



KPMG Taseer Hadi & Co.  
Chartered Accountants

**Specialized Motorcycles  
(Private) Limited**

**Financial Statements**

For the year ended  
ended 30 June 2018



KPMG Taseer Hadi & Co.  
Chartered Accountants  
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## INDEPENDENT AUDITORS' REPORT

**To the members of Specialized Motorcycles (Private) Limited**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the annexed financial statements of **Specialized Motorcycles (Private) Limited** (the Company), which comprise the statement of financial position as at 30 June 2018, the statement of profit or loss, the statement of 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, the statement of 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 30 June 2018 and of the profit, the 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 Auditors' 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.

#### **Emphasis of Matter**

We draw attention to note 1.2 to the financial statements, which describes that the Company ceased its operation from 1 July 2015 and going concern basis of preparing the financial statements has not been used. Therefore, all assets and liabilities are



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classified as current and are measured at lower of their carrying amount and fair value less cost to sell. Our opinion is not modified in respect of this matter.

#### **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.

#### **Auditors' 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 auditors' 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

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## KPMG Taseer Hadi & Co.

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 auditors' 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 auditors' 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.

### **Report on Other Legal and Regulatory Requirements**

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of 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;

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- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditors' report is Aryn Malik.

**Date: 1 October 2018**

**Karachi**

  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**

**Specialized Motorcycles (Private) Limited**  
**Statement of Financial Position**  
*As at 30 June 2018*

	Note	30 June 2018	30 June 2017
<b>(Rupees)</b>			
<b>ASSETS</b>			
<b>Current assets</b>			
Due from related party	4	67,496,966	65,279,917
Taxation - net		283,883	171,305
Bank balances	5	429,884	98,979
<b>Total assets</b>		<b>68,210,733</b>	<b>65,550,201</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised share capital: 7,500,000 (30 June 2017: 7,500,000) ordinary shares of Rs.10 each		75,000,000	75,000,000
Issued, subscribed and paid-up share capital	6	75,000,000	75,000,000
Accumulated losses		(7,589,941)	(10,127,770)
		<b>67,410,059</b>	<b>64,872,230</b>
<b>Current liabilities</b>			
Due to related party	4	54,000	-
Other payables	7	746,674	677,971
<b>Total equity and liabilities</b>		<b>68,210,733</b>	<b>65,550,201</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
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The annexed notes 1 to 19 form an integral part of these financial statements.

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**Chief Executive**

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**Director**

Specialized Motorcycles (Private) Limited  
Statement of Profit or Loss  
For the year ended 30 June 2018

	Note	30 June 2018 (Rupees)	30 June 2017
Administrative and selling expenses	9	(400,045)	(456,129)
Other income	10	4,101,088	4,515,340
Other expenses	11	(75,573)	(85,461)
<b>Profit before taxation</b>		<b>3,625,470</b>	<b>3,973,750</b>
Taxation	12	(1,087,641)	(60,742)
<b>Profit after taxation</b>		<b>2,537,829</b>	<b>3,913,008</b>
<b>Earnings per share - basic and diluted</b>	13	<b>0.34</b>	<b>0.52</b>

The annexed notes 1 to 19 form an integral part of these financial statements.

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Chief Executive

*[Signature]*

Director



Specialized Motorcycles (Private) Limited  
Statement of Cash Flows  
For the year ended 30 June 2018

	Note	30 June 2018	30 June 2017
<b>(Rupees)</b>			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		3,625,470	3,973,750
<b>Adjustment for</b>			
Mark-up income	10	(4,101,088)	(4,515,340)
		<b>(475,618)</b>	<b>(541,590)</b>
<b>Working capital changes</b>			
<b>Decrease in current assets</b>			
Due from related parties - net		54,000	14,400
		<b>54,000</b>	<b>14,400</b>
<b>(Decrease) / increase in current liabilities</b>			
Other payables		68,703	16,154
<b>Net cash used in operations</b>		<b>(352,915)</b>	<b>(511,036)</b>
Tax paid		(1,200,219)	(1,149,492)
Mark-up received		39	80
<b>Net cash used in operating activities</b>		<b>(1,553,095)</b>	<b>(1,660,448)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loan repaid by Parent Company		1,884,000	1,300,000
<b>Net cash generated from investing activities</b>		<b>1,884,000</b>	<b>1,300,000</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>330,905</b>	<b>(360,448)</b>
Cash and cash equivalents at beginning of the year		98,979	459,427
<b>Cash and cash equivalents at end of the year</b>	5	<b>429,884</b>	<b>98,979</b>

The annexed notes 1 to 19 form an integral part of these financial statements.

K. R. R. R.



Chief Executive



Director



Specialized Motorcycles (Private) Limited  
Statement of Changes in Equity  
For the year ended 30 June 2018

	Issued, subscribed and paid-up share capital	Accumulated losses	Total
	----- (Rupees) -----		
Balance as at 1 July 2016	75,000,000	(14,040,778)	60,959,222
<i>Total comprehensive income for the year ended 30 June 2017</i>			
Profit for the year	-	3,913,008	3,913,008
Other comprehensive income	-	-	-
	-	3,913,008	3,913,008
Balance as at 30 June 2017	75,000,000	(10,127,770)	64,872,230
<i>Total comprehensive income for the year ended 30 June 2018</i>			
Profit for the year	-	2,537,829	2,537,829
Other comprehensive income	-	-	-
	-	2,537,829	2,537,829
<b>Balance as at 30 June 2018</b>	<b>75,000,000</b>	<b>(7,589,941)</b>	<b>67,410,059</b>

The annexed notes 1 to 19 form an integral part of these financial statements.

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Chief Executive



Director

# Specialized Motorcycles (Private) Limited

## Notes to the Financial Statements

For the year ended 30 June 2018

### 1. CORPORATE AND GENERAL INFORMATION

- 1.1** Specialized Motorcycles (Private) Limited ("the Company") was incorporated in Pakistan on 28 September 2004 as a private limited company under the Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act, 2017).

Previously, the principal activity of the Company was to acquire, deal in, purchase, import, sales, supply and export all sorts of motorcycles & auto parts, metallurgical parts, machinery and equipment parts.

The Company is a wholly owned subsidiary of Loads Limited (Parent company), whose shares are listed on Pakistan Stock Exchange Limited.

The registered office of the Company is situated at Plot No. 23, Sector 19, Korangi Industrial Area, Karachi.

- 1.2** The management of the Company has ceased the operations of the Company from 1 July 2015. Accordingly, these financial statements have not been prepared on going concern basis. Therefore, all assets and liabilities are classified as current and assets are measured at lower of their carrying amount and fair value less cost to sell.

**1.3 Summary of significant events and transactions in the current reporting period**

The Company's financial position and performance was particularly affected by the application of the Fourth Schedule of the Companies Act, 2017, few additional disclosures are included in notes 1, 8, 12 and 14.

### 2. BASIS OF PREPARATION

**2.1 Statement of compliance**

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

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

Where provisions of and 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.

- 2.1.2** The Companies Act, 2017, was enacted on May 30, 2017 and is applicable with immediate effect. The Securities and Exchange Commission of Pakistan (SECP) vide circular no. 23 of 2017 dated October 4, 2017 has decided that all the companies whose financial year, including quarterly and other interim period, closes on or before December 31, 2017, shall prepare their financial statements, including interim financial statements, in accordance with the provisions of the repealed Companies Ordinance, 1984. The new requirements of the Companies Act, 2017 shall be applicable to the companies having their financial year closure after December 31, 2017.

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## **2.2 Functional and presentation currency**

These financial statements are presented in Pak rupee which is also the Company's functional currency and have been rounded off to the nearest rupee.

## **2.3 Use of estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates, judgments and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively commencing from the period of revision. The estimates made during the period include judgments made in respect of contingencies (note 8), taxation (note 3.6 and 12) and measurements of assets (note 1.2).

## **2.4 Standards, interpretations and amendments to published approved accounting standards that are not yet effective**

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or

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joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Company's financial statements.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The amendments are not likely to have an impact on Company's financial statements.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The application of this amendments is not likely to have an impact on Company's financial statements.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of

*Example*



both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.

- Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a Company increases its interest in a joint operation that meets the definition of a business. A Company remeasures its previously held interest in a joint operation when it obtains control of the business. A Company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
  - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Company's financial statements.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

#### **3.1 Financial instruments**

The Company classifies its financial assets in "loans and receivables" category. The Company classifies its financial liabilities into the "other financial liabilities" category.

##### **3.1.1 Financial assets and financial liabilities - recognition and derecognition**

The Company initially recognises loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

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### **3.1.2 Offsetting of financial assets and liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

### **3.1.3 Financial assets - measurement**

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method. As the Company is not a going concern, therefore, assets are classified as current and assets are measured at lower of their carrying amount and fair value less cost to sell.

### **3.1.4 Financial liabilities - measurement**

All financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest rate method.

### **3.1.5 Impairment**

#### *Financial assets (including receivables)*

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy.

All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss account.

#### *Non-financial assets*

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

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Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### **3.2 Trade and other payables**

Creditors, accrued and other liabilities are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost.

### **3.3 Provisions**

A provision is recognized when the Company has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate. The amount recognized as a provision reflects the best estimate of the expenditure required to settle the present obligation at the reporting date.

### **3.4 Cash and cash equivalents**

Cash and cash equivalents comprise of deposits held with banks in current and saving accounts.

### **3.5 Financial income and financial expense**

Financial income comprises mark-up income on loan to parent Company and bank deposits. Mark-up income is recognized using effective interest rate method.

Financial expenses are recognized using the effective interest rate method.

### **3.6 Taxation**

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss account except to the extent that it relates to item recognized directly in other comprehensive income in which case it is recognized in other comprehensive income.

#### *Current*

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for current tax includes adjustments to charge for prior years which arises from assessments / developments made during the period / year, if any.

#### *Deferred tax*

Deferred tax is recognised using balance sheet method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the enacted or substantively enacted rates of taxation.

There are no temporary differences between carrying amounts and tax base, therefore no deferred tax has been recognized.

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### 3.7 Earnings 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 shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit and loss attributable to share holders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

### 4. DUE FROM/(TO) RELATED PARTIES

DUE FROM/(TO) RELATED PARTIES		30 June 2018	30 June 2017
	Note		
		(Rupees)	
Considered good - unsecured			
Loan	4.1	54,416,000	56,300,000
Mark-up receivable	4.1	16,787,754	12,686,705
Trade payable - net	4.2	(3,706,788)	(3,706,788)
Due from related party		67,496,966	65,279,917
Due to related party	4.3	(54,000)	-
		67,442,966	65,279,917

4.1 This represents loan given to Loads Limited, the Parent Company, which is receivable on demand and carry mark-up at the rate of 1 month KIBOR plus 1%. The maximum amount outstanding during the year was Rs. 56.3 million. The net assets of Loads Limited, as disclosed in the latest available financial statements for the year ended 30 June 2018, amounted to Rs. 3,057.31 million (2017: 3143.19 million).

4.2 As the Company has ceased its operations from 1 July 2015, therefore the balance payable and receivable has been set off with the parent company (Loads Limited).

4.3 This represents amount paid by Specialized Autoparts Industries (Private) Limited to legal advisor on behalf of the Company.

### 5. BANK BALANCES

	Note	30 June 2018	30 June 2017
		(Rupees)	
Balance in current accounts		429,416	97,315
Balance in saving account	5.1	468	1,664
		<u>429,884</u>	<u>98,979</u>

5.1 This carries mark-up at the rate of 3.75% (30 June 2017: 3.75%) per annum.

### 6. SHARE CAPITAL

#### 6.1 Authorised share capital

Authorised share capital comprises of 7,500,000 (30 June 2017: 7,500,000) Ordinary shares of Rs. 10 each.

#### 6.2 Issued, subscribed and paid-up share capital

30 June 2018	30 June 2017		Note	30 June 2018	30 June 2017
				(Rupees)	
(Number of shares)					
7,500,000	7,500,000	Ordinary shares of Rs. 10 each			
		fully paid in cash	6.3	75,000,000	75,000,000

6.3 At 30 June 2018, all the ordinary shares of the Company were held by Loads Limited (the Parent Company).

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6.4 Reconciliation of number of shares outstanding	Note	30 June 2018 (Number of shares)	30 June 2017
Ordinary shares at beginning of the year		7,500,000	7,500,000
Issue of ordinary shares		-	-
Ordinary shares at end of the year		7,500,000	7,500,000
<b>7. OTHER PAYABLES</b>		30 June 2018 (Rupees)	30 June 2017
Provision for workers' welfare fund	7.1	571,972	497,979
Other payables		174,702	179,992
Withholding sales tax payable		-	-
		746,674	677,971
<b>7.1 Workers' Welfare Fund</b>			
Opening balance		497,979	416,447
Charge for the year	11	73,993	81,532
Paid during the year		-	-
Closing balance		571,972	497,979

## 8. CONTINGENCIES AND COMMITMENTS

### 8.1 Contingencies

#### 8.1.1 Description of legal proceedings

Name of the court, agency or authority	Description of the factual basis of the proceeding and relief sought	Principal parties	Date instituted
Federal Board of Revenue (FBR)	The Company received show cause notice under section 21(2) of the Sales Tax Act, 1990 from Federal Board of Revenue (FBR) for non-filing of sales tax returns for six consecutive months. The Company replied for the aforesaid notice that it is in the process of changing sales tax status from manufacturer to distributor and has filed application for change in particulars / status several times but applications were rejected owing to delay in filing of requisite documents. Finally, the application filed on 10 March 2015 was acknowledged by FBR and forwarded for verification and subsequently no further order was received from tax authorities. The management of the Company is confident that no liability will arise in respect of non-filing of sales tax return and therefore, no provision is recognized in these financial statements.	Company and FBR	20 March 2015

8.2 There are no commitments as at 30 June 2018 and 30 June 2017.

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**9. ADMINISTRATIVE AND SELLING EXPENSES**

		<b>30 June 2018</b>	30 June 2017
		<b>(Rupees)</b>	
Legal and professional charges		<b>243,710</b>	291,040
Auditors' remuneration	9.1	<b>133,170</b>	143,750
Others		<b>23,165</b>	21,339
		<b>400,045</b>	456,129

**9.1 Auditors' remuneration**

Audit fee		<b>125,000</b>	125,000
Out of pocket expenses		<b>8,170</b>	18,750
		<b>133,170</b>	143,750

**10. OTHER INCOME**

<i>Income from financial assets</i>			
Mark-up on loan to Parent Company	4.1	<b>4,101,049</b>	4,515,260
Mark-up on bank deposit		<b>39</b>	80
		<b>4,101,088</b>	4,515,340

**11. OTHER EXPENSES**

Workers' welfare fund	7.1	<b>73,993</b>	81,532
Bank charges		<b>1,580</b>	3,929
		<b>75,573</b>	85,461

**12. TAXATION**

Current		<b>1,087,641</b>	1,257,137
Prior	12.4	-	(1,196,395)
Deferred	12.5	-	-
		<b>1,087,641</b>	60,742

**12.1 Reconciliation between tax expense and accounting profit**

Profit before taxation		<b>3,625,470</b>	3,973,750
Tax at the applicable rate of 30% (30 June 2017: 31%)		<b>1,087,641</b>	1,231,863
Tax effect of prior years		-	(1,196,395)
Tax effect of permanent difference		-	25,274
		<b>1,087,641</b>	60,742

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- 12.2** Sufficient provision for tax has been made in these financial statements taking into account the profit or loss for the year and various admissible allowances and deduction under the Income Tax Ordinance, 2001. Position of provision and assessment including returns filed and deemed assessed for last three years are as follows:

	30 June			Total
	2017	2016	2015	
	Rupees in ('000)			
Tax provision recognized in the financial statements	1,257,137	1,405,345	9,048,594	11,711,076
Tax charged as per tax returns	1,231,863	1,643,184	7,824,673	10,699,720

- 12.3** The returns of income tax have been filed up to and including tax year 2017. These are deemed to be assessed under section 120 of the Income Tax Ordinance, 2001.

- 12.4** This includes reversal on account of difference between tax charge recognized in the prior years and tax charge in the returns.

- 12.5** There are no temporary differences between carrying amounts and tax base, therefore no deferred tax has been recognized.

- 12.6** Tax related contingencies are disclosed in note 8.1.1.

**13. EARNINGS PER SHARE - basic and diluted**

	30 June 2018	30 June 2017
	(Rupees)	
Profit after tax	2,537,829	3,913,008
	(Number)	
Weighted average number of ordinary shares	7,500,000	7,500,000
	(Rupees)	
Earnings per share - basic and diluted	0.34	0.52

**14. RELATED PARTY TRANSACTIONS**

Related parties comprise of subsidiaries, associated Company and other Companies with common directorship and significant influence, employees retirement benefit funds and key management personnel. Transactions with related parties are at terms determined in accordance with the agreed rates. Transactions and balances with related parties, other than those disclosed elsewhere in these financial statements, are disclosed below:

Name of the related party	Relationship and percentage shareholding	Transactions during the year and year end balances	30 June 2018	30 June 2017
			(Rupees)	
Loads Limited	Parent Company holds 100% (30 June 2017: 100%)	Payments made during the year	-	14,400
		Repayment of loan	1,884,000	1,300,000
		Mark-up on loan	4,101,088	4,515,260
		Amount receivable at the year end	67,496,966	65,279,917
Specialized Autoparts Industries (Private) Limited	Subsidiary of parent Company	Payments made on behalf of the Company	54,000	-
		Amount payable at the year end	54,000	-

**Remuneration of Chief Executive and Director**

The remuneration and perquisites of Chief Executive Officer (CEO) is borne by the Parent Company. No fees and perquisites are paid to any of the directors. There are eight directors including CEO on its Board of Directors.

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## 15. FINANCIAL RISK MANAGEMENT

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

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

- Credit Risk
- Liquidity Risk
- Market Risk

### 15.1 Credit risk

Credit risk is the risk that counter party to a financial instrument will fail to discharge its obligation or commitment that it has entered into with the Company, and cause the other party to incur financial loss without taking into account the fair value of any collateral.

#### *Exposure to credit risk*

Credit risk of the Company arises principally from bank balances, trade debts, loan to parent company and markup receivable from parent company. The maximum exposure to credit risk at reporting date is as follows:

	Note	30 June 2018	30 June 2017
		(Rupees)	
Bank balances	5	429,884	98,979
Due from related parties - net	4	67,442,966	65,279,917
		<u>67,872,850</u>	<u>65,378,896</u>

#### *Credit ratings and Collaterals*

Balances with banks are only held with reputable banks having sound credit ratings. The credit quality of Company's bank balances can be assessed with reference to external credit ratings are as follows:

Bank	Rating Agency	Rating	30 June 2018	
			(Rupees)	(%)
Bank Al-Habib Limited	PACRA	A1+	93,862	22%
National Bank of Pakistan	PACRA	A1+	336,022	78%
			<u>429,884</u>	<u>100%</u>

#### *Concentration of credit risk*

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. The Company is not significantly exposed to concentration of credit risk. All of the Company's receivables are from distributors of automotive industries.

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## 15.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. Management closely monitors the Company's liquidity and cash flow position. In case of shortage of funds, the parent Company also provides funds to meet liquidity requirements. The following are the contractual maturities of financial liabilities:

30 June 2018				
Carrying amount	Contractual cash flows	Less than one month	One to three months	Three months to one year
(Rupees)				
<i>Non-derivative financial liabilities</i>				
Other payables	174,702	174,702	-	174,702
30 June 2017				
Carrying amount	Contractual cash flows	Less than one month	One to three months	Three months to one year
(Rupees)				
<i>Non-derivative financial liabilities</i>				
Other payables	179,992	179,992	-	179,992

## 15.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk. The Company is exposed to interest rate risk only.

### 15.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure arises from bank balances in profit and loss sharing account and markup receivable from Parent Company.

At balance sheet date, details of the interest rate profile of the Company's interest bearing financial instruments were as follows:

	30 June 2018	30 June 2017
	(Rupees)	
<b>Variable rate instruments</b>		
Financial assets	54,416,000	56,300,000
<b>Fixed rate instruments</b>		
Financial assets	468	1,664

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## Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the balance sheet date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for June 2017.

	Profit and loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	(Rupees)		(Rupees)	
<b>As at 30 June 2018</b>				
Cash flow sensitivity-variable rate instruments	544,160	(544,160)	544,160	(544,160)
<b>As at 30 June 2017</b>				
Cash flow sensitivity-variable rate instruments	563,000	(563,000)	563,000	(563,000)

None of the financial liability is exposed to interest rate risk.

## 16. CAPITAL RISK MANAGEMENT

The Company is a wholly owned subsidiary of the Loads Limited (parent company) therefore, the Company has support from its parent concern to assist it in maintaining its sustainability.

As the Company is not going concern, therefore, the Company is only managing its capital to settle its obligations.

## 17. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date.

The Company classifies fair value measurements of its investments using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) 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 or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

### 17.1 Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		30 June 2018					
Note	Carrying amount			Fair value			
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees)							
<b>Financial assets - not measured at fair value</b>							
Due from Parent Company	17.1.1	67,442,966	-	67,442,966			
Bank balances	17.1.1	429,884	-	429,884			
		<u>67,872,850</u>	<u>-</u>	<u>67,872,850</u>			
<b>Financial liabilities - not measured at fair value</b>							
Other payables	17.1.1	-	(174,702)	(174,702)			
		<u>-</u>	<u>(174,702)</u>	<u>(174,702)</u>			

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30 June 2017

Note	Carrying amount			Fair value			
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees)							
<b>Financial assets - not measured at fair value</b>							
Due from Parent Company	17.1.1	65,279,917	-	65,279,917			
Bank balances	17.1.1	98,979	-	98,979			
		<u>65,378,896</u>	<u>-</u>	<u>65,378,896</u>			
<b>Financial liabilities - not measured at fair value</b>							
Other payables	17.1.1	-	(179,992)	(179,992)			
		<u>-</u>	<u>(179,992)</u>	<u>(179,992)</u>			

**17.1.1** The Company has not disclosed fair values for these financial assets and financial liabilities because their carrying amounts are reasonable approximation of fair value.

#### 18. STAFF STRENGTH

There are no employees on the payroll of the Company. Services of the employees of the parent company are obtained for administrative purposes.

#### 19. DATE OF AUTHORISATION

These financial statements were authorised for issue in the Board of Directors' meeting held on \_\_\_\_\_.

01 OCT 2018

K.P. Suman



Chief Executive



Director