



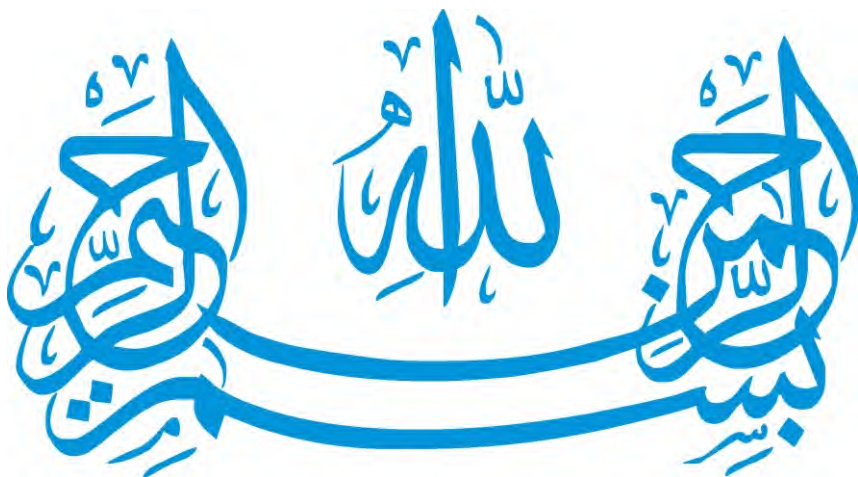
# QUARTERLY & HALF YEARLY ACCOUNTS (UN-AUDITED)

December 31, 2016



**SAZGAR ENGINEERING WORKS LIMITED**

**SAZGAR ENGINEERING WORKS LIMITED**



# **SAZGAR ENGINEERING WORKS LIMITED**



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# SAZGAR ENGINEERING WORKS LIMITED



## 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.



# SAZGAR ENGINEERING WORKS LIMITED

## 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  
Non-Executive Director

Mr. Mian Zafar Hameed  
Non-Executive Director

Mrs. Amina Humza Wazir  
Non-Executive Director

Mr. Ahsan Ejaz  
Independent Director

### COMPANY SECRETARY

Mr. Arshad Mahmood - FCA

### REGISTERED OFFICE

88 - Ali Town, Thokar Niaz Baig,  
Raiwind Road, Lahore.

### 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. Mian Muhammad Ali Hameed  
Chairman

Mr. Mian Zafar Hameed  
Member

Mr. Ahsan Ejaz  
Member

Mr. Arshad Mahmood  
Secretary

### HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Ahsan Ejaz  
Chairman

Mr. Saeed Iqbal Khan  
Member

Mrs. Amina Humza Wazir  
Member

Mr. Arshad Mahmood  
Secretary

### AUDITORS

Kabani & Company  
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



# SAZGAR ENGINEERING WORKS LIMITED

## ڈائریکٹرز کا جائزہ

آپ کی کمپنی کے ڈائریکٹر 31 دسمبر 2016 کو قائم ہونے والی دوسری سرمایہ اور ششماہی کے لیے کمپنی کے معاملات پر خوشی کے ساتھ اپنا جائزہ پیش کرتے ہیں۔

### مالیاتی نتائج:

تمام نتائج مالیاتی کے لیے ہیں۔ دوسری سرمایہ کے مالیاتی نتائج کمپنی کی فروخت اور آمدنی میں اضافہ کے رجحان کو ظاہر کر رہے ہیں۔ پچھلے مالیاتی سال کی دوسری سرمایہ کے مقابلہ میں اس سال دوسری سرمایہ میں مجموعی فروخت 34.11 فیصد کے حساب سے 542.73 ملین روپے سے بڑھ کر 727.83 ملین روپے ہو گئی ہے۔ مجموعی منافع 42.37 فیصد کے حساب سے 48.87 ملین روپے سے بڑھ کر 69.58 ملین روپے ہو گیا ہے۔ عملی ادا کیے منافع 126.64 فیصد کے حساب سے 15.77 ملین روپے سے بڑھ کر 35.75 ملین روپے ہو گیا ہے۔

پچھلے مالیاتی سال کی ششماہی کے مقابلہ میں اس سال کی ششماہی میں مجموعی فروخت 39.21 فیصد کے حساب سے 1,091.53 ملین روپے سے بڑھ کر 1,519.49 ملین روپے ہو گئی ہے۔ مجموعی منافع 51.51 فیصد کے حساب سے 100.77 ملین روپے سے بڑھ کر 152.67 ملین روپے ہو گیا ہے۔ عملی ادا کیے منافع 121.54 فیصد کے حساب سے 36.27 ملین روپے سے بڑھ کر 80.36 ملین روپے ہو گیا ہے۔

پچھلے مالیاتی سال کے مقابلہ میں آمدنی فی حصص 1.37 روپے سے بڑھ کر 3.25 روپے ہو گئی ہے جو کہ حصص داران کے لیے دستیاب منافع میں اضافہ کو ظاہر کرتی ہے۔

کمپنی کی فروخت اور منافع میں نمایاں اضافہ نوکری کی بڑھتی ہوئی مارکیٹ طلب کی بدولت ہے۔ تاہم فریکٹوریل موزی فروخت میں بھی اضافہ اس سرمایہ کے دوران شروع ہو گیا ہے۔

کمپنی نے پچھلے دوسری سرمایہ اور ششماہی میں بائرنس 4,165 عدد اور 7,827 عدد نوکریوں کی بڑھ کر مارکیٹ طلب میں اضافہ کے مقابلہ میں اس سال دوسری سرمایہ اور ششماہی میں بائرنس 5,864 عدد اور 11,201 عدد رکھنے بنائے۔ اس سے ظاہر ہوتا ہے کہ کمپنی نے بڑھتی ہوئی سرمایہ سے زیادہ اصل پیداوار کی نوکریوں کی مارکیٹ طلب کو پورا کرنے کیلئے اضافی وقت میں کام کے حاصل کی گئی۔

کمپنی نے پچھلے دوسری سرمایہ اور ششماہی میں بائرنس 11,959 عدد اور 27,918 عدد وٹیل موزی پیداوار کے مقابلہ میں اس سال دوسری سرمایہ اور ششماہی میں بائرنس 22,405 عدد اور 37,023 عدد وٹیل موز بنائے۔

### عبوری نقد منافع منقسمہ:

آپ کی کمپنی کے ڈائریکٹر 30 جون 2017 کو مکمل ہونے والے سال کے لیے 12.50 فیصد عبوری نقد منافع منقسمہ (30 جون 2016 عبوری نقد منافع منقسمہ: 10 فیصد) یعنی 1.25 روپے ہر حصص کے بونس خوشی کے ساتھ اعلان کرتے ہیں۔

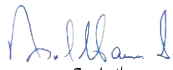
### مستقبل پر نقطہ نظر:

آپ کی کمپنی پورے ملک میں کاروباری حالات میں بہتری کی توقع رکھتے ہوئے آئے والے دنوں میں نوکریوں کی فروخت میں اضافہ کے رجحان کو جاری رکھتے ہوئے دیکھ رہی ہے۔ کمپنی اپنے متوقع صارفین کی خریداری کی بھولت کے لیے کمپنی کی مصنوعات ان کی دلچسپی پر پھیلنے کے لیے سبکدوشی کو دو دروازہ علاقوں تک بڑھ رہی ہے۔ آئندہ آنے والے دنوں میں اس کی وجہ سے رکشے کی فروخت پر مثبت اثر پڑے گا۔

فریکٹوریل کی فروخت اپنی نئی پوزیشن میں آ رہی ہے اور امید ہے کہ یہ آنے والے دنوں میں اپنی پوری صلاحیت حاصل کر لے گی جس کی وجہ سے فریکٹوریل موزی طلب پر مثبت اثر پڑے گا۔

ڈائریکٹرز ملازمین کی انکشاف کو خوشوں، ٹیم ورک اور گن جس کا اظہار انہوں نے موجودہ عرصہ کے دوران کیا ہے، کے شکر گزار ہیں۔ وہ معزز حصص داران، نگاہوں، چلائرز اور مالیاتی اداروں کے کمپنی کے ساتھ مسلسل تعاون اور اعتماد کرنے پر بھی شکر گزار ہیں۔

یورڈ آف ڈائریکٹرز کی جانب سے



میاں اسد محمد

چیف ایگزیکٹو

لاہور

مورخہ 13 فروری 2017



# SAZGAR ENGINEERING WORKS LIMITED

## DIRECTORS' REVIEW

The directors of your Company are pleased to present their review on the affairs of the Company for the 2<sup>nd</sup> quarter and half year ended December 31, 2016:

### Financial Results:

ALL PRAISE BE TO ALLAH. The financial results for the 2<sup>nd</sup> quarter are reflecting a growing trend in sales and profitability of the company. The net sales has increased by 34.11% from Rs. 542.73 M to Rs. 727.83 M, gross profit by 42.37% from Rs. 48.87 M to Rs. 69.58 M and pre-tax profit by 126.64% from Rs. 15.77 M to Rs. 35.75 M compared with corresponding period of last year.

The half year net sales has increased by 39.21% from Rs. 1,091.53 M to Rs. 1,519.49 M, gross profit by 51.51% from Rs. 100.77 M to Rs. 152.67 M and pre-tax profit by 121.54% from Rs. 36.27 M to Rs. 80.36 M compared with the corresponding period of last year.

The earning per share of the company has increased from Rs. 1.37 to Rs. 3.25 as compared to corresponding period of last year showing a substantial increase in profit available for distribution to shareholders.

The major contribution of increase in sales and profitability of the company is due to the higher market demand of Auto Rickshaw, however, the sale volume of tractor wheel rims has also started to increase during the period under review.

During the 2<sup>nd</sup> quarter and half year, the Company produced 5,864 & 11,201 units of Auto Rickshaws whereas during the corresponding periods of last year, the production was 4,165 and 7,827 units respectively. This reflects an excess production over normal capacity which was achieved by working on over-time schedule to meet the market demand of Auto Rickshaws.

The production of wheel rims was 22,405 & 37,023 in 2<sup>nd</sup> quarter and half year whereas the production of wheel rims during the same corresponding periods was 11,959 and 27,918 respectively.

### Interim Cash Dividend:

The directors of your company are pleased to declare an interim cash dividend of Rs. 1.25 per ordinary share i.e. 12.50% for the year ending June 30, 2017 (interim cash dividend June 30, 2016: 10%).

### Future Outlook:

Your company is looking for continuity in the growing trend of sale of Auto Rickshaw in the future period while expecting improvement in business conditions throughout the country. The Company is also increasing sales network to remote areas to facilitate the prospective customers for buying the company's products at their door step. This will have positive effects on the sales volume of auto rickshaw in future periods.

The sale of tractors is coming into its norms and hopefully it will regain its momentum within coming periods which will positively effect on the demand of tractor wheel rims.

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



**Mian Asad Hameed**  
(Chief Executive)

Lahore  
Dated: 13-02-2017





# KABANI & COMPANY

CHARTERED ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

### Introduction

We have reviewed the accompanying condensed interim balance sheet of Sazgar Engineering Works Limited as at December 31, 2016 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with the approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2015 and 2016 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2016.

### Scope of Review

We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information 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 condensed interim financial information as of and for half year ended December 31, 2016, is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

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F: 00 92 51 4861247

USA  
157 Century Blvd  
Suite # 303, Los Angeles  
CA 90045, USA  
T: 310 568 1625-28  
F: 310 410 0371

**Kabani & Company**  
Chartered Accountants  
Lahore: February 13, 2017

Engagement Partner: Muhammad Yousaf

# SAZGAR ENGINEERING WORKS LIMITED

## CONDENSED INTERIM BALANCE SHEET (UN-AUDITED) AS AT DECEMBER 31, 2016

		Un-audited	Audited
	Note	DECEMBER 31, 2016 Rupees	June 30, 2016 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Authorized share capital 50,000,000 (June 2016: 50,000,000) ordinary shares of Rupees 10 each		500,000,000	500,000,000
Issued, subscribed and paid-up share capital	4	179,723,680	179,723,680
Revenue reserve - Un-appropriated Profit		541,106,654	509,691,079
		720,830,334	689,414,759
<b>LIABILITIES</b>			
<b>NON CURRENT LIABILITIES</b>			
Liabilities against assets subject to finance lease		-	56,310
Deferred Liabilities		123,176,093	118,501,881
<b>CURRENT LIABILITIES</b>			
Trade and other payables		901,451,510	320,181,524
Mark-up & Profit accrued on loans and other payables		-	5,536
Current portion of long term liabilities		342,524	773,456
Provision for Taxation		25,631,716	48,745,424
		927,425,750	369,705,940
<b>CONTINGENCIES AND COMMITMENTS</b>	5	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,771,432,177</b>	<b>1,177,678,890</b>

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.



MIAN ASAD HAMEED  
CHIEF EXECUTIVE



# SAZGAR ENGINEERING WORKS LIMITED

## CONDENSED INTERIM BALANCE SHEET (UN-AUDITED) AS AT DECEMBER 31, 2016

		Un-audited	Audited
	Note	DECEMBER 31, 2016 Rupees	June 30, 2016 Rupees
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, Plant and Equipment	6	360,066,787	244,518,158
Intangible Assets	7	87,852	135,605
<b>LONG TERM LOANS AND ADVANCES</b>		14,519,071	13,457,215
<b>LONG TERM DEPOSITS</b>		2,372,137	1,437,137
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		4,219,665	2,982,191
Stock-in-trade		756,140,488	486,882,925
Trade debts		108,167,591	92,494,400
Loans & advances		15,713,519	18,049,762
Trade deposits and short term prepayments		93,686,793	32,397,546
Other receivables		150,080,520	118,425,818
Cash and bank balances		266,377,754	166,898,133
		1,394,386,330	918,130,775
<b>TOTAL ASSETS</b>		<b>1,771,432,177</b>	<b>1,177,678,890</b>

*Saeed*

SAEED IQBAL KHAN  
DIRECTOR



# SAZGAR ENGINEERING WORKS LIMITED

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

### FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2016

	Note	Second Quarter Ended		Half Year Ended	
		Oct - Dec	Oct - Dec	July - Dec	July - Dec
		2016	2015	2016	2015
		Rupees	Rupees	Rupees	Rupees
Sales - Net	8	727,833,614	542,730,196	1,519,490,362	1,091,529,392
Cost of sales	9	658,248,763	493,855,377	1,366,818,739	990,764,227
<b>Gross Profit</b>		<b>69,584,851</b>	<b>48,874,819</b>	<b>152,671,623</b>	<b>100,765,165</b>
Distribution cost		15,250,606	13,363,348	34,972,707	28,790,524
Administrative expenses		16,383,405	13,884,056	31,909,642	28,003,510
Other operating expenses		2,986,985	6,491,886	6,350,043	8,089,645
		34,620,996	33,739,290	73,232,392	64,883,679
		34,963,855	15,135,529	79,439,231	35,881,486
Other income		1,100,263	1,178,330	1,573,697	2,376,178
<b>Operating profit before finance cost</b>		<b>36,064,118</b>	<b>16,313,859</b>	<b>81,012,928</b>	<b>38,257,664</b>
Finance cost		316,537	541,177	652,033	1,983,359
<b>Profit before taxation</b>		<b>35,747,581</b>	<b>15,772,682</b>	<b>80,360,895</b>	<b>36,274,305</b>
Taxation	10	6,848,707	4,675,148	21,986,768	11,716,097
<b>Profit after taxation</b>		<b>28,898,874</b>	<b>11,097,534</b>	<b>58,374,127</b>	<b>24,558,208</b>
<b>Earnings per share - Basic and diluted</b>	11	<b>1.61</b>	<b>0.62</b>	<b>3.25</b>	<b>1.37</b>

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

  
**MIAN ASAD HAMEED**  
 CHIEF EXECUTIVE

  
**SAEED IQBAL KHAN**  
 DIRECTOR



# SAZGAR ENGINEERING WORKS LIMITED

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

### FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2016

	Second Quarter Ended		Half Year Ended	
	Oct - Dec	Oct - Dec	July - Dec	July - Dec
	2016	2015	2016	2015
	Rupees	Rupees	Rupees	Rupees
PROFIT AFTER TAXATION FOR THE PERIOD	28,898,874	11,097,534	58,374,127	24,558,208
Other comprehensive income / (loss) for the period	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	28,898,874	11,097,534	58,374,127	24,558,208

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.



**MIAN ASAD HAMEED**  
CHIEF EXECUTIVE



**SAEED IQBAL KHAN**  
DIRECTOR





# SAZGAR ENGINEERING WORKS LIMITED

## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2016

	Half Year Ended	
	July - Dec	July - Dec
	2016	2015
	Rupees	Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	80,360,895	36,274,305
<b>Adjustment for non cash charges and other items:</b>		
Depreciation	10,030,997	9,619,847
Amortization	47,753	49,408
Provision for gratuity	9,175,690	9,084,036
Finance cost	652,033	1,983,359
Other Income	(1,573,697)	(2,376,178)
	<b>18,332,776</b>	<b>18,360,472</b>
	<b>98,693,671</b>	<b>54,634,777</b>
<b>Working capital changes</b>		
<b>(Increase)/Decrease in current assets</b>		
Store, spares and loose tools	(1,237,474)	(2,879,602)
Stock-in-trade	(269,257,562)	(114,290,738)
Trade debts	(15,673,191)	36,815,494
Loans & Advances	2,336,243	(445,828)
Trade Deposits and short term prepayments	(61,289,247)	(40,331,452)
Other receivables	2,060,000	(22,824,643)
<b>Increase/(Decrease) in current liabilities</b>		
Trade and other payables	536,225,363	142,129,214
<b>Increase in Long term loans and advances</b>	<b>(1,061,856)</b>	<b>(409,450)</b>
	<b>192,102,276</b>	<b>(2,237,005)</b>
<b>Cash generated from operations</b>	<b>290,795,947</b>	<b>52,397,772</b>
Finance cost paid	(657,569)	(1,941,567)
Income tax paid/deducted at source	(27,035,018)	(24,879,544)
Employees retirement benefit - gratuity paid	(2,038,763)	(1,672,505)
Workers' Profit Participation Fund Paid	(8,287,790)	-
<b>Net cash generated from operating activities</b>	<b>252,776,807</b>	<b>23,904,156</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Property, plant and equipment purchased	(125,903,855)	(14,732,871)
Increase in long term deposits	(935,000)	-
Proceeds from sale of property, plant and equipment	675,689	3,670,000
<b>Net cash used in investing activities</b>	<b>(126,163,166)</b>	<b>(11,062,871)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds of short term borrowings	-	64,151,250
Repayment of short term borrowings	-	(41,384,606)
Repayment of finance lease	(487,242)	(1,439,285)
Dividend paid	(26,646,778)	(17,847,054)
<b>Net cash (used in) / generated from financing activities</b>	<b>(27,134,020)</b>	<b>3,480,305</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>99,479,621</b>	<b>16,321,590</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>166,898,133</b>	<b>18,282,048</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>266,377,754</b>	<b>34,603,638</b>

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.



**MIAN ASAD HAMEED**  
CHIEF EXECUTIVE



**SAEED IQBAL KHAN**  
DIRECTOR



# SAZGAR ENGINEERING WORKS LIMITED

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

### FOR THE HALF YEAR ENDED DECEMBER 31, 2016

	Share Capital Rupees	Un-appropriated Profit Rupees	Total Rupees
Balance as at June 30, 2015-Audited	179,723,680	437,195,803	616,919,483
Final Dividend for the year ended June 30, 2015 @ Re.1.00 per share	-	(17,972,368)	(17,972,368)
Total Comprehensive Income for the Half year ended December 31, 2015	-	24,558,208	24,558,208
Balance as at December 31, 2015-Un-Audited	<u>179,723,680</u>	<u>443,781,643</u>	<u>623,505,323</u>
Balance as at June 30, 2016 - Audited	179,723,680	509,691,079	689,414,759
Final Dividend for the year ended June 30, 2016 @ Re.1.50 per share	-	(26,958,552)	(26,958,552)
Total Comprehensive Income for the Half year ended December 31, 2016	-	58,374,127	58,374,127
Balance as at December 31, 2016-Un-audited	<u>179,723,680</u>	<u>541,106,654</u>	<u>720,830,334</u>

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.



**MIAN ASAD HAMEED**  
CHIEF EXECUTIVE



**SAEED IQBAL KHAN**  
DIRECTOR



# SAZGAR ENGINEERING WORKS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

### FOR THE HALF YEAR ENDED DECEMBER 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 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 half year ended December 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, 2016.

2.3 The figures included in the condensed interim profit and loss account for the quarters ended December 31, 2016 and 2015 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, 2016 and 2015.

#### 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 this condensed interim financial statements does 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 this condensed interim financial information 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 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:

# SAZGAR ENGINEERING WORKS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2016

### 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

December 31, 2016	June 30, 2016		Un-audited December 31, 2016	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:

	December 31, 2016	June 30, 2016	December 31, 2016	June 30, 2016
	Rupees	Rupees	Rupees	Rupees
LIMIT Nos.	PARTICULARS	LIMITS AVAILABLE	LIMITS UTILIZED	
1	Not Later Than one Year			
	Foreign LC Sight / Inland LC- Gross	440,000,000	440,000,000	102,064,983
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.152.08 million (June 30, 2016: Rs. Nil)

# SAZGAR ENGINEERING WORKS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2016

	NOTES	Un-audited December 31, 2016 Rupees	Audited June 30, 2016 Rupees
<b>6</b>	<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Operating fixed assets	6.1	267,085,803	241,027,824
Capital work in progress		92,980,984	490,334
Advance for purchase of vehicles		-	3,000,000
		<u>360,066,787</u>	<u>244,518,158</u>
<b>6.1 OPERATING FIXED ASSETS - Tangible</b>			
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		-	7,811,351
- Plant and machinery		-	4,866,771
- Office equipments		177,652	274,869
- Vehicles		13,708,500	8,908,500
		<u>36,413,206</u>	<u>24,371,291</u>
Less:			
Disposal during the period (at net book value)			
- Furniture and fittings		14,390	-
- Office Equipment		18,747	-
- Electric Installations		2,433	-
- Vehicles		288,660	5,017,261
Depreciation charged during the period		<u>10,030,997</u>	<u>19,803,732</u>
		<u>10,355,227</u>	<u>24,820,993</u>
Closing book value		<u>267,085,803</u>	<u>241,027,824</u>
<b>7</b>	<b>INTANGIBLE ASSETS</b>		
Opening book value		135,605	232,767
Add: additions during the period		-	-
		<u>135,605</u>	<u>232,767</u>
Less: amortization charged during the period		47,753	97,162
Closing book value		<u>87,852</u>	<u>135,605</u>

# SAZGAR ENGINEERING WORKS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR HALF YEAR ENDED DECEMBER 31, 2016

	NOTES	Oct-Dec 2016	Oct-Dec 2015	July-Dec 2016	July-Dec 2015
		Rupees	Rupees	Rupees	Rupees
<b>8 SALES - NET</b>					
Gross sales	8.1	875,878,272	654,269,072	1,827,826,162	1,309,914,762
Less: Sales tax		123,080,437	94,570,991	260,592,380	189,889,579
Sales returns		5,954,042	5,924,727	10,382,904	7,634,501
Commission		19,010,179	11,043,158	37,360,516	20,861,290
		148,044,658	111,538,876	308,335,800	218,385,370
		<b>727,833,614</b>	<b>542,730,196</b>	<b>1,519,490,362</b>	<b>1,091,529,392</b>

8.1 This includes Rs. 33.5 million (December 31, 2015:Rs. 4.81 million) on account of export sales.

	NOTES	Oct-Dec 2016	Oct-Dec 2015	July-Dec 2016	July-Dec 2015
		Rupees	Rupees	Rupees	Rupees
<b>9 COST OF SALES</b>					
Raw materials and components consumed		771,045,261	525,983,772	1,426,233,978	998,270,314
Salaries, wages and other benefits		51,781,141	43,610,848	112,369,686	92,837,886
Stores, spares and loose tools consumed		9,220,657	8,072,776	16,698,915	13,635,426
Power and fuel charges		16,622,621	10,635,900	28,856,499	22,131,065
Repair and maintenance		24,649,944	13,661,528	49,339,013	26,642,436
Provision for slow moving items		-	-	667,321	1,512,431
Other expenses		1,725,800	1,988,085	3,212,147	3,689,634
Depreciation & Amortization		3,194,508	3,181,347	6,404,208	6,359,243
		<b>878,239,932</b>	<b>607,134,256</b>	<b>1,643,781,767</b>	<b>1,165,078,435</b>
Opening work-in-process		9,752,885	18,180,879	15,490,216	16,984,905
Closing work-in-process		(14,673,100)	(18,271,181)	(14,673,100)	(18,271,181)
Cost of goods manufactured		<b>873,319,717</b>	<b>607,043,954</b>	<b>1,644,598,883</b>	<b>1,163,792,159</b>
Opening finished goods		230,695,458	157,432,269	167,986,268	97,592,914
Closing finished goods		(445,766,412)	(270,620,846)	(445,766,412)	(270,620,846)
		<b>658,248,763</b>	<b>493,855,377</b>	<b>1,366,818,739</b>	<b>990,764,227</b>

<b>10 TAXATION</b>					
<b>Current</b>					
For the period	10.1	11,113,502	6,733,821	25,631,716	14,352,383
Prior period		(1,182,232)	(1,029,754)	(1,182,232)	(1,029,754)
<b>Deferred</b>					
For the period		(3,082,563)	(1,028,919)	(2,462,716)	(1,606,532)
		<b>6,848,707</b>	<b>4,675,148</b>	<b>21,986,768</b>	<b>11,716,097</b>

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

### 11 EARNINGS PER SHARE - BASIC AND DILUTED

#### Basic Earnings Per Share

Profit after taxation for the period - Rupees	28,898,874	11,097,534	58,374,127	24,558,208
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	1.61	0.62	3.25	1.37

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

# SAZGAR ENGINEERING WORKS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2016

### 12 TRANSACTIONS WITH RELATED PARTIES

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

July-Dec 2016	July-Dec 2015
Rupees	Rupees
7,627,500	7,345,000

### 13 SEGMENT RESULTS

#### Segment Revenue

Home appliances	44,300	558,887	911,700	625,243
Auto parts	106,073,466	63,146,728	192,931,962	148,040,145
Auto rickshaw	621,715,848	479,024,581	1,325,646,700	942,864,004
<b>Total</b>	<b>727,833,614</b>	<b>542,730,196</b>	<b>1,519,490,362</b>	<b>1,091,529,392</b>

#### Segment operating results

Home appliances	(30,309)	(122,792)	(167,049)	(166,665)
Auto parts	3,382,867	(1,815,408)	2,303,761	(2,930,043)
Auto rickshaw	34,208,283	23,075,617	83,262,562	46,577,840
<b>Total</b>	<b>37,560,841</b>	<b>21,137,417</b>	<b>85,399,274</b>	<b>43,481,132</b>

### 14 SUBSEQUENT EVENTS

The Board of Directors in their meeting held on February 13, 2017 has declared interim cash dividend of Rupee 1.25 per ordinary share i.e. 12.50% (December 31, 2015: 10%) of current paid up share capital. These condensed interim financial statements do not include the effect of this interim cash dividend which will be accounted for in the period in which it is declared.

### 15 DATE OF AUTHORIZATION FOR ISSUE

The Board of Directors of the Company has authorized these condensed interim financial statements for issue on February 13, 2017.

### 16 GENERAL

**16.1** The excess production of Auto-Rickshaw over normal capacity is due to working on over-time schedule to meet increased demand.

**16.2** The figures have been rounded off to the nearest Rupee.

  
**MIAN ASAD HAMEED**  
 CHIEF EXECUTIVE

  
**SAEED IQBAL KHAN**  
 DIRECTOR



# **Book Post**

**Under Postal Certificate**

## **Sazgar Engineering Works Limited**

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