

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Sazgar Engineering Works Limited



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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 |
| Mr. Mian Asad Hameed | Chief Executive |
| Mr. Saeed Iqbal Khan | Director |

Non-Executive Directors

| | |
|------------------------------|----------|
| Mr. Mian Zafar Hameed | Director |
| Mr. Ishtiaq Ahmed Roomi | Director |
| Mrs. Khadija Nilofer Ishtiaq | Director |
| Mr. Mian Muhammad Ali Hameed | 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

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, 2008.

Brief overview:

The global financial crises, internal law and order situation and constant depreciation of Pak Rupee has jeopardized the pace of development in the country. The economy is passing through recession, the inflation is at its peak, the financial institutions are reluctant to make further investments. These factors have contributed to erode the purchasing power of the people specifically the buyers of Auto Rickshaws resulting in low sale volumes of the Company. Unfortunately, the NBP could not start its financing scheme "Peoples Rozgar Programme" during the quarter under review and adopted wait and see policy.

Financial Results:

The financial results of the Company during the period under review are showing an effect of depressed economic conditions prevailing in the country. During this quarter, the Company's net turnover has dropped by 30.19% from Rs. 267.40 M to Rs. 187.66 M, gross profit by 50.68% from Rs.51.85 M to Rs. 25.57 M and pretax profit by 84.52% from Rs. 35.52 M to Rs. 5.50 M as compared to the same corresponding period of last financial year. The decrease in turnover and profitability of the Company during the period under review is due to lower sales volume, reduction in selling price of Auto Rickshaw and increase in direct input cost.

The production of CNG 4-stroke Auto Rickshaw remained lower during the period under review. The Company produced 810 units of Auto Rickshaw during this period whereas the production of Auto Rickshaws during the corresponding period was 1,463 units.

In addition to above, the production of wheel rims was 19,185 (September 30, 2007: 22,280 wheel rims). The reduction in production is on account of reduced orders placed by the tractors' assemblers.

Future Outlook:

The management is trying its level best to generate cash sales of Auto Rickshaws. In this regard some incentive schemes have been formulated that will stimulate to boost the sales volume of the Company. Moreover, efforts are being made to launch "Sazgar Tempo" Three wheels Loader as soon as possible. It is also expected that the National Bank of Pakistan (NBP) will soon re-start NBP Karobar Scheme which will too help to general substantial volume of sales in the periods to come.

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: 29-10-2008

For and on behalf of the Board,



Mian Asad Hameed
(Chief Executive)

SAZGAR ENGINEERING WORKS LIMITED
BALANCE SHEET (UN-AUDITED) AS AT SEPTEMBER 30, 2008

| | Note | September 30, 2008 Rupees | June 30, 2008 Rupees |
|---|------|---------------------------------|----------------------------|
| CAPITAL AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorized share capital 50,000,000 (June 30, 2008: 50,000,000) ordinary shares of Rupees 10 each | | <u>500,000,000</u> | <u>500,000,000</u> |
| Issued, subscribed and paid-up share capital | 3 | 86,672,300 | 86,672,300 |
| Un-appropriated Profit | | <u>214,284,181</u> | <u>210,747,876</u> |
| | | <u>300,956,481</u> | <u>297,420,176</u> |
| NON CURRENT LIABILITIES | | | |
| Long term finances | | 6,000,000 | 6,600,000 |
| Liabilities against assets subject to finance lease | | 8,259,025 | 10,098,212 |
| Deferred liabilities | | 32,995,886 | 31,060,557 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | <u>122,934,641</u> | <u>190,175,956</u> |
| Interest and mark-up accrued on loans and other payables | | 2,437,121 | 1,297,835 |
| Short term finances and advances | | 71,440,624 | 63,549,229 |
| Current maturity of long term liabilities | | 10,483,650 | 12,067,919 |
| Provision for taxation | | <u>70,098,957</u> | <u>68,573,796</u> |
| | | <u>277,394,993</u> | <u>335,664,735</u> |
| CONTINGENCIES AND COMMITMENTS | 4 | - | - |
| TOTAL EQUITY AND LIABILITIES | | <u><u>625,606,385</u></u> | <u><u>680,843,680</u></u> |
| ASSETS | | | |
| NON CURRENT ASSETS | | | |
| Fixed Assets | | | |
| Property, Plant and Equipment | 6 | 228,705,208 | 209,943,302 |
| Intangible Assets | 7 | 1,568,260 | 1,724,401 |
| LONG TERM SECURITY DEPOSITS | | 791,457 | 771,457 |
| CURRENT ASSETS | | | |
| Stores, spares and loose tools | | <u>6,548,260</u> | <u>3,668,373</u> |
| Stock-in-trade | | 195,073,665 | 193,317,850 |
| Trade debts | | 92,652,042 | 202,015,093 |
| Advances, deposits, prepayments and other receivables | | 88,458,317 | 57,452,299 |
| Cash and bank balances | | <u>11,809,177</u> | <u>11,950,905</u> |
| | | <u>394,541,461</u> | <u>468,404,520</u> |
| TOTAL ASSETS | | <u><u>625,606,385</u></u> | <u><u>680,843,680</u></u> |

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


MIAN ASAD HAMEED
 CHIEF EXECUTIVE

4


SAEED IQBAL KHAN
 DIRECTOR

SAZGAR ENGINEERING WORKS LIMITED
PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2008

| | Note | Jul-Sep 2008 Rupees | Jul-Sep 2007 Rupees |
|-------------------------------|------|---------------------------|---------------------------|
| SALES - Net | 8 | 186,656,749 | 267,397,388 |
| COST OF SALES | | 161,082,839 | 215,543,162 |
| GROSS PROFIT | | <u>25,573,910</u> | <u>51,854,226</u> |
| Distribution cost | | 6,565,277 | 5,293,077 |
| Administrative expenses | | 8,840,305 | 6,264,800 |
| Other operating expenses | | 430,273 | 2,628,608 |
| | | <u>15,835,855</u> | <u>14,186,485</u> |
| | | 9,738,054 | 37,667,741 |
| Other operating income | | 86,615 | - |
| | | <u>9,824,669</u> | <u>37,667,741</u> |
| FINANCE COST | | 4,327,697 | 2,144,924 |
| PROFIT BEFORE TAXATION | | <u>5,496,972</u> | <u>35,522,817</u> |
| TAXATION | 9 | 1,960,667 | 12,176,415 |
| PROFIT AFTER TAXATION | | <u>3,536,305</u> | <u>23,346,402</u> |
| EARNINGS PER SHARE | 10 | <u>0.41</u> | <u>2.69</u> |

The appropriations from profits are set out in statement of changes in equity.

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
CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2008

| | Jul-Sep 2008 | Jul-Sep 2007 |
|---|-----------------|-----------------|
| | Rupees | Rupees |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 5,496,972 | 40,317,736 |
| Adjustments for non cash charges and other items: | | |
| Depreciation | 3,583,370 | 2,582,257 |
| Amortization | 156,141 | 157,654 |
| Provision for gratuity | 1,739,223 | 1,117,431 |
| Financial and other charges | 4,737,970 | 5,113,502 |
| | 10,216,704 | 8,970,844 |
| Effect on cash flow due to working capital changes | 15,713,676 | 49,288,580 |
| (Increase) / decrease in current assets: | | |
| Stores, spares and loose tools | (2,879,887) | 611,498 |
| Stock - in - trade | (1,755,815) | (13,683,149) |
| Trade debts | 109,363,051 | (70,723,478) |
| Advances, deposits, prepayments and other receivables | (25,178,041) | (43,808,412) |
| Increase/(decrease) in current liabilities | | |
| Trade and other payables | (67,651,588) | 47,827,504 |
| | 11,897,721 | (79,776,037) |
| | 27,611,397 | (30,487,457) |
| Financial charges paid | (3,188,410) | (1,059,480) |
| Income tax paid / deducted at source | (5,827,976) | (3,538,197) |
| Employees retirement benefit - Gratuity | (239,400) | (123,550) |
| | 18,355,610 | (35,208,684) |
| Net Cash inflow / (outflow) from operating activities | | |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Property, Plant and Equipment | (22,857,803) | (4,711,864) |
| (Increase) / decrease in long term security deposits | (20,000) | - |
| Security deposit with leasing companies | - | (227,250) |
| Sale proceeds from sale of fixed assets | 512,529 | - |
| | (22,365,274) | (4,939,114) |
| Net cash used in investing activities | | |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds / (repayment) of long term finances | (600,000) | (600,000) |
| Proceed from short term finances and advances | 11,386,511 | 26,208,610 |
| Repayment of short term finances and advances | (24,228,640) | - |
| Repayment of finance lease | (3,494,523) | (2,109,251) |
| Proceeds from finance lease | - | 1,515,000 |
| | (16,936,652) | 25,014,359 |
| Net cash inflow/(outflow) from financing activities | | |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | (20,946,316) | (15,133,439) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | (15,061,078) | 16,243,385 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | (36,007,394) | 1,109,946 |

The annexed notes from 1 to 11 form an integral part of these financial statements.


MIAN ASAD HAMEED
CHIEF EXECUTIVE


SAEED IQBAL KHAN
DIRECTOR

SAZGAR ENGINEERING WORKS LIMITED
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2008

| | SHARE CAPITAL Rupees | ACCUMULATED PROFIT Rupees | TOTAL Rupees |
|---|----------------------------|---------------------------------|---------------------------|
| Balance as at June 30, 2007 | 78,793,000 | 91,151,276 | 169,944,276 |
| Profit for the quarter ended September 30, 2007 | — | 23,346,402 | 23,346,402 |
| Balance as at September 30, 2007 | <u>78,793,000</u> | <u>114,497,678</u> | <u>193,290,678</u> |
| Issuance of bonus shares | 7,879,300 | (7,879,300) | — |
| Final cash dividend for the year ended June 30, 2007 (@ Re. 1/- per share) | — | (7,879,300) | (7,879,300) |
| Profit for the nine months ended June 30, 2008 | — | 112,008,798 | 112,008,798 |
| Balance as at June 30, 2008 | <u>86,672,300</u> | <u>210,747,876</u> | <u>297,420,176</u> |
| Profit for the quarter ended September 30, 2008 | — | 3,536,305 | 3,536,305 |
| Balance as at September 30, 2008 | <u><u>86,672,300</u></u> | <u><u>214,284,181</u></u> | <u><u>300,956,481</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 ACCOUNTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2008**

1- STATEMENT OF CONSISTENCY IN ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these accounts are the same as those applied in the preparation of the annual preceding published accounts of the Company for the year ended June 30, 2008.

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

| Sep. 30 2008 Number | June 30, 2008 Number | | Sep. 30 2008 Rupees | June 30, 2008 Rupees |
|---------------------------|----------------------------|---|---------------------------|----------------------------|
| 7,163,000 | 7,163,000 | Ordinary shares of Rupees 10/- each fully paid up in cash | 71,630,000 | 71,630,000 |
| 1,504,230 | 1,504,230 | Ordinary shares of Rupees 10/- each allotted as bonus shares | 15,042,300 | 15,042,300 |
| <u>8,667,230</u> | <u>8,667,230</u> | | <u>86,672,300</u> | <u>86,672,300</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 | 46,764,978 | 11,877,821 |
|--------------------------------|------------|------------|

SAZGAR ENGINEERING WORKS LIMITED
NOTES TO THE ACCOUNTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2008

| | Note | Sep 30, 2008 Rupees | Sep 30, 2007 Rupees |
|--|------|------------------------------------|-------------------------------------|
| 5- TRANSACTIONS WITH ASSOCIATED COMPANY | | | |
| Purchases | | - | 6,009,782 |
| | | Sep 30, 2008 Rupees | June 30, 2008 Rupees |
| 6- PROPERTY, PLANT AND EQUIPMENT | | | |
| Operating fixed assets-Tangible | 6.1 | 203,175,126 | 185,395,421 |
| Capital work in progress | | 25,530,082 | 19,547,881 |
| Advance for purchase of land | | - | 5,000,000 |
| | | <u>228,705,208</u> | <u>209,943,302</u> |
| 6.1- OPERATING FIXED ASSETS-TANGIBLE | | | |
| Opening book value | | 185,395,421 | 108,883,983 |
| Add: additions during the period | | <u>21,875,600</u> | <u>89,407,708</u> |
| | | 207,271,021 | 198,291,691 |
| Less: depreciation charged during the period | | <u>3,583,366</u> | <u>12,404,479</u> |
| deletions during the period | | <u>512,529</u> | <u>491,791</u> |
| | | 4,095,895 | 12,896,270 |
| Closing book value | | <u>203,175,126</u> | <u>185,395,421</u> |
| 7. INTANGIBLE ASSETS | | | |
| Opening book value | | 1,724,401 | 2,346,539 |
| Add: additions during the period | | - | - |
| | | <u>1,724,401</u> | <u>2,346,539</u> |
| Less: amortization charged during the period | | <u>156,141</u> | <u>622,138</u> |
| Closing book value | | <u>1,568,260</u> | <u>1,724,401</u> |
| 8. SALES - NET | | Jul-Sep 2008 Rupees | Jul-Sep 2007 Rupees |
| Gross sales | | 223,367,930 | 325,794,245 |
| Less: Sales tax | | <u>30,721,258</u> | <u>42,494,898</u> |
| Commission | | <u>2,999,149</u> | <u>15,469,744</u> |
| Sales returns | | <u>2,990,774</u> | <u>432,215</u> |
| | | 36,711,181 | 58,396,857 |
| | | <u>186,656,749</u> | <u>267,397,388</u> |

SAZGAR ENGINEERING WORKS LIMITED
NOTES TO THE ACCOUNTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2008

| | Jul-Sep 2008 Rupees | Jul-Sep 2007 Rupees |
|---|---|---------------------------|
| 9. TAXATION | | |
| Current | | |
| For the period | 1,525,161 | 12,021,040 |
| Deferred | | |
| For the period | 435,506 | 155,375 |
| | 1,960,667 | 12,176,415 |
| 10. EARNINGS PER SHARE | | |
| Basic Earnings Per Share: | | |
| Net profit for the period attributable to ordinary share holders | Rupees 3,536,305 | 23,346,402 |
| Number of ordinary shares outstanding at the end of the period -Note 10.1 | Numbers 8,667,230 | 8,667,230 |
| Earnings Per Share | Rupees 0.41 | 2.69 |
| 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". | |
| 11. SEGMENT RESULTS | | |
| Segment Revenue - Net | | |
| Home Appliances | 159,247 | 1,886,109 |
| Auto Parts | 95,802,322 | 69,932,003 |
| Auto Rickshaw | 90,695,180 | 195,579,276 |
| Total | 186,656,749 | 267,397,388 |
| Segment Operating Results | | |
| Home Appliances | (105,018) | 438,488 |
| Auto Parts | 16,485,198 | 7,297,994 |
| Auto Rickshaw | (6,231,852) | 32,544,866 |
| Total | 10,148,328 | 40,281,348 |
| 12. GENERAL | | |

12.1 - The Board of Directors of the Company has authorized these financial statements for issue on October 29, 2008.

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


MIAN ASAD HAMEED
 CHIEF EXECUTIVE


SAEED IQBAL KHAN
 DIRECTOR