

BELA AUTOMOTIVES LIMITED



**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
30TH JUNE 2019**

REGISTERED OFFICE & FACTORY
Plot No. 1 & 3, Mouza Pathra, Hub Chowki, Balouchistan.

C O N T E N T S

| | |
|--|-----------|
| Corporate Information | 02 |
| Mission Statement | 03 |
| Vision Statement | 04 |
| Notice of Meeting | 05 |
| Director's Report | 06 |
| Financial Review of Six Years | 11 |
| Statement of Compliance with the Code of Corporate Governance | 12 |
| Statement of Ethics and Business Practices | 14 |
| Review Report On Statement Of Compliances | 15 |
| Auditor's Report | 16 |
| Balance Sheet | 20 |
| Profit & Loss Account | 22 |
| Statement of Comprehensive income | 23 |
| Cash Flow Statement | 24 |
| Statement of Change in Equity | 25 |
| Notes to the Financial Statements | 26 |
| Pattern of Shareholding | 38 |
| Proxy | 41 |

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Abdul Mateen Allahwala
Mr. Omer Mateen Allahwala
Mr. Anwar Iqbal
Mrs. Nelofer Mateen
Mrs. Farnaz Anwar
Mr. Fazal Kafeel
Mrs. Khilat Kafeel

CHIEF EXECUTIVE

Mr. Abdul Mateen Allahwala

COMPANY SECRETARY

Mr. Omer Mateen Allahwala

AUDIT COMMITTEE

Mr. Omer Mateen Allahwala (Chairman)
Mr. Anwar Iqbal (Member)
Mr. Fazal Kafeel (Member)

AUDITORS

M/s.Mushtaq & Company
(Chartered Accountants)

REGISTRAR

M/s. Jaffaw Registrar Services (Pvt.) Ltd.
407-408, Al Amera Center, Saddar, Karachi.

BANKERS

Allied Bank of Pakistan Limited
Bank Alfalah Limited
Summit Bank Limited
MCB Bank Limited
National Bank of Pakistan Limited
Meezan Bank Limited
Habib Metropolitan Bank Ltd
Habib Bank Limited

REGISTERED OFFICE

Plot No. 1 & 3, Mouza Pathra, Hub Chowki, Balouchistan.

FACTORY

Plot No. 1 & 3, Mouza Pathra, Hub Chowki, Balouchistan.



*M*ISSION STATEMENT

Bela Automotives Limited will be instrumental in providing benefit to all, whether directly or indirectly.

CUSTOMERS

Consistent prime quality products for various construction needs to be provided to the customers with efficiency in cost, time and effort.

SHAREHOLDERS

Provide a fair return on investment, not only in short term, but reinvest for long term benefits, as well. Keep shareholders updated on the progress and operations of the Company, take feedback and advice from them.

EMPLOYEES

Provide an environment, which satisfies the hierarchy of needs. Develop them as efficient professionals and good human beings. Special emphasis to be laid for developing entrepreneurial skills.

INDUSTRY

Act as catalyst to change for improvement and efficiency of the industrial base of the country.

VENDORS

Help to develop expertise among local vendors of technologies for which the country depends on imports.

VISION STATEMENT

To be the leader of Auto Parts Manufacturer for the OEM industry and to generate sales to the total satisfaction of customers in a safe and caring work environment for our employees. While ensuring a fair return to our shareholders and being a responsible corporate citizen.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 35th Annual General Meeting of "Bela Automotives Limited" will be held on Wednesday, July 31, 2019, at 9:30 a.m. at Plot No. 1 & 3. Mouza Pathra, Hub Chowki, Balouchistan to transact the following business:

1. To read and confirm the minutes of the 33th & 34th Annual General Meeting of the Shareholders of the company, held on May 20, 2019.
2. To receive and adopt the audited accounts of the Company for the year ended 30th June 2018 together with the Director's and Auditor's Report thereon.
3. To appoint auditors of the Company and to fix their remuneration. The present Auditors M/s. Mushtaq & Company, Chartered Accountants, retire and being eligible, offer themselves for reappointment as auditors of the Company.
4. To transact any other business with the permission of the Chair.

By order of the Board



Omer Mateen Allahwala
Director & Company Secretary

Karachi: 10-07-2019

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend instead of him / her.
2. Proxies must be deposited with the Company not later than 48 hours before the time of holding the meeting,
3. Share Transfer Book of the Company will remain closed from July 24, 2019, to July 31, 2019, (Both days inclusive)
4. Shareholders are requested to notify immediately, any change in their registered address to the Registered Office.

☞ DIRECTOR'S REPORT TO THE SHAREHOLDERS

I welcome you to the 35th Annual General Meeting of shareholders of the Company to present you the Annual Report together with the Audited Accounts for the year ended June 30, 2018.

The economic conditions, poor law and order and regularly occurring disturbances were not very helpful in the year ending June 30, 2018. The year under review has not been a good one for the Engineering Sector of Pakistan as well, because of the ever increasing financial cost fuel , electricity, gas and other input costs combining with law and order situation created an atmosphere not at all helpful to the industry.

The sales have increased this year by about 10.55 % as the Income Tax Authorities had passed an illegal Order to Freeze our account and written to our Customers to stop payments to our Company. As a result of which our company was not operational .Adverse consequence continued of the high handed Order passed by the Income Tax Department, which is as under :-

The Income Tax Department had frozen our Bela Automotives ltd's bank accounts through their ORDER D.C.No. 01/40 DT 31 OCT 2014 for your reference, This matter was resolved and letter from the Income Tax Deptt. Dated 22-09-2015 informed banks that our Company's Accounts were detached, Income Tax Order No.DCIR/ENF/UNIT -05/ZONE -IV/RTO-II/2015/168 of detachment of our Accounts.

This order of freezing of accounts by the Income Tax was certainly illegal as I T O. had added entries of 14 years old, to our profit. The said order was also illegal as he denied our Company Depreciation, which was our right .The ITO justified denial of depreciation on the pretext that depreciation was based on revaluation of assets, But the reality was that there was no revaluation of assets at all, The said Order was passed ex parte, without giving the Company the opportunity to be heard.This entire Order was illegal and it took us about one year to have the illegal add backs and depreciation to be allowed. During this period we could not operate the factory and we lost our customers. This was a great loss to our Company as a result of high handedness by the Officer of the Income Tax Department , and we had to lay off workers and Staff. By the time the said Order was withdrawn, our Company had lost our Customers, and it was a big task before us to find new customers ,for which we had started our efforts to revive our Company

Besides monetary loss, it was a loss of goodwill of our Company. We are contemplating filing of Damages Suit against the Officers for their high handed and unlawful behaviour. But that is all into the future.

FINANCIAL RESULTS:

The financial results of the Company are reproduced below:

| | 2018 | 2017 |
|---|--------------|-------------|
| | | Rupees |
| Turnover | 2,709,920 | 2,451,348 |
| Gross Loss | (8,255,371) | (6,818,479) |
| Profit /Loss for the year before tax | (10,659,708) | (9,811,764) |
| Provision for taxation | (33,874) | (24,513) |
| Accumulated Losses C/F to Balance Sheet | (10,693,582) | (9,836,277) |
| Earning per Share | (1.84) | (1.70) |

CAUSES OF PREVIOUS YEARS' LOSS:

PROBLEMS WITH HAB1B BANK LIMITED

HBL liability includes large amounts that are unlawful and fictitious capitalization markup on markup, penal markup and markup on excise duty and charged interest 15 yrs beyond tenure. All illegal . The company has filed suit before Honorable High Court of Sindh against HBL vide Suit No. B-90 dated September 5. 2001 for Accounts, injunction, declaration & damages for Rs 599.214 Million. For the reasons cited above, the Management is confident of a favorable outcome.

FUTURE PROSPECTS

BAL has established and maintained a Customer Satisfaction Plan for customers. This plan is executed with an overall objective to achieve total satisfaction as per BAL Quality Policy. The objective of achieving customer satisfaction is being specially monitored through work instruction No. BAL-QI5, which is a part of ISO 9001- 2000.

In order to improve the Company's position, we are pleased to inform our valuable share holders that the Company has extended its contracts for the supply of Motorcycle Gears Shafts and other precision parts on a regular basis with Atlas Honda for the assembling of their Motorcycles, with Millat Tractors for Massey Ferguson Tractors and Dawood Yamaha for Yamaha Motorcycle. This would result in substantial increase in Sales, which would contribute to improved performance of the Company in future years. For this improvement we need additional working capital, which we are trying to increase our production.

Our Company Sales increased to Rs 0.259 Million, which conies to a increase of about than 10.55% as compared to the previous year, because low tariff imports and through unlawful channels As you know that the main factors for growth of an industry is a healthy atmosphere etc. We are heading towards radical improvement, in our Company's performance by adjustment of our customer and sales base and solve our working capital needs.

The Income Tax Department had frozen our Bela Automotives Ltd's bank accounts through their ORDER D.C.No. 01/40 DT 31 OCT 2014 for your reference, This matter was resolved and letter from the Income Tax Deptt. Dated 22-09-2015 informed banks that our Vendor Company's Accounts were detached, Income Tax Order No.DCIR/ENF/UNIT - 05/ZONE -IV/RTO-II/2015/168 of detachment of our Vendor's Accounts.

The management has carefully considered the audit report. Financial charges on Demand Finance and Short Term Running Finance were not provided for since the company has filed suit before Honorable High Court of Sindh against HBL vide Suit No. B-90 dated September 5, 2001 for Accounts, injunction, declaration & damages for Rs 599.214 Million and the Directors are confident of a favorable outcome. The Company entered into contracts for the supply of Motorcycle Gears Sh afts etc. on a regular basis with Atlas Honda for the assembling of their Honda Motorcycles and Millat Tractors, Dawood Yamaha, Sanpak, Thal Engineering, Pak Suzuki etc for supply of auto parts. The plant has not been fully utilized due to lack of adequate Working Capital and due to previous heavy financial charges. However, the situation is temporary and the Directors of the Company will make every effort to overcome this situation in a short time. Due to the reasons stated above, Directors are confident that Company will produce very good results in foreseeable future if we are able get more working capital.HBL did not provide the working capital as promised. On the contrary it wiped our funds of working capital which we had from our own resources through blatant unlawful debits

It is projected that the entire accumulated loss will (Inshallah) be completely wiped out in the year ending June 2021.

The management has over 25 years experience in this highly technical industry.Despite, HBL's sabotaging our unit with massive unlawful debits we expect resounding success in the years ahead,as we expect to INSHA ALLAH find huge prosperity ahead.

PAST ACHIEVEMENTS

The CEO of Atlas Honda Ltd presented Bela Automotives Ltd. with an Award. For hi - tech Forging components, at the 6" Auto Parts Manufacturers Seminar held at their Atlas Honda plant at Karachi.

The CEO of Pak Suzuki Motor Co. Ltd presented Bela Automotives Ltd. with an Award. For Mehran Revival Award in acknowledgment of significant contribution for the Revival of Suzuki Mehran.

AUDITORS' RESERVATION:

Going concern assumptions

The main reason of loss was due to operational break down because of short of working capital which dropped the production operational efficiency.

These financial statements have been prepared on going concern basis on the grounds that the Company will be able to achieve satisfactory levels of growth in the future based on the plans drawn up by the management for this purpose.

The sales have decreased because the Income Tax Authorities had passed an illegal Order to Freeze our account and written to our Customers to stop payments to our Company. The Income Tax Department had frozen the bank accounts of the company and its vendors, through their Order D.C. No. 01/40 dated 31-10-2014. This matter was resolved and letter from the Income Tax Deptt. dated 22-09-2015 informed banks that the company's and its vendors accounts be detached vide Income Tax Order No.DCIR/ENF/UNIT-05/ZONE-IV/RTO-II/2015/168.

This order of freezing of accounts by the Income Tax was certainly illegal as it had added entries of 14 years old. The said order was also illegal as he denied our company's depreciation. The said Order was passed exparte, without giving the Company to be heard. This entire Order was illegal and it took us about one year to have the illegal add backs and depreciation to be allowed. During this period we could not operate the factory and we lost our customers, and we had to lay off workers and Staff.

To substantiate its going concern assumption,

The management is undertaking adequate steps towards the reduction of fixed cost and expenses which are at various stages of implementation. Such steps include, but not limited to, rightsizing of the men power, resource conservation, close monitoring of other fixed cost etc. The management is certain to generate sufficient savings as consequences of adapting all such measures.

The company is also planning to add new product in near future in order to capture market share.

The management anticipates that above steps will not only bring the Company out of the existing financial crisis but also contribute significantly towards the improvement of the company financial position in the foreseeable future.

The auditors have qualified their report due to non-confirmation of loan balance as on 30th June 2018 from one financial institution. The balance confirmation letters were duly sent to financial institution. We understand that the financial institution did not confirm the balances because the cases were in litigation and appearing in the books of accounts of the Company allegedly claimed by Habib Bank Limited. Habib Bank Limited charged Markup on Markup, penal Markup, Markup as excise duty created and capitalized a new fictitious loan. Honourable High Court of Sindh has passed vide order dated 12th May

2004, that exact liability of M/s. Habib Bank Limited is to be verified from the Chartered Accountants.

The Auditors have written a qualification that the company has not carried out revaluation of assets. We however expect to arrange for this required revaluation next year.

The Company has made provision of staff gratuity on the basis of one month salary for one year of employment. The Auditors have qualified this head requiring actuarial valuation. We expect to carry out this actuarial valuation in the next year.

The present auditors M/s. Mushtaq & Co., Chartered Accountants, retire and being eligible offers themselves for reappointment.

ACKNOWLEDGMENT

Your Board of Directors commends the well-coordinated teamwork of labour, staff and management of the company, to bring the Company back in profit.

We thank our shareholders who have demonstrated confidence in the ability and dedication of the management.

We also thank our valued customers, our vendors and contractors for maintaining a long-term business relationship with the Company.

Hub: July 04, 2019

By Order of the Board



Mr. Abdul Mateen Allahwala

Chief Executive



FINANCIAL REVIEW OF SIX YEARS

| Particulars | Y E A R S | | | | | |
|--|--------------|-------------|--------------|-------------|-------------|-------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Turnover | 2,709,920 | 2,451,347 | 2,690,634 | 7,796,605 | 42,369,650 | 49,144,811 |
| Less: Govt. levy & Commission | - | - | - | - | - | - |
| Sales (Net) | 2,709,920 | 2,451,347 | 2,690,634 | 7,796,605 | 42,369,650 | 49,144,811 |
| Gross Profit (Loss) | (8,255,371) | (6,818,480) | (8,404,596) | (4,457,045) | (4,369,224) | 577,964 |
| Profit before Tax | (10,659,708) | (9,811,765) | (10,803,243) | (8,060,419) | (7,547,063) | (3,948,562) |
| Profit after Tax | (10,693,582) | (9,836,278) | (10,830,149) | (8,138,385) | (7,547,063) | (4,194,286) |
| Gross Asset Employed | 259,347,145 | 276,798,645 | 286,140,347 | 297,324,346 | 308,859,641 | 324,550,314 |
| Return on Equity | (7.75) | (6.62) | (6.83) | (4.81) | (4.25) | (2.27) |
| Current Asset | 103,518,678 | 116,513,167 | 120,678,633 | 127,329,866 | 134,084,369 | 144,435,847 |
| Shareholder Equity | 137,982,885 | 148,676,467 | 158,512,745 | 169,342,894 | 177,481,279 | 185,028,342 |
| Long term debts & Deferred Liabilities | 43,693,056 | 44,343,966 | 44,184,763 | 44,089,467 | 44,591,409 | 44,643,711 |
| Current Liabilities | 77,671,203 | 83,778,212 | 83,442,839 | 83,891,985 | 86,786,953 | 94,878,261 |
| Gross Profit Ratio | (305) | (278) | (312) | (57) | (10) | 1 |
| Net Profit Ratio | (395) | (401) | (403) | (104) | (18) | (9) |
| Debt-Equity Ratio | 0.32 | 0.30 | 0.28 | 0.26 | 0.25 | 0.24 |
| Current Ratio | 1.33 | 1.39 | 1.45 | 1.52 | 1.54 | 1.52 |
| Earning Per Share (EPS) | (1.84) | (1.70) | (1.87) | (1.40) | (1.30) | (0.72) |

Chief Executive Officer

Director

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven as per the following:
 - a. Male: 4
 - b. Female: 3
2. The composition of the Board is as follows:

EXECUTIVE DIRECTOR

1. Mr. Abdul Mateen Allahwala
2. Mr. Omer Mateen Allahwala

NON- EXECUTIVE DIRECTORS

1. Mrs. Nelofer Mateen
 2. Mr. Anwar Iqbal
 3. Mrs. Farnaz Anwar
 4. Mr. Fazal Kafeel
 5. Mrs. Khilat Kafeel
3. The Directors have confirmed that none of them is serving as a Director in more than five listed Companies, including this Company.
 4. The company has prepared a “Code of Conduct” and has ensured that appropriate steps have taken to disseminate it throughout the company along with its supporting policies and procedures.
 5. The Company board has developed a vision and mission statement, overall corporate strategy and significant policies along with the dates on which they were approved or amended has been maintained.
 6. All the powers of the Board have been duly exercised and decision on relevant Matters have been taken by board / shareholders as empowered by the relevant provisions of the Act and these Regulations.
 7. The meetings of the board were presided over by the Chairman and, in his absence, by a Director elected by the board for this purpose. The board has complied with requirements of Act and the regulations with respect to frequency, recording and circulating minutes of meeting of board.
 8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
 9. One of the directors meets the criteria of exemption under clause (xi) of the CCG and is accordingly exempted from the director training program. The condition of training of other directors will be complied in due course.
 10. The Company Secretary has complied with all the corporate and financial reporting and complied with relevant requirements of the Regulations.
 11. The financial statements of the Company were duly endorsed by CEO and a Director before approval of the board.

12. The board has formed committees comprising of members given below:
- a) The board has formed an audit committee. It comprises three members of whom two are non executive directors and Chairman Mr. Omer Mateen Allahwala and members Mr. Anwar Iqbal and Mr. Fazal Kafeel.
 - b) The board has formed an HR and Remuneration Committee. It Comprises three members, of whom two are non – executive directors and Chairman Mr. Omer Mateen Allahwala and members Mr. Anwar Iqbal and Mr. Fazal Kafeel.
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly / half yearly / yearly) of the committee were as per following:
- a) Audit Committee
4 quarterly meeting during the financial year ended June 30, 2018
 - b) HR and Remuneration Committee
1 annual meeting held during the financial year ended June 30, 2018
15. The board has set up effective internal audit function. The staffs are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
16. The statutory auditors have confirmed that they have been given a satisfactory rating under the quality control, review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regards.
18. We confirm that all other requirements of the Regulations have been complied with.



Chief Executive

Director**June 07, 2019**

STATEMENT OF ETHICS AND BUSINESS PRACTICES

Bela Automotives Limited is one of the progressive organization in the local automotive Industry capable of manufacture high quality parts. It is currently engaged in manufacturing automotive, precision Cold Forged and bicycle's parts and high tensile bolts, nuts stud, screw, gear shaft etc. We believe in and aspire for high standard of professionalism and ethics in all business transactions and practices..

CODE OF CONDUCT

Bela Automotives Limited commits itself to comply with all relevant professional, legal and ethical codes of conduct during the course of business dealings with all the Government agencies, financial institutions, debtors,creditors and shareholders etc.

QUALITY ASSURANCE

We produce durable ordinary automotive parts, which conform to the high- international standards in quality. We continuously strive to adapt and implement the related technological advancement in our Company for improving quality and cost effectiveness.

PUBLIC RELATIONS

Bela Automotives Limited is an independent corporate enterprise. Our organization is free from any political, regional or other vested interests, which might be incompatible with its integrity, objectivity and independence. We do interact with other corporate concerns at the relevant business and industry forums.

ENVIRONMENTAL PROTECTION

The Company is well aware of its responsibility in environmental protection. We use all means to attain all necessary technology to ensure protection of the environment and nature and well being of the people living in adjoining areas of our plant.

FINANCIAL REPORTING

Our policies with reference to accounting, finance and corporate matters are governed by prevalent corporate regulation, Companies Ordinance, 1984, Companies Act, 2017 and the Code of Corporate Governance. We comply with International Accounting Standards for the preparation of financial statement without any departure therefrom being adequately disclosed.



Chief Executive



Director

REVIEW REPORT TO THE MEMBERS

On the Statement of Compliance with Best Practices of the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **Bela Automotives Limited** (the Company) for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, except for the note no. 2, 11 & 15 of Statement of Compliance, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

Karachi:

Date: 12th June 2019



MUSHTAQ & COMPANY
Chartered Accountants
Engagement Partner:
Mushtaq Ahmed Vohra, FCA

INDEPENDENT AUDITORS' REPORT

To the members of the BelaAutomotives Limited Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the annexed financial statements of **BelaAutomotives Limited** which comprise the statement of financial position as at **30 June, 2018** 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, because of the significance of the matters referred to in paragraph (a) to (f), 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 do not conform with the accounting and reporting standards as applicable in Pakistan and do not give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively do not give a true and fair view of the state of the Company's affairs as at 30 June, 2018 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Adverse 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 and after due verification we report that:

- (a) As described in Note 2.1.1 to the financial statements, the financial statements have been prepared on going concern basis. The company has incurred a net loss of Rupees 10.693 million during the year ended June 30, 2018 and as of that date, reported accumulated losses of Rupees 35.791 million. The Company is facing operational and financial problems. There is no sufficient appropriate audit evidence that the management's plans are feasible and ultimate outcome will improve the Company's current situation. However, these financial statements have been prepared on going concern basis, but in our judgment, management's use of going concern assumption in these financial statements is inappropriate.
- (b) Amount in respect of Demand Finance Rs.41,996,881 and Short Term Running Finance Rs.34,505,905, remains unpaid to Habib Bank Limited. The company has not provided financial charges on these Demand and Short Term Running Finances as these liabilities are disputed since long. The Bank did not

confirm the balances. The Company and the Bank have also lodged suits against each other as per details given in note 7 and 11 to the financial statements. Honorable High Court of Sindh had ordered further investigation to be made by a recognized firm of Chartered Accountants, before making its final orders. The legal advisor has not responded to our confirmation letter. We believe that there is no certainty in the litigation as to whether the Court verdict would be in favour of Company or not.

- (c) The company has not carried out the revaluation of property, plant and equipment under International Accounting Standard (IAS) 16 "Property, Plant and Equipment"; since 30 October 2004. The impact of the same on assets, revaluation surplus and on statement of changes in equity of the Company cannot presently be determined.
- (d) In the absence of latest revaluation figures, it is not possible to perform impairment test as suggested in the International Accounting Standards (IAS) 36 "Impairment of assets". Hence impact of the same on financial statements cannot be determined.
- (e) The company has made provision for staff gratuity on the basis of one month salary of the employee after every one year rather than on the basis of actuarial valuation by professional valuer, which is in contradiction to International Accounting Standard (IAS-19 Employee Benefits). The quantification of the difference in provision made and required as per IAS-19 cannot be made due to non-availability of actuarial valuation.
- (f) Compliance of the section-232 of the Companies Act, 2017 has not been made by the chief financial officer.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Following is the key audit matter.

| S# | Key audit matters | How the matter was addressed in our audit |
|----|--|---|
| 1 | <p>First time application of third and fourth schedules to the Companies Act, 2017.</p> <p>As referred to in note 2 to the annexed financial statements, the third and fourth schedules to the Companies Act, 2017 became applicable for the first time for the preparation of the Company's annual financial statements for the year ended June 30, 2018. The Companies Act, 2017 (including third and fourth schedules) forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.</p> <p>As part of this transition to the requirements of the said third and fourth schedules, the management performed a gap analysis to identify differences between the previous reporting framework and the current reporting framework and as a result assessed the amendments</p> | <p>Our audit procedures included the following:</p> <p>Considering the management's process to identify the necessary amendments required in the Company's financial statements.</p> <p>Evaluating the results of management's analysis and key decisions taken in respect of the transition, using our knowledge of the relevant requirements of the third and fourth schedules to the Companies Act, 2017 and our understanding of the Company's operations and business.</p> <p>Assessing the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures made in the annexed financial</p> |

| | | |
|--|---|---|
| | (as specified in the said note 2) relating to disclosures required in the Company's financial statements. We consider it as a key audit matter in view of the extensive impacts in the financial statements due to the Companies Act, 2017. | statements based on the new requirements. |
|--|---|---|

Information Other than the Financial Statements and Auditor's Report Thereon

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the 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.

Boards 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 high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect 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 the ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk 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 to design audit procedures that are appropriate in 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 the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to the 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.

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

Report on Other Legal and Regulatory Requirements

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

- 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 flow 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
- 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 **Mr. Mushtaq Ahmed Vohra, FCA**.

Karachi:

Date: 12th June, 2019




Balance Sheet As at June 30, 2019

| | Note | 2019 Rupees | 2018 Rupees |
|--|------|----------------|----------------|
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorised capital | | | |
| 6,000,000 (2017: 6,000,000) ordinary shares of Rs.10/ each | | 60,000,000 | 60,000,000 |
| Issued Subscribed and Paid up capital | 4 | 58,000,000 | 58,000,000 |
| Capital Reserves | 5 | 14,700,000 | 14,700,000 |
| Unappropriated loss | | (40,037,318) | (35,791,005) |
| Surplus on Revaluation of fixed assets | | 101,073,890 | 101,073,890 |
| | | 137,982,885 | 137,982,885 |
| | 6 | | |
| LIABILITIES | | | |
| NON CURRENT LIABILITIES | | | |
| Long term financing | 7 | 41,996,881 | 41,996,881 |
| Deferred Liabilities | 8 | 1,696,175 | 1,696,175 |
| | | 43,693,056 | 43,693,056 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 9 | 5,794,664 | 5,794,664 |
| Accrued markup | 10 | 37,140,574 | 37,140,574 |
| Short term borrowing | 11 | 34,702,091 | 34,702,091 |
| Provision for Taxation | | 33,874 | 33,874 |
| | | 77,671,203 | 77,671,203 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 12 | | |
| | | 259,347,145 | 259,347,145 |

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



 Chief Executive Officer



 Director



| | Note | 2018 Rupees | 2017 Rupees | 2016 Rupees |
|-------------------------------------|------|--------------------|--------------------|--------------------|
| PROPERTY & ASSETS | | | | |
| ASSETS | | | | |
| NON CURRENT ASSETS | | | | |
| Property plant and equipment | 13 | 153,763,213 | 157,856,354 | 162,935,850 |
| Long term loans and advances | 14 | 1,295,022 | 1,658,892 | 1,755,631 |
| Long term deposit | 15 | 770,232 | 770,232 | 770,232 |
| | | 155,828,467 | 160,285,478 | 165,461,713 |
| CURRENT ASSETS | | | | |
| Stores spares and loose tools | 16 | 41,188,341 | 41,528,468 | 41,847,063 |
| Stock in trade | 17 | 34,834,271 | 39,178,433 | 41,631,247 |
| Trade debts | 18 | 1,778,938 | 2,158,306 | 2,403,995 |
| Loans and advances | 19 | 206,970 | 243,739 | 608,900 |
| Taxation refund due from government | 20 | 19,434,241 | 19,150,933 | 19,055,152 |
| Other receivables | | 4,115,204 | 13,904,477 | 14,629,472 |
| Cash and bank | 21 | 1,960,713 | 348,810 | 502,805 |
| | | 103,518,678 | 116,513,166 | 120,678,634 |
| | | <u>259,347,145</u> | <u>276,798,645</u> | <u>286,140,347</u> |

PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2018

| | Note | 2018 Rupees | 2017 Rupees |
|-----------------------------------|------|---------------------|--------------------|
| Sales | 22 | 2,709,920 | 2,451,348 |
| Cost of Sales | 23 | (10,965,291) | (9,269,827) |
| Gross Loss | | (8,255,371) | (6,818,479) |
| Administrative Expenses | 24 | (3,514,204) | (1,879,987) |
| Selling and Distribution expenses | 25 | (293,350) | (322,043) |
| Other Operating expenses | 26 | (208,000) | (787,004) |
| | | (4,015,554) | (2,989,034) |
| Other Operating income | 27 | 1,614,477 | - |
| Finance Cost | 28 | (3,260) | (4,251) |
| Loss before tax | | (10,659,708) | (9,811,764) |
| Taxation | 29 | (33,874) | (24,513) |
| Loss after taxation | | (10,693,582) | (9,836,277) |
| Basic Loss Per Share | 30 | (1.84) | (1.70) |

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

Chief Executive Officer

Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2018

| | Note | 2018 Rupees | 2017 Rupees |
|---|------|---------------------|--------------------|
| Loss for the year | | (10,693,582) | (9,836,277) |
| Other comprehensive income for the year | | | |
| <i>Items that will not be reclassified to profit and loss account</i> | | | |
| Gain/ (loss) on surplus on revaluation of property, plant and equipment | | - | - |
| Remeasurement on staff retirement benefits | | - | - |
| Total comprehensive Loss for the year | | (10,693,582) | (9,836,277) |

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



Chief Executive Officer



Director


STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2018

| | Note | 2018 Rupees | 2017 Rupees |
|--|------|--------------------|--------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Loss before taxation | | (10,693,582) | (9,836,277) |
| Adjustments for non cash items: | | | |
| Depreciation | | 4,093,141 | 4,261,678 |
| Finance Cost | | 3,260 | 4,251 |
| Employees Benefits | | 877,295 | 159,203 |
| Loss on Sale of Equipment | | - | 579,004 |
| Operating loss before working capital changes | | (5,719,886) | (4,832,141) |
| WORKING CAPITAL CHANGES | | | |
| (Increase) / Decrease in Current Assets: | | | |
| Store, Spares & Loose Tools | | 340,127 | 318,595 |
| Stock in Trade | | 4,353,525 | 2,450,423 |
| Trade Debts | | 379,368 | 245,689 |
| Loan and Advances | | 400,639 | 500 |
| Other Receivables | | 9,789,273 | 724,995 |
| | | 15,262,932 | 3,740,202 |
| Increase /(Decrease) in Current Liabilities: | | | |
| Trade and other payables | | (6,128,370) | 327,766 |
| Cash used in operations | | (6,128,370) | 327,766 |
| Finance Cost Paid | | (3,260) | (4,251) |
| Employees Benefit Paid | | (1,528,205) | - |
| Loans & Advances | | - | 461,400 |
| Income Tax Paid / deducted at source | | (283,308) | (95,783) |
| | | (1,814,773) | 361,366 |
| Net Cash Flows (Used in)/ Generated from Operating Activities | | 1,599,903 | (402,807) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from Sale of equipment | | - | 238,814 |
| Net Cash Flows generated from Investing Activities | | - | 238,814 |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Short term Loan | | 12,000 | 10,000 |
| Net Cash generated from Financing Activities | | 12,000 | 10,000 |
| Net changes in cash and cash equivalents during the year | | 1,611,902 | (153,993) |
| Cash and cash equivalents at the beginning of the year | | 348,812 | 502,805 |
| Cash and cash equivalents at the end of the year | 21 | 1,960,713 | 348,812 |

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


 Chief Executive Officer


 Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2018

| Particulars | Paid up Capital | Capital Reserves | Actuarial gain/ (loss) recognised on staff retirement benefits | Unappropriated Profit/ (Loss) | Revaluation Surplus | Sub Total | Total Equity |
|-------------|-----------------|------------------|--|-------------------------------|---------------------|-----------|--------------|
|-------------|-----------------|------------------|--|-------------------------------|---------------------|-----------|--------------|

Rupees

| | | | | | | | |
|---|-------------------|-------------------|----------|---------------------|--------------------|--------------------|--------------------|
| Balance as at July 01, 2016 | 58,000,000 | 14,700,000 | - | (21,360,737) | - | (6,660,737) | 51,339,263 |
| Impact of restatement | - | - | - | - | 107,173,482 | 107,173,482 | 107,173,482 |
| Balance as at July 01, 2016-restated | 58,000,000 | 14,700,000 | - | (21,360,737) | 107,173,482 | 100,512,745 | 158,512,745 |

Total comprehensive Loss for the year - 2017:

| | | | | | | | |
|---|-------------------|-------------------|----------|---------------------|--------------------|-------------------|--------------------|
| Loss for the year | - | - | - | (9,836,277) | - | (9,836,277) | (9,836,277) |
| Other comprehensive income | - | - | - | - | - | - | - |
| | - | - | - | (9,836,277) | - | (9,836,277) | (9,836,277) |
| Transferred from surplus on revaluation of property plant & equipment | - | - | - | 3,096,240 | (3,096,240) | - | - |
| Balance as at June 30, 2017 re-stated | 58,000,000 | 14,700,000 | - | (28,100,774) | 104,077,242 | 90,676,468 | 148,676,468 |

| | | | | | | | |
|-----------------------------|------------|------------|---|--------------|-------------|------------|-------------|
| Balance as at July 01, 2017 | 58,000,000 | 14,700,000 | - | (28,100,774) | 104,077,242 | 90,676,468 | 148,676,468 |
|-----------------------------|------------|------------|---|--------------|-------------|------------|-------------|

Total comprehensive Loss for the year - 2018:

| | | | | | | | |
|---|-------------------|-------------------|----------|---------------------|--------------------|-------------------|--------------------|
| Loss for the year | - | - | - | (10,693,582) | - | (10,693,582) | (10,693,582) |
| Other comprehensive income | - | - | - | - | - | - | - |
| | - | - | - | (10,693,582) | - | (10,693,582) | (10,693,582) |
| Transferred from surplus on revaluation of property plant & equipment | - | - | - | 3,003,352 | (3,003,352) | - | - |
| Balance as at June 30, 2018 | 58,000,000 | 14,700,000 | - | (35,791,005) | 101,073,890 | 79,982,885 | 137,982,885 |

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



Chief Executive Officer



Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

1 LEGAL STATUS AND OPERATIONS

Bela Automotives Limited (The Company) was incorporated in Pakistan as a Private Limited Company in November, 1983 under the repealed Companies Act, 1913 (Now Companies Act, 2017) and converted into a Public Limited Company on August, 1985. The company is listed on Pakistani Stock Exchange (formerly in Karachi Stock Exchange) on September 27, 1994. The registered office and manufacturing facilities of the company are located at Plot 1 & 3 Mouza Pathra Hub Chowki, in the province of Baluchistan, Pakistan.

Nature of business

The Company is engaged in manufacturing of automotive, precision cold forged and bicycle parts and high tensile bolts, nuts stud, screw and gear shaft.

2 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) issued by the international Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and Provision of and directives issued under the Companies Act, 2017. Where provision of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.1 Going concern assumptions

During the year, the Company incurred net loss amounting to Rs. 10.693 million (June 30, 2017: Rs. 9.836 million) and has reported accumulated losses amounting to Rs. 35.791 million (June 30, 2017 : Rs. 28.10 million) at the year end.

The main reason of loss was due to operational break down because of short of working capital which dropped the production operational efficiency.

2.1.1 These financial statements have been prepared on going concern basis on the grounds that the Company will be able to achieve satisfactory levels of growth in the future based on the plans drawn up by the management for this purpose.

The sales have decreased because the Income Tax Authorities had passed an illegal Order to Freeze our account and written to our Customers to stop payments to our Company.

The Income Tax Department had freezed the bank accounts of the company and its vendors, through their Order D.C. No. 01/40 dated 31-10-2014. This matter was resolved and letter from the Income Tax Deptt. dated 22-09-2015 informed banks that the company's and its vendors accounts be detached vide Income Tax Order No.DCIR/ENF/UNIT-05/ZONE -IV/RTO-II/2015/168.

This order of freezing of accounts by the Income Tax was certainly illegal as it had added entries of 14 years old. The said order was also illegal as he denied our company's depreciation. The said Order was passed exparte, without giving the Company to be heard. This entire Order was illegal and it took us about one year to have the illegal add backs and depreciation to be allowed. During this period we could not operate the factory and we lost our customers, and we had to lay off workers and Staff.

To substantiate its going concern assumption,

- > The management is undertaking adequate steps towards the reduction of fixed cost and expenses which are at various stages of implementation. Such steps include, but not limited to, rightsizing of the men power, resource conservation, close monitoring of other fixed cost etc. The management is certain to generate sufficient savings as consequences of adapting all such measures.
- > The company is also planning to add new product in near future in order to capture market share.

The management anticipates that above steps will not only bring the Company out of the existing financial crisis but also contribute significantly towards the improvement of the company financial position in the foreseeable future.

2.2 Accounting Convention

These Financial statements have been prepared under the historical cost convention except that certain fixed assets have been included at revaluation.

2.3 New Standards, Interpretations and Amendments

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

IFRS 10 - Consolidated Financial Statements

IFRS 11 - Joint Arrangements

IFRS 12 - Disclosure of Interests in Other Entities

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

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

| <i>Standard or interpretation</i> | <i>Effective date (annual periods beginning on or after)</i> |
|--|--|
| IFRS 2 – Share-based Payments – Classification and Measurement of Share- based Payments Transactions (Amendments) | 1-Jan-2018 |
| IFRS 4 – Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments) | 1-Jan-2018 |
| IAS 40 – Investment Property: Transfers of Investment Property (Amendments) | 1-Jan-2018 |
| IFRIC 22 – Foreign Currency Transactions and Advance Consideration | 1-Jan-2018 |
| IAS 19 – Plan amendment, Curtailment or Settlement (Amendments) | 1-Jan-2019 |
| IFRIC 23- Uncertainty over Income Tax Treatments | 1-Jan-2019 |

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with the basis as stated in note 2 above requires 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 high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statement are as follows:

- Accounting for staff benefits
- Recognition of provision for contingencies
- Disclosure of contingencies
- Determine the recoverable amounts, useful lives and residual values of property, plant and equipment

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

3.2 STAFF RETIREMENT BENEFITS

The Company operates an unfunded gratuity scheme payable to its employees under the law. The company contributes one month salary of the employee after every one year.

3.3 TAXATION

Current

The current taxation charge is Computed under existing tax law on income determined to be taxable at the applicable rates and allows admissible tax credits and rebates, if any.

Deferred

Deferred Tax is accounted for using the balance sheet 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. Differed tax is calculated by using the tax rate enacted at the balance sheet 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.

3.4 TRADE & OTHER PAYABLES

Liabilities for trade & other amount payable are carried at cost, Which is the fair value of the consideration to be paid in the future for goods and services, Weather or not billed to the company.

3.5 PROVISIONS

Provisions are recognized when the company has a present legal or constructive obligation as result of past events, 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 balance sheet date and adjusted to reflect the current best estimate.

3.6 PROPERTY, PLANT AND EQUIPMENT**a Cost**

Property, plant and equipment(except freehold land, Building and Plant and Machinery) are stated at cost less accumulated depreciation and impairment losses, if any. Free hold land are stated at revalued amounts whereas Building and Plant and Machinery are stated at revalued amount less accumulated depreciation and impairment losses, if any.

All expenditure connected to the specific assets incurred during installation and construction period are carried under capital work in process. These are transferred to assets as and when the assets are available for use.

b Depreciation

Depreciation on all property, plant and equipment except freehold land is charged by applying the reducing balance method whereby depreciation is charged by applying rates on the opening book value of the assets. Depreciation on additions is charged from the month in which the asset is put to use while no depreciation is charged in the month in which the asset is disposed off. Residual values and the useful lives are reviewed at each balance sheet date and adjusted if expectations differ significantly from the previous estimates. The management estimates that the financial impact of changes in the residual values and the useful lives during the year is immaterial.

Residual value are determine by the management as the amount it expects would receive currently for the item of property, plant and equipment if it were already of the age and in the condition expected at the end of its useful life based on the prevailing market prices of similar assets already at the end of their useful life. Useful lives are determined by the management based on expected usage of the assets, expected physical wear and tear, technical and commercial obsolescence and other similar factors.

c Surplus on Revaluation of Fixed Assets

Revaluation is carried out with sufficient regularity to ensure that the carrying amount of asset does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets. The related surplus on revaluation of property Plant & Equipments is transferred directly to the appropriated profits/losses.

d Repair and Maintenance

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals & improvements are capitalized and the assets so replaced, if any are retired.

e Gains and Losses on Deletion

Gains and Losses on disposal of Fixed Assets are taken to profit & Loss account.

3.7 FINANCE LEASES

Assets subject to finance lease are stated at the lower of present value of minimum lease payment under the lease agreement and the fair value of the assets acquired on lease . Outstanding obligations under the lease less finance charges allocated to future periods are shown as a liability. Value of leased assets is depreciated on the useful life of the assets using the reducing balance method at the rate given in note. Depreciation on leased assets is charged to Profit & loss account.

3.8 STORES, SPARES AND LOOSE TOOLS

These are valued at lower of cost and Net Realizable Value. Cost of inventory is based on weighted average cost less provision for obsolescence, if any. Items in transit are stated at cost comprising of invoice value plus other charges there on accumulated upto reporting date.

3.9 STOCK -IN - HAND

These are valued at lower of cost and net realisable value. Cost in relation to raw materials in hand, packing material and components has been calculated on a weighted average basis and represents invoice values plus other charger paid thereon. Cost in relation to work in process and finished goods represents direct cost of materials, wages and appropriate manufacturing overheads. Net realizable value represents the estimated selling price in the ordinary course of business less all estimated costs necessary to completion and to be incurred in marketing, selling and distribution.

3.10 TRADE DEBTS AND OTHER RECEIVABLES

Trade debts and other receivables are carried at original invoice amount less an estimate for doubtful receivables based on review of outstanding debts and accordingly provision is made against those receivables having no movement during the current financial year and is also considered doubtful by the management. Debts considered irrecoverable are written off when identified.

3.11 REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the amount of revenues can be measured reliably. Revenue is measured at fair value of the consideration received or receivable and is reduced for allowances such as taxes, duties, incentives, sales return and trade discounts.

Revenue from sales of goods is recognised on dispatch of goods to customers.

3.12 FINANCIAL INSTRUMENTS

All financial assets and liabilities are recognized at the time when the company become a party to the contractual provision of the instruments. Consistent with prior year, all financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. Any gain and loss on the recognition and de-recognition of the financial assets and liabilities is included in the net profit and loss for the period in which arises.

3.13 IMPAIRMENTS

The carrying amount of the Company's fixed assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. Where carrying values exceeds the respective recoverable amount, assets are written down to their recoverable amounts and are recognized in the profit and loss account.

3.14 BORROWING COST

Borrowing cost are recognized as an expense in the period in which they are incurred, except that those which are directly attributable to the acquisition, construction, production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of that asset.

3.15 CASH AND CASH EQUIVALENTS

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and bank balance with bank on current and deposit accounts .

3.16 EARNINGS PER SHARES

The company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit/ loss attributable to ordinary share holders of the company by the weighted average number of ordinary shares outstanding during the period.

3.17 DIVIDEND AND APPROPRIATION TO RESERVES

Dividend and other appropriation to reserves are recognised in the financial statements in which these are approved.

3.18 FINANCIAL INSTRUMENTS

Financial instruments carried on the balance sheet include investments, deposits, trade debts, loans and advances, other receivables, cash and bank balances, long-term financing, liabilities against assets subject to finance lease, short-term borrowings, accrued mark-up and trade and other payables etc. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instruments at fair value through profit or loss" which are initially measured at fair value.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

3.19 OFF-SETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets & liabilities are offset and the net amount is reported in the financial statements only when the company has a legally enforceable right to offset the recognized amounts and the company intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

3.20 FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates. The financial statements are presented in Pakistani Rupees, Which is the company's functional and presentation currency.

3.21 RELATED PARTY TRANSACTIONS

All transactions with related parties are carried out by the Company at arms' length price using the method prescribed under the Companies Act, 2017.

| | Notes | 2018 Rupees | 2017 Rupees |
|--|-------|----------------|----------------|
| 4 ISSUED, SUBSCRIBED & PAID-UP CAPITAL | | | |
| 5,800,000 (2017 : 5,800,000) | | | |
| Ordinary shares of Rs 10/- each fully paid in cash | | 58,000,000 | 58,000,000 |
| 5 CAPITAL RESERVES | | | |
| Premium on issue of shares | | 14,700,000 | 14,700,000 |
| 6 SURPLUS ON REVALUATION OF FIXED ASSETS | | | |
| Balance as on 1st July | | 104,077,242 | 107,173,482 |
| Surplus relating to incremental depreciation charged on related assets for the year | | (3,003,352) | (3,096,240) |
| Balance as on June 30 | | 101,073,890 | 104,077,242 |
| <p>The factory land building and plant & machinery were revalued by M/s Harvester Services (Pvt) Limited Karachi, a company of industrial valuation consultants, as at June 30, 1999 (on open market value basis) and accordingly such revaluation was incorporated in the books of accounts. Surplus on revaluation was determined by Anjum Asim Shahid & company, Chartered Accountants, Karachi (appearing on State Bank of Pakistan's list of Chartered Accountants approved for the purpose of revaluation) in their report of July 6, 2000. The factory land, building and plant & machinery were revalued by M/s Akbani Javed & Associates Karachi, a company of industrial valuation consultants, as at June 30, 2004 (on open market value basis) and accordingly such revaluation was incorporated in books of accounts. Surplus on revaluation was determined by M/s Akbani Javed & Associates Karachi (approved valuers penal by Pakistan Bank Association for the purpose of revaluation) in their report of October 30, 2004.</p> | | | |
| 7 LONG TERM FINANCING | | | |
| Long term loan from Habib bank Ltd | 7.1 | 41,996,881 | 41,996,881 |
| | | 41,996,881 | 41,996,881 |
| 7.1 The Company had obtained Loan from Habib Bank Limited for import of Plant and Machinery equivalent to US \$ 1.150 million. It was converted into Pak Rupees at the selling rate prevailing on the date on which it was converted into long term demand finance. The loan was rescheduled and under the new terms the document was retired for Rs 24,853,812. | | | |
| <p>On company request the bank rescheduled the loan and under the new term repayment was to commence from March 1996 at the rate of Rs. 300,000 per month. Again on company's request the bank rescheduled the loan on April 14, 1998 under which the repayment of installments was to commence from January 1999 at the rate of Rs. 700,000 per month. The other term and conditions relating to this rescheduling are contained in the agreement.</p> | | | |
| <p>The markup is payable @ 39 paisa per day.</p> <p>The loan is secured against a fixed legal mortgage of land and a floating charge and hypothecation on all movable and immovable assets of the Company.</p> | | | |
| 7.2 The company has filed suit before Honorable High Court of Sindh against Habib Bank Limited, vide suit No.B-90 dated September 5, 2001 for accounts, injunction, declaration & damages for Rs. 599.214 million. For the reason cited above the company has not provided markup on demand finance for the year ended June 30, 2018. The management is confident of a favorable outcome. | | | |
| 7.3 The company has filed suit before Honorable High Court of Sindh against Habib Bank Limited, vide SUIT No. B-90. The management is of the view that amount reflected in current maturity since 2000 is not required to be paid within next 12 months and has therefore been transferred to loan amount. | | | |
| 7.4 Habib Bank Limited also filed suit vide suit no.B-94 of 2001 against the company for recovery of Rs.175.965 million. This case is pending for announcement of decision on preliminary point whether suit is liable to be dismissed for not filling of certified copy of statement of account. | | | |
| 8 DEFERRED LIABILITIES | | | |
| Provision for staff gratuity-Unfunded | 8.1 | 1,696,175 | 2,187,882 |
| 8.1 Provision for staff gratuity | | | |
| Balance as at July 01 | | 2,347,085 | 2,187,882 |
| Less: Payment During The Year | | (1,528,205) | - |
| | | 818,880 | 2,187,882 |
| Provision for the Year | | 877,295 | 159,203 |
| Balance as at June 30 | | 1,696,175 | 2,347,085 |

| | | 2018 Rupees | 2017 Rupees |
|-------------|---|-------------------|--------------------|
| 9 | TRADE AND OTHER PAYABLES | | |
| | Creditors | 1,287,037 | 3,051,623 |
| | Accrued Liabilities | 4,373,333 | 4,282,641 |
| | Other Payables | 133,410 | 4,588,770 |
| | | 5,794,664 | 11,923,034 |
| 10 | ACCRUED MARK UP ON LOANS | | |
| | Accrued markup on demand finance | 24,497,087 | 24,497,087 |
| | Accrued markup on running finance & borrowings | 12,643,487 | 12,643,487 |
| | | 37,140,574 | 37,140,574 |
| 11 | SHORT TERM BORROWINGS | | |
| | Secured | | |
| | Running Finance - HBL | 11.1 28,009,991 | 28,009,991 |
| | Finance under FIM - HBL | 11.2 607,264 | 607,264 |
| | Finance under IBP - HBL | 11.3 3,983,870 | 3,983,870 |
| | Cash Finance HBL | 11.4 1,904,780 | 1,904,780 |
| | | 34,505,905 | 34,505,905 |
| | Unsecured | | |
| | Due to Director | 11.5 196,186 | 184,186 |
| | | 34,702,091 | 34,690,091 |
| 11.1 | The facility of running finance available from bank limited of limit of Rs. 30 Million and carries markup @ 50 paisa per day. | | |
| | SECURITY | | |
| | The facility is secured against hypothecating of stock, personal guarantees of Director and equitable charges on property at Hub Industrial Area. | | |
| 11.2 | The finance facilities under FIM of Rs. 2.5 Million obtained from HBL @ 50 paisa per thousand per day. | | |
| | SECURITY | | |
| | The facility is secured against hypothecating of stock in trade and stores and spares. | | |
| 11.3 | The finance facilities obtained from HBL of Rs. 2.5 million and carried markup @ 50 paisa per thousand per day. | | |
| | SECURITY | | |
| | The facility is secured against hypothecating of stock in trade and stores and spares. | | |
| 11.4 | The finance facilities obtained from HBL of Rs. 2.5 million and carries markup @ 50 paisa per thousand per day. | | |
| | SECURITY | | |
| | The above facilities are secured by way of pledge of finished goods and mortgage of property at Hub Industrial Area. | | |
| 11.5 | The loan is unsecured, interest free and repayable on demand by the director. | | |
| 11.6 | The company has filed suit before Honorable High Court of Sindh against Habib Bank Limited, vide suit No.B-90 dated September 5, 2001 for accounts, injunction, declaration & damages for Rs. 599.214 million. For the reason cited above the company has not provided markup on running finance and borrowings for the year ended June 30, 2012. The management is confident of a favorable outcome. | | |
| 11.7 | Habib Bank Limited also file suit vide suit no.B-94 of 2001 against the company for recovery of Rs.175.965 million. This case is pending for announcement of decision on preliminary point whether suit is liable to be dismissed for not filling of certified copy of statement of account. | | |
| 12 | CONTINGENCIES AND COMMITMENTS | | |
| 12.1 | Contingencies | | |
| | Except for the note 7 and note 11.6 and 11.7, there were no contingencies as at June 30, 2018. | | |
| 12.2 | Commitments | | |
| | There were no commitments as on June 30, 2018. | | |
| 13 | PROPERTY, PLANT AND EQUIPMENT | Notes | |
| | | | |
| | Tangible Fixed Assets | 13.1 | 133,113,843 |
| | Capital work in progress | 13.3 | 20,649,370 |
| | | | 153,763,213 |
| | | | 157,856,354 |



13.1 Fixed Assets

| 2018 | | | | | | | | | |
|------------------------------|------------------------|--------------------------|------------------------|-----------|------------------------|-------------|------------------|------------------------|--------------------------------------|
| PARTICULARS | Cost | | | Rate | Depreciation | | | | Book Value As at June 30, 2018 |
| | As at July 01, 2017 | Additions/ (Deletion) | As at June 30, 2018 | | As at July 01, 2017 | Adjustments | For the Year | As at June 30, 2018 | |
| Land (Freehold) | 2,034,473 | | 2,034,473 | | | | | | |
| Revaluation (30-06-95) | 71,142 | | 71,142 | | | | | | |
| Revaluation (30-06-99) | 1,294,385 | | 1,294,385 | | | | | | |
| Revaluation (30-06-04) | 2,600,000 | | 2,600,000 | | | | | | |
| SUB TOTAL | 6,000,000 | | 6,000,000 | | | | | | 6,000,000 |
| Building | 10,930,908 | - | 10,930,908 | | | | | | |
| Revaluation (30-06-95) | 2,814,683 | | 2,814,683 | | | | | | |
| Revaluation (30-06-99) | 4,364,696 | | 4,364,696 | | | | | | |
| Revaluation (30-06-04) | 2,958,429 | | 2,958,429 | | | | | | |
| SUB TOTAL | 21,068,716 | - | 21,068,716 | 3% | 12,068,848 | | 269,996 | 12,338,844 | 8,729,872 |
| Plant & Machinery | 60,454,761 | | 60,454,761 | | | | | | |
| Revaluation (30-06-95) | 146,630,617 | | 146,630,617 | | | | | | |
| Revaluation (30-06-99) | 32,439,057 | | 32,439,057 | | | | | | |
| Revaluation (30-06-04) | 46,096,531 | | 46,096,531 | | | | | | |
| SUB TOTAL | 285,620,966 | - | 285,620,966 | 3% | 175,514,072 | | 3,303,202 | 178,817,274 | 106,803,692 |
| Others | | | | | | | | | |
| Electric Installation | 1,668,800 | | 1,668,800 | 10% | 1,545,854 | | 12,295 | 1,558,149 | 110,651 |
| Tools & Accessories | 3,295,993 | | 3,295,993 | 10% | 2,568,632 | | 72,736 | 2,641,368 | 654,625 |
| Office Equipment | 1,616,639 | | 1,616,639 | 10% | 1,219,186 | | 39,745 | 1,258,931 | 357,708 |
| Air Conditioners | 360,036 | | 360,036 | 10% | 293,963 | | 6,607 | 300,570 | 59,466 |
| Furniture & Fixture | 1,381,618 | | 1,381,618 | 10% | 1,071,166 | | 31,045 | 1,102,211 | 279,407 |
| Vehicles Owned | 1,973,962 | | 1,973,962 | 20% | 1,939,422 | | 6,908 | 1,946,330 | 27,632 |
| SUB TOTAL | 10,297,048 | - | 10,297,048 | | 8,638,223 | - | 169,336 | 8,807,559 | 1,489,489 |
| LEASED ASSETS | | | | | | | | | |
| Tools | 2,100,000 | | 2,100,000 | 10% | 1,566,215 | | 53,379 | 1,619,594 | 480,406 |
| Machinery | 13,607,739 | | 13,607,739 | 3% | 3,700,127 | | 297,228 | 3,997,355 | 9,610,384 |
| SUB TOTAL | 15,707,739 | - | 15,707,739 | | 5,266,342 | - | 350,607 | 5,616,949 | 10,090,790 |
| TOTAL | 338,694,469 | - | 338,694,469 | | 201,487,485 | - | 4,093,141 | 205,580,626 | 133,113,843 |

| 2017 | | | | | | | | | |
|------------------------------|------------------------|--------------------------|------------------------|-----------|------------------------|------------------|------------------|------------------------|--------------------------------------|
| PARTICULARS | Cost | | | Rate | Depreciation | | | | Book Value As at June 30, 2017 |
| | As at July 01, 2016 | Additions/ (Deletion) | As at June 30, 2017 | | As at July 01, 2016 | Adjustments | For the Year | As at June 30, 2017 | |
| Land (Freehold) | 2,034,473 | | 2,034,473 | | | | | | |
| Revaluation (30-06-95) | 71,142 | | 71,142 | | | | | | |
| Revaluation (30-06-99) | 1,294,385 | | 1,294,385 | | | | | | |
| Revaluation (30-06-04) | 2,600,000 | | 2,600,000 | | | | | | |
| SUB TOTAL | 6,000,000 | | 6,000,000 | | | | | | 6,000,000 |
| Building | 10,930,908 | - | 10,930,908 | | | | | | |
| Revaluation (30-06-95) | 2,814,683 | | 2,814,683 | | | | | | |
| Revaluation (30-06-99) | 4,364,696 | | 4,364,696 | | | | | | |
| Revaluation (30-06-04) | 2,958,429 | | 2,958,429 | | | | | | |
| SUB TOTAL | 21,068,716 | - | 21,068,716 | 3% | 11,790,502 | | 278,346 | 12,068,848 | 8,999,868 |
| Plant & Machinery | 60,454,761 | | 60,454,761 | | | | | | |
| Revaluation (30-06-95) | 146,630,617 | | 146,630,617 | | | | | | |
| Revaluation (30-06-99) | 32,439,057 | | 32,439,057 | | | | | | |
| Revaluation (30-06-04) | 46,096,531 | | 46,096,531 | | | | | | |
| SUB TOTAL | 285,620,966 | - | 285,620,966 | 3% | 172,108,709 | | 3,405,363 | 175,514,072 | 110,106,894 |
| Others | | | | | | | | | |
| Electric Installation | 1,668,800 | | 1,668,800 | 10% | 1,532,193 | | 13,661 | 1,545,854 | 122,946 |
| Tools & Accessories | 3,295,993 | | 3,295,993 | 10% | 2,487,814 | | 80,818 | 2,568,632 | 727,361 |
| Office Equipment | 1,616,639 | | 1,616,639 | 10% | 1,175,024 | | 44,162 | 1,219,186 | 397,453 |
| Air Conditioners | 360,036 | | 360,036 | 10% | 286,622 | | 7,341 | 293,963 | 66,073 |
| Furniture & Fixture | 1,381,618 | | 1,381,618 | 10% | 1,036,671 | | 34,495 | 1,071,166 | 310,452 |
| Vehicles Owned | 1,973,962 | | 1,973,962 | 20% | 1,930,787 | | 8,635 | 1,939,422 | 34,540 |
| SUB TOTAL | 10,297,048 | - | 10,297,048 | | 8,449,111 | - | 189,112 | 8,638,223 | 1,658,825 |
| LEASED ASSETS | | | | | | | | | |
| Generator | 1,212,000 | (1,212,000) | - | 3% | 371,056 | (394,182) | 23,126 | - | - |
| Tools | 2,100,000 | | 2,100,000 | 10% | 1,506,905 | | 59,310 | 1,566,215 | 533,785 |
| Machinery | 13,607,739 | | 13,607,739 | 3% | 3,393,706 | | 306,421 | 3,700,127 | 9,907,612 |
| SUB TOTAL | 16,919,739 | (1,212,000) | 15,707,739 | | 5,271,667 | (394,182) | 388,857 | 5,266,342 | 10,441,397 |
| TOTAL | 339,906,469 | (1,212,000) | 338,694,469 | | 197,619,989 | (394,182) | 4,261,678 | 201,487,485 | 137,206,984 |

| 13.2 DEPRECIATION | | Notes | 2018 Rupees | 2017 Rupees |
|---|------------------------------|--|-----------------------------------|-------------------------------|
| The Depreciation charged for the year has been allocated as follows: | | | | |
| Manufacturing expenses | | 23.2 | 3,479,170 | 3,622,426 |
| Administrative expenses | | 24 | 409,314 | 426,168 |
| Selling expenses | | 25 | 204,657 | 213,084 |
| | | | 4,093,141 | 4,261,678 |
| 13.3 CAPITAL WORK IN PROGRESS | | | | |
| Statement of Capital work - in - Progress | Cost as at July 01 | Capital expenditure incurred during the Year | Transfer to tangible Fixed assets | Total |
| Plant and machinery | 20,649,370 | - | - | 20,649,370 |
| JUNE 2018 | 20,649,370 | - | - | 20,649,370 |
| JUNE 2017 | 20,649,370 | - | - | 20,649,370 |
| 14 LONG TERM LOAN & ADVANCES | | | | |
| Loan to employees - Secured | | | 1,501,992 | 1,902,631 |
| Less: Current portion shown under current asset | | 19 | (206,970) | (243,739) |
| | | | 1,295,022 | 1,658,892 |
| 14.1 Interest free loans to employees are provided by company. These are repayable in a lump sum or by way of monthly installment over a period of three to five years. The company uses extreme discretion to provide loan to employees on Non - Interest to help employees. This loan amount does not include any amount given as loan to directors or chief executive. | | | | |
| 14.2 Reconciliation of carrying amount of loans to employees. | | | | |
| | Opening balance as at July 1 | Disbursements during the year | Repayments during the year | Closing balance as at June 30 |
| Loan to employees | | | | |
| June-2018 | 1,902,631 | - | (400,639) | 1,501,992 |
| June-2017 | 1,903,131 | - | (500) | 1,902,631 |
| 15 LONG TERM DEPOSITS AND PREPAYMENTS | | | | |
| Security deposit | | | 770,232 | 770,232 |
| | | | 770,232 | 770,232 |
| 16 STORES, SPARES PARTS AND LOOSE TOOLS | | | | |
| Consumable stores | | | 18,329,574 | 18,454,986 |
| Spares | | | 16,569,314 | 16,678,945 |
| Loose tools | | | 6,289,453 | 6,394,537 |
| | | | 41,188,341 | 41,528,468 |
| 17 STOCK-IN-TRADE | | | | |
| Raw Material and components | | | 6,358,923 | 7,968,916 |
| Work in process | | | 14,125,370 | 15,476,549 |
| Finished goods | | | 14,349,978 | 15,732,968 |
| | | | 34,834,271 | 39,178,433 |
| 18 TRADE DEBTS | | | | |
| Unsecured-Considered good | | | 1,778,938 | 2,158,306 |
| | | | 1,778,938 | 2,158,306 |
| 19 LOANS AND ADVANCES | | | | |
| Current portion of loans to employees | | | 206,970 | 243,739 |
| | | | 206,970 | 243,739 |
| 20 TAXATION | | | | |
| Opening balance | | | 19,150,933 | 19,055,151 |
| Add: Deducted at source | | | 310,215 | 213,235 |
| Adjusted | | | (26,907) | (117,452) |
| Closing Balance | | | 19,434,241 | 19,150,933 |

| | | | |
|--|-------------|-------------------|------------------|
| 21 CASH AND BANK BALANCES | | | |
| Cash in hand | | 2,376 | 3,546 |
| Cash at banks-current accounts | | 1,958,337 | 345,264 |
| | | 1,960,713 | 348,810 |
| 22 NET SALES | | | |
| <i>Local sales:</i> | | | |
| Gross sales | | 3,198,411 | 2,868,077 |
| Less: Sales Tax | | (464,726) | (416,729) |
| Sales return, discount and commissions | | (23,765) | - |
| | | 2,709,920 | 2,451,348 |
| 23 COST OF SALES | | | |
| Raw Material Consumed | 23.1 | 1,609,993 | 936,077 |
| Manufacturing expenses | 23.2 | 6,621,129 | 6,703,663 |
| | | 8,231,122 | 7,639,740 |
| WORK IN PROCESS | | | |
| Opening work in process | | 15,476,549 | 16,040,950 |
| Closing work in process | | (14,125,370) | (15,476,549) |
| | | 1,351,179 | 564,401 |
| COST OF GOODS MANUFACTURED | | 9,582,301 | 8,204,141 |
| FINISHED GOODS | | | |
| Opening Finished goods | | 15,732,968 | 16,798,654 |
| Cost of finished goods purchased during the year | | - | - |
| Closing Finished goods | | (14,349,978) | (15,732,968) |
| | | 1,382,990 | 1,065,686 |
| | | 10,965,291 | 9,269,827 |
| 23.1 RAW MATERIAL CONSUMED | | | |
| Opening inventory | | 7,968,916 | 8,791,643 |
| Purchases | | - | 113,350 |
| Closing inventory | | (6,358,923) | (7,968,916) |
| | | 1,609,993 | 936,077 |
| 23.2 MANUFACTURING EXPENSES | | | |
| Stores & spares consumed | | 371,267 | 498,225 |
| Salaries, wages & benefits | | 2,109,000 | 1,483,575 |
| Fuel, Power, Water & Gas | | 383,966 | 587,129 |
| Conveyance, freight & octroi | | 29,988 | 44,190 |
| Repair & maintenance | | 4,465 | 41,921 |
| Processing charges | | 23,713 | 78,029 |
| Vehicle running expenses | | 136,604 | 155,000 |
| Workers welfare expenses | | 17,700 | 58,430 |
| Other Expenses | | 400 | 888 |
| Oil and Lubricant | | - | 69,528 |
| Plating charges | | 64,856 | 64,322 |
| Depreciation | 13.2 | 3,479,170 | 3,622,426 |
| | | 6,621,129 | 6,703,663 |
| 24 ADMINISTRATIVE & GENERAL EXPENSES | | | |
| Salaries and benefits | | 811,681 | 831,382 |
| Postage, telephone & telegram | | 38,500 | 33,080 |
| Printing & Stationery | | 86,128 | 20,774 |
| Legal and professional | | 1,811,100 | 185,000 |
| Repair & maintenance | | 14,784 | 15,798 |
| Vehicle running expenses | | 144,697 | 169,785 |
| Security Service charges | | 198,000 | 198,000 |
| Depreciation | 13.2 | 409,314 | 426,168 |
| | | 3,514,204 | 1,879,987 |

25 SELLING AND DISTRIBUTION EXPENSES

| | | | |
|-----------------------|------|----------------|----------------|
| Distribution expenses | | 82,643 | 98,609 |
| Telephone expense | | 6,050 | 10,350 |
| Depreciation | 13.2 | 204,657 | 213,084 |
| | | 293,350 | 322,043 |

26 OTHER OPERATING EXPENSES

| | | | |
|-------------------------------|--|----------------|----------------|
| Loss on disposal of generator | | - | 579,004 |
| Share Registrar Fee | | 108,000 | 108,000 |
| Auditor's remuneration: | | | |
| Audit Fee | | 100,000 | 100,000 |
| | | 208,000 | 787,004 |

27 OTHER OPERATING INCOME

| | | | |
|-----------------------------------|--|-----------|---|
| Sale of mix nuts, bolts & washers | | 1,614,477 | - |
|-----------------------------------|--|-----------|---|

28 FINANCE COST

| | | | |
|---------------------------|--|--------------|--------------|
| Bank charges & commission | | 3,260 | 4,251 |
| | | 3,260 | 4,251 |

29 TAXATION

| | | | |
|------------------------|------|---------------|---------------|
| Current - for the year | 29.1 | 33,874 | 24,513 |
| - for prior year | | - | - |
| | | 33,874 | 24,513 |

29.1 U/s 113 of the Income Tax Ordinance 2001, tax has been provided on the basis of turnover, being minimum tax. According to Section-113 tax liability for the corporate tax payer being higher of tax on taxable income or minimum tax @1.25% (2017 : @ 1%) of turnover. However, minimum tax shall not be applicable in case the Company declares gross loss before set-off of depreciation and other inadmissible expenses, as per provision to Sec-113(1).

29.2 Deferred

As require by IAS-12 "Income Taxes", the company does not recognise deferred tax assets because it is probable that taxable profit for the foreseeable future will not be available against which these assets could be utilised.

Notes

| 2018 Rupees | 2017 Rupees |
|----------------|----------------|
|----------------|----------------|

30 LOSS PER SHARE**Basic Loss per share**

| | | |
|--|---------------|---------------|
| Loss after taxation | (10,693,582) | (9,836,277) |
| Weighted average number of outstanding ordinary shares | 5,800,000 | 5,800,000 |
| Loss per share | (1.84) | (1.70) |

Diluted earnings per share

There is no dilution effect on the basic loss per share of the Company, as the Company has no such commitments.

31 REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

| | 2018 | | | 2017 | | |
|--------------------------|------------------|-----------|----------|------------------|-----------|----------|
| | Chief Executives | Directors | Total | Chief Executives | Directors | Total |
| Managerial remuneration | - | - | - | - | - | - |
| Perquisites and benefits | - | - | - | - | - | - |
| No. of Persons | 1 | 2 | 3 | 1 | 2 | 3 |

31.1 Chief executive and directors have waived off their remuneration.

31.2 None of the employees fall in the criteria defined for Executives as per the Companies Act, 2017.

32 PRODUCTION CAPACITY

Production capacity of plant can not be determined as this depends upon relative proportion of various type of bolts and nuts produced.

33 FINANCIAL INSTRUMENTS

33.1 Interest rate exposures

Interest rate is the risk that the value of financial instruments will fluctuate due to changes in market interest rates.

FINANCIAL ASSETS

| AS AT JUNE, 30 2018 | | | | | |
|------------------------------|----------------------------|--------------------------------|----------------------------|-----------|-----------|
| INTEREST BEARING | | NON INTEREST BEARING | | | |
| Maturity with in one year | Maturity after one year | Maturity within one year | Maturity after one year | Total | |
| Trade debtors | - | - | 1,778,938 | - | 1,778,938 |
| Loans and advances | - | - | 206,970 | - | 206,970 |
| Long term deposits | - | - | - | 770,232 | 770,232 |
| Other receivables | - | - | 4,115,204 | - | 4,115,204 |
| Cash & bank balances | - | - | 1,960,713 | - | 1,960,713 |
| | | 8,061,825 | 770,232 | 8,832,057 | |

FINANCIAL LIABILITIES

| | | | | | |
|-------------------------|------------|------------|------------|-------------|------------|
| Demand finance | - | 41,996,881 | - | - | 41,996,881 |
| Short term Finance | 34,505,905 | - | 196,186 | - | 34,702,091 |
| Trade and other payable | - | - | 5,794,664 | - | 5,794,664 |
| Accrued Markup | - | - | 37,140,574 | - | 37,140,574 |
| 34,505,905 | 41,996,881 | 43,131,424 | - | 119,634,210 | |

FINANCIAL ASSETS

| AS AT JUNE, 30 2017 | | | | | |
|------------------------------|----------------------------|--------------------------------|----------------------------|------------|------------|
| INTEREST BEARING | | NON INTEREST BEARING | | | |
| Maturity with in one year | Maturity after one year | Maturity within one year | Maturity after one year | Total | |
| Trade debtors | - | - | 2,158,306 | - | 2,158,306 |
| Loans and advances | - | - | 243,739 | - | 243,739 |
| Long term prepayments | - | - | - | 770,232 | 770,232 |
| Other receivables | - | - | 13,904,477 | - | 13,904,477 |
| Cash & bank balances | - | - | 348,810 | - | 348,810 |
| | | 16,655,332 | 770,232 | 17,425,564 | |

FINANCIAL LIABILITIES

| | | | | | |
|---|------------|------------|------------|-------------|------------|
| Demand finance | - | 41,996,881 | - | - | 41,996,881 |
| Liabilities against Assets Subject to Finance lease | - | - | - | - | - |
| Short term Finance | 34,505,905 | - | 184,186 | - | 34,690,091 |
| Trade and other payable | - | - | 11,923,034 | - | 11,923,034 |
| Accrued Markup | - | - | 37,140,574 | - | 37,140,574 |
| 34,505,905 | 41,996,881 | 49,247,794 | - | 125,750,580 | |

33.2 Off Balance Sheet Items

Letter of Credits

- -

The effective interest/mark-up rates as at June 30 for financial instruments are as follows;

33.3 Credit Risk

Credit risk is the risk that one party to a financial instrument will to discharge its obligation and causes the other party to a financial loss. Management adopt a prudent credit policy so management believe that credit risk is minimal.

33.4 Fair Value of Financial Instruments

The carrying value of the all financial instrument reflected in the financial statements approximates their fair value.

33.5 Liquidity Risk

Liquidity Risk is the risk that an enterprise will encounter difficulties in raising funds to meet commitments associated with financial instruments. The management believe that it is not exposed to any significant level of liquidity risk. The management forecast the liquidity of the company on expected cash flows considering the level of liquid assets necessary to meet such risk. This involves monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

33.6 Capital Risk Management

The company's objectives when managing capital are to safeguard the company's ability to continue as going concern in order to provide return for shareholders and benefit for other stake holders and to maintain an optional capital structure to reduce the cost of capital. The company is currently financing its operations through equity and working capital.

34 Transactions with related parties

The related parties comprises directors and key management personnel. The company continues to have a policy whereby all transactions with related parties are entered at arm's length price using admissible valuation method and expenses are charged on actual basis.

35 Number of Employees

| 2018 | 2017 |
|------|------|
|------|------|

Factory employees:

Total number of employees as on June 30
Average number of employees during the year

| | |
|---|---|
| 3 | 5 |
| 3 | 9 |

Other employees:

Total number of employees as on June 30
Average number of employees during the year

| | |
|---|---|
| 3 | 3 |
| 3 | 3 |

36 Corresponding Figures

Corresponding figures have been rearranged & reclassified, where considered necessary, to comply with the requirements of Companies Act, 2017.

37 General

Figures have been rounded off to the nearest rupees.

38 Date of Authorisation

These financial statements were authorized for issue on June 12, 2019 by the board of directors of the company.

Chief Executive Officer

Director

PATTERN OF SHARE HOLDINGS AS AT 30-06-2018

| NUMBER OF SHARE HOLDERS | SHARE FROM | HOLDINGS - TO | TOTAL SHARE HELD |
|----------------------------|---------------|------------------|---------------------|
| 58 | 1 | - 100 | 5,800 |
| 4,786 | 101 | - 500 | 2,384,700 |
| 15 | 501 | - 1000 | 15,000 |
| 26 | 1001 | - 5000 | 72,400 |
| 5 | 5001 | - 10000 | 42,300 |
| 7 | 10001 | - 15000 | 83,000 |
| 6 | 15001 | - 20000 | 112,500 |
| 1 | 20001 | - 25000 | 25,000 |
| 1 | 25001 | - 30000 | 28,000 |
| 1 | 45001 | - 50000 | 46,300 |
| 2 | 70001 | - 75000 | 142,800 |
| 1 | 80001 | - 85000 | 85,000 |
| 2 | 235001 | - 240000 | 476,000 |
| 1 | 475001 | - 480000 | 476,000 |
| 1 | 545001 | - 550000 | 547,400 |
| 1 | 1255001 | - 1260000 | 1,257,800 |
| 4,914 | | | 5,800,000 |

| CATEGORIES OF SHARE HOLDERS | NUMBER OF SHARE HOLDERS | SHARES HELD | PERCENTAGE |
|--------------------------------|----------------------------|------------------|------------|
| 1 - INDIVIDUAL | 4,913 | 5,774,500 | 99.56 |
| 2 - JOINT STOCK COMPANIES | 1 | | 0.44 |
| TOTALS | 4,914 | 5,800,000 | 100 |


PATTERN OF SHARE HOLDINGS AS AT 30-06-2018

| | NUMBER | SHARES HELD | PERCENTAGE |
|-----------------------|--------|----------------|------------|
| JOINT STOCK COMPANIES | 1 | 25,500 | 0.44 |
| | 1 | 25,500 | 0.44 |

DIRECTORS/SPOUSE

| | | | |
|----------------------------|----------|------------------|--------------|
| Mr. Abdul Mateen Allahwala | 1 | 1,257,800 | 21.69 |
| Mr. Imran Mateen | 1 | 238,000 | 4.10 |
| Mr. Anwar Iqbal | 1 | 71,400 | 1.23 |
| Mr. Omer Mateen Allahwala | 1 | 76,000 | 8.21 |
| Mrs. Nelofer Mateen | 1 | 547,400 | 9.44 |
| Mrs. Farnaz Anwar | 1 | 71,400 | 1.23 |
| Mrs. Moniza Imran | | 238,000 | 4.10 |
| | <u>7</u> | <u>2,900,000</u> | <u>50.00</u> |

INDIVIDUALS

| | | | |
|--|--|-----------|-------|
| | | 2,874,500 | 49.56 |
|--|--|-----------|-------|

TOTAL

| | | |
|--------------|------------------|------------|
| <u>4,906</u> | <u>5,800,000</u> | <u>100</u> |
|--------------|------------------|------------|

| | | | |
|----------------------------------|---|-----------|-------|
| Shareholders Holding 10% or more | 1 | 1,257,800 | 21.69 |
|----------------------------------|---|-----------|-------|

Automatic Cold Forging

| Bolts | Dia | lengthMax |
|-------|---------|-----------|
| | M5-M8 | 65MM |
| | M10-M30 | 150MM |
| Nuts | M3-M12 | |



Automatic Hot Forging

| Dia | length |
|------|--------|
| 40MM | 65MM |
| Nuts | M30MAX |





PROXY FORM

The Secretary
Bela Autom otives Limited
Plot # 1& 3, Mouza Pathra,
Hub Chowki, Balochistan

I/We _____

of _____

being a member of Bela Automotives Limited, Karachi and holder of _____

ordinary shares as per R.F. No. _____ hereby appoint _____

_____ of _____

or failing him/her _____

of _____

as my proxy to attend and vote for me and on by behalf at the Annual General Meeting of the Company to be held on Wednesday July 31, 2019, Plot No. 1 & 3 , Mouza Pathra, Hub Chowki, Blouchistan and at any adjournment thereor.

As witness my hand this _____ day of _____ 2019

Signed by the said _____



Signature of Member(s)

Notes:

- a) This form of proxy duly completed must be received at the Registered Office of the Company at Plot No. 1 & 3, Mauza Pathra, Hub Chowki, Blouchhistan, not later than 48 hours before the time of holding the meeting
- b) A proxy shall also be a shareholder of the Company.