

SAZGAR ENGINEERING WORKS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER AND NINE MONTH ENDED MARCH 31, 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

These condensed interim financial statements (un-audited) of the Company for the nine month ended March 31, 2014 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.

These condensed interim financial statements do not include all the information and disclosures as required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2013.

3 STATEMENT OF CONSISTENCY IN 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 14. The revised accounting policy as a result of change in IAS-19 (Revised) ' Employees Benefits' is as follows;

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.

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4 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

March 31, 2014 Number	June 30, 2013 Number	Note	Unaudited March 31, 2014 Rupees	Audited 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 financial statement of the company for the year ended June 30, 2013, except the following;

A notice of income tax audit for tax year 2012 under section 177 of Income tax Ordinance 2001 has received during the period. The Company has filed a write petition against the notice in Lahore High Court, Lahore. As per lawyer's opinion favorable outcome is expected.

5.2 Commitments

Commitments in respect of:

		March 2014 Rupees	June 2013 Rupees	March 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	126,070,023	170,641,327
2	FATR - Sublimit of Limit No.1	88,000,000	88,000,000	8,773,311	16,776,763
3	Murabaha Sublimit of Limit no.2	40,000,000	40,000,000	8,810,422	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	-	-

6 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	6.1	249,567,929	235,207,254
Capital work in progress		12,001,043	12,773,212
Advance for assets subject to finance lease		-	1,886,500
Advance for purchase of owned vehicle		-	1,632,150
		<u>261,568,972</u>	<u>251,499,116</u>

6.1 OPERATING FIXED ASSETS - Tangible

Opening book value		235,207,254	222,703,925
Add:			
Additions during the period (at cost)			
- Building and Civil Works on Freehold Land		2,035,956	4,335,888
- Plant and machinery		14,196,160	9,227,766
- Electric fittings		-	45,500
- Furniture and fixture		-	41,000
- Office equipments		168,683	323,961
- Electric installations		-	1,115,703
- Vehicles		14,502,554	18,702,000
		<u>30,903,353</u>	<u>33,791,818</u>

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Less:

Disposal during the period (at net book value)

- Electric installations
- Vehicles

Depreciation charged during the period

Closing book value

27,439	43,959
1,136,988	2,700,079
15,378,252	18,544,451
16,542,679	21,288,489
249,567,929	235,207,254

7 INTANGIBLE ASSETS

Note

Opening book value

Add: additions during the period

Less: amortization charged during the period

Closing book value

606,229	501,874
65,500	291,533
671,729	793,407
165,551	187,178
506,178	606,229

8 SALES - NET

Jan-Mar

2014

Rupees

Jan-Mar

2013

Rupees

Jul-Mar

2014

Rupees

Jul-Mar

2013

Rupees

Gross sales

Less: Sales tax

Sales returns

Commission

759,453,343

525,553,989

1,923,270,998

1,533,835,874

114,627,506

72,512,439

288,159,983

211,476,973

1,293,095

488,002

7,716,595

2,018,177

9,364,400

7,225,134

29,112,001

19,831,612

125,285,001

80,225,575

324,988,579

233,326,762

634,168,342

445,328,414

1,598,282,419

1,300,509,113

9 COST OF SALES

Raw materials and components consumed

Salaries, wages and other benefits

Stores, spares and loose tools consumed

Power and fuel charges

Repair and maintenance

Other expenses

Depreciation & Amortization

Opening work-in-process

Closing work-in-process

Cost of goods manufactured

Opening finished goods

Cost of finished goods purchased during the period

Closing finished goods

486,350,610

318,804,595

1,298,770,258

1,001,282,790

33,342,406

28,663,752

103,545,579

95,110,467

6,606,849

4,988,247

20,910,086

18,442,379

12,542,743

12,239,274

38,632,944

37,348,368

6,909,008

3,565,896

21,116,220

12,657,461

923,599

851,964

3,913,879

2,801,761

3,535,382

3,368,878

10,461,561

9,864,948

550,210,597

372,482,606

1,497,350,526

1,177,508,174

15,203,700

11,711,499

7,897,939

13,579,115

(15,472,165)

(9,773,019)

(15,472,165)

(9,773,019)

549,942,133

374,421,087

1,489,776,301

1,181,314,270

163,904,644

166,291,952

91,927,686

116,965,216

-

(59,233)

-

5,562,348

(144,627,247)

(143,079,011)

(144,627,247)

(143,079,011)

569,219,530

397,574,794

1,437,076,740

1,160,762,823

10 TAXATION

Current

For the period

Prior Year

Deferred

For the period

10.1

14,081,144

-

(867,532)

13,213,612

7,270,260

-

843,011

8,113,271

27,023,685

(136,730)

(2,124,085)

24,762,870

20,175,552

-

4,344,963

24,520,515

10.1 The rate of tax has decreased from 35% to 34% during the period.

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11 EARNINGS PER SHARE - BASIC AND DILUTED

Basic Earnings Per Share

Profit after taxation for the period - Rupees	24,280,320	15,149,488	51,236,626	33,878,343
Weighted average number of ordinary shares outstanding during the period - Note 4	17,972,368	17,972,368	17,972,368	17,972,368
Basic & diluted earnings per share - Rupees	1.35	0.84	2.85	1.89

12 TRANSACTIONS WITH RELATED PARTIES

Key management personnel's Salaries and other employees benefits	Jul-Mar 2014 Rupees	Jul-Mar 2013 Rupees
	26,206,801	24,545,025

13 SEGMENT RESULTS

	Jan-Mar 2014 Rupees	Jan-Mar 2013 Rupees	Jul-Mar 2014 Rupees	Jul-Mar 2013 Rupees
Segment Revenue				
Home appliances	3,871,193	3,350,443	4,116,217	12,503,199
Auto parts	28,104,680	85,590,036	168,255,536	275,151,775
Auto rickshaw	602,192,469	356,387,935	1,425,910,666	1,012,854,139
Total	634,168,342	445,328,414	1,598,282,419	1,300,509,113
Segment operating results				
Home appliances	(57,889)	(349,562)	(362,756)	(547,376)
Auto parts	(5,765,186)	4,086,804	(5,369,429)	14,282,501
Auto rickshaw	45,998,905	21,907,710	89,227,208	53,991,533
Total	40,175,832	25,644,952	83,495,025	67,699,658

14 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-stated	As previously reported	Restatement	As re-stated
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

The company carries out the actuarial valuation on annual basis therefore, the effect of actuarial gain or loss on the condensed interim statement of comprehensive income for the nine month ended March 31, 2014 has not been disclosed separately.

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15 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 in note 14.

16 DATE OF AUTHORIZATION FOR ISSUE

The Board of Directors of the Company has authorized these condensed interim financial statements for issue on April 18, 2014.

17 GENERAL

The figures have been rounded off to the nearest Rupee.

STATEMENT UNDER SECTION 241 (2) OF THE COMPANIES ORDINANCE, 1984

These Financial Statements have been signed by two Directors instead of Chief Executive and one Director as the Chief Executive is not for the time being in Pakistan.



SAEED IQBAL KHAN
DIRECTOR



MIAN MUHAMMAD ALI HAMEED
DIRECTOR