

SAZGAR ENGINEERING WORKS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2011

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 condensed interim financial statements are the same as those applied in the preparation of the annual preceding published financial statements of the Company for the year ended June 30, 2011.

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, 2011 Number	June 30, 2011 Number		Dec 31, 2011 Rupees	June 30, 2011 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	7,813,973	Ordinary shares of Rupees 10 each allotted as bonus shares	108,093,680	78,139,730
<u>17,972,368</u>	<u>14,976,973</u>		<u>179,723,680</u>	<u>149,769,730</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:

- A-1 A customer has filed a case against the company with consumer court Faisalabad for the claim of auto parts under warranty. The case was decided in favour of the customer for the damages of Rs. 145,000/-. The Company has deposited Rs. 35,000 against this order with consumer court. The Company has also filed an appeal against this order with the Lahore High Court, Lahore. In the opinion of the management, favourable outcome of the appeal is expected, therefore no provision for warranty damages 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, 2011

A-2 During the period DCIR re-assessed the tax loss for the tax year 2004 under section 221 of Income Tax Ordinance 2001 and reduced the amount of tax loss which created the tax demand of Rs.875,083/-. The Company has filed an appeal against the order with CIR (Appeals). In the opinion of tax consultant, favourable outcome of the appeal is expected, therefore no provision is made in these financial statements.

B. Commitments

The facilities for opening Letters of Credits and Guarantees as at December 31, 2011 in aggregate were Rs. 290.00 million and Rs. 8.04 million respectively with sub-limits of FATR of Rs. 80.00 million (June 30, 2011: Rs. 230.00 million and Rs. 8.04 million respectively with sub-limits of Rs. 65.00 million) of which the amount utilized as at December 31, 2011 were Rs. 201.40 million and Rs. Nil respectively. (June 30, 2011 were Rs. 75.77 million and Rs. Nil respectively).

	Note	Dec 31, 2011 Rupees	June 30, 2011 Rupees
6- PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets-Tangible	6.1	229,995,583	233,840,926
Capital work in progress		2,554,213	4,678,369
		<u>232,549,796</u>	<u>238,519,295</u>
6.1- OPERATING FIXED ASSETS-TANGIBLE			
Opening book value		233,840,926	222,297,360
Add: Additions during the period:			
- Building		-	10,788,721
- Plant and machinery		1,856,756	8,352,027
- Electric fittings		238,833	815,475
- Furniture and fixture		372,128	140,167
- Office equipments		462,484	554,820
- Electric installations		-	-
- Vehicles		1,768,900	7,545,618
		4,699,101	28,196,828
Less: Depreciation charged during the period		8,463,419	16,266,941
Deletions during the period (WDV)		81,025	386,321
		<u>8,544,444</u>	<u>16,653,262</u>
Closing book value		<u>229,995,583</u>	<u>233,840,926</u>

SAZGAR ENGINEERING WORKS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2011

7- INTANGIBLE ASSETS	Dec 31, 2011 Rupees	June 30, 2011 Rupees
Opening book value	551,481	945,378
Add: additions during the period	-	213,576
	<u>551,481</u>	<u>1,158,954</u>
Less: amortization charged during the period	77,031	607,473
Closing book value	<u>474,450</u>	<u>551,481</u>

8- SALES - NET	Oct-Dec 2011 Rupees	Oct-Dec 2010 Rupees	Jul-Dec 2011 Rupees	Jul-Dec 2010 Rupees
Gross sales	860,610,515	851,655,941	1,569,430,540	1,425,621,514
Less: Sales tax	<u>118,071,992</u>	<u>128,730,026</u>	<u>215,825,482</u>	<u>215,236,231</u>
Sales returns	<u>1,416,604</u>	<u>2,634,377</u>	<u>3,065,488</u>	<u>3,464,079</u>
	<u>119,488,596</u>	<u>131,364,403</u>	<u>218,890,970</u>	<u>218,700,310</u>
	<u>741,121,918</u>	<u>720,291,538</u>	<u>1,350,539,569</u>	<u>1,206,921,204</u>
Less: Commission	11,791,189	7,548,622	22,589,813	16,802,550
Net Sales	<u>729,330,729</u>	<u>712,742,916</u>	<u>1,327,949,756</u>	<u>1,190,118,654</u>

9- COST OF SALES	Oct-Dec 2011 Rupees	Oct-Dec 2010 Rupees	Jul-Dec 2011 Rupees	Jul-Dec 2010 Rupees
Raw materials and components consumed	581,416,349	597,509,481	1,071,810,426	979,161,834
Salaries, wages and other benefits	32,159,526	29,654,583	63,967,404	54,574,895
Stores, spares and loose tools consumed	3,529,324	3,219,770	9,461,196	10,457,285
Power and fuel charges	14,415,019	9,642,292	29,837,111	17,567,009
Repair and maintenance	9,083,117	7,224,553	22,062,267	10,395,471
Other expenses	1,019,366	950,110	1,853,183	1,868,710
Depreciation and Amortization	3,377,601	3,269,117	6,707,317	6,394,351
	<u>645,000,302</u>	<u>651,469,907</u>	<u>1,205,698,903</u>	<u>1,080,419,555</u>
Opening work-in-process	18,005,884	23,490,352	9,310,619	17,327,713
Closing work-in-process	<u>(19,041,780)</u>	<u>(23,510,186)</u>	<u>(19,041,780)</u>	<u>(23,510,186)</u>
Cost of goods manufactured	<u>643,964,406</u>	<u>651,450,073</u>	<u>1,195,967,742</u>	<u>1,074,237,082</u>
Opening finished goods	160,188,083	75,241,984	127,073,235	60,944,658
Cost of finished goods purchased during the period	-	-	6,841,869	17,618,650
Closing finished goods	<u>(164,414,875)</u>	<u>(91,569,079)</u>	<u>(164,414,875)</u>	<u>(91,569,079)</u>
	<u>639,737,614</u>	<u>635,122,979</u>	<u>1,165,467,972</u>	<u>1,061,231,311</u>

SAZGAR ENGINEERING WORKS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2011

	Note	Jul-Dec 2011 Rupees	Jul-Dec 2010 Rupees
10- TAXATION			
Current			
For the period		32,857,294	24,093,682
For the prior period	10.1	3,885,184	2,277,883
Deferred			
For the period		(833,687)	118,158
		35,908,792	26,489,722

10.1 This amount relates to the tax year 2008 & 2011.

		Oct-Dec 2011	Oct-Dec 2010	Jul-Dec 2011	Jul-Dec 2010
11- EARNINGS PER SHARE BASIC AND DILUTED					
Basic earnings per share					
Net profit for the period attributable to ordinary share holders	Rupees	29,027,579	24,738,277	54,398,462	41,485,326
Number of ordinary shares outstanding at the end of the period - Note 11.1	Number	17,972,368	17,972,368	17,972,368	17,972,368
Earnings per share	Rupees	1.62	1.38	3.03	2.31

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 period ended December 31, 2011.

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 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, 2011

(Rupees)

	Chief Executive		Directors		Executives		Total	
	July-Dec 2011	July-Dec 2010	July-Dec 2011	July-Dec 2010	July-Dec 2011	July-Dec 2010	July-Dec 2011	July-Dec 2010
Managerial Remuneration	3,136,364	2,563,636	3,409,091	2,454,545	6,926,733	5,117,509	13,472,187	10,135,690
Medical allowance	313,636	256,364	340,909	245,455	692,673	511,751	1,347,219	1,013,570
Bonus & leave encashment	-	-	-	-	1,195,812	883,951	1,195,812	883,951
	3,450,000	2,820,000	3,750,000	2,700,000	8,815,218	6,513,211	16,015,218	12,033,211
Number of persons	1	1	3	2	8	4	12	7

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

	Oct-Dec 2011 Rupees	Oct-Dec 2010 Rupees	Jul-Dec 2011 Rupees	Jul-Dec 2010 Rupees
13- SEGMENT RESULTS				
Segment Revenue				
Home appliances	6,577,745	4,080,855	14,266,657	4,540,567
Auto parts	57,746,965	109,486,327	86,947,207	200,746,594
Auto rickshaw	665,006,019	599,175,734	1,226,735,892	984,831,493
Total	729,330,729	712,742,916	1,327,949,756	1,190,118,654
Segment operating results				
Home appliances	238,005	107,766	994,103	168,731
Auto parts	(1,514,301)	6,569,179	(1,610,427)	11,619,448
Auto rickshaw	60,308,008	41,723,078	104,937,138	69,138,542
Total	59,031,712	48,400,023	104,320,815	80,926,721

14- SUBSEQUENT EVENTS


The Board of Directors in their meeting held on February 10, 2012 has declared interim cash dividend of Rupee 1.00 per ordinary share i.e, 10% (December 31, 2010: Rupee 1.00 per ordinary share i.e, 10%) of current paid up ordinary 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 10, 2012.

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