



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 Misri
Chairman

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Mr. Irfan Ahmed Qureshi

BOARD AUDIT COMMITTEE

Mr. Syed Haroon Rashid	Chairman
Director	
Mr. Syed Zubair Ahmed	Member
Director	
Mr. Muhammad Irfan Ghani	Member
Chief Operating Officer	
Mr. Yasin Younus Ladha	Secretary
Dy. General Manager (Finance)	

MANAGEMENT COMMITTEE

Mr. Muhammad Siddique Misri	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	Director / S.G.M (Technical)
Mr. Badruddin A. Ali	G.M (Supply & Services)
Mr. Shaikh Muhammad Iqbal	G.M (Sales)
Mr. Sajid Nadri	G.M (Research & Development)
Mr. Yasin Younus Ladha	Dy. General Manager (Finance)
Mr. Arshad Ali Siddiqui	Dy. General Manager (Human Resources)

BOARD HUMAN RESOURCES & COMPENSATION COMMITTEE

Mr. Muhammad Siddique Misri	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. Muhammad Irfan Ghani
Chief Operating Officer



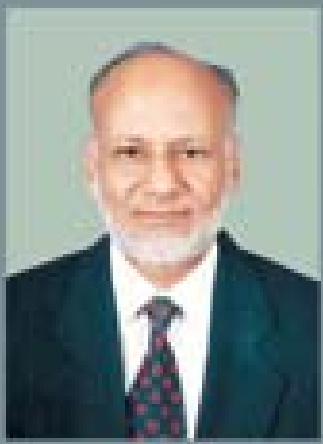
Mr. Syed Zubair Ahmed
Director (Nominee - NIT)



Mr. Irfan Ahmed Qureshi
Director



Mr. Razak H.M. Bengali
Chief Executive



Mr. Mohammed Javed
Director



Mr. Syed Haroon Rashid
Director (Nominee - NIT)

RELATED PARTIES & ASSOCIATED COMPANIES

Security Leasing Corporation Ltd.
Staff Retirement Funds.

BANKERS

Habib Bank Limited
Faysal Bank Limited
Standard Chartered Bank (Pakistan) Limited
National Bank of Pakistan

LEGAL ADVISOR

Mohsin Tayebaly & Company
(Advocates)

EXTERNAL AUDITORS

Ford Rhodes Sidat Hyder & Co.
(Chartered Accountants)

INTERNAL AUDITOR

Mr. Muhammed Asad Saeed
(Chief Internal Auditor)

SHARES DEPARTMENT & HEAD OFFICE

1st Floor, State Life Building # 3.
Dr.Ziauddin Ahmed Road, Karachi.
E-mail : bwlfm@cyber.net.pk
Website: <http://www.bwheels.com>
Telephone # 5689259,5683474,5687502
Fax # 5684003

FACTORY & REGISTERED OFFICE

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

NOTICE IS HEREBY GIVEN that the Twenty Seventh 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 27, 2007 at 12:30 noon to transact the following business :-

1. To confirm the minutes of the Extraordinary General Meeting, held on June 16, 2007.
2. To receive, consider and adopt the Audited Accounts for the year ended June 30, 2007 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 @ 20% i.e. Rs 2/- per share of Rs.10/- each for the year ended June 30, 2007.
4. To appoint Auditors for the year 2007-2008 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 2007-2008.
5. To consider any other Business with the permission of the Chair.

BY ORDER OF THE BOARD

Irfan Ahmed Qureshi
Company Secretary

September 07, 2007



NOTES:

1. The Share Transfer Books of the Company will remain closed from October 20, 2007 to October 27, 2007 (both days inclusive).
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote for him/her. A proxy must be a member of the Company.
3. An instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or notorially certified copy of such power of attorney, in order to be valid must be deposited at the Head office of the Company not less than 48 hours before the time of the meeting.
4. Shareholders are advised to immediately notify of any change in their addresses to our Shares Department, 1st Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi.
5. CDC Account holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

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

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

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

Transport will be provided to members from the Karachi Stock Exchange Building to attend the meeting. Departure from Stock Exchange Building will be at 11:30 a.m.



O U R MANAGEMENT TEAM

Mr. Muhammad Siddique Misri
Chairman



Mr. Razak H.M. Bengali
Chief Executive



Mr. Muhammad Irfan Ghani
Chief Operating Officer





Mr. Muhammad Javed
Director/Senior GM (Technical)



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



Mr. Shaikh Muhammad Iqbal
General Manager (Sales)



Mr. Badruddin A. Ali
General Manager (Supply & Services)



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



Mr. Yasin Younus Ladha
Dy. General Manager (Finance)



Mr. Arshad Ali Siddiqui
Dy. General Manager (Human Resources)

DIRECTORS'

Your Directors are pleased to present Annual Accounts for the year ended June 30, 2007.

OPERATIONAL PERFORMANCE

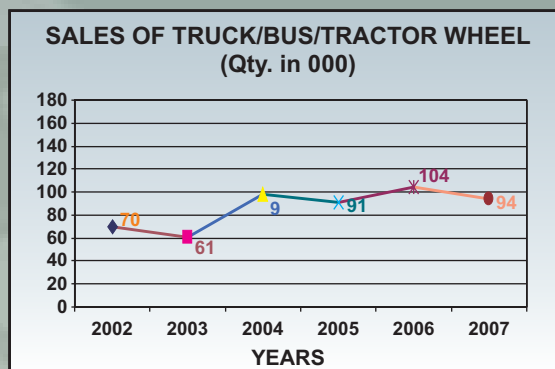
This year your company had overall consolidated revenue of Rs. 1.16 billion. The car wheels sale is Rs. 798 million as compared to Rs. 809 million in the previous year. Truck/ Bus and Tractors sales remained more or less in the same values. The export sale has improved to Rs. 21 million as compared to Rs. 8 million in the previous year.

FINANCIAL PERFORMANCE

The gross profit is Rs. 287 million as compared to Rs. 304 million of the previous year. The profit after taxation is Rs. 129 million as compared to Rs. 147 million of the previous period. There is a slight fall in profit due to the inflationary pressure on certain elements of cost and due to addition in fixed assets the depreciation and finance cost has increased by a sum of Rs. 6.1 million & 8 million respectively. However, the Company continued its policy to exercise better cost controls, material management.

The comparative financial results for the year 2007 as against 2006 are as follows:

	2007	2006
	(Rupees in '000')	
Sales	1,162,860	1,159,001
Gross Profit	286,509	303,927
Profit before Tax	196,129	225,731
Profit after Tax	128,716	147,471
Earning per Share (Rs.)	9.65	11.06



PROPOSED DIVIDEND

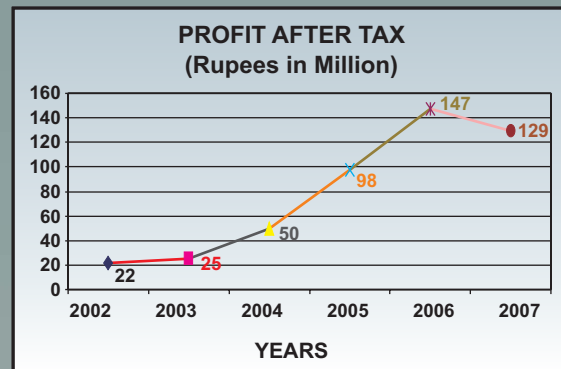
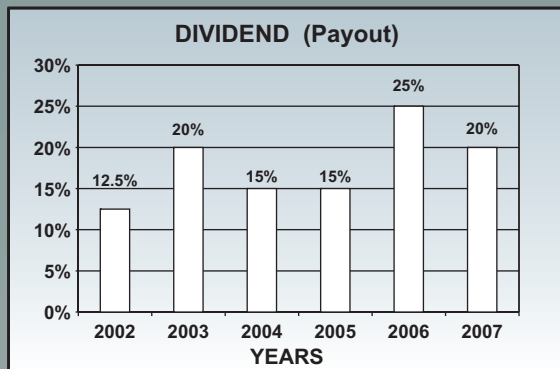
The Board of Directors have proposed a final cash dividend for the year ended June 30, 2007. Rs. 2/- per share (2006 Rs. 2.50 per share) amounting to Rs. 26.67 million (2006 Rs. 33.34 million) at the meeting held on September 07, 2007, for approval of members at the Annual General Meeting to be held on October 27, 2007.

The financial statements, however, do not reflect these appropriations in compliance with the revised Fourth Schedule to the Companies Ordinance, 1984.

REPORT

HUMAN RESOURCE

We firmly believe that our Officers, Staff and Workforce are 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. Direct and indirect rewards to the workforce like Worker-of-the-Month Award, Hajj Scheme, Special Health Allocation and many other such benefits are in place. The labour laws are strictly followed and your management has successfully conducted agreement with CBA for next two year.



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. 253 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

- 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.
- 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:
Please refer to Note No. 32 to the annexed audited accounts.
- j. The following is the value of investments based on respective audited accounts:

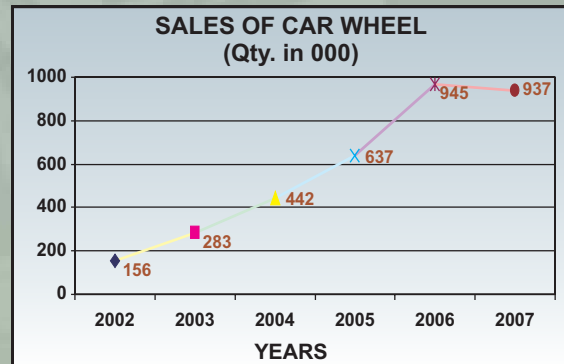
Executive Provident Fund	Rs. 41 million
Non-Executive Provident Fund	Rs. 13 million
Gratuity Fund	Rs. 25 million

based on audited accounts as at June 30, 2006.

- 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
Mr. Muhammad Siddique Misri	05
Mr. Razak H.M. Bengali	04
Mr. Muhammad Irfan Ghani	05
Mr. Mohammed Khalid Ali	04 (remained Director upto 16/6/07)
Syed Zubair Ahmed	05
Syed Haroon Rashid	02
Mr. Muhammad Javed	01 (Joined w.e.f 16/6/07)
Mr. Irfan Ahmed Qureshi	05

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



	No. of Shares Purchased
1. Mr. Muhammad Irfan Ghani (Director)	200
2. Mr. Razak H.M. Bengali (Director)	7,700
3. Mrs. Kausar Irfan (W/o Mr. Muhammad Irfan Ghani)	65,400
4. Mr. Muhammad Javed (Director)	1,300

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

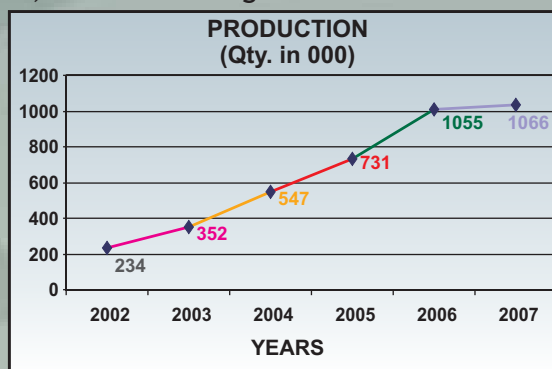
The requirements of the Code of Corporate Governance set out by the Karachi Stock Exchange in its listing Rules, relevant for the year ended June 30, 2007 have been complied with. A statement to this effect is annexed with the report.

FUTURE OUTLOOK

Pakistan's economic momentum remains on-track. Economic growth accelerates to 7% in 2006 / 2007. It appears that economy will continue to grow in medium to long term at the back of robust growth in agriculture, manufacturing and services sectors.

The car production and sales during the period was 160,496 & 165,268 units as compared to 160,058 and 155,514 units in the previous period.

The Tractor production & sales during the period was 54,098 & 54,052 units as compared to 48,887 & 48,802 units in the previous period.



The Truck / Bus production & sales was 5,403 and 5,271 units as compared to 5,343 and 5,200 units in the previous period.



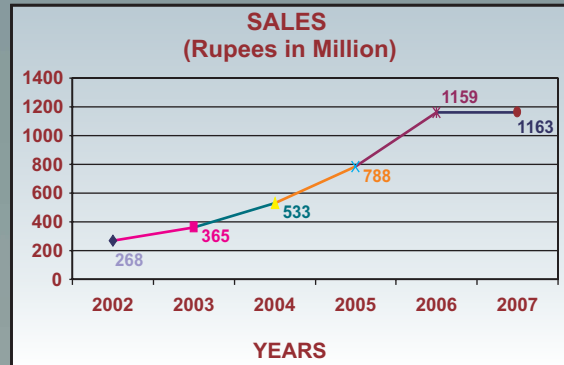
Most of the local industry has enhanced its assembling capacities & some of them are in pipeline. The Govt. of Pakistan Engineering Development Board (EDB) has introduced Auto Industry Development Plan (AIDP) which targets to produce 500,000 vehicles by 2011-12.

The new light duty rim line and allied machinery have become operational and the results are encouraging. This will go a long way in achieving the target of improved quality, meeting the additional requirements of assemblers, adding more products and increasing export of wheels, for which constant efforts are being made. Insha Allah, your company will become more competitive both in terms of quality and price.

Presently the Industry is going through the consolidation stage and as the economy will improve the demand will also improve.

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.24 (II) in the financial statements for the year ended June 30, 2007, 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

The following persons have been re-elected as Director for the period of three years at the Extra Ordinary General Meeting, held on 16/06/07.

1. Mr. Muhammad Siddque Misri
2. Mr. Razak H. M. Bengali
3. Mr. Muhammad Irfan Ghani
4. Mr. Syed Zubair Ahmed
5. Mr. Syed Haroon Rashid
6. Mr. Muhammad Javed
7. Mr. Irfan Ahmed Qureshi.



Mr. Muhammad Khalid Ali did not contest elections due to the pressing responsibilities in his present assignment. He has been associated with us for a long time and we would like to place on record his contribution in the overall policy frame work its implementation specially in areas of National Bank of Pakistan's matters, Internal Audit, Accounts & Corporate Governance. His association with us shall be long remembered and we wish him good luck health & prosperity. Similarly, Mr. Syed Haroon Rashid has replaced Mr. Muhammad Khalid Ali as Chairman of the Audit Committee of the Board and Mr. Syed Zubair Ahmed as Member.



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 AUDIT FUNCTION

The Audit Committee recommended to Board to bring in house Internal Audit Function on a full time basis which was approved by the Board and now Mr. Asad Saeed has been appointed as Internal Auditor in place of M/s Anjum Asim Shahid Rehman & Co Chartered Accountants.

The Board wishes to acknowledge the services of outgoing Internal Auditors and welcomes Mr. Asad Saeed as Internal Auditor who had been with us earlier also in the same position.

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. 9.65 (2006 : Rs. 11.06).

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 Misri
Chairman

Razak H.M. Bengali
Chief Executive

Karachi: September 07, 2007



PATTERN OF SHAREHOLDING
"FORM 34"
AS AT JUNE 30, 2007

NO. OF SHAREHOLDERS	FROM	RANGE	TO	NO. OF SHARES
521	1	-	100	24,521
646	101	-	500	173,426
120	501	-	1000	84,792
136	1001	-	5000	265,902
11	5001	-	10000	84,204
4	10001	-	15000	46,000
3	15001	-	20000	56,000
5	20001	-	25000	116,091
1	25001	-	30000	26,000
1	30001	-	35000	31,000
2	35001	-	40000	73,475
1	40001	-	45000	42,550
1	45001	-	50000	49,450
1	110001	-	115000	115,000
1	120001	-	125000	121,900
2	130001	-	135000	269,300
1	190001	-	195000	191,618
2	260001	-	265000	527,062
1	275001	-	280000	277,150
1	285001	-	290000	287,500
1	340001	-	345000	341,693
1	365001	-	370000	366,697
1	375001	-	380000	376,165
1	435001	-	440000	437,201
1	555001	-	560000	556,000
1	835001	-	840000	839,250
1	1245001	-	1250000	1,249,000
1	1280001	-	1285000	1,282,825
1	1590001	-	1595000	1,592,160
1	1640001	-	1645000	1,640,058
1	1790001	-	1795000	1,790,260
1,472				13,334,250

SHAREHOLDERS CATEGORY	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	PERCENTAGE
INDIVIDUAL	1,425	7,533,070	56.49
JOINT STOCK COMPANIS	28	1,650,516	12.38
FINANCIAL INSTITUTIONS	9	3,235,078	24.26
INSURANCE COMPANIES	2	354,631	2.66
INVESTMENT COMPANIES	5	4,553	0.03
CHARITABLE INSTITUTION	1	172	0
LEASING COMPANIES	1	556,000	4.17
UNLISTED PUBLIC COMPANIES	1	230	0
	1,472	13,334,250	100



CATEGORIES OF SHAREHOLDERS	NO. OF SHAREHOLDERS	SHARES HELD	PERCENT %
RELATED PARTIES	1	556,000	4.17%
1 M/S. SECURITY LEASING CORPORATION LIMITED		556,000	
NIT AND ICP	2	3,573,911	26.80%
1 M/S. NATIONAL BANK OF PAKISTAN, TRUSTEE DEPTT.		3,232,218	
2 M/S. STATE LIFE INSURANCE CORP. OF PAKISTAN		341,693	
DIRECTORS, CEO & THEIR SPOUSE AND MINOR-CHILDREN	8	4,961,358	37.21%
1 MR. MUHAMMAD SIDDIQUE MISRI		1,790,260	
2 MRS. MEHTAB BIBI		437,201	
3 MR. RAZAK H.M. BENGALI		839,250	
4 MRS. GUL BANO		277,150	
5 MR. MUHAMMAD IRFAN GHANI		1,249,000	
6 MRS. KAUSAR IRFAN		366,697	
7 MR. MUHAMMAD JAVED		1,300	
8 MR. IRFAN AHMED QURESHI		500	
EXECUTIVES	-	-	-
PUBLIC SECTORS COMPANIES AND CORPORATION	-	-	-
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS,	5	14,246	0.11%
NON BANKING FINANCIAL INSTITUTION, INSURANCE- COMPANIES, MODARABAS, AND MUTUAL FUNDS			
1 M/S. PRUDENTIAL INVESTMENT BANK LIMITED		575	
2 M/S. NATIONAL DEV. FINANCE CORP. INVESTERS		438	
3 M/S. IDBP (ICP UNIT)		30	
4 M/S. HABIB BANK AG ZURICH, DEIRA DUBAI		265	
5 M/S. EFU LIFE ASSURANCE LTD		12,938	
	16	9,105,515	68.29%

PATTERN OF SHAREHOLDING - BREAKUP
AS AT JUNE 30, 2007



**SHAREHOLDERS HOLDING TEN PERCENT OR MORE-
VOTING INTEREST IN THE COMPANY**

INDIVIDUALS 1,428 2,578,219 19.34%

OTHERS 28 1,650,516 12.38%

1	M/S. NATIONAL MOTORS LIMITED	230
2	M/S. GENERAL MODARABA SERVICES (PVT) LTD	18
3	M/S. BOLAN CASTING LIMITED	287,500
4	M/S. MILLAT TRACTORS LIMITED	1,282,825
5	M/S. INVEST CAPITAL & SECURITIES (PVT) LTD	287
6	M/S. ALI HUSAIN RAJABALI LTD	9,100
7	M/S. JAN MOHD. A. LATIF NINI & SONS (PVT) LTD	750
8	M/S. Y.S. SECURITIES & SERVICES (PVT) LTD	862
9	M/S. PREMIER FASHIONS (PVT) LTD	4,600
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 SECURITES (PVT) LIMITED	86
13	M/S. EXCEL SECURITIES (PVT) LTD	50
14	M/S. DARSON SECURITIES (PRIVATE) LIMITED	5
15	M/S. I.I. KODVAVI SECURITIRS (PVT) LIMITED	2,300
16	M/S. A. SATTAR MOTIWALA SECURITIES (PVT) LTD	6
17	M/S. S.Z. SECURITIES (PRIVATE) LIMITED	546
18	M/S. PASHA SECURITIES (PVT) LTD	1,000
19	M/S. DJM SECURITIES (PRIVATE) LIMITED	42,550
20	M/S. LIVE SECURITIES (PRIVATE) LIMITED	500
21	M/S. GENERAL INVES. SERV. (PVT) LTD	500
22	M/S. EXCEL SECURITIES (PVT) LTD	200
23	M/S. MEGA SECURITIES (PRIVATE) LIMITED	230
24	M/S. UNITED CAPITAL SECURITIES PVT. LTD	25
25	M/S. MGM SECURITIES (PVT) LTD. 020-005	400
26	M/S. MUHAMMAD AHMED NADEEM SECURITIES (SMC-PV	287
27	M/S. AL-HAQ SECURITIES (PVT) LTD	22
28	M/S. ISMAIL ABDUL SHAKOOR SECURITIES (PRIVATE) LTD	2,700

TOTAL 1,472 13,334,250 100.00%



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 two 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. No casual vacancy occurred during the year. However during the year elections of the Directors were held and Directors were re-elected as mentioned in the Director Report.
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 is in the process of arranging orientation courses for its directors to further apprise them of their duties and responsibilities.
10. No new appointment of CFO/Company Secretary, has been made during the year. The Board has approved the appointment terms & conditions of the Chief Internal Auditor.



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. With effect from November 01, 2006, the Board has approved bringing in house Internal Audit Function, and approved the appointment, terms and conditions of the employment of the Chief Internal Auditor.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the Firm, their spouses and minor children do not hold shares of the Company and that the Firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by (ICAP).
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm all other material principles contained in the Code have been complied with as stated above, except that presently the position of the CFO and Company Secretary is held by the same person. The decision in respect of the position of CFO and Company Secretary has been taken by BOD keeping in view the size of the Company and orientation courses for the Directors will be conducted during the current year.

MUHAMMAD SIDDIQUE MISRI
Chairman

RAZAK H. M. BENGALI
Chief Executive

Karachi: September 07, 2007



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 5.1.2 of the Financial Statements.

On behalf of the Board of Directors

MUHAMMAD SIDDIQUE MISRI
Chairman

RAZAK H. M. BENGALI
Chief Executive

Karachi: September 07, 2007

STATEMENT OF COMPLIANCE
WITH THE BEST PRACTICE ON TRANSFER PRICING



We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) for the year ended June 30, 2007 prepared by the Board of Directors of **Baluchistan Wheels Limited** (the company) 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, 2007.

FORD RHODES SIDAT HYDER & CO.
Chartered Accountants

Karachi: September 07, 2007



We have Audited the annexed balance sheet of **BALUCHISTAN WHEELS LIMITED** as at June 30, 2007 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, 2007 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.

FORD RHODES SIDAT HYDER & CO.
Chartered Accountants

Karachi: September 07, 2007



ASSETS	Note	2007 (Rupees in thousand)	2006
NON CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	5	353,235	238,478
Intangible assets	6	-	1,305
		<u>353,235</u>	<u>239,783</u>
Long-term investments	7	770	2,371
Long-term loans and advances	8	1,411	711
Long-term deposits	9	2,346	6,483
		<u>357,762</u>	<u>249,348</u>
CURRENT ASSETS			
Stores, spare parts and loose tools	10	58,656	36,942
Stock-in-trade	11	318,348	319,377
Trade debts	12	114,277	106,448
Loans and advances	13	42,135	18,487
Trade deposits and short-term prepayments	14	4,808	1,250
Accrued mark-up		-	249
Investments	7	1,709	-
Bank balances	15	68,985	97,684
		<u>608,918</u>	<u>580,437</u>
TOTAL ASSETS		<u><u>966,680</u></u>	<u><u>829,785</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	16	133,343	133,343
Reserves	17	490,465	395,235
		<u>623,808</u>	<u>528,578</u>
NON CURRENT LIABILITIES			
Long-term financing	18	61,420	31,171
Liabilities against assets subject to finance lease	19	3,325	16,514
Long-term deposits	20	428	290
Deferred liabilities	21	41,952	3,680
		<u>107,125</u>	<u>51,655</u>
CURRENT LIABILITIES			
Trade and other payables	22	200,675	177,383
Accrued mark-up		216	709
Current portion of:			
- long-term financing	18	17,549	-
- liabilities against assets subject to finance lease	19	13,207	15,554
- long-term deposits	20	8	-
Taxation - net		4,092	55,906
		<u>235,747</u>	<u>249,552</u>
CONTINGENCIES AND COMMITMENTS	24		
TOTAL EQUITY AND LIABILITIES		<u><u>966,680</u></u>	<u><u>829,785</u></u>

The annexed notes from 1 to 42 form an integral part of these financial statements.

Muhammad Siddique Misri
Chairman

Razak H.M. Bengali
Chief Executive



		2007	2006
	Note	(Rupees in thousand)	
Sales - net	25	1,162,860	1,159,001
Cost of sales	26	(876,351)	(855,074)
Gross profit		<u>286,509</u>	<u>303,927</u>
Distribution costs	27	(18,797)	(15,561)
Administrative expenses	28	(48,440)	(41,860)
		<u>(67,237)</u>	<u>(57,421)</u>
Other operating income	29	6,468	6,914
		<u>225,740</u>	<u>253,420</u>
Other operating expenses	30	(14,762)	(20,221)
Finance cost	31	(14,849)	(7,468)
		<u>(29,611)</u>	<u>(27,689)</u>
Profit before taxation		<u>196,129</u>	<u>225,731</u>
Taxation	32	(67,413)	(78,260)
Net profit for the year		<u>128,716</u>	<u>147,471</u>
Basic earnings per share (Rupees)	33	<u>9.65</u>	<u>11.06</u>

The annexed notes from 1 to 42 form an integral part of these financial statements.

Muhammad Siddique Misri
Chairman

Razak H.M. Bengali
Chief Executive

PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED JUNE 30, 2007



	Note	2007 (Rupees in thousand)	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	209,268	205,861
Income tax paid		(80,767)	(43,068)
Finance cost paid		(15,342)	(7,548)
Employees' benefits paid		(2,453)	(2,227)
Long-term loans and advances - net		(700)	(567)
Long-term deposits -net		3,991	(184)
Net cash inflow from operating activities		113,997	152,267
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(144,282)	(93,020)
Proceeds from sale of fixed assets		503	3,175
Proceeds from sale of investment property		-	9,700
Profit received on deposit accounts		1,928	3,220
Dividend received		50	50
Net cash outflow from investing activities		(141,801)	(76,875)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financing		47,798	31,171
Repayment of liabilities against assets subject to finance lease		(15,536)	(15,054)
Proceeds from sale and leaseback arrangement		-	7,600
Dividend paid		(33,157)	(17,333)
Net cash (outflow) / inflow from financing activities		(895)	6,384
Net (decrease) / increase in cash and cash equivalents		(28,699)	81,776
Cash and cash equivalents at the beginning of the year		97,684	15,908
Cash and cash equivalents at the end of the year		68,985	97,684

The annexed notes from 1 to 42 form an integral part of these financial statements.

Muhammad Siddique Misri
Chairman

Razak H.M. Bengali
Chief Executive

	Reserves.....					
	Issued, subscribed and paid-up share capital	General reserve	Unrealised gain/(loss) on revaluation of available- for-sale- investments (Rupees in thousand)	Unappr- opriated profit	Total reserve	Total
Balance at June 30, 2005	115,950	160,000	581	121,730	282,311	398,261
Final dividend for the year ended June 30, 2005 @ Rs. 1.50 per share	-	-	-	(17,393)	(17,393)	(17,393)
Issuance of bonus shares declared @ 15%	17,393	-	-	(17,393)	(17,393)	-
Unrealised gain on revaluation of available-for-sale investment	-	-	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>
Final dividend for the year ended June 30, 2006 @ Rs. 2.50 per share	-	-	-	(33,336)	(33,336)	(33,336)
Unrealised loss on revaluation of available-for-sale investment	-	-	(150)	-	(150)	(150)
Net profit for the year	-	-	-	128,716	128,716	128,716
Balance at June 30, 2007	<u>133,343</u>	<u>160,000</u>	<u>670</u>	<u>329,795</u>	<u>490,465</u>	<u>623,808</u>

The annexed notes from 1 to 42 form an integral part of these financial statements.

Muhammad Siddique Misri
Chairman

Razak H.M. Bengali
Chief Executive



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 Financial Reporting Standards (IFRSs) 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 certain financial instruments which are stated as per the requirements under IAS-39 "Financial Instruments: Recognition and Measurement" and recognition of certain staff retirement benefits at present value.

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. Revisions to accounting estimates are recognized in the period in which the estimates is revised and in any future periods effective. 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:

- (a) recognition of taxation and deferred tax (notes 4.13 & 32);
- (b) determining the residual values and useful lives of property, plant and equipment (note 4.4 & 5.1);
- (c) accounting for post employment benefits (notes 4.20 & 22.1);
- (d) impairment of inventories / adjustment of inventories to their Net Realizable Value (notes 4.10, 10 & 11); and
- (e) classification of investments (notes 4.8 & 7).



4.2 Amendment to existing standards effective in 2006

IAS - 19 (Amendment), Employee Benefits, is mandatory for the Company's accounting periods beginning on or after January 1, 2006. It introduces the option of an alternative recognition approach for actuarial gains and losses. It also adds new disclosure requirements. As the Company does not intend to change the accounting policy adopted for recognition of actuarial gains and losses, adoption of this amendment only impacts the format and extent of disclosures presented in the financial statements.

4.3 Accounting standards not yet effective

The following new standards and amendments of approved accounting standards are applicable in Pakistan from the dates mentioned below against the respective standard or amendment:

IAS - 1 Presentation of Financial Statements - amendments relating to capital disclosures	effective from accounting period beginning on or after January 01, 2007
IAS - 23 (Revised) Borrowing Costs	effective from accounting period beginning on or after January 01, 2009
IAS - 41, Agriculture	effective from accounting period beginning on or after May 22, 2007
IFRS - 2, Share based Payment	effective from accounting period beginning on or after December 06, 2006
IFRS - 3, Business Combinations	effective for business combinations for which agreement date is on or after December 06, 2006
IFRS - 5, Non-current Assets Held for Sale and Discontinued Operations	effective from accounting period beginning on or after December 06, 2006
IFRS - 6, Exploration for and Evaluation of Mineral Resources	effective from accounting period beginning on or after December 06, 2006

In addition, interpretations in relation to certain IFRSs have been issued by the International Accounting Standards Board that are not yet effective.

The Company expects that the adoption of the above standards, amendments and interpretations will have no impact on the Company's financial statements in the period of initial application.



4.4 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, at the rates stated in note 5.1.1, applying the reducing balance method except for computers which are depreciated on straight line method.

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 profit and loss account.

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 profit and loss account.

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 accumulated 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.

4.5 Borrowing costs

Borrowing costs are recognised as an expense when incurred.

4.6 Intangible assets

Intangible assets are stated at cost less accumulated amortization. These are amortized using the straight line method reflecting the pattern in which the economic benefits of the asset are consumed by the Company.



4.7 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 profit and loss account.

4.8 Investments

The management of the Company determines the appropriate classification of its investments at the time of purchases and these are initially recognized at fair value, plus, in case of investment not at fair value through profit or loss, directly attributable transaction cost.

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 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 profit and loss account 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 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 profit and loss account.

4.9 Stores, spare parts and loose tools

These are valued at lower of weighted average cost and estimated net realisable value (NRV) except items-in-transit which are stated at invoice value plus other charges paid thereon to the balance sheet date.

Provision / write off, if required, is made in the accounts for slow moving, obsolete and unusable items to bring their carrying value down to NRV.

4.10 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 cost necessarily to be incurred to make the sale.

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

4.11 Trade debts

Trade debts are recognised and carried at original invoice amount, which is the fair value of consideration given, 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.

4.12 Loans, advances and other receivables

These are stated at cost, which is the fair value of consideration given, less provision for any doubtful receivables.

4.13 Taxation

Current

Provision for current taxation is based on the taxable income for the year determined in accordance with the prevailing law for taxation on income. The charge for current tax is calculated using prevailing tax rates. The charge for current tax also includes adjustments for prior years or otherwise considered necessary for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are generally recognised for all taxable temporary differences including on investments in associates and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit and loss account.

4.14 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.



4.15 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.

4.16 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.

4.17 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 profit and loss account.

4.18 Off-setting 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.

4.19 Foreign currency translations

Transactions in foreign currencies are translated into Pak Rupees (functional currency) at the rates of exchange approximating those appearing on the dates of transactions. Monetary 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 profit and loss account.

4.20 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. Actuarial gains are recognised and spread forward over average remaining service lives of the employees in excess of the following corridor limits, whichever is higher:

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



Defined contribution plan

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

Compensated absences

Accrual 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.

4.21 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.

4.22 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.

4.23 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise current and term deposit accounts with banks having maturities of three months or less.

4.24 Dividend

Dividend and other appropriations, if any, are recognised in the financial statements in the period in which these are approved.

	Note	2007 (Rupees in thousand)	2006
5. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	5.1	350,943	185,764
Capital work-in-progress	5.2	2,292	52,714
		<u>353,235</u>	<u>238,478</u>



5.1 Operating assets

	C O S T				ACCUMULATED DEPRECIATION				BOOK VALUE
	As at July 1, 2006	Additions/ (deletions) *Transfer	As at June 30, 2007	Rate	As at July 1, 2006	Charge for the year	(Deletions)/ Transfers	As at June 30, 2007	As at June 30, 2007
	--- (Rupees in thousand) ---				%	----- (Rupees in thousand) -----			
Owned									
Land - freehold	2,559	-	2,559	-	-	-	-	-	2,559
Building on freehold land	49,340	21,618	70,958	5 & 10	25,653	1,240	-	26,893	44,065
Plant and machinery	460,489	152,966 (835)	612,620	10 & 20	354,521	18,934	(835)	372,620	240,000
Electrical installations	12,089	16,231	28,320	10	11,006	483	-	11,489	16,831
Furniture and fittings	3,994	222	4,216	10	2,152	196	-	2,348	1,868
Office equipment	6,160	655	6,815	33	3,725	929	-	4,654	2,161
Computers	4,299	912	5,211	33	3,630	570	-	4,200	1,011
Vehicles	6,972	1,785 (395) *3,196	11,558	20	2,189	1,293	2,219 (67)	5,634	5,924
Library books	42	-	42	10	34	1	-	35	7
	545,944	194,389 (1,230) *3,196	742,299		402,910	23,646	(902) 2,219	427,873	314,426
Leased									
Plant and machinery	37,219	-	37,219	10	5,495	3,172	-	8,667	28,552
Vehicles	14,595	*(3,196)	11,399	20	3,589	2,064	(2,219)	3,434	7,965
	51,814	*(3,196)	48,618		9,084	5,236	(2,219)	12,101	36,517
2007	597,758	194,389 (1,230) *3,196	790,917		411,994	28,882	(902)	439,974	350,943

	C O S T				ACCUMULATED DEPRECIATION				BOOK VALUE
	As at July 1, 2005	Additions/ (deletions) *Transfer	As at June 30, 2006	Rate	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 * 3,809	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 (16,724)	6,972	20	6,799	2,033	(6,643)	2,189	4,783
Library books	42	-	42	10	33	1	-	34	8
	511,108	45,115 (16,724) * 6,445	545,944		387,792	15,783	(6,643) 2,169 *3,809	402,910	143,034
Leased									
Plant and machinery	43,664	*(6,445)	37,219	10	3,716	3,948	(2,169)	5,495	31,724
Vehicles	6,995	** 7,600 (6,445)	14,595	20	2,643	946	-	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 (16,724) * 6,445	597,758		394,151	20,677	(6,643) *3,809	411,994	185,764

** Represents assets acquired under sale and leaseback arrangement.



	Percentage	Note	2007 (Rupees in thousand)	2006 (Rupees in thousand)
5.1.1 Allocation of depreciation				
Cost of sales (Manufacturing expenses)	75	26	21,662	15,508
Distribution cost	5	27	1,444	1,034
Administrative expenses	20	28	5,776	4,135
			<u>28,882</u>	<u>20,677</u>

5.1.2 Details of disposal of operating assets

Particular	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Mode of disposal	Particulars of purchaser
	----- (Rupees in thousands) -----						
Air Compressor	835	835	-	175	175	Tender	Haji Muhammad Hanif
Suzuki Mehran	395	67	328	328	-	Company policy	Muhammad Shakil DM (MPL) - Employee
2007	<u>1230</u>	<u>902</u>	<u>328</u>	<u>503</u>	<u>175</u>		
2006	<u>16,724</u>	<u>6,643</u>	<u>10,081</u>	<u>10,775</u>	<u>694</u>		

2007
(Rupees in thousand)

2006

5.2 Capital work-in-progress

Plant and machinery	-	15,221
Advance to suppliers	-	30,797
Civil works	2,292	6,696
	<u>2,292</u>	<u>52,714</u>

6. INTANGIBLE ASSETS

	Note	COST		ACCUMULATED AMORTISATION		BOOK VALUE		Amortisation rate
		As at July 1 2006 and June 30, 2007	As at July 1, 2006	Charge for the year	As at June 30, 2007	As at June 30, 2007		
----- (Rupees in thousand) -----								
Development costs - 2007	6.1	<u>7,585</u>	<u>6,280</u>	<u>1,305</u>	<u>7,585</u>	-	20	
2006		<u>7,585</u>	<u>4,763</u>	<u>1,517</u>	<u>6,280</u>	<u>1,305</u>	20	

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



	Note	2007 (Rupees in thousand)	2006
7. LONG-TERM INVESTMENTS			
Held-to-maturity - at amortised cost			
10 years' Defence Saving Certificates (face value Rs.350,000/-)	7.1	1,709	1,451
Available-for-sale - at fair value			
Quoted securities	7.2	770	920
		2,479	2,371
Less: Current maturity of held-to-maturity investments	7.1	1,709	-
		<u>770</u>	<u>2,371</u>

7.1 The effective rate of return on Defence Saving Certificates ranges from 16.03 percent to 18.04 percent (2006: 16.03 percent to 18.04 percent) per annum. These investments will mature on October 2007.

7.2 Represents 10,000 (2006: 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	920	681
(Loss) / gain on fair value adjustment	(150)	239
Balance at the end of the year	<u>770</u>	<u>920</u>

8. LONG-TERM LOANS AND ADVANCES - considered good

Loans - secured	8.1	838	944
Advance to employees - unsecured		1,288	578
		2,126	1,522
Less: Current portion of:			
Loans	13	282	298
Advances	13	433	513
		715	811
		<u>1,411</u>	<u>711</u>

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.



	Note	2007 (Rupees in thousand)	2006
9. LONG-TERM DEPOSITS			
Security deposits against leased assets		760	4,842
Trade deposits		1,586	1,641
		<u>2,346</u>	<u>6,483</u>

10. STORES, SPARE PARTS AND LOOSE TOOLS

Stores		7,109	6,576
Spare parts		57,437	39,175
Loose tools		2,159	2,045
		<u>66,705</u>	<u>47,796</u>
Less: Provision for slow moving:			
- stores		20	128
- spare parts		7,960	10,702
- loose tools		69	24
	10.1	<u>8,049</u>	<u>10,854</u>
		<u>58,656</u>	<u>36,942</u>

10.1 Movement in provision is as follows:

Balance at the beginning of the year		10,854	5,300
Charge during the year	26	-	5,554
Reversed during the year	10.1.1 & 26	(2,805)	-
Balance at the end of the year		<u>8,049</u>	<u>10,854</u>

10.1.1 Reversal made during the year is due to consumption of slow moving stores, spare parts and loose tools which was provided in prior year.

11. STOCK-IN-TRADE

Raw material and components		212,689	119,168
Work-in-process		62,620	87,780
Finished goods		25,137	16,438
Scrap stock		13,484	17,920
		<u>313,930</u>	<u>241,306</u>
Stock-in-transit		16,822	91,560
		<u>330,752</u>	<u>332,866</u>
Less: Provision for slow moving stock	11.1	12,404	13,489
		<u>318,348</u>	<u>319,377</u>

11.1 Movement in provision is as follows:

Balance at the beginning of the year		13,489	6,621
Charge during the year	26	12,404	6,868
Reversed during the year	11.1.1 & 26	(13,489)	-
Balance at the end of the year		<u>12,404</u>	<u>13,489</u>



11.1.1 Reversal made during the year is due to sales of slow moving stock-in-trade which was provided in prior year.

	Note	2007 (Rupees in thousand)	2006
12. TRADE DEBTS - unsecured			
Considered good		114,277	106,448
Considered doubtful		2,337	211
Less: Provision for doubtful debts	12.1	2,337	211
		-	-
		<u>114,277</u>	<u>106,448</u>
12.1 Movement in provision is as follows:			
Balance at the beginning of the year		211	569
Provision / (reversal) made during the year	28	2,126	(202)
		2,337	367
Less: Write offs during the year		-	156
Balance at the end of the year		<u>2,337</u>	<u>211</u>

13. LOANS AND ADVANCES

Loans - secured, considered good			
Current portion of long-term loans	8	282	298
Advances - unsecured			
Considered good			
Current portion of long-term advances	8	433	513
For expenses		722	915
To employees		478	458
To suppliers	13.1	39,934	15,642
Letters of credit fee and margin		286	661
		41,853	18,189
Considered doubtful			
Less: Provision for doubtful advances	13.2	1,414	2,934
		1,414	2,934
		-	-
		<u>42,135</u>	<u>18,487</u>

13.1 Included herein advances given to Peoples Steel Mills Limited and Karachi Luminaire etc. in respect of raw material purchases.

13.2 Movement in provision is as follows:

Balance at the beginning of the year		2,934	-
(Reversal) / provision made during the year	29	(1,520)	2,934
Balance at the end of the year		<u>1,414</u>	<u>2,934</u>



	Note	2007 (Rupees in thousand)	2006 (Rupees in thousand)
14. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Deposits		4,314	790
Prepayments		494	460
		<u>4,808</u>	<u>1,250</u>
15. BANK BALANCES			
Current accounts		17,972	37,948
Deposit accounts	15.1	51,013	59,736
		<u>68,985</u>	<u>97,684</u>
<p>15.1 Includes term deposit receipts of Rs. 45 million (2006: Rs. 55 million). These carry profit at the rates ranging from 8 to 9.5 (2006: 2 to 9) percent per annum, having maturity periods, ranging between thirty to ninety days.</p>			
16. SHARE CAPITAL			
	2007	2006	
	(Number of shares)		2007
			2006
			(Rupees in thousand)
Authorised capital			
<u>15,000,000</u>	<u>15,000,000</u>	Ordinary shares of Rs. 10/- each	<u>150,000</u>
Issued, subscribed and paid-up capital			
9,276,000	9,276,000	Ordinary shares of Rs. 10/- each issued for cash	92,760
4,058,250	4,058,250	Ordinary shares of Rs. 10/- each issued as bonus shares	40,583
<u>13,334,250</u>	<u>13,334,250</u>		<u>133,343</u>
17. RESERVES			
Revenue			
- Unrealised gain on revaluation of available-for-sale investment		670	820
- general		160,000	160,000
- unappropriated profit		329,795	234,415
		<u>490,465</u>	<u>395,235</u>



18. LONG-TERM FINANCING - Secured

Represents demand finance facility of Rs. 150 million (2006: Rs. 150 million) from a commercial bank. It carries a mark-up rate at three months' KIBOR plus 250 basis points with floor of 7% and is repayable by 2011. It is secured by way of second charge over the Company's fixed assets. The movement in long-term liability is as follows:

	Note	2007 (Rupees in thousand)	2006
Balance at the beginning of the year		31,171	-
Add: Obtained during the year		97,798	31,171
		<u>128,969</u>	<u>31,171</u>
Less: Paid during the year		50,000	-
Balance at the end of the year		78,969	31,171
Less: Due within one year		17,549	-
		<u>61,420</u>	<u>31,171</u>

19. 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. 16.532 million (2006: Rs.32.068 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 percent to 13 percent (2006: 8 percent 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:

	2007					
	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	-	-	13,928	13,207	13,928	13,207
After one year but not more than five years	-	-	3,500	3,325	3,500	3,325
Total minimum lease payments	-	-	17,428	16,532	17,428	16,532
Less: Amount representing finance charges	-	-	896	-	896	-
Present value of minimum lease payments	-	-	16,532	16,532	16,532	16,532
Less: Current portion	-	-	13,207	13,207	13,207	13,207
	-	-	<u>3,325</u>	<u>3,325</u>	<u>3,325</u>	<u>3,325</u>



2006

	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	767	758	34,563	31,310	35,330	32,068
Less: Amount representing finance charges	9	-	3,253	-	3,262	-
Present value of minimum lease payments	758	758	31,310	31,310	32,068	32,068
Less: Current portion	758	758	14,796	14,796	15,554	15,554
	-	-	16,514	16,514	16,514	16,514

2007 2006
Note (Rupees in thousand)

20. LONG-TERM DEPOSITS

Deposit from employees		436	290
Less: Current portion		8	-
	20.1	<u>428</u>	<u>290</u>

20.1 This represents 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.

21. DEFERRED LIABILITIES

Deferred taxation	21.1	41,584	3,123
Deferred income on sale and leaseback arrangement		368	557
		<u>41,952</u>	<u>3,680</u>

21.1 Deferred taxation comprises:

Deferred tax liability arising in respect of :			
- Accelerated tax depreciation		62,645	29,433
- Investments - (Amortised cost)		476	672
- Deferred gain on sale and leaseback arrangement		129	195
		<u>63,250</u>	<u>30,300</u>
Deferred tax asset arising in respect of :			
- Provisions		15,880	15,953
- Liabilities against assets subject to finance lease		5,786	11,224
		<u>21,666</u>	<u>27,177</u>
		<u>41,584</u>	<u>3,123</u>



	Note	2007 (Rupees in thousand)	2006
22. TRADE AND OTHER PAYABLES			
Creditors		12,090	4,821
Bills payable		61,099	34,389
Accrued liabilities		30,342	24,579
Advance from customers		37,132	68,151
Retention money		503	75
Security deposits		348	168
Compensated absences		6,680	5,455
Payable to gratuity fund	22.1	2,793	1,913
Payable to provident fund		597	525
Workers' Profits Participation Fund	22.2	10,544	12,118
Workers' Welfare Fund		9,095	9,415
Sales tax payable		14,715	643
Provision for warranty	22.3	11,694	12,331
Unclaimed dividend		2,320	2,141
Others		723	659
		<u>200,675</u>	<u>177,383</u>

22.1 Payable to gratuity fund

22.1.1 Reconciliation of obligations as at year end

Present value of defined benefit obligation	33,528	27,364
Fair value of plan assets	(27,820)	(24,530)
	<u>5,708</u>	<u>2,834</u>
Unrecognised actuarial (gain) / loss	(2,915)	(921)
Net liability at end of the year	<u>2,793</u>	<u>1,913</u>

22.1.2 Movement in net liability

Net liability at beginning of the year	1,912	1,202
Charge for the year	22.1.3	2,876
Contributions	(1,995)	(1,300)
Net liability at end of the year	<u>2,793</u>	<u>1,913</u>

22.1.3 Charge for the year

Current service cost	2,593	2,074
Interest cost	2,736	2,237
Expected return on assets	(2,453)	(2,300)
Charge for the year	<u>2,876</u>	<u>2,011</u>



	2007	2006
	(Rupees in thousand)	
22.1.4 Movement in defined benefit obligation		
Present value of defined benefit obligation at beginning of the year	27,364	22,367
Current service cost	2,592	2,074
Interest cost	2,736	2,237
Benefits paid during the year	(1,727)	(1,300)
Actuarial loss	2,563	1,986
Present value of defined benefit obligation at end of the year	<u>33,528</u>	<u>27,364</u>

22.1.5 Movement in fair value of plan assets		
Fair value of plan assets at beginning of the year	24,530	22,999
Expected return on plan assets	2,453	2,300
Contributions made by the Company	1,995	1,300
Benefits paid during the year	(1,727)	(1,300)
Actuarial gain/(loss)	569	(769)
Fair value of plan assets at end of the year	<u>27,820</u>	<u>24,530</u>

22.1.6 The principal assumptions used in the actuarial valuations carried out as of June 30, 2007 using the 'Projected Unit Credit' method are as follows:

	Gratuity Fund	
	2007	2006
	%	%
Rate of salary increase (per annum)	10	10
Rate of return (per annum)	10	10
Discount rate (per annum)	10	10
Expected mortality rate	EFU 61-66 mortality table	EFU 61-66 mortality table
Expected withdrawal rate	Age dependent	Age dependent
	2007	2006
	(Rupees in thousand)	

22.1.7 Actual return on plan assets	<u>5,142</u>	<u>2,843</u>
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22.1.8 Plan assets comprise the following:

	2007		2006	
	Rupees in thousand	%age	Rupees in thousand	%age
Equity (mutual funds)	20,423	73.41	7,207	29.38
Debt	7,056	25.36	11,131	45.38
Others	341	1.23	6,192	25.24
	<u>27,820</u>		<u>24,530</u>	

22.1.9 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy.

22.1.10 Expected contribution to the fund for the year ending June 30, 2008 is Rs. 3.480 million.

22.1.11 Comparison for five years:

	2007	2006	2005	2004	2003
	----- (Rupees in thousand) -----				
Present value of defined benefit obligation	33,528	27,364	22,367	19,035	15,714
Fair value of plan assets	<u>(27,820)</u>	<u>(24,530)</u>	<u>(22,999)</u>	<u>(21,731)</u>	<u>(17,656)</u>
(Deficit) / surplus	<u>5,708</u>	<u>2,834</u>	<u>(632)</u>	<u>(2,696)</u>	<u>(1,942)</u>
Experience adjustments					
Loss on plan liabilities	<u>2,563</u>	<u>1,986</u>	<u>690</u>	<u>2,311</u>	<u>194</u>
Gain/(loss) on plan assets	<u>569</u>	<u>(769)</u>	<u>(688)</u>	<u>3,021</u>	<u>1,041</u>

	Note	2007 (Rupees in thousand)	2006 (Rupees in thousand)
22.2 Workers' Profits Participation Fund			
Balance at the beginning of the year		12,118	7,987
Allocation for the year	30	<u>10,544</u>	<u>12,118</u>
		22,662	20,105
Interest on funds utilised in the Company's business	31	<u>355</u>	<u>209</u>
		23,017	20,314
Less: Payments made during the year		<u>12,473</u>	<u>8,196</u>
Balance at the end of the year		<u>10,544</u>	<u>12,118</u>

22.3 Movement in provision for warranty is as follows:

Balance at the beginning of the year		12,331	9,395
(Reversed) / charge for the year	22.3.1 & 29	<u>(637)</u>	<u>2,936</u>
Balance at the end of the year		<u>11,694</u>	<u>12,331</u>

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



23. SHORT-TERM BORROWINGS - secured

23.1 The facilities for short-term running finance available from various banks amounted to Rs.115 million (2006: Rs.115 million) which remained unutilized as of the balance sheet date. 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 available till various dates latest by December 31, 2007 and are secured by way of hypothecation charge ranking pari passu over the Company's stocks and trade debts.

23.2 Unavailed credit facilities

The facility for opening letters of credit and letters of guarantees amounted to Rs. 215 million (2006: Rs. 215 million) and Rs. 7.5 million (2006: Rs. 7.5 million) respectively, of which Rs. 59.924 million (2006: Nil) and Rs. 6.057 million (2006: Rs. 6.057 million) respectively, remained unutilized as of the balance sheet date.

24. CONTINGENCIES AND COMMITMENTS

24.1 Contingencies

- (i) Indemnity bonds issued to Sui Southern Gas Company Limited amounted to Rs. 1.145 million (2006: Rs. 1.443 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.

	2007	2006
Note	(Rupees in thousand)	
24.2 Commitments		
Capital commitments - Plant and machinery	-	151,342
Letters of credit issued by commercial banks	<u>137,189</u>	<u>149,351</u>



	Note	2007 (Rupees in thousand)	2006
25. SALES - net			
Local sales	25.1	1,323,090	1,335,006
Less: Sales return		8,584	11,042
Sales tax		172,577	173,149
		<u>181,161</u>	<u>184,191</u>
		1,141,929	1,150,815
Export sales		20,931	8,186
		<u>1,162,860</u>	<u>1,159,001</u>

25.1 Includes scrap sales of Rs. 35.746 million (2006: Rs. 30.95 million).

26. COST OF SALES

Raw material and components consumed

Opening stock - Raw material		119,168	104,134
- Scrap		17,920	15,895
		<u>137,088</u>	<u>120,029</u>
Purchases		741,321	675,876
Less: Closing stock - Raw material		212,689	119,168
- Scrap		13,484	17,920
		<u>226,173</u>	<u>137,088</u>
Manufacturing expenses		652,236	658,817

Salaries, wages and benefits	26.1	74,837	70,112
Stores, spare parts and loose tools consumed		60,720	65,597
Fuel and power		22,243	23,033
Depreciation	5.1.1	21,662	15,508
Amortisation	6	1,305	1,517
Services rendered by contractors		11,573	9,171
Staff transportation		8,402	8,807
Repairs and maintenance		3,299	2,059
Travelling and conveyance		1,175	1,075
Vehicle running expenses		1,033	1,446
Insurance		912	855
Communication		744	756
Entertainment		823	602
Printing and stationery		419	126
Subscription		128	114
Rent, rates and taxes		48	32
(Reversal of) / provision for slow moving stores, spare parts and loose tools	10.1	(2,805)	5,554
Slow moving stock-in-trade:			
- provision made during the year	11.1	12,404	6,868
- reversal made during the year	11.1	(13,489)	-
Others		2,221	1,017
		<u>207,654</u>	<u>214,249</u>

	Note	2007 (Rupees in thousand)	2006
Manufacturing cost		859,890	873,066
Work-in-process - Opening		87,780	76,010
- Closing		(62,620)	(87,780)
		25,160	(11,770)
Cost of goods manufactured		885,050	861,296
Finished goods - Opening		16,438	10,216
- Closing		(25,137)	(16,438)
		(8,699)	(6,222)
		876,351	855,074

26.1 Included herein the following:

- Defined benefit plan - gratuity		2,876	2,011
- Defined contribution plan - provident fund		1,577	1,237
- Medical		2,776	2,346
- Charge for compensated leave absences		2,171	447
- Bonus		6,898	7,451
		16,298	13,492

27. DISTRIBUTION COSTS

Salaries, wages and benefits	27.1	1,762	1,517
Carriage and forwarding		12,342	8,063
Provision for warranty	22.3	-	2,936
Depreciation	5.1.1	1,444	1,034
Insurance		185	135
Advertisement		595	516
Vehicle running expenses		210	207
Travelling and conveyance		197	51
Staff transportation		67	73
Communication		82	95
Entertainment		39	42
Printing and stationery		6	34
Others		1,868	858
		18,797	15,561

27.1 Included herein the following:

- Defined contribution plan - provident fund		53	47
- Medical		132	116
- Charge for compensated leave absences		8	6
- Bonus		241	214
		434	383



	Note	2007	2006
(Rupees in thousand)			
28. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	28.1	20,702	16,794
Depreciation	5.1.1	5,776	4,135
Services rendered by contractors		2,583	2,559
Utilities		2,535	2,221
Vehicle running expenses		3,175	2,982
Communication		1,387	1,547
Rent, rates and taxes		1,177	1,271
Entertainment		1,533	1,156
Travelling and conveyance		421	248
Corporate expenses		796	668
Auditors' remuneration	28.2	843	786
Legal and professional charges		1,068	490
Repairs and maintenance		838	337
Insurance		378	776
Staff transportation		681	689
Subscription		155	242
Printing and stationery		235	252
Advertisement		132	194
Charge / (reversal) of provision for doubtful debts	12.1	2,126	(202)
Provision for doubtful advances	13.2	-	2,934
Others		1,899	1,781
		<u>48,440</u>	<u>41,860</u>

28.1 Included herein the following:

- Defined contribution plan - provident fund	714	657
- Medical	1,193	1,169
- Charge for compensated leave absences	174	(627)
- Bonus	3,151	2,484
	<u>5,232</u>	<u>3,683</u>

28.2 Auditors' remuneration

Audit fee	425	375
Fee for review of half-yearly	100	100
Audit fee of employees' funds	94	150
Tax and other advisory services	183	115
Out of pocket expenses	41	46
	<u>843</u>	<u>786</u>

	Note	2007 (Rupees in thousand)	2006
29. OTHER OPERATING INCOME			
Gain on sale of fixed assets	5.1.2	175	128
Reversal of provision for:			
- doubtful advances	13.2	1,520	-
- warranty	22.3	637	-
Gain on sale of investment property		-	2,900
Liabilities no longer payable - written back		-	2,119
Accrued return on Defence Saving Certificates		257	220
Profit on deposit accounts		1,928	619
Dividend income		50	50
Deferred income on sale and leaseback arrangement		189	9
Exchange gains - net		860	-
Others		852	869
		<u>6,468</u>	<u>6,914</u>
30. OTHER OPERATING EXPENSES			
Workers' Profits Participation Fund	22.2	10,544	12,118
Workers' Welfare Fund		4,218	4,294
Impairment loss on plant and machinery		-	3,809
		<u>14,762</u>	<u>20,221</u>
31. FINANCE COST			
Mark-up on:			
- long-term financing		10,716	488
- murabaha financing		-	313
- short-term borrowings	23.1	1,150	2,848
Finance lease charges		2,272	2,895
Interest on Workers' Profits Participation Fund	22.2	355	209
Bank charges and excise duty		356	582
Exchange loss - net		-	133
		<u>14,849</u>	<u>7,468</u>
32. TAXATION			
Current	32.1	26,284	75,257
Prior		2,668	(3,877)
Deferred		38,461	6,880
		<u>67,413</u>	<u>78,260</u>



	Note	2007 (Rupees in thousand)	2006
32.1 Relationship between tax expense and accounting profit			
Profit before taxation		<u>196,129</u>	<u>225,731</u>
Applicable tax rate		<u>35%</u>	<u>35%</u>
Tax at the above rate		68,645	79,006
Adjustment in respect of prior year		2,668	(3,877)
Tax effect of income / expenses that are exempt / not allowable in determining taxable income		(3,663)	3,580
Tax effect of dividend income taxed at a lower rate		(15)	(15)
Tax effect on export sales taxed at a lower rate		(222)	(434)
Tax expense for the year		<u>67,413</u>	<u>78,260</u>

Average effective tax rate on accounting profit is 34.37 percent (2006: 34.67 percent).

Prior

The return of income for tax year 2006 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.

33. BASIC EARNINGS PER SHARE

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

	2007	2006
Profit for the year after taxation (Rupees in thousand)	<u>128,716</u>	<u>147,471</u>
Weighted average number of ordinary shares (in thousand)	<u>13,334</u>	<u>13,334</u>
Basic earnings per share (Rupees)	<u>9.65</u>	<u>11.06</u>



	Note	2007 (Rupees in thousand)	2006
34. CASH GENERATED FROM OPERATIONS			
Profit before taxation		196,129	225,731
Adjustments for:			
Depreciation		28,882	20,677
Amortisation		1,305	1,517
Gain on sale of fixed assets		(175)	(128)
Gain on sale of investment property		-	(2,900)
Finance cost		14,849	7,468
(Reversal)/provision for slow moving stores, spares and loose tools		(2,805)	5,554
(Reversal)/provision for slow moving stock-in-trade		(1,085)	6,868
(Reversal)/provision for doubtful advances		(1,520)	2,934
Provision/(Reversal of) provision for doubtful debts		2,126	(202)
Provision/(Reversal of) provision for compensated absences		1,682	(174)
(Reversal)/Provision for warranty		(637)	2,936
Provision for employees' benefits		2,876	2,011
Profit on deposit accounts		(1,928)	(619)
Accrued return on Defence Saving Certificates		(257)	(220)
Dividend income		(50)	(50)
Liabilities no longer payable - written back		-	(2,119)
Deferred income on sale and leaseback arrangement		(189)	(9)
		<u>43,074</u>	<u>43,544</u>
		<u>239,203</u>	<u>269,275</u>
Working capital changes			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		(18,909)	(12,148)
Stock-in-trade		2,114	(94,183)
Trade debts		(7,829)	(18,303)
Loans and advances		(23,648)	(493)
Trade deposits and short-term prepayments		(3,558)	79
Other receivables		249	147
		<u>(51,581)</u>	<u>(124,901)</u>
Increase in current liabilities			
Trade and other payables		<u>21,646</u>	<u>61,487</u>
		<u>(29,935)</u>	<u>(63,414)</u>
		<u>209,268</u>	<u>205,861</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, 2007
		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	
2007		(Rupees in thousand)								
FINANCIAL ASSETS										
Investments	16 - 18	1,709	-	-	1,709	-	-	770	770	2,479
Deposits	-	-	-	-	-	-	1,586	-	1,586	1,586
Trade debts	-	-	-	-	-	114,277	-	-	114,277	114,277
Loans	-	-	-	-	-	282	556	-	838	838
Bank balances	8 - 9.50	51,013	-	-	51,013	17,972	-	-	17,972	68,985
		52,722	-	-	52,722	132,531	2,142	770	135,443	188,165
FINANCIAL LIABILITIES										
Long-term financing	KIBOR + 250 bps	-	17,549	61,420	78,969	-	-	-	-	78,969
Liabilities against assets subject to finance lease	8 - 13	-	13,207	3,325	16,532	-	-	-	-	16,532
Trade and other payables	-	-	-	-	-	200,675	-	-	200,675	200,675
		-	30,756	64,745	95,501	200,675	-	-	200,675	296,176
Net financial assets/ (liabilities)		52,722	(30,756)	(64,745)	(42,779)	(68,144)	2,142	770	(65,232)	(108,011)
		(Rupees in thousand)								
	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	
2006		(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)		44,182	(45,615)	-	(1,433)	73,468	534	920	74,922	73,489



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 covered through foreign exchange forward cover contract as the management is of the opinion that the cost of the forward cover would not 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	
	2007	2006	2007	2006	2007	2006
	----- (Rupees in thousand) -----					
Remuneration	1,964	1,746	4,246	3,781	6,210	5,527
Housing	884	786	1,911	1,701	2,795	2,487
Retirement benefits	378	320	817	823	1,195	1,143
Bonus	654	582	1,414	1,260	2,068	1,842
Medical expenses	151	141	293	294	444	435
Utilities	166	152	391	471	557	623
Leave fare assistance	-	-	530	511	530	511
	<u>4,197</u>	<u>3,727</u>	<u>9,602</u>	<u>8,841</u>	<u>13,799</u>	<u>12,568</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/- (2006: Rs.4,000/-).

37. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise entities over which the directors are able to exercise significant influence, entities with common directors, major shareholders, directors, key management employees and employees fund. The Company has a policy whereby all transactions with related parties, are entered into at arm's length prices using the permissible method of pricing. The transactions with related parties, other than remuneration and other benefits to employees under the terms of employment, are as follows:

	Note	2007 (Rupees in thousand)	2006
KEY MANAGEMENT PERSONNEL			
Sales of vehicles			
- Mr. Irfan Ahmed Quereshi (GM Finance)		-	178
- Mr. Yaseen Ladha (DGM Finance)		-	143
- Mr. Manzoor Ahmed (DM MPL)		-	121
- Mr. Muhammad Shakeel (DM Production)		328	-
OTHER RELATED PARTIES			
Security Leasing Corporation Limited (Common Directorship)			
- Lease rentals paid		448	3,074
- Assets acquired under bargain purchase option		319	645
Staff Retirement Fund			
- Contribution during the period		2,289	1,941
(Units in thousand)			

38. PLANT CAPACITY AND ACTUAL PRODUCTION

Plant capacity - single shift basis	376	376
Actual production	1,065	1,055

The original machinery provided by the German supplier, at the time of installation, had been determined for annual production capacity of 376,000 units. Currently, the actual annual production in three shifts has been higher than 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 07, 2007**.



40. DIVIDEND AND APPROPRIATIONS

The Board of Directors has proposed a final dividend of Rs. 2/- (2006: Rs. 2.50) per share for the year ended June 30, 2007, amounting to Rs. 26,668,500/- (2006: Rs. 33,335,625/-) at its meeting held on **September 07, 2007** for approval of the members at the Annual General Meeting to be held on **October 27, 2007**.

41. CORRESPONDING FIGURES

Certain prior year's figures have been reclassified for the purpose of comparison. However, there were no major reclassifications to report.

42. GENERAL

Figures have been rounded off to the nearest thousand Rupees, unless otherwise stated.

Muhammad Siddique Misri
Chairman

Razak H.M. Bengali
Chief Executive



	(Rupees in thousand)					
	2002	2003	2004	2005	2006	2007
ASSETS						
Non Current Assets						
Fixed assets	148,655	147,820	144,509	171,438	239,783	353,235
Investment properties	7,210	7,210	8,096	6,800	-	-
Long term investments	790	1,483	1,757	1,912	2,371	770
Long-term loans & advances	429	160	390	144	711	1,411
Long-term deposits	5,964	3,193	2,601	6,203	6,483	2,346
Deferred Tax asset	-	-	656	3,757	-	-
Current Assets						
Stores, spare parts & loose tools	24,511	24,651	24,460	30,348	36,942	58,656
Stock-in-trade	110,074	104,144	139,314	232,062	319,377	318,348
Trade debts	48,132	62,441	79,503	87,943	106,448	114,277
Loans and advances	7,678	12,800	24,084	20,928	18,487	42,135
Trade deposits and short term prepayments	1,660	3,914	1,304	1,329	1,250	4,808
Accrued mark-up	18,272	18,272	18,272	2,850	249	-
Investments	-	-	-	-	-	1,709
Other receivables	4,948	4,350	1,702	147	-	-
Term deposit	50,840	50,840	50,840	-	-	-
Income tax refunds due from the government - net	25,685	24,432	13,779	-	-	-
Bank Balances	4,130	23,639	35,423	26,712	97,684	68,985
	<u>295,930</u>	<u>329,483</u>	<u>388,681</u>	<u>402,319</u>	<u>580,437</u>	<u>608,918</u>
	<u>458,978</u>	<u>489,349</u>	<u>546,690</u>	<u>592,573</u>	<u>829,785</u>	<u>966,680</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	133,343	133,343
Reserves	<u>162,698</u>	<u>173,744</u>	<u>201,344</u>	<u>282,311</u>	<u>395,235</u>	<u>490,465</u>
	<u>278,648</u>	<u>289,694</u>	<u>317,294</u>	<u>398,261</u>	<u>528,578</u>	<u>623,808</u>
Non Current Liabilities						
Long term financing	-	-	-	-	31,171	61,420
Liabilities against assets sub to finance lease	13,482	6,558	4,316	24,468	16,514	3,325
Long term deposits	794	155	172	88	290	428
Deferred liabilities	-	-	-	-	3,680	41,952
Current Liabilities						
Trade and other payables	50,081	70,592	96,842	115,409	177,383	200,675
Accrued mark-up	411	409	534	789	709	216
Short term borrowings	11,745	21,510	36,274	10,804	-	-
Current portion of						
- long term financing	-	-	-	-	-	17,549
- liabilities against assets subject to finance lease	16,385	13,188	4,916	15,054	15,554	13,207
- long term deposits	-	-	95	106	-	8
Overdue portion of long term loan	85,851	85,851	85,851	-	-	-
Provision for taxation	1,581	1,392	396	27,594	55,906	4,092
	<u>166,054</u>	<u>192,942</u>	<u>224,908</u>	<u>169,756</u>	<u>249,552</u>	<u>235,747</u>
	<u>458,978</u>	<u>489,349</u>	<u>546,690</u>	<u>592,573</u>	<u>829,785</u>	<u>966,680</u>



(Rupees in thousand)

	2002	2003	2004	2005	2006	2007
Turnover - net	267,974	365,040	533,451	788,983	1,159,001	1,162,860
Cost of Sales	204,481	280,760	410,750	602,890	855,074	876,351
Gross Profit	63,493	84,280	122,701	186,093	303,927	286,509
Distribution Cost	6,724	7,487	8,080	19,764	15,561	18,797
Administration Expenses	26,689	34,395	36,193	33,756	41,860	48,440
	33,413	41,882	44,273	53,520	57,421	67,237
Other Income	1,251	390	2,726	6,673	6,914	6,468
	31,331	42,788	81,154	139,246	253,420	225,740
Finance Cost	9,368	4,776	3,441	8,422	7,468	14,849
Other Charges	1,125	1,967	5,144	11,025	20,221	14,762
	10,493	6,743	8,585	19,447	27,689	29,611
	20,838	36,045	72,569	119,799	225,731	196,129
Gain on litigation settlement	-	-	-	28,787	-	-
Profit before Taxation	20,838	36,045	72,569	148,586	225,731	196,129
Taxation	873	(11,000)	(21,894)	(50,197)	(78,260)	(67,413)
Net profit for the year	21,711	25,045	50,675	98,389	147,471	128,716
	Restated	Restated	Restated	Restated		
Basic Earning Per Share (Rupees)	1.63	1.88	3.80	7.38	11.06	9.65

SIGNIFICANT RATIOS

	2002	2003	2004	2005	2006	2007
Liquidity & Leverage Ratios						
-Current Ratios	1.78	1.80	1.73	2.37	2.33	2.58
-Quick Ratios	0.97	1.10	1.00	0.82	0.90	0.98
-Liability as a % of Total Assets	39.29	38.76	41.96	32.79	36.30	35.47
-Debt Equity Ratio	5:95	3:97	2:98	6:94	9:91	15:85
Equity Ratios						
-Break up value per share (Rs)	24.03	24.98	27.36	34.35	39.64	46.78
-Dividend as a % of Capital	12.50	20.00	15.00	15.00	25.00	20.00
-Dividend Yield Ratio	5.92	11.70	5.33	4.25	4.29	3.00
-Dividend per share (Rs)	1.25	2.00	1.50	1.50	2.50	2.00
-Bonus shares per 100 shares	-	-	-	15.00	-	-
-Dividend payout ratio (%)	76.69	106.38	39.47	20.34	22.61	20.72
Profitability Ratios						
-G.P.%	24.00	23.00	23.00	24.00	26.22	24.64
-Operating Profit %	11.00	12.00	15.00	17.00	21.86	19.41
-Profit before Tax%	8.00	10.00	14.00	19.00	19.48	16.87
-Profit after Tax %	8.00	7.00	9.00	12.00	12.72	11.07
-Inventory Turnover Ratio	1.36	2.13	2.81	2.83	2.76	2.39
-Debtor Turnover Ratio	5.15	6.60	7.52	9.42	13.84	10.54
-Return on capital employed	7.00	12.00	23.00	37.00	42.70	31.44
-Interest Cover Ratio	3.22	8.55	22.09	18.64	31.23	14.21
-Fixed Assets Turnover Ratio	1.80	2.47	3.69	4.60	4.83	3.29
-Price Earning Ratio	12.96	9.10	7.41	4.16	5.27	6.84
	Restated	Restated	Restated			
Earnings per Share (Rs)	1.63	1.88	3.80	7.38	11.06	9.65
Plant Capacity Utilisation (%)	62	94	145	194	296	283
Market value per share						
-Year end market price per share	21.10	17.10	28.15	35.10	58.25	66.00
-High Price during the year	23.75	35.75	47.45	35.30	73.50	76.00
-Low Price during the year	18.00	21.50	26.90	27.00	34.50	52.20



I/We _____
of _____ (Full address)
being a member (s) of Baluchistan Wheels Limited and holding _____ Ordinary Shares
as per Share Register Folio No. _____
or CDC Participant I.D. No. _____ and Sub A/c. No. _____
hereby appoint Mr./Mrs./Miss _____ Folio No. _____
of _____ (Full address)
failing Mr./Mrs./Miss _____ Folio No. _____
of _____ (Full address)
another member of the Company to vote for me/us and on my/our behalf at the Annual
General Meeting of the Company to be held on October 27, 2007 and at any adjournment
thereof.

As witness my/our hand this _____ day of _____ 2007

Signature of Member(s)

Please affix
Rs. 5/- Revenue
Stamp

Witness: _____

Witness: _____

Name: _____

Name: _____

CNIC No: _____

CNIC No: _____

Address: _____

Address: _____

1. A member entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint another member as his/her proxy to attend and vote instead of his/her. No person shall act as proxy (except for a Corporation) unless he/she is entitled to be present and vote in his/her own right.
2. The instrument appointing a proxy should be signed by the member(s) or by his/her attorney duly authorized, in writing, or if the member is a Corporation/Company either under the common seal, or under the hand of an officer or attorney so authorised.
3. This Proxy Form duly completed must be deposited at the Head Office of the Company, 1st Floor, State Life Building # 3, Dr. Ziauddin Ahmed Road, Karachi not less then 48 hours before the time of holding the meeting.

FOR CDC ACCOUNT HOLDERS/CORPORATE ENTITIES

CDC Shareholders and their proxies must each attach an attested photo copy of their National Identity Card or Passport with this proxy form.

The Proxy Form shall be witnessed by two persons whose names, addresses and NIC number shall be mentioned on the form.

In case of Corporate Entity, the Board of Directors Resolution/Power of Attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.

