

SAZGAR ENGINEERING WORKS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 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, now merged into Pakistan Stock Exchange Limited with effect from January 11, 2016. 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 These condensed interim financial statements (un-audited) of the Company for the half year ended December 31, 2015 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 are followed. These condensed interim financial statements (un-audited) are being submitted to the shareholders as required by section 245 of the Companies Ordinance 1984.

2.2 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, 2015.

2.3 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

2.3.1 Financial risk factors

The Company's activities expose to a variety of financial risks namely market risk (including currency risk, price risk and interest rate risk), credit risk, foreign exchange risk and liquidity risk. There has been no change in the risk management policies during the period, consequently this condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements.

2.3.2 Fair Value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in this condensed interim financial information approximate their fair value.

2.4 CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34- 'Interim Financial Reporting', the condensed interim balance sheet has been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

2.5 These condensed interim financial statements have been reviewed by auditors, not audited.

3 STATEMENT OF CONSISTENCY IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year ended June 30, 2015.

SAZGAR ENGINEERING WORKS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2015

4 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

Dec 31, 2015	June 30, 2015		Dec 31, 2015	June 30, 2015
Number	Number		Rupees	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, 2015. except as follows;

During the period, Deputy Director (Admin) of the Punjab Employees Social Security Institution has created a demand of Rs. 6,574,682/- on account of social security contribution including increase thereon under section 23(1) of the Social Security Ordinance, 1965. The Company has filed an appeal with Commissioner Appeals against this order, which is still pending. In the opinion of legal advisor, favorable outcome of the appeal is expected; hence no provision is made in these financial statements of said amount.

5.2 Commitments

Commitments in respect of:

LIMIT Nos.	PARTICULARS	LIMITS AVAILABLE		LIMITS UTILIZED	
		DEC 2015 Rupees	JUNE 2015 Rupees	DEC 2015 Rupees	JUNE 2015 Rupees
	Not Later Than one Year				
1	Foreign LC Sight / Inland LC- Gross	390,000,000	390,000,000	121,480,605	124,727,908
2	FATR - Sublimit of Limit No.1	88,000,000	88,000,000	39,014,926	16,248,282
3	Murabaha Sublimit of Limit no.2	40,000,000	40,000,000	-	22,587,743
4	Murabaha Sublimit of Limit no.1	40,000,000	40,000,000	-	16,681,711
5	Murabaha-FIM Spot Sublimit of Limit no.1	40,000,000	40,000,000	-	-
6	Guarantee	8,040,000	8,040,000	-	-

6 PROPERTY, PLANT AND EQUIPMENT

	Dec 31, 2015	June 30, 2015
	Rupees	Rupees
Operating fixed assets	241,392,804	241,477,525
Capital work in progress	12,648,686	9,118,686
	<u>254,041,490</u>	<u>250,596,211</u>

SAZGAR ENGINEERING WORKS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2015

	Dec 31, 2015 Rupees	June 30, 2015 Rupees		
6.1 OPERATING FIXED ASSETS - Tangible				
Opening book value	241,477,525	250,089,438		
Add:				
Additions during the period (at cost)				
- Building and civil works on Leasehold Land	2,509,800	-		
- Plant and machinery	-	5,708,905		
- Electric fittings	-	43,695		
- Office equipments	274,080	47,619		
- Electric installations	-	59,900		
- Vehicles	8,419,000	5,974,131		
	11,202,880	11,834,250		
Less:				
Disposal during the period (at net book value)				
- Vehicles	1,667,754	133,284		
Depreciation charged during the period	9,619,847	20,312,880		
	11,287,601	20,446,164		
Closing book value	241,392,804	241,477,525		
7 INTANGIBLE ASSETS				
Opening book value	232,767	448,976		
Add: additions during the period	-	13,500		
	232,767	462,476		
Less: amortization charged during the period	49,408	229,709		
Closing book value	183,359	232,767		
8 SALES - NET				
	Oct-Dec 2015 Rupees	Oct-Dec 2014 Rupees	July-Dec 2015 Rupees	July-Dec 2014 Rupees
Gross sales	654,269,072	704,897,410	1,309,914,762	1,343,313,027
Less: Sales tax	94,570,991	105,694,791	189,889,579	202,004,770
Sales returns	5,924,727	1,722,174	7,634,501	2,873,135
Commission	11,043,158	7,036,636	20,861,290	13,979,353
	111,538,876	114,453,601	218,385,370	218,857,258
	542,730,196	590,443,809	1,091,529,392	1,124,455,769

SAZGAR ENGINEERING WORKS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2015

	Note	Oct-Dec	Oct-Dec	July-Dec	July-Dec
		2015	2014	2015	2014
		Rupees	Rupees	Rupees	Rupees
9	COST OF SALES				
	Raw materials and components consumed	525,983,772	459,355,334	998,270,314	877,955,521
	Salaries, wages and other benefits	43,610,848	49,294,243	92,837,886	92,209,472
	Stores, spares and loose tools consumed	8,072,776	6,160,717	13,635,426	11,821,369
	Power and fuel charges	10,635,900	11,613,786	22,131,065	22,968,891
	Repair and maintenance	13,661,528	13,784,295	26,642,436	22,317,621
	Provision for slow moving items	-	-	1,512,431	-
	Other expenses	1,988,085	1,955,577	3,689,634	3,139,776
	Depreciation & Amortization	3,181,347	3,463,108	6,359,243	6,874,743
		<u>607,134,256</u>	<u>545,627,060</u>	<u>1,165,078,435</u>	<u>1,037,287,393</u>
	Opening work-in-process	18,180,879	11,231,830	16,984,905	16,685,065
	Closing work-in-process	(18,271,181)	(12,839,280)	(18,271,181)	(12,839,280)
	Cost of goods manufactured	607,043,954	544,019,610	1,163,792,159	1,041,133,178
	Opening finished goods	157,432,269	147,579,633	97,592,914	134,163,421
	Cost of finished goods purchased	-	8,455,181	-	8,455,181
	Closing finished goods	(270,620,846)	(167,264,021)	(270,620,846)	(167,264,021)
		<u>493,855,377</u>	<u>532,790,403</u>	<u>990,764,227</u>	<u>1,016,487,759</u>
10	TAXATION				
	Current				
	For the period	6,733,821	7,327,751	14,352,383	13,957,984
	Prior period	(1,029,754)	(6,530,221)	(1,029,754)	(6,530,221)
	Deferred				
	For the period	(1,028,919)	(236,009)	(1,606,532)	(463,716)
		<u>4,675,148</u>	<u>561,521</u>	<u>11,716,097</u>	<u>6,964,047</u>
	10.1	The rate of tax has decreased from 33% to 32% during the period.			
11	EARNINGS PER SHARE - BASIC AND DILUTED				
	Basic Earnings Per Share				
	Profit after taxation for the period - Rupees	11,097,534	27,099,189	24,558,208	40,428,973
	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 earnings per share - Rupees	0.62	1.51	1.37	2.25

SAZGAR ENGINEERING WORKS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2015

11.1 Diluted earnings per share

The diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at December 31, 2015 and December 31, 2014, which would have any effect on earning per share if the option to convert is exercised.

July-Dec 2015	July-Dec 2014
Rupees	Rupees

12 TRANSACTIONS WITH RELATED PARTIES

Remuneration, Allowances and benefits paid to Chief Executive and Executive Director(s)

7,345,000	7,345,000
-----------	-----------

13 SEGMENT RESULTS

	Oct-Dec 2015 Rupees	Oct-Dec 2014 Rupees	July-Dec 2015 Rupees	July-Dec 2014 Rupees
Segment Revenue				
Home appliances	558,887	8,360,798	625,243	8,605,759
Auto parts	63,146,728	139,971,749	148,040,145	229,811,038
Auto rickshaw	479,024,581	442,111,262	942,864,004	886,038,972
Total	542,730,196	590,443,809	1,091,529,392	1,124,455,769
Segment operating results				
Home appliances	(122,792)	269,391	(166,665)	177,235
Auto parts	(1,815,408)	3,990,462	(2,930,043)	2,584,244
Auto rickshaw	23,075,617	27,173,457	46,577,840	51,320,906
Total	21,137,417	31,433,310	43,481,132	54,082,384

14 SUBSEQUENT EVENTS

The Board of Directors in their meeting held on February 23, 2016 has declared interim cash dividend of Rupee 1.00 per ordinary share i.e, 10% (December 31,2014: 10%) of current paid up share capital. These condensed interim financial statements do not include the effect of this interim cash dividend which will be accounted for in the period in which it is declared.

15 DATE OF AUTHORIZATION FOR ISSUE

The Board of Directors of the Company has authorized these condensed interim financial statements for issue on February 23, 2016.

16 GENERAL

The figures have been rounded off to the nearest Rupee.


MIAN ASAD HAMEED
CHIEF EXECUTIVE


SAEED IQBAL KHAN
DIRECTOR