

SAZGAR ENGINEERING WORKS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2013

1 STATEMENT OF CONSISTENCY IN ACCOUNTING POLICIES

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

These condensed interim financial statements (un-audited) of the Company for the quarter ended September 30, 2013 have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed and are being submitted to the shareholders as required by section 245 of the Companies Ordinance 1984.

3 ACCOUNTING POLICIES

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 13.

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4 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

Sep. 30, 2013 Number	June 30, 2013 Number		Sep 30, 2013 Rupees	June 30, 2013 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	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 CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

There is no significant change in contingencies from the preceding annual published statement of the company for the year ended June 30, 2013.

5.2 Commitments

Commitments in respect of:

		Sep 2013 Rupees	June 2013 Rupees	Sep 2013 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	178,130,500	170,641,327
2	FATR -Sublimit of Limit No.1	88,000,000	88,000,000	19,178,153	16,776,763
3	Murabaha Sublimit of Limit no.2	40,000,000	40,000,000	-	29,196,874
4	Murabaha Sublimit of Limit no.1	40,000,000	40,000,000	8,949,001	7,594,883
5	Guarantee	8,040,000	8,040,000	-	-

6 TRANSACTIONS WITH RELATED PARTIES

Key management personnel's -
Salaries and other employees benefits

Sep 30, 2013 Rupees	Sep 30, 2012 Rupees
<u>8,572,305</u>	<u>8,212,335</u>

7 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets 7.1
Capital work in progress
Advance for assets subject to finance lease
Advance for purchase of owned vehicle

Sep 30, 2013 Rupees	June 30, 2013 Rupees
247,461,058	235,207,254
12,821,284	12,773,212
-	1,886,500
-	1,632,150
<u>260,282,342</u>	<u>251,499,116</u>

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	Sep 30, 2013 Rupees	June 30, 2013 Rupees
7.1 OPERATING FIXED ASSETS		
Opening book value	235,207,254	222,703,925
Add: additions during the period		
- Building and Civil Works on Freehold Land	-	4,335,888
- Plant and machinery	10,279,160	9,227,766
- Electric fittings	-	45,500
- Furniture and fixture	-	41,000
- Office equipments	55,350	323,961
- Electric installations	-	1,115,703
- Vehicles	6,832,500	18,702,000
	17,167,010	33,791,818
Less:		
depreciation charged during the period	4,885,767	18,544,451
deletions during the period (WDV)	27,439	2,744,038
	4,913,206	21,288,489
Closing book value	247,461,058	235,207,254
8 INTANGIBLE ASSETS		
Opening book value	606,229	501,874
Add: additions during the period	25,000	291,533
	631,229	793,407
Less: amortization charged during the period	55,198	187,178
Closing book value	576,031	606,229
9 SALES - NET	Jul-Sep 2013 Rupees	Jul-Sep 2012 Rupees
Gross sales	524,669,537	518,971,452
Less:		
Sales tax	79,645,549	71,431,648
Sales returns	614,424	588,534
Commission	8,745,842	6,513,448
	89,005,815	78,533,630
	435,663,722	440,437,822

9.1 This includes Rs. Nil (September 30, 2012: Rs. 1.21 million) account of export sales.

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		Jul-Sep 2013 Rupees	Jul-Sep 2012 Rupees
10 TAXATION			
Current			
For the period	10.1	5,945,639	6,126,594
Deferred			
For the period		<u>216,547</u>	<u>2,029,911</u>
		<u>6,162,186</u>	<u>8,156,505</u>
10.1	The rate of tax has decreased from 35% to 34% during the period.		
11 EARNINGS PER SHARE - BASIC AND DILUTED			
Basic Earnings Per Share			
Profit after taxation for the period	Rupees	10,888,126	8,471,531
Weighted average number of ordinary shares outstanding during the period - Note 4		17,972,368	17,972,368
Basic & diluted earnings per share - Rupees		0.61	0.47
		Jul-Sep 2013 Rupees	Jul-Sep 2012 Rupees
12 SEGMENT RESULTS			
Segment Revenue - Net			
Home Appliances		27,796	2,658,648
Auto Parts		38,835,134	79,287,979
Auto Rickshaw		396,800,792	358,491,195
Total		<u>435,663,722</u>	<u>440,437,822</u>
Segment Operating Results			
Home Appliances		(196,434)	(175,973)
Auto Parts		(2,959,766)	3,068,259
Auto Rickshaw		22,227,861	18,584,356
Total		<u>19,071,661</u>	<u>21,476,642</u>

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13 CHANGE IN ACCOUNTING POLICY

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

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

	June 30, 2013			June 30, 2012		
	As previously Reported	Restatement	As re-Styled	As previously Reported	Restatement	As re-Styled
	Amount in Rupees			Amount in Rupees		
Effect on Balance Sheet						
Employees Benefits	48,446,159	7,454,351	55,900,510	43,259,188	1,090,970	44,350,158
Un-Appropriate Profits	385,376,950	(7,454,351)	377,922,599	336,842,280	(1,090,970)	335,751,310

14 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 condensed interim financial statements except for re-statements required in terms of application of change in accounting policy as referred to in note 13.

15 NUMBER OF EMPLOYEES	Jul-Sep 2013	Jul-June 2013
Average number of employees	588	640
Number of employees at end of the period	586	588

16 DATE OF AUTHORIZATION FOR ISSUE

The Board of Directors of the Company has authorized these condensed interim financial statements for issue on October 28, 2013.

17 GENERAL

The figures have been rounded off to the nearest Rupee.



MIAN ASAD HAMEED
CHIEF EXECUTIVE



MIAN MUHAMMAD ALI HAMEED
DIRECTOR