

SAZGAR ENGINEERING WORKS LIMITED

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

FOR THE HALF YEAR ENDED DECEMBER 31, 2012

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. The registered Office of the Company is situated at 88-Ali Town, Thokar Niaz Baig, Raiwind Road, Lahore.

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, 2012.

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, 2012 Number	June 30, 2012 Number		Dec 31, 2012 Rupees	June 30, 2012 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

A. Contingencies

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

The appeal filed against the order of Consumer Court Faisalabad for the recovery of damages of Rs. 145,000/- on account of warranty parts was decided in favour of the company. Subsequent to the date of Balance sheet, the company has also received back cheque of deposited amount of Rs. 70,000/- from Registrar of Consumer Court Faisalabad.

SAZGAR ENGINEERING WORKS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2012

During the period Additional Commissioner Inland Revenue initiated proceedings under section 122(5A) for the Tax Year 2007 and created a tax demand of Rs.16,581,690/-. 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, hence no provision is made in these financial statements for this amount.

B. Commitments

The facilities for opening Letters of Credits and Guarantees as at December 31, 2012 in aggregate were Rs. 370.00 million and Rs. 8.04 million respectively with sub-limits of FATR of Rs. 80.00 million and Murabaha arrangement of Rs. 40.00 million (June 30, 2012: Rs. 330.00 million and Rs. 8.04 million respectively with sub-limits of FATR Rs. 80.00 million) of which the amounts utilized as at December 31, 2012 were Rs. 79.64 million and Rs. Nil respectively. (June 30, 2012 were Rs. 85.48 million and Rs. Nil respectively).

	Note	Dec 31, 2012 Rupees	June 30, 2012 Rupees
6- PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets-Tangible	6.1	235,739,802	222,703,925
Capital work in progress		7,388,826	6,822,805
Advance against purchase of Asset		1,450,000	9,500,000
Receivable under insurance claim		75,000	1,679,000
		<u>244,653,628</u>	<u>240,705,730</u>

6.1- OPERATING FIXED ASSETS-TANGIBLE

Opening book value	222,703,925	233,840,926
Add: Additions during the period:		
- Building & Civil works on freehold land	1,962,667	278,908
- Plant and machinery	2,756,876	5,805,135
- Electric fittings	30,500	461,279
- Furniture and fixture	33,600	416,128
- Office equipments	286,611	480,884
- Electric installations	458,551	-
- Vehicles	17,252,000	1,768,900
	22,780,805	9,211,234
Less: depreciation charged during the period	8,855,356	16,967,597
disposal during the period (WDV)	889,571	3,380,638
	9,744,927	20,348,236
Closing book value	<u>235,739,802</u>	<u>222,703,925</u>

SAZGAR ENGINEERING WORKS LIMITED

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

FOR THE HALF YEAR ENDED DECEMBER 31, 2012

	Dec 31, 2012 Rupees	June 30, 2012 Rupees		
7- INTANGIBLE ASSETS				
Opening book value	501,874	551,481		
Add: additions during the period	266,033	107,000		
	767,907	658,481		
Less: amortization charged during the period	87,595	156,607		
Closing book value	680,312	501,874		
8- SALES - NET	Oct-Dec 2012 Rupees	Oct-Dec 2011 Rupees	Jul-Dec 2012 Rupees	Jul-Dec 2011 Rupees
Gross sales	489,310,433	860,610,515	1,008,281,885	1,569,430,540
Less: Sales tax	67,532,885	118,071,992	138,964,533	215,825,482
Sales returns	941,641	1,416,604	1,530,175	3,065,488
	68,474,526	119,488,596	140,494,708	218,890,970
	420,835,907	741,121,918	867,787,177	1,350,539,569
Less: Commission	6,093,030	11,791,189	12,606,478	22,589,813
	414,742,877	729,330,729	855,180,699	1,327,949,756
9- COST OF SALES				
Raw materials and components consumed	323,952,192	581,416,349	682,478,195	1,071,810,426
Salaries, wages and other benefits	31,890,290	32,159,526	66,446,715	63,967,404
Stores, spares and loose tools consumed	8,350,459	3,529,324	13,454,132	9,461,196
Power and fuel charges	11,753,532	14,415,019	25,109,094	29,837,111
Repair and maintenance	4,761,668	9,083,117	9,091,565	22,062,267
Other expenses	973,677	1,019,366	1,949,797	1,853,183
Depreciation & Amortization	3,347,549	3,377,601	6,496,070	6,707,317
	385,029,367	645,000,302	805,025,567	1,205,698,903
Opening work-in-process	10,524,280	18,005,884	13,579,115	9,310,619
Closing work-in-process	(11,711,499)	(19,041,780)	(11,711,499)	(19,041,780)
Cost of goods manufactured	383,842,148	643,964,406	806,893,184	1,195,967,742
Opening finished goods	145,150,311	160,188,083	116,965,216	127,073,235
Cost of finished goods purchased during the period	5,621,581	-	5,621,581	6,841,869
Closing finished goods	(166,291,952)	(164,414,875)	(166,291,952)	(164,414,875)
	368,322,088	639,737,614	763,188,029	1,165,467,972

SAZGAR ENGINEERING WORKS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2012

	Jul-Dec 2012 Rupees	Jul-Dec 2011 Rupees
10- TAXATION		
Current		
For the period	12,905,292	32,857,294
For the prior period	-	3,885,184
Deferred		
For the period	3,501,952	(833,687)
	16,407,244	35,908,792

		Oct-Dec 2012	Oct-Dec 2011	Jul-Dec 2012	Jul-Dec 2011
11- EARNINGS PER SHARE-BASIC AND DILUTED					
Basic earnings per share					
Net profit for the period attributable to ordinary share holders	Rupees	10,257,324	29,027,579	18,728,855	54,398,462
Number of ordinary shares outstanding at the end of the period	Numbers	17,972,368	17,972,368	17,972,368	17,972,368
Earnings per share	Rupees	0.57	1.62	1.04	3.03

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 period 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, 2012

(Rupees)

	Chief Executive		Executive Directors		Non Executive Directors		Executives		Total	
	July-Dec 2012	July-Dec 2011	July-Dec 2012	July-Dec 2011	July-Dec 2012	July-Dec 2011	July-Dec 2012	July-Dec 2011	July-Dec 2012	July-Dec 2011
Managerial Remuneration	3,136,364	3,136,364	3,409,091	3,409,091	-	-	7,740,982	6,926,733	14,286,436	13,472,187
Medical allowance	313,636	313,636	340,909	340,909	-	-	774,098	692,673	1,428,644	1,347,219
Bonus & Leave encashment	-	-	-	-	-	-	972,405	1,195,812	972,405	1,195,812
	3,450,000	3,450,000	3,750,000	3,750,000	-	-	9,487,485	8,815,218	16,687,485	16,015,218
Number of persons	1	1	3	3	3	3	8	8	15	15

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

Oct-Dec
2012
Rupees

Oct-Dec
2011
Rupees

Jul-Dec
2012
Rupees

Jul-Dec
2011
Rupees

13- SEGMENT RESULTS

Segment Revenue

Home appliances	6,494,108	6,577,745	9,152,756	14,266,657
Auto parts	110,273,760	57,746,965	189,561,739	86,947,207
Auto rickshaw	297,975,009	665,006,019	656,466,204	1,226,735,892
Total	414,742,877	729,330,729	855,180,699	1,327,949,756

Segment operating results

Home appliances	(48,842)	238,005	(224,814)	994,103
Auto parts	7,127,438	(1,514,301)	10,195,698	(1,610,427)
Auto rickshaw	13,499,467	60,308,008	32,083,823	104,937,138
Total	20,578,064	59,031,712	42,054,706	104,320,815

14- PRODUCTION CAPACITY

Subsequent to the period under review, the production capacity of the Auto-Rickshaw manufacturing plant has been revised on account of addition of new product i.e, "Motorcycles" of all sorts and kinds. The revised annual production capacity of this segment would be as below:

Name of Product	Existing Production Capacity (Units Per Annum)	Revised Production Capacity (Units Per Annum)
Auto-Rickshaw	20,000	12,000
MotorCycle	Nil	30,000

SAZGAR ENGINEERING WORKS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2012

The production capacity of Auto Rickshaw and MotorCycles may interchangeably be used in accordance with the demand of the products.

There is not any change in the production capacity of wheel Rim manufacturing Plant.

15- CORRESPONDING FIGURES


There is no material re-arrangment/re-classification of figures except the following:

FROM	To	Jul-Dec 2012	Jul-Dec 2011
Other Operating Income	Communication Expenses	<u>64,900</u>	<u>65,750</u>

16- GENERAL

16.1-The Board of Directors of the Company has authorized these condensed interim financial statements for issue on February 15, 2013.

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


MIAN ASAD HAMEED
CHIEF EXECUTIVE


SAEED IQBAL KHAN
DIRECTOR