



# SAZGAR ENGINEERING WORKS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SECOND QUARTER AND HALF YEAR ENDED DECEMBER 31, 2020

### 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, 2020 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, 2020.

2.4 The figures included in the condensed interim statement of profit or loss for the quarters ended December 31, 2020 and 2019 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, 2020 and 2019.

### 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, 2020.

#### 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 condensed interim financial statements 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, 2020.

### 2.6 CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim statement of 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 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, 2020.

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, 2020 Number	Audited June 30, 2020 Number		Un-audited December 31, 2020 Rupees	Audited June 30, 2020 Rupees
100,000,000	50,000,000	Ordinary shares of Rupees 10 each	1,000,000,000	500,000,000

NOTE

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

21,363,000	21,363,000	ordinary shares of Rupees 10/- each fully paid up in cash.	213,630,000	213,630,000
25,133,895	14,403,842	ordinary shares of Rupees 10/- each allotted as bonus shares.	251,338,950	144,038,420
46,496,895	35,766,842		464,968,950	357,668,420

### 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, 2020. Except the following;

- 5.1.1 DCIR initiated proceedings under section 6,7 and 8 of The Sales Tax Act 1990 for the tax period from January 2014 to February 2017 and created a tax demand Rs. 6,770,083/- on May 18, 2020. The Company filed an appeal before CIR(A) on June 16, 2020 and got a relief of Rs. 4,881,666/- with the directions of re-assessment. However DCIR filed an appeal before ATIR against the order of CIR(A) as on August 27, 2020, on the other hand Company also filed an appeals before The ATIR as on September 07, 2020 and obtained a stay order against the order of CIR(A). 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 amount to Rs. 242.76 Million (June 30, 2020: Rs. 102.73 Million).

- 5.2.2 Commitments in respect of capital expenditures amount to Rs. 61.70 Million (June 30, 2020: Rs. 117.17 Million).

- 5.2.3 Commitments for future minimum payments in respect of Ijarah lease arrangements are as follows:

Not later than one year	19,528,688	69,030,272
Later than one year but not later than five years	3,189,523	8,229,064
Later than five years	-	-

### 6 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets - Tangible	6.1	349,309,996	335,796,920
Capital work in progress	6.2	1,252,549,325	982,535,886

#### 6.1 OPERATING FIXED ASSETS - Tangible

Opening book value	335,796,920	348,588,354
Add:		
Additions during the period (at cost)		
- Plant and machinery	1,045,000	4,183,340
- Furniture and Fittings	-	620,804
- Office equipments	580,000	618,722
- Electric installations	167,487	916,300
- Vehicles	23,815,000	3,183,000
	25,607,487	9,522,166



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		Un-audited Oct - Dec 2020 Rupees	Un-audited Oct - Dec 2019 Rupees	Un-audited July - Dec 2020 Rupees	Un-audited July - Dec 2019 Rupees
<b>11 EARNINGS PER SHARE - BASIC AND DILUTED</b>					
<b>Basic Earnings Per Share</b>					
Profit after taxation for the period	Rupees	15,719,555	5,103,556 Restated	37,566,525	13,318,384 Restated
Weighted average number of ordinary shares outstanding during the period - Note 4.2	Number	46,496,895	39,663,393	46,496,895	39,663,393
Basic earnings per share	Rupees	0.34	0.13	0.81	0.34

### 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, 2020 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 435,000 465,000

### Key Management Personnel

Remuneration, Allowances and benefits 30,217,840 25,849,800

### Other Related Party

Rent Expenses - 132,500  
Remuneration, Allowances and benefits 2,475,000 750,000

### PERIOD END BALANCES

Payable to Other Related Party - Rent Payable - 132,500

## 13 SEGMENT RESULTS

### Segment Revenue - Net

Home appliances	3,398,675	728,444	3,552,521	3,687,232
Auto parts	152,966,162	101,713,387	323,340,911	245,515,537
Auto rickshaw	653,579,519	463,313,782	1,429,096,299	928,797,697
Automobiles - Four Wheeler	-	-	22,277,777	-
<b>Total</b>	<b>809,944,356</b>	<b>565,755,613</b>	<b>1,778,267,508</b>	<b>1,178,000,466</b>

### Segment operating results

Home appliances	547,689	42,408	562,707	423,952
Auto parts	1,127,489	151,992	5,290,162	2,922,048
Auto rickshaw	40,758,292	31,734,315	83,664,393	62,825,345
Automobiles - Four Wheeler	(15,348,146)	(11,541,899)	(27,410,109)	(20,935,527)
<b>Total</b>	<b>27,085,325</b>	<b>20,386,816</b>	<b>62,107,154</b>	<b>45,235,818</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 23, 2021.

## 15 GENERAL

15.1 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