

# SAZGAR ENGINEERING WORKS LIMITED

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTH ENDED MARCH 31, 2017

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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 the Pakistan Stock Exchange Limited. The Company is engaged in the manufacture and sale of automobiles, automotive parts and house hold 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, 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 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 share holders 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 and methods of computation 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, 2016 except for the adoption of new and amended standards and interpretations as follows:



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### New / Revised Standards, Interpretations and Amendments

The Company has adopted the following amendments to IFRS which become effective for the current period:

IAS-1 Presentation of Financial Statements: Disclosure Initiative (Amendment)

IAS-16 Property, Plant & Equipment and IAS 38 Intangible Assets: Classification of Acceptable Method of Depreciation and Amortization (Amendment)

In addition to above standard and interpretation, improvements to various accounting standards have also been issued by the IASB and are generally effective for current period. The adoption of the above amended standards/improvements and interpretation did not have any material effect on the condensed interim financial statements.

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

March 31, 2017	June 30, 2016		Un-audited March 31, 2017	Audited June 30, 2016
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, 2016.

#### 5.2 Commitments

##### 5.2.1 Commitments in respect of financing facilities:

	March 31, 2017 Rupees	June 30, 2016 Rupees	March 31, 2017 Rupees	June 30, 2016 Rupees
LIMIT Nos.	LIMITS AVAILABLE		LIMITS UTILIZED	
	Not Later Than one Year			
1	Foreign LC Sight / Inland LC- Gross	440,000,000	440,000,000	163,749,969
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	60,000,000	60,000,000	-
6	Istisna Sublimit of Limit no.1	40,000,000	40,000,000	-
7	Guarantee	-	8,040,000	-

##### 5.2.2 Commitments in respect of capital expenditure amount to Rs.78.98 million (June 30, 2016: Rs. Nil)

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		Un-audited		Audited		
		March 31, 2017		June 30, 2016		
		Rupees		Rupees		
		NOTES				
6	PROPERTY, PLANT AND EQUIPMENT					
	Operating fixed assets	6.1	265,475,870	241,027,824		
	Capital work in progress		188,133,615	490,334		
	Advance for purchase of vehicles		-	3,000,000		
			453,609,485	244,518,158		
6.1	OPERATING FIXED ASSETS - Tangible					
	Opening book value		241,027,824	241,477,525		
	Add:					
	Additions during the period (at cost)					
	- Freehold Land		22,527,054	-		
	- Building and civil works on leasehold land		-	2,509,800		
	- Building and civil works on freehold land		1,679,815	7,811,351		
	- Plant and machinery		-	4,866,771		
	- Electric fittings		1,115,063	-		
	- Office equipments		177,652	274,869		
	- Electric installations		29,000	-		
	- Vehicles		15,613,000	8,908,500		
			41,141,584	24,371,291		
	Less:					
	Disposal during the period (at net book value)					
	- Furniture and fittings		14,390	-		
	- Office Equipment		18,747	-		
	- Electric Installations		2,433	-		
	- Vehicles		1,275,997	5,017,261		
	Depreciation charged during the period		15,381,972	19,803,732		
			16,693,539	24,820,993		
	Closing book value		265,475,870	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		66,279	97,162		
	Closing book value		69,326	135,605		
8	SALES - NET					
		NOTES	Jan-Mar 2017 Rupees	Jan-Mar 2016 Rupees	July-Mar 2017 Rupees	July-Mar 2016 Rupees
	Gross sales	8.1	1,500,215,826	1,117,341,551	3,328,041,988	2,427,256,313
	Less: Sales tax		217,529,072	160,781,675	478,121,452	350,671,254
	Sales returns		6,592,833	6,567,240	16,975,737	14,201,741
	Commission		24,260,166	21,599,754	61,620,682	42,461,044
			248,382,071	188,948,669	556,717,871	407,334,039
			1,251,833,755	928,392,882	2,771,324,117	2,019,922,274

8.1 This includes Rs. 38.83 million (March 31, 2016: Rs.14.48 million) on account of export sales for nine month.

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	Jan-Mar 2017 Rupees	Jan-Mar 2016 Rupees	July-Mar 2017 Rupees	July-Mar 2016 Rupees
<b>9 COST OF SALES</b>				
Raw materials and components consumed	813,691,637	695,570,787	2,239,925,615	1,693,841,101
Salaries, wages and other benefits	71,841,448	48,478,298	184,211,134	141,316,184
Stores, spares and loose tools consumed	16,716,486	5,858,396	33,415,401	19,493,822
Power and fuel charges	17,888,381	9,842,049	46,744,880	31,973,114
Repair and maintenance	24,737,179	13,245,406	74,076,192	39,887,842
Provision for slow moving items	-	-	667,321	1,512,431
Other expenses	1,839,914	1,280,476	5,052,061	4,970,110
Depreciation & Amortization	3,250,931	3,209,536	9,655,139	9,568,779
	<u>949,965,976</u>	<u>777,484,948</u>	<u>2,593,747,743</u>	<u>1,942,563,383</u>
Opening work-in-process	14,673,100	18,271,181	15,490,216	16,984,905
Closing work-in-process	(16,561,232)	(17,179,443)	(16,561,232)	(17,179,443)
Cost of goods manufactured	<u>948,077,844</u>	<u>778,576,686</u>	<u>2,592,676,727</u>	<u>1,942,368,845</u>
Opening finished goods	445,766,412	270,620,846	167,986,268	97,592,914
Closing finished goods	(284,397,160)	(220,230,223)	(284,397,160)	(220,230,223)
	<u>1,109,447,096</u>	<u>828,967,309</u>	<u>2,476,265,835</u>	<u>1,819,731,536</u>

<b>10 TAXATION</b>				
Current				
For the period	28,013,637	18,537,662	53,645,353	32,890,045
Prior period	-	-	(1,182,232)	(1,029,754)
Deferred				
For the period	(248,017)	(310,039)	(2,710,733)	(1,916,571)
	<u>27,765,620</u>	<u>18,227,623</u>	<u>49,752,388</u>	<u>29,943,720</u>

10.1 The rate of tax has decreased from 32% to 31% during the period.

<b>11 EARNINGS PER SHARE - BASIC AND DILUTED</b>				
Basic Earnings Per Share				
Profit after taxation for the period - Rupees	63,495,929	42,021,326	121,870,056	66,579,534
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	3.53	2.34	6.78	3.70

### 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, 2017 and March 31, 2016, which would have any effect on earning per share if the option to convert is exercised.

	July-Mar 2017 Rupees	July-Mar 2016 Rupees
<b>12 TRANSACTIONS WITH RELATED PARTIES</b>		
Remuneration, Allowances and benefits paid to Chief Executive and Executive Director(s)	11,199,759	10,735,000

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### 13 SEGMENT RESULTS

	Jan-Mar 2017	Jan-Mar 2016	July-Mar 2017	July-Mar 2016
	Rupees	Rupees	Rupees	Rupees
Segment Revenue				
Home appliances	41,000	45,400	952,700	670,643
Auto parts	156,270,906	89,816,665	349,202,868	237,856,810
Auto rickshaw	1,095,521,849	838,530,817	2,421,168,549	1,781,394,821
Total	<u>1,251,833,755</u>	<u>928,392,882</u>	<u>2,771,324,117</u>	<u>2,019,922,274</u>
Segment operating results				
Home appliances	(9,216)	(14,723)	(176,265)	(181,388)
Auto parts	5,209,028	1,291,776	7,512,789	(1,638,268)
Auto rickshaw	92,136,787	62,831,972	175,399,349	109,409,812
Total	<u>97,336,599</u>	<u>64,109,025</u>	<u>182,735,873</u>	<u>107,590,156</u>

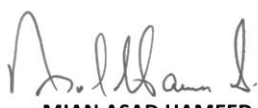
### 14 DATE OF AUTHORIZATION FOR ISSUE

The Board of Directors of the Company has authorized these condensed interim financial statements for issue on April 25, 2017.

### 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

