

SAZGAR ENGINEERING WORKS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2010

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, 2010.

Amendments to certain existing standards and new interpretations on approved accounting standards effective during the period either were not relevant to the Company's operations or did not have any impact on the accounting policies of the Company.

3- BASIS OF PREPARATION

These condensed interim 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, 2010 Number	June 30, 2010 Number		Dec 31, 2010 Rupees	June 30, 2010 Rupees
7,163,000	7,163,000	Ordinary shares of Rupees 10 each fully paid up in cash.	71,630,000	71,630,000
7,813,973	5,317,811	Ordinary shares of Rupees 10 each allotted as bonus shares	78,139,730	53,178,110
<u>14,976,973</u>	<u>12,480,811</u>		<u>149,769,730</u>	<u>124,808,110</u>

5- CONTINGENCIES AND COMMITMENTS

A. Contingencies

There is no change in the contingent liabilities of the Company since the last annual balance sheet date except the following:

The cases initiated by the DCIR for tax years 2004 and 2005 under section 161/ 205 for tax demand of Rs. 588,391 and Rs. 1,430,291 respectively, have been decided by the CIR (Appeals) in favour of the Company. The department has filed appeals with ATIR against these orders. In the opinion of the tax consultant, favourable outcome of these appeals is expected, hence no provision is made in these accounts.

SAZGAR ENGINEERING WORKS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2010

B. Commitments

The facilities for opening Letters of Credits and Guarantees as at December 31, 2010 in aggregate were Rs. 140.00 million and Rs. 8.00 million respectively (June 30, 2010: Rs. 70.00 million and Rs. 8.04 million respectively) of which the amount utilized as at December 31, 2010 were Rs. 138.70 million and Rs. Nil respectively. (June 30, 2010 were Rs. 55.95 million and Rs. Nil respectively).

	Note	Dec 31, 2010 Rupees	June 30, 2010 Rupees
6- PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets-Tangible	6.1	221,337,906	222,297,360
Capital work in progress		13,433,666	8,242,670
		<u>234,771,571</u>	<u>230,540,030</u>
6.1-OPERATING FIXED ASSETS-TANGIBLE			
Opening book value		222,297,360	218,278,804
Add: Additions during the period:			
- Land		-	7,578,000
- Building		1,010,937	3,677,957
- Plant and machinery		630,612	2,986,159
- Electric fittings		75,950	199,350
- Furniture and fixture		62,500	25,017
- Office equipments		184,003	395,439
- Electric installations		-	608,075
- Vehicles		4,827,000	5,622,754
		6,791,002	21,092,751
Less: Depreciation charged during the period		7,750,456	16,320,556
Deletions during the period (WDV)		-	753,639
		<u>7,750,456</u>	<u>17,074,195</u>
Closing book value		<u>221,337,906</u>	<u>222,297,360</u>
7- INTANGIBLE ASSETS			
Opening book value		945,378	1,105,470
Add: additions during the period		213,576	466,430
		<u>1,158,954</u>	<u>1,571,900</u>
Less: amortization charged during the period		371,781	626,522
Closing book value		<u>787,173</u>	<u>945,378</u>

SAZGAR ENGINEERING WORKS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2010

	Oct-Dec 2010 Rupees	Oct-Dec 2009 Rupees	Jul-Dec 2010 Rupees	Jul-Dec 2009 Rupees
8- SALES - NET				
Gross sales	851,655,941	518,926,823	1,425,621,514	970,920,361
Less: Sales tax	128,730,026	76,139,843	215,236,231	141,105,930
Sales returns	2,634,377	3,090,508	3,464,079	7,576,241
	<u>131,364,403</u>	<u>79,230,351</u>	<u>218,700,310</u>	<u>148,682,171</u>
	720,291,538	439,696,472	1,206,921,204	822,238,189
Less: Commission	7,548,622	5,968,877	16,802,550	11,845,205
Net sales	<u>712,742,916</u>	<u>433,727,595</u>	<u>1,190,118,654</u>	<u>810,392,984</u>
9- COST OF SALES				
Raw materials and components consumed	597,509,481	326,542,741	979,161,834	628,649,568
Salaries, wages and other benefits	29,654,583	26,038,938	54,574,895	50,276,740
Stores, spares and loose tools consumed	3,219,770	7,514,775	10,457,285	12,473,439
Power and fuel charges	9,642,292	11,718,310	17,567,009	19,339,192
Repair and maintenance	7,224,553	3,540,693	10,395,471	8,347,995
Other expenses	950,110	1,249,943	1,868,710	2,269,983
Depreciation and Amortisation	3,269,117	3,321,286	6,394,351	6,589,084
	<u>651,469,907</u>	<u>379,926,686</u>	<u>1,080,419,555</u>	<u>727,946,001</u>
Opening work-in-process	23,490,352	20,556,155	17,327,713	21,179,856
Closing work-in-process	(23,510,186)	(6,269,290)	(23,510,186)	(6,269,290)
Cost of goods manufactured	651,450,073	394,213,551	1,074,237,082	742,856,567
Opening finished goods	75,241,984	51,349,423	60,944,658	33,360,733
Cost of finished goods purchased during the period	-	3,716,299	17,618,650	3,716,299
Closing finished goods	(91,569,079)	(63,467,879)	(91,569,079)	(63,467,879)
	<u>635,122,979</u>	<u>385,811,394</u>	<u>1,061,231,311</u>	<u>716,465,720</u>

SAZGAR ENGINEERING WORKS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2010

	Note	Jul-Dec 2010 Rupees	Jul-Dec 2009 Rupees
10- TAXATION			
Current			
For the period		24,093,682	16,099,293
For the prior period	10.1	2,277,883	3,515,046
Deferred			
For the period		118,158	641,462
		26,489,722	20,255,801

10.1 This amount relates to the tax year 2010.

		Oct-Dec 2010	Oct-Dec 2009	Jul-Dec 2010	Jul-Dec 2009
11- EARNINGS PER SHARE BASIC AND DILUTED					
Basic earnings per share					
Net profit for the period attributable to ordinary share holders	Rupees	24,738,277	9,486,431	41,485,326	25,825,958
Number of ordinary shares outstanding at the end of the period - Note 11.1	Number	14,976,973	14,976,973	14,976,973	14,976,973
Earnings per share	Rupees	1.65	0.63	2.77	1.72

11.1- 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, 2010.

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.

12- TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprise directors and key management personnel only.

The aggregate amount charged in these accounts for the half year for remuneration, including certain benefits to the Chief Executive, Directors and Executives of the Company is as follows:

SAZGAR ENGINEERING WORKS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2010

(Rupees)

	Chief Executive		Directors		Executives		Total	
	July-Dec 2010	July-Dec 2009	July-Dec 2010	July-Dec 2009	July-Dec 2010	July-Dec 2009	July-Dec 2010	July-Dec 2009
Managerial Remuneration	2,563,636	2,563,636	2,454,545	2,181,818	5,117,509	4,131,818	10,135,691	8,877,273
Medical allowance	256,364	256,364	245,455	218,182	511,751	413,182	1,013,569	887,727
Bonus & leave encashment	-	-	-	-	883,951	1,084,575	883,951	1,084,575
	2,820,000	2,820,000	2,700,000	2,400,000	6,513,211	5,629,575	12,033,211	10,849,575
Number of persons	1	1	3	2	5	4	9	7

The Company also provides free use of Company maintained cars to some of the directors and executives.

	Oct-Dec 2010 Rupees	Oct-Dec 2009 Rupees	Jul-Dec 2010 Rupees	Jul-Dec 2009 Rupees
13- SEGMENT RESULTS				
Segment Revenue(Net)				
Home appliances	4,080,855	2,094,545	4,540,567	4,910,256
Auto parts	109,486,327	127,662,411	200,746,594	222,705,981
Auto rickshaw	599,175,734	303,970,639	984,831,493	582,776,747
Total	712,742,916	433,727,595	1,190,118,654	810,392,984
Segment operating results				
Home appliances	107,766	37,403	168,731	549,986
Auto parts	6,569,179	8,410,530	11,619,448	20,599,704
Auto rickshaw	41,723,078	17,425,980	69,138,542	34,645,262
Total	48,400,023	25,873,913	80,926,721	55,794,952

14- SUBSEQUENT EVENTS

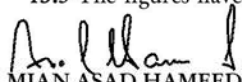
The Board of Directors in their meeting held on February 22, 2011 has declared interim cash dividend of Rupees 1.00 per ordinary share i.e, 10% (2009: Nil) of current paid up share capital. These condensed interim financial statements do not include the effect of this interim cash dividend which will be accounted for in the period in which it is declared.

15- GENERAL

15.1-The Board of Directors of the Company has authorized these condensed interim financial statements for issue on February 22, 2011.

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

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


MIAN ASAD HAMEED
 CHIEF EXECUTIVE


SAEED IQBAL KHAN
 DIRECTOR