Organisation
development
through
self development

ALLWIN

AN ATLAS GROUP
COMPANY

Allwin Engineering Industries Limited

ISO 9002 Certified

LLOYD'S REGISTER QUALITY ASSURANCE · ISO9002

UKAS
QUALITY
MANAGEMENT
001

PISTON & RADIATOR
MANUFACTURING FACILITIES

CONTENTS

Allwin Engineering Industries Limited

Vision

A reliable manufacturer and supplier of good quality automobile parts in Pakistan and abroad.

Mission

To remain a dynamic growth oriented company through market leadership and exports ensuring quality, service and product value; to ensure attractive returns to associates and shareholders; to foster a network of researchers and engineers guaranteeing unique contribution to the product development, ensuring customer satisfaction and healthy working environment, and generally a good corporate citizen to fulfill its social responsibilities in all respects.

COMPANY INFORMATION

BOARD OF DIRECTORS

Chairman	Yusuf H. Shirazi
Chief Executive Officer	Mohammad Atta Karim
Directors	Frahim Ali Khan
	H. Masood Sohail
	Iftikhar H. Shirazi
	Jawaid Iqbal Ahmed
	Mohammad Habib-ur-Rahman
	Vazeer Ali
Company Secretary	Fida Hussain Zahid

AUDIT COMMITTEE

Chairman	H. Masood Sohail
Members	Iftikhar H. Shirazi
	Vazeer Ali
Chief Internal Auditor	Syed Abdul Majid
Secretary	Shah Jalaluddin

GROUP EXECUTIVE COMMITTEE

President	Aamir H. Shirazi
Members	Frahim Ali Khan
	Iftikhar H. Shirazi
	Jawaid Iqbal Ahmed
	Saquib H. Shirazi
Secretary	Theresa Dias

GROUP HUMAN RESOURCE COMMITTEE

Chairman	Yusuf H. Shirazi
Members	Aamir H. Shirazi
	Bashir Makki

GROUP SYSTEMS & TECHNOLOGY COMMITTEE

Chairman	Iftikhar H. Shirazi
Members	M. Shamim Khan
	Zia Ullah Begg
Secretary	Sarfraz Hassan

COMPANY INFORMATION

MANAGEMENT COMMITTEE

Chief Executive Officer	Mohammad Atta Karim
Chief Financial Officer	Syed Naushad Ali
General Manager Plant	Col. ® Mir Moatazid
General Manager Human Resources	M.H. Tabassum
General Manager Marketing	Muzaffar Ali Khan

AUDITORS	Ford Rhodes Sidat Hyder & Co. Chartered Accountants
LEGAL ADVISORS	Mohsin Tayebaly & Co. Advocate Incorporation
TAX ADVISOR	Ford Rhodes Sidat Hyder & Co. Chartered Accountants
BANKERS	Atlas Investment Bank Limited Bank Alfalah Limited Habib Bank Limited Muslim Commercial Bank Limited National Bank of Pakistan Standard Chartered Bank
REGISTERED OFFICE (FACTORY)	15th Mile, National Highway, Landhi, Karachi-75120 Tel: 5016921-24, 5015525 Fax: 5011709 E-mail: aeil@aeilkhi.atlasgrouppk.com
BRANCH OFFICES	Lahore Office: Salam Chamber, 21 Link Mcleod Road., Lahore-54000 Phones: 7227075-7354245 Fax: 7352724 Mobile: 0333-4239003
	Multan Office: Atlas House, Azmat Wasti Road, Multan-60000 Phone: 512181, 548017 Fax: 541690
	Faisalabad Office: No. 54, Chanab Market, Madina Town, Faisalabad. Phone: 549376 Fax: 726628
	Rawalpindi Office: 312, R-A-Bazar, Kashmir Road., Rawalpindi-65847 Phone: 5567423 Fax: 5567423 Mobile: 0333-5129411

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 42nd Annual General Meeting of Allwin Engineering Industries Limited will be held at Corporate Office at 8th Floor Adamjee House, I. I. Chundrigar Road, Karachi on 25th October 2004 at 2:00 p.m. to transact the following business:

Ordinary Business:

1. To confirm the minutes of the 41st Annual General Meeting held on 29th October 2003.

2. To receive, consider and adopt the Audited Accounts of the Company together with the Directors' and Auditors' Reports for the year ended 30th June 2004.

3. To consider and approve the cash dividend Rs. 1/= per share i.e. 10 % for the year ended 30th June 2004.

4. To consider and approve a Right Issue at par value at the rate of 150% of the existing capital in proportion of 15 shares for every 10 shares held subject to the approval of the special business mentioned below.

5. To appoint Auditors for the year 2004-05 and to fix their remuneration.

Special Business:

6. To consider and pass the following resolutions as special resolutions approving the increase in Authorized Share Capital of the Company from Rs. 100,000,000/= (Rupees hundred million) to Rs. 200,000,000/= (Rupees two hundred million)

   RESOLVED "that the Authorized Share Capital of the company be increased from Rs. 100,000,000/= (Rupees hundred million) to Rs. 200,000,000/= (Rupees two hundred million) by creation of 10,000,000/= (ten million) ordinary shares of Rs. 10/= each."

   FURTHER RESOLVED "that consequent upon the said increase in Authorized Share Capital of the Company, clause V of the Memorandum of Association of the Company be and is hereby altered to read as follows:

   "V. The Capital of the Company is Rs. 200,000,000/= divided into 20,000,000 shares of Rs. 10/= each, with power to increase and reduce the capital and to divide the shares in capital for the time being into several classes and to attach thereto respectively such preferential, deferred or special rights, privileges or conditions as may be determined by or in accordance with the regulations of the Company and to vary, modify or abrogate any such right privilege and condition in such manner as may for the time being, be provided by the regulation of the Company."

   FURTHER RESOLVED "that Article 4 of the Articles of Association of the Company be amended to read as follows:

   "4. The authorized capital of the company is Rs. 200,000,000/= (Rupees two hundred million) divided into 20,000,000 (twenty million) ordinary shares of Rs. 10/= (Rupees ten) each."

7. To consider and pass the following resolutions as special resolutions approving the amendment in the Memorandum of Association of the Company.

   RESOLVED "that a new sub-clause No. 39 under Clause III (Objects) of the Memorandum of Association be and is hereby inserted as follows:

39. To subscribe or donate money for any national, charitable, benevolent, public, general or useful object including to any educational institution, hospital, flood or famine relief and other institution or fund established for charitable purpose."

FURTHER RESOLVED "that the above mentioned amendment to the Memorandum of Association of the Company is subject to approval of Securities and Exchange Commission of Pakistan (SECP) and any alteration proposed by them in this respect. The Chief Executive Officer of the Company be and is hereby authorized to procure the approval of SECP and implementation of the modification to the Memorandum of Association of the Company."

8. To consider and if thought fit pass the resolutions attached in Annexure 'A' as special resolutions approving the amendments in Articles of Association of the Company to bring them in conformity with the amendments made in the Companies Ordinance, 1984.

9. To consider and pass the following resolutions as special resolutions approving the transmission of quarterly accounts through website in compliance with section 245 of the Companies Ordinance, 1984 and Securities and Exchange Commission of Pakistan (SECP) circular No. 19 of 2004 dated April 14, 2004 provided it meets all other conditions.

RESOLVED "that the Company may place its quarterly accounts on its website instead of sending the same to members by post, as allowed by the Securities and Exchange Commission of Pakistan (SECP) vide its circular No. 19 of 2004 dated April 14, 2004."

A statement under section 160 (1)(b) of the Companies Ordinance, 1984 pertaining to the Special Business referred to above is annexed to this Notice of Meeting.

Other Business

10. To transact any other business as may be placed before the meeting with the permission of the Chair.

By order of the Board

Fida Hussain Zahid
Company Secretary

Karachi:22nd September 2004

NOTES:

i) The Share Transfer Books of the company will remain closed from 19 October 2004 to 25 October 2004 (both days inclusive) the transfers received in order at the registered office of the company by 18th October 2004 will be in time for the purpose of entitlement for payment of dividend and right shares.

ii) A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. The instrument appointing a proxy must be received at the company's Registered Office not less than 48 hours before the time of holding of the meeting.

iii) No person shall act as proxy unless he is member of the Company.

iv) Signature of shareholder on Proxy Application must agree with the specimen signature registered with the Company. Appropriate revenue stamp should be affixed on the Proxy Application.

v) For the convenience of the shareholder a Proxy Application Form is attached with this report.
vi) Shareholders are requested to immediately notify the Company of any change in their addresses.

vii) Any individual Beneficial Owner of the Central Depository Company, entitle to vote at this meeting must bring his/her National Identity Card with him/her to prove his/her identity and in case of proxy, must enclose an attested copy of his/her National Identity Card. Representative of corporate members should bring their usual documents required for each purpose.

STATEMENT UNDER SECTION 160 (1) (B) OF THE COMPANIES ORDINANCE, 1984.

1. MEMORANDUM OF ASSOCIATION

a. Increase in authorized capital of the company

Present authorized share capital of the company is Rs. 100,000,000/= (Rupees hundred million). To accommodate the required increase in share capital resulting from the Rights Issue in proportion of 15 shares for every 10 shares held i.e. 150% of the present paid up capital of Rs. 49,346,780/= the authorized share capital of the company needs to be increased.

b. Alteration to make donations.

The Board of Directors has recommended that the Company's Memorandum of Association be amended to enable the Company to make donations.

A copy of the altered Memorandum of Association of the Company as on date and also indicating the proposed amendment is available for inspection at the registered office of the company from 8:00 AM to 5:00 PM on all working days, except Friday and 8:00 AM to 12:30 PM on Friday.

2. ARTICLES OF ASSOCIATION.

The Board of Directors has recommended that the Company's Articles of Association be amended/altered to comply with the provisions of Companies Ordinance, 1984 as amended from time to time and bring them in conformity with the provisions of the Companies Ordinance, 1984.

A copy of the altered Articles of Association of the Company as on date and also indicating the proposed amendment is available for inspection at the registered office of the Company from 8:00 a.m. to 5:00 p.m. on all working days, except Friday and from 8:00 a.m. to 12:30 p.m.on Friday.

3. PLACEMENT OF QUARTERLY ACCOUNTS ON WEBSITE.

The Securities and Exchange Commission of Pakistan (SECP) vide its circular No. 19 of 2004 dated April 14, 2004 has allowed the listed companies to place the quarterly accounts on their websites instead of sending the same to each shareholder by post. This would ensure prompt disclosure of information to the shareholders, besides saving of costs associated with printing and dispatch of the accounts by post.

The Company maintains a website (www.atlasgrouppk.com/aeil) and latest accounts may be placed there for information of the shareholders and the general public. Prior permission of the securities and Exchange Commission of Pakistan would be sought for transmitting the quarterly accounts through Company website after the approval of the shareholders. The Company, however will make available printed copies of accounts to the shareholders on demand at their registered address, free of charge, within one week of receiving such request.

The Directors of the company have no interest in the special business and / or special resolution save to the extent of their shareholdings and remuneration in the Company.

Annexure "A"

Alteration in the article of Association:

RESOLVED " that in accordance with the amendment in Section 158(1) of the Companies Ordinance 1984, the word "SIX MONTHS" shall be substituted by "FOUR MONTHS" in Article No. 46 (General Meeting) of the Articles of Association."

FURTHER RESOLVED "that in accordance with the amendment in Section 160(2a) of the Companies Ordinance, 1984, Article 50 be amended to read as follows:

The quorum of general meeting shall be not less than ten members present personally who represent not less than twenty five percent of the total voting power either of their own account or as proxies.

FURTHER RESOLVED "that in accordance with the insertion of clause (i) and (j) in Section 187 of the Companies Ordinance, 1984, the clause (i) and (j) be and are hereby inserted in Article No. 79(1) (Disqualification of Director) of the Articles of Association as follows:

(i) has been declared by a Court of competent jurisdiction as defaulter in repayment of loan to a financial institution, exceeding such amount as may be notified by the Commission from time to time; and

(j) is a member of a Stock Exchange engaged in the business of brokerage, or is a spouse of such member."

FURTHER RESOLVED "that in accordance with the amendment in Section 193(2) of the Companies Ordinance, 1984, the word "MAY MEET TOGETHER" shall be substituted by "SHALL MEET ATLEAST ONCE IN EACH QUARTER OF A YEAR" in Article No.103 (Directors' Meetings) of the Articles of Association."

FURTHER RESOLVED "that in accordance with the amendment in Section 173 (1) of the Companies Ordinance, 1984, following sentence be and is hereby added in Article No. 111 (Directors' Minute Book) of the Articles of Association.

A copy of the minutes of meeting of board of directors shall be furnished to every director within fourteen days of the date of meeting."

FURTHER RESOLVED "that in accordance with the amendment in Section 233(1) of the Companies Ordinance, 1984, the word "SIX MONTHS" shall be substituted by "FOUR MONTHS" in Article No. 134 (Contents of Balance Sheet of the Articles of Association."

FURTHER RESOLVED "that in accordance with the insertion of a new section 204-A in the Companies Ordinance, 1984, Article No. 101-A be and is hereby inserted in Articles of Association as follows:

SECRETARY

101-A The Company shall have a whole time Secretary possessing such qualification as may be prescribed."

FURTHER RESOLVED "that in accordance with the amendment in Section 245 of the Companies Ordinance, 1984, a new article No. 135-A be and is hereby inserted in the articles of association as follows:

135-A The Company within one month of the close of first, second and third quarter of its year of accounts, prepare and transmit to the members and the stock exchanges in which shares of the company are listed a profit and loss account for and balance sheet as at the end of that quarter, whether audited or otherwise; and simultaneously file the same with registrar and the commission such number of copies thereof, not being less than three, as may be prescribed."

KEY PERFORMANCE AND FINANCIAL DATA

(Rupees in '000's)

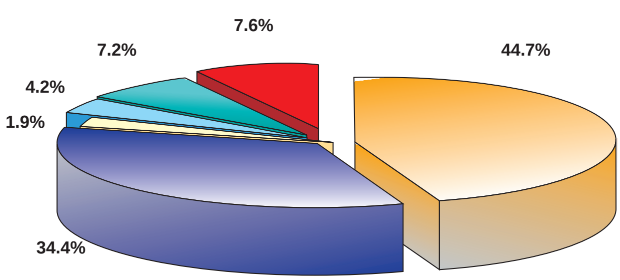
Particulars	2004	2003	2002	2001	2000	1999
Sales	504,984	379,980	382,249	405,835	414,180	375,329
Gross profit	91,470	58,189	46,908	54,437	61,866	62,647
Operating profit	47,758	28,766	22,788	27,080	31,896	32,373
Profit Before Taxation	36,861	13,929	3,505	8,092	7,949	44
Profit After Taxation	24,788	6,443	(5,392)	6,028	5,904	(1,537)
Share Capital	49,347	49,347	49,347	49,347	49,347	49,347
Shareholders' Equity	208,689	188,836	184,860	189,106	183,078	177,174
Fixed Assets Net	302,418	269,409	269,127	280,925	283,753	297,339
Total Assets	501,131	410,687	404,903	433,703	430,427	433,292
Current Assets	191,472	132,746	126,575	150,988	144,852	134,877
Long Term Liabilities	128,687	93,269	81,701	78,473	68,672	61,965
Ratios:						
Profitibility (%)						
Gross Profit	18.11	15.31	12.27	13.41	14.94	16.69
Profit Before Tax	7.30	3.67	0.92	1.99	1.92	0.01
Profit After Tax	4.91	1.70	(1.41)	1.49	1.43	(0.41)
Return to Shareholders						
Dividend %	10.00	5.00	5.00			
ROE - Before Tax %	17.66	7.38	1.90	4.28	4.34	0.02
ROE - After Tax %	11.87	3.41	(2.92)	3.19	3.22	(0.87)
Return on Capital Employed %	5.69	1.82	(1.55)	1.74	1.89	(0.49)
E.P.S. - After Tax - Rs.	5.02	1.31	(1.09)	1.22	1.20	(0.31)
Price Earning Ratio	5.16	11.45	(5.95)	4.09	5.85	(22.58)
Market Price (June 30)	25.90	15.00	6.50	5.00	7.00	7.00
Activity (Times)						
Sales to Total Assets	1.01	0.93	0.94	0.94	0.96	0.87
Sales to Fixed Assets	1.67	1.41	1.42	1.44	1.46	1.27
Inventory Turnover	4.31	5.48	6.37	4.59	5.82	5.34
Interest Cover Ratio	4.38	1.94	1.18	1.46	1.36	0.86
Liquidity / Leverage						
Current Ratio (Times)	1.47	1.17	1.09	1.10	0.97	0.81
Break up Value per Share (Rs)	18.24	14.22	13.41	14.27	13.05	11.85
Long Term debts to Equity (Times)	0.37	0.32	0.33	0.35	0.34	0.33
Total Liabilities to Equity (Times)	0.58	0.54	0.54	0.56	0.57	0.59

STATEMENT OF VALUE ADDITION

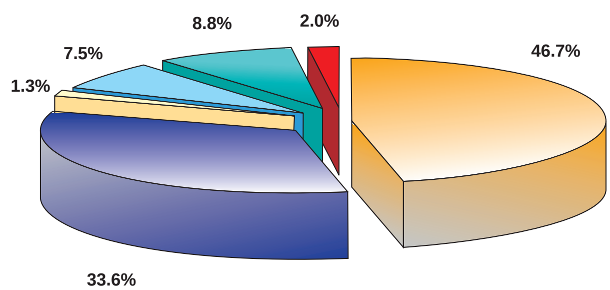
(Rupees in '000's)

	2004		2003	
	Amount	% Age	Amount	% Age
WEALTH GENERATED				
Total Revenue	582,949		440,380	
Bought in Material & Services	(323,163)		(243,807)	
	259,786	100%	196,573	100%
WEALTH DISTRIBUTED				
To Employees				
Salaries & other related costs	116,033	44.7%	91,887	46.7%
To Government				
Taxes	89,476	34.4%	66,044	33.6%
To Providers of Capital				
Dividend to Shareholders	4,935	1.9%	2,467	1.3%
Markup/Interest	10,897	4.2%	14,837	7.5%
	15,832	6.1%	17,304	8.8%
Retained in the Business				
For replacement of Fixed Assets: Depreciation	18,592	7.2%	17,362	8.8%
To provide for Growth: Retained Profit	19,853	7.6%	3,976	2.0%
	38,445	14.8%	21,338	10.9%
	259,786	100%	196,573	100%

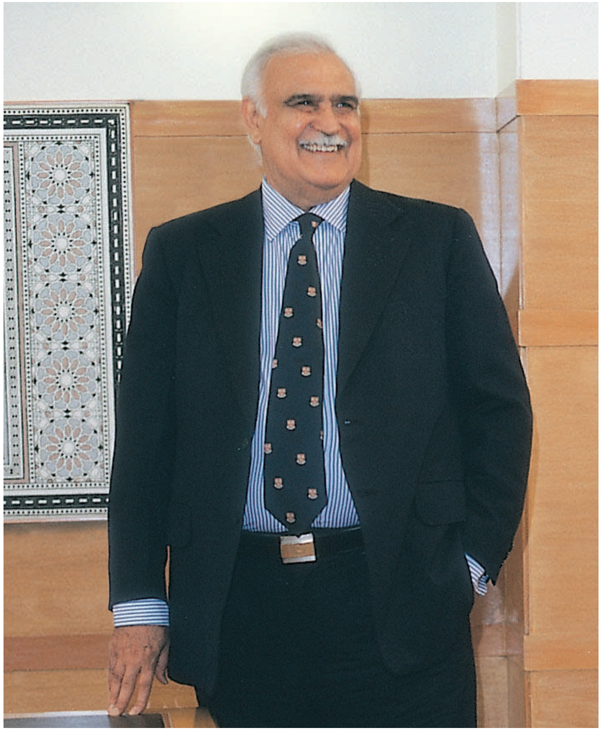
WEALTH DISTRIBUTION 2004



WEALTH DISTRIBUTION 2003



Employees Shareholder Depreciation Government Markup/Interest Retained in Business



CHAIRMAN'S REVIEW

It is my pleasure to present to you the 42nd Annual Report and Review of the performance of the company for the year ended June 30, 2004.

The Economy

Over the last couple of years, the economic fundamentals of Pakistan have steadily improved. The prudent monetary policies have brought a measure of stability and predictability. With low interest rates and a steady exchange rate, the economy has shown signs of growth and resilience in the face of ever increasing geo-political challenges. Both trade and investment figures show growth. Excess capacity has largely been consumed in various sectors and capacity enhancements are currently being carried out in several sectors. Textile, Engineering, Electronics and Packaging are some of the examples. Machinery import numbers lend support to this growth. In the presence of low interest rate environment the financial sector has had to become more dynamic. Rather than just lending to the government the focus has been more on the private sector and the consumer. This stance has unleashed unforeseen consumer purchasing power across the economy. The 50% plus growth rates in consumer durables like televisions, refrigerators and automotive vehicles are evidence of the changing consumer behavior.

Similarly, a tight fiscal stance during the period has helped stabilize the economy. The budget deficit stands reduced at around 4% of the GDP and inflation largely been kept in check. Record revenue collection and re-scheduling and early repayment of expensive debt has given the policy makers the needed breathing room. Obviously, going forward oil and commodity prices will cause higher inflation but this is a global challenge rather than a Pakistan specific one. Since unemployment and increased poverty are the biggest problems facing the present government, the decision to focus the public sector investment towards infrastructure is timely. If effectively implemented, this will result in higher employment, incomes and growth rates.

The Year 2003-04

The year 2003-04 resulted in GDP growth rate of 6.4%. The manufacturing sector was the star performer showing an increase of 13.4% as compared to 6.9% last year. Nearly all the sectors contributed to the growth but automobile, electronics and cement sectors clearly stood out.

The agriculture sector, on the other hand, declined to 2.6% from 4.1% last year's growth. This was mainly due to a pest attack on the cotton crop and a lower than expected wheat crop yield. Despite weak cotton and wheat numbers, the growth in rice and sugarcane still helped achieve a positive overall growth. Both these crops achieved higher yields due to better water availability and increased credit disbursement. Looking forward, there is reason to be optimistic on the agriculture front. The recently, announced agriculture package envisages sustained price and credit support that should transform the agriculture - rural economy - in the long run. This augurs well for the industry also. The services sector, on the back of improved financial sector performance, posted another year of above 5% growth. The urban economy is especially benefiting from the greater number of private sector schools, colleges, hospitals and hotels represented in private services sector.

The Automobile Industry

The automobile industry continued its growth during the year under review. The consumer finance policy, easy availability of credit at low rates of interest has surged the demand of all automotive vehicles including motorcycles. The industry responded to rising demand by sharp increase in production. The growth during the year was: Cars 59%, Motorcycles 84%, Tractors 36% and Buses and Trucks 15%. With the increase in production of autos, the demand for components and parts also increased giving impetus to vending industry to optimize their production.

A table showing growth in production of the automobile industry over the last five years is as per below:

Particulars	2000	2001	2002	2003	2004
Cars	32,461	39,573	40,088	62,073	98,461
Motorcycles	86,959	108,850	120,627	165,105	303,262*
Tractors	34,559	31,635	23,801	26,240	35,770
Bus & Trucks	9,409	9,662	11,756	16,593	19,100
Total	163,388	189,720	196,272	270,011	456,593

Source PAMA. *An other 100,000 units or so produced and not reported to PAMA.

There is a strong belief that given consistency of policy, the automotive sector can really emerge as the engine of growth as it is in the more progressive developing countries like China, India and Indonesia. In fact, if the current policy continues its focus on developing the local industry, Pakistan can realistically become a significant exporter of automobile products and parts within the next 3 years. There is little doubt that over the last four years, the true potential of the industry has been unleashed and the nation can emerge as the net gainer if prudence continues to prevail. For this, it is important to press forward the gains made over the last 40 years by the industry and to clearly put manufacturing, rather than import based, policies at the heart of the industry's vision.

Market Review

Demand of parts by OEM consumers is continuously increasing. During the year under report, OEM sales registered 62% growth over previous year. In replacement market, in spite of severe competition with the unorganized sector including imports under invoiced and smuggling, sales improved by 14% over corresponding period last year. Expansion in the dealers net work, focusing the unattended areas, dealers and mechanic incentive program, customers get together and other promotional activities generated a positive response, which resulted in increased sales.

In the review year, prices of pig iron, copper, brass and other raw materials registered significant increase affecting adversely our in-put cost and profit. Having no alternative, we partially increased the price of radiators in replacement market in last quarter of the year. We also approached our OEM customers for price increase to the extent of the effects due to materials price increase, which they agreed to a great extent and adjusted the price of parts supplied to them. During the year we developed and supplied radiators for Dong Feng Chinese truck/pick up assembled by Sindh Engineering Limited and for Pak Suzuki Motor Company Limited for their vans and pick ups. Your company has maintained its standards and gained the trust of the consumer due to strong belief in corporate values, determination to produce and supply quality products and strengthening customer relationship management.

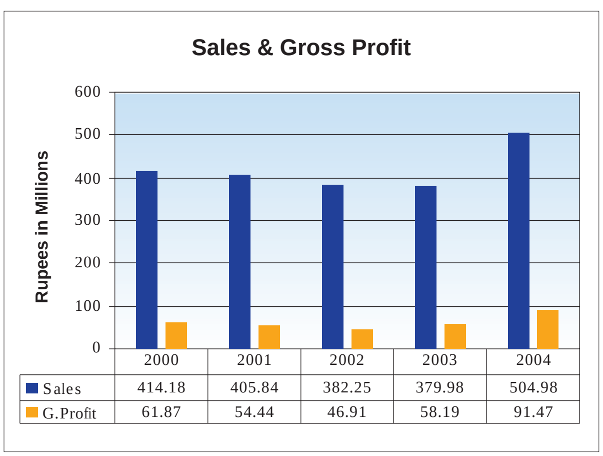
Investments

In order to cater to the growing market demand, the company has embarked upon a plan of sizeable capital investment of Rs. 200 million for balancing, modernization and expansion of the company's manufacturing capabilities. The work will be completed by the end of this financial year. It will also help to improve overall internal efficiency and quality of work leading to tangible savings and customer satisfaction.

A view of new piston line installed during the year.

Operating Results

Your company posted a pre-tax profit of Rs. 36.86 million for the year under review as compared to Rs. 13.93 million in the previous year. Net sales revenue for the year increased from Rs. 379.98 million to Rs. 504.98 million. Gross profit ratio improved from 15.31% of the previous year to 18.11%, despite inflationary pressure and materials price increase.



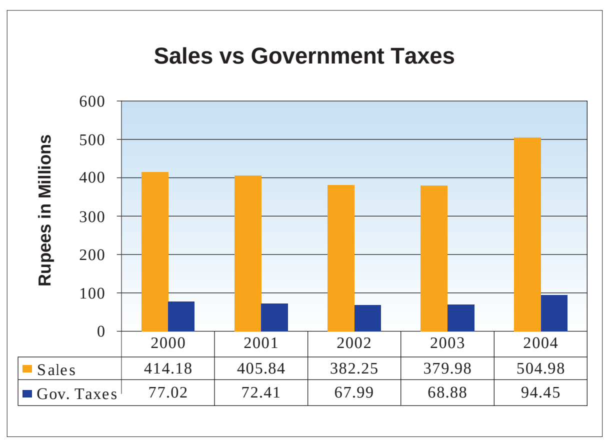
The operating expense were Rs. 44.27 million in the current year compared to Rs. 31.26 million in the previous year or 8.76% and 8.22% respectively. Due to better working capital management coupled with reduced mark up rates, financial charges were reduced from Rs. 14.84 million in the previous year to Rs. 10.90 million.

Cash Flow

During the under review, the operations of your Company generated a net cash flow of Rs.32.22 million compared to Rs.22.94 million in the corresponding last period. The Company made capital investment of Rs.52.77 million, which was partially financed through a long term bank loan of Rs. 33.34 million. Overall there was a net increase of Rs. 12.25 million in cash and cash equivalents as compared to Rs.4.61 million of the last year depicting a healthier cash generation position

Contribution To Exchequer

Your company contributed a sum of Rs. 94.45 million to the government revenues in the form of custom duty, sales tax, income tax and other government levies being 18.70% of the sales value during the year.



The Atlas Group of which your company is a constituent member, paid taxes of Rs.7.56 billion, which is 1.48% of the Government's total revenues.

Human Resource

Human Resource development activities remained at the top of the corporate agenda so as to enhance the operational capabilities of all the employees. We strongly believe that well trained staff is the most precious asset of the company. During the year 16 out door and 7 in-house training courses were conducted benefiting 156 employees. One of the production engineer was sent to Japan for quality management training. Three managers attended a five day "Managerial Grid Course" conducted at the Group level. In the coming year, a senior manager is sponsored for Executive MBA program. Additionally the Atlas Group and LUMS have jointly designed an 18 months business diploma course to train the young managers, Allwin will be participating in this program by sending 2 of its associates to be trained at the LUMS campus at Lahore.

A gratuity scheme for management staff has been introduced during the year in line with other Group companies in addition to the existing provident fund scheme and other such benefits in line with the Group policies.

Future Outlook

The budget 2004-05 spells out investment growth strategy. In the engineering industry, there are several incentives and relief measures attracting direct investment particularly strengthening indigenization. The custom duty has been lowered on more than 500 raw materials. Sales tax rate ranging from 15% to 23% on different raw material is now chargeable at a uniform rate of 15%. Sales Tax and withholding tax on supply of plant and machinery has been exempted. And, above all, the custom duty has been reduced to 5% on import of plant and machinery alongwith exemption from Sales Tax and Withholding Tax. Anomaly in lower custom duty on spare parts at 25% against CKD at 35% has been removed by upward revision of duty on parts to 35%. In addition to continuation of 5% duty on raw materials and 10% on sub-components for deletion. The OEMs and vendors are allowed to import sub-assemblies at 20%. The protective duty thus has been increased from 15% to 35% on components. The government has assured to improve upon the growth of the industry and save from unfair competition.

It is expected that the government after realizing the importance of engineering industry will follow a consistent policy. Your company is fully geared to take advantage of opportunities and meet the future challenge of business. Our emphasis on quality of management, quality of products and quality of service is expected to produce better results.

ع نگاہ بلند، سخن دلنواز، جاں پرسوز
یہی ہے رختِ سفر میرِ کارواں کے لئے

(It is the leadership which counts and nothing else!)

Acknowledgement

On the Board of Directors, in April 2004, Mr. Aamir H. Shirazi resigned. Mr. H. Masood Sohail was coopted in his place. I would like to place on record the valuable contribution made by Mr. Aamir H. Shirazi and welcome Mr. H. Masood Sohail who has replaced the outgoing director.

I would like to thank the Group Executive Committee, Group President, Mr. Aamir H. Shirazi, Chief Executive Officer, Mr. Mohammad Atta Karim and his team, staff and associates for their dedication and commitment to your company's growth. I also wish to place on record appreciation for the help and support provided by foreign technical collaborators, banks, and the share holders and trust reposed in by them.

Yusuf H. Shirazi

DIRECTORS' REPORT

The Directors of your company take pleasure in presenting their report together with the Audited Accounts and Auditor's Report thereon for the year ended June 30, 2004.

FINANCIAL RESULTS

The financial results of your company for the year ended June 30, 2004 under review are summarized as follows:

	(Rupees in ‘000’s)	
	2004	2003
Profit before taxation	36,861	13,929
Taxation		
Current	2,525	1,900
Deferred	9,548	5,586
	12,073	7,486
Profit after taxation	24,788	6,443
Appropriation :		
Cash Dividend 10% (2003:5%)	4,935	2,467
	19,853	3,976
Balance brought forward	(49,191)	(53,167)
Balance carried forward	(29,338)	(49,191)

Earnings per Share

Earnings per share after tax is Rs. 5.02 per share (2003: Rs. 1.31).

Dividend

Directors propose cash dividend at the rate of Rs. 1/= per share i.e 10%.

Right Shares

It has also recommended that a right issue of par value be made at the rate of 150% of the existing capital in proportion of 15 shares for every 10 shares held.

Chairman’s Review

The Chairman’s review included in the Annual Report deals inter alia with the performance of the company for the year ended June 30, 2004 and future prospects. The directors endorse the contents of the review.

Board of Directors

The Board comprises of one Executive and seven Non-Executive directors. All the non-executive directors are independent from management. During the year, Mr. Aamir H. Shirazi resigned from the board effective April 26, 2004, in his place Mr. H. Masood Sohail was appointed by the Board.

The Board approved the remuneration of the CEO Rs. 3.25 million, bonus and other benefits like free transportation, telephone facility, medical expenses etc. as per company's policy for the year 2004-2005. The Company also makes contributions to the provident and gratuity funds for CEO.

During the year five Board meetings were held. The attendance of the directors and number of directorship in listed companies including Allwin Engineering Industries Limited are as follows:

S. No.	Name of Directors	Attendance	Number of directorships in listed companies including AEIL
1.	Mr. Yusuf H. Shirazi	5	6
2.	Mr. Mohammad Atta Karim	5	2
3.	Mr. Aamir H. Shirazi (Resigned effective April 26, 2004)	1	3
4.	Mr. H. Masood Sohail (Appointed effective April 26, 2004)	2	1
5.	Mr. Frahim Ali Khan	3	3
6.	Mr. Habib-ur-Rahman	2	2
7.	Mr. Iftikhar H. Shirazi	4	2
8.	Mr. Jawaid Iqbal Ahmed	3	5
9.	Mr. Vazeer Ali	4	2

Auditors

The present Auditors M/s. Ford Rhodes Sidat Hyder & Co. Chartered Accountants retire and being eligible, offer themselves for re-appointment. The Audit Committee has recommended their re-appointment as auditors of the Company for the year 2004-05.

Compliance with the Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the Karachi and Lahore Stock Exchanges in their listing Rules, relevant for the year ended June 30, 2004 have been complied with. The directors confirm the compliance of Corporate Governance and a statement to this effect is annexed.

Audit Committee

The Audit Committee was established to assist the directors in discharging their responsibilities towards company. Audit Committee's responsibilities includes, reviewing reports of the company's financial results,monitoring internal audit functions and compliance with relevant statutory requirements, to assist the Board in discharging its responsibilities for safeguarding of Company's assets, development and implementation of effective internal control system.

The committee consists of three members. Including the Chairman of the Committee who are non-executive directors.

The Audit Committee meets at least four times in a year and additional meetings can be convened by the Chairman of the Committee whenever necessary.

During the year four Audit Committee meetings were held and attended as follows:

Mr. Mohammad Habib-ur-Rahman	- Chairman	2	(Resigned effective Jun. 28, 2004)
Mr. H. Masood Sohail	- Chairman	-	(Appointed effective Jun. 28, 2004)
Mr. Aamir H. Shirazi	- Member	-	(Resigned effective Oct. 25, 2003)
Mr. Iftikhar H. Shirazi	- Member	4	
Mr. Vazeer Ali	- Member	3	(Appointed effective Oct. 25, 2003)

Group Executive Committee

The Group Executive Committee is responsible for setting overall corporate objectives and strategies, identifying opportunities, monitoring group business strategies and plans, and developing its group members as leaders of their respective fields.

Group Human Resource Committee

The Group Human Resource Committee determines the remuneration package for the management staff. The committee has also the responsibility to create and maintain conducive work environment that instills trust and ensures respect, fair treatment, development opportunities and grooming and make succession plan for all employees.

Group Systems & Technology Committee

The Group Systems and Technology Committee is responsible to provide an insight towards the various technological aspects of information systems. The objective of the Committee is to introduce leading edge technology and IT initiative to automate information delivery and accessibility of data for enhancement of time and cost efficiency.

Management Committee

The Management Committee acts at the operating level in an advisory capacity to the CEO, providing recommendations relating to the business and other corporate affairs. The Committee has responsibility for reviewing and forwarding long-term plans, capital and expense Budget development and stewardship of business plans. The committee is also responsible for maintaining healthy environment within and outside the company through its environment friendly products.

Communication

Communication with the shareholders is given a high priority. Annual, Half yearly and Quarterly Reports are distributed to them within the time specified in the Companies Ordinance, 1984. The company also has a web site (www.atlasgrouppk.com), which contains up to date information of group activities.

Further the Directors also confirm the following statements:

a). The financial statements, prepared by the management of the company, fairly present its state of affairs, the results of its operations, cash flows and changes in equity.

b). The company has maintained proper books of account.

c). Appropriate accounting policies have been consistently applied, in preparation of 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 has been effectively implemented and monitored. The process of monitoring internal controls will continue as an ongoing process with the objective to further strengthen the controls and bring improvements in the system.

f). There is no doubt about the company's ability to continue as a going concern.

g). There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Key Operating and Financial Data

A summary of key operating and financial data of the company is annexed.

Government Levies

Information about taxes and levies is given in notes to the financial statement.

Investment of Retirement Benefits Fund

The Company has maintained recognized provident fund for their employees.

Value of investment Rs. 96.346 million
Based on Audited Accounts as at June 30, 2003

Pattern of Shareholding

The pattern of shareholding of the company is annexed.

For and on behalf of the
Board of Directors

Mohammad Atta Karim
Chief Executive Officer

Karachi: September 22, 2004

A. Statement of Compliance with the Code of Corporate Governance

The Board is committed to maintain the high standards of corporate governance. The directors are pleased to state that the company is in compliance with the Code of Corporate Governance as required by the Stock Exchanges Listing Regulations. The following statement is being presented in compliance with the best practices of corporate governance.

1. The Company encourages representation of independent non-executive directors on its Board. At present the Board includes seven 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 taxpayers and none of them has defaulted in payment of any loan to banking company, a DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by the stock exchange.

4. One casual vacancy had occurred in the Board during the period under review which had been duly filled up.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.

6. The Board has developed a vision/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 the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Company has conducted an orientation course for its directors to apprise them of their duties, responsibilities and to update them with recent amendments in applicable laws.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and term and condition of employment, as determined by the CEO.

11. The directors' report for the 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 CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirement of the Code.

15. The Board has formed an audit committee. It comprises three Members, of whom all are non-executive directors including the chairman of the committee.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has set-up an effective internal audit function.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

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.

20. We confirm that all other material principles contained in the Code have been complied.

B. Statement of Compliance with the Best Practices on Transfer Pricing.

The company has fully complied with the Best Practices of Transfer Pricing as contained in the Listing Regulation of the Stock Exchanges.

For and on behalf of the
Board of Directors

Mohammad Atta Karim
Chief Executive Officer

Karachi: September 22, 2004

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Allwin Engineering Industries Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange and Chapter XIII of the Lahore Stock Exchange Listing Regulations, where the company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2004.

Ford Rhodes Sidat Hyder & Co

FORD RHODES SIDAT HYDER & CO.
Chartered Accountants.

Karachi: September 22, 2004

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of ALLWIN ENGINEERING INDUSTRIES LIMITED as at June 30, 2004 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:-

   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

   (ii) the expenditure incurred during the year was for the purpose of the company's business; and

   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2004 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance;

Without qualifying our opinion, we draw attention to note 17 to the financial statements, which states that the Securities and Exchange Commission of Pakistan (SECP) has recommended that the amount of Rs.70 million representing deposit against right shares should not be shown as part of equity. However, the company is classifying this amount as part of equity due to the reasons stated in the above mentioned note. The Board of Directors in its meeting held on September 22, 2004 has decided to issue Right Shares at par value in proportion of 15 shares for every 10 shares i.e. 150%

Ford Rhodes Sidat Hyder & Co

FORD RHODES SIDAT HYDER & CO.
Chartered Accountants.

Karachi: September 22, 2004

BALANCE SHEET

AS AT 30 JUNE 2004

(Rupees in '000's)

	Note	2004	2003
ASSETS			
NON-CURRENT ASSETS			
Tangible fixed assets			
Operating fixed assets	5	299,121	268,134
Capital work-in-progress	6	3,297	1,275
		302,418	269,409
Long-term loans and advances	7	1,035	1,118
Long-term deposits and prepayments	8	1,767	2,029
Deferred cost	9	4,439	5,385
CURRENT ASSETS			
Stores, spares and loose tools	10	25,925	20,995
Stock-in-trade	11	95,924	58,676
Trade debts	12	34,187	37,430
Loans, advances, deposits, prepayments and other receivables	13	5,704	5,796
Taxation - net	14	601	587
Cash and bank balances	15	29,131	9,262
		191,472	132,746
TOTAL ASSETS		501,131	410,687
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
10,000,000 (2003:10,000,000) ordinary shares of Rs.10/- each		100,000	100,000
Issued, subscribed and paid-up capital	16	49,347	49,347
Deposits for right shares	17	70,000	70,000
Accumulated losses		(29,338)	(49,191)
		90,009	70,156
SURPLUS ON REVALUATION OF FIXED ASSET	18	118,680	118,680
NON-CURRENT LIABILITIES			
Long-term loans	19	89,375	74,701
DEFERRED LIABILITIES			
Deferred liability - gratuity	20	19,502	8,306
Deferred taxation	21	19,810	10,262
CURRENT LIABILITIES			
Current maturity of long-term loans	19	33,819	15,157
Short-term finances	22	19,796	56,178
Short-term borrowings	23	44,000	-
Creditors and accrued liabilities	24	54,046	49,193
Other liabilities	25	7,159	5,587
Proposed final dividend		4,935	2,467
		163,755	128,582
CONTINGENCIES AND COMMITMENTS	26		
TOTAL EQUITY AND LIABILITIES		501,131	410,687

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

Mohammad Atta Karim Chief Executive Officer	Yusuf H. Shirazi Chairman	H. Masood Sohail Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2004

	Note	2004	2003
		(Rupees in '000's)	
Sales	27	504,984	379,980
Cost of goods sold	28	(413,514)	(321,791)
Gross profit		91,470	58,189
Other income	29	562	1,842
		92,032	60,031
Administrative expenses	30	(26,894)	(20,020)
Selling and distribution expenses	31	(14,544)	(9,891)
Other charges	32	(2,836)	(1,354)
		(44,274)	(31,265)
Operating profit		47,758	28,766
Financial charges	33	(10,897)	(14,837)
Profit before taxation		36,861	13,929
Taxation	34	(12,073)	(7,486)
Profit after taxation		24,788	6,443
Appropriation			
Proposed final dividend @ Rs.1.00/= per share (2003: Rs.0.50 per share)		4,935	2,467
		19,853	3,976
Accumulated losses brought forward		(49,191)	(53,167)
Accumulated losses carried forward		(29,338)	(49,191)
Basic earnings per share	35.1	5.02	1.31
Diluted earnings per share	35.2	2.08	0.54

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

Mohammad Atta Karim Chief Executive Officer	Yusuf H. Shirazi Chairman	H. Masood Sohail Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2004

	Note	2004	2003
		(Rupees in '000's)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	37	50,786	40,958
Financial charges paid		(13,041)	(14,577)
Gratuity paid		(551)	(250)
Deferred cost paid		(2,438)	(1,411)
Tax paid		(2,539)	(1,776)
Net cash generated from operating activities		32,217	22,944
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(52,777)	(18,931)
Long-term deposits - net		262	50
Repayment of long-term loans - net		83	(204)
Proceeds from sale of fixed assets		1,642	3,055
Net cash used in investing activities		(50,790)	(16,030)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long-term finances - net		33,336	(2,302)
Short-term borrowings		44,000	-
Dividend paid		(2,512)	(6)
Net cash generated from/(used in) financing activities		74,824	(2,308)
Net increase in cash and cash equivalents		56,251	4,606
Cash and cash equivalents at the beginning of the year		(46,916)	(51,522)
Cash and cash equivalents at the end of the year		9,335	(46,916)
CASH AND CASH EQUIVALENTS COMPRISE			
Cash and bank balances	15	29,131	9,262
Short-term finances	22	(19,796)	(56,178)
		9,335	(46,916)

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

Mohammad Atta Karim	Yusuf H. Shirazi	H. Masood Sohail
Chief Executive Officer	Chairman	Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2004

(Rupees in '000's)

	Issued, subscribed & paid up capital	Deposit for right shares	Accumulated Losses	Total
Balance as at July 01, 2002	49,347	70,000	(53,167)	66,180
Profit after taxation	-	-	6,443	6,443
Proposed final dividend	-	-	(2,467)	(2,467)
Balance as at June 30, 2003	49,347	70,000	(49,191)	70,156
Profit after taxation	-	-	24,788	24,788
Proposed final dividend	-	-	(4,935)	(4,935)
Balance as at June 30, 2004	49,347	70,000	(29,338)	90,009

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

Mohammad Atta Karim
Chief Executive Officer

Yusuf H. Shirazi
Chairman

H. Masood Sohail
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

1. THE COMPANY AND ITS OPERATIONS

The company was incorporated in Pakistan as a private limited company in 1963 and was converted into a public limited company on July 15, 1966. Its shares are listed on the Karachi and Lahore stock exchanges. It is engaged in manufacturing of components and parts for automotive vehicles and tractors. The registered office of the company is situated at 15th Mile, National Highway, Landhi, Karachi, Pakistan.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except for leasehold land which has been stated at revalued amount and recognition of certain staff retirement benefits at present value.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Tangible fixed assets and depreciation

4.1.1 Owned

These are stated at cost less accumulated depreciation and impairment, if any, except leasehold land and capital work-in-progress which are stated at revalued amount and cost respectively.

Depreciation is charged to income, from the month of acquisition, applying the written down value method and no depreciation in the month of disposal.

Rates of depreciation, which are disclosed in note 5 to the financial statements are designed to write-off the cost over the estimated useful lives of the assets.

Normal repairs and maintenance costs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalised.

Gains and losses on disposal of fixed assets are taken to the profit and loss account.

The company assesses at each balance sheet date whether there is any indication that the carrying values of assets except for inventories and deferred tax assets are reviewed for impairment. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed recoverable amount, assets are written down to the recoverable amount.

4.1.2 Capital work-in-progress

Capital work-in-progress is stated at cost. It consists of expenditure incurred in respect of tangible assets in the course of their construction and installation.

4.1.3 Intangible

Intangible assets are capitalised when it is probable that future economic benefits attributable to the asset will flow to the enterprise and the same shall be amortised applying an appropriate depreciation rate.

4.2 Impairment

The carrying values of assets except for inventories and deferred tax assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

4.3 Deferred cost

The cost of compensation of Voluntary Golden Hand Shake Schemes introduced by the company have been accounted for as deferred cost in accordance with Technical Release (TR-28) issued by Institute of Chartered Accountants of Pakistan. The cost is being amortised over a period of 36 months from the effective date, as the management is of view that the economic benefits of the schemes will flow to the company.

4.4 Stores, spares and loose tools

Stores, spares and loose tools are valued at lower of cost and net realisable value. Cost is determined on a moving average basis except for goods in transit which are valued at invoice price plus other charges paid thereon upto the balance sheet date. Provision is made for slow moving and obsolete items, if any.

Net realisable value signifies the estimated selling price in the ordinary course of business less estimated costs necessary to be incurred to make the sale.

4.5 Stock-in-trade

Stocks, except in transit, are valued at the lower of cost and net realisable value. Costs incurred in bringing raw material to its present location and condition are accounted for at purchase cost using the moving average basis. Stock in transit is stated at invoice price plus other charges paid thereon upto the balance sheet date.

Work-in-process and finished goods consist of direct materials and labour and a proportion of manufacturing overheads.

Net realisable value signifies the estimated selling price in the ordinary course of business less estimated costs necessary to be incurred to make the sale.

4.6 Trade debts

Trade debts originated by the company are recognised and carried at original invoice amount less provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off when identified.

4.7 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any or at the rate of 0.5% of turnover, whichever is higher.

Deferred

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilised.

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

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

4.8 Staff retirement benefits

Defined benefit plan

The company operates an unfunded gratuity scheme as described in note 20 to the financial statements. Annual charge is based on actuarial recommendations. Actuarial valuation of the scheme is carried out annually, using Projected Unit Credit Method and the latest valuation was carried out as at June 30, 2004. Actuarial gains or losses are recognised as income or expense when the cumulative unrecognised actuarial gains or losses for the plan exceed 10% of the defined benefit obligation. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plan.

Defined contribution plan

The company operates a recognised provident fund for its permanent employees. Equal monthly contributions are made to the fund by the company and the employees in accordance with the rules of the scheme.

4.9 Compensated absences

The company accounts for compensated absences on the basis of unavailed earned leave balance of each employee at the end of the year.

4.10 Creditors, accrued and other liabilities

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

4.11 Provisions

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

4.12 Foreign currency translation

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling at the balance sheet date. Exchange differences on foreign currency translations are included in profit and loss account.

4.13 Operating leases

Lease payments under operating leases are recognised as an expense in the profit and loss account on a straight line basis over the respective lease term.

4.14 Revenue recognition

Sales are recognised on dispatch of goods to customers.

4.15 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand, cheques in hand and bank balances net of running finance. The cash and cash equivalents are readily convertible to known amount of cash and are therefore subject to insignificant risk of changes in value.

4.16 Related party transactions and transfer pricing

The company enters into transactions with related parties on an arm's length basis and the transfer price is determined as per the methods prescribed under the Companies Ordinance, 1984.

4.17 Financial instruments

All financial assets and financial liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognised at the time when the company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on recognition/derecognition of the financial assets and financial liabilities is taken to profit and loss account currently.

4.18 Offsetting of financial assets and financial liabilities

A financial asset(s) and a financial liability(ies) is offset and the net amount 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, if any. Corresponding income and expenditure if any, are also netted off and reported on a net basis in the profit and loss account.

5. OPERATING FIXED ASSETS

Statement of tangible fixed assets.

Description	Note	Cost as at July 01, 2003	Additions	(disposals)	Cost as at June 30, 2004	Accumulated depreciation as at July 01, 2003	Depreciation charge for the year	(disposals)	Accumulated depreciation as at June 30, 2004	Book value as at June 30, 2004	Depreciation rate
		(Rupees in thousands)									%
Leasehold land	5.1	118,840	-	-	118,840	-	-	-	-	118,840	-
Building on leasehold land											
Factory		36,715	2,928	-	39,643	29,217	845	-	30,062	9,581	10
Generator		3,741	-	-	3,741	2,055	169	-	2,224	1,517	10
Residential		365	-	-	365	294	4	-	298	67	5
Office		1,745	-	-	1,745	1,165	29	-	1,194	551	5
Plant and machinery		227,531	35,678	(2,279)	260,930	138,314	9,581	(1,891)	146,004	114,926	10
Power generator		56,228	799	-	57,027	28,100	2,871	-	30,971	26,056	10
Electrical fittings		5,864	1,912	-	7,776	3,483	330	-	3,813	3,963	10
Office equipments		2,191	27	-	2,218	1,865	52	-	1,917	301	15
Computers		4,500	470	-	4,970	3,061	473	-	3,534	1,436	30
Furniture and fixtures		3,446	165	-	3,611	2,935	55	-	2,990	621	10
Vehicles		7,898	4,580	(1,182)	11,296	2,675	1,318	(394)	3,599	7,697	20
Waterline and drainage		670	-	-	670	621	5	-	626	44	10
Sui gas line		576	-	-	576	415	16	-	431	145	10
Measuring instruments, dies, jigs, patterns and other equipments		32,784	4,196	-	36,980	20,760	2,844	-	23,604	13,376	20
Bicycles		2	-	-	2	2	-	-	2	-	20
		503,096	50,755	(3,461)	550,390	234,962	18,592	(2,285)	251,269	299,121	
2003		488,145	17,656	(2,705)	503,096	219,018	17,362	(1,418)	234,962	268,134	

5.1 Leasehold land is carried at revalued amount. Had the land been carried under the benchmark treatment, it would have been carried at cost amounting to Rs.0.16 million (refer note 18 to the financial statements).

5.2 Allocation of depreciation charge

	2004	2003
	(Rupees in '000's)	
Cost of goods manufactured	18,313	17,101
Administrative expenses	186	174
Selling and distribution expenses	93	87
	18,592	17,362

5.3 The following assets were disposed off during the year:

Description	Cost	Accumulated Depreciation	Written down value	Sale Proceeds	Gain	Mode of Disposal	Particulars of Buyers
	(Rupees in thousand)						
Plant & Machinery	2,279	1,891	388	390	2	By Negotiation	M/S. Fareed Trading Co. Godown No. 304 Dawood Chaurangi Landhi, Karachi.
Vehicle	479	-	479	490	11	Under Co's Policy	Mr. Jamil Awan (Ex-employee)
Vehicle	62	35	27	62	35	Under Co's Policy	Mr. Shafi Mohammad (Employee)
Vehicle	62	35	27	62	35	Under Co's Policy	Mr. Gull Zaman (Employee)
Vehicle	62	34	28	62	34	Under Co's Policy	Mr. M.Tauheed (Employee)
Vehicle	62	35	27	62	35	Under Co's Policy	Mr. Sarfraz Khan (Employee)
Vehicle	62	35	27	62	35	Under Co's Policy	Mr. Lateef (Employee)
Vehicle	62	35	27	62	35	Under Co's Policy	Mr. Nazeer Masih (Employee)
Vehicle	62	35	27	62	35	Under Co's Policy	Mr. Habibullah (Employee)
Vehicle	62	40	22	62	40	Under Co's Policy	Mr. Ghulam Haider (Employee)
Vehicle	63	36	27	63	36	Under Co's Policy	Mr. Abdul Qamer (Employee)
Vehicle	63	36	27	63	36	Under Co's Policy	Mr. Azam M. Khan (Ex-employee)
Vehicle	62	38	24	62	38	Under Co's Policy	Mr. Mahmood (Employee)
Vehicle	19	-	19	78	59	Under Co's Policy	Mr. Shujatullah (Ex-employee)
	1,182	394	788	1,252	464		
2004	3,461	2,285	1,176	1,642	466		
2003	2,705	1,418	1,287	3,055	1,768		

	Note	2004	2003
		(Rupees in '000's)	
6. CAPITAL WORK-IN-PROGRESS			
Plant and machinery in transit		3,137	524
Dies and jigs in process		160	751
		3,297	1,275
7. LONG-TERM LOANS AND ADVANCES			
Secured, considered good			
Loans to employees - interest bearing	7.1	871	962
Less: current maturity shown under current assets		766	575
		105	387
Long-term advances to employees	7.2	1,519	1,107
Less: current maturity shown under current assets		589	376
		930	731
		1,035	1,118
Outstanding for periods exceeding three years		43	107
Others		2,347	1,962
		2,390	2,069

7.1 These loans carry mark-up at the rate of 1.00% (2003: 1.00%) per month on the outstanding balance and is secured against employee's share of workers' profit participation fund and bonus payable, if any. The loan is repayable in 24 monthly instalments. These are secured against the employee's or guarantor's gratuity, provident fund or any other dues, if any.

7.2 These represent non-interest bearing advances to employees for purchase of motorcycles and are payable by way of a 15.00% upfront and the remaining in 42 equal monthly instalments adjusted against salary. These are secured against employee's or guarantor's gratuity, provident fund or any other dues, if any.

Advances to employees shown under 'Loans, Advances, Deposits, Prepayments and Other receivables' in prior year have been reclassified as 'Long-term Loans and Advances' as the same is considered more appropriate for the purpose of presentation.

	Note	2004	2003
8. LONG-TERM DEPOSITS AND PREPAYMENTS			
Deposits with			
Financial institution		605	759
Utilities		751	785
Suppliers		227	246
Others		88	195
		1,671	1,985
Prepayments	8.1	179	120
Less: current maturity shown within current assets-prepayments		83	76
		96	44
		1,767	2,029

8.1 Long-term prepayments shown under 'Loans, Advances, Deposits, Prepayments and Other receivables' in prior year have been reclassified as 'Long-term Deposits and Prepayments' as the same is considered more appropriate for the purpose of presentation.

	Note	2004 (Rupees in '000's)	2003
9. DEFERRED COST			
Opening balance		5,385	6,983
Incurred during the year	9.1	2,438	1,411
Amortised during the year		(3,384)	(3,009)
Closing balance		4,439	5,385

9.1 During the financial years ended 2002, 2003 and 2004 the company introduced 'Voluntary Golden Hand Shake Schemes' and compensations amounting to Rs.2.438 million (2003: Rs.1.411 million) were paid to the employees retired under the schemes during the year. The cost of compensation paid has been accounted for as deferred cost as per the policy stated in note 4.3 to the financial statements.

	Note	2004	2003
10. STORES, SPARES AND LOOSE TOOLS			
Stores and spares			
In hand		13,746	11,766
In transit		14	5
		13,760	11,771
Loose tools		10,908	8,096
Packing materials		712	593
Electrical goods		545	535
		25,925	20,995
11. STOCK-IN-TRADE			
Raw and ancillary materials			
In hand		37,492	19,777
In transit		9,210	995
		46,702	20,772
Work-in-process	11.1 & 11.2	18,426	19,268
Finished goods	11.3	30,796	18,636
		95,924	58,676

11.1 Included herein are stocks carried at net realisable value amounting to Rs.0.864 million (2003: Rs.1.400 million).

11.2 Included herein are stocks held by third parties amounting to Rs.1.875 million (2003:Rs.2.117 million).

11.3 Included herein are stocks carried at net realisable value amounting to Rs.2.319 million (2003:Rs.2.125 million).

	Note	2004	2003
		(Rupees in '000's)	

12. TRADE DEBTS

Unsecured, considered good

	Note	2004	2003
Due from associated undertakings		4,703	3,377
Others	12.1	29,484	34,053
		34,187	37,430

12.1 These include a receivable from a customer amounting to Rs.2.101 million (2003: Rs.nil) receivable in US Dollars.

12.2 The maximum amount due from associated undertakings at the end of any month during the year was Rs.39.396 million (2003: Rs.30.226 million).

13. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Loans and advances - unsecured, considered good

	Note	2004	2003
Loans to employees - non-interest bearing	13.1	176	202
Current maturity of			
long-term loans to the employees - interest bearing		766	575
advance to employees		589	376
		1,355	951
Advances			
against salary		86	106
against expenses		259	186
to suppliers		1,971	2,814
		2,316	3,106
Deposits, prepayments and other receivables			
Security and trade deposits		103	50
L/C and guarantee margin deposits		66	66
Prepayments		1,026	775
Current maturity of long-term prepayments		83	76
Other receivables		579	570
		1,857	1,537
		5,704	5,796

13.1 Loans to employees shown under 'Long-term loans' in prior year have been reclassified as 'Loans, Advances, Deposits, Prepayments and Other receivables' as the same is considered more appropriate for the purpose of presentation.

14. TAXATION - NET

The income tax assessment of the company has been finalised by the Income Tax Department upto tax year 2003 (accounting year ended June 30, 2003).

	Note	2004	2003
		(Rupees in '000's)	

15. CASH AND BANK BALANCES

		2004	2003
Cash in hand		43	46
Cheques and payorders in hand - subsequently cleared		27,947	7,802
At banks in current accounts		1,141	1,414
		29,131	9,262

16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Number of ordinary shares of Rs.10/- each 2004	Number of ordinary shares of Rs.10/- each 2003		2004	2003
1,871,571	1,871,571	Fully paid in cash	18,716	18,716
49,800	49,800	Issued for consideration other than cash	498	498
3,013,307	3,013,307	Issued as fully paid bonus shares	30,133	30,133
4,934,678	4,934,678		49,347	49,347

17. DEPOSITS FOR RIGHT SHARES

	Note	2004	2003
Directors		17,500	35,000
Others		52,500	35,000
	17.1	70,000	70,000

17.1 This represents amount received in advance from sponsor shareholders for proposed issue of right shares. The Securities and Exchange Commission of Pakistan (SECP) has recommended that this amount should not be shown as part of equity. However, the company has classified this amount as part of equity under the provisions of the Framework to the International Accounting Standards (IAS), which states that funds contributed by shareholders may be classified as part of equity. The company also holds confirmation from all the above contributories that the amounts contributed will only be used towards a subsequent issue of right shares and that no refund or repayment will be demanded, hence it is not considered as a liability.

Furthermore, one of the directors resigned during the year, hence the deposit for right shares of the retiring director has been classified within others.

Subsequently, the Board of Directors in its meeting held on September 22, 2004 has decided to issue Right Shares at par value in proportion of 15 shares for every 10 shares i.e.150%

18. SURPLUS ON REVALUATION OF FIXED ASSET

	Note	2004	2003
	18.1	118,680	118,680

18.1 Leasehold land costing Rs.0.160 million was revalued by Razzaque Umrani & Co., Engineers and Surveyors on June 20, 1998 resulting in surplus amounting to Rs.118.680 million which has been credited to surplus on revaluation of fixed asset account. The basis of revaluation was market value.

	Note	2004	2003
		(Rupees in '000's)	
19. LONG-TERM LOANS			
Secured			
From financial institutions:			
From associated undertakings			
Local currency loan - I	19.1	17,500	27,500
Local currency loan - II		-	4,025
		17,500	31,525
From banking companies:			
Local currency loan - III	19.2	25,000	-
Local currency loan - IV	19.3	21,944	-
Local currency loan - V	19.4	18,750	-
Local currency loan - VI		-	8,333
Local currency loan - VII		-	10,000
		65,694	18,333
		83,194	49,858
Less: Current maturity of long-term loans		33,819	15,157
		49,375	34,701
Unsecured			
From directors		10,000	20,000
Others		30,000	20,000
	19.5	40,000	40,000
		89,375	74,701

19.1 This represents the balance of a loan facility of Rs.30.000 million obtained from a financial institution for financing the purchase of fixed assets of the company. The loan is repayable in 12 equal quarterly instalments commencing from April 30, 2003 and carries mark-up at the last 6 months Treasury Bill cut-off yield at the beginning of each quarter plus 4.10% per annum, with a floor of 5.75% per annum and a cap of 9.75% per annum. The loan is secured by a registered hypothecation on all present and future fixed assets of the company with a 25% margin.

19.2 This represents the balance of a loan facility of Rs.30.000 million obtained from a banking company for financing debt swap and capacity expansion. The loan is repayable in 12 equal quarterly instalments commencing from March 30, 2004 and carries mark-up at 6 months Treasury Bill last auctioned cut-off rate plus 4.00% per annum with no floor and cap. The loan is secured by pari passu hypothecation charge over company's fixed assets and equitable mortgage over land and building for Rs.40.000 million.

19.3 This represents the balance of a loan facility of Rs.35.000 million obtained from a banking company for financing the purchase of fixed assets of the company. The loan is repayable in 12 equal quarterly instalments commencing from October 14, 2004 and carries mark-up at the last 6 months Treasury Bill cut-off yield plus 4.00% per annum with no floor and cap. The loan is secured by first registered charge over fixed assets for Rs.59.820 million.

19.4 This represents the balance of a loan facility of Rs.25.000 million obtained from a banking company for financing the purchase of fixed assets of the company. The loan is repayable in 12 equal quarterly installments commencing from December 22, 2003 and carries mark-up at 6 months Treasury Bill last auctioned rate plus 3.75% per annum with a floor of 6.25% per annum and a cap of 12.00% per annum. The loan is secured by first pari passu charge over fixed assets for Rs.34.000 million.

19.5 These represent interest free loans from directors and their relatives. The repayment terms are not yet finalised, however, these are not repayable in the next 12 months. Furthermore, one of the directors resigned during the year, hence the amount contributed by the retiring director has been classified within others.

20. DEFERRED LIABILITY - GRATUITY

Defined benefit plan

20.1 General Description

The company operated an unfunded gratuity scheme before the introduction of the provident fund in 1974. On introduction of the provident fund the employees were given the option to either continue with the gratuity scheme or join the provident fund. Those employees who opted to join the provident fund were entitled to gratuity upto the period of joining the provident fund and provision in this respect was duly made at that time. The company entered into an agreement with the Collective Bargaining Agent (CBA), whereby the workers who opted for the provident fund scheme are also entitled to gratuity for four days for each completed year of service.

Annual charge is based on actuarial valuation carried out as at June 30, 2004, using the Projected Unit Credit Method.

The company also established unfunded gratuity scheme for its management staff with effect from July 01, 2003 which was approved by the Commissioner of Income Tax in October 2002.

	Management 2004	Management 2003	Non-Management 2004	Non-Management 2003	Total 2004	Total 2003
	---------- Rupees in thousands ----------					
20.2 Principal actuarial assumptions:						
Discount rate	8%	-	8%	10%		
Expected rate of increase in salary for management staff and non-management staff	7%	-	7%	7%		
Expected rate of return on investment	8%	-	-	-		
20.3 Reconciliation of payable to defined benefit plan						
Present value of defined benefit obligation (actuarial liability)	10,210	-	7,520	8,431	17,730	8,431
Unrecognised actuarial gain	-	-	2,170	919	2,170	919
Unrecognised non-vested liability	(398)	-	-	-	(398)	-
Unrecognised transitional liability	-	-	-	(1,044)	-	(1,044)
Balance at end	9,812	-	9,690	8,306	19,502	8,306
20.4 Movement of the liability recognized in the balance sheet						
Opening net liability	-	-	8,306	6,495	8,306	6,495
Charge for the year	9,812	-	1,935	2,061	11,747	2,061
Benefit paid during the period	-	-	(551)	(250)	(551)	(250)
Closing net liability	9,812	-	9,690	8,306	19,502	8,306
20.5 Charge for the year						
Current service cost	-	-	377	271	377	271
Interest cost	-	-	614	766	614	766
Past service cost	9,812	-	-	-	9,812	-
Amortization of transitional obligation	-	-	1,044	1,043	1,044	1,043
Amortization of actuarial gain	-	-	(100)	(19)	(100)	(19)
Charge for the year	9,812	-	1,935	2,061	11,747	2,061

	Note	2004 (Rupees in '000's)	2003
21. DEFERRED TAXATION			
This comprises the following:			
Deferred tax liabilities			
Difference in accounting and tax base of fixed assets		30,703	25,650
Difference in accounting and tax base of deferred cost		1,554	-
Deferred tax assets			
Provision for gratuity		(6,871)	(2,907)
Assessed losses brought forward	34.1	(5,576)	(12,481)
		19,810	10,262
22. SHORT-TERM FINANCES			
Running finances - secured	22.1 & 22.2	19,796	56,178

22.1 These are under mark-up arrangements and are secured by first pari passu joint hypothecation of stocks and book debts of the company. The rate of mark-up ranges between 4.50% to 6.50% (2003: 6.50% to 9.00%) per annum calculated on a daily product basis payable quarterly.

22.2 The unutilised credit facility for short term finance amounts to Rs.50.204 million (2003: Rs.36.822 million).

23. SHORT-TERM BORROWINGS

	Note	2004	2003
Money market borrowings - secured	23.1	44,000	-

23.1 These are money market borrowings from banking companies for working capital management. These are under mark-up arrangements and are secured by first pari passu joint hypothecation of stocks and book debts of the company. The rate of mark-up ranges between 3.55% to 5.00% (2003: nil) per annum calculated on a quarterly basis.

24. CREDITORS AND ACCRUED LIABILITIES

	Note	2004	2003
Creditors		13,911	11,013
Bills payable		2,965	7,331
Sales tax payable - net		3,797	2,076
Royalty payable	24.1	12,266	8,917
Technical fee payable	24.2	4,085	4,054
Provision for bonus		3,395	753
Accrued mark-up/interest			
secured long-term loans		473	1,818
secured short-term finances		203	1,002
secured short-term borrowing		346	-
		1,022	2,820
Accrued liabilities		12,605	12,229
		54,046	49,193

24.1 This includes an amount of Rs.2.416 million (2003: Rs.1.959 million) payable in US Dollars and an amount of Rs.9.850 million (2003: Rs.6.958 million) payable in Japanese Yen.

24.2 This amount is payable in US Dollars.

	Note	2004	2003
		(Rupees in '000's)	
25. OTHER LIABILITIES			
Deposits from employees	25.1	2,228	1,828
Security deposits		15	15
Advances from customers - interest bearing	25.2	589	-
- non-interest bearing	25.3	1,261	1,728
Workers' profit participation fund	25.4	1,909	733
Unclaimed dividends		183	228
Others		974	1,055
		7,159	5,587

25.1 These represent deposit from employees under the company's vehicle scheme.

Deposits from employees shown under 'Long-term deposits' in prior year have been reclassified as 'Other liabilities' as the same is considered more appropriate for the purpose of presentation.

25.2 This represents an amount due to an associated undertaking aggregated to Rs.0.589 million (2003: Rs.nil) secured against a guarantee of Rs.0.900 million from an associated undertaking as disclosed in note 26.2.2 to the financial statements and carry mark-up at the rate of 13.00% (2003: nil) per annum.

25.3 This amount includes an amount due to an associated undertaking aggregated to Rs.nil (2003: Rs.0.868 million).

25.4 Workers' profit participation fund

	2004	2003
Balance at the beginning of the year	733	184
Interest on fund utilised in company's business	42	40
	775	224
Allocation for the year	1,909	733
	2,684	957
Less: Amount paid during the year	775	224
Balance at the end of the year	1,909	733

26. CONTINGENCIES AND COMMITMENTS

26.1 Contingencies

Electricity charges

Karachi Electric Supply Corporation Limited (KESC) raised a demand of Rs.12.285 million on the plea that they erred in billing, which the company has contended and the case is before the Honourable High Court of Sindh. The Honourable Court issued stay order on May 26, 1989 for making payments against the remaining disputed demand. The company till the date of stay order had paid under protest Rs.7.850 million.

In addition, an associated undertaking has issued a guarantee in the sum of Rs.4.000 million to the KESC. The company is confident that the appeal will be decided in its favour hence, no provision has been made in this respect.

26.2 Commitments

		(Rupees in '000's) 2004	2003
26.2.1	Bank guarantees		
	In favour of Sui Southern Gas Company	8,009	8,034

These guarantees are secured by first pari passu hypothecation charge over stocks and book debts of the company of Rs.65.000 million (2003: Rs.65.000 million).

		2004	2003
26.2.2	Insurance company guarantees		
	(i) Against advances from customers	900	900
	(ii) In favour of Karachi Electric Supply Corporation	4,000	4,000
		4,900	4,900
26.2.3	Post dated cheques for difference in custom duties	-	2,507

26.2.4 Commitments under letters of credit for other than capital expenditure, contracts and guarantees at the end of the year amounted to Rs.30.362 million (2003: Rs 22.061 million).

26.2.5 Commitments in respect of capital expenditure as at June 30, 2004 amounted to Rs.41.995 million (2003: Rs. nil).

26.2.6 Commitments for rentals under lease agreements in respect of vehicles are as follows:

	2004	2003
Payable within one year	1,112	1,321
Payable after one year	621	1,924
	1,733	3,245

	Note	2004	2003
		(Rupees in '000's)	
27. SALES			
Gross sales		582,387	438,538
Less: Sales tax		77,403	58,558
		504,984	379,980
28. COST OF GOODS SOLD			
Raw and ancillary materials consumed		228,388	163,550
Salaries, wages and benefits	28.1	90,238	75,674
Spare parts and other maintenance		28,008	22,973
Packing materials consumed		5,549	5,073
Fuel, water and power		41,828	33,067
Rent, rates and taxes		297	328
Insurance		1,033	996
Training expenses		370	158
Repairs and maintenance			
Factory building and electrical fittings		3,369	2,019
Furniture, fittings and office equipments		206	189
Depreciation	5.2	18,313	17,101
Royalties and technical fee		5,362	3,990
Printing and stationery		641	579
Postage, telephone and telegrams		886	618
Subscriptions		88	74
General expenses		256	356
		424,832	326,745
Opening work-in-process		19,268	16,032
Closing work-in-process		(18,426)	(19,268)
		842	(3,236)
Cost of goods manufactured		425,674	323,509
Opening stock of finished goods		18,636	16,918
Closing stock of finished goods		(30,796)	(18,636)
		(12,160)	(1,718)
		413,514	321,791

28.1 Salaries, wages and benefits include Rs.9.386 million (2003: Rs.4.996 million) in respect of staff retirement benefits.

	2004	2003
29. OTHER INCOME		
Profit on sale of fixed assets	466	1,768
Mark-up on loans to employees	96	74
	562	1,842

	Note	2004	2003
		(Rupees in '000's)	
30. ADMINISTRATIVE EXPENSES			
Salaries and allowances	30.1	17,962	11,550
Directors' fee		8	8
Lease rentals		1,045	1,194
Printing and stationery		448	404
Postage, telephone and telegrams		650	460
Business promotion expenses		135	195
Subscriptions		195	232
Travelling and conveyance		1,241	1,268
Insurance		474	457
General expenses		255	407
Medical expenses		344	355
Training expenses		37	69
Tax on callings and professions		15	15
Advertisement and publicity		214	62
Repairs and maintenance of furniture, fittings and office equipment		166	161
Depreciation	5.2	186	174
Deposits written-off		135	-
Amortisation of deferred cost	9	3,384	3,009
		26,894	20,020

30.1 Salaries and allowances include Rs.5.190 million (2003: Rs.0.827 million) in respect of staff retirement benefits.

	Note	2004	2003
31. SELLING AND DISTRIBUTION EXPENSES			
Salaries and allowances	31.1	5,924	3,930
Rent, rates and taxes		129	119
Lease rentals		116	132
Cartage and octroi		1,589	1,364
Printing and stationery		192	173
Postage, telephone and telegrams		265	186
Business promotion expenses		54	41
Subscriptions		41	48
Travelling and conveyance		1,573	1,636
Insurance		186	180
General expenses		58	34
Medical expenses		114	113
Tax on callings and professions		5	5
Advertisement and publicity		4,143	1,786
Repairs and maintenance of furniture, fittings and office equipment		62	57
Depreciation	5.2	93	87
		14,544	9,891

31.1 Salaries and allowances include Rs.1.477 million (2003: Rs.0.218 million) in respect of staff retirement benefits.

	Note	2004	2003
		(Rupees in '000's)	
32. OTHER CHARGES			
Legal and professional charges		644	378
Auditors' remuneration	32.1	283	243
Workers' profit participation fund	25.4	1,909	733
		2,836	1,354
32.1 Auditors' remuneration			
Audit fee		150	120
Special reports and sundry services		108	101
Out-of-pocket expenses		25	22
		283	243
33. FINANCIAL CHARGES			
Mark-up on long-term loans - secured		5,301	6,841
Mark-up on short-term finances - secured		3,820	7,203
Mark-up on short-term borrowings - secured		346	-
Mark-up on advances from customers - secured		323	-
Bank and other allied charges		1,065	752
Interest on workers' profit participation fund		42	41
		10,897	14,837
34. TAXATION			
For the year			
Current		2,525	1,900
Deferred		9,548	5,586
	34.1	12,073	7,486
34.1 Relationship between income tax expense and accounting profit			
Profit before taxation		36,861	13,929
Tax applicable rate of 35% (2003: 35%)		12,910	4,875
Tax effect of expenses that are not deductible in determining taxable profit		8,870	7,322
Tax effect of exempt income and expenses that are deductible from but are not included in accounting profit		(14,616)	(5,757)
Tax charge for current year based on current year income		7,164	6,440
Tax effect of brought forward assessed losses		(12,740)	(18,921)
Effect of tax losses carried forward to deferred taxation		(5,576)	(12,481)
In view of brought forward losses, tax has been computed under section 113 of the Income Tax Ordinance, 2001		2,525	1,900
Deferred tax for the period		9,548	5,586
Tax charge for the year		12,073	7,486

	(Rupees in '000's) 2004	2003
35. EARNINGS PER SHARE		
35.1 Basic earnings per share		
Profit after tax	24,788	6,443
	Number of shares	
Weighted average number of ordinary shares outstanding during the year	4,934,678	4,934,678
	(Rupees)	
Earnings per share	5.02	1.31
	Rupees in thousands	
35.2 Diluted earnings per share		
Profit after tax	24,788	6,443
	Number of shares	
Weighted average number of ordinary shares outstanding during the year	4,934,678	4,934,678
Deposits for right shares	7,000,000	7,000,000
	11,934,678	11,934,678
	(Rupees)	
Diluted earnings per share	2.08	0.54

36. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

(Rupees in '000's)

	Chief Executive		Executives	
	2004	2003	2004	2003
Managerial remuneration	1,499	1,035	5,696	5,369
Rent	675	466	2,482	2,341
Medical expenses	23	12	222	231
Retirement benefits	150	104	578	544
Reimbursable expenses	145	110	703	537
	2,492	1,727	9,681	9,022
Number of persons	1	1	18	19

36.1 The Chief Executive and some executives are provided with free use of company maintained cars.

	Note	2004	2003
		(Rupees in '000's)	

37. CASH GENERATED FROM OPERATIONS

	Note	2004	2003
Profit before taxation		36,861	13,929
Adjustments for:			
Depreciation		18,592	17,362
Profit on sale of fixed assets		(466)	(1,768)
Amortisation of deferred cost		3,384	3,009
Provision for gratuity		11,747	2,061
Financial expenses		10,897	14,763
		44,154	35,427
Operating profit before working capital changes		81,015	49,356
Working capital changes	37.1	(30,229)	(8,398)
Cash generated from operations		50,786	40,958

37.1 Working capital changes

	2004	2003
Increase in stock-in-trade	(42,178)	(5,213)
Decrease in trade debts	3,243	2,692
Decrease in loans, advances, deposits, prepayments and other receivables	92	916
Increase / (Decrease) in creditors, accrued and other liabilities	8,614	(6,793)
	(30,229)	(8,398)

38. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS/ RELATED PARTIES

(Rupees in '000's)

Name of Related Parties and Nature of Relationships	Nature of Transaction	Transaction Value 2004	Transaction Value 2003
Atlas Honda Limited	Sales of motorcycle parts	255,157	137,841
(Common directorship)	Purchase of scrap	5,247	2,708
	Purchase of motorcycles	1,226	770
	Expenses charged by them to us	83	74
	Expenses charged by us to them	114	-
Honda Atlas Cars (Pakistan) Limited (Common directorship)	Sale of auto parts	42,563	41,898
Atlas Investment Bank Limited	Medium term loan	-	34,600
(Common directorship)	Loan repaid	14,025	3,075
	Interest expense	2,013	878
Shirazi Investments (Private) Limited	Internet service	85	78
(Common directorship)	Expenses paid on our behalf	124	-
	Dividend paid	1,435	-
Shirazi Trading Company (Private) Limited	Photocopier spares and service	212	143
(Common directorship)	Purchase of computers	476	469
Shirazi Foundation	Rent of premises	95	86
Muslim Insurance Company Limited (Common directorship)	Insurance premium	4,355	3,688
Atlas Battery Limited	Expenses charged by them to us	47	-
(Common directorship)	Expenses charged by us to them	136	-
Total Atlas Lubricants (Private) Limited (Common directorship)		-	-
Atlas Asset Management Company Limited (Common directorship)		-	-
Honda Atlas Power Products (Private) Limited (Common directorship)		-	-

The transactions with associated undertakings are in normal course of business at contracted rates and terms determined in accordance with market rates.

39. PRODUCTION

The production capacity of the plant cannot be determined as this depends on the relative proportions of various types of components and parts of vehicles and tractors produced.

40. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the company's performance to developments affecting a particular industry.

The company is exposed to credit risk on trade debts, loans and advances and long-term deposits. The company seeks to minimise the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The significant concentration of the company's trade debts, loans and advances and long-term deposits is as follows:

	2004			2003		
	Trade debts	Long term Loans and advances	Long term deposits and prepayments	Trade debts	Long term Loans and advances	Long term deposits and prepayments
	Rupees in thousands			Rupees in thousands		
Original Equipment Manufacturers	12,170	-	-	19,129	-	-
Replacement market	19,916	-	-	17,674	-	-
Others	2,101	2,390	1,767	627	2,069	2,029
	34,187	2,390	1,767	37,430	2,069	2,029

41. LIQUIDITY RISK

Liquidity risk is the risk that the company will be unable to meet its funding requirements. To guard against the risk, the company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents. The maturity profile is monitored to ensure adequate liquidity is maintained.

42. YIELD/MARK-UP RATE RISK

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 financial liabilities that mature or reprice in a given period. The company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The company is exposed to yield / mark-up rate risk in respect of the following:

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	Effective yield / mark-up rate %	Exposed to yield / mark-up rate risk: Maturity upto one year	Exposed to yield / mark-up rate risk: Maturity after one year	Exposed to yield / mark-up rate risk: Sub-total	Non-Interest / Mark-up bearing: Maturity upto one year	Non-Interest / Mark-up bearing: Maturity after one year	Non-Interest / Mark-up bearing: Sub-total	Total
		(Rupees in thousands)						
Financial Assets								
Long-term loans and advances	12.00	766	105	871	-	-	-	871
Long-term deposits and prepayments	-	-	-	-	-	1,671	1,671	1,671
Trade debts	-	-	-	-	34,187	-	34,187	34,187
Loans, advances, deposits, prepayments and other receivables	-	-	-	-	169	-	169	169
Cash and bank balances	-	-	-	-	29,131	-	29,131	29,131
		766	105	871	63,487	1,671	65,158	66,029
Financial Liabilities								
Long-term loans	2.86 - 7.52	33,819	49,375	83,194	-	40,000	40,000	123,194
Short-term finances	4.50 - 6.50	19,796	-	19,796	-	-	-	19,796
Short-term borrowings	3.55 - 5.00	44,000	-	44,000	-	-	-	44,000
Creditors and accrued liabilities	-	-	-	-	50,249	-	50,249	50,249
Other liabilities	-	-	-	-	7,159	-	7,159	7,159
Proposed final dividend	-	-	-	-	4,935	-	4,935	4,935
		97,615	49,375	146,990	62,343	40,000	102,343	249,333
Total yield / mark-up rate risk sensitivity gap		(96,849)	(49,270)	(146,119)	1,144	(38,329)	(37,185)	(183,304)
Cumulative yield / mark-up rate risk sensitivity gap		(96,849)	(146,119)		1,144	(37,185)		

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	Effective yield / mark-up rate %	Exposed to yield / mark-up rate risk: Maturity upto one year	Exposed to yield / mark-up rate risk: Maturity after one year	Exposed to yield / mark-up rate risk: Sub-total	Non-Interest / Mark-up bearing: Maturity upto one year	Non-Interest / Mark-up bearing: Maturity after one year	Non-Interest / Mark-up bearing: Sub-total	Total
		(Rupees in thousands)						
Financial Assets								
Long-term loans and advances	12.00	777	387	1,164	-	-	-	1,164
Long-term deposits and prepayments	-	-	-	-	-	1,544	1,544	1,544
Trade debts	-	-	-	-	37,430	-	37,430	37,430
Loans, advances, deposits, prepayments and other receivables	-	-	-	-	116	-	116	116
Cash and bank balances	-	-	-	-	9,262	-	9,262	9,262
		777	387	1,164	46,808	1,544	48,352	49,516
Financial Liabilities								
Long-term loans	4.18 - 11.76	15,157	34,701	49,858	-	40,000	40,000	89,858
Short-term finances	6.50 - 9.00	56,178	-	56,178	-	-	-	56,178
Short-term borrowings	-	-	-	-	-	-	-	-
Creditors and accrued liabilities	-	-	-	-	47,117	-	47,117	47,117
Other liabilities	-	-	-	-	5,587	-	5,587	5,587
Proposed final dividend	-	-	-	-	2,467	-	2,467	2,467
		71,335	34,701	106,036	55,171	40,000	95,171	201,207
Total yield / mark-up rate risk sensitivity gap		(70,558)	(34,314)	(104,872)	(8,363)	(38,456)	(46,819)	(151,691)
Cumulative yield / mark-up rate risk sensitivity gap		(70,558)	(104,872)		(8,363)	(46,819)		

43. FOREIGN EXCHANGE RISK MANAGEMENT

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions with foreign undertakings. Financial liabilities include Rs.16.351 million (2003: Rs.16.248 million) in foreign currencies and financial assets included Rs.2.101 million (2003: Rs.nil) which are subject to currency risk exposure.

44. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

The estimated fair value of all the financial assets and liabilities are not materially different from their book values at the balance sheet date.

Underlying the definition of fair value is the presumption that the company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

	2004	2003
45. NUMBER OF EMPLOYEES	436	464

46. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 22, 2004 by the Board of Directors of the Company.

47. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Mohammad Atta Karim	Yusuf H. Shirazi	H. Masood Sohail
Chief Executive Officer	Chairman	Director

PATTERN OF SHAREHOLDING
AS AT 30 JUNE 2004

NUMBER OF SHAREHOLDERS	*SHARE HOLDING FROM	TO		TOTAL SHARES HELD
328	1	100	Shares	11,079
306	101	500	Shares	79,993
132	501	1,000	Shares	101,799
91	1,001	5,000	Shares	197,226
13	5,001	10,000	Shares	88,865
2	15,001	20,000	Shares	36,000
1	20,001	25,000	Shares	22,000
1	25,001	30,000	Shares	25,943
1	30,001	35,000	Shares	30,630
1	50,001	55,000	Shares	51,085
1	95,001	100,000	Shares	100,000
1	140,001	145,000	Shares	141,768
4	290,001	295,000	Shares	1,178,838
1	2,865,001	2,870,000	Shares	2,869,452
883				4,934,678

* Note: There is no shereholding in the slabs not mentioned.

CATEGORIES OF SHAREHOLDERS

	Number	Shares held	Percentage
Associated Undertakings and Related Parties			
Shirazi Investments (Pvt) Ltd.	1	2,869,452	58.15
Muslim Insurance Company Ltd.	1	141,768	2.87
	2	3,011,220	61.02
NIT, ICP & PICIC			
National Investment Trust	1	51,085	1.04
Investment Corporation of Pakistan	1	1,071	0.03
PICIC Investment Fund	1	100,000	2.03
	3	152,156	3.10
Directors / spouse			
Mr. Yusuf H. Shirazi /Mrs.Khawar Shirazi	1	25,943	0.53
Mr. Iftikhar H. Shirazi	1	294,711	5.97
	2	320,654	6.50
Executive	-	-	-
Public Sector Companies & Corporation	-	-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions , Insurance Companies, Modarbas & Mutual Funds	22	82,044	1.66
Shareholders holding ten percent or more voting interest in the company.	-	-	-
Individuals	850	1,362,489	27.60
Others			
SECP	1	1	
The Nazir, High Court of Sindh, Karachi	1	206	0.02
The Administrator, Abondoned Properties.	1	908	
Trusts	1	5,000	0.10
	4	6,115	0.12
	883	4,934,678	100

ATLAS GROUP COMPANIES

Company	Year of Establishment/ Acquisition*
Shirazi Investments (Pvt) Ltd.	1962
Atlas Honda Ltd.	1962
Atlas Battery Ltd.	1966
Shirazi Trading Co. (Pvt) Ltd.	1973
Muslim Insurance Co. Ltd.	1980*
Allwin Engineering Industries Ltd.	1981*
Atlas Investment Bank Ltd.	1990
Honda Atlas Cars (Pakistan) Ltd.	1992
Honda Atlas Power Product (Pvt) Ltd.	1997
Total Atlas Lubricants Pakistan (Pvt) Ltd.	1997
Atlas Asset Management Company Ltd.	2002

The Secretary
Allwin Engineering Industries Limited
15th Mile, National Highway,
Landhi, Karachi-75120

Registered Folio/ Participant's ID No. & A/c. No.
No. of Shares held

FORM OF PROXY

I/We____

of______________________________ in the district of ____________________

being member(s) of Allwin Engineering Industries Limited, and a holder of____________________

____

Shares Nos.____ hereby appoint

Mr./Mrs./Miss____

of______________________________ in the district of ____________________

who is also a member of the Company, as proxy in my absence to attend and to vote for me, and on my behalf at the Annual General Meeting of the Company to be held on 25th October 2004 at 2:00 p.m. at Corporate Office, 8th Floor, Adamjee House, I.I. Chundrigar Road, Karachi and at any adjournment thereof.

As witness my hand this ____________________ day of ____________________ 2004.

Signed by the said in the presence of

Address ____________________
____
____

Affix
Revenue
Stamp
Signature

(Signature should agree with the specimen signature registered with the Company)

Notes:

1. The Proxy Form should be deposited in the Registered Office of the Company as soon as possible but not less than 48 hours before the time of holding the meeting, and in default Proxy Form will not be treated as valid.

2. No person shall act as proxy unless he/she is a member of the Company.

AFFIX
POSTAGE

The Secretary
Allwin Engineering Industries Limited
15th Mile, National Highway,
Landhi, Karachi-75120

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