



SAZGAR ENGINEERING WORKS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2018

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 construction of four wheeler manufacturing facility is situated at Mouza Bhai kot, near tablighi ijta, Raiwind, Lahore.

2 BASIS OF PREPARATION

2.1 These condensed interim financial statements (un-audited) of the Company for the three month ended September 30, 2018 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, 2018.

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

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.

2.4.3 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, 2018.

2.5 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 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.



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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, 2018.

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, except for the following:

New accounting standards, IFRIC interpretations and amendments to the published approved accounting standards that are effective for accounting periods as detailed below:

Standards or Interpretation	Effective date
IFRS-9 Financial instruments; classification and measurement of financial assets and liabilities.	July 01, 2018
IFRS-15 Revenue from contracts with customers	July 01, 2018
IFRS-16 Leases	January 01, 2019
IAS-19 Employee benefits' on plan amendment, curtailment or settlement	January 01, 2019
IFRIC 22 Foreign currency transactions and advance consideration	January 01, 2019
IFRIC 23 Uncertainty over income tax treatments	January 01, 2019

The above standards, amendments and interpretations changes are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements except for increased disclosures in certain cases.

4 SHARE CAPITAL

4.1 AUTHORIZED SHARE CAPITAL

Un-audited	Audited		Un-audited	Audited
September 30, 2018	June 30, 2018		September 30, 2018	June 30, 2018
Number	Number		Rupees	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, 2018. Except the following;

5.1.1 ACIR initiated proceedings under section 122 (5A) of Income Tax Ordinance 2001 for tax year 2017 and created a tax demand of Rs. 11,385,589/- as on September 26, 2018. The company intends to file an appeal against this order with CIR (Appeals). In the opinion of tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.



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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2018

5.1.2 As per note no. 15.1.11 of the financial statements for the year ended June 30, 2018, during the period, The Tax demand of Rs. 387,050,666/- under section 121(1)/122(2) of Income Tax Ordinance 2001 for the tax year 2012 has been annulled by the CIR (Appeals) with the directions to the learned OIR to proceed afresh on the basis of facts available on record and show cause notice.

5.2 Commitments

5.2.1 Commitments in respect of outstanding letters of credit for raw material amount to Rs. 199.72 Million (June 30, 2018: Rs. 254.96 Million).

5.2.2 Commitments in respect of capital expenditures amount to Rs. 168.60 Million (June 30, 2018: Rs. 161.40 Million).

Note	Un-audited	Audited
	September 30, 2018	June 30, 2018
	Rupees	Rupees
6 PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets	343,887,801	346,844,374
Capital work in progress	373,249,251	361,959,281
Advance for purchase of vehicles	2,456,000	-
	719,593,052	708,803,655
6.1 OPERATING FIXED ASSETS - Tangible		
Opening book value	346,844,374	264,189,676
Add:		
Additions during the period (at cost)		
- Freehold Land	-	87,859,932
- Plant and machinery	549,450	10,502,094
- Furniture and Fittings	402,560	-
- Office equipments	533,960	1,660,333
- Electric installations	696,700	-
- Vehicles	-	2,700,500
	2,182,670	102,722,859
Less:		
Disposal during the period (at net book value)		
- Vehicles	661,737	-
Depreciation charged during the period	4,477,505	20,068,160
	5,139,242	20,068,160
Closing book value	343,887,801	346,844,374
6.2 CAPITAL WORK IN PROGRESS		
Opening Balance	361,959,281	267,517,497
Additions during the period		
- Plant and machinery	-	23,209,201
- Building and Civil Works on freehold land	11,289,970	76,098,433
	11,289,970	99,307,634
Less Transferred during the period		
- Plant and machinery	-	4,865,850
Closing Balance	373,249,251	361,959,281
7 INTANGIBLE ASSETS		
Opening book value	10,575	50,819
Add: additions during the period	-	-
	10,575	50,819
Less: amortization charged during the period	2,700	40,244
Closing book value	7,875	10,575



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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2018

		Un-audited July-Sep 2018	Un-audited July-Sep 2017
		Rupees	Rupees
8	SALES - NET		
	Gross sales	8.1 1,035,257,963	1,141,464,504
	Less: Sales tax	148,039,744	161,237,121
	Sales returns	33,883,784	34,270,641
	Commission	15,140,812	23,997,571
		197,064,340	219,505,333
		838,193,623	921,959,171

8.1 This includes Rs. 0.92 million (September 30, 2017: Rs. 8.89 million) on account of export sales for the period.

9	COST OF SALES		
	Raw materials and components consumed	647,897,921	756,833,349
	Salaries, wages and other benefits	67,899,134	70,566,238
	Stores, spares and loose tools consumed	13,102,528	7,523,010
	Power and fuel charges	16,268,958	13,567,604
	Repair and maintenance	14,916,114	23,882,931
	Provision for slow moving items	652,350	845,150
	Other expenses	2,976,723	2,963,188
	Depreciation & Amortization	2,943,689	3,153,846
		766,657,417	879,335,316
	Opening work-in-process	11,921,639	13,548,770
	Closing work-in-process	(18,587,223)	(10,630,631)
	Cost of goods manufactured	759,991,833	882,253,455
	Opening finished goods	137,357,026	191,425,091
	Closing finished goods	(160,153,502)	(252,964,256)
		748,219,991	820,714,290

10	TAXATION		
	Current		
	For the period	10.1 12,013,404	15,143,729
	Prior period	-	-
	Deferred		
	For the period	(981,997)	105,302
		11,031,407	15,249,031

10.1 The rate of tax has decreased from 30% to 29% during the period.

11	EARNINGS PER SHARE - BASIC AND DILUTED		
	Basic Earnings Per Share		Restated
	Profit after taxation for the period	Rupees 29,367,313	37,610,411
	Weighted average number of ordinary shares		
	outstanding during the period - Note 4.2	Number 21,566,842	21,566,842
	Basic earnings per share	Rupees 1.36	1.74

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% subsequent to corresponding 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 September 30, 2018 and September 30, 2017 which would have any effect on earning per share if the option to convert is exercised.



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	Un-audited July-Sep 2018 Rupees	Un-audited July-Sep 2017 Rupees
12 TRANSACTIONS WITH RELATED PARTIES		
Transactions with key management personnel		
Remuneration, Allowances and benefits paid to Chief Executive	6,650,000	3,150,000
Remuneration, Allowances and benefits paid to Executive Director (s)	4,375,000	2,975,000
Remuneration, Allowances and benefits paid to other Key Management personnel	8,691,200	7,641,480
Transactions with Non Executive Director (s)		
Meeting fee paid to Non-Executive Director (s)	270,000	255,000
TOTAL	19,986,200	14,021,480
13 SEGMENT RESULTS		
Segment Revenue - Net		
Home appliances	2,053,701	1,247,199
Auto parts	122,313,610	156,219,492
Auto rickshaw	713,826,312	764,492,480
Automobiles - Four Wheeler	-	-
Total	838,193,623	921,959,171
Segment operating results		
Home appliances	202,366	108,576
Auto parts	1,973,826	4,916,952
Auto rickshaw	44,734,065	50,900,289
Automobiles - Four Wheeler	(2,531,781)	-
Total	44,378,476	55,925,817

14 DATE OF AUTHORIZATION FOR ISSUE

The Board of Directors of the Company has authorized these condensed interim financial statements for issue on October 22, 2018.

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