

SAZGAR ENGINEERING WORKS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2013

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 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, 2013 Number	June 30, 2012 Number		March 31, 2013 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:

- A-1** 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 remanded back to the learned trial court by the Lahore High court. During the current period, the Consumer Court Faisalabad refunded the deposited amount of Rs.70,000/-against the Surety Bond submitted by the company and set another date for hearing the case. In the opinion of the management, favorable outcome of the hearing is expected, therefore no provision is made in these financial statements.

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A-2 During the current 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, favorable 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 March 31, 2013 in aggregate were Rs.370.00 million and Rs.8.04 million respectively with sub-limits of FATR of Rs.80.00 million(Out of which a sum of Rs.40.00million can also be utilized as Murabaha facility) 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). The amounts utilized as at March 31, 2013 were Rs.135.044 million and Rs. Nil respectively.(June 30, 2012 were Rs.85.48 million and Rs. Nil respectively).

	Note	March 31, 2013 Rupees	June 30, 2012 Rupees
6- PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets-Tangible	6.1	239,426,466	222,703,925
Capital work in progress		7,010,087	6,822,805
Advance against purchase of Asset		-	9,500,000
Receivable under insurance claim		75,000	1,679,000
		<u>246,511,553</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 and Civil Works on Freehold Land		4,094,726	278,908
- Plant and machinery		7,873,604	5,805,135
- Electric fittings		30,500	461,279
- Furniture and fixture		33,600	416,128
- Office equipments		323,961	480,884
- Electric installations		689,641	-
- Vehicles		18,702,000	1,768,900
		31,748,032	9,211,234
Less: Depreciation charged during the period		13,647,688	16,967,597
Deletions during the period (WDV)		1,377,802	3,380,638
		15,025,490	20,348,236
Closing book value		<u>239,426,466</u>	<u>222,703,925</u>

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			March 31, 2013 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			140,248	156,607
Closing book value			627,659	501,874
	Jan-March 2013 Rupees	Jan-March 2012 Rupees	Jul-March 2013 Rupees	Jul-March 2012 Rupees
8- SALES - NET				
Gross sales	525,553,989	905,190,630	1,533,835,874	2,474,621,170
Less: Sales tax	72,512,439	123,785,029	211,476,973	339,610,511
Sales returns	488,002	1,440,822	2,018,177	4,506,310
	73,000,441	125,225,851	213,495,150	344,116,821
	452,553,548	779,964,779	1,320,340,725	2,130,504,349
Less: Commission	7,225,134	29,067,935	19,831,612	51,657,748
Net Sales	445,328,414	750,896,844	1,300,509,113	2,078,846,601
9- COST OF SALES				
Raw materials and components consumed	318,804,595	606,633,545	1,001,282,790	1,678,443,970
Salaries, wages and other benefits	28,663,752	26,009,107	95,110,467	89,976,511
Stores, spares and loose tools consumed	4,988,247	6,187,355	18,442,379	15,648,551
Power and fuel charges	12,239,274	16,601,138	37,348,368	46,438,249
Repair and maintenance	3,565,896	1,996,499	12,657,461	24,058,766
Other expenses	851,964	998,310	2,801,761	2,851,493
Depreciation and Amortization	3,368,878	3,384,906	9,864,948	10,092,223
	372,482,606	661,810,860	1,177,508,174	1,867,509,763
Opening work-in-process	11,711,499	19,041,780	13,579,115	9,310,619
Closing work-in-process	(9,773,019)	(16,732,340)	(9,773,019)	(16,732,340)
Cost of goods manufactured	374,421,087	664,120,299	1,181,314,270	1,860,088,042
Opening finished goods	166,291,952	164,414,875	116,965,216	127,073,235
Cost of finished goods purchased during the period	(59,233)	13,196,411	5,562,348	20,038,280
Closing finished goods	(143,079,011)	(187,415,227)	(143,079,011)	(187,415,227)
	397,574,794	654,316,358	1,160,762,823	1,819,784,329

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	Note	Jul-March 2013 Rupees	Jul-March 2012 Rupees
10- TAXATION			
Current			
For the period		20,175,552	54,921,215
For the prior period		-	4,060,718
Deferred			
For the period		4,344,963	(1,521,357)
		<u>24,520,515</u>	<u>57,460,576</u>

11- EARNINGS PER SHARE-BASIC AND DILUTED		Jan-March 2013	Jan-March 2012	Jul-March 2013	Jul-March 2012
Basic earnings per share					
Net profit for the period attributable to ordinary share holders	Rupees	15,149,488	39,489,696	33,878,343	93,888,158
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	0.84	2.20	1.89	5.22

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:

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(Rupees)

	Chief Executive		Executive Directors		Non Executive Directors		Executives		Total	
	July-Mar 2013	July-Mar 2012	July-Mar 2013	July-Mar 2012	July-Mar 2013	July-Mar 2012	July-Mar 2013	July-Mar 2012	July-Mar 2013	July-Mar 2012
Managerial Remuneration	4,704,545	4,704,545	5,113,636	5,113,636	-	-	11,611,473	10,445,324	21,429,655	20,263,505
Medical allowance	470,455	470,455	511,364	511,364	-	-	1,161,147	1,044,532	2,142,965	2,026,351
Bonus & Leave encashment	-	-	-	-	-	-	972,405	1,195,812	972,405	1,195,812
	5,175,000	5,175,000	5,625,000	5,625,000	-	-	13,745,025	12,685,668	24,545,025	23,485,668
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.

13- SEGMENT RESULTS

	Jan-March 2013 Rupees	Jan-March 2012 Rupees	Jul-March 2013 Rupees	Jul-March 2012 Rupees
Segment Revenue				
Home appliances	3,350,443	2,958,640	12,503,199	17,225,297
Auto parts	85,590,036	112,216,327	275,151,775	199,163,534
Auto rickshaw	356,387,935	635,721,877	1,012,854,139	1,862,457,770
Total	445,328,414	750,896,844	1,300,509,113	2,078,846,601
Segment operating results				
Home appliances	(349,562)	(444,289)	(547,376)	549,814
Auto parts	4,086,804	5,037,446	14,282,501	3,427,019
Auto rickshaw	21,907,710	61,078,506	53,991,533	166,015,644
Total	25,644,952	65,671,662	67,699,658	169,992,477

14- PRODUCTION CAPACITY

During the current period, 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

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.

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15- CORRESPONDING FIGURES


Corresponding Figures have been re-classified for the purpose of better presentation.

FROM	To	Jan-March 2013	Jan-March 2012	Jul-March 2013	Jul-March 2012
Other Operating Income	Communication Expenses	<u>29,600</u>	<u>33,550</u>	<u>94,500</u>	<u>99,300</u>

16- GENERAL

16.1-The Board of Directors of the Company has authorized these condensed interim financial statements for issue on April 25, 2013.

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


MIAN ASAD HAMEED
 CHIEF EXECUTIVE


SAEED IQBAL KHAN
 DIRECTOR