



Celebrating
100,000th Rickshaw

100,000



Annual Report 2016

Sazgar Engineering Works Limited



Sazgar Engineering Works Limited

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ





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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 Director

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. Ahsan Ejaz
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. Ahsan Ejaz
Member

Mr. Arshad Mahmood
Secretary

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Ahsan Ejaz
Chairman

Mr. Saeed Iqbal Khan
Member

Mrs. Amina Humza Wazir
Member

Mr. Arshad Mahmood
Secretary

AUDITORS

Kabani & 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
Soneri Bank Limited
United Bank Limited
Bank Al-Habib Limited
Askari Bank Limited



Sazgar Engineering Works Limited

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 25th Annual General Meeting of Sazgar Engineering Works Limited will be held at All Seasons Wedding & Banquet Hall, Lala Zar Commercial Market, Thokar Chowk, Opp Yasir Broast, Raiwind Road, Lahore on Tuesday, October 25, 2016 at 10:30 A.M. to transact the following businesses:

ORDINARY BUSINESSSES:

1. To receive, consider and adopt the Annual Audited Accounts of the company for the year ended 30th June, 2016 together with the Directors' and Auditors' Reports thereon.
2. To approve the payment of final cash dividend @ 15% of current paid up share capital i.e. Rupee 1.50 per ordinary share in addition to the interim dividend of 10% already paid making total of 25% for the year ended June 30, 2016 as recommended by the Board of Directors.
3. To appoint Auditors and fix their remuneration for the year ending June 30, 2017.

By order of the Board

Arshad Mahmood
(Company Secretary)

Lahore
October 04, 2016

Notes:

- a. The share transfer books of the company will remain closed from October 19, 2016 to October 25, 2016 (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 18th October, 2016 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(I)/2014 dated 10th July, 2014, the financial statements and reports of the company for the year ended June 30, 2016 have been placed on the company's web site www.sazgarautos.com for the information and review of shareholders.
- e. The Government of Pakistan through Finance Act, 2016 has made certain amendments in section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:

- (i) For filers of income tax returns: 12.50%
- (ii) For non-filers of income tax returns: 20.00%

To enable the company to make tax deduction on the amount of cash dividend @ 12.50% instead of 20.00%, all the members whose names are not entered in the active tax-payers list (ATL) provided on the website of Federal Board of Revenue (FBR), despite the fact that they are filers, are advised to make sure that their names are entered into ATL otherwise tax on their cash dividend will be deducted @ 20.00% instead of 12.50%



- f. In order to enable the Company to follow the directives of the regulators to determine the shareholding ratio of the joint account holders where shareholding has not been determined by the principal shareholder for deduction of withholding tax on dividend of the company, shareholders are requested to please furnish the shareholding ratio details of themselves as principal shareholder and their joint holders, to the company's share registrar in writing as per format given below enabling the company to compute withholding tax of each shareholder accordingly.

Company Name	Folio / CDS Accounts No	Total Shares	Principal Shareholders		Joint Shareholder (s)	
			Name and CNIC No.	Shareholding proportion (No of Shares)	Name and CNIC No.	Shareholding proportion (No of Shares)

The required information must reach our share registrar within 10 days of this notice, otherwise it will be assumed that the shares are equally held by principal shareholder and joint holder (s).

- g. With reference to the Securities and Exchange Commission of Pakistan (SECP) Notifications SRO 779 (I) 2011 dated August 18, 2011, and SRO 831 (I) 2012 dated July 05, 2012, which mandates that the dividend warrants should bear CNIC number of the registered member or their authorized person, except in case of minor(s) and corporate members. All those individual members who have not yet provided their CNIC Number and NTN in case of corporate members, are once again reminded to immediately submit the copy of their valid CNIC / NTN to Company's Share Registrar M/s CorpTec Associates (Pvt) Ltd, 503-E, Johar Town, Lahore. Members while sending CNIC must quote their respective folio numbers.

In case of non-availability of a valid copy of the shareholders' CNIC / NTN in the record of the Company, the Company shall withhold the dividend warrants in terms of section 251(2)(a) of the

Companies Ordinance, 1984 which will be released by the share registrar only upon the submission of a valid copy of the CNIC/NTN in compliance with the SECP directives.

- h. Members are hereby informed that pursuant to SECP's S.R.O. 787(1)/2014 dated September 8, 2014 regarding electronic transmission of Annual Report and notice which falls in the ambit of sections 50, 158 and 233 of the Companies Ordinance 1984, we have placed the request form on the company's web site www.sazgarautos.com.

Those members who want to avail this facility are requested to submit the request form duly filled to our Company Registered Office address 88- Ali Town, Thokar Niaz Baig, Raiwind Road, Lahore or e-mail at sazgar@brain.net.pk, info@sazgarautos.com.

- i. In pursuance to the directions given by SECP vide Circular No. 8(4)SM/CDC 2008 dated April 5, 2013 the members may authorize the Company to directly credit in their bank account the amount of cash dividend declared by Company from time to time. In view of that, you are hereby encouraged to provide a duly filled and signed dividend mandate for e-dividend facility. The dividend mandate form has been placed on the company's web site www.sazgarautos.com.
- j. The members who hold shares in physical form are requested to submit the dividend mandate form duly filled to our Share Registrar M/s CorpTec Associates (Pvt) Ltd, 503-E, Johar Town, Lahore.

The members who hold shares in CDS form are requested to submit the dividend mandate form duly filled to their participant/investor account services in the CDC.



k. Consent for Video Conference Facility

As allowed by SECP vide Circular No. 10 of 2014 dated May 21, 2014, members can avail video conference facility to participate in this Annual General Meeting in Karachi provided the Company receives consent from the members holding in aggregate 10% or more shareholding, residing at Karachi, at least 10 days prior to the date of meeting. Subject to the fulfillment of the above conditions, members shall be informed of the venue, 5 days before the date of the General Meeting along with complete information necessary to access the facility. In this regard please send a duly signed request as per the format placed on the Company's website www.sazgarautos.com.



DIRECTORS' REPORT

The directors of your company are pleased to present the 25th Annual Report along with the audited accounts of the Company for the year ended 30th June 2016:

BUSINESS OVERVIEW:

The Company has achieved historic production volume of Auto Rickshaws and also honoured the production of 100,000th unit of Auto Rickshaw during the current financial year. **AL-HAMDU LILLAH**. The improvement in law & order situation in the country specially in Karachi has boosted the market demand of auto rickshaws. The expansion in sales network has further added the sale volumes.

However, tractor industry could not perform well during the current year as was expected. The overall production of tractors of Millat and Al-ghazi declined by 41.11% due to which Company received lower orders of tractor wheel rims. Hopefully this segment of business will regain its position in the year to come.

FINANCIAL RESULTS:

	2016 (Rupees)	2015 (Rupees)
Profit before taxation	153,957,796	99,655,475
Provision for taxation	46,288,058	25,972,571
Profit after taxation	107,669,738	73,682,904
Other comprehensive income /(loss) for the year	770,274	(3,084,998)
Un appropriated Profit brought forward	419,223,435	384,570,265
Profit available for appropriation	527,663,447	455,168,171
Appropriations:		
Interim Cash dividend @ 10% (2015:10%)	17,972,368	17,972,368
Proposed Final Cash Dividend @ 15% (2015: 10%)	26,958,552	17,972,368
	44,930,920	35,944,736
Un appropriated profit carried forward	482,732,527	419,223,435

Sales Revenue:

The overall net sales revenue of the Company has increased by 16.18% from Rupees 2,473.66 million to Rupees 2,873.87 million during the period under review. **Segment wise:** The net sales of Auto Rickshaws has increased from Rupees 2,014.83 million to Rupees 2,531.19 million reflecting a growth of 25.63%, the net sales of automotive parts has decreased by 24.95 % from Rupees 446.01 million to Rupees 334.74 million. The net sales of home appliances has decreased from Rupees 12.82 million to Rupees 7.94 million compared with the corresponding period of last year.

By the Grace of Almighty Allah, the Company has registered a highest sale volume in the current financial year with major contribution of Auto Rickshaws. The improvement in law & order situation and increase in sales network of Auto Rickshaw has made this achievement possible. During the year, the company sold 17,405 units of Auto Rickshaws as compared to 13,991 units sold in last financial year.

On the other hand, decline in production of tractors has adversely affected the orders of tractor wheel rims from tractor assemblers.

The sale of home appliances has decreased due to reduction in sales volume of air conditioners and micro wave oven under brand name "Whirlpool".

Gross Profit:

Company's gross profit has increased from Rupees 234.21 million to Rupees 288.69 million showing an increase of Rupees 54.47 million compared with the corresponding period of last year. The gross profit ratio has also inclined from 9.47% to 10.05%.

Operating Expenses:

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

Profit Before Taxation:

Company's profit before taxation has increased from Rupees 99.66 million to Rupees 153.96 million showing an increase of Rupees 54.30 million compared with the corresponding period of last year.



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Earning Per Share:

The Earning per share of Rs. 5.99 for the current year is greater than the last corresponding year of Rs. 4.10 showing the increase in profits available for distribution to shareholders.

Production:

During the year, the company produced highest volume of Auto Rickshaw and achieved more than 90% of capacity utilization. The production of 18,010 units of Auto Rickshaws is reflecting a 31.34 % rise compared with 13,713 units produced during the corresponding year of last year.

Whereas the production of wheel rim was 65,080 compared with 85,328 during the same corresponding period of last year showing a decrease of 23.73%.

Material Changes:

No material changes or commitments affecting the financial position of the company have taken place between the end of the financial year and the date of the Report except as disclosed in financial statements.

CASH DIVIDEND:

The Board of Directors, at their meeting held on September 26, 2016, has recommended a final Cash Dividend of Rupee 1.50 per share i.e. 15% making total of 25% (2015: 20%) including interim dividend of 10% (2015: 10%) subject to the approval of shareholders in the forth coming 25th Annual General Meeting of the Company.

FUTURE OUTLOOK:

4-Stroke Auto Rickshaw:

Fast urbanisation of society and rise in population has increased the need of public transport facility. There is a substantial opportunity for the company to grow and serve the nation by providing them safe, comfortable and price competitive means of transportation. Auto Rickshaw is not only a significant mean of transport for general public but has also become a **Karobar** for a family. The Company is committed to continue its research and development work for providing quality products to its customers to fulfil their transport requirements.

Looking ahead your Company expects a rise in market demand of Auto Rickshaw.

Automotive Parts:

During the year, agriculture sector could not perform well which adversely affected the purchasing power of farmers. The booking of tractors remained at the lowest during the period under review. In Federal Budget 2016-17, Government has announced various benefits to support the agricultural sector. Further, The sales tax rate on tractors has also been reduced from 10% to 5% w.e.f June 25, 2016. Hopefully this will help to regain its position in the year to come and will positively affect the demand of tractors.

CORPORATE SOCIAL RESPONSIBILITY:

Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. During the year, the company carried out the following activities under CSR:

Health:

Company made contribution of Rs. 150,000/- to various hospitals who provide free of cost medical facilities to the poor or deserving people of the society.

Education:

Company donated a sum of Rs. 200,000/- to institution who not only look-after the poor children but also provide them education free of cost.

Financial Assistance:

Company spent Rs. 239,620/- on the welfare of deceased's workers families to meet their household and children's education expenses.

Hajj Sponsorship:

Every year Company sends two employees on Hajj which provides them great spiritual satisfaction. However, this year the company managed to send three employees. Employees are selected through ballot. Company spent Rs. 852,843/- during the year.

Employment of Disabled persons:

Company creates employment opportunities for disabled persons to make them respectable and self sufficient in the society. Presently company has employed 22 disabled persons.



Clean Drinking Water:

Clean water is important for the health of workers. Company provides its workers clean filtered drinking water to keep them healthy and safe from different diseases.

Environment Protection:

Wastages and scraps are properly managed and disposed off. Company's production scrap is also used as input material for making new products and in this way does not pollute the environment.

CONTRIBUTION TO NATIONAL EXCHEQUER:

Being a responsible citizen, your company made a contribution of Rs. 660.70 Million to national exchequer in form of income tax, sales tax, custom duties and excise as compared to Rs.569.01 million during last financial year. The rise is due to increase in sales volumes.

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** 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, 2016.
- **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 @15% making total of 25% for the year under review including interim dividend of 10%.

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

Significant Plans and Decisions:

Setting up of additional production facilities for auto rickshaw:

In order to cope with the rising market demand of Auto Rickshaws and considering the future potential growth in automobile sector, the Board of Directors of the Company has approved to set up additional production facilities for the manufacturing of Auto Rickshaws at Company's owned land located near Raiwind, Lahore.

After completion of this project the annual production capacity of Auto Rickshaws will increase from 20,000 units to 30,000 units. It is expected that this project will be completed by 30th June, 2018.

The estimated cost of this project will be around PKR 330 million which will be financed through 20% Debt and 80% Equity. The equity shall be arranged through internal cash generation of the Company.

It is hoped that this expansion will have positive effect on future earnings of the Company.

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



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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	4	5	2
Meetings Attended by the Directors:			
Mr. Mian Asad Hameed	4	N/A	N/A
Mr. Mian Zafar Hameed	4	5	N/A
Mr. Saeed Iqbal Khan	3	N/A	2
Mr. Mian Muhammad Ali Hameed	4	5	N/A
Mrs. Saira Asad Hameed	4	N/A	N/A
Mr. Ahsan Ejaz	4	5	2
Mrs. Amina Humza Wazir	4	N/A	2

- *Leave of absence was granted to the Director who could not attend the Board Meeting.*

Directors' Training Programs during the year: Out of seven, four directors namely Mrs. Saira Asad Hameed, Mr. Mian Muhammad Ali Hameed, Mr. Ahsan Ejaz and Mrs. Amina Hamza Wazir have acquired the Directors' Training Programme from SECP approved Institutions whereas three directors namely Mr. Mian Asad Hameed, Mr. Mian Zafar Hameed and Mr. Saeed Iqbal Khan fall under the exemption criteria under clause 5.19.7 of PSX Regulations.

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:

Purchase, sale of Shares and change in beneficial ownership:

	Purchase	Sale
Mr. Mian Zafar Hameed	-	39,500

There was no other reported transaction of sale or purchase of shares of the company by Executives, Company Secretary, Chief Financial Officer and their spouses or minor children during the period under review.

CHANGE IN OFFICE OF CFO:

During the current financial year, Mr. Muhammad Ansar Fareed resigned from the office of Chief Financial Officer of the Company with effect from 21.04.2016. The casual vacancy was filled in through the appointment of Mr. Muhammad Atif Rao as Chief Financial Officer of the Company with effect from 21.04.2016.

AUDITORS:

The present auditors retire and being eligible offers themselves for reappointment. The Audit Committee has also recommended for their reappointment.

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.

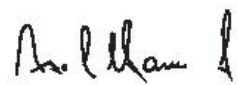
ACKNOWLEDGEMENT:

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 26, 2016

For and on behalf of the Board


MIAN ASAD HAMEED
CHIEF EXECUTIVE



ڈائریکٹرز کی رپورٹ

کمپنی کے ڈائریکٹرز 30 جون 2016 کو مکمل ہونے والے سال کیلئے آڈٹ شدہ مالی گوشواروں کے ہمراہ کمپنی کی سالانہ رپورٹ بخوشی پیش کرتے ہیں۔

کاروبار کا مجموعی جائزہ:

اللہ تعالیٰ کا شکر ہے اس سال کمپنی نے 100,000 رکشوں کی تاریخی پیداوار حاصل کی ہے۔ ملک میں امن وامان کی بہتر صورت حال خاص طور پر کراچی کے بہتر حالات کی وجہ سے رکشوں کی مانگ میں اضافہ ہوا ہے۔ سیکلزمیٹ ورک میں توسیع بھی سیکلز میں اضافے کا سبب بنی ہے۔ تاہم ٹریکٹر انڈسٹری اس سال توقع کے مطابق خاطر خواہ کارکردگی نہ دکھائی۔ ملت اور الفاہی ٹریکٹرز کی مجموعی پیداوار میں 41.11 فی صد کی کمی کی وجہ سے کمپنی کو ٹریکٹر ویل رمز کے کم آرڈر ملے۔ امید ہے کاروبار کا یہ حصہ اگلے سال میں اپنا مقام حاصل کر لے گا۔

مالیاتی نتائج:

2015	2016	
(روپے)	(روپے)	
99,655,475	153,957,796	منافع قبل از ٹیکس
25,972,571	46,288,058	ٹیکس کا تخمینہ
73,682,904	107,669,738	منافع بعد از ٹیکس
(3,084,998)	770,274	کمپنی کے دوسرے سالانہ محاصل (نقصان)
384,570,265	419,223,435	گزشتہ غیر مختص شدہ منافع (Brought Forward)
455,168,171	527,663,447	منافع جو مختص کرنے کے لئے دستیاب ہے
		تخصیصات:
17,972,368	17,972,368	10 فی صد عبوری نقد منقسمہ منافع (2015:10%)
17,972,368	26,958,552	15 فی صد تجویز کردہ حتمی نقد منقسمہ منافع (2015:10%)
35,944,736	44,930,920	
419,223,435	482,732,527	غیر مختص شدہ منافع (Carried Forward)

سیکلز آمدنی:

اس سال کمپنی کی مجموعی سالانہ سیکلز میں 16.18 فی صد اضافہ ہوا پچھلے مالیاتی سال کے مقابلہ میں سیکلز آمدنی 2,473.66 ملین روپے سے بڑھ کر اس سال 2,873.87 ملین روپے ہو گئی ہے۔

حصہ وار سیکلز آمدنی:

اس سال آٹو رکشہ کی مجموعی سیکلز پچھلے سال کے مقابلہ میں 2,014.83 ملین روپے سے بڑھ کر 2,531.19 ملین روپے ہو گئی ہے۔ جو کہ 25.63 فی صد اضافہ ہے۔ آٹو موٹیو پارٹس کی سیکلز پچھلے سال کے مقابلہ میں 446.01 ملین روپے سے کم ہو کر 334.74 ملین روپے ہو گئی ہے۔ جو کہ 24.95 فی صد کم بنتی ہے۔ ہوم اپلائنس کی سیکلز میں اس سال کی کاروبار میں رہا۔ جو کہ پچھلے مالی سال 12.82 ملین روپے سے کم ہو کر 7.94 ملین روپے ہو گئی ہے۔

اللہ تعالیٰ کے فضل و کرم سے کمپنی نے آٹو رکشہ کی فروخت میں اضافہ کی بدولت مجموعی فروخت کی بلند ترین سطح کو حاصل کیا۔ امن وامان کی بہتر صورت حال اور سیکلزمیٹ ورک کی توسیع نے اس سنگ میل کو عبور کرنا ممکن بنایا۔ اس سال کے دوران کمپنی نے 17,405 آٹو رکشہ فروخت کئے جبکہ پچھلے مالی سال میں 13,991 آٹو رکشہ کی فروخت کی۔ اس کے برعکس ٹریکٹر کی پیداوار میں کمی نے ٹریکٹر بنانے والے اداروں سے ویل رم کے آرڈر کو بری طرح متاثر کیا۔ وریل پول (Whirlpool) برانڈ کے مائیکرو ہوا دہن اور ایئر کنڈیشنر کی فروخت میں کمی کی وجہ سے مجموعی طور پر ہوم اپلائنس کی فروخت میں کمی ہو گئی ہے۔



مجموعی منافع:

کمپنی کا مجموعی منافع 54.47 ملین روپے کے اضافہ کے ساتھ پچھلے سال کے مقابلہ میں 234.21 ملین روپے سے بڑھ کر 288.69 ملین روپے ہو گیا ہے۔ مجموعی منافع کا تناسب بھی 9.47 فی صد سے بڑھ کر 10.05 فی صد ہو گیا ہے۔

آپریٹنگ اخراجات:

کمپنی کے آپریٹنگ اخراجات کمپنی کی فروخت میں اضافہ کے مطابق معیاری ہیں۔

قبل از ٹیکس منافع:

کمپنی کا قبل از ٹیکس منافع 54.30 ملین روپے کے اضافہ کے ساتھ پچھلے سال کے مقابلہ میں 99.66 ملین روپے سے بڑھ کر 153.96 ملین روپے ہو گیا ہے۔

آمدنی فی حصص:

اس سال 5.99 روپے فی حصص آمدنی پچھلے سال کی 4.10 روپے فی حصص آمدنی سے زیادہ رہی۔ جو کہ حصص داران کے لئے دستیاب منافع میں اضافہ کو ظاہر کرتی ہے۔

پیداوار:

اس سال کمپنی نے 90 فی صد سے زائد پیداواری صلاحیت کو استعمال کرتے ہوئے رکشہ کی بلند ترین پیداوار کی سطح کو حاصل کیا۔ رکشوں کی پیداوار کی تعداد 31.34 فی صد اضافے کے ساتھ پچھلے سال کے مقابلہ میں 13,713 سے بڑھ کر اس سال 18,010 رہی۔ جبکہ دیل رم کی تعداد 23.73 فی صد کی کے ساتھ پچھلے سال کے مقابلہ میں 85,328 سے کم ہو کر اس سال 65,080 رہی۔

نمایاں تبدیلیاں:

سوائے ان تبدیلیوں کے جو کہ مالی گوشواروں میں ظاہر کر دی گئی ہیں کوئی نمایاں تبدیلی یا معاہدہ جو کہ کمپنی کی مالی پوزیشن پر اثر انداز ہو سکے، مالی گوشواروں اور رپورٹ کی تاریخ کے دوران نہیں ہوا ہے۔

نقد منقسمہ منافع:

بورڈ آف ڈائریکٹرز نے 26 ستمبر 2016 کو اپنے منعقدہ اجلاس میں حتمی نقد منافع منقسمہ 1.50 روپے فی حصص یعنی 15 فی صد تجویز کیا ہے۔ جس سے اس سال کا مجموعی نقد منقسمہ منافع بشمول 10 فی صد عبوری نقد منقسمہ منافع کے ساتھ 25 فی صد ہو گیا ہے جس کی توثیق کمپنی کے آئندہ 25 ویں سالانہ اجلاس عام میں کی جائے گی۔

مستقبل پر نقطہ نظر:

4- اسٹروک آؤٹر کش:

آبادی میں اضافہ خاص طور پر شہروں کی تیزی سے بڑھتی ہوئی آبادی نے پبلک ٹرانسپورٹ کی سہولت کی ضرورت کو بڑھا دیا ہے۔ کمپنی کے پاس ایک شہری موقع ہے کہ وہ قوم کو محفوظ، آرام دہ اور مناسب قیمت کے ٹرانسپورٹ کے ذرائع مہیا کر کے ترقی کر سکتی ہے، آؤٹر کش عام لوگوں کے لئے نہ صرف ٹرانسپورٹ کی ضرورت پوری کرتا ہے بلکہ یہ ایک خاندان کے لئے ایک کاروبار بن چکا ہے۔ کمپنی اپنے آپ کو پابند کرتی ہے کہ وہ اعلیٰ معیار کی اشیاء مہیا کرنے کے لئے اپنا تحقیق اور ترقی کا کام جاری رکھے گی۔ جس سے کمپنی کے معزز گاہکوں کی ٹرانسپورٹ کی ضرورت پوری ہو سکے گی۔ مستقبل پر نظر رکھتے ہوئے آپ کی کمپنی آؤٹر کش کی مارکیٹ ڈیمانڈ میں اضافہ کی توقع رکھتی ہے۔

آٹوموٹیو پارٹس:

اس سال زرعی سکٹر کوئی خاطر خواہ کارکردگی نہ دکھاسکا جس نے کسانوں کی قوت خرید کو بری طرح متاثر کیا اس سال کے دوران غریکٹروں کی ہنگ کم ترین سطح پر رہی۔ وفاقی بجٹ 2016-17 میں حکومت نے زرعی سکٹر میں اصلاحات کا اعلان کیا ہے اور زرعی سکٹر کی خریداری پریکٹیس میں 25 جون 2016 سے 5 فی صد کمی کا اعلان کیا ہے۔ امید کی جاتی ہے کہ آئندہ آنے والے سال میں زرعی سکٹر اپنی پہلی والی پوزیشن میں آجائے گا۔

ادارے کی سماجی ذمہ داری:

کمپنی کی یہ سماجی ذمہ داری ہے کہ وہ اپنے ملازمین، ان کے اہل خانہ، اپنے ارد گرد کے لوگوں اور اپنے معاشرے کے لوگوں کے رہنے کے معیار کو بلند کرنے کیلئے اقدامات جاری رکھے۔ اس سال کمپنی نے سماجی ذمہ داری کے تحت مندرجہ ذیل خدمات سرانجام دیں۔



صحت:

کمپنی نے 150,000 روپے مختلف ہیڈ کوارٹرز کے غریب اور مستحق لوگوں کو مفت طبی سہولیات فراہم کرتے ہیں۔

تعلیم:

کمپنی نے ان اداروں کو 200,000 روپے دیے جو کہ نہ صرف غریب بچوں کی دیکھ بھال کرتے ہیں بلکہ ان کو بلا سناوضہ تعلیم فراہم کرتے ہیں۔

مالی معاونت:

کمپنی نے 239,620 روپے اپنے مزید ملازمین کے اہل خانہ کی فلاح و بہبود اور ان کے بچوں کی تعلیم کے لیے خرچ کئے۔

جج سپانسرز شپ:

ہر سال کمپنی 2 ملازمین جج پر بھیجتی ہے۔ جس سے ان کو روحانی تسکین ملتی ہے۔ تاہم اس سال کمپنی اپنے تین ملازمین بھیجنے میں کامیاب رہی۔ ملازمین کا انتخاب قریب انداز سے کیا جاتا ہے۔ کمپنی نے اس سال 852,843 روپے خرچ کئے۔

معذور افراد کے لیے روزگار:

کمپنی معذور افراد کے لیے روزگار پیدا کرتی ہے۔ تاکہ وہ معاشرے کے باعزت اور خود مختار افراد بن سکیں۔ اس وقت کمپنی میں 22 معذور افراد کام کرتے ہیں۔

پینے کا صاف پانی:

پینے کا صاف پانی ملازمین کی صحت کے لیے اہم ہے۔ کمپنی اپنے ملازمین کو صاف اور فلٹر شدہ پینے کا پانی مہیا کرتی ہے تاکہ وہ صحت مند اور مختلف بیماریوں سے محفوظ رہیں۔

ماحولیاتی حفاظت:

ضیاعیات اور کڑن کو مناسب طریقے سے سنبھالا اور تصرف میں لایا جاتا ہے۔ کمپنی کی پیداوار کا کڑن، مواد کی صورت میں نئی اشیاء بنانے میں بھی استعمال ہوتا ہے۔ جس کی وجہ سے ماحول آلودہ نہیں ہوتا۔

قومی خزانے میں شراکت:

ایک ممبر دار شہری کی حیثیت سے آپ کی کمپنی نے انکم ٹیکس، سیلز ٹیکس، سسٹم ڈیوٹی اور ایکسائز کی مد میں پچھلے سال 569.01 ملین روپے کے مقابلہ میں 660.70 ملین روپے جمع کرائے۔ یہ بڑھتی فروخت میں اضافہ کی وجہ سے ہے۔

کوڈ آف کارپوریٹ گورننس کی تعمیل:

آپ کی کمپنی کے ڈائریکٹرز بخوشی بیان کرتے ہیں کہ کوڈ آف کارپوریٹ گورننس کی وہ تمام دفعات جو کہ کمپنی پر موجودہ سال میں نافذ العمل ہیں ان کی تعمیل کی گئی ہے کوڈ کے مطلوبہ مختلف بیانات درج ذیل ہیں۔

مالی گوشواروں کی عکاسی:

کمپنی کی انتظامیہ کی طرف سے تیار کردہ مالیاتی گوشوارے اس کے معاملات، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلو اور ایکویٹی (Equity) میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔

اکاؤنٹس کی کتابیں:

کمپنی نے باضابطہ طور پر اکاؤنٹس کے کھاتوں کو برقرار رکھا ہے۔

اکاؤنٹنگ پالیسیاں:

ان مالیاتی گوشواروں کی تیاری میں مخصوص اکاؤنٹنگ پالیسیوں کی مستقل بنیادوں پر پیروی کی گئی ہے۔ اور اکاؤنٹنگ کے تخمینے معقول اور دانش مندانہ رائے پر مبنی ہیں۔

انٹرنیشنل فنانشل رپورٹنگ سٹینڈرڈز کی پیروی:

ان مالیاتی گوشواروں کی تیاری میں فنانشل رپورٹنگ کے بین الاقوامی معیار کی، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، پیروی کی گئی ہے۔

انٹرنل کنٹرول سسٹم:

انٹرنل کنٹرول کا نظام اپنے ڈیزائن کے اعتبار سے مستحکم ہے اور اس کا موثر اطلاق اور نگرانی کی جاتی ہے۔ کنٹرول میں بہتری کے لئے مستقبل میں بھی نگرانی جاری رہے گی۔

کام جاری رکھنے کی اہلیت:

بطور ادارہ کمپنی کے کام جاری رکھنے کی اہلیت پر کوئی نمایاں شک نہیں ہے۔



کارپوریٹ گورننس کے اصول:

متعین کردہ اصول و ضوابط میں تفصیلاً درج کارپوریٹ گورننس کے رہنما اصولوں سے انحراف نہیں کیا گیا ہے۔

پچھلے سالوں کا فنانشل ڈیٹا:

گزشتہ چھ سال کا اہم کاروباری اور مالیاتی ڈیٹا اس سالانہ رپورٹ سے منسلک (Annexure A) ہے۔

منقسمہ منافع:

بورڈ نے 15 فی صد حتمی نقد منقسمہ منافع تجویز کیا ہے۔ جو کہ اس سال کے دوران دیے گئے 10 فی صد عبوری نقد منقسمہ منافع کو شامل کرنے کے بعد 25 فی صد بن جاتا ہے۔

واجب الادا قانونی واجبات:

واجب الادا قانونی محصولات مالیاتی گوشواروں کے نوٹس میں دیے گئے ہیں۔

اہم فیصلے اور منصوبے:

رکشوں کی پیداوار کے لئے مزید پیداواری سہولتوں کا قیام:

کمپنی کے بورڈ آف ڈائریکٹرز نے مستقبل میں آٹوموبائل سیکٹر میں ترقی کو مد نظر رکھتے ہوئے اور آئندہ رکشہ کی بڑھتی ہوئی مارکیٹ کی طلب کو پورا کرنے کے لئے رائیونڈ لاہور کے قریب واقع کمپنی کی زمین پر آٹو رکشہ کی پیداوار کے لئے مزید پیداواری سہولتوں کے قیام کی منظوری دی ہے۔ اس منصوبہ کی تکمیل کے بعد آئندہ رکشہ کی پیداواری صلاحیت سالانہ 20,000 یونٹس سے بڑھ کر 30,000 یونٹس ہو جائے گی توقع کی جاتی ہے کہ یہ منصوبہ 30 جون 2018 تک مکمل کر لیا جائے گا۔ اس منصوبے کا اندازہ تخمینہ 330 ملین روپے کے قریب ہوگا جو کہ 20 فی صد قرضے اور 80 فی صد ایکویٹی سے پورا کیا جائے گا۔ ایکویٹی کمپنی کے اندرونی نقد منافع سے حاصل کی جائے گی۔ امید ہے کہ اس وسعت سے کمپنی کے آئندہ سالوں کے منافع پر مثبت اثر پڑے گا۔

کاروبار کا ضابطہ اخلاق:

کمپنی نے کاروبار کا ضابطہ اخلاق تیار کیا ہے اور یقین دہانی کی گئی ہے کہ اس سے متعلقہ پالیسیوں اور طریقہ کار کو پوری کمپنی میں پھیلا یا جائے۔ اس کو کمپنی کی ویب سائٹ پر بھی نمایاں کیا گیا ہے۔

بورڈ اور کمپنی اجلاسوں میں حاضری:

اس سال کے دوران بورڈ اور کمیٹیوں کے منعقدہ اجلاسوں کی تعداد کی تفصیل اور ہر ڈائریکٹر کی حاضری درج ذیل ہے۔

کل تعداد اجلاس	بورڈ	آڈٹ کمیٹی	ہیومن ریسورس کمیٹی
4	4	5	2
جناب میاں اسد حمید	4	لاگو نہیں	لاگو نہیں
جناب میاں ظفر حمید	4	5	لاگو نہیں
جناب سعید اقبال خان	3	لاگو نہیں	2
جناب میاں محمد علی حمید	4	5	لاگو نہیں
محترمہ سائرہ اسد حمید	4	لاگو نہیں	لاگو نہیں
جناب احسن اعجاز	4	5	2
محترمہ آمنہ حمزہ دوزیر	4	لاگو نہیں	2

وہ ڈائریکٹر جو میٹنگ میں شرکت نہیں کر سکا ان کی غیر موجودگی کی رخصت قبول کی گئی ہے۔



سال کے دوران ڈائریکٹرز ٹریننگ پروگرام:

سات میں سے چار ڈائریکٹرز یعنی محترمہ سائرہ اسد حمید، جناب میاں محمد علی حمید، جناب احسن اعجاز اور محترمہ آمنہ حمزہ وزیر نے ایس ای سی پی کے منظور شدہ اداروں سے ڈائریکٹرز ٹریننگ پروگرام حاصل کر لیا ہے۔ جبکہ تین ڈائریکٹرز یعنی جناب میاں اسد حمید، جناب میاں ظفر حمید اور جناب سعید اقبال خان کو پاکستان اسٹاک ایکسچینج لیجیٹ کے ضابطے کی شق 5.19.7 کے تحت استثناء حاصل ہے۔

شیئر ہولڈنگ کی ترتیب:

شیئر ہولڈنگ کی ترتیب بطور Annexure B اور Annexure B/1 لف ہے۔

کمپنی کے حصص میں تجارت:

سال کے دوران ڈائریکٹرز، ایگزیکٹوز اور ان کی بیویوں اور تابع بچوں کی طرف سے حصص میں تجارت۔

حصص کی خرید و فروخت اور ان میں تبدیلی:

فروخت حصص

39,500

خرید حصص

-

جناب میاں ظفر حمید

اس کے علاوہ کمپنی کے کسی ایگزیکٹو، کمپنی سیکرٹری، چیف فنانشل آفیسر اور ان کی بیویوں یا ان کے تابع بچوں نے کمپنی کے حصص کی خرید و فروخت کے متعلق کوئی اطلاع اس سال کے دوران کمپنی کو نہیں دی ہے۔

CFO کے آفس میں تبدیلی:

رداں مالی سال کے دوران محمد ناصر فرید نے 21 اپریل 2016 کو کمپنی کے چیف فنانشل آفیسر کے عہدے سے استعفیٰ دیا تھا۔ یہ عارضی آسامی 21 اپریل 2016 کو محمد عاطف راز کو بطور CFO تقرری کر کے پوری کر دی گئی تھی۔

آڈیٹر:

آڈیٹر زربٹا زہور ہے ہیں اور اہلیت کہ بنیاد پر انہوں نے اپنے آپ کو دوبارہ تقرری کے لئے پیش کیا ہے۔ بورڈ کی آڈٹ کمیٹی نے بھی ان کی دوبارہ تقرری کی سفارش کی ہے۔

ملازمین سے تعلقات:

انتظامیہ اور ملازمین کے تعلقات بہت خوشگوار ہیں اور یہ امید کی جاتی ہے کہ دونوں کمپنی کے مطلوبہ مقاصد کے حصول کے لئے ایک ہی جذبے کے ساتھ کام کریں گے۔

اظہار تشکر:

ہم اپنی کمپنی کے ملازمین کی ان تھک کوششوں، ٹیم ورک اور لگن جس کا اظہار انہوں نے موجودہ سال کے دوران کیا ہے کے شکر گزار ہیں۔ ہم اپنے معزز حصص داران، گاہکوں، سپلائرز اور مالی اداروں کے کمپنی کے ساتھ مسلسل تعاون کرنے پر بھی شکر گزار ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

Amal Hamid

میاں اسد حمید

چیف ایگزیکٹو

لاہور: 26 ستمبر 2016



Sazgar Engineering Works Limited

SUMMARY OF LAST SIX YEARS' FINANCIAL RESULTS

ANNEXURE-A

Description	2016	2015	2014	2013	2012	2011
				Re-stated	Re-stated	
						R U P E E S
Profit & Loss Account:						
Turnover	2,873,866,541	2,473,657,974	2,105,849,488	1,881,495,911	2,725,640,195	2,542,525,796
Gross Profit	288,686,425	234,215,035	208,540,462	202,618,920	329,396,295	273,168,092
Operating Profit	149,453,460	104,654,289	90,089,120	100,159,619	199,747,593	161,336,205
Profit before taxation	153,957,796	99,655,475	87,627,820	96,090,726	195,034,910	147,763,543
Profit after taxation	107,669,738	73,682,904	60,441,273	66,507,038	126,084,180	91,223,826
Balance Sheet:						
Paid up share capital	179,723,680	179,723,680	179,723,680	179,723,680	179,723,680	149,769,730
Accumulated Profit	509,691,079	437,195,803	402,542,633	377,922,599	335,751,310	273,661,391
Fixed Capital Expenditure	244,653,763	250,828,978	259,271,383	252,105,344	241,207,604	239,070,775
Other long term assets	14,894,352	11,414,241	8,490,522	7,151,506	6,264,570	3,399,770
Net current assets / (liabilities)	548,424,835	461,424,514	408,993,285	387,959,590	341,632,379	244,115,479
Long term liabilities	118,558,191	106,748,250	94,488,877	89,570,160	73,629,565	63,154,903
Significant Ratios:						
Gross profit ratio %	10.05	9.47	9.90	10.77	12.09	10.74
Profit/(loss) before tax ratio %	5.36	4.03	4.16	5.11	7.16	5.81
Fixed assets turnover ratio %	1,174.67	986.19	812.22	746.31	1,130.00	1,063.50
Price earning ratio - times	5.26	9.39	10.41	5.66	4.42	4.47
Return on capital employed % (Before I & Tax)	18.50	14.46	13.31	15.48	33.91	33.16
Return on equity ratio (after Tax)	15.62%	11.94%	10.38%	11.93%	24.46%	21.54%
Market value per share (PSX) Rs.	31.50	38.50	35.00	20.94	31.00	22.71
Break up value per share	38.36	34.33	32.40	31.44	28.74	28.27
Long term Debt : Equity ratio	17 : 83	17 : 83	16 : 84	16:84	14:86	13:87
Current ratio	2.48 : 1	2.26 : 1	2.38 : 1	2.09:1	1.77:1	1.58:1
Interest cover ratio - times	56.39	14.39	14.47	10.60	17.62	10.55
Cash Dividend %						
Interim Dividend	10.00	10.00	10.00	0.00	10.00	10.00
Final Dividend	15.00	10.00	10.00	10.00	10.00	10.00
Script Dividend %	-	-	-	-	-	20.00
Earnings per share Rs.	5.99	4.10	3.36	3.70	7.02	5.08

Notes:

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



Sazgar Engineering Works Limited

FORM -34**ANNEXURE-B****THE COMPANIES ORDINANCE, 1984 (SECTION 236)****PATTERN OF SHAREHOLDING AS ON JUNE 30, 2016****Registration Number: 0025184**

NUMBER OF SHAREHOLDERS	FROM	SHAREHOLDING	TO	TOTAL SHARES HELD
138		1 -	100	2,635
120		101 -	500	42,930
85		501 -	1,000	80,072
262		1,001 -	5,000	574,187
47		5,001 -	10,000	365,981
24		10,001 -	15,000	298,152
10		15,001 -	20,000	186,240
7		20,001 -	25,000	153,779
3		25,001 -	30,000	86,871
4		30,001 -	35,000	132,000
1		35,001 -	40,000	36,000
1		40,001 -	45,000	41,500
1		45,001 -	50,000	45,091
2		50,001 -	55,000	102,143
2		60,001 -	65,000	124,934
1		75,001 -	80,000	75,271
1		80,001 -	85,000	80,288
2		95,001 -	100,000	200,000
1		100,001 -	105,000	101,500
1		125,001 -	130,000	125,452
2		135,001 -	140,000	277,497
1		145,001 -	150,000	150,000
1		155,001 -	160,000	159,000
1		160,001 -	165,000	163,000
1		170,001 -	175,000	171,500
1		175,001 -	180,000	176,500
1		225,001 -	230,000	226,000
1		305,001 -	310,000	309,488
1		380,001 -	385,000	381,136
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		1,490,001 -	1,495,000	1,494,000
1		2,950,001 -	2,955,000	2,953,396
1		4,605,001 -	4,610,000	4,609,571
730				17,972,368

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHARES HELD	PERCENTAGE OF SHAREHOLDING
I Directors, Chief Executive Officer, Their Spouse And Minor Children	11,994,921	66.74%
II Associated Companies, Undertakings & Related Parties	-	-
III NIT and ICP	-	-
IV Banks, Development Financial Institutions, Non Banking Financial Institutions	1,494,000	8.31%
V Insurance Companies	-	-
VI Modarabas and Mutual Funds	363,000	2.02%
VII Shareholders Holding Ten Percent and above	9,667,303	53.79%
VIII General Public		
a. Local	3,502,280	19.49%
b. Foreign	6,000	0.03%
IX Others (to be specified)		
Joint Stock Companies	234,123	1.30%

Mian Asad Hameed
MIAN ASAD HAMEED
 CHIEF EXECUTIVE



Sazgar Engineering Works Limited

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	330,500
CDC - Trustee NAFA Islamic Asset Allocation Fund	1	171,500
CDC - Trustee NAFA Islamic Stock Fund	1	159,000
III Directors, Chief Executive, Their Spouse And Minor Children	9	11,994,921
i. Mian Asad Hameed	1	7,562,967
ii. Mian Zafar Hameed	1	40,500
iii. Mian Muhammad Ali Hameed	1	2,104,336
iv. Mr. Saeed Iqbal Khan	1	811,443
v. Mrs. Saira Asad Hameed	1	1,143,975
vi. Mrs. Amina Humza Wazir	1	19,958
vii. Mr. Ahsan Ejaz	1	1,000
viii. Mrs. Naghmana Saeed W/o Mr. Saeed Iqbal Khan	1	309,488
ix. 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	4	1,892,000
Finance Companies, Insurance Companies, Takaful		
Modarabas, Pension Funds		
VII Shareholders Holding Five Percent or More Voting Interests	4	12,305,278
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	1,494,000
iv. Mrs. Saira Asad Hameed	1	1,143,975

MIAN ASAD HAMEED
CHIEF EXECUTIVE



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

NAME OF COMPANY: SAZGAR ENGINEERING WORKS LIMITED

YEAR ENDED JUNE 30, 2016

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 5.19 of the Rule Book of Pakistan Stock Exchange Limited (formerly Regulation No. 5.19 of the Rule Book of Karachi Stock Exchange Limited and Regulation No. 35 of Chapter XI of Listing Regulations of 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. Ahsan Ejaz
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

The independent directors meet the criteria of independence stated in Code of Corporate Governance.


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 NBFIs, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy was occurred on the Board of Directors 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, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive director, have been taken by the Board/Shareholders.
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. Out of seven, four directors namely Mrs. Saira Asad Hameed, Mr. Mian Muhammad Ali Hameed, Mr. Ahsan Ejaz and Mrs. Amina Hamza Wazir have acquired the Directors' Training Programme from SECP approved Institutions whereas three directors namely Mr. Mian Asad Hameed, Mr. Mian Zafar Hameed and Mr. Saeed Iqbal Khan fall under the exemption criteria under clause 5.19.7 of PSX Regulations.
10. The Board has approved the appointment of CFO including his remuneration and terms and conditions of his employment whereas there is no change in the office of Company Secretary and Head of Internal Audit of the Company during the year.



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

Lahore:
September 26, 2016


MIAN ASAD HAMEED
CHIEF EXECUTIVE



KABANI & COMPANY

CHARTERED ACCOUNTANTS

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE 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** ("the Company") for the year ended June 30, 2016, to comply with the requirements of Listing Regulation No. 35 of the Pakistan Stock Exchange Limited 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 of 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 approval of 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, 2016.

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Kabani & Company

Chartered Accountants

Lahore: September 26, 2016

Engagement Partner: Muhammad Yousaf

Email: info@kabanico.com.pk www.kabanico.com.pk



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, 2016** 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;
 - (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, 2016 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.

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Kabani & Company
Chartered Accountants
Lahore: September 26, 2016

Engagement Partner: Muhammad Yousaf

Email: info@kabanico.com.pk, www.kabanico.com.pk

**BALANCE SHEET AS**

	Note	June 30, 2016	June 30, 2015
		Rupees	
EQUITY AND LIABILITIES			
EQUITY			
Authorized share capital			
50,000,000 (June 2015: 50,000,000)			
ordinary shares of Rupees 10 each		500,000,000	500,000,000
Issued, subscribed and paid-up share capital	5	179,723,680	179,723,680
Revenue reserve - Un-appropriated Profit		509,691,079	437,195,803
		689,414,759	616,919,483
LIABILITIES			
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	6	56,310	848,816
Deferred Liabilities	7	118,501,881	105,899,434
CURRENT LIABILITIES			
Trade and other payables	8	320,181,524	313,390,957
Mark-up & Profit accrued on loans and other payables	9	5,536	335,845
Short term borrowings	10	-	16,248,282
Current portion of long term liabilities	11	773,456	2,232,871
Provision for Taxation	12	48,745,424	32,786,233
		369,705,940	364,994,188
CONTINGENCIES AND COMMITMENTS	13	-	-
TOTAL EQUITY AND LIABILITIES		1,177,678,890	1,088,661,921

The annexed notes 1 to 45 form an integral part of these financial statements.

MIAN ASAD HAMEED
CHIEF EXECUTIVE



Sazgar Engineering Works Limited

AT JUNE 30, 2016

	Note	June 30, 2016	June 30, 2015
Rupees			
ASSETS			
NON CURRENT ASSETS			
Property, Plant and Equipment	14	244,518,158	250,596,211
Intangible Assets	15	135,605	232,767
LONG TERM LOANS AND ADVANCES	16	13,457,215	9,777,104
LONG TERM DEPOSITS	17	1,437,137	1,637,137
CURRENT ASSETS			
Stores, spares and loose tools	18	2,982,191	2,508,204
Stock-in-trade	19	486,882,925	550,465,977
Trade debts	20	92,494,400	146,544,038
Loans & advances	21	18,049,762	12,734,867
Trade deposits and short term prepayments	22	32,397,546	5,367,066
Other receivables	23	118,425,818	90,516,502
Cash and bank balances	24	166,898,133	18,282,048
		918,130,775	826,418,702
TOTAL ASSETS		1,177,678,890	1,088,661,921


SAEED IQBAL KHAN
 DIRECTOR



**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2016**

		June 30, 2016	June 30, 2015
	Note	Rupees	
Sales - Net	25	2,873,866,541	2,473,657,974
Cost of sales	26	2,585,180,116	2,239,442,939
Gross Profit		288,686,425	234,215,035
Distribution cost	27	69,547,356	65,103,937
Administrative expenses	28	56,919,426	51,669,989
Other operating expenses	29	12,766,183	12,786,810
		139,232,965	129,560,736
		149,453,460	104,654,299
Other income	30	7,284,005	2,442,340
Operating profit before finance cost		156,737,465	107,096,639
Finance cost	31	2,779,669	7,441,164
Profit before taxation		153,957,796	99,655,475
Taxation	32	46,288,058	25,972,571
Profit after taxation		107,669,738	73,682,904
Earnings per share - Basic and diluted	33	5.99	4.10

The annexed notes 1 to 45 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, 2016

Note	June 30, 2016	June 30, 2015
	Rupees	

PROFIT AFTER TAXATION FOR THE YEAR	107,669,738	73,682,904
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 plan obligation	7.1.2 770,274	(3,084,998)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	108,440,012	70,597,906

The annexed notes 1 to 45 form an integral part of these financial statements.


MIAN ASAD HAMEED
CHIEF EXECUTIVE

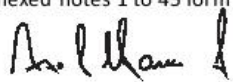

SAEED IQBAL KHAN
DIRECTOR



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	Note	June 30, 2016	June 30, 2015
		Rupees	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	34	275,555,449	98,773,546
Financial costs paid		(3,109,978)	(7,573,110)
Income tax paid/deducted at source		(50,917,560)	(54,120,299)
Employees retirement benefit - Gratuity Paid		(3,865,506)	(6,410,005)
Workers Profit Participation Fund Paid		(5,354,439)	(4,731,493)
Net cash generated from operating activities		212,307,966	25,938,639
CASH FLOW FROM INVESTING ACTIVITIES			
Property, Plant and Equipment Purchased		(18,742,939)	(11,174,468)
Decrease in long term security deposits		200,000	20,000
Proceeds from sale of Property, Plant and Equipment		9,095,000	720,000
Security deposits with leasing companies		-	(158,850)
Net cash used in investing activities		(9,447,939)	(10,593,318)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds of short term borrowings		46,415,100	203,544,299
Repayment of short term borrowings		(62,663,382)	(191,153,936)
Repayment of finance lease		(2,251,921)	(5,660,142)
Dividend Paid		(35,743,739)	(35,585,176)
Net cash used in financing activities		(54,243,942)	(28,854,955)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		148,616,085	(13,509,635)
CASH AND CASH EQUIVALENTS			
AT THE BEGINNING OF THE YEAR		18,282,048	31,791,683
CASH AND CASH EQUIVALENTS			
AT THE END OF THE YEAR	35	166,898,133	18,282,048

The annexed notes 1 to 45 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, 2016

	Share Capital Rupees	Un-appropriated Profit Rupees	Total Rupees
Balance as at June 30, 2014	179,723,680	402,542,633	582,266,313
Final Dividend for the year ended June 30, 2014 @ Re.1.00 per share	-	(17,972,368)	(17,972,368)
Interim Dividend for the year ended June 30, 2015 @ Re.1.00 per share	-	(17,972,368)	(17,972,368)
Total Comprehensive Income for the Year ended June 30, 2015	-	70,597,906	70,597,906
Balance as at 30, 2015	179,723,680	437,195,803	616,919,483
Balance as at June 30, 2015	179,723,680	437,195,803	616,919,483
Final Dividend for the year ended June 30, 2015 @ Re.1.00 per share	-	(17,972,368)	(17,972,368)
Interim Dividend for the year ended June 30, 2016 @ Re.1.00 per share	-	(17,972,368)	(17,972,368)
Total Comprehensive Income for the year ended June 30, 2016	-	108,440,012	108,440,012
Balance as at 30, 2016	179,723,680	509,691,079	689,414,759

The annexed notes 1 to 45 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, 2016

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 the Pakistan Stock Exchange Limited. The Company is engaged in the manufacture and sale of automobiles, automotive parts and household electric appliances. The registered office of the company is situated at 88- Ali Town, Thokar Niaz Baig, Raiwind Road, Lahore.

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, 2015 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.

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:

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the companies having accounting periods beginning on or after July 01, 2016 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.

3 SIGNIFICANT ACCOUNTING POLICIES

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

Employee benefits

Defined benefit plan

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

The Company operates an unfunded gratuity scheme for all its permanent employees. The provision is made on the basis of



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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. 14.1 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, 2016**

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 realised.

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.

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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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.

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.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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:

	Notes
a) Liability in respect of staff retirement benefits.	3.1
b) Useful life of depreciable Property, Plant and Equipment and amortizable Intangible assets.	3.3 & 3.5
c) Taxation	3.7
d) Contingencies and Commitments	13
e) Stock in trade	3.10

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 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

JUNE 2016 Number	JUNE 2015 Number	Note	JUNE 2016 Rupees	JUNE 2015 Rupees
7,163,000	7,163,000		71,630,000	71,630,000
		Ordinary shares of Rupees 10 each fully paid in cash		
10,809,368	10,809,368	5.1	108,093,680	108,093,680
		Ordinary shares of Rupees 10 each allotted as bonus shares		
<u>17,972,368</u>	<u>17,972,368</u>		<u>179,723,680</u>	<u>179,723,680</u>

5.1 No bonus shares (2015: Nil) were issued by the company during the current year.

6 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of minimum lease payments	11	829,766	3,081,687
Less: Current portion shown under current liabilities		(773,456)	(2,232,871)
		<u>56,310</u>	<u>848,816</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		821,568	2,469,179
Less: Future finance charges		48,112	236,308
Present value		<u>773,456</u>	<u>2,232,871</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	Note	JUNE 2016 Rupees	JUNE 2015 Rupees
Due later than one year and not later than five years:			
Minimum lease payments		57,894	901,274
Less: Future finance charges		1,584	52,458
Present value		56,310	848,816
		829,766	3,081,687

The Company has entered into finance lease arrangements with leasing companies for lease of motor vehicles. The lease term of these arrangements is three years (2015: three years). The minimum lease payments have been discounted using the effective interest rates implicit in leases ranging from 12.72% to 12.94% per annum (June 30, 2015: From 12.13% to 12.94%) 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 0.53 million (June 30, 2015: 1.83 million), lessor's title to leased assets and personal guarantees of some directors of the Company. The Company intends to exercise its options to purchase the leased assets upon completion of the lease term.

7 DEFERRED LIABILITIES

Employee benefits obligation	7.1	93,494,529	79,464,470
Deferred taxation	7.2	25,007,352	26,434,964
		118,501,881	105,899,434

7.1 Employee benefits obligation

7.1.1 Net liability recognized in the balance sheet

Present value of defined benefit obligations	93,494,529	79,464,470
	93,494,529	79,464,470

7.1.2 Movement in the net liability recognized in the balance sheet

Net liability as at 1st July	79,464,470	65,363,532
Expense recognized in the profit & loss account	7.1.3 18,665,839	17,425,945
Liability discharged during the year	(3,305,166)	(6,410,005)
Benefit Payable transferred to Short Term Liability	(560,340)	-
Remeasurement recognized in other comprehensive income	(770,274)	3,084,998
Net liability as at June 30	93,494,529	79,464,470

7.1.3 Expense recognized in the profit & loss account

Current service cost	11,106,497	9,189,940
Interest cost	7,559,342	8,236,005
	18,665,839	17,425,945



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	Note	JUNE 2016 Rupees	JUNE 2015 Rupees
7.1.4 Distribution of expense recognized in the profit & loss account			
The expense is recognized in the following line items in the profit & loss account under the head salaries, wages and other benefits.			

Cost of sales	14,156,746	13,291,802
Administrative expenses	3,632,928	3,372,201
Distribution cost	876,165	761,942
	<u>18,665,839</u>	<u>17,425,945</u>

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

June 30, 2016

Discount Rate + 100 bps	85,253,700
Discount Rate - 100 bps	103,281,660
Salary Increase + 100 Bps	103,469,264
Salary Increase - 100 Bps	84,942,214

7.1.6 Remeasurement recognised in Other Comprehensive Income

Actuarial (gain) / losses from changes in financial assumptions	(647,381)	-
Experiences adjustments	<u>(122,893)</u>	<u>3,084,998</u>
Total remeasurement recognised in Other Comprehensive Income	<u>(770,274)</u>	<u>3,084,998</u>

7.1.7 The amount of expected expense of gratuity benefit in 2016-17 will be Rs. 18,351,392/- as per the actuary's report.

7.1.8 The average duration of defined benefit obligation (unfunded) is 9.6 years (June 30, 2015, 9 Years).

7.1.9 Principal actuarial assumptions

The company has carried out actuarial valuation as at June 30, 2016 under the 'Projected Unit Credit Actuarial Cost Method'. The main assumptions used for actuarial valuation are as follows:

Discount rate for year end Obligation	7.25 % p.a.	9.75 % p.a.
Discount rate for interest cost in P&L charge	9.75 % p.a.	13.25 % p.a.
Expected rate of future salary increase	6.25 % p.a.	8.75 % p.a.
Mortality rates	SLIC 2001-2005 Setback 1 Ye ar	SLIC 2001-2005 Setback 1 Year
Retirement age assumption	60 Ye ars	60 Years

7.2 Deferred taxation

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

Accelerated depreciation for tax purposes	25,270,833	27,444,497
Liabilities under finance lease that are deducted for tax purposes only when paid	<u>(263,481)</u>	<u>(1,009,533)</u>
	<u>25,007,352</u>	<u>26,434,964</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

8 TRADE AND OTHER PAYABLES

	Note	JUNE 2016 Rupees	JUNE 2015 Rupees
Creditors		252,618,272	239,960,225
Advances from trade customers		31,133,240	5,807,156
Accrued liabilities		11,102,138	18,486,016
Murabaha Payable: (Islamic)			
Meezan Bank Limited	8.1	-	16,681,711
Habib Bank Limited	10.5	-	22,587,743
Sales tax payable		9,677,069	163,667
Income tax deducted at source		2,539,878	797,186
Unclaimed Dividend		1,694,293	1,493,296
Payable towards:			
Workers' Profit Participation Fund	8.2	8,287,790	5,354,439
Workers' Welfare Fund	8.3	3,128,844	2,059,518
		<u>320,181,524</u>	<u>313,390,957</u>

8.1 Total amount of facility available from Meezan Bank Limited under Murabaha arrangement is Rs.100 million (June 30, 2015: Rs. 40 Million) for a maximum period of 180 days (June 30, 2015: 180 Days). The profit margin is charged at the rate of respective KIBOR plus spread of 2.0% (June 30, 2015: KIBOR plus spread of 2.0%) with Floor of Nil (June 30, 2015: 9%) and Cap of Nil (June 30, 2015: 22%) per annum. This facility is secured against Paripassu charge over fixed assets (Land, Building and Machinery) of the company amounting to Rs. 134.00 million (June 30, 2015: Rs. 54 Million) with Nil margin (June 30, 2015: 25%), first Paripassu charge over present and future current assets of the company amounting to Rs. 100.00 million (June 30, 2015: 40 Million) and personal guarantees of some of the directors. The un-utilized amount of this facility as at balance sheet date is Rs. 100.00 million (June 30, 2015: 23.32 Million).

8.2 Workers' Profit Participation Fund

Balance at beginning of the year		5,354,439	4,731,493
Charged during the year	29	8,287,790	5,354,439
		<u>13,642,229</u>	<u>10,085,932</u>
Payment made during the year		(5,354,439)	(4,731,493)
		<u>8,287,790</u>	<u>5,354,439</u>

8.3 Workers' Welfare Fund

Balance at beginning of the year		2,059,518	1,832,231
Charged during the year		3,128,844	2,059,518
Adjustment for prior years		(63,683)	(465,867)
Charged to Profit & Loss account	29	3,065,161	1,593,651
		<u>5,124,679</u>	<u>3,425,882</u>
Payment made during the year		(1,995,835)	(1,366,364)
		<u>3,128,844</u>	<u>2,059,518</u>

9 MARK-UP ACCRUED ON LOANS AND OTHER PAYABLES

Short term borrowing - secured	3,229	287,175
Liabilities against assets subject to finance lease	2,307	4,953
Profit on Murabaha Payable	-	43,717
	<u>5,536</u>	<u>335,845</u>



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

10 SHORT TERM BORROWINGS	Note	JUNE 2016 Rupees	JUNE 2015 Rupees
Secured			
Running finance under mark-up arrangements - Conventional			
Allied Bank Limited	10.2	-	-
Habib Bank Limited	10.3	-	-
Finance against trust receipts - Conventional			
Allied Bank Limited	10.4	-	16,248,282
Habib Bank Limited	10.5	-	-
Islamic Financing Facilities			
Running Musharika	10.6	-	-
Istisna	10.7	-	-
		-	16,248,282

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

2016		
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
2015		
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.8).

- 10.2 Total amount of finance available under this facility is Rs. 45.00 million (June 30, 2015: Rs. 45.00 million). The mark-up is charged at the rate of three months average ask side Kibor plus 2.0% (June 30, 2015: three months average ask side Kibor plus 2.0%) with Floor rate of nil% (June 30, 2015: 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, 2015: 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, 2015: 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, 2015: 25% margin) on stocks. The un- utilized amount of this facility as at balance sheet date is Rs. 45.00 million (June 30, 2015: Rs. 45.00 million).
- 10.3 Total amount of finance available under this facility is Rs. 50.00 million (June 30, 2015: 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, 2015: 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, 2015: Rs. 214.00 million) and specifically secured against First pari passu Hypothecation Charge of Rs. 90.00 million (June 30, 2015: 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, 2015: 20% margin). The un-utilized amount of this facility as at balance sheet date is Rs 50.00 million (June 30, 2015: Rs. 50.00 million) .



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

- 10.4** Total amount available under this facility is Rs. 48.00 million (June 30, 2015: Rs. 48.00 million) for a maximum period of 90 days (June 30, 2015: of 90 days). The mark-up is charged at the rate of three months average ask side Kibor plus 2.00% (June 30, 2015: three months average ask side Kibor plus 2.0%) with floor rate of nil per annum (June 30, 2015: Nil). This facility is collaterally secured against First charge on present and future fixed assets for Rs. 185.00 million (June 30, 2015: 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, 2015: 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, 2015: Nil Margin). The un-utilized amount of this facility as at balance sheet date is Rs. 48 million (June 30, 2015: Rs. 31.75 million). The un-utilized amount of this facility can be used for opening Letter of Credit.
- 10.5** Total amount available under this facility is Rs. 40 million (June 30, 2015: Rs. 40.00 million) with an option to utilize under Murabaha Facility, for a maximum period of 120 days (June 30, 2015: 120 days). The mark-up is charged at the rate of three months average ask side Kibor plus 2.50% for FAT R and 2.00% for Murabaha, per annum (June 30, 2015: three months average ask side Kibor plus 2.00%, for murabaha and 2.50% for FAT R per annum). This facility is collaterally secured against First pari passu charge of Rs. 214 Million (June 30, 2015: 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, 2015: 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, 2015: 20%) of the Company, 5% Cash margin, (June 30, 2015: 5%), Trust Receipts and accepted bill of exchange. Out of this facility a sum of Nil (June 30, 2015: 22.59) has been utilized on account of Murabaha Facility (Note No.8). The balance un-utilized amount of this facility as at balance sheet date is Rs. 40.00 M (June 30, 2015: Rs. 17.41 Million) which can be used for opening of Letter of Credit.
- 10.6** Total amount of facility available from Meezan Bank Limited under Running Musharika arrangement is Rs. 60 million (June 30, 2015: Rs. Nil). The profit margin is charged on quarterly basis at the rate of respective KIBOR plus spread of 2.0% (June 30, 2015: Nil) per annum. This facility is secured against Paripassu charge over fixed assets (Land, Building and Machinery) of the company amounting to Rs. 134.00 million (June 30, 2015: Rs. Nil), first Paripassu charge over present and future current assets of the company amounting to Rs. 100.00 million (June 30, 2015: Nil) and personal guarantees of some of the directors. The un-utilized amount of this facility as at balance sheet date is Rs. 60.00 million (June 30, 2015: Nil).
- 10.7** Total amount of facility available from Meezan Bank Limited under Istisna arrangement is Rs. 40 million (June 30, 2015: Rs. Nil) for a maximum period of 180 days (June 30, 2015: Nil). The profit margin is charged at the rate of respective KIBOR plus spread of 2.0% (June 30, 2015: Nil) per annum. This facility is secured against Paripassu charge over fixed assets (Land, Building and Machinery) of the company amounting to Rs. 134.00 million (June 30, 2015: Nil), first Paripassu charge over present and future current assets of the company amounting to Rs. 100.00 million (June 30, 2015: Nil) and personal guarantees of some of the directors. The un-utilized amount of this facility as at balance sheet date is Rs. 40.00 million (June 30, 2015: Nil).
- 10.8** The usage of total amount of facilities of Rs. 143 Million (June 30, 2015: Rs. 143 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. 130.00 Million (June 30, 2015: 130.00 Million) at any point of time.

11. CURRENT PORTION OF LONG TERM LIABILITIES

		JUNE 2016 Rupees	JUNE 2015 Rupees
Liabilities against assets subject to finance lease	Note 6	773,456	2,232,871
		<u>773,456</u>	<u>2,232,871</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

12 PROVISION FOR TAXATION

	JUNE 2016 Rupees	JUNE 2015 Rupees
Balance at beginning	32,786,233	27,761,891
Add: Provision for the Year		
-Current Year	48,745,424	32,786,233
-Prior Year	(1,029,754)	(6,530,221)
Less: Payment/Adjustment during the year	(31,756,479)	(21,231,670)
	<u>48,745,424</u>	<u>32,786,233</u>

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

- 13.1.1** During the year, Deputy Director (Admin) of the Punjab Employees Social Security Institution has created a demand of Rs. 6,574,682 on account of social security contribution including increase thereon under section 23(1) of the Social Security Ordinance, 1965. The Company has filed an appeal with Commissioner Appeals against this order, which is still pending. In the opinion of legal advisor, favorable outcome of the appeal is expected; hence no provision is made in these financial statements of said amount.
- 13.1.2** During the year, ACIR initiated proceedings under section 124/129/221 of Income Tax Ordinance 2001 for tax year 2008 and rejected the refund of Rs. 1.43 million. The company filed an appeal against this order with CIR (Appeals) and proceeding are still pending. In the opinion of tax consultant, favorable outcome is expected, hence no provision is made in these financial statements.
- 13.1.3** During the year, ACIR initiated proceedings under section 3(1A) of Sales Tax act 1990 for tax period July-Sep 2016 and created sales tax demand of Rs. 9.4 million. The company filed an appeal against this order with CIR (A). Subsequent to the year end, CIR (A) vacated the order of ACIR. However ACIR filed an appeal with ATIR, proceedings are still pending. In the opinion of tax consultant, favorable outcome is expected, hence no provision is made in these financial statements.
- 13.1.4** 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.
- 13.1.5** 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.
- 13.1.6** During the previous years, DCIR initiated proceedings under section 122 (1)/122 (5) /124 for tax year 2009 and created a tax demand of Rs. 22.27 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 previous years, the DCIR has also filed an appeal against the Relief of Rs. 15.03 Million given by the CIR (A). The proceedings are still pending. In the opinion of tax consultant, favorable outcome of the appeals are expected, hence no provision is made in these financial statements for these amounts.
- 13.1.7** During the previous years, DCIR initiated proceedings under section 122 (5A) for tax year 2009 and created a tax demand of Rs. 5.2 million. The company filed an appeal against this order with CIR (Appeals). Subsequent to the year end, The Company got relief up to Rs.4.86 million. For remaining tax demand of Rs. 0.34 million, company intends to file an appeal with ATIR. In the opinion of tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements for this amount.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

13.1.8 During the previous years, 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. Further during the year, the DCIR has also filed an appeal to ATIR against the relief of Rs. 4,365,419/-given by CIR (A) and DCIR also created further demand of tax of Rs. 368,995/-for tax year 2013, the company has filed an appeal with 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.

13.1.9 During the previous 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.

13.2 Commitments

Commitments in respect of:

		June 2016 Rupees	June 2015 Rupees	June 2016 Rupees	June 2015 Rupees
LIMIT Nos.	PARTICULARS	LIMITS AVAILABLE		LIMITS UTILIZED	
	Not Later Than one Year				
1	Foreign LC Sight / Inland LC- Gross	440,000,000	390,000,000	90,836,072	124,727,908
2	FATR-Sublimit of Limit no.1	88,000,000	88,000,000	-	16,248,282
3	Murabaha Sublimit of Limit no.2	40,000,000	40,000,000	-	22,587,743
4	Murabaha Sublimit of Limit no.1	100,000,000	40,000,000	-	16,681,711
5	Murabaha-FIM Spot Sublimit of Limit no.1	-	40,000,000	-	-
6	Running Musharika Sublimit of Limit no. 1	40,000,000	-	-	-
7	Istisna Sublimit of Limit no.1	60,000,000	-	-	-
8	Guarantee	8,040,000	8,040,000	-	-
				JUNE 2016	JUNE 2015
				Rupees	Rupees

14 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	14.1	241,027,824	241,477,525
Capital work in progress	14.3	490,334	9,118,686
Advance for purchase of vehicle	14.4	3,000,000	-
		244,518,158	250,596,211



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

14.1 OPERATING FIXED ASSETS - Tangible

Particulars	2016				Rate %	Depreciation				W.D.V. as at 30-06-2016
	As at 01-07-2015	Additions/ (Deletions)	Transfer	As at 30-06-2016		As at 01-07-2015	For the Year	Adjustment	As at 30-06-2016	
Freehold land	85,164,954	-	-	85,164,954	-	-	-	-	-	85,164,954
Building and Civil Works on freehold land	80,462,050	7,811,351	-	88,273,401	5 to 10	45,085,647	3,511,321	-	48,596,968	39,676,433
Building and Civil Works on leasehold land	-	2,509,800	-	2,509,800	10	-	366,405	-	366,405	2,363,394
Plant and Machinery	195,339,599	4,866,771	-	200,206,370	10	111,234,601	8,380,876	-	119,615,477	80,380,892
Electric Fittings	8,074,296	-	-	8,074,296	10	4,852,263	322,203	-	5,174,466	2,899,830
Furniture and fittings	2,472,886	-	-	2,472,886	10	1,414,551	105,834	-	1,520,385	952,501
Office Equipment	4,069,536	274,869	-	4,344,405	10	2,081,740	239,395	-	2,321,135	2,043,270
Electric installations	3,315,876	-	-	3,315,876	10	1,346,813	196,906	-	1,543,719	1,772,157
Vehicles	41,800,577	8,908,500 (13,004,716)	7,697,500	45,401,861	20	20,342,841	5,293,551	4,344,629 (7,987,456)	21,793,565	23,808,296
Assets subject to Finance Lease	420,699,774	24,371,291 (13,004,716)	7,697,500	439,763,849	-	386,358,456	18,376,491	4,144,629 (7,987,456)	200,892,119	238,871,728
Vehicles	11,225,000	-	(7,697,500)	3,527,500	20	4,088,792	1,427,241	(4,144,629)	1,371,404	2,156,096
	11,225,000	-	(7,697,500)	3,527,500	-	4,088,792	1,427,241	(4,144,629)	1,371,404	2,156,096
Total 2016	431,924,774	24,371,291 (13,004,716)	-	443,291,349	-	290,447,248	19,808,732	4,144,629 (12,132,085)	202,263,523	241,027,824

Details of property, plant and equipment sold during the year are given in note no.14.5

Particulars	2015				Rate %	Depreciation				W.D.V. as at 30-06-2015
	As at 01-07-2014	Additions/ (Deletions)	Transfer	As at 30-06-2015		As at 01-07-2014	For the Year	Adjustment	As at 30-06-2015	
Freehold land	85,164,954	-	-	85,164,954	-	-	-	-	-	85,164,954
Building and Civil Works on freehold land	80,462,050	-	-	80,462,050	5 to 10	41,261,851	3,823,796	-	45,085,647	35,376,403
Plant and Machinery	189,630,694	5,708,905	-	195,339,599	10	102,205,583	9,029,018	-	111,234,601	84,104,997
Electric Fittings	8,030,601	43,695	-	8,074,296	10	4,498,710	353,553	-	4,852,263	3,222,833
Furniture and fittings	2,472,886	-	-	2,472,886	10	1,296,958	117,593	-	1,414,551	1,058,335
Office Equipment	4,021,917	47,619	-	4,069,536	10	1,863,519	218,221	-	2,081,740	1,887,796
Electric installations	3,255,976	59,900	-	3,315,876	10	1,331,910	214,903	-	1,546,813	1,869,063
Vehicles	26,209,946	4,915,131 (66,900)	11,344,500	41,800,577	20	11,934,543	3,466,922	5,477,092 (535,716)	20,342,841	21,457,736
Assets subject to Finance Lease	399,349,024	10,775,250 (66,900)	11,344,500	420,699,774	-	164,193,075	17,224,006	5,477,092 (535,716)	186,358,456	214,341,317
Plant and Machinery	-	-	-	-	10	-	-	-	-	-
Vehicles	21,510,500	1,059,000 (11,344,500)	-	11,225,000	20	6,477,010	3,088,874	(5,477,092)	4,088,792	7,136,208
	21,510,500	1,059,000 (11,344,500)	-	11,225,000	-	6,477,010	3,088,874	(5,477,092)	4,088,792	7,136,208
Total 2015	430,759,524	11,834,250 (66,900)	-	438,924,774	-	170,670,086	20,312,880	5,477,092 (6,012,808)	190,447,248	241,477,525

14.2 Depreciation for the year has been allocated as follows:

	Note	JUNE 2016 Rupees	JUNE 2015 Rupees
Cost of sales	26	12,827,503	13,697,577
Distribution cost	27	951,148	1,154,639
Administrative expenses	28	6,025,081	5,460,664
		<u>19,803,732</u>	<u>20,312,880</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

14.3 CAPITAL WORK-IN-PROGRESS

	Note	JUNE 2016 Rupees	JUNE 2015 Rupees
Tangible			
Plant and machinery			
Opening balance		817,001	1,134,000
Additions made during the year		3,530,000	811,501
		4,347,001	1,945,501
Transferred to Plant & Machinery		4,347,001	794,500
Transferred to Sales Tax and Expenses		-	334,000
	14.3.1	-	817,001
Civil works			
Opening balance		7,811,351	7,095,135
Additions made during the year		-	716,216
		7,811,351	7,811,351
Transferred to operating fixed assets		7,811,351	-
		-	7,811,351
Intangible			
Opening balance		490,334	503,834
Additions made during the year		-	-
		490,334	503,834
Transferred to Intangible Assets		-	13,500
		490,334	490,334
		490,334	9,118,686

14.3.1 This includes Rs. Nil million (June 30, 2015: Rs. 0.817 million) on account of advance paid to supplier of machinery.

14.4 This balance represents the amount of advance paid to Atlas Honda Cars Limited for the purchase of three vehicles.

14.5 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				
Santro	598,000	92,123	500,000	Negotiation	Mr. Muhammad Soeba, B-2, PTCL Colony, Tufail Road, Lahore Cantt.
Toyota Gili	1,844,500	928,644	1,470,000	Negotiation	Mr. Syed Muntazir Mahndi Naqvi, 4-A, Model Town, Store Area, Lahore
Suzuki Mehran	568,500	202,780	300,000	Negotiation	Mr. Syed Rehmat Naqvi, A-294, North Nazimabad, Block -A, Karachi
Suzuki Mehran	554,000	190,611	480,000	Negotiation	Mr. Zeeshan Amjad, 370 Al-hamad Colony, Abu Bakar Road, Allama Iqbal Town, Lahore
Suzuki Mehran	544,000	170,459	450,000	Negotiation	Mrs. Aysha Asif, 15-B, PCSIR, Arcad Housing Society, K-Bloek, Lahore.
Suzuki Cultus	600,000	79,971	470,000	Negotiation	Mr. Yasir Yousaf, 12 Awami Colony, Hakimian Bazar, Lahore
Suzuki Bolan	635,000	195,289	450,000	Negotiation	Mr. Muhammad Yousaf, 1979/179 Main Peco Road, Kot Lakhoat, Lahore.
Suzuki Bolan	404,000	38,318	340,000	Negotiation	Mr. Ismail Khan, Post Office Ghazi, Tehsil Ghazi, Distric Haripur
Suzuki Bolan	476,500	82,386	325,000	Negotiation	Mr. Muhammad Pervaz, 15, Street No.1, Mughalpur, Lahore
Suzuki Mehran	539,000	168,892	460,000	Negotiation	Mr. Muhammad Ittifaq Amir, 6, Street No. 94, Pakistani Chowk, Ichhra, Lahore
Suzuki Mehran	563,216	185,260	450,000	Negotiation	Mr. Tahir Shafiq, 401 Muhallah Kashmir Nagar, Jalalpu Jattan, Gulrat
Suzuki Cultus	632,000	97,417	400,000	Negotiation	Mr. Muhammad Imran, 21-C, Phase II, Judicial Colony, Raiwind Road, Lahore.
Audi	4,946,000	2,585,109	3,000,000	Negotiation	Mr. Saqib Shahzad, 25-B-2, Muhalla Dar ul Islam, Farooqabad, Sheikhupura
June 30, 2016	13,004,716	5,017,260	9,095,000		
June 30, 2015	669,000	133,284	720,000		



Sazgar Engineering Works Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

15 INTANGIBLE ASSETS

Particulars	(Rupees)					
	Cost			Amortization		
	As at 01-07-2015	Additions/ (deletion)	As at 30-06-2016	As at 01-07-2015	For the Year	As at 30-06-2016
Intangible Assets	4,208,839	-	4,208,839	3,976,072	97,162	4,073,234
Jun-16	4,208,839	-	4,208,839	3,976,072	97,162	4,073,234
Jun-15	4,195,339	13,500	4,208,839	3,746,363	229,709	3,976,072
						232,767

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

15.2 The amortization cost is included in cost of sales.

16 LONG TERM LOANS AND ADVANCES - SECURED

Loans and advances - considered good, to:

	Note	JUNE 2016 Rupees	JUNE 2015 Rupees
Executives		5,789,425	2,200,925
Non-Executives		17,701,729	12,591,179
		23,491,154	14,792,104
Less: Amount due within twelve months, shown under current loans and advances	21	10,033,939	5,015,000
		13,457,215	9,777,104

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

	Opening balance as at July 01, 2015	Disbursements	Repayments	Closing Balance as at June 30, 2016
Executives	2,200,925	4,800,822	1,212,322	5,789,425
Non-Executives	12,591,179	13,519,696	8,409,146	17,701,729
June 30, 2016	14,792,104	18,320,518	9,621,468	23,491,154
June 30, 2015	10,993,329	15,416,842	11,618,067	14,792,104

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. 2,970,000 (2015: Rs. 1,797,000). Receivable from executives of the Company does not include any amount receivable from Directors or Chief Executive.

17 LONG TERM DEPOSITS

Deposit with Pakistan Steel Mill	400,000	400,000
Utilities and others	1,037,137	1,237,137
	1,437,137	1,637,137

Long term deposits are given in the normal course of business and do not carry any interest or mark-up.

18 STORES, SPARES AND LOOSE TOOLS

Stores	2,584,331	2,092,685
Spares	385,410	410,515
Loose tools	12,450	5,004
	2,982,191	2,508,204



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

19 STOCK-IN-TRADE	Note	JUNE 2016 Rupees	JUNE 2015 Rupees
Raw materials and components		306,902,632	437,860,448
Work-In-process		15,490,216	16,984,905
Finished goods		167,986,268	97,592,914
Packing and other material		-	11,471
Less: Provision for slow moving items	19.1	(3,496,191)	(1,983,760)
		<u>486,882,925</u>	<u>550,465,977</u>
19.1 Provision for slow moving items			
Balance at the beginning of the year		1,983,760	-
Charged during the year	26	1,512,431	1,983,760
Balance at the closing of the year		<u>3,496,191</u>	<u>1,983,760</u>
20 TRADE DEBTS - Unsecured	20.1	<u>92,494,400</u>	<u>146,544,038</u>
20.1 Classification:			
Considered Good		92,494,400	146,544,038
Considered Doubtful		4,640,199	6,413,397
		<u>97,134,599</u>	<u>152,957,435</u>
Less: Provision for impairment in trade debts	20.2	(4,640,199)	(6,413,397)
		<u>92,494,400</u>	<u>146,544,038</u>
20.2 Provision for impairment in trade debts			
Balance at the beginning of the year		6,413,397	6,413,397
Charged during the year		4,640,199	-
		<u>11,053,596</u>	<u>6,413,397</u>
Written off during the year from provision		(1,696,677)	-
Reversal during the year		(4,716,720)	-
Balance at the closing of the year		<u>4,640,199</u>	<u>6,413,397</u>
21 LOANS & ADVANCES			
Advances - considered good			
- Current portion of loans and advances	16	10,033,939	5,015,000
- To employees for incurring business expenses		475,088	649,112
- To suppliers-unsecured		7,540,735	7,070,755
		<u>18,049,762</u>	<u>12,734,867</u>
22 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Contract securities		446,900	1,046,900
Prepaid expenses		895,455	979,782
Letter of credit margin		3,866,962	1,931,275
Letter of credit in process		27,188,229	1,409,109
		<u>32,397,546</u>	<u>5,367,066</u>
23 OTHER RECEIVABLES			
Advance Income tax		116,087,038	90,502,192
Others		2,338,780	14,310
		<u>118,425,818</u>	<u>90,516,502</u>



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

24 CASH AND BANK BALANCES	Note	JUNE 2016 Rupees	JUNE 2015 Rupees
Cash in hand		129,054	120,390
Balance with banks			
In current accounts - Conventional banking		72,507,695	15,628,758
In current accounts - Islamic banking		94,261,384	2,532,900
		<u>166,898,133</u>	<u>18,282,048</u>

25 SALES - NET			
Gross sales	25.1	3,444,552,544	2,971,445,347
Less:			
Sales tax		498,710,944	447,105,918
Sales returns		17,805,249	10,326,485
Commission		54,169,810	40,354,970
		570,686,003	497,787,373
		<u>2,873,866,541</u>	<u>2,473,657,974</u>

25.1 This Includes Rs. 14.48 million (June 30, 2015: Rs.10.63 million) on account of export sales.

26 COST OF SALES			
Raw materials and components consumed		2,298,915,612	1,858,058,731
Salaries, wages and other benefits	26.1	195,626,423	184,480,954
Stores, spares and loose tools consumed		32,575,066	31,685,564
Power and fuel charges		43,368,444	48,292,762
Repair and maintenance		62,328,394	50,133,385
Other expenses		6,827,746	6,154,641
Provision for slow moving items	19	1,512,431	1,983,760
Depreciation	14.2	12,827,503	13,697,577
Amortization	15	97,162	229,709
		<u>2,654,078,781</u>	<u>2,194,717,083</u>
Opening work-in-process		16,984,905	16,685,065
		<u>2,671,063,686</u>	<u>2,211,402,148</u>
Closing work-In-process		15,490,216	16,984,905
Cost of goods manufactured		2,655,573,470	2,194,417,243
Opening finished goods		97,592,914	134,163,421
		<u>2,753,166,384</u>	<u>2,328,580,664</u>
Cost of finished goods purchased during the year		-	8,455,188
		<u>2,753,166,384</u>	<u>2,337,035,852</u>
Closing finished goods		167,986,268	97,592,914
		<u>2,585,180,116</u>	<u>2,239,442,939</u>

26.1 Salaries, wages and other benefits include Rs.14,156,746 (2015: Rs. 13,291,802) in respect of retirement benefits.

27 DISTRIBUTION COST			
Salaries and other benefits	27.1	13,429,128	12,593,075
Freight and octroi		38,979,469	26,866,386
Traveling & conveyance		2,808,478	4,104,669
Packing material consumed		2,880,817	3,224,687
Advertisement and sale promotion		5,793,094	14,573,226
Insurance		283,958	339,878
Rent, rates and taxes		2,806,236	919,265
After sales service		865,039	708,036
Printing & Stationery		749,989	620,076
Depreciation	14.2	951,148	1,154,639
		<u>69,547,356</u>	<u>65,103,937</u>

27.1 Salaries and other benefits include Rs.876,165 (2015: Rs.761,942) in respect of retirement benefits.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	Note	JUNE 2016	JUNE 2015
		Rupees	Rupees
28 ADMINISTRATIVE EXPENSES			
Salaries and other benefits	28.1	31,958,335	28,964,776
Electricity, gas and water charges		206,964	243,937
Communication expenses		4,035,611	2,858,350
Vehicle running expenses		3,505,986	4,313,165
Legal and professional		2,381,443	1,719,182
Traveling and conveyance		832,298	523,560
Fee and subscription		2,072,960	2,175,361
Insurance		270,698	814,358
Rent, rates and taxes		882,650	1,263,109
Printing and stationery		2,271,602	1,912,167
Entertainment		1,264,848	825,809
Office supplies		269,652	121,357
Miscellaneous expenses		941,298	474,194
Depreciation	14.2	6,025,081	5,460,664
		<u>56,919,426</u>	<u>51,669,989</u>
28.1 Salaries and other benefits include Rs. 3,632,928 (2015: Rs. 3,372,201) in respect of retirement benefits.			
29 OTHER OPERATING EXPENSES			
Auditors' remuneration	29.1	1,399,000	1,122,000
Exchange Loss		14,232	-
Provision for doubtful debts		-	4,716,720
Contribution towards:			
Workers' profit participation fund	8.2	8,287,790	5,354,439
Workers' welfare fund	8.3	3,065,161	1,593,651
		<u>12,766,183</u>	<u>12,786,810</u>
29.1 Auditors' remuneration			
Viqar A. Khan			
Workers' Profit Participation Fund Audit		17,000	17,000
Tax services		667,000	430,000
		<u>684,000</u>	<u>447,000</u>
Kabani & Co.			
Statutory audit		550,000	525,000
Half yearly review		150,000	150,000
Certificate fee		15,000	-
		<u>715,000</u>	<u>675,000</u>
		<u>1,399,000</u>	<u>1,122,000</u>
30 OTHER INCOME			
Income from financial assets			
Exchange Gain		-	75,170
Income from non Financial Assets			
Gain on sale of fixed asset		4,077,740	586,716
Reversal of Provision for impairment of trade debts		76,521	-
Miscellaneous Income		3,129,744	1,780,454
		<u>7,284,005</u>	<u>2,442,340</u>



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

	Note	JUNE 2016 Rupees	JUNE 2015 Rupees
31 FINANCE COST			
Mark-up on:			
Short term borrowings - secured - Conventional		639,776	2,754,767
Profit on Murabaha - Islamic		1,002,219	3,289,843
Interest on Workers' Profit Participation Fund		445,060	485,224
Financial charges on finance lease		212,359	761,434
Bank charges, commission and others		480,255	149,896
		<u>2,779,669</u>	<u>7,441,164</u>
32 TAXATION			
Current			
For the Year	32.1	48,745,424	32,786,233
Prior Year	32.2	(1,029,754)	(6,530,221)
Deferred			
For the Year		<u>(1,427,612)</u>	<u>(283,441)</u>
	32.5	<u>46,288,058</u>	<u>25,972,571</u>

32.1 The rate of tax has decreased from 33% to 32% during the year.

32.2 This amount relates to adjustment of provision for taxation.

32.3 The income tax assessments of the company have been finalized up to tax year 2015, except as mentioned in note

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

32.4 As per section 5A of Income Tax Ordinance, 2001, Every public company other than a schedule bank or mudaraba, that derives profit for the tax year and does not distribute cash dividend within six months of the end of the said tax year or distribute dividend to such extent that its reserves, after such distribution, are in excess of 100% of its paid up capital. However, as per circular no. C.No. 4(18)R&S/2015 dated: July 24, 2015, this tax on undistributed reserves is not applicable to a public company which distributes profits equal to either 40 percent of its after tax profits or 50% of its paid up capital, whichever is less, within six months of the end of the tax year.

The Board of Directors has declared sufficient cash dividend out of the profits of the financial year ended June 30, 2016 (Note no.42), which complies with the above stated exemption requirements. Therefore, no provision for tax on undistributed reserves has been recognized in these financial statements for the year ended June 30, 2016.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	Note	JUNE 2016 Rupees	JUNE 2015 Rupees
32.5 Tax charge reconciliation			
Profit before taxation		153,957,796	99,655,475
Tax charge on accounting profit at applicable tax rate 32% (33%: 2015) as per Income Tax Ordinance, 2001		49,266,495	32,886,307
Tax effect of amounts that are:			
- not deductible for tax purposes			
- allowable deductions for tax purposes		1,024,630	2,610,987
Tax effect of profit attributable to presumptive income		(2,638,077)	(2,324,600)
Effect of presumptive tax		171,819	54,725
Tax effect due to reversal of prior year's WWF		(20,379)	(153,736)
Tax credit due to Investment		(486,677)	(570,891)
Adjustment of prior year taxation		(1,029,754)	(6,530,221)
Taxation for the year		46,288,058	25,972,571
33 EARNINGS PER SHARE - BASIC AND DILUTED			
Basic earnings per share			
Profit after taxation for the year	Rupees	107,669,738	73,682,904
Weighted average number of ordinary shares outstanding during the year	Number	17,972,368	17,972,368
Basic earnings per share - Rupees	Rupees	5.99	4.10
33.1 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, 2016 and June 30, 2015 which would have any effect on earning per share if the option to convert is exercised.			
34 CASH GENERATED FROM OPERATIONS			
Profit before taxation		153,957,796	99,655,475
Adjustment for non cash charges and other items:			
Depreciation		19,803,732	20,312,880
Amortization		97,162	229,709
Provision for gratuity		18,665,839	17,425,945
Financial and other charges		2,779,669	7,441,164
Other income		(7,284,005)	(2,442,340)
		34,062,397	42,967,358
		188,020,193	142,622,833
Working capital changes	34.1	91,215,367	(40,905,569)
(Increase)/Decrease in long term loans and advances		(3,680,111)	(2,943,719)
Cash generated from operations		275,555,449	98,773,546



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

	Note	JUNE 2016 Rupees	JUNE 2015 Rupees
34.1 Working capital changes			
(Increase)/decrease in current assets			
Store, spares and loose tools		(473,987)	1,438,299
Stock-in-trade		63,583,052	(76,685,291)
Trade debts		54,126,159	(42,372,813)
Loans and Advances		(5,314,895)	2,884,329
Trade Deposits and short term prepayments		(27,030,480)	17,270,965
Other receivables		(2,324,470)	-
Increase/(decrease) in current liabilities			
Trade and other payables		8,649,988	56,558,942
		<u>91,215,367</u>	<u>(40,905,569)</u>
35 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents include:			
Cash and bank balances	24	<u>166,898,133</u>	<u>18,282,048</u>
		<u>166,898,133</u>	<u>18,282,048</u>

36 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	9,750,000	9,750,000
Remuneration, Allowances and benefits paid to Executive Director (s)	4,375,000	4,375,000

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.

37 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

Particulars	(Rupees)									
	Chief Executive		Executive Directors		Non Executive Directors		Executives		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Managerial Remuneration	9,360,000	9,360,000	4,200,000	4,200,000	-	-	23,192,520	22,532,100	36,752,520	36,092,100
Bonus & Leave encashment	390,000	390,000	175,000	175,000	-	-	1,868,289	1,883,225	2,433,289	2,448,225
Total	9,750,000	9,750,000	4,375,000	4,375,000	-	-	25,060,809	24,415,325	39,185,809	38,540,325
Number of persons	1	1	1	1	5	5	13	13	20	20

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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

38 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 household appliances.

	Auto rickshaw		AutoMotive parts		Household appliances		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Segment revenue -Net	2,531,186,212	2,014,830,982	334,737,047	446,006,949	7,943,282	12,820,043	2,873,866,541	2,473,657,974
Segment operating results	160,767,511	107,869,429	863,948	9,237,661	(810,815)	(787,980)	160,820,644	116,319,109
Segment assets	614,731,327	623,203,260	241,870,009	314,585,356	18,337,315	25,138,143	874,938,651	962,846,759
Unallocated assets	-	-	-	-	-	-	302,740,239	125,815,162
Total assets							<u>1,177,678,890</u>	<u>1,088,661,921</u>
Segment liabilities	410,591,640	327,861,812	14,186,062	88,974,432	-	-	424,777,701	416,836,244
Unallocated liabilities	-	-	-	-	-	-	63,486,430	54,906,194
Total liabilities							<u>488,264,131</u>	<u>471,742,438</u>
Capital expenditure	15,606,632	11,278,940	136,307	229,527	-	-	15,742,939	11,508,467
Depreciation and amortization	13,702,142	14,057,955	6,180,549	6,463,603	18,203	21,029		
Non-cash charges other than depreciation and amortization	12,999,418	15,828,053	7,087,983	8,280,902	14,348	17,470		

39 FINANCIAL INSTRUMENTS

39.1 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:



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	Note	JUNE 2016 Rupees	JUNE 2015 Rupees
FINANCIAL ASSETS			
Long term deposits	17	1,437,137	1,637,137
Trade debts	20	92,494,400	146,544,038
Loans and Advances	16 & 21	31,506,977	22,511,971
Trade Deposits	22	32,397,546	5,367,066
Bank Balances	24	166,898,133	18,282,048
		<u>324,734,193</u>	<u>194,342,260</u>

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

Pakistan	92,494,400	146,544,038
	<u>92,494,400</u>	<u>146,544,038</u>

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

Corporate Customers	29,154,373	41,561,054
Distributor	-	-
Dealers	56,855,406	103,019,921
Others	6,484,621	1,963,063
	<u>92,494,400</u>	<u>146,544,038</u>

The aging of trade debts at the reporting date was:

Not past due	29,723,481	63,080,889
Past Due 0-30 days	12,475,137	33,218,183
Past due 31-120 days	11,268,381	7,628,802
Past due more than 120 days	39,027,401	42,616,164
	<u>92,494,400</u>	<u>146,544,038</u>

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

39.2 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.

39.3 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.

39.4 Fair value of financial instruments

The carrying value of all the financial instruments i.e. financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

39.5 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, 2016

39.5.1 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. 90.84 million (2015: Rs. 38.64 million).

39.5.2 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. 0.83 million (2015: Rs. 19.33 million) which is subject to interest rate risk.

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

Cash Flow Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date, with all other variables remaining constant, the net income for the year would have been lower or higher by Rs. 0.008 million (2015: Rs. 0.193 million).

39.5.3 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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

39.5.4 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 - 2016						(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	829,766	879,462	612,397	209,181	76,592	-	-
Trade and other payables	320,181,524	320,181,524	320,181,524	-	-	-	-
Mark-up & Profit accrued on loans and other payables	5,536	5,536	5,536	-	-	-	-
Short term borrowing	-	-	-	-	-	-	-
	321,016,826	321,066,522	320,799,457	209,181	76,592	-	-

	JUNE - 2015						(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	3,081,687	3,370,453	1,591,727	877,446	901,280	-	-
Trade and other payables	313,390,957	313,390,957	313,390,957	-	-	-	-
Mark-up & Profit accrued on loans and other payables	335,845	335,845	335,845	-	-	-	-
Short term borrowing	16,248,282	16,248,282	16,248,282	-	-	-	-
	333,056,771	333,345,537	331,566,811	877,446	901,280	-	-

40 PLANT CAPACITY AND ACTUAL PRODUCTION

Installed Capacity

Auto rickshaw (8 hours single shift basis)

JUNE 2016
Numbers

20,000

JUNE 2015
Numbers

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

Auto Rickshaw	18,010	13,713
Automotive Parts		
Wheel Rims	65,080	85,328

The Company has a capacity of producing 20,000 Auto Rickshaw per annum on Single shift basis. Under utilization of capacity was due to lower demand of Auto Rickshaw during the year.

41 NUMBER OF EMPLOYEES

Number of permanent employees at the year end	708	692
Average number of employees during the year	700	613



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

42 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors, at their meeting held on September 26, 2016 has recommended a final Cash dividend of Rupee 1.50 per share i.e., 15% 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 2.50 per share i.e., 25% (2015: 20%) for the financial year ending June 30, 2016.

These Financial Statements for the year ended June 30, 2016 do not include the effect of the above dividend, which will be accounted for in the financial statements for the year ended June 30, 2017, once the dividend is approved in the forthcoming 25th Annual General Meeting.

43 DATE OF AUTHORIZATION FOR ISSUE:

The Board of Directors of the Company has authorized these financial statements for issue on September 26, 2016.

44 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.

45 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 25th Annual General Meeting of the shareholders of the Company to be held on Tuesday October 25, 2016 at 10:30 A.M. at All Season & Banquet Hall, Lala Zar Commercial Market, Thokar Chowk, Opp Yasir Broast, Raiwind Road, Lahore and at any adjournment thereof.

Signed this _____ day of _____ 2016

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.



تشکیل نیابت داری

میں / ہم
ساکن
بہیثیت رکن (ممبر) سازگار انجینئرنگ ورکس لمیٹڈ
مقرر کرتا / کرتی ہوں / کرتے ہیں مسی / مسماۃ
ساکن
کو یا ان کی غیر حاضری میں مسی / مسماۃ
ساکن

جو کہ خود بھی سازگار انجینئرنگ ورکس لمیٹڈ کا 1% کے رکن ہے کہ وہ بطور میرا / ہمارا اختیار نامہ سازگار انجینئرنگ ورکس لمیٹڈ کے ہیکس وال سالانہ اجلاس عام میں جو بروز
مشکل 25 اکتوبر 2016 کو صبح 10:30 بجے آل سیزن اینڈ ٹینکٹ ہال لالہ زار کمرشل مارکیٹ ٹھوکر چوک بریکس یا سر بروسٹ رائیو ٹرڈروڈ لاہور میں منعقد ہو رہا ہے۔ یا اسکے ملتوی شدہ اجلاس
میں شرکت کرے اور وہ میری / ہماری جگہ میری / ہماری طرف سے حق رائے وی استعمال کرے۔

مورخہ 2016 کو میرے / ہمارے دستخط سے جاری ہو۔

فولیو نمبر	سی ڈی ای حرکت کنندہ ID نمبر	سی ڈی ای / ذیلی کھاتہ نمبر	حصص کی تعداد

رہنمائی نکتہ پر دستخط

گواہ نمبر 2 گواہ نمبر 1
دستخط دستخط
نام نام
کمپیوٹرائزڈ قومی شناختی کارڈ نمبر کمپیوٹرائزڈ قومی شناختی کارڈ نمبر
پتہ پتہ

نوٹ

1. پراکسی کے لئے کوئی کارکن ہونا ضروری ہے۔
2. دستخط کی نمائندگی میں رجسٹرڈ نمونہ دستخط کے ساتھ ہونا ضروری ہے۔
3. اگر پراکسی ای رکن کی طرف ہادی کی گئی ہے جس کے آئی کے حصص منسلک ڈیپازٹری کوئی آف پاکستان لمیٹڈ میں جمع ہیں۔ تو پراکسی کے ساتھ نمبر کا ID نمبر اور
CDC اکاؤنٹ / ذیلی اکاؤنٹ نمبر منسلک شدہ کمپیوٹرائزڈ قومی شناختی کارڈ یا گاہک انتظامی کے پاسپورٹ کی فوٹو کاپی لاگ لازمی ہے۔ کارپورٹ انکان کے نمائندہ انکان اس
مقصد کیلئے دستاویزات ساتھ لے کر آئیں۔
4. پراکسی اجلاس کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ مہیا کرے گا / گی۔
5. مناسب طور پر عمل شدہ پراکسی کے دستاویز اجلاس سے کم از کم 48 گھنٹے قبل کوئی کے شیڈولڈ رولز کو موصول ہو جانا چاہیے۔

Sazgar Engineering Works Limited

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