIEF EXECUTIVE OFFICER | DIRECTOR | CHIEF FINANCIAL OFFICER |