

ANNUAL REPORT  
2007





Organisation  
development  
through  
*self development*



 **Allwin Engineering Industries Limited**

ISO 9002 Certified



PISTON & RADIATOR  
MANUFACTURING FACILITIES





### **Vision**

A leading customer oriented manufacturer and supplier of auto parts and components meeting world class standards.

### **Mission**

To realize vision by:

Dynamic manufacturing and marketing of good quality auto parts at competitive prices to the satisfaction of customers.

Continuously improve performance through advances in technology and innovation, aim to generate earnings sufficient to ensure attractive return to the stakeholders.

Create ideal working environment leading to enhanced productivity, job satisfaction and provide employees opportunity for personal development.

Contribute to the national economy with a strong sense of responsibility to society and the environment.



**ALLWIN** ہے تو اچھا ہے **آلین**

### OUR VALUED CUSTOMERS



Atlas Honda Limited

**HONDA**

Honda Atlas Cars (Pakistan) Ltd.



Pak Suzuki Motor Company Ltd.



Indus Motor Company Ltd.



Al-Ghazi Tractors Ltd.



Millat Tractors Ltd.

**YAMAHA**

Dawood Yamaha Ltd.

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## COMPANY INFORMATION

### BOARD OF DIRECTORS

Chairman	Yusuf H. Shirazi
Directors	Ali H. Shirazi
	Frahim Ali Khan
	H. Masood Sohail
	Iftikhar H. Shirazi
	Sohail Wajahat H. Siddiqui
Chief Executive Officer	Mohammad Atta Karim
Company Secretary	Fida Hussain Zahid

### AUDIT COMMITTEE

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

### MANAGEMENT COMMITTEE

Chief Executive Officer	Mohammad Atta Karim
General Manager Plant & HR	Col ® Mir Moatazid
Chief Financial Officer	Sadaqat Ali
Financial Controller	Syed Naushad Ali
Manager Sales	Syed Tariq Arabi
Manager HR & Admin	Major ® Abdul Sattar

### AUDITORS

Ford Rhodes Sidat Hyder & Co.  
Chartered Accountants

## COMPANY INFORMATION

### LEGAL ADVISORS

Mohsin Tayabali & Co.  
Advocate Incorporation  
Agha Faisal Barrister at Law

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### TAX ADVISOR

Ford Rhodes Sidat Hyder & Co.  
Chartered Accountants

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### BANKERS

Atlas Bank Limited  
Bank Alfalah Limited  
Faysal Bank Limited  
Habib Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
Standard Chartered Bank

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### REGISTERED OFFICE (FACTORY)

15th Mile, National Highway, Landhi, Karachi-75120  
Tel: 5016921-24, 5015525, Fax: 5011709  
Email: aeilkhi@allwin.com.pk

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### SALES OFFICES

Lahore Office:  
Salam Chamber, 21 Link Mcleod Road, Lahore  
Phones: 7227075-7354245 Fax: 7352724  
Mobile: 0333-4239003

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Multan Office:  
Atlas House,  
Azmat Wasti Road, Multan  
Phone: 512181, 548017 Fax: 541690

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Faisalabad Office:  
No. 54, Chenab Market, Madina Town, Faisalabad  
Phone: 549376 Fax: 726628

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Rawalpindi Office:  
312, R-A-Bazar, Kashmir Road, Rawalpindi  
Phone: 5567423 Fax: 5567423  
Mobile: 0333-5129411

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Peshawar Office:  
C/o Atlas Battery Limited,  
Flat No.3, Block 'B', G.T. Road, Peshawar  
Mobile: 0333-9276840

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**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 45th Annual General Meeting of Allwin Engineering Industries Limited will be held at Corporate Office 2nd Floor Federation House, Shahrah-e-Firdousi, Clifton, Karachi on Wednesday the 24th October 2007 at 10:00 a.m. to transact the following business:

1. To confirm the minutes of the Annual General Meeting held on 21st October 2006.
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 2007.
3. To appoint Auditors for the year 2007-08 and to fix their remuneration.

By order of the Board



Fida Hussain Zahid  
Company Secretary

Karachi 20th September, 2007

**NOTES:**

- i) The Share Transfer Books of the company for the purpose of Ordinary General Meeting will remain closed from 18th October 2007 to 24th October 2007 (both days inclusive).
- 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 such purpose.

## SHAREHOLDERS' INFORMATION

### Registered and Shares Registration Office:

15th Mile National Highway, Landhi, Karachi-75120  
Tel: 5016921-24  
Fax: 5011709

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### Listing on Stock Exchanges

Allwin Engineering Industries Limited is listed on Karachi and Lahore Stock Exchanges.

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### Listing Fees

The annual listing fees for the financial year 2007-08 have been paid to the Karachi and Lahore Stock Exchanges and Central Depository Company within the prescribed time limit.

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### Stock Code

The stock code for dealing in equity shares of Allwin Engineering Industries Limited at KSE and LSE is ALWIN.

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### Shares Registrar

All work relating to physical transfer, transmission, splitting and consolidation of share certificates and fractional amount, etc., is done at the registered office of the Company. The Company has online connectivity with Central Depository Company of Pakistan Limited. It undertakes activities pertaining to dematerialization of shares, share transfers, transmissions, issue of duplicate / re-validated dividend warrants, issue of replaced share certificates, change of address and other related matters. For assistance, shareholders may contact the registered office.

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### Contact person:

Mr. Habib Ahmed  
Tel: 92-21-5016921-24  
Fax: 92-21-5011709

### Statutory Compliance

During the year your company has complied with all applicable provisions, filed all returns/forms and furnished all relevant particulars as required under the Companies Ordinance, 1984 and allied rules, the Securities and Exchange Commission of Pakistan Regulations and the listing requirements.

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### Annual General Meeting

Date: October 24, 2007  
Time: 10:00 A.M.  
Venue: Corporate Office, Federation House, 2nd Floor, Shahrah-e-Firdousi, Clifton, Karachi.

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### Financial Calendar

Audited annual results for year ended June 30, 2007:  
Second half of September.

Mailing of annual reports:  
First week of October.

Annual General Meeting:  
End of October

Unaudited first quarter financial results:  
Second half of October

Unaudited second quarter financial results:  
Second half of February

Unaudited third quarter financial results:  
Second half of April

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### Share Transfer System

Share transfers received by the company are registered within 30 days from the date of receipt, provided the documents are complete in all respects.

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## General Meeting

Pursuant to section 158 of the Companies Ordinance, 1984, Company holds a General Meeting of shareholders at least once a year. Every shareholder has a right to attend the General Meeting. The notice of such meeting is sent to all shareholders at least 21 days before the meeting and also advertised in at least one English and Urdu newspaper having circulation in the province in which the Karachi and Lahore Stock Exchanges are situated.

## Proxies

Pursuant to Section 161 of the Companies Ordinance, 1984 and according to the Memorandum and Articles of Association of the Company, every shareholder of the company who is entitled to attend and vote at a general meeting of the company can appoint another person as his/her proxy to attend and vote instead of him/her. Every notice calling a general meeting of the company contains a statement that a shareholder entitled to attend and vote is entitled to appoint a proxy, who ought to be a member of the company. The instrument appointing proxy (duly signed by the shareholder appointing that proxy) should be deposited at the office of the company not less than forty eight hours before the meeting.

## Website of the Company

Your company is operating website [www.allwin.com.pk](http://www.allwin.com.pk) containing updated information regarding the company. The website contains the financial results of the company together with company's profile, the Atlas group philosophy and products of the company.

## Market price Data

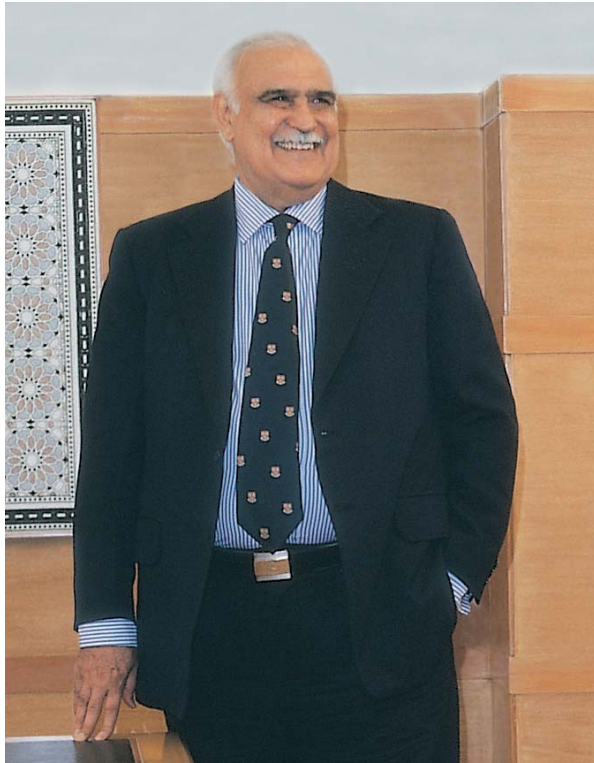
The following table shows the month-wise share price of the company in the Karachi Stock Exchange:

## Karachi Stock Exchange

Months	High	Low
July, 2006	39.85	35.50
August, 2006	39.00	35.00
September, 2006	35.00	29.50
October, 2006	33.80	29.20
November, 2006	33.90	26.00
December, 2006	28.95	26.05
January, 2007	27.40	24.00
February, 2007	26.85	22.80
March, 2007	25.70	24.05
April, 2007	25.55	21.55
May, 2007	25.50	22.00
June, 2007	25.70	23.00

## Change of Address of members

All registered shareholders should send information on changes of addresses at the Registered Office of the Company mentioned above.



## CHAIRMAN'S REVIEW

It is my pleasure to present to you the 45th Annual Report of the performance of the Company for the year ended June 30, 2007.

### The Economy

The Economy witnessed robust growth during 2006-07. The GDP growth accelerated to 7.0 percent in 2006-07 as against the revised estimates of 6.6 percent last year and 7.0 percent target for the year. The acceleration in growth during 2006-07 was driven by the continued momentum in the agriculture, manufacturing and services sectors.

Agriculture registered a sharp recovery with a growth of 5.0 percent, on the back of highest ever production of wheat and impressive increase in sugarcane production. The key driver was the timely winter rains in the rabbi season and higher availability of agriculture credit.

The overall industrial production continued its growth momentum during the year under review. Overall manufacturing recorded an impressive and broad based growth of 8.45 percent, against last year's growth of 9.9 percent. The robust performance of the industrial sector was largely led by higher levels of liquidity in the banking system, stable exchange rate, low inflation and stronger domestic demand, which was partially offset by the unprecedented rise in metal and oil prices.

During 2006-07, the growth in the service sector was 8.0 percent as compared to last corresponding period of 9.6 percent. The service sector continued to be the key driver of economic activity in the country, contributing nearly three-fifth of the real GDP growth of 7.0 percent. The sub sectors of banking and insurance witnessed particularly strong growth.

Pakistan economy has exhibited a higher trend of inflation during the last three years. A sustained level of high economic growth over the year has increased the levels of income which has resulted in a surge in domestic demand. The pass through effect of the unprecedented increase in international oil and food prices is forcing the upward inflationary pressure.

A strong private sector development strategy is needed to enhance the competitiveness of the private sector. The strategy should focus on enforcing regulatory measures, removing irritants to the private sector growth and improving the country's physical & social infrastructure.

### The Industry

The automobile industry in general and the vending industry in particular are facing various challenges.

The introduction of Tariff Based System (TBS) seems quite indifferent to protecting local industry. In the new system there is preferential treatment for new auto manufacturers, which is counter productive to

overall development of auto industry. At the same time, liberalization of import of CBU and used cars through gift schemes, transfer of residence and rising auto financing rates have restricted the growth of the industry. Total production of cars was recorded 160,496 units in 2006-07, 438 units more than previous year's 160,058 units, which showed almost no growth. The demand for motorcycle also eased during the last 12 months, after double digit growth every year for the last six years. The cumulative growth was 12% as against 33%, with total production of 840,660 units including Chinese brands, as against 752,186 units for the year 2005-06. In other segments, the tractor production grew 10.66% due to improvement in agriculture out put, with 54,098 tractors produced in the reporting period against 48,887 tractors in the same period last year. Production of Buses/Trucks & LCVs increased 17.37% to 43,893 units against 37,396 units for year 2005-06.

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

Particulars	2003	2004	2005	2006	2007
Cars	62,073	98,461	126,403	160,058	160,496
Motorcycles	185,000	340,000	500,000	752,186	840,660
Tractors	26,240	35,770	43,200	48,887	54,098
Bus/Trucks & LCVS	16,593	19,100	28,579	37,396	43,893

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 through tariff and non-tariff barriers by other signatories of the developed world is already prevalent in the global trade environment.

The growth of the industry lies in progressive local manufacturing rather than import based policy.

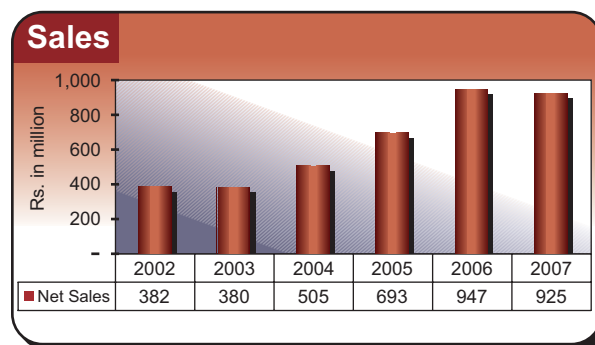
## Market Review

During the year OEM sales registered 6.5% decline over previous year mainly due to low demand of parts by motorcycle manufacturers. In replacement market, the management of the Company followed well planned customer oriented strategy with focus on effective and efficient customer service. Easy and quick settlement of customers demand better relation with countrywide auto technician through meeting, gathering and communicating with them regarding the products and its features. The actions helped your Company to compete effectively in the market place where low price imported auto parts brought in the country through smuggling and under invoicing, are easily available. Replacement sales increased to Rs. 185 million against Rs. 157 million in the previous year, up 18%.

In the review year, prices of pig iron, copper brass and other raw materials registered significant increase. The cost increase has resulted in squeeze in margin, without the ability to effectively pass it on.

## Operating Results

The sales revenue for the year was Rs. 925.02 million lower 2.37% as compared to Rs. 947.48 million in the previous year.



The gross profit declined to Rs. 77.68 million against Rs.138.20 million of the same corresponding period, mainly because of low volume, rise in raw materials price and utility costs. Price of pig iron was Rs. 25.30 per kg in June 2007 against Rs. 20.00 per kg in June 2006, an increase of 26.5%, copper price registered 22.93% increase to Rs. 504.00 per kg against 410.00 per kg of the previous period. The increase in cost could not be passed in total to customers due to fierce competition. Further, increase in depreciation expenses related to the plant expansion made in the previous year, which was a strategic decision keeping in view the growth in automobile industry also contributed to low gross profit. The operating expenses were Rs. 49.04 million in the current year compared to Rs. 45.88 million in the previous year after absorption of inflationary pressure. Other income amounting Rs. 8.83 million includes Rs. 6.68 million reversal of prior year provision of royalty and technical fee on the basis of non-fulfillment of its obligation under the agreement. Financial charges increased to Rs. 53.04 million against Rs. 35.65 million in the same period previous year due to increase in mark-up rates and long term loan required to finance capital expenditure.

The profit after tax stood at Rs. 0.57 million as compared to Rs. 29.08 million, last year after making provision for current and deferred tax. The earnings per share worked out to Rs. 0.05 per share against Rs. 2.36 per share for the previous year. Current ratio for the year remained 0.68 compared to 0.91 in the corresponding last period. Subsequent to the year end the Company entered into a long-term loan agreement with a commercial bank of Rs. 60.0 million which has been utilized by the Company to repay & reduce its short-term running finance to the extent of Rs. 60.0 million.

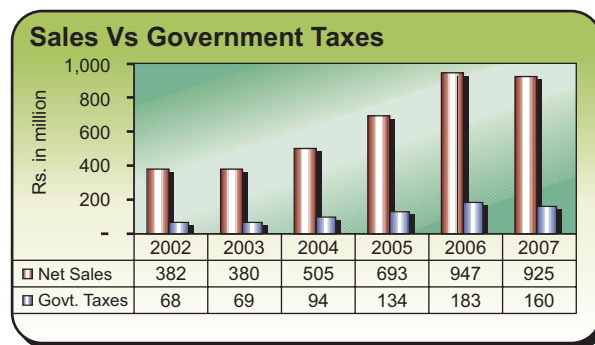
#### CASH FLOW

The Company generated a net cash inflow through operating activities during the period under review

of Rs. 64.37 million against Rs. 48.98 million of the last year. Total outflow of funds of Rs. 67.86 million was made for fixed capital expenditure, repayment of long term loans and investing activities against Rs. 42.27 million of the last year.

#### CONTRIBUTION TO EXCHEQUER

Your company contributed a sum of Rs. 160.09 million to the government revenues in the form of custom duty, sales tax, income tax and other government levies being 17.31% of the sale value during the year.



The Atlas Group of which your company is a constituent member, paid taxes of Rs. 11.6 billion, which is about 1.38% of the Government's total revenues. The Group performances also relies in how much each entity pays taxes - a social responsibility.

#### Human Resource

Your company strongly believes that its most important asset is its people. In order to develop and optimize the utilization of individual capabilities, various effective measures have been adopted in the recent years and shall continue to be taken for improvement of performance and well being of the Company and its employees.

In line with our Group's HR Philosophy, your Company has increased investment in human resource development programs. We offer a wide range of such programs including on-the-job training, in-house

courses, external diploma courses with country's leading management universities, foreign training and job rotations. We also have a program for identifying employees with high potential, who are offered development plans including leadership training in the world's leading schools of management.

Following the Group slogan "Organization Development through Self Development", your Company arranged 32 external development training courses from various institutions benefiting 58 employees. Host of in-house courses were conducted during the year from which 148 employees benefited. This year 3 executives received Atlas-LUMS Diploma in Business Management, an extensive residential course conducted by LUMS. A number of production engineers were sent abroad to Japan and China for training and skills development. The exposure will improve overall operational efficiency.

Relationship between management and workers of your Company remained cordial through out the year. The management of your Company has successfully signed two years agreement with CBA ending on 30th November 2008.

#### **Future Outlook**

The Company envisages difficult time ahead, due to decline in the demand of locally produced cars owing to continued import of new and old cars, levy of 1% special excise duty and 2.5% withholding tax on purchase of locally assembled cars and continuous increase in leasing rates due to increase in discount rate by State Bank of Pakistan. Further, availability and ever increasing prices of raw materials are another area of concern as it has direct effect on cost and margin of parts produced. Due to severe competition it is not possible to pass on the total effect of such increases to customers through price adjustments. The present business environment however, does not deter us from continuing to look forward. We

have renewed our efforts to strengthen our overall business activities with OEM's and through introduction of new and improved products in the replacement market. This should result in maximum capacity utilization of production facilities and cost effectiveness. The Company will continue to focus on maintaining high quality standards and best after sales services to our valued customers.

ع نیا زمانہ نئے صبح و شام پیدا کر

(Let us continue to add value day in and day out)

#### **Acknowledgement**

I would like to thank the Board of Directors, the Group President, Mr. Aamir H. Shirazi, Group Director Engineering Mr. Jawaid Iqbal Ahmed, the Group Executive Committee and the Chief Executive Officer, Mr. Mohammad Atta Karim and his team for their dedicated efforts, dedication and sincerity of purpose. I also thank the CBA for their positive role and valuable contribution.

Mr. Bashir Makki, a member of the Group Executive Committee (GEC), has replaced Mr. Jawaid Iqbal Ahmed effective July 2007. I appreciate the services of Mr. Jawaid Iqbal Ahmed and welcome Mr. Bashir Makki. He will definitely be an apt replacement and add value to your Company.

Thanks are also due to our shareholders, valuable customers, banks and dealers for their trust and confidence repose in us.



Yusuf H. Shirazi

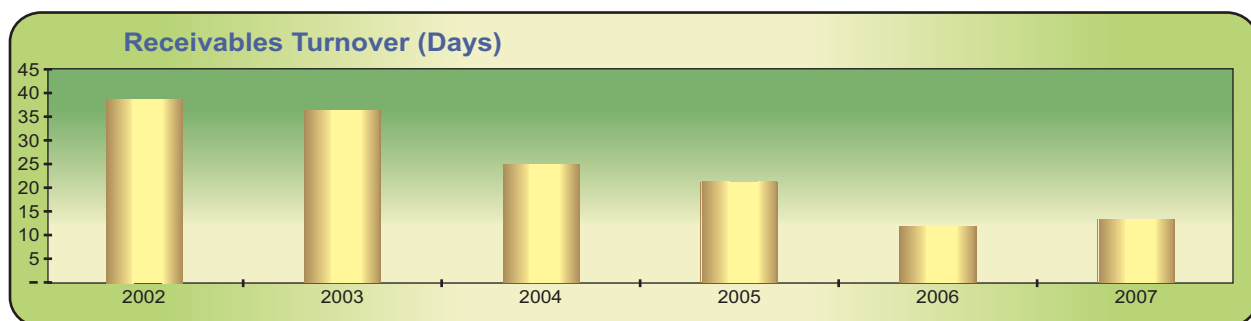
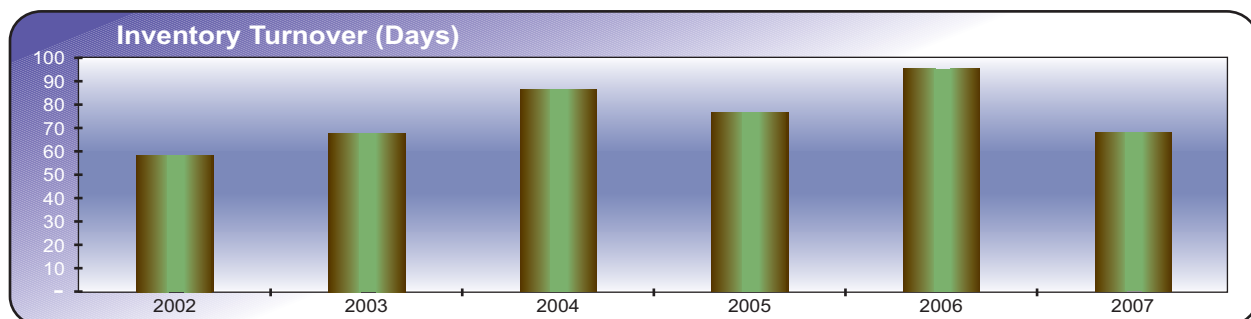
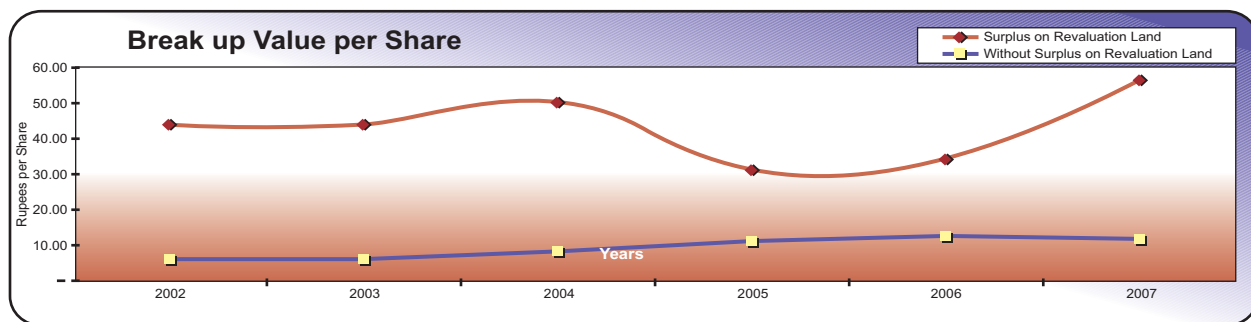
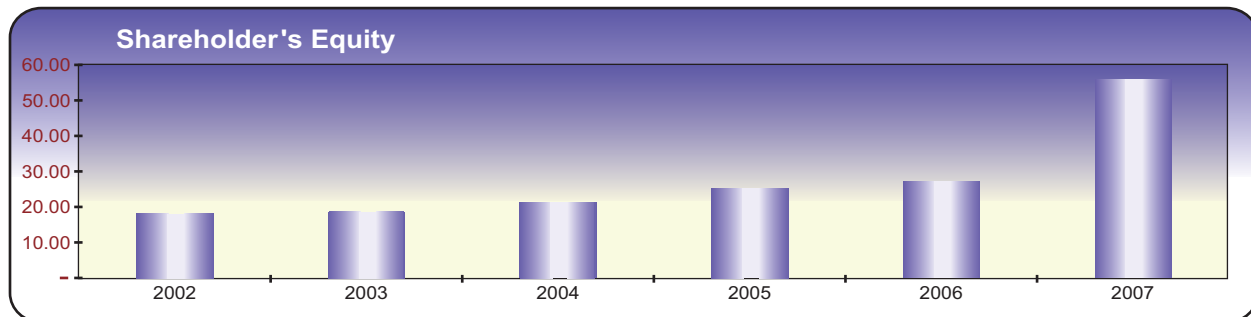
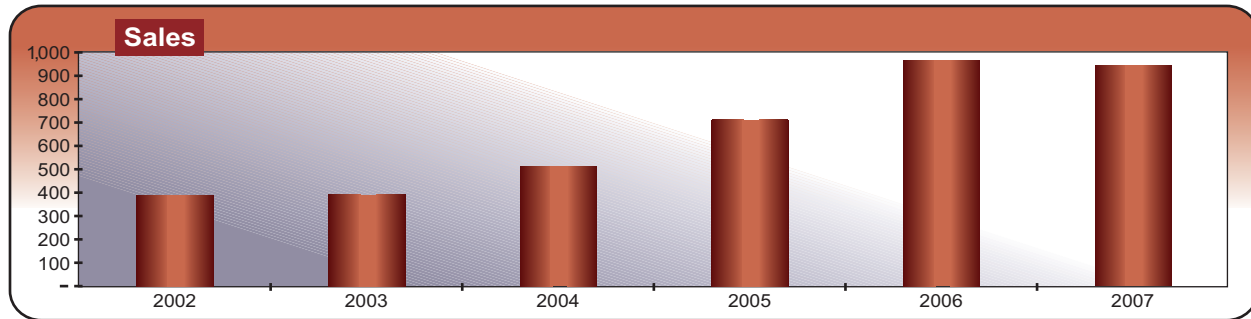
## KEY PERFORMANCE AND FINANCIAL DATA

(Rupees in '000's)

Particulars	2007	2006	2005	2004	2003	2002
<b>Sales</b>	925,015	947,484	692,724	504,984	379,980	382,249
Gross profit	77,675	138,200	122,598	91,470	58,189	46,908
Operating profit	37,468	92,834	88,293	49,667	28,766	22,788
Profit Before Taxation	(15,574)	57,181	69,849	36,861	13,929	3,505
Profit After Taxation	574	29,080	40,825	24,788	6,443	(5,392)
Share Capital	123,367	123,367	123,367	49,347	49,347	49,347
Reserves	16,467	28,230	11,487	(29,338)	(49,191)	(48,491)
Shareholders Equity Including Revaluation	555,614	270,277	253,534	213,624	188,836	184,860
Shareholders Equity Excluding Revaluation	139,834	151,597	134,854	94,944	70,156	(66,180)
Fixed Assets Net	889,787	592,672	503,471	302,418	269,409	269,127
Total Assets	1,137,337	903,729	714,600	501,131	410,687	404,903
Current Assets	242,002	308,847	207,750	191,472	132,746	126,575
Net Current Assets	(113,301)	(31,411)	11,137	27,717	4,164	(12,172)
<b>Ratios:</b>						
Profitability ( % )						
Gross Profit	8.40	14.59	17.70	18.11	15.31	12.27
Profit Before Tax	(1.68)	6.04	10.08	7.30	3.67	0.92
Profit After Tax	0.06	3.07	5.89	4.91	1.70	(1.41)
<b>Return to Shareholders</b>						
Dividend %	-	10.00	10.00	10.00	5.00	5.00
Cash Dividend Per Share	-	1.00	1.00	1.00	0.50	0.50
Dividend Yield Ratio	-	0.02	0.03	0.04	0.03	0.08
Dividend Pay Out Ratio	-	0.42	0.27	0.39	0.38	(0.46)
ROE - After Tax %	0.10	10.76	16.10	11.60	3.41	(2.92)
Return on Capital Employed %	0.05	3.66	6.28	5.76	1.82	(1.55)
E.P.S. - After Tax - Rs.	0.05	2.36	3.74	2.56	1.31	(1.09)
Market Price ( June 30 )	25.70	39.70	33.00	25.90	15.00	6.50
<b>Activity (Times)</b>						
Sales to Total Assets	0.81	1.05	0.97	1.01	0.93	0.94
Sales to Fixed Assets	1.04	1.60	1.38	1.67	1.41	1.42
Inventory Turnover (Days)	67	94	75	85	67	57
Debtor Turnover (Days)	13	12	21	25	36	38
Interest Cover Ratio	0.71	2.60	5.73	4.38	1.94	1.18
<b>Liquidity / Leverage</b>						
Current Ratio ( Times )	0.68	0.91	1.06	1.14	1.05	0.91
Quick Ratio ( Times )	0.14	0.18	0.31	0.41	0.42	0.38
Break up Value per Share ( Rs )						
- Including Surplus on Revaluation	45.04	21.91	20.55	43.29	38.27	37.46
- Excluding Surplus on Revaluation	11.33	12.29	10.93	7.96	5.88	5.93
Long Term debts to Total Equity(Incl. Surplus on Revaluation) (Times)	0.32	0.52	0.54	0.37	0.32	0.33
Total Liabilities to Equity(Incl. Surplus on Revaluation) (Times)	0.51	0.70	0.65	0.57	0.54	0.54



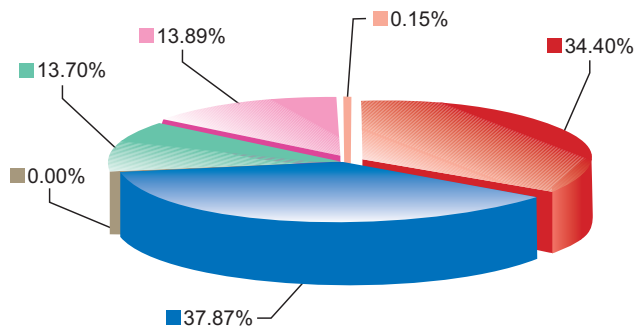
## KEY PERFORMANCE RATIOS - GRAPHICAL PRESENTATION



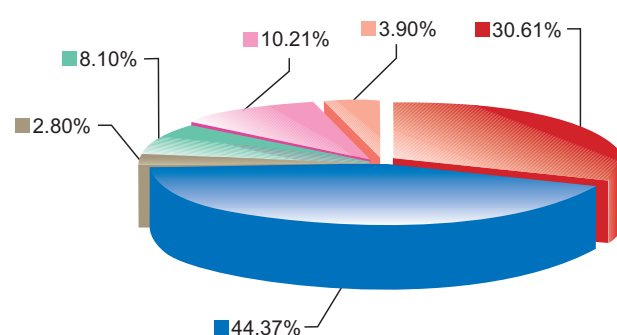
**STATEMENT OF VALUE ADDITION**

Year ended 30 June	(Rupees in 000's)			
	2007 Amount	% age	2006 Amount	% age
<b>Wealth Generated</b>				
Total Revenue	1,096,616		1,115,199	
Bought in Material & Services	(709,413)		(675,485)	
	<u>387,203</u>	<u>100%</u>	<u>439,714</u>	<u>100%</u>
<b>Wealth distributed:</b>				
<b>To Employees</b>				
Salaries & other related costs	133,192	34.4%	134,728	30.6%
<b>To Government</b>				
Taxes	146,619	37.9%	195,304	44.4%
<b>To Providers of Capital</b>				
Dividend to shareholder	-	0.0%	12,337	2.8%
Markup/Interest	53,042	13.7%	35,653	8.1%
	53,042	13.7%	47,990	10.9%
<b>Retained in the Business</b>				
Depreciation	53,776	13.9%	44,949	10.2%
Retained Profit	574	0.1%	16,743	3.8%
	54,350	14.0%	61,692	14.0%
	<u>387,203</u>	<u>100%</u>	<u>439,714</u>	<u>100%</u>

Wealth Distribution 2007



Wealth Distribution 2006



■ Employees ■ Dividend to shareholder ■ Depreciation ■ Government ■ Markup/Interest ■ Retained in Business

## DIRECTOR'S 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, 2007.

### Financial Results

The financial results of your company for the year ended June 30, 2007 under review are summarized as follows:

	(Rupees in 000's)	
	2007	2006
(Loss) / Profit before taxation	(15,574)	57,181
Taxation		
Current	(4,629)	(4,737)
Deferred	20,777	(23,364)
	16,148	(28,101)
Profit after taxation	<u>574</u>	<u>29,080</u>

### Earnings per Share

Basic earning per share after tax is Re. 0.05 per share (2006: Rs. 2.63).

### Dividend

The Company paid 10% cash dividend in November 2006, announced in Annual General Meeting held on October 21, 2006 but no dividend has been recommended by the Board of Directors in its meeting held on September 20, 2007 because of nominal profit for the year ended June 30, 2007.

### 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, 2007 and future prospects. The directors endorse the contents of the review.

### Board of Directors

The Board comprises of one Executive and six Non-Executive directors. All the non-executive directors are independent from management.

The Board approved the remuneration of the CEO Rs. 4.739 million, bonus and other benefits like free transportation, telephone facility, medical expenses etc. as per company's policy for the year 2007-2008.

During the year five Board meetings were held. The attendance of the directors are as follows:

S.No.	Name of Directors	Attendance
1.	Mr. Yusuf H. Shirazi	5
2.	Mr. Ali H. Shirazi	4
3.	Mr. Frahim Ali Khan	5
4.	Mr. H. Masood Sohail	5
5.	Mr. Iftikhar H. Shirazi	3
6.	Mr. Sohail Wajahat H. Siddiqui	2
7.	Mr. Mohammad Atta Karim	5

During the year, there was no reported transaction by directors, CEO, Company Secretary, CFO and their spouses or minor children.

The three years term of office of the present Directors expiring on May 12, 2008.

#### **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 2007-08.

#### **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, 2007 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.



# Allwin Engineering Industries Limited

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

Mr. H. Masood Sohail	- Chairman	4
Mr. Ali H. Shirazi	- Member	3
Mr. Iftikhar H. Shirazi	- Member	2

## 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 the Company.

## 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.allwin.com.pk](http://www.allwin.com.pk)), which contains up to date information of Company's 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 statements.

#### Employees' Provident Fund & Gratuity Fund

The Company operating a contributory provident fund scheme for all employees and non-contributory gratuity fund scheme for its management employees. The value of investment, based on their respective audited accounts are as follows:

- Provident Fund Rs. 151.33 million (30 June 2006)
- Gratuity Fund Rs. 6.21 million (30 June 2006)

#### 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 20, 2007

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors on its Board. At present all the directors on the Board are non-executive except the Chief Executive of the Company.
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 NBFIs or, being a member of stock exchange, has been declared as defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The Company has adopted and circulated a 'Statement of Ethics and Business Practices', which has been signed by 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 have been taken by the Board.
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, 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 Board had previously arranged an orientation course for its members to apprise them of their duties and responsibilities.
10. The CFO, Company Secretary and Head of Internal Audit were appointed prior to the introduction of Code of Corporate Governance. However, the Board has approved the remuneration and terms and conditions of employment of CFO, Company Secretary and Head of Internal Audit as determined by the CEO.
11. The directors' report for the year has been prepared in compliance with 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 an interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The 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 committees 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, the auditors have also confirmed that they have observed IFAC guidelines in this respect.
20. We confirm that all other material principles contained in the Code have been complied.



Mohammed Atta Karim  
Chief Executive Officer

KARACHI: September 20, 2007



## **CODE OF BUSINESS PRINCIPLE**

### **Standard of Conduct:**

Allwin Engineering Industries Limited conducts its operation with honesty, integrity and openness, and with respect for human rights and interests of the employees. It respects the legitimate interests of all those with whom it has relationships.

### **Obeying the law:**

Allwin Engineering Industries Limited is committed to comply with the laws and regulations of Pakistan.

### **Employees:**

Allwin Engineering Industries Limited is committed to create the working environment where there is mutual trust and respect and where everyone feels responsible for the performance and reputation of the company.

It recruits, employs and promotes employees on the sole basis of the qualifications and abilities needed for the work to be performed.

It is committed to safe and healthy working conditions for all employees and not use any form of forced, compulsory or child labour.

It is committed to working with employees to develop and enhance each individual's skills and capabilities.

It respects the dignity of the individual and the right of employees to freedom of association.

It maintains good communications with employees through company based information and consultation procedures.

### **Consumers:**

Allwin Engineering Industries Limited is committed to providing branded products and services, which consistently offer value in terms of price and quality. Products and services are accurately and properly labelled, advertised and communicated.

### **Shareholders:**

Allwin Engineering Industries Limited conducts its operations in accordance with principles of good corporate governance. It provides timely, regular and reliable information on its activities, structure, financial situations and performance to all the shareholders.

### **Business Partners:**

Allwin Engineering Industries Limited is committed to establishing mutually beneficial relations with its suppliers, customers and business partners.

In its business dealings it expects its partners to adhere to business principles consistent with its own.

**Community Involvement:**

Allwin Engineering Industries Limited strives to be a trusted corporate citizen and, as an integral part of society, to fulfill its responsibilities to the societies and communities in which it operates.

**Public Activities:**

Allwin Engineering Industries Limited is encouraged to promote and defend its legitimate business interests.

It co-operates with government and other organizations, both directly and through bodies such as trade associations, in the development of proposed legislation and other regulations, which may affect legitimate business interests.

It neither supports political parties nor contributes to the funds of groups whose activities are to promote party interest.

**The Environment:**

Allwin Engineering Industries Limited is committed to making continuous improvements in the management of environmental impact and to the longer-term goal of developing a sustainable business.

It works in partnership with others to promote environmental care, increase understanding of environmental issues and disseminate good practice.

**Innovation:**

Allwin Engineering Industries Limited makes innovations to meet consumer needs. It respects the concerns of consumers and of society. It works on the basis of sound research, applying high quality standards.

**Competition:**

Allwin Engineering Industries Limited believes in fair competition and supports development of appropriate competition laws. Allwin Engineering Industries Limited and employees will conduct their operations in accordance with the principles of fair competition and all applicable regulations.

**Business Integrity:**

Allwin Engineering Industries Limited does not give or receive, whether directly or indirectly, bribes or other improper advantages for business or financial gain. No employee may offer, give or receive any gift or payment, which its, or may be construed as being, a bribe. Any demand for, or offer of, a bribe must be rejected immediately and reported to management.

Its accounting records and supporting documents must accurately describe and reflect the nature of the underlying transactions. No undisclosed or unrecorded account, fund or asset maintained.



**Conflicts of Interests:**

Allwin Engineering Industries Limited employees are expected to avoid personal activities and financial interests, which could conflict with their responsibilities to the company. They must not seek gain for themselves or others through misuse of their positions.

**Compliance - Monitoring - Reporting:**

Compliance with business principles is an essential element in business success. The Board of Directors of Allwin Engineering Industries Limited is responsible for ensuring that these principles are communicated to, and understood and observed by, all employees.

Day-to-day responsibility is delegated to the senior management. They are responsible for implementing these principles, if necessary, through more detailed guidance tailored to local needs.

Assurance of compliance is given and monitored each year. Compliance with the Code is subject to review by the Board supported by Audit Committee of the Board.

Any breach of the Code must be reported in accordance with the procedures specified by the management.

The Board of Allwin Engineering Industries Limited expects employees to bring to their attention, or to that of senior management, any breach or suspected breach of these principles.

Provision has been made for employees to be able to report in confidence and no employee will suffer as a consequence of doing so.

## **AUDIT COMMITTEE CHARTER**

The Board of Directors of the Company determined the terms of reference of the Audit Committee. The Audit Committee shall, among other things, be responsible for recommending to the Board of Directors the appointment of external auditors by the Company's shareholders and shall consider any questions of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the Company in addition to audit of its financial statements. In the absence of strong grounds to proceed otherwise, the Board of Directors shall act in accordance with the recommendations of the Audit Committee in all these matters.

The terms of reference of the Audit Committee shall also include the following:

- (a) determination of appropriate measures to safeguard the Company's assets;
- (b) review of preliminary announcements of results prior to publication;
- (c) review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:
  - major judgmental areas;
  - significant adjustments resulting from the audit;
  - the going-concern assumption;
  - any changes in accounting policies and practices;
  - compliance with applicable accounting standards; and
  - compliance with listing regulations and other statutory and regulatory requirements.
- (d) facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- (e) review of management letter issued by external auditors and management's response thereto; ensuring coordination between the internal and external auditors of the Company;
- (f) review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;
- (g) consideration of major findings of internal investigations and management's response thereto;



## Allwin Engineering Industries Limited

- (h) ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;
- (i) review of the Company's statement on internal control systems prior to endorsement by the Board of Directors;
- (j) instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body;
- (k) determination of compliance with relevant statutory requirements;
- (l) monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and
- (m) consideration of any other issue or matter as may be assigned by the Board of Directors.

## **INTERNAL AUDIT DEPARTMENT**

### **Mission Statement**

The purpose of the internal auditing department is

- ◆ to provide independent, objective assurance and consulting services designed to add value and improve the organization's operations.
- ◆ to help the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

### **Scope of Work**

The scope of work of the internal auditing department is

- ◆ to determine whether the organization's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:
  - risks are appropriately identified and managed;
  - significant financial, managerial, and operating information is accurate, reliable, and timely;
  - employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
  - resources are acquired economically, used efficiently, and adequately protected;
  - audit programs, audit plans, and objectives are achieved;
  - quality and continuous improvement are fostered in the organization's control process;
  - significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately.
- ◆ to identify during audits, the opportunities for improving management control, profitability, and the organization's image.
- ◆ to communicate observations to the appropriate level of management and audit committee.

## **SAFETY, HEALTH AND ENVIRONMENT**

In Allwin Engineering Industries Limited, health and safety are core corporate values, driven by the goal of "no accidents and no harm to people". The Company is totally committed to continuously improving the safety and well being of all the people who work with it, or come into contact with operations or products. The aim is to ensure a healthy and productive environment, free from accidents, injury or illness.

The Company maintains the programs that provide reasonable assurance of the following:

- Compliance has been made of all Govt. and internal health, safety and environment requirements.
- Design facilities and conduct operations in a way that avoids risk to human health, safety and the environment.
- To examine and communicate the known hazards of the operations with the relevant health, safety and environmental protection information to potentially affected persons.
- Actively seek to minimize the environmental impact of the activities.
- Systematically manage environmental performance in all phases of activities.
- Continuously improve the Company's overall environmental performance.
- Foster open communication, internally and externally about the Company's environmental performance.


**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 for the year ended June 30, 2007 prepared by the Board of Directors of Allwin Engineering Industries Limited (the Company) to comply with the Listing Regulations of respective Stock Exchanges, 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, 2007.



FORD RHODES SIDAT HYDER & CO.  
Chartered Accountants.

Karachi: September 20, 2007



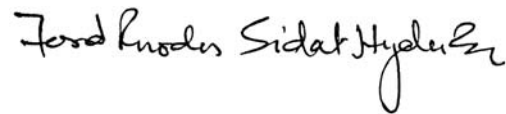
## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Allwin Engineering Industries Limited (the Company) as at June 30, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part 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 account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2007 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.



FORD RHODES SIDAT HYDER & CO.  
Chartered Accountants.

Karachi: September 20, 2007

**BALANCE SHEET**

AS AT JUNE 30, 2007

	Note	(Rupees in '000's)	
		2007	2006
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets			
Property, plant and equipment	3	889,331	591,980
Intangibles	4	456	692
		<u>889,787</u>	<u>592,672</u>
Long-term loans and advances	5	355	725
Long-term deposits and prepayments	6	5,193	1,485
		<u>5,548</u>	<u>2,210</u>
		<u>895,335</u>	<u>594,882</u>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	7	36,687	39,846
Stock-in-trade	8	154,634	207,582
Trade debts	9	32,916	30,387
Loans and advances	10	5,314	4,031
Trade deposits and short-term prepayments	11	1,263	12,348
Taxation - net	12	1,056	1,032
Cash and bank balances	13	10,132	13,621
		<u>242,002</u>	<u>308,847</u>
<b>TOTAL ASSETS</b>		<u><u>1,137,337</u></u>	<u><u>903,729</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	14	123,367	123,367
Unappropriated profit		16,467	28,230
		<u>139,834</u>	<u>151,597</u>
<b>SURPLUS ON REVALUATION OF FIXED ASSET</b>	15	415,780	118,680
<b>NON-CURRENT LIABILITIES</b>			
Long-term loans	16	75,713	135,841
Liabilities/advance against assets subject to finance lease	17	24,394	8,935
Long-term murabaha finance	18	60,714	64,286
Retirement and other service benefits	19	17,686	15,442
Deferred taxation	20	47,913	68,690
		<u>226,420</u>	<u>293,194</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	21	58,874	85,520
Accrued mark-up	22	10,008	9,815
Short-term running finances	23	182,194	144,935
Current maturity of long-term loans	16	60,128	76,167
Current maturity of liabilities against assets subject to finance lease	17	8,951	-
Current maturity of long-term murabaha finance	18	28,572	10,714
Provisions and other liabilities	24	6,576	13,107
		<u>355,303</u>	<u>340,258</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	25		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>1,137,337</u></u>	<u><u>903,729</u></u>

The annexed notes from 1 to 47 form an integral part of these financial statements.



Mohammad Atta Karim  
Chief Executive Officer



Yusuf H. Shirazi  
Chairman



H. Masood Sohail  
Director



# Allwin Engineering Industries Limited

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2007

	Note	(Rupees in '000's)	
		2007	2006
Sales	26	925,015	947,484
Cost of goods sold	27	(847,340)	(809,284)
Gross profit		77,675	138,200
Other operating income	28	8,834	512
		86,509	138,712
Selling and distribution costs	29	(13,452)	(12,975)
Administrative expenses	30	(33,768)	(27,312)
Other operating expenses	31	(1,821)	(5,591)
		(49,041)	(45,878)
Operating profit		37,468	92,834
Finance cost	32	(53,042)	(35,653)
(Loss) / profit before taxation		(15,574)	57,181
Taxation	33	16,148	(28,101)
Profit after taxation		574	29,080
Earnings per share - Basic and diluted	34	Re. 0.05	Rs. 2.36

The annexed notes from 1 to 47 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 JUNE 30, 2007

	Note	(Rupees in '000's)	
		2007	2006 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	36	123,439	85,817
Financial cost paid		(52,849)	(30,135)
Gratuity paid		(1,569)	(1,119)
Tax paid		(4,654)	(5,586)
Net cash generated from operating activities		64,367	48,977
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Expenditure on fixed assets		(26,032)	(136,542)
Long-term deposits and prepayments		(3,708)	428
Long-term loans and advances		370	741
Proceeds from sale of fixed assets		3,398	2,732
Net cash used in investing activities		(25,972)	(132,641)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Advance against finance lease		-	8,935
Long-term loans		(76,168)	(81,725)
Long-term murabaha finance		14,286	75,000
Short-term borrowings		-	(10,000)
Short-term running finance		37,259	110,494
Lease rentals paid		(4,924)	-
Dividend paid		(12,337)	(12,337)
Net cash (used in) / generated from financing activities		(41,884)	90,367
Net (decrease) / increase in cash and cash equivalents		(3,489)	6,703
Cash and cash equivalents at the beginning of the year		13,621	6,918
Cash and cash equivalents at the end of the year		10,132	13,621

The annexed notes from 1 to 47 form an integral part of these financial statements.

  
 Mohammad Atta Karim  
 Chief Executive Officer

  
 Yusuf H. Shirazi  
 Chairman

  
 H. Masood Sohail  
 Director

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2007

	Issued, subscribed & paid up capital	Unappropriated profit	Total
	(Rupees in thousands)		
Balance as at June 30, 2005	123,367	11,487	134,854
Profit after taxation	-	29,080	29,080
Dividend for the year ended June 30, 2005 @ Re. 1 per share	-	(12,337)	(12,337)
Balance as at June 30, 2006	123,367	28,230	151,597
Profit after taxation	-	574	574
Dividend for the year ended June 30, 2006 @ Re. 1 per share	-	(12,337)	(12,337)
Balance as at June 30, 2007	123,367	16,467	139,834

The annexed notes from 1 to 47 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 JUNE 30, 2007

### **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. The company 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. SIGNIFICANT ACCOUNTING POLICIES**

#### **2.1 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 such International Financial Reporting Standards / 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.

#### **2.2 Basis of preparation**

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

#### **2.3 Property, plant and equipment and depreciation**

##### **2.3.1 Owned**

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

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

An item of fixed assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each financial year end.

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

### **2.3.2 Assets subject to finance lease**

Leases which transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease, at the fair value of the leased property or, if lower at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Assets acquired under finance lease are depreciated using the same basis as for owned assets.

### **2.3.3 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.

### **2.3.4 Intangible**

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any. Intangible assets are amortised on a straight-line basis over their estimated useful lives.

## **2.4 Impairment**

The company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the company makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

## **2.5 Stores, spare parts and loose tools**

Stores, spare parts and loose tools are valued at lower of cost and net realisable value. Cost is determined on an average basis except for goods in transit which are valued at invoice price plus other related charges paid thereon upto the balance sheet date. Provision is made for slow moving and obsolete items, if any, to write them down to their estimated net realizable value .

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

## **2.6 Stock-in-trade**

All stocks, except in transit, are valued at the lower of cost and net realisable value. Cost is determined on an average basis and includes costs incurred in bringing raw material to its present location and condition.

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 of completion and the estimated costs necessary to make the sale.

## 2.7 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.

## 2.8 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 minimum taxation 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 bases 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.

## 2.9 Staff retirement benefits

### Defined benefit plan

The company operates an unfunded gratuity scheme for workers and funded gratuity scheme for management staff as described in note 19 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. 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 or 10% of the fair value of plan assets whichever ever is higher. 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 at the rate of 9% for workers and 11% for management staff by the employees and the company in accordance with the rules of the scheme.

#### **2.10 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 using current salary levels.

#### **2.11 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.

#### **2.12 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.

#### **2.13 Foreign currency translation**

Transactions in foreign currencies are translated into Pak Rupees (functional 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.

#### **2.14 Revenue recognition**

- Sales are recorded when the significant risk and rewards of ownership of the goods have passed to the customers which generally coincide with the dispatch of goods to customers.
- Return on bank deposits is accrued on a time proportion basis by reference to the principal outstanding on the applicable rate of return.
- Other income is recognized on accrual basis.

#### **2.15 Borrowing costs**

Borrowings costs are recognised as an expense in the period in which these are incurred except to the extent that borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

#### 2.16 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand, cheques / payorders in hand and bank balances.

#### 2.17 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 expired. Any gain or loss on recognition / derecognition of the financial assets and financial liabilities is taken to profit and loss account currently.

#### 2.18 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 realize 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.

#### 2.19 Accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In the process of applying the company's / accounting policies, management has made the following estimates and judgements which are significant to the financial statements:

	Note
Determining the residual values and useful lives of property, plant and equipment	2.3.1 & 3.1
Revaluation of leasehold land	2.3.1 & 3.1
Impairment / adjustment of inventories to their Net Realizable Value	2.5 & 7, 2.6 & 8
Impairment of financial assets	2.6 & 8
Recognition of taxation and deferred tax	2.8 & 20
Accounting for post employment benefits	2.10 & 19

#### 2.20 Accounting standards not yet effective

The following new standards and amendments of approved accounting standards are applicable



# Allwin Engineering Industries Limited

in Pakistan from the dates mentioned below against the respective standard or amendment:

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

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

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

## 2.21 Dividend and other appropriations of reserves

These are recognised in the period in which such dividend and appropriation are approved by the Board of Directors.

	Note	2007 (Rupees in thousands)	2006
<b>3. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating asset	3.1	874,633	577,679
Capital work-in-progress	3.6	14,698	14,301
		<u>889,331</u>	<u>591,980</u>

3.1 OPERATING ASSETS

Description	Note	COST			ACCUMULATED DEPRECIATION			NET BOOK VALUE		Depre- ciation rate %	
		As at July 01, 2006	Additions/ revaluation (Note 3.4)	(Disposals)	As at June 30, 2007	As at July 01, 2006	Charge for the year	(Disposals)	As at June 30, 2007		As at June 30, 2007
----- (Rupees in thousands) -----											
<b>Owned assets</b>											
Leasehold land	3.2	118,840	297,100	-	415,940	-	-	-	-	415,940	-
Buildings on leasehold land											
Factory		55,342	2,640	-	57,982	32,882	2,436	-	35,318	22,664	10
Generator premises		4,924	-	-	4,924	2,646	228	-	2,874	2,050	10
Residential		365	-	-	365	304	3	-	307	58	5
Office		2,219	1,872	-	4,091	1,250	102	-	1,352	2,739	5
Plant and machinery		510,546	15,795	(716)	525,625	186,180	32,655	(645)	218,190	307,435	10
Power generators		108,977	-	-	108,977	41,011	9,651	-	50,662	58,315	10&35
Electrical fittings		11,531	1,086	-	12,617	5,000	721	-	5,721	6,896	10
Office equipment		2,527	-	-	2,527	2,008	78	-	2,086	441	15
Computers and other IT related equipment		7,214	3,136	-	10,350	4,959	1,158	-	6,117	4,233	30
Furniture and fixtures		3,807	361	-	4,168	3,112	70	-	3,182	986	10
Vehicles		18,590	2,275	(2,316)	18,549	5,445	2,737	(1,046)	7,136	11,413	20
Sui gas, water and drainage lines		2,281	-	-	2,281	1,128	115	-	1,243	1,038	10
Measuring instruments, dies, jigs, patterns and other equipments		47,204	115	-	47,319	30,763	3,300	-	34,063	13,256	20
		894,367	324,380	(3,032)	1,215,715	316,688	53,254	(1,691)	368,251	847,464	
<b>Leased assets</b>											
Plant and machinery		-	24,910	-	24,910	-	189	-	189	24,721	10
Vehicles		-	2,781	-	2,781	-	333	-	333	2,448	20
		-	27,691	-	27,691	-	522	-	522	27,169	
2007		894,367	352,071	(3,032)	1,243,406	316,688	53,776	(1,691)	368,773	874,633	

Description	Note	COST			ACCUMULATED DEPRECIATION			NET BOOK VALUE		Depre- ciation rate %	
		As at July 01, 2005	Additions/ revaluation (Note 3.4)	(Disposals)	As at June 30, 2006	As at July 01, 2005	Charge for the year	(Disposals)	As at June 30, 2006		As at June 30, 2006
----- (Rupees in thousands) -----											
Leasehold land	3.2	118,840	-	-	118,840	-	-	-	-	118,840	-
Buildings on leasehold land											
Factory		42,414	12,928	-	55,342	31,081	1,801	-	32,882	22,460	10
Generator premises		4,855	69	-	4,924	2,398	248	-	2,646	2,278	10
Residential		365	-	-	365	301	3	-	304	61	5
Office		1,745	474	-	2,219	1,222	28	-	1,250	969	5
Plant and machinery		362,130	148,416	-	510,546	158,487	27,693	-	186,180	324,366	10
Power generators		65,617	43,360	-	108,977	33,973	7,038	-	41,011	67,966	10&35
Electrical fittings		9,763	1,768	-	11,531	4,307	693	-	5,000	6,531	10
Office equipment		2,218	309	-	2,527	1,962	46	-	2,008	519	15
Computers and other IT related equipment		6,149	1,065	-	7,214	4,202	757	-	4,959	2,255	30
Furniture and fixtures		3,611	196	-	3,807	3,052	60	-	3,112	695	10
Vehicles		16,172	6,474	(4,056)	18,590	4,575	2,612	(1,742)	5,445	13,145	20
Sui gas, water and drainage lines		1,246	1035	-	2,281	1,076	52	-	1,128	1,153	10
Measuring instruments, dies, jigs, patterns and other equipments		44,096	3,108	-	47,204	26,845	3,918	-	30,763	16,441	20
2006		679,221	219,202	(4,056)	894,367	273,481	44,949	(1,742)	316,688	577,679	



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3.2 Leasehold land is carried at revalued amount. Had the land been carried at cost, it would have been carried at Rs.0.16 million (refer note 15 to the financial statements).

3.3 Allocation of depreciation charge:

	Note	(Rupees in '000's)	
		2007	2006
Cost of goods sold	27	51,537	43,287
Selling and distribution costs	29	672	522
Administrative expenses	30	1,567	1,140
		<u>53,776</u>	<u>44,949</u>

3.4 Additions to fixed assets include Rs. 41.452 million (2006: Rs. 194.034 million) transferred from capital work in-progress in the following categories of fixed assets. This includes financial cost of Rs. 2.233 million (2006: Rs. 9.441 million) capitalized as a part of cost of such assets.

Factory building	1,737	10,196
Plant and machinery	38,397	141,615
Generator building	-	852
Power generator	-	41,371
Vehicle - lease	1,318	-
	<u>41,452</u>	<u>194,034</u>

3.5 Details of property, plant and equipment disposed-off are given in note 44.

3.6 Capital work-in-progress

Civil works	-	116
Plant and machinery [including in transit of Rs. 10.721 million (2006: Rs. 9.135 million)]	13,057	11,160
Advances to suppliers / contractors	3.6.1 1,641	3,025
	<u>14,698</u>	<u>14,301</u>

3.6.1 The above balance includes amount paid to Atlas Honda Limited - a related party amounting to Rs. 0.103 million (2006: Rs. 0.923 million).

## 4. INTANGIBLES

	COST			ACCUMULATED AMORTIZATION			NETBOOK VALUE	Amortization rate
	As at July 01, 2006	Additions	As at June 30, 2007	As at July 01, 2006	Charge for the year	As at June 30, 2007	As at June 30, 2007	
(Rupees in thousands)								
Computer software	787	-	787	95	236	331	456	30
2007	787	-	787	95	236	331	456	
2006	230	557	787	17	78	95	692	

4.1 The amortization charge for the year has been charged to administrative expenses (note 30).

5. LONG-TERM LOANS AND ADVANCES	Note	(Rupees in '000's)	
		2007	2006
Secured, considered good			
Loans to employees - interest bearing	5.1	853	713
Less: current maturity shown under current assets		715	606
		138	107
Long-term advances to employees - non-interest bearing	5.2	609	1,298
Less: current maturity shown under current assets		392	680
		217	618
		355	725

5.1 These loans carry mark-up at the rate of 1% (2006: 1%) per month and are secured against employee's retirement benefits. The loans are recoverable in monthly installments over a period of maximum 24 months.

5.2 These represent non-interest bearing advances to employees for purchase of motorcycles and are payable by way of a 15% amount upfront and the balance in maximum 42 equal monthly installments. These are secured against employee's retirement benefits.

## 6. LONG-TERM DEPOSITS AND PREPAYMENTS

Security deposits			
Leasing	6.1	3,827	215
Utilities		751	751
Suppliers		227	227
Others		159	75
		4,964	1,268
Prepayments		493	441
Less: current maturity shown within current assets		264	224
		229	217
		5,193	1,485

6.1 Comprises lease deposits with Atlas Bank Limited - a related party.

## 7. STORES, SPARE PARTS AND LOOSE TOOLS

Stores and spare parts - In hand		19,782	22,242
Loose tools		17,206	17,501
Electrical goods		1,094	998
		38,082	40,741
Less: Provision for obsolescence	7.1	1,395	895
		36,687	39,846

7.1 Comprises provision in respect of stores and spare parts - in hand amounting to Rs. 0.701 million (2006: Rs. 0.401 million) and in respect of loose tools amounting Rs. 0.694 million (2006: Rs. 0.494 million) .



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8. STOCK-IN-TRADE	Note	(Rupees in '000's)	
		2007	2006
Raw and ancillary materials			
In hand		101,589	121,509
In transit		1,108	8,600
		<u>102,697</u>	<u>130,109</u>
Packing materials		770	770
Work-in-process	8.1 & 8.2	16,411	22,550
Finished goods	8.3	35,419	54,816
		<u>155,297</u>	<u>208,245</u>
Less: Provision for obsolescence	8.4	663	663
		<u>154,634</u>	<u>207,582</u>

8.1 Included herein are stocks having cost of Rs. 3.794 million (2006: Rs. 3.460 million) written down by Rs. 0.760 million (2006: Rs. 0.836 million) in order to be valued at net realisable value amounting to Rs. 3.034 million (2006: Rs. 2.624 million)

8.2 Included herein are stocks held by third parties amounting to Rs. 1.715 million (2006: Rs. 2.216 million).

8.3 Included herein are stocks having cost of Rs. 18.159 million (2006: Rs. 18.760 million) written down by Rs. 3.326 million (2006: Rs. 3.397 million) in order to be valued at net realisable value amounting to Rs. 14.833 million (2006: Rs. 15.363 million).

8.4 Comprises provision in respect of raw and ancillary materials - in hand amounting to Rs. 0.260 million (2006: Rs. 0.260 million) and in respect of work-in-process amounting Rs. 0.403 million (2006: Rs. 0.403 million).

## 9. TRADE DEBTS

Unsecured, considered good

Associated undertaking - Honda Atlas Cars (Pakistan) Limited	712	440
Others	32,204	29,947
	<u>32,916</u>	<u>30,387</u>

## 10. LOANS AND ADVANCES - Unsecured, considered good

Loans to employees - non-interest bearing	334	367
Current maturity of:		
Long-term loans to the employees - interest bearing advance to employees	715	606
	392	680
	1,107	1,286
Advances:		
against salary	24	14
against expenses	693	225
against letter of credits to suppliers	436	111
	2,720	2,028
	<u>3,873</u>	<u>2,378</u>
	<u>5,314</u>	<u>4,031</u>

11. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS	Note	(Rupees in '000's)	
		2007	2006
Security and trade deposits		173	231
L/C and guarantee margin		67	10,780
Prepayments		759	1,113
Current maturity of long-term prepayments		264	224
		<u>1,263</u>	<u>12,348</u>

## 12. TAXATION - Net

The income tax assessments of the company have been finalized by the Income Tax Department upto tax year 2006 (accounting year ended June 30, 2006) except for the tax year 2004 in respect of which company has filed an appeal in Income Tax Appellate Tribunal against the decision of Commissioner of Income Tax (appeals) as referred to in note 25.1.

## 13. CASH AND BANK BALANCES

Current accounts	13.1	4,392	3,135
In hand:			
- Cheques / Payorders		5,629	10,448
- Cash		111	38
		<u>10,132</u>	<u>13,621</u>

13.1 Includes Rs. 2.674 million (2006: Rs. 0.091 million) kept with Atlas Bank Limited - a related party.

## 14. SHARE CAPITAL

Number of ordinary shares of Rs. 10/- each				
2007	2006			
<u>20,000,000</u>	<u>20,000,000</u>	Authorized share capital	<u>200,000</u>	<u>200,000</u>
		Ordinary shares		
		Issued, subscribed and paid-up capital		
9,273,588	9,273,588	Fully paid in cash	92,736	92,736
49,800	49,800	Issued for consideration other than cash	498	498
<u>3,013,307</u>	<u>3,013,307</u>	Issued as fully paid bonus shares	<u>30,133</u>	<u>30,133</u>
<u>12,336,695</u>	<u>12,336,695</u>		<u>123,367</u>	<u>123,367</u>

14.1 As at the balance sheet date, the shares in the company held by associated companies were 6,503,357 shares (2006: 6,503,357 shares).

15. SURPLUS ON REVALUATION OF FIXED ASSET	<u>415,780</u>	<u>118,680</u>
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15.1 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.

15.2 During the year another revaluation of the above land was carried out by M/s Surval - Engineers, Surveyors and Technical Consultants on June 22, 2007 resulting in surplus amounting to Rs. 297.100 million which has been credited to surplus on revaluation of fixed asset account. The basis of revaluation was market value.



16. LONG-TERM LOANS	Note	(Rupees in '000's)	
		2007	2006
Secured			
From banking companies:			
- Local currency loan - I		-	2,083
- Local currency loan - II		-	5,000
- Local currency loan - III	16.1	2,986	14,926
- Local currency loan - IV	16.2	42,855	71,428
- Local currency loan - V	16.3	50,000	78,571
		<u>95,841</u>	<u>172,008</u>
Less: Current maturity - long-term loans		<u>60,128</u>	<u>76,167</u>
		<u>35,713</u>	<u>95,841</u>
Unsecured			
From directors		20,000	20,000
Close family members of directors		20,000	20,000
	16.4	<u>40,000</u>	<u>40,000</u>
		<u>75,713</u>	<u>135,841</u>

16.1 This represents the disbursed amount of a loan facility of Rs. 35.000 million obtained from a banking company. The loan is repayable in 12 equal quarterly installments commencing October 14, 2004 and carries mark-up at the last 3 months KIBOR (ask side) plus 0.80% per annum with no floor and cap. The loan is secured by first registered charge over fixed assets for Rs. 59.820 million.

16.2 This represents the disbursed amount of a loan facility of Rs. 100.000 million obtained from a banking company. The loan is repayable in 7 equal half yearly installments commencing October 23, 2005 and carries mark-up at 6 months KIBOR (ask side) rate plus 1.70% per annum with no floor and cap. The loan is secured by first pari passu charge over fixed assets for Rs. 133.33 million.

16.3 This represents a loan facility of Rs. 100.000 million obtained from a banking company. The loan is repayable in 14 equal quarterly installments commencing November 23, 2005 and carries mark-up at the last 3 months KIBOR (ask side) plus 0.80% per annum with no floor and cap. The loan is secured by first registered charge over fixed assets for Rs. 167.00 million.

16.4 These represent interest free loans from directors and their close family members. The repayment terms are not yet finalised, however, these are not repayable in the next 12 months.

#### 17. LIABILITIES/ADVANCE AGAINST ASSETS SUBJECT TO FINANCE LEASE

Represent finance leases entered into with Atlas Bank Limited - a related party in respect of machineries and vehicles. Total lease rentals due under various lease agreements aggregating Rs. 40.263 million and are payable in monthly installments latest by May 2012. Taxes, repairs, replacement and insurance costs are to be borne by the lessee. In case of termination of agreement, the lessee has to pay the entire rent for unexpired period. Financing rates of approximately 12.49 percent to 13.30 percent per annum have been used as discounting factor. These liabilities are secured by on demand promissory notes of Rs. 44.34 million.

Liabilities against assets subject to finance lease	17.1	24,394	-
Advance against asset subject to finance lease		-	8,935
		<u>24,394</u>	<u>8,935</u>

17.1 Obligation against finance lease

	2007	
	Minimum lease payments	Present value
	(Rupees in '000's)	
Within one year	12,260	8,951
After one year but not more than five years	28,003	24,394
Total minimum lease payments	40,263	33,345
Less: Amount representing finance charges	6,918	-
Present value of minimum lease payments	33,345	33,345
Less: Current portion	8,951	8,951
	24,394	24,394

18. LONG-TERM MURABAHA FINANCE	Note	(Rupees in '000's)	
		2007	2006
Murabaha finance - I	18.1	64,286	75,000
Murabaha finance - II	18.2	25,000	-
		89,286	75,000
Less: Current maturity - murabaha finance		28,572	10,714
		60,714	64,286

18.1 This represents the disbursed amount of murabaha finance facility of Rs. 100.000 million obtained from a banking company. The murabaha finance is repayable in 7 equal half-yearly installments commencing May 18, 2007 and carries mark-up at the last 6 months KIBOR (ask side) plus 1.10% per annum with no floor and cap. The murabaha finance is secured by first pari passu hypothecation charge on all present and future fixed assets for Rs. 134.00 million (inclusive of 25% margin).

18.2 This represents the current year disbursed amount of murabaha finance against the facility mentioned in note 18.1 above. The murabaha finance is repayable in 7 equal half yearly installments commencing September 22, 2007 and carries mark-up at the last 6 months KIBOR (ask side) plus 1.10% per annum, with no floor and cap. The murabaha finance is secured against the same security as mentioned in note 18.1 above.

19. RETIREMENT AND OTHER SERVICE BENEFITS

Non-management staff gratuity	19.1	12,102	11,445
Accrual for compensated absences	19.2	5,584	3,997
		17,686	15,442

Defined benefit plan

19.1 General Description

The company operates an unfunded gratuity scheme for non-management staff. On introduction of the provident fund in 1974 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 non-management staff who opted for the provident fund scheme are also entitled to gratuity for four days for each completed year of service.

The company also established funded gratuity scheme for its management staff with effect from July 01, 2003 which was approved by the Commissioner of Income Tax in October 2002. The actuarial valuation of the gratuity schemes was carried out as of June 30, 2007.



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	Management		Non-Management		Total	
	2007	2006	2007	2006	2007	2006
----- Rupees in thousands -----						
<b>19.1.1 Reconciliation of obligations as at year end</b>						
Present value of defined benefit obligation	12,696	13,565	9,668	9,247	22,364	22,812
Fair value of plan assets	(4,610)	(6,212)	-	-	(4,610)	(6,212)
	8,086	7,353	9,668	9,247	17,754	16,600
Unrecognised actuarial gain/(loss)	(2,420)	(1,824)	2,434	2,198	14	374
Unrecognised non-vested liability	(98)	(198)	-	-	(98)	(198)
Net liability at end of the year	5,568	5,331	12,102	11,445	17,670	16,776
<b>19.1.2 Movement in liability</b>						
Net liability at beginning of the year	5,331	5,305	11,445	10,371	16,776	15,676
Charge for the year	1,375	1,138	1,088	1,081	2,463	2,219
Contributions	(1,138)	(1,112)	-	-	(1,138)	(1,112)
Benefits paid during the period	-	-	(431)	(7)	(431)	(7)
Net liability at end of the year	5,568	5,331	12,102	11,445	17,670	16,776
<b>19.1.3 Charge for the year</b>						
Current service cost	609	497	393	388	1,002	885
Interest cost	1,092	929	822	778	1,914	1,707
Expected return on assets	(465)	(388)	-	-	(465)	(388)
Amortization of non-vested liability	100	100	-	-	100	100
Amortization of actuarial gain	39	-	(127)	(85)	(88)	(85)
Charge for the year	1,375	1,138	1,088	1,081	2,463	2,219
<b>19.1.4 Movement in defined benefit obligation</b>						
Present value of defined benefit obligation at beginning of the year	13,565	11,174	9,247	8,655	22,812	19,829
Current Service cost	609	497	393	388	1,002	885
Interest cost	1,092	929	822	778	1,914	1,707
Benefits paid during the year	(3,428)	(334)	(431)	(567)	(3,859)	(901)
Actuarial loss/(gain)	858	1,299	(363)	(7)	495	1,292
Present value of defined benefit obligation at end of the year	12,696	13,565	9,668	9,247	22,364	22,812
<b>19.1.5 Movement in fair value of plan assets</b>						
Present value of plan assets at beginning of the year	6,212	4,843	-	-	6,212	4,843
Expected return on plan assets	465	388	-	-	465	388
Contributions made by the company	1,138	1,112	-	-	1,138	1,112
Benefits paid during the year	(3,428)	(334)	-	-	(3,428)	(334)
Actuarial gain	223	203	-	-	223	203
Present value of plan assets at end of the year	4,610	6,212	-	-	4,610	6,212

	Management		Non-Management	
	2007	2006	2007	2006
19.1.6 Principal actuarial assumptions:				
Discount rate	10%	9%	10%	9%
Expected per annum rate of return on plan assets	10%	9%	-	-
Expected per annum rate of increase in future salaries	9%	8%	9%	8%

	Management		Non-Management		Total	
	2007	2006	2007	2006	2007	2006
	----- (Rupees in thousands) -----					
19.1.7 Actual return on plan assets	688	588	-	-	688	588

19.1.8 Plan assets comprise the following:

	2007		2006	
	Amount in '000	%age	Amount in '000	%age
Equity	1,313	28.49	3,453	55.59
Debt	3,278	71.10	2,675	43.06
Cash	19	0.41	84	1.35
	<u>4,610</u>		<u>6,212</u>	

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

19.1.10 Expected contribution to Management Staff Gratuity Fund for the year ending June 30, 2008 is Rs. 1.594 million.

19.1.11 Management Staff Gratuity Fund - Comparison for past years:

	2007	2006	2005	2004
	----- (Rupees in thousands) -----			
Present value of defined benefit obligation	12,696	13,565	11,174	10,210
Fair value of plan assets	4,610	6,212	4,843	9,812
(Deficit) / surplus	<u>(8,086)</u>	<u>(7,353)</u>	<u>(6,331)</u>	<u>(398)</u>
Experience adjustments				
Loss on plan liabilities	<u>858</u>	<u>1,299</u>	<u>883</u>	<u>-</u>
Gain on plan assets	<u>(224)</u>	<u>(203)</u>	<u>(155)</u>	<u>-</u>

19.1.12 Non-Management Staff Gratuity Fund - Comparison for past years:

	2007	2006	2005	2004
	----- (Rupees in thousands) -----			
Present value of defined benefit obligation	9,668	9,247	8,654	7,520
Fair value of plan assets	-	-	-	-
Deficit	<u>9,668</u>	<u>9,247</u>	<u>8,654</u>	<u>7,520</u>
Experience adjustments				
Gain on plan liabilities	<u>(364)</u>	<u>(567)</u>	<u>(311)</u>	<u>(2,170)</u>



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19.2 The movements in liability during the year were as follows:

	Opening balance	Charge for the year	Payments	Closing Balance
	———— (Rupees in thousands) ————			
Accrual for compensated absences	3,997	3,113	1,526	5,584
<b>20. DEFERRED TAXATION</b>				
	Note	(Rupees in '000's)		
		2007	2006	
This comprises the following:				
Deferred tax liabilities				
Difference in accounting and tax base of fixed assets		83,154		85,756
Deferred tax assets				
Provision for gratuity		(4,236)		(4,006)
Provisions		(546)		(546)
Tax losses		(21,093)		(12,514)
Carry over of minimum tax		(9,366)		-
		<u>47,913</u>		<u>68,690</u>
<b>21. TRADE AND OTHER PAYABLES</b>				
Trade creditors		29,738		32,385
Bills payable		-		20,430
Sales tax payable - net		5,588		1,376
Royalty payable		5,422		10,549
Technical fee payable		-		4,267
Gratuity fund - management staff	19.1.1	5,568		5,331
Accrued liabilities		11,101		10,452
Advances from customers		1,457		730
		<u>58,874</u>		<u>85,520</u>
<b>22. ACCRUED MARK-UP</b>				
Term loans		3,009		4,018
Short-term finances		6,999		5,797
		<u>10,008</u>		<u>9,815</u>
<b>23. SHORT-TERM RUNNING FINANCES</b>				
Running finances - secured	23.1	<u>182,194</u>		<u>144,935</u>

23.1 The aggregate facilities for short term running finance available from various banks as of June 30, 2007 amount to Rs. 225.00 million (2006: Rs. 279.00 million) of which Rs. 42.806 million (2006: Rs.134.065 million) remained unutilized at year end. 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 on these finances ranges from three months KIBOR plus 0.75% to one month KIBOR plus 1.75% per annum (2006: three months KIBOR plus 2.0% to one month KIBOR plus 2.00% per annum). These are repayable latest by March 31, 2008.

23.2 Subsequent to the year end the company entered into a long-term loan agreement with a commercial bank of Rs. 60 million which has been utilized by the company to repay its short-term running finance to the extent of Rs. 60 million.

24. PROVISIONS AND OTHER LIABILITIES	Note	(Rupees in '000's)	
		2007	2006
Provision for bonus - management staff	24.1	1,830	4,691
Provision for bonus - non-management staff	24.1	413	1,430
Deposits from employees / contractors	24.2	2,533	2,496
Workers' Profit Participation Fund	24.3	-	3,022
Unclaimed dividends		384	312
Others		1,416	1,156
		<u>6,576</u>	<u>13,107</u>

24.1 The movements in provisions during the year were as follows:

	Opening balance	Charge for the year	Payments	Closing Balance
	—— (Rupees in thousands) ——			
Provision for bonus - management staff	4,691	1,830	4,691	1,830
Provision for bonus - non-management staff	1,430	5,343	6,360	413
	<u>6,121</u>	<u>7,173</u>	<u>11,051</u>	<u>2,243</u>

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

24.3 Workers' Profit Participation Fund

Balance at the beginning of the year	3,022	3,676
Interest on fund utilised in company's business	179	234
	<u>3,201</u>	<u>3,910</u>
Allocation for the year	-	3,022
	<u>3,201</u>	<u>6,932</u>
Less: Amount paid during the year	3,201	3,910
Balance at the end of the year	<u>-</u>	<u>3,022</u>

## 25. CONTINGENCIES AND COMMITMENTS

### 25.1 Contingencies

#### Taxation

The loss claimed in tax year 2004 by the company amounting to Rs. 6.723 million has been assessed by the Commissioner of Income Tax as to be Rs. 3.240 million. However, the company has filed an appeal against the above disallowance of loss in Income Tax Appellate Tribunal. The management believes that on the merit of the case the outcome of above appeal will be favourable and accordingly no provision is required to be made in the financial statements in respect of the above disallowance of losses.

#### Electricity charges

Karachi Electric Supply Corporation Limited (KESC) raised a demand of Rs. 12.285 million on the plea that they erred in billing, against which the company had filed an appeal before the Honourable High Court of Sindh. The Honourable Court issued a 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 which had been expensed out in the previous years.



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Last year, the Honourable High Court of Sindh decided the appeal in favour of KESC. The company has filed a second appeal against the judgment of the Court before the expanded bench of Sindh High Court. The company is confident that the appeal will be decided in its favour hence, no provision has been made in respect of the unpaid balance of Rs. 4.435 million.

		(Rupees in '000's)		
		Note	2007	2006
25.2	Commitments			
25.2.1	Bank guarantees			
	In favour of			
	Collector of Customs		472	2,324
	Sui Southern Gas Company		15,928	15,921
			<u>16,400</u>	<u>18,245</u>
25.2.2	Insurance company guarantees			
	In favour of Karachi Electric Supply Corporation		<u>4,000</u>	<u>4,000</u>
25.2.3	Commitments under letters of credit for other than capital expenditure, contracts and guarantees at the end of the year amounted to Rs. 61.106 million (2006: Rs. 72.816 million).			
25.2.4	Commitments under letter of credit in respect of capital expenditure as at June 30, 2007 amounted to Rs. Nil (2006: Rs. 11.704 million).			
25.2.5	Commitments in respect of capital expenditure as at June 30, 2007 amounted to Rs. 2.720 million (2006: Rs. 2.720 million).			
<b>26.</b>	<b>SALES</b>			
	Gross sales		1,087,782	1,114,687
	Less: Sales tax		162,767	167,203
			<u>925,015</u>	<u>947,484</u>
<b>27.</b>	<b>COST OF GOODS SOLD</b>			
	Raw and ancillary materials consumed		516,476	526,364
	Salaries, wages and benefits	27.1	103,507	106,271
	Contract labour		19,634	18,501
	Spare parts and other maintenance		42,865	45,472
	Packing materials consumed		6,735	8,438
	Fuel, water and power		61,556	71,288
	Rent, rates and taxes		405	415
	Insurance		2,716	2,003
	Training expenses		449	448
	Repairs and maintenance:			
	Factory building and electrical fittings		3,515	6,675
	Furniture, fittings and office equipments		117	337
	Depreciation	3.3	51,537	43,287
	Royalties and technical fee		9,159	8,565
	Printing and stationery		1,175	866
	Postage, telephone and telegrams		896	947
	Subscriptions		60	124
	Provision for obsolescence - stores, spares and loose tools		500	-
	General expenses		502	728
			<u>821,804</u>	<u>840,729</u>
	Opening work-in-process		22,550	17,039
	Closing work-in-process	27.2	(16,411)	(22,550)
			6,139	(5,511)
	Cost of goods manufactured		<u>827,943</u>	<u>835,218</u>
	Opening stock of finished goods		54,816	28,882
	Closing stock of finished goods	27.2	(35,419)	(54,816)
			19,397	(25,934)
			<u>847,340</u>	<u>809,284</u>

27.1 Salaries and allowances include Rs. 1.725 million (2006: Rs. 1.547 million) in respect of gratuity, Rs. 1.001 million (2006: Rs. 0.925 million) in respect of employees' old age benefits and Rs. 1.752 million (2006: Rs. 1.967 million) in respect of provident fund.

27.2 Included herein are stocks carried at net realizable value as more fully explained in notes 8.1 and 8.3 to the financial statements.

	Note	(Rupees in '000's)	
		2007	2006
<b>28. OTHER OPERATING INCOME</b>			
Gain on sale of fixed assets	44	2,057	418
Mark-up on loans to employees		93	94
Reversal of royalty provision	28.1	6,684	-
		<u>8,834</u>	<u>512</u>

28.1 This represents reversal of provision made in prior years on account of royalty / technical fee under technical assistance agreement (the agreement) with a foreign company on the basis that it failed to fulfill its obligations under the agreement. In view of the above, the company has decided to reverse the above referred provision.

**29. SELLING AND DISTRIBUTION COSTS**

Salaries and allowances	29.1	5,208	5,652
Advertisement and publicity		2,304	2,094
Cartage and octroi		2,035	2,012
Travelling and conveyance		1,479	1,187
Depreciation	3.3	672	522
Insurance		552	408
Printing and stationery		353	260
Postage, telephone and telegrams		269	284
Medical expenses		163	131
Rent, rates and taxes		159	179
Business promotion expenses		132	69
General expenses		51	29
Subscriptions		40	47
Repairs and maintenance		35	101
		<u>13,452</u>	<u>12,975</u>

29.1 Salaries and allowances include Rs. 0.148 million (2006: Rs. 0.134 million) in respect of gratuity, Rs. 0.024 million (2006: Rs. 0.019 million) in respect of employees' old age benefits and Rs. 0.226 million (2006: Rs. 0.248 million) in respect of provident fund.

**30. ADMINISTRATIVE EXPENSES**

Salaries and allowances	30.1 & 30.2	24,547	19,823
Medical expenses		418	438
Travelling and conveyance		2,399	1,789
Insurance		1,760	1,298
Depreciation	3.3	1,567	1,140
Amortization of intangible assets	4.1	236	78
Rentals		66	123
Printing and stationery		823	606
Postage, telephone and telegrams		627	665
Business promotion expenses		416	438
Subscriptions		252	239
Advertisement and publicity		193	137
Training expenses		215	57
Repairs and maintenance		168	238
General expenses		81	243
		<u>33,768</u>	<u>27,312</u>





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30.1 Salaries and allowances include directors' fee for attending meetings aggregating to Rs. 0.07 million (2006: Rs. 0.04 million).

30.2 Salaries and allowances include Rs. 0.592 million (2006: Rs. 0.538 million) in respect of gratuity, Rs. 0.113 million (2006: Rs. 0.78 million) in respect of employees' old age benefits and Rs. 0.963 million (2006: Rs. 0.783 million) in respect of provident fund.

	Note	(Rupees in '000's)	
		2007	2006
<b>31. OTHER OPERATING EXPENSES</b>			
Legal and professional charges		691	1,383
Workers' Profit Participation Fund	24.3	-	3,022
Auditors' remuneration	31.1	558	455
Donation	31.2	572	731
		<u>1,821</u>	<u>5,591</u>
<b>31.1 Auditors' remuneration</b>			
Audit fee		210	190
Special reports and sundry services		314	236
Out-of-pocket expenses		34	29
		<u>558</u>	<u>455</u>

31.2 Represents donation given to Atlas Foundation. Mr. Yusuf H. Shirazi, Mr. Frahim Ali Khan, Mr. Iftikhar H. Shirazi, Mr. Ali H. Shirazi, Directors of the company are also the directors of the Foundation.

### 32. FINANCE COST

Mark-up on long-term loans - secured		25,167	13,997
Mark-up on short-term finances - secured		25,805	19,814
Mark-up on finance lease obligation		415	-
Bank and other allied charges		1,476	1,608
Interest on Workers' Profit Participation Fund		179	234
		<u>53,042</u>	<u>35,653</u>

### 33. TAXATION

For the year :			
- current		4,629	4,737
- deferred		(20,777)	23,364
	33.1	<u>(16,148)</u>	<u>28,101</u>

33.1 Relationship between tax expense and accounting profit has not been presented as the tax has been computed under section 113 of Income Tax Ordinance, 2001.

### 34. EARNINGS PER SHARE

Profit after tax		<u>574</u>	<u>29,080</u>
		Number of shares	
Weighted average number of ordinary shares outstanding during the year		<u>12,336,695</u>	<u>12,336,695</u>
Earnings per share - basic and diluted		<u>Re. 0.05</u>	<u>Rs. 2.36</u>

**35. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES**

	Directors		Chief Executive		Executives	
	2007	2006	2007	2006	2007	2006
	----- (Rupees in thousands) -----					
Managerial remuneration	-	-	2,767	2,456	4,108	2,807
Bonus	-	-	211	534	298	610
Rent	-	-	1,083	961	1,608	1,098
Utility	-	-	240	214	357	244
Medical expenses	-	-	-	12	-	33
Retirement benefits	-	-	218	235	315	224
Reimbursable expenses	-	-	231	211	598	386
Directors' fee	70	40	-	-	-	-
	<u>70</u>	<u>40</u>	<u>4,750</u>	<u>4,623</u>	<u>7,284</u>	<u>5,402</u>
Number of persons	7	7	1	1	4	3

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

36. CASH GENERATED FROM OPERATIONS	Note	(Rupees in '000's)	
		2007	2006
Profit before taxation		(15,574)	57,181
Adjustments for:			
Depreciation / amortisation	3.3 & 4	54,012	45,027
Profit on sale of fixed assets		(2,057)	(418)
Provision for gratuity		2,463	2,219
Provision for stores, spare parts & loose tools		500	-
Reversal of royalty provision		(6684)	-
Financial expenses		53,042	35,653
		<u>101,276</u>	<u>82,481</u>
Operating profit before working capital changes		85,702	139,662
Working capital changes	36.1	37,737	(53,845)
Cash generated from operations		<u>123,439</u>	<u>85,817</u>
<b>36.1 Working capital changes</b>			
Decrease / (increase) in current assets			
Stock-in-trade		56,957	(101,420)
Trade debts		(2,529)	9,692
Loans and advances		(1,283)	7,489
Deposits and prepayments		11,085	(9,306)
		<u>64,230</u>	<u>(93,545)</u>
Increase / (decrease) in current liabilities			
Trade and other payable		(26,493)	39,700
		<u>37,737</u>	<u>(53,845)</u>

### 37. RELATED PARTY TRANSACTIONS

The related parties include entities with common directors, major shareholders, directors, key management personnel and staff retirement benefit plans. The transactions with related parties, other than remuneration and benefits to key management personnel disclosed in note 35 and 44 are as follows:

Relationship with the company	Nature of transactions	(Rupees in '000's)	
		2007	2006
Entities having directors in common with the company	Internet service charges	129	108
	Expenses paid on company's behalf	111	21
	Dividend paid	7,216	6,682
	Purchase of goods / fixed assets	10,497	7,728
	Purchase of services	9,832	8,298
	Sale of goods	701,071	761,073
	Sale of scrap	6,367	948
	Loan repaid	-	7,500
	Expenses charged by the company	-	1,907
	Expenses charged to the company	59	754
	Finance lease obtained	29,334	-
	Payment of lease deposit	3,827	-
	Rentals paid	4,924	-
	Interest on leases / borrowings	2,644	256
Donation paid	572	731	
Employees' retirement benefit plans	Contribution accrued during the year	1,138	1,112

### 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 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 continuously 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 minimize 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:

	2007			2006		
	Trade debts	Loans and advances	Deposits	Trade debts	Loans and advances	Deposits
	Rupees in thousands			Rupees in thousands		
Original Equipment Manufacturers	11,091	-	-	17,552	-	-
Replacement market	21,825	-	-	12,835	-	-
Others	-	5,669	5,137	-	4,756	1,499
	32,916	5,669	5,137	30,387	4,756	1,499

#### 40. 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. 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 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:

	Effective yield / mark-up rate	2007						
		Exposed to yield / mark-up rate risk			Non-Interest / Mark-up bearing			
		Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	Total
(Rupees in thousands)								
<b>Financial Assets</b>								
Loans and advances	1% p.m	715	138	853	726	217	943	1,796
Deposits and other receivables	-	-	-	-	540	4,964	5,504	5,504
Trade debts	-	-	-	-	32,916	-	32,916	32,916
Cash and bank balances	-	-	-	-	10,132	-	10,132	10,132
		715	138	853	44,314	5,181	49,495	50,348
<b>Financial Liabilities</b>								
Long-term loans	10.65%-12.20% p.a	88,700	96,426	185,126	-	40,000	40,000	225,126
Short-term running finances	10.34%-11.17% p.a	182,194	-	182,194	-	-	-	182,194
Trade and other payables	-	-	-	-	51,830	-	51,830	51,830
Accrued mark-up	-	-	-	-	10,008	-	10,008	10,008
Liabilities against assets subject to finance lease	13.30% p.a	8,951	24,394	33,345	-	-	-	33,345
Provision and other liabilities	-	-	-	-	6,576	-	6,576	6,576
		279,845	120,820	400,665	68,414	40,000	108,414	509,079
Total yield / mark-up rate risk sensitivity gap		(279,130)	(120,682)	(399,812)	(24,100)	(34,819)	(58,919)	(458,731)

2006

	Effective yield / mark-up rate	Exposed to yield / mark-up rate risk			Non-Interest / Mark-up bearing			Total
		Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	
(Rupees in thousands)								
<b>Financial Assets</b>								
Loans and advances	1% p.m	606	107	713	1,061	618	1,679	2,392
Deposits and other receivables	-	-	-	-	11,311	1,268	12,579	12,579
Trade debts	-	-	-	-	30,387	-	30,387	30,387
Cash and bank balances	-	-	-	-	13,621	-	13,621	13,621
		606	107	713	56,380	1,886	58,266	58,979
<b>Financial Liabilities</b>								
Long-term loans	6.25%- 11.00% p.a	86,881	160,127	247,008	-	40,000	40,000	287,008
Short-term running finances	10.04%- 11.05% p.a	144,935	-	144,935	-	-	-	144,935
Short-term borrowings	8.68% p.a	-	-	-	-	-	-	-
Trade and other payables	-	-	-	-	83,414	-	83,414	83,414
Accrued mark-up	-	-	-	-	9,815	-	9,815	9,815
Provision and other liabilities	-	-	-	-	7,904	-	7,904	7,904
		231,816	160,127	391,943	101,133	40,000	141,133	533,076
Total yield / mark-up rate risk sensitivity gap		(231,210)	(160,020)	(391,230)	(44,753)	(38,114)	(82,867)	(474,097)

#### 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. 5.422 million (2006: Rs. 14.816 million) in foreign currencies and financial assets included Rs. Nil (2006: Nil) 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 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.

#### 44. DETAILS OF PROPERTY, PLANT AND EQUIPMENTS DISPOSED-OFF

The following assets were disposed-of during the year:

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain (loss)	Mode of disposal	Particulars of buyers
(Rupees in thousands)							
Motorcycle	67	9	58	67	9	Company's Policy	Mr. G. M. Zakaria (Employee) Karachi
Coure Car	409	163	246	345	99	Insurance Claim	Atlas Insurance Company Limited Karachi
Honda Civic	215	-	215	322	107	Company's Policy	Mr. Muhammad Atta Karim (Chief Executive Officer) Karachi
Suzuki Cultus Motor vehicles (note 44.1)	585	329	256	330	74	Company's Policy	Mr. G.A. Shakeel (Employee) Karachi
Plant & machinery (note 44.1)	1,040	545	495	834	339	Company's Policy	Various employees Karachi
	716	645	71	1,500	1,429	By negotiation	Mr. Farid Ahmed and Haji Nazar Ahmed Karachi
2007	3,032	1,691	1,341	3,398	2,057		
2006	4,056	1,742	2,314	2,732	418		

44.1 This represents aggregate of assets disposed-off having book value below Rs. 50,000/- each under company's policy / by negotiation.

#### 45. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on September 20, 2007 by the Board of Directors of the company.


#### 46. CORRESPONDING FIGURES


Certain prior year figures have been reclassified consequent upon certain changes in current year's presentation for more appropriate comparison. Material reclassification are as follows:

From	Reclassifications To	(Rs. in thousands)
Workers' Profit Participation Fund	Other operating expenses	3,022

#### 47. GENERAL

Figures have been rounded off to the nearest thousand rupees.

  
Mohammad Atta Karim  
Chief Executive Officer

  
Yufuf H. Shirazi  
Chairman

  
H. Masood Sohail  
Director

**PATTERN OF SHAREHOLDING**
**AS AT JUNE 30, 2007**

NUMBER OF SHAREHOLDERS	* SHARE HOLDING		TOTAL SHARES HELD
	FROM	TO	
338	1	100 Shares	11,194
300	101	500 Shares	85,224
154	501	1,000 Shares	125,961
187	1,001	5,000 Shares	408,201
20	5,001	10,000 Shares	134,449
12	10,001	15,000 Shares	150,274
6	15,001	20,000 Shares	107,500
3	25,001	30,000 Shares	77,085
1	30,001	35,000 Shares	35,000
3	45,001	50,000 Shares	138,000
4	60,001	65,000 Shares	6,338,294
1	145,001	150,000 Shares	149,000
1	350,001	355,000 Shares	354,420
4	580,001	585,000 Shares	2,322,093
1	695,001	700,000 Shares	700,000
1	1,195,001	1,200,000 Shares	1,200,000
1036			12,336,695

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

## CATEGORIES OF SHAREHOLDERS

	Number	Shares held	Percentage
<b>Associated Companies, Undertakings and Related Parties.</b>			
Shirazi Investments (Pvt.) Ltd.	1	6,148,937	49.84%
Atlas Insurance Limited.	1	354,420	2.87%
	<u>2</u>	<u>6,503,357</u>	<u>52.71%</u>
<b>NIT &amp; ICP</b>			
National Investment Trust.	1	51,085	0.41%
Investment Corporation of Pakistan.	1	319	0.00%
	<u>2</u>	<u>51,404</u>	<u>0.41%</u>
<b>Directors / Spouse,</b>			
Mr.Yusuf H. Shirazi/Mrs.Khawar Sh. Shirazi.	1	64,857	0.53%
Mr.Iftikhar H. Shirazi.	1	580,527	4.71%
Mr.Ali H. Shirazi.	1	580,522	4.71%
Mr.H.Masood Sohail.	1	500)	-
Mr.Frahim Ali Khan.	1	1)	-
	<u>5</u>	<u>1,226,407</u>	<u>9.95%</u>
<b>Executive</b>			
Mr.Jawaid Iqbal Ahmed.	1	100	-
<b>Public Sector Companies &amp; Corporation</b>			
	-	-	-
<b>Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarbas &amp; Mutual Funds</b>			
	26	1,242,782	10.08%
<b>Shareholders holding ten percent or more voting interest in the company.</b>			
	-	-	-
<b>Individuals</b>			
	995	2,599,030	21.07%
<b>Others</b>			
Corporate Law Authority (SECP)	1	1	} 0.01%
The Nazir, High Court of Sindh, Karachi.	1	206	
The Administrator, Abandoned Properties.	1	908	
Trusts.	1	12,500	0.10%
Atlas Foundation	1	700,000	5.67%
	<u>5</u>	<u>713,615</u>	<u>5.78%</u>
	<u>1,036</u>	<u>12,336,695</u>	<u>100.00%</u>





# Allwin Engineering Industries Limited

## Atlas Group Companies

	<i>Year of Establishment / Acquisition*</i>
 Shirazi Investments	1962
 Atlas Honda	1963
 Atlas Battery	1966
 Shirazi Trading	1973
 Atlas Insurance	1980*
 Allwin Engineering	1981*
 Atlas Bank	1990
<b>HONDA</b> Honda Atlas Cars	1992
<b>HONDA</b> Honda Atlas Power Product	1997
 Total Atlas Lubricants	1997
 Atlas Asset Management	2002
 Atlas Capital Markets	2006
 Atlas Power	2007



**ALLWIN** ہے تو اچھا ہے **آلن**



**ALLWIN** ہے تو اچھا ہے **آلن**

**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 October 24, 2007 at 10:00 a.m. at Corporate Office, Federation House, 2nd Floor, Shahrah-e-Firdousi, main Clifton, Karachi and at any adjournment thereof.

As witness my hand this \_\_\_\_\_ day of \_\_\_\_\_ 2007.

Signed by the said in the presence of

Address \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Please affix  
Rupees Five  
Revenue  
Stamp

(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.
3. CDC shareholders and their proxies are each requested to attach an attested photocopy their National Identity Card or Passport with this proxy from before submission to the Company.

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

**AFFIX  
POSTAGE**

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## **Allwin Engineering Industries Limited**

National Highway, Landhi, Karachi. **Ph:** (92-21) 5016921-4, 5015525, 5015527 **Fax:** (92-21) 5011709  
**Email:** [aeilkhi@allwin.com.pk](mailto:aeilkhi@allwin.com.pk) **Website:** [www.allwin.com.pk](http://www.allwin.com.pk)