

SAZGAR ENGINEERING WORKS LIMITED

Vision

Dynamic, quality conscious and ever progressive.

Mission

- *To be market leader in providing safe, economical, durable, comfortable and environment friendly means of transportation of international quality at competitive prices*
- *To achieve market leadership in automotive wheel-rims of all types and sizes*
- *Grow through innovation of new products and*
- *Give higher return to the stakeholders.*

Corporate Strategy

Achieve optimal performance in production and sale; continuously add value added products at competitive prices by maintaining “quality” as core element; focus on customers’ satisfaction regarding sale, spares and services; explore new markets and enhance customers’ base; ensure right usage of company’s resources; create employment opportunities; protect the interest of stakeholders; and be a part of the country’s development.

**SAZGAR ENGINEERING WORKS LIMITED
COMPANY INFORMATION**

BOARD OF DIRECTORS

Executive Directors

Mrs. Saira Hameed	Chairperson/Director
Mr. Mian Asad Hameed	Chief Executive/Director
Mr. Saeed Iqbal Khan	Director
Mr. Mian Muhammad Ali Hameed	Director

Non-Executive Directors

Mr. Mian Zafar Hameed	Director
Mr. Ishtiaq Ahmed Roomi	Director
Mrs. Khadija Nilofer Ishtiaq	Director

BOARD AUDIT COMMITTEE

Mr. Ishtiaq Ahmed Roomi	Chairman
Mr. Mian Zafar Hameed	Member
Mr. Mian Muhammad Ali Hameed	Member
Mr. Arshad Mahmood	Secretary

COMPANY SECRETARY

Arshad Mahmood

AUDITORS

Kabani Saeed Kamran Patel & Co.
Chartered Accountants

BANKERS

Allied Bank Limited
National Bank of Pakistan
Bank Alfalah Limited
Faysal Bank Limited
Habib Bank Limited
The Bank of Punjab
Atlas Bank Limited

NIB Bank

REGISTERED OFFICE

171- Ali Town, Thokar Niaz Baig
Raiwind Road, Lahore.

FACTORY

18-KM, Raiwind Road, Lahore.

SAZGAR ENGINEERING WORKS LIMITED

DIRECTORS' REVIEW

The directors of your Company are pleased to present their review on the affairs of the Company for the 1st quarter ended September 30, 2010:

Brief overview:

AL-HAMDOLILLAH. Your Company has performed significantly better than the corresponding period of last year and crossed a barrier of Billion Rupees sales revenue. It has been possible only by the Grace of Almighty Allah and continuous efforts of management of your Company who took such measures and decisions which were imperative for the improvement of financial position of the Company. Your Company is constantly focusing on the research and development to improve and innovate the products technically. Under the tough competition the quality of the product would be the key factor in the growth of sales volumes of the Company. During the period the Company also made exports to Kenya, Sri Lanka and Japan, the response so far is very encouraging for the Company.

Sales and Profitability:

During the 3rd quarter, the value of net sales has increased from Rs. 275.028 M to Rs. 480.175 M, gross profit from Rs. 38.67 M to Rs. 63.40 M and pre-tax profit from Rs. 16.45 M to Rs. 36.85 M compared with corresponding period of last year.

Cumulatively for nine months, the value of net sales has increased from Rs. 610.455 M to Rs. 1,290.568 M, gross profit from Rs. 74.96 M to Rs. 157.33 M and pre-tax profit from Rs. 16.19 M to Rs. 82.93 M showing a tremendous improvement in financial position of the Company compared with the corresponding period of last year.

Production:

During the 3rd quarter and cumulatively nine months, the Company produced 2,869 & 7,700 units of Auto Rickshaws whereas during the corresponding periods of last year, the production was 1,358 and 2,900 units respectively.

The production of wheel rims was 23,276 & 81,196 in 3rd quarter and cumulatively nine months whereas the production of wheel rims during the same corresponding periods was 20,544 & 58,915 respectively.

Export Business:

During the period under review, the Kenya office of the Company has become operational and product has been launched. Initially the Company is facing a tough competition from the Indian products but it will be overcome soon due to competitive prices and quality of our products. Moreover, the Company has also found out a strong party in Sri Lanka for the marketing and sale of Auto Rickshaws and first shipment of 21 units has also been dispatched to them. It is also a great honour for the Company to become a first Pakistani company for making export of Auto Rickshaw to Japan. The Company is looking for the increase in export business in the coming period. The sale of current period includes a sum of Rs. 7.41 M on account of exports.

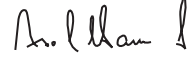
Future Outlook:

The Company is facing a tough competition in the market and is struggling for maintaining of its market share. It is hoped that the cash market will remain positive and your Company will continuously get its market share without comprising on quality of products. It is also worth mentioning that the input cost is increasing rapidly but your Company is unable to increase the prices of its products accordingly due to the prevailing circumstances that may affect the profitability of the Company.

The directors would like to place on record their appreciation for the untiring efforts, teamwork and dedication shown by the Company's employees during the period under review. They would also like to express their gratitude to the valued shareholders, customers, suppliers and financial institutions for their co-operation, constant support and trust reposed in your Company.

Lahore
Dated: 27-04-2010

For and on behalf of the Board



Mian Asad Hameed
(Chief Executive)

SAZGAR ENGINEERING WORKS LIMITED
CONDENSED BALANCE SHEET (UN-AUDITED)
AS AT SEPTEMBER 30, 2010

CAPITAL AND LIABILITIES		September 30, 2010	June 30, 2010
SHARE CAPITAL AND RESERVES	Note	Rupees	Rupees
Authorized share capital 50,000,000 (June 30, 2010: 50,000,000)ordinary shares of Rupees 10 each		500,000,000	500,000,000
Issued, subscribed and paid-up share capital	3	124,808,110	124,808,110
Revenue Reserve - Unappropriated Profit		251,599,701	234,845,631
		376,407,811	359,653,741
NON CURRENT LIABILITIES			
Long term financing		1,200,000	1,800,000
Liabilities against assets subject to finance lease		780,430	956,684
Deferred liabilities		51,541,880	49,326,725
CURRENT LIABILITIES			
Trade and other payables		228,990,721	229,780,882
Mark-up accrued on loans and other payables		2,359,759	2,149,160
Short term Borrowings		101,227,326	71,558,442
Current Portion of long term liabilities		4,275,394	5,952,328
Taxation--Net		44,380,687	34,674,703
		381,233,887	344,115,515
CONTINGENCIES AND COMMITMENTS	4	-	-
TOTAL EQUITY AND LIABILITIES		811,164,009	755,852,665
ASSETS			
NON CURRENT ASSETS			
Property, Plant and Equipment	6	231,999,071	230,540,030
Intangible Assets	7	809,054	945,378
LONG TERM LOANS AND ADVANCES		1,706,200	1,482,700
LONG TERM DEPOSITS		832,137	1,132,137
CURRENT ASSETS			
Stores, spares and loose tools		2,974,425	4,580,530
Stock in trade		347,453,898	308,230,133
Trade debts		86,844,100	89,003,305
Loans & Advances		10,723,417	12,932,933
Trade deposits and short term prepayments		57,898,154	45,912,898
Other receivables		62,565,204	52,212,162
Cash and bank balances		7,358,349	8,880,459
		575,817,546	521,752,420
Total Assets		811,164,009	755,852,665

The annexed notes from 1 to 12 form an integral part of these financial statements.


MIAN ASAD HAMEED
CHIEF EXECUTIVE


SAEED IQBAL KHAN
DIRECTOR

SAZGAR ENGINEERING WORKS LIMITED
CONDENSED PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

	Note	Jul-Sep 2010 Rupees	Jul-Sep 2009 Rupees
SALES - Net	8	477,375,738	376,665,390
COST OF SALES		426,108,332	330,654,326
GROSS PROFIT		<u>51,267,407</u>	<u>46,011,064</u>
Distribution cost		8,390,650	7,672,165
Administrative expenses		10,340,058	8,734,547
Other operating expenses		1,991,064	1,927,407
		<u>20,721,772</u>	<u>18,334,119</u>
		30,545,634	27,676,945
Other operating Income		54,086	238,739
		<u>30,599,721</u>	<u>27,915,684</u>
Finance Cost		3,998,762	1,972,990
PROFIT BEFORE TAXATION		<u>26,600,959</u>	<u>25,942,694</u>
TAXATION	9	9,853,909	9,603,165
PROFIT AFTER TAXATION		<u><u>16,747,050</u></u>	<u><u>16,339,529</u></u>
EARNINGS PER SHARE-BASIC & DILUTED	10	<u><u>1.34</u></u>	<u><u>1.31</u></u>

The annexed notes from 1 to 12 form an integral part of these financial statements.



MIAN ASAD HAMEED
CHIEF EXECUTIVE


SAEED IQBAL KHAN
DIRECTOR

SAZGAR ENGINEERING WORKS LIMITED
CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

	September 2010 Rupees	September 2009 Rupees
PROFIT AFTER TAXATION	16,747,050	16,339,529
OTHER COMPREHENSIVE INCOME FOR THE QUARTER		
Exchange Gain On Translation Of Foreign Operations	10,801	-
Income Tax effect of translation of foreign operations	(3,780)	-
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER	<u>16,754,070</u>	<u>16,339,529</u>

The annexed notes from 1 to 12 form an integral part of these financial statements.


MIAN ASAD HAMEED
CHIEF EXECUTIVE


SAEED IQBAL KHAN
DIRECTOR

SAZGAR ENGINEERING WORKS LIMITED
CONDENSED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

	Jul-Sep 2010 Rupees	Jul-Sep 2009 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	26,600,959	25,942,694
Adjustment for non cash charges and other items:		
Depreciation	3,744,245	3,904,905
Amortization	181,324	155,958
Provision for gratuity	2,468,280	1,969,938
Financial and other charges	5,979,826	3,900,397
Other Income	(52,571)	-
	<u>12,321,103</u>	<u>9,931,198</u>
Effect on cash flow due to working capital changes	38,922,062	35,873,892
(Increase)/decrease in current assets		
Stores, spares and loose tools	1,606,105	(1,019,888)
Stock-in-trade	(39,223,765)	(65,665,352)
Trade debts	2,170,006	9,779,219
Loans and Advances	2,209,516	(2,785,970)
Trade deposits and short term prepayments	(11,985,256)	(24,242,181)
Other receivables	(861,726)	(6,247,000)
Increase /(Decrease) in current liabilities		
Trade and other payables	(2,771,225)	(5,451,217)
Increase in long term loans and advances	(223,500)	-
	<u>(49,079,844)</u>	<u>(95,632,389)</u>
Cash used in operations	(10,157,782)	(59,758,497)
Financial charges paid	(3,788,163)	(1,750,060)
Income tax paid/deducted at source	(9,491,316)	(8,853,518)
Employees retirement benefit - Gratuity paid	(404,830)	(176,000)
Net cash inflow/ (outflow) from operating activities	(23,842,091)	(70,538,075)
CASH FLOW FROM INVESTING ACTIVITIES		
Property, Plant and Equipment	(4,434,174)	(10,309,590)
Decrease in long term deposits	300,000	-
Security deposits with leasing companies	(769,112)	-
Net cash used in investing activities	(4,903,286)	(10,309,590)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long term financing	(600,000)	(600,000)
Proceeds of short term borrowings	51,528,802	8,444,762
Repayment of short term borrowings	(47,085,850)	(1,464,886)
Repayment of finance lease	(2,166,603)	(1,705,430)
Net cash inflow from financing activities	1,676,350	4,674,446
NET DECREASE IN CASH AND CASH EQUIVALENTS	(27,069,027)	(76,173,218)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	(5,511,539)	19,832,563
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	(32,580,566)	(56,340,655)

The annexed notes from 1 to 12 form an integral part of these financial statements.


MIAN ASAD HAMEED
CHIEF EXECUTIVE

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SAEED IQBAL KHAN
DIRECTOR

SAZGAR ENGINEERING WORKS LIMITED
CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

	Share Capital Rupees	Accumulated Profit Rupees	Total Rupees
Balance as at June 30, 2009	104,006,760	207,643,396	311,650,156
Total Comprehensive Income for the Quarter ended September 30, 2009	—	16,339,529	16,339,529
Balance as at September 30, 2009	<u>104,006,760</u>	<u>223,982,925</u>	<u>327,989,685</u>
Issuance of bonus shares	20,801,350	(20,801,350)	—
Total Comprehensive Income for the Nine months ended June 30, 2010	—	31,664,056	31,664,056
Balance as at June 30, 2010	<u>124,808,110</u>	<u>234,845,631</u>	<u>359,653,741</u>
Total Comprehensive Income for the Quarter ended September 30, 2010	—	16,754,070	16,754,070
Balance as at September 30, 2010	<u><u>124,808,110</u></u>	<u><u>251,599,701</u></u>	<u><u>376,407,811</u></u>

The annexed notes from 1 to 12 form an integral part of these financial statements.


MIAN ASAD HAMEED
CHIEF EXECUTIVE


SAEED IQBAL KHAN
DIRECTOR

SAZGAR ENGINEERING WORKS LIMITED
NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

1- STATEMENT OF CONSISTENCY IN ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these 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.

2- BASIS OF PREPARATION

These 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.

3- ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

September 30, 2010 Number	June 30, 2010 Number		September 30, 2010 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
5,317,811	5,317,811	Ordinary shares of Rupees 10/- each allotted as bonus shares	53,178,110	53,178,110
<u>12,480,811</u>	<u>12,480,811</u>		<u>124,808,110</u>	<u>124,808,110</u>

4- CONTINGENCIES AND COMMITMENTS

Contingencies

There is no significant change in the contingent liabilities of the Company since the last annual balance sheet date.

Commitments

Confirmed letters of credit for:

Other than capital expenditure	<u>61,545,253</u>	<u>55,950,230</u>
	<u>61,545,253</u>	<u>55,950,230</u>

Sep 30, 2010 Rupees	Sep 30, 2009 Rupees
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5- TRANSACTIONS WITH RELATED PARTIES

Key management personnels -

Salaries and other employees benefits	<u>5,289,630</u>	<u>5,234,825</u>
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SAZGAR ENGINEERING WORKS LIMITED
NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

	Note	Sep 30, 2010 Rupees	June 30, 2010 Rupees
6- PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets-Tangible	6.1	219,470,842	222,297,360
Capital work in progress		11,759,117	8,242,670
Assets subject to finance Lease	6.2	769,112	-
		<u>231,999,071</u>	<u>230,540,030</u>
6.1-OPERATING FIXED ASSETS-TANGIBLE			
Opening book value		222,297,360	218,278,800
Add: Additions during the period:		<u>917,727</u>	<u>21,092,751</u>
		223,215,087	239,371,551
Less: depreciation charged during the period		<u>3,744,245</u>	16,320,556
deletions during the period		-	753,635
		<u>3,744,245</u>	<u>17,074,191</u>
Closing book value		<u>219,470,842</u>	<u>222,297,360</u>
6.2-ASSETS SUBJECTS TO FINANCE LEASE			
This is the amount given to leasing company as an advance for assets subject to finance lease.			
7- INTANGIBLE ASSETS			
Opening book value		945,378	1,105,470
Add: additions during the period		<u>45,000</u>	466,430
		990,378	1,571,900
Less: amortization charged during the period		<u>181,324</u>	626,522
Closing book value		<u>809,054</u>	<u>945,378</u>

SAZGAR ENGINEERING WORKS LIMITED
NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

	Note	Sep 30, 2010 Rupees	June 30, 2010 Rupees
8- SALES - NET			
Gross sales	8.1	573,965,574	451,993,938
Less: Sales tax and Excise duty		86,506,206	64,966,087
Sales returns		829,702	485,733
Commission		92,53,928	5,876,328
		96,589,836	57,328,148
		<u>477,375,738</u>	<u>376,665,390</u>
8.1- This includes Rs. 0.61million (September 30, 2009: Rs. 0.79 million on account of export sales.)			
9- TAXATION			
Current			
For the period		9,705,984	8,902,687
Deferred			
For the period		147,926	700,478
		<u>9,853,909</u>	<u>9,603,165</u>
10- EARNINGS PER SHARE BASIC AND DILUTED			
Basic earnings per share			
Net profit for the period attributable to ordinary share holders	Rupees	16,747,050	16,339,529
Number of ordinary shares outstanding at the end of the period - Note 10.1	Number	12,480,811	12,480,811
Earnings per share	Rupees	1.34	1.31
10.1- While calculating the earnings per share, number of ordinary shares outstanding at the close of corresponding period has been increased to reflect the effect of bonus shares issued in compliance with the requirements of IAS-33 "Earnings per share".			

SAZGAR ENGINEERING WORKS LIMITED
NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

	Jul-Sep 2010 Rupees	Jul-Sep 2009 Rupees
11- SEGMENT RESULTS		
Segment Revenue (Net)		
Home appliances	459,712	2,815,711
Auto parts	91,260,267	95,043,571
Auto rickshaw	385,655,759	278,806,108
Total	477,375,738	376,665,390
Segment operating results		
Home appliances	60,964	512,583
Auto parts	5,050,269	12,189,174
Auto rickshaw	27,415,465	17,219,282
Total	32,526,698	29,921,039

12- GENERAL

12.1-The Board of Directors of the Company has authorized these financial statements for issue on October 22, 2010.

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


MIAN ASAD HAMEED
CHIEF EXECUTIVE


SAEED IQBAL KHAN
DIRECTOR