



SAZGAR ENGINEERING WORKS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2019

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. The three wheeler, wheel rim and household electric appliances manufacturing facility is located at 18 K.m Raiwind Road, Lahore and four wheeler manufacturing facility, which is under construction, is situated at Western Tank Link Road, Near Ijtima Chowk, Sundar Road, Raiwind, Lahore.

2 BASIS OF PREPARATION

2.1 These condensed interim financial statements (un-audited) of the Company for the half year ended December 31, 2019 have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of; International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and provisions of and directives issued under the Companies Act, 2017 (the "Act"). Where the provisions of and directives issued under the Companies Act, 2017 (the "Act") differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 (the "Act") have been 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 audited financial statements for the year ended June 30, 2019.

2.4 The figures included in the condensed interim statement of profit or loss for the quarters ended December 31, 2019 and 2018 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, 2019 and 2018.

2.5 FINANCIAL RISK MANAGEMENT, FINANCIAL INSTRUMENTS AND ACCOUNTING ESTIMATES AND JUDGMENTS

2.5.1 Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended June 30, 2019.

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.

2.5.3 Accounting Estimates and judgments

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amount of assets and liabilities, incomes and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation are the same as those that applied to the financial statements for the year ended June 30, 2019.

2.6 CORRESPONDING FIGURES

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

3 STATEMENT OF CONSISTENCY IN ACCOUNTING POLICIES

3.1 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, 2019.

3.2 Certain standards, amendments and interpretations of approved accounting standards will be effective for accounting periods but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these condensed interim financial statements.



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4 SHARE CAPITAL

4.1 AUTHORIZED SHARE CAPITAL

Un-audited December 31, 2019 Number	Audited June 30, 2019 Number	NOTE	Un-audited December 31, 2019 Rupees	Audited June 30, 2019 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	14,403,842	ordinary shares of Rupees 10/- each allotted as bonus shares.	144,038,420	144,038,420
21,566,842	21,566,842		215,668,420	215,668,420

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, 2019. Except the following:

5.1.1 DCIR initiated proceedings under section 161/205 of Income Tax Ordinance 2001 for tax year 2017 and created a tax demand of Rs. 33,952,716/- as on March 30, 2019. The Company filed an appeal against this order with CIR (A) and CIR (A) deleted the order of DCIR as on June 25, 2019. However DCIR filed an appeal with ATIR against the order of CIR (A) as on August 27, 2019, proceedings are still pending. 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 DCIR initiated proceedings under section 161/205 of Income Tax Ordinance 2001 for tax year 2014 and created a tax demand of Rs. 8,468,165/- as on December 06, 2019. The Company filed an appeal before the Commissioner Inland Revenue Appeal CIR(A) against this order of DCIR and has been granted a stay order, proceedings are still pending. In the opinion of tax consultant, favorable outcome of the appeal is expected, 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 other than capital expenditure amount to Rs. 137.60 Million (June 30, 2019: Rs. 134.26 Million).

5.2.2 Commitments in respect of capital expenditures including letters of credit amount to Rs. 132.81 Million (June 30, 2019: Rs. 146.52 Million).

6 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	6.1	343,045,761	348,588,354
Capital work in progress	6.2	744,587,817	649,491,034
		1,087,633,578	998,079,388
6.1 OPERATING FIXED ASSETS - Tangible			
Opening book value		348,588,354	346,844,374
Add:			
Additions during the period (at cost)			
- Plant and machinery		1,786,000	2,675,527
- Furniture and Fittings		-	684,830
- Office equipments		326,376	1,005,580
- Electric installations		-	1,931,500
- Vehicles		3,183,000	16,336,000
		5,295,376	22,633,437



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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2019

		Un-audited December 31, 2019 Rupees	Audited June 30, 2019 Rupees
Less:			
Disposal during the period (at net book value)			
- Vehicles		1,282,637	973,126
Depreciation charged during the period		9,555,332	19,916,331
		10,837,969	20,889,457
Closing book value		343,045,761	348,588,354
6.2 CAPITAL WORK IN PROGRESS			
Opening Balance		649,491,034	361,959,281
Additions during the period			
- Plant and machinery		84,870,188	240,961,454
- Building and Civil Works on freehold land		10,226,595	46,719,382
		95,096,783	287,680,836
Less Transferred to fixed assets during the period			
- Intangible		-	149,083
Closing Balance		744,587,817	649,491,034
7 INTANGIBLE ASSETS			
Opening book value		108,560	10,575
Add: additions during the period		-	149,083
		108,560	159,658
Less: amortization charged during the period		16,258	51,098
Closing book value		92,302	108,560
		Un-audited Oct - Dec 2019 Rupees	Un-audited Oct - Dec 2018 Rupees
8 SALES - NET			
Gross sales	8.1	697,320,748	805,597,651
Less: Sales tax		96,983,791	95,140,492
Sales returns		19,893,673	143,762,068
Commission		14,687,671	13,357,196
		131,565,135	252,259,756
		565,755,613	553,337,895
8.1 This includes Rs. 18.52 million (December 31, 2018: Rs. 2.36 million) on account of export sales for the period.		1,439,344,425	1,840,855,614
		202,915,257	243,180,236
		36,747,317	177,645,852
		21,681,385	28,498,008
		261,343,959	449,324,096
		1,178,000,466	1,391,531,518
9 COST OF SALES			
Raw materials and components consumed		580,371,040	558,791,695
Salaries, wages and other benefits		81,846,942	66,557,061
Stores, spares and loose tools consumed		10,019,628	7,301,376
Power and fuel charges		19,070,349	13,919,377
Repair and maintenance		13,701,838	11,405,656
Provision for slow moving items		-	255,150
Other expenses		2,764,689	2,540,525
Depreciation & Amortization		2,740,961	3,006,138
		710,515,447	663,521,828
Opening work-in-process		11,394,730	18,587,223
Closing work-in-process		(24,087,619)	(23,099,874)
Cost of goods manufactured		697,822,558	659,009,177
Opening finished goods		209,012,427	160,153,502
Cost of finished goods purchased		-	21,959,566
Closing finished goods		(407,517,765)	(341,930,503)
		499,317,219	499,191,742
10 TAXATION			
Current			
For the period		8,579,417	2,222,464
Prior period		(199,520)	49,579
Deferred			
For the period		(7,553,279)	(369,150)
		826,618	1,902,893
		3,273,127	12,934,300



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		Un-audited Oct - Dec 2019 Rupees	Un-audited Oct - Dec 2018 Rupees	Un-audited July - Dec 2019 Rupees	Un-audited July - Dec 2018 Rupees
11	EARNINGS PER SHARE - BASIC AND DILUTED				
	Basic Earnings Per Share				
	Profit after taxation for the period	Rupees 5,103,556	3,328,981	13,318,384	32,696,294
	Weighted average number of ordinary shares				
	Number	21,566,842	21,566,842	21,566,842	21,566,842
	outstanding during the period - Note 4.2				
	Basic earnings per share	Rupees 0.24	0.15	0.62	1.52

11.1 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, 2018 and December 31, 2019 which would have any effect on earning per share if the option to convert is exercised.

12 TRANSACTIONS WITH RELATED PARTIES

Non-Executive Director (s)				
Meeting fee			465,000	425,000
Key Management Personnel				
Remuneration, Allowances and benefits			25,849,800	27,268,800*
Other Related Party				
Rent Expenses			132,500	-
Remuneration, Allowances and benefits			750,000	-
PERIOD END BALANCES				
Payable to Other Related Party - Rent Payable			132,500	-

* The comparative figure has been restated in accordance with the definition of key management personnel as per The Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018.

13 SEGMENT RESULTS

Segment Revenue - Net				
Home appliances	728,444	2,723,353	3,687,232	4,777,054
Auto parts	101,713,387	89,396,761	245,515,537	211,710,371
Auto rickshaw	463,313,782	453,820,345	928,797,697	1,167,646,657
Automobiles - Four Wheeler	-	7,397,436	-	7,397,436
Total	565,755,613	553,337,895	1,178,000,466	1,391,531,518
Segment operating results				
Home appliances	42,408	856,994	423,952	1,059,360
Auto parts	151,992	(7,358,891)	2,922,048	(5,385,065)
Auto rickshaw	31,734,315	23,411,820	62,825,345	68,145,885
Automobiles - Four Wheeler	(11,541,899)	(6,706,481)	(20,935,527)	(9,238,262)
Total	20,386,816	10,203,442	45,235,818	54,581,918

14 SUBSEQUENT EVENTS

The Board of Directors, at their meeting held on February 07, 2020 has approved and announced issuance of 65.8418140217% right shares, i.e. 65.8418140217 ordinary shares for every 100 existing ordinary shares at a price of Rs.50/- inclusive of premium of Rs.40/-. The Company intends to raise sum of Rs. 710 million, which will be utilized to complete the project in time by procurement of plant & machinery, repayment of some portion of loan and to finance the working capital partially.

15 DATE OF AUTHORIZATION FOR ISSUE

The Board of Directors of the Company has authorized these condensed interim financial statements for issue on February 07, 2020.

16 GENERAL

16.1 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