



# SAZGAR ENGINEERING WORKS LIMITED

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

### 2 BASIS OF PREPARATION

2.1 These condensed interim financial statements (un-audited) of the Company for the nine month ended March 31, 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. 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 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 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 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.

### 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		Audited		NOTE	Un-audited		Audited	
March 31, 2018	June 30, 2017	March 31, 2018	June 30, 2017		March 31, 2018	June 30, 2017	March 31, 2018	June 30, 2017
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	10,809,368	ordinary shares of Rupees 10/- each allotted as bonus shares. (Note. 4.2.1)	144,038,420	108,093,680
21,566,842	17,972,368		215,668,420	179,723,680

4.2.1 During the period the Company has issued bonus shares @ 20% (i.e. 20 shares for every 100 shares held), (June 30, 2017: Nil).

### 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 as on September 28, 2017. Company filed 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 dated: June 15, 2017, 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 filed a Writ Petition in the Honorable Lahore High Court, Lahore as on October 18, 2017 to challenge the legality of the notification. The estimated effect of this notification on financial statements is Rs. 148,484/-. In the opinion of the legal advisor, expected outcome of the case will be in 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. 159.19 Million (June 30, 2017: Rs. 167.30 Million).

5.2.2 Commitments in respect of capital expenditures amount to Rs. 293.75 Million (June 30, 2017: Rs. 8.99).

### 6 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	6.1	262,692,692	264,189,676
Capital work in progress	6.2	324,725,263	267,517,497
Advance for purchase of vehicles		-	1,300,000
		587,417,955	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		9,872,094	5,486,326
- Electric fittings		-	1,115,063
- Office equipments		860,333	340,615
- Vehicles		2,700,500	15,718,500
		13,432,927	45,187,558



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		Un-audited		Audited	
		March 31, 2018		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	14,929,911		20,714,142	
		14,929,911		22,025,707	
	Closing book value	262,692,692		264,189,676	
<b>6.2 CAPITAL WORK IN PROGRESS</b>					
	Opening Balance	267,517,497		490,334	
	Additions during the period				
-	Plant and machinery	6,722,589		4,545,261	
-	Building and Civil Works on freehold land	55,351,027		262,481,902	
		62,073,616		267,027,163	
	Less Transferred during the period				
-	Plant and machinery	4,865,850		-	
	Closing Balance	324,725,263		267,517,497	
<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	35,344		84,786	
	Closing book value	15,475		50,819	
		Un-audited	Un-audited	Un-audited	Un-audited
		Jan-Mar	Jan-Mar	July-Mar	July-Mar
		2018	2017	2018	2017
		Rupees		Rupees	
<b>8</b>	<b>SALES - NET</b>				
	Gross sales	1,434,386,311	1,500,215,826	3,653,032,879	3,328,041,988
	Less: Sales tax	204,326,207	217,529,072	514,399,372	478,121,452
	Sales returns	29,925,554	6,592,833	90,018,332	16,975,737
	Commission	23,776,239	24,260,166	70,292,305	61,620,682
		258,028,000	248,382,071	674,710,009	556,717,871
		1,176,358,311	1,251,833,755	2,978,322,870	2,771,324,117

8.1 This includes Rs. 47.69 million (March 31, 2017: Rs. 38.83 million) on account of export sales for the period.



# SAZGAR ENGINEERING WORKS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTH ENDED MARCH 31, 2018

NOTE	Un-audited		Un-audited	
	Jan-Mar	Jan-Mar	July-Mar	July-Mar
	2018	2017	2018	2017
	Rupees	Rupees	Rupees	Rupees
<b>9 COST OF SALES</b>				
Raw materials and components consumed	773,219,964	813,691,637	2,329,009,731	2,239,925,615
Salaries, wages and other benefits	68,013,330	71,841,448	199,921,051	184,211,134
Stores, spares and loose tools consumed	13,277,367	16,716,486	35,065,614	33,415,401
Power and fuel charges	16,007,323	17,888,381	48,195,342	46,744,880
Repair and maintenance	24,417,515	24,737,179	70,277,445	74,076,192
Provision for slow moving items	-	-	2,535,450	667,321
Other expenses	3,186,203	1,839,914	7,322,795	5,052,061
Depreciation & Amortization	3,236,540	3,250,931	9,632,995	9,655,139
	<u>901,358,242</u>	<u>949,965,976</u>	<u>2,701,960,423</u>	<u>2,593,747,743</u>
Opening work-in-process	11,789,012	14,673,100	13,548,770	15,490,216
Closing work-in-process	(8,461,377)	(16,561,232)	(8,461,377)	(16,561,232)
Cost of goods manufactured	<u>904,685,877</u>	<u>948,077,844</u>	<u>2,707,047,816</u>	<u>2,592,676,727</u>
Opening finished goods	397,393,154	445,766,412	191,425,091	167,986,268
Closing finished goods	(259,156,385)	(284,397,160)	(259,156,385)	(284,397,160)
	<u>1,042,922,646</u>	<u>1,109,447,096</u>	<u>2,639,316,522</u>	<u>2,476,265,835</u>
<b>10 TAXATION</b>				
<b>Current</b>				
For the period	10.1 23,292,738	28,013,637	56,418,737	53,645,353
Prior period	-	-	(2,526,084)	(1,182,232)
<b>Deferred</b>				
For the period	27,313	(248,017)	(1,521,146)	(2,710,733)
	<u>23,320,051</u>	<u>27,765,620</u>	<u>52,371,507</u>	<u>49,752,388</u>
<b>10.1</b>	The rate of tax has decreased from 31% to 30% during the period.			
<b>11 EARNINGS PER SHARE - BASIC AND DILUTED</b>				
<b>Basic Earnings Per Share</b>		<b>Restated</b>		<b>Restated</b>
Profit after taxation for the period	Rupees	57,924,951	63,495,929	142,058,258
Weighted average number of ordinary shares outstanding during the period - Note 4.2	Number	21,566,842	21,566,842	21,566,842
Basic earnings per share	Rupees	2.69	2.94	6.59
				5.65
<b>11.1</b>	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% during the period accordingly, the earnings per share of the comparative period has been re-stated.			
<b>11.2 Diluted earnings per share</b>	A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at March 31, 2018 and March 31, 2017 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			8,550,000	7,624,355
Remuneration, Allowances and benefits paid to Executive Director (s)			8,075,000	3,425,404
Meeting fee paid to Non-Executive Director (s)			770,000	150,000
Cash Dividend paid to Chief Executive and Director (s)			-	32,032,119
Bonus shares issued to Chief Executive and Director (s)			23,283,630	-
Remuneration, Allowances and benefits paid to Key Management personnel			21,760,030	19,299,628
Cash Dividend paid to key management personnel			-	34,496
Bonus shares issued to key management personnel			25,080	-
<b>TOTAL</b>			<u>62,463,740</u>	<u>62,566,002</u>



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	Un-audited Jan-Mar 2018 Rupees	Un-audited Jan-Mar 2017 Rupees	Un-audited July-Mar 2018 Rupees	Un-audited July-Mar 2017 Rupees
<b>13 SEGMENT RESULTS</b>				
<b>Segment Revenue - Net</b>				
Home appliances	3,390,911	41,000	6,740,349	952,700
Auto parts	173,754,192	156,270,906	477,295,495	349,202,868
Auto rickshaw	999,213,208	1,095,521,849	2,494,287,026	2,421,168,549
<b>Total</b>	<b>1,176,358,311</b>	<b>1,251,833,755</b>	<b>2,978,322,870</b>	<b>2,771,324,117</b>
<b>Segment operating results</b>				
Home appliances	671,578	(9,216)	1,168,697	(176,265)
Auto parts	6,144,582	5,209,028	15,868,225	7,512,789
Auto rickshaw	80,718,656	92,136,787	194,388,334	175,399,349
<b>Total</b>	<b>87,534,816</b>	<b>97,336,599</b>	<b>211,425,256</b>	<b>182,735,873</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 24, 2018.

#### 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

## **Sazgar Engineering Works Limited**

Registered Office: 88 Ali Town, Thokar Niaz Baig, Raiwind Road, Lahore.

Tel: 042-35297861-62, 35291573-74, Fax: 042-35297863

Factory: 18 Km, Raiwind Road, Lahore. Tel: 042- 35330300-2, Fax: 042-35330329

[sazgar@brain.net.pk](mailto:sazgar@brain.net.pk)

[info@sazgarautos.com](mailto:info@sazgarautos.com)

[www.sazgarautos.com](http://www.sazgarautos.com)