



# SAZGAR ENGINEERING WORKS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 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 Ijtimah Chowk, Sundar Road, Raiwind, Lahore.

### 2 BASIS OF PREPARATION

2.1 These condensed interim financial statements (un-audited) of the Company for the three months ended September 30, 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 FINANCIAL RISK MANAGEMENT, FINANCIAL INSTRUMENTS AND ACCOUNTING ESTIMATES AND JUDGMENTS

##### 2.4.1 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.

##### 2.4.2 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, 2019.

### 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 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.



# SAZGAR ENGINEERING WORKS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2019

### 4 SHARE CAPITAL

#### 4.1 AUTHORIZED SHARE CAPITAL

Un-audited		Audited		NOTE	Un-audited		Audited	
September 30, 2019	June 30, 2019	September 30, 2019	June 30, 2019		September 30, 2019	June 30, 2019	September 30, 2019	June 30, 2019
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, 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.

#### 5.2 Commitments

- 5.2.1 Commitments in respect of outstanding letters of credit for raw material other than capital expenditure amount to Rs. 125.74 Million (June 30, 2019: Rs. 134.26 Million).
- 5.2.2 Commitments in respect of capital expenditures including letters of credit amount to Rs. 148.89 Million (June 30, 2019: Rs. 146.52 Million).

### 6 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	6.1	343,873,394	348,588,354
Capital work in progress	6.2	676,349,243	649,491,034
		1,020,222,637	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		-	2,675,527
- Furniture and Fittings		-	684,830
- Office equipments		-	1,005,580
- Electric installations		-	1,931,500
- Vehicles		-	16,336,000
		-	22,633,437
Less:			
Disposal during the period (at net book value)			
- Vehicles		-	973,126
Depreciation charged during the period		4,714,960	19,916,331
		4,714,960	20,889,457
Closing book value		343,873,394	348,588,354



# SAZGAR ENGINEERING WORKS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2019

	NOTE	Un-audited	Audited
		September 30, 2019	June 30, 2019
		Rupees	Rupees
<b>6.2 CAPITAL WORK IN PROGRESS</b>			
Opening Balance		649,491,034	361,959,281
Additions during the period			
- Plant and machinery		21,726,379	240,961,454
- Building and Civil Works on freehold land		5,131,830	46,719,382
		26,858,209	287,680,836
Less Transferred to fixed assets during the period			
- Intangible		-	149,083
Closing Balance		<u>676,349,243</u>	<u>649,491,034</u>
<b>7 INTANGIBLE ASSETS</b>			
Opening book value		108,560	10,575
Add: additions during the period		-	149,083
		108,560	159,658
Less: amortization charged during the period		8,129	51,098
Closing book value		<u>100,431</u>	<u>108,560</u>
		Un-audited	Un-audited
		July - Sep	July - Sep
		2019	2018
		Rupees	Rupees
<b>8 SALES - NET</b>			
Gross sales	8.1	742,023,677	1,035,257,963
Less: Sales tax		105,931,466	148,039,744
Sales returns		16,853,644	33,883,784
Commission		6,993,714	15,140,812
		129,778,824	197,064,340
		<u>612,244,853</u>	<u>838,193,623</u>
		8.1 This includes Rs. 2.77 million (September 30, 2018: Rs. 0.92 million) on account of export sales for the period.	
<b>9 COST OF SALES</b>			
Raw materials and components consumed		434,571,510	647,897,921
Salaries, wages and other benefits		77,873,331	67,899,134
Stores, spares and loose tools consumed		10,074,204	13,102,528
Power and fuel charges		13,823,038	16,268,958
Repair and maintenance		14,129,838	14,916,114
Provision for slow moving items		255,150	652,350
Other expenses		2,893,858	2,976,723
Depreciation & Amortization		2,711,196	2,943,689
		556,332,125	766,657,417
Opening work-in-process		28,239,219	11,921,639
Closing work-in-process		(11,394,730)	(18,587,223)
Cost of goods manufactured		573,176,614	759,991,833
Opening finished goods		178,368,962	137,357,026
Cost of finished goods purchased		-	11,024,634
Closing finished goods		(209,012,427)	(160,153,502)
		<u>542,533,149</u>	<u>748,219,991</u>
<b>10 TAXATION</b>			
Current			
For the period		9,386,867	12,013,404
Deferred			
For the period		(6,940,358)	(981,997)
		<u>2,446,509</u>	<u>11,031,407</u>



# SAZGAR ENGINEERING WORKS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2019

		Un-audited	Un-audited
		July - Sep 2019	July - Sep 2018
		Rupees	Rupees
11	<b>EARNINGS PER SHARE - BASIC AND DILUTED</b>		
	Basic Earnings Per Share		
	Profit after taxation for the period	Rupees	8,214,829
	Weighted average number of ordinary shares	Number	21,566,842
	outstanding during the period - Note 4.2		
	Basic earnings per share	Rupees	0.38
	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, 2019 and September 30, 2018 which would have any effect on earning per share if the option to convert is exercised.		
12	<b>TRANSACTIONS WITH RELATED PARTIES</b>		
	Non-Executive Director (s)		
	Meeting fee	270,000	270,000
	Key Management Personnel		
	Remuneration, Allowances and benefits	12,924,900	14,683,200*
	Other Related Party		
	Rent Expenses	57,500	-
	* 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	<b>SEGMENT RESULTS</b>		
	Segment Revenue - Net		
	Home appliances	2,958,788	2,053,701
	Auto parts	143,802,150	122,313,610
	Auto rickshaw	465,483,915	713,826,312
	Automobiles - Four Wheeler	-	-
	<b>Total</b>	<b>612,244,853</b>	<b>838,193,623</b>
	Segment operating results		
	Home appliances	381,544	202,366
	Auto parts	2,770,056	1,973,826
	Auto rickshaw	31,091,030	44,734,065
	Automobiles - Four Wheeler	(9,393,628)	(2,531,781)
	<b>Total</b>	<b>24,849,002</b>	<b>44,378,476</b>
14	<b>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, 2019.		
15	<b>GENERAL</b>		
	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