

ANNUAL REPORT 15

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



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 24th 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 Monday, October 26, 2015 at 11:00 A.M. to transact the following businesses:

ORDINARY BUSINESSES:

1. To receive, consider and adopt the Annual Audited Accounts of the company for the year ended 30th June, 2015 together with the Directors' and Auditors' Reports thereon.
2. To approve the payment of final cash dividend @ 10% of current paid up share capital i.e. Rupee 1.00/- per ordinary share in addition to the interim dividend of 10% already paid making total of 20% for the year ended June 30, 2015 as recommended by the Board of Directors.
3. To appoint Auditors and fix their remuneration for the year ending June 30, 2016.

By order of the Board

Arshad Mahmood

(Company Secretary)

Lahore

October 05, 2015

Notes:

- a. The share transfer books of the company will remain closed from October 20, 2015 to October 26, 2015 (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 19th October, 2015 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, 2015 have been placed on the company's website www.sazgarautos.com for the information and review of shareholders.

- e. The Government of Pakistan through Finance Act, 2015 has made certain amendments in section 150 of the Income Tax Ordinance, 2001



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: 17.50%

To enable the company to make tax deduction on the amount of cash dividend @ 12.50% instead of 17.50%, 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 @ 17.50% instead of 12.50%.

- f. With reference to the Securities and Exchange Commission of Pakistan (SECP) Notifications SRO 779 (I) 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 holding physical shares who have not yet recorded their CNIC No. are once again reminded to immediately submit the copy of their valid CNIC to Company's Share Registrar M/s CorpTec Associates (Pvt) Ltd, 503- Johar Town, Lahore. Members while sending CNIC must quote their respective folio numbers.

The corporate members having CDC accounts are required to have their National Tax Number (NTN)

updated with their respective participants, whereas corporate entities having physical shares should send a copy of their NTN certificate to Company's Share Registrar M/s CorpTec Associates (Pvt) Ltd, 503- Johar Town, Lahore. The corporate members while sending NTN or NTN certificates, as the case may be, must quote the company name and their respective folio numbers.

- g. 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.

- h. 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.



- I 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- 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.

J. 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 for 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 alongwith 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 24th Annual Report along with the audited accounts of the Company for the year ended 30th June 2015:

BUSINESS OVERVIEW:

Improved law and order position in the country has started affecting positively on the business activities. Having major market share of Auto Rickshaw in Karachi, the company enjoyed benefit from the improved situation and registered a growth in its sales volume. The tractor industry has also performed very well during the period under review and achieved nearly 42% growth in production volume. Consequent to this, the company received substantial orders of tractor wheel rims which helped in improving the profitability of the company.

FINANCIAL RESULTS:

	2015 (Rupees)	2014 (Rupees)
Profit before taxation	99,655,475	87,627,820
Provision for taxation	25,972,571	27,186,547
Profit after taxation	73,682,904	60,441,273
Other comprehensive income /(loss) for the year	(3,084,998)	123,497
Un appropriated Profit brought forward	384,570,265	359,950,231
Profit available for appropriation	455,168,171	420,515,001
Appropriations:		
Interim Cash dividend @ 10% (2014:10%)	17,972,368	17,972,368
Proposed Final Cash Dividend @ 10% (2014: 10%)	17,972,368	17,972,368
	35,944,736	35,944,736
Un appropriated profit carried forward	419,223,435	384,570,265

Sales Revenue:

The overall net sales revenue of the Company has increased by 17.47% from Rupees 2,105.85 million to Rupees 2,473.66 million during the period under review. Segment wise: The net sales of Auto Rickshaws has increased from Rupees 1,849.48 million to Rupees 2,014.83 million reflecting a growth of 8.94%, the net sales of automotive parts has increased by 78.13 % from Rupees 250.39 million to Rupees 446.00 million. The net sales of home appliances has increased from Rupees 5.97 million to Rupees 12.82 million compared with the corresponding period of last year.

The Auto Rickshaw is facing a tough competition in the market and the company has to put great emphasis on this business segment not only to maintain its existing sales volume but also to increase its market share. The results are fruitful so far.

The sale of tractor wheel rims has shown a substantial growth during the period under review due to placement of increased orders by the tractor assemblers. The tractor industry has performed very well compared with the previous year due to resolution of sales tax issue.

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

Gross Profit:

Company's gross profit has increased from Rupees 208.54 million to Rupees 234.21 million showing an increase of Rupees 25.67 million compared with the corresponding period of last year. The gross profit ratio has declined from 9.90% to 9.47% due to increase in input costs.

Operating Expenses:

The operating expenses are normal in line with increase in sales volume of the company except the advertisement expenses which were incurred by the company to target the prospective customers.



Profit Before Taxation:

Company's profit before taxation has increased from Rupees 87.63 million to Rupees 99.66 million showing an increase of Rupees 12.03 million compared with the corresponding period of last year.

Earnings Per Share:

The Earnings per share of Rs. 4.10 for the current year is greater than the last corresponding year of Rs. 3.36 showing the increase in profits available for distribution to shareholders.

Production:

During the year, the Company produced 13,713 units of Auto Rickshaws compared with 13,414 units produced during the corresponding year of last year reflecting a 2.23% rise in production.

Whereas the production of wheel rim was 85,328 compared with 51,722 during the same corresponding period of last year showing an increase of 64.97%.

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.

DIVIDEND:

The Board of Directors, at their meeting held on August 24, 2015, has recommended a final Cash Dividend of Rupee 1.00 per share i.e. 10% making total of 20% (2014: 20%) including interim dividend of 10% already paid (2014: 10%) subject to the approval of shareholders in the forth coming 24th Annual General Meeting of the Company.

FUTURE OUTLOOK:

4-Stroke Auto Rickshaw:

Your company is constantly improving the quality of Auto Rickshaws to make them more safe, comfortable and price competitive for the customers. Research and development of new products in automobile will continue to fulfil the customers' needs. The process of enhancement in marketing, sales and after sales network will remain intact to access the new areas.

Honourable Sindh Court, subsequent to the period under review, ordered the Sindh Government for taking strict action against the illegal motorcycle rickshaw running in the province of Sindh. The Government action may result in increase in demand of Auto Rickshaws in Karachi and other major cities of Sindh.

It is hoped that the Government will continue its efforts for improving the law and order situation and making the country more business friendly in the coming year.

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

Automotive Parts:

The tractor industry is regaining its momentum of growth and hopefully it will perform favourably in the future periods. Your company expects significant orders of tractor wheel rims during the year to come.

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.



The company is committed to provide financial support and healthy working environment to its employees. The financial support is provided in form of medical facilities, food, transport facility, their personal needs etc. Each year two employees are sent to perform Hajj on company's expense.

Safety of workers during operation and their health is imperative for the progress of the company. The company is committed to take all measures for the safety and health of the employees. Sports activities play an important role in physical and mental health of the society. To keep company's workers fit and healthy, the company is continuously holding sports activities among the employees which have been very helpful in increasing the efficiency of the employees in addition to the physical fitness.

Workers are provided training for the right use of the machinery with special focus on electrical items. However, any machinery if used with negligence can be harmful for the operator. In case of accident first aid facility has been available in the factory and to meet emergency, transport is present in factory 24-hours.

The workers are provided clean filtered drinking water which helps them to save from various diseases.

The company has given donations of Rs. 160,000/- during the period under review to the institutions that provide free of cost education and health facilities to the poor people of the society.

The company is committed to help the special persons by employing and making them a respectable and useful citizen of the country. Presently company has seven special persons on its payroll.

The company is serving the society by producing and selling the product, 4-stroke Auto Rickshaw, at fair price which is a good source of livelihood for the poor people of the society. It is also helping in protecting environment and various diseases due to its lower carbon emission. For the safety of the users like driver and passengers, constant improvements are being made in the product. Strict quality controls are in place at every stage of

production and PDI to ensure delivery of best vehicle to the customers.

For the protection of environment, 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.

The company does not do business with those people who are likely to harm the company's reputation, for example, the people who intentionally and continually violate the law. The law may include taxation, corporate, local environmental, labour laws etc.

The company is also contributing in development and technical training of workforce through the courses which are announced by Technical Education & Vocational Training Authority (TEVTA) Punjab.

CONTRIBUTION TO NATIONAL EXCHEQUER:

Being a responsible citizen, your company made a contribution of Rs. 569.01 Million to national exchequer in form of income tax, sales tax, custom duties and excise as compared to 475.65 million during last financial year.

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, 2015.
- Financial Data of Last Years** Key operating and financial data of last six years is annexed as per annexure "A"

Dividend The Board has recommended a final Cash Dividend @10% making total of 20% for the year under review including interim dividend of 10% already paid.

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

Significant Plans and Decisions The Company is looking for continuous diversification in automobile sector in order to add more products into production line and to cope with the diversification set up more production facilities.

Code of Business Conduct: The Company has prepared a "Code of Business Conduct" and has

ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures. It has also been placed on the company's web site.

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

	Board	Audit Committee	HR&R Committee
Total Meetings Held	4	5	1
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	4	N/A	1
Mr. Mian Muhammad Ali Hameed	4	5	N/A
Mrs. Saira Asad Hameed	3	N/A	N/A
Mr. Ahsan Ejaz	1	2	-
Mrs. Amina Humza Wazir	4	N/A	1
Mr. Muhammad Suleyman Khan (Resigned)	1	1	1

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

Directors' Training Programs during the year: One director of the company, Mr. Ahsan Ejaz has acquired the certification under Director Training Program from The University of Lahore.

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	-	90,838
Mr. Ahsan Ejaz	1,000	-



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 BOARD AND COMMITTEES:

During the year Mr. Muhammad Suleyman Khan resigned from directorship of the company. Mr. Ahsan Ejaz joined the board as his successor. The Board welcome Mr. Ahsan Ejaz and thank to Mr. Muhammad Suleyman Khan for his support and contribution in the progress of the company.

Consequent to the change in board, necessary changes were made in the Board Committees.

BOARD'S PERFORMANCE EVALUATION:

The board has put in place a mechanism for the evaluation of board's own performance on annual basis.

AUDITORS:

The present auditors retire and being eligible offers themselves for 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, financial institutions and other stakeholders for their continued support to the Company.

For and on behalf of the Board


MIAN ASAD HAMEED
CHIEF EXECUTIVE

Lahore:
August 24, 2015



Sazgar Engineering Works Limited

SUMMARY OF LAST SIX YEARS' FINANCIAL RESULTS

ANNEXURE-A

Description	2015	2014	2013	2012	2011	2010
				Re-stated	Re-stated	
R U P E E S						
Profit & Loss Account:						
Turnover	2,473,657,974	2,105,849,488	1,881,495,911	2,725,640,195	2,542,525,796	1,823,973,707
Gross Profit	234,215,035	208,540,462	202,618,920	329,396,295	273,168,092	185,940,205
Operating Profit	104,654,299	90,089,120	100,159,619	199,747,593	161,336,205	90,516,588
Profit before taxation	99,655,475	87,627,820	96,090,726	195,034,910	147,763,543	79,784,934
Profit after taxation	73,682,904	60,441,273	66,507,038	126,084,180	91,223,826	47,993,760
Balance Sheet:						
Paid up share capital	179,723,680	179,723,680	179,723,680	179,723,680	149,769,730	124,808,110
Accumulated Profit	437,195,803	402,542,633	377,922,599	335,751,310	273,661,391	234,845,631
Fixed Capital Expenditure	250,828,978	259,271,383	252,105,344	241,207,604	239,070,775	231,485,408
Other long term assets	11,414,241	8,490,522	7,151,506	6,264,570	3,399,770	2,614,837
Net current assets / (liabilities)	461,424,514	408,993,285	387,959,590	341,632,379	244,115,479	177,636,905
Long term liabilities	106,748,250	94,488,877	89,570,160	73,629,565	63,154,903	52,083,409
Significant Ratios:						
Gross profit ratio %	9.47	9.90	10.77	12.09	10.74	10.19
Profit/(loss) before tax ratio %	4.03	4.16	5.11	7.16	5.81	4.37
Fixed assets turnover ratio %	986.19	812.22	746.31	1,130.00	1,063.50	787.94
Price earning ratio - times	9.39	10.41	5.66	4.42	4.47	9.27
Return on capital employed % (Before I & Tax)	14.46	13.31	15.48	33.91	33.16	21.98
Return on equity ratio (after Tax)	11.94%	10.38%	11.93%	24.46%	21.54%	13.34%
Market value per share (KSE) Rs.	38.50	35.00	20.94	31.00	22.71	24.75
Break up value per share	34.33	32.40	31.03	28.68	28.27	28.82
Long term Debt : Equity ratio	17 : 83	16 : 84	16:84	14:86	13:87	13:87
Current ratio	2.26 : 1	2.38 : 1	2.09:1	1.77:1	1.58:1	1.52:1
Interest cover ratio - times	14.39	14.47	10.60	17.62	10.55	7.70
Cash Dividend %						
Interim Dividend	10.00	10.00	-	10.00	10.00	-
Final Dividend	10.00	10.00	10.00	10.00	10.00	10.00
Scrip Dividend %	-	-	-	-	20.00	20.00
Earnings per share Rs.	4.10	3.36	3.70	7.02	5.08	2.67

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



THE COMPANIES ORDINANCE, 1984 (SECTION 236)

PATTERN OF SHAREHOLDING AS ON JUNE 30, 2015

Registration Number: 0025184

NUMBER OF SHAREHOLDERS	FROM	SHAREHOLDING	TO	TOTAL SHARES HELD
128	1 -		100	2,681
113	101 -		500	39,462
78	501 -		1,000	71,121
226	1,001 -		5,000	469,469
40	5,001 -		10,000	306,572
19	10,001 -		15,000	240,152
9	15,001 -		20,000	170,240
4	20,001 -		25,000	89,807
5	25,001 -		30,000	142,500
2	30,001 -		35,000	67,000
2	35,001 -		40,000	72,500
1	40,001 -		45,000	41,472
3	45,001 -		50,000	145,091
4	50,001 -		55,000	208,143
2	60,001 -		65,000	124,934
2	65,001 -		70,000	132,000
1	70,001 -		75,000	71,500
1	75,001 -		80,000	75,271
2	80,001 -		85,000	163,288
1	95,001 -		100,000	97,000
1	115,001 -		120,000	117,000
2	125,001 -		130,000	252,323
1	135,001 -		140,000	137,997
2	145,001 -		150,000	300,000
1	165,001 -		170,000	169,500
1	170,001 -		175,000	171,500
1	295,001 -		300,000	300,000
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
661				17,972,368

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHARES HELD	PERCENTAGE OF SHAREHOLDING
I Directors, Chief Executive Officer, Their Spouse And Minor Children	12,034,421	66.96%
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	287,500	1.60%
VII Shareholders Holding Ten Percent and above	9,667,303	53.79%
VIII General Public		
a. Local	3,779,762	21.03%
b. Foreign	8,000	0.04%
IX Others (to be specified)		
Joint Stock Companies	208,641	1.16%


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	254,500
CDC - Trustee NAFA Islamic Asset Allocation Fund	1	171,500
CDC - Trustee NAFA Islamic Stock Fund	1	83,000
III Directors, Chief Executive, Their Spouse And Minor Children	9	12,034,421
i. Mian Asad Hameed	1	7,562,967
ii. Mian Zafar Hameed	1	80,000
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 Finance Companies, Insurance Companies, Takaful Modarabas, Pension Funds	5	1,674,500
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, 2015

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

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

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

Category	Names
Independent Director	Mr. 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 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. One casual vacancy occurred on the Board of Directors during the current year and was filled up by the Directors within 14 days thereof.
5. The company has prepared a 'Code of Conduct', and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision and mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board.
8. The meetings of the Board were presided over by the Chairperson and in her absence, by a director elected by a Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged one training program for one of its directors during the year.
10. There was no change in office of Chief Financial Officer, Company Secretary and Head of Internal Audit of the Company during the period under review.
11. The Directors' report has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.



Sazgar Engineering Works Limited

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.
15. The Board has formed an Audit Committee. It comprises three (3) members who are non-executive directors and the chairman of the committee is a non-executive director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the Code of Corporate Governance. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises three (3) members, of whom two are non-executive directors and the chairman of the committee is an Independent director.
18. The board has set up an effective internal audit function.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with.

For and on behalf of the Board

MIAN ASAD HAMEED
CHIEF EXECUTIVE

Lahore:
August 24, 2015



KABANI & COMPANY

CHARTERED ACCOUNTANTS

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Sazgar Engineering Works Limited for the year ended June 30, 2015 to comply with the requirements of Listing Regulation No. 35 of the Karachi, Lahore & Islamabad Stock Exchanges where the Company is listed.

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

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2015.

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Kabani & Company
Chartered Accountants
Engagement Partner: Younus Kamran
Lahore

Dated: August 24, 2015

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, 2015 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, 2015 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
Engagement Partner: Younus Kamran
Lahore

Dated: August 24, 2015

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

**BALANCE SHEET AS**

	Note	June 30, 2015 Rupees	June 30, 2014 Rupees
EQUITY AND LIABILITIES			
EQUITY			
Authorized share capital 50,000,000 (June 2014: 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		437,195,803	402,542,633
		616,919,483	582,266,313
LIABILITIES			
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	6	848,816	2,406,940
Deferred Liabilities	7	105,899,434	92,081,937
CURRENT LIABILITIES			
Trade and other payables	8	313,390,957	258,100,792
Mark-up & Profit accrued on loans and other payables	9	335,845	467,791
Short term borrowings	10	16,248,282	3,857,920
Current portion of long term liabilities	11	2,232,871	5,434,739
Provision for Taxation	12	32,786,233	27,761,891
		364,994,188	295,623,133
CONTINGENCIES AND COMMITMENTS	13	-	-
TOTAL EQUITY AND LIABILITIES		1,088,661,921	972,378,323

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, 2015

	Note	June 30, 2015 RUPEES	June 30, 2014 RUPEES
ASSETS			
NON CURRENT ASSETS			
Property, Plant and Equipment	14	250,596,211	258,822,407
Intangible Assets	15	232,767	448,976
LONG TERM LOANS AND ADVANCES	16	9,777,104	6,833,385
LONG TERM DEPOSITS	17	1,637,137	1,657,137
CURRENT ASSETS			
Stores, spares and loose tools	18	2,508,204	3,946,503
Stock-in-trade	19	550,465,977	473,780,687
Trade debts	20	146,544,038	104,171,225
Loans & Advances	21	12,734,867	15,619,196
Trade Deposits and short term prepayments	22	5,367,066	22,638,031
Other Receivables	23	90,516,502	52,669,093
Cash and bank balances	24	18,282,048	31,791,683
		826,418,702	704,616,418
TOTAL ASSETS		1,088,661,921	972,378,323

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


SAEED IQBAL KHAN
 DIRECTOR



**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2015**

	Note	June 30, 2015 Rupees	June 30, 2014 Rupees
SALES - Net	25	2,473,657,974	2,105,849,488
COST OF SALES	26	2,239,442,939	1,897,309,026
GROSS PROFIT		234,215,035	208,540,462
DISTRIBUTION COST	27	65,103,937	58,340,066
ADMINISTRATIVE EXPENSES	28	51,669,989	50,658,811
OTHER OPERATING EXPENSES	29	12,786,810	9,452,465
		129,560,736	118,451,342
		104,654,299	90,089,120
OTHER INCOME	30	2,442,340	4,046,090
OPERATING PROFIT BEFORE FINANCE COST		107,096,639	94,135,210
FINANCE COST	31	7,441,164	6,507,390
PROFIT BEFORE TAXATION		99,655,475	87,627,820
TAXATION	32	25,972,571	27,186,547
PROFIT AFTER TAXATION		73,682,904	60,441,273
EARNINGS PER SHARE - BASIC AND DILUTED	33	4.10	3.36

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


MIAN ASAD HAMEED
CHIEF EXECUTIVE


SAEED IQBAL KHAN
DIRECTOR



**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2015**

	Note	June 30, 2015 Rupees	June 30, 2014 Rupees
PROFIT AFTER TAXATION FOR THE YEAR		73,682,904	60,441,273
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		-	-
Items that will be reclassified subsequently to profit or loss		-	-
Items that will not be reclassified subsequently to profit or loss			
- Remeasurement of net defined benefit liability	7.1.2	(3,084,998)	123,497
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		70,597,906	60,564,770

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, 2015**

	Note	June 30, 2015 Rupees	June 30, 2014 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	34	98,773,546	34,732,324
Financial costs paid		(7,573,110)	(6,562,836)
Income tax paid/deducted at source		(54,120,299)	(35,141,172)
Employees retirement benefit - Gratuity Paid		(6,410,005)	(4,110,350)
Workers Profit Participation Fund Paid		(4,731,493)	(5,180,758)
Net cash generated from / (used in) operating activities		25,938,639	(16,262,792)
CASH FLOW FROM INVESTING ACTIVITIES			
Property, Plant and Equipment Purchased		(11,174,468)	(29,005,732)
Decrease in long term security deposits		20,000	-
Proceeds from sale of Property, Plant and Equipment		720,000	2,439,000
Security deposits with leasing companies		(158,850)	(370,275)
Net cash used in investing activities		(10,593,318)	(26,937,007)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds of short term borrowings		203,544,299	118,723,244
Repayment of short term borrowings		(191,153,936)	(131,642,090)
Repayment of finance lease		(5,660,142)	(3,688,425)
Dividend Paid		(35,585,176)	(35,944,736)
Net cash used in financing activities		(28,854,955)	(52,552,007)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(13,509,635)	(95,751,805)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		31,791,683	127,543,489
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	35	18,282,048	31,791,683

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


MIAN ASAD HAMEED
CHIEF EXECUTIVE


SAEED IQBAL KHAN
DIRECTOR



**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2015**

	Share Capital Rupees	Un-appropriated Profit Rupees	Total Rupees
Balance as at June 30, 2013	179,723,680	377,922,599	557,646,279
Final Dividend for the year ended June 30, 2013 @ Re.1.00 per share	-	(17,972,368)	(17,972,368)
Interim Dividend for the year ended June 30, 2014 @ Re.1.00 per share	-	(17,972,368)	(17,972,368)
Total Comprehensive Income for the Year ended June 30, 2014	-	60,564,770	60,564,770
Balance as at June 30, 2014	179,723,680	402,542,633	582,266,313
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 June 30, 2015	179,723,680	437,195,803	616,919,483

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, 2015

1 LEGAL STATUS AND OPERATIONS

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

2 BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Basis of measurement

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

2.3 Functional and Presentation Currency

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

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

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 01, 2014 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements except for the amendments as explained below:

- IAS 32 (Amendments), 'Financial instruments: presentation'. These amendments update the application guidance in IAS 32, 'Financial instruments: presentations', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet date. The application of these amendments has no material impact on the Company's financial statements.

- IAS 36 (Amendment), 'Impairment of assets'. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The application of these amendments has no material impact on the Company's financial statements.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

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

Standards or Interpretation	Effective date
IFRS 10 Consolidated Financial Statements	January 01, 2015
IFRS 11 Joint Arrangements	January 01, 2015
IFRS 12 Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 Fair Value Measurement	January 01, 2015
IAS 16 & 38 Clarification of acceptance method of depreciation and amortization	January 01, 2016
IAS 16 & 40 Agriculture: Bearer Plants	January 01, 2016

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

Employee benefits

Defined benefit plan

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

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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.

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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

3.7 Taxation

Current and Prior Year

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

Deferred

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

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

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

3.8 Trade debts and other receivables

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

3.9 Store, spares and loose tools

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

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

3.10 Stock-in-trade

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

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

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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.

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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

3.19 Offsetting of financial assets and financial liabilities

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

3.20 Research and Development

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

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

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

3.21 Related party transaction

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

3.22 Earning Per Share

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

3.23 Dividends

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

3.24 Warranty Expenses

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

		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.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

5 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

JUNE 2015 Number	JUNE 2014 Number	Note	JUNE 2015 Rupees	JUNE 2014 Rupees
7,163,000	7,163,000	Ordinary shares of Rupees 10 each fully paid up in cash	71,630,000	71,630,000
10,809,368	10,809,368	Ordinary shares of Rupees 10 each allotted as bonus shares	5.1 108,093,680	108,093,680
<u>17,972,368</u>	<u>17,972,368</u>		<u>179,723,680</u>	<u>179,723,680</u>

5.1 No bonus shares (2014: Nil) were issued by the company during the current year.

6 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of minimum lease payments		3,081,687	7,841,679
Less: Current portion shown under current liabilities	11	(2,232,871)	(5,434,739)
		<u>848,816</u>	<u>2,406,940</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		2,469,179	6,128,799
Less: Financial charges		236,308	694,060
Present value		<u>2,232,871</u>	<u>5,434,739</u>
Due later than one year and not later than five years:			
Minimum lease payments		901,274	2,597,111
Less: Financial charges		52,458	190,171
Present value		<u>848,816</u>	<u>2,406,940</u>
		<u>3,081,687</u>	<u>7,841,679</u>

The minimum lease payments have been discounted using the effective interest rates implicit in leases ranging from 12.13% to 12.94% per annum (June 30, 2014: From 11.99% to 16.81%) 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 1.83 million (June 30, 2014: 4.89 million), leased assets and personal guarantees of some directors of the Company. The Company intends to exercise its option to purchase the leased assets at the termination of lease period.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

7 DEFERRED LIABILITIES	Notes	JUNE 2015 Rupees	JUNE 2014 Rupees
Employee benefits	7.1	79,464,470	65,363,532
Deferred taxation	7.2	26,434,964	26,718,405
		<u>105,899,434</u>	<u>92,081,937</u>
7.1 Employee benefits			
7.1.1 Net liability recognized in the balance sheet			
Present value of defined benefit obligations		79,464,470	65,363,532
		<u>79,464,470</u>	<u>65,363,532</u>
7.1.2 Movement in the net liability recognized in the balance sheet			
Net liability as at 1st July		65,363,532	55,900,510
Expense recognized in the income statement	7.1.3	17,425,945	13,696,869
Liability discharged during the year		(6,410,005)	(4,110,350)
Experience Adjustments		3,084,998	(123,497)
Net liability as at June 30		<u>79,464,470</u>	<u>65,363,532</u>
7.1.3 Expense recognized in the income statement			
Current service cost		9,189,940	12,843,192
Interest cost		8,236,005	853,677
		<u>17,425,945</u>	<u>13,696,869</u>
7.1.4 Distribution of expense recognized in the income statement			
The expense is recognized in the following line items in the income statement under the head salaries, wages and other benefits.			
Cost of sales		13,291,802	10,115,227
Administrative expenses		3,372,201	2,727,965
Distribution cost		761,942	853,677
		<u>17,425,945</u>	<u>13,696,869</u>
7.1.5 Year end sensitivity analysis(± 100 Bps) on Defined Benefit Obligation			
			June 30, 2015
Discount Rate + 100 bps			72,685,823
Discount Rate - 100 bps			87,486,859
Salary Increase + 100 Bps			87,644,710
Salary Increase - 100 Bps			72,428,831



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

7.1.6 Comparison of five year data

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

As at June 30	2015	2014	2013	2012	2011
	Rupees				
Present Value of Defined Benefit Obligations					
Present value of defined obligations at the end of the year	79,464,470	65,363,532	55,900,510	44,350,158	35,808,883
Experience adjustment					
Experience adjustment arising on plan liabilities (gains)/losses	3,084,998	(123,497)	6,363,381	(2,775,321)	1,378,438

7.1.7 The amount of expected expense of gratuity benefit in 2015-16 will be Rs. 18,168,070/- as per the actuary's report.

7.1.8 The average duration of defined benefit obligation (unfunded) is 9 years (June 30, 2014, 9 Year).

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

As At June 30, 2015	Less than one Year	From 1 to 2 Years	From 3 to 5 Years	From 6 to 10 Years	More Than 10 Years	Total
	Rupees					
Defined Benefit Obligations	14,076,156	14,179,297	21,524,242	44,265,512	1,037,194,053	1,131,239,260

Principal actuarial assumptions

The company has carried out actuarial valuation as at June 30, 2015 under the 'Projected Unit Credit Actuarial Cost Method'. The main assumptions used for actuarial valuation are as follows:

	JUNE 2015 Rupees	JUNE 2014 Rupees
Discount rate for year end Obligation	9.75 % p.a.	13.25 % p.a.
Expected rate of future salary increase	8.75 % p.a.	12.25 % p.a.
Mortality Rates	SLIC 2001-2005 Setback 1 Year	SLIC 2001-2005 Setback 1 Year
Retirement age	60 Years	60 Years

7.2 Deferred taxation

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

Accelerated depreciation for tax purposes	27,444,497	29,327,253
Liabilities under finance lease that are deducted for tax purposes only when paid	(1,009,533)	(2,608,848)
	26,434,964	26,718,405



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

8 TRADE AND OTHER PAYABLES	Note	JUNE 2015 Rupees	JUNE 2014 Rupees
Creditors		239,960,225	207,874,483
Advances from trade customers		5,807,156	9,487,258
Accrued liabilities		18,486,016	14,730,278
Murabaha Payable:			
Meezan Bank Limited	8.1	16,681,711	-
Habib Bank Limited	10.5	22,587,743	13,383,884
Sales tax payable		163,667	4,620,617
Income tax deducted at source		797,186	306,812
Unclaimed Dividend		1,493,296	1,133,736
Payable towards:			
Workers' Profit Participation Fund	8.2	5,354,439	4,731,493
Workers' Welfare Fund	8.3	2,059,518	1,832,231
		<u>313,390,957</u>	<u>258,100,792</u>
8.1	<p>Total amount of facility available from Meezan Bank Limited under Murabaha arrangement is Rs.40 million (June 30, 2014: Rs. 40 Million) for a maximum period of 180 days (June 30,2014: 180 Days). The profit margin is charged at the rate of respective KIBOR plus spread of 2.0% (June 30, 2014:KIBOR plus spread of 2.1%) with Floor of 9% (June 30, 2014: 10%) and Cap of 22% (June 30, 2014: 24%) per annum. This facility is secured against Paripassu charge over fixed assets (Land, Building and Machinery) of the company amounting to Rs. 54.00 million (June 30, 2014: Rs. 54 Million) with 25% margin (June 30, 2014: 25%), first Parripassu charge over present and future current assets of the company amounting to Rs.40.00 million (June 30, 2014: 40 Million) and personal guarantees of the directors. The company has an option to utilize this facility under the istisna arrangement. The un-utilized amount of this facility as at balance sheet date is Rs. 23.32 million (June 30, 2014: 40.00 Million).</p>		
8.2	Workers' Profit Participation Fund		
		4,731,493	5,180,758
Balance at beginning of the year		5,354,439	4,731,493
Charged during the year	29	<u>10,085,932</u>	<u>9,912,251</u>
Payment made during the year		<u>(4,731,493)</u>	<u>(5,180,758)</u>
		<u>5,354,439</u>	<u>4,731,493</u>
8.3	Workers' Welfare Fund		
		1,832,231	1,974,150
Balance at beginning of the year		2,059,518	1,832,231
Charged during the year		(465,867)	(73,194)
Adjustment for prior years		1,593,651	1,759,037
Charged to P & L	29	<u>3,425,882</u>	<u>3,733,187</u>
Payment made during the year		<u>(1,366,364)</u>	<u>(1,900,956)</u>
		<u>2,059,518</u>	<u>1,832,231</u>
9 MARK-UP ACCRUED ON LOANS AND OTHER PAYABLES			
Short term borrowing - secured		287,175	438,177
Liabilities against assets subject to finance lease		4,953	1,717
Profit on Murabaha Payable		43,717	27,897
		<u>335,845</u>	<u>467,791</u>



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

	Note	JUNE 2015 Rupees	JUNE 2014 Rupees
10 SHORT TERM BORROWINGS			
Secured			
Running finance under mark-up arrangements			
Allied Bank Limited	10.2	-	-
Habib Bank Limited	10.3	-	-
Finance against trust receipts			
Allied Bank Limited	10.4	16,248,282	3,857,920
Habib Bank Limited	10.5	-	-
		<u>16,248,282</u>	<u>3,857,920</u>

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;

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

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, 2014: Rs. 45.00 million). The mark-up is charged at the rate of three months average ask side Kibor plus 2.0% (June 30, 2014: three months average ask side Kibor plus 2.5%) with Floor rate of nil (June 30, 2014: 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, 2014: 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, 2014: 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, 2014: 25% margin) on stocks. The un- utilized amount of this facility as at balance sheet date is Rs. 45.00 million. (June 30, 2014: Rs. 45.00 million).

10.3 Total amount of finance available under this facility is Rs. 50.00 million (June 30, 2014: 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, 2014: 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, 2014: Rs. 214.00 million) and specifically secured against First pari passu Hypothecation Charge of Rs. 90.00 million (June 30, 2014: 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, 2014: 20% margin). The un-utilized amount of this facility as at balance sheet date is Rs 50.00 million. (June 30, 2014: Rs. 50.00 million) .



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

- 10.4** Total amount available under this facility is Rs. 48.00 million (June 30, 2014: Rs. 48.00 million) for a maximum period of 90 days (June 30, 2014: of 90 days). The mark-up is charged at the rate of three months average ask side Kibor plus 2.00% (June 30, 2014: three months average ask side Kibor plus 2.5%) with floor rate of nil per annum (June 30, 2014: Nil).This facility is collaterally secured against First charge on present and future fixed assets for Rs. 185.00 million (June 30, 2014: 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, 2014: 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, 2014: Nil Margin). The un-utilized amount of this facility as at balance sheet date is Rs. 31.75 million. (June 30, 2014: Rs. 44.14 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, 2014: Rs. 40.00 million) with an option to utilize under Murabaha Facility, for a maximum period of 120 days. (June 30, 2014: 120 days). The mark-up is charged at the rate of three months average ask side Kibor plus 2.50% for FATR and 2.00% for Murabaha, per annum (June 30, 2014: three months average ask side Kibor plus 2.50%, for murabaha and FATR per annum). This facility is collaterally secured against First pari passu charge of Rs. 214 Million (June 30, 2014: 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, 2014: 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, 2014: 20%) of the Company, 5% Cash margin, (June 30, 2014: 5%), Trust Receipts and accepted bill of exchange. Out of this facility a sum of Rs. 22.59 (June 30, 2014: 13.38) 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. 17.41 (June 30, 2014: Rs.26.62 Million) which can be used for opening of Letter of Credit.
- 10.6** The usage of total amount of facilities of Rs.143 Million (June 30, 2014: 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 Million (June 30, 2014: 130) at any point of time.

		JUNE 2015 Rupees	JUNE 2014 Rupees
11 CURRENT PORTION OF LONG TERM LIABILITIES			
Liabilities against assets subject to finance lease	Note 6	<u>2,232,871</u>	<u>5,434,739</u>
		<u>2,232,871</u>	<u>5,434,739</u>
12 PROVISION FOR TAXATION			
Balance at beginning		27,761,891	32,738,126
Add: Provision for the Year			
-Current Year		32,786,233	27,898,620
-Prior Year		(6,530,221)	(136,731)
Less: Payment/Adjustment during the year		<u>(21,231,670)</u>	<u>(32,738,124)</u>
		<u>32,786,233</u>	<u>27,761,891</u>



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

- 13.1.1** Three appeals of the company are pending in Honorable Multan High Court, Multan against the decision of Consumer Court, Sahiwal for the claim of Auto parts under warranty. The management of the company is of opinion that outcome of these cases will be settled in favour of the company, hence no provision is made in these financial statements.
- 13.1.2** The appeal filed by the company with ATIR against the order of CIR (Appeals) for disallowance of tax losses of Rs. 1,503,939/- and tax demand of Rs. 545,930/- for tax year 2003 under section 122 (5A) is still pending. In the opinion of the tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.
- 13.1.3** The appeal filed by the company with the CIR (Appeals) against the order of DCIR for tax year 2004 for tax demand of Rs.751,405/- under section 122 (5A) was decided in favour of Income Tax department. The company has filed an appeal against this order with ATIR. In the opinion of the tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.
- 13.1.4** 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. 21.45 million. The company filed an appeal against this order with CIR (Appeals) and got relief up to Rs.19.18 million. For remaining tax demand of Rs.3.09 million, company has filed an appeal with ATIR. Further, during previous years, the DCIR has also filed an appeal against the Relief of Rs. 15.03 Million given by the CIR (A) and during the year, The DCIR also initiate demand of Rs. 5.2 million for tax year 2009, 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.
- 13.1.5** 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 initiate further demand of tax Rs. 368,995/- for tax year 2013, the company has filed the 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.
- 13.1.6** 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 2015 Rupees	JUNE 2014 Rupees	JUNE 2015 Rupees	JUNE 2014 Rupees
LIMIT Nos.	PARTICULARS	LIMITS AVAILABLE		LIMITS UTILIZED	
	Not Later Than one Year				
1	Foreign LC Sight / Inland LC- Gross	390,000,000	370,000,000	124,727,908	95,155,552
2	FATR -Sublimit of Limit No.1	88,000,000	88,000,000	16,248,282	3,857,920
3	Murabaha Sublimit of Limit no.2	40,000,000	40,000,000	22,587,743	13,383,884
4	Murabaha Sublimit of Limit no.1	40,000,000	40,000,000	16,681,711	-
5	Murabaha-FIM Spot Sublimit of Limit no.1	40,000,000	-	-	-
6	Guarantee	8,040,000	8,040,000	-	-



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

	Note	JUNE 2015 Rupees	JUNE 2014 Rupees
14 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	14.1	241,477,525	250,089,438
Capital work in progress	14.3	9,118,686	8,732,969
		<u>250,596,211</u>	<u>258,822,407</u>

14.1 OPERATING FIXED ASSETS - Tangible

Particulars	2015				Rate %	Depreciation			W.D.V. as at 30-06-2015
	As at 01-07-2014	Cost Additions/ (Deductions)	Transfer	As at 30-06-2015		As at 01-07-2014	For the Year	Adjustment	
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
Plant and Machinery	189,630,694	5,708,905	-	195,339,599	10	102,205,583	9,029,018	-	111,284,601
Electric Fittings	8,090,601	43,695	-	8,074,296	10	4,498,710	359,553	-	4,852,263
Furniture and fittings	2,472,886	-	-	2,472,886	10	1,296,958	117,593	-	1,414,551
Office Equipment	4,021,917	47,619	-	4,089,536	10	1,863,519	218,221	-	2,081,740
Electric Installations	3,255,976	59,900	-	3,315,876	10	1,131,910	214,903	-	1,346,613
Vehicles	26,209,946	4,915,131 (569,000)	11,344,500	41,800,577	20	11,934,543	3,466,922	5,477,092 (535,716)	20,342,641
Assets subject to Finance Lease	399,249,024	10,775,250 (569,000)	11,344,500	420,699,774		164,193,075	17,224,006	5,477,092 (535,716)	186,358,456
Vehicles	21,510,500	1,059,000	(11,344,500)	11,225,000	20	5,477,010	3,088,874	(5,477,092)	4,088,792
	21,510,500	1,059,000	(11,344,500)	11,225,000		5,477,010	3,088,874	-	4,088,792
								5,477,092 (5,012,808)	
Total 2015	420,759,524	11,834,250 (569,000)	-	431,924,774		170,670,085	20,312,880	-	190,447,248

Details of property, plant and equipment sold during the year are given in note no.14.4

Particulars	2014				Rate %	Depreciation			W.D.V. as at 30-06-2014
	As at 01-07-2013	Cost Additions/ (Deductions)	Transfer	As at 30-06-2014		As at 01-07-2013	For the Year	Adjustment	
Freehold land	85,164,954	-	-	85,164,954	-	-	-	-	85,164,954
Building and Civil Works on freehold land	78,426,084	2,035,956	-	80,462,050	5 to 10	37,081,300	4,180,551	-	41,261,851
Plant and Machinery	169,699,034	18,931,660	-	188,630,694	10	93,183,656	9,021,817	-	102,205,583
Electric Fittings	8,090,601	-	-	8,090,601	10	4,106,278	391,432	-	4,498,710
Furniture and fittings	2,446,289	26,500	-	2,472,886	10	1,168,519	128,442	-	1,296,958
Office Equipment	3,953,234	168,683	-	4,021,917	10	1,630,243	233,276	-	1,863,519
Electric Installations	3,129,492	203,948 (77,464)	-	3,255,976	10	966,701	215,235	(50,025)	1,131,910
Vehicles	23,458,892	10,147,554 (8,745,000)	6,348,500	25,209,946	20	8,581,095	2,854,896	3,096,564 (2,608,012)	11,934,543
Assets subject to Finance Lease	364,208,587	32,634,401 (8,822,464)	6,348,500	399,249,024		146,717,799	17,036,749	3,096,564 (2,658,087)	164,193,075
Plant and Machinery	-	-	-	-	10	-	-	-	-
Vehicles	23,504,000	4,355,000	(6,348,500)	21,510,500	20	5,787,534	3,786,040	(3,096,564)	6,477,010
	23,504,000	4,355,000	(6,348,500)	21,510,500		5,787,534	3,786,040	-	6,477,010
								(3,096,564)	
Total 2014	387,712,587	36,868,401 (8,822,464)	-	420,759,524		152,905,332	20,822,789	-	170,670,085



**NOTES TO THE FINANCIAL STATEMENTS
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14.2 Depreciation for the year has been allocated as follows:

	Note	JUNE 2015 Rupees	JUNE 2014 Rupees
Cost of sales	26	13,697,577	13,857,073
Distribution cost	27	1,154,639	1,151,370
Administrative expenses	28	5,460,664	5,814,348
		<u>20,312,880</u>	<u>20,822,791</u>

14.3 CAPITAL WORK-IN-PROGRESS

Tangible

Plant and machinery

Opening balance		1,134,000	11,349,310
Additions made during the year		811,501	7,557,250
		<u>1,945,501</u>	<u>18,906,560</u>
Transferred to Plant & Machinery		794,500	16,510,310
Transferred to Sales Tax and Expenses		334,000	1,262,250
	14.3.1	<u>817,001</u>	<u>1,134,000</u>

Civil works

Opening balance		7,095,135	921,068
Additions made during the year		716,216	6,174,067
		<u>7,811,351</u>	<u>7,095,135</u>
Transferred to operating fixed assets		-	-
		<u>7,811,351</u>	<u>7,095,135</u>

Intangible

Opening balance		503,834	502,834
Additions made during the year		-	66,500
		<u>503,834</u>	<u>569,334</u>
Transferred to Intangible Assets		13,500	65,500
		<u>490,334</u>	<u>503,834</u>
		<u>9,118,686</u>	<u>8,732,969</u>

14.3.1 This includes Rs. 0.817 million (June 30, 2014: Rs. 0.334 million) on account of advance paid to supplier of machinery.

14.4 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				
Shehzoor Truck	669,000	133,284	720,000	Negotiation	Mr. Rana Imtiaz Ahmed - House No.215 Jahanzaib Block, Allama Iqbal Town, Lahore.
	<u>669,000</u>	<u>133,284</u>	<u>720,000</u>		



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

15 INTANGIBLE ASSETS

Particulars	(Rupees)						
	Cost			Amortization			Book Value as at 30-06-2015
	As at 01-07-2014	Additions/ (deletion)	As at 30-06-2015	As at 01-07-2014	For the Year	As at 30-06-2015	
Intangible Assets	4,195,339	13,500	4,208,839	3,746,363	229,709	3,976,072	232,767
Jun-15	4,195,339	13,500	4,208,839	3,746,363	229,709	3,976,072	232,767
Jun-14	4,129,839	65,500	4,195,339	3,523,610	222,753	3,746,363	448,976

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.

	Note	JUNE 2015 Rupees	JUNE 2014 Rupees
16 LONG TERM LOANS AND ADVANCES - SECURED			
Loans and advances - considered good, to:			
Executives		2,200,925	2,917,925
Non-Executives		12,591,179	8,075,404
		14,792,104	10,993,329
Less: Amount due within twelve months, shown under current loans and advances	21	5,015,000	4,159,944
		9,777,104	6,833,385

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

	Opening balance as at July 01, 2014	Disbursements	Repayments	Closing Balance as at June 30, 2015
Executives	2,917,925	2,705,500	3,422,500	2,200,925
Non-Executives	8,075,404	12,711,342	8,195,567	12,591,179
	10,993,329	15,416,842	11,618,067	14,792,104
June 30, 2014	8,894,744	6,589,370	4,490,785	10,993,329

These loans and advances have been granted under staff loan and advances policy to facilitate the employees for purchase of house and meeting other household payments. These are secured against the gratuity payable to employees. These are interest free loans which are repayable within fourteen years. The maximum amount of loan outstanding to executive at the end of any month during the year was Rs 1,797,000/- (2014: Rs. 1,472,000/-).

17 LONG TERM DEPOSITS

Deposit with Pakistan Steel Mill	400,000	400,000
Utilities and others	1,237,137	1,257,137
	1,637,137	1,657,137

18 STORES, SPARES AND LOOSE TOOLS

Stores	2,092,685	3,495,174
Spares	410,515	421,815
Loose tools	5,004	29,514
	2,508,204	3,946,503



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

	Note	JUNE 2015 Rupees	JUNE 2014 Rupees
19 STOCK-IN-TRADE			
Raw materials and components		437,860,448	322,919,863
Work-in-process		16,984,905	16,685,065
Finished goods		97,592,914	134,163,421
Packing and other material		11,471	12,338
Less: Provision for slow moving items	26	(1,983,760)	-
		<u>550,465,977</u>	<u>473,780,687</u>
20 TRADE DEBTS - Unsecured	20.1	<u>146,544,038</u>	<u>104,171,225</u>
20.1 Classification:			
Considered Good		146,544,038	104,171,225
Considered Doubtful		6,413,397	1,696,677
Considered Bad		-	6,523,837
Less:		152,957,435	112,391,739
Provision for doubtful debts		(6,413,397)	(1,696,677)
Bad debts		-	(6,523,837)
		<u>146,544,038</u>	<u>104,171,225</u>
21 LOANS & ADVANCES			
Advances - considered good			
- Current portion of loans and advances	16	5,015,000	4,159,944
- To employees for incurring business expenses		649,112	269,015
- To suppliers-unsecured		7,070,755	11,190,237
		<u>12,734,867</u>	<u>15,619,196</u>
22 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Contract securities		1,046,900	346,900
Prepaid expenses		979,782	980,513
Letter of credit margin		1,931,275	960,559
Letter of credit in process		1,409,109	20,350,059
		<u>5,367,066</u>	<u>22,638,031</u>
23 OTHER RECEIVABLES			
Advance income tax		90,502,192	52,635,093
Others		14,310	34,000
		<u>90,516,502</u>	<u>52,669,093</u>
24 CASH AND BANK BALANCES			
Cash in hand		120,390	139,518
Balance with banks in current accounts		18,161,658	31,652,165
		<u>18,282,048</u>	<u>31,791,683</u>



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

25 SALES - NET	Note	JUNE 2015 Rupees	JUNE 2014 Rupees
Gross sales	25.1	2,971,445,347	2,520,760,116
Less:			
Sales tax		447,105,918	366,264,290
Sales returns		10,326,485	9,031,399
Commission		40,354,970	39,614,939
		497,787,373	414,910,628
		<u>2,473,657,974</u>	<u>2,105,849,488</u>

25.1 This includes Rs. 10.63 million (June 30, 2014: Rs.40.60 million) on account of export sales.

26 COST OF SALES

Raw materials and components consumed		1,858,058,731	1,669,125,864
Salaries, wages and other benefits	26.1	184,480,954	147,519,841
Stores, spares and loose tools consumed		31,685,564	27,958,246
Power and fuel charges		48,292,762	49,385,946
Repair and maintenance		50,133,385	25,429,527
Other expenses		6,154,641	5,539,927
Provision for slow moving items	19	1,983,760	-
Depreciation	14.2	13,697,577	13,857,073
Amortization	15	229,709	222,753
		<u>2,194,717,083</u>	<u>1,939,039,177</u>
Opening work-in-process		16,685,065	7,897,939
		<u>2,211,402,148</u>	<u>1,946,937,116</u>
Closing work-in-process		16,984,905	16,685,065
Cost of goods manufactured		<u>2,194,417,243</u>	<u>1,930,252,051</u>
Opening finished goods		134,163,421	91,927,686
		<u>2,328,580,664</u>	<u>2,022,179,737</u>
Cost of finished goods purchased during the year		8,455,188	9,292,710
		<u>2,337,035,852</u>	<u>2,031,472,447</u>
Closing finished goods		97,592,914	134,163,421
		<u>2,239,442,939</u>	<u>1,897,309,026</u>

26.1 Salaries, wages and other benefits include Rs.13,291,802 (2014: Rs. 10,115,227) in respect of retirement benefits.

27 DISTRIBUTION COST	Note	JUNE 2015 Rupees	JUNE 2014 Rupees
Salaries and other benefits	27.1	12,593,075	11,956,166
Freight and octroi		26,866,386	25,459,238
Traveling & conveyance		4,104,669	12,816,129
Packing material consumed		3,224,687	1,792,215
Advertisement and sale promotion		14,573,226	1,953,219
Insurance		339,878	343,953
Rent, rates and taxes		919,265	836,340
After sales service		708,036	1,399,475
Printing & Stationery		620,076	631,961
Depreciation	14.2	1,154,639	1,151,370
		<u>65,103,937</u>	<u>58,340,066</u>

27.1 Salaries and other benefits include Rs. 761,942 (2014: Rs.853,667) in respect of retirement benefits.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

28 ADMINISTRATIVE EXPENSES	Note	JUNE 2015 Rupees	JUNE 2014 Rupees
Salaries and other benefits	28.1	28,964,776	26,804,655
Electricity, gas and water charges		243,937	216,245
Communication expenses		2,858,350	2,665,281
Vehicle running expenses		4,313,165	5,140,860
Legal and professional		1,719,182	2,830,417
Traveling and conveyance		523,560	620,209
Fee and subscription		2,175,361	1,498,183
Insurance		814,358	774,542
Rent, rates and taxes		1,263,109	1,271,394
Printing and stationery		1,912,167	1,515,524
Entertainment		825,809	923,633
Office supplies		121,357	56,051
Miscellaneous expenses		474,194	527,469
Depreciation	14.2	5,460,664	5,814,348
		<u>51,669,989</u>	<u>50,658,811</u>

28.1 Salaries and other benefits include Rs. 3,372,201 (2014: Rs.2,727,965) in respect of retirement benefits.

29 OTHER OPERATING EXPENSES

Auditors' remuneration	29.1	1,122,000	1,205,000
Exchange Loss		-	60,258
Provision for doubtful debts		4,716,720	1,696,677
Contribution towards:			
Workers' profit participation fund	8.2	5,354,439	4,731,493
Workers' welfare fund	8.3	1,593,651	1,759,037
		<u>12,786,810</u>	<u>9,452,465</u>

29.1 Auditors' remuneration

Viqar A. Khan

Workers' Profit Participation Fund Audit
Tax services

17,000	15,000
430,000	515,000
<u>447,000</u>	<u>530,000</u>

Kabani & Co.

Statutory audit
Half yearly review
Certificate fee

525,000	525,000
150,000	150,000
-	-
<u>675,000</u>	<u>675,000</u>
<u>1,122,000</u>	<u>1,205,000</u>

30 OTHER INCOME

Income from financial assets

Exchange Gain

75,170

-

Income from non Financial Assets

Gain on sale of fixed asset

586,716

1,274,574

Miscellaneous Income

1,780,454

2,771,516

2,442,340

4,046,090

31 FINANCE COST

Mark-up on:

Short term borrowings - secured

2,754,767

2,090,887

Profit on Murabaha

3,289,843

2,633,351

Interest on Workers' Profit Participation Fund

485,224

511,514

Financial charges on finance lease

761,434

1,210,410

Bank charges, commission and others

149,896

61,228

7,441,164

6,507,390



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

32 TAXATION	Note	JUNE 2015 Rupees	JUNE 2014 Rupees
Current			
For the Year	32.1	32,786,233	27,761,889
Prior Year	32.2	(6,530,221)	(136,731)
Deferred			
For the Year	32.4	<u>(283,441)</u>	<u>(438,610)</u>
		<u>25,972,571</u>	<u>27,186,547</u>

32.1 The rate of tax has decreased from 34% to 33% 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 2014, except as mentioned in note

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

32.4 The Finance Act, 2015 introduced a new tax under section 5A of Income Tax Ordinance, 2001 on 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, 2015 (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, 2015.

32.5 Tax charge reconciliation

Profit before taxation	<u>99,655,475</u>	<u>87,627,820</u>
Tax charge on accounting profit at applicable tax rate as per Income Tax Ordinance, 2001	32,886,307	29,793,459
Tax effect of amounts that are:		
- not deductible for tax purposes		
- allowable deductions for tax purposes	2,610,987	(256,357)
Tax effect of profit attributable to presumptive income	(2,324,600)	(656,983)
Effect of presumptive tax	54,725	461,211
Tax effect due to reversal of prior year's WWF	(153,736)	(24,886)
Tax credit due to investment	(570,891)	(1,993,166)
Adjustment of prior year taxation	(6,530,221)	(136,731)
Taxation for the year	<u>25,972,571</u>	<u>27,186,547</u>



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

		JUNE 2015 Rupees	JUNE 2014 Rupees
33	EARNINGS PER SHARE - BASIC AND DILUTED		
	Basic earnings per share		
	Profit after taxation for the year	73,682,904	60,441,273
	Weighted average number of ordinary shares outstanding during the year	17,972,368	17,972,368
	Basic earnings per share - Rupees	4.10	3.36
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, 2015 and June 30, 2014, which would have any effect on earning per share if the option to convert is exercised.		
34	CASH GENERATED FROM OPERATIONS	Note	JUNE 2015 Rupees
			JUNE 2014 Rupees
	Profit before taxation		87,627,820
	Adjustment for non cash charges and other items:		
	Depreciation		20,822,791
	Amortization		222,753
	Provision for gratuity		13,696,869
	Financial and other charges		6,507,390
	Other income		(4,046,090)
			37,203,713
			124,831,533
	Working capital changes	34.1	(88,760,193)
	(Increase)/Decrease in long term loans and advances		(1,339,016)
	Cash generated from operations		34,732,324
34.1	Working capital changes		
	(Increase)/decrease in current assets		
	Store, spares and loose tools		618,205
	Stock-in-trade		(85,275,384)
	Trade debts		29,489,799
	Loans and Advances		(3,021,933)
	Trade Deposits and short term prepayments		9,389,715
	Increase/(decrease) in current liabilities		
	Trade and other payables		(39,960,593)
			(88,760,193)
35	CASH AND CASH EQUIVALENTS		
	Cash and cash equivalents include:		
	Cash and bank balances	24	31,791,683
			18,282,048
			31,791,683



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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;

	JUNE 2015 Rupees	JUNE 2014 Rupees
Remuneration, Allowances and benefits paid to Chief Executive	9,750,000	7,587,742
Remuneration, Allowances and benefits paid to Executive Director (s)	4,375,000	5,556,505

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	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Managerial Remuneration	9,360,000	7,587,742	4,200,000	5,556,505	-	-	22,532,100	19,866,040	36,092,100	33,010,287
Bonus & Leave encashment	390,000	-	175,000	-	-	-	1,883,225	1,720,275	2,448,225	1,720,275
Total	9,750,000	7,587,742	4,375,000	5,556,505	-	-	24,415,325	21,586,315	38,540,325	34,730,562
Number of persons	1	1	1	1	5	5	13	11	20	18

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

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.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

iii) **HOUSEHOLD APPLIANCES**

This segment relates to the sale of imported household appliances.

	Auto rickshaw		Auto Motive parts		Household appliances		Total	
	2015 Rupees	2014 Rupees	2015 Rupees	2014 Rupees	2015 Rupees	2014 Rupees	2015 Rupees	2014 Rupees
Segment revenue -Net	2,014,830,982	1,849,484,810	446,006,949	250,389,104	12,820,043	5,975,574	2,473,657,974	2,105,849,488
Segment operating results	107,869,429	100,233,486	9,237,661	(1,356,270)	(787,980)	(540,629)	116,319,109	98,336,586
Segment assets	623,203,260	597,036,136	314,505,356	221,940,127	25,138,143	51,376,312	962,846,759	870,352,575
Unallocated assets	-	-	-	-	-	-	125,815,162	102,025,748
Total assets							<u>1,088,661,921</u>	<u>972,378,323</u>
Segment liabilities	327,861,812	248,726,228	88,974,432	95,386,393	-	8,943	416,836,244	344,121,564
Unallocated liabilities							54,906,194	45,990,446
Total liabilities							<u>471,742,438</u>	<u>390,112,010</u>
Capital expenditure	11,278,940	28,690,772	229,527	1,044,636	-	-	11,508,467	29,735,408
Depreciation and amortization	14,057,955	14,753,808	6,463,603	6,234,165	21,029	57,569		
Non-cash charges other than depreciation and amortization	15,828,053	7,210,068	8,280,902	6,464,199	17,470	22,602		



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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:

	Note	JUNE 2015 Rupees	JUNE 2014 Rupees
FINANCIAL ASSETS			
Long term deposits	17	1,637,137	1,657,137
Trade debts	20	146,544,038	104,171,225
Loans and Advances	16 & 21	22,511,971	22,452,581
Trade Deposits	22	5,367,066	22,638,031
Bank Balances	24	18,282,048	31,791,683
		<u>194,342,260</u>	<u>182,710,657</u>

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

Pakistan	146,544,038	104,171,225
	<u>146,544,038</u>	<u>104,171,225</u>

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

Corporate Customers	41,561,054	43,463,410
Distributor	-	-
Dealers	103,019,921	57,777,177
Others	1,963,063	2,930,638
	<u>146,544,038</u>	<u>104,171,225</u>

The aging of trade debts at the reporting date was:

Not past due	63,080,889	65,926,279
Past Due 0-30 days	33,218,183	10,541,596
Past due 31-120 days	7,628,802	10,840,989
Past due more than 120 days	42,616,164	16,862,361
	<u>146,544,038</u>	<u>104,171,225</u>

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

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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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.

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.

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. 38.64 million (2014: Rs. 78.62 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. 19.33 million (2014: Rs. 11.70 million) which is subject to interest rate risk.

Cash Flow Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date, with all other variables remaining constant, the net income for the year would have been lower or higher by Rs. 0.193 million (2014: Rs. 0.117 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, 2015**

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 - 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	-	-

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

40 PLANT CAPACITY AND ACTUAL PRODUCTION

	JUNE 2015 Numbers	JUNE 2014 Numbers
Installed Capacity		
Auto rickshaw (8 hours single shift basis)	20,000	20,000

Automotive parts

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

Actual Production

Auto Rickshaw	13,713	13,414
Automotive Parts		
Wheel Rims	85,328	51,722

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.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

	2015	2014
41 NUMBER OF EMPLOYEES		
Number of permanent employees as at June 30,	692	622
Average number of employees during the year	613	606

42 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors, at their meeting held on August 24, 2015 has recommended a final Cash dividend of Rupee 1.00 per share i.e., 10% in addition to Interim cash dividend of Rupee 1.00 per share i.e., 10% already paid, thus making a total cash dividend of Rupees 2.00 per share i.e., 20% (2014: 20%) for the financial year ending June 30, 2015.

These Financial Statements for the year ended June 30, 2015 do not include the effect of the above dividend, which will be accounted for in the financial statements for the year ended June 30, 2016, once the dividend is approved in the forthcoming 24th Annual General Meeting.

43 DATE OF AUTHORIZATION FOR ISSUE:

The Board of Directors of the Company has authorized these financial statements for issue on August 24, 2015.

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 24th Annual General Meeting of the shareholders of the Company to be held on Monday October 26, 2015 at 11:00 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 _____ 2015

Folio No.	CDC Participant ID No.	CDC Account/ Sub-Account No.	No. of shares held

Signature over Revenue Stamp of Rupees 5/-

<p>Witness 1</p> <p>Signature _____</p> <p>Name _____</p> <p>CNIC No. _____</p> <p>Address _____</p>	<p>Witness 2</p> <p>Signature _____</p> <p>Name _____</p> <p>CNIC No. _____</p> <p>Address _____</p>
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- Notes:
1. The proxy must be a member of the Company.
 2. The signature must tally with the specimen signature/s registered with the Company.
 3. If a proxy is granted by a member who has deposited his/her shares in Central Depository Company of Pakistan Limited, the proxy must be accompanied with participant's ID number and CDC account/sub-account number alongwith attested photocopies of Computerized National Identity Card or the Passport of the beneficial owner. Representatives of corporate members should bring the documents required for such purpose.
 4. The proxy shall produce his / her original (CNIC) or original passport at the time of the meeting.
 5. The instrument of Proxy properly completed should be deposited at the Share Registrar Office of the Company not less than 48 hours before the time of holding the meeting.

Sazgar Engineering Works Limited

REGISTERED OFFICE: 88 Ah Town, Toker Naz Bag, Rawind Road, Lahore.
Tel: 042-35312125-27, 35291573-74, Fax: 042-35312126
FACTORY: 18-Km, Rawind Road, Lahore. Tel: 042-35300200-3, Fax: 042-35300120
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