



Sazgar Engineering Works Limited

سازگار
Sazgar

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



CONTENTS

Vision, Mission and Corporate Strategy	1
Company Information	2
Notice of Annual General Meeting	3
Directors' Report	5
Statement of Compliance with Best Practices of Corporate Governance	13
Auditors' Review Report on Statement of Compliance with Best Practices of Corporate Governance	15
Auditor's Report to the Members	16
Balance Sheet	17
Profit and loss Account	19
Statement of Comprehensive Income	20
Cash Flow Statement	21
Statement of Changes in Equity	22
Notes to the Financial Statements	23
Form of Proxy	49



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 service; 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.



BOARD OF DIRECTORS

Executive Directors

Mrs. Saira Hameed

Mr. Mian Asad Hameed

Mr. Saeed Iqbal Khan

Mr. Mian Muhammad Ali Hameed

Chairperson/Director

Chief Executive/Director

Director

Director

Non-Executive Directors

Mr. Mian Zafar Hameed

Mr. Ishtiaq Ahmed Roomi

Mrs. Khadija Nilofer Ishtiaq

Director

Director

Director

BOARD AUDIT COMMITTEE

Mr. Ishtiaq Ahmed Roomi

Mr. Mian Zafar Hameed

Mr. Mian Muhammad Ali Hameed

Mr. Arshad Mahmood

Chairman

Member

Member

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.



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 19th Annual General Meeting of **Sazgar Engineering Works Limited** will be held at 171-Ali Town, Thokar Niaz Baig, Raiwind Road, Lahore on Friday, October 22, 2010 at 10:30 A.M. to transact the following businesses:

ORDINARY BUSINESSES:

1. To confirm the minutes of 18th Annual General Meeting of the Company held on October 31, 2009.
2. To receive, consider and adopt the Annual Audited Accounts of the company for the year ended 30th June, 2010 together with the Directors' and Auditors' Reports thereon.
3. To approve a cash dividend @ 10% of current paid up share capital i.e. Rupee 1/- per ordinary share for the year ended June 30, 2010 as recommended by the Board of Directors.
4. To approve the issue of bonus shares @ 20% i.e. 20 ordinary shares for every 100 ordinary shares held as recommended by the Board of Directors.
5. To appoint Auditors and fix their remuneration for the year ending June 30, 2011.

SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass the following resolutions as ordinary resolutions with or without modification:

(i) **“Resolved** that a sum of Rs. 24,961,620/- out of the Company's profits available for appropriations as at June 30, 2010 be capitalized and be applied for the issue of 2,496,162 fully paid ordinary shares of Rs. 10/- each as bonus shares to be allotted to those shareholders whose names appear in the register of members at the close of the business on October 15, 2010 in the proportion of twenty (20) ordinary shares for every hundred (100) ordinary shares held by a member. The said shares shall rank pari passu with the existing shares of the Company as regard future dividend and all other respects but shall not be eligible for the Cash Dividend declared for the year ended June 30, 2010.”

(ii) **“Further resolved** that all the fractional Bonus Shares shall be consolidated into whole shares and sold in the Stock Market. The proceeds of sale of consolidated fractional shares when realized shall be paid to a charitable institution approved under the Income Tax Ordinance, 2001.”

(iii) **“Further resolved** that directors and company secretary individually be and are hereby authorized and empowered to give effect to these resolutions and to do or cause to be done all acts, deeds and things that may be necessary or required for the issue, allotment and distribution of bonus shares.”

OTHER BUSINESS:

7. To transact any other business which may be placed before the meeting with the permission of the Chairperson.

Lahore
October 01, 2010

By order of the Board


Arshad Mahmood
(Company Secretary)



Notes:

- a. The share transfer books of the company will remain closed from October 16, 2010 to October 22, 2010 (both days inclusive). Transfers received in order at 171-Ali Town, Thokar Niaz Baig, Raiwind Road, Lahore at the close of business on 15th October 2010 will be treated in time for entitlement of cash dividend, bonus shares and to attend the Annual General Meeting.
- b. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for his/her behalf. Proxies in order to be effective must be received at the registered office of the company duly stamped and signed not less than 48 hours before the time of holding the meeting.
- c. Members are requested to promptly communicate change in their addresses, if any.

CDC Account Holders will further have to follow the guidelines as laid down in Circular 1 dated January 26, 2000 issued by Securities and Exchange Commission of Pakistan for attending the meeting and appointment of proxies.

STATEMENT U/S 160(1)(b) OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on Friday, October 22, 2010.

ITEM NO. 6 OF THE AGENDA

The Board of Directors has recommended 20% bonus shares from the profits available for appropriations as at June 30, 2010 by capitalization of a sum of Rs. 24,961,620/- for the issuance of 2,496,162 fully paid bonus shares.

The directors of the Company have no interest directly or indirectly in the Special Business except to the extent that they are members of the Company.



DIRECTORS' REPORT

The directors of your company are pleased to present the 19th Annual Report along with the audited accounts of the Company for the year ended 30th June 2010:

BUSINESS OVERVIEW:

AL-HAMDULILLAH your company has performed very well during the year under review and made a highest net sale of Rupees 1.823 Billion. The major increase in sale is on account of Auto Rickshaw which has gained confidence of buyers resulting into increase in demand thereof. The constant improvement of quality of "Sazgar" Auto Rickshaw and innovation has made it market leader and right choice of the customer. It has been possible only by the Grace of Almighty Allah Who has showered His Blessings on your Company.

In addition to the local sales your company is focusing on export business and has made some shipments of exports to Kenya, Sri Lanka and Japan.

FINANCIAL RESULTS:

	2010 (Rupees)	2009 (Rupees)
Profit before taxation	79,784,934	25,947,824
Provision for taxation	31,791,174	11,717,844
Profit after taxation	<u>47,993,760</u>	<u>14,229,980</u>
Un appropriated Profit brought forward	<u>186,842,046</u>	<u>193,413,416</u>
Profit available for appropriation	234,835,806	207,643,396

Appropriations:

Cash dividend @ 10% (2009:Nil)	12,480,811	-
Reserves for issuance of bonus shares @ 20%(2009: 20%)	24,961,620	20,801,350
	<u>37,442,431</u>	<u>20,801,350</u>
Un appropriated profit carried forward	<u>197,393,375</u>	<u>186,842,046</u>

Sales Revenue:

The overall net sales revenue of the Company has increased by 91.48% from Rupees 952.54 million to Rupees 1,823.97 million during the period under review. Segment wise: The net sales of Auto Rickshaws has jumped from Rupees 580.56 million to Rupees 1,359.13 million reflecting a rise of 134.11% and net sales of auto parts has increased from Rupees 366.35 to Rupees 457.85 showing a rise of 24.97% . The net sales of home appliances has inclined from Rupees 5.623 million to Rupees 7.00 million compared with the corresponding period of last year. The rise in sale of Auto Rickshaw was due to higher demand of "Sazgar Auto Rickshaw" and auto parts due to increased orders placed by the Tractor Assemblers during the period under review.

Gross Profit:

The company is facing a tough market competition and is unable to increase the prices of its products in ratio of input cost escalation resultantly forced to absorb increased costs that caused the reduction in gross profit margin ratio from 10.90% to 10.20%.

Company earned gross profit of Rupees 185.94 million during the year under review showing an increase of Rupees 82.12 million compared with the corresponding year.



Operating Expenses:

The operating expenses are normal, the increase is due to higher sales volume, rise in salary rate and inflation factor.

Earning Per Share:

The Earning per share of Rupees 3.85 for the current period is significantly better than the last corresponding period of Rupees 1.14.

Production:

During the period, the Company produced 10,863 units of Auto Rickshaws compared with 4,690 units produced during the corresponding period of last year reflecting a 80.47 % utilization of production capacity of the plant.

Whereas the production of wheel rim was 105,814 compared with 90,530 during the same corresponding period of last year showing an increase of 16.88%.

CASH DIVIDEND AND BONUS SHARES:

The Board of Directors, at their meeting held on September 24, 2010, has recommended a Cash Dividend @ 10% i.e. Rupee 1.00 per share (2009: Nil) and 20% bonus shares i.e. 20 ordinary shares for every 100 ordinary shares for the year ended June 30, 2010 (2009: 20% bonus shares) subject to the approval of shareholders in the 19th Annual General Meeting. Thus a total of Rupees 24.962 million will be capitalised resulting in an increase of paid up share capital to Rupees 149.770 million.

FUTURE OUTLOOK:

4-Stroke CNG Motor Cab Auto Rickshaw:

Constant Research and development for the improvement and innovation of products is an important tool of your company to remain ahead of competition. The company will continue to work in the same letter and spirit and consistently try to introduce new models of Auto Rickshaw becoming forever need of the customers.

Keeping in view the rapid growth in market size of 4-stroke Auto Rickshaw in the year under review, it is hoped that this trend will continue at the same pace in the foreseeable future. Your company expects to capture major market share due to its exclusive quality and solid customer service network through out the country.

Wheel Rims:

There has been seen a tremendous growth in the production of tractors during last few years. Both tractor assemblers have made highest ever production during the current financial year. It is hoped that the same trend will continue in the year to come and resultantly your company would receive orders of large quantities of tractor wheel rims.

Export:

For the establishment of export business in the surrounding region and African countries, your company is making untiring efforts and INSHALLAH with the passage of time the exports will increase.

In Kenya the company has formed its own office to market product and establish brand in the area. The response so far is slow but positive.

In Sri Lanka, the distributor/dealer has introduced the "Sazgar" Auto Rickshaw in the market in a very professional way along with availability of spares and after sale service. As per their feed back, they are receiving good response from the customers. Soon the company will start receiving repeat orders from this region.

CORPORATE SOCIAL RESPONSIBILITY:

Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.



The company is committed to provide financial support and healthy working environment to its employees. The financial support is provided in form of medical facilities, food, transport facility etc. Each year two employees are sent to perform Hajj on company expense. The employees are also given interest free loan to fulfill their personal and family needs. They are encouraged to share their new ideas for the betterment of the company.

Safety of workers during operation and their health is imperative for the progress of the company. The company is committed to take all measures for the safety and health of the employees.

Workers are provided training for the right use of the machinery with special focus on electrical items. However, any machinery if used with negligence can be harmful for the operator. In case of accident first aid facility has been available in the factory and to meet emergency transport is present in factory 24-hours.

The workers are also provided clean filtered drinking water which helps them to save from many diseases.

The company gives donations to the recognized medical institutions helping in providing free of cost medical facilities to the poor people of the society.

The company is serving the society by producing and selling the product CNG 4-stroke Auto Rickshaw at fair price which is a good source of livelihood for the poor people of the society. It is also helping in protecting environment and various diseases due to its lower carbon emission. For the safety of the users like driver and passengers, constant improvements are being made in the product. Strict quality controls are in place at every stage of production and PDI to ensure delivery of best vehicle to the customers.

For the protection of environment, the company has made plantation inside as well as outside the factory. Wastages and scraps are properly managed and disposed off. Company's production scrap is used as input material for making new products and in this way does not pollute the environment.

The company does not do business with those people who are likely to harm the company's reputation, for example, the people who intentionally and continually violate the law. The law may include taxation, corporate, local environmental, labour laws, safety, anti-corruption law etc. Further the company does not use a third party to perform any act prohibited by law.

The company is committed to behave like a responsible citizen in paying of its share of taxation. During the year company has made contribution of Rs. 369.713 Million to national exchequer in form of income tax, sales tax, custom duties and excise.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE:

The directors of your company are pleased to state that your Company is in compliance with the provisions of Code of Corporate Governance as are applicable for the current year. The various statements, as required by the Code, are given below:

- **Presentation of Financial Statements** The financial statements prepared by the management present fairly the Company's state of affairs, the results of its operations, cash flows and changes in equity;
- **Books of Account** Proper books of account have been maintained;
- **Accounting Policies** Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement;
- **Compliance with International Accounting Standards (IAS)** International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements;
- **Internal Control System** The system of internal control is sound in design and has been effectively implemented and is being monitored continuously. The review will continue in future for the improvement in controls;
- **Going Concern** There are no significant doubts upon the Company's ability to continue as a going concern;
- **Best Practices of Corporate Governance** There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations wherever applicable to the Company for the year ended June 30, 2010.



- **Financial Data of Last Years** Key operating and financial data of last six years is annexed as per annexure "A"

Dividend The Board has recommended a Cash Dividend @10% and bonus shares @ 20% for the year under review.

Outstanding Statutory Dues The outstanding statutory dues are given in notes to the Financial Statements.

Significant Plans and Decisions The Company is looking for continuous diversification in automobile sector in order to add more products into production line.

Board Meetings During the year six (6) board meetings were held. The attendance by each director is given below:

Name of Directors	Number of meetings attended
Mr. Mian Asad Hameed	5
Mr. Mian Zafar Hameed	6
Mr. Saeed Iqbal Khan	6
Mrs. Saira Hameed	6
Mr. Ishtiaq Ahmad Roomi	5
Mr. Mian Muhammad Ali Hameed	6
Mrs. Khadija Nilofer Ishtiaq	5
Mr. Amjad Wazir	0 (ceased to be an alternate director during the year)
(Alternate director of Mr. Mian Muhammad Ali Hameed)	

Leave of absence was granted to the Directors who could not attend the Board Meetings.

Pattern of shareholding The pattern of shareholding is annexed as per annexure "B".

Trading in Company's Shares by Directors, CEO, CFO, Company Secretary and their spouse and minor children during the year:

Purchase, sale of Shares and change in beneficial ownership:

	Purchase	Sale
Mian Asad Hameed	870,702 (bonus shares)	-
Mian Zafar Hameed	35,615 (bonus shares)	49,711
Saeed Iqbal Khan	85,601 (bonus shares)	-
Mrs. Saira Hameed	127,543 (bonus shares)	-
Mian Muhammad Ali Hameed	243,557 (bonus shares)	-
Ishtiaq Ahmad Roomi	1,605 (bonus shares)	-
Khadija Nilofer Ishtiaq	14,520 (bonus shares)	-
Arshad Mahmood	1,452 (bonus shares)	-
Amjad Wazir	-	600
(Alternate Director of Mian Muhammad Ali Hameed)		

APPOINTMENT OF WORKING DIRECTOR:

The Board of Directors has appointed Mr. Mian Muhammad Ali Hameed as working director of the Company subsequent to the year under review. An abstract of terms of his appointment is attached with the report.

AUDITORS:

The present auditors retire and being eligible offer themselves for reappointment.



EMPLOYEES RELATIONS:

The management and employees relationship is very cordial and it is hoped that both will work with the same spirit to achieve the desired goals of the Company.

ACKNOWLEDGEMENT:

We would like to place on record our appreciation for the untiring efforts, teamwork and dedication shown by the Company's employees during the year under review.

We would also like to express our gratitude to our valued shareholders, customers, suppliers and financial institutions for their co-operation, constant support and trust reposed in your Company that has enabled us to achieve the desired targets.

Lahore:
September 24, 2010

For and on behalf of the Board


Mian Asad Hameed
(Chief Executive)



ANNEXURE-A

SUMMARY OF LAST SIX YEARS'
FINANCIAL RESULTS

Description	2010	2009	2008	2007	2006	2005
	Rupees					
Profit and Loss Account:						
Turnover	1,823,973,707	952,539,933	1,544,715,036	618,614,292	376,919,915	290,486,881
Gross Profit	185,940,205	103,819,131	302,947,580	119,682,153	78,263,121	45,685,233
Operating Profit / (Loss)	90,516,588	40,107,931	220,117,355	87,577,286	56,630,246	32,735,685
Profit / (Loss) before taxation	79,784,934	25,947,824	208,830,307	82,286,103	51,520,555	29,676,810
Profit / (Loss) after taxation	47,993,760	14,229,980	135,355,200	53,466,483	34,024,537	25,875,468
Balance Sheet:						
Paid up share capital	124,808,110	104,006,760	86,672,300	78,793,000	71,630,000	71,630,000
Accumulated Profit / (Loss)	234,845,631	207,643,396	210,747,876	91,151,276	44,847,793	10,823,257
Fixed Capital Expenditure	231,485,408	223,939,154	211,667,703	127,681,222	106,155,037	89,376,233
Other long term assets	2,614,837	816,457	771,457	771,457	723,525	723,525
Net current assets / (liabilities)	177,636,905	134,489,810	132,739,785	76,063,321	32,109,743	15,088,380
Long term liabilities	52,083,409	47,595,264	47,758,769	34,571,724	22,510,512	22,734,882
Significant Ratios:						
Gross profit ratio %	10.90	10.90	19.61	19.35	20.76	15.73
Profit / (loss) before tax ratio %	4.37	2.72	13.52	13.30	13.67	10.22
Fixed assets turnover ratio %	787.94	425.36	729.78	484.50	355.07	325.02
Price earning ratio - times	6.44	20.39	10.13	16.73	16.14	10.61
Return on capital employed %	21.98	11.16	63.85	42.87	40.76	31.12
Market value per share (KSE) Rs.	24.75	23.25	109.87	71.65	44.00	22.00
Long term Debt : Equity ratio	13:87	13:87	14 : 86	13 : 87	16 : 84	22 : 78
Current ratio	1.52 : 1	1.54 : 1	1.39 : 1	1.46 : 1	1.28 : 1	1.17 : 1
Interest cover ratio - times	7.70	2.69	19.04	16.23	11.04	10.70
Earnings per share Rs.	3.85	1.14	10.85	4.28	2.73	2.07

Note: Earnings Per Share, consequently Price Earning ratio, has been adjusted to reflect the effect of bonus shares.



FORM -34


ANNEXURE-B

THE COMPANIES ORDINANCE, 1984 (SECTION 236)
PATTERN OF SHAREHOLDING AS ON JUNE 30, 2010

Registration Number: 0025184

NUMBER OF SHAREHOLDERS	SHAREHOLDING		TOTAL SHARES HELD
	FROM	TO	
101	1	-	4,322
114	101	-	29,783
172	501	-	143,646
124	1,001	-	289,173
32	5,001	-	250,716
20	10,001	-	256,781
4	15,001	-	71,692
2	20,001	-	48,278
4	25,001	-	110,600
2	30,001	-	69,696
1	35,001	-	38,065
3	40,001	-	131,760
2	50,001	-	106,872
2	55,001	-	114,356
1	60,001	-	60,480
1	70,001	-	71,484
1	85,001	-	87,120
1	95,001	-	95,832
1	120,001	-	122,400
1	175,001	-	179,730
2	185,001	-	373,759
1	210,001	-	214,923
1	245,001	-	249,420
1	330,001	-	331,161
1	400,001	-	405,000
1	510,001	-	513,606
1	655,001	-	659,334
1	765,001	-	765,261
1	1,460,001	-	1,461,346
1	5,220,001	-	5,224,215
600			12,480,811

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHARES HELD	PERCENTAGE OF SHAREHOLDING
I Directors, Chief Executive Officer, Their Spouse And Minor Children	8,465,261	67.83 %
II Associated Companies, Undertakings & Related Parties	-	-
III NIT and ICP	-	-
IV Banks, Development Financial Institutions, Non Banking Financial Institutions	-	-
V Insurance Companies	-	-
VI Modarabas and Mutual Funds	9,119	0.07 %
VII Shareholders Holding Ten Percent and above	6,685,561	53.57 %
VIII General Public		
a. Local	3,903,454	31.28 %
b. Foreign	-	-
IX Others (to be specified)		
Joint Stock Companies	88,970	0.71 %
Trustees Adamjee Foundation	14,007	0.11 %


MIAN ASAD HAMEED
CHIEF EXECUTIVE



ANNEXURE-B/1

PATTERN OF SHAREHOLDING

CATEGORIES OF SHAREHOLDERS		NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD
I	Associated Companies Undertakings & Related Parties	Nil	-
II	NIT/ICP	Nil	-
III	Directors, Chief Executive, Their Spouse And Minor Children	9	8,465,261
	i. Mian Asad Hameed	1	5,224,215
	ii. Mian Zafar Hameed	1	188,286
	iii. Mian Muhammad Ali Hameed	1	1,461,346
	iv. Mr. Saeed Iqbal Khan	1	513,606
	v. Mr. Ishtiaq Ahmed Roomi	1	9,633
	vi. Mrs. Saira Hameed	1	765,261
	vii. Mrs. Khadija Nilofer Ishtiaq	1	87,120
	viii. Mrs. Naghmana Saeed W/o Mr. Saeed Iqbal Khan	1	214,923
	ix. Mrs. Amberen Zafar Hameed W/o Mian Zafar Hameed	1	871
IV	Executives	1	8,712
V	Public Sector Companies and Corporation	Nil	
VI	Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Modarabas, Mutual Funds	6	156,500
VII	Shareholders Holding Ten Percent or More Voting Interests	2	6,685,561
	I. Mian Asad Hameed	1	5,224,215
	ii. Mian Muhammad Ali Hameed	1	1,461,346

MIAN ASAD HAMEED
CHIEF EXECUTIVE



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2010

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The company encourages representation of independent non-executive directors on its Board of Directors. The Board includes four (4) non-executive directors during the year which subsequently reduced to three (3).
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the resident directors of the company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy was occurred in the Board during the current year.
5. The company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision and mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they are approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board.
8. The meetings of the Board were presided over by the Chairperson. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged inhouse orientation course for its directors during the year to apprise of their duties and responsibilities.
10. There was no change in office of Chief Financial Officer and Company Secretary of the Company during the period under review.
11. The Directors' report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The related parties transactions have been placed before the Audit Committee for review and approved by the Board of Directors.
15. The company has complied with all the corporate and financial reporting requirements of the Code.



16. The Board has formed a Board Audit Committee. It comprises three (3) members including Chairman, all of them were non-executive directors during the year. Subsequently the non-executive directors reduced to two (2).
17. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the code. The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The Company has an effective internal audit function.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all material principles contained in the Code have been complied with.

For and on behalf of the Board

MIAN ASAD HAMEED
CHIEF EXECUTIVE

Lahore:
September 24, 2010



REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE.

We have reviewed the statement of compliance with the best practices contained in the code of corporate governance prepared by the Board of Directors of **Sazgar Engineering Works Limited** (“the Company”) to comply with the listing regulation of the Karachi, Lahore and Islamabad stock exchanges where the Company Listed.

The responsibility for compliance with the code of corporate governance is that of the Board of Directors of the Company. Our responsibility is to review to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the Company's compliance with the provisions of the code of corporate governance and reports if it does not. A review is limited primarily to inquiries of the Company's personal and review of various documents prepared by the Company to comply with the code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguished between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out a procedure to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2010.

September 24, 2010
Lahore.

Kabani Saeed Kamran Patel & Co.
Chartered Accountants
Muhammad Yousaf



AUDITORS REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Sazgar Engineering Works Limited** (“the **Company**”) as at June 30, 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statement in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that the plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimate made by the management, as well as, evaluating the overall presentations of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 - (ii) The expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investment made and the expenditures incurred during the year were in accordance with the objects of the Company.
- (c) in our opinion and to the best of our information and according to the explanations given to us the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and the statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manners so required and respectively give a true and fair review of the state of the Company's affairs as at June 30, 2010 and the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980(XVII of 1980).

September 24, 2010
Lahore.

Kabani Saeed Kamran Patel & Co.
Chartered Accountants

Muhammad Yousaf



BALANCE SHEET AS

	Note	2010 Rupees	2009 Rupees
CAPITAL AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 50,000,000 (June 2009: 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	5	124,808,110	104,006,760
Revenue reserve-Un-appropriated Profit		<u>234,845,631</u>	<u>207,643,396</u>
		<u>359,653,741</u>	<u>311,650,156</u>
NON CURRENT LIABILITIES			
Long term financing	6	1,800,000	4,200,000
Liabilities against assets subject to finance lease	7	9,56,684	2,912,070
Deferred Liabilities	8	49,326,725	40,483,194
CURRENT LIABILITIES			
Trade and other payables	9	<u>229,780,882</u>	<u>202,749,806</u>
Mark-up accrued on loans and other payables	10	2,149,160	1,123,167
Short term borrowings	11	71,558,442	21,595,128
Current portion of long term liabilities	12	5,952,328	9,572,935
Taxation-net	13	<u>34,674,703</u>	<u>12,459,999</u>
		344,115,515	247,501,035
CONTINGENCIES AND COMMITMENTS	14	-	-
TOTAL EQUITY AND LIABILITIES		<u>755,852,665</u>	<u>606,746,455</u>

M. Asad Hameed

MIAN ASAD HAMEED
CHIEF EXECUTIVE



AT JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, Plant and Equipment	15	230,540,030	222,833,683
Intangible Assets	16	945,378	1,105,471
LONG TERM LOANS AND ADVANCES			
	17	1,482,700	-
LONG TERM DEPOSITS			
	18	1,132,137	816,457
CURRENT ASSETS			
Stores, spares and loose tools	19	4,580,530	5,438,528
Stock in trade	20	308,230,133	194,767,287
Trade debts	21	89,003,305	96,341,775
Loans & Advances	22	12,932,933	10,845,620
Trade Deposits and short term prepayments	23	45,912,898	33,232,978
Other receivables	24	52,212,162	21,532,093
Cash and bank balances	25	8,880,459	19,832,563
		521,752,420	381,990,844
TOTAL ASSETS		<u>755,852,665</u>	<u>606,746,455</u>

The annexed notes 1 to 46 form an integral part of these financial statements.


SAEED IQBAL KHAN
DIRECTOR

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010**

	Note	2010 Rupees	2009 Rupees
SALES - Net	26	1,823,973,707	952,539,933
COST OF SALES	27	1,638,033,502	848,720,802
GROSS PROFIT		<u>185,940,205</u>	<u>103,819,131</u>
Distribution cost	28	40,379,786	25,390,880
Administrative expenses	29	41,070,863	35,020,533
Other operating expenses	30	13,972,969	3,299,787
		95,423,618	63,711,200
		<u>90,516,588</u>	<u>40,107,931</u>
OTHER OPERATING INCOME	31	1,167,823	1,178,199
		<u>91,684,411</u>	<u>41,286,130</u>
FINANCE COST	32	11,899,477	15,338,306
PROFIT BEFORE TAXATION		<u>79,784,934</u>	<u>25,947,824</u>
TAXATION	33	31,791,174	11,717,844
PROFIT AFTER TAXATION		<u><u>47,993,760</u></u>	<u><u>14,229,980</u></u>
EARNINGS PER SHARE - BASIC AND DILUTED	34	<u>3.85</u>	<u>1.14</u>

The annexed notes 1 to 46 form an integral part of these financial statements.


MIAN ASAD HAMEED
CHIEF EXECUTIVE


SAEED IQBAL KHAN
DIRECTOR



STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2010

	2010 Rupees	2009 Rupees
PROFIT AFTER TAXATION	47,993,760	14,229,980
OTHER COMPREHENSIVE INCOME FOR THE YEAR		
Exchange Gain On Translation Of Foreign Operations	21,163	-
Income Tax effect of translation of foreign operations	(11,338)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>48,003,585</u>	<u>14,229,980</u>

The annexed notes 1 to 46 form an integral part of these financial statements.


MIAN ASAD HAMEED
CHIEF EXECUTIVE


SAEED IQBAL KHAN
DIRECTOR



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	35	21,356,581	183,883,840
Financial charges paid		(10,873,484)	(15,512,973)
Income tax paid/deducted at source		(36,117,042)	(63,788,198)
Employees retirement benefit - Gratuity Paid		(1,231,630)	(2,907,840)
Workers Profit Participation Fund		(1,470,565)	(11,222,632)
Net cash generated/ (used in) from operating activities		(28,336,138)	90,452,199
CASH FLOW FROM INVESTING ACTIVITIES			
Property, Plant and Equipment		(23,120,697)	(29,082,843)
Increase in long term security deposits		(315,680)	(45,000)
Proceeds from sale of fixed assets		912,116	592,529
Security deposits with leasing companies		(360,150)	-
Net cash used in investing activities		(22,884,411)	(28,535,314)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term financing		(2,400,000)	(2,400,000)
Proceeds of short term borrowings		154,947,702	94,810,436
Repayment of short term borrowings		(119,724,941)	(109,752,553)
Repayment of finance lease		(8,987,164)	(9,681,126)
Proceeds from finance lease		2,040,850	-
Net cash generated/(used in) from financing activities		25,876,447	(27,023,243)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(25,344,102)	34,893,641
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		19,832,563	(15,061,078)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	36	(5,511,539)	19,832,563

The annexed notes 1 to 46 form an integral part of these financial statements.


MIAN ASAD HAMEED
CHIEF EXECUTIVE


SAEED IQBAL KHAN
DIRECTOR



**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010**

	Share Capital Rupees	Accumulated Profit Rupees	Total Rupees
Balance as at June 30, 2008	86,672,300	210,747,876	297,420,176
Issuance of bonus shares	17,334,460	(17,334,460)	-
Total Comprehensive Income for the year ended June 30, 2009	-	14,229,980	14,229,980
Balance as at June 30, 2009	<u>104,006,760</u>	<u>207,643,396</u>	<u>311,650,156</u>
Issuance of bonus shares	20,801,350	(20,801,350)	-
Total Comprehensive for the year ended June 30, 2010	-	48,003,585	48,003,585
Balance as at June 30, 2010	<u><u>124,808,110</u></u>	<u><u>234,845,631</u></u>	<u><u>359,653,741</u></u>

The annexed notes 1 to 46 form an integral part of these financial statements.


MIAN ASAD HAMEED
CHIEF EXECUTIVE


SAEED IQBAL KHAN
DIRECTOR



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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 Company has commenced foreign operation in Kenya for the marketing and sale of Company's products in Kenya and its surrounding regions effective from March 2010. The registered office of the Company is situated at 171- Ali Town, Thokar Niaz Baig, Raiwind Road, Lahore.

2- BASIS OF PREPARATION

2.1- STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2- BASIS OF MEASUREMENT

These financial statements have been prepared on the historical cost basis except for the recognition of employees retirement benefits at present value.

2.3- New accounting standards, IFRIC interpretations and amendments to the published approved accounting standards that are effective in current year:

IAS 1 (Revised), 'Presentation of Financial statements became effective from accounting periods beginning on or after January 1, 2009. The revised standard prohibits the presentation of items of income and expenses (i.e., 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a statement of other comprehensive income, but entities can choose whether to present one statement of comprehensive income or two statements (the statement of comprehensive income and statement of other comprehensive income). The company has adopted IAS 1 (Revised) from July 1, 2009 and chosen to present two performance statements (the profit and loss account and the statement of comprehensive income). The company has also opted to maintain the existing titles.

The other revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan became effective from the dates mentioned below against the respective standard or interpretation.

	Effective for period
IFRS 1 First time adoption of IFRS (Revised)	July 01, 09
IFRS 2 Share based payment (Amendments)	Jan 01, 09
IFRS 3 Business combinations (Revised)	July 01, 09
IFRS 4 Insurance contracts (Amendments)	Jan 01, 09
IFRS 5 Non-current assets held for sale and discontinued operations (Amendments)	Jan 01, 09
IFRS 7 Financial instruments: Disclosure (Amendments)	Jan 01, 09



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

IFRS	8	Operating segments	Jan 01, 09
IAS	7	Statement of cash flows (Amendments)	Jan 01, 09
IAS	12	Income taxes (Amendments)	Jan 01, 09
IAS	16	Property, plant and equipment (Amendments)	Jan 01, 09
IAS	18	Revenue (Amendments)	Jan 01, 09
IAS	19	Employee benefits (Amendments)	Jan 01, 09
IAS	20	Government grants and disclosure of government assistance (Amendments)	Jan 01, 09
IAS	21	The effects of changes in foreign exchange rates (Amendments)	Jan 01, 09
IAS	23	Borrowing costs (Revised)	Jan 01, 09
IAS	27	Consolidated and separate financial statement (Amendments)	July 01, 09
IAS	28	Investment in associates (Amendments)	Jan 01, 09
IAS	31	Interests in joint venture (Amendments)	Jan 01, 09
IAS	32	Financial instruments: presentation (Amendments)	Jan 01, 09
IAS	33	Earnings per shares (Amendments)	Jan 01, 09
IAS	34	Interim financial reporting (Amendments)	Jan 01, 09
IAS	36	Impairment of assets (Amendments)	Jan 01, 09
IAS	38	Intangible assets (Amendments)	Jan 01, 09
IAS	39	Financial instruments: Recognition and measurement (Amendments)	Jan 01, 09
IAS	40	Investment property (Amendments)	Jan 01, 09
IAS	41	Agriculture (Amendments)	Jan 01, 09
IFRIC	1	Change in existing decommissioning, restoration and similar liabilities (Amendments)	Jan 01, 09
IFRIC	2	Member's share in corporate entities and similar liabilities (Amendments)	Jan 01, 10
IFRIC	14	The limit on a defined benefit asset, minimum funding requirements and their interaction (Amendments)	Jan 01, 09
IFRIC	15	Agreements for the construction of real estate	Jan 01, 09
IFRIC	17	Distributions of non-cash assets to owners	July 01, 09

The above standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statement except for increased disclosures in certain cases.

2.4- New accounting standards, IFRIC interpretations and amendments to the published approved accounting standards that are not effective in current year:

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation.

IFRS	2	Share-based payment (Amended)	Jul 01, 10
IFRS	5	Measurement of non-current assets (or disposal groups) classified as held for sale	Jul 01, 10
IAS	24	Related party disclosures (Revised)	Jan 01, 11
IAS	32	Financial instruments: Presentation (Amended)	Jul 01, 10
IFRIC	14	IAS 19 - The Limit On a Defined Benefit Asset, Minimum funding requirements and their interaction (Amended)	Jul 01, 11
IFRIC	19	Extinguishing financial liabilities with equity instruments	Jan 01, 10

The above standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements except for increased disclosures in certain cases.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

3- SIGNIFICANT ACCOUNTING POLICIES

3.1 - Employee benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme for all its permanent employees. The provision is made on the basis of actuarial valuation by using the projected unit credit method.

In calculating the Company's obligation in respect of a plan, to the extent that any cumulative unrecognized actuarial gain or loss exceeds ten percent of the present value of the defined benefit obligation, it is recognized in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognized.

3.2- Property, Plant and Equipment

Operating fixed assets except land and capital work in progress are stated at cost less accumulated depreciation. Land and capital work in progress are stated at cost. Cost in relation to self manufactured assets includes direct cost of materials, labour and applicable manufacturing overheads. Cost of tangible fixed assets consists of historical cost, borrowing cost pertaining to the construction/erection period and directly attributable cost of bringing the assets to working condition.

Depreciation on all property, plant and equipment except freehold land is charged by applying the reducing balance method whereby the cost of an asset is written off over its estimated useful life. Depreciation on additions is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

The assets' residual values and useful lives are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

Normal maintenance and repairs are charged to income as and when incurred. Major renewals and replacements are capitalized.

Profit or loss on disposal of operating fixed assets is included in the current income.

3.3 - Impairment of fixed assets

The company assesses at each balance sheet date whether there is any indication that a fixed asset may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceeds recoverable amount, assets are written down to the recoverable amount.

3.4 - Intangible Assets

The Intangible Assets are stated at cost less accumulated amortization and identified impairment loss, if any. The cost of intangible assets is amortized over a period of five (5) years using the straight line method.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Amortization on additions to the intangible assets is charged from the month in which an asset is capitalized and / or is available for use, while no amortization is charged for the month in which the asset is disposed off. The amortization expense is charged to the current year income.

International Accounting Standard (IAS) 38 "Intangible Assets" requires review of amortization period and the amortization method at least at each financial year end. Accordingly the management assesses at each balance sheet date the assets' residual values and useful lives in addition to considering any indication of impairment, and adjustments are made if impact on amortization is significant.

3.5- Assets subject to finance lease

Assets under finance lease are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of assets at the inception of the lease. The aggregate amount of obligation relating to these assets are accounted for at net present value of liabilities. Depreciation on these assets is charged in line with normal depreciation policy adopted for assets owned by the Company.

3.6- Taxation

Current

The charge for current taxation is based on taxable income at current rates of taxation after taking into account tax credits and rebates available, if any.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income. Deferred tax is calculated by using the tax rates enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available and the credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.7- Store, spares and loose tools

These are valued at moving average cost except items in transit which are valued at cost comprising invoice value and other charges paid thereon.

3.8- Stock in trade

Stock in trade is valued at the lower of weighted average cost and net realizable value. The average cost in relation to work in process and finished goods represents direct costs of raw materials, labour and appropriate portion of overheads. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale.

3.9- Foreign currency conversion

Transactions in foreign currencies are recorded in Pak rupees at the exchange rate prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are reported in Pak rupees at the rates of exchange approximating those prevalent at the balance sheet date. All exchange differences are charged to Profit and Loss Account.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

3.10- Revenue recognition

Revenue from sales is recognised on dispatch of goods to customers. Goods are considered dispatched when risk and rewards are transferred to customers.

3.11- Borrowing Costs

Borrowing Costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to profit and loss account in the period in which they are incurred.

3.12- Segment reporting

A reportable segment is identified where it becomes a distinguishable component that is engaged in providing an individual product or service or a group of related products or services within a particular economic environment and that is subject to risks and returns that are different from those of other segments. Expenses which cannot be directly allocated activity-wise, are apportioned on appropriate basis.

3.13- Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalent consists of cash in hand, balances with banks and short term running finance facilities.

3.14- Trade and accrued liabilities

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services received, whether billed or not to the Company.

3.15- Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provisions are reversed.

3.16- Financial instruments

All the financial assets and financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account currently.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

3.17 - Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognized in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if the product or process is technically and commercially feasible and the company has sufficient resources to complete development. The expenditure capitalized includes the cost of materials, direct labor, an appropriate proportion of overheads and other directly attributable expenditure. Other development expenditure is recognized in the income statement as an expense as incurred.

Expenditure on development activities, capitalized during the year, are classified under "Intangible Assets".

3.18 - Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the company has legally enforceable right to set off the recognized amount and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.19 - Related party transaction

All transactions with related parties are at arm's length prices determined in accordance with the pricing method as approved by the Board of Directors.

3.20 - Dividends

Dividend distribution to the shareholders is recognised as a liability in the period in which it is approved.

3.21 - Warranty Expenses

Warranty expenses are recorded as and when valid claims are received from customers.

4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards. These standards require the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

	Notes
a) Useful life of depreciable and amortizable assets.	15 & 16
b) Staff retirement benefits.	8.1
c) Deferred taxation.	8.2
d) Provisions and contingencies.	14
e) Stocks in trade.	20

Estimates and judgments are continually evaluated and are based on historic experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

5- ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2010 Number	2009 Number	Note	2010 Rupees	2009 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	3,237,676	Ordinary shares of Rupees 10 each allotted as bonus shares 5.1	53,178,110	32,376,760
<u>12,480,811</u>	<u>10,400,676</u>		<u>124,808,110</u>	<u>104,006,760</u>

5.1 These shares include 2,080,135 bonus share of Rs. 10 each (2009: bonus shares 1,733,446 of Rs. 10 each) issued by the Company during the current year.

6- LONG TERM FINANCING	Note	2010 Rupees	2009 Rupees
Secured			
Demand Finance facility	6.1	4,200,000	6,600,000
Less: Current portion shown under current liabilities	12	<u>2,400,000</u>	<u>2,400,000</u>
		<u>1,800,000</u>	<u>4,200,000</u>

6.1 - The Company has obtained a loan from Habib Bank Limited of Rs.12 million. This facility is secured against 1st pari passu charge over the fixed asset of the Company (land, building and machinery), to the extent of Rs. 190 million. It carries mark-up at the rate of three months average ask side KIBOR + 3% per annum (June 30, 2009: three months average ask side KIBOR + 3 % Floor 13% per annum,) payable on quarterly basis. This finance is repayable in 20 equal quarterly installments of Rs. 0.6 Million each, which commenced from June 2007.

7- LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of minimum lease payments		4,509,012	10,085,005
Less: Current portion shown under current liabilities	12	<u>(3,552,328)</u>	<u>(7,172,935)</u>
		<u>956,684</u>	<u>2,912,070</u>

The amounts of future payments and the periods in which these payments will become due are as under:

Due not later than one year:			
Minimum lease payments		3,861,027	8,079,050
Financial charges		308,699	906,115
Present value		<u>3,552,328</u>	<u>7,172,935</u>
Due later than one year and not later than five years:			
Minimum lease payments		1,061,308	3,011,980
Financial charges		104,624	99,910
Present value		<u>956,684</u>	<u>2,912,070</u>
		<u>4,509,012</u>	<u>10,085,005</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

The minimum lease payments have been discounted using the effective interest rates implicit in leases ranging from 12.96% to 16.22% per annum to arrive at the present value. Rentals are payable in monthly installments. Repairs and maintenance costs are to be borne by the lessee. The liability is secured by deposit of Rupees 4.35 million, leased assets and personal guarantees of some directors of the Company. The Company intends to exercise its option to purchase the leased assets at the termination of lease period.

		2010 Rupees	2009 Rupees
8 - DEFERRED LIABILITIES	Note		
Employee benefits	8.1	23,785,765	16,353,642
Deferred taxation	8.2	25,540,960	24,129,552
		49,326,725	40,483,194
8.1 - Employee benefits			
Net liability recognized in the balance sheet			
Present value of defined benefit obligations		26,315,510	19,049,337
Unrecognized actuarial losses		(2,529,745)	(2,695,695)
		23,785,765	16,353,642
Movement in the net liability recognized in the balance sheet			
Net liability as at 1st July		16,353,642	12,304,593
Expense recognized in the income statement		8,663,753	6,956,889
Liability discharged during the year		(1,231,630)	(2,907,840)
		23,785,765	16,353,642
Expense recognized in the income statement			
Current service cost		6,306,242	5,291,087
Interest cost		2,277,754	1,651,118
Actuarial loss recognised		79,757	14,684
		8,663,753	6,956,889
The expense is recognized in the following line items in the income statement under the head salaries, wages and other benefits.			
Cost of sales		5,669,420	5,115,689
Administrative expenses		2,478,425	1,430,600
Distribution Cost		515,908	410,600
		8,663,753	6,956,889

Principal actuarial assumptions

The company has carried out actuarial valuation as at June 30, 2010 under the 'Projected Unit Credit Method'. The main assumptions used for actuarial valuation are as follows:

Discount rate	12% p.a.	12% p.a.
Expected rate of future salary increase	11% p.a.	11% p.a.
Average expected remaining working life time of employees	10 years	10 years



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

			2010	2009
8.2-	Deferred taxation	Note	Rupees	Rupees
	The liability for deferred taxation comprises of temporary differences relating to:			
	Accelerated depreciation for tax purposes		27,095,309	27,639,538
	Exchange gain on translation of foreign operations that is taxable only when realized		11,338	-
	Liabilities under finance lease that are deducted for tax purposes only when paid		(1,565,687)	(3,509,985)
			25,540,960	24,129,552
9-	TRADE AND OTHER PAYABLES			
	Creditors		205,610,215	179,195,643
	Advances from customers		2,993,321	3,238,385
	Accrued expenses and others		11,703,302	11,514,548
	Sales tax payable		699,702	4,513,438
	Special excise duty payable		293,800	485,634
	Income tax deducted at source		1,780,427	1,347,370
	Payable against purchase of fix asset		329,654	-
	Payable towards:	9.1		
	Workers' Profit Participation Fund		4,293,968	1,470,565
	Workers' Welfare Fund	9.3	2,076,493	984,223
			229,780,882	202,749,806
9.1	This represents the balance amount payable against purchase of Generator from M/S Millat Tractors Limited on installment basis. Total invoice value is payable in 13 monthly installments along with mark up calculated @ 19.96% per annum commencing from April 2010. Upto the date of balancer sheet, company has paid three instalments.			
9.2	Workers' Profits participation Fund			
	Balance at beginning		1,470,565	11,222,632
	Add: Charged during the year	30	4,293,968	1,470,565
			5,764,533	12,693,197
	Less: payment made during the year		(1,470,565)	(11,222,632)
			4,293,968	1,470,565
9.3	Workers' Welfare Fund			
	Balance at Beginning		984,223	3,939,383
	Add: Charge during the year	30	1,628,264	529,547
			2,612,487	4,468,930
	less: Adjustment/Payment made during the year		(535,994)	(3,484,707)
			2,076,493	984,223



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

			2010 Rupees	2009 Rupees
10-	MARK-UP ACCRUED ON LOANS AND OTHER PAYABLES	Note		
	Long term financing		177,145	278,561
	Short term borrowing- secured		1,918,538	731,408
	Liabilities against assets subject to finance lease		53,477	113,198
			2,149,160	1,123,167
11-	SHORT TERM BORROWINGS			
	Secured			
	Running finance under mark-up arrangements			
	Allied Bank Limited	11.1	14,391,998	-
	Habib Bank Limited	11.2	-	-
	Finance against trust receipts			
	Allied Bank Limited	11.3	33,467,811	16,671,652
	Habib Bank Limited	11.4	23,698,633	4,923,476
			71,558,442	21,595,128

11.1- Total amount of finance available under this facility is Rs. 45.00 million (June 30, 2009: Rs. 45.00 million). The mark-up is charged at the rate of three months average ask side Kibor plus 2.5% (June 30, 2009: three months average ask side Kibor plus 2.5 %) with Floor rate of 13% (June 30, 2009: 13%) per annum. This facility is collaterally secured against First charge on the present and future fixed assets for Rs.190 million and First Pari Passu Charge on present and future current assets of the Company to the extent of Rs.110.00M. This facility is specifically secured by, Hypothecation of stocks of wheel rims, washing machine, refrigerators and their spare parts, duly insured with banks' clause with 15% margin on stocks. The unutilized amount of this facility as at balance sheet date is Rs. 30.61 million. (June 30, 2009: Rs. 45.00 million).

11.2- Total amount of finance available under this facility is Rs. 50.00 million (June 30, 2009: Rs. 50.00 million). The mark-up is charged at the rate of three months average ask side Kibor + 2.5% per annum (June 30, 2009: three months average ask side Kibor + 2.50%, floor rate of 13% per annum). This facility is collaterally secured against First pari passu charge on fixed assets for Rs. 190.00 million and specifically secured against First pari passu Hypothecation Charge of Rs. 90.00 million over current assets of the Company, comprising of raw material, work in process, finished goods, etc. and receivable and book debts of the Company. The unutilized amount of this facility as at balance sheet date is Rs. 50.00 million. (June 30, 2009: Rs. 50.00 million).

11.3- Total amount available under this facility is Rs. 40.00 million (June 30, 2009: Rs. 20.00 million). for a maximum period of 90 days (June 30, 2009: of 90 days). The mark-up is charged at the rate of three months average ask side Kibor plus 2.50% (June 30, 2009: three months average ask side Kibor + 2.5%) with floor rate of 13% per annum. (June 30, 2009:13%). This facility is collaterally secured against First charge on present and future fixed assets for Rs. 190.00 million and First pari passu Charge on present and future current assets of the Company to the extent of Rs. 110 million. This facility is specifically secured by way of Bank's lien on title to goods imported and Trust Receipts at nil margin. The un-utilized amount of this facility as at balance sheet date is Rs. 6.53 million. (June 30, 2009: Rs. 3.33million).



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

- 11.4- Total amount available under this facility is Rs. 25.00 million (June 30, 2009: Rs. 20.00 million) for a maximum period of 120 days. The mark-up is charged at the rate of three months average ask side Kibor plus 2.50% per annum (June 30, 2009: three months average ask side Kibor plus 2.50% with floor rate of 13% per annum). This facility is collaterally secured against First pari passu charge of Rs. 190.00 million on fixed assets of the Company and specifically secured against and First pari passu Hypothecation Charge of Rs. 90 million over current assets of the Company, comprising of raw material, work in process, finished goods, receivable and book debts of the Company, 5% Cash margin, Trust Receipts and accepted bill of exchange. The un utilised amount of this facility as at balance sheet date is Rs 1.30 million. (June 30, 2009: Rs. 15.077 million).

12 - CURRENT PORTION OF LONG TERM LIABILITIES

	Note	2010 Rupees	2009 Rupees
Long term financing	6	2,400,000	2,400,000
Liabilities against assets subject to finance lease	7	3,552,328	7,172,935
		<u>5,952,328</u>	<u>9,572,935</u>

13 - TAXATION--NET

Balance at beginning	12,459,999	68,573,796
Add: Provision for the year		
-Current Year	26,876,058	3,648,921
-Prior year	3,515,046	2,695,335
Less: Payment/Adjustment during the Year	(8,176,400)	(62,458,053)
	<u>34,674,703</u>	<u>12,459,999</u>

14 - CONTINGENCIES AND COMMITMENTS

14.1- Contingencies

- 14.1.1 Cases filed by some customers against the company for the claim of autoparts under warranty have been decided by the consumer court. Out of total sixteen cases filed, thirteen have been decided in favour of company. For remaining three cases company has filed an appeal in the honourable Multan High Court. The management of the company is of opinion that outcome of these cases will be settled in favour of the company, hence no provision is made in these accounts.
- 14.1.2 During the year CIR (Appeals) made a decision against the company and disallowed the tax losses of Rs. 1,503,939/- for the tax year 2003. The company has filed an appeal with ATIR against an order U/S 122 (5A) passed by the CIR (Appeals), defending the tax losses amounting to Rs. 1,503,939/-. In the opinion of the tax consultant, favourable outcome of the appeal is expected, hence no provision is made in these accounts.
- 14.1.3 During the year DCIR initiated proceedings under section 161/205 for tax year 2004 and created a tax demand of Rs. 588,391/-. The company has filed an appeal against this demand order with CIR (Appeals). In the opinion of the tax consultant, favourable outcome of the appeal is expected, hence no provision is made in these accounts.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

14.1.4 During the year DCIR initiated proceedings under section 161/205 for tax year 2005 and created a tax demand of Rs. 1,430,291/-. The company has filed an appeal against this demand order with CIR (Appeals). In the opinion of the tax consultant, favourable outcome of the appeal is expected, hence no provision is made in these accounts.

14.1.5 The proceedings of income tax audit of the company under section 177(4) of the Income Tax Ordinance 2001 for the tax year 2008 have been completed and the DCIR has made a tax demand of Rs. 24.272M out of which a sum of Rs. 1.50M has been paid. The company filed an appeal against the order of the department with the CIR (Appeals) and got relief upto Rs.10.318M. The department is in appeal against this order with the ATIR. For remaining tax demand of Rs. 12.454M, company has filed an appeal with ATIR. In the opinion of the management, the company will get relief upto Rs. 4.366M. For balance tax demand of Rs.8.088M, company has sufficient existing tax provision to discharge the liability, therefore no further provision has been made in these accounts.

14-2 Commitments

The facilities for opening Letters of Credit and Guarantees as at June 30, 2010 aggregate Rs. 70.00 million and Rs. 8.04 million respectively (June 30, 2009: Rs. 80.00 million and Rs. 8.00 million respectively) of which the amounts utilised as at June 30, 2010 were Rs. 55.95 million and Rs. Nil. respectively. (June 30, 2009: Rs. 56.31 million and Nil respectively).

	Note	2010 Rupees	2009 Rupees
15 - PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	15.1	222,297,360	218,278,804
Capital work in progress	15.3	8,242,670	4,554,879
		230,540,030	222,833,683

15.1 - OPERATING FIXED ASSETS - Tangible

2 0 1 0										Rupees
PARTICULARS	COST				Rate %	DEPRECIATION				W.D.V. as at 30-06-2010
	As at 01-07-2009	Additions / (Deletions)	Transfer	As at 30-06-2010		As at 01-07-2009	For the year	Adjustment	As at 30-06-2010	
Freehold land	77,586,954	7,578,000		85,164,954	-	-	-	-	-	85,164,954
Buildings and Civil Works on freehold land	59,344,620	3,677,957		63,022,577	5 to 10	20,649,912	3,852,233	-	24,502,145	38,520,432
Plant and Machinery	105,540,010	2,986,159	25,157,903	133,684,072	10	49,988,808	7,296,294	9,452,590	66,737,692	66,946,380
Electric Fittings	6,508,997	199,350		6,708,347	10	2,389,012	414,529	-	2,803,541	3,904,806
Furniture and Fixture	1,823,974	25,017		1,848,991	10	643,875	119,125	-	763,000	1,085,991
Office Equipment	2,201,609	395,439		2,597,048	10	883,152	155,185	-	1,038,337	1,558,711
Electric Installations	1,578,979	608,075		2,187,054	10	469,750	153,490	-	623,240	1,563,814
Vehicles	3,890,639	3,221,754 (1,582,500)	4,752,500	10,282,393	20	2,436,135	1,302,152	2,119,937 (828,865)	5,029,359	5,253,034
Assets subject to Finance Lease	258,475,782	18,691,751 (1,582,500)	29,910,403	305,495,436		77,460,644	13,293,008	11,572,527 (828,865)	101,497,314	203,998,122
Plant and Machinery	37,787,937	-	(25,157,903)	12,630,034	10	10,905,045	1,117,758	(9,452,590)	2,570,213	10,059,821
Vehicles	15,775,500	2,401,000	(4,752,500)	13,424,000	20	5,394,730	1,909,790	(2,119,937)	5,184,583	8,239,417
	53,563,437	2,401,000	-	26,054,034		16,299,775	3,027,548	-	7,754,796	18,299,238
		-	(29,910,403)					(11,572,527)		
TOTAL 2010	312,039,219	21,092,751 (1,582,500)	29,910,403 (29,910,403)	331,549,470		93,760,419	16,320,556	11,572,527 (12,401,392)	109,252,110	222,297,360

Details of property, plant and equipment sold are given in Note No. 15.4



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

2 0 0 9										Rupees
PARTICULARS	COST			As at 30-06-2009	Rate %	DEPRECIATION				W.D.V. as at 30-06-2009
	As at 01-07-2008	Additions / (Deletions)	Transfer			As at 01-07-2008	For the year	Adjustment	As at 30-06-2009	
Freehold land	55,277,254	22,309,700		77,586,954	-	-	-	-	-	77,586,954
Buildings and Civil Works on freehold land	52,669,453	6,675,167		59,344,620	5 to 10	16,990,402	3,659,510	-	20,649,912	38,694,708
Plant and Machinery	86,819,378	18,720,632		105,540,010	10	44,680,416	5,308,392	-	49,988,808	55,551,202
Electric Fittings	5,798,627	710,370		6,508,997	10	1,971,456	417,556	-	2,389,012	4,119,986
Furniture and Fixture	1,635,074	188,900		1,823,974	10	517,284	126,591	-	643,875	1,180,099
Office Equipment	2,163,609	38,000		2,201,609	10	737,436	145,716	-	883,152	1,318,457
Electric Installations	1,381,634	197,345		1,578,979	10	359,396	110,354	-	469,750	1,109,229
Vehicles	3,415,913	235,726 (1,437,500)	1,676,500	3,890,639	20	2,041,668	319,049	989,806 (914,388)	2,436,135	1,454,505
Assets subject to Finance Lease	209,160,942	49,075,840 (1,437,500)	1,676,500 -	258,475,782		67,298,058	10,087,168	989,806 (914,388)	77,460,644	181,015,140
Plant and Machinery	37,787,937	-	-	37,787,937	10	7,918,057	2,986,988	-	10,905,045	26,882,893
Vehicles	17,452,000	-	(1,676,500)	15,775,500	20	3,789,343	2,595,193	(989,806)	5,394,730	10,380,771
	55,239,937	-	-	53,563,437		11,707,400	5,582,181	-	16,299,775	37,263,664
			(1,676,500)					(989,806)		
TOTAL 2009	264,400,879	49,075,840 (1,437,500)	1,676,500 (1,676,500)	312,039,219		79,005,458	15,669,349	989,806 (1,904,194)	93,760,419	218,278,804

	Note	2010 Rupees	2009 Rupees
15.2 - Depreciation for the year has been allocated as follows:			
Cost of sales	27	12,687,219	12,520,067
Distribution cost	28	1,465,059	1,109,883
Administrative expenses	29	2,168,278	2,039,399
		16,320,556	15,669,349

15.3 - CAPITAL WORK-IN-PROGRESS

Tangible

Plant and machinery

Opening balance		3,348,626	19,037,229
Additions made during the year		1,757,330	2,381,512
		5,105,956	21,418,741
Transferred to operating fixed assets		1,194,800	18,070,115
	15.3.1	3,911,156	3,348,626

Civil works

Opening balance		628,351	-
Additions made during the year	15.3.2	6,526,394	7,165,140
		7,154,745	7,165,104
Transferred to operating fixed assets		3,677,957	6,536,753
		3,476,788	628,351



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

	2010 Rupees	2009 Rupees
Intangible		
Development work		
Opening balance	577,902	510,652
Additions made during the year	1,017,979	67,250
	1,595,881	577,902
Transferred to Intangible Assets	741,155	-
	854,726	577,902
	8,242,670	4,554,879

15.3.1- This includes Rs. 3.09 million (June 30, 2009:Rs. 2.45 million) on account of advances paid to suppliers of machinery.

15.3.2- This includes Rs. 3.48 million (June 30, 2009: Rs. Nil) on account of advance paid to construction contractor.

15.4- DETAIL OF PROPERTY, PLANT AND EQUIPMENT DISPOSAL

The detail of property, plant and equipment disposal, having net book value in excess of Rs. 50,000 is as follows:

Particulars	Cost	Net Book Value	Sale price	Mode of Disposal	Particulars of purchaser
-----Rupees-----					
Honda CIVIC VTI	1,192,500	592,116	592,116	Company Policy	Mr Zubair Aamir, Employee of Company.
Suzuki Mehran	390,000	161,519	320,000	Negotiation	Mr Muhammad Nadeem 195-M Model Town Lahore
		-			

16 - INTANGIBLE ASSETS

Particulars	(Rupees)						
	Cost			Amortization			Book Value As at 30-06-2010
	As at 01-07-2009	Additions/ (deletion)	As at 30-06-2010	As at 01-07-2009	For the period	As at 30-06-2010	
Development Cost	3,051,300	466,430	3,517,730	1,945,830	626,522	2,572,352	945,378
Jun-10	3,051,300	466,430	3,517,730	1,945,830	626,522	2,572,352	945,378
Jun-09	3,051,300	-	3,051,300	1,326,899	618,931	1,945,830	1,105,471

16.1- Development cost represents cost incurred on patents, copyrights, trade marks and designs.

16.2- The amortization cost is included in cost of sales.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

	2010 Rupees	2009 Rupees
17- LONG TERM LOANS AND ADVANCES - SECURED		
Loans and advances - considered good, to:		
Executives	760,000	-
Other Employees	<u>1,460,500</u>	<u>-</u>
	2,220,500	-
Less: Amount due within twelve months, Shown under current loans and advances	<u>737,800</u>	<u>-</u>
	<u><u>1,482,700</u></u>	<u><u>-</u></u>

Reconciliation of carrying amount of loans and advances to executives and other employees:

	Opening Balance as at July 01, 2009	Disbursements	Repayments	Closing Balance as at June 30, 2010
Executives	-	1,048,300	288,300	760,000
Other Employees	-	1,808,800	348,300	1,460,500
	<u>-</u>	<u>2,857,100</u>	<u>636,600</u>	<u>2,220,500</u>
June 30, 2009	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

These loans and advances have been granted under staff loan and advances policy to facilitate the employees for purchase of house and meeting other household payments. These are secured against the gratuity payable to employees. These are interest free loans which are repayable within fifteen Years. The maximum amount of loan to executive at the end of any month during the year was Rs. 992,500. (2009: Rs. Nil).

18- LONG TERM DEPOSITS

Deposit with Pakistan Steel Mill	700,000	400,000
Utilities and others	<u>432,137</u>	<u>416,457</u>
	<u><u>1,132,137</u></u>	<u><u>816,457</u></u>

19 - STORES, SPARES AND LOOSE TOOLS

Stores	3,214,085	4,956,654
Spares	764,049	320,121
Loose tools	<u>602,396</u>	<u>161,753</u>
	<u><u>4,580,530</u></u>	<u><u>5,438,528</u></u>



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

		2010	2009
	Note	Rupees	Rupees
20 - STOCK IN TRADE			
Raw materials and components		229,952,136	140,161,113
Work-in-process		17,327,713	21,179,856
Finished goods		60,944,658	33,360,733
Packing and other material		5,626	65,585
		<u>308,230,133</u>	<u>194,767,287</u>
21 - TRADE DEBTS - Unsecured	21.1	<u>89,003,305</u>	<u>96,341,775</u>
21.1 - Classification:			
Considered Good		89,003,305	96,341,775
Considered Doubtful		7,030,790	522,533
Considered Bad		-	44,622
		<u>96,034,095</u>	<u>96,908,950</u>
Less			
Provision for Doubtful debts		(7,030,790)	(522,553)
Bad debts		-	(44,622)
		<u>89,003,305</u>	<u>96,341,775</u>
Debts which are considered doubtful and Bad are shown under other operating expenses.			
22 - LOANS & ADVANCES			
Advances - considered good			
Current portion of loans and advances to employees	17 22.1	737,800 532,325	- 808,319
to suppliers		11,662,808	10,037,301
		<u>12,932,933</u>	<u>10,845,620</u>
22.1-	This amount includes maximum aggregate balance due from the Executives during the year of Rs. Nil (June 30, 2009: Rs. 205,000).		
23 - TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Contract securities		300,000	600,000
Prepaid expenses		716,354	567,632
Letter of credit margin		14,266,713	13,238,114
Letter of credit in process		30,629,831	18,827,232
		<u>45,912,898</u>	<u>33,232,978</u>
24 - OTHER RECEIVABLES			
Advance income tax		50,258,092	21,344,093
Sales Tax		1,954,070	-
Other Receivable		-	188,000
		<u>52,212,162</u>	<u>21,532,093</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
25 - CASH AND BANK BALANCES			
Cash in hand		93,692	39,331
Balance with banks on current accounts		8,786,767	19,793,232
		<u>8,880,459</u>	<u>19,832,563</u>
26 - SALES - NET			
Gross sales	26.1	2,166,360,018	1,140,685,970
Less: Sales tax		311,638,715	157,130,672
Sales returns		11,610,746	17,506,070
Commission		19,136,850	13,509,295
		<u>342,386,311</u>	<u>188,146,037</u>
		<u>1,823,973,707</u>	<u>952,539,933</u>
26.1	This includes Rs. 7.60 million (June 30, 2009: Rs. 1.48 million) on account of export sales.		
27 - COST OF SALES			
Raw materials and components consumed		1,446,012,857	719,401,373
Salaries, wages and other benefits	27.1	100,016,138	75,371,800
Stores, spares and loose tools consumed		32,126,964	13,400,263
Power and fuel charges		45,694,610	25,740,080
Repair and maintenance		15,898,739	18,357,790
Other expenses		4,985,936	4,358,474
Depreciation	15.2	12,687,219	12,520,067
Amortization	16	626,522	618,931
		<u>1,658,048,985</u>	<u>869,768,778</u>
Opening work-in-process		21,179,856	16,247,744
		<u>1,679,228,841</u>	<u>886,016,522</u>
Closing work-in-process		17,327,713	21,179,856
Cost of goods manufactured		1,661,901,128	864,836,666
Opening finished goods		33,360,733	8,035,421
		<u>1,695,261,861</u>	<u>872,872,087</u>
Cost of finished goods purchased during the year		3,716,299	9,209,448
		<u>1,698,978,160</u>	<u>882,081,535</u>
Closing finished goods		60,944,658	33,360,733
		<u>1,638,033,502</u>	<u>848,720,802</u>

27.1 Salaries, wages and other benefits include Rs. 5,669,420 (2009: Rs. 5,115,689) in respect of retirement benefits.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
28 - DISTRIBUTION COST			
Salaries and other benefits		6,799,276	7,653,998
Freight and octroi		19,308,126	9,823,143
Traveling and conveyance		2,418,013	1,233,717
Packing material consumed		114,884	-
Advertisement and sale promotion		3,538,938	2,678,581
Insurance		397,090	381,234
After sales service		5,658,453	1,737,840
Printing & Stationery		679,947	772,484
Depreciation	15.2	1,465,059	1,109,883
		40,379,786	25,390,880

28.1 Salaries and other benefits include Rs. 515,908 (2009: Rs. 410,600) in respect of retirement benefits.

29 - ADMINISTRATIVE EXPENSES

Salaries and other benefits	29.1	24,495,858	21,928,396
Electricity, gas and water charges		510,761	301,113
Communication expenses		2,676,919	2,426,591
Vehicle running expenses		2,917,221	799,428
Legal and professional		2,014,875	1,431,644
Travelling and conveyance		1,635,102	1,915,196
Fee and subscription		821,594	524,179
Insurance		400,671	378,109
Rent, rates and taxes		869,194	705,186
Printing and stationery		1,622,298	1,468,377
Entertainment		490,245	561,338
Office supplies		77,656	32,537
Research expenses		-	143,834
Miscellaneous expenses		370,191	365,206
Depreciation	15.2	2,168,278	2,039,399
		41,070,863	35,020,533

29.1 Salaries and other benefits include Rs. 2,478,425 (2009: Rs. 1,430,600) in respect of retirement benefits.

30 - OTHER OPERATING EXPENSES

Auditors' remuneration	30.1	1,542,500	732,500
Bad debts		-	44,622
Provision for doubtful debts		6,508,237	522,553
Contribution towards:			
Workers' profit participation fund	9.2	4,293,968	1470,565
Workers' welfare fund	9.3	1,628,264	529,547
		13,972,969	3,299,787



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

	Note	2010 Rupees	2009 Rupees
30.1- Auditors' remuneration			
Viqar A. Khan			
Workers' Profit Participation Fund Audit		12,500	12,500
Tax services		890,000	200,000
		902,500	212,500
Kabani Saeed Kamran Patel & Co.			
Statutory audit		500,000	375,000
Half yearly review		125,000	125,000
Certificate fee		15,000	20,000
		640,000	520,000
		<u>1,542,500</u>	<u>732,500</u>
31 - OTHER OPERATING INCOME			
Income from financial assets			
Exchange Gain/(Loss)		(24,702)	91,297
Income from non financial assets			
Profit on sale of fixed assets		158,481	69,417
Miscellaneous Income		1,034,044	1,017,485
		<u>1,167,823</u>	<u>1,178,199</u>
32 - FINANCE COST			
Mark-up on:			
Long term finances		876,038	1,396,996
Short term borrowings - secured		9,006,251	9,501,745
Intrest on Workers' Profit Participation Fund		172,203	1,463,357
Financial charges on finance lease		1,328,550	2,311,048
Bank charges, commission & others		516,435	665,160
		<u>11,899,477</u>	<u>15,338,306</u>
33 - TAXATION			
Current			
For the period		26,876,058	3,648,921
Prior Year	33.1	3,515,046	2,695,335
Deferred			
For the period		1,400,070	5,373,588
		<u>31,791,174</u>	<u>11,717,844</u>



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

- a) The income tax assessments of the company have been finalized upto tax year 2009, except as mentioned in note 14.1.2 and 14.1.3
- b) Provision for taxation is considered adequate to discharge the expected liability for current year.

33.1 This amount includes a tax demand of Rs. 2.72 M created and recovered by tax department as a result of amendment of assessment for tax year 2004. The Company is in appeal against this order.

	2010 Rupees	2009 Rupees
33.2 - Tax charge reconciliation		
Profit before taxation	<u>79,784,934</u>	<u>25,947,824</u>
Tax charge on accounting profit at applicable tax rate as per Income Tax Ordinance, 2001	27,924,727	9,081,739
Tax effect of amounts that are:		
- not deductible for tax purposes	1,144,793	(24,697)
- allowable deductions for tax purposes	(736,217)	(24,142)
Tax effect of profit attributable to presumptive income	(216,803)	(21,707)
Effect of presumptive tax	159,628	11,317
Adjustment of prior year taxation	<u>3,515,046</u>	<u>2,695,335</u>
Taxation for the year	<u>31,791,174</u>	<u>11,717,844</u>

34 - EARNINGS PER SHARE - BASIC AND DILUTED

Basic & diluted earnings per share

Profit after taxation for the year	Rupees	47,993,760	14,229,980
Weighted average number of ordinary shares outstanding during the year - Note 34.1	Numbers	12,480,811	12,480,811
Basic & diluted earnings per share	Rupees	3.85	1.14

34.1- Number of ordinary shares outstanding at the close of corresponding period presented has been increased to reflect the bonus shares issued during the current period ended June 30, 2010.

Diluted earnings per shares

There is no dilution effect on the basic earnings per share of the company as the company has no such commitments.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
35 - CASH GENERATED FROM OPERATIONS			
Profit before taxation		79,784,934	25,947,824
Adjustment for non cash charges and other items:			
Depreciation		16,320,556	15,669,349
Amortization		626,522	618,931
Provision for gratuity		8,663,753	6,956,889
Financial and other charges		24,329,946	17,905,593
Other income		(1,171,362)	(1,086,902)
		<u>48,769,415</u>	<u>40,063,860</u>
		128,554,349	66,011,684
Working capital changes	35.1	(105,715,068)	117,872,156
(Increase)/ Decrease in long term loans and advances		(1,482,700)	-
		<u>21,356,581</u>	<u>183,883,840</u>
 35.1 - Working capital changes			
(Increase) / decrease in current assets:			
Store, spares and loose tools		857,998	(1,770,155)
Stock-in-trade		(113,462,846)	(1,449,437)
Trade debts		307,681	105,106,143
Loans & Advances		(2,087,313)	(2,385,935)
Trade Deposits and short term prepayments		(12,679,920)	(7,739,022)
Other receivables		(1,766,070)	(188,000)
Increase / (decrease) in current liabilities			
Trade and other payables		23,115,403	26,298,562
		<u>(105,715,068)</u>	<u>117,872,156</u>
 36 - CASH AND CASH EQUIVALENTS			
Cash and cash equivalents include:			
Cash and bank balances	25	8,880,459	19,832,563
Short term borrowings	11	(14,391,998)	-
		<u>(5,511,539)</u>	<u>19,832,563</u>
 37- TRANSACTIONS WITH RELATED PARTIES			

The related parties comprise directors, key management personnel. The remuneration of Directors and key management personnel is shown in note 38.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

38- REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these accounts for the year for remuneration, including certain benefits to the Chief Executive, Directors and Executives of the Company is as follows:

	(Rupees)							
	Chief Executive		Directors		Executives		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Managerial Remuneration	5,127,273	5,127,273	4,363,636	4,363,636	8,263,636	7,373,227	17,754,545	16,864,136
Medical allowance	512,727	512,727	436,364	436,364	826,364	737,323	1,775,455	1,686,414
Bonus & leave encashment	-	-	-	-	1,084,575	518,723	1,084,575	518,723
	5,640,000	5,640,000	4,800,000	4,800,000	10,174,575	8,629,273	20,614,575	19,069,273
Number of persons	1	1	2	2	4	4	7	7

The Company also provides free use of Company maintained cars to some of the directors and executives.

39 - SEGMENT REPORTING

	Household appliances		Auto parts		Auto rickshaw		Total	
	2010 Rupees	2009 Rupees	2010 Rupees	2009 Rupees	2010 Rupees	2009 Rupees	2010 Rupees	2009 Rupees
Segment revenue-Net	7,001,436	5,623,436	457,845,603	366,354,971	1,359,126,668	580,561,526	1,823,973,707	952,539,933
Segment operating results	131,215	376,643	33,176,142	36,340,654	69,639,699	5,957,921	102,947,056	42,675,218
Segment assets	8,574,987	14,841,047	242,981,331	271,059,145	417,650,049	259,902,840	669,206,367	545,803,032
Unallocated assets							86,646,297	60,943,423
Total assets							<u>755,852,665</u>	<u>606,746,455</u>
Segment liabilities	13,036	28,868	63,184,779	126,227,690	214,606,209	136,406,013	277,804,024	262,662,571
Unallocated liabilities							118,394,900	32,433,728
Total liabilities							<u>396,198,924</u>	<u>295,096,299</u>
Capital expenditure	26,297	-	1,719,615	2,381,512	29,114,972	30,264,096	30,860,884	32,645,608
Depreciation and amortization	439,518	278,965	8,156,602	8,360,077	8,350,958	7,649,238		
Non-cash charges other than depreciation and amortization	63,147	87,646	4,432,912	3,538,701	10,691,532	3,330,542		



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

40 - FINANCIAL INSTRUMENTS

40.1 - Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2010 Rupees	2009 Rupees
FINANCIAL ASSETS			
Long term Deposits	18	1,132,137	816,457
Trade debts	21	89,003,305	96,341,775
Loans and Advances	17 & 22	14,415,633	10,845,620
Trade Deposits	23	45,196,544	32,665,346
Other Receivables	24	-	188,000
Bank Balances	25	8,786,767	19,793,232
		<u>158,534,386</u>	<u>160,650,430</u>
The maximum exposure to credit risk for trade debts on geographical basis:			
Pakistan		87,065,878	-
Kenya		1,937,427	-
		<u>89,003,305</u>	<u>-</u>

The maximum exposure to credit risk for trade debts, at the reporting date by type of parties was:

Institutional Customers	2,345,000	21,334,547
Corporate Customers	67,045,991	52,947,842
Distributor	2,939,400	3,415,153
Dealers	10,485,751	5,626,870
Others	6,187,163	14,013,682
	<u>89,003,305</u>	<u>97,338,094</u>

The aging of trade debts, at the reporting date was:

Not past due	58,295,672	60,728,640
Past Due 0-30 days	21,699,147	14,349,016
Past Due 31-120 days	3,419,432	2,701,241
Past Due more than 120 days	5,589,054	19,559,197
	<u>89,003,305</u>	<u>97,338,094</u>

Based on historic record the company believes that no impairment allowance is necessary in respect of trade debts past due more than 120 days.

40.2- Foreign exchange risk management

Foreign currency risk arises mainly where payable exist due to transactions with foreign undertakings. Payable exposed to foreign currency risks are identified as either creditors or bills payable. The Company does not view hedging as being financially feasible owing to the excessive costs involved.

40.3- Capital Risk Management

The Company's objective when managing capital is to safe guard the company's ability to continue as a going concern so that it can provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business. The company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the company may adjust the amount of dividend paid to shareholders or issue new shares.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

40.4- Fair value of financial instruments

The carrying value of all the financial instruments i.e. financial assets and liabilities reflected in the financial statements approximate their fair values.

40.5- Market Risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. Market risk comprises of three types of risk: Currency risk, interest rate risk and price risk.

40.5.1- Currency Risk

Currency risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company is exposed to currency risk on import of raw materials, finished goods and receivables from foreign operations being denominated in US dollars. The Company's exposure to foreign currency risk for US Dollars is on account of outstanding letter of credits of Rs.55.95 million (2009: Rs. 56.31 million) and outstanding receivables of Rs.1.937 million (2009: Rs. Nil).

40.5.2- Interest Rate Risk

Interest rate risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial liabilities include balance of Rs. 80.60 million (2009: Rs. 38.280 million) which is subject to interest rate risk.

Cash Flow Sensitivity for variable rate instruments

A change of 100 basis points in interest rates at the reporting date, with all other variables remaining constant, the net income for the year would have been lower or higher by Rs. 805,971 (2009: Rs. 382,801).

40.5.3 -Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market prices (Other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. At present, the company is not exposed to price risk as there are no investments in marketable securities.

40.6 - Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows an effective cash management planning policy to ensure availability of funds and to take appropriate measures for new requirements.

The following are the contractual maturities of financial liabilities, including estimated interest payments.

	2010						(Rupees)
	Carrying Amount	Contractual Cash Flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Long term financing	4,200,000	4,841,340	1,383,240	1,383,240	2,074,860	-	-
Liability under finance lease	4,509,012	4,922,335	1,930,514	1,930,514	849,046	212,262	-
Trade and other payables	229,780,882	229,780,882	229,780,882	-	-	-	-
Accrued Mark-up	2,149,160	2,149,160	2,149,160	-	-	-	-
Short term borrowing	71,558,442	71,558,442	71,558,442	-	-	-	-
	<u>312,197,496</u>	<u>313,252,159</u>	<u>306,802,238</u>	<u>3,313,754</u>	<u>2,923,906</u>	<u>212,262</u>	<u>-</u>



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

	2009						(Rupees)
	Carrying Amount	Contractual Cash Flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Long term financing	6,600,000	7,607,820	1,383,240	1,383,240	2,766,480	2,074,860	-
Liability under finance lease	10,085,005	11,091,030	4,039,525	4,039,525	3,011,980	-	-
Trade and other payables	202,749,806	202,749,806	202,749,806	-	-	-	-
Accrued Mark-up	1,123,167	1,123,167	1,123,167	-	-	-	-
Short term borrowing	21,595,128	21,595,128	21,595,128	-	-	-	-
	<u>242,153,106</u>	<u>244,166,951</u>	<u>230,890,866</u>	<u>5,422,765</u>	<u>5,778,460</u>	<u>2,074,860</u>	<u>-</u>

41 - PLANT CAPACITY AND ACTUAL PRODUCTION

**2010
Numbers** **2009
Numbers**

Installed Capacity

Auto rickshaw (8 hours single shift basis)

13,500 10,000

Auto Parts

The capacity of the plant and machinery relating to auto parts is indeterminable due to the versatility of production.

Actual Production

Auto Rickshaw

10,863 4,690

Auto parts

Wheel - rims

105,814 90,530

Console panel

1,140 9,147

42 - NUMBER OF EMPLOYEES

Average number of employees during the year

686 635

43 - SUBSEQUENT EVENTS:

The Board of Directors, at their meeting held on September 24, 2010, has recommended a Cash dividend @ 10% i.e, Rupee 1.00 per share (2009:Rupee Nil) and 20% bonus shares i.e. 20 ordinary shares for every 100 ordinary shares for the year ended June 30, 2010 (2009: 20% bonus shares) subject to the approval of the members at the 19th Annual General Meeting of the Company.

44 - DATE OF AUTHORIZATION FOR ISSUE

The Board of Directors of the Company has authorized these financial statements for issue on September 24, 2010.




NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

45 - CORRESPONDING FIGURES

There is no re-arrangement/re-classification of corresponding figures.

46 - GENERAL

The figures have been rounded off to the nearest rupee.


MIAN ASAD HAMEED
CHIEF EXECUTIVE


SAEED IQBAL KHAN
DIRECTOR



FORM OF PROXY

I / We _____
of _____
a member of **SAZGAR ENGINEERING WORKS LIMITED**
hereby appoint Mr. / Mrs. / Ms. _____
of _____
or failing him Mr. / Mrs. / Ms. _____
of _____

Who is / are also member/s of Sazgar Engineering Works Limited to act as my / our proxy and to vote for me/us and on my/our behalf at the 19th Annual General Meeting of the shareholders of the Company to be held on Friday October 22, 2010 at 10:30 A.M. at 171-Ali Town, Thokar Niaz Baig, Raiwind Road, Lahore and at any adjournment thereof.

Signed this _____ day of _____ 2010

Folio No.	CDC Participant ID No.	CDC Account/ Sub-Account No.	No. of shares held

Signature over Revenue Stamp of Rupees 5/-

Witness 1

Witness 2

Signature _____
Name _____
CNIC No. _____
Address _____

Signature _____
Name _____
CNIC No. _____
Address _____

- Notes:
1. The proxy must be a member of the Company.
 2. The signature must tally with the specimen signature/s registered with the Company.
 3. If a proxy is granted by a member who has deposited his/her shares in Central Depository Company of Pakistan Limited, the proxy must be accompanied with participant's ID number and CDC account/sub-account number alongwith attested photocopies of Computerized National Identity Card or the Passport of the beneficial owner. Representatives of corporate members should bring the documents required for such purpose.
 4. The proxy shall produce his / her original (CNIC) or original passport at the time of the meeting.
 5. The instrument of Proxy properly completed should be deposited at the Registered Office of the Company not less than 48 hours before the time of holding the meeting.