



RESILIENT IN TESTING TIMES

Annual Report 2020

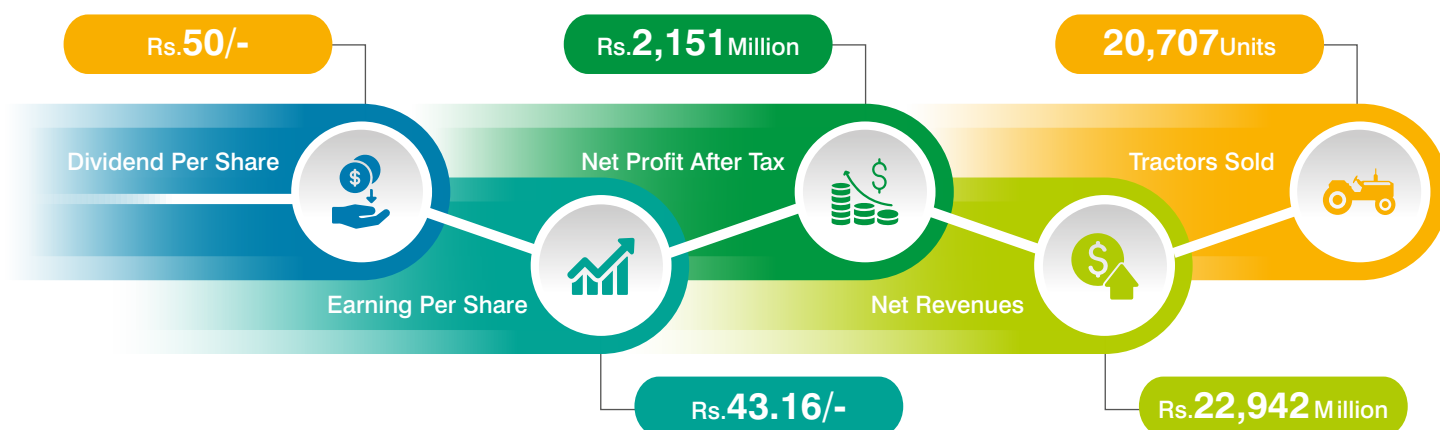


RESILIENT IN TESTING TIMES

This year has been a tumultuous one with the onset of COVID-19 pandemic and significant impact of global warming worldwide. Both challenges pose a serious threat to the global economy and more importantly, agriculture sector.

Millat Tractors Limited adopted a proactive approach to combat these risks and has complied with all laws and regulations to ensure uninterrupted supply of tractors while looking after the welfare of its employees and stakeholders. This is a testimony of the trust placed in us by you and this is why we have stood resilient in the testing times.”

KEY FIGURES



CHRONICLES

- | | | | |
|---|--|--|--|
| <p>1964</p> <p>Company established CBU Import (MF Tractors)</p> | <p>1984</p> <p>Inauguration of Machining Plant</p> | <p>1994</p> <p>Millat Equipment Ltd established.</p> | <p>2012</p> <p>TIPEG Inter-trade DMCC, UAE established</p> |
| <p>1965</p> <p>Assembly of tractors from SKD</p> | <p>1990</p> <p>Perkins distributor Agreement</p> | <p>1998</p> <p>ISO 9002 Certification Achieved</p> | <p>2015</p> <p>Export Agreement with AGCO</p> |
| <p>1972</p> <p>Nationalization</p> | <p>1992</p> <p>Privatization through Employee Buyout</p> | <p>2000</p> <p>Licensing Agreement – Heli Forklift Trucks (China)</p> | <p>2017</p> <ul style="list-style-type: none"> - Business Partnership Agreement with IFS - Development of Emission Compliant Euro II Engines |
| <p>1973</p> <p>Licensing and transfer of Technology Agreement with MF, UK</p> | <p>1992</p> <p>Inauguration of New Tractor Assembly Plant (MF Design)</p> | <p>2002</p> <p>Quality Management System Upgraded to ISO 9001:2000</p> | <p>2018</p> <ul style="list-style-type: none"> - Diversification by investment in Hyundai Nishat Motors (Pvt.) Limited - Highest ever sales of 42,708 and production of 42,507 units achieved |
| <p>1973</p> <p>Licensing and transfer of Technology Agreement with Perkins, UK</p> | <p>1993</p> <p>Bolan Castings Ltd Buyout</p> | <p>2002</p> <p>Millat Industrial Products Ltd established.</p> | <p>2019</p> <ul style="list-style-type: none"> - Operations started by IFS segment - 4WD Models of MF-360 and MF-375 launched for exports |
| <p>1982</p> <p>Inauguration of Engine Assembly Plant (Perkins Engines)</p> | <p>1994</p> <p>Mass Production of Generating Sets.</p> | <p>2011</p> <p>Record tractor production of 42,188 and sale of 42,011 units</p> | <p>2020</p> <p>Export of over 1,000 tractor units</p> |

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MILLAT TRACTORS LIMITED

ENGINEERING
DEPARTMENT

REGISTERED
OFFICE

COMPANY OVERVIEW

VISION & MISSION STATEMENT

VISION

“Millat to be a global group of companies, recognized for a range of quality products with innovative design capabilities.”

MISSION

“To be market leader in agricultural tractors and machinery, building company’s image through innovation and competitiveness, grow by expanding market and investing into group companies, ensuring satisfaction to customer and stakeholders and to fulfill social obligations.”



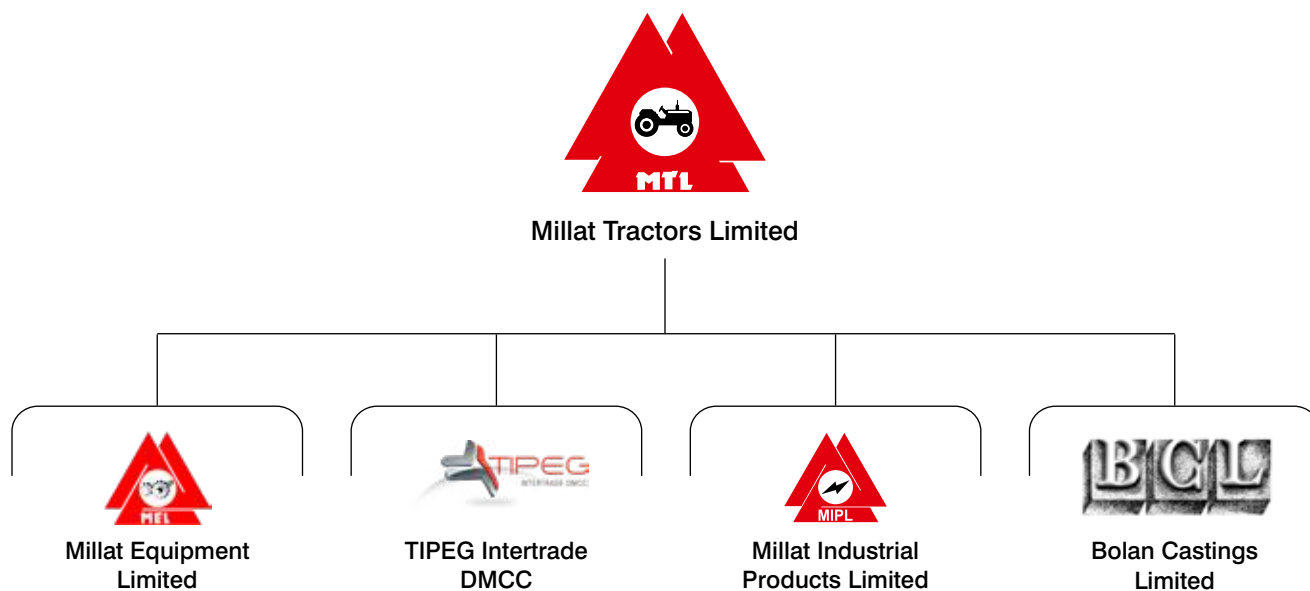
COMPANY OVERVIEW

Millat Tractors Limited (MTL), an ISO 9001:2008 certified company is Pakistan's leading engineering concern in the automobile sector engaged in the manufacturing and marketing of the world renowned Massey Ferguson (MF) tractors under licensing agreement with AGCO Ltd. UK; Forklift Trucks under license from Anhui Forklift Trucks, China; Prime Movers; Diesel Generating Sets and a range of allied agricultural and industrial implements.

Millat Tractors has played a pivotal role in transfer of technology and transformation of fledgling local light engineering sector into a robust, vibrant, quality conscious Auto Vending Industry. The Company is regarded as a pioneer in setting up country's automotive vendor base. Today, a local content of more than 90% has been achieved in Massey Ferguson tractors. The company offers eight tractor models in the range of 50 hp -100 hp, diesel gen sets of capacities -12.5kVA to 150 kVA and a 3 and 4 ton forklift truck.



GROUP STRUCTURE



MILLAT EQUIPMENT LIMITED

Millat Equipment Limited, was incorporated as a private limited company under the repealed Companies Ordinance 1984 (Repealed with the enactment of the Companies Act, 2017 on May 30, 2017), and was converted into an unlisted public limited company on April 20, 2004 is a subsidiary of Millat Tractors Limited which holds 45% of the company's equity. The Company is engaged in the business of manufacturing of automotive, agricultural and industrial vehicles, parts and components thereof. The registered office of the Company is situated at Sheikhpura Road, Lahore and the manufacturing facility of is situated at 10 km Raiwind Road, Lahore.

TIPEG INTERTRADE DMCC

TIPEG Intertrade DMCC, a limited liability company registered with Dubai Multi Commodities Centre (DMCC) Authority, is a subsidiary of Millat Tractors Limited which holds 75% of the company's equity. The principal place of business of the company is located at Jumeirah Lake Towers, Dubai-UAE. The company is formed for trading of machinery and heavy equipment and registered office of the company is situated at Unit No.705, Fortune Executive Tower, Jumeirah lake Towers, Dubai. United Arab Emirates.

MILLAT INDUSTRIAL PRODUCTS LIMITED

"Millat Industrial Products Limited (MIPL), an unlisted public company registered under the Companies Ordinance 1984 (now the Companies Act, 2017), is a subsidiary of Millat Tractors Limited which holds 64.09% of the company's equity. MIPL is engaged in the business of manufacturing of industrial, domestic and vehicular batteries, cells and components. The geographical location and address of the Company's business units, including mills/plant is as under:

- The registered office of the company is situated at 8.8 km, Lahore- Sheikhpura Road, Shahdara, Lahore
- The manufacturing facility of the company is located at 49 km., off Multan Road, Bhai Pheru, Distt. Kasur."

BOLAN CASTINGS LIMITED

Bolan Castings Limited (BCL), a public limited company incorporated in Pakistan under the repealed Companies Ordinance 1984 (now the Companies Act), and listed on the Pakistan Stock Exchange, is a subsidiary of Millat Tractors Limited which holds 46.26% of the company's equity. BCL is engaged in the business of manufacturing of castings for tractors and automotive parts thereof. The geographical location and address of the Company's business unit, including plant is RCD Highway, Hub Chowki, District Lasbela, Balochistan, Pakistan.

FINANCIAL HIGHLIGHTS



Revenue from
Contract with
customers

Rs. in Million

22,942

2019
31,144



Profit After Tax

Rs. in Million

2,151

2019
3,638



No of
outstanding
shares

(000's)

49,829

2019
44,293



Earning per
Share
Basic and
Diluted

Rs.

43.16

2019
73.01



Dividend

Rs. / Share

50

2019
85



Dividend
Payout

Percentage

115.85

2019
116.42



Long term
Investments

Rs. in Million

2,039.73

2019
1,383.88

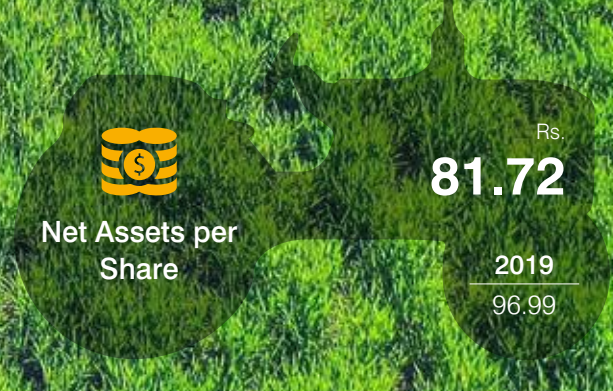
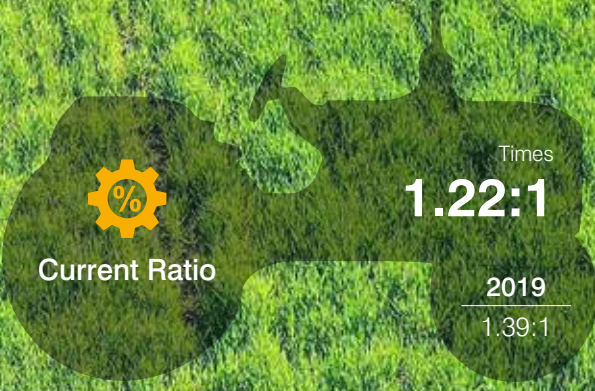


Total Current
Assets

Rs. in Million

7,782

2019
7,964



CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

Mr. Sikandar Mustafa Khan

Chief Executive

Syed Muhammad Irfan Aqueel

Directors

Mr. Latif Khalid Hashmi

Mr. Sohail Bashir Rana

Mr. Laeeq Uddin Ansari

Mian Muhammad Saleem

Mr. Saad Iqbal

Mrs. Ambreen Waheed

Company Secretary

Mr. Muhammad Faisal Azeem

Chief Financial Officer

Mr. Sohail A. Nisar

Auditors

M/s. A. F. Ferguson & Co.

Chartered Accountants

Legal Advisors

Riaa Barker Gillete

Akhtar Ali & Associates

Ch. Law Associates Inn

Company Share Registrars

M/s. Hameed Majeed Associates (Pvt.) Ltd.,
1st Floor, H.M. House, 7-Bank Square, Lahore.

Tel: 042-37235081-82

Fax: 042-37358817

E-mail: shares@hmaconsultants.com

Bankers

Bank Alfalah Ltd.

Habib Bank Ltd.

MCB Bank Ltd.

Standard Chartered Bank (Pakistan) Ltd.

United Bank Ltd.

Allied Bank Ltd.

Meezan Bank Ltd.

REGISTERED OFFICE AND PLANT

Sheikhupura Road, Distt. Sheikhupura.

Tel: 042-37911021-25,

UAN: 111-200-786

Fax: 042-37924166, 37925835

Website: www.millat.com.pk

E-mail: info@millat.com.pk

REGIONAL OFFICES

Karachi

3-A, Faiyaz Centre, Sindhi Muslim

Co-operative Housing Society,

Tel: 021-34553752

UAN: 111-200-786

Fax: 021-34556321

Islamabad

H. No. 22, St. No. 41, Sector F-6/1,

Tel: 051-2271470

UAN: 111-200-786

Fax: 051-2270693

Multan Cantt.

Garden Town, (Daulatabad), Shershah Road,

Tel: 061-6537371

Fax: 061-6539271

Sukkur

House No B/106 Akuwat Nagar Society,

Near Gol Masjid, Airport Road, Sukkur

Tel: 071-5815041

Fax: 071-5815042

OBJECTIVES & STRATEGIC PLANNING

OBJECTIVES

Constantly endeavour to be market leader in terms of market share and technology pace-setters in areas of operations and to continuously improve efficiency and competitive strength. To offer customers quality products and support services at competitive prices and to their satisfaction.

By continuously improving performance, aim to generate earnings sufficient to ensure a secure future for the Company and to protect and increase shareholders' return. To enhance creativity and job satisfaction, provide employees opportunity for personal development. Be an integral part of national economy with a strong sense of responsibility to society and the environment.

STRATEGIC PLANNING

To make optimum use of ancillary industry in Pakistan to maximize indigenization of tractor parts and farm equipment. To create in-house plant facilities for manufacture of components for tractors and other agricultural machinery which cannot be fabricated by the ancillary industry, where investments required are heavy or where technology involved is intricate.

MTL will maintain a strong R&D Department to provide technical assistance to local manufacturers and for product development. Ensure customer satisfaction by providing quality products at competitive prices which warranty coverage and ensuring after sale service.

CODE OF CONDUCT

The Company's Code of Conduct conforms to the Millat Group Vision and the Company's Mission Statement.

The Code of Conduct defines the expected behaviors for all employees of Millat Tractors Limited (MTL). MTL will conduct its business fairly, impartially, in an ethical and proper manner, in full compliance with all applicable laws and regulations, and consistent with the values of the Company, Integrity must be ensured in all Company business relationships, including those with customers, suppliers, shareholders, other communities and among employees. The highest standards of ethical business conduct are required of employees in the performance of their responsibilities. Employees will not engage in any conduct or activity that may raise doubts to the honesty, impartiality and reputation of the organization or result in embarrassment to the Company.

Every employee of the Company will ensure that he/she:

- Will not engage in any activity that might create a conflict of interest for him/her or MTL. Conflict of interest shall be disclosed where it exists and guidance sought.

- Will not take advantage of his/her position for personal gain through the inappropriate use of Company name or non-public information or abuse of position.
- Will refrain from insider trading.
- Will follow all restrictions on use and disclosure of information. This includes protecting Company's information and ensuring that non-company proprietary information is used and disclosed only as authorized by the owner of the information or as otherwise permitted by law and abide by the employee non-disclosure & confidentiality undertaking already signed by him/her.
- Will observe fair dealing in all of his/her transactions and interactions.
- Will protect all assets of the Company and use them only for appropriate Company-approved activities.
- Without exception, will comply with all statutory applicable laws, regulations, company policies and rules etc.



CORE VALUES

- Our Customers are our first priority.
- Profitability for the prosperity of our stakeholders that allows us to constantly invest, improve and succeed.
- Corporate Social Responsibilities to Enrich the Lives of community where we operate.
- Recognition and Reward for the talented and high performing employees.
- Excellence in every thing we do.
- Integrity in all our dealings.
- Respect for our customers and each other.

HEALTH, SAFETY & ENVIRONMENT POLICY

SAFETY POLICY

All the employees have been provided appropriate safety equipment during performance of their duties.

An upgraded fire fighting system has been installed to cope with any mishap.

All the machinery has been fenced and guarded properly to avoid any type of accident causing injury to the employees as well as to the machinery.

Special arrangements have been made for the availability of filtered drinking water for the employees.

All the employees are insured under Group Life Insurance Scheme.

Regular safety inspections are carried out to improve the preparedness.

Safety fire drills & other exercises are carried out periodically to keep employees prepared for any unforeseen incident.

HEALTH POLICY

MTL is committed to managing its operations and ensuring the safety and health of its employees, visitors, contractors, customers, vendors and all those who are affected by its operations.

While striving to achieve health and safety excellence, MTL commits:

- To provide premises, plant, equipment and work instructions that are free from all kinds of health and safety risks
- To carry out comprehensive risk assessment and mitigate any potential threat to health and safety of employees

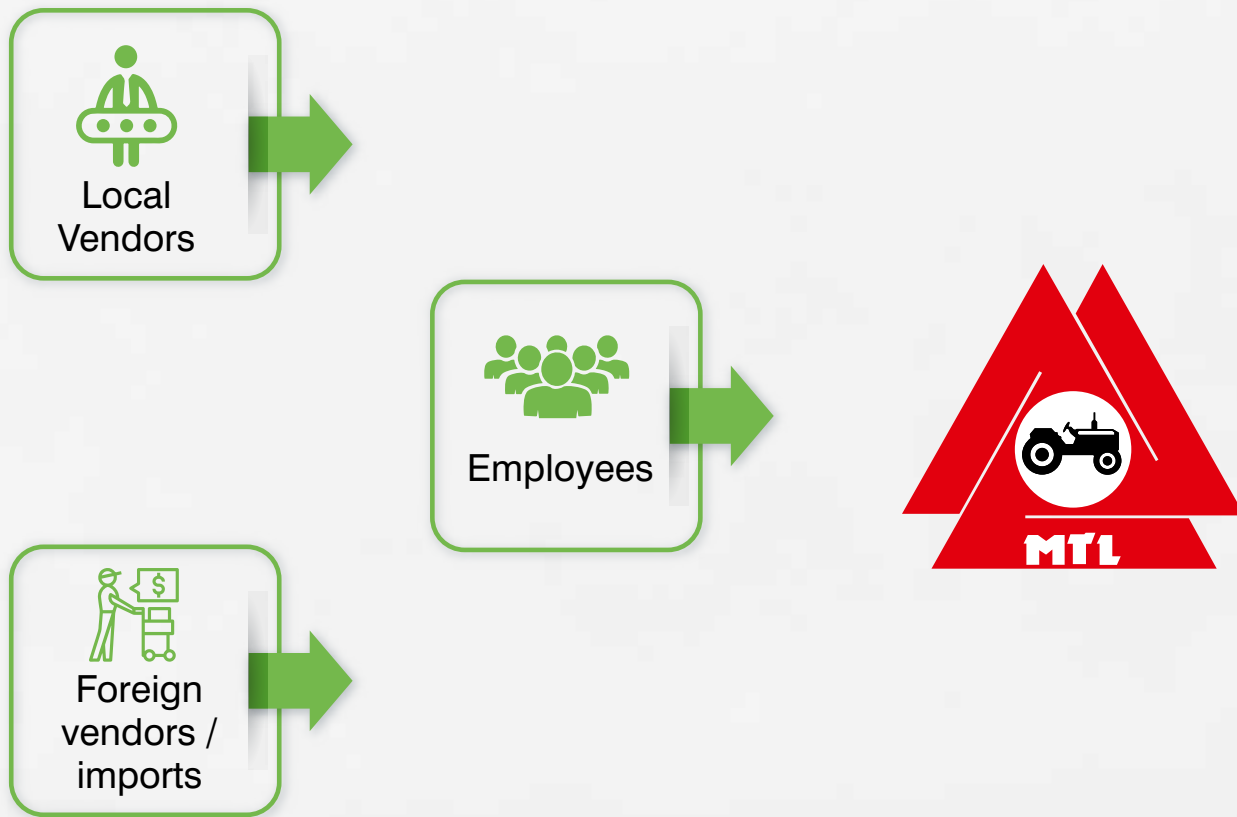
- To maintain high standards of health and safety wherever possible and keep measurable standards and improvement plans
- To comply with all applicable health & safety codes, National legislation and International regulatory requirements
- To evaluate risks before commencement of new activities or starting operations in new locations
- To communicate the health and safety policy to all stakeholders including employees, visitors, vendors and customers
- To train its employees on health and safety standards so that everyone takes the responsibility of safe operations and stands accountable for unsafe actions
- To investigate and report all incidents/ near misses and ensure corrective actions to avoid recurrence
- To drive safety culture emphasizing on collective participation and excellence

ENVIRONMENT POLICY

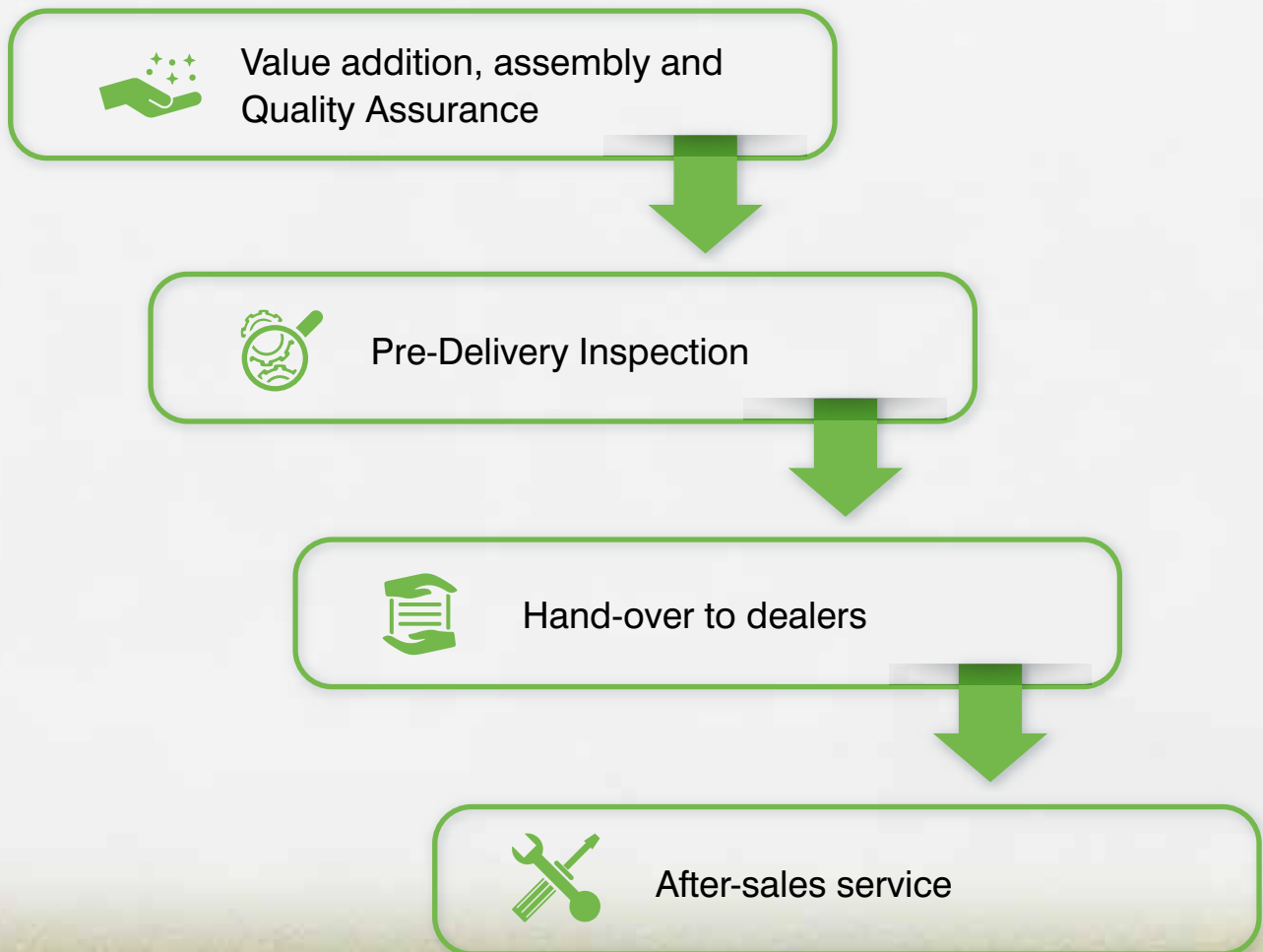
The Company has a separate horticulture department to make the environment pleasant, green and full of flowers. The Company also participates in various competitions on horticulture arranged by Government and other Institutions.

POSITION OF THE ORGANIZATION WITHIN THE VALUE CHAIN

Millat Tractors Limited is an assembler of agricultural tractors, implements, forklifts, generators and multi-application products. The raw material is procured from local and international vendors and the company employs around 360 permanent personnel.



Once the raw material is procured, value addition and assembly is done in-house to deliver the best tractors to its customers. Therefore, Pre Delivery Inspection (PDI) and continuous after-sales service are integral part of our operations.



PESTLE ANALYSIS

		Description	Change during the year	Response	
<div style="background-color: #c00000; color: white; padding: 10px; text-align: center; font-size: 2em; font-weight: bold;">P</div>	Political	Political situation and its stability affect other factors which in turn affect your company	Political turmoil has increased during the year which has led to inconsistency in policy making	Periodical review of the situation to assess impact, If any	
	<div style="background-color: #ffcc00; color: white; padding: 10px; text-align: center; font-size: 2em; font-weight: bold;">E</div>	Economic	Inflation and economic stability directly affect purchasing power of customers which can impact supply / demand factors	Inflation and USD/PKR parity has increased by double digits which has greatly reduced purchasing power of farmers as well as resulting in increased production costs	Adjustment of selling prices to maintain profitability which may impact demand
		S			

		Description	Change during the year	Response
T L E	Technological	Rapid change in technological landscape requires constant upkeep otherwise product(s) may become obsolete or outdated	No significant change as farmers are usually content with proven technology	Continuous research and development coupled with launch of new products
	Legal	Tax and regulatory measures can have a significant impact on how a company operates and presents its financial and legal information	Significant change in tax and regulatory laws, adoption of new International Financial Reporting Standards	Continuous review of compliance with legal, regulatory and reporting requirements
	Ecological	Global warming, availability of water and shift in seasons are impacting agriculture significantly which can have a significant impact on the company's performance	Crop yield has decreased due to global warming and locusts attack Focus of authorities towards environmental protection Water shortage	Focus on sustainable and eco-friendly measures to reduce environmental impact

SWOT ANALYSIS

S trengths

- Market leader
- Comprehensive 3S and 2S dealer network throughout the country
- Partnership with AGCO for technology and expertise sharing

W eaknesses

- Limited exports
- Quality and reliability of the supply chain

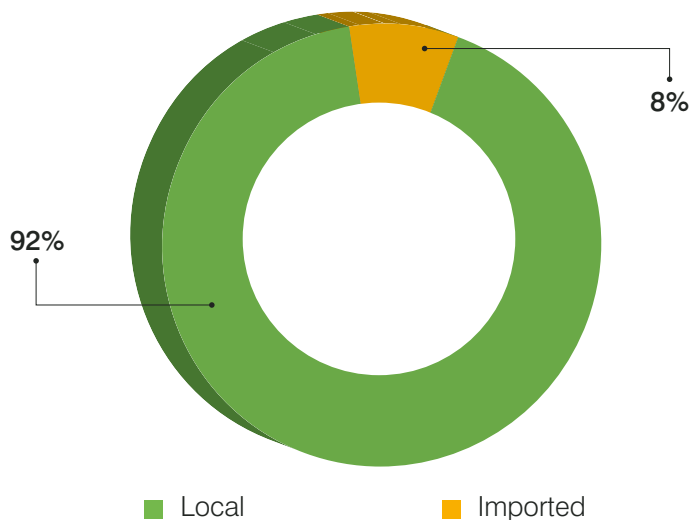
O pportunities

- Expand export market by increasing presence in Africa
- Increase market share by expanding spare parts sales
- Product diversification and into construction equipment

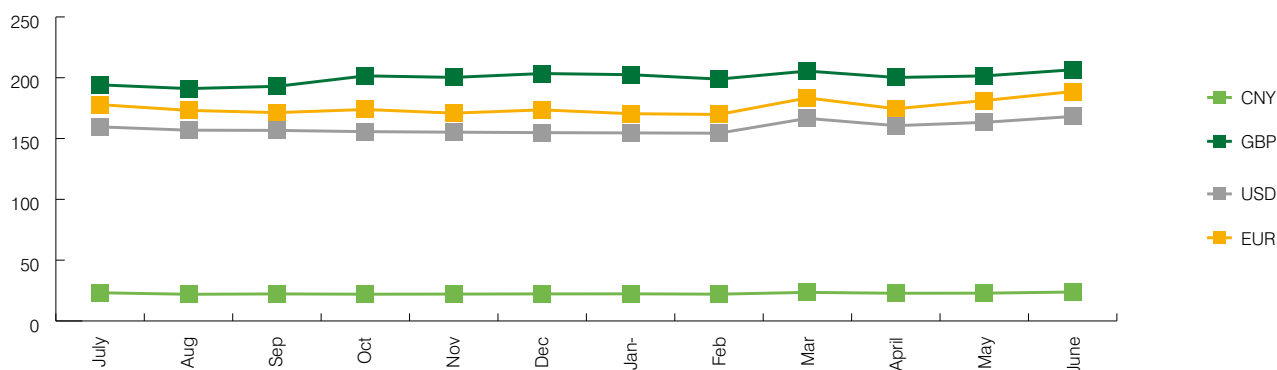
T hreats

- Global warming
- Inflation and currency devaluation

COMPOSITION OF LOCAL VERSUS IMPORTED MATERIAL AND SENSITIVITY ANALYSIS



Average composition of raw material for products manufactured by the company is as per graph on the left. However, most of the base raw materials for local components are indirectly imported by vendors resulting in exposure to foreign currency.



As can be seen from the graph above, leading foreign currencies exhibited stable movement for the first 9 months. However, major devaluation of Pak Rupee against these currencies was witnessed during March-June 2020 period. This ultimately resulted in increased exposure of the company to foreign exchange risk resulting in PKR 58.5 million of foreign exchange loss

during the year, majority of which was incurred in 4th quarter.

The company is actively monitoring its exposure and since no hedging options are available, selling prices will be adjusted as and when needed to maintain profitability.

TRANSMISS
ASSEMBL

Cell Status Wheel

AP/QR/162

CELL L

1. House Keeping / 5 "S"

6. KAIZEN /
IMPROVEMENT

5. Health, Safety
& Environment

4. Assembly as per
Standard Operating Procedures



Gr
cre
actory
nt





STRATEGY & RESOURCE ALOCATION

STRATEGIC OBJECTIVES

LONG TERM OBJECTIVES:

- Constantly endeavor to be market leader in terms of market share
- Technology pace-setters in areas of operations
- Continuously improve efficiency and competitive strength.
- Offer customers quality products and support services at competitive prices and customer satisfaction.
- Ensure sustainability of company returns to shareholders
- Enhance creativity and job satisfaction
- Provide employees opportunity for personal development.
- Be an integral part of national economy with a strong sense of responsibility to society and the environment.

MEDIUM AND SHORT-TERM OBJECTIVES

- Increase export market share
- Ensure safe navigation in these testing waters
- Secure working capital requirements by effective cash flow management
- Ensure employee retention
- Safeguard shareholders' return



STRATEGIC PLAN

Millat Tractors Limited will ensure its facilities and operations are enabled with latest technology to deliver quality products at optimum price point. In order to achieve this, the company will continue to invest in its employees and technology.

The company will continue to enable its vendors through technological and financial support. The company also plans to work closely with those charged with governance of this country to ensure maximum wealth creation for all stakeholders.

LIQUIDITY ANALYSIS

Given the current situation under global pandemic of COVID-19, it is important to assure our stakeholders of the company's liquidity position. Alhamdulillah, the Company managed to secure its liquidity by being in constant negotiations with the government and securing sales tax refunds of over PKR 2 billion. This gave a major boost the

liquidity and working capital management of the company during 4th quarter when the pandemic had griped global economies.

Moving forward, we do not anticipate any liquidity shortage and are ready to meet our day to day working capital requirements.

SIGNIFICANT PLANS

The company aims to expand its global outreach by expanding its export operations and focus on diversification through providing IT-enabled solutions. The immediate goal is to keep the company secure with respect to the global pandemic and ensure safety and well-being of all stakeholders and employees.

CHANGES IN OBJECTIVES

There has been no significant change in strategy and objectives from prior years other than those caused by the global pandemic.



KEY PERFORMANCE INDICATORS

QUANTITATIVE

01



Tractors
Units Sold

02



Earnings
per Share

03



Export Sales

04



Contribution to
National Exchequer

QUALITATIVE

01



Warranty
Claims

02



Right-First-Time
Build

03



Employee
Retention

04



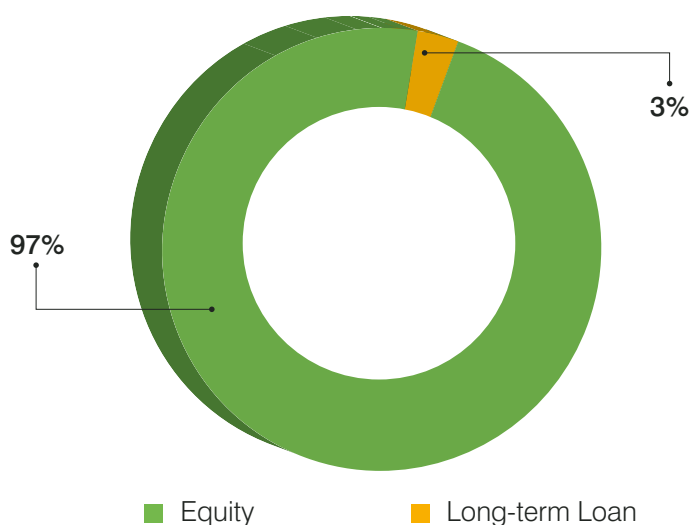
Compliance of
Laws & Regulations

RESOURCE ALLOCATION PLANS

Human Capital	Financial Capital	Manufactured Capital	Intangible Capital	Relationship capital
<ul style="list-style-type: none"> Annual performance appraisals On-job training and development 	<ul style="list-style-type: none"> Continuous monitoring of working capital requirement Investment of surplus funds to generate additional income No long-term financing requirements 	<ul style="list-style-type: none"> Right-first-time manufacturing concept Strong affiliation with AGCO and Massey Ferguson to develop quality and cost effective tractors Diversification through other products such as forklifts, power generators, implements and multi-application products 	<ul style="list-style-type: none"> Development of in-house and independent IT-service provider Partnership with International Financial Solutions (IFS) to implement Oracle based ERP 	<ul style="list-style-type: none"> Cordial relationship with all supply chain stakeholders Liaison and co-operating with government Compliance with laws and regulations

The company periodically reviews its plans to effectively and efficiently utilize its available resources as outlined above. The senior management is aggressively involved in monitoring and supervision of day to day activities to ensure accurate and appropriate actions.

CAPITAL STRUCTURE OF THE COMPANY



The company relied completely on equity to finance its operations and does not hold any long-term loans except for SBP long term financing facility against salaries.



A full-page background image showing a sunset or sunrise over a rocky landscape. The sky transitions from a deep blue at the top to a bright orange and yellow near the horizon. The foreground shows the dark, silhouetted edges of rocks. A semi-transparent dark grey rectangular box is centered horizontally and vertically, containing the text "RISKS & OPPORTUNITIES" in white, bold, uppercase letters.

RISKS & OPPORTUNITIES

RISKS AND OPPORTUNITIES

Risks	Source	Magnitude	Chance of occurrence	Plan to address
<p>COVID-19</p> <p>COVID-19 has caused havoc on local and global economy since the beginning of calendar year 2020. The effects of the pandemic are unlikely to slow-down in the first half of fiscal year 2020-21. There is a significant risk that business performance and operations will be affected and result in declining sales / profitability.</p>	External	High	Medium	<ol style="list-style-type: none"> 1. Follow of Standard Operating Procedures issued by Federal and Provincial government to ensure safety of everyone and minimal disruption to business processes 2. Periodic review of business performance to devise a mitigating plan, if necessary
<p>Increase in costs due to currency devaluation</p> <p>US dollar has depreciated by more than 6% in the last quarter. This will impact MTL directly as well as indirectly. Bill of imports is expected to increase for MTL; on the other hand, local vendors are likely to push for price increase as majority of their raw material is imported. Given this fact, MTL has already budgeted for increase in local and imported component price increase FY 2020-21; however any fluctuation will impact bottom line of MTL</p>				<p>Continuous monitoring of costs and impact of currency devaluation to evaluate any change required in strategy and targets.</p>
<p>Deterioration in quality of products</p> <p>Quality plays an important role in product image, market share and customer perception. Quality of MTL products may deteriorate due to following factors:</p> <ul style="list-style-type: none"> • Supply of low quality products by a single-source vendor • Decrease in Right-First-Time assembly due to untrained staff • Failure to detect procurement of low quality components <p>This may result in loss of sales and reputation among prospective customers as well as reduction in market share</p>	Internal	Medium	Low	<ol style="list-style-type: none"> 1. Ensure proper quality checks of supplies from vendors by qualified and trained staff 2. Conduct periodical trainings of staff to ensure their competency 3. Strict vendor screening and monitoring process

Risks	Source	Magnitude	Chance of occurrence	Plan to address
<p>Information system / Enterprise Resource System failure</p> <p>ERP system in place may malfunction or stop working causing delays in operations and / or loss of sensitive information. Although there is a disaster recovery site in place, restoring of ERP database takes considerable time.</p>	Internal	Medium	Low	<ol style="list-style-type: none"> 1. Keep disaster recovery plan up to date and ensure its implementation in case of any event 2. Train relevant personnel with respect to disaster recovery plan 3. Ensure an effective business continuity plan is put up in concurrence with disaster recovery plan
<p>High turnover of key employees resulting in loss of expertise</p> <p>There is a risk that employees at key position may leave the company for better opportunity elsewhere. This may result in diminishing of competitive manpower.</p>				<ol style="list-style-type: none"> 1. Train people to develop specialized skills and add width to their job description through role transition / job rotation 2. Develop and maintain an effective succession plan to minimize sudden loss of key personnel, if any

Opportunities	Source	Magnitude	Chance of occurrence	Plan to capture
<p>Export Markets</p> <p>The company has increased its efforts in global markets, especially Africa and Afghanistan to increase its global market share</p>	External	High	Medium	<ol style="list-style-type: none"> 1. Increase quality of products to compete with global competitors 2. Research and develop tailored products for different markets
<p>The company has setup a retail outlet in Badami Bagh Lahore to expand its spare parts sales. The operations are fully tax compliant and provides MTL authorized spare parts, lubricants and oil</p>	Internal	Medium	Low	<ol style="list-style-type: none"> 1. Educate customers about importance of usage of genuine spare parts 2. Expand spare parts dealer network



(19,407,328)	(17,931,157)	8,239,771)
(13,458,207)	(12,600,418)	1,877,823)
(7,971,068)	(352,635)	(259,668)
(41,089,801)	(30,944,211)	(10,377,267)
(54,084)		
25,500		

NAV	PrevYr(disc)	Dividend Yield
45	35.54%	4.1%
49	41%	7.15%
52	41%	5.55%
54	41%	8.14%
55	4.00%	1.5%
56	4.00%	1.5%
57	4.00%	1.5%
58	4.00%	1.5%
59	4.00%	1.5%
60	4.00%	1.5%
61	4.00%	1.5%
62	4.00%	1.5%
63	4.00%	1.5%
64	4.00%	1.5%
65	4.00%	1.5%
66	4.00%	1.5%
67	4.00%	1.5%
68	4.00%	1.5%
69	4.00%	1.5%
70	4.00%	1.5%
71	4.00%	1.5%
72	4.00%	1.5%
73	4.00%	1.5%
74	4.00%	1.5%
75	4.00%	1.5%
76	4.00%	1.5%
77	4.00%	1.5%
78	4.00%	1.5%
79	4.00%	1.5%
80	4.00%	1.5%
81	4.00%	1.5%
82	4.00%	1.5%
83	4.00%	1.5%
84	4.00%	1.5%
85	4.00%	1.5%
86	4.00%	1.5%
87	4.00%	1.5%
88	4.00%	1.5%
89	4.00%	1.5%
90	4.00%	1.5%
91	4.00%	1.5%
92	4.00%	1.5%
93	4.00%	1.5%
94	4.00%	1.5%
95	4.00%	1.5%
96	4.00%	1.5%
97	4.00%	1.5%
98	4.00%	1.5%
99	4.00%	1.5%
100	4.00%	1.5%



Consolidated Financial statements
Six month period ended 30 June

	2020	2021	2020	2021
		(in thousand Baht)		
ASSETS				
Current assets	61,036,930	56,288,030	52,769,766	53,020,000
Non-current assets	8,806,957	352,964	259,799	33,200,000
Total assets	69,843,887	56,640,994	53,029,565	86,220,000

Separate Financial statements
Six month period ended 30 June

	2020	2021
ASSETS		
Current assets	61,036,930	56,288,030
Non-current assets	8,806,957	352,964
Total assets	69,843,887	56,640,994

Year	2019	2020	2021
Revenue	120,000	120,000	120,000
Operating expenses	(80,000)	(80,000)	(80,000)
Operating profit	40,000	40,000	40,000
Finance income	10,000	10,000	10,000
Finance expense	(5,000)	(5,000)	(5,000)
Income tax expense	(10,000)	(10,000)	(10,000)
Profit after tax	35,000	35,000	35,000
Dividend	(15,000)	(15,000)	(15,000)
Retained profit	20,000	20,000	20,000

Year	2019	2020	2021
Revenue	120,000	120,000	120,000
Operating expenses	(80,000)	(80,000)	(80,000)
Operating profit	40,000	40,000	40,000
Finance income	10,000	10,000	10,000
Finance expense	(5,000)	(5,000)	(5,000)
Income tax expense	(10,000)	(10,000)	(10,000)
Profit after tax	35,000	35,000	35,000
Dividend	(15,000)	(15,000)	(15,000)
Retained profit	20,000	20,000	20,000



NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 57th Annual General Meeting of Millat Tractors Limited will be held at the Registered Office of the Company at 9 K.M. Sheikhpura Road, Shahdara, Lahore, on Monday October 26, 2020 at 03:30 P.M to transact the following business:

A. ORDINARY BUSINESS

- 1) To confirm minutes of the 56th Annual General Meeting held on October 25, 2019.
- 2) To receive, consider and adopt the audited accounts of the Company and the Group for the year ended June 30, 2020 together with the Chairman's Review, Directors' and Auditors' Reports thereon.
- 3) To approve final cash dividend of Rs. 30.00 per share i.e., 300% in addition to the interim dividend of Rs. 20.00

per share i.e., 200% already paid making a total cash dividend of Rs. 50.00 per share i.e., 500%.

- 4) To appoint auditors and fix their remuneration for the year ending June 30, 2021.

B. SPECIAL BUSINESS

- 5) To ratify and approve transactions conducted with Related Parties for the year ended June 30, 2020 by passing the following special resolution with or without modification.

"Resolved that the following transactions conducted with Related Parties for the year ended June 30, 2020 be and are hereby ratified, approved and confirmed."

2020 (AMOUNTS IN RUPEES)					
Particulars	Tipeg Intertrade DMCC	Millat Industrial Products Limited	Bolan Castings Limited	Millat Equipment Limited	Hyundai Nishat Motor (Pvt.) Limited
Purchase of components	304,328,544	177,578,342	1,183,596,800	2,403,831,181	-
Sale of components	650,624,508	39,864	20,958	255,814	-
Sale of Services	-	2,204,586	-	4,409,171	1,925,000

- 6) To authorize Chief Executive of the Company to approve transactions with Related Parties for the year ending June 30, 2021 by passing the following special resolution with or without modification.

"Resolved that the Chief Executive of the Company be and is hereby authorized to approve the transactions with Related Parties during the period from July 01, 2020 till the next Annual General Meeting of the Company."

"Resolved further that these transactions shall be placed before the shareholders in the next Annual General Meeting for their ratification/approval."

- 7) To receive, consider, adopt with or without modification the following special resolution for increase in Authorized Capital of the Company.

"RESOLVED that increase in authorized capital of the Company from Rs. 500,000,000/- divided into 50,000,000 ordinary shares of Rs. 10/- each to Rs. 750,000,000/- divided into 75,000,000 ordinary shares of Rs. 10/- each be and is hereby approved.

FURTHER RESOLVED that in Clause V of the Memorandum of Association of the Company, words and figures "Rs.500,000,000/- (Rupees Five Hundred Million) divided into 50,000,000/- (Fifty Million)" be substituted by words and figures "Rs.750,000,000/- (Rupees Seven Hundred Fifty Million) divided into 75,000,000 (Seventy Five Million)" and the words and figures "Companies Ordinance, 1984" be substituted by words and figures "Companies Act, 2017".

FURTHER RESOLVED that in Article 5 of the Articles of Association of the Company, words and figures “Rs.500,000,000/- divided into 50,000,000” be substituted by words and figures “Rs.750,000,000/- (Rupees Seven Hundred Fifty Million) divided into 75,000,000 (Seventy Five Million)”

FURTHER RESOLVED that Chief Executive and / or Company Secretary of the Company be and is / are hereby authorized to fulfill all legal, corporate and procedural formalities in this regard and file all necessary documents as may be necessary or incidental for the purpose of implementing the aforesaid resolutions.”

C. ANY OTHER BUSINESS

To transact any other business with the permission of the Chair.

By order of the Board



Lahore:
October 03, 2020

Muhammad Faisal Azeem
Company Secretary

NOTES

1. The share transfer books of the Company will remain closed from October 20, 2020 to October 26, 2020 (both days inclusive) and no transfer will be accepted during this period. Transfers received, complete in all respect by the Shares Registrar, M/s. Hameed Majeed Associates (Pvt.) Limited, 1st Floor, H.M. House, 7-Bank Square, Lahore by the close of business on October 19, 2020 will be considered in time for the purpose of payment of final cash dividend, and for the purpose of attending and voting at the meeting.
2. A member entitled to attend and vote at this meeting may appoint another person as his/her proxy to attend the meeting and vote for him/her. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the meeting.
3. Members, who have deposited their shares into Central Depository Company of Pakistan will further have to follow the under mentioned guidelines.
 - A. Attending of Meeting in Person:**
 - i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration detail are uploaded as per the regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC)/ original passport at the time of attending the meeting.
 - ii) In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature of the nominee shall be produced at the time of meeting.
 - B. Appointment of Proxies:**
 - i) In case of individuals, the account holder or sub-account holder and /or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirement.
 - ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv) The proxy shall produce his/her original CNIC/ original passport at the time of the meeting.
 - v) In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted along with proxy form to the Company.
4. **Participation in the Annual General Meeting**

Due to recent outbreak of Covid-19 pandemic, SECP, through its Circular No. 025 of 2020 dated August 31, 2020 read with Circular No. 05 of 2020 dated March 17,

2020, has advised the listed companies to avoid large gathering at one place and consider the provision of video link facility. Accordingly, in the best health interest of our valued shareholders and to ensure maximum participation, the Company has also arranged video link facility for attending this AGM. The shareholders interested in attending AGM through video link are requested to register their following particulars by sending an email at cdcsl@cdcsl.com or through Whatsapp# 0321-8200864.

Folio / CDC Account No.	No. of shares held	Name	CNIC	Cell No.	Email Address

The video link and login credentials will be shared with the shareholders whose emails, containing all the requested particulars, are received at the above email address by or before the close of business hours (5:00 P.M.) on October 20, 2020.

5. Video Conference Facility

Without prejudice to the requirements and the arrangements as described in "Note 4" above, keeping in view of the requirements of Section 132 of the Companies Act, 2017 read with SECP Circular 10 of 2014, if the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the Annual General Meeting (AGM) through video conference at least seven days prior to the date of AGM, the Company will arrange a video conference facility in that city subject to availability of such facility in that city. The Company will intimate members regarding the video conference facility venue at least 5 days before the date of the AGM along with the complete information needed to access the facility.

If you would like to avail video conferencing facility, as per above, please fill the following and submit to registered office of the Company at least 07 days before AGM.

I / We, _____ of _____ being a member of Millat Tractors Limited, holder of _____ Ordinary Share(s) as per Register Folio No / CDC Account No. _____ hereby opt for video conference facility at _____.

6. E-voting

Pursuant to Companies (Postal Ballot) Regulations, 2018 members may also exercise their right to vote through e-voting.

Further in view of SECP's Circular No. 025 of 2020 dated August 31, 2020 read with Circular No. 05 of 2020 dated March 17, 2020, for the purpose of special business proposed in the agenda, members will be able to opt to vote through e-voting. The requirements and procedure contained in aforesaid regulations with respect to e-voting shall also be applicable to the e-voting for the special business.

- Non CDC Shareholders are requested to notify the change of address, if any, immediately and submit, if applicable, the CZ-50 Form (for non deduction of Zakat) to the Registrar of the Company M/s. Hameed Majeed Associates (Pvt.) Limited, 1st Floor, H.M. House, 7-Bank Square, Lahore. All the shareholders holding shares through CDC are requested to update their addresses and Zakat status with their participants. This will assist in prompt receipt of Dividend.

8. Mandatory Submission of CNIC

As per clause 6 of the Companies (Distribution of Dividends) Regulations, 2017 read with Section 242 of the Companies Act, 2017, the company has withheld and in future will also withhold cash dividend payment to shareholders who have not yet provided their valid CNIC number. In case your cash dividend is withheld due to aforesaid reason, you are requested to kindly provide legible copy of your valid CNIC to Company's Share Registrar if you hold shares in physical form or to the respective Participant/Investor Account Services if shares are held in book entry form.

9. Payment of Cash Dividend Electronically

As per provision of Section 242 of Companies Act, 2017 any dividend payable in cash shall only be paid through electronic mode directly in to the bank account designated by the entitled shareholders. Notices of the foregoing seeking information from shareholders

for payment of dividend through electronic mode were sent earlier. The shareholders who have not submitted their details are now once again requested to provide their folio number, name and details of bank account consisting of bank name, branch name, branch code, Account number, Title of Account and IBAN in which they desire their dividend to be credited, failing which the Company will be unable to pay the dividend through any other mode. Standard request form has also been placed on website of the Company. The members are requested to send the information on the same at the earliest possible.

In case shares are held in CDC then the form must be submitted directly to shareholder's Participant/CDC Investor Account Services.

10. Deduction of Tax from Dividend Income

As per Income Tax Ordinance, 2001, different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These rates are as follows:

- (a) For filers of income tax returns 15.00%
- (b) For non-filers of income tax returns 30.00%

To enable the Company to make tax deduction from cash dividend @15.00% instead of 30.00% all the members whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of payment of cash dividend, otherwise tax on their dividend will be deducted @ 30.00% instead of 15.00%.

For members holding their shares jointly, as per the clarification issued by the Federal Board of Revenue, withholding tax will be determined separately on 'Filer/ Non-Filer' status of principal shareholder as well as joint holder(s) based on their shareholding proportions, in case of joint accounts. Therefore all shareholders who hold shares jointly are requested to provide shareholding proportions of principal shareholder and joint holder(s)

in respect of shares held by them to the Share Registrar as follows:

Company Name	Folio/CDS Account#	Total Shares	Principal shareholder		Joint shareholder	
			Name and CNIC#	Shareholding Proportion (no. of Shares)	Name and CNIC#	Shareholding Proportion (no. of Shares)

The above required information must be provided to Share Registrar, otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint Holder(s)

For any further query/problem/information, the investors may contact the Company Share Registrar: M/s. Hameed Majeed Associates (Pvt.) Limited, 1st Floor, H.M. House, 7-Bank Square, Lahore, Phone: 042-37235081-82, e-mail address: shares@hmaconsultants.com Fax: 042-37358817. The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or the Shares Registrar. The shareholders while sending NTN certificates must quote company name and their respective folio numbers.

Valid Tax Exemption Certificate for Exemption from Withholding Tax

A valid tax exemption certificate is necessary for exemption from the deduction of withholding tax under Section 150 of the Income Tax Ordinance, 2001. Members who qualify under Income Tax Ordinance, 2001 and wish to seek an exemption must provide a copy of their valid tax exemption certificate to the Shares Registrar prior to the date of book closure otherwise tax will be deducted according to applicable law.

11. E-Dividend Registration

Central Depository Company (CDC) has developed a Centralized Cash Dividend Register (CCDR), an eServices web portal which would incorporate details pertaining to cash dividends paid, unpaid or withheld by company. counter foil of cash dividend showing details of dividend, tax withheld and Zakat deducted etc shall be available electronically via CCDR Web Portal.

Shareholders can get the counterfoil and complete information of all cash dividends paid by the company by registering and accessing CCDR Web Portal at following link <https://eservices.cdcaccess.com.pk/public/index.xhtml>

12. Placement of Accounts on website

The financial statements of the Company for the year ended June 30, 2020 along with reports have been placed at the website of the Company www.millat.com.pk.

13. Transmission of Annual Financial Statements through email

The Securities and Exchange Commission of Pakistan has allowed companies to circulate annual balance sheet, profit & loss account, auditors' and directors' reports along with notice of annual general meeting to its members through e-mail. Members who wish to avail this facility can give their consent.

14. Transmission of Annual Financial Statements through CD/DVD/USB

SECP through its SRO 470(I)/2016 dated May 31, 2016 have allowed companies to circulate the annual balance sheet, profit and loss account, auditors' report and directors' report etc to its members through CD/DVD/USB at their registered addresses. In view of the above the Company has sent its Annual Report-2020 to the shareholders in the form of CD. Any Member can send request for printed copy of the Annual Report-2020 to the Company on standard request form placed on its website.

STATEMENT U/S 134(3) OF THE COMPANIES ACT, 2017

Agenda Item No.5

Related Party Transactions (RPTS)

(As Per Regulation 5(1) of The Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018

The Related Party Transactions conducted with group

companies had to be approved by the Board duly recommended by the Audit Committee periodically pursuant to regulation 15 of the Code of Corporate Governance. However, the majority of Company Directors were interested in these transactions due to their common directorship and holding of shares in the group companies, the quorum of directors could not be formed for approval of these transactions therefore, these transactions have to be approved by the shareholders in General Meeting. It may be noted that principal activity of the company is assembly/manufacture of Agri tractors for which components are procured from approximately 150 vending industries including group companies in the normal course of business. Bolan Castings Limited (BCL) and Millat Equipment Limited (MEL) manufacture intricate tractor components i.e., major tractor castings and gears & shafts etc respectively for which limited sources are available in the country. Millat Industrial Products Limited (MIPL) manufactures tractor batteries while tractors and components are exported through TIPEG INTERTRADE DMCC (TIPEG). In addition, components are imported through TIPEG for in house use by the Company. During the year sale of scrap and swarf etc was also made to BCL for in house consumption.

The commercial reasons for entering into RPTs are the following.

- Availability of state of the art production facilities.
- Advanced Technical Know How.
- Dedicated production facilities.
- Elaborated testing facilities for MTL.
- Smooth supply chain.

The Company has the following equity in the Subsidiary Companies.

TIPEG Inter Trade DMCC	75.00%
Millat Industrial Products Limited	64.09%
Bolan Castings Limited	46.26%
Millat Equipment Limited	45.00%

The common directors and their relatives have the following shareholding in the associated companies.

Sr. No.	Name of Director(s)	TIPEG	MIPL	BCL	MEL
		No. of Shares	No. of Shares	No. of Shares	No. of Shares
1	Mr. Sikandar Mustafa Khan	100	543,750	166,369	1,625,001
2	Mr. Latif Khalid Hashmi	100	362,500	32,270	1,625,001
3	Mr. Sohail Bashir Rana	100	362,500	144,359	1,708,951
4	Mr. Laeeq Uddin Ansari	100	362,500	3,120	2,004,001
5	Mian Muhammad Saleem (Not a Director of BCL)	100	200,000	2,993	600,001
6	Syed Muhammad Irfan Aqueel	-	-	2,500	100,000
7	Mrs. Qurat-ul-Ain (Spouse of Mr. Latif Khalid Hashmi)	-	-	-	3,700
	TOTAL	500	1,831,250	351,611	7,666,655
	Percentage Of Shareholding	25 %	20 %	3.064%	29.48 %

In the last Annual General Meeting, the share holders had authorized the Chief Executive of the Company to approve these transactions in the normal course of business subject to final approval/ratification by the shareholders. Therefore these transactions are being placed before the shareholders

for final approval/ratification. The information of the Related party transactions as required under Regulation 5(1) of the Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018 is as under:

Name of related party		TIPEG	MIPL	BCL	MEL	Hyundai Nishat Motor (Pvt.) Limited
Names of interested or concerned persons or directors		Mr. Sikandar Mustafa Khan Mr. Sohail Bashir Rana Mr. Laeeq Uddin Ansari Mr. Latif Khalid Hashmi Mian Muhammad Saleem (Not a Director of BCL) Syed Muhammad Irfan Aqueel (Director of MEL & BCL only)				Millat Tractors Limited
Nature of relationship, interest or concern along with complete information of financial or other interest or concern of directors, managers or key managerial personnel in related party		Common Directorship: Mr. Sikandar Mustafa Khan Mr. Sohail Bashir Rana Mr. Laeeq Uddin Ansari Mr. Latif Khalid Hashmi Mian Muhammad Saleem (Not a Director of BCL) Syed Muhammad Irfan Aqueel (Director of MEL & BCL only)				Common Directorship (Mr. Sohail Bashir Rana)
Detail, description, terms and conditions of transactions		1. Purchase of components against Confirmed orders 2. Sale of components against Confirmed orders	1. Purchase of components against Confirmed orders 2. Sale of components against Confirmed orders 3. Services	1. Purchase of components against Confirmed orders 2. Sale of components against Confirmed orders 3. Services	1. Purchase of components against Confirmed orders 2. Sale of components against Confirmed orders 3. Services	1. Services as per agreement
Amount of Transactions	Purchase of components	304,328,544	177,578,342	1,183,596,800	2,403,831,181	-
	Sale of components	650,624,508	39,864	20,958	255,814	-
	Services	-	2,204,586	-	4,409,171	1,925,000
Time frame or duration of the transactions or contracts or arrangements.		01-07-2019 to 30-06-2020	01-07-2019 to 30-06-2020	01-07-2019 to 30-06-2020	01-07-2019 to 30-06-2020	2. As per timeline set in Service Level Agreement

Name of related party	TIPEG	MIPL	BCL	MEL	Hyundai Nishat Motor (Pvt.) Limited
Pricing Policy	Purchase of components	At Mutually Agreed Price			N/A
	Sale of components	At Mutually Agreed Price			N/A
	Services	As per Agreement			

The Directors are interested in the resolution to the extent of their common directorships and shareholding in the group companies.

Agenda Item No.6

Authorization to CEO for Related Party Transactions (RPTs)

The Company shall be conducting Related Party Transactions (RPTs) with subsidiary companies during the year ending June 30, 2021 in the normal course of business. The majority of Directors are interested in these transactions due to their common directorship and shareholding in the subsidiary companies. Therefore these transactions with subsidiary companies have to be approved by the shareholders.

In order to ensure smooth supply during the year, the shareholders may authorize the Chief Executive to approve transactions with subsidiary companies on case to case basis for the period from July 01, 2020 to Next AGM. The summary of commercial reasons, nature and scope of RPTs is explained above. However, these transactions shall be placed before the shareholders in the next AGM for their approval/ratification.

The Directors are interested in the resolution to the extent of their common directorships and shareholding in the subsidiary companies.

Agenda Item No.7

Increase in Authorized Capital

Comparative Analysis

Existing Clause V of Memorandum of Association	Substituted Clause V of Memorandum of Association
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The Capital of the Company is Rs. 500,000,000/- (Rupees Five Hundred Million) divided into 50,000,000/- (Fifty Million) ordinary shares of Rs. 10/- each. The Company shall have the powers to increase, reduce or reorganise the Capital of the Company and divide shares in the Capital for the time being into several classes in accordance with the provisions of the Companies Ordinance, 1984	The Capital of the Company is Rs. 750,000,000/- (Rupees Seven Hundred Fifty Million) divided into 75,000,000/- (Seventy Five Million) ordinary shares of Rs. 10/- each. The Company shall have the powers to increase, reduce or reorganise the Capital of the Company and divide shares in the Capital for the time being into several classes in accordance with the provisions of the Companies Act, 2017.
Existing Article 5 of Articles of Association	Substituted Article 5 of Articles of Association
The Share Capital of the Company is Rs. 500,000,000/- divided into 50,000,000 Ordinary shares of Rs. 10/- each.	The Share Capital of the Company is Rs. 750,000,000/- (Rupees Seven Hundred Fifty Million) divided into 75,000,000/- (Seventy Five Million) Ordinary shares of Rs. 10/- each.

Reasons for change

The Current authorized capital of the company is 50 million and paid up capital is 49.82 million paid up capital. The same is being enhanced in order to have a provision in authorized capital for any future increase in paid up capital of the Company.

Statement by the Board

The aforesaid substitution has been approved by the Board of Directors in their meeting held on September 16, 2020 and is in line with the applicable provisions of the law and regulatory framework.

A copy of the amended Articles of Association is available with the Company Secretary for inspection by the members.



اس قرارداد میں ڈائریکٹرز کی دلچسپی عمومی ڈائریکٹرشپ اور منسلک کمپنیوں میں شیئر ہولڈنگ تک ہے۔

ایجنڈا آئٹم نمبر 6

منسلک پارٹیوں سے لین دین (آر پی ٹیز) کے لیے چیف ایگزیکٹو آفیسر کا اختیار

کمپنی 30 جون، 2021 کو ختم ہونے والے سال کے دوران عمومی کاروباری انداز میں منسلک کمپنیوں کے ساتھ Related Party Transactions کا اہتمام کرے گی۔ کمپنی کے ڈائریکٹرز کی ایک بڑی تعداد مشترکہ ڈائریکٹرشپ اور منسلک کمپنیوں میں شیئر رکھنے کی وجہ سے دلچسپی رکھتی ہے۔ اس لیے منسلک کمپنیوں کے ساتھ ان ٹرانزیکشنز کی منظوری شیئر ہولڈرز سے لی جائے گی۔

اس برس ہموار رسد کو برقرار رکھنے کے لیے شیئر ہولڈرز چیف ایگزیکٹو کو اختیار دے سکتے ہیں کہ وہ یکم جولائی 2020 سے اگلے اجلاس عام تک منسلک کمپنیوں کے ساتھ کس کس ٹوکس لین دین کی منظوری دے سکیں۔ تجارتی وجوہات منسلک کمپنیوں کے ساتھ کاروباری نوعیت اور تفریح اوپر کردی گئی ہے۔ تاہم یہ تمام ٹرانزیکشنز سالانہ اجلاس عام میں شیئر ہولڈرز کی منظوری/توثیق کے لیے ان کے سامنے رکھی جائیں گی۔

اس قرارداد میں ڈائریکٹرز کی دلچسپی عمومی ڈائریکٹرشپ اور منسلک کمپنیوں میں شیئر ہولڈنگ تک ہے۔

ایجنڈا آئٹم نمبر 7

منظور شدہ سرمائے میں اضافہ

تقابلی جائزہ

میسورنڈم آف ایسوسی ایشن کی موجودہ شق ۷	میسورنڈم آف ایسوسی ایشن کی تبدیل کی گئی شق
کمپنی کا کپٹل - 500,000,000/ (500 ملین) روپے ہے جو کہ فی شیئر 10 روپے کے	کمپنی کا کپٹل 750,000,000 (750 ملین) روپے ہے جو کہ فی شیئر 10 روپے کے
-/50,000,000 (50 ملین) آرڈری شیئرز میں تقسیم کیا گیا ہے۔ کمپنیز آرڈیننس، 1984 کے مطابق	-/75,000,000 (75 ملین) آرڈری شیئرز میں تقسیم کیا گیا ہے۔ کمپنیز ایکٹ، 2017 کے مطابق کمپنی
کمپنی کپٹل میں اضافہ، کمی یا تشکیل نو اور قوتی طور پر کپٹل کے شیئرز کی مختلف درجہ بندیوں میں تقسیم کی پاور رکھتی ہے۔	کمپنی میں اضافہ، کمی یا تشکیل نو اور قوتی طور پر کپٹل کے شیئرز کی مختلف درجہ بندیوں میں تقسیم کی پاور رکھتی ہے۔
آرٹیکلز آف ایسوسی ایشن کا موجودہ آرٹیکل 5	آرٹیکلز آف ایسوسی ایشن کا تبدیل کیا گیا آرٹیکل 5
کمپنی کا شیئر کپٹل - 500,000,000/ روپے ہے جو کہ فی شیئر 10 روپے کے	کمپنی کا شیئر کپٹل - 750,000,000/ (750 ملین) روپے ہے جو کہ فی شیئر 10 روپے کے
-/50,000,000 آرڈری شیئرز میں تقسیم کیا گیا ہے	-/75,000,000 (75 ملین) آرڈری شیئرز میں تقسیم کیا گیا ہے

تبدیلی کی وجوہات

کمپنی کا موجودہ مجاز کپٹل 50 ملین ہے اور بیڈ اپ کپٹل 49.82 ملین ہے۔ اس میں اضافہ اس لئے کیا جا رہا ہے کہ مستقبل میں بیڈ اپ کپٹل میں اضافہ کیلئے مجاز کپٹل میں پروویژن موجود ہو۔

بورڈ کا بیان

بورڈ آف ڈائریکٹرز کی مورخہ 16 ستمبر، 2020 کو منعقد ہونے والے اجلاس میں مذکورہ تبدیلی کی منظوری دے دی گئی ہے اور یہ نافذ العمل قانونی اور ریگولیٹری فریم ورک کے عین مطابق ہے۔ آرٹیکلز آف ایسوسی ایشن میں ترمیم کی کاپی ممبران کے جائزہ کیلئے کمپنی سیکرٹری کے پاس دستیاب ہے۔

جیکھلے سالانہ اجلاس عام میں شیئر ہولڈروں نے کمپنی کے چیف ایگزیکٹو کو اختیار دیا تھا کہ وہ ان ٹرانزیکشنز کو برنس کے عمومی طریقہ کار کے مطابق، شیئر ہولڈروں کی حتمی منظوری اور تصدیق کے ساتھ مشروط منظوری دیں۔ اس لیے یہ ٹرانزیکشنز حتمی منظوری/توثیق کے لیے شیئر ہولڈرز کو پیش کی جارہی ہیں کیلینز (متعلقہ پارٹی

سے لین دین اور متعلقہ ریکارڈ کی دیکھ بھال) ریگولیشنز 2018 کے ریگولیشن (1)5 کے تحت لازم متعلقہ پارٹی لین دین کی معلومات حسب ذیل ہیں:

ریلیٹڈ پارٹی کا نام	ٹائی پیگ	ایم آئی بی ایل	بی سی ایل	ایم ای ایل	بھڑائی نشاط موٹر پرائیویٹ لمیٹڈ
ڈیجیٹل رکھنے والوں کے نام یا متعلقہ افراد یا ڈائریکٹرز			مسٹر سکندر مصطفیٰ خان مسٹر سہیل بشیر رانا مسٹر لئیق الدین انصاری مسٹر لطیف خالد ہاشمی میاں محمد سلیم (بی سی ایل کے ڈائریکٹرز نہیں ہیں) سید محمد عرفان عقیل (صرف ایم ای ایل اور بی سی ایل کے ڈائریکٹرز ہیں)		ملٹ ٹریڈنگ لمیٹڈ
تعلق کی نوعیت، یا واسطہ بشمول مکمل مالی آگاہی یا دیگر ویڈیو یا ڈائریکٹرز کا فیچر یا بنیادی انتظامی لوگوں کا ریلیٹڈ پارٹی کیساتھ واسطہ			کومن ڈائریکٹرز شپ: مسٹر سکندر مصطفیٰ خان مسٹر سہیل بشیر رانا مسٹر لئیق الدین انصاری مسٹر لطیف خالد ہاشمی میاں محمد سلیم (بی سی ایل کے ڈائریکٹرز نہیں ہیں) سید محمد عرفان عقیل (صرف ایم ای ایل اور بی سی ایل کے ڈائریکٹرز ہیں)		کومن ڈائریکٹرز شپ (مسٹر سہیل بشیر رانا)
مکمل کوائف اور ٹرانزیکشنز کے قواعد و ضوابط			1- طے شدہ آرڈرز کے مطابق پُرزہ جات کی خرید 2- طے شدہ آرڈرز کے مطابق پُرزہ جات کی فروخت 3- سرومز	1- طے شدہ آرڈرز کے مطابق پُرزہ جات کی خرید 2- طے شدہ آرڈرز کے مطابق پُرزہ جات کی فروخت 3- سرومز	1- معاہدہ کے مطابق خدمات 2- طے شدہ آرڈرز کے مطابق پُرزہ جات کی خرید 3- سرومز
ٹرانزیکشنز کی رقم	پارٹس کی خرید	304,328,544	177,578,342	2,403,831,181	-
	پارٹس کی فروخت	650,624,508	39,864	20,958	-
	سرومز	-	2,204,586	4,409,171	1,925,000
ٹرانزیکشنز یا معاہدات یا انتظامات کا دورانیہ		30-06-2020 to 01-07-2019	30-06-2020 to 01-07-2019	30-06-2020 to 01-07-2019	2- سروس لیول انگری منٹ میں متعین دورانیہ کے مطابق
	پارٹس کی خرید		At mutually agreed price	N/A	
	پارٹس کی فروخت		At mutually agreed price	N/A	
	سرومز		معاہدے کے مطابق		

14- سالانہ مالیاتی تفصیلات بذریعہ سی ڈی اڈی وی ڈی ایو ایس بی

ایس۔ ای۔ سی۔ پی نے اپنے 31 مئی، 2016 کے جاری کردہ نوٹیفیکیشن SRO 470 (1) 2016 میں کمپنیوں کو اس بات کی اجازت دی ہے کہ سالانہ بیلینس شیٹس، پرافٹ اینڈ لاس اکاؤنٹس، آڈیٹرز رپورٹ اور ڈائریکٹرز رپورٹ وغیرہ تمام ممبران کو ان کے رجسٹرڈ پتے پر سی ڈی اڈی وی ڈی ایو ایس بی کے ذریعے ارسال کر سکتے ہیں۔ اس بات کے پیش نظر کمپنی نے اپنی سالانہ رپورٹ برائے 2020 سی ڈی وی کی صورت میں ارسال کی ہے۔ سالانہ رپورٹ برائے 2020 کی پرنٹڈ کاپی کے لیے کوئی بھی ممبر کمپنی کی ویب سائٹ پر دیئے گئے درخواست فارم کے ذریعے درخواست کر سکتا ہے۔

کمپنیز ایکٹ، 2017 کے سیکشن (3) 134 کے تحت بیان

ایجنڈا نمبر 5

ریلیٹڈ پارٹیز سے لین دین (آر پی ٹیز)

کمپنیز ریگولیشنز، 2018 کے ریگولیشن (1) 05 (متعلقہ پارٹی ٹرانزیکشنز اور متعلقہ

ریکارڈز کی دیکھ بھال کے مطابق

متعلقہ کمپنیوں کے ساتھ ریلیٹڈ پارٹی ٹرانزیکشنز کو ڈی آف کارپوریٹ گورنس کی ریگولیشن نمبر 15 کے مطابق آڈٹ کمیٹی کی سفارش پر بورڈ کی جانب سے منظور ہونا تھی۔ تاہم کمپنی کے ڈائریکٹروں کی زیادہ تعداد مشترکہ ڈائریکٹرشپ اور کمپنی گروپس میں شیئر گروپ رکھنے کی وجہ سے ان ٹرانزیکشنز میں دلچسپی رکھتی ہے۔ ان ٹرانزیکشنز کی منظوری کے لیے ڈائریکٹرز کی مطلوبہ تعداد پوری نہ ہو سکی اس لیے ان ٹرانزیکشنز کی منظوری اجلاس عام میں شیئر ہولڈرز سے لی جائے گی۔

اس بات کو مد نظر رکھا جائے کہ کمپنی کا بنیادی کام ایگری ٹریکٹرز تیار کرنا یا پرزے جوڑ کر بنانا ہے۔ جس کے مختلف حصے تقریباً 150 ویڈنگ اینڈسٹریز بشمول گروپ کمپنیز سے عام کاروباری طریقے سے حاصل کیے جاتے

ہیں۔ بولان کاسٹنگ لمیٹڈ (بی سی ایل) اور ملت ایکویٹمنٹ لمیٹڈ (ایم ای ایل) ٹریکٹرز کے مختلف اہم حصے، ہلی التزیب گنیر ز اور شافٹس وغیرہ تیار کرتے ہیں جن کی پیداوار کے لیے ملک میں بہت کم وسائل ہیں۔ ملت اینڈسٹریل پراڈکٹس لمیٹڈ (ایم آئی پی ایل) ٹریکٹروں کی بیٹریاں بناتا ہے جب کہ ٹریکٹر اور ان کے پرزہ جات ٹائی پیگ اینڈسٹریٹرز ڈی ایم سی کے ذریعے برآمد کئے جاتے ہیں۔ مزید برآں ٹائی پیگ کے ذریعے ہی کمپنی کی اندرونی ضروریات پوری کرنے کے لیے پرزے درآمد بھی کئے جاتے ہیں۔ اسی سال کے دوران سکرپٹ اور سوارف بھی بولان کاسٹنگ لمیٹڈ کو بیچا گیا تاکہ وہ اسے ان ہاؤس استعمال میں لاسکے۔

ریلیٹڈ پارٹیز ٹرانزیکشنز کا حصہ بننے کی تہارتی وجوہات مندرجہ ذیل ہیں۔

(ا) ٹیٹ آف دی آرٹ پروڈکشن کی سہولیات کی دستیابی

(ب) جدید تکنیکی سمجھ بوجھ

(ج) بہترین، معیاری اور ہمہ وقت فعال پروڈکشن سہولیات

(د) ملت ٹریکٹرز کے لیے ٹیسٹنگ کی تفصیلی سہولیات

(ر) بلا تعطل ہموار سپلائی چین

منسلک کمپنیوں کے ساتھ کمپنی کی ایکویٹی مندرجہ ذیل ہے۔

ٹائی پیگ اینڈسٹریٹرز ڈی ایم سی 75.00 فیصد

ملت اینڈسٹریل پراڈکٹس لمیٹڈ 64.09 فیصد

بولان کاسٹنگ لمیٹڈ 46.26 فیصد

ملت ایکویٹمنٹ لمیٹڈ 45.00 فیصد

مشترکہ ڈائریکٹرز اور ان کے رشتے داروں کی منسلک کمپنیوں میں شیئر ہولڈنگ درج ذیل ہے:

نمبر شمار	ڈائریکٹر (ز) کا نام	ٹائی پیگ	ایم آئی پی ایل	بی سی ایل	ایم ای ایل
	شیئر کی تعداد	شیئر کی تعداد	شیئر کی تعداد	شیئر کی تعداد	شیئر کی تعداد
1	جناب سکندر مصطفیٰ خان	100	543,750	166,369	1,625,001
2	جناب لطیف خالد ہاشمی	100	362,500	32,270	1,625,001
3	جناب سہیل بشیر رانا	100	362,500	144,359	1,708,951
4	جناب لیتق الدین انصاری	100	362,500	3,120	2,004,001
5	جناب میاں محمد سلیم (بی سی ایل کے ڈائریکٹر نہیں ہیں)	100	200,000	2,993	600,001
6	سید محمد عرفان عقیل	-	-	2,500	100,000
7	مسز قراۃ العین (زوجہ مسٹر لطیف خالد ہاشمی)	-	-	-	3,700
	کل	500	1,831,250	351,611	7,666,655
	شیئر ہولڈنگ کی شرح	25 فیصد	20 فیصد	3.064 فیصد	29.48 فیصد

درخواست کی جاتی ہے کہ وہ اپنے پتہ اور زکوٰۃ کی موجودہ حیثیت سے شرکاء کو مطلع رکھیں۔ اس عمل سے منافع کی برسرعت ادائیگی میں مدد ملے گی۔

8- شناختی کارڈ کا لازمی جمع کروانا

کمپنیز ریگولیشنز، 2017 (برائے منافع منقسمہ)، جسے کمپنیز ایکٹ، 2017 کے سیکشن 242 کے ساتھ پڑھا جائے، کی شق نمبر 6 کے تحت کمپنی نے ان حصص داران کی ادائیگیاں روک دی ہیں، اور آئندہ بھی روکے رکھے گی، جنہوں نے ابھی تک اپنا مصدقہ شناختی کارڈ نمبر جمع نہیں کروایا ہے۔ اگر مذکورہ وجہ سے آپ کا منافع منقسمہ روک لیا گیا ہے تو آپ سے درخواست ہے کہ ازراہ کمپنی کے شیئر رجسٹرار کو اپنے شناختی کارڈ کی مصدقہ نقل فراہم کر دیں۔ اگر آپ کے حصص فزیکل ہیں اور اگر سی ڈی سی میں ہیں تو متعلقہ حصہ دار انویسٹر اکاؤنٹ سروسر آپریٹر کو فراہم کریں

9- کیش ڈیویڈنڈ کی الیکٹرونک ادائیگی

کمپنیز ایکٹ، 2017 کے سیکشن 242 کے تحت، کیش کی صورت میں ادا کیا جانے والا منافع، صرف الیکٹرونک طریقہ کار سے ہی اہل شیئر ہولڈرز کے بتائے گئے اکاؤنٹ میں براہ راست ٹرانسفر کیا جائے گا۔ شیئر ہولڈرز کو اس سے قبل بھی الیکٹرونک طریقہ کار کے ذریعے منافع کی ادائیگی سے متعلق معلومات کے لیے نوٹس جاری کیے جا چکے ہیں۔ اب ایک مرتبہ پھر شیئر ہولڈرز سے ان کے فوئیو نمبرز، نام اور بینک کی تفصیلات (جس میں بینک کے نام کے ساتھ، برانچ کا نام، برانچ کوڈ، اکاؤنٹ نمبر، اکاؤنٹ نمبر اور IBAN فراہم کرنے کی درخواست کی جاتی ہے۔ یہ معلومات نہ فراہم کرنے کی صورت میں کمپنی کسی اور طریقے سے منافع ادا نہیں کر پائے گی۔ کمپنی کی ویب سائٹ پر بھی شیئر ڈر درخواست فارم فراہم کر دیا گیا ہے۔ ممبران سے درخواست ہے کہ یہ تمام معلومات کمپنی تک جلد از جلد ہم پہنچا دیں۔

شیئر CDC کی صورت میں موجود ہونے پر درخواست فارم شیئر ہولڈر کے شرکات دار یا CDC انویسٹر اکاؤنٹ سروسر کو جمع کروانے جائیں گے۔

10- ڈیویڈنڈ کی آمدن سے ٹیکس کی کٹوتی

آگم ٹیکس آرڈیننس، 2001 کے تحت کمپنیوں کی طرف سے ادا کی گئی منافع کی رقم پر وہ ڈیویڈنڈ ٹیکس کی کٹوتی کو مختلف شرحوں سے لاگو کیا جاسکتا ہے۔ یہ شرحیں مندرجہ ذیل ہیں۔

الف) آگم ٹیکس ریٹرن فائل کرنے والوں کے لیے 15.00 فیصد

ب) آگم ٹیکس ریٹرن فائل نہ کرنے والوں کے لیے 30.00 فیصد

ایسے تمام شیئر ہولڈرز جو آگم ٹیکس ریٹرن فائل کرتے ہیں گران کا نام ایف بی آر کی ویب سائٹ پر ایکٹیو ٹیکس پیئر زلسٹ (اے ٹی ایل) میں درج نہیں ہیں، انہیں مطلع کیا جاتا ہے کہ وہ اپنے منافع کی ادائیگی کی تاریخ سے پہلے پہلے اے ٹی ایل میں نام درج کروالیں ورنہ منافع پر وہ ڈیویڈنڈ ٹیکس کی کٹوتی 15.00 فیصد کی بجائے 30.00 فیصد ہوگی۔

مشترکہ شیئر زکوٰۃ والے شیئر ہولڈرز کے لیے، ایف بی آر کی جانب سے جاری کی گئی وضاحت کے تحت فائل کرنے والوں اور فائل نہ کرنے والوں کے سٹیکس کے مطابق، پرنسپل شیئر ہولڈر اور جو انٹ شیئر ہولڈر کے حصص کی مقدار کے تناسب سے وہ ڈیویڈنڈ ٹیکس لاگو کیا جائے گا۔ اس لیے تمام شیئر ہولڈرز سے درخواست کی جاتی ہے کہ وہ پرنسپل شیئر ہولڈر اور جو انٹ شیئر ہولڈر (ز) کے حصص میں تناسب کے بارے میں شیئر رجسٹرار کو درج ذیل طریقہ سے آگاہ کریں۔

مشترکہ شیئر ہولڈرز		بنیادی شیئر ہولڈرز			
کمپنی کا نام	فولیو ای سی ڈی ایس اکاؤنٹ نمبر	نام اور شناختی کارڈ نمبر	نام اور شناختی کارڈ نمبر	نام اور شناختی کارڈ نمبر	نام اور شناختی کارڈ نمبر
کمپنی کا نام	فولیو ای سی ڈی ایس اکاؤنٹ نمبر	نام اور شناختی کارڈ نمبر	نام اور شناختی کارڈ نمبر	نام اور شناختی کارڈ نمبر	نام اور شناختی کارڈ نمبر

مندرجہ بالا معلومات شیئر رجسٹرار کو ہر صورت مہیا کریں ورنہ فرض کر لیا جائے گا کہ پرنسپل شیئر ہولڈر اور جو انٹ شیئر ہولڈرز برابر کے حصہ دار ہیں۔

کسی مسئلہ، استفسار، یا معلومات کے لیے انویسٹرز کمپنی کے شیئر رجسٹرار میسرز جمید جمید ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، فرسٹ فلور، ایچ ایم ہاؤس 7، سکوٹز لہور سے رابطہ فرمائیں۔ فون نمبر 82-37235081-042 فیکس نمبر 042-3735881-042، ای میل: shares@hmaconsultants.com ڈی اکاؤنٹ رکھنے والے کارپوریٹ شیئر ہولڈرز کو چاہیے کہ وہ اپنے متعلقہ بروکر کو اپنے پیش ٹیکس نمبر سے مطلع رکھیں جب کہ کارپوریٹ فزیکل شیئر ہولڈرز کو چاہیے کہ وہ این ٹی این سرٹیفکیٹ کمپنی یا شیئر رجسٹرار کو بھیجیں۔ شیئر ہولڈرز کو چاہیے کہ وہ این ٹی این سرٹیفکیٹ بھیجتے وقت کمپنی کا نام اور متعلقہ فوئیو نمبرز ضرور تحریر کریں۔

وہ ڈیویڈنڈ ٹیکس سے بچنے کے لیے ٹیکس ایگزیمپشن سرٹیفکیٹ کی فراہمی

آگم ٹیکس آرڈیننس، 2001 کے سیکشن 150 کے تحت منافع کی رقم سے آمدنی ٹیکس سے مستثنیٰ کرنے کے لیے ٹیکس ایگزیمپشن سرٹیفکیٹ لازمی ہے۔ آگم ٹیکس آرڈیننس، 2001 کے تحت ٹیکس سے مستثنیٰ ممبران اپنے آگم ٹیکس ایگزیمپشن سرٹیفکیٹ کی کاپی کھاتے بند ہونے کی تاریخ سے پہلے شیئر رجسٹرار کے پاس جمع کروائیں۔ بصورت دیگر منافع کی رقم پر قانون کے مطابق ٹیکس لاگو ہوگا۔

11- ای ڈیویڈنڈ رجسٹریشن

سنٹرل ڈیویڈنڈ رجسٹریشن نے ایک سنٹرلائزڈ ڈیویڈنڈ رجسٹریشن (CCDR) تیار کیا ہے جو ایک ای سروں ویب پورٹل ہے جس میں کیش ڈیویڈنڈ کی بابت تفصیلات رکھی جائیں گی یا کیش ڈیویڈنڈ ادا کر دیا گیا ہے، ادا نہیں کیا گیا یا کمپنی کی طرف سے روک لیا گیا ہے۔ مستقبل میں ڈیویڈنڈ ٹیکس کٹوتی اور زکوٰۃ کی ادائیگی وغیرہ کی تفصیلات کا حامل کیش ڈیویڈنڈ کا ایک کاؤنٹر فونل محض الیکٹرونکلی CCDR ویب پورٹل پر رجسٹریشن اور رسائی حاصل کر کے کاؤنٹر فونل اور کمپنی کی طرف سے ادا کیے گئے کل کیش ڈیویڈنڈ کی تمام معلومات حاصل کر سکتے ہیں۔ <https://eservices.cdcaccess.com.pk/public/index.xhtml>

12- ویب سائٹ پر اکاؤنٹس کی تفصیلات

کمپنی کی سالانہ فنانسل سٹیٹمنٹس (30 جون، 2020 کو ختم ہونے والے سال کے لئے) رپورٹس کے ہمراہ کمپنی کی ویب سائٹ www.millat.com.pk پر رکھی گئی ہیں۔

13- سالانہ مالیاتی تفصیلات بذریعہ ای میل

ایس ای سی پی نے کمپنیوں کو اجازت دی ہے کہ وہ سالانہ فنانس ٹیبلٹ، پرافٹ اینڈ لاس اکاؤنٹ، آڈیٹرز کی رپورٹ اور ڈائریکٹرز رپورٹ مع اطلاع سالانہ اجلاس عام ای میل کے ذریعے ممبران کو بھیج سکتی ہیں۔ جو ممبران اس سہولت سے فائدہ اٹھانا چاہیں وہ اپنی رضامندی کا اظہار کر سکتے ہیں۔

نوٹس برائے سالانہ اجلاس عام

- 3- حتمی منافع منقسمہ 30,00,000 روپے فی شیئر یعنی 300 فیصد اور عبوری نقد منافع منقسمہ 20,00,000 روپے فی شیئر یعنی 200 فیصد (جو کہ پہلے سے ادا شدہ ہے)، مجموعی نقد منافع منقسمہ 50,00,000 روپے فی شیئر جو کہ 500 فیصد بنتا ہے کی منظوری۔
- 4- 30 جون 2021 کو ختم ہونے والے سال کے لیے آڈیٹرز کا تقرر اور ان کے مشاہروں کا تعین۔

(ب) امور خاص:

- 5- مندرجہ ذیل خصوصی قرارداد کی ترمیم کے ساتھ منظوری کے ذریعے 30 جون 2020 کو ختم ہونے والے سال کیلئے ریلیٹیڈ پارٹیز ٹرانزیکشنز کی توثیق اور منظوری۔
- "طے پایا کہ سال ختمہ 30 جون 2020 کیلئے ریلیٹیڈ پارٹیز کے ساتھ درج ذیل ٹرانزیکشنز کی توثیق، منظوری اور یقین دہانی کی جاتی ہے"

اطلاع دی جاتی ہے کہ ملت ٹریڈنگ کمپنی کا 577 واں سالانہ اجلاس عام کمپنی کے رجسٹرڈ دفتر بمقام 9-کلو میٹر شیخوپورہ روڈ، شاہدرہ، لاہور بروز سوموار 26 اکتوبر، 2020 بوقت شام 3:30 بجے مندرجہ ذیل امور کی انجام دہی کے لیے منعقد ہوگا۔

(الف) امور عام

- 1- 56 ویں سالانہ اجلاس عام منعقدہ 25 اکتوبر، 2019 کے مندرجات کی تصدیق
- 2- 30 جون، 2020 تک کمپنی اور گروپ کے آڈٹ شدہ حسابات بشمول چیز مین جائزہ رپورٹ، ڈائریکٹرز اور آڈیٹرز کی رپورٹس کی وصولی اور ان پر غور و خوض اور منظوری۔

2020 (تم روپوں میں)					
پارٹیکلز	ٹائی پیگ انٹرنیڈ (ڈی ایم سی)	ملت انڈسٹریل پراڈکٹس لمیٹڈ	بولان کاسٹنگ لمیٹڈ	ملت ایکویمنٹ لمیٹڈ	ہنڈائی نشاٹ موٹر (پی وی ٹی) لمیٹڈ
پارٹس کی خرید	304,328,544	177,578,342	1,183,596,800	2,403,831,181	-
پارٹس کی فروخت	650,624,508	39,864	20,958	255,814	-
سروسز	-	2,204,586	-	4,409,171	1,925,000

مزید طے پایا کہ کمپنی کے آرٹیکلز آف ایسوسی ایشن کی شق 5 میں -/500,000,000 کی -/50,000,000 میں تقسیم کے الفاظ اور ہندسوں کو -/750,000,000 (750 ملین روپے) کی (75 ملین) میں تقسیم کے الفاظ اور ہندسوں سے بدلا جائے

مزید طے پایا کہ کمپنی کے چیف ایگزیکٹو آفیسر اور/یا کمپنی سیکرٹری اس سلسلہ میں تمام قانونی، ادارہ جاتی اور طریقہ کاری کارروائیوں اور اس قرارداد پر عملدرآمد کیلئے لازم یا عاداتی ضروری دستاویزات فائل کرنے کے مجاز ہیں"

(سی) امور دیگر

صاحب صدر کی اجازت سے کوئی اور دوسری ٹرانزیکشن کرنا

بحکم بورڈ



محمد فیصل عظیم

کمپنی سیکرٹری

لاہور:

03 اکتوبر، 2020

6- کمپنی کے چیف ایگزیکٹو کو مندرجہ ذیل قرارداد (تبدیلی کے ساتھ یا تبدیلی کے بغیر) کی منظوری کے ذریعے اختیار دینا کہ وہ 30 جون 2021 کو ختم ہونے والے سال کے لیے ریلیٹیڈ پارٹی ٹرانزیکشنز کی منظوری دے سکیں گے۔

"طے پایا کہ کمپنی کے چیف ایگزیکٹو اختیار ہیں اور رہیں گے کہ کم جولائی 2020 سے کمپنی کے اگلے سالانہ عمومی اجلاس تک ریلیٹیڈ پارٹی ٹرانزیکشنز کی منظوری دیں گے۔"

"مزید طے پایا کہ لین دین کی یہ تفصیلات آئندہ سالانہ اجلاس عام میں شیئر ہولڈرز کی توثیق و منظوری کے لیے پیش کی جائیں گی۔"

7- کمپنی کے مجاز کمیٹی میں اضافہ کیلئے درج خصوصی قرارداد کی وصولی، غور و خوض اور ترمیمی یا غیر ترمیمی حالت میں اس کی توثیق

"طے پایا کہ کمپنی کے مجاز کمیٹی میں -/500,000,000 روپے کی -/50,000,000 (فی شیئر 10 روپے) میں تقسیم کو -/750,000,000 روپے کی (75,000,000 (فی شیئر 10 روپے) میں تقسیم سے اضافہ کی منظوری دی جاتی ہے۔"

مزید طے پایا کہ کمپنی کے میمبرنڈم آف ایسوسی ایشن کی شق 7 میں -/500,000,000 (500 ملین روپے) کی -/50,000,000 (پچاس ملین) میں تقسیم کے الفاظ اور ہندسوں کو -/750,000,000 (75 ملین روپے) کی (75 ملین) میں تقسیم کے الفاظ اور ہندسوں سے بدلا جائے اور "کمپنیز آرڈیننس، 1984" کے الفاظ اور ہندسوں کو "کمپنیز ایکٹ، 2017" سے بدلا جائے۔





GOVERNANCE

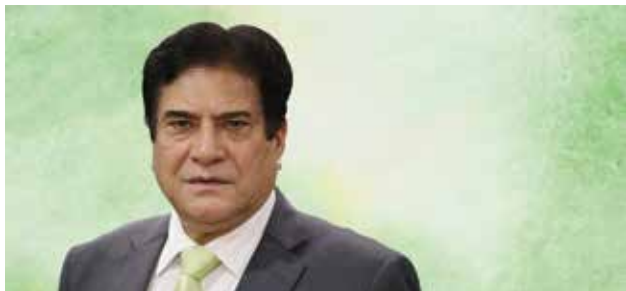
BOARD OF DIRECTORS



Mr. Sikandar Mustafa Khan
Chairman



Mr. Latif Khalid Hashmi
Director



Mr. Sohail Bashir Rana
Director



Mr. Laeeq Uddin Ansari
Director



Mian Muhammad Saleem
Director



Mr. S. M. Irfan Aqueel
Chief Executive



Mr. Saad Iqbal
Director



Mrs. Ambreen Waheed
Director

BOARD COMMITTEES

AUDIT COMMITTEE

1. Mr. Saad Iqbal	Chairman
2. Mr. Latif Khalid Hashmi	Member
3. Mr. Laeeq Uddin Ansari	Member
4. Mrs. Ambreen Waheed	Member

The terms of reference are as per Code of Corporate Governance.

HUMAN RESOURCE AND REMUNERATION COMMITTEE (HR & R)

1. Mr. Saad Iqbal	Chairman
2. Mr. Laeeq Uddin Ansari	Member
3. Mian Muhammad Saleem	Member
4. Syed Muhammad Irfan Aqueel	Member
5. Mrs. Ambreen Waheed	Member

The terms of reference of HR&R committee are as follows:

- Recommend to the board for consideration and approval a policy framework for determining remuneration of directors (both executive and non-executive directors).
- Recommending human resource management policies to the board.
- Recommending to the board the selection, evaluation, development, compensation (including retirement benefits) of CFO, Company Secretary and head of Internal Audit.

FINANCE COMMITTEE

1. Mr. Latif Khalid Hashmi	Chairman
2. Mr. Laeeq Uddin Ansari	Member
3. Mian Muhammad Saleem	Member
4. Syed Muhammad Irfan Aqueel	Member

The terms of reference of the Finance Committee are as follows:

- Product(s) pricing including tractors:
- Investment/disinvestment of funds:
- Procurement/import of raw materials:
- Capital Expenditure:
- Review Budget proposals prior to finalization.
- Approval of Traveling Abroad up to Executive Grade.
- Retainership (approval and fixation of compensation).
- Any matter(s) brought to the notice of committee for consideration.

The Chairman of Board shall monitor the committee.

MARKETING COMMITTEE

1. Mr. Sohail Bashir Rana	Chairman
2. Mr. Latif Khalid Hashmi	Member
3. Mian Muhammad Saleem	Member
4. Syed Muhammad Irfan Aqueel	Member

The terms of reference of the Marketing Committee are as follows:

- Formulation of sales/marketing strategy.
- Appointment/termination of dealers including agreements.
- Allowing commission /discounts.
- Approval of priority for early delivery.
- Introducing of incentive schemes.
- Other matters relating to sales & marketing.

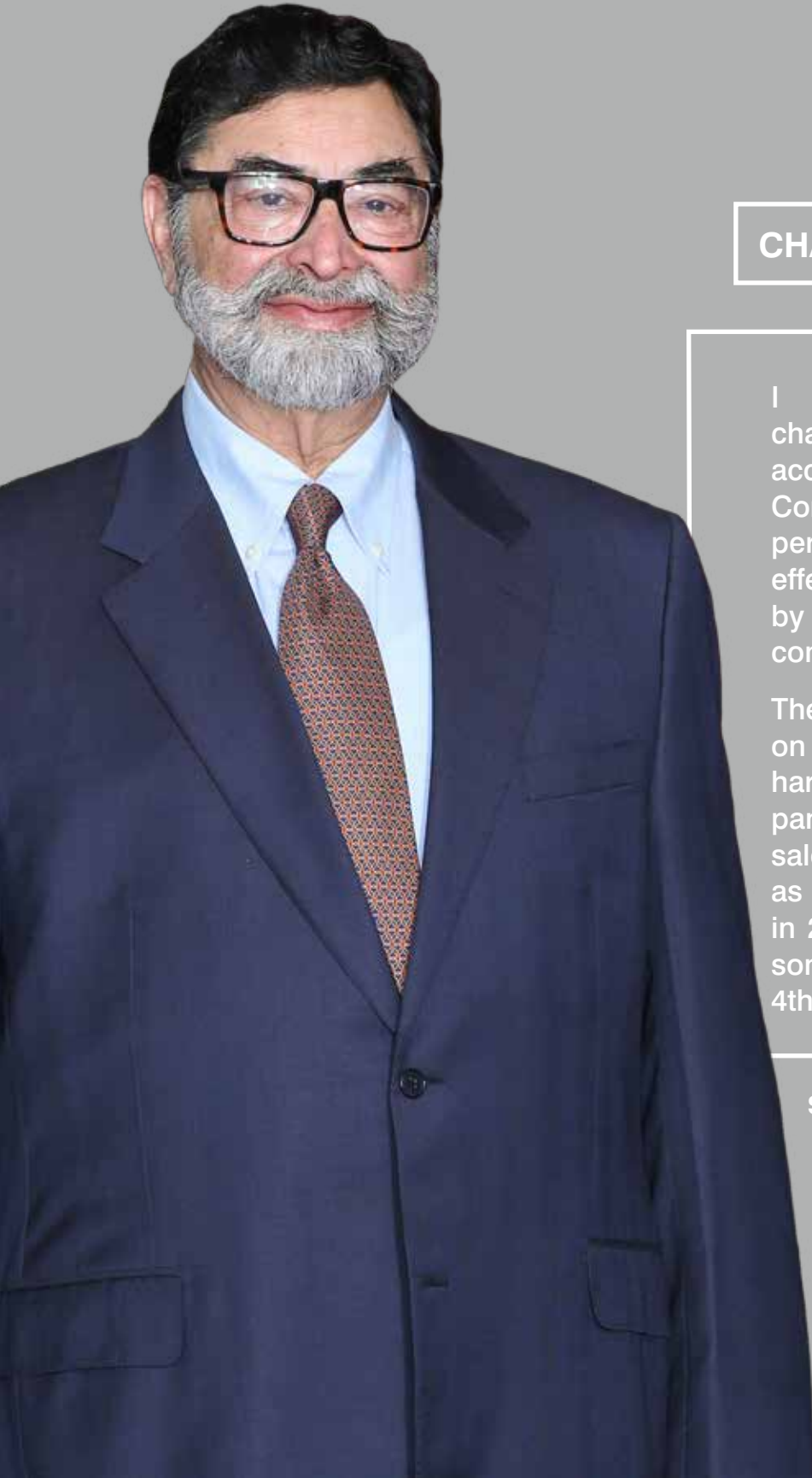
The Chairman of Board shall monitor the committee.

BOARD'S COMMITTEE FOR GROUP SUPERVISION (BCGS)

1. Mr. Sikandar Mustafa Khan	Chairman
2. Mr. Latif Khalid Hashmi	Member
3. Mr. Sohail Bashir Rana	Member
4. Mr. Laeeq Uddin Ansari	Member
5. Mian Muhammad Saleem	Member

The Board Committee for Group Supervision is responsible for reviewing over all business performance, major projects including new investment of group companies.

CHAIRMAN'S REVIEW



CHAIRMAN'S STATEMENT

I am pleased to present chairman's review in accordance with section 192 of Companies Act, 2017, on overall performance of the board and effectiveness of the role played by the board in achieving company's objectives.

The sales continued to decline on account of economic hardships and COVID-19 pandemic. Overall tractor sales declined to 20,707 units as compared to 32,019 units in 2018-19. However there are some signs of recovery from 4th quarter.

SIKANDAR MUSTAFA KHAN

GOVERNANCE ROLE OF THE BOARD

Composition and Dynamics of the Board

Board's role is to provide entrepreneurial leadership of the company within a framework of prudent effective controls which enables risk to be assessed and managed. The Board performs three major roles in a company, it provides direction (i.e. sets the strategic direction of the company), monitors and provides support and advice to management (advisory role). These roles are in accordance with the vision and mission of the company for achieving the company's business objectives.

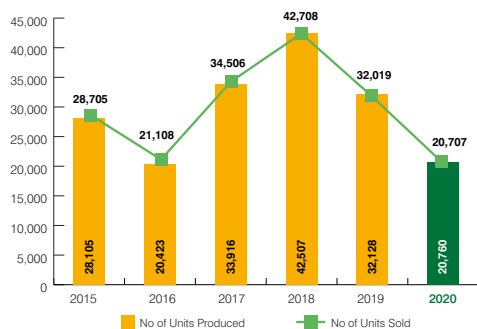
The composition of the Board is given below:

- Independent Directors:02
- Executive Directors:02
- Non-Executive Directors:04

In order to ensure stewardship and monitor direction of the company the Board has made sub-committees which in my opinion have significantly contributed in steering and managing the company. These committees ensure due compliance of Code of Corporate Governance and include:

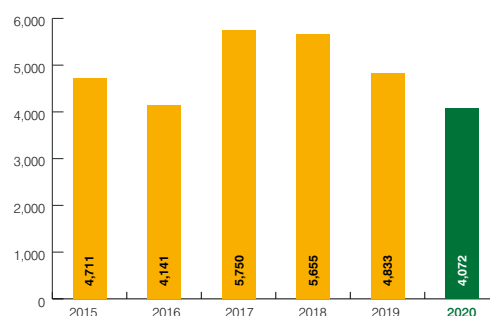
- Audit Committee
- Human Resource and Remuneration Committee
- Finance Committee
- Marketing Committee
- Board Committee for Group Supervision

Sale / Production Volume Units



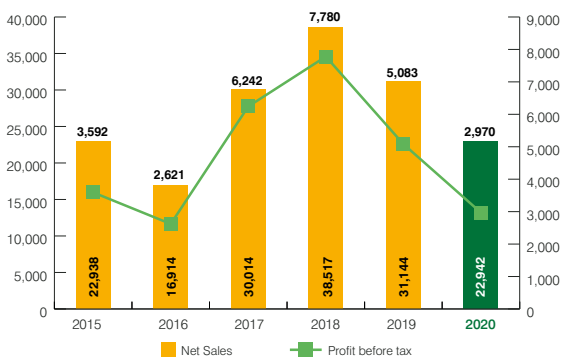
Shareholders Equity

(Rs. In Million)



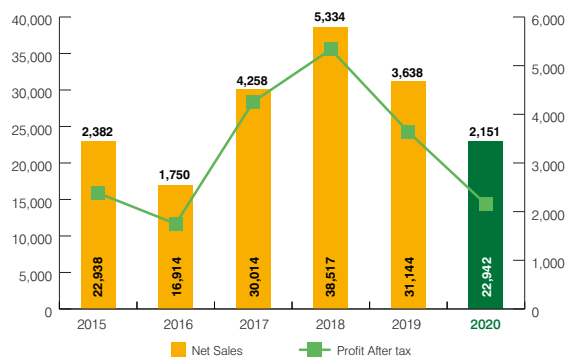
Sales / Pre-Tax Profit

(Rs. In Million)



Sales / After-Tax Profit

(Rs. In Million)



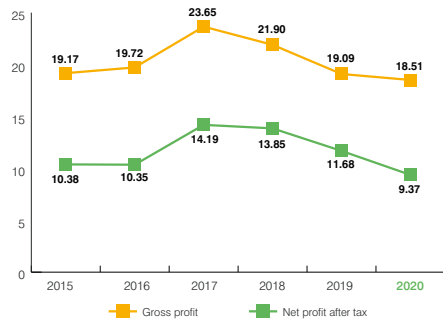
BOARD EVALUATION

As required vide regulation 10 (3) (v) of the Code of Corporate Governance, a mechanism consisting of a comprehensive questionnaire was circulated to all directors of the Board for evaluation of performance of Board of Directors. The key areas covered included:

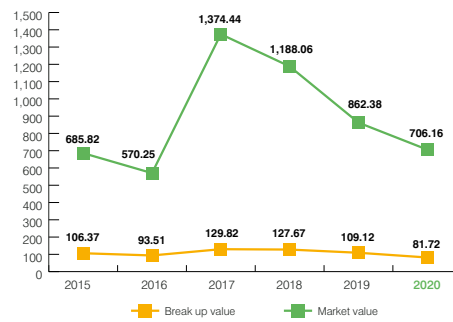
- Strategy and planning
- Board operations and effectiveness
- Measuring and monitoring of performance
- Professional development

Individual feedback was obtained and on the basis of that feedback the average rating of the performance of the Board and role of Chairman regarding governing the BOD was found up to the mark as is evident by the performance of the company and its overall image.

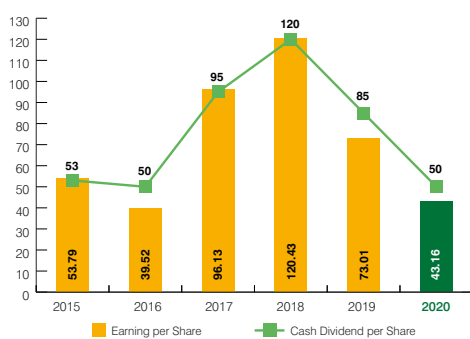
Gross Profit / Net Profit After Tax
(Percentage)



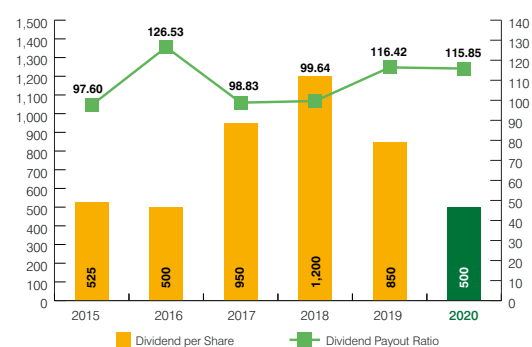
Break up / Market Value Per Share
(Rupees)



Earning / Dividend Per Share
(Rupees)



Dividend Payout Ratio
(Percentage)



OVERALL ECONOMIC AND INDUSTRY REVIEW

Unfortunately, the economy of Pakistan missed all major economic targets including agriculture output.

Economic Indicators



Source: Annual economic report- EY

Prior to COVID-19 shock, external imbalances had been significantly reduced and the economy was poised to strengthen due to strong policy and reform efforts. On March 11, the World Health Organization declared COVID-19 a pandemic and resultantly Pakistan went into complete lockdown on from March 23. The government of Pakistan took immediate and bold moves to minimize the impact of pandemic which included continuous and significant reduction in base interest rate from high of 13.25% to 7% currently. This helped curb inflation to a somewhat lower level. Pending sales tax refunds were also processed on the advice of Prime Minister of Pakistan which helped stabilize the tractor and export industry.

The agriculture sector was allowed to re-open in April as the season was at its peak. This allowed your company as well as the agriculture sector to recover and allowed us to stay on track. In line with government's directions, MTL observed

strict compliance of SOPs for prevention of COVID-19 and resultantly all our employees and staff remained safe.

Overall, tractor industry sales were down as compared to last year due to factors described above. However, it is hoped that upcoming fiscal year will reverse the trend as we see continued demand for tractors locally as well as globally.

This is evidenced by the fact that agriculture sector has performed comparably well during current fiscal year as compared to previous year as well as other sectors. Last year growth in agriculture sector was mere 0.5% whereas this year the growth was 2.67%.

The relief package announced by the Government of Pakistan aims to stabilize the economy as well as provide for welfare of the masses. Measures include immediate debt relief, accelerated payments of tax refunds, reduction in interest rates, exemption of duties on life-saving equipment and material and numerous packages announced by State Bank of Pakistan to keep the economy afloat.

Last, but not least, I would like to take this opportunity to extend my gratitude towards Board of Directors, shareholders, vendors, dealers and employees of MTL and would like to acknowledge their hard-work in such testing times.

I would like to end with a prayer that may we all stay safe during these testing times and may Allah pull us out of these testing times successfully.

Sikandar Mustafa Khan
Chairman

Millat Tractors Limited
Lahore:
September 16, 2020

میری دُعا ہے کہ آپ سب خیر و عافیت سے رہیں اور اس مشکل وقت سے بحفاظت نجات کیلئے خدائے بزرگ و برتر کا مہیابی کے ساتھ ہمیں مشکل وقت سے باہر نکالے۔

میں بورڈ آف ڈائریکٹرز کے تمام ممبران، دوسرے شیئرز ہولڈرز، وینڈرز، ڈیلرز اور ایم ٹی ایل کے ملازمین اور ورکرز کا شکریہ ادا کرنا چاہتا ہوں کہ اس مشکل گھڑی میں وہ محنت اور لگن سے اپنی ذمہ داریاں نبھارے ہیں۔



سکندر مصطفیٰ خان

چیئر مین

ملٹ ٹریکٹرز لمیٹڈ

لاہور:

16 ستمبر، 2020

کرونا وباء سے قبل بیرونی عدم مطابقت میں نمایاں کمی دیکھنے میں آئی اور مستحکم پالیسی اور اصلاحاتی کاروشوں کی بدولت معیشت مضبوطی کی جانب گامزن تھی۔ 11 مارچ کو عالمی ادارہ صحت کی جانب سے کرونا کو ایک وباء کا نام دیا گیا اور 23 مارچ سے پاکستان میں مکمل لاک ڈاؤن نافذ کر دیا گیا۔ اس صورتحال میں حکومت پاکستان نے وباء کے اثرات کو کم کرنے کیلئے فوری اور جرات مندانہ اقدامات کیے۔ جس میں بنیادی شرح سود میں 13.25 فیصد سے 7 فیصد تک کمی شامل تھی اور اس کی وجہ سے مہنگائی پر ایک حد تک قابو ممکن ہو سکا۔ وزیراعظم پاکستان کے احکامات پر زیر التوا سیلز ٹیکس ریفرنڈز کا اجراء بھی ممکن بنایا گیا جو کہ ٹریکٹرز اور ایکسپورٹ انڈسٹری کیلئے حوصلہ افزا ثابت ہوا۔

زرعی شعبہ کو اپریل میں سیزن کے عروج پر دوبارہ کھولنے کی اجازت دے دی گئی۔ اس اقدام نے آپکی کمپنی اور زرعی شعبہ کو بحالی اور اپنی سمت پر گامزن رہنے کا موقع فراہم کیا۔ گورنمنٹ کی ہدایات کے مطابق ایم ٹی ایل نے کرونا-19 سے بچاؤ کیلئے SOPs پر عملدرآمد کیلئے اقدامات اٹھائے ہیں نتیجتاً ہمارا تمام سٹاف اور ملازمین محفوظ رہیں۔

درج بالا عوامل کی وجہ سے ٹریکٹرز انڈسٹری کی فروخت گزشتہ سال کے مقابلہ میں مجموعی طور پر زوال پذیر رہی۔ تاہم اس بات کی توقع کی جاسکتی ہے کہ آئندہ مالی سال حالات میں تبدیلی کا باعث بنے گا اور مقامی و بین الاقوامی سطح پر ٹریکٹرز کی فروخت میں نمایاں اضافہ ہوگا۔

حقائق سے یہ بات عیاں ہے کہ زرعی شعبہ نے گزشتہ سال اور دیگر شعبہ جات کے مقابلہ میں رواں مالی سال بہتر کارکردگی کا مظاہر کیا ہے۔ گزشتہ سال زرعی شعبہ کی گروتھ 0.5 فیصد تھی جو کہ اس سال 2.67 فیصد رہی۔

حکومت پاکستان کی جانب سے اعلان کردہ ریلیف پیکیج نا صرف معاشی استحکام بلکہ عام آدمی کی فلاح کا کام بھی کرے گا۔ سٹیٹ بینک آف پاکستان کی جانب سے معاشی سرگرمیوں کی روانی کیلئے فوری قرضوں کی ادائیگی میں ریلیف، ٹیکس ریفرنڈز کی ادائیگی میں تیزی، شرح سود میں کمی، لائف سیونگ ایکسپنٹ اور سامان پر ڈیوٹیز کے خاتمہ جیسے دیگر کئی پیکجیز کا اعلان کیا گیا۔

آخر میں، میں ملٹ ٹریکٹرز لمیٹڈ کے بورڈ آف ڈائریکٹرز، شیئرز ہولڈرز، وینڈرز، ڈیلرز اور ایمپلائز کو خراج تحسین پیش کرتا ہوں اور ان مشکل حالات میں ان کی سخت محنت کو سراہتا ہوں۔

چیمبرمین کا جائزہ

میں کمپنیز ایکٹ، 2017 کے سیکشن 192 کے تحت بورڈ کی مجموعی کارکردگی اور کمپنی کے مقاصد کے حصول کے لئے بورڈ کے ممبروں کی جانب سے دیئے گئے جائزے کو پیش کرنے پر خوشی محسوس کرتا ہوں۔

اقتصادی مشکلات اور کرونا وائرس کے پیش نظر فروخت میں کمی کا تسلسل برقرار رہا۔ ٹریڈنگ کی فروخت میں 20,707 پونٹس کمی کا سامنا رہا جبکہ سال 2018-19 کے دوران 32,019 پونٹس فروخت کیے گئے تھے۔ تاہم سال کی چوتھی سہ ماہی سے فروخت میں بحالی کے اشارے ملنا شروع ہو گئے ہیں۔

بورڈ کا انتظامی کردار

بورڈ کی تشکیل اور ساخت

کمپنی کو ایک محتاط فریم ورک میں رکھتے ہوئے منظم قیادت فراہم کرنا بورڈ کی ذمہ داریوں میں شامل ہے تاکہ کسی بھی قسم کے خطرے کا جائزہ لے کر باآسانی نبرد آزما ہو جاسکے۔ بورڈ کمپنی میں تین اہم کردار ادا کرتا ہے۔

سمت کا تعین، انتظامیہ کی نگرانی، انتظامیہ کو مشورے اور معاونت فراہم کرنا (مشاورتی کردار)۔ یہ کردار کمپنی کے نظریے اور مقصد سے مطابقت رکھتے ہیں تاکہ کمپنی کے کاروباری اہداف کو پورا کیا جاسکے۔

بورڈ کی تشکیل درج ذیل ہے۔

- خود مختار ڈائریکٹرز: 02

- ایگزیکٹو ڈائریکٹرز: 02

- دیگر نان ایگزیکٹو ڈائریکٹرز: 04

سٹیوارڈ شپ کی ضمانت اور کمپنی کی درست سمت کی نگرانی کیلئے بورڈ نے ذیلی کمیٹیاں تشکیل دی ہیں۔ اور میری نظر میں ان کمیٹیوں نے مطلوبہ مقاصد کے حصول کیلئے اہم کردار ادا کیا ہے۔

یہ کمیٹیاں کوڈ آف کارپوریٹ گورننس کی مطلوبہ تعین کو یقینی بناتی ہیں۔

- آڈٹ کمیٹی

- ہیومن ریسورس اور ریسٹریکشن کمیٹی

- فننس کمیٹی

- مارکیٹنگ کمیٹی

- گروپ سپروائزر کے لئے بورڈ کمیٹی

بورڈ کی کارکردگی کا جائزہ

کارپوریٹ گورننس کوڈ کی شق (V)(3)10 کے مطابق ایک وضع کردہ طریقہ کار کے تحت بورڈ آف ڈائریکٹرز کی کارکردگی کو جانچنے کے لئے تمام ڈائریکٹرز کو ایک جامع سوالنامہ تقسیم کیا گیا ہے جو مندرجہ ذیل اہم شعبہ جات پر مشتمل ہے۔

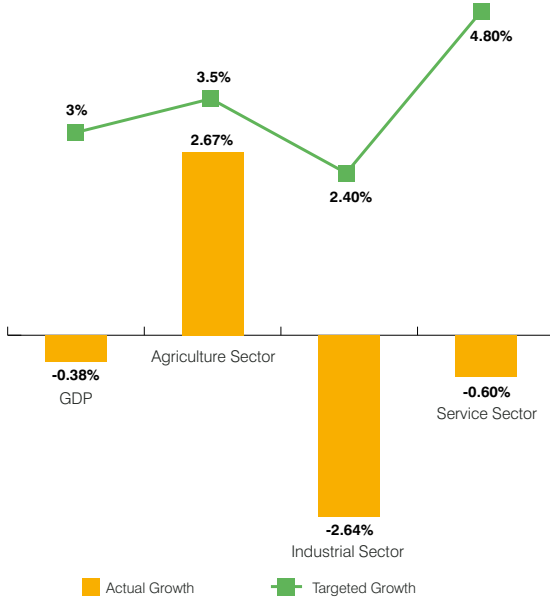
- حکمت عملی اور منصوبہ بندی
- بورڈ کے آپریشنز اور اثر اندازی
- کارکردگی کا جائزہ اور نگرانی
- پرفیٹنل ڈویلپمنٹ

انفرادی طور پر رائے لی گئی اور اس رائے کی بنیاد پر بورڈ کی کارکردگی اور بورڈ آف ڈائریکٹرز کی گورننگ کے حوالے سے چیمبرمین کی کارکردگی کو بہتر پایا گیا کیونکہ کمپنی کی مجموعی کارکردگی اور سیکھ میں بہتری نظر آئی ہے۔

مجموعی اقتصادی اور صنعتی جائزہ

بدقسمتی سے پاکستانی معیشت تمام معاشی اہداف بشمول زرعی پیداوار کے حصول میں ناکام رہی

Economic Indicators



Source: Annual economic report- EY

DIRECTORS' REPORT

TO THE SHAREHOLDERS



DIRECTORS' STATEMENT

“The directors feel pleasure in presenting their 57th annual report together with audited financial statements of the company for the year ended June 30, 2020.”

APPROPRIATIONS

The following appropriations were made during the year:

Rupees in thousands		
	General reserve	Un-appropriated profit
Opening balance	2,278,935	2,044,557
Less: Final dividend @ 400% of 2019	-	(1,771,702)
Less: Bonus shares @ 12.5% of 2019	-	(55,366)
Transfer to general reserves	-	-
	2,278,935	217,489
Profit for the year ended June 30, 2020	-	1,776,553
Less: Interim dividend @ 200% of 2020	-	(996,582)
Un-appropriated profit carried forward	2,278,935	997,460

EARNINGS PER SHARE

Earning per share for the year ended June 30, 2020 was Rs. 43.16 as against Rs. 73.01 (restated) of the preceding year.

AGGREGATE DIRECTORS' REMUNERATION

Details of the Directors' remunerations for the year ended June 30, 2020 are as under:

	Chief Executive Officer	Executive Director	Non Executive Director	Independent Directors
Number of Persons	1	1	1	2
	Rupees			
Managerial remuneration	12,778,340	1,416,284	2,571,170	-
Cost of living allowance	-	1,416,284	2,571,170	-
Bonus	3,534,154	590,844	761,834	-
House rent	5,750,250	637,328	1,157,027	-
Contribution to Provident Fund	1,279,634	-	-	-
Medical Expenses	276,113	789,783	298,289	-
Utilities	346,535	743,607	607,171	-
Other reimbursable expenses	2,162,559	896,545	1,195,016	1,150,000
Fees	-	-	-	333,350

PRINCIPAL ACTIVITIES, DEVELOPMENT AND PERFORMANCE OF COMPANY'S BUSINESS DURING FINANCIAL YEAR-2020

The Company is principally engaged in assembly and manufacture of agricultural tractors, farm equipment and multi-application products including forklift trucks and generators.

The financial statements of the Company truly reflect the state of Company's affairs and fair review of its business. The overall economy including tractor industry witnessed decline in output owing to continued increase in inflation, devaluation of Pak rupee and global COVID-19 pandemic.

The country's economy had started to show some signs of recovery before the global pandemic hit at the start of 4th quarter. Current Account Deficit had reduced significantly and there was some semblance to balance of payments but everything went haywire as economies were forced to shut-down and all business activities came to a halt.

Resultantly, overall tractor sales of the company declined by 35% to 20,707 units as compared to 32,019 units sold last year. However, due to efforts of the employees, dealers, vendors and every stakeholder involved, the 4th quarter was the best in-terms of sales.

Gross profit margin declined marginally by 58 basis points due to increase in production costs. The major factor for this is rupee devaluation which in turn increased cost of raw materials required for production.

Net profit for the period stood at 9.37% of sales versus 11.68% in previous year. The decrease is due to significant reduction in other income and considerable increase in finance cost for the year.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

Effective risk management is the key to sustainable business. Our risk management framework, coupled with

our internal control policies have helped us maintain our focus and mitigating principal risks affecting our Company. The internal control framework established by the Company ensures appropriate risk mitigation plans by assigning designated accountability and policy framework for upward communication of any material issues and incidents. The Company is susceptible to the following principal risks which are mitigated via specific policies and plans:

OPERATIONAL RISKS

Operational risks are those which hinder the entity from running its operations smoothly. Our main operational risks are:

TAXATION REGIME OF PAKISTAN

The taxation measures taken by the government during the fiscal year to increase tax-net seems to have not been fruitful due to inconsistencies in the application of law and frequent ad-hoc operational changes. This was the most evident in processing of sales tax refunds which were stuck-up due to operational faults and were only released on the advice of the honourable Prime Minister of Pakistan in order to mitigate the effects of COVID-19 on the economy. Extreme measures need to be taken to rationalize tax laws and increase investors' confidence.

ENVIRONMENTAL RISK

The effects of global warming continued to increase during this fiscal year. Unexpected temperature shifts, locusts attack and water shortage are critical indicators of the fact that we need to ramp up our efforts to address this risk quickly and effectively.

Agriculture sector showed less than desired growth which is worrisome for a country that relies so much on it financially and economically. Our company is also directly linked with agriculture and any adverse impact severely effects company's performance as well.

FINANCIAL RISKS

Financial risks are those that may cause financial loss to the entity. Financial risk has been described in detail in note 48

of the attached financial statements that include market risks, credit risks and liquidity risk.

COMPLIANCE RISK

Non-compliance with laws and regulations may result in imposition of punitive action. Therefore, the Company has zero tolerance policy for non-compliance activities and behaviours. In addition, to mitigate such risks, a very comprehensive and effective compliance function is in place in the Company. Further, the Company's Code of Conduct clearly defines expectations from employees of the Company. The Company encourages employees and business partners to report compliance violations that they may encounter

CHANGES DURING FINANCIAL YEAR CONCERNING THE NATURE OF THE BUSINESS OF THE COMPANY

There has been no change in the principal activity of the Company during the year. The Company continued to increase its efforts in retail and exports sector and has delivered highest ever export sales during the year crossing the billion rupee mark for the first time in history of the company.

FUTURE PROSPECTS OF PROFIT

Tractor sales are expected to retain the same trajectory in upcoming fiscal year provided rupee devaluation and other economic indicators move along the predicted path. With recent approval of economic package for agriculture, it is expected that tractor sales will receive a much needed boost.

ADEQUACY OF INTERNAL FINANCIAL CONTROLS

The Board of Millat Tractors Limited is responsible for the establishment and maintenance of the Company's system of internal control in order to identify and manage risks faced by the Company.

The System provides reasonable, though not absolute, assurance that:

- assets are safeguarded against unauthorized use or disposition;
- proper and reliable accounting records are available for use within the business; and
- adequate control mechanisms have been established within the operational businesses
- Internal financial controls deployed within the Company have been satisfactory throughout the year.

MAIN TRENDS AND FACTORS LIKELY TO AFFECT THE FUTURE DEVELOPMENT, PERFORMANCE AND POSITION OF THE COMPANY'S BUSINESS

The major factors that are likely to affect the company's business are:

- Rupee parity
- Kharif and Rabi season crop output
- Supply chain performance
- Pace of CPEC and other development projects

Shift in any of these parameters will impact company's performance. It is anticipated that upcoming fiscal year will be on the same trajectory as current year.

DUTY & TAXES

Information about taxes and levies is given in the respective notes to the annexed financial statements.

AUDITORS

The present auditors M/s. A. F. Ferguson & Company, Chartered Accountants, Lahore retire and offer themselves for re-appointment. The Board Audit Committee and Board of Directors of the Company have endorsed their appointment at a remuneration of Rs. 1,800,000/- for shareholders' consideration at the forthcoming Annual General Meeting. The external auditors have certified that they have been given satisfactory rating under the Quality Control Review of the Institute of Chartered Accountants of Pakistan and are

registered with Audit Oversight Board of Pakistan and being eligible offer themselves for re-appointment.

DIRECTORS' ORIENTATION PROGRAM

An orientation course was arranged for the Directors to acquaint them with the code, applicable laws, their duties and responsibilities to enable them to effectively manage affairs of the Company for and on behalf of the shareholders. Written material was also provided to them.

SUBSEQUENT EVENTS

No material changes or commitments affecting the financial position of the Company have occurred between the end of the financial year of the Company and the date of this report except as disclosed in this report.

AUDITOR'S OBSERVATIONS

No adverse remark, observation was given by the auditors' in their report for the year ended June 30, 2020.

STATEMENT ON CORPORATE FINANCIAL REPORTING FRAME WORK

The Company has complied with all the requirements of the Code of Corporate Governance.

Accordingly, the Directors are pleased to confirm the following:

- The financial statements together with the notes thereon have been drawn up in conformity with the Companies Act, 2017. These statements present fairly the Company's state of affairs, the results of its operations, cash flow and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements, except for the changes as disclosed in Note 4.1 of the Financial statements, which conform to the International

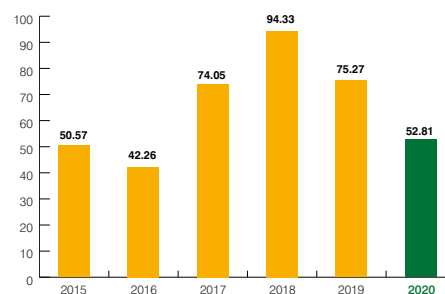
Accounting and Reporting Standards as applicable in Pakistan. The accounting estimates, wherever required are based on reasonable and prudent judgement.

- The International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance.
- The key operating and financial data for the last six years is annexed.
- The value of investments of provident, gratuity and pension funds based on their audited accounts as on June 30, 2020 were the following:

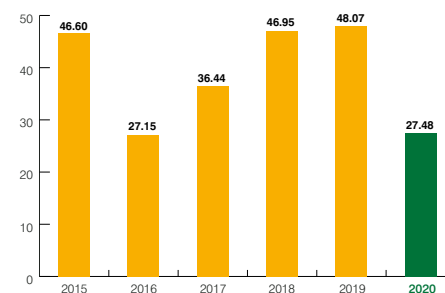
- Provident Fund	Rs. 484,210,370
- Gratuity Fund	Rs. 322,916,444
- Pension Fund	Rs. 1,078,654,641

The value of investment includes accrued interest.
- The purchase and sale of shares by directors during the year was as follows:-

Return on Equity
(Percentage)



Return on Assets
(Percentage)



Purchase of Shares

	No. of shares Purchased
Mr. Sikandar Mustafa Khan, Director	28,000
Mr. Sohail Bashir Rana, Director	50,450
Mr. Laeeq Uddin Ansari, Director	251,791
S. M Irfan Aqueel, CEO	28,800
Mrs. Ayesha Sohail (Spouse of Mr. Sohail Bashir Rana, Director)	10,000
Mrs. Shireen Shah Aqueel (Spouse of S.M Irfan Aqueel, CEO)	3,750
Mr. Sohail Ahmed Nisar, CFO	3,500

Sale of Shares

	No. of shares Sold
Mr. Latif Khalid Hashmi	100,000

CODE OF CONDUCT

In order to put in place professional standards and corporate values for promotion of integrity of the Board, senior management and other employees, the board has approved and disseminated a Code of Conduct, defining therein acceptable and unacceptable behaviors. The same has also been placed on the Company's website.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance, relevant for the year ended June 30, 2020 have been duly complied with. A statement to this effect is annexed separately with the report.

CHAIRMAN'S REVIEW

The Directors of your Company endorse the contents of the Chairman's Review.

RELATED PARTY TRANSACTIONS

The related party transactions conducted with group companies had to be approved by the board duly recommended by the audit committee periodically pursuant to regulation 15 of the Code of Corporate Governance.

However, the majority of company directors were interested in these transactions due to their common directorship and holding of shares in the group companies, the quorum of directors could not be formed for approval of these transactions pursuant to section 207 of the Companies Act, 2017 and therefore, these transactions are presented to the shareholders in General Meeting for their approval and ratification.

PATTERN OF SHAREHOLDING

The pattern of shareholding is annexed.

NUMBER OF EMPLOYEES

The numbers of permanent employees as on June 30, 2020 were 360 compared to 388 of last year.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements of the Company as on June 30, 2020 are annexed.

CORPORATE SOCIAL RESPONSIBILITY

Disclosure of Corporate Social Responsibility is annexed and forms part of this report.

WEB PRESENCE

Company's periodic financial statements for the current financial year including annual reports for the last three years are available on the Company's website www.millat.com.pk for information of the investors.

For and on behalf of the Board



Chief Executive

Lahore:

September 16, 2020



Chairman

س۔ متعین شدہ اصول و ضوابط میں درج کارپوریٹ گورننس کے رہنما اصولوں سے انحراف نہیں کیا گیا۔

ش۔ گزشتہ 6 سالوں کے اہم کاروباری اور مالیاتی حسابات درج ہیں۔

ص۔ سال ختمہ 30 جون 2020 کیلئے آڈٹ شدہ اکاؤنٹس کی بنیاد پر پراویڈنٹ، گریجویٹ اور پنشن فنڈز کی سرمایہ کاری کا حجم حسب ذیل رہا:

پراویڈنٹ فنڈ	484,210,370 روپے
گریجویٹ فنڈ	322,916,444 روپے
پنشن فنڈ	1,078,654,641 روپے

سرمایہ کاری کے حجم میں حاصل شدہ انٹرسٹ شامل ہے

ط۔ سال کے دوران ڈائریکٹران کی جانب سے کی گئی شیئرز کی خرید و فروخت درج ذیل ہے:

خرید کردہ شیئرز کی تعداد	جناب سکندر مصطفیٰ خان، ڈائریکٹر
28,000	جناب سہیل بشیر رانا، ڈائریکٹر
50,450	جناب لیتیق الدین انصاری، ڈائریکٹر
251,791	جناب سید محمد عرفان عقیل، چیف ایگزیکٹو آفیسر
28,800	محترمہ عائشہ سہیل (ڈائریکٹر جناب سہیل بشیر رانا کی زوجہ)
10,000	محترمہ شیریں شاہ عقیل (سی ای او جناب سید محمد عرفان عقیل کی زوجہ)
3,750	محترمہ سہیل احمد ثار، سی ایف او
3,500	

شیئرز کی فروخت

فروخت کردہ شیئرز کی تعداد	جناب لطیف خالد ہاشمی
100,000	

ضابطہ اخلاق

بورڈ، مینٹرنجمنٹ اور دیگر ملازمین کی سلہیت کی خاطر پیشہ وارانہ معیارات اور ادارہ جاتی اقدار کے نفاذ کیلئے بورڈ نے ایک ضابطہ اخلاق کی منظوری اور اسے ترویج دی ہے۔ اس ضابطہ اخلاق میں قابل قبول اور ناقابل قبول رویوں کی نشاندہی کی گئی ہے اور یہ کمپنی کی ویب سائٹ پر بھی ظاہر کیا گیا ہے۔

کارپوریٹ گورننس کے ضابطہ پر عملدرآمد کا بیان

سال ختمہ 30 جون 2020 سے متعلقہ کارپوریٹ گورننس کے ضابطہ پر عملدرآمد کیا گیا ہے۔ جس کا بیان رپورٹ کے ساتھ الگ سے منسلک کیا گیا ہے۔

چیئر مین کا جائزہ

کمپنی کے ڈائریکٹرز چیئر مین کے جائزہ کے مندرجات کی توثیق کرتے ہیں۔

متعلقہ پارٹی لین دین (ری لیبلڈ پارٹی ٹرانزیکشنز)

کارپوریٹ گورننس کے کوڈ کی شق 15 کے مطابق آڈٹ کمیٹی نے یہ تجویز کیا ہے کہ گروپ کمپنیوں کے ساتھ متعلقہ پارٹی لین دین (ری لیبلڈ پارٹی ٹرانزیکشنز) کی بورڈ سے منظوری لازم ہے۔ تاہم کمپنی کے ڈائریکٹروں کی زیادہ تعداد مشترکہ ڈائریکٹر شپ اور کمپنی گروپس میں شیئرز رکھنے کی وجہ سے ان ٹرانزیکشنز میں دلچسپی رکھتی تھی کیونکہ ایکٹ 2017 کے سیکشن 207 کے مطابق ان ٹرانزیکشنز کی منظوری کے لیے ڈائریکٹرز کی مطلوبہ تعداد پوری نہ ہو سکی اس لیے یہ ٹرانزیکشنز منظوری اور ترمیم کیلئے سالانہ اجلاس میں شیئرز ہولڈرز کے سامنے رکھی جاتی ہیں۔

شیئرز ہولڈنگ کا پیرن

شیئرز ہولڈنگ کا پیرن منسلک ہے

ملازمین کی تعداد

30 جون 2020 تک مستقل ملازمین کی تعداد گزشتہ سال کے 388 ملازمین کے مقابلہ میں 360 تھی۔

مجموعی فنانشل سٹیٹمنٹس

30 جون 2020 تک کمپنی کی مجموعی مالی سٹیٹمنٹس منسلک ہیں

کارپوریٹ سوشل رسپانسبلٹی

کارپوریٹ سوشل رسپانسبلٹی کا اظہار منسلک ہے اور اس رپورٹ کا حصہ ہے

انٹرنیٹ پر موجودگی

کمپنی کی بیڑاڈک فنانشل سٹیٹمنٹس برائے مالی سال بشمول گزشتہ تین سال کی سالانہ رپورٹس کمپنی کی ویب سائٹ www.millat.com.pk پر سرمایہ کاروں کی معلومات کیلئے دستیاب ہیں۔

بحکم بورڈ



چیئر ایگزیکٹو

لاہور:

16 ستمبر، 2020



چیئر مین

منافع کے مستقبل کے امکانات

روپے کی قدر میں غیر معمولی حد تک کمی اور دوسرے معاشی خطرات کے باوجود بھی ٹریڈرز کی فروخت کا رجحان اگلے مالی سال میں بھی اسی طرح رہنے کا امکان ہے۔ زراعت کیلئے معاشی پیکج کی منظوری کے بعد ٹریڈرز کی فروخت میں اضافہ متوقع ہے۔

موزوں داخلی مالیاتی کنٹرولز

ملٹ ٹریڈرز لمیٹڈ کا بورڈ کمپنی کو پیش آنے والے خطرات سے نمٹنے کے لئے داخلی کنٹرول سسٹم کی تشکیل اور تصحیح کی ذمہ دار ہے۔

اگرچہ حتمی نہیں لیکن سسٹم مناسب ضمانت دیتا ہے کہ:

- اثاثے غیر متعلقہ استعمال کے خلاف محفوظ ہیں۔
- مکمل اور قابل اعتبار اکاؤنٹنگ ریکارڈز برنس کے اندر رہتے ہوئے استعمال کیلئے دستیاب ہیں۔
- آپریشنل برنس کے اندر ایک مناسب کنٹرول میکانزم تشکیل دیا گیا ہے۔
- کمپنی کے اندر ترتیب دینے والے داخلی مالیاتی کنٹرول سال بھر اطمینان بخش رہا۔

مستقبل میں کمپنی کے کاروبار، ترقی، کارکردگی اور پوزیشن کو متاثر کرنے والے عوامل

کمپنی کے کاروبار کو متاثر کرنے والے بڑے عوامل مندرجہ ذیل ہیں۔

- روپے کی قدر
- ربح و خریف کی فصل کی پیداوار
- سپلائی چین کی کارکردگی
- سی بیک اور دوسرے ترقیاتی منصوبے کی رفتار

مندرجہ بالا عوامل میں سے کسی ایک میں نمایاں تبدیلی کمپنی کی کارکردگی کو متاثر کرے گی۔ توقع کی جاتی ہے کہ آئندہ مالی سال بھی رواں مالی سال جیسا ہی ہوگا۔

ڈیوٹی اور ٹیکسیز

ٹیکسیز اور ایویز کے بارے میں معلومات منسلک مالیاتی سٹیٹمنٹس کے متعلقہ نوٹس میں دی گئی ہیں۔

آڈیٹرز

موجودہ آڈیٹرز میسرز اے۔ ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، لاہور، ریٹائرمنٹ کے بعد اپنے دوبارہ تقرر کی پیش کش کر رہے ہیں۔ بورڈ آڈٹ کمیٹی اور کمپنی کے بورڈ آف ڈائریکٹرز نے 1,800,000/- روپے معاوضہ کے عوض ان کی دوبارہ تعیناتی کی توثیق کی ہے جو کہ اگلے سالانہ اجلاس عام میں شیئر ہولڈرز کے روبرو رکھی جائے گی۔ ایکسٹرنل آڈیٹرز نے توثیق کی ہے کہ انہیں انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس پاکستان کے کوالٹی کنٹرول ریویو کی جانب سے تسلی بخش ریٹنگ ملی ہے، نیز وہ آڈٹ اور سائٹ بورڈ پاکستان سے رجسٹرڈ ہیں اور اپنے دوبارہ تقرر کی پیشکش کرنے کے اہل ہیں۔

ڈائریکٹرز کا ترقیاتی پروگرام

ڈائریکٹرز کے لئے ایک اور سٹیشن کورس تشکیل دیا گیا جس میں انہیں ضابطہ، قابل اطلاق قوانین اور ان کی ذمہ داریوں سے آگاہ کیا گیا تاکہ وہ موثر طریقے سے کمپنی اور شیئر ہولڈرز کی طرف سے معاملات سنبھال سکیں۔ انہیں تحریری مواد بھی فراہم کیا گیا۔

بعد میں آنے والے واقعات

جیسا کہ اس رپورٹ میں واضح کیا گیا ہے کہ کمپنی کے مالیاتی سال تختہ اور اس رپورٹ کی تاریخ کے درمیان ایسی کوئی واضح تبدیلیاں نہیں ہوئیں جن سے کمپنی کی مالیاتی پوزیشن میں کوئی فرق آیا ہو۔

آڈیٹرز کا مشاہدہ

سال تختہ 30 جون، 2020 کی سالانہ رپورٹ میں آڈیٹرز نے اپنی رپورٹ میں کسی قسم کی منفی رائے نہیں دی۔

کارپوریٹ فنانشل رپورٹنگ فریم ورک کی اسٹیٹمنٹ

کمپنی نے کارپوریٹ گورننس کے ضابطہ اخلاق کی ضروریات کو مد نظر رکھتے ہوئے درج ذیل قواعد مرتب کئے ہیں۔

ڈائریکٹرز انتہائی مسرت کے ساتھ مطلع کرتے ہیں کہ:

ا۔ کمپنی کی طرف سے تیار کردہ مالی اسٹیٹمنٹس کمپنیز ایکٹ، 2017 کے مطابق ترتیب دی گئی ہیں اور اس میں درج مالیاتی گوشوارے، کمپنی کے معاملات، کاروباری سرگرمیوں کے نتائج، کیش فلوا اور ایکویٹی میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔

ب۔ کمپنی نے باضابطہ طور پر اکاؤنٹس کے کھاتوں کو تیار کر رکھا ہے۔

پ۔ ان مالیاتی گوشواروں کی تیاری میں ضروری اور مخصوص اکاؤنٹنگ پالیسیوں کی پیروی کی گئی ہے ماسوائے مالیاتی گوشواروں کی شرح نمبر 4.1 میں واضح کردہ تبدیلیوں کے جو بین الاقوامی اکاؤنٹنگ اور رپورٹنگ سٹینڈرڈز کے عین مطابق ہیں اور پاکستان میں قابل اطلاق ہیں۔ کبھی بھی مطلوب ہونے والے اکاؤنٹنگ کے تخمینے انتہائی منطقی اور محتاط اندازے پر مبنی ہیں۔

ج۔ ان مالیاتی گوشواروں کی تیاری میں بین الاقوامی فنانشل رپورٹنگ اسٹینڈرڈز کی (جہاں تک وہ پاکستان میں قابل اطلاق ہیں) کی پیروی کی گئی ہے۔

د۔ اندرونی کنٹرول کا نظام اپنے ڈیزائن کے اعتبار سے مستحکم ہے اور اس کا موثر اطلاق اور نگرانی کی جاتی ہے۔

ر۔ کمپنی کے مستقبل میں کام جاری رکھنے کی اہلیت پر کوئی شکوک و شبہات نہیں ہیں۔

مالیاتی سال 2020 کے دوران کمپنی کی کارکردگی اور کاروبار میں ترقی سے متعلق

نمایاں سرگرمیاں

کمپنی بنیادی طور پر زرعی ٹریکٹر اور فارم کے سامان کی مینوفیکچرنگ اور اسمبلنگ کے ساتھ ساتھ ملٹی ایپلی کیشن پراڈکٹس جیسا کہ ٹورک لفٹ ٹرک اور جزیرہ بھی تیار کرتی ہے۔ کمپنی کی مالیاتی تفصیلات اس بات کی عکاسی کرتی ہیں کہ کمپنی کے کاروباری معاملات شفاف نوعیت کے ہیں۔ مسلسل بڑھتی مہنگائی، روپے کی قدر میں واضح کمی اور کرونا وائرس کی وجہ سے مجموعی معیشت کے ساتھ ساتھ ٹریکٹر انڈسٹری بھی غیر معمولی حد تک زوال پزیر ہوئی ہے۔

چوتھی سہ ماہی میں کرونا وائرس کی وبا سے قبل ملکی معیشت کی بحالی کے اشارے ملنا شروع ہو گئے تھے۔ کرنٹ اکاؤنٹ خسارہ نمایاں حد تک کم ہو گیا اور ادائیگیوں میں توازن کی جھلک دکھائی دے رہی تھی مگر پھر معاشی لاک ڈاؤن اور تمام کاروباری سرگرمیوں میں جمود کی وجہ سے سب کچھ بے قابو ہو گیا۔

نتیجتاً کمپنی کے ٹریکٹری مجموعی فروخت میں 35% 20,707 پونٹس کی کمی ہوئی جبکہ گزشتہ سال میں 32,019 پونٹس فروخت ہوئے تھے۔ تاہم ایمپلائز، ڈیلرز، ویڈرز اور تمام سٹیک ہولڈرز کی انتھک محنت کی بدولت سال کی چوتھی سہ ماہی فروخت کے حساب سے بہترین رہی۔

پروڈکشن اخراجات میں اضافے کے باعث گروس پرافٹ مارجن میں 58 پیسز پوائنٹس کی کمی واقع ہوئی۔ جسکی ایک بڑی وجہ روپے کی قدر میں کمی تھی جس کی وجہ سے خام مال کی قیمتوں میں غیر معمولی اضافہ ہوا۔

اس عرصے کے دوران سٹاک کا خالص منافع 9.37% رہا جو گزشتہ سال 11.68% تھا۔ خالص منافع میں اس کمی کی بڑی وجہ اس سال سرمایے کی لاگت میں اضافہ اور دیگر آمدنی میں کمی ہے۔

کمپنی کو درپیش خطرات اور غیر یقینی صورتحال

موثر رسک مینجمنٹ کسی بھی مستحکم کاروبار کا ایک لازمی جزو ہے۔ ہمارے خطرات سے نمٹنے کے نظام اور داخلی کنٹرول پالیسیز نے ہماری توجہ کمپنی کو درپیش بنیادی خطرات کے خلاف مرکوز رکھنے میں ہماری کافی مدد کی ہے۔ کمپنی کی جانب سے بنایا گیا داخلی کنٹرول کا یہ فریم ورک مقرر طے شدہ احتساب اور پالیسی فریم ورک کسی بھی مادی مسئلے یا واقعے کی نشاندہی کرتے ہوئے کسی بھی قسم کے نقصان کو کم کرنے میں معاون ثابت ہوتا ہے۔ کمپنی کو مندرجہ ذیل بنیادی خطرات کا سامنا ہے جنہیں کمپنی اپنی مخصوص پالیسیز اور تدابیر کے ذریعے کم کرتی ہے۔

اموری خطرات

اموری خطرات کا تعلق ایسے عوامل سے ہے جو آپریشنز کو باآسانی چلانے سے روکتے ہیں۔ ہمارے نمایاں اموری خطرات مندرجہ ذیل ہیں۔

پاکستان میں ٹیکس کا نظام

مالی سال کے دوران حکومت کی جانب سے ٹیکسیشن کیلئے نئے اقدامات قانون کی عملدرآمدگی میں درپیش بے ضابطگیوں اور متواتر ایڈ ہاک آپریشنل تبدیلیوں کی بدولت فائدہ مند ثابت ہوتے دکھائے نہیں دے رہے۔ یہ عوامل سیلز ٹیکس ریفرنڈم میں نمایاں طور پر دکھائی دیئے جو کہ آپریشنل خامیوں کی وجہ سے جمود کا شکار ہوا اور کرونا وائرس کے بعد وزیراعظم عمران خان کی ہدایات کے پیش نظر جاری کیا گیا۔ محمولاتی قوانین کو سو دہ مندانے اور سرمایہ کاروں کا اعتماد حاصل کرنے کیلئے انتہائی اقدامات کرنا ہوں گے تاکہ COVID-19 کے اثر کو معیشت پر کم کیا جاسکے۔

موسمیاتی خطرہ

اس مالی سال کے دوران گلوبل وارمنگ کے اثرات میں اضافہ جاری رہا۔ درجہ حرارت میں غیر متوقع تغیر، ہنڈی دل کے حملے اور پانی کی کمی اس حقیقت کی جانب واضح اشارہ ہے کہ ہمیں اس خطرے سے فوری اور موثر انداز میں نبرد آزما ہونے کیلئے کاوشوں میں تیزی لانا ہوگی۔

زراعت کے شعبہ میں خواہش کے مطابق کوئی ترقی دیکھنے میں نہیں آئی جو کہ مالی اور اقتصادی طور پر زراعت پر انحصار کرنے والے ملک کیلئے تشویشناک ہے۔ چونکہ ہماری کمپنی بھی بالواسطہ زراعت سے منسلک ہے اور کسی بھی قسم کے منفی اثرات کمپنی کی کارکردگی کو بھی متاثر کرتے ہیں۔

مالیاتی خطرات

مالیاتی خطرات وہ ہیں جن سے کمپنی کو مالی نقصان کا اندیشہ ہو۔ منسلک فنانشیل اسٹیٹمنٹس کے نوٹ نمبر (48) میں مالیاتی خطرات کے بارے میں تفصیل سے بیان کیا گیا ہے جس میں مارکیٹ، کریڈٹ اور لیکویڈٹی خطرات شامل ہیں۔

کمپلائنس خطرات

قواعد و ضوابط کی تعمیل نہ کرنے کی صورت میں انضباطی کارروائی کا احتمال ہو سکتا ہے۔ اسی لئے کمپنی اس سلسلے میں اپنی پالیسیز سرگرمیوں اور رویہ جات پر ہرگز سمجھوتہ نہیں کرتی۔ مزید برآں کمپنی میں ایسے خطرات کو کم کرنے کیلئے ایک انتہائی جامع اور موثر کمپلائنس فنکشن ترتیب دیا گیا ہے۔ اس کے علاوہ کمپنی کا ضابطہ اخلاق کمپنی کے ملازمین سے توقعات کو بھی واضح کرتا ہے۔ کمپنی اس بات کو سراہتی ہے کہ اس کے ملازمین اور بزنس پارٹنرز کسی بھی قسم کی قانونی خلاف ورزی کے بارے میں کمپنی کو آگاہ کریں۔

مالی سال کے دوران کمپنی بزنس کی نوعیت میں تبدیلی

اس سال کے دوران کمپنی کی بنیادی سرگرمی میں کوئی تبدیلی رونما نہیں ہوئی۔ کمپنی نے ریٹیل اور ایکسپورٹس سیکٹرز کیلئے اپنی کوششوں میں اضافہ جاری رکھا اور تاریخ میں پہلی دفعہ ایکسپورٹ سیکٹرز میں 1 بلین روپے کی حد پار کرتے ہوئے سب سے زیادہ سیکٹرز میں کامیاب رہی۔

ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز

سال کے دوران رقم کی تخصیص درج ذیل ہے۔

(رقم ہزاروں میں)		
غیر مختص منافع	جنرل ریزرو	
2,044,557	2,278,935	اوپننگ بیلنس:
(1,771,702)	-	منفی: سال 2019 کے حتمی ڈیویڈنڈ 400 فیصد
(55,366)		جنرل ریزرو میں منتقلی
217,489	2,278,935	
1,776,553	-	ختم ہونے والے مالی سال 30 جون، 2020 کا منافع
(996,582)	-	منفی: سال 2020 کے عبوری ڈیویڈنڈ 200 فیصد
997,460	2,278,935	غیر مختص منافع کی کیری فارورڈ

فی حصص آمدن

30 جون 2020 کو ختم ہونے والے سال میں فی حصص آمدنی 43.16 روپے رہی جو کہ گزشتہ سال 73.01 (ریسٹریڈ) روپے تھی۔

ڈائریکٹرز کا مجموعی معاوضہ

30 جون 2020 کو ختم ہونے والے سال کیلئے ڈائریکٹرز کے معاوضہ کی تفصیل حسب ذیل ہے:

آزاد ڈائریکٹرز	نان ایگزیکٹو ڈائریکٹرز	ایگزیکٹو ڈائریکٹرز	چیف ایگزیکٹو آفیسر	ممبران کی تعداد
2	1	1	1	
روپے				
-	2,571,170	1,416,284	12,778,340	انتظامی معاوضہ
-	2,571,170	1,416,284	-	رہائشی الاؤنس کے اخراجات
-	761,834	590,844	3,534,154	بونس
-	1,157,027	637,328	5,750,250	گھر کا کرایہ
-	-	-	1,279,634	پروویڈنٹ فنڈ میں حصہ
-	298,289	789,783	276,113	طبی اخراجات
-	607,171	743,607	346,535	یوٹیلیٹی
1,150,000	1,195,016	896,545	2,162,559	دیگر ادائیگیاں
333,350	-	-	-	فیس

CORPORATE SOCIAL RESPONSIBILITY REPORT

CORPORATE SUSTAINABILITY

MTL strongly believes in discharging its responsibilities as a corporate citizen of Pakistan and acts as a contributory member of the society. MTL recognizes the importance of its employees, their work life balances, safety & security, reducing carbon footprints for better atmosphere, community uplift programs for the underprivileged, customers & products, ethical behavior, contribution to the national exchequer and community welfare programs.

MTL fulfills its Corporate Social Responsibilities (CSR) in a manner that positively impacts its customers, employees, shareholders, community, and the environment. The company demonstrates active corporate citizenship by promoting and patronizing various activities under its philanthropic and non-philanthropic CSR programs

EDUCATIONAL PATRONAGE

MTL promotes and patronizes multiple activities in the field of education under its CSR program. Children Education Award Scheme is one of such activities where the Company recognizes better educational performance of Employees' Children and awards scholarships.

The Company also recognises the significance of continuous learning and its importance in career development of its employees which eventually lead to benefit the society. Therefore, the Company provides assistance in improvement of educational qualification that outlines the relaxation in working hours to support educational initiatives of its employees.

The Company has donated Rs.200,000/- to Ghulam Ishaq Khan Institute of Engineering Sciences and Technology (GIKI), Sawabi, KPK, for financial assistance to GIKI Innovation Summit. Additionally, following educational/skill development and training activities were also supported:

- Internship opportunity was provided to 300 students of various disciplines, imparting practical knowledge related to their studies.
- Namal Education Foundation was donated Generator worth Rs. 4.8 Million

- Contribution of Rs.300,000/- was given to The Citizen Foundation for smooth operations of its Schools.
- A donation of Rs. 50,000 was given to Next Generation Pakistan, successfully managing Shamim Anwar Trust School.

ENVIRONMENTAL PROTECTION MEASURES

To combat the looming threat of global warming and its effects on the environment, a tree plantation drive was organized during the year whereby employees of the Company were facilitated to plant a tree within factory premises and nurture it to sustainable growth.

The Company also maintains in-house nurseries and vegetable farms to cultivate organic agricultural products and has also participated in various flower exhibitions throughout the year.

COMMUNITY WELFARE SCHEMES

MTL's CSR program patronizes several measures to protect the environment. One of these measures is active participation in flower shows.

Various sports activities were encouraged by the Company to bring the people together from various communities. A sum of Rs. 950,000 has been spent to sponsor Governor Cup Golf and Polo Tournament.

Contribution of Rs. 100,000 in fund raising event by Lahore Businessmen Association for rehabilitation of Disabled (LABARD).

Rs. 300,000 was donated to SOS Children Village.

CONSUMER PROTECTION

The company has modern production facility with a manufacturing capacity to meet the local as well as export requirements. The company continuously strives to provide a wide range of products built on global standards and powerful after sales support to its customers.

MTL also conducts multiple awareness programs and carries out surveys to obtain feedback from the market to improve its products. There are defined rules for customers' convenience, to directly contact the company in case of dissatisfaction.

Additionally, the Company has partnered with its principal M/s AGCO for round the year product improvement plans to exceed customers' expectations.

INDUSTRIAL RELATIONS

The Company is an equal opportunity employer and maintains a cordial relationship between the management and workforce. The management holds regular meetings with the labor union leaders to ensure all their needs are fulfilled and to provide a safe and friendly work environment. The Company also facilitates education of employees' children and also provides financial assistance to employees to fulfill their religious obligations like; Hajj under Company's Hajj Scheme.

In order to improve employee satisfaction and boost their morale, the company organizes various activities such as 'Annual Dinner' and 'Annual Gift Scheme'.

EMPLOYMENT OF PEOPLE WITH SPECIAL NEEDS

Since the company is an equal opportunity employer, it guarantees that its staffing process stays fair to physical disabilities subject to work requirements. Personnel with special physical needs are working in various capacities in Millat Tractors.

OCCUPATIONAL SAFETY AND HEALTH

MTL urges its workers to be vigilant and careful to ensure the wellbeing and safety of themselves and fellow workers. All employees are urged to follow strict health and safety protocols.

All of the personnel employed at factory premises are provided with appropriate PPEs and necessary safety apparatuses to ensure safe and secure working conditions.

In order to combat with the COVID-19, pandemic, MTL has taken vigorous precautionary steps to protect its employees from COVID-19 and spreading the disease. Around 7.5 Million has been spent on the purchase of PPE's, Masks, Disinfection Spray, and Sanitizers etc.

ETHICS AND ANTI-CORRUPTION

MTL strongly believes in ethical business operation and condemns all sorts of unethical practices while doing business. The company actively discourages all forms of corruption and any form of conduct that violates principles of business ethics. The company is fully committed to be compliant with all principles of fairness, transparency and integrity.

To ensure compliance with professional, ethical and moral code as well as legal measures, the company has a formal Code of Conduct. It is an integral part of the formal governance regime in the company and is the key element in the Millat's way of doing business. The way company wants to achieve its ambitious goals, is elaborated in the Code which forms its ethical foundation, values for guiding the right behavior and leadership attitudes for driving corporate culture in the desired direction. The code defines the core principles and ethical standards that form the basis to create value in the company. The defined principles and standards are further incorporated in other governing documents as appropriate. The purpose of the code is to highlight the standards of behavior and conduct of employees while dealing with customers, suppliers, clients, co-workers, management and the general public. The code highlights expected behavior as well as punitive measures against violations.

CORPORATE PHILANTHROPY

Beyond commercial activities, company has also contributed to spread awareness and knowledge in agriculture sector by sponsoring and participating exhibitions including; Pakistan Auto Parts Show organized by PAAPAM, Daily Duniya Kissan Dost Mela, Multan, All Pakistan

Music Conference, Kissan Convention and Exhibition, organized by Pakistan Academy for Rural Development, Peshawar.

کیلئے قوانین کی وضاحت بھی کی جاتی ہے اور انہیں کسی بھی صورت میں کمپنی سے رابطے کرنے کے بارے میں بھی آگاہ کیا جاتا ہے۔

مزید برآں کمپنی نے صارفین کی توقعات پر پورا اترنے اور سال بھر کے دوران پراڈکٹ میں بہتری کی تدابیر کرنے کے لئے اپنے پمپل M/s AGCO سے بھرپور شراکت داری قائم کئے رکھی۔

صنعتی تعلقات

کمپنی اپنے ملازمین کو برابری کی بنیاد پر ملازمت کے مواقع فراہم کرتی ہے اور اس کی انتظامیہ اور کام کرنے والے افراد کے درمیان ایک مضبوط تعلق قائم کئے رکھتی ہے۔ کمپنی کی انتظامیہ لیبر یونین کے لیڈرز سے مستقل بنیادوں پر رابطے میں رہتی ہے اور انہیں کام سے متعلق محفوظ اور بہترین ماحول فراہم کرنے کی ضمانت دیتی ہے۔ کمپنی ملازمین کے بچوں کو تعلیم کی فراہمی یقینی بناتی ہے اور اس کے علاوہ مذہبی فرائض مثلاً حج وغیرہ کی انجام دہی کیلئے کمپنی کی حج سکیم کے تحت انہیں مالی تعاون بھی فراہم کرتی ہے۔ ملازمین کے اعتماد کو برقرار رکھنے اور اُنکی مزید حوصلہ افزائی کے لئے کمپنی سالانہ فیملی ڈنر اور سالانہ گفٹ اسکیم جیسے اقدامات کا اہتمام کرتی رہتی ہے۔

معذور افراد کیلئے روزگار

چونکہ ایم ٹی ایل تمام افراد کو روزگار کے یکساں مواقع فراہم کرتی ہے۔ اس لئے یہ یقینی بنایا جاتا ہے کہ جسمانی معذور افراد کو بھی کام کرنے کے سزاگار مواقع فراہم کئے جائیں۔ اس وقت ایم ٹی ایل میں مختلف شعبوں میں معذور افراد کام کر رہے ہیں۔

پیشہ ورانہ تحفظ اور صحت

ایم ٹی ایل کی یکوشش ہوتی ہے کہ اس کے ملازمین اپنی اور اپنے ساتھ موجود دیگر ملازمین کی حفاظت کا خیال رکھیں۔ تمام نمائندوں صحت اور حفاظت کے اصولوں پر عملدرآمد کی تلقین کی جاتی ہے۔ کام ٹیکسٹری کے احاطہ میں کام کے ماحول کو محفوظ ترین بنانے کے لئے ملازمین کو مناسب پی پی ایز اور ضروری حفاظتی آلات مہیا کئے گئے ہیں۔

کرونا وائرس کے خلاف جنگ میں ایم ٹی ایل نے اپنے ملازمین کی حفاظت اور وبا کی روک تھام کیلئے انتہائی موثر حفاظتی اقدامات کیے۔ پی پی ایز کیلئے ماسک، ڈس انفیکشن سپرے اور سینٹائزر وغیرہ کی خریداری کیلئے 7.5 ملین روپے خرچ کیے گئے۔

کرپشن فری ماحول اور بنیادی اخلاقیات

ایم ٹی ایل کاروبار سے متعلقہ تمام تر اخلاقی اقدار پر عمل یقین رکھتے ہوئے کسی بھی قسم کی لاقانونیت اور بدعنوانی کی مذمت کرتی ہے۔ اس لئے کمپنی ہر طرح کی کرپشن اور کاروباری اقدار کی خلاف ورزی کرنے والے امور کی حوصلہ شکنی کرتی ہے۔ کمپنی اس بات کے لئے پرعزم ہے کہ شفافیت، عدل اور دیانت داری کے تمام اصولوں کی پاسداری کی جائے۔ کاروباری اور اخلاقی اصولوں کی پاسداری اور تمام تر قانونی اقدامات کو یقینی بنانے کے لئے کمپنی نے ایک باقاعدہ ضابطہ اخلاق ترتیب دیا ہے۔ یہ ضابطہ اخلاق کمپنی کی فارل گورننس اور ملت کے طرز کار و کاروبار کا بنیادی جزو ہے۔ اس ضابطہ اخلاق میں یہ بھی واضح کیا گیا ہے کمپنی اپنے تمام تر عزائم اور مقاصد کو پورا کرنا چاہتی ہے کیونکہ کارپوریٹ کلچر کو مطلوبہ سمت میں لے جانے کے لئے درست طرز کار اور بہترین لیڈرشپ رویہ بنیادی کردار ادا کرتا ہے۔ یہ ضابطہ اخلاق اُس معیار اور اُن بنیادی اصولوں کی وضاحت بھی کرتا ہے جن کی بنیاد پر ہم اپنی کمپنی میں اہم اقدار کو اجاگر کرتے ہیں۔ ان اصولوں اور معیارات کو دیگر انتظامی دستاویزات میں بھی شامل کیا گیا ہے۔ اس ضابطہ اخلاق کی ترتیب کا مقصد ملازمین کو یہ سکھانا ہے کہ وہ کس طرح اپنے کسٹمرز، سپلائرز، کلائینٹس، کوورکرز، مینجمنٹ اور عام لوگوں کے ساتھ تعلقات استوار کریں۔ ضابطہ اخلاق میں بہترین رویہ رکھنے اور خلاف ورزی پر جرمانے کے بارے میں بھی ملازمین کو آگاہ کیا گیا ہے۔

کارپوریٹ سیکٹرز سے متعلق مختلف سرگرمیاں

کمرشل سرگرمیوں کے ساتھ ساتھ کمپنی نے زرعی شعبے میں آگہی اور معلومات کے فروغ کیلئے بھی اپنا بھرپور کردار ادا کیا ہے۔ اس سلسلے میں کمپنی نے PAAPAM کی جانب سے آرگنائز کردہ پاکستان آٹو پارٹس شو، ڈیلی ڈونیا کسان دوست میلہ ملتان، آل پاکستان میوزک کانفرنس، پاکستان اکیڈمی برائے رورل ڈویلپمنٹ پشاور کی جانب سے منعقدہ کسان کنونشن اینڈ ایگزیشن، جیسی کئی دیگر تقریبات اور نمائشوں میں شرکت کی اور تعاون بھی فراہم کیا۔

سی ایس آر رپورٹ

کارپوریٹ منصوبوں کو برقرار رکھنا

- دی سٹیزن فاؤنڈیشن کو اپنے سکولوں کے امور بہتر طور پر چلانے کیلئے - 300,000 روپے دیئے گئے۔
- شمیم انور ٹرسٹ سکول کے امور کو کامیابی سے چلانے والی نیکسٹ جزیشن پاکستان کو - 50,000 روپے عطیہ دیا گیا۔

ماحولیاتی تحفظ سے متعلق اقدامات

گلوبل وارمنگ کے بڑھتے ہوئے خطرے اور ماحول پر اسکے اثرات کے پیش نظر سال بھر کے دوران کمپنی کی جانب سے درخت لگانے کی مہم کا اہتمام کیا گیا۔ جس کے تحت کمپنی ملازمین کو یہ موقع فراہم کیا گیا کہ وہ نہ صرف فیلڈری کے احاطہ میں پودے لگائیں بلکہ اُنکی افزائش کے لئے مکمل دیکھ بھال بھی کریں۔

اسکے ساتھ ساتھ کمپنی نے نامیاتی کاشتکاری کے لئے ان ہاؤس نرسریز اور ویٹیکل فارمز بھی بنائے ہیں جبکہ کمپنی سال بھر کے دوران ماحولیاتی پھولوں کی نمائش میں بڑھ چڑھ کر حصہ لیتی ہے۔

سماجی سرمایہ کاری اور فلاح و بہبود کے منصوبے

ایم ٹی ایل اپنے سی ایس آر پروگرام کے تحت ماحولیاتی تحفظ کے لئے کئی مفید اقدامات کو فروغ دیتی ہے۔ اس کا ایک عملی ثبوت پھولوں کی نمائشوں میں فعال شمولیت ہے۔

مختلف کیونٹریز کے لوگوں کو ایک پلیٹ فارم پر اکٹھا کرنے کیلئے کھیلوں کی مختلف سرگرمیوں کی حوصلہ افزائی کی جاتی ہے۔ اسکے علاوہ کمپنی نے گورنر کپ گالف اینڈ پولو ٹورنامنٹ کو سپانسر کرنے کے لئے 950,000 روپے صرف کیے۔ معذور افراد کی بحالی کیلئے لاہور ہرنس مین ایسوسی ایشن کی فنڈ ریزنگ مہم میں - 100,000 روپے دیئے گئے۔

ایس او ایس چلڈرن ویلج کیلئے - 300,000 روپے عطیہ کیے گئے۔

صارف کا تحفظ

کمپنی مقامی اور بین الاقوامی ضروریات کے مطابق پیداواری صلاحیت کی حامل جدید پروڈکشن کی سہولیات رکھتی ہے۔ کمپنی مسلسل بنیادوں پر اپنے صارفین کو عالمی معیار کے مطابق پراڈکٹس پہنچا رہی ہے، جس میں سیلز کے بعد بھی سروسز کی فراہمی کا موثر نظام شامل ہے۔

ایم ٹی ایل مختلف آگہی پروگرامز اور سروے منعقد کرواتی رہتی ہے تاکہ مارکیٹ سے ملنے والی تنقید کی بنیاد پر پراڈکٹس میں آنے والی مختلف خرابیوں کا ازالہ کیا جاسکے۔ اس کے ساتھ ساتھ کسٹمرز کی سہولت

ایم ٹی ایل پاکستان کا ایک کارپوریٹ شہری اور معاشرے کا ایک مستحکم ممبر ہونے کی حیثیت سے اپنی ذمہ داریاں نبھانے پر یقین رکھتا ہے۔ ایم ٹی ایل اپنے ملازمین کی اہمیت کو تسلیم کرتا ہے، اسی لئے وہ ان کی کام سے متعلق زندگی میں توازن، سہفٹی اور سیکورٹی، بہترین ماحول کے لئے کاربن کے اثرات میں کمی، سوسائٹی میں موجود محروم طبقات کی ترقی کے لئے ہر دم کوشاں رہتا ہے۔ اس کے علاوہ ایم ٹی ایل معاشرے میں کسٹمرز اور پراڈکٹس سے متعلق اخلاقی اقدار کو فروغ دے کر قومی سرمایہ میں حصہ داری اور فلاح و بہبود کے پروگراموں کی تشکیل پر بھی یقین رکھتا ہے۔

ایم ٹی ایل اپنی کارپوریٹ سماجی ذمہ داریوں کو ایسے مثبت انداز میں نبھاتا ہے کہ اس کے کسٹمرز، ملازمین، شیئر ہولڈرز، کیونٹریز اور ماحول پر اس کا مثبت اثر ہو۔ کمپنی اپنے (سی ایس آر پروگرام) جس میں رفاہی و غیر رفاہی سرگرمیاں شامل ہیں میں کارپوریٹ سہنہٹپ کے حوالے سے ایک فعال کردار ادا کر رہی ہے۔

تعلیمی خدمات

ایم ٹی ایل اپنے سی ایس آر پروگرام کے تحت تعلیمی شعبے میں گراں قدر خدمات کی انجام دہی اور توجہ یقینی بناتی ہے۔ چلڈرن ایجوکیشن ایوارڈز اسکیم بھی ان اقدامات میں سے ایک ہے جس کے ذریعے کمپنی ملازمین کے بچوں کی بہتر کارکردگی کو سراہتی ہے اور اُنکی تعلیم کے لئے سکا لرشپ مہیا کرتی ہے۔

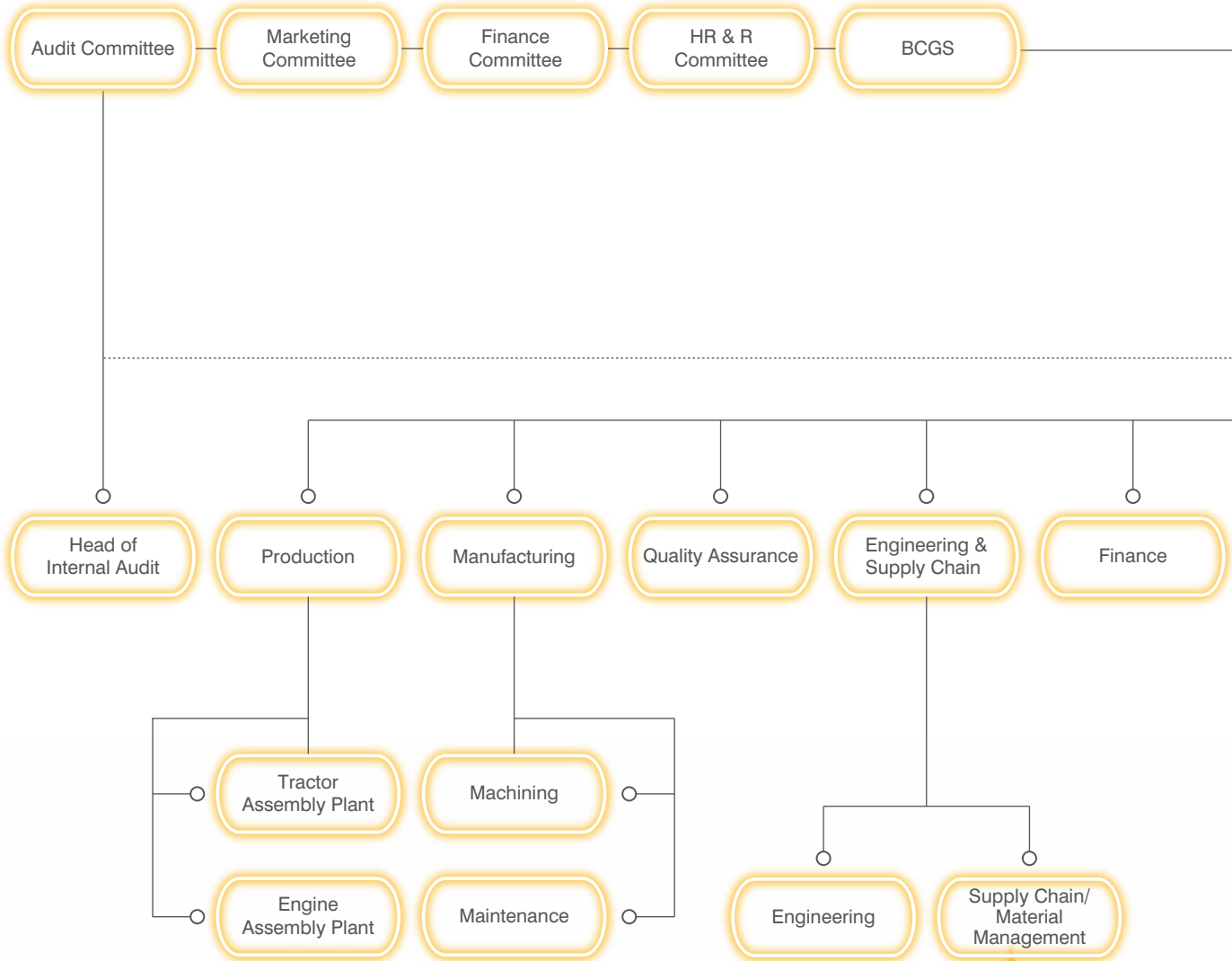
کمپنی اس بات پر بھی یقین رکھتی ہے کہ سیکھنے کا مسلسل عمل ملازمین کی تعمیر و ترقی میں اہم کردار ادا کر کے معاشرے کے لئے فائدے مند ثابت ہو سکتا ہے۔ اس لئے کمپنی اپنے ملازمین کے اوقات کار میں نرمی پیدا کر کے تعلیم کے حصول کے لئے اُنکی مدد کرتی ہے۔ تاکہ اُن کی زندگی اور اُنکی ملازمت کے درمیان ایک توازن پیدا ہو سکے۔

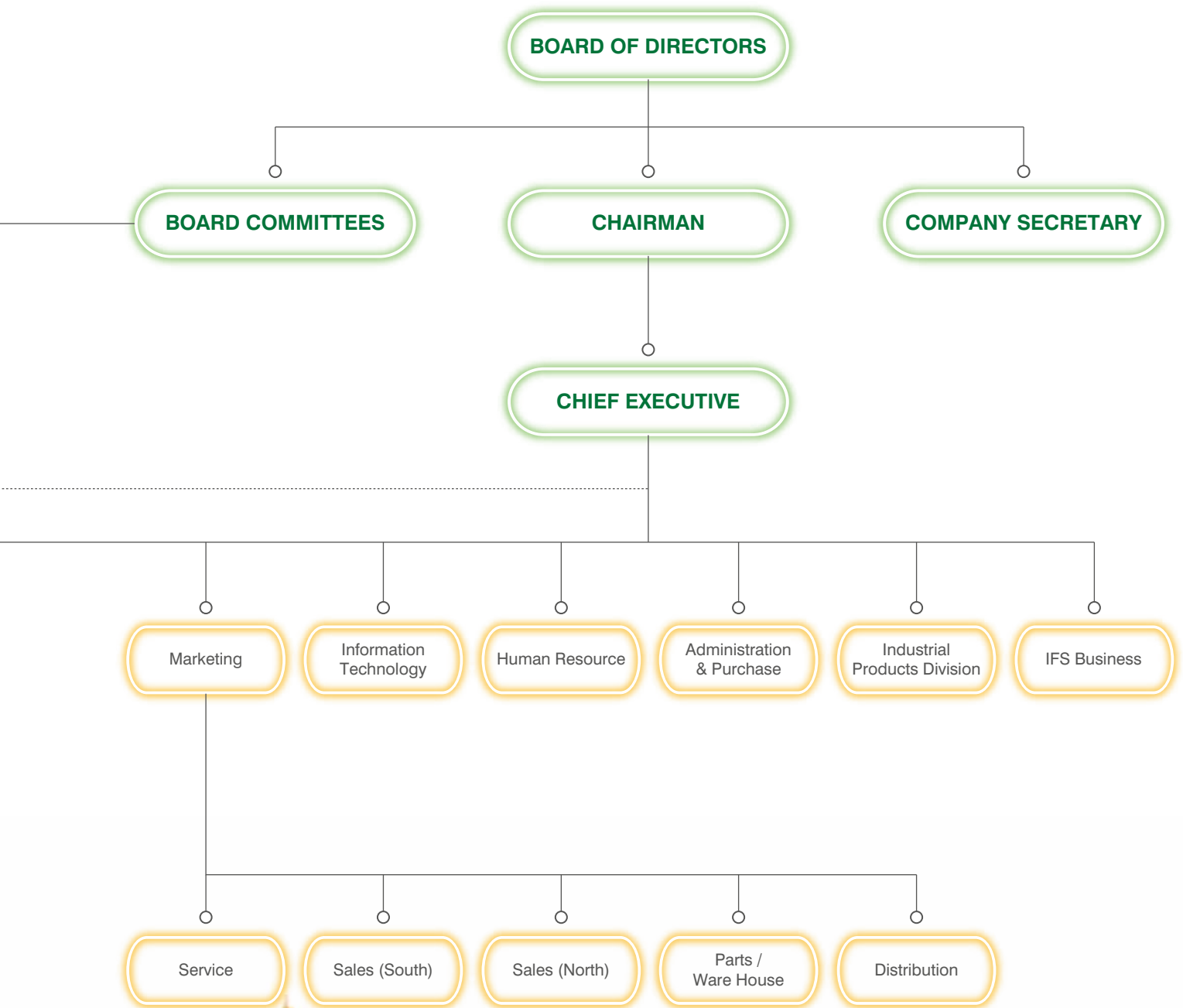
کمپنی نے غلام اسحاق خان انسٹی ٹیوٹ آف انجینئرنگ سائنسز اینڈ ٹیکنالوجی (GIKI) صوابی، خیبر پختونخوا کو GIKI انوویشن سٹ میں مالی معاونت کیلئے - 200,000 روپے عطیہ پیش کیا۔ اس کے ساتھ ساتھ مندرجہ ذیل تعلیمی اور تربیتی سرگرمیوں کے لئے بھی کمپنی کی جانب سے غیر معمولی تعاون فراہم کیا گیا۔

- مزید براں مختلف شعبہ جات کے 300 طلباء کو اُنکی تعلیم سے متعلقہ عملی تعلیم کے حوالے سے انٹرنشپ کے مواقع فراہم کئے گئے۔

- نمل ایجوکیشن فاؤنڈیشن کو 4.8 ملین روپے لاگت کا حامل جزیٹ عطیہ کیا گیا۔

ORGANIZATION STRUCTURE





STATEMENT ON COVID-19

The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. On March 23, 2020, the Government of the Punjab announced a temporary lock down as a measure to reduce the spread of the COVID-19. Complying with the lockdown, the Company temporarily suspended its operations from March 24, 2020. In the Company's case, the lockdown was subsequently relaxed from March 30, 2020. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, i.e. screening of employees including any visitor at the time of entrance, guiding the staff to wear masks and maintain social distancing etc. Company henceforth resumed its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business in order to maintain business performance despite slowed down economic activity. The lockdown has caused disruptions in supply chain including supply of tractors to the customers resulting in a decline in sales. Consequently, revenue decreased by Rs. 8,202 million (26.33%) as compared to prior

year due to decrease in volumes - refer to notes 34 and 51. However, agriculture industry has not been impacted much by the pandemic due to which slow trend in sales changed right after the harvesting season of wheat, where the buying power of farmers have strengthened which ultimately resulted in recovery of sales volume till year end. Having sufficient orders in hand as at June 30, 2020, entity would not anticipate any material effects on its operating activities in future.

Further, the Company believes that their current liquidity availability provides them with sufficient financial resources to meet their anticipated working capital requirements and obligations as they come due. Potential valuation adjustments to our asset / liability base, as a result of the possible impact of COVID-19 on our future profitability and cash flow generation, were assessed and no significant adjustments were required.

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



CONFLICT OF INTEREST POLICY

The Board of Directors has an approved conflict of interest policy. The policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between Millat Tractors Limited and any of its Related Parties in compliance with applicable laws and regulations as may be amended from time to time.

This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material transactions.



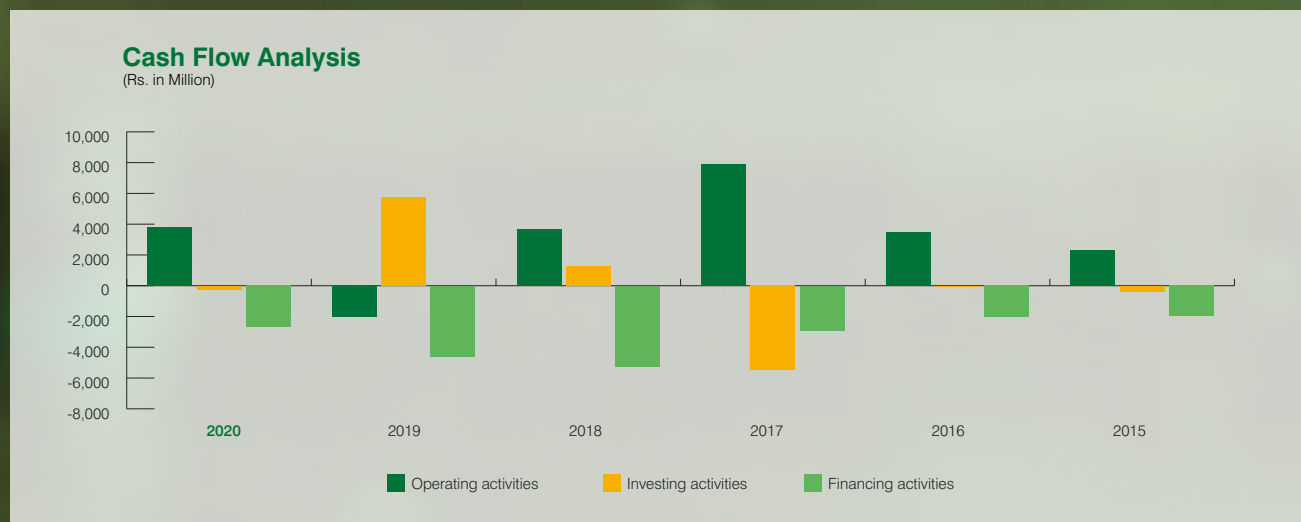


A wireframe globe is centered in the image, rendered in a light blue color. The globe is composed of a grid of lines forming the continents. Overlaid on the globe is a network of white dots connected by thin white lines, creating a digital or data network effect. The background is a dark blue gradient with some light blue bokeh effects. The text 'PERFORMANCE & POSITION' is written in a bold, white, sans-serif font, centered horizontally and positioned in the lower half of the image.

**PERFORMANCE
& POSITION**

SUMMARY OF CASH FLOWS

	2020	2019	2018	2017	2016	2015
						(Rupees in thousand)
Net Cash from / (Used in)						
Operating activities	3,787,567	(2,030,323)	3,655,560	7,900,148	3,468,778	2,294,250
Investing activities	(237,886)	5,734,138	1,296,563	(5,483,184)	42,456	(371,970)
Financing activities	(2,682,207)	(4,611,967)	(5,252,986)	(2,918,213)	(2,031,152)	(1,958,284)
Net increase / (decrease) in cash and cash equivalent	867,474	(908,152)	(300,863)	(501,249)	1,480,082	(36,004)
Cash and cash equivalent at the beginning of the year	851,988	1,760,140	2,061,003	2,562,252	1,082,170	1,118,174
Cash and cash equivalent at the end of the year	1,719,462	851,988	1,760,140	2,061,003	2,562,252	1,082,170



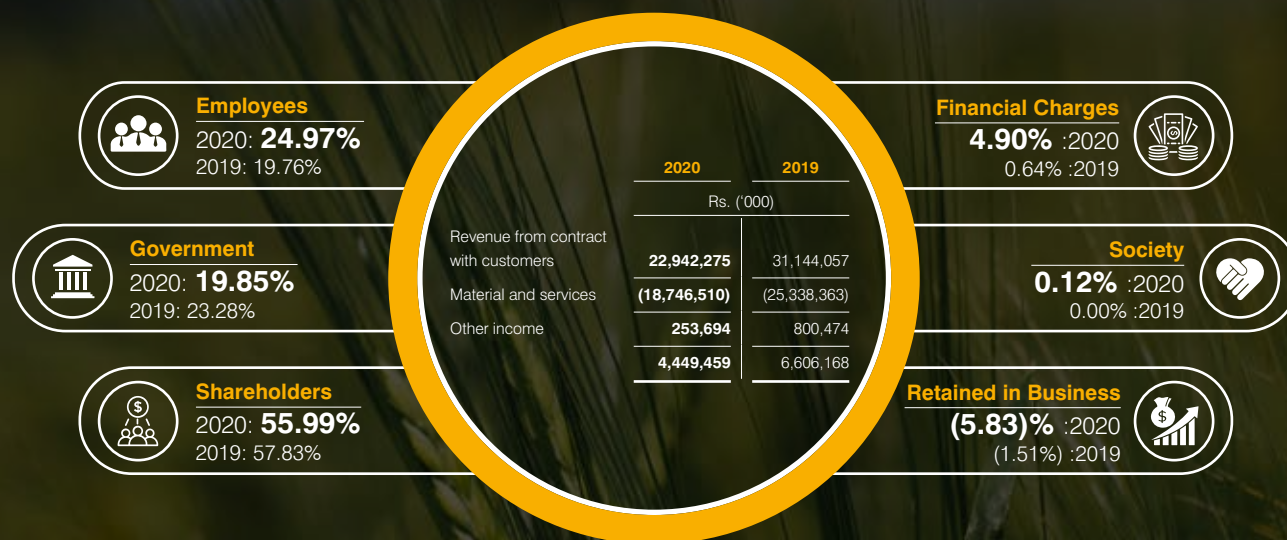


SIX YEARS AT A GLANCE

		2020	2019	2018	2017	2016	2015
Profit & Loss Summary							
Revenue from contract with customers	Rs thousand	22,942,275	31,144,057	38,517,147	30,013,921	16,913,832	22,937,917
Gross profit	Rs thousand	4,245,596	5,946,367	8,434,775	7,097,329	3,335,860	4,396,469
Operating profit	Rs thousand	3,187,471	5,124,905	7,782,358	6,244,414	2,636,106	3,601,749
Profit before tax	Rs thousand	2,969,635	5,082,861	7,779,868	6,242,233	2,620,806	3,592,389
Profit after tax	Rs thousand	2,150,548	3,638,045	5,334,362	4,257,533	1,750,298	2,382,421
Earning before interest, tax, depreciation & amortization (EBITDA)	Rs thousand	3,267,847	5,205,787	7,864,556	6,315,879	2,701,146	3,673,462
Balance Sheet Summary							
Share capital	Rs thousand	498,292	442,926	442,926	442,926	442,926	442,926
General reserves	Rs thousand	2,278,935	2,278,935	2,278,935	2,278,935	2,895,519	3,116,706
Property, plant & equipment	Rs thousand	667,980	718,559	700,763	717,873	448,130	485,721
Other Non current assets	Rs thousand	2,354,967	1,891,604	994,243	790,395	882,548	984,201
Current assets	Rs thousand	7,781,665	7,964,021	14,876,359	15,622,341	8,320,644	6,239,303
Current liabilities	Rs thousand	6,400,770	5,728,286	10,822,231	11,350,121	5,407,391	2,976,973
Net working capital	Rs thousand	1,380,895	2,235,735	4,054,128	4,272,220	2,913,253	3,262,330
Long term / deferred liabilities	Rs thousand	331,766	12,731	94,310	30,635	102,171	20,809
Profitability Ratios							
Gross profit	%	18.51	19.09	21.90	23.65	19.72	19.17
Operating profit	%	13.89	16.46	20.20	20.81	15.59	15.70
Profit before tax	%	12.94	16.32	20.20	20.80	15.50	15.66
Net profit after tax	%	9.37	11.68	13.85	14.19	10.35	10.39
EBITDA margin	%	14.24	16.72	20.42	21.04	15.97	16.01
Operating leverage	%	1.44	1.79	0.87	1.77	1.02	1.55
Return on equity	%	52.81	75.27	94.33	74.05	42.26	50.57
Return on capital employed	%	84.44	107.52	165.35	112.08	65.08	77.52
Return on assets	%	27.48	48.07	46.95	36.44	27.15	46.60
Liquidity Ratios							
Current	Times	1.22:1	1.39:1	1.37:1	1.38:1	1.54:1	2.1:1
Quick / Acid test	Times	1.06:1	0.81:1	0.98:1	1.04:1	1.05:1	1.24:1
Cash to current liabilities	Times	0.27:1	0.15:1	0.05:1	0.18:1	0.47:1	0.36:1
Cash flow from operations to sales	Times	0.17:1	0.07:1	0.09:1	0.26:1	0.21:1	0.10:1
Activity / Turnover Ratios							
Inventory turnover ratio	Times	4.32	6.10	7.36	7.14	5.23	7.28
No. of Days in Inventory	Days	85	60	50	51	70	50
Debtor turnover ratio	Times	308.61	555.08	310.12	127.99	71.00	149.87
No. of Days in Receivables	Days	1	1	1	3	5	2
Creditor turnover ratio	Times	9.61	18.13	32.17	23.44	13.79	19.99
No. of Days in Creditors	Days	38	20	11	16	26	18
Total assets turnover ratio	Times	2.12	2.95	2.32	1.75	1.75	2.98
Fixed assets turnover ratio	Times	34.19	42.58	52.95	41.41	25.12	32.99
Operating cycle	Days	48	40	39	38	48	34
Investment / Market Ratios							
Earning per share (after tax)	Rs	43.16	73.01	120.43	96.12	39.52	53.79
Price earning	Times	16.36	11.81	9.86	14.30	14.43	12.75
Dividend yield	%	7.21	8.96	9.58	9.59	8.61	8.93
Dividend payout ratio (after tax)	%	115.85	116.42	99.64	98.83	126.53	97.60
Dividend cover	Times	0.86	0.97	1.00	1.13	0.79	1.02
Cash Dividend per share	Rs	50	85	120	95	50	52.5
Bonus per share	%	-	12.50	-	-	-	-
Market value per share:							
Year end	Rs	706.16	862.38	1,188.06	1,374.44	570.25	685.82
During the year:							
Highest	Rs	863.58	1,254.39	1,430.00	1,575.99	705.00	710.99
Average	Rs	693.59	948.36	1,253.16	991.10	580.95	587.99
Lowest	Rs	468.49	751.75	1,050.00	538.00	460.00	465.00
Break-up value per share (With surplus on revaluation of fixed assets)	Rs	81.72	96.99	127.67	129.82	93.51	106.37
Capital Structure Ratios							
Debt to Equity ratio	Times	0.03 : 100	0 : 100	0 : 100	0 : 100	0 : 100	0 : 100
Financial charges coverage	Times	14	132	149,614	29,726	245	444

STATEMENT OF VALUE ADDITION & ITS DISTRIBUTION

VALUE ADDITION



VALUE DISTRIBUTION

	2020		2019	
	Rs. ('000)	%	Rs. ('000)	%
Employees				
Salaries wages and ammenities	950,915	21.37	1,033,159	15.64
Worker's profit participation fund	160,070	3.60	272,426	4.12
	1,110,985	24.97	1,305,585	19.76
Government				
Tax	819,087	18.41	1,444,816	21.87
Workers welfare fund	64,028	1.44	93,225	1.41
	883,115	19.85	1,538,041	23.28
Share holders				
Cash Dividend	2,491,455	55.99	3,764,869	56.99
Bouns Shares	-	-	55,366	0.84
	2,491,455	55.99	3,820,235	57.83
Financial Charges				
Finance Cost	217,836	4.90	42,044	0.64
	217,836	4.90	42,044	0.64
Society				
Donation	5,559	0.12	100	0.00
	5,559	0.12	100	0.00
Retained in business				
Depreciation	81,416	1.83	82,353	1.25
(Drawn) / Retained profit	(340,907)	(7.66)	(182,190)	(2.76)
	(259,491)	(5.83)	(99,837)	(1.51)
	4,449,459	100.00	6,606,168	100.00

HORIZONTAL ANALYSIS

	2020		2019	
	Increase/(Decrease) from last year		Increase/(Decrease) from last year	
	Rs. ('000)	%	Rs. ('000)	%
Statement of Financial Position				
Property, plant and equipment	667,980	(7.04)	718,559	2.54
Capital work in progress	2,945	(77.04)	12,827	(51.87)
Right-of-use assets	12,931	100.00	-	-
Intangible assets	41,405	922.85	4,048	100.00
Investment property	255,708	-	255,708	-
Long term investments	2,039,726	47.39	1,383,879	95.10
Long term loans	2,252	(20.31)	2,826	9.24
Deferred tax asset - net	-	(100.00)	12,797	100.00
Employee benefits	-	(100.00)	219,519	100.00
Stores, spares parts and loose tools	157,399	4.38	150,799	14.88
Stock in trade	3,857,166	22.50	3,148,589	(24.26)
Trade debts	102,044	118.80	46,637	(28.88)
Loans and advances	51,869	(54.45)	113,876	191.76
Trade deposits and prepayments	43,382	(6.63)	46,461	185.35
Balance with statutory authorities	1,032,656	(54.11)	2,250,219	17.83
Other receivables	38,710	(55.52)	87,023	97.25
Tax refunds due from Government	778,977	(38.59)	1,268,429	74.85
Short term investments	-	-	-	(100.00)
Cash and bank balances	1,719,462	101.82	851,988	63.80
Total Assets	10,804,612	2.18	10,574,184	(36.19)
Share holder's equity	4,072,076	(15.75)	4,833,167	(14.53)
Non Current Liabilities	331,766	2,505.97	12,731	(86.50)
Current Liabilities	6,400,770	11.74	5,728,286	(47.07)
Total Liabilities and Equity	10,804,612	2.18	10,574,184	(36.19)
Profit & Loss				
Revenue from contract with customers	22,942,275	(26.33)	31,144,057	(19.14)
Cost of sales	18,696,679	(25.80)	25,197,690	(16.24)
Gross profit	4,245,596	(28.60)	5,946,367	(29.50)
Distribution and marketing expenses	567,838	(1.93)	579,004	(8.06)
Administrative expenses	448,178	0.41	446,327	(9.33)
Other operating income	253,694	(68.31)	800,474	(23.51)
Other operating expenses	295,803	(50.42)	596,605	3.43
Operating profit	3,187,471	(37.80)	5,124,905	(34.15)
Finance costs	217,836	418.11	42,044	1,588.51
Profit before tax	2,969,635	(41.58)	5,082,861	(34.67)
Taxation	819,087	(43.31)	1,444,816	(40.92)
Profit after tax	2,150,548	(40.89)	3,638,045	(31.80)

2018		2017		2016		2015	
Increase/(Decrease) from last year		Increase/(Decrease) from last year		Increase/(Decrease) from last year		Increase/(Decrease) from last year	
Rs. ('000)	%	Rs. ('000)	%	Rs. ('000)	%	Rs. ('000)	%
700,763	(2.38)	717,873	60.2	448,130	(7.7)	485,721	0.9
26,648	282.10	6,974	(96.9)	225,134	7.4	209,660	(1.3)
-	-	-	-	-	-	-	-
-	(100.00)	897	(72.8)	3,295	(14.8)	3,867	(34.3)
255,708	-	255,708	-	255,708	-	255,708	-
709,300	46.47	484,279	22.0	396,928	7.4	369,543	6.9
2,587	0.47	2,575	73.6	1,483	(22.4)	1,911	(1.5)
-	-	-	-	-	-	-	-
-	(100.00)	39,962	100.0	-	(100.0)	143,512	(51.2)
131,266	10.84	118,431	5.8	111,913	4.5	107,141	(11.4)
4,157,062	14.00	3,646,581	43.3	2,545,484	4.8	2,429,982	(0.2)
65,578	(66.25)	194,311	(32.1)	286,194	55.2	184,377	51.5
39,031	(28.37)	54,488	(24.4)	72,071	4.9	68,683	(43.7)
16,282	(16.98)	19,611	(19.5)	24,366	7.1	22,748	(6.0)
1,909,792	(24.41)	2,526,588	113.4	1,184,143	54.3	767,295	141.4
44,118	(54.63)	97,246	(7.2)	104,756	70.3	61,506	(48.6)
725,454	290.27	185,886	(70.5)	629,148	(22.8)	815,198	(13.5)
7,267,636	8.18	6,718,196	739.4	800,317	14.3	700,203	600.2
520,140	(74.76)	2,061,003	(19.6)	2,562,252	136.8	1,082,170	(3.2)
16,571,365	(3.26)	17,130,609	77.5	9,651,322	25.2	7,709,225	9.8
5,654,824	(1.65)	5,749,853	38.8	4,141,760	(12.1)	4,711,443	5.0
94,310	207.85	30,635	(70.0)	102,171	391.0	20,809	(29.3)
10,822,231	(4.65)	11,350,121	109.9	5,407,391	81.6	2,976,973	19.0
16,571,365	(3.26)	17,130,609	77.5	9,651,322	25.2	7,709,225	9.8
38,517,147	28.33	30,013,921	77.5	16,913,832	(26.3)	22,937,917	38.3
30,082,372	31.27	22,916,592	68.8	13,577,972	(26.8)	18,541,448	36.2
8,434,775	18.84	7,097,329	112.8	3,335,860	(24.1)	4,396,469	47.7
629,779	17.38	536,522	53.2	350,155	(32.0)	515,007	5.7
492,280	4.40	471,550	10.9	425,327	1.4	419,320	14.5
1,046,461	71.53	610,091	124.1	272,249	(32.6)	404,157	35.0
576,819	26.79	454,934	131.5	196,521	(25.7)	264,550	65.3
7,782,358	24.63	6,244,414	136.9	2,636,106	(26.8)	3,601,749	59.2
2,490	14.17	2,181	(85.7)	15,300	63.5	9,360	(88.2)
7,779,868	24.63	6,242,233	138.2	2,620,806	(27.0)	3,592,389	64.5
2,445,506	23.22	1,984,700	128.0	870,508	(28.1)	1,209,968	72.5
5,334,362	25.29	4,257,533	143.2	1,750,298	(26.5)	2,382,421	60.8

VERTICAL ANALYSIS

	2020		2019	
	Rs. ('000)	%	Rs. ('000)	%
Statement of Financial Position				
Property, plant and equipment	667,980	6.2	718,559	6.8
Capital work in progress	2,945	0.0	12,827	0.1
Right-of-use assets	12,931	0.1	-	-
Intangible assets	41,405	0.4	4,048	0.0
Investment property	255,708	2.4	255,708	2.4
Long term investments	2,039,726	18.9	1,383,879	13.1
Long term loans	2,252	0.0	2,826	0.0
Deferred tax asset - net	-	-	12,797	0.1
Employee benefits	-	-	219,519	2.1
Stores, spares parts and loose tools	157,399	1.5	150,799	1.4
Stock in trade	3,857,166	35.7	3,148,589	29.8
Trade debts	102,044	0.9	46,637	0.4
Loans and advances	51,869	0.5	113,876	1.1
Trade deposits and prepayments	43,382	0.4	46,461	0.4
Balance with statutory authorities	1,032,656	9.6	2,250,219	21.3
Other receivables	38,710	0.4	87,023	0.8
Tax refunds due from Government	778,977	7.2	1,268,429	12.0
Short term investments	-	-	-	-
Cash and bank balances	1,719,462	15.9	851,988	8.1
Total Assets	10,804,612	100.0	10,574,184	100.0
Share holder's equity	4,072,076	37.7	4,833,167	45.7
Non Current Liabilities	331,766	3.1	12,731	0.1
Current Liabilities	6,400,770	59.2	5,728,286	54.2
Total Liabilities and Equity	10,804,612	100.0	10,574,184	100.0
Profit & Loss				
Revenue from contract with customers	22,942,275	100.0	31,144,057	100.0
Cost of sales	18,696,679	81.5	25,197,690	80.9
Gross profit	4,245,596	18.5	5,946,367	19.1
Distribution and marketing expenses	567,838	2.5	579,004	1.9
Administrative expenses	448,178	2.0	446,327	1.4
Other operating expenses	295,803	1.3	596,605	1.9
Other operating income	253,694	1.1	800,474	2.6
Operating profit	3,187,471	13.9	5,124,905	16.5
Finance costs	217,836	0.9	42,044	0.1
Profit before tax	2,969,635	12.9	5,082,861	16.3
Taxation	819,087	3.6	1,444,816	4.6
Profit after tax	2,150,548	9.4	3,638,045	11.7

2018		2017		2016		2015	
Rs. ('000)	%	Rs. ('000)	%	Rs. ('000)	%	Rs. ('000)	%
700,763	4.2	717,873	4.2	448,130	4.6	485,721	6.3
26,648	0.2	6,974	0.0	225,134	2.3	209,660	2.7
-	-	-	-	-	-	-	-
-	-	897	0.0	3,295	0.0	3,867	0.1
255,708	1.5	255,708	1.5	255,708	2.6	255,708	3.3
709,300	4.3	484,279	2.8	396,928	4.1	369,543	4.8
2,587	0.0	2,575	0.0	1,483	0.0	1,911	0.0
-	-	-	-	-	-	-	-
-	-	39,962	0.2	-	-	143,512	1.9
131,266	0.8	118,431	0.7	111,913	1.2	107,141	1.4
4,157,062	25.1	3,646,581	21.3	2,545,484	26.4	2,429,982	31.5
65,578	0.4	194,311	1.1	286,194	3.0	184,377	2.4
39,031	0.2	54,488	0.3	72,071	0.7	68,683	0.9
16,282	0.1	19,611	0.1	24,366	0.3	22,748	0.3
1,909,792	11.5	2,526,588	14.7	1,184,143	12.3	767,295	10.0
44,118	0.3	97,246	0.6	104,756	1.1	61,506	0.8
725,454	4.4	185,886	1.1	629,148	6.5	815,198	10.6
7,267,636	43.9	6,718,196	39.2	800,317	8.3	700,203	9.1
520,140	3.1	2,061,003	12.0	2,562,252	26.5	1,082,170	14.0
16,571,365	100.0	17,130,609	100.0	9,651,322	100.0	7,709,225	100.0
5,654,824	34.1	5,749,853	33.6	4,141,760	42.9	4,711,443	61.1
94,310	0.6	30,635	0.2	102,171	1.1	20,809	0.3
10,822,231	65.3	11,350,121	66.3	5,407,391	56.0	2,976,973	38.6
16,571,365	100.0	17,130,609	100.0	9,651,322	100.0	7,709,225	100.0
38,517,147	100.0	30,013,921	100.0	16,913,832	100.0	22,937,917	100.0
30,082,372	78.1	22,916,592	76.4	13,577,972	80.3	18,541,448	80.8
8,434,775	21.9	7,097,329	23.6	3,335,860	19.7	4,396,469	19.2
629,779	1.6	536,522	1.8	350,155	2.1	515,007	2.2
492,280	1.3	471,550	1.6	425,327	2.5	419,320	1.8
576,819	1.5	454,934	1.5	196,521	1.2	264,550	1.2
1,046,461	2.7	610,091	2.0	272,249	1.6	404,157	1.8
7,782,358	20.2	6,244,414	20.8	2,636,106	15.6	3,601,749	15.7
2,490	0.0	2,181	0.0	15,300	0.1	9,360	0.0
7,779,868	20.2	6,242,233	20.8	2,620,806	15.5	3,592,389	15.7
2,445,506	6.3	1,984,700	6.6	870,508	5.1	1,209,968	5.3
5,334,362	13.8	4,257,533	14.2	1,750,298	10.3	2,382,421	10.4

COMMENTARY ON FINANCIAL RESULTS

PROFITABILITY

Gross profit margin has decreased by 58 basis points owing to increase in cost of production, Pak rupee devaluation and overall increase in consumer price index.

Decrease in operating profit is largely due to reduction in income from short term investments and dividend income.

Resultantly, profit before tax was lower as compared to last year. Finance cost increased due to utilization of short-term borrowing owing to liquidity shortage on account of pending sales tax refunds and reduced demand.

LIQUIDITY

The company's short-term liquidity remained healthy as quick ratio remained above one which is a healthy sign. Net operating cycle increased by 8 days as payments tenure had to be rationalized. Overall, the balance sheet remains healthy and no short-term or long-term issues are envisaged.

SOLVENCY

The company did not rely on long-term financing throughout the year except for utilizing State Bank's employees' long-term financing facility to fund salary payments. The loan carries nominal interest rate which will not impact profitability.

INVESTOR

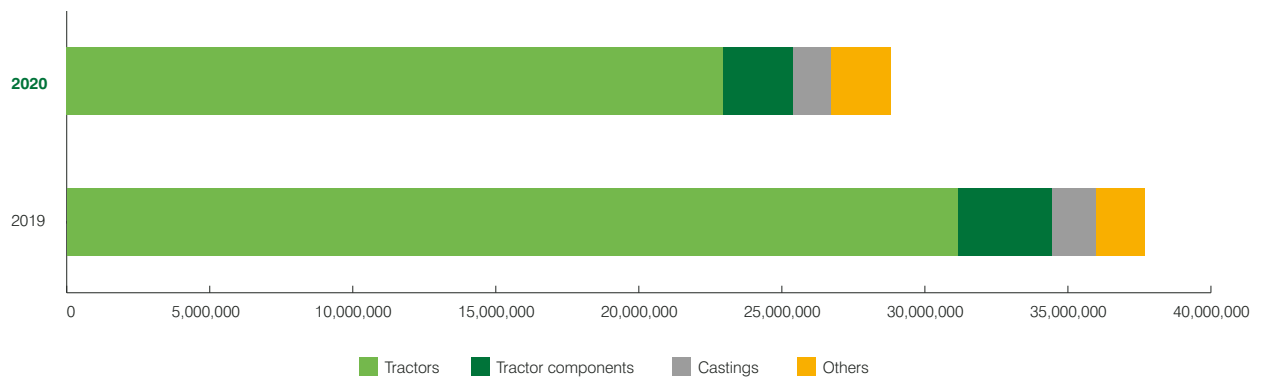
EPS decreased because of reduction in net profits as well as increase in equity after issuance of bonus shares during the year. Market price per share reacted adversely to breakout of COVID-19 pandemic but stabilized quickly thereafter.



SEGMENTAL REVIEW OF BUSINESS PERFORMANCE

Millat group of companies are closely integrated with one another where subsidiary companies supply valuable input to the parent entity. The operating segment information is given in Note 52 to the consolidated financial statements. A brief analysis of the same is presented below:

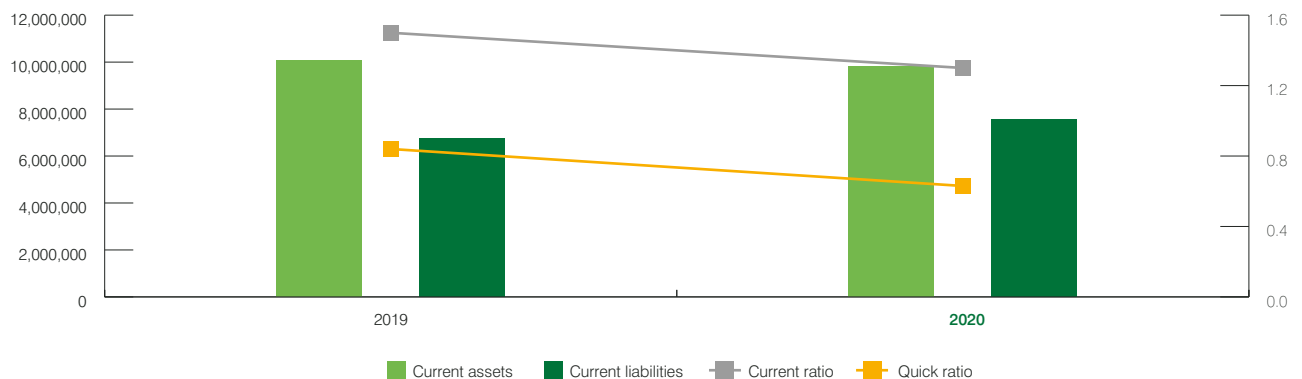
Revenue - Net (Rs in thousand)



Due to decrease in tractor sales, other segments also showed decrease in revenue earned during the year except for export segment which witnessed highest ever sales in a fiscal year. Thanks to aggressive marketing push and co-operation of government of Pakistan, the export segment was able to achieve more than PKR 1 billion in revenue.

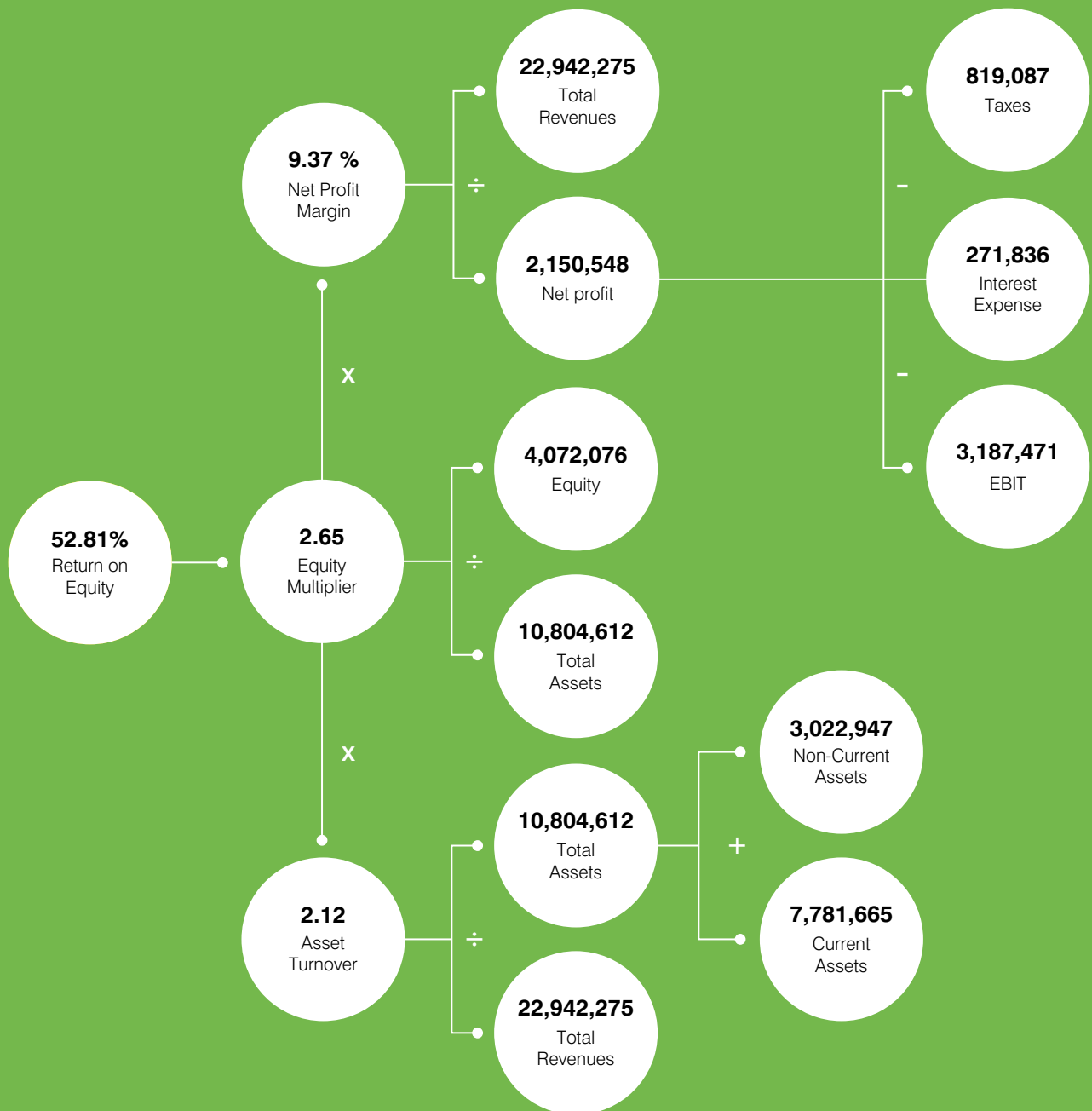
Since the group is vertically integrated, performance of tractor segment directly impacts other operating segments as evident above. Resultantly, profitability moved in the same direction as that of revenue.

Liquidity - Group (Rs in thousand)



Overall liquidity has decreased slightly because of increase in current liabilities. This was caused by liquidity crunch faced due to the onset of COVID-19 pandemic. Near and subsequent to year-end performance started to improve gradually. However, overall position is stable.

DUPONT ANALYSIS



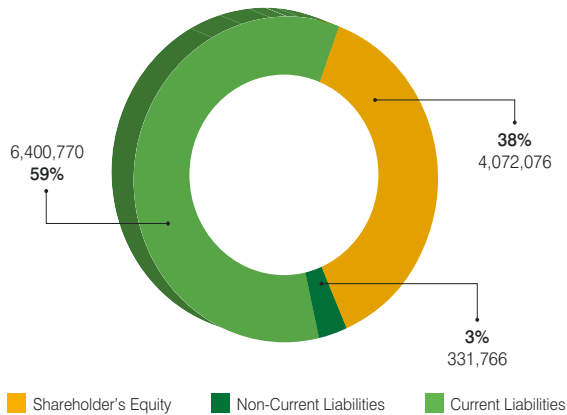
Rupees in Thousand

GRAPHICAL ANALYSIS OF STATEMENT OF FINANCIAL POSITION

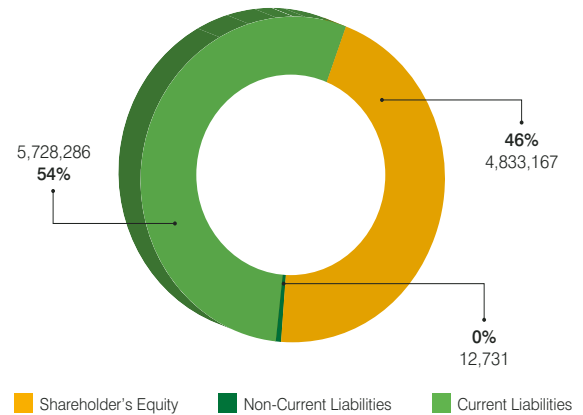
(Rupees in Thousand)

EQUITY AND LIABILITIES

2019-20

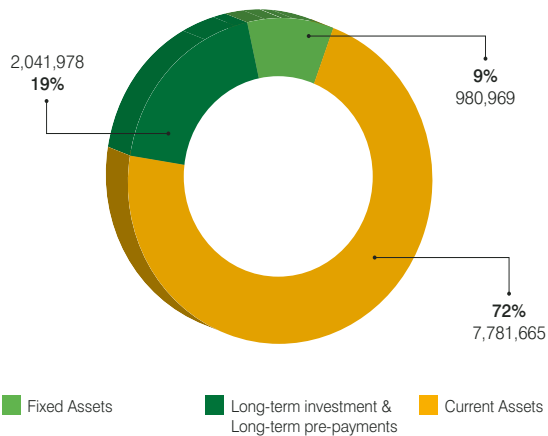


2018-19

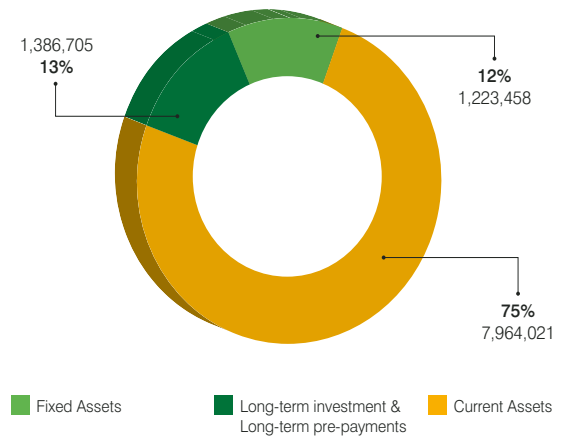


ASSETS

2019-20



2018-19





CORPORATE COMPLIANCE AND FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MILLAT TRACTORS LIMITED

Review Report on the Statement of Compliance Contained in Listed Companies (Code Of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Millat Tractors Limited (the Company) for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2020.

**Chartered Accountants**

Lahore

Date: September 30, 2020

A.F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
23-C, Aziz Avenue, Canal Bank, Gulberg-V, P.O.Box 39, Lahore-54660, Pakistan
Tel: +92 (42) 3571 5868-71 / 3577 5747-50; Fax: +92 (42) 3577 5754 www.pwc.com/pk

STATEMENT OF COMPLIANCE

WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

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

1. The total number of directors are eight as per the following:

- a. Male: seven
- b. Female: one

2. The composition of board is as follows:

Category	Names
i) Independent Directors	Mr. Saad Iqbal Mrs. Ambreen Waheed (Female Director)
ii) Non-executive Directors	Mr. Sikandar Mustafa Khan Mr. Latif Khalid Hashmi Mr. Laeeq Uddin Ansari Mian Muhammad Saleem
iii) Executive Directors	Syed M. Irfan Aqueel, CEO Mr. Sohail Bashir Rana

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company; (excluding the listed subsidiaries of listed holding companies)

4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;

5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board Has ensured that complete record of particulars of significant policies along with the date of approval or updating is maintained by the company;

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/shareholders as empowered by the relevant provisions of the Act and these Regulations;

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The board has complied with the requirements of Act and Regulations with respect to frequency, recording and circulating minutes of meeting of Board;

8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;

9. No Directors' Training program was arranged by the Board during the year. However, all directors have either acquired the prescribed certification in previous years or meet exemption criteria as contained in these regulations;

10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;

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

a) Audit Committee

Mr. Saad Iqbal, Chairman- Independent Director
Mr. Latif Khalid Hashmi, Member
Mr. Laeeq Uddin Ansari, Member
Mrs. Ambreen Waheed, Member

b) HR and Remuneration Committee

Mr. Saad Iqbal, Chairman- Independent Director
Mr. Laeeq Uddin Ansari, Member
Mian Muhammad Saleem, Member
Mrs. Ambreen Waheed, Member
Syed Muhammad Irfan Aqueel, Member

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

14. The frequency of meetings (quarterly/half yearly/yearly) of the committee were as per following:

- a) Audit Committee 05 meetings
- b) HR and Remuneration Committee 01 meeting

15. The Board has set up and effective internal audit function, the staff is suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative(spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all other requirements of the regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with, except the fraction rounding up requirement of regulation 6(1) i.e. one third of Board, due to no specific guideline on the matter under the Code of Corporate Governance, 2017 at the time of election of directors. Now consequent to these Regulations the Board will accordingly be reconstituted not later than expiry of its current term to comply with the aforementioned requirements;
19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below;

Sr. No.	Requirement	Explanation for Non-Compliance	Reg. No.
1.	Representation of Minority shareholders The minority members as a class shall be facilitated by the Board to contest election of directors by proxy solicitation.	No one intended to contest election as director representing minority shareholders.	5
2.	Responsibilities of the Board and its members Adoption of corporate governance practices.	Non-mandatory provisions of the CCG Regulations are partially complied.	10(1)
3.	Nomination Committee The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances.	The Board itself performs all the functions of nomination committee. However, the board intends to constitute Nomination Committee next year after the re-election of the board.	29(1)
4.	Risk Management Committee The Board may constitute the risk management committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board.	The Board reviews the overall business risks to ensure that the management maintains a sound system of risk identification, risk management and related systemic and internal controls to safeguard assets, resources, reputation and interest of the Company and shareholders. The board intends to constitute Risk Management Committee next year after the re-election of the board.	30(1)



Sikandar Mustafa Khan
Chairman

Lahore:
September 16, 2020

INDEPENDENT AUDITOR'S REPORT

To the members of Millat Tractors Limited

Report on the Audit of the Financial Statements

Opinion

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

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matter

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

Following is the Key audit matter:

Sr. #	Key audit matter	How the matter was addressed in our audit
1	<p>Investment measured at Fair Value</p> <p>(Refer note 24.2 and 49.1 to the annexed financial statements)</p> <p>The Company holds investment in the equity instrument of Hyundai Nishat Motor (Private) Limited ('HNMPL'). Due to HNMPPL being a non-listed company, their shares do not have a quoted price in an active market.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> - Understood and evaluated the process by which the cash flow forecast was prepared and approved, including confirming the mathematical accuracy of the underlying calculations;

Sr. #	Key audit matter	How the matter was addressed in our audit
	<p>Therefore, fair value of their shares has been determined through valuation methodology based on discounted cash flow method. This involves several estimation techniques and management's judgements to obtain reasonable expected future cash flow of the business and related discount rate.</p> <p>Due to the significant level of judgment and estimation required to determine the fair value of the investment, we consider it to be a key audit matter.</p>	<ul style="list-style-type: none"> • Evaluated the cash flow forecast by obtaining an understanding of respective businesses of HNMPL; • Obtained an understanding of the work performed by the management on the model for the purpose of valuation; • Obtained corroborating evidence relating to the values as determined by the management by challenging key assumptions for the growth rates in the cash flow forecast by comparing them to historical results and economic forecasts and challenging the discount rate by independently estimating a range based on market data; • Performed sensitivity analysis around key assumptions to ascertain the extent of change individually in the value of the investment; and • Examined the adequacy of the disclosures made by the Company in this area with regard to applicable accounting and reporting standards.

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

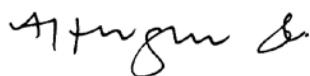
From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes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

Report on Other Legal and Regulatory Requirements

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

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Hammad Ali Ahmad.



A. F. Ferguson & Co
Chartered Accountants
Lahore

Date: September 30, 2020

STATEMENT OF FINANCIAL POSITION

As at June 30, 2020

	Note	2020 (Rupees in thousand)	2019
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
50,000,000 (2019: 50,000,000) ordinary shares of Rs. 10/- each		500,000	500,000
Issued, subscribed and paid up capital	6	498,292	442,926
Reserves	7	3,573,784	4,390,241
		4,072,076	4,833,167
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term deposits	8	12,643	12,731
Deferred tax liabilities - net	9	77,664	-
Employees' defined benefit plan	10	123,029	-
Lease liabilities against right-of-use assets	11	9,881	-
Long term finance- secured	12	101,991	-
Deferred grant	14	6,558	-
		331,766	12,731
CURRENT LIABILITIES			
Accumulating compensated absences		104,924	113,337
Trade and other payables	16	2,848,238	2,498,398
Contract liabilities	17	3,120,601	2,772,987
Current portion of lease liabilities against right-of-use assets	11	3,706	-
Current portion of long term finance- secured	12	26,944	-
Current portion of deferred grant	14	9,240	-
Unclaimed dividend	15	277,113	310,095
Unpaid dividend	15	10,004	33,469
		6,400,770	5,728,286
CONTINGENCIES AND COMMITMENTS			
	18		
		10,804,612	10,574,184

The annexed notes from 1 to 56 form an integral part of these financial statements.



Chief Financial Officer



Chief Executive Officer

	Note	2020 (Rupees in thousand)	2019
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	19	667,980	718,559
Capital work in progress	20	2,945	12,827
		670,925	731,386
Right-of-use assets	21	12,931	–
Intangible assets	22	41,405	4,048
Investment property	23	255,708	255,708
Long term investments	24	2,039,726	1,383,879
Long term loans	25	2,252	2,826
Deferred tax asset - net	9	–	12,797
Employees' defined benefit plan	10	–	219,519
		3,022,947	2,610,163
CURRENT ASSETS			
Stores, spare parts and loose tools	26	157,399	150,799
Stock in trade	27	3,857,166	3,148,589
Trade debts	28	102,044	46,637
Loans and advances	29	51,869	113,876
Trade deposits and short term prepayments	30	43,382	46,461
Balances with statutory authorities	31	1,032,656	2,250,219
Other receivables	32	38,710	87,023
Tax refunds due from the Government		778,977	1,268,429
Cash and bank balances	33	1,719,462	851,988
		7,781,665	7,964,021
		10,804,612	10,574,184



Chairman

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended June 30, 2020

	Note	2020 (Rupees in thousand)	2019
Revenue from contracts with customers	34	22,942,275	31,144,057
Cost of sales	35	18,696,679	25,197,690
Gross profit		4,245,596	5,946,367
Distribution and marketing expenses	36	567,838	579,004
Administrative expenses	37	448,178	446,327
Other operating expenses	38	295,803	596,605
		1,311,819	1,621,936
Other income	39	253,694	800,474
Operating profit		3,187,471	5,124,905
Finance cost	40	217,836	42,044
Profit before tax		2,969,635	5,082,861
Taxation	41	819,087	1,444,816
Profit after tax for the year		2,150,548	3,638,045
Other comprehensive income:			
Items not to be reclassified to profit or loss in subsequent periods:			
Unrealized gain / (loss) on revaluation of investments at fair value through other comprehensive income	24	295,022	(59,921)
Less: Deferred tax		(64,382)	-
		230,640	(59,921)
Remeasurement (loss) / gain on employees' defined benefit plan		(373,995)	250,937
Total other comprehensive (loss) / income		(143,355)	191,016
Total comprehensive income for the year		2,007,193	3,829,061
Earnings per share - basic and diluted (Rupees)	44	43.16	Restated 73.01


The annexed notes from 1 to 56 form an integral part of these financial statements.



Chief Financial Officer



Chief Executive Officer



Chairman

STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2020

	Issued, subscribed and paid up capital	Capital reserves	Revenue reserves		Total
			Fair value reserves	General reserves	
(Rupees in thousand)					
Balance as on July 01, 2018	442,926	126,670	2,278,935	2,806,293	5,654,824
Final dividend for the year ended					
June 30, 2018 @ Rs. 60 per share	–	–	–	(2,657,553)	(2,657,553)
Interim dividend for the year ended					
June 30, 2019 @ Rs. 45 per share	–	–	–	(1,993,165)	(1,993,165)
Total comprehensive income for the					
year ended June 30, 2019	–	(59,921)	–	3,888,982	3,829,061
Balance as on June 30, 2019	442,926	66,749	2,278,935	2,044,557	4,833,167
Final dividend for the year ended					
June 30, 2019 @ Rs. 40 per share	–	–	–	(1,771,702)	(1,771,702)
Bonus shares issued for the year ended					
June 30, 2019 @ 12.5% per share	55,366	–	–	(55,366)	–
Interim dividend for the year ended					
June 30, 2020 @ Rs. 20 per share	–	–	–	(996,582)	(996,582)
Total comprehensive income for the					
year ended June 30, 2020	–	230,640	–	1,776,553	2,007,193
Balance as on June 30, 2020	498,292	297,389	2,278,935	997,460	4,072,076

The annexed notes from 1 to 56 form an integral part of these financial statements.



Chief Financial Officer



Chief Executive Officer



Chairman

STATEMENT OF CASH FLOWS

For the year ended June 30, 2020

	Note	2020 (Rupees in thousand)	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	45	3,335,310	842,120
Finance cost paid		(206,836)	(42,044)
Decrease / (increase) in long term loans to employees		574	(239)
Workers' Profit Participation Fund paid	16.3	(144,149)	(272,031)
Workers' Welfare Fund paid		(92,751)	(140,849)
Taxes refunds / (paid) - net		914,007	(2,398,030)
Employee benefits paid - net		(18,500)	(19,290)
Long term security deposits (paid) / received		(88)	40
		452,257	(2,872,443)
Net cash flows generated from / (used in) operating activities		3,787,567	(2,030,323)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(44,936)	(98,757)
Proceeds from disposal of property, plant and equipment	19.4	23,675	15,964
Payments for intangibles		(39,300)	(5,992)
Short term investments- net		3,889	6,128,775
Long term investments made		(355,500)	(720,000)
Profit on bank deposits received		20,563	37,821
Dividend received		153,723	376,327
Net cash flows (used in) / generated from investing activities		(237,886)	5,734,138
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(2,824,731)	(4,611,967)
Principal payment against lease liabilities		(2,209)	-
Long term financing received		144,733	-
Net cash used in financing activities		(2,682,207)	(4,611,967)
Net increase / (decrease) in cash and cash equivalents		867,474	(908,152)
Cash and cash equivalents at the beginning of the year		851,988	1,760,140
Cash and cash equivalents at the end of the year	46	1,719,462	851,988

The annexed notes from 1 to 56 form an integral part of these financial statements.



Chief Financial Officer



Chief Executive Officer



Chairman

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

1. Legal status and nature of business

1.1 Millat Tractors Limited (the Company) is a public limited company and was incorporated in Pakistan in 1964 under the Companies Act, 1913 (now the Companies Act, 2017), and is listed on the Pakistan Stock Exchange Limited. The registered office and factory of the Company is situated at 9 km Sheikhpura Road, District Sheikhpura. The Company also has regional offices located in Karachi, Multan, Sukkur and Islamabad.

The Company is principally engaged in assembling and manufacturing of agricultural tractors, implements and multi-application products. The Company is also involved in the sale, implementation and support of IFS applications in Pakistan.

1.2 Summary of significant transactions and events in the current reporting period

The Company's financial position and performance was particularly affected by the following events and transactions during the reporting period:

- Additional long term investment were made by the Company in Hyundai Nishat Motors (Private) Limited (HNMPL) amounting to Rs. 355,500 thousand under the Share Subscription Agreement (SSA) and Shareholders Agreement (SHA) between both parties - refer note 24.
- Investments in HNMPL (level-3) have been remeasured, using a valuation technique based on discounted cash flow analysis, at the reporting date resulting in an estimated fair value gain of Rs. 296,010 thousand. - refer note 24.2 and 49.1 respectively. The resulting fair value gain has been recognised in the other comprehensive income in these financial statements.
- Remeasurements in the Company's employees' defined benefit plan have resulted in a net payable balance from the defined benefit plan - refer note 10.
- During the year Company has obtained long term financing against the State Bank of Pakistan's (SBP) salary refinance scheme of salaries and wages. Refer Note 12.
- The adoption of new accounting standard for leases. Refer Notes 4 and 5.

1.2.1 Impact of COVID-19 on the financial statements

- The pandemic of COVID-19 rapidly spread all across the world not only endangering human lives but has also adversely impacting the global economy. On March 23, 2020, the Government of the Punjab announced a temporary lock down as a measure to reduce the spread of the COVID-19. Complying with the lockdown, the Company temporarily suspended its operations from March 24, 2020. In the Company's case, the lockdown was subsequently relaxed from March 30, 2020. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety i.e screening of any visitor at the time of entrance, guiding the staff to wear masks and maintain social distancing etc. Company henceforth resumed its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business in order to maintain business performance despite slowed down economic activity. The lockdown has caused disruptions in supply chain including supply of tractors to the customers resulting in a decline in sales. Consequently, revenue decreased by Rs. 8,202 million (26.33%) as compared to prior year due to decrease in volumes - refer to notes 34 and 51. However, agriculture industry has not been impacted much by the pandemic due to which slow trend in sales changed right after the harvesting season of wheat, where the buying power of farmers strengthened which ultimately resulted in recovery of sales volume till year end. Having sufficient orders in hand as at June 30, 2020, the entity does not anticipate any material effects on its operating activities in future.

Further, the Company believes that it's current liquidity availability provides them with sufficient financial resources to meet their anticipated working capital requirements and obligations as they come due. Potential valuation adjustments to asset / liability base, as a result of the possible impact of COVID-19 on our future profitability and cash flow generation, were assessed and no significant adjustments were required.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

2 Statement of compliance

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

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

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

3 Basis of preparation

These financial statements represent the separate financial statements of Millat Tractors Limited, in which investments in the subsidiary companies, namely Millat Equipment Limited (MEL), Bolan Castings Limited (BCL), Millat Industrial Products Limited (MIPL) and TIPEG Intertrade DMCC have been accounted for at cost less accumulated impairment losses, if any. The consolidated financial statements of the Group are being issued separately.

3.1 Basis of measurement

These financial statements have been prepared under the historical cost convention except for valuation of certain financial instruments at fair value or amortised cost and recognition of certain employees' retirement benefit plan at present value.

3.2 Critical accounting estimates and judgments

The Company's significant accounting policies are stated in note 4 to these financial statements. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

3.2.1 Employees' retirement benefits and other obligations

The Company uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations i.e. employees' defined benefit plan and other obligations. The valuation is based on assumptions as mentioned in note 4.2 to these financial statements.

3.2.2 Provision for taxation

The Company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its views on items of material nature are in accordance with law and the outcome is expected in favour of the Company, are shown as contingent liabilities.

3.2.3 Estimated useful lives, residual values and method of depreciation of property, plant and equipment

The Company reviews the useful lives, residual value and method of depreciation of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

3.2.4 Provision for inventories and stores

The Company regularly reviews the inventories for impairment. Provision for obsolete and slow-moving inventories is based on management's estimate of the condition and usability of inventories and stores.

3.2.5 Impairment of trade receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

The expected loss rates are based on the payment profiles of sales over a period of time before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

3.2.6 Fair value of unquoted investments

Fair value of unquoted investments is determined by using valuation techniques. The Company uses its judgment to select an appropriate method and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. The Company has used discounted cash flow analysis for this purpose as fully explained in note 24.2 to these financial statements.

3.2.7 Lease term of right of use asset and lease liability

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

3.3 Functional and presentation currency

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

4 Summary of significant accounting policies

The significant accounting policies which have been adopted in the preparation of financial statements of the Company are consistent with previous year except as discussed in Note 4.1 to these financial statements and are as follows:

4.1 Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published approved accounting standards that became effective during the year and are relevant

a.1) First time adoption of IFRS 16 - Leases

This standard was notified by the SECP to be effective from annual periods beginning on or after July 01, 2019. This standard replaces existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases- Incentive and SIC-27 'Evaluating the substance of transactions involving the legal form of a Lease'. IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognizes a right a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

The impact of changes laid down by this standard is detailed in note 5 to these financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

a.2) Amendments in Companies Act, 2017

SECP through its notification dated July 29, 2019 brought certain alterations in Fourth Schedule to the Company Act, 2017 with regard to preparation and presentation of financial statements. These alterations resulted in elimination of certain disclosures in these financial statements of the Company as at June 30, 2020.

Furthermore, the Companies (Amendment) Ordinance, 2020, promulgated on April 30, 2020 also brought changes to the Companies Act, 2017 with regard to the inclusion of certain disclosures in the financial statements. The Company has provided the applicable disclosures in its financial statements.

b) Standards, interpretations and amendments to published approved accounting standards that became effective during the year but are not relevant

The Company has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

- IFRS 9 – Prepayment Features with Negative Compensation – (Amendments)
- IFRS 10 – Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)
- 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
- IFRS 14 – Regulatory Deferral Accounts
- Annual improvements 2015-2017

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements of the Company.

c) Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect 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 - Business combinations', definition of a business (Amendment)	January 01, 2020
IAS 1 - Presentation of financial statements', definition of materiality and classification of liabilities (Amendment)	January 01, 2023
IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors', definition of materiality (Amendments)	January 01, 2020
IFRS 9 - Financial Instruments', Interest rate benchmark reform (Amendment)	January 01, 2020
IFRS 7 - Financial Instruments-Disclosures , Interest rate benchmark reform (Amendment)	January 01, 2020
IFRS 16 - Leases', COVID-19 related rent concessions (Amendment)	June 01, 2020

The management is in the process of assessing the impact of changes laid down by these standards on its financial statements.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in previous years. Such improvements are generally effective for accounting periods beginning on or after January 01, 2020 and January 01, 2021 respectively. The Company expects that such improvements to the standards will not have any significant impact on the Company's financial statements in the period of initial application.

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

Standard or interpretation	IASB effective date (Annual periods beginning on or after)
IFRS 17 - Insurance Contracts	January 01, 2023

4.2 Employees' retirement benefits and other obligations

The main features of the schemes operated by the Company for its employees are as follows:

4.2.1 Defined benefit plan

4.2.1.1 Pension

The Company operates a funded defined benefit pension scheme for all its eligible employees. Defined benefit plan is a post-employment benefit plan other than the defined contribution plan. Contributions under the scheme are made to this fund on the basis of actuarial recommendation and are charged to profit or loss. The latest actuarial valuation for the scheme was carried out as at June 30, 2020.

The amount recognized in the statement of financial position represents the present value of the plan assets reduced by value of defined benefit obligation. Any charge or credit arising as a result of remeasurements are recognized in the other comprehensive income of the Company in the period in which they occur.

The future contribution rate of the plan includes allowances for deficit and surplus. Projected Unit Credit Method, based on the following significant assumptions, is used for valuation of this scheme:

	2020	2019
Expected rate of increase in salary level	7.50%	13.25%
Discount rate used for interest cost in profit or loss	14.25%	9.00%
Discount rate used for year end obligation	8.50%	14.25%
Average expected remaining working life of employees	8 years	6 years

4.2.2 Defined contribution plans

4.2.2.1 Gratuity

The Company operates an approved defined contribution funded gratuity scheme for permanent employees who joined the Company before July 01, 2004. Under the scheme, based on the graduated scale, the contributions are calculated with reference to last drawn salary of the employees and are paid over to the Employees Gratuity Fund Trust.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

4.2.2.2 Provident fund

The Company operates an approved defined contribution provident fund for all permanent employees. Equal contributions are made by employees and the Company at the rate of 10 percent of basic salary per month.

4.2.3 Accumulating compensated absences

The Company provides for accumulating compensated absences, when the employees render services that increase their entitlement to future compensated absences and are charged to profit or loss.

4.3 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is charged or credited in the profit or loss, except in the case of items credited or charged to other comprehensive income.

4.4 Property, plant and equipment

Property, plant and equipment except for freehold and leasehold land are stated at cost less accumulated depreciation and any identified impairment loss, if any. Freehold and leasehold land is stated at cost less any identified impairment loss, if any.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit or loss during the period in which they are incurred.

Depreciation on all items of property, plant and equipment is charged to profit or loss applying the diminishing balance method so as to write-off the depreciable amount of an asset over its useful life. Depreciation is being charged at the rates given in note 19. Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which the asset is disposed off.

The Company continually assesses at each reporting date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amount and the resulting impairment loss is recognized in profit or loss for the year. Any previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss

was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount, and the increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets' revised carrying amount over its estimated useful life.

An item of property, plant and equipment is derecognized 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 carrying amount of the asset) is included in the profit or loss in the year the asset is derecognized.

4.5 Right-of-use asset and Lease liability

From July 1, 2019, certain lease contracts are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

At inception of a lease contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The Company applies a practical expedient and, does not recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets, if any. The lease payments associated with these leases is recognised as an expense on a straight line basis over the lease term.

For lease contracts other than the aforementioned, the lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments include fixed payments, variable lease payment that are based on an index or a rate and amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in the statement of profit and loss account if the carrying amount of right-to-use asset has been reduced to zero.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

4.6 Capital work in progress

All expenditure connected with specific assets incurred during installation and construction period including advances to suppliers and contractors are carried under this head. These are transferred to specific assets as and when these assets are available for use.

Capital work-in-progress is stated at cost less any identified impairment loss, if any.

4.7 Intangible assets

Expenditure incurred to acquire and developing computer software are capitalized as intangible assets and stated at cost less accumulated amortization and any identified impairment loss, if any.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite life are amortised using the straight line method over a period of three years and Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Amortization on additions to finite intangible assets is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off.

The Company assesses at each reporting date whether there is any indication that intangible assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.8 Investment property

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The investment property of the Company comprises land and is valued using the cost method i.e. at cost less any identified impairment loss.

The Company assesses at each reporting date whether there is any indication that investment property may be impaired. If such indication exists, the carrying amount of such assets is reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceeds the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in the profit or loss for the year. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The gain or loss on disposal or retirement of an investment property represented by the difference between the sale proceeds and the carrying amount of the asset is recognized in profit or loss.

4.9 Investments and other financial assets

4.9.1 Subsidiary and associated undertakings

A subsidiary is an entity controlled by the Company. The Company controls an investee when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not having control or joint control over those policies.

Investments in subsidiary and associated undertakings are carried at cost less impairment loss, if any.

At each reporting date, the Company reviews the carrying amounts of the investments in subsidiary and associates to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. In making an estimate of recoverable amount of these investments, the management considers future dividend stream and an estimate of the terminal value of these investments. Impairment losses are recognized as expense in the profit or loss.

4.9.2 Financial assets other than investments in subsidiary and associated undertakings

4.9.2.1 Classification

The Company classifies its financial assets in the following measurement categories:

- at Fair Value through Profit or Loss ("FVPL"),
- at Fair Value through Other Comprehensive Income ("FVOCI"), or
- at amortised cost.

The Company determines the classification of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

4.9.2.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date i.e. the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

4.9.2.3 Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at Fair Value through Profit or Loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are Solely Payment of Principal and Interest (SPPI).

a) Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

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For the year ended June 30, 2020

i) Financial assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income/(operating expenses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

ii) Financial assets at Fair Value through Other Comprehensive Income

Assets that are held for both collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income/(operating expenses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/(operating expenses).

iii) Financial assets at Fair Value through Profit or Loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other income/(operating expenses) in the period in which it arises.

b) Equity instruments

"The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other income/(operating expenses) in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

4.9.2.4 Impairment of financial assets

The Company applies the IFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and fair value through other comprehensive income, trade receivables, contract assets recognised and measured under IFRS 15 and that are not measured at fair value through profit or loss.

To measure the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company therefore concludes that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

A distinction is made between, financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (Stage 1). Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Stage 2). Stage 3 would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment. The Company considers that there is evidence of impairment, if any, of the indicators were present i.e. significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or late payments.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments past due date. Impairment losses on trade receivables and contract assets are presented as net impairment losses in the profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

4.10 Stores, spare parts and loose tools

Stores, spare parts and loose tools are valued at lower of net realizable value or moving average cost. Items in transit are valued at cost comprising of invoice value and other incidental charges paid thereon.

Provision for obsolete and slow-moving stores, spare parts and loose tools is based on management estimate of the condition and usability of such stores.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale. Provision for obsolete and slow moving stores and spares is based on management estimate.

4.11 Stock in trade

Stock of raw materials, except for those in transit, work in process and finished goods are valued principally at the lower of moving average cost and net realizable value.

Items in transit are stated at cost comprising invoice value and other incidental charges paid thereon.

Cost of raw materials and trading stock comprises the invoice value plus other charges paid thereon.

Cost of work in process and finished goods include direct material, labor and appropriate portion of manufacturing overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale. Provision for obsolete and slow-moving stock in trade is based on management estimate.

4.12 Trade debts

Trade debts are carried at original invoice amount less any expected credit losses based on review of outstanding amounts at the year end in accordance with the simplified approach as mentioned in note 4.9.2.4. Bad debts are written off when identified.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

4.13 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents are stated at cost and comprise of cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash which are subject to insignificant risk of changes in values. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purpose.

4.14 Revenue recognition

4.14.1 Revenue from sale of tractors, implements and multi-application products, along with the provision of after market services. Revenue is recognized when performance obligations are satisfied by transferring control of a good or service to a customer, either at a point in time or over time of an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised in accordance with the aforementioned principle by applying the following steps:

- i) Identify the contract with a customer.
- ii) Identify the performance obligation in the contract.
- iii) Determine the transaction price of the contract.
- iv) Allocate the transaction price to each of the separate performance obligations in the contract.
- v) Recognise the revenue when (or as) the entity satisfies a performance obligation.

Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers. Any bundled goods or services that are distinct are separately recognized, and any discounts or rebates on the contract price are generally allocated to the separate elements

4.14.2 a) Sale of goods

Revenue from contracts for sale of tractors, implements, multi-application products and trading goods is recognized upon delivery and acknowledgement of the good by the customer i.e. point in time when the performance obligation of the Company is satisfied. Since there is only one performance obligation the revenue is recognized at full amount. Payments for sale of tractors are received in advance from customers, while in the case of implements and multi-application products credit periods are provided as per Company policy on a case to case basis. There are no returns or refunds against sales, once acknowledged by the customer.

b) Sale of service warranties

The Company provides various types of warranties. When determining the nature of warranty-related promises, the Company considers:

- whether the customer has the option to separately purchase the warranty; and
- whether all or part of the warranty provides the customer with an additional service beyond the basic assurance that it will perform in accordance with published specifications.

Standard-type warranties of free repair, parts replacement, assurance and major rectification to the customer along with free service after specific intervals are not offered separately for any consideration by the Company and rather are embedded in the sale price of the good. Accordingly, the same are not considered to be separate performance obligations and are accounted for under IAS 37.

For extended-type warranties or separate after sale services offered by the Company the same are treated as separate performance obligations. Revenue from such warranties or after sale services contracts is recognized over time i.e. duration of the contract.

Others

- Dividend is recognized as income when the right to receive dividend is established.
- Profit on bank deposits is recognized on effective rate of interest method.
- Investment income is recognized when right to receive the income is established.

4.15 Research cost

These costs are charged to profit or loss when incurred.

4.16 Borrowing costs

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalized as part of the cost of that asset up to the date of its commissioning.

4.17 Trade and other payables

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

4.18 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

4.19 Foreign currency transactions and translation

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the reporting date. Transactions in foreign currencies are translated into Pak Rupees at exchange rate prevailing at the date of transaction. Foreign exchange gains and losses on translation are recognized in the profit or loss. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

4.20 Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the obligation specified in the contract is discharged, cancelled or expired. The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of profit or loss and other comprehensive income.

All financial liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial liabilities are subsequently measured at Fair Value through Profit and Loss ("FVPL") or at amortised cost, as the case may be. Financial liabilities are measured at amortised cost, unless they are required to be measured at FVPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVPL. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

NOTES TO THE FINANCIAL STATEMENTS

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Where management has opted to recognise a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income/(loss). Currently, there are no financial liabilities designated at FVPL.

The accounting policy for financial assets is disclosed in note 4.9.2 to the financial statements above.

4.21 Off-setting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.22 Reserves

Reserve are classified into two categories as follows:

4.22.1 Revenue reserve

Revenue reserve is the reserve which is regarded as available for distribution through the profit or loss including general reserves and other specific reserves created out of profit and un-appropriated or accumulated profits of previous years.

4.22.2 Capital reserve

Capital reserve includes all the reserves other than reserve which are classified as revenue reserve.

4.23 Earning per share

The company presents basic and diluted Earning Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year. 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.

4.24 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 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 measured with sufficient reliability.

4.25 Dividend and appropriations

Dividend distribution to the Company's shareholders is recognized as a liability in the period in which the these are approved. Appropriations of profit are reflected in the statement of changes in equity in the period in which such appropriations are approved.

4.26 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Company receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

In subsequent periods, the grant shall be recognized in statement of profit or loss, in line with the recognition of interest expense the grant is compensating.

5 Change in accounting policy

5.1 First time adoption of IFRS 16 - Leases

During the period, IFRS 16 - Leases became applicable to the Company. IFRS 16 replaces existing guidance on accounting for leases, including IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases - Incentive, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces an on-balance sheet lease accounting model for leases entered by the lessee. A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

The Company has adopted IFRS 16 from July 1, 2019, and has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The impact of adoption of this standard is therefore recognised in the opening statement of financial position on July 1, 2019.

On adoption of IFRS 16, the Company recognised certain lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental weighted average borrowing rate of 14% per annum as of July 1, 2019. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

The following summary reconciles the Company's operating lease commitments at June 30, 2019 to the lease liabilities recognised on initial application of IFRS 16 at July 01, 2019:

	(Rupees in thousand)
Operating lease as at June 30, 2019	7,667
Discounted using the lessee's incremental borrowing rate of at the date of initial application	4,469
Add: finance lease liabilities recognised as at June 30, 2019	-
Lease liability recognised as at July 1, 2019	4,469
Of which are:	
Non-current lease liabilities	4,346
Current lease liabilities	123
	4,469

On adoption of IFRS 16, the associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the statement of financial position immediately before the date of initial application.

The right-of-use assets recognised subsequent to the adoption are measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use assets are depreciated on a straight line basis over the lease term as this method most

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closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

The recognised right-of-use assets relate to the following types of assets:

	June 30, 2020	July 1, 2019
	(Rupees in thousand)	
Buildings	12,931	4,829
5.1.1 The effect of this change in accounting policy is as follows:		
Impact on statement of financial position:		
Assets		
Increase in right-of-use assets	12,931	4,829
Decrease in other assets - prepayments	(360)	(360)
Increase in total assets	12,571	4,469
Liabilities		
Increase in total lease liability against right-of-use assets	13,587	4,469
Increase in deferred tax liabilities - net	190	-
Decrease in taxation - provision less payment	105	-
Increase in total liabilities	13,882	4,469
Decrease in net assets	(1,311)	-

	June 30, 2020
	(Rupees in thousand)
Impact on statement of profit or loss and other comprehensive income	
(Increase) / decrease in distribution and marketing expenses:	
Increase in depreciation on right-of-use assets	(3,225)
Decrease in rent expense	3,564
	339
Increase in finance cost	1,355
Decrease in profit before tax	(1,016)
Decrease in tax	(295)
Decrease in profit after tax	(1,311)

Earnings per share for the year ended June 30, 2020 are Rs.0.026 per share lower as a result of the adoption of IFRS 16.

5.1.2 Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- grandfathered the assessment of which transactions are lease on the date of initial application;
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

6 Issued, subscribed and paid up capital

2020 (Number of shares in thousand)		2019 (Number of shares in thousand)		2020 (Rupees in thousand)		2019 (Rupees in thousand)	
2,543		2,543					
41,750		41,750		417,497		417,497	
5,536		-		55,366		-	
47,286		41,750		472,863		417,497	
49,829		44,293		498,292		442,926	

		2020 (Rupees in thousand)		2019 (Rupees in thousand)	
7	Reserves				
	Capital reserve				
	Fair value reserve - Investments measured at FVOCI	297,389		66,749	
		297,389		66,749	
	Revenue reserve				
	General reserve	2,278,935		2,278,935	
	Unappropriated profit	997,460		2,044,557	
		3,276,395		4,323,492	
		3,573,784		4,390,241	

8 Long term deposits

These represent security deposits received from dealers which, by virtue of agreement, are interest free. These are repayable on cancellation of dealership contract with dealers and cannot be utilized for the purpose of the business. These have been kept in separate bank account in accordance with the requirements of the section 217 of the Companies Act, 2017.

		Note	2020 (Rupees in thousand)	2019 (Rupees in thousand)
9	Deferred tax (asset) / liabilities - net			
	The (asset) / liability for deferred tax comprises temporary differences relating to:			
	Taxable temporary differences:			
	Accelerated tax depreciation		56,014	60,758
	Changes in fair value of investments		64,382	-
			120,396	60,758
	Deductible temporary differences:			
	Accumulating compensated absences		-	(32,868)
	Unused tax losses	9.1	(29,886)	(30,063)
	Provision for impaired / doubtful receivables		(12,846)	(10,624)
			(42,732)	(73,555)
	Net deferred tax (asset) / liability at the year end		77,664	(12,797)

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For the year ended June 30, 2020

9.1 Deferred tax asset on unused tax losses represents the minimum tax available for carry forward under the Income Tax Ordinance, 2001 and is recognised to the extent that the realization of related tax benefits through future taxable profits of the Company is probable. The projections are based on management's best estimates of key production, sales and economic assumptions. Accordingly, the management anticipates that it would be able to realize that unused tax losses arising on disposal of short term investments within the period allowed under the Income Tax Ordinance, 2001.

9.2 Reconciliation of deferred tax (asset) / liabilities - net

	Deferred tax liability		Deferred tax asset			Net liability / (asset)
	Accelerated tax depreciation	Change in fair value of investments	Unused tax losses	Accumulating compensated absences	Provision for impaired/doubtful receivables	
	(Rupees in thousand)					
Balance as at June 30, 2018	57,781	41,007	-	(31,149)	(10,624)	57,015
Tax income / (expense) during the year recognised in profit or loss	2,977	(41,007)	(30,063)	(1,719)	-	(69,812)
Balance as at June 30, 2019	60,758	-	(30,063)	(32,868)	(10,624)	(12,797)
Tax income / (expense) during the year recognised in profit or loss	(4,744)	64,382	177	32,868	(2,222)	90,461
Balance as at June 30, 2020	56,014	64,382	(29,886)	-	(12,846)	77,664

9.3 Under the Finance Act, 2019 and upheld by Finance Act 2020, a corporate tax rate of 29% has been fixed. Therefore, deferred tax assets and liabilities have been recognized accordingly using the expected applicable rate i.e. 29%.

	Note	2020	2019
		(Rupees in thousand)	
10 Employees' defined benefit plan			
10.1 Present value of defined benefit obligation	10.3	1,232,563	848,495
Fair value of plan assets	10.4	(1,109,534)	(1,068,014)
Liability / (asset) recognized in the statement of financial position		123,029	(219,519)
10.2 For the year			
Salaries, wages and amenities include the following in respect of employees' pension scheme:			
Current service cost		10,471	15,050
Interest cost		114,711	96,261
Expected return on plan assets		(146,700)	(94,497)
		(21,518)	16,814

	2020	2019
	(Rupees in thousand)	
10.3 The movement in present value of defined benefit obligation is as follows:		
Present value of defined benefit obligation at beginning of year	848,495	1,109,824
Current service cost	10,471	15,050
Interest cost	114,711	96,261
Benefits paid	(87,014)	(80,512)
Actuarial gain	345,900	(292,128)
Present value of defined benefit obligation at end of year	<u>1,232,563</u>	<u>848,495</u>
10.4 The movement in fair value of plan assets is as follows:		
Fair value of plan assets at beginning of year	1,068,014	1,085,220
Expected return on assets	146,700	94,497
Contributions	9,929	10,000
Benefits paid	(87,014)	(80,512)
Return on plan assets	(28,095)	(41,191)
Fair value of plan assets at end of year	<u>1,109,534</u>	<u>1,068,014</u>
Actual return on plan assets	<u>118,605</u>	<u>53,306</u>
10.5 Plan assets comprise of :		
Term deposit receipts :		
United Bank Limited	320,000	-
Meezan Bank Limited	-	130,712
Bank Alfalah Limited	441,191	401,593
Zarai Taraqiati Bank Limited	-	196,987
Bonds and mutual funds :		
NAFA Capital Protected Fund	318,655	297,932
Accrued interest and bank balance:		
Bank balances	27,913	39,020
Advance income tax	1,777	1,777
Less: payables	(3)	(7)
	<u>1,109,533</u>	<u>1,068,014</u>

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

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10.6 Comparison of present value of defined benefit obligation, the fair value of plan assets and the resulting surplus or deficit of pension fund is as follows:

	2020	2019	2018	2017	2016
	(Rupees in thousand)				
As at June 30					
Present value of defined benefit obligation	1,232,563	848,495	1,109,824	1,105,684	1,137,355
Less: Fair value of plan assets	1,109,534	1,068,014	1,085,220	1,145,646	1,048,797
(Deficit) / surplus	(123,029)	219,519	(24,604)	39,962	(88,558)
Experience adjustment on obligation	345,900	(292,128)	(23,087)	(72,804)	217,792
Experience adjustment on plan assets	(28,095)	(41,191)	(85,687)	69,538	(24,462)

Sensitivity analysis

Significant assumptions for the determination of the defined benefit obligations are discount rate and expected salary increase as disclosed in note 4.2.1.1. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Note	2020	2019
		(Rupees in thousand)	
Discount rate + 100 bps		1,137	797
Discount rate - 100 bps		1,344	906
Salary increase + 100 bps		1,246	859
Salary increase - 100 bps		1,220	839
Indexation rate + 100 bps		1,345	907

11 Lease liabilities against right-of-use assets

Lease liabilities at year end	5.1.1 & 11.1	13,587	-
Less: current portion of lease liabilities		(3,706)	-
Non current lease liabilities		9,881	-

11.1 Commitments in relations to finance leases recognised under IFRS 16 are payable as follows:

	2020	2019
	(Rupees in thousand)	
Payable not later than one year	3,485	-
Payable later than one year but not later than five years	11,139	-
Payable later than five years	1,244	-
	15,868	-
Future finance charges	(2,281)	-
Total lease liabilities	13,587	-

	Note	2020 (Rupees in thousand)	2019
12 Long term finance- secured			
Long term loan	12.1	128,935	-
Less: Current portion shown under current liabilities		(26,944)	-
		101,991	-
12.1	The reconciliation of carrying amount is as follows		
	Opening balance	-	-
	Loan received during the year	144,733	-
	Transferred to deferred grant	(15,798)	-
		128,935	-
	less: Current portion shown under current liabilities	(26,944)	-
		101,991	-

12.2 This represents amount of loan against facility of Rs 200,000 thousand (2019: Nil) obtained under SBP refinance scheme of salaries and wages. The amount is repayable in 8 equal quarterly installments starting from January 31, 2021 and carry markup at the rate of 0.4% per annum which is payable quarterly.

12.3 This facility is secured by first charge on plant and machinery and joint pari passu hypothecation charge over current assets and book debts of the Company

13 Short term borrowing facilities

13.1 The Company has obtained short term borrowing facilities from various banks against aggregate sanctioned limit of Rs. 5,300,000 thousand (2019: Rs. 4,300,000 thousand). The rates of mark up range from KIBOR plus 0.04% to KIBOR plus 0.5% (2019: KIBOR plus 0.05% to KIBOR plus 0.5%) per annum.

13.2 Out of the above mentioned authorized limit, an amount of Rs. 500,000 thousand (2019: Rs. 1,400,000 thousand) has been obtained under Islamic mode of financing.

13.3 The Company has facilities for opening of letters of credit and guarantees aggregating to Rs. 4,750,000 thousand (2019: Rs. 4,556,047 thousand) out of which Rs. 400,000 thousand (2019: Rs. 300,000 thousand) has been obtained under Islamic mode of financing.

13.4 Out of the authorized limited of letter of credit and guarantees Rs. 3,621,197 thousand (2019: Rs. 3,375,832 thousand) remained unutilized at the end of the year.

13.5 These facilities are secured by pari passu hypothecation charge over current assets and book debts of the Company, lien over import documents and counter guarantees of the Company.

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For the year ended June 30, 2020

	Note	2020 (Rupees in thousand)	2019
14	Deferred grant		
	As at July, 01	–	–
	Received during the year	15,798	–
	Transferred to profit or loss during the year	–	–
	As at June, 30	14.1 15,798	
	Represented by:		
	Non-current portion	6,558	–
	Current portion	9,240	–
		15,798	–

14.1 Government grant has been recognized against loan obtained under the SBP refinance scheme of salaries and wages in lieu of below market-interest rate payable on this loan. There are no unfulfilled conditions or contingencies attached to this grant effecting its recognition at the reporting date.

15 Unclaimed and unpaid dividend

This represents unclaimed / unpaid dividends declared by the Company in prior periods. The Companies (Amendment) Ordinance, 2020 ('CAO'), promulgated on April 30, 2020, prescribed that unclaimed and unpaid dividend to be deposited in a separate profit bearing account, to disclose the particulars of that dividend on the Company's website and include certain disclosures in its financial statements. The Company in consultation with their legal counsel is of the view that these requirements are applicable on dividends declared on or after the promulgation of CAO. Accordingly, since these amounts relate to the periods before the promulgation of CAO, therefore, the Company has not presented the disclosures as required by CAO in these financial statements.

	Note	2020 (Rupees in thousand)	2019
16	Trade and other payables		
	Trade creditors	16.1 1,960,192	1,931,881
	Accrued liabilities	211,865	123,505
	Bills payable	297,291	139,488
	Security deposits	16.2 91,501	51,884
	Trademark fee payable	126,751	76,199
	Workers' Profit Participation Fund	16.3 14,070	–
	Workers' Welfare Fund	23,079	51,802
	Others	16.4 123,489	123,639
		2,848,238	2,498,398

16.1 These include balances due to related parties amounting Rs. 458,690 thousand (2019: Rs.369,207 thousand).

16.2 These represent security deposits from dealers and contractors against short term agreements for goods to be delivered or sold to the dealers which, by virtue of the agreements, are interest free, repayable on demand and are used in the Company's business. As at year end the Company has utilized these security deposits for business operations of the Company in accordance with the terms of the contract in writing.

	Note	2020 (Rupees in thousand)	2019
16.3 Workers' Profit Participation Fund			
Balance receivable at start of year		1,851	2,246
Payments made during the year		144,149	272,031
		146,000	274,277
Charge for the year	38	(160,070)	(272,426)
Balance (payable) / receivable at end of year		(14,070)	1,851

16.4 These include deposits by employees under car and motorcycle scheme amounting to Rs. 25,726 thousand (2019: Rs. 30,120 thousand) and carry no markup.

17 Contract liabilities

17.1 These represent amount received in advance from customers against performance obligations / sales made in subsequent periods i.e. sale of tractors, and carry no mark-up and are unsecured. This includes advances received from related parties of Rs.31,316 thousand (2019: Rs 11,469 thousand). Further, as referred in note 33 to these financial statements, these also include an amount of Rs. 109,438 thousand (2019: Rs.230,506 thousand) representing cheques in hand at the reporting date.

17.2 Revenue recognised during the year that was included in the contract liability balance at the beginning of the year amounted to Rs. 2,735,205 thousand (2019: Rs.8,789,595 thousand).

18 Contingencies and commitments

18.1 Contingencies

18.1.1 The Company has provided guarantee amounting to Rs. 5,000 thousand (2019: Rs.Nil) to banks for repayment of loan by employees. An amount of Rs. 1,133 thousand (2019: Rs. Nil) was utilized by employees as at June 30, 2020.

18.1.2 Guarantees issued by the banks on behalf of the Company in the normal course of business amount to Rs. 524,559 thousand (2019: Rs.558,553 thousand).

18.1.3 Income tax returns for the years from 2007 to 2019 have been filed by the Company under the provisions of section 120 of the Income Tax Ordinance, 2001 (the Ordinance).

The Income tax department has disputed with the Company's treatment on certain tax matters for the tax years 2007-2013, 2016 and 2017, entailing an additional tax liability of Rs. 545,424 thousand. Of these the only significant tax matter, amounting to Rs. 380,621 thousand, relates to disallowances made by tax authorities in respect of trade mark fee / expense claimed by the Company in its income tax returns for the aforementioned tax years. Both the Company and Income tax department are currently in appeal at the appellate tribunal level regarding the tax matters, decisions of which are pending. The management in consultation with their tax advisor is confident that all the tax matters will eventually be decided in the favor of the Company; therefore no provision has been made in these financial statements accordingly.

18.1.4 The Deputy Commission Inland Revenue has issued withholding tax assessment orders u/s 161/205 of the Ordinance for the tax year 2011 creating an initial demand of Rs. 176,000 thousand. The Company preferred an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)). The CIR(A) passed an order dated January 21, 2015 remanding back the issue to Deputy Commissioner. Reassessment proceedings after being finalized on January 25, 2016 reduced the demand to Rs. 51,000 thousand. The Company is in the process of filing appeal against

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For the year ended June 30, 2020

reassessment proceedings with CIR(A). Furthermore, the tax authorities have filed an appeal before Appellate Tribunal Inland Revenue (ATIR) against the order passed by CIR(A). The management in consultation with their tax advisor are confident that the above matter will eventually be decided in favor of the Company; therefore no provision has been created in these financial statements.

18.1.5 The Company is defending a demand notice issued by Vice Commissioner Punjab Employees' Social Security Institution amounting to Rs. 36,000 thousand. After further investigation, the demand notice was reduced to Rs. 12,000 thousand. The Company is in the process of filing objection against the reduced demand notice. The management and legal advisor are confident that the outcome of the case would be decided in their favor hence, no provision relating to aforesaid demand has been made in the financial statements.

18.1.6 The Company is defending a suit for Rs. 19,579 thousand, filed in previous years by an ex-vendor on account of damages and inconvenience. Previously, the case was pending before the Civil Court, Lahore. However during the last year it was held by the Civil Court that the damages of Rs. 15,000 thousand has been awarded in favor of vendor for the aforementioned inconvenience. In addition to that the Company is also required to pay the amount of parts already supplied by the vendor which amounts to Rs 4,579 thousand along with mark up @ 7% per annum till its realization. However the Company has filed an appeal in the Honorable High Court, Lahore against the aforesaid order of Civil Court. The management and the legal advisor are confident that outcome of the case would be in the Company's favor and no payment in this regard would be required, hence no provision there against has been made in these financial statements.

18.1.7 The Company is defending a demand of Rs. 3,944 thousand from the Additional Commissioner Inland Revenue, Lahore, regarding non payment of sales tax on replacements of warranty parts supplied by the Company to its customers. The Company filed the appeal in 2010 against the aforementioned order passed, to Commissioner of Inland Revenue, Lahore. Which held that the Company is liable to pay the amount of sales tax on warranty parts which amounts to Rs 3,944 thousand along with default surcharge and penalty @ 5% under section 33 of Sales Tax Act, 1990. The Company has filed an appeal against the aforementioned order in the Honorable High Court, Lahore. The management and the legal advisor are confident of favorable outcome of the case, hence no provision in this regard has been made in these financial statements.

18.1.8 The Company is defending a demand of Rs. 31,869 thousand from the Customs Authorities (Authorities), alleging the Company for non payment of custom duty and other additional duties. The demand is on account of purchase of certain starter motors and alternators to be used for the manufacture of the tractors. The Company filed an appeal against the said demand and the order passed by Additional Collector, Lahore and Collector Appeals, Lahore before the Customs Appellate Tribunal, Lahore and the said tribunal passed order in favor of the Company. The Custom department has filed reference against the decision in Honorable High Court, Lahore, judgment of which is pending. The Company made payment of Rs. 8,000 thousand under protest in response to demand notice served and obtained stay order from Honorable High Court, Lahore against further recovery action of Authorities. The management are confident that the outcome of the case would be decided in their favor hence no provision relating to aforesaid demand has been made in these financial statements.

18.2 Commitments

Commitments in respect of outstanding letters of credit for import of raw material amounting to Rs. 604,243 thousand (2019: Rs. 621,662 thousand) at the reporting date.

19 Operating fixed assets

	Note	Land		Buildings		Owned					Total
		Freehold	Leasehold	On freehold land	On leasehold land	Plant and machinery	Furniture and office equipment	Vehicles	Tools and equipment	Computers	
(Rupees in thousand)											
Net book value basis											
Year ended June 30, 2020											
Opening net book value	19.2 & 19.3	58,307	8	219,218	-	186,230	67,557	148,138	25,724	13,377	718,559
Additions (at cost)		-	-	-	-	12,108	2,280	25,825	7,973	7,122	55,308
Disposals (at NBV)	19.4	-	-	-	-	(252)	(325)	(20,779)	(2,173)	(146)	(23,675)
Adjustments		-	-	26,339	-	(3,529)	(23,951)	930	697	(976)	(490)
Write offs		-	-	-	-	-	(142)	(161)	-	(3)	(306)
Depreciation charge	19.1	-	-	(12,127)	-	(18,678)	(9,199)	(31,328)	(4,806)	(5,278)	(81,416)
Closing net book value		58,307	8	233,430	-	175,879	36,220	122,625	27,415	14,096	667,980
Gross book value basis											
As at June 30, 2020											
Cost		58,307	8	440,630	2,900	552,580	91,501	293,484	100,312	57,465	1,597,187
Accumulated depreciation		-	-	(207,200)	(2,900)	(376,701)	(55,281)	(170,859)	(72,897)	(43,369)	(929,207)
Net book value		58,307	8	233,430	-	175,879	36,220	122,625	27,415	14,096	667,980
Depreciation rate % per annum		-	-	5-10	5	10	10-20	20	10-15	33	
Net book value basis											
Year ended June 30, 2019											
Opening net book value	19.2 & 19.3	58,307	8	221,524	-	162,470	75,994	144,709	26,206	11,545	700,763
Additions (at cost)		-	-	9,917	-	41,343	2,674	48,647	3,912	6,839	113,332
Disposals (at NBV)	19.4	-	-	-	-	-	-	(12,342)	-	(40)	(12,382)
Adjustments		-	-	-	-	-	-	(754)	-	-	(754)
Write offs		-	-	-	-	(8)	-	-	(39)	-	(47)
Depreciation charge	19.1	-	-	(12,223)	-	(17,575)	(11,111)	(32,122)	(4,355)	(4,967)	(82,353)
Closing net book value		58,307	8	219,218	-	186,230	67,557	148,138	25,724	13,377	718,559
Gross book value basis											
As at June 30, 2019											
Cost		58,307	8	397,512	2,900	545,839	131,427	319,995	92,282	53,503	1,601,773
Accumulated depreciation		-	-	(178,294)	(2,900)	(359,609)	(63,870)	(171,857)	(66,558)	(40,126)	(883,214)
Net book value		58,307	8	219,218	-	186,230	67,557	148,138	25,724	13,377	718,559
Depreciation rate % per annum		-	-	5-10	5	10	10-20	20	10-15	33	

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For the year ended June 30, 2020

	Note	2020 (Rupees in thousand)	2019
19.1	The depreciation charge for the year has been allocated as follows:		
	Cost of sales	33,649	33,131
	Distribution and marketing expenses	6,942	6,842
	Administrative expenses	40,825	42,380
		81,416	82,353

19.2 Freehold land and building on owned land represents 202,343 square meters of factory land situated at Sheikhpura Road; Sheikhpura, 759 square meters at Khera Gali District Abbottabad; 697 square meters in sector F-6/1 Islamabad; and Corporate office floors in Tricon Corporate Centre Lahore.

19.3 Leasehold property represents Igloo Hanger Godown measuring total area of 6,662 square meters situated near Brooke Bond factory site area, Karachi.

19.4 Disposal of operating fixed assets

Particulars of asset	Sold to	Cost	Book value	Sale proceeds	Gain / (Loss) on disposal	Mode of disposal
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(Rupees in thousand)

Fixed assets sold having book value greater than Rs. 500,000

Related parties:

Tools and equipment	M/S TIPEG Intertrade					
	DMCC - a related party	2,723	2,173	2,173	-	As per sale agreement

Directors :

Vehicle	Mr. Sohail Bashir Rana					
	- a related party	7,813	2,073	2,073	-	As approved by the BOD
Vehicle	Mian Muhammad Saleem					
	- a related party	6,500	1,725	1,725	-	As approved by the BOD

Employees :

Vehicle	Mr. Mansoor Abbasi	1,771	816	816	-	Company car scheme
Vehicle	Miss. Saima Ijaz	862	586	586	-	Company car scheme
Vehicle	Mr. Hassan Farooq Khan	1,078	792	792	-	Company car scheme
Vehicle	Mr. Muhammad Anwar Naz	2,026	1,581	1,581	-	Company car scheme
Vehicle	Mr. Muhammad Anwar Naz	2,495	2,204	2,204	-	Company car scheme
Vehicle	Mr. Sadaqat Ali	1,440	1,180	1,180	-	Company car scheme
Vehicle	Mr. Muhammad Akram	1,078	970	970	-	Company car scheme
Vehicle	Mr. Muhammad Humayun	1,745	1,600	1,600	-	Company car scheme

Fixed assets sold having book value less than Rs. 500,000

		24,807	7,975	7,975	-	
Year ended: June 30, 2020		54,338	23,675	23,675	-	
Year ended: June 30, 2019		35,552	12,382	15,964	3,582	

	Note	2020 (Rupees in thousand)	2019
20 Capital work in progress			
Plant and machinery		1,332	9,231
Advance for tools and equipment		1,613	1,613
Advance for vehicles		–	1,983
		<u>2,945</u>	<u>12,827</u>
20.1 Movement in capital work in progress is as follows:			
Opening balance		12,827	26,648
Additions during the year		4,857	31,883
Capitalized during the year		(14,739)	(45,704)
		<u>2,945</u>	<u>12,827</u>
21 Right-of-use assets			
Opening net book value		–	–
Impact of initial adoption - IFRS 16		4,829	–
Additions during the year		11,327	–
Depreciation charged during the year	36	(3,225)	–
Closing net book value		<u>12,931</u>	<u>–</u>

	Note	Software with definite life	Licenses with indefinite life - Note 22.1	Total
22 Intangible assets				
Net carrying value basis:				
Opening net book value as at July 1, 2019		4,048	–	4,048
Additions		–	39,300	39,300
Amortization charge	37	(1,943)	–	(1,943)
As at June 30, 2020		<u>2,105</u>	<u>39,300</u>	<u>41,405</u>
Gross carrying value basis:				
As at June 30, 2020				
Cost		5,992	39,300	45,292
Accumulated amortization		(3,887)	–	(3,887)
		<u>2,105</u>	<u>39,300</u>	<u>41,405</u>
Opening net book value as at July 1, 2018		–	–	–
Additions		5,992	–	5,992
Amortization charge	37	(1,944)	–	(1,944)
As at June 30, 2019		<u>4,048</u>	<u>–</u>	<u>4,048</u>
Gross carrying value basis:				
As at June 30, 2019				
Cost		5,992	–	5,992
Accumulated amortization		(1,944)	–	(1,944)
		<u>4,048</u>	<u>–</u>	<u>4,048</u>
Rate of amortization		<u>33%</u>	<u>0%</u>	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

22.1 Intangible asset with indefinite useful life

Intangible asset with indefinite life having carrying value of Rs. 39,300 thousand (2019: Nil) represents lifetime Oracle based user licenses for functioning of Company's ERP system. The Company has performed its annual impairment review for these licenses with indefinite life and noted no indicator of impairment since these licenses are newly acquired and the related ERP system is also newly implemented. Moreover, these licenses are also covered with upgradation over time and are not susceptible to technological obsolescence in near future.

	Note	2020 (Rupees in thousand)	2019
23 Investment property			
Land		258,444	258,444
Provision for impairment	23.5	(2,736)	(2,736)
		<u>255,708</u>	<u>255,708</u>

23.1 This represents residential plots stated at cost. As at June 30, 2020 and June 30, 2019, the fair values of these properties were Rs.355,200 thousand and Rs. 333,000 thousand, respectively. The valuations were performed by an independent valuer, who has appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. The valuation is based on comparable market transactions that considers sales of similar properties that have been transacted in open market.

23.2 The valuation method used by the independent valuer was based on market approach method.

23.3 The level of hierarchy for fair value disclosed falls in level 2 i.e. inputs other than quoted prices included within level 1 that are observable for real estate properties either directly or indirectly.

23.4 Management of the Company believes that holding on to these properties for appreciation in their market value is the highest and best use of these investment properties.

23.5 This represents provision for impairment against land measuring 12 kanals and 14.5 marlas located at Raiwind Road having gross value of Rs. 2,736 thousand (2019: 2,736 thousand) at the reporting date.

	2020		2019	
	Equity % held	Amount	Equity % held	Amount
(Rupees in thousand)				
24 Long term investments				
Investment in related parties				
In subsidiary undertaking - at cost				
Unquoted				
Millat Industrial Products Limited				
5,737,500 (2019: 5,737,500) fully paid ordinary shares of Rs.10/- each	64.09	57,375	64.09	57,375
TIPEG Intertrade DMCC				
1,500 (2019: 1,500) fully paid ordinary shares of AED 1,000/- each	75.00	68,925	75.00	63,600
Millat Equipment Limited				
11,700,000 (2019: 11,700,000) fully paid ordinary shares of Rs. 10/- each	45.00	117,000	45.00	117,000
Quoted				
Bolan Castings Limited				
5,306,979 (2019: 5,306,979) fully paid ordinary shares of Rs. 10/- each	46.26	76,610	46.26	76,610
Other investment - at FVOCI				
Unquoted				
Arabian Sea Country Club Limited				
500,000 (2019: 500,000) fully paid ordinary shares of Rs. 10/- each	6.45	5,000	6.45	5,000
Less: Impairment loss		(5,000)		(5,000)
Hyundai Nishat Motors (Private) Limited				
134,550,000 (2019: 99,000,000) fully paid ordinary shares of Rs. 10/- each	18.00	1,345,500	18.00	990,000
Surplus on fair valuation of investment - note 24.2 & 49.1		296,010		-
		1,641,510		990,000
Investment other than related parties - at FVOCI				
Quoted				
Baluchistan Wheels Limited				
1,282,825 (2019: 1,282,825) fully paid ordinary shares of Rs. 10/- each		12,145		12,145
Surplus on fair valuation of investment - note 49.1		65,761		66,749
		77,906		78,894
Unquoted				
TCC Management Services (Private) Limited				
40,000 (2019: 40,000) fully paid ordinary shares of Rs. 10/- each		400		400
		2,039,726		1,383,879

Investments in associated companies or undertakings have been made in compliance with the requirements of the Companies Act, 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

24.1 Subsidiaries incorporated outside Pakistan

Information about the related party incorporated outside the Pakistan in which the Company has a long term investment and/ or with whom the company had entered into transactions during the year is as follows:

- Name of Company:	TIPEG Intertrade DMCC
- Registered office of the Company (location):	Unit No. 705, Fortune Executive Tower, Jumeirah Lake Towers, Dubai, United Arab Emirates
- Country of incorporation:	United Arab Emirates
- Basis of association:	Subsidiary
- Aggregate percentage of shareholding:	75%
- Managing Director / Principal Officer:	Mr. Sohail Bashir Rana
- Operational status:	Operational
- Details of litigation status (as on June 30, 2020):	None
- Auditors opinion on latest financial statements (December 31, 2019):	Unmodified opinion
- Default / breach relating to foreign investment:	None

- The unconditional amount of equity investment in the foreign subsidiary is AED 1,500 thousand which is equivalent to Rs. 68,925 thousand as on June 30, 2020 (2019: Rs. 63,600 thousand), as disclosed in note 24 to these financial statements.
- The foreign subsidiary has remitted back dividend / return of Rs. 34,158 thousand (2019: Rs. 25,874 thousand) during the year.

24.2 This represents investment in the ordinary shares of Hyundai Nishat Motors Private Limited ('HNMPL') which is principally engaged in assembly and sales of Hyundai Motor Company passenger and commercial vehicles. Since HNMPL's ordinary shares are not listed, the management has estimated a fair value of Rs 12.2 per ordinary share as at June 30, 2020 through a valuation technique based on discounted cash flow analysis of HNMPL. Hence, it has been classified under level 3 of fair value hierarchy as further explained in note 49.1 to these financial statements. The fair value gain of Rs 296,010 thousand is included in the fair value gain recognised during the year in other comprehensive income.

The main level 3 inputs used by the Company are derived and evaluated as follows:

- Discount rate is determined using a capital asset pricing model to calculate a post-tax rate that reflects current market assessments of the time value of money and the risk specific to HNMPL.
- Long term growth rate is estimated based on expected future performance of HNMPL and current market information for similar type of entities.

The significant assumptions used in this valuation technique are as follows:

- Discount rate of 14.87% per annum.
- Long term growth rate of 2% per annum for computation of terminal value; and
- Annual growth in costs are linked to Inflation and currency devaluation at 7 % per annum and revenues are linked to currency devaluation at 7% per annum.

Sensitivity analysis

Sensitivity analysis of the significant assumptions used in the valuation technique are as follows, with all other variables held constant as at June 30, 2020:

	Impact on fair value gain	
	Increased by 1%	Decreased by 1%
	(Rupees in thousand)	
Significant assumptions		
- Discount rate	(248,918)	293,319
- Long term growth rate	177,606	(152,042)
- Inflation rate per annum	(67,275)	65,930

	Note	2020	2019
		(Rupees in thousand)	
25 Long term loans - considered good			
Loan to employees:			
company loan	25.1	4,197	5,342
motor cycle loan	25.2	1,647	1,475
	25.3	5,844	6,817
Less: current portion included in current assets	29	(3,592)	(3,991)
		<u>2,252</u>	<u>2,826</u>

25.1 These represent interest free loans to employees secured against their gratuity and provident fund balances. These loans are repayable in monthly installments over a period of two years for executive and three years for workers.

25.2 These represent interest free loans to employees for purchase of motor cycles secured by joint registration of motor cycles in the name of the Company and employees. These loans are repayable in monthly installments over a period of five years.

25.3 Reconciliation of carrying amount of long term loans is:

	Balance as at June 30, 2019	Disbursement during the year	Repayments during the year	Balance as at June 30, 2020
	(Rupees in thousand)			
Due from employees	6,817	3,995	4,968	5,844

25.4 The above loans were provided for personal use of the executives in accordance with approved Human Resource policy and employment terms.

	2020	2019
	(Rupees in thousand)	
26 Stores, spare parts and loose tools		
Stores, spare parts and loose tools	165,060	150,799
less: provision for obsolescence	(7,661)	-
	<u>157,399</u>	<u>150,799</u>

26.1 Most of the items of stores, spare parts and loose tools are of inter-changeable nature and can be used as machine spares or consumed as stores. Accordingly, it is not practical to distinguish stores from spares until their actual usage.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

	Note	2020 (Rupees in thousand)	2019
27 Stock in trade			
Raw material	27.1 & 27.2	3,276,661	2,724,066
Work-in-process		30	17,782
Finished goods:			
Manufacturing		420,195	246,003
Trading		160,280	160,738
		580,475	406,741
		<u>3,857,166</u>	<u>3,148,589</u>

27.1 This includes stock in transit amounting to Rs. 373,837 thousand (2019: Rs. 310,855 thousand).

27.2 This includes raw materials and components held with third parties amounting to Rs. 80,145 thousand (2019: Rs. 74,291 thousand).

	Note	2020 (Rupees in thousand)	2019
28 Trade debts			
28.1 Trade debts from contracts with customers			
- considered good	28.3	102,044	46,637

28.2 The maximum aggregate amount of trade debts / receivable from related parties at the end of any month during the year was Rs.11,115 thousand (2019: Rs.2,163 thousand).

	Note	2020 (Rupees in thousand)	2019
28.3 This includes amount due from following related parties:			
- Millat Equipments Limited		4,631	-
- Millat Industrial Products Limited		6,127	-
- Hyundai Nishat Motors (Private) Limited		357	2,045
		<u>11,115</u>	<u>2,045</u>

	Note	2020 (Rupees in thousand)	2019
29 Loans and advances			
Current portion of long term loans to employees	25	3,592	3,991
Advances to employees - considered good	29.1	14,940	3,388
Advances to suppliers - considered good	29.2	31,659	106,497
		50,191	113,876
Advances to suppliers - considered doubtful		2,485	2,485
Less: provision for doubtful advances		(2,485)	(2,485)
		-	-
Letter of credit opening charges		1,678	-
		<u>51,869</u>	<u>113,876</u>

29.1 These represent interest free advances to employees for the purpose of the expenses, tour and salary as per company's Human resource policy.

29.2 These represent interest free advances given to suppliers as per mutually agreed terms.

30 Trade deposits and short term prepayments

These include interest free security deposits amounting to Rs. 17,960 thousand (2019: Rs.26,541 thousand) made for tender placement.

	Note	2020 (Rupees in thousand)	2019
31 Balances with statutory authorities			
Special excise duty receivable / (payable)		–	1,520
Sales tax recoverable		1,066,803	2,282,846
Less: provision for doubtful claims		(34,147)	(34,147)
		1,032,656	2,248,699
		1,032,656	2,250,219
32 Other receivables			
Claims receivable from suppliers	32.1	38,343	84,707
Interest accrued		367	465
Worker's Profit Participation Fund		–	1,851
		38,710	87,023
32.1 This includes amount due from following related parties:			
- Millat Equipments Limited		115	1,278
- Millat Industrial Products Limited		–	412
- Bolan Casting Limited		2,238	65
		2,353	1,755
33 Cash and bank balances			
In hand:			
cash		7,027	27,235
cheques	17.1	109,438	230,506
		116,465	257,741
At banks:			
current accounts		459,140	418,170
deposit accounts	33.1 & 33.2	1,143,857	176,077
		1,602,997	594,247
		1,719,462	851,988

33.1 This includes deposits amounting to Rs. Nil thousand (2019: 8,534 thousand) placed with Islamic banks under Islamic mode.

33.2 These deposits are made under conventional arrangements and carry mark-up at the rate ranging from 7.3% to 10.8% (2019: 6% to 10.8%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

	Note	2020	2019
		(Rupees in thousand)	
34 Revenue from contracts with customers			
Local:			
Tractors		22,149,422	31,720,628
Implements		134,496	109,833
Multi-application products		326,654	177,611
Trading goods		629,520	660,945
IFS implementation services		10,611	9,250
		23,250,703	32,678,267
Less:			
- Trade discount		(62,324)	(39,894)
- Sales tax and special excise duty		(1,202,892)	(1,252,399)
- Provincial sales tax on services		(2,072)	(777)
		(1,267,288)	(1,293,070)
		21,983,415	31,385,197
Export:			
Tractors		1,120,145	181,901
Trading goods		141,430	69,755
Multi-application products		2,344	-
IFS services		4,290	-
		1,268,209	251,656
		23,251,624	31,636,853
Less: Commission		(309,349)	(492,796)
	34.1	22,942,275	31,144,057

34.1 This represents revenue earned from Shariah compliant business segments.

	Note	2020	2019
		(Rupees in thousand)	
35 Cost of sales			
Components consumed		17,471,708	23,739,431
Salaries, wages and amenities	35.1	278,376	290,575
Contract services		282,110	350,391
Fuel and power		103,652	91,678
Communication		206	228
Travelling and vehicle running		13,224	11,513
Printing and stationery		4,422	4,857
Insurance		22,118	20,789
Repairs and maintenance		54,380	68,268
Stores and spares consumed		75,970	120,736
Depreciation	19.1	33,649	33,131
Other expenses		25,153	24,802
		18,364,968	24,756,399
Add: opening work-in-process		17,782	4,508
Less: closing work-in-process		(30)	(17,782)
		17,752	(13,274)
Cost of goods manufactured		18,382,720	24,743,125
Add: opening finished goods		246,003	157,468
Less: closing finished goods		(420,195)	(246,003)
		(174,192)	(88,535)
Cost of sales - manufactured		18,208,528	24,654,590
Cost of sales - trading	35.2	488,151	543,100
		18,696,679	25,197,690

	Note	2020 (Rupees in thousand)	2019
35.1 This includes the following staff retirement benefit (income) / expense:			
Defined benefit plan - pension		(8,176)	7,883
Defined contribution plan - gratuity		4,326	4,520
Defined contribution plan - provident fund		7,454	7,062
Provision for compensated absences		(3,281)	2,312
		323	21,777
35.2 Cost of sales - trading			
Opening stock		160,738	158,714
Purchases		487,693	545,124
		648,431	703,838
Closing stock		(160,280)	(160,738)
		488,151	543,100
36 Distribution and marketing expenses			
Salaries and amenities	36.1	106,466	108,264
Contract services		36,142	40,214
Fuel and power		8,600	8,069
Communication		744	476
Travelling and vehicle running		35,551	15,676
Printing and stationery		3,379	4,727
Insurance		15,176	11,540
Trademark fee	36.2	248,712	281,612
Advertisement and sales promotion		9,678	17,443
Depreciation	19.1	6,942	6,842
Depreciation charge for the right-of-use assets	21	3,225	-
Meeting / convention		8,095	8,509
After sales support		31,121	44,877
Other expenses		54,007	30,755
		567,838	579,004
36.1 This includes the following staff retirement benefit (income) / expense:			
Defined benefit plan - pension		(5,164)	4,653
Defined contribution plan - gratuity		2,833	3,050
Defined contribution plan - provident fund		3,792	3,645
Provision for compensated absences		(1,178)	830
		283	12,178

36.2 Trademark fee is incurred under a trademark agreement between the Company and M/S Massey Ferguson Corp., having its registered office situated at 4205 River Green Parkway, Duluth, Georgia 30096, United States of America.

Under the trademark agreement M/S Massey Ferguson grants exclusive rights to the Company for use of its brand name with certain terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

	Note	2020 (Rupees in thousand)	2019
37	Administrative expenses		
Salaries and amenities	37.1	197,383	182,199
Contract services		50,438	61,516
Fuel and power		15,628	16,575
Communication		3,694	3,812
Travelling and vehicle running		20,468	23,397
Insurance		7,463	7,644
Repairs and maintenance		13,236	27,623
Security		18,473	16,196
Legal and professional	37.2	11,342	7,806
Depreciation	19.1	40,825	42,380
Amortization of intangible asset	22	1,943	1,944
Rent, rates and taxes		6,741	2,017
Fee and subscription		4,023	2,679
Entertainment		5,232	5,522
Property, plant and equipment written off		294	–
Other expenses		50,995	45,017
		448,178	446,327
37.1	This includes the following staff retirement benefit (income) / expense:		
Defined benefit plan - pension		(8,176)	4,277
Defined contribution plan - gratuity		1,412	1,721
Defined contribution plan - provident fund		7,837	7,217
Provision for compensated absences		(3,954)	2,786
		(2,881)	16,001
37.2	Legal and professional expenses include following in respect of auditors' services:		
Statutory audit		1,709	1,628
Half year review		179	170
Special reports and sundry certifications		341	230
Out of pocket expenses		100	100
		2,329	2,128
38	Other operating expenses		
Workers' Profit Participation Fund	16.3	160,070	272,426
Workers' Welfare Fund		64,028	93,225
Realized loss on short term investments - at FVPL	38.1 & 38.2	–	200,417
Donations	38.3 & 38.4	5,559	100
Bad debts written off		–	–
Provision for obsolescence of stores and spares		7,661	–
Exchange loss		58,485	30,437
		295,803	596,605

	2020	2019
	(Rupees in thousand)	
38.1 Realized (gain) / loss on sale of short term investment - net:		
ABL Cash Fund	-	36,259
ABL Income Fund	-	14,726
Alfalah GHP Money Market Fund	-	3,461
Atlas Money Market	(1,178)	17,453
HBL Money Market Fund	-	13,081
Lakson Income Fund	-	7,121
Lakson Money Market Fund	-	18,079
MCB Cash Management Optimizer Fund	-	49,814
NAFA Government Securities Liquid Fund	-	18,125
NIT Income Fund	-	8,182
UBL Liquidity Income Plus Fund	-	14,116
	(1,178)	200,417

38.2 Gain on sale of short term investments - at FVPL, for current year is presented under other operating income.

38.3 The particulars of the donation exceeding Rs 1,000 thousand are as follows:

	2020	2019
	(Rupees in thousand)	
Name of donee		
Namal Education Foundation	4,809	-

38.4 Donation includes the following in which a director or his spouse is interested:

Name of director	Name of Donee	Interest in Donee	2020	2019
			(Rupees in thousand)	
Mr. Sikandar	Namal Education	Vice Chairperson	4,809	-
Mustafa Khan	Foundation			

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

	Note	2020 (Rupees in thousand)	2019
39 Other income			
Income from financial assets			
Dividend income from Baluchistan Wheels Limited	39.1	2,565	3,848
Return on bank deposits and TDRs	39.2	20,465	36,986
Gain on sale of short term investments	38.1	1,178	–
Dividend income from short term investments	39.3	2,711	301,556
Gain on translation of foreign investment		5,325	14,100
Interest received on early payments and advances		26,953	31,338
		59,197	387,828
Income from investment in subsidiary			
Dividend income from Millat Equipment Limited		117,000	327,600
Dividend income from Millat Industrial Products Limited		–	5,738
Dividend income from Bolan Castings Limited		–	13,267
Dividend income from TIPEG Intertrade DMCC		34,158	25,874
	39.1	151,158	372,479
Income from assets other than financial assets			
Rental income		15,758	6,742
Scrap sales		13,236	16,517
Gain on disposal of property, plant and equipment	19.4	–	3,582
Sundry income	39.4	10,830	10,333
Multiapp products service income		3,408	2,888
Lab income		107	105
		43,339	40,167
		253,694	800,474

39.1 Dividend income is earned from investments in non-Shariah-compliant companies.

39.2 This includes profit of Rs.Nil thousand (2019: Rs.9,310 thousand) earned on deposits made under Islamic mode.

	2020 (Rupees in thousand)	2019
39.3 Dividend income from short term investments:		
ABL Cash Fund	–	55,264
ABL Islamic Income Fund	–	16,500
Alfalah GHP Money Market Fund	–	13,477
Atlas Money Market Fund	2,711	27,658
HBL Money Market Fund	–	23,583
Lakson Income Fund	–	9,571
Lakson Money Market Fund	–	25,279
MCB Cash Management Optimizer Fund	–	67,104
NAFA Government Securities Liquid Fund	–	29,065
NIT Income Fund	–	17,113
UBL Liquidity Plus Fund	–	16,942
	2,711	301,556

39.4 This includes income received as tender money in case of auctions and late delivery charges from suppliers.

	Note	2020 (Rupees in thousand)	2019
40 Finance cost			
Mark-up on short term borrowings - secured	40.1 & 40.2	213,498	38,629
Interest expense against lease liability		1,355	–
Bank charges		2,983	3,415
		217,836	42,044

40.1 This represents markup paid under conventional mode of financing arrangements having mark up rates ranging from KIBOR plus 0.04% to KIBOR plus 0.5% (2019: KIBOR plus 0.05% to KIBOR plus 0.5%) per annum.

40.2 This includes an amount of Rs. 7,167 thousand (2019: Rs 8,213 thousand) paid as markup under Islamic mode of financing.

	Note	2020 (Rupees in thousand)	2019
41 Taxation			
For the year charge / (income / reversal):			
current		800,075	1,531,916
deferred		26,079	(69,812)
		826,154	1,462,104
Prior years:			
current		(7,067)	(17,288)
	41.1	819,087	1,444,816

	2020 (%)	2019
41.1 Numerical reconciliation between average effective tax rate and the applicable tax rate.		
Applicable tax rate	29.00	29.00
- Effect of change in prior year	(0.24)	(0.34)
- Income chargeable to tax at different rates	(2.35)	(0.90)
- Tax effect of super tax	0.00	2.07
- Others	1.17	(1.41)
	(1.42)	(0.58)
Average effective tax rate	27.58	28.42

41.2 The current tax expense has been computed using the tax rate enacted for the tax year 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

41.3 Management's assessment on sufficiency of provision for income taxes

A comparison of provision on account of income taxes with most recent tax assessment for last three tax years is as follows:

	2019	2018	2017
	(Rupees in thousand)		
Tax assessed as per most recent tax assessment	1,524,849	2,361,733	1,998,074
Provision in accounts for income tax	1,524,849	2,361,733	1,997,464

The tax assessed as per most recent tax assessment for the year 2019 and 2018 is based on "deemed assessment" as per income tax return filed for respective years.

As at June 30, 2020, as per the treatments adopted in tax returns filed that are based on the applicable tax laws and decisions of appellate authorities on similar matters, the provision in accounts for income tax is sufficient as there are strong grounds that the said treatments are likely to be accepted by the tax authorities.

42 Remuneration of Chief Executive Officer, Directors and Executives

The aggregate remuneration recognized in these financial statements including certain benefits to the Chief Executive Officer, Directors and Executives of the Company are as follows:

	Chief Executive Officer		Directors				Executives	
	2020	2019	2020		2019		2020	2019
			Non Executive Director	Executive Director	Non Executive Director	Executive Director		
Number of persons	1	1	1	1	1	1	34	28
	(Rupees in thousand)							
Managerial remuneration	12,778	11,964	2,571	1,416	2,427	1,902	66,145	57,044
Cost of living allowance	-	-	2,571	1,416	2,427	1,902	22,098	20,650
Bonus	3,534	7,271	762	591	3,138	2,436	5,197	40,944
House rent	5,750	5,384	1,157	637	1,092	856	26,830	23,126
Contribution to provident fund and gratuity funds	1,280	1,198	-	-	-	-	10,345	9,411
Pension contribution	-	-	-	-	-	-	3,757	3,510
Medical expenses	276	141	298	790	301	1,053	4,655	3,404
Utilities	347	348	607	744	706	799	7,451	5,955
Other reimbursable expenses	2,163	2,037	1,195	897	951	769	8,263	8,117
	26,128	28,343	9,161	6,491	11,042	9,717	154,741	172,161

42.1 The Company has also provided the Chief Executive Officer, Directors and certain employees with free use of Company maintained cars and residential telephones.

42.2 Aggregate amount charged to profit or loss for the year in respect of meeting fee to two directors (2019: three directors) was Rs. 1,150 thousand (2019: Rs. 650 thousand) and travelling expenses Rs. 334 thousand (2019: Rs. 288 thousand).

43 Transactions with related parties

Related parties comprises of associated entities, entities under common control, entities with common directors, major shareholders, post employment benefit plans and key management personnel, inclusive of directors, and their close family members. Amounts due from and to related parties are shown under respective notes to the financial statements. Amounts of operating assets sold during the year are mentioned in note 19.4 Amounts due from Directors and key management personnel are shown under receivables and remuneration of Directors and key management personnel is disclosed in note 42. Other significant transactions with related parties are as follows:

Relation with undertaking	Nature of transaction	2020 (Rupees in thousand)	2019
Subsidiaries	Sale of goods	650,941	255,640
	Sale of services	6,614	–
	Purchase of components	4,069,335	5,386,486
	Payment of compensation to staff	22,654	34,694
	Dividend income	151,158	372,479
Associates	Sale of services	1,925	4,856
	Investment made	355,500	720,000
Key Management Personnel	Sale of assets	116	–
Employees' defined benefit plan	Contribution to employees' defined benefit plan	9,929	10,000
		8,570	9,290
Defined contribution plans	Contribution to defined contribution plan	19,083	17,924
Provident Fund	Amount contributed		

43.1 The Company intends to take the approval of the transactions with subsidiaries from the shareholders in General Meeting.

43.2 Transactions with related parties are carried out on mutually agreed terms and conditions.

43.3 The names of related parties with whom the Company has entered into transactions or had agreements / arrangements in place during the year:

Name of the related party	Basis of relationship	Percentage of shareholding (%)
Millat Equipment Limited	Subsidiary	45.00
Millat Industrial Products Limited	Subsidiary	64.09
Bolan Castings Limited	Subsidiary	46.26
TIPEG Intertrade DMCC	Subsidiary	75.00
Arabian Sea Country Club Limited	Common Directorship	6.45
Hyundai Nishat Motors (Private) Limited	Common Directorship	18.00

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

44 Earnings per share – Basic and diluted

44.1 Basic earnings per share

Earnings per share are calculated by dividing the profit after tax for the year by weighted average number of shares outstanding during the year as follows:

	2020 (Rupees in thousand)	2019
Profit after tax for the year	2,150,548	3,638,045
	(Number of shares in thousand)	
Weighted average number of ordinary shares outstanding during the year	49,829	49,829
	(Rupees)	
Earnings per share	43.16	restated 73.01

44.2 During the period, a 12.5% issue of bonus shares in the ratio of one bonus share for every eight shares held by the shareholders was proposed in the Board of Directors meeting held on September 05, 2019. The approval of the members for issue of bonus shares was obtained in the Annual General Meeting held on October 25, 2020. The effect of the issue of 5,536 thousand bonus shares of Rs. 10 each has been accounted for in these financial statements.

44.3 Diluted earnings per share

No figure for diluted earnings per share has been presented as the Company has not issued any instruments carrying options which would have an impact on earnings per share when exercised.

	Note	2020 (Rupees in thousand)	2019
45 Cash generated from operations			
Profit before taxation		2,969,635	5,082,861
Adjustment for:			
Depreciation on property, plant and equipment	19.1	81,416	82,353
Depreciation charge for the right-of-use assets		3,225	–
Amortization of intangible assets	22	1,943	1,944
Provision for accumulating compensated absences		(8,413)	5,928
Profit on bank deposits	39	(20,465)	(36,986)
Dividend income from long term investments	39	(153,723)	(376,327)
Dividend income from short term investments	39.3	(2,711)	(301,556)
Contribution to employees' defined benefit plan		(21,517)	16,814
Provision for gratuity		8,570	9,290
Gain on disposal of property, plant and equipment	19.4	–	(3,582)
Property, plant and equipment written off	19	306	47
(Gain) / loss on sale of short term investments	38.1	(1,178)	200,417
Gain on translation of foreign investment	39	(5,325)	(14,100)
Finance costs	40	217,836	42,044
Exchange loss	38	58,485	30,437
Provision for Workers' Profit Participation Fund	38	160,070	272,426
Provision for Workers' Welfare Fund	38	64,028	93,225
Provision for obsolescence of stores and spares	38	7,661	–
Working capital changes	45.1	(24,533)	(4,263,115)
		3,335,310	842,120

	Note	2020 (Rupees in thousand)	2019
45.1 Working capital changes			
(Increase) / decrease in current assets			
Stores and spares		(14,261)	(19,533)
Stock in trade		(708,577)	1,008,473
Trade debts		(55,407)	18,941
Loans and advances		62,007	(75,245)
Trade deposits and short term prepayments		2,719	(30,179)
Other receivables		48,215	(44,135)
		(665,304)	858,322
Increase/ (decrease) in current liabilities:			
Trade and other payables		293,157	1,023,025
Contract liabilities		347,614	(6,144,462)
		640,771	(5,121,437)
46 Cash and cash equivalents			
Cash and bank balances	33	1,719,462	851,988
		1,719,462	851,988

47 Operating segments

47.1 These financial statements have been prepared on the basis of a single reportable segment

47.2 Revenue from sale of tractors represents 96% (June 30, 2019: 97%) of the total revenue of the Company.

47.3 94% (June 30, 2019: 99%) sales of the Company relate to customers in Pakistan.

47.4 All non-current assets of the Company as at June 30, 2020 are located in Pakistan.

48 Financial risk management

Financial instruments comprise loans and advances, trade deposits, trade debts, other receivables, short term investments, cash and bank balances, short term borrowings, long term deposits, interest/mark-up accrued on short term borrowings, long term loans, lease liabilities and trade and other payables.

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

- Market risk
- Credit risk
- Liquidity risk

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

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react to changes in market conditions and the Company's activities.

48.1 Market risk

(a) Currency risk

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

Monetary items, including financial assets and financial liabilities, denominated in currency other than functional currency of the Company are periodically restated to Pak rupee equivalent and the associated gain or loss is taken to the profit or loss. Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from/payable to the foreign entities. The Company's exposure to currency risk is as follows:

	Currency	2020 (FCY in thousand)	2019
Receivables	GBP	4,844	2,093
	USD	117,207	269,054
	EUR	31,062	33,457
Trade and other payables	GBP	1,297,367	319,329
	USD	1,352,046	373,751
	EUR	467,147	–
	CNY	982,800	–

The following analysis demonstrates the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant, of the Company's profit before tax.

	Changes in rate	Effects on profit before tax 2020 (Rupees in thousand)	Effects on profit before tax 2019
Receivables/ (Trade and other payables) - GBP	+1	(1,293)	(317)
	-1	1,293	317
Receivables/ (Trade and other payables) - USD	+1	(1,235)	(105)
	-1	1,235	105
Receivables/ (Trade and other payables) - EUR	+1	(436)	33
	-1	436	(33)
Trade and other payables - CNY	+1	(983)	–
	-1	983	–

	2020	2019
	(Rupees)	
Reporting date rate per:		
GBP to PKR	207.68	207.79
USD to PKR	168.75	164.00
EUR to PKR	189.73	186.37
CNY to PKR	24.00	24.19

(b) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to commodity price risk since it has a diverse portfolio of commodity suppliers. The long-term equity instrument held by the Company does not trade on a regular basis on the stock exchange and historically, it does not have a direct correlation with the equity index of the Pakistan Stock Exchange (PSX). Therefore, it is not possible to measure the impact of increase / decrease in the PSX Index on the Company's profit after taxation for the year and on equity (fair value reserve).

(c) Interest rate risk

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

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from short term and long term borrowings. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. The Company mitigates its risk against the exposure by focusing on short-term investment and maintaining adequate bank balances.

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was:

	Note	2020	2019
		(Rupees in thousand)	
Fixed rate instruments			
Financial liabilities			
Long term financing	12	128,935	–
Floating rate instruments			
Financial assets			
Bank balances - deposit accounts	33.2	1,143,857	176,077

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

Cash flow sensitivity analysis for variable rate instruments

The following analysis demonstrates the sensitivity to a change in interest rates, with all other variables held constant, of the Company's profit before tax. This analysis is prepared assuming the amounts of floating rate instruments outstanding at reporting dates were outstanding for the whole year.

		Changes in interest rate	Effects on profit before tax
(Rupees in thousand)			
Bank balances - deposit accounts	2020	+1%	11,439
		-1%	(11,439)
	2019	+1%	1,761
		-1%	(1,761)

48.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of total financial assets of Rs. 3,618,776 thousand (2019: Rs.2,089,837 thousand), the unsecured financial assets which are subject to credit risk amounted to Rs. 1,871,149 thousand (2019: Rs. 983,103 thousand).

For trade receivables, internal risk assessment process determines the credit quality of the customers, taking into account their financial positions, past experiences and other factors. Individual risk limits are set based on internal or external credit worthiness ratings in accordance with limits set by the management. The credit risk on liquid funds is limited because the counter parties are banks and mutual funds with reasonably high credit ratings. Further the Company believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counter parties and subscribers in case of trade debts.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Note	2020	2019
(Rupees in thousand)			
48.2.1			
Trade debts	48.2.2	102,044	46,637
Trade deposits		17,960	26,541
Other receivables		38,710	85,172
Bank balances and cheques in hand		1,712,435	824,753
		1,871,149	983,103
48.2.2 The aging of trade receivables at the reporting date is:			
Past due 1 - 3 Months		77,553	35,675
Past due 4 - 6 Months		19,388	9,091
Past due one year		5,102	1,871
		102,044	46,637

Based on management's assessment of the expected credit loss no material impairment is necessary in respect of trade receivables past due, as some receivables have been recovered subsequent to the year end and for other receivables, there are reasonable grounds to believe that the amounts will be recovered in short course of time.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rate. The table below shows the bank balances and short term investment held with some major counterparties at the reporting date:

	Rating			2020	2019
	Short term	Long term	Agency	(Rupees in thousand)	
Banks					
Allied Bank Limited	A1+	AAA	PACRA	21,883	16,685
Bank Alfalah Limited	A-1+	AA+	JCR-VIS	1,120,008	120,147
Habib Bank Limited	A-1+	AAA	JCR-VIS	294,729	163,431
MCB Bank Limited	A1+	AAA	PACRA	72,182	75,532
Meezan Bank Limited	A-1+	AA +	JCR-VIS	3,392	8,040
MCB Islamic Bank Limited	A1	A	PACRA	492	494
National Bank of Pakistan	A-1+	AAA	JCR-VIS	313	9,843
Sindh Bank Limited	A-1	A+	JCR-VIS	2,289	2,073
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	7,639	7,357
United Bank Limited	A-1+	AAA	JCR-VIS	66,673	155,805
Zarai Taraqati Bank Limited	A-1+	AAA	JCR-VIS	13,397	34,840
				1,602,997	594,247

48.3 Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At June 30, 2020, the Company had Rs. 5,300,000 thousand (2019: Rs.4,300,000 thousand) available borrowing limits from financial institutions and Rs. 1,719,462 thousand (2019: Rs. 851,988 thousand) cash and bank balances.

The following are the contractual maturities of financial liabilities as at June 30, 2020:

	Carrying amount	Less than one year	More than one year
	(Rupees in thousand)		
Trade and other payables	2,805,646	2,805,646	–
Unclaimed dividend	277,113	277,113	–
Unpaid dividend	10,004	10,004	–
Long term finance- secured	128,935	26,944	101,991
Lease liabilities against right-of-use assets	13,587	3,706	9,881
Long term deposits	12,643	–	12,643
	3,247,928	3,123,413	124,515

The following are the contractual maturities of financial liabilities as at June 30, 2019:

Trade and other payables	2,441,153	2,441,153	–
Unclaimed dividend	310,095	310,095	–
Unpaid dividend	33,469	33,469	–
Long term deposits	12,731	–	12,731
	2,797,448	2,784,717	12,731

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

48.4 Financial instruments by categories

	At fair value through other comprehensive income		At fair value through profit or loss		At amortised cost		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
(Rupees in thousand)								
Financial assets								
Long term investments	1,719,816	1,069,294	-	-	-	-	1,719,816	1,069,294
Loans and advances	-	-	-	-	20,784	10,205	20,784	10,205
Trade debits	-	-	-	-	102,044	46,637	102,044	46,637
Trade deposits	-	-	-	-	17,960	26,541	17,960	26,541
Other receivables	-	-	-	-	38,710	85,172	38,710	85,172
Cash and bank balances	-	-	-	-	1,719,462	851,988	1,719,462	851,988
Total current	1,719,816	1,069,294	-	-	1,898,960	1,020,543	3,618,776	2,089,837
Total non-current	-	-	-	-	-	-	1,896,708	1,017,717
							1,722,068	1,072,120

	At fair value through other comprehensive income		At fair value through profit or loss		At amortised cost		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
(Rupees in thousand)								
Financial liabilities								
Trade and other payables	-	-	-	-	2,805,646	2,441,153	2,805,646	2,441,153
Unclaimed dividend	-	-	-	-	277,113	310,095	277,113	310,095
Unpaid dividend	-	-	-	-	10,004	33,469	10,004	33,469
Long term finance	-	-	-	-	128,935	-	128,935	-
Lease liabilities against right-of-use assets	-	-	-	-	13,587	-	13,587	-
Long term deposits	-	-	-	-	12,643	12,731	12,643	12,731
Total current	-	-	-	-	3,247,928	2,797,448	3,247,928	2,797,448
Total non-current	-	-	-	-	-	-	3,123,413	2,784,717
							124,515	12,731

48.5 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits for other stakeholders. The capital structure of the Company is equity based with minimal long term financing. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or other measures commensurate to the circumstances.

49 Fair values of financial assets and liabilities

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

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on arm's length basis.

The carrying values of other financial assets and financial liabilities reflected in financial statements approximate to their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

49.1 Fair value hierarchy

IFRS 13 "Fair Value Measurement requires the Company to classify fair value measurement and fair value hierarchy that reflects the significance of the inputs used in making the measurement of fair value hierarchy, which has the following levels:

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price.

Level 2: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable.

Level 3: If one or more of the significant inputs is not based on observable market data. Specific valuation techniques used to value financial instruments include

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest Rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred, if any. Furthermore, there have been no transfers between various levels of the fair value hierarchy. The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. Changes between various levels of fair value hierarchy are analyzed at the end of each reporting period during the annual valuation discussion between the Chief Financial Officer and the management of investee company. As part of this discussion, the investee company presents a report that explains the reason for the fair value movement, if any.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

As at June 30, 2020, the Company held the following financial instruments carried at fair value:

	2020	Level 1	Level 2	Level 3
(Rupees in thousand)				
Recurring fair value measurements				
Financial assets measured - FV OCI				
Long term investments - Equity shares	1,719,816	77,906	–	1,641,910
	1,719,816	77,906	–	1,641,910
Date of valuation : June 30, 2020				

There were no financial liabilities measured at fair value as at June 30, 2020.

As at June 30, 2019, the Company held the following financial instruments carried at fair value:

	2019	Level 1	Level 2	Level 3
(Rupees in thousand)				
Recurring fair value measurements				
Financial assets measured - FV OCI				
Long term investments - Equity shares	1,069,294	78,894	–	990,400
	1,069,294	78,894	–	990,400
Date of valuation : June 30, 2019				

There were no financial liabilities measured at fair value as at June 30, 2019.

Movement / reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy

	Note	2020	2019
(Rupees in thousand)			
Opening balance		990,400	270,000
Investment made during the year		355,500	720,400
Surplus on fair valuation of investment		296,010	–
	24	1,641,910	990,400

50 Provident fund trust

50.1 The Company has maintained an employee provident fund trust and investments out of provident fund have been made in accordance with the provisions of section 218 of the Act and the conditions specified thereunder. Details regarding investments of the provident fund trust are as follows:

	Note	2020	2019
(Rupees in thousand)			
Size of the fund		610,856	576,377
Cost of investment made	50.2	484,211	469,211
Percentage of investment made		79%	82%
Fair value of investment		618,686	671,176

	2020		2019	
	(Rupees in thousand)	Percentage of total fund	(Rupees in thousand)	Percentage of total fund
50.2 Breakup of investment - cost				
Investment in shares (listed securities)	2,656	0%	3,211	1%
Term Deposit Receipts (TDR)	481,555	79%	466,000	81%
	484,211	79%	469,211	82%

50.3 The above information is based on audited financial statements of the provident fund.

50.4 Cost of ordinary shares of the Company held by the provident fund trust as at year end amounts to Rs. 2,656 thousand (2019: Rs. 3,211 thousand).

	2020	2019
	Units per annum	
51 Capacity and production		
Tractors		
Plant capacity (double shift)	30,000	30,000
Actual production	20,760	32,128

The Company has a normal capacity of producing 30,000 tractors per annum on double shift basis. Lower production than capacity is in accordance with the products demand in market.

	2020	2019
	52 Number of employees	
Total number of employees at the end of the year	360	388
Total number of factory employees at the end of the year	135	155

	2020	2019
	Average number of employees during the year	374
Average number of factory employees during the year	145	152

The number of employees mentioned above does not include third party contractual employees.

53 Subsequent events

The Board of Directors of the Company in its meeting held on September 16, 2020 has proposed a final cash dividend of Rs.30 per share (2019: Rs. 40 per share) and Nil bonus shares (2019: 12.5%) in respect of the year ended June 30, 2020. The appropriation will be approved by the members in the forthcoming Annual General Meeting. These financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

54 Date of authorization for issue

These financial statements were authorized for issue by Board of Directors of the Company in the meeting held on September 16, 2020.

55 Corresponding figures

Contract liabilities previously classified under trade and other payables, have now been presented separately on the unconsolidated statement of financial position for better presentation.

Other than the above, there has been no significant re-classifications in these financial statements.

56 General

56.1 Figures have been rounded off to the nearest thousand of rupees, unless otherwise stated.



Chief Financial Officer



Chief Executive Officer



Chairman

CONSOLIDATED FINANCIAL STATEMENTS

GROUP DIRECTORS' REPORT

The Directors are pleased to present their report together with the audited Group Consolidated Financial Statements for the year ended June 30, 2020.

THE GROUP

The Group comprises Millat Tractors Limited (MTL) (Holding Company) and its subsidiaries i.e., Millat Industrial Products Limited (MIPL), TIPEG INTERTRADE DMCC, Dubai, U.A.E., Bolan Castings Limited (BCL) and Millat Equipment Limited (MEL).

MILLAT INDUSTRIAL PRODUCTS LIMITED

a. BOARD OF DIRECTORS

The Directors of the Company shall retire at the forthcoming Annual General Meeting of the Company and six Directors shall be elected in their place. The retiring Directors are: M/s. Sikandar Mustafa Khan, Latif Khalid Hashmi, Sohail Bashir Rana, Laeeq Uddin Ansari, Mian Muhammad Saleem, Ahsan Imran Shaikh and Raafey Zaman Durrani(CEO).

b. PRINCIPAL ACTIVITIES, DEVELOPMENT AND PERFORMANCE OF COMPANY'S BUSINESS

The Company is engaged in the business of manufacture and sale of vehicular, industrial and domestic batteries. MIPL has established its brand "Millat Batteries" as a quality product. Sales during the year were Rs. 1,077.895 million and net loss after tax was Rs. (13.500) million. Loss per share for the year was Rs. (1.51). Increase in prices of raw materials and marginal and/or no increase in selling price of the company's products resulted in loss per share.

Solar batteries with enhanced backup time are being made to meet the requirement of solar customers. Sale of deep cycle batteries also increased during the year. Keeping in view the market requirement, maintenance free battery will be marketed in near future.

c. PRINCIPAL RISKS AND UNCERTAINTIES

The major risks and uncertainties being faced by the Company are fluctuation in prices of raw material, increased cost of imported raw material due to unprecedented devaluation of Rupee, low demand of

batteries for UPS in view of improved electricity supply and entry of new competitors in the market. During the year, increase in prices in both local and imported raw materials has adversely affected the profit margin. Covid-19, pandemic situation also adversely affected sales, both local and export. No changes have occurred during the financial year concerning the nature of the business of the company.

d. FUTURE PROSPECTS OF PROFIT

The Company aims to recover from the current after tax loss and conversion of the same in to profit by setting a challenging sales target in the next financial year. New entrant and changing market dynamics will be countered by quality and cost control.

e. ADEQUACY OF INTERNAL FINANCIAL CONTROLS

Adequate internal financial controls are in place and are being meticulously observed by concerned personals and being monitored by internal audit department on regular basis.

TIPEG INTERTRADE DMCC

a. BOARD OF DIRECTORS

The Directors of the Company are: M/s. Sikandar Mustafa Khan, Latif Khalid Hashmi, Sohail Bashir Rana, Laeeq Uddin Ansari and Mian Muhammad Saleem. There has been no change in the composition of the Board during the year.

b. PRINCIPAL ACTIVITIES, DEVELOPMENT AND PERFORMANCE OF COMPANY'S BUSINESS

TIPEG Intertrade DMCC, Dubai, U.A.E is a Limited Liability Company registered with Dubai Multi Commodities Centre Authority. Millat Tractors Limited has a holding of 75% in the equity of the Company. The principal activity of the Company is trading in machinery and heavy equipment and parts thereof. The principal place of business of the Company is located at Jumeirah Lake Towers, Dubai, UAE. TIPEG earned a net profit of AED 0.591 million and registered sale of AED 12.313 million for the period. Earnings per share were AED 295.713. So far performance of the Company has been satisfactory and business will further expand after higher exports of tractors from Pakistan.

c. PRINCIPAL RISKS AND UNCERTAINTIES

Currently no apparent risk or uncertainty is likely to affect the performance of the Company. No changes have occurred during the financial year concerning the nature of the business of the company

d. FUTURE PROSPECTS OF PROFIT

The Company aims to enhance its revenue by marketing products of MTL and other group companies in African and other international markets.

e. ADEQUACY OF INTERNAL FINANCIAL CONTROLS

Adequate internal financial controls are in place and are being observed.

BOLAN CASTINGS LIMITED

a. BOARD OF DIRECTORS

The Directors of the Company shall retire at the forthcoming Annual General Meeting of the Company and seven Directors shall be elected in their place. The retiring Directors are: M/s. Sikandar Mustafa Khan, Latif Khalid Hashmi, Sohail Bashir Rana, Laeeq Uddin Ansari, Syed Muhammad Irfan Aqueel, Syed Javaid Ashraf, Aamir Amin.

b. PRINCIPAL ACTIVITIES, DEVELOPMENT AND PERFORMANCE OF COMPANY'S BUSINESS

BCL is a public limited company listed on Pakistan Stock Exchange. BCL manufactures intricate tractor components i.e., major tractor castings for MTL. MTL holds 46.26% shares of the total paid up capital of the Company. A reduction in production and sales volume has been identified in the fiscal year 2020. 6,623 M.T of casting has been produced during the year against 8,694 M.T of last year resulting in a decrease of 23%, while 7,280 M.T of casting has been sold against 9,646 M.T sold last year i.e., a decrease of 24%.

The sales revenues of the company for the year amounted to Rs. 1,332.568 million against Rs. 1,513.636 million of last year. The gross loss was Rs. 88.132 million against gross loss of Rs. 149.777 million of last year. Loss before tax was Rs. 259.167 million against loss before tax Rs. 310.120 million of last year. The loss after tax was Rs.

271.688 million against loss after tax Rs. 239.000 million of last year.

The economic slowdown in Pakistan has impacted the tractor industry as well as its part manufacturers. The tractors industry has faced serious challenges due to low sale of tractors, the current economic slowdown, the worldwide lock down due to Covid-19, decline in crop yields, inflation and a high cost of borrowing. In addition, the devaluation of Pakistani Rupees against foreign currencies has resulted increase in raw material and fuel prices which predominantly contributed towards the gross loss.

c. PRINCIPAL RISKS AND UNCERTAINTIES

Effective risk management is the key to sustainable business. Company's risk management framework, coupled with internal control policies have helped maintain focus and mitigating principle risks affecting the company. However, overall risks arising from the company's financial instruments are limited as there is no significant exposure to market risk in respect of such instruments. Internal Audit department provides independent report to Board of Directors on the effectiveness of risk management and control processes.

d. FUTURE PROSPECTS OF PROFIT

Revival of economy depends on government economic policies to facilitate the industries to overcome the economic challenges due to Covid-19 and devaluation in Pakistani Rupees. BCL is cautiously optimistic about its sales outlook in the next financial year. To overcome the situation the Company is endeavoring for new sales avenues and at the same time adopting cost-cutting measures.

e. ADEQUACY OF INTERNAL FINANCIAL CONTROLS

BCL maintains a system of internal controls, which is designed to identify, evaluate and manage risks that may affect the achievement of business objectives rather than to eliminate these risks and can, therefore, provide only reasonable assurance against material misstatement or loss. Audit Committee is responsible for reviewing the effectiveness of the system of internal controls.

MILLAT EQUIPMENT LIMITED

a. BOARD OF DIRECTORS

The Directors of the Company are: M/s. Sikandar Mustafa Khan, Latif Khalid Hashmi, Sohail Bashir Rana, Laeeq Uddin Ansari, Mian Muhammad Saleem, Syed Muhammad Irfan Aqueel and Ahsan Imran Shaikh. They were elected in EOGM held on June 30, 2018.

b. PRINCIPAL ACTIVITIES, DEVELOPMENT AND PERFORMANCE OF COMPANY'S BUSINESS

MEL is a non listed public limited company and is engaged in manufacturing of gears, shafts and other related parts for MTL. The shareholding of MTL in the paid up capital of MEL is 45%. The Company's principal activities are producing a range of transmission shafts and gears for the various models of Massey Ferguson tractors in Pakistan. Financial performance of the company during the year was satisfactory despite decline in tractor demand due to economic conditions together with COVID-19. MEL earned an after tax profit of Rs. 199.378 million and registered sale of Rs. 2,421.541 million for the year. Earnings per share were Rs. 7.67.

c. PRINCIPAL RISKS AND UNCERTAINTIES

In an apparent view, other than being a single customer company and risk associated with it there appears no odd that may have any material adverse effect on Company's business in a foreseeable future. No changes have occurred during the financial year concerning the nature of the business of the company.

d. FUTURE PROSPECTS OF PROFIT

Despite the current financial / economic hardship being faced by the Pakistani economy as a whole, MEL is optimistic about improvement in tractor demand. Therefore, profitability of company is expected to be maintained at current level in the upcoming financial year.

e. ADEQUACY OF INTERNAL FINANCIAL CONTROLS

Adequate internal financial controls are already in place and Board's Audit Committee ensures complete and satisfactory implementation of the same

SUBSEQUENT EVENTS

No material changes or commitments affecting the financial position of the Group Companies have occurred between the end of the financial year of the Companies and the date of this report except as disclosed in their respective annual reports.

CHANGE IN NATURE OF BUSINESS

During the year there has been no major change in the nature of business of any group company.

AUDITOR'S OBSERVATIONS

No adverse remark, observation was given by the auditors' of any group company in their reports for the year/period ended June 30, 2020.

FUTURE PROSPECTS

There is no significant doubt about the group companies' ability to continue as going concerns and therefore future prospects are positive.

PATTERN OF SHAREHOLDING

The pattern of shareholding of MTL is annexed to the Directors' Report and the shareholding pattern of MIPL, TIPEG, BCL and MEL is enclosed.

EARNINGS PER SHARE

Earnings per share of the group for the year ended June 30, 2020 was Rs. 39.42 as against Rs. 70.55 (Restated) of the preceding year.



Chief Executive Officer

Lahore:

September 16, 2020



Chairman

تیار ہیں۔ حالیہ معاشی صورتحال اور کرونا کے باعث ٹریڈنگ کی مانگ میں کمی کے باوجود بھی کمپنی کی مالیاتی کارکردگی تسلی بخش رہی۔ ایم ای ایل کی اس سال کی رجسٹرڈ سیلز 2,421.541 ملین روپے رہی جبکہ خالص منافع بعد از ٹیکس 199.378 ملین روپے رہا۔ فی حصص آمدنی 7.67 روپے رہی۔

آڈیٹرز کا مشاہدہ

سال ختمہ 30 جون، 2020 کی سالانہ آڈٹ رپورٹ میں کسی بھی گروپ کمپنی کے بارے میں آڈیٹرز نے اپنی رپورٹ میں کسی قسم کی منفی رائے نہیں دی۔

پ۔ بنیادی خطرات اور غیر یقینی صورتحال

ظاہری طور پر ایک سنگل کسٹمر کمپنی اور اس سے منسلک خدشات کے علاوہ اور کوئی دیگر وجوہات نہیں جو مستقبل میں کمپنی کا روبرو متاثر کریں۔ کمپنی کے کاروبار کی نوعیت کے حوالے سے مالیاتی سال کے دوران کوئی تبدیلی نہیں آئی۔

مستقبل کے امکانات

گروپ کمپنی کی صلاحیتوں پر کسی کو کوئی بھی شک نہیں اس لئے مستقبل میں ترقی کے امکانات مثبت ہیں۔

ج۔ مستقبل میں منافع کے امکانات

مجموعی طور پر پاکستان کی معیشت کو درپیش حالیہ مالی / معاشی مشکلات کے باوجود ہم پر عزم ہیں کہ ٹریڈنگ کی طلب میں بہتری آئے گی۔ اس لیے آنے والے مالی سال کے دوران کمپنی کا منافع اسی سطح پر قائم رہنے کا امکان ہے۔

شراکت داری کا طریقہ

ایم ٹی ایل کی شراکت داری کے طریقے کو ڈائریکٹرز رپورٹ کے ساتھ منسلک کیا گیا ہے جبکہ ایم آئی پی ایل، ٹائی پیگ، بی سی ایل اور ایم ای ایل کی شراکت داری کا طریقہ بھی منسلک ہے۔

فی حصص آمدنی

سال ختمہ 30 جون، 2020 کیلئے گروپ کی فی حصص آمدنی 39.42 روپے رہی جو گزشتہ برس 70.55 (ریسٹریڈ) روپے تھی۔

د۔ موزوں داخلی مالیاتی کنٹرولز

موزوں داخلی مالیاتی کنٹرولز پہلے سے اپنی جگہ پر ہیں جبکہ بورڈ کی آڈٹ کمیٹی اگلے مکمل اور تسلی بخش عملدرآمد کا یقین دلاتی ہے۔

بعد میں پیش آنے والے واقعات

کمپنی کے مالیاتی سال ختمہ اور اس رپورٹ کی تاریخ کے درمیان نہ ہی ایسے کوئی عزم کئے گئے اور نہ ہی کوئی ایسی واضح تبدیلی ہوئی جس سے گروپ کمپنی کی مالیاتی پوزیشن اثر انداز ہو سوائے جن کو متعلقہ سالانہ رپورٹس میں بیان کیا گیا ہے۔



چیئر مین



چیئر مین

لاہور:

16 ستمبر، 2020

کاروبار کی نوعیت میں تبدیلی

سال کے دوران کسی بھی گروپ کمپنی کے کاروبار کی نوعیت میں کوئی اہم تبدیلی نہیں ہوئی۔

ج۔ مستقبل میں منافع کے امکانات

کمپنی کا یہ عزم ہے کہ ایم ٹی ایل اور دیگر گروپ کمپنی کی مارکیٹنگ پراڈکٹس کو افریقہ اور دیگر بین الاقوامی مارکیٹس تک رسائی دے کر سبز میں اضافہ کیا جائے۔

د۔ موزوں داخلی مالیاتی کنٹرولز

موزوں داخلی مالیاتی کنٹرولز اپنی جگہ پر ہیں اور ان کا مشاہدہ کیا جا رہا ہے۔

بولان کا سٹنگر لمیٹڈ

ا۔ بورڈ آف ڈائریکٹرز

کمپنی کے ڈائریکٹرز کمپنی کے آئندہ آنے والے سالانہ اجلاس عام میں ریٹائر ہو جائیں گے اور انکی جگہ سات ڈائریکٹرز منتخب ہوں گے۔ ریٹائر ہونے والے ڈائریکٹرز میں جناب سکندر مصطفیٰ خان، لطیف خالد ہاشمی، سہیل بشیر رانا، لیتیق الدین انصاری، سید محمد عرفان عقیل، سید جاوید اشرف اور عامر امین شامل ہیں۔

ب۔ کمپنی کا روبرار کی کارکردگی، ترقی اور بنیادی سرگرمیاں

بی سی ایل پاکستان اسٹاک ایکسچینج میں لسٹڈ ایک پبلک لمیٹڈ کمپنی ہے۔ بی سی ایل ڈائریکٹرز کے پیچیدہ پرزہ جات بناتی ہے جیسا کہ ایم ٹی ایل کیلئے ڈائریکٹرز کا سٹنگ وغیرہ۔ ایم ٹی ایل کمپنی کے کل ادا شدہ سرمائے میں 46.26 فیصد شیئرز رکھتی ہے۔ مالی سال 2020 کے دوران پیداوار اور سبز کے حجم میں کمی مشاہدے میں آئی۔ سال کے دوران کمپنی نے 6,623 میٹرک ٹن کا سٹنگ پیداوار حاصل کی جو گزشتہ سال 8,694 میٹرک ٹن تھی اور اس میں 23 فیصد کمی واقع ہوئی۔ جبکہ 7,280 میٹرک ٹن کا سٹنگ فروخت کی گئی جو کہ گزشتہ سال 9,646 میٹرک ٹن تھی اور یوں اس میں 24 فیصد کمی ہوئی۔

ملت ایکویٹمنٹ لمیٹڈ

الف۔ بورڈ آف ڈائریکٹرز

کمپنی کے ڈائریکٹرز جناب سکندر مصطفیٰ خان، لطیف خالد ہاشمی، سہیل بشیر رانا، لیتیق الدین انصاری، میاں محمد سلیم، سید محمد عرفان عقیل اور احسن عمران شیخ ہیں جو 30 جون، 2018 کو منعقد ہونے والی EOGM میں منتخب ہوئے تھے۔

ب۔ کمپنی کا روبرار کی کارکردگی، ترقی اور بنیادی سرگرمیاں

ایم ای ایل ایک نان لسٹڈ پبلک لمیٹڈ کمپنی ہے جو ایم ٹی ایل کے لئے گنیر، شافٹس اور دیگر متعلقہ پارٹس بناتی ہے۔ ایم ای ایل کے کل ادا شدہ سرمائے میں ایم ٹی ایل 45% شیئرز رکھتی ہے۔ کمپنی کی بنیادی سرگرمیاں پاکستان میں بیسی فرگوں ڈائریکٹرز کے مختلف ماڈلز کے گیزٹرز اور ٹرانسمیشن شافٹس کی

پ۔ بنیادی خطرات اور غیر یقینی صورتحال

موء ٹرسک مینجمنٹ کاروباری استحکام کیلئے انتہائی لازم و ملزوم ہے۔ کمپنی کے انتظامی فریم ورک (جو داخلی کنٹرول پالیسیز سے منسلک ہے) سے بنیادی خطرات کم کرنے اور توجہ مرکوز رکھنے میں کافی مدد ملی ہے۔ تاہم مجموعی طور پر کمپنی کو مالیاتی اعتبار سے محدود خطرات کا سامنا ہے کیونکہ مارکیٹ میں اس طرح کی صورتحال میں خطرے کا اندیشہ کم رہتا ہے۔ انٹرنل آڈٹ ڈیپارٹمنٹ بورڈ آف ڈائریکٹرز کو رسک مینجمنٹ اور کنٹرول کے طریقہ کار کے موء ٹر ہونے کی آزادانہ رپورٹ پیش کرتا ہے۔

ج۔ مستقبل میں منافع کے امکانات

معیشت کی بحالی حکومت کی کرونا اور پاکستانی روپے کی قدر میں کمی کی وجہ سے پیدا ہونے والے معاشی چیلنجز سے نبرد آزما ہونے کیلئے انڈسٹری کی سہولت کی خاطر تشکیل دی جانے والی معاشی پالیسیوں پر منحصر ہے۔ بی سی ایل اپنی سبز آؤٹ لک کے حوالے سے آئندہ مالی سال میں محتاط انداز میں پرامید ہے۔ صورتحال پر قابو پانے کیلئے کمپنی سبز کے نئے مواقعوں کی تلاش اور لاگت میں کمی کیلئے کوشاں ہے۔

د۔ موزوں داخلی مالیاتی کنٹرولز

بی سی ایل کے پاس داخلی کنٹرولز کا ایک منظم سسٹم ہے جسے ایسے خطرات کی شناخت اور نشاندہی کے لئے تیار کیا گیا ہے جو کمپنی کے کاروباری اہداف میں رکاوٹ بن سکتے ہیں۔ اس لئے یہ سسٹم کسی بنیادی غلط بیانی یا نقصان کے حوالے سے ایک معقول اور یقینی حل پیش کرتا ہے۔ آڈٹ کمپنی داخلی کنٹرول سسٹم کی افادیت کو جانچنے کی ذمہ دار ہے۔

گروپ ڈائریکٹرز رپورٹ

ڈائریکٹرز کی جانب سے 30 جون، 2020 کو ختم ہونے والے سال کیلئے اپنی رپورٹ مع گروپ کی آڈٹ شدہ مجموعی فنانشل سٹیٹمنٹس بخوشی پیش کی جاتی ہیں۔

گروپ

گروپ جو کہ ملت ٹریڈرز لمیٹڈ (ایم ٹی ایل) (ہولڈنگ کمپنی) اور اس کی ذیلی کمپنیوں ملت انڈسٹریل پراڈکٹس لمیٹڈ (ایم آئی پی ایل)، ٹائی پیگ انڈسٹریڈ ڈی ایم سی سی، دئی، یو اے ای، بولان کاسٹنگ لمیٹڈ (بی سی ایل) اور ملت ایکویپمنٹس لمیٹڈ (ایم ای ایل) پر مشتمل ہے۔

ملت انڈسٹریل پراڈکٹس لمیٹڈ

الف۔ بورڈ آف ڈائریکٹرز

کمپنی کے ڈائریکٹرز آئندہ آنے والے سالانہ اجلاس عام میں ریٹائر ہو جائیں گے اور ان کی جگہ چھ ڈائریکٹرز منتخب ہوں گے۔ ریٹائر ہونے والے ڈائریکٹرز میں جناب سکندر مصطفیٰ خان، لطیف خالد ہاشمی، سہیل بشیر رانا، بلتیق الدین انصاری، میاں محمد سلیم، احسن عمران شیخ اور رافع زمان درانی (سی ای او) شامل ہیں۔

ب۔ بنیادی سرگرمیاں، کمپنی کاروبار کی کارکردگی اور ترقی

کمپنی گاڑیوں، فیٹریوں اور گھروں میں استعمال ہونے والی بیٹریاں بنانے کے کام سے وابستہ ہے۔ ایم آئی پی ایل نے اپنے برانڈ "ملت بیٹریز" کو ایک اعلیٰ معیار کی مصنوعات کے طور پر تسلیم کروایا ہے۔ کمپنی نے سال کے دوران 1,077,895 ملین روپے کی بیلز حاصل کیں اور نیٹ خسارہ بعد از ٹیکس (13,500) ملین روپے رہا۔ فی شیئر خسارہ (1.51 روپے) رہا۔ خام مال کی قیمتوں میں اضافہ اور کمپنی کی ایشیائے فروخت کی قیمتوں میں معمولی/نہ ہونے کے برابر اضافہ فی شیئر خسارہ کی وجہ بنا۔

کمپنی میں سٹشی توانائی استعمال کرنے والے صارفین کی ضروریات کے لئے زیادہ سے زیادہ بیک اپ ٹائم کی حامل سولر بیٹریز تیار کی جارہی ہیں۔ ڈیپ سائیکل بیٹریز کی فروخت بھی گزشتہ سال کے مقابلہ میں بڑھی ہے۔ مارکیٹ کی ضروریات کو مد نظر رکھتے ہوئے کمپنی مستقبل قریب میں مرمت سے آزاد (Maintenance Free) بیٹری بھی متعارف کروائے گی۔

پ۔ بنیادی خطرات اور غیر یقینی صورتحال

کمپنی کو درپیش اہم مسائل اور خطرات میں خام مال کی قیمتوں میں تبدیلی، روپے کی قدر میں غیر معمولی گراؤ کی وجہ سے درآمد کردہ خام مال کی لاگت میں اضافہ، بجلی کی رسد میں بہتری کے سبب یو پی ایس بیٹریز کی طلب میں کمی اور مارکیٹ میں نئے مقابلہ وروں کی آمد شامل ہیں۔ سال کے دوران مقامی اور بین الاقوامی سطح پر خام مال کی قیمتوں میں اضافے نے منافع کی شرح کو بچھڑا دیا۔ جبکہ کرونا وائرس کی وجہ سے بھی مقامی اور بین الاقوامی سطح پر بیلز متاثر ہوئیں۔ کمپنی کے کاروبار کی نوعیت کی بابت اس مالی سال میں کوئی تبدیلی وقوع پذیر نہیں ہوئی۔

ج۔ مستقبل میں منافع کے امکانات

کمپنی موجودہ بعد از ٹیکس نقصان سے بحالی اور اس نقصان کو منافع میں بدلنے کے لئے آئندہ مالی سال فروخت کے نئے اہداف مقرر کرنے کے لئے پرعزم ہے۔ اسکے ساتھ ساتھ کوالٹی اور کاسٹ کنٹرول کے ذریعے مارکیٹ میں رونما ہونے والی تبدیلیوں اور بدلنے رحانات کا ڈٹ کر مقابلہ کیا جائے گا۔

د۔ موزوں داخلی مالیاتی کنٹرولز

موزوں داخلی مالیاتی کنٹرولز اپنی جگہ پر قائم ہیں اور متعلقہ افراد کی جانب سے ان کا مسلسل جائزہ اور انٹرنل آڈٹ ڈیپارٹمنٹ کی جانب سے ان کی مستقل بنیادوں پر نگرانی کی جارہی ہے۔

ٹائی پیگ انڈسٹریڈ ڈی ایم سی سی

ا۔ بورڈ آف ڈائریکٹرز

کمپنی کے ڈائریکٹرز جناب سکندر مصطفیٰ خان، لطیف خالد ہاشمی، سہیل بشیر رانا، بلتیق الدین انصاری اور میاں محمد سلیم ہیں۔ بورڈ کی ساخت میں سال کے دوران کوئی تبدیلی نہیں آئی۔

ب۔ کمپنی کے کاروبار کی کارکردگی، ترقی اور بنیادی سرگرمیاں

ٹائی پیگ انڈسٹریڈ ڈی ایم سی سی، یو اے ای میں ایک لمیٹڈ لائسنسڈ کمپنی ہے جو کہ دئی ملٹی کموڈو بیٹری سینٹر اتھارٹی کے ساتھ رجسٹرڈ ہے۔ ملت ٹریڈرز لمیٹڈ کمپنی کی ایکویٹی میں 75% ملکیت رکھتی ہے۔ کمپنی کی بنیادی سرگرمیوں میں مشینری اور بھاری ایکویپمنٹ اور پارٹس کی ٹریڈنگ شامل ہے۔ کمپنی کے کاروبار کی جگہ جو میرہ لیک ٹاورز (Jumeirah Lake Towers) دئی، یو اے ای ہے۔ ٹائی پیگ کی اس عرصہ کے دوران سبز 12.313 ملین (اے ای ڈی) رہی جبکہ خالص منافع 0.591 ملین (اے ای ڈی) رہا۔ فی شیئر آمدنی 295.713 (اے ای ڈی) رہی۔ تاحال کمپنی کی کارکردگی اطمینان بخش رہی اور پاکستان سے ٹریڈرز کی زیادہ برآمدات کے بعد بزنس کو مزید فروغ ملے گا۔

پ۔ بنیادی خطرات اور غیر یقینی صورتحال

فی الوقت کمپنی کو ایسے کسی بھی خطرے یا غیر یقینی صورتحال کا سامنا نہیں ہے جو کمپنی کی کارکردگی کو متاثر کرے۔ کمپنی کے کاروبار کی نوعیت کے حوالے سے مالیاتی سال کے دوران کوئی تبدیلی رونما نہیں ہوئی۔

INDEPENDENT AUDITOR'S REPORT

To the members of Millat Tractors Limited

Opinion

We have audited the annexed consolidated financial statements of Millat Tractors Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at June 30, 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following is the Key audit matter:

Sr. #	Key audit matter	How the matter was addressed in our audit
1	<p>Investments measured at Fair Value</p> <p>(Refer note 24.2 and 51.1 to the annexed consolidated financial statements)</p> <p>The Group holds investment in the equity instrument of Hyundai Nishat Motor (Private) Limited ('HNMPL'). Due to HNMPL being a non-listed company, their shares do not have a quoted price in an active market.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> Understood and evaluated the process by which the cash flow forecast was prepared and approved, including confirming the mathematical accuracy of the underlying calculations; Evaluated the cash flow forecast by obtaining an understanding of respective businesses of HNMPL;

Sr. #	Key audit matter	How the matter was addressed in our audit
	<p>Therefore, fair value of their shares has been determined through valuation methodology based on discounted cash flow method. This involves several estimation techniques and management's judgements to obtain reasonable expected future cash flow of the business and related discount rate.</p> <p>Due to the significant level of judgment and estimation required to determine the fair value of the investment, we consider it to be a key audit matter.</p>	<ul style="list-style-type: none"> • Obtained an understanding of the work performed by the management on the model for the purpose of valuation; • Obtained corroborating evidence relating to the values as determined by the management by challenging key assumptions for the growth rates in the cash flow forecast by comparing them to historical results and economic forecasts and challenging the discount rate by independently estimating a range based on market data; • Performed sensitivity analysis around key assumptions to ascertain the extent of change individually in the value of the investment; and • Examined the adequacy of the disclosures made by the Group in this area with regard to applicable accounting and reporting standards.

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

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

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

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

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

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

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

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

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

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Hammad Ali Ahmad.



A. F. Ferguson & Co
Chartered Accountants

Lahore
Date: September 30, 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2020

	Note	2020 (Rupees in thousand)	2019
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
50,000,000 (2019: 50,000,000) ordinary shares of Rs. 10/- each		500,000	500,000
Issued, subscribed and paid up capital	6	498,292	442,926
Reserves	7	4,286,481	5,250,076
		4,784,773	5,693,002
Non-controlling interest		851,210	1,038,347
Total equity		5,635,983	6,731,349
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term deposits	8	26,465	25,575
Deferred tax liabilities - net	9	56,876	-
Employees' defined benefit plan	10	212,988	49,619
Lease liabilities against right-of-use assets	11	9,881	-
Long term finance- secured	12	162,283	-
Deferred grant	13	14,281	-
		482,774	75,194
CURRENT LIABILITIES			
Accumulating compensated absences		141,791	147,064
Trade and other payables	14	2,978,371	2,523,596
Contract liabilities	15	3,179,725	2,807,032
Current portion of lease liabilities against right-of-use assets	11	3,706	-
Current portion of long term finance- secured	12	61,151	-
Current portion of deferred grant	13	13,263	-
Current portion of long term deposits	8	806	411
Short term borrowings	16	899,181	887,798
Unclaimed dividend	17	287,923	320,741
Unpaid dividend	17	10,004	33,469
		7,575,921	6,720,111
CONTINGENCIES AND COMMITMENTS			
	18	13,694,678	13,526,654

The annexed notes from 1 to 60 form an integral part of these consolidated financial statements.



Chief Financial Officer



Chief Executive Officer

	Note	2020 (Rupees in thousand)	2019
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	19	1,645,923	1,789,809
Capital work in progress	20	34,425	22,752
		1,680,348	1,812,561
Right-of-use assets	21	12,931	–
Intangible assets	22	62,897	12,298
Goodwill		18,572	18,572
Investment property	23	255,708	255,708
Long term investments	24	1,794,719	1,086,875
Long term loans	25	3,081	3,662
Long term deposits	26	11,232	21,432
Deferred tax asset - net	9	–	13,635
Employees' defined benefit plan	10	25,301	231,351
		3,864,789	3,456,094
CURRENT ASSETS			
Stores, spare parts and loose tools	27	494,972	487,933
Stock in trade	28	4,589,238	3,924,036
Trade debts	29	221,150	357,962
Loans and advances	30	110,503	216,086
Trade deposits and short term prepayments	31	49,972	61,503
Balances with statutory authorities	32	1,048,254	2,268,505
Other receivables	33	36,767	85,913
Tax refunds due from the Government		1,178,960	1,624,122
Short term investments	34	143,855	4,182
Cash and bank balances	35	1,955,126	1,040,318
		9,828,797	10,070,560
Non-current assets classified as held for sale	36	1,092	–
		13,694,678	13,526,654



Chairman

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended June 30, 2020

	Note	2020 (Rupees in thousand)	2019
Revenue from contracts with customers	37	23,896,549	32,030,959
Cost of sales	38	19,004,725	25,202,514
Gross profit		4,891,824	6,828,445
Distribution and marketing expenses	39	670,672	698,181
Administrative expenses	40	766,864	758,197
Other operating expenses	41	333,299	641,139
		1,770,835	2,097,517
Other income	42	148,703	468,793
Operating profit		3,269,692	5,199,721
Finance cost	43	359,413	121,552
Profit before tax		2,910,279	5,078,169
Taxation	44	946,089	1,562,972
Profit after tax for the year		1,964,190	3,515,197
Other comprehensive income:			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		20,836	39,653
Items not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain / (loss) on employees' defined benefit plan		(389,595)	274,431
Unrealized loss on revaluation of investments at fair value through other comprehensive income		294,901	(73,451)
Less: Deferred tax		(64,382)	-
		(159,076)	200,980
Total other comprehensive (loss) / income - net		(138,240)	240,633
Total comprehensive income for the year		1,825,950	3,755,830
Attributable to:			
- Equity holders of the holding Company			
Profit after tax		1,995,056	3,361,809
Total comprehensive (loss) / income for the year		(135,001)	225,365
		1,860,055	3,587,174
- Non-controlling interests			
(Loss) / profit after tax		(30,866)	153,388
Total comprehensive (loss) / income for the year		(3,239)	15,268
		(34,105)	168,656
		1,825,950	3,755,830
Earnings per share - basic and diluted (Rupees)	47	39.42	Restated 70.55

The annexed notes from 1 to 60 form an integral part of these consolidated financial statements.



Chief Financial Officer



Chief Executive Officer



Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2020

	Issued, subscribed and paid up capital	Capital reserves		Revenue reserves		Total	Non- controlling interest	Total equity
		Exchange translation reserve	Fair value reserve	General reserves	Unapprop- riated profit			
(Rupees in thousand)								
Balance as on July 01, 2018	442,926	15,418	176,639	2,475,309	3,646,254	6,756,546	1,297,342	8,053,888
Final dividend for the year ended								
June 30, 2018 @ Rs. 60 per share	-	-	-	-	(2,657,553)	(2,657,553)	-	(2,657,553)
Interim dividend for the year ended								
June 30, 2019 @ Rs. 45 per share	-	-	-	-	(1,993,165)	(1,993,165)	-	(1,993,165)
Dividend payment to non controlling interest	-	-	-	-	-	-	(427,651)	(427,651)
Net profit for the year	-	-	-	-	3,361,809	3,361,809	153,388	3,515,197
Other comprehensive income for the year	-	29,740	(66,180)	-	261,805	225,365	15,268	240,633
Total comprehensive income / (loss)	-	29,740	(66,180)	-	3,623,614	3,587,174	168,656	3,755,830
Balance as on June 30, 2019	442,926	45,158	110,459	2,475,309	2,619,150	5,693,002	1,038,347	6,731,349
Final dividend for the year ended								
June 30, 2019 @ Rs. 40 per share	-	-	-	-	(1,771,702)	(1,771,702)	-	(1,771,702)
Bonus shares issued for the year ended								
June 30, 2019 @ 12.5% per share	55,366	-	-	-	(55,366)	-	-	-
Interim dividend for the year ended								
June 30, 2020 @ Rs. 20 per share	-	-	-	-	(996,582)	(996,582)	-	(996,582)
Dividend payment to non controlling interest	-	-	-	-	-	-	(153,032)	(153,032)
Net profit / (loss) for the year	-	-	-	-	1,995,056	1,995,056	(30,866)	1,964,190
Other comprehensive (loss) / income for the year	-	15,627	230,584	-	(381,212)	(135,001)	(3,239)	(138,240)
Total comprehensive income / (loss)	-	15,627	230,584	-	1,613,844	1,860,055	(34,105)	1,825,950
Balance as on June 30, 2020	498,292	60,785	341,043	2,475,309	1,409,344	4,784,773	851,210	5,635,983

The annexed notes from 1 to 60 form an integral part of these consolidated financial statements.



Chief Financial Officer



Chief Executive Officer



Chairman

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2020

	Note	2020 (Rupees in thousand)	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	48	4,168,658	1,428,400
Finance cost paid		(352,920)	(95,269)
Decrease / (increase) in long term loans to employees - net		581	(229)
Workers' Profit Participation Fund paid	14.2	(179,739)	(353,731)
Workers' Welfare Fund paid		(104,953)	(171,542)
Taxes refunds / (paid) - net		725,453	(2,792,474)
Retirement benefits paid - net		(14,136)	(32,556)
Long term security deposits received / (paid)		11,485	(14,878)
		85,771	(3,460,679)
Net cash flows generated from / (used in) operating activities		4,254,429	(2,032,279)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for capital expenditure		(154,761)	(299,715)
Proceeds from disposal of property, plant and equipment		35,165	33,035
Short term investments - net		3,901	6,285,224
Long term investments made		(412,943)	(720,000)
Profit on bank deposits received		22,161	42,086
Dividend received	48	3,140	4,711
Net cash flows (used in) / generated from investing activities		(503,337)	5,345,341
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to non controlling interests		(153,032)	(427,651)
Principal payment against lease liabilities		(2,209)	-
Long term financing received		250,978	-
Dividends paid to equity holders of the holding company		(2,824,567)	(4,607,448)
Net cash used in financing activities		(2,728,830)	(5,035,099)
Net increase / (decrease) in cash and cash equivalents		1,022,262	(1,722,037)
Cash and cash equivalents at the beginning of the year		156,702	1,839,086
Foreign exchange difference		20,836	39,653
Cash and cash equivalents at the end of the year	49	1,199,800	156,702

The annexed notes from 1 to 60 form an integral part of these consolidated financial statements.



Chief Financial Officer



Chief Executive Officer



Chairman

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

1 Legal status and nature of business

1.1 Holding company:

Millat Tractors Limited - (MTL)

Millat Tractors Limited (the Company) is a public limited company and was incorporated in Pakistan in 1964 under the Companies Act, 1913 (now the Companies Act, 2017), and is listed on the Pakistan Stock Exchange Limited. The registered office and factory of the Company is situated at 9 km Sheikhupura Road, District Sheikhupura. The Company also has regional offices located in Karachi, Multan, Sukkur and Islamabad.

The Company is principally engaged in assembling and manufacturing of agricultural tractors, implements and multi-application products. The Company is also involved in the sale, implementation and support of IFS applications in Pakistan.

Subsidiary companies:

a) Millat Industrial Products Limited (MIPL)

Millat Industrial Products Limited (MIPL), an unlisted public company registered under the Companies Ordinance 1984 (now the Companies Act, 2017), is a subsidiary of Millat Tractors Limited which holds 64.09% of the MIPL's equity. MIPL is engaged in the business of manufacturing of industrial, domestical and vehicular batteries, cells and components. The geographical location and address of the MIPL's business units, including mills/plant is as under:

- The registered office of MIPL is situated at 8.8 km, Lahore- Sheikhupura Road, Shahdara, Lahore

- The manufacturing facility of MIPL is located at 49 km., off Multan Road, Bhai Pheru, Distt. Kasur.

b) Tipeg Intertrade DMCC

TIPEG Intertrade DMCC, a limited liability company registered with Dubai Multi Commodities Centre (DMCC) Authority, is a subsidiary of Millat Tractors Limited which holds 75% of the TIPEG Intertrade DMCC's equity. The principal place of business of the TIPEG Intertrade DMCC is located at Jumeirah Lake Towers, Dubai-UAE. TIPEG Intertrade DMCC is formed for trading of machinery and heavy equipment and its registered office is situated at Unit No.705, Fortune Executive Tower, Jumeirah lake Towers, Dubai, United Arab Emirates.

c) Millat Equipment Limited (MEL)

Millat Equipment Limited, was incorporated as a private limited company under the repealed Companies Ordinance 1984 (Repealed with the enactment of the Companies Act, 2017 on May 30, 2017), and was converted into an unlisted public limited company on April 20, 2004 is a subsidiary of Millat Tractors Limited which holds 45% of the MEL's equity. MEL is engaged in the business of manufacturing of automotive, agricultural and industrial vehicles, parts and components thereof. The registered office of MEL is situated at Sheikhupura Road, Lahore and the manufacturing facility of is situated at 10 km Raiwind Road, Lahore.

d) Bolan Castings Limited (BCL)

Bolan Castings Limited (BCL), a public limited company incorporated in Pakistan under the repealed Companies Ordinance 1984 (now the Companies Act), and listed on the Pakistan Stock Exchange, is a subsidiary of Millat Tractors Limited which holds 46.26% of the BCL's equity. BCL is engaged in the business of manufacturing of castings for tractors and automotive parts thereof. The geographical location and address of BCL's business unit, including plant is RCD Highway, Hub Chowki, District Lasbela, Balochistan, Pakistan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

1.2 Summary of significant transactions and events in the current reporting period

The Group's financial position and performance was particularly affected by the following events and transactions during the reporting period:

- Additional long term investment were made by the Group in Hyundai Nishat Motors (Private) Limited (HNMPL) amounting to Rs. 355,500 thousand under the Share Subscription Agreement (SSA) and Shareholders Agreement (SHA) between both parties - refer note 24.
- Investments in HNMPL (level-3) have been remeasured, using a valuation technique based on discounted cash flow analysis, at the reporting date resulting in an estimated fair value gain of Rs. 296,010 thousand. - refer note 24.2 and 51.1. The resulting fair value gain has been recognised in the other comprehensive income in these consolidated financial statements.
- Remeasurements in the Group's employees' defined benefit plan have resulted in a net payable balance from the defined benefit plan - refer note 10.
- During the year Group has obtained long term financing against the State Bank of Pakistan's (SBP) salary refinance scheme of salaries and wages. Refer Note 12.
- The adoption of new accounting standard for leases. Refer Notes 4 and 5

1.3 Impact of COVID-19 on the consolidated financial statements

- The pandemic of COVID-19 rapidly spread all across the world not only endangering human lives but also adversely impacting the global economy. The provincial governments announced temporary lock-downs as a measure to reduce the spread of the COVID-19. Complying with the lockdowns, the Group temporarily suspended its operations. In the Group's case, the lockdown was subsequently relaxed, after implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety i.e screening of any visitor at the time of entrance, guiding the staff to wear masks and maintain social distancing etc. Group henceforth resumed its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business in order to maintain business performance despite slowed down economic activity. The lockdown has caused disruptions in supply chain including supply of tractors to the customers resulting in a decline in sales. Consequently, revenue decreased by Rs. 8,134,410 thousand (25%) as compared to prior year due to decrease in volumes - refer to notes 37 & 55. However, agriculture industry has not been impacted much by the pandemic due to which slow trend in sales changed right after the harvesting season of wheat, where the buying power of farmers strengthened which ultimately resulted in recovery of sales volume till year end. Having sufficient orders in hand as at June 30, 2020, the entity does not anticipate any material effects on its operating activities in future.

Further, the Group believes that it's current liquidity availability provides them with sufficient financial resources to meet their anticipated working capital requirements and obligations as they come due. Potential valuation adjustments to asset / liability base, as a result of the possible impact of COVID-19 on our future profitability and cash flow generation, were assessed and no significant adjustments were required.

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

2 Statement of compliance

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

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

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

3 Basis of preparation

These consolidated financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value or amortised cost and recognition of certain employee's retirement benefit plan at present value.

3.1 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value or amortised cost and and recognition of certain employee retirement benefits at present value.

3.2 Critical accounting estimates and judgments

The Group's significant accounting policies are stated in note 4 to these consolidated financial statements. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these consolidated financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are as follows:

3.2.1 Employees' retirement benefits and other obligations

The Group uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations i.e. employees' defined benefit plan and other obligations. The valuation is based on assumptions as mentioned in note 4.4 to these consolidated financial statements.

3.2.2 Provision for taxation

The Group takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the Group's view differs from the view taken by the income tax department at the assessment stage and where the Group considers that its views on items of material nature are in accordance with law and the outcome is expected in favour of the Group are shown as contingent liabilities.

3.2.3 Estimated useful lives, residual values and method of depreciation of property, plant and equipment

The Group reviews the useful lives of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

3.2.4 Provision for inventories and stores

The Group regularly reviews the inventories for impairment. Provision for obsolete and slow-moving inventories is based on management's estimate of the condition and usability of inventories and stores.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

3.2.5 Impairment of trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

The expected loss rates are based on the payment profiles of sales over a period of time before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

3.2.6 Fair value of unquoted investments

Fair value of unquoted investments is determined by using valuation techniques. The Group uses its judgment to select an appropriate method and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used discounted cash flow analysis for this purpose as fully explained in note 24.2 to these financial statements.

3.2.7 Recording and impairment of goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss account.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's Cash-Generating Units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

3.2.8 Lease term of right of use asset and lease liability

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

3.3 Functional and presentation currency

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

4 Summary of significant accounting policies

The significant accounting policies which have been adopted in the preparation of these consolidated financial statements of the Group are consistent with previous year except as discussed in Note 4.1 and are as follows:

4.1 Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published approved accounting standards that became effective during the year and are relevant

a.1) First time adoption of IFRS 16 - Leases

This standard was notified by the SECP to be effective from annual periods beginning on or after July 01, 2019. This standard replaces existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases- Incentive and SIC-27 'Evaluating the substance of transactions involving the legal form of a Lease'. IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognizes a right of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

The impact of changes laid down by this standard is detailed in note 5 to these consolidated financial statements of the Group.

a.2) Amendments in Companies Act, 2017

SECP through its notification dated July 29, 2019 brought certain alterations in Fourth Schedule to the Company Act, 2017 with regard to preparation and presentation of financial statements. These alterations resulted in elimination of certain disclosures in these consolidated financial statements of the Group as at June 30, 2020.

Furthermore, the Companies (Amendment) Ordinance, 2020, promulgated on April 30, 2020 also brought changes to the Companies Act, 2017 with regard to the inclusion of certain disclosures in the financial statements. The Group has provided the applicable disclosures in its financial statements."

b) Standards, interpretations and amendments to published approved accounting standards that became effective during the year but are not relevant

The Group has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

- IFRS 9 – Prepayment Features with Negative Compensation – (Amendments)
- IFRS 10 – Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)
- 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
- IFRS 14 - Regulatory Deferral Accounts
- Annual improvements 2015-2017

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any effect on the consolidated financial statements of the Group.

c) Standards, interpretations and amendments to published approved accounting standards that are not yet effective

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

Standard or interpretation	Effective Date (Annual periods beginning on or after)
IAS 1 - Presentation of financial statements', definition of materiality and classification of liabilities (Amendment)	January 01, 2023
IFRS 3 - Business combinations', definition of a business (Amendment)	January 01, 2020
IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors', definition of materiality (Amendments)	January 01, 2020
IFRS 9 - Financial Instruments', Interest rate benchmark reform (Amendment)	January 01, 2020
IFRS 7 - Financial Instruments-Disclosures , Interest rate benchmark reform (Amendment)	January 01, 2020
IFRS 16 - Leases', COVID-19 related rent concessions (Amendment)	June 01, 2020

The management is in the process of assessing the impact of changes laid down by these standards on its financial statements.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in previous years. Such improvements are generally effective for accounting periods beginning on or after January 01, 2020 and January 01, 2021 respectively. The Group expects that such improvements to the standards will not have any significant impact on the Group's consolidated financial statements in the period of initial application.

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	IASB effective date (Annual periods beginning on or after)
IFRS 17 – Insurance Contracts	January 01, 2023

4.2 Principles of consolidation

4.2.1 Subsidiaries

A subsidiary is an entity controlled by the holding company. The holding company controls an investee when the holding company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the profit or loss. The assets, liabilities, income and expenses of subsidiaries are consolidated on a line by line basis and the carrying amount of investments held by the holding company is eliminated against the subsidiaries' shareholders' equity in the consolidated financials statements. Inter-group transactions, balances and unrealized

gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of the asset transferred. The accounting policies used in preparation of consolidated financial statements of the holding company are consistent with accounting policies of its subsidiaries. When necessary, adjustments are made to bring the accounting policies in line with that of the holding company.

All significant intra-group transactions and balances between Group enterprises, and unrealised profits are eliminated on consolidation.

4.2.2 Non-controlling interest

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the Group that are recorded in the profit or loss. Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets on fair value.

4.3 Segment reporting

Segment reporting is based on the operating (business) segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Chief Executive Officer (the CEO) to assess segment's performance, and for which discrete financial information is available. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Accordingly, for reporting purposes, the Group has been organised into business units based on its products and services and has three separate reportable segments, as follows:

The "tractors segment", which deals with assembling and manufacturing of agricultural tractors, implements and multi-application products.

The "tractor components segment" i.e. equipment and parts, which is engaged in the business of manufacturing of automotive, agricultural and industrial vehicles parts and components thereof.

The "castings segment", which is engaged in the business of manufacturing of castings for tractors and automotive parts thereof.

Other business activities of the Group have been presented under "others segment". Accordingly, no operating segments have been aggregated to form the above reportable operating segments.

4.4 Employees' retirement benefits and other obligations

The main features of the schemes operated by the Group for its employees are as follows:

4.4.1 Defined benefit plan

4.4.1.1 Pension

MTL and BCL respectively operate a funded defined benefit pension scheme for all eligible employees. A defined benefit plan is a post-employment benefit plan other than the defined contribution plan. Contributions under the scheme are made to this fund on the basis of actuarial recommendation and are charged to profit or loss. The latest actuarial valuation for the scheme was carried out as at June 30, 2020.

The amount recognized in the consolidated statement of financial position represents the present value of the plan assets reduced by value of defined benefit obligation. Any charge or credit arising as a result of remeasurements are recognized in the other comprehensive income of the Group in the period in which they occur.

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The future contribution rate of the plan includes allowances for deficit and surplus. Projected Unit Credit Method, using the following significant assumptions, is used for valuation of this scheme:

	Pension scheme			
	Millat Tractors Limited		Boln Casting Limited	
	2020	2019	2020	2019
Expected rate of increase in salary level	7.50%	13.25%	8.50%	14.25%
Discount rate used for interest cost in profit and loss	14.25%	9.00%	8.50%	14.25%
Discount rate used for year end obligation	8.50%	14.25%	8.50%	14.25%
Average expected remaining working life of employees	8 years	6 years	7.99 years	6.26 years

4.4.2 Defined contribution plans

4.4.2.1 Gratuity

MTL operates an approved defined contribution funded gratuity scheme for permanent employees who joined the Company before July 01, 2004. Under the scheme, based on the graduated scale, the contributions are calculated with reference to last drawn salary of the employees and are paid over to the Employees Gratuity Fund Trust.

BCL operates an approved funded defined benefit executives' gratuity scheme for all eligible executive employees and unfunded defined benefit non-executive gratuity scheme for all eligible non-executive employees.

4.4.2.2 Provident fund

The Group operates an approved defined contribution provident funds for all permanent employees. Equal contributions are made by employees and the Group at the rate of 10 percent of basic salary per month and charged to profit or loss account.

4.4.3 Accumulating compensated absences

MTL, BCL and MEL provide for accumulating compensated absences, when the employees render services that increase their entitlement to future compensated absences and are charged to profit and loss.

4.5 Taxation

4.5.1 Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years.

4.5.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the profit or loss, except in the case of items credited or charged to other comprehensive income in which case it is included in equity.

4.6 Property, plant and equipment

Property, plant and equipment except for freehold and leasehold land are stated at cost less accumulated depreciation and accumulated impairment loss. Freehold and leasehold land is stated at cost less any accumulated impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit or loss during the period in which they are incurred.

Depreciation on all items of property, plant and equipment except for leasehold office building is charged to profit or loss applying the diminishing balance method so as to write-off the depreciable amount of an asset over its useful life. Depreciation on leasehold office building is provided on a straight line basis so as to write off the depreciable amount of an asset over the life of the asset. Depreciation is being charged at the rates given in note 19. Depreciation on additions to property, plant and equipment is charged from the month in which an asset is available for use while no depreciation is charged for the month in which the asset is disposed off.

The Group continually assesses at each reporting date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amount and the resulting impairment loss is recognized in profit or loss for the year. Any previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount, and the increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets' revised carrying amount over its estimated useful life.

An item of property, plant and equipment is derecognized 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 carrying amount of the asset) is included in the profit or loss in the year the asset is derecognized.

4.7 Right-of-use asset and Lease liability

From July 1, 2019, certain lease contracts are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

At inception of a lease contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The Group applies a practical expedient and, does not recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets, if any. The lease payments associated with these leases is recognised as an expense on a straight line basis over the lease term.

For lease contracts other than the aforementioned, the lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate.

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Lease payments include fixed payments, variable lease payment that are based on an index or a rate and amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Group is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in the statement of profit and loss account if the carrying amount of right-to-use asset has been reduced to zero.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses.

4.8 Capital work-in-progress

All expenditure connected with specific assets i.e. property, plant and equipment or intangible assets incurred during installation and construction period including advances to suppliers and contractors are carried under this head. These are transferred to specific assets as and when these assets are available for use.

Capital work-in-progress is stated at cost less any identified impairment loss, if any.

4.9 Intangible assets

Expenditure incurred to acquire computer software are capitalized as intangible assets and stated at cost less accumulated amortization and any identified impairment loss. Intangible assets are amortized using the straight line method over a period of three years.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite life are amortised using the straight line method over a period of three years and Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Amortization on additions to finite intangible assets is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off.

The Group assesses at each reporting date whether there is any indication that intangible assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.10 Investment property

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The investment property of the Group comprises land and is valued using the cost method, at cost less any accumulated impairment loss.

The Group assesses at each reporting date whether there is any indication that investment property may be impaired. If such indication exists, the carrying amount of such assets is reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceeds the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in the profit or loss for the year. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

4.11 Investments and other financial assets

4.11.1 Classification

The Group classifies its financial assets in the following measurement categories:

- at Fair Value through Profit or Loss ("FVPL"),
- at Fair Value through Other Comprehensive Income ("FVOCI"), or
- at amortised cost.

The Group determines the classification of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the Group's business model for managing the financial assets and their contractual cash flow characteristics.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

4.11.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date i.e. the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

4.11.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are Solely Payment of Principal and Interest (SPPI).

a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

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i) Financial assets at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income/(operating expenses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

ii) Financial assets at fair value through other comprehensive income

Assets that are held for both collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income/(operating expenses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/(operating expenses).

iii) Financial assets at fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other income/(operating expenses) in the period in which it arises.

b) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other income/(operating expenses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

4.11.4 Impairment of financial assets

The Group applies the IFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and fair value through other comprehensive income, trade receivables, contract assets recognised and measured under IFRS 15 and that are not measured at fair value through profit or loss.

To measure the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group therefore concludes that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

A distinction is made between, financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (Stage 1). Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Stage 2). Stage 3 would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment. The Group considers that there is evidence of impairment, if any, of the indicators were present i.e. significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or late payments.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments past due date. Impairment losses on trade receivables and contract assets are presented as net impairment losses in the profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

4.12 Stores, spare parts and loose tools

Stores and spares are valued at lower of net realizable value or moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising of invoice value and other incidental charges paid thereon.

Provision for obsolete and slow-moving stores, spare parts and loose tools is based on management estimate of the condition and usability of such stores.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale. Provision for obsolete and slow-moving stores and spares is based on management estimate as to the condition and usability of such stores, spare parts and loose tools.

4.13 Stock in trade

Stock of raw materials, except for those in transit, work-in-process and finished goods are valued principally at the lower of moving average cost and net realizable value.

Cost of raw materials and trading stock comprises the invoice value plus other charges paid thereon. Cost of work-in-process and finished goods include direct material, labour and appropriate portion of manufacturing overheads.

Items in transit are stated at cost comprising invoice value and other incidental charges paid thereon.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale. Provision for obsolete and slow-moving stock-in-trade is based on management estimate.

4.14 Trade debts

Trade debts are carried at original invoice amount less any expected credit losses based on review of outstanding amounts at the year end in accordance with the simplified approach as mentioned in note 4.10.4. Bad debts are written off when identified.

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4.15 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents are stated at cost and comprise of cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash which are subject to insignificant risk of changes in values. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purpose.

4.16 Revenue recognition

Revenue from the sale of goods along with provisions of after market services is recognised when performance obligations are satisfied by transferring control of a good or service to a customer, either at a point in time or over time of an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised in accordance with the aforementioned principle by applying the following steps:

- i) Identify the contract with a customer.
- ii) Identify the performance obligation in the contract.
- iii) Determine the transaction price of the contract.
- iv) Allocate the transaction price to each of the separate performance obligations in the contract.
- v) Recognise the revenue when (or as) the entity satisfies a performance obligation.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. Any bundled goods or services that are distinct are separately recognized, and any discounts or rebates on the contract price are generally allocated to the separate elements

4.16.1 a) Sale of goods

Revenue from contracts for tractors, implements and tractor components, multi-application products, trading goods, batteries and casting is recognized upon delivery and acknowledgement of the good by the customer i.e. point in time when the performance obligation of the Group is satisfied. Since there is only one performance obligation the revenue is recognized at full amount. Payments for sale of goods are either received in advance or made with credit terms as per Group policy on a case to case basis.

b) Sale of service warranties

The Group provides various types of warranties. When determining the nature of warranty-related promises, the Group considers:

- whether the customer has the option to separately purchase the warranty; and
- whether all or part of the warranty provides the customer with an additional service beyond the basic assurance that it will perform in accordance with published specifications.

Standard-type warranties of free repair, parts replacement, assurance and major rectification to the customer along with free service after specific intervals are not offered separately for any consideration by the Group and rather are embedded in the sale price of the good. Accordingly, the same are not considered to be separate performance obligations and are accounted for under IAS 37.

For extended-type warranties or separate after sale services offered by the Group the same are treated as separate performance obligations. Revenue from such warranties or after sale services is recognized over time i.e. duration of the contract.

Others

- Dividend is recognized as income when the right to receive dividend is established.
- Profit on bank deposits is recognized on effective rate of interest method.
- Investment income is recognized when right to receive the income is established.

4.17 Research cost

These costs are charged to profit and loss when incurred.

4.18 Borrowing costs

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalized as part of the cost of that asset up to the date of its commissioning.

4.19 Trade and other payables

Liabilities for trade and other amounts payable are measured at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Group.

4.20 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

4.21 Foreign currency transactions and translation

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the reporting date. Transactions in foreign currencies are translated into Pak Rupees at exchange rate prevailing at the date of transaction. Foreign exchange gains and losses on translation are recognized in the profit or loss. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

On consolidation, the assets and liabilities of foreign operations are translated into Pak Rupees at the rate of exchange prevailing at the reporting date and their profit or loss are translated at average rates prevailing during the year. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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4.22 Financial liabilities

Financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument and de-recognized when the obligation specified in the contract is discharged, cancelled or expired. The Group derecognises financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of profit or loss and other comprehensive income.

All financial liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial liabilities are subsequently measured at at fair value through profit and loss ("FVPL") or at amortised cost, as the case may be. Financial liabilities are measured at amortised cost, unless they are required to be measured at FVPL (such as instruments held for trading or derivatives) or the Group has opted to measure them at FVPL. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Where management has opted to recognise a financial liability at FVPL, any changes associated with the Group's own credit risk will be recognized in other comprehensive income/(loss). Currently, there are no financial liabilities designated at FVPL.

4.23 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the consolidated financial statements only when there is a legally enforceable right to set off the recognized amount and the Group intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.24 Reserves

Reserve are classified into two categories as follows:

4.24.1 Revenue reserve

Revenue reserve is the reserve which is regarded as available for distribution through the profit or loss including general reserves and other specific reserves created out of profit and un-appropriated or accumulated profits of previous years.

4.24.2 Capital reserve

Capital reserve includes all the reserves other than reserve which are classified as revenue reserve.

4.25 Earning per share

The Group presents basic and diluted Earning Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit and loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.26 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 Group; or
- there is 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 measured with sufficient reliability.

4.27 Dividend and appropriations

Dividend distribution to the Group's shareholders is recognized as a liability in the period in which the dividends are approved. However, if these are approved after the reporting period but before the financial statements are authorized for issue, they are disclosed in the notes to the financial statements.

4.28 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

In subsequent periods, the grant shall be recognized in statement of profit or loss, in line with the recognition of interest expense the grant is compensating.

4.29 Non-current assets held for sale

The Company classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when:

- i) When the sale is highly probable.
- ii) The asset is available for immediate sale in its present condition.
- iii) Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn.
- iv) Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

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5 Change in accounting policy

5.1 First time adoption of IFRS 16 - Leases

During the period, IFRS 16 - Leases became applicable to the Group. IFRS 16 replaces existing guidance on accounting for leases, including IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases - Incentive, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces an on-balance sheet lease accounting model for leases entered by the lessee. A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

The Group has adopted IFRS 16 from July 1, 2019, and has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The impact of adoption of this standard is therefore recognised in the opening statement of financial position on July 1, 2019.

On adoption of IFRS 16, the Group recognised certain lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental weighted average borrowing rate of 14% per annum as of July 1, 2019. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

The following summary reconciles the Group's operating lease commitments at June 30, 2019 to the lease liabilities recognised on initial application of IFRS 16 at July 01, 2019:

	(Rupees in thousand)
Operating lease as at June 30, 2019	7,667
Discounted using the lessee's incremental borrowing rate of at the date of initial application	4,469
Add: finance lease liabilities recognised as at June 30, 2019	-
Lease liability recognised as at July 1, 2019	4,469
Of which are:	
Non-current lease liabilities	4,346
Current lease liabilities	123
	4,469

On adoption of IFRS 16, the associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the consolidated statement of financial position immediately before the date of initial application.

The right-of-use assets recognised subsequent to the adoption are measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

	June 30, 2020 (Rupees in thousand)	July 1, 2019
The recognised right-of-use assets relate to the following types of assets:		
Buildings	12,931	4,829
5.1.1 The effect of this change in accounting policy is as follows:		
Impact on consolidated statement of financial position:		
Assets		
Increase in right-of-use assets	12,931	4,829
Decrease in other assets - prepayments	(360)	(360)
Increase in total assets	12,571	4,469
Liabilities		
Increase in total lease liability against right-of-use assets	13,587	4,469
Increase in deferred tax liabilities - net	190	-
Decrease in taxation - provision less payment	105	-
Increase in total liabilities	13,882	4,469
Decrease in net assets	(1,311)	-

	June 30, 2020 (Rupees in thousand)
Impact on statement of consolidated profit or loss and other comprehensive income	
(Increase) / decrease in distribution and marketing expenses:	
Increase in depreciation on right-of-use assets	(3,225)
Decrease in rent expense	3,564
	339
Increase in finance cost	1,355
Decrease in profit before tax	(1,016)
Decrease in tax	(295)
Decrease in profit after tax	(1,311)

Earnings per share for the year ended June 30, 2020 are Rs.0.026 per share lower as a result of the adoption of IFRS 16.

5.1.2 Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- grandfathered the assessment of which transactions are lease on the date of initial application;
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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6 Issued, subscribed and paid up capital

2020 (Number of shares in thousand)		2019	2020 (Rupees in thousand)		2019
2,543	2,543	Ordinary shares of Rs 10 each fully paid in cash	25,429	25,429	
		Ordinary shares of Rs 10 each issued as fully paid bonus shares			
41,750	41,750	- Opening balance	417,497	417,497	
5,536	-	- Issued during the year	55,366	-	
47,286	41,750		472,863	417,497	
49,829	44,293		498,292	442,926	

2020 (Rupees in thousand)		2019
7 Reserves		
Capital reserve		
Fair value reserve - Investments measured at FVOCI		
341,043	110,459	
Exchange translation reserve		
60,785	45,158	
401,828	155,617	
Revenue reserve		
General reserve		
2,475,309	2,475,309	
Unappropriated profit		
1,409,344	2,619,150	
3,884,653	5,094,459	
4,286,481	5,250,076	

8 Long term deposits

This includes security deposits received from dealers amounting to Rs. 12,643 thousand (2019: Rs. 12,731 thousand) which, by virtue of agreement, are interest free. These are repayable on cancellation of dealership contract with dealers and cannot be utilized for the purpose of the business. These have been kept in separate bank account in accordance with the requirements of the section 217 of the Companies Act, 2017.

Note	2020 (Rupees in thousand)	2019
9 Deferred tax liabilities - net		
The liabilities / (asset) for deferred tax comprises temporary differences relating to:		
Taxable temporary differences:		
Accelerated tax depreciation		
	171,380	181,520
Change in fair value of investments		
	64,382	-
	235,762	181,520
Deductible temporary differences:		
Accumulating compensated absences		
	(10,687)	(42,421)
Provision for doubtful receivables		
	(12,846)	(10,624)
Non current assets classified as held for sale held for sale		
	(182)	-
Provision for warranty		
	(2,890)	(2,611)
Unused tax losses		
9.1	(127,931)	(122,489)
Provision for retirement benefit obligations		
	(24,350)	(17,010)
	(178,886)	(195,155)
Net deferred tax liability / (asset) at the year end		
	56,876	(13,635)

9.1 Deferred tax asset on unused tax losses represents the minimum tax available for carry forward under the Income Tax Ordinance, 2001 and is recognised to the extent that the realization of related tax benefits through future taxable profits of the Group is probable. The projections are based on management's best estimates of key production, sales and economic assumptions. Accordingly, the management anticipates that it would be able to realize that unused tax losses within the period allowed under the Income Tax Ordinance, 2001.

9.2 Under the Finance Act, 2019 and upheld by Finance Act 2020, a corporate tax rate of 29% has been fixed. Therefore, deferred tax assets and liabilities have been recognized accordingly using the expected applicable rate i.e. 29%.

	Note	2020 (Rupees in thousand)	2019
10	Employees' defined benefit plan		
	Staff retirements benefit plan - Liability		
	Holding company	123,029	-
	Subsidiary	89,959	49,619
		<u>212,988</u>	<u>49,619</u>
	Staff retirements benefit plan - Asset		
	Holding company	-	(219,519)
	Subsidiary	(25,301)	(11,832)
		<u>(25,301)</u>	<u>(231,351)</u>
10.1	Present value of defined benefit obligation	1,232,563	848,495
	Fair value of plan assets	(1,109,534)	(1,068,014)
	Liability / (Asset) recognized in the statement of financial position	<u>123,029</u>	<u>(219,519)</u>
10.1.1	For the year		
	Salaries, wages and amenities include the following in respect of employees' pension scheme:		
	Current service cost	10,471	15,050
	Interest cost	114,711	96,261
	Expected return on plan assets	(146,700)	(94,497)
		<u>(21,518)</u>	<u>16,814</u>
10.1.2	The movement in present value of defined benefit obligation is as follows:		
	Present value of defined benefit obligation at beginning of year	848,495	1,109,824
	Current service cost	10,471	15,050
	Interest cost	114,711	96,261
	Benefits paid	(87,014)	(80,512)
	Actuarial gain	345,900	(292,128)
	Present value of defined benefit obligation at end of year	<u>1,232,563</u>	<u>848,495</u>

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	2020	2019
	(Rupees in thousand)	
10.1.3 The movement in fair value of plan assets is as follows:		
Fair value of plan assets at beginning of year	1,068,014	1,085,220
Expected return on assets	146,700	94,497
Contributions	9,929	10,000
Benefits paid	(87,014)	(80,512)
Return on plan assets	(28,095)	(41,191)
Fair value of plan assets at end of year	1,109,534	1,068,014
Actual return on plan assets	118,605	53,306
10.1.4 Plan assets comprise of :		
Term deposit receipts :		
United Bank Limited	320,000	-
Meezan Bank Limited	-	130,712
Bank Alfiah Limited	441,191	401,593
Zarai Taraqati Bank Limited	-	196,987
Bonds and mutual funds :		
NAFA Capital proceeds	318,655	297,932
Accrued interest and bank balance:		
Bank balances	27,913	39,020
Advance income tax	1,777	1,777
Less: payables	(3)	(7)
	1,109,533	1,068,014

Investments out of funds have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

10.1.5 Comparison of present value of defined benefit obligation, the fair value of plan assets and the resulting surplus or deficit of pension fund is as follows:

	2020	2019	2018	2017	2016
	(Rupees in thousand)				
As at June 30					
Present value of defined benefit obligation	1,232,563	848,495	1,109,824	1,105,684	1,137,355
Less: Fair value of plan assets	1,109,534	1,068,014	1,085,220	1,145,646	1,048,797
(Deficit) / Surplus	(123,029)	219,519	(24,604)	39,962	(88,558)
Experience adjustment on obligation	345,900	(292,128)	(23,087)	(72,804)	217,792
Experience adjustment on plan assets	(28,095)	(41,191)	(85,687)	69,538	(24,462)

Sensitivity analysis

Significant assumptions for the determination of the defined benefit obligations are discount rate and expected salary increase and disclosed in note 4.4.1.1. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	2020 (Rupees in thousand)	2019
Discount rate + 100 bps	1,137	797
Discount rate - 100 bps	1,344	906
Salary increase + 100 bps	1,246	859
Salary increase - 100 bps	1,220	839
Indexation rate + 100 bps	1,345	907

10.2 Subsidiary staff retirement benefit plan - BCL

Employees' defined benefit plan- Liability	89,959	49,619
Employees' defined benefit plan- asset	(25,301)	(11,832)

	2020			2019		
	Funded		Un-funded	Funded		Un-funded
	Pension	Executives' Gratuity	Non-Executives' Gratuity	Pension	Executives' Gratuity	Non-Executives' Gratuity
	(Rupees in thousand)					
Balance sheet reconciliation						
Present value of defined benefit obligation at end of year	187,627	25,978	29,840	131,839	45,691	32,196
Less: Fair value of plan assets at end of year	127,508	51,279	-	114,416	57,523	-
Deficit / (surplus)	60,119	(25,301)	29,840	17,423	(11,832)	32,196
Movement in the present value of defined benefit obligation						
Balances at beginning of year	131,839	45,691	32,196	165,840	48,175	26,229
Benefits paid by the plan	(11,937)	(18,963)	(2,641)	(9,544)	(12,174)	(7,244)
Current service costs	1,753	1,773	1,580	2,352	1,765	1,361
Past service cost	-	-	-	-	-	5,287
Interest cost	17,937	5,142	4,400	14,496	3,777	2,035
Remeasurement	47,137	(7,665)	(5,694)	(42,401)	4,148	4,528
Employee contributions	897	-	-	1,096	-	-
Balance at end of year	187,626	25,978	29,841	131,839	45,691	32,196
Movement in the fair value of plan assets						
Balance at beginning of year	114,416	57,523	-	114,261	63,883	-
Contributions paid into the plan	1,993	508	-	2,435	784	-
Benefits paid by the plan	(11,937)	(18,963)	-	(9,544)	(12,174)	-
Interest income	15,660	6,882	-	10,013	5,237	-
Remeasurement	6,478	5,329	-	(3,845)	(207)	-
Employee contributions	897	-	-	1,096	-	-
Balance at end of year	127,507	51,279	-	114,416	57,523	-

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For the year ended June 30, 2020

	2020			2019		
	Funded		Un-funded	Funded		Un-funded
	Pension	Executives' Gratuity	Non-Executives' Gratuity	Pension	Executives' Gratuity	Non-Executives' Gratuity
	(Rupees in thousand)					
Expense recognised in profit and loss account						
Current service costs	1,753	1,773	1,580	2,352	1,765	1,361
Past service cost	–	–	–	–	–	5,287
Net Interest (income) / cost	2,277	(1,740)	4,400	4,483	(1,460)	2,035
Expense recognised in profit or loss	4,030	33	5,980	6,835	306	8,683
Remeasurement recognised in other comprehensive income						
Experience (gains) / losses	47,137	(7,665)	(5,694)	(42,401)	4,148	4,528
Remeasurement of fair value of plan assets	(6,478)	(5,329)	–	3,845	207	–
Remeasurements	40,659	(12,994)	(5,694)	(38,556)	4,355	4,528
Net recognised liability / (asset)						
Net recognised liability / (asset) at beginning of year	17,423	(11,833)	32,195	51,579	(15,708)	26,229
Expense recognised in profit or loss	4,030	33	5,980	6,835	304	8,683
Contribution made during the year to the Fund	(1,993)	(508)	(2,641)	(2,435)	(784)	(7,244)
Remeasurements recognised in other comprehensive (loss) / income	40,659	(12,993)	(5,694)	(38,556)	4,355	4,528
Recognised liability / (asset) at end of year	60,119	(25,301)	29,840	17,423	(11,833)	32,196
Plan assets comprise of following:						
Debt instruments	118,011	50,038	–	108,135	56,383	–
Equity and mutual funds	2,777	–	–	1,726	–	–
Cash at Bank	6,720	1,242	–	4,555	1,140	–
Total as at June 30	127,508	51,280	–	114,416	57,523	–
Actuarial assumptions						
Discount rate at June 30	8.50%	8.50%	8.50%	14.25%	14.25%	14.25%
Future salary increases	8.50%	8.50%	8.50%	14.25%	14.25%	14.25%
Future pension increases	0.00%	–	–	0.00%	–	–

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Sensitivity analysis for actuarial assumptions			
Discount rate at June 30	1.00%	(17,912)	20,968
Future salary increases	1.00%	6,150	(5,599)

	2020	2019	2018	2017	2016
(Rupees in thousand)					
Pension fund					
Fair value of plan assets	127,508	114,416	114,262	114,369	(112,476)
Present value of the defined benefit obligation	(187,627)	(131,839)	(165,840)	(167,462)	159,537
(Surplus) / deficit	(60,119)	(17,423)	(51,578)	(53,093)	47,061
Experience adjustments on plan liabilities	47,137	(42,401)	(10,757)	(1,798)	31,406
Experience adjustments on plan assets	6,478	(3,845)	(4,719)	(4,198)	4,238
Executives' gratuity fund					
Fair value of plan assets	51,279	57,523	63,883	73,274	(43,834)
Present value of the defined benefit obligation	(25,978)	(45,690)	(48,175)	(56,002)	53,571
Deficit / (surplus)	25,301	15,708	17,272	9,737	(6,327)
Experience adjustments on plan liabilities	(7,665)	4,148	1,776	(490)	1,499
Experience adjustments on plan assets	5,329	(207)	(332)	28,169	(13,956)
Non-Executives' gratuity fund					
Present value of the defined benefit obligations	(29,840)	(32,196)	(26,229)	(28,119)	23,156
Experience adjustments on plan obligations	(5,694)	4,528	(1,709)	3,720	(889)

	2020	2019
Number of years		
The weighted average duration of the plans are as follows:		
Pension fund	7.99	6.26
Executives' gratuity fund	7.99	6.26
Non-executives' gratuity	7.99	6.26

Amounts in this note are based on the latest actuarial valuation carried out as at June 30, 2020.

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	2020	2019
	(Rupees in thousand)	
11 Lease liabilities against right-of-use assets		
Lease liabilities at year end	13,587	-
Less: current portion of lease liabilities	(3,706)	-
Non current lease liabilities	9,881	-

11.1 Commitments in relations to finance leases recognised under IFRS 16 are payable as follows:

	2020	2019
	(Rupees in thousand)	
Payable not later than one year	3,485	-
Payable later than one year but not later than five years	11,139	-
Payable later than five years	1,244	-
	15,868	-
Future finance charges	(2,281)	-
Total lease liabilities	13,587	-

12 Long term finance- secured

Long term loan	223,434	-
Less: Current portion shown under current liabilities	(61,151)	-
	162,283	-

12.1 The reconciliation of carrying amount is as follows

Opening balance	-	-
Loan received during the year	250,978	-
Transferred to deferred grant	(27,544)	-
	223,434	-
less: Current portion shown under current liabilities	(61,151)	-
	162,283	-

12.2 This represents amount of loan against facility of Rs 317,500 thousand (2019: Nil) obtained under SBP refinance scheme of salaries and wages. The amount is repayable in 8 equal quarterly installments starting from January 31st, 2021 and carry markup ranging from 0.4% to 1% per annum which is payable quarterly.

12.3 This facility is secured by first charge on plant and machinery and joint pari passu hypothecation charge over current assets and book debts of the Company

	2020	2019
	(Rupees in thousand)	
13 Deferred grant		
As at July, 01	–	–
Received during the year	27,544	–
Transferred to profit or loss during the year	–	–
As at 30 June	27,544	–
Non-current	14,281	–
Current	13,263	–
	27,544	–

13.1 Government grant has been recognized against loan obtained under the SBP refinance scheme of salaries and wages in lieu of below market-interest rate payable on this loan. There are no unfulfilled conditions or contingencies attached to this grant effecting its recognition at the reporting date.

	Note	2020	2019
		(Rupees in thousand)	
14 Trade and other payables			
Trade creditors		1,972,026	1,790,640
Accrued liabilities		285,803	182,854
Bills payable		263,345	139,488
Security deposits	14.1	93,131	54,718
Trademark fee payable		126,751	76,199
Income tax deducted at source		2,715	372
Sales tax payable		14,675	11,864
Workers' Profit Participation Fund	14.2	30,231	33,742
Workers' Welfare Fund		29,266	64,004
Others	14.3	160,428	169,715
		2,978,371	2,523,596

14.1 These represent security deposits from dealers and contractors against short term agreements which, by virtue of the agreements, are interest free, repayable on demand and are used in the Group's business. As at year end the Group has utilized these security deposits for business operations of the Group in accordance with the terms of the contract in writing.

	Note	2020	2019
		(Rupees in thousand)	
14.2 Workers' Profit Participation Fund			
Opening balance		33,742	79,457
Allocation for the year	41	176,228	308,016
		209,970	387,473
Payments made during the year		(179,739)	(353,731)
Closing balance		30,231	33,742

14.3 These include deposits by employees under car and motorcycle scheme amounting to Rs. 27,727 thousand (2019: Rs. 31,996 thousand) and carry no markup.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

15 Contract liabilities

- 15.1** These represent amount received in advance from customers against performance obligations / sales made in subsequent periods and carry no mark-up and are unsecured. Further, as referred in note 35 to these financial statements, these also include an amount of Rs. 109,438 thousand (2019: Rs.230,506 thousand) representing cheques in hand at the reporting date.
- 15.2** Revenue recognised during the year that was included in the contract liability balance at the beginning of the year amounted to Rs. 2,735,205 thousand (2019: 8,806,270 thousand).

	Note	2020 (Rupees in thousand)	2019
16 Short term borrowings			
Short Term Running Finance (STRF) - secured			
STRF under mark-up arrangement	16.1	824,181	644,704
Musharika facility	16.2	–	71,758
Istisna Cum Wakala arrangement	16.3	75,000	150,000
Musawamah Facility	16.2	–	21,336
		899,181	887,798

- 16.1** The Group has obtained short term borrowing facilities from various banks having an aggregate sanctioned limit of Rs. 6,600,000 thousand (2019: Rs. 5,850,000 thousand) out of which Rs. 500,000 thousand (2019: Rs. 1,650,000 thousand) represents facilities obtained under Islamic mode of financing. The rates of mark up range from KIBOR plus 0.4% to KIBOR plus 1.6% (2019: KIBOR plus 0.05% to KIBOR plus 1.25%) per annum. At year end, the unutilized facility aggregated to Rs. 5,700,819 thousand (2019: Rs. 4,962,202 thousand). Facilities amounting to Rs. 100,000 thousand (2019: Rs. 100,000 thousand) are secured against first charge of PKR 133,400 thousand on land, building, plant & machinery and current assets of the Group. While facilities amounting to Rs. 400,000 thousand (2019: Rs. 400,000 thousand) are secured by way of hypothecation over plant and machinery and current assets of the Group. The remaining portion of the borrowing facilities is secured by pari passu hypothecation charge over current assets and book debts of the Group, lien over import documents and counter guarantees.
- 16.2** This represents Musawamah Finance Facility (formerly Musharika Finance Facility) obtained from Meezan Bank Limited amounting to Rs. Nil (2019: Rs. 100 million). The profit rate on this facility is Nil (2019: 3 month KIBOR plus 0.4%). It was secured by way of hypothecation charge over inventory and trade receivables of the Subsidiary Company.
- 16.3** The Group has also obtained Istisna Cum Wakala arrangement from Dubai Islamic Bank Pakistan Limited amounting to Rs. 75,000 thousand (2019: Rs. 150,000 thousand). The profit rate on this facility is 6 months KIBOR plus 2% (2019: 6 months KIBOR plus 0.65%). It is secured by way of hypothecation charge over fixed assets and current assets of the subsidiary company. Amount utilised as at June 30, 2020 is Rs. 75,000 thousand (2019: Rs.150,000 thousand).
- 16.4** The Group has facilities for opening of letters of credit and guarantees aggregating to Rs. 5,653,860 thousand (2019: Rs. 5,559,907 thousand) out of which Rs. 400,000 thousand (2019: Rs. 300,000 thousand) has been obtained under Islamic mode of financing. This include a facility for opening letter of credits of Rs. 800,000 thousand that is a sub-facility of the short term borrowings facilities as disclosed in note 18.1. At year end, the unutilized portion of the group-wide facilities for opening of letters of credit and guarantees aggregated to Rs. 4,532,279 thousand (2019: Rs. 4,281,982 thousand). These facilities are secured by pari passu hypothecation charge over current assets and book debts of the respective subsidiary company, lien over import documents and counter guarantees.

17 Unclaimed and unpaid dividend

This represents unclaimed / unpaid dividends declared by the Group in prior periods. The Companies (Amendment) Ordinance, 2020 ('CAO'), promulgated on April 30, 2020, prescribed that unclaimed and unpaid dividend to be deposited in a separate profit bearing account, to disclose the particulars of that dividend on the Company's website and include certain disclosures in its financial statements. The Holding Company in consultation with their legal counsel is of the view that these requirements are applicable on dividends declared on or after the promulgation of CAO. Accordingly, since these amounts relate to the periods before the promulgation of CAO, therefore, the Group has not presented the disclosures as required by CAO in these consolidated financial statements.

18 Contingencies and commitments

18.1 Contingencies

18.1.1 The Group has given guarantee amounting to Rs. 5,000 thousand (2019: Rs. Nil) to bank for repayment of loan by employees. An amount of Rs.1,133 thousand (2019: Rs. Nil) was utilized by employees as at June 30, 2020.

18.1.2 Guarantees issued by various banks on behalf of the Group in the normal course of business amount to Rs. 540,970 thousand (2019: Rs.574,740 thousand).

18.1.3 Holding company

18.1.3.1 Income tax returns for the years from 2007 to 2019 have been filed by the Company under the provisions of section 120 of the Income Tax Ordinance, 2001 (the Ordinance).

The Income tax department has disputed with the Company's treatment on certain tax matters for the tax years 2007-2013, 2016 and 2017, entailing an additional tax liability of Rs. 545,424 thousand. Of these the only significant tax matter, amounting to Rs. 380,621 thousand, relates to disallowances made by tax authorities in respect of trade mark fee / expense claimed by the Company in its income tax returns for the aforementioned tax years. Both the Company and Income tax department are currently in appeal at the appellate tribunal level regarding the tax matters, decisions of which are pending. The management in consultation with their tax advisor is confident that all the tax matters will eventually be decided in the favor of the Company; therefore no provision has been made in these financial statements accordingly.

18.1.3.2 The Deputy Commission Inland Revenue has issued withholding tax assessment orders u/s 161/205 of the Ordinance for the tax year 2011 creating an initial demand of Rs. 176,000 thousand. The Company preferred an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)). The CIR(A) passed an order dated January 21, 2015 remanding back the issue to Deputy Commissioner. Reassessment proceedings after being finalized on January 25, 2016 reduced the demand to Rs. 51,000 thousand. The Company is in the process of filing appeal against reassessment proceedings with CIR(A). Furthermore, the tax authorities have filed an appeal before Appellate Tribunal (ATIR) against the order passes by CIR(A). The management in consultation with their tax advisor are confident that the above matter will eventually be decided in favor of the Company; therefore no provision has been created in these financial statements accordingly.

18.1.3.3 The Company is defending a demand notice issued by Vice Commissioner Punjab Employees' Social Security Institution amounting to Rs. 36,000 thousand. After further investigation, the demand notice was reduced to Rs.12,000 thousand. The Company is in the process of filing objection against the reduced demand notice. The management and legal advisor are confident that the outcome of the case would be decided in their favor hence, no provision relating to aforesaid demand has been made in the financial statements.

18.1.3.4 The Company is defending a suit for Rs. 19,579 thousand, filed in previous years by an ex-vendor on account of damages and inconvenience. Previously, the case was pending before the Civil Court, Lahore. However during the last year it was held by the Civil Court that the damages of Rs. 15,000 thousand has been awarded in favor of vendor for the aforementioned inconvenience. In addition to that the Company is also required to pay the amount of parts

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already supplied by the vendor which amounts to Rs 4,579 thousand along with mark up @ 7% per annum till its realization. However the Company has filed an appeal in the Honorable High Court, Lahore against the aforesaid order of Civil Court. The management and the legal advisor are confident that outcome of the case would be in the Company's favor and no payment in this regard would be required, hence no provision there against has been made in these financial statements.

18.1.3.5 The Company is defending a demand of Rs. 31,869 thousand from the Customs Authorities (Authorities), alleging the Company for non payment of custom and other additional duties. The demand is on account of purchase of certain starter motors and alternators to be used for the manufacture of the tractors. The Company filed an appeal against the said demand and the order passed by Additional Collector, Lahore and Collector Appeals, Lahore before the Customs Appellate Tribunal, Lahore and the said tribunal passed order in favor of the Company. The Custom department has filed reference against the decision in Honorable High Court, Lahore, judgment of which is pending. The Company made payment of Rs. 8,000 thousand under protest in response to demand notice served and obtained stay order from Honorable High Court, Lahore against further recovery action of Authorities. The management are confident that the outcome of the case would be decided in their favor hence no provision relating to aforesaid demand has been made in these financial statements.

Subsidiaries

18.1.4 a) Bolan Casting Limited

18.1.4.1 In 2014, the Company received a reassessment order, from the Income Tax Department, in respect of return filed for the tax year 2008. The Department had revised the return filed by the Company and reduced the income tax refund claimed by the Company by Rs. 6,020 thousand. The said order was challenged before the Commissioner (Appeals) who declared the order in original as time barred and annulled it. Subsequently, the Income Tax Department filed appeal against the order before the Appellate Tribunal Inland Revenue which has not been heard yet. The management of the Company, based on the views of its tax consultant, is confident that the final decision will be given in favour of the Company and therefore, no provision has been made in these financial statements for this amount.

18.1.4.2 In a suit filed against the Company before the Senior Civil Judge at Hub Balochistan, Altaf Hussain Agha (the Plaintiff) claims that in the year 2004 the Company allegedly encroached upon the land measuring 5 acres - 2 roads - 34 poles belonging to him that he purchased in year 2003. The Plaintiff has also sought mesne profits from the Company for such alleged encroachment. The Company claims ownership to the said piece of land and disputes the alleged encroachment claim whatsoever. The written statement of the Company was filed, the issues were framed and the Plaintiff had produced his witnesses. However suit was decreed against the Company by the Senior Civil Judge. The original order was challenged by the Company before Balochistan High Court, which suspended the said order. In November, 2019, Government of Balochistan enhanced the limit of session courts from claims of Rs. 50,000 thousand to Rs. 100,000 thousand. Hence, the case of the Company was transferred to Session Court, Hub on November 21, 2019 where it is pending hearing. The exposure on account of profits claimed under the suit amounts to Rs. 48,000 thousand (2019: Rs. 45,000 thousand). The management of the Company based on the views of its legal advisor is confident that decision will be given in favour of the Company and therefore, no provision has been made in these financial statements.

18.1.5 b) Millat Industrial Products Limited

18.1.5.1 Withholding tax proceedings u/s 161/205 were finalized for tax year 2011 vide order dated August 18, 2014 creating demand of Rs. 11,408 thousand. Out of total demand, department has adjusted the demand of Rs. 3,341 thousand against refunds available from previous tax years.

Consequently, company filed appeal and stay application to CIR(A) against the outstanding demand of Rs. 8,067 thousand. Stay was granted by CIR(A) subject to payment of Rs. 2,000 thousand. In the appellant order, CIR(A) confirmed the demand of Rs. 13 thousand while remaining issues were remanded back with direction for fresh assessment. On this instance, the company is under appeal before ATIR and appeal has not been heard till date.

Re-assessment proceedings u/s 124/129 read with 161/2015 were finalized for tax year 2011 vide order dated June 30, 2016 creating demand of Rs 5,927 thousand. Company had filed appeal to CIR(A) which was finalized vide order dated September 9, 2016 granting relief of Rs. 5,904 thousand. After appeal effect, company shall have net tax payable of Rs. 13 thousand. Department is under appeal before ATIR and the appeal has not been fixed for hearing till date.

18.1.5.2 Audit proceeding u/s 177(1) were initiated for tax year 2013 vide notice dated June 13, 2014. Company has filed written representation before Chief Commissioner Inland Revenue vide letter dated September 26, 2014 for dropping the selection of case. Assessment Proceedings u/s 122(1) were finalized vide order dated June 22, 2018 creating demand of Rs. 17,297 thousand. Company had filed appeal to CIR(A) which was finalized vide order dated September 27, 2018 granting relief of Rs. 17,297 thousand by ordering that the contention of the company is found correct and the OIR is directed to adjust / correct his order on the basis of documentary evidence furnished by company to CIR(A).

18.1.5.3 The Company received notice from the Directorate of Intelligence and Investigation – Federal Board of Revenue (FBR), Karachi on April 28, 2017. In the said notice it was alleged that the Company had purchased goods from a dummy / fake supplier who got registered with the Regional Tax Officers at Karachi and issued fake sales tax invoices to the Company and accordingly the Company has claimed illegal / inadmissible input tax adjustment amounting to Rs 2,439 thousand.

As a result the name of the Company was included in the First Information Report (FIR) No. 678(931)/I&I/IR/KHI(AB-521)/2016/3617 dated April 28, 2017 registered by the Additional Director, Intelligence and Investigation - FBR, Karachi. Total demand raised against the company is Rs. 2,439 thousand which the FBR allowed to deposit in two equal instalments of which first instalment of Rs. 1,219 thousand was deposited on June 16, 2017 and second instalment of Rs. 1,219 thousand was deposited on September 25, 2017 by the company. The legal advisor of the company has stated that the company has "Good case & chances of success are very bright".

18.1.5.4 Sales tax audit u/s 25 of the Sales Tax Act, 1990 has been initiated by FBR on dated May 3, 2018. Proceedings are in process hence, no tax liability can be anticipated at this stage. Proceeding was finalized vide order dated March 22, 2019 creating demand of Rs. 939 thousand. Company filed appeal to CIR(A) dated April 4, 2019 and appeal has not been heard till date. The legal advisor of the Company has stated that the Company has a "Good case & chances of success are very bright".

18.1.5.5 The Competition Commission of Pakistan has imposed a penalty of Rs 1,000 thousand on the company for being purportedly involved in deceptive marketing practice vide its order dated March 30, 2018. The company challenged the same before the competition Appellate Tribunal Islamabad submitting, "That the petitioner is not involved in any deceptive marketing practice". The Appellate Tribunal has admitted the case for hearing and during the pendency of appeal, the operation of impugned order dated, March 30, 2018 is suspended till the final decision of the order.

18.2 Commitments

18.2.1 Commitments in respect of outstanding letters of credit amounting to Rs. 709,571 thousand (2019: Rs. 681,504 thousand) at the reporting date.

18.2.2 The aggregate commitments in respect of capital expenditure as at June 30, 2020 amount to Rs. 650 thousand (June 30, 2019: 5,060 thousand).

	Note	2020 (Rupees in thousand)	2019
19 Operating fixed assets			
Operating property, plant and equipment	19.1	1,645,923	1,788,432
Major stores, spares and loose tools (classified as tools and equipment)		–	1,377
		1,645,923	1,789,809

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19.1 Operating property, plant and equipment

	Land (Note 19.3)		Buildings		Owned				Total	
	Freehold	Leasehold	On freehold land	On leasehold land	Plant and machinery	Furniture and office equipment	Vehicles	Tools and equipment		Computers
(Rupees in thousand)										
Net book value basis										
Year ended June 30, 2020										
Opening net book value	158,551	8	393,596	-	747,434	85,601	212,684	175,570	14,988	1,788,432
Additions (at cost)	-	-	-	-	32,989	5,161	34,044	24,249	7,258	103,701
Disposals (at NBV)	-	-	-	-	(252)	(325)	(29,775)	(2,173)	(146)	(32,671)
Adjustments / transfers to held for sale (NBV) - Note 19.7	-	-	26,339	-	(9,951)	(25,104)	930	(4,138)	(976)	(12,900)
Write offs	-	-	-	-	-	(142)	(161)	-	(3)	(306)
Depreciation charge	-	-	(28,063)	-	(77,289)	(12,222)	(45,160)	(31,806)	(5,793)	(200,333)
Closing net book value	158,551	8	391,872	-	692,931	52,969	172,562	161,702	15,328	1,645,923
Gross book value basis										
As at June 30, 2020										
Cost	158,551	8	791,487	2,900	1,966,161	144,014	392,470	389,836	65,373	3,910,800
Accumulated depreciation	-	-	(399,615)	(2,900)	(1,273,230)	(91,045)	(219,908)	(228,134)	(50,045)	(2,264,877)
Net book value	158,551	8	391,872	-	692,931	52,969	172,562	161,702	15,328	1,645,923
Depreciation rate % per annum	-	-	5-10	5	10	10-33	20	10-20	30-33	
Net book value basis										
Year ended June 30, 2019										
Opening net book value	158,551	8	410,306	-	668,068	95,756	216,292	102,439	13,614	1,665,034
Additions (at cost)	-	-	11,744	-	158,738	4,562	68,238	97,458	7,066	347,806
Disposals (at NBV)	-	-	-	-	(2,310)	(150)	(22,844)	-	(58)	(25,362)
Adjustments	-	-	-	-	-	-	(754)	-	-	(754)
Write offs	-	-	-	-	(8)	-	-	(39)	-	(47)
Depreciation charge	-	-	(28,454)	-	(77,054)	(14,567)	(48,248)	(24,288)	(5,634)	(198,245)
Closing net book value	158,551	8	393,596	-	747,434	85,601	212,684	175,570	14,988	1,788,432
Gross book value basis										
As at June 30, 2019										
Cost	158,551	8	748,369	2,900	1,960,300	186,533	432,690	400,768	61,275	3,951,394
Accumulated depreciation	-	-	(354,773)	(2,900)	(1,212,866)	(100,932)	(220,006)	(225,198)	(46,287)	(2,162,962)
Net book value	158,551	8	393,596	-	747,434	85,601	212,684	175,570	14,988	1,788,432
Depreciation rate % per annum	-	-	5-10	5	10	10-33	20	10-20	30-33	

	Note	2020 (Rupees in thousand)	2019
19.2	The depreciation charge for the year has been allocated as follows:		
	Cost of sales	38	134,808
	Distribution and marketing expenses	39	8,107
	Administrative expenses	40	57,418
			200,333
			198,245

19.3 The freehold land and building on owned land of the Group are as follows:

- 202,343 square meters of factory land situated at Sheikhpura Road, Sheikhpura - MTL;
- 759 square meters of land at Khera Gali District Abbottabad - MTL;
- 697 square meters of land in sector F-6/1 Islamabad - MTL;”
- Corporate office floors in Tricon Corporate Centre Lahore - MTL;
- 113 Kanal and 12.5 Marlas of land, situated at Mauza Bhoptian, tehsil and district Lahore - MEL;
- 52 Kanals and 10 Marlas is located at 49-K.M., off Multan Road, Bhai Pheru, Distt. Kasur - MIPL; and
- 22.93 acres of factory land situated at Main RCD Highway, Hub chowki, Tehsil Hub, District Lasbella, Balochistan - BCL

19.4 Leasehold property represents Igloo Hanger Godown measuring total area of 6,662 square meters situated near Brooke Bond factory site area, Karachi.

19.5 Tools and equipment includes dies and moulds having book value of Rs 2,597 thousand (2019: 3,055 thousand) which are in possession of vendors and these dies and moulds are used by the vendors for producing certain parts for supply to the Group.

19.6 Disposal of operating property, plant and equipment

Particulars of asset	Sold to	Cost	Book value	Sale proceeds	Gain / (Loss) on disposal	Mode of disposal
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(Rupees in thousand)

Fixed assets sold having book value greater than Rs. 500,000						
Directors :						
Vehicle	Mr. Sohail Bashir Rana					
	- a related party	7,813	2,073	2,073	-	As approved by the BOD
Vehicle	Mian Muhammad Saleem					
	- a related party	6,500	1,725	1,725	-	As approved by the BOD
Employees :						
Vehicle	Mr. Mansoor Abbasi	1,771	816	816	-	Company car scheme
Vehicle	Miss. Saima Ijaz	862	586	586	-	Company car scheme
Vehicle	Mr. Hassan Farooq Khan	1,078	792	792	-	Company car scheme
Vehicle	Mr. Muhammad Anwar Naz	2,026	1,581	1,581	-	Company car scheme
Vehicle	Mr. Muhammad Anwar Naz	2,495	2,204	2,204	-	Company car scheme

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Particulars of asset	Sold to	Cost	Book value	Sale proceeds	Gain / (Loss) on disposal	Mode of disposal
(Rupees in thousand)						
Vehicle	Mr. Sadaqat Ali	1,440	1,180	1,180	-	Company car scheme
Vehicle	Mr. Muhammad Akram	1,078	970	970	-	Company car scheme
Vehicle	Mr. Muhammad Humayun	1,745	1,600	1,600	-	Company car scheme
Vehicle	Mr. Tariq Mahmood	1,270	965	965	-	Company car scheme
Vehicle	Mr. Mumhammad Niaz	1,250	800	800	-	Company car scheme
Vehicle	Mr. Muhammad Muneer	1,537	697	697	-	Company car scheme
Vehicle	Mr. Khawaja Qasim	1,537	780	780	-	Company car scheme
Vehicle	Mr. Shahzad Nadeem	1,661	814	814	-	Company car scheme
Vehicle	Mr. Shehbaz Ahmad	1,782	1,050	1,050	-	Company car scheme
Vehicle	Mr. Shehbaz Ahmad	2,637	1,868	1,868	-	Company car scheme
Third Parties						
Vehicle	M/s Adamjee Insurance Company Limited	1,250	708	1,265	557	Insurance Claim
Fixed assets sold having book value less than Rs. 500,000		36,532	11,462	13,399	1,937	
Year ended: June 30, 2020		76,264	32,671	35,165	2,494	
Year ended: June 30, 2019		66,754	25,362	33,035	7,673	

19.7 Assets written-off include several low value equipment, having written down value of Rs. 7,684 thousand, which are assessed redundant by the management as result of survey conducted during the year.

		2020	2019
		(Rupees in thousand)	
20	Capital work in progress		
	Plant and machinery	1,332	19,156
	Advance for tools and equipment	1,613	1,613
	Advance for factory building	29,980	-
	Advance for vehicles	1,500	1,983
		34,425	22,752
20.1	Movement in capital work in progress is as follows:		
	Opening balance	30,912	45,164
	Additions during the year	20,909	128,707
	Capitalized / disposed off during the year	(17,396)	(151,119)
		34,425	22,752

	Note	2020 (Rupees in thousand)	2019
21 Right-of-use assets			
Opening net book value		–	–
Impact of initial adoption - IFRS 16		4,829	–
Additions during the year		11,327	–
Disposals / adjustments made during the year		–	–
Depreciation charged during the year		(3,225)	–
Closing net book value		12,931	–
22 Intangible assets			
Software and licenses	22.1	41,465	4,138
Capital work-in-progress		21,432	8,160
		62,897	12,298

	Note	Software with definite life	Licenses with indefinite life - Note 22.2	Total
22.1 Software and licenses				
Net carrying value basis:				
Opening net book value as at July 1, 2019		4138	–	4,138
Additions		–	39,300	39,300
Amortization charge		(1,973)	–	(1,973)
As at June 30, 2020		2,165	39,300	41,465
Gross carrying value basis:				
As on June 30, 2020				
Cost		6,678	–	6,678
Additions		–	39,300	39,300
Accumulated amortization		(4,513)	–	(4,513)
		2,165	39,300	41,465
Net carrying value basis:				
Opening net book value as at July 01, 2018		135	–	135
Additions		5,992	–	5,992
Amortization charge	38, 39 & 40	(1,989)	–	(1,989)
As at June 30, 2019		4,138	–	4,138
Gross carrying value basis:				
As on June 30, 2019				
Cost		6,678	–	6,678
Accumulated amortization		(2,540)	–	(2,540)
		4,138	–	4,138
Rate of amortization		33%	0%	

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22.2 Intangible asset with indefinite useful life

Intangible asset with indefinite life having carrying value of Rs. 39,300 thousand (2019: Nil) represents lifetime Oracle based user licenses for functioning of Company's ERP system. The Company has performed its annual impairment review for these licenses with indefinite life and noted no indicator of impairment since these licenses are newly acquired and the related ERP system is also newly implemented. Moreover, these licenses are also covered with upgradation over time and are not susceptible to technological obsolescence in near future.

	Note	2020	2019
(Rupees in thousand)			
23 Investment property			
Land		258,444	258,444
Provision for impairment	23.5	(2,736)	(2,736)
		255,708	255,708

23.1 This represents residential plots stated at cost. As at June 30, 2020 and June 30, 2019, the fair values of these properties were Rs.355,200 thousand and Rs. 333,000 thousand respectively. These valuation were performed by an independent valuer, who has appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. The valuation is based on comparable market transactions that considers sales of similar properties that have been transacted in open market.

23.2 The valuation method used by the independent valuer was based on market approach method.

23.3 The level of hierarchy for fair value disclosed falls in level 2 i.e. inputs other than quoted prices included within level 1 that are observable for real estate properties either directly or indirectly.

23.4 Management of the Group believes that holding on to these properties for appreciation in their market value is the highest and best use of these investment properties.

23.5 This represents provision for impairment against land measuring 12 kanals and 14.5 marlas located at Raiwind Road having gross value of Rs. 2,736 thousand (2019: 2,736 thousand) at the reporting date.

	2020	2019
	(Rupees in thousand)	
24 Long term investments		
Investment in related parties - at FVOCI		
Unquoted		
Arabian Sea Country Club Limited		
500,000 (2019: 500,000) fully paid ordinary shares of Rs. 10/- each	5,000	5,000
Equity held 6.45% (2019: 6.45%)		
Less: Impairment loss	(5,000)	(5,000)
	-	-
Hyundai Nishat Motors (Private) Limited		
134,550,000 (2019: 99,000,000) fully paid ordinary shares of Rs. 10/- each	1,345,500	990,000
Equity held 18% (2019: 18%)		
Surplus on fair valuation of investment - note 24.2 & 51.1	296,010	-
	1,641,510	990,000
Investment other than related parties- at FVOCI		
Quoted		
Baluchistan Wheels Limited		
1,570,325 (2019: 1,570,325) fully paid ordinary shares of Rs. 10/- each	24,364	24,364
Surplus on revaluation of investment	71,002	72,111
	95,366	96,475
Unquoted		
TCC Management Services (Private) Limited		
40,000 (2019: Nil) fully paid ordinary shares of Rs. 10/- each	400	400
Kaheel Agriculture LLC.		
Advance against share subscription	57,443	-
	1,794,719	1,086,875

24.1 Investments in associated companies or undertakings have been made in compliance with the requirements of the Companies Act, 2017.

24.2 This represents investment in the ordinary shares of Hyundai Nishat Motors Private Limited ('HNMPL') which is principally engaged in assembly and sales of Hyundai Motor Company passenger and commercial vehicles. Since HNMPL's ordinary shares are not listed, the management has estimated a fair value of Rs 12.2 per ordinary share as at June 30, 2020 through a valuation technique based on discounted cash flow analysis of HNMPL. Hence, it has been classified under level 3 of fair value hierarchy as further explained in note 51.1 to these financial statements. The fair value gain of Rs 296,010 thousand is included in the fair value gain recognised during the year in other comprehensive income.

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The main level 3 inputs used by the Company are derived and evaluated as follows:

- Discount rate is determined using a capital asset pricing model to calculate a post-tax rate that reflects current market assessments of the time value of money and the risk specific to HNMPL.
- Long term growth rate is estimated based on expected future performance of HNMPL and current market information for similar type of entities.

The significant assumptions used in this valuation technique are as follows:

- Discount rate of 14.87% per annum.
- Long term growth rate of 2% per annum for computation of terminal value; and
- Annual growth in costs are linked to inflation and currency devaluation at 7% per annum and revenues are linked to currency devaluation at 7% per annum.

Sensitivity analysis

Sensitivity analysis of the significant assumptions used in the valuation technique are as follows, with all other variables held constant as at June 30, 2020:

	Impact on fair value gain	
	Increased by 1%	Decreased by 1%
	(Rupees in thousand)	
- Discount rate	(248,918)	293,319
- Long term growth rate	177,606	(152,042)
- Inflation rate per annum	(67,275)	65,930

	Note	2020	2019
		(Rupees in thousand)	
25	Long term loans - considered good		
	Loan to employees:		
	Company loan	25.1	4,197
	Motor cycle loan	25.2	3,161
		25.3	7,358
	Less: Current portion included in current assets	30	(4,277)
			3,081
			3,662

25.1 These represent interest free loans to employees secured against their gratuity and provident fund balances. These loans are repayable in monthly installments over a period of two years for executive and three years for workers.

25.2 This represents interest free loans to employees for purchase of motor cycles secured by joint registration of motor cycles in the name of the Group and employees. These loans are repayable in monthly instalments over a period of five years.

25.3 Reconciliation of carrying amount of long term loans is:

	Balance as at June 30, 2019	Disbursement during the year	Repayments during the year	Balance as at June 30, 2020
(Rupees in thousand)				
Due from employees	8,319	4,995	5,956	7,358

25.4 The above loans were provided for personal use of the Executives in accordance with approved Human Resource policy and employment terms.

26 Long term deposits

These represent security deposits given to Companies against provision of utilities and services and carry no mark-up.

	2020	2019
(Rupees in thousand)		
27 Stores, spare parts and loose tools		
Stores, spare parts and loose tools	502,633	487,933
less: provision for obsolescence	(7,661)	-
	494,972	487,933

Most of the Group's items of stores and spares are of inter-changeable nature and can be used as machine spares or consumed as stores. Accordingly, it is not practical to distinguish stores from spares until their actual usage.

	Note	2020	2019
(Rupees in thousand)			
28 Stock in trade			
Raw material	28.1	3,553,486	3,012,518
Work in process		236,406	244,314
Finished goods:			
Manufacturing	28.2	599,327	506,466
Trading		200,019	160,738
		799,346	667,204
	28.3	4,589,238	3,924,036

28.1 This includes stock in transit amounting to Rs. 419,247 thousand (2019: Rs. 334,815 thousand).

28.2 Finished goods include inventories which have been written-down to net realisable value by Rs. 11,690 thousand (2019: Rs. 15,160 thousand).

28.3 Included in stocks are raw materials and components held with third parties amounting to Rs.144,492 thousand (2019: Rs. 190,422 thousand).

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	Note	2020 (Rupees in thousand)	2019
29 Trade debts			
Trade debts - considered good	29.1	221,150	357,962

29.1 This includes amount of Rs. 357 thousand (2019: 2,045 thousand) due from related party Hyundai Nishat Motors (Private) Limited.

	Note	2020 (Rupees in thousand)	2019
30 Loans and advances			
Current portion of long term loans to employees	25	4,277	4,657
Advances to employees - considered good	30.2	22,742	5,677
Advances to suppliers - considered good	30.3	81,774	198,412
		108,793	208,746
Advances to suppliers - considered doubtful		2,485	2,485
Less: Provision for doubtful advances		(2,485)	(2,485)
		-	-
Letter of credit opening charges		1,710	7,340
		110,503	216,086

30.1 Included in advances to employees are amounts due from the Chief Executive Officer was Rs. Nil thousand (2019: Rs 173 thousands) in respect of travel advance.

30.2 These represent interest free advances to employees for the purpose of the expenses, travel and salary as per company's Human resource policy.

30.3 These represent interest free advances given to suppliers as per mutually agreed terms.

31 Trade deposits and short term prepayments

These include interest free security deposits amounting to Rs.17,960 thousand (2019: Rs.26,541 thousand) made for tender placement.

		2020 (Rupees in thousand)	2019
32 Balances with statutory authorities			
Special excise duty receivable / (payable)		-	1,520
Sales tax recoverable		1,082,401	2,301,132
Less: provision for doubtful claims		(34,147)	(34,147)
		1,048,254	2,266,985
		1,048,254	2,268,505
33 Other receivables			
Claims receivable from suppliers		36,400	85,448
Profit / interest accrued		367	465
		36,767	85,913
Less: Provision for impairment		-	-
		36,767	85,913

	Note	2020 (Rupees in thousand)	2019
34 Short term investments			
Mutual Funds designated - at FVPL	34.1	–	326
Investment in Term Deposit Receipt (TDR)			
- at ammortized cost	34.2 & 34.3	143,855	3,856
		<u>143,855</u>	<u>4,182</u>

34.1 This represents investment in mutual funds as follows:

	June 30, 2020			June 30, 2019		
	Number of units	Fair value per unit	Total	Number of units	Fair value per unit	Total
	(Number in thousand)	(Rupees)	(Rupees in thousand)	(Number in thousand)	(Rupees)	(Rupees in thousand)
Mutual Funds						
ABL Cash Fund	–	–	–	10	10.00	100
HBL Money Market Fund	–	–	–	2	102.06	226
			–			<u>326</u>

34.2 These carry mark-up/ profit at the rate 6.% to 10% (2019: 4.5% to 10.25%) and having tenures ranging from 7 days to 60 days. The said TDRs may be encashed any time before maturity.

34.3 These include TDRs amounting to Rs. 3,856 thousand (2019: Rs. 3,856 thousand) under lien with respect to bank guarantee issued by a commercial bank.

34.4 Fair value per unit has been rounded off to 2 decimal places.

	Note	2020 (Rupees in thousand)	2019
35 Cash and bank balances			
In hand:			
cash		7,927	27,993
cheques		109,438	230,506
		<u>117,365</u>	<u>258,499</u>
At banks:			
current accounts		686,207	584,058
deposit accounts	35.1	1,151,554	197,761
		<u>1,837,761</u>	<u>781,819</u>
		<u>1,955,126</u>	<u>1,040,318</u>

35.1 These carry mark-up ranging from 6% to 10.8% (2019: 4% to 10.8%) per annum.

35.2 This includes deposits amounting to Rs.Nil (2019: Rs.9,495 thousand) placed with Islamic banks under Islamic mode.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	2020	2019
	(Rupees in thousand)	
36 Non-current assets classified as held for sale		
Plant and machinery	1,092	-

36.1 These represent machines having written down value amounting to Rs. 4,720 thousand. On classification of these machines as held for sale, these are recognized at the lower of written down value and net recoverable value and an impairment loss of Rs. 3,710 thousand has been recognized. The sale of these assets is expected to be completed within a year from the reporting date.

	Note	2020	2019
		(Rupees in thousand)	
37 Revenue from contracts with customers			
Local:			
Tractors		22,149,422	31,720,626
Implements and tractor components		547,978	655,451
Multi-application products		326,654	177,611
Trading goods		629,223	660,945
Batteries		975,705	974,984
Castings		310,417	339,908
IFS implementation services		3,997	9,250
		24,943,396	34,538,775
Less:			
Trade discount		(166,025)	(39,894)
Sales tax and special excise duty		(2,026,402)	(2,282,857)
Provincial Sales tax on services		(2,072)	(777)
		(2,194,499)	(2,323,528)
		22,748,897	32,215,247
Export:			
Tractors		1,123,037	166,875
Trading goods		141,430	69,755
Multi-application products		2,344	-
IFS services		4,290	-
Batteries		185,900	71,878
		1,457,001	308,508
		24,205,898	32,523,755
Less: Commission		(309,349)	(492,796)
	37.1	23,896,549	32,030,959

37.1 This represents revenue earned from Shariah compliant business segments.

	Note	2020 (Rupees in thousand)	2019
38 Cost of sales			
Components consumed		16,232,974	21,705,576
Salaries, wages and amenities	38.1	757,041	942,919
Contract services		282,110	350,391
Fuel and power		402,669	373,507
Oil and lubricants		155,846	175,638
Communication		446	476
Travelling and vehicle running		53,507	56,298
Printing and stationery		7,497	4,857
Insurance		38,930	37,634
Repairs and maintenance		105,670	145,399
Stores and spares consumed		248,051	353,660
Packing material consumed		4,225	5,678
Depreciation	19.2	134,808	130,887
Amortization	22.1	30	45
Other expenses		188,701	250,867
		18,612,505	24,533,832
Add: opening work-in-process		244,314	375,499
Less: closing work-in-process		(236,407)	(244,314)
		7,907	131,185
Cost of goods manufactured		18,620,412	24,665,017
Add: Opening finished goods		506,466	523,472
Less: Closing finished goods		(610,304)	(529,075)
		(103,838)	(5,603)
		18,516,574	24,659,414
Cost of sales - trading	38.2	488,151	543,100
		19,004,725	25,202,514
38.1	It includes the following staff retirement benefits (income) / expense:		
Defined benefit plan - pension		1,064	21,972
Defined contribution plan - gratuity		4,326	4,520
Defined contribution plan - provident fund		15,676	15,483
Provision for compensated absences		(3,281)	2,312
		17,785	44,287
38.2 Cost of sales - trading			
Opening stock		160,738	158,714
Purchases		487,693	545,124
		648,431	703,838
Closing stock		(160,280)	(160,738)
		488,151	543,100

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	Note	2020 (Rupees in thousand)	2019
39	Distribution and marketing expenses		
Salaries and amenities	39.1	125,539	125,191
Contract services		36,142	40,214
Fuel and power		10,166	9,494
Communication		915	680
Travelling and vehicle running		41,626	22,512
Carriage and freight		45,552	51,211
Printing and stationery		5,034	5,990
Insurance		18,071	16,125
Trademark fee	39.2	248,712	281,612
Advertisement and sales promotion		10,438	20,985
Depreciation	19.2	8,107	8,235
Depreciation charge for the right-of-use assets		3,225	–
Meeting / convention		8,095	8,509
After sales support		52,007	73,592
Other expenses		57,043	33,831
		670,672	698,181
39.1	It includes the following staff retirement benefits (income) / expense:		
Defined benefit plan - pension		(5,039)	4,936
Defined contribution plan - gratuity		2,833	3,050
Defined contribution plan - provident fund		4,241	4,043
Provision for compensated absences		(1,178)	830
		857	12,859

39.2 Trademark fee is incurred under a trademark agreement between the Group and M/S Massey Ferguson Corp., having its registered office situated at 4205 River Green Parkway, Duluth, Georgia 30096, United States of America.

Under the trademark agreement M/S Massey Ferguson grants exclusive rights to the Group for use of its brand name with certain terms and conditions.

	Note	2020 (Rupees in thousand)	2019
40	Administrative expenses		
Salaries and amenities	40.1	437,580	415,424
Contract services		50,438	61,516
Fuel and power		22,262	22,717
Communication		7,285	5,441
Travelling and vehicle running		32,819	36,941
Insurance		12,059	11,960
Repairs and maintenance		13,767	28,630
Security		22,101	19,701
Legal and professional	40.2	21,216	15,971
Depreciation	19.2	57,418	59,123
Amortization of intangible asset	22.1	1,943	1,944
Rent, rates and taxes		7,459	2,581
Fee and subscription		5,659	5,792
Entertainment		8,523	8,809
Property, plant and equipment written off		294	–
Other expenses		66,041	61,647
		766,864	758,197

	Note	2020 (Rupees in thousand)	2019
40.1	It includes the following staff retirement benefits (incomes)/ expenses:		
	Defined benefit plan - pension	(7,496)	5,727
	Defined contribution plan - gratuity	1,412	1,721
	Defined contribution plan - provident fund	10,982	9,901
	Provision for compensated absences	(3,954)	2,786
		944	20,135
40.2	Legal and professional expenses include following in respect of auditors' services:		
	Statutory audit	3,588	3,387
	Half year review	372	170
	Special reports and sundry certifications	475	589
	Out of pocket expenses	502	283
		4,937	4,429
41	Other operating expenses		
	Workers' Profit Participation Fund	14.2	176,228
	Workers' Welfare Fund		70,215
	Realized loss on short term investments at FVPL	41.1	–
	Donations	41.2	5,559
	Operating fixed assets written off		7,684
	Impairment loss		4,455
	Loss on exchange rate and price		61,497
	Provision for obsolescence of stores and spares		7,661
			333,299
			641,139
41.1	Realized (gain) / loss on sale of short term investment - net:		
	ABL Cash Fund		(6)
	ABL Income Fund		–
	Alfalah GHP Money Market Fund		–
	Atlas Money Market		(1,178)
	HBL Money Market Fund		(6)
	HBL Cash Fund		–
	Lakson Income Fund		–
	Lakson Money Market Fund		–
	MCB Cash Management Optimizer Fund		–
	NAFA Government Securities Liquid Fund		–
	NIT Income Fund		–
	UBL Liquidity Income Plus Fund		–
			(1,190)
			195,308
41.2	The particulars of the donation exceeding Rs 1,000 thousand are as follows		
	Name of Donee		
	Namal Education Foundation		4,809
			–

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41.3 Donation includes the following in which a director or his spouse is interested:

Name of director	Name of Donee	Interest in Donee	2020 (Rupees in thousand)	2019
Mr. Sikandar Mustafa Khan	Namal Education Foundation	Vice Chairperson	4,809	–

	Note	2020 (Rupees in thousand)	2019
42 Other income			
Income from financial assets			
Dividend income from Baluchistan Wheels Limited	42.1	3,140	4,711
Return on bank deposits and TDRs	42.2	22,161	40,980
Gain on sale of short term investments	41.1	1,190	–
Dividend income from short term investments	42.3	2,711	301,556
Gain on translation of foreign investment		5,325	14,100
Interest charged on early payments and advances		26,953	31,338
		61,480	392,685
Income from assets other than financial assets			
Rental income		15,758	6,742
Scrap sales		42,564	41,339
Gain on disposal of property, plant and equipment		2,494	7,673
Liabilities no longer required written back		–	670
Laboratory testing		107	105
Multiapp products service income		3,408	2,888
Others	42.4	22,892	16,691
		87,223	76,108
		148,703	468,793

42.1 Dividend income earned from investments from non Shariah-compliant companies.

42.2 This includes profit of Rs.Nil thousand (2019: Rs.9,310 thousand) earned on term deposits with Islamic bank.

	2020 (Rupees in thousand)	2019
42.3 Dividend income from short term investments:		
ABL Cash Fund	–	55,264
ABL Islamic Income Fund	–	16,500
Alfalah GHP Money Market Fund	–	13,477
Atlas Money Market Fund	2,711	27,658
HBL Money Market Fund	–	23,583
Lakson Income Fund	–	9,571
Lakson Money Market Fund	–	25,279
MCB Cash Management Optimizer Fund	–	67,104
NAFA Government Securities Liquid Fund	–	29,065
NIT Income Fund	–	17,113
UBL Liquidity Plus Fund	–	16,942
	2,711	301,556

42.4 This includes sundry income from forfeiture of security deposit, lab delivery charges, tender money and late payment surcharge.

	Note	2020 (Rupees in thousand)	2019
43 Finance cost			
Mark-up on short term borrowings - secured	43.1	347,866	114,948
Interest on Workers' Profit Participation Fund		–	483
Interest expense against lease liability		1,355	–
Bank charges and commission		10,192	6,121
		<u>359,413</u>	<u>121,552</u>

43.1 This includes Rs.49,358 thousand (2019: Rs.17,647 thousand) mark-up paid on Islamic mode of financing.

	2020 (Rupees in thousand)	2019
44 Taxation		
For the year charge / (income / reversal):		
current	927,130	1,734,229
deferred	12,501	(153,198)
	939,631	1,581,031
Prior years:		
current	6,458	(17,684)
deferred	–	(375)
	6,458	(18,059)
	<u>946,089</u>	<u>1,562,972</u>

	2020	2019
	(%)	
44.1 Numerical reconciliation between average effective tax rate and the applicable tax rate is as follows:		
Applicable tax rate	29.00	29.00
- Effect of change in prior year	(0.24)	(0.68)
- Unutilized tax losses	0.36	–
- Income chargeable to tax at different rates	1.10	(5.01)
- Tax effect of super tax	–	8.89
- Effect on opening deferred taxes on reduction of rate	–	(0.06)
- Others	2.20	(1.36)
	3.42	1.78
Average effective tax rate	<u>32.42</u>	<u>30.78</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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45 Remuneration of Chief Executive Officer, Directors and Executives

The aggregate remuneration recognized in these financial statements including certain benefits to the Chief Executive Officer, Directors and Executives of the Company are as follows:

	Chief Executive Officer		Directors				Executives	
	2020	2019	2020		2019		2020	2019
			Non Executive Director	Executive Director	Non Executive Director	Executive Director		
Number of persons	4	4	1	4	1	5	45	41
	(Rupees in thousand)							
Managerial remuneration	36,618	42,930	2,571	42,810	2,427	41,495	90,197	86,077
Cost of living allowance	–	–	2,571	1,416	2,427	1,902	22,098	20,650
Bonus	4,601	12,424	762	2,147	3,138	12,136	7,488	54,253
House rent	6,486	6,090	1,157	3,216	1,092	3,345	29,409	25,656
Contribution to provident fund and gratuity funds	1,280	1,198	–	–	–	–	11,824	11,245
Pension contribution	–	–	–	–	–	–	3,757	3,510
Medical expenses	1,686	1,363	298	2,303	301	1,874	5,589	5,969
Utilities	2,428	2,253	607	4,540	706	4,597	9,984	8,801
Other reimbursable expenses	5,047	4,748	1,195	5,036	951	5,043	10,361	10,921
	58,146	71,006	9,161	61,468	11,042	70,392	190,707	227,082

45.1 The Group also provides the Chief Executive Officer, Directors and certain employees with free use of Company maintained cars and residential telephones.

45.2 Aggregate amount charged to profit and loss account for the year in respect of meeting fee to four Directors (2019: five Directors) was Rs. 1,525 thousand (2019: Rs. 1,025 thousand) and travelling expenses Rs. 334 thousand (2019: Rs. 288 thousand).

46 Transactions with related parties

Related parties comprises of associated entities, entities under common control, entities with common directors, major shareholders, post employment benefit plans and key management personnel, inclusive of directors, and their close family members. Amounts due from and to related parties are shown under receivables and payables. Amount of assets sold to related parties during the year are shown in Note 19.6. Amounts due from Directors and key management personnel are shown under receivables and remuneration of Directors and key management personnel is disclosed in Note 45. Other significant transactions with related parties are as follows:

Relation with undertaking	Nature of transaction	2020 (Rupees in thousand)	2019
Associates	Sale of services	1,925	4,856
	Investment made	355,500	720,000
Employees' defined benefit plan	Contribution to staff retirement benefit plan	11,922	12,435
Defined contribution plan	Contribution to defined contribution plan	9,078	10,074
Executives' Gratuity fund	Benefits paid on behalf of the fund	18,963	12,174
Provident Fund	Amount Contributed	30,897	29,583
Key Management Personnel	Sale of assets	116	–

The Group intends to take the approval of the transactions with related parties from the shareholders in General Meeting.

- 46.1** The names of related parties with whom the Group has entered into transactions or had agreements / arrangements in place during the year and whose names have not been disclosed elsewhere in these financial statements are as follows:

Name of the related party	Basis of relationship	Percentage of shareholding (%)
Arabian Sea Country Club Limited	Common Directorship	6.45
Hyundai Nishat Motors (Private) Limited	Common Directorship	18

47 Earnings per share - Basic and diluted

47.1 Combined basic earnings per share

Earnings per share are calculated by dividing the net profit for the year by weighted average number of shares outstanding during the year as follows:

	2020 (Rupees in thousand)	2019
Profit for the year after tax	1,964,190	3,515,197
	(Number of shares in thousand)	
Weighted average number of ordinary shares outstanding during the year	49,829	49,829
	(Rupees)	
Earnings per share	39.42	restated 70.55

- 47.2** During the period, a 12.5% issue of bonus shares in the ratio of one bonus share for every eight shares held by the shareholders of the holding company was proposed in the Board of Directors meeting held on September 05, 2019. The approval of the members for issue of bonus shares was obtained in the Annual General Meeting held on October 25, 2020. The effect of the issue of 5,536 thousand bonus shares of Rs. 10 each has been accounted for in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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47.3 Combined diluted earnings per share

No figure for diluted earnings per share has been presented as the Group has not issued any instruments carrying options which would have an impact on earnings per share when exercised.

	Note	2020 (Rupees in thousand)	2019
48 Cash generated from operations			
Profit before taxation		2,910,279	5,078,169
Adjustment for:			
Depreciation on property, plant and equipment	19.2	200,333	198,245
Depreciation charge for the right-of-use assets	21	3,225	–
Amortization of intangible assets	22.1	1,973	1,989
Provision for accumulating compensated absences		(8,413)	5,928
Provision for obsolescence of stores and spares	41	7,661	–
Profit on bank deposits	42	(22,161)	(40,980)
Dividend income	42	(3,140)	(4,711)
Provision for pension obligation		(11,471)	32,635
Provision for gratuity		8,571	9,291
Property, plant and equipment written off	19.1	306	47
Exchange loss	41	61,497	32,251
Dividend income from mutual funds	42	(2,711)	(301,556)
Gain on disposal of property, plant and equipment	42	(2,494)	(7,673)
(Gain) / loss on sale of short term investments	42	(1,190)	195,308
Finance cost	43	359,413	121,552
Provision for Workers' Profit Participation Fund	41	176,228	308,016
Provision for Workers' Welfare Fund	41	70,215	105,464
Working capital changes	48.1	420,537	(4,305,575)
		4,168,658	1,428,400
48.1 Working capital changes			
(Increase) / decrease in current assets:			
Stores and spares		(14,700)	(62,336)
Stock in trade		(665,202)	1,450,569
Trade debts		136,812	(102,429)
Loans and advances		105,223	(79,371)
Trade deposits and short term prepayments		11,531	(41,390)
Other receivables		49,146	(44,876)
		(377,190)	1,120,167
Increase/ (decrease) in current liabilities:			
Trade and other payables		425,034	702,902
Contract liabilities		372,693	(6,128,644)
		420,537	(4,305,575)

	Note	2020 (Rupees in thousand)	2019
49	Cash and cash equivalents		
	Cash and bank balances	1,955,126	1,040,318
	Short term investments	143,855	4,182
	Short term borrowings	(899,181)	(887,798)
		<u>1,199,800</u>	<u>156,702</u>

50 Financial risk management

Financial instruments comprise loans and advances, trade deposits, trade debts, other receivables, short term investments, cash and bank balances, short term borrowings, long term deposits, interest/mark-up accrued on short term borrowings, long term loans, lease liabilities and trade and other payables.

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

- Market risk
- Credit risk
- Liquidity risk

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

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react to changes in market conditions and the Group's activities.

50.1 Market risk

(a) Currency risk

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

Monetary items, including financial assets and financial liabilities, denominated in currency other than functional currency of the Group are periodically restated to Pak rupee equivalent and the associated gain or loss is taken to the profit and loss. However, the Group has limited exposure for currency risk and considered not material to the Group.

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The following analysis demonstrates the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant, of the Group's profit before tax.

	Change in rate	Effects on profit before tax	Effects on profit before tax
		2020	2019
(Rupees in thousand)			
Receivables/ (Trade and other payables) - GBP	+1	(1,318)	(317)
	-1	1,318	317
Receivables/ (Trade and other payables) - USD	+1	(443)	(105)
	-1	443	105
Receivables/ (Trade and other payables) - EUR	+1	(465)	33
	-1	465	(33)
Trade and other payables - CNY	+1	(983)	-
	-1	983	-
(Rupees)			
Reporting date rate per:		2020	2019
GBP to PKR		207.68	207.79
USD to PKR		168.75	164.00
EUR to PKR		189.73	186.37
CNY to PKR		24.00	24.19

(b) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group is not exposed to commodity price risk since it has a diverse portfolio of commodity suppliers. The long-term equity instrument held by the Group does not trade on a regular basis on the stock exchange and historically, it does not have a direct correlation with the equity index of the Pakistan Stock Exchange (PSX). Therefore, it is not possible to measure the impact of increase / decrease in the PSX Index on the Group's profit after taxation for the year and on equity (fair value reserve).

Short-term investments pertain to investment in mutual funds. These investment are carefully managed and observed on the basis of duly approved policy by Board of Directors. The underlying composition of these mutual funds does not involve equity instruments therefore it does not have any co-relation with stock market. Hence, the Group is not exposed to other price risk in this avenue as well.

(c) **Interest rate risk**

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

The Group has no significant long-term interest-bearing instruments. The Group's interest rate risk arises from short term and long term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. The Group mitigates its risk against the exposure by focusing on short-term investment and maintaining adequate bank balances.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	Note	2020 (Rupees in thousand)	2019
Fixed rate instruments			
Financial assets			
Bank balances - deposit accounts		–	30
Investment in Term Deposit Receipt	34	143,855	3,856
Financial liabilities			
Long term financing	12	162,283	–
Floating rate instruments			
Financial assets			
Bank balances - deposit accounts	35	1,151,554	194,687
Financial liabilities			
Short term borrowings	16	899,181	887,798

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Group.

Cash flow sensitivity analysis for variable rate instruments

The following analysis demonstrates the sensitivity to a change in interest rates, with all other variables held constant, of the Group's profit before tax. This analysis is prepared assuming the amounts of floating rate instruments outstanding at reporting dates were outstanding for the whole year.

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		Changes in interest rate	Effects on profit before tax
		(Rupees in thousand)	
Bank balances - deposit accounts	2020	+1	11,516
		-1	(11,516)
	2019	+1	1,947
		-1	(1,947)
Short term borrowings	2020	+1	8,992
		-1	(8,992)
	2019	+1	8,878
		-1	(8,878)

50.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of total financial assets of Rs. 4,192,949 thousand (2019: Rs. 2,610,678 thousand), the financial assets which are subject to credit risk amounted to Rs. 2,410,175 thousand (2019: Rs. 1,543,317 thousand). The Group is not exposed to major concentration of credit risk.

For trade receivables, internal risk assessment process determines the credit quality of the customers, taking into account their financial positions, past experiences and other factors. Individual risk limits are set based on internal or external credit worthiness ratings in accordance with limits set by the management. The credit risk on liquid funds is limited because the counter parties are banks and mutual funds with reasonably high credit ratings. Further the Group believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counter parties and subscribers in case of trade debts.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Note	2020	2019
		(Rupees in thousand)	
Trade debts	29	221,150	357,962
Trade deposits	31	49,972	61,503
Other receivables	33	36,767	85,913
Short term investments	34	143,855	4,182
Bank balances and cheques in hand		1,947,199	1,012,325
Long term deposits	26	11,232	21,432
		2,410,175	1,543,317
The aging of trade receivables at the reporting date is:			
Past due 1 - 3 Months		192,400	310,935
Past due 4 - 6 Months		6,635	10,739
Past due to above one year		22,115	36,288
		221,150	357,962

Based on past experience the management believes that no impairment is necessary in respect of trade receivables past due, as some receivables have been recovered subsequent to the year end and for other receivables, there are reasonable grounds to believe that the amounts will be recovered in short course of time.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rate. The table below shows the bank balances and investment held with some major counterparties at the reporting date:

	Rating			2020	2019
	Short term	Long term	Agency	(Rupees in thousand)	
Banks					
Allied Bank Limited	A1+	AAA	PACRA	21,883	16,685
Askari Bank Limited	A1+	AA+	PACRA	1,774	–
Bank Alfalah Limited	A-1+	AA+	PACRA	1,126,635	145,186
Emirates NBD	F1	A+	FITCH	58,140	30,357
Faysal Bank Limited	A1+	AA	PACRA	5,833	2,493
Habib Bank Limited	A-1+	AAA	JCR-VIS	355,222	163,461
JS Bank Limited	A1+	AA-	PACRA	4	4
MCB Bahrain	A1+	AAA	PACRA	177	168
MCB Dubai	A1+	AAA	PACRA	92,356	124,917
MCB Bank Limited	A1+	AAA	PACRA	72,809	75,532
MCB Islamic Bank Limited	A1	A	PACRA	492	494
Meezan Bank Limited	A-1+	AA+	JCR-VIS	3,470	8,040
National Bank of Pakistan	A-1+	AAA	JCR-VIS	324	9,854
Sindh Bank	A-1	A+	JCR-VIS	2,289	2,073
Standard Chartered					
Bank (Pakistan) Limited	A1+	AAA	PACRA	7,639	7,357
United Bank Limited	A-1+	AAA	JCR-VIS	75,317	160,358
Zarai Taraqati Bank Limited	A-1+	AAA	JCR-VIS	13,397	34,840
				1,837,761	781,819
Mutual funds					
ABL Cash Fund		AA(f)	JCR-VIS	–	100
HBL Money Market Fund		AA(f)	JCR-VIS	–	226
				–	326

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50.3 Liquidity risk

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

The Group manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At June 30, 2020, the Group had short term borrowing facilities available from financial institutions as disclosed in note 16 and, cash and bank balances as disclosed in note 35 to these consolidated financial statements.

The following are the contractual maturities of financial liabilities as at June 30, 2020:

	Carrying amount	Less than one year	More than one year
(Rupees in thousand)			
Trade and other payables	2,918,874	2,918,874	–
Long term finance- secured	223,434	162,283	61,151
Lease liabilities against right-of-use assets	13,587	9,881	3,706
Short term borrowings	899,181	899,181	–
Unclaimed dividend	287,923	287,923	–
Unpaid dividend	10,004	10,004	–
Long term deposits	26,465	806	25,659
	<u>4,379,468</u>	<u>4,288,952</u>	<u>90,516</u>

The following are the contractual maturities of financial liabilities as at June 30, 2019:

	Carrying amount	Less than one year	More than one year
(Rupees in thousand)			
Trade and other payables	1,664,414	1,664,414	–
Short term borrowings	243,700	243,700	–
Unclaimed dividend	262,711	262,711	–
Unpaid dividend	48,229	48,229	–
Long term deposits	25,565	1,192	24,373
	<u>2,244,619</u>	<u>2,220,246</u>	<u>24,373</u>

50.4 Financial instruments by categories

	At fair value through other comprehensive income		At fair value through profit or loss		At amortised cost		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
(Rupees in thousand)								
Financial assets								
Long term investments	1,794,719	1,086,875	-	-	-	-	1,794,719	1,086,875
Long term loans	-	-	-	-	3,081	3,662	3,081	3,662
Long term deposits	-	-	-	-	11,232	21,432	11,232	21,432
Loans to employees	-	-	-	-	27,019	10,334	27,019	10,334
Trade debts	-	-	-	-	221,150	357,962	221,150	357,962
Other receivables	-	-	-	-	36,767	85,913	36,767	85,913
Short term investments	-	-	-	-	143,855	3,856	143,855	4,182
Cash and bank balances	-	-	-	-	1,955,126	1,040,318	1,955,126	1,040,318
Total current	1,794,719	1,086,875	-	-	2,398,230	1,523,477	4,192,949	2,610,678
Total non-current							2,383,917	1,498,709
							1,809,032	1,111,969

	At fair value through other comprehensive income		At fair value through profit or loss		At amortised cost		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
(Rupees in thousand)								
Financial liabilities								
Trade and other payables	-	-	-	-	2,918,874	2,425,850	2,918,874	2,425,850
Short term borrowings	-	-	-	-	899,181	887,798	899,181	887,798
Unclaimed dividend	-	-	-	-	287,923	320,741	287,923	320,741
Unpaid dividend	-	-	-	-	10,004	33,469	10,004	33,469
Long term finance	-	-	-	-	223,434	-	223,434	-
Lease liabilities against right-of-use assets	-	-	-	-	13,587	-	13,587	-
Long term deposits	-	-	-	-	26,465	25,575	26,465	25,575
Total current	-	-	-	-	4,379,468	3,693,433	4,379,468	3,693,433
Total non-current							4,180,839	3,667,858
							198,629	25,575

50.5 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits for other stakeholders. The capital structure of the Group is equity based with minimal long term financing. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or other measures commensurate to the circumstances.

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51 Fair values of financial assets and liabilities

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

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on arm's length basis.

The carrying values of other financial assets and financial liabilities reflected in financial statements approximate to their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

51.1 Fair value hierarchy

IFRS 13 "Fair Value Measurement requires the Group to classify fair value measurement and fair value hierarchy that reflects the significance of the inputs used in making the measurement of fair value hierarchy, which has the following levels:

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price.

Level 2: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable.

Level 3: If one or more of the significant inputs is not based on observable market data. Specific valuation techniques used to value financial instruments include

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest Rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred, if any. Furthermore, there have been no transfers between various levels of the fair value hierarchy. The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. Changes between various levels of fair value hierarchy are analyzed at the end of each reporting period during the annual valuation discussion between the Chief Financial Officer and the management of investee Company. As part of this discussion, the investee company presents a report that explains the reason for the fair value movement, if any.

As at June 30, 2020, the Group held the following financial instruments carried at fair value:

	Note	2020	Level 1	Level 2	Level 3
(Rupees in thousand)					
Recurring fair value measurements					
Financial assets measured - FV OCI					
Long term investments - Equity shares	24	1,794,719	95,366	–	1,699,353
		1,794,719	95,366	–	1,699,353

Date of valuation : June 30, 2020

There were no financial liabilities measured at fair value as at June 30, 2020.

As at June 30, 2019, the Group held the following financial instruments carried at fair value:

	Note	2019	Level 1	Level 2	Level 3
(Rupees in thousand)					
Recurring fair value measurements					
Financial assets measured - FV OCI					
Long term investments - Equity shares	24	1,086,875	96,475	–	990,400
Investment in mutual funds	34.1	326	326	–	–
		1,087,201	96,801	–	990,400

Date of valuation : June 30, 2019

There were no financial liabilities measured at fair value as at June 30, 2019.

51.2 Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy.

	2020	2019
(Rupees in thousand)		
Opening balance	990,400	270,000
Investment made during the year	412,943	720,400
Gain through OCI	296,010	–
	1,699,353	990,400

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52 Operating segment information

Business segments

For management and reporting purposes, the Group has been organised into three separate reportable segments based on the products and services as follows:

- Tractors
- Tractor components
- Castings

Other business activities of the Group have been presented under "others segment". Accordingly, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its operating segments separately for the purpose of performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

	Tractors		Tractor components		Castings		Others		Inter-segment / group eliminations			Total		
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	(Rupees in thousand)													
Revenue from contracts with customers	22,942,275	31,144,057	2,421,542	3,312,662	1,332,568	1,513,636	2,130,129	1,711,440	(4,929,965)	(5,650,836)	23,896,549	32,030,959		
Cost of sales	18,696,679	25,197,690	1,919,846	2,481,090	1,420,700	1,663,413	1,894,113	1,532,135	(4,926,612)	(5,671,814)	19,004,726	25,202,514		
Gross profit	4,245,596	5,946,367	501,696	831,572	(88,132)	(149,777)	236,016	179,305	(3,353)	20,978	4,891,823	6,828,445		
Distribution and marketing expenses	567,838	579,004	2,413	2,735	38,176	49,354	41,359	38,373	20,886	28,715	670,672	698,181		
Administrative expenses	448,178	446,327	147,524	123,822	65,347	76,440	105,815	111,608	-	-	766,864	758,197		
Other operating expenses	295,803	596,605	36,465	42,695	579	-	451	180	-	1,659	333,298	641,139		
Other income	1,311,819	1,621,936	186,402	169,252	104,102	125,794	147,625	150,161	20,886	30,374	1,770,834	2,097,517		
	253,694	800,474	35,537	23,856	10,368	16,709	262	224	(151,158)	(372,470)	148,703	468,793		
Operating profit	3,187,471	5,124,905	350,831	686,176	(181,866)	(258,862)	88,653	29,368	(175,397)	(381,866)	3,269,692	5,199,721		
Finance cost	217,836	42,044	55,736	22,504	77,751	51,258	8,090	7,405	-	(1,659)	359,413	121,552		
Profit before taxation	2,969,635	5,082,861	295,095	663,672	(259,617)	(310,120)	80,563	21,963	(175,397)	(380,207)	2,910,279	5,078,169		
Taxation	819,087	1,444,816	95,717	174,843	12,071	(71,121)	19,215	14,434	-	-	946,090	1,562,972		
Profit after tax for the year	2,150,548	3,638,045	199,378	488,829	(271,688)	(238,999)	61,348	7,529	(175,397)	(380,207)	1,964,189	3,515,197		

52.1 Inter-segment / group transactions have been eliminated for the purpose of consolidation.

52.2 Allocation of assets and liabilities

	Tractors		Tractor components		Castings		Others		Inter-segment / group eliminations		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	(Rupees in thousand)											
Segment operating assets												
Non-current assets												
Operating fixed assets	667,980	718,559	623,298	667,830	219,242	251,056	146,849	163,815	(11,451)	(11,451)	1,645,918	1,789,809
Capital work in progress	2,945	12,827	41,248	9,925	9,660	8,160	8,618	-	(28,046)	-	34,425	30,912
Right-of-use assets	12,931	-	-	-	-	-	-	-	-	-	12,931	-
Intangible assets	41,405	4,048	61	90	-	-	-	-	21,432	-	62,898	4,138
Goodwill	-	-	-	-	-	-	-	-	18,572	18,572	18,572	18,572
Investment property	255,708	255,708	-	-	-	-	-	-	-	-	255,708	255,708
Long term investments	2,039,726	1,383,879	-	-	17,460	17,581	57,443	-	(319,910)	(314,585)	1,794,719	1,086,875
Long term loans	2,252	2,826	-	-	829	836	-	-	-	-	3,081	3,662
Long term deposits	-	-	3,627	17,625	4,078	3,807	3,527	-	-	-	11,232	21,432
Deferred tax asset - net	-	12,797	-	-	95,525	80,581	-	-	(95,525)	(79,743)	-	13,635
Employees' defined benefit plan	-	219,519	-	-	25,302	11,882	-	-	-	-	25,302	231,351
Current assets												
Stores, spare parts and loose tools	157,399	150,799	199,231	196,478	123,844	126,275	14,498	14,381	-	-	494,972	487,933
Stock in trade	3,857,166	3,148,589	353,113	261,310	172,158	307,234	167,062	206,903	39,739	-	4,589,238	3,924,036
Trade debts	102,044	46,637	429,774	280,305	28,228	130,691	268,374	294,761	(607,270)	(394,432)	221,150	357,962
Loans and advances	51,869	113,876	46,543	75,336	8,327	11,301	3,764	19,111	-	(3,538)	110,503	216,086
Trade deposits and short term prepayments	43,382	46,461	626	623	722	310	5,242	14,109	-	-	49,972	61,503
Balances with statutory authorities	1,032,656	2,250,219	-	-	152	15,847	15,446	-	-	2,439	1,048,254	2,266,505
Other receivables	38,710	87,023	-	-	348	1,517	62	-	(2,353)	(2,627)	36,767	85,913
Tax refunds due from/ (due to) the Government*	778,978	1,268,429	142,796	117,082	220,834	202,416	36,352	36,195	-	-	1,178,960	1,624,122
Short term investments	-	-	-	326	3,855	-	140,000	3,856	-	-	143,855	4,182
Cash and bank balances	1,719,462	851,988	67,601	22,029	2,553	12,822	165,510	153,479	-	-	1,955,126	1,040,318
Non-current assets held for sale	-	-	1,092	-	-	-	-	-	-	-	1,092	-
Total operating assets	10,804,613	10,574,184	1,909,010	1,648,959	933,117	1,182,266	1,032,747	906,610	(984,812)	(785,365)	13,694,675	13,526,654

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	Tractors		Tractor components		Castings		Others		Inter-segment / group eliminations		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Segment operating liabilities												
Non-current liabilities												
Long term deposits	12,643	12,731	8,590	7,228	5,232	5,616	-	-	-	-	26,465	25,575
Deferred tax liabilities/ (asset)*	77,664	-	66,522	70,147	-	-	8,215	9,596	(95,525)	(79,743)	56,876	-
Employees' defined benefit plan	123,029	-	-	-	89,960	49,619	-	-	-	-	212,989	49,619
Lease liabilities against right-of-use assets	9,881	-	-	-	-	-	-	-	-	-	9,881	-
Long term finance- secured	101,991	-	42,403	-	17,889	-	-	-	-	-	162,283	-
Deferred grant	6,558	-	5,029	-	2,694	-	-	-	-	-	14,281	-
Current liabilities												
Accumulating compensated absences	104,924	113,337	25,668	22,641	11,199	-	-	-	-	11,086	141,791	147,064
Trade and other payables	2,848,238	2,498,398	286,163	177,272	201,197	132,540	174,370	112,961	(531,597)	(397,575)	2,978,371	2,523,596
Contract liabilities	3,120,601	2,772,987	3,504	12,041	6,752	909	80,184	32,764	(31,316)	-	3,179,725	2,818,701
Current portion of lease liabilities against right-of-use assets	3,706	-	-	-	-	-	-	-	-	-	3,706	-
Current portion of long term finance- secured	26,944	-	28,545	-	5,662	-	-	-	-	-	61,151	-
Current portion of deferred grant	9,240	-	4,023	-	-	-	-	-	-	-	13,263	-
Current portion of long term deposits	-	-	-	-	806	411	-	-	-	-	806	411
Short term borrowings	-	-	405,336	266,003	493,846	607,846	-	13,949	-	-	899,182	887,798
Unclaimed dividend	277,113	310,095	6,977	6,756	3,487	3,524	346	366	-	-	287,923	320,741
Unpaid dividend	10,004	33,469	-	-	-	-	-	-	-	-	10,004	33,469
Total operating liabilities	6,732,536	5,741,017	882,760	562,088	838,724	800,465	263,115	169,636	(658,438)	(466,232)	8,058,697	6,806,974

* Inter-segment / group balances have been eliminated for the purpose of consolidation.

53 Listing of subsidiary companies

Name of subsidiary	Group shareholding (%)	NCI shareholding (%)	Country of incorporation	Financial year end
Millat Equipment Limited (MEL)	45%	55.00%	Pakistan	June 30
Millat Industrial Products Limited (MIPL)	64.09%	35.91%	Pakistan	June 30
Bolan Castings Limited (BCL)	46.26%	53.74%	Pakistan	June 30
TIPEG Intertrade DMCC (TIPEG)	75%	25.00%	Dubai	December 31

TIPEG Intertrade DMCC has year-end according to the applicable law of the country of its incorporation.

53.1 Set out below is summarized financial information for each subsidiary that has Non Controlling Interest (NCI). The amounts disclosed for each subsidiary are before inter company eliminations:

	MEL	MIPL	BCL	TIPEG
	(Rupees in thousand)			
Total assets	1,909,010	642,895	933,116	389,852
Total liabilities	882,760	152,735	838,722	110,380
Total comprehensive income / (loss)	199,378	(13,501)	(287,288)	74,849
Total comprehensive income allocated to NC I	109,658	(4,848)	(154,389)	18,712
Accumulated NCI	564,437	176,017	39,872	70,884
Cash and bank balances	67,601	14,837	2,553	150,673
Cash generated from / (used in):				
Operating activities	141,481	178,400	74,369	90,241
Investing activities	(56,825)	(151,451)	7,010	(28,081)
Financing activities	(39,084)	(20)	26,207	(45,790)

54 Provident fund trust(s)

54.1 The Group has maintained employee provident fund trusts and investments out of provident funds have been made in accordance with the provisions of section 218 of the Act and the conditions specified thereunder. The salient information of the funds is as follows:

	Note	2020	2019
Size of the funds (Rupees in thousand)		794,966	667,523
Cost of investment made (Rupees in thousand)	54.2	610,640	527,986
Percentage of investment made		76.81%	79.10%
Fair value of investment (Rupees in thousand)		753,730	844,804

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	2020		2019	
	(Rupees in thousand)	Percentage of total fund	(Rupees in thousand)	Percentage of total fund
54.2 Breakup of investment - amount				
Investment in shares (listed securities)	23,477	2.95%	22,531	3.38%
Term Deposit Receipts (TDR)	515,955	64.90%	474,000	71.01%
Special Saving Certificate (SSC)	71,208	8.96%	31,455	4.71%
	610,640	76.81%	527,986	79.10%

54.3 Cost of ordinary shares of the Group held by the provident fund trust as at year end amounts to Rs. 23,477 thousand (2019: Rs. 22,531 thousand).

	2020	2019
	(Units per annum)	
55 Capacity and production		
a) Tractors		
Plant capacity (double shift)	30,000	30,000
Actual production	20,760	32,128

The Group has a normal capacity of producing 30,000 tractors per annum on double shift basis. Lower production than capacity is in accordance with the products demand in market.

b) Batteries

The actual production capacity of the plant cannot be determined as it depends on the proportion of different types of batteries produced which varies in relation to the consumers' demand. The actual production during the year was according to market demand. During the year, the actual production capacity attained was 194,462 batteries {Standard 15 plates 157,431 batteries compared with (2019: 192,921 standard 15 plates 168,923 batteries} against annual manufacturing capacity of 300,000 standard 15 plates batteries (2019: 300,000).

c) Tractors components

Normal capacity and production is not determinable due to interchangeable components having different cycle times of production on same machines.

d) Castings

	(Metric tons)	
Installed capacity (single shift without overtime)	13,200	13,200
Actual production	6,623	8,694
Capacity utilisation	50.17%	65.86%

Production during the year was as per the market demand.

	2020	2019
56 Number of employees		
Number of employees at the end of the year	870	951
Average number of employees during the year	900	963
Total number of factory employees at the end of the year	622	651
Average number of factory employees during the year	649	658

57 Subsequent events

The Board of Directors of the Holding Company in its meeting held on September 16, 2020 has proposed a final cash dividend of Rs.30 per share (2019: Rs. 40 per share) and Nil bonus shares (2019: 12.5%) in respect of the year ended June 30, 2020. The appropriation will be approved by the members in the forthcoming Annual General Meeting. These consolidated financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

58 Corresponding figures

Contract liabilities previously classified under trade and other payables, have now been presented separately on the consolidated statement of financial position for better presentation.

Other than the above, there has been no significant re-classifications in these financial statements.”

59 Date of authorization for issue

These consolidated financial statements have been approved for issue by Board of Directors of the Group in their board meeting held on September 16, 2020.

60 General

Figures have been rounded off to the nearest thousand of rupees, unless otherwise stated.



Chief Financial Officer



Chief Executive Officer



Chairman

PATTERN OF SHAREHOLDING

As on June 30, 2020

No. of share Holders	Shareholding From	To	Number of Shares Held	% of Capital
1356	1	100	48,266	0.10
1221	101	500	306,227	0.61
530	501	1000	380,224	0.76
959	1001	5000	2,198,201	4.41
264	5001	10000	1,920,452	3.85
113	10001	15000	1,379,604	2.77
48	15001	20000	840,490	1.69
43	20001	25000	965,190	1.94
30	25001	30000	807,227	1.62
24	30001	35000	766,571	1.54
24	35001	40000	913,120	1.83
8	40001	45000	341,315	0.68
13	45001	50000	614,942	1.23
9	50001	55000	475,314	0.95
7	55001	60000	401,077	0.80
4	60001	65000	247,795	0.50
7	65001	70000	467,740	0.94
8	70001	75000	583,658	1.17
2	75001	80000	154,841	0.31
3	80001	85000	247,715	0.50
3	85001	90000	266,647	0.54
1	90001	95000	92,849	0.19
6	95001	100000	578,705	1.16
4	100001	105000	409,777	0.82
1	105001	110000	109,264	0.22
5	110001	115000	568,543	1.14
3	115001	120000	355,575	0.71
1	120001	125000	121,160	0.24
2	125001	130000	253,716	0.51
2	130001	135000	263,524	0.53
2	135001	140000	276,750	0.56
1	140001	145000	142,360	0.29
1	145001	150000	146,968	0.29
2	150001	155000	303,956	0.61
1	155001	160000	157,000	0.32
1	170001	175000	170,156	0.34
1	175001	180000	175,077	0.35
1	180001	185000	183,150	0.37
1	200001	205000	204,705	0.41
2	220001	225000	446,961	0.90
1	230001	235000	232,015	0.47
1	245001	250000	250,000	0.50
1	250001	255000	252,925	0.51
1	260001	265000	260,487	0.52
1	285001	290000	287,077	0.58
1	295001	300000	296,399	0.59
1	315001	320000	318,552	0.64
1	330001	335000	334,372	0.67
1	360001	365000	360,033	0.72
1	380001	385000	383,290	0.77
1	385001	390000	389,686	0.78
1	450001	455000	452,863	0.91
1	475001	480000	475,087	0.95
1	515001	520000	518,886	1.04
1	570001	575000	571,701	1.15
1	595001	600000	599,314	1.20
1	640001	645000	640,120	1.28
1	660001	665000	664,716	1.33
1	695001	700000	698,231	1.40
1	730001	735000	731,701	1.47
1	740001	745000	743,793	1.49
1	835001	840000	837,050	1.68
1	850001	855000	850,165	1.71
1	865001	870000	869,059	1.74
1	930001	935000	932,956	1.87
1	965001	970000	968,568	1.94
1	1100001	1105000	1,101,164	2.21
1	1125001	1130000	1,129,632	2.27
1	1135001	1140000	1,139,403	2.29
1	1200001	1205000	1,203,492	2.42
1	2300001	2305000	2,302,648	4.62
1	2575001	2580000	2,579,944	5.18
1	2965001	2970000	2,968,087	5.96
1	4195001	4200000	4,198,884	8.43
4,748	Total		49,829,112	100.00

CATEGORIES OF SHAREHOLDING

As on June 30, 2020

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
1 Directos, CEO and their spouse & minor children	11	15,197,342	30.50
Mr. Sikandar Mustafa Khan	1	4,198,884	8.43
Mr. Latif Khalid Hashmi	1	1,389,403	2.79
Mr. Sohail Bashir Rana	1	2,706,691	5.43
Mr. Laeeq Uddin Ansari	1	4,344,029	8.72
Mian Muhammad Saleem	1	1,101,164	2.21
Mr. Saad Iqbal	1	869,059	1.74
Syed Muhammad Irfan Aqueel	1	150,132	0.30
Mrs. Ambreen Waheed	1	620	0.00
Mrs. Cyra Khan (Spouse of Mr. Sikandar Mustafa Khan)	1	65,989	0.13
Mrs. Ayesha Sohail (Spouse of Mr. Sohail Bashir Rana)	1	344,934	0.69
Mrs. Shireen Shah Aqueel (Spouse of Syed Muhammad Irfan Aqueel)	1	26,437	0.05
2 Associated Companies, Undertakings and Related parties	43	3,716,066	7.46
a Associated Companies	0	0	0.00
b Associated Undertakings	3	415,475	0.83
c Related Parties	40	3,300,591	6.62
3 NIT and ICP	5	702,418	1.41
4 Banks, Development Financial Institutions, Non-Banking Financial Institutions & Pension Funds"	11	1,930,676	3.87
5 Insurance Companies	10	3,743,706	7.51
6 Modarabas & Mutual Funds	37	1,006,143	2.02
7 Shareholders Holding 10% or more Voting Interest	–	–	–
8 General Public	4,532	20,929,403	42.00
a-Local	4,486	18,864,159	37.86
b-Foreign	46	2,065,244	4.14
9 Others	99	2,603,358	5.22
Joint Stock Companies	60	443,543	0.89
Trusts	34	2,101,796	4.22
Others	5	58,019	0.12
	4,748	49,829,112	100.00

MILLAT GROUP OF COMPANIES CONSOLIDATED PATTERN OF SHAREHOLDING

As on June 30, 2020

Pattern of Shareholding of Millat Industrial Products Limited As on 30-06-2020

No. of Shareholders	Size of Holding		Total Shares Held
	From	To	
22	1	100	1,411
92	101	500	30,654
190	501	1,000	152,708
62	1,001	1,500	75,656
17	1,501	2,000	30,318
14	2,001	3,000	34,480
25	3,001	5,000	103,999
68	5,001	40,000	913,164
1	40,001	100,000	41,750
6	100,001	400,000	1,831,250
3	400,001	600,000	1,600,000
3	600,001	6,000,000	4,137,450
503			8,952,840

Pattern of Shareholding of Tipeg Intertrade DMCC As on 30-06-2020

No. of Shareholders	Size of Holding		Total Shares Held
	From	To	
5	1	100	500
1	101	1,500	1,500
6			2,000

Pattern of Shareholding of Bolan Castings Limited As on 30-06-2020

No. of Shareholders	Size of Holding		Total Shares Held
	From	To	
199	1	100	9,220
534	101	500	144,780
164	501	1000	144,086
242	1001	5000	608,048
45	5001	10000	337,513
11	10001	15000	133,192
5	15001	20000	85,236
3	20001	25000	67,063
3	25001	30000	81,000
1	30001	35000	32,270
1	40001	45000	44,794
2	45001	50000	96,278
1	65001	70000	67,700
1	100001	105000	102,100
1	140001	145000	144,359
1	165001	170000	166,369
1	255001	260000	258,266
1	295001	300000	300,000
1	485001	490000	488,276
1	795001	800000	800,000
1	920001	925000	925,000
1	1125001	1130000	1,130,000
1	5305001	5310000	5,306,979
1221			11,472,529

Pattern of Shareholding of Millat Equipment Limited As on 30-06-2020

No. of Shareholders	Size of Holding		Total Shares Held
	From	To	
39	1	1000	25,035
34	1001	2000	55,927
43	2001	3000	115,865
51	3001	4000	179,344
49	4001	5000	232,050
83	5001	10000	626,133
32	10001	15000	393,922
21	15001	20000	377,287
11	20001	25000	247,325
15	25001	30000	428,800
3	30001	35000	100,550
10	35001	40000	383,229
6	40001	45000	255,301
6	45001	50000	291,100
4	50001	55000	211,700
3	55001	60000	174,450
2	60001	65000	128,000
6	65001	75000	426,984
2	75001	100000	200,000
2	100001	120000	239,200
4	120001	150000	557,200
1	150001	200000	170,800
2	200001	300000	516,600
2	300001	700000	1,000,251
4	700001	2005000	6,962,954
1	2005001	11700000	11,699,993
436	Total		26,000,000

CONSOLIDATED CATEGORIES OF SHAREHOLDING

As on June 30, 2020

Categories of Shareholders	MIPL	%	TIPEG	%	BCL	%	MEL	%
1 Directors, CEO's, spouse & minor children								
Mr. Sikandar Mustafa Khan	543,750	6.07	100	5.00	166,369	1.45	1,625,001	6.25
Mr. Latif Khalid Hashmi	362,500	4.05	100	5.00	32,270	0.28	1,625,001	6.25
Mr. Sohail Bashir Rana	362,500	4.05	100	5.00	144,359	1.26	1,708,951	6.57
Mr. Laeeq Uddin Ansari	362,500	4.05	100	5.00	3,120	0.03	2,004,001	7.71
Mian Muhammad Saleem	200,000	2.23	100	5.00	-	-	600,001	2.31
Mr. Ahsan Imran Shaikh	33,650	0.38	-	-	-	-	130,600	0.50
Syed Muhammad Irfan Aqueel(CEO-MTL)	-	-	-	-	2,500	0.02	100,000	0.38
Syed Javaid Ashraf	-	-	-	-	17,936	0.16	-	-
Mrs. Qurat ul Ain(Spouse of Director Mr. Latif Khalid Hashmi)	-	-	-	-	-	-	3,700	0.01
	1,864,900	20.83	500	25.00	366,554	3.20	7,797,255	29.99
2 Associated Companies, Undertakings and related parties								
a) Millat Tractors Limited	5,737,500	64.09	1,500	75.00	5,306,979	46.26	11,699,993	45.00
b) Associated Undertakings			-	-	46,278	0.40	-	-
c) Related Parties			-	-	-	-	-	-
3- NIT and ICP			-	-	488,716	4.26	-	-
4 Banks, Development Financial Institutions, Non-Banking Financial Institutions & Pensions Funds					800,273	6.98	-	-
5 Insurance Companies			-	-	27,900	0.24	-	-
6 Modarabas & Mutual Funds			-	-	-	-	-	-
7 Shareholders Holding 10% or more Voting Interest (Detail as per 2 (a) above								
8 General Public								
a-Local			-	-	4,004,135	34.90	-	-
b-Foreign			-	-	-	-	-	-
9 Others								
Joint Stock Companies			-	-	125,541	1.09	-	-
Trust -			-	-	-	-	-	-
Public	1,350,440	15.08	-	-	-	-	6,502,752	25.01
Miscellaneous			-	-	306,153	2.67		
	8,952,840	100.00	2,000	100.00	11,472,529	100.00	26,000,000	100.00

ELECTRONIC TRANSMISSION CONSENT



MILLAT TRACTORS LIMITED

Pursuant to the allowance granted through SRO 787(I)/2014 of September 8, 2014, by the Securities Exchange Commission of Pakistan, the Company can circulate its annual balance sheet and profit and loss accounts, auditor's report and directors' report etc. ("Audited Financial Statements") along with the Company's Notice of Annual General Meeting through email to its shareholders. Those shareholders who wish to receive the Company's Annual Report via email are requested to provide a completed consent form to the Company's Share Registrar, M/s. Hameed Majeed Associates (Pvt.) Ltd.

PLEASE NOTE THAT RECEIPT OF THE ANNUAL REPORT VIA EMAIL IS OPTIONAL AND NOT COMPULSORY.

ELECTRONIC TRANSMISSION CONSENT FORM

The Share Registrar

Date: _____

M/s. Hameed Majeed Associates (Pvt.) Ltd.,
1st Floor, H.M. House,
7-Bank Square, Lahore.

Pursuant to the directions given by the Securities Exchange Commission of Pakistan through its SRO 787(I)/2014 of September 8, 2014, I, Mr./Ms. _____ S/o, D/o, W/o _____ hereby consent to have Millat Tractors Ltd., Audited Financial Statements and Notice of Annual General Meeting delivered to me via email on my email address provided below:

Name of Member/ Shareholder _____

Folio/ CDC Account Number _____

Email Address: _____

It is stated that the above mentioned information is true and correct and that I shall notify the Company and its Share Registrar in writing of any change in my email address or withdrawal of my consent to email delivery of the Company's Audited Financial Statements and Notice of Annual General Meeting.

Signature of the Member/ Shareholder



MILLAT TRACTORS LIMITED

اظہار رضامندی بابت ترسیل برق روی

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے ایس آر او 2014/787(1) مورخہ 8 ستمبر 2014 کے بموجب سہولت مہیا کی گئی ہے کہ کمپنی اپنی سالانہ بیلنس شیٹ اور نفع و نقصان کے گوشوارے محاسب و نظمہ کی مرتب کردہ اطلاقی معلومات (پڑتال شدہ مالیاتی حسابات) بشمول سالانہ اجلاس عام کی اطلاع اپنے حصص یافتگان کو بذریعہ ای میل ارسال کر سکتی ہے۔ وہ تمام حصص داران جو کمپنی کی سالانہ رپورٹ بذریعہ ای میل حاصل کرنے کے خواہشمند ہیں ان سے التماس ہے کہ تکمیل شدہ رضامندی کے فارم کمپنی کے شیئرز رجسٹرار میسرز جمید مجید ایسوسی ایٹس (پرائیویٹ) لمیٹڈ کو مہیا کریں۔

یاد دہانی رہے کہ سالانہ رپورٹ کی بذریعہ ای میل وصولی اختیاری ہے لازمی نہیں ہے۔

اظہار رضامندی بابت ترسیل برق روی فارم

شیئرز رجسٹرار

میسرز جمید مجید ایسوسی ایٹس (پرائیویٹ) لمیٹڈ

فسٹ فلور، ایچ۔ ایم ہاؤس،

7- بینک اسکوائر، لاہور

تاریخ:

کیوریٹیو اینڈ ایکسچینج کمیشن آف پاکستان کے ایس آر او 2014/787(1) مورخہ 8 ستمبر 2014 کی تعمیل کرتے ہوئے میں منسی / مسماة

ولدیت / زوجیت

ملت ٹریکٹرز ولیمینٹرز کے پڑتال شدہ مالیاتی گوشوارے اور سالانہ اجلاس عام کی اطلاع بذریعہ ای میل مندرجہ ذیل ای میل پتے پر حاصل کرنا چاہتا/ چاہتی ہوں

ممبر / حصص دار نام:

فولیوسی ڈی سی اکاؤنٹ نمبر:

ای میل ایڈریس:

ہر گاہ اقرار کیا جاتا ہے کہ مندرجہ بالا معلومات صحیح اور درست ہیں اور یہ کہ میں کمپنی اور اس کے شیئرز رجسٹرار کو تحریری طور پر ای میل ایڈریس میں تبدیلی یا بذریعہ ای میل کمپنی کے پڑتال شدہ حسابات اور سالانہ اجلاس عام کی اطلاع کی وصولی یا منسوخی کے بارے میں مطلع کروں گا۔

ممبر / حصص دار کے دستخط:

PROXY FORM

57th Annual General Meeting



I / We _____
of _____ being a member of Millat Tractors Limited and
holder of _____ Ordinary shares as per Shares Register Folio No _____
and / or CDC Participant I.D. No. _____ and Sub Account No. _____
hereby appoint _____ of _____ or failing him / her _____
of _____ or failing him / her _____ of _____ as my proxy to vote for me and
on my behalf at the Annual General Meeting of the Company to be held on Monday, October 26, 2020 at 03:30 p.m.
at Company's Registered Office, 9 K.M. Sheikhpura Road, Shahdara, Lahore and at any adjournment thereof.

Signed this _____ day of _____ 2020

WITNESSES:

1. Signature: _____
Name: _____
Address: _____

Signature

Please affix
Rupees fifty
revenue stamp

CNIC or
Passport No.: _____

(Signature should
agree with the
specimen signature
registered with the
Company)

2. Signature: _____
Name: _____
Address: _____

CNIC or
Passport No.: _____

Note: Proxies, in order to be effective, must be received by the Company not less than 48 hours before the meeting.

A proxy need not be a member of the Company.

CDC Shareholders and their Proxies are requested to attach an attested photocopy of their Computerised National Identity Card or Passport with this proxy form before submission to the Company.

تشکیل نیابت داری

57 واں سالانہ اجلاس عام



MILLAT TRACTORS LIMITED

میں / ہم _____ ساکن
ملت ٹریکٹرز لمیٹڈ _____

رکن و حاصل _____ عام حصص برطابق شیئر رجسٹرڈ فوئیو نمبر _____

اور یا سی ڈی سی کے شراکتی آئی ڈی نمبر _____ اور ذیلی کھاتہ نمبر _____

ساکن _____ یا بصورت دیگر _____ ساکن _____

کو اپنی جگہ بروز پیر مورخہ 26 اکتوبر 2020ء وقت 03:30 بجے سہ پہر، بمقام کمپنی کے رجسٹرڈ آفس: 9- کلومیٹر شیخوپورہ روڈ شاہدرہ لاہور میں منعقد یا ملتوی ہونے والے سالانہ اجلاس عام میں رائے دہندگی کے لئے اپنا نمائندہ مقرر کرتا ہوں۔

دستخط کئے گئے مورخہ _____ 2020ء

گواہان:

براہ کرم پچاس روپے مالیت
کے ریونیو ٹکٹ چسپاں کریں۔

دستخط

(دستخط کمپنی میں درج نمونہ کے
دستخط کے مطابق ہونے چاہئے)

1 دستخط: _____

نام: _____

پتہ: _____

سی این آئی سی یا پاسپورٹ نمبر: _____

2 دستخط: _____

نام: _____

پتہ: _____

سی این آئی سی یا پاسپورٹ نمبر: _____

نوٹ:

پراکسیز کے موخر ہونے کے لیے لازم ہے کہ وہ اجلاس سے 48 گھنٹے قبل کمپنی کو موصول ہوں۔ نیابت دار کمپنی کا رکن ہونا ضروری نہیں ہے۔ سی ڈی سی کے حصص یافتگان اور ان کے نمائندوں سے التماس ہے کہ وہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپی پراکسی فارم کے ساتھ کمپنی میں جمع کرائیں۔



www.millat.com.pk

Registered Office:
Sheikhupura Road, Lahore - Pakistan
Tel: +92 42 379 11021 - 25
UAN: 111 210 735