

SAZGAR ENGINEERING WORKS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 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, 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

March 31, 2011 Number	June 30, 2010 Number		March 31, 2011 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.

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B. Commitments

The facilities for opening Letters of Credits and Guarantees as at March 31, 2011 in aggregate were Rs. 140.00 million and Rs. 8.04 million respectively (June 30, 2010: Rs. 70.00 million and Rs. 8.04 million respectively) of which the amount utilized as at March 31, 2011 were Rs. 34.32 million and Rs. Nil respectively. (June 30, 2010 were Rs. 55.95 million and Rs. Nil respectively).

	Note	March 31, 2011 Rupees	June 30, 2010 Rupees
6- PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets-Tangible	6.1	223,022,402	222,297,360
Capital work in progress		13,763,610	8,242,670
		<u>236,786,011</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		1,596,069	3,677,957
- Plant and machinery		5,277,719	2,986,159
- Electric fittings		109,650	199,350
- Furniture and fixture		92,300	25,017
- Office equipments		270,803	395,439
- Electric installations		-	608,075
- Vehicles		5,381,000	5,622,754
		12,727,541	21,092,751
Less: Depreciation charged during the period		11,887,327	16,320,556
Deletions during the period (WDV)		115,172	753,639
		12,002,499	17,074,195
Closing book value		<u>223,022,402</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
		1,158,954	1,571,900
Less: amortization charged during the period		558,351	626,522
Closing book value		<u>600,603</u>	<u>945,378</u>

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	Jan-March 2011 Rupees	Jan-March 2010 Rupees	Jul-March 2011 Rupees	Jul-March 2010 Rupees
8- SALES - NET				
Gross sales	877,249,449	565,692,531	2,302,870,963	1,536,612,892
Less: Sales tax	132,616,183	80,054,720	347,852,414	221,160,650
Sales returns	565,280	2,575,987	4,029,359	10,152,228
	<u>133,181,463</u>	<u>82,630,707</u>	<u>351,881,773</u>	<u>231,312,878</u>
	744,067,986	483,061,825	1,950,989,190	1,305,300,014
Less: Commission	8,453,250	2,886,298	25,255,800	14,731,503
Net sales	<u>735,614,736</u>	<u>480,175,527</u>	<u>1,925,733,390</u>	<u>1,290,568,511</u>
9- COST OF SALES				
Raw materials and components consumed	579,399,873	365,080,260	1,558,561,708	993,729,828
Salaries, wages and other benefits	27,175,388	23,551,833	81,750,283	73,828,573
Stores, spares and loose tools consumed	7,636,646	7,997,593	18,093,931	20,471,032
Power and fuel charges	24,058,662	12,200,117	41,625,671	31,539,309
Repair and maintenance	7,470,628	3,982,888	17,866,099	12,330,883
Other expenses	977,943	905,067	2,846,653	3,175,050
Depreciation and Amortisation	3,343,496	3,326,715	9,737,847	9,915,799
	<u>650,062,637</u>	<u>417,044,473</u>	<u>1,730,482,192</u>	<u>1,144,990,474</u>
Opening work-in-process	23,510,186	6,269,290	17,327,713	21,179,856
Closing work-in-process	(23,622,495)	(5,009,416)	(23,622,495)	(5,009,416)
Cost of goods manufactured	649,950,328	418,304,347	1,724,187,410	1,161,160,914
Opening finished goods	91,569,079	63,467,879	60,944,658	33,360,733
Cost of finished goods purchased during the period	-	-	17,618,650	3,716,299
Closing finished goods	(92,757,736)	(65,001,760)	(92,757,736)	(65,001,760)
	<u>648,761,671</u>	<u>416,770,466</u>	<u>1,709,992,982</u>	<u>1,133,236,186</u>

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	Note	Jul-March 2011 Rupees	Jul-March 2010 Rupees
10- TAXATION			
Current			
For the period		41,947,824	28,912,199
For the prior period	10.1	2,277,883	3,515,046
Deferred			
For the period		276,006	819,320
		44,501,713	33,246,565

10.1 This amount relates to the tax year 2010.

11- EARNINGS PER SHARE BASIC AND DILUTED		Jan-March 2011	Jan-March 2010	Jul-March 2011	Jul-March 2010
Basic earnings per share					
Net profit for the period attributable to ordinary share holders	Rupees	34,806,041	23,858,706	76,291,367	49,684,665
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	2.32	1.59	5.09	3.32

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 March 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 nine months for remuneration, including certain benefits to the Chief Executive, Directors and Executives of the Company is as follows:

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(Rupees)

	Chief Executive		Directors		Executives		Total	
	July-March 2011	July-March 2010	July-March 2011	July-March 2010	July-March 2011	July-March 2010	July-March 2011	July-March 2010
Managerial Remuneration	3,940,909	3,845,455	3,840,909	3,272,727	7,676,264	6,197,727	15,458,082	13,315,909
Medical allowance	394,091	384,545	384,091	327,273	767,626	619,773	1,545,808	1,331,591
Bonus & leave encashment	-	-	-	-	883,951	1,084,575	883,951	1,084,575
	4,335,000	4,230,000	4,225,000	3,600,000	9,327,841	7,902,075	17,887,841	15,732,075
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 for business use.

	Jan-March 2011 Rupees	Jan-March 2010 Rupees	Jul-March 2011 Rupees	Jul-March 2010 Rupees
13- SEGMENT RESULTS				
Segment Revenue				
Home appliances	8,334,377	369,928	12,874,944	5,280,184
Auto parts	127,313,775	116,912,518	328,060,369	339,618,499
Auto rickshaw	599,966,584	362,893,081	1,584,798,077	945,669,828
Total	<u>735,614,736</u>	<u>480,175,527</u>	<u>1,925,733,390</u>	<u>1,290,568,511</u>
Segment operating results				
Home appliances	710,552	(175,821)	879,283	374,165
Auto parts	1,759,852	11,472,657	13,379,300	32,072,360
Auto rickshaw	56,006,120	30,374,555	125,144,663	65,019,817
Total	<u>58,476,524</u>	<u>41,671,390</u>	<u>139,403,245</u>	<u>97,466,342</u>

14- GENERAL

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

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

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


MIAN ASAD HAMEED
 CHIEF EXECUTIVE


SAEED IQBAL KHAN
 DIRECTOR