KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants

Hi-Tech Alloy Wheels Limited

Financial Statements

For the year ended 30 June 2022

KPMG Taseer Hadi & Co.
Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT

To the members of Hi-Tech Alloy Wheels Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Hi-Tech Alloy Wheels Limited** (the Company), which comprise the statement of financial position as at 30 June 2022, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2022 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

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d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Taufiq

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants

Date: 07 October 2022

Karachi

UDIN: AR202210106ASeRcUqgM

Hi-Tech Alloy Wheels Limited
Statement of Financial Position
As at 30 June 2022

	Note	2022	2021
		(Rupees)	
ASSETS			
Non-current assets			
Property, plant and equipment	5	**4,484,675,787**	4,487,849,413
Long term investments	6	**306,492,739**	260,273,794
		4,791,168,526	4,748,123,207
Current assets			
Advances, deposits, prepayments and other receivable	7	**469,730,940**	464,753,511
Due from related party - Treet	8	**1,150,380**	1,150,380
Taxation - net	9	**5,615,989**	6,306,322
Cash and bank balances	10	**3,053,667**	9,702,871
		479,550,976	481,913,084
Total assets		**5,270,719,502**	5,230,036,291
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital:			
400,000,000 ordinary shares of Rs.10 each		**4,000,000,000**	4,000,000,000
Issued, subscribed and paid-up capital	11	**1,315,450,000**	1,315,450,000
Accumulated losses		**(1,093,493,974)**	(646,451,540)
		221,956,026	668,998,460
LIABILITIES			
Non-current liabilities			
Long term loans	12	**988,462,135**	1,031,395,927
Deferred grant	13	**-**	31,595
Deferred tax liabilities - net	22	**34,889,562**	22,304,195
		1,023,351,697	1,053,731,717
Current liabilities			
Current portion of long term loans	12	**42,933,798**	295,635,776
Current portion of deferred grant	13	**31,589**	294,996
Due to related parties	14	**3,865,087,707**	3,077,925,637
Accrued mark-up on loans		**23,636,103**	39,081,745
Other payables	15	**93,722,582**	94,367,960
		4,025,411,779	3,507,306,114
Total equity and liabilities		**5,270,719,502**	5,230,036,291
CONTINGENCIES AND COMMITMENTS	16		

The annexed notes from 1 to 30 form an integral part of these financial statements.

Chief Financial Officer **Chief Executive** **Director**

Hi-Tech Alloy Wheels Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2022

	Note	2022	2021
		(Rupees)	
Other income	17	**3,194,110**	6,011,926
Administrative and general expenses	18	**(21,921,183)**	(49,277,086)
Finance costs	19	**(461,883,509)**	(305,666,281)
Share of profit / (loss) from associate	6.1.1	**46,218,945**	37,893,037
Other expenses	20	**(25,504)**	(22,985,593)
Loss before taxation		**(434,417,141)**	(334,023,997)
Taxation - net	21	**(12,625,293)**	(9,995,542)
Loss after taxation		**(447,042,434)**	(344,019,539)
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**(447,042,434)**	(344,019,539)
Loss per share - basic and diluted	23	**(3.40)**	(2.62)

The annexed notes from 1 to 30 form an integral part of these financial statements.

Chief Financial Officer **Chief Executive** **Director**

Hi-Tech Alloy Wheels Limited
Statement of Changes in Equity
For the year ended 30 June 2022

	Share capital	Share capital	Revenue reserve	
	Issued, subscribed and paid up capital	Advance against share capital	Accumulated losses	Total Equity
	(Rupees)			
Balance as at 1 July 2021	1,315,450,000	-	(302,432,001)	1,013,017,999
Total comprehensive loss for the year ended 30 June 2021	-	-	(344,019,539)	(344,019,539)
Balance as at 30 June 2021	1,315,450,000	-	(646,451,540)	668,998,460
Total comprehensive loss for the year ended 30 June 2022	-	-	(447,042,434)	(447,042,434)
Balance as at 30 June 2022	**1,315,450,000**	**-**	**(1,093,493,974)**	**221,956,026**

The annexed notes from 1 to 30 form an integral part of these financial statements.

Chief Financial Officer **Chief Executive** **Director**

Hi-Tech Alloy Wheels Limited
Statement of Cash Flows
For the year ended 30 June 2022

	Note	2022	2021
		(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(434,417,141)	(334,023,997)
Adjustments for			
Impairment loss on associated companies	6.1.1	-	4,517,088
Unclaimed input tax		-	17,455,222
Mark-up on loans from banking companies		109,083,472	110,311,992
Mark-up on loans from parent and associated companies		352,800,037	195,354,289
Share of (profit) / loss from associate - net	6.1.1	(46,218,945)	(37,893,037)
Depreciation	5	3,173,626	3,867,579
Gain on disposal of vehicle		-	(3,545,981)
Mark-up income	17	(216,143)	(1,265,125)
Grant income	17	(295,002)	(451,280)
		(16,090,096)	(45,673,250)
Working capital changes			
(Increase) / decrease in current assets			
Due from related party - Treet		-	-
Advance, deposits and other receivable		1,371,763	9,079,453
Sales tax receivable		(6,349,192)	(40,718,541)
		(4,977,429)	(31,639,088)
Increase / (decrease) in current liabilities			
Due to related parties		-	-
Other payables		(560,928)	(40,001,460)
		(560,928)	(40,001,460)
Cash used in operating activities		(21,628,453)	(117,313,798)
Income tax (paid) / refund - net		650,407	(228,036)
Net cash used in operating activities		(20,978,046)	(117,541,834)
CASH FLOWS FROM INVESTING ACTIVITIES			
Accrued mark-up received		216,143	1,265,125
Proceeds from disposal of vehicle		-	11,000,000
Acquisition of property, plant and equipment		-	(352,277,921)
Net cash used in investing activities		216,143	(340,012,796)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of loan from related parties	14	464,362,033	661,871,000
Loans repaid to Directors	14	-	(100,755,000)
Repayment of loan to associated company		-	-
Proceeds of loan from banking company	10.2	-	8,594,600
Repayment of loan to banking company	10.2	(295,635,770)	(2,965,386)
Finance costs paid		(154,529,114)	(155,490,732)
Net cash generated from financing activities		14,197,149	411,254,482
Net (decrease) / increase in cash and cash equivalents		(6,564,754)	(46,300,148)
Cash and cash equivalents at beginning of the year		9,618,421	55,918,569
Cash and cash equivalents at end of the year		3,053,667	9,618,421
Cash and cash equivalents comprise of:			
Cash and bank balances		3,053,667	9,702,871
Short term borrowings		-	(84,450)
		3,053,667	9,618,421

The annexed notes from 1 to 30 form an integral part of these financial statements.

Chief Financial Officer	**Chief Executive**	**Director**

1. CORPORATE AND GENERAL INFORMATION

Hi-Tech Alloy Wheels Limited (HAWL) (the Company) is a public limited company incorporated in Pakistan on 13 January 2017 (as a private limited company) under the repealed Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act, 2017 on 30 May 2017).

The principal activity of the Company is to manufacture alloy wheels of various specifications and sell them to local car assemblers. Currently, the company is in construction phase and its commercial production is expected to commence by June 2024. However, the assembly of the Company's plant is suspended.

The Company is a subsidiary of Loads Limited (Parent company), a listed company incorporated in Pakistan. The shares of the Parent company are listed on Pakistan Stock Exchange (PSX).

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

- The Company's registered office is situated at Plot No. 23, Sector 19, Korangi Industrial Area, Karachi; and
- The Company has acquired land for establishing industrial unit which is located at National Industrial Park, Bin Qasim Industrial Park, the Special Economic Zone declared by Government of Sindh.

1.1 Liquidity position and its management

In year 2017, Loads group initiated a new project of alloy wheels through a subsidiary company i.e. Hi-Tech Alloy Wheels Limited (HAWL). To finance this project, significant borrowings were made from group entities (including Parent company) and other lenders. Details of liquidity position and its management are included in note 25.2.1.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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.

2.2 Basis of measurement

These financial statements have been prepared on the historical cost convention.

2.3 Functional and presentation currency

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

2.4 Use of judgments and estimates

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that effect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. 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 only effects that period, or in the period of the revision and the future periods if the revision effects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are set forth below:

- Valuation of property, plant and equipment (notes 4.1 and 5);
- Contingencies (note 16.1);
- Long term investments (notes 4.11 and 6).

3. NEW OR AMENDMENTS / INTERPRETATIONS TO EXISTING STANDARDS, INTERPRETATION AND FORTHCOMING REQUIREMENTS

3.1 Standards, interpretations and amendments to published accounting and reporting standards as applicable in Pakistan 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 2021:

- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 1 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.

- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease

  The practical expedient introduced in the 2020 amendments only applied to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021. In light of persistence of economic challenges posed by the COVID-19 pandemic, the Board has extended the practical expedient for COVID-19 related rent concessions by one year i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022.

  Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

  - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

  - any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

  - there is no substantive change to the other terms and conditions of the lease.

  Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprises the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

- The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

  - IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

  - IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

  - IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after 1 January 2022 clarifies that sales proceeds and costs of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3 . An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.

Annual periods beginning on or after 1 January 2023. These amendments in the standards have been added to annual periods beginning on or after 1 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;

- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves material to a company's financial statements.

- The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

  - Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

- The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 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. 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 and 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 5.1 to the financial

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 profit or loss.

Impairment

The carrying amount 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 is the greater of its value in use and its fair value less costs to sell. Impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount in profit or loss.

4.2 Financial instruments

4.2.1 Initial measurement of financial asset

The Company classifies its financial assets into following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortised cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent measurement

Debt Investments at FVOCI	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, and impairment are recognised in the statement of profit or loss account. Other net gains and losses are recognised in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit and loss account.
Equity Investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of profit or loss account unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to the statement of profit and loss account.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in the statement of profit and loss account.
Financial assets measured at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest / markup income, and impairment are recognised in the statement of profit and loss account.

4.2.2 Non-derivative financial assets

All non-derivative financial assets are initially recognised on trade date i.e. date on which the Company becomes party to the respective contractual provisions. Non-derivative financial assets comprise loans and receivables that are financial assets with fixed or determinable payments that are not quoted in active markets. The Company derecognises the financial assets when the contractual rights to the cash flows from the asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial assets are transferred or it neither transfers nor retain substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

4.2.3 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Company has a legally enforceable right to offset and the Company intends to either settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also offset and the net amount is reported in the financial statements only when permitted by the accounting and reporting standards as applicable in Pakistan.

4.2.4 Financial liabilities

Financial liabilities are initially recognised on trade date i.e. date on which the Company becomes party to the respective contractual provisions. Financial liabilities include mark-up bearing borrowings and trade and other payables. The Company derecognises the financial liabilities when contractual obligations are discharged, cancelled or expired. Financial liability other than at fair value through profit or loss are initially measured at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these liabilities are measured at amortised cost using effective interest rate method.

4.3 Impairment

4.3.1 Financial assets

The Company recognises loss allowances for Expected Credit Losses (ECLs) in respect of financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and

- other debt securities and bank balance for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the Gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4.3.2 Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount, being higher of value in use and fair value less costs to sell, is estimated. 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 assessments of the time value of money and the risks specific tothe 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. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss.

4.4 Provisions

A provision is recognized 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.

4.5 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits with banks and highly liquid financial assets with original maturities of three months or less. Short term finance facilities availed by the company, which are payable on demand and form an integral part of the company's cash management are included as part of cash and cash equivalent for the purpose of cash flow statement.

4.6 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable on the taxable income for the year estimated using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax

Deferred tax is provided for using the balance sheet method, providing for 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 tax rates enacted or substantively enacted at the reporting rate.

Deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4.7 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

4.8 Employee benefits - Provident Fund

The Company operates an un-registered Provident Fund (the 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.

4.9 Foreign currency translation

Foreign currency transactions are translated in Pakistan rupees at exchange rate prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are retranslated at the rates of exchange prevailing at the reporting date. Exchange differences, if any, are recognized in profit and loss.

4.10 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. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholder and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.11 Investments in associate

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies of the investees.

Interests in associates are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Company's share of the profit or loss and other comprehensive income of associates, until the date on which significant influence ceases.

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit or loss, and is reversed if there is a favorable change in the estimates used to determine the recoverable amount.

4.12 Investment and other income

Mark-up income is recognized using the effective interest method.

Dividend income is recognized when the right to receive the same is established i.e. the book closure date of the investee Company declaring the dividend.

Gains and losses on sale of investments are accounted for when the commitment (trade date) for sale of security is made.

4.13 Borrowings

Borrowings are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the profit or loss over the period of the borrowings on an effective interest basis.

Borrowing costs incurred on long term finances directly attributable for the construction / acquisition of qualifying assets are capitalized up to the date the respective assets are available for intended use. All other mark-up and other related charges are taken to profit or loss.

4.14 Government grants

Government grants are transfers of resources to an entity by a Government entity in return for compliance with certain past or future conditions related to the entity's operating activities - e.g. a Government subsidy. The definition of "Government" refers to Governments, Government agencies and similar bodies, whether local, national or international.

Government grants are recognized at fair value, as deferred income, when there is reasonable assurance that the grants will be received and the Company will be able to comply with the conditions associated with the grants.

Grants that compensate the Company for expenses incurred, are recognized on a systematic basis over the periods in which the entity recognizes as expense the related costs the grant are expected to compensate. Grants that compensate for the cost of an asset are recognized in income on a systematic basis over the expected useful life of the related asset.

A loan is initially recognized and subsequently measured in accordance with IFRS 9. IFRS 9 requires loans at below market rates to be initially measured at their fair value - e.g. the present value of the expected future cash flows discounted at a market-related interest rate. The benefit that is the Government grant is measured as the difference between the fair value of the loan on initial recognition and the amount received, which is accounted for according to the nature of the grant.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2022	2021
		(Rupees)	
Operating assets	5.1	52,533,997	55,707,623
Capital work-in-progress	5.2	4,432,141,790	4,432,141,790
		4,484,675,787	4,487,849,413

5.1 Operating assets

2022

	Cost				Annual	Accumulated depreciation				Net book
	As at 1 July 2021	Additions / transfers	Disposals	As at 30 June 2022	Rate	As at 1 July 2021	For the year	Disposals	As at 30 June 2022	value as at 30 June 2022
	(Rupees)				%	(Rupees)				
Building	58,711,009	-	-	58,711,009	5	5,937,782	2,638,389	-	8,576,171	50,134,838
Plant and machinery	1,001,207	-	-	1,001,207	10	187,673	81,353	-	269,026	732,181
Furniture and fittings	415,034	-	-	415,034	15	88,362	32,667	-	121,029	294,005
Office equipments	1,102,671	-	-	1,102,671	15	295,621	118,671	-	414,292	688,379
Computers and ancillary equipment	2,113,542	-	-	2,113,542	30	1,126,402	302,546	-	1,428,948	684,594
Vehicles	-	-	-	-	20	-	-	-	-	-
	63,343,463	-	-	63,343,463		7,635,840	3,173,626	-	10,809,466	52,533,997

2021

	Cost				Annual	Accumulated depreciation				Net book
	As at 1 July 2020	Additions / transfers	Disposals	As at 30 June 2021	Rate	As at 1 July 2020	For the year	Disposals	As at 30 June 2021	value as at 30 June 2021
	(Rupees)				%	(Rupees)				
Building	58,711,009	-	-	58,711,009	5	3,160,244	2,777,538	-	5,937,782	52,773,227
Plant and machinery	1,001,207	-	-	1,001,207	10	97,280	90,393	-	187,673	813,534
Furniture and fittings	415,034	-	-	415,034	15	52,065	36,297	-	88,362	326,672
Office equipments	1,102,671	-	-	1,102,671	15	179,116	116,505	-	295,621	807,050
Computers and ancillary equipment	2,113,542	-	-	2,113,542	30	671,873	454,529	-	1,126,402	987,140
Vehicles	4,916,150	4,700,000	(9,616,150)	-	20	1,769,814	392,317	(2,162,131)	-	-
	68,259,613	4,700,000	(9,616,150)	63,343,463		5,930,392	3,867,579	(2,162,131)	7,635,840	55,707,623

5.2 Capital work-in-progress

	Note	2022 Opening balance	Additions	Transfers	Closing balance	2021 Opening	Additions	Transfers	Closing balance
		(Rupees)				(Rupees)			
Building	5.3	1,367,650,359	-	-	1,367,650,359	1,095,593,102	272,057,257	-	1,367,650,359
Plant and machinery	5.4	3,064,491,431	-	-	3,064,491,431	2,988,970,767	75,520,664	-	3,064,491,431
		4,432,141,790	-	-	4,432,141,790	4,084,563,869	347,577,921	-	4,432,141,790

5.3 This includes an amount of Rs. 1,219 million (2021: Rs. 1,216 million) paid to Descon Engineering (Private) Limited (contractor) in respect of construction of manufacturing facility 'alloy rim manufacturing plant' at the plot of land situated in Bin Qasim Industrial Park. For this purpose, a contract was entered on 13 June 2018 between the Company and the Contractor for the provision of facility completion contract including design, mechanical, civil, electrical, installation works and project management of Hi-Tech Alloy Wheel Rim Greenfield project. Following is the repayment schedule as per the aforementioned contract (term sheet) between the Company and the Contractor:

Contract Phase	Contract price: Original Contract price	Additional work	Amount forego on termination	Paid till 30 June 2022: Advance	Progress billings	Outstanding commitments	Contract price: Original Contract price	Additional work	Amount forego on termination	Paid till 30 June 2022: Advance	Progress billings	Outstanding commitments
	(Rupees)						(USD)					
Engineering	108,340,715	-	-	-	(108,340,715)	-	908,895	-	-	-	(908,895)	-
Procurement	234,000,000	-	(49,481,853)	(7,511,704)	(157,394,564)	19,631,879	2,000,000	-	(422,751)	(64,203)	(1,345,253)	167,793
Construction	669,898,019	284,043,134	-	(7,511,704)	(931,160,249)	15,267,200	5,725,607	2,427,719	-	(64,203)	(7,858,635)	130,488
Testing and commissioning	53,170,299	-	(46,929,051)	(6,241,248)	-	-	454,447	-	(401,103)	(53,344)	-	-
Total	1,063,407,033	284,043,134	(96,390,904)	(21,264,656)	(1,194,895,528)	34,899,079	9,088,949	2,427,719	(823,854)	(181,750)	(10,212,783)	298,281

As per agreement, payments made to Descon Engineering (Private) Limited will be in Pakistan rupees using a conversion rate of Rs. 117 / USD 1. The unpaid amount has been disclosed as commitments in note 18.2. Further, the above additional work was agreed with the Contractor after the original contract.

During the year with mutual consent the company has terminated its contract with Descon Engineering and a net liability of company is determined by Rs. 34,899,079 to Descon Engineering. It is further agreed that the amount would be paid in 12 monthly instalment starting from June 2022.

5.4 The Company has entered into several contracts for the purchase of Plant and Equipment which are as follows:

Plant	Date of agreement & note	Name of vendor	Country of manufacturer	Contract price	Amount paid to date	Amount paid / payable to date including LC and other	Status of payment	Purpose
				In Foreign Currency		*In Rupees*		
Alloy Wheels Manufacturing Plant*	11 December 2017 Refer note 5.4.2	ROH Automotive & Toyota Motor Corporation	Australia	AUD 5,587,763	AUD 5,587,763	537,085,491	Complete	Alloy wheels manufacturing
Painting Plant	2 March 2018 Refer note 5.4.3	Shinwoo Costec Ltd	Korea	USD 10,760,500	USD 8,600,500	1,192,556,052	In progress	Supporting section of the alloy wheel manufacturing plant
Low Pressure Die Casting Machine	*Based on proforma invoice*	Hands Corporation Limited	Korea	USD 3,340,000	USD 3,006,000	470,418,488	In progress	For wheel shape to enhance production facility
Cummins DG Set		Cummins Power	China	USD 217,000	USD 217,000	34,952,693	Complete	Diesel generators for power generation
SNG Plant		Korea Gas Engineering	Korea	USD 160,000	USD 160,000	24,799,071	Complete	For conversion of LPG into SNG for running of plant
Diesel Fire Pump		Patterson Pump Company	USA	USD 75,276	USD 75,276	12,407,458	Complete	To protect plant in case of fire emergency
Ventilation Fans & Refrigerant		System air HSK	Turkey	EUR 153,791	EUR 153,791	28,458,866	Complete	To minimize heat produce from plant
Effluent Treatment Plant		AB Winston Emerges FZE	China	USD 67,000	USD 67,000	11,457,369	Complete	To recycle industrial waste water for further use and released to a sanitary sewer
Screw Air Compressor		Ingersoll Rand Int. Limited	Czech Republic	EUR 52,700	EUR 52,700	9,695,975	Complete	For gas compression
Additional Parts for Alloy Wheel Manufacturing Plant		EBC Korea Company Limited	Korea	USD 70,207	USD 70,207	12,859,467	Complete	Additional parts for alloy wheel manufacturing plant
UPS With Lead Acid Batteries And Spare Parts		Avatec Power Pte Ltd	Singapore	USD 166,405	USD 166,405	28,703,837	Complete	To minimize heat produce from plant.
Total						2,361,391,767		

**Except for alloy wheels manufacturing plant (details in note 5.4.2), all plants are new*

5.4.1 No borrowing costs was capitalized in the cost of Plant and Machinery in current year and last year.

5.4.2 The Company had entered into an agreement on 11 December 2017 to purchase an old and used alloy wheels manufacturing plant along with available related spare parts, two aftermarket dies and manuals for operation and maintenance of equipment ('the Plant') from Arrowcrest Group Pty Ltd trading as "ROH Automotive" and Toyota Motor Corporation Australia Limited (jointly referred as "the Seller") at a price of AUD 4.31 million (excluding dismantling cost). The seller engaged Grays (Aust) Holdings Pty Ltd ('the Selling Agent') for the sale of the plant. Based on the inspection carried out by the management of the Company on 29 August 2017 at ROH Automotive's site, the Plant was purchased on 'as is, where is' and 'as inspected' basis. Further, the Company contracted with Samaras Structural Engineers for dismantling, packaging, loading and removal of the plant from ROH Automotive site and Seaway Logistics for forwarding and shipping the plant to Karachi Port, Pakistan.

Following is the repayment schedule as per the aforementioned agreement between the Company and the Seller:

Particulars	Contingent upon	Payable after	Amount in AUD	Payment made to date in Rupees
Down payment - 30% of the total purchase amount	Letter of credit which will be opened on or 5 days after the signing of the purchase agreement	11 December 2017	1,293,750	115,053,188
Second payment - 40% of the total purchase amount	Payable upon commencement of the dismantling of the plant from ROH Automotive site	9 January 2018	1,725,000	153,404,250
Final payment - 30% of the total purchase amount	Payable before the last group of container will leave from ROH Automotive site	23 July 2018	1,293,750	115,053,188
Total			4,312,500	383,510,626

On 5 July 2018, the Company had received a revised proforma invoice amounting to Rs. 497,621,043 (AUD 5.568 million). The whole amount paid in the year 2019 and the Company is currently in the process of bringing the plant to working condition for its intended use.

5.4.3 The Company had entered into an agreement on 2 March 2018 to purchase a new and unused painting plant having such specifications, make, model, criteria, features and accessories in respect of alloy wheel manufacturing plant ('the Plant') from Shinwoo Costec Ltd (the "Seller") at a price of USD 10.5 million (excluding sea freight which will be borne equally by the Company and the Seller). The Company, along with the Seller engaged EBC Korea Co. Ltd ('the Selling Agent') as an intermediary, for collecting payments from the company and passing them to the seller and purchasing the Plant from the Seller and shipping it to the Company. The Seller has agreed to provide the assembly, commissioning, testing and handover of complete plant, in fully operational condition covering end-to-end of alloy wheel manufacturing. In December 2018, the contract price was revised from USD 10.5 million to USD 10.7 million.

Following is the repayment schedule as per the aforementioned agreement entered between the Company and the Seller:

Particulars	Contingent upon	Amount in USD	Payment made to date in Rupees
First payment	Opening of letter of credit	3,450,000	402,007,455
Second payment	Sight payment upon shipment	5,210,500	725,220,637
Third payment	Upon successful commissioning through deferred payment	525,000	-
Fourth payment	Retention money payable after one year of commissioning through deferred payment	375,000	-
Fifth payment	After two years of successful commissioning through deferred payment	600,000	-
Final payment	After three years of successful commissioning through deferred payment	600,000	-
Total		10,760,500	1,127,228,092

The unpaid amounts have been disclosed as commitments in note 16.2.

5.4.4 This includes an amount of Rs. 58.32 million paid to Descon Engineering (Private) Limited (contractor) in respect of installation of plant and machinery at Bin Qasim Industrial Park. For this purpose, a contract was entered on 16 May 2019 between the Company and the Contractor for the provision of man power and construction equipment. Following is the repayment schedule as per the aforementioned contract between the Company and the Contractor:

Contract phase	2022	2021
	(Rupees)	
Contract price	35,083,428	35,083,426
Additional work	26,257,164	-
Advance paid	(5,262,514)	(5,262,514)
Amount forego on termination of contract	(3,015,992)	-
Progress billings	(53,062,084)	(26,928,043)
Outstanding commitments	-	2,892,869

The above additional work was agreed with Descon Engineering (Private) Limited after the original contract.

		Note	2022	2021
			(Rupees)	
6.	**LONG TERM INVESTMENTS**			
	Investments in associated companies - unquoted	6.1	306,492,739	260,273,794

6.1 Investments in associated companies - unquoted

The following associates, over which the Company has significant influence due to common directorship, are accounted for using equity method of accounting as defined in IAS 28 "Investment in Associates".

2022	2021		2022	2021
(Number of shares)			(Rupees)	
		Unquoted		
15,000,000	15,000,000	Specialized Autoparts Industries (Private) Limited (SAIL) (Chief Executive - Mr. Munir K. Bana) - note 6.1.1	256,876,502	222,153,306
5,000,000	5,000,000	Multiple Autoparts Industries (Private) Limited (MAIL) (Chief Executive - Mr. Munir K. Bana) - note 6.1.1	49,616,237	38,120,488
20,000,000	20,000,000		306,492,739	260,273,794

The above figures are based on audited financial statements of SAIL and MAIL for the year ended 30 June 2021.

6.1.1 Movement

	Note	2022 SAIL	2022 MAIL	2022 Total	2021 SAIL	2021 MAIL	2021 Total
		(Rupees)					
Balance at beginning of the year		222,153,306	38,120,488	260,273,794	191,435,072	35,462,773	226,897,845
Share of profit / (loss) for the year	6.1.4	34,723,196	11,495,749	46,218,945	30,718,234	7,174,803	37,893,037
Impairment during the year		-	-	-	-	(4,517,088)	(4,517,088)
Balance at end of the year		256,876,502	49,616,237	306,492,739	222,153,306	38,120,488	260,273,794
Shareholding held at end of the year		48.58%	41.00%		48.58%	41.00%	

6.1.2 As at 30 June 2022, the break-up value of SAIL as per audited accounts was Rs. 22.02 per share (2021: Rs. 19.83 per share).

6.1.3 As at 30 June 2022, the break-up value of MAIL as per audited accounts was Rs. 22.5 per share (2021: Rs. 20.26 per share).

6.1.4 Summerized financial information based on latest available financial statements of the associated companies are as follows:

	2022 SAIL	2022 MAIL	2021 SAIL	2021 MAIL
	(Percentage)		(Percentage)	
Direct shareholding	48.15%	40.00%	48.15%	40.00%
Effective holding*	48.58%	41.00%	48.58%	41.00%

		2022 SAIL	2022 MAIL	2022 Total	2021 SAIL	2021 MAIL	2021 Total
		(Rupees)					
Statement of Financial Position							
Non-current assets		298,784,360	103,072,727	401,857,087	298,410,731	104,068,818	402,479,549
Current assets		1,070,732,348	345,798,171	1,416,530,519	997,178,304	344,001,056	1,341,179,360
Non-current liabilities		(10,881,731)	(5,744,751)	(16,626,482)	(33,314,824)	(12,793,400)	(46,108,224)
Current liabilities		(642,700,462)	(161,855,677)	(804,556,139)	(617,806,016)	(182,044,416)	(799,850,432)
Net assets	A	715,944,515	281,270,470	997,214,985	644,468,195	253,232,058	897,700,253
Effective holding	B	48.58%	41.00%		48.58%	41.00%	
Company's share of net assets (A*B)		347,805,846	115,320,893	463,126,739	313,082,649	103,825,144	416,907,793
Carrying amount of interest in associate		347,805,846	115,320,893	463,126,739	313,082,649	103,825,144	416,907,793
Statement of Profit or Loss							
Revenue		469,400,059	162,605,367	631,005,426	365,461,130	98,767,870	464,229,000
Profit / (loss) after tax		71,478,320	28,038,412	99,514,732	63,232,265	17,499,520	80,731,785
Other comprehensive income / (loss)		-	-	-	-	-	-
Total comprehensive income / (loss)		71,478,320	28,038,412	99,514,732	63,232,265	17,499,520	80,731,785
Share of profit / (loss) for the year		34,723,196	11,495,749	46,218,945	30,718,234	7,174,803	37,893,037

**due to cross holdings*

		Note	2022	2021
			(Rupees)	
7.	**ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE**			
	Prepayments		-	1,505,138
	Advances	7.2 & 7.3	244,143,888	244,143,888
	Deposits		100,000	100,000
	Advance to employee		310,223	176,848
	Receivable from PF		63,120	63,120
	Sales tax receivable	7.4	225,113,709	218,764,517
			469,730,940	464,753,511

7.1 This includes prepaid expenses amounting to Nil (2021: Rs. 1.5m) paid in relation to insurance.

7.2 This represents margin deposit against continuing guarantee with Habib Metropolitan Bank Limited with respect to new connection of electricity of 4,870 KW with K-Electric amounting to Rs. 14.074 million. The guarantee shall remain in force and effect for three years i.e. from 20 March 2019 to 19 March 2022.

	Note	2022	2021
		(Rupees)	
7.3 This includes advances against:			
- Plant	*7.3.1*	**13,923,580**	13,923,580
- Land	*7.3.2*	**216,108,000**	216,108,000
		230,031,580	230,031,580

7.3.1 It includes advance amount paid to "Dynamic Engineering and Automation" amounting to Rs. 11.202 million for the provision of construction material and man power for civil construction work of SNG plant.

7.3.2 This represents advance paid to "National Industrial Parks Development and Management Company" (NIPD&MC) against purchase of 12 acres plot at Bin Qasim Industrial Park ('the Industrial Park'). The Industrial Park is included in the list of Special Economic Zones. As per the Special Economic Zones Act, 2012, the Company will be entitled to one time exemption from custom-duties and taxes on import of plant and machinery for installation in the zone subject to verification by the Board of Investment (BOI) and exemption from all taxes on income for ten years if Commercial Production (CP) commences by 30 June 2020 and five years tax exemption if CP commences after 30 June 2020 (refer note 7.3.3 and 21.2). During the year ended 30 June 2021, the Company paid last instalment amounting to Rs. 64.83 million. Hence, total price of the plot amounting to Rs. 216.108 million has been fully paid off. Possession of the allotted plot shall be handed over through a lease agreement. NIPD&MC though its letter dated 13 April 2021 claimed surcharge on delayed payment of third instalment amounting to Rs. 16.19 million for which the Company is in process of negotiating the same.

The Company delayed the third instalment due to non-availability of utilities and obtained legal opinion on the above mentioned matter and the Advisor confirmed in its opinion that question of late payment charges does not arise as third instalment was linked with infrastructure facilities and that was of failure of NIPD&MC to execute its part of contact (provision of utility facilities essential for running an industry).

7.3.3 As per section 37 of Special Economic Zones Act, 2012, all zone enterprises shall be entitled to one time exemption from custom duties and taxes on import of plant and machinery into Special Economic Zones (SEZ) except items listed under Chapter 87 of the Pakistan Customs Tariff, for installation in that zone enterprise subject to verification by the Board of Investment. The Company is in the process of obtaining Zero-rated / Exemption Certificate in respect of import of plant and machinery.

7.4 This represents sales tax receivable on account of additions to Property, Plant and Equipment including CWIP.

8. DUE FROM RELATED PARTY

	Note	2022	2021
		(Rupees)	
Receivable from related party	*8.1*	**1,150,380**	1,150,380

8.1 This represents rent paid on behalf of Treet Corporation Limited.

9. TAXATION - NET

Opening advance tax	**6,306,322**	6,168,465
Refunds received during the year	**(770,720)**	-
	5,535,602	6,168,465
Advance tax paid during the year	**120,313**	228,036
Provision for taxation	**(39,926)**	(90,179)
Closing advance tax	**5,615,989**	6,306,322

10. CASH AND BANK BALANCES

	Note	2022	2021
Cash in hand		**213,546**	17,435
Cash at banks			
- in current accounts		**752,396**	348,632
- in savings accounts	*10.1*	**2,087,725**	9,336,804
		2,840,121	9,685,436
		3,053,667	9,702,871

10.1 These carry mark-up at the rate ranging from 8.25% (2021: 0.2% to 4.04%) per annum.

10.2 **Reconciliation of movement of equity and liabilities to cash flows arising from financing activities**

	2022		
	Loans	**Due to related parties**	**Total**
		(Rupees)	
Balance as at 1 July 2021	**1,326,700,523**	**3,077,925,637**	**4,404,626,160**
Changes from financing cash flows			
Proceeds from loans	-	-	-
Proceeds from loan from parent company, associated companies	-	464,362,033	464,362,033
Repayment of loans	(295,635,770)	-	(295,635,770)
	(295,635,770)	464,362,033	168,726,263
Deferred Grant	(31,589)	-	(31,589)
Other charges			
Finance costs	-	322,800,037	322,800,037
Balance as at 30 June 2022	**1,031,033,164**	**3,865,087,707**	**4,896,120,871**

	2021		
	Loans	Due to related parties	Total
		(Rupees)	
Balance as at 1 July 2020	1,321,397,900	2,321,455,348	3,642,853,248
Changes from financing cash flows			
Proceeds from loans	8,594,600	-	8,594,600
Proceeds from loan from parent company, associated companies and directors	-	661,871,000	661,871,000
Repayment of loans	(2,965,386)	(100,755,000)	(103,720,386)
	5,629,214	561,116,000	566,745,214
Deferred Grant	(326,591)	-	(326,591)
Other charges			
Finance costs	-	195,354,289	195,354,289
Other payables	-	-	-
Balance as at 30 June 2021	1,326,700,523	3,077,925,637	4,404,626,160

11. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2022	2021		Note	**2022**	2021
(Number of shares)				**(Rupees)**	
131,545,000	131,545,000	Ordinary shares of Rs. 10 each fully paid in cash	11.1	**1,315,450,000**	1,315,450,000

11.1 The details of the shareholding are as follows:

Shareholders	2022 Number of Shares	2022 % of Holding	2021 Number of Shares	2021 % of Holding
Parent company	85,896,000	65.36%	85,896,000	65.36%
Specialized Autoparts Industries (Private) Limited	15,000,000	11.40%	15,000,000	11.40%
Multiple Autoparts Industries (Private) Limited	5,000,000	3.80%	5,000,000	3.80%
Directors	7,903,500	6.01%	7,903,500	6.01%
Other shareholders	17,646,500	13.41%	17,646,500	13.41%
	131,446,000	100%	131,446,000	100%

12. LONG TERM LOANS

	Note	2022 (Rupees)	2021 (Rupees)
Secured			
Islamic finance (Murabaha Local)		-	250,000,000
Demand finance - BOP		159,946,480	199,946,480
Demand finance - MCB		868,516,656	868,515,655
Term finance - under SBP refinance scheme for payment of wages and salaries	12.1	2,932,796	8,569,508
	12.1	1,031,396,932	1,327,031,703
Less: Current portion of long term loans			
Islamic finance (Murabaha Local)		-	(250,000,000)
Demand finance - BOP		(40,000,000)	(40,000,000)
Term finance - under SBP refinance scheme for payment of wages and salaries		(2,932,796)	(5,635,776)
	12.1	(42,932,796)	(295,635,776)
		988,462,135	1,031,395,927

12.1 Details of loans and borrowings are as follows:

Name of Lender	Facility	Repayment of Principal	Security	Significant loan covenants and Conditions	Mark-up rate	Average mark-up rate	Limit (Rupees)	Outstanding Amount (Rupees)
The Bank of Punjab (BOP)	Demand Finance (DF)	Five equal yearly instalments of Rs.40 Million commencing from 21 November 2021.	- Exclusive charge of Rs. 466.67 million over specific plant and machinery with 25% margin. - Corporate guarantee of Loads Limited.	- Debt equity ratio to be maintained at 33.67 at all the times. - Project progress report to be submitted on quarterly basis. - No change in sponsor directorship / major shareholding of company without prior NOC of BOP. - Dividend shall be blocked, if audited accounts as on 30 June 2020 and onwards reveals the following: a) DSCR fall below 1.5 times b) Current ratio falls below 1:1 c) Leverage of company exceeds 3 times d) Net losses incurred by company	3 months KIBOR plus 1%	10.62%	300,000,000	159,946,480
MCB Bank Limited (MCB)	Demand Finance (DF)	On yearly basis in arrears for 1 year after the grace period and subsequently on quarterly basis in arrears till the proposed maturity of	- First exclusive charge over entire present and future fixed assets (land, building and plant and machinery) including 25% margin. - Corporate guarantee of Loads Limited	- The Company shall undertake not to avail any borrowing facility from any other bank for retirement of LC against which this facility is utilized. - Bill of entry should not be more than 30 days old. - No dividend payment during the relief period to be allowed. - Financial covenants as follows: - Linkage ratio < 2 times - Leverage ratio < 2.5 times - Current ratio > 1	3 month KIBOR plus 1%	10.41%	868,515,655	868,515,655
JS Bank Limited	Salary Refinance Facility	8 equal quarterly instalments, starting from January 2021.	- Ranking hypothecation charge of Rs.100 million on all present and future plant and machinery of the Company. - 1st equitable mortgage charge of PKR 693.73 million over land & building and plant and machinery. - 1st pari passu hypothecation charge of PKR 66 million over stocks & books debts of the company. - Corporate guarantee of Loads Limited	Financial covenants are as follows: - Leverage ratio < 2.5 times - DSCR to remain -0.5 times - Current ratio to remain at least 0.5:1	3%	3%	11,861,545	2,930,790
Total							1,180,377,200	1,031,396,933

12.2 Covenants compliance matter

During the year, the company has received waiver from MCB & Bank of Punjab against the breach of certain financial covenants accordingly, the company is required to repay the loan as per agreed repayment schec

As at 30 June 2022, company's debt equity ratio was 96:4 which resulted in breach of the Bank of Punjab (BOP) loan covenant agreed on 6 August 2018. However, keeping in view the waiver received from BOP and MCB, the loan is classified as Non-Current Liability.

13. DEFERRED GRANT

	Note	2022 (Rupees)	2021 (Rupees)
Government grant	13.1	31,589	326,591
Less: Current portion of Government grant		(31,589)	(294,995)
		-	31,595

13.1 Due to the effects of pandemic, State Bank of Pakistan took various steps to support the economy. SBP introduced a refinance scheme for payment of salaries and wages at subsidized rate of borrowing.

The company has obtained the said borrowing from JS Bank Limited at subsidized rate in four tranches on 6 June 2020, 19 June 2020, 14 July 2020 and 29 October 2020 at 3% concessional interest rate which is repayable by October 2022 in 8 quarterly installments to JS Bank under the SBP scheme.

13.2 The Institute of Chartered Accountants of Pakistan issued a publication through circular No.11/2020 to clarify accounting of the long term loan (note 12). Accordingly, the Company measured and recognized the loan liability and deferred capital grant in accordance with the said publication and requirements of relevant IFRSs.

14. DUE TO RELATED PARTIES

	Note	2022 (Rupees)	2021 (Rupees)
Considered good - unsecured			
Loan from Parent company	14.1	2,039,628,641	1,610,058,900
Loans from associated companies			
- Specialized Autoparts Industries Limited (SAIL)	14.1	587,752,172	652,861,780
- Multiple Autoparts Industries Limited (MAIL)	14.1	196,873,102	196,873,102
- Specialized Motorcycles Private Limited (SMPL)	14.1	71,700,000	71,700,000
		2,907,858,915	2,533,293,783
Mark-up payable	14.1	839,580,108	616,769,071
Payable to Treet HR Management (Private) Limited	14.2	22,048,871	22,048,871
Other payable	14.3	5,793,913	5,793,913
		3,855,087,707	3,077,925,637

14.1 Loans from related parties

Date of agreement	Name of related party	Relationship	Limit (Rupees)	Purpose and Terms	Mark-up rate	Average mark-up rate	Amount outstanding (Rupees) Principal	Mark-up
26 December 2017	Loads Limited	Parent company	1,000,000,000	- For the purpose of meeting working capital and other requirements - Payable on demand	1 month KIBOR plus 1%	6 month KIBOR plus 3%	1,000,000,000	410,645,072
10 April 2018	Loads Limited	Parent company	4,000,000,000	- For the purpose of meeting working capital and other requirements - Payable on demand	1 month KIBOR plus 1%	6 month KIBOR plus 3%	1,039,529,541	120,238,500
28 December 2018	SAIL	Associated company	550,000,000	- For the purpose of meeting working capital and other requirements - Payable on demand	6 month KIBOR plus 1%	6 month KIBOR plus 3%	653,861,780	195,378,475
19 April 2022	SAIL	Associated company	300,000,000	- For the purpose of meeting working capital and other requirements - Payable on demand	6 month KIBOR plus 3%	6 month KIBOR plus 3%	33,891,392	848,778
30 November 2018	MAIL	Associated	200,000,000	- For the purpose of meeting working capital and other requirements - Payable on demand	6 month KIBOR plus 1%	6 month KIBOR plus 3%	198,673,102	80,531,885
21 February 2019	SMPL	Associated company	100,000,000	- For the purpose of meeting working capital and other requirements - Payable on demand	6 month KIBOR plus 1%	6 month KIBOR plus 3%	71,700,000	28,845,397
Total			6,250,000,000				2,097,655,815	838,580,108

14.2 This represents amount payable in respect of salary of COO paid by Treet HR Management (Private) Limited, an associated company.

14.3 This represents amount payable in respect of payments made by Parent company on behalf of the Company.

15. OTHER PAYABLES

	Note	2022 (Rupees)	2021
Accrued liabilities	15.1	15,889,623	13,262,586
Withholding tax payable		3,633,707	6,821,662
Short term borrowings	15.2	-	84,460
Provision against unclaimed input tax		74,199,252	74,199,252
		93,722,582	94,367,960

15.1 This represents payable in respect of insurance and other miscellaneous expenses.

15.2 This represents bank accounts which had nil balances at year end and cheques has been issued in respect of these accounts which have been cleared subsequently.

16. CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

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)	Notice U/s.122(9)/122(1)(5) was received on 16-02-2022 for tax year 2019 identifying several issues, being erroneous in so far as prejudicial to the interest of revenue, and proposed amendment u/s.122(1)(5) for which response dated 17.02.2022 filed taking various objections on point of law and facts. After hearing before Additional Commissioner, the above proceedings were culminated in Amended Order u/s.122(1)(5) dated 22.02.2022 creating a gross Net Refund of Rs.2,552,611/-. No appeal is filed against of the above order.	Company & FBR	16-Feb-22
Federal Board of Revenue (FBR)	Notice u/s.161(1A) was received on 10.03.2021 was issued for Monitoring of withholding tax of Income Tax Ordinance, 2001 for tax year 2019 for which proceedings were finalized, and culminated in Order u/s.161/205 dated 16.02.2022 creating a demand for defaulted tax of Rs.692,698/- + surcharge u/s.205 thereof Rs.144,640/-+ Penalty u/s.182(15) of Rs 69,270/- aggregating to Rs.906,608/- which demand has been deposited by the Company. No appeal is filed against of the above order.	Company & FBR	10 March 2022
Federal Board of Revenue (FBR)	Income Tax Return e-filed for tax year 2020 is presently deemed to have been assessed u/s.122 on selection of case for audit u/s 214C/S.177 or amended u/s.122(5A) of the Income Tax Ordinance. Show Cause Notice dated 10.03.2021 issued u/s.161(1A) pointing out default whilst monitoring of withholding taxes which has been responded but no action taken and the matter is pending. No appeal is filed against above order. Refund Application u/s. 170 of the Ordinance has been e-filed claiming Refund of Rs. 1,715,263/-, Refund Order u/s.170(4) has been passed creating Refund of Rs. 770,720/- for tax year 2020, which Refund has been directly credited into the company bank account in September, 2021. Short refund determined due to non-verification of tax credit claimed on import stage, as those Bill of Entries and tax thereon were not relevant for this year.	Company & FBR	2020
Federal Board of Revenue (FBR)	Income Tax Return e-filed for Tax Year 2021 are presently deemed to have been assessed u/s 120 of Income Tax Ordinance, 2001.	Company & FBR	2021

	2022 (Rupees)	2021
16.2 Commitments		
16.2.1 Commitments in respect of capital expenditure:	685,040,464	785,447,350

Description		Contract price	2022 Amount forego on termination of contract	Paid till date	Outstanding commitments	2021 Outstanding commitments
Painting plant for alloy wheels manufacturing	USD	10,760,500	-	(8,600,500)	2,160,000	2,160,000
	Rupees equivalent	1,797,567,537	-	(1,102,555,052)	595,012,485	595,012,465
Low Pressure Die Casting Machine	USD	3,340,000	-	(3,006,000)	334,000	334,000
	Rupees equivalent	526,545,388	-	(470,416,488)	56,128,900	56,128,900
Contract with Descon Engineering (Private) Limited	USD	11,516,658	(823,854)	(10,394,533)	298,281	1,122,135
	Rupees equivalent	1,347,450,157	(96,390,904)	(1,216,160,184)	34,899,079	131,289,983
Contract with Descon Engineering (Private) Limited	Rupees	61,340,590	(3,015,992)	(58,324,598)	-	3,015,992

	Note	2022 (Rupees)	2021
16.2.2 Payment for Land	7.3.2	-	-

17. OTHER INCOME

	Note	2022	2021
		(Rupees)	
Gain on scrap sale of packing material		**2,682,965**	749,540
Gain on sale of asset		**-**	3,545,981
Grant income		**295,002**	451,280
Income from financial assets			
Mark-up on savings accounts	*10.1*	**216,143**	1,265,125
		3,194,110	6,011,926

18. ADMINISTRATIVE AND GENERAL EXPENSES

	Note	2022	2021
Salaries and wages		**1,037,859**	3,408,758
Other employees' benefits		**171,941**	331,991
Legal and professional charges		**1,262,170**	1,166,381
Listing expenses	*7.1*	**-**	27,858,269
Auditors' remuneration	*18.1*	**1,050,000**	698,500
Insurance		**5,225,406**	4,552,276
Commission expenses		**-**	-
Electricity and water		**1,486,182**	609,035
Communication charges		**63,047**	22,428
Travelling		**80,604**	71,141
Staff transportation		**-**	104,355
Vehicle running expenses		**15,000**	23,650
Repairs and maintenance		**12,346**	45,070
Printing, stationery and periodicals		**-**	-
Depreciation		**3,173,626**	3,867,579
Rent, rates and taxes		**1,451,648**	3,293,923
Other expenses		**6,891,354**	3,223,730
		21,921,183	49,277,086

18.1 Auditors' remuneration

	2022	2021
Audit services		
Audit fee	**750,000**	404,300
Other certification	**150,000**	150,000
Out of pocket expenses	**150,000**	144,200
	1,050,000	698,500

19. FINANCE COSTS

	Note	2022	2021
Mark-up on loans from parent and associated companies	14	**352,800,037**	195,354,289
Mark-up on loans from banking companies	*12.1*	**109,083,472**	110,311,992
		461,883,509	305,666,281

19.1 Finance cost accrued during the year on the outstanding loans given by parent and associate companies are carried at the rates mentioned in note 14.1 or average borrowing cost of the investing companies i.e. 8.97%, whichever is higher.

20. OTHER EXPENSES

	Note	2022	2021
		(Rupees)	
Impairment loss on associated companies	*6.1.1*	**-**	4,517,088
Provision against unclaimed input tax		**-**	17,455,222
Bank charges		**25,504**	1,013,283
		25,504	22,985,593

21. TAXATION - NET

	Note	2022	2021
Current	*21.3*	**39,926**	90,179
Prior		**-**	-
Deferred	*22.1*	**12,585,367**	9,905,363
	21.1	**12,625,293**	9,995,542

21.1 Reconciliation between income tax expense and accounting profit

	Note	2022	2021
		(Rupees)	
Loss before taxation		(434,417,141)	(334,023,997)
Tax at the applicable rate of 29% (2021: 29%)		(125,980,971)	(96,866,959)
Reversal of normal tax		125,980,971	96,866,959
Net effect of expenses not deductible in determining taxable income		12,585,367	9,905,363
Prior year tax charge		-	-
Tax effect of minimum tax @ 1.25% (2021: 1.5%)	21.3	39,926	90,179
		12,625,293	9,995,542

21.2 The Company received the status of Special Economic Zone Enterprise after its application for Zone Enterprise entry was accepted on 18 December 2018 by "National Industrial Parks Development and Management Company" located at Bin Qasim Industrial Park ('the Industrial Park') which is included in the list of Special Economic Zones. As per the Special Economic Zones Act, 2012, the Company will be entitled to one time exemption from custom-duties and taxes on import of plant and machinery for installation in the Zone subject to verification by the Board of Investment (BOI) and exemption from all taxes on income for ten years if Commercial Production (CP) commences by 30 June 2020 and five years tax exemption if CP commences after 30 June 2020.

21.3 This represents tax charge calculated on turnover basis at the rate of 1.25% (2021: 1.5%) on account of other income.

21.4 The return of income tax has been filed for the tax year 2021. This is deemed to be assessed under section 120 of the Income Tax Ordinance, 2001, unless selected for an audit by the taxation authorities.

22 Deferred tax liabilities - net

	2022	2021
	(Rupees)	
Taxable temporary differences	38,764,682	39,582,809
Deductible temporary differences	(3,875,120)	(17,278,614)
	34,889,562	22,304,195

22.1 Break up and movement of deferred tax balances are as follows:

	2022			2021		
	As at 1 July 2021	Recognized in profit or loss	As at 30 June 2022	As at 1 July 2020	Recognized in profit or loss	As at 30 June 2021
	(Rupees)					
Taxable temporary differences						
Accelerated tax depreciation	4,824,795	(818,127)	4,006,668	4,598,457	226,338	4,824,795
Excess of Company's share in the book value of net assets over the cost of investment	34,758,014	-	34,758,014	34,758,014	-	34,758,014
Deductible temporary differences						
Share of profit from associated company	(17,278,614)	13,403,494	(3,875,120)	(26,957,639)	9,679,025	(17,278,614)
	22,304,195	12,585,367	34,889,562	12,398,832	9,905,363	22,304,195

22.2 The following are the year wise tax losses against which the Company has not booked any deferred tax asset:

Tax Year	2017	2018	2019	2020	2021	**2022**
Total Loss	(1,816,448)	(15,771,676)	(85,906,308)	(379,019,573)	(371,685,486)	**(482,057,131)**
Expiry Date	2023	2024	2025	2026	2027	**2028**

22.3 Tax related contingencies are disclosed in note 16.1.

23. LOSS PER SHARE - BASIC AND DILUTED

	2022	2021
	(Rupees)	
Loss after taxation	(447,042,434)	(344,019,539)
	(Number of shares)	
Weighted average number of ordinary shares outstanding during the year	131,545,000	131,545,000
	(Rupees)	
Basic and diluted loss per share	(3.40)	(2.62)

24. RELATED PARTY TRANSACTIONS

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

Name of the related parties	Relationship / Contractual arrangements and percentage shareholding	Transactions during the year / year end balances	2022	2021
			(Rupees)	
Loads Limited	Parent company holds 65.37% (2021: 65.37%)	Loan due at the year end	2,039,529,541	1,610,058,900
		Loan received during the year	429,470,641	570,058,000
		Mark-up payable at year end	530,883,572	288,290,188
		Mark-up expense during the year	235,904,766	114,094,091
Specialized Autoparts Industries (Private) Limited (SAIL)	Associated company through holding 48.58% (2021: 48.58%)	Loan due at the year end	687,753,172	652,861,780
		Loan received during the year	34,891,392	91,813,000
		Markup payable at year end	199,328,254	146,376,662
		Mark-up expense during the year	82,951,592	56,837,499
		Investment at the year end	256,876,502	222,153,306
Multiple Autoparts Industries (Private) Limited (MAIL)	Associated company through holding 41% (30 June 2021: 41%)	Loan due at the year end	198,673,102	198,673,102
		Markup payable at year end	80,531,885	55,589,700
		Mark-up expense during the year	24,942,185	17,817,813
		Investment at the year end	49,616,237	38,120,488
Specialized Motorcycles (Private) Limited (SMPL)	Associated company by common directorship	Loan due at the year end	71,700,000	71,700,000
		Mark-up payable at year end	28,845,397	19,843,903
		Mark-up expense during the year	9,001,494	6,604,886
Treet HR Management (Private) Limited	Associated company by common directorship	Payable in respect of COO salary and service charges	22,048,871	22,048,871
Directors	Key management personnel	Loan repaid	-	(100,755,000)
Treet Corporation Limited	Associated company by common directorship	Receivable at the year end	1,150,380	1,150,380
IGI General Insurance Limited	Associated company by common directorship	Amount due at the year end	974,629	3,370,983

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 the following risks arising from financial instrument:

- Credit risk;
- Liquidity risk; and
- Market 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 accrued mark-up, deposits and cash and cash equivalents. The maximum exposure to credit risk at reporting date is as follows:

	Note	2022	2021
		(Rupees)	
Bank Balances	10	3,053,667	9,702,871
Deposits	7	100,000	100,000
Advances	7.2	14,074,000	14,074,000
Receivable from related party	8	1,150,380	1,150,380
		18,378,047	25,027,251

Credit ratings

Cash and cash equivalents 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:

Banks	**Rating Agency**	**Short term Rating**	**2022 (Rupees)**	**2022 (%)**
MCB Islamic Bank Limited	PACRA	A1+	**31,097**	**1%**
MCB Bank Limited	PACRA	A1+	**148,440**	**5%**
Meezan Bank Limited	VIS	A-1+	**133,333**	**5%**
Habib Bank Limited	VIS	A-1+	**13,614**	**0%**
Bank AL Habib Limited	PACRA	A1+	**2,020,104**	**71%**
Habib Metropolitan Bank Limited	PACRA	A1+	**20,866**	**1%**
The Bank of Punjab	PACRA	A1+	**4,684**	**1%**
JS Bank Limited	PACRA	A1+	**466,873**	**16%**
Askari Bank Limited	PACRA	A1+	**1,110**	**0%**
			2,840,121	**100%**

Banks	Rating Agency	Short term Rating	2021 (Rupees)	2021 (%)
MCB Islamic Bank Limited	PACRA	A1+	156,723	2%
MCB Bank Limited	PACRA	A1+	199,870	2%
Meezan Bank Limited	JCR	A-1+	132,479	1%
Habib Bank Limited	JCR	A-1+	13,614	0%
Bank AL Habib Limited	PACRA	A1+	8,907,480	92%
Habib Metropolitan Bank Limited	PACRA	A1+	20,866	0%
The Bank of Punjab	PACRA	A1+	241,769	3%
JS Bank Limited	PACRA	A1+	11,594	0%
Askari Bank Limited	PACRA	A1+	1,041	0%
			9,685,436	100%

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 major balance relates to bank balance, kept with bank with low credit risk.

Past due and impaired assets

Based on management assessment none of the financial assets of the company were past due and no ECL was required, since the Company's financial assets at amortized cost and are held with counter parties with low credit risk.

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 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:

	2022					
	Carrying amount	**Contractual cash flows**	**Less than one month**	**One to three months**	**Three months to one year**	**More than one year**
	(Rupees)					
Financial liabilities						
Long term loans	**988,462,135**	**(988,462,135)**	**-**	**-**	**-**	**(988,462,135)**
Current portion of long term loan	**42,933,798**	**(42,933,798)**	**(42,933,798)**	**-**	**-**	**-**
Accrued mark-up on loans	**23,636,103**	**(23,636,103)**	**-**	**(23,636,103)**	**-**	**-**
Due to related party	**3,865,087,707**	**(3,865,087,707)**	**(3,865,087,707)**	**-**	**-**	**-**
Other payables	**15,889,623**	**(15,889,623)**	**(15,889,623)**	**-**	**-**	**-**
	4,936,009,366	**(4,936,009,366)**	**(3,923,911,128)**	**(23,636,103)**	**-**	**(988,462,135)**

	2021					
	Carrying amount	Contractual cash flows	Less than one month	One to three months	Three months to one year	More than one year
	(Rupees)					
Financial liabilities						
Long term loans	1,031,395,927	(1,031,395,927)	-	-	-	(1,031,395,927)
Current portion of long term loan	295,635,776	(295,635,776)	(295,635,776)	-	-	-
Accrued mark-up on loans	39,081,745	(39,081,745)	-	(39,081,745)	-	-
Due to related party	3,077,925,637	(3,077,925,637)	(3,077,925,637)	-	-	-
Other payables	13,347,046	(13,347,046)	(13,347,046)	-	-	-
	4,457,386,131	(4,457,386,131)	(3,386,908,459)	(39,081,745)	-	(1,031,395,927)

25.2.1 Liquidity position and its management

In 2017, Loads Group (the Group) initiated a new project of alloy wheels. The Group planned to produce alloy wheels in a separate company namely Hi-Tech Alloy Wheels Limited. To finance the project cost, the Group incurred significant borrowings and utilized the cash buffers of all the group entities to finance the project. Details are as follows:

	2022 (Rupees)
Project cost to date	**4,432,141,790**
Loans from Bank and others	**1,031,427,522**
Financing from Related parties	
Loads	**2,039,529,541**
SAIL	**687,753,172**
MAIL	**198,673,102**
SMPL	**71,700,000**
Others	**-**
	2,997,655,815
Equity	**403,058,453**
	4,432,141,790

The shareholder and senior management of the company are closely monitoring the situation and are committed to meet the cash flow requirements, if any which may arise in future from their other entities or personal wealth. Details of financing made by Group entities and covenants compliance matter are disclosed in note 14 and note 12.1 respectively. Moreover, in October 2020, the Parent company has also committed to provide loans and guarantees aggregating to Rs. 3 billion to the company to meet the project's financing requirements.

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 financial instruments.

25.3.1 Currency risk

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

The Company does not have any currency risk as at 30 June 2022.

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 is on loan from Parent company.

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

	Note	2022	2021
		(Rupees)	
Variable rate instruments			
Financial assets			
Bank balances in savings accounts	10	**2,087,725**	9,336,804
Financial liabilities			
Loans	12	**(988,462,135)**	(1,031,395,927)
Due to related parties	14	**(3,865,087,707)**	(3,077,925,637)
		(4,853,549,842)	(4,109,321,564)
		(4,851,462,117)	(4,099,984,760)
Fixed rate instruments			
Financial liabilities			
Loans	12	**(42,933,798)**	(295,635,776)
		(4,894,395,915)	(4,395,620,536)

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 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.

	Profit or loss		Equity	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
	(Rupees)			
For the year ended 30 June 2022				
Cash flow sensitivity - variable rate instruments	**(48,943,959)**	**48,943,959**	**(48,943,959)**	**48,943,959**

	Profit or loss		Equity	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
	(Rupees)			
For the year ended 30 June 2021				
Cash flow sensitivity - variable rate instruments	(43,956,205)	43,956,205	(43,956,205)	43,956,205

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. The company has no financial instrument exposed to other price risk at the reporting date.

26. FAIR VALUE MEASUREMENT

Fair value is the price that would be received on selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in absence, the most advantageous market to which the Company has access at that date. As the accompanying financial statements are prepared under the historical cost method, except for group employee share plan and employees' end of service benefits, differences may arise between the book values and the fair value estimates. Management believes that the fair values of the company's financial assets and liabilities are not materially different from their carrying values since all of the financial instruments of the Company are short-term in nature or are repriced frequently.

27. **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.

28. **REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVE**

	2022				2021			
	Chief Executive	Directors	Executive	Total	Chief Executive	Directors	Executive	Total
	(Rupees)							
Managerial remuneration	-	-	-	-	-	-	-	-
House rent and utilities	-	-	-	-	-	-	-	-
Bonus	-	-	-	-	-	-	-	-
Medical	-	-	-	-	-	-	-	-
Contribution to retirement benefits funds	-	-	-	-	-	-	-	-
Other allowance	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	1	6	-	7	1	6	-	7

28.1 **Remuneration of Chief Executive, Directors and Executive**

The remuneration and perquisites of Chief Executive (CE) and Directors are borne by the Parent company while the remuneration and perquisites of Executive are paid by Treet HR Management (Private) Limited. No fees or perquisites are paid to any of the Directors. There are seven Directors including CE on the Board of Directors of the Company.

29. **STAFF STRENGTH**

	2022	2021
	(Numbers)	
Total employees of the Company at the reporting date	4	4
Average employees of the Company during the year	4	7
Employees working in the Company's factory at the reporting date	4	3
Average employees working in Company's factory during the year	4	4

There are no permanent employees in the Company. Services of the employees of the Parent company are obtained for administrative purposes, without any consideration.

30. **GENERAL**

These financial statements were authorised for issue in the Board of Directors' meeting held on 05-Oct-2022.

Chief Financial Officer

Chief Executive

Director