

**SAZGAR ENGINEERING WORKS LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE NINE MONTH ENDED MARCH 31, 2016**

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**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 all the Stock Exchanges of Pakistan, now merged into Pakistan Stock Exchange Limited with effect from January 11, 2016. 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 nine month ended March 31, 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, 2015.

**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 information 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.

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**3 STATEMENT OF CONSISTENCY IN ACCOUNTING POLICIES**

The accounting policies adopted are consistent with those of the previous financial year ended June 30, 2015.

**4 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL**

March 31, 2016	June 30, 2015		March 31, 2016	June 30, 2015
Number	Number		Rupees	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
<u>17,972,368</u>	<u>17,972,368</u>		<u>179,723,680</u>	<u>179,723,680</u>

**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, 2015. except as follows;

**5.1.1** During the period, Deputy Director (Admin) of the Punjab Employees Social Security Institution has created a demand of Rs. 6,574,682/- on account of social security contribution including increase thereon under section 23(1) of the Social Security Ordinance, 1965. The Company has filed an appeal with Commissioner Appeals against this order, which is still pending. In the opinion of legal advisor, favorable outcome of the appeal is expected; hence no provision is made in these financial statements of said amount.

**5.1.2** During the period, The Government of Pakistan has amended the Minimum Wages for Unskilled Workers Ordinance 1969 through Minimum Wages for Unskilled Workers (Amendment) Act, 2016. According to the said Amended Act the contribution payable under EOBI Act, 1976 has also been revised retrospectively from July 01, 2012. The Regional Head of Employees Old-Age Benefits Institution has issued a notice to the company to pay EOBI contribution on revised minimum wages from July 2012 to date. The retrospective increase in minimum wages creates a demnad of Rs. 3.440 Million on account of EOBI contribution. Subsequent to the period under review, The Company has filed a writ petition in Honorable Lahore High Court, Lahore to challenge the Minimum Wages for Unskilled Workers (Amendment) Act, 2016 and notice issued by regional head of EOBI. In the opinion of legal advisor, favorable outcome is expected; hence no provision is made in these financial statements.

**5.2 Commitments**

Commitments in respect of:

LIMIT Nos.	PARTICULARS	LIMITS AVAILABLE	LIMITS UTILIZED
	Not Later Than one Year		
1	Foreign LC Sight / Inland LC- Gross	390,000,000	104,699,275
2	FATR -Sublimit of Limit No.1	88,000,000	16,248,282
3	Murabaha Sublimit of Limit no.2	40,000,000	22,587,743
4	Murabaha Sublimit of Limit no.1	40,000,000	16,681,711
5	Murabaha-FIM Spot Sublimit of Limit no.1	40,000,000	-
6	Guarantee	8,040,000	8,040,000

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	March 31, 2016 Rupees	June 30, 2015 Rupees		
<b>6 PROPERTY, PLANT AND EQUIPMENT</b>				
Operating fixed assets	240,717,223	241,477,525		
Capital work in progress	8,301,685	9,118,686		
	<u>249,018,908</u>	<u>250,596,211</u>		
<b>6.1 OPERATING FIXED ASSETS - Tangible</b>				
Opening book value	241,477,525	250,089,438		
Add:				
<b>Additions during the period (at cost)</b>				
- Building and civil works on Leasehold Land	2,509,800	-		
- Plant and machinery	4,866,771	5,708,905		
- Electric fittings	-	43,695		
- Office equipments	274,869	47,619		
- Electric installations	-	59,900		
- Vehicles	8,419,000	5,974,131		
	<u>16,070,440</u>	<u>11,834,250</u>		
Less:				
<b>Disposal during the period (at net book value)</b>				
- Vehicles	2,156,323	133,284		
<b>Depreciation charged during the period</b>	<u>14,674,419</u>	<u>20,312,880</u>		
	<u>16,830,742</u>	<u>20,446,164</u>		
<b>Closing book value</b>	<u>240,717,223</u>	<u>241,477,525</u>		
<b>7 INTANGIBLE ASSETS</b>				
Opening book value	232,767	448,976		
Add: additions during the period	-	13,500		
	<u>232,767</u>	<u>462,476</u>		
Less: amortization charged during the period	73,285	229,709		
<b>Closing book value</b>	<u>159,482</u>	<u>232,767</u>		
<b>8 SALES - NET</b>				
	Jan-Mar 2016 Rupees	Jan-Mar 2015 Rupees	July-Mar 2016 Rupees	July-Mar 2015 Rupees
Gross sales	1,117,341,551	889,355,538	2,427,256,313	2,232,668,565
Less: Sales tax	160,781,675	134,450,369	350,671,254	336,455,139
Sales returns	6,567,240	2,227,804	14,201,741	5,100,939
Commission	21,599,754	13,151,368	42,461,044	27,130,721
	<u>188,948,669</u>	<u>149,829,541</u>	<u>407,334,039</u>	<u>368,686,799</u>
	<u>928,392,882</u>	<u>739,525,997</u>	<u>2,019,922,274</u>	<u>1,863,981,766</u>

**8.1** This includes Rs. 14.48 million (March 31, 2015: Rs.9.53 million) on account of export sales.

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	Note	Jan-Mar	Jan-Mar	July-Mar	July-Mar	
		2016	2015	2016	2015	
		Rupees	Rupees	Rupees	Rupees	
<b>9</b>	<b>COST OF SALES</b>					
	Raw materials and components consumed	695,570,787	549,295,637	1,693,841,101	1,427,251,158	
	Salaries, wages and other benefits	48,478,298	42,765,346	141,316,184	134,974,818	
	Stores, spares and loose tools consumed	5,858,396	8,042,128	19,493,822	19,863,497	
	Power and fuel charges	9,842,049	15,054,753	31,973,114	38,023,644	
	Repair and maintenance	13,245,406	14,301,780	39,887,842	36,619,401	
	Provision for slow moving items	-	-	1,512,431	-	
	Other expenses	1,280,476	1,485,824	4,970,110	4,625,600	
	Depreciation & Amortization	3,209,536	3,509,507	9,568,779	10,384,250	
		<u>777,484,948</u>	<u>634,454,975</u>	<u>1,942,563,383</u>	<u>1,671,742,368</u>	
	Opening work-in-process	18,271,181	12,839,280	16,984,905	16,685,065	
	Closing work-in-process	(17,179,443)	(16,972,358)	(17,179,443)	(16,972,358)	
	Cost of goods manufactured	778,576,686	630,321,897	1,942,368,845	1,671,455,075	
	Opening finished goods	270,620,846	167,264,021	97,592,914	134,163,421	
	Cost of finished goods purchased	-	-	-	8,455,181	
	Closing finished goods	(220,230,223)	(129,239,665)	(220,230,223)	(129,239,665)	
		<u>828,967,309</u>	<u>668,346,253</u>	<u>1,819,731,536</u>	<u>1,684,834,012</u>	
<b>10</b>	<b>TAXATION</b>					
	<b>Current</b>					
	For the period	10.1	18,537,662	12,549,696	32,890,045	26,507,680
	Prior period		-	-	(1,029,754)	(6,530,221)
	<b>Deferred</b>					
	For the period		(310,039)	(57,758)	(1,916,571)	(521,474)
			<u>18,227,623</u>	<u>12,491,938</u>	<u>29,943,720</u>	<u>19,455,985</u>
	10.1	The rate of tax has decreased from 33% to 32% during the period.				
<b>11</b>	<b>EARNINGS PER SHARE - BASIC AND DILUTED</b>					
	<b>Basic Earnings Per Share</b>					
	Profit after taxation for the period - Rupees	42,021,326	25,185,737	66,579,534	65,614,711	
	Weighted average number of ordinary shares outstanding during the period - Note 4	17,972,368	17,972,368	17,972,368	17,972,368	
	Basic earnings per share - Rupees	2.34	1.40	3.70	3.65	

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**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 March 31, 2016 and March 31, 2015, which would have any effect on earning per share if the option to convert is exercised.

July-Mar 2016	July-Mar 2015
Rupees	Rupees

**12 TRANSACTIONS WITH RELATED PARTIES**

Remuneration, Allowances and benefits paid to Chief Executive and Executive Director(s)

<b>10,735,000</b>	10,735,000
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**13 SEGMENT RESULTS**

	Jan-Mar 2016 Rupees	Jan-Mar 2015 Rupees	July-Mar 2016 Rupees	July-Mar 2015 Rupees
<b>Segment Revenue</b>				
Home appliances	45,400	888,891	670,643	9,494,650
Auto parts	89,816,665	95,827,091	237,856,810	325,638,129
Auto rickshaw	838,530,817	642,810,015	1,781,394,821	1,528,848,987
<b>Total</b>	<b>928,392,882</b>	<b>739,525,997</b>	<b>2,019,922,274</b>	<b>1,863,981,766</b>
<b>Segment operating results</b>				
Home appliances	(14,723)	(147,248)	(181,388)	29,987
Auto parts	1,291,776	991,270	(1,638,268)	3,575,514
Auto rickshaw	62,831,972	40,468,303	109,409,812	91,789,209
<b>Total</b>	<b>64,109,025</b>	<b>41,312,324</b>	<b>107,590,156</b>	<b>95,394,709</b>

**14 DATE OF AUTHORIZATION FOR ISSUE**

The Board of Directors of the Company has authorized these condensed interim financial statements for issue on April 21, 2016.

**15 GENERAL**

The figures have been rounded off to the nearest Rupee.

  
**MIAN ASAD HAMEED**  
**CHIEF EXECUTIVE**

  
**SAEED IQBAL KHAN**  
**DIRECTOR**