


ANNUAL REPORT
2008



Organisation
development
through
self development



 **Atlas Engineering Limited**
(formerly 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.

OUR VALUED OEM 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
Chief Executive Officer	Mohammad Atta Karim
Directors	Ali H. Shirazi
	H. Masood Sohail
	Iftikhar H. Shirazi (Alternate Director Mr. Bashir Makki)
	Jawaid Iqbal Ahmed
	Sohail Wajahat H. Siddiqui
Company Secretary	Fida Hussain Zahid

AUDIT COMMITTEE

Chairman	H. Masood Sohail
Members	Ali H. Shirazi
	Iftikhar H. Shirazi
Chief Internal Auditor	Faiz Ullah Ghazi
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 Quality Assurance	Lt.Col ® Munzim Ahmed Vahidy
Manager Sales	Syed Tariq Arabi
Manager HR & Admin	Major ® Abdul Sattar

AUDITORS

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

LEGAL ADVISORS

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

COMPANY INFORMATION

TAX ADVISOR

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

BANKERS

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

**REGISTERED OFFICE
(FACTORY)**

15th Mile, National Highway, Landhi, Karachi-75120
PABX 111-111-AEL (111-111-235), Fax: 5011709
Email: aeilkhi@atlasengineering.com.pk / aeilkhi@allwin.com.pk
Website: www.atlasengineering.com.pk / www.allwin.com.pk

SHARE REGISTRAR

M/s Hameed Majeed Associates (Pvt.) Limited,
Karachi Chambers, Hasrat Mohani Road, Karachi
Phones: 2424826 & 2412754 Fax: 2424835
E-mail: majeed@hmaconsultants.com

SALES OFFICES

Lahore Office:
1st Floor, 2-Kothalia Building, Mcleod Road, Lahore
Phones: 7354640 Fax: 7354640
Mobile: 0333-4160784 & 0307-4606099

Multan Office:
Atlas Honda Building,
Near Capri Cinema, Azmat Wasti Road, Multan
Phone: 4512181, Fax: 4541690 & 4586280
Mobile: 0300-7982516

Faisalabad Office:
No. 54, Chenab Market, Madina Town, Faisalabad
Phone: 8549376 Fax: 8726628
Mobile: 0333-4642589

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

Peshawar Office:
Flat No.3, Block 'B', Zeenat Plaza,
Near Haji Camp, Peshawar
Phone: 091-2651000
Mobile: 0333-9276840

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 46th Annual General Meeting of Atlas Engineering Limited (formerly Allwin Engineering Industries Limited) will be held at 2nd Floor Federation House, Shahrah-e-Firdousi, Clifton, Karachi on 7th October 2008 at 10:00 a.m. to transact the following business:

1. To confirm the minutes of the Extra Ordinary General Meeting held on May 12, 2008.
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 2008.
3. To consider and approve the cash dividend Rs. 0.75/- per share i.e. 7.5% for the year ended 30th June 2008.
4. To appoint Auditors for the year 2008-2009 and to fix their remuneration.

By order of the Board



Fida Hussain Zahid
Company Secretary

Karachi 2nd September, 2008

NOTES:

- i) The Share Transfer Books of the company will remain closed from October 01, 2008 to October 07, 2008 (both days inclusive) the transfers received in order at the registered office of the company by September 30, 2008 will be in time for the purpose of entitlement for payment of dividend.
- ii) A member entitled to attend and vote at the meeting shall be entitled to 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. 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.
- iv) For the convenience of the shareholder a Proxy Application Form is attached with this report.
- v) Shareholders are requested to immediately notify the Company of any change in their addresses.
- vi) 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 Office:

15th mile, National Highway, Landhi, Karachi-75120

Tel: 92-21-111-111-235

Fax: 92-21-5011709

Listing on Stock Exchanges

Atlas Engineering Limited (formerly Allwin Engineering Industries Limited) is listed on Karachi and Lahore Stock Exchanges.

Listing Fees

The annual listing fees for the financial year 2008-09 have been paid to the Karachi and Lahore Stock Exchanges and Central Depository Company within the prescribed time limit.

Stock Code

The stock code for dealing in equity shares of Atlas Engineering Limited (formerly Allwin Engineering Industries Limited) at KSE and LSE is ATEL.

Share Registrar:

M/s Hameed Majeed Associates (Pvt.) Limited,
Karachi Chambers, Hasrat Mohani Road, Karachi
Phones: 2424826 & 2412754 Fax: 2424835

E-mail: majeed@hmaconsultants.com

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.

Annual General Meeting

Date: October 7, 2008

Time: 10:00 A.M.

Venue: Federation House, 2nd Floor, Shahrah-e-Firdousi, Clifton, Karachi.

Financial Calendar

Audited annual results for year ended June 30, 2008:

First week of September 2008

Mailing of annual reports:

Third week of September 2008

Annual General Meeting:

First week of October 2008

Unaudited first quarter financial results:

Second half of October 2008

Unaudited second quarter financial results:

Second half of February 2009

Unaudited third quarter financial results:

Second half of April 2009

Share Transfer System

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

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.

Market price Data

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

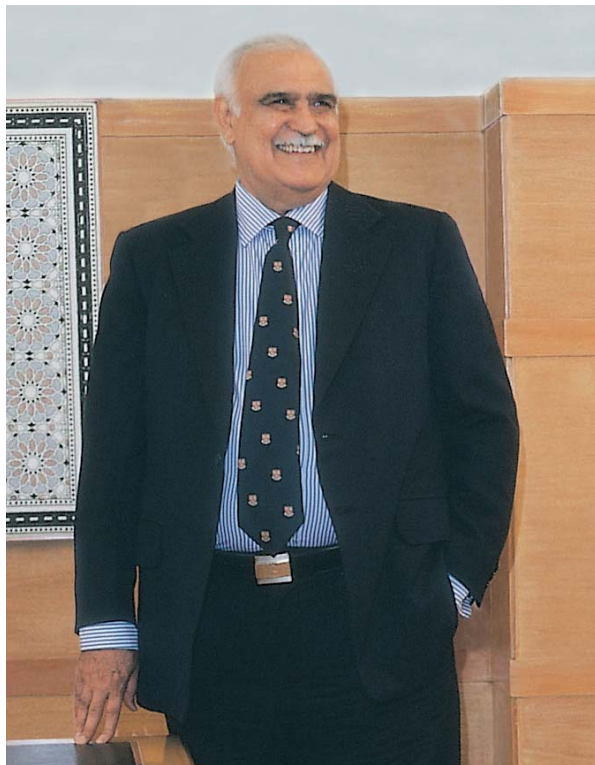
Karachi Stock Exchange		
Months	High	Low
July, 2007	28.80	25.30
August, 2007	25.05	20.55
September, 2007	25.00	20.25
October, 2007	31.00	21.25
November, 2007	35.00	31.05
December, 2007	32.95	30.30
January, 2008	32.80	30.60
February, 2008	32.80	31.00
March, 2008	32.95	27.55
April, 2008	35.00	31.95
May, 2008	33.99	30.99
June, 2008	32.80	28.85

Website of the Company

Your company is operating website www.atlasengineering.com.pk / 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.

Change of Address

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



CHAIRMAN'S REVIEW

It is my pleasure to present to you the 46th Annual Report of the performance of the company for the year ended June 30, 2008.

THE ECONOMY

In spite of continued absence of the traditional sense of direction for sometimes, the GDP growth, last year, was 5.8 percent. The service sector was 8.2 percent, large manufacturing sector over 5% and agriculture 1.5%. Despite slow growth in agriculture and reduced crops size, the cash flow was quite improved due to escalation in commodity prices. The remittance was record high at US\$ 6.5 billion. It was on the back of this development, among others, that the per capita income crossed the US dollar 1000 mark. The inherent strength in the viability of economy has always remained as the guiding factor for

localization of Investment, Production and Export. Among them is the automobile sector, the fifth largest revenue earner for the country.

There are however, issues like food inflation and increase in the prices of the oil - over all inflation - but it is an international phenomena. One cannot escape the international impact. In fact, sooner it is absorbed - prudently indeed, the better.

On the other hand, local inflation caused by increase in oil prices and rupee devaluation will serve as incentive for localization vis a vis import - at the cost of higher deficit financing and current account. The Pakistan economy, however, is inherently viable. According to a research from 1951 up to date, the average GDP growth has been 5.14 percent despite several changes in systems and governments. This also shows the country's entrepreneurialism, professionalism and workmanship. With right sense of direction, GDP growth has been higher - up to 7 percent.

THE INDUSTRY

The automobile industry, is going through a phase of consolidation. Car sales after having phenomenal growth during 2002-07, fell by 8.95% to 164,650 units in 2007-08, against 180,834 units recorded in 2006-07. Sale of Bus and Trucks & LCVs increased 2.28% to 29,307 units against 28,651 units in the same period last year. Tractors sale was 1.16% lower, with 53,203 tractors sold in the reporting period against 54,052 tractors in the year 2006-07. The auto sector in general witnessed a slow down as car financing became expensive with the increase in interest rate and further, banks have become more strict in their auto finance facilities due to loan default. Auto assemblers also increased price of cars against rising

input cost, imposition of withholding tax (WHT) levy of five percent federal excise duty and increase in sales tax by one percent. On the other hand, the demand for motorcycles increased during the last 12 months showing 26% growth, with sales of 1,059,394 units as against 840,660 units for year 2006-07. The growth in demand for motorcycles will lead to further growth of your Company as over the last few years the Company is investing in technology and enhance production facilities required for motorcycle parts and components.

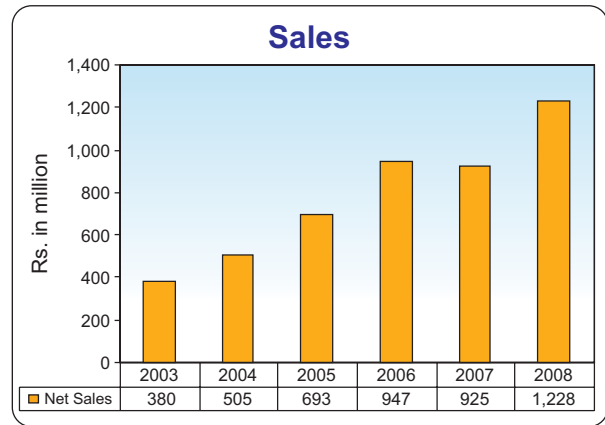
MARKET REVIEW

The management decision to invest in technology and machines required for production of parts in general paid well. Despite slow down in auto sector and 9% lower car sales during the year under report, the OEM sales of your Company increased 33% to Rs. 988.72 million against Rs. 741.09 million in year 2006-07. This has been possible mainly due to higher demand for parts and components generally and particularly by motorcycle assemblers.

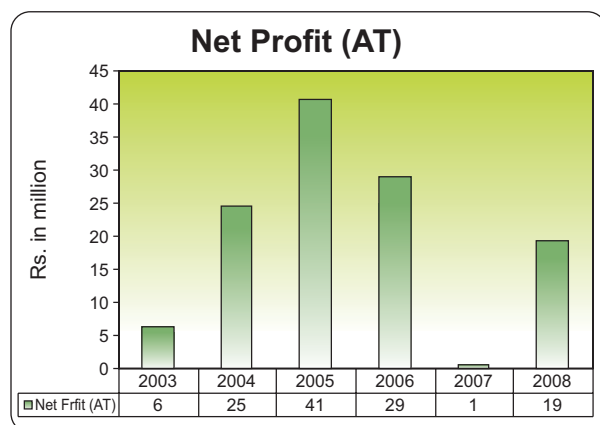
In the replacement market, in spite of severe competition with the unorganized sector including imports underinvoiced and smuggling, sales at Rs. 239.74 million was 30% higher than the previous year's. Expansion in the dealers net work, focusing the unattended areas, dealers and mechanic incentive programme, customers get to gather and other promotional activities helped your Company to compete effectively in market place.

OPERATING RESULTS

The sales revenue for the year was Rs. 1,228.45 million - higher 32.80% - as compared to Rs. 925.02 million in the previous year. The gross profit increased



to Rs. 141.76 million against Rs.77.68 million of the same corresponding period. As percentage of sales, the gross profit improved from 8.40% to 11.54% mainly due to higher sales and improvement in production process resulting in lower process rejections and better productivity. During the period under review the Company borne the effect of cost increase on account of increase in price of materials, utilities, oil and rupee devaluation. Rupee to US\$ parity which was Rs. 60 per US\$ in June 2007 increased to Rs. 68 per US\$, the same remained in Japanese Yen which was Rs. 0.49 per yen increased to Rs. 0.64 per yen. Furthermore, the price of basic raw materials registered an unprecedented increase. Pig Iron that is a major constituent of iron products registered an increase of 41% over corresponding period, last year. The price of Pig Iron that was Rs. 25.30 per kg in June 2007 increased to Rs. 35.55 per kg in June 2008. Same is the case with other basic materials prices. The increase in cost could not be passed in total to customers due to fierce competition. The operating expenses were Rs. 58.62 million in the current year compared to Rs. 49.04 million in the previous year after absorption of inflationary pressure. Financial charges remained under control to Rs. 53.86 million against Rs. 53.04 million in the same period previous year. However, State Bank of Pakistan increased the discount rates by 1.5% in May 2008 that will impact in the cost of borrowing.



The Company earned profit before tax of Rs. 29.65 million against loss of Rs. 15.57 million in the last year. The profit after tax stood at Rs. 19.38 million as compared to Rs. 0.57 million of last year after making provision for taxation. .

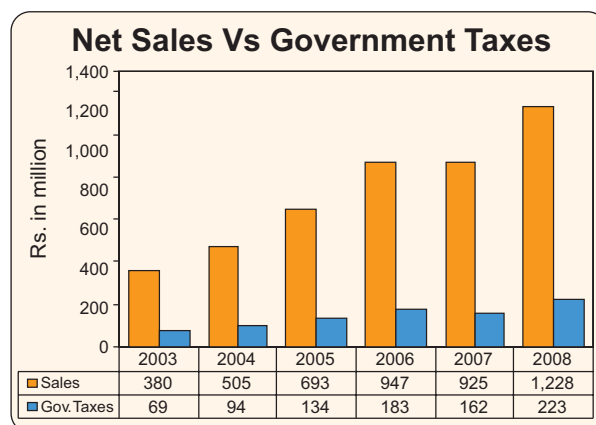
CASH FLOW

During the year under review, the operations of your Company generated a net cash flow of Rs. 86.19 million compared to Rs. 123.44 million in the corresponding last period. The Company made capital investment of Rs. 45.05 Million. The Company entered into a long-term loan agreement with a commercial bank for Rs. 60.0 million. Net cash flow for long term borrowings and lease amounting to Rs. 42.52 million.

Current ratio for the year improved to 0.78 compared to 0.68 in the corresponding last period.

CONTRIBUTION TO EXCHEQUER

Your company contributed a sum of Rs. 223.33 Million to the government revenues in the form of custom duty, sales tax, income tax and other government levies being 18.18% of the sale value during the year.



The Atlas Group of which your company is a constituent member, paid taxes of Rs. 15 billion, which is about 2% of the Government's total revenues. The Group performance also relies in how much each entity pays taxes - a social responsibility.

HUMAN RESOURCE

In order to manage the Company affairs professionally and optimizing the utilization of the available resources, the Human Resource is considered to be the most valuable asset by your Company. Human Resource development activities remained at the top of the Corporate agenda as it improves over all productivity and efficiency provides job satisfaction and promotes self respect, and integrity in line with the group philosophy. Skill development and training needs of the staff are assessed on the basis of their performance, education and experience focusing on individual career development.

During the year, your Company arranged 31 external development training course from various institutions benefiting 66 employees. In-house courses/workshops were also conducted from which 262 employees benefited. A number of production engineers were sent abroad to China and Japan for training and skill development. The exposure will improve overall

operational efficiency. One executive completed EMBA programme whereas two are near to completion.

A congenial and satisfactory relationship between the management and the dedicated workers of your Company remained the source of strength for the Company through out the year.

FUTURE OUTLOOK

The automobile industry in general and the vending industry in particular are facing a challenge. The declining trend of car sales would likely to continue also in the current fiscal year due to reasons above described affecting the demand of parts supplied to them by vending industry. Ever rising increase in the rate of materials, utilities and interest, devaluation of rupee, domestic inflation are other factors affecting the overall performance and resultantly profitability of the vending industry - a matter of concern for the management of your Company.

Your management is making all efforts to meet the challenge successfully. The good corporate governance, marketing, quality and cost cutting measures will be our focal point:

ع کیا پھینے گا غنچے سے کوئی ذوق شکر قند

(Entrepreneurial ability and management always grows and grows better)

In December 2007, the name of your Company was changed from Allwin Engineering Industries Limited to Atlas Engineering Limited - akin to the Group' name 'Atlas'. Product brand - Allwin - however will continue to be the same as it's popularity in the market.

ACKNOWLEDGEMENT

I would like to thank members of the Board of Directors and Group Executive Committee for their guidance and support and the Chief Executive Officer, Mr. Mohammad Atta Karim and his staff and associates for their dedication and commitment to Company's growth.

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



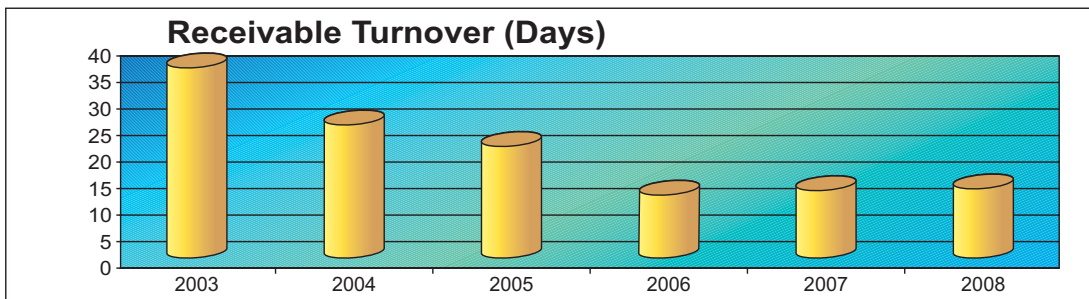
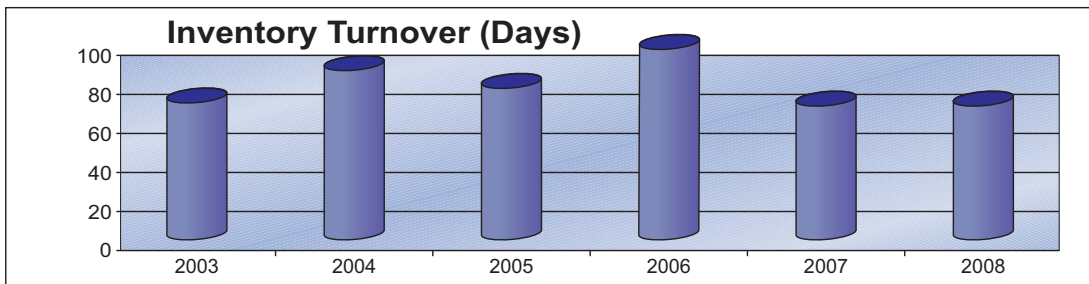
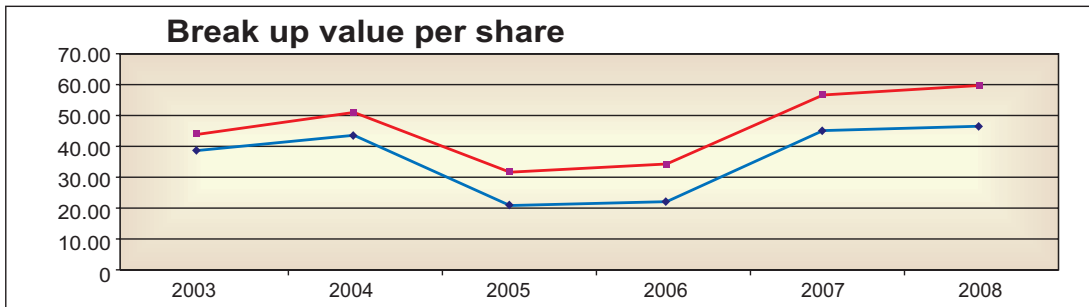
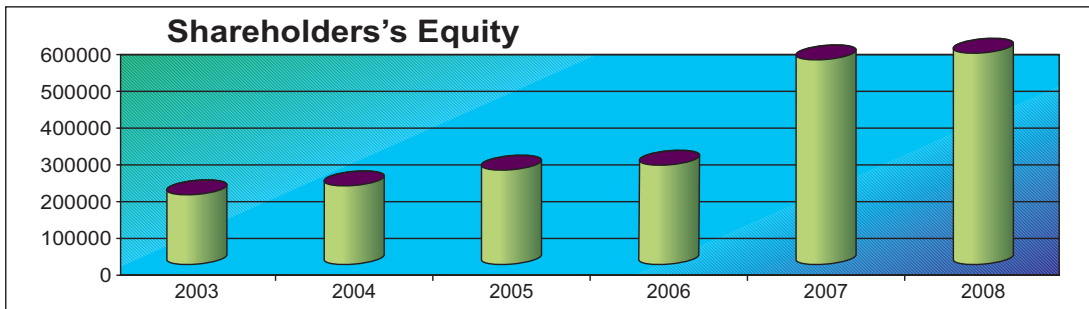
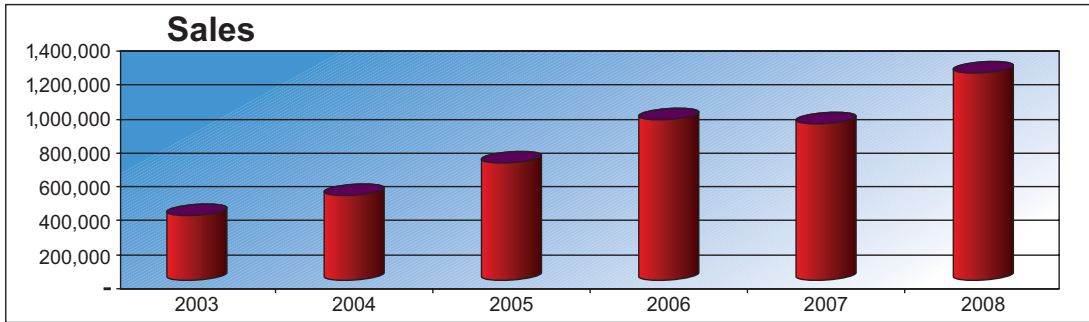
Yusuf H. Shirazi

KEY PERFORMANCE AND FINANCIAL DATA

(Rupees in '000's)

Particulars	2008	2007	2006	2005	2004	2003
Net Sales	1,228,450	925,015	947,484	692,724	504,984	379,980
Gross profit	141,764	77,675	138,200	122,598	91,470	58,189
Operating profit	83,515	37,468	92,834	88,293	49,667	28,766
Profit Before Taxation	29,654	(15,574)	57,181	69,849	36,861	13,929
Profit After Taxation	19,377	574	29,080	40,825	24,788	6,443
Share Capital	123,367	123,367	123,367	123,367	49,347	49,347
Reserves	35,844	16,467	28,230	11,487	(29,338)	(49,191)
Shareholders' Equity						
- Including Surplus on Revaluation	574,991	555,614	270,277	253,534	213,624	188,836
- Excluding Surplus on Revaluation	159,211	139,834	151,597	134,854	94,944	70,156
Fixed Assets Net	876,807	889,787	592,672	503,471	302,418	269,409
Total Assets	1,209,008	1,137,337	903,729	714,600	501,131	410,687
Current Assets	325,178	242,002	308,847	207,750	191,472	132,746
Net Current Assets	(91,246)	(113,301)	(31,411)	11,137	27,717	4,164
Ratios:						
Profitability (%)						
Gross Profit	11.54	8.40	14.59	17.70	18.11	15.31
Profit Before Tax	2.41	(1.68)	6.04	10.08	7.30	3.67
Profit After Tax	1.58	0.06	3.07	5.89	4.91	1.70
Return to Shareholders						
Dividend %	7.50	-	10.00	10.00	10.00	5.00
Cash Dividend Per Share	0.75	-	1.00	1.00	1.00	0.50
Dividend Yield Ratio	0.02	-	0.02	0.03	0.04	0.03
Dividend Pay Out Ratio	0.47	-	0.42	0.27	0.39	0.38
ROE - After Tax %	12.17	0.41	10.76	16.10	11.60	3.41
E.P.S. - After Tax - Rs.	1.57	0.05	2.36	3.74	2.56	1.31
Market Price (June 30)	31.60	25.70	39.70	33.00	25.90	15.00
Activity (Times)						
Sales to Total Assets	1.02	0.81	1.05	0.97	1.01	0.93
Sales to Fixed Assets	1.40	1.04	1.60	1.38	1.67	1.41
Inventory Turnover (Days)	66	67	94	75	85	67
Debtor Turnover (Days)	13	13	12	21	25	36
Interest Cover Ratio	1.55	0.71	2.60	5.73	4.38	1.94
Liquidity / Leverage						
Current Ratio (Times)	0.78	0.68	0.91	1.06	1.14	1.05
Quick Ratio (Times)	0.20	0.14	0.18	0.31	0.41	0.42
Break up Value per Share (Rs)						
- Including Surplus on Revaluation	46.61	45.04	21.91	20.55	43.29	38.27
- Excluding Surplus on Revaluation	12.91	11.33	12.29	10.93	7.96	5.88
Long Term debts to Equity(Incl. Surplus on Revaluation) (Times)	0.28	0.32	0.52	0.54	0.37	0.32
Total Liabilities to Equity(Incl. Surplus on Revaluation) (Times)	0.52	0.51	0.70	0.65	0.57	0.54

KEY PERFORMANCE RATIOS - GRAPHICAL PRESENTATION



STATEMENT OF VALUE ADDITION

Year ended 30 June

Wealth Generated

Total Revenue

Material & Services (excluding duties)

Wealth distributed:

To Employees

Salaries & other related costs

To Government

Sales tax, income tax, import duty & other levies

To Providers of Capital

Dividend to shareholders

Markup/Interest

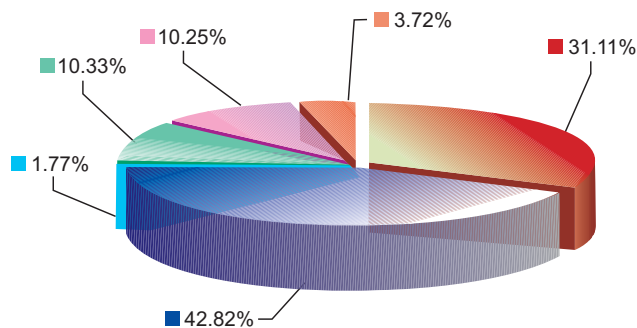
Retained in the Business

Depreciation

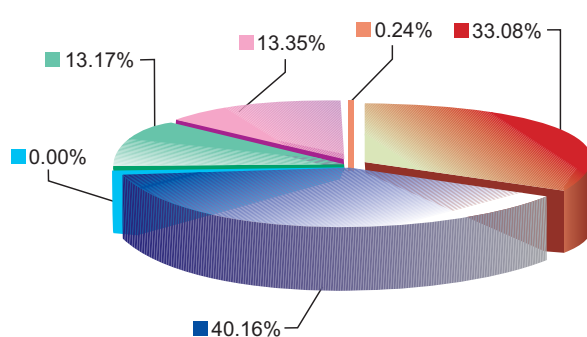
Retained Profit

	(Rupees in 000's)			
	2008 Amount	% age	2007 Amount	% age
Total Revenue	1,411,651		1,087,782	
Material & Services (excluding duties)	(890,110)		(685,332)	
	<u>521,541</u>	<u>100%</u>	<u>402,450</u>	<u>100%</u>
Wealth distributed:				
To Employees				
Salaries & other related costs	162,277	31.1%	133,262	33.1%
To Government				
Sales tax, income tax, import duty & other levies	223,329	42.8%	161,796	40.2%
To Providers of Capital				
Dividend to shareholders	9,253	1.8%	-	0.0%
Markup/Interest	53,861	10.3%	53,042	13.2%
	63,114	12.1%	53,042	13.2%
Retained in the Business				
Depreciation	53,444	10.2%	53,776	13.4%
Retained Profit	19,377	3.7%	574	0.2%
	72,821	14.0%	54,350	13.6%
	<u>521,541</u>	<u>100%</u>	<u>402,450</u>	<u>100%</u>

Wealth Distribution 2008



Wealth Distribution 2007



■ 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, 2008.

Financial Results

The financial results of your company for the year ended June 30, 2008 under review are summarized as follows:

	(Rupees in 000's)	
	2008	2007
Profit / (Loss) before taxation	29,654	(15,574)
Taxation		
Current	(6,142)	(4,629)
Deferred	(4,135)	20,777
	(10,277)	16,148
Profit after taxation	19,377	574

Earnings per Share

Basic earning per share after tax is Rs. 1.57 per share (2007: Re. 0.05).

Dividend

The Board of Directors has recommended final cash dividend of Rs. 0.75 per share. (2007: Rs. Nil).

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, 2008 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. During the year, election of Directors in accordance with Companies Ordinance, 1984 was held, Mr. Yusuf H. Shirazi (Chairman), Mr. Mohammad Atta Karim (CEO), Mr. Ali H. Shirazi, Mr. Jawaid Iqbal Ahmed, Mr. H. Masood Sohail, Mr. Iftikhar H. Shirazi, Mr. Sohail Wajahat H. Siddiqui were unanimously elected Directors of the company.

The Board approved the remuneration of the CEO Rs. 5.51 million, bonus and other benefits like free transportation, telephone facility, medical expenses etc. as per company's policy for the year 2008-2009.

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

S.No.	Name of Directors	Attendance
1.	Mr. Yusuf H. Shirazi	5
2.	Mr. Mohammad Atta Karim	5
3.	Mr. Ali H. Shirazi	4
4.	Mr. Frahim Ali Khan (Three years term of office expired on May 12, 2008)	3
5.	Mr. H. Masood Sohail	4
6.	Mr. Iftikhar H. Shirazi	0
7.	Mr. Bashir Makki (Alternate Director of Mr. Iftikhar H. Shirazi)	2
8.	Mr. Sohail Wajahat H. Siddiqui	2
9.	Mr. Jawaid Iqbal Ahmed (Appointed effective May 12, 2008)	1

During the year, following Directors have transferred their holding of the Company (Atlas Engineering Limited) to Shirazi Capital (Private) Limited, an associated Company.

Mr. Yusuf H. Shirazi	64,856 shares
Mr. Iftikhar H. Shirazi	580,526 shares
Mr. Ali H. Shirazi	580,521 shares

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 2008-09.

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, 2008 have been complied with. The directors confirm the compliance of Corporate Governance and a statement to this effect is annexed.

Audit Committee

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

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

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

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

Mr. H. Masood Sohail	- Chairman	4
Mr. Ali H. Shirazi	- Member	4
Mr. Iftikhar H. Shirazi	- Member	0

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 and Quarterly Reports are distributed to them within the time specified in the Companies Ordinance, 1984. The company also has a web site (www.atlasengineering.com.pk/www.allwin.com.pk), which contains up to date information of Company 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.

Change in name of Company

During the year, the name of the Company has been changed to Atlas Engineering Limited and resolution to such effect had been passed in an Extra Ordinary General Meeting of the Company held on November 16, 2007. The change has been approved by the Registrar of Companies on December 27, 2007. The change in name was considered to capitalize the Atlas Group name which would be helpful to further strengthen the image and business of the Company.

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, base on their respective audited accounts are as follows:

- Provident Fund Rs. 167.94 million (30 June 2007)
- Gratuity Fund Rs. 4.61 million (30 June 2007)

Pattern of Shareholding

The pattern of shareholding of the company is annexed.

For and on behalf of the
Board of Directors



Muhammad Atta Karim
Chief Executive Officer

Karachi: September 02, 2008

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 Officer 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. Head of Internal Audit appointed during the year. However, the Board has approved the remuneration and terms and conditions of employment of CFO, Company Secretary and Head of Internal Audit as recommended 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

KARACHI: September 02, 2008

CODE OF BUSINESS PRINCIPLES

Standard of Conduct:

Atlas Engineering Limited conducts its operations 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

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

Employees

Atlas Engineering 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 individuals skills and capabilities.

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

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

Consumers

Atlas Engineering Limited is committed for providing branded products and services, which consistently offer value in terms of price and quality. Products and services will be accurately and properly labelled, advertised and communicated.

Shareholders

Atlas Engineering Limited will conduct its operations in accordance with principles of good corporate governance. It provides timely, regular and reliable information on its activities, structure, financial situation and performance to all the shareholders.

Business Partners

Atlas Engineering Limited is committed for 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

Atlas Engineering 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

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

It will co-operate 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 interests.

The Environment

Atlas Engineering Limited is committed for making continuous improvements in the management of environmental impact and to the longer-term goal for developing a sustainable business. It works in partnership with others to promote environmental care, increase understanding of environmental issues and disseminate good practice.

Innovation

Atlas Engineering 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

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

Business Integrity

Atlas Engineering 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 is, 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 will be established or maintained.

Conflicts of Interests

All Atlas Engineering 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 Atlas business success. The Board of Directors of Atlas Engineering Limited is responsible for ensuring that 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 Atlas Engineering 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 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;

- (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.
 - Programs, 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.

HEALTH, SAFETY AND ENVIRONMENT

OBJECTIVE

Atlas Engineering Limited is committed to create safe working environment by maintaining & establishing high standards of Occupational Health, Safety & Environment through promotion of safe work practices and prevention of all injuries and incidents. Our objective is embracing the safety of all employees, contractors, visitors, and related people / entities in the course of our day to day operations.

POLICY

We believe Occupational Health, Safety & Environment takes its roots through individual commitments and behaviors. HSE is an integral part of all our activities at Atlas Engineering, a common goal which achieves through individual efforts of all employees who are required to actively participate in making the operations safe, healthy and environment friendly.

We are committed to

- Compliance to all applicable national legislation on safety and environment issues. Work in close liaison with industry members and legislative bodies to promote highest standards of Occupational Health, Safety & Environment.
- Establish and maintain a safety system in our company to identify all health risks including those involved in innovation or change management process.
- Investigation of all potential incidences that have or could have resulted in a work injury. For this we will adopt the methodology that best support the nature of risks associated with our operations.
- Acknowledge the role of human behavior in effective safety management and we aim to develop resource specific programs focusing on behavioral elements.
- Guide our contractor and suppliers to develop awareness to improve overall environmental performance.
- Ensure that all our employees at each level and functions are well aware of this policy and its importance and are motivated to apply it in their areas of responsibilities. Necessary support and training will be given in this respect to achieve HSE objectives.
- Ensure that all efforts are directed to achieve HSE excellence through continuous improvement.


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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Atlas Engineering Limited [Formerly Allwin Engineering Industries Limited] (the Company) to comply with the Listing Regulation no. 37 of the Karachi Stock Exchange (Guarantee) Limited, the Chapter XIII of the Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to 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, effective for the year ended 30 June 2008.



FORD RHODES SIDAT HYDER & CO.
Chartered Accountants.

Karachi: September 02, 2008

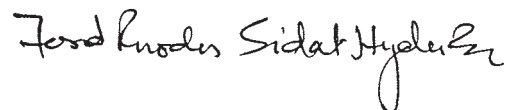
AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Atlas Engineering Limited (formerly Allwin Engineering Industries Limited) (the Company) as at June 30, 2008 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, 2008 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.



FORD RHODES SIDAT HYDER & CO.
Chartered Accountants.

Karachi: September 02, 2008

BALANCE SHEET

AS AT JUNE 30, 2008

	Note	(Rupees in '000's)	
		2008	2007
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	3	876,110	889,331
Intangible assets	4	697	456
		<u>876,807</u>	<u>889,787</u>
Long-term loans and advances	5	777	355
Long-term deposits and prepayments	6	6,246	5,193
		<u>7,023</u>	<u>5,548</u>
		<u>883,830</u>	<u>895,335</u>
CURRENT ASSETS			
Stores, spare parts and loose tools	7	46,418	36,687
Stock-in-trade	8	197,464	154,634
Trade debts	9	44,042	32,916
Loans and advances	10	14,625	5,314
Trade deposits and short-term prepayments	11	13,782	1,263
Taxation – net	12	2,069	1,056
Cash and bank balances	13	6,778	10,132
		<u>325,178</u>	<u>242,002</u>
TOTAL ASSETS		<u><u>1,209,008</u></u>	<u><u>1,137,337</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	14	123,367	123,367
Unappropriated profit		35,844	16,467
		<u>159,211</u>	<u>139,834</u>
SURPLUS ON REVALUATION OF FIXED ASSET	15	415,780	415,780
NON-CURRENT LIABILITIES			
Long-term loans	16	91,000	75,713
Liabilities against assets subject to finance lease	17	22,220	24,394
Long-term murabaha finance	18	32,142	60,714
Retirement and other service benefits	19	20,183	17,686
Deferred taxation	20	52,048	47,913
		<u>217,593</u>	<u>226,420</u>
CURRENT LIABILITIES			
Trade and other payables	21	80,135	58,874
Accrued mark-up	22	12,725	10,008
Short-term running finances	23	223,767	182,194
Current maturity of long-term loans	16	41,711	60,128
Current maturity of liabilities against assets subject to finance lease	17	12,828	8,951
Current maturity of long-term murabaha finance	18	28,572	28,572
Provisions and other liabilities	24	16,686	6,576
		<u>416,424</u>	<u>355,303</u>
CONTINGENCIES AND COMMITMENTS	25		
TOTAL EQUITY AND LIABILITIES		<u><u>1,209,008</u></u>	<u><u>1,137,337</u></u>

The annexed notes from 1 to 48 form an integral part of these financial statements.



 Mohammad Atta Karim
Chief Executive Officer



 Yusuf H. Shirazi
Chairman



 H. Masood Sohail
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2008

	Note	(Rupees in '000's)	
		2008	2007
Sales	26	1,228,450	925,015
Cost of goods sold	27	(1,086,686)	(847,340)
Gross profit		141,764	77,675
Other operating income	28	370	8,834
		142,134	86,509
Selling and distribution costs	29	(15,722)	(13,452)
Administrative expenses	30	(39,720)	(33,768)
Other operating expenses	31	(3,177)	(1,821)
		(58,619)	(49,041)
Operating profit		83,515	37,468
Finance cost	32	(53,861)	(53,042)
Profit / (Loss) before taxation		29,654	(15,574)
Taxation	33	(10,277)	16,148
Profit after taxation		19,377	574
Earnings per share - Basic and diluted	34	Rs. 1.57	Re. 0.05

The annexed notes from 1 to 48 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, 2008

		(Rupees in '000's)	
	Note	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	36	86,194	123,439
Financial cost paid		(51,144)	(52,849)
Gratuity paid		(757)	(1,569)
Tax paid		(7,155)	(4,654)
Net cash generated from operating activities		27,138	64,367
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditure on fixed assets		(31,774)	(26,032)
Long-term deposits and prepayments		(1,053)	(3,708)
Long-term loans and advances		(422)	370
Proceeds from sale of fixed assets		3,703	3,398
Net cash used in investing activities		(29,546)	(25,972)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term loans		(3,130)	(76,168)
Long-term murabaha finance		(28,572)	14,286
Short-term running finance		41,572	37,259
Lease rentals paid		(10,816)	(4,924)
Dividend paid		-	(12,337)
Net cash used in financing activities		(946)	(41,884)
Net decrease in cash and cash equivalents		(3,354)	(3,489)
Cash and cash equivalents at the beginning of the year		10,132	13,621
Cash and cash equivalents at the end of the year		6,778	10,132

The annexed notes from 1 to 48 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, 2008

	Issued, subscribed & paid up capital	Unappropriated profit	Total
	(Rupees in thousands)		
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
Profit after taxation	-	19,377	19,377
Balance as at June 30, 2008	123,367	35,844	159,211

The annexed notes from 1 to 48 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, 2008

1. THE COMPANY AND ITS OPERATIONS

- 1.1 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.
- 1.2 During the year, the name of the Company has been changed to Atlas Engineering Limited and resolution to such effect had been passed in the Extra Ordinary General Meeting of the Company held on November 16, 2007. The change has been approved by the Registrar of Companies on December 27, 2007.

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. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

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 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 profit and loss account 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 assets

Intangible assets are stated at cost less accumulated amortisation and accumulated 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.

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 Related party transactions

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

2.20 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
Recognition of taxation and deferred tax	2.8 & 20
Accounting for post employment benefits	2.9 & 19

2.21 Accounting standards not yet effective

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretations:

Standard or interpretation	Effective date (accounting periods beginning on or after)
IAS 1 - Presentation of Financial Statements (Revised)	January 01, 2009
IAS 23 - Borrowing Costs (Revised)	January 01, 2009
IAS 27 - Consolidated and Separate Financial Statements (Revised)	January 01, 2009
IFRS 3 - Business Combinations	January 01, 2009
IFRS 7 - Financial Instruments: Disclosure	July 01, 2008
IFRS 8 - Operating Segments	January 01, 2009
IFRIC 12 - Service Concession Arrangements	January 01, 2009
IFRIC 13 - Customer Loyalty Programs	July 01, 2008
IFRIC 14 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interactions	January 01, 2008

The Company expects that the adoption of the above standards and interpretations will have no material impact on the Company's financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosure in the financial statements.

2.22 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	2008 (Rupees in thousands)	2007
3. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	3.1	862,848	874,633
Capital work-in-progress	3.6	13,262	14,698
		<u>876,110</u>	<u>889,331</u>

3.1 OPERATING ASSETS
2008

Description	Note	COST / REVALUATION				ACCUMULATED DEPRECIATION				NET BOOK VALUE	Depr ciation rate %
		As at July 01, 2007	Additions/ *transfer (Note 3.4)	(Disposals)	As at June 30, 2008	As at July 01, 2007	Charge for the year	(Disposals)	As at June 30, 2008	As at June 30, 2008	
(Rupees in thousands)											
Owned assets											
Leasehold land	3.2	415,940	-	-	415,940	-	-	-	-	415,940	-
Buildings on leasehold land											
Factory		57,982	2,065 *210	-	60,257	35,318	2,399	-	37,717	22,540	10
Generator premises		4,924	-	-	4,924	2,874	205	-	3,079	1,845	10
Residential		365	-	-	365	307	3	-	310	55	5
Office		4,091	-	-	4,091	1,352	137	-	1,489	2,602	5
Plant and machinery		525,625	5,070 *8,659	(12,207)	527,147	218,190	30,887	(10,349)	238,728	288,419	10
Power generators		108,977	-	-	108,977	50,662	7,687	-	58,349	50,628	10&35
Electrical fittings		12,617	982 *220	-	13,819	5,721	740	-	6,461	7,358	10
Office equipment		2,527	-	-	2,527	2,086	66	-	2,152	375	15
Computers and other IT related equipment		10,350	1,954	-	12,304	6,117	1,639	-	7,756	4,548	30
Furniture and fixtures		4,168	-	-	4,168	3,182	99	-	3,281	887	10
Vehicles		18,549	**504	(2,735)	16,318	7,136	2,261 ***34	(1,202)	8,229	8,089	20
Sui gas, water and drainage lines		2,281	-	-	2,281	1,243	104	-	1,347	934	10
Measuring instruments, dies, jigs, patterns and other equipments		47,319	553 *150	-	48,022	34,063	2,695	-	36,758	11,264	20
		1,215,715	10,624 *9,239 **504	(14,942)	1,221,140	368,251	48,922 **34	(11,551)	405,656	815,484	
Leased assets											
Plant and machinery		24,910	*18,951	-	43,861	189	3,331	-	3,520	40,341	10
Vehicles		2,781	*6,236	** (504)	8,513	333	1,191	** (34)	1,490	7,023	20
		27,691	*25,187 **504	** (504)	52,374	522	4,522	** (34)	5,010	47,364	
2008		1,243,406	10,624 **34,426 **504	(14,942) ** (504)	1,273,514	368,773	53,444 **34	(11,551) ** (34)	410,666	862,848	

** Represents transfer to owned assets from leased assets.

2007

Description	Note	COST / REVALUATION				ACCUMULATED DEPRECIATION				NET BOOK VALUE	Depr ciation rate %
		As at July 01, 2006	Additions/ *transfer (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)											
Owned assets											
Leasehold land	3.2	118,840	297,100	-	415,940	-	-	-	-	415,940	-
Buildings on leasehold land											
Factory		55,342	903 *1,737	-	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	2,308 *13,487	(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 *15,224	-	47,319	30,763	3,300	-	34,063	13,256	20
		894,367	309,156 *15,224	(3,032)	1,215,715	316,688	53,254	(1,691)	368,251	847,464	
Leased assets											
Plant and machinery		-	*24,910	-	24,910	-	189	-	189	24,721	10
Vehicles		-	1,463 *1,318	-	2,781	-	333	-	333	2,448	20
		-	1,463 *26,228	-	27,691	-	522	-	522	27,169	
2007		894,367	310,619 *41,452	(3,032)	1,243,406	316,688	53,776	(1,691)	368,773	874,633	

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	2008 (Rupees in thousands)	2007
Cost of goods sold	27	50,795	51,537
Selling and distribution costs	29	795	672
Administrative expenses	30	1,854	1,567
		<u>53,444</u>	<u>53,776</u>

3.4 Included in operating assets following transfers from capital work-in-progress:

Factory building		210	1,737
Plant and machinery	3.4.1	27,610	38,397
Electrical fittings	3.4.1	220	-
Vehicle - lease		6,236	1,318
Measuring instruments, dies, jigs, patterns and other equipments		150	-
		<u>34,426</u>	<u>41,452</u>

3.4.1 Includes financial cost of Rs. 0.803 million (2007: Rs. 2.233 million) capitalized as a part of cost of such assets. Markup rate as mentioned in note 17 to the account.

3.5 Details of property, plant and equipment disposed-of are given in note 45.

3.6 Capital work-in-progress

Plant and machinery [including in transit of Rs. 6.491 million (2007: Rs. 10.721 million)]		9,898	13,057
Advances to suppliers / contractors	3.6.1	3,364	1,641
		<u>13,262</u>	<u>14,698</u>

3.6.1 The above balance includes amount paid to Atlas Honda Limited – a related party amounting to Rs. 1.132 million (2007: Rs. 0.103 million).

4. INTANGIBLE ASSETS

	COST			ACCUMULATED AMORTIZATION			NETBOOK VALUE	Amortization rate %
	As at July 01, 2007	Additions	As at June 30, 2008	As at July 01, 2007	Charge for the year	As at June 30, 2008	As at June 30, 2008	
(Rupees in thousands)								
Computer software	787	679	1,466	331	438	769	697	30
2008	787	679	1,466	331	438	769	697	
2007	787	-	787	95	236	331	456	

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

5. LONG-TERM LOANS AND ADVANCES

	Note	2008 (Rupees in thousands)	2007
Secured, considered good			
Loans to employees - interest bearing	5.1	898	853
Less: current maturity shown under current assets		760	715
		138	138
Long-term advances to employees - non-interest bearing	5.2	1090	609
Less: current maturity shown under current assets		451	392
		639	217
		777	355

5.1 These loans carry mark-up at the rate of 1% (2007: 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	5,134	3,827
Utilities		751	751
Suppliers		246	227
Others		65	159
		6,196	4,964
Prepayments			
Less: current maturity shown within current assets		237	493
		187	264
		50	229
		6,246	5,193

6.1 Represents deposits against leased assets with Atlas Bank Limited - a related party.

7. STORES, SPARE PARTS AND LOOSE TOOLS

Stores and spare parts - In hand		26,501	19,782
- In transit		709	-
Loose tools		19,876	17,206
Electrical goods		1,227	1,094
		48,313	38,082
Less: Provision for obsolescence	7.1	1,895	1,395
		46,418	36,687

7.1 Comprises provision in respect of stores and spare parts – in hand amounting to Rs. 1.201 million (2007: Rs. 0.701 million) and in respect of loose tools amounting Rs. 0.694 million (2007: Rs. 0.694 million) .

8. STOCK-IN-TRADE	Note	2008 (Rupees in thousands)	2007
Raw and ancillary materials			
In hand		120,896	101,589
In transit		<u>10,142</u>	<u>1,108</u>
		131,038	102,697
Packing materials		1,366	770
Work-in-process	8.1 & 8.2	30,978	16,411
Finished goods	8.3	<u>34,745</u>	<u>35,419</u>
		198,127	155,297
Less: Provision for obsolescence	8.4	<u>663</u>	<u>663</u>
		<u>197,464</u>	<u>154,634</u>

8.1 Includes stock valued at net realizable value amounting to Rs. 2.588 million (2007: Rs. 3.034 million).

8.2 Included herein are stocks held by third parties amounting to Rs. 2.885 million (2007: Rs. 1.715 million).

8.3 Includes stock valued at net realizable value amounting to Rs. 16.545 million (2007: Rs. 14.833 million).

8.4 Comprises provision in respect of raw and ancillary materials - in hand amounting to Rs. 0.260 million (2007: Rs. 0.260 million) and in respect of work-in-process amounting Rs. 0.403 million (2007: Rs. 0.403 million).

9. TRADE DEBTS - considered good

Included herein trade debts amounting to Rs. 0.033 million (2007: Rs. 0.712 million) receivable from Honda Atlas Cars (Pakistan) Limited - a related party.

10. LOANS AND ADVANCES - Unsecured, considered good

Loans to employees - non-interest bearing	308	334
Current maturity of:		
Long-term loans to the employees - interest bearing advance to employees	<u>760</u>	<u>715</u>
	<u>451</u>	<u>392</u>
	1,211	1,107
Advances:		
against salary	<u>25</u>	<u>24</u>
against expenses	576	693
against letter of credits	1,349	436
to suppliers	<u>11,156</u>	<u>2,720</u>
	13,106	3,873
	<u>14,625</u>	<u>5,314</u>

11. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS	Note	2008 (Rupees in thousands)	2007
Security and trade deposits		342	173
Letter of Credit and guarantee margin		11,209	67
Prepayments		2,044	759
Current maturity of long-term prepayments		187	264
		<u>13,782</u>	<u>1,263</u>

12. TAXATION - Net

The income tax assessments of the Company have been finalized by the Income Tax Department upto tax year 2007 (accounting year ended June 30, 2007) 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

In hand:			
- Cheques / Payorders		2,291	5,629
- Cash		92	111
		<u>2,383</u>	<u>5,740</u>
Cash at bank in current accounts	13.1	4,395	4,392
		<u>6,778</u>	<u>10,132</u>

13.1 Includes Rs. NIL (2007: Rs. 2.674 million) kept with Atlas Bank Limited - a related party.

14. SHARE CAPITAL

2008	2007			
20,000,000	20,000,000	Authorized share capital	200,000	200,000
		Ordinary shares		
9,273,588	9,273,588	Issued, subscribed and		
49,800	49,800	paid-up capital	92,736	92,736
		Fully paid in cash		
3,013,307	3,013,307	Issued for consideration other	498	498
<u>12,336,695</u>	<u>12,336,695</u>	than cash		
		Issued as fully paid bonus shares	30,133	30,133
			<u>123,367</u>	<u>123,367</u>

14.1 As at the balance sheet date, the shares in the Company held by related parties were 8,902,802 shares (2007: 6,503,357 shares).

15. SURPLUS ON REVALUATION OF FIXED ASSET	<u>415,780</u>	<u>415,780</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 In the year 2007, 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.

	Note	2008 (Rupees in thousands)	2007
16. LONG-TERM LOANS			
Secured			
Loan - I		-	2,986
Loan - II	16.1	14,282	42,855
Loan - III	16.2	21,429	50,000
Loan - IV	16.3	57,000	-
		<u>92,711</u>	<u>95,841</u>
Less: Current maturity - long-term loans		<u>41,711</u>	<u>60,128</u>
		<u>51,000</u>	<u>35,713</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>91,000</u>	<u>75,713</u>

16.1 This represents the disbursed amount of a loan facility of Rs. 100.000 million obtained from a commercial bank. 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.

16.2 This represents a loan facility of Rs. 100.000 million obtained from a commercial bank. 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.

16.3 This represents a loan facility of Rs. 60.000 million obtained from a commercial bank. The loan is repayable in 10 equal semi annual installments commencing January 20, 2008 and carries mark-up at the last 6 months KIBOR (ask side) plus 2.25% per annum with no floor and cap. The loan is secured by first registered charge over fixed assets for Rs. 167 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 AGAINST ASSETS SUBJECT TO FINANCE LEASE

Represent finance leases entered into with Atlas Bank Limited - a related party in respect of machinery and vehicles. Total lease rentals due under various lease agreements aggregating Rs. 42.213 million (2007: Rs. 40.263) 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 12.12 percent to 14.74 percent (2007: 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. 58.747 million (2007: Rs. 44.34 million).

	2008		2007	
	Minimum lease payments	Present value	Minimum lease payments	Present value
	(Rupees in thousands)			
Within one year	16,016	12,828	12,260	8,951
After one year but not more than five years	26,197	22,220	28,003	24,394
Total minimum lease payments	<u>42,213</u>	<u>35,048</u>	<u>40,263</u>	<u>33,345</u>
Less: Amount representing finance charges	7,165	-	6,918	-
Present value of minimum lease payments	<u>35,048</u>	<u>35,048</u>	<u>33,345</u>	<u>33,345</u>
Less: Current portion	<u>12,828</u>	<u>12,828</u>	<u>8,951</u>	<u>8,951</u>
	<u><u>22,220</u></u>	<u><u>22,220</u></u>	<u><u>24,394</u></u>	<u><u>24,394</u></u>

	Note	2008 (Rupees in thousands)	2007 (Rupees in thousands)
18. LONG-TERM MURABAHA FINANCE			
Murabaha finance	18.1	60,714	89,286
Less: Current maturity		<u>28,572</u>	<u>28,572</u>
		<u><u>32,142</u></u>	<u><u>60,714</u></u>

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. 134.000 million (inclusive of 25% margin).

19. RETIREMENT AND OTHER SERVICE BENEFITS

Non-management staff gratuity	19.1	12,560	12,102
Accrual for compensated absences	19.2	<u>7,623</u>	<u>5,584</u>
		<u><u>20,183</u></u>	<u><u>17,686</u></u>

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, 2008.

	Management		Non-Management		Total	
	2008	2007	2008	2007	2008	2007
----- Rupees in thousands -----						
19.1.1 Reconciliation of obligations as at year end						
Present value of defined benefit obligation	15,517	12,696	10,255	9,668	25,772	22,364
Fair value of plan assets	(6,131)	(4,610)	-	-	(6,131)	(4,610)
	9,386	8,086	10,255	9,668	19,641	17,754
Unrecognised actuarial gain/(loss)	(3,598)	(2,420)	2,305	2,434	(1,293)	14
Unrecognised non-vested liability	-	(98)	-	-	-	(98)
Net liability at end of the year	5,788	5,568	12,560	12,102	18,348	17,670
19.1.2 Movement in liability						
Net liability at beginning of the year	5,568	5,331	12,102	11,445	17,670	16,776
Charge for the year	1,595	1,375	1,103	1,088	2,698	2,463
Contributions	(1,375)	(1,138)	-	-	(1,375)	(1,138)
Benefits paid during the period	-	-	(645)	(431)	(645)	(431)
Net liability at end of the year	5,788	5,568	12,560	12,102	18,348	17,670
19.1.3 Charge for the year						
Current service cost	639	609	331	393	970	1,002
Interest cost	1,279	1,092	955	822	2,234	1,914
Expected return on assets	(517)	(465)	-	-	(517)	(465)
Amortization of non-vested liability	98	100	-	-	98	100
Amortization of actuarial (gain)/loss	96	39	(183)	(127)	(87)	(88)
Charge for the year	1,595	1,375	1,103	1,088	2,698	2,463
19.1.4 Movement in defined benefit obligation						
Present value of defined benefit obligation at beginning of the year	12,696	13,565	9,668	9,247	22,364	22,812
Current Service cost	639	609	331	393	970	1,002
Interest cost	1,279	1,092	955	822	2,234	1,914
Benefits paid during the year	(338)	(3,428)	(645)	(431)	(983)	(3,859)
Actuarial loss/(gain)	1,241	858	(54)	(363)	1,187	495
Present value of defined benefit obligation at end of the year	15,517	12,696	10,255	9,668	25,772	22,364
19.1.5 Movement in fair value of plan assets						
Present value of plan assets at beginning of the year	4,610	6,212	-	-	4,610	6,212
Expected return on plan assets	517	465	-	-	517	465
Contributions made by the Company	1,375	1,138	-	-	1,375	1,138
Benefits paid during the year	(338)	(3,428)	-	-	(338)	(3,428)
Actuarial gain/(loss)	(33)	223	-	-	(33)	223
Present value of plan assets at end of the year	6,131	4,610	-	-	6,131	4,610

	Management		Non-Management	
	2008	2007	2008	2007
19.1.6 Principal actuarial assumptions:				
Discount rate	12%	10%	12%	10%
Expected per annum rate of return on plan assets	12%	10%	-	-
Expected per annum rate of increase in future salaries	11%	9%	11%	9%

	Management		Non-Management		Total	
	2008	2007	2008	2007	2008	2007
	----- (Rupees in thousands) -----					
19.1.7 Actual return on plan assets	484	688	-	-	484	688

19.1.8 Plan assets comprise the following:

	2008		2007	
	Amount in '000	%age	Amount in '000	%age
Equity	2,513	41.00	1,313	28.49
Debt	3,250	53.00	3,278	71.10
Cash	368	6.00	19	0.41
	<u>6,131</u>		<u>4,610</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, 2009 is Rs. 1.594 million.

19.1.11 Management Staff Gratuity Fund - Comparison for past years:

	2008	2007	2006	2005
	----- (Rupees in thousands) -----			
Present value of defined benefit obligation	15,517	12,696	13,565	11,174
Fair value of plan assets	6,131	4,610	6,212	4,843
Deficit	<u>(9,386)</u>	<u>(8,086)</u>	<u>(7,353)</u>	<u>(6,331)</u>
Experience adjustments				
Loss on plan liabilities	<u>1,241</u>	<u>858</u>	<u>1,299</u>	<u>883</u>
Gain/(loss) on plan assets	<u>(33)</u>	<u>223</u>	<u>(203)</u>	<u>(155)</u>

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

	2008	2007	2006	2005
	----- (Rupees in thousands) -----			
Present value of defined benefit obligation	10,255	9,668	9,247	8,654
Fair value of plan assets	-	-	-	-
Deficit	<u>10,255</u>	<u>9,668</u>	<u>9,247</u>	<u>8,654</u>
Experience adjustments				
Gain on plan liabilities	<u>(54)</u>	<u>(363)</u>	<u>(567)</u>	<u>(311)</u>

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	5,584	2,151	112	7,623
20. DEFERRED TAXATION		2008		2007
This comprises the following:	Note	(Rupees in thousands)		
Deferred tax liabilities				
Difference in accounting and tax base of fixed assets		78,890		83,154
Difference in accounting and tax base of intangible assets		15		-
Deferred tax assets				
Provision for gratuity		(4,397)		(4,236)
Provisions		(895)		(546)
Tax losses		(6,057)		(21,093)
Carry over of minimum tax	20.1	(15,508)		(9,366)
		<u>52,048</u>		<u>47,913</u>

20.1 Represents minimum tax charge for the tax year 2008, 2007 and 2006 under clause (c) of sub-section (1) of section 113 of the Income Tax Ordinance, 2001 (the Ordinance). The management of the Company, based on the legal opinion and financial projection for future years, is confident that the excess minimum tax paid after 01 July 2004, being the date when minimum tax charge was allowed to be carry forward will continue to be available for set off against its tax liability, under the normal provision of the law, for five tax years immediately succeeding the tax year for which the minimum tax was paid and will not be affected by the amendment made in section 113 to the Ordinance.

21. TRADE AND OTHER PAYABLES

Trade creditors		49,168	29,738
Sales tax payable - net		949	5,588
Special excise duty payable		577	-
Royalty payable		6,111	5,422
Gratuity fund - management staff	19.1.1	5,788	5,568
Accrued liabilities		15,586	11,101
Advances from customers		1,956	1,457
		<u>80,135</u>	<u>58,874</u>

22. ACCRUED MARK-UP

Term loans		4,767	3,009
Short-term finances		7,958	6,999
		<u>12,725</u>	<u>10,008</u>

23. SHORT-TERM RUNNING FINANCES

From a related party		72,059	-
Others		151,708	182,194
	23.1	<u>223,767</u>	<u>182,194</u>

23.1 The aggregate facilities for short term running finance available from various banks as of June 30, 2008 amount to Rs. 325.000 million (2007: Rs. 225.000 million) of which Rs. 101.233 million (2007: Rs. 42.806 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 (2007: three months KIBOR plus 0.75% to one month KIBOR plus 1.75% per annum). These are repayable latest by June 30, 2009.

24. PROVISIONS AND OTHER LIABILITIES	Note	2008 (Rupees in thousands)	2007
Provision for bonus – management staff	24.1	9,816	1,830
Provision for bonus - non-management staff	24.1	1,459	413
Deposits from employees / contractors	24.2	3,056	2,533
Workers' Profit Participation Fund	24.3	1,537	-
Unclaimed dividends		378	384
Others		440	1,416
		<u>16,686</u>	<u>6,576</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	1,830	9,815	1,829	9,816
Provision for bonus - non-management staff	413	5,881	4,835	1,459
	<u>2,243</u>	<u>15,696</u>	<u>6,664</u>	<u>11,275</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
Interest on fund utilised in company's business	-	179
	<u>-</u>	<u>3,201</u>
Allocation for the year	1,537	-
	<u>1,537</u>	<u>3,201</u>
Less: Amount paid during the year	-	3,201
Balance at the end of the year	<u>1,537</u>	<u>0</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 prior years.

In the year 2006, 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.

25.2 Commitments

	Note	2008 (Rupees in thousands)	2007
25.2.1 Bank guarantees			
In favour of			
Collector of Customs		843	472
Sui Southern Gas Company Limited		16,859	15,928
		<u>17,702</u>	<u>16,400</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. 126.031 million (2007: Rs. 61.106 million).

25.2.4 Commitments under letter of credit in respect of capital expenditure as at June 30, 2008 amounted to Rs.30.219 (2007: Rs. NIL million).

25.2.5 Commitments in respect of capital expenditure as at June 30, 2008 amounted to Rs. 2.418 million (2007: Rs. 2.720 million).

26. SALES

Gross sales	1,411,651	1,087,782
Less: Sales tax	183,201	162,767
	<u>1,228,450</u>	<u>925,015</u>

27. COST OF GOODS SOLD

Raw and ancillary materials consumed		740,002	516,476
Salaries, wages and benefits	27.1	127,603	103,507
Contract labour		36,959	19,634
Spare parts and other maintenance		48,903	42,865
Packing materials consumed		8,983	6,735
Fuel, water and power		62,803	61,556
Rent, rates and taxes		882	405
Insurance		3,500	2,716
Training expenses		349	449
Repairs and maintenance:			
Factory building and electrical fittings		4,230	3,515
Furniture, fittings and office equipments		932	117
Depreciation	3.3	50,795	51,537
Royalties and technical fee		11,380	9,159
Printing and stationery		1,253	1,175
Postage, telephone and telegrams		731	896
Subscriptions		192	60
Provision for obsolescence - stores, spares parts and loose tools		500	500
General expenses		582	502
		<u>1,100,579</u>	<u>821,804</u>
Opening work-in-process		16,411	22,550
Closing work-in-process		(30,978)	(16,411)
		<u>(14,567)</u>	<u>6,139</u>
Cost of goods manufactured		<u>1,086,012</u>	<u>827,943</u>
Opening stock of finished goods		35,419	54,816
Closing stock of finished goods		(34,745)	(35,419)
		<u>674</u>	<u>19,397</u>
		<u>1,086,686</u>	<u>847,340</u>

	Note	2008 (Rupees in thousands)	2007
27.1 Included herein are the following retirement benefits:			
Gratuity		1,987	1,725
Employees Old Age Benefits		1,211	1,001
Provident Fund		2,376	1,752
		<u>5,574</u>	<u>4,478</u>
28. OTHER OPERATING INCOME			
Gain on sale of fixed assets	45	312	2,057
Mark-up on loans to employees		58	93
Reversal of royalty provision		-	6,684
		<u>370</u>	<u>8,834</u>
29. SELLING AND DISTRIBUTION COSTS			
Salaries and allowances	29.1	6,000	5,208
Advertisement and publicity		2,438	2,304
Cartage and octroi		2,912	2,035
Travelling and conveyance		1,401	1,479
Depreciation	3.3	795	672
Insurance		712	552
Printing and stationery		376	353
Postage, telephone and telegrams		219	269
Medical expenses		219	163
Rent, rates and taxes		169	159
Business promotion expenses		145	132
Subscriptions		22	40
Repairs and maintenance		280	35
General expenses		34	51
		<u>15,722</u>	<u>13,452</u>
29.1 Included herein are the following retirement benefits:			
Gratuity		170	148
Employees Old Age Benefits		35	24
Provident Fund		237	226
		<u>442</u>	<u>398</u>
30. ADMINISTRATIVE EXPENSES			
Salaries and allowances	30.1 & 30.2	28,674	24,547
Medical expenses		676	418
Travelling and conveyance		2,399	2,399
Insurance		2,268	1,760
Depreciation	3.3	1,854	1,567
Amortisation of intangible assets	4.1	438	236
Rentals		66	66
Printing and stationery		877	823
Postage, telephone and telegrams		512	627
Business promotion expenses		454	416
Subscriptions		335	252
Advertisement and publicity		283	193
Training expenses		132	215
Repairs and maintenance		652	168
General expenses		100	81
		<u>39,720</u>	<u>33,768</u>

	Note	2008 (Rupees in thousands)	2007
30.1 Included herein are the following retirement benefits:			
Gratuity		681	592
Employees Old Age Benefits		136	113
Provident Fund		892	963
		<u>1,709</u>	<u>1,668</u>
30.2 Salaries and allowances include directors' fee for attending meetings aggregating to Rs. 0.06 million (2007: Rs. 0.07 million).			
31. OTHER OPERATING EXPENSES			
Legal and professional charges		556	691
Workers' Profit Participation Fund	24.3	1,537	-
Auditors' remuneration	31.1	1,084	558
Donation		-	572
		<u>3,177</u>	<u>1,821</u>
31.1 Auditors' remuneration			
Audit fee - statutory		235	210
Fee for half-yearly review		83	75
Special reports, tax and other services		708	239
Out-of-pocket expenses		58	34
		<u>1,084</u>	<u>558</u>
32. FINANCE COST			
Mark-up on:			
- long-term loans - secured		23,231	25,167
- short-term finances - secured		26,222	25,805
- finance lease obligation		3,132	415
Bank and other allied charges		1,276	1,476
Interest on Workers' Profit Participation Fund		-	179
		<u>53,861</u>	<u>53,042</u>
33. TAXATION			
For the year :			
- current		6,142	4,629
- deferred		4,135	(20,777)
	33.1	<u>10,277</u>	<u>(16,148)</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 i.e. minimum tax in view of accumulated losses.			
34. EARNINGS PER SHARE			
Profit after tax		<u>19,377</u>	<u>574</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>Rs. 1.57</u>	<u>Re. 0.05</u>

35. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2008	2007	2008	2007	2008	2007
	----- (Rupees in thousands) -----					
Managerial remuneration	3,050	2,767	-	-	7,191	4,108
Bonus	904	211	-	-	2,129	298
Rent	1,194	1,083	-	-	2,814	1,608
Utility	265	240	-	-	625	357
Retirement benefits	-	218	-	-	645	315
Reimbursable expenses	239	231	-	-	1,057	598
Directors' fee	-	-	60	70	-	-
	<u>5,652</u>	<u>4,750</u>	<u>60</u>	<u>70</u>	<u>14,461</u>	<u>7,284</u>
Number of persons	1	1	2	2	7	4

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

36. CASH GENERATED FROM OPERATIONS

	Note	2008 (Rupees in thousands)	2007
Profit / (loss) before taxation		29,654	(15,574)
Adjustments for:			
Depreciation / amortisation	3.3 & 4	53,882	54,012
Profit on sale of fixed assets		(312)	(2,057)
Provision for gratuity		3,255	2,463
Provision for stores, spare parts & loose tools		500	500
Reversal of royalty provision		-	(6,684)
Financial expenses		53,861	53,042
		<u>111,186</u>	<u>101,276</u>
Operating profit before working capital changes		140,840	85,702
Working capital changes	36.1	(54,646)	37,737
Cash generated from operations		<u>86,194</u>	<u>123,439</u>
36.1 Working capital changes			
Decrease / (increase) in current assets			
Stock-in-trade		(53,061)	56,957
Trade debts		(11,126)	(2,529)
Loans and advances		(9,311)	(1,283)
Deposits and prepayments		(12,519)	11,085
		<u>(86,017)</u>	<u>64,230</u>
Increase / (decrease) in current liabilities			
Trade and other payable		31,371	(26,493)
		<u>(54,646)</u>	<u>37,737</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 company has a policy whereby transactions with related parties, are entered into at arm's length prices other than certain benefits to employees under the terms of the employment. The transactions with related parties, other than remuneration and benefits to key management personnel disclosed in note 35 and 45 are as follows:

Relationship with the company	Nature of transactions	2008 (Rupees in thousands)	2007
Entities having directors in common with the company	Internet service charges	-	129
	Expenses paid on company's behalf	-	111
	Dividend paid	-	7,216
	Purchase of goods / fixed assets	17,833	10,497
	Purchase of services	12,426	9,832
	Sale of goods	932,809	701,071
	Sale of scrap	5,003	6,367
	Expenses charged to the company	106	59
	Finance lease obtained	12,518	29,334
	Payment of lease deposit	3,936	3,827
	Rentals paid	10,816	4,924
	Interest on leases / borrowings	2,536	2,644
	Donation paid	-	572
Employees' retirement benefit plans	Contribution paid during the year	1,375	1,138

The related party status of outstanding receivables and payables as at June 30, 2008 are included in respective notes to the financial statements.

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. CAPITAL RISK MANAGEMENT

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

During 2008, the Company's strategy was to maintain leveraged gearing. The gearing ratios as at June 30, 2008 and 2007 were as follows:

	(Rupees in thousands)	
	2008	2007
Long term murabaha finance	60,714	89,286
Long term loans	92,711	95,841
Short term running finance	223,767	182,194
Liabilities against asset subject to finance lease	35,048	33,345
Trade and other payables	80,135	58,874
Accrued mark-up	12,725	10,008
Total debt	505,100	469,548
Less: Cash and bank balances	6,778	10,132
Net debt	498,322	459,416
Share capital	123,367	123,367
Unappropriated profit	35,844	16,467
Equity	159,211	139,834
Capital	657,533	599,250
Gearing ratio	75.79%	76.67%

40. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

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

	2008			2007		
	Trade debts	Loans and advances	Deposits	Trade debts	Loans and advances	Deposits
	----- Rupees in thousands -----			----- Rupees in thousands -----		
Original equipment manufacturers	20,682	-	-	11,091	-	-
Replacement market	23,360	-	-	21,825	-	-
Others	-	15,402	6,538	-	5,669	5,137
	44,042	15,402	6,538	32,916	5,669	5,137

41. LIQUIDITY RISK

Liquidity risk is the risk that the Company will be unable to meet its funding requirements. The Company has acquired long term loans, short term running finances and entered into lease arrangements for the financing of expansion of operations due to which the working capital of the Company is negative by Rs. 91.246 million (2007: Rs. 113.301 million) as at balance sheet date. The revenue generated from enhanced operations have started to flow, the management feels that no liquidation risk arising out of this situation. The Company's management closely monitors the Company's liquidity and cash flow position and availing options such as increased sales targets and restructuring of short term running finances to long term loans with commercial banks.

42. YIELD / MARK-UP RATE RISK

Yield / mark-up rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market yield/mark-up rates. Sensitivity to yield / mark-up rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company is exposed to yield / mark-up rate risk in respect of the following:

		2 0 0 8						
	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)						
Financial Assets								
Loans and advances	1% p.m	760	138	898	759	639	1,398	2,296
Deposits and other receivables	-	-	-	-	342	6,196	6,538	6,538
Trade debts	-	-	-	-	44,042	-	44,042	44,042
Cash and bank balances	-	-	-	-	6,778	-	6,778	6,778
		760	138	898	51,921	6,835	58,756	59,654
Financial Liabilities								
Long-term loans	14.68%- 16.44% p.a	70,203	83,142	153,345	-	40,000	40,000	193,345
Short-term running finances	14.63%- 15.39% p.a	223,767	-	223,767	-	-	-	223,767
Trade and other payables	-	-	-	-	76,653	-	76,653	76,653
Accrued mark-up	-	-	-	-	12,725	-	12,725	12,725
Liabilities against assets subject to finance lease	12.12% - 14.74% p.a	12,828	22,220	35,048	-	-	-	35,048
Provision and other liabilities	-	-	-	-	16,686	-	16,686	16,686
		306,798	105,362	412,160	106,064	40,000	146,064	558,224
Total yield / mark-up rate risk sensitivity gap		(306,038)	(105,224)	(411,262)	(54,143)	(33,165)	(87,308)	(498,570)

2 0 0 7

	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)								
Financial Assets								
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
Financial Liabilities								
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	12.49%- 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)

43. FOREIGN EXCHANGE RISK MANAGEMENT

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions with foreign undertakings. Financial liabilities include Rs. 6.111 million (2007: Rs. 5.422 million) in foreign currencies and financial assets included Rs. Nil (2007: Nil) which are subject to currency risk exposure.

44. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

45. DETAILS OF PROPERTY, PLANT AND EQUIPMENTS DISPOSED-OFF

The following assets were disposed-of during the year:

Note	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain (loss)	Mode of disposal	Particulars of buyers	
	(Rupees in thousands)							
Suzuki Alto Car	491	303	188	188	-	Company's Policy	Mr. Fida Hussain Zahid (Employee) (Karachi)	
Suzuki Cultus Car	434	265	169	169	-	Company's Policy	Mr. Muhammad Yamin Khan (Employee) (Karachi)	
Suzuki Alto Car	504	154	350	445	95	By Negotiation	Mr. Muhammad Shahzad (Karachi)	
Suzuki Alto Car	504	34	470	478	8	- do -	Mr. Zahid Ali Khan (Karachi)	
Motorvehicles	45.1	802	446	356	623	267	Company's Policy	Varous Employees (Karachi)
Plant & Machinery	12,207	10,349	1,858	1,800	(58)	By Negotiation	Mactchless (Pvt) Ltd. (Karachi)	
2008	14,942	11,551	3,391	3,703	312			
2007	3,032	1,691	1,341	3,398	2,057			

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

46. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on September 02, 2008 by the Board of Directors of the Company.

47. CORRESPONDING FIGURES

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

48. GENERAL

48.1 The Board of Directors in their meeting held on September 02, 2008 has proposed a final cash dividend @ 7.5% i.e. Rs. 0.75 per share for the year ended June 30, 2008 amounting to Rs. 9.253 million for approval of the members in the Annual General Meeting to be held on October 07, 2008.

48.2 Figures have been rounded off to the nearest thousand rupees.



Mohammad Atta Karim
Chief Executive Officer



Yusuf H. Shirazi
Chairman



H. Masood Sohail
Director

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2008

NUMBER OF SHAREHOLDERS	* SHARE HOLDING		TOTAL SHARES HELD
	FROM	TO	
334	1	100 Shares	10,814
299	101	500 Shares	84,338
142	501	1,000 Shares	111,620
166	1,001	5,000 Shares	357,521
21	5,001	10,000 Shares	154,849
8	10,001	15,000 Shares	85,416
5	15,001	20,000 Shares	86,750
4	25,001	30,000 Shares	106,085
1	30,001	35,000 Shares	35,000
1	45,001	50,000 Shares	50,000
1	70,001	75,000 Shares	71,000
3	100,001	200,000 Shares	380,500
1	350,001	355,000 Shares	354,420
1	695,001	700,000 Shares	700,000
1	1,195,001	1,200,000 Shares	1,200,000
1	2,395,001	2,400,000 Shares	2,399,445
1	6,145,001	6,150,000 Shares	6,148,937
990			12,336,695

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

CATEGORIES OF SHAREHOLDERS

	Number	Shares held	Percentage
Associated Companies, Undertakings and Related Parties.			
Shirazi Investments (Pvt.) Limited	1	6,148,937	49.84%
Shirazi Capital (Pvt.) Limited	1	2,399,445	19.45%
Atlas Insurance Limited.	1	354,420	2.87%
	<u>3</u>	<u>8,902,802</u>	<u>72.16%</u>
NIT & ICP			
Investment Corporation of Pakistan.	1	319	0.01%
National Bank of Pakistan, Trustee Deptt., H.O.	1	25,164	0.20%
NBP Trustee - NI (U) T (Loc) Fund.	1	25,921	0.21%
	<u>3</u>	<u>51,404</u>	<u>0.42%</u>
Directors their Spouses			
Mr.Yusuf H. Shirazi/Mrs.Khawar Shirazi.	1	1	0.01%
Mr.Iftikhar H. Shirazi.	1	1	
Mr.Ali H. Shirazi.	1	1	
Mr.H.Masood Sohail.	1	500	
Mr.Jawaid Iqbal Ahmed.	1	100	
	<u>5</u>	<u>603</u>	<u>0.01%</u>
Public Sector Companies & Corporation			
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarbas & Mutual Funds	20	1,232,229	9.98%
Shareholders holding ten percent or more voting interest in the company.			-
Individuals	955	1,448,542	11.75%
Others			
Corporate Law Authority (SECP)	1	1	0.01%
The Nazir, High Court of Sindh, Karachi.	1	206	
The Administrator, Abandoned Properties.	1	908	
Atlas Foundation	1	700,000	
	<u>4</u>	<u>701,115</u>	<u>5.68%</u>
	<u>990</u>	<u>12,336,695</u>	<u>100.00%</u>

Atlas Group Companies

	<i>Year of Establishment / Acquisition*</i>
 Shirazi Investments	1962
 Atlas Honda	1963
 Atlas Battery	1966
 Shirazi Trading	1973
 Atlas Insurance	1980*
 Atlas Engineering	1981*
 Atlas Bank	1990
HONDA Honda Atlas Cars	1992
HONDA Honda Atlas Power Product	1997
 Total Atlas Lubricants	1997
 Atlas Asset Management	2002
 Shirazi Capital	2005
 Atlas Capital Markets	2006
 Atlas Power	2007



ALLWIN ہے تو اچھا ہے **آلن**



The Secretary,
Atlas Engineering Limited,
(Formerly Allwin Engineering Industries Ltd.),
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 Atlas Engineering 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 Tuesday the October 7, 2008 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 _____ 2008.

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.

**AFFIX
POSTAGE**

The Secretary
Atlas Engineering Limited
(Formerly Allwin Engineering Industries Ltd.),
15th Mile, National Highway,
Landhi, Karachi-75120

Fold Here

Fold Here

Fold Here

Fold Here

Atlas Engineering Limited

(formerly Allwin Engineering Industries Limited)

National Highway, Landhi, Karachi. **PABX:** 111-111-AEL (111-111-235) **Fax:** (92-21) 5011709

Email: aeilkhi@atlasengineering.com.pk / aeilkhi@allwin.com.pk

Website: www.atlasengineering.com.pk / www.allwin.com.pk