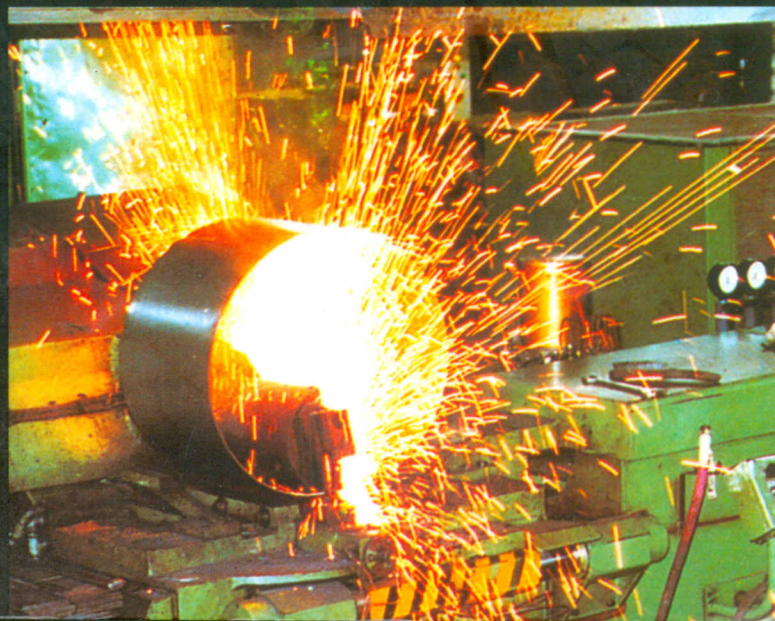


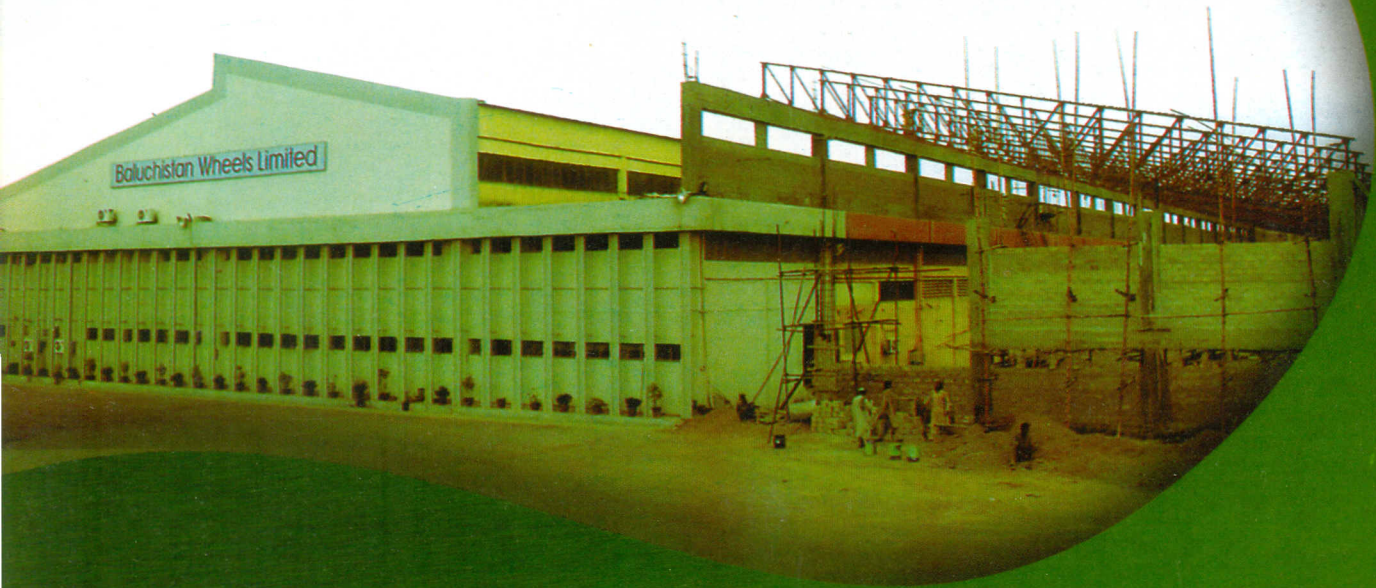


Baluchistan Wheels Limited



annual report 2006





Building under Construction for new L.D. Line

Company's Neat & Clean Canteen Building

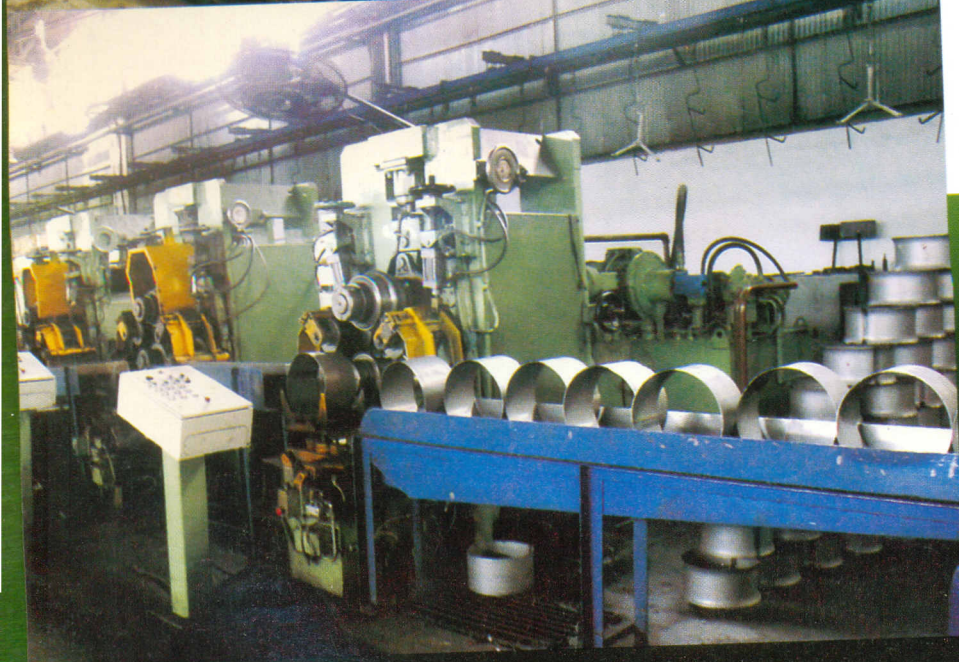
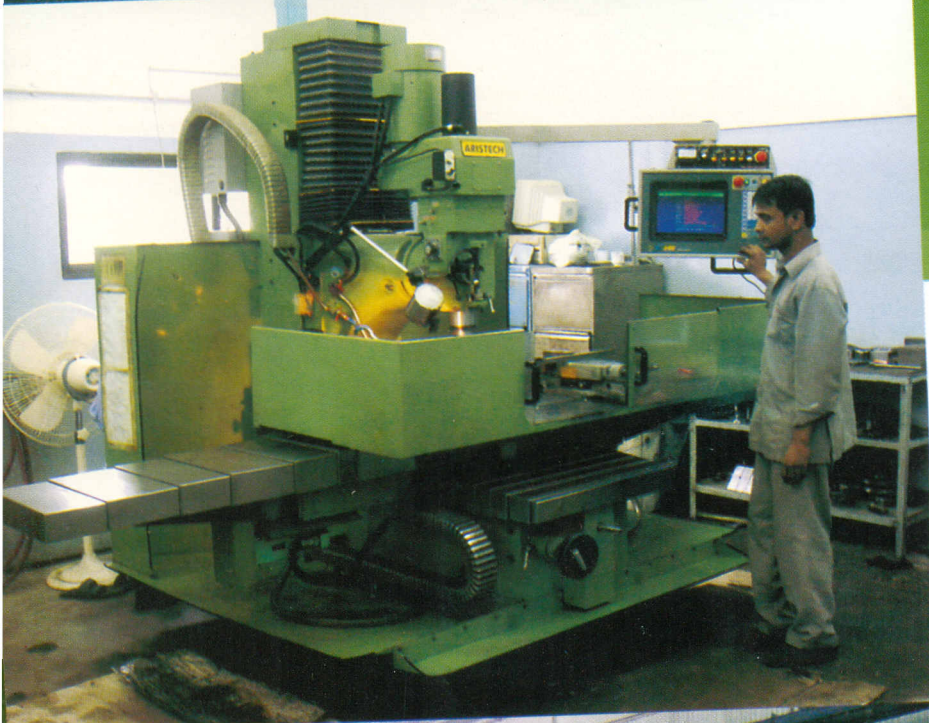
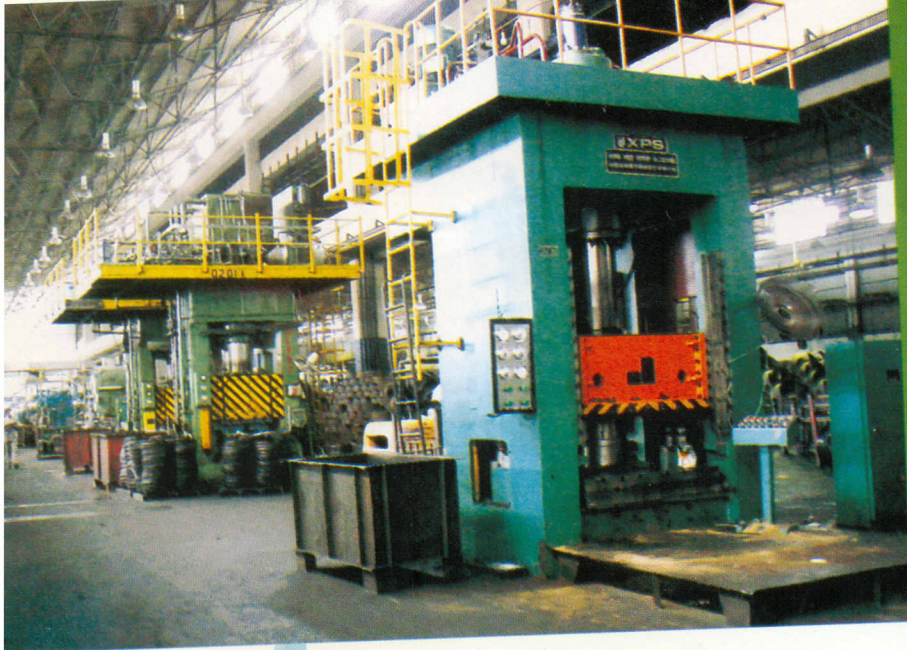




VISION MISSION

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.

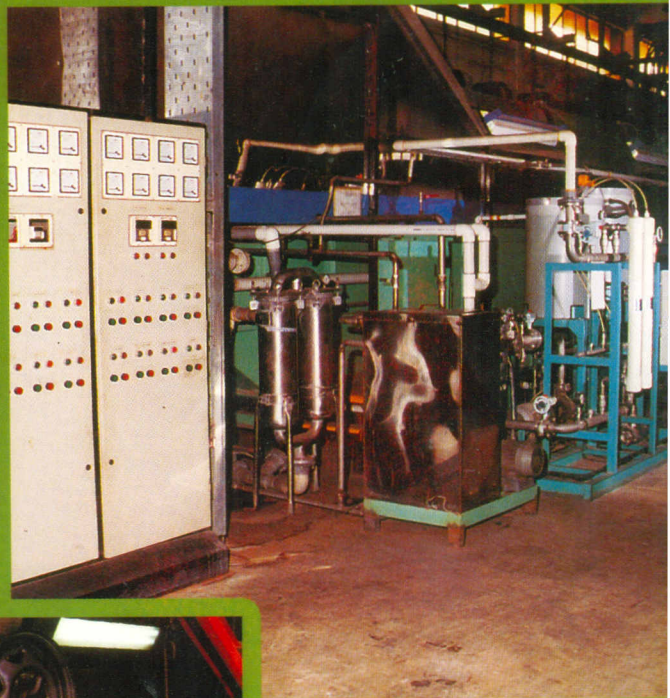




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BOARD of DIRECTORS



Mr. Muhammad Siddique Memon
Chairman

BOARD OF DIRECTORS

Mr. Muhammad Siddique Memon	Chairman
Mr. Razak H.M. Bengali	Chief Executive
Mr. Muhammad Irfan Ghani	Chief Operating Officer
Mr. Mohammed Khalid Ali	Director
Mr. Syed Haroon Rashid	Director (Nominee - NIT)
Mr. Syed Zubair Ahmed	Director (Nominee - NIT)
Mr. Irfan Ahmed Qureshi	Director

COMPANY SECRETARY

Mr. Irfan Ahmed Qureshi

EXTERNAL AUDITORS

Ford Rhodes Sidat Hyder & Co.
(Chartered Accountants)

LEGAL ADVISOR

Mohsin Tayebaly & Company
(Advocates)

FACTORY & REGISTERED OFFICE

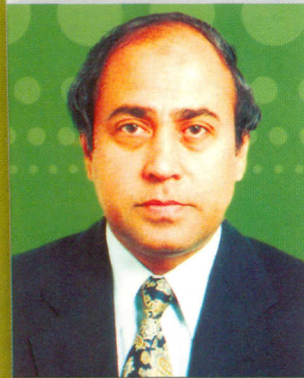
Main RCD Highway, Hub Chowki,
Lasbella, Baluchistan.
Telephone # (0853) 302496, 302498
Fax # (0853) 303035

BOARD AUDIT COMMITTEE

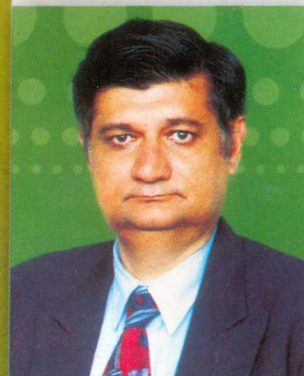
Mr. Mohammed Khalid Ali	- Chairman
Director	
Mr. Syed Haroon Rashid	- Member
Director	
Mr. Muhammad Irfan Ghani	- Member
Chief Operating Officer	
Mr. Yasin Younus Ladha	- Secretary
Dy. General Manager Finance	



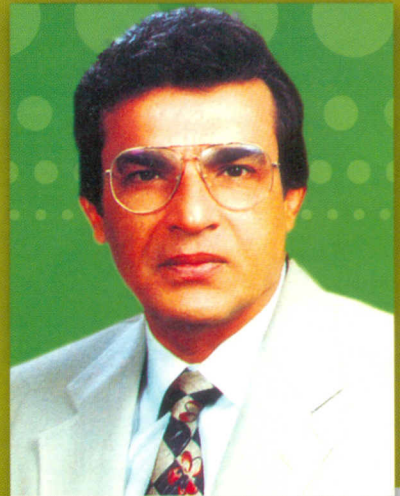
Mr. Muhammad Irfan Ghani
Chief Operating Officer



Mr. Syed Zubair Ahmed
Director (Nominee - NIT)



Mr. Irfan Ahmed Qureshi
Director



Mr. Razak H.M. Bengali
Chief Executive

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)

RELATED PARTIES AND ASSOCIATED COMPANIES

Dynamic Securities
Security Leasing Corporation Ltd.
Staff Retirement Funds.

BANKERS

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

INTERNAL AUDITORS

Anjum Asim Shahid Rehman
(Chartered Accountants)

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>
Telephone # 5689259, 5683474, 5687502
Fax # 5684003

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 Ali Siddiqui	Dy General Manager Human Resources (Secretary)



Mr. Mohammed Khalid Ali
Director



Mr. Syed Haroon Rashid
Director (Nominee - NIT)

NOTICE OF THE MEETING

NOTICE IS HEREBY GIVEN that the Twenty Sixth 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 14, 2006 at 10:00 a.m. to transact the following business:-

- 1 To confirm the minutes of the 25th Annual General Meeting, held on October 29, 2005.
- 2 To receive, consider and adopt the Audited Accounts for the year ended June 30, 2006 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 @ 25% i.e. Re.2.50/- per share of Rs.10/- each for the year ended June 30, 2006
- 4 To appoint Auditors for the year 2006-2007 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 for the year 2006-2007.
5. To consider any other Business with the permission of the Chair.

BY ORDER OF THE BOARD

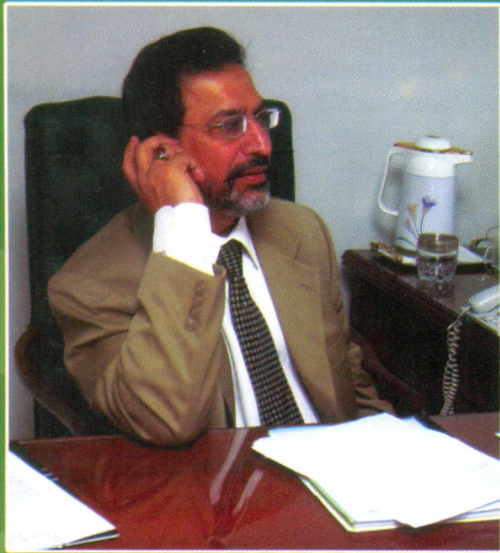
Irfan Ahmed Qureshi
Company Secretary

SEPTEMBER 15, 2006





OUR MANAGEMENT TEAM



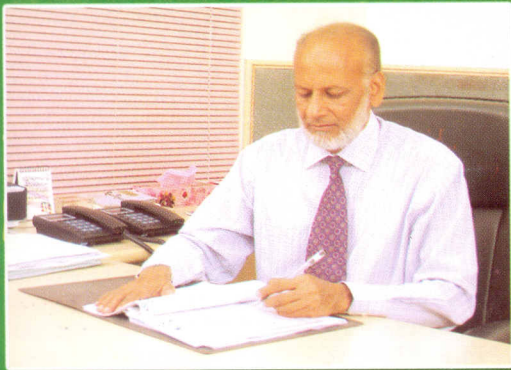
Mr. Muhammad Siddique Memon
Chairman



Mr. Razak H.M. Bengali
Chief Executive



Mr. Muhammad Irfan Ghani
Chief Operating Officer



Mr. Muhammad Jawed
Senior General Manager (Technical)



Mr. Irfan Ahmed Qureshi
Director/GM Finance/Company Secretary



Mr. Badruddin A. Ali
General Manager Supply & Services



Mr. Shaikh Muhammad Iqbal
General Manager Sales



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



Mr. Yasin Younus Ladha
Dy. General Manager Finance



DIRECTORS' REPORT

Your Directors are pleased to present Annual Accounts for the year ended June 30, 2006.

OPERATIONAL PERFORMANCE

This year your Company had hit the record overall consolidated revenue of Rs. 1.15 billion and has recorded the record sales in its product mix. The car wheels sale has improved to Rs. 809 million from Rs. 480 million in the previous year which is 69% higher than last year, Truck / Bus and Tractors sales has moved to Rs. 311 million from Rs. 265 million in the previous year which is 17% higher than last year. The export sale was Rs. 8 million as compared to Rs. 10 million in the previous year.

FINANCIAL PERFORMANCE

The increased sales volume of automobiles touched sales revenue to Rs. 1.15 billion which is highest ever figure as compared to Rs. 789 million of the last year higher by 27%. We sold 1,113,581 wheels as compared to 731,000 wheels last year.

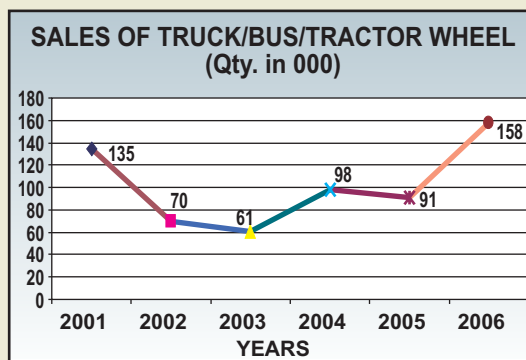
The gross profit is Rs. 304 million as compared to Rs. 186 million of the previous year. The profit after taxation is Rs. 147 million as compared to Rs. 98 million of the previous period. The Company exercised a conscious policy of cost control and a better material & financial management resulting in improvement in the overall operations & the bottom line.

The comparative financial results for the year 2006 as against 2005 are as follows:

	(Rupees in '000')	
	2006	2005
Sales	1,159,001	788,983
Gross Profit	303,927	186,093
Profit before Tax	225,731	148,586
Profit after Tax	147,471	98,389
Earning per Share (Rs.)	11.06	7.38
		Restated

PROPOSED DIVIDEND AND BONUS

The Board of Directors have proposed a final cash dividend for the year ended June 30, 2006. Rs.2.50 per share (2005 Rs.1.50 per share) amounting to Rs.33.34 million (2005 Rs.17.39 million),



at their meeting held on September 11, 2006, for approval of members at the Annual General Meeting to be held on October 14, 2006. The financial statements, however, do not reflect these appropriations in compliance with the revised Fourth Schedule to the Companies Ordinance, 1984.

HUMAN RESOURCE

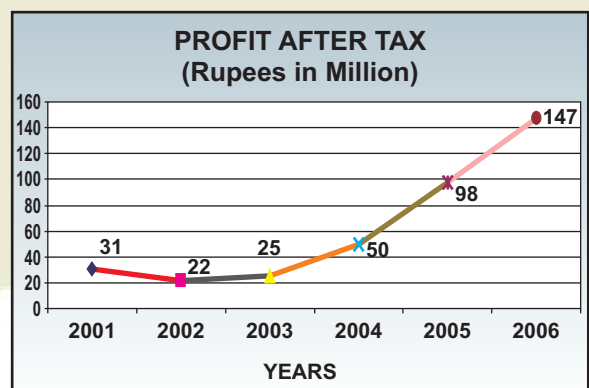
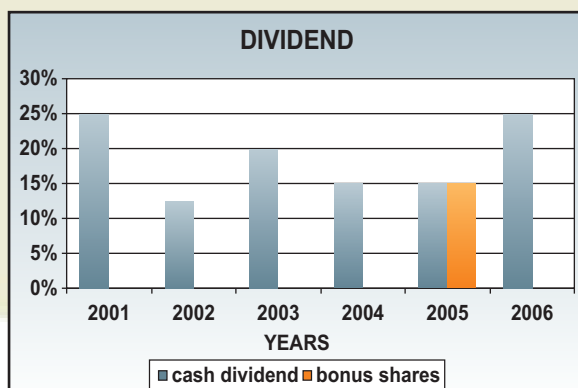
We firmly believe that our officers, staff and workforce is the backbone of our business. The management believes in encouraging the talented and dedicated employees, who are frequently sent for training at home and abroad to update their professional and technical skills. This year also officers from technical & administrative side attended seminars & courses at various institutions to upgrade their skills besides this two of them visited Holland for training on new machines being added and one visited Japan for training on quality control etc. 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.

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.

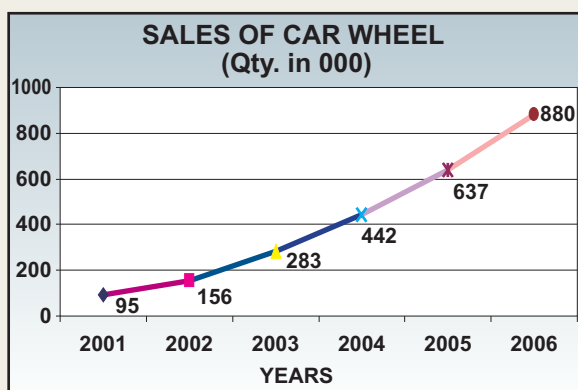
COMPANY'S CONTRIBUTION TO THE ECONOMY OF THE COUNTRY

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. 221 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.
- c. Appropriate accounting policies have been consistently applied 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 have been adequately disclosed in the annexed audited financial statements.



- j. The following is the value of investments based on respective audited accounts:

Executive Provident Fund	Rs. 37 million
Non-Executive Provident Fund	Rs. 11 million
Gratuity Fund	Rs. 21 million

Based on audited accounts as at June 30, 2005.



k. During the year 5 meetings of the Board of Directors were held. Attendance by each Director is as follows:

Name of Director	No. of Meetings Attended	No. of Shares Purchased
Mr. Muhammad Siddique Memon	04	
Mr. Razak H.M. Bengali	05	
Mr. Muhammad Irfan Ghani	05	
Mr. Mohammed Khalid Ali	05	
Syed Zubair Ahmed	02	
Mr. Irfan Ahmed Qureshi	05	
Syed Liaquat Ali	00 (Resigned w.e.f. 24.4.06)	
Syed Haroon Rashid	00 (Joined w.e.f 24.4.06)	

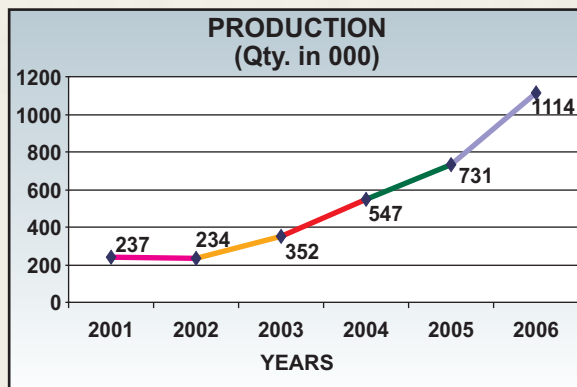
1. The pattern of shareholding is annexed.

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

1. Mr. Muhammad Irfan Ghani (Director)	104,537
2. Mr. Razak H.M. Bengali (Director)	104,537
3. Mrs. Kausar Irfan (W/o Mr. Muhammad Irfan Ghani)	16,500

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.



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, 2006 have been complied with. A statement to this effect is annexed with the report.

FUTURE OUTLOOK

The micro economics out look of Pakistan remains positive. The GDP growth remained at 6.6% which is lower then previous year growth of 8.6% and the current year target is 7% which is impressive large scale manufacturing & services sectors growth was 9% as compared to 15% of the last year.

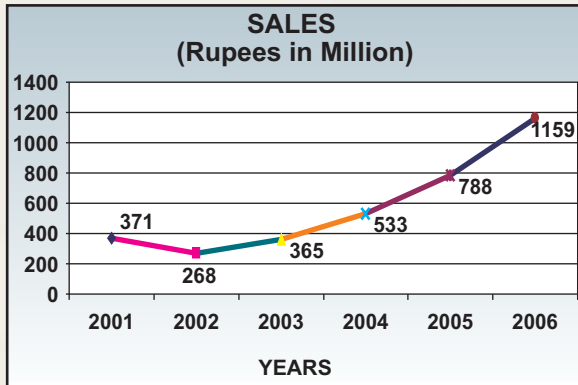
However, the automotive sector witnessed impressive growth during the year, the Cars production increased to 160,642 units as compared to 126,403 units of the last year. Tractor, Bus / Truck & LCV/S production increase to 90,901 units as compared to 71,779 units during last year.

The surge in demand has resulted in expansion, balancing & modernization by the local car assemblers which has also resulted in the growth of vending industry and your Company too. We have been moving along with the assemblers and have met their requirement for wheels, besides this we have started implementing our expansion plan worth Rs. 200 million, some of the machines have already arrived and remaining are expected by September / October 2006, construction of the building is in progress.

This will go a long way in achieving the target for improved quality and meet the additional requirement of assemblers and add more products, inshahallah the Company will be more competitive in terms of quality & price both.

The import of second hand vehicles continues under baggage / gift scheme with depreciation allowances resulting in reduce duties & this year 46,643 vehicles were imported as compared to 21,000 vehicles last year. Cheap availability of second hand vehicles in the International Market and their import into Pakistan has left the local industry on uneven level playing field and with the passage of time when the expansion of local industry comes on line and sudden surge in demand also settles the above policy needs to be further reviewed in the best national interest. Continues increase in oil prices between \$ 70 to 76 per barrel do affect the overall economy and will have trickling effect on the utility, prices and the cost of goods sold & foreign exchange rates.

Time ahead is full of challenge and your management will face the challenges successfully and will perform our role to the best of our ability to ensure productivity, cost control and future profitability of the Company.



Audit Committee Meeting in progress

NBP AND RELATED MATTERS

NBP suit for recovery against the company (BWL) and Privatization Commission (PC) for payment amounting to Rs. 91.25 million it has paid to PC, which the company does not acknowledge as briefly explained at Note No.23 (ii) in the financial statements for the year ended June 30, 2006 is still pending before the High Court of Sindh for hearing & the management and its Legal Counsel are hopeful that the ultimate outcome of the matter will be in company's favour.



DIRECTORS AND BOARD AUDIT COMMITTEE

During the period under review. NIT nominee, Syed Liaquat Ali resigned from the Board and in his place, Syed Haroon Rashid has filled the casual vacancy.

The Board welcomes the new Director and wishes outgoing Director Syed Liaquat Ali good luck and prosperity in his future endeavors. Similarly, Syed Haroon Rashid has also replaced Syed Liaquat Ali 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 continuous to be outsourced to M/S Anjum Asim Shahid Rehman Chartered Accountants.

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. 11.06 (Rs.7.38 year 2005 restated).

ACKNOWLEDGEMENT

The excellent results produced by your Company are due the blessing of Almighty Allah and a good team work of our work force, officers and staff at all levels.

We thank our customers for their patronage of our products and Government, our Bankers, Engineering Development Board and Central Board of Revenue for their continuing support.



For and on Behalf of the Board

Muhammad Siddique Memon
Chairman

Razak H.M. Bengali
Chief Executive

Karachi: September 11, 2006



PATTERN OF SHAREHOLDING

"FORM 34"

AS AT JUNE 30, 2006

NO. OF SHAREHOLDERS	FROM	RANGE	TO	NO. OF SHARES
460	1		100	21,862
710	101		500	190,606
139	501		1000	98,542
137	1001		5000	262,417
16	5001		10000	119,446
6	10001		15000	73,937
2	15001		20000	34,500
2	20001		25000	45,535
4	25001		30000	113,975
2	30001		35000	63,716
2	35001		40000	74,175
1	40001		45000	42,550
1	45001		50000	49,450
1	110001		115000	115,000
1	115001		120000	116,000
1	120001		125000	121,900
1	130001		135000	134,500
1	150001		155000	153,400
1	190001		195000	191,618
1	250001		255000	250,987
1	260001		265000	262,775
1	275001		280000	277,150
1	285001		290000	287,500
1	295001		300000	297,297
1	340001		345000	341,693
1	375001		380000	376,165
1	435001		440000	437,201
1	505001		510000	506,000
1	830001		835000	831,550
1	1085001		1090000	1,087,500
1	1280001		1285000	1,282,825
1	1840001		1845000	1,840,260
1	3230001		3235000	3,232,218
1,502				13,334,250

SHAREHOLDERS CATEGORY	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	PERCENTAGE
INDIVIDUALS	1,461	7,548,451	56.61
JOINT STOCK COMPANIES	20	1,639,761	12.30
FINANCIAL INSTITUTIONS	10	3,245,690	24.34
INSURANCE COMPANIES	3	389,568	2.92
INVESTMENT COMPANIES	5	4,378	0.03
CHARITABLE INSTITUTIONS	1	172	0.00
LEASING COMPANIES	1	506,000	3.79
UNLISTED PUBLIC COMPANIES	1	230	0.00
	1,502	13,334,250	100.00



PATTERN OF SHAREHOLDING - BREAKUP
AS OF: 30/06/2006

CATEGORIES OF SHAREHOLDERS	NO. OF SHAREHOLDERS	SHARES HELD	PERCENT %
<u>RELATED PARTIES</u>	2	506,200	3.80%
1 M/S. DYNAMIC SECURITIES		200	
2 M/S. SECURITY LEASING CORPORATION LIMITED		506,000	
<u>NIT AND ICP</u>	4	3,583,641	26.88%
1 M/S. NATIONAL BANK OF PAKISTAN, TRUSTEE DEPTT.		3,232,218	
2 M/S. STATE LIFE INSURANCE CORP. OF PAKISTAN		341,693	
3 M/S. INVESTMENT CORPORATION OF PAKISTAN KHI		200	
4 M/S. INVESTMENT CORPORATION OF PAKISTAN		9,530	
<u>DIRECTORS, CEO & THEIR SPOUSE AND MINOR - CHILDREN</u>	8	4,938,758	37.04%
1 MR. MUHAMMAD SIDDIQUE MEMON		1,840,260	
2 MRS. MEHTAB BIBI		437,201	
3 MR. RAZAK H.M. BENGALI		831,550	
4 MRS. GUL BANO		277,150	
5 MR. MUHAMMAD IRFAN GHANI		1,248,800	
6 MRS. KAUSAR IRFAN		301,297	
7 MR. MOHAMMED KHALID ALI		2,000	
8 MR. IRFAN AHMED QURESHI		500	
<u>EXECUTIVES</u>	-	-	-
<u>PUBLIC SECTORS COMPANIES AND CORPORATIONS</u>	-	-	-
<u>BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS,</u>	11	55,418	0.42%
<u>NON BANKING FINANCIAL INSTITUTION, INSURANCE - COMPANIES, MODARABAS, AND MUTUAL FUNDS</u>			
1 M/S. ROYAL BANK OF SCOTLAND		1,638	
2 M/S. BANK OF SCOTLAND		718	
3 M/S. BANKERS TRUST COMPANY		86	
4 M/S. MORGAN STANLEY BANK LUXEMBOURG		1,322	
5 M/S. MORGAN STANLEY TRUST COMPANY		718	
6 M/S. CROSBY SECURITIES PTE LTD.		833	
7 M/S. SOMERS NOMINEES (FAR EAST) LTD.		590	
8 M/S. NATIONAL DEV. FINANCE CORP. INVESTERS		1,063	
9 M/S. PRUDENTIAL INVESTMENT BANK LIMITED		575	
10 M/S. EFU LIFE ASSURANCE LTD		14,375	
11 M/S. EFU GENERAL INSURANCE CO.		33,500	
Bal. C/F	25	9,084,017	68.13%

Bal. B/F	25	9,084,017	68.13%
SHAREHOLDERS HOLDING TEN PERCENT OR MORE - VOTING INTEREST IN THE COMPANY	-	-	-
<u>INDIVIDUALS</u>	1,454	2,609,920	19.57%
<u>OTHERS</u>	23	1,640,313	12.30%
1 M/S. NATIONAL MOTORS LIMITED		230	
2 M/S. GENERAL MODARABA SERVICES (PVT) LTD		18	
3 M/S. BOLAN CASTINGS LIMITED		287,500	
4 M/S. ELIXIR SECURITIES PAKISTAN (PVT.) LTD.		1,000	
5 M/S. INTERMARKET SECURITIES (PRIVATE) LIMITED		287	
6 M/S. MILLAT TRACTORS LIMITED		1,282,825	
7 M/S. INVEST CAPITAL & SECURITIES (PVT) LTD.		287	
8 M/S. JAN MOHD. A.LATIF NINI & SONS (PVT) LTD		5,750	
9 M/S. Y.S. SECURITIES & SERVICES (PVT) LTD.		2,075	
10 M/S. VALIKA ART FABRICS LTD		1,437	
11 M/S. SATTAR CHINOY SECURITIES PVT LTD		11,500	
12 M/S. S.H. BUKHARI SECURITIES (PVT) LIMITED		86	
13 M/S. PROGRESSIVE INV. MANAGEMENT (PVT) LTD.		287	
14 M/S. I. I. KODVAVI SECURITIES (PVT) LIMITED		2,000	
15 M/S. ZILLION CAPITAL SECURITIES (PVT) LTD.		143	
16 M/S. DOSSLANI'S SECURITIES (PVT) LIMITED		1,000	
17 M/S. S.Z. SECURITIES (PRIVATE) LIMITED		546	
18 M/S. DJM SECURITIES (PRIVATE) LIMITED		42,550	
19 M/S. MEGA SECURITIES (PRIVATE) LIMITED		230	
20 M/S. KAI SECURITIES (PVT) LIMITED		10	
21 M/S. PROGRESSIVE INVESTMENT MANAGEMENT (PVT)LTD		150	
22 M/S. LOADS LIMITED		230	
23 M/S. TRUSTEES ARVABAI&FAKHRUDDIN MEMORIAL FDN		172	
*** TOTAL ***	1,502	13,334,250	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 regulation no.37 of the Karachi Stock Exchange (Guarantee) Ltd for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of the Corporate Governance.

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

1. The Company encourages representation of independent non-executive directors 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 NBFIs 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 24 April 2006, and 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 along with 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 are well aware of their duties and responsibilities.
10. No new appointment of CFO/Company Secretary, Internal Auditors 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 a 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.

MUHAMMAD SIDDIQUE MEMON
Chairman

RAZAK H. M. BENGALI
Chief Executive

Karachi: September 11, 2006



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 (Guarantee) Ltd. 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 11, 2006



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) 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 of 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's 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 systems sufficient to plan the audit and develop and effective audit approach. We have not carried out any special review of the internal control systems 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, as applicable to the Company for the year ended June 30, 2006.

FORD RHODES SIDAT HYDER & CO.
Chartered Accountants

Karachi: September 11, 2006



AUDITORS' REPORT TO THE MEMBERS

We have Audited the annexed balance sheet of BALUCHISTAN WHEELS LIMITED as at June 30, 2006 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part hereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is responsibility of the Company's management to establish and maintain a system of internal control and prepare and present the above said statements in conformity with the approved accounting standards and the requirement 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 disclosure 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 accounts and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business;
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with 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, 2006 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 was deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Karachi: September 11, 2006

FORD RHODES SIDAT HYDER & CO.
Chartered Accountants



BALANCE SHEET

AS AT JUNE 30, 2006

	Note	2006	2005
(Rupees in '000')			
ASSETS			
NON CURRENT ASSETS			
Fixed assets	5	239,783	171,438
Investment property	6	-	6,800
Long term investments	7	2,371	1,912
Long term loans and advances	8	711	144
Long term deposits	9	6,483	6,203
Deferred tax asset	20	-	3,757
		<u>249,348</u>	<u>190,254</u>
CURRENT ASSETS			
Stores, spares and loose tools	10	36,942	30,348
Stock-in-trade	11	319,377	232,062
Trade debts	12	106,448	87,943
Loans and advances	13	18,487	20,928
Trade deposits and short term prepayments	14	1,250	1,329
Interest accrued		249	2,850
Other receivables		-	147
Bank balances	15	97,684	26,712
		<u>580,437</u>	<u>402,319</u>
TOTAL ASSETS		<u>829,785</u>	<u>592,573</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital 15,000,000 (2005: 15,000,000) ordinary shares of Rs.10/- each		<u>150,000</u>	<u>150,000</u>
Issued, subscribed and paid-up capital	16	<u>133,343</u>	<u>115,950</u>
Reserves		<u>395,235</u>	<u>282,311</u>
		<u>528,578</u>	<u>398,261</u>
NON CURRENT LIABILITIES			
Long term financing	17	31,171	-
Liabilities against assets subject to finance lease	18	16,514	24,468
Long term deposits	19	290	88
Deferred liabilities	20	3,680	-
		<u>51,655</u>	<u>24,556</u>
CURRENT LIABILITIES			
Trade and other payables	21	177,383	115,409
Mark-up accrued		709	789
Short term borrowings	22	-	10,804
Current portion			
- liabilities against assets subject to finance lease	18	15,554	15,054
- long term deposits	19	-	106
Provision for taxation		55,906	27,594
		<u>249,552</u>	<u>169,756</u>
CONTINGENCIES AND COMMITMENTS	23		
TOTAL EQUITY AND LIABILITIES		<u>829,785</u>	<u>592,573</u>

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

MUHAMMAD SIDDIQUE MEMON
Chairman

RAZAK H. M. BENGALI
Chief Executive

Karachi: September 11, 2006



**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2006**

	Note	2006	2005
		(Rupees in '000')	
Turnover	24	1,159,001	788,983
Cost of sales	25	<u>855,074</u>	<u>602,890</u>
Gross profit		303,927	186,093
Distribution cost	26	<u>15,561</u>	<u>19,764</u>
Administrative expenses	27	<u>41,860</u>	<u>33,756</u>
Other operating income	28	<u>57,421</u> <u>6,914</u> 253,420	<u>53,520</u> <u>6,673</u> 139,246
Finance cost	29	<u>7,468</u>	<u>8,422</u>
Other charges	30	<u>20,221</u> <u>27,689</u> 225,731	<u>11,025</u> <u>19,447</u> 119,799
Gain on litigation settlement		<u>-</u>	<u>28,787</u>
Profit before taxation		225,731	148,586
Taxation	31	<u>78,260</u>	<u>50,197</u>
Net profit for the year		<u><u>147,471</u></u>	<u><u>98,389</u></u>
Basic earnings per share (Rupees)	32	<u><u>11.06</u></u>	<u><u>Restated</u></u> <u><u>7.38</u></u>

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

MUHAMMAD SIDDIQUE MEMON
Chairman

RAZAK H. M. BENGALI
Chief Executive

Karachi: September 11, 2006



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2006

	Note	2006	2005
		(Rupees in '000')	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	33	205,861	80,456
Income tax paid		(43,068)	(11,925)
Finance cost paid		(7,548)	(8,167)
Employees' benefits paid		(2,227)	(2,717)
Long term loans and advances - net		(567)	246
Long term deposits -net		(184)	(3,675)
Net cash inflow from operating activities		<u>152,267</u>	<u>54,218</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(93,020)	(8,641)
Proceeds from sale of fixed assets		3,175	1,726
Proceeds from sale of investment property		9,700	-
Profit received on deposit accounts		3,220	135
Dividend received		50	50
Term deposit		-	107,236
Net cash (used in) / inflow from investing activities		<u>(76,875)</u>	<u>100,506</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Long term financing		31,171	-
Repayment of liabilities under finance lease		(15,054)	(10,730)
Proceeds from sale and leaseback arrangement		7,600	-
Repayment of overdue portion of long term loan		-	(109,927)
Dividend paid		(17,333)	(17,308)
Net cash inflow from / (used in) financing activities		<u>6,384</u>	<u>(137,965)</u>
Net increase in cash and cash equivalents		81,776	16,759
Cash and cash equivalents at the beginning of the year		15,908	(851)
Cash and cash equivalents at the end of the year	34	<u>97,684</u>	<u>15,908</u>

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

MUHAMMAD SIDDIQUE MEMON
Chairman

RAZAK H. M. BENGALI
Chief Executive

Karachi: September 11, 2006



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2006

	Issued, subscribed and paid-up Share capital	General	Reserves.....			Total
			Unrealised gain/(loss) on revaluation of available- for-sale- investments (Rupees in '000')	Accum- ulated profit	Total reserves	
Balance at June 30, 2004	115,950	101,498	610	99,236	201,344	317,294
Final dividend @ 15%	-	-	-	(17,393)	(17,393)	(17,393)
Transfer to general reserves	-	58,502	-	(58,502)	-	-
Unrealised loss on revaluation of available-for-sale investments	-	-	(29)	-	(29)	(29)
Net profit for the year	-	-	-	98,389	98,389	98,389
Balance at June 30, 2005	<u>115,950</u>	<u>160,000</u>	<u>581</u>	<u>121,730</u>	<u>282,311</u>	<u>398,261</u>
Final dividend @ 15%	-	-	-	(17,393)	(17,393)	(17,393)
Bonus shares declared @ 100 : 15	17,393	-	-	(17,393)	(17,393)	-
Unrealised gain on revaluation of available-for-sale investments	-	-	239	-	239	239
Net profit for the year	-	-	-	147,471	147,471	147,471
Balance at June 30, 2006	<u>133,343</u>	<u>160,000</u>	<u>820</u>	<u>234,415</u>	<u>395,235</u>	<u>528,578</u>

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

MUHAMMAD SIDDIQUE MEMON
Chairman

RAZAK H. M. BENGALI
Chief Executive

Karachi: September 11, 2006



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006

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 (SECP) 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 which are stated as per the requirements under IAS-39 "Financial Instruments: Recognition and Measurement".

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Significant accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 4.17 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

Property, plant and equipment

Estimates with respect to residual values and depreciable lives and pattern of flow of economic benefits are based on the recommendation of technical team of the Company. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of operating assets with a corresponding affect on the depreciation charge and impairment.

4.2 Standards, interpretation and amendments to published approved accounting standards that are not yet effective

- i. IAS-19, "Employee Benefits" - Amendments effective from January 1, 2006
- ii. IAS-39, "Financial Instruments: Recognition and Measurement" - Fair Value Option effective from January 1, 2006
- iii. IAS-1, "Presentation of Financial Statements" effective from January 1, 2007
- Capital Disclosures

Adoption of the above amendments may only impact the extent of disclosures presented in the financial statements.

4.3 Fixed assets

4.3.1 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.

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

Gain or loss on disposal of 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 operating 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.

Income on sale and lease back arrangement is deferred and amortized over the lease term.

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.

4.3.2 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.

4.4 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.

4.5 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.

4.6 Stores, spares and loose tools

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



4.7 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 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.

4.8 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.

4.9 Loans, advances and other receivables

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

4.10 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.

4.11 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.

4.12 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.

4.13 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. The provision for warranty is maintained at the rate of two percent of last six months' turnover.

4.14 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.

4.15 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.

4.16 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.

4.17 Employees' 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, 2006 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



The principal actuarial assumptions used for the purpose of the valuation are:

	2006	2005
	%	%
Rate of salary increase	10	10
Rate of return	10	10
Discount rate	10	10

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.

4.18 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. These prices are determined in accordance with the methods prescribed in the Companies Ordinance, 1984.

4.19 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.

4.20 Cash and cash equivalents

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

4.21 Dividend and appropriations

Dividend and appropriations are accounted for in the year to which they relate.

	Note	2006	2005
		(Rupees in '000')	
5. FIXED ASSETS			
Property, plant and equipment	5.1	238,478	168,616
Intangible assets	5.2	1,305	2,822
		<u>239,783</u>	<u>171,438</u>
5.1 Property, plant and equipment			
Operating assets	5.1.1	185,764	167,616
Capital work-in-progress	5.1.6	52,714	1,000
		<u>238,478</u>	<u>168,616</u>

5.1.1 Operating assets

	C O S T				Rate	D E P R E C I A T I O N			B O O K V A L U E	
	As at July 1, 2005	Additions/ (deletions)	Transfers	As at June 30, 2006		As at July 1, 2005	Charge for the year	(Deletions)/ Transfers/ Impairment*	As at June 30, 2006	As at June 30, 2006
	(Rupees in thousand)				%	(Rupees in thousand)				
Owned										
Land - freehold	2,559	-	-	2,559	-	-	-	-	-	2,559
Building on freehold land	48,799	541	-	49,340	5 & 10	24,404	1,249	-	25,653	23,687
Plant and machinery	423,773	30,271	6,445	460,489	10 & 20	337,704	10,839	2,169	354,521	105,968
Electrical installations	12,089	-	-	12,089	10	10,886	120	-	11,006	1,083
Furniture and fittings	3,584	410	-	3,994	10	1,974	178	-	2,152	1,842
Office equipment	5,139	1,021	-	6,160	33	2,743	982	-	3,725	2,435
Computers	3,816	483	-	4,299	33	3,249	381	-	3,630	669
Vehicles	11,307	12,389	-	6,972	20	6,799	2,033	-	2,189	4,783
Library books	42	(16,724)	-	42	10	33	1	(6,643)	34	8
	511,108	45,115	6,445	545,944		387,792	15,783	5,978	402,910	143,034
		(16,724)						(6,643)		
Leased										
Plant and machinery	43,664	-	(6,445)	37,219	10	3,716	3,948	-	5,495	31,724
Vehicles	6,995	7,600 **	-	14,595	20	2,643	946	(2,169)	3,589	11,006
	50,659	7,600	(6,445)	51,814		6,359	4,894	(2,169)	9,084	42,730
2006	561,767	52,715	-	597,758		394,151	20,677	3,809	411,994	185,764
		(16,724)						(6,643)		

** Represents assets acquired under sale and leaseback arrangement.

	C O S T				Rate	D E P R E C I A T I O N			B O O K V A L U E	
	As at July 1, 2004	Additions/ (deletions)	Transfers	As at June 30, 2005		As at July 1, 2004	Charge for the year	(Deletions)/ Transfers/ Impairment*	As at June 30, 2005	As at June 30, 2005
	(Rupees in thousand)				%	(Rupees in thousand)				
Owned										
Land - freehold	2,559	-	-	2,559	-	-	-	-	-	2,559
Building on freehold land	47,262	1,537	-	48,799	5 & 10	23,117	1,287	-	24,404	24,395
Plant and machinery	413,134	4,839	5,800	423,773	10 & 20	324,902	11,230	1,572	337,704	86,069
Electrical installations	12,089	-	-	12,089	10	10,752	134	-	10,886	1,203
Furniture and fittings	3,386	198	-	3,584	10	1,804	170	-	1,974	1,610
Office equipment	4,789	350	-	5,139	10	2,500	243	-	2,743	2,396
Computers	3,544	272	-	3,816	20	3,105	144	-	3,249	567
Vehicles	11,236	445	3,500	11,307	20	6,282	1,701	1,256	6,799	4,508
Library books	42	(3,874)	-	42	10	32	1	(2,440)	33	9
	498,041	7,641	9,300	511,108		372,494	14,910	2,828	387,792	123,316
		(3,874)						(2,440)		
Leased										
Plant and machinery	12,244	37,220	(5,800)	43,664	10	2,932	2,356	-	3,716	39,948
Vehicles	6,695	3,800	(3,500)	6,995	20	1,384	2,515	(1,256)	2,643	4,352
	18,939	41,020	(9,300)	50,659		4,316	4,871	(2,828)	6,359	44,300
2005	516,980	48,661	-	561,767		376,810	19,781	-	394,151	167,616
		(3,874)						(2,440)		

	Note	Percentage	2006 (Rupees in '000')	2005 (Rupees in '000')
5.1.2 Allocation of depreciation				
Cost of sales	25	75	15,508	14,836
Distribution cost	26	5	1,034	989
Administrative expenses	27	20	4,135	3,956
			<u>20,677</u>	<u>19,781</u>

5.1.3 Details of disposal of operating assets

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/(loss)	Mode of disposal	Particulars of purchaser
----- (Rupees in thousands) -----							
Vehicles							
Suzuki Alto	469	326	143	143	-	Company policy	Mr. Yaseen Ladha (Employee)
Suzuki Bolan	367	267	100	121	21	Company policy	Mr. Manzoor Ahmed (Employee)
Suzuki Bolan	373	285	88	263	175	Tender	Syed Zahid Ali Zaidi
Suzuki Cultus	590	88	502	595	93	Insurance claim	EFU General Insurance Limited
Honda City	685	507	178	178	-	Company policy	Mr. Irfan Ahmed Qureshi (Employee)
Mercedes Benz	3,500	2,313	1,187	900	(287)	Tender	Mr Majoka
Mercedes Benz	3,140	2,291	849	975	126	Tender	Mr. Muhammed Kaleem
Mercedes Benz	3,800	310	3,490	3,800	310	Sale and leaseback arrangement	Faysal Bank Limited
Mercedes Benz	3,800	256	3,544	3,800	256	Sale and leaseback arrangement	Faysal Bank Limited
	16,724	6,643	10,081	10,775	694		

5.1.4 During the year, the management reviewed the remaining useful lives of fixed assets as required by IAS 16 "Property, Plant and Equipment". The review of recoverable amount indicated that assets having an aggregate book value of Rs. 3.809 million had been completely impaired because of discontinuation of obsolete machinery and physical wear and tear. Consequently, the Company has provided for such impairment loss by charging off the book value of the relevant assets to other charges.

5.1.5 During the year, the Company changed the rates of computation of depreciation on office equipment and computers, whereby, with effect from current year, depreciation is charged at the rate of 33%, to better reflect the pattern of utilisation of economic benefits derived from the assets, as against the previous rates of computation of depreciation at 10% on office equipment and at 20% on computers. Had the Company not made the above change, depreciation charge for the year would have been lower by Rs. 839,000/- and net profit for the year and accumulated profit would have been higher by Rs. 839,000/-.

	2006 (Rupees in '000')	2005 (Rupees in '000')
5.1.6 Capital work-in-progress		
Plant and machinery	15,221	1,000
Advance to suppliers	30,797	-
Civil works	6,696	-
	<u>52,714</u>	<u>1,000</u>

5.2 Intangible Assets

	COST		AMORTISATION		BOOK VALUE	
	As at July 1 2005 and June 30, 2006	As at July 1, 2005	Charge for the year	as at June 30, 2006	as at June 30, 2006	Amortisation rate %
------(Rupees in '000)-----						
Development costs - 2006	7,585	4,763	1,517	6,280	1,305	20
Development costs - 2005	7,585	3,246	1,517	4,763	2,822	20

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

During the year, the Company sold the lands situated in Karachi at Lasbella (costing Rs. 4.51 million) and Lyari (costing Rs. 3.38 million) for Rs. 6.10 million and Rs.3.60 million respectively.

7. LONG TERM INVESTMENTS

Held-to-maturity - at amortised cost

10 years' Defence Saving Certificates
(face value Rs.350,000/-)

Note
2006
(Rupees in '000')

7.1 1,451 1,231

Available-for-sale - at fair value

Quoted securities

7.2 920 681

2,371 1,912

7.1 The effective rate of return on Defence Saving Certificates ranges from 16.03% to 18.04% (2005: 16.03 % to 18.04%) per annum.

7.2 Represents 10,000 (2005: 10,000) ordinary shares of Rs.10/- each of Bolan Castings Limited. The movement in available-for-sale investment is as follows:

Balance at the beginning of the year	681	710
Gain / (loss) on fair value adjustment	239	(29)
Balance at the end of the year	<u>920</u>	<u>681</u>

8. LONG TERM LOANS AND ADVANCES - considered good

Loans - secured

8.1 944 19

Advance to employees - unsecured

578 549

1,522 568

Less: Current portion

Loans

298 19

Advances

513 405

811 424

711 144

8.1 Represents interest free loans to employees for purchase of motorcars, motorcycles, 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.

9. LONG TERM DEPOSITS

Security deposits against leased assets

4,842 4,402

Trade deposits

1,641 1,801

6,483 6,203

10. STORES, SPARES AND LOOSE TOOLS	Note	2006 (Rupees in '000')	2005
Stores		6,576	2,907
Spares		39,175	31,654
Loose tools		2,045	1,087
		<u>47,796</u>	<u>35,648</u>
Less: Provision for slow moving stores and spares	10.1	<u>10,854</u>	<u>5,300</u>
		<u>36,942</u>	<u>30,348</u>

10.1 Movement in provision is as follows:

Balance at the beginning of the year		5,300	4,568
Provision made during the year	25	<u>5,554</u>	<u>732</u>
Balance at the end of the year		<u>10,854</u>	<u>5,300</u>

11. STOCK-IN-TRADE

Raw material and components		119,168	104,134
Work-in-process		87,780	76,010
Finished goods		16,438	10,216
Scrap stock		17,920	15,895
		<u>241,306</u>	<u>206,255</u>
Stock-in-transit		91,560	32,428
		<u>332,866</u>	<u>238,683</u>
Less: Provision for slow moving stock	11.1	<u>13,489</u>	<u>6,621</u>
		<u>319,377</u>	<u>232,062</u>

11.1 Movement in provision is as follows:

Balance at the beginning of the year		6,621	7,552
Provision / (reversal) made during the year	25	<u>6,868</u>	<u>(931)</u>
Balance at the end of the year		<u>13,489</u>	<u>6,621</u>

12. TRADE DEBTS - unsecured

Considered good		106,448	87,943
Considered doubtful		211	569
Less: Provision for doubtful debts	12.1	<u>211</u>	<u>569</u>
		-	-
		<u>106,448</u>	<u>87,943</u>

12.1 Movement in provision is as follows:

Balance at the beginning of the year		569	3,273
Less: Reversal of provision during the year	27	<u>202</u>	<u>2,704</u>
		367	569
Less: Write offs during the year		<u>156</u>	-
Balance at the end of the year		<u>211</u>	<u>569</u>

	Note	2006	2005
(Rupees in '000')			
13. LOANS AND ADVANCES			
Loans - secured, considered good			
Current portion long term loans		298	19
Advances - unsecured			
Considered good			
For expenses		915	1,868
To employees		458	613
To suppliers		15,642	13,579
Letters of credit fee and margin		661	4,444
Current portion of long term advances		513	405
		<u>18,189</u>	<u>20,909</u>
Considered doubtful			
Less: Provision for doubtful advances	27	2,934	-
		<u>2,934</u>	<u>-</u>
		<u>-</u>	<u>-</u>
		<u>18,487</u>	<u>20,928</u>

14. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Deposits		790	710
Prepayments		460	619
		<u>1,250</u>	<u>1,329</u>

15. BANK BALANCES

Current accounts		37,948	23,673
Deposit accounts	15.1	59,736	3,039
		<u>97,684</u>	<u>26,712</u>

15.1 Include term deposit receipts of Rs. 55 million (2005: Rs. Nil). These carry profit at the rates ranging from 2 to 9 (2005: 4 to 7) percent per annum.

16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

<u>2006</u>	<u>2005</u>			
Number of ordinary shares of Rs.10/- each				
9,276,000	9,276,000	Fully paid in cash	92,760	92,760
4,058,250	2,319,000	Issued as fully paid bonus shares	40,583	23,190
<u>13,334,250</u>	<u>11,595,000</u>		<u>133,343</u>	<u>115,950</u>

17. LONG TERM FINANCING

Represents demand finance facility of Rs.150 million availed from a local bank. It carries a profit rate at three months' KIBOR plus 265 basis points and is repayable by 2009. It is secured by way of second charge over the Company's fixed assets.



18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Represents finance leases entered into with leasing companies for plant and machinery and vehicles. Total lease rentals due under various lease agreements aggregate to Rs. 32.068 million (2005: Rs.39.522 million) and are payable in equal monthly installments latest by 2009. 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 (2005: 8 to 12) percent per annum have been used as discounting factor. Purchase options can be exercised by the Company, by paying 10 percent of the leased amount. The movement in the finance lease liability is as follows:

2 0 0 6						
	Related party (Security Leasing Corporation Limited)		Others		Total	
	Minimum lease payments	Present value	Minimum lease payments	Present value	Minimum lease payments	Present value
----- (Rupees in thousand) -----						
Within one year	767	758	16,977	14,796	17,744	15,554
After one year but not more than five years	-	-	17,586	16,514	17,586	16,514
Total minimum lease payments	<u>767</u>	<u>758</u>	<u>34,563</u>	<u>31,310</u>	<u>35,330</u>	<u>32,068</u>
Less: Amount representing finance charges	9	-	3,253	-	3,262	-
Present value of minimum lease payments	<u>758</u>	<u>758</u>	<u>31,310</u>	<u>31,310</u>	<u>32,068</u>	<u>32,068</u>
Less: Current portion	<u>758</u>	<u>758</u>	<u>14,796</u>	<u>14,796</u>	<u>15,554</u>	<u>15,554</u>
	<u>-</u>	<u>-</u>	<u>16,514</u>	<u>16,514</u>	<u>16,514</u>	<u>16,514</u>
2 0 0 5						
	Related party (Security Leasing Corporation Limited)		Others		Total	
	Minimum lease payments	Present value	Minimum lease payments	Present value	Minimum lease payments	Present value
----- (Rupees in thousand) -----						
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	<u>4,485</u>	<u>4,315</u>	<u>39,641</u>	<u>35,207</u>	<u>44,126</u>	<u>39,522</u>
Less: Amount representing finance charges	170	-	4,434	-	4,604	-
Present value of minimum lease payments	<u>4,315</u>	<u>4,315</u>	<u>35,207</u>	<u>35,207</u>	<u>39,522</u>	<u>39,522</u>
Less: Current portion	<u>3,557</u>	<u>3,557</u>	<u>11,497</u>	<u>11,497</u>	<u>15,054</u>	<u>15,054</u>
	<u>758</u>	<u>758</u>	<u>23,710</u>	<u>23,710</u>	<u>24,468</u>	<u>24,468</u>

	Note	2006 (Rupees in '000')	2005
19. LONG TERM DEPOSITS			
Deposit from employees		290	194
Less: Current portion		-	106
		<u>290</u>	<u>88</u>

This 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 generators and vehicles.

20. DEFERRED LIABILITIES

Deferred taxation	20.1	3,123	(3,757)
Deferred income on sale and leaseback arrangement		557	-
		<u>3,680</u>	<u>(3,757)</u>

20.1 Deferred taxation comprises of:

Deferred tax liability arising in respect of Accelerated tax depreciation		29,433	20,030
Unrealised gain on investments		672	-
Deferred gain on sale and leaseback arrangement		195	-
		<u>30,300</u>	<u>20,030</u>
Deferred tax asset arising in respect of Provisions		15,953	9,954
Liabilities against assets subject to finance lease		11,224	13,833
		<u>27,177</u>	<u>23,787</u>
		<u>3,123</u>	<u>(3,757)</u>

21. TRADE AND OTHER PAYABLES

Creditors		4,821	7,817
Murabaha finance	21.1	-	25,700
Bills payable		34,389	7,271
Accrued liabilities		24,579	18,009
Advance from customers		68,151	17,867
Retention money		75	1,745
Security deposits		168	318
Compensated absences		5,455	6,556
Payable to gratuity fund	21.2	1,913	1,202
Payable to provident fund		525	459
Workers' Profit Participation Fund	21.3	12,118	7,987
Workers' Welfare Fund		9,415	5,121
Sales tax payable		643	2,601
Provision for warranty	21.4	12,331	9,395
Unclaimed dividend		2,141	2,081
Others		659	1,280
		<u>177,383</u>	<u>115,409</u>



21.1 Represents murabaha finance facility of Rs.55 million (2005: Rs.55 million) availed from a local bank. This facility carries a profit rate at six months' KIBOR plus 200 basis points and is secured by way of first pari passu hypothecation charge over the Company's stock-in-trade and trade debts.

21.2 Payable to gratuity fund	Note	2006	2005
(Rupees in '000')			
Amount recognised in the balance sheet			
Present value of defined benefit obligation		27,364	22,367
Fair value of plan assets		(24,530)	(22,999)
Deficit / (surplus)		2,834	(632)
Unrecognised actuarial (gain) / loss		(921)	1,834
		<u>1,913</u>	<u>1,202</u>
Amount recognised in profit and loss account			
Current service cost		2,074	1,783
Interest cost		2,237	1,713
Recognised actuarial gain		-	(86)
Expected return on plan assets		(2,300)	(1,956)
		<u>2,011</u>	<u>1,454</u>
Movement in net liability			
Balance at the beginning of the year		1,202	603
Charge for the year		2,011	1,454
		3,213	2,057
Contributions during the year		(1,300)	(85)
Balance at the end of the year		<u>1,913</u>	<u>1,202</u>
Actual return on plan assets			
Expected return on plan assets		2,300	1,956
Actuarial (loss) / gain on plan assets		(769)	688
		<u>1,531</u>	<u>2,644</u>
21.3 Workers' Profit Participation Fund			
Balance at the beginning of the year		7,987	3,886
Allocation for the year	30	<u>12,118</u>	<u>7,987</u>
		20,105	11,873
Interest on funds utilised in the Company's business	29	<u>209</u>	<u>129</u>
		20,314	12,002
Less: Payments made during the year		<u>8,196</u>	<u>4,015</u>
Balance at the end of the year		<u>12,118</u>	<u>7,987</u>
21.4 Movement in provision is as follows:			
Balance at the beginning of the year		9,395	-
Provision made during the year	26	<u>2,936</u>	<u>9,395</u>
Balance at the end of the year		<u>12,331</u>	<u>9,395</u>

22. SHORT TERM BORROWINGS - secured

22.1 The facilities for short term running finance available from various banks amounted to Rs.115 million (2005: Rs.115 million). The rate of mark-up on these finances range from three months' KIBOR plus 200 basis points to six months' KIBOR plus 175 basis points. The facilities are repayable on various dates latest by December 31, 2006 and are secured by way of hypothecation charge ranking pari passu over Company's stocks and trade debts.

22.2 The facilities for opening letters of credit and letters of guarantees amounted to Rs.215 million (2005: Rs.160 million) and Rs.7.5 million (2005: Rs.7.5 million) respectively, of which Rs. Nil (2005: Rs.63.907 million) and Rs.6.057 million (2005: Rs.2.72 million) respectively, remained unutilized as of the balance sheet date.

23. CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

- (i) Indemnity bonds issued to the collector of customs against imported raw material amounted to Rs. 1.443 million (2005: Rs. 5.499 million).
- (ii) The Privatization Commission (PC) has filed a suit against Abdul Qadir Tawwakal, Saleem I. Kapoorwala, National Bank of Pakistan (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, Saleem. 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.

	Note	2006	2005
		(Rupees in '000')	
23.2 Commitments			
Capital commitments - Plant and machinery		<u>151,342</u>	<u>-</u>
Letters of credit issued by commercial banks		<u>149,351</u>	<u>88,822</u>

24. TURNOVER

Local sales	24.1	1,323,964	898,295
Less: Sales tax		<u>173,149</u>	<u>119,077</u>
		1,150,815	779,218
Export sales		<u>8,186</u>	<u>9,765</u>
		<u>1,159,001</u>	<u>788,983</u>

24.1 Includes scrap sales of Rs.30.95 million (2005: Rs.34.04 million).



	Note	2006	2005
		(Rupees in '000')	
25. COST OF SALES			
Raw material and components consumed			
Opening stock	- Raw material	104,134	53,676
	- Scrap	15,895	13,862
		<u>120,029</u>	<u>67,538</u>
Purchases		675,876	517,754
Less: Closing stock	- Raw material	119,168	104,134
	- Scrap	17,920	15,895
		<u>137,088</u>	<u>120,029</u>
		<u>658,817</u>	<u>465,263</u>
Salaries, wages and benefits	25.1	70,112	60,251
Stores, spares and loose tools consumed		65,597	49,532
Fuel and power		23,033	20,982
Depreciation	5.1.2	15,508	14,836
Amortisation	5.2	1,517	1,517
Services rendered by contractors		9,171	7,530
Staff transportation		8,807	6,994
Repairs and maintenance		2,059	3,020
Travelling and conveyance		1,075	1,436
Vehicle running expenses		1,446	1,000
Insurance		855	1,205
Communication		756	727
Entertainment		602	547
Printing and stationery		126	177
Subscription		114	170
Rent, rates and taxes		32	31
Provision for / (reversal of) slow moving			
- stores, spares and loose tools	10.1	5,554	732
- stock-in-trade	11.1	6,868	(931)
Others		1,017	1,697
		<u>214,249</u>	<u>171,453</u>
Manufacturing cost		873,066	636,716
Work-in-process	- Opening	76,010	47,910
	- Closing	(87,780)	(76,010)
		<u>(11,770)</u>	<u>(28,100)</u>
Cost of goods manufactured		861,296	608,616
Finished goods	- Opening	10,216	4,490
	- Closing	(16,438)	(10,216)
		<u>(6,222)</u>	<u>(5,726)</u>
		<u>855,074</u>	<u>602,890</u>

25.1 Salaries, wages and benefits

25.1.1. These include Rs.3.248 million (2005: Rs.2.642 million) in respect of employees' benefits

25.1.2 These include Rs. 7.451million (2005: Rs.5.567 million) in respect of bonus to employees.

	Note	2006	2005
(Rupees in '000')			
26. DISTRIBUTION COST			
Salaries, wages and benefits	26.1	1,517	1,285
Carriage and forwarding		8,063	5,601
Provision for warranty	21.4	2,936	9,395
Depreciation	5.1.2	1,034	989
Insurance		135	41
Advertisement		516	891
Vehicle running expenses		207	147
Travelling and conveyance		51	215
Staff transportation		73	51
Communication		95	102
Entertainment		42	33
Printing and stationery		34	95
Others		858	919
		<u>15,561</u>	<u>19,764</u>

26.1 Salaries, wages and benefits

26.1.1 These include Rs.47,000/- (2005: Rs.43,000/-) in respect of employees' benefits.

26.1.2 These include Rs.213,000/- (2005: Rs.160,000/-) in respect of bonus to employees.

27. ADMINISTRATIVE EXPENSES

Salaries, wages and benefits	27.1	16,794	17,101
Depreciation	5.1.2	4,135	3,956
Services rendered by contractors		2,559	2,087
Utilities		2,221	2,574
Vehicle running expenses		2,982	2,130
Communication		1,547	1,329
Rent, rates and taxes		1,271	1,210
Entertainment		1,156	989
Travelling and conveyance		248	445
Corporate expenses		668	613
Auditors' remuneration	27.2	786	665
Legal and professional charges		490	229
Repairs and maintenance		337	284
Insurance		776	399
Staff transportation		689	523
Subscription		242	100
Printing and stationery		252	335
Advertisement		194	55
Reversal of provision for doubtful debts	12.1	(202)	(2,704)
Provision for doubtful advances	13	2,934	-
Others		1,781	1,436
		<u>41,860</u>	<u>33,756</u>



27.1 Salaries, wages and benefits

27.1.1 These include Rs.657,000/- (2005: Rs.580,000/-) in respect of employees' benefits.

27.1.2 These include Rs.2.484 million (2005: Rs.2.21million) in respect of bonus to employees.

	Note	2006	2005
27.2 Auditors' remuneration		(Rupees in '000')	
Audit fee		375	325
Fee for limited scope review		100	100
Tax services		115	125
Audit fee of employees' funds		150	40
Out of pocket expenses		46	75
		<u>786</u>	<u>665</u>
28. OTHER OPERATING INCOME			
Gain on sale of fixed assets	5.1.3	128	292
Loss on adjustment of investment property to fair value		-	(1,296)
Gain on sale of investment property		2,900	-
Liabilities no longer payable - written back		2,119	5,039
Accrued return on Defence Saving Certificates		220	184
Profit on deposit accounts		619	135
Dividend income		50	50
Deferred income on sale and leaseback arrangement		9	-
Others		869	2,269
		<u>6,914</u>	<u>6,673</u>
29. FINANCE COST			
Mark-up on long term financing		488	-
Finance lease charges		2,895	1,772
Mark-up on morabaha financing		313	2,820
Mark-up on short term borrowings		2,848	1,384
Interest on Workers' Profit Participation Fund	21.3	209	129
Bank charges and excise duty		582	354
Exchange loss - net		133	1,963
		<u>7,468</u>	<u>8,422</u>
30. OTHER CHARGES			
Workers' Profit Participation Fund	21.3	12,118	7,987
Workers' Welfare Fund		4,294	3,038
Impairment loss	5.1.4	3,809	-
		<u>20,221</u>	<u>11,025</u>
31. TAXATION			
Current	31.1	75,257	53,298
Prior		(3,877)	-
Deferred		6,880	(3,101)
		<u>78,260</u>	<u>50,197</u>

	2006	2005
	(Rupees in '000')	
31.1 Relationship between tax expense and accounting profit		
Profit before taxation	225,731	148,586
Applicable tax rate	<u>35%</u>	<u>35%</u>
Tax at the above rate	<u>79,006</u>	<u>52,005</u>
Prior year tax reversal	(3,877)	-
Tax effect of income / expenses that are exempt / not allowable in determining taxable income	(3,300)	1,677
Tax effect of dividend income taxed at a lower rate	(15)	(15)
Tax effect on export sales taxed at a lower rate	(434)	(369)
Adjustment in respect of deferred tax	<u>6,880</u>	<u>(3,101)</u>
Tax expense for the year	<u>78,260</u>	<u>50,197</u>

Prior

The return of income for tax year 2005 has been filed by the Company. The said return, as per the provision of Section 120 of the Income Tax Ordinance, 2001 has been taken as an assessment order passed by the Commissioner of Income Tax.

32. BASIC EARNINGS PER SHARE

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

		Restated
Profit for the year after taxation (Rupees in thousand)	<u>147,471</u>	<u>98,389</u>
Weighted average number of ordinary shares of Rs.10/- each (in thousand)	<u>13,334</u>	<u>13,334</u>
Basic earnings per share (Rupees)	<u>11.06</u>	<u>7.38</u>

	Note	2006 (Rupees in '000')	2005 (Rupees in '000')
33. CASH GENERATED FROM OPERATIONS			
Profit before taxation		225,731	148,586
Adjustments for			
Depreciation		20,677	19,781
Amortisation		1,517	1,517
Gain on sale of fixed assets		(128)	(292)
Loss on revaluation of investment property		-	1,296
Gain on sale of investment property		(2,900)	-
Finance cost		7,468	20,609
Provision for slow moving stores, spares and loose tools		5,554	732
Provision for slow moving stock-in-trade		6,868	(931)
Provision for doubtful advances		2,934	-
Reversal of provision for doubtful debts		(202)	(2,704)
(Reversal) / provision for compensated absences		(174)	491
Provision for warranty		2,936	9,395
Provision for employees' benefits		2,011	3,264
Profit on deposit accounts		(619)	(135)
Accrued return on Defence Saving Certificates		(220)	(184)
Dividend income		(50)	(50)
Return on term deposit		-	(40,974)
Liabilities no longer payable - written back		(2,119)	(5,039)
Deferred income on sale and leaseback arrangement		(9)	-
		<u>43,544</u>	<u>6,776</u>
		269,275	155,362
Working capital changes			
(Increase)/decrease in current assets			
Stores, spares and loose tools		(12,148)	(6,620)
Stock-in-trade		(94,183)	(91,817)
Trade debts		(18,303)	(5,736)
Loans and advances		(493)	3,156
Trade deposits and short term prepayments		79	(25)
Other receivables		147	1,555
		<u>(124,901)</u>	<u>(99,487)</u>
Increase in current liabilities			
Trade and other payables		61,487	24,581
		<u>(63,414)</u>	<u>(74,906)</u>
		<u>205,861</u>	<u>80,456</u>
34. CASH AND CASH EQUIVALENTS			
Bank balances	15	97,684	26,712
Short term borrowings	22	-	(10,804)
		<u>97,684</u>	<u>15,908</u>

35. FINANCIAL INSTRUMENTS

35.1 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				Total June-30, 2006
		Maturity upto one year	Maturity from one to five years	Maturity after five years	Sub-total	Maturity upto one year	Maturity from one to five years	Maturity after five years	Sub-total	
----- (Rupees in thousand) -----										
FINANCIAL ASSETS										
Investments	16 - 18	-	1,451	-	1,451	-	-	920	920	2,371
Deposits	5	-	619	-	619	790	1,022	-	1,812	2,431
Trade debts		-	-	-	-	106,448	-	-	106,448	106,448
Loans		-	-	-	-	298	-	-	298	298
Interest accrued		-	-	-	-	249	-	-	249	249
Bank balances	4 - 9	59,736	-	-	59,736	37,948	-	-	37,948	97,684
		59,736	2,070	-	61,806	145,733	1,022	920	147,675	209,481
FINANCIAL LIABILITIES										
Long term financing	KIBOR + 265 bps	-	31,171	-	31,171	-	-	-	-	31,171
Liabilities against assets subject to finance lease	8 - 12	15,554	16,514	-	32,068	-	-	-	-	32,068
Trade and other payables		-	-	-	-	72,044	-	-	72,044	72,044
Mark-up accrued		-	-	-	-	221	488	-	709	709
		15,554	47,685	-	63,239	72,265	488	-	72,753	135,992
Net financial assets/ (liabilities) 2006		44,182	(45,615)	-	(1,433)	73,468	534	920	74,922	73,489
Net financial assets/ (liabilities) 2005		(48,519)	(22,618)	-	(71,137)	57,120	1,182	681	58,983	(12,154)

35.2 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 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.

35.3 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.

35.4 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 contract as the management is of the opinion that the cost of the forward cover would exceed the benefits.

35.5 Fair value of financial instruments

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

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	CHIEF EXECUTIVE		DIRECTORS		TOTAL	
	2006	2005	2006	2005	2006	2005
	----- (Rupees in '000) -----					
Remuneration	1,746	1,746	3,781	3,766	5,527	5,512
Housing	786	786	1,701	1,695	2,487	2,481
Retirement benefits	320	608	823	979	1,143	1,587
Bonus	582	582	1,260	1,255	1,842	1,837
Medical expenses	141	39	294	187	435	226
Utilities	152	175	471	394	623	569
Leave fare assistance	-	418	511	12	511	430
	<u>3,727</u>	<u>4,354</u>	<u>8,841</u>	<u>8,288</u>	<u>12,568</u>	<u>12,642</u>
Number	<u>1</u>	<u>1</u>	<u>3</u>	<u>3</u>	<u>4</u>	<u>4</u>

36.2 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.

36.3 Aggregate amount charged in the financial statements for fee to a director was Rs. 4,000/- (2005: two directors Rs.52,000/-).

37. 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	2006			
	Lease rentals paid	Assets acquired under bargain purchase option	Contributions to staff retirement benefits	Sale of vehicles
	----- (Rupees in '000) -----			
Security Leasing Corporation Limited (Common directorship)	3,074	645	-	-
Mr. Irfan Ahmed Qureshi (GM Finance)	-	-	-	178
Mr. Yaseen Ladha (DGM Finance)	-	-	-	143
Mr. Manzoor Ahmed (DM Material Preparation Line)	-	-	-	121
Staff retirement funds	-	-	1,941	-
	<u>3,074</u>	<u>645</u>	<u>1,941</u>	<u>442</u>

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

- Dynamic Securities Limited (Common directorship / shareholding)

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

	2006	2005
	(Units in thousand)	
38. PLANT CAPACITY AND ACTUAL PRODUCTION		
Plant capacity	<u>376</u>	<u>376</u>
Actual production	<u>1,114</u>	<u>731</u>

The original machinery provided by the German supplier had been determined for annual production capacity at the time of installation was 376,000 units. Currently, the annual production in three shifts has increased the capacity. Further, over the years, additions to plant and machinery have been made, due to which the actual production has exceeded the plant capacity.

39. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue by the Board of Directors of the Company on September 11, 2006.

40. DIVIDEND AND APPROPRIATIONS

The Board of Directors has proposed a final dividend of Rs. 2.50 per share for the year ended June 30, 2006, amounting to Rs.33.34 at its meeting held on September 11, 2006 for approval of the members at the Annual General Meeting to be held on October 14, 2006.



41. RECENT ACCOUNTING DEVELOPMENTS

A new series of standards called “International Financial Reporting Standards (IFRSs)” have been introduced and seven IFRSs have been issued by International Accounting Standards Board (IASB). Out of these following four IFRS have been adopted by Institute of Chartered Accountant of Pakistan (ICAP). However, since these have not been adopted by SECP, therefore, do not form part of the approved local financial reporting framework:

IFRS-2 (Share based Payments);
IFRS-3 (Business Combinations);
IFRS-5 (Non-current Assets held for Sale and Discontinued Operations); and
IFRS-6 (Exploration for and Evaluation of Mineral Resources).

The Company expects that the adoption of these pronouncements mentioned above will have no significant impact on the Company’s financial statements in the period of initial application.

42. CORRESPONDING FIGURES

Prior year’s figures have been reclassified for the purpose of comparison. There were no major reclassifications.

43. GENERAL

Figures have been rounded off to the nearest thousand rupee.

MUHAMMAD SIDDIQUE MEMON
Chairman

RAZAK H. M. BENGALI
Chief Executive

Karachi: September 11, 2006

SIX YEARS AT A GLANCE

BALANCE SHEET

	(Rupees in '000)					
	2001	2002	2003	2004	2005	2006
ASSETS						
Non Current Assets						
Fixed Assets	145,467	148,655	147,820	144,509	171,438	239,783
Investment Properties	7,895	7,210	7,210	8,096	6,800	-
Long Term investments	692	790	1,483	1,757	1,912	2,371
Long-term loans & advances	585	429	160	390	144	711
Long-term deposits	6,271	5,964	3,193	2,601	6,203	6,483
Deferred Tax asset	-	-	-	656	3,757	-
Current Assets						
Stores, spare parts & loose tools	16,141	24,511	24,651	24,460	30,348	36,942
Stock-in-trade	150,587	110,074	104,144	139,314	232,062	319,377
Trade debts	55,994	48,132	62,441	79,503	87,943	106,448
Loans and advances	5,392	7,678	12,800	24,084	20,928	18,487
Trade deposits and short term prepayments	784	1,660	3,914	1,304	1,329	1,250
Interest accrued	18,272	18,272	18,272	18,272	2,850	249
Other receivables,	6,910	4,948	4,350	1,702	147	-
Term deposit	50,840	50,840	50,840	50,840	-	-
Income tax refunds due from the government						
- net	15,654	25,685	24,432	13,779	-	-
Bank Balances	9,171	4,130	23,639	35,423	26,712	97,684
	<u>329,745</u>	<u>295,930</u>	<u>329,483</u>	<u>388,681</u>	<u>402,319</u>	<u>580,437</u>
	<u>490,655</u>	<u>458,978</u>	<u>489,349</u>	<u>546,690</u>	<u>592,573</u>	<u>829,785</u>
EQUITY AND LIABILITIES						
Share Capital and Reserves						
Authorised Capital						
15,000,000 Ord. shares of Rs. 10/- each	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>
Issued, subscribed and paid up Capital	115,950	115,950	115,950	115,950	115,950	133,343
Reserve	156,166	162,698	173,744	201,344	282,311	395,235
	<u>272,116</u>	<u>278,648</u>	<u>289,694</u>	<u>317,294</u>	<u>398,261</u>	<u>528,578</u>
Non Current Liabilities						
Liability against assets sub to Finance Lease	22,174	13,482	6,558	4,316	24,468	16,514
Long term Deposits	730	794	155	172	88	290
Long term Financing	-	-	-	-	-	31,171
Deferred Liabilities	-	-	-	-	-	3,680
Current Liabilities						
Trade and other payables	81,170	50,081	60,592	96,842	112,808	177,383
Mark-up accrued	389	411	409	534	789	709
Short term borrowings	16,029	11,745	21,510	36,274	10,804	-
Current portion of liabilities against assets						
subject to finance lease	12,196	16,385	13,188	4,916	15,054	15,554
Current portion of long term deposits	-	-	-	95	106	-
overdue portion of long term loan	85,851	85,851	85,851	85,851	-	-
Provision for taxation	-	1,581	1,392	396	30,195	55,906
	<u>195,635</u>	<u>166,054</u>	<u>182,942</u>	<u>224,908</u>	<u>169,756</u>	<u>249,552</u>
	<u>490,655</u>	<u>458,978</u>	<u>479,349</u>	<u>546,690</u>	<u>592,573</u>	<u>829,785</u>



SIX YEARS AT A GLANCE PROFIT AND LOSS ACCOUNT

	(Rupees in '000')					
	2001	2002	2003	2004	2005	2006
Turnover - net	370,747	267,974	365,040	533,451	788,983	1,159,001
Cost of Sales	261,764	204,481	280,760	410,750	602,890	855,074
Gross Profit	108,983	63,493	84,280	122,701	186,093	303,927
Distribution Cost	10,120	6,724	7,487	8,080	19,764	15,561
Administration Expenses	29,715	26,689	34,395	36,193	33,756	41,860
	39,835	33,413	41,882	44,273	53,520	57,421
Other Income	1,599	1,251	390	2,726	6,673	6,914
	70,747	31,331	42,788	81,154	139,246	253,420
Finance Cost	4,993	9,368	4,776	3,441	8,422	7,468
Other Charges	3,332	1,125	1,967	5,144	11,025	20,221
	8,325	10,493	6,743	8,585	19,447	27,689
	62,422	20,838	36,045	72,569	119,799	225,731
Gain on litigation settlement	-	-	-	-	28,787	-
Profit before Taxation	62,422	20,838	36,045	72,569	148,586	225,731
Taxation	(12,843)	873	(11,000)	(21,894)	(50,197)	(78,260)
Net profit for the year	49,579	21,711	25,045	50,675	98,389	147,471
	Restated	Restated	Restated	Restated	Restated	
Basic Earning Per Share (Rupees)	3.72	1.63	1.88	3.80	7.38	11.06
SIGNIFICANT RATIOS						
Liquidity & Leverage Ratios						
-Current Ratios	1.69	1.78	1.80	1.73	2.37	2.33
-Quick Ratios	0.83	0.97	1.10	1.00	0.82	0.90
-Liability as a % of Total Assets	44.54	39.29	38.76	41.96	32.79	36.30
-Debt Equity Ratio	8.15	4.84	2.26	1.36	6.14	9.77
Equity Ratios						
-Break up value per share (Rs)	23.47	24.03	24.98	27.36	34.35	39.64
-Dividend as a % of Capital	25.00	12.50	20.00	15.00	15.00	15.00
-Dividend Yield Ratio	10.99	5.92	11.70	5.33	4.25	2.58
-Dividend per share (Rs)	2.50	1.25	2.00	1.50	1.50	2.50
-Dividend payout ratio (%)	67.2	76.69	106.38	39.47	20.34	22.61
Profitability Ratios						
-G.P.%	29.00	24.00	23.00	23.00	24.00	26.22
-Operating Profit %	19	11.00	12.00	15.00	17.00	21.86
-Profit before Tax%	17	8.00	10.00	14.00	19.00	19.48
-Profit after Tax %	13	8.00	7.00	9.00	12.00	12.72
-Inventory Turnover Ratio	1.87	1.36	2.13	2.81	2.83	2.76
-Debtor Turnover Ratio	7.98	5.15	6.60	7.52	9.42	13.84
-Return on capital employed	23.00	7.00	12.00	23.00	37.00	42.70
-Interest Cover Ratio	13.50	3.22	8.55	22.09	18.64	31.23
-Fixed Assets Turnover Ratio	2.55	1.80	2.47	3.69	4.60	4.83
-Price Earning Ratio	6.12	12.96	9.10	7.41	4.16	5.27
	Restated	Restated	Restated	Restated	Restated	
Earnings per Share (Rs)	3.72	1.63	1.88	3.80	7.38	11.06
Plant Capacity Utilisation (%)	63	62	94	145	194	296
Market value per share						
-Year end market price per share	22.75	21.10	17.10	28.15	35.10	58.25
-High Price during the year	26.00	23.75	35.75	47.45	35.30	73.50
-Low Price during the year	17.55	18.00	21.50	26.90	27.00	34.50