

# **MILLAT TRACTORS LIMITED**



**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



Dividend Per Share



EPS



Net Profit After Tax

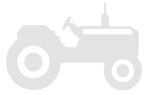


Net Revenues



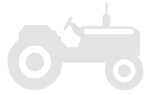
Tractors Sold

# CHRONICLES



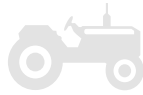
**1964**

Company established CBU Import (MF Tractors)



**1984**

Inauguration of Machining Plant



**1994**

Millat Equipment Ltd established.



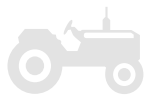
**2012**

TIPEG Inter-trade D CC, UAE established



**1965**

Assembly of tractors from SKD



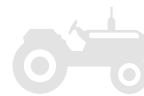
**1990**

Perkins distributor Agreement



**1998**

ISO 9002 Certification Achieved



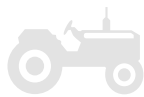
**2015**

Export Agreement with AGCO



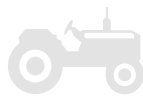
**1972**

Nationalization



**1992**

Privatization through Employee Buyout



**2000**

Licensing Agreement – Heli Forklift Trucks (China)



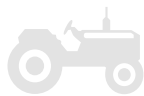
**2017**

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



**1973**

Licensing and transfer of Technology Agreement with MF, UK



**1992**

Inauguration of New Tractor Assembly Plant (MF Design)



**2002**

Quality Management System Upgraded to ISO 9001:2000



**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



**1973**

Licensing and transfer of Technology Agreement with Perkins, UK



**1993**

Bolan Castings Ltd Buyout



**2002**

Millat Industrial Products Ltd established.



**2019**

- Operations started by IFS segment
- 4WD Models of MF-360 and MF-375 launched for exports



**1982**

Inauguration of Engine Assembly Plant (Perkins Engines)



**1994**

Mass Production of Generating Sets.



**2011**

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







دنیا کا جدید، معیار کا قابل اعتماد

ملتی بزرگ لینڈ لیو



# 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

Shareholder's  
Equity

(2018 : 5,655)

**4,833**

Rs. in Million

Return on  
Capital  
Employed

(2018 : 165.35)

**107.52**

Percentage

Current Ratio

(2018 : 1:37:1)

**1.39:1**

Times

Debt:Equity

(2018 : 0:100)

**0:100**

Times

Market  
Capitalization  
(Year End)

(2018 : 52,623)

**38,197**

Rs. in Million

Market  
Capitalization  
(Year End)

(2018 : 433)

**233**

US \$ in Million

Price to  
Earning Ratio

(2018 : 9.86)

**10.50**

Times

Net Assets  
Per Share

(2018 : 127.67)

**109.12**

Rs.

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# VISION & MISSION STATEMENT



## VISION

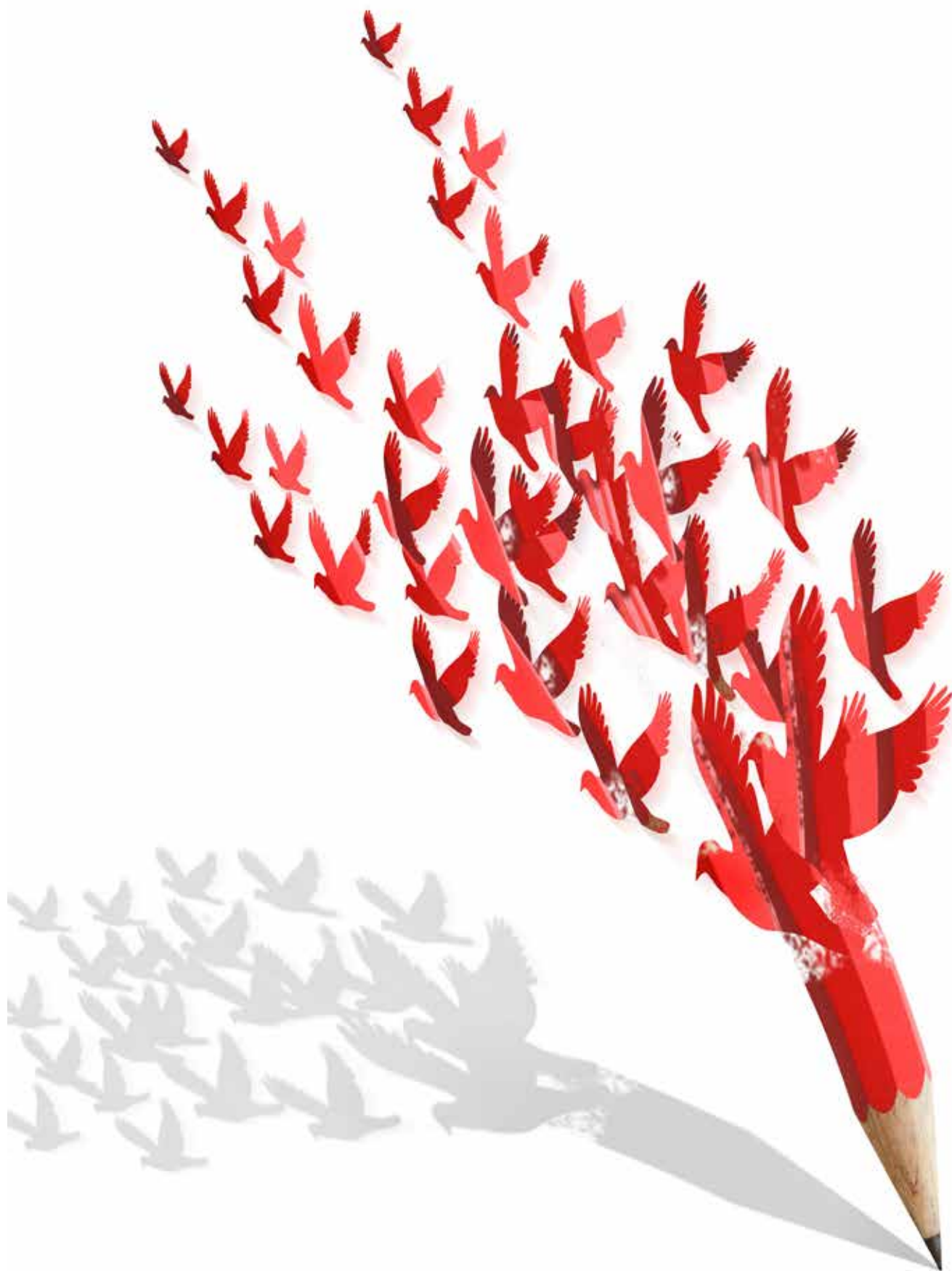
"Millat to be a global group of companies, recognized for a range of quality products with innovative design capabilities."

## 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](http://www.millat.com.pk)

E-mail: [info@millat.com.pk](mailto: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 DIRECTORS



Mr. Sikandar  
Mustafa Khan

Chairman



Mr. Latif  
Khalid Hashmi

Director



Mr. Sohail  
Bashir Rana

Director



Mr. Laeeq Uddin  
Ansari

Director





Mian Muhammad  
Saleem

Director



Mr. S. M. Irfan  
Aqueel

Chief Executive



Mr. Saad  
Iqbal

Director



Mrs. Ambreen  
Waheed

Director

# BOARD COMMITTEES

## Audit Committee

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

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

## Human Resource and Remuneration Committee (HR & R)

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

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

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

## Finance Committee

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

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

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

## Marketing Committee

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

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

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

The Chairman of Board shall monitor the 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  
DGM Production  
G.M Marketing  
Chief Financial Officer

Chairman  
Member  
Member  
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  
Chief Financial Officer  
G.M Marketing

Chairman  
Member  
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

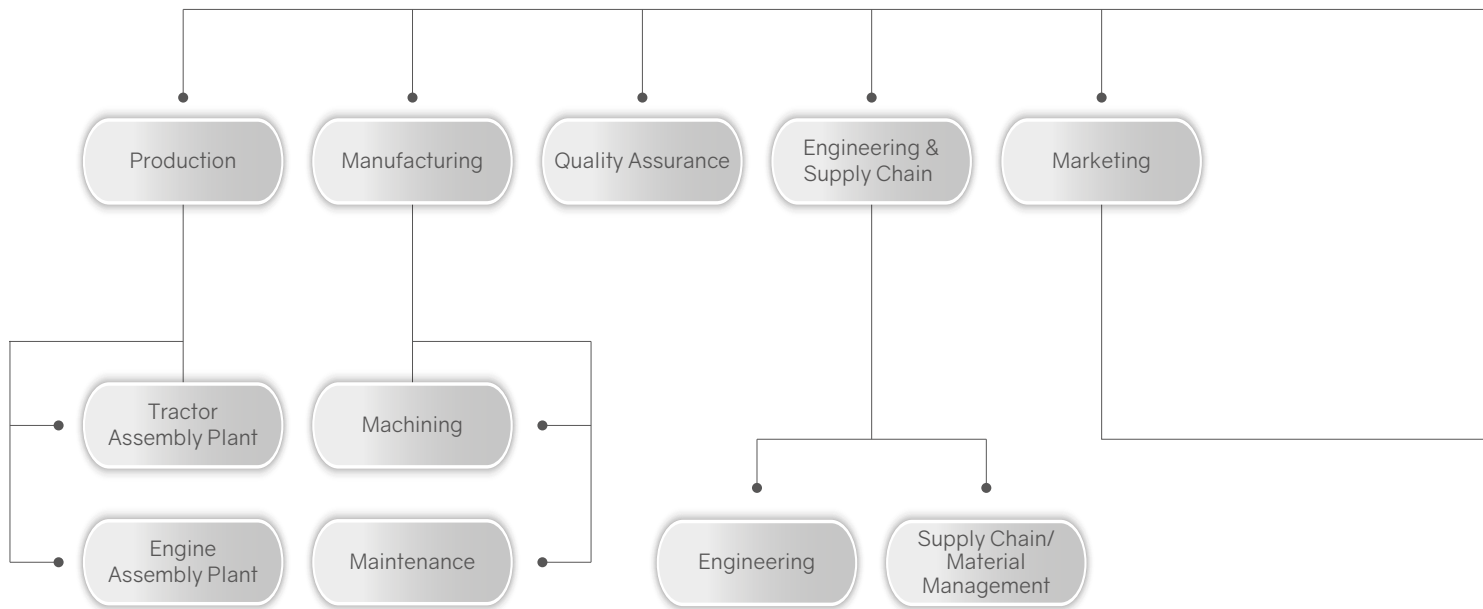
The Risk Management Committee is responsible for ensuring that procedures to identify and continuously update risks are in place. The Committee oversees the process of assessment of the possible impact and likelihood of occurrence of identified risks. The committee is also responsible for formulating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

### 7. Environmental Committee

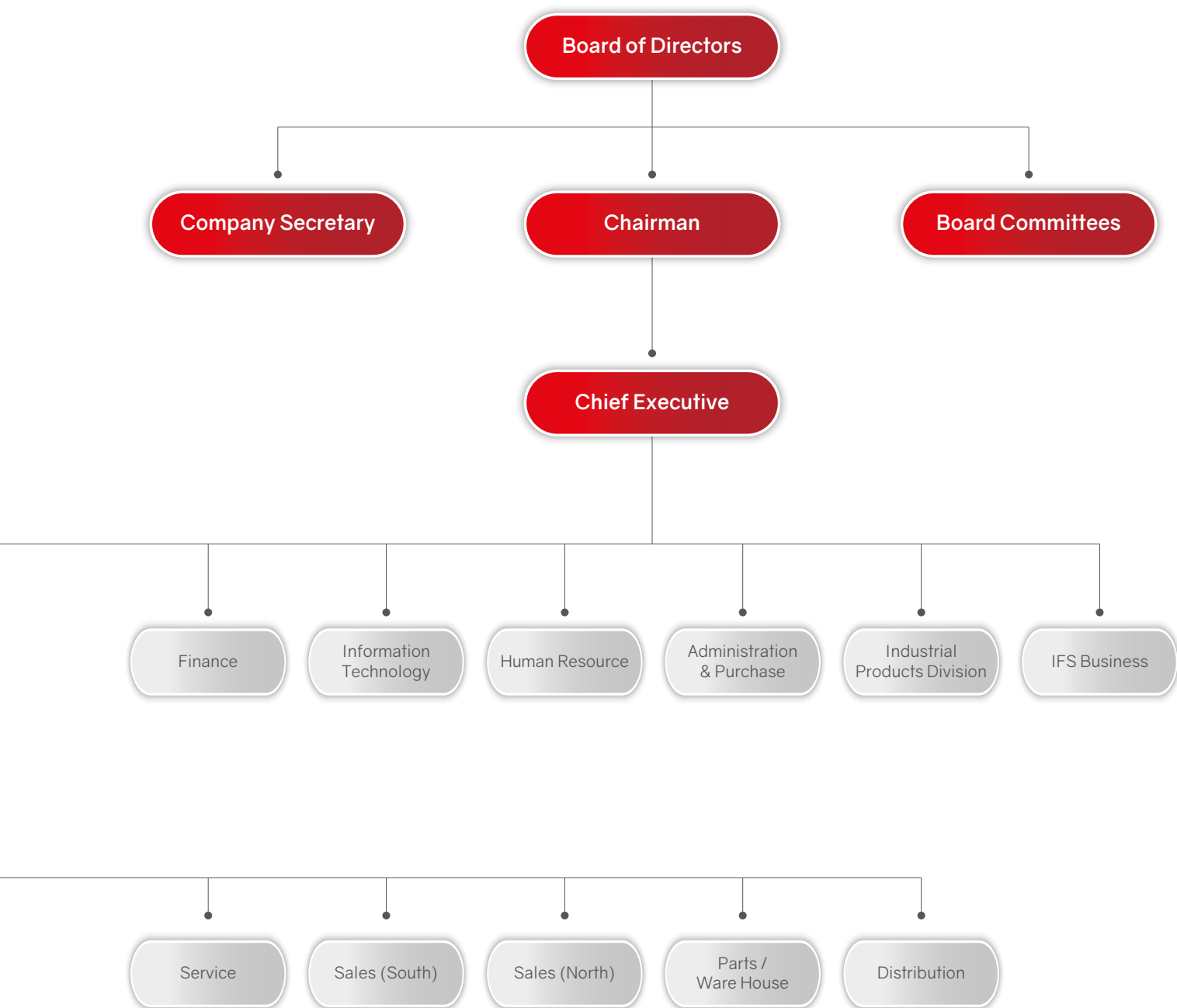
Sr. Mgr. A&P	Chairman
Manager IR	Member

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







# OBJECTIVES & STRATEGIC PLANNING

## Objectives

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

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

## Strategic Planning

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

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



# CODE OF CONDUCT

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

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

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

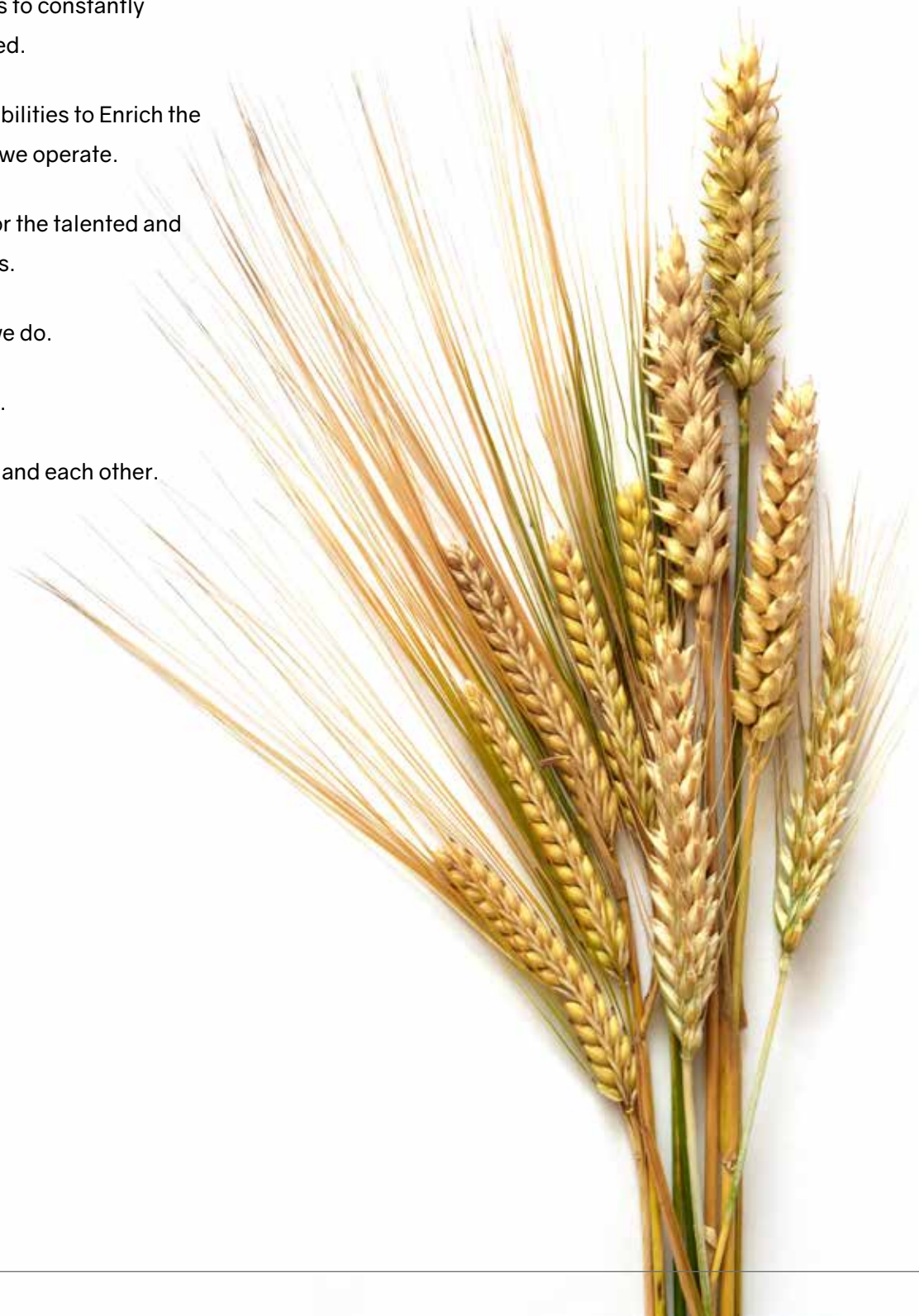
- Will not engage in any activity that might create a conflict of interest for him/her or MTL. Conflict of interest shall be disclosed where it exists and guidance sought.
- Will not take advantage of his/her position for personal gain through the inappropriate use of Company name or non-public information or abuse 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. Sheikhpura 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



**Muhammad Faisal Azeem**

Company Secretary

October 03, 2019

Lahore

## 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](http://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.

Sr. No.	Name of Director(s)	BCL	MEL	MIPL	TIPEG
		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	-	-
	<b>TOTAL</b>	<b>351,611</b>	<b>7,662,955</b>	<b>1,831,250</b>	<b>500</b>
	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.



اس برک اموار دند کو برقرار رکھنے کے لیے شیئر ہولڈرز چیلنج انریکٹرز کو اختیار دے سکتے ہیں کہ وہ یکم جولائی 2019 سے اگلے اجلاس عام تک منسلک کمپنیوں کے ساتھ کسی نو کمپس لین دین کی منظوری دے سکیں۔ جاری و ساری بات منسلک کمپنیوں کے ساتھ کاروبار کی نوعیت اور تفریح اور پیرائیک کے تحت کردی گئی ہے۔ تاہم یہ تمام راز یکیشز سالانہ اجلاس عام میں شیئر ہولڈرز کی منظوری اوتھن کے لیے ان کے سامنے رکھی جائیں گی۔ اس قرارداد میں ڈائریکٹرز کی دلچسپی موی ڈائریکٹرز شپ اور منسلک کمپنیوں میں شیئر ہولڈنگ تک ہے۔

## ایجنڈا آف عمل نمبر 7

### (ا) آرڈیننس آف ایسوسی ایشن میں تبدیلی

قانونی ماحولہ	
موجودہ آرڈیننس	تبدیلی شدہ آرڈیننس
مینٹنگ ڈائریکٹرز یا ڈائریکٹرز کی معمول کی ذمہ داریوں کے علاوہ خدمات کا معاوضہ ڈائریکٹرز کی جانب سے ملے ڈائریکٹرز کے لیے ہر بورڈ یا بورڈ کی کمپنی کی مینٹنگ اخذ کرنے کا معاوضہ 100,000 روپے ہوگا۔	مینٹنگ ڈائریکٹرز یا ڈائریکٹرز کی معمول کی ذمہ داریوں کے علاوہ خدمات کا معاوضہ ڈائریکٹرز کی جانب سے ملے ڈائریکٹرز کے لیے ہر بورڈ یا بورڈ کی کمپنی کی مینٹنگ اخذ کرنے کا معاوضہ 50,000 روپے سے زائد نہ ہوگا۔

## تبدیلی کی وجوہات

آرڈیننس آف ایسوسی ایشن آف کمپنیز کے آرڈیننس 77 کو اس غرض سے تبدیل کیا جا رہا ہے تاکہ مجموعی افراد کے تناظر میں بورڈ کی مینٹنگ یا کمپنی میں شرکت کے لئے ڈائریکٹرز کو ادائیگے جانے والے معاوضے میں ترمیم کی جاسکے۔

## بورڈ کا بیان

مذکورہ تبدیلی 05 ستمبر 2019 کو ہونے والی مینٹنگ میں بورڈ آف ڈائریکٹرز کی جانب سے منظور کر لی گئی ہے اور یہ قانون و ضوابط کے احاطے کی قابل اطلاق شقوق کے ساتھ مطابقت رکھتی ہے۔ ممبرز کی جانب سے پیمان بین کے لینڈ مل شدہ آرڈیننس 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 آف عمل نمبر 8

### بزنس شیئرز کا اجراء

بورڈ آف ڈائریکٹرز کی سوچ کے مطابق کمپنی کی مالی حالت اور اس کے پر روز کی روشنی میں بزنس شیئرز کے اجراء کی سرمایہ کاری کا جواز ملتا ہے۔ کہ کمپنی کے ڈائریکٹران با واسطہ یا بالواسطہ قرارداد میں باسوائے کمپنی میں اپنے حصے کے علاوہ اس قرارداد میں دلچسپی نہیں رکھتے۔

## ایجنڈا آف عمل نمبر 9

### بزنس شیئرز کے حصوں کا تقسیم و ضبط

173 ویں اجلاس میں بورڈ نے مشورہ مسٹارش کی کہ بزنس شیئرز کے حصے غیر اہم اور غیر مادہ ہیں اور حصہ داروں کے لیے کسی قسم کے نقصان کے حامل نہیں ہیں۔ لہذا فریکشن شیئرز کو ایک یا ایک سے زائد خریدتی اداروں کو (انسانیت کی خاطر علاج و بہبود کے لیے کام کرنے والے) جو کہ کمپنی کی پالیسی ہے کہ زیادہ سے زیادہ ملازمت انسانیت میں شامل ہونے کے معنی مطابق ہیں۔



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

رابطہ پارٹی کا نام	لین دین	ایم آئی ایل	ایم آئی ایل	جائی بیک	بڑائی کا واسطہ پائی دینہ کاغذ
لوچکی دیکھ، انوکھ کے نام پر دستہ قرارداد ڈائریکٹرز		مسٹر سکندر مصلیٰ خان مسٹر سہیل بشیر راء مسٹر بشیق اللہ بن احمداری مسٹر علیف خالد ہاشمی میاں محمد سلیم (ایم آئی ایل کے ڈائریکٹر نہیں ہیں) سیّد محمد عرفان مصلیٰ (صرف ایم آئی ایل اور بی ای ایل کے ڈائریکٹر ہیں)			مصلیٰ ڈائریکٹر
تعلق کی نوعیت، لوچکی، وابستہ شمول تعلیل، مالی اکائی یا دیگر لوچکی یا ڈائریکٹر کا شیئر یا بنیادی استحکام کی لوچکی کا ریٹیل پارٹی کیا تھا واسطہ		لوچکی ڈائریکٹر شپ مسٹر سکندر مصلیٰ خان مسٹر سہیل بشیر راء مسٹر بشیق اللہ بن احمداری مسٹر علیف خالد ہاشمی میاں محمد سلیم (ایم آئی ایل کے ڈائریکٹر نہیں ہیں) سیّد محمد عرفان مصلیٰ (صرف ایم آئی ایل اور بی ای ایل کے ڈائریکٹر ہیں)			لوچکی ڈائریکٹر شپ (مسٹر سہیل بشیر راء)
تعلیم کوائف اور ڈائریکٹرز کے قرارداد شواہد		1- طے شدہ آؤڈز کے مطابق ڈیڑھ جات 1- طے شدہ آؤڈز کے مطابق ڈیڑھ جات 1- طے شدہ آؤڈز کے مطابق ڈیڑھ جات 1- طے شدہ آؤڈز کے مطابق ڈیڑھ جات کی خرید 2- طے شدہ آؤڈز کے مطابق ڈیڑھ جات 2- طے شدہ آؤڈز کے مطابق ڈیڑھ جات 2- طے شدہ آؤڈز کے مطابق ڈیڑھ جات 2- طے شدہ آؤڈز کے مطابق ڈیڑھ جات کی فروخت 3- بروز 3- بروز 3- بروز 3- بروز			1- معاہدہ کے مطابق ڈیڑھ جات کی خرید 2- معاہدہ کے مطابق ڈیڑھ جات کی فروخت 3- بروز
قرارداد کشوری رقم	پارٹس کی خرید	1,435,926,927	273,248,934	3,325,757,648	351,563,110
پارٹس کی فروخت	1,662,396	80,113	2,241,490	251,655,946	-
بروز	11,757,844	7,329,124	15,805,368	-	4,856,000
قرارداد کشوری یا معاہدات کا دورانیہ	01-07-2018	01-07-2018	01-07-2018	01-07-2018	معاہدہ کے مطابق
	30-06-2019	30-06-2019	30-06-2019	30-06-2019	30-06-2019
	پارٹس کی خرید	At mutually agreed price			
آئس کی پالیسی	پارٹس کی فروخت	At mutually agreed price			
بروز	معاہدہ کے مطابق				

اس قرارداد میں ڈائریکٹرز کی دلچسپی عمومی ڈائریکٹر شپ اور فسلک کمپنیوں میں ضمیر ہولڈنگ تک ہے۔

## ایجنڈا آئٹم نمبر 6

### فسلک پارٹنوں سے لین دین (آر پی ٹی) کے لیے سی ای او کا اختیار

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

ریٹیلڈ یا ریٹریڈنگ کمپنی کا حصہ بننے کی تمنا رکھتی ہو یا نہ ہو اس کے لیے مندرجہ ذیل ہیں۔

- 1) سٹیٹ آف دی آرٹ پروڈکشن کی سہولیات کی دستیابی
- 2) جدید ٹیکنیکی سہولیات
- 3) بہترین معیاری اور ہمد وقت فعال پروڈکشن سہولیات
- 4) ملے لیسٹرز کے لیے ٹیکنیک کی تفصیلی سہولیات
- 5) بلا فصل ہوا سہولیات کی دستیابی

مسلک کمپنیوں کے ساتھ کمپنی کی ایکٹیو مندرجہ ذیل ہے۔

- 1) ہوان کا سنگریٹ 46.26 فیصد
- 2) ملے ایکوٹ 45.00 فیصد
- 3) ملے ایکوٹ 64.09 فیصد
- 4) ہوان کا سنگریٹ 75.00 فیصد

مشرکوں کی ایکٹیو مندرجہ ذیل ہے۔

نمبر شمار	ڈائریکٹر (ایم ایم)	ایم ایم ای	ایم ایم ای	ایم ایم ای
1	جناب سکندر مصطفیٰ خان	166,389	1,625,001	543,750
2	جناب لطیف خان دہشتی	32,270	1,625,001	362,500
3	جناب سہیل شیر خان	144,359	1,708,951	362,500
4	جناب بشیر الدین انصاری	3,120	2,004,001	362,500
5	جناب میاں محمد سلیم (ایم ایم ای کے ڈائریکٹر نہیں ہیں)	2,993	600,001	200,000
6	سید محمد عرفان حق	2,500	100,000	-
کلی		351,611	7,662,955	1,831,250
شمیر ہولڈنگ کی شرح		3.064 فیصد	29.47 فیصد	20 فیصد

پچھلے سالانہ اجلاس عام میں شمیر ہولڈرز نے کمپنی کے چیف ایگزیکٹو کو اختیار دیا تھا کہ وہ ان ڈائریکٹرز کو برنس کے عادی طریقہ کار کے مطابق شمیر ہولڈروں کو حتمی منظوری اور تصدیق کے ساتھ شرط منظوری دیں۔ اس لیے یہ ڈائریکٹر حتمی منظوری اتھارٹی کے لیے شمیر ہولڈرز کو حتمی کی جارہی ہیں۔





## 8۔ ٹیکس دہلیہ کی الیکٹرونک ادائیگی:

کمیٹیز ایکٹ 2017 کے سیکشن 242 کے تحت ٹیکس کی صورت میں ادا کیا جانے والا منافع صرف الیکٹرونک طریقہ کار سے ہی ادا کیا جائے گا۔ ہولڈرز کو اس سے قبل بھی الیکٹرونک طریقہ کار کے ذریعے منافع کی ادائیگی سے متعلق معلومات کے لیے نوٹس جاری کیے جا چکے ہیں۔ اب ایک مرتبہ پھر ہولڈرز سے ان کے فوئیو نمبر، نام اور بینک کی تفصیلات (جس میں بینک کے نام کے ساتھ، برانچ کا نام، برانچ کوڈ، اکاؤنٹ نمبر، اکاؤنٹ نمبر، IBAN فراہم کرنے کی درخواست کی جاتی ہے۔ یہ معلومات ذرا اہم کرنے کی صورت میں کمیٹی کوئی بھی اور طریقے سے منافع ادا نہیں کر پائے گی۔ کمیٹی کی ویب سائٹ پر بھی لینڈ روڈ درخواست فارم فراہم کر دیا گیا ہے۔ مہران سے درخواست ہے کہ یہ تمام معلومات کمیٹی تک جلد از جلد پہنچا دیں۔

شمیر CDC کی صورت میں موجود ہونے پر درخواست فارم شمیر ہولڈر کے برادر اشتراک دار لیا CDC انوسٹر اکاؤنٹ سرور کو قلع کر دے جائیں گے۔

## 9۔ فوئیو نمبر کی آمدن سے ٹیکس کی کوئی:

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

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

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

ایسے تمام شمیر ہولڈرز جو آگم ٹیکس ریٹرن فائل کرتے ہیں مہران کا نام ایف بی آر کی ویب سائٹ پر ایکٹوئس میگزینسٹ (ایف بی آر) میں درج نہیں ہیں، انہیں مطلع کیا جاتا ہے کہ وہ اپنے منافع کی ادائیگی کی تاریخ سے پہلے پہلے ایف بی آر میں نام درج کروائیں ورنہ منافع پر وہ ہولڈنگ ٹیکس کی کوئی 15.00 فیصد کی بجائے 20.00 فیصد ہوگی۔

مشترک شمیر رکھنے والے شمیر ہولڈرز کے لیے، ایف بی آر کی جانب سے ہماری کی گئی وضاحت کے تحت فائل کرنے والوں اور فائل نہ کرنے والوں کے ٹیکس کے مطابق، پرنسپل شمیر ہولڈر اور جو انٹ شمیر ہولڈر کے حصص کی مقدار کے تناسب سے وہ ہولڈنگ ٹیکس لاگو کیا جائے گا۔ اس لیے تمام شمیر ہولڈرز سے درخواست کی جاتی ہے کہ وہ پرنسپل شمیر ہولڈر اور جو انٹ شمیر ہولڈر (ز) کے حصص میں تناسب کے بارے میں شمیر رجسٹرار کو درج ذیل طریقے سے آگاہ کریں۔

پرنسپل شمیر ہولڈر		مشترک شمیر ہولڈر	
نام اور شناختی کارڈ نمبر	شمیر ہولڈنگ کا تناسب (شمیر کی تعداد)	نام اور شناختی کارڈ نمبر	شمیر ہولڈنگ کا تناسب (شمیر کی تعداد)

مندرجہ بالا معلومات شمیر رجسٹرار کو ہر صورت میں آگاہ کریں ورنہ فرض کر لیا جائے گا کہ پرنسپل شمیر ہولڈر اور جو انٹ شمیر ہولڈر برابر کے حصص دار ہیں۔

نہیں مست، احتساب، یا معلومات کے لیے ایویسز کمیٹی کے شمیر رجسٹرار میسرز حمید مجید ایسوی ایس (پرائیویٹ) لمیٹڈ، فرسٹ فلوور، ایچ ایم پلاس 7 بینک سٹوار لاہور سے رابطہ فرمائیں۔ فون نمبر 042-37235081-82 ٹیکس نمبر 042-37258817، ای میل: shares@hmaconsultants.com سی ڈی اکاؤنٹ رکھنے والے کارپوریٹ شمیر ہولڈر کو چاہیے کہ وہ اپنے متعلقہ رجسٹرار کے نمبر سے مطلع کریں جب کہ کارپوریٹ فوئیو نمبر ہولڈر کو چاہیے کہ وہ ایف بی آر میں سرٹیفیکیٹ کمیٹی یا شمیر رجسٹرار کو بھیجیں۔ شمیر ہولڈر کو چاہیے کہ وہ ایف بی آر میں سرٹیفیکیٹ بھیجے وقت کمیٹی کا نام اور متعلقہ فوئیو نمبر درج کر دیں۔

## 10۔ ہولڈنگ ٹیکس سے بچنے کے لیے ٹیکس ایگزیمپشن سرٹیفیکیٹ کی فراہمی

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



(۱) کارپوریٹ اداروں کی صورت میں بورڈ آف ڈائریکٹرز کی قراردادوں یا بورڈ آف مینجمنٹ کے ممبروں کے ہر اجلاس میں پیش کیے جائیں۔

(ب) ہا کیوں کا تقرر

(۱) انفرادی صورت میں، اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور یا دو افراد جو جن کے گروپ اکاؤنٹ میں سبکیں دینی موجود ہوا اور قواعد کے تحت اپنی رجسٹریشن کی تفصیلات درج کرائی ہوئی وہ درج بالا ضرورت کے تحت ہر کسی فارم جمع کرائیں گے۔

(۱۱) 2 افراد پر انکسی فارم کی شہادت دیں گے جن کے نام، پتہ اور شناختی کارڈ نمبر فارم پر لکھے ہوں گے۔

(iii) شیرمالکان اور پراسکی کے پاسپورٹ اور شناختی کارڈ کی تصدیق شدہ منتقل پر انہی ادارہ کے ساتھ پیش کی جائیں گی۔

(iv) یہ انہی افراد اجلاس کے وقت اصلی شناختی کارڈز اپنا سپورٹ پیش کریں گے۔

(۷) نگار پوریت اداروں کی صورت میں بورڈ آف انٹریکسٹر کی قرارداد یا بورڈ آف ایگاری دھتکی شعہ نمونے پر کسی فارم کے امضاء جمع کرائے جائیں گے۔

4۔ ویلے یوکانٹریس کال کی سیولٹ:

کمپیز ایکٹ 2017 کے مطابق، اگر کوئی شخص ان جن کے پاس مجموعی طور پر 10 فیصد یا اس سے زیادہ حصص ہوں، مگر کسی خاص جغرافیائی حدود (کسی خاص ملک، شہر) میں موجود ہوں اور دو سالہ اجلاس سے 7 روزہ قبل منسلک میں ویڈیو کا ٹرنس کے ذریعے شرکت کرنا چاہتے ہوں تو ہمیں اس شہر میں ویڈیو کا ٹرنس کی سہولیات مہیا کر کے ان کے انتظام کر کے ملے بشرطیکہ اس شہر میں اس عمر کی سہولیات میسر ہوں۔ کوئی اس بات کو یقینی بنائے گی کہ ویڈیو کا ٹرنس کی جگہ اور دیگر تفصیلات سالانہ عمومی اجلاس سے 5 روزہ قبل تک ان ممبران تک پہنچ جائیں۔

اگر مندرجہ بالا تصدیقات کے تحت آپ بھی سالانہ میٹنگ میں ویلے یوگا نفرس کے ذریعہ شرکت کرنا چاہتے ہیں تو براہ مہربانی اجلاس سے کم از کم 7 روز قبل قریب میں ویلے یا اس کا فارم پُر کر کے کنبھی کے رجسٹرڈ دفتر میں جمع کروائیں۔ میں اہم۔۔۔۔۔ آف۔۔۔۔۔ لیٹرائزڈ لیجنڈ کے ممبران، جن کے شعیر نمبر۔۔۔۔۔ رجسٹرڈ ٹولائیڈ نمبر اسی ڈی ایچ کی اکاؤنٹ نمبر۔۔۔۔۔ ویلے یوگا نفرس کی سہولت۔۔۔۔۔ میں جانتا ہوں / اپنے جوتے ہیں۔

5۔ امی وونجک:-

کمپینز (پوسٹل چٹ) اور گیلوشفر 2018 کے مطابق تمہارا اپنے ووٹ کا حق ای دوئنگ کے ذریعے بھی ادا کر سکتے ہیں۔

6- خانم ڈی سی شیر بولڈرز سے درخماست کی جاتی ہے کہ وہ اپنے چہرہ میں تبدیلی کی صورت میں فوری طور پر مطلع کریں۔ اور قابل اطلاق ہو تو 50-55 گرم (ذکوہ کثوفی کی ممانعت) بھر کر شیر رجسٹرار میسرہ حمید سعید ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، فرسٹ فلور، ایچ ایم ہاؤس 7، چیک سکوائر، لاہور، دفتر میں جمع کرنا۔ ڈی سی کی کنٹرول شیر بولڈرز حضرات سے درخواست کی جاتی ہے کہ وہ اپنے پتہ اور ذکوہ کی موجودہ حیثیت سے شرکاء کو مطلع کریں۔ اس عمل سے منافعی کی برکت اور انجلی میں مدد ملے گی۔

7۔ شناختی کارڈ کالاری جمع کروانا

کمپنیز ریگولیشنز، 2017 (برائے منافع مقدم)، جسے کمپنیز ایکٹ، 2017 کے سیکشن 242 کے ساتھ پڑھا جائے، کی مین نمبر 6 کے تحت کمپنی نے ان حصص داران کی ادائیگیاں روک دی ہیں، اور ان کمپنیوں کے روکے رکھے گئے، جنہوں نے ایسی تک اپنا مسودہ قرضاتی کارڈ نمبر منسوخ نہیں کروایا ہے۔ اگر مذکورہ وجہ سے آپ کا مسودہ قرضہ روک لیا گیا ہے تو آپ سے درخواست ہے کہ ازراہ کریم کمپنی کے شعبہ رجسٹرار کو اپنے قرضاتی کارڈ کی تصدیق منسلق فراہم کریں۔ اگر آپ کے حصص فزیکل ہیں، اور اگر سی ڈی سی ہیں تو محتلف حصص دارانوں کے لئے اکاؤنٹ سرورسز پر، جو کوئی فراہم کریں

Millat Tractors Limited

## اطلاع عام برائے سالانہ اجلاس عام

اطلاع دی جاتی ہے کہ ملت ٹریڈنگز لمیٹڈ کا 56 واں سالانہ اجلاس عام کمپنی کے رجسٹرڈ دفتر، مقام 9، حکومت ٹیٹو پور روڈ، شاہد راولپورہ، لاہور، روز جمعہ 25 اکتوبر، 2019 بوقت شام 4 بجے مندرجہ ذیل امور کی انجام دہی کے لیے منعقد ہوگا۔

### الف) امور عام

- 1۔ 55 ویں سالانہ اجلاس عام منعقدہ 30 اکتوبر، 2018 کے حتمی کی تصدیق
- 2۔ 30 جون، 2019 تک کمپنی اور گروپ کے آڈٹ شدہ حسابات بشمول ڈائریکٹرز اور آڈیٹرز کی رپورٹس کی اصولی اور ان پر غور و خوض 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 تقرار اور ان کے منظر ہوں کا حتمی۔

### ب) امور خاص:

- 5۔ 30 جون، 2019 کو ختم ہونے والے سال کے لیے مندرجہ ذیل مخصوص قرار داد برائے کمپنیوں کے ساتھ ٹرانزیکشنز کی توثیق کی ترمیم یا ترمیم کے بغیر منظوری طے پایا کہ مندرجہ ذیل ٹرانزیکشنز اور ریجیڈ پارٹنرز کے ختم شدہ سال 30 جون، 2019 کی توثیق اور منظوری دی جاتی ہے۔

2019 (تقراروں میں)					
پارٹنرز	ملی ایکسچینج (ای ایم سی سی)	ملحد انٹرپرائز پرائیویٹ لمیٹڈ	ہولان کا سٹوکیو لمیٹڈ	ملحد ایکسچینج لمیٹڈ	ہولائی ٹکا سٹوکیو (پی وی سی) 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 قرار داد (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 ریجیڈ پارٹی ٹرانزیکشنز کی منظوری دے سکیں گے۔

"طے پایا کہ کمپنی کے چیف ایگزیکٹو یا اختیار دینا اور جس کے کہ ہم جولائی 2019 سے کمپنی کے اگلے سالانہ مجموعی اجلاس تک ریجیڈ پارٹی ٹرانزیکشنز کی منظوری دے سکیں گے۔"

مزید طے پایا کہ کمپنی کے چیف ایگزیکٹو یا اختیار دینا اور جس کے کہ ہم جولائی 2019 سے کمپنی کے اگلے سالانہ مجموعی اجلاس تک ریجیڈ پارٹی ٹرانزیکشنز کی منظوری دے سکیں گے۔

- 7۔ کمپنی کے آڈیٹرز آف ایسوسی ایٹس کے آڈیٹس 77 کی تبدیلی کے لیے مندرجہ ذیل خاص قرار داد کو تبدیلی یا تبدیلی کے بغیر ذریعہ قرار داد دینا۔

"طے پایا کہ آڈیٹس 77 تبدیل کیا جاتا ہے۔ جو کہ مندرجہ ذیل ہے۔

ڈائریکٹرز کے لیے ہر بورڈ یا بورڈ کی کمپنی کی میٹنگ انڈر ٹیکہ 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

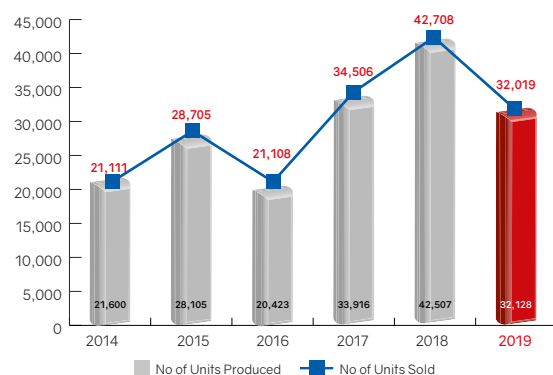
Board's role is to provide entrepreneurial leadership of the company within a framework of prudent effective controls which enables risk to be assessed and managed. The Board performs three major roles in a company – it provides strategic direction of the company, monitors and provides support and advice 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:

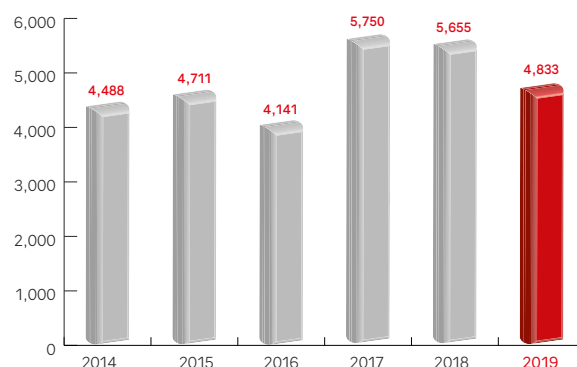
- Audit Committee
- Human Resource and Remuneration Committee
- Finance Committee
- Marketing Committee
- Board's Committee for Group Supervision

### Sale / Production Volume Units



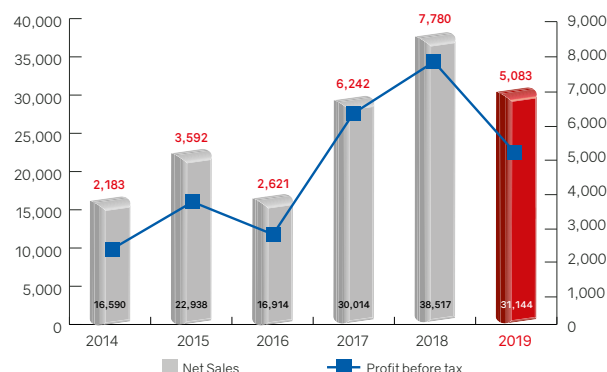
### Shareholders Equity

(Rs. In Million)



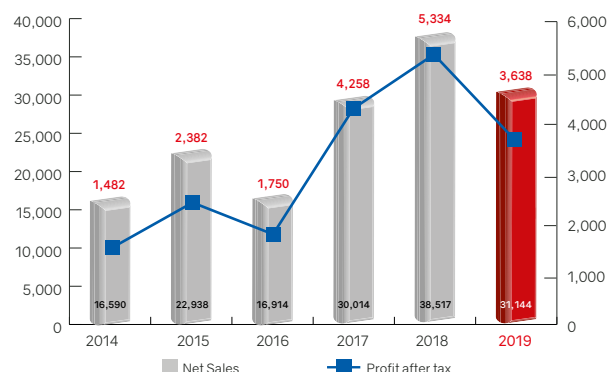
### Sales / Pre-Tax Profit

(Rs. In Million)



### Sales / After-Tax Profit

(Rs. In Million)



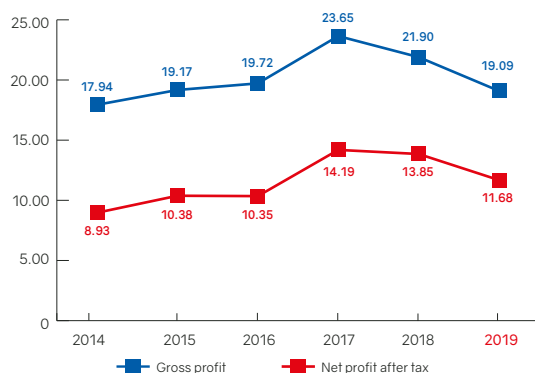
## Board Evaluation

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

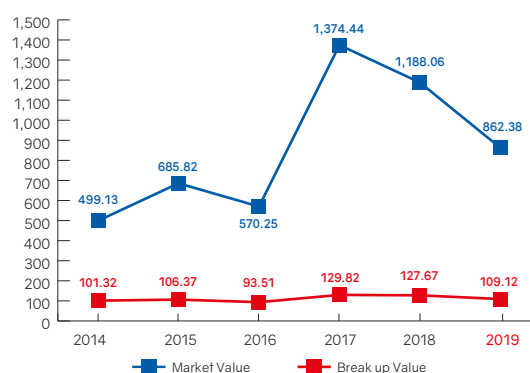
- Strategy and planning
- Board operations and effectiveness
- Measuring and monitoring of performance
- Professional development

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

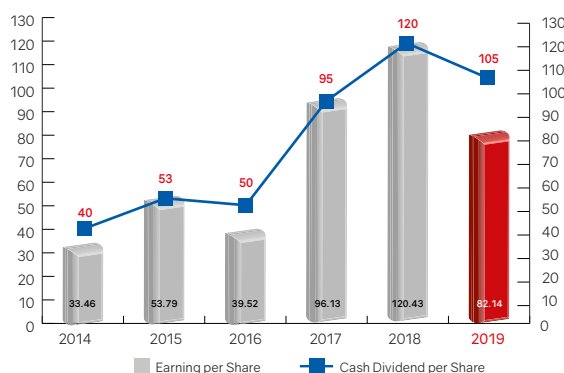
**Gross Profit / Net Profit After Tax**  
(Percentage)



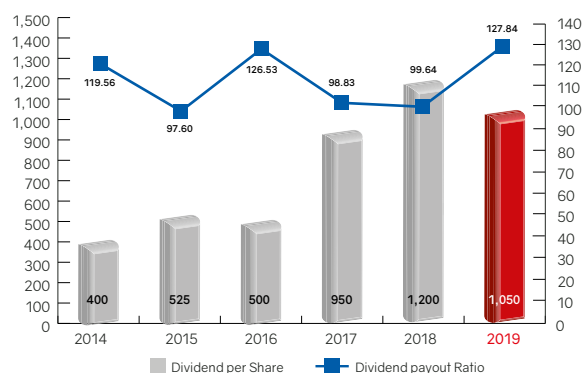
**Break up / Market Value Per Share**  
(Rupees)



**Earning / Dividend Per Share**  
(Rupees)



**Dividend Payout Ratio**  
(Percentage)



## Overall Economic and Industry Review

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<sup>1</sup>.

Agriculture sector was severely hit due to water shortage of up to 38% for Rabi crops during the 2018-19 season<sup>2</sup>. 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%<sup>3</sup> 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

جمہولی اقتصادى اور صنعتى جائزہ

ملک کو روفاشی جنوبی مالی منڈیاں اور وسطی منڈی نے مالی سال 2018-2019 کو بہت حد تک ترقیاتی منصوبوں اور CPEC سرگرمیوں میں رکاوٹ اور روپے کی قدر میں واضح کمی جیسے عناصر اثر ترقیاتی منصوبوں کا باعث بنے۔ اس سال کی ڈی پی پی (Gross Domestic Product) گرتھ ریٹ 3.3 فیصد متوقع ہے جبکہ سال 2018 میں یہ ریٹ 5.8 فیصد تھا۔ کئی بڑی پیمائشیں، اخراجات، صنعت اور زرہ پیکرز میں تاخیر (0.85%) (4.4% +) اور (4.74% -) کے ہونے والی معمولی ترقی ہے<sup>1</sup>۔

سال 2018-2019 کے دوران فصل، بطور اوسط 38% پانی کی قلت نے زری شیعہ کو بے حد متاثر کیا ہے۔<sup>2</sup> پانی کے ذخیرہ نہ کرنے کی سلاحت، غیر معمولی قلت اور ٹھوٹیل وار جنگ کی وجہ اس نقصان کی بڑی وجہ ہے۔ مزید یہاں کٹاؤ کی حالت میں کی واقع ہونے اور سپلائی پر اس کو مزید ایما دینا لاگو نہ کرنے کے باعث بھی ہمیں اس صورتحال کا سامنا کرنا پڑا ہے۔ غیر متوقع بارش نے جنوبی پنجاب میں موسم کی حقوق پر بیٹے اور میں کی کر کے زری شیعہ کو ناقص حد تک نقصان پہنچایا ہے۔

تجلی کو باقی سطح پر بھی جاسی، مشکلات کا سامنا ہے۔ اور انہیں میں مسلسل منتقلی اور ان کی وجہ سے تمام قانون کراسیو کے مقابلے میں روپے کی قدر میں واضح کمی ہو گئی ہے۔ مزید مالی سال کے دوران امریکی ڈالر کے مقابلے میں روپے کی قدر میں 32% کمی کی ہے۔ کماؤ میں اضافہ ہوا ہے۔ تاہم روپے کی قدر میں کمی نے عالمی منڈی میں ہمارے ری ایکٹر کی قیمت کو بہت متاثر کیا ہے۔ اس لئے مقامی منڈی میں کمی پر مار کرنے کے لئے ہم انڈیا کی کمپنیاں جس پر زیادہ توجہ دے رہے ہیں۔ حکومت بھی درآمدات کو کم اور ایکسپورٹس پر دھانے پر توجہ دے رہی ہے۔

پاکستان کی معیشت کا دوسرا Asian Players سے مقابلہ کیا جائے GDP گروہ کے حوالے سے کم بہت پیچھے جا رہا ہے۔ جبکہ چائے، ادویات اور بھروسہ کی گروہوں میں مسلسل اضافہ کا امکان ہے۔ اس 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 انہیں بحری کاموں کا امکان ہے۔

مسئله کا سبب برسوں کے بعد اس سال فیکٹریوں کی کئی مشکلات کا سامنا کرنا پڑا ہے۔ اس سال ملکیہ انڈسٹری کی سطح پر مجموعی طور پر 50,000 ہزار ہزار فروخت ہوئے جبکہ گزشتہ سال فروخت ہونے والے ہزار ہزار کی تعداد 70,000 تھی۔ فروخت میں اس واقعہ کی کمی جیڈا رومی موٹرس اینڈ اسٹیمپلنگ اور جیڈا رومی موٹرس اینڈ اسٹیمپلنگ کی جانب سے لکڑی کی مانگ میں کمی ہے۔

اکنونی کو مجھ سے مضبوط کرنے کے لئے سوہتر اقدہ آلات اٹھائے جا رہے ہیں۔ اگرچہ انہی اقدہ ایلمنٹس کے لئے پہلے سے مسین آئندہ ملے سال میں ضروری مشکلات کا سامنا کرنا پڑے گا تاہم معاشی استحکام اور تمام اقدہ اور افراد کو نقصان نہ ملنے کے لئے خصوصی سے اقدہ اجارے جاری ہیں۔ اس صورتحال کے لئے پیٹر ڈی فریڈل کو قریب مددگار مامورین کو تیار کیا ہے۔

کسانوں کے لئے کم قیمت (Low-Cost) آفر نہایت ہی فراہمی اور ملک بھر میں سپورٹ پروگرام کو یقینی طور پر برقرار رکھنے کی وجہ سے زرعی شعبہ میں کھجور کے امکانات کی کوشش جاری ہے۔ اس کے ساتھ ساتھ تیز رفتار ڈیڑھ سو کلوگرام کے وودے زرعی ڈرائیج، ڈیٹرکٹر DTRE کی صورت میں، ایک سپورٹ کھجور بھی تعاون فراہم کیا جا رہا ہے۔ حیران کن بات یہاں لاپاکستان ڈاؤننگ اسکیم جیسے دیگر PSDP پروگرام کے ذریعے ڈیڑھ سو کلوگرام بھی قیمت اقدامات اٹھائے جا رہے۔

میں ہوا آف ڈائریکٹر کے تمام ممبران دوسرے شیئر ہولڈرز اور بزنس ڈائریکٹرز اور ایجنسیوں کے ملازمین اور ورکرز کا گھریا اور کہا کہ اس حلقہ غلامی میں وہ محنت اور لگن سے اپنی آمدنیوں کو بھرتا ہے۔

Che

سید مصطفیٰ خان

تھیں۔

حضرت ابی بکر صدیقؓ

05 مئی، 2019

ذریعہ: پاکستان اکادمی سرگرمی 2018-2019، طبیعت و نگارۂ آب و ہوا

آر پی 2-2 فیوژن

ذریعہ 3: دستارک کرنی، رقص، ملیک و شفا فیا الحسن و سب سادات



## چیز میں کا جائزہ

میں کمپنیاں ایکٹ 2017 کے سیکشن 192 کے تحت بورڈ کی مجموعی کارکردگی اور کمپنی کے مقاصد کے حصول کے لئے بورڈ کے ممبروں کو رور پر چیز میں کی جانب سے، بے گئے گئے جائزے کو پیش کرنے پر غرضی محسوس کرتا ہوں۔  
مجموعی مالی حفاکات اور معاشی انحصار کے پادجو، بھی کمپنی سال 2019-2018 کے دوران 32,019 ٹریکٹر زرقروست کرنے میں کامیاب رہی ہے۔ اس حساب سے اس سال کی قروست میں گزشتہ سال کی قروست کے مقابلے میں 25 فیصد کو واقع ہوئی ہے۔ تاہم کمپنی کے ہر سٹیک ہولڈر کی صحت اور گمن کے پافٹ، امار، امار کیٹ میٹر 61 فیصد سے تا 64 فیصد ہو گیا ہے، تاہم اعلیٰ اعتبار سے 5 سال پر میلا گروشی مدت ہے جس کے اعتبار سے میں اعلیٰ ستر میں اس کی کامیابی ہوا ہے۔

### بورڈ کا انتظامی کردار

### بورڈ کی تشکیل اور ساخت

کمپنی کو ایک پتہ فراہم کر کے میں دیکھتے ہوئے منظم قیادت فراہم کرنا بورڈ کی امداد میں شامل ہے تا کہ کسی بھی قسم کے خطرے کا جائزہ لے کر ہا آسانی تہرہ آزا ہوا جاسکے۔ 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 تا کہ کمپنی کے کاروباری اہداف کو پورا کیا جاسکے۔  
بورڈ کی تشکیل درج ذیل ہے۔

02	خود کارڈائزیکٹرز
02	ایگزیکٹو ڈائزیکٹرز
04	دیگر ڈائزیکٹرز

مشیراڈ شپ کی ضمانت اور کمپنی کی درست سمت کی نگرانی کیلئے بورڈ نے ذیلی کمیٹیاں تشکیل دی ہیں۔ اور میری نظر میں ان کمیٹیوں نے مطلوب مقاصد کے حصول کیلئے اہم کردار ادا کیا ہے۔  
یہ کمیٹیاں کوڈ آف کارپوریت گورنس کی مطلوبہ تعین کو یقینی بناتی ہیں۔

آڈٹ کمیٹی  
ایوٹن دے بورس اور ریٹرنز اینڈ سٹاک  
فیل کمیٹی  
مارکیٹنگ کمیٹی  
گروپ سپروایزن کے لئے بورڈ کمیٹی

### بورڈ کی کارکردگی کا جائزہ

کارپوریت گورنس کوڈ کی شق (3)(7) کے مطابق ایک وضع کردہ طریقہ کار کے تحت بورڈ آف ڈائزیکٹرز کی کارکردگی کو جانچنے کے لئے تمام ڈائزیکٹرز کو ایک جامع سوالنامہ تقسیم کیا گیا ہے جو مندرجہ ذیل اہم شعبہ جات پر مشتمل ہے۔

سمت عملی اور منصوبہ بندی  
بورڈ کے آپریشنز اور اثر اندازی  
کارکردگی کا جائزہ اور نگرانی  
پرفیشنل ڈویلپمنٹ

انفرادی طور پر رائے کی گئی اور اس رائے کی قیادہ بورڈ کی کارکردگی اور بورڈ آف ڈائزیکٹرز کی گورننگ کے حوالے سے چیز میں کی کارکردگی کو بہتر بنایا گیا کیونکہ کمپنی کی مجموعی کارکردگی اور ساتھ میں بہتری نظر آتی 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	<b>2,278,935</b>	<b>2,044,557</b>

## 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:

### 1) 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 deforestation 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<sup>1</sup>), 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.

<sup>1</sup>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:

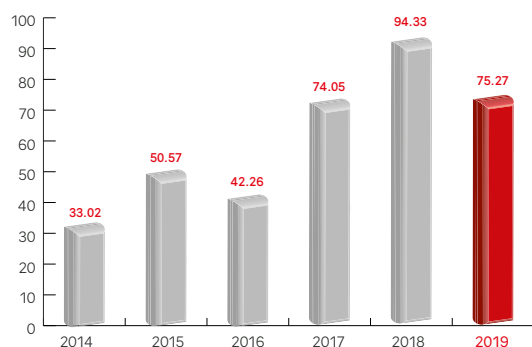
## Purchase of Shares

	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

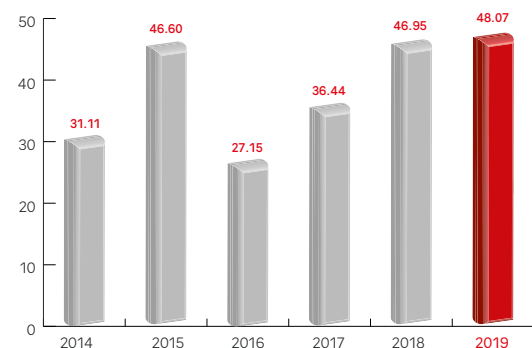
## Sale of Shares

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

## Return on Equity (Percentage)



## Return on Assets (Percentage)



## 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](http://www.millat.com.pk) for information of the investors.

For and on behalf of the Board



Chief Executive



Chairman

Lahore:

September 05, 2019

### محلہ پارٹی کی ٹرانزیکشنز

محلہ پارٹی کی اپنی گروہی کمپنیوں کے ساتھ رقوم کی منتقلی اس بورڈ سے منظور ہونا چاہیئے کارپوریٹ گورننس کے کوڈ کی متن (15) کے ساتھ میعاد کی طور پر مطابقت رکھنے والی آڈٹ کمپنی نے تجویز کیا تھا۔ تاہم کمپنیوں کے ڈائریکٹرز کی اکثریت اپنی مشترکہ ڈائریکٹر شپ اور گروہی کمپنیوں میں حصص رکھنے کے باعث رقوم کی ان منتقلیوں میں دلچسپی رکھتی تھی کیونکہ ایکٹ 2017 کے سیکشن 207 کے مطابق رقوم کی منتقلی کی منظوری کے لیے ڈائریکٹرز کا کورم پورا نہیں ہو سکا اور اسی لیے ان رقوم کی منتقلی کی منظوری اور توثیق کے لیے انہیں جنرل میٹنگ میں ضمیر ہولڈرز کے سامنے پیش کیا جاتا ہے۔

### ضمیر ہولڈنگ کا طریقہ

ضمیر 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 اثاثتیں

30 جون 2019 تک کی مجموعی مالیاتی اثاثتیں منسلک کی گئی ہے۔

### کارپوریٹ سماجی ذمہ داری

کارپوریٹ سماجی ذمہ داریاں کے متعلق جان منسلک ہے اور اس رپورٹ کا لازمی حصہ بنایا گیا ہے۔

### ویب سائٹ پر موجودگی

موجودہ مالی سال کے لئے کمپنی کی آن لائن سٹیک ہولڈرز انکوائری سسٹم (SHIS) میں سالانہ رپورٹس سرماہیہ اداروں کی معلومات کیلئے کمپنی کی ویب سائٹ [www.millat.com.pk](http://www.millat.com.pk) پر موجود ہے۔

  
چیرمین

  
چیرمین

لاہور  
05 ستمبر 2019

سرمایہ کاری کی رقم میں وصول شدہ اثاثہ شامل ہے۔

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

### حصص کی خریداری

خریدے گئے حصص کی تعداد

122,000	جناب سکندر مصطفیٰ خان، ڈائریکٹر
10,000	جناب سکریٹری بشیر رانا، ڈائریکٹر
156,586	جناب لئیق الدین انصاری، ڈائریکٹر
7,461	جناب ایس ایم عرفان عقیل، سی ای او
552	مسز جہیزین وحید، ڈائریکٹر
20,000	مسز عائشہ سکریٹری (زبیر جناب سکریٹری بشیر رانا، ڈائریکٹر)
3,500	مسز شیریں شاہ عقیل (زبیر جناب ایس ایم عرفان عقیل، سی ای او)
723	جناب محمد فیصل عظیم، کمپنی سیکرٹری
6,380	جناب سکریٹری احمد ثار، سی ایف او

### حصص کی فروخت

فروخت کئے گئے حصص کی تعداد

165,000	جناب لطیف خالد ہاشمی، ڈائریکٹر
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### ضابطہ اخلاق:

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

### کارپوریت 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 کارپوریت گورننس کے تقاضوں کی تعمیل کی گئی ہے۔ اس سے متعلق ایک بیان رپورٹ کے ساتھ عہدہ سے منسلک ہے۔

### جیئرمن کا جائزہ

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



### ڈائریکٹر کا ترقیاتی پروگرام

ڈائریکٹر کے لئے ایک اور پیشین گوئی تشکیل دیا گیا جس میں انہیں ضابطہ قابل اطلاق قوانین اور ان کی دسمداریوں سے آگاہ کیا گیا تاکہ وہ مضمر طریقے سے کمپنی اور شیئر ہولڈرز کی طرف سے معاملات سنبھال سکیں۔ انہیں تحریری مواد بھی فراہم کیا گیا۔

### بعد میں آنے والے واقعات

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

### آڈیٹر کا مشاہدہ

سال مختتم 30 جون 2019 کی سالانہ رپورٹ میں کسی بھی گروپ کمپنی کے بارے میں آڈیٹر نے اپنی رپورٹ میں کسی قسم کی حتمی رائے نہیں دی۔

### کارپوریٹ فنڈز پر رجسٹرڈ فریم ورک کی اسٹیٹمنٹ

کمپنی نے کارپوریٹ گورننس کے ضابطہ اخلاق کی ضروریات کو مد نظر رکھتے ہوئے درج ذیل قوانین کو ملحوظ رکھا ہے۔

ڈائریکٹر ذمہ داریاں سرمت کے ساتھ مطلع کرتے ہیں کہ:

- ا۔ کمپنی کی طرف سے تیار کردہ مالی اسٹیٹمنٹس کمپیوٹرائزڈ، 2017 کے مطابق ترتیب دی گئی ہیں اور اس میں درج مالیاتی گوشوارے، کمپنی کے معاملات، کاروباری سرگرمیوں کے نتائج، کمپنی کے قلم اور ان کے بین میں تبدیلی کی مشعانہ کاغذی کرتے ہیں۔
- ب۔ کمپنی نے ہر ضابطہ طور پر اکاؤنٹس کے کھاتوں کو تیار کر رکھا ہے۔
- پ۔ ان مالیاتی گوشواروں کی تیاری میں ضروری اور مخصوص اکاؤنٹنگ پالیسیوں کی بروی کی گئی ہے، ماسوائے مالیاتی گوشواروں کی شیٹ نمبر 4.1 میں واضح کردہ تبدیلیوں کے جو بین الاقوامی اکاؤنٹنگ اور رپورٹنگ اسٹینڈرڈز کے بین مطابق ہیں اور پاکستان میں قابل اطلاق ہیں۔ کبھی بھی مطلوب ہونے والے اکاؤنٹنگ کے تخمینے انتہائی منطقی اور متوازن انداز سے پہنچے ہیں۔
- ج۔ ان مالیاتی گوشواروں کی تیاری میں بین الاقوامی فنڈز پر رجسٹرڈ اسٹیٹمنٹ رول (جہاں تک وہ پاکستان میں قابل اطلاق ہیں) کی بروی کی گئی ہے۔
- د۔ اندرونی کنٹرول کا نظام اپنے ذریعہ ان کے اعتبار سے معقول ہے اور اس کا مندرجہ اطلاق اور نگرانی کی جاتی ہے۔
- ر۔ کمپنی کے مستقبل میں کام جاری رکھنے کی اہلیت پر کوئی شکوک و شبہات نہیں ہیں۔
- س۔ متعین شدہ اصول و ضوابط میں درج کارپوریٹ گورننس کے رہنما اصولوں سے انحراف نہیں کیا گیا۔
- ش۔ گزشتہ 6 سالوں کے اہم کاروباری اور مالیاتی حسابات درج ہیں۔
- ص۔ 30 جون 2019 کو نافذ اکاؤنٹس کی بنیاد پر پراویڈنٹ، گریجویٹ، پنشن فنڈز کی سرمایہ کاری کی اہلیت درج ذیل ہے۔

پراویڈنٹ فنڈ	469,211,311 روپے
گریجویٹ 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 ٹریڈنگ کی فروخت کاروبار 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۔

کچنی ٹی ماریکٹوں میں برآمدات کے ذریعے اپنے ماریکٹ شیئر میں اضافے اور ان ماریکٹوں میں بعد از فروخت تعاون کے فروغ کی توقع رکھتی ہے۔

## مولوں داخلی مالیاتی کنٹرولز

ملٹ ٹریڈنگز لیڈنگ بورڈ کچنی کو پیش آنے والے خدمات سے منسلک کئے داخلی کنٹرول سسٹم کی تکمیل اور تصحیح کی امداد ہے۔ اگرچہ کچنی ٹی لیکن سسٹم مناسب ضمانت دیتا ہے کہ

- اگلے غیر حلقہ استعمال کے حقوق محفوظ ہیں۔
- مکمل اور قابل اقرار اکاؤنٹنگ ریکارڈز برائیس کے اندر رہتے ہوئے استعمال کیلئے دستیاب ہیں۔
- آپریشنل برائیس کے اندر ایک مناسب کنٹرول میکانزم تشکیل دیا گیا ہے۔
- کچنی کے اندر ترتیب دیئے جانے والے داخلی مالیاتی کنٹرول سال بھر اطمینان بخش رہے۔

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

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

- روپے کی قدر
- ریجنل ذریعہ کی فصل کی پیداوار
- سپلائی چین کی کارکردگی
- سی بیک اور دوسرے ترقیاتی منصوبے

مندرجہ بالا عوامل میں سے کسی ایک میں نمایاں تبدیلی کچنی کی کارکردگی کو متاثر کرنے کی توقع کی جاتی ہے کہ آئندہ مالی سال اگر زیادہ مشکل نہ بھی ہو تو کم از کم رواں مالی سال جتنا مشکل ضرور ہوگا۔

## ایچ بی او ایس

ایچ بی او ایس کے بارے میں معلومات مشکب مالیاتی سسٹمز کے متعلقہ ٹولز میں دی گئی ہیں۔

## آؤٹریز

موجودہ آؤٹریز ایم ایس ٹریڈنگ سن اینڈ کچنی، چارڈز اکاؤنٹس، ۱۱ اور ریٹائرمنٹ کے بعد اپنے دوبارہ ترقی پیش کر رہے ہیں۔ بورڈ آؤٹ کچنی اور کچنی کے بورڈ آؤٹ ڈائریکٹرز نے خود غرض سے ان کے ترقی کا معاملہ اعلیٰ اینول جنرل میٹنگ میں بھیج دیا۔ ہولڈرز کے رویہ کو دیکھنے کا فیصلہ کیا ہے۔ ایکٹرل آؤٹریز نے توثیق کی ہے کہ انہیں انشیلٹیوٹ آؤٹ چارڈز اکاؤنٹس پاکستان کے کوآپریٹو کنٹرول ریولج کی جانب سے تسلی بخش ریٹنگ ملی ہے، نیز وہ آؤٹ اور سائٹ بورڈ پاکستان سے رجسٹرڈ ہیں اور اپنے دوبارہ ترقی کی پیشکش کرنے کے اہل ہیں۔

## پاکستان میں فیس کا نظام

سال 2018-2019 کے سالانہ مالیاتی بجٹ میں فیس کی وصولی کیلئے اٹھائے جانے والے اقدامات مکی معیشت کے استحکام کے لئے کارگر اور کارآمد ثابت ہوں گے۔ تاہم فریکٹریز اور سڑکیں کو فیس کے حوالے سے مستقل طور پر مسائل کا سامنا ہے۔ سٹریٹ فیس ری فکٹ کے نظام پر عمل درآمد کے لئے کوئی خاص اقدامات نہیں اٹھائے گئے اور نہ ہی فوری کیسز فیس کے حوالے کوئی خاص لائحہ عمل پیش کیا گیا ہے۔

## گھومل وارمنگ

اگر مکی اور بین الاقوامی سطح پر گھومل 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 اس سلسلے کے دوبارہ حرارت میں غیر معمولی اضافے کی سب سے بڑی وجہ گرین ہاؤس گیس (GHG) کا اخراج اور جنگلات کی کٹائی ہے۔

اگرچہ پاکستان GHGs کا دیگر ممالک کی نسبت کم اخراج کرتا ہے اور بین الاقوامی دوبارہ بندی میں 31 ویں نمبر پر ہے<sup>۱</sup>۔ اس لئے ہمارا ملک گھومل وارمنگ کے لئے حوالے سے گراؤ پذیر و کارآمد وجہ حاصل کر لے گا۔ تاہم یہ مسئلہ ہوا اور حرارت، خشک سالی، سیلاب، غیر متوقع بارشیں، جنگلات کا کٹنا، آلودہ ہوائیہ، گلیشیرز کا سمیزی سے پگھلنا، وہ بنیادی عنصر ہیں جو مٹی کے طور پر پاکستان کو خطرناک حد تک گھومل وارمنگ کا شکار بنا سکتے ہیں۔

ان خطرناک حقائق کو مد نظر رکھتے ہوئے ہمیں گھومل وارمنگ کے خطرے سے نمٹنے کے لئے فوری اور طویل اقدامات اٹھانے کے ضرورت ہے۔

## مالیاتی خطرات

مالیاتی خطرات وہ ہیں جن سے کمپنی کو مالی نقصان کا اندیشہ ہو۔ مثلاً فنانشل اسٹیبلشمنٹس 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۔

## کمپنی تنس خطرات

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

## مالی سال کے دوران کمپنی بزنس کی نوعیت میں تبدیلی

اس سال کے دوران کمپنی کی بنیادی سرگرمی میں کوئی تبدیلی رونما نہیں ہوئی۔ تاہم ای آر پی سیکٹر کو ایک مکمل طور پر فعال پرافٹ سنٹر کے طور پر متعارف کرایا گیا ہے اور اس سال کے دوران اس کے پہلے پراجیکٹ کو کامیابی سے مکمل کیا گیا ہے۔ پیپر پارٹس ڈویژن نے اس سال کے دوران اپ تک کی سب سے زیادہ بیلز کو ٹنکن بنا کر اس مزم کا اظہار کیا ہے کہ بعد از فروخت تعاون کی بروقت فراہمی بخاری کمپنی کی اولین ترجیحات میں شامل ہے۔

۱۔ ذرائع۔۔۔ رپورٹ منجانب اسٹینڈیڈ اینڈ پوسٹ ویک۔



## حقیقی اخراجات کی ادائیگی

کان ایگزیکٹو یا آزاد انٹرپرائز کو گلسڈ اسٹاکس کی مدد میں یا پھر بورڈ اکائی میٹنگز میں شرکت کے لئے سفری اخراجات 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 ٹریکٹر اور فارم کے سامان کی مصنوعات پر مرکوز ہے اور سیکٹر کے ساتھ ساتھ ملٹی اپل کی کمپنیوں پر انکس پیسہ کارفورک ایکٹرک اور جیٹر بھی جاری کرتی ہے۔ کمپنی کی مالیاتی تفصیلات اس بات کی عکاسی کرتی ہیں کہ کمپنی کے کاروباری معاملات مختلف شعبہ کے ہیں۔ روپے کی قدر میں واضح کمی اور معاشی سرگرمیوں میں انحصار کی وجہ سے مجموعی معیشت کے ساتھ ساتھ ٹریکٹر انڈسٹری بھی غیر معمولی حد تک ڈال پڑی ہوئی ہے۔ موجودہ معاشی صورتحال کے اثر چارٹوس ہائل ٹیکسٹ کو برقی طرح متاثر کیا ہے لیکن صورتحال میں وجوہات کی بناء پر بالخصوص ٹریکٹر انڈسٹری پر اچھائی حتیٰ اثرات مرتب ہوئے ہیں۔

- ریفٹ کے موسم کے دوران پالی کی قلت
- کاروبار کی فصل کے لئے کافی معاشی تعاون
- جنوبی پنجاب میں بے وقت بارشوں کی وجہ سے گندم کی فصل کا نقصان
- فریڈیا نرڈز پرسنلٹی کا متاثرہ

مندرجہ بالا تمام وجوہات کی بناء پر نئے ٹریکٹر زرعی خریداری کے لئے کسانوں کی سکت خرید میں کمی واقع ہوئی ہے۔ جس کے نتیجے میں ٹریکٹر انڈسٹری تقریباً 29 فیصد تک انحصار پر رہی 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 سر انجام 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 تمام مال کی قیمتوں میں غیر معمولی اضافہ ہے۔

اس غرض سے کہ دوران سیکٹر کا ناقص نتائج 68.11% رہا جو گزشتہ سال 85.13 فیصد تھا۔ ناقص نتائج میں اس کمی کی بڑی وجہ اس سال سرمائے کی لاگت میں اضافہ اور دیگر آمدنی میں کمی ہے۔

لٹ ٹریکٹر (LTL) مقامی معیشت کے فروغ کے لئے ایف سے اپنا اثبوت کردار ادا کرتی رہی ہے اور ایک ہی عزم کے سرگرم عمل ہے کہ کارخانہ کی پیمائش کی جیت کی جائے اور سستی سے سستی مصنوعات کی پروڈکشن کو یقینی بنایا جائے۔

## کمپنی کو درپیش خطرات اور غیر یقینی صورتحال

عموماً ریسک منیجمنٹ کسی بھی مستحکم کاروبار کا ایک لازمی جزو ہے۔ ہمارے خطرات سے شے کے نظام اور داخلی کنٹرول پالیسیوں 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 مقررہ 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 پالیسیوں اور تدابیر کے ذریعے کم کرتی ہے۔

## اموری خطرات

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



### 3۔ جنس کشی

مسٹر لطیف خالد ہاشمی، چیئر مین  
مسٹر بشیق الدین الصباری، ممبر  
میاں محمد سلیم، ممبر  
ایس ایم عرفان عقیل، ممبر

### 4۔ مارکیٹنگ کمیٹی

مسٹر سہیل بشیر رانا، چیئر مین  
مسٹر لطیف خالد ہاشمی، ممبر  
میاں محمد سلیم، ممبر  
ایس ایم عرفان عقیل، ممبر

### 5۔ گروپ سپروائزر کے لئے بورڈ کمیٹی

مسٹر سکندر مصطفیٰ خان، چیئر مین  
مسٹر لطیف خالد ہاشمی، ممبر  
مسٹر سہیل بشیر رانا، ممبر  
مسٹر بشیق الدین الصباری، ممبر  
میاں محمد سلیم، ممبر

### ڈاٹر کیکٹرز کی معاوضہ پالیسی:

بورڈ کی منظوری کے مطابق نان ایگزیکٹو ڈاٹر کیکٹرز اور ڈاٹر کیکٹرز کی معاوضہ پالیسی مندرجہ ذیل ہے۔

نان ایگزیکٹو ڈاٹر کیکٹرز (بھول آڈاڈ ڈاٹر کیکٹرز)

کمپنی کے نان ایگزیکٹو ڈاٹر کیکٹرز کو کسی بھی معاوضہ یا فیس کی ادائیگی مندرجہ ذیل اصولوں کے مطابق کی جائے گی۔

### میٹنگ فیس

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

### انسانی خدمات کی انجام دہی

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

### ڈائریکٹرز کے نام

- 1- مسٹر سکندر ایم خان۔ چیئر مین (ٹان آئیگزیکٹو ڈائریکٹر)
- 2- سید محمد عرفان عقیل۔ سی ای او (ایگزیکٹو ڈائریکٹر)
- 3- مسٹر لطیف خالد ہاشمی۔ (ٹان آئیگزیکٹو ڈائریکٹر)
- 4- مسٹر سہیل بشیر رانا۔ (ایگزیکٹو ڈائریکٹر)
- 5- مسٹر بشیق الدین انصاری۔ (ٹان آئیگزیکٹو ڈائریکٹر)
- 6- میاں محمد سلیم۔ (ٹان آئیگزیکٹو ڈائریکٹر)
- 7- مسٹر سعد اقبال۔ (خود مختار ڈائریکٹر)
- 8- مسٹر حبرین وحید۔ (خود مختار ڈائریکٹر)

30 اکتوبر 2018 کو منعقدہ سالانہ جنرل میٹنگ میں ہونے والے الیکشن کے بعد ڈائریکٹرز کے ممبران کی تعداد پورے طور پر بحال ہوئی۔

### یورڈ میمبرز

30 جون 2019 تک یورڈ میمبرز کے ممبران کے نام مندرجہ ذیل ہیں۔

#### 1۔ آؤٹ کسٹ

- مسٹر سعد اقبال، چیئر مین
- مسٹر لطیف خالد ہاشمی، ممبر
- مسٹر بشیق الدین انصاری، ممبر
- مسٹر حبرین وحید، ممبر

#### 2۔ ایگزیکٹو ڈائریکٹرز

- مسٹر سعد اقبال، چیئر مین
- مسٹر بشیق الدین انصاری، ممبر
- میاں محمد سلیم، ممبر
- ایس ایم عرفان عقیل، ممبر
- مسٹر حبرین وحید، ممبر

## ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز

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

### شیئر کی تخصیص

آپ کے ڈائریکٹرز نے حتمی کیش ڈیویڈنڈ 40.00 روپے فی حصص 400 فیصد اور پوس 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 بلور کیش ڈیویڈنڈ کل رقم روپے 85.00 فی شیئر (850 فیصد) ہوگی۔ اور پوس شیئرز 12.5 فیصد کے حساب سے ہونگے۔

سال کے دوران رقم کی تخصیص درج ذیل ہے۔

(رقم ڈالوں میں)		
نیز تخصیص	جنرل ریزرو	
2,806,293	2,278,935	ادپنگ ٹائٹلس:
(2,657,553)		حتمی سال 2018 کے حتمی ڈیویڈنڈ 600 فیصد
		جنرل ریزرو میں منتقلی
148,740	2,278,935	
3,888,982		ختم ہونے والے مالی سال 30 جون 2019 کا نتائج
(1,993,165)		حتمی سال 2019 کے عبوری ڈیویڈنڈ 450 فیصد
2,044,557	2,278,935	تیسرے نتائج مختصہ گیری فارورڈ

### نی حصص آمدن

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

### بورڈ آف ڈائریکٹرز

30 جون 2019 تک بورڈ 13 ڈائریکٹرز پر مشتمل ہے۔

- (ا) مرد 7  
(ب) خاتون 1

### ساخت:

- آ۔ خود مختار ڈائریکٹرز 2  
ب۔ دیگر تمام ایگزیکٹو ڈائریکٹرز 4  
ج۔ ایگزیکٹو ڈائریکٹرز 2

# CORPORATE SOCIAL RESPONSIBILITY REPORT

## Corporate Sustainability

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

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

## Educational Patronage

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

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

The Company has donated Rs.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.







کاروباری اور اخلاقی اصولوں کی پاسداری اور تمام تر قانونی اقدامات کو یقینی بنانے کے لئے کمپنی نے ایک یا کچھ ضابطہ اخلاقی ترتیب دیا ہے۔ یہ ضابطہ اخلاقی کمپنی کی غارل گورننس اور ملت کے طرز کار و بار کا بنیادی جزو ہے۔

اس ضابطہ اخلاقی میں یہ بھی واضح کیا گیا ہے کمپنی اپنے تمام تر عزائم اور مقاصد کو پورا کرتا چاہتی ہے کیونکہ کارپوریٹ کلچر کو مطلوبہ سمت میں لے جانے کے لئے درست طرز کار اور بہترین لینڈرشپ رو یہ بنیادی کردار ادا کرتا ہے۔

یہ ضابطہ اخلاقی اس معیار اور اُن بنیادی اصولوں کی وضاحت بھی کرتا ہے جن کی بنیاد پر ہم اپنی کمپنی میں اہم اقدار کو اجاگر کرتے ہیں۔ ان اصولوں اور معیارات کو دیگر انتظامی دستاویزات میں بھی شامل کیا گیا ہے۔

اس ضابطہ اخلاقی کی ترتیب کا مقصد ملازمین کو یہ سکھانا ہے کہ وہ کس طرح اپنے کسٹمرز، سپلائرز، کانٹیکٹس، کوآپریٹرز، منیجمنٹ اور عام لوگوں کے ساتھ تعلقات استوار کریں۔ ضابطہ اخلاقی میں بہترین رویہ رکھنے اور خلاف ورزی پر جرمانے کے بارے میں بھی ملازمین کو آگاہ کیا گیا ہے۔

### کارپوریٹ کلچر سے متعلق مختلف سرگرمیاں

کمرشل سرگرمیوں کے ساتھ ساتھ کمپنی نے ذریعہ شعبے میں آگہی اور معلومات کے فروغ کیلئے بھی اچھا بھرپور کردار ادا کیا ہے۔ اس سلسلے میں کمپنی نے انگریز ٹریڈرس میل، کسان میل، پاکستان انگریز ہارٹی انگریزیشن، پاکستان قانونی ایسوسی ایشن انگریزیشن، یونیورسٹی ڈورڈ انگریزیشن اور پرنٹ فیسیول جی ٹی انگریزیشن اور کھانڈوں میں شرکت کی اور تعاون بھی فراہم کیا۔



حلف مخالف فوراً مجلس کے پینرز کے لئے 2 مہینہ روپے تاکہ غیر انسانی سرگرمیوں کی اہمیت کو اجاگر کر کے حلف کیوں پڑے کے لوگوں کو ایک ساتھ اکٹھا کیا جائے۔

مزید برآں حلف علاج ۱۱۱ روپیہ کی جانب سے منعقد میڈیکل کیسز کے لئے 100,000 روپے کا تعاون فراہم کیا گیا جبکہ اسکے ساتھ ساتھ کھیتی نے پاکستان میڈیسیٹس کے لئے 287,000 روپے کی رقم دی۔

### صارف کا حلف

کھیتی کے پاس پاکستان بھرتیوں کی بھی دوسرے میڈیکل پینرز کی نسبت پروڈکشن کی جدید ترین آلات سے زیادہ سہولیات موجود ہیں۔ کھیتی مسلسل بنیادوں پر اپنے صارفین کو عالمی معیار کے مطابق پراڈکٹس پہنچا رہی ہے جس میں سیکڑے بعد بھی سروسز کی فراہمی کا سونڈھ کام شامل ہے۔

ایم ٹی ایل مختلف آگہی پروگرامز اور سروسز منعقد کر رہی رہتی ہے تاکہ مارکیٹ سے ملنے والی تحصیل کی بنیاد پر پراڈکٹس میں آنے والی مختلف خرابیوں کا ازالہ کیا جاسکے۔ اس کے ساتھ ساتھ کسٹمرز کی سہولت کیلئے قوانین کی وضاحت بھی کی جاتی ہے اور انہیں کسی بھی صورت میں کھیتی سے رابطہ کرنے کے بارے میں بھی آگاہ کیا جاتا ہے۔

مزید برآں کھیتی نے صارفین کی توقعات پر پورا اترنے اور سال بھر کے دوران ہارڈ ویئر میں بہتری کی تدابیر کرنے کے لئے اپنے بنیادی M/s AGCO سے بھرپور شراکت داری قائم رکھی۔

### منہجی تعلقات

کھیتی 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 رکھتی ہے۔ کھیتی کی انتظامیہ لیبر یونین سے مستقل بنیادوں پر رابطے میں رہتی ہے اور انہیں کام سے متعلق محفوظ اور مجتہد ماحول فراہم کرنے کی ضمانت دیتی ہے۔ کھیتی ملازمین کے بچوں کو تعلیم کی فراہمی یقینی بناتی ہے اور اس کے علاوہ ان کے مذہبی حوالوں پر مناسب چھٹیوں اور مالی معاوضت فراہم کرتی ہے۔ اس کے علاوہ ملازمین جج نسیم کے قتل پر جانے کی سعادت بھی حاصل کرتے ہیں۔ ملازمین کے اعتماد کو برقرار رکھنے اور ان کی مزید حوصلہ افزائی کے لئے کھیتی سالانہ فیملی ڈیڑ اور سالانہ گنٹ اسکیم جیسے اقدامات کا اہتمام کرتی رہتی ہے۔

### محدود 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 سزاگار مواقع فراہم کئے جائیں۔ اس وقت ایم ٹی ایل میں اپنے 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 قدامت سے صحت اور حفاظت کے اصولوں پر عملدرآمد کرتے ہیں۔ کام ٹیکسٹ کے احاطہ میں کام کے ماحول کو محفوظ ترین بنانے کے لئے ملازمین کو سب ٹی بی ایچ اور ضروری حفاظتی آلات مہیا کئے گئے ہیں۔

### گرین فمیلی ماحول اور بنیادی اخلاقیات

ایم ٹی ایل کا رویہ ہر سے متعلق تمام تر اخلاقی اقدار پر عمل پیرا رہنے کے لئے کسی بھی قسم کی لاپرواہی اور بدعنوانی کی مذمت کرتی ہے۔ اس لئے کھیتی اپنے ہر اقدام کی حوصلہ دہنی کرتی ہے جو کاروباری اقدار کی خلاف ورزی کرتا ہو۔ کھیتی اس بات کے لئے پرعزم ہے کہ شفافیت، مہل اور پائنت داری کے تمام اصولوں کی پاسداری کی جائے۔

## سی ایس آر پروڈکٹ

### کارپوریٹ منصوبوں کو برقرار رکھنا

ایم ٹی ایل پاکستان کا ایک کارپوریٹ شری اور معاشرے کا ایک منظم 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، سبکی اور سکون دیتی، بہترین ماحول کے لئے کاربن فٹ پرنٹ میں کمی، موسمیاتی میں موجود محروم طبقات کی ترقی کے لئے ہر دم کوشاں رہتا ہے۔ اس کے علاوہ ایم ٹی ایل معاشرے میں سکسز اور پرافٹس سے متعلق اضافی اقدام کو فروغ دے کر خراج و بہبود کے پروگراموں کی تکمیل پر بھی یقین رکھتا ہے۔

ایم ٹی ایل اپنی کارپوریٹ سماجی ذمہ داریوں کو ایسے مثبت اقدامات میں نبھاتا ہے کہ اس کے سکسز، ملازمین، شیئر ہولڈرز، کمیونٹیز اور ماحول پر اس کا مثبت اثر ہو۔ کھیتی اپنے (سی ایس آر پروگرام) جس میں رفاہی و غیر رفاہی سرگرمیاں شامل ہیں میں کارپوریٹ سوشل ریسپانسیبل 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 سر انجام دے رہی ہے۔ پلانڈرنگ ایجوکیشن ایوارڈز اکٹوبر میں ان اقدامات میں سے ایک ہے جس کے ذریعے کھیتی ملازمین کے بچوں کو سہولیات فراہم کرتی ہے اور ان کی تعلیم کے لئے سکاڑپ ایوارڈز مہیا کرتی ہے۔

کھیتی اس بات پر بھی یقین رکھتی ہے کہ بچے کا مسلسل مل ملازمین کی تعمیر و ترقی میں اہم کردار ادا کر کے معاشرے کے لئے فائدے مند ثابت ہو سکتا ہے۔ اس لئے کھیتی اپنے ملازمین کے اوقات کار میں نرمی پیدا کرتا ہے اور تعلیم کے حصول کے لئے آگے بڑھتا ہے تاکہ ان کی زندگی اور ان کی ملازمت کے درمیان ایک توازن پیدا ہو سکے۔

مزید برآں کھیتی نے ضرورت مند طلباء کی تعلیمی امداد کے لئے کیڈٹ کالج لاڈکانہ کو ایک لاکھ روپے بطور عطیہ پیش کئے۔ اس کے ساتھ ساتھ مندرجہ ذیل تعلیمی اور ترقیاتی سرگرمیوں کے لئے بھی کھیتی کی جانب سے غیر معمولی تعاون فراہم کیا گیا۔

- اٹلینٹی اسکول آف انجینئرنگ کے ٹیکنی میجران کے لئے "Train the Trainer" کے عنوان سے 15 روزہ ترقیاتی پروگرام منعقد کیا گیا جس میں ٹریکٹرز کی مکینیکل اور الیکٹریکل کی حوالے سے تکنیکی تربیت فراہم کی گئی۔
- مزید برآں مختلف شعبہ جات کے 400 سے 500 طلباء کو مکمل تعلیم کے حوالے سے انٹرنیٹ کے مواقع فراہم کئے گئے۔
- IMechE کے پروگرام "Speak Out for Engineers" کو سپانسرشپ کی مدد میں 8 لاکھ 50 روپے کا تعاون فراہم کیا گیا۔
- طلباء کی تکنیکی مہارت کو بڑھانے کیلئے لئے ہفت روزہ ٹین کو 383,000 روپے کا مالی تعاون فراہم کیا گیا۔

### ماحولیاتی تحفظ سے متعلق اقدامات

گلوبل وارمنگ کے بڑھتے ہوئے خطرات اور ماحول پر اس کے اثرات کے پیش نظر سال بھر کے دوران کھیتی کی جانب سے درخت لگانے کی مہم کا اہتمام کیا گیا۔ جس کے تحت کھیتی ملازمین کو یہ موقع فراہم کیا گیا کہ وہ نہ صرف ٹریکٹرز کے احاطہ میں چوسے لگائیں بلکہ ان کی افزائش کے لئے عمل دیکھ بھال بھی کر سکیں۔

اس کے ساتھ ساتھ کھیتی نے ماحولیاتی کاوشکاری کے لئے ان ہاؤس سرسبز اور پینچل فائرمنجی بنائے ہیں جبکہ کھیتی سال بھر کے دوران ماحولیاتی اہمیتوں کی نمائش میں بڑھ چڑھ کر حصہ لیتی ہے۔

### سماجی سرمایہ کاری اور خراج و بہبود کے منصوبے

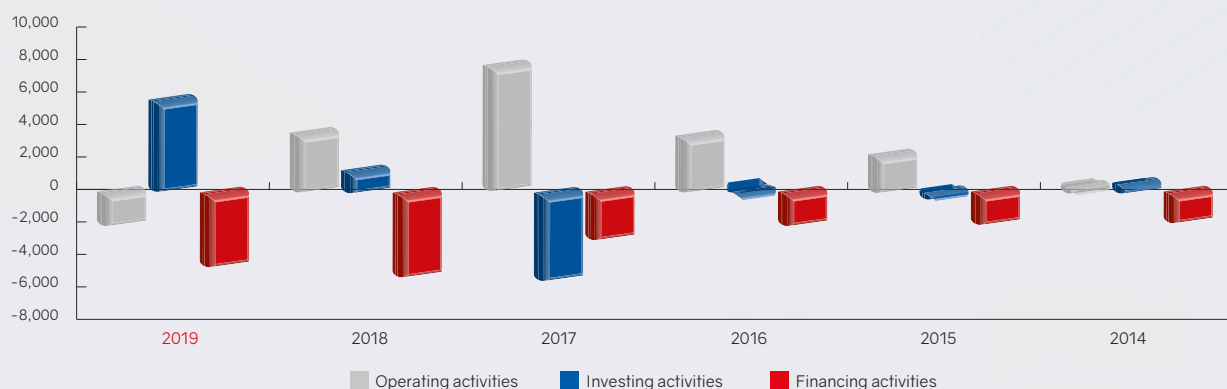
ایم ٹی ایل اپنے سی ایس آر پروگرام کے تحت ماحولیاتی تحفظ کے لئے کئی مثبت اقدامات کو فروغ دیتی ہے۔ اس سلسلے میں سالانہ مل ڈاؤنی شو کی طرح ان امور میں سالانہ خراج و بہبود کا اہتمام کیا گیا۔ اس کے علاوہ کھیتی نے

# 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

## Cash Flow Analysis

(Rs. In Million)





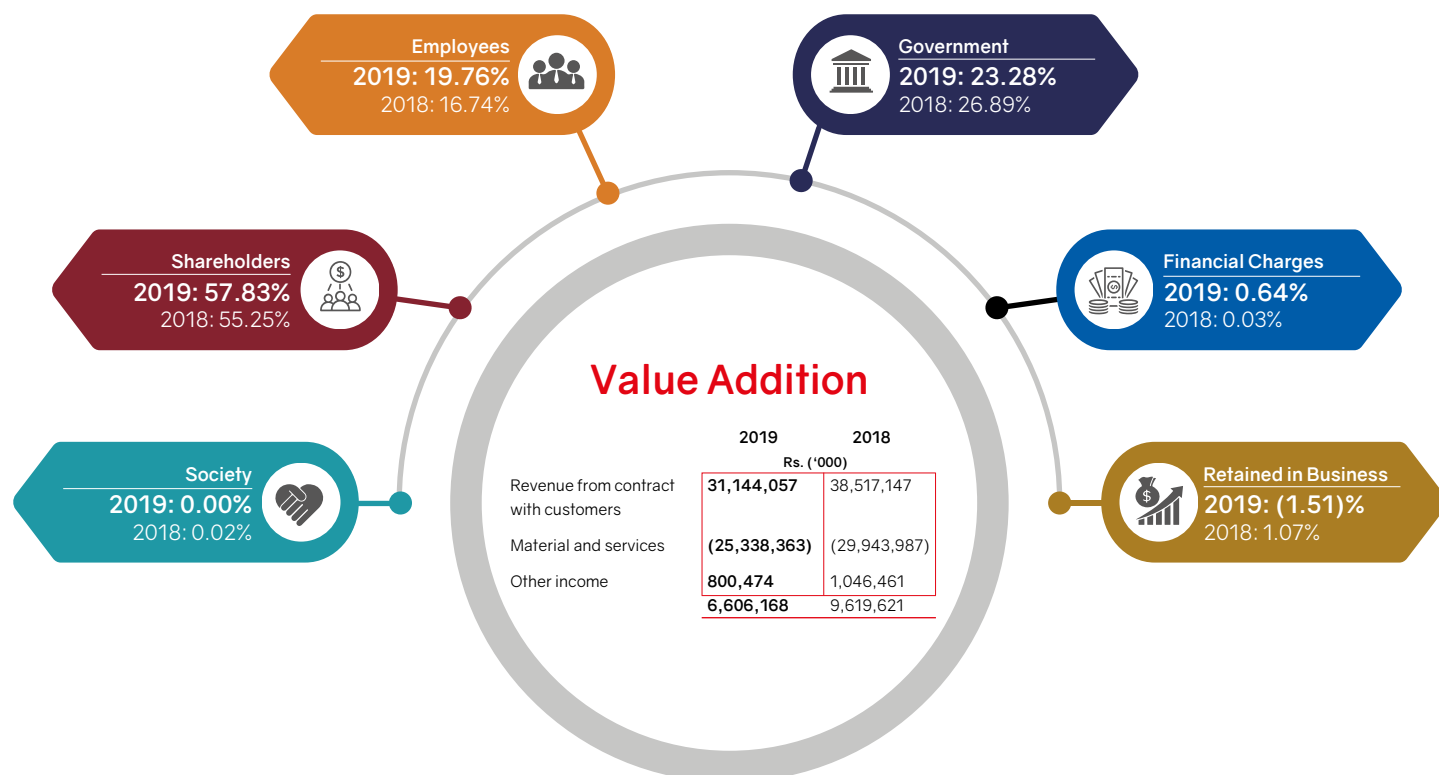
# SIX YEARS AT A GLANCE

		2019	2018	2017	2016	2015	2014
<b>Profit &amp; Loss Summary</b>							
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
<b>Balance Sheet Summary</b>							
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
<b>Profitability Ratios</b>							
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
<b>Liquidity Ratios</b>							
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
<b>Activity / Turnover Ratios</b>							
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
<b>Investment / Market Ratios</b>							
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	-	-	-	-	-
<b>Market value per share:</b>							
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
<b>Capital Structure Ratios</b>							
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 Distribution

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

# HORIZONTAL ANALYSIS

	2019		2018	
	Increase/(Decrease) from last year		Increase/(Decrease) from last year	
	Rs. ('000)	%	Rs. ('000)	%
<b>Statement of Financial Position</b>				
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)
<b>Total Assets</b>	<b>10,574,184</b>	<b>(36.19)</b>	<b>16,571,365</b>	<b>(3.26)</b>
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)
<b>Total Liabilities and Equity</b>	<b>10,574,184</b>	<b>(36.19)</b>	<b>16,571,365</b>	<b>(3.26)</b>
<b>Profit &amp; Loss</b>				
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
<b>Profit after tax</b>	<b>3,638,045</b>	<b>(31.80)</b>	<b>5,334,362</b>	<b>25.29</b>



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)	%
<b>Statement of Financial Position</b>				
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
<b>Total Assets</b>	<b>10,574,184</b>	<b>100.0</b>	<b>16,571,365</b>	<b>100.0</b>
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
<b>Total Liabilities and Equity</b>	<b>10,574,184</b>	<b>100.0</b>	<b>16,571,365</b>	<b>100.0</b>
<b>Profit &amp; Loss</b>				
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
<b>Profit after tax</b>	<b>3,638,045</b>	<b>11.7</b>	<b>5,334,362</b>	<b>13.8</b>





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

# 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.



Chartered Accountants

Lahore

Date: September 18, 2019

A.F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
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■ 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

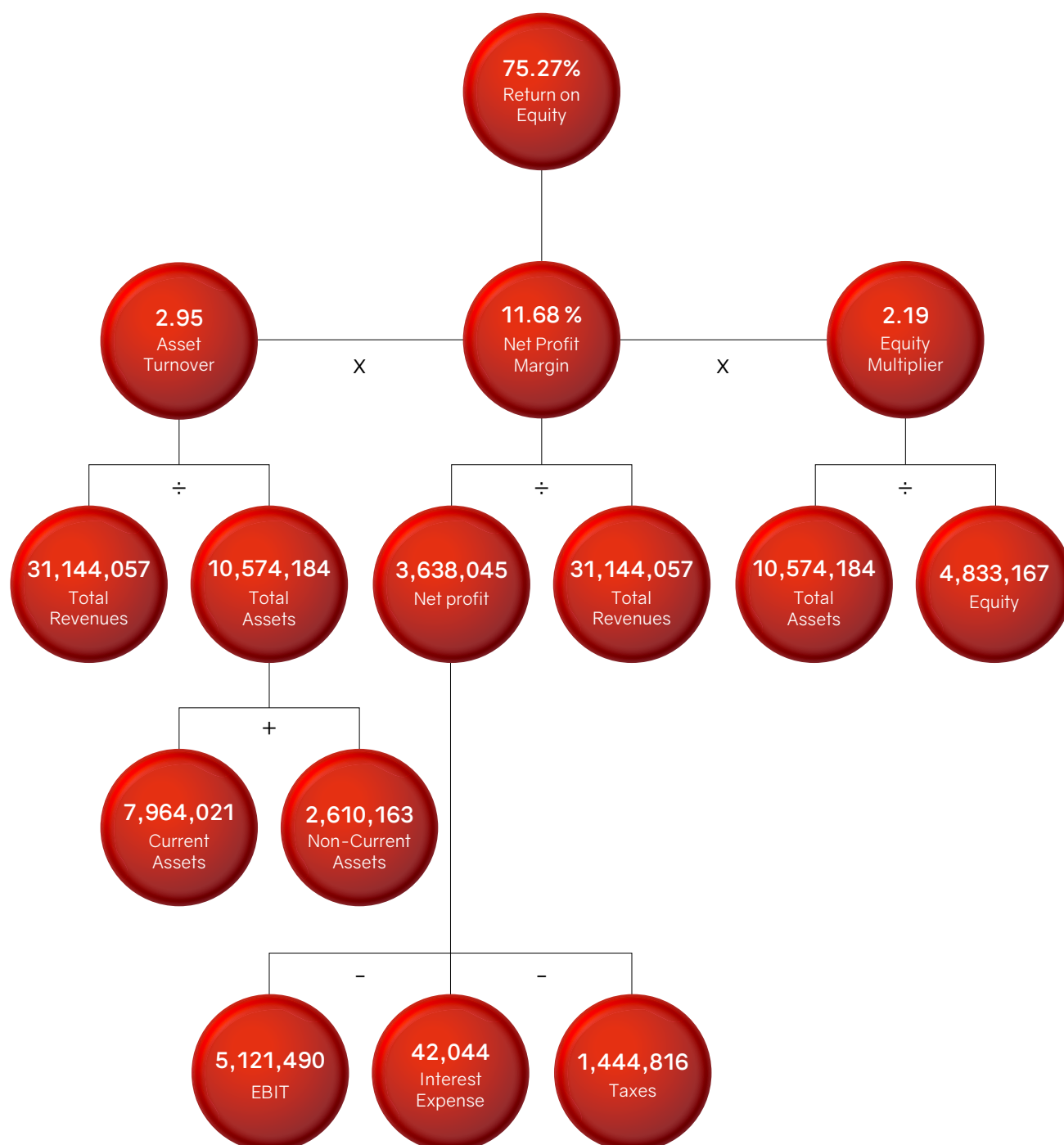
MILLAT TRACTORS LIMITED

for the Year Ended June 30, 2019

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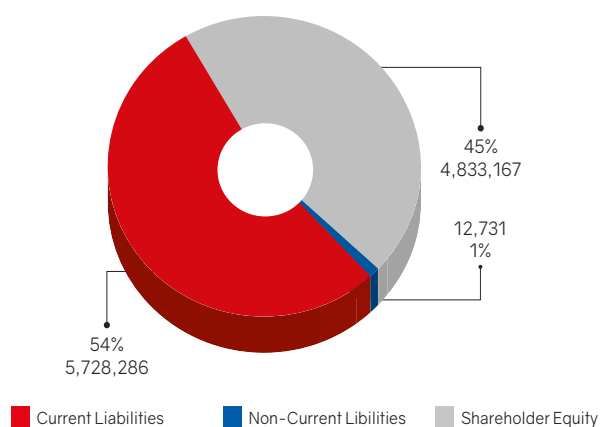
# DUPONT ANALYSIS



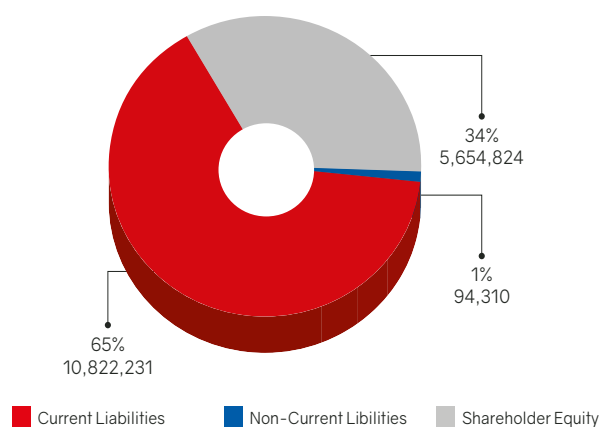
# GRAPHICAL ANALYSIS OF STATEMENT OF FINANCIAL POSITION

## Equity and Liabilities

2018-19

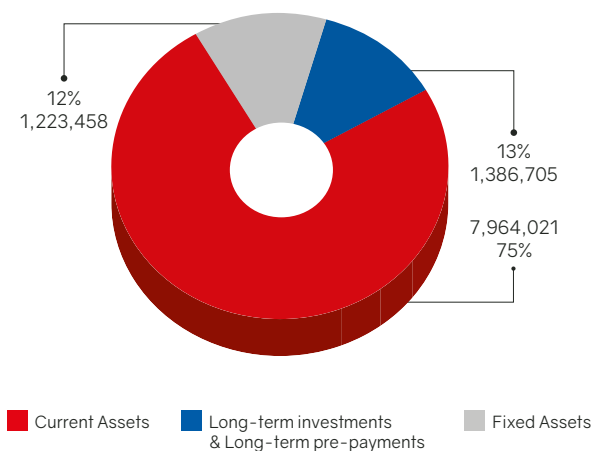


2017-18

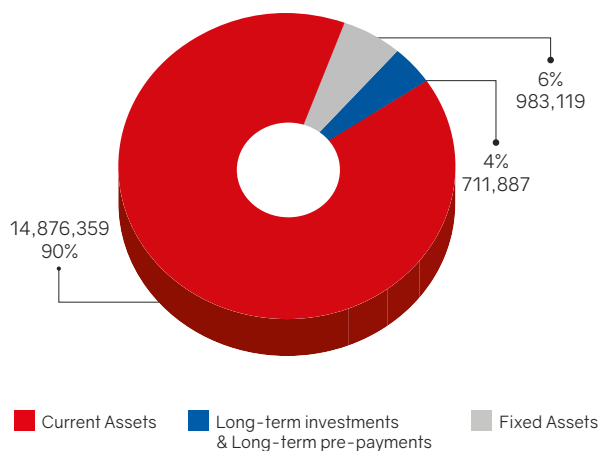


## Assets

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	<b>Valuation of employees' defined benefit plan</b> (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: <ul style="list-style-type: none"> <li>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;</li> <li>obtained an understanding of the work performed by the management's expert on the model for the purpose of valuation;</li> </ul>

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Sr. #	Key audit matter	How the matter was addressed in our audit
	<p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> <li>examined the professional qualification of management's expert and assessed the independence, competence and experience of the management's expert in the field;</li> <li>tested reliability of the underlying data used in the valuation;</li> <li>assessed the reasonableness of assumptions used by the management expert in the valuation; and</li> <li>examined the adequacy of the disclosures made by the Company in this area with regard to applicable accounting and reporting standards.</li> </ul>

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

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

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

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

### Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

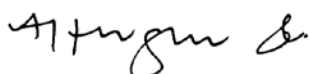
From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes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

### Report on Other Legal and Regulatory Requirements

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

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

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



**A. F. Ferguson & Co**  
Chartered Accountants

Lahore  
Date: September 18, 2019

# STATEMENT OF FINANCIAL POSITION

As at June 30, 2019

	Note	2019 (Rupees in thousand)	2018
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
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
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
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
<b>CURRENT LIABILITIES</b>			
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
<b>CONTINGENCIES AND COMMITMENTS</b>			
	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 (Rupees in thousand)	2018
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
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
<b>CURRENT ASSETS</b>			
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 (Rupees in thousand)	2018
Revenue from contracts with customers	29	31,144,057	38,517,147
Cost of sales	30	25,197,690	30,082,372
<b>Gross profit</b>		<b>5,946,367</b>	<b>8,434,775</b>
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
<b>Operating profit</b>		<b>5,124,905</b>	<b>7,782,358</b>
Finance cost	35	42,044	2,490
<b>Profit before tax</b>		<b>5,082,861</b>	<b>7,779,868</b>
Taxation	36	1,444,816	2,445,506
Profit after tax for the year		3,638,045	5,334,362
<b>Other comprehensive income:</b>			
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)
<b>Total other comprehensive income / (loss)</b>		<b>191,016</b>	<b>(114,285)</b>
<b>Total comprehensive income for the year</b>		<b>3,829,061</b>	<b>5,220,077</b>
<b>Earnings per share - basic and diluted (Rupees)</b>	39	<b>82.14</b>	<b>120.43</b>

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 Fair value reserves	Revenue reserves		Total
			General reserves	Unappropriated Profit	
(Rupees in thousand)					
<b>Balance as on July 01, 2017</b>	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
<b>Balance as on June 30, 2018</b>	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
<b>Balance as on June 30, 2019</b>	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 (Rupees in thousand)	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash generated from operations</b>	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)
<b>Net cash flows (used in) / generated from operating activities</b>		(2,030,323)	3,655,560
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
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
<b>Net cash flows generated from investing activities</b>		5,734,138	1,296,563
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(4,611,967)	(5,252,986)
<b>Net cash used in financing activities</b>		(4,611,967)	(5,252,986)
<b>Net decrease in cash and cash equivalents</b>		(908,152)	(300,863)
Cash and cash equivalents at the beginning of the year		1,760,140	2,061,003
<b>Cash and cash equivalents at the end of the year</b>	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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 1 Legal status and nature of business

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

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

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

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

- 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 (HNMPPL) 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 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:

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For the year ended June 30, 2019

- 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:

<b>Standard or interpretation</b>	<b>Effective Date (Annual periods beginning on or after)</b>
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:

<b>Standard or interpretation</b>	<b>IASB effective date (Annual periods beginning on or after)</b>
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:

	<b>2019</b>	<b>2018</b>
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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2019

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

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For the year ended June 30, 2019

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.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 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:

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 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
<b>Financial liabilities</b>				
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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 6 Issued, subscribed and paid up capital

	2019 (Number of shares in thousand)	2018 (Number of shares in thousand)		2019 (Rupees in thousand)	2018 (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 (Rupees in thousand)	2018 (Rupees in thousand)
<b>7 Reserves</b>				
<b>Capital reserve</b>				
Fair value reserve - Investments measured at FVOCI			66,749	126,670
			66,749	126,670
<b>Revenue reserve</b>				
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.

	Note	2019 (Rupees in thousand)	2018 (Rupees in thousand)
<b>9 Deferred tax (asset) / liabilities - net</b>			
The (asset) / liability for deferred tax comprises temporary differences relating to:			
<b>Taxable temporary differences:</b>			
Accelerated tax depreciation		60,758	57,781
Changes in fair value of investments		—	41,007
		60,758	98,788
<b>Deductible temporary differences:</b>			
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)					
<b>Balance as at June 30, 2017</b>	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
<b>Balance as at June 30, 2018</b>	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)
<b>Balance as at June 30, 2019</b>	<b>60,758</b>	<b>–</b>	<b>(30,063)</b>	<b>(32,868)</b>	<b>(10,624)</b>	<b>(12,797)</b>

**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 (Rupees in thousand)	2018
<b>10 Employees' defined benefit plan</b>			
<b>10.1</b> 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)
<b>10.2 For the year</b>			
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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2019

	2019	2018
	(Rupees in thousand)	
<b>10.3 The movement in present value of defined benefit obligation is as follows:</b>		
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)
<b>10.4 The movement in fair value of plan assets is as follows:</b>		
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
<b>10.5 Plan assets comprise of:</b>		
Term deposit receipts:		
United Bank Limited	–	220,926
Meezan Bank Limited	130,712	148,529
Bank Alfalah Limited	401,593	–
Zarai Taraqati 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)				
<b>As at June 30</b>					
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**

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2019

**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.



For the year ended June 30, 2019

## 14

 Millat Tractors Limited

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

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

**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)						
<b>Fixed assets sold having book value greater than Rs. 500,000</b>						
<b>Employees:</b>						
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
<b>Fixed assets sold having book value less than Rs. 500,000</b>						
		29,952	9,366	12,948	3,582	
<b>Year ended: June 30, 2019</b>		<b>35,552</b>	<b>12,382</b>	<b>15,964</b>	<b>3,582</b>	
<b>Year ended: June 30, 2018</b>		<b>31,532</b>	<b>17,128</b>	<b>17,128</b>	<b>–</b>	

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2019

	Note	2019 (Rupees in thousand)	2018
<b>15 Capital work in progress</b>			
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
		<b>12,827</b>	<b>26,648</b>
<b>15.1 Movement in capital work in progress is as follows:</b>			
Opening balance		26,648	6,974
Additions during the year		31,883	26,506
Capitalized / disposed off during the year		(45,704)	(6,832)
		<b>12,827</b>	<b>26,648</b>
<b>16 Intangible assets</b>			
<b>Net carrying value basis:</b>			
Opening net book value		—	897
Additions		5,992	—
Amortization charge	32	(1,944)	(897)
		<b>4,048</b>	<b>—</b>
<b>Gross carrying value basis:</b>			
Cost		5,992	44,981
Accumulated amortization		(1,944)	(44,981)
		<b>4,048</b>	<b>—</b>
Rate of amortization		<b>33%</b>	<b>33%</b>
<b>17 Investment property</b>			
Land		258,444	258,444
Provision for impairment	17.5	(2,736)	(2,736)
		<b>255,708</b>	<b>255,708</b>

**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		2018	
		Equity % held	Amount	Equity % held	Amount
		(Rupees in thousand)			
<b>18</b>	<b>Long term investments</b>				
	<b>Investment in related parties</b>				
	<b>In subsidiary undertaking - at cost</b>				
	<b>Unquoted</b>				
	<b>Millat Industrial Products Limited</b>				
	5,737,500 (2018: 5,737,500) fully paid ordinary shares of Rs.10/- each	64.09	57,375	64.09	57,375
	<b>TIPEG Intertrade DMCC</b>				
	1,500 (2018: 1,500) fully paid ordinary shares of AED 1,000/- each	75.00	63,600	75.00	49,500
	<b>Millat Equipment Limited</b>				
	11,699,993 (2018: 11,699,993) fully paid ordinary shares of Rs. 10/- each	45.00	117,000	45.00	117,000
	<b>Quoted</b>				
	<b>Bolan Castings Limited</b>				
	5,306,979 (2018: 5,306,979) fully paid ordinary shares of Rs. 10/- each	46.26	76,610	46.26	76,610
	<b>Other investment - at FVOCI</b>				
	<b>Unquoted</b>				
	<b>Arabian Sea Country Club Limited</b>				
	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)
			-		-
	<b>Hyundai Nishat Motors (Private) Limited</b>				
	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
	<b>Investment other than related parties- at FVOCI</b>				
	<b>Quoted</b>				
	<b>Baluchistan Wheels Limited</b>				
	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
	<b>Unquoted</b>				
	<b>TCC Management Services (Private) Limited</b>				
	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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2019

**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 (Rupees in thousand)	2018
<b>19 Long term loans - considered good</b>			
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)
		<u>2,826</u>	<u>2,587</u>

**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 (Rupees in thousand)	2018
<b>21 Stock in trade</b>			
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 (Rupees in thousand)	2018
<b>22 Trade debts</b>			
<b>22.1</b> 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2019

	Note	2019 (Rupees in thousand)	2018
<b>23 Loans and advances</b>			
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 (Rupees in thousand)	2018
<b>25 Balances with statutory authorities</b>			
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
<b>26 Other receivables</b>			
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
<b>26.1</b> 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 (Rupees in thousand)	2018
<b>26.2 Workers' Profit Participation Fund</b>			
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
<b>27 Short term investments</b>			
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)
<b>Mutual funds</b>			
ABL Cash Fund	99,836	10.60	1,057,903
ABL Islamic Income Fund	39,118	10.61	415,093
Alfalsh 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2019

	Note	2019 (Rupees in thousand)	2018
<b>28 Cash and bank balances</b>			
<b>In hand:</b>			
cash		27,235	1,548
cheques	11.2	230,506	91,037
		257,741	92,585
<b>At banks:</b>			
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 (Rupees in thousand)	2018
<b>29 Revenue from contracts with customers</b>			
<b>Local:</b>			
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
<b>Export:</b>			
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 (Rupees in thousand)	2018
<b>30 Cost of sales</b>			
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
<b>30.1</b> 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
<b>30.2 Cost of sales - trading</b>			
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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2019

	Note	2019 (Rupees in thousand)	2018
<b>31 Distribution and marketing expenses</b>			
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
		<b>579,004</b>	<b>629,779</b>
<b>31.1</b>	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
		<b>12,178</b>	<b>6,735</b>

**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 (Rupees in thousand)	2018
<b>32 Administrative expenses</b>			
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
		<b>446,327</b>	<b>492,280</b>

	Note	2019 (Rupees in thousand)	2018
<b>32.1</b>	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
		<b>16,001</b>	<b>22,610</b>
<b>32.2</b>	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
		<b>2,128</b>	<b>2,050</b>
<b>33</b>	<b>Other operating expenses</b>		
	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
		<b>596,605</b>	<b>576,819</b>
<b>33.1</b>	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	–
		<b>200,417</b>	<b>(64,598)</b>
<b>33.2</b>	Gain on sale of short term investments - at FVPL, for comparative year is presented under other operating income.		

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2019

	Note	2019 (Rupees in thousand)	2018
<b>33.3</b>	The particulars of the donation exceeding Rs 500,000 are as follows:		
	<b>Name of donee</b>		
	Pakistan Centre for Philanthropy	—	1,000
<b>34</b>	<b>Other income</b>		
	<b>Income from financial assets</b>		
	Dividend income from Baluchistan Wheels Limited	34.1	3,848
	Return on bank deposits and TDRs	34.2	36,986
	Interest on Term Deposit Receipts	—	4,912
	Gain on sale of short term investments	33.1	—
	Fair value gain on short term investments - at FVPL	34.3	—
	Dividend income from short term investments	34.4	301,556
	Gain on translation of foreign investment	—	14,100
	Interest received on early payments and advances	—	31,338
		387,828	549,050
	<b>Income from investment in subsidiary</b>		
	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
	<b>Income from assets other than financial assets</b>		
	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
	Multiapp products service income	—	2,888
	Lab income	—	105
		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 (Rupees in thousand)	2018
<b>34.3</b>	Fair value gain on short term investments - at FVPL	
	ABL Cash Fund	—
	ABL Islamic Income Fund	—
	Alfalah GHP Money Market Fund	—
	Atlas Money Market Fund	—
	HLB Money Market Fund	—
	Lakson Income Fund	—
	Lakson Money Market Fund	—
	MCB Cash Management Optimizer Fund	—
	NAFA Government Securities Liquid Fund	—
	NIT Income Fund	—
	UBL Liquidity Income Plus Fund	—
		—
		273,380

		2019 (Rupees in thousand)	2018
<b>34.4</b>	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	—
		<b>301,556</b>	<b>—</b>

**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 (Rupees in thousand)	2018
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 %
<b>36.1</b> 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).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 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 (Rupees in thousand)	2018
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 (Rupees in thousand)	2018
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 (Rupees in thousand)	2018
<b>40 Cash generated from operations</b>			
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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2019

	Note	2019 (Rupees in thousand)	2018
<b>40.1 Working capital changes</b>			
<b>(Increase) / decrease in current assets</b>			
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)
<b>Decrease in current liabilities:</b>			
Trade and other payables		(5,121,437)	(609,195)
		(4,263,115)	(944,099)
<b>41 Cash and cash equivalents</b>			
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 (FCY in thousand)	2018
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 2019 (Rupees in thousand)	Effects on profit before tax 2018
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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2019

	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)	
<b>Fixed rate instruments</b>		
<b>Financial assets</b>		
Bank balances - deposit accounts	—	33,046
Investment in Term Deposit Receipt	—	1,240,000
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
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 (Rupees in thousand)	2018
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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2019

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		Agency	2019	2018
	Short term	Long term		(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	—

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 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	2018
(Rupees in thousand)							
<b>Financial assets</b>							
Long term investments	1,069,294	408,815	-	-	-	1,069,294	408,815
Loans and advances	-	-	-	-	10,205	8,847	10,205
Trade debits	-	-	-	-	46,637	65,578	46,637
Trade deposits	-	-	-	-	26,541	13,952	26,541
Other receivables	-	-	-	-	85,172	41,872	85,172
Short term investments	-	-	-	-	-	1,240,000	-
Cash and bank balances	-	-	-	6,027,636	851,988	520,140	851,988
Total current	1,069,294	408,815	-	6,027,636	1,020,543	1,890,389	2,089,837
Total non-current	-	-	-	-	-	-	-
							7,614,953
							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	2018
(Rupees in thousand)							
<b>Financial liabilities</b>							
Trade and other payables	-	-	-	-	2,441,153	1,393,134	2,441,153
Unclaimed dividend	-	-	-	-	310,095	256,584	310,095
Unpaid dividend	-	-	-	-	33,469	48,229	33,469
Long term deposits	-	-	-	-	12,731	12,691	12,731
Total current	-	-	-	-	2,797,448	1,710,638	2,797,448
Total non-current	-	-	-	-	-	-	-
							1,697,947
							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)			
<b>Financial assets measured at fair value</b>					
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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 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)					
<b>Financial assets measured at fair value</b>					
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
<b>45.2 Breakup of investment - cost</b>				
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)	
<b>46 Capacity and production</b>		
<b>Tractors</b>		
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
<b>47 Number of employees</b>		
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 Raafay 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

و۔ موزوں داخلی مالیاتی کنٹرولز  
موزوں داخلی مالیاتی کنٹرولز پہلے سے اپنی جگہ پر ہیں جبکہ بورڈ کی آڈٹ کمیٹی اسکے عمل اور قسلی بخش عملدرآمد کا یقین دلاتی ہے۔

### بعد میں پیش آنے والے واقعات

کمپنی کے مالیاتی سال ختمہ اور اس رپورٹ کی تاریخ کے درمیان نہ ہی کوئی عزم کئے 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۔

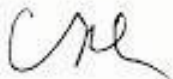
کاروبار کی نوعیت میں تبدیلی  
سال کے دوران کسی بھی گروپ کمپنی کے کاروبار کی نوعیت میں کوئی اہم تبدیلی نہیں ہوئی۔

آڈیٹرز کا مشاہدہ  
سال ختمہ 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 ای ایل کی شراکت داری کے طریقے کوڈ از ریٹرز رپورٹ کے ساتھ منسلک کیا گیا ہے جبکہ ایم آئی پی ایل، ڈائی جیک، بی سی ایل اور ایم ای ایل کی شراکت داری کا طریقہ بھی منسلک ہے۔

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

  
چیئرمین

  
چیف ایگزیکٹو

لاہور: 05 ستمبر 2019



پ۔ بنیادی خطرات اور غیر یقینی صورتحال

بی ای ایل کے انتظامی فریم ورک (جو داخلی کنٹرول پالیسیز سے مشابہ 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 پڑ سکتا ہے کیونکہ مارکیٹ میں اس طرح کی صورتحال میں خطرے کا اندیشہ کم رہتا ہے۔

ج۔ مستقبل میں منافع کے امکانات

زرعی شعبے سے وابستہ ہونے کی حیثیت سے ٹریڈر انڈسٹری کی بہتر کارکردگی متوقع ہے۔ ٹریڈر کی ویڈیو ٹیگ انڈسٹری کا حصہ ہونے کی وجہ سے بی ای ایل مالیاتی سال 2019-2020 کے دوران اپنی کاسٹنگ کی سٹیز میں بہتری کا امکان رکھتی ہے۔

د۔ موزوں داخلی مالیاتی کنٹرولز

بی ای ایل کے پاس داخلی کنٹرولز کا ایک منظم سسٹم ہے جسے ایسے خطرات کی شناخت اور نشاندہی کے لئے تیار کیا گیا ہے جو کمپنی کے کاروباری اہداف میں رکاوٹ بن سکتے ہیں۔ اس لئے یہ سسٹم کی بنیادی غلط بیانی یا نقصان کے حوالے سے ایک معقول اور یقینی حل پیش کرتا ہے۔ آڈٹ کمیٹی داخلی کنٹرول سسٹم کی افادیت کو جانچنے کی ذمہ دار ہے۔

**ملک انکوپمٹ لینڈ**

الف۔ یورڈ آف ڈائریکٹرز

کمپنی کے ڈائریکٹرز جناب سکندر مصطفیٰ خان، لطیف خالد، ہاشمی، سمیل بشیر رانا، نسیم 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 کاروبار کی کارکردگی، ترقی اور بنیادی سرگرمیاں

ایم ای ایل ایک نان لسٹڈ پبلک کمپنی ہے جو ایم ٹی ایل کے لئے مکبر، 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 جی فرکون ٹریڈرز کے مختلف ماڈلز کے گیزٹرز اور شافٹس کی تیاری۔ حالیہ معاشی صورتحال کے باعث ٹریڈر 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 سٹرکچر کمپنی اور اس سے مشابہت 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 ٹریڈر کی طلب برقرار رہے گی۔ اس لیے آنے والے سال میں کمپنی کا منافع اسی سطح پر قائم رہنے کا امکان ہے۔

## ٹائی پیگ انٹرٹینمنٹ ڈیولپمنٹ

۱۔ بورڈ آف ڈائریکٹرز

کمپنی کے ڈائریکٹرز جناب سکندر مصطفیٰ خان، لطیف خالد ہاشمی، سمیل بشیر رانا، لیتھ 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 انٹرٹینمنٹ ڈیولپمنٹ، یو اے ای میں ایک لمیٹڈ انکمپنی کمپنی ہے جو کہ دینی ملٹی کمپوزٹ سٹریٹجی اتھارٹی کے ساتھ رجسٹرڈ ہے۔ ملٹ ٹریڈرز لمیٹڈ کمپنی کی ایکویٹی میں 75% کا منگیتی حصہ رکھتی ہے۔ کمپنی کی بنیادی سرگرمیوں میں مشینری اور بھاری ایگرو میٹس اور پارٹس کی ٹریڈنگ شامل ہے۔ کمپنی کے کاروبار کی جگہ جو میرہ ایک ٹاورز (Jumeirah Lake Towers) دبی، یو اے ای ہے۔ ٹائی پیگ کی اس 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 ٹریڈرز کی زیادہ برآمدات کے بعد بزنس کو مزید فروغ ملے گا۔

پ۔ بنیادی خطرات اور غیر یقینی صورتحال

فی الوقت کمپنی کو ایسے کسی بھی خطرے یا غیر یقینی صورتحال کا سامنا نہیں ہے جو کمپنی کی کارکردگی کو متاثر کرے۔ کمپنی کے کاروبار کی اہمیت 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 سٹاکز میں اضافہ کیا جائے۔

د۔ موزوں داخلی مالیاتی کنٹرولز

موزوں داخلی مالیاتی کنٹرولز اپنی جگہ پر ہیں اور ان کا مشاہدہ کیا جا رہا ہے۔

## بولان کاسٹنگ لمیٹڈ

۱۔ 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۔ اس سال کے دوران بورڈ کی ساخت میں کوئی تبدیلی نہیں کی گئی۔ کمپنی کے ڈائریکٹرز

درج ذیل ہیں

جناب سکندر مصطفیٰ خان، لطیف خالد ہاشمی، سمیل بشیر رانا، لیتھ الدین انصاری، سید محمد عرفان، قمل، سید جاوید اشرف اور محمد سلمان حسین چاولہ ہیں

ب۔ کمپنی کے کاروبار کی کارکردگی، ترقی اور بنیادی سرگرمیاں

بی سی ایل پاکستان اسٹاک ایکسچینج میں سلسلہ ایک پبلک لمیٹڈ کمپنی ہے۔ بی سی ایل ٹریڈرز کے پیچیدہ پروزہ جات بناتی ہے جیسا کہ ایم ٹی ایل کیلئے ٹریڈرز کاسٹنگ وغیرہ۔ ایم ٹی ایل کمپنی کے کل ادا شدہ سرمائے میں 46.26 فیصد کے شیئرز رکھتی ہے۔ اس مالیاتی سال کے دوران کمپنی نے 8,694 ایم ٹی کاسٹنگ 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 ٹریڈرز سٹری کی سٹاکز 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 ڈائریکٹرز رپورٹ بخوشی پیش کی جاتی ہیں۔

### گروپ

گروپ جو کہ ملٹری ٹیکنیکل لمیٹڈ (ایم ٹی ایل) (ہولڈنگ کمپنی) اور اس کی ذیلی کمپنیاں جیسے کہ ملٹری انڈسٹریل پراڈکٹس لمیٹڈ (ایم آئی پی ایل)، ڈی ٹی پیگ انڈسٹریل ڈی ایم سی سی، ڈی سی، پیو ایس ای، بولان کاسٹنگ لمیٹڈ (بی سی ایل) اور ملٹری انڈسٹریل لمیٹڈ (ایم ای ایل) پر مشتمل ہے۔

### ملٹری 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۔ اس سال کے دوران بورڈ کی ساخت میں کوئی تبدیلی نہیں کی گئی۔ کمپنی کے ڈائریکٹرز درج ذیل ہیں: جناب سکندر مصطفیٰ خان، لطیف خالد ہاشمی، سہیل بشیر رانا، نسیم الدین انصاری، میاں محمد سلیم، احسن عمران شیخ اور رافع زمان درانی

پ۔ بنیادی سرگرمیاں، کمپنی کا روپار کی کارکردگی اور ترقی

کمپنی گاڑیوں، فیکٹریوں اور گھروں میں استعمال ہونے والی بیٹریاں 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 "ملٹری بیٹریز" کے نام سے اپنے برینڈ کو داخلی معیار کی مصنوعات کے طور پر تسلیم کروایا ہے۔ کمپنی نے موجودہ سال کے دوران 1,123,257 ملین روپے کی سلاز کیسز اور نیٹ خسارہ 14.102 ملین روپے رہا۔ مجموعی خسارہ فی شیئر کے حساب سے (1.58) رہا۔ بنیادی سامان کی قیمتوں اور کمپنی کی اشیاء کی قیمت فروخت میں معمولی اضافہ فی شیئر خسارہ کی وجہ بنا۔

کمپنی نے شمس توانائی استعمال کرنے والے صارفین کے لیے زیادہ سے زیادہ ایک اپ ڈیٹ کی حامل سولر بیٹریز کے کچھ ماڈل 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 لگانے کے لیے کمپنی مرمت سے آزاد (Maintenance Free) بیٹری کا تجربہ اور تجربہ تقریباً مکمل کر چکی ہے جو کہ مستقبل قریب میں مارکیٹ میں دستیاب ہوگی۔

پ۔ بنیادی خطرات اور غیر یقینی صورتحال

کمپنی کو روپیش اہم مسائل اور خطرات میں خام مال کی قیمتوں میں تبدیلی، روپے کی غیر معمولی گراؤٹ 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 رواں 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 تحکیم نقصان کی بحالی اور نقصان کو منافع میں بدلنے کے لئے آئندہ مالی سال فروخت کے نئے اہداف مقرر کرنے کے لئے پرعزم ہے۔ اسکے ساتھ ساتھ کوآپریٹو 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 جاری جگہ پر ہیں اور انٹرنل آڈٹ ڈیپارٹمنٹ کے متعلقہ افراد کی جانب سے ان کا مستقل بنیادوں پر بائیک چیک 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	<p><b>Valuation of employees' defined benefit plan – asset</b></p> <p>(Refer note 4.4 and 9 to the annexed consolidated financial statements)</p> <p>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.</p> <p>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.</p>	<p>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:</p> <ul style="list-style-type: none"> <li>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;</li> <li>obtained an understanding of the work performed by the management's expert on the model for the purpose of valuation;</li> <li>examined the professional qualification of management's expert and assessed the independence, competence and experience of the management's expert in the field;</li> </ul>

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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.	<ul style="list-style-type: none"> <li>• tested reliability of the underlying data used in the valuation;</li> <li>• assessed the reasonableness of assumptions used by the management expert in the valuation; and</li> <li>• examined the adequacy of the disclosures made by the Group in this area with regard to applicable accounting and reporting standards.</li> </ul>
2	<p><b>Deferred tax asset</b></p> <p>(Refer note 8 of the annexed consolidated financial statements)</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>We performed audit procedures that included:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• tested management's computation of un-used tax losses for which deferred tax asset has been recognized;</li> <li>• 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;</li> <li>• 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;</li> <li>• tested mathematical accuracy of future projections and the use of appropriate tax rate applicable on temporary differences; and</li> <li>• assessed the appropriateness of management's accounting for deferred taxes and the accuracy of related disclosures in accordance with the accounting and reporting standards.</li> </ul>

### 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.

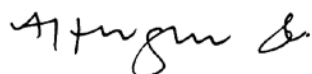
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely 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 (Rupees in thousand)	2018
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
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
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
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
<b>CURRENT LIABILITIES</b>			
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
<b>CONTINGENCIES AND COMMITMENTS</b>			
	12	—	—
		13,526,654	19,818,846

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

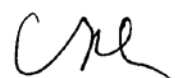


Chief Financial Officer



Chief Executive Officer

	Note	2019 (Rupees in thousand)	2018
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
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
<b>CURRENT ASSETS</b>			
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 (Rupees in thousand)	2018
Revenue from contracts with customers	29	32,030,959	39,586,362
Cost of sales	30	25,202,514	29,129,335
<b>Gross profit</b>		<b>6,828,445</b>	<b>10,457,027</b>
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
<b>Operating profit</b>		<b>5,199,721</b>	<b>8,905,571</b>
Finance cost	35	121,552	20,190
<b>Profit before tax</b>		<b>5,078,169</b>	<b>8,885,381</b>
Taxation	36	1,562,972	2,921,862
<b>Profit after tax for the year</b>		<b>3,515,197</b>	<b>5,963,519</b>
<b>Other comprehensive income:</b>			
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)
<b>Total other comprehensive income / (loss)</b>		<b>240,633</b>	<b>(106,027)</b>
<b>Total comprehensive income for the year</b>		<b>3,755,830</b>	<b>5,857,492</b>
<b>Attributable to:</b>			
- 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
<b>Earnings per share - basic and diluted (Rupees)</b>	39	<b>79.36</b>	<b>134.64</b>

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		Revenue reserves		Total	Non- controlling interest	Total equity
		Exchange translation reserve	Fair value reserve	General reserves	Unappropri- ated profit			
(Rupees in thousand)								
<b>Balance as on July 01, 2017</b>	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
<b>Balance as on June 30, 2018</b>	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
<b>Balance as on June 30, 2019</b>	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 (Rupees in thousand)	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash generated from operations</b>	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)
<b>Net cash flows used in operating activities</b>		(2,032,279)	4,318,805
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
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
<b>Net cash flows generated from investing activities</b>		5,345,015	1,001,572
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
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)
<b>Net cash used in financing activities</b>		(5,035,099)	(5,751,317)
<b>Net decrease in cash and cash equivalents</b>		(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
<b>Cash and cash equivalents at the end of the year</b>	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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 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:

<b>Standard or interpretation</b>	<b>Effective Date (Annual periods beginning on or after)</b>
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.

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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
<b>Financial liabilities</b>				
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

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in the profit or loss. The assets, liabilities, income and expenses of subsidiaries are consolidated on a line by line basis and the carrying amount of investments held by the holding company is eliminated against the subsidiaries' shareholders' equity in the consolidated financials statements. Inter-group transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of the asset transferred. The accounting policies used in preparation of consolidated financial statements of the holding company are consistent with accounting policies of its subsidiaries. When necessary, adjustments are made to bring the accounting policies in line with that of the holding company.

All significant intra-group transactions and balances between Group enterprises, and unrealised profits are eliminated on consolidation.

## 4.2.2 Non-controlling interest

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the Group that are recorded in the profit or loss. Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets on fair value.

## 4.3 Segment reporting

Segment reporting is based on the operating (business) segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Chief Executive Officer (the CEO) to assess segment's performance, and for which discrete financial information is available. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Accordingly, for reporting purposes, the Group has been organised into business units based on its products and services and has three separate reportable segments, as follows:

The "tractors segment", which deals with assembling and manufacturing of agricultural tractors, implements and multi-application products.

The "tractor components segment" i.e. equipment and parts, which is engaged in the business of manufacturing of automotive, agricultural and industrial vehicles parts and components thereof.

The "castings segment", which is engaged in the business of manufacturing of castings for tractors and automotive parts thereof.

Other business activities of the Group have been presented under "others segment". Accordingly, no operating segments have been aggregated to form the above reportable operating segments.

## 4.4 Employees' retirement benefits and other obligations

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

### 4.4.1 Defined benefit plan

#### 4.4.1.1 Pension

MTL and BCL respectively operate a funded defined benefit pension scheme for all eligible employees. A defined benefit plan is a post-employment benefit plan other than the defined contribution plan. Contributions under the

scheme are made to this fund on the basis of actuarial recommendation and are charged to profit or loss. The latest actuarial valuation for the scheme was carried out as at June 30, 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		Boln 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



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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).

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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.

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## 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 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 5 Issued, subscribed and paid up capital

	2019 (Number of shares in thousand)	2018 (Number of shares in thousand)		2019 (Rupees in thousand)	2018 (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 (Rupees in thousand)	2018 (Rupees in thousand)
<b>6 Reserves</b>			
<b>Capital reserve</b>			
Fair value reserve - Investments measured at FVOCI		110,459	176,639
Exchange translation reserve		45,158	15,418
		155,617	192,057
<b>Revenue reserve</b>			
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 (Rupees in thousand)	2018 (Rupees in thousand)
<b>8 Deferred tax asset - net</b>			
The asset / (liabilities) for deferred tax comprises temporary differences relating to:			
<b>Taxable temporary differences:</b>			
Accelerated tax depreciation		181,520	167,289
Change in fair value of short term investments		—	41,007
		181,520	208,296
<b>Deductible temporary differences:</b>			
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 (Rupees in thousand)	2018
<b>9 Employees' defined benefit plan</b>			
<b>Staff retirements benefit plan- Liability</b>			
Holding company	9.1	—	24,604
Subsidiary	9.2	49,619	77,807
		49,619	102,411
<b>Staff retirements benefit plan- Asset</b>			
Holding company	9.1	(219,519)	—
Subsidiary	9.2	(11,832)	(15,708)
		(231,351)	(15,708)
<b>9.1 Present value of defined benefit obligation</b>		(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)
<b>9.1.1 For the year</b>			
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
<b>9.1.2 The movement in present value of defined benefit obligation is as follows:</b>			
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)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

	2019	2018
	(Rupees in thousand)	
<b>9.1.3 The movement in fair value of plan assets is as follows:</b>		
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
<b>9.1.4 Plan assets comprise of :</b>		
Term deposit receipts :		
United Bank Limited	—	220,926
Meezan Bank Limited	130,712	148,529
Bank Alfah Limited	401,593	—
Zarai Taraqiat 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)				
<b>As at June 30</b>					
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

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)					
<b>Balance sheet reconciliation</b>						
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
<b>Movement in the present value of defined benefit obligation</b>						
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
<b>Movement in the fair value of plan assets</b>						
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	—



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For the year ended June 30, 2019

	2019			2018		
	Funded		Un-funded	Funded		Un-funded
	Pension	Executives' Gratuity	Non-Executives' Gratuity	Pension	Executives' Gratuity	Non-Executives' Gratuity
	(Rupees in thousand)					
<b>Expense recognised in profit and loss account</b>						
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
<b>Remeasurement recognised in other comprehensive income</b>						
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)
<b>Net recognised liability / (asset)</b>						
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
<b>Plan assets comprise of following:</b>						
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	–
<b>Actuarial assumptions</b>						
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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

	Note	2019 (Rupees in thousand)	2018
<b>10 Trade and other payables</b>			
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
		<b>5,330,628</b>	<b>10,809,629</b>

**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 (Rupees in thousand)	2018
<b>10.3 Workers' Profit Participation Fund</b>			
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 (Rupees in thousand)	2018
<b>11 Short term borrowings</b>			
<b>Short Term Running Finance (STRF) – secured</b>			
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	–
		<b>887,798</b>	<b>243,700</b>

- 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 portion 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

**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 161/205 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

**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 (Rupees in thousand)	2018
<b>13 Operating fixed assets</b>			
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
		<b>1,789,809</b>	<b>1,666,736</b>

### 13.1 Operating property, plant and equipment

(Rupees in thousand)										
Net book value basis										
Year ended June 30, 2019										
Opening net book value	158,551	8	410,306	-	688,068	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	-	688,068	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	-	688,068	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	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

	Note	2019 (Rupees in thousand)	2018
<b>13.2</b>	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
		<b>198,245</b>	<b>181,441</b>

**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 Sheikhpura Road, Sheikhpura - MTL;
- 759 square meters of land at Khera Gali District Abbottabad - MTL;
- 697 square meters of land in sector F-6/1 Islamabad - MTL;
- Corporate office floors in Tricon Corporate Centre Lahore - MTL;
- 113 Kanal and 12.5 Marlas of land, situated at Mauza Bhoptian, tehsil and district Lahore - MEL;
- 52 Kanals and 10 Marlas is located at 49-K.M., off Multan Road, Bhai Pheru, Distt. Kasur - MIPL; and
- 22.93 acres of factory land situated at 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
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(Rupees in thousand)

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

<b>Employees:</b>						
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
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(Rupees in thousand)

<b>Third Parties</b>						
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
<b>Fixed assets sold having book value less than Rs. 500,000</b>		43,315	13,787	21,020	7,233	
<b>Year ended: June 30, 2019</b>		66,754	25,362	33,035	7,673	
<b>Year ended: June 30, 2018</b>		79,416	26,422	28,915	2,493	

	Note	2019 (Rupees in thousand)	2018
<b>14 Capital work in progress</b>			
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
<b>15 Intangible assets</b>			
<b>Net carrying value basis:</b>			
Opening net book value		135	1,099
Additions		5,992	—
Amortization charge	30, 31 & 32	(1,989)	(964)
		4,138	135
<b>Gross carrying value basis:</b>			
Cost		6,678	45,667
Additions		—	—
Accumulated amortization		(2,540)	(45,532)
		4,138	135
Rate of amortization		33%	33%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

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

**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 (Rupees in thousand)	2018
<b>17 Long term investments</b>			
<b>Other investment - at FVOCI</b>			
<b>Investment in related parties</b>			
<b>Unquoted</b>			
<b>Arabian Sea Country Club Limited</b>			
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)
		<b>—</b>	<b>—</b>
<b>Hyundai Nishat Motors (Private) Limited</b>			
99,000,000 (2018: 27,000,000) fully paid ordinary shares of Rs. 10/- each		990,000	270,000
Equity held 18% (2018: 18%)			
<b>Investment other than related parties- at FVOCI</b>			
<b>Quoted</b>			
<b>Baluchistan Wheels Limited</b>			
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		<b>96,475</b>	<b>169,925</b>

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

**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 (Rupees in thousand)	2018
<b>18 Long term loans - considered good</b>			
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)
		<b>3,662</b>	<b>3,433</b>

**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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 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 (Rupees in thousand)	2018
<b>21 Stock in trade</b>			
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 (Rupees in thousand)	2018
<b>22 Trade debts</b>			
Trade debts - considered good		357,962	255,533
<b>23 Loans and advances</b>			
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 (Rupees in thousand)	2018
<b>25 Balances with statutory authorities</b>			
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
<b>26 Other receivables</b>			
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
<b>27 Short term investments</b>			
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)
<b>Mutual funds</b>			
ABL Cash Fund	10	10.00	100
HBL Money Market Fund	2	102.06	226
			326

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

	June 30, 2018		
	Number of units	Fair Value per unit	Total
	(Number in thousand)	(Rupees)	(Rupees in thousand)
<b>Mutual funds</b>			
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
Alfalsh 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
			<b>6,178,976</b>

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

**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 (Rupees in thousand)	2018
<b>29 Revenue from contracts with customers</b>			
<b>Local:</b>			
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
<b>Export:</b>			
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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

	Note	2019 (Rupees in thousand)	2018
<b>30 Cost of sales</b>			
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
<b>30.1</b> 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
<b>30.2 Cost of sales - trading</b>			
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 (Rupees in thousand)	2018
<b>31 Distribution and marketing expenses</b>			
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
		<b>698,181</b>	<b>730,588</b>
<b>31.1</b> 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
		<b>12,859</b>	<b>7,064</b>

**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 (Rupees in thousand)	2018
<b>32 Administrative expenses</b>			
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
		<b>758,197</b>	<b>767,708</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	Note	2019 (Rupees in thousand)	2018
<b>32.1</b>	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
		<b>20,135</b>	<b>25,310</b>
<b>32.2</b>	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
		<b>4,429</b>	<b>4,637</b>
<b>33</b>	<b>Other operating expenses</b>		
	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
		<b>641,139</b>	<b>689,062</b>
<b>33.1</b>	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	–
	HLB Money Market Fund	12,854	–
	HLB 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	–
		<b>195,308</b>	<b>(76,821)</b>

**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 (Rupees in thousand)	2018
Pakistani Centre For Philanthropy		–	1,000
<b>34 Other income</b>			
<b>Income from financial assets</b>			
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
<b>Income from assets other than financial assets</b>			
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 (Rupees in thousand)	2018
<b>34.3</b> 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
Alfalsh GHP Money Market Fund	–	6,484
Atlas Money Market	–	28,236
MCB Cash Management Optimizer Fund	–	53,030
	–	274,720

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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		2019 (Rupees in thousand)	2018
<b>34.4</b>	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	—
		<b>301,556</b>	<b>—</b>

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

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

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

	2019 %	2018 %
<b>36.1</b> 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).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 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 (Rupees in thousand)	2018
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 (Rupees in thousand)	2018
<b>40 Cash generated from operations</b>			
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)
		<u>1,428,400</u>	<u>7,842,045</u>
<b>40.1 Working capital changes</b>			
<b>(Increase) / decrease in current assets:</b>			
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
		<u>1,120,167</u>	<u>(899,620)</u>
<b>(Decrease) / increase in current liabilities:</b>			
Trade and other payables		(5,425,742)	(531,848)
		<u>(4,305,575)</u>	<u>(1,431,468)</u>
<b>41 Cash and cash equivalents</b>			
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)
		<u>156,376</u>	<u>1,839,086</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 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	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)	(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)	
<b>Fixed rate instruments</b>		
<b>Financial assets</b>		
Bank balances - deposit accounts	30	33,224
Investment in Term Deposit Receipt	3,856	1,243,402
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Bank balances - deposit accounts	194,687	292,266
<b>Financial liabilities</b>		
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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 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 (Rupees in thousand)	2018
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:

	Short term	Rating Long term	Agency	2019 (Rupees in thousand)	2018
<b>Banks</b>					
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 Taraqati Bank Limited	A-1 +	AAA	JCR-VIS	34,840	11,564
				781,819	746,111

	Rating - 2018	Agency	2019 (Rupees in thousand)	2018
<b>Mutual funds / Term Deposit Receipts</b>				
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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 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)								
<b>Financial assets</b>								
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 debits	-	-	-	-	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
Total current	1,086,875	440,325	326	6,178,976	1,523,477	2,401,324	2,610,678	9,020,625
Total non-current	-	-	-	-	-	-	1,498,709	8,569,542
							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)								
<b>Financial liabilities</b>								
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
Total current	-	-	-	-	3,693,433	2,240,676	3,693,433	2,240,676
Total non-current	-	-	-	-	-	-	3,667,858	2,215,111
							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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 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)					
<b>Financial assets measured at fair value</b>					
Equity shares	17	1,086,875	96,475	—	990,400
Investment in mutual funds	27.1	326	326	—	—
		<u>1,087,201</u>	<u>96,801</u>	<u>—</u>	<u>990,400</u>

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)					
<b>Financial assets measured at fair value</b>					
Equity shares - available for sale	17	440,325	169,925	–	270,400
Investment in mutual funds	27.1	6,178,976	6,178,976	–	–
		<b>6,619,301</b>	<b>6,348,901</b>	<b>–</b>	<b>270,400</b>

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

## 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:

- Tractors
- Tractor components
- Castings

Other business activities of the Group have been presented under "others segment". Accordingly, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its operating segments separately for the purpose of performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

	Tractors		Tractor components			Castings			Others			Inter-segment / group eliminations			Total	
	2019	2018	2019	2018	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				
Other income	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				
	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	2019	2018	2019	2018	2018
	(Rupees in thousand)																
<b>Segment operating assets</b>																	
<b>Non-current assets</b>																	
Operating fixed assets	718,559	700,763	667,830	571,646	251,056	222,483	163,815	175,483	(11,451)	(3,639)	1,799,809	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					
<b>Current assets</b>																	
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					
<b>Total operating assets</b>	<b>10,574,184</b>	<b>16,571,365</b>	<b>1,648,959</b>	<b>1,694,054</b>	<b>1,182,266</b>	<b>1,056,898</b>	<b>906,610</b>	<b>867,415</b>	<b>(795,365)</b>	<b>(370,886)</b>	<b>13,526,654</b>	<b>19,818,946</b>					

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For the year ended June 30, 2019

	Tractors			Tractor components			Castings			Others			Inter-segment / group eliminations			Total		
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	(Rupees in thousand)																	
<b>Segment operating liabilities</b>																		
<b>Non-current liabilities</b>																		
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	-
<b>Current liabilities</b>																		
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	-	-	-	-	-	-
<b>Total operating liabilities</b>	<b>5,741,017</b>	<b>10,916,541</b>	<b>562,088</b>	<b>368,013</b>	<b>800,465</b>	<b>417,380</b>	<b>169,636</b>	<b>152,698</b>	<b>(477,901)</b>	<b>(89,674)</b>	<b>6,795,305</b>	<b>11,764,958</b>						

\* 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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

	2019		2018	
	(Rupees in thousand)	Percentage of total fund	(Rupees in thousand)	Percentage of total fund
<b>46.2 Breakup of investment - amount</b>				
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%
	<b>527,986</b>	<b>79.10%</b>	<b>527,499</b>	<b>79.29%</b>

**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)			
<b>47 Capacity and production</b>				
<b>a) Tractors</b>				
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
<b>48 Number of employees</b>		
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	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	From	Shareholding 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
<b>1</b>	<b>Directos, CEO and their spouse &amp; minor children</b>	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
<b>2</b>	<b>Associated Companies, Undertakings and Related parties</b>	41	3,586,305	8.10
<b>a</b>	Associated Companies	—	—	—
<b>b</b>	Associated Undertakings	3	451,650	1.02
<b>c</b>	Related Parties	38	3,134,655	7.08
<b>3</b>	<b>NIT and ICP</b>	5	625,674	1.41
<b>4</b>	<b>Banks, Development Financial Institutions, Non-Banking Financial Institutions &amp; Pension Funds</b>	8	452,225	1.02
<b>5</b>	<b>Insurance Companies</b>	8	4,808,182	10.86
<b>6</b>	<b>Modarabas &amp; Mutual Funds</b>	21	283,705	0.64
<b>7</b>	<b>Shareholders Holding 10% or more Voting Interest</b>	—	—	—
<b>8</b>	<b>General Public</b>	4217	19,310,450	43.60
	a-Local	4164	17,064,743	38.53
	b-Foreign	53	2,245,707	5.07
<b>9</b>	<b>Others</b>	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
		<b>4,377</b>	<b>44,292,544</b>	<b>100</b>

# 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  
Jacobabad 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., Kashmor  
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. Muzaffargarh  
Tahal Auto Store, Joharabad  
Punjnand Traders, Rahim Yar Khan  
Somoro Auto Store, Rohjan City, Rajan Pur  
Gohar Auto Tractor Parts, Muzaffargarh  
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		Total Shares Held
	From	To	
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	%
<b>1 Directors, CEO's, spouse &amp; minor children</b>								
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
<b>2 Associated Companies, Undertakings and related parties</b>								
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
<b>3 NIT and ICP</b>			-	-	488,716	4.26	-	-
<b>4 Banks, Development Financial Institutions, Non-Banking Financial Institutions &amp; Pensions Funds</b>	-	-	-	-	800,273	6.98	-	-
<b>5 Insurance Companies</b>			-	-	114,900	1.00	-	-
<b>6 Modarabas &amp; Mutual Funds</b>			-	-	-	-	-	-
<b>7 Shareholders Holding 10% or more Voting Interest (Detail as per 2 (a) above)</b>								
<b>8 General Public</b>								
a-Local	-	-	-	-	3,969,857	34.60	-	-
b-Foreign	-	-	-	-	24,000	0.21	-	-
<b>9 Others</b>								
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





سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے ایس آر آر 2014/(1) 787 مورخہ 8 ستمبر 2014 کے بموجبت سہولت مہیا کی گئی ہے کہ کمپنی اپنی سالانہ فنانس شیٹ اور نفع و نقصان کے گوشوارے محاسب و قلمیہ کی مرتب کردہ اطلاعات کی 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 تعمیل شدہ رضامندی کے فارم کمپنی کے شیئر رجسٹرار میسرز حمید مجید ایسوسی ایٹس (پرائیوٹ) لمیٹڈ کو مہیا کریں۔

تاریخ: \_\_\_\_\_

شیخ رحیم

میسرز حمید مجید ایسوی ایٹس (پرائیوٹ) لمیٹڈ

فست فلور، ایچ۔ ایم ہاؤس،

7- بینک اسکوائر، لاہور

کیورٹیز اینڈ ایجنسی کمیشن آف پاکستان کے ایس آر آر (1) 787 مورخہ 8 ستمبر 2014 کی فیصلہ کرتے ہوئے میں مسمیٰ مسماۃ

ولایت ازو حیت

ملٹ ٹریڈنگز لمیٹڈ کے پرنسپل شہداء مالیاتی گوشوارے اور سالانہ اجلاس عام کی اطلاع بذریعہ ای میل مندرجہ ذیل ای میل پتے پر حاصل کرنا چاہتا چاہتی ہوں

ممبر ۱ حصص دارنام:

فولیوی ڈی سی اکاؤنٹ نمبر:

ای میل ایڈریس:

ہرگز اقرار کیا جاتا ہے کہ مندرجہ بالا معلومات صحیح اور درست ہیں اور یہ کہ میں کمپنی اور اس کے شیئر رجسٹر کو تحریری طور پر ای میل ایڈریس میں تبدیلی یا بذریعہ ای میل کمپنی کے پڑتا ہوا شدہ حسابات اور سالانہ اجلاس عام کی اطلاع کی وصولی یا منسوخی کے بارے میں مطلع کروں گا۔

ممبران حصص دار کے دستخط:



# PROXY FORM

56<sup>th</sup> 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. Sheikhpura Road, Shahdara, Lahore and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2019

## WITNESSES:

1. Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_

CNIC or  
Passport No.: \_\_\_\_\_

2. Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_

Signature

Please affix  
Rupees five  
revenue stamp

(Signature should  
agree with the  
specimen signature  
registered with the  
Company)

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 Sheikhpura Road, Lahore- Pakistan

UAN: 111 200 786

# تشکیل نیابت داری

56 واں سالانہ اجلاس عام



MILLAT TRACTORS LIMITED

میں / ہم  
ساکن  
رکن و حاصل  
عام حصص برطابق شیئر رجسٹرڈ فولیو نمبر  
اور یا سی ڈی سی کے شراکتی آئی ڈی نمبر  
ساکن  
یا بصورت دیگر  
ساکن  
ملٹ ٹریکٹرز لمیٹڈ  
کو اپنی جگہ بروز جمعہ مورخہ 25 اکتوبر 2019ء وقت 04:00 بجے سہ پہر، بمقام کمپنی کے رجسٹرڈ آفس: 9-کلو میٹر شیٹھ پورہ روڈ  
شاہدرہ لاہور میں منعقد یا ملتوی ہونے والے سالانہ اجلاس عام میں رائے دہندگی کے لئے اپنا نمائندہ مقرر کرتا ہوں۔

دستخط کئے گئے مورخہ 2019

گواہان:

براہ کرم پانچ روپے مالیت کے  
ریونیوٹکٹ چسپاں کریں۔

دستخط

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

1 دستخط:

نام:

پتہ:

سی این آئی سی یا پاسپورٹ نمبر:

2 دستخط:

نام:

پتہ:

سی این آئی سی یا پاسپورٹ نمبر:

نوٹ:

پراسیڈر کے موخر ہونے کے لیے لازم ہے کہ وہ اجلاس سے 48 گھنٹے قبل کمپنی کو موصول ہوں۔ نیابت دار کمپنی کا رکن ہونا ضروری نہیں ہے۔ سی ڈی سی کے حصص یافتگان اور ان کے نمائندوں سے التماس ہے کہ وہ اپنے کمپیوٹر انڈز قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپی پر کسی فارم کے ساتھ کمپنی میں جمع کرائیں۔

ملٹ ٹریکٹرز لمیٹڈ  
9-کلو میٹر شیخوپورہ روڈ، لاہور- پاکستان  
پوائے این: 111 200 786

# 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.

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