



VISION/MISSION

To Produce Automotive Wheels
and allied products of
International Quality Standard
of ISO 9002 and contribute
towards national economy by
import substitution, exports,
taxation, employment and
consistently compensate the
stake holders through stable
returns.

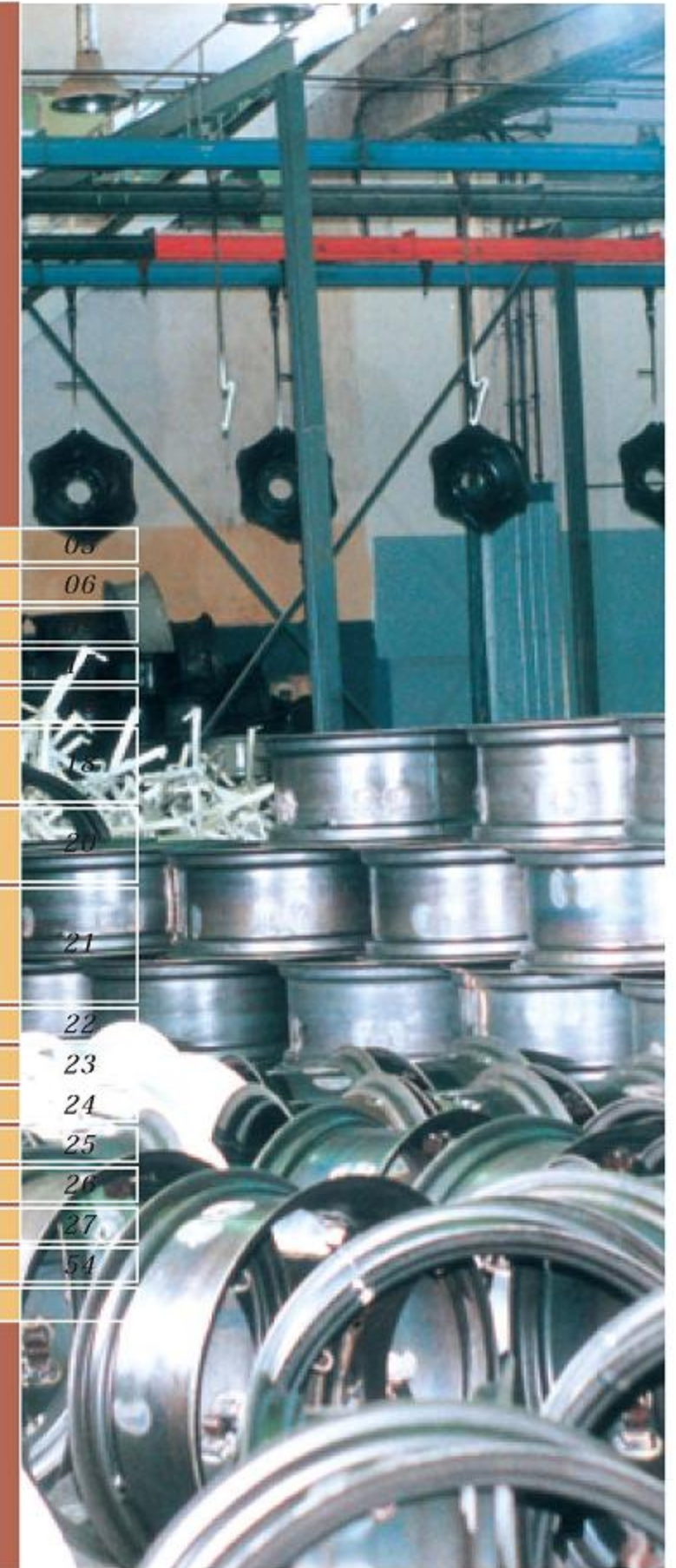


AL HAMDOLILLAH

*This Year we are
Celebrating
Silver Jubilee
Year*

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BOARD OF DIRECTORS

COMPANY SECRETARY
Mr. Irfan Ahmed Qureshi

EXTERNAL AUDITORS
Ford Rhodes Sidat Hyder & Co.
(Chartered Accountants)

LEGAL ADVISOR
Mohsin Tayebaly & Company
(Advocate)

BANKERS
Habib Bank Limited
Faysal Bank Limited
Union Bank Limited
National Bank of Pakistan

**FACTORY &
REGISTERED OFFICE**
Main RCD Highway, Hub Chowki,
Lasbella, Baluchistan.
Telephone # (0853) 302496, 302498
Fax # (0853) 303035

**SHARES DEPARTMENT
& HEAD OFFICE**
1st Floor, State Life Building # 3,
Dr. Ziauddin Ahmed Road, Karachi.
E-mail : bwlho@cyber.net.pk.
Website : <http://www.bwheels.com>
Tel. # 5689259, 5683474, 5687502
Fax # 5684003

- BOARD AUDIT COMMITTEE**
- i. Mr. Mohammed Khalid Ali - Chairman
Director
 - ii. Mr. Syed Liaquat Ali - Member
Director
 - iii. Mr. Muhammad Irfan Ghani - Member
Chief Operating Officer
 - iv. Mr. Yasin Younus Ladha - Secretary
Dy. General Manager Finance

Mr. Muhammad Siddique Memon



Chairman

Mr. Razak H. M. Bengali



Chief Executive

Mr. Muhammad Irfan Ghani



Chief Operating Officer

Mr. Syed Liaquat Ali



Nominee - NIT

Mr. Syed Zubair Ahmed



Nominee - NIT

Mr. Irfan Ahmed Qureshi



MANAGEMENT COMMITTEE

Mr. Muhammad Siddique Memon
Chairman

Mr. Razak H. M. Bengali
Chief Executive

Mr. Muhammad Irfan Ghani
Chief Operating Officer

Mr. Irfan Ahmed Qureshi
Director/(G.M.) Finance/
Company Secretary

Mr. Muhammad Javed
S.G.M (Tech)

Mr. Badruddin A. Ali
G.M. (Supply & Services)

Mr. Shaikh Muhammad Iqbal
G.M. (Sales)

Mr. Sajid Nadri
G.M. (Research & Development)

INTERNAL AUDITORS

Anjum Asim Shahid Rehman
Chartered Accountants

BOARD HUMAN RESOURCES AND COMPENSATION COMMITTEE

Mr. Muhammad Siddique Memon
Chairman

Mr. Razak H. M. Bengali
Chief Executive (Member)

Mr. Muhammad Irfan Ghani
Chief Operating Officer (Member)

Mr. Arshad Siddiqui
Head of Human Resources (Secretary)

**RELATED PARTIES,
ASSOCIATED COMPANIES**
Dynamic Securities
Security Leasing Corporation Ltd.
Staff Retirement Funds.

NOTICE OF THE MEETING

NOTICE IS HEREBY GIVEN that the Twenty Fifth Annual General Meeting of the Company will be held at the Company's Registered Office, Main RCD Highway, Hub Chowki, District Lasbella, Baluchistan, on Saturday, October 29, 2005 at 10:30 am. to transact the following business :-

1. To confirm the minutes of the 24th Annual General Meeting, held on October 23, 2004.
2. To receive consider and adopt the Audited Accounts for the year ended June 30, 2005 together with the Directors' and Auditors' reports thereon.
3. To approve the payment of Cash dividend. The Board of Directors has recommended payment of cash dividend @ 15 % i.e. Rs. 1.50/- per share of Rs.10/- each for the year ended June 30, 2005
4. To appoint Auditors for the year 2005-2006 and to fix their remuneration. The present Auditors, M/s. Ford Rhodes Sidat Hyder & Co. Chartered Accountants, retire and being eligible, offer themselves for reappointment. The Board of Directors has recommended appointment of M/s. Ford Rhodes Sidat Hyder & CO, Chartered Accountants as Auditors of the Company for the year 2005-2006.

Special Business

5. To approve the issue of bonus shares in the ratio of 15 shares for every 100 shares held (15%) as recommended by the Board of Directors.
6. To consider the recommendation of the Board of Directors to place quarterly accounts of the Company on its website www.bwheels.com instead of circulating the same by post to the shareholders as allowed by Securities and Exchange Commission of Pakistan, vide SECP's circular No. 19, dated April 14, 2004.
7. To consider any other Business with the permission of the Chair.

BY ORDER OF THE BOARD

Irfan Ahmed Qureshi
Company Secretary

October 01, 2005

NOTICE OF THE MEETING

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 22, 2005 to October 29, 2005 (both days inclusive).
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote for him/her. A proxy must be a member of the Company.
3. An instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or notorially certified copy of such power of attorney, in order to be valid must be deposited at the Head office of the Company not less than 48 hours before the time of the meeting.
4. Shareholders are advised to immediately notify of any change in their addresses to our Shares Department, 1st Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi.
5. CDC Account holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his Identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting .The shareholders registered on CDS are also requested to bring their participants ID numbers and account number in CDS.

In case of corporate entity, the Board of Directors resolution / power of attorney with Specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

The proxy form shall be witnessed by two persons whose names, address and NIC numbers shall be mentioned on the form attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form. The proxy shall produce his original NIC or original passport at the time of meeting.

Transport will be provided to members from the Karachi Stock Exchange Building to attend the meeting. Departure from Stock Exchange Building will be at 09:30 a.m.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts concerning the special business to be transacted at the Annual General Meeting of shareholders of Baluchistan Wheels Limited to be held at 10:30 a.m. on October 29, 2005 at the Registered office of the Company, main RCD Highway, Hub chowki, Lasbella, Baluchistan.

- a) The Directors have recommended capitalization of Rs. 17,392,500/- from the unappropriated profit and reserve of the Company to enable issue of bonus shares in the ratio of 15 shares for every 100 shares held. The Directors are interested in the business to the extent of their entitlement to bonus shares as shareholders. In this regard, if thought fit, to pass with or without modification(s) the following resolution:

"RESOLVED that a sum of Rs. 17,392,500/- out of the unappropriated profit and free reserve of the Company be capitalised and applied for the issue of 1,739,250 ordinary shares of Rs.10/- each and allotted as fully paid up bonus shares to the members of the Company who are registered in the book of the Company as at October 21, 2005, in the proportion of 15 shares for every 100 shares held and that such new shares shall rank pari-passu with the existing shares of the Company except that they shall not qualify for dividend for the year ended June 30, 2005.

"FURTHER RESOLVED that for the purpose of giving effect to the above, the Directors be and are hereby authorized to take all necessary actions and to settle any question or difficulty that may arise with regard to the distribution of the said bonus shares or in the payment of sale proceeds of the fractional entitlements as they deem fit."

- b) As allowed under the circular No. 19 dated April 14, 2004 from SECP and KSE notice dated April 27, 2004 the Board of Directors have recommended to place Baluchistan Wheels Limited first, second and third quarterly accounts on company's website www.bwheels.com instead of sending the same to shareholders by post to save a substantial cost on printing etc, and to ensure timely availability of information to the shareholders. The Directors approved to obtain consent from shareholders for placing the quarterly accounts of the Company on its website www.bwheels.com. The Directors of the Company have no direct or indirect interest in the matter. The Company will comply with all the conditions given in SECP's said circular No. 19 dated April 14, 2004. Following resolution will be presented in the Annual General Meeting for approval of the shareholders.

" RESOLVED that the proposal to place quarterly accounts on the website of the Company instead of circulating the same to the shareholders, be and is hereby approved"

DIRECTORS' REPORT TO THE SHAREHOLDERS



Your Directors are pleased to present Annual Accounts for the year ended June 30, 2005.

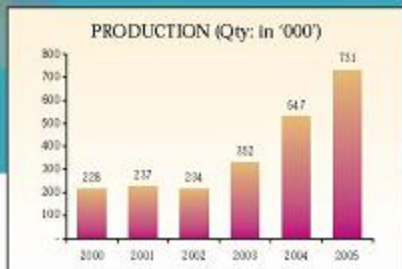
The year under review is one of the years of good performance in terms of production, sales, profitability and in other spheres of company's operations, since your company was able to resolve its issue over its deposit and Economic Affairs Division loan with National Bank of Pakistan.

FINANCIAL PERFORMANCE

It is a matter of great pride that your company has achieved the highest-ever production volume of 731,000 wheels as compared to 547,000 wheels last year. Due to increase in volume, the net sales during the period increased by Rs. 256 million and touched the highest-ever figure of Rs. 789 million as compared to Rs. 533 million which is 48% higher than the last year. The gross profit is Rs. 186 million as compared to Rs.123 million in previous year.

Due to amendment in the Income Tax Ordinance, 2001 by the Finance Act, 2005, the option for assessment under the presumptive regime has been withdrawn. Your company has made a provision for taxation of Rs. 50 million during the year as compared to 22 million in the preceding year.

The profit after taxation during the year stood at Rs. 98 million as compared to Rs. 51 million in the preceding year. The profit would have been Rs. 108 million, if the above amendment had not been made in the taxation law since your company had again opted for presumptive tax regime during the period, but subsequently CBR has withdrawn the above mentioned option with retrospective effect and we intend to avail the option of presumptive taxation and as a prudence we have fully provided for the taxation.



PROPOSED DIVIDEND AND BONUS

The Board of Directors have proposed a final dividend for the year ended June 30, 2005 Rs. 1.50 per share 15% (2004 Rs. 1.50 per share) amounting to Rs 17.39 million (2004: Rs. 17.39 million). The Board has also recommended the issuance of 15 bonus shares for every 100 shares held (15%) amounting to Rs. 17.39 million (2004 : NIL) at their meeting held on 23rd Sep, 2005 for approval of members at the Annual General Meeting to be held on 29th Oct, 2005. The financial statements, however, do not reflect these appropriations in compliance with the revised Fourth Schedule to the Companies Ordinance, 1984 (refer to Note. 4.1 to the audited financial statements).

The comparative financial results for the year 2005 as against 2004 are as follows:

	(Rupees in '000')	
	2005	2004
Sales	788,983	533,451
Gross Profit	186,093	122,701
Operating Profit	134,207	81,154
Profit before Tax	148,571	72,569
Profit after Tax	98,121	50,675
Earning per Share (Rs.)	8.46	4.37

OPERATIONAL PERFORMANCE

The real Gross Domestic Product (GDP) of the country's economy grew by 8.4% as against 6.4% last year. The agriculture sector also achieved recovery by posting a growth of 7.5%. The production of cotton was unprecedented (14.6 million bales).

Large scale manufacturing also grew by 15.4%.

The car sales were 127,309 units as compared to 96,674 units last year. Sales of trucks/buses were 3,345 units as compared to 1,868 units last year. Sales of light commercial vehicles were 25,056 units as compared to 14,933 units last year. Similarly, farm tractors also recorded a rise to 43,578 units from 35,900 units. Our sales were 728,000 wheels amounting to Rs. 789 million as compared to 547,000 wheels amounting to Rs. 533 million last year.

Product-wise, car wheel sales improved to Rs. 480 million (by 57%) from Rs. 306 million in the previous year. Similarly, truck/bus and tractor wheel sales have improved by 26% to Rs. 265 million from Rs. 211 million. The export sales were Rs. 10 million as compared to Rs. 4 million in the previous year.

HUMAN RESOURCES

We firmly believe that our officers, staff and workforce is the backbone of our business. The management believes in encouraging the talented and dedicated employees, who are frequently sent for training at home and abroad to update their professional and technical skills. Direct and indirect rewards to the workforce like Worker-of-the-Month Award, Haj Scheme, Special Health Allocation and many other such benefits are in place. The labour laws are strictly followed and your management has successfully concluded agreement with CBA for next 2 years.



Sitting from left: Mr. Razak H. M. Bangali,
Mr. Muzammad Siddique Memon &
Mr. Muhammad Irfan Ghani
Standing from left: Syed Zubair Ahmed &
Mr. Irfan Ahmed Qureshi

SAFETY, HEALTH & ENVIRONMENT

We are actively managing health and safety risks associated with our manufacturing process and are working towards improving our procedures to reduce or control the risk of accident or injury during work.

Apart from this, healthy activities of sports are encouraged, and we have a cricket as well as a football team. Every measure is being taken to preserve nature and to maintain clean environment at workplaces.

COMPANY'S CONTRIBUTION TO THE ECONOMY OF THE COUNTRY

Your company being an import substitution unit is contributing to the economy by saving foreign exchange and is very important vending industry for the auto assemblers. During the period under review, your company contributed to national exchequer by paying sales tax, income tax and other indirect taxes to the tune of Rs.169 million. Besides, it is also providing employment opportunities to the local people residing in Hub and other adjoining areas.

STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK

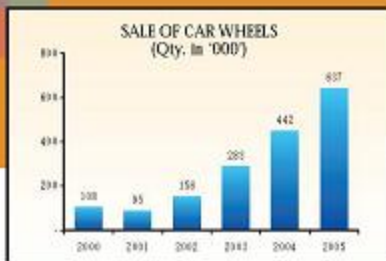
- a. The financial statement, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b. Proper books of accounts of the company have been maintained.



A Customer from Syria at BWL stand Hannover, Fair, Germany



- c. Appropriate accounting policies have been consistently applied except for changes disclosed at note No. 4 in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- e. The system of internal control is sound in design and is effectively implemented and monitored. The process of review will continue and any weaknesses in controls will be removed.
- f. There are no significant doubts upon the company's ability to continue as going concern.
- g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h. Key operating and financial data for last six years in summarized form is annexed.
- i. **Outstanding Taxes and Levies:** Please refer to Note No. 37 to the annexed audited accounts.
- j. The following is the value of investments based on respective audited accounts:



Executive Provident Fund	Rs. 31 million
Non-Executive Provident Fund	Rs. 9 million
Gratuity Fund	Rs. 19 million

Based on audited accounts as at June 30, 2004.

- k. During the year 6 meetings of the Board of Directors were held. Attendance by each Director is as follows:

Name of Director	No. of Meetings Attended
Mr. Muhammad Siddique Memon	05
Mr. Razak H.M. Bengali	06
Mr. Muhammad Irfan Ghani	06
Mr. Mohammed Khalid Ali	04
Mr. Anis Wahab Zuberi	05 (resigned w.e.f. 8.6.05)
Syed Zubair Ahmed	05
Mr. Irfan Ahmed Qureshi	06
Syed Liaquat Ali	00 (joined w.e.f. 8.6.05)

- l. The pattern of shareholding is annexed.

- m. Purchase of shares by CEO, Directors, Company Secretary, CFO, their spouses and minor children is given below:

	No. of Shares Purchased
1. Mr. Muhammad Irfan Ghani (Director)	52,200
2. Mr. Razak H.M. Bengali (Director)	52,200
3. Mrs. Kausar Irfan (W/o Mr. Muhammad - Irfan Ghani)	2,000

STATEMENT OF ETHICS AND BUSINESS PRACTICES

The Board regularly reviews the company's strategic direction. Annual plans and performance targets for business are set and are reviewed by the Board in the light of the company's overall objectives. The Board is committed to maintain high standards of good corporate governance. As a leading wheel manufacturer, reputation for high ethical standards is central to business success. Treatment of stakeholders with respect, courtesy and competence, ensuring clear consciousness in all decisions and operations and on this basis code of business principles has been developed and acknowledged by each Director and employee of the company.



Standing from Right: Mr. Razak H. M. Bengali, Mr. Muhammad Siddique Memon, Syed Zubair Ahmed, Mr. Muhammad Irfan Ghani and Mr. Irfan Ahmed Qureshi

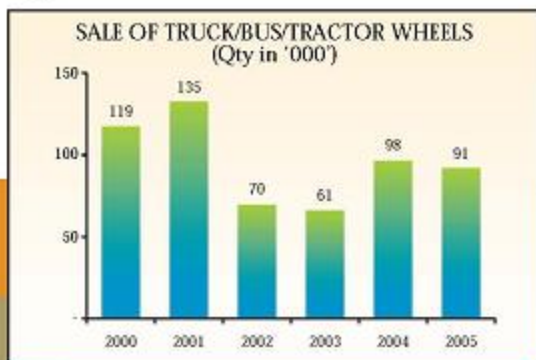
COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Karachi Stock Exchange in its listing Rules, relevant for the year ended June 30, 2005 have been complied with. A statement to this effect is annexed with the report.

FUTURE OUTLOOK

The gap between supply and demand of vehicles still remains and the production capacity is still far short of demand, although the assemblers have enhanced their production, and they are continuing to do so.

The increase in automobile production has a positive impact on vending industry, including Baluchistan Wheels Limited, and we are also meeting their demand. However, recent concession by the Government to import second-hand vehicles under baggage/gift scheme will discourage the current pace of capacity expansion of assemblers which may also affect the expansion plan of vendors, including Baluchistan Wheels Limited. It will not be out of place to mention here that any country which has achieved major growth in industry has focused on auto industry e.g. USA, Japan, Korea, India, Thailand, etc. and their gap between CBU and CKD duties has enabled them to grow, and in Pakistan the gap is minimum.



Mr. Razak H.M. Bengali, Chief Executive, giving away trophy to Lt. Gen. (Retd) Abdul Qayyum, HI (M), Chairman, Pakistan Steel, on the occasion of golf tournament, organized by BWL at the Defence Authority Country & Golf Club, Karachi.



However, we at Baluchistan Wheels Limited have tried our best to meet the demand of assemblers by addition of new machines, better production planning, etc. and for this, we are also planning to enhance capacity, and hope that the Government will adopt consistent and business-friendly policy. Despite this, we are confident that the price of locally assembled brand new car is still competitive with the brand new completely built-up unit (imported car) of same specifications. The continuous pressure on oil prices will also have impact on Pakistan's economy, resulting in increase in prices, including utilities, etc.

NBP AND RELATED MATTERS

We are pleased to inform you that Baluchistan Wheels Limited and National Bank of Pakistan have reached a compromise on our deposit and EAD loan whereby the entire amount lying with the Nazir of the High Court of Sindh has been utilized towards settlement of EAD loan. Thus, our suit for recovery of deposit has also been settled amicably, besides the settlement of our long-term loan from EAD. This has ended a long litigation on the above issues between NBP and BWL.

Under the compromise arrangement, a sum of Rs. 156.20 million was initially determined by the Nazir of the High Court of Sindh, as the amount of principal and interest thereon, and Baluchistan Wheels Limited paid the differential amount of Rs. 2.56 million to NBP, thus making a total of Rs. 158.76 million. Subsequently, it transpired that another sum of Rs. 2.84 million is also payable on the funds lying with the Nazir of the Court, which was also paid to NBP, and now this amount is receivable from NBP.



Strictly without prejudice to above, both BWL and NBP undertake to proceed in the cases on the payment of Privatization Commission, so that the same are disposed of at the earliest. The management and its Legal Counsel are hopeful that the ultimate outcome of the matter will be in company's favour, as explained in Note 28.

DIRECTORS AND BOARD AUDIT COMMITTEE

During the period under review, NIT nominee, Mr. Anis Wahab Zuberi resigned from the Board and in his place, Syed Liaquat Ali has filled the casual vacancy.

The Board welcomes the new Director and wishes to acknowledge the valuable services rendered by Mr. Anis Wahab Zuberi, especially in the areas of National Bank of Pakistan matters, internal audit, accounts, corporate governance and overall policy-making and its implementation during his stay on the Board.

His association with BWL will long be remembered, and we wish him good luck, health and prosperity. Similarly, Syed Liaquat Ali has also replaced Mr. Anis Wahab Zuberi as a member of the Audit Committee of the Board.

AUDITORS

The Audit Committee has recommended to appoint M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accountants, for re-appointment at the time of Annual General Meeting (AGM). The present Auditors, M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accountants, retire and offer themselves for re-appointment subject to their eligibility under the law at the time of appointment at the AGM.

INTERNAL AUDITORS

The internal audit function has been outsourced to M/S Anjum Asim Shahid Rehman Chartered Accountants due to the resignation of Mr. Asad Saeed who has left the company for better prospects.

TRANSFER PRICING

Your company has fully complied with the best practices on transfer pricing as contained in the listing regulation No.38 of the Karachi Stock Exchange except the sale of cars to the officers and executive directors at WDV as per the company policy.

BASIC EARNING PER SHARE

Based on the net profit for the current year, the earning per share was Rs. 8.46 (Rs. 4.37 year 2004).

ACKNOWLEDGEMENT

We thank our valued customers for their patronage of our products, and are pleased to record our appreciation for the services rendered by the staff members and workers and look forward to their continued efforts and dedication.

For and on Behalf of the Board

Muhammad Siddique Memon
Chairman

Razak H.M. Bengali
Chief Executive

Karachi: September 23, 2005



Minister for Industries, Pakistan
Mr. Jehangir Tareen, at BWL stand hamover,
Fair, Germany 2005

PATTERN OF SHAREHOLDING

"FORM 34"
AS AT JUNE 30, 2005

NO. OF SHAREHOLDER'S	FROM	RANGE	TO	NO. OF SHARES
429	1	-	100	21,032
773	101	-	500	200,609
111	501	-	1000	86,485
116	1001	-	5000	234,274
15	5001	-	10000	113,500
4	10001	-	15000	54,500
2	15001	-	20000	39,900
4	25001	-	30000	102,775
3	30001	-	35000	95,500
2	35001	-	40000	72,900
1	40001	-	45000	43,000
1	45001	-	50000	50,000
1	65001	-	70000	66,500
1	70001	-	75000	70,500
1	95001	-	100000	100,000
1	105001	-	110000	106,000
1	115001	-	120000	118,000
1	165001	-	170000	166,625
1	200001	-	205000	203,200
1	205001	-	210000	209,075
1	215001	-	220000	218,250
1	225001	-	230000	228,300
1	240001	-	245000	241,000
2	245001	-	250000	497,150
1	285001	-	290000	289,125
1	325001	-	330000	327,100
1	435001	-	440000	440,000
1	615001	-	620000	618,550
1	635001	-	640000	637,825
1	725001	-	730000	728,300
1	1115001	-	1120000	1,115,500
1	1285001	-	1290000	1,288,900
1	2810001	-	2815000	2,810,625
1,483				11,595,000

SHAREHOLDER'S CATEGORY	NUMBER OF SHAREHOLDER'S	NUMBER OF SHARES HELD	PERCENTAGE
INDIVIDUALS	1,443	6,383,500	55.054
JOINT STOCK COMPANIES	21	1,426,150	12.300
FINANCIAL INSTITUTION	8	2,822,600	24.343
INSURANCE COMPANIES	4	518,700	4.473
INVESTMENT COMPANIES	4	3,700	0.032
LEASING COMPANY	1	440,000	3.795
OTHERS	2	350	0.003
	1,483	11,595,000	100.000

PATTERN OF SHAREHOLDING - BREAKUP

AS OF: 30/06/2005

CATEGORIES OF SHAREHOLDER'S	NO. OF SHAREHOLDER	SHARES HELD	PERCENT %
RELATED PARTIES	2	1,077,825	9.30%
1 M/S. M/S DYNAMIC SECURITIES		637,825	
2 M/S. SECURITY LEASING CORPORATION LIMITED		440,000	
NIT AND ICP	5	3,116,475	26.88%
1 M/S. NATIONAL BANK OF PAKISTAN, TRUSTEE DEPTT.		2,810,625	
2 M/S. STATE LIFE INSURANCE CORP. OF PAKISTAN		289,125	
3 M/S. STATE LIFE INSURANCE CORP. OF PAKISTAN		8,000	
4 M/S. INVESTMENT CORPORATION OF PAKISTAN		8,525	
5 M/S. INVESTMENT CORPORATION OF PAKISTAN KHI		200	
DIRECTORS, CEO & THEIR SPOUSE AND MINOR - CHILDREN	8	3,432,900	29.61%
1 MR. MR. MUHAMMAD SIDDIQUE MEMON		1,289,300	
2 MRS. MEHTAB BIBI		66,500	
3 MR. RAZZAK H.M. BENGALI		618,550	
4 MRS. GUL BANO		241,000	
5 MR. MUHAMMAD IRFAN GHANI		967,400	
6 MRS. KAUSAR IRFAN		247,650	
7 MR. MOHAMMED KHALID ALI		2,000	
8 MR. IRFAN AHMED QURESHI		500	
EXECUTIVES	-	-	-
PUBLIC SECTORS COMPANIES AND CORPORATIONS	-	-	-
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS , NON BANKING FINANCIAL INSTITUTION, INSURANCE- COMPANIES, MODARABAs, AND MUTUAL FUNDS	11	228,525	1.97%
1 M/S. ROYAL BANK OF SCOTLAND		1,425	
2 M/S. BANK OF SCOTLAND		625	
3 M/S. BANKERS TRUST		75	
4 M/S. MORGAN STANLEY BANK LUXEMBOURG		1,150	
5 M/S. MORGAN STANLEY TRUST COMPANY		925	
6 M/S. CROSBY SECURITIES PTE LTD.		725	
7 M/S. SOMERS NOMINEES (FAR EAST) LTD.		600	
8 M/S. NATIONAL DEV. FINANCE CORP. INVESTERS		925	
9 M/S. PRUDENTIAL INVESTMENT BANK LIMITED		500	
10 M/S. EFU GENERAL INSURANCE LIMITED		209,075	
11 M/S. EFU LIFE ASSURANCE LTD.		12,500	
Bal. C/F	26	7,855,725	67.75%

	Bal. B/F			
	26	7,855,725	67.75%	
SHAREHOLDERS HOLDING TEN PERCENT OR MORE- VOTING INTEREST IN THE COMPANY	-	-	-	
INDIVIDUALS	1,434	2,312,775	19.95%	
OTHERS	23	1,426,500	12.30%	
1 M/S. MILLAT TRACTORS LIMITED		1,115,500		
2 M/S. BOLAN CASTINGS LIMITED		250,000		
3 M/S. DJM SECURITIES (PRIVATE) LIMITED		37,000		
4 M/S. SATTAR CHINYOY SECURITIES PVT LTD		10,000		
5 M/S. JAN MOHD. A.LATIF NINI & SONS (PVT) LTD		5,000		
6 M/S. ZILLION CAPITAL SECURITIES (PVT) LTD.		1,825		
7 M/S. PROGRESSIVE INV. MANAGEMENT (PVT) LTD.		1,750		
8 M/S. VALIKA ART FABRICS LTD		1,250		
9 M/S. Y.S. SECURITIES & SERVICES (PVT) LTD.		500		
10 M/S. ACE SECURITIES (PVT.) LIMITED		500		
11 M/S. I. I. KODVAVI SECURITIES (PVT) LIMITED		500		
12 M/S. CAPITAL VISION SECURITIES (PVT) LTD.		500		
13 M/S. S.Z. SECURITIES (PRIVATE) LIMITED		475		
14 M/S. INTERMARKET SECURITIES (PRIVATE) LIMITED		250		
15 M/S. INVEST CAPITAL & SECURITIES (PVT) LTD.		250		
16 M/S. M/S. NATIONAL MOTORS LIMITED		200		
17 M/S. MEGA SECURITIES (PRIVATE) LIMITED		200		
18 M/S. LOADS LIMITED		200		
19 M/S. TRUSTEES ARVABAI&FAKHRUDDIN MEMORIAL FDN		150		
20 M/S. GENERAL MODARABA SERVICES (PVT) LTD		125		
21 M/S. DOSSLANI'S SECURITIES (PVT) LIMITED		125		
22 M/S. GENERAL INVEST. & SECURITIES (PVT) LTD.		125		
23 M/S. S.H. BUKHARI SECURITIES (PVT) LIMITED		75		
*** TOTAL ***	1,483	11,595,000	100.00%	

STATEMENT OF COMPLIANCE

WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the listing regulations No. 37 of the Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of the Code.

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

1. The Company encourages representation of independent non-executive directors and representation of minority interests on its Board of Directors (BOD). At present BOD includes three non-executive Directors.
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 NBF1 or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year, one casual vacancy occurred in the BOD on 8th June 2005, was filled up by the Directors within 30 days thereof. The Company has filed necessary statutory returns in this regard.
5. The Company has prepared and circulated 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 / mission statement overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.
7. All the powers of BOD have been duly exercised and decisions on material transactions, and significant matters are documented by a resolution passed by BOD, including appointment and determination of remuneration and terms and conditions of employment of the Chairman, CEO, COO, CFO / Company Secretary and other Executive Directors, have been taken by BOD.
8. The meetings of BOD were presided over by the Chairman and, in his absence, by a director elected by BOD for this purpose and BOD met at least once in every quarter. Written notices of the BOD meetings, along with the agenda were circulated at least seven days before the meeting. The minutes of the meeting were appropriately recorded and circulated.
9. The BOD is in the process of arranging orientation courses for its directors to further apprise them of their duties and responsibilities.
10. During the year Head of Internal Audit resigned and now Internal Audit Functions has been out sourced which was duly approved by the BOD. No new appointment of CFO/Company Secretary has been made during the year.

11. The Directors' Report for this year 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 the CEO and CFO before the approval of BOD.
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 Company has complied with all the corporate and financial reporting requirements of the Code.
15. The BOD has formed an Audit Committee. It comprises three members, of whom two are Non-Executive Directors including the Chairman of the committee.
16. The meetings of the Audit Committee were held at least once in every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference to the Committee have been formed and advised to the Committee for compliance.
17. The Board has outsourced the internal audit function to M/s. Anjum Asim Shahid Rehman, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and their representatives are involved in the internal audit function on full time basis.
18. 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 (ICAP), 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 (ICAP).
19. 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.
20. We confirm all other material principles contained in the Code have been complied with as stated above, except that presently the position of the CFO and Company Secretary is held by the same person. The decision in respect of the position of CFO and Company Secretary has been taken by BOD keeping in view the size of the Company and orientation courses for the Directors will be conducted during the current year.

MUHAMMAD SIDDIQUE MEMON
Chairman

RAZAK H. M. BENGALI
Chief Executive

Karachi. September 23, 2005

STATEMENT OF COMPLIANCE

WITH THE BEST PRACTICE ON TRANSFER PRICING

The Company has fully complied with the best practices on Transfer Pricing as contained in the regulation No. 38 of the Karachi Stock Exchange. Further, certain fixed assets of the Company are sold to the Executives & Working Directors at book value as per the Company Policy as disclosed in note 5.1.3 of the Financial Statements.

On behalf of the Board of Directors

MUHAMMAD SIDDIQUE MEMON
Chairman

RAZAK H. M. BENGALI
Chief Executive

Karachi. September 23, 2005

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 (the code) applicable to the Company for the year ended June 30, 2005 prepared by the Board of Directors of Baluchistan Wheels Limited to comply with the listing Regulation No. 37 of the Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not. A review is limited primarily to inquires of the Company personnel 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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 effective for the period ended June 30, 2005.

FORD RHODES SIDAT HYDER & CO.
Chartered Accountants

Karachi: September 23, 2005

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of BALUCHISTAN WHEELS LIMITED as at June 30, 2005 and the related profit and loss account, 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 the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements 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 we 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 estimates made by management, as well as, evaluating the overall presentation 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 account 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, investments made and the expenditure 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, cash flow statement and 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 manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2005 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

FORD RHODES SIDAT HYDER & CO.
Chartered Accountants

Karachi: September 23, 2005

BALANCE SHEET

AS AT JUNE 30, 2005

	Note	2005	2004 Restated
(Rupees in '000')			
ASSETS			
NON CURRENT ASSETS			
Fixed assets	5	171,438	144,509
Investment property	6	6,800	8,096
Long term investments	7	1,912	1,757
Long term loans and advances	8	144	390
Long term deposits	9	6,203	2,601
Deferred tax asset	10	3,757	656
CURRENT ASSETS			
Stores, spare parts and loose tools	11	30,348	24,460
Stock-in-trade	12	232,062	139,314
Trade debts	13	87,943	79,503
Loans and advances	14	20,928	24,084
Trade deposits and short term prepayments	15	1,329	1,304
Interest accrued	16	2,850	18,272
Other receivables	17	147	1,702
Term deposit	18	-	50,840
Income tax refunds due from the government - net		-	13,779
Bank balances	19	26,712	35,423
		<u>402,319</u>	<u>388,681</u>
TOTAL ASSETS		592,573	546,690
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
15,000,000 (2004: 15,000,000) ordinary shares of Rs.10/- each		150,000	150,000
Issued, subscribed and paid-up capital	20	115,950	115,950
Reserves		<u>282,311</u>	<u>201,344</u>
		398,261	317,294
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	21	24,468	4,316
Long term deposits	22	88	172
CURRENT LIABILITIES			
Trade and other payables	23	112,808	96,842
Mark-up accrued	24	789	534
Short term borrowings	25	10,804	36,274
Current portion of liabilities against assets subject to finance lease	21	15,054	4,916
Current portion of long term deposits	22	106	95
Overdue portion of long term loan	26	-	85,851
Provision for taxation	27	30,195	396
		<u>169,756</u>	<u>224,908</u>
CONTINGENCIES AND COMMITMENTS	28	-	-
TOTAL EQUITY AND LIABILITIES		592,573	546,690

The annexed note numbers 1 to 49 form an integral part of these financial statements.

MUHAMMAD SIDDIQUE MEMON
Chairman

RAZAK H. M. BENGALI
Chief Executive

Karachi, September 23, 2005

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2005

	Note	2005	2004
(Rupees in '000')			
Turnover - net	29	788,983	533,451
Cost of sales	30	602,890	410,750
Gross profit		186,093	122,701
Distribution cost	31	19,764	8,080
Administrative expenses	32	33,756	36,193
		53,520	44,273
Other income	33	6,673	2,726
		139,246	81,154
Finance cost	34	8,422	3,441
Other charges	35	11,025	5,144
		19,447	8,585
		119,799	72,569
Gain on litigation settlement	36	28,787	-
Profit before taxation		148,586	72,569
Taxation	37	50,197	21,894
Net profit for the year		98,389	50,675
Basic earnings per share (Rupees)	38	8.49	4.37

The annexed note numbers 1 to 49 form an integral part of these financial statements.

MUHAMMAD SIDDIQUE MEMON
Chairman

RAZAK H. M. BENGALI
Chief Executive

Karachi, September 23, 2005

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2005

	Note	2005	2004
(Rupees in '000')			
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	39	80,456	39,619
Income tax paid		(11,925)	(11,897)
Financial charges paid		(8,167)	(2,990)
Gratuity paid		(855)	(630)
Provident fund paid		(1,862)	(1,150)
Long term loan and advances		246	(248)
Long term deposits (asset)		(3,602)	592
Long term deposits (liability)		(73)	(591)
Net cash inflow from operating activities		54,218	22,705
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure - tangible		(8,641)	(10,961)
- intangible		-	(2,568)
Proceeds from sale of fixed assets		1,726	2,901
Profit received on deposit accounts		135	98
Term deposit		107,236	-
Dividend received		50	60
Net cash used in investing activities		100,506	(10,470)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of liabilities under finance lease		(10,730)	(13,710)
Payment of EAD loan		(109,927)	-
Dividend paid		(17,308)	(23,015)
Net cash used in financing activities		(137,965)	(36,725)
Net increase / (decrease) in cash equivalents		16,759	(24,490)
Cash and cash equivalents at the beginning of the year		(851)	23,639
Cash and cash equivalents at the end of the year	40	15,908	(851)

The annexed note numbers 1 to 49 form an integral part of these financial statements.

MUHAMMAD SIDDIQUE MEMON
Chairman

RAZAK H. M. BENGALI
Chief Executive

Karachi. September 23, 2005

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2005

	Reserves.....					
	Issued, subscribed and paid-up Share capital	General	Unrealised gain on available- for-sale- investments	Accumu- lated profit	Total reserves	Total
	(Rupees in '000')					
Balance at June 30, 2003 as previously reported	115,950	101,498	495	48,561	150,554	266,504
Effect of change in accounting policy - Appropriations for the year ended June 30, 2003 declared subsequent to the year end						
- Dividend 20%	-	-	-	23,190	23,190	23,190
Balance at June 30, 2003 - restated	115,950	101,498	495	71,751	173,744	289,694
Effect of change in accounting policy - Appropriations for the year ended June 30, 2003 declared subsequent to the year end						
- Dividend 20%	-	-	-	(23,190)	(23,190)	(23,190)
Net profit for the year	-	-	-	50,675	50,675	50,675
Unrealised gain on available-for-sale investments	-	-	115	-	115	115
Balance at June 30, 2004 - restated	115,950	101,498	610	99,236	201,344	317,294
Balance at June 30, 2004 as previously reported	115,950	160,000	610	23,341	183,951	299,901
Effect of change in accounting policy - Appropriations for the year ended June 30, 2004 declared subsequent to the year end						
- Dividend 15%	-	-	-	17,393	17,393	17,393
- Transfer to general reserves	-	(58,502)	-	58,502	-	-
Balance at June 30, 2004 - restated	115,950	101,498	610	99,236	201,344	317,294
Effect of change in accounting policy - Appropriations for the year ended June 30, 2004 declared subsequent to the year end						
- Dividend 15%	-	-	-	(17,393)	(17,393)	(17,393)
- Transfer to general reserves	-	58,502	-	(58,502)	-	-
Net profit for the year	-	-	-	98,389	98,389	98,389
Loss on available-for-sale investments	-	-	(29)	-	(29)	(29)
Balance at June 30, 2005	115,950	160,000	581	121,730	282,311	398,261

The annexed note numbers 1 to 49 form an integral part of these financial statements.

MUHAMMAD SIDDIQUE MEMON
Chairman

RAZAK H. M. BENGALI
Chief Executive

Karachi. September 23, 2005

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

1. STATUS AND NATURE OF BUSINESS

Baluchistan Wheels Limited (the Company) was incorporated in Pakistan on June 16, 1980. The Company is engaged in manufacturing and marketing of automotive wheel rims for trucks, buses, tractors, cars and mini commercial vehicles. The Company is listed on the Karachi Stock Exchange. The registered office of the Company is situated at Main RCD Highway, Hub Chowki, Lasbella, Baluchistan.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 (the Ordinance). Approved accounting standards comprise of such International Accounting Standards (IASs) as notified under the provisions of the Ordinance. Wherever the requirements of the Ordinance or directives issued by the Securities and Exchange Commission of Pakistan (SEC) differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

3. ACCOUNTING CONVENTION

These financial statements have been prepared under the historical cost convention except for investment in securities and investment property which are shown at fair value as required under IAS-39 "Financial Instruments: Recognition and Measurement", and IAS - 40 "Investment Property" respectively.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Change in accounting policy

During the year, the Securities and Exchange Commission of Pakistan substituted the Fourth Schedule to the Companies Ordinance, 1984, effective from the financial year ending on or after July 5, 2004. This has resulted in the change in accounting policy pertaining to the recognition of dividends and other appropriations declared subsequent to the year end. Dividends and other appropriations to general reserve are now recognised in the year in which these are declared. Up until the previous year, dividends declared and appropriations made after the balance sheet date but before the financial statements were authorised for issue, were recognised as of the balance sheet date.

Effect of change in accounting policy

The change in accounting policy has been accounted for retrospectively and comparative information has been restated in accordance with the benchmark treatment specified in IAS - 8 "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies". Had there been no change in accounting policy, the unappropriated profit carried forward would have been lower by Rs. 34.786 million (2004:Rs.75.895 million and the liability for proposed dividend general reserve and reserve for issue of bonus shares would have been higher by Rs. 17.393 million [2004: Rs.17.393 million] Rs. NIL [2004: Rs.58.502 million] and Rs. 17.393 million (2004 : Rs. NIL) respectively. The effect of change in accounting policy has been reflected in the comparative balance sheet and the statement of changes in equity. The change in accounting policy has not resulted in any change in the net profit for the current year.

Further, the balance of accumulated profit as at June 30, 2003 has been increased by Rs. 23.190 million which is the amount of the adjustment relating to periods prior to June 30, 2003

4.2 Fixed assets

4.2.1 Property plant and equipment

Owned

Operating assets are stated at cost less accumulated depreciation and accumulated impairment losses if any except for the freehold land which is stated at cost.

Depreciation is charged to income applying the reducing balance method except for computers which are depreciated on straight line method at the rates stated in note 5.1.1. With effect from the current year, depreciation on additions is charged from the day an asset is put to use and on deletions up to the day the asset is disposed off.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised.

Gain or loss on disposal of operating property, plant and equipment is included in income currently.

The carrying amounts of the Company's property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated and impairment loss is charged to income currently.

Leased

The Company accounts for fixed assets acquired under finance leases by recording the assets and the related liability at the amounts which are determined on the basis of the discounted value of minimum lease payments. Financial charges are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged to income applying the same basis as for owned assets.

Capital work-in-progress

These are stated at cost less impairment losses, if any, and represent expenditures connected with specific assets incurred during the construction / erection period. These are transferred to specific assets as and when assets are available for use.

4.2.2 Intangible assets

Research and development costs are charged to income currently as incurred, except for development costs that relate to the design and testing of new or improved materials, products or processes, which are recognised as an asset to the extent that such asset meets the recognition criteria mentioned in IAS 38 – "Intangible Assets".

Development costs are amortised from the date of commercial production of the product or from the date the process is put into use. Such costs are amortised on a straight line basis over their useful lives, not exceeding five years.

4.3 Investment property

Investment property is stated at fair value determined annually by an independent registered valuer. Fair value is based on current prices in an active market for similar property in the same location and condition. Any gain or loss arising from a change in fair value is taken to income currently.

4.4 Investments

Held-to-maturity

Investments with fixed maturity, where management has both the intent and ability to hold to maturity, are classified as held-to-maturity. Such investments are initially recognised at cost and subsequently remeasured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. Any gain or loss arising on derecognition/impairment in value of such investments is taken to income currently.

Available-for-sale

Investments that are not held for trading but may be sold in response to the need for liquidity or change in market rates are classified as available-for-sale. Investments in quoted equity securities are initially recorded at cost and subsequently remeasured at fair value. The resulting gain or loss is recognised directly as a component of equity until the investment is sold, or otherwise disposed off, or until the investment is determined to be impaired, at which time, the cumulative gain or loss previously reported in equity is taken to income.

4.5 Stores, spare parts and loose tools

These are valued at weighted average cost less provision for obsolescence.

4.6 Stock-in-trade

Raw materials and components except for those in transit are valued at lower of weighted average cost and Net Realisable Value (NRV).

Work in process is valued at lower of average manufacturing cost and Net Realisable Value (NRV).

Finished goods are valued at lower of average manufacturing cost and NRV. Average manufacturing cost comprises the cost of direct materials and labour and a proportion of manufacturing overheads based on normal capacity.

Stock in transit is valued at cost comprising invoice value plus other charges incurred thereon.

Scrap stocks are valued at NRV.

NRV signifies the estimated selling price in the ordinary course of business less cost of completion and costs necessarily to be incurred to make the sale.

Provision is made for obsolete inventory based on management's judgment.

4.7 Trade debts

Trade debts are recognised and carried at original invoice amount less provision for doubtful debts. When the recovery of the amount is considered uncertain by the management, a provision is made for the same. Bad debts are written-off as incurred.

4.8 Loans, advances and other receivables

These are stated at cost less provision for any doubtful receivables.

4.9 Taxation

Current

The provision for taxation is based on taxable income at the current rates of taxation after considering the rebates and tax credits available, if any, or one half percent of the turnover whichever is higher.

Deferred

Deferred tax is provided using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

4.10 Trade and other payables

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

4.11 Provisions

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

4.12 Provision for warranty

The management estimates at each balance sheet date a liability that could arise as a result of the company's obligation to repair and replace products under warranty.

From the current year the management has decided to create a provision of six months' warranty on the sale of wheels at the rate of 2% of net turnover. No provision was considered necessary in prior years as the management did not anticipate the amount of actual warranty expense to be material. Further, in prior years warranties were accounted for as incurred. Had there been no provision during the year, the profit after tax would have been higher and trade and other payables would have been lower by Rs. 9.395 million respectively. The above provision has not been discounted, as the effect of discounting is not considered to materially affect the provision for the year.

4.13 Financial instruments

All financial assets and liabilities are recognised at the time when the company becomes party to the contractual provisions of the instrument and are derecognised in case of assets, when the contractual rights under the instrument are realised, expired or surrendered and in case of liability, when the obligation is discharged, cancelled or expired.

Any gain / loss on the recognition and derecognition of the financial assets and liabilities is taken to income currently.

4.14 Offsetting of financial assets or liabilities

A financial asset and a financial liability are off-set and the net amount is reported in the balance sheet if the company has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.15 Foreign currency transactions

Transactions in foreign currencies are translated into rupees at the rates of exchange approximating those appearing on the dates of transactions. Assets and liabilities denominated in foreign currencies are translated into rupees at the rates of exchange approximating those prevailing at the balance sheet date. Any resulting gain or loss arising from changes in exchange rates is taken to income currently.

4.16 Staff retirement benefits

Defined benefit plan

The Company operates an approved and funded defined gratuity scheme for all permanent employees who have completed the minimum qualifying period of service for entitlement of gratuity. The contributions to the scheme are made in accordance with the independent actuarial valuation. The latest actuarial valuation was carried out as of June 30, 2005 using Projected Unit Credit Method. Actuarial gains are recognised and spread forward over average remaining service lives of the employees in excess of the following corridor limits, whichever is higher:

- 10 percent of the present value of defined benefit obligations; and
- 10 percent of the fair value of plan assets

Defined contribution plan

The Company operates an approved defined contributory provident fund scheme for all permanent employees who have completed the minimum qualifying period of service. Equal contributions are made by the Company and the employees to the fund at the rate of 10 percent of basic salary.

Compensated absences

Provision for compensated absences is made to the extent of the value of accrued absences of the employees at the balance sheet date using their current salary levels as per Company's policy.

4.17 Related party transactions

All transactions with related parties are based on the policy that all transactions between the company and the related parties are carried out at arm's length except for the sale of vehicles to key management personnel at book value as per the company's policy. These prices are determined in accordance with the methods prescribed in the Companies Ordinance, 1984.

4.18 Revenue recognition

Sales are recognised upon passage of title to the customers, which generally coincides with physical delivery.

Scrap sales are recognised on physical delivery to customer.

Dividend income is recognised when right to receive the dividend is established.

Return on Defence Saving Certificates is recognised on a time proportion basis taking into account the effective yield on investment.

Profit on deposit accounts is recognised on an accrual basis.

4.19 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise current and deposit accounts with banks net off short term borrowings.

5. FIXED ASSETS

	Note	2005	2004
(Rupees in '000')			
Property, plant and equipment	5.1	168,616	140,170
Intangible	5.2	2,822	4,339
		<u>171,438</u>	<u>144,509</u>
5.1 Property, plant and equipment			
Operating property, plant and equipment	5.1.1	167,616	140,170
Capital work-in-progress	5.1.5	1,000	-
		<u>168,616</u>	<u>140,170</u>

5.1.1 Operating property, plant and equipment

	COST			DEPRECIATION					Book value as at June 30, 2006	Depreciation rate %
	As at July 1, 2004	Additions/ (deletions)	Transfers	As at June 30, 2006	Accumulated as at July 01, 2004	Change for the year	Adjustment for (deletions)/ transfers	Accumulated as at June 30, 2006		
(Rupees in thousand)										
Owned										
Land – freehold	2,559	-	-	2,559	-	-	-	-	2,559	-
Building on freehold land	47,262	1,537	-	48,799	23,117	1,287	-	24,404	24,395	5 & 10
Plant and machinery	413,134	4,839	5,800	423,773	324,902	11,230	1,572	337,704	86,069	10 & 20
Electrical installations	12,089	-	-	12,089	10,752	134	-	10,886	1,203	10
Furniture and fittings	3,386	198	-	3,584	1,804	170	-	1,974	1,610	10
Office equipments	4,789	350	-	5,139	2,500	243	-	2,743	2,396	10
Computers	3,544	272	-	3,816	3,105	144	-	3,249	567	20
Vehicles	11,236	445 (3,874)	3,500	11,307	6,282	1,701	1,256 (2,440)	6,799	4,508	20
Library books	42	-	-	42	32	1	-	33	9	10
	498,041	7,641 (3,874)	9,300	511,108	372,494	14,910	2,828 (2,440)	387,792	123,316	
Leased										
Plant and machinery	12,244	37,220	(5,800)	43,664	2,932	2,356	- (1,572)	3,716	39,948	10
Vehicles	6,695	3,800	(3,500)	6,995	1,384	2,515	- (1,256)	2,643	4,352	20
	18,939	41,020	(9,300)	50,659	4,316	4,871	(2,828)	6,359	44,300	
2005	516,980	48,661 (3,874)	-	561,767	376,810	19,781	- (2,440)	394,151	167,616	
2004	507,051	15,667 (5,738)	-	516,980	364,029	17,109	- (4,328)	376,810	140,170	

5.1.2 Depreciation is allocated as under:

	Note	Percentage	2005	2004
(Rupees in '000')				
Cost of sales	30	75	14,836	12,832
Distribution cost	31	5	989	855
Administrative expenses	32	20	3,956	3,422
			<u>19,781</u>	<u>17,109</u>

5.1.3 Details of disposal of operating property, plant and equipment

Particulars	Cost		Accumulated Book depreciation value		Sale proceeds (note 33)	Gain/(loss)	Mode of disposal	Particulars of purchaser	
	(Rupees in thousands)								
Vehicles									
Suzuki Alto	292		196		96	96	-	Company policy	Mr. Jalees Akhtar (Mgr R&D)
Suzuki Cultus	577		378		199	450	251	Tender	Mr. Abdul Basit
Toyota Surf	2,560		1,777		783	783	-	Company policy	Mr. Siddique Memon (Chairman)
Suzuki Mehran	380		41		339	380	41	Insurance Claim	EFU general Insurance
Honda Motor Cycle CD-70	65		48		17	17	-	Company policy	Mr. Amir Siddique
	3,874		2,440		1,434	1,726	292		

5.1.4 During the year, the company changed its method of computation of depreciation on tangible fixed assets whereby, with effect from the current year, depreciation on additions is charged from the day in which an asset is put to use and on deletions up to the day asset is disposed off, to better reflect the pattern of utilisation of economic benefits derived from the assets, as against the previous method of charging full year's depreciation in the year of addition with no depreciation charged in the year of disposal.

The effect of this change in accounting estimate on profit before taxation for the current year is Rs.2,207,663. Had the company not made the above change, depreciation charge for the year would have been higher by Rs.2,207,663 and profit before taxation for the current year and unappropriated profit would have been lower by Rs.2,207,663.

5.1.5 CAPITAL WORK-IN-PROGRESS

Plant and machinery	1,000	525
Less: Impairment loss *	-	525
	<u>1,000</u>	<u>-</u>

* Provision for impairment has been written off during the year.

5.2 Intangible

	COST		AMORTISATION				As at June 30, 2005	As at June 30, 2005	Amortisation rate %
	As at July 01, 2004	Additions	As at June 30, 2005	Accumulated as at July 01, 2004	Charge for the year	Accumulated as at June 30, 2005			
Development costs - 2005	7,585	-	7,585	3,246	1,517	4,763	2,822	20	
- 2004	5,017	2,568	7,585	1,729	1,517	3,246	4,339	20	

5.2.1 Development costs include the cost of material, direct labour and appropriate portion of overheads. Amortisation of development costs is charged to the cost of sales each year.

6. INVESTMENT PROPERTY

Represents leasehold lands situated in Karachi at Lasbella (measuring 506 square yards) and Lyari (measuring 1141 square yards) having cost of Rs.4.51 million and Rs.3.38 million respectively. The title of the land situated at Lyari is yet to be transferred in the name of the Company and it is also not in the possession of the Company. The valuation of the lands situated at Lasbella and Lyari was carried out by Iqbal A. Nanjee & Co. on August 15, 2005 on the market value basis. The fair value of the land at Lasbella and Lyari has been determined by the valuer at Rs.10.12 million and Rs. Nil respectively. During the year, the company negotiated a transaction for the sale of land situated at Lasbella at a price of Rs 6.8 million, however the transaction is yet to be finalised. The management is of the view that the above sale price is a better estimate of fair value of the land and accordingly the same has been used to revalue the investment property at June 30, 2005.

	Note	2005	2004
(Rupees in '000')			
Balance at the beginning of the year		8,096	7,210
(Loss) / gain on fair value adjustment	33	(1,296)	886
Balance at the end of the year		<u>6,800</u>	<u>8,096</u>
7. LONG TERM INVESTMENTS			
Investment - others			
Held-to-maturity			
10 years' Defence Saving Certificates of face value of Rs.350,000/-	7.1	1,231	1,047
Available-for-sale			
Quoted securities	7.2	681	710
		<u>1,912</u>	<u>1,757</u>
7.1	The effective rate of return on Defence Saving Certificates ranges from 16.032% to 18.04% (2004: 18.04%) per annum.		
7.2	Represents 10,000 (2004: 10,000) ordinary shares of Rs.10/- each of Bolan Castings Limited. The movement in available-for-sale investment is as follows :		
		710	595
Balance at the beginning of the year			
(Loss)/gain on fair value adjustment		(29)	115
Balance at the end of the year		<u>681</u>	<u>710</u>
8. LONG TERM LOANS AND ADVANCES - SECURED			
Others - Considered good			
Employees			
Loans	8.1	-	20
Advances		144	370
		<u>144</u>	<u>390</u>
8.1	Represents interest free loan to executives and employees for purchase of motorcars, motor cycles, home appliances, house building and for staff welfare in accordance with the Company's policy. These loans are recoverable in four years in equal monthly installments. These loans are secured against the retirement benefits of employees.		

	Note	2005	2004
9. LONG TERM DEPOSITS		(Rupees in '000')	
Security deposits against leased assets		4,402	964
Trade deposits		1,801	1,637
		<u>6,203</u>	<u>2,601</u>
10. DEFERRED TAXATION			
Deferred taxation comprises:			
Deferred tax assets arising in respect of			
Provision for stores and spares		1,855	-
Provision for stock-in-trade		2,317	-
Provision for doubtful debts		199	1,145
Provision for doubtful advances		-	151
Provision for doubtful receivables		-	220
Provision for compensated absences		2,295	2,123
Provision for warranty		3,288	-
Liabilities against assets subject to finance lease		13,833	-
		<u>23,787</u>	<u>3,639</u>
Deferred tax liability arising due to			
Accelerated tax depreciation		20,030	2,983
		<u>3,757</u>	<u>656</u>
11. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		2,907	2,441
Spare parts		31,654	26,181
Loose tools		1,087	406
		<u>35,648</u>	<u>29,028</u>
Less: Provision for slow moving stores and spare parts	11.1	5,300	4,568
		<u>30,348</u>	<u>24,460</u>
11.1 Movement in provision is as follows:			
Balance at the beginning of the year		4,568	1,357
Provision made during the year	30	4,000	3,211
Reversal of provision	30	(3,268)	-
Balance at the end of the year		<u>5,300</u>	<u>4,568</u>
12. STOCK-IN-TRADE			
Raw material and components		104,134	53,676
Work-in-process		76,010	47,910
Finished goods		10,216	4,490
Scrap stock		15,895	13,862
		<u>206,255</u>	<u>119,938</u>
Stock-in-transit		32,428	26,928
		<u>238,683</u>	<u>146,866</u>
Less: Provision for slow moving stock	12.1	6,621	7,552
		<u>232,062</u>	<u>139,314</u>

	Note	2005	2004
(Rupees in '000')			
12.1 Movement in provision is as follows:			
Balance at the beginning of the year		7,552	2,263
Provision made during the year	30	849	5,289
Reversal of provision	30	(1,780)	-
Balance at the end of the year		<u>6,621</u>	<u>7,552</u>
13. TRADE DEBTS - UNSECURED			
Considered good		87,943	79,503
Considered doubtful		569	3,273
Less: Provision for doubtful debts	13.1	569	3,273
		<u>87,943</u>	<u>79,503</u>
13.1 Movement in provision is as follows:			
Balance at the beginning of the year		3,273	2,273
Provision made during the year	32	1,000	3,200
Reversal of provision	32	(3,704)	-
		569	5,473
Less: Write offs during the year		-	2,200
Balance at the end of the year		<u>569</u>	<u>3,273</u>
14. LOANS AND ADVANCES			
Loans - secured			
Considered good			
Current portion long term loans		19	84
Advances - unsecured			
Considered good			
For expenses		1,868	717
To employees		613	659
To suppliers		13,579	20,713
Current portion of long term advances		405	77
Letters of credit fee and margin		4,444	1,834
		20,909	24,000
Considered doubtful		-	433
Less: provision for doubtful advances	14.1	-	433
		<u>20,928</u>	<u>24,084</u>
14.1 Movement in provision is as follows:			
Balance at the beginning of the year		433	433
Less: Write offs during the year		433	-
Balance at the end of the year		<u>-</u>	<u>433</u>

	Note	2005	2004
15. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		(Rupees in '000')	
Deposits		710	1,010
Prepayments		619	294
		<u>1,329</u>	<u>1,304</u>
16. INTEREST ACCRUED			
Accrued return on term deposit	18	<u>2,850</u>	<u>18,272</u>
17. OTHER RECEIVABLES			
Considered good			
Receivable against scrap sales		-	1,282
Others		<u>147</u>	<u>420</u>
		147	1,702
Considered doubtful			
Less: Provision for doubtful receivables	17.1	<u>-</u>	<u>629</u>
		-	629
		<u>147</u>	<u>1,702</u>
17.1 Movement in provision is as follows:			
Balance at the beginning of the year		629	629
Less: Write offs during the year		<u>629</u>	-
Balance at the end of the year		-	<u>629</u>

18. TERM DEPOSIT

In 1992, the company placed a sum of Rs.50.84 million as a short term deposit with the then Mehran Bank Limited (MBL) which has since been taken-over by National Bank of Pakistan (NBP) under a Scheme of Amalgamation implemented by the State Bank of Pakistan. Following this, NBP desired to link the said deposit and return accrued thereon in settlement and discharge of outstanding dues from certain parties which had related party relationship with certain former directors of the company. However, the company refuted the claim of NBP, asserting that the said deposit was never placed or intended to be a security or pledge against any indebtedness of the company or any other third party. In response to a suit filed by the company in 1996 against NBP the Honourable High Court of Sindh (the Court) directed NBP to deposit with the Nazir of the Court, an amount of Rs.83.98 million, comprising the principal amount of deposit together with return accrued thereon upto September 26, 1996 of Rs.33.14 million, so that pending the final decision of the case, the amount may be invested in income bearing government deposit schemes.

During the year ended June 30, 2005, the company and NBP reached a compromise agreement. As a result, the amount of term deposit and accrued return thereon amounting to Rs. 50.840 and 59.246 million respectively has been settled against the company's share of the EAD loan of Rs. 158.76 as mentioned in note 26 to these financial statements. The return accrued during the year amounting to Rs. 40.974 has been disclosed under the head gain on litigation settlement as mentioned in note 36 to these financial statements.

	Note	2005	2004
(Rupees in '000')			
19. BANK BALANCES			
Current accounts		23,673	32,647
Deposit accounts	19.1	3,039	2,776
		<u>26,712</u>	<u>35,423</u>

19.1 These carry profit at the rates ranging from 4 to 7 (2004: 3 to 5) percent per annum.

20. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	2005	2004		2005	2004
Number of ordinary shares of Rs.10/- each					
	9,276,000	9,276,000	Fully paid in cash	92,760	92,760
	2,319,000	2,319,000	Issued as fully paid bonus shares	23,190	23,190
	<u>11,595,000</u>	<u>11,595,000</u>		<u>115,950</u>	<u>115,950</u>

21. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Represent finance leases entered into with leasing companies for plant and machinery and vehicles. Total lease rentals due under various lease agreements aggregate to Rs.39.522 million (2004: Rs.9.232 million) and are payable in equal monthly installments latest by 2008. Overdue rental payments are subject to an additional charge upto 3 percent per month. Taxes, repairs, replacement and insurance costs are to be borne by the company. In case of termination of agreement, the company has to pay the entire rent for the unexpired period. Financing rates of approximately 8 to 12 (2004: 8 to 17) percent per annum have been used as discounting factor. Purchase options can be exercised by the lessee, by paying 10 percent of the leased amount. The movement in the finance lease liability is as follows:

	2005					
	Related party - Security leasing		Others		Total	
	Minimum Payments	Present value	Minimum Payments	Present value	Minimum Payments	Present value
	(Rupees in '000)					
Within one year	3,718	3,557	14,226	11,497	17,944	15,054
After one year but not more than five years	767	758	25,415	23,710	26,182	24,468
Total minimum lease payments	4,485	4,315	39,641	35,207	44,126	39,522
Less: Amount representing finance charges	170	-	4,434	-	4,604	-
Present value of minimum lease payments	4,315	4,315	35,207	35,207	39,522	39,522
Less: Current portion	3,557	3,557	11,497	11,497	15,054	15,054
	<u>758</u>	<u>758</u>	<u>23,710</u>	<u>23,710</u>	<u>24,468</u>	<u>24,468</u>

		2004					
		Related party - Security leasing		Others		Total	
		Minimum Payments	Present value	Minimum Payments	Present value	Minimum Payments	Present value
		(Rupees in '000)					
	Within one year	4,570	4,139	793	777	5,363	4,916
	After one year but not more than five years	4,486	4,316	-	-	4,486	4,316
	Total minimum lease payments	9,056	8,455	793	777	9,849	9,232
	Less: Amount representing finance charges	601	-	16	-	617	-
	Present value of minimum lease payments	8,455	8,455	777	777	9,232	9,232
	Less: Current portion	4,139	4,139	777	777	4,916	4,916
		4,316	4,316	-	-	4,316	4,316
22.	LONG TERM DEPOSITS			Note	2005	2004	
					(Rupees in '000')		
	Deposit from employees				194	267	
	Less: Current portion				106	95	
					88	172	
	Represent interest free deposits received from employees. The amount will be adjustable within the period of three to five years against book value of the vehicles and generators.						
23.	TRADE AND OTHER PAYABLES						
	Creditors				7,817	8,451	
	Murabaha finance			23.1	25,700	24,468	
	Bills payable				7,271	-	
	Accrued liabilities				18,009	14,501	
	Advance from customers				17,867	14,328	
	Retention money and security deposits				2,063	2,219	
	Compensated absences				6,556	6,066	
	Interest on overdue loan				-	7,218	
	Guarantee commission				-	5,039	
	Exchange risk fee				-	4,671	
	Payable to gratuity fund			23.2	1,202	603	
	Payable to provident fund				459	510	
	Workers' Profit Participation Fund			23.3	7,987	3,886	
	Workers' Welfare Fund				5,121	2,083	
	Unclaimed dividend				2,081	1,996	
	Provision for warranty				9,395	-	
	Others				1,280	803	
					112,808	96,842	
23.1	Represents utilised portion of murabaha finance facility of Rs.55 million (2004: Rs.55 million) availed from a local bank. This facility carries a profit rate at six months Karachi Inter Bank Offer Rate (KIBOR) plus 200 basis points (bps). (2004: 4 to 8 percent per annum). The purchase price is repayable by December 31, 2005 and is secured by way of hypothecation ranking paripassu over the Company's stock-in-trade and trade debts.						

	Note	2005	2004
(Rupees in '000')			
23.2 Payable to gratuity fund			
Amount recognised in the balance sheet			
Present value of defined benefit obligation		22,367	19,035
Fair value of plan assets		(22,999)	(21,731)
Surplus		(632)	(2,696)
Unrecognised actuarial gain		1,834	3,299
		<u>1,202</u>	<u>603</u>
Amount recognised in profit and loss account			
Current service cost		1,783	1,382
Interest cost		1,713	943
Recognised actuarial gain		(86)	(39)
Expected return on plan assets		(1,956)	(1,419)
		<u>1,454</u>	<u>867</u>
Movement in net liability			
Balance at the beginning of the year		603	366
Charge for the year		1,454	867
		<u>2,057</u>	<u>1,233</u>
Contributions during the year		(855)	(630)
Balance at the end of the year		<u>1,202</u>	<u>603</u>
Actual return on plan assets			
Expected return on plan assets		1,956	1,419
Actuarial gain on plan assets		688	-
Actual return on plan assets		<u>2,644</u>	<u>1,419</u>
The principal actuarial assumptions used for the purpose of the valuation			
Rate of salary increase		10 percent	9 percent
Rate of return		10 percent	9 percent
Discount rate		10 percent	9 percent
23.3 Workers' Profit Participation Fund			
Balance at the beginning of the year		3,886	1,901
Allocation for the year	35	7,987	3,886
		<u>11,873</u>	<u>5,787</u>
Interest on funds utilised in the company's business ³⁴		129	62
		<u>12,002</u>	<u>5,849</u>
Less: Payments made during the year		4,015	1,963
Balance at the end of the year		<u>7,987</u>	<u>3,886</u>
24. MARK-UP ACCURED			
Short term borrowings		387	91
Murabaha		402	443
		<u>789</u>	<u>534</u>

	Note	2005	2004
(Rupees in '000')			
25. SHORT TERM BORROWINGS			
Short term running finance - secured	25.1	10,804	36,274

25.1 The facilities for short term running finance available from various banks amount to Rs.115 million (2004: Rs.60 million). The rate of mark-up on these finances range from three month KIBOR plus 150 basis points to six months KIBOR plus 275 basis points (2004: 16 to 22 paisas per rupee one thousand per day). The facilities are repayable on various dates latest by December 31, 2005 and are secured by way of hypothecation ranking pari passu charge over company's stocks and trade debts. Further, a bank has a registered charge over the fixed assets of the company amounting to Rs.0.717 million.

25.2 The facilities for opening letters of credit, letters of guarantees and shipping guarantees amounting to Rs.160 million (2004: Rs.72.5 million), Rs.7.5 million (2004: Rs.2.5 million) and Rs.15 million (2004: Nil) respectively, of which Rs.63.907 million (2004: Rs.27.464 million), Rs.2.72 million (2004: Rs.1.057 million) and Rs.13.3 million (2004: Nil) respectively, remained unutilized as of the balance sheet date.

26. OVER DUE PORTION OF LONG TERM LOAN – secured

2005			2004		
EAD Loan	Re-scheduled ERF and accrued interest	Total	EAD Loan	Re-scheduled ERF and accrued interest	Total
-	-	-	66,656	19,195	85,851

The long term loan from EAD has been settled under the compromise agreement as mentioned in note 18 to these financial statements. As a result a sum of Rs. 156.2 million was initially determined by the Nazir of High Court of Sindh as the amount of principal and accrued return on the term deposit. The company paid the differential amount of Rs. 2.56 million to National Bank of Pakistan (NBP) thus making up a total of Rs. 158.76 million paid by NBP to EAD. The company's share of the above mentioned payment made by NBP to EAD comprised of the principal and accrued interest thereon amounting to Rs. 66.656 million and Rs. 43.271 million respectively. The above accrued interest includes an amount of Rs. 12.187 million that has been accrued during the year as mentioned in note 36 to these financial statements. Subsequently it transpired that further sum of Rs. 2.85 million was payable on the funds lying with the Nazir of High Court of Sindh as return on term deposits which was paid to NBP as per the compromise agreement. This increased the total amount of term deposit and accrued return thereon to Rs. 159.05 million, as a result, the company now has a receivable from NBP of Rs. 2.85 million which has been shown as accrued return in note 16 to these financial statements.

	2005	2004
(Rupees in '000')		
27. PROVISION FOR TAXATION		
Income tax – net	27,594	-
Sales tax payable	2,601	396
	30,195	396

	Note	2005	2004
		(Rupees in '000')	
28. CONTINGENCIES AND COMMITMENTS			
28.1 Contingencies			
(i) Claim of NBP against the company not accounted for	18 & 26	-	61,027
(ii) Indemnity bonds issued to the collector of customs against imported raw material		5,499	19,457
<p>(iii) The Privatization Commission (PC) has filed a suit against Abdul Qadir Tawwakal, Saleem I. Kapoorwala, NBP and has made the Company also a party for the recovery of Rs. 207 million against sale of shares of the Company. The sale price has been guaranteed by NBP. The Company has not acknowledged the said claim since it has not issued any counter guarantees and is not a party to the agreement between Abdul Qadir Tawwakal, Salim I. Kapoorwala and PC for the sale of shares and neither the Company requested NBP to issue any guarantee in this regard. Subsequent to the year ended June 30, 2003, NBP has made the payment to PC amounting to Rs. 91.25 million and filed a suit for the recovery against the Company. The management and its legal counsel are hopeful that the ultimate outcome of the matter will be in the Company's favour. Accordingly, no provision is considered necessary in these financial statements in respect of the above matter.</p>			
28.2 Commitments			
	Note	2005	2004
		(Rupees in '000')	
Letters of Credit issued by commercial banks		88,822	45,036
29. TURNOVER			
Local sales	29.1	898,295	610,698
Less: sales tax		119,077	81,501
		779,218	529,197
Export sales		9,765	4,254
		788,983	533,451
29.1 Includes scrap sales of Rs.34.04 million (2004: Rs.11.94 million).			

	Note	2005	2004
(Rupees in '000')			
30. COST OF SALES			
Raw material and components consumed			
Opening stock - Raw material		53,676	48,846
- Scrap		13,862	7,264
		67,538	56,110
Purchases		517,754	263,405
Less: Closing stock - Raw material		104,134	53,676
- Scrap		15,895	13,862
		120,029	67,538
		465,263	251,977
Salaries, wages and benefits	30.1	60,251	58,946
Stores, spare parts and loose tools consumed		49,532	36,598
Fuel and power		20,982	22,594
Depreciation	5.1.2	14,836	12,832
Amortisation of intangible asset	5.2	1,517	1,517
Staff transportation		6,994	5,377
Repairs and maintenance		3,020	1,876
Services rendered by contractors		7,530	6,842
Travelling and conveyance		1,436	1,413
Insurance		1,205	1,013
Communication		727	942
Vehicle running expenses		1,000	840
Entertainment		547	540
Printing and stationery		177	184
Subscription		170	122
Rent, rates and taxes		31	34
Provision for slow moving			
- Stores, spare parts and loose tools	11.1	4,000	3,211
- stock-in-trade	12.1	849	5,289
Reversal of provision for slow moving			
- Stores, spare parts and loose tools	11.1	(3,268)	-
- stock-in-trade	12.1	(1,780)	-
Others		1,697	706
		171,453	160,876
Manufacturing cost		636,716	412,853
Work-in-process - Opening		47,910	45,427
- Closing		(76,010)	(47,910)
		(28,100)	(2,483)
Cost of goods manufactured		608,616	410,370
Finished goods - Opening		4,490	4,870
- Closing		(10,216)	(4,490)
		(5,726)	380
		602,890	410,750

30.1 Salaries, wages and benefits

30.1.1 These include Rs.2.642 million (2004: Rs.1.77 million) in respect of staff retirement benefits.

30.1.2 These include Rs.5.567 million (2004: Rs.4.22 million) in respect of bonus to employees.

	Note	2005	2004
(Rupees in '000')			
31. DISTRIBUTION COSTS			
Salaries, wages and benefits	31.1	1,285	1,160
Carriage and forwarding		5,601	4,935
Depreciation	5.1.2	989	855
Travelling and conveyance		215	55
Staff transportation		51	31
Communication		102	112
Insurance		41	42
Advertisement		891	194
Entertainment		33	30
Vehicle running expenses		147	128
Printing and stationery		95	29
Provision for warranty		9,395	-
Others		919	509
		<u>19,764</u>	<u>8,080</u>
31.1 Salaries, wages and benefits			
31.1.1 These include Rs.0.043 million (2004: Rs.0.075 million) in respect of staff retirement benefits.			
31.1.2 These include Rs.0.16 million (2004: Rs.0.12 million) in respect of bonus to employees.			
32. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	32.1	17,101	15,266
Depreciation	5.1.2	3,956	3,422
Services rendered by contractors		2,087	2,122
Utilities		2,574	2,568
Vehicle running expenses		2,130	1,583
Communication		1,329	1,310
Rent, rates and taxes		1,210	955
Travelling and conveyance		445	874
Corporate expenses		613	763
Entertainment		989	755
Auditors' remuneration	32.2	665	535
Legal and professional charges		229	490
Repairs and maintenance		284	408
Insurance		399	386
Staff transportation		523	375
Subscription		100	293
Printing and stationery		335	261
Advertisement		55	82
Provision for doubtful debts	13.1	1,000	3,200
Reversal of provision for doubtful debts	13.1	(3,704)	-
Others		1,436	545
		<u>33,756</u>	<u>36,193</u>

32.1 Salaries, wages and benefits

32.1.1 These include Rs.0.58 million (2004: Rs.0.68 million) in respect of staff retirement benefits.

32.1.2 These include Rs.2.21 million (2004: Rs.1.68 million) in respect of bonus to employees.

32.2 Auditors' remuneration

	Note	2005	2004
(Rupees in '000')			
Audit fee		325	275
Fee for limited scope review		100	100
Tax services		125	75
Audit fee of employees' funds		40	25
Out of pocket expenses		75	60
		<u>665</u>	<u>535</u>
33. OTHER INCOME			
(Loss) / gain on adjustment of investment property to fair value	6	(1,296)	886
Gain on sale of operating property, plant and equipment	5.1.3	292	1,491
Liabilities no longer payable – written back		5,039	-
Dividend income		50	60
Accrued return on Defence Saving Certificates		184	158
Profit on deposit accounts		135	98
Others		2,269	33
		<u>6,673</u>	<u>2,726</u>
34. FINANCE COST			
Mark-up on short term borrowings		4,204	1,867
Finance lease charges		1,772	1,258
Interest on Workers' Profit Participation Fund	23.3	129	62
Bank charges and excise duty		354	222
Exchange loss - net		1,963	32
		<u>8,422</u>	<u>3,441</u>
35. OTHER CHARGES			
Workers' Profit Participation Fund	23.3	7,987	3,886
Workers' Welfare Fund		3,038	1,258
		<u>11,025</u>	<u>5,144</u>
36. GAIN ON LITIGATION SETTLEMENT			
Return on term deposits	18	40,974	-
Interest on EAD loan	26	(12,187)	-
		<u>28,787</u>	<u>-</u>

	Note	2005	2004
(Rupees in '000')			
37. TAXATION			
Current	37.1	53,298	22,550
Deferred		(3,101)	(656)
		<u>50,197</u>	<u>21,894</u>

37.1 Current

During the year ended June 30, 2005, the company has opted for final tax under Clause 40 Part IV of Second Schedule of the Income Tax Ordinance, 2001. Subsequently the Finance Act 2005 has withdrawn the above mentioned option with retrospective effect. The company intends to avail the option of final taxation, as mentioned above, already filed with the CBR. However, as a result of above mentioned amendment, the company has created a provision for current taxation based on normal rates of taxation as a matter of prudence. Had the company not created the above mentioned provision, the tax charge for the current year would have been lower and the profit for the year would have been higher by Rs.10.257 million.

Relationship between tax expense and accounting profit

	2005	2004
(Rupees in '000')		
Profit before taxation	148,586	72,569
Applicable tax rate	35%	35%
Tax at the above rate	52,005	25,399
Tax effect of income / expenses that are exempt/ not allowable in determining taxable income	1,677	(2,704)
Tax effect of dividend income taxed at a lower rate	(15)	(18)
Tax effect on export sales taxed at a lower rate	(369)	(127)
Adjustment in respect of deferred tax	(3,101)	(656)
Tax expense for the year	<u>50,197</u>	<u>21,894</u>

37.2 Prior

The assessments for the assessment years 1989-1990 and 1990-1991 are pending hearing before the Honourable High Court of Sindh, Karachi. The management estimates that the additional liability if any, that could arise should the above mentioned cases be decided against the company are as follows:

Assessment Years	Amount (Rupees in '000)
1989-1990	Fully provided
1990-1991	9,964

The above mentioned cases had been decided in favour of the company by the Income Tax Appellate Tribunal (ITAT). Further the income tax department (ITD) preferred an appeal against the decision of the ITAT to the Honourable High Court of Sindh, Karachi. However the management is confident that the above mentioned cases would be decided by the Honourable High Court of Sindh, Karachi in the company's favour. Therefore, no further provision for the same is made in these financial statements during the year.

38. BASIC EARNINGS PER SHARE

There is no dilutive effect on the basic earnings per share of the company, which are based on:

Profit for the year after taxation	98,389	50,675
	Number of shares (in '000)	
Weighted average number of ordinary shares of Rs.10/- each	11,595	11,595
	Rupees	
Basic earnings per share	8.49	4.37

39. CASH GENERATED FROM OPERATIONS

	Note	2005	2004
		(Rupees in '000')	
Profit before taxation		148,586	72,569
Adjustments for			
Depreciation		19,781	17,109
Amortisation		1,517	1,517
Financial charges		20,609	3,441
Provision for staff retirement benefits		3,264	2,526
Provision for slow moving stock		(931)	3,211
Provision for slow moving stores spare parts and loose tools		732	5,289
Provision for doubtful debts		(2,704)	3,200
Provision for compensated absences		491	1,270
Provision for warranty		9,395	-
Profit on deposit accounts		(135)	(98)
Accrued return on Defence Saving Certificates		(184)	(158)
Dividend income		(50)	(60)
Return on term deposit		(40,974)	-
Liabilities no longer payable		(5,039)	-
Loss / (gain) on revaluation of investment property		1,296	(886)
Gain on sale of fixed assets		(292)	(1,491)
		6,776	34,870
Operating profit before working capital changes		155,362	107,439
Working capital changes			
(Increase)/decrease in current assets			
Stores, spare parts and loose tools		(6,620)	(3,020)
Stock in-trade		(91,817)	(40,459)
Trade debts		(5,736)	(20,262)
Loans and advances		3,156	(11,266)
Trade Deposits and short term prepayments		(25)	2,610
Other receivables		1,555	2,648
		(99,487)	(69,749)

	Note	2005	2004
(Rupees in '000')			
Increase/(decrease) in current liabilities			
Trade and other payables		22,376	2,925
Provision for taxation - Sales tax		2,205	(996)
		24,581	1,929
		(74,906)	(67,820)
		80,456	39,619
40. CASH AND CASH EQUIVALENTS			
Bank balances	19	26,712	35,423
Short term borrowings	25	(10,804)	(36,274)
		15,908	(851)

41. FINANCIAL INSTRUMENTS

41.1 Interest/mark-up rate risk exposure

Yield / mark-up rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market yield / mark-up rates. Sensitivity to yield / mark-up rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The company manages these mismatches through risk management strategies.

The Company is exposed to interest / mark-up risk in respect of following:

	Effective yield / mark-up rate %	Interest / Mark-up bearing				Non Interest / Mark-up bearing				June 30, 2005
		Maturity upto one year	Maturity from one to five years	Maturity after five years	Subtotal	Maturity upto one year	Maturity from one to five years	Maturity after five years	Sub-total	
(Rupees in thousand)										
FINANCIAL ASSETS										
Long term investments	16 - 18	-	1,231	-	1,231	-	-	681	681	1,912
Long term deposits	5	-	619	-	619	-	1,182	-	1,182	1,801
Trade debts		-	-	-	-	87,943	-	-	87,943	87,943
Loans		-	-	-	-	19	-	-	19	19
Trade deposits		-	-	-	-	710	-	-	710	710
Interest accrued		-	-	-	-	2,850	-	-	2,850	2,850
Other receivables		-	-	-	-	147	-	-	147	147
Term deposit		-	-	-	-	-	-	-	-	-
Bank balances	4 - 7	3,039	-	-	3,039	23,673	-	-	23,673	26,712
		3,039	1,850	-	4,889	115,342	1,182	681	117,205	122,094
FINANCIAL LIABILITIES										
Liabilities against assets subject to finance lease	8 - 12	15,054	24,468	-	39,522	-	-	-	-	39,522
Trade and other payables	MBOR + 200 bps	25,700	-	-	25,700	57,433	-	-	57,433	83,133
Mark-up accrued on short term borrowings		-	-	-	-	789	-	-	789	789
Short term borrowings	KIPOR + (150 - 200 bps)	10,804	-	-	10,804	-	-	-	-	10,804
		51,588	24,468	-	76,026	58,222	-	-	58,222	134,248
Net financial assets/ (liabilities) 2005		(48,519)	(22,618)	-	(71,137)	57,120	1,182	681	58,983	(12,154)
Net financial assets/ (liabilities) 2004		(97,893)	(3,269)	-	(101,162)	41,882	1,340	710	43,932	(57,230)

41.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Company attempts to control credit risk associated with the carrying amount of its receivables by monitoring credit exposures, limiting transactions with specific customers and continuing assessment of credit worthiness of such customers.

41.3 Liquidity risk management

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

41.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign suppliers and customers. Receivables and payables exposed to foreign currency risks are not covered through foreign exchange forward cover contracts as the management is of the opinion that the cost of the forward cover would exceed the benefits.

41.5 Fair value of financial instruments

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

42. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

42.1 Aggregate amounts charged in the financial statements are as follows:

	(Rupees in '000)					
	CHIEF EXECUTIVE		DIRECTORS		TOTAL	
	2005	2004	2005	2004	2005	2004
Remuneration	1,746	1,746	3,766	3,766	5,512	5,512
Housing	786	786	1,695	1,695	2,481	2,481
Retirement benefits	608	314	979	797	1,587	1,111
Bonus	582	436	1,255	942	1,837	1,378
Medical expenses	39	62	187	98	226	160
Utilities	175	175	394	393	569	568
Leave fare assistance	418	-	12	12	430	12
	<u>4,354</u>	<u>3,519</u>	<u>8,288</u>	<u>7,703</u>	<u>12,642</u>	<u>11,222</u>
Number	<u>1</u>	<u>1</u>	<u>3</u>	<u>3</u>	<u>4</u>	<u>4</u>

42.2 In addition the Chief Executive, directors and certain executives are also provided with free use of the Company's maintained cars, household items and other benefits in accordance with their terms of employment.

42.3 Aggregate amount charged in the financial statements for fee to two directors was Rs.52,000/- (2004: two directors Rs.24,000/-).

42.4 Due to amendment in fourth schedule of Companies Ordinance, 1984, number of executives has changed from 32 to nil and their remuneration from Rs.12.650 million to Rs.Nil.

43. TRANSACTIONS WITH RELATED PARTIES

Aggregate transactions made by the company during the year with the related parties were as follows:

Names of the related parties	2005				
	Assets acquired under leasing arrangement	Lease rentals paid	Assets acquired under bargain purchase option	Contributions to staff retirement benefits	Sale of vehicles
	(Rupees in '000)				
Security Leasing (Common directorship)	-	3,990	580	-	-
Staff retirement benefit plans	-	-	-	1,817	-
Mr. Siddique Memon (Chairman)	-	-	-	-	783
	<u>-</u>	<u>3,990</u>	<u>580</u>	<u>1,817</u>	<u>783</u>

Related party with which the company did not have any transactions during the year is as follows:

- Dynamic securities (Common directorship / shareholding)

Names of the related parties	2004				
	Assets acquired under leasing arrangement	Lease rentals paid	Assets acquired under bargain purchase option	Contributions to staff retirement benefits	Sale of vehicles
	(Rupees in '000)				
Security Leasing (Common directorship)	3,196	6,036	705	-	-
Staff retirement benefit plans	-	-	-	4,130	-
Mr. Badruddin A. Ali (General manager supply and services)	-	-	-	-	140
Mr. Shaikh Muhammad Iqbal (General manager sales)	-	-	-	-	121
	<u>3,196</u>	<u>6,036</u>	<u>705</u>	<u>4,130</u>	<u>261</u>

All the transactions with related parties have taken place at arm's length price except for the sale of vehicle to key management personnel at book value as per the company's policy.

44. PLANT CAPACITY AND ACTUAL PRODUCTION

	2005	2004
	Units in thousand	
Plant capacity	376	376
Actual production	<u>731</u>	<u>547</u>

44.1 The original machinery provided by the German supplier had been determined for annual production capacity at the time of installation. Currently the annual production in three shifts has increased the capacity. Further, over the period, additions to plant and machinery have been made, new presses were also installed during the year, due to which the actual production has exceeded the plant capacity.

45. NUMBER OF EMPLOYEES	2005	2004
Number of employees at year end	<u>310</u>	<u>310</u>

46. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue by the Board of Directors of the Company on 23-9-05.

47. CORRESPONDING FIGURES

Due to certain changes made by the Securities and Exchange Commission of Pakistan in the Fourth Schedule to the Ordinance vide SRO 589(I)/2004 dated July 5, 2004, previous years figures have been rearranged or reclassified wherever necessary for the purpose of comparison.

- i) Property, plant and equipment (Intangible fixed asset and CWIP) and Intangible asset have been reclassified and shown as Fixed assets.
- ii) Tangible fixed assets and Capital Work in Progress have been reclassified and shown as property, plant and equipment.
- iii) Income tax receivable have been reclassified and shown as Tax refunds due from Government.
- iv) Loan, advances, trade deposits and prepayments within current assets has been bifurcated between loans and advances, and trade deposits and prepayments.
- v) Creditors, accrued and other liabilities have been reclassified and shown as trade and other payables.
- vi) Accrued mark-up shown under Accrued Liabilities has been reclassified and shown as Accrued Mark-up separately.
- vii) Unclaimed Dividend has been reclassified and shown under trade and other payables.
- viii) Remuneration of executives have been restated due to amendment in the definition of executive.
- ix) Murabaha finance has been reclassified and shown under trade and other payables.

In addition to the above, comparative information has also been restated in order to comply with the change in accounting policy as explained in note 4.1.

Other material changes for better presentation are as follows:

Components	Reclassification from	Reclassification to	2005 (Rupees in '000)	2004 (Rupees in '000)
Advances to employees	Advances	Long term advances	144	370
Advances to employees	Advances	Current portion of long term advances	405	77
Advances to suppliers	Loans and advances	Stock in transit	32,428	26,928
Mark-up on murhabha financing	Finance under mark-up arrangement	Mark-up accrued	402	443

48. SUBSEQUENT EVENT

The Board of Directors has proposed a cash dividend of Rs. 15% per share (2004 : 15%) amounting to Rs. 17.393 million (2004 : 17.393 million) and bonus shares in the proportion of 15 ordinary shares per 100 ordinary shares held (2004 : NIL) amounting to Rs. 17.393 million (2004 : Rs. NIL) at its meeting held on September 23, 2005 for approval of the members at the Annual General Meeting to be held on October 29, 2005. These financial statements do not reflect this appropriation as explained in note 4.1.

49. GENERAL

Figures have been rounded off to the nearest thousand rupee.

MUHAMMAD SIDDIQUE MEMON
Chairman

RAZAK H. M. BENGALI
Chief Executive

Karachi. September 23, 2005

SIX YEARS AT A GLANCE

BALANCE SHEET

	2000	2001	2002	2003	(Rupees in '000)	
					2004	2005
ASSETS						
Non Current Assets						
Fixed Assets	148,240	145,467	148,655	147,820	144,509	171,438
Investment Properties	-	7,895	7,210	7,210	8,096	6,800
Long Term investments	450	692	790	1,483	1,757	1,912
Long-term loans & advances	631	585	429	160	390	144
Long-term deposits	2,896	6,271	5,964	3,193	2,601	6,203
Deferred Tax asset	-	-	-	-	656	3,757
Current Assets						
Stores, spare parts & loose tools	13,940	16,141	24,511	24,651	24,460	30,348
Stock-in-trade	98,796	150,587	110,074	104,144	139,314	232,062
Trade debts	36,875	55,994	48,132	62,441	79,503	87,943
Loans and advances	4,031	5,392	7,678	12,800	24,084	20,928
Trade deposits and short term prepayments	4,612	784	1,660	3,914	1,304	1,329
Interest accrued	18,272	18,272	18,272	18,272	18,272	2,850
Other receivables,	4,722	6,910	4,948	4,350	1,702	147
Term deposit	50,840	50,840	50,840	50,840	50,840	-
Income tax refunds due from the government - net	13,708	15,654	25,685	24,432	13,779	-
Bank Balances	25,929	9,171	4,130	23,639	35,423	26,712
	<u>271,725</u>	<u>329,745</u>	<u>295,930</u>	<u>329,483</u>	<u>388,681</u>	<u>402,319</u>
	<u>423,942</u>	<u>490,655</u>	<u>458,978</u>	<u>489,349</u>	<u>546,690</u>	<u>592,573</u>
EQUITY AND LIABILITIES						
Share Capital and Reserves						
Authorised Capital						
15,000,000 Ord. shares of Rs. 10/- each	150,000	150,000	150,000	150,000	150,000	150,000
Issued, subscribed and paid up Capital	115,950	115,950	115,950	115,950	115,950	115,950
Reserve	141,372	156,166	162,698	173,744	201,344	282,311
	<u>257,322</u>	<u>272,116</u>	<u>278,648</u>	<u>289,694</u>	<u>317,294</u>	<u>398,261</u>
Non Current Liabilities						
Liability against assets sub to						
Finance Lease	8,157	22,174	13,482	6,558	4,316	24,468
Long term Deposits	544	730	794	155	172	88
Current Liabilities						
Trade and other payables	50,944	81,170	50,081	60,592	96,842	112,808
Mark-up accrued	225	389	411	409	534	789
Short term borrowings	7,949	16,029	11,745	21,510	36,274	10,804
Current portion of liabilities against assets subject to finance lease	12,950	12,196	16,385	13,188	4,916	15,054
Current portion of long term deposits	-	-	-	-	95	106
overdue portion of long term loan	85,851	85,851	85,851	85,851	85,851	-
Provision for taxation	-	-	1,581	1,392	396	30,195
	<u>157,919</u>	<u>195,635</u>	<u>166,054</u>	<u>182,942</u>	<u>224,908</u>	<u>169,756</u>
	<u>423,942</u>	<u>490,655</u>	<u>458,978</u>	<u>479,349</u>	<u>546,690</u>	<u>592,573</u>

SIX YEARS AT A GLANCE

PROFIT AND LOSS ACCOUNT

	(Rupees in '000')					
	2000	2001	2002	2003	2004	2005
Turnover - net	336,901	370,747	267,974	365,040	533,451	788,983
Cost of Sales	235,176	261,764	204,481	280,760	410,750	602,890
Gross Profit	101,725	108,983	63,493	84,280	122,701	186,093
Distribution Cost	7,629	10,120	6,724	7,487	8,080	19,764
Administration Expenses	28,690	29,715	26,689	34,395	36,193	33,756
	36,319	39,835	33,413	41,882	44,273	53,520
Other Income	5,864	1,599	1,251	390	2,726	6,673
	71,270	70,747	31,331	42,788	81,154	139,246
Finance Cost	3,938	4,993	9,368	4,776	3,441	8,422
Other Charges	3,507	3,332	1,125	1,967	5,144	11,025
	7,445	8,325	10,493	6,743	8,585	19,447
	63,825	62,422	20,838	36,045	72,569	119,799
Gain on litigation settlement	-	-	-	-	-	28,787
Profit before Taxation	63,825	62,422	20,838	36,045	72,569	148,586
Taxation	(13,810)	(12,843)	873	(11,000)	(21,894)	(50,197)
Net profit for the year	50,015	49,579	21,711	25,045	50,675	98,389
Basic Earning Per Share (Rupees)	4.31	4.28	1.87	2.16	4.37	8.49

SIGNIFICANT RATIOS

	2000	2001	2002	2003	2004	2005
Liquidity & Leverage Ratios						
- Current Ratios	1.72	1.69	1.78	1.80	1.73	2.37
- Quick Ratios	1.01	0.83	0.97	1.10	1.00	0.82
- Liability as a % of Total Assets	39.30	44.54	39.29	38.76	41.96	32.79
- Debt Equity Ratio	3.17	8.15	4.84	2.26	1.36	6.14
Equity Ratios						
- Break up value per share (Rs)	22.19	23.47	24.03	24.98	27.36	34.35
- Dividend as a % of Capital	32.50	25.00	12.50	20.00	15.00	15.00
- Dividend Yield Ratio	14.61	10.99	5.92	11.70	5.33	4.25
- Dividend per share (Rs)	3.25	2.50	1.25	2.00	1.50	1.50
- Dividend payout ratio (%)	75.34	58.46	66.75	92.59	34.32	17.67
Profitability Ratios						
- G.P.%	30	29	24	23	23	24
- Operating Profit %	19	19	11	12	15	17
- Profit before Tax %	19	17	8	10	14	19
- Profit after Tax %	15	13	8	7	9	12
- Inventory Turnover Ratio	2.38	1.87	1.36	2.13	2.81	2.83
- Debtor Turnover Ratio	7.02	7.98	5.15	6.60	7.51	9.42
- Return on capital employed	25.00	23.00	7.00	12.00	23.00	37.00
- Interest Cover Ratio	17.21	13.5	3.22	8.55	22.09	18.64
- Fixed Assets Turnover Ratio	2.27	2.55	1.80	2.47	3.69	4.60
- Price Earing Ratio	5.16	5.32	11.28	7.92	6.44	4.16
Earnings per Share (Rs)	4.31	4.28	1.87	2.16	4.37	8.49
Plant Capacity Utilisation (%)	61	63	62	94	145	194
Market value per share						
- Year end market price per share	22.25	22.75	21.10	17.10	28.15	35.30
- High Price during the year	36.00	26.00	23.75	35.75	47.45	35.30
- Low Price during the year	20.00	17.55	18.00	21.50	26.90	27.00