



Quarterly & Half Yearly Financial Statements

(Un-Audited)

December 31, 2018



Sazgar Engineering Works Limited

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



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Vision

Dynamic, Quality Conscious and Ever Progressive

Mission

- To be market leader in providing safe, economical, durable, comfortable and environment friendly means of transportation of international quality at competitive prices
- To achieve market leadership in automotive wheel-rims of all types and sizes
- Grow through innovation of new products and
- Give higher return to the stakeholders.

Corporate Strategy

Achieve optimal performance in production and sale; continuously add value added products at competitive prices by maintaining "quality" as core element; focus on customers' satisfaction regarding sale, spares and service; explore new markets and enhance customers base; ensure right usage of company's resources; create employment opportunities; protect the interest of stakeholders; and be a part of the country's development.



COMPANY INFORMATION

BOARD OF DIRECTORS

Mrs. Saira Asad Hameed
Chairperson/Non-Executive Director

Mr. Mian Asad Hameed
Chief Executive

Mr. Saeed Iqbal Khan
Executive Director

Mr. Mian Muhammad Ali Hameed
Executive Director

Mr. Mian Zafar Hameed
Non-Executive Director

Mrs. Sana Suleyman
Non-Executive Director

Mr. Humza Amjad Wazir
Non-Executive Director

Mr. Ahsan Ejaz
Independent Director

Mr. Anwar Ali
Independent Director

COMPANY SECRETARY

Mr. Arshad Mahmood - FCA

CHIEF FINANCIAL OFFICER

Mr. Muhammad Atif Rao

REGISTERED OFFICE

88 - Ali Town, Thokar Niaz Baig,
Raiwind Road, Lahore.
website: www.sazgarautos.com

SHARE REGISTRAR

Corp Tec Associates (Pvt.) Limited
503-E, Johar Town, Lahore.
Ph# 042-35170336-37
Fax# 042-35170338

FACTORY

18-KM Raiwind Road, Lahore.

AUDIT COMMITTEE

Mr. Ahsan Ejaz
Chairman

Mr. Anwar Ali
Member

Mrs. Sana Suleyman
Member

Mr. Arshad Mahmood
Secretary

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Anwar Ali
Chairman

Mr. Saeed Iqbal Khan
Member

Mr. Humza Amjad Wazir
Member

Mr. Arshad Mahmood
Secretary

AUDITORS

H.Y.K & Co.
Chartered Accountants

BANKERS

Allied Bank Limited
National Bank of Pakistan
Bank Alfalah Limited
Faysal Bank Limited
Habib Bank Limited
The Bank of Punjab
Summit Bank Limited
NIB Bank Limited
Meezan Bank Limited
Soneri Bank Limited
United Bank Limited
Bank Al - Habib Limited
Askari Bank Limited
MCB Islamic Bank Limited



ڈائریکٹرز کا جائزہ

آپ کی کمپنی کے ڈائریکٹرز 31 دسمبر 2018 کو مکمل ہونے والی دوسری سرمایہ اور شمشاہی کے لئے کمپنی کے معاملات پر بخوشی اپنا جائزہ پیش کرتے ہیں۔

مالیاتی نتائج:

اس جائزہ عرصہ کے دوران غیر مستحکم اقتصادی صورت حال، بڑھتے ہوئے افراط زر کا رجحان اور پاکستانی روپے کی قدر میں مستقل ابتری نے کمپنی کی فروخت حجم اور منافع کو بری طرح متاثر کیا ہے۔ آئندہ کمپنی خرید پر آگے نکلنے کا شرٹ کے نفاذ سے، جبکہ تقریباً ایک ماہ اطلاق رہا، آئندہ کمپنی کی فروخت پر مزید نقصان پہنچا۔

اس جائزہ عرصہ کے دوران ٹریکٹری کی بیلنگ میں کمی سے ٹریکٹریل رول مرکزی ڈیمانڈ پر برا اثر پڑا۔

دوسری سرمایہ کے دوران، کمپنی کی مجموعی فروخت 37.12 فی صدی کے ساتھ پچھلے مالیاتی سال کی دوسری سرمایہ کے مقابلہ میں 880.01 ملین روپے سے کم ہو کر 553.34 ملین روپے ہو گئی ہے، مجموعی منافع 48.10 فی صدی سے 104.33 ملین روپے سے کم ہو کر 54.15 ملین روپے ہو گیا ہے، قبل از ٹیکس منافع 91.33 فی صدی سے 60.33 ملین روپے سے کم ہو کر 5.23 ملین روپے ہو گیا ہے۔

اس سال کی شمشاہی کے دوران مجموعی فروخت 22.78 فی صدی کے ساتھ پچھلے مالیاتی سال کی شمشاہی کے مقابلہ میں 1,801.96 ملین روپے سے کم ہو کر 1,391.53 ملین روپے ہو گئی ہے، مجموعی منافع 29.89 فی صدی سے 205.57 ملین روپے سے کم ہو کر 144.12 ملین روپے ہو گیا ہے، قبل از ٹیکس منافع 59.68 فی صدی سے 113.18 ملین روپے سے کم ہو کر 45.63 ملین روپے ہو گیا ہے اور آمدنی فی حصص 3.90 سے کم ہو کر 1.52 روپے ہو گئی ہے۔

کمپنی نے پچھلے سال کی دوسری سرمایہ اور شمشاہی میں بالترتیب 5,957 عدد اور 11,640 عدد آئندہ کمپنی کے مقابلہ میں اس سال دوسری سرمایہ اور شمشاہی میں بالترتیب 3,767 عدد اور 8,225 عدد رکھے بنائے۔

کمپنی نے پچھلے سال کی دوسری سرمایہ اور شمشاہی میں بالترتیب 29,926 عدد اور 55,371 عدد وٹیل مرکزی پیداوار کے مقابلہ میں اس سال دوسری سرمایہ اور شمشاہی میں بالترتیب 16,069 عدد اور 33,278 عدد وٹیل مرکزی پیداوار کی ہے۔

فوری طور پر متنبہ ہونے پر ترقیاتی کام:

تعمیراتی اور اصول ورک اختتامی مراحل میں ہے پلانٹ اینڈ مشینری کا حصول، مارکیٹنگ اور ٹیکنیکل سٹاف کی تعیناتی ابتدائی مراحل میں ہے۔ اس عرصہ کے دوران، کمپنی نے فنانسی مقاصد کے لئے کچھ گاڑیاں نمونے کے طور پر بھی درآمد کی ہیں۔

ناگزیر حالات کی وجہ سے بورڈ نے منصوبے کی تکمیل کی متوقع تاریخ پر نظر ثانی کرتے ہوئے اسے 30 جون 2019 سے بڑھا کر 31 دسمبر 2019 کر دیا ہے۔

مستقبل پر نقطہ نظر:

غیر یقینی سیاسی اور اقتصادی صورت حال، بڑھتے ہوئے افراط زر کا رجحان، بڑھتی ہوئی قرضوں کے حصول کی تاخیر اور پاکستانی روپے کی قدر پر مستقل ابتری کا دباؤ، مستقبل میں کمپنی کی فروخت اور منافع کو بری طرح متاثر کر سکتا ہے۔

کمپنی صورت حال کا قریب نظری سے جائزہ لے رہی ہے اور اس کے مطابق خاطر خواہ اقدامات کر رہی ہے۔

ڈائریکٹرز کمپنی کے ملازمین کی انتھک کوششوں، ٹیم ورک اور گن جس کا اظہار انہوں نے موجودہ عرصہ کے دوران کیا ہے، کے شکر گزار ہیں۔ وہ اپنے معزز حصص داران کا روبرو شراکت دار اور مالی اداروں کے کمپنی کے ساتھ مسلسل تعاون کرنے پر بھی شکر گزار ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

Saeed

سعید اقبال خان

ڈائریکٹر

Muhammad

میال احمد شید

چیف ایگزیکٹو

لاہور

مورخہ 21 فروری 2019



DIRECTORS' REVIEW

The directors of your Company are pleased to present their review on the affairs of the Company for the 2nd quarter and half year ended December 31, 2018:

Financial Results:

The unstable economic conditions, rising inflationary trend and constant devaluation of Pak Rupee have adversely affected the sales volume and profitability of the company during the period under review. The imposition of income tax filer condition for the purchase of Auto Rickshaw, which was remained applicable nearly for one month, further damaged the sale of Auto Rickshaw.

The reduction in booking of tractors has jeopardized the demand of tractor wheel rims during the period under review.

During the 2nd quarter, the sales has decreased by 37.12% from Rs.880.01M to Rs.553.34 M, gross profit by 48.10% from Rs. 104.33M to Rs.54.15M and pre-tax profit by 91.33% from Rs.60.33M to Rs. 5.23M compared with corresponding period of last year.

The half year sales has decreased by 22.78% from Rs.1,801.96M to Rs.1391.53 M, gross profit by 29.89% from Rs. 205.57 M to Rs.144.12M, and pre-tax profit by 59.68% from Rs.113.18M to Rs. 45.63M and earning per share from Rs 3.90 to Rs. 1.52 as compared with the corresponding period of last year.

During the 2nd quarter and half year, the Company produced 3,767 & 8,225 units of Auto Rickshaws whereas during the corresponding periods of last year, the production was 5,957 and 11,640 units respectively.

The production of wheel rims was 16,069 & 33,278 in 2nd quarter and half year whereas the production of wheel rims during the same corresponding periods was 29,926 and 55,371 respectively.

Progress on Four Wheeler Project:

The construction and civil work is near to completion. Procurement of plant & machinery, hiring of technical and marketing staff is in process. During the period, the Company also imported samples of some vehicles for display purposes.

Due to un-avoidable circumstances, the Board has revised the estimated date of completion of project from June 30, 2019 to December 31, 2019.

Future Outlook:

Un-certain political and economic conditions, rising inflationary trend, increase in borrowing cost and constant depreciatory pressure on Pak-Rupee may adversely affect the revenue and profitability of the company in future period.


The Company is keeping a close eye on the situation and taking remedial measures accordingly.

The directors would like to place on record their appreciation for the untiring efforts, teamwork and dedication shown by the company's employees during the period under review. They would also like to express their gratitude to the valued shareholders, customers, suppliers and financial institutions for their co-operation, constant support and trust on the Company.

For and on behalf of the Board

Lahore
Dated: 21-02-2019


Mian Asad Hameed
(Chief Executive)


Saeed Iqbal Khan
(Director)



AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Sazgar Engineering Works Limited** as at December 31, 2018 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows, and notes to the financial statements for the half year then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and other comprehensive income for the quarters ended December 31, 2018 and 2017 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2018.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's report is Muhammad Yousaf.

H.Y.K & Co.
Chartered Accountants
Lahore

Date: February 21, 2019



SAZGAR ENGINEERING WORKS LIMITED

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED) AS AT DECEMBER 31, 2018

	Note	Un-audited December 31, 2018 Rupees	Audited June 30, 2018 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	4.1	500,000,000	500,000,000
Issued, subscribed and paid-up share capital	4.2	215,668,420	215,668,420
Revenue reserve - Un-appropriated Profit		774,392,261	741,695,967
		990,060,681	957,364,387
LIABILITIES			
NON CURRENT LIABILITIES			
Long term financing		138,419,118	-
Deferred Liabilities		171,278,463	159,602,557
CURRENT LIABILITIES			
Trade and other payables		796,495,493	485,425,032
Unclaimed dividend		1,541,568	1,621,865
Mark-up & profit accrued on loans and other payables		4,944,146	2,849,361
Short term borrowings		28,571,426	-
		831,552,633	489,896,258
CONTINGENCIES AND COMMITMENTS			
	5	-	-
TOTAL EQUITY AND LIABILITIES		2,131,310,895	1,606,863,202
ASSETS			
NON CURRENT ASSETS			
Property, Plant and Equipment	6	875,085,585	708,803,655
Intangible Assets	7	126,843	10,575
LONG TERM LOANS AND ADVANCES		21,607,833	18,120,968
LONG TERM DEPOSITS		3,088,705	2,998,705
CURRENT ASSETS			
Stores, spares and loose tools		2,777,403	3,765,161
Stock-in-trade		906,717,867	477,786,294
Trade debts		75,533,863	97,613,278
Loans & advances		17,656,966	13,396,450
Trade deposits and short term prepayments		28,878,272	136,474,876
Other receivables		197,268,887	112,568,437
Cash and bank balances		2,568,671	35,324,803
		1,231,401,929	876,929,299
TOTAL ASSETS		2,131,310,895	1,606,863,202

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.


MIAN ASAD HAMEED
CHIEF EXECUTIVE


SAEED IQBAL KHAN
DIRECTOR


MUHAMMAD ATIF RAO
CHIEF FINANCIAL OFFICER



SAZGAR ENGINEERING WORKS LIMITED

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED) FOR THE SECOND QUARTER AND HALF YEAR ENDED DECEMBER 31, 2018

	Note	Second Quarter Ended		Half Year Ended	
		Oct - Dec 2018	Oct - Dec 2017	July - Dec 2018	July - Dec 2017
		Rupees	Rupees	Rupees	Rupees
Sales - Net	8	553,337,895	880,005,388	1,391,531,518	1,801,964,559
Cost of sales	9	499,191,742	775,679,587	1,247,411,733	1,596,393,876
Gross Profit		54,146,153	104,325,801	144,119,785	205,570,683
Distribution cost		18,270,639	20,577,727	40,361,282	45,668,816
Administrative expenses		24,581,822	17,852,665	48,086,335	36,011,426
Other operating expenses		1,423,087	4,723,704	4,492,827	8,665,326
		44,275,548	43,154,096	92,940,444	90,345,568
		9,870,605	61,171,705	51,179,341	115,225,115
Other income		1,158,692	584,939	2,358,162	1,088,850
Operating profit before finance cost		11,029,297	61,756,644	53,537,503	116,313,965
Finance cost		5,797,423	1,431,324	7,906,909	3,129,202
Profit before taxation		5,231,874	60,325,320	45,630,594	113,184,763
Taxation	10	1,902,893	13,802,425	12,934,300	29,051,456
Profit after taxation		3,328,981	46,522,895	32,696,294	84,133,307
Earnings per share - Basic and diluted	11	0.15	2.16	1.52	3.90

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.



MIAN ASAD HAMEED
CHIEF EXECUTIVE



SAEED IQBAL KHAN
DIRECTOR



MUHAMMAD ATIF RAO
CHIEF FINANCIAL OFFICER



SAZGAR ENGINEERING WORKS LIMITED

CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UN-AUDITED) FOR THE SECOND QUARTER AND HALF YEAR ENDED DECEMBER 31, 2018

Second Quarter Ended		Half Year Ended	
Oct - Dec 2018	Oct - Dec 2017	July - Dec 2018	July - Dec 2017
Rupees	Rupees	Rupees	Rupees

PROFIT AFTER TAXATION FOR THE PERIOD	3,328,981	46,522,895	32,696,294	84,133,307
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,328,981	46,522,895	32,696,294	84,133,307

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

MIAN ASAD HAMEED
CHIEF EXECUTIVE

SAEED IQBAL KHAN
DIRECTOR

MUHAMMAD ATIF RAO
CHIEF FINANCIAL OFFICER



SAZGAR ENGINEERING WORKS LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	Share Capital Rupees	Un-appropriated Profit Rupees	Total Rupees
Balance as at June 30, 2017 - Audited	179,723,680	594,064,626	773,788,306
Transaction with owner, recognize directly in equity		-	-
Issuance of bonus shares @ 20% (20 shares for every 100 ordinary shares held)	35,944,740	(35,944,740)	-
Total Transaction with owner, recognized directly in equity	35,944,740	(35,944,740)	-
Comprehensive Income for the Period			
Profit after taxation	-	84,133,307	84,133,307
Other Comprehensive Income / (Loss)	-	-	-
Total Comprehensive Income for the period ended December 31, 2017	-	84,133,307	84,133,307
Balance as at December 31, 2017 - Un-audited	215,668,420	642,253,193	857,921,613
Balance as at June 30, 2018 - Audited	215,668,420	741,695,967	957,364,387
Comprehensive Income for the period			
Profit after taxation	-	32,696,294	32,696,294
Other Comprehensive Income / (Loss)	-	-	-
Total comprehensive income for the period ended December 31, 2018	-	32,696,294	32,696,294
Balance as at December 31, 2018 - Un-audited	215,668,420	774,392,261	990,060,681

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.



MIAN ASAD HAMEED
CHIEF EXECUTIVE



SAEED IQBAL KHAN
DIRECTOR



MUHAMMAD ATIF RAO
CHIEF FINANCIAL OFFICER



SAZGAR ENGINEERING WORKS LIMITED

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	Half Year Ended	
	July - Dec 2018	July - Dec 2017
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	45,630,594	113,184,763
Adjustment for non cash charges and other items:		
Depreciation	9,345,246	9,872,500
Amortization	32,815	30,119
Provision for staff retirement gratuity	14,329,184	11,792,644
Finance cost	7,906,909	3,129,202
Other Income	(2,358,162)	(1,088,850)
	29,255,992	23,735,615
	74,886,586	136,920,378
Working capital changes		
(Increase)/Decrease in current assets		
Store, spares and loose tools	987,758	(1,836,425)
Stock-in-trade	(428,931,573)	(201,367,986)
Trade debts	22,079,415	(18,276,756)
Loans & Advances	(4,260,516)	(571,737)
Trade Deposits and short term prepayments	107,596,604	(11,236,869)
Other receivables	-	80,000
Increase in current liabilities		
Trade and other payables	275,234,872	197,956,871
Increase in Long term loans and advances	(3,486,865)	(863,822)
	(30,780,305)	(36,116,724)
Cash generated from operations	44,106,281	100,803,654
Finance cost paid	(5,812,124)	(1,874,323)
Income tax paid/deducted at source	(43,686,070)	(48,538,806)
Employees retirement benefit - gratuity paid	(1,302,132)	(1,812,818)
Workers' Profit Participation Fund Paid	(17,894,338)	-
Net cash (used in) / generated from operating activities	(24,588,383)	48,577,707
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipment purchased	(176,437,997)	(34,504,730)
Increase in long term deposits	(90,000)	-
Proceeds from sale of property, plant and equipment	1,450,000	-
Net cash (used in) investing activities	(175,077,997)	(34,504,730)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds of long term borrowings	138,419,118	-
Proceeds of short term borrowings	847,205,263	-
Repayment of short term borrowings	(818,633,836)	-
Repayment of finance lease	-	(56,310)
Dividend paid	(80,297)	(299,425)
Net cash generated from / (used in) financing activities	166,910,248	(355,735)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(32,756,132)	13,717,242
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	35,324,803	67,302,890
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2,568,671	81,020,132

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.



MIAN ASAD HAMEED
CHIEF EXECUTIVE



SAEED IQBAL KHAN
DIRECTOR



MUHAMMAD ATIF RAO
CHIEF FINANCIAL OFFICER



SAZGAR ENGINEERING WORKS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 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. 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 is situated at Mouza Bhal kot, near tablighi jttama, Raiwind, Lahore, which is under construction.

2 BASIS OF PREPARATION

2.1 These condensed interim financial statements (un-audited) of the Company for the half year ended December 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 (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 The figures included in the condensed interim Statement of profit or loss for the quarters ended December 31, 2018 and 2017 and in the notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the accumulated figures for the half years ended December 31, 2018 and 2017.

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

2.5.1 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.

2.5.2 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.

2.5.3 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.

2.6 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.



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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

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-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 December 31, 2018 Number	Audited June 30, 2018 Number		Un-audited December 31, 2018 Rupees	Audited June 30, 2018 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 filed an appeal against this order with CIR (Appeals) and also file a writ petition in honorable Lahore High Court, Lahore. for obtaining stay order against recovery of said amount. The Honorable Lahore High Court, Lahore has granted stay order against recovery of tax demand till the decision of CIR (Appeals). In the opinion of tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.



SAZGAR ENGINEERING WORKS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

5.1.2 The Tax demand of Rs.387,050,666/-, which was stated in note 15.1.11 of the financial statements for the year ended June 30, 2018 under section 121(1)/122(2) of Income Tax Ordinance 2001 for the tax year 2012 has been annulled by the CIR (Appeals) during the period, with the directions to the learned OIR to proceed afresh on the basis of facts available on record and show cause notice.

5.1.3 The Sindh Revenue Board (SRB) retrospectively restored sales tax on renting of immovable property services vide Sindh Sales Tax on Services (Amendment) Act, 2018, Therefore Landlord of Company's Karachi office has claimed sales tax on rent services of Rs. 257,064/- for the tax year 2016, 2017 and 2018. The Company has challenged the law by filling writ petition in Honorable Sindh High Court, Karachi and has been granted stay order as on December 31, 2018. In the opinion of the legal advisor, outcome of the case is expected 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 other than capital expenditure amount to Rs. 11.59 Million (June 30, 2018: Rs. 254.96 Million).

5.2.2 Commitments in respect of capital expenditures including letters of credit amount to Rs. 187.44 Million (June 30, 2018: Rs. 161.40 Million).

	NOTES	Un-audited December 31, 2018	Audited June 30, 2018
		Rupees	Rupees
6 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	348,580,833	346,844,374
Capital work in progress	6.2	526,504,752	361,959,281
		875,085,585	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		733,023	10,502,094
- Furniture and Fittings		643,760	-
- Office equipments		533,960	1,660,333
- Electric installations		696,700	-
- Vehicles		9,136,000	2,700,500
		11,743,443	102,722,859
Less:			
Disposal during the period (at net book value)			
- Vehicles		661,737	-
Depreciation charged during the period		9,345,246	20,068,160
		10,006,983	20,068,160
Closing book value		348,580,833	346,844,374
6.2 CAPITAL WORK IN PROGRESS			
Opening Balance		361,959,281	267,517,497
Additions during the period			
- Plant and machinery		144,274,934	23,209,201
- Building and Civil Works on freehold land		20,419,620	76,098,433
		164,694,554	99,307,634
Less Transferred during the period			
- Plant and machinery		-	4,865,850
- Intangible		149,083	-
Closing Balance		526,504,752	361,959,281



SAZGAR ENGINEERING WORKS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

		Un-audited		Audited		
		December 31, 2018		June 30, 2018		
		Rupees		Rupees		
7	INTANGIBLE ASSETS					
	Opening book value			10,575	50,819	
	Add: additions during the period			149,083	-	
				159,658	50,819	
	Less: amortization charged during the period			32,815	40,244	
	Closing book value			126,843	10,575	
		Un-audited	Un-audited	Un-audited	Un-audited	
		Oct - Dec	Oct - Dec	July - Dec	July - Dec	
	NOTES	2018	2017	2018	2017	
		Rupees	Rupees	Rupees	Rupees	
8	SALES - NET					
	Gross sales	8.1	805,597,651	1,077,182,064	1,840,855,614	2,218,646,568
	Less: Sales tax		95,140,492	148,836,044	243,180,236	310,073,165
	Sales returns		143,762,068	25,822,137	177,645,852	60,092,778
	Commission		13,357,196	22,518,495	28,498,008	46,516,066
			252,259,756	197,176,676	449,324,096	416,682,009
			553,337,895	880,005,388	1,391,531,518	1,801,964,559
8.1 This includes Rs. 2.36 million (December 31, 2017: Rs. 43.01 million) on account of export sales for the period.						
9	COST OF SALES					
	Raw materials and components consumed		558,791,695	798,956,418	1,206,689,616	1,555,789,767
	Salaries, wages and other benefits		66,557,061	61,341,483	134,456,195	131,907,721
	Stores, spares and loose tools consumed		7,301,376	14,265,237	20,403,904	21,788,247
	Power and fuel charges		13,919,377	18,620,415	30,188,335	32,188,019
	Repair and maintenance		11,405,656	21,976,999	26,321,770	45,859,930
	Provision for slow moving items		-	1,690,300	652,350	2,535,450
	Other expenses		2,540,525	1,173,404	5,517,248	4,136,592
	Depreciation & Amortization		3,006,138	3,242,609	5,949,827	6,396,455
			663,521,828	921,266,865	1,430,179,245	1,800,602,181
	Opening work-in-process		18,587,223	10,630,631	11,921,639	13,548,770
	Closing work-in-process		(23,099,874)	(11,789,012)	(23,099,874)	(11,789,012)
	Cost of goods manufactured		659,009,177	920,108,484	1,419,001,010	1,802,361,939
	Opening finished goods		160,153,502	252,964,256	137,357,025	191,425,091
	Cost of finished goods purchased		21,959,566	-	32,984,201	-
	Closing finished goods		(341,930,503)	(397,393,154)	(341,930,503)	(397,393,154)
			499,191,742	775,679,587	1,247,411,733	1,596,393,876
10	TAXATION					
	Current					
	For the period	10.1	2,222,464	17,982,270	14,235,868	33,125,999
	Prior period		49,579	(2,526,084)	49,579	(2,526,084)
	Deferred					
	For the period		(369,150)	(1,653,761)	(1,351,147)	(1,548,459)
			1,902,893	13,802,425	12,934,300	29,051,456
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					
	Profit after taxation for the period	Rupees	3,328,981	46,522,895	32,696,294	84,133,307
	Weighted average number of ordinary shares					
	outstanding during the period - Note 4.2	Number	21,566,842	21,566,842	21,566,842	21,566,842
	Basic earnings per share	Rupees	0.15	2.16	1.52	3.90



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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.

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 December 31, 2018 and December 31, 2017 which would have any effect on earning per share if the option to convert is exercised.

Un-audited July - Dec 2018	Un-audited July - Dec 2017
Rupees	Rupees

12 TRANSACTIONS WITH RELATED PARTIES

Transactions with key management personnel

Remuneration, Allowances and benefits paid to Chief Executive	12,350,000	5,850,000
Bonus shares issued to Chief Executive	-	15,125,930
Remuneration, Allowances and benefits paid to Executive Director (s)	8,125,000	5,525,000
Bonus shares issued to Executive Director (s)	-	5,831,540
Remuneration, Allowances and benefits paid to other Key Management personnel	16,140,800	14,191,320
Bonus shares issued to other Key Management personnel	-	25,080
Transactions with Non Executive Director (s)		
Meeting fee paid to Non-Executive Director (s)	425,000	450,000
Bonus shares issued to Non-Executive Director (s)	-	2,326,160
TOTAL	37,040,800	49,325,030

Un-audited Oct - Dec 2018	Un-audited Oct - Dec 2017	Un-audited July - Dec 2018	Un-audited July - Dec 2017
Rupees	Rupees	Rupees	Rupees

13 SEGMENT RESULTS

Segment Revenue - Net

Home appliances	2,723,353	2,102,239	4,777,054	3,349,438
Auto parts	89,396,761	147,321,811	211,710,371	303,541,303
Auto rickshaw	453,820,345	730,581,338	1,167,646,657	1,495,073,818
Automobiles - Four Wheeler	7,397,436	-	7,397,436	-
Total	553,337,895	880,005,388	1,391,531,518	1,801,964,559

Segment operating results

Home appliances	856,994	388,543	1,059,360	497,119
Auto parts	(7,358,891)	4,806,691	(5,385,065)	9,723,643
Auto rickshaw	23,411,820	60,350,175	68,145,885	113,319,678
Automobiles - Four Wheeler	(6,706,481)	-	(9,238,262)	-
Total	10,203,442	65,545,410	54,581,918	123,540,441

14 DATE OF AUTHORIZATION FOR ISSUE

The Board of Directors of the Company has authorized these condensed interim financial statements for issue on February 21, 2019.

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

BLANK

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