



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

To the members of Specialised Autoparts Industries (Private) Limited

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statements of **Specialised Autoparts Industries (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.

#### 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

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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 those 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.

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- 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.

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.

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

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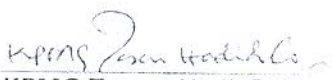


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The engagement partner on the audit resulting in this independent auditors' report is  
Amyr Malik.

Date: 1 October 2018

Karachi

  
KPMG Taseer Hadi & Co.  
Chartered Accountants

Specialized Autoparts Industries (Private) Limited  
Statement of Financial Position  
As at 30 June 2018

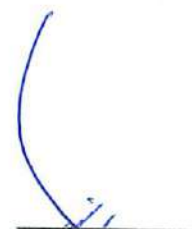
	Note	30 June 2018	30 June 2017
(Rupees)			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	138,198,042	121,477,723
Investment in associate	5	150,000,000	-
		<u>288,198,042</u>	<u>121,477,723</u>
<b>Current assets</b>			
Stores and spares	17.1	7,504,494	6,414,558
Loans and advances	6	4,562,279	4,561,260
Deposits, prepayments and other receivables	7	1,987,104	1,883,084
Due from related parties	8	256,107,222	220,490,604
Investments	9	5,649,022	4,025,212
Taxation - net	10	15,161,414	9,687,515
Cash and bank balances	11	5,527,689	3,312,635
		<u>296,499,224</u>	<u>250,374,868</u>
<b>Total assets</b>		<u><u>584,697,266</u></u>	<u><u>371,852,591</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorized share capital 32,500,000 (30 June 2017: 17,500,000) ordinary shares of Rs. 10 each		<u>325,000,000</u>	<u>175,000,000</u>
Issued, subscribed and paid-up share capital	12	325,000,000	175,000,000
Unappropriated profit		<u>192,728,783</u>	<u>137,598,757</u>
		<u>517,728,783</u>	<u>312,598,757</u>
<b>Non-current liabilities</b>			
Deferred tax liability	13	17,827,547	16,988,825
<b>Current liabilities</b>			
Trade and other payables	14	41,561,892	36,297,007
Due to related parties	8	7,579,044	5,968,002
		<u>49,140,936</u>	<u>42,265,009</u>
<b>Total equity and liabilities</b>		<u><u>584,697,266</u></u>	<u><u>371,852,591</u></u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	15		

The annexed notes 1 to 31 form an integral part of these financial statements.

*K. Anand*



Chief Executive



Director

# Specialized Autoparts Industries (Private) Limited

## Statement of Profit or Loss

For the year ended 30 June 2018

	Note	30 June 2018	30 June 2017
		(Rupees)	
Turnover	16	355,145,466	309,496,337
Cost of toll manufacturing services	17	(264,954,021)	(232,794,477)
<b>Gross profit</b>		<b>90,191,445</b>	76,701,860
Administrative and selling expenses	18	(19,771,233)	(15,702,596)
		<b>70,420,212</b>	60,999,264
Other charges	19	(6,082,437)	(4,662,517)
Other income	20	11,595,123	12,606,890
		<b>75,932,898</b>	68,943,637
Finance cost	21	(196,599)	(185,059)
<b>Profit before taxation</b>		<b>75,736,299</b>	68,758,578
Taxation	22	(20,606,273)	(19,578,677)
<b>Profit after taxation</b>		<b>55,130,026</b>	49,179,901
<b>Earnings per share - basic and diluted</b>	23	<b>2.72</b>	2.81

The annexed notes 1 to 31 form an integral part of these financial statements.

*Signature*

*Signature*

Chief Executive

*Signature*

Director

Specialized Autoparts Industries (Private) Limited  
Statement of Comprehensive Income  
For the year ended 30 June 2018

	30 June 2018	30 June 2017
	(Rupees)	
Profit after taxation	55,130,026	49,179,901
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>55,130,026</b>	<b>49,179,901</b>

The annexed notes 1 to 31 form an integral part of these financial statements.

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Chief Executive



Director

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

Note	Share capital Issued, subscribed and paid up share capital	Revenue reserve Unappropriated profit	Total Total equity
	(Rupees)		
Balance as at 1 July 2016	175,000,000	88,418,856	263,418,856
<b>Total comprehensive income for the year ended 2017</b>			
Profit for the year	-	49,179,901	49,179,901
Other comprehensive income	-	-	-
	-	49,179,901	49,179,901
<b>Balance as at 30 June 2017</b>	<b>175,000,000</b>	<b>137,598,757</b>	<b>312,598,757</b>
<b>Total comprehensive income for the year ended 2018</b>			
Profit for the year	-	55,130,026	55,130,026
Other comprehensive income	-	-	-
	-	55,130,026	55,130,026
<b>Transactions with owners of the Company</b>			
Issuance of 15 million right shares at the rate of Rs. 10 each	12.2 150,000,000	-	150,000,000
<b>Balance as at 30 June 2018</b>	<b>325,000,000</b>	<b>192,728,783</b>	<b>517,728,783</b>

The annexed notes 1 to 31 form an integral part of these financial statements.

*Signature*

*Signature*

Chief Executive

Director

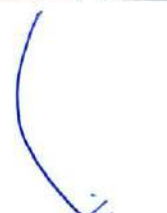


Specialized Autoparts Industries (Private) Limited  
Statement of Cash Flows  
For the year ended 30 June 2018

	Note	30 June 2018	30 June 2017
(Rupees)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		75,736,299	68,758,578
<b>Adjustments for</b>			
Mark-up income	20	(11,582,873)	(12,499,277)
Depreciation	4.1.1	9,395,308	7,690,640
Dividend income	20	(6,190)	(43,714)
Loss on disposal of property, plant and equipment	19	-	82,222
Unrealised loss on re-measurement of investments at fair value through profit or loss - at initial recognition	19	380,833	209,824
		<u>73,923,377</u>	<u>64,198,273</u>
<b>Working capital changes</b>			
<i>(Increase) / decrease in current assets</i>			
Stores and spares		(1,089,936)	2,703,141
Loans and advances		(1,019)	7,935,099
Deposits, prepayments and other receivables		(104,020)	409,878
Due from parent company		(24,401,284)	(52,621,806)
		(25,596,259)	(41,573,688)
<i>Increase in current liabilities</i>			
Trade and other payables		5,264,885	16,019,927
Due to related party		1,611,042	2,526,491
<b>Cash generated from operations</b>		<u>55,203,045</u>	<u>41,171,003</u>
Mark-up received		367,539	341,759
Tax paid		(25,239,903)	(22,621,988)
<b>Net cash generated from operating activities</b>		<u>30,330,681</u>	<u>18,890,774</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments		(2,000,000)	(3,092,936)
Proceeds from disposal of property, plant and equipment		-	590,000
Dividend received		-	43,714
Investment in associate		(150,000,000)	-
Purchase of property, plant and equipment	4	(26,115,627)	(20,044,438)
<b>Net cash used in investing activities</b>		<u>(178,115,627)</u>	<u>(22,503,660)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of share capital		150,000,000	-
<b>Net cash generated from financing activities</b>		<u>150,000,000</u>	<u>-</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<u>2,215,054</u>	<u>(3,612,886)</u>
Cash and cash equivalents at beginning of the year		3,312,635	6,925,521
<b>Cash and cash equivalents at end of the year</b>	11	<u>5,527,689</u>	<u>3,312,635</u>

The annexed notes 1 to 31 form an integral part of these financial statements.

  
Chief Executive

  
Director

# Specialized Autoparts Industries (Private) Limited

## Notes to the Financial Statements

For the year ended 30 June 2018

### 1. CORPORATE AND GENERAL INFORMATION

- 1.1** Specialized Autoparts Industries (Private) Limited ("the Company") was incorporated in Pakistan on 2 June 2004 as a private limited company under the Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act, 2017 on May 30, 2017).

The principal activity of the Company is to manufacture and sell components for the automotive industry. Presently, the Company is engaged in providing toll manufacturing services to its parent company.

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

The geographical location and address of the Company's business unit, including plant is as under:

- The Company's registered office is situated at Plot No. 23, Sector 19, Korangi Industrial Area, Karachi.
- The Company's plant is located at DSU-19, Sector II, Pakistan Steel Industrial Estate, Bin Qasim, Karachi.

### 1.2 Summary of significant events and transactions 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:

- The Company has invested Rs. 150 million in Hi-Tech Alloy Wheels Limited (formerly Hi-Tech Autoparts Industries (Private) Limited), an associate company (refer to note 5);
- The Company increased the authorized share capital from Rs. 175 million to Rs. 325 million (refer note 12);
- The Company issued right shares amounting to Rs. 150 million (refer to note 12); and
- Due to the first time application of financial reporting requirements under the Companies Act, 2017, including disclosure and presentation requirements of the fourth schedule of the Companies Act, 2017, few additional disclosures are included in the notes 1.1, 1.2, 5, 8, 15, 22, 24 and 30.

### 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.

*Amir*



**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 through press release and 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.

## **2.2 Basis of measurement**

These financial statements have been prepared on the historical cost convention except for certain investments which are stated at fair value.

## **2.3 Functional and presentation currency**

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

## **2.4 Key judgments and estimates**

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Company's accounting policies, management has made the following accounting estimates and judgments which are significant to the financial statements and estimates with a significant risk of material adjustment in future years are discussed below:

- Property, plant and equipment (note 3.1 and 4)
- Provision for impairment of stores (note 3.2)
- Taxation (note 3.5 and 22)
- Classification and valuation of financial instruments (notes 3.9 and 9)
- Contingencies (note 15)

## **2.5 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.

*Kamran*



- 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 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 Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.
- 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.

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- 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 amendments are not likely to have an impact on the 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 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 Arrangements' - 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.

*12/19/2018*

### **3.1 Property, plant and equipment**

#### *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Leasehold land and capital work-in-progress are stated at cost less impairment losses, if any.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

#### *Subsequent expenditure*

Subsequent expenditure incurred is capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the entity. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss account as incurred.

#### *Depreciation*

Depreciation charge is based on the reducing balance method whereby the cost of an asset is written off to profit or loss account over its estimated useful life by applying the rates mentioned in note 4.1 to the financial statements.

Depreciation on additions to property, plant and equipment is charged from the month in which an item is acquired or capitalized while no depreciation is charged for the month in which the item is disposed off.

Depreciation methods, useful lives and depreciation rates are reviewed at each reporting date and adjusted if appropriate.

#### *Gains and losses on disposal*

Any gain or loss on disposal of an item of property, plant and equipment is recognized in the profit or loss account.

### **3.2 Stores, spares and consumables**

These are stated at lower of weighted average cost and net realizable value except items in transit which are stated at invoice value plus other charges incurred thereon.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs necessary to be incurred to make the sale.

### **3.3 Loans, advances, short term deposits and prepayments**

These are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment, if any. A provision for impairment is established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Loans, advances and other receivables considered irrecoverable are written off.

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

Cash and cash equivalents comprise cash in hand and deposits with banks and highly liquid financial assets with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value.

*12/11/2018*



### 3.5 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit and 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 year, if any.

#### *Deferred tax*

Deferred tax is recognized 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 realization or settlement of the carrying amount of assets and liabilities, using the enacted or substantively enacted rates of taxation.

The Company recognizes deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### 3.6 Trade payable and other liabilities

Trade payable and other liabilities are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost.

### 3.7 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. The amount recognized as a provision reflects the best estimate of the expenditure to settle the present obligation at the reporting date.

### 3.8 Revenue recognition

Revenue from rendering of toll manufacturing services is recorded on delivery and acceptance of manufactured goods by the customer.

- Revenue from rendering of toll manufacturing services is recognized when the services are received (i.e. on delivery and acceptance of manufactured goods by the customer).
- Gains / (losses) arising on sale of investments are included in the profit or loss account in the period in which they arise.
- Dividend income is recognized when the Company's right to receive payment have been established and is recognized in profit or loss and included in other income when the Company's right to receive payment has been established.

### 3.9 Financial instruments

The Company classifies its financial assets into the following categories: "financial assets at fair value through profit or loss" and "loans and receivables".

The Company classifies its financial liabilities in "other financial liabilities" category.

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

The Company initially recognizes loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date.

The Company derecognizes 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 derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired.

### **3.9.2 Offsetting of financial assets and financial 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 recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously.

### **3.9.3 Financial assets - measurement**

#### **a) Financial assets at fair value through profit or loss**

A financial asset is classified as 'at fair value through profit or loss' if it is held-for-trading or is designated as such upon initial recognition. Financial assets are designated as 'at fair value through profit or loss' if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial assets which are acquired principally for the purpose of generating profit from short term price fluctuation or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading or a derivative.

Financial assets as 'at fair value through profit or loss' are measured at fair value, and changes therein are recognized in profit or loss account.

All derivatives in a net receivable position (positive fair value), are reported as financial assets held for trading. All derivatives in a net payable position (negative fair value), are reported as financial liabilities held for trading.

#### **b) Loans and receivables**

These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method.

### **3.9.4 Financial liabilities - measurement**

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

### **3.9.5 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.

*10/1/2019*



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 amortized 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 recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized 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 or loss account.

#### *Non-financial assets*

The carrying amounts of non-financial assets other than stores and spares 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").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss account.

Impairment loss recognized 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 amortization, if no impairment loss had been recognized.

### **3.10 Employee benefits - Provident Fund**

The Company operates an un-registered provident fund for its employees. Equal monthly contributions are made by the Company and the employees to the Fund at the rate of 10% of basic salary.

### **3.11 Foreign currency translation**

Transactions in foreign currencies are translated into Pak rupees at the rates of exchange approximating those prevailing on the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak rupees at the rates of exchange ruling on the balance sheet date. Exchange differences are included in the profit or loss account currently. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

### **3.12 Earnings per share**

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

### **3.13 Investment in associate**

Investment in associates is stated at cost less provision for impairment, if any. These are classified as long term investment.

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#### 4. PROPERTY, PLANT AND EQUIPMENT

Note	30 June 2018	30 June 2017
	(Rupees)	
4.1	135,586,628	119,826,607
4.2	2,611,414	1,651,116
	<u>138,198,042</u>	<u>121,477,723</u>

#### 4.1 Operating property, plant and equipment

Note	30 June 2018										
	Cost				Rate %	Accumulated depreciation				Net book value as at 30 June 2018	
	As at 01 July 2017	Additions / transfers	(Disposals)	As at 30 June 2018		As at 01 July 2017	For the year	(Disposals)	As at 30 June 2018		
	(Rupees)					(Rupees)					
Leasehold land	4.1.3	15,661,176	-	-	15,661,176	-	-	-	-	-	15,661,176
Building on leasehold land		105,505,136	7,126,676	-	112,631,812	5	36,070,207	3,678,264	-	39,748,471	72,883,341
Plant and machinery		51,099,745	15,739,997	-	66,839,742	10 - 20	21,921,732	4,311,393	-	26,233,125	40,606,617
Tools and equipment		498,560	-	-	498,560	10	150,745	34,782	-	185,527	313,033
Furniture, fixtures and office equipment		9,371,862	2,288,656	-	11,660,518	10 - 30	4,785,790	1,246,622	-	6,032,412	5,628,106
Vehicles		846,423	-	-	846,423	20	227,821	124,247	-	352,068	494,355
		<u>182,982,902</u>	<u>25,155,329</u>	<u>-</u>	<u>208,138,231</u>		<u>63,156,295</u>	<u>9,395,308</u>	<u>-</u>	<u>72,551,603</u>	<u>135,586,628</u>
30 June 2017											
		Cost				Rate %	Accumulated depreciation				Net book value as at 30 June 2017
		As at 01 July 2016	Additions / transfers	(Disposals)	As at 30 June 2017		As at 01 July 2016	For the year	(Disposals)	As at 30 June 2017	
		(Rupees)					(Rupees)				
Leasehold land	4.1.3	15,661,176	-	-	15,661,176	-	-	-	-	-	15,661,176
Building on leasehold land		92,498,943	13,006,193	-	105,505,136	5	32,808,193	3,262,014	-	36,070,207	69,434,929
Plant and machinery		42,383,222	8,716,523	-	51,099,745	10 - 20	18,692,448	3,229,284	-	21,921,732	29,178,013
Tools and equipment		498,560	-	-	498,560	10	112,099	38,646	-	150,745	347,815
Furniture, fixtures and office equipment		7,931,703	1,440,159	-	9,371,862	10 - 30	3,689,260	1,096,530	-	4,785,790	4,586,072
Vehicles		1,226,765	619,658	(1,000,000)	846,423	20	491,433	64,166	(327,778)	227,821	618,602
		<u>160,200,369</u>	<u>23,782,533</u>	<u>(1,000,000)</u>	<u>182,982,902</u>		<u>55,793,433</u>	<u>7,690,640</u>	<u>(327,778)</u>	<u>63,156,295</u>	<u>119,826,607</u>

#### 4.1.1 Depreciation has been allocated as follows:

Depreciation has been allocated as follows:	Note	30 June 2018	30 June 2017
		(Rupees)	
Cost of toll manufacturing services	17	8,850,081	6,927,505
Administrative and selling expenses	18	545,227	763,135
		<u>9,395,308</u>	<u>7,690,640</u>

#### 4.1.2 There are no fully depreciated assets at the reporting date as the Company is following reducing balance method.

#### 4.1.3 For contingencies relating to leasehold land refer note 15.

#### 4.1.4 The lease hold land and building is situated at DSU-19 Downstream Industrial Estate, Pakistan Steel Mills Bin Qasim Town, Karachi covering an area of 20,400 sq. meters (5 acres).

#### 4.2 Capital work-in-progress

	30 June 2018	30 June 2017
	(Rupees)	
4.2.1	2,611,414	1,651,116

#### 4.2.1 Movement in capital work-in-progress is as follows:

Balance at beginning of the year	1,651,116	5,389,211
Additions during the year	8,086,974	9,268,098
Transferred to operating property, plant and equipment	(7,126,676)	(13,006,193)
Balance at end of the year	<u>2,611,414</u>	<u>1,651,116</u>

#### 5. INVESTMENT IN ASSOCIATE

30 June 2018	30 June 2017	Unlisted	
(Number of shares)			
15,000,000	-	Hi-Tech Alloy Wheels Limited (HAWL) (Chief Executive - Munir K. Bana) (12.03%)	5.1
			<u>150,000,000</u>

#### 5.1 In the current year, HAWL offered 81 million ordinary shares through right issue (first right issue) to the existing shareholders in the proportion of their existing shareholding, at an exercise price of Rs. 10 per share (i.e. face value). Loads Limited subscribed to 61 million ordinary shares and empowered the Board of HAWL to offer the remaining 20 million ordinary shares to others as advised by the Board of HAWL. On 12 January 2018, the Board of HAWL passed a resolution and offered 15 million and 5 million shares to Specialised Autoparts Industries (Private) Limited (SAIL) and Multiple Autoparts Industries (Private) Limited (MAIL) respectively at the exercise price of Rs. 10 per share (face value). At the date of offer, HAWL was a wholly owned subsidiary of Loads Limited. SAIL and MAIL fully subscribed the offers and on 12 February 2018, the shares were issued to SAIL and MAIL.

The breakup value of HAWL as at 30 June 2018 was Rs. 10.71 per share and (30 June 2017: Rs. 9.92 per share).

Investments in associated company has been made in accordance with the requirements of the Companies Act, 2017.

#### 5.2 The return of allotment of HAWL was filed on 13 February 2018.

#### 5.3 Equity method is not applied to account for investment in associates due to the fact that the Company complied with the conditions for exemptions as mentioned in International Accounting Standards - 28 "Investments in Associates and Joint Ventures" (IAS - 28), which are as follows:

- the Company is a wholly owned subsidiary, or is a partially owned subsidiary and its other owners (including those not otherwise entitled to vote) have been informed about, and do not object to, the entity not applying the equity method;
- the Company's debt or equity instruments are not traded in a public market, including stock exchanges and over-the-counter markets;
- the Company did not file, and is not in the process of filing, its financial statements with a regulatory organization for the purpose of issuing any class of instruments in a public market; and
- the ultimate parent of the Company (Loads Limited) produces financial statements that comply with IFRS as applicable in Pakistan - i.e. in those financial statements, subsidiaries are consolidated.

Therefore, the investment in associate is carried at cost.

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5.4 Summarized financial information based on latest available audited financial statements of HAWL is as follows:

	30 June 2018
Direct shareholding (Percentage)	11.40%
Effective holdings* (Percentage)	12.03%
Non-current assets (Rupees)	1,421,927,924
Current assets (Rupees)	633,467,459
Non-Current liabilities (Rupees)	(36,339,781)
Current liabilities (Rupees)	(509,979,483)
Net assets (Rupees)	1,409,066,119
Revenue (Rupees)	-
Loss after tax (Rupees)	(8,539,073)
Other comprehensive income (Rupees)	-
Total comprehensive income (Rupees)	(8,539,073)
*due to cross holdings	

6. LOANS AND ADVANCES	Note	30 June 2018	30 June 2017
		(Rupees)	
Loans to employees - considered good	6.1	942,641	708,826
Loans to workers - considered good	6.2	1,973,322	1,356,642
Advance salary to employees		167,089	209,976
Advance to suppliers		1,589,217	2,286,016
		<u>4,562,279</u>	<u>4,561,260</u>

6.1 These represent loans provided to executive staff having maturity of 12 months. These loans carry mark-up at the rate of 7% (30 June 2017: 10%) per annum.

6.2 These represent loans provided to workers for personal expenses having maturity of 12 months. These loans carry mark-up at the rate of 7% (30 June 2017: 10%) per annum.

7. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	Note	30 June 2018	30 June 2017
		(Rupees)	
Deposits	7.1	1,281,435	1,281,435
Prepayments		652,911	697,662
Other receivables		62,768	3,987
		<u>1,997,114</u>	<u>1,983,084</u>

#### 7.1 Deposits

Deposits to			
- K-Electric Limited		1,200,000	1,200,000
- Sul Southern Gas Company Limited		61,435	81,435
		<u>1,261,435</u>	<u>1,281,435</u>

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

Due from related parties	8.1	<u>266,107,222</u>	<u>220,490,604</u>
Due to related parties	8.6	<u>(7,579,044)</u>	<u>(5,968,002)</u>

#### 8.1 Due from related parties

Considered good - unsecured			
Loan to Loads Limited (the parent company)	8.2	151,590,000	151,590,000
Trade receivable from Loads Limited (the parent company)	8.3	77,203,733	52,856,449
Mark-up receivable from Loads Limited (the parent company)	8.2	27,259,489	16,044,166
Other receivable from Specialized Motorcycles (Private) Limited	8.4	64,000	-
		<u>266,107,222</u>	<u>220,490,604</u>

8.2 This represents loan given to Loads Limited, the parent company, which is receivable on demand carrying mark-up at the rate of 1 month KIBOR plus 1%.

#### 8.3 Trade receivable

These represent receivables against toll manufacturing services only rendered to Loads Limited (parent company).

8.3.1 Loads Limited	Note	Gross amount due	Past due amount	Provision for doubtful receivables	Reversal of provision of doubtful receivables	Amount due written off	Net amount	Maximum amount outstanding at any time during the year
		(Rupees)						
30 June 2018	8.3.2	<u>77,203,733</u>	<u>77,203,733</u>	-	-	-	<u>77,203,733</u>	<u>77,203,733</u>
30 June 2017	8.3.2	<u>52,856,449</u>	<u>52,856,449</u>	-	-	-	<u>52,856,449</u>	<u>52,856,449</u>

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### 8.3.2 Age analysis of trade receivable from related party

	Amount not past due	Amount past due				Total gross amount due
		Past due 0-30 days	Past due 31-60 days	Past due 61-90 days	Past due 91-365 days	
				(Rupees)		
<b>Loads Limited</b>						
30 June 2018	-	51,085,817	25,117,916	-	-	77,203,733
30 June 2017	-	5,673,478	21,920,298	25,262,675	-	52,856,449

8.4 This represents receivable on account of legal and professional charges paid by the Company, on behalf of the Specialized Motorcycles (Private) Limited, an associated company.

8.4.1 Specialized Motorcycles (Private) Limited	Gross amount due	Past due amount	Provision for doubtful receivables	Reversal of provision of doubtful receivables	Amount due written off	Net amount	Maximum amount outstanding at any time during the year
				(Rupees)			
30 June 2018	54,000	54,000	-	-	-	54,000	54,000
30 June 2017	-	-	-	-	-	-	-

### 8.4.2 Age analysis of other receivable from related party

	Amount not past due	Amount past due				Total gross amount due
		Past due 0-30 days	Past due 31-60 days	Past due 61-90 days	Past due 91-365 days	
				(Rupees)		
<b>Specialized Motorcycles (Private) Limited</b>						
30 June 2018	-	54,000	-	-	-	54,000
30 June 2017	-	-	-	-	-	-

### 8.5 Due to related parties

	Note	30 June 2018	30 June 2017
		(Rupees)	
Loads Limited	8.5.1	6,760,538	5,968,002
Multiple Autoparts Industries (Private) Limited		818,506	-
		7,579,044	5,968,002

8.5.1 This represents payable on account of diesel charges paid by Loads Limited, the parent company, on behalf of the Company.

8.6 The Company has not recognized any provision against overdue balances as the amount is due from related parties and the amount is not yet received due to cash flow management.

8.7 As at 30 June 2018, the net assets of Loads Limited and Specialized Motorcycles (Private) Limited amounted to Rs. 3,057.31 million (2017: Rs. 3,143.19 million) and Rs. 67.41 million (30 June 2017: 64.87) respectively.

### 9. INVESTMENTS - at fair value through profit or loss - at initial recognition

Name of Fund	30 June 2018						
	As at 01 July 2017	Purchases / Dividend reinvest during the year	Sales during the year	As at 30 June 2018	Carrying value as at 30 June 2018	Market Value as at 30 June 2018	Unrealized gain / (loss) as at 30 June 2018
		Number of units				(Rupees)	
NAFA Riba Free Savings Fund	9,541	-	-	9,541	97,209	102,298	5,089
NAFA Islamic Active Allocation Plan IV	10,917	-	-	10,917	1,188,986	1,069,765	(119,221)
NAFA Islamic Active Allocation Plan VI	29,047	-	-	29,047	2,743,660	2,528,989	(214,671)
NAFA Islamic Capital Preservation Plan-II	-	19,377	-	19,377	2,000,000	1,947,970	(52,030)
					6,029,855	5,649,022	(380,833)

Name of Fund	30 June 2017						
	As at 01 July 2016	Purchases during the year	Sales during the year	As at 30 June 2017	Carrying value as at 30 June 2017	Market Value as at 30 June 2017	Unrealized gain / (loss) as at 30 June 2017
		Number of units				(Rupees)	
NAFA Islamic Asset Allocation Fund	73,249	-	(73,249)	-	-	-	-
NAFA Riba Free Savings Fund	-	9,541	-	9,541	97,765	97,209	(556)
NAFA Islamic Active Allocation Plan IV	-	10,917	-	10,917	1,130,847	1,184,343	53,496
NAFA Islamic Active Allocation Plan VI	-	29,047	-	29,047	3,006,424	2,743,660	(262,764)
					4,235,036	4,025,212	(209,824)

### 10. TAXATION - net

	30 June 2018	30 June 2017
	(Rupees)	
The represents net balance of:		
Provision for current income tax	22	19,767,551
Advance income tax		(4,606,137)
		15,161,414

8/15/2018



# 11. CASH AND BANK BALANCES

	30 June 2018	30 June 2017
	(Rupees)	
Cash in hand	325,987	219,397
Cash at bank - in current accounts	5,201,702	3,093,238
	<u>5,527,689</u>	<u>3,312,635</u>

## 11.1 Reconciliation of movement of equity to cash flows arising from financing activities

	30 June 2018
	Share capital (Rupees)
Balance as at 1 July 2017	175,000,000
Changes from financing cash flows	
Proceeds from issue of share capital	150,000,000
Balance as at 30 June 2018	<u>325,000,000</u>

# 12. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

30 June 2018	30 June 2017	Note	30 June 2018	30 June 2017
			(Rupees)	
32,500,000	17,500,000	Ordinary shares of Rs. 10 each fully paid in cash	325,000,000	175,000,000

## 12.1 Reconciliation of number of shares outstanding

	(Number of shares)
Ordinary shares at beginning of the year	17,500,000
Issue of ordinary shares at the rate of Rs.10 per share	15,000,000
Ordinary shares at end of the year	<u>32,500,000</u>

12.2 The Company increased its authorized share capital from Rs. 175 million to Rs. 325 million on 12 February 2018 through a special resolution.

12.3 In the month of March, SAIL passed a special resolution and offered 15 million ordinary shares through a right issue to the existing shareholders in the proportion of their shareholding, at an exercise price of Rs.10 per share (i.e. face value). The existing shareholders (including Loads Limited) renounced the offer on 16 March 2018 and empowered the Board of SAIL to offer the shares to others as advised by the Board of SAIL. On 21 March 2018, the Board of SAIL passed a resolution and offered the shares to Hi-Tech Alloy Wheels Limited (HAWL) at the same exercise price of Rs. 10 per share (face value). At the date of offer, HAWL was a wholly owned subsidiary of Loads Limited. HAWL fully subscribed the offer and on 23 April 2018, the shares were issued to HAWL. The return of allotment of SAIL was filed on 25 April 2018.

### Name of Shareholders

	2018		2017	
	Number of Shares	% of Holding	Number of Shares	% of Holding
Loads Limited	17,499,992	53.85%	17,499,992	100.00%
Hi-Tech Alloy Wheels Limited	15,000,000	46.15%	-	0.00%
Directors	8	0.00%	8	0.00%
	<u>32,500,000</u>	<u>100%</u>	<u>17,500,000</u>	<u>100%</u>

# 13. DEFERRED TAX LIABILITY

DEFERRED TAX LIABILITY	Note	30 June 2018	30 June 2017
		(Rupees)	
Taxable temporary difference arising in respect of			
- Property, plant and equipment	13.1	<u>17,827,547</u>	<u>16,988,825</u>
Movement of deferred tax liability			
Opening balance		16,988,825	16,614,342
Recognized in profit or loss	22	<u>838,722</u>	<u>374,483</u>
Closing balance		<u>17,827,547</u>	<u>16,988,825</u>

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**14. TRADE AND OTHER PAYABLES**

Note	30 June 2018	30 June 2017
	(Rupees)	
Creditors	10,082,075	8,345,340
Accrued liabilities	12,783,215	14,066,697
Security deposit from contractors	70,500	70,500
<i>Other liabilities</i>		
Provision for workers' profit participation fund	14.1 3,325,398	2,936,607
Provision for workers' welfare fund	14.2 5,890,527	4,237,888
Payable to provident fund	14.3 5,228,223	3,772,370
Sales tax payable	14.5 2,887,168	2,784,977
Other Payables	14.4 1,296,786	82,628
	<u>41,561,892</u>	<u>36,297,007</u>

**14.1 Workers' profit participation fund**

Opening balance		2,936,607	3,567,339
Charge for the year	19	4,048,965	3,121,765
Interest charged during the year	21	170,550	175,040
		<u>7,156,122</u>	<u>6,864,144</u>
Payments made during the year		(3,830,724)	(3,927,537)
Closing balance		<u>3,325,398</u>	<u>2,936,607</u>

**14.2 Workers' welfare fund**

Opening balance		4,237,888	2,989,182
Charge for the year	19	1,652,639	1,248,706
Payment made during the year		-	-
Closing balance		<u>5,890,527</u>	<u>4,237,888</u>

**14.3** This represents amount payable to provident fund. The amount has not been transferred as the management is in the process of registering the provident fund with the authorities (refer note 3.10). All investments in collective investment schemes, listed equity and listed debt securities out of provident fund has been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

**14.4** This includes a payable for SESSI amounting to Rs. 557,566 (30 June 2017: Rs. Nil).

**14.5** In the current year, an assessment order dated 03 August 2017 was passed by Assistant Commissioner Inland Revenue (ACIR) raising demand of Rs. 11.5 million along with the default surcharge u/s 34 and the penalty u/s 33 of the Sales Tax Act, 1990 (the Act) by disallowing the claims of input tax credit. The Company deposited the demand against the assessment order amounting to Rs. 2.01 million, including a penalty of Rs. 0.17 million as default surcharge and Rs. 0.09 million as penalty. These have been fully provided in the financial statements (refer note 18).

**15. CONTINGENCIES AND COMMITMENTS****15.1 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
High Court	A lawsuit has been filed against the Company by Pakistan Steel Mills Corporation (Private) Limited (PASMIC) claiming possession of the leasehold land of the Company on the grounds that no objection certificate was not obtained from PASMIC when the Company purchased suit property in court auction. However, the Company's lawyer is of the view that no condition about specific use was imposed upon the Company when it purchased the suit property in court auction. Further, the Company is manufacturing autoparts for the last eight years which is in the knowledge of PASMIC. Furthermore, the action of PASMIC is unjustifiable and also contrary to law as no show cause notice was given to the Company. The Honorable Court has restrained PASMIC from dispossessing the Company from the suit property. The Company based on lawyer's advice is confident of a favorable outcome.	Company	2 July 2007

**15.2 Commitments**

**15.2.1** There are no commitments as at 30 June 2018 and 30 June 2017

**15.3** Tax related contingencies are disclosed in note 22.

**16. TURNOVER**

Note	30 June 2018	30 June 2017
	(Rupees)	
Gross revenue	16.1 415,520,195	362,110,714
Less: Sales tax	(80,374,729)	(52,614,377)
	<u>355,145,466</u>	<u>309,496,337</u>

**16.1** This represents income generated solely from toll manufacturing services provided to the parent company in accordance with an agreement entered with parent company.

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17.	<b>COST OF TOLL MANUFACTURING SERVICES</b>	Note	30 June 2018	30 June 2017
			(Rupees)	
	Ancillary materials consumed	17.1	42,374,112	39,223,077
	Salaries and wages		111,186,996	90,438,710
	Other employee benefits		50,792,577	50,799,964
	Power and water		15,287,938	14,768,030
	Staff transportation		13,915,609	12,327,422
	Repairs and maintenance		12,386,292	9,076,825
	Depreciation	4.1.1	8,850,081	6,927,505
	Toll manufacturing cost		5,810,540	5,035,664
	Insurance		1,265,699	1,304,705
	Travelling and vehicle running cost		1,332,894	519,709
	Rent, rates and taxes		576,536	1,128,545
	Postage, telephone and telex		510,723	376,564
	Printing, stationery and periodicals		41,611	125,082
	Inward freight and storage charges		760	4,740
	Others		621,653	737,935
			<u>264,954,021</u>	<u>232,794,477</u>
17.1	<b>Ancillary materials consumed</b>			
	Opening balance		6,414,558	9,117,699
	Purchases during the year		43,464,048	36,519,936
	Closing balance		<u>(7,504,494)</u>	<u>(6,414,558)</u>
			<u>42,374,112</u>	<u>39,223,077</u>
18.	<b>ADMINISTRATIVE AND SELLING EXPENSES</b>			
	Salaries and wages		10,689,545	9,675,827
	Other employee benefits		3,218,719	4,216,221
	Legal and professional charges		2,225,115	590,170
	Sales tax penalty and reversal of input tax	14.6	2,009,141	-
	Depreciation	4.1.1	545,227	763,135
	Auditors' remuneration	18.1	221,500	146,000
	Travelling and vehicle running cost		318,649	208,983
	Repairs and maintenance		451,610	40,415
	Printing, stationery and periodicals		12,886	-
	Others		78,841	61,845
			<u>19,771,233</u>	<u>15,702,596</u>
18.1	<b>Auditors' remuneration</b>			
	Audit fee		137,500	125,000
	Certifications for regulatory purposes		50,000	-
	Out of pocket expenses		<u>34,000</u>	<u>21,000</u>
			<u>221,500</u>	<u>146,000</u>
19.	<b>OTHER CHARGES</b>			
	Workers' profit participation fund	14.1	4,048,965	3,121,765
	Workers' welfare fund	14.2	1,652,639	1,248,706
	Loss on disposal of property, plant and equipment		-	82,222
	Unrealized loss on re-measurement of investments at fair value through profit or loss - at initial recognition	9	380,833	209,824
			<u>6,082,437</u>	<u>4,662,517</u>
20.	<b>OTHER INCOME</b>			
	<b>Income from financial assets</b>			
	Mark-up income on loan to parent company		11,215,334	12,157,518
	Mark-up on loan to employees and workers		367,539	341,759
	Dividend income		6,190	43,714
	Realized gain on sale of investment		-	51,560
	Miscellaneous		6,060	-
	Profit from investment in mutual funds		-	12,339
			<u>11,595,123</u>	<u>12,606,890</u>
21.	<b>FINANCE COST</b>			
	Interest on workers' profit participation fund	14.1	170,550	175,040
	Bank charges		26,049	10,019
			<u>196,599</u>	<u>185,059</u>
22.	<b>TAXATION</b>			
	Current		19,767,551	20,294,595
	Prior		-	(1,090,401)
	Deferred	13.1	838,722	374,483
			<u>20,606,273</u>	<u>19,578,677</u>

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22.1 Reconciliation between income tax expense and accounting profit	Note	30 June 2018	30 June 2017
		(Rupees)	
Profit before taxation		<u>75,736,299</u>	<u>68,758,578</u>
Tax at the applicable rate of 30% (2017: 31%)		<u>22,720,890</u>	<u>21,315,159</u>
Tax effect of change in tax rates		<u>(566,294)</u>	<u>(536,402)</u>
Effect of tax credit under section 65B of the Income tax Ordinance, 2001	22.4	<u>(1,574,000)</u>	<u>-</u>
Tax effect of prior years		<u>-</u>	<u>(1,090,401)</u>
Others		<u>25,677</u>	<u>(109,679)</u>
		<u>20,606,273</u>	<u>19,578,677</u>

22.2 The income tax returns of the Company have been filed upto tax year 2017 under the Universal Self Assessment Scheme. This scheme provides that the return filed is deemed to be an assessment order. The returns may be selected for audit within five years. The Income Tax Commissioner may amend assessment if any objection is raised during audit.

22.3 In respect of tax year 2017 and tax year 2016, a notice dated 8 January 2018 and 19 January 2017, respectively, were issued for monitoring of withholding tax by tax authorities to the Company. The Company has furnished the requisite documents to the tax authorities but proceedings have not yet been finalized.

22.4 This represents tax credit under section 65B on account of purchase of plant and machinery.

22.5 Income tax of the estimated assessable profit for the year is calculated at the enacted corporation tax rate of 30% (30 June 2017: 31%). 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:

	2017	2016	2015	Total
		(Rupees)		
Tax provision recognized in the financial statements	<u>20,294,595</u>	<u>22,670,574</u>	<u>5,046,501</u>	<u>48,011,670</u>
Tax charged as per tax returns	<u>19,451,492</u>	<u>12,799,024</u>	<u>12,288,062</u>	<u>44,538,578</u>

## 23. EARNINGS PER SHARE - basic and diluted

	30 June 2018	30 June 2017
	(Rupees)	
Profit after taxation	<u>55,130,026</u>	<u>49,179,901</u>
	(Number)	
Weighted average number of ordinary shares	<u>20,294,521</u>	<u>17,500,000</u>
	(Rupees)	
Basic and diluted earnings per share	<u>2.72</u>	<u>2.81</u>

## 24. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of Loads Limited (parent company) and other group companies, entities with common directors 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 51.28% (30 June 2017: 100%)	Revenue	<u>355,145,466</u>	<u>309,496,337</u>
		Mark-up income	<u>11,215,334</u>	<u>12,157,518</u>
		Payments received during the year	<u>330,798,182</u>	<u>319,716,383</u>
		Trade receivable	<u>77,203,733</u>	<u>52,856,449</u>
		Other payable	<u>6,760,538</u>	<u>5,968,002</u>
		Mark-up receivable	<u>27,259,489</u>	<u>16,044,155</u>
		Loan receivable	<u>151,590,000</u>	<u>151,590,000</u>
Hi-Tech Alloy Wheels Limited	Associate Company holds 48.72% (30 June 2017: Nil)	Issuance of shares by the Company	<u>150,000,000</u>	<u>-</u>
		Investment in associated company	<u>150,000,000</u>	<u>-</u>
Specialized Motorcycles (Private) Limited	Associate Company by common directorship	Other receivable	<u>54,000</u>	<u>-</u>
Multiple Autoparts Industries (Private) Limited	Associate Company by common directorship	Other payable	<u>818,506</u>	<u>-</u>

10/1/2018



## 25. 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 and operational risk.

### 25.1 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 investments, loans, deposits, bank balances and other receivables. The maximum exposure to credit risk at the reporting date was as follows:

	Note	30 June 2018	30 June 2017
		(Rupees)	
Deposits and other receivables	7	1,334,193	1,285,422
Due from related parties	8	256,107,222	220,490,604
Loans to employees and workers	6	2,815,983	2,065,268
Investments - at fair value through profit or loss - at initial recognition	9	5,649,022	4,025,212
Bank balances	11	5,201,702	3,093,238
		<u>271,108,102</u>	<u>230,959,744</u>

#### *Credit rating 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 of external credit ratings as follows:

Bank	Rating agency	Short term rating	30 June 2018	
			(Rupees)	(%)
Bank Al-Habib Limited	PACRA	A-1+	840,782	16%
Sonari Bank Limited	PACRA	A-1+	28,645	1%
National Bank of Pakistan	PACRA	A-1+	4,332,275	83%
			<u>5,201,702</u>	<u>100%</u>

Bank	Rating agency	Short term rating	30 June 2017	
			(Rupees)	(%)
Bank Al-Habib Limited	PACRA	A-1+	391,740	13%
Sonari Bank Limited	PACRA	A-1+	336,926	11%
National Bank of Pakistan	PACRA	A-1+	2,364,572	76%
			<u>3,093,238</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 exposed to concentration of credit risk as all of its major receivables are from parent company.

#### *Past due and impaired assets*

None of the financial assets of the Company are past due / impaired, as all of its major receivables are from parent company as disclosed in note B to the financial statements.

### 25.2 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

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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 (Rupees)	One to three months	Three months to one year
<i>Non-derivative financial liabilities</i>					
Trade and other payables	23,675,010	23,675,010	12,783,215	10,082,075	809,720
Due to related parties - net	7,579,044	7,579,044	7,579,044	-	-
	<u>31,254,054</u>	<u>31,254,054</u>	<u>20,362,259</u>	<u>10,082,075</u>	<u>809,720</u>
		30 June 2017			
	Carrying amount	Contractual cash flows	Less than one month (Rupees)	One to three months	Three months to one year
<i>Non-derivative financial liabilities</i>					
Trade and other payables	26,337,535	26,337,535	14,066,697	8,345,340	3,925,498
Due to related parties - net	5,968,002	5,968,002	5,968,002	-	-
	<u>32,305,537</u>	<u>32,305,537</u>	<u>20,034,699</u>	<u>8,345,340</u>	<u>3,925,498</u>

## 25.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and other price risks, will affect Company's income or value of its holdings of financial instruments.

### 25.3.1 Currency risk

Foreign exchange risk arises mainly where receivables and payables exist due to transactions in foreign currencies. At present the risk arises mainly on payments to foreign consultants and contractors.

At reporting date the Company has no foreign currency risk.

### 25.3.2 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. Majority of the interest rate exposure arises on loan to employees.

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

	Note	30 June 2018	30 June 2017
Variable rate instruments			
Financial assets			
Loan to parent company	8	151,590,000	151,590,000
Fixed rate instruments			
Financial assets			
Loans to employees and workers	6	2,815,963	2,065,268
		154,405,963	153,655,268

### 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, change in interest rates at reporting date would not have impact on profit or loss account and equity of the company

### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting 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

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on the same basis for 30 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	<u>1,515,900</u>	<u>(1,515,900)</u>	<u>1,515,900</u>	<u>(1,515,900)</u>
<b>As at 30 June 2017</b>				
Cash flow sensitivity - variable rate instruments	<u>1,515,900</u>	<u>(1,515,900)</u>	<u>1,515,900</u>	<u>(1,515,900)</u>

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

### 25.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of financial instrument will fluctuate as a result of changes in market price (other than those arising from interest rate risk or currency risk), whether carried by factors specific to an industry investments, its issuer or factors affecting all investments traded in markets. At 30 June 2018, the company has no financial instrument exposed to other price risk.

### 25.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for stakeholders.

Senior management ensures that the Company's staff have adequate training and experience and fosters effective communication related to operational risk management.

## 26. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

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

## 27. 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).

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## 27.1 Carrying amounts 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 and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Note	Carrying amount				Fair value			
	Investments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees)								
<b>30 June 2018</b>								
<b>Financial assets - measured at fair value</b>								
Investments - at fair value through profit or loss - at initial recognition	5,649,022	-	-	5,649,022	5,649,022	-	-	5,649,022
<b>Financial assets - not measured at fair value</b>								
Loans to employees and workers	27.1.1	-	2,815,963	-	2,815,963			
Deposits and other receivables	27.1.1	-	1,334,193	-	1,334,193			
Due from related parties - net	27.1.1	-	256,107,222	-	256,107,222			
Cash and bank balances	27.1.1	-	5,527,689	-	5,527,689			
		5,649,022	265,785,067	-	271,434,089			
<b>Financial liabilities - not measured at fair value</b>								
Trade and other payables	27.1.1	-	-	23,675,010	23,675,010			
Due to related party	27.1.1	-	-	7,579,044	7,579,044			
		-	-	31,254,054	31,254,054			
<b>30 June 2017</b>								
<b>Financial assets - measured at fair value</b>								
Investments - at fair value through profit or loss - at initial recognition	4,025,212	-	-	4,025,212	4,025,212	-	-	4,025,212
<b>Financial assets - not measured at fair value</b>								
Loans to employees	27.1.1	-	2,065,268	-	2,065,268			
Deposits and other receivables	27.1.1	-	1,285,422	-	1,285,422			
Due from parent company	27.1.1	-	220,490,604	-	220,490,604			
Cash and bank balances	27.1.1	-	3,312,635	-	3,312,635			
		4,025,212	227,153,929	-	231,179,141			
<b>Financial liabilities - not measured at fair value</b>								
Trade and other payables	27.1.1	-	-	26,337,535	26,337,535			
Due to related party	27.1.1	-	-	5,968,002	5,968,002			
		-	-	32,305,537	32,305,537			

27.1.1 The Company has not disclosed the fair values for these financial assets and financial liabilities, as these are for short term or repriced over short term. Therefore, their carrying amounts are reasonable approximation of fair value.

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

	2018			2017		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
(Rupees)						
Managerial remuneration	-	-	-	-	-	-
House rent and utilities	-	-	-	-	-	-
Bonus	-	-	-	-	-	-
Medical	-	-	-	-	-	-
Contribution to retirement benefits funds	-	-	-	-	-	-
	-	-	-	-	-	-
	1	7	-	1	7	-

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

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29. **PLANT CAPACITY AND PRODUCTION**

The production capacity of the plant cannot be determined as it depends on the relative proportions of various types / sizes of sub-assemblies, components and parts produced for various types of vehicles.

30. **STAFF STRENGTH**

	30 June 2018	30 June 2017
	(Numbers) Contractual	
Total number of employees	<u>586</u>	<u>521</u>
Average number of employees	<u>554</u>	<u>494</u>
Employees working in the Company's factory at the year end	<u>481</u>	<u>424</u>
Average employees working in Company's factory during the year	<u>453</u>	<u>418</u>

There are no permanent employees in the Company. Services of the employees of the parent company are obtained for administrative purposes.

31. **GENERAL**

31.1 The Company has reclassified certain figures in the prior year for better presentation and disclosure.

31.2 **Date of Authorisation**

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

01 OCT 2018

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Chief Executive



Director