

SAZGAR ENGINEERING WORKS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2016

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 the Pakistan Stock Exchange Limited. 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, 2016 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, 2016.

2.3 The figures included in the condensed interim profit and loss account for the quarters ended December 31, 2016 and 2015 and in the notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the accumulated figures for the half years ended December 31, 2016 and 2015.

2.4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

2.4.1 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 statements does not include all financial risk management information and disclosures required in the annual financial statements.

2.4.2 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.

2.5 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.

3 STATEMENT OF CONSISTENCY IN ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the annual audited financial statements for the year ended June 30, 2016 except for the adoption of new and amended standards and interpretations as follows:

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New / Revised Standards, Interpretations and Amendments

The Company has adopted the following amendments to IFRS which become effective for the current period:

IAS-1 Presentation of Financial Statements: Disclosure Initiative (Amendment)

IAS-16 Property, Plant & Equipment and IAS 38 Intangible Assets: Classification of Acceptable Method of Depreciation and Amortization (Amendment)

In addition to above standard and interpretation, improvements to various accounting standards have also been issued by the IASB and are generally effective for current period. The adoption of the above amended standards / improvements and interpretation did not have any material effect on the condensed interim financial statements.

4 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

December 31, 2016	June 30, 2016		Un-audited December 31, 2016	Audited June 30, 2016
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, 2016.

5.2 Commitments

5.2.1 Commitments in respect of financing facilities:

	December 31, 2016	June 30, 2016	December 31, 2016	June 30, 2016
	Rupees	Rupees	Rupees	Rupees
LIMIT Nos.	PARTICULARS	LIMITS AVAILABLE	LIMITS UTILIZED	
1	Not Later Than one Year			
	Foreign LC Sight / Inland LC- Gross	440,000,000	440,000,000	102,064,983
2	FATR -Sublimit of Limit no.1	88,000,000	88,000,000	-
3	Murabaha Sublimit of Limit no.2	40,000,000	40,000,000	-
4	Murabaha Sublimit of Limit no.1	100,000,000	100,000,000	-
5	Running Musharika Sublimit of Limit no. 1	60,000,000	60,000,000	-
6	Istisna Sublimit of Limit no.1	40,000,000	40,000,000	-
7	Guarantee	-	8,040,000	-

5.2.2 Commitments in respect of capital expenditure amount to Rs.152.08 million (June 30, 2016: Rs. Nil)

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	NOTES	Un-audited December 31, 2016 Rupees	Audited June 30, 2016 Rupees
6	PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets	6.1	267,085,803	241,027,824
Capital work in progress		92,980,984	490,334
Advance for purchase of vehicles		-	3,000,000
		<u>360,066,787</u>	<u>244,518,158</u>
6.1 OPERATING FIXED ASSETS - Tangible			
Opening book value		241,027,824	241,477,525
Add:			
Additions during the period (at cost)			
- Freehold Land		22,527,054	-
- Building and civil works on leasehold land		-	2,509,800
- Building and civil works on freehold land		-	7,811,351
- Plant and machinery		-	4,866,771
- Office equipments		177,652	274,869
- Vehicles		13,708,500	8,908,500
		<u>36,413,206</u>	<u>24,371,291</u>
Less:			
Disposal during the period (at net book value)			
- Furniture and fittings		14,390	-
- Office Equipment		18,747	-
- Electric Installations		2,433	-
- Vehicles		288,660	5,017,261
Depreciation charged during the period		<u>10,030,997</u>	<u>19,803,732</u>
		<u>10,355,227</u>	<u>24,820,993</u>
Closing book value		<u>267,085,803</u>	<u>241,027,824</u>
7	INTANGIBLE ASSETS		
Opening book value		135,605	232,767
Add: additions during the period		-	-
		<u>135,605</u>	<u>232,767</u>
Less: amortization charged during the period		47,753	97,162
Closing book value		<u>87,852</u>	<u>135,605</u>

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	NOTES	Oct-Dec 2016	Oct-Dec 2015	July-Dec 2016	July-Dec 2015
		Rupees	Rupees	Rupees	Rupees
8 SALES - NET					
Gross sales	8.1	875,878,272	654,269,072	1,827,826,162	1,309,914,762
Less: Sales tax		123,080,437	94,570,991	260,592,380	189,889,579
Sales returns		5,954,042	5,924,727	10,382,904	7,634,501
Commission		19,010,179	11,043,158	37,360,516	20,861,290
		148,044,658	111,538,876	308,335,800	218,385,370
		727,833,614	542,730,196	1,519,490,362	1,091,529,392

8.1 This includes Rs. 33.5 million (December 31, 2015: Rs. 4.81 million) on account of export sales.

	NOTES	Oct-Dec 2016	Oct-Dec 2015	July-Dec 2016	July-Dec 2015
		Rupees	Rupees	Rupees	Rupees
9 COST OF SALES					
Raw materials and components consumed		771,045,261	525,983,772	1,426,233,978	998,270,314
Salaries, wages and other benefits		51,781,141	43,610,848	112,369,686	92,837,886
Stores, spares and loose tools consumed		9,220,657	8,072,776	16,698,915	13,635,426
Power and fuel charges		16,622,621	10,635,900	28,856,499	22,131,065
Repair and maintenance		24,649,944	13,661,528	49,339,013	26,642,436
Provision for slow moving items		-	-	667,321	1,512,431
Other expenses		1,725,800	1,988,085	3,212,147	3,689,634
Depreciation & Amortization		3,194,508	3,181,347	6,404,208	6,359,243
		878,239,932	607,134,256	1,643,781,767	1,165,078,435
Opening work-in-process		9,752,885	18,180,879	15,490,216	16,984,905
Closing work-in-process		(14,673,100)	(18,271,181)	(14,673,100)	(18,271,181)
Cost of goods manufactured		873,319,717	607,043,954	1,644,598,883	1,163,792,159
Opening finished goods		230,695,458	157,432,269	167,986,268	97,592,914
Closing finished goods		(445,766,412)	(270,620,846)	(445,766,412)	(270,620,846)
		658,248,763	493,855,377	1,366,818,739	990,764,227

10 TAXATION					
Current					
For the period	10.1	11,113,502	6,733,821	25,631,716	14,352,383
Prior period		(1,182,232)	(1,029,754)	(1,182,232)	(1,029,754)
Deferred					
For the period		(3,082,563)	(1,028,919)	(2,462,716)	(1,606,532)
		6,848,707	4,675,148	21,986,768	11,716,097

10.1 The rate of tax has decreased from 32% to 31% during the period.

11 EARNINGS PER SHARE - BASIC AND DILUTED

Basic Earnings Per Share

Profit after taxation for the period - Rupees	28,898,874	11,097,534	58,374,127	24,558,208
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	1.61	0.62	3.25	1.37

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, 2016 and December 31, 2015, which would have any effect on earning per share if the option to convert is exercised.

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12 TRANSACTIONS WITH RELATED PARTIES

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

July-Dec 2016	July-Dec 2015
Rupees	Rupees
7,627,500	7,345,000

13 SEGMENT RESULTS

Segment Revenue

	Oct-Dec 2016 Rupees	Oct-Dec 2015 Rupees	July-Dec 2016 Rupees	July-Dec 2015 Rupees
Home appliances	44,300	558,887	911,700	625,243
Auto parts	106,073,466	63,146,728	192,931,962	148,040,145
Auto rickshaw	621,715,848	479,024,581	1,325,646,700	942,864,004
Total	727,833,614	542,730,196	1,519,490,362	1,091,529,392

Segment operating results

	Oct-Dec 2016 Rupees	Oct-Dec 2015 Rupees	July-Dec 2016 Rupees	July-Dec 2015 Rupees
Home appliances	(30,309)	(122,792)	(167,049)	(166,665)
Auto parts	3,382,867	(1,815,408)	2,303,761	(2,930,043)
Auto rickshaw	34,208,283	23,075,617	83,262,562	46,577,840
Total	37,560,841	21,137,417	85,399,274	43,481,132

14 SUBSEQUENT EVENTS

The Board of Directors in their meeting held on February 13, 2017 has declared interim cash dividend of Rupee 1.25 per ordinary share i.e. 12.50% (December 31, 2015: 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 13, 2017.

16 GENERAL

16.1 The excess production of Auto-Rickshaw over normal capacity is due to working on over-time schedule to meet increased demand.

16.2 The figures have been rounded off to the nearest Rupee.


MIAN ASAD HAMEED
 CHIEF EXECUTIVE


SAEED IQBAL KHAN
 DIRECTOR

