



Dynamic,
Quality Conscious &
Ever Progressive

Annual REPORT

14

Sazgar Engineering Works Limited



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



CONTENTS

Vision, Mission and Corporate Strategy	1
Company Information	2
Notice of Annual General Meeting	3
Directors' Report	4
Statement of Compliance with the Code of Corporate Governance	16
Auditors' Review Report on Statement of Compliance with Best Practices of Code of Corporate Governance	18
Auditor's Report to the Members	19
Balance Sheet	20
Profit and Loss Account	22
Statement of Comprehensive Income	23
Cash Flow Statement	24
Statement of Changes in Equity	25
Notes to the Financial Statements	26
Form of Proxy	53



Vision

Dynamic, quality conscious and ever progressive.

Mission

- To be market leader in providing safe, economical, durable, comfortable and environment friendly means of transportation of international quality at competitive prices
- To achieve market leadership in automotive wheel-rims of all types and sizes
- Grow through innovation of new products and
- Give higher return to the stakeholders.

Corporate Strategy

Achieve optimal performance in production and sale; continuously add value added products at competitive prices by maintaining "quality" as core element; focus on customers' satisfaction regarding sale, spares and service; explore new markets and enhance customers' base; ensure right usage of company's resources; create employment opportunities; protect the interest of stakeholders; and be a part of the country's development.



Company Information

BOARD OF DIRECTORS

Mrs. Saira Asad Hameed
Chairperson/Non-Executive

Mr. Mian Asad Hameed
Chief Executive

Mr. Saeed Iqbal Khan
Executive Director

Mr. Mian Muhammad Ali Hameed
Non-Executive Director

Mr. Mian Zafar Hameed
Non-Executive Director

Mrs. Amina Humza Wazir
Non-Executive Director

Mr. Muhammad Suleyman Khan
Independent Director

COMPANY SECRETARY

Mr. Arshad Mahmood - FCA

REGISTERED OFFICE

88 - Ali Town, Thokar Niaz Baig,
Raiwind Road, Lahore.

SHARE REGISTRAR

Corp Tec Associates (Pvt.) Limited
503-E, Johar Town, Lahore.
Ph# 042-35170336-37
Fax# 042-35170338

FACTORY

18-KM, Raiwind Road, Lahore.

AUDIT COMMITTEE

Mr. Mian Muhammad Ali Hameed
Chairman

Mr. Mian Zafar Hameed
Member

Mr. Muhammad Suleyman Khan
Member

Mr. Arshad Mahmood
Secretary

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Muhammad Suleyman Khan
Chairman

Mr. Saeed Iqbal Khan
Member

Mrs. Amina Humza Wazir
Member

Mr. Arshad Mahmood
Secretary

AUDITORS

Kabani and Company
Chartered Accountants

BANKERS

Allied Bank Limited
National Bank of Pakistan
Bank Alfalah Limited
Faysal Bank Limited
Habib Bank Limited
The Bank of Punjab
Summit Bank Limited
NIB Bank
Meezan Bank Limited



NOTICE OF ANNUAL GENERAL MEETING


Notice is hereby given that 23rd Annual General Meeting of **Sazgar Engineering Works Limited** will be held at Four Seasons Banquet Hall, Lala Zar Commercial Market, 0.5 KM - Main Raiwind Road, Thokar Niaz Baig, Lahore on Saturday, October 18, 2014 at 10:30 A.M. to transact the following businesses:

ORDINARY BUSINESSES:

1. To receive, consider and adopt the Annual Audited Accounts of the company for the year ended 30th June, 2014 together with the Directors' and Auditors' Reports thereon.
2. To approve the payment of final cash dividend @ 10% of current paid up share capital i.e. Rupee 1.00/- per ordinary share for the year ended June 30, 2014 as recommended by the Board of Directors.
3. To appoint Auditors and fix their remuneration for the year ending June 30, 2015.

Lahore
September 11, 2014

By order of the Board


Arshad Mahmood
(Company Secretary)

Notes:

- a. The share transfer books of the company will remain closed from October 12, 2014 to October 18, 2014 (both days inclusive). Transfers received in order at the share registrar office M/s Corp Tec Associates (Pvt.) Ltd., 503-E, Johar Town, Lahore at the close of business on 11th October, 2014 will be treated in time for entitlement of final cash dividend and to attend the Annual General Meeting.
- b. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for his/her behalf. Proxies in order to be effective must be received at the Share Registrar Office duly stamped and signed not less than 48 hours before the time of holding of the meeting.

CDC Account Holders will further have to follow the guidelines as laid down in Circular 1 dated January 26, 2000 issued by Securities and Exchange Commission of Pakistan for attending the meeting and appointment of proxies.

- c. Members are requested to promptly communicate the change in their addresses, if any to the company's share registrar.
- d. In compliance with SECP Notification No. 634(1)2014 dated 10th July, 2014, the financial statements and reports of the company for the year ended June 30, 2014 have been placed on the company's web site www.sazgarautos.com for the information and review of shareholders.



DIRECTORS' REPORT

The directors of your company are pleased to present the 23rd Annual Report along with the audited accounts of the Company for the year ended 30th June 2014:

BUSINESS OVERVIEW:

The financial results of the Company for the current financial year are showing a growing trend in the sales volume. The Company's sale has crossed the **TWO BILLION** barrier once again. The sale of Auto Rickshaw has played a major contribution in this achievement. Serious efforts of the Government for maintaining law and order situation in the country and most particularly in Karachi has resulted into increase in business activities. Despite of increase in sales volume, the profitability of the company remained short of corresponding year. The company could not increase the selling prices of its products with same ratio of increase in input cost due to tough market competition. The lower sales volume of tractor wheel rims has further reduced the profitability of the company.

In foreseeable future, your Company is looking for increased sales volume of tractor wheel rims due to freezing of sales tax rate at 10% for tractor industry. The growing trend of Auto Rickshaw is also expected in the coming year INSHAALLAH.

FINANCIAL RESULTS:

	2014 (Rupees)	2013 (Rupees)
Profit before taxation	87,627,820	96,090,726
Provision for taxation	27,186,547	29,583,688
Profit after taxation	60,441,273	66,507,038
Other comprehensive income /(loss) for the year	123,497	(6,363,381)
Un appropriated Profit brought forward	359,950,231	311,415,561
Profit available for appropriation	420,515,001	377,922,599
Appropriations:		
Interim Cash dividend @ 10% (2013: Nil)	17,972,368	-
Final Cash Dividend @ 10% (2013: 10%)	17,972,368	17,972,368
	35,944,736	17,972,368
Un appropriated profit carried forward	384,570,265	359,950,231



Sales Revenue:

The overall net sales revenue of the Company has increased by 11.92 % from Rupees 1,881.50 million to Rupees 2,105.85 million during the period under review. Segment wise: The net sales of Auto Rickshaws has increased from Rupees 1,472.02 million to Rupees 1,849.48 million reflecting a growth of 25.64% whereas net sales of automotive parts has decreased by 34.79 % from Rupees 383.95 million to Rupees 250.39 million. The net sales of home appliances has decreased from Rupees 25.53 million to Rupees 5.97 million compared with the corresponding period of last year.

The growth in sale of Auto Rickshaw is due to increase in demand of “Sazgar Auto Rickshaw” because of improvement in law & order situation in country specially Karachi. The Company is carrying major market share of Auto rickshaw in Karachi, therefore, it has enjoyed the benefit of improvement during the period under review.

The dip in sale of automotive parts is due to reduced orders of Tractor Assemblers resulted by substantial decline in booking of tractors. The booking was decreased due to rise in sales tax rate from 10% to 16% during the period under review. The sale of home appliances has decreased due to lower sales volume of air conditioners under brand name “Whirlpool”.

Gross Profit:

Company's gross profit has increased from Rupees 202.62 million to Rupees 208.54 million showing an increase of Rupees 5.92 million compared with the corresponding period of last year. The gross profit ratio has declined from 10.77% to 9.90% due to increase in input costs.

Operating Expenses:

The operating expenses are normal in line with increase in sales volume of the company.

Earning Per Share:

The Earning per share of Rs. 3.36 for the current year is lower than the last corresponding year of Rs. 3.70.

Production:

During the year, the Company produced 13,414 units of Auto Rickshaws compared with 10,244 units produced during the corresponding year of last year reflecting a 30.94% enhancement in production.

The production of wheel rim was 51,722 units compared with 71,017 during the same corresponding period of last year showing a decline of 27.17%.

MOTOR CYCLE MANUFACTURING AND REVISION IN PLANT CAPACITY:

Due to substantial delay in approval from PSQCA and the prevailing unfavourable market condition of motor cycle business for the new comers, your company has decided to suspend its production plan of Motor Cycles in the greater interest of the company till the time market conditions become favourable for the new comers.

The installed manufacturing facilities of Motor Cycles are being used for the production of Auto Rickshaws without any loss to the company.

The production capacity of Auto Rickshaw is re-measured at 20,000 units per annum in the absence of production of Motor Cycles.



FINAL CASH DIVIDEND:

The Board of Directors, at their meeting held on September 02, 2014, has recommended a final Cash Dividend of Rupee 1.00 per share i.e. 10% in addition to Interim Cash Dividend of Rupee 1.00 per share i.e. 10% already paid thus making a total of Rupees 2.00 per share i.e. 20% (2013: 10%) subject to the approval of shareholders in the forth coming 23rd Annual General Meeting of the Company.

FUTURE OUTLOOK:

4-Stroke Auto Rickshaw:

It is hoped that the business conditions will further improve due to serious efforts of present Government for maintaining the law and order situation in the country. It is also hoped that the new power plants will be installed without any delay to reduce the load shedding, which will help in increasing the business activities.

Under the circumstances, your company will continue its policy of research and development for the innovation of new products and new models of Auto Rickshaws to fulfil the needs of customers. The company has also prepared a comprehensive advertising plan for those areas where the company's market share is not up to the mark. This will help to increase the awareness of the company's products and hunting of the target customers to enhance its market share in the said areas.

In addition to this, the company also intends to increase its dealers and after sales network in the existing as well as new cities to create more opportunities for the customers to provide them easy access to the company's quality products.

By the Grace of Almighty Allah, your company foresees better results in this segment of business in the coming period provided there is not happening of any political uncertainty in the country.

Automotive Parts:

The Government has reduced the sales tax rate on tractors from 16% to 10% effective from July 01, 2014 which has impacted positively on the booking of tractors. Due to increase in booking of tractors, the Tractor Assemblers have increased the demand of tractor wheel rims subsequent to the period under review. Therefore, it is expected that the sale of tractor wheel rims will rise in the coming financial year and will help to improve the profitability of the company. However, the electricity load shedding may be a hurdle for the company to achieve its production targets.

CORPORATE SOCIAL RESPONSIBILITY:

Your company is aware of its responsibility regarding the social activities for the benefit of the society particularly in the area where it operates. The company supports all the activities which improve the living standards of the society. Preference is given to the nearby villagers and residents for employment in the company. Training is provided to the man force at all production levels to upgrade their knowledge and for development of their skill. In compliance with government directives, disabled persons are also employed to make them earning hands for their families.

The Company made donations to the institutions which provide free of cost education and health facilities to the poor people of the society.

The Company also sends two employees every year for performance of Hajj on company expense. The selection of employees is made through balloting.

Sports activities play an important role in physical and mental health of the society. To keep company's workers fit and healthy, the company is continuously holding cricket tournaments among the employees which have been very helpful in increasing the efficiency of the employees in addition to the physical fitness.



CONTRIBUTION TO NATIONAL EXCHEQUER:

Being a responsible citizen, your company has made a contribution of Rs. 479.89 Million to National Exchequer in form of income tax, sales tax, custom duties and excise.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE:

The directors of your company are pleased to state that your Company is in compliance with the provisions of Code of Corporate Governance as are applicable for the current year. The various statements, as required by the Code, are given below:

- **Presentation of Financial Statements** The financial statements, prepared by the management of the company, present its state of affairs fairly, the results of its operations, cash flows and changes in equity;
- **Books of Account** Proper books of account of the company have been maintained;
- **Accounting Policies** Except as stated in Note 5 to the financial statements, appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement;
- **Compliance with International Financial Reporting Standards (IFRS)** International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure there from (if any) has been adequately disclosed and explained;
- **Internal Control System** The system of internal control is sound in design and has been effectively implemented and is being monitored continuously. The review will continue in future for the improvement in controls;
- **Going Concern** There are no significant doubts upon the Company's ability to continue as a going concern;
- **Best Practices of Corporate Governance** There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations wherever applicable to the Company for the year ended June 30, 2014.
- **Financial Data of Last Years** Key operating and financial data of last six years is annexed as per annexure "A"

Dividend The Board has recommended a final Cash Dividend @10% in addition to the Interim Cash Dividend of 10% already paid thus making total of 20% for the year under review.

Outstanding Statutory Dues The outstanding statutory dues are given in notes to the financial statements.

Significant Plans and Decisions The Company is looking for continuous diversification in automobile sector in order to add more products into production line.

Code of Business Conduct: The Company has prepared a "Code of Business Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures. It has also been placed on the company's web site.

Attendance in Board and Committees' Meetings: The number of Board and Committees' meetings held during the year and attendance by each director is given below:



	Board	Audit Committee	HR&R Committee
Total Meetings Held	7	5	4
Meetings Attended by the Directors:			
Mr. Mian Asad Hameed	6	N/A	N/A
Mr. Mian Zafar Hameed	7	5	2
Mr. Saeed Iqbal Khan	5	N/A	3
Mr. Main Muhammad Ali Hameed	6	5	N/A
Mrs. Saira Asad Hameed	5	N/A	N/A
Mrs. Sana Suleyman (Retired)	4	3	2
Mrs. Amina Humza Wazir	6	N/A	2
Mr. Muhammad Suleyman Khan	3	2	2

- Leave of absence was granted to the Directors who could not attend the Board Meetings.

Directors' Training Programs during the year: One director of the company, Mrs. Amina Humza Wazir has acquired the certification under Director Training Program from Institute of Chartered Accountants of Pakistan. As per clause (xi) of Code of Corporate Governance 2012, the directors Mr. Mian Asad Hameed, Mr. Saeed Iqbal Khan and Mr. Mian Zafar Hameed are exempt from Directors' Training Programme having education of 14 years and experience of more than 15 years on Board of listed Company.

Pattern of Shareholding: The pattern of shareholding is annexed as per annexure "B" and "B/1".

Trading in Company's Shares by Directors, executives and their spouses and minor children during the year:

Except following, there was no Purchase, sale of Shares and change in beneficial ownership of directors, executives and their spouses and minor children:

	Purchase	Sale
Mr. Mian Zafar Hameed	-	40,000
Mr. Saeed Iqbal Khan	41,254	-
Mrs. Saira Asad Hameed	42,000 (Gift)	-
Mr. Muhammad Suleyman Khan	20,000	-

ELECTION OF DIRECTORS:

The tenure of directors was expired as on 20.03.2014. The company held the fresh election of directors during the period under review and elected the following seven (7) directors for a period of three years w.e.f. 20.03.2014 in its Extra Ordinary General Meeting of shareholders which was held on 18.03.2014:

- | | |
|---------------------------------|-------------------------------|
| 1. Mr. Mian Asad Hameed | 2. Mrs. Saira Asad Hameed |
| 3. Mr. Saeed Iqbal Khan | 4. Mr. Mian Zafar Hameed |
| 5. Mr. Mian Muhammad Ali Hameed | 6. Mr. Muhammad Suleyman Khan |
| 7. Mrs. Amina Humza Wazir | |



APPOINTMENT OF CHIEF EXECUTIVE AND FIXATION OF HIS REMUNERATION:

The Company appointed Mr. Mian Asad Hameed as Chief Executive of the Company for a term of 3 years up to March 20, 2017. His remuneration was fixed at Rs. 9.360 million per annum along with other benefits and allowances. An abstract of terms and conditions of his appointment was circulated to the shareholders of the company within due time and is also attached to this report in accordance with provisions of section 218 of the Companies Ordinance, 1984.

APPOINTMENT OF EXECUTIVE DIRECTOR AND FIXATION OF HIS REMUNERATION:

The Company appointed Mr. Saeed Iqbal Khan as an Executive Director for a term commencing from June 18, 2014 and ending on March 20, 2017 and fixed his monthly remuneration of Rs. 350,000/- along with other benefits and allowances. An abstract of terms and conditions of his appointment was circulated to the shareholders of the company within due time and is also attached to this report in accordance with provisions of section 218 of the Companies Ordinance, 1984.

INDEPENDENT DIRECTOR:

Mr. Muhammad Suleyman Khan was elected as an independent director of the company in compliance with CCG 2012.

ESTABLISHMENT OF BOARD COMMITTEES:

Consequent to the fresh election of directors, following Board Committees were constituted during the period under review for the next term of three years ending on March 20, 2017:

a. Audit Committee

It consists of three members who are non-executive directors. The Terms of Reference of the Committee has been formed and approved by the Board. The names of the Committee members are given below:

i.	Mr. Mian Muhammad Ali Hameed	Chairman
ii.	Mr. Mian Zafar Hameed	Member
iii.	Mr. Muhammad Suleyman Khan	Member
iv.	Mr. Arshad Mahmood	Secretary

b. Human Resource & Remuneration Committee

It consists of three members, of whom majority is non-executive directors. The Terms of Reference of the Committee has been formed and approved by the Board. The names of the Committee members are given below:

i.	Mr. Muhammad Suleyman Khan	Chairman
ii.	Mr. Saeed Iqbal Khan	Member
iii.	Mrs. Amina Humza Wazir	Member
iv.	Mr. Arshad Mahmood	Secretary

BOARD EVALUATION:

In compliance with CCG 2012, the Board has put in place a mechanism for the annual evaluation of Board's own performance. Following are the major areas which will evaluate the Board's performance:



- Board composition and quality
- Board functions
- Financial performance of the company
- Statutory obligations
- Corporate Governance
- Risk management
- Human Resource Management
- Research and Development
- Business expansion

AUDITORS:

The present auditors retire and being eligible offers themselves for re-appointment.

EMPLOYEES RELATIONS:

The management and employees relationship is very cordial and it is hoped that both will work with the same spirit to achieve the desired goals of the Company.

ACKNOWLEDGEMENT:

We would like to place on record our appreciation for the untiring efforts, teamwork and dedication shown by the Company's employees during the year under review.

We would also like to express our gratitude to our valued shareholders, customers, suppliers and financial institutions for their continued support to the Company.

Lahore:
September 02, 2014

For and on behalf of the Board

Mian Asad Hameed
(Chief Executive)



Sazgar Engineering Works Limited

SUMMARY OF LAST SIX YEARS' FINANCIAL RESULTS

ANNEXURE-A

Description	2014	2013	2012	2011	2010	2009
		Re-stated	Re-stated			
	R U P E E S					
Profit & Loss Account:						
Turnover	2,105,849,488	1,881,495,911	2,725,640,195	2,542,525,796	1,823,973,707	952,539,933
Gross Profit	208,540,462	202,618,920	329,396,295	273,168,092	185,940,205	103,819,131
Operating Profit	90,089,120	100,159,619	199,747,593	161,336,205	90,516,588	40,107,931
Profit before taxation	87,627,820	96,090,726	195,034,910	147,763,543	79,784,934	25,947,824
Profit after taxation	60,441,273	66,507,038	126,084,180	91,223,826	47,993,760	14,229,980
Balance Sheet:						
Paid up share capital	179,723,680	179,723,680	179,723,680	149,769,730	124,808,110	104,006,760
Accumulated Profit	402,542,633	377,922,599	335,751,310	273,661,391	234,845,631	207,643,396
Fixed Capital Expenditure	259,271,383	252,105,344	241,207,604	239,070,775	231,485,408	223,939,154
Other long term assets	8,490,522	7,151,506	6,264,570	3,399,770	2,614,837	816,457
Net current assets / (liabilities)	408,993,285	387,959,590	341,632,379	244,115,479	177,636,905	134,489,810
Long term liabilities	94,488,877	89,570,160	73,629,565	63,154,903	52,083,409	47,595,264
Significant Ratios:						
Gross profit ratio %	9.90	10.77	12.09	10.74	10.19	10.90
Profit/(loss) before tax ratio %	4.16	5.11	7.16	5.81	4.37	2.72
Fixed assets turnover ratio %	812.22	746.31	1,130.00	1,063.50	787.94	425.36
Price earning ratio - times	10.41	5.66	4.42	4.47	9.27	29.36
Return on capital employed % (Before I & Tax)	13.31	15.48	33.91	33.16	21.98	11.16
Market value per share (KSE) Rs.	35.00	20.94	31.00	22.71	24.75	23.25
Break up value per share	32.40	31.03	28.68	28.27	28.82	29.96
Long term Debt : Equity ratio	16 : 84	16:84	14:86	13:87	13:87	13:87
Current ratio	2.38 : 1	2.09:1	1.77:1	1.58:1	1.52:1	1.54:1
Interest cover ratio - times	14.47	10.60	17.62	10.55	7.70	2.69
Cash Dividend %						
Interim Dividend	10.00	-	10.00	10.00	-	-
Final Dividend	10.00	10.00	10.00	10.00	10.00	-
Scrip Dividend %	-	-	-	20.00	20.00	20.00
Earnings per share Rs.	3.36	3.70	7.02	5.08	2.67	0.79

Note:

Earnings Per Share, consequently Price Earning ratio, has been adjusted to reflect the effect of bonus shares.



FORM-34
THE COMPANIES ORDINANCE, 1984 (SECTION 236)
PATTERN OF SHAREHOLDING AS ON JUNE 30, 2014
Registration Number: 0025184

NUMBER OF SHAREHOLDERS	SHAREHOLDING		TOTAL SHARES HELD
	FROM	TO	
134	1	100	2,851
100	101	500	30,594
56	501	1,000	48,222
195	1,001	5,000	365,444
36	5,001	10,000	266,675
23	10,001	15,000	286,767
12	15,001	20,000	215,002
4	20,001	25,000	87,807
3	25,001	30,000	87,000
2	30,001	35,000	67,500
2	35,001	40,000	73,000
2	40,001	45,000	82,972
3	45,001	50,000	145,091
3	50,001	55,000	156,323
2	60,001	65,000	124,934
2	75,001	80,000	153,895
3	80,001	85,000	247,288
1	95,001	100,000	100,000
1	115,001	120,000	118,500
1	125,001	130,000	125,452
1	135,001	140,000	137,997
1	145,001	150,000	150,000
1	155,001	160,000	156,500
1	170,001	175,000	170,838
1	285,001	290,000	286,136
1	305,001	310,000	309,488
1	320,001	325,000	325,000
1	475,001	480,000	476,871
1	795,001	800,000	797,943
1	1,030,001	1,035,000	1,032,549
1	1,070,001	1,075,000	1,071,787
1	1,140,001	1,145,000	1,143,975
1	1,560,001	1,565,000	1,565,000
1	2,950,001	2,955,000	2,953,396
1	4,605,001	4,610,000	4,609,571
600			17,972,368

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHARES HELD	PERCENTAGE OF SHAREHOLDING
I Directors, Chief Executive officer, Their Spouse And Minor Children	12,156,259	67.64%
II Associated Companies, Undertakings & related Parties	-	-
III NIT and ICP	-	-
IV Banks Development Financial Institutions, Non Banking Financial Institutions	1,907,180	10.61%
V Insurance Companies	-	-
VI Modarabas and Mutual Funds	189,508	1.05%
VII Shareholders Holding Ten Percent and above	9,667,303	53.79%
VIII General Public		
a. Local	3,591,597	19.98%
b. Foreign	-	-
IX Others (to be specified) joint stock companies	115,280	0.64%


MIAN ASAD HAMEED
 (CHIEF EXECUTIVE)



ANNEXURE - B/1

PATTERN OF SHAREHOLDING

CATEGORIES OF SHAREHOLDERS		NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD
I	Associated Companies Undertakings & Related Parties	Nil	-
II	Mutual Funds	2	156,508
	M/s. NH Capital Fund Limited	1	8
	Cdc - Trustee Nafa Islamic Asset Allocation Fund	1	156,500
III	Directors, Chief Executive, Their Spouse And Minor Children	10	12,156,259
i.	Mian Asad Hameed	1	7,562,967
ii.	Mian Zafar Hameed	1	170,838
iii.	Mian Muhammad Ali Hameed	1	2,104,336
iv.	Mr. Saeed Iqbal Khan	1	811,443
v.	Mrs. Amina Humza Wazir	1	19,958
vi.	Mrs. Saira Asad Hameed	1	1,143,975
vii.	Mr. Muhammad Suleyman Khan	1	20,000
viii.	Mrs. Sana Suleyman W/o Mr. Muhammad Suleyman Khan	1	12,000
ix.	Mrs. Naghmana Saeed W/o Mr. Saeed Iqbal Khan	1	309,488
x	Mrs. Amberen Zafar Hameed W/o Mian Zafar Hameed	1	1,254
IV	Executives	1	12,544
V	Public Sector Companies and Corporation	Nil	
VI	Banks, Development Financial Institutions, Non Banking Finance Companies, Insurance Companies, Takaful Modarabas, Pension Funds	7	1,940,180
VII	Shareholders Holding Five Percent or More Voting Interests	4	12,376,278
i.	Mian Asad Hameed	1	7,562,967
ii.	Mian Muhammad Ali Hameed	1	2,104,336
iii.	Habib Bank Ag Zurich, Dera Dubai	1	1,565,000
iv.	Mrs. Saira Asad Hameed	1	1,143,975


 MIAN ASAD HAMEED
 (CHIEF EXECUTIVE)



To All Members of the Company

Dated: 02-04-2014

SUBJECT: INFORMATION UNDER SECTION 218 OF THE COMPANIES ORDINANCE, 1984 REGARDING APPOINTMENT OF CHIEF EXECUTIVE OF THE COMPANY

Dear Sir/Madam,

In accordance with the provisions of section 218 of the Companies Ordinance, 1984, it is hereby informed to all the shareholders that the Board of Directors of M/S Sazgar Engineering Works Limited in their meeting held on March 29, 2014 has re-appointed Mr. Mian Asad Hameed as the Chief Executive of the Company for a period of three years ending on March 20, 2017. His terms of appointment are given below:

Name of Chief Executive: Mian Asad Hameed

Remuneration: During the tenure of his appointment, the Chief Executive will be entitled for a managerial remuneration of Rupees 9.360 million per annum effective from March 20, 2014 exclusive of perquisites and other entitlements arising under the Company's rules. He will also be entitled for a free use of company maintained vehicle for official and private purposes, re-imbursement of actual medical expenses and payment of bonuses announced from time to time. This remuneration will be subject to further increments, adjustments and other entitlements as may be granted at any time and from time to time by the Board of Directors of the Company and /or in accordance with the Company's policies and rules for the time being in force.

Tenure of appointment: 3 years ending on March 20, 2017

Interest of Directors: Mr. Mian Asad Hameed is interested in his appointment up to the extent of his directorship and shareholding in the company.

Mrs. Saira Asad Hameed is interested as a spouse of Mr. Mian Asad Hameed and her directorship & shareholding in the company.

Being interested, both directors set aside themselves from the proceedings of the meeting and did not participate in voting to decide the matter.

Yours faithfully,


Arshad Mahmood
(Company Secretary)



To All Members of the Company

Dated: 25-06-2014

SUBJECT: INFORMATION UNDER SECTION 218 OF THE COMPANIES ORDINANCE, 1984 REGARDING HOLDING OF OFFICE OF PROFIT BY MR. SAEED IQBAL KHAN AS AN EXECUTIVE DIRECTOR OF THE COMPANY

Dear Sir/Madam,

In accordance with the provisions of section 218 of the Companies Ordinance, 1984, it is hereby informed to all the shareholders that in the Extra Ordinary General Meeting of the Company held on June 18, 2014, shareholders have accorded their approval to Mr. Saeed Iqbal Khan for holding of office of profit in the Company as an Executive Director for a term commencing from June 18, 2014 and ending on March 20, 2017. Terms of his appointment are given below:

Name of Executive Director: Mr. Saeed Iqbal Khan

Remuneration: He will be paid Rupees 350,000/- per month for holding of office of profit as an Executive Director of the Company. He will also be entitled for the perquisites and benefits like free use of company maintained car for official and private purposes, re-imbursement of actual medical expenses and bonuses as per company policy and rules. His remuneration will be subject to such increments, adjustments and other entitlements as may be granted at any time and from time to time by the Board of Directors of the Company and / or in accordance with the Company's policies and rules for the time being in force.

Tenure of appointment: Effective from June 18, 2014 and ending on March 20, 2017

Interest of Directors: The directors of the Company have no interest directly or indirectly in this appointment except that Mr. Saeed Iqbal Khan who is interested only to the extent of payment of remuneration and other benefits associated with his appointment as an Executive Director.

Yours faithfully,


Arshad Mahmood
(Company Secretary)



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

NAME OF COMPANY: SAZGAR ENGINEERING WORKS LIMITED

YEAR ENDING JUNE 30, 2014

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code of Corporate Governance in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Director	Mr. Muhammad Suleyman Khan
Executive Directors	Mr. Mian Asad Hameed, Mr. Saeed Iqbal Khan
Non-Executive Directors	Mrs. Saira Asad Hameed, Mr. Mian Zafar Hameed, Mr. Mian Muhammad Ali Hameed, Mrs. Amina Humza Wazir

2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including this company.
3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy was occurred in the Board during the current year.
5. The company has prepared a 'Code of Conduct', and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision and mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board.
8. The meetings of the Board were presided over by the Chairperson and in her absence, by a director elected by a Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged one training program for one of its directors during the year.
10. The change in office of Chief Financial Officer of the Company was duly approved by the Board during the period under review.
11. The Directors' report has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.



14. The company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.
15. The Board has formed an Audit Committee. It comprises three (3) members who are non-executive directors and the chairman of the committee is a non- executive director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the Code of Corporate Governance. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises three (3) members, of whom two are non-executive directors and the chairman of the committee is an Independent director.
18. The board has set up an effective internal audit function.
19. The statutory auditors of the company 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.
20. 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 regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with.

For and on behalf of the Board


Mian Asad Hameed
(Chief Executive)

Lahore:
September 02, 2014



REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE.

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Sazgar Engineering Works Limited** for the year ended **June 30, 2014** to comply with the requirements of Listing Regulation No(s)35 of the Karachi, Lahore & Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

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 Code requires 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. 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 any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, 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 best practices contained in the Code as applicable to the Company for the year ended June 30, 2014.

Lahore

Head Office
SKP House
321 Upper Mall
Lahore.
T: 92 42 111 77 2000
F: 92 42 35789182

Islamabad

Office # 12, 2nd Floor
Executive Center
I-8 Markaz, Islamabad.
T: 00 92 51 4861245-48
F: 00 92 51 4861247

Dubai

M-09A, Bank Mili Iran
Building Bank Street,
P.O. Box 57116
Dubai UAE
T: 00971-4-2242262
F: 00971-4-2242270

USA

6033 W. Century Blvd,
Suite # 210, Los Angeles
CA 90045, USA
Tel: 310 694 3590
Fax: 310 410 0371

September 02, 2014

Lahore


Kabani & Company

Chartered Accountants

Younus Kamran



KABANI & COMPANY

CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Sazgar Engineering Works Limited ("the Company")** as at **June 30, 2014** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that-

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion-
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except for the changes as stated in note 5 with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) In our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980(XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Lahore

Head Office
SKP House
321 Upper Mall
Lahore.
T: 92 42 111 77 2000
F: 92 42 35789182

Islamabad

Office # 12, 2nd Floor
Executive Center
I-8 Markaz, Islamabad.
T: 00 92 51 4861245-48
F: 00 92 51 4861247


Dubai

M-09A, Bank Mili Iran
Building Bank Street,
P.O. Box 57116
Dubai UAE
T: 00971-4-2242262
F: 00971-4-2242270

USA

6033 W. Century Blvd,
Suite # 210, Los Angeles
CA 90045, USA
Tel: 310 694 3590
Fax: 310 410 0371

September 02, 2014
Lahore.


Kabani and Company.
Chartered Accountants

Younus Kamran



Sazgar Engineering Works Limited

BALANCE SHEET AS

	Note	June 30, 2014 Rupees	June 30, 2013 Rupees (Re-stated)	July 01, 2012 Rupees (Re-stated)
EQUITY AND LIABILITIES				
EQUITY				
Authorized share capital 50,000,000 (June 2013: 50,000,000, June 2012: 50,000,000) ordinary shares of Rupees 10 each		500,000,000	500,000,000	500,000,000
Issued, subscribed and paid-up share capital	6	179,723,680	179,723,680	179,723,680
Revenue reserve - Un-appropriated Profit		402,542,633	377,922,599	335,751,310
		582,266,313	557,646,279	515,474,990
LIABILITIES				
NON CURRENT LIABILITIES				
Liabilities against assets subject to finance lease	7	2,406,940	6,512,635	6,132,763
Deferred Liabilities	8	92,081,937	83,057,525	67,496,802
CURRENT LIABILITIES				
Trade and other payables	9	258,100,792	300,974,821	323,163,158
Mark-up & Profit accrued on loans and other payables	10	467,791	523,237	1,437,379
Short term borrowings	11	3,857,920	16,776,763	35,830,932
Current portion of long term liabilities	12	5,434,739	5,017,469	4,654,851
Provision for Taxation	13	27,761,891	32,738,126	80,304,548
		295,623,133	356,030,415	445,390,868
CONTINGENCIES AND COMMITMENTS	14	-	-	-
TOTAL EQUITY AND LIABILITIES		972,378,323	1,003,246,855	1,034,495,423

The annexed notes 1 to 46 form an integral part of these financial statements.


MIAN ASAD HAMEED
 CHIEF EXECUTIVE



Sazgar Engineering Works Limited

AT JUNE 30, 2014

	Note	June 30, 2014 RUPEES	June 30, 2013 RUPEES (Re-stated)	July 01, 2012 RUPEES (Re-stated)
ASSETS				
NON CURRENT ASSETS				
Property, Plant and Equipment	15	258,822,407	251,499,116	240,705,730
Intangible Assets	16	448,976	606,229	501,874
LONG TERM LOANS AND ADVANCES	17	6,833,385	5,494,369	5,127,433
LONG TERM DEPOSITS	18	1,657,137	1,657,137	1,137,137
CURRENT ASSETS				
Stores, spares and loose tools	19	3,946,503	4,564,708	7,401,603
Stock-in-trade	20	473,780,687	388,505,301	540,547,955
Trade debts	21	104,171,225	133,661,024	129,278,444
Loans & Advances	22	15,619,196	12,597,263	6,493,753
Trade Deposits and short term prepayments	23	22,638,031	32,027,746	17,335,215
Other Receivables	24	52,669,093	45,090,475	76,982,666
Cash and bank balances	25	31,791,683	127,543,489	8,983,613
		704,616,418	743,990,005	787,023,249
TOTAL ASSETS				
		972,378,323	1,003,246,855	1,034,495,423


SAEED IQBAL KHAN
 DIRECTOR



Sazgar Engineering Works Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2014

	Note	June 30, 2014 Rupees	June 30, 2013 Rupees
SALES - Net	26	2,105,849,488	1,881,495,911
COST OF SALES	27	1,897,309,026	1,678,876,991
GROSS PROFIT		208,540,462	202,618,920
DISTRIBUTION COST	28	58,340,066	44,166,011
ADMINISTRATIVE EXPENSES	29	50,658,811	50,144,539
OTHER OPERATING EXPENSES	30	9,452,465	8,148,751
		118,451,342	102,459,300
		90,089,120	100,159,619
OTHER INCOME	31	4,046,090	5,940,815
OPERATING PROFIT BEFORE FINANCE COST		94,135,210	106,100,434
FINANCE COST	32	6,507,390	10,009,708
PROFIT BEFORE TAXATION		87,627,820	96,090,726
TAXATION	33	27,186,547	29,583,688
PROFIT AFTER TAXATION		60,441,273	66,507,038
EARNINGS PER SHARE - BASIC AND DILUTED	34	3.36	3.70

The annexed notes 1 to 46 form an integral part of these financial statements.


MIAN ASAD HAMEED
CHIEF EXECUTIVE


SAEED IQBAL KHAN
DIRECTOR



Sazgar Engineering Works Limited

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2014

	Note	June 30, 2014 Rupees	June 30, 2013 Rupees (Re-stated)
PROFIT AFTER TAXATION FOR THE YEAR		60,441,273	66,507,038
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR			
Items that will be reclassified subsequently to profit or loss		-	-
Items that will not be reclassified subsequently to profit or loss			
- Remeasurement of net defined benefit liability	8.1.2	123,497	(6,363,381)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		60,564,770	60,143,657

The annexed notes 1 to 46 form an integral part of these financial statements.


MIAN ASAD HAMEED
CHIEF EXECUTIVE


SAEED IQBAL KHAN
DIRECTOR



Sazgar Engineering Works Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	Note	June 30, 2014 Rupees	June 30, 2013 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	35	34,732,324	252,369,032
Financial costs paid		(6,562,836)	(10,923,850)
Income tax paid/deducted at source		(35,141,172)	(41,247,547)
Employees retirement benefit - Gratuity Paid		(4,110,350)	(8,457,090)
Workers Profit Participation Fund Paid		(5,180,758)	(10,527,810)
Net cash (used in) / generated from operating activities		(16,262,792)	181,212,735
CASH FLOW FROM INVESTING ACTIVITIES			
Property, Plant and Equipment Purchased		(29,005,732)	(23,301,040)
Increase in long term security deposits		-	(520,000)
Proceeds from sale of Property, Plant and Equipment		2,439,000	6,558,500
Security deposits with leasing companies		(370,275)	(3,959,105)
Net cash used in investing activities		(26,937,007)	(21,221,645)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds of short term borrowings		118,723,244	224,933,563
Repayment of short term borrowings		(131,642,090)	(244,154,439)
Repayment of finance lease		(3,688,425)	(4,370,773)
Dividend Paid		(35,944,736)	(17,839,566)
Net cash used in financing activities		(52,552,007)	(41,431,216)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(95,751,805)	118,559,875
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		127,543,489	8,983,613
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	36	31,791,683	127,543,489

The annexed notes 1 to 46 form an integral part of these financial statements.



MIAN ASAD HAMEED
CHIEF EXECUTIVE



SAEED IQBAL KHAN
DIRECTOR




Sazgar Engineering Works Limited

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2014

	Share Capital Rupees	Un-appropriated Profit Rupees	Total Rupees
Balance as at July 01, 2012 (audited)	179,723,680	336,842,280	516,565,960
Effect of change in accounting policy - Note No. 5	-	(1,090,970)	(1,090,970)
Balance as on July 01, 2012 (re-stated)	179,723,680	335,751,310	515,474,990
Final Dividend for the year ended June 30, 2012 @ Re.1.00 per share	-	(17,972,368)	(17,972,368)
Total Comprehensive Income for the Year ended June 30, 2013	-	60,143,657	60,143,657
Balance as at June 30, 2013 (re-stated)	179,723,680	377,922,599	557,646,279
Balance as at June 30, 2013 (re-stated)	179,723,680	377,922,599	557,646,279
Final Dividend for the year ended June 30, 2013 @ Re.1.00 per share	-	(17,972,368)	(17,972,368)
Interim Dividend for the year ended June 30, 2014 @ Re.1.00 per share	-	(17,972,368)	(17,972,368)
Total Comprehensive Income for the Year ended June 30, 2014	-	60,564,770	60,564,770
Balance as at June 30, 2014	179,723,680	402,542,633	582,266,313

The annexed notes 1 to 46 form an integral part of these financial statements.


MIAN ASAD HAMEED
CHIEF EXECUTIVE


SAEED IQBAL KHAN
DIRECTOR



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

1 LEGAL STATUS AND OPERATIONS

The Company was incorporated in Pakistan on September 21, 1991 as a Private Limited Company under the Companies Ordinance, 1984 and converted into a Public Limited Company on November 21, 1994. The Company is listed on all the Stock Exchanges of Pakistan. The Company is engaged in the manufacture and sale of automobiles, automotive parts and household electric appliances. The registered office of the company is situated at 88- Ali Town, Thokar Niaz Baig, Raiwind Road, Lahore.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

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

2.3 Functional and Presentation Currency

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

2.4 New accounting standards, IFRIC interpretations and amendments to the published approved accounting standards that are effective in current year:

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 01, 2013 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements except for the amendments as explained below:

- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments). The new amendment is not expected to materially affect the disclosures in the financial statements of the Company.

- IAS 19 (revised) 'Employee Benefits' Which is effective for accounting period beginning on or after January 01, 2013. Consequent to the changes in IAS-19 'Employee Benefits' The entity is required to recognize all actuarial gain and losses directly to equity through the Statement of Other Comprehensive Income as these occur. The change in accounting policy has been accounted for retrospectively as required under International Accounting Standard - 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and the comparative financial statements have been re-stated.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

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

Standards or Interpretation		Effective date
IFRS 2	Share-based Payments (Amendments)	January 01, 2014
IFRS 3	Business Combinations (Amendments)	January 01, 2014
IFRS 8	Operating Segments (Amendments)	January 01, 2014
IFRS 14	Regulatory Deferral Accounts	January 01, 2016
IFRS 15	Revenue from Contracts with Customers	January 01, 2017
IAS 16 & 38	Clarification of acceptance method of depreciation and amortization	January 01, 2016
IAS 16 & 40	Agriculture: Bearer Plants	January 01, 2016
IAS 19	Employees contribution	January 01, 2014
IAS 24	Related party disclosures (Amendments)	January 01, 2014
IAS 32	Offsetting financial assets and financial liabilities - (Amendment)	January 01, 2014
IAS 36	Recoverable	January 01, 2014
IAS 39	Novation of	January 01, 2014
IFRIC 21	Levies	January 01, 2014

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

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies adopted are consistent with those of the previous financial year ended June 30, 2013 except as detailed below.

The Company operates an unfunded gratuity scheme for all its permanent employees. The provision is made on the basis of actuarial valuation by using the projected unit credit method. During the period company has changed its accounting policy for calculating its obligation in respect of a plan as per adoption of changes in IAS -19 (Revised) 'Employees Benefits'. Effective from July 01, 2013 the actuarial gains / losses are recognized directly to equity through the Statement of Other Comprehensive income. Previously actuarial gains or losses arising from experience adjustment and changes in actuarial assumptions in excess of 10% of the present value of the defined benefit obligation recognized in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognized. The description and the impacts of the change in accounting policy have been detailed in note 5. The revised accounting policy as a result of change in IAS-19 (Revised) 'Employees Benefits' is as follows;



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Employee benefits

Defined benefit plan

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

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

3.2 Compensated Absences

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

3.3 Property, Plant and Equipment-Owned

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

Depreciation on all property, plant and equipment except freehold land is charged by applying the reducing balance method in accordance with the rates specified in note no. 15.1 of these financial statements, whereby the cost of an asset is written off over its estimated useful life. Depreciation on additions is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

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

Normal maintenance and repairs are charged to income as and when incurred. Major renewals and replacements are capitalized.

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

3.4 Impairment of fixed assets

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

3.5 Intangible Assets

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

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

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

3.6 Assets subject to finance lease

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

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

3.7 Taxation

Current and Prior Year

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

Deferred

Deferred tax is accounted for using the 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. Deferred tax is calculated by using the tax rates 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.

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

3.8 Trade debts and other receivables

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

3.9 Store, spares and loose tools

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

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

3.10 Stock-in-trade

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

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

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

3.11 Foreign currency conversion

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

3.12 Revenue recognition

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

3.13 Borrowing Costs

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

3.14 Segment reporting

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

3.15 Cash and cash equivalents

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

3.16 Trade and accrued liabilities

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

3.17 Provisions

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

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

3.18 Financial instruments

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

3.19 Offsetting of financial assets and financial liabilities

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

3.20 Research and Development

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

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

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

3.21 Related party transaction

All transactions with related parties are at arm's length prices determined in accordance with the pricing method as approved by the Board of Directors.

3.22 Earning Per Share

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

3.23 Dividends

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

3.24 Warranty Expenses

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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



Sazgar Engineering Works Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

		Notes
a)	Liability in respect of staff retirement benefits.	3.1
b)	Useful life of depreciable Property, Plant and Equipment and amortizable Intangible assets.	3.2 & 3.4
c)	Taxation	3.7
d)	Contingencies and Commitments	14
e)	Stock in trade	3.1

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

5 CHANGE IN ACCOUNTING POLICY

The company has adopted IAS-19 (Revised) 'Employee Benefits' which is effective for accounting period beginning on or after January 01, 2013. Consequent to the changes in IAS-19 'Employee Benefits' The company is required to recognize all actuarial gain and losses directly to equity through the Statement of Other Comprehensive Income as these occur. The change in accounting policy has been accounted for retrospectively as required under International Accounting Standard - 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and the comparative financial statements have been re-stated.

The effects of the retrospective application of the change in accounting policies are as follow:

	JUNE 2013 Rupees	JULY 01, 2012 Rupees
Impact on Balance Sheet		
Increase in Employees Retirement Benefit Obligation	7,454,351	1,090,970
Decrease in Un-Appropriated profits	(7,454,351)	(1,090,970)
Impact on Changes In Equity		
Increase / (Decrease) in Un-Appropriated profits		
- Cumulative effect of prior Years	-	(3,898,002)
- Impact for the year ended	(6,363,381)	2,807,032
Impact on Other Comprehensive Income		
Increase / (Decrease) due to remeasurement of Retirement Benefit Obligation	(6,363,381)	2,807,032

As a result of the retrospective application of change in accounting policy, due to adoption of IAS 19 (revised), there was no effect on 'earnings per share', Profit & loss Account and Cash flow statements for the year ended June 30, 2013

6 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

Note

JUNE 2014 Number	JUNE 2013 Number		JUNE 2014 Rupees	JUNE 2013 Rupees (Re-stated)
7,163,000	7,163,000	Ordinary shares of Rupees 10 each fully paid up in cash	71,630,000	71,630,000
10,809,368	10,809,368	Ordinary shares of Rupees 10 each allotted as bonus shares	108,093,680	108,093,680
<u>17,972,368</u>	<u>17,972,368</u>		<u>179,723,680</u>	<u>179,723,680</u>

6.1 No bonus shares (2013: Nil) were issued by the company during the current year.



Sazgar Engineering Works Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

7	LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	Note	JUNE 2014 Rupees	JUNE 2013 Rupees (Re-stated)
	Present value of minimum lease payments		7,841,679	11,530,104
	Less: Current portion shown under current liabilities	12	(5,434,739)	(5,017,469)
			<u>2,406,940</u>	<u>6,512,635</u>

The amount of future payments and the periods in which these payments will become due are as under:

Due not later than one year:

Minimum lease payments	6,128,799	5,941,562
Less: Financial charges	694,060	924,093
Present value	<u>5,434,739</u>	<u>5,017,469</u>

Due later than one year and not later than five years:

Minimum lease payments	2,597,111	7,191,717
Less: Financial charges	190,171	679,082
Present value	<u>2,406,940</u>	<u>6,512,635</u>
	<u>7,841,679</u>	<u>11,530,104</u>

The minimum lease payments have been discounted using the effective interest rates implicit in leases ranging from 11.99% to 16.81% per annum (June 30, 2013: From 12.24% to 16.99%) to arrive at the present value. Rentals are payable in monthly installments. Repairs and maintenance costs are to be borne by the lessee. The liability is secured by deposit of Rupees 4.89 million (June 30, 2013: 5.19 million), leased assets and personal guarantees of some directors of the Company. The Company intends to exercise its option to purchase the leased assets at the termination of lease period.

8 DEFERRED LIABILITIES

Employee benefits	8.1	65,363,532	55,900,510
Deferred taxation	8.2	<u>26,718,405</u>	<u>27,157,015</u>
		<u>92,081,937</u>	<u>83,057,525</u>

8.1 Employee benefits

8.1.1 Net liability recognized in the balance sheet

Present value of defined benefit obligations	<u>65,363,532</u>	<u>55,900,510</u>
	<u>65,363,532</u>	<u>55,900,510</u>

8.1.2 Movement in the net liability recognized in the balance sheet

Net liability as at 1st July		55,900,510	44,350,158
Expense recognized in the income statement	8.1.3	13,696,869	13,644,061
Liability discharged during the year		(4,110,350)	(8,457,090)
Experience Adjustments		<u>(123,497)</u>	<u>6,363,381</u>
Net liability as at June 30		<u>65,363,532</u>	<u>55,900,510</u>

8.1.3 Expense recognized in the income statement

Current service cost	12,843,192	7,878,540
Interest cost	<u>853,677</u>	<u>5,765,521</u>
	<u>13,696,869</u>	<u>13,644,061</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

8.1.4 Distribution of expense recognized in the income statement

JUNE 2014
Rupees

JUNE 2013
Rupees
(Re-stated)

The expense is recognized in the following line items in the income statement under the head salaries, wages and other benefits.

Cost of sales	10,115,227	9,945,660
Administrative expenses	2,727,965	2,841,996
Distribution cost	853,677	856,405
	<u>13,696,869</u>	<u>13,644,061</u>

8.1.5 Year end sensitivity analysis(± 100 Bps) on Defined Benefit Obligation

June 30, 2014

Discount Rate + 100 bps	59,925,993
Discount Rate - 100 bps	71,775,049
Salary Increase + 100 Bps	71,775,049
Salary Increase - 100 Bps	59,835,990

8.1.6 Comparison of five year data

Comparison of present value of defined benefit obligation and the Experience adjustment for current and four years are as follows:

	2014	2013	2012	2011	2010
As at June 30	Rupees				
Present Value of Defined Benefit Obligations					
Present value of defined obligations at the end of the year	65,363,532	55,900,510	44,350,158	35,808,883	26,315,510
Experience adjustment					
Experience adjustment arising on plan liabilities (gains)/losses	(123,497)	6,363,381	(2,775,321)	1,378,438	(86,193)

8.1.7 The amount of expected expense of gratuity benefit in 2014-15 will be Rs. 17,086,481/- as per the actuary's report.

8.1.8 The average duration of defined benefit obligation (unfunded) is 9 years.

8.1.9 Expected benefit payments for the next 10 years and beyond;

	Less than one Year	From 1 to 2 Year	From 3 to 5 Year	From 6 to 10 Year	More Than 10 Years	Total
As At June 30, 2014	Rupees					
Defined Benefit Obligations	11,533,989	12,107,284	21,267,068	38,215,533	1,961,439,443	2,044,563,317



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Principal actuarial assumptions	Note	JUNE 2014 Rupees	JUNE 2013 Rupees (Re-stated)
The company has carried out actuarial valuation as at June 30, 2014 under the 'Projected Unit Credit Actuarial Cost Method'. The main assumptions used for actuarial valuation are as follows:			
Discount rate for year end Obligation		13.25 % p.a.	10.5 % p.a.
Expected rate of future salary increase		12.25 % p.a.	9.5 % p.a.
Mortality Rates		SLIC 2001-2005 Setback 1 Year	EFU 61-66
Retirement age		60 Years	60 Years

8.2 Deferred taxation

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

Accelerated depreciation for tax purposes	29,327,253	31,144,529
Liabilities under finance lease that are deducted for tax purposes only when paid	(2,608,848)	(3,987,514)
	<u>26,718,405</u>	<u>27,157,015</u>

9 TRADE AND OTHER PAYABLES

Creditors		207,874,483	226,050,283
Advances from trade customers		9,487,258	5,305,799
Accrued liabilities		14,730,278	16,609,359
Murabaha Payable:			
Meezan Bank Limited	9.1	-	7,594,883
Habib Bank Limited	11.5	13,383,884	29,196,874
Sales tax payable		4,620,617	7,854,379
Income tax deducted at source		306,812	221,226
Unclaimed Dividend		1,133,736	987,109
Payable towards:			
Workers' Profit Participation Fund	9.2	4,731,493	5,180,758
Workers' Welfare Fund	9.3	1,832,231	1,974,150
		<u>258,100,792</u>	<u>300,974,821</u>

9.1

Total amount of facility available from Meezan Bank Limited under Murabaha arrangement is Rs.40.00 million (June 30, 2013: Rs. 40 Million) for a maximum period of 180 days (June 30,2013: 180 Days). The profit margin is charged at the rate of respective KIBOR plus spread of 2.1% (June 30, 2013:KIBOR plus spread of 2.1%) with Floor of 10% (June 30, 2013: 13%) and Cap of 24% (June 30, 2013: 24%) per annum. This facility is secured against Paripassu charge over fixed assets (Land, Building and Machinery) of the company amounting to Rs. 54.00 million (June 30, 2013: Rs. 54 Million) with 25% margin (June 30, 2013: 25%), first Parripassu charge over present and future current assets of the company amounting to Rs.40.00 million (June 30, 2013: 40 Million) and personal guarantees of the directors. The un-utilized amount of this facility as at balance sheet date is Rs. 40.00 million (June 30, 2013: 32.41).



Sazgar Engineering Works Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

			JUNE 2014 Rupees	JUNE 2013 Rupees (Re-stated)
9.2	Workers' Profit Participation Fund	Note		
	Balance at beginning of the year		5,180,758	10,527,810
	Charged during the year	30	4,731,493	5,180,758
			9,912,251	15,708,568
	Payment made during the year		(5,180,758)	(10,527,810)
			4,731,493	5,180,758
9.3	Workers' Welfare Fund			
	Balance at beginning of the year		1,974,150	4,459,049
	Charged during the year		1,832,231	1,974,150
	Adjustment for prior years		(73,194)	(501,157)
		30	1,759,037	1,472,993
			3,733,187	5,932,042
	Payment made during the year		(1,900,956)	(3,957,892)
			1,832,231	1,974,150

10 MARK-UP ACCRUED ON LOANS AND OTHER PAYABLES

Short term borrowing - secured	438,177	262,456
Liabilities against assets subject to finance lease	1,717	4,421
Profit on Murabaha Payable	27,897	256,360
	467,791	523,237

11 SHORT TERM BORROWINGS

Secured

Running finance under mark-up arrangements

Allied Bank Limited	11.2	-	-
Habib Bank Limited	11.3	-	-
Finance against trust receipts			
Allied Bank Limited	11.4	3,857,920	16,776,763
Habib Bank Limited	11.5	-	-
		3,857,920	16,776,763

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

2014		
Amount	Facilities under mark-up Finance arrangement	Facilities under Islamic Finance arrangement
50 M	Running Finance	-
110 M	LC Sight/LC DA (inland)/ DOD / Acceptance/SG	LC Sight/LC DA (inland)/ DOD / Acceptance/SG
40 M	FATR, Sublimit of Above Limit	Murabaha, Sublimit of Above Limit
2013		
Amount	Facilities under mark-up Finance arrangement	Facilities under Islamic Finance arrangement
50 M	Running Finance	-
110 M	LC Sight/LC DA (inland)/ DOD / Acceptance/SG	LC Sight/LC DA (inland)/ DOD / Acceptance/SG
40 M	FATR, Sublimit of Above Limit	Murabaha, Sublimit of Above Limit

The Company has an option to utilize the Banking Finance Facilities available from Habib Bank Limited either under Mark-up finance arrangement or Islamic finance arrangement. The Company intends to utilize these facilities under the Islamic Finance arrangements. The FATR facility, when it is utilized under Islamic system it will be created under Import Murabaha Facility and will be disclosed under the head of Trade and other payable (Note no.9).



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

- 11.2** Total amount of finance available under this facility is Rs. 45.00 million (June 30, 2013: Rs. 45.00 million). The mark-up is charged at the rate of three months average ask side Kibor plus 2.5% (June 30, 2013: three months average ask side Kibor plus 2.5%) with Floor rate of nil (June 30, 2013: Nil%) per annum. This facility is collaterally secured against First charge on the present and future fixed assets for Rs. 185.00 million (June 30, 2013: Rs.185 million) and First Pari Passu Charge on present and future current assets of the Company to the extent of Rs.110.00 million. (June 30, 2013: Rs. 110.00 million) This facility is specifically secured by Hypothecation of current assets of the Company, comprising of raw material, work in process, finished goods, etc. and receivable and book debts of the Company with 25% margin (June 30, 2013: 25% margin) on stocks. The un- utilized amount of this facility as at balance sheet date is Rs. 45.00 million. (June 30, 2013: Rs. 45.00 million).
- 11.3** Total amount of finance available under this facility is Rs. 50.00 million (June 30, 2013: Rs. 50.00 million). The mark-up is charged at the rate of three months average ask side Kibor + 2.5% per annum (June 30, 2013: three months average ask side Kibor + 2.50 %). This facility is collaterally secured against First pari passu charge on fixed assets of Rs. 214.00 million (June 30, 2013: Rs. 214.00 million) and specifically secured against First pari passu Hypothecation Charge of Rs. 90.00 million (June 30, 2013: Rs. 90.00 million) over current assets of the Company, comprising of raw material, work in process, finished goods, etc. and receivable and book debts of the Company with 20% margin (June 30, 2013: 20% margin). The un-utilized amount of this facility as at balance sheet date is Rs 50.00 million. (June 30, 2013: Rs. 50.00 million) .
- 11.4** Total amount available under this facility is Rs. 48.00 million (June 30, 2013: Rs. 48.00 million) for a maximum period of 90 days (June 30, 2013: of 90 days). The mark-up is charged at the rate of three months average ask side Kibor plus 2.50% (June 30, 2013: three months average ask side Kibor plus 2.5%) with floor rate of nil per annum. (June 30, 2013: Nil %). This facility is collaterally secured against First charge on present and future fixed assets for Rs. 185.00 million (June 30, 2013: Rs. 185.00 million) and First Pari Passu Charge on current assets of the company to the extent of Rs. 110.00 million. (June 30, 2013: Rs. 110.00 million). This facility is specifically secured by way of bank's lien on title to goods imported and Trust Receipts at nil margin (June 30, 2013: Nil Margin). The un-utilized amount of this facility as at balance sheet date is Rs. 44.14 million. (June 30, 2013: Rs. 31.22 million). The un-utilized amount of this facility can be used for opening Letter of Credit.
- 11.5** Total amount available under this facility is Rs. 40 million (June 30, 2013: Rs. 40.00 million) with an option to utilize under Murabaha Facility, for a maximum period of 120 days. (June 30, 2013: 120 days). The mark-up is charged at the rate of three months average ask side Kibor plus 2.50%, per annum (June 30, 2013: three months average ask side Kibor plus 2.50%, per annum). This facility is collaterally secured against First pari passu charge of Rs. 214 Million (June 30, 2013: Rs. 214.00 million) on fixed assets of the company and specifically secured against First pari passu Hypothecation Charge of Rs. 90 Million (June 30, 2013: Rs.90.00 million) over current assets of the Company, comprising of raw material, work in process, finished goods, receivable and book debts with 20% margin (June 30, 2013: 20%) of the Company, 5% Cash margin, (June 30, 2013: 5%), Trust Receipts and accepted bill of exchange. Out of this facility a sum of Rs. 13.38 (June 30, 2013: 29.20) has been utilized on account of Murabaha Facility (Note No.9) The balance un-utilized amount of this facility as at balance sheet date is Rs. 26.62. (June 30, 2013: Rs.10.80 Million) which can be used for opening of Letter of Credit.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

- 11.6** The usage of total amount of facilities of Rs.143 Million (June 30, 2013: Rs. 135 Million) available from Allied Bank Limited under Running Finance, Finance Against Trust Receipts and In-land Letter of Credit is allowed in aggregate only to the extent of Rs. 130 Million (June 30, 2013: 130) at any point of time.

12 CURRENT PORTION OF LONG TERM LIABILITIES	Note	JUNE 2014 Rupees	JUNE 2013 Rupees (Re-stated)
Liabilities against assets subject to finance lease	7	5,434,739	5,017,469
		<u>5,434,739</u>	<u>5,017,469</u>
13 PROVISION FOR TAXATION			
Balance at beginning		32,738,126	80,304,548
Add: Provision for the Year			
-Current Year		27,898,620	32,738,126
-Prior Year		(136,731)	(7,164,810)
Less: Payment/Adjustment during the year		<u>(32,738,124)</u>	<u>(73,139,738)</u>
		<u>27,761,891</u>	<u>32,738,126</u>

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

- 14.1.1** Three appeals of the company are pending in Honorable Multan High Court, Multan against the decision of Consumer Court, Sahiwal for the claim of Auto parts under warranty. The management of the company is of opinion that outcome of these cases will be settled in favour of the company, hence no provision is made in these financial statements.
- 14.1.2** The appeal filed by the company with ATIR against the order of CIR (Appeals) for disallowance of tax losses of Rs. 1,503,939/- and tax demand of Rs. 545,930/- for tax year 2003 under section 122 (5A) is still pending. In the opinion of the tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.
- 14.1.3** The appeal filed by the company with the CIR (Appeals) against the order of DCIR for tax year 2004 for tax demand of Rs.751,405/- under section 122 (5A) was decided in favour of Income Tax department. The company has filed an appeal against this order with ATIR. In the opinion of the tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.



Sazgar Engineering Works Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

14.1.4 During the previous years, DCIR initiated proceedings under section 122 (1)/122 (5A) for tax year 2009 and created a tax demand of Rs. 21.45 million. The company filed an appeal against this order with CIR (Appeals) and got relief up to Rs.19.18 million. For remaining tax demand of Rs.3.09 million, company has filed an appeal with ATIR. Further during the year, the DCIR has also filed an appeal against the Relief of Rs. 15.03 Million given by the CIR (A). In the opinion of tax consultant, favorable outcome of the appeals are expected, hence no provision is made in these financial statements for these amount.

14.1.5 During the year, DCIR has created tax demand of Rs.2,932,320/- and Rs .4,108,395/- under section 221 of Income Tax Ordinance 2001 for tax year 2008 and 2011 respectively. The Company has filed appeals with CIR (Appeals) against these Orders, which are still pending. In the opinion of tax consultant, favorable outcome of the appeals are expected, hence no provision is made in these financial statements for these amount.

14.1.6 During the year, DCIR initiated proceedings under section 122 (1)/122 (5A) for tax year 2013 and 2007 and created a tax demand of Rs. 6,151,787 and Rs. 16,581,680 respectively. The company filed appeals against these orders with CIR (Appeals) and got relief of Rs.3,672,094 and Rs. 15,940,450 respectively. For remaining tax demand of Rs.2,479,693 and Rs. 614,230, company has filed appeals with ATIR. The appeals are still pending. In the opinion of tax consultant, favorable outcome of the appeals are expected, hence no provision is made in these financial statements for these amount.

14.1.7 During the year, The Company has filed Writ Petitions in Lahore High Court, Lahore against the illegal selection by the Commissioner Inland Revenue for the audit of Income tax affairs for tax year 2012 under section 177 (1) of Income Tax Ordinance, 2001 (Ordinance) and Sales tax audit for the tax year 2012 under section 25 of Sales Tax Act 1990. The Honorable Lahore High Court, Lahore has granted an interim relief to the Company and restrained the Commissioner Inland Revenue to pass a final order. The cases are still pending. The management of the company is of opinion that outcome of these cases will be in favour of the company.

14.2 Commitments

Commitments in respect of:

		JUNE 2014 Rupees	June 2013 Rupees	JUNE 2014 Rupees	June 2013 Rupees
LIMIT Nos.	PARTICULARS	LIMITS AVAILABLE		LIMITS UTILIZED	
	Not Later Than one Year				
1	Foreign LC Sight / Inland LC- Gross	370,000,000	370,000,000	95,155,552	170,641,327
2	FATR -Sublimit of Limit No.1	88,000,000	88,000,000	3,857,920	16,776,763
3	Murabaha Sublimit of Limit no.2	40,000,000	40,000,000	13,383,884	29,196,874
4	Murabaha Sublimit of Limit no.1	40,000,000	40,000,000	-	7,594,883
5	Guarantee	8,040,000	8,040,000	-	-
				JUNE 2014 Rupees	JUNE 2013 Rupees (Re-stated)
15	PROPERTY, PLANT AND EQUIPMENT				
	Operating fixed assets	15.1	250,089,438		235,207,254
	Capital work in progress	15.3	8,732,969		12,773,212
	Advance for asset Subject to finance Lease	15.4	-		1,886,500
	Advance for purchase of owned vehicle	15.5	-		1,632,150
				258,822,407	251,499,116



Sazgar Engineering Works Limited

SAZGAR ENGINEERING WORKS LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

15.1 OPERATING FIXED ASSETS - Tangible

Particulars	2014				Rate %	Depreciation			W.D.V. as at 30-06-2014
	As at 01-07-2013	Additions/ (Deletions)	Transfer	As at 30-06-2014		As at 01-07-2013	For the Year	Adjustment	
Freehold land	85,164,954	-	-	85,164,954	-	-	-	-	85,164,954
Building and Civil Works on freehold land	78,426,094	2,035,956	-	80,462,050	5 to 10	37,081,300	4,180,551	-	39,200,199
Plant and Machinery	169,699,034	19,931,660	-	189,630,694	10	93,183,666	9,021,917	-	87,425,110
Electric Fittings	8,030,601	-	-	8,030,601	10	4,106,278	392,432	-	3,531,891
Furniture and fittings	2,446,286	26,600	-	2,472,886	10	1,168,516	128,442	-	1,175,928
Office Equipment	3,853,234	168,683	-	4,021,917	10	1,630,243	233,276	-	2,158,398
Electric Installations	3,129,492	203,948 (77,464)	-	3,255,976	10	966,701	215,235 (50,025)	-	2,124,066
Vehicles	13,458,892	10,147,554 (3,745,000)	6,348,500	26,209,946	20	8,581,095	2,864,896	3,096,564 (2,608,012)	14,275,403
Assets subject to Finance Lease	364,208,587	32,514,401 (3,822,464)	6,348,500	399,249,024		146,717,799	17,036,749	3,096,564 (2,658,037)	235,055,948
Vehicles	23,504,000	4,355,000	(6,348,500)	21,510,500	20	5,787,534	3,786,040	(3,096,564)	15,033,490
	23,504,000	4,355,000	(6,348,500)	21,510,500		5,787,534	3,786,040	-	15,033,490
								(3,096,564)	
Total 2014	387,712,587	36,869,401 (3,822,464)	-	420,759,524		152,505,332	20,822,789	3,096,564 (5,754,601)	250,089,438

Details of property, plant and equipment sold during the year are given in note no.15.7

Particulars	2013				Rate %	Depreciation			W.D.V. as at 30-06-2013
	As at 01-07-2012	Additions/ (Deletions)	Transfer	As at 30-06-2013		As at 01-07-2012	For the Year	Adjustment	
Freehold land	85,164,954	-	-	85,164,954	-	-	-	-	85,164,954
Building and Civil Works on freehold land	74,090,206	4,335,888	-	78,426,094	5 to 10	32,846,331	4,234,969	-	41,344,794
Plant and Machinery	160,471,268	9,227,766	-	169,699,034	10	85,265,926	7,917,740	-	76,515,368
Electric Fittings	7,985,101	45,500	-	8,030,601	10	3,672,473	433,805	-	3,924,323
Furniture and fittings	2,405,286	41,000	-	2,446,286	10	1,027,261	141,255	-	1,277,770
Office Equipment	3,529,273	323,961	-	3,853,234	10	1,395,817	234,426	-	2,222,991
Electric Installations	2,187,054	1,115,703 (173,265)	-	3,129,492	10	920,365	175,643	(129,307)	2,162,791
Vehicles	17,367,792	1,546,500 (8,400,400)	2,945,000	13,458,892	20	11,537,364	1,482,372	1,261,680 (5,700,321)	4,877,797
Assets subject to Finance Lease	353,200,934	16,636,318 (8,573,665)	2,945,000	364,208,587		136,665,537	14,620,210	1,261,680 (5,829,628)	217,490,788
Plant and Machinery	-	-	-	-	10	-	-	-	-
Vehicles	9,293,500	17,155,500	(2,945,000)	23,504,000	20	3,124,973	3,924,241	(1,261,680)	17,716,466
	9,293,500	17,155,500	(2,945,000)	23,504,000		3,124,973	3,924,241	-	17,716,466
								(1,261,680)	
Total 2013	362,494,434	33,791,818 (8,573,665)	-	387,712,587		139,790,509	18,544,451	1,261,680 (7,091,309)	235,207,254

15.2 Depreciation for the year has been allocated as follows:

	Note	JUNE 2014 Rupees	JUNE 2013 Rupees (Re-stated)
Cost of sales	27	13,857,073	13,165,219
Distribution cost	28	1,151,370	1,360,916
Administrative expenses	29	5,814,348	4,018,316
		20,822,791	18,544,451



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

15.3 CAPITAL WORK-IN-PROGRESS	Note	JUNE 2014 Rupees	JUNE 2013 Rupees (Re-stated)
Tangible			
Plant and machinery			
Opening balance		11,349,310	5,737,300
Additions made during the year		7,557,250	14,736,734
		18,906,560	20,474,034
Transferred to Plant & Machinery		16,510,310	8,144,786
Claimed as Input Sales Tax		1,262,250	979,938
	15.3.1	1,134,000	11,349,310
Civil works			
Opening balance		921,068	403,192
Additions made during the year		6,174,067	3,857,891
		7,095,135	4,261,083
Transferred to operating fixed assets		-	3,340,015
		7,095,135	921,068
Intangible			
Opening balance		502,834	682,313
Additions made during the year		66,500	-
		569,334	682,313
Transferred to Intangible Assets		65,500	179,479
		503,834	502,834
		8,732,969	12,773,212

15.3.1 This includes Rs. 0.334 million (June 30, 2013: Rs. 9.50 million) on account of advance paid to supplier of machinery.

15.4 This balance represents the amount of advance paid by the leasing company for the purchase of vehicle.

15.5 This balance represents the amount of advance paid to Millat Tractor Limited for the purchase of Forklift Truck.

15.7 The detail of property, plant and equipment disposed off, having net book value in excess of Rs. 50,000 is as follows:

Particulars	Cost	Net Book Value	Sale Price	Mode of Disposal	Particulars of Purchaser
	Rupees				
Toyota GLI	1,005,000	276,627	800,000	Negotiation	Mr. Rana Imtiaz Ahmed - House No.215 Jahanzaib Block, Allama Iqbal Town, Lahore.
Honda Civic	1,712,000	658,138	660,000	Company Policy	Mr. Zubair Aamir - Employee of the Company.
Suzuki Bolan	396,000	40,689	300,000	Negotiation	Mr. Asif Majeed - H.No. 58-C, Muhallah Angoori Bagh Scheme No. 2, Baghbanpura, Lahore.
Suzuki Cultus	632,000	161,533	675,000	Negotiation	Mr. Javed Aslam - H.No.36/1 Muhalla Jail Road, Mazang Chungi, Lahore.
Electric Installation (Misc)	77,464	27,439	4,000	Negotiation	Hi-Tech Cooling Centre, H-30 Link Temple Road, Lahore.
	3,822,464	1,164,427	2,439,000		



Sazgar Engineering Works Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

16 INTANGIBLE ASSETS

Particulars	(Rupees)					
	Cost			Amortization		Book Value as at 30-06-2014
	As at 01-07-2013	Additions/ (deletion)	As at 30-06-2014	As at 01-07-2013	For the Year	As at 30-06-2014
Intangible Assets	4,129,839	65,500	4,195,339	3,523,610	222,753	3,746,363
Jun-14	4,129,839	65,500	4,195,339	3,523,610	222,753	3,746,363
Jun-13	3,838,306	291,533	4,129,839	3,336,432	187,178	3,523,610

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

16.2 The amortization cost is included in cost of sales.

17 LONG TERM LOANS AND ADVANCES - SECURED

Loans and advances - considered good, to:

	JUNE 2014 Rupees	JUNE 2013 Rupees (Re-stated)
Executives	2,917,925	2,656,000
Non-Executives	8,075,404	6,238,744
	<u>10,993,329</u>	<u>8,894,744</u>
Less: Amount due within twelve months, shown under current loans and advances	4,159,944	3,400,375
	<u>6,833,385</u>	<u>5,494,369</u>

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

	Opening balance as at July 01, 2013	Disbursements	Repayments	Closing Balance as at June 30, 2014
Executives	2,656,000	475,000	213,075	2,917,925
Non-Executives	6,238,744	6,114,370	4,277,710	8,075,404
	<u>8,894,744</u>	<u>6,589,370</u>	<u>4,490,785</u>	<u>10,993,329</u>
June 30, 2013	<u>8,138,433</u>	<u>5,467,009</u>	<u>4,710,698</u>	<u>8,894,744</u>

These loans and advances have been granted under staff loan and advances policy to facilitate the employees for purchase of house and meeting other household payments. These are secured against the gratuity payable to employees. These are interest free loans which are repayable within fourteen years. The maximum amount of loan outstanding to executive at the end of any month during the year was Rs.1,472,000/- (2013: Rs. 1,552,000/-).

18 LONG TERM DEPOSITS

Deposit with Pakistan Steel Mill	400,000	400,000
Utilities and others	1,257,137	1,257,137
	<u>1,657,137</u>	<u>1,657,137</u>

19 STORES, SPARES AND LOOSE TOOLS

Stores	3,495,174	3,832,511
Spares	421,815	696,109
Loose tools	29,514	36,088
	<u>3,946,503</u>	<u>4,564,708</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

20 STOCK-IN-TRADE	Note	JUNE 2014 Rupees	JUNE 2013 Rupees (Re-stated)
Raw materials and components		322,919,863	288,666,198
Work-in-process		16,685,065	7,897,939
Finished goods		134,163,421	91,927,688
Packing and other material		12,338	13,477
		<u>473,780,687</u>	<u>388,505,301</u>
21 TRADE DEBTS - Unsecured	21.1	<u>104,171,225</u>	<u>133,661,024</u>
21.1 Classification:			
Considered Good		104,171,225	133,661,024
Considered Doubtful		1,696,677	6,523,837
Considered Bad		6,523,837	1,132,704
Less:		112,391,739	141,317,565
Provision for doubtful debts		(1,696,677)	(6,523,837)
Bad debts		(6,523,837)	(1,132,704)
		<u>104,171,225</u>	<u>133,661,024</u>
22 LOANS & ADVANCES			
Advances - considered good			
- Current portion of loans and advances	17	4,159,944	3,400,375
- To employees for incurring business expenses		269,015	123,125
- To suppliers-unsecured		11,190,237	9,073,763
		<u>15,619,196</u>	<u>12,597,263</u>
23 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		JUNE 2014 Rupees	JUNE 2013 Rupees (Re-stated)
Contract securities		346,900	1,760,100
Prepaid expenses		980,513	734,709
Letter of credit margin		960,559	9,380,804
Letter of credit in process		20,350,059	20,152,133
		<u>22,638,031</u>	<u>32,027,746</u>
24 OTHER RECEIVABLES			
Advance income tax		52,635,093	45,015,475
Others		34,000	75,000
		<u>52,669,093</u>	<u>45,090,475</u>
25 CASH AND BANK BALANCES			
Cash in hand		139,518	89,598
Balance with banks in current accounts		31,652,165	127,453,890
		<u>31,791,683</u>	<u>127,543,489</u>



Sazgar Engineering Works Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

26	SALES - NET	Note	JUNE 2014 Rupees	JUNE 2013 Rupees (Re-stated)
	Gross sales	26.1	2,520,760,116	2,225,281,902
	Less:			
	Sales tax		366,264,290	307,130,220
	Sales returns		9,031,399	5,787,332
	Commission		39,614,939	30,868,439
			414,910,628	343,785,991
			<u>2,105,849,488</u>	<u>1,881,495,911</u>

26.1 This includes Rs. 40.60 million (June 30, 2013: Rs.1.21 million) on account of export sales.

27 COST OF SALES

Raw materials and components consumed		1,669,125,864	1,398,746,050
Salaries, wages and other benefits	27.1	147,519,841	129,893,279
Stores, spares and loose tools consumed		27,958,246	28,677,837
Power and fuel charges		49,385,946	49,668,523
Repair and maintenance		25,429,527	16,808,473
Other expenses		5,539,927	5,449,378
Depreciation	15.2	13,857,073	13,165,219
Amortization	16	222,753	187,179
		<u>1,939,039,177</u>	<u>1,642,595,938</u>
Opening work-in-process		7,897,939	13,579,115
		<u>1,946,937,116</u>	<u>1,656,175,053</u>
Closing work-in-process		16,685,065	7,897,939
Cost of goods manufactured		<u>1,930,252,051</u>	<u>1,648,277,114</u>
Opening finished goods		91,927,686	116,965,216
		<u>2,022,179,737</u>	<u>1,765,242,330</u>
Cost of finished goods purchased during the year		9,292,710	5,562,348
		<u>2,031,472,447</u>	<u>1,770,804,678</u>
Closing finished goods		134,163,421	91,927,688
		<u>1,897,309,026</u>	<u>1,678,876,991</u>

27.1 Salaries, wages and other benefits include Rs.10,115,227 (2013: Rs. 9,945,660) in respect of retirement benefits.

28	DISTRIBUTION COST		JUNE 2014 Rupees	JUNE 2013 Rupees (Re-stated)
	Salaries and other benefits	28.1	11,956,166	11,851,440
	Freight and octroi		25,459,238	19,466,018
	Traveling & conveyance		12,816,129	1,927,363
	Packing material consumed		1,792,215	2,837,918
	Advertisement and sale promotion		1,953,219	2,785,606
	Insurance		343,953	380,549
	Rent, rates and taxes		836,340	1,242,130
	After sales service		1,399,475	1,893,528
	Printing & Stationery		631,961	420,542
	Depreciation	15.2	1,151,370	1,360,916
			<u>58,340,066</u>	<u>44,166,011</u>

28.1 Salaries and other benefits include Rs. 853,677 (2013: Rs.856,405) in respect of retirement benefits.



Sazgar Engineering Works Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

29	ADMINISTRATIVE EXPENSES	Note	JUNE 2014 Rupees	JUNE 2013 Rupees (Re-stated)
	Salaries and other benefits	29.1	26,804,655	27,483,090
	Electricity, gas and water charges		216,245	539,004
	Communication expenses		2,665,281	2,544,905
	Vehicle running expenses		5,140,860	5,466,935
	Legal and professional		2,830,417	671,469
	Traveling and conveyance		620,209	1,874,393
	Fee and subscription		1,498,183	1,253,054
	Insurance		774,542	565,330
	Rent, rates and taxes		1,271,394	808,067
	Printing and stationery		1,515,524	1,705,310
	Entertainment		923,633	760,934
	Research Expenses		-	1,942,825
	Office supplies		56,051	34,444
	Miscellaneous expenses		527,469	476,463
	Depreciation	15.2	5,814,348	4,018,316
			<u>50,658,811</u>	<u>50,144,539</u>
29.1	Salaries and other benefits include Rs.2,727,965 (2013: Rs.2,841,996) in respect of retirement benefits.			
30	OTHER OPERATING EXPENSES			
	Auditors' remuneration	30.1	1,205,000	1,495,000
	Exchange Loss		60,258	-
	Provision for doubtful debts		1,696,677	-
	Contribution towards:			
	Workers' profit participation fund	9.2	4,731,493	5,180,758
	Workers' welfare fund	9.3	1,759,037	1,472,993
			<u>9,452,465</u>	<u>8,148,751</u>
30.1	Auditors' remuneration			
	Viqar A. Khan			
	Workers' Profit Participation Fund Audit		15,000	15,000
	Tax services		515,000	820,000
			<u>530,000</u>	<u>835,000</u>
	Kabani & Co.			
	Statutory audit		525,000	525,000
	Half yearly review		150,000	135,000
	Certificate fee		-	-
			<u>675,000</u>	<u>660,000</u>
			<u>1,205,000</u>	<u>1,495,000</u>
31	OTHER INCOME		JUNE 2014 Rupees	JUNE 2013 Rupees (Re-stated)
	Income from financial assets			
	Exchange Gain		-	3,633
	Income from non Financial Assets			
	Gain / (Loss) on sale of fixed asset		1,274,574	3,814,463
	Reversal of Provision for Loss of stock		-	497,055
	Miscellaneous Income		2,771,516	1,625,664
			<u>4,046,090</u>	<u>5,940,815</u>
32	FINANCE COST			
	Mark-up on:			
	Short term borrowings - secured		2,090,887	4,814,084
	Profit on Murabaha		2,633,351	2,637,294
	Interest on Workers' Profit Participation Fund		511,514	870,683
	Financial charges on finance lease		1,210,410	1,558,294
	Bank charges, commission and others		61,228	129,354
			<u>6,507,390</u>	<u>10,009,708</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

33 TAXATION	Note	JUNE 2014 Rupees	JUNE 2013 Rupees (Re-stated)
Current			
For the Year		27,761,889	32,738,126
Prior Year	33.1	(136,731)	(7,164,810)
Deferred			
For the Year		(438,610)	4,010,372
		<u>27,186,547</u>	<u>29,583,688</u>

33.1 This amount relates to adjustment of provision for taxation.

33.2 The income tax assessments of the company have been finalized up to tax year 2013, except as mentioned in note

14.1. The Provision for taxation is considered adequate to discharge the expected liability for current year.

33.3 Tax charge reconciliation

Profit before taxation		<u>87,627,820</u>	<u>96,090,726</u>
Tax charge on accounting profit at applicable tax rate as per Income Tax Ordinance, 2001		29,793,459	33,631,754
Tax effect of amounts that are:			
- not deductible for tax purposes			
- allowable deductions for tax purposes		(256,357)	3,429,419
Tax effect of profit attributable to presumptive income		(656,983)	(400,329)
Effect of presumptive tax		461,211	263,057
Tax effect due to reversal of prior year's WWF		(24,886)	(175,405)
Tax credit due to investment		(1,993,166)	-
Adjustment of prior year taxation		(136,731)	(7,164,810)
Taxation for the year		<u>27,186,547</u>	<u>29,583,688</u>

34 EARNINGS PER SHARE - BASIC AND DILUTED		JUNE 2014 Rupees	JUNE 2013 Rupees (Re-stated)
Basic earnings per share			
Profit after taxation for the year	Rupees	60,441,273	66,507,038
Weighted average number of ordinary shares outstanding during the year	Number	17,972,368	17,972,368
Basic earnings per share - Rupees	Rupees	3.36	3.70

34.1 Diluted earnings per share

A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2004 and June 30, 2013, which would have any effect on earning per share if the option to convert is exercised.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

35 CASH GENERATED FROM OPERATIONS	Note	JUNE 2014 Rupees	JUNE 2013 Rupees (Re-stated)
Profit before taxation		87,627,820	96,090,726
Adjustment for non cash charges and other items:			
Depreciation		20,822,791	18,544,451
Amortization		222,753	187,178
Provision for gratuity		13,696,869	13,644,061
Financial and other charges		6,507,390	15,190,466
Other income		(4,046,090)	(5,937,182)
		37,203,713	41,628,975
		124,831,533	137,719,701
Working capital changes	35.1	(88,760,193)	115,016,268
(Increase)/Decrease in long term loans and advances		(1,339,016)	(366,936)
Cash generated from operations		34,732,324	252,369,032
35.1 Working capital changes			
(Increase)/decrease in current assets			
Store, spares and loose tools		618,205	2,836,895
Stock-in-trade		(85,275,384)	152,042,653
Trade debts		29,489,799	(4,382,580)
Loans and Advances		(3,021,933)	(6,103,510)
Trade Deposits and short term prepayments		9,389,715	(14,692,531)
Increase/(decrease) in current liabilities			
Trade and other payables		(39,960,593)	(14,684,661)
		(88,760,193)	115,016,268
36 CASH AND CASH EQUIVALENTS			
		JUNE 2014 Rupees	JUNE 2013 Rupees (Re-stated)
Cash and cash equivalents include:			
Cash and bank balances	25	31,791,683	127,543,489
Short term borrowings	11.1 & 11.2	-	-
		31,791,683	127,543,489

37 TRANSACTIONS WITH RELATED PARTIES

The related party transactions are comprise of the remuneration, allowances and benefits paid to Chief Executive and Executive Directors during the current Financial year. These transactions are made on the basis of Arm's Length Transactions and in accordance with terms of their appointment.

The detail is given below;

Remuneration, Allowances and benefits paid to Chief Executive	7,587,742	6,900,000
Remuneration, Allowances and benefits paid to Executive Director (s)	5,556,505	7,500,000

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



Sazgar Engineering Works Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

38 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

Particulars	Chief Executive		Executive Directors		Non Executive Directors		Executives		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	(Rupees)									
Managerial Remuneration	7,587,742	6,900,000	5,556,505	7,500,000	-	-	19,866,040	17,930,160	33,010,287	32,330,160
Bonus & Leave encashment	-	-	-	-	-	-	1,720,275	972,405	1,720,275	972,405
Total	7,587,742	6,900,000	5,556,505	7,500,000	-	-	21,586,315	18,902,565	34,730,562	33,302,565
Number of persons	1	1	* 1	3	5	3	11	8	18	15

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

* In accordance with code of corporate governance 2012, Only one executive director has been appointed with effect from June 18, 2014 after the fresh election of directors, which were held on March 18, 2014. The remuneration of executive directors for the current financial year includes the remuneration paid to three executive directors upto March 20, 2014 and one executive director from June 18, 2014 to June 30, 2014

39 SEGMENT REPORTING

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

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

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

i) AUTO-RICKSHAW

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

ii) AUTOMOTIVE PARTS

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

iii) HOUSEHOLD APPLIANCES

This segment relates to the sale of imported household appliances.

	Auto rickshaw		AutoMotive parts		Household appliances		Total	
	2014 Rupees	2013 Rupees	2014 Rupees	2013 Rupees	2014 Rupees	2013 Rupees	2014 Rupees	2013 Rupees
Segment revenue -Net	1,849,484,810	1,472,017,461	250,389,104	383,952,266	5,975,574	25,526,184	2,105,849,488	1,881,495,911
Segment operating results	100,233,486	85,492,187	(1,356,270)	21,190,988	(540,629)	130,198	98,336,586	106,813,370
Segment assets	597,036,136	501,842,545	221,940,127	270,935,794	51,376,312	45,409,167	870,352,575	818,187,506
Unallocated assets	-	-	-	-	-	-	102,025,748	185,059,350
Total assets							<u>972,378,323</u>	<u>1,003,246,855</u>
Segment liabilities	248,726,228	251,656,417	95,386,393	115,816,405	8,943	42,456	344,121,564	367,515,279
Unallocated liabilities							45,990,446	70,630,946
Total liabilities							<u>390,112,010</u>	<u>438,146,224</u>
Capital expenditure	28,690,772	22,742,238	1,044,636	1,295,437	-	-	29,735,408	24,037,675
Depreciation and amortization	14,753,808	12,237,258	6,234,165	6,086,096	57,569	408,275		
Non-cash charges other than depreciation and amortization	7,210,068	6,542,738	6,464,199	6,522,228	22,602	82,041		



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

40 FINANCIAL INSTRUMENTS

40.1 Concentration of credit risk

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

	Note	JUNE 2014 Rupees	JUNE 2013 Rupees (Re-stated)
FINANCIAL ASSETS			
Long term deposits	18	1,657,137	1,657,137
Trade debts	21	104,171,225	133,661,024
Loans and Advances	17 & 22	22,452,581	18,091,632
Trade Deposits	23	22,638,031	32,027,746
Bank Balances	25	31,791,683	127,543,489
		<u>182,710,657</u>	<u>312,981,027</u>

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

Pakistan	104,171,225	133,661,024
	<u>104,171,225</u>	<u>133,661,024</u>

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

Institutional Customers	-	-
Corporate Customers	43,463,410	83,783,355
Distributor	-	389,091
Dealers	57,777,177	47,692,077
Others	2,930,638	1,796,501
	<u>104,171,225</u>	<u>133,661,024</u>

The aging of trade debts at the reporting date was:

Not past due	65,926,279	103,403,872
Past Due 0-30 days	10,541,596	16,472,820
Past due 31-120 days	10,840,989	5,171,511
Past due more than 120 days	16,862,361	8,612,821
	<u>104,171,225</u>	<u>133,661,024</u>

Based on historic record the company believes that no impairment allowance is necessary in respect of loans and receivables past due more than 120 days.

40.2 Foreign exchange risk management

Foreign currency risk arises mainly where payable exist due to transactions with foreign undertakings. Payable exposed to foreign currency risks are identified as either creditors or bills payable. The Company does not view hedging as being financially feasible owing to the excessive costs involved.

40.3 Capital Risk Management

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

40.4 Fair value of financial instruments

The carrying value of all the financial instruments i.e. financial assets and liabilities reflected in the financial statements approximate their fair values.

40.5 Market Risk

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

40.5.1 Currency Risk

Currency risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company is exposed to currency risk on import of raw materials and finished goods being denominated in US dollars. The Company's exposure to foreign currency risk for US Dollars is on account of outstanding letter of credits of Rs. 78.62 million (2013: Rs. 84.60 million).

40.5.2 Interest rate Risk

Interest rate risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial liabilities include balance of Rs. 11.70 million (2013: Rs. 26.71 million) which is subject to interest rate risk.

Cash Flow Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date, with all other variables remaining constant, the net income for the year would have been lower or higher by Rs. 0.117 million (2013: Rs. .267 million).

40.5.3 Price Risk

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

40.5.4 Liquidity risk

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

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

	JUNE - 2014						(Rupees)
	Carrying Amount	Contractual Cash Flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Liability under finance lease	7,841,679	8,725,910	3,091,195	3,037,602	2,102,807	494,306	-
Trade and other payables	258,100,792	258,100,792	258,100,792	-	-	-	-
Mark-up & Profit accrued on loans and other payables	467,791	467,791	467,791	-	-	-	-
Short term borrowing	3,857,920	3,857,920	3,857,920	-	-	-	-
	270,268,182	271,152,413	265,517,698	3,037,602	2,102,807	494,306	-



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

	JUNE - 2013						(Rupees)
	Carrying Amount	Contractual Cash Flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Liability under finance lease	11,530,104	13,133,279	3,656,765	2,975,906	5,251,062	1,249,547	-
Trade and other payables	300,974,821	300,974,821	300,974,821	-	-	-	-
Mark-up & Profit accrued on loans and other payables	523,237	523,237	523,237	-	-	-	-
Short term borrowing	16,776,763	16,776,763	16,776,763	-	-	-	-
	329,804,924	331,408,099	321,931,585	2,975,906	5,251,062	1,249,547	-

41 PLANT CAPACITY AND ACTUAL PRODUCTION

Installed Capacity

Auto rickshaw (8 hours single shift basis)

JUNE 2014
Numbers

JUNE 2013
Numbers

20,000

20,000

Automotive parts

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

Actual Production

2014

2013

Auto Rickshaw

13,414

10,244

Automotive Parts

Wheel Rims

51,722

71,017

42 NUMBER OF EMPLOYEES

Number of permanent employees as at June 30,

622

588

Average number of employees during the year

606

640

43 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors, at their meeting held on September 02, 2014 has recommended a final Cash dividend of Rupee 1.00 per share i.e., 10% in addition to Interim cash dividend of Rupee 1.00 per share i.e., 10% already paid, thus making a total cash dividend of Rupees 2.00 per share i.e., 20% (2013: 10%) for the financial year ending June 30, 2014.

These Financial Statements for the year ended June 30, 2014 do not include the effect of the above dividend, which will be accounted for in the financial statements for the year ended June 30, 2015, once the dividend is approved in the forthcoming 23rd Annual General Meeting.

44 DATE OF AUTHORIZATION FOR ISSUE:

The Board of Directors of the Company has authorized these financial statements for issue on September 02, 2014.

45 CORRESPONDING FIGURES

Corresponding figures are re-arranged, wherever necessary, for the purpose of comparison. However, no such significant re-arrangements have been made in these financial statements except for re-statements required in terms of application of change in accounting policy as referred to in note 5.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

46 GENERAL

The figures have been rounded off to the nearest rupees.


MIAN ASAD HAMEED
CHIEF EXECUTIVE


SAEED IQBAL KHAN
DIRECTOR



FORM OF PROXY

I / We _____
of _____
a member of **SAZGAR ENGINEERING WORKS LIMITED**
hereby appoint Mr. / Mrs. / Ms. _____
of _____
or failing him Mr. / Mrs. / Ms. _____
of _____

Who is / are also member/s of **Sazgar Engineering Works Limited** to act as my / our proxy and to vote for me/us and on my/our behalf at the 23rd Annual General Meeting of the shareholders of the Company to be held on Saturday October 18, 2014 at 10:30 A.M. at Four Season Banquet Hall, 0.5 K.M Main Raiwind Road, Thokar Niaz Baig, Lahore and at any adjournment thereof.

Signed this _____ day of _____ 2014

Folio No.	CDC Participant ID No.	CDC Account/ Sub-Account No.	No. of shares held	Signature over Revenue Stamp of Rupees 5/-

Witness 1

Signature _____
Name _____
CNIC No. _____
Address _____

Witness 2

Signature _____
Name _____
CNIC No. _____
Address _____

- Notes:
1. The proxy must be a member of the Company.
 2. The signature must tally with the specimen signature/s registered with the Company.
 3. If a proxy is granted by a member who has deposited his/her shares in Central Depository Company of Pakistan Limited, the proxy must be accompanied with participant's ID number and CDC account/sub account number alongwith attested photocopies of Computerized National Identity Card or the Passport of the beneficial owner. Representatives of corporate members should bring the documents required for such purpose.
 4. The proxy shall produce his / her original (CNIC) or original passport at the time of the meeting.
 5. The instrument of Proxy properly completed should be deposited at the Share Registrar Office of the Company not less than 48 hours before the time of holding the meeting.

Sazgar Engineering Works Limited

REGISTERED OFFICE: 88 All Town, Thokar Niaz Baig, Raiwind Road, Lahore
Tel: 042-35312125-27, Fax: 042-35312128

FACTORY: 18-Km, Raiwind Road, Lahore Tel: 042-35330300-3, Fax: 042-35330329
sazgar@brain.net.pk www.sazgar.com.pk www.sazgarautos.com