

SAZGAR ENGINEERING WORKS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 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 first quarter ended September 30, 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 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 statements 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.

3 STATEMENT OF CONSISTENCY IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year ended June 30, 2016.



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4 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

September 30, 2016 Number	June 30, 2016 Number	NOTES	September 30, 2016 Rupees	June 30, 2016 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
17,972,368	17,972,368		179,723,680	179,723,680

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:

LIMIT Nos.	PARTICULARS	LIMITS AVAILABLE		LIMITS UTILIZED	
		September 30, 2016 Rupees	June 30, 2016 Rupees	September 30, 2016 Rupees	June 30, 2016 Rupees
	Not Later Than one Year				
1	Foreign LC Sight / Inland LC- Gross	440,000,000	440,000,000	102,064,983	90,836,072
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	40,000,000	40,000,000	-	-
6	Istisna Sublimit of Limit no.1	60,000,000	60,000,000	-	-
7	Guarantee	8,040,000	8,040,000	-	-

5.2.2 Commitments in respect of capital expenditure amount to Rs. 102.92 million (June 30, 2016: Rs. Nil)

6 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	6.1	245,149,326	241,027,824
Capital work in progress		23,387,856	490,334
Advance for purchase of vehicles		4,808,500	3,000,000
Advance for purchase of land		10,628,600	-
		283,974,282	244,518,158

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	NOTES	September 30,	June 30,
		2016	2016
		Rupees	Rupees
6.1 OPERATING FIXED ASSETS - Tangible			
Opening book value		241,027,824	241,477,525
Add:			
Additions during the period (at cost)			
- 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		140,212	274,869
- Vehicles		8,900,000	8,908,500
		9,040,212	24,371,291
Less:			
Disposal during the period (at net book value)			
- Vehicles		-	5,017,261
Depreciation charged during the period		4,918,710	19,803,732
		4,918,710	24,820,993
Closing book value		245,149,326	241,027,824
7 INTANGIBLE ASSETS			
Opening book value		135,605	232,767
Add: additions during the period		-	-
		135,605	232,767
Less: amortization charged during the period		23,876	97,162
Closing book value		111,729	135,605
8 SALES - NET			
		July-Sep 2016 Rupees	July-Sep 2015 Rupees
Gross sales	8.1	951,947,890	655,645,690
Less: Sales tax		137,511,943	95,318,588
Sales returns		4,428,862	1,709,774
Commission		18,350,337	9,818,132
		160,291,142	106,846,494
		791,656,748	548,799,196

8.1 This includes Rs. 4.68 million (September 30, 2015: Rs.nil million) on account of export sales.



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	NOTES	July-Sep	July-Sep
		2016	2015
		Rupees	Rupees
9 COST OF SALES			
Raw materials and components consumed		655,188,717	472,286,542
Salaries, wages and other benefits		60,588,545	49,227,038
Stores, spares and loose tools consumed		7,478,258	5,562,650
Power and fuel charges		12,233,878	11,495,165
Repair and maintenance		24,689,069	12,980,908
Provision for slow moving items		667,321	1,512,431
Other expenses		1,486,347	1,701,549
Depreciation & Amortization		3,209,700	3,177,896
		<u>765,541,835</u>	<u>557,944,179</u>
Opening work-in-process		15,490,216	16,984,905
Closing work-in-process		(9,752,885)	(18,180,879)
Cost of goods manufactured		<u>771,279,166</u>	<u>556,748,205</u>
Opening finished goods		167,986,268	97,592,914
Closing finished goods		(230,695,458)	(157,432,269)
		<u>708,569,976</u>	<u>496,908,850</u>
10 TAXATION			
Current			
For the period	10.1	14,518,214	7,618,562
Deferred			
For the period		619,847	(577,613)
		<u>15,138,061</u>	<u>7,040,949</u>
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		29,475,253	13,460,674
Weighted average number of ordinary shares outstanding during the period - Note 4		17,972,368	17,972,368
Basic earnings per share - Rupees		1.64	0.75
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 September 30, 2016 and September 30, 2015, which would have any effect on earning per share if the option to convert is exercised.

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	July-Sep 2016 Rupees	July-Sep 2015 Rupees
12 TRANSACTIONS WITH RELATED PARTIES		
Remuneration, Allowances and benefits paid to Chief Executive and Executive Director(s)	3,955,000	3,955,000
13 SEGMENT RESULTS		
Segment Revenue - Net		
Home appliances	867,400	66,356
Auto parts	86,858,496	84,893,417
Auto rickshaw	703,930,852	463,839,423
Total	791,656,748	548,799,196
Segment operating results		
Home appliances	(136,740)	(43,872)
Auto parts	(1,079,106)	(1,114,636)
Auto rickshaw	49,054,279	23,502,223
Total	47,838,433	22,343,715
14 DATE OF AUTHORIZATION FOR ISSUE		
The Board of Directors of the Company has authorized these condensed interim financial statements for issue on October 25, 2016.		
15 GENERAL		
15.1 The excess production of Auto-Rickshaw over normal capacity is due to working on over-time schedule to meet increased demand.		
15.2 The figures have been rounded off to the nearest Rupee.		


MIAN ASAD HAMEED
 CHIEF EXECUTIVE


SAEED IQBAL KHAN
 DIRECTOR

