



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

1 LEGAL STATUS AND NATURE OF BUSINESS

Sazgar Engineering Works Limited was incorporated in Pakistan on September 21, 1991 as a Private Limited Company and converted into a Public Limited Company on November 21, 1994. The Company is listed on the Pakistan Stock Exchange Limited. The Company is engaged in the manufacture and sale of automobiles, automotive parts and household electric appliances. The registered office of the company is situated at 88- Ali Town, Thokar Niaz Baig, Raiwind Road, Lahore. The three wheeler, wheel rim and household electric appliances manufacturing facility is located at 18 K.m Raiwind Road, Lahore and construction of four wheeler manufacturing facility is situated at Mouza Bhai kot, near tablighi ijta, Raiwind, Lahore.

2 SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

- 2.1 The exchange rate of USD to PKR has increased from PKR 104.89 as at June 30, 2017 to PKR 121.49 as at June 30, 2018.
- 2.2 The Steel prices rapidly increased in local and international market during the year.
- 2.3 The new disclosure requirement has been introduced due to promulgation of Companies Act, 2017.
- 2.4 The Company has purchased additional piece of land and incurred major capital expenditure on four wheeler project, mentioned in note no. 16.1 and 16.3.
- 2.5 The detailed discussion of Company's performance is mentioned in Directors' report.

3 BASIS OF PREPARATION

3.1 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 (IFR 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 IFR Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 Basis of Measurement

These financial statements have been prepared under the historical cost convention except for the recognition of employees retirement benefits at present value.

3.3 Functional and Presentation Currency

These financial statements are presented in Pak Rupee, which is the functional and presentation currency of the Company.

3.4 New accounting standards, IFRIC interpretations, amendments to the published approved accounting standards and Companies Act, 2017 that are effective in current year:

Certain standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on July 01, 2017 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

- 3.4.1 IAS 7 - Cash flow statements: Disclosure initiative' (effective for periods beginning on or after January 1, 2017). This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment only covers statement of financial position items for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided. The Company's current accounting treatment is already in line with the requirements of this standard.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

3.4.2 IAS 12 - Income taxes (Amendment) on recognition of deferred tax assets for unrealised losses. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets. Further, there are no debt in instruments measured at fair value. The Company's current accounting treatment is already in line with the requirements of this standard.

3.4.3 The Companies Act, 2017 promulgated in the current financial year. The Companies Act, 2017 also revised 4th schedule of the Companies Ordinance, 1984 and brought changes in the presentation and disclosures of financial statement of the listed companies. These changes are applicable for the first time to the Company for the financial statements for the year ended June 30, 2018. The specific additional disclosure have been disclosed in relevant heads of these financial statements.

The above standards, amendments, interpretations and Companies Act, 2017 changes are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements except for increased disclosures in certain cases.

3.5 New accounting standards, IFRIC interpretations and amendments to the published approved accounting standards that are not effective in current year and have not been early adopted by the Company:

The following standards, amendments to the approved accounting standards and interpretations that are mandatory for the companies having accounting periods beginning on or after July 01, 2018 but are considered not to be relevant or to have any significant effect on the Company's operations:

Standards or Interpretation		Effective date
IFRS-9	Financial instruments; classification and measurement of financial assets and liabilities.	July 01, 2018
IFRS-15	Revenue from contracts with customers	July 01, 2018
IFRS-16	Leases	January 01, 2019
IAS-19	Employee benefits' on plan amendment, curtailment or settlement	January 01, 2019
IFRIC 22	Foreign currency transactions and advance consideration	January 01, 2019
IFRIC 23	Uncertainty over income tax treatments	January 01, 2019

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 The Significant accounting policies adopted in the preparation of these financial statements are set out below and have been consistently applied to all the years presented.

Employee benefits

Defined benefit plan

Defined benefit plan is a post-employment benefit plan other than the defined contribution plan

The Company operates an unfunded gratuity scheme for all its permanent employees. The provision is made on the basis of actuarial valuation by using the projected unit credit method. In calculating the Company's obligation in respect of a plan, any actuarial gains and losses are recognized immediately in the statement of other comprehensive income.

4.2 Compensated Absences

The Company accounts for compensated absences of its employees on un-availed balance of leave in the period in which the leave is earned.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

4.3 Property, Plant and Equipment-Owned

Operating fixed assets except freehold land and capital work in progress are stated at cost less accumulated depreciation and impairment losses, if any. Land and capital work in progress are stated at cost. Cost in relation to self manufactured assets includes direct cost of materials, labour and applicable manufacturing overheads. Cost of tangible fixed assets consists of historical cost, borrowing cost pertaining to the construction/erection period and directly attributable cost of bringing the assets to working condition.

Depreciation on all property, plant and equipment except freehold land is charged by applying the reducing balance method in accordance with the rates specified in note no. 16.1 of these financial statements, whereby the cost of an asset is written off over its estimated useful life. Depreciation on additions is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

The assets' residual values and useful lives are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

Normal maintenance and repairs are charged to profit & loss account as and when incurred. Major renewals and replacements are capitalized.

Disposal of an asset is recognized when significant risks and rewards, incidental to the ownership of the assets have been transferred to the buyer. Gain or Loss on disposal of Property, Plant and Equipment is determined by comparing the carrying amount of the assets with the realized sale proceeds and is recognized in the current year's profit and Loss account.

4.4 Impairment of fixed assets

The company assesses at each statements of financial position date whether there is any indication that a fixed asset may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceeds recoverable amount, assets are written down to the recoverable amount.

4.5 Intangible Assets

The Intangible Assets are stated at cost less accumulated amortization and identified impairment loss, if any. The cost of intangible assets is amortized over a period of five (5) years using the straight line method.

Amortization on additions to the intangible assets is charged from the month in which an asset is capitalized and / or is available for use, while no amortization is charged for the month in which the asset is disposed off. The amortization expense is charged to the profit & loss account.

International Accounting Standard (IAS) 38 "Intangible Assets" requires review of amortization period and the amortization method at least at each financial year end. Accordingly the management assesses at each statement of financial position date the assets' residual values and useful lives in addition to considering any indication of impairment, and adjustments are made if impact on amortization is significant.

4.6 Loan, advances and Prepayments

These are recognized at cost, which is fair value of the consideration given. However, an assessment is made at each statement of financial position date to determine whether there is an indication that assets may be impaired. If such indication exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for the difference between the recoverable amount.

4.7 Assets subject to finance lease

Lease that substantially transfers all the risks and rewards, incidental to the ownership of an asset to the company is classified as finance lease.

Assets under finance lease are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of assets at the inception of the lease. The aggregate amount of obligation relating to these assets are accounted for at net present value of liabilities. Depreciation on these assets is charged in line with normal depreciation policy adopted for assets owned by the Company.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

4.8 Taxation

Current and Prior Year

Provision for current year's taxation is determined in accordance with the prevailing law of taxation on income enacted by the statement of financial position date and is based on current rates of taxation being applied on the taxable income for the year, after taking into account, tax credits and rebates available, if any and taxes paid under the Final tax regime. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalized during the year.

Deferred

Deferred tax is accounted for using the statement of financial position liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income. Deferred tax is calculated by using the tax rates enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available and the credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is charged or credited in the profit and loss account, except in case where the item to which the deferred tax asset or liability pertains, is recorded in other comprehensive income or equity, the corresponding deferred tax charge is also recognized in other comprehensive income or equity.

4.9 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful receivables which is determined, based on management's review of outstanding amounts and previous repayment history. Balances considered bad and irrecoverable are written off.

4.10 Store, spares and loose tools

These are valued at weighted average cost except items in transit which are valued at cost comprising invoice value and other charges paid thereon.

The company reviews the carrying amount of stores, spares and loose tools on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form. Impairment, if any, is also made for slow moving items identified as surplus to the requirements of the company.

4.11 Stock-in-trade

Stock in trade is valued at the lower of weighted average cost and net realizable value. The average cost in relation to work in process and finished goods represents direct costs of raw materials, labour and appropriate portion of overheads. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale.

The company reviews the carrying amount of stock in trade on a regular basis and as appropriate, inventory is written down to its net realizable value or provision is made for obsolescence if there is any change in its usage pattern and physical form.

Cost of work in process and finished goods include direct material, labour and appropriate portion of manufacturing expenses.

4.12 Foreign currency translation

Transactions in foreign currencies are translated into Pak rupees using the exchange rate prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak rupees at the rates of exchange approximating those prevalent at the statement of financial position date. All exchange differences are charged to Profit and Loss Account.

4.13 Revenue recognition

Revenue from sales is recognized on dispatch of goods to customers. Goods are considered dispatched when risk and rewards are transferred to customers.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

4.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to profit and loss account in the period in which they are incurred.

4.15 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, a reportable segment is identified where it becomes a distinguishable component that is engaged in providing an individual product or service or a group of related products or services within a particular economic environment and that is subject to risks and returns that are different from those of other segments. Expenses which cannot be directly allocated activity-wise, are apportioned on appropriate basis as required by Chief Operating Decision Maker.

4.16 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalent consists of cash in hand, balances with banks and short term running finance facilities.

4.17 Trade and accrued liabilities

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services received, whether billed or not to the Company.

4.18 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provisions are reversed.

4.19 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account currently.

4.20 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position if the Company has legally enforceable right to set off the recognized amount and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.21 Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognized in the profit & loss account as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if the product or process is technically and commercially feasible and the company has sufficient resources to complete development. The expenditure capitalized includes the cost of materials, direct labour, an appropriate proportion of overheads and other directly attributable expenditure. Other development expenditure is recognized in the profit & loss account as an expense as incurred.

Expenditure on development activities, capitalized during the year, are classified under "Intangible Assets".



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

4.22 Earning Per Share

The Company presents Earning Per Share (EPS) data for its ordinary shares, EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the year.

4.23 Dividends

Dividend distribution to the shareholders is recognized as a liability in the period in which it is approved.

4.24 Warranty Expenses

Warranty expenses are recorded as and when valid claims are received from customers.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards. These standards require the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

	Notes
a) Liability in respect of staff retirement benefits.	4.1
b) Useful life of depreciable Property, Plant and Equipment and amortizable Intangible	4.3 & 4.5
c) Taxation	4.8
d) Stock in trade	4.11
e) Contingencies and Commitments	15

Estimates and judgments are continually evaluated and are based on historic experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

6 SHARE CAPITAL

6.1 AUTHORIZED SHARE CAPITAL

June 30, 2018 Number	June 30, 2017 Number		Note	June 30, 2018 Rupees	June 30, 2017 Rupees
50,000,000	50,000,000	Ordinary shares of Rupees 10 each		500,000,000	500,000,000

6.2 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

7,163,000	7,163,000	Ordinary shares of Rupees 10 each fully paid in cash		71,630,000	71,630,000
14,403,842	10,809,368	Ordinary shares of Rupees 10 each allotted as bonus shares	6.2.1	144,038,420	108,093,680
21,566,842	17,972,368			215,668,420	179,723,680

6.2.1 These shares include 3,594,474 bonus shares of Rs.10 each (June 30, 2017: Nil) issued by the company during the current year.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	Note	June 30, 2018 Rupees	June 30, 2017 Rupees
7 LONG TERM FINANCING			
DIMINISHING MUSHARAKAH - Islamic banking			
MCB Islamic Bank Limited.	7.1	-	-
Meezan Bank Limited	7.2	-	-
7.1 Total amount of facility available from MCB Islamic Bank Limited under Diminishing Musharakah arrangement is Rs.275.00 million (June 30, 2017: Nil) for acquisition of four wheeler Plant & Machinery and repayable in equal quarterly installments in arrears. The maximum period of finance is six years including one year grace period (June 30,2017: Nil). The profit margin is charged at the rate of six month KIBOR plus 1.35% with floor of 7.00% and Cap of 18.00% (June 30, 2017: Nil). This facility is secured against first paripassu charge over fixed assets of the company of Rs.275.00 million with 25% margin (June 30, 2017: Nil) and over all present and future current assets of Rs. 375.00 million. The un-utilized amount of this facility as at statement of financial position date is Rs. 275.00 million (June 30, 2017: Nil).			
7.2 Total amount of facility available from Meezan Bank Limited under Diminishing Musharakah arrangement is Rs.370.00 million (June 30, 2017: Nil) for acquisition of Plant & Machinery of four wheeler and repayable in equal quarterly installments in arrears. The maximum period of finance is six years including one year grace period (June 30,2017: Nil). The profit margin is charged at the rate of monthly KIBOR plus 1.75% with floor of 7.00% and Cap of 15.00% (June 30, 2017: Nil). This facility is secured against paripassu charge over fixed assets of the company amounting to Rs. 493.33 million (June 30, 2017: Nil) and personal guarantees of some of the directors. The un-utilized amount of this facility as at statement of financial position date is Rs. 370.00 million (June 30, 2017: Nil).			
8 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Present value of minimum lease payments		-	56,310
Less: Current portion shown under current liabilities	13	-	(56,310)
		-	-
The amount of future payments and the periods in which these payments will become due are as under			
Due not later than one year:			
Minimum lease payments		-	57,894
Less: Future finance charges		-	1,584
Present value		-	56,310
Due later than one year and not later than five years			
Minimum lease payments		-	-
Less: Future finance charges		-	-
Present value		-	-
		-	56,310
8.1	No lease agreement is valid as at June 30, 2018.		
9 DEFERRED LIABILITIES			
Employee benefits obligation	9.1	139,269,648	116,308,552
Deferred taxation	9.2	20,332,909	22,027,082
		159,602,557	138,335,634



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

9.1 Employee benefits obligation	Note	June 30, 2018 Rupees	June 30, 2017 Rupees			
9.1.1 Movement in the present value of defined benefit obligations						
Present value of defined benefit obligations 1st July		116,308,552	93,494,529			
Current Service Cost		15,385,652	12,110,676			
Interest cost on defined benefit obligator		8,869,641	6,599,967			
Benefits due but not paid (payables)		-	(280,952)			
Benefits paid		(3,723,133)	(4,640,050)			
Actuarial (gain) / losses from changes in financial assumptions		435,488	153,124			
Experience Adjustments		1,993,449	8,871,258			
		<u>139,269,648</u>	<u>116,308,552</u>			
9.1.2 Movement in the net liability recognized in the statement of financial position						
Net liability as at 1st July		116,308,552	93,494,529			
Expense recognized in the profit & loss account	9.1.3	24,255,293	18,710,643			
Liability discharged during the year		(3,723,134)	(4,640,050)			
Benefit Payable transferred to Short Term Liability		-	(280,952)			
Re-measurement recognized in other comprehensive income	9.1.6	2,428,937	9,024,382			
Net liability as at June 30		<u>139,269,648</u>	<u>116,308,552</u>			
9.1.3 Expense recognized in the profit & loss account						
Current service cost		15,385,652	12,110,676			
Interest cost		8,869,641	6,599,967			
		<u>24,255,293</u>	<u>18,710,643</u>			
9.1.4 Distribution of expense recognized in the profit & loss account						
The expense is recognized in the following line items in the profit & loss account under the head salaries, wages and other benefits.						
Cost of sales		18,727,673	14,517,362			
Administrative expenses		4,958,753	3,800,582			
Distribution cost		568,867	392,699			
		<u>24,255,293</u>	<u>18,710,643</u>			
9.1.5 Year end sensitivity analysis(± 100 Bps) on Defined Benefit Obligation						
			June 30, 2018			
Discount Rate + 100 bps			127,938,927			
Discount Rate - 100 bps			152,629,712			
Salary Increase + 100 Bps			152,876,050			
Salary Increase - 100 Bps			127,523,012			
9.1.6 Re-measurement recognized in Other Comprehensive Income						
Actuarial (gain) / losses from changes in financial assumptions		435,488	153,124			
Experiences adjustments		1,993,449	8,871,258			
Total re-measurement recognized in Other Comprehensive Income		<u>2,428,937</u>	<u>9,024,382</u>			
9.1.7 Expected Benefit Payments for the Next 10 Years and Beyond						
	Less than one Year	From 1 to 2 Year	From 2 to 5 Year Year	From 5 to 10 Year	More Than 10 Years	Total
	Rupees					
As At June 30, 2018						
Defined Benefit Obligations	25,892,415	20,425,433	33,458,129	97,904,967	1,281,260,658	1,458,941,602
9.1.8 The amount of expected expense of gratuity benefit in 2018-19 will be Rs. 28,658,368/- as per the actuary's report.						



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

9.1.9 The average duration of defined benefit obligation (unfunded) is 9 years (June 30, 2017, 9 Years).

9.1.10 Principal actuarial assumptions

The company has carried out actuarial valuation as at June 30, 2018 under the 'Projected Unit Credit Actuarial Cost Method'. The main assumptions used for actuarial valuation are as follows:

	Note	June 30, 2018	June 30, 2017
		Rupees	Rupees
Discount rate for year end Obligation		9.00 % p.a.	7.75 % p.a.
Discount rate for interest cost in P&L charge		7.75 % p.a.	7.25 % p.a.
Expected rate of future salary increase		8.00 % p.a.	6.75 % p.a.
Mortality rates		SLIC 2001-2005 Setback 1 Year	SLIC 2001-2005 Setback 1 Year
Retirement age assumption		60 Years	60 Years

9.2 Deferred taxation

The liability for deferred taxation comprises of temporary differences relating to:

Accelerated depreciation for tax purposes	20,332,909	22,044,262
Liabilities under finance lease that are deducted for tax purposes only when paid	-	(17,180)
	20,332,909	22,027,082

10 TRADE AND OTHER PAYABLES

Creditors		388,475,670	398,537,709
Advances from trade customers		7,785,912	24,689,923
Accrued liabilities		49,089,050	14,373,886
Murabaha Payable: (Islamic banking)			
Meezan Bank Limited	10.1	-	26,874,842
Habib Bank Limited	12.3	-	3,561,718
MCB Islamic Bank Limited	10.2	-	-
United Bank Limited	10.3	-	-
Allied Bank Limited	10.4	-	-
Income tax deducted at source		10,285,150	10,645,379
Payable towards:			
Workers' Profit Participation Fund	10.5	24,793,863	10,994,813
Workers' Welfare Fund	10.6	4,995,387	4,316,877
		485,425,032	493,995,147

10.1 Total amount of facility available from Meezan Bank Limited under Murabaha arrangement is Rs.200.00 million (June 30, 2017: Rs. 100.00 Million) for a maximum period of 180 days (June 30,2017: 180 Days). The profit margin is charged at the rate of preceding day respective KIBOR plus 1.25% (June 30, 2017: 2.00%). This facility is secured against paripassu charge over fixed assets (Land, Building and Machinery) of the company amounting to Rs. 268.00 million (June 30, 2017: Rs. 134.00 Million) with 25% margin (June 30, 2017: 25%), paripassu charge over current assets of the company amounting to Rs. 200.00 million (June 30, 2017: 100.00 Million) and personal guarantees of some of the directors. The un-utilized amount of this facility as at statement of financial position date is Rs. 200.00 million (June 30, 2017: Rs. 73.13 Million).



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

- 10.2** Total amount of facility available from MCB Islamic Bank Limited under Murabaha arrangement is Rs.275.00 million (June 30, 2017: Nil) for a maximum period of 180 days (June 30,2017: Nil). This is a sublimit of Diminishing Musharakah. The profit margin is charged at the rate of matching KIBOR plus 1.15% (June 30, 2017: Nil). This facility is secured against first paripassu charge of Rs. 275.00 million over fixed assets of the company with 25% margin (June 30, 2017: Nil) and over current assets Rs. 375.00 million of the company. The un-utilized amount of this facility as at statement of financial position date is Rs. 275.00 million (June 30, 2017: Nil).
- 10.3** Total amount of facility available from United Bank Limited under Murabaha arrangement is Rs.200.00 million (June 30, 2017: Nil) for a maximum period of 180 days (June 30,2017: Nil). The profit margin is charged at the rate of matching KIBOR plus 1.10% (June 30, 2017: Nil). This facility is secured against first paripassu charge of Rs. 200.00 million over fixed assets of the company with 25% margin (June 30, 2017: Nil), first paripassu charge over current assets Rs. 200.00 million of the company with 25% margin (June 30, 2017: Nil) and personal guarantees of some of the directors. The un-utilized amount of this facility as at statement of financial position date is Rs. 200.00 million (June 30, 2017: Nil).
- 10.4** During the year, The Company has shifted its facilities from Conventional banking to Islamic banking. Therefore comparative figures are related to conventional banking. The total amount of facility available from Allied Bank Limited under Murabaha arrangement is Rs. 90.00 million (June 30, 2017: FATR of Rs. 48.00 million) for a maximum period of 180 days (June 30,2017: 180). The profit margin is charged at the rate of three month KIBOR plus 2.00% (June 30, 2017: 2.00%). This facility is secured against paripassu charge over fixed assets Rs. 185.00 of the company with 25% margin (June 30, 2017: 25%), paripassu charge over current assets Rs. 110.00 million of the company with 25% margin (June 30, 2017: 25%) and personal guarantees of some of the directors. The un-utilized amount of this facility as at statement of financial position date is Rs. 90.00 million (June 30, 2017: FATR of Rs. 48.00 million).

	June 30, 2018	June 30, 2017
Note	Rupees	Rupees

10.5 Workers' Profit Participation Fund

Balance at beginning of the year		10,994,813	8,287,790
Charged during the year	31	13,799,050	10,994,813
		24,793,863	19,282,603
Payment made during the year		-	(8,287,790)
		24,793,863	10,994,813

10.6 Workers' Welfare Fund

Balance at beginning of the year		4,316,877	3,128,844
Charged during the year		4,995,387	4,316,877
Adjustment for prior years		(172,059)	(78,380)
Charged to Profit & Loss account	31	4,823,328	4,238,497
		9,140,205	7,367,341
Payment made during the year		(4,144,818)	(3,050,464)
		4,995,387	4,316,877

11 MARK-UP & PROFIT ACCRUED ON LOANS AND OTHER PAYABLES

Short term borrowing - secured		2,849,361	-
Liabilities against assets subject to finance lease		-	625
Profit on Murabaha Payable		-	92,796
		2,849,361	93,421

12 SHORT TERM BORROWINGS

Secured

Running finance under mark-up arrangements - Conventional

Habib Bank Limited 12.2 - -

Finance against trust receipts - Conventional

Habib Bank Limited 12.3 - -



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	Note	June 30, 2018 Rupees	June 30, 2017 Rupees
Running Musharakah arrangements - Islamic Banking			
Habib Bank Limited	12.2	-	-
Meezan Bank Limited	12.4	-	-
MCB Islamic Bank Limited	12.5	-	-
United Bank Limited	12.6	-	-
Allied Bank Limited	12.7	-	-
Istisna arrangements - Islamic Banking			
Meezan Bank Limited	12.8	-	-
Allied Bank Limited	12.9	-	-
		-	-

- 12.1 The company is availing Islamic banking facility from Habib Bank Limited as Sub-limit of the credit facility. The detail is given as below;

2018		
Amount	Facilities under mark-up Finance arrangement	Facilities under Islamic Finance arrangement
50 M	Running Finance	Running Musharka
110 M	LC Sight/LC DA (inland)/ DOD / Acceptance/SG	LC Sight/LC DA (inland)/ DOD / Acceptance/SG
40 M	FATR, Sublimit of Above Limit	Murabaha, Sublimit of Above Limit
2017		
Amount	Facilities under mark-up Finance arrangement	Facilities under Islamic Finance arrangement
50 M	Running Finance	-
110 M	LC Sight/LC DA (inland)/ DOD / Acceptance/SG	LC Sight/LC DA (inland)/ DOD / Acceptance/SG
40 M	FATR, Sublimit of Above Limit	Murabaha, Sublimit of Above Limit

The Company has an option to utilize the Banking Finance Facilities available from Habib Bank Limited either under Mark-up finance arrangement or Islamic finance arrangement. The Company intends to utilize these facilities under the Islamic Finance arrangements. The FATR facility, when it is utilized under Islamic system it will be created under Import Murabaha Facility and will be disclosed under the head of Trade and other payable (Note no.10). During the year, the Company opted for the Islamic Banking facilities.

- 12.2 Total amount of running finance available under this facility is Rs. 50.00 million (June 30, 2017: Rs. 50.00 million) with an option to utilize under Running Musharakah Facility. The mark-up is charged at the rate of three months KIBOR + 2.5% per annum for running finance and 2.00% for Running Musharakah (June 30, 2017: three months average ask side KIBOR for running finance 2.50 % and running Musharakah: Nil). This facility is collaterally secured against First paripassu charge on fixed assets of Rs. 214.00 million (June 30, 2017: Rs. 214.00 million) and specifically secured against First paripassu Hypothecation Charge of Rs. 90.00 million (June 30, 2017: Rs. 90.00 million) with 20% margin (June 30, 2017: 20%) over current assets of the Company, comprising of raw material, work in process, finished goods, etc. and receivable and book debts of the Company. The un-utilized amount of this facility as at statement of financial position date is Rs 50.00 million (June 30, 2017: Rs. 50.00 million) .
- 12.3 Total amount available under this facility is Rs. 40.00 million (June 30, 2017: Rs. 40.00 million) with an option to utilize under Murabaha Facility, for a maximum period of 120 days (June 30, 2017: 120 days). The mark-up is charged at the rate of three months KIBOR plus 2.50% for FATR and 2.00% for Murabaha, per annum (June 30, 2017: three months average ask side KIBOR plus 2.50%, for FATR per annum and 2.00% for murabaha). This facility is collaterally secured against First paripassu charge of Rs. 214.00 million (June 30, 2017: Rs. 214.00 million) on fixed assets of the company and specifically secured against First paripassu Hypothecation Charge of Rs. 90.00 million (June 30, 2017: Rs. 90.00 million) over current assets of the Company, comprising of raw material, work in process, finished goods, receivable and book debts with 20% margin (June 30, 2017: 20%) of the Company, 5% Cash margin, (June 30, 2017: 5%), Trust Receipts and accepted bill of exchange. Out of this facility a sum of Nil (June 30, 2017: 3.56 million) has been utilized on account of Murabaha Facility (Note No.10) The balance un-utilized amount of this facility as at statement of financial position date is Rs. 40.00 million (June 30, 2017: Rs. 36.44) which can be used for opening of Letter of Credit.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

- 12.4** Total amount of facility available from Meezan Bank Limited under Running Musharakah arrangement is Rs. 60.00 million (June 30, 2017: Rs. 60.00 million). This facility is a sub-limit of murabaha facility of Rs. 200.00 million (June 30, 2017: Rs. 100.00 million) (Note No. 10.1). The profit margin is charged on quarterly basis at the rate of respective KIBOR plus 1.25% (June 30, 2017: 2.0%) per annum. This facility is secured against paripassu charge over fixed assets (Land, Building and Machinery) of the company amounting to Rs. 268.00 million (June 30, 2017: Rs. 134.00 million) with margin of 25% (June 30, 2017: 25%), paripassu charge over current assets of the company amounting to Rs. 200.00 million (June 30, 2017: Rs. 100.00 million) and personal guarantees of some of the directors. The un-utilized amount of this facility as at statement of financial position date is Rs. 60.00 million (June 30, 2017: Rs. 60.00 million).
- 12.5** Total amount of facility available from MCB Islamic Bank Limited under Running Musharakah arrangement is Rs. 100.00 million (June 30, 2017: Nil) as a sublimit of Diminishing Musharakah. The profit margin is charged at the rate of respective maching KIBOR plus 1.50% (June 30, 2017: Nil) per annum. This facility is secured against first paripassu charge over fixed assets Rs. 275.00 million (Land, Building and Machinery) of the company with margin of 25% (June 30, 2017: Nil), first paripassu charge over current assets of the company amounting to Rs. 375.00 million (June 30, 2017: Nil). The un-utilized amount of this facility as at statement of financial position date is Rs. 100.00 million (June 30, 2017: Nil).
- 12.6** Total amount of facility available from United Bank Limited under Running Musharakah arrangement is Rs. 200.00 million (June 30, 2017: Nil) as sublimit of Murabaha facility. The profit margin is charged on three month basis at the rate of respective KIBOR plus 1.10% (June 30, 2017: Nil) per annum. This facility is secured against paripassu charge of Rs. 200.00 million over fixed assets of the company with 25% margin (June 30, 2017: Nil), paripassu charge over current assets Rs. 200.00 million of the company with 25% margin (June 30, 2017: Nil) and personal guarantees of some of the directors. The un-utilized amount of this facility as at statement of financial position date is Rs. 200.00 million (June 30, 2017: Nil).
- 12.7** During the year, The Company has shifted its facilities from Conventional banking to Islamic banking. Therefore comparative figures are related to conventional banking. Total amount of facility available from Allied Bank Limited under Business Musharakah arrangement is Rs. 45.00 million (June 30, 2017: Running Finance Rs. 45.00 million). The profit margin is charged on three months basis at the rate of respective KIBOR plus 2.00% (June 30, 2017: 2.00%) per annum. This facility is secured against paripassu charge over fixed assets Rs. 185.00 of the company with 25% margin (June 30, 2017: 25%), paripassu charge over current assets Rs. 110.00 million of the company with 25% margin (June 30, 2017: 25%) and personal guarantees of some of the directors. The un-utilized amount of this facility as at statement of financial position date is Rs. 45.00 million (June 30, 2017: Running Finance Rs. 45.00 million).
- 12.8** Total amount of facility available from Meezan Bank Limited under Istisna arrangement is Rs. 40.00 million (June 30, 2017: Rs. 40.00 million) for a maximum period of 180 days (June 30, 2017: 180 days). This facility is a sub-limit of murabaha facility of Rs. 200 million (June 30, 2017: Rs. 100.00 million) (Note No. 10). The profit margin is charged at the rate of preceding day respective KIBOR plus 1.25% (June 30, 2017: 2.0%) per annum. This facility is secured against paripassu charge over fixed assets (Land, Building and Machinery) of the company amounting to Rs. 268.00 million (June 30, 2017: Rs. 134.00 million) with 25% margin (June 30, 2017: 25%), paripassu charge over current assets of the company amounting to Rs. 200.00 million (June 30, 2017: Rs. 100.00 million) and personal guarantees of some of the directors.. The un-utilized amount of this facility as at statement of financial position date is Rs. 40.00 million (June 30, 2017: Rs. 40.00 million).
- 12.9** During the year, The Company has shifted its facilities from Conventional banking to Islamic banking. Therefore comparative figures are related to conventional banking. Total amount of facility available from Allied Bank Limited under Istisna arrangement is Rs. 45.00 million (June 30, 2017: Nil) for a maximum period of 120 days (June 30, 2017: Nil). This facility is a sub-limit of Business Musharaka facility of Rs. 45.00 million (June 30, 2017: Nil) (Note No. 10.1). The profit margin is charged at the rate of respective six months KIBOR plus 2.00% (June 30, 2017: Nil) per annum. This facility is secured against paripassu charge over fixed assets Rs. 185.00 of the company with 25% margin (June 30, 2017: 25%), paripassu charge over current assets Rs. 110.00 million of the company with 25% margin (June 30, 2017: 25%) and personal guarantees of some of the directors. The un-utilized amount of this facility as at statement of financial position date is Rs. 40.00 million (June 30, 2017: Rs. 40.00 million).
- 12.10** During the year, The Company has shifted its facilities of Allied Bank Limited from Conventional banking to Islamic banking. Therefore comparative figures are related to conventional banking. The usage of total amount of facilities of Rs. 225.00 million (June 30, 2017: Rs. 143.00 million) available from Allied Bank Limited under Business Musharakah/Istisna/Murabaha/Import and local LC (Sight) is allowed in aggregate only to the extent of Rs. 135.00 million (June 30, 2017: Rs. 130.00 million) at any point of time.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

13 CURRENT PORTION OF LONG TERM LIABILITIES	Note	June 30, 2018	June 30, 2017
		Rupees	Rupees
Liabilities against assets subject to finance lease	8	-	56,310
		-	56,310
14 PROVISION FOR TAXATION			
Balance at beginning		-	48,745,424
Add: Provision for the Year			
-Current Year		72,893,882	65,454,307
-Prior Year		(2,526,084)	(1,182,232)
Less: Payment/Adjustment during the year		(70,367,798)	(113,017,499)
		-	-

15 CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

15.1.1 Deputy Director (Admin) of the Punjab Employees Social Security Institution has created a demand of Rs. 6,574,682/- for the year 2014 on account of social security contribution including increase thereon under section 23(1) of the Social Security Ordinance, 1965 as on August 31, 2015. The Company has filed an appeal with Commissioner Appeals against this order, which is still pending. In the opinion of legal advisor, favorable outcome of the appeal is expected; hence no provision is made in these financial statements.

15.1.2 The company has received a notification dated: June 15, 2017, issued by Government of Punjab (Labour & Human Resource Department) for enhancing the monthly wage ceiling from Rs. 18,000/- to 22,000/- for the purpose of levy of Social Security contribution. The company filed a Writ Petition in the Honorable Lahore High Court, Lahore as on October 18, 2017 to challenge the legality of the notification. The estimated effect of this notification on financial statements is Rs. 198,902/-. In the opinion of the legal advisor, expected outcome of the case will be in favour of the company, hence no provision is made in these financial statements.

15.1.3 ACIR initiated proceedings under section 124/129/221 of Income Tax Ordinance 2001 for tax year 2008 and rejected the refund of Rs. 1,432,320/-. The company filed an appeal against this order with CIR (Appeals) as on June 30, 2016, proceedings are still pending. In the opinion of tax consultant, favorable outcome is expected, hence no provision is made in these financial statements.

15.1.4 ACIR initiated proceedings under section 3(1A) of Sales Tax act 1990 for tax period July-Sep 2015 and created sales tax demand of Rs. 9,392,789/- as on June 06, 2016. The company filed an appeal against this order with CIR (A) and CIR (A) vacated the order of ACIR. However ACIR filed an appeal with ATIR, proceedings are still pending. In the opinion of tax consultant, favorable outcome is expected, hence no provision is made in these financial statements.

15.1.5 The appeal filed by the company with ATIR against the order of CIR (Appeals) for tax demand of Rs. 545,930/- for tax year 2003 as on November 12, 2009 under section 122 (5A) is still pending. In the opinion of the tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.

15.1.6 DCIR initiated proceedings under section 122 (1)/122 (5) /124 for tax year 2009 and created a tax demand of Rs. 22.27 million as on June 30, 2011. The company filed an appeal against this order with CIR (Appeals) and got relief up to Rs.19.18 million. For remaining tax demand of Rs.3.09 million, company has filed an appeal with ATIR. Further, during previous years, the DCIR has also filed an appeal against the Relief of Rs. 15.03 million given by the CIR (A). The proceedings are still pending, In the opinion of tax consultant, favorable outcome of the appeals are expected, hence no provision is made in these financial statements for these amounts.

15.1.7 DCIR initiated proceedings under section 122 (5A) for tax year 2009 and created a tax demand of Rs. 5,318,163/- as on March 31, 2015. The company filed an appeal against this order with CIR (Appeals) and got relief up to Rs.5.32 million. For remaining tax demand of Rs. 121,899/-, company file an appeal with ATIR. Further, during the year, the DCIR has also filed an appeal with ATIR against the Relief of Rs. 5,318,163/- given by the CIR (A) In the opinion of tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

- 15.1.8** DCIR passed an order under section 161/205 of Income Tax Ordinance 2001 for the tax year 2013 and created a demand of Rs. 70,980,831/- as on November 26, 2015. The company filed an appeal against this order with CIR (Appeals) and CIR (Appeals) passed an order to remand back the case to DCIR. Subsequently, the company has filed an appeal with ATIR against the order of CIR (Appeals). The proceedings are still pending and in the opinion of the tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.
- 15.1.9** DCIR initiated proceedings under section 122 (1)/122 (5A) for tax year 2013 and 2007 and created a tax demand of Rs. 6,151,787/- and Rs. 16,581,680/- as on January 31, 2013 and April 25, 2014 respectively. The company filed appeals against these orders with CIR (Appeals) and got relief of Rs. 3,672,094/- and Rs. 15,940,450/- respectively. For remaining tax demand of Rs.2,479,693/- and Rs. 614,230/- company has filed appeals with ATIR. The appeals are still pending. Further in 2017, the DCIR has also filed an appeal to ATIR against the relief of Rs. 4,365,419/- given by CIR (A) for tax year 2013. In the opinion of tax consultant, favorable outcome of the appeals are expected, hence no provision is made in these financial statements.
- 15.1.10** DCIR passed an order under section 11 (2) of Sales Tax Act, 1990 for the tax period from July-2011 to June-2012 and created a demand of Rs. 192,568,536/- as on May 30, 2018, . The company filed an appeal against this order with CIR (Appeals). The proceedings are still pending and in the opinion of the tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.
- 15.1.11** DCIR passed an order under section 121(1)/122(2) of Income Tax Ordinance 2001 for the tax year 2012 and created a demand of Rs. 387,050,666/- as on April 30, 2018. The company filed an appeal against this order with CIR (Appeals). The proceedings are still pending and in the opinion of the tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.
- 15.1.12** DCIR passed an order under section 11 (2) of Sales Tax Act, 1990 for the tax period from July-2013 to June-2014 and created a demand of Rs. 7,418,949/- as on September 28, 2017. The company filed an appeal against this order with CIR (Appeals). The proceedings are still pending and in the opinion of the tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.
- 15.1.13** As per section 5A of Income Tax Ordinance, 2001, income tax shall be charged at the rate of seven and a half percent of accounting profit before tax on every public company, other than a scheduled bank or a modaraba, that derives profit for a tax year but does not distribute at least forty percent of its after tax profits within six months of the end of the tax year through cash or bonus shares. However, the management is of the view that company is setting up a project for the manufacturing/assembly of passenger and off-road vehicles for which substantial amount of funds is required. Keeping in view the cash requirement for the proposed project the company has not made announcement of dividend which has attracted the provisions of Section 5(A) of Income Tax Ordinance 2001. The company has challenged the legality and constitutionality of section 5(A) of Income Tax Ordinance 2001 by filing a Constitutional petition in the Lahore High Court as on July 03, 2018, the said writ petition is pending before the Learned Court. In the opinion of the lawyer, favorable outcome of the appeal is expected, hence provision of Rs.19.10 Million is not made in these financial statements.

15.2 Commitments

15.2.1 Commitments in respect of outstanding letters of credit for raw material amount to Rs. 254.96 Million (June 30, 2017: Rs. 167.30 Million).

15.2.2 Commitments in respect of capital expenditures amount to Rs. 161.40 Million (June 30, 2017: Rs. 8.99 Million).

	Note	June 30, 2018	June 30, 2017
		Rupees	Rupees
16 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	16.1	346,844,374	264,189,676
Capital work in progress	16.3	361,959,281	267,517,497
Advance for purchase of vehicle	16.4	-	1,300,000
		708,803,655	533,007,173



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

16.1 OPERATING FIXED ASSETS - Tangible

Particulars	2018									
	Cost				Rate %	Depreciation			As at 30-06-2018	W.D.V. as at 30-06-2018
	As at 01-07-2017	Additions/ (Deletions)	Transfer	As at 30-06-2018		As at 01-07-2017	For the Year	Adjustment		
Freehold land	107,692,008	87,859,932	-	195,551,940	-	-	-	-	-	195,551,940
Building and Civil Works on freehold land	88,273,401	-	-	88,273,401	5 to 10	52,477,770	3,497,063	-	55,974,833	32,298,568
Building and Civil Works on leasehold land	2,509,800	-	-	2,509,800	10	382,745	212,706	-	595,451	1,914,349
Plant and Machinery	205,692,696	10,502,094	-	216,194,790	10	128,019,721	8,444,960	-	136,464,681	79,730,109
Electric Fittings	9,189,359	-	-	9,189,359	10	5,510,910	367,845	-	5,878,755	3,310,604
Furniture and Fittings	2,311,633	-	-	2,311,633	10	1,467,664	84,397	-	1,552,061	759,572
Office Equipment	4,481,242	1,660,333	-	6,141,575	10	2,338,228	283,344	-	2,621,572	3,520,003
Electric Installations	3,300,450	-	-	3,300,450	10	1,707,756	159,270	-	1,867,026	1,433,424
Vehicles	60,145,461	2,700,500	1,059,000	63,904,961	20	28,088,972	6,959,836	530,347	35,579,155	28,325,806
Assets subject to Finance Lease	483,596,049	102,722,859	1,059,000	587,377,908		219,993,766	20,009,421	530,347	240,533,534	346,844,374
Vehicles	1,059,000	-	(1,059,000)	-	20	471,608	58,739	(530,347)	-	-
	1,059,000	-	(1,059,000)	-		471,608	58,739	-	-	-
Total 2018	484,655,049	102,722,859	-	587,377,908		220,465,374	20,068,160	(530,347)	240,533,534	346,844,374

Particulars	2017									
	Cost				Rate %	Depreciation			As at 30-06-2017	W.D.V. as at 30-06-2017
	As at 01-07-2016	Additions/ (Deletions)	Transfer	As at 30-06-2017		As at 01-07-2016	For the Year	Adjustment		
Freehold land	85,164,954	22,527,054	-	107,692,008	-	-	-	-	-	107,692,008
Building and Civil Works on freehold land	88,273,401	-	-	88,273,401	5 to 10	48,596,968	3,880,802	-	52,477,770	35,795,631
Building and Civil Works on leasehold land	2,509,800	-	-	2,509,800	10	146,405	236,340	-	382,745	2,127,055
Plant and Machinery	200,206,370	5,486,326	-	205,692,696	10	119,815,477	8,204,244	-	128,019,721	77,672,975
Electric Fittings	8,074,296	1,115,063	-	9,189,359	10	5,174,466	336,444	-	5,510,910	3,678,449
Furniture and Fittings	2,472,886	-	-	2,311,633	10	1,520,385	94,143	-	1,467,664	843,969
Office Equipment	4,344,405	(161,254) 340,615	-	4,481,242	10	2,301,135	222,124	(146,864.25)	2,338,228	2,143,014
Electric Installations	3,315,876	(203,778)	-	3,300,450	10	1,543,719	177,030	(185,031.37)	1,707,756	1,592,694
Vehicles	45,401,861	(15,426) 15,718,500 (3,443,400)	2,468,500	60,145,461	20	21,793,565	7,131,796	(12,993) 1,331,015 (2,167,403)	28,088,972	32,056,489
Assets subject to Finance Lease	439,763,849	45,187,558 (3,823,858)	2,468,500	483,596,049		200,892,119	20,282,923	(2,512,292)	219,993,766	263,602,284
Plant and Machinery	-	-	-	-	10	-	-	-	-	-
Vehicles	3,527,500	-	(2,468,500)	1,059,000	20	1,371,404	431,219	(1,331,015)	471,608	587,392
	3,527,500	-	(2,468,500)	1,059,000		1,371,404	431,219	-	471,608	587,392
Total 2017	443,291,349	45,187,558 (3,823,858)	-	484,655,049		202,263,523	20,714,142	(1,331,015) 1,331,015 (3,843,307)	220,465,374	264,189,676

16.2 Depreciation for the year has been allocated as follows:

	Note	June 30, 2018 Rupees	June 30, 2017 Rupees
Cost of sales	28	12,889,803	12,802,373
Distribution cost	29	1,482,494	443,139
Administrative expenses	30	5,695,863	7,468,630
		20,068,160	20,714,142

16.3 CAPITAL WORK-IN-PROGRESS

Tangible

Plant and machinery

Opening balance	4,545,261	-
Additions made during the year	23,209,201	4,545,261
	27,754,462	4,545,261
Transferred to Plant & Machinery	4,865,850	-
	22,888,612	4,545,261

16.3.1



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017
	Rupees	Rupees
Civil works		
Opening balance	262,481,902	-
Additions made during the year	76,098,433	262,481,902
	338,580,335	262,481,902
Transferred to operating fixed assets	-	-
	338,580,335	262,481,902
Intangible		
Opening balance	490,334	490,334
Additions made during the year	-	-
	490,334	490,334
Transferred to Intangible Assets	-	-
	490,334	490,334
	361,959,281	267,517,497

16.3.1 This includes Rs. Nil (June 30, 2017: Rs. 4.55 million) on account of advance paid to supplier of machinery.

16.4 This includes Rs. Nil (June 30, 2017: Rs. 1.3 million) on account of advance paid to Atlas Honda Car for purchase of a vehicle

16.5 Particulars of Company's Immovable Fixed Assets;

SR No.	PARTICULARS	LOCATION	NATURE	AREA OF LAND (In Acres)
1	Manufacturing Facility of Three Wheeler, Appliances and Automotive Parts	18 K.M Raiwind Road, Lahore.	OWNED	5.46
2	Construction of New Four Wheeler Manufacturing Facility	Mouza Bhai Kot, Near Tablighi Ijtama, Raiwind, Lahore	OWNED	36.96
3	Warranty Center	B-66, State Avenue S.I.T.E, Karachi	LEASED	0.36

17 INTANGIBLE ASSETS

Particulars	(Rupees)						
	Cost			Amortization			Book Value as at 30-06-2018
	As at 01-07-2017	Additions/ (deletion)	As at 30-06-2018	As at 01-07-2017	For the Year	As at 30-06-2018	
Intangible Assets	4,208,839	-	4,208,839	4,158,020	40,244	4,198,264	10,575
Jun-18	4,208,839	-	4,208,839	4,158,020	40,244	4,198,264	10,575
Jun-17	4,208,839	-	4,208,839	4,073,234	84,786	4,158,020	50,819

17.1 Intangible assets include cost incurred on patents, copyrights, trade marks and designs.

17.2 The amortization cost is included in cost of sales.

18 LONG TERM LOANS AND ADVANCES - SECURED

Loans and advances - considered good, to:

	June 30, 2018	June 30, 2017
	Rupees	Rupees
Executives	6,287,425	5,183,725
Non-Executives	23,876,495	19,994,348
	30,163,920	25,178,073
Less: Amount due within twelve months, shown under current portion of loans and advances	23	23
	12,042,952	10,308,916
	18,120,968	14,869,157



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Reconciliation of carrying amount of loans and advances to executives and non-Executives:

	Opening balance as at July 01, 2017	Disbursements / Transfer	Repayments / Transfer	Closing Balance as at June 30, 2018
Executives	5,183,725	4,170,700	3,067,000	6,287,425
Non-Executives	19,994,348	17,936,538	14,054,391	23,876,495
June 30, 2018	25,178,073	22,107,238	17,121,391	30,163,920
June 30, 2017	23,491,154	16,327,154	14,640,235	25,178,073

These loans and advances have been granted under staff loan and advances policy to facilitate the employees for purchase of house and meeting other household payments. These are secured against the gratuity payable to employees. These are interest free loans which are repayable within maximum fourteen years. The maximum amount of loan outstanding to executives at the end of any month during the year was Rs. 6,511,455 (2017: Rs. 2,960,000). Receivable from executives of the Company does not include any amount receivable from Directors or Chief Executive. The carrying values of these loans are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to no default in recent history. These include loan made to employee of the company namely Mr. Altaf ul Haq exceeding PKR 1 million

19 LONG TERM DEPOSITS	Note	June 30, 2018	June 30, 2017
		Rupees	Rupees
Deposit with Pakistan Steel Mill		400,000	400,000
Utilities and others		2,598,705	1,987,137
		2,998,705	2,387,137
Long term deposits are given in the normal course of business and do not carry any interest or mark-up.			
20 STORES, SPARES AND LOOSE TOOLS			
Stores		3,411,001	2,318,991
Spares		348,910	400,800
Loose tools		5,250	8,940
		3,765,161	2,728,731
21 STOCK-IN-TRADE			
Raw materials and components		336,012,742	353,203,679
Work-in-process		11,921,639	13,548,770
Finished goods		137,357,025	191,425,090
Less:			
Provision for slow moving items	21.1	(7,505,112)	(4,163,512)
Provision for Loss of Stock	21.2	-	(5,889,077)
		477,786,294	548,124,950
21.1 Provision for slow moving items			
Balance at the beginning of the year		4,163,512	3,496,191
Charged during the year	28	3,341,600	667,321
Balance at the closing of the year		7,505,112	4,163,512
21.2 Provision for Loss of Stock			
Balance at the beginning of the year		5,889,077	-
Charged during the year		-	5,889,077
Reversal during the year	21.2.1	(5,889,077)	-
Balance at the closing of the year		-	5,889,077

21.2.1 Stock recovered during the year.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	Note	June 30, 2018 Rupees	June 30, 2017 Rupees
22 TRADE DEBTS - Unsecured	22.1	97,613,278	72,080,590
22.1 Classification:			
Considered Good		97,613,278	72,080,590
Considered Doubtful		9,647,305	8,099,517
		107,260,583	80,180,107
Less: Provision for impairment in trade debts	22.2	(9,647,305)	(8,099,517)
		97,613,278	72,080,590
22.2 Provision for impairment in trade debts			
Balance at the beginning of the year		8,099,517	4,640,199
Charged during the year		5,558,488	3,459,318
		13,658,005	8,099,517
Written off during the year from provision		-	-
Reversal during the year	22.2.1	(4,010,700)	-
Balance at the closing of the year		9,647,305	8,099,517
22.2.1 Recovery of doubtful debts			
23 LOANS & ADVANCES			
Advances - considered good			
- Current portion of loans and advances	18	12,042,952	10,308,916
- To employees for incurring business expenses		17,480	382,838
- To suppliers-unsecured		1,336,018	105,005
		13,396,450	10,796,759
23.1 These amount given in the normal course of business and do not carry any interest or mark-up.			
24 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Contract securities		400,000	446,900
Prepaid expenses		1,325,907	962,214
Letter of credit margin		2,054,248	5,052,638
Letter of credit in process		132,694,721	26,645,564
		136,474,876	33,107,316
24.1 These amount given in the normal course of business and do not carry any interest or mark-up.			
25 OTHER RECEIVABLES			
Advance income tax - net		105,497,345	88,391,558
Advance Sales tax		7,071,092	35,495,516
Others		-	100,000
		112,568,437	123,987,074
26 CASH AND BANK BALANCES			
Cash in hand		183,080	161,580
Balance with banks			
In current accounts - Conventional banking		25,922,932	27,865,668
In current accounts - Islamic banking		9,218,791	39,275,642
		35,324,803	67,302,890



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

27 SALES - NET	Note	June 30, 2018	June 30, 2017
		Rupees	Rupees
Gross sales	27.1	4,868,817,143	4,340,550,823
Less: Sales tax		685,562,554	622,951,466
Sales returns		126,235,781	22,131,718
Commission		88,801,698	77,323,146
		900,600,033	722,406,330
		3,968,217,110	3,618,144,493

27.1 This includes Rs. 52.58 million (June 30, 2017: Rs. 56.40 million) on account of export sales.

28 COST OF SALES

Raw materials and components consumed		2,959,418,435	2,771,117,862
Salaries, wages and other benefits	28.1	284,281,883	262,004,040
Stores, spares and loose tools consumed		48,062,243	46,572,513
Power and fuel charges		63,144,281	60,804,760
Repair and maintenance		87,883,913	91,008,296
Other expenses		8,546,620	6,569,135
Provision for slow moving items	21	3,341,600	667,321
Depreciation	16.2	12,889,803	12,802,373
Amortization	17	40,244	84,786
		3,467,609,022	3,251,631,086
Opening work-in-process		13,548,770	15,490,216
		3,481,157,792	3,267,121,302
Closing work-in-process		11,921,639	13,548,770
Cost of goods manufactured		3,469,236,153	3,253,572,532
Opening finished goods		191,425,091	167,986,268
		3,660,661,244	3,421,558,800
Cost of finished goods purchased during the year		-	8,529,779
		3,660,661,244	3,430,088,579
Closing finished goods		137,357,025	191,425,090
		3,523,304,219	3,238,663,489

28.1 Salaries, wages and other benefits include Rs.18,727,673 (2017: Rs.14,517,362) in respect of retirement benefits.

29 DISTRIBUTION COST

Salaries and other benefits	29.1	18,212,012	14,704,834
Freight and octroi		58,143,571	52,009,124
Traveling & conveyance		7,015,367	2,864,659
Packing material consumed		4,606,886	3,702,031
Advertisement and sale promotion		1,068,064	5,728,741
Insurance		401,165	369,533
Rent, rates and taxes		2,877,552	2,484,803
After sales service		983,121	860,104
Printing & Stationery		250,510	745,625
Depreciation	16.2	1,482,494	443,139
		95,040,742	83,912,593

29.1 Salaries and other benefits include Rs. 568,867 (2017: Rs. 392,699) in respect of retirement benefits.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	Note	June 30, 2018 Rupees	June 30, 2017 Rupees
30 ADMINISTRATIVE EXPENSES			
Salaries and other benefits	30.1	44,458,473	37,283,814
Electricity, gas and water charges		295,083	288,352
Communication expenses		6,258,843	4,955,437
Vehicle running expenses		3,550,445	3,628,377
Legal and professional		1,623,523	1,423,011
Traveling and conveyance		2,281,371	639,306
Fee and subscription		2,754,690	2,201,631
Insurance		452,239	352,036
Rent, rates and taxes		940,081	1,194,861
Printing and stationery		2,105,340	3,124,637
Entertainment		2,363,372	2,064,227
Office supplies		252,048	193,748
Miscellaneous expenses		1,638,725	1,065,999
Depreciation	16.2	5,695,863	7,468,630
		74,670,096	65,884,066
30.1	Salaries and other benefits include Rs. 4,958,753 (2017: Rs. 3,800,582) in respect of retirement benefits		
31 OTHER OPERATING EXPENSES			
Tax Consultancy Services	31.1	1,455,000	1,290,000
Auditors' remuneration	31.2	865,000	760,000
Exchange loss		707,416	72,157
Provision for loss of stock		-	5,889,077
Provision for doubtful debts		5,558,488	3,459,318
Contribution towards:			
Workers' profit participation fund	10.5	13,799,050	10,994,813
Workers' welfare fund	10.6	4,823,328	4,238,497
		27,208,282	26,703,862
31.1 Tax Consultancy Services			
Viqar A. Khan & Co.			
Tax services		880,000	1,290,000
KPMG Taseer Hadi & Co.			
Tax services		575,000	-
		1,455,000	1,290,000
31.2 Auditors remuneration			
Azim & Company			
Workers' Profit Participation Fund audit		-	20,000
H.Y.K & Co.			
Statutory audit		650,000	575,000
Half yearly review		150,000	150,000
Workers' Profit Participation Fund audit		20,000	-
Certificate fee		45,000	15,000
		865,000	740,000
		865,000	760,000
32 OTHER INCOME			
Income from non Financial Assets			
Gain on sale of fixed asset		-	1,089,123
Reversal of provision for doubtful Debts		4,010,700	-
Reversal of provision for loss of stock		5,889,077	-
Miscellaneous Income		1,680,853	1,833,709
		11,580,630	2,922,832



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	Note	June 30, 2018 Rupees	June 30, 2017 Rupees	
33 FINANCE COST				
Mark-up on:				
Short term borrowings - secured - Islamic Banking		177,031	-	
Profit on Murabaha - Islamic Banking		1,470,354	481,740	
Interest on Workers' Profit Participation Fund		2,679,986	549,208	
Financial charges on finance lease - Islamic Banking		965	46,777	
Bank charges and others		567,423	711,845	
		<u>4,895,759</u>	<u>1,789,570</u>	
34 TAXATION				
Current				
For the Year	34.1	72,893,882	65,454,307	
Prior Year	34.2	(2,526,084)	(1,182,232)	
Deferred				
For the Year	34.4	(1,694,174)	(2,980,271)	
		<u>68,673,624</u>	<u>61,291,804</u>	
34.1	The rate of tax has decreased from 31% to 30% during the year.			
34.2	This amount relates to adjustment of provision for taxation of previous year.			
34.3	The income tax assessments of the company have been finalized up to tax year 2017, except as mentioned in note 15.1. The Provision for taxation is considered adequate to discharge the expected liability for current year.			
34.4 Tax charge reconciliation				
Profit before taxation		<u>254,678,642</u>	<u>204,113,745</u>	
Tax charge on accounting profit at applicable tax rate 30% (31%: 2017) as per Income Tax Ordinance, 2001		76,403,593	63,275,261	
Tax effect of amounts that are:				
- not deductible for tax purposes				
- allowable deductions for tax purposes		(871,588)	1,446,896	
Tax effect of profit attributable to presumptive income		(3,742,374)	(2,104,771)	
Effect of presumptive tax		511,904	429,580	
Tax effect due to reversal of prior year's WWF		(51,618)	(24,298)	
Tax credit due to investment		(1,050,209)	(548,633)	
Adjustment of prior year taxation		(2,526,084)	(1,182,232)	
Taxation for the year		<u>68,673,624</u>	<u>61,291,804</u>	
34.5 Comparison of tax provision with tax assessment				
		<u>2015</u>	<u>2016</u>	<u>2017</u>
Tax Provision		32,786,233	48,745,424	65,454,307
Tax Assessment		31,756,479	47,563,192	62,928,223
Excess / (Short)		<u>1,029,754</u>	<u>1,182,232</u>	<u>2,526,084</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

		June 30, 2018	June 30, 2017
	Note	Rupees	Rupees
35 EARNINGS PER SHARE - BASIC AND DILUTED			
Basic earnings per share			Restated
Profit after taxation for the year	Rupees	186,005,018	142,821,941
Weighted average number of ordinary shares outstanding during the year	Number	21,566,842	21,566,842
Basic earnings per share - Rupees	Rupees	8.62	6.62
35.1 Diluted earnings per share			
A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2018 and June 30, 2017 which would have any effect on earning per share if the option to convert is exercised.			
36 CASH GENERATED FROM OPERATIONS			
Profit before taxation		254,678,642	204,113,745
Adjustment for non cash charges and other items:			
Depreciation		20,068,160	20,714,142
Amortization		40,244	84,786
Provision of staff retirement gratuity		24,255,293	18,710,643
Financial and other charges		4,895,759	1,789,570
Other income		(11,580,630)	(2,922,832)
		37,678,826	38,376,309
Working capital changes	36.1	292,357,468	242,490,054
Increase in long term loans and advances		(31,341,283)	108,865,334
		(3,251,811)	(1,411,942)
Cash generated from operations		257,764,374	349,943,446
36.1 Working capital changes			
(Increase)/decrease in current assets			
Store, spares and loose tools		(1,036,430)	253,460
Stock-in-trade		76,227,734	(61,242,025)
Trade debts		(21,521,988)	20,413,810
Loans and advances		(2,599,691)	7,253,003
Trade deposits and short term prepayments		(103,367,560)	(709,770)
Other receivables		100,000	2,238,780
Increase in current liabilities			
Trade and other payables		20,856,652	140,658,076
		(31,341,283)	108,865,334
37 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents include:			
Cash and bank balances	26	35,324,803	67,302,890
		35,324,803	67,302,890



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

June 30, 2018	June 30, 2017
Rupees	Rupees

38 TRANSACTIONS WITH RELATED PARTIES

The related party transactions are comprise of the remuneration, allowances, benefits, bonus shares and dividend paid to Chief Executive, Executive Directors and Key management personnel in accordance with terms of their appointment and meeting attending fee paid to non-executive directors.

The detail is given below;

Remuneration, Allowances and benefits paid to Chief Executive	14,250,000	10,324,355
Remuneration, Allowances and benefits paid to Executive Director (s)	11,825,000	5,975,404
Meeting fee paid to Non-Executive Director (s)	995,000	445,000
Cash Dividend paid to Chief Executive	-	20,798,160
Bonus shares issued to Chief Executive	15,125,930	-
Cash Dividend paid to Directors (s)	-	11,233,959
Bonus shares issued to Directors (s)	8,157,700	-
Remuneration, Allowance and benefits paid to Key Management personnel	28,309,870	25,079,580
Cash Dividend paid to Key Management personnel	-	34,496
Bonus shares issued to Key Management personnel	25,080	-

In addition to above, The Chief Executive and executive director (s) of the company are also provided with company maintained car for official and personal use.

39 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these financial statements for the year for remuneration, including certain benefits to the Chief Executive, Directors and Other Executives of the Company are as follows:

Particulars	(Rupees)									
	Chief Executive		Executive Directors		Non Executive Directors		Executives		Total	
	2018	2017	2018	2017	2018	2017	2018	2017 Restated*	2018	2017 Restated*
Managerial Remuneration	13,800,000	9,739,355	11,400,000	5,712,904	-	-	34,616,160	28,855,240	59,816,160	44,307,499
Bonus & Leave encashment	450,000	585,000	425,000	262,500	-	-	2,688,290	2,945,060	3,563,290	3,792,560
Meeting Fee	-	-	-	-	995,000	445,000	-	-	995,000	445,000
Total	14,250,000	10,324,355	11,825,000	5,975,404	995,000	445,000	37,304,450	31,800,300	64,374,450	48,545,059
Number of persons	1	1	2	2	6	6	12	11	21	20

The Chief Executive, executive directors and some of the executives of the company are also provided with company maintained car for official and personal use.

* Comparative figures have been restated to reflect changes in the definition of executive as per Companies Act, 2017.

40 SEGMENT REPORTING

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Operating segments are reported in a manner consistent with internal reporting provided to the Chief Operating Decision Maker (CODM). Segment performance is generally evaluated based on certain key performance indicators including business volume and gross profit.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The management has determined the operating segments and segment wise assets and liabilities based on the reports reviewed by the CODM that are used to make strategic and business decisions.

i) AUTO-RICKSHAW

This segment relates to the sale of auto-rickshaw assembled by the company.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

ii) AUTOMOTIVE PARTS

This segment relates to the sale of automotive parts manufactured by the company.

iii) HOUSEHOLD APPLIANCES

This segment relates to the sale of household appliances.

iv) AUTOMOBILES - FOUR WHEELER

This segment relates to the project of four wheeler automobiles.

	Auto rickshaw		Automotive parts		Household appliances		Automobiles - Four Wheeler		2018	2017
	2018	2,017	2018	2,017	2018	2,017	2018	2017		
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Segment revenue -Net	3,335,894,636	3,121,312,591	617,634,311	493,586,697	14,688,163	3,245,205	-	-	3,968,217,110	3,618,144,493
Segment operating results	258,955,088	218,610,000	14,548,652	9,043,686	1,948,136	(19,341)	(1,114,823)	-	274,337,053	227,634,345
Segment assets	522,814,697	922,096,456	318,527,903	255,264,158	12,065,789	23,881,144	588,089,358 *	-	1,441,497,747	1,201,241,758
Unallocated assets	-	-	-	-	-	-	-	-	165,365,455	207,200,837
Total assets									1,606,863,202	1,408,442,596
Segment liabilities	544,247,978	567,928,929	90,494,461	53,756,473	-	-	-	-	634,742,439	621,685,402
Unallocated liabilities	-	-	-	-	-	-	-	-	14,756,376	12,968,888
Total liabilities									649,498,815	634,654,290
Capital expenditure	14,862,927 *	313,514,721 *	-	-	-	-	187,167,566 *	-	202,030,493	313,514,721
Depreciation and amortization	13,678,325	14,877,570	6,420,499	5,910,857	9,580	10,501	-	-		
Non-cash charges other than depreciation and amortization	18,836,060	19,844,692	8,413,213	8,863,723	17,031	17,943	-	-		

*Considering the potential growth and future prospects of the automobile sector in Pakistan and in order to facilitate the timely completion of the new four wheeler Project, the Board had decided to hold the expansion of auto rickshaws production facilities during the year.

41 FINANCIAL INSTRUMENTS

41.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	June 30,	June 30,
		2018	2017
		Rupees	Rupees
FINANCIAL ASSETS			
Long term deposits	19	2,998,705	2,387,137
Trade debts	22	97,613,278	72,080,590
Loans and advances	18 & 23	31,517,418	25,665,916
Trade deposits	24	136,474,876	33,107,316
Bank balances	26	35,324,803	67,302,890
		303,929,080	200,543,849

The maximum exposure to credit risk for trade debts on geographical basis:

Pakistan	97,613,278	72,080,590
	97,613,278	72,080,590

The maximum exposure to credit risk for trade debts at the reporting date by type of parties was:

Corporate customers	61,944,690	28,500,173
Distributor	-	-
Dealers & customers	24,845,198	38,124,280
Others	10,823,390	5,456,137
	97,613,278	72,080,590

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	June 30, 2018	June 30, 2017
		Rupees	Rupees
The aging of trade debts at the reporting date was:			
Not past due		43,329,008	8,915,100
Past Due 0-30 days		11,427,523	13,336,730
Past due 31-120 days		16,444,727	8,834,122
Past due more than 120 days		26,412,020	40,994,638
		97,613,278	72,080,590

The trade debts impaired has been disclosed in note 20.2 of these financial statements.

41.2 Foreign exchange risk management

Foreign currency risk arises mainly where payable exist due to transactions with foreign undertakings. Payable exposed to foreign currency risks are identified as either creditors or bills payable. The Company considers hedging if it is feasible. However the banks are not allowing any hedging and forward booking of foreign currency at the moment.

41.3 Capital Risk Management

The Company's objective when managing capital is to safe guard the company's ability to continue as a going concern so that it can provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business. The company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the company may adjust the amount of dividend paid to shareholders or issue new shares.

41.4 Fair value of financial instruments

The carrying value of all the financial instruments i.e. financial assets and liabilities reflected in the financial statements approximate their fair values. 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. International Financial Reporting Standard 13, 'Fair Value Measurements' requires the company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Currently there are no financial assets or financial liabilities which are measured at their fair value in the statement of financial position.

41.5 Market Risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. Market risk comprises of three types of risk: Currency risk, interest rate risk and price risk.

41.5.1 Currency Risk

Currency risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company is exposed to currency risk on import of raw materials and finished goods being denominated in US dollars. The Company's exposure to foreign currency risk for US Dollars is on account of outstanding letter of credits of Rs. 254.96 million (2017: Rs. 167.30 million).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018****41.5.2 Interest rate Risk**

Interest rate risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial liabilities include balance of Rs. Nil (2017: Rs. 0.056 million) which is subject to interest rate risk.

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 and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

Cash Flow Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date, with all other variables remaining constant, the net income for the year would have been lower or higher by Rs. Nil (2017: Rs. 0.001 million).

41.5.3 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (Other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. At present, the company is not exposed to price risk as there are no investments in marketable securities.

41.5.4 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The company follows an effective cash management planning policy to ensure availability of funds and to take appropriate measures for new requirements.

The following are the contractual maturities of financial liabilities, including estimated interest payments.

	JUNE - 2018						(Rupees)
	Carrying Amount	Contractual Cash Flows	6 months or less	6-12 months	1-2years	2-5years	More than 5 years
Liability under finance lease	-	-	-	-	-	-	-
Trade and other payables	485,425,032	485,425,032	485,425,032	-	-	-	-
Mark-up & profit accrued on loans and other payables	2,849,361	2,849,361	2,849,361	-	-	-	-
Short term borrowing	-	-	-	-	-	-	-
	488,274,393	488,274,393	488,274,393	-	-	-	-

	JUNE - 2017						(Rupees)
	Carrying Amount	Contractual Cash Flows	6 months or less	6-12 months	1-2years	2-5years	More than 5 years
Liability under finance lease	56,310	57,894	57,894	-	-	-	-
Trade and other payables	496,168,925	496,168,925	496,168,925	-	-	-	-
Mark-up & profit accrued on loans and other payables	93,421	93,421	93,421	-	-	-	-
Short term borrowing	-	-	-	-	-	-	-
	496,318,656	496,320,240	496,320,240	-	-	-	-

42 PLANT CAPACITY AND ACTUAL PRODUCTION**Installed Capacity**

Auto rickshaw (8 hours single shift basis)

Automotive parts

The capacity of the plant and machinery relating to automotive parts is indeterminable due to the versatility of production.

June 30, 2018	June 30, 2017
Numbers	Numbers
20,000	20,000



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

June 30, 2018	June 30, 2017
Numbers	Numbers

Actual Production

Auto Rickshaw	21,722	21,193
Automotive Parts Wheel Rims	106,593	94,307

The excess production of Auto-Rickshaw over normal capacity is due to working on over-time schedule to meet the increased demand during the year.

43 NUMBER OF EMPLOYEES

Number of permanent employees at the year end	807	825
Average number of permanent employees during the year	821	789
Number of factory employees at the year end	771	787
Average number of factory employees during the year	784	755

44 DISCLOSURE REQUIREMENT FOR SHARIAH COMPLIANT COMPANIES

As per the requirements of the fourth schedule to the Companies Act, 2017, shariah compliant companies and the companies listed on Islamic Index shall disclose the following:

44.1 Loans/advances obtained as per Islamic mode	Disclosed in Note no. 7, 10, 12
44.2 Shariah compliant bank deposits/bank balances	Disclosed in Note no. 26
44.3 Profit earned from shariah compliant bank deposits/bank balances	No Profit earned from any deposits during the year.
44.4 Revenue earned from a shariah compliant business segment	Disclosed in Note no. 27.
44.5 Gain/loss or dividend earned from shariah compliant investments	No investment made during the year.
44.6 Exchange gain earned from actual currency	No Exchange gain during the year.
44.7 Mark up paid on Islamic mode of financing	Disclosed in Note no. 33
44.8 Relationship with shariah compliant banks	Disclosed in Note no. 7, 10, 12
44.9 Profits earned or interest paid on any conventional loan or advance.	No profit earned or interest paid to any conventional bank during the year.

45 CORRESPONDING FIGURES

Corresponding figures are re-arranged, wherever necessary, for the purpose of comparison. However, no such significant re-arrangements have been made in these financial statements. Except as mentioned below

Reclassification from Statement of Financial Position	Reclassification to Statement of Financial Position		June 30, 2017
Trade and other payables (Notes to the Financial statements)	Unclaimed dividend (On the face of statement of Financial Position)		2,173,778
Reclassification from Other Expenses	Reclassification to Other Expenses	Notes	June 30, 2017
Auditor Remuneration (Notes to the Financial statements)	Tax Consultancy Services (Notes to the Financial statements)	31	1,290,000

46 DATE OF AUTHORIZATION FOR ISSUE:

The Board of Directors of the Company has authorized these financial statements for issue on September 24, 2018.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

47 GENERAL

The figures have been rounded off to the nearest rupees.

MIAN ASAD HAMEED
CHIEF EXECUTIVE

SAEED IQBAL KHAN
DIRECTOR

MUHAMMAD ATIF RAO
CHIEF FINANCIAL OFFICER