



# SAZGAR ENGINEERING WORKS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2017

### 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** 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close on or before December 31, 2017 shall prepare the financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.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 first quarter ended September 30, 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Accounting Standard (IAS) 34 - 'Interim Financial Reporting' and provisions of and directives issued under the repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984 are followed.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 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 these condensed interim financial statements do 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 these condensed interim financial statements 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 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 September 30, 2017 Number	Audited June 30, 2017 Number	NOTE	Un-audited September 30, 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
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, 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 intends to file 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 intends to file 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.48,958/- In the opinion of the legal advisor expected outcome of the case will be in the 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. 117.74 Million (June 30, 2017: Rs. 167.30 Million).
- 5.2.2** Commitments in respect of capital expenditures amount to Rs. 29.72 Million (June 30, 2017: Rs. 8.99).

### 6 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	6.1	268,454,131	264,189,676
Capital work in progress		273,159,134	267,517,497
Advance for purchase of vehicles		-	1,300,000
		541,613,265	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		-	340,615
- Vehicles		2,637,000	15,718,500
		9,128,867	45,187,558



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	NOTE	Un-audited	Audited
		September 30, 2017	June 30, 2017
		Rupees	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		4,864,412	20,714,142
		4,864,412	22,025,707
Closing book value		268,454,131	264,189,676
<b>7 INTANGIBLE ASSETS</b>			
Opening book value		50,819	135,605
Add: additions during the period		-	-
		50,819	135,605
Less: amortization charged during the period		17,527	84,786
Closing book value		33,292	50,819
		Un-audited	Un-audited
		July-Sep	July-Sep
		2017	2016
		Rupees	Rupees
<b>8 SALES - NET</b>			
Gross sales	8.1	1,141,464,504	951,947,890
Less: Sales tax		161,237,121	137,511,943
Sales returns		34,270,641	4,428,862
Commission		23,997,571	18,350,337
		219,505,333	160,291,142
		921,959,171	791,656,748
8.1 This includes Rs. 8.89 million (September 30, 2016: Rs. 4.68 million) on account of export sales for the period.			
<b>9 COST OF SALES</b>			
Raw materials and components consumed		756,833,349	655,188,717
Salaries, wages and other benefits		70,566,238	60,588,545
Stores, spares and loose tools consumed		7,523,010	7,478,258
Power and fuel charges		13,567,604	12,233,878
Repair and maintenance		23,882,931	24,689,069
Provision for slow moving items		845,150	667,321
Other expenses		2,963,188	1,486,347
Depreciation & Amortization		3,153,846	3,209,700
		879,335,316	765,541,835
Opening work-in-process		13,548,770	15,490,216
Closing work-in-process		(10,630,631)	(9,752,885)
Cost of goods manufactured		882,253,455	771,279,166
Opening finished goods		191,425,091	167,986,268
Closing finished goods		(252,964,256)	(230,695,458)
		820,714,290	708,569,976



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	NOTE	Un-audited July-Sep 2017 Rupees	Un-audited July-Sep 2016 Rupees
<b>10 TAXATION</b>			
Current			
For the period	10.1	15,143,729	14,518,214
Deferred			
For the period		105,302	619,847
		<u>15,249,031</u>	<u>15,138,061</u>
10.1 The rate of tax has decreased from 31% to 30% during the period.			
<b>11 EARNINGS PER SHARE - BASIC AND DILUTED</b>			
Basic Earnings Per Share			
Profit after taxation for the period	Rupees	37,610,411	29,475,253
Weighted average number of ordinary shares outstanding during the period - Note 4	Number	17,972,368	17,972,368
Basic earnings per share	Rupees	2.09	1.64
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 September 30, 2017 and September 30, 2016 which would have any effect on earning per share if the option to convert is exercised.			
<b>12 TRANSACTIONS WITH RELATED PARTIES</b>			
Remuneration, Allowances and benefits paid to Chief Executive		3,150,000	2,730,000
Remuneration, Allowances and benefits paid to Executive Director (s)		2,975,000	1,225,000
Meeting fee paid to Non-Executive Director (s)		255,000	-
<b>TOTAL</b>		<u>6,380,000</u>	<u>3,955,000</u>
<b>13 SEGMENT RESULTS</b>			
Segment Revenue - Net			
Home appliances		1,247,199	867,400
Auto parts		156,219,492	86,858,496
Auto rickshaw		764,492,480	703,930,852
<b>Total</b>		<u>921,959,171</u>	<u>791,656,748</u>
Segment operating results			
Home appliances		108,576	(136,740)
Auto parts		4,916,952	(1,079,106)
Auto rickshaw		50,900,289	49,054,279
<b>Total</b>		<u>55,925,817</u>	<u>47,838,433</u>
<b>14 DATE OF AUTHORIZATION FOR ISSUE</b>			
The Board of Directors of the Company has authorized these condensed interim financial statements for issue on October 26, 2017.			



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### 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