



# SAZGAR ENGINEERING WORKS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

### 1 LEGAL STATUS AND OPERATIONS

Sazgar Engineering Works Limited was incorporated in Pakistan on September 21, 1991 as a Private Limited Company 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** The Companies Act, 2017 (the "Act") has been promulgated as on May 30, 2017, however, Securities and Exchange Commission of Pakistan issued a circular no. 23 of 2017 dated October 04, 2017 and its clarification to The Institute of Chartered Accountants of Pakistan that companies whose interim financial period close on or before December 31, 2017 shall prepare the financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Therefore, These condensed interim financial statements (un-audited) of the Company for the half year ended December 31, 2017 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Accounting Standard (IAS) 34 - 'Interim Financial Reporting' and provisions of and directives issued under the repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984 are followed.

**2.2** These condensed interim financial statements (un-audited) are being submitted to the shareholders as required by section 237 of The Companies Act, 2017 (the "Act").

**2.3** 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, 2017.

**2.4** The figures included in the condensed interim profit and loss account for the quarters ended December 31, 2017 and 2016 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, 2017 and 2016.

### 2.5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

#### 2.5.1 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 these condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements.

#### 2.5.2 Fair Value of financial assets and liabilities

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

### 2.6 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 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, 2017.



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### 4 SHARE CAPITAL

#### 4.1 AUTHORIZED SHARE CAPITAL

Un-audited December 31, 2017 Number	Audited June 30, 2017 Number	NOTE	Un-audited December 31, 2017 Rupees	Audited June 30, 2017 Rupees
50,000,000	50,000,000	Ordinary shares of Rupees 10 each	500,000,000	500,000,000

#### 4.2 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

7,163,000	7,163,000	ordinary shares of Rupees 10/- each fully paid up in cash.	71,630,000	71,630,000
14,403,842	10,809,368	ordinary shares of Rupees 10/- each allotted as bonus shares. (Note. 4.2.1)	144,038,420	108,093,680
21,566,842	17,972,368		215,668,420	179,723,680

4.2.1 During the period the Company has issued bonus shares @ 20% (i.e.20 shares for every 100 shares held), (June 30, 2017: Nil).

### 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, 2017. Except the following;

5.1.1 During the period, DCIR created a sales tax demand of Rs. 7.42 million against sales tax audit for tax period from July-2013 to June-2014. Company filed an appeal with CIR (A). In the opinion of tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.

5.1.2 During the period, the company has received a notification issued by Government of Punjab (Labour & Human Resource Department) for enhancing the monthly wage ceiling from Rs. 18,000/- to 22,000/- for the purpose of levy of Social Security contribution. The company filed a Writ Petition in the Honorable Lahore High Court, Lahore to challenge the legality of the notification. The estimated effect of this notification on financial statements is Rs. 98,655/-. In the opinion of the legal advisor, expected outcome of the case will be in favour of the company, hence no provision is made in these financial statements.

#### 5.2 Commitments

5.2.1 Commitments in respect of outstanding letters of credit for raw material amount to Rs. 168.40 Million (June 30, 2017: Rs. 167.30 Million).

5.2.2 Commitments in respect of capital expenditures amount to Rs. 7.23 Million (June 30, 2017: Rs. 8.99).

### 6 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	6.1	263,720,402	264,189,676
Capital work in progress	6.2	293,919,001	267,517,497
Advance for purchase of vehicles		-	1,300,000
		557,639,403	533,007,173

#### 6.1 OPERATING FIXED ASSETS - Tangible

Opening book value		264,189,676	241,027,824
Add:			
Additions during the period (at cost)			
- Freehold Land		-	22,527,054
- Plant and machinery		6,491,867	5,486,326
- Electric fittings		-	1,115,063
- Office equipments		274,359	340,615
- Vehicles		2,637,000	15,718,500
		9,403,226	45,187,558



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	Un-audited December 31, 2017 Rupees	Audited June 30, 2017 Rupees
Less:		
Disposal during the period (at net book value)		
- Furniture and fittings	-	14,389
- Office Equipment	-	18,747
- Electric Installations	-	2,433
- Vehicles	-	1,275,997
Depreciation charged during the period	9,872,500	20,714,142
	9,872,500	22,025,707
Closing book value	263,720,402	264,189,676

### 6.2 CAPITAL WORK IN PROGRESS

Opening Balance	267,517,497	490,334
Additions during the period		
- Plant and machinery	320,589	4,545,261
- Building and Civil Works on freehold land	30,946,765	262,481,902
	31,267,354	267,027,163
Less Transferred during the period		-
- Plant and machinery	4,865,850	-
Closing Balance	293,919,001	267,517,497

### 7 INTANGIBLE ASSETS

Opening book value	50,819	135,605
Add: additions during the period	-	-
	50,819	135,605
Less: amortization charged during the period	30,119	84,786
Closing book value	20,700	50,819

### 8 SALES - NET

	Un-audited Oct-Dec 2017 Rupees	Un-audited Oct-Dec 2016 Rupees	Un-audited July-Dec 2017 Rupees	Un-audited July-Dec 2016 Rupees
Gross sales	1,077,182,064	875,878,272	2,218,646,568	1,827,826,162
Less: Sales tax	148,836,044	123,080,437	310,073,165	260,592,380
Sales returns	25,822,137	5,954,042	60,092,778	10,382,904
Commission	22,518,495	19,010,179	46,516,066	37,360,516
	197,176,676	148,044,658	416,682,009	308,335,800
	880,005,388	727,833,614	1,801,964,559	1,519,490,362

8.1 This includes Rs. 43.01 million (December 31, 2016: Rs. 33.50 million) on account of export sales for the period.



# SAZGAR ENGINEERING WORKS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

NOTE	Un-audited	Un-audited	Un-audited	Un-audited
	Oct-Dec	Oct-Dec	July-Dec	July-Dec
	2017	2016	2017	2016
	Rupees	Rupees	Rupees	Rupees
<b>9 COST OF SALES</b>				
Raw materials and components consumed	798,956,418	771,045,261	1,555,789,767	1,426,233,978
Salaries, wages and other benefits	61,341,483	51,781,141	131,907,721	112,369,686
Stores, spares and loose tools consumed	14,265,237	9,220,657	21,788,247	16,698,915
Power and fuel charges	18,620,415	16,622,621	32,188,019	28,856,499
Repair and maintenance	21,976,999	24,649,944	45,859,930	49,339,013
Provision for slow moving items	1,690,300	-	2,535,450	667,321
Other expenses	1,173,404	1,725,800	4,136,592	3,212,147
Depreciation & Amortization	3,242,609	3,194,508	6,396,455	6,404,208
	921,266,865	878,239,932	1,800,602,181	1,643,781,767
Opening work-in-process	10,630,631	9,752,885	13,548,770	15,490,216
Closing work-in-process	(11,789,012)	(14,673,100)	(11,789,012)	(14,673,100)
Cost of goods manufactured	920,108,484	873,319,717	1,802,361,939	1,644,598,883
Opening finished goods	252,964,256	230,695,458	191,425,091	167,986,268
Closing finished goods	(397,393,154)	(445,766,412)	(397,393,154)	(445,766,412)
	775,679,587	658,248,763	1,596,393,876	1,366,818,739

### 10 TAXATION

#### Current

For the period	10.1	17,982,270	11,113,502	33,125,999	25,631,716
Prior period		(2,526,084)	(1,182,232)	(2,526,084)	(1,182,232)

#### Deferred

For the period		(1,653,761)	(3,082,563)	(1,548,459)	(2,462,716)
		13,802,425	6,848,707	29,051,456	21,986,768

10.1 The rate of tax has decreased from 31% to 30% during the period.

### 11 EARNINGS PER SHARE - BASIC AND DILUTED

#### Basic Earnings Per Share

			Restated	Restated
Profit after taxation for the period	Rupees	46,522,895	28,898,874	84,133,307
Weighted average number of ordinary shares outstanding during the period - Note 4.2	Number	21,566,842	21,566,842	21,566,842
Basic earnings per share	Rupees	2.16	1.34	3.90

11.1 Basic earnings per share has been calculated by dividing the profit attributable to equity holders of the Company by weighted average number of ordinary shares in issue during the period. The Company has issued Bonus Shares @ 20% during the period accordingly, the earnings per share of the comparative period has been re-stated.

#### 11.2 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 December 31, 2017 and December 31, 2016 which would have any effect on earning per share if the option to convert is exercised.

### 12 TRANSACTIONS WITH RELATED PARTIES

Remuneration, Allowances and benefits paid to Chief Executive		5,850,000	5,265,000
Remuneration, Allowances and benefits paid to Executive Director (s)		5,525,000	2,362,500
Meeting fee paid to Non-Executive Director (s)		450,000	-
Cash Dividend paid to Chief Executive and Director (s)		-	17,491,771
Bonus shares issued to Chief Executive and Director (s)		23,283,630	-
<b>TOTAL</b>		<b>35,108,630</b>	<b>25,119,271</b>



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	Un-audited Oct-Dec 2017 Rupees	Un-audited Oct-Dec 2016 Rupees	Un-audited July-Dec 2017 Rupees	Un-audited July-Dec 2016 Rupees
<b>13 SEGMENT RESULTS</b>				
<b>Segment Revenue - Net</b>				
Home appliances	2,102,239	44,300	3,349,438	911,700
Auto parts	147,321,811	106,073,466	303,541,303	192,931,962
Auto rickshaw	730,581,338	621,715,848	1,495,073,818	1,325,646,700
<b>Total</b>	<b>880,005,388</b>	<b>727,833,614</b>	<b>1,801,964,559</b>	<b>1,519,490,362</b>
<b>Segment operating results</b>				
Home appliances	388,543	(30,309)	497,119	(167,049)
Auto parts	4,806,691	3,382,867	9,723,643	2,303,761
Auto rickshaw	60,350,175	34,208,283	113,319,678	83,262,562
<b>Total</b>	<b>65,545,410</b>	<b>37,560,841</b>	<b>123,540,441</b>	<b>85,399,274</b>

### 14 DATE OF AUTHORIZATION FOR ISSUE

The Board of Directors of the Company has authorized these condensed interim financial statements for issue on February 24, 2018.

### 15 GENERAL

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

**15.2** The figures have been rounded off to the nearest Rupee.

**MIAN ASAD HAMEED**  
CHIEF EXECUTIVE

**SAEED IQBAL KHAN**  
DIRECTOR

**MUHAMMAD ATIF RAO**  
CHIEF FINANCIAL OFFICER