MILLAT TRACTORS LIMITED

MTL

Persistence through Excellence

Annual Report 2019

Persistence through Excellence

Persistence and excellence are often termed as two sides of the same coin. Former is a matter of time; the latter, a matter of quality. Millat Tractors Limited has time and again withstood the mantle of both by integrating these two together. Our long history, quality products and customer satisfaction are a testimony to this achievement.

With support and trust from our stakeholders, your company will continue to trail this path in order to deliver quality products within an environment of equity and prosperity.

One Millat, One Nation.

KEY **FIGURES**

Rs.105/-

Dividend Per Share

Rs.82.14/-

EPS

Rs.3.6Billion

Net Profit After Tax

Rs.31.14Billion

Net Revenues

32,019

Tractors Sold

CHRONICLES

1964
Company established CBU Import (MF Tractors)

1965
Assembly of tractors from SKD

1972
Nationalization

1973
Licensing and transfer of Technology Agreement with MF, UK

1973
Licensing and transfer of Technology Agreement with Perkins, UK

1982
Inauguration of Engine Assembly Plant (Perkins Engines)

1984
Inauguration of Machining Plant

1990
Perkins distributor Agreement

1992
Privatization through Employee Buyout

1992
Inauguration of New Tractor Assembly Plant (MF Design)

1993
Bolan Castings Ltd Buyout

1994
Mass Production of Generating Sets.

1994
Millat Equipment Ltd established.

1998
ISO 9002 Certification Achieved

2000
Licensing Agreement – Heli Forklift Trucks (China)

2002
Quality Management System Upgraded to ISO 9001:2000

2002
Millat Industrial Products Ltd established.

2011
Highest tractor production of 42,188 and sale of 42,011 units of the decade

2012
TIPEG Inter-trade D CC, UAE established

2015
Export Agreement with AGCO

2017
- Business Partnership Agreement with IFS
- Launch of Emission Compliant Euro II Engines

2018
- Diversification by investment in Hyundai Nishat Motors (Pvt) Limited
- Highest ever sales of 42,708 and production of 42,507 units achieved till date

2019
- Operations started byIFS segment
- 4WD Models of MF-360 and MF-375 launched for exports


MASSEY FERGUSON
360
Xtra

FINANCIAL **HIGHLIGHTS**

Revenue from Contract with customers
(2018 : 38,517)
31,144
Rs. in Million

Profit After Tax
(2018 : 5,334)
3,638
Rs. in Million

No of Outstanding Shares
(2018 : 44,293)
44,293
(000's)

Earnings Per Share
Basic & Diluted
(2018 : 120.43)
82.14
Rs.

Dividend
(2018 : 120.00)
105
Rs. / Share

Dividend Payout
(2018 : 99.64)
127.84
Percentage

Long Term Investments
(2018 : 709.3)
1,383.88
Rs. in Million

Total Current Assets
(2018 : 14,876)
7,964
Rs. in Million

Indicator	2019	2018	Unit
Shareholder's Equity	4,833	(2018 : 5,655)	Rs. in Million
Return on Capital Employed	107.52	(2018 : 165.35)	Percentage
Current Ratio	1.39:1	(2018 : 1:37:1)	Times
Debt:Equity	0:100	(2018 : 0:100)	Times
Market Capitalization (Year End)	38,197	(2018 : 52,623)	Rs. in Million
Market Capitalization (Year End)	233	(2018 : 433)	US $ in Million
Price to Earning Ratio	10.50	(2018 : 9.86)	Times
Net Assets Per Share	109.12	(2018 : 127.67)	Rs.

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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."

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
Mrs. Ambreen Waheed
Mr. Saad Iqbal

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
United Bank Ltd.
Allied Bank Ltd.
Meezan Bank Ltd.
MCB Islamic 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

A-3, Professor Housing Society,
Shikarpur Road,
Tel: 071-5633042
Fax: 071-5633187

BOARD OF **DIRECTORTS**

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:

i. Recommend to the board for consideration and approval a policy framework for determining remuneration of directors (both executive and non-executive directors).

ii. Recommending human resource management policies to the board.

iii. 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:

i. Product(s) pricing including tractors:

ii. Investment/disinvestment of funds:

iii. Procurement/import of raw materials:

iv. Capital Expenditure:

v. Review Budget proposals prior to finalization.

vi. Approval of Traveling Abroad up to Executive Grade.

vii. Retainership (approval and fixation of compensation).

viii. Any matter(s) brought to the notice of committee for consideration.

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:

i. Formulation of sales/marketing strategy.

ii. Appointment/termination of dealers including agreements.

iii. Allowing commission /discounts.

iv. Approval of priority for early delivery.

v. Introducing of incentive schemes.

vi. Other matters relating to sales & marketing.

The Chairman of Board shall monitor the committees.

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.

MANAGEMENT **COMMITTEES**

1. Business Development & Review Committee

Chief Executive	Chairman
DGM Production	Member
G.M Marketing	Member
Chief Financial Officer	Member

The Business Development Committee is responsible for preparing a plan for the future growth, expansion and new projects of the Company and shall forward its recommendations to the group performance review committee.

2. Business Strategy Committee

Chief Executive	Chairman
Chief Financial Officer	Member
G.M Marketing	Member

The Business Strategy Committee is responsible for preparing the strategic plan and execution/ implementation of the decisions of group performance review committee.

3. Management Co-Ordination Committee

Chief Executive	Chairman
All Department Heads	Member
Chief Financial Officer	Member

The Management Co-ordination Committee plays an active participative role in all operational and functional activities of the business to achieve targets and formulates strategies to ensure greater depth in decision making on important issues.

4. Systems & Technology Committee

GM Information Technology	Chairman
Chief Financial Officer	Member

The Systems & Technology Committee is responsible for developing and implementing an IT strategy for the Company. The Committee oversees the automation of processes and systems in line with latest technology. The Committee is also responsible for development of contingency and disaster recovery plan.

5. Safety Committee

Sr. Mgr. Admin, Purchase & IR	Chairman
DGM Production	Member
Sr. Mgr. Service	Member
DGM Mfg & Maintenance	Member

The Safety Committee reviews and monitors Company safety practices. It oversees the safety planning function of the Company and is responsible for safety training and awareness initiatives.

6. Risk Management Committee

Chief Financial Officer	Member
DGM Mfg & Maintenance	Member
GM Marketing	Member

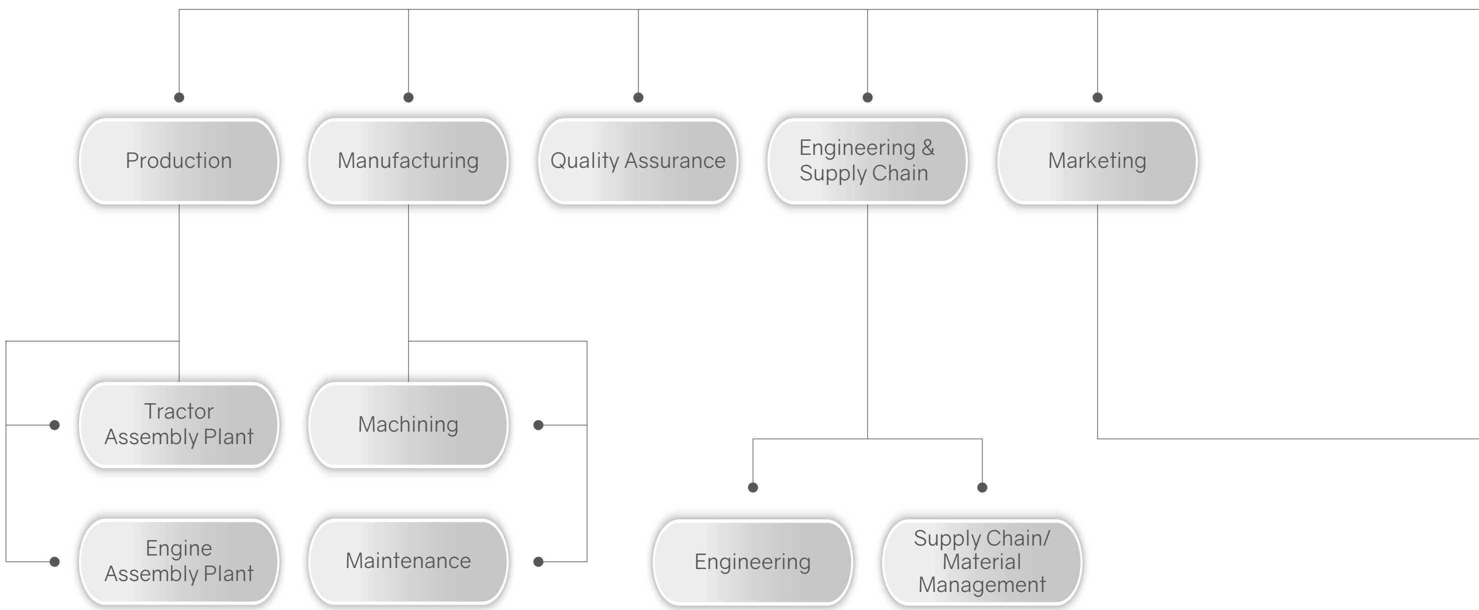
The Risk Management Committee is responsible for ensuring that procedures to identify and continuously update risks are in place. The Committee oversees the process of assessment of the possible impact and likelihood of occurrence of identified risks. The committee is also responsible for formulating a risk management response to effectively address and manage risks.

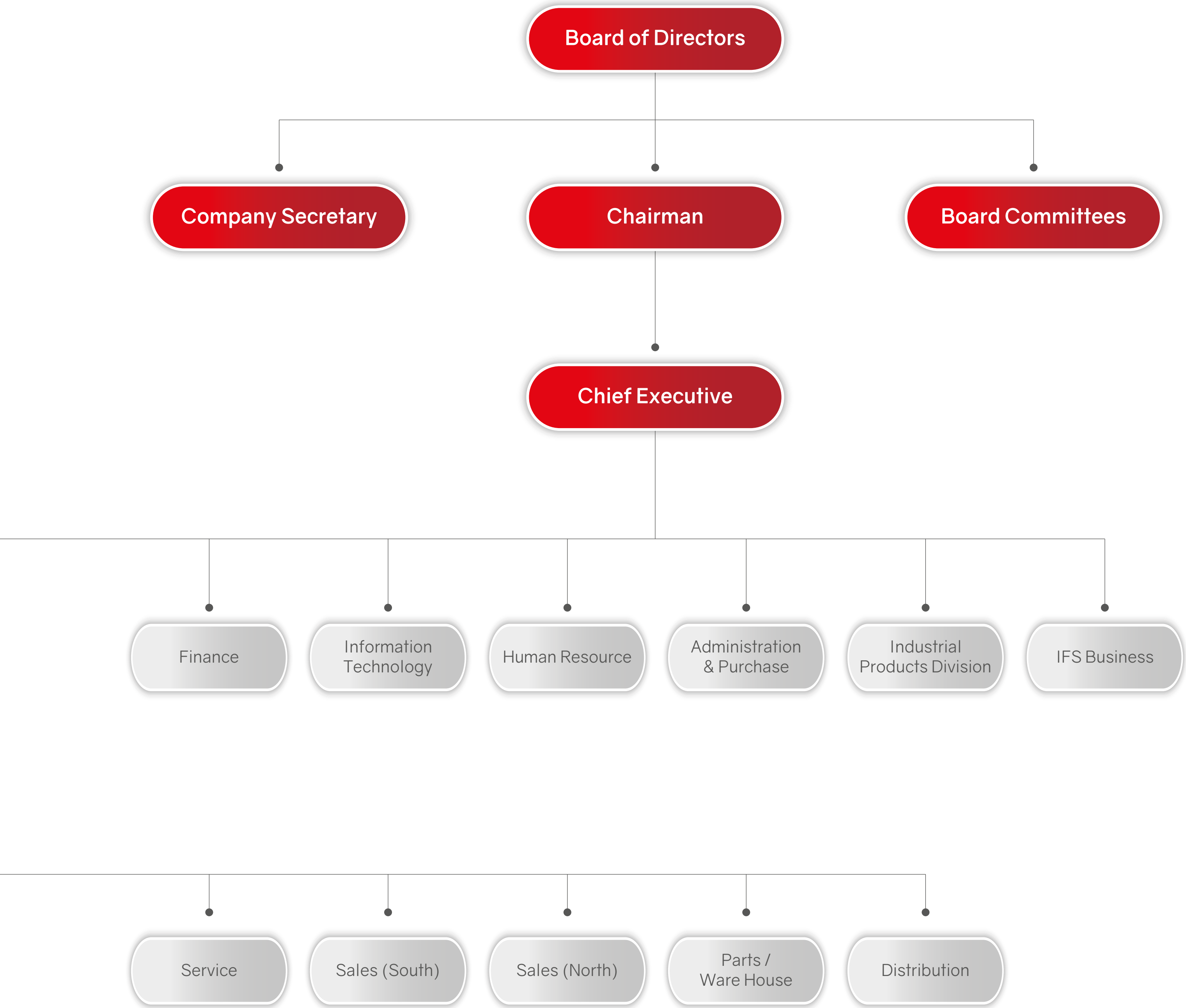
7. Environmental Committee

Sr. Mgr. A&P	Chairman
Manager IR	Member

The Environmental Committee is responsible to ensure environment friendly operations, products and services. It establishes objectives & targets for continual improvement in resource conservation by waste control and safe operating practices. It promotes environmental awareness to all employees and community.

ORGANIZATION **STRUCTURE**




Board of Directors
Company Secretary
Chairman
Board Committees
Chief Executive
Finance
Information Technology
Human Resource
Administration & Purchase
Industrial Products Division
IFS Business
Service
Sales (South)
Sales (North)
Parts / Ware House
Distribution

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.

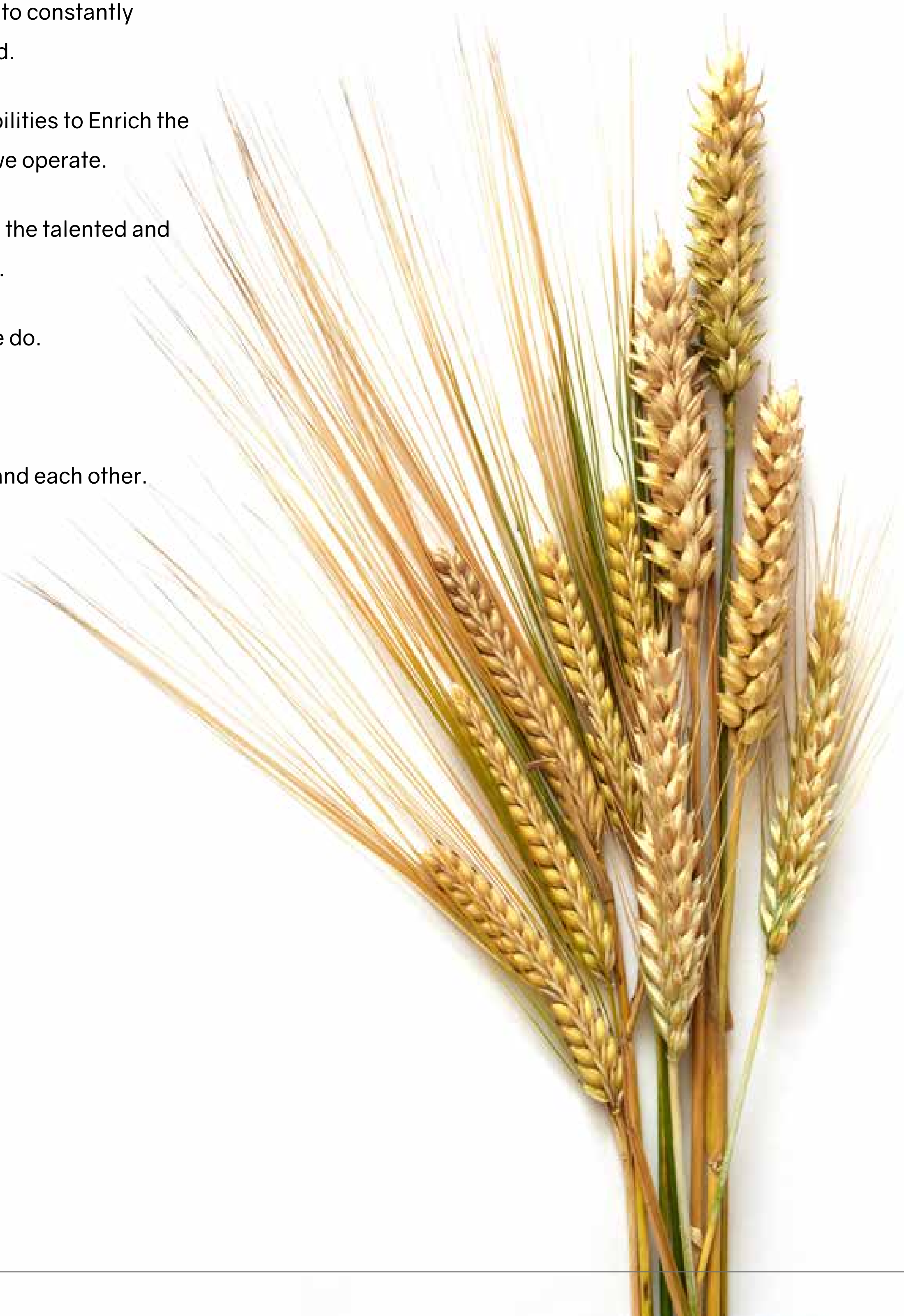
The Code of Conduct defines the expected behaviors for all employees of Millat Tractors Limited (MTL). MTL will conduct its business fairly, impartially, in an ethical and proper manner, in full compliance with all applicable laws and regulations, and consistent with the values of the Company, Integrity 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 exits 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 his 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.



SAFETY, HEALTH & **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

All the employees are covered in health insurance scheme. Necessary assistance is available at factory to meet any emergency requirements.

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.

NOTICE OF
ANNUAL GENERAL MEETING

Notice is hereby given that 56th Annual General Meeting of Millat Tractors Limited will be held at the Registered Office of the Company at 9 K.M. Sheikhupura Road, Shahdara, Lahore, on Friday October 25, 2019 at 4:00 P.M to transact the following business:

A. Ordinary Business

1) To confirm minutes of the 55th Annual General Meeting held on October 30, 2018.

2) To receive, consider and adopt the audited accounts of the Company and the Group for the year ended June 30, 2019 together with the Chairman's Review, Directors' and Auditors' Reports thereon.

3) To approve final cash dividend of Rs. 40.00 per share i.e., 400% in addition to the interim dividend of Rs. 45.00 per share i.e., 450% already paid making a total cash dividend of Rs. 85.00 per share i.e., 850%.

4) To appoint auditors and fix their remuneration for the year ending June 30, 2020.

B. Special Business

5) To ratify and approve transactions conducted with Related Parties for the year ended June 30, 2019 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, 2019 be and are hereby ratified, approved and confirmed."

2019 (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	351,553,110	273,248,934	1,435,926, 927	3,325,757,648	-
Sale Of Components	251,655,946	80,113	1,662,396	2,241,490	-
Services	-	7,329,124	11,757,844	15,605,368	4,856,000

6) To authorize Chief Executive of the Company to approve transactions with Related Parties for the year ending June 30, 2020 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, 2019 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 consider, adopt with or without modification the following special resolution to substitute Article 77 of the Articles of Association of the Company.

“Resolved that Article 77 be and is hereby substituted as hereunder:

‘The remuneration of a director for attending each Board meeting or a committee of the Board shall be Rs.100,000/-.”

8) To approve issuance of 12.5% Bonus Shares approved by the Board, by passing the following resolution.

“RESOLVED THAT:

A sum of Rs. 55,365,680 out of the profit available for appropriations as at June 30, 2019 be capitalized and be applied to the issue of 5,536,568 ordinary shares of Rs.10 each allotted as fully paid Bonus Shares to the members whose names appear in the register of members as at the close of business on October 18, 2019 in the proportion of one share for every eight ordinary shares held i.e.,12.5%.

These Bonus Shares shall rank pari-passu in all respects with existing shares except that these shares shall not qualify for the final dividend declared for the year ended June 30, 2019.

The Directors be and are hereby authorized and empowered to give effect to this resolution and to do or cause to be done all acts, deeds and things that may be necessary or required for the issue, allotment and distribution of Bonus Shares.”

9) To consider and if thought appropriate to pass the following resolution as a special resolution with or without modification:

“RESOLVED that the Directors be and are hereby authorized to consolidate all fractions of bonus shares and sell the same in the Stock Market and pay the proceeds of sales when realized to charitable institution(s).”

C. Any Other Business

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

By order of the Board

October 03, 2019

Lahore

Muhammad Faisal Azeem

Company Secretary

Notes

1. The share transfer books of the Company will remain closed from October 19, 2019 to October 25, 2019 (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 18, 2019 will be considered in time for the purpose of payment of final cash dividend, Bonus shares 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. Video Conference Facility

   As per Companies Act, 2017, 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 _________________.

5. E-Voting

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

6. 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.

7. 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.

8. 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.

9. 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 20.00%

To enable the Company to make tax deduction from cash dividend @15.00% instead of 20.00% 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 @ 20.00% 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.

			Principal shareholder		Joint shareholder	
Company Name	Folio/CDS Account#	Total Shares	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.

10. 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**

11. Placement of Accounts on website

The financial statements of the Company for the year ended June 30, 2019 along with reports have been placed at the website of the Company **www.millat.com.pk.**

12. 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.

13. 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-2019 to the shareholders in the form of CD. Any Member can send request for printed copy of the Annual Report-2019 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 clause 15(1) 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.

a. Availability of state of the art production facilities.
b. Advanced Technical Know How.
c. Dedicated production facilities.
d. Elaborated testing facilities for MTL.
e. Smooth supply chain

The Company has the following equity in the Subsidiary Companies.

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

The common directors have the following shareholding in the associated companies.

		BCL	MEL	MIPL	TIPEG
Sr. No.	Name of Director(s)	No. of Shares	No. of Shares	No. of Shares	No. of Shares
1	Mr. Sikandar Mustafa Khan	166,369	1,625,001	543,750	100
2	Mr. Latif Khalid Hashmi	32,270	1,625,001	362,500	100
3	Mr. Sohail Bashir Rana	144,359	1,708,951	362,500	100
4	Mr. Laeeq Uddin Ansari	3,120	2,004,001	362,500	100
5	Mian Muhammad Saleem(Not a Director of BCL)	2,993	600,001	200,000	100
6	Syed Muhammad Irfan Aqueel	2,500	100,000	-	-
	TOTAL	**351,611**	**7,662,955**	**1,831,250**	**500**
	Percentage Of Shareholding	3.064%	29.47 %	20 %	25 %

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		BCL	MIPL	MEL	TIPEG	Hyundai Nishat Motor Private 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 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. Purchase of components against Confirmed orders 2. Sale of components against Confirmed orders	1. Services as per agreement
Amount of Transactions	Purchase of components	1,435,926,927	273,248,934	3,325,757,648	351,553,110	-
	Sale of components	1,662,396	80,113	2,241,490	251,655,946	-
	Services	11,757,844	7,329,124	15,605,368	-	4,856,000
Time frame or duration of the transactions or contracts or arrangements		01-07-2018 to 30-06-2019	01-07-2018 to 30-06-2019	01-07-2018 to 30-06-2019	01-07-2018 to 30-06-2019	2. As per timeline set in Service Level Agreement
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, 2020 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, 2019 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

1) Substitution of Articles of Association

Comparative Analysis	
Existing Article	Substituted Article
The remuneration of Director, other than regular paid Managing Director or Directors, for his services shall be such sum as may be fixed by the Directors, but not exceeding Rs. 50,000/- for each meeting attended by him.	The remuneration of a director for attending each Board meeting or a committee of the Board shall be Rs.100,000/-

Reasons for change

Article 77 of the Articles of Association of the Company is being substituted as the remuneration being paid to directors for attending meetings of the Board needs revision in view of overall inflation.

Statement by the Board

The aforesaid substitution has been approved by the Board of Directors in their meeting held on September 05, 2019 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.

The Directors are interested in the resolution to the extent of fee to which they are entitled.

Agenda Item No.8

Issuance of Bonus Shares

The Board of Directors are of the view that the Company's financial position and its reserves justify this capitalization for the issue of Bonus Shares. The Directors of the Company, directly or indirectly are not interested in the resolution except to the extent of their shareholding in the Company.

Agenda Item No.9

Disposal of Bonus Share Fractions

The Board in its meeting held on September 05, 2019 has recommended that the fractions of bonus shares will be immaterial and of no significant financial disadvantage to the shareholders. Therefore the proceeds of the above may be donated to one or more charitable institutions (engaged in the welfare of human being) in line with the Company's policy of maximum participation in welfare.

اِس برس ہموار رسد کو برقرار رکھنے کے لیے شیئر ہولڈرز چیف ایگزیکٹو کو اختیار دے سکتے ہیں کہ وہ یکم جولائی 2019 سے اگلے اجلاسِ عام تک منسلک کمپنیوں کے ساتھ کیس ٹو کیس لین دین کی منظوری دے سکیں۔ تجارتی وجوہات منسلک کمپنیوں کے ساتھ کاروبار کی نوعیت اور تشریح اوپر نمبر ایک کے تحت کر دی گئی ہے۔ تاہم یہ تمام ٹرانزیکشنز سالانہ اجلاسِ 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

ا) آرٹیکلز آف ایسوسی ایشن میں تبدیلی

تقابلی جائزہ	
موجودہ آرٹیکل	**تبدیل شدہ آرٹیکل**
مینیجنگ ڈائریکٹر یا ڈائریکٹرز کی معمول کی ذمہ داریوں کے علاوہ خدمات کا معاوضہ ڈائریکٹرز کی جانب سے طے کیا جائے گا جو ہر میٹنگ میں شرکت کے لئے 50,000 روپے سے زائد نہ ہوگا۔	ڈائریکٹر کے لیے ہر بورڈ یا بورڈ کی کمیٹی کی میٹنگ اٹنڈ کرنے کا معاوضہ/100,000 روپے ہوگا۔"

تبدیلی کی وجوہات

آرٹیکلز آف ایسوسی ایشن آف کمپنیز کے آرٹیکل 77 کو اس غرض سے تبدیل کیا جا رہا ہے تاکہ مجموعی افراطِ زر کے تناظر میں بورڈ کی میٹنگ یا کمیٹی میں شرکت کے لئے ڈائریکٹرز کو ادا کئے جانے والے معاوضے میں ترمیم کی جا سکے۔

بورڈ کا بیان

مذکورہ تبدیلی 05 ستمبر، 2019 کو ہونے والی میٹنگ میں بورڈ آف ڈائریکٹرز کی جانب سے منظور کر لی گئی ہے اور یہ قانون و ضوابط کے ڈھانچے کی قابل اطلاق شقوں کے ساتھ مطابقت رکھتی ہے۔
ممبرز کی جانب سے چھان بین کے لیے تبدیل شدہ آرٹیکلز آف ایسوسی ایشن کی نقل کمپنی سیکرٹری کے پاس ہے۔

ڈائریکٹرز اس قرارداد میں اس حد تک دلچسپی رکھتے ہیں کہ وہ معاوضہ حاصل کر سکیں جس کے وہ حق دار ہیں۔

ایجنڈا آئٹم نمبر 8

بونس شیئرز کا اجراء

بورڈ آف ڈائریکٹرز کی سوچ کے مطابق کمپنی کی مالی حالت اور اس کے ریزروز کی روشنی میں بونس شیئرز کے اجراء کی سرمایہ کاری کا جواز بنتا ہے۔ کہ کمپنی کے ڈائریکٹران بلاواسطہ یا بالواسطہ قرارداد میں ماسوائے کمپنی میں اپنے حصے کے علاوہ اس قرارداد میں دلچسپی نہیں رکھتے۔

ایجنڈا آئٹم نمبر 9

بونس شیئرز کے حصوں کا نظم و ضبط

173 ویں اجلاس میں بورڈ نے مشورہ/سفارش کی کہ بونس شیئرز کے حصے غیر اہم/غیر مادہ ہیں اور حصہ داروں کے لیے کسی قسم کے نقصان کے حامل نہیں ہیں۔ لہذہ فریکشن شیئرز کو ایک یا ایک سے زائد خیراتی اداروں کو (انسانیت کی خاطر فلاح و بہبود کے لیے کام کرنے والے) جو کہ کمپنی کی پالیسی ہے کہ زیادہ سے زیادہ فلاح انسانیت میں شامل ہونے کے عین مطابق ہیں۔

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

رلیٹڈ پارٹی کا نام		بی سی ایل	ایم آئی پی ایل	ایم ای ایل	ٹائی پیگ	ہنڈائی نشاط موٹر پرائیویٹ لمیٹڈ
دلچسپی 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 ڈائریکٹر نہیں ہیں) سید محمد عرفان عقیل (صرف ایم ای ایل اور بی سی ایل کے ڈائریکٹرز ہیں)				ملّت ٹریکٹرز لمیٹڈ
تعلق کی نوعیت، دلچسپی، یا واسطہ بشمول مکمل مالی اگاہی یا دیگر دلچسپی یا ڈائریکٹرز کا نیجر 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 ڈائریکٹر نہیں ہیں) سید محمد عرفان عقیل (صرف ایم ای ایل اور بی سی ایل کے ڈائریکٹرز ہیں)				کومن ڈائریکٹر شپ (مسٹر سہیل بشیر رانا)
مکمل کوائف اور ٹرانزیکشنز کے قوائد و ضوابط		1-طے شدہ آرڈرز کے مطابق پُرزہ جات کی خرید 2-طے شدہ آرڈرز کے مطابق پُرزہ جات کی فروخت 3-سروسز	1-طے شدہ آرڈرز کے مطابق پُرزہ جات کی خرید 2-طے شدہ آرڈرز کے مطابق پُرزہ جات کی فروخت 3-سروسز	1-طے شدہ آرڈرز کے مطابق پُرزہ جات کی خرید 2-طے شدہ آرڈرز کے مطابق پُرزہ جات کی فروخت 3-سروسز	1-طے شدہ آرڈرز کے مطابق پُرزہ جات کی خرید 2-طے شدہ آرڈرز کے مطابق پُرزہ جات کی فروخت 3-سروسز	1-معاہدہ کے مطابق خدمات
ٹرانزکشنز کی رقم	پارٹس کی خرید	1,435,926,927	273,248,934	3,325,757,648	351,553,110	-
	پارٹس کی فروخت	1,662,396	80,113	2,241,490	251,655,946	-
	سروسز	11,757,844	7,329,124	15,605,368	-	4,856,000
ٹرانزکشنز یا معاہدات کا دورانیہ		01-07-2018	01-07-2018	01-07-2018	01-07-2018	معاہدے کے مطابق
		تا 30-06-2019	تا 30-06-2019	تا 30-06-2019	تا 30-06-2019	
قیمت کی پالیسی	پارٹس کی خرید	At mutually agreed price				
	پارٹس کی فروخت	At mutually agreed price				
	سروسز	معاہدے کے مطابق				

اس قرارداد میں ڈائریکٹرز کی دلچسپی عمومی ڈائریکٹر شپ اور منسلک کمپنیوں میں شئیر ہولڈنگ تک ہے۔

ایجنڈا آئٹم نمبر 6

منسلک پارٹیوں سے لین دین (آر پی ٹیز) کے لیے سی ای او کا اختیار

کمپنی 30 جون، 2020 کو ختم ہونے والے سال کے دوران عمومی کاروباری انداز میں منسلک کمپنیز کے ساتھ Related Party Transactions کا اہتمام کرے گی۔ کمپنی کے ڈائریکٹرز کی ایک بڑی تعداد مشترکہ ڈائریکٹر شپ اور منسلک کمپنیوں میں شئیر رکھنے کی وجہ سے دلچسپی رکھتی ہے۔ اس لیے منسلک کمپنیوں کے ساتھ ان ٹرانزیکشنز کی منظوری شئیر ہولڈرز سے لی جائے گی۔

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

ا) سٹیٹ 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) بلاتعطل ہموار سپلائی چین

منسلک کمپنیوں کے ساتھ کمپنی کی ایکوئٹی مندرجہ ذیل ہے۔

بولان کاسٹنگز لمیٹڈ 46.26فیصد

ملت ایکوپمنٹ لمیٹڈ 45.00فیصد

ملت انڈسٹریز پراڈکٹس لمیٹڈ 64.09فیصد

ٹائی پیگ انٹرٹریڈرز ڈی ایم سی سی 75.00فیصد

مشترکہ ڈائریکٹرز کی منسلک کمپنیوں میں شیئر ہولڈنگ:

		بی سی ایل	ایم ای ایل	ایم آئی پی ایل	ٹائی پیگ
نمبر شمار	ڈائریکٹر(ز) کا نام	شیئرز کی تعداد	شیئرز کی تعداد	شیئرز کی تعداد	شیئرز کی تعداد
1	جناب سکندر مصطفیٰ خان	166,369	1,625,001	543,750	100
2	جناب لطیف خالد ہاشمی	32,270	1,625,001	362,500	100
3	جناب سہیل بشیر رانا	144,359	1,708,951	362,500	100
4	جناب لئیق الدین انصاری	3,120	2,004,001	362,500	100
5	جناب میاں محمد سلیم (بی سی ایل کے ڈائریکٹر نہیں ہیں)	2,993	600,001	200,000	100
6	سید محمد عرفان عقیل	2,500	100,000	-	-
	کل	351,611	7,662,955	1,831,250	500
	شیئر ہولڈنگ کی شرح	3.064فیصد	29.47فیصد	20فیصد	25فیصد

پچھلے سالانہ اجلاس عام میں شیئر ہولڈروں نے کمپنی کے چیف ایگزیکٹو کو اختیار دیا تھا کہ وہ ان ٹرانزیکشنز کو بزنس کے عمومی طریقہ کار کے مطابق، شیئر ہولڈروں کو 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۔

10۔ای ڈیویڈنڈ رجسٹریشن:

سنٹرل ڈیپوزیٹری کمپنی نے ایک سنٹرلائزڈ کیش ڈیویڈنڈ رجسٹر (CCDR) تیار کیا ہے جو ایک ای سروس ویب پورٹل ہے جس میں کیش ڈیویڈند کی بابت تفصیلات رکھی جائیں گی آیا کہ 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 زکوۃ کی ادائیگی وغیرہ کی تفصیلات کا حامل کیش ڈیویڈنڈ کا ایک کاؤنٹرفوئل محض الیکٹرونکلی CCDR ویب پورٹل کے ذریعے میسر ہوگا۔شئیر ہولڈرز مندرجہ ذیل لنک کے ذریعے CCDR ویب پورٹل پر رجسٹریشن اور رسائی حاصل کر کے کاؤنٹرفوئل 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

11۔ویب سائٹ پر اکاؤنٹ کی تفصیلات

کمپنی کی سالانہ فنانشل سٹیٹمنٹس (30 جون،2019 کو ختم ہونے والے سال کے لئے) رپورٹس کے ہمراہ کمپنی کی ویب سائٹ www.millat.com.pk پر رکھ دی گئی ہیں۔

12۔سالانہ مالیاتی تفصیلات بذریعہ ای میل

ایس ای سی پی نے کمپنیوں کو اجازت دی ہے کہ وہ سالانہ بیلنس شیٹ، پرافٹ اینڈ لاس اکاؤنٹ، آڈیٹر 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۔

13۔سالانہ مالیاتی تفصیلات بذریعہ سی ڈی/ڈی وی ڈی/یو ایس بی

ایس۔ای۔سی۔پی نے اپنے 31 مئی،2016 کے جاری کردہ نوٹیفیکیشن SRO 270 (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/ڈی وی ڈی/یو ایس بی کے ذریعے ارسال کر سکتے ہیں۔اس بات کے پیش نظر کمپنی نے اپنی سالانہ رپورٹ برائے 2019 سی ڈی کی صورت میں ارسال کی ہے۔سالانہ رپورٹ برائے 2019 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 آئٹم 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 کوڈ آف کارپوریٹ گورنس کی شق نمبر (1) 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 شئیر گروپ رکھنے کی وجہ سے ان ٹرانزیکشنز میں دلچسپی رکھتی ہے۔ان ٹرانزیکشنز کی منظوری کے لیے ڈائریکٹرز کی مطلوبہ تعداد پوری نہ ہوسکی اسی لیے ان ٹرانزیکشنز کی منظوری اجلاسِ عام میں شئیر ہولڈرز سے لی جائے گی۔

اس بات کو مدنظر رکھا جائے کہ کمپنی کا بنیادی کام ایگری ٹریکٹرز تیار کرنا/یا پرزے جوڑ کر بنانا ہے۔جس کے مختلف حصے تقریباً 150 وینڈنگ انڈسٹریز سے عام کاروباری طریقے سے حاصل کیے جاتے ہیں۔بولان کاسٹنگ لمیٹڈ (بی سی ایل) اور ملت ایکوپمنٹ لمیٹڈ (ایم ای ایل) ٹریکٹرز کے مختلف اہم حصے، علی الترتیب گئیرز اور شافٹس وغیرہ تیار کرتے ہیں جن کی پیداوار کے لیے ملک میں بہت کم وسائل ہیں۔ملت انڈسٹریل پراڈکٹس لمیٹڈ (ایم آئی پی ایل) ٹریکٹروں کی بیٹریاں بناتا ہے جب کہ ٹریکٹر اور ان کے پرزہ جات ٹائی پیگ انٹرٹریڈرز ڈی ایم سی 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 سکریپ اور سوارف بھی بولان کاسٹنگ لمیٹڈ کو بیچا گیا تا کہ وہ اسے ان ہاؤس استعمال میں لا سکے

8۔ 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 نوٹسز جاری کیے جا چکے ہیں۔ اب ایک مرتبہ پھر شیئر ہولڈرز سے ان کے فولیو نمبرز، نام اور بنک کی تفصیلات (جس میں بنک کے نام کے ساتھ، برانچ کا نام، برانچ کوڈ، اکاؤنٹ نمبر، اکاؤنٹ ٹائٹل 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 سٹینڈرڈ درخواست فارم فراہم کر دیا گیا ہے۔ ممبران سے درخواست ہے کہ یہ تمام معلومات کمپنی تک جلد از جلد بہم پہنچا دیں۔

شیئرز CDC کی صورت میں موجود ہونے پر درخواست فارم شیئر ہولڈر کے بروکر/شراکت دار/یا CDC انوسٹر اکاؤنٹ سروسز کو جمع کروائے جائیں گے۔

۹۔ ڈیویڈنڈ کی آمدن سے ٹیکس کی کٹوتی:

انکم ٹیکس آرڈیننس، 2001 کے تحت کمپنیوں کی طرف سے ادا کی گئی منافع کی رقم پر وِدہولڈنگ ٹیکس کی کٹوتی کو مختلف شرحوں سے لاگو کیا جا سکتا ہے۔ یہ شرحیں مندرجہ ذیل ہیں۔

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

ب) انکم ٹیکس ریٹرن فائل نہ کرنے والوں کے لیے 20.00 فیصد

ایسے تمام شیئر ہولڈرز جو انکم ٹیکس ریٹرن فائل کرتے ہیں مگر ان کا نام ایف بی آر کی ویب سائٹ پر ایکٹو ٹیکس پیئر زلسٹ (اے ٹی ایل) میں درج نہیں ہیں، اُنہیں 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 وِدہولڈنگ ٹیکس کی کٹوتی 15.00 فیصد کی بجائے 20.00 فیصد ہوگی۔

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

کمپنی کا نام	فولیو/سی ڈی ایس اکاؤنٹ نمبر	کل شیئرز	بنیادی شیئر ہولڈرز		مشترکہ شیئر ہولڈرز	
			نام اور شناختی کارڈ نمبر	شیئر ہولڈنگ کا تناسب (شیئرز کی تعداد	نام اور شناختی کارڈ نمبر	شیئر ہولڈنگ کا تناسب (شیئرز کی تعداد

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

کسی مسئلہ، استفسار، یا معلومات کے لیے انویسٹرز کمپنی کے شیئر رجسٹرار میسرز حمید مجید ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، فرسٹ فلور، ایچ ایم ہاؤس 7 بنک سکوائر لاہور سے رابطہ فرمائیں۔ فون نمبر 82-042-37235081 فیکس نمبر 042-37258817، ای میل: shares@hmaconsultants.com سی ڈی اکاؤنٹ رکھنے والے کارپوریٹ شیئر ہولڈرز کو چاہیے کہ وہ اپنے متعلقہ بروکر کو اپنے نیشنل 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 فولیو نمبرز ضرور تحریر کریں۔

ودہولڈنگ ٹیکس سے بچنے کے لیے ٹیکس ایگزیمپشن سرٹیفکیٹ کی فراہمی

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

ii) کارپوریٹ اداروں کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد یا پاور آف اٹارنی نامزد الیہ کے دستخط کے نمونوں کے ہمراہ اجلاس میں پیش کئے جائیں۔

ب) پراکسیوں کا تقرر

i) انفرادی صورت میں، اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور/یا وہ افراد جن کے گروپ اکاؤنٹ میں سیکیورٹی موجود ہو اور قواعد کے تحت اپنی رجسٹریشن کی تفصیلات درج کرائی ہوں وہ درج بالا ضرورت کے تحت پراکسی فارم جمع کرائیں گے۔

ii) 2 افراد پراکسی فارم کی شہادت دیں گے جن کے نام، پتہ اور شناختی کارڈ نمبر فارم پر لکھے ہوں گے۔

iii) شئیر مالکان اور پراکسی کے پاسپورٹ اور شناختی کارڈ کی تصدیق شدہ نقول پراکسی فارم کے ساتھ پیش کی جائیں گی۔

iv) پراکسی افراد اجلاس کے وقت اصلی شناختی کارڈ/پاسپورٹ پیش کریں گے۔

v) کارپوریٹ اداروں کی صورت میں بورڈ آف ڈائریکٹر کی قرارداد یا پاور آف اٹارنی دستخط شدہ نمونے پراکسی فارم کے ہمراہ جمع کرائے جائیں گے۔

4۔ ویڈیو کانفرنس کال کی سہولت:

کمپنیز ایکٹ، 2017 کے مطابق، اگر کمپنی کے ممبران جن کے پاس مجموعی طور پر 10 فیصد یا اس سے زیادہ شئیر ہوں، اگر کسی خاص جغرافیائی حدود (کسی خاص جگہ/شہر) میں موجود ہوں اور وہ سالانہ اجلاس سے 7 روز قبل میٹنگ میں ویڈیو کانفرنس کے ذریعے شرکت کرنا چاہتے ہوں تو کمپنی اس شہر میں ویڈیو کانفرنس کی سہولیات مہیا کرنے کا انتظام کرے گی بشرطیکہ اس شہر میں اس طرز کی سہولیات میسر ہوں۔ کمپنی اس بات کو یقینی بنائے گی کہ ویڈیو کانفرنس کی جگہ اور دیگر تفصیلات سالانہ عمومی اجلاس سے 5 روز قبل تک ان ممبران تک پہنچ جائیں۔

اگر مندرجہ بالا تفصیلات کے تحت آپ بھی سالانہ میٹنگ میں ویڈیو کانفرنس کے ذریعے شرکت کرنا چاہتے ہیں تو براہِ مہربانی اجلاس سے کم از کم 7 روز قبل ذیل میں دیا گیا فارم پُر کر کے کمپنی کے رجسٹرڈ دفتر میں جمع کروائیں۔ میں/ہم۔۔۔۔۔۔۔۔۔آف۔۔۔۔۔۔۔۔ملت ٹریکٹرز لمیٹڈ کے ممبران، جن کے شئیر نمبر۔۔۔۔۔۔۔۔رجسٹرار فولیو نمبر/سی ڈی سی اکاؤنٹ نمبر۔۔۔۔۔۔ویڈیو کانفرنس کی سہولت۔۔۔۔۔ میں چاہتا ہوں/چاہتے ہیں۔

5۔ ای ووٹنگ:

کمپنیز (پوسٹل بیلٹ) ریگولیشنز، 2018 کے مطابق ممبران اپنے ووٹ کا حق ای ووٹنگ کے ذریعے بھی ادا کر سکتے ہیں۔

6۔ نان سی ڈی سی شئیر ہولڈرز سے درخواست کی جاتی ہے کہ وہ اپنے پتہ میں تبدیلی کی صورت میں فوری طور پر مطلع کریں۔ اور قابل اطلاق ہو تو cz-50 فارم (زکوۃ کٹوتی کی ممانعت) بھر کر شئیر رجسٹرار میسرز حمید مجید ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، فرسٹ فلور ایچ ایم ہاؤس، 7 بینک سکوائر، لاہور، دفتر میں جمع کروائیں۔ سی ڈی سی کے ذریعہ شئیر ہولڈرز حضرات سے درخواست کی جاتی ہے کہ وہ اپنے پتہ اور زکوۃ کی موجودہ حیثیت سے شرکاء کو مطلع رکھیں۔ اس عمل سے منافع کی بسرعت ادائیگی میں مدد ملے گی۔

7۔ 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 از راہ کرم کمپنی کے شئیر 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 سروسز آپریٹر کو فراہم کریں

8- بورڈ کی جانب سے منظور شدہ اور جاری کردہ 12.5% بونس شیئرز کے اجرء اور تصدیق کے لیئے درج ذیل قرارداد کے تحت منظوری دی جاتی ہے۔

"قرار پایا کہ:۔

30 جون، 2019ء کو مختص شُدہ امور کے لیے منافع میں 5,536,568 (ہزاروں میں) روپے کی رقم کو 55,365,680 کے دس روپے کے تمام شیئرز بحیثیت مکمل طور پر اداشُدہ بونس شیئرز ان ممبران کو جن کے نام رجسٹر ممبران میں 18 اکتوبر، 2019ء کو کاروبار بند ہونے پر درج ہوں گے کے حساب سے ہر آٹھ شیئر کے بدلے ایک شیئر دیں گے جو کہ 12.5% بنتا ہے۔

اِن بونس شیئرز کو ہر لحاظ سے موجودہ شیئرز میں برابری کا درجہ دیا جائے گا۔ ماسوائے اس کے کہ یہ شیئرز 30 جون، 2019ء کو ختم ہونے والے سال کے طے شُدہ فائنل منافع کے اہل نہیں ہوں گے۔ ڈائریکٹران بااختیار اور خود مختار ہیں اور ہوں گے کہ قرارداد پر عمل درآمد کیا جائے اور تمام امور کاموں اور چیزیں جو بونس شیئرز کے اجراء اور تقسیم کے لیئے ضروری اور مطلوب ہوں ان پر عمل کروائیں۔

9- غور و خوض کیا جائے اور مناسب سمجھے جانے کی صورت میں مندرجہ ذیل قرارداد بحیثیت خاص قرارداد ترمیم یا بغیر ترمیم کے ساتھ منظور کی جائے۔

"طے پایا کہ ڈائریکٹران بااختیار ہیں اور ہوں گے کہ بونس شیئرز کے تمام اجزاء کو ملائیں اور ان کو سٹاک مارکیٹ میں بیچ دیں اور فروخت کے منافع کو خیراتی اداروں کو ادا کریں"

سی) امورِ دیگر

صاحبِ صدر کی اجازت سے کوئی اور دوسری ٹرانزیکشن کرنا

بحکم بورڈ

محمد فیصل عظیم
کمپنی سیکریٹری

لاہور
03 اکتوبر، 2019

نوٹس:

1۔ کمپنی کی منتقلی حصص کی کتابیں 19 اکتوبر 2019 سے 25 اکتوبر 2019 تک (بشمول ہر دو ایام) بند رہیں گی۔ اور اس مدت کے دوران کوئی منتقلی قبول نہیں کی جائے گی۔ شیئرز رجسٹرار میسرز حمید مجید ایسوسی ایٹس (پرائیویٹ) لمیٹڈ فرسٹ فلور ایچ ایم ہاؤس، 7 بنک سکوائر لاہور کے دفتر میں 18 اکتوبر، 2019 کو بزنس کلوز ہونے تک وصول ہونے والی ہر لحاظ سے مکمل منتقلیاں حتمی منافع ادا کرنے، اجلاس میں شریک ہونے اور ووٹ ڈالنے کے لیے بروقت تصور کی جائیں گی۔

2۔ اجلاس ہٰذا میں شرکت اور ووٹ دینے کا اہل ممبر اپنے بجائے کسی دوسرے ممبر کو اجلاس میں شرکت اور ووٹ دینے کے لیے پراکسی (اپنا نمائندہ) مقرر کر سکتا/سکتی ہے۔ مہر اور دستخط شدہ پراکسیاں تاآنکہ مئوثر ہو سکیں کمپنی کے رجسٹرڈ دفتر میں اجلاس سے کم از کم 48 گھنٹے، قبل لازماً وصول ہونی چاہئیں۔

3۔ ممبران جو سنٹرل ڈیپازیٹری کمپنی آف پاکستان میں شیئر جمع کروا چکے ہیں، مندرجہ ذیل ہدایات پر عمل کریں۔

الف) انفرادی طور پر اجلاس میں شمولیت

i) انفرادی شمولیت کی صورت میں اکاؤنٹ ہولڈر، سب اکاؤنٹ ہولڈر یا وہ افراد جن کی سیکیوریٹیز گروپ اکاؤنٹ میں ہیں اور ان کی رجسٹریشن کی تفصیلات کا ہدایات کے مطابق اندراج ہے، اجلاس میں حاضری کے وقت اپنا اصلی پاسپورٹ یا اصلی کمپیوٹرائزڈ شناختی کارڈ دکھا کر اپنی شناخت کی تصدیق کروائیں۔

اطلاع عام برائے سالانہ اجلاس عام

اطلاع دی جاتی ہے کہ ملت ٹریکٹرز لمیٹیڈ کا 56واں سالانہ اجلاس عام کمپنی کے رجسٹرڈ دفتر بمقام 9۔کلومیٹر شیخو پورہ روڈ، شاہدرہ، لاہور بروز جمعہ 25 اکتوبر، 2019 بوقت شام 4 بجے مندرجہ ذیل امور کی انجام دہی کے لیے منعقد ہوگا۔

الف) امورِ عام

1۔ 55ویں سالانہ اجلاس عام منعقدہ 30 اکتوبر، 2018 کے منٹس کی تصدیق

2۔ 30 جون، 2019 تک کمپنی اور گروپ کے آڈٹ شدہ حسابات بشمول ڈائریکٹرز اور آڈیٹرز کی رپورٹس کی وصولی اور ان پر غور وخوض اور منظوری۔

3۔ حتمی منافع منقسمہ 40.00 روپے فی شیئر یعنی 400 فیصد اور عبوری نقد منافع منقسمہ 45.00 روپے فی شیئر یعنی 450 فیصد (جو کہ پہلے سے ادا شدہ ہے)، مجموعی نقد منافع منقسمہ 85.00 روپے فی شیئر جو کہ 850 فیصد بنتا ہے کی منظوری۔

4۔ 30 جون 2020 کو ختم ہونے والے سال کے لیے آڈیٹرز کا تقرر اور ان کے مشاہروں کا تعین۔

ب) امورِ خاص:

5۔ 30 جون، 2019 کو ختم ہونے والے سال کے لیے، مندرجہ ذیل مخصوص قرارداد برائے کمپنیوں کے ساتھ ٹرانزیکشنز کی توثیق کی ترمیم یا ترمیم کے بغیر منظوری طے پایا کہ مندرجہ ذیل ٹرانزیکشنز ود ریلیٹڈ پارٹیز برائے ختم شدہ سال 30 جون، 2019 کی توثیق اور منظوری دی جاتی ہے۔

2019 (رقم روپوں میں)					
پارٹیکلرز	ٹائی پیگ انٹرٹریڈ (ڈی ایم سی سی)	ملّت انڈسٹریل پراڈکٹس لمیٹڈ	بولان کاسٹنگز لمیٹڈ	ملّت ایکوپمنٹ لمیٹڈ	ہنڈائی نشاط موٹر (پی وی ٹی) لمیٹڈ
پارٹس کی خرید	351,553,110	273,248,934	1,435,926,927	3,325,757,648	-
پارٹس کی فروخت	251,655,946	80,113	1,662,396	2,241,490	-
سروسز	-	7,329,124	11,757,844	15,605,368	4,856,000

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 2020 کو ختم ہونے والے سال کے لیے ریلیٹڈ پارٹی ٹرانزیکشنز کی منظوری دے سکیں گے۔

''طے پایا کہ کمپنی کے چیف ایگزیکٹو با اختیار ہیں اور رہیں گے کہ یکم جولائی 2019 سے کمپنی کے اگلے سالانہ عمومی اجلاس تک ریلیٹڈ 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 آرٹیکلز آف ایسوسی ایشن کے آرٹیکل 77 کی تبدیلی کے لیے مندرجہ ذیل خاص قرارداد کو تبدیلی یا تبدیلی کے بغیر زیرِ غور لانا اور اپنانا۔

"طے پایا کہ آرٹیکل 77 تبدیل کیا جاتا ہے۔ جو کہ درجہ ذیل ہے۔

'ڈائریکٹر کے لیے ہر بورڈ یا بورڈ کی کمیٹی کی میٹنگ اٹنڈ کرنے کا معاوضہ -/100,000 روپے ہوگا۔'"

CHAIRMAN'S **REVIEW**

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.

Despite fiscal hardships and significant decline in overall economic output, your company has managed to deliver tractor sales of 32,019 units during the year 2018-19. This represents a decline of almost 25% as compared to last year. However, we increased our market share from 61% to 64% owing to hard work put in by each stakeholder of the company. Historically this is a five year cycle and we are experiencing a decline after high sales.

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 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.

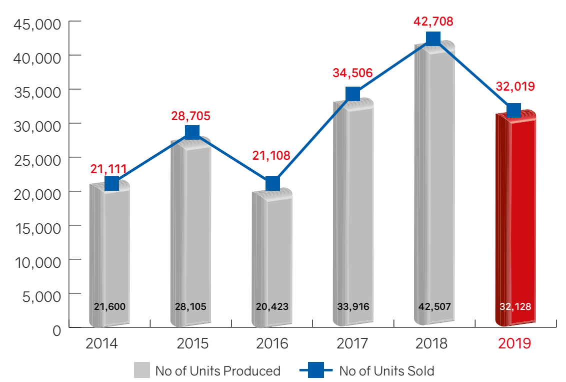
The composition of the Board is given below:

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

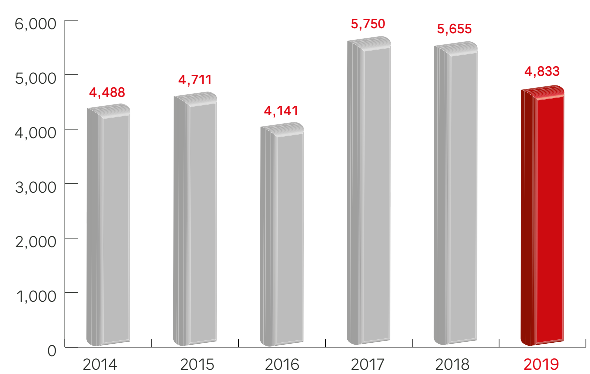
In order to ensure stewardship and monitor direction of the company the Board has made sub-committees which in my opinion have significantly contributed in steering and managing the company. These committees ensure due compliance of Code of Corporate Governance and include:

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

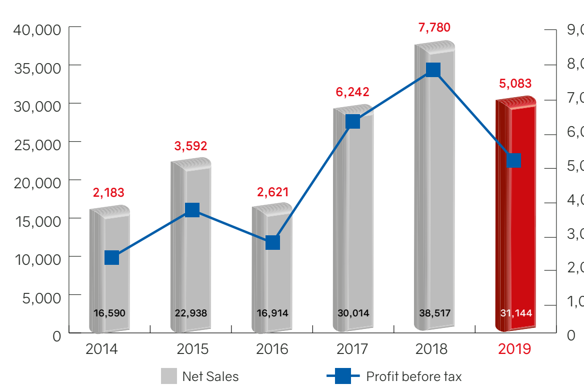
Sale / Production Volume Units



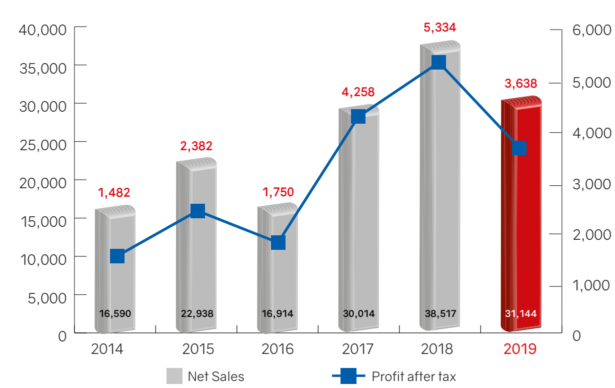
Shareholders Equity
(Rs. In Million)



Sales / Pre-Tax Profit
(Rs. In Million)



Sales / After-Tax Profit
(Rs. In Million)



Board Evaluation

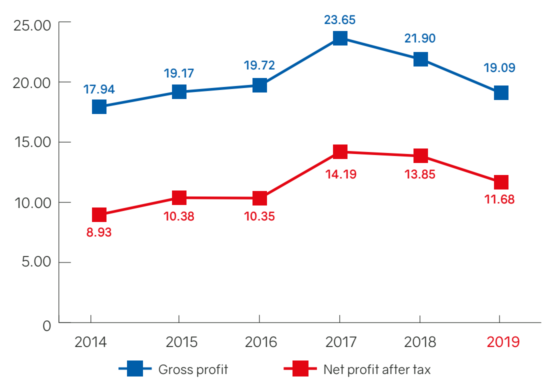
As required vide regulation10 (3) (v) of the Code of Corporate Governance, a mechanism consisting of a comprehensive questionnaire was circulated to all directors of the Board for evaluation of performance of Board of Directors. The key areas covered included:

- 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.

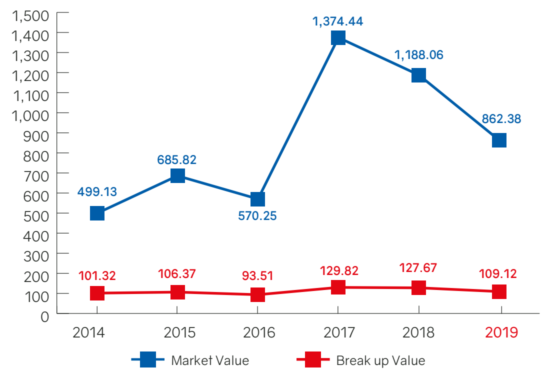
Gross Profit / Net Profit After Tax

(Percentage)



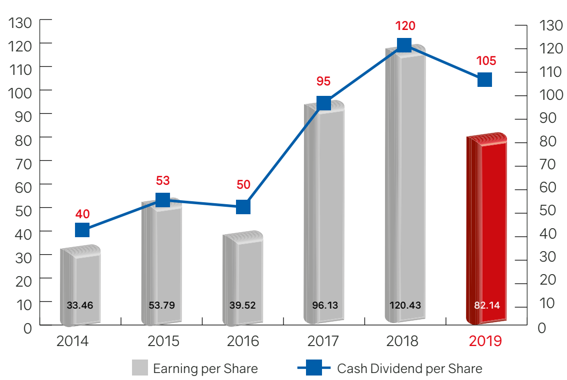
Break up / Market Value Per Share

(Rupees)



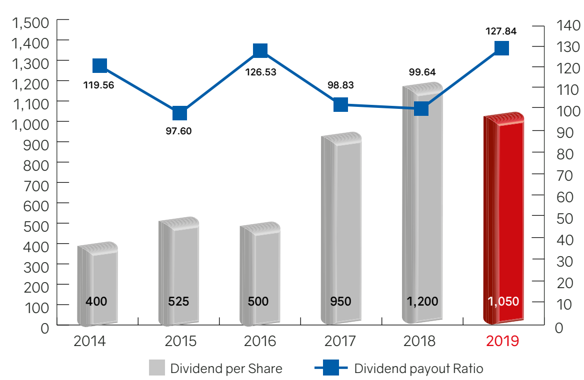
Earning / Dividend Per Share

(Rupees)



Dividend Payout Ratio

(Percentage)



Overall Economic and Industry Review

The fiscal year 2018-19 was marred by economic downturn and monetary challenges for the whole country. Slow-down in development projects, CPEC activities and significant rupee devaluation all contributed towards stagnating growth.

Gross Domestic Product (GDP) growth rate is expected to be 3.3% as compared to 5.8% for 2018. This was caused by marginal growth in agricultural (0.85%), industrial (1.4%) and services (4.71%) sectors[1] .

Agriculture sector was severely hit due to water shortage of up to 38% for Rabi crops during the 2018-19 season[2] . Inadequate storage and global warming pandemic are the main reasons behind this. Additionally, sugar-cane crop was met with subdued demand and support price was not actively managed. Wheat crop was hit with unexpected downpour which damaged the expected-to-be-bumper crop in Southern Punjab and output was significantly reduced.

On the monetary front, balance of payments continued to expand negatively in adding to significant rupee devaluation against all foreign currencies. Rupee devaluated by as much as 32%[3] against US Dollar in the financial year increasing country's import bill and external debt. However, devaluation has made our tractor pricing very competitive in the international market. We will therefore focus on Exports to balance decline in local sales. The Government is also focusing on reducing imports and increasing Exports.

Comparing the Pakistan economy with other major Asian players, we lag far behind in terms of GDP growth. While, China, India and Bangladesh are projected to increase their pace of growth, our economy is estimated to decline further till the end of next financial year. Thereafter, it is expected to improve as corrective measures by the government should start to take effect.

Tractor industry witnessed decline in output after consecutive excellent years. Overall industry/country sales were down to around 50,000 units against 70,000 units in the previous year. The slow-down in sales came on account of diminishing agricultural growth and reduced demand by CPEC and other development related projects.

Measures are being taken to rejuvenate the economy. Although IMF bailout package will bring more hardship in the coming fiscal year 2019-20, strict measures have been taken to document the economy and bring all liable persons in tax-net as quickly as possible. This has also contributed towards decline in tractors sales.

Agriculture is also being given a boost by increase in low-cost loans to farmers and ensuring support prices are sustained throughout the country. Export sector is being supported in shape of DTRE and Duty Drawback schemes and promise of expedited refund processing. Development sector is also being looked after in shape of various Public Sector Development programs (PSDP), most prominent of which is Naya Pakistan Housing Scheme.

I take this opportunity to extend my gratitude towards Board of Directors, other shareholders, vendors, dealers, employees and workers of MTL and would like to acknowledge their hard-work in such difficult times.

Sikandar Mustafa Khan
Chairman
Millat Tractors Limited
September 05, 2019

1 *Source: Pakistan Economic Survey 2018-19, State Bank of Pakistan*
2 *Source: Business Recorder*
3 *Source: Historic currency rates, State Bank of Pakistan Website*

مجموعی اقتصادی اور صنعتی جائزہ

ملک کودرپیش مجموعی مالی مشکلات اور معاشی مندی نے مالی سال 2018-2019 کو بے حد متاثر کیا۔ ترقیاتی منصوبوں اور CPEC سرگرمیوں میں رکاوٹ اور روپے کی قدر میں واضح کمی جیسے عناصر اِس ترقیاتی جمود کا باعث بنے۔ اِس سال جی ڈی پی (Gross Domestic Product) گروتھ ریٹ 3.3 فیصد متوقع ہے جبکہ سال 2018 میں یہ ریٹ 5.8 فیصد تھا۔ جسکی بڑی وجہ ذراعت ،صنعت اور سروسز سیکٹرز میں بالترتیب (0.85%)، (1.4%) اور (4.71%) تک ہونے والی معمولی ترقی ہے[1]۔

سال 2018-2019 سیزن کے دوران فصل ربیع کے لئے 38% پانی کی قلت نے ذرعی شعبے کو بے حد متاثر کیا ہے[2]۔ پانی کے ذخیرہ نہ کرنے کی صلاحیت، غیر معمولی قلت اور گلوبل وارمنگ کی وباء اِس نقصان کی بڑی وجہ ہے۔ مزید براں کمادکی مانگ میں کمی واقع ہونے اور سپورٹ پرائس کو موثر انداز میں لاگو نہ کرنے کے باعث بھی ہمیں اِس صورتحال کا سامنا کرنا پڑا ہے۔ غیر متوقع بارش نے جنوبی پنجاب میں گندم کی متوقع بمپر پیداوار میں کمی کر کے زرعی شعبے کو خاصی حد تک نقصان پہنچایا ہے۔

کمپنی کو مالی سطح پر بھی خاصی مشکلات کا سامنا ہے۔ ادائیگیوں میں مسلسل منفی توازن کی وجہ سے تمام فارن کرنسیز کے مقابلے میں روپے کی قدر میں واضح کمی ہوئی ہے گزشتہ مالی سال کے دوران امریکی ڈالر کے مقابلے میں روپے کی قدر میں 32% تک کمی کے باعث ملک کے امپورٹ بل اور بیرونی قرضہ جات میں اضافہ ہوا ہے[3]۔ تاہم روپے کی قدر میں کمی نے عالمی منڈی میں ہمارے ٹریکٹر کی قیمت کو بہت متقابل کیا ہے۔ اِس لئے مقامی سیلز میں کمی پورا کرنے کے لئے ہم اپنی ایکسپورٹس پر زیادہ توجہ دے رہے ہیں۔ حکومت بھی درامدات کو کم اور ایکسپورٹس بڑھانے پر توجہ دے رہی ہے۔

پاکستان کی معیشت کا دوسرے Asian Players سے مقابلہ کیا جائے تو GDP گروتھ کے حوالے سے ہم بہت پیچھے جا رہے ہیں۔ جبکہ چائنہ، انڈیا اور بنگلہ دیش کی گروتھ میں مسلسل اضافہ کا امکان ہے۔ اِس لئے توقع کی جا سکتی ہے کہ اگلے سال کے اختتام تک ہماری معیشت کو مزید بحران کا سامنا کرنا پڑ سکتا ہے۔ اسکے بعد اسمیں بہتری کا امکان ہے۔

مسلسل کامیاب برسوں کے بعد اِس سال ٹریکٹر انڈسٹری کو بھی مشکلات کا سامنا کرنا پڑ رہا ہے۔ اِس سال ملکگیر / انڈسٹری کی سطح پر مجموعی طور پر 50,000 یونٹس فروخت ہوئے جبکہ گزشتہ سال فروخت ہونے والے یونٹس کی تعداد 70,000 تھی۔ فروخت میں اِس واضح کمی کی وجہ ذرعی نمو میں انحطاط اور CPEC اور دیگر متعلقہ ترقیاتی منصوبوں کی جانب سے ٹریکٹر کی مانگ میں کمی ہے۔

اکانومی کو پھر سے مضبوط کرنے کے لئے موثر اقدامات اُٹھائے جا رہے ہیں۔ اگرچہ آئی ایم ایف بیل آوٹ پیکیج سے ہمیں آئندہ مالی سال میں مزید مشکلات کا سامنا کرنا پڑے گا تاہم معاشی استحکام اور تمام ذمہ دار افراد کو ٹیکس نیٹ میں لانے کے لئے تیزی سے اقدامات جاری ہیں۔ اِس صورتحال نے ٹریکٹرز کی فروخت کو غیر معمولی حد تک متاثر کیا ہے۔

کسانوں کے لئے کم قیمت (Low-Cost) قرضہ جات کی فراہمی اور ملک بھر میں سپورٹ پرائسز کو یقینی طور پر برقرار رکھنے کی وجہ سے زرعی شعبہ میں بہتری کے امکانات کی کوشش جاری ہے اِسکے ساتھ ساتھ تیز ریفنڈ پراسیسنگ کے وعدے، ڈیوٹی ڈرابیک اسکیمز DTRE کی صورت میں ایکسپورٹ سیکٹر کو بھی تعاون فراہم کیا جا رہا ہے۔ مزید براں نیا پاکستان ہاؤسنگ اسکیم جیسے دیگر PSDP پروگرامز کے ذریعے ڈویلوپمنٹ سیکٹر میں بھی مثبت اقدامات اٹھائے جا رہے ہیں۔

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

سکندر مصطفیٰ خان

چیئرمین

ملت ٹریکٹرز لمیٹڈ

05 ستمبر، 2019

ذریعہ 1: پاکستان اکانومی سروے 2018-2019، سٹیٹ بینک آف پاکستان

ذریعہ 2: بزنس ریکارڈر

ذریعہ 3: ہسٹارک کرنسی ریٹس، سٹیٹ بینک آف پاکستان ویب سائٹ

چیئرمین 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 مؤثر کردار پر چیئرمین کی جانب سے دیئے گئے جائزے کو پیش کرنے پر خوشی محسوس کرتا ہوں۔ مجموعی مالی مشکلات اور معاشی انحطاط کے باوجود بھی کمپنی سال 2019-2018 کے دوران 32,019 ٹریکٹرز فروخت کرنے میں کامیاب رہی ہے۔ اِس حساب سے اِس سال کی فروخت میں گزشتہ سال کی فروخت کے مقابلے میں 25 فیصد کمی واقع ہوئی ہے۔ تاہم کمپنی کے ہر سٹیک ہولڈر کی محنت اور لگن کے باعث ہمارا مارکیٹ شیئر 61 فیصد سے بڑھ کر 64 فیصد ہوگیا ہے تاریخی اعتبار سے یہ 5 سال پر محیط گردشی مدت ہے جس کے اعتبار سے ہمیں اپنی سیلز میں اِس کمی کا سامنا ہوا ہے۔

بورڈ کا انتظامی کردار

بورڈ کی تشکیل اور ساخت

کمپنی کو ایک محتاط فریم ورک میں رکھتے ہوئے منظّم قیادت فراہم کرنا بورڈ کی ذمہ داریوں میں شامل ہے تاکہ کسی بھی قسم کے خطرے کا جائزہ لے کر با آسانی نبرد آزما ہوا جا سکے۔ بورڈ کمپنی میں تین اہم کردار ادا کرتا ہے۔ ایک سمت کا تعین کرنا، انتظامیہ کی نگرانی کرنا، 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 جا سکے۔

بورڈ کی تشکیل درج ذیل ہے۔

خودمختار 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 اِن کمیٹیوں نے مطلوبہ مقاصد کے حصول کیلئے اہم کردار ادا کیا ہے۔

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

آڈٹ کمیٹی
ہیومن ریسورس اور ریمنریشن کمیٹی
فنانس کمیٹی
مارکیٹنگ کمیٹی
گروپ سپرویژن 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
پروفیشنل ڈویلپمنٹ

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

DIRECTORS' **REPORT**
To The Shareholders

The Directors feel pleasure in presenting their 56th annual report together with audited financial statements of the Company for the year ended June 30, 2019.

Appropriations

Your Directors recommended a payment of final cash dividend @ Rs. 40.00 per share (400%) and issuance of 12.5% Bonus Shares.

The aforesaid payout shall be in addition to the interim cash dividend of Rs. 45.00 per share (450%) making a total of Rs. 85.00 per share (850%) as cash dividend and 12.5% Bonus shares.

The following appropriations were made during the year:

Rupees in thousands		
	General reserve	Un-appropriated profit
Opening balance	2,278,935	2,806,293
Less: Final dividend @ 600% of 2018	-	(2,657,553)
Transfer to general reserves	-	-
	2,278,935	148,740
Profit for the year ended June 30, 2019	-	3,888,982
Less: Interim dividend @ 450% of 2019	-	(1,993,165)
Un-appropriated profit carried forward	**2,278,935**	**2,044,557**

Earnings Per Share

Earning per share for the year ended June 30, 2019 was Rs. 82.14 as against Rs. 120.43 of the preceding year.

Board Of Directors

The Board comprises of eight directors as on June 30, 2019.

(a) Male: seven

(b) Female: one

Composition:

(i) Independent Directors: two

(ii) Other Non-Executive Directors: four

(iii) Executive Directors: two

Name(s) of Directors

1.	Mr. Sikandar Mustafa Khan, Chairman	(Non Executive Director)
2.	Syed Muhammad Irfan Aqueel, CEO	(Executive Director)
3.	Mr. Latif Khalid Hashmi	(Non Executive Director)
4.	Mr. Sohail Bashir Rana	(Executive Director)
5.	Mr. Laeeq Uddin Ansari	(Non Executive Director)
6.	Mian Muhammad Saleem	(Non Executive Director)
7.	Mr. Saad Iqbal	(Independent Director)
8.	Mrs. Ambreen Waheed	(Independent Director)

The present Board of directors was constituted after election of directors in Annual General Meeting, held on October 30, 2018. Subsequent to election of directors there has been no change in the composition of the Board.

Board Committees

The names of members of Board Committees as on June 30, 2019 are as follows:

1. Audit Committee

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

2. Human Resource & Remuneration Committee

Mr. Saad Iqbal, Chairman
Mr. Laeeq Uddin Ansari, Member
Mian Muhammad Saleem, Member
S.M. Irfan Aqueel, Member
Mrs. Ambreen Waheed, Member

3. Finance Committee

Mr. Latif Khalid Hashmi, Chairman
Mr. Laeeq Uddin Ansari, Member
Mian Muhammad Saleem, Member
S.M. Irfan Aqueel, Member

4. Marketing Committee

Mr. Sohail Bashir Rana, Chairman
Mr. Latif Khalid Hashmi, Member
Mian Muhammad Saleem, Member
S.M. Irfan Aqueel, Member

5. Board's Committee For Group Supervision

Mr. Sikandar Mustafa Khan, Chairman
Mr. Latif Khalid Hashmi, Member
Mr. Sohail Bashir Rana, Member
Mr. Laeeq Uddin Ansari, Member
Mian Muhammad Saleem, Member

Directors' Remuneration Policy

The Directors Remuneration policy of non-executive directors including independent directors as approved by the Board is as follows:

I) Non-Executive Directors (Including Independent Directors)

Any fee / remuneration payable to the Independent and / or Non-Executive Directors of the Company shall be in following manner.

Meeting Fee

Independent and / or Non- Executive Director(s) may receive remuneration by way of fee for attending meetings of the Board or Committee(s) thereof as per Articles of Association of the Company.

Performing Extra Service

The remuneration for performing extra service may be paid to Non- Executive Director(s) as may be decided by the Board of Directors of the Company from time to time, depending on the extra time and effort as may be devoted and contribution as may be made by the Non-Executive Director(s).

Reimbursement of Actual Expenses Incurred

Independent and / or Non- Executive Director(s) may also be paid / reimbursed such sums either as fixed allowance and /or actual as fair compensation for travel, boarding and lodging and incidental and /or actual out of pocket expenses incurred by such Directors for attending Board / Committee Meetings.

Principal Activities, Development and Performance of Company's Business During Financial Year-2019

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 significant currency rupee devaluation and overall decline in economic activity.

Automobile sector overall got hit by economic slow-down; however tractor industry was affected the most because of following reasons:

- Water shortage during Rabi season
- Lack of price support for sugar-cane
- Non-routine rains affecting wheat crops in Southern Punjab
- Removal of subsidy on fertilizers

All the factors combined reduced the purchasing power of farmers which in turn diminished their capacity to purchase new tractors. As a result, tractor industry witnessed a decline of almost 29%.

Overall sales of the company for the year declined by approximately 25% to 32,019 units from 42,705 units sold in previous year. Despite that, your company not only managed, but also increased its market share from 61% to 64% by focusing delivery of quality product and competitive after-sale support.

Gross profit margin declined to 19.09% of sales as compared to 21.90% in 2019 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 11.68% of sales versus 13.85% in previous year. The decrease is due to reduction in other income and increase in finance cost for the year.

MTL has always been at the forefront of doing its moral and ethical duty to maximize indigenization, to save precious foreign exchange and manufacture cheap products.

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 fiscal budget for 2019-20 aims to further document the economy and bring all those liable into tax-net; which is a step in the right direction.

However, with reference to tractor industry, the issues remain unresolved which have plagued liquidity persistently. Sales tax refund mechanism has been given no emphasis despite their being special procedures laid down for immediate clearance of the same.

Global Warming

All of the technological advancements and achievements made by humanity will go to waste if global warming is not put front and centre in every national and international debate. Green House Gas (GHG) emissions and de-forestation of the planet are the main culprits behind rising temperatures in recent years.

Pakistan, although itself emits relatively low GHGs (rank of 31 in total emissions globally[1]), it is going to be the ground zero for global warming effects. Ever-rising temperatures, droughts, flooding, unexpected torrential downpours, melting of Himalayan glaciers and deforestation, all combined threaten to make Pakistan most-vulnerable victim of global warming.

We need to take cognizance of these facts and take steps to arrest the dangers arising out of global warming.

Financial Risks

Financial risks are those that may cause financial loss to the entity. Financial risk has been described in detail in note 43 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 behaviors. 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. ERP segment has been developed into a fully functioning separate profit center and has successfully delivered its first project during the year. Spare parts division delivered highest ever-sales during the year which is a testimony to our commitment towards robust and on-time after sales-support.

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. Agricultural productivity is mainly dependent on availability of water and predictable weather shifts.

The Company expects to increase its market share in exports by targeting unconventional markets and enhancing after-sales support in those markets as well.

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.

[1] *Source: Report by Asian Development Bank*

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 as tough as current year, if not more.

Duties & 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 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, 2019.

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:

a) 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.

b) Proper books of accounts of the Company have been maintained.

c) 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 judgment.

d) The International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.

e) The system of internal control is sound in design and has been effectively implemented and monitored.

f) There are no significant doubts upon the Company's ability to continue as a going concern.

g) There has been no material departure from the best practices of Corporate Governance.

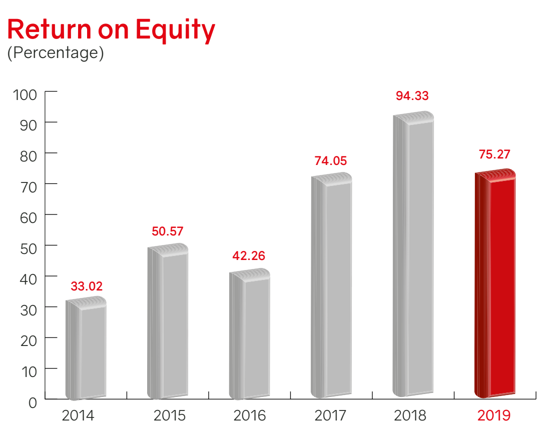
h) The key operating and financial data for the last six years is annexed.

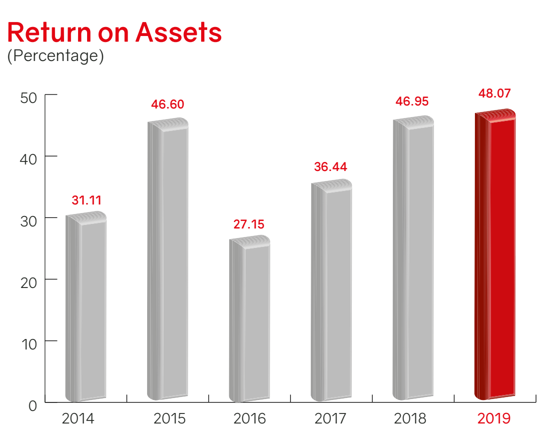
i) The value of investments of provident, gratuity and pension funds based on their audited accounts as on June 30, 2019 were the following:

-	Provident Fund	Rs. 469,211,311
-	Gratuity Fund	Rs. 330,064,137
-	Pension Fund	Rs. 1,024,222,728

The value of investment includes accrued interest.

j) The purchase and sale of shares by directors during the year was as follows:





Purchase of Shares

	No. of shares Purchased
Mr. Sikandar Mustafa Khan, Director	122,000
Mr. Sohail Bashir Rana, Director	10,000
Mr. Laeeq Uddin Ansari, Director	156,586
S.M. Irfan Aqueel, CEO	7,461
Mrs. Ambreen Waheed, Director	552
Mrs. Ayesha Sohail (Spouse of Mr. Sohail Bashir Rana, Director)	20,000
Mrs. Shireen Shah Aqueel (Spouse of S.M. Irfan Aqueel, CEO)	3,500
Mr. Muhammad Faisal Azeem, Co. Secretary	723
Mr. Sohail A. Nisar, CFO	6,380

Sale of Shares

	No. of shares Sold
Mr. Latif Khalid Hashmi, Director	165,000

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, 2019 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 which forms part of the Directors' Report.

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 clause 15(1) 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, 2019 were 393 compared to 397 of last year.

Consolidated Financial Statements

Consolidated financial statements of the Company as on June 30, 2019 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 **Chairman**

Lahore:

September 05, 2019

متعلقہ پارٹی کی ٹرانز یکشنز

متعلقہ پارٹی کی اپنی گروہی کمپنیوں کے ساتھ رقوم کی منتقلی اس بورڈ سے منظور ہونا تھی جسے کارپوریٹ گورنینس کے کوڈ کی شق (1)15 کے ساتھ میعادی طور پر مطابقت رکھنے والی آڈٹ کمیٹی نے تجویز کیا تھا۔ تاہم کمپنیوں کے ڈائریکٹرز کی اکثریت اپنی مشترکہ ڈائریکٹرشپ اور گروہی کمپنیوں میں حصص رکھنے کے باعث رقوم کی ان منتقلیوں میں دلچسپی رکھتی تھی کمپنیز ایکٹ، 2017 کے سیکشن 207 کے مطابق رقوم کی منتقلی کی منظوری کے لیے ڈائریکٹرز کا کورم پورا نہیں ہوسکا اور اسی لیے ان رقوم کی منتقلی کی منظوری اور توثیق کے لیے انہیں جنرل میٹنگ میں شیئر ہولڈرز کے سامنے پیش کیا جاتا ہے۔

شیئر ہولڈنگ کا طریقہ

شیئر ہولڈنگ کا طریقہ منسلک کیا گیا ہے۔

ملازمین کی تعداد:

30 جون, 2019 کو ختم ہونے والے سال پر کمپنی کے مستقل ملازمین کی تعداد 393 تھی جبکہ گزشتہ سال یہ تعداد 397 تھی۔

مجموعی مالیاتی اسٹیٹمنٹ

30 جون, 2019 تک کی مجموعی مالیاتی اسٹیٹمنٹ منسلک کی گئی ہے۔

کارپوریٹ سماجی ذمہ داری

کارپوریٹ سماجی ذمہ داریوں کے متعلق بیان منسلک ہے اور اِس رپورٹ کا لازمی حصہ بنایا گیا ہے۔

ویب سائٹ پر موجودگی

موجودہ مالی سال کے لئے کمپنی کی فنانشل اسٹیٹمنٹس بشمول گزشتہ تین سالوں کی سالانہ رپورٹس سرمایہ داروں کی معلومات کیلئے کمپنی کی ویب سائٹ www.millat.com.pk پر موجود ہے۔

بحکم بورڈ

چیف ایگزیکٹو

چیئرمین

لاہور

05 ستمبر, 2019

سرمایہ کاری کی رقم میں وصول شدہ انٹرسٹ شامل ہے۔

ض۔ سال بھر کے دوران ڈائریکٹرز کی جانب سے کی گئی حصص کی خریداری اور فروخت ذیل میں درج ہے۔

حصص کی خریداری

	خریدے گئے حصص کی تعداد
جناب سکندر مصطفیٰ خان، ڈائریکٹر	122,000
جناب سہیل بشیر رانا، ڈائریکٹر	10,000
جناب لئیق الدین انصاری، ڈائریکٹر	156,586
جناب ایس ایم عرفان عقیل، سی ای او	7,461
مسز عنبرین وحید، ڈائریکٹر	552
مسز عائشہ سہیل (زوجہ جناب سہیل بشیر رانا، ڈائریکٹر)	20,000
مسز شیریں شاہ عقیل (زوجہ جناب ایس ایم عرفان عقیل، سی ای او)	3,500
جناب محمد فیصل عظیم، کمپنی سیکرٹری	723
جناب سہیل احمد نثار، سی ایف او	6,380

حصص کی فروخت

	فروخت کئے گئے حصص کی تعداد
جناب لطیف خالد ہاشمی، ڈائریکٹر	165,000

ضابطہ اخلاق:

پروفیشنل اسٹینڈرڈز اور کارپوریٹ اقدار کے فروغ، سینئر مینجمنٹ، دیگر ملازمین اور بورڈ کی سلمیت برقرار رکھنے کے لئے بورڈ نے ایک ضابطہ اخلاق کی منظوری دی ہے جس میں قابل قبول اور نا قابل قبول عمل کی وضاحت کی گئی ہے۔ یہ ضابطہ اخلاق کمپنی کی ویب سائٹ پر بھی موجود ہے۔

کارپوریٹ گورننس کے ضابطہ اخلاق کی تعمیل کا بیان

30 جون 2019, کو ختم ہونے والے سال کیلئے سٹاک ایکسچینج کی جانب سے مقرر کردہ کوڈ آف کارپوریٹ گورننس کے تقاضوں کی تعمیل کی گئی ہے۔ اِس سے متعلق ایک بیان رپورٹ کے ساتھ علیحدہ سے منسلک ہے۔

چیئرمین کا جائزہ

آپ کی کمپنی کے ڈائریکٹرز چیئرمین کے جائزہ کی تائید کرتے ہیں جو کہ ڈائریکٹرز رپورٹ کا حصہ ہے۔

ڈائریکٹرز کا تربیتی پروگرام

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

بعد میں آنے والے واقعات

جیسا کہ اِس رپورٹ میں واضح کیا گیا ہے کہ کمپنی کے مالیاتی سال مختتمہ اور اِس 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 مختتمہ 30 جون, 2019 کی سالانہ رپورٹ میں کسی بھی گروپ کمپنی کے بارے 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 مدِنظر رکھتے ہوئے درج ذیل قوائد 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 اِس میں درج مالیاتی گوشوارے، کمپنی کے معاملات، کاروباری سرگرمیوں کے نتائج، کیش فلو اور ایکویٹی میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔

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

پ۔ اِن مالیاتی گوشواروں کی تیاری میں ضروری اور مخصوص اکاؤنٹنگ پالیسیوں کی پیروی کی گئی ہے ماسوائے مالیاتی گوشواروں کی شق 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۔ اِن مالیاتی گوشواروں کی تیاری میں بین الاقوامی فنانشل رپورٹنگ اسٹینڈرڈ 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 اِس کا مئوثر اطلاق اور نگرانی کی جاتی ہے۔

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

س۔ متعین شدہ اصول وضوابط میں درج کارپوریٹ گورننس کے رہنما اصولوں سے اِنحراف نہیں کیا گیا۔

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

ص۔ 30 جون 2019 کو آڈیٹڈ اکاؤنٹس کی بنیاد پر پراویڈنٹ, گریجویٹی، پنشن فنڈز کی سرمایہ کاری کی مالیت درج ذیل ہے۔

پراویڈنٹ فنڈ	469,211,311 روپے
گریجویٹی فنڈ	330,064,137 روپے
پنشن فنڈ	1,024,222,728 روپے

منافع کے مستقبل کے امکانات

روپے کی قدر میں غیر معمولی حد تک کمی اور دوسرے معاشی خطرات کے باوجود بھی ٹریکٹرز کی فروخت کا رجحان اگلے مالی سال میں بھی اسی طرح رہنے کا امکان ہے۔ کیونکہ بنیادی طور پر زرعی پیداوار کا انحصار پانی کی دستیابی اور موسموں کی متوقع تبدیلی پر ہے۔

کمپنی نئی مارکیٹوں میں برآمدات کے ذریعے اپنے مارکیٹ شیئر میں اضافے اور اُن مارکیٹوں میں بعداز فروخت تعاون کے فروغ کی توقع رکھتی ہے۔

موزوں داخلی مالیاتی کنٹرولز

ملت ٹریکٹرز 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 قابلِ اعتبار اکاؤنٹنگ ریکارڈز بزنس کے اندر رہتے ہوئے استعمال کیلئے دستیاب ہیں۔
- آپریشنل بزنس کے اندر ایک مناسب کنٹرول میکانزم تشکیل دیا گیا ہے۔
- کمپنی کے اندر ترتیب دیئے جانے والا 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
- ربیع و خریف کی فصل کی پیداوار
- سپلائی چین کی کارکردگی
- سی پیک اور دوسرے ترقیاتی منصوبے

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 اگر زیادہ مشکل نہ بھی ہوا تو کم از کم رواں مالی سال جتنا مشکل ضرور ہوگا۔

ڈیوٹی اور ٹیکسز

ٹیکسز اور لیویز کے بارے میں معلومات منسلک مالیاتی سٹیٹمنس کے متعلقہ نوٹس میں دی گئی ہیں۔

آڈیٹرز

موجودہ آڈیٹرز ایم ایس فرگ سن 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 غور وخوض کرنے کی غرض سے ان کے تقرر کا معاملہ اگلی اینول جنرل میٹنگ میں شیئر ہولڈرز کے روبرو رکھنے کا فیصلہ کیا ہے۔ ایکسٹرنل آڈیٹرز نے توثیق کی ہے کہ انہیں انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹینٹس پاکستان کے کوالٹی کنٹرول ریویو کی جانب سے تسلی بخش ریٹنگ ملی ہے، نیز وہ آڈٹ اوورسائیٹ بورڈ پاکستان سے رجسٹرڈ ہیں اور اپنے دوبارہ تقرر کی پیشکش کرنے کے اہل ہیں۔

پاکستان میں ٹیکس کا نظام

سال 2018-2019 کے سالانہ مالیاتی بجٹ میں ٹیکس نیٹ کی وصولی کیلئے اُٹھائے جانے والے اِقدامات ملکی معیشت کے استحکام کے لئے کارگر اور کارآمد ثابت ہوں گے۔ تاہم ٹریکٹر انڈسٹری کو ٹیکس کے حوالے سے مستقل طور پر مسائل کا سامنا ہے۔ سیلز ٹیکس ری فنڈ کے نظام پر عمل درآمد کے لئے کوئی ٹھوس اِقدامات نہیں اُٹھائے گئے اور نہ ہی فوری کلیئرنس کے حوالے کوئی خاص لائحہ عمل پیش کیا گیا ہے۔

گلوبل وارمنگ

اگر ملکی اور بین الاقوامی سطح پر گلوبل وارمنگ کے مسئلے کو ترجیح بنیادوں پر حل نہ کیا گیا تو تمام تر انسانی ایجادات اور کامیابیاں بے کار اور غیر کارآمد ثابت ہو جائیں گی۔ گزشتہ سالوں کے دوران اِس سیارے کے درجہ حرارت میں غیر معمولی اضافے کی سب سے بڑی وجہ گرین ہاؤس گیس (GHG) کا اِخراج اور جنگلات کی کٹائی ہے۔

اگر چہ پاکستان GHGs کا دیگر مما لک کی نسبت کم اخراج کرتا ہے اور بین الاقوامی درجہ بندی میں 31 ویں نمبر پر ہے[1]۔ اِس لئے ہمارا ملک گلوبل وارمنگ کے لئے حوالے سے گراؤنڈ زیرو کا درجہ حاصل کر لے گا۔ تاہم بڑھتا ہوا درجہ حرارت، خشک سالی، سیلاب، غیر متوقع بارشیں، جنگلات کا کٹاؤ اور ہمالیہ گلیشیئرز کا تیزی سے پگھلنا وہ بنیادی عناصر ہیں جو مشترکہ طور پر پاکستان کو خطرناک حد تک گلوبل وارمنگ کا شکار بنا سکتے ہیں۔

اِن خطرناک حقائق کو مدِ نظر رکھتے ہوئے ہمیں گلوبل وارمنگ کے خطرے سے نمٹنے کے لئے فوری اور ٹھوس اقدامات اُٹھانے کی ضرورت ہے۔

مالیاتی خطرات

مالیاتی خطرات وہ ہیں جن سے کمپنی کو مالی نقصان کا اندیشہ ہو۔ منسلکہ فنانشل اسٹیٹمنٹس کے نوٹ نمبر (43) میں مالیاتی خطرات کے بارے میں تفصیل سے بیان کیا گیا ہے جس میں مارکیٹ، کریڈٹ اور لیکویڈیٹی خطرات شامل ہیں۔

کمپلائنس خطرات

قوائد وضوابط کی تعمیل نہ کرنے کی صورت میں انضباطی کارروائی کا احتمال ہوسکتا ہے۔ اسی لئے کمپنی اِس سلسلے میں اپنی پالیسیز سرگرمیوں اور رویہ جات پر ہرگز سمجھوتہ نہیں کرتی۔ مزید براں 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 اِس 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

اِس سال کے دوران کمپنی کی بنیادی سرگرمی میں کوئی تبدیلی رونما نہیں ہوئی۔ تاہم ای آر پی سیگمنٹ کو ایک مکمل طور پر فعال پرافٹ سنٹر کے طور پر متعارف کروایا گیا ہے اور اِس سال کے دوران اِس کے پہلے پراجیکٹ کو کامیابی سے مکمل کیا گیا ہے۔ سپیئر پارٹس ڈویژن نے اِس سال کے دوران اب تک کی سب سے زیادہ سیلز کو ممکن بنا کر اِس عزم کا اظہار کیا ہے کہ بعد از فروخت تعاون کی بروقت فراہمی ہماری کمپنی کی اوّلین ترجیحات میں شامل ہے۔

1- ذرائع۔۔۔ رپورٹ منجانب ایشین ڈویلپمنٹ بینک

حقیقی اخراجات کی ادائیگی

نان ایگزیکٹویا آزاد ڈائریکٹرز کو فکسڈ الاؤنس کی مد میں یا پھر بورڈ/ کمیٹی میٹنگز میں شرکت کے لئے سفری، رہائشی یا دیگر حقیقی اخراجات کے عوض معاوضہ دیا جائے گا۔

مالیاتی سال 2019 کے دوران کمپنی کی کارکردگی اور کاروبار میں ترقی سے متعلق سرگرمیاں

کمپنی بنیادی طور پر زرعی ٹریکٹرز اور فارم کے سامان کی مینوفیکچرنگ اور اسمبلنگ کے ساتھ ساتھ ملٹی اپلی کیشن پراڈکٹس جیسا کہ فورک لفٹ ٹرک اور جنریٹرز بھی تیار کرتی ہے۔ کمپنی کی مالیاتی تفصیلات اِس بات کی عکاسی کرتی ہیں کہ کمپنی کے کاروباری معاملات شفاف نوعیت کے ہیں۔ روپے کی قدر میں واضح کمی اور معاشی سرگرمیوں میں انحطاط کی وجہ سے مجموعی معیشت کے ساتھ ساتھ ٹریکٹرانڈسٹری بھی غیر معمولی حد تک زوال پزیر ہوئی ہے۔ موجودہ معاشی صورتحال نے اگرچہ آٹوموبائل سیکٹر کو بری طرح متاثر کیا ہے لیکن مندرجہ ذیل وجوہات کی بناء پر بالخصوص ٹریکٹرانڈسٹری پر انتہائی منفی اثرات مرتب ہوئے ہیں۔

- ربیع کے موسم کے دوران پانی کی قلت
- کماد کی فصل کے لئے ناکافی معاشی تعاون
- جنوبی پنجاب میں بے وقت بارشوں کی وجہ سے گندم کی فصل کا نقصان
- فرٹیلائزرز پر سبسڈی کا خاتمہ

مندرجہ بالا تمام وجوہات کی بناء پر نئے ٹریکٹرز کی خریداری کے لئے کسانوں کی سکتِ خرید میں کمی واقع ہوئی ہے۔ جس کے نتیجے میں ٹریکٹرانڈسٹری تقریباً 29 فیصد تک انحطاط پزیر ہوئی ہے۔

کمپنی کے مجموعی فروخت میں 25% کمی کی ہوئی اور سال 2019 میں 32,019 یونٹس فروخت ہوئے جبکہ گزشتہ سال یہ تعداد 42,705 تھی۔ فروخت میں واضح کمی باوجود بھی نہ صرف کمپنی نے اپنے تمام امور کو بخوبی سرانجام دیا بلکہ بعد از فروخت تعاون اور معیاری مصنوعات کی ڈیلیوری کی بنیاد پر کمپنی کے مارکیٹ شیئر بھی 61 فیصد سے 64 فیصد تک پہنچ گئے۔

پروڈکشن اخراجات میں اضافے کے باعث سال 2019 میں گروس پرافٹ مارجن میں 21.90% کے مقابلے میں 19.09% تک کمی واقع ہوئی ہے۔ جسکی ایک بڑی وجہ روپے کی قدر میں غیر معمولی کمی اور پروڈکشن کے لئے مطلوبہ خام مال کی قیمتوں میں غیر معمولی اضافہ ہے۔

اِس عرصے کے دوران سیلز کا خالص منافع 11.68% رہا جو گزشتہ سال 13.85 فیصد تھا۔ خالص منافع میں اِس کمی کی بڑی وجہ اِس سال سرمائے کی لاگت میں اضافہ اور دیگر آمدنی میں کمی ہے۔
ملت ٹریکٹرز لمیٹڈ (MTL) مقامی معیشت کے فروغ کے لئے ہمیشہ سے اپنا مثبت کردار ادا کرتی رہی ہے اور ایک ہی عزم لئے سرگرمِ عمل ہے کہ فارن ایکسچینج کی بچت کی جائے اور سستی سے سستی مصنوعات کی پروڈکشن کو یقینی بنایا جائے۔

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۔

3۔ فنانس کمیٹی

مسٹر لطیف خالد ہاشمی، چیئرمین

مسٹر لئیق الدین انصاری، ممبر

میاں محمد سلیم، ممبر

ایس ایم عرفان عقیل، ممبر

4۔ مارکیٹنگ کمیٹی

مسٹر سہیل بشیر رانا، چیئرمین

مسٹر لطیف خالد ہاشمی، ممبر

میاں محمد سلیم، ممبر

ایس ایم عرفان عقیل، ممبر

5۔ گروپ سپرویژن کے لئے بورڈ کمیٹی

مسٹر سکندر مصطفٰی خان، چیئرمین

مسٹر لطیف خالد ہاشمی، ممبر

مسٹر سہیل بشیر رانا، ممبر

مسٹر لئیق الدین انصاری، ممبر

میاں محمد سلیم، ممبر

ڈائریکٹرز کی معاوضہ پالیسی:

بورڈ کی منظوری کے مطابق نان ایگزیکٹو ڈائریکٹرز اور آزاد ڈائریکٹرز کی معاوضہ پالیسی مندرجہ ذیل ہے۔

نان ایگزیکٹو ڈائریکٹرز (بشمول آزاد ڈائریکٹرز)

کمپنی کے نان ایگزیکٹو یا آزاد ڈائریکٹرز کو کسی بھی معاوضہ یا فیس کی ادائیگی مندرجہ ذیل اصول کے مطابق کی جائیگی۔

میٹنگ فیس

کمپنی کے آرٹیکلز آف ایسوسی ایشن کے مطابق نان ایگزیکٹو یا آزاد ڈائریکٹرز بورڈ یا کمیٹی کی میٹنگ میں شمولیت کے لئے فیس کی صورت میں معاوضہ وصول کریں گے۔

اضافی خدمات کی انجام دہی

اضافی خدمات کی انجام دہی کے لئے نان ایگزیکٹو ڈائریکٹرز کو پیش کئے جانے والا معاوضہ وقتاً فوقتاً کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے طے کیا جائے گا جسکا انحصار نان ایگزیکٹو ڈائریکٹرز کی اضافی کوشش اور اضافی وقت پر ہوگا۔

ڈائریکٹرز کے نام

1۔ مسٹر سکندر ایم خان۔چیئرمین (نان ایگزیکٹو ڈائریکٹر)

2۔ سید محمد عرفان عقیل۔سی ای او (ایگزیکٹو ڈائریکٹر)

3۔ مسٹر لطیف خالد ہاشمی۔(نان ایگزیکٹو ڈائریکٹر)

4۔ مسٹر سہیل بشیر رانا۔(ایگزیکٹو ڈائریکٹر)

5۔ مسٹر لئیق الدین انصاری۔(نان ایگزیکٹو ڈائریکٹر)

6۔ میاں محمد سلیم۔(نان ایگزیکٹو ڈائریکٹر)

7۔ مسٹر سعد اقبال۔(خودمختار ڈائریکٹر)

8۔ مسز عنبرین وحید۔(خودمختار ڈائریکٹر)

30 اکتوبر، 2018 کو منعقدہ سالانہ جنرل میٹنگ میں ہونے والے الیکشن کے بعد ڈائریکٹرز کے موجودہ بورڈ کی تعیناتی ہوئی جبکہ ڈائریکٹرز کے الیکشن کے بعد بورڈ کی ساخت میں کسی قسم کی کوئی تبدیلی نہیں کی گئی۔

بورڈ کمیٹیز

30 جون، 2019 تک بورڈ کمیٹیز کے ممبران کے نام مندرجہ ذیل ہیں۔

1۔آڈٹ کمیٹی

مسٹر سعد اقبال، چیئرمین
مسٹر لطیف خالد ہاشمی، ممبر
مسٹر لئیق الدین انصاری، ممبر
مسز عنبرین وحید، ممبر

2۔ہیومن ریسورس اینڈ ریمنریشن کمیٹی

مسٹر سعد اقبال، چیئرمین
مسٹر لئیق الدین انصاری، ممبر
میاں محمد سلیم، ممبر
ایس ایم عرفان عقیل، ممبر
مسز عنبرین وحید، ممبر

ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز

ڈائریکٹرز 30 جون، 2019 کو مکمل ہونے والے سال کیلئے کمپنی کے آڈیٹڈ مالیاتی گوشواروں پر مبنی 56 ویں سالانہ رپورٹ پیش کرنے پر خوشی محسوس کرتے ہیں۔

شیئر کی تخصیص

آپ کے ڈائریکٹرز نے حتمی کیش ڈیویڈنڈ 40.00 روپے فی حصص 400 فیصد اور بونس شیئرز 12.5 فیصد کے حساب سے تجویز کیا ہے۔ یہ رقم عبوری کیش ڈیویڈنڈ 45.00 روپے فی شیئر (450 فیصد) کے علاوہ ہے۔ اس طرح بطور کیش ڈیویڈنڈ کل رقم روپے 85.00 فی شیئر (850 فیصد) ہوگی۔ اور بونس شیئرز 12.5 فیصد کے حساب سے ہونگے۔

سال کے دوران رقم کی تخصیص درج ذیل ہے۔

(رقم ہزاروں میں)		
	جنرل ریزرو	غیر مختص منافع
اوپننگ بیلنس:	2,278,935	2,806,293
منفی: سال 2018 کے حتمی ڈیویڈنڈ 600 فیصد		(2,657,553)
جنرل ریزروز میں منتقلی		
	2,278,935	148,740
ختم ہونے والے مالی سال 30 جون، 2019 کا منافع		3,888,982
منفی: سال 2019 کے عبوری ڈیویڈنڈ 450 فیصد		(1,993,165)
غیر منافع منقسمہ کیری فارورڈ	2,278,935	2,044,557

فی حصص آمدن

30 جون 2019 کو ختم ہونے والے سال میں فی حصص آمدنی 82.14 روپے رہی جو کہ گزشتہ سال 120.43 روپے تھی۔

بورڈ آف ڈائریکٹرز

30 جون، 2019 تک بورڈ 8 ڈائریکٹرز پر مشتمل ہے۔

(ا) مرد 7

(ب) خاتون 1

ساخت:

i۔ خودمختار ڈائریکٹرز 2

ii۔ دیگر نان ایگزیکٹو ڈائریکٹرز 4

iii۔ ایگزیکٹو ڈائریکٹرز 2

CORPORATE
SOCIAL RESPONSILITY 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.100,000/- to Cadet College, Larkana, for financial assistance to needy students. Additionally, following educational/skill development and training activities were also supported:

- Train the Trainer program, spread over 15 days, was organized for the faculty members of Infinity School of Engineering to impart technical training on Mechanical/Electrical Maintenance of Tractors.
- Internship opportunity was provided to 400 - 500 students of various disciplines, imparting practical knowledge related to their studies.
- "Speak Out for Engineers" program of IMechE was sponsored with a contribution of Rs.850,000.
- A contribution of Rs.383,000/- was given to Hunar Foundation for technical skills up gradation of its students.

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 like Annual Chrysanthemum Flower Show organized in Lahore. Various sports activities were encouraged by the Company to bring the people together from various communities. A sum of Rs.2,000,000 has been spent to sponsor Golf and Polo Tournament.

In order to facilitate the Medical Camps organized by different welfare organizations, an amount of Rs.100,000 was contributed. Pakistan Cattle show was also sponsored with an amount of Rs.287,000.

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 proactively 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 Family 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. A total of 3 personnel with special physical needs have been employed by Millat Tractors.

Safety and Occupational Health

MTL urges its workers to be vigilant and careful to ensure the well being 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.

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; Agriculture Finance Mela, Kissan Mela, Pakistan Agri Horti exhibition, Pakistan Foundry Association exhibition, Potato growers exhibition, and Spring festival.


MILLAT TRACTORS

کاروباری اوراخلاقی اصولوں کی پاسداری اورتمام تر قانونی اقدامات کویقینی بنانے کے لئے کمپنی نے ایک باقاعدہ ضابطہ اخلاق ترتیب دیاہے۔ یہ ضابطہ اخلاق کمپنی کی فارمل گورننس اورملت کے طرزِکاروبارکا بنیادی جزوہے۔

اِس ضابطہ اخلاق میں یہ بھی واضح کیا گیا ہے کمپنی اپنے تمام ترعزائم اورمقاصدکو پوراکرناچاہتی ہے کیونکہ کارپوریٹ کلچرکومطلوبہ سمت میں لے جانے کے لئے درست طرزِکاراوربہترین لیڈرشپ رویہ بنیادی کرداراداکرتاہے۔

یہ ضابطہ اخلاق اُس معیاراوراُن بنیادی اصولوں کی وضاحت بھی کرتاہے جن کی بنیاد پرہم اپنی کمپنی میں اہم اقدارکواجاگرکرتے ہیں۔اِن اصولوں اورمعیارات کو دیگرانتظامی دستاویزات میں بھی شامل کیاگیاہے۔

اِس ضابطہ اخلاق کی ترتیب کا مقصدملازمین کو یہ سکھانا ہے کہ وہ کس طرح اپنے کسٹمرز،سپلائرز،کلائنٹس،کوورکرز،مینجمنٹ اورعام لوگوں کے ساتھ تعلقات استوارکریں۔ضابطہ اخلاق میں بہترین رویہ رکھنےاور خلاف ورزی پرجرمانے کے بارے میں بھی ملازمین کوآگاہ کیاگیاہے۔

کارپوریٹ سیکٹرسے متعلق مختلف سرگرمیاں

کمرشل سرگرمیوں کے ساتھ ساتھ کمپنی نے ذرعی شعبے میں آگہی اورمعلومات کے فروغ کیلئے بھی اپنا بھرپورکرداراداکیاہے۔اِس سلسلے میں کمپنی نے ایگریکلچرفنانس میلہ،کسان میلہ،پاکستان ایگری ہارٹی ایگزیبیشن،پاکستان فاؤنڈری ایسوسی ایشن ایگزیبیشن،پوٹیٹوگروورزا ایگزیبیشن اورسپرنگ فیسٹیول جیسی کئی دیگرتقریبات اورنمائشوں میں شرکت کی اورتعاون بھی فراہم کیا۔

مختلف گالف ٹورنامنٹس کے سپنسرز کے لئے 2 ملین روپے دیے تا کہ غیر نصابی سرگرمیوں کی اہمیت کو اجاگر کر کے مختلف کمیونٹیز کے لوگوں کو ایک ساتھ اکٹھا کیا جا سکے۔

مزید براں مختلف فلاح اداروں کی جانب سے منعقدہ میڈیکل کیمپس کے لئے 100,000 روپے کا تعاون فراہم کیا گیا جبکہ اسکے ساتھ ساتھ کمپنی نے پاکستان میلہ مویشیاں کے لئے 287,000 روپے کی رقم دی۔

صارف کا تحفظ

کمپنی کے پاس پاکستان بھر میں کسی بھی دوسرے مینوفیکچر کی نسبت پروڈکشن کی جدید ترین اور سب سے زیادہ سہولیات موجود ہیں۔ 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 تا کہ مارکیٹ سے ملنے والی تنقید کی بنیاد پر پراڈکٹس میں آنے والی مختلف خرابیوں کا ازالہ کیا جا سکے۔ اس کے ساتھ ساتھ کسٹمرز کی سہولت 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 براں کمپنی نے صارفین کی توقعات پر پورا اُترنے اور سال بھر کے دوران پراڈکٹ میں بہتری کی تدابیر کرنے کے لئے اپنے بنیادی 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 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 ان کے مذہبی تہواروں پر مناسب چھٹیاں اور مالی معاونت فراہم کرتی ہے۔ اس کے علاوہ ملازمین حج سکیم کے تحت حج پر جانے کی سعادت بھی حاصل کرتے ہیں۔ 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

ایم ٹی ایل تمام افراد کو روزگار کے یکساں مواقع فراہم کرتی ہے اور اس بات کو یقینی بناتی ہے کہ جسمانی معذور افراد کو بھی کام کرنے کے سازگار مواقع فراہم کئے جائیں۔ اس وقت ایم ٹی ایل میں ایسے 3 افراد کام کر رہے ہیں جو کسی نہ کسی حوالے سے جسمانی معذوری کا شکار ہیں۔

پیشہ ورانہ تحفظ اور صحت

ایم ٹی ایل کی یہ کوشش ہوتی ہے کہ اس کے ملازمین اپنی اور اپنے ساتھ موجود دیگر ملازمین کی حفاظت کا خیال رکھیں۔ تمام نمائندے صحت اور حفاظت کے اصولوں پر عملدرآمد کرتے ہیں۔ کام فیکٹری 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۔

کرپشن فری ماحول اور بنیادی اخلاقیات

ایم ٹی ایل کاروبار سے متعلقہ تمام تر اخلاقی اقدار پر مکمل یقین رکھتے ہوئے کسی بھی قسم کی لاقانونیت اور بدعنوانی کی مذمت کرتی ہے۔ اِس لئے کمپنی ایسے ہر اِقدام کی حوصلہ شکنی کرتی ہے جو کاروباری اقدار کی خلاف ورزی کرتا ہو۔ کمپنی اِس بات کے لئے پرعزم ہے کہ شفافیت، عدل اور دیانت داری کے تمام اصولوں کی پاسداری کی جائے۔

سی ایس آر رپورٹ

کارپوریٹ منصوبوں کو برقرار رکھنا

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 ،سیفٹی اور سکیورٹی ،بہترین ماحول کے لئے کاربن فٹ پرنٹ 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 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 ،کمیونٹیز اور ماحول پر اس کا مثبت اثر ہو۔کمپنی اپنے (سی ایس آر پروگرام) جس میں رفاعی وغیر رفاعی سرگرمیاں شامل ہیں میں کارپوریٹ سٹیزن شپ 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 سرانجام دے رہی ہے۔ چلڈرن ایجوکیشن ایوارڈز اسکیم بھی اِن قدام میں سے ایک ہے جس کے ذریعے کمپنی ملازمین کے بچوں کو سہولیات فراہم کرتی ہے اور اُنکی تعلیم کے لئے سکالرشپ ایوارڈز 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 ہوسکتا ہے۔اِس لئے کمپنی اپنے ملازمین کے اوقاتِ کار میں نرمی پیدا کرتا ہے اور تعلیم کے حصول کے لئے اُنکی مدد کرتا ہے۔تا کہ اُن کی زندگی اور اُنکی ملازمت کے درمیان ایک توازن پیدا ہو سکے۔

مزید براں کمپنی نے ضرورت مند طلباء کی تعلیمی امداد کے لئے کیڈٹ کالج لاڑکانہ کو ایک لاکھ روپے بطور عطیہ پیش کئے۔اِس کے ساتھ ساتھ مندرجہ ذیل تعلیمی اور تربیتی سرگرمیوں کے لئے بھی کمپنی کی جانب سے غیر معمولی تعاون فراہم کیا گیا۔

- انفینٹی اسکول آف انجینیئرنگ کے فیکلٹی ممبران کے لئے "Train the Trainer" کے عنوان سے 15 روزہ تربیتی پروگرام منعقد کیا گیا جس میں ٹریکٹرز کی مکینیکل / الیکٹریکل کی حوالے سے تکنیکی تربیت فراہم کی گئی۔
- مزید براں مختلف شعبہ جات کے 400 سے 500 طلباء کو عملی تعلیم کے حوالے سے انٹرنشپ کے مواقع فراہم کئے گئے۔
- IMechE کے پروگرام "Speak Out for Engineers" کو سپانسر شپ کی مد میں 8 لاکھ 50 روپے کا تعاون فراہم کیا گیا۔
- طلباء کی تکنیکی مہارت کو بڑھانے کیلئے لئے ہنر فاؤنڈیشن کو 383,000 روپے کا مالی تعاون فراہم کیا گیا۔

ماحولیاتی تحفظ سے متعلق اقدامات

گلوبل وارمنگ کے بڑھتے ہوئے خطرے اور ماحول پر اسکے اثرات کے پیشِ 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 فیکٹری کے احاطہ میں پودے لگائیں بلکہ اُنکی افزائش کے لئے مکمل دیکھ بھال بھی کر سکیں۔

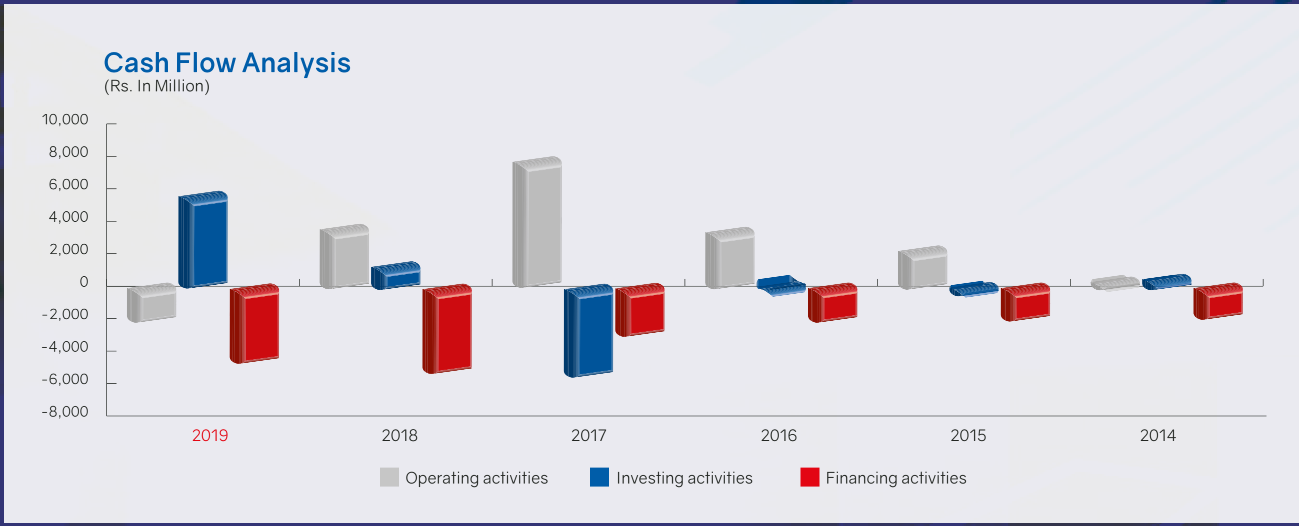
اِسکے ساتھ ساتھ کمپنی نے نامیاتی کاشتکاری کے لئے اِن ہاؤس نرسریز اور ویجیٹیبل فارمز بھی بنائے ہیں جبکہ کمپنی سال بھر کے دوران ماحولیاتی / پھولوں کی نمائش میں بڑھ چڑھ کر حصہ لیتی ہے۔

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۔اِس سلسلے میں سالانہ گل داؤدی شو کی طرح لاہور میں سالانہ فلاورشوز کا اہتمام کیا گیا۔اِسکے علاوہ کمپنی نے

SUMMARY OF **CASH FLOWS**

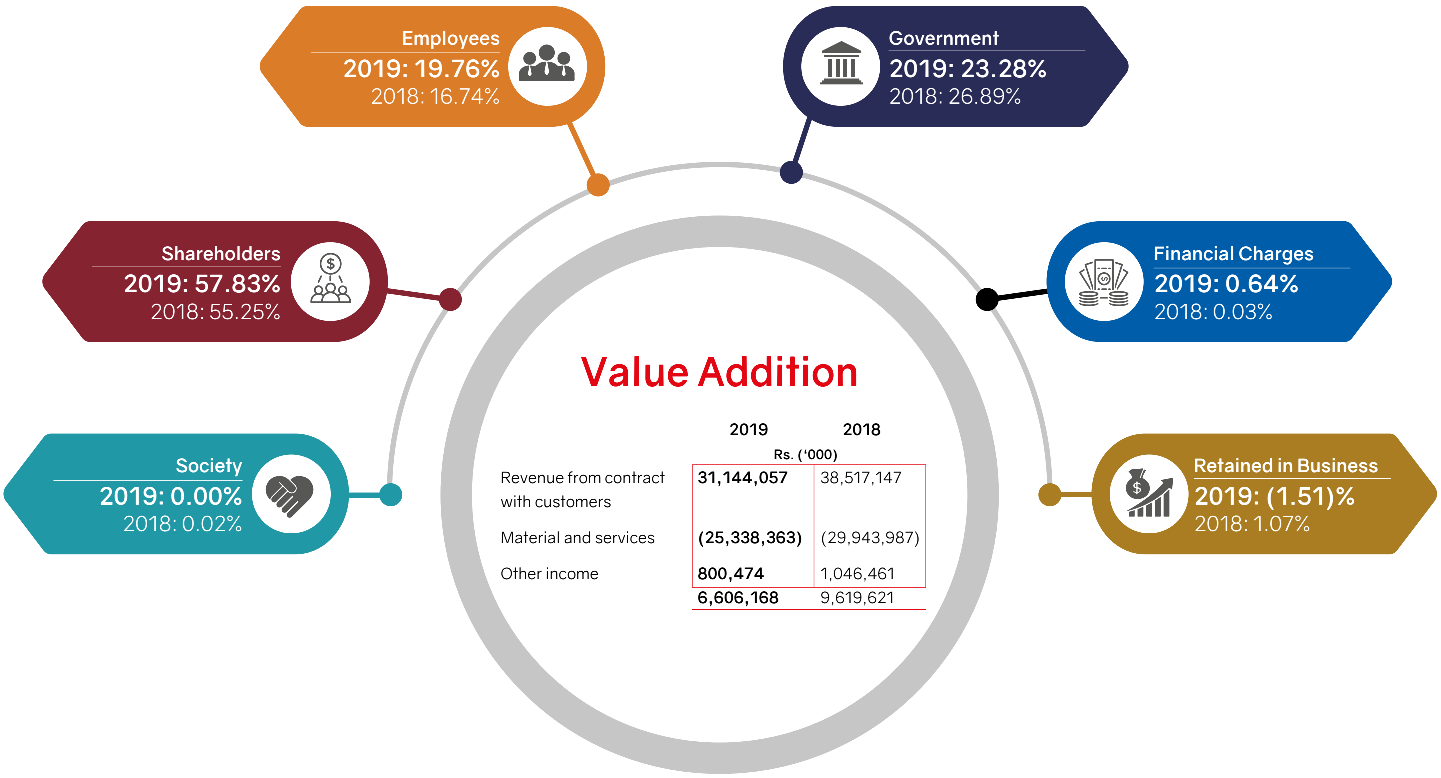
	2019	2018	2017	2016	2015	2014
						(Rupees in thousand)
Net Cash from / (Used in)						
Operating activities	(2,030,323)	3,655,560	7,900,148	3,468,778	2,294,250	365,624
Investing activities	5,734,138	1,296,563	(5,483,184)	42,456	(371,970)	512,669
Financing activities	(4,611,967)	(5,252,986)	(2,918,213)	(2,031,152)	(1,958,284)	(1,847,699)
Net increase / (decrease) in						
cash and cash equivalent	(908,152)	(300,863)	(501,249)	1,480,082	(36,004)	(969,406)
Cash and cash equivalent at						
the beginning of the year	1,760,140	2,061,003	2,562,252	1,082,170	1,118,174	2,087,580
Cash and cash equivalent at						
the end of the year	851,988	1,760,140	2,061,003	2,562,252	1,082,170	1,118,174



SIX YEARS **AT A GLANCE**

		2019	2018	2017	2016	2015	2014
Profit & Loss Summary							
Revenue from contract with customers	Rs thousand	31,144,057	38,517,147	30,013,921	16,913,832	22,937,917	16,589,996
Gross profit	Rs thousand	5,946,367	8,434,775	7,097,329	3,335,860	4,396,469	2,976,691
Operating profit	Rs thousand	5,124,905	7,782,358	6,244,414	2,636,106	3,601,749	2,262,688
Profit before tax	Rs thousand	5,082,861	7,779,868	6,242,233	2,620,806	3,592,389	2,183,480
Profit after tax	Rs thousand	3,638,045	5,334,362	4,257,533	1,750,298	2,382,421	1,481,864
Earning before interest, tax, depreciation & amortization (EBITDA)	Rs thousand	5,205,787	7,864,556	6,315,879	2,701,146	3,673,462	2,322,428
Balance Sheet Summary							
Share capital	Rs thousand	442,926	442,926	442,926	442,926	442,926	442,926
General reserves	Rs thousand	2,278,935	2,278,935	2,278,935	2,895,519	3,116,706	3,263,551
Property, plant & equipment	Rs thousand	718,559	700,763	717,873	448,130	485,721	481,293
Other Non current assets	Rs thousand	1,891,604	994,243	790,395	882,548	984,201	1,115,518
Current assets	Rs thousand	7,964,021	14,876,359	15,622,341	8,320,644	6,239,303	5,421,289
Current liabilities	Rs thousand	5,728,286	10,822,231	11,350,121	5,407,391	2,976,973	2,500,805
Net working capital	Rs thousand	2,235,735	4,054,128	4,272,220	2,913,253	3,262,330	2,920,484
Long term / deferred liabilities	Rs thousand	12,731	94,310	30,635	102,171	20,809	29,437
Profitability Ratios							
Gross profit	%	19.09	21.90	23.65	19.72	19.17	17.94
Operating profit	%	16.46	20.20	20.81	15.59	15.70	13.64
Profit before tax	%	16.32	20.20	20.80	15.50	15.66	13.16
Net profit after tax	%	11.68	13.85	14.19	10.35	10.39	8.93
EBITDA margin	%	16.72	20.42	21.04	15.97	16.01	14.00
Operating leverage	%	1.79	0.87	1.77	1.02	1.55	1.12
Return on equity	%	75.27	94.33	74.05	42.26	50.57	33.02
Return on capital employed	%	107.52	165.35	112.08	65.08	77.52	50.90
Return on assets	%	48.07	46.95	36.44	27.15	46.60	31.11
Liquidity Ratios							
Current	Times	1.39:1	1.37:1	1.38:1	1.54:1	2.1:1	2.17 : 1
Quick / Acid test	Times	0.81:1	0.98:1	1.04:1	1.05:1	1.24:1	1.15 : 1
Cash to current liabilities	Times	0.15:1	0.05:1	0.18:1	0.47:1	0.36:1	0.45 : 1
Cash flow from operations to sales	Times	0.07:1	0.09:1	0.26:1	0.21:1	0.10:1	0.02 : 1
Activity / Turnover Ratios							
Inventory turnover ratio	Times	6.10	7.36	7.14	5.23	7.28	5.15
No. of Days in Inventory	Days	60	50	51	70	50	71
Debtor turnover ratio	Times	555.08	310.12	127.99	71.00	149.87	30.28
No. of Days in Receivables	Days	1	1	3	5	2	12
Creditor turnover ratio	Times	18.13	32.17	23.44	13.79	19.99	7.51
No. of Days in Creditors	Days	20	11	16	26	18	49
Total assets turnover ratio	Times	2.95	2.32	1.75	1.75	2.98	2.36
Fixed assets turnover ratio	Times	42.58	52.95	41.41	25.12	32.99	23.91
Operating cycle	Days	40	39	38	48	34	34
Investment / Market Ratios							
Earning per share (after tax)	Rs	82.14	120.43	96.12	39.52	53.79	33.46
Price earning	Times	10.50	9.86	14.30	14.43	12.75	14.92
Dividend yield	%	11.07	9.58	9.59	8.61	8.93	7.96
Dividend payout ratio (after tax)	%	127.84	99.64	98.83	126.53	97.60	119.56
Dividend cover	Times	0.97	1.00	0.80	0.79	1.02	0.64
Cash Dividend per share	Rs	105	120	95	50	52.5	40.00
Bonus per share	%	12.50	-	-	-	-	-
Market value per share:							
Year end	Rs	862.38	1,188.06	1,374.44	570.25	685.82	499.13
During the year:							
Highest	Rs	1,254.39	1,430.00	1,575.99	705.00	710.99	571.54
Average	Rs	948.36	1,253.16	991.10	580.95	587.99	502.64
Lowest	Rs	751.75	1,050.00	538.00	460.00	465.00	433.73
Break-up value per share (With surplus on revaluation of fixed assets)	Rs	109.12	127.67	129.82	93.51	106.37	101.32
Capital Structure Ratios							
Debt to Equity ratio	Times	0 : 100	0 : 100	0 : 100	0 : 100	0 : 100	0 : 100
Financial charges coverage	Times	132	149,614	29,726	245	444	29.14

STATEMENT OF VALUE **ADDITION & ITS DISTRIBUTION**



Value Addition

	2019	2018
	Rs. ('000)	
Revenue from contract with customers	**31,144,057**	38,517,147
Material and services	**(25,338,363)**	(29,943,987)
Other income	**800,474**	1,046,461
	6,606,168	9,619,621

Value Distribution

	2019		2018	
	Rs. ('000)	%	Rs. ('000)	%
Employees				
Salaries wages and amenities	1,033,159	15.64	1,190,671	12.38
Worker's profit participation fund	272,426	4.12	419,904	4.37
	1,305,585	19.76	1,610,575	16.74
Government				
Tax	1,444,816	21.87	2,445,506	25.42
Workers welfare fund	93,225	1.41	140,849	1.46
	1,538,041	23.28	2,586,355	26.89
Share holders				
Cash Dividend	3,764,869	56.99	5,315,106	55.25
Bonus Shares	55,366	0.84	-	-
	3,820,235	57.83	5,315,106	55.25
Financial Charges				
Finance Cost	42,044	0.64	2,490	0.03
	42,044	0.64	2,490	0.03
Society				
Donation	100	0.00	2,100	0.02
	100	0.00	2,100	0.02
Retained in business				
Depreciation	82,353	1.25	83,739	0.87
(Drawn) / Retained profit	(182,190)	(2.76)	19,256	0.20
	(99,837)	(1.51)	102,995	1.07
Total	6,606,168	100.00	9,619,621	100.00

HORIZONTAL **ANALYSIS**

	2019		2018	
	Increase/(Decrease) from last year		Increase/(Decrease) from last year	
	Rs. ('000)	%	Rs. ('000)	%
Statement of Financial Position				
Property, plant and equipment	718,559	2.54	700,763	(2.38)
Capital work in progress	12,827	(51.87)	26,648	282.10
Intangible assets	4,048	100.00	-	(100.00)
Investment property	255,708	-	255,708	-
Long term investments	1,383,879	95.10	709,300	46.47
Long term loans	2,826	9.24	2,587	0.47
Deferred tax asset - net	12,797	100.00	-	-
Employee benefits	219,519	100.00	-	(100.00)
Stores, spares parts and loose tools	150,799	14.88	131,266	10.84
Stock in trade	3,148,589	(24.26)	4,157,062	14.00
Trade debts	46,637	(28.88)	65,578	(66.25)
Loans and advances	113,876	191.76	39,031	(28.37)
Trade deposits and prepayments	46,461	185.35	16,282	(16.98)
Balance with statutory authorities	2,250,219	17.83	1,909,792	(24.41)
Other receivables	87,023	97.25	44,118	(54.63)
Tax refunds due from Government	1,268,429	74.85	725,454	290.27
Short term investments	-	(100.00)	7,267,636	8.18
Cash and bank balances	851,988	63.80	520,140	(74.76)
Total Assets	10,574,184	(36.19)	16,571,365	(3.26)
Share holder's equity	4,833,167	(14.53)	5,654,824	(1.65)
Non Current Liabilities	12,731	(86.50)	94,310	207.85
Current Liabilities	5,728,286	(47.07)	10,822,231	(4.65)
Total Liabilities and Equity	10,574,184	(36.19)	16,571,365	(3.26)
Profit & Loss				
Revenue from contract with customers	31,144,057	(19.14)	38,517,147	28.33
Cost of sales	25,197,690	(16.24)	30,082,372	31.27
Gross profit	5,946,367	(29.50)	8,434,775	18.84
Distribution and marketing expenses	579,004	(8.06)	629,779	17.38
Administrative expenses	446,327	(9.33)	492,280	4.40
Other operating income	800,474	(23.51)	1,046,461	71.53
Other operating expenses	596,605	3.43	576,819	26.79
Operating profit	5,124,905	(34.15)	7,782,358	24.63
Finance costs	42,044	1,588.51	2,490	14.17
Profit before tax	5,082,861	(34.67)	7,779,868	24.63
Taxation	1,444,816	(40.92)	2,445,506	23.22
Profit after tax	3,638,045	(31.80)	5,334,362	25.29

2017		2016		2015		2014	
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)	%
717,873	60.2	448,130	(7.7)	485,721	0.9	481,293	7.3
6,974	(96.9)	225,134	7.4	209,660	(1.3)	212,431	4.1
897	(72.8)	3,295	(14.8)	3,867	(34.3)	5,888	600.1
255,708	-	255,708	-	255,708	-	255,708	-
484,279	22.0	396,928	7.4	369,543	6.9	345,750	(2.4)
2,575	73.6	1,483	(22.4)	1,911	(1.5)	1,941	(6.0)
-	-	-	-	-	-	-	-
39,962	100.0	-	(100.0)	143,512	(51.2)	293,800	22.7
118,431	5.8	111,913	4.5	107,141	(11.4)	120,951	(9.4)
3,646,581	43.3	2,545,484	4.8	2,429,982	(0.2)	2,433,690	(6.5)
194,311	(32.1)	286,194	55.2	184,377	51.5	121,731	(87.5)
54,488	(24.4)	72,071	4.9	68,683	(43.7)	122,047	70.7
19,611	(19.5)	24,366	7.1	22,748	(6.0)	24,198	(11.6)
2,526,588	113.4	1,184,143	54.3	767,295	141.4	317,853	(83.3)
97,246	(7.2)	104,756	70.3	61,506	(48.6)	119,679	38.4
185,886	(70.5)	629,148	(22.8)	815,198	(13.5)	942,966	221.7
6,718,196	739.4	800,317	14.3	700,203	600.2	100,000	(81.9)
2,061,003	(19.6)	2,562,252	136.8	1,082,170	(3.2)	1,118,174	(46.4)
17,130,609	**77.5**	**9,651,322**	**25.2**	**7,709,225**	**9.8**	**7,018,100**	**(31.4)**
5,749,853	38.8	4,141,760	(12.1)	4,711,443	5.0	4,487,858	(7.9)
30,635	(70.0)	102,171	391.0	20,809	(29.3)	29,437	(2.4)
11,350,121	109.9	5,407,391	81.6	2,976,973	19.0	2,500,805	(53.1)
17,130,609	**77.5**	**9,651,322**	**25.2**	**7,709,225**	**9.8**	**7,018,100**	**(31.4)**
30,013,921	77.5	16,913,832	(26.3)	22,937,917	38.3	16,589,996	(26.9)
22,916,592	68.8	13,577,972	(26.8)	18,541,448	36.2	13,613,305	(27.2)
7,097,329	112.8	3,335,860	(24.1)	4,396,469	47.7	2,976,691	(25.8)
536,522	53.2	350,155	(32.0)	515,007	5.7	487,292	(1.4)
471,550	10.9	425,327	1.4	419,320	14.5	366,191	7.7
610,091	124.1	272,249	(32.6)	404,157	35.0	299,483	(0.6)
454,934	131.5	196,521	(25.7)	264,550	65.3	160,003	(33.2)
6,244,414	136.9	2,636,106	(26.8)	3,601,749	59.2	2,262,688	(30.1)
2,181	(85.7)	15,300	63.5	9,360	(88.2)	79,208	22.7
6,242,233	138.2	2,620,806	(27.0)	3,592,389	64.5	2,183,480	(31.2)
1,984,700	128.0	870,508	(28.1)	1,209,968	72.5	701,616	(32.2)
4,257,533	**143.2**	**1,750,298**	**(26.5)**	**2,382,421**	**60.8**	**1,481,864**	**(30.7)**

VERTICAL **ANALYSIS**

	2019		2018	
	Rs. (‘000)	%	Rs. (‘000)	%
Statement of Financial Position				
Property, plant and equipment	718,559	6.8	700,763	4.2
Capital work in progress	12,827	0.1	26,648	0.2
Intangible assets	4,048	0.0	-	-
Investment property	255,708	2.4	255,708	1.5
Long term investments	1,383,879	13.1	709,300	4.3
Long term loans	2,826	0.0	2,587	0.0
Deferred tax asset - net	12,797	0.1	-	-
Employee benefits	219,519	2.1	-	-
Stores, spares parts and loose tools	150,799	1.4	131,266	0.8
Stock in trade	3,148,589	29.8	4,157,062	25.1
Trade debts	46,637	0.4	65,578	0.4
Loans and advances	113,876	1.1	39,031	0.2
Trade deposits and prepayments	46,461	0.4	16,282	0.1
Balance with statutory authorities	2,250,219	21.3	1,909,792	11.5
Other receivables	87,023	0.8	44,118	0.3
Tax refunds due from Government	1,268,429	12.0	725,454	4.4
Short term investments	-	-	7,267,636	43.9
Cash and bank balances	851,988	8.1	520,140	3.1
Total Assets	10,574,184	100.0	16,571,365	100.0
Share holder’s equity	4,833,167	45.7	5,654,824	34.1
Non Current Liabilities	12,731	0.1	94,310	0.6
Current Liabilities	5,728,286	54.2	10,822,231	65.3
Total Liabilities and Equity	10,574,184	100.0	16,571,365	100.0
Profit & Loss				
Revenue from contract with customers	31,144,057	100.0	38,517,147	100.0
Cost of sales	25,197,690	80.9	30,082,372	78.1
Gross profit	5,946,367	19.1	8,434,775	21.9
Distribution and marketing expenses	579,004	1.9	629,779	1.6
Administrative expenses	446,327	1.4	492,280	1.3
Other operating income	800,474	2.6	1,046,461	2.7
Other operating expenses	596,605	1.9	576,819	1.5
Operating profit	5,124,905	16.5	7,782,358	20.2
Finance costs	42,044	0.1	2,490	0.0
Profit before tax	5,082,861	16.3	7,779,868	20.2
Taxation	1,444,816	4.6	2,445,506	6.3
Profit after tax	3,638,045	11.7	5,334,362	13.8

	2017		2016		2015		2014	
	Rs. ('000)	%	Rs. ('000)	%	Rs. ('000)	%	Rs. ('000)	%
	717,873	4.2	448,130	4.6	485,721	6.3	481,293	6.9
	6,974	0.0	225,134	2.3	209,660	2.7	212,431	3.0
	897	0.0	3,295	0.0	3,867	0.1	5,888	0.1
	255,708	1.5	255,708	2.6	255,708	3.3	255,708	3.6
	484,279	2.8	396,928	4.1	369,543	4.8	345,750	4.9
	2,575	0.0	1,483	0.0	1,911	0.0	1,941	0.0
	-	-	-	-	-	-	-	-
	39,962	0.2	-	-	143,512	1.9	293,800	4.2
	118,431	0.7	111,913	1.2	107,141	1.4	120,951	1.7
	3,646,581	21.3	2,545,484	26.4	2,429,982	31.5	2,433,690	34.7
	194,311	1.1	286,194	3.0	184,377	2.4	121,731	1.7
	54,488	0.3	72,071	0.7	68,683	0.9	122,047	1.7
	19,611	0.1	24,366	0.3	22,748	0.3	24,198	0.3
	2,526,588	14.7	1,184,143	12.3	767,295	10.0	317,853	4.5
	97,246	0.6	104,756	1.1	61,506	0.8	119,679	1.7
	185,886	1.1	629,148	6.5	815,198	10.6	942,966	13.4
	6,718,196	39.2	800,317	8.3	700,203	9.1	100,000	1.4
	2,061,003	12.0	2,562,252	26.5	1,082,170	14.0	1,118,174	15.9
	17,130,609	**100.0**	**9,651,322**	**100.0**	**7,709,225**	**100.0**	**7,018,100**	**100.0**
	5,749,853	33.6	4,141,760	42.9	4,711,443	61.1	4,487,858	63.9
	30,635	0.2	102,171	1.1	20,809	0.3	29,437	0.4
	11,350,121	66.3	5,407,391	56.0	2,976,973	38.6	2,500,805	35.6
	17,130,609	**100.0**	**9,651,322**	**100.0**	**7,709,225**	**100.0**	**7,018,100**	**100.0**
	30,013,921	100.0	16,913,832	100.0	22,937,917	100.0	16,589,996	100.0
	22,916,592	76.4	13,577,972	80.3	18,541,448	80.8	13,613,305	82.1
	7,097,329	23.6	3,335,860	19.7	4,396,469	19.2	2,976,691	17.9
	536,522	1.8	350,155	2.1	515,007	2.2	487,292	2.9
	471,550	1.6	425,327	2.5	419,320	1.8	366,191	2.2
	610,091	2.0	272,249	1.6	404,157	1.8	299,483	1.8
	454,934	1.5	196,521	1.2	264,550	1.2	160,003	1.0
	6,244,414	20.8	2,636,106	15.6	3,601,749	15.7	2,262,688	13.6
	2,181	0.0	15,300	0.1	9,360	0.0	79,208	0.5
	6,242,233	20.8	2,620,806	15.5	3,592,389	15.7	2,183,480	13.2
	1,984,700	6.6	870,508	5.1	1,209,968	5.3	701,616	4.2
	4,257,533	**14.2**	**1,750,298**	**10.3**	**2,382,421**	**10.4**	**1,481,864**	**8.9**

A·F·FERGUSON&Co.

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, 2017

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

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

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

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

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

A.F.Ferguson & Co.

Chartered Accountants

Lahore

Date: September 18, 2019

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

KARACHI LAHORE ISLAMABAD

STATEMENT OF **COMPLIANCE**

with Listed Companies (Code of Corporate Governance) Regulations, 2017

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
a) Independent Directors	Mr. Saad Iqbal
	Mrs. Ambreen Waheed
b) Other Non-executive Directors	Mr. Sikandar Mustafa Khan
	Mr. Latif Khalid Hashmi
	Mr. Laeeq Uddin Ansari
	Mian Muhammad Saleem
c) 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 five 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. A complete record of particulars of significant policies along with the dates of which they were approved or amended has been maintained.

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

7. The meetings of the board were presided over 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 of directors 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.

10. The board has approved appointment of CFO, 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. CFO and CEO duly endorsed the financial statements before approval of the board.

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

a) Audit Committee

Mr. 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 ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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

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

Syed Muhammad Irfan Aqueel
Chief Executive

Sikandar Mustafa Khan
Chairman

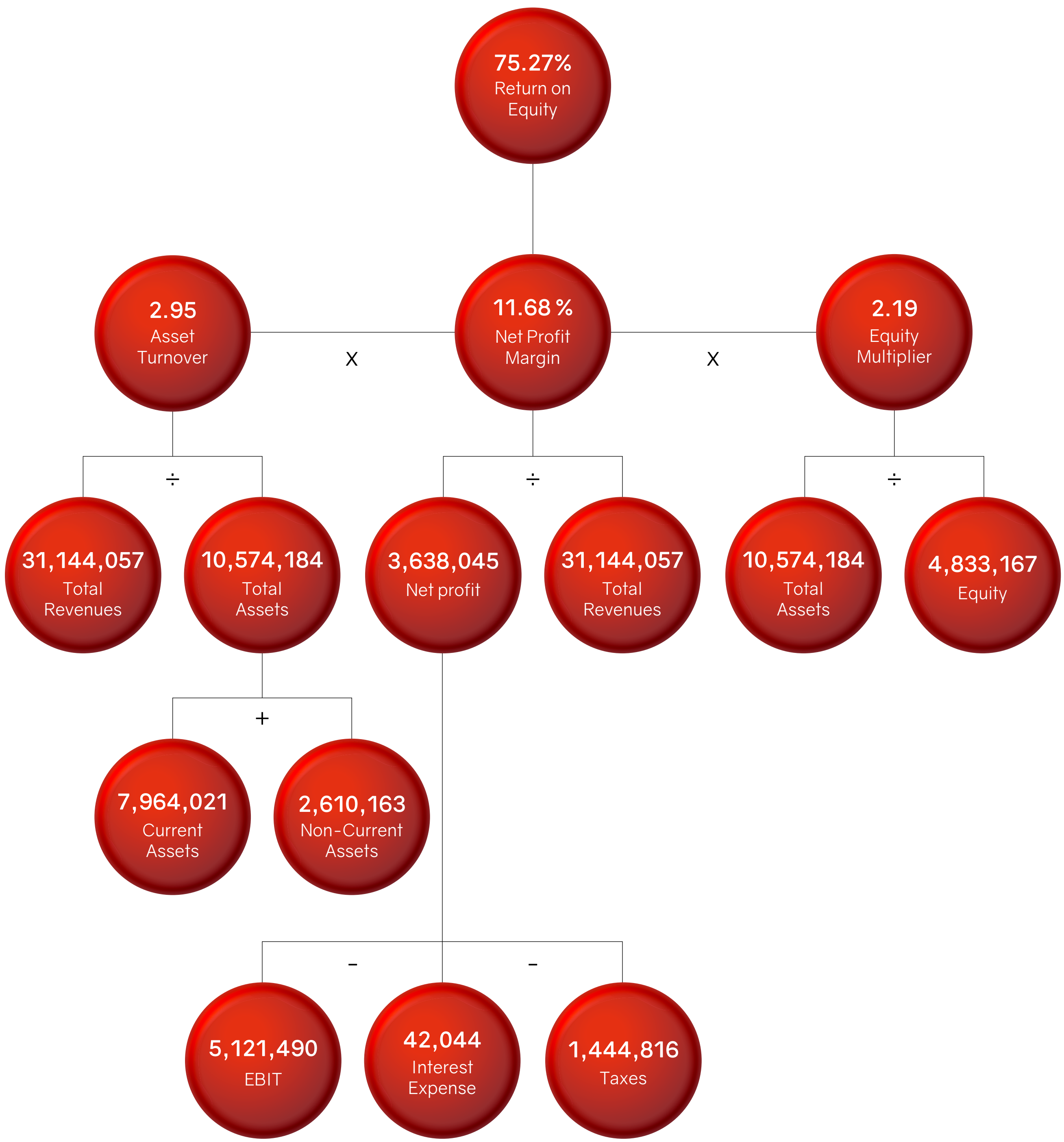
September 05, 2019

FINANCIAL **STATEMENTS**

MILLAT TRACTORS LIMITED

for the Year Ended June 30, 2019

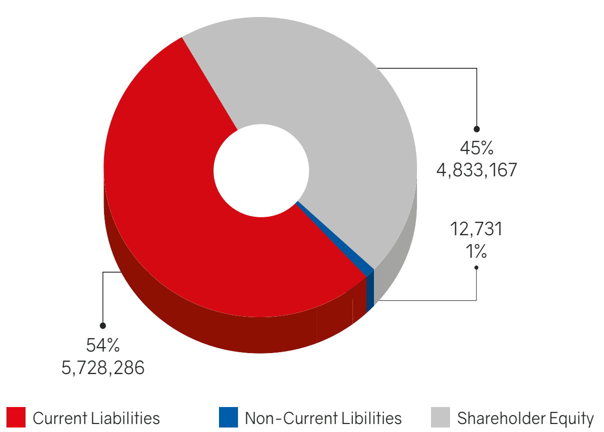
DUPONT **ANALYSIS**



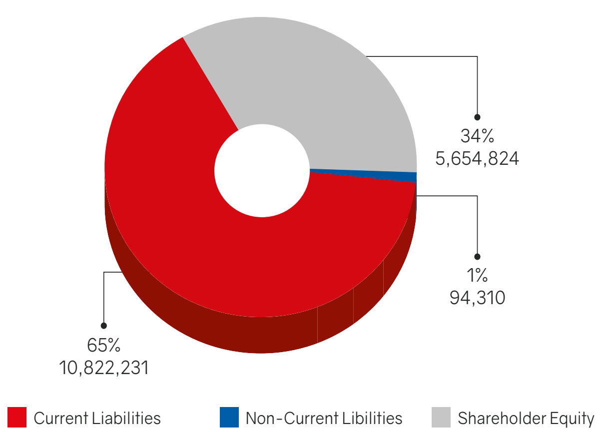
GRAPHICAL ANALYSIS OF **STATEMENT OF FINANCIAL POSITION**

Equity and Liabilities

2018-19

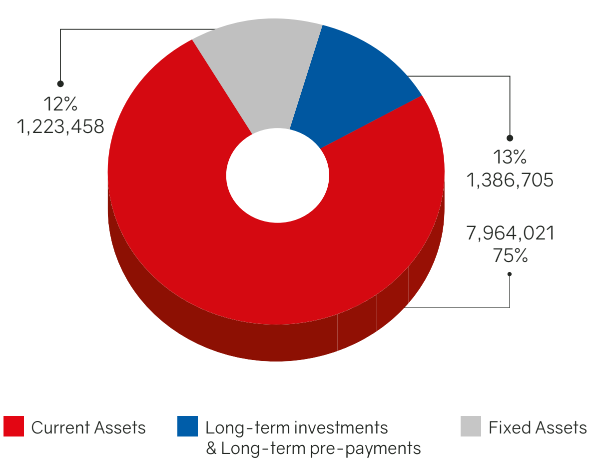


2017-18

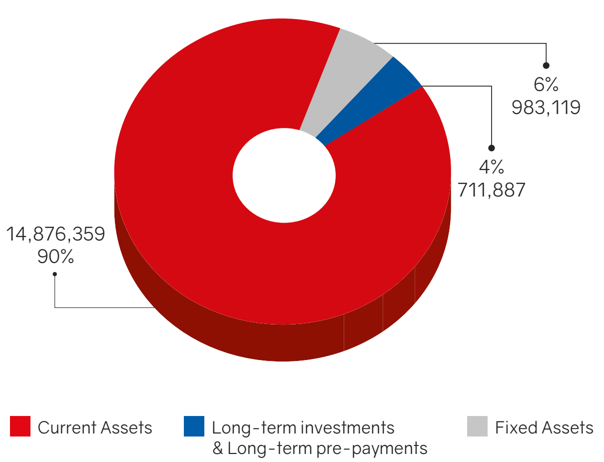


Assets

2018-19



2017-18



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, 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2019 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *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	**Valuation of employees' defined benefit plan** (Refer note 4.2 and 10 to the annexed financial statements) The Company has an employees' defined benefit plan amounting to Rs. 219,519 thousand as on June 30, 2019 which is significant in the context of the overall financial position of the Company.	We used our auditor's expert to evaluate the assumptions used in the valuation of the Company's employees' defined benefit plan. As part of our audit procedures we: • understood key controls over the completeness and accuracy of data extracted and supplied to the Company's actuary, used in the valuation of the employees' defined benefit plan; • obtained an understanding of the work performed by the management's expert on the model for the purpose of valuation;

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Sr. #	Key audit matter	How the matter was addressed in our audit
	The valuation of the employees' defined benefit plan requires significant levels of judgement and technical expertise in choosing appropriate assumptions. Changes in a number of the key assumptions can have a material impact on the calculations. Management involves an expert to perform this valuation on its behalf. Due to the significant level of judgment and estimation required to determine the employees' defined benefit plan, we consider it to be a key audit matter.	• examined the professional qualification of management's expert and assessed the independence, competence and experience of the management's expert in the field; • tested reliability of the underlying data used in the valuation; • assessed the reasonableness of assumptions used by the management expert in the valuation; 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:

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

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

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

d) 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 18, 2019

STATEMENT OF **FINANCIAL POSITION**

As at June 30, 2019

	Note	2019	2018
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
50,000,000 (2018: 50,000,000) ordinary			
shares of Rs. 10/- each		500,000	500,000
Issued, subscribed and paid up capital	6	442,926	442,926
Reserves	7	4,390,241	5,211,898
		4,833,167	5,654,824
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term deposits	8	12,731	12,691
Deferred tax liabilities - net	9	–	57,015
Employees' defined benefit plan	10	–	24,604
		12,731	94,310
CURRENT LIABILITIES			
Accumulating compensated absences		113,337	107,409
Trade and other payables	11	5,271,385	10,410,009
Unclaimed dividend		310,095	256,584
Unpaid dividend		33,469	48,229
		5,728,286	10,822,231
CONTINGENCIES AND COMMITMENTS	13		
		10,574,184	16,571,365

The annexed notes from 1 to 50 form an integral part of these financial statements.

Chief Financial Officer

Chief Executive Officer

	Note	2019	2018
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	14	718,559	700,763
Capital work in progress	15	12,827	26,648
		731,386	727,411
Intangible assets	16	4,048	–
Investment property	17	255,708	255,708
Long term investments	18	1,383,879	709,700
Long term loans	19	2,826	2,587
Deferred tax asset - net	9	12,797	–
Employees' defined benefit plan	10	219,519	–
		2,610,163	1,695,406
CURRENT ASSETS			
Stores, spare parts and loose tools	20	150,799	131,266
Stock in trade	21	3,148,589	4,157,062
Trade debts	22	46,637	65,578
Loans and advances	23	113,876	38,631
Trade deposits and short term prepayments	24	46,461	16,282
Balances with statutory authorities	25	2,250,219	1,909,792
Other receivables	26	87,023	44,118
Tax refunds due from the Government		1,268,429	725,454
Short term investments	27	–	7,267,636
Cash and bank balances	28	851,988	520,140
		7,964,021	14,875,959
		10,574,184	16,571,365

Chairman

STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

For the year ended June 30, 2019

	Note	2019	2018
		(Rupees in thousand)	
Revenue from contracts with customers	29	31,144,057	38,517,147
Cost of sales	30	25,197,690	30,082,372
Gross profit		5,946,367	8,434,775
Distribution and marketing expenses	31	579,004	629,779
Administrative expenses	32	446,327	492,280
Other operating expenses	33	596,605	576,819
		1,621,936	1,698,878
Other income	34	800,474	1,046,461
Operating profit		5,124,905	7,782,358
Finance cost	35	42,044	2,490
Profit before tax		5,082,861	7,779,868
Taxation	36	1,444,816	2,445,506
Profit after tax for the year		3,638,045	5,334,362
Other comprehensive income:			
Items not to be reclassified to profit or loss			
in subsequent periods:			
Unrealized loss on revaluation of investments at			
fair value through other comprehensive income	18	(59,921)	(51,685)
Remeasurement gain / (loss) on employees' defined benefit plan		250,937	(62,600)
Total other comprehensive income / (loss)		191,016	(114,285)
Total comprehensive income for the year		3,829,061	5,220,077
Earnings per share - basic and diluted (Rupees)	39	82.14	120.43

The annexed notes from 1 to 50 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, 2019

	Issued, subscribed and paid up capital	Capital reserves	Revenue reserves		Total
		Fair value reserves	General reserves	Unappropriated Profit	
	(Rupees in thousand)				
Balance as on July 01, 2017	442,926	178,355	2,278,935	2,849,637	5,749,853
Final dividend for the year ended					
June 30, 2017 @ Rs. 60 per share	–	–	–	(2,657,553)	(2,657,553)
Interim dividend for the year ended					
June 30, 2018 @ Rs. 60 per share	–	–	–	(2,657,553)	(2,657,553)
Total comprehensive income for the					
year ended June 30, 2018	–	(51,685)	–	5,271,762	5,220,077
Balance as on June 30, 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

The annexed notes from 1 to 50 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, 2019

	Note	2019	2018
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	40	842,120	6,559,674
Finance cost paid		(42,044)	(2,490)
Increase in long term loans to employees		(239)	(12)
Workers' Profit Participation Fund paid	26.2	(272,031)	(441,806)
Workers' Welfare Fund paid		(140,849)	(113,950)
Taxes paid - net		(2,398,030)	(2,330,384)
Retirement benefits paid - net		(19,290)	(16,648)
Long term security deposits received		40	1,176
		(2,872,443)	(2,904,114)
Net cash flows (used in) / generated from operating activities		(2,030,323)	3,655,560
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(104,749)	(104,419)
Proceeds from disposal of property, plant and equipment	14.4	15,964	17,128
Short term investments redeemed - net		6,128,775	1,028,538
Long term investments made		(720,000)	(270,000)
Profit on bank deposits received		37,821	161,723
Dividend received		376,327	463,593
Net cash flows generated from investing activities		5,734,138	1,296,563
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(4,611,967)	(5,252,986)
Net cash used in financing activities		(4,611,967)	(5,252,986)
Net decrease in cash and cash equivalents		(908,152)	(300,863)
Cash and cash equivalents at the beginning of the year		1,760,140	2,061,003
Cash and cash equivalents at the end of the year	41	851,988	1,760,140

The annexed notes from 1 to 50 form an integral part of these financial statements.

Chief Financial Officer

Chief Executive Officer

Chairman

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 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.

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:

- Revenue decreased by Rs. 7,373 million (19.14%) as compared to prior year due to decrease in volumes - refer notes 29 and 46.

- Additional long term investment were made by the Company in Hyundai Nishat Motors (Private) Limited (HNMPL) amounting to Rs. 720,000 thousand under the Share Subscription Agreement (SSA) and Shareholders Agreement (SHA) between both parties - refer note 18.

- Remeasurements in the Company's employees' defined benefit plan have resulted in a net receivable balance from the defined benefit plan - refer note 10.

- The Company has implemented an update to its existing ERP system to IFS-9 across the business at various stages. This involved replacing the previous platform for recording the underlying business transactions across the Company - refer note 16.

- For working capital management all short term investments were disposed off by the Company during the year - refer note 27.

- The adoption of new accounting standards for financial instruments and revenue from contracts with customers - refer notes 4 and 5; and

- There was a significant increase in tax refunds due from the government and statutory authorities amounting to Rs. 884,402 thousand.

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 44.1 to these financial statements.

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

4.1.1 First time adoption of IFRS 9 – Financial Instruments

Effective January 1, 2019, the Company has adopted 'IFRS 9 - 'Financial instruments'. This standard replaces the guidance in IAS 39. Key changes in the new standard include requirements on the classification, measurement and derecognition of financial assets and liabilities. The standard also contains new requirements for hedge accounting and replaces the current incurred loss impairment model with an expected credit loss model. Accordingly, the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories.

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

4.1.2 First time adoption of IFRS 15 - Revenue from Contracts with Customers

Effective January 1, 2019, the Company has adopted IFRS 15, "Revenue from Contracts with Customers". This standard, replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition. Key changes in the new standard include a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The adoption of IFRS 15 does not have any significant impact on these financial statements of the Company. However, related changes to the accounting policies have been made in these 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 2 – Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)
- IFRS 4 – Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)
- IAS 40 – Investment Property: Transfers of Investment Property (Amendments)
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration

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 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)	January 01, 2019
IFRS 9 – Prepayment Features with Negative Compensation – (Amendments)	January 01, 2019
IFRS 16 – Leases	January 01, 2019
IAS 19 – Plan Amendment, Curtailment or Settlement (Amendments)	January 01, 2019
IAS 28 – Long-term Interests in Associates and Joint Ventures – (Amendments)	January 01, 2019
IFRIC 23 – Uncertainty over Income Tax Treatments	January 01, 2019
Annual improvements 2015-2017	January 01, 2019
IFRS 3 – Business combinations', definition of a business (Amendments)	January 01, 2019
IAS 1 – Presentation of financial statements (Amendment)	January 1, 2020
IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 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, 2019 and January 01, 2020 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 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 17 – Insurance Contracts	January 01, 2022

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, 2019.

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:

	2019	2018
Expected rate of increase in salary level	13.25%	8.00%
Discount rate used for interest cost in profit or loss	9.00%	7.75%
Discount rate used for year end obligation	14.25%	9.00%
Average expected remaining working life of employees	6 years	9 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.

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 14. 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 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.

4.6 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. Intangible assets are amortised using the straight line method over a period of three years.

Amortization on additions to 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.

4.7 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.

4.8 Investments and other financial assets

4.8.1 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.

4.8.2 Financial assets other than investments in subsidiary and associated undertakings

4.8.2.1 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.

4.8.2.2 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.

4.8.2.3 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:

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.

4.8.2.4 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.

4.8.2.5 Financial assets - policy upto June 30, 2018

Trade debts and other receivables were recognised initially at fair value plus directly attributable, if any and subsequently, at amortised cost less impairment if any. A provision for impairment of trade and other receivable is established when there is an objective evidence that the Company will not be able to collect all amounts due according to terms of receivables. Trade receivables considered irrecoverable are written off.

4.9 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.

4.10 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.

4.11 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 4.8.2.4. Bad debts are written off when identified.

4.12 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.

4.13 Revenue recognition

4.13.1 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.

4.13.2 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.

4.14 Research cost

These costs are charged to profit or loss when incurred.

4.15 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.

4.16 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.

4.17 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.

4.18 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.

4.19 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.

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 4.8.2 to the financial statements above.

4.20 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.

4.21 Reserves

Reserve are classified into two categories as follows:

4.21.1 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.

4.21.2 Capital reserve

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

4.22 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.

4.23 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.

4.24 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.

5 Change in accounting policy

5.1 IFRS 9 - Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments from July 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 9, corresponding figures have not been restated and any adjustment to carrying amount of financial assets and liabilities were recognised in the opening retained earnings as of the transition date.

Classifications and remeasurement

On July 1, 2018 (the date of initial application of IFRS 9), the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassifications and adjustments are as follows:

Financial assets – July 1, 2018	Note	Carrying amount as reported under IAS 39 July 1, 2018	Reclassification due to IFRS - 9	Remeasurements allowance ECL	Carrying amount as reported under IFRS 9 July 1, 2018
		(Rupees in thousand)			
Long term investments	a	–	408,815	–	408,815
Loans and advances		8,847	–	–	8,847
Trade debts	c	65,578	–	–	65,578
Trade deposits		13,952	–	–	13,952
Other receivables		41,872	–	–	41,872
Short term investments	b	6,027,636	1,240,000	–	7,267,636
Cash and bank balances		520,140	–	–	520,140
		6,678,025	1,648,815	–	8,326,840

a) Investments in Baluchistan Wheels Limited (listed equity shares carried at fair value) and Hyundai Nishat Motors (Private) Limited (unquoted equity shares carried at fair value) were reclassified from available-for-sale to financial assets at Fair Value through Other Comprehensive Income (FVOCI) as they were not held for trading.

b) Investments in Term Deposit Receipt (TDR) were reclassified from held to maturity to financial assets at amortised cost.

c) IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'Expected Credit Loss' (ECL) model. The Company has determined that the application of IFRS 9's impairment requirement at July 1, 2018 results in no additional allowance for trade receivables.

The following table below explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and liabilities as at July 1, 2018.

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original amount under IAS 39	New carrying amount IFRS 9
			(Rupees in thousand)	
Long term investments	Available for sale	Fair value through other comprehensive income	408,815	408,815
Loans and advances	Loans and receivables	Amortised cost	8,847	8,847
Trade debts	Loans and receivables	Amortised cost	65,578	65,578
Trade deposits	Loans and receivables	Amortised cost	13,952	13,952
Other receivables	Loans and receivables	Amortised cost	41,872	41,872
Short term investments				
- Investment in mutual funds	Fair value through profit and loss	Fair value through profit and loss	6,027,636	6,027,636
- Investment in TDRs	Held to maturity	Amortised cost	1,240,000	1,240,000
Cash and bank balances	Loans and receivables	Amortised cost	520,140	520,140
Financial liabilities				
Trade and other payables	Other financial liabilities	Other financial liabilities	1,393,134	1,393,134
Unclaimed dividend	Other financial liabilities	Other financial liabilities	256,584	256,584
Unpaid dividend	Other financial liabilities	Other financial liabilities	48,229	48,229
Long term deposits	Other financial liabilities	Other financial liabilities	12,691	12,691

There is no impact of the Company's statement of changes in equity as a result of the above changes.

6 Issued, subscribed and paid up capital

2019	2018		2019	2018
(Number of shares in thousand)			(Rupees in thousand)	
		Ordinary shares of Rs.10 each fully		
2,543	2,543	paid in cash	25,429	25,429
		Ordinary shares of Rs.10 each issued as		
41,750	41,750	fully paid bonus shares	417,497	417,497
44,293	44,293		442,926	442,926

7 Reserves

	2019	2018
	(Rupees in thousand)	
Capital reserve		
Fair value reserve - Investments measured at FVOCI	66,749	126,670
	66,749	126,670
Revenue reserve		
General reserve	2,278,935	2,278,935
Unappropriated profit	2,044,557	2,806,293
	4,323,492	5,085,228
	4,390,241	5,211,898

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.

9 Deferred tax (asset) / liabilities - net

	Note	2019	2018
		(Rupees in thousand)	
The (asset) / liability for deferred tax comprises temporary differences relating to:			
Taxable temporary differences:			
Accelerated tax depreciation		60,758	57,781
Changes in fair value of investments		–	41,007
		60,758	98,788
Deductible temporary differences:			
Accumulating compensated absences		(32,868)	(31,149)
Unused tax losses	9.1	(30,063)	–
Provision for doubtful receivables		(10,624)	(10,624)
		(73,555)	(41,773)
Net deferred tax (asset) / liability at the year end		(12,797)	57,015

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			
	Accelerated tax depreciation	Change in fair value of investments	Unused tax losses	Accumulating compensated absences	Provision for doubtful receivables	Net (asset)/ liability
	(Rupees in thousand)					
Balance as at June 30, 2017	56,345	2,251	–	(28,486)	(10,990)	19,120
Tax income / (expense)						
during the year						
recognised in profit or loss	1,436	38,756	–	(2,663)	366	37,895
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)

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

		Note	2019	2018
			(Rupees in thousand)	
10	**Employees' defined benefit plan**			
10.1	Present value of defined benefit obligation	10.3	(848,495)	(1,109,824)
	Fair value of plan assets	10.4	1,068,014	1,085,220
	Asset / (liability) recognized in the statement of financial position		219,519	(24,604)
10.2	**For the year**			
	Salaries, wages and amenities include the following in respect of employees' pension scheme:			
	Current service cost		15,050	16,628
	Interest cost		96,261	82,889
	Expected return on plan assets		(94,497)	(86,420)
			16,814	13,097

		2019	2018
		(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	(1,109,824)	(1,105,684)
	Current service cost	(15,050)	(16,628)
	Interest cost	(96,261)	(82,889)
	Benefits paid	80,512	72,290
	Actuarial gain	292,128	23,087
	Present value of defined benefit obligation at end of year	(848,495)	(1,109,824)
10.4	**The movement in fair value of plan assets is as follows:**		
	Fair value of plan assets at beginning of year	1,085,220	1,145,646
	Expected return on assets	94,497	86,420
	Contributions	10,000	11,131
	Benefits paid	(80,512)	(72,290)
	Return on plan assets	(41,191)	(85,687)
	Fair value of plan assets at end of year	1,068,014	1,085,220
	Actual return on plan assets	53,306	733
10.5	**Plan assets comprise of:**		
	Term deposit receipts:		
	United Bank Limited	–	220,926
	Meezan Bank Limited	130,712	148,529
	Bank Alfalah Limited	401,593	–
	Zarai Taraqiati Bank Limited	196,987	131,547
	Bonds and mutual funds:		
	MCB DCF Income Fund	–	190,180
	NAFA Capital Protected Fund	297,932	288,491
	Alfalah GHP Islamic Stock Fund	–	88,898
	Accrued interest and bank balance:		
	Bank balances	39,020	14,906
	Advance income tax	1,777	1,743
	Less: payables	(7)	–
		1,068,014	1,085,220

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

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:

	2019	2018	2017	2016	2015
	(Rupees in thousand)				
As at June 30					
Present value of defined					
benefit obligation	848,495	1,109,824	1,105,684	1,137,355	871,824
Less: Fair value of plan assets	1,068,014	1,085,220	1,145,646	1,048,797	1,015,336
Surplus / (deficit)	219,519	(24,604)	39,962	(88,558)	143,512
Experience adjustment on obligation	(292,128)	(23,087)	(72,804)	217,792	187,304
Experience adjustment on plan assets	(41,191)	(85,687)	69,538	(24,462)	945

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	2019	2018
		(Rupees in thousand)	
Discount rate + 100 bps		797	1,022
Discount rate - 100 bps		906	1,212
Salary increase + 100 bps		859	1,126
Salary increase - 100 bps		839	1,095

11 Trade and other payables

	Note	2019	2018
Trade creditors	11.1	1,931,881	847,255
Accrued liabilities		123,505	156,322
Contract liabilities	11.2 & 11.3	2,772,987	8,917,449
Bills payable		139,488	155,744
Security deposits	11.4	51,884	7,915
Trademark fee payable		76,199	73,743
Workers' Welfare Fund		51,802	99,426
Others	11.5	123,639	152,155
		5,271,385	10,410,009

11.1 These include balances due to related parties amounting Rs. 369,207 thousand (2018: Rs.71,907 thousand).

11.2 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.11,469 thousand (2018: Rs 5,854 thousand). Further, as referred in note 28 to these financial statements, these also include an amount of Rs. 230,506 thousand (2018: Rs.91,037 thousand) representing cheques in hand at the reporting date.

11.3 Revenue recognised during the year that was included in the contract liability balance at the beginning of the year amounted to Rs.8,789,595 thousand.

11.4 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 Company's business.

11.5 These include deposits by employees under car and motorcycle scheme amounting to Rs. 30,120 thousand (2018: Rs. 31,299 thousand) and carry no markup.

12 Short term borrowing facilities

12.1 The Company has obtained short term borrowing facilities from various banks against aggregate sanctioned limit of Rs. 4,300,000 thousand (2018: Rs. 3,400,000 thousand). The rates of mark up range from KIBOR plus 0.05% to KIBOR plus 0.5% (2018: KIBOR plus 0.05% to KIBOR plus 0.1%) per annum.

12.2 Out of the above mentioned authorized limit, an amount of Rs. 1,400,000 thousand (2018: Rs. 500,000 thousand) has been obtained under Islamic mode of financing.

12.3 The Company has facilities for opening of letters of credit and guarantees aggregating to Rs. 4,556,047 thousand (2018: Rs. 3,500,000 thousand) out of which Rs. 300,000 thousand (2018: Rs. 400,000 thousand) has been obtained under Islamic mode of financing.

12.4 Out of the authorized limited of letter of credit and guarantees Rs. 3,375,832 thousand (2018: Rs. 1,238,914 thousand) remained unutilized at the end of the year.

12.5 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.

13 Contingencies and commitments

13.1 Contingencies

13.1.1 The Company has provided guarantee amounting to Rs. Nil (2018: Rs. 5,000 thousand) to banks for repayment of loan by employees. An amount of Rs. Nil (2018: Rs. 30 thousand) was utilized by employees as at June 30, 2019.

13.1.2 Guarantees issued by the banks on behalf of the Company in the normal course of business amount to Rs. 558,553 thousand (2018: Rs.502,140 thousand).

13.1.3 Income tax returns for the years from 2007 to 2018 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.

13.1.4 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 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.

13.1.5 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.

13.1.6 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.

13.1.7 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.

13.1.8 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.

13.2 Commitments

Commitments in respect of outstanding letters of credit for import of raw material amounting to Rs. 621,662 thousand (2018: Rs. 1,758,946 thousand) at the reporting date.

14 Operating fixed assets

	Note	Land: Freehold	Land: Lease-hold	Buildings: On freehold land	Buildings: On leasehold land	Owned: Plant and machinery	Owned: Furniture and office equipment	Owned: Vehicles	Owned: Tools and equipment	Owned: Computers	Total
		(Rupees in thousand)									
Net book value basis											
Year ended June 30, 2019											
Opening net book value	14.2 & 14.3	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)	14.4	–	–	–	–	–	–	(12,342)	–	(40)	(12,382)
Adjustments		–	–	–	–	–	–	(754)	–	–	(754)
Write offs		–	–	–	–	(8)	–	–	(39)	–	(47)
Depreciation charge	14.1	–	–	(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	
Net book value basis											
Year ended June 30, 2018											
Opening net book value	14.2 & 14.3	58,307	8	234,110	–	152,275	78,923	160,231	19,066	14,953	717,873
Additions (at cost)		–	–	–	–	26,174	8,586	36,098	11,500	2,387	84,745
Disposals (at NBV)	14.4	–	–	–	–	–	–	(16,927)	–	(201)	(17,128)
Write offs		–	–	–	–	–	(464)	–	(448)	(76)	(988)
Depreciation charge	14.1	–	–	(12,586)	–	(15,979)	(11,051)	(34,693)	(3,912)	(5,518)	(83,739)
Closing net book value		58,307	8	221,524	–	162,470	75,994	144,709	26,206	11,545	700,763
Gross book value basis											
As at June 30, 2018											
Cost		58,307	8	387,593	2,900	504,681	128,753	306,789	88,521	46,923	1,524,475
Accumulated depreciation		–	–	(166,069)	(2,900)	(342,211)	(52,759)	(162,080)	(62,315)	(35,378)	(823,712)
Net book value		58,307	8	221,524	–	162,470	75,994	144,709	26,206	11,545	700,763
Depreciation rate % per annum		–	–	5-10	5	10	10-20	20	10-15	33	

	Note	2019	2018
		(Rupees in thousand)	
14.1 The depreciation charge for the year has been allocated as follows:			
Cost of sales	30	33,131	32,323
Distribution and marketing expenses	31	6,842	7,131
Administrative expenses	32	42,380	44,285
		82,353	83,739

14.2 Freehold land and building on owned land represents 202,343 square meters of factory land situated at Sheikhupura Road; Sheikhupura, 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.

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

14.4 Disposal of operating fixed assets

Particulars of asset	Sold to	Cost	Book value	Sale proceeds	Gain / (Loss) on disposal	Mode of disposal
		(Rupees in thousand)				
Fixed assets sold having book value greater than Rs. 500,000						
Employees:						
Vehicle	Mr. Ayaz Khurshid	1,973	524	524	–	Company car scheme
Vehicle	Mr. Sikandar Ali Khan	2,503	1,608	1,608	–	Company car scheme
Vehicle	Mr. Amir Noor	1,124	884	884	–	Company car scheme
Fixed assets sold having book value less than Rs. 500,000		29,952	9,366	12,948	3,582	
Year ended: June 30, 2019		35,552	12,382	15,964	3,582	
Year ended: June 30, 2018		31,532	17,128	17,128	–	

		Note	2019	2018
			(Rupees in thousand)	
15	**Capital work in progress**			
	Plant and machinery		9,231	15,804
	Advance against purchase of intangible	16	–	5,992
	Advance for tools and equipment		1,613	1,613
	Advance for vehicles		1,983	3,239
			12,827	26,648
15.1	**Movement in capital work in progress is as follows:**			
	Opening balance		26,648	6,974
	Additions during the year		31,883	26,506
	Capitalized / disposed off during the year		(45,704)	(6,832)
			12,827	26,648
16	**Intangible assets**			
	Net carrying value basis:			
	Opening net book value		–	897
	Additions		5,992	–
	Amortization charge	32	(1,944)	(897)
			4,048	–
	Gross carrying value basis:			
	Cost		5,992	44,981
	Accumulated amortization		(1,944)	(44,981)
			4,048	–
	Rate of amortization		33%	33%
17	**Investment property**			
	Land		258,444	258,444
	Provision for impairment	17.5	(2,736)	(2,736)
			255,708	255,708

17.1 This represents residential plots stated at cost. As at June 30, 2019 and June 30, 2018, the fair values of these properties were Rs.333,000 thousand and Rs. 310,800 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.

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

17.3 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.

17.4 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.

17.5 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 (2018: 2,736 thousand) at the reporting date.

	2019 Equity % held	2019 Amount	2018 Equity % held	2018 Amount
		(Rupees in thousand)		
18 Long term investments				
Investment in related parties				
In subsidiary undertaking - at cost				
Unquoted				
Millat Industrial Products Limited				
5,737,500 (2018: 5,737,500) fully paid ordinary shares of Rs.10/- each	64.09	57,375	64.09	57,375
TIPEG Intertrade DMCC				
1,500 (2018: 1,500) fully paid ordinary shares of AED 1,000/- each	75.00	63,600	75.00	49,500
Millat Equipment Limited				
11,699,993 (2018: 11,699,993) fully paid ordinary shares of Rs. 10/- each	45.00	117,000	45.00	117,000
Quoted				
Bolan Castings Limited				
5,306,979 (2018: 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 (2018: 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				
99,000,000 (2018: 27,000,000) fully paid ordinary shares of Rs. 10/- each - note 18.3	18.00	990,000	18.00	270,000
Investment other than related parties - at FVOCI				
Quoted				
Baluchistan Wheels Limited				
1,282,825 (2018: 1,282,825) fully paid ordinary shares of Rs. 10/- each		12,145		12,145
Surplus on revaluation of investment		66,749		126,670
Market value as at June 30		78,894		138,815
Unquoted				
TCC Management Services (Private) Limited				
40,000 (2018: Nil) fully paid ordinary shares of Rs. 10/- each		400		–
Advance against shares subscription		–		400
		400		400
		1,383,879		709,700

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

18.2 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
Company 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, 2019):	None
Auditors opinion on latest financial statements (December 31, 2018):	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. 63,600 thousand as on June 30, 2019 (2018: Rs. 49,500 thousand), as disclosed in note 18 to these financial statements.

The foreign subsidiary has remitted back dividend / return of Rs. 25,874 thousand (2018: Rs. 23,552 thousand) during the year.

18.3 Hyundai Nishat Motors (Private) Limited is currently classified as a Level 3 financial asset and is measured at fair value on the reporting dates. However, due to volatility in the underlying assumptions relevant to the valuation there is a wide range of possible fair value measurements and cost is considered to represent the best estimate of fair value within that range. Furthermore, HNMPL is in the process of constructing its manufacturing facility.

	Note	2019	2018
		(Rupees in thousand)	
19 Long term loans - considered good			
Loan to employees:			
company loan	19.1	5,342	6,014
motor cycle loan	19.2	1,475	1,406
	19.3	6,817	7,420
Less: current portion included in current assets	23	(3,991)	(4,833)
		2,826	2,587

19.1 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.

19.2 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.

19.3 Reconciliation of carrying amount of long term loans is:

	Balance as at June 30, 2018	Disbursement during the year	Repayments during the year	Balance as at June 30, 2019
		(Rupees in thousand)		
Due from employees	7,420	5,364	5,967	6,817

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

20 Stores, spare parts and loose tools

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.

	Note	2019	2018
		(Rupees in thousand)	
21 Stock in trade			
Raw material	21.1 & 21.2	2,724,066	3,836,372
Work-in-process		17,782	4,508
Finished goods:			
Manufacturing		246,003	157,468
Trading		160,738	158,714
		406,741	316,182
		3,148,589	4,157,062

21.1 This includes stock in transit amounting to Rs. 310,855 thousand (2018: Rs. 456,745 thousand).

21.2 This includes raw materials and components held with third parties amounting to Rs. 74,291 thousand (2018: Rs. 97,725 thousand).

	Note	2019	2018
		(Rupees in thousand)	
22 Trade debts			
22.1 Trade debts from contracts with customers			
- considered good	22.3	46,637	65,578

22.2 The maximum aggregate amount of trade debts / receivable from related parties at the end of any month during the year was Rs.2,163 thousand (2018: Rs.19,729 thousand).

22.3 This includes amount of Rs.2,045 thousand (2018: Rs. Nil) due from Hyundai Nishat Motors (Private) Limited, a related party.

		Note	2019	2018
			(Rupees in thousand)	
23	**Loans and advances**			
	Current portion of long term loans to employees	19	3,991	4,833
	Advances to employees - considered good	23.1	3,388	1,427
	Advances to suppliers - considered good	23.2	106,497	28,085
			113,876	34,345
	Advances to suppliers - considered doubtful		2,485	2,485
	Less: provision for doubtful advances		(2,485)	(2,485)
			–	–
	Letter of credit opening charges		–	4,286
			113,876	38,631

23.1 These represent interest free advances to employees for the purpose of the expenses, tour and salary.

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

24 Trade deposits and short term prepayments

These include interest free security deposits amounting to Rs. 26,541 thousand (2018: Rs.13,952 thousand) made for tender placement.

		Note	2019	2018
			(Rupees in thousand)	
25	**Balances with statutory authorities**			
	Special excise duty receivable / (payable)		1,520	(1,027)
	Sales tax recoverable		2,282,846	1,944,966
	Less: provision for doubtful claims		(34,147)	(34,147)
			2,248,699	1,910,819
			2,250,219	1,909,792
26	**Other receivables**			
	Claims receivable from suppliers	26.1	84,707	40,572
	Interest accrued		465	1,300
	Worker's Profit Participation Fund	26.2	1,851	2,246
			87,023	44,118
26.1	This includes amount due from following related parties:			
	- Millat Equipments Limited		1,278	–
	- Millat Industrial Products Limited		412	–
	- Bolan Casting Limited		65	–
			1,755	–

	Note	2019	2018
		(Rupees in thousand)	
26.2 Workers' Profit Participation Fund			
Balance receivable / (payable) at start of year		2,246	(19,656)
Payments made during the year		272,031	441,806
		274,277	422,150
Allocation for the year	33	(272,426)	(419,904)
Balance receivable at end of year	26	1,851	2,246
27 Short term investments			
Mutual Funds designated - at FVPL	27.1	–	6,027,636
Investment in Term Deposit Receipt - at amortised cost	27.2	–	1,240,000
		–	7,267,636

27.1 This represents Company's investment in mutual funds at the reporting dates. As on June 30, 2019 the Company had Rs. Nil short term investments:

	June 30, 2018		
	Number of units	Fair Value per units	Total
	(Number in thousand)	(Rupees)	(Rupees) in thousand)
Mutual funds			
ABL Cash Fund	99,836	10.60	1,057,903
ABL Islamic Income Fund	39,118	10.61	415,093
Alfalah GHP Money Market Fund	4,234	102.74	434,996
Atlas Money Market Fund	1,024	529.42	542,344
HBL Money Market Fund	4,579	107.15	490,691
Lakson Money Market Fund	4,866	105.59	513,836
Lakson Income Fund	2,455	105.93	260,037
MCB Cash Management Optimizer Fund	9,904	105.93	1,049,181
NAFA Government Securities Liquid Fund	54,159	10.70	579,423
NIT Income Fund	38,362	10.84	415,675
United Liquidity Plus Fund	2,527	106.22	268,457
			6,027,636

27.2 The term deposits are made under Islamic mode and carry profit at the rate of Nil (2018: 6.30%) per annum.

27.3 Fair value per unit has been rounded off to 2 decimal places.

		Note	2019	2018
			(Rupees in thousand)	
28	**Cash and bank balances**			
	In hand:			
	cash		27,235	1,548
	cheques	11.2	230,506	91,037
			257,741	92,585
	At banks:			
	current accounts	28.1	418,170	266,331
	deposit accounts	28.2	176,077	161,224
			594,247	427,555
			851,988	520,140

28.1 This includes deposits amounting to Rs. 8,534 thousand (2018: 19,047 thousand) placed with Islamic banks under Islamic mode.

28.2 These deposits are made under conventional arrangements and carry mark-up at the rate ranging from 6% to 10.8% (2018: 3.80% to 6.30%) per annum.

		Note	2019	2018
			(Rupees in thousand)	
29	**Revenue from contracts with customers**			
	Local:			
	Tractors		31,720,628	39,415,364
	Implements		109,833	158,382
	Multi-application products		177,611	350,573
	Trading goods		660,945	550,836
	IFS implementation services		9,250	–
			32,678,267	40,475,155
	Less:			
	- Trade discount		(39,894)	(34,325)
	- Sales tax and special excise duty		(1,252,399)	(1,933,464)
	- Provincial sales tax on services		(777)	–
			(1,293,070)	(1,967,789)
			31,385,197	38,507,366
	Export:			
	Tractors		181,901	429,870
	Trading goods		69,755	75,424
			251,656	505,294
			31,636,853	39,012,660
	Less: Commission		(492,796)	(495,513)
		29.1	31,144,057	38,517,147

29.1 This represents revenue earned from Shariah compliant business segments.

		Note	2019	2018
			(Rupees in thousand)	
30	**Cost of sales**			
	Components consumed		23,739,431	28,267,781
	Salaries, wages and amenities	30.1	290,575	348,738
	Contract services		350,391	397,013
	Fuel and power		91,678	99,674
	Communication		228	321
	Travelling and vehicle running		11,513	11,494
	Printing and stationery		4,857	3,249
	Insurance		20,789	17,347
	Repairs and maintenance		68,268	89,628
	Stores and spares consumed		120,736	120,929
	Depreciation	14.1	33,131	32,323
	Other expenses		24,802	18,438
			24,756,399	29,406,935
	Add: opening work-in-process		4,508	16,141
	Less: closing work-in-process		(17,782)	(4,508)
			(13,274)	11,633
	Cost of goods manufactured		24,743,125	29,418,568
	Add: opening finished goods		157,468	363,676
	Less: closing finished goods		(246,003)	(157,468)
			(88,535)	206,208
	Cost of sales - manufactured		24,654,590	29,624,776
	Cost of sales - trading	30.2	543,100	457,596
			25,197,690	30,082,372

30.1	This includes the following staff retirement benefits:			
	Defined benefit plan - pension		7,883	5,108
	Defined contribution plan - gratuity		4,520	2,151
	Defined contribution plan - provident fund		7,062	6,644
	Provision for compensated absences		2,312	4,858
			21,777	18,761

30.2	**Cost of sales – trading**			
	Opening stock		158,714	137,307
	Purchases		545,124	479,003
			703,838	616,310
	Closing stock		(160,738)	(158,714)
			543,100	457,596

		Note	2019	2018
			(Rupees in thousand)	
31	**Distribution and marketing expenses**			
	Salaries and amenities	31.1	108,264	121,953
	Contract services		40,214	41,069
	Fuel and power		8,069	8,642
	Communication		476	578
	Travelling and vehicle running		15,676	16,052
	Printing and stationery		4,727	5,067
	Insurance		11,540	8,288
	Trademark fee	31.2	281,612	304,641
	Advertisement and sales promotion		17,443	15,355
	Depreciation	14.1	6,842	7,131
	Meeting / convention		8,509	7,384
	After sales support		44,877	66,371
	Other expenses		30,755	27,248
			579,004	629,779

		2019	2018
31.1	This includes the following staff retirement benefits:		
	Defined benefit plan - pension	4,653	1,834
	Defined contribution plan - gratuity	3,050	772
	Defined contribution plan - provident fund	3,645	2,385
	Provision for compensated absences	830	1,744
		12,178	6,735

31.2 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.

		Note	2019	2018
			(Rupees in thousand)	
32	**Administrative expenses**			
	Salaries and amenities	32.1	182,199	224,080
	Contract services		61,516	57,818
	Fuel and power		16,575	20,478
	Communication		3,812	4,185
	Travelling and vehicle running		23,397	20,528
	Insurance		7,644	7,059
	Repairs and maintenance		27,623	15,462
	Security		16,196	14,212
	Legal and professional	32.2	7,806	7,230
	Depreciation	14.1	42,380	44,285
	Amortization of intangible asset	16	1,944	897
	Rent, rates and taxes		2,017	2,142
	Fee and subscription		2,679	3,194
	Entertainment		5,522	4,865
	Property, plant and equipment written off		–	988
	Other expenses		45,017	64,857
			446,327	492,280

		Note	2019	2018
			(Rupees in thousand)	
32.1	This includes the following staff retirement benefits:			
	Defined benefit plan - pension		4,277	6,156
	Defined contribution plan - gratuity		1,721	2,593
	Defined contribution plan - provident fund		7,217	8,006
	Provision for compensated absences		2,786	5,855
			16,001	22,610
32.2	Legal and professional expenses include following in respect of auditors' services:			
	Statutory audit		1,628	1,550
	Half year review		170	170
	Special reports and sundry certifications		230	230
	Out of pocket expenses		100	100
			2,128	2,050
33	**Other operating expenses**			
	Workers' Profit Participation Fund	26.2	272,426	419,904
	Workers' Welfare Fund		93,225	140,849
	Realized loss on short term investments - at FVPL	33.1	200,417	–
	Donations	33.3	100	2,100
	Bad debts written off		–	12,235
	Exchange loss		30,437	1,731
			596,605	576,819
33.1	Realized loss / (gain) on sale of short term investment - net:			
	ABL Cash Fund		36,259	(5,616)
	ABL Income Fund		14,726	(17,409)
	ABL Islamic Income Fund		–	(2,998)
	Alfalah GHP Income multiplier Fund		–	1,500
	Alfalah GHP Money Market Fund		3,461	–
	Atlas Income Fund		–	(17,655)
	Atlas Money Market		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	–
	MCB DCF Fund		–	(10,607)
	Meezan Cash Fund		–	(3,110)
	NAFA Government Securities Liquid Fund		18,125	–
	NIT Government Bond Fund		–	(8,703)
	NIT Income Fund		8,182	–
	UBL Liquidity Income Plus Fund		14,116	–
			200,417	(64,598)

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

		Note	2019	2018
			(Rupees in thousand)	
33.3	The particulars of the donation exceeding Rs 500,000 are as follows:			
	Name of donee			
	Pakistan Centre for Philanthropy		–	1,000
34	**Other income**			
	Income from financial assets			
	Dividend income from Baluchistan Wheels Limited	34.1	3,848	5,131
	Return on bank deposits and TDRs	34.2	36,986	161,723
	Interest on Term Deposit Receipts		–	4,912
	Gain on sale of short term investments	33.1	–	64,598
	Fair value gain on short term investments - at FVPL	34.3	–	273,380
	Dividend income from short term investments	34.4	301,556	–
	Gain on translation of foreign investment		14,100	6,705
	Interest received on early payments and advances		31,338	32,601
			387,828	549,050
	Income from investment in subsidiary			
	Dividend income from Millat Equipment Limited		327,600	351,000
	Dividend income from Millat Industrial Products Limited		5,738	57,375
	Dividend income from Bolan Castings Limited		13,267	26,535
	Dividend income from TIPEG Intertrade DMCC		25,874	23,552
		34.1	372,479	458,462
	Income from assets other than financial assets			
	Rental income		6,742	6,198
	Scrap sales		16,517	25,615
	Gain on disposal of property, plant and equipment	14.4	3,582	–
	Sundry income	34.6	10,333	4,769
	Multiapp products service income		2,888	2,222
	Lab income		105	145
			40,167	38,949
			800,474	1,046,461

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

34.2 This includes profit of Rs.9,310 thousand (2018: Rs.102,125 thousand) earned on deposits made under Islamic mode.

		2019	2018
		(Rupees in thousand)	
34.3	Fair value gain on short term investments - at FVPL		
	ABL Cash Fund	–	51,280
	ABL Islamic Income Fund	–	20,211
	Alfalah GHP Money Market Fund	–	6,484
	Atlas Money Market Fund	–	28,236
	HBL Money Market Fund	–	24,647
	Lakson Income Fund	–	9,952
	Lakson Money Market Fund	–	26,479
	MCB Cash Management Optimizer Fund	–	53,030
	NAFA Government Securities Liquid Fund	–	23,426
	NIT Income Fund	–	15,617
	UBL Liquidity Income Plus Fund	–	14,018
		–	273,380

		2019	2018
		(Rupees in thousand)	
34.4	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	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	–
		301,556	–

34.5 During the year mutual funds investments have provided return on investment in form of cash dividend instead of fair value gains.

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

		Note	2019	2018
			(Rupees in thousand)	
35	**Finance cost**			
	Mark-up on short term borrowings - secured	35.1 & 35.2	38,629	52
	Bank charges		3,415	2,438
			42,044	2,490

35.1 This represents markup paid under conventional mode of financing arrangements having mark up rates ranging from KIBOR plus 0.05% to KIBOR plus 0.5% (2018: KIBOR plus 0.05% to KIBOR plus 0.1%) per annum.

35.2 This includes an amount of Rs. 8,213 thousand (2018: Rs Nil) paid as markup under Islamic mode of financing.

		Note	2019	2018
			(Rupees in thousand)	
36	**Taxation**			
	For the year charge / (income / reversal):			
	current		1,531,916	2,379,021
	deferred		(69,812)	37,895
			1,462,104	2,416,916
	Prior years:			
	current		(17,288)	28,590
		36.1	1,444,816	2,445,506

NOTES TO THE **FINANCIAL STATEMENTS**

For the year ended June 30, 2019

		2019 %	2018 %
36.1	Numerical reconciliation between average effective tax rate and the applicable tax rate is as follows:		
	Applicable tax rate	29.00	30.00
	- Effect of change in prior year	(0.34)	0.37
	- Income chargeable to tax at different rates	(0.90)	(1.29)
	- Tax effect of super tax	2.07	2.87
	- Effect on opening deferred taxes on reduction of rate	–	0.25
	- Others	(1.41)	(0.77)
		(0.58)	1.43
	Average effective tax rate	28.42	31.43

36.2 The Federal Government of Pakistan through an amendment vide Finance Act, 2018 reduced the rate of tax for the tax year 2019 from 30% to 29%. The current tax expense has been computed using the tax rate enacted for the tax year 2019.

36.3 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:

	2018	2017	2016
		(Rupees in thousand)	
Tax assessed as per most recent tax assessment	2,361,733	1,998,074	869,634
Provision in accounts for income tax	2,361,733	1,997,464	869,122

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

As at June 30, 2019, 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.

36.4 Tax on undistributed reserves

The Finance Act, 2019 has introduced tax on every public company at the rate of 5% of its profit before tax for the year. However, this tax shall not apply in case of a public company which distributes at least 20% of its after tax profits within six months of the end of the tax year through cash. Liability in this respect if any, is recognised when the prescribed time period for the distribution of dividend expires.

Based on the fact, the Board of Directors of the Company has paid a interim dividend amounting to Rs 1,993,165 thousand for the financial and tax year 2019 which exceeds the prescribed minimum dividend requirement as referred above. The Company believes that it would not be liable to pay tax on its undistributed reserves as of June 30, 2019.

37 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	
	2019	2018	2019		2018		2019	2018
			Non Executive Director	Executive Director	Non Executive Director	Executive Director		
Number of persons	1	1	1	1	2	1	28	28
	(Rupees in thousand)							
Managerial remuneration	11,964	9,702	2,427	1,902	5,806	1,153	57,044	46,953
Cost of living allowance	–	–	2,427	1,902	5,806	1,153	20,650	19,265
Bonus	7,271	6,716	3,138	2,436	3,365	865	40,944	19,432
House rent	5,384	4,366	1,092	856	2,613	519	23,126	18,404
Contribution to provident fund and gratuity funds	1,198	972	–	–	–	115	9,411	8,233
Pension contribution	–	–	–	–	–	–	3,510	3,275
Medical expenses	141	447	301	1,053	3,817	15	3,404	3,301
Utilities	348	278	706	799	931	368	5,955	4,537
Other reimbursable expenses	2,037	1,776	951	769	1,928	217	8,117	6,630
	28,343	24,257	11,042	9,717	24,266	4,405	172,161	130,030

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

37.2 Aggregate amount charged to profit or loss for the year in respect of meeting fee to three directors (2018: two directors) was Rs. 650 thousand (2018: Rs. 610 thousand) and travelling expenses Rs. 288 thousand (2018: Rs. 319 thousand).

38 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 14.4. Amounts due from Directors and key management personnel are shown under receivables and remuneration of Directors and key management personnel is disclosed in note 37. Other significant transactions with related parties are as follows:

Relation with undertaking	Nature of transaction	2019	2018
		(Rupees in thousand)	
Subsidiaries	Sale of goods	255,640	379,111
	Scrap sales	–	4,460
	Purchase of components	5,386,486	7,084,653
	Payment of compensation to staff	34,694	28,138
	Dividend income	372,479	458,462
Associates	Sale of services	4,856	–
	Investment made	720,000	–
Employees' defined benefit plan	Contribution to employees' defined benefit plan	10,000	11,132
Defined contribution plans	Contribution to defined contribution plan	9,290	10,516
Provident Fund	Amount contributed	17,924	17,127

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

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

38.3 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

39 Earnings per share – Basic and diluted

39.1 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:

	2019	2018
	(Rupees in thousand)	
Profit after tax for the year	3,638,045	5,334,362
	(Number of shares in thousand)	
Weighted average number of ordinary shares outstanding during the year	44,293	44,293
	(Rupees)	
Earnings per share	82.14	120.43

39.2 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	2019	2018
		(Rupees in thousand)	
40 Cash generated from operations			
Profit before taxation		5,082,861	7,779,868
Adjustment for:			
Depreciation on property, plant and equipment	14.1	82,353	83,739
Amortization of intangible assets	16	1,944	897
Bad debts written off	33	–	12,235
Provision for accumulating compensated absences		5,928	12,457
Profit on bank deposits	34	(36,986)	(161,723)
Dividend income from long term investments	34	(376,327)	(463,593)
Dividend income from short term investments	34.4	(301,556)	–
Contribution to employees' defined benefit plan		16,814	13,098
Provision for gratuity		9,290	5,516
Gain on disposal of property, plant and equipment	14.4	(3,582)	–
Property, plant and equipment written off	14	47	988
Loss / (gain) on sale of short term investments	33.1	200,417	(64,598)
Gain on translation of foreign investment	34	(14,100)	(6,705)
Fair value gain on short term investments - at FVPL	34	–	(273,380)
Finance costs	35	42,044	2,490
Exchange loss	33	30,437	1,731
Provision for Workers' Profit Participation Fund	33	272,426	419,904
Provision for Workers' Welfare Fund	33	93,225	140,849
Working capital changes	40.1	(4,263,115)	(944,099)
		842,120	6,559,674

		Note	2019	2018
			(Rupees in thousand)	
40.1	**Working capital changes**			
	(Increase) / decrease in current assets			
	Stores and spares		(19,533)	(12,835)
	Stock in trade		1,008,473	(510,481)
	Trade debts		18,941	105,014
	Loans and advances		(75,245)	15,457
	Trade deposits and short term prepayments		(30,179)	3,329
	Other receivables		(44,135)	64,612
			858,322	(334,904)
	Decrease in current liabilities:			
	Trade and other payables		(5,121,437)	(609,195)
			(4,263,115)	(944,099)
41	**Cash and cash equivalents**			
	Cash and bank balances	28	851,988	520,140
	Short term investments - Term Deposit Receipt (TDR)	27	–	1,240,000
			851,988	1,760,140

42 Operating segments

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

42.2 Revenue from sale of tractors represents 97% (June 30, 2018: 97%) of the total revenue of the Company.

42.3 99% (June 30, 2018: 99%) sales of the Company relate to customers in Pakistan.

42.4 All non-current assets of the Company as at June 30, 2019 are located in Pakistan.

43 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, 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.

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.

43.1 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	2019	2018
		(FCY in thousand)	
Receivables	GBP	2,093	14,359
	USD	269,054	68,720
	EUR	33,457	70,206
Trade and other payables	GBP	319,329	326,120
	USD	373,751	643,431
	EUR	–	98,212

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.

	Change in rate	Effects on profit before tax	Effects on profit before tax
		2019	2018
		(Rupees in thousand)	
Receivables/ (Trade and other payables) - GBP	+1	(317)	(312)
	-1	317	312
Receivables/ (Trade and other payables) - USD	+1	(105)	(575)
	-1	105	575
Receivables/ (Trade and other payables) - EUR	+1	33	(28)
	-1	(33)	28

	2019	2018
	(Rupees)	
Reporting date rate per:		
GBP	207.79	159.40
USD	164.00	121.60
EUR	186.37	141.57

(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).

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 Company 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 Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from short 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:

	2019	2018
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Bank balances - deposit accounts	–	33,046
Investment in Term Deposit Receipt	–	1,240,000
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	176,077	128,178

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.

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	2019	+1%	1,761
		-1%	(1,761)
	2018	+1%	1,282
		-1%	(1,282)

43.2 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. 2,089,837 thousand (2018: Rs.8,326,840 thousand), the unsecured financial assets which are subject to credit risk amounted to Rs. 983,103 thousand (2018: Rs. 7,907,630 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:

	2019	2018
	(Rupees in thousand)	
Trade debts	46,637	65,578
Trade deposits	26,541	13,952
Other receivables	85,172	41,872
Short term investments	–	7,267,636
Bank balances and cheques in hand	824,753	518,592
	983,103	7,907,630
The aging of trade receivables at the reporting date is:		
Past due 1 - 3 Months	35,675	48,476
Past due 4 - 6 Months	9,091	5,911
Past due one year	1,871	11,191
	46,637	65,578

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			2019	2018
	Short term	Long term	Agency	(Rupees in thousand)	
Banks					
Allied Bank Limited	A1+	AAA	PACRA	16,685	31,763
Bank Alfalah Limited	A1+	AA+	PACRA	120,147	37,396
Habib Bank Limited	A-1+	AAA	JCR-VIS	163,431	69,643
MCB Bank Limited	A1+	AAA	PACRA	75,532	110,734
Meezan Bank Limited	A-1+	AA +	JCR-VIS	8,040	19,047
MCB Islamic Bank Limited	A1	A	PACRA	494	–
National Bank of Pakistan	A1+	AAA	PACRA	9,843	14,871
Sindh Bank Limited	A-1	AA	JCR-VIS	2,073	33,046
Standard Chartered					
Bank (Pakistan) Limited	A1+	AAA	PACRA	7,357	9,402
The Bank of Punjab	A1+	AA	PACRA	–	551
United Bank Limited	A-1+	AAA	JCR-VIS	155,805	89,538
Zarai Taraqiati Bank Limited	A-1+	AAA	JCR-VIS	34,840	11,564
				594,247	427,555

	Rating - 2018	Agency	2019	2018
			(Rupees in thousand)	
Mutual funds / Term Deposit Receipts				
ABL Cash Fund	AA(f)	JCR-VIS	–	1,057,903
ABL Islamic Income Fund	A(f)	JCR-VIS	–	415,093
Alfalah GHP Money Market Fund	AA+(f)	PACRA	–	434,996
Atlas Money Market Fund	AA(f)	PACRA	–	542,344
HBL Money Market Fund	AA(f)	JCR-VIS	–	490,691
Lakson Income Fund	A+ (f)	PACRA	–	260,037
Lakson Money Market Fund	AA(f)	PACRA	–	513,836
MCB Cash Management Optimizer Fund	AA+(f)	PACRA	–	1,049,181
NAFA Government Securities Liquid Fund	AAA(f)	PACRA	–	579,423
NIT Income Fund	A+ (f)	PACRA	–	415,675
TDR - Meezan Bank Limited	AA	JCR-VIS	–	1,240,000
United Liquidity Plus Fund	AA	JCR-VIS	–	268,457
			–	7,267,636

43.3 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, 2019, the Company had Rs. 4,300,000 thousand (2018: Rs.3,400,000 thousand) available borrowing limits from financial institutions and Rs. 851,988 thousand (2018: Rs. 520,140 thousand) cash and bank balances.

The following are the contractual maturities of financial liabilities as at June 30, 2019:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
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	–

The following are the contractual maturities of financial liabilities as at June 30, 2018:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Trade and other payables	1,393,134	1,393,134	–	–
Unclaimed dividend	256,584	256,584	–	–
Unpaid dividend	48,229	48,229	–	–
Long term deposits	12,691	–	12,691	–
	1,710,638	1,697,947	12,691	–

43.4 Financial instruments by categories

	At fair value through other comprehensive income		At fair value through profit or loss		At amortised cost		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	(Rupees in thousand)							
Financial assets								
Long term investments	1,069,294	408,815	–	–	–	–	1,069,294	408,815
Loans and advances	–	–	–	–	10,205	8,847	10,205	8,847
Trade debts	–	–	–	–	46,637	65,578	46,637	65,578
Trade deposits	–	–	–	–	26,541	13,952	26,541	13,952
Other receivables	–	–	–	–	85,172	41,872	85,172	41,872
Short term investments	–	–	–	6,027,636	–	1,240,000	–	7,267,636
Cash and bank balances	–	–	–	–	851,988	520,140	851,988	520,140
	1,069,294	408,815	–	6,027,636	1,020,543	1,890,389	2,089,837	8,326,840
Total current							1,017,717	7,614,953
Total non-current							1,072,120	711,887

	At fair value through other comprehensive income		At fair value through profit or loss		At amortised cost		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	(Rupees in thousand)							
Financial liabilities								
Trade and other payables	–	–	–	–	2,441,153	1,393,134	2,441,153	1,393,134
Unclaimed dividend	–	–	–	–	310,095	256,584	310,095	256,584
Unpaid dividend	–	–	–	–	33,469	48,229	33,469	48,229
Long term deposits	–	–	–	–	12,731	12,691	12,731	12,691
	–	–	–	–	2,797,448	1,710,638	2,797,448	1,710,638
Total current							2,784,717	1,697,947
Total non-current							12,731	12,691

43.5 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 no 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 commensuration to the circumstances.

44 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.

44.1 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: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is derived from prices) ; and

Level 3: inputs for the asset or liability that are not based on observable market data.

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred.

As at June 30, 2019, the Company held the following financial instruments carried at fair value:

	Note	2019	Level 1	Level 2	Level 3
		(Rupees in thousand)			
Financial assets measured at fair value					
Equity shares	18	1,069,294	78,894	–	990,400
Investment in mutual funds	27.1	–	–	–	–
		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.

As at June 30, 2018, the Company held the following financial instruments carried at fair value:

	Note	2018	Level 1	Level 2	Level 3
			(Rupees in thousand)		
Financial assets measured at fair value					
Equity shares	18	409,215	138,815	–	270,400
Investment in mutual funds	27.1	6,027,636	6,027,636	–	–
		6,436,851	6,166,451	–	270,400

Date of valuation : June 30, 2018

There were no financial liabilities measured at fair value as at June 30, 2018.

44.2 As disclosed in note 18.3, for long term investments in Hyundai Nishat Motors (Private) Limited, cost is considered to represent the best estimate of its fair value at the reporting dates.

45 Provident fund trust

45.1 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	2019	2018
		(Rupees in thousand)	
Size of the fund		576,377	579,325
Cost of investment made	45.2	469,211	474,800
Percentage of investment made		81.41%	81.96%
Fair value of investment		671,176	925,943

	2019		2018	
	(Rupees in thousand)	Percentage of total fund	(Rupees in thousand)	Percentage of total fund
45.2 Breakup of investment - cost				
Investment in shares (listed securities)	3,211	1%	3,986	1%
Term Deposit Receipts (TDR)	466,000	81%	470,814	85%
	469,211	82%	474,800	86%

45.3 The above information is based on audited financial statements of the provident fund.

45.4 Cost of ordinary shares of the Company held by the provident fund trust as at year end amounts to Rs. 3,211 thousand (2018: Rs. 3,986 thousand).

		2019	2018
		(Units per annum)	
46	**Capacity and production**		
	Tractors		
	Plant capacity (double shift)	30,000	30,000
	Actual production	32,128	42,507

The Company has a normal capacity of producing 30,000 tractors per annum on double shift basis. However, the excess production over normal capacity is due to working on overtime schedules to meet the higher demand.

		2019	2018
47	**Number of employees**		
	Total number of employees at the end of the year	393	397
	Total number of factory employees at the end of the year	155	148
	Average number of employees during the year	395	402
	Average number of factory employees during the year	152	150

The number of employees mentioned above does not include third party contractual employees.

48 Subsequent events

The Board of Directors of the Company in its meeting held on September 5,2019 has proposed a final cash dividend of Rs.40 per share (2018: Rs. 60 per share) and 12.5% bonus shares (2018: Nil) in respect of the year ended June 30, 2019. 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.

49 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 5,2019.

50 General

50.1 Figures have been rounded off to the nearest thousand of rupees, unless otherwise stated.

Chief Financial Officer | Chief Executive Officer | Chairman

Participants of BOD

Consolidated Financial Statements

Millat Tractors Limited

For the year ended June 30, 2019

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, 2019.

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 present Board consists of seven directors of which six directors were elected in the 16th Annual General Meeting of the Company held on October 30, 2017. There has been no change in the composition of the Board during the year. The Directors of the company 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.

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. The financial statements of the company truly reflect the state of Company's affairs and fair review of its business. In short span of time the company has established its brand name of "Millat Batteries" as quality product. The sales made by MIPL during the year under review were Rs. 1,123.257 million and net loss after tax was Rs. (14.102) million. Loss per share for the year was Rs. (1.58). 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.

Company has successfully launched some models of solar batteries with maximum backup time to meet the requirement of solar customers. Also sale of deep cycle batteries has been increased as compared to last year. To remain in step with advancement in technology in the battery field, the company has almost completed test and trail of maintenance free battery which 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 price of lead (which constituted a major part of cost element) has adversely affected the profit margin. 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 0.254 million and registered sale of AED 6.527 million for the period under review. Earnings per share were AED 127.275. 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 present Board consists of seven directors who were elected in the Annual General Meeting of the Company held on October 28, 2017. There has been no change in the composition of the Board during the year. The Directors of the company are: M/s. Sikandar Mustafa Khan, Latif Khalid Hashmi, Sohail Bashir Rana, Laeeq Uddin Ansari, Syed Muhammad Irfan Aqueel, Syed Javaid Ashraf, Muhammad Salman Hussain Chawla.

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. During the financial year the Company has produced 8,694 M.T of castings against 16,294 M.T of last year. The tonnage net sales were 9,215 M.T against 15,269 M.T of last year. The sales revenues amounted to Rs. 1,513.64 million against Rs. 2,299.93 million of last year. The gross loss was Rs. (149.776) million against Rs. 328.201 million gross profit of last year. The loss after tax was Rs. (238.999) million against profit after tax of Rs. 133.401 million of last year. The loss per share was Rs. (20.83). The Company was not ready to respond conveniently towards the descending sales pattern of tractor industry and increment of foreign currency exchange rate. Be that as it may, restorative measures have been started and these will have positive effect in the following year's outcomes.

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

Being linked with agricultural sector, the tractor industry is expected to perform better. BCL, being part of tractors' vending industry also expects better scope for sales of its castings during the fiscal year 2019-20.

e. Adequacy of Internal Financial Controls

BCL maintains a sound system of internal controls, which is designed to identify, evaluate and manage risks that may impede the achievement of the Company's business objectives rather than to eliminate these risks and can, therefore, provide only reasonable assurance against material misstatement or loss. The 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 remain same as previous year i.e., producing a range of transmission shafts and gears for the various models of Massey Ferguson tractors in Pakistan. Furthermore, the financial performance of the company during the year was satisfactory despite of sharp decline in tractor demand due to recent economic condition. MEL earned an after tax profit of Rs. 488.829 million and registered sale of Rs. 3,312.662 million for the year under review. Earnings per share were Rs. 18.8.

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, we foresee the tractor demand to be consistent with the financial year 2018-2019. 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, 2019.

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, 2019 was Rs. 79.36 as against Rs. 134.64 of the preceding year.

Chief Executive Officer
Lahore: September 05, 2019

Chairman

د۔موزوں داخلی مالیاتی کنٹرولز

موزوں داخلی مالیاتی کنٹرولز پہلے سے اپنی جگہ پر ہیں جبکہ بورڈ کی آڈٹ کمیٹی اِنکے مکمل اور تسلی بخش عملدرآمد کا یقین دلاتی ہے۔

بعد میں پیش آنے والے واقعات

کمپنی کے مالیاتی سال مختتمہ اور اِس رپورٹ کی تاریخ کے درمیان نہ ہی کوئی عزائم کیے گئے اور نہ ہی کوئی واضح تبدیلی ہوئی جس سے گروپ کمپنیز کی مالیاتی پوزیشن اثر انداز ہو ماسوائے جن کو متعلقہ سالانہ رپورٹس میں بیان کیا گیا ہے۔

کاروبار کی نوعیت میں تبدیلی

سال کے دوران کسی بھی گروپ کمپنی کے کاروبار کی نوعیت میں کوئی اہم تبدیلی نہیں ہوئی۔

آڈیٹرز کا مشاہدہ

سال مختتمہ 30 جون، 2019 کی سالانہ آڈٹ رپورٹ میں کسی بھی گروپ کمپنی کے بارے میں آڈیٹرز نے اپنی رپورٹ میں کسی قسم کی منفی رائے نہیں دی۔

مستقبل کے امکانات

گروپ کمپنیز کی صلاحیتوں پر کسی کو کوئی بھی شک نہیں اس لئے مستقبل میں ترقی کے امکانات روشن ہیں۔

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 پیک، بی سی ایل اور ایم ای ایل کی شراکت داری کا طریقہ بھی منسلک ہے۔

فی حصص آمدنی

سال مختتمہ 30 جون، 2019 کیلئے گروپ کی فی حصص آمدنی 79.36 روپے رہی جو گزشتہ برس 134.64 روپے تھی۔

چیف ایگزیکٹو

چیئرمین

لاہور: 05 ستمبر 2019

پ۔ بنیادی خطرات اور غیر یقینی صورتحال

بی سی ایل کے انتظامی فریم ورک (جو داخلی کنٹرول پالیسیز سے منسلک ہے) سے بنیادی خطرات کم کرنے اور توجہ مرکوز رکھنے میں کافی مدد ملتی ہے۔ تاہم مجموعی طور پر کمپنی کو مالیاتی اعتبار سے محدود خطرات کا سامنا کرنا پڑسکتا ہے کیونکہ مارکیٹ میں اِس طرح کی صورتحال میں خطرے کا اندیشہ کم رہتا ہے۔

ج۔ مستقبل میں منافع کے امکانات

زرعی شعبے سے وابستہ ہونے کی حیثیت سے ٹریکٹر انڈسٹری کی بہتر کارکردگی متوقع ہے۔ ٹریکٹرز کی وینڈنگ انڈسٹری کا حصہ ہونے کی وجہ سے بی سی ایل مالیاتی سال 2019-2020 کے دوران اپنی کاسٹنگز کی سیلز میں بہتری کا امکان رکھتی 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۔ اِس لئے یہ سسٹم کسی بنیادی غلط بیانی یا نقصان کے حوالے سے ایک معقول اور یقینی حل پیش کرتا ہے۔ آڈٹ کمیٹی داخلی کنٹرولز سسٹم کی افادیت کو جانچنے کی ذمہ دار ہے۔

ملت ایکوپمنٹ لمیٹڈ

الف۔ بورڈ آف ڈائریکٹرز

کمپنی کے ڈائریکٹرز جناب سکندر مصطفیٰ خان، لطیف خالد ہاشمی، سہیل بشیر رانا، لئیق الدین انصاری، میاں محمد سلیم اور سید محمد عرفان عقیل ہیں جو 30 جون، 2018 کو منعقد ہونے والی EOGM میں منتخب ہوئے تھے۔

ب۔ کمپنی کا روبار کی کارکردگی، ترقی اور بنیادی سرگرمیاں

ایم ای ایل ایک نان لسٹڈ پبلک لمیٹڈ کمپنی ہے جو ایم ٹی ایل کے لئے گیئر، 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 پچھلے سال کی طرح رہیں جیسا کہ پاکستان میں میسی فرگوسن ٹریکٹرز کے مختلف ماڈلز کے گیئرز اور شافٹس کی تیاری۔ حالیہ معاشی صورتحال کے باعث ٹریکٹر کی مانگ میں تیزی سے آنے والی کمی کے باوجود بھی سال بھر کے دوران کمپنی کی مالیاتی کارکردگی تسلی بخش رہی۔ ایم ای ایل کی اس سال کی رجسٹرڈ سیل 3,312.66 ملین روپے رہی جبکہ خالص منافع بعد از ٹیکس 488.829 ملین روپے رہا۔ فی حصص آمدنی 18.8 روپے رہی۔

پ۔ بنیادی خطرات اور غیر یقینی صورتحال

ظاہری طور پر ایک سنگل کسٹمر کمپنی اور اِس سے منسلک خدشات کے علاوہ اور کوئی دیگر وجوہات نہیں جو مستقبل میں کمپنی کاروبار کو متاثر کریں۔ کمپنی کے کاروبار کی نوعیت کے حوالے سے مالیاتی سال کے دوران کوئی تبدیلی نہیں آئی۔

ج۔ مستقبل میں منافع کے امکانات

مجموعی طور پر پاکستان کی معیشت کو درپیش حالیہ مالی/معاشی مشکلات کے باوجود ہماری پیشین گوئی ہے کہ مالی سال 2018-19 میں ٹریکٹر کی طلب برقرار رہے گی۔ اس لیے آنے والے سال میں کمپنی کا منافع اسی سطح پر قائم رہنے کا امکان ہے۔

ٹائی پیگ انٹرٹریڈڈی ایم سی سی

ا۔ بورڈ آف ڈائریکٹرز

کمپنی کے ڈائریکٹرز جناب سکندر مصطفیٰ خان، لطیف خالد ہاشمی، سہیل بشیر رانا، لئیق 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 انٹرٹریڈڈی ایم سی سی، دبئی، یواے ای میں ایک لمیٹڈ لائیبلیٹی کمپنی ہے جو کہ دبئی ملٹی کموڈوٹیز سینٹر اتھارٹی کے ساتھ رجسٹرڈ ہے۔ ملت ٹریکٹرز لمیٹڈ کمپنی کی ایکوئیٹی میں 75% کا ملکیتی حصہ رکھتی ہے۔ کمپنی کی بنیادی سرگرمیوں میں مشینری اور بھاری ایکوپمنٹ اور پارٹس کی ٹریڈنگ شامل ہے۔ کمپنی کے کاروبار کی جگہ جومیرہ لیک ٹاورز (Jumeirah Lake Towers) دبئی، یواے ای ہے۔ ٹائی پیگ کی اِس عرصہ کے دوران رجسٹرڈ فروخت 6.527 ملین (اے ای ڈی) رہی جبکہ خالص منافع 0.254 ملین (اے ای ڈی) رہا۔ فی حصص آمدنی 127.275 (اے ای ڈی) رہی۔ اب تک کمپنی کی کارکردگی اطمینان بخش رہی اور پاکستان سے ٹریکٹرز کی زیادہ برآمدات کے بعد بزنس کو مزید فروغ ملے گا۔

پ۔ بنیادی خطرات اور غیر یقینی کی 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 میں کوئی تبدیلی نہیں آئی۔

ج۔ مستقبل میں منافع کے امکانات

کمپنی کا یہ عزم ہے کہ ایم ٹی ایل اور دیگر گروپ کمپنیز کی مارکیٹنگ پراڈکٹس کو افریقہ اور دیگر بین الاقوامی مارکیٹس تک رسائی دے کر سیلز میں اضافہ کیا جائے۔

د۔ موزوں داخلی مالیاتی کنٹرولز

موزوں داخلی مالیاتی کنٹرولز اپنی جگہ پر ہیں اور اِن کا مشاہدہ کیا جارہا ہے۔

بولان کاسٹنگز لمیٹڈ

ا۔ بورڈ آف ڈائریکٹرز

موجودہ بورڈ 7 ڈائریکٹرز پر مشتمل ہے جن کا انتخاب 28 اکتوبر، 2017 کو ہونے والی کمپنی کی سالانہ جنرل میٹنگ میں کیا گیا۔ اِس سال کے دوران بورڈ کی ساخت میں کوئی تبدیلی نہیں کی گئی۔ کمپنی کے ڈائریکٹرز درجہ ذیل ہیں

جناب سکندر مصطفیٰ خان، لطیف خالد ہاشمی، سہیل بشیر رانا، لئیق الدین انصاری، سید محمد عرفان عقیل، سید جاوید اشرف اور محمد سلمان حسین چاولہ ہیں

ب۔ کمپنی کاروبار کی کارکردگی، ترقی اور بنیادی سرگرمیاں

بی سی ایل پاکستان اسٹاک ایکسچینج میں لسٹڈ ایک پبلک لمیٹڈ کمپنی ہے۔ بی سی ایل ٹریکٹرز کے پیچیدہ پرزہ جات بناتی ہے جیسا کہ ایم ٹی ایل کیلئے ٹریکٹر کاسٹنگ وغیرہ۔ ایم ٹی ایل کمپنی کے کل ادا شدہ سرمائے میں 46.26 فیصد کے شیئرز رکھتی ہے۔ اِس مالیاتی سال کے دوران کمپنی نے 8,694 ایم ٹی کاسٹنگز بنائی ہیں جو گزشتہ سال 16,294 ایم ٹی تھیں۔ ٹن کے حساب سے نیٹ سیلز 9,215 ایم ٹی رہیں جو گزشتہ سال 15,269 تھیں۔ سیلز کی رقم 1,513.64 ملین روپے رہی جو گزشتہ سال 2,299.93 ملین روپے تھی۔ گراس لاس (149.776) ملین روپے رہا جو گزشتہ سال 328.201 ملین روپے منافع کی صورت میں تھا۔ نقصان بعد از ٹیکس 238.999 ملین روپے رہا جو گزشتہ سال 133.401 ملین روپے منافع کی صورت میں تھا۔ فی حصص نقصان 20.83 روپے رہا۔ کمپنی آسانی سے ٹریکٹر انڈسٹری کی سیلز اور روپے کی گراوٹ کے لیے تیار نہیں تھی، بحالی کے اقدامات جاری ہیں اور آنے والے سالوں میں اس کا مثبت اثر ہوگا۔

گروپ ڈائریکٹرز رپورٹ

ڈائریکٹرز کی جانب سے گروپ کی 30 جون، 2019 کو ختم ہونے والی سال کی آڈٹ شدہ مالیاتی تفصیلات ہمراہ ڈائریکٹرز اور آڈیٹرز رپورٹ بخوشی پیش کی جاتی ہیں۔

گروپ

گروپ جو کہ ملت ٹریکٹرز لمیٹڈ (ایم ٹی ایل) (ہولڈنگ کمپنی) اور اس کی ذیلی کمپنیاں جیسے کہ ملت انڈسٹریل پراڈکٹس لمیٹڈ (ایم آئی پی ایل)، ٹائی پیک انٹر ٹریڈ ڈی ایم سی سی، دبئ، یواے ای، بولان کاسٹنگ لمیٹڈ (بی سی ایل) اور ملت ایکوپمنٹ لمیٹڈ (ایم ای ایل) پر مشتمل ہے۔

ملت انڈسٹریل پراڈکٹس لمیٹڈ

الف۔ بورڈ آف ڈائریکٹرز

موجودہ بورڈ 7 ڈائریکٹرز پر مشتمل ہے جن میں سے چھ ڈائریکٹرز کا انتخاب 30 اکتوبر، 2017 کو ہونے والی کمپنی کی 16 ویں جنرل میٹنگ میں کیا گیا۔ اِس سال کے دوران بورڈ کی ساخت میں کوئی تبدیلی نہیں کی گئی۔ کمپنی کے ڈائریکٹرز درجہ ذیل ہیں: جناب سکندر مصطفیٰ خان، لطیف خالد ہاشمی، سہیل بشیر رانا، لئیق الدین انصاری، میاں محمد سلیم، احسن عمران شیخ اور رافع زمان درانی

ب۔ بنیادی سرگرمیاں، کمپنی کاروبار کی کارکردگی اور ترقی

کمپنی گاڑیوں، فیکٹریوں اور گھروں میں استعمال ہونے والی بیٹیریاں بنانے کے کام سے وابستہ ہے۔ کمپنی کے مالیاتی گوشوارے کمپنی کے معاملات اور اس کے کاروبار کے درست تجزیے کو صحیح معنوں میں ظاہر کرتے ہیں۔ کمپنی نے بہت قلیل مدت میں ''ملت بیٹریز'' کے نام سے اپنے برینڈ کو اعلیٰ معیار کی مصنوعات کے طور پر تسلیم کروایا ہے۔ کمپنی نے موجودہ سال کے دوران 1,123.257 ملین روپے کی سیلز کیں اور نیٹ خسارہ 14.102 ملین روپے رہا۔ مجمعی خسارہ فی شیئر کے حساب سے (1.58) رہا۔ بنیادی سامان کی قیمتوں اور کمپنی کی اشیاء کی قیمتِ فروخت میں معمولی اضافہ فی شیئر خسارہ کی وجہ بنا۔

کمپنی نے شمسی توانائی استعمال کرنے والے صارفین کے لیے زیادہ سے زیادہ بیک اپ ٹائم کی حامل سولر بیٹریز کے کچھ ماڈلز کامیابی سے لانچ کیے ہیں۔ ڈیپ سائیکل بیٹریز کی فروخت بھی پچھلے سال کے مقابلے بڑھی ہے۔ بیٹری کے میدان میں ٹیکنالوجی کی ترقی کے ساتھ قدم ملانے کے لیے کمپنی مرمت سے آزاد (Maintenance Free) بیٹری کا تجربہ اور تجزیہ تقریباً مکمل کر چکی ہے جو کہ مستقبل قریب میں مارکیٹ میں دستیاب ہوگی۔

پ۔ بنیادی خطرات اور غیر یقینی صورتحال

کمپنی کو درپیش اہم مسائل اور خطرات میں خام مال کی قیمتوں میں تبدیلی، روپے کی غیر معمولی گراوٹ کی وجہ سے درآمد شدہ خام مال کی لاگت میں اضافہ، بجلی کی رسد میں بہتری کے سبب یو پی ایس کی بیٹریز کی طلب میں کمی اور مارکیٹ میں نئے مقابلہ وروں کی آمد شامل ہیں۔ رواں برس لیڈ (جو کہ لاگت کا سب سے اہم حصہ ہے) کی قیمت میں اضافے کے سبب منافع کی شرح بری طرح متاثر ہوئی ہے۔ کمپنی کے کاروبار کی نوعیت کی بابت اس مالی سال میں کوئی تبدیلی وقوع پذیر نہیں ہوئی۔

ج۔ مستقبل میں منافع کے امکانات

کمپنی بعد از ٹیکس نقصان کی بحالی اور س نقصان کو منافع میں بدلنے کے لئے آئندہ مالی سال فروخت کے نئے اہداف مقرر کرنے کے لئے پرعزم ہے۔ اِسکے ساتھ ساتھ کوالٹی اور کاسٹ کنٹرول کے ذریعے مارکیٹ میں رونما ہونے والی تبدیلیوں اور نئے رجحانات کا ڈٹ کر مقابلہ کیا جائے گا۔

د۔ موزوں داخلی مالیاتی کنٹرولز

داخلی مالیاتی کنٹرولز اپنی جگہ پر ہیں اور انٹرنل آڈٹ ڈیپارٹمنٹ کے متعلقہ افراد کی جانب سے اِن کا مستقل بنیادوں پر باریک بینی سے مشاہدہ کیا جا رہا ہے۔

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, 2019, 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, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Sr. #	Key audit matter	How the matter was addressed in our audit
1	**Valuation of employees' defined benefit plan – asset** (Refer note 4.4 and 9 to the annexed consolidated financial statements) The Group has an employees' defined benefit plan asset amounting to Rs. 231,351 thousand as on June 30, 2019 which is significant in the context of the overall financial position of the Group. The valuation of the employees' defined benefit plan requires significant levels of judgement and technical expertise in choosing appropriate assumptions. Changes in a number of the key assumptions can have a material impact on the calculation. Management involves experts to perform this valuation on its behalf.	We used auditor's experts to evaluate the assumptions used in the valuation of the Group's employees' defined benefit plan asset. As part of our audit procedures we: • understood key controls over the completeness and accuracy of data extracted and supplied to the Group's actuary, used in the valuation of the employees' defined benefit plan asset; • obtained an understanding of the work performed by the management's expert on the model for the purpose of valuation; • examined the professional qualification of management's expert and assessed the independence, competence and experience of the management's expert in the field;

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KARACHI LAHORE ISLAMABAD

Sr. #	Key audit matter	How the matter was addressed in our audit
	Due to the significant level of judgment and estimation required to determine the employees' defined benefit plan, we consider it to be a key audit matter.	• tested reliability of the underlying data used in the valuation; • assessed the reasonableness of assumptions used by the management expert in the valuation; and • examined the adequacy of the disclosures made by the Group in this area with regard to applicable accounting and reporting standards.
2	**Deferred tax asset** (Refer note 8 of the annexed consolidated financial statements) Under International Accounting Standard 12 "Income Taxes", the Group is required to review recoverability of the deferred tax assets recognized in the statement of financial position at each reporting period. Recognition of deferred tax asset is dependent on management's estimate of availability of sufficient future taxable profits against which carried forward losses and tax credits can be utilized. The future taxable profits are based on approved management's projections. This estimation involves a degree of uncertainty and requires judgement in relation to the future cash flows and also involves assessment of timing of reversals of un-used tax losses and tax credits. As at June 30, 2019, the Group had recognized deferred tax assets amounting to Rs 122,489 thousand on unused tax losses and Rs 59,431 thousand in respect of employee related expenses. We considered this as key audit matter due to the inherent uncertainty in forecasting the amount and timing of future taxable profits and the reversal of temporary differences and management judgement regarding assumptions used in this area.	We performed audit procedures that included: • obtained understanding of the income taxes process, and evaluated the design and tested management's controls over the calculation of the deferred tax asset and the review of the future recoverability; • tested management's computation of un-used tax losses for which deferred tax asset has been recognized; • analyzed the requirements of Income Tax Ordinance, 2001, in relation to above and considering the aging analysis, expiry periods of relevant deferred tax assets and tax rates enacted in consultation with our in house tax specialist; • assessed the reasonableness of cash flow projection and taxable profits projections, challenging and performing audit procedures on assumptions such as growth rate, production patterns, future revenue and costs, by comparing the assumptions to historical results, approved budget and other relevant information for assessing the quality of Group's forecasting process in determining the future taxable profits; • tested mathematical accuracy of future projections and the use of appropriate tax rate applicable on temporary differences; and • assessed the appropriateness of management's accounting for deferred taxes and the accuracy of related disclosures in accordance with the 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 18, 2019

CONSOLIDATED STATEMENT OF **FINANCIAL POSITION**

As at June 30, 2019

	Note	2019	2018
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
50,000,000 (2018: 50,000,000) ordinary			
shares of Rs. 10/- each		500,000	500,000
Issued, subscribed and paid up capital	5	442,926	442,926
Reserves	6	5,250,076	6,313,620
		5,693,002	6,756,546
Non-controlling interest		1,038,347	1,297,342
Total equity		6,731,349	8,053,888
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term deposits	7	25,575	25,565
Deferred tax liabilities - net	8	–	133,759
Employees' defined benefit plan	9	49,619	102,411
		75,194	261,735
CURRENT LIABILITIES			
Accumulating compensated absences		147,064	137,762
Trade and other payables	10	5,330,628	10,809,629
Current portion of long term deposits		411	1,192
Short term borrowings	11	887,798	243,700
Unclaimed dividend		320,741	262,711
Unpaid dividend		33,469	48,229
		6,720,111	11,503,223
CONTINGENCIES AND COMMITMENTS	12	–	–
		13,526,654	19,818,846

The annexed notes from 1 to 52 form an integral part of these consolidated financial statements.

Chief Financial Officer

Chief Executive Officer

	Note	2019	2018
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	13	1,789,809	1,666,736
Capital work in progress	14	30,912	83,917
		1,820,721	1,750,653
Intangible assets	15	4,138	135
Goodwill		18,572	18,572
Investment property	16	255,708	255,708
Long term investments	17	1,086,875	440,325
Long term loans	18	3,662	3,433
Long term deposits	19	21,432	7,325
Deferred tax asset - net	8	13,635	–
Employees' defined benefit plan	9	231,351	15,708
		3,456,094	2,491,859
CURRENT ASSETS			
Stores, spare parts and loose tools	20	487,933	425,597
Stock in trade	21	3,924,036	5,374,605
Trade debts	22	357,962	255,533
Loans and advances	23	216,086	136,715
Trade deposits and short term prepayments	24	61,503	20,113
Balances with statutory authorities	25	2,268,505	1,925,886
Other receivables	26	85,913	42,143
Tax refunds due from the Government		1,624,122	884,633
Short term investments	27	4,182	7,422,378
Cash and bank balances	28	1,040,318	839,384
		10,070,560	17,326,987
		13,526,654	19,818,846

Chairman

CONSOLIDATED STATEMENT OF PROFIT OR **LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended June 30, 2019

	Note	2019	2018
		(Rupees in thousand)	
Revenue from contracts with customers	29	32,030,959	39,586,362
Cost of sales	30	25,202,514	29,129,335
Gross profit		6,828,445	10,457,027
Distribution and marketing expenses	31	698,181	730,588
Administrative expenses	32	758,197	767,708
Other operating expenses	33	641,139	689,062
		2,097,517	2,187,358
Other income	34	468,793	635,902
Operating profit		5,199,721	8,905,571
Finance cost	35	121,552	20,190
Profit before tax		5,078,169	8,885,381
Taxation	36	1,562,972	2,921,862
Profit after tax for the year		3,515,197	5,963,519
Other comprehensive income:			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		39,653	18,927
Items not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain / (loss) on employees' defined benefit plan		274,431	(61,686)
Unrealized loss on revaluation of investments at fair value through other comprehensive income		(73,451)	(63,268)
		200,980	(124,954)
Total other comprehensive income / (loss)		240,633	(106,027)
Total comprehensive income for the year		3,755,830	5,857,492
Attributable to:			
- Equity holders of the holding Company			
Profit after tax		3,361,809	5,387,943
Total comprehensive income / (loss) for the year		225,365	(105,028)
		3,587,174	5,282,915
- Non-controlling interests			
Profit after tax		153,388	575,576
Total comprehensive income / (loss) for the year		15,268	(999)
		168,656	574,577
		3,755,830	5,857,492
Earnings per share – basic and diluted (Rupees)	39	79.36	134.64

The annexed notes from 1 to 52 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, 2019

	Issued, subscribed and paid up capital	Capital reserves: Exchange translation reserve	Capital reserves: Fair value reserve	Revenue reserves: General reserves	Revenue reserves: Unappropriated profit	Total	Non-controlling interest	Total equity
	(Rupees in thousand)							
Balance as on July 01, 2017	442,926	1,223	233,682	2,475,309	3,635,597	6,788,737	1,222,266	8,011,003
Final dividend for the year ended June 30, 2017 @ Rs. 60 per share	–	–	–	–	(2,657,553)	(2,657,553)	–	(2,657,553)
Interim dividend for the year ended June 30, 2018 @ Rs. 60 per share	–	–	–	–	(2,657,553)	(2,657,553)	–	(2,657,553)
Dividend payment to non controlling interest	–	–	–	–	–	–	(499,501)	(499,501)
Net profit for the year	–	–	–	–	5,387,943	5,387,943	575,576	5,963,519
Other comprehensive income for the year	–	14,195	(57,043)	–	(62,180)	(105,028)	(999)	(106,027)
Total comprehensive income / (loss)	–	14,195	(57,043)	–	5,325,763	5,282,915	574,577	5,857,492
Balance as on June 30, 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

The annexed notes from 1 to 52 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, 2019

	Note	2019	2018
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	40	1,428,400	7,842,045
Finance cost paid		(95,269)	(17,373)
Increase in long term loans to employees - net		(229)	(4)
Workers' Profit Participation Fund paid	10.3	(353,731)	(511,262)
Workers' Welfare Fund paid		(171,542)	(141,176)
Taxes paid - net		(2,792,474)	(2,838,062)
Retirement benefits paid - net		(32,556)	(17,664)
Long term security deposits (paid) / received		(14,878)	2,301
		(3,460,679)	(3,523,240)
Net cash flows used in operating activities		(2,032,279)	4,318,805
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for capital expenditure		(299,715)	(232,001)
Proceeds from disposal of property, plant and equipment		33,035	28,915
Short term investments redeemed - net		6,284,898	1,297,993
Long term investments made		(720,000)	(270,000)
Profit on bank deposits received		42,086	170,384
Dividend received	40	4,711	6,281
Net cash flows generated from investing activities		5,345,015	1,001,572
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to non controlling interests		(427,651)	(499,501)
Dividends paid to equity holders of the holding company		(4,607,448)	(5,251,816)
Net cash used in financing activities		(5,035,099)	(5,751,317)
Net decrease in cash and cash equivalents		(1,722,363)	(430,940)
Cash and cash equivalents at the beginning of the year		1,839,086	2,251,099
Foreign exchange difference		39,653	18,927
Cash and cash equivalents at the end of the year	41	156,376	1,839,086

The annexed notes from 1 to 52 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, 2019

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.

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:

- Revenue of the Group decreased by Rs. 7,555,403 thousand (19%) as compared to prior year due to decrease in volumes - refer notes 29 and 47.
- Additional long term investment were made by the Group in Hyundai Nishat Motors (Private) Limited (HNMPL) amounting to Rs. 720,000 thousand under the Share Subscription Agreement (SSA) and Shareholders Agreement (SHA) between both parties - refer note 17.
- The Holding Company has implemented an update to its existing ERP system to IFS-9 across the business at various stages. This involved replacing the previous platform for recording the underlying business transactions across the Holding Company.
- For working capital management short term investments were disposed off by the Group during the year and furthermore the borrowings of the Group increased - refer note 27 and 11.
- The Group recognized deferred tax assets amounting to Rs 122,489 thousand on unused tax losses and Rs 59,431 thousand in respect of employee related expenses - refer note 8.
- Remeasurements in the Holding Company's employees' defined benefit plan have resulted in a net receivable balance from the defined benefit plan - refer note 9.
- There was a significant increase in tax refunds of the Group due from the government and statutory authorities amounting to Rs. 739,489 thousand.
- The adoption of new accounting standards for financial instruments and revenue from contracts with customers - refer note 4.

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 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.

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 43.1 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.

3.3 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

4.1.1 First time adoption of IFRS 9 – Financial Instruments

Effective January 1, 2019, the Group has adopted 'IFRS 9 - 'Financial instruments'. This standard replaces the guidance in IAS 39. Key changes in the new standard include requirements on the classification, measurement and derecognition of financial assets and liabilities. The standard also contains new requirements for hedge accounting and replaces the current incurred loss impairment model with an expected credit loss model. Accordingly, the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories.

The impact of changes laid down by this standard is detailed in note 4.1.3 to these consolidated financial statements of the Group.

4.1.2 First time adoption of IFRS 15 - Revenue from Contracts with Customers

Effective January 1, 2019, the Group has adopted IFRS 15, “”Revenue from Contracts with Customers””. This standard, replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition. Key changes in the new standard include a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The adoption of IFRS 15 does not have any significant impact on these consolidated financial statements of the Group. However, related changes to the accounting policies have been made in these 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 2 – Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)
- IFRS 4 – Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)
- IAS 40 – Investment Property: Transfers of Investment Property (Amendments)
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration

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:

Standard or interpretation	Effective Date (Annual periods beginning on or after)
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)	January 01, 2019
IFRS 9 – Prepayment Features with Negative Compensation – (Amendments)	January 01, 2019
IFRS 16 – Leases	January 01, 2019
IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)	January 01, 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures – (Amendments)	January 01, 2019
IFRIC 23 – Uncertainty over Income Tax Treatments	January 01, 2019
Annual improvements 2015-2017	January 01, 2019
IFRS 3 - Business combinations', definition of a business (Amendments)	January 01, 2019
IAS 1- Presentation of financial statements (Amendment)	January 01, 2020
IAS 8 - Accounting policies, changes in accounting estimates and errors (Amendments)	January 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, 2019 and January 01, 2020 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 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 17 – Insurance Contracts	January 01, 2022

4.1.3 Change in accounting policy

4.1.3.1 IFRS 9 - Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments from July 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 9, corresponding figures have not been restated and any adjustment to carrying amount of financial assets and liabilities were recognised in the opening retained earnings as of the transition date.

Classifications and remeasurement

On July 1, 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassifications and adjustments are as follows:

Financial assets - July 1, 2018	Note	Carrying amount as reported under IAS 39 July 1, 2018	Reclassification due to IFRS - 9	Remeasurements allowance ECL	Carrying amount as reported under IFRS 9 July 1, 2018
		(Rupees in thousand)			
Long term investments	a	–	440,325	–	440,325
Long term loans		3,433	–	–	3,433
Long term deposits		7,325	–	–	7,325
Loans to employees		10,104	–	–	10,104
Trade debts	b	255,533	–	–	255,533
Other receivables		42,143	–	–	42,143
Short term investments	c	6,178,976	1,243,402	–	7,422,378
Cash and bank balances		839,384	–	–	839,384
		7,336,898	1,683,727	–	9,020,625

(a) Investments in Baluchistan Wheels Limited (listed equity shares carried at fair value) and Hyundai Nishat Motors (Private) Limited (unquoted equity shares carried at fair value) were reclassified from available-for-sale to financial assets at fair value through other comprehensive income (FVOCI) as they were not held for trading.

(b) IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The Group has determined that the application of IFRS 9's impairment requirement at July 1, 2018 results in no additional allowance for trade receivables.

(c) Investments in Term Deposit Receipt (TDR) were reclassified from held to maturity to financial assets at amortised cost.

The following table below explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and liabilities as at July 1, 2018.

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original amount under IAS 39	New carrying amount under IFRS 9
			(Rupees in thousand)	
Long term investments	Available for sale	Fair value through other comprehensive income	440,325	440,325
Long term loan	Loans and receivables	Amortised cost	3,433	3,433
Long term deposits	Loans and receivables	Amortised cost	7,325	7,325
Loans to employees	Loans and receivables	Amortised cost	10,104	10,104
Trade debts	Loans and receivables	Amortised cost	255,533	255,533
Trade deposits	Loans and receivables	Amortised cost	42,143	42,143
Other receivables	Loans and receivables	Amortised cost		
Short term investments				
- Investment in mutual funds	Fair value through profit or loss	Fair value through profit or loss	6,178,976	6,178,976
- Investment in TDRs	Held to maturity	Amortised cost	1,243,402	1,243,402
Cash and bank balances	Loans and receivables	Amortised cost	839,384	839,384
Financial liabilities				
Trade and other payables	Other financial liabilities	Other financial liabilities	1,660,471	1,660,471
Short term borrowings	Other financial liabilities	Other financial liabilities	243,700	243,700
Unclaimed dividend	Other financial liabilities	Other financial liabilities	262,711	262,711
Unpaid dividend	Other financial liabilities	Other financial liabilities	48,229	48,229
Long term deposits	Other financial liabilities	Other financial liabilities	25,565	25,565

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 measures the non-controlling interest in the acquiree at the proportionate share of its interest in the acquree'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, 2019.

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.

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		Bolan Casting Limited	
	2019	2018	2019	2018
Expected rate of increase in salary level	13.25%	8.00%	14.25%	9.00%
Discount rate used for interest cost in profit and loss	9.00%	7.75%	14.25%	9.00%
Discount rate used for year end obligation	14.25%	9.00%	14.25%	9.00%
Average expected remaining working life of employees	6 years	9 years	6.26 years	8.12 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 13. 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 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.

4.8 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.

Amortization on additions to 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.

4.9 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.

4.10 Investments and other financial assets

4.10.1 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.

4.10.2 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.

4.10.3 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:

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.

4.10.4 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.

4.10.5 Financial assets - policy upto June 30, 2018

Trade debts and other receivables were recognised initially at fair value plus directly attributable, if any and subsequently, at amortised cost less impairment if any. A provision for impairment of trade and other receivable is established when there is an objective evidence that the Group will not be able to collect all amounts due according to terms of receivables. Trade receivables considered irrecoverable are written off.

4.11 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.

4.12 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.

4.13 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.

4.14 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.

4.15 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

4.15.1 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 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.

4.16 Research cost

These costs are charged to profit and loss when incurred.

4.17 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.

4.18 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.

4.19 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.

4.20 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.

4.21 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.

The accounting policy for financial assets is disclosed in note 4.10 to the financial statements above.

4.22 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.

4.23 Reserves

Reserve are classified into two categories as follows:

4.23.1 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.

4.23.2 Capital reserve

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

4.24 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.

4.25 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.

4.26 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.

5 Issued, subscribed and paid up capital

2019	2018		2019	2018
(Number of shares in thousand)			(Rupees in thousand)	
		Ordinary shares of Rs.10 each fully		
2,543	2,543	paid in cash	25,429	25,429
		Ordinary shares of Rs.10 each issued as		
41,750	41,750	fully paid bonus shares	417,497	417,497
44,293	44,293		442,926	442,926

	2019	2018
	(Rupees in thousand)	
6 Reserves		
Capital reserve		
Fair value reserve - Investments measured at FVOCI	110,459	176,639
Exchange translation reserve	45,158	15,418
	155,617	192,057
Revenue reserve		
General reserve	2,475,309	2,475,309
Unappropriated profit	2,619,150	3,646,254
	5,094,459	6,121,563
	5,250,076	6,313,620

7 Long term deposits

This includes security deposits received from dealers amounting to Rs. 12,731 thousand (2018: Rs. 12,691 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	2019	2018
		(Rupees in thousand)	
8 Deferred tax asset - net			
The asset / (liabilities) for deferred tax comprises temporary differences relating to:			
Taxable temporary differences:			
Accelerated tax depreciation		181,520	167,289
Change in fair value of short term investments		–	41,007
		181,520	208,296
Deductible temporary differences:			
Accumulating compensated absences		(42,421)	(39,572)
Provision for doubtful receivables		(10,624)	(10,624)
Provision for warranty		(2,611)	(2,192)
Unused tax losses	8.1	(122,489)	–
Provision for retirement benefit obligations		(17,010)	(22,149)
		(195,155)	(74,537)
Net deferred tax (Asset) / liability at the year end		(13,635)	133,759

8.1 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 arising on disposal of short term investments within the period allowed under the Income Tax Ordinance, 2001.

8.2 Under the Finance Act, 2019, a corporate tax rate of 29% has been fixed for next three years. Therefore, deferred tax assets and liabilities have been recognized accordingly using the expected applicable rate i.e. 29%.

		Note	2019	2018
			(Rupees in thousand)	
9	**Employees' defined benefit plan**			
	Staff retirements benefit plan - Liability			
	Holding company	9.1	–	24,604
	Subsidiary	9.2	49,619	77,807
			49,619	102,411
	Staff retirements benefit plan - Asset			
	Holding company	9.1	(219,519)	–
	Subsidiary	9.2	(11,832)	(15,708)
			(231,351)	(15,708)
9.1	Present value of defined benefit obligation		(848,495)	(1,109,824)
	Fair value of plan assets		1,068,014	1,085,220
	Asset / (Liability) recognized in the statement of financial position		219,519	(24,604)
9.1.1	**For the year**			
	Salaries, wages and amenities include the following in respect of employees' pension scheme:			
	Current service cost		15,050	16,628
	Interest cost		96,261	82,889
	Expected return on plan assets		(94,497)	(86,420)
			16,814	13,097
9.1.2	**The movement in present value of defined benefit obligation is as follows:**			
	Present value of defined benefit obligation at beginning of year		(1,109,824)	(1,105,684)
	Current service cost		(15,050)	(16,628)
	Interest cost		(96,261)	(82,889)
	Benefits paid		80,512	72,290
	Actuarial gain		292,128	23,087
	Present value of defined benefit obligation at end of year		(848,495)	(1,109,824)

		2019	2018
		(Rupees in thousand)	
9.1.3	**The movement in fair value of plan assets is as follows:**		
	Fair value of plan assets at beginning of year	1,085,220	1,145,646
	Expected return on assets	94,497	86,420
	Contributions	10,000	11,131
	Benefits paid	(80,512)	(72,290)
	Benefits due but not paid	–	–
	Return on plan assets	(41,191)	(85,687)
	Fair value of plan assets at end of year	1,068,014	1,085,220
	Actual return on plan assets	53,306	733
9.1.4	**Plan assets comprise of :**		
	Term deposit receipts :		
	United Bank Limited	–	220,926
	Meezan Bank Limited	130,712	148,529
	Bank Alflah Limited	401,593	–
	Zarai Taraqiati Bank Limited	196,987	131,547
	Bonds and mutual funds :		
	MCB DCF income fund	–	190,180
	NAFA Capital proceeds	297,932	288,491
	Alfalah GHP Islamic stock fund	–	88,898
	Accrued interest and bank balance:		
	Bank balances	39,020	14,906
	Advance income tax	1,777	1,743
	Less: payables	(7)	–
		1,068,014	1,085,220

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.

9.1.5 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:

	2019	2018	2017	2016	2015
	(Rupees in thousand)				
As at June 30					
Present value of defined benefit obligation	848,495	1,109,824	1,105,684	1,137,355	871,824
Less: Fair value of plan assets	1,068,014	1,085,220	1,145,646	1,048,797	1,015,336
Surplus / (Deficit)	219,519	(24,604)	39,962	(88,558)	143,512
Experience adjustment on obligation	(292,128)	(23,087)	(72,804)	217,792	187,304
Experience adjustment on plan assets	(41,191)	(85,687)	69,538	(24,462)	945

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.

	2019	2018
	(Rupees in thousand)	
Discount rate + 100 bps	797	1,022
Discount rate - 100 bps	906	1,212
Salary increase + 100 bps	859	1,126
Salary increase - 100 bps	839	1,095

9.2 Subsidiary staff retirement benefit plan – BCL

	2019	2018
Employees' defined benefit plan- Liability	49,619	77,807
Employees' defined benefit plan- asset	(11,832)	(15,708)

	2019			2018		
	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 at end of year	131,839	45,691	32,196	165,840	48,175	26,229
Less: Fair value of plan assets at end of year	114,416	57,523	–	114,262	63,883	–
Deficit / (surplus)	17,423	(11,832)	32,196	51,578	(15,708)	26,229
Movement in the present value of defined benefit obligation						
Balances at beginning of year	165,840	48,175	26,229	167,462	56,002	28,118
Benefits paid by the plan	(9,544)	(12,174)	(7,244)	(7,733)	(15,191)	(3,701)
Current service costs	2,352	1,765	1,361	2,734	1,725	1,419
Past service cost	–	–	5,287	–	–	–
Interest cost	14,496	3,777	2,035	13,088	3,863	2,101
Remeasurement	(42,401)	4,148	4,528	(10,757)	1,776	(1,708)
Employee contributions	1,096	–	–	1,046	–	–
Balance at end of year	131,839	45,691	32,196	165,840	48,175	26,229
Movement in the fair value of plan assets						
Balance at beginning of year	114,261	63,883	–	114,368	73,274	–
Contributions paid into the plan	2,435	784	–	2,324	843	–
Benefits paid by the plan	(9,544)	(12,174)	–	(7,733)	(15,191)	–
Interest income	10,013	5,237	–	8,975	5,288	–
Remeasurement	(3,845)	(207)	–	(4,718)	(331)	–
Employee contributions	1,096	–	–	1,046	-	–
Balance at end of year	114,416	57,523	–	114,262	63,883	–

	2019			2018		
	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	2,352	1,765	1,361	2,734	1,725	1,419
Past service cost	–	–	5,287	–	–	–
Net Interest (income) / cost	4,483	(1,460)	2,035	4,113	(1,425)	2,101
Expense recognised in profit or loss	6,835	305	8,683	6,847	301	3,520
Remeasurement recognised in other comprehensive income						
Experience (gains) / losses	(42,401)	4,148	4,528	(10,757)	1,776	(1,709)
Remeasurement of fair value of plan assets	3,845	207	–	4,719	332	–
Remeasurements	(38,556)	4,355	4,528	(6,038)	2,108	(1,709)
Net recognised liability / (asset)						
Net recognised liability / (asset) at beginning of year	51,579	(15,708)	26,229	53,093	(17,273)	28,119
Expense recognised in profit or loss	6,835	304	8,683	6,847	300	3,520
Contribution made during the year to the Fund	(2,435)	(784)	(7,244)	(2,324)	(843)	(3,701)
Remeasurements recognised in other comprehensive (loss) / income	(38,556)	4,355	4,528	(6,038)	2,108	(1,709)
Recognised liability / (asset) at end of year	17,423	(11,833)	32,196	51,578	(15,708)	26,229
Plan assets comprise of following:						
Debt instruments	108,135	56,383	–	89,776	62,192	–
Equity and mutual funds	1,726	–	–	23,530	–	–
Cash at Bank	4,555	1,140	–	956	1,691	–
Total as at June 30	114,416	57,523	–	114,262	63,883	–
Actuarial assumptions						
Discount rate at June 30	14.25%	14.25%	14.25%	9.00%	9.00%	9.00%
Future salary increases	14.25%	14.25%	14.25%	9.00%	9.00%	9.00%
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%	(12,315)	13,946
Future salary increases	1.00%	6,910	(6,409)

	2019	2018	2017	2016	2015
	(Rupees in thousand)				
Pension fund					
Fair value of plan assets	114,416	114,262	114,369	(112,476)	(105,680)
Present value of the defined benefit obligation	(131,839)	(165,840)	(167,462)	159,537	118,151
(Surplus) / deficit	(17,423)	(51,578)	(53,093)	47,061	12,471
Experience adjustments on plan liabilities	(42,401)	(10,757)	(1,798)	31,406	35,055
Experience adjustments on plan assets	(3,845)	(4,719)	(4,198)	4,238	(1,764)
Executives' gratuity fund					
Fair value of plan assets	57,523	63,883	73,274	(43,834)	(61,432)
Present value of the defined benefit obligation	(45,690)	(48,175)	(56,002)	53,571	55,105
Deficit / (surplus)	11,833	15,708	17,272	9,737	(6,327)
Experience adjustments on plan liabilities	4,148	1,776	(490)	1,499	2,618
Experience adjustments on plan assets	(207)	(332)	28,169	(13,956)	13,883
Non-Executives' gratuity fund					
Present value of the defined benefit obligations	(32,196)	(26,229)	(28,119)	23,156	22,254
Experience adjustments on plan obligations	4,528	(1,709)	3,720	(889)	2,047

	2019	2018
	Number of years	
The weighted average duration of the plans are as follows:		
Pension fund	6.26	8.12
Executives' gratuity fund	6.26	8.12
Non-executives' gratuity	6.26	8.12

Figures in this note are based on the latest actuarial valuation carried out as at June 30, 2019.

		Note	2019	2018
			(Rupees in thousand)	
10	**Trade and other payables**			
	Trade creditors		1,790,640	1,062,386
	Accrued liabilities		182,854	198,749
	Contract liabilities	10.1	2,807,032	8,935,676
	Bills payable		139,488	155,744
	Security deposits	10.2	54,718	10,567
	Trademark fee payable		76,199	73,743
	Income tax deducted at source		372	264
	Sales tax payable		11,864	–
	Workers' Profit Participation Fund	10.3	33,742	79,457
	Workers' Welfare Fund		64,004	130,082
	Accrued mark-up		30,226	3,943
	Others	10.4	139,489	159,018
			5,330,628	10,809,629

10.1 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 28 to these financial statements, these also include an amount of Rs. 230,506 thousand (2018: Rs.91,037 thousand) representing cheques in hand at the reporting date.

10.1.1 Revenue recognised during the year that was included in the contract liability balance at the beginning of the year amounted to Rs.8,806,270 thousand.

10.2 These represent security deposits from contractors which, by virtue of agreement, are interest free, repayable on demand and are used in the Group's business.

		Note	2019	2018
			(Rupees in thousand)	
10.3	**Workers' Profit Participation Fund**			
	Opening balance		79,457	88,858
	Allocation for the year	33	308,016	501,861
			387,473	590,719
	Payments made during the year		(353,731)	(511,262)
	Closing balance		33,742	79,457

10.4 These include deposits by employees under car and motorcycle scheme amounting to Rs. 30,120 thousand (2018: Rs. 31,299 thousand) and carry no markup.

		Note	2019	2018
			(Rupees in thousand)	
11	**Short term borrowings**			
	Short Term Running Finance (STRF) - secured			
	STRF under mark-up arrangement	11.1	644,704	164,506
	Musharika facility	11.2	71,758	79,194
	Istisna Cum Wakala arrangement	11.3	150,000	–
	Musawamah Facility	11.2	21,336	–
			887,798	243,700

11.1 The Group has obtained short term borrowing facilities from various banks having an aggregate sanctioned limit of Rs. 5,850,000 thousand (2018: Rs. 4,600,000 thousand) out of which Rs. 1,650,000 thousand (2018: Rs. 500,000 thousand) represents facilities obtained under Islamic mode of financing. The rates of mark up range from KIBOR plus 0.05% to KIBOR plus 1.25% (2018: KIBOR plus 0.05% to KIBOR plus 0.5%) per annum. At year end, the unutilized facility aggregated to 4,962,202 thousand (2018: Rs. 4,416,816 thousand). Facilities amounting to Rs. 100,000 thousand (2018: 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 (2018: Rs. 300,000 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.

11.2 This represents Musawamah Finance Facility (formerly Musharika Finance Facility) obtained from Meezan Bank Limited amounting to Rs. 100 million (2018: Rs. 100 million). The profit rate on this facility is 3 month KIBOR plus 1% (2018: 3 month KIBOR plus 0.4%). It is secured by way of hypothecation charge over inventory and trade receivables of the Subsidiary Company.

11.3 The Group has also obtained Istisna Cum Wakala arrangement from Dubai Islamic Bank Pakistan Limited amounting to Rs. 150,000 thousand (2018: Rs. 75,000 thousand). The profit rate on this facility is 6 months KIBOR plus 0.65% (2018: 6 months KIBOR plus 0.5%). It is secured by way of hypothecation charge over fixed assets and current assets of the subsidiary company. Amount utilised as at June 30, 2019 is Rs. 150,000 thousand (2018: Rs. Nil).

11.4 The Group has facilities for opening of letters of credit and guarantees aggregating to Rs. 5,559,907 thousand (2018: Rs. 5,153,400 thousand) out of which Rs. 300,000 thousand (2018: Rs. 400,000 thousand) has been obtained under Islamic mode of financing. This include a facility for opening letter of credits of Rs. 750,000 thousand that is a sub-facility of the short term borrowings facilities as disclosed in note 11.1. At year end, the unutilized potion of the group-wide facilities for opening of letters of credit and guarantees aggregated to Rs. 4,281,982 thousand (2018: Rs. 2,624,331 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.

12 Contingencies and commitments

12.1 Contingencies

12.1.1 The Group has given guarantee amounting to Rs. Nil (2018: Rs. 5,000 thousand) to bank for repayment of loan by employees. An amount of Rs.Nil thousand (2018: Rs. 350 thousand) was utilized by employees as at June 30, 2019.

12.1.2 Guarantees issued by various banks on behalf of the Group in the normal course of business amount to Rs. 574,740 thousand (2018: Rs.512,568 thousand).

12.1.3 Holding company

12.1.3.1 Income tax returns for the years from 2007 to 2018 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.

12.1.3.2 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.

12.1.3.3 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.

12.1.3.4 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 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.

12.1.3.5 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

12.1.4 a) Bolan Casting Limited

12.1.4.1 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. 6.02 million. 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.

12.1.4.2 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 disputed piece of land and disputes any encroachment 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. The case is still pending before Balochistan High Court. The Plaintiff has sought profits aggregating to Rs. 45 million (2018: Rs. 42 million). 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.

12.1.5 b) Millat Industrial Products Limited

12.1.5.1 Proceedings u/s 122(5A) for Tax Year 2008 were finalized creating demand of Rs. 1,480 thousand. Total Demand had subsequently been adjusted against available refunds of Tax Year 2012. Company filed Rectification application u/s 221 to rectify mistakes floating on the surface of order. After rectification, company shall have net outstanding demand of Rs. 230 thousand. Rectification order is being awaited.

12.1.5.2 Company has filed Rectification application u/s 221 for Tax Year 2010 against appeal effect order dated January 21, 2013 issued u/s 124/ 129. After rectified order, company shall have net refunds of Rs. 1,946 thousand. Rectification order is being awaited. Further, Withholding tax proceedings u/s 161 were also initiated for Tax Year 2010. Proceedings have been complied in totality. Show cause notice is being awaited.

12.1.5.3 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.

12.1.5.4 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).

12.1.5.5 Demand of Rs.17,423 thousand- was raised against the company vide order u/s 161/205 for tax year 2014. Department has recovered demand of Rs.16,640 thousand from the bank account of company. Company filed appeal to CIR(A) who granted relief on two issues with the of CIR(A) order, appeal effect has been filed with the department after which company shall have net Refund of Rs. 16,640 thousand. Appeal Effect order is being awaited.

12.1.5.6 Further, Re-assessment proceedings were initiated u/s 161/124 for tax year 2014 vide notice dated May 5, 2017. Proceedings are in process hence, no tax liability can be anticipated at this stage.

12.1.5.7 Penalty Proceedings u/s 182 were finalized for tax year 2014 imposing Penalty of Rs. 87 thousand. Company filed appeal to CIR(A) on December 24, 2014 who vide order dated February 18, 2016 has granted relief of Rs. 70 thousand. Company and department both are in appeal before ATIR.

12.1.5.8 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 "Very good case & chances of success are very bright".

12.1.5.9 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 filled 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 "Very good case & chances of success are very bright".

12.1.5.10 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 it's 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.

12.2 Commitments

12.2.1 Commitments in respect of outstanding letters of credit amounting to Rs. 681,504 thousand (2018: Rs. 1,850,889 thousand) at the reporting date.

12.2.2 The aggregate commitments in respect of capital expenditure as at June 30, 2019 amount to Rs. 5,060 thousand. (June 30, 2018: 53,090 thousand).

		Note	2019	2018
			(Rupees in thousand)	
13	**Operating fixed assets**			
	Operating property, plant and equipment	13.1	1,788,432	1,665,034
	Major stores, spares and loose tools			
	(classified as tools and equipment)		1,377	1,702
			1,789,809	1,666,736

13.1 Operating property, plant and equipment

	Land		Buildings		Owned					
	Freehold	Lease-hold	On freehold land	On leasehold land	Plant and machinery	Furniture and office equipment	Vehicles	Tools and equipment	Computers	Total
	(Rupees in thousand)									
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	
Net book value basis										
Year ended June 30, 2018										
Opening net book value	158,551	8	429,567	–	564,486	96,941	226,492	88,333	16,639	1,581,017
Additions (at cost)	–	–	9,609	–	171,589	13,935	63,437	30,869	3,429	292,868
Disposals (at NBV)	–	–	–	–	(2,565)	(41)	(23,610)	–	(206)	(26,422)
Write offs	–	–	–	–	–	(464)	–	(448)	(76)	(988)
Depreciation charge	–	–	(28,870)	–	(65,442)	(14,615)	(50,027)	(16,315)	(6,172)	(181,441)
Closing net book value	158,551	8	410,306	–	668,068	95,756	216,292	102,439	13,614	1,665,034
Gross book value basis										
As at June 30, 2018										
Cost	158,551	8	727,326	2,900	1,808,778	184,004	431,901	303,461	54,577	3,671,506
Accumulated depreciation	–	–	(317,020)	(2,900)	(1,140,710)	(88,248)	(215,609)	(201,022)	(40,963)	(2,006,472)
Net book value	158,551	8	410,306	–	668,068	95,756	216,292	102,439	13,614	1,665,034
Depreciation rate % per annum	–	–	5-10	5	10	10-33	20	10-20	30-33	

		Note	2019	2018
			(Rupees in thousand)	
13.2	The depreciation charge for the year has been allocated as follows:			
	Cost of sales	30	130,887	112,630
	Distribution and marketing expenses	31	8,235	8,602
	Administrative expenses	32	59,123	60,209
			198,245	181,441

13.3 The freehold land and building on owned land of the Group are as follows:

- 202,343 square meters of factory land situated at Sheikhupura Road, Sheikhupura - 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 Tehsil Hub, District Lasbella, Balochistan - BCL

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

13.5 Tools and equipment includes dies and moulds having book value of Rs 3,055 thousand (2018: 3,594 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.

13.6 Disposal of operating property, plant and equipment

Particulars of asset	Sold to	Cost	Book value	Sale proceeds	Gain / (Loss) on disposal	Mode of disposal
		(Rupees in thousand)				
Fixed assets sold having book value greater than Rs. 500,000						
	Employees:					
Vehicle	Mr. Ayaz Khurshid	1,973	524	524	-	Company car scheme
Vehicle	Mr. Ahsan Imran	2,503	1,608	1,608	-	Company car scheme
Vehicle	Mr. Amir Noor	1,124	884	884	-	Company car scheme
Vehicle	Mr. Muzaffar Ali	1,537	840	840	-	Company car scheme
Vehicle	Mr. Muhammad Muneer	1,282	531	531	-	Company car scheme
Vehicle	Mr. Ahsan Imran Shaikh	3,500	929	929	-	Company car scheme
Vehicle	Mr. Arif Ahmad Abbasi	1,846	778	778	-	Company car scheme
Vehicle	Mr. Arif Ahmad Abbasi	1,661	829	829	-	Company car scheme

Particulars of asset	Sold to	Cost	Book value	Sale proceeds	Gain / (Loss) on disposal	Mode of disposal
		(Rupees in thousand)				
	Third Parties					
Vehicle	Mr. Sajjad Gull Bazenjo	1,505	671	700	29	Negotiation
Vehicle	M/s East West Insurance Company Limited	1,795	1,229	1,750	521	Insurance Claim
Vehicle	M/s East West Insurance Company Limited	1,250	994	1,223	229	Insurance Claim
Plant and Machinery	M/s Abdul Rehman Alam	1,852	529	75	(454)	Negotiation
Plant and Machinery	M/s Adamjee Insurance Company Limited	1,611	1,229	1,344	115	Insurance Claim
Fixed assets sold having book value less than Rs. 500,000		43,315	13,787	21,020	7,233	
Year ended: June 30, 2019		66,754	25,362	33,035	7,673	
Year ended: June 30, 2018		79,416	26,422	28,915	2,493	

		Note	2019	2018
			(Rupees in thousand)	
14	**Capital work in progress**			
	Plant and machinery		19,156	72,497
	Advance against intangible purchase		8,160	5,992
	Advance for tools and equipment		1,613	1,613
	Advance for office building		–	576
	Advance for vehicles		1,983	3,239
			30,912	83,917
15	**Intangible assets**			
	Net carrying value basis:			
	Opening net book value		135	1,099
	Additions		5,992	–
	Amortization charge	30, 31 & 32	(1,989)	(964)
			4,138	135
	Gross carrying value basis:			
	Cost		6,678	45,667
	Additions		–	–
	Accumulated amortization		(2,540)	(45,532)
			4,138	135
	Rate of amortization		33%	33%

		Note	2019	2018
			(Rupees in thousand)	
16	**Investment property**			
	Land		258,444	258,444
	Provision for impairment	16.5	(2,736)	(2,736)
			255,708	255,708

16.1 This represents residential plots stated at cost. As at June 30, 2019 and June 30, 2018, the fair values of these properties were Rs.333,000 thousand and Rs. 310,800 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.

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

16.3 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.

16.4 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.

16.5 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 (2018: 2,736 thousand) at the reporting date.

		2019	2018
		(Rupees in thousand)	
17	**Long term investments**		
	Other investment - at FVOCI		
	Investment in related parties		
	Unquoted		
	Arabian Sea Country Club Limited		
	500,000 (2018: 500,000) fully paid ordinary		
	shares of Rs. 10/- each	5,000	5,000
	Equity held 6.45% (2018: 6.45%)		
	Less: Impairment loss	(5,000)	(5,000)
		–	–
	Hyundai Nishat Motors (Private) Limited		
	99,000,000 (2018: 27,000,000) fully paid		
	ordinary shares of Rs. 10/- each	990,000	270,000
	Equity held 18% (2018: 18%)		
	Investment other than related parties- at FVOCI		
	Quoted		
	Baluchistan Wheels Limited		
	1,570,325 (2018: 1,570,325) fully paid		
	ordinary shares of Rs. 10/- each	24,364	24,364
	Surplus on revaluation of investment	72,111	145,561
	Market value as at June 30	96,475	169,925

	2019	2018
	(Rupees in thousand)	
Unquoted		
TCC Management Services (Private) Limited		
40,000 (2018: Nil) fully paid	400	–
ordinary shares of Rs. 10/- each		
Advance against shares subscription	–	400
	400	400
	1,086,875	440,325

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

17.2 Hyundai Nishat Motors (Private) Limited is currently classified as a Level 3 financial asset and is measured at fair value on the reporting dates. However, due to volatility in the underlying assumptions relevant to the valuation there is a wide range of possible fair value measurements and cost is considered to represent the best estimate of fair value within that range. Furthermore, HNMPL is in the process of constructing its manufacturing facility.

		Note	2019	2018
			(Rupees in thousand)	
18	**Long term loans - considered good**			
	Loan to employees:			
	Company loan	18.1	5,342	7,554
	Motor cycle loan	18.2	2,977	1,406
		18.3	8,319	8,960
	Less: Current portion included in current assets	23	(4,657)	(5,527)
			3,662	3,433

18.1 This represents interest free loans to employees secured against their gratuity and provident fund balances. These loans are repayable in monthly instalments over a period of two years.

18.2 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.

18.3 Reconciliation of carrying amount of long term loans is:

	Balance as at June 30, 2018	Disbursement during the year	Repayments during the year	Balance as at June 30, 2019
	(Rupees in thousand)			
Due from employees	8,960	6,364	7,005	8,319

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

19 Long term deposits

These represent security deposits given to Companies against provision of utilities and services and carry no mark-up.

20 Stores, spare parts and loose tools

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	2019	2018
			(Rupees in thousand)	
21	**Stock in trade**			
	Raw material	21.1	3,012,518	4,316,920
	Work in process		244,314	375,499
	Finished goods:			
	Manufacturing		506,466	523,472
	Trading		160,738	158,714
			667,204	682,186
		21.2	3,924,036	5,374,605

21.1 This includes stock in transit amounting to Rs. 334,815 thousand (2018: Rs. 482,395 thousand).

21.2 Included in stocks are raw materials and components held with third parties amounting to Rs. 190,422 thousand (2018: Rs. 164,807 thousand).

		Note	2019	2018
			(Rupees in thousand)	
22	**Trade debts**			
	Trade debts - considered good		357,962	255,533
23	**Loans and advances**			
	Current portion of long term loans to employees	18	4,657	5,527
	Advances to employees - considered good		5,677	4,577
	Advances to suppliers - considered good		198,412	121,501
			208,746	131,605
	Advances to suppliers - considered doubtful		2,485	2,485
	Less: Provision for doubtful advances		(2,485)	(2,485)
			–	–
	Letter of credit opening charges		7,340	5,110
			216,086	136,715

Included in advances to employees are amounts due from the Chief Executive Officer was Rs. 173 thousand (2018: Rs 455 thousands) in respect of travel advance.

24 Trade deposits and short term prepayments

These include interest free security deposits amounting to Rs.26,541 thousand (2018: Rs.13,952 thousand) made for tender placement.

		Note	2019	2018
			(Rupees in thousand)	
25	**Balances with statutory authorities**			
	Special excise duty receivable / (payable)		1,520	(1,027)
	Sales tax recoverable		2,301,132	1,961,060
	Less: provision for doubtful claims		(34,147)	(34,147)
			2,266,985	1,926,913
			2,268,505	1,925,886
26	**Other receivables**			
	Claims receivable from suppliers		85,448	40,572
	Profit / interest accrued		465	1,571
	Provident fund		–	–
			85,913	42,143
	Less: Provision for impairment		–	–
			85,913	42,143
27	**Short term investments**			
	Mutual Funds designated - at FVPL	27.1	326	6,178,976
	Investment in Term Deposit Receipt (TDR)	27.2 & 27.3	3,856	1,243,402
			4,182	7,422,378
	Surplus on revaluation of investment	34	–	–

27.1 This represents investment in mutual funds as follows:

	June 30, 2019		
	Number of units	Fair Value per unit	Total
	(Number in thousand)	(Rupees)	(Rupees) in thousand)
Mutual funds			
ABL Cash Fund	10	10.00	100
HBL Money Market Fund	2	102.06	226
			326

	June 30, 2018		
	Number of units	Fair Value per unit	Total
	(Number in thousand)	(Rupees)	(Rupees in thousand)
Mutual funds			
Lakson Income Fund	2,455	105.93	260,037
United Liquidity Plus Fund	2,527	106.22	268,457
ABL Islamic Income Fund	39,118	10.61	415,093
NIT Income Fund	38,362	10.84	415,675
Alfalah GHP Money Market Fund	4,234	102.74	434,996
HBL Money Market Fund	4,579	107.15	490,691
HBL Cash Fund	1,428	105.98	151,340
Lakson Money Market Fund	4,866	105.59	513,836
Atlas Money Market Fund	1,024	529.42	542,344
NAFA Government Securities Liquid Fund	54,159	10.70	579,423
MCB Cash Management Optimizer Fund	9,904	105.93	1,049,181
ABL Cash Fund	99,836	10.60	1,057,903
			6,178,976

27.2 These carry mark-up/ profit at the rate 4.5% to 10.25% (2018: 3.75% to 6.3%) and having tenures ranging from 7 days to 60 days. The said TDRs may be encashed any time before maturity.

27.3 These include TDRs amounting to Rs. 3,856 thousand (2018: Rs. 3,402 thousand) under lien with respect to bank guarantee issued by a commercial bank.

27.4 Fair value per unit has been rounded off to 2 decimal places.

	Note	2019	2018
		(Rupees in thousand)	
28 Cash and bank balances			
In hand:			
cash		27,993	2,236
cheques		230,506	91,037
		258,499	93,273
At banks:			
current accounts		584,058	417,838
deposit accounts	28.1	197,761	328,273
		781,819	746,111
		1,040,318	839,384

28.1 These carry mark-up ranging from 4% to 10.8% (2018: 3.75% to 6%) per annum.

28.2 This includes deposits amounting to Rs. 9,495 thousand (2018: Rs.580 thousand) placed with Islamic banks under Islamic mode.

		Note	2019	2018
			(Rupees in thousand)	
29	**Revenue from contracts with customers**			
	Local:			
	Tractors		31,720,626	39,412,782
	Implements and tractor components		655,451	891,095
	Multi-application products		177,611	347,250
	Trading goods		660,945	550,687
	Batteries		974,984	1,274,758
	Castings		339,908	557,542
	IFS implementation services		9,250	–
			34,538,775	43,034,114
	Less:			
	Trade discount		(39,894)	(220,539)
	Sales tax and special excise duty		(2,282,857)	(3,278,030)
	Provincial Sales tax on services		(777)	–
			(2,323,528)	(3,498,569)
			32,215,247	39,535,545
	Export:			
	Tractors		166,875	470,405
	Trading goods		69,755	75,424
	Implements		–	501
	Batteries		71,878	–
			308,508	546,330
			32,523,755	40,081,875
	Less: Commission		(492,796)	(495,513)
		29.1	32,030,959	39,586,362

29.1 This represents revenue earned from Shariah compliant business segments.

		Note	2019	2018
			(Rupees in thousand)	
30	**Cost of sales**			
	Components consumed		21,705,576	25,598,430
	Salaries, wages and amenities	30.1	942,919	987,530
	Contract services		350,391	397,013
	Fuel and power		373,507	413,380
	Oil and lubricants		175,638	218,782
	Communication		476	679
	Travelling and vehicle running		56,298	61,903
	Printing and stationery		4,857	3,249
	Insurance		37,634	32,650
	Repairs and maintenance		145,399	187,383
	Stores and spares consumed		353,660	428,944
	Packing material consumed		5,678	7,370
	Depreciation	13.2	130,887	112,630
	Amortization	15	45	67
	Other expenses		250,867	300,265
			24,533,832	28,750,275
	Add: opening work-in-process		375,499	249,712
	Less: closing work-in-process		(244,314)	(375,499)
			131,185	(125,787)
	Cost of goods manufactured		24,665,017	28,624,488
	Add: Opening finished goods		523,472	570,723
	Less: Closing finished goods		(529,075)	(523,472)
			(5,603)	47,251
			24,659,414	28,671,739
	Cost of sales - trading	30.2	543,100	457,596
			25,202,514	29,129,335
30.1	It includes the following staff retirement benefits:			
	Defined benefit plan - pension		21,972	8,168
	Defined contribution plan - gratuity		4,520	2,151
	Defined contribution plan - provident fund		15,483	10,832
	Provision for compensated absences		2,312	4,858
			44,287	26,009
30.2	**Cost of sales - trading**			
	Opening stock		158,714	137,307
	Purchases		545,124	479,003
			703,838	616,310
	Closing stock		(160,738)	(158,714)
			543,100	457,596

		Note	2019	2018
			(Rupees in thousand)	
31	**Distribution and marketing expenses**			
	Salaries and amenities	31.1	125,191	135,098
	Contract services		40,214	41,069
	Fuel and power		9,494	9,946
	Communication		680	808
	Travelling and vehicle running		22,512	21,500
	Carriage and freight		51,211	63,523
	Printing and stationery		5,990	6,538
	Insurance		16,125	12,625
	Trademark fee	31.2	281,612	304,641
	Advertisement and sales promotion		20,985	21,889
	Depreciation	13.2	8,235	8,602
	Meeting / convention		8,509	7,384
	After sales support		73,592	66,371
	Other expenses		33,831	30,594
			698,181	730,588

		2019	2018
31.1	It includes the following staff retirement benefits:		
	Defined benefit plan - pension	4,936	1,954
	Defined contribution plan - gratuity	3,050	772
	Defined contribution plan - provident fund	4,043	2,594
	Provision for compensated absences	830	1,744
		12,859	7,064

31.2 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	2019	2018
			(Rupees in thousand)	
32	**Administrative expenses**			
	Salaries and amenities	32.1	415,424	419,808
	Contract services		61,516	57,818
	Fuel and power		22,717	27,106
	Communication		5,441	5,835
	Travelling and vehicle running		36,941	32,539
	Insurance		11,960	10,735
	Repairs and maintenance		28,630	17,054
	Security		19,701	17,955
	Legal and professional	32.2	15,971	16,102
	Depreciation	13.2	59,123	60,209
	Amortization of intangible asset	15	1,944	897
	Rent, rates and taxes		2,581	3,176
	Fee and subscription		5,792	6,204
	Entertainment		8,809	8,010
	Property, plant and equipment written off		–	988
	Other expenses		61,647	83,272
			758,197	767,708

		Note	2019	2018
			(Rupees in thousand)	
32.1	It includes the following staff retirement benefits:			
	Defined benefit plan - pension		5,727	6,896
	Defined contribution plan - gratuity		1,721	2,593
	Defined contribution plan - provident fund		9,901	9,966
	Provision for compensated absences		2,786	5,855
			20,135	25,310
32.2	Legal and professional expenses include following in respect of auditors' services:			
	Statutory audit		3,387	3,634
	Half year review		170	402
	Special reports and sundry certifications		589	230
	Out of pocket expenses		283	371
			4,429	4,637
33	**Other operating expenses**			
	Workers' Profit Participation Fund	10.3	308,016	501,861
	Workers' Welfare Fund		105,464	171,558
	Realized loss on short term investments at FVPL	33.1	195,308	–
	Donations	33.3	100	2,100
	Bad debts written off		–	12,235
	Loss on exchange rate and price		32,251	1,308
			641,139	689,062
33.1	Realized loss / (gain) on sale of short term investment - net:			
	ABL Cash Fund		35,406	(5,616)
	ABL Income Fund		14,726	(17,409)
	ABL Islamic Income Fund		–	(2,998)
	Alfalah GHP Income multiplier Fund		–	1,500
	Alfalah GHP Money Market Fund		3,060	–
	Atlas Income Fund		–	(17,655)
	Atlas Money Market		17,453	–
	HBL Money Market Fund		12,854	–
	HBL Cash Fund		(3,628)	(12,223)
	Lakson Income Fund		7,121	–
	Lakson Money Market Fund		18,079	–
	MCB Cash Management Optimizer Fund		49,814	–
	MCB DCF Fund		–	(10,607)
	Meezan Cash Fund		–	(3,110)
	NAFA Government Securities Liquid Fund		18,125	–
	NIT Government Bond Fund		–	(8,703)
	NIT Income Fund		8,182	–
	UBL Liquidity Income Plus Fund		14,116	–
			195,308	(76,821)

33.2 Gain on sale of short term investments for comparative year is presented under other operating income.

33.3 The particulars of the donation exceeding Rs 500,000 are as follows

Name of Donee	Note	2019	2018
		(Rupees in thousand)	
Pakistani Centre For Philanthropy		–	1,000

34 Other income

	Note	2019	2018
Income from financial assets			
Dividend income from Baluchistan Wheels Limited	34.1	4,711	6,281
Return on bank deposits and TDRs	34.2	40,980	170,384
Accrued interest on Term Deposit Receipts		–	4,912
Gain on sale of short term investments	33.1	–	76,821
Change in fair value of short term investments at FVPL	27 & 34.3	–	274,720
Dividend income from short term investments	34.4	301,556	–
Gain on translation of foreign investment		14,100	6,705
Interest charged on early payments and advances		31,338	32,601
		392,685	572,424
Income from assets other than financial assets			
Rental income		6,742	6,198
Scrap sales		41,339	38,488
Gain on disposal of property, plant and equipment		7,673	2,493
Liabilities no longer required written back		670	–
Lab income		105	4,769
Multiapp products service income		2,888	2,040
Others	34.6	16,691	9,490
		76,108	63,478
		468,793	635,902

34.1 Dividend income earned from investments from non Shariah-compliant companies.

34.2 This includes profit of Rs.9,310 thousand (2018: Rs.102,125 thousand) earned on term deposits with Islamic bank.

	2019	2018
	(Rupees in thousand)	
34.3 Fair value gain on short term investments - at FVPL		
ABL Cash Fund	–	51,280
ABL Islamic Income Fund	–	20,211
UBL Liquidity Income Plus Fund	–	14,018
Lakson Money Market Fund	–	26,479
Lakson Income Fund	–	9,952
HBL Money Market Fund	–	24,647
HBL Cash fund	–	1,340
NAFA Government Securities Liquid Fund	–	23,426
NIT Income Fund	–	15,617
Alfalah GHP Money Market Fund	–	6,484
Atlas Money Market	–	28,236
MCB Cash Management Optimizer Fund	–	53,030
	–	274,720

		2019	2018
		(Rupees in thousand)	
34.4	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	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	–
		301,556	–

34.5 During the year mutual funds investments have provided return on investment in form of cash dividend instead of fair value gains.

34.6 This includes sundry income from forfeiture of security deposit, lab delivery charges, tender money and late payment surcharge.

		Note	2019	2018
			(Rupees in thousand)	
35	**Finance cost**			
	Mark-up on short term borrowings - secured	35.1	114,948	14,529
	Interest on Workers' Profit Participation Fund		483	405
	Bank charges and commission		6,121	5,256
			121,552	20,190

35.1 This includes Rs. 17,647 thousand (2018: Rs. 4,140 thousand) mark-up paid on Islamic mode of financing.

		2019	2018
		(Rupees in thousand)	
36	**Taxation**		
	For the year:		
	current	1,734,229	2,852,693
	deferred	(153,198)	37,274
		1,581,031	2,889,967
	Prior years:		
	current	(17,684)	32,380
	deferred	(375)	(485)
		(18,059)	31,895
		1,562,972	2,921,862

		2019 %	2018 %
36.1	Numerical reconciliation between average effective tax rate and the applicable tax rate is as follows:		
	Applicable tax rate	29.00	30.00
	- Effect of change in prior year	(0.68)	(0.19)
	- Income exempt for tax purposes	–	–
	- Income chargeable to tax at different rates	(5.01)	(4.98)
	- Tax effect of super tax	8.89	12.14
	- Effect on opening deferred taxes on reduction of rate	(0.06)	(0.27)
	- Others	(1.36)	(3.82)
		1.78	2.88
	Average effective tax rate	30.78	32.88

37 Remuneration of Chief Executive Officer, Directors and Executives

The aggregate amounts charged in the accounts for the year for remuneration including certain benefits to the Chief Executive Officers, Directors and Executives of the Group are as follows:

	Chief Executive Officers		Directors				Executives	
	2019	2018	2019		2018		2019	2018
			Non Executive Directors	Executive Directors	Non Executive Directors	Executive Directors		
Number of persons	4	4	1	5	2	5	41	36
	(Rupees in thousand)							
Managerial remuneration	42,930	58,820	2,427	41,495	5,806	36,091	86,077	68,693
Cost of living allowance	–	–	2,427	1,902	5,806	1,153	20,650	19,265
Bonus	12,424	15,390	3,138	12,136	3,365	4,827	54,253	26,971
House rent	6,090	4,935	1,092	3,345	2,613	2,976	25,656	19,182
Contribution to provident fund and gratuity funds	1,198	1,477	–	–	–	362	11,245	9,455
Pension contribution	–	–	–	–	–	–	3,510	3,275
Medical expenses	1,363	2,033	301	1,874	3,817	493	5,969	5,696
Utilities	2,253	1,706	706	4,597	931	2,589	8,801	6,116
Other reimbursable expenses	4,748	4,954	951	5,043	1,928	3,537	10,921	7,475
	71,006	89,315	11,042	70,392	24,266	52,028	227,082	166,128

37.1 The Group also provides the Chief Executive Officer, Directors and certain employees with free use of Company maintained cars and residential telephones.

37.2 Aggregate amount charged to profit and loss account for the year in respect of meeting fee to five Directors (2018: five Directors) was Rs. 1,025 thousand (2018: Rs. 1,060 thousand) and travelling expenses Rs. 288 thousand (2018: Rs. 319 thousand).

38 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 13.6. Amounts due from Directors and key management personnel are shown under receivables and remuneration of Directors and key management personnel is disclosed in Note 37. Other significant transactions with related parties are as follows:

Relation with undertaking	Nature of transaction	2019 (Rupees in thousand)	2018
Associates	Sale of services	4,856	–
	Investment made	720,000	–
Retirement benefit plan	Contribution to staff retirement		
	benefit plan	12,435	13,456
Defined contribution plan	Contribution to defined		
	contribution plan	10,074	26,550
Defined contribution plan	Benefits paid on behalf of the fund	12,174	15,191
Provident Fund	Amount Contributed	29,583	28,097

The Group intends to take the approval of the transactions with related parties from the shareholders in General Meeting.

38.1 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

39 Earnings per share - Basic and diluted

39.1 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:

	2019	2018
	(Rupees in thousand)	
Profit for the year after tax	3,515,197	5,963,519
	(Number of shares in thousand)	
Weighted average number of ordinary shares outstanding during the year	44,293	44,293
	(Rupees)	
Earnings per share	79.36	134.64

39.2 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	2019	2018
			(Rupees in thousand)	
40	**Cash generated from operations**			
	Profit before taxation		5,078,169	8,885,381
	Adjustment for:			
	Depreciation on property, plant and equipment	13.2	198,245	181,441
	Amortization of intangible assets	15	1,989	964
	Provision for accumulating compensated absences		5,928	12,457
	Bad debts written off	33	–	12,235
	Profit on bank deposits	34	(40,980)	(170,384)
	Dividend income	34	(4,711)	(6,281)
	Provision for pension obligation		32,635	17,018
	Provision for gratuity		9,291	5,516
	Property, plant and equipment written off	13.1	47	988
	Exchange loss	33	32,251	1,308
	Dividend income from mutual funds	34	(301,556)	–
	Gain on disposal of property, plant and equipment	34	(7,673)	(2,493)
	Loss / (gain) on sale of short term investments	34	195,308	(76,821)
	Gain on change in fair value of investments at FVPL		–	(281,425)
	Finance cost	35	121,552	20,190
	Provision for Workers' Profit Participation Fund	33	308,016	501,861
	Provision for Workers' Welfare Fund	33	105,464	171,558
	Working capital changes	40.1	(4,305,575)	(1,431,468)
			1,428,400	7,842,045
40.1	**Working capital changes**			
	(Increase) / decrease in current assets:			
	Stores and spares		(62,336)	(44,660)
	Stock in trade		1,450,569	(936,388)
	Trade debts		(102,429)	6,048
	Loans and advances		(79,371)	(739)
	Trade deposits and short term prepayments		(41,390)	9,344
	Other receivables		(44,876)	66,775
			1,120,167	(899,620)
	(Decrease) / increase in current liabilities:			
	Trade and other payables		(5,425,742)	(531,848)
			(4,305,575)	(1,431,468)
41	**Cash and cash equivalents**			
	Cash and bank balances	28	1,040,318	839,384
	Short term investments - Term Deposit Receipt (TDR)	27	3,856	1,243,402
	Short term borrowings	11	(887,798)	(243,700)
			156,376	1,839,086

42 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, 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.

42.1 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.

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 2019	Effects on profit before tax 2018
		(Rupees in thousand)	
Receivables/ (Trade and other payables) - GBP	+1	(317)	(312)
	-1	317	312
Receivables/ (Trade and other payables) - USD	+1	(105)	(159)
	-1	105	159
Receivables/ (Trade and other payables) - EUR	+1	33	(28)
	-1	(33)	28

	2019	2018
	(Rupees)	
Reporting date rate per:		
GBP	207.79	159.40
USD	164.00	121.60
EUR	186.37	141.57

(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 assets. The Group's interest rate risk arises from short term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk.

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

	2019	2018
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Bank balances - deposit accounts	30	33,224
Investment in Term Deposit Receipt	3,856	1,243,402
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	194,687	292,266
Financial liabilities		
Short term borrowings	887,798	243,700

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.

		Changes in interest rate	Effect on profit before tax
		(Rupees in thousand)	
Bank balances - deposit accounts	2019	+1	1,947
		-1	(1,947)
	2018	+1	2,923
		-1	(2,923)
Short term borrowings	2019	+1	8,878
		-1	(8,878)
	2018	+1	2,437
		-1	(2,437)

42.2 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. 2,610,678 thousand (2018: Rs. 9,020,625 thousand), the financial assets which are subject to credit risk amounted to Rs. 1,543,317 thousand (2018: Rs. 8,584,640 thousand). The Group is not exposed to major concentration of credit risk.

The credit risk on liquid funds is limited because the counter parties are banks and mutual funds with reasonably high credit ratings. 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	2019	2018
		(Rupees in thousand)	
Trade debts	22	357,962	255,533
Trade deposits	24	61,503	20,113
Other receivables	26	85,913	42,143
Short term investments	27	4,182	7,422,378
Bank balances and cheques in hand		1,012,325	837,148
Long term deposits	19	21,432	7,325
		1,543,317	8,584,640
The aging of trade receivables at the reporting date is:			
Past due 1 - 3 Months		310,935	223,529
Past due 4 - 6 Months		10,739	8,696
Past due 7 - 12 Months		4,071	–
Past due to above one year		32,217	23,308
		357,962	255,533

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		Agency	2019	2018
	Short term	Long term		(Rupees in thousand)	
Banks					
Allied Bank Limited	A1+	AAA	PACRA	16,685	31,763
Bank Al Habib Limited	A-1+	AA+	PACRA	–	1,797
Bank Alfalah Limited	A1+	AA+	PACRA	145,186	184,705
Emirates NBD	P-2	A-3	Moody's	30,357	17,363
Faysal Bank Limited	A-1+	AA+	PACRA	2,493	12,548
Habib Bank Limited	A-1+	AAA	JCR-VIS	163,461	71,297
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA	–	16
JS Bank Limited	A-1+	AA-	PACRA	4	4
MCB Bahrain	P-3	Caa1	Moody's	168	128
MCB Dubai	NP	Caa1	Moody's	124,917	109,039
MCB Bank Limited	A1+	AAA	PACRA	75,532	129,004
MCB Islamic Bank Limited	A-1	A	PACRA	494	–
Meezan Bank Limited	A-1+	AA +	JCR-VIS	8,040	19,333
National Bank of Pakistan	A1+	AAA	PACRA	9,854	14,871
Sindh Bank	A-1	AA	JCR-VIS	2,073	33,046
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	7,357	9,402
The Bank of Punjab	A1+	AA	PACRA	–	551
United Bank Limited	A-1+	AAA	JCR-VIS	160,358	99,680
Zarai Taraqiati Bank Limited	A-1+	AAA	JCR-VIS	34,840	11,564
				781,819	746,111

	Rating - 2018	Agency	2019	2018
			(Rupees in thousand)	
Mutual funds / Term Deposit Receipts				
ABL Cash Fund	AA(f)	JCR-VIS	100	1,057,903
ABL Islamic Income Fund	A(f)	JCR-VIS	–	415,093
Alfalah GHP Money Market Fund	AA+(f)	PACRA	–	434,996
Atlas Money Market Fund	AA(f)	PACRA	–	542,344
HBL Money Market Fund	AA(f)	JCR-VIS	226	642,031
Lakson Income Fund	A+ (f)	PACRA	–	260,037
Lakson Money Market Fund	AA(f)	PACRA	–	513,836
MCB Cash Management Optimizer Fund	AA+(f)	PACRA	–	1,049,181
NAFA Government Securities Liquid Fund	AAA(f)	PACRA	–	579,423
NIT Income Fund	A+ (f)	PACRA	–	415,675
TDR - Meezan Bank Limited	AA	JCR-VIS	–	1,240,000
United Liquidity Plus Fund	AA	JCR-VIS	–	271,859
			326	7,422,378

42.3 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, 2019, the Group had short term borrowing facilities available from financial institutions as disclosed in note 11 and, cash and bank balances as disclosed in note 28 to these consolidated financial statements.

The following are the contractual maturities of financial liabilities as at June 30, 2019:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Trade and other payables	2,425,850	2,425,850	–	–
Short term borrowings	887,798	887,798	–	–
Unclaimed dividend	320,741	320,741	–	–
Unpaid dividend	33,469	33,469	–	–
Long term deposits	25,575	411	25,164	–
	3,693,433	3,668,269	25,164	–

The following are the contractual maturities of financial liabilities as at June 30, 2018:

	Carrying amount	Less than one year	One to five years	More than five years
	(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	–
	2,244,619	2,220,246	24,373	–

42.4 Financial instruments by categories

	At fair value through other comprehensive income		At fair value through profit or loss		At amortised cost		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
				(Rupees in thousand)				
Financial assets								
Long term investments	1,086,875	440,325	–	–	–	–	1,086,875	440,325
Long term loans	–	–	–	–	3,662	3,433	3,662	3,433
Long term deposits	–	–	–	–	21,432	7,325	21,432	7,325
Loans to employees	–	–	–	–	10,334	10,104	10,334	10,104
Trade debts	–	–	–	–	357,962	255,533	357,962	255,533
Other receivables	–	–	–	–	85,913	42,143	85,913	42,143
Short term investments	–	–	326	6,178,976	3,856	1,243,402	4,182	7,422,378
Cash and bank balances	–	–	–	–	1,040,318	839,384	1,040,318	839,384
	1,086,875	440,325	326	6,178,976	1,523,477	2,401,324	2,610,678	9,020,625
Total current							1,498,709	8,569,542
Total non-current							1,111,969	451,083

	At fair value through other comprehensive income		At fair value through profit or loss		At amortised cost		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
				(Rupees in thousand)				
Financial liabilities								
Trade and other payables	–	–	–	–	2,425,850	1,660,471	2,425,850	1,660,471
Short term borrowings	–	–	–	–	887,798	243,700	887,798	243,700
Unclaimed dividend	–	–	–	–	320,741	262,711	320,741	262,711
Unpaid dividend	–	–	–	–	33,469	48,229	33,469	48,229
Long term deposits	–	–	–	–	25,575	25,565	25,575	25,565
	–	–	–	–	3,693,433	2,240,676	3,693,433	2,240,676
Total current							3,667,858	2,215,111
Total non-current							25,575	25,565

42.5 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 no financing through 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 and other measures commensurating to the circumstances.

43 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.

43.1 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: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is derived from prices) ; and

Level 3: inputs for the asset or liability that are not based on observable market data.

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred.

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)			
Financial assets measured at fair value					
Equity shares	17	1,086,875	96,475	–	990,400
Investment in mutual funds	27.1	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.

As at June 30, 2018, the Group held the following financial instruments carried at fair value:

	Note	2018	Level 1	Level 2	Level 3
			(Rupees in thousand)		
Financial assets measured at fair value					
Equity shares - available for sale	17	440,325	169,925	–	270,400
Investment in mutual funds	27.1	6,178,976	6,178,976	–	–
		6,619,301	6,348,901	–	270,400

Date of valuation : June 30, 2018

There were no financial liabilities measured at fair value as at June 30, 2018.

43.2 As disclosed in note 17.2, for long term investments in Hyundai Nishat Motors (Private) Limited, cost is considered to represent the best estimate of its fair value at the reporting dates.

44 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:

a) Tractors
b) Tractor components
c) 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	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
						(Rupees in thousand)						
Revenue from contracts with customers	31,144,057	38,517,147	3,312,662	4,244,660	1,513,636	2,299,931	1,711,440	2,015,989	(5,650,836)	(7,491,365)	32,030,959	39,586,362
Cost of sales	25,197,690	30,082,372	2,481,090	2,807,932	1,663,413	1,971,729	1,532,135	1,760,649	(5,671,814)	(7,493,347)	25,202,514	29,129,335
Gross profit	5,946,367	8,434,775	831,572	1,436,728	(149,777)	328,202	179,305	255,340	20,978	1,982	6,828,445	10,457,027
Distribution and marketing expenses	579,004	629,779	2,735	3,217	49,354	58,595	38,373	38,997	28,715	–	698,181	730,588
Administrative expenses	446,327	492,280	123,822	98,537	76,440	70,789	111,608	110,442	–	(4,340)	758,197	767,708
Other operating expenses	596,605	576,819	42,695	94,511	–	13,808	180	3,924	1,659	–	641,139	689,062
	1,621,936	1,698,878	169,252	196,265	125,794	143,192	150,161	153,363	30,374	(4,340)	2,097,517	2,187,358
Other income	800,474	1,046,461	23,856	38,884	16,709	11,938	224	1,722	(372,470)	(463,103)	468,793	635,902
Operating profit	5,124,905	7,782,358	686,176	1,279,347	(258,862)	196,948	29,368	103,699	(381,866)	(456,781)	5,199,721	8,905,571
Finance cost	42,044	2,490	22,504	1,102	51,258	12,507	7,405	4,091	(1,659)	–	121,552	20,190
Profit before taxation	5,082,861	7,779,868	663,672	1,278,245	(310,120)	184,441	21,963	99,608	(380,207)	(456,781)	5,078,169	8,885,381
Taxation	1,444,816	2,445,506	174,843	409,892	(71,121)	51,039	14,434	15,425	–	–	1,562,972	2,921,862
Profit after tax for the year	3,638,045	5,334,362	488,829	868,353	(238,999)	133,402	7,529	84,183	(380,207)	(456,781)	3,515,197	5,963,519

44.1 Inter-segment / group transactions have been eliminated for the purpose of consolidation.

44.2 Allocation of assets and liabilities

	Tractors		Tractor components		Castings		Others		Inter-segment / group eliminations		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	(Rupees in thousand)											
Segment operating assets												
Non-current assets												
Operating fixed assets	718,559	700,763	667,830	571,646	251,056	222,483	163,815	175,483	(11,451)	(3,639)	1,789,809	1,666,736
Capital work in progress	12,827	26,648	9,925	46,950	8,160	10,199	–	120	–	–	30,912	83,917
Intangible assets	4,048	–	90	135	–	–	–	–	–	–	4,138	135
Goodwill	–	–	–	–	–	–	–	–	18,572	18,572	18,572	18,572
Investment property	255,708	255,708	–	–	–	–	–	–	–	–	255,708	255,708
Long term investments	1,383,879	709,300	–	–	17,581	31,110	–	–	(314,585)	(300,485)	1,086,875	439,925
Long term loans	2,826	2,587	–	–	836	846	–	–	–	–	3,662	3,433
Long term deposits	–	–	17,625	3,518	3,807	3,807	–	–	–	–	21,432	7,325
Deferred tax asset - net	12,797	–	–	–	80,581	–	–	–	(79,743)	–	13,635	–
Employees' defined benefit plan	219,519	–	–	–	11,832	15,708	–	–	–	–	231,351	15,708
Current assets												
Stores, spare parts and loose tools	150,799	131,266	196,478	160,176	126,275	119,592	14,381	14,563	–	–	487,933	425,597
Stock in trade	3,148,589	4,157,062	261,310	466,733	307,234	391,227	206,903	359,583	–	–	3,924,036	5,374,605
Trade debts	46,637	65,578	280,305	57,119	130,691	69,328	294,761	146,596	(394,432)	(83,088)	357,962	255,533
Loans and advances	113,876	39,031	75,336	86,260	11,301	3,821	19,111	8,003	(3,538)	–	216,086	137,115
Trade deposits and short term prepayments	46,461	16,282	623	592	310	294	14,109	2,945	–	–	61,503	20,113
Balances with statutory authorities	2,250,219	1,909,792	–	1,401	15,847	14,693	–	–	2,439	–	2,268,505	1,925,886
Other receivables	87,023	44,118	–	–	1,517	271	–	–	(2,627)	(2,246)	85,913	42,143
Tax refunds due from/ (due to) the Government*	1,268,429	725,454	117,082	(21,935)	202,416	152,838	36,195	28,276	–	–	1,624,122	884,633
Short term investments	–	7,267,636	326	151,340	–	–	3,856	3,402	–	–	4,182	7,422,378
Cash and bank balances	851,988	520,140	22,029	170,119	12,822	20,681	153,479	128,444	–	–	1,040,318	839,384
Total operating assets	10,574,184	16,571,365	1,648,959	1,694,054	1,182,266	1,056,898	906,610	867,415	(785,365)	(370,886)	13,526,654	19,818,846

	Tractors		Tractor components		Castings		Others		Inter-segment / group eliminations		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	(Rupees in thousand)											
Segment operating liabilities												
Non-current liabilities												
Long term deposits	12,731	12,691	7,228	6,680	5,616	6,194	–	–	–	–	25,575	25,565
Deferred tax liabilities/ (asset)*	–	57,015	70,147	65,103	–	405	9,596	11,236	(79,743)	–	–	133,759
Employees' defined benefit plan	–	24,604	–	–	49,619	77,807	–	–	–	–	49,619	102,411
Current liabilities												
Accumulating compensated absences	113,337	107,409	22,641	21,178	–	9,175	–	–	11,086	–	147,064	137,762
Trade and other payables	5,271,385	10,410,009	177,644	272,183	133,449	87,405	145,725	125,763	(397,575)	(89,674)	5,330,628	10,805,686
Current portion of long term deposits	–	–	–	–	411	1,192	–	–	–	–	411	1,192
Short term borrowings	–	–	266,003	–	607,846	228,378	13,949	15,322	–	–	887,798	243,700
Accrued mark-up on short term borrowings	–	–	11,669	218	–	3,725	–	–	(11,669)	–	–	3,943
Unclaimed dividend	310,095	256,584	6,756	2,651	3,524	3,099	366	377	–	–	320,741	262,711
Unpaid dividend	33,469	48,229	–	–	–	–	–	–	–	–	33,469	48,229
Total operating liabilities	5,741,017	10,916,541	562,088	368,013	800,465	417,380	169,636	152,698	(477,901)	(89,674)	6,795,305	11,764,958

* Inter-segment / group balances have been eliminated for the purpose of consolidation.

45 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.

45.1 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	1,648,959	651,306	1,182,266	255,302
Total liabilities	562,088	147,646	800,463	21,990
Total comprehensive income / (loss)	488,829	(14,102)	(238,999)	21,631
Total comprehensive income allocated to NCI	268,856	(5,064)	(128,438)	5,408
Accumulated NCI	597,779	180,864	191,463	58,328
Cash and bank balances	22,029	1,856	12,822	155,479
Cash generated from / (used in):				
Operating activities	286,245	9,947	(307,982)	24,116
Investing activities	23,009	(3,040)	(51,543)	–
Financing activities	(457,343)	(8,964)	(387,780)	(33,354)

46 Provident fund trust(s)

46.1 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	2019	2018
Size of the funds (Rupees in thousand)		667,523	665,293
Cost of investment made (Rupees in thousand)	46.2	527,986	527,499
Percentage of investment made		79.10%	79.29%
Fair value of investment (Rupees in thousand)		844,804	981,982

		2019		2018	
		(Rupees in thousand)	Percentage of total fund	(Rupees in thousand)	Percentage of total fund
46.2	**Breakup of investment - amount**				
	Investment in shares (listed securities)	22,531	3.38%	23,824	3.58%
	Term Deposit Receipts (TDR)	474,000	71.01%	470,814	70.77%
	Special Saving Certificate (SSC)	31,455	4.71%	32,861	4.94%
	Government Securities	–	0.00%	–	0.00%
		527,986	79.10%	527,499	79.29%

46.3 Cost of ordinary shares of the Group held by the provident fund trust as at year end amounts to Rs. 22,531 thousand (2018: Rs. 23,824 thousand).

		2019	2018
		(Units per annum)	
47	**Capacity and production**		
	a) Tractors		
	Plant capacity (double shift)	30,000	30,000
	Actual production	32,128	42,507

The Group has a normal capacity of producing 30,000 tractors per annum on double shift basis. However, the excess production over normal capacity is due to working on overtime schedules to meet the higher demand.

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 consumer demand. The actual production during the year was according to market demand. During the year, the actual production capacity attained was 192,921 batteries {Standard 15 plates 168,923 batteries compared with (2018: 217,771 standard 15 plates 203,684 batteries} against annual manufacturing capacity of 300,000 batteries (2018: 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	8,694	16,294
Capacity utilisation	65.86%	123.44%

Production during the year was as per the market demand.

		2019	2018
48	**Number of employees**		
	Number of employees at the end of the year	956	959
	Average number of employees during the year	965	962
	Total number of factory employees at the end of the year	651	647
	Average number of factory employees during the year	658	649

49 Subsequent events

The Board of Directors of the Holding Company in its meeting held on September 5,2019 has proposed a final cash dividend of Rs.40 per share (2018: Rs. 60 per share) and 12.5% bonus shares (2018: Nil) in respect of the year ended June 30, 2019. 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.

50 Corresponding figures

Corresponding figures have been reworded, rearranged and reclassified, wherever necessary, for the purpose of comparison and better presentation. However, no significant rearrangements have been made.

51 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 5,2019.

52 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, 2019

No. of share Holders	Shareholding From	Shareholding To	Number of Shares Held	% of Capital
1456	1	100	59,032	0.13
1063	101	500	298,418	0.67
450	501	1000	343,451	0.78
806	1001	5000	1,864,187	4.21
244	5001	10000	1,741,714	3.93
84	10001	15000	1,013,018	2.29
51	15001	20000	895,396	2.02
40	20001	25000	892,409	2.01
28	25001	30000	773,722	1.75
22	30001	35000	726,760	1.64
12	35001	40000	446,504	1.01
12	40001	45000	505,102	1.14
7	45001	50000	335,053	0.76
6	50001	55000	309,501	0.70
10	55001	60000	568,990	1.28
6	60001	65000	378,181	0.85
5	65001	70000	329,227	0.74
3	70001	75000	219,016	0.49
3	75001	80000	232,960	0.53
8	80001	85000	663,826	1.50
1	85001	90000	88,302	0.20
1	90001	95000	92,000	0.21
3	95001	100000	296,196	0.67
4	100001	105000	408,656	0.92
2	105001	110000	215,238	0.49
2	110001	115000	226,180	0.51
3	115001	120000	353,944	0.80
1	120001	125000	123,560	0.28
1	125001	130000	126,543	0.29
1	135001	140000	136,733	0.31
1	150001	155000	151,250	0.34
2	160001	165000	325,950	0.74
2	165001	170000	332,322	0.75
1	180001	185000	181,960	0.41
1	205001	210000	206,236	0.47
1	215001	220000	216,848	0.49
1	240001	245000	244,209	0.55

No. of share Holders	Shareholding From	To	Number of Shares Held	% of Capital
1	250001	255000	252,291	0.57
2	255001	260000	512,180	1.16
2	280001	285000	564,641	1.27
1	285001	290000	285,025	0.64
1	290001	295000	292,000	0.66
1	295001	300000	297,220	0.67
1	320001	325000	320,030	0.72
1	325001	330000	327,250	0.74
1	335001	340000	338,925	0.77
1	345001	350000	346,388	0.78
1	400001	405000	402,545	0.91
1	465001	470000	468,996	1.06
1	505001	510000	505,200	1.14
2	510001	515000	1,022,529	2.31
1	530001	535000	532,724	1.20
1	585001	590000	586,779	1.32
1	590001	595000	590,859	1.33
1	745001	750000	747,703	1.69
1	770001	775000	772,497	1.74
1	810001	815000	810,950	1.83
1	975001	980000	978,813	2.21
1	1045001	1050000	1,050,000	2.37
1	1065001	1070000	1,069,771	2.42
1	1085001	1090000	1,087,818	2.46
1	1240001	1245000	1,241,300	2.80
1	1960001	1965000	1,962,094	4.43
1	2045001	2050000	2,046,799	4.62
1	2290001	2295000	2,293,284	5.18
1	2555001	2560000	2,558,997	5.78
1	3700001	3705000	3,704,342	8.36
4,377	Total		44,292,544	100.00

CATEGORIES OF **SHAREHOLDING**

As on June 30, 2019

	Categories of Shareholders		No. of Shareholders	Shares Held	Percentage
1	**Directos, CEO and their spouse & minor children**		11	13,263,908	29.95
	Mr. Sikandar Mustafa Khan		1	3,704,342	8.36
	Mr. Latif Khalid Hashmi		1	1,335,025	3.01
	Mr. Sohail Bashir Rana		1	2,359,994	5.33
	Mr. Laeeq Uddin Ansari		1	3,628,768	8.19
	Mian Muhammad Saleem		1	978,813	2.21
	Mr. Saad Iqbal		1	772,497	1.74
	Syed Muhammad Irfan Aqueel		1	107,540	0.24
	Mrs. Ambreen Waheed		1	552	0.00
	Mrs. Cyma Khan (Spouse of Mr. Sikandar Mustafa Khan)		1	58,657	0.13
	Mrs. Ayesha Sohail(Spouse of Mr. Sohail Bashir Rana)		1	297,720	0.67
	Mrs. Shireen Shah Aqueel(Spouse of Syed Muhammad Irfan Aqueel)		1	20,000	0.05
2	**Associated Companies, Undertakings and Related parties**		41	3,586,305	8.10
	a	Associated Companies	–	–	–
	b	Associated Undertakings	3	451,650	1.02
	c	Related Parties	38	3,134,655	7.08
3	**NIT and ICP**		5	625,674	1.41
4	**Banks, Development Financial Institutions, Non-Banking Financial Institutions & Pension Funds**		8	452,225	1.02
5	**Insurance Companies**		8	4,808,182	10.86
6	**Modarabas & Mutual Funds**		21	283,705	0.64
7	**Shareholders Holding 10% or more Voting Interest**		–	–	–
8	**General Public**		4217	19,310,450	43.60
	a-Local		4164	17,064,743	38.53
	b-Foreign		53	2,245,707	5.07
9	**Others**		66	1,962,095	4.43
	Joint Stock Companies		44	104,148	0.24
	Trusts		18	1,806,191	4.08
	Others		4	51,756	0.12
			4,377	44,292,544	100

TRACTOR **DEALERS**

Punjab

Haji Sher Muhammad & Brothers, Attock
Sahgol Motors, Rawalpindi
Friends Corporation, Mandi Bahauddin
Hassan Corporation, Gujranwala
Zeshan Tractors, Gujrat
Globe Automobiles, Lahore
Zamindar Tractors & Equipment, Kasur
Shahrah Autos, Sheikhupura
Bilal Tractors, Nankana
Jhang Tractor House, Jhang
Rehman Tractor, Toba Tek Singh
Ahmed K. Agencies, Jhang
Sahiwal Tractor House (Pvt) Ltd., Sahiwal
Khawaja Autos, Okara
Pakistan Tractor House, Sargodha
Super United Tractors, Mianwali
Shaheen Tractor House, Bhakkar
Multan Autos, Multan
Chenab Tractor House, Muzaffargarh
Universal Autos, D.G. Khan
Haleem (Pvt) Ltd., Khanewal
Thal Agro Services, Leiah
Al-Hassan Traders, Bahawalpur
Panjnad Tractors, R.Y. Khan
Aziz Sons Tractor Corporation, R.Y. Khan
Vehari Tractors, Vehari
Sutluj Traders, Chishtian
Sargoro Services, Bahawalnagar
Shabbir Trading Co., Depalpur, Distt. Okara
Iqbal Enterprises, Chakwal
Pak Ghazi Tractors, Jampur, Distt. Rajanpur
Kissan Brothers, Kasur
Usman Enterprises, Opp. Millat Tractors Limited,
Pak Tractor House, Khushab
Al-Hassan Traders, Hasilpur
Syed Tractors, Lodhran
Al-Jabbar Tractors, Sialkot
Zahid Brothers, Shakargarh, Distt. Norowal
Kissan Tractors House, Pakpattan
Ishtiaq Tractor House, Jhelum
Millat Salar Tractors, Faisalabad

Baluchistan

Ravi Tractor House, Chaman, Qila Abdullah
National Agricultural Engineering & Services,
Jhat Pat, Naseerabad
Daavi Autos, Quetta
Zamindar Tractors, Pishin
Bolan Tractors House, Loralai
Baluchistan Tractors & Services, Quetta
Jafarabad Tractors Company, Jafarabad

Khyber Pakhtoonkhwa

Indus Autos, D.I. Khan
Khurram Tractors, Sarai Naurang, Bannu
Kohat Automobiles, Kohat
Samir Tractor Agency, Parachinar
Hunza Motors, Gilgit
Tractor House, Charsadda
Tractor House, Peshawar
Zahoor Tractor House, Mardan
Saiyar Tractor Agency, Kurram Agency
Gewan Tractors, Haripur
Iftikhar Traders, Peshawar
Lakki Tractor Showrom, D.I. Khan
Ghulam Muhammad Auto Store, Sawat

Sindh

Popular Tractor Co., Sukkur
Larkana Tractor House,Larkana
Jacobadad Tractor, Jacobabad
Good Luck Tractor Co., Khairpur
Pakistan Zaree Industries, Hyderabad
Mehran Trading Co., Sanghar
Al-Hamd Tractors, Dadu
Millat Farm Machinery, Nawabshah
Agrico International, Karachi
Tharparkar Tractor House, Mirpurkhas
Al-Davi Tractors House, ShahdadKot
Kashmor Tractor Co., Kashmoor
K.K. Tractors, Tandu Allah Yar
Zerdari Tractor, Sanghar
Ali Raza Tractor, Moro

Kashmir

Sana & Brothers Enterprises, Bagh

SPARE PARTS **DEALERS**

Punjab

Chisti Sabri Auto Store, Lahore
Jamshid Tractor Centre, Lahore
Shakoor Auto, Lahore
New Mukhtar Sons, Lahore
Mian Autos, Lahore
Goshia Traders, Lahore
Malik Tractors, Lahore
Muslim Tractor Corp., Lahore
Ghazi Autos, Lahore
Pak Tractor House (Pvt) Ltd., Lahore
Sadar Auto Traders, Lahore
Farhan Tractors, Lahore
Rana Auto Store, Pattoki
Tractors Parts, Sahiwal
Mian Autos, Sheikhupura
Madina Tractors, Muridkey, Sheikhupura
Kissan Tractor House, Sialkot
Madina Autos Services, Sambrial
Mukhtar Autos, Sahiwal
Madina Autos, Arifwala
Crescent Autos, Pakpattan
Madina Autos, Burewala
Pak Auto Store, Haroonabad
Umer Nawaz Auto Store, Multan
Ishtiaq Auto Store, Multan
New Altaaf Autos, Multan
Kohistan Autos, Multan
Hafiz Autos, Kabeerwala
M. Latif & Brothers, Mian Channu
Khurram Autos, Sheikhupura
Pak Autos, Pirmahal
Baloch Tractor House, Jhang
Farooq Autos, Faisalabad
786 Auto Traders, Faisalabad
Chaudhry Tractor Centre, Sargodha
Pak Auto Store, Haroonabad
Mushtaq Parts Centre, Wazirabad
Mukhtar Autos, Daska
Awami Tractor Workshop, Narowal
Riaz Autos,Mandi Faizabad, Sheikhupura
Kashmir Auto & Hardware House, Daska
Sargodha Tractor Parts, Gujranwala
Kissan Autos, Fateh Jang
Usman Yaseen Tractor Parts, Okara
Ali Akbar & Sons, Bahawalpur
Amin Autos, Bahawalpur
Nazar Tractor Workshop, Ali Pur
Madina Tractor & Tyer House, Kasur
Ali Auto Centre, Distt. Muzaffargarah
Tahal Auto Store, Joharabad
Punjnand Traders, Rahim Yar Khan
Somoro Auto Store, Rohjan City, Rajan Pur
Gohar Auto Tractor Parts, Muzaffargarah
Ch. Autos, Leiah
Millat Autos Store, D.G. Khan

Khyber Pakhtoonkhwa

Millat Tractors House, Mardan
Quresh Mechanical Engineering Works,
Khurram Agency
Nisar Tractor, Haji Camp, Peshawar

Sindh

Abdul Khaliq Khoosa Autos, Jaffarabad
Tractor Corporation, Nasirabad
Kisan Tractor Parts, Jackabad
Madni Tractor, Hyderabad
Master Autos, Larkana
Genuine Tractors, Hyderabad

MILLAT GROUP OF COMPANIES
CONSOLIDATED PATTERN OF SHAREHOLDING
As on June 30, 2019

Pattern of Shareholding of Millat Industrial Products Limited
As on 30-06-2018

No. of Shareholders	Size of Holding		Total Shares Held
	From	To	
8	1	100	665
30	101	500	8,014
58	501	1,000	45,842
48	1,001	1,500	58,146
37	1,501	2,000	66,403
17	2,001	3,000	39,554
16	3,001	5,000	59,956
55	5,001	40,000	854,163
5	40,001	100,000	251,347
4	100,001	400,000	1,287,500
1	400,001	600,000	543,750
1	600,001	6,000,000	5,737,500
280			8,952,840

Pattern of Shareholding of Tipeg Intertrade DMCC
As on 30-06-2019

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 30-06-2019

No. of Shareholders	Size of Holding From	To	Total Shares Held
204	1	100	9,742
573	101	500	157,891
183	501	1000	160,215
272	1001	5000	674,647
40	5001	10000	293,152
12	10001	15000	157,392
2	15001	20000	33,936
5	20001	25000	113,563
3	25001	30000	82,500
1	30001	35000	32,270
1	35001	40000	35,100
1	40001	45000	44,794
2	45001	50000	96,278
2	55001	60000	114,900
1	65001	70000	67,700
1	140001	145000	144,359
1	165001	170000	166,369
1	255001	260000	258,266
1	160001	165000	300,000
1	485001	490000	488,276
1	795001	800000	800,000
1	820001	825000	824,600
1	1105001	1110000	1,109,600
1	5305001	5310000	5,306,979
1311			11,472,529

Pattern of Shareholding of Millat Equipment Limited
As on 30-06-2019

No. of Shareholders	Size of Holding		Total Shares Held
	From	To	
46	1	1000	29,335
32	1001	2000	53,371
46	2001	3000	123,815
49	3001	4000	171,600
49	4001	5000	231,750
82	5001	10000	620,033
29	10001	15000	358,622
23	15001	20000	413,237
12	20001	25000	268,225
13	25001	30000	373,200
3	30001	35000	100,550
11	35001	40000	423,229
7	40001	45000	298,701
5	45001	50000	243,400
4	50001	55000	211,700
3	55001	60000	174,450
1	60001	65000	63,000
6	65001	75000	426,984
3	75001	100000	300,000
2	100001	120000	239,200
4	120001	150000	557,200
1	150001	200000	170,800
2	200001	300000	484,400
2	300001	700000	1,000,251
4	700001	2005000	6,962,954
1	2005001	11700000	11,699,993
440			26,000,000

CONSOLIDATED CATEGORIES **OF SHAREHOLDING**

As on June 30, 2019

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)	-	-	-	-	2,500.00	0.02	100,000	0.38
Syed Javaid Ashraf		-	-	-	17,936	0.16	-	-
Mrs. Qurat ul Ain(Spouse of Director								
Mr. Latif Khalid Hashmi)							3,700.00	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				-	-	-	63,450.00	0.24
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			-	-	114,900	1.00	-	-
6 Modarabas & Mutual Funds			-	-	-	-	-	-
7 Shareholders Holding 10% or more Voting Interest (Detail as per 2 (a) above								
8 General Public								
a-Local	-	-	-	-	3,969,857	34.60	-	-
b-Foreign	-	-	-	-	24,000	0.21	-	-
9 Others								
Joint Stock Companies	-	-	-	-	49,341	0.43	-	-
Trust	-	-	-	-	-	-	-	-
Public		1,350,440	15.08	-	-	-	6,439,302	24.77
Miscellaneous	-	-	-	-	305,631	2.66		
	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 او787(1)/2014 مورخہ 8 ستمبر 2014 کے بموجب سہولت مہیا کی گئی ہے کہ کمپنی اپنی سالانہ بیلنس شیٹ اور نفع ونقصان کے گوشوارے محاسب وناظمہ کی مرتب کردہ اطلاعی 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 شیئر رجسٹرار میسرز حمید مجید ایسوسی ایٹس (پرائیوٹ) 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

تاریخ: ____________________

شیئر رجسٹرار

میسرز حمید مجید ایسوسی ایٹس (پرائیوٹ) لمیٹڈ

فسٹ فلور، ایچ۔ ایم ہاؤس،

7-بینک اسکوئر، لاہور

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے ایس آر او787(1)/2014 مورخہ 8 ستمبر 2014 کی تعمیل کرتے ہوئے میں مسمی / مسماۃ ____________________

____________________ ولدیت / زوجیت ____________________

ملت ٹریکٹرز لمیٹڈ 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: ____________________

فولیو/ سی ڈی سی اکاؤنٹ نمبر: ____________________

ای میل ایڈریس: ____________________

ہرگاہ اقرار کیا جاتا ہے کہ مندرجہ بالا معلومات صحیح اور درست ہیں اور یہ کہ میں کمپنی اور اس کے شیئر 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

56th Annual General Meeting

MILLAT TRACTORS LIMITED

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 Friday, October 25, 2019 at 04:00 p.m.

at Company's Registered Office, 9 K.M. Sheikhupura Road, Shahdara, Lahore and at any adjournment thereof.

Signed this ____________ day of ____________ 2019

WITNESSES:

1. Signature: ____________
   Name: ____________
   Address: ____________

   CNIC or
   Passport No.: ____________

Signature

Please affix Rupees five revenue stamp

(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.

Millat Tractors Limited
9-KM Sheikhupura Road, Lahore- Pakistan
UAN: 111 200 786

تشکیل نیابت داری

56واں سالانہ اجلاس عام

MILLAT TRACTORS LIMITED

میں / ہم ______

ساکن ______ ملت ٹریکٹرز لمیٹڈ

رکن وحاصل ______ عام حصص بمطابق شیئر رجسٹرڈ فولیو نمبر ______

اور یا سی ڈی سی کے شراکتی آئی ڈی نمبر ______ اور ذیلی کھاتہ نمبر ______

ساکن ______ یا بصورت دیگر ______ ساکن ______

کو اپنی جگہ بروز جمعہ مورخہ 25 اکتوبر 2019 ء وقت 04:00 بجے سہ پہر، بمقام کمپنی کے رجسٹرڈ آفس :9- کلومیٹر شیخوپورہ روڈ شاہدرہ لاہور میں منعقد یا ملتوی ہونے والے سالانہ اجلاسِ عام میں رائے دہندگی کے لئے اپنا نمائندہ مقرر کرتا ہوں۔

دستخط کئے گئے مورخہ ______ 2019

گواہان:

1 دستخط: ______

نام: ______

پتہ: ______

سی این آئی سی یا پاسپورٹ نمبر: ______

براہ کرم پانچ روپے مالیت کے ریونیو ٹکٹ چسپاں کریں۔

دستخط

(دستخط کمپنی میں درج نمونہ کے دستخط کے مطابق ہونے چاہئے)

2 دستخط: ______

نام: ______

پتہ: ______

سی این آئی سی یا پاسپورٹ نمبر: ______

نوٹ:

پراکسیز کے موئثر ہونے کے لیے لازم ہے کہ وہ اجلاس سے 48 گھنٹے قبل کمپنی کو موصول ہوں۔ نیابت دار کا 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۔

ملت ٹریکٹرز لمیٹڈ

9۔کلومیٹر شیخوپورہ روڈ، لاہور۔ پاکستان

یواے این: 786 200 111

NOTES

AGM

on Friday, October 25th, 2019 at 4:00 p.m.

at every adjournment thereof.

NOTES

AGM

on Friday, October 25th, 2019 at 4:00 p.m.

at every adjournment thereof.

www.millat.com.pk

Registered Office:
Sheikhupura Road, Lahore - Pakistan
Tel: +92 42 37911021-25
UAN: 111 200 786