

SAZGAR ENGINEERING WORKS LIMITED
NOTES TO THE CONDENSED ACCOUNTS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2009

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. The Company is engaged in the manufacture and sale of automobiles, automotive parts and household electric appliances.

2- STATEMENT OF CONSISTENCY IN ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these accounts are the same as those applied in the preparation of the annual preceding published accounts of the Company for the year ended June 30, 2009 except that the Company has first time applied the IAS-I Revised - "Presentation of Financial Statements" while preparing these financial statements, as the same has become mandatory for the Company's financial year beginning July 01, 2009. The Company has chosen the option to maintain the existing titles.

3- BASIS OF PREPARATION

These financial statements are un-audited but subject to limited scope review by the auditors as required by the Code of Corporate Governance and have been prepared in accordance with the requirements of International Accounting Standard, IAS-34 "Interim Financial Reporting" and are being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

4- ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

Dec 31, 2009 Number	June 30, 2009 Number		Dec 31, 2009 Rupees	June 30, 2009 Rupees
7,163,000	7,163,000	Ordinary shares of Rupees 10 each fully paid up in cash.	71,630,000	71,630,000
5,317,811	3,237,676	Ordinary shares of Rupees 10 each allotted as bonus shares	53,178,110	32,376,760
<u>12,480,811</u>	<u>10,400,676</u>		<u>124,808,110</u>	<u>104,006,760</u>

SAZGAR ENGINEERING WORKS LIMITED
NOTES TO THE CONDENSED ACCOUNTS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2009

5- CONTINGENCIES AND COMMITMENTS

A. Contingencies

- i) Cases filed by some customers against the Company for the claim of autoparts under warranty have been decided by the consumer court. Out of total Sixteen Cases filed, thirteen have been decided in favour of Company. For remaining three cases Company has filed appeal in the honourable Multan High Court. The management and Company's Lawyers are of opinion that the outcome of these cases will be settled in the favour of the Company. Hence no Provision is made in these accounts.
- ii) During the period CIR (Appeals) made a decision against the Company and disallowed the tax losses of Rs. 1,503,939/- for tax year 2003. The Company has filed an appeal with ATIR against an order u/s 122 (5A) passed by the CIR (Appeals), defending the tax losses amounting to Rs. 1,503,939/-. In the opinion of the tax consultant, favourable outcome of the appeal is expected, hence no provision is made in these accounts.
- iii) During the period DCIR initiated proceedings under section 161/205 for tax year 2004 and created a tax demand of Rs. 588,391/-. The Company has filed an appeal against this demand order with CIR (Appeals). In the opinion of the tax consultant, favourable outcome of the appeal is expected, hence no provision is made in these accounts.
- iv) The income tax department had filed an appeal against the Company with the ATIR in the tax year 2009, challenging the tax losses of Rs. 5,313,321/- for the tax year 2004. In the opinion of the tax consultant, favourable outcome of the appeal is expected, hence no provision is made in these accounts.
- v) The proceedings of income tax audit of the Company under section 177(4) of the income tax ordinance 2001 for the tax year 2008 have been completed and the DCIR has made a tax demand of Rs. 24.271M out of which a sum of Rs. 1.50M has been paid. The Company filed an appeal against the order of the department with the Commissioner (Appeals) In Land Revenue and got relief upto Rs. 9.948M. For remaining tax demand of Rs. 12.823M, Company has filed an appeal with ATIR. In the opinion of the management, the Company will get relief upto Rs. 5.024M. For balance tax demand of Rs. 7.799M, Company has sufficient existing tax provision to discharge the liability, therefore no further provision has been made in these accounts.

SAZGAR ENGINEERING WORKS LIMITED
NOTES TO THE CONDENSED ACCOUNTS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2009

B. Commitments

The facilities for opening Letters of Credits and Guarantees as at December 31, 2009 in aggregate were Rs. 80.00 million and Rs. 8.00 million respectively (June 30, 2009: Rs. 80.00 million and Rs. 8.00 million respectively) of which the amount utilized as at December 31, 2009 were Rs. nil (June 30, 2009 were Rs. 56.31 million and Rs. nil respectively).

	Note	Dec 31, 2009 Rupees	June 30, 2009 Rupees
6- PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets-Tangible	6.1	224,071,955	218,278,804
Capital work in progress		4,613,342	4,554,879
		<u>228,685,297</u>	<u>222,833,683</u>
6.1-OPERATING FIXED ASSETS-TANGIBLE			
Opening book value		218,278,804	185,395,421
Add: Additions during the period:			
- Land		5,587,426	22,309,700
- Building		1,167,840	6,675,167
- Plant and machinery		1,624,848	18,720,632
- Electric fittings		3,780	710,370
- Furniture and fixture		4,800	188,900
- Office equipments		199,162	38,000
- Electric installations		184,855	197,345
- Vehicles		5,622,751	235,726
		14,395,462	49,075,840
Less: depreciation charged during the period		8,010,195	15,669,349
deletions during the period (WDV)		592,116	523,108
		8,602,311	16,192,457
Closing book value		<u>224,071,955</u>	<u>218,278,804</u>
7- INTANGIBLE ASSETS			
Opening book value		1,105,471	1,724,402
Less: amortization charged during the period		311,916	618,931
Closing book value		<u>793,555</u>	<u>1,105,471</u>

SAZGAR ENGINEERING WORKS LIMITED
NOTES TO THE CONDENSED ACCOUNTS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2009

	Dec 31, 2009 Rupees	June 30, 2009 Rupees
8- LONG TERM LOANS AND ADVANCES - SECURED		
Loans and advances - considered good, to:		
Executives	910,000	-
Other Employees	<u>1,248,000</u>	<u>-</u>
	2,158,000	-
Less: Amount due within twelve months, shown under current loans and advances	<u>878,000</u>	<u>-</u>
	<u><u>1,280,000</u></u>	<u><u>-</u></u>

8.1- Reconciliation of carrying amount of loans and advances to executive and other employees:

	Opening balance as at July 01, 2009	Disbursements	Repayments	Closing Balance as at December 31, 2009
	Rupees			
Executives	-	1,048,300	138,300	910,000
Other Employees	<u>-</u>	<u>1,333,500</u>	<u>85,500</u>	<u>1,248,000</u>
	<u>-</u>	<u>2,381,800</u>	<u>223,800</u>	<u>2,158,000</u>
June 30, 2009	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

These loans and advances have been granted under staff loan and advances policy to facilitate the employees for purchase of house and meeting other household payments. These are secured against the gratuity payable to employees. These are interest free loans which are repayable within 01 to 2.5 years. The maximum amount of loan to executive at the end of any month during the half year was Rs.992,500.

	Oct-Dec 2009 Rupees	Oct-Dec 2008 Rupees	Jul-Dec 2009 Rupees	Jul-Dec 2008 Rupees
9- SALES - NET				
Gross sales	518,926,823	184,005,151	970,920,361	407,373,081
Less: Sales tax	<u>76,139,843</u>	<u>25,380,017</u>	<u>141,105,930</u>	<u>56,101,275</u>
Sales returns	<u>3,090,508</u>	<u>8,199,763</u>	<u>7,576,241</u>	<u>11,190,537</u>
	<u>79,230,351</u>	33,579,780	<u>148,682,171</u>	67,291,812
	<u>439,696,472</u>	150,425,371	<u>822,238,189</u>	340,081,269
Less: Commission	<u>5,968,877</u>	1,654,755	<u>11,845,205</u>	4,653,904
Net sales	<u><u>433,727,595</u></u>	<u><u>148,770,616</u></u>	<u><u>810,392,984</u></u>	<u><u>335,427,365</u></u>

SAZGAR ENGINEERING WORKS LIMITED
NOTES TO THE CONDENSED ACCOUNTS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2009

	Oct-Dec 2009 Rupees	Oct-Dec 2008 Rupees	Jul-Dec 2009 Rupees	Jul-Dec 2008 Rupees
10- COST OF SALES				
Raw materials and components consumed	326,542,741	126,509,172	628,649,568	268,814,628
Salaries, wages and other benefits	26,038,938	17,940,753	50,276,740	38,333,649
Stores, spares and loose tools consumed	7,514,775	2,735,838	12,473,439	5,574,474
Power and fuel charges	11,718,310	5,017,298	19,339,192	10,641,486
Repair and maintenance	3,540,693	5,755,991	8,347,995	10,837,782
Other expenses	1,249,943	823,407	2,269,983	2,369,239
Depreciation and Amortisation	3,321,286	3,268,412	6,589,084	6,219,035
	<u>379,926,686</u>	<u>162,050,871</u>	<u>727,946,001</u>	<u>342,790,292</u>
Opening work-in-process	20,556,155	23,596,560	21,179,856	16,247,744
Closing work-in-process	(6,269,290)	(21,809,698)	(6,269,290)	(21,809,698)
Cost of goods manufactured	<u>394,213,551</u>	<u>163,837,733</u>	<u>742,856,567</u>	<u>337,228,338</u>
Opening finished goods	51,349,423	20,343,187	33,360,733	8,035,421
Cost of finished goods purchased during the period	3,716,299	9,579,580	3,716,299	9,579,580
Closing finished goods	<u>(63,467,879)</u>	<u>(55,711,741)</u>	<u>(63,467,879)</u>	<u>(55,711,741)</u>
	<u><u>385,811,394</u></u>	<u><u>138,048,759</u></u>	<u><u>716,465,720</u></u>	<u><u>299,131,598</u></u>
		Note	Jul-Dec 2009 Rupees	Jul-Dec 2008 Rupees
11- TAXATION				
Current				
For the period			16,099,293	-
For the prior period		11.1	3,515,046	-
Deferred				
For the period			641,462	4,114,375
			<u>20,255,801</u>	<u>4,114,375</u>

11.1 This amount includes a tax demand of Rs. 2.72 M created and recovered by tax department as a result of amendment of assessment for tax year 2004. The Company is in appeal against this order.

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FOR THE HALF YEAR ENDED DECEMBER 31, 2009

12- EARNINGS PER SHARE BASIC AND DILUTED		Oct-Dec 2009	Oct-Dec 2008	Jul-Dec 2009	Jul-Dec 2008
Basic earnings per share					
Net profit/(Loss) for the period attributable to ordinary share holders	Rupees	9,486,430	(7,908,303)	25,825,958	(4,371,997)
Number of ordinary shares outstanding at the end of the period - Note 12.1	Number	12,480,811	12,480,811	12,480,811	12,480,811
Earnings per share	Rupees	0.76	(0.63)	2.07	(0.35)

12.1- Number of ordinary shares outstanding at the close of corresponding periods presented have been increased to reflect the bonus shares issued during the current periods ended December 31, 2009.

Diluted earnings per share

There is no dilution effect on the basic earnings per share of the company as the company has no such commitments.

13- SEGMENT RESULTS		Oct-Dec 2009 Rupees	Oct-Dec 2008 Rupees	Jul-Dec 2009 Rupees	Jul-Dec 2008 Rupees
Segment Revenue(Net)					
Home appliances	2,094,545	3,040,857	4,910,256	3,200,104	163,292,220
Auto parts	127,662,411	67,489,898	222,705,981	582,776,747	168,935,041
Auto rickshaw	303,970,639	78,239,861	810,392,984	335,427,365	
Total	433,727,595	148,770,616	810,392,984	335,427,365	
Segment operating results					
Home appliances	37,403	358,249	549,986	253,231	
Auto parts	8,410,530	7,709,503	20,599,704	24,194,701	
Auto rickshaw	17,425,980	(9,874,033)	34,645,262	(16,105,885)	
Total	25,873,913	(1,806,281)	55,794,952	8,342,047	


MIAN ASAD HAMEED
CHIEF EXECUTIVE


SAEED IQBAL KHAN
DIRECTOR

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FOR THE HALF YEAR ENDED DECEMBER 31, 2009

14- GENERAL

14.1-The Board of Directors of the Company has authorized these financial statement for issue on February 22, 2010.

14.2-The figures have been rounded off to the nearest Rupee.


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