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	Aamir H. Shirazi
	Frahim Ali Khan
	Iftikhar H. Shirazi
	Jawaid Iqbal Ahmed
	Mohammad Habib-ur-Rahman
	Vazeer Ali
Company Secretary	Fida Hussain Zahid

GROUP EXECUTIVE COMMITTEE

Chairman	Aamir H. Shirazi
Members	Frahim Ali Khan
	Iftikh ar H. Shirazi
	Jawaid Iqbal Ahmed
	Saquib H. Shirazi
Secretary	Theresa Dias

GROUP PERSONNEL COMMITTEE

Chairman	Yusuf H. Shirazi
Members	Aamir H. Shirazi
	Javed Haider Malik

GROUP SYSTEMS & TECHNOLOGY COMMITTEE

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

AUDIT COMMITTEE

Chairman	Mohammad Habib-ur-Rahman
Members	Aamir H. Shirazi
	Iftikhar H. Shirazi
Chief Internal Auditor	Syed Abdul Majid
Secretary	Shah Jalaluddin

COMPANY INFORMATION

MANAGEMENT COMMITTEE

Chief Executive Officer	Mohammad Atta Karim
Chief Financial Officer	Syed Naushad Ali
General Manager Plant	Col. (R) 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 ADVISORS	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: C/o Atlas Battery Limited, Salam Chamber, 21 Link Mcleod Road., Lahore. Phones: 7227075-7354245 Fax: 7352724 Mobile: 0333-4239003
	Multan Office: C/o Atlas Honda Limited, Azmat Wasti Road, Multan. Phone: 512181, 548017 Fax: 541690
	Faisalabad Office: C/o Atlas Battery Limited, No. 54, Chanab Market, Madina Town, Faisalabad. Phone: 549376 Fax: 726628
	Rawalpindi Office: C/o Atlas Battery Limited, 312, R-A-Bazar, Kashmir Road., Rawalpindi Phone: 5567423 Fax: 5567423 Mobile: 0333-5129411

NOTICE OF MEETING

Notice is hereby given that the 41st 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 29th October 2003 at 9:00 a.m. to transact the following business:

1. To confirm the minutes of the 40th Annual General Meeting held on 24th October 2002.

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 2003.

3. To consider and approve the cash dividend Rs. 0.50 per share i.e. 5% for the year ended 30th June 2003 as recommended by the Board of Directors.

4. To appoint Auditors for the year 2003-2004 and to fix their remuneration.

5. To transact any other business with the permission of the chair.

BY ORDER OF THE BOARD

Karachi: 18th September 2003

SECRETARY

NOTES:

1. The Share Transfer Books of the Company will remain closed from 22 October to 29 October 2003 (both days inclusive)

2. 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.

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

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

5. For the convenience of the shareholder a Proxy Application Form is attached with this report.

6. Shareholders are requested to immediately notify the Company of any change in their addresses.

7. 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 the usual documents required for such purpose.

KEY PERFORMANCE AND FINANCIAL DATA

(Rupees in 000's)

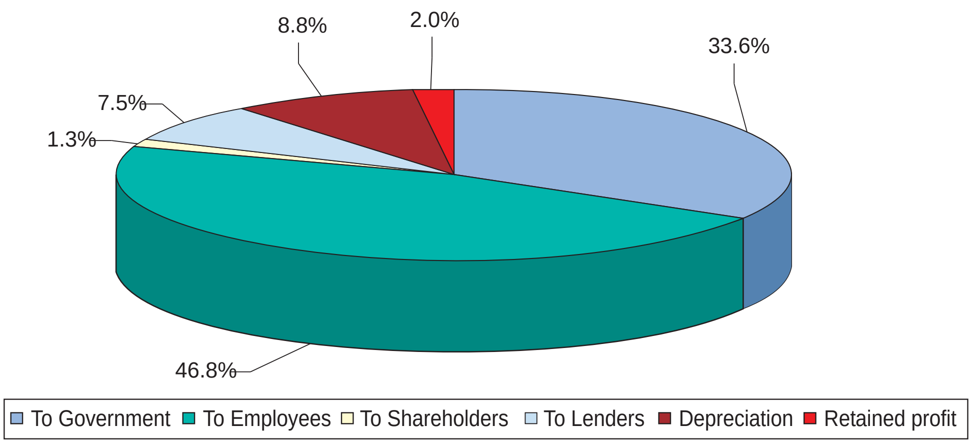
Particulars	2003	2002	2001	2000	1999	1998	1997
Sales	379,980	382,249	405,835	414,180	375,329	301,466	300,061
Gross Profit	58,189	46,908	54,437	61,866	62,647	19,662	21,310
Operating Profit	28,692	22,788	27,080	31,896	32,373	(12,728)	(11,080)
Profit Before Taxation	13,929	3,505	8,092	7,949	44	(41,466)	(42,889)
Profit After Taxation	6,443	(5,392)	6,028	5,904	(1,537)	(42,981)	(49,021)
Share Capital	49,347	49,347	49,347	49,347	49,347	49,347	49,347
Reserves	139,489	135,513	139,759	133,731	127,827	99,364	3,665
Shareholders' Equity	188,836	184,860	189,106	183,078	177,174	148,711	53,012
Fixed Assets - Net	269,409	269,127	280,925	283,753	297,339	312,067	158,939
Total Assets	410,687	404,903	433,703	430,427	433,292	470,015	311,694
Current Assets	133,521	126,575	150,988	144,852	134,877	150,776	146,224
Long Term Liabilities	94,352	81,701	78,473	68,672	61,965	127,585	70,666
Deferred Liabilities	18,568	11,171	6,139	5,139	4,139	3,220	3,459
Ratios:							
Profitability (%)							
Gross Profit	15.31	12.27	13.41	14.94	16.69	6.52	7.10
Profit Before Tax	3.67	0.92	1.99	1.92	0.01	(13.75)	(14.29)
Profit After Tax	1.70	(1.41)	1.49	1.43	(0.41)	(14.26)	(16.34)
Return to Shareholders							
Dividend %	5.00	5.00					
ROE - Before Tax %	7.38	1.90	4.28	4.34	0.02	(27.88)	(80.90)
ROE - After Tax %	3.41	(2.92)	3.19	3.22	(0.87)	(28.90)	(92.47)
Return on Capital Employed %	1.80	(1.55)	1.74	1.89	(0.49)	(11.92)	(23.00)
E.P.S. - After Tax - Rs.	1.31	(1.09)	1.22	1.20	(0.31)	(8.71)	(9.93)
Price Earning Ratio	11.49	(5.95)	4.09	5.85	(22.58)	(0.52)	(0.91)
Market Price (June 30)	15.00	6.50	5.00	7.00	7.00	4.50	9.00
Activity (Times)							
Sales to Total Assets	0.93	0.94	0.94	0.96	0.87	0.64	0.96
Sale to Fixed Assets	1.42	1.42	1.44	1.46	1.27	0.97	1.89
Inventory Turnover	5.48	6.37	4.59	5.82	5.34	4.30	4.60
Interest Cover Ratio	1.94	1.18	1.46	1.36	0.86	(0.44)	(0.35)
Liquidity/ Leverage							
Current Ratio (Times)	1.19	1.09	1.10	0.97	0.81	0.86	0.85
Break up Value per Share (Rs)	14.22	13.41	14.27	13.05	11.85	6.09	10.74
Long Term debts to Equity (Times)	0.32	0.33	0.35	0.34	0.33	0.49	0.61
Total Liabilities to Equity (Times)	0.54	0.54	0.56	0.57	0.59	0.68	0.83

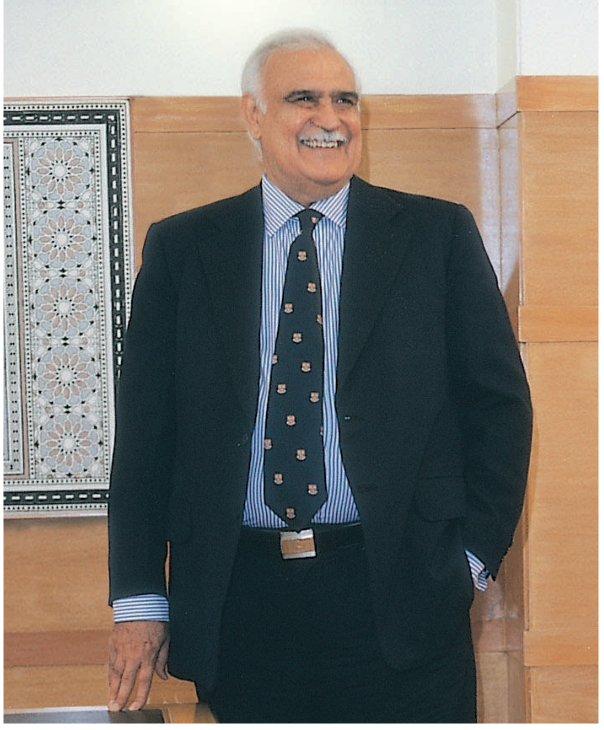
STATEMENT OF VALUE ADDITION

(Rupees in 000's)

	2003	% Age	2002	% Age
WEALTH GENERATED				
Total Revenue	440,306		444,551	
Material & Services (excluding duties)	(243,807)		(250,934)	
	196,499	100.0%	193,617	100.0%
WEALTH DISTRIBUTED				
To Government				
Sales Tax, Income Tax, Import Duty	66,044	33.6%	67,687	35.0%
To Employees				
Salaries, benefits and related cost	91,887	46.8%	94,011	48.5%
To Providers of Capital				
Dividend to Shareholders	2,467	1.3%	1,057	0.5%
Markup on borrowed funds	14,763	7.5%	19,283	10.0%
	17,230	8.8%	20,340	10.5%
Retained with the Business				
Depreciation	17,362	8.8%	18,028	9.3%
Retained profit	3,976	2.0%	(6,449)	(3.3%)
	21,338	10.8%	11,579	6.0%
	196,499	100.0%	193,617	100.0%

WEALTH DISTRIBUTION 2002 - 03





CHAIRMAN'S REVIEW

It is my pleasure to present to you the 41st Annual Audited Report and review of the performance of your Company for the year ended 30 June 2003.

The Economy

Despite a sluggish global economy, Pakistan's economic performance for the year 2002-03 stands out. The GDP growth at 5.1% compares favourably with the global economic growth of around 2%. The growth was not only broad based but has shown signs of robustness under trying circumstances. Agriculture grew by over 4%; manufacturing at a healthy 7.7% and services by 5.3%. The economy has clearly benefited from the post 9/11 events. The economic indicators prior to 9/11 were quite dismal-inflation hovered at over 10%; interest rates neared 20% and the forex reserves had dropped below $ 1 billion. Additionally, the policy makers' perseverance of a devaluation based policy rendered any attempts at recovery meaningless. Ironically, the post 9/11 events have laid a strong foundation for a sustainable recovery. The increased home remittances year after year - of over $ 4 billion last year - have stabilized the resources as well as the balance of payments position. Inflation has been brought down to below 4%. No doubt, the appreciation of the rupee has lowered the imported inflation factor. Forex reserves now exceed $11 billion and the country credit rating stands improved.

The Industry

The auto industry has been a major beneficiary of the macro economic stability of the country. The unprecedented reduction in the cost of funds has helped promote greater consumer financing for automotive products. This coupled with healthy home remittances has enabled the industry to post record growth during the year under review. Production of cars increased 55%, motorcycle 37%, tractors 10% and buses and trucks 41% over the previous year. Your Company being the one in the field of automotive parts making, got its due share from the OEM Sector.

Following are the comparative production figures relating to the automobile industry:

Particulars	2003	2002	Incr/(Decr)	% age
Cars	62,073	40,088	21,985	55
Motorcycle	165,105	120,627	44,478	37
Tractors	26,240	23,801	2,439	10
Buses/Trucks & LCVs	16,593	11,756	4,837	41
Total	270,011	196,272	73,739	38

The surge in demand has resulted in the undertaking of expansion projects by nearly every Original Equipment Manufacturer – OEM –and vendor. This growth is a good omen for the industry as well as the country. Since the industry contributed nearly Rs. 30 billion in taxes last year, the government is finally realizing the significance of the industry to the economic growth of the country. Previously, the now infamous “yellow cab scheme” and the “green tractor” hindered growth but the current consistent policy is enabling the industry to grow.

Market Review

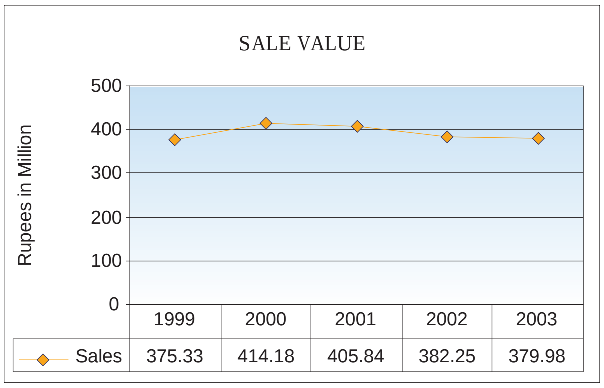
In the OEM sector demand for parts is continuously increasing. In order to meet the demand we are reassessing our production capacity for various products and taking actions to increase capacity of the plant where required through balancing, modernization and expansion.

Local manufacturers of auto parts selling their goods in the after market are under severe pressure due to easily available low price imported auto parts brought in the country through smuggling and under-invoicing. Your Company however, being in the organized sector has more challenges from the spurious manufacturers, WTO threats and its impact on locally produced products, downward revision of import duties, continuation of smuggling, under invoicing and un-fair competition in the form of unchecked illegal means and cheap sub-standard imitations leaves an uneven playing field. The management of the company is quite aware of the challenges and taking actions to minimize the effects of these negative influences by implementing various marketing actions helped to achieve the desired results. Emphasizing on product quality strength, expansion in dealers' network, dealers and mechanics gatherings and incentive programs, price rationalization, and other promotional activities generated positive response. Years of sustained efforts in manufacturing and providing quality products has withstood the test of times through its products, the company is striving to deliver value as desired by the customers.

Based on well planned customer oriented strategy, few of the areas focused were effective and efficient customer service, easy and quick settlements of customer claims policy, developing strong CRM base through effective communication and a feedback process to ensure customer satisfaction helped your Company to compete effectively in the market place.

Company Operations

Sales revenue for the year under review was Rs. 379.98 million as compared to Rs. 382.25 million in the previous year. Sales was low, as the management streamlined production and discontinued some products having low volume and negative margin. The action resulted in better gross profit, which was recorded at Rs. 58.19 million against Rs. 46.91 million. Gross profit as percentage of sales improved to 15.31% against 12.27% of last year. The operating expenses were up, Rs. 3.63 million, mainly due to amortization charge of the deferred cost recorded last year on account of golden hand shake scheme offered to the employees and provision of workers profit participation fund of Rs. 0.73 million against 0.18 million of the corresponding period.

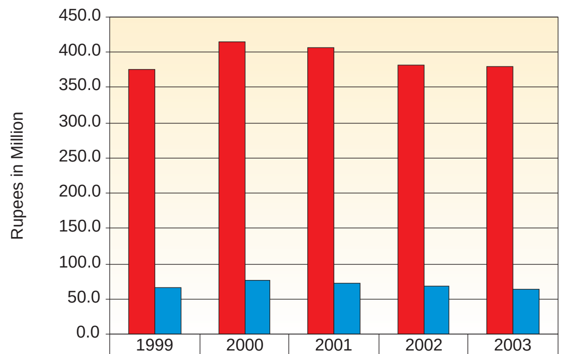


The operating profit thus was Rs. 28.69 million or 7.55% of sales against Rs. 22.79 million or 5.96% last year.

Over the years the company has made good progress in controlling the financial expenses which continually reduced from Rs. 37.63 million in 1999 to Rs. 14.76 million this year. The profit before tax was Rs. 13.93 million against Rs. 3.51 million of the previous year. After necessary tax provision, the profit after tax for the year was recorded at Rs. 6.44 million.

Your Company contributed Rs. 66.04 million to the government revenues in the form of custom duty, sales tax, income tax, etc. being 17.38% of the sales value during the year.

SALES VS GOVERNMENT TAXES



	1999	2000	2001	2002	2003
Sales	375.33	414.18	405.84	382.25	379.98
Gov. Taxes	66.54	77.02	72.41	67.69	66.04

Human Resources

Your Company recognized the fact that excellence in business is dependent on quality of human resource quite early. As a result, Allwin Engineering has continued to invest in development of its manpower over the years. Development and training needs are identified carefully on area-to-area basis. The Company's long term and short term growth and operational needs are dovetailed with individual associates' growth plan. Individuals' abilities and skills are identified and matched with appropriate jobs or marked for training. The individuals and areas thus identified are covered through in house and outside training.

During the year under report, twenty associates attended training programs at local technical and professional institutes. This was in addition to in-house sessions. The exposure will improve overall operational efficiency and the morale and commitment of the employees as we grow.

The employees' management relations remained cordial through out the year. The charter of demands, was settled with the CBA for the next two years. Increased working hours have been negotiated, resulting in enhanced capacity and productivity.

Future Outlook

The International Monetary Fund (IMF) and the European Union (EU) are putting pressure on Pakistan to reduce tariffs for its auto industry. Last year, government reduced custom duty on import of complete built-up cars. Any further cut will pose a threat to auto industry including the vending industry.

Presently, the demand for all models of automobiles including motorcycles is rising, owing to declining interest rates, persistent inflow of home remittances and car financing scheme. With the existing economic policies the market will maintain its growth in future and the demand of components and parts will also increase. Your Company holds firmly to its strategy of offering high-quality product at affordable prices, with the aim to further improve on its position among valued customers. The Company realizes the need to constantly change and re-adjust in response to the changing times. The emphasis has been on consolidation and realignment of the company goals with a focus on human and machine efficiency. With the customer being the focus, the company wants to provide value and joy to as many users as possible.

World Trade Organization (W.T.O)

It is strongly believed that under WTO agreements the developing countries economies will be seriously affected. In the absence of proper forums where open deliberation could be held regarding multi directional, long term effects of WTO agreements, the policy market have to be very prudent in their response to WTO requirements.

Though certain laws have been made to combat the ill effects of the liberalization of trade, e.g. dumping, the country still lacks the wherewithal – consultants and advisers - that can take up the matters legally at the international levels under the complicated laws of W.T.O.

Being a signatory, however, Pakistan is obliged to comply with all the WTO agreements but the domestic automotive industry including motorcycles rightly deserve due protection from liberalization of trade especially since this industry has made highly significant contribution through its huge investment, technology transfer and employment opportunities.

Moreover protection to domestic industry by other signatories of the developed world is already prevalent in the global trade environment. Subsidies, quota restrictions and tariff protection which are in clear violation of WTO rules are still in vogue in EU & USA.

Every endeavor should therefore be made to keep the industry out of the purview of the WTO & further reduction in tariff under external pressures should be resisted at all levels until the time that domestic industry can meet the unfair trading practices of other countries.

The auto industry, is poised for growth. The results speak for themselves. This is the time to further nurture the industry otherwise a great opportunity to diversify the industry will be lost to the country. Professor Sen, the Noble Laureate in Economics, from India, says, that internationalism must be dovetailed with local priorities and not vice versa: it should never be at the cost of state sovereignty and economic freedom.

ع دیتے ہیں بادہ ظرفِ قدح خوار دیکھ کر

(Performance depends on capacity to perform)

Acknowledgement

In April 2003, Mr. Shahid Anwar and Mr. Mohammad Asif resigned from the Board of Directors. Mr. Frahim Ali Khan and Mr. Vazeer Ali were coopted in their place. May I place on record appreciation of the valuable contributions made by outgoing Directors.

I would like to thank the Board of Directors, the Group President, Mr Aamir H. Shirazi, the Group Executive Committee and the Chief Executive Officer, Mr Mohammad Atta Karim and his team for their efforts, dedication and sincerity of purpose. May I also thank our customers for their trust in the Company products. I also thank our bankers, shareholders and dealers for their help and support in the affairs of your Company.

Karachi: September 18, 2003

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 30 June 2003.

FINANCIAL RESULTS

The financial results of your company for the year ended 30 June 2003 under review are summarized as follows:

	(Rupees in 000's)	
	2003	2002
Profit before taxation	13,929	3,505
Taxation		
Current	1,900	1,937
Prior Years	-	81
Deferred	5,586	6,879
	7,486	8,897
Profit after taxation	6,443	(5,392)
Appropriation		
Cash Dividend @ 5%	2,467	2,467
Dividend waived by shareholders	-	(1,410)
	2,467	1,057
	3,976	(6,449)
Balance brought forward	(53,167)	(46,718)
Balance carried forward	(49,191)	(53,167)

Earnings per Share

Earnings per share after tax is Rs. 1.31 per share (2002: Rs. (1.09).

Dividend

Directors propose cash dividend at the rate of Rs. 0.50 per share i.e. 5.0%

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, 2003 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. During the year, Mr. Shahid Anwar and Mr. Mohammad Asif, the independent directors resigned from the board effective from April 22, 2003, in their place Mr. Frahim Ali Khan and Mr. Vazeer Ali, Non-Executive directors were appointed by the board. All the non-executive directors are independent from management.

The Board approved the remuneration of the CEO Rs. 2.4 million, bonus and other benefits like free transportation, telephone facility, medical expenses etc. as per company's policy for the year 2003-2004. The

Company also makes contributions to the provident funds for CEO.

During the year five Board meetings were held and attended as follows:

S. No.	Name of Directors	Attendence
1.	Mr. Yusuf H. Shirazi	5
2.	Mr. Mohammad Atta Karim	5
3.	Mr. Aamir H. Shirazi	4
4.	Mr. Frahim Ali Khan (Appointed effective April 22, 2003)	1
5.	Mr. Habib-ur-Rahman	4
6.	Mr. Iftikhar H. Shirazi	3
7.	Mr. Jawaid Iqbal Ahmed	5
8.	Mr. Mohammad Asif (Resigned effective April 22, 2003)	1
9.	Mr. Shahid Anwar (Resigned effective April 22, 2003)	2
10.	Mr. Vazeer Ali (Appointed effective April 22, 2003)	2

Auditors

The present Auditors M/s. Ford Rhodes Sidat Hyder & Co. Chartered Accountants retire and being eligible, offer themselves for re-appointment. As required by Code of Corporate Governance the Audit Committee has recommended their re-appointment as auditors of the Company for the year 2003-04.

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, 2003 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	3
Mr. Aamir H. Shirazi	- Member	3
Mr. Iftikhar H. Shirazi	- Member	2

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 Personnel Committee

The Group Personnel 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.

Pattern of Shareholding

The pattern of shareholding of the company is annexed.

Operating and Financial Data

Operating and Financial data and key ratios of the company for last six years are annexed.

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.

For and on behalf of the
BOARD OF DIRECTORS

Mohammad Atta Karim
Chief Executive Officer

Karachi: September 18, 2003

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 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.

2. The company has maintained proper books of account.

3. Appropriate accounting policies have been consistently applied, in preparation of financial statements and accouting estimates are based on reasonable and prudent judgment. During the year, the company has adopted IAS 12-Income Taxes and accounting policy on deferred tax have been introduced.

4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

5. 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.

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

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

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Information about taxes and levies is given in notes to the accounts.

10. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.

11. Directors, CEO, CFO, Company Secretary and their spouse and minor children have made no transactions of company's shares during the year.

12. 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.

13. Executive directors of the company are not in excess of 75% of total number of directors.

14. The company has adopted a 'Code of Business Principles', which has been signed by all directors and employees of the Company.

15. The Board has developed the vision and mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies has been maintained.

16. The board arranged an orientation course for its directors to apprise them of their duties, responsibilities and to update them with recent amendments in applicable laws.

17. The Company has maintained recognized provident fund for their employees.

    Value of investment Rs. 83.458 million
    Based on Audited Accounts as at June 30, 2002

18. 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.

19. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

20. 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.

21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations.

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

For and on behalf of the
BOARD OF DIRECTORS

Mohammad Atta Karim
Chief Executive Officer

Karachi: September 18, 2003

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 (Chapter XI) and No. 43 (Chapter XIII) of the Karachi and Lahore Stock Exchanges respectively, 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 opinoin 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, 2003.

Ford Rhodes Sidat Hyder & Co

FORD RHODES SIDAT HYDER & CO.
Chartered Accountants.

Karachi:September 18, 2003

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of ALLWIN ENGINEERING INDUSTRIES LIMITED as at June 30, 2003 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, except for the changes as stated in note 4.1 to the accounts with which we concur;

(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, 2003 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.

FORD RHODES SIDAT HYDER & CO.
Chartered Accountants.

Karachi:September 18, 2003

BALANCE SHEET

AS AT 30 JUNE 2003

	Note	2003	2002 (Restated)
		(Rupees in 000's)	
ASSETS			
NON-CURRENT ASSETS			
Tangible fixed assets			
Operating fixed assets	5	268,134	269,127
Capital work-in-progress	6	1,275	-
		269,409	269,127
Long term loans	7	387	183
Long term deposits	8	1,985	2,035
Deferred cost	9	5,385	6,983
CURRENT ASSETS			
Stores, spares and loose tools	10	20,995	21,846
Stock-in-trade	11	58,676	52,612
Trade debts	12	37,430	40,122
Loans, advances, deposits, prepayments and other receivables	13	6,571	7,487
Taxation - net	14	587	711
Cash and bank balances	15	9,262	3,797
		133,521	126,575
TOTAL ASSETS		410,687	404,903
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 10,000,000 (2002:10,000,000) 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		(49,191)	(53,167)
		70,156	66,180
Surplus on revaluation of fixed asset	18	118,680	118,680
NON-CURRENT LIABILITIES			
Long term loans	19	74,701	69,942
Deferred liability - gratuity	20	8,306	6,495
Deferred taxation	21	10,262	4,676
Long term deposits	22	1,083	588
CURRENT LIABILITIES			
Current maturity of long term loans	19	15,157	22,218
Current maturity of long term deposits	22	745	2,792
Short term finances	23	56,178	55,319
Creditors, accrued and other liabilities	24	52,952	58,013
Proposed final dividend		2,467	-
		127,499	138,342
CONTINGENCIES AND COMMITMENTS	25		
TOTAL EQUITY AND LIABILITIES		410,687	404,903

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

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

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2003

	Note	2003	2002 (Restated)
		(Rupees in 000's)	
Sales	26	379,980	382,249
Cost of goods sold	27	(321,791)	(335,341)
Gross profit		58,189	46,908
Other income	28	1,768	3,512
		59,957	50,420
Administrative expenses	29	(20,020)	(18,053)
Selling and distribution expenses	30	(9,891)	(9,116)
Other charges	31	(1,354)	(463)
		(31,265)	(27,632)
Operating profit		28,692	22,788
Financial charges	32	(14,763)	(19,283)
Profit before taxation		13,929	3,505
Taxation	33	(7,486)	(8,897)
Profit/(loss) after taxation		6,443	(5,392)
Appropriation			
Proposed final dividend @ Rs. 0.50 per share (2002: Rs. Nil)		2,467	-
Interim dividend Rs. Nil (2002: @ Rs. 0.50 per share)		-	2,467
Dividend waived by shareholders		-	(1,410)
		2,467	1,057
		3,976	(6,449)
Accumulated losses brought forward		(53,167)	(46,718)
Accumulated losses carried forward		(49,191)	(53,167)
Basic earnings/(loss) per share	34.1	1.31	(1.09)
Diluted earnings/(loss) per share	34.2	0.54	(0.45)

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

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

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2003

	Note	2003	2002
		(Rupees in 000's)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	36	42,510	40,242
Financial charges paid		(14,577)	(20,783)
Gratuity paid		(250)	(1,925)
Deferred cost paid		(1,411)	(603)
Tax (paid)/ refund		(1,776)	353
Net cash generated from operating activities		24,496	17,284
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(18,931)	(8,141)
Long term deposits - net		50	(7,615)
Repayment of long term loans - net		(204)	(61)
Proceeds from sale of fixed assets		3,055	5,423
Net cash used in investing activities		(16,030)	(10,394)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long-term finances - net		(2,302)	(9,046)
Repayment of long term deposits - net		(1,552)	(1,359)
Dividend paid		(6)	(935)
Net cash used in financing activities		(3,860)	(11,340)
Net increase/(decrease) in cash equivalents		4,606	(4,450)
Cash and cash equivalents at the beginning of the year		(51,522)	(47,072)
Cash and cash equivalents at the end of the year		(46,916)	(51,522)
CASH AND CASH EQUIVALENTS COMPRISE OF:			
Cash and bank balances	15	9,262	3,797
Short-term finances	23	(56,178)	(55,319)
		(46,916)	(51,522)

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

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2003

(Rupees in 000's)

	Issued, subscribed & paid up capital	Deposit for right shares	Accumulated Losses	Total
Balance as at June 30, 2001	49,347	70,000	(48,921)	70,426
Restatement of opening balance Effect of change in accounting policy with respect to recognition of deferred taxation	-	-	2,203	2,203
Balance as at June 30, 2001 - Restated	49,347	70,000	(46,718)	72,629
Loss for the year - restated	-	-	(5,392)	(5,392)
Interim dividend - net	-	-	(1,057)	(1,057)
Balance as at June 30, 2002 - Restated	49,347	70,000	(53,167)	66,180
Profit for the year	-	-	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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

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.

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. ACCOUNTING CONVENTION

These financial statements have been prepared under the historical cost convention, except for leasehold land which has been stated at revalued amount as disclosed in note 4.2.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Change in accounting policy

During the year, the company has adopted International Accounting Standard 12 - Income Taxes (revised 2000) [IAS 12] which has become effective for all periods beginning on or after January 1, 2002 as notified by the Institute of Chartered Accountants of Pakistan vide their circular No.8/99 dated August 8, 1999. Consequently, the company now recognises deferred tax assets or liabilities on all temporary differences and unused tax losses and makes full provision of deferred tax liabilities as described in note 4.8 to these financial statements. Previously the company did not account for deferred tax assets as a matter of prudence and deferred tax liabilities if they were not expected to reverse in the forseable future.

This policy has been applied retrospectively in accordance with International Accounting Standard - 8 "Net Profit and Loss for the Period, Fundamental Errors and Changes in Accounting Policies", benchmark treatment, which requires that any resulting adjustment should be reported as an adjustment to the opening balance of retained earnings and comparative information should be restated as if the new accounting policy had always been in use. Accordingly, unrecorded deferred tax liabilities arisen in the previous years and the opening balance of unappropriated profit has been restated as disclosed in the statement of changes in equity, thereby reducing the net assets of the company by Rs.4.676 million as at June 30, 2002.

Had there been no change in the accounting policy, the net assets of the company as at June 30, 2003 would have been higher by Rs.10.262 million and the net profit after tax for the year ended June 30, 2003 would have been higher by Rs.5.586 million.

4.2 Fixed assets

Tangible - 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 on operating fixed assets is provided on a written down value method on monthly basis.

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

Normal repairs and maintenance costs are charged to the 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 a fixed asset may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed recoverable amount, assets are written down to the recoverable amount.

4.3 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.

4.4 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 the 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.

4.5 Stores and spares

Stores and spares are stated at cost which is determined by the moving average method except for those in transit, which are valued at actual cost.

4.6 Stock-in-trade

Stock-in-trade except for those 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 except for goods in transit which are valued at actual cost.

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

4.7 Trade debts

Trade debts originated by the company are recognised and carried at original invoice amount.

4.8 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, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for the taxation purposes.

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

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

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

4.9 Trade and other payables

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.

4.10 Provisions

A provision is recognised in the balance sheet when the company has a legal or constructive obligation 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.

4.11 Revenue recognition

Sales are recorded on dispatch of goods to customers.

4.12 Staff retirement benefits

Defined benefit plan
The company operates an unfunded gratuity scheme as discribed in note 20 to the financial statements. Annual charge is based on actuarial recommendations. The most recent actuarial valuation was carried out effective from June 30, 2002 using the Projected Unit Credit Method.

Defined contribution plan
The company contributes to a provident fund scheme which covers all permanent employees. Equal contributions are made by the company and the employees.

4.13 Compensated absences

The company accounts for these benefits in the period in which the absences are earned.

4.14 Foreign currency translation

Transactions in foreign currencies are translated into rupees at the rates of exchange approximating those prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange approximating those prevailing at the balance sheet date. Exchange gains and losses are included in profit and loss account currently.

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 deposits in banks, net of short-term finances maturing within three months from the date of acquisition.

4.16 Financial instruments

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

4.17 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the company has 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.

5. OPERATING FIXED ASSETS

The following is a statement of operating assets.

Description	Note	Cost as at July 01, 2002	Additions	(disposals)	Cost as at June 30, 2003	Accumulated depreciation as at July 01, 2002	(disposals)	Depreciation charge for the year	Accumulated depreciation as at June 30,2003	Book value as at June 30,2003	Depreciation rate
		(Rupees in thousands)									%
Leasehold land	5.1	118,840	-	-	118,840	-	-	-	-	118,840	-
Factory building		36,395	320	-	36,715	28,396	-	821	29,217	7,498	10
Generator building		3,741	-	-	3,741	1,868	-	187	2,055	1,686	10
Residential building		365	-	-	365	290	-	4	294	71	5
Office building		1,745	-	-	1,745	1,135	-	30	1,165	580	5
Plant and Machinery		219,369	8,162	-	227,531	129,145	-	9,169	138,314	89,217	10
Power generator		56,228	-	-	56,228	24,974	-	3,126	28,100	28,128	10
Electrical fittings		5,377	487	-	5,864	3,264	-	219	3,483	2,381	10
Office equipments		2,191	-	-	2,191	1,807	-	58	1,865	326	15
Computers		3,653	847	-	4,500	2,665	-	396	3,061	1,439	30
Furniture and fixtures		3,427	19	-	3,446	2,879	-	56	2,935	511	10
Vehicles		8,138	2,465	(2,705)	7,898	3,074	(1,418)	1,019	2,675	5,223	20
Waterline and drainage		670	-	-	670	616	-	5	621	49	10
Sui gas line		576	-	-	576	397	-	18	415	161	10
Measuring instruments, dies, jigs, patterns and other equipments		27,428	5,356	-	32,784	18,506	-	2,254	20,760	12,024	20
Bicycles		2	-	-	2	2	-	-	2	-	20
		488,145	17,656	(2,705)	503,096	219,018	(1,418)	17,362	234,962	268,134	
2002		484,837	8,141	(4,833)	488,145	203,912	(2,922)	18,028	219,018	269,127	

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.

5.2 All the buildings are on leasehold land.

5.3 The depreciation charge for the year has been allocated as follows:

	2003	2002
	(Rupees in 000's)	
Cost of goods manufactured	17,101	17,758
Administrative expenses	174	180
Selling and distribution expenses	87	90
	17,362	18,028

5.4 The following assets were disposed off during the year:

Assets	Cost Rupees	Accumulated Depreciation Rupees	Written down value Rupees	Sale Proceeds Rupees	Mode of Disposal	Particulars of Buyers
Motorcycle CD-70	65,090	19,690	45,400	65,090	Loss Claim	Muslim Insurance Company Ltd. 2nd floor, Ameejee Chambers, Campbell Street, Karachi.
Motorcycle CD-70	62,300	26,947	35,353	62,300	……..do……..	……..do……..
Motorcycle CD-70	61,300	33,472	27,828	61,300	……..do……..	……..do……..
Motorcycle CD-70	5,360	89	5,271	53,600	……..do……..	……..do……..
Motorcycle CD-70	61,300	34,465	26,835	61,300	……..do……..	……..do……..
Motorcycle CD-70	62,000	29,264	32,736	62,000	……..do……..	……..do……..
Motorcycle CD-70	65,090	26,904	38,186	60,000	……..do……..	……..do……..
Motorcycle CD-70	65,090	13,886	51,204	62,000	……..do……..	……..do……..
Motorcycle CD-70	62,300	31,466	30,834	60,000	……..do……..	……..do……..
Motorcycle CD-70	65,090	9,764	55,326	60,000	……..do……..	……..do……..
Motorcycle CD-70	62,300	14,952	47,348	48,000	……..do……..	……..do……..
Motorcycle CD-70	3,890	65	3,825	38,900	under Co's Policy	Mr. Razawal (Employee)
Motorcycle CD-70	3,890	65	3,825	38,900	……..do……..	Mr. Deen Muhammad (Employee)
Motorcycle CD-70	3,890	65	3,825	38,900	……..do……..	Mr. M. Assad (Employee)
Motorcycle CD-70	61,300	34,465	26,835	61,300	……..do……..	Mr. M. Ashraf Hussain (Employee)
Motorcycle CD-70	61,300	34,465	26,835	61,300	……..do……..	Mr. Saboo (Employee)
Motorcycle CD-70	61,300	34,465	26,835	61,300	……..do……..	Mr. Zulfiqar Ali Khan (Employee)
Motorcycle CD-70	61,300	34,465	26,835	61,300	……..do……..	Mr. Abdul Qamar (Employee)
Motorcycle CD-70	61,300	34,465	26,835	61,300	……..do……..	Mr. Gull Muhammad (Employee)
Motorcycle CD-70	61,300	34,465	26,835	61,300	……..do……..	Mr. Dost Muhammad (Employee)
Motorcycle CD-70	61,300	34,465	26,835	61,300	……..do……..	Mr. M. Anwar Khan (Employee)
Motorcycle CD-70	61,300	34,465	26,835	61,300	……..do……..	Mr. Abid Ali (Employee)
Motorcycle CD-70	61,300	34,465	26,835	61,300	……..do……..	Mr. Azam Khan (Employee)
Motorcycle CD-70	61,300	34,465	26,835	61,300	……..do……..	Mr. Baboo Shah (Employee)
Motorcycle CD-70	61,300	34,465	26,835	61,300	……..do……..	Mr. Raboo (Employee)
Motorcycle CD-70	61,300	34,465	26,835	61,300	……..do……..	Mr. M. Shamim (Employee)
Motorcycle CD-70	61,300	34,465	26,835	61,300	……..do……..	Mr. A. Waheed (Employee)
Motorcycle CD-70	61,300	34,465	26,835	61,300	……..do……..	Mr. Ati-ur-Rehman (Employee)
Motorcycle CD-70	61,300	34,465	26,835	61,300	……..do……..	Mr. M. Umer (Employee)
Motorcycle CD-70	61,300	34,465	26,835	61,300	……..do……..	Mr. Ata Muhammad (Employee)
Motorcycle CD-70	61,300	34,465	26,835	61,300	……..do……..	Mr. A. Karim Ansari (Employee)
Motorcycle CD-70	61,300	34,465	26,835	61,300	……..do……..	Mr. M. Rafiq (Employee)
Motorcycle CD-70	61,300	34,465	26,835	61,300	……..do……..	Syed Jawaid Iqbal (Employee)
Motorcycle CG 125	70,000	38,819	31,181	70,000	……..do……..	Mr. Anwer Khan (Employee)
Motorcycle CG 125	70,000	38,819	31,181	70,000	……..do……..	Mr. Shareef Khan (Employee)
Motorcycle CG 125	70,000	38,819	31,181	70,000	……..do……..	M. Anwar Khan (Employee)
Motorcycle CD-70	62,000	29,264	32,736	62,000	……..do……..	Mr. Muhammad Rafiq (Employee)
Motorcycle CD-70	65,090	-	65,090	65,090	……..do……..	Mr. Ghulam Nabi (Employee)
Motorcycle CD-70	61,300	37,447	23,853	61,300	……..do……..	Mr. Maqbool Khan (Employee)
Motorcycle CD-70	63,250	28,842	34,408	63,250	……..do……..	Syed Irshad Ali (Employee)
Motorcycle CD-70	61,300	37,447	23,853	61,300	……..do……..	Mr. Khuda Buksh (Employee)
Motorcycle CD-70	61,300	37,447	23,853	61,300	……..do……..	Mr. Aqeelur Rehman (Employee)
Motorcycle CD-70	61,300	37,447	23,853	61,300	……..do……..	Syed Karamat Ali (Employee)
Motorcycle CD-70	61,300	37,447	23,853	61,300	……..do……..	Mr. M. Sohail (Employee)
Motorcycle CD-70	61,300	37,447	23,853	61,300	……..do……..	Syed Shahid Hussain (Employee)
Mazda Truck	123,500	122,753	747	350,000	By Negotiation	Mr. Abdul Razzak, Room No. 22 4th floor Feroze Mension, Tulsi Street, Ramswami, Karachi.
	2,705,230	1,417,927	1,287,303	3,055,130		

(Rupees in 000's)

	Note	2003	2002
6. CAPITAL WORK-IN-PROGRESS			
Plant and machinery in transit		524	-
Dies and jigs in process		751	-
		1,275	-
7. LONG TERM LOANS - UNSECURED, CONSIDERED GOOD			
To employees-interest bearing	7.1	1,164	935
Less: current maturity shown under current assets		(777)	(752)
		387	183

7.1 The loan carries mark-up at the rate of one percent per month on outstanding balance. The loan is repayable in 24 monthly instalments.

	2003	2002
8. LONG TERM DEPOSITS - UNSECURED		
Leasing companies	759	759
Utilities	785	785
Suppliers	246	246
Others	195	245
	1,985	2,035
9. DEFERRED COST		
Balance as at July 01	6,983	358
Incurred during the year	1,411	7,615
Amortized during the year	(3,009)	(990)
Balance as at June 30	5,385	6,983

During the financial years ended 2002 and 2003 the company introduced 'Voluntary Golden Hand Shake Schemes' and compensations amounting to Rs.9.026 million were paid to the employees retired under the schemes. The cost of compensation paid has been accounted for as deferred cost as per the policy stated in note 4.4 to the financial statements.

	2003	2002
10. STORES, SPARES AND LOOSE TOOLS		
Spare parts and other materials:		
In hand	11,766	12,597
In transit	5	46
	11,771	12,643
Loose tools	8,096	8,150
Packing materials	593	578
Electrical goods	535	475
	20,995	21,846

(Rupees in 000's)

	Note	2003	2002
11. STOCK-IN-TRADE			
Raw and ancillary materials:			
In hand		19,777	18,759
In transit		995	903
		20,772	19,662
Work-in-process	11.1 & 11.2	19,268	16,032
Finished goods	11.3	18,636	16,918
		58,676	52,612

11.1 Included herein are stocks carried at net realisable value amounting to Rs. 1.400 million (2002 Rs.0.438 million).

11.2 Included herein are stocks held by third parties amounting to Rs.2.117 million (2002:Rs.1.885 million).

11.3 Included herein are stocks carried at net realisable value amounting to Rs.2.125 million (2002:Rs.0.968 million).

		2003	2002
12. TRADE DEBTS - UNSECURED, CONSIDERED GOOD			
Due from associated undertakings		3,377	4,571
Others		34,053	35,551
		37,430	40,122

The maximum amount due from associated undertakings at the end of any month during the year was Rs.30.226 million (2002: Rs.19.484 million).

		2003	2002
13. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Loans and advances - unsecured, considered good			
Current maturity of long term loans to the employees		777	752
Advances to:			
employees against salary		106	269
employees against expenses		186	208
suppliers		2,814	3,071
		3,883	4,300
Deposits, prepayments and other receivables			
Security and trade deposits		50	35
L/C and guarantee margin deposits		66	66
Prepayments and other receivables		2,572	3,086
		2,688	3,187
		6,571	7,487

14. TAXATION - NET

The income tax assessment of the company has been finalized by the income Tax Department upto assessment year 2002-03 (accounting year ended June 30, 2002) and adequate provisions have been made.

	Note	2003	2002
		(Rupees in 000's)	
15. CASH AND BANK BALANCES			
Cash in hand		46	69
Cheques and payorders in hand		7,802	2,506
At banks in current account		1,414	1,222
		9,262	3,797

16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Number of ordinary shares of Rs.10/- each 2003	2002		2003	2002
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

	2003	2002
Directors	35,000	35,000
Others	35,000	35,000
	70,000	70,000

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.

18. SURPLUS ON REVALUATION OF FIXED ASSETS

	Note	2003	2002
	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	2003 (Rupees in 000's)	2002 (Rupees in 000's)
19. LONG TERM LOANS			
Secured			
From financial institutions:			
From associated undertakings			
Local currency loan - I	19.1	27,500	-
Local currency loan - II	19.2	4,025	-
		31,525	-
Others			
Local currency loan - III		-	32,160
From banks:			
Local currency loan - IV	19.3	8,333	20,000
Local currency loan - V	19.4	10,000	-
		18,333	20,000
		49,858	52,160
Less: Current maturity of long term loans		15,157	22,218
		34,701	29,942
Unsecured			
From directors	19.5	20,000	20,000
Others	19.5	20,000	20,000
		74,701	69,942

19.1 This represents balance of a loan of Rs.30.00 million obtained under mark-up arrangement for financing the fixed assets of the company.The loan is repayable in twelve equal quarterly instalments which commenced from May 1, 2003 and carries a mark-up of SBP discount rate plus three percent. The loan is secured by first registered charge on the fixed assets of the company with twenty five percent margin.

19.2 This represents balance of a loan of Rs.4.60 million obtained under mark-up arrangement for financing the fixed assets of the company. The loan is repayable in eight equal quarterly instalments which commenced from June 24, 2003 and carries a mark-up of SBP discount rate plus two percent. The loan is secured by first registered charge on the fixed assets of the company with twenty five percent margin.

19.3 This represents the balance of loan facility of Rs.20.00 million obtained from a banking company for financing fixed assets of the company. The loan is repayable in twelve equal quarterly instalments which commenced from March 12, 2003. During the current year the company made a premature repayment of Rs.10.00 million. The loan carries a mark-up at the rate of five years PIBs cut off yield plus 550 basis points. The loan is secured by first registered pari-passu equitable mortgage charge of Rs.59.82 million over fixed assets of the company.

19.4 This represents the balance of loan facility of Rs.10.00 million obtained from a banking company for financing fixed assets of the company. The loan is repayable in sixteen equal quarterly instalments which will commence from September 14, 2003. The loan carries a mark-up at the rate of five years PIBs cut off yield plus 550 basis points. The loan is secured by first registered pari-passu equitable mortgage charge of Rs.59.82 million over fixed assets of the company.

19.5 These represent interest free loans received from directors and their relatives. The repayment terms are not yet finalised, however, these loans are not repayable in the next twelve months

20. DEFERRED LIABILITY–GRATUITY

Defined benefit plan

20.1 General Description

The company operated a 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, 2002, using the Projected Unit Credit Method.

20.2 Principal actuarial assumptions

Following are a few important actuarial assumptions used in the valuation:

Discount rate	10.00% per annum
Expected rate of increase in salary for management staff	9.00% per annum
Expected rate of increase in salary for non-management staff	7.00% per annum

(Rupees in 000's)

	Note	2003	2002
20.3 Reconciliation of payable to defined benefit plan			
Present value of defined benefit obligation		8,431	7,644
Unrecognised actuarial gain		919	938
Unrecognised transitional liability		(1,044)	(2,087)
Recognised liability		8,306	6,495
20.4 Movement of the (asset)/liability recognised in the balance sheet			
Opening net liability		6,495	6,139
Charge for the year	20.5	2,061	2,281
Benefit paid during the year		(250)	(1,925)
Closing net liability		8,306	6,495
20.5 Charge for the year			
Current service cost		271	332
Interest cost		766	906
Amortisation of transition obligation		1,043	1,043
Amortisation of actuarial loss		(19)	-
Charge for the year		2,061	2,281

(Rupees in 000's)

	Note	2003	2002
21. DEFERRED TAXATION			
This is comprised of following:			
Deferred tax liabilities			
Difference in accounting and tax base of owned assets		25,650	24,536
Difference in accounting and tax base of deferred cost		-	2,605
Deferred tax assets			
Provision for gratuity		(2,907)	(2,442)
Assessed losses brought forward	33.1	(12,481)	(20,023)
		10,262	4,676

	Note	2003	2002
22. LONG TERM DEPOSITS			
From employees	22.1	1,828	3,380
Less: current maturity of long term deposits		745	2,792
		1,083	588

22.1 These represent deposits from employees under the company's vehicle scheme.

	Note	2003	2002
23. SHORT TERM FINANCES - SECURED			
Running finances	23.1 & 23.2	56,178	51,189
Morabaha	23.1 & 23.2	-	4,130
		56,178	55,319

23.1 These are under mark-up arrangements and are secured by joint hypothecation of stocks and book debts of the company. The rate of mark-up ranges between 6.5% to 9% (2002:13.0% to 14.5%) per annum and is payable currently.

23.2 The unutilised credit facility for short term finance amounts to Rs.36.822 million (2002: Rs.12.811 million).

	Note	2003	2002
24. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors	24.1	11,013	12,800
Bills payable		7,331	5,813
Sales tax payable - net		2,076	2,778
Accrued liabilities		27,323	25,516
Mark-up/interest accrued on:			
secured long term loans		1,818	1,325
secured short term finances		1,002	1,309
advances from customers		-	2
		2,820	2,636
Security deposits		15	65
Advances from customers - interest bearing	24.2	-	195
- non interest bearing	24.3	1,092	7,674
Worker's profit participation fund	24.4	733	184
Unclaimed dividends		228	234
Others		321	118
		52,952	58,013

24.1 Amount due to an associated undertaking at the year end aggregated to Rs.nil (2002:Rs.0.865 million).

24.2 Amount due to an associated undertaking at the year end aggregated to Rs.nil (2002:Rs.0.124 million).

24.3 Amount due to an associated undertaking at the year end aggregated to Rs.0.868 million (2002:Rs.7.006 million).

	(Rupees in 000's)	
	2003	2002
24.4 Workers' profit participation fund		
Balance at the beginning of the year	184	426
Interest on fund utilised in company's business	40	39
	224	465
Allocation for the year	733	184
	957	649
Less: Amount paid during the year	224	465
Balance at the end of the year	733	184

25. CONTINGENCIES AND COMMITMENTS

25.1 Contingencies

a) 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.4.0 million to the K.E.S.C. The company is confident that the appeal will be decided in its favour hence, no provision has been made in this respect.

	2003	2002
	(Rupees in 000's)	
25.2 Commitments		
a) Bank guarantees		
(i) In favour of Sui Southern Gas Company	8,034	8,009
(ii) For difference in custom duties on imported material	-	91
	8,034	8,100

These guarantees are secured by first pari passu hypothecation charge over stocks and book debts of the company of Rs. 65.0 million.

	2003	2002
b) Insurance company guarantees		
(i) Against advances from customers	900	900
(ii) In favour of Karachi Electric Supply Corporation	4,000	4,000
(iii) For difference in custom duties	-	353
	4,900	5,253
c) Post dated cheques for difference in custom duties	2,507	6,667

d) Commitments under letters of credits for other than capital expenditure, contracts and guarantees at the end of the year amounted to Rs.22.061 million (2002:Rs 18.861 million).

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

	2003	2002
Payable within one year	1,321	1,321
Payable after one year	1,924	3,246
	3,245	4,567

26. SALES

	2003	2002
Gross sales	438,538	441,039
Less: Sales tax	58,558	58,790
	379,980	382,249

(Rupees in 000's)

	Note	2003	2002
27. COST OF GOODS SOLD			
Raw and ancillary materials consumed		163,550	157,698
Salaries, wages and benefits	27.1	75,674	78,235
Spare parts and other maintenance		22,973	17,135
Packing materials consumed		5,073	4,944
Fuel, water and power		33,067	37,510
Rent, rates and taxes		328	304
Insurance		996	976
Training expenses		158	54
Repairs and maintenance of factory building and electrical fittings		2,019	1,869
Repairs and maintenance of furniture, fittings and office equipments		189	391
Depreciation	5.3	17,101	17,758
Royalties and technical fee		3,990	3,622
Printing and stationery		579	541
Postage, telephone and telegrams		618	534
Subscriptions		74	151
General expenses		356	616
Expenses on apprentices training scheme		-	3
		326,745	322,341
Opening work-in-process		16,032	23,792
Closing work-in-process		(19,268)	(16,032)
		(3,236)	7,760
Cost of goods manufactured		323,509	330,101
Opening stock of finished goods		16,918	22,158
Closing stock of finished goods		(18,636)	(16,918)
		(1,718)	5,240
		321,791	335,341

27.1 Salaries, wages and benefits include Rs.4.996 million (2002:Rs.5.635 million) in respect of staff retirement benefits.

28. OTHER INCOME		2003	2002
Profit on sale of fixed assets		1,768	3,512

	Note	2003	2002
		(Rupees in 000's)	
29. ADMINISTRATIVE EXPENSES			
Salaries and allowances	29.1	11,550	11,937
Directors' fee		8	7
Lease rentals		1,194	647
Printing and stationery		404	378
Postage, telephone and telegrams		460	397
Business promotion expenses		195	187
Subscriptions		232	208
Travelling and conveyance		1,268	1,324
Insurance		457	448
General expenses		407	500
Medical expenses		355	353
Training expenses		69	22
Tax on callings and professions		15	15
Advertisement and publicity		62	245
Repairs and maintenance of furniture, fittings and office equipment		161	215
Depreciation	5.3	174	180
Amortisation of deferred cost	9	3,009	990
		20,020	18,053

29.1 Salaries and allowances include Rs.0.827 million (2002:Rs.1.163 million) in respect of staff retirement benefits.

	Note	2003	2002
30. SELLING AND DISTRIBUTION EXPENSES			
Salaries and allowances	30.1	3,930	3,655
Rent, rates and taxes		119	106
Lease rentals		132	68
Cartage and octroi		1,364	2,084
Printing and stationery		173	162
Postage, telephone and telegrams		186	160
Business promotion expenses		41	27
Subscriptions		48	58
Travelling and conveyance		1,636	1,457
Insurance		180	177
General expenses		34	19
Medical expenses		113	121
Tax on callings and professions		5	5
Advertisement and publicity		1,786	847
Repairs and maintenance of furniture, fittings and office equipment		57	80
Depreciation	5.3	87	90
		9,891	9,116

30.1 Salaries and allowances include Rs.0.218 million (2002:Rs.0.208 million) in respect of staff retirement benefits.

	Note	2003	2002
		(Rupees in 000's)	
31. OTHER CHARGES			
Legal and professional charges		378	112
Auditors' remuneration			
audit fee		120	120
special reports and sundry services		101	15
out-of-pocket expenses		22	23
		243	158
Workers' profit participation fund	24.4	733	184
Donations		-	9
		1,354	463
32. FINANCIAL CHARGES			
Interest/mark-up on:			
Workers' profit participation fund		41	39
Long term loans		6,841	9,102
Short term finances		7,203	9,364
Advances from customers		-	51
Bank and other allied charges		752	819
Loans to employees		(74)	(92)
		14,763	19,283

	Note	2003	2002 (Restated)
		(Rupees in 000's)	
33. TAXATION			
For the year			
Current		1,900	1,937
Deferred		5,586	6,879
		7,486	8,816
For the prior years			
Current		-	81
	33.1	7,486	8,897
33.1 Relationship between income tax expense and accounting profit			
Profit before taxation		13,929	3,505
Tax applicable rate of 35% (2002: 35%)		4,875	1,227
Tax effect of expenses that are not deductible in determining taxable profit		7,322	8,021
Tax effect of exempt income and expenses that are deductible from but are not included in accounting profit		(5,757)	(6,328)
Tax charge of current year based on current year income		6,440	2,920
Tax effect of brought forward assessed losses		(18,921)	(22,943)
Effect of tax lossess carried forward to deferred taxation		(12,481)	(20,023)
In view of the brought forward losses, the tax has been computed under section 113 of the Income Tax Ordinance, 2001 (2002 : under section 80D of the Income Tax Ordinance 1979)		1,900	1,937
Deferred tax for the period		5,586	6,879
Prior year charges		-	81
Tax charge for the year		7,486	8,897

	(Rupees in 000's) 2003	2002
34. EARNINGS PER SHARE		
34.1 Basic earnings / (loss) per share		
Profit / (loss) after tax	6,443	(5,392)
	Number of shares	
Weighted average number of ordinary shares outstanding during the year	4,934,678	4,934,678
	(Rupees)	
Earnings / (loss) per share	1.31	(1.09)
34.2 Diluted earnings / (loss) per share	Number of shares	
Profit / (loss) after tax	6,443	(5,392)
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)	
Earnings / (loss) per share	0.54	(0.45)

35. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	(Rupees in 000's) Chief Executive		Executives	
	2003	2002	2003	2002
Managerial remuneration	1,035	936	5,369	5,855
Rent	466	514	2,341	3,151
Medical expenses	12	12	231	269
Retirement benefits	104	99	544	519
Reimbursable expenses	110	101	537	1,105
	1,727	1,662	9,022	10,899
Number of persons	1	1	20	21

35.1 The Chief Executive and some Executives are provided with free use of company maintained cars.

(Rupees in 000's)

	Note	2003	2002
36. CASH GENERATED FROM OPERATIONS			
Profit before taxation		13,929	3,505
Adjustments for:			
Depreciation		17,362	18,028
Profit on sale of fixed assets		(1,768)	(3,604)
Amortisation of deferred cost		3,009	990
Provision for gratuity		2,061	2,281
Financial expenses		14,763	19,375
		35,427	37,070
Operating profit before working capital changes		49,356	40,575
Working capital changes	36.1	(6,846)	(333)
Cash generated from operations		42,510	40,242
36.1 Working capital changes			
(Increase)/decrease in stock-in-trade		(5,213)	24,757
Decrease/(increase) in trade debts		2,692	(3,008)
Decrease/(increase) in loans, advances, deposits, prepayments and other receivables		916	(1,145)
(Decrease) in creditors, accrued and other liabilities		(5,241)	(20,937)
		(6,846)	(333)

37. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Name of Related Parties and Nature of Relationships	Nature of Transaction	Transaction Value	Transaction Value
Atlas Honda Limited (Common Directorship)	Sale of Motorcycle Parts	137,841	125,116
	Purchase of Scrap	2,708	3,244
	Purchase of Motorcycles	770	503
	Expenses charged by them to us-net	74	62
Honda Atlas Cars (Pakistan) Ltd. (Common Directorship)	Sale of Auto Parts	41,898	41,566
Atlas Investment Bank Limited (Common Directorship)	Medium Term Loan	34,600	-
	Loan Repaid	3,075	-
	Interest Expense	878	-
Atlas Information Tech. (Pvt.) Ltd. (Common Directorship)	Internet service	-	168
Shirazi Investments (Pvt.) Ltd. (Common Directorship)	Internet service	78	-
	Rent of Premises	-	70
Shirazi Trading Company (Pvt.) Ltd. (Common Directorship)	Photocopier Spares & Service	143	167
	Purchase of Computers	469	-
Muslim Insurance Company Ltd. (Common Directorship)	Insurance Premium	3,688	3,508
Shirazi Foundation	Rent of Premises	86	-

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

38. 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.

39. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Concentration of credit risk arises 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. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is exposed to credit risk on long term deposits, trade debts and other receivables. The company seeks to minimise the credit risk exposure through having exposure only to customers considered credit worthy. The significant concentration of the Company's trade debts is as follows:

	2003			2002		
	Trade debts	Loans and advances	Long term deposits	Trade debts	Loans and advances	Long term deposits
	Rupees in thousands			Rupees in thousands		
Original Equipment Manufacturers	19,129	-	-	22,298	-	-
Replacement market	17,674	-	-	17,585	-	-
Others	627	1.164	1,985	239	935	2,035
	37,430	1,164	1,985	40,122	935	2,035

40. LIQUIDITY RISK

Liquidity risk is the risk that an institution will be unable to meet its funding requirements. To guard against this risk, company has diversified funding sources and assets are managed with liquidity in mind. The maturity profile is monitored to ensure adequate liquidity is maintained.

41. 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 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:

2003

	Effective yield / mark-up rate %	Total	Exposed to yield / mark-up rate risk: Maturity upto one year	Maturity after one year	Sub-total	Not exposed to yield / mark-up rate risk
		(Rupees in thousands)				
Financial Assets						
Long term loans	12.00	1,164	777	387	1,164	-
Long term deposits	-	1,985	-	-	-	1,985
Trade debts	-	37,430	-	-	-	37,430
Cash and bank balances	-	9,262	-	-	-	9,262
		49,841	777	387	1,164	48,677
Financial Liabilities						
Long term loans	9.76	89,858	15,157	34,701	49,858	40,000
Short term finances	8.61	56,178	56,178	-	56,178	-
Creditors, accrued and other liabilities	-	49,036	-	-	-	49,036
Proposed final dividend	-	2,467	-	-	-	2,467
		197,539	71,335	34,701	106,036	91,503
Total yield / mark-up rate risk sensitivity gap		(147,698)	(70,558)	(34,314)	(104,872)	(42,826)
Cumulative yield / mark-up rate risk sensitivity gap			(70,558)	(104,872)	(104,872)	

2002

	Effective yield / mark-up rate %	Total	Exposed to yield / mark-up rate risk: Maturity upto one year	Maturity after one year	Sub-total	Not exposed to yield / mark-up rate risk
		(Rupees in thousands)				
Financial Assets						
Long term loans	12.00	935	752	183	935	
Long term deposits	-	2,035	-	-	-	2,035
Trade debts	-	40,122	-	-	-	40,122
Cash and bank balances	-	3,797	-	-	-	3,797
		46,889	752	183	935	45,954
Financial Liabilities						
Long term loans	15.31	92,160	22,218	29,942	52,160	40,000
Short term finances	13.17	55,319	55,319	-	55,319	-
Creditors, accrued and other liabilities	-	47,117	-	-	-	47,117
		194,596	77,537	29,942	107,479	87,117
Total yield / mark-up rate risk sensitivity gap		(147,707)	(76,785)	(29,759)	(106,544)	(41,163)
Cumulative yield / mark-up rate risk sensitivity gap			(76,785)	(106,544)	(106,544)	

42. 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. 16.248 million (2002:Rs. 10.041 million) in foreign currencies which are subject to currency risk exposure.

43. 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 arms length transaction.

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

44. NUMBER OF EMPLOYEES

The company employed 464 (2002 : 489) employees at the end of the year.

45. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 18th Sept. 2003 by the Board of Directors of the Company.

46. CORRESPONDING FIGURES

Previous year's figures have been re-arranged wherever necessary for the purpose of comparison. The figures have been re-arranged as the re-classification made is considered more appropriate for purpose of presentation. Significant re-arrangement made are as follows:

	Classification		
	2003	2002	Rupees in thousands
46.1 Loans to employees	Non-current assets	Current assets	183
46.2 Long term deposits from employees	Non-current assets	Current assets	588
46.3 Legal and professional fee	Other charges	Administrative expenses	112
46.4 Auditors' remuneration	Other charges	Administrative expenses	158
46.5 Workers' profit participation fund	Other charges	Profit and loss	184
46.6 Donations	Other charges	Administrative expenses	9

47. GENERAL

Figures have been rounded off to the nearest thousand rupees.

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

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2003

NUMBER OF SHAREHOLDERS	SHARE HOLDING FROM	TO	TOTAL SHARES HELD
318	1	100 Shares	10,740
312	101	500 Shares	81,499
130	501	1,000 Shares	100,436
101	1,001	5,000 Shares	225,322
14	5,001	10,000 Shares	97,430
2	20,001	25,000 Shares	45,621
3	25,001	30,000 Shares	83,572
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
887			4,934,678

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

CATEGORIES OF SHAREHOLDERS

	Number	Shares held	Percentage
Associated Companies, Undertakings and Related Parties			
Shirazi Investments (Pvt) Ltd.	1	2,869,452	58.15
Muslim Insurance Company Ltd.	1	141,768	2.87
NIT & ICP			
National Investment Trust	1	51,085	1.04
Investment Corporation of Pakistan	1	1,051	0.02
24th ICP Mutual Fund	1	100,000	2.03
Directors, & their Spouse, Minor Children and Associates			
Mr. Yusuf H. Shirazi & Associates	1	25,943	0.53
Mr. Aamir H. Shirazi	1	294,709	5.97
Mr. Iftikhar H. Shirazi	1	294,711	5.97
Executive	-	-	-
Public Sector Companies & Corporation	-	-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions , Insurance Companies, Modarbas & Mutual Funds	21	52,817	1.07
Shareholders holding ten percent or more voting interest in the company	-	-	-
Individuals	854	1,097,027	22.23
Others			
Corporate Law Authority (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
	887	4,934,678	100

ATLAS GROUP COMPANIES

	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 29th October 2003 at 9:00 a.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 ____________________ 2003.

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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Fold Here

Fold Here

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