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

1 LEGAL STATUS AND OPERATIONS

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

2 BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Basis of measurement

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

2.3 Functional and Presentation Currency

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

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

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Employee benefits

Defined benefit plan

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

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

3.2 Compensated Absences

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

3.3 Property, Plant and Equipment-Owned

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

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

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

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

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

3.4 Impairment of fixed assets

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

3.5 Intangible Assets

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

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

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

3.6 Assets subject to finance lease

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

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

3.7 Taxation

Current and Prior Year

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

Deferred

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

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

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

3.8 Trade debts and other receivables

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

3.9 Store, spares and loose tools

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

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

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

3.10 Stock-in-trade

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

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

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

3.11 Foreign currency conversion

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

3.12 Revenue recognition

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

3.13 Borrowing Costs

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

3.14 Segment reporting

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

3.15 Cash and cash equivalents

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

3.16 Trade and accrued liabilities

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

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

3.17 Provisions

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

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

3.18 Financial instruments

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

3.19 Offsetting of financial assets and financial liabilities

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

3.20 Research and Development

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

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

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

3.21 Related party transaction

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

3.22 Earning Per Share

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

3.23 Dividends

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

3.24 Warranty Expenses

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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

5 CHANGE IN ACCOUNTING POLICY

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

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

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

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

6 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

JUNE 2014 Number	JUNE 2013 Number		Note	JUNE 2014 Rupees	JUNE 2013 Rupees (Re-stated)
7,163,000	7,163,000	Ordinary shares of Rupees 10 each fully paid up in cash		71,630,000	71,630,000
10,809,368	10,809,368	Ordinary shares of Rupees 10 each allotted as bonus shares	6.1	108,093,680	108,093,680
17,972,368	17,972,368			179,723,680	179,723,680

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

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

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

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

Due not later than one year:		
Minimum lease payments	6,128,799	5,941,562
Less: Financial charges	694,060	924,093
Present value	5,434,739	5,017,469
Due later than one year and not later than five years:		
Minimum lease payments	2,597,111	7,191,717
Less: Financial charges	190,171	679,082
Present value	2,406,940	6,512,635
	7,841,679	11,530,104

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

8 DEFERRED LIABILITIES

	Note	JUNE 2014	JUNE 2013
Employee benefits	8.1	65,363,532	55,900,510
Deferred taxation	8.2	26,718,405	27,157,015
		92,081,937	83,057,525

8.1 Employee benefits

8.1.1 Net liability recognized in the balance sheet

Present value of defined benefit obligations	65,363,532	55,900,510
	65,363,532	55,900,510

8.1.2 Movement in the net liability recognized in the balance sheet

	Note	JUNE 2014	JUNE 2013
Net liability as at 1st July		55,900,510	44,350,158
Expense recognized in the income statement	8.1.3	13,696,869	13,644,061
Liability discharged during the year		(4,110,350)	(8,457,090)
Experience Adjustments		(123,497)	6,363,381
Net liability as at June 30		65,363,532	55,900,510

8.1.3 Expense recognized in the income statement

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

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

8.1.4 Distribution of expense recognized in the income statement	**JUNE 2014 Rupees**	**JUNE 2013 Rupees (Re-stated)**

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

	JUNE 2014	JUNE 2013
Cost of sales	10,115,227	9,945,660
Administrative expenses	2,727,965	2,841,996
Distribution cost	853,677	856,405
	13,696,869	13,644,061

8.1.5 Year end sensitivity analysis(± 100 Bps) on Defined Benefit Obligation	**June 30, 2014**
Discount Rate + 100 bps	59,925,993
Discount Rate - 100 bps	71,775,049
Salary Increase + 100 Bps	71,775,049
Salary Increase - 100 Bps	59,835,990

8.1.6 Comparison of five year data

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

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

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

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

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

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

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

Principal actuarial assumptions	Note	JUNE 2014 Rupees	JUNE 2013 Rupees (Re-stated)

The company has carried out actuarial valuation as at June 30, 2014 under the 'Projected Unit Credit Actuarial Cost Method'. The main assumptions used for actuarial valuation are as follows:

Discount rate for year end Obligation		13.25 % p.a.	10.5 % p.a.
Expected rate of future salary increase		12.25 % p.a.	9.5 % p.a.
Mortality Rates		SLIC 2001-2005 Setback 1 Year	EFU 61-66
Retirement age		60 Years	60 Years

8.2 Deferred taxation

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

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

9 TRADE AND OTHER PAYABLES

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

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

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

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

10 MARK-UP ACCRUED ON LOANS AND OTHER PAYABLES

	JUNE 2014 Rupees	JUNE 2013 Rupees
Short term borrowing - secured	438,177	262,456
Liabilities against assets subject to finance lease	1,717	4,421
Profit on Murabaha Payable	27,897	256,360
	467,791	523,237

11 SHORT TERM BORROWINGS

Secured

	Note	JUNE 2014 Rupees	JUNE 2013 Rupees
Running finance under mark-up arrangements			
Allied Bank Limited	11.2	-	-
Habib Bank Limited	11.3	-	-
Finance against trust receipts			
Allied Bank Limited	11.4	3,857,920	16,776,763
Habib Bank Limited	11.5	-	-
		3,857,920	16,776,763

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

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

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

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

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

11.2 Total amount of finance available under this facility is Rs. 45.00 million (June 30, 2013: Rs. 45.00 million). The mark-up is charged at the rate of three months average ask side Kibor plus 2.5% (June 30, 2013: three months average ask side Kibor plus 2.5%) with Floor rate of nil (June 30, 2013: Nil%) per annum. This facility is collaterally secured against First charge on the present and future fixed assets for Rs. 185.00 million (June 30, 2013: Rs.185 million) and First Pari Passu Charge on present and future current assets of the Company to the extent of Rs.110.00 million. (June 30, 2013: Rs. 110.00 million) This facility is specifically secured by Hypothecation of current assets of the Company, comprising of raw material, work in process, finished goods, etc. and receivable and book debts of the Company with 25% margin (June 30, 2013: 25% margin) on stocks. The un- utilized amount of this facility as at balance sheet date is Rs. 45.00 million. (June 30, 2013: Rs. 45.00 million).

11.3 Total amount of finance available under this facility is Rs. 50.00 million (June 30, 2013: Rs. 50.00 million). The mark-up is charged at the rate of three months average ask side Kibor + 2.5% per annum (June 30, 2013: three months average ask side Kibor + 2.50 %). This facility is collaterally secured against First pari passu charge on fixed assets of Rs. 214.00 million (June 30, 2013: Rs. 214.00 million) and specifically secured against First pari passu Hypothecation Charge of Rs. 90.00 million (June 30, 2013: Rs. 90.00 million) over current assets of the Company, comprising of raw material, work in process, finished goods, etc. and receivable and book debts of the Company with 20% margin (June 30, 2013: 20% margin). The un-utilized amount of this facility as at balance sheet date is Rs 50.00 million. (June 30, 2013: Rs. 50.00 million) .

11.4 Total amount available under this facility is Rs. 48.00 million (June 30, 2013: Rs. 48.00 million) for a maximum period of 90 days (June 30, 2013: of 90 days). The mark-up is charged at the rate of three months average ask side Kibor plus 2.50% (June 30, 2013: three months average ask side Kibor plus 2.5%) with floor rate of nil per annum. (June 30, 2013: Nil %).This facility is collaterally secured against First charge on present and future fixed assets for Rs. 185.00 million (June 30, 2013: Rs. 185.00 million) and First Pari Passu Charge on current assets of the company to the extent of Rs. 110.00 million. (June 30, 2013: Rs. 110.00 million). This facility is specifically secured by way of bank's lien on title to goods imported and Trust Receipts at nil margin (June 30, 2013: Nil Margin). The un-utilized amount of this facility as at balance sheet date is Rs. 44.14 million. (June 30, 2013: Rs. 31.22 million). The un-utilized amount of this facility can be used for opening Letter of Credit.

11.5 Total amount available under this facility is Rs. 40 million (June 30, 2013: Rs. 40.00 million) with an option to utilize under Murabaha Facility, for a maximum period of 120 days. (June 30, 2013: 120 days). The mark-up is charged at the rate of three months average ask side Kibor plus 2.50%, per annum (June 30, 2013: three months average ask side Kibor plus 2.50%, per annum). This facility is collaterally secured against First pari passu charge of Rs. 214 Million (June 30, 2013: Rs. 214.00 million) on fixed assets of the company and specifically secured against First pari passu Hypothecation Charge of Rs. 90 Million (June 30, 2013: Rs.90.00 million) over current assets of the Company, comprising of raw material, work in process, finished goods, receivable and book debts with 20% margin (June 30, 2013: 20%) of the Company, 5% Cash margin, (June 30, 2013: 5%), Trust Receipts and accepted bill of exchange. Out of this facility a sum of Rs. 13.38 (June 30, 2013: 29.20) has been utilized on account of Murabaha Facility (Note No.9) The balance un-utilized amount of this facility as at balance sheet date is Rs. 26.62. (June 30, 2013: Rs.10.80 Million) which can be used for opening of Letter of Credit.

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

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

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

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 Three appeals of the company are pending in Honorable Multan High Court, Multan against the decision of Consumer Court, Sahiwal for the claim of Auto parts under warranty. The management of the company is of opinion that outcome of these cases will be settled in favour of the company, hence no provision is made in these financial statements.

14.1.2 The appeal filed by the company with ATIR against the order of CIR (Appeals) for disallowance of tax losses of Rs. 1,503,939/- and tax demand of Rs. 545,930/- for tax year 2003 under section 122 (5A) is still pending. In the opinion of the tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.

14.1.3 The appeal filed by the company with the CIR (Appeals) against the order of DCIR for tax year 2004 for tax demand of Rs.751,405/- under section 122 (5A) was decided in favour of Income Tax department. The company has filed an appeal against this order with ATIR. In the opinion of the tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.

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

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

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

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

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

14.2 Commitments

Commitments in respect of:

		JUNE 2014 Rupees	June 2013 Rupees	**JUNE 2014 Rupees**	June 2013 Rupees
LIMIT Nos.	**PARTICULARS**	**LIMITS AVAILABLE**		**LIMITS UTILIZED**	
	Not Later Than one Year				
1	Foreign LC Sight / Inland LC- Gross	**370,000,000**	370,000,000	**95,155,552**	170,641,327
2	FATR -Sublimit of Limit No.1	**88,000,000**	88,000,000	**3,857,920**	16,776,763
3	Murabaha Sublimit of Limit no.2	**40,000,000**	40,000,000	**13,383,884**	29,196,874
4	Murabaha Sublimit of Limit no.1	**40,000,000**	40,000,000	-	7,594,883
5	Guarantee	**8,040,000**	8,040,000	-	-

15 PROPERTY, PLANT AND EQUIPMENT

	Note	**JUNE 2014 Rupees**	**JUNE 2013 Rupees (Re-stated)**
Operating fixed assets	15.1	250,089,438	235,207,254
Capital work in progress	15.3	8,732,969	12,773,212
Advance for asset Subject to finance Lease	15.4	-	1,886,500
Advance for purchase of owned vehicle	15.5	-	1,632,150
		258,822,407	251,499,116

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

15.1 OPERATING FIXED ASSETS - Tangible

2014 — Rupees

Particulars	Cost: As at 01-07-2013	Cost: Additions/ (Deletions)	Cost: Transfer	Cost: As at 30-06-2014	Depreciation: Rate %	Depreciation: As at 01-07-2013	Depreciation: For the Year	Depreciation: Adjustment	Depreciation: As at 30-06-2014	W.D.V. as at 30-06-2014
Freehold land	85,164,954	-	-	**85,164,954**	-	-	-	-	**-**	**85,164,954**
Building and Civil Works on freehold land	78,426,094	2,035,956	-	**80,462,050**	5 to 10	37,081,300	4,180,551	-	**41,261,851**	**39,200,199**
Plant and Machinery	169,699,034	19,931,660	-	**189,630,694**	10	93,183,666	9,021,917		**102,205,583**	**87,425,110**
Electric Fittings	8,030,601	-	-	**8,030,601**	10	4,106,278	392,432	-	**4,498,710**	**3,531,891**
Furniture and fittings	2,446,286	26,600	-	**2,472,886**	10	1,168,516	128,442	-	**1,296,958**	**1,175,928**
Office Equipment	3,853,234	168,683	-	**4,021,917**	10	1,630,243	233,276	-	**1,863,519**	**2,158,398**
		-	-							
Electric Installations	3,129,492	203,948		**3,255,976**	10	966,701	215,235	(50,025)	**1,131,910**	**2,124,066**
		(77,464)								
Vehicles	13,458,892	10,147,554	6,348,500	**26,209,946**	20	8,581,095	2,864,896	3,096,564	**11,934,543**	**14,275,403**
		(3,745,000)						(2,608,012)		
	364,208,587	32,514,401	6,348,500	**399,249,024**		146,717,799	17,036,749	3,096,564	**164,193,075**	**235,055,948**
Assets subject to Finance Lease		(3,822,464)	-					(2,658,037)		
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**	**15,033,490**
	23,504,000	4,355,000	(6,348,500)	**21,510,500**		5,787,534	3,786,040	-	**6,477,010**	**15,033,490**
		-	-					(3,096,564)		
Total 2014	387,712,587	36,869,401	-	**420,759,524**		152,505,332	20,822,789	3,096,564	**170,670,085**	**250,089,438**
		(3,822,464)	-					(5,754,601)		

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

2013 — Rupees

Particulars	Cost: As at 01-07-2012	Cost: Additions/ (Deletions)	Cost: Transfer	Cost: As at 30-06-2013	Depreciation: Rate %	Depreciation: As at 01-07-2012	Depreciation: For the Year	Depreciation: Adjustment	Depreciation: As at 30-06-2013	W.D.V. as at 30-06-2013
Freehold land	85,164,954	-	-	**85,164,954**	-	-	-	-	**-**	**85,164,954**
Building and Civil Works on freehold land	74,090,206	4,335,888	-	**78,426,094**	5 to 10	32,846,331	4,234,969	-	**37,081,300**	**41,344,794**
Plant and Machinery	160,471,268	9,227,766	-	**169,699,034**	10	85,265,926	7,917,740		**93,183,666**	**76,515,368**
Electric Fittings	7,985,101	45,500	-	**8,030,601**	10	3,672,473	433,805	-	**4,106,278**	**3,924,323**
Furniture and fittings	2,405,286	41,000	-	**2,446,286**	10	1,027,261	141,255	-	**1,168,516**	**1,277,770**
Office Equipment	3,529,273	323,961	-	**3,853,234**	10	1,395,817	234,426	-	**1,630,243**	**2,222,991**
		-	-							
Electric Installations	2,187,054	1,115,703		**3,129,492**	10	920,365	175,643	(129,307)	**966,701**	**2,162,791**
		(173,265)								
Vehicles	17,367,792	1,546,500	2,945,000	**13,458,892**	20	11,537,364	1,482,372	1,261,680	**8,581,095**	**4,877,797**
		(8,400,400)						(5,700,321)		
	353,200,934	16,636,318	2,945,000	**364,208,587**		136,665,537	14,620,210	1,261,680	**146,717,799**	**217,490,788**
Assets subject to Finance Lease		(8,573,665)	-					(5,829,628)		
Plant and Machinery	-	-	-	**-**	10	-	-		**-**	**-**
Vehicles	9,293,500	17,155,500	(2,945,000)	**23,504,000**	20	3,124,973	3,924,241	(1,261,680)	**5,787,534**	**17,716,466**
	9,293,500	17,155,500	(2,945,000)	**23,504,000**		3,124,973	3,924,241	-	**5,787,534**	**17,716,466**
		-	-					(1,261,680)		
Total 2013	362,494,434	33,791,818	-	**387,712,587**		139,790,509	18,544,451	1,261,680	**152,505,332**	**235,207,254**
		(8,573,665)	-					(7,091,309)		

15.2 Depreciation for the year has been allocated as follows:

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

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

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

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

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

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

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

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

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

16 INTANGIBLE ASSETS

(Rupees)

Particulars	Cost			Amortization			Book Value
	As at 01-07-2013	Additions/ (deletion)	As at 30-06-2014	As at 01-07-2013	For the Year	As at 30-06-2014	as at 30-06-2014
Intangible Assets	4,129,839	65,500	4,195,339	3,523,610	222,753	3,746,363	448,976
Jun-14	**4,129,839**	**65,500**	**4,195,339**	**3,523,610**	**222,753**	**3,746,363**	**448,976**
Jun-13	3,838,306	291,533	4,129,839	3,336,432	187,178	3,523,610	606,229

16.1 Intangible assets include cost incurred on patents, copyrights, trade marks and designs.
16.2 The amortization cost is included in cost of sales.

17 LONG TERM LOANS AND ADVANCES - SECURED

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

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

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

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

18 LONG TERM DEPOSITS

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

19 STORES, SPARES AND LOOSE TOOLS

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

NOTES TO THE FINANCIAL STATEMENTS
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		Note	JUNE 2014 Rupees	JUNE 2013 Rupees (Re-stated)
20	**STOCK-IN-TRADE**			
	Raw materials and components		322,919,863	288,666,198
	Work-in-process		16,685,065	7,897,939
	Finished goods		134,163,421	91,927,688
	Packing and other material		12,338	13,477
			473,780,687	388,505,301
21	**TRADE DEBTS - Unsecured**	21.1	104,171,225	133,661,024
21.1	**Classification:**			
	Considered Good		104,171,225	133,661,024
	Considered Doubtful		1,696,677	6,523,837
	Considered Bad		6,523,837	1,132,704
	Less:		112,391,739	141,317,565
	Provision for doubtful debts		(1,696,677)	(6,523,837)
	Bad debts		(6,523,837)	(1,132,704)
			104,171,225	133,661,024
22	**LOANS & ADVANCES**			
	Advances - considered good			
	- Current portion of loans and advances	17	4,159,944	3,400,375
	- To employees for incurring business expenses		269,015	123,125
	- To suppliers-unsecured		11,190,237	9,073,763
			15,619,196	12,597,263

		JUNE 2014 Rupees	JUNE 2013 Rupees (Re-stated)
23	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**		
	Contract securities	346,900	1,760,100
	Prepaid expenses	980,513	734,709
	Letter of credit margin	960,559	9,380,804
	Letter of credit in process	20,350,059	20,152,133
		22,638,031	32,027,746
24	**OTHER RECEIVABLES**		
	Advance income tax	52,635,093	45,015,475
	Others	34,000	75,000
		52,669,093	45,090,475
25	**CASH AND BANK BALANCES**		
	Cash in hand	139,518	89,598
	Balance with banks in current accounts	31,652,165	127,453,890
		31,791,683	127,543,489

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

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

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

27 COST OF SALES

	Note	JUNE 2014 Rupees	JUNE 2013 Rupees (Re-stated)
Raw materials and components consumed		1,669,125,864	1,398,746,050
Salaries, wages and other benefits	27.1	147,519,841	129,893,279
Stores, spares and loose tools consumed		27,958,246	28,677,837
Power and fuel charges		49,385,946	49,668,523
Repair and maintenance		25,429,527	16,808,473
Other expenses		5,539,927	5,449,378
Depreciation	15.2	13,857,073	13,165,219
Amortization	16	222,753	187,179
		1,939,039,177	1,642,595,938
Opening work-in-process		7,897,939	13,579,115
		1,946,937,116	1,656,175,053
Closing work-in-process		16,685,065	7,897,939
Cost of goods manufactured		1,930,252,051	1,648,277,114
Opening finished goods		91,927,686	116,965,216
		2,022,179,737	1,765,242,330
Cost of finished goods purchased during the year		9,292,710	5,562,348
		2,031,472,447	1,770,804,678
Closing finished goods		134,163,421	91,927,688
		1,897,309,026	1,678,876,991

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

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

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

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

		Note	JUNE 2014 Rupees	JUNE 2013 Rupees (Re-stated)
29	**ADMINISTRATIVE EXPENSES**			
	Salaries and other benefits	29.1	26,804,655	27,483,090
	Electricity, gas and water charges		216,245	539,004
	Communication expenses		2,665,281	2,544,905
	Vehicle running expenses		5,140,860	5,466,935
	Legal and professional		2,830,417	671,469
	Traveling and conveyance		620,209	1,874,393
	Fee and subscription		1,498,183	1,253,054
	Insurance		774,542	565,330
	Rent, rates and taxes		1,271,394	808,067
	Printing and stationery		1,515,524	1,705,310
	Entertainment		923,633	760,934
	Research Expenses		-	1,942,825
	Office supplies		56,051	34,444
	Miscellaneous expenses		527,469	476,463
	Depreciation	15.2	5,814,348	4,018,316
			50,658,811	50,144,539

29.1 Salaries and other benefits include Rs.2,727,965 (2013: Rs.2,841,996) in respect of retirement benefits.

		Note	JUNE 2014 Rupees	JUNE 2013 Rupees (Re-stated)
30	**OTHER OPERATING EXPENSES**			
	Auditors' remuneration	30.1	1,205,000	1,495,000
	Exchange Loss		60,258	-
	Provision for doubtful debts		1,696,677	-
	Contribution towards:			
	Workers' profit participation fund	9.2	4,731,493	5,180,758
	Workers' welfare fund	9.3	1,759,037	1,472,993
			9,452,465	8,148,751
30.1	**Auditors' remuneration**			
	Viqar A. Khan			
	Workers' Profit Participation Fund Audit		15,000	15,000
	Tax services		515,000	820,000
			530,000	835,000
	Kabani & Co.			
	Statutory audit		525,000	525,000
	Half yearly review		150,000	135,000
	Certificate fee		-	-
			675,000	660,000
			1,205,000	1,495,000

		JUNE 2014 Rupees	JUNE 2013 Rupees (Re-stated)
31	**OTHER INCOME**		
	Income from financial assets		
	Exchange Gain	-	3,633
	Income from non Financial Assets		
	Gain / (Loss) on sale of fixed asset	1,274,574	3,814,463
	Reversal of Provision for Loss of stock	-	497,055
	Miscellaneous Income	2,771,516	1,625,664
		4,046,090	5,940,815
32	**FINANCE COST**		
	Mark-up on:		
	Short term borrowings - secured	2,090,887	4,814,084
	Profit on Murabaha	2,633,351	2,637,294
	Interest on Workers' Profit Participation Fund	511,514	870,683
	Financial charges on finance lease	1,210,410	1,558,294
	Bank charges, commission and others	61,228	129,354
		6,507,390	10,009,708

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

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

33.1 This amount relates to adjustment of provision for taxation.

33.2 The income tax assessments of the company have been finalized up to tax year 2013, except as mentioned in note 14.1. The Provision for taxation is considered adequate to discharge the expected liability for current year.

33.3 Tax charge reconciliation

	JUNE 2014	JUNE 2013
Profit before taxation	87,627,820	96,090,726
Tax charge on accounting profit at applicable tax rate as per Income Tax Ordinance, 2001	29,793,459	33,631,754
Tax effect of amounts that are:		
- not deductible for tax purposes		
- allowable deductions for tax purposes	(256,357)	3,429,419
Tax effect of profit attributable to presumptive income	(656,983)	(400,329)
Effect of presumptive tax	461,211	263,057
Tax effect due to reversal of prior year's WWF	(24,886)	(175,405)
Tax credit due to investment	(1,993,166)	-
Adjustment of prior year taxation	(136,731)	(7,164,810)
Taxation for the year	27,186,547	29,583,688

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

34.1 Diluted earnings per share

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

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

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

			JUNE 2014 Rupees	JUNE 2013 Rupees (Re-stated)
36	**CASH AND CASH EQUIVALENTS**			
	Cash and cash equivalents include:			
	Cash and bank balances	25	31,791,683	127,543,489
	Short term borrowings	11.1 & 11.2	-	-
			31,791,683	127,543,489

37 TRANSACTIONS WITH RELATED PARTIES

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

The detail is given below;

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

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

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

38 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

(Rupees)

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

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

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

39 SEGMENT REPORTING

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

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

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

i) AUTO-RICKSHAW

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

ii) AUTOMOTIVE PARTS

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

iii) HOUSEHOLD APPLIANCES

This segment relates to the sale of imported household appliances.

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

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

40 FINANCIAL INSTRUMENTS

40.1 Concentration of credit risk

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

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

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

Pakistan	104,171,225	133,661,024
	104,171,225	133,661,024

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

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

The aging of trade debts at the reporting date was:

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

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

40.2 Foreign exchange risk management

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

40.3 Capital Risk Management

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

40.4 Fair value of financial instruments

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

40.5 Market Risk

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

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

40.5.1 Currency Risk

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

40.5.2 Interest rate Risk

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

Cash Flow Sensitivity analysis for variable rate instruments

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

40.5.3 Price Risk

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

40.5.4 Liquidity risk

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

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

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

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

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

41 PLANT CAPACITY AND ACTUAL PRODUCTION

	JUNE 2014 Numbers	JUNE 2013 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	**2014**	**2013**
Auto Rickshaw	13,414	10,244
Automotive Parts		
Wheel Rims	51,722	71,017

42 NUMBER OF EMPLOYEES

Number of permanent employees as at June 30,	622	588
Average number of employees during the year	606	640

43 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

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

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

44 DATE OF AUTHORIZATION FOR ISSUE:

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

45 CORRESPONDING FIGURES

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

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

46 GENERAL

The figures have been rounded off to the nearest rupees.

MIAN ASAD HAMEED
CHIEF EXECUTIVE

SAEED IQBAL KHAN
DIRECTOR