

# SAZGAR ENGINEERING WORKS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 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, 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 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, 2012 Number	June 30, 2011 Number		March 31, 2012 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. 70,000 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

**SAZGAR ENGINEERING WORKS LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE NINE MONTHS ENDED MARCH 31, 2012**

the appeal is expected, therefore no provision for warranty damages is made in these financial statements.

**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.

**A-3** The appeal filed by the department with ATIR of Income Tax Ordinance 2001 for tax year 2008 has been decided in favour of the company. In accordance with this order the tax provision of Rs.8.088 million as already created in the preceding financial statements has been adjusted against the available tax credits.

**B. Commitments**

The facilities for opening Letters of Credits and Guarantees as at March 31, 2012 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 amounts utilized as at March 31, 2012 were Rs. 52.97 million and Rs. Nil respectively. (June 30, 2011 were Rs.75.77 million and Rs. Nil respectively).

		<b>March 31, 2012</b>	<b>June 30, 2011</b>
	<b>Note</b>	<b>Rupees</b>	<b>Rupees</b>
<b>6- PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets-Tangible	6.1	224,018,769	233,840,926
Capital work in progress		2,507,505	4,678,369
		226,526,274	238,519,295
<b>6.1- OPERATING FIXED ASSETS-TANGIBLE</b>			
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		425,865	815,475
- Furniture and fixture		372,128	140,167
- Office equipments		469,384	554,820
- Electric installations		-	-
- Vehicles		1,768,900	7,545,618
		4,893,033	28,196,828
Less: Depreciation charged during the period		12,705,734	16,266,941
Deletions during the period (WDV)		2,009,456	368,321
		14,715,190	16,653,262
Closing book value		224,018,769	233,840,926



# SAZGAR ENGINEERING WORKS LIMITED

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

## FOR THE NINE MONTHS ENDED MARCH 31, 2012

	March 31, 2012 Rupees	June 30, 2011 Rupees		
<b>7- INTANGIBLE ASSETS</b>				
Opening book value	551,481	945,378		
Add: additions during the period	107,000	213,576		
	658,481	1,158,954		
Less: amortization charged during the period	116,819	607,473		
Closing book value	541,662	551,481		
	<b>Jan-March 2012 Rupees</b>	<b>Jan-March 2011 Rupees</b>	<b>Jul-March 2012 Rupees</b>	<b>Jul-March 2011 Rupees</b>
<b>8- SALES - NET</b>				
Gross sales	905,190,630	877,249,449	2,474,621,170	2,302,870,963
Less: Sales tax	123,785,029	132,616,183	339,610,511	347,852,414
Sales returns	1,440,822	565,280	4,506,310	4,029,359
	125,225,851	133,181,463	344,116,821	351,881,773
	779,964,779	744,067,986	2,130,504,349	1,950,989,190
Less: Commission	29,067,935	8,453,250	51,657,748	25,255,800
<b>Net Sales</b>	750,896,844	735,614,736	2,078,846,601	1,925,733,390
<b>9- COST OF SALES</b>				
Raw materials and components consumed	606,633,545	579,399,873	1,678,443,970	1,558,561,708
Salaries, wages and other benefits	26,009,107	27,175,388	89,976,511	81,750,283
Stores, spares and loose tools consumed	6,187,355	7,636,646	15,648,551	18,093,931
Power and fuel charges	16,601,138	24,058,662	46,438,249	41,625,671
Repair and maintenance	1,996,499	7,470,628	24,058,766	17,866,099
Other expenses	998,310	977,943	2,851,493	2,846,653
Depreciation and Amortisation	3,384,906	3,343,496	10,092,223	9,737,847
	661,810,860	650,062,637	1,867,509,763	1,730,482,192
Opening work-in-process	19,041,780	23,510,186	9,310,619	17,327,713
Closing work-in-process	(16,732,340)	(23,622,495)	(16,732,340)	(23,622,495)
Cost of goods manufactured	664,120,299	649,950,328	1,860,088,042	1,724,187,410
Opening finished goods	164,414,875	91,569,079	127,073,235	60,944,658
Cost of finished goods purchased during the period	13,196,411	-	20,038,280	17,618,650
Closing finished goods	(187,415,227)	(92,757,736)	(187,415,227)	(92,757,736)
	654,316,358	648,761,671	1,819,784,329	1,709,992,982

**SAZGAR ENGINEERING WORKS LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE NINE MONTHS ENDED MARCH 31, 2012**

			Jul-March 2012 Rupees	Jul-March 2011 Rupees
<b>10-</b>	<b>TAXATION</b>	<b>Note</b>		
	<b>Current</b>			
	For the period		54,921,215	41,947,824
	For the prior period	10.1	4,060,718	2,277,883
	<b>Deferred</b>			
	For the period		(1,521,357)	276,006
			57,460,576	44,501,713

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

			Jan-March 2012	Jan-March 2011	Jul-March 2012	Jul-March 2011
<b>11-</b>	<b>EARNINGS PER SHARE-BASIC AND DILUTED</b>					
	<b>Basic earnings per share</b>					
	Net profit for the period attributable to ordinary share holders	<b>Rupees</b>	39,489,696	34,806,041	93,888,158	76,291,367
	Number of ordinary shares outstanding at the end of the period - Note 11.1	<b>Numbers</b>	17,972,368	17,972,368	17,972,368	17,972,368
	Earnings per share	<b>Rupees</b>	2.20	1.94	5.22	4.24

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, 2012.

**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:

**SAZGAR ENGINEERING WORKS LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE NINE MONTHS ENDED MARCH 31, 2012**

(Rupees)

	Chief Executive		Directors		Executives		Total	
	July-March 2012	July-March 2011	July-March 2012	July-March 2011	July-March 2012	July-March 2011	July-March 2012	July-March 2011
Managerial Remuneration	4,704,545	3,940,909	5,113,636	3,840,909	10,445,324	7,676,264	20,263,505	15,458,082
Medical allowance	470,455	394,091	511,364	384,091	1,044,532	767,626	2,026,351	1,545,808
Bonus & leave encashment	-	-	-	-	1,195,812	883,951	1,195,812	883,951
	5,175,000	4,335,000	5,625,000	4,225,000	12,685,668	9,327,841	23,485,668	17,887,841
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.

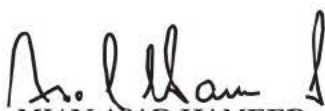
	Jan-March 2012 Rupees	Jan-March 2011 Rupees	Jul-March 2012 Rupees	Jul-March 2011 Rupees
<b>13- SEGMENT RESULTS</b>				
<b>Segment Revenue</b>				
Home appliances	2,958,640	8,334,377	17,225,297	12,874,944
Auto parts	112,216,327	127,313,775	199,163,534	328,060,369
Auto rickshaw	635,721,877	599,966,584	1,862,457,770	1,584,798,077
<b>Total</b>	<b>750,896,844</b>	<b>735,614,736</b>	<b>2,078,846,601</b>	<b>1,925,733,390</b>
<b>Segment operating results</b>				
Home appliances	(444,289)	710,552	549,814	879,283
Auto parts	5,037,446	1,759,852	3,427,019	13,379,300
Auto rickshaw	61,078,506	56,006,120	166,015,644	125,144,663
<b>Total</b>	<b>65,671,662</b>	<b>58,476,524</b>	<b>169,992,477</b>	<b>139,403,245</b>

**14- GENERAL**

14.1-The Board of Directors of the Company has authorized these condensed interim financial statements for issue on April 19, 2012.

14.2-Due to re-designing of product and assembling procedures the annual production capacity of the company has increased from 15,000 units to 20,000 units per annum.

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

  
**MIAN ASAD HAMEED**  
 CHIEF EXECUTIVE

  
**MIAN MUHAMMAD ALI HAMEED**  
 DIRECTOR