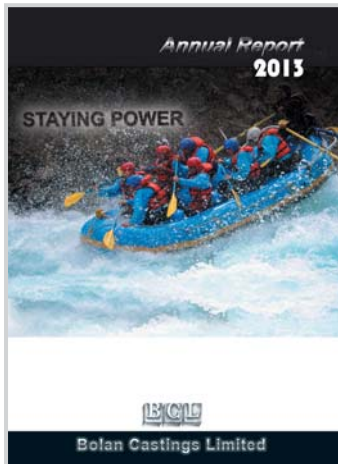


Annual Report Annual Report **2013**

STAYING POWER



Bolan Castings Limited



The Cover Concept

Throughout history, the success in commerce has hinged on competitive growth of a company.

Yet, it is not always smooth sailing; businesses need '**staying power**' for corporate longevity creating a sustainable future.

Effective team work, commitment, continual improvement and unmatched experience have developed a winning team combination, '**the staying power**', at Bolan Castings Limited.

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[Form of Proxy](#)

Vision / Mission

Corporate Strategy / Quality Policy

Safety, Health & Environment



Vision

To be a player in the global market by providing high quality foundry based engineering products.

Mission

To be market leader in foundry technology by offering competitive high quality value added products to the satisfaction of customers and to grow through diversification in local and export markets, while serving the best interest of shareholders.

Corporate Strategy

Bolan Castings Limited will remain proactive in combating all threats and make use of all opportunities to improve the productivity, profitability and for achieving its immediate goals and ultimate mission.

Quality Policy

We will pursue and continuously improve our quality management systems so as to consistently meet the expectations of our customers and other stakeholders, operate safely and encourage our employees to develop and grow.

Safety

- > The management of Bolan Castings Limited believes that the safety and welfare of its employees is of paramount importance.
- > We believe that all industrial injuries can be prevented.
- > Each individual employee is responsible for working safely, both for his own welfare, and for the safety and welfare of his fellow employees.
- > We believe that production is not so important that time cannot be taken to find a safe way to do our work.

Health

- > Good health of employees is very important to Bolan Castings Limited.
- > All employees of Bolan Castings Limited go through an annual medical check up.
- > Bolan Castings Limited has a clinic at the plant site which provides medical facilities for its employees.
- > All employees are insured under Group Life and Health Insurance Scheme.

Environment

- > Bolan Castings Limited is making all out efforts to ensure that it takes care of the environment.
- > Continued efforts are made so that the Company's plant operational activities are environment friendly.
- > The Company is committed to improve the environment and is currently working to achieve the environmental standards.

Code of Conduct



Purpose

Bolan Castings Limited (BCL) is committed to the highest standards of business conduct in its relationships with associates, customers, suppliers, shareholders and other stakeholders. It is BCL's policy to conduct business with honesty and integrity and in compliance with all applicable legal and regulatory requirements.

The directors, senior management and all other employees of BCL are expected to conduct their business dealings honestly, openly, fairly, diligently and courteously and in a manner that enhances the image of the Company as well as Group and never compromised the Company's integrity. The purpose of this Code is to describe standards of conduct expected of directors, senior management and other employees in their dealings on behalf of the Company.

Applicability

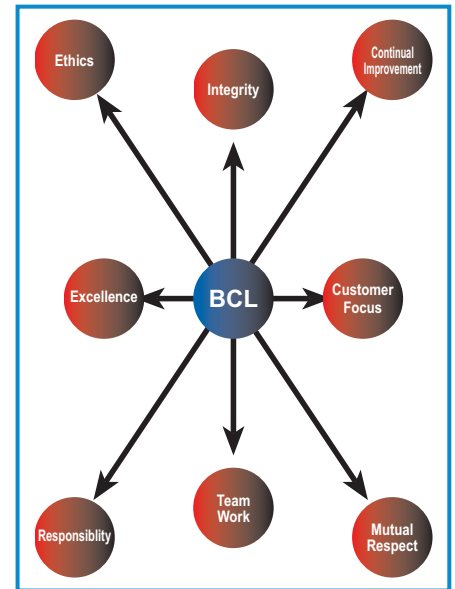
This Code is applicable to all the directors, senior management and other employees of the Company.

Standards of Conduct

Every director, senior management and other employee of the Company shall ensure that he / she:

- > Shall not engage in business activities, either directly or indirectly, with a customer, vendor, supplier or any other third party, which are inconsistent with, or contrary to, the business activities of the Company.
- > Shall not engage in any activity that might create a conflict between personal interest and the Company's interest. Any situation that involves or may reasonably be expected to involve, a conflict of interest should be disclosed promptly in order to seek guidance from the Board.
- > Shall not use his / her respective position to force, coerce, harass, induce, intimidate or in any manner influence any person for personal gain.
- > Shall maintain the confidentiality of information entrusted to him / her by the Company, its customers, suppliers or business associates of the Company, except when disclosure is authorized or legally mandated and shall ensure that no such confidential information is used for personal advantage or benefit.
- > Shall protect the Company's property and assets and have them utilized reasonably and effectively for the Company's business purpose, and shall not use them to pursue personal opportunities and gain.
- > Shall refrain from insider trading and shall not use material information pertaining to the Company, before it is made public, for financial or other personal benefit and shall not provide such information to others.
- > Shall comply with all applicable laws, rules, regulations, agreements, guidelines, standards and internal policies, including other requirements incidental thereto.

Core Values



1. Ethics & Integrity

We do care how results are achieved and will demonstrate honest and ethical behaviour in all our activities. Choosing the course of highest integrity is our intent and we will establish and maintain the highest professional and personal standards.

2. Continual Improvement

Continual improvement in all processes involved in manufacturing, engineering or business management is 'order of the day' for competitive success.

The philosophy of continual improvement is the 'change for the better'.

It refers to activities that continually improve all functions and involves all employees from the CEO to the shop floor workers.

It is an ongoing effort to constantly evaluate all processes for seeking improvements to increase productivity and profitability.

3. Excellence

We are committed to excellence in every aspect of our activities. Each one of us must make maximum efforts to provide a quality product that responds to our customers need. Our products must meet and exceed competition. Rather than asking "is it good enough?", we must ask, "how can we do it better?". The quality of everything we do reflects on us and is essential for maintaining long-term relationships with our stakeholders.

4. Customer Focus

We are a customer-driven organization and believe that customer satisfaction is our strength and motivates us to grow.

5. Responsibility

We will manage our affairs in a highly responsible manner by ensuring that we take care of the environment, are a good corporate citizen, ensure complete satisfaction of our customers through quality and timely delivery of our products.

6. Teamwork

We put a lot of emphasis on team work by recognizing that we will achieve more through teamwork. We feel that operational excellence will be achieved by working together as a team and diligently performing tasks in an exceptional manner.

7. Mutual Respect

We have respect for all stakeholders of our business which includes our customers, suppliers, contractors, regulators, shareholders, our families and one other.

We care about the professional and personal well being of each member of Bolan Castings Limited. People are our greatest asset and we will strive to exhibit care, concern and interest in those with whom we work and with whom we do business. Our work environment respects individual talents and provides opportunities for training, leadership development, professional growth and financial reward. A secure, highly motivated, and well-trained workforce will thrive and meet the challenges set by our customers.

Company Information

Board of Directors	Mr. Sikandar M. Khan Mr. Sirajuddin Khan Mr. Latif Khalid Hashmi Mr. Sohail Bashir Rana Mr. Laeeq Uddin Ansari Mr. Mian Muhammad Saleem Mr. Javed Munir Mr. Muhammad Imran Rafiq	Chairman Chief Executive Director Director Director Director Director Director (NIT Nominee)
Company Secretary	Mr. Arafat Mushir	
Chief Financial Officer	Mr. Imran Siddiqui	
Head of Internal Audit	Mr. Saqib Hanif	
Auditors	M/s. Ernst & Young Ford Rhodes Sidat Hyder	Chartered Accountants
Legal Advisors	M/s. Walker Martineau Saleem	Advocates & Legal Consultants
Bankers	Habib Bank Limited MCB Bank Limited Bank Alfalah Limited Dubai Islamic Bank Faysal Bank Limited Barclays Bank PLC, Pakistan Askari Bank Limited Bank Al-Habib Limited	
Share Registrar	M/s. Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block-B, S.M.C.H.S. Main Shahrah-e-Faisal, Karachi Tel: +92-800-23275 Fax: +92-21-34326053	
Head Office & Registered Office	Main RCD Highway, Hub Chowki, District Lasbela, Balochistan, Pakistan Tel : +92-853-364033,363296 Fax : +92-853-363292 E-mail: bclhub@bclpk.com	
Web Site	www.bolancastings.com	

Board of Directors

Mr. Javed Munir

Mr. Sohail Bashir Rana

Mr. Latif Khalid Hashmi

Mr. Sikandar M. Khan
Chairman



Board of Directors

Mr. Sirajuddin Khan
Chief Executive

Mr. Laeeq Uddin Ansari

Mr. Mian Muhammad Saleem

Mr. Muhammad Imran Rafiq



Directors' Profile

Name	Mr. Sikandar M. Khan
Title	Chairman / Non Executive Director
Appointment	July 13, 1982
Committee membership	Chairman of Board's Committee for Supervision, Directors' Remuneration Committee and Business Strategy Committee
External appointments	Chairman of Millat Tractors Ltd., Millat Equipment Ltd., Millat Industrial Products Ltd. and Director of Arabian Sea Country Club, The Pakistan Business Council, National Productivity Organization, Habib Bank Limited.

Name	Mr. Sirajuddin Khan
Title	Chief Executive Officer
Appointment	December 08, 2012
Committee membership	Chairman of System and Technology Committee and Member of Human Resource and Remuneration Committee and Business Strategy Committee
External appointments	Currently no external appointment

Name	Mr. Latif Khalid Hashmi
Title	Non Executive Director
Appointment	June 13, 1993
Committee membership	Chairman of Human Resource and Remuneration Committee and Member of Audit Committee, Board's Committee for Supervision, Directors' Remuneration Committee and Business Strategy Committee
External appointments	Director of Millat Tractors Ltd., Millat Equipment Ltd., Millat Industrial Products Ltd.

Name	Mr. Javed Munir
Title	Non Executive Director
Appointment	February 22, 2005
Committee membership	Member of Audit Committee
External appointments	Director Finance & CFO of Millat Tractors Ltd., and Director of Millat Equipment Ltd.

Name	Mr. Laeeq Uddin Ansari
Title	Non Executive Director
Appointment	June 13, 1993
Committee membership	Chairman of Audit Committee and Member of Board's Committee for Supervision and Business Strategy Committee
External appointments	Director of Millat Tractors Ltd., Millat Equipment Ltd., Millat Industrial Products Ltd., Etimaad Engineering (Pvt.) Ltd.

Name	Mr. Mian Muhammad Saleem
Title	Non Executive Director
Appointment	June 13, 1993
Committee membership	Member of Audit Committee, Human Resource and Remuneration Committee, Board's Committee for Supervision and Directors' Remuneration Committee
External appointments	Director of Millat Tractors Ltd., Millat Equipment Ltd., Millat Industrial Products Ltd.

Name	Mr. Sohail Bashir Rana
Title	Non Executive Director
Appointment	June 13, 1993
Committee membership	Member of Board's Committee for Supervision
External appointments	Chief Executive of Arrowhead (Pvt.) Ltd. and Director of Millat Tractors Ltd., Millat Equipment Ltd., Millat Industrial Products Ltd.

Name	Mr. Muhammad Imran Rafiq
Title	Independent/Non Executive Director (NIT Nominee)
Appointment	July 30, 2010
Committee membership	Member of Audit Committee
External appointments	Head of Research Department of National Investment Trust Ltd. and Director of Hashmi Can Co. Ltd., Johnson & Phillips (Pakistan) Ltd.,

Board Committees

Audit Committee

Composition of Committee

Chairman

Mr. Laeeq Uddin Ansari Non-Executive Director

Members

Mr. Latif Khalid Hashmi Non-Executive Director

Mr. Mian Muhammad Saleem Non-Executive Director

Mr. Javed Munir Non-Executive Director

Mr. Muhammad Imran Rafiq Independent /
Non-Executive Director

Terms of Reference

- > To make recommendations to the Board on the appointment of external auditors, the audit fee, any question of resignation or removal and provision of any service by the external auditors in addition to audit.
- > To determine the measures to safeguard the assets of the Company.
- > To review, before submission to the Board, quarterly, half yearly and annual financial statements and related announcements to be issued by the Company. This renders focusing on significant items like material adjustments resulting from audit, going concern assumption, major judgmental areas, changes in accounting policies and practices and compliance of accounting standard, listing regulations and statutory requirements.
- > To facilitate the external audit, ensure coordination between external and internal auditors and discuss observations raised by the external auditors and management letter issued by them alongwith response of management.
- > To review scope and extent of internal audit and shall ensure that internal audit is adequately resourced and appropriately placed within the Company.
- > To consider major findings of internal investigations and management's response.

- > To ascertain that financial and operating controls and accounting reporting systems are adequate and effective.
- > To review the statement on internal control system before endorsement by the Board.
- > To determine the compliance of applicable statutory requirements and shall also monitor compliance of Code of Corporate Governance to identify the significant violations.
- > To institute special projects, other reviews and tasks as the Board shall delegate to it, from time to time, by consulting CEO and referring external auditors and other external bodies.

Board's Committee for Supervision (BCS)

Composition of Committee

Chairman

Mr. Sikandar M. Khan Chairman /Non-Executive Director

Members

Mr. Latif Khalid Hashmi Non-Executive Director

Mr. Sohail Bashir Rana Non-Executive Director

Mr. Laeeq Uddin Ansari Non-Executive Director

Mr. Mian Muhammad Saleem Non-Executive Director

Terms of Reference

- > To provide a forum for the Company's Senior Executives to contribute to planning the strategic direction of the Company.
- > To review and monitor the periodic operating activities regarding technical, financial and administrative aspects of the Company, against budget, forecasts and previous year on monthly basis.
- > To ensure implementation of strategy, the corporate plan, policies and procedures.
- > To ensure successful achievement of objectives of the Company.
- > To ensure active co-ordination, cooperation and communication between all departments of the Company.
- > To review the organizational structure of the Company and making recommendations for change.

Board Committees

Directors' Remuneration Committee

Composition of Committee

Chairman

Mr. Sikandar M. Khan Chairman / Non-Executive Director

Members

Mr. Latif Khalid Hashmi Non-Executive Director
Mr. Mian Muhammad Saleem Non-Executive Director

Terms of Reference

- > To follow a formal and transparent procedure, for fixing the remuneration packages of CEO and executive directors of the Company.
- > To ensure that the levels of remuneration of executive directors are commensurate with their qualifications and that such levels of remuneration are sufficient to attract and retain the directors but not excessive.
- > To make recommendations to the Board on matters related to remuneration of CEO and executive directors;
- > To determine the specific remuneration packages of CEO and executive directors including, without limitation, base salaries, deferred compensation, stock options and any benefits in kind, pension rights and incentive payments and any compensation payable for loss or termination of their office or appointment, and to make recommendation to the Board on the remuneration of CEO and executive directors,

- > To review and recommend compensation arrangements relating to dismissal or removal of CEO and executive directors for misconduct and to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and
- > To ensure that CEO and executive directors are not involved in determining their own remuneration.

Human Resource and Remuneration (HR&R) Committee

Composition of Committee

Chairman

Mr. Latif Khalid Hashmi Non-Executive Director

Members

Mr. Sirajuddin Khan Chief Executive Officer
Mr. Mian Muhammad Saleem Non-Executive Director

Terms of Reference

- > Recommending human resource management policies to the Board;
- > Recommending to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO;
- > Recommending to the Board the selection, evaluation, compensation (including retirement benefits) of Chief Operating Officer (COO), General Manager (GM), Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit; and
- > Consideration and approval on recommendations of Chief Executive Officer (CEO) on such matters for key management positions who report directly to CEO / COO / GM.

Management Committees

Business Strategy Committee

Composition of Committee

Chairman

Mr. Sikandar M. Khan

Members

Mr. Latif Khalid Hashmi

Mr. Laeeq Uddin Ansari

Mr. Sirajuddin Khan

Responsibilities

The Business Strategy Committee assists Board of Directors in devising short term and long term business plans and suggests strategies for achievement of organizational objectives.

System and Technology Committee

Composition of Committee

Chairman

Mr. Sirajuddin Khan

Members

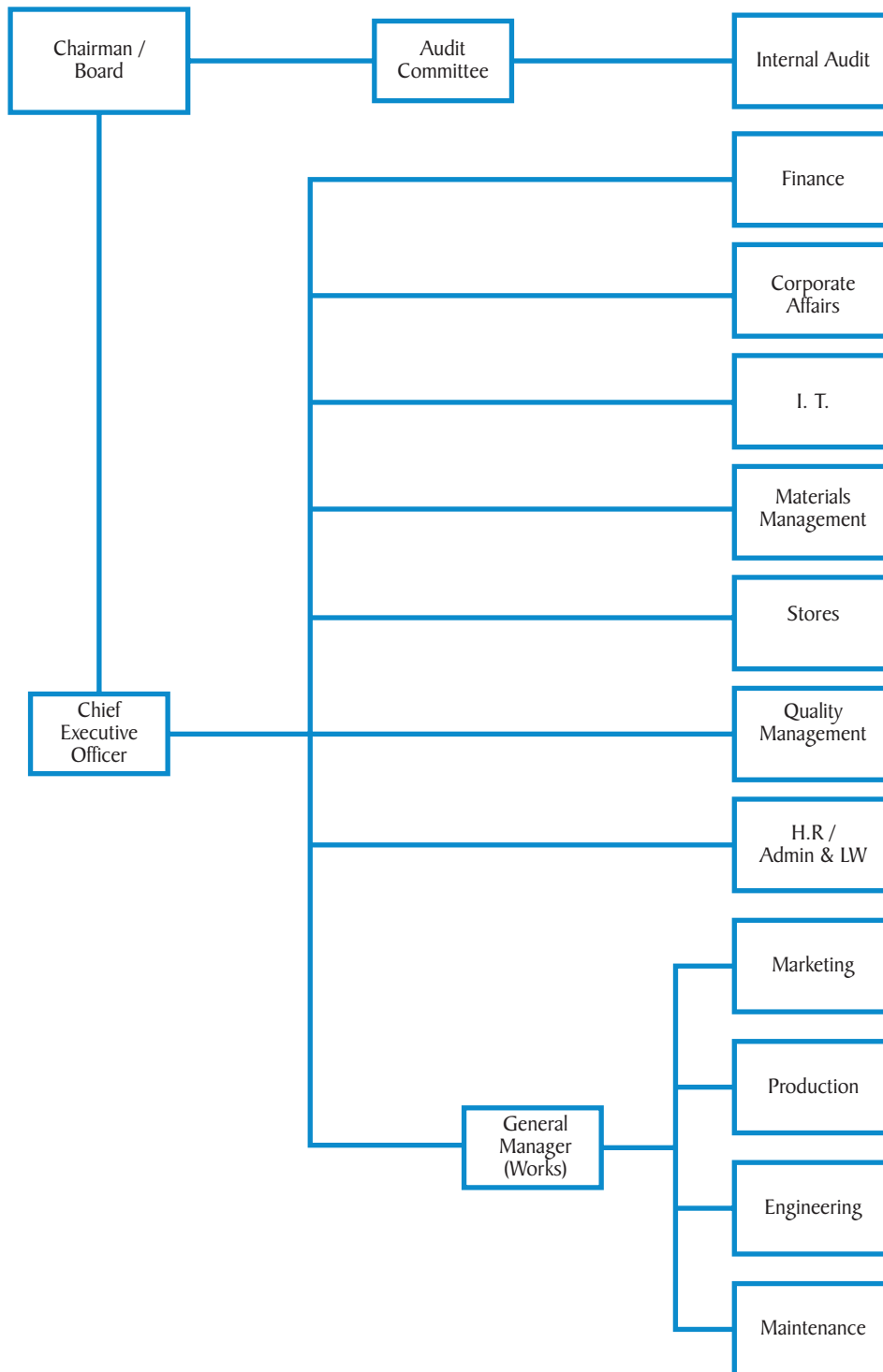
Mr. S. M. Zakauallah

Mr. Aamir Hashmi

Responsibilities

Systems provide solid base for any type of success. This Committee assists Board of Directors in formulating, implementing and upgrading systems of all types in the Company.

Organization Structure



Metal being Poured into Moulds



Company Profile

INTRODUCTION

Being a modern and well equipped foundry and holding a major market share of the tractor and automotive castings, Bolan Castings Limited can rightly claim to be the leading foundry of its kind in Pakistan.

The Company was incorporated on 15th July, 1982 as a public limited company by Pakistan Automobile Corporation Limited (PACO) under the administrative control of Ministry of Production, Government of Pakistan. The plant was commissioned in June 1986 with the assistance of Foundry Management & Design Company (FMD), United Kingdom (U.K) and commercial production was started in July, 1986. The plant is located about 40 Kms from Karachi on the main R.C.D. Highway, Hub Chowki, District Lasbella, Balochistan. The Company was privatised and handed over to a group of management under a joint collaboration of Millat Tractors Limited and the employees of Bolan Castings Limited on 13th June, 1993.

FOUNDRY

The foundry is located at Hub, Balochistan on a 100,000 square meters plot with a covered area of approximately 20,000 square meters. The foundry is manufacturing tractor castings such as Cylinder Blocks, Cylinder Heads, Centre Housings, Transmission Cases and truck / bus castings like Brake Drums and Hubs with a large number of other similar castings.



The plant produces more than 16,000 tons per year of tractor / automotive castings in grey and ductile iron. So far, more than 200 different types of castings have been successfully developed and supplied to various customers.

PRODUCTION FACILITIES

BCL has two foundry plants with following production & quality management facilities.

- > Duplex melting facilities consisting of Twin Cold Blast Cupolas and Coreless Induction Furnaces.
- > Induction melting through two 1.5 tons furnaces.



- > One high pressure line of 1150 x 800 x 300 / 300 mm box size.
- > Another high pressure moulding line of 650 x 550 x 250 / 250 mm box size.
- > Fully computerized green sand plant which on demand automatically delivers predetermined sand mixes to the moulding line
- > New Sand Preconditioning Plant.
- > Sand Washing Plants.
- > Resin coated sand Plant, Continuous Mixer, Shell Cores, silicate/CO2 Cores and Cold Box core making machines.
- > Finishing Shop for shot blasting, fettling, grinding and painting.
- > A separate Pattern Making Shop for development, repair and maintenance of patterns tooling and core boxes through CAD/CAM process.
- > An ancillary workshop for the fabrication and maintenance of Plant equipment etc.

RESEARCH & DEVELOPMENT

Experimentation and innovative studies are constantly undertaken for both process and product improvements. Bolan Castings Limited, from the very beginning, is engaged in research, quality improvement of the products, productivity enhancement, new products development and processes improvement.



QUALITY MANAGEMENT / PROCESS CONTROL

We believe that quality and a relentless commitment to continuous improvement are essential to our success. To this end, we define quality as understanding the customer's expectations, agreeing on performance and value and providing products and services that meet expectations. Quality is our responsibility and our motto is "We pour quality into castings".

The foundry has developed a "Quality Control System" that covers inspection of the complete process from raw materials supply to the dispatch of finished good. Laboratories at the plant use equipment and techniques to check all incoming material, metallic charge, Ferro alloys, sands, resins, coatings and refractoriness.



Company Profile

BCL is the only foundry in Pakistan using high valued imported Raw Materials & consumables like Pig Iron, Coke, Bentonite, Cold Dust, Core Coating, Core Adhesive etc.

During the manufacturing process, rapid response systems are employed in a series of integrated checks. Finished products undergo an array of checks and inspection with appropriate techniques. Critical parts and those on which safety depends are 100% checked.

Checks during manufacturing are supplemented by sample checking by metallography, spectrometry and actual chemical analysis.

As a result of strict and effective quality control, high standards have been achieved.

PRODUCTIVE MAINTENANCE

An integrated Preventive Maintenance Plan is regularly & effectively monitored to keep the plant operative. Computerized data is maintained for upto-date analysis for improvements.

POLLUTION CONTROL

Maximum attention is given to reduce the air pollution through the following:

- > Wet sludge tank for cupola emissions.
- > Scrubbers for air born emission at new sand pre conditioning and core plant.
- > Reduction of dust emissions through bag filter closed cabin for shot blasting and sand plant.
- > Dust catchers in grinding area.
- > Maximum plantation at the open areas of the factory.

INDUSTRIAL & PERSONAL SAFETY

The following are in place for the safety of our employees and equipments:

- > Effective fire fighting system, which covers all areas of the plant.
- > Safety protective provided to the work force.
- > Adequate sound proofing of high noise machines.



- > Protective cover for cutting machines.
- > Controlled admittance to production site.
- > Flammable material adequately protected from sun and heat.
- > All work areas sufficiently ventilated.

NO COMPROMISE ON QUALITY IS OUR CLAIM

BCL has an effective system for dealing all customer complaints. Regular visits to customers along with daily feed back and continuous follow ups is our strength.

SUPPORT FOR FOUNDRY EDUCATION / ENGINEERING EDUCATION

To improve the level of knowledge in the field of foundry practice, BCL is providing technical support through regular internships, factory visits etc., to the students of Metallurgical Engineering and Materials Engineering of NED University of Engineering & Technology, Karachi, Mehran University of Engineering & Technology, Jamshoro and other Engineering Institutions in a planned manner.

ISO CERTIFICATION

Bolan Castings Limited was the first foundry in Pakistan to obtain ISO-9002 QMS certificate in April 1999. The Company has now acquired certification on ISO 9001 - 2008 version of ISO Quality Management System.



At Bolan Castings Limited, the ISO- Quality Management System is being effectively implemented in letter and spirit. All SOPs & QSPs are regularly monitored through In-house and independent Auditors.

INTEGRATED REPORTING / DOCUMENTATION THROUGH COMPUTERIZATION

Fully computerized documentation & reporting system has been employed for the effective control, timely action and transparency.

Customers & Product Range



CUSTOMERS

Tractors

- . Millat Tractors Limited
- . Al-Ghazi Tractors Limited

PRODUCT RANGE

Tractor Industry

- a. MF Tractors
 1. Cylinder block
 2. Cylinder head
 3. Transmission case
 4. Centre housing
 5. Timing gears
 6. Bearing caps
 7. Planetary carrier
 8. Differential cases
 9. Hydraulic lift cover
 10. Box hydraulic
 11. Oil sump 240
 12. Link rocker
 13. Sleeve
 14. Fork clutch release
 15. Axle housing 240
 16. Axle housing 385
 17. Oil sump 385
 18. Fly wheel 240
 19. Fly wheel 385
 20. Front wheel hub 240
 21. Front wheel hub 385
 22. Front axle support 240
- b. Fiat Tractors
 1. Axle casing
 2. Differential case
 3. Trumpet 640
 4. Front axle support
 5. Bearing covers
 6. Trumpet cover 640
 7. Trumpet 480
 8. Hubs
 9. Master clutch housing
 10. Oil sump 480

Automobiles

- . Hino Pak Motors Ltd.
- . Ghandhara Nissan Ltd.
- . Ghandhara Industries Ltd.
- . Sind Engineering (Pvt.) Ltd.
- . Master Motors Corporation Ltd.
- . Adam Motors Company Ltd.
- . Sigma Motors (Pvt.) Ltd.

Automobile Industry

- a. Isuzu Trucks/Buses
 1. Brake drums & Hubs
 2. Exhaust manifold
 3. Spring pads & Brackets
 4. Generator brackets
 5. Fly wheel
- b. Dong Feng Trucks/Buses
 1. Brake drums & Hubs
 2. Brackets
 3. Shackles
- c. Nissan Trucks/Buses
 1. Brake drums & Hubs
 2. Fan pulley
 3. Shackles
 4. Spring stoppers & Brackets
 5. Pads
- d. Hino Trucks/Buses
 1. Brake drums
 2. Spring stoppers & Brackets
 3. Bracket injection pump
 4. Pulleys
- e. Bedford Trucks
 1. Brake drums
 2. Differential carrier
- f. Honda/Coure
 1. Pulleys
- g. Master Trucks
 1. Brake drums
- h. Adam Car
 1. Brake drums
 2. Brake discs
- i. Sigma Jeep
 1. Brake drums

Engineering/Others

- . Millat Equipment Limited
- . Alsons Industries
- . HMA Stainless Steel Pumps
- . Balochistan Engineering Works
- . Transmission Engineering
- . Pakistan Machine Tool Factory
- . Pakistan Synthetic
- . Noor Engineering

Engineering Industry

- a. Pumps
 1. Pump heads
 2. Pump bases
 3. Base plates
 4. Adopter flanges
 5. Pump housings
 6. Suction chambers
 7. Seal covers
- b. Wheel Rims
 1. Blank holder dies
 2. Forming punch dies
 3. Roller dies
- c. Textile
 1. Labyrinth seals

CAD-CAM Operations for Pattern Toolings



Notice of Annual General Meeting



Notice is hereby given that 31st Annual General Meeting of Bolan Castings Limited will be held at the Registered Office of the Company Main RCD Highway, Hub Chowki, District Lasbella, Baluchistan, Pakistan, on Thursday, October 03, 2013 at 1130 hours to transact the following business:

A. ORDINARY BUSINESS

1. To confirm the minutes of the 30th Annual General Meeting.
2. To receive, consider and adopt the audited financial statements of the Company for the year ended June 30, 2013 together with the Directors' and Auditors' reports thereon.
3. To appoint auditors for the year ending June 30, 2014 and to fix their remuneration.

B. SPECIAL BUSINESS

4. To consider and if thought fit to approve issuance of 10% bonus shares by passing the following resolution as an ordinary resolution:

RESOLVED that a sum of Rs. 10,429,571/- (rounded to Rs. 10,429,580/-) out of the profit available for appropriations as at June 30, 2013 be capitalized and be applied to the issue of 1,042,957.1 (rounded to 1,042,958) ordinary shares of Rs. 10/- each allotted as fully paid bonus shares to the members whose names appear in the register of members as at close of business on September 23, 2013 in the proportion of one bonus share for every ten ordinary shares held i.e 10%.

FURTHER RESOLVED that these bonus shares shall rank pari passu in all respects with the existing shares.

FURTHER RESOLVED that the Directors be and are hereby authorized to consolidate all fractions of bonus shares and sell in the stock market and pay the proceeds of sales when realized to a charitable trust.

FURTHER RESOLVED that the Directors be and are hereby authorized and empowered to give effect to this resolution and to do, cause to be done; all acts, deeds and things that may be necessary or required for the issue, allotment and distribution of bonus shares.

FURTHER RESOLVED and hereby agreed that Company Secretary be and is hereby authorized to complete all formalities related to issue of bonus shares.

C. OTHER BUSINESS

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

By Order of the Board of Directors

Hub:
September 11, 2013

Arafat Mushir
Company Secretary

Notes :

1. The Share Transfer Books of the Company shall remain closed from September 24, 2013 to October 03, 2013 (both days inclusive). Transfers received in order at the office of our Share Registrar M/s. Central Depository Company of Pakistan Limited., CDC House, 99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 by close of working hours on September 23, 2013 shall be treated in time.
2. A member entitled to attend and vote at the meeting may appoint another member as his / her proxy to attend the meeting and vote on his / her behalf. Vote may be given either personally or by proxy or in case of a company / corporation by a representative duly authorized.
3. Duly executed proxies in order to be effective must be received at the office of our Share Registrar M/s. Central Depository Company of Pakistan Limited at least 48 hours before the meeting.
4. Shareholders are requested to promptly notify any change in their addresses to our Share Registrar M/s. Central Depository Company of Pakistan Limited.
5. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

5.1 FOR ATTENDING THE MEETING:

- 5.1.1 In case of individual, the account holder or sub-account holder shall authenticate his identity by showing his original Computerised National Identity Card (CNIC) or original passport at the time of attending the meeting.

Notice of Annual General Meeting

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

5.2 FOR APPOINTING PROXIES :

5.2.1 In case of individual, the account holder or sub account holder, shall submit the proxy form as per the above requirement.

5.2.2 The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

5.2.3 Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

5.2.4 The proxy shall produce his / her original CNIC or original passport at the time of the meeting.

5.2.5 In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall have to be submitted (unless it has been provided earlier) along with proxy form to the Company.

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

This statement set out the material facts concerning the Special Business, given in agenda item No. 4 of the Notice.

The Directors are of the view that Company's financial position and its reserves justify the capitalization of free reserves amounting to Rs. 10,429,580/- for the issue of bonus shares in the proportion of one bonus share for every ten ordinary shares held. The Directors directly or indirectly, are not personally interested in this issue except to the extent of their shareholding in the Company.

Pursuant to rule 6 (iii) of the Companies (Issue of Capital) Rules, 1996, the Auditors have certified that the free reserves retained after the issue of the bonus shares would be higher than twenty five percent of the enhanced paid-up capital.

Shareholders Information



Bolan Castings Limited (BCL) is committed to providing a high standard of communication to its Shareholders so that they have all information reasonably required to make informed assessments of the Company's value and prospects.

Periodic Financial Reports

BCL produces four Periodic Financial Reports for shareholders each year:

- > First Quarterly Report upto 30th September
- > Second Quarterly / Half Yearly Report upto 31st December
- > Third Quarterly Report upto 31st March
- > Annual Report upto 30th June.

Pursuant to provisions of SECP circular No 19 of 2004 dated April 14, 2004, the Company transmits its quarterly accounts to shareholders through Company's website instead of sending the same by post. However, the quarterly accounts can be provided to shareholders, on demand, at their registered addresses free of cost, within one week of such demand.

The Company dispatches the Annual Accounts to its Shareholders by post. Annual Accounts are also placed on Company's website.

Annual General Meeting

BCL holds Annual General Meeting (AGM) normally in October of each year at Company's Registered Office.

The Notice of AGM is sent to all Shareholders at least 21 days before the date of AGM and also published in one issue each of Daily English and Urdu news papers having circulation in Karachi and Lahore.

The Notice of AGM contains an explanatory memorandum providing information to Shareholders for their convenience.

Shareholders are encouraged to attend the meeting. However, if they are unable to attend, they are encouraged to Vote by Proxy on matters to be decided at the meeting.

The 31st Annual General Meeting is scheduled to be held at the Registered Office of the Company, Main RCD Highway, Hub Chowki, District Lasbela, Baluchistan, Pakistan, on Thursday October 03, 2013 at 1130 hours.

Books Closure & Bonus Shares Entitlement

The Share transfer books of BCL will remain closed from September 24, 2013 to October 03, 2013 both days inclusive. Transfers received in order at the office of Share Registrar of the Company at the address given hereunder by close of working hours on September 23, 2013 shall be treated in time for the purpose of entitlement of Bonus Shares.

Shareholders Enquiries

Enquiries concerning holdings of the Company's ordinary shares, dividend payments and notification of shareholders' change of address should be referred to the Company's Shares Registrar:

Shares Registrar Address:

Central Depository Company of Pakistan Limited,
 CDC House, 99-B, Block-B,
 S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400.
 Tel: Customer Support Services (Toll Free) 0800-CDCPL (23275)
 Fax: (92-21) 34326053
 Email: info@cdcpak.com
 Website: www.cdcpakistan.com

Shareholders Complaint

Designated contacts, email address and online complaint form are provided on company's website for the shareholders to raise any complaint.

Web Presence

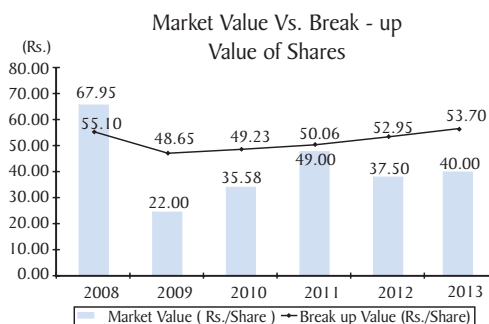
A wide range of information about BCL is available at Company's website, www.bolancastings.com.

The website has general information about the Company and details of its product range. The quarterly and annual reports of the Company are also posted on this site. Further, a dedicated 'Investor Relations' section is also available on the website.

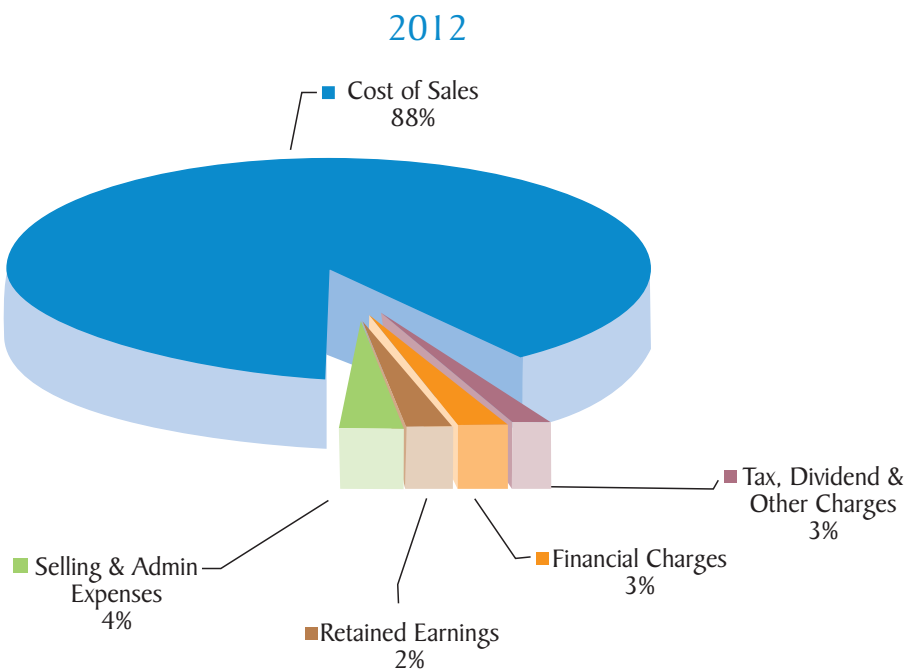
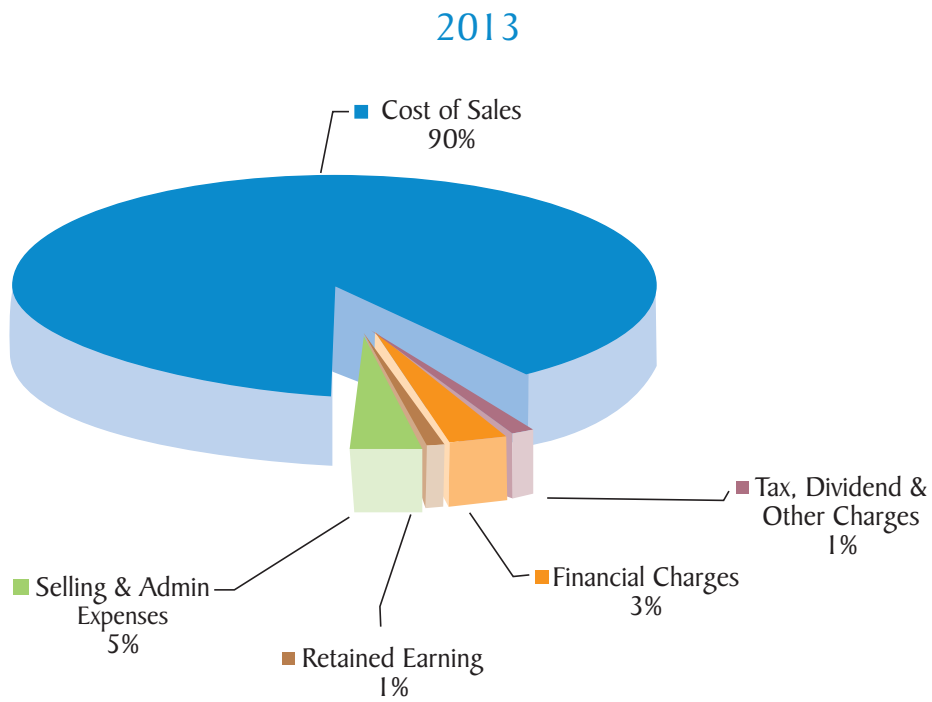
Price Ranges

Quarterly price ranges of BCL shares on the Karachi Stock Exchange, the principal market in which the stock is traded, were:

Quarter	2013		2012	
	High	Low	High	Low
First (July-Sep)	40.99	35.50	50.90	33.67
Second (Oct-Dec)	41.49	34.51	36.81	26.60
Third (Jan-Mar)	39.65	36.00	32.25	27.08
Fourth (Apr-June)	44.00	33.25	39.98	29.06



Application of Revenue



Vertical Analysis

	2013		2012		2011	
	(Rs. 000)	%	(Rs. 000)	%	(Rs. 000)	%
Operating Results						
Net Sales	1,745,974	100.0	1,724,539	100.0	1,946,677	100.0
Cost of sales	1,585,029	90.8	1,533,750	88.9	1,711,481	87.9
Admin, selling & distribution expenses	84,373	4.8	77,337	4.5	81,439	4.2
Other operating expenses	3,231	0.2	5,039	0.3	9,556	0.5
Investment income	856	0.1	(1,076)	(0.1)	(1,075)	(0.01)
Other income	8,855	0.5	(9,845)	(0.6)	(12,344)	(0.6)
Finance cost	49,354	2.8	50,330	2.9	33,822	1.7
Taxation	10,814	0.6	22,395	1.3	45,593	2.3
Profit after taxation	22,884	1.3	46,608	2.7	78,205	4.0
Balance Sheet						
Property, plant and equipment	219,561	16.3	240,645	21.8	235,330	23.8
Long-term investments	14,088	1.0	8,338	0.8	9,171	0.9
Other non-current assets	5,500	0.4	5,202	0.5	5,106	0.5
Current assets	1,105,247	82.2	851,915	77.0	739,686	74.8
Total assets	1,344,396	100.0	1,106,100	100.0	989,293	100.0
Total Share holders' equity	560,050	41.7	552,275	49.9	522,145	52.8
Long-term deposits	4,895	0.4	5,178	0.5	4,442	0.4
Deferred liabilities	28,775	2.1	21,686	2.0	35,681	3.6
Deferred taxation	26,217	2.0	31,572	2.9	25,001	2.5
Short-term debts	496,237	36.9	287,733	26.0	147,361	14.9
Trade creditors	200,835	14.9	199,103	18.0	247,873	25.1
Other current liabilities	27,386	2.0	8,552	0.8	6,791	0.7
Total liabilities	784,346	58.3	552,911	50.0	467,148	47.2
Total equity and liabilities	1,344,396	100.0	1,106,100	100.0	989,293	100.0
Cash Flow						
Cash generated from operations	(90,109)	43.7	7,127	(4.6)	278,139	319.1
Cash flow from/(used in) operating activities	(179,105)	86.9	(107,379)	69.1	186,039	213.4
Cash flow from/(used in) investing activities	(6,026)	2.9	(32,439)	20.9	(24,950)	(28.6)
Cash flow from/(used in) financing activities	(20,869)	10.1	(15,557)	10.0	(73,927)	(84.8)
Net increase/(decrease) in cash and cash equivalents	(206,001)	100.0	(155,376)	100.0	87,162	100.0

Horizontal Analysis

	2013 (Rs. 000)	Inc./ (dec.) vs last year figure %	2012 (Rs. 000)	Inc./ (dec.) vs last year figure %	2011 (Rs. 000)	Inc./ (dec.) vs last year figure %	2010 (Rs. 000)	Inc./ (dec.) vs last year figure %
Operating Results								
Net Sales	1,745,974	1.2	1,724,539	(11.4)	1,946,677	14.0	1,707,846	6.4
Cost of sales	1,585,029	3.3	1,533,750	(10.4)	1,711,481	16.6	1,468,284	1.9
Gross profit	160,945	(15.6)	190,789	(18.9)	235,196	(1.8)	239,562	45.8
Admin, selling & distribution expenses	84,373	9.1	77,337	(5.0)	81,439	4.5	77,955	14.9
Other operating expenses	3,231	(35.9)	5,039	(47.3)	9,556	1.4	9,422	132.9
Investment Income	856	(20.4)	1,076	0.1	1,075	0.2	1,072	108.4
Other income	8,855	(10.0)	9,845	(20.2)	12,344	(25.9)	16,662	(10.0)
Profit before finance cost	83,052	(30.4)	119,334	(24.3)	157,621	(7.2)	169,918	52.5
Finance cost	49,354	(1.9)	50,330	48.8	33,822	(23.4)	44,170	(24.2)
Profit before Taxation	33,698	(51.2)	69,003	(44.3)	123,799	(1.6)	125,749	136.6
Taxation	10,814	(51.7)	22,395	(50.9)	45,593	4.6	43,591	127.9
Profit after taxation	22,884	(50.9)	46,608	(40.4)	78,205	(4.8)	82,157	141.5
Balance Sheet								
Property, plant and equipment	219,561	(8.8)	240,645	2.3	235,330	(0.4)	236,205	(2.5)
Long-term investments	14,088	69.0	8,338	(9.1)	9,171	10.0	8,338	3.6
Other non-current assets	5,500	5.7	5,202	1.9	5,106	2.9	4,963	1.8
Current assets	1,105,247	29.7	851,915	15.2	739,686	(6.8)	793,499	24.1
Total assets	1,344,396	21.5	1,106,100	11.8	989,293	(5.1)	1,043,004	16.6
Share capital	104,296	-	104,296	-	104,296	10.0	94,814	20.0
Reserves	455,754	1.7	447,979	7.2	417,849	12.3	371,995	21.8
Total Share holders' equity	560,050	1.4	552,275	5.8	522,145	11.9	466,809	21.4
Long term debts (excluding current maturiy)	-	-	-	-	-	(100.0)	14,082	-
Long term Deposits	4,895	(5.5)	5,178	16.6	4,442	15.6	3,843	100.0
Deferred liabilities	28,775	32.7	21,686	(39.2)	35,681	17.8	30,284	(1.7)
Deferred taxation	26,217	(17.0)	31,572	26.3	25,001	11.7	22,383	8.4
Short-term debts	496,237	72.5	287,733	95.3	147,361	(33.6)	221,867	(23.4)
Trade creditors	200,835	0.9	199,103	(19.7)	247,873	2.8	241,167	120.4
Current portion of long term debts	-	-	-	-	-	(100.0)	36,250	-
Other current liabilities	27,386	220.2	8,552	25.9	6,791	7.5	6,320	(31.8)
Total liabilities	784,346	41.9	552,911	18.4	467,148	(18.9)	576,195	12.9
Total equity and liabilities	1,344,396	21.5	1,106,100	11.8	989,293	(5.1)	1,043,004	16.6
Cash Flow								
Cash generated from operations	(90,109)	(1,364.4)	7,127	(97.4)	278,139	71.4	162,306	67.9
Cash flow from/(used in) operating activities	(179,105)	66.8	(107,379)	(157.7)	186,039	123.2	83,359	252.8
Cash flow from/(used in) investing activities	(6,026)	(81.4)	(32,439)	30.0	(24,950)	25.3	(19,919)	12.1
Cash flow from/(used in) financing activities	(20,869)	34.1	(15,557)	100.0	(73,927)	100.0	-	(100.0)
Net increase/(decrease) in cash and cash equivalents	(206,001)	32.6	(155,376)	(278.3)	87,162	37.4	63,440	(1,139.4)

Decade at a Glance

(Rupees in Thousand)

Year ended 30 th June	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
INCOME										
Net sales	1,745,974	1,724,539	1,946,677	1,707,846	1,604,626	1,130,538	869,672	802,761	695,077	538,765
Gross profit	160,945	190,789	235,196	239,562	164,253	113,943	109,174	122,819	98,780	114,907
Operating profit	86,284	124,372	167,176	179,341	115,454	67,403	64,300	84,598	68,855	88,770
Profit before tax	33,698	69,003	123,799	125,749	53,150	34,500	39,870	72,910	65,348	83,378
Profit after tax	22,884	46,608	78,205	82,157	34,026	22,648	26,038	47,826	42,665	58,115

FINANCIAL POSITION

Current assets	1,105,247	851,915	739,686	793,499	639,502	533,411	433,427	331,842	294,312	231,424
Less: Current liabilities	724,458	495,389	402,024	505,603	444,777	390,722	279,276	98,616	92,453	41,500
Net working capital	380,788	356,526	337,662	287,896	194,725	142,689	154,151	233,226	201,858	189,924
Property, plant and equipment	220,247	240,645	235,330	236,205	242,245	252,155	255,249	203,383	92,745	87,178
Others-non current assets	18,903	13,540	14,277	13,301	12,926	21,379	23,111	22,692	13,685	14,473
	619,938	610,711	587,268	537,401	449,896	416,223	432,510	459,301	308,288	291,575
Less: Long term debts	-	-	14,082	14,082	50,332	84,128	121,190	-	-	-
Other liabilities	59,888	58,436	65,124	56,510	51,450	30,952	23,028	13,397	11,695	10,345
Shareholders' equity	560,050	552,275	522,145	466,809	384,364	334,940	325,355	324,714	296,593	281,230

REPRESENTED BY:

Share capital	104,296	104,296	104,296	94,814	79,012	60,778	55,253	55,253	55,253	55,253
General reserves	411,500	385,500	323,500	274,500	256,500	240,000	230,000	210,000	195,000	164,000
Unrealized gain on long term investment	8,588	2,837	3,671	2,838	2,550	11,463	13,475	11,247	3,325	3,000
Premium on issuance of right share	12,156	12,156	12,156	12,156	12,156	-	-	-	-	-
Unappropriated profit /(loss)	23,511	47,486	78,522	82,502	34,147	22,699	26,627	48,214	43,015	58,977
Net capital employed	560,050	552,275	522,145	466,809	384,364	334,940	325,355	324,714	296,593	281,230

Summary of CashFlows

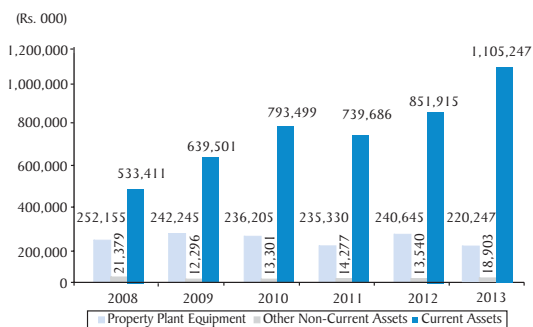
Cash flows from operating activities	(179,105)	(107,379)	186,039	84,150	23,627	(45,964)	(51,536)	21,070	21,036	15,504
Cash used in investing activities	(6,026)	(32,439)	(24,950)	(20,710)	(17,776)	(23,737)	(67,612)	(121,156)	(16,303)	(5,357)
cash used in financing activities	(20,869)	(15,557)	(73,927)	-	(11,955)	(44,559)	(45,632)	91,148	(7,713)	(33,021)
Net change in cash and cash equivalents	(484,900)	(155,375)	(123,524)	(210,685)	(274,125)	(268,022)	(153,761)	11,019	19,957	22,937

Decade at a Glance

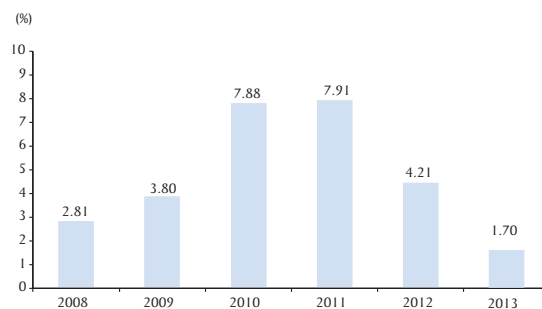
Year ended 30 th June	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
PRODUCTION / SALES										
Production capacity installed (MT)	13,200	13,200	13,200	13,200	13,200	10,367	10,367	7,450	5,700	5,700
Production capacity attained (MT)	12,264	12,800	16,278	16,069	14,335	13,801	13,543	12,627	12,320	10,532
Capacity ratio (%)	93	97	123	122	109	133	131	169	216	185
Net sales (MT)	11,724	12,094	14,895	15,343	13,272	12,907	12,384	11,969	11,806	9,550
MARKET VALUE RATIOS										
Break up value of a share of Rs.10/-each	53.70	52.95	50.06	49.23	48.65	55.11	58.88	58.77	53.68	50.90
Dividend (Rs. per share)	-	2	1.5	2.50	-	-	2.00	5.00	5.00	5.00
Dividend (%)	-	20	15	25	-	-	20	50	50	50
Bonus shares (%)	10	-	-	10	20	10	10	-	-	45
PROFITABILITY RATIOS										
Gross profit ratios (%)	9.22	11.06	12.08	14.03	10.24	10.08	12.55	15.30	14.21	21.33
Profit before tax to sales (%)	1.93	4.00	6.36	7.36	3.31	3.05	4.58	9.08	9.40	15.48
Profit after tax to sales (%)	1.31	2.70	4.02	4.81	2.12	2.00	2.99	5.96	6.14	10.79
Basic earnings per share - EPS (Rs.)	2.19	4.47	7.50	7.88	3.46	2.95	4.28	8.66	7.72	10.52
Earning yield - year end price (%)	5.49	11.92	15.30	22.14	15.73	5.49	6.12	9.41	11.35	14.71
Price Earning Ratio - year end price	18.23	8.39	6.53	4.52	6.36	18.22	16.34	10.62	8.81	6.80
EBITDA (Earning before interest, tax, depreciation & amortization) (%)	6.51	8.89	10.00	12.09	8.93	8.39	9.42	11.65	11.26	18.55
Dividend payout (%)	-	44.75	20.00	28.85	-	-	42.44	57.76	64.75	47.54
Dividend yield ratio (%)	-	5.33	3.06	7.03	-	-	2.60	5.43	7.35	6.99
Return on equity (%)	4.09	8.44	14.98	17.60	8.85	6.76	8.00	14.73	14.39	20.66
Return on assets (%)	1.70	4.21	7.91	7.88	3.80	2.81	3.64	8.57	10.65	17.45
Operating cycle (days)	64.12	81.00	70.00	89.00	78.00	114.00	109.00	102.00	104.00	110.00
Divedend cover (times)	-	2.23	5.00	3.47	-	-	2.36	1.73	1.54	2.10
LIQUIDITY RATIOS										
Current ratio	1.53:1	1.72:1	1.84:1	1.57:1	1.44:1	1.37:1	1.54:1	3.36:1	3.18:1	5.58:1
Quick ratio	1.16	1.04:1	1.12:1	1.19:1	1.10:1	0.96:1	0.62:1	1.54:1	1.68:1	2.42:1
ACTIVITY RATIOS										
Raw material inventory turnover (days)	47.34	57	48	48	38	68	76	66	65	62
WIP inventory turnover (days)	12.04	10	7	7	7	10	13	11	15	18
Finished goods inventory turnover (days)	12.80	19	9	5	4	4	6	6	4	4
Debtors turnover ratio (days)	73	48	58	74	54	48	36	35	35	37
Assets turnover ratio (%)	1.30	1.56	1.97	1.64	1.79	1.40	1.22	1.44	1.73	1.62
Fixed assets turnover (times)	7.30	6.78	7.80	6.84	6.29	4.13	3.12	3.95	7.50	6.18
LEVERAGE RATIOS										
Equity turnover (times)	3.12	3.12	3.73	3.66	4.17	3.38	2.67	2.47	2.34	1.92
Debt-equity ratio	0:100	0:100	0:100	3:97	4:96	13:87	21:79	27:73	0:100	0:100
SHARE PRICE- (RS.)										
Highest	44.00	50.90	52.25	63.06	64.60	84.00	114.65	98.70	87.85	73.95
Lowest	33.25	26.60	35.25	22.00	22.00	61.00	68.00	59.85	59.80	50.00
Average	38.63	38.75	43.75	42.53	43.30	73.06	91.33	79.28	73.83	61.98
At the year end	40.00	37.50	49.00	35.58	22.00	67.95	77.00	92.00	68.00	71.50

Graphical Illustration

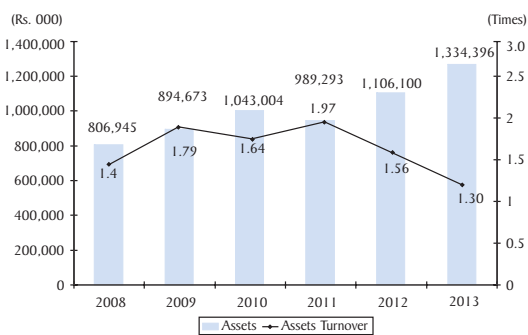
Total Assets



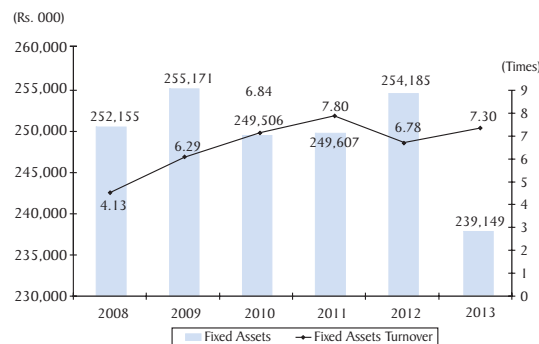
Return on Assets



Assets - Assets Turnover



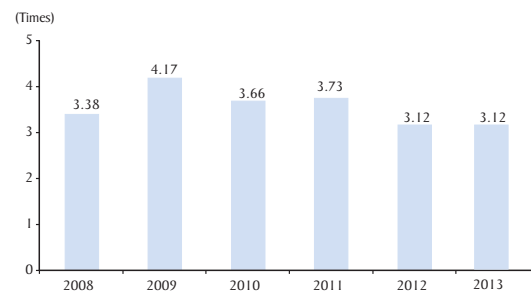
F. Assets - F. Assets Turnover



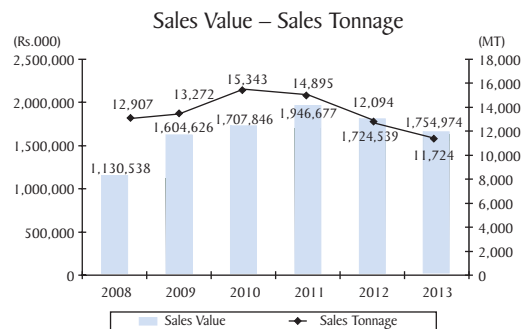
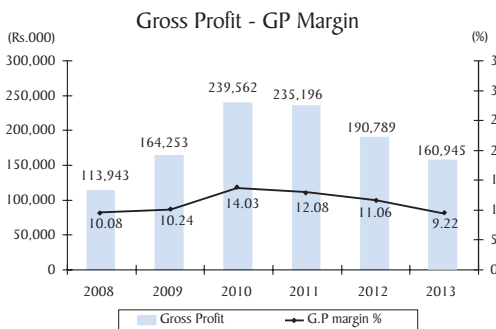
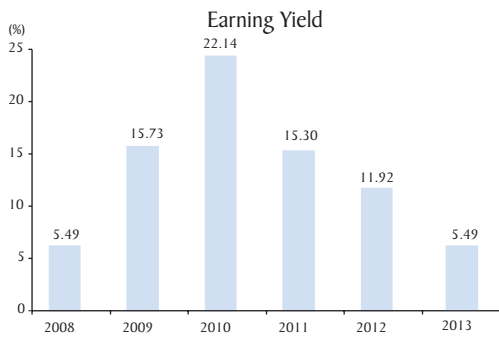
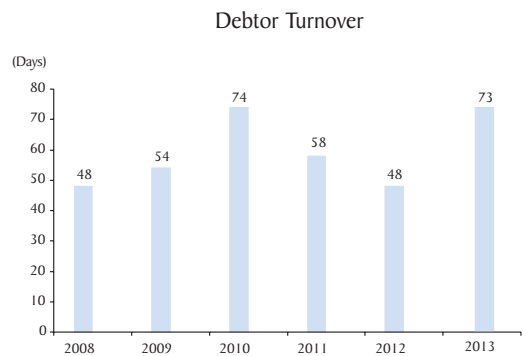
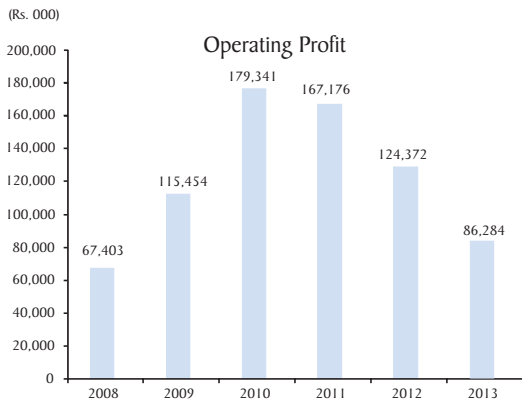
Liabilities



Equity Turnover



Graphical Illustration

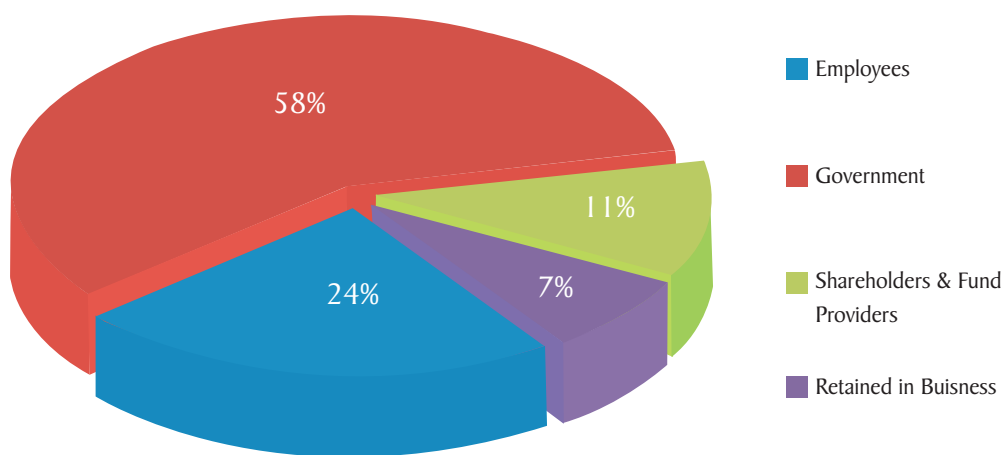


Statement of Value Added and its Distribution

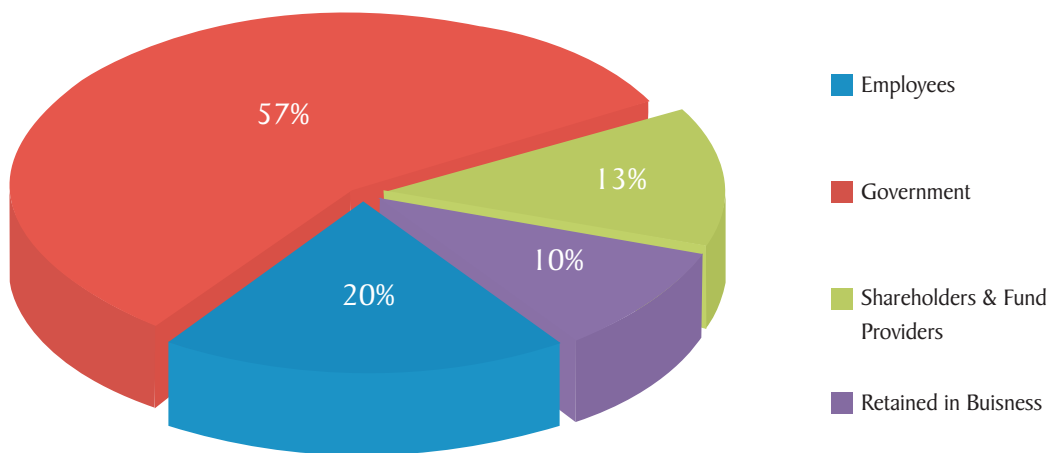
PARTICULARS	2013		2012	
	Rs. 000	%	Rs. 000	%
VALUE ADDITION				
Revenue generated	2,036,100		2,010,779	
Bought-in material and services	(1,520,964)		(1,480,608)	
Other income	9,712		10,920	
	<u>524,847</u>		<u>541,091</u>	
DISTRIBUTION TO:				
Employees				
Salaries, wages and benefits	121,510	23.15	101,861	19
Workers participation fund	1,835	0.35	3,686	1
	123,345	23.50	105,547	20
Government				
Income tax	10,814	2.06	22,395	4
Sales tax	290,126	55.28	286,240	53
Workers welfare fund	998	0.19	977	0
	301,939	57.53	309,612	57
Shareholders & Fund Providers				
Bonus shares	10,430	1.93	-	-
Cash dividend	-	-	20,859	4
Financial charges	49,354	9.12	50,330	9
	59,783	11.05	71,189	13
Retained in Business				
Depreciation	27,285	5.04	28,854	5
Amortization	40	0.01	141	0
Retained profit	12,455	2.30	25,749	5
	39,780	7.35	54,744	10
	<u>524,847</u>	<u>100</u>	<u>541,091</u>	<u>100</u>

Distribution of Value Addition

2013



2012



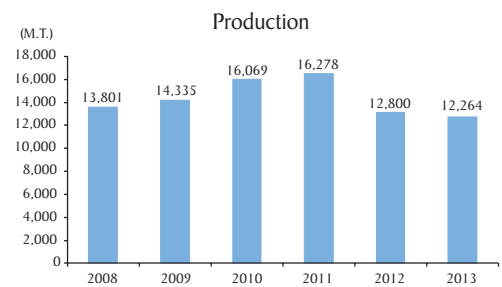
Chairman's Review



“To remain a profitable and progressive organization, we are striving to look for new sales avenues, both locally and internationally”

Dear Shareholders,

I am pleased to welcome you to the 31st Annual General Meeting of Bolan Castings Limited and to present the Annual Report together with the Audited Financial Statements of the Company for the Financial Year ended June 30, 2013.



National Economic Review

Pakistan's economy continues to face numerous domestic and external shocks from 2007 onwards. Economic performance was affected from the devastating floods and rains, the internal security hazards, and the energy crisis. The economy of Pakistan during the last five years grew on average at the rate of 2.9 percent per annum. Deterioration in the power sector is the main constraint on growth. Power outages have wiped off 2 percent from our GDP. Further, GDP growth has been stuck at a level, which is half of the level of Pakistan's long-term trend potential of about 6.5 percent per annum.

Chairman's Review

In the fiscal year 2013, overall recent growth of GDP (at new base 2005-06) is registered at 3.6 percent as compared to 4.4 percent in previous fiscal year. The Agriculture sector recorded a growth of 3.3 percent against the previous year's growth rate of 3.5 percent. The Large Scale Manufacturing sector registered a growth of 4.26 percent as compared to a growth of 1.49 percent in 2012. The Services sector recorded a growth of 3.7 percent as compared to 5.3 percent in the previous year.

The per capita income in Rupee term has increased from Rs.118,085/- to Rs.131,543/- in outgoing fiscal year as compared to last year.

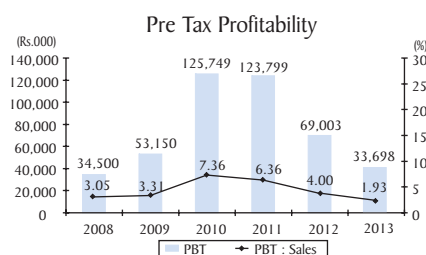
Business Review

Sales of your Company's products are mainly to the tractor assemblers and manufacturers. Therefore, any change in tractor sales has direct impact on our sales and profitability. The year 2012-13 was not good for the tractor and its vending industry. The Government's decision to increase GST from 5 percent to 10 percent, which came into effect from January 2013, led to reduction in purchasing power of the farmers and stagnated tractor market by scaling down the demand of tractors.

Despite all these odds and difficulties, your Company produced 12,264 M.T. of castings during the year as against 12,800 M.T. of last year. The tonnage sales were 11,724 M.T. as against 11,834 M.T. of last year.

Company's Performance

The sales revenues of the Company for the period under review amounted to Rs. 1,745.974 million as against Rs. 1,724.539 million of the same period last year. The gross profit was recorded as Rs. 160.945 million as against Rs. 190.789 million of same period last year.



The selling, distribution and administrative expenses were Rs. 84.373 million against Rs. 77.337 million of last year. The financial cost was Rs. 49.354 million against Rs. 50.330 million of last year.

The profit before tax was Rs. 33.698 million as against Rs. 69.003 million of last year. The income tax was Rs. 10.814 million as against Rs. 22.395 million of last year. The profit after tax was Rs. 22.884 million against Rs. 46.608 million of same period last year.

Your Directors are pleased to recommend bonus shares @ 10% in the proportion of one bonus share for every ten ordinary shares held.

Business Risks, Challenges & Future Prospects

The local tractor and its vending industry during the last two years have been severely hampered by the Government's decision regarding GST on tractor prices. Additionally, severe energy crises coupled with the adverse exchange rates of international currencies vis-à-vis Pak Rupee are also making a negative impact on the businesses.

The management of your Company is vigilant of these challenges and is taking all possible measures to mitigate their impact by implementing aggressive strategies for procurement of raw materials alongwith continuous emphasis on financial controls and operational efficiencies.

To remain a profitable and progressive organization, we are striving to look for new sales avenues, both locally and internationally. Furthermore, we are also concentrating on improving quality of our castings to the satisfaction of our customers.

Tractor is an essential part of the farmers' welfare and progress. Pakistan being an agrarian economy, we are optimistic that this will result in growth for tractors and its vending industry in the coming years.

We are confident that our Company will be successful in meeting the future challenges and will be able to achieve its future growth targets.

Contribution towards Economic Development and Self Reliance

The Company has contributed in the development of parts for agricultural tractors and automotive industry. It has made huge investments for the development of toolings and has acquired the expertise to design and manufacture the pattern equipment required for casting of components. The ongoing process of research and development within the Company has been a source of strength for the production lines. It has also been a source of employment to the people of the region at all levels.

Human Resource Development

Human resource is the most valuable asset of your Company. We recognize that skilled and motivated people are essential to deliver success.

Your Company gives a lot of emphasis to its training programmes which assist in the enhancement of employee skills. Apart from it, Company also imparts on job training to the unskilled workers, fresh diploma holders, engineers and finance graduates which becomes a rich source for their career building.

Acknowledgement

I am extremely grateful to our shareholders, customers, suppliers, contractors, bankers and other stakeholders for their enduring relationship and their continued support towards the prosperity of the Company.

I would like to appreciate the management and employees for their hard work, dedication and sincere contributions to the ongoing success of the Company.

In the end, I would like to thank my fellow Board members for their untiring efforts in directing the Company's course through favourable and unfavourable business conditions and look forward to continued commitment of all stakeholders for future progress of the Company.

Sikandar M. Khan
Chairman

Directors' Report



"Continual improvement is the key word at Bolan Castings Limited, our competitive advantage lies at better features, fewer defects, faster delivery and greater responsiveness to customers' specific needs.

During every economic downturn, the Company was able to weather the storm and remain profitable. This was a true testament to the Company's 'staying power'.

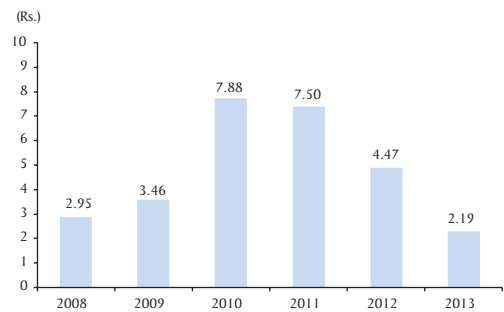
We are properly configured, equipped and motivated for the paramount performance."

Sirajuddin Khan, CEO

Dear Shareholders

Directors of your Company have pleasure in presenting Annual Report and the Audited Financial Statements of the Company for the financial year ended June 30, 2013.

Earnings Per Share

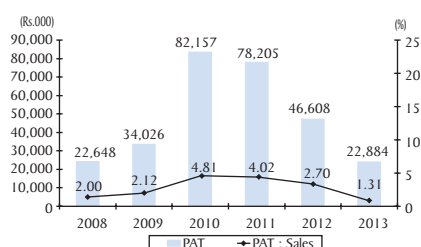


General

Your Company is incorporated in Pakistan as a public limited company and is listed on the Karachi Stock Exchange. Its main business activity is to produce castings of tractors and automotive parts.

Directors' Report

Post Tax Profitability



Appropriations

Following are the appropriations made during the year:

	(Rs.000)
Un-appropriated profit brought forward	47,486
Final dividend for the year ended June 30, 2012	(20,859)
Transfer to general reserve	(26,000)
Profit after tax for the year ended June 30, 2013	22,884
Un-appropriated profit carried forward	23,511

Bonus Shares

The directors have recommended bonus shares in the proportion of one share for every ten shares (i.e. 10%) held by the shareholders whose names are registered in the books of the Company at the close of business on September 23, 2013.

Earnings Per Share

The earnings per share for the year ended June 30, 2013 were Rs. 2.19 as against Rs. 4.47 of preceding year.

Risk Management

Overall risks arising from the Company's financial instruments are limited as there is no significant exposure to market risk in respect of such instruments.

Interest / Mark-up Rate Risk

The Company manages to mitigate the interest / mark-up rate risk, arising from mismatches of financial assets and liabilities that mature or reprice in a given period, through risk management strategies where significant changes in gap position can be adjusted.

Credit Risk

The credit risk on company's liquid fund is limited because the counter parties are banks with high credit ratings. However, the company managed the credit risk on trade debts by monitoring credit exposures, limiting transactions with specific customers and containing assessment of credit-worthiness of customers.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Company manages this risk through effective cash management and by keeping committed credit lines available.

Corporate Social Responsibility

Your Company recognizes the importance of conducting its business in a socially responsible manner. This is demonstrated in the way we deal with our employees, customers and the wider community where we operate.

BCL considers that corporate social responsibility is an integral element of good business management. Various activities conducted in this area are enumerated below:

Energy Conservation

BCL is well aware of the Country's need for energy as well as its responsibility towards energy conservation. For this purpose, the Company continues its effort to minimize energy consumption in daily operations of the Company. Our employees are encouraged to avoid unnecessary consumption of electricity, gas and water. Furthermore, the management has also issued directives to minimize fuel consumption in Company-owned vehicles and also to use energy-saving lighting device at all locations of the Company.

Environmental Protection Measures

We attach great importance to the maintenance of a healthy living environment and consistently integrate the ideas and measures of environment protection. We encourage initiatives which benefit the environment. Our operations are conducted with the emphasis on compliance of regulatory requirements relating to the environment. Continued efforts are made so that the Company's plant operational activities are environment friendly. In this regard, following are ensured in particular:

- Wet sludge tank for cupola emissions,
- Scrubbers for air born emission at core plant,
- Reduction of dust emissions through bag filter,
- Closed cabin for shot blasting and sand plant,
- Dust catcher (venties) in grinding area,
- Sound proofing of noisy machines area, and
- Maximum plantation in factory through the use of waste water.

Occupational Safety and Health

BCL believes that the safety and welfare of its employees is of paramount importance. We believe that all industrial injuries can be prevented. Each individual employee is responsible for working safely, both for his own welfare, and for the safety and welfare of his fellow employees.

We believe that production is not so important that time cannot be taken to find a safe way to do our work. BCL ensures availability at Plant of effective fire fighting system, Ventilation and Protection against direct heat from Sun in storage area of flammable material. All necessary first aid facilities are available with qualified staff round the clock. Medical check up of the employees is carried out on periodic basis.

Directors' Report

Consumer Protection Measures

BCL ensures customers' satisfaction by providing quality product at competitive prices. The Company believes that quality and relentless commitment to continuous improvement are essential to our success. To this end, we define quality as understanding the customers' expectations, agreeing on performance and value and providing products and services that meet expectations. Our motto is 'We pour quality into castings'. BCL has developed a Quality Control System that covers inspection of the complete process from raw materials supply to the dispatch of finished goods to its customers.

BCL was the first foundry of its kind to obtain ISO 9002 certificate in April 1999. The Company has also acquired ISO 9001 - 2008 version of ISO Quality Management System which is a proof of our commitment of providing quality services to our customers as well as to increase their satisfaction level.

Industrial Relations

BCL believes in maintaining cordial industrial relationship with its employees and their Collective Bargaining Agent (CBA).

The Company is always taking measures towards the employees' welfare. The Company provides subsidized food at its canteen. Further, the Company also provides medical facilities to its employees. The Company has a balanced programme of employee in-service and post employment benefits and policies. The Company has provident fund as well as gratuity and pension fund schemes for a majority of its employees.

The Company has a Hajj Scheme for its employees under which three employees are sent to perform Hajj at Company's expense every year.

Employment of Special Persons

BCL continues to be supportive of the employment and advancement of disabled person in accordance with their abilities and aptitudes, provided that they can be employed in a safe working environment.

If employees become disabled every effort is made to ensure the continuity of their employment and where the disability of the employees is such that they can not continue to work then in such cases, the Company provides employment to their child.

Business Ethics and Anti-Corruption Measures

BCL is committed to high standard business conduct. We believe that it is vital to the reputation and financial success of the Company that we conduct our business with honesty, integrity and in compliance with all applicable legal and regulatory requirements. It is a fundamental policy of the Company that all employees observe and comply with the laws and regulations applicable to the Company's business and that they act with high standards of business integrity. Our Code of Conduct is the key document addressing these high values, which has disseminated throughout the Company during the year.

In addition to above, all employees are required to give a monthly certification on compliance of internal controls which is formally reported by the CEO to the Board on quarterly basis.

Contribution to National Exchequer

BCL has contributed Rs. 301.768 million to the national exchequer during the period by way of taxes and duties. This includes Rs. 10.814 million as income tax, Rs. 290.126 million as sales tax and Rs. 0.828 million as custom duties.

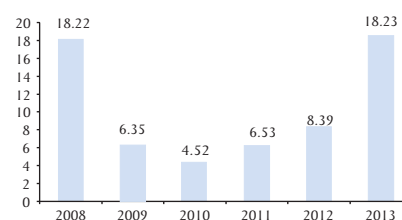
Furthermore, the Company also contributed a hefty amount to the national exchequer as withholding tax agent.

Corporate Governance

Compliance with the Code of Corporate Governance

BCL is deeply aware of the significance of corporate governance in achieving effective checks and balance and protecting the interest of all shareholders and is dedicated to pursuing sustained optimization of corporate governance. The Company regards the building of sound corporate governance as an important means to maintain shareholder relationship and enhance corporate value. The Company is convinced that sound corporate governance is of great importance to the sustainable long term growth of the Company and that the efforts to improve and optimize our corporate governance and the progress that have been made to this end will help in enhancing our core competitiveness and increasing corporate value.

Price Earning Ratio



In accordance with the Code of Corporate Governance, the Board has established sound corporate governance policies and procedures, which are monitored and reviewed on a continuous basis. Our Corporate governance framework is directed towards achieving our business objectives in a manner which is responsible and in accordance with high standards of honesty, transparency and accountability.

For achievement of these principles, our vision / mission statements, overall corporate strategy and significant policy guidelines, have been in place for many years. Further, the Board has developed a code of conduct, setting the standards by which the directors, senior management and all other employees of the Company are expected to conduct themselves. Statements of compliance with the code of corporate governance duly reviewed and certified by the external auditors are annexed to this report.

Board of Directors

Board Structure

Effective management and good stewardship are led by the Board of Directors, which currently consists of eight elected directors, of whom one is executive director and seven are non-executive directors including an independent director.

The positions of Chairman and the Chief Executive Officer are held by Mr. Sikandar M. Khan and Mr. Sirajuddin Khan respectively. The separation of functions ensures greater independence between the Board and the management. There is a clear division of responsibilities between the roles of the Chairman and the CEO.

Directors' Report

Role of the Chairman and Chief Executive Officer

The Chairman is responsible to provide overall leadership and vision in developing the strategic direction of the Company.

The Chairman's primary role includes ensuring that the board functions properly, it meets its obligations and responsibilities and that its organization and mechanisms are in place and are working effectively.

The CEO is responsible for managing the Company and to ensure delivery of the strategic and financial objectives which have been agreed by the Board. He is also responsible for stewardship of the Company's assets and jointly with the Chairman, represents the Company externally.

Change of the Chief Executive Officer

On expiry of three years' term of office of Chief Executive Officer, Mr. Shahid Ahmed Hakim was succeeded by Mr. Sirajuddin Khan, who was appointed as Chief Executive Officer of the Company, with effect from December 08, 2012, by the Board of Directors on the following terms:

- To perform duties as Chief Executive Officer of the Company as per law and laid down procedures.
- Salary and allowances allowed not exceeding Rs.5.0 million per annum inclusive of perquisites and benefits but exclusive of retirement benefits and medical for self and dependents which he is entitled under the terms of his appointment with the Company. The above remuneration shall be subject to such increments and adjustments, including bonus/profit sharing as may be granted at any time and from time to time by the Company in accordance with the Company's policy and service rules for the time being in force. Further, he is also authorized for free use of Company maintained transport for official and private purposes.

Director Mr. Sirajuddin Khan, being interested, did not participate in the resolutions regarding his appointment as Chief Executive Officer. The nature of the concern or interest of Director Mr. Sirajuddin Khan in the appointment of Chief Executive Officer is to the extent of remuneration and benefits to which he is entitled.

The nature of the concern or interest of any other director in the appointment of Chief Executive Officer is none other than as required for appointment.

The Board of Directors wishes to place on record its appreciation on the most commendable services rendered by Mr. Shahid A. Hakim during his tenure as Chief Executive Officer. The Board of Directors also welcomed Mr. Sirajuddin Khan as Chief Executive Officer and expected a positive contribution towards the success of the Company from him.

Board Effectiveness / Board Process

The Board is collectively responsible for the success of the Company. Its role is to provide entrepreneurial leadership to the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the Company's strategic aims, ensures that the necessary financial and human resources are in place for the Company to meet its objectives and reviews management performance. It also sets the Company's values and standards and ensures that its obligations to its shareholders and others are understood and met.

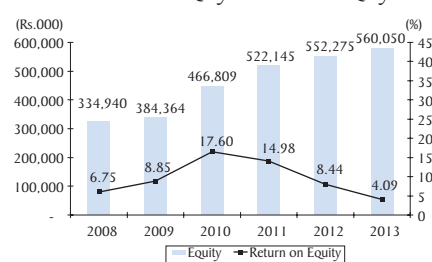
Specific responsibilities reserved to the Board include:

- Approving annual budget and projections;
- Approving annual and quarterly accounts;
- Reviewing the Company's systems of financial control and risk management;
- Approving major acquisitions and capital expenditure;
- Issuing shares of the Company;
- Ensuring that appropriate management development and succession plans are in place;
- Reviewing matters relating to corporate social responsibility including the environmental, health and safety performance of the Company;
- Reviewing the activities of the Board's Committees; and
- Approving appointments to the Board, to the Board Committees and to the positions of CEO, CFO, Company Secretary and the Head of Internal Audit.

Board Meetings

The Board is accountable to shareholders for ensuring that the Company is appropriately managed and achieves the strategic objectives it sets. The Board discharges those responsibilities through annual program of meetings.

Shareholders' Equity & Return on Equity



The Board met four times during the financial year 2012-13. The meetings were presided over by the Chairman of the Board and, in his absence, by a director elected by the Board for this purpose. These meetings were also attended by the Chief Financial Officer and the Company Secretary.

Attendance of Directors at Board meetings is set out below:

Name of Directors	Meetings Attended
Mr. Sikandar M. Khan	3 of 4
Mr. Sirajuddin Khan*	4 of 4
Mr. Latif Khalid Hashmi	4 of 4
Mr. Sohail Bashir Rana	0 of 4
Mr. Laeeq Uddin Ansari	0 of 4
Mr. Mian Muhammad Saleem	0 of 4
Mr. Javed Munir	4 of 4
Mr. Muhammad Imran Rafiq (NIT Nominee)	4 of 4
Mr. Shahid A. Hakim**	2 of 2

* CEO w.e.f. December 08, 2012

** CEO till December 07, 2012

Notice of meetings along with the agenda items and comprehensive working papers dealing with aspects of the business are distributed to Directors by the Company Secretary in advance of each Board Meeting so that the meeting can benefit from an informed board.

All the directors are fully aware of their responsibilities. At least once in a year, the Company conducts a course for its directors to acquaint them with their duties and responsibilities regarding managing the affairs of the Company on behalf of shareholders. Most of the Directors meet the exemption requirements of the Directors' Training Program. Further, two directors of the Company have acquired certification under Directors' Training Program.

Directors' Report

The Board of Directors takes into account the interests of the Company as well as the interests of BCL's shareholders and other stakeholders when making decision.

The Company Secretary is responsible for advising the Board on all governance matters and for ensuring that Board procedures are followed and applicable rules and regulations complied with. Additionally the Company Secretary is also responsible for compiling the minutes of Board Meeting and circulating amongst the directors within fourteen days of the date of meeting.

The Chief Financial Officer is responsible for advising the Board on all financial and accounting matters and also responsible, alongwith the Chief Executive Officer, for presenting the annual and quarterly accounts. He takes care of assets and financing thereof.

Additionally, the CFO is also responsible for finalizing Annual Corporate Budgets and periodic review of Budget vs Actual analysis for smooth running of the Company affairs.

Board Committees

In order to provide effective oversight and leadership the Board has established three committees with particular responsibilities. The terms of reference of these committees are clearly defined by the Board.

The proceedings of Board Committees are reported to the Board of Directors in their meetings.

The Board Committees contain directors with a variety of relevant skills and experience so that no undue reliance is placed on any individual.

Audit Committee

To guarantee the objectiveness, fairness and independence of the Audit Committee, the Audit committee comprises five non-executive directors including an independent director and is chaired by Mr. Laeeq Uddin Ansari. The other members of the Committee are Mr. Latif Khalid Hashmi, Mr. Mian Muhammad Saleem, Mr. Javed Munir and Mr. Muhammad Imran Rafiq.

The primary role of the Audit Committee, which reports its findings to the Board, is to ensure the integrity of the financial reporting and audit process and the maintenance of a sound internal control and risk management system. In pursuing these objectives, the Committee ensures that an appropriate relationship is maintained between the internal and the external auditors of the Company. The Committee also considers the effectiveness of the external audit process and makes recommendations to the Board on appointment, resignation or dismissal of the auditors and their level of audit fee.

The Committee performs its responsibilities in supervising internal audit function and also plays an important role in optimizing the Company's internal control systems. The Audit Committee reviews the implementation on the internal control systems regularly and supervises the rectification of identified internal control problems.

The Committee also ensures the compliance with the best practices of corporate governance and other relevant regulatory requirements.

The Committee formally meets at least once in a quarter prior to approval of interim results of the Company and as required by the Code of Corporate Governance. The Chief Executive Officer, the Chief Financial Officer and the Head of Internal Audit attend the meetings. The External Auditors attend the meetings at which annual and half yearly financial statements are reviewed for subsequent approval by the Board of Directors.

In addition, the Committee holds separate meetings with External Auditors to facilitate the discussion on any issue arising from the audit and with the Internal Auditors to discuss the matters related to Internal Controls.

During the financial year 2013, the Committee met five times to coincide with the financial and reporting cycles of the Company.

Attendance of Directors at meetings of the Audit Committee is set out below:

Name of Directors	Meetings Attended
Mr. Laeeq Uddin Ansari	0 of 5
Mr. Latif Khalid Hashmi	5 of 5
Mr. Mian Muhammad Saleem	0 of 5
Mr. Javed Munir	5 of 5
Mr. Muhammad Imran Rafiq (NIT Nominee)	5 of 5

The proceedings of meetings are properly recorded by Secretary Audit Committee and minutes of meetings are circulated to all members, directors and CFO.

Board's Committee for Supervision (BCS)

The Board's Committee for Supervision (BCS) acts as an Executive Committee and is chaired by Mr. Sikandar M Khan. The other members of the committee are Mr. Latif Khalid Hashmi, Mr. Sohail Bashir Rana, Mr. Laeeq Uddin Ansari and Mr. Mian Muhammad Saleem.

The BCS is responsible for monitoring the activities and strategy regarding technical, financial and administrative aspects of the Company. The Committee also reviews the operating and financial performance on a monthly or bi-monthly basis. The CEO and all departmental heads also attend the meetings. The minutes of meetings are properly recorded and circulated to all concerned.

Attendance of Directors at meetings of BCS is set out below:

Name of Directors	Meetings Attended
Mr. Sikandar M. Khan	7 of 8
Mr. Latif Khalid Hashmi	8 of 8
Mr. Sohail Bashir Rana	2 of 8
Mr. Laeeq Uddin Ansari	2 of 8
Mr. Mian Muhammad Saleem	1 of 8

Directors' Report

Human Resource and Remuneration (HR&R) Committee

The Human Resource and Remuneration (HR&R) Committee comprises three directors amongst whom two are non-executive directors. The committee is chaired by Mr. Latif Khalid Hashmi, while the other members of the committee are Mr. Mian Muhammad Saleem and Mr. Sirajuddin Khan.

The HR & R Committee is responsible to assist the Board in formulating human resource management policies and selection, evaluation and compensation of CEO, General Managers and other key management positions who report directly to CEO or General Managers. No meeting of the Committee was held during the year.

Attendance of Directors at meeting of Human Resource and Remuneration (HR&R) Committee is set out below:

Name of Directors Meetings Attended

Mr. Latif Khalid Hashmi	1 of 1
Mr. Mian Muhammad Saleem	1 of 1
Mr. Sirajuddin Khan*	0 of 0
Mr. Shahid A. Hakim**	0 of 1

* Member w.e.f. February 15, 2013

** Member till December 07, 2012

Directors' Remuneration Committee

During the year, the Board of Directors constituted the Directors' Remuneration Committee which comprises three directors all of whom are non-executive directors. The committee is chaired by Mr. Sikandar Mustafa Khan, while the other members of the committee are Mr. Latif Khalid Hashmi and Mr. Mian Muhammad Saleem.

The primary role of the Committee is to follow a formal and transparent procedure, for fixing the remuneration packages of CEO and executive directors of the Company and also to ensure that the levels of remuneration of executive directors are commensurate with their qualifications. The Committee is also responsible to review and recommend compensation arrangements relating to dismissal or removal of CEO and executive directors for misconduct.

Attendance of Directors at meeting of Directors' Remuneration Committee is set out below:

Name of Directors Meetings Attended

Mr. Sikandar M. Khan	1 of 1
Mr. Latif Khalid Hashmi	1 of 1
Mr. Mian Muhammad Saleem	1 of 1

Management Committees

The Board of Directors has also formulated committees as follows to assist the Board in performance of relevant activities:

Business Strategy Committee

The Business Strategy Committee assists Board of Directors in devising short term and long term business plans and suggests strategies for achievement of organizational objectives.

System & Technology Committee

Systems provide solid base for any type of success. This Committee assists Board of Directors in formulating, implementing and upgrading systems of all types in the Company.

Aggregate Directors' Remuneration

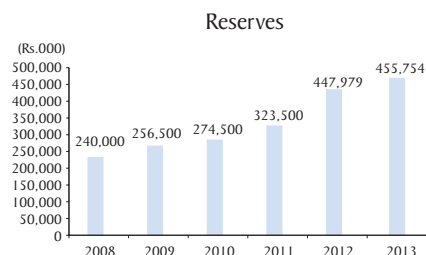
Details of the directors' remuneration are as follows:

	Chief Executive	Executive Director	Independent Non-Executive Director
Managerial remuneration	2,581,584	421,731	-
House rent	1,001,525	175,181	-
Retirement benefits	232,510	77,854	-
Utilities	945,150	418,195	-
Medical expenses	483,730	103,412	-
Fees	-	-	69,000
Others	602,641	504,870	-
	<u>5,847,150</u>	<u>1,701,243</u>	<u>69,000</u>
Number of person	1	1	1

Accountability and Audit

Financial Reporting

The Board satisfies that it has met its obligation to present a balanced and understandable assessment of the Company's position and prospects through Chairman's review, Directors' report and Accounts which includes the operational and business review. Directors' statement on corporate and financial reporting is included in this Directors' report.



Internal Controls

The directors are responsible for the Company's system of internal controls which aims to: safeguard the Company's assets; ensure that proper accounting records are maintained; ensure compliance with statutory and regulatory requirements; and ensure the effectiveness and efficiency of operations.

The Company maintains a sound system of internal controls, which is designed to identify, evaluate and manage risks that may impede the achievement of the Company's business objectives rather than to eliminate these risks and can, therefore, provide only reasonable, assurance against material misstatement or loss. The Audit Committee has been formally delegated the responsibility for reviewing the effectiveness of the system of internal controls.

The Company and its operations are subject to a detailed annual budget process. Actual performance during the year is monitored periodically against budget, forecasts and previous year. These forecasts and results are presented to the Board's Committee regularly.

Internal Audit

Internal Audit's mission is to provide objective assurance and to increase the effectiveness of the BCL's operations. It helps to achieve BCL's objectives by using a systematic and methodical approach to assess the processes and systems used for risk management, control and corporate governance. It also helps improve them by making proposals to increase their effectiveness.

The scope of the work done by the Internal Audit make it possible to determine whether the processes, systems and controls, as they have been developed and implemented, are sufficient and are applied in such a way as to ensure that:

- Risks are defined, evaluated and managed adequately;
- Financial and operational information is authorized, reliable and available in a timely fashion;

Directors' Report

- Directives, policies, laws, regulations and statutory requirements are respected; and
- Human, informational, material and financial resources are acquired economically, used efficiently and protected adequately.

Internal Audit reports directly to the Audit Committee of the Board of Directors. The organizational structure is designed to ensure Internal Audit has the independence required to play its role effectively.

External Audit

BCL has policy to rotate its external auditors after every five years. The present Auditors, M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, will stand retired on the conclusion of the AGM for the year ended June 30, 2013 and their five years period as Auditors of the Company will also be completed on the same date. Therefore, the Audit Committee of Board of Directors of the Company suggested a change of auditors and recommended to the Board regarding the appointment of M/s. A.F. Ferguson & Co., Chartered Accountants as auditors for the financial year 2013-2014. Hence Board of Directors has recommended to the shareholders appointment of M/s. A.F. Ferguson & Co., Chartered Accountants as auditors in the light of recommendations of Audit Committee of Board of Directors of the Company.

The Board of Directors wishes to place on record and acknowledge the highest standard of professional independence, objectivity and effectiveness shown by M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, who have been the external auditors for the last five years.

M/s. A.F. Ferguson & Co., Chartered Accountants have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan. Further, they have confirmed 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 Institute of Chartered Accountants of Pakistan.

The external auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

Relations with shareholders

Constructive use of the Annual General Meeting

The Board considers the Annual General Meeting an opportunity to communicate with shareholders, and encourages their participation. At least 21 days before the date of AGM, the Notice of meeting including the agenda and necessary information are dispatched to shareholders and published in leading Urdu and English newspapers also.

Other

The Company maintains a website (www.bolancastings.com), which offers any interested person information on the Company. Apart from this, its principal communication with shareholders and others is Annual Report and Quarterly Financial Statements, which are placed on the website soon after publication.

The Company dispatches the printed copies of Annual Reports to its shareholders. However, the quarterly financial statements can also be dispatched to shareholders, on demand.

Chairman's Review

The Directors of the Company endorse contents of the Chairman's Review, which is included in the Annual Report dealing with the Company activities and forms an integral part of the Directors' Report.

Statement on Corporate and Financial Reporting Framework

The Board is fully aware of its responsibility in respect of corporate and financial reporting framework as recognized by the Code of Corporate Governance. The Directors of your Company are of the view that:

- a) The financial statements, prepared by the management of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- b) Proper books of accounts of the company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements except for those as stated in the notes to the financial statements and accounting estimates are based on reasonable and prudent judgment.

- d) International accounting standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- e) The system of internal controls is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts upon 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 of Stock Exchange.

Operating and Financial Summary

A summary of key operating and financial data alongwith key ratios of the Company for the last decade is annexed.

Taxation

Please refer to Note 32 to the Financial Statements for details regarding taxation of the Company.

Investment of Retirement Benefits Funds

The values of investments of Provident Funds, Gratuity Fund and Pension Fund based on their un-audited accounts as on June 30, 2013 (audit in progress) were as follows:

Provident Funds	Rs. 83.563 million
Gratuity Fund	Rs. 51.017 million
Pension Fund	Rs. 81.065 million

Trading in the Company Shares

The Directors, CEO, CFO, Company Secretary and their spouses and minor children did not carry out any trade in the shares of the Company during the period under review.

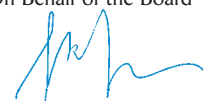
Pattern of Shareholdings

The pattern of shareholdings alongwith their categorized detail is annexed to the report.

Approval and Authorization

The Board of Directors of the Company in their meeting held on August 13, 2013 approved the Directors' Report and authorized Mr. Sirajuddin Khan, Chief Executive Officer of the Company to sign the report on its behalf.

On Behalf of the Board



Sirajuddin Khan
Chief Executive

Statement of Compliance with the Best Practices of the Code of Corporate Governance

For the year ended June 30, 2013

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of Listing Regulations of Karachi Stock Exchange 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 CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors (the Board). At present the Board includes:

Category	Names
Non-Executive Directors	Mr. Sikandar M. Khan Mr. Latif Khalid Hashmi Mr. Sohail Bashir Rana Mr. Laeeq Uddin Ansari Mr. Mian Mohammad Saleem Mr. Javed Munir
Executive Directors	Mr. Sirajuddin Khan - CEO
Independent Director	Mr. Muhammad Imran Rafiq (NIT Nominee)

The independent director meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. None of the directors is a member of any of the Stock Exchange.
4. No casual vacancy occurred in the Board during the year. However, on December 08, 2012 the Board of Directors has appointed Mr. Sirajuddin Khan as Chief Executive Officer of the Company in place of Mr. Shahid Ahmed Hakim who has relinquished charge of Chief Executive Officer due to expiry of his term of office.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
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, other executive and non-executive directors, have been taken by the Board / shareholders.
8. The meetings of the Board were presided over by the Chairman and in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

Statement of Compliance with the Best Practices of the Code of Corporate Governance

9. The Board has arranged an orientation course for its directors during the year. Most of the Directors meet the exemption requirements of the Directors' Training Program. Further, two directors of the Company have acquired certification under Directors' Training Program.
10. No new appointment of Company Secretary, Chief Financial Officer and Head of Internal Audit were made during the year. However, the Board has ratified the remuneration and terms of employment of the Company Secretary, Chief Financial Officer and Head of Internal Audit of the Company during the year.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises five (5) members, all of whom are non-executive directors including the Chairman of the Committee. However, the provision related to appointment of an independent director as Chairman Audit Committee will be applicable from the date of next election of directors i.e. October 2014.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The Terms of Reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed a Human Resource (HR) and Remuneration Committee. It comprises three (3) members, of whom two (2) are non-executive directors including Chairman of the Committee.
18. The Board has set-up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP). Further, they have confirmed 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 ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and Stock Exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through Stock Exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with.

Karachi
August 13, 2013



Sirajuddin Khan
Chief Executive

Review Report to the Members on Statement of Compliance with the Best Practices of the Code of Corporate Governance

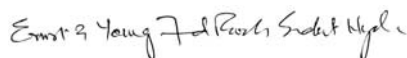
We have reviewed the Statement of Compliance (the statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 30 June 2013, prepared by the Board of Directors of Bolan Castings Limited (the Company) to comply with the Listing Regulation No. 35 (Chapter XI) of Karachi 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 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 inquire of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, the Listing Regulations of Karachi Stock Exchange (Guarantee) Limited require the Company to place before the Board of Directors for their consideration and approval of related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee of the Company. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee of the Company. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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.

A handwritten signature in black ink, appearing to read 'Ernst & Young Ford Rhodes Sidat Hyder'.

Chartered Accountants

Date: 13 August 2013

Karachi

Auditors' Report to the Members

We have audited the annexed balance sheet of **Bolan Castings Limited** (the Company) as at **30 June 2013** and the related profit and loss account, statement of comprehensive income, 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 account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in note 4 to the financial statements with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, 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 **30 June 2013** and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of the Ordinance.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner: Shariq Ali Zaidi

Date: 13 August 2013
Karachi

Balance Sheet

As at June 30, 2013

	Note	2013 Rupees	2012 Rupees
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	7	219,561,258	240,645,408
Intangible assets	8	<u>685,308</u>	-
		220,246,566	240,645,408
Long-term investments	9	14,087,500	8,337,500
Long-term loans	10	848,000	857,000
Long-term deposits		<u>3,967,000</u>	<u>4,345,000</u>
		239,149,066	254,184,908
CURRENT ASSETS			
Stores, spare parts and loose tools	11	90,197,165	126,271,419
Stock-in-trade	12	312,183,715	334,937,734
Trade debts	13	460,908,066	241,557,203
Loans and advances	14	80,399,829	11,434,094
Deposits and short term prepayments	15	5,457,236	8,179,387
Other receivables	16	36,454,850	35,926,533
Taxation - net		108,309,358	84,774,598
Cash and bank balances	17	<u>11,336,742</u>	<u>8,833,893</u>
		1,105,246,961	851,914,861
TOTAL ASSETS		<u><u>1,344,396,027</u></u>	<u><u>1,106,099,769</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	18	104,295,710	104,295,710
Reserves		<u>455,754,273</u>	<u>447,979,076</u>
		560,049,983	552,274,786
NON-CURRENT LIABILITIES			
Long-term deposits	19	4,895,383	5,177,738
Deferred tax liability	20	26,217,347	31,572,393
Deferred liabilities	21	<u>28,774,817</u>	<u>21,686,219</u>
		59,887,547	58,436,350
CURRENT LIABILITIES			
Trade and other payables	22	199,829,208	198,314,372
Current portion of long-term deposits	19	1,005,831	789,123
Accrued mark-up		9,922,340	7,638,416
Short-term borrowings	23	496,237,098	287,733,123
Sales tax - net		<u>17,464,020</u>	<u>913,599</u>
		724,458,497	495,388,633
CONTINGENCIES AND COMMITMENTS	24		
TOTAL EQUITY AND LIABILITIES		<u><u>1,344,396,027</u></u>	<u><u>1,106,099,769</u></u>

The annexed notes from 1 to 45 form an integral part of these financial statements.


Chief Executive


Director

Profit and Loss Account

For the year ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
Turnover - net	25	1,745,974,096	1,724,538,938
Cost of sales	26	(1,585,028,676)	(1,533,750,219)
Gross profit		160,945,420	190,788,719
Distribution costs	27	(47,843,361)	(37,906,122)
Administrative expenses	28	(36,530,026)	(39,430,929)
		(84,373,387)	(77,337,051)
Other operating income	29	9,711,678	10,920,481
Finance costs	30	(49,353,885)	(50,330,164)
Other charges	31	(3,231,392)	(5,038,647)
		(42,873,599)	(44,448,330)
Profit before taxation		33,698,434	69,003,338
Taxation	32	(10,814,095)	(22,394,995)
Profit after taxation		22,884,339	46,608,343
Earnings per share - basic and diluted	33	2.19	4.47

The annexed notes from 1 to 45 form an integral part of these financial statements.


Chief Executive


Director

Statement of Comprehensive Income

For the year ended June 30, 2012

	2013 Rupees	2012 Rupees
Net profit for the year	22,884,339	46,608,343
Other comprehensive income		
Unrealized gain / (loss) on revaluation of available-for-sale investments	5,750,000	(833,750)
Total comprehensive income for the year	<u>28,634,339</u>	<u>45,774,593</u>

The annexed notes from 1 to 45 form an integral part of these financial statements.


Chief Executive


Director

Cash Flow Statement

For the year ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	(90,108,747)	7,126,513
Long-term loans		9,000	(95,000)
Long-term deposits - net		312,355	859,282
Taxes paid		(39,703,902)	(48,589,152)
Retirement benefits paid		(2,544,024)	(17,198,516)
Finance costs paid		(47,069,962)	(49,482,525)
Net cash outflow from operating activities		(179,105,280)	(107,379,398)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(9,994,344)	(35,992,992)
Proceeds from disposal of operating fixed assets		3,091,162	2,452,938
Return on bank deposits received		445,567	526,287
Dividend received		431,250	575,000
Net cash used in investing activities		(6,026,365)	(32,438,767)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(20,869,481)	(15,557,448)
Net cash used in financing activities		(20,869,481)	(15,557,448)
Net decrease in cash and cash equivalents		(206,001,126)	(155,375,613)
Cash and cash equivalents at beginning of the year		(278,899,230)	(123,523,617)
Cash and cash equivalents at end of the year	35	(484,900,356)	(278,899,230)

The annexed notes from 1 to 45 form an integral part of these financial statements.


Chief Executive


Director

Statement of Changes in Equity

For the year ended June 30, 2012

	Reserves						Total equity
	Issued subscribed and paid-up capital	Capital reserve	Revenue Reserves		Gain on revaluation of available-for-sale investments	Total	
			General reserve	Unappropriated profit			
	(Rupees)						
Balance as at 01 July 2011	104,295,710	12,155,680	323,500,000	78,521,910	3,671,250	417,848,840	522,144,550
Net profit for the year	-	-	-	46,608,343	-	46,608,343	46,608,343
Other comprehensive income	-	-	-	-	(833,750)	(833,750)	(833,750)
Total comprehensive income for the year	-	-	-	46,608,343	(833,750)	45,774,593	45,774,593
Final dividend @ Rs. 1.5/- per share for the year ended 30 June 2011	-	-	-	(15,644,357)	-	(15,644,357)	(15,644,357)
Transfer to general reserve	-	-	62,000,000	(62,000,000)	-	-	-
Balance as at 30 June 2012	104,295,710	12,155,680	385,500,000	47,485,896	2,837,500	447,979,076	552,274,786
Net profit for the year	-	-	-	22,884,339	-	22,884,339	22,884,339
Other comprehensive income	-	-	-	-	5,750,000	5,750,000	5,750,000
Total comprehensive income for the year	-	-	-	22,884,339	5,750,000	28,634,339	28,634,339
Final dividend @ Rs. 2.0/- per share for the year ended 30 June 2012	-	-	-	(20,859,142)	-	(20,859,142)	(20,859,142)
Transfer to general reserve	-	-	26,000,000	(26,000,000)	-	-	-
Balance as at 30 June 2013	104,295,710	12,155,680	411,500,000	23,511,093	8,587,500	455,754,273	560,049,983

The annexed notes from 1 to 45 form an integral part of these financial statements.


Chief Executive


Director

Notes to the Financial Statements

For the year ended June 30, 2013

1. THE COMPANY AND ITS OPERATIONS

Bolan Castings Limited (the Company) is a public limited company incorporated and domiciled in Pakistan. The Company is listed on the Karachi Stock Exchange. The registered office and manufacturing plant of the Company is situated at main RCD Highway, Hub Chowki, District Lasbela, Balochistan, Pakistan. The Company manufactures and sells castings for tractors and automotive parts.

2. 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 (IASB) 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.

3. BASIS OF MEASUREMENT

- 3.1 These financial statements have been prepared under the historical cost convention as modified by revaluation of available-for-sale investments at fair value and certain staff retirement benefits at present value.
- 3.2 These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

New and amended standards and interpretations

The Company has adopted the following amendments to IFRSs which became effective for the current year:

IAS 1 - Presentation of Financial Statements - Presentation of items of other comprehensive income (Amendment)

IAS 12 - Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above amendments did not have any material effect on the financial statements.

4.1 Fixed assets

Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment loss if any, except freehold land which is stated at cost. Capital work-in-progress is stated at cost less impairment loss, if any.

Depreciation is charged to profit and loss account applying the reducing balance method at the rates given in note 7.1. Depreciation on additions is charged from the month in which the asset is available for use and on disposals upto the preceding month of disposal. Residual values and useful lives of assets and method of depreciation are reviewed, and adjusted, if appropriate at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Maintenance and normal repairs are charged to profit and loss account as incurred. Major renewals and improvements to property plant and equipment are capitalized and the assets so replaced, if any, are retired.

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. The recoverable amount of property, plant and equipment is the higher of net selling price and value in use.

Notes to the Financial Statements

For the year ended June 30, 2013

Intangible assets

These are carried at cost less accumulated amortization and impairment loss, if any. The useful lives of intangibles are assessed as either finite or indefinite

Intangible assets with finite life are amortized over the useful economic life and assume for impairment whenever there is identification that asset may be impaired. Amortization is charged to profit and loss account applying the rate stated in note 8.

The estimated useful life and amortization methods are revised at each balance sheet date, with effects of any changes in estimates being accounted for on a prospective basis.

Cost associated with maintaining intangible assets is charged to profit and loss account as incurred.

4.2 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

4.3 Investments

The investments of the Company, upon initial recognition, are classified as available-for-sale investment. These are initially measured at fair value plus transaction costs that are directly attributable to acquisition. After initial measurement such investments are measured at fair value with unrealized gain or loss recognised directly in the statement of comprehensive income until the investment is derecognized or determined to be impaired at which time the cumulative gain or loss previously recognised in equity is taken to profit and loss account.

4.4 Stores, spare parts and loose tools

These are valued at lower of weighted average cost and Net Realisable Value (NRV), except items in transit, which are stated at invoice value plus other charges paid thereon to the balance sheet date. Provision is made for slow moving items were considered necessary.

4.5 Stock-in-trade

These are valued at the lower of cost and NRV. Cost in relation to raw material represents weighted average purchase cost and in relation to work-in-process and finished goods represents weighted average cost comprising direct material, labour and related manufacturing overheads.

Stock-in-transit is stated at invoice value plus other charges paid thereon to the balance sheet date.

NRV is the estimated selling price in the ordinary course of business less cost of completion and cost necessarily to be incurred in order to make the sale. Provision is made for slow moving stocks were considered necessary.

4.6 Trade debts and other receivables

Trade debts originated by the Company are recognised and carried at original invoice amount less provision for impairment. Other receivables are carried at cost less provision for impairment. Provision for impairment is based on the management's assessment of customers' outstandings and creditworthiness. Trade debts and receivables are written off when considered irrecoverable.

4.7 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and balance with banks net off short-term borrowings.

4.8 Borrowings

These are recognized initially at fair value and subsequently at amortized cost using the effective interest method. Borrowings payable within the next twelve months are classified as current liabilities.

Notes to the Financial Statements

For the year ended June 30, 2013

4.9 Trade and other payables

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

4.10 Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. The amount recognized represents the best estimate of the expenditure required to settle the obligation at the balance sheet date. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.11 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. Financial assets are derecognised when the contractual rights under the instruments are realized, expired or surrendered. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account currently.

4.12 Offsetting of financial assets and liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously. Corresponding income and expenditure is also netted off and reported on a net basis in the profit and loss account.

4.13 Taxation

Current

Provision for current taxation is based on taxable income at the current prevailing rates of taxation or on turnover at the specified rates, whichever is higher, after taking into account tax credits and adjustments for prior years. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

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

Deferred tax is calculated at the rates that are expected to apply to the period when the related deferred tax asset is realized or the deferred tax liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to profit and loss account.

Deferred tax relating to items in equity is recognized in equity and not in the profit and loss account.

4.14 Retirement and other service benefits

Pension scheme

The Company operates an approved defined benefit contributory pension scheme for all its eligible employees. The scheme is funded and provides for pension based on the employees' last drawn salary. Pensions are payable for life and thereafter to surviving spouses and children upto the age limits as given in the fund's rules. Contributions to the scheme are based on actuarial valuation which is covered out atleast once in every two years by independent actuaries using the Projected Unit Credit Method. The most recent actuarial valuation was carried out as of June 30, 2013.

Notes to the Financial Statements

For the year ended June 30, 2013

Cumulative net un-recognized actuarial gains and losses at the end of the previous year which exceed 10% of the greater of the present value of the Company's defined benefit obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the employees, participating in the scheme.

Executives' gratuity scheme

The Company operates an approved gratuity scheme for all its eligible executive employees. The scheme is funded and provides for a graduated scale of benefits dependent on the length of service of the employee on terminal date, subject to the completion of minimum qualifying period of service as per the rules of the fund. Gratuity is based on employees' last drawn basic salary.

Contributions are made to the scheme on the basis of actuarial valuation and charged to profit and loss account. Actuarial valuation of the scheme is carried out at least once in every two years. The most recent actuarial valuation was carried out as of June 30, 2013 using the 'Projected Unit Credit Method'.

Cumulative net unrecognised actuarial gains and losses at the end of the previous year which exceed 10% of the greater of the present value of the Company's defined benefit obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the employees.

Non-executives gratuity scheme

The Company operates an unfunded gratuity scheme for all eligible non-executive employees which provides for benefits dependent on the length of service of the employee on terminal date, subject to the completion of minimum qualifying period of service. Provisions are made annually to cover the obligation on the basis of number of completed years of service of an employee and last drawn basic salary and charged to profit and loss account. The liability for unfunded gratuity scheme up to 2010 is calculated on the basis of 30 days basic salary and after 2010, on the basis of 40 days basic salary. The amount of liability recognized in the balance sheet is calculated by the Company using the above basis as the difference in liability is not expected to be material if calculated on the Projected Unit Credit Method.

Provident fund

The Company operates an approved funded contributory provident fund for all eligible employees who have completed the minimum qualifying period of service. Equal monthly contributions are made both by the Company and the employee at the rate of 10% per annum of the basic salary. Annual contribution by the Company is charged to profit and loss account.

Compensated absences

The Company provides a facility to its executive and non-executive employees for accumulating their annual earned leave under an unfunded scheme.

Provisions are made to cover the obligation under the scheme on accrual basis and are charged to profit and loss account. Accrual for compensated absences for executive employees is calculated on the basis of one month's basic salary, however, the basis for the non-executive employees is one month's basic salary plus house rent allowance, conveyance allowance, indexation allowance, cost of living allowance and compensatory allowance. The amount of liability recognized in the balance sheet is calculated by the Company using the above basis as the difference in liability is not expected to be material using the Projected Unit Credit Method.

4.15 Foreign currency translation

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into Pak Rupees using the exchange rate at balance sheet date. Foreign exchange gain / loss resulting from the settlement of such transactions and from translation at year end exchange rates of monetary assets and liabilities in foreign currencies are recognised in profit and loss account.

Notes to the Financial Statements

For the year ended June 30, 2013

4.16 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and is recognised on the following basis:

- Sales are recorded upon transfer of title to the customers, which generally coincides with physical delivery.
- Dividend income is recognised when the Company's right to receive the dividend is established.
- Return on bank deposits is recognised using the effective interest method.
- Other revenue is recorded on accrual basis.

4.17 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognised in the financial statements in the period in which these are approved.

5. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

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

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IFRS 7 - Financial Instruments : Disclosures - (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	01 January 2013
IAS 19 - Employee Benefits -(Revised)	01 January 2013
IAS 32 - Offsetting Financial Assets and Financial liabilities - (Amendment)	01 January 2014
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	01 January 2013

The Company expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application other than the amendments to IAS 19 'Employees Benefits' as described below:

Amendments to IAS 19 range from fundamental changes to simple clarification and re-wording. The significant changes include the following:

- ◆ For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss.
- ◆ The distinction between short-term and other long-term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.
- ◆ Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

Notes to the Financial Statements

For the year ended June 30, 2013

While the Company is currently assessing the full impact of the above amendments which are effective from financial year beginning on or after 1 January 2013, it is expected that the adoption of the said amendments will result in change in the Company's accounting policy related to recognition of actuarial gains and losses (refer to note 16 to the financial statements) to recognize actuarial gains and losses in total in other comprehensive income in the period in which they occur. Following this change accumulated losses will be recorded immediately in other comprehensive income. Unrecognized actuarial losses of Pension fund and Executives Gratuity fund at June 30, 2013 amount to Rs. 14,898,594 and 4,687,477 respectively.

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2013. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB effective date (accounting periods beginning on or after)
IFRS 9 - Financial Instruments: Classification and Measurement	01 January 2015
IFRS 10 - Consolidated Financial Statements	01 January 2013
IFRS 11 - Joint Arrangements	01 January 2013
IFRS 12 - Disclosure of Interests in Other Entities	01 January 2013
IFRS 13 - Fair Value Measurement	01 January 2013

6. SIGNIFICANT 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 accounting policies, management has made the following estimates and judgements which are significant to the financial statements:

	Notes
- determining the residual values and useful lives of fixed assets	4.1 & 7
- classification of investments	4.3 & 9
- valuation of inventories	4.4, 4.5, 11 & 12
- provision for impairment of trade debts and other receivables	4.6, 13 & 16
- provision for current and deferred taxation	4.13, 20 & 32
- provision for retirement and other service benefits	4.14 & 21
- contingencies	24

7. PROPERTY, PLANT AND EQUIPMENT

	Note	2013 Rupees	2012 Rupees
Operating assets	7.1	219,561,258	240,645,408
Capital work-in-progress (CWIP)	7.2	-	-
		<u>219,561,258</u>	<u>240,645,408</u>

Notes to the Financial Statements

For the year ended June 30, 2013

7.1 Operating assets

	COST			ACCUMULATED DEPRECIATION		BOOK VALUE		Depre- ciation rate %
	As at July 01, 2012	Additions / *transfers / (disposals)	As at June 30, 2013	As at July 01, 2012	Charge for the year / (disposals) /	As at June 30, 2013	As at June 30, 2013	
	Rupees							
Freehold land	2,678,754	-	2,678,754	-	-	-	2,678,754	-
Building on freehold land	80,264,635	33,320 *1,474,789	81,772,744	51,586,917	2,907,924	54,494,841	27,277,903	10
Plant and machinery	470,210,935	1,742,359	471,953,294	313,050,497	15,886,101	328,936,598	143,016,696	10
Electrical and gas installations	34,300,801	412,503	34,713,304	16,750,841	1,775,621	18,526,462	16,186,842	10
Furniture and fittings	2,939,331	93,995 (106,339)	2,926,987	1,664,047	127,869 (48,856)	1,743,060	1,183,927	10
Electrical appliances	6,170,636	641,900 (30,818)	6,781,718	3,099,782	351,935 (23,716)	3,428,001	3,353,717	10
Office equipments	2,259,832	-	2,259,832	1,522,150	73,771	1,595,921	663,911	10
Computers	5,370,949	669,362 (472,010)	5,568,301	4,753,883	198,870 (396,299)	4,556,454	1,011,847	30
Vehicles	50,851,092	4,200,500 (6,561,630)	48,489,962	21,973,440	5,962,894 (3,634,033)	24,302,301	24,187,661	20
June 30, 2013	655,046,965	7,793,939 *1,474,789 (7,170,797)	657,144,896	414,401,557	27,284,985 (4,102,904)	437,583,638	219,561,258	

	COST			ACCUMULATED DEPRECIATION		BOOK VALUE		Depre- ciation rate %
	As at July 01, 2011	Additions / *transfers / (disposals) / **(write off)	As at June 30, 2012	As at July 01, 2011	Charge for the year / (disposals) / **adjustment / **(write off)	As at June 30, 2012	As at June 30, 2012	
	Rupees							
Freehold land	2,678,754	-	2,678,754	-	-	-	2,678,754	-
Building on freehold land	78,344,034	600,000 *1,320,601	80,264,635	48,493,303	3,093,614	51,586,917	28,677,718	10
Plant and machinery	445,987,020	25,189,740 *1,704,948 **(2,670,773)	470,210,935	298,964,140	16,569,549 **2,483,192	313,050,497	157,160,438	10
Electrical and gas installations	34,000,119	341,380 **40,698	34,300,801	14,857,166	1,931,336 **37,661	16,750,841	17,549,960	10
Furniture and fittings	3,162,661	108,435 (24,050) **307,715	2,939,331	1,806,691	103,497 (16,963) **229,178	1,664,047	1,275,284	10
Electrical appliances	6,603,122	241,825 (324,646) **349,665	6,170,636	3,314,805	282,080 (230,964) **266,139	3,099,782	3,070,854	10
Office equipments	2,477,831	- (52,653) **165,346	2,259,832	1,637,546	73,226 (46,489) **142,133	1,522,150	737,682	10
Computers	6,732,879	202,841 (1,564,771)	5,370,949	6,057,018	234,237 (1,537,372)	4,753,883	617,066	30
Vehicles	47,056,370	9,366,200 (5,571,478)	50,851,092	19,383,722	6,566,569 (4,022,986) ***46,135	21,973,440	28,877,652	20
June 30, 2012	627,042,790	36,050,421 *3,025,549 (7,537,598) **3,534,197	655,046,965	394,514,391	28,854,108 (5,854,774) **3,158,303 ***46,135	414,401,557	240,645,408	

* Represents transfers from capital work-in-progress to operating assets

Notes to the Financial Statements

For the year ended June 30, 2013

7.2 Movement of CWIP

	2013		
	Building	Plant and machinery	Total
	----- (Rupees) -----		
Opening	-	-	-
Additions	1,474,789	-	1,474,789
Transfers	(1,474,789)	-	(1,474,789)
Closing	-	-	-

	2012		
	Building	Plant and machinery	Total
	----- (Rupees) -----		
Opening	956,003	1,704,948	2,660,951
Additions	364,598	-	364,598
Transfers	(1,320,601)	(1,704,948)	(3,025,549)
Closing	-	-	-

	Note	2013 Rupees	2012 Rupees

7.3 Depreciation charge for the year has been allocated as follows:

Cost of sales	26	25,941,917	27,402,187
Distribution costs	27	335,767	362,980
Administrative expenses	28	1,007,301	1,088,941
		<u>27,284,985</u>	<u>28,854,108</u>

7.4 The following operating assets were disposed off during the year:

Particullars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss) on Disposal	Mode of disposal	Particulars of buyers
Furniture and fixtures							
Doors	95,751	41,523	54,228	40,000	(14,228)	Auction	National Containers (Private) Limited
Vehicles							
Suzuki Alto VXR (ARS-638).	604,000	268,981	335,019	335,019	-	Company policy	Mr. Khurseed Ahmed (Ex employee)
Honda Civic VTI (ATU-665)	1,879,000	834,443	1,044,557	1,044,557	-	Company policy	Mr. Shahid A. Hakim (Ex CEO)
Toyota Corolla XLI (ATN-599)	1,289,000	611,158	677,842	677,842	-	Company policy	Mr. Mujtaba Ahmed (Ex employee)
Suzuki Cultus VXR (ANE-219)	466,000	342,355	123,645	123,645	-	Company policy	Mr. Saqlain Mughal (employee)
Suzuki Cultus VXL CNG (ANM-567).	615,000	450,958	164,042	164,042	-	Company policy	Mr. Saifullah Soomro (employee)
Suzuki Bolan Van (CR-8240).	466,000	343,374	122,626	122,626	-	Company policy	Mr. Ch. Mohammad Muneer (employee)
Suzuki Cultus VXL (ANG-447).	615,000	450,958	164,042	164,042	-	Company policy	Mr. Sadaquat Hussain (employee)
Aggregate amount of assets disposed off having book value less than Rs.50,000/- each	1,141,046	759,154	381,892	419,389	37,497	-	Various
2013	<u>7,170,797</u>	<u>4,102,904</u>	<u>3,067,893</u>	<u>3,091,162</u>	<u>23,269</u>		
2012	<u>7,537,598</u>	<u>5,854,774</u>	<u>1,682,824</u>	<u>2,452,938</u>	<u>770,114</u>		

Notes to the Financial Statements

For the year ended June 30, 2013

8. INTANGIBLE ASSETS

	COST			ACCUMULATED AMORTIZATION			BOOK VALUE	Amortization Period (years)
	As at July 01	Additions	Total	As at July 01	Charge for the year	As at June 30	As at June 30	
----- Rupees -----								
Software 2013	988,033	725,616	1,713,649	988,033	40,308	1,028,341	685,308	3
Software 2012	988,033	-	988,033	847,500	140,533	988,033	-	3

	Note	2013 Rupees	2012 Rupees
8.1 Amortization charge for the year has been allocated as follows:			
Cost of sales	26	24,185	84,320
Distribution costs	27	4,031	14,053
Administrative expenses	28	12,092	42,160
		<u>40,308</u>	<u>140,533</u>

9. LONG-TERM INVESTMENTS

Available-for-sale

Represents investment in 287,500 (2012: 287,500) quoted ordinary shares of Rs. 10/- each of Balochistan Wheels Limited representing 2.15% (2012: 2.15%) of equity held.

	Note	2013 Rupees	2012 Rupees
10. LONG-TERM LOANS - secured, considered good			
Loans to employees	10.1	1,520,000	1,521,800
Current portion shown under current assets	14	<u>(672,000)</u>	<u>(664,800)</u>
		<u>848,000</u>	<u>857,000</u>

10.1 Represent interest free loans given to employees for the purchase of motorcycles. These are secured against retirement benefits and are recoverable in monthly installments over a period of fifty months.

	2013 Rupees	2012 Rupees
11. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores including in transit Rs. 3,884,529/- (2012: Rs. 5,366,895/-)	17,607,010	23,935,780
Spares parts including in transit Rs. 861,341/- (2012: Rs. 1,764,706/-)	59,216,870	59,289,399
Loose tools including in transit Rs. Nil (2012: Rs. 4,682/-)	<u>2,722,692</u>	<u>5,674,340</u>
	<u>79,546,572</u>	<u>88,899,519</u>
Hard coke including in transit Rs. 177,779/- (2012: Rs. 25,694,261/-)	9,653,744	35,199,822
Diesel	1,787,246	1,927,563
Kerosene oil	242,550	244,515
Provision for slow moving items	<u>(1,032,947)</u>	-
	<u>90,197,165</u>	<u>126,271,419</u>

Notes to the Financial Statements

For the year ended June 30, 2013

12. STOCK-IN-TRADE	Note	2013 Rupees	2012 Rupees
Raw materials including in transit Rs. 49,564,154/- (2012: Rs. 39,487,149/-)	12.1	142,216,415	194,237,137
Work in process		59,120,000	46,564,000
Finished goods	12.1 & 12.2	111,189,000	94,136,597
Provision for slow moving stock		<u>(341,700)</u>	-
		<u>312,183,715</u>	<u>334,937,734</u>
12.1 Include stock held with third parties aggregating to Rs.16,129,598/- (2012: Rs.27,513,240/-) out of which stock of Rs.1,423,444/- (2012: Rs.3,540,264/-) held by Millat Tractors Limited (a related party).			
12.2 Include items valued at NRV resulting in writing down of inventories by Rs.11,813,000/- (2012: Rs.8,169,000/-).			
13. TRADE DEBTS - unsecured	Note	2013 Rupees	2012 Rupees
Considered good			
Related parties	13.1	441,370,408	173,678,120
Others	13.2	19,537,658	67,879,083
		<u>460,908,066</u>	<u>241,557,203</u>
Considered doubtful		-	67,847
		<u>460,908,066</u>	<u>241,625,050</u>
Less: Provision for impairment		-	67,847
		<u>460,908,066</u>	<u>241,557,203</u>
13.1 Represent amount due from the following related parties:			
- Millat Tractors Limited		432,655,824	171,513,269
- Millat Equipments Limited		8,714,584	2,164,851
		<u>441,370,408</u>	<u>173,678,120</u>
13.2 The ageing of trade debts of related parties is as follows:			
Neither past due not impaired		438,742,040	166,219,165
Past due not impaired			
- 45 - 90 days		1,135,466	473,451
- 90 - 180 days		12,366	189,841
- over 180 days		1,480,536	6,795,663
		<u>441,370,408</u>	<u>173,678,120</u>
13.3 The ageing of trade debts of other parties is as follows:			
Neither past due not impaired		13,229,537	46,416,065
Past due not impaired			
- 45 - 90 days		5,561,038	8,092,983
- 90 - 180 days		674,770	8,901,217
- over 180 days		72,313	4,468,817
		<u>19,537,658</u>	<u>67,879,082</u>

Notes to the Financial Statements

For the year ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
14. LOANS AND ADVANCES - considered good			
Loans			
Current portion of long-term loans to employees	10	672,000	664,800
Advances			
- to employees		512,359	791,582
- to suppliers		79,215,470	9,977,712
		<u>79,727,829</u>	<u>10,769,294</u>
		<u>80,399,829</u>	<u>11,434,094</u>
15. DEPOSITS AND SHORT-TERM PREPAYMENTS			
Security deposits		5,413,500	4,163,923
Prepayments		43,736	4,015,464
		<u>5,457,236</u>	<u>8,179,387</u>
16. OTHER RECEIVABLES			
Considered good			
Accrued return on bank deposits		-	20,503
Pension fund	16.1	23,642,144	20,716,934
Executives gratuity fund	16.1	8,786,927	11,268,236
Special excise duty receivable		3,601,961	3,601,961
Others		423,818	318,899
		<u>36,454,850</u>	<u>35,926,533</u>
Considered doubtful			
Claims receivable from supplier		3,495,831	3,495,831
Less: Provision for impairment		<u>3,495,831</u>	<u>3,495,831</u>
		<u>-</u>	<u>-</u>
		<u>36,454,850</u>	<u>35,926,533</u>
		Pension fund	Executives gratuity fund
		2013	2013
		Rupees	Rupees
		2012	2012
		Rupees	Rupees
16.1 Movement in asset			
Opening balance		20,716,934	17,500,329
Reversal / (Expense) for the year		764,988	1,243,166
Payments made during the year		2,160,222	1,973,439
Closing balance		<u>23,642,144</u>	<u>20,716,934</u>
16.2 Balance sheet reconciliation			
Fair value of plan assets		87,581,551	79,254,736
Present value of defined benefit obligations		(78,838,001)	(70,109,640)
Unrecognised actuarial losses		14,898,594	11,571,838
		<u>23,642,144</u>	<u>20,716,934</u>
16.3 Movement in fair value of plan assets			
Opening balance		79,254,736	71,601,529
Expected return on plan assets		9,934,657	10,067,117
Payments made during the year		3,121,493	2,853,818
Benefits paid during the year		(2,676,456)	(2,240,913)
Actuarial loss on plan assets		(2,052,879)	(3,026,815)
Closing balance		<u>87,581,551</u>	<u>79,254,736</u>

Notes to the Financial Statements

For the year ended June 30, 2013

	Pension fund		Executives gratuity fund	
	2013 Rupees	2012 Rupees	2013 Rupees	2012 Rupees
16.4 Movement in defined benefit obligations				
Opening balance	70,109,640	56,536,485	45,302,221	34,763,571
Current service cost	2,142,241	1,946,086	1,668,592	1,572,798
Interest cost	8,596,426	7,758,244	5,230,119	4,581,303
Benefits paid during the year	(2,676,456)	(2,240,913)	(3,746,600)	(1,252,280)
Actuarial loss/(gain) on obligations	666,150	6,109,738	(1,696,085)	5,636,829
Closing balance	<u>78,838,001</u>	<u>70,109,640</u>	<u>46,758,247</u>	<u>45,302,221</u>
16.5 Expense/(Reversal) for the year				
Current service cost	2,142,241	1,946,086	1,668,592	1,572,798
Interest cost	8,596,426	7,758,244	5,230,119	4,581,303
Expected return on plan assets	(9,934,657)	(10,067,117)	(6,042,697)	(6,890,372)
Employee contribution	(961,271)	(880,379)	-	-
Actuarial (gain) / loss recognized	(607,727)	-	1,625,295	-
	<u>(764,988)</u>	<u>(1,243,166)</u>	<u>2,481,309</u>	<u>(736,271)</u>
16.6 Actual return on plan assets	<u>7,881,778</u>	<u>7,040,302</u>	<u>4,389,417</u>	<u>1,624,076</u>

16.7 The principal assumptions used in the actuarial valuations carried out as of June 30, 2013 using the 'Projected Unit Credit' method are as follows:

	Pension fund		Executives gratuity fund	
	2013 ----- (%) -----	2012 ----- (%) -----	2013 ----- (%) -----	2012 ----- (%) -----
Discount rate	12	12.5	12	12.5
Expected rate of return on plan assets	12	12.5	12	12.5
Expected rate of increase in future salaries	12	14* / 12.5**	12	14* / 12.5**

* Short term expected rate of increase in future salaries

** Long term expected rate of increase in future salaries

16.8 Plan assets comprise:

National / Special Saving Certificates	34	30	38	39
Listed shares	2	16	21	20
Bank balance	1	13	1	3
Others	63	41	40	38

Notes to the Financial Statements

For the year ended June 30, 2013

16.9 Historical information for the five years is as follows:

	2013 Rupees	2012 Rupees	2011 Rupees	2010 Rupees	2009 Rupees
Pension fund					
Fair value of plan assets	87,581,551	79,254,736	71,601,529	60,964,623	55,296,494
Present value of defined benefit obligations	<u>(78,838,001)</u>	<u>(70,109,640)</u>	<u>(56,536,485)</u>	<u>(48,494,978)</u>	<u>(43,093,166)</u>
Surplus	<u>8,743,550</u>	<u>9,145,096</u>	<u>15,065,044</u>	<u>12,469,645</u>	<u>12,203,328</u>
Experience adjustments on plan liabilities - Loss / (gain)	<u>666,150</u>	<u>6,109,738</u>	<u>1,684,310</u>	<u>(685,493)</u>	<u>3,358,129</u>
Experience adjustments on plan assets - (loss) / gain	<u>(2,052,879)</u>	<u>(3,026,815)</u>	<u>1,574,532</u>	<u>(2,793,045)</u>	<u>(4,507,628)</u>
Executives gratuity fund					
Fair value of plan assets	50,857,697	50,214,880	49,843,084	49,317,545	41,958,445
Present value of defined benefit obligations	<u>(46,758,247)</u>	<u>(45,302,221)</u>	<u>(34,763,571)</u>	<u>(37,316,036)</u>	<u>(31,258,334)</u>
Surplus	<u>4,099,450</u>	<u>4,912,659</u>	<u>15,079,513</u>	<u>12,001,509</u>	<u>10,700,111</u>
Experience adjustments on plan liabilities - (gain) / loss	<u>(1,696,085)</u>	<u>(5,636,829)</u>	<u>4,097,443</u>	<u>1,018,415</u>	<u>(1,103,075)</u>
Experience adjustments on plan assets - (loss) / gain	<u>(1,653,280)</u>	<u>(5,266,296)</u>	<u>7,030,646</u>	<u>2,290,488</u>	<u>(8,817,148)</u>

16.10 In view of the surplus of planned asset over present value of defined benefit obligations, no contributions are expected to be made next year in Executive gratuity fund. However, the expected contributed in respect of Pension fund for the year ending June 30, 2014 amounts to Rs. 2,448,369/-.

17. CASH AND BANK BALANCES	Note	2013 Rupees	2012 Rupees
Cash in hand		184,580	188,828
Cash at banks			
Current accounts		7,425,967	5,238,923
Deposit accounts	17.1	2,161,195	1,841,142
Term deposit receipts	17.2	1,565,000	1,565,000
		<u>11,152,162</u>	<u>8,645,065</u>
		<u>11,336,742</u>	<u>8,833,893</u>

17.1 These carry profit rates ranging from 6% to 7% (2012: 5% to 10.5%) per annum.

17.2 These carry profit rates at 6% (2012: 5% to 6%) per annum. These are under lien with respect to bank guarantee issued by a commercial bank in favour of Sui Southern Gas Company Limited.

18. SHARE CAPITAL

18.1 Authorised capital

12,000,000 (2012:12,000,000) Ordinary shares of Rs. 10/- each	<u>120,000,000</u>	<u>120,000,000</u>
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Notes to the Financial Statements

For the year ended June 30, 2013

18.2 Issued, subscribed and paid-up capital

2013		2012			2013	2012
-----Number of shares-----					Rupees	Rupees
				Ordinary shares of Rs. 10/- each		
6,740,875	6,740,875	6,740,875	6,740,875	Fully paid in cash	67,408,750	67,408,750
3,688,696	3,688,696	3,688,696	3,688,696	Issued as fully paid bonus shares	36,886,960	36,886,960
<u>10,429,571</u>	<u>10,429,571</u>	<u>10,429,571</u>	<u>10,429,571</u>		<u>104,295,710</u>	<u>104,295,710</u>

18.3 As at June 30, 2013, 4,824,527 (2012: 4,824,527) ordinary shares of the Company were held by Millat Tractors Limited (a related party).

19. LONG-TERM DEPOSITS		2013	2012
		Rupees	Rupees
Deposits from employees		5,901,214	5,966,861
Less: Current portion		<u>1,005,831</u>	<u>789,123</u>
		<u>4,895,383</u>	<u>5,177,738</u>

Represent interest free deposits received from employees. The amount will be adjustable within a period of six years against book value of vehicles and five years against book value of motor cycles.

20. DEFERRED TAX LIABILITY		Note	2013	2012
			Rupees	Rupees
Credit balances arising due to:				
- accelerated tax depreciation			37,655,603	41,057,302
Debit balances arising due to:				
- provision for gratuity scheme			(6,402,994)	(4,249,981)
- provision for compensated absences			(3,379,465)	(3,328,051)
- provision for doubtful debts			(1,188,464)	(1,245,293)
- provision for slow moving stores and stock items			(467,333)	-
- minimum tax credit			-	(661,584)
			<u>(11,438,256)</u>	<u>(9,484,909)</u>
			<u>26,217,347</u>	<u>31,572,393</u>

21. DEFERRED LIABILITIES

Non-executive gratuity scheme	21.1	18,834,220	12,162,263
Compensated absences	21.2	<u>9,940,597</u>	<u>9,523,956</u>
		<u>28,774,817</u>	<u>21,686,219</u>

21.1 Non-executive gratuity scheme

Opening balance		12,162,263	19,366,007
Charge for the year:			
- current service cost		2,169,991	872,282
- past service cost		<u>5,221,103</u>	<u>-</u>
		7,391,094	872,282
Reversal			
- current service cost		-	(2,966,508)
- past service cost		-	(4,841,501)
		-	(7,808,009)
Payments made during the year		<u>(719,137)</u>	<u>(268,017)</u>
Closing balance		<u>18,834,220</u>	<u>12,162,263</u>

Notes to the Financial Statements

For the year ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
21.2 Compensated absences			
Opening balance		9,523,956	16,314,877
Charge for the year		2,241,528	2,331,566
Reversal		-	(7,894,626)
Payments made during the year		<u>(1,824,887)</u>	<u>(1,227,861)</u>
Closing balance		<u>9,940,597</u>	<u>9,523,956</u>
22. TRADE AND OTHER PAYABLES			
Creditors	22.1	187,404,609	165,233,463
Advance from customers	22.2	3,132,363	4,488,706
Security deposits		1,087,817	917,817
Provision for bonus	22.3	1,690,952	18,699,977
Workers' Profit Participation Fund	22.4	1,834,844	3,685,629
Workers' Welfare Fund		998,499	977,124
Accrued liabilities		1,806,547	1,926,131
Dividends		1,398,738	1,409,077
Others		474,839	976,448
		<u>199,829,208</u>	<u>198,314,372</u>
22.1			
Includes Rs.3.685 million (2012: Rs.6.679 million) due to Millat Tractors Limited (a related party).			
22.2			
Includes Rs. 1.546 million (2012: Rs.1.737 million) due to Millat Tractors Limited (a related party).			
22.3 Provision for bonus	Note	2013 Rupees	2012 Rupees
Balance at the beginning of the year		18,699,977	29,842,092
Accrual for the year		903,490	18,699,977
		<u>19,603,467</u>	<u>48,542,069</u>
Reversal of provision		-	(3,729,279)
Payments made during the year		<u>(17,912,515)</u>	<u>(26,112,813)</u>
Balance at end of the year		<u>1,690,952</u>	<u>18,699,977</u>
22.4 Workers' Profit Participation Fund			
Balance at the beginning of the year		3,685,629	6,683,453
Allocation for the year	31	1,834,844	3,685,629
		<u>5,520,473</u>	<u>10,369,082</u>
Interest charged during the year		165,096	46,485
Payments made during the year		<u>(3,850,725)</u>	<u>(6,729,938)</u>
Balance at the end of the year		<u>1,834,844</u>	<u>3,685,629</u>

Notes to the Financial Statements

For the year ended June 30, 2013

23. SHORT TERM BORROWINGS - secured

Represent running finance facilities obtained from commercial banks aggregating to Rs. 660 million (2012: Rs. 510 million). These facilities expire on various dates latest by June 21, 2014 and carry mark-up at rates ranging from 1 month to 6 months' KIBOR plus 0.4% to 1% (2012: 1 month to 6 months' KIBOR plus 0.4% to 1%) per annum. These are secured by way of a hypothecation charge on plant and machinery, stocks and book debts ranking pari passu with each other.

24. CONTINGENCIES AND COMMITMENTS

24.1 The Company had filed returns declaring tax losses during the tax holiday period amounting to Rs.82.724 million and Rs.17.227 million for the assessment years 1987-88 and 1988-89 respectively. These losses were disallowed by the Assessing Officer and upheld by the Commissioner of Income Tax (Appeals). The Company filed an appeal with Income Tax Appellate Tribunal (ITAT), which decided the matter in the Company's favour.

The Income Tax Department filed a reference application before the Honourable High Court of Sindh, which upheld the ITAT's order in favour of the Company. The Income Tax Department filed a reference with the Honourable Supreme Court of Pakistan which is still pending. In the event that the decision is not in the favour of the Company, a tax liability of Rs. 23.9 million would arise representing the tax effect of losses relating to the tax holiday period utilised by the Company. The management of the Company, based on the views of its tax consultant, is confident that the decision will be given in favour of the Company and therefore, no provision has been made in these financial statements for this amount.

24.2 The Assessing Officer while finalizing assessment for the assessment year 2001-2002 imposed penalty amounting to Rs. 1.735 million alleging concealment of income. The matter is pending before the Honourable High Court of Sindh. Based on the advice of its legal advisor, the management is confident that the ultimate outcome of the matter will be decided in its favour and accordingly, no provision has been made for the above liability in these financial statements.

24.3 In tax year 2005, the Company had filed tax return declaring tax liability amounting to Rs. 23.774 million. This tax liability was revised by the Assessing Officer to Rs. 62.273 million. The Income Tax Department had disallowed the normal wastage in the parts of production process and also discarded the value of sales return inventory and valued it at almost sale price level. This was appealed before the Commissioner of Income Tax (Appeal) who revised the tax liability determined by the Assessing Officer to Rs. 28.767 million. On the issue of increasing the tax liability, the Company has filed the Appeal before the ITAT while the Income Tax Department has filed cross appeal due to reduction in its assessed tax liability. The appeal effect by the Income Tax Department has been issued creating a refund of Rs. 26.161 million reducing tax liability amounting to Rs. 32.508 million. The appeal before the ITAT is still pending. Based on the advice of the Company's Legal Advisor, the management is confident that the ultimate outcome of the matter will be decided in its favour and accordingly, no provision has been made in these financial statements.

24.4 In a suit filed against the Company which is pending before the Senior Civil Judge at Hub Balochistan, a plaintiff claims that in the year 2004 the Company allegedly encroached upon the land measuring 5-2-34 belonging to him that he purchased in year 2003. The plaintiff has also sought mesne profits from the Company for such alleged encroachment. The Company claims ownership to the disputed piece of land and disputes any encroachment what so ever. The written statement of the Company has been filed and currently the case is fixed for orders on an application of few other defendants. Once the order on the said applications is pronounced, the case will proceed to evidence after framing of issues. The management of the Company based on the views of its Legal Advisor is confident that decision will be given in favour of the Company and therefore, no provision has been made in these financial statements.

24.5 Outstanding letters of credit at the end of the year amount to Rs.210.15 million (2012: Rs. 313.62 million).

25. TURNOVER - net

	2013 Rupees	2012 Rupees
Local sales	2,089,185,972	2,075,143,977
Less: Sales returns	(53,175,252)	(67,113,731)
Sales tax	(290,126,051)	(286,239,586)
	(343,301,303)	(353,353,317)
	<u>1,745,884,669</u>	<u>1,721,790,660</u>
Export sales	89,427	2,748,278
	<u>1,745,974,096</u>	<u>1,724,538,938</u>

Notes to the Financial Statements

For the year ended June 30, 2013

26. COST OF SALES	Note	2013 Rupees	2012 Rupees
Raw material consumed			
Opening stock		154,749,988	141,720,196
Purchases		891,709,831	957,563,490
		<u>1,046,459,819</u>	<u>1,099,283,686</u>
Closing stock	12	<u>(92,652,261)</u>	<u>(154,749,988)</u>
		<u>953,807,558</u>	<u>944,533,698</u>
Manufacturing expenses			
Salaries, wages and benefits		82,953,136	66,291,855
Staff welfare		13,375,845	13,049,141
Stores, spares parts and loose tools consumed		116,007,026	120,741,460
Fuel and power	26.1	267,165,622	253,351,515
Machining expenses		12,417,392	11,762,307
Outsourced job contractors		97,862,127	90,172,231
Travelling and conveyance		26,474,117	25,075,440
Depreciation	7.3	25,941,917	27,402,187
Amortization	8.1	24,185	84,320
Provision for slow moving stock		1,374,647	-
Rent, rates and taxes		534,592	475,853
Printing and stationery		394,280	317,422
Repairs and maintenance		3,647,124	3,498,286
Communication		453,601	574,988
Insurance		4,103,681	2,999,272
Vehicle expenses		5,177,468	3,879,651
Training		1,196,191	1,600,972
Entertainment		332,477	280,453
Others		1,394,093	1,012,765
		<u>660,829,521</u>	<u>622,570,118</u>
Work in process - opening		46,564,000	39,749,000
Work in process - closing	12	<u>(59,120,000)</u>	<u>(46,564,000)</u>
Cost of goods manufactured		<u>1,602,081,079</u>	<u>1,560,288,816</u>
Finished goods - opening stock		94,136,597	67,598,000
Finished goods - closing stock	12	<u>(111,189,000)</u>	<u>(94,136,597)</u>
		<u>1,585,028,676</u>	<u>1,533,750,219</u>

26.1 Includes hard coke, diesel and kerosine oil consumed aggregating to Rs.147,920,735/- (2012: Rs.151,195,566/-).

27. DISTRIBUTION COSTS

Salaries, wages and benefits		2,849,276	2,207,460
Staff welfare		421,652	457,194
Freight charges		41,749,114	33,665,518
Travelling and conveyance		102,915	222,997
Insurance		920,887	449,362
Sales promotion		1,244,730	286,061
Depreciation	7.3	335,767	362,980
Amortization	8.1	4,031	14,053
Rent, rates and taxes		54,250	2,250
Repairs and maintenance		-	13,600
Communication		23,129	35,740
Vehicle expenses		111,400	94,680
Export expenses		26,210	64,537
Others		-	29,690
		<u>47,843,361</u>	<u>37,906,122</u>

Notes to the Financial Statements

For the year ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
28. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits		20,011,520	17,898,545
Staff welfare		1,898,955	1,956,786
Legal and professional charges		2,236,095	4,374,074
Outsourced job contractors		2,903,422	3,287,005
Travelling and conveyance		493,665	470,500
Utilities		656,393	986,600
Rent, rates and taxes		1,686,206	2,660,263
Repairs and maintenance		365,455	453,902
Printing and stationery		617,300	845,569
Communication		363,695	508,047
Depreciation	7.3	1,007,301	1,088,941
Amortisation	8.1	12,092	42,160
Advertisement		208,050	173,070
Vehicle expenses		1,378,438	2,166,261
Insurance		656,795	639,983
Subscription		344,502	366,538
Auditors' remuneration	28.1	721,250	682,500
Entertainment		403,056	391,789
Training		328,710	259,436
Others		237,126	178,960
		<u>36,530,026</u>	<u>39,430,929</u>
28.1 Auditors' remuneration			
Statutory audit fee		550,000	550,000
Fee for half yearly review		82,500	82,500
Out of pocket expenses		88,750	50,000
		<u>721,250</u>	<u>682,500</u>
29. OTHER OPERATING INCOME			
Income from financial assets			
Return on bank deposits		425,064	500,960
Dividend income		431,250	575,000
		<u>856,314</u>	<u>1,075,960</u>
Income from non-financial assets			
Scrap sales		8,716,851	7,058,044
Liabilities no longer payable written back		34,378	410,599
Gain on disposal of operating assets		23,269	770,114
Exchange gain - net		-	25,050
Others		80,866	1,580,714
		<u>8,855,364</u>	<u>9,844,521</u>
		<u>9,711,678</u>	<u>10,920,481</u>
30. FINANCE COSTS			
Mark-up on short-term borrowings		46,120,322	42,130,770
Interest on Workers' Profit Participation Fund		165,096	46,485
Interest on advance from customer		2,635,753	7,810,972
Bank charges		432,714	341,937
		<u>49,353,885</u>	<u>50,330,164</u>

Notes to the Financial Statements

For the year ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
31. OTHER CHARGES			
Workers' Profit Participation Fund	22.4	1,834,844	3,685,629
Workers' Welfare Fund		998,499	977,124
Debtors written off		398,049	-
Fixed Assets written off		-	375,894
		<u>3,231,392</u>	<u>5,038,647</u>
32. TAXATION			
Current			
- for the year		16,034,653	17,085,299
- for prior years		<u>134,489</u>	<u>(1,261,877)</u>
		16,169,142	15,823,422
Deferred		<u>(5,355,047)</u>	<u>6,571,573</u>
		<u>10,814,095</u>	<u>22,394,995</u>
32.1 Reconciliation of accounting profit with tax charge for the year			
Profit before taxation		<u>33,698,434</u>	<u>69,003,338</u>
Tax at the applicable rate of 35% (2012: 35%)		<u>11,794,452</u>	<u>24,151,169</u>
		11,794,452	24,151,169
Tax effect of:			
- Permanent differences not deductible in determining taxable income		(421,963)	(77,717)
- Income taxed at reduced rates		(31,299)	(1,078,164)
- Prior year		134,489	(1,261,877)
- Adjustments for the effect of minimum tax		<u>(661,584)</u>	<u>661,584</u>
		<u>10,814,095</u>	<u>22,394,995</u>
Average effective tax rate		<u>32.09%</u>	<u>32.45%</u>
33. EARNINGS PER SHARE - basic and diluted			
There is no dilutive effect on the basic earnings per share of the Company, which is based on:			
Profit after taxation		<u>22,884,339</u>	<u>46,608,343</u>
Weighted average number of ordinary shares		<u>10,429,571</u>	<u>10,429,571</u>
Earnings per share		<u>2.19</u>	<u>4.47</u>

Notes to the Financial Statements

For the year ended June 30, 2013

	2013 Rupees	2012 Rupees
34. CASH GENERATED FROM OPERATIONS		
Profit before taxation	33,698,434	69,003,338
Adjustment for:		
- Depreciation	27,284,985	28,854,108
- Amortization	40,308	140,533
- Provision for retirement benefits	9,632,622	3,203,848
- Provision for slow moving stores, spares and loose tools	1,032,947	-
- Provision for slow moving stock-in-trade	341,700	-
- Debtors written off	398,049	-
- Gain on disposal of operating assets	(23,269)	(770,114)
- Return on bank deposits	(425,064)	(500,960)
- Finance costs	49,353,885	50,330,164
- Dividend income	(431,250)	(575,000)
	<u>87,204,913</u>	<u>80,682,579</u>
Operating profit before working capital changes	120,903,347	149,685,917
Working capital changes		
- Decrease/(increase) in current assets:		
- Stores, spares parts and loose tools	35,041,307	(24,771,097)
- Stock in trade	22,412,319	(45,322,965)
- Trade debts	(219,748,912)	(33,205,328)
- Loans and advances	(68,965,735)	13,537,942
- Deposits and short term prepayments	2,722,151	(6,081,160)
- Other receivables	(548,820)	(3,877,056)
Increase /(decrease) in current liabilities:		
- Trade and other payable	1,525,175	(48,981,152)
- Sales tax - net	16,550,421	6,141,412
	<u>(211,012,094)</u>	<u>(142,559,404)</u>
	<u>(90,108,747)</u>	<u>7,126,513</u>
35. CASH AND CASH EQUIVALENTS		
Cash and bank balances	17	11,336,742
Short-term borrowings	23	8,833,893
		<u>(496,237,098)</u>
		<u>(287,733,123)</u>
		<u>(484,900,356)</u>
		<u>(278,899,230)</u>
36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES		
The main risks arising from the Company's financial instruments are market risks, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:		
36.1 Market risk		
Market risk is the risk that the fair value of future cash flows of financial instrument will fluctuate due to changes in market variables such as interest rate, foreign exchange rates and equity prices.		
i) Interest rate risk		
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the short-term borrowings and bank balances with floating interest rates. Management of the Company estimates that 1% increase in the market interest rate, with all other factor remaining constant, would decrease the Company's profit by Rs. 4,962,371/- and a 1% decrease would result in the increase in the Company's profit by the same amount. However, in practice, the actual result may differ from the sensitivity analysis.		

Notes to the Financial Statements

For the year ended June 30, 2013

ii) Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. As at June 30, 2013, the Company is not materially exposed to currency risks in respect of financial assets or financial liabilities.

iii) Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activity, supply and demand for shares and liquidity in the market. Management of the Company estimates that 10% increase in the overall equity prices in the market with all other factor remaining constant would increase the Company's income by Rs. 1,408,750/- and a 10% decrease would result in the decrease in Company's income by the same amount. However, in practice, the actual result may differ from the sensitivity analysis.

36.2 Credit risk

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

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The table below analysis the Company's maximum exposure to credit risk:

	2013 Rupees	2012 Rupees
Deposits	9,380,500	8,508,923
Trade debts	460,908,066	241,557,203
Other receivables	36,454,850	35,926,533
Bank balances	11,152,162	8,645,065
	<u>517,895,578</u>	<u>294,637,724</u>

The table below provides the analysis of the credit quality of financial assets on the basis of external credit rating or the historical information about counter party default rates.

	2013 Rupees	2012 Rupees
Trade debts		
Customers with no defaults in the past one year	<u>459,553,652</u>	<u>241,557,203</u>
Bank Balances		
Ratings		
A1+	9,159,320	6,229,556
A-1+	632,045	2,290,344
A1	1,360,797	125,165
	<u>11,152,162</u>	<u>8,645,065</u>

36.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The table below summarises the maturity profile of the Company's financial liabilities at the following reporting dates:

Notes to the Financial Statements

For the year ended June 30, 2013

2013	Less than 3 months	3 to 12 months	1 to 5 years	Total
	----- (Rupees) -----			
Trade and other payables	193,313,502	3,682,363	-	196,995,865
Accrued markup	9,922,340	-	-	9,922,340
Short-term borrowings	496,237,098	-	-	496,237,098
	<u>699,472,940</u>	<u>3,682,363</u>	<u>-</u>	<u>703,155,303</u>
2012	Less than 3 months	3 to 12 months	1 to 5 years	Total
	----- (Rupees) -----			
Trade and other payables	178,120,127	15,531,492	-	193,651,619
Accrued markup	7,638,416	-	-	7,638,416
Short-term borrowings	287,733,123	-	-	287,733,123
	<u>473,491,666</u>	<u>15,531,492</u>	<u>-</u>	<u>489,023,158</u>

37. 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. The fair value of listed shares is based on market prices quoted on the stock exchange. The carrying values of all other financial assets and liabilities reflected in the financial statements approximate their fair values.

Fair value hierarchy

The Company uses the following hierarchy for disclosure of the fair value of financial instruments by valuation technique:

Level 1: quoted prices in active market for identical assets.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at June 30, 2013, the Company has only available-for-sale investments measured at fair value using level 1 valuation technique.

38. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital is to safeguard the Company's ability to continue to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The gearing ratios as at June 30, 2013 and 2012 were as follows:

Notes to the Financial Statements

For the year ended June 30, 2013

	2013 Rupees	2012 Rupees
Trade and other payables	199,829,208	198,314,372
Accrued mark-up	<u>9,922,340</u>	<u>7,638,416</u>
Total debt	209,751,548	205,952,788
Add: Cash and cash equivalents	484,900,356	278,899,230
Net debt	<u>694,651,904</u>	<u>484,852,018</u>
Share capital	<u>104,295,710</u>	<u>104,295,710</u>
Reserves	<u>455,754,273</u>	<u>447,979,076</u>
Equity	560,049,983	552,274,786
Capital	<u>1,254,701,887</u>	<u>1,037,126,804</u>
Gearing ratio	<u>55%</u>	<u>46.75%</u>

39. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVE

	2013			2012		
	Chief Executive	Directors	Executive	Chief Executive	Director	Executive
	(Rupees)			(Rupees)		
Managerial remuneration	2,581,594	421,731	5,391,264	2,969,577	693,836	3,449,870
Bonus	-	-	-	711,966	463,440	1,667,346
Production incentive	-	-	-	-	46,344	133,040
House rent	1,001,525	175,181	2,050,176	1,243,446	281,095	1,545,740
Retirement benefits	232,510	77,854	791,794	276,324	121,592	464,850
Utilities	945,150	418,195	2,757,327	1,064,739	772,654	1,920,473
Medical expenses	483,730	103,412	413,249	316,702	133,115	323,156
Fees	-	69,000	-	-	21,000	-
Others	<u>602,641</u>	<u>504,870</u>	<u>653,133</u>	<u>578,820</u>	<u>232,814</u>	<u>583,841</u>
	<u>5,847,150</u>	<u>1,770,243</u>	<u>12,056,943</u>	<u>7,161,574</u>	<u>2,765,890</u>	<u>10,088,316</u>
Number of persons	<u>1</u>	<u>2</u>	<u>8</u>	<u>1</u>	<u>2</u>	<u>5</u>

39.1 The Company provides the Chief Executive and Executives with free use of the Company maintained car and residential telephone.

40. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associates, retirement benefits funds, directors and key management personnel. Details of transactions / balances with related parties, other than those disclosed elsewhere in the financial statements, are as follows:

Notes to the Financial Statements

For the year ended June 30, 2013

		2013 Rupees	2012 Rupees
Nature of relationship	Nature of transactions		
Associates			
- Millat Tractors Limited	Sales	1,599,638,112	1,574,836,701
	Purchases	17,000,624	41,315,422
	Dividend paid	9,649,054	7,236,791
	Interest on advance	2,635,753	7,810,972
	Receipt / repayment of advance	(191,205)	(26,868,335)
	Payment / adjustment of advance	(352,887)	671,627
- Millat Equipments Limited	Sales	31,149,785	7,149,452
Retirement funds			
- Pension fund	Contributions	2,160,222	1,973,439
- Provident fund	Contributions	4,461,291	3,124,390
- Executives' Gratuity fund	Benefits paid on behalf of the fund	3,547,520	13,586,980
		2013 ----- (metric ton) -----	2012 -----
41. PRODUCTION CAPACITY - Castings			
Installed capacity		<u>13,200</u>	<u>13,200</u>
Actual production		<u>12,264</u>	<u>12,800</u>
Capacity utilization		<u>92.91%</u>	<u>97%</u>

42. DIVIDENDS AND APPROPRIATIONS

The Board of Directors in its meeting held on August 13, 2013 (i) approved the transfer of Rs. 13.00 million from unappropriated profit to general reserve; (ii) proposed to a bonus issue of 1 share for every 10 shares held (10%) for the year ended June 30, 2013, for approval of the members at the Annual General Meeting to be held on October 03, 2013.

43. CORRESPONDING FIGURES

Certain prior year figures have been reclassified for the purpose of comparison. There were no major reclassifications to report.

44. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 13, 2013 by the Board of Directors of the Company.

Notes to the Financial Statements

For the year ended June 30, 2013

	2013 Rupees	2012 Rupees
45. GENERAL		
45.1 Provident fund		
Size of the trust	<u>90,208,021</u>	<u>87,197,199</u>
Cost of investments made	<u>83,563,397</u>	<u>80,395,030</u>
Percentage of investment made	<u>93%</u>	<u>92%</u>
Fair value of investment made	<u>83,563,397</u>	<u>80,395,030</u>

	2013 (Un-audited)		2012 (Audited)	
	Investment (Rupees)	% of investment as size of the fund	Investment (Rupees)	% of investment as size of the fund
Break-up of investments (as per section 227 of the ordinance)				
Treasury Bill	49,063,397	59	57,895,030	72
Short-term deposit / term deposit	-	-	17,500,000	22
Special savings certificate	<u>34,500,000</u>	41	<u>5,000,000</u>	6
	<u>83,563,397</u>		<u>80,395,030</u>	

Investments out of provident fund have been made in accordance with the provision of the section 227 of the Companies Ordinance, 1984 and the rules formulated of the purpose.

45.2 The number of employees at the year end are 201 (2012: 208) and average number of employees during the year are 205 (2012: 209).

45.3 Figures have been rounded off to the nearest rupee.


Chief Executive


Director

Pattern of Shareholding

As at June 30, 2013

No. of Shareholders	*Size of Holding		Total Shares Held	Amount Rupees
	From	To		
126	1	100	4,067	40,670
374	101	500	70,205	702,050
40	501	1000	30,712	307,120
191	1001	5000	383,447	3,834,470
22	5001	10000	140,301	1,403,010
6	10001	15000	71,000	710,000
3	15001	20000	54,058	540,580
2	20001	25000	47,266	472,660
1	25001	30000	30,000	300,000
2	40001	45000	82,793	827,930
1	60001	65000	61,961	619,610
1	80001	85000	84,556	845,560
1	130001	135000	131,236	1,312,360
2	150001	155000	302,713	3,027,130
3	230001	235000	704,484	7,044,840
1	265001	270000	266,717	2,667,170
1	300001	305000	302,064	3,020,640
1	330001	335000	330,477	3,304,770
1	335001	340000	335,997	3,359,970
1	355001	360000	357,421	3,574,210
1	445001	450000	445,706	4,457,060
1	1365001	1370000	1,367,863	13,678,630
1	4820001	4825000	4,824,527	48,245,270
783			10,429,571	104,295,710

* There is no shareholding in the slabs not mentioned.

Categories of Shareholders

S. No.	Categories	No. of Shareholders	No. of Shares Held	%
1	Associated Companies	1	4,824,527	46.26
2	Investment Companies	2	446,106	4.28
3	Bank / Financial Institutions	3	1,602,808	15.37
4	Joint Stock Companies	10	139,977	1.34
5	Individuals	760	2,826,427	27.10
6	Others	7	589,726	5.65
	Total	783	10,429,571	100.00

Categories of Shareholders

As at June 30, 2013

S.No.	Particulars	Shareholders	Shares Held	Percentage %
1	Directors and their spouse(s) and minor children			
	Sikandar Mustafa Khan	1	151,245	1.45
	Sirajuddin Khan	2	4,703	0.05
	Latif Khalid Hashmi	1	302,064	2.90
	Sohail Bashir Rana	1	131,236	1.26
	Laeq Uddin Ansari	2	666,474	6.39
	Mian Mohammad Saleem	1	61,961	0.59
	Javed Munir	1	9,438	0.09
2	Executives	111	200,911	1.93
3	Associated companies, undertakings and related parties			
	Millat Tractors Limited	1	4,824,527	46.26
4	NIT & ICP	2	446,106	4.28
5	Public Sector Companies and Corporations	2	1,368,112	13.12
6	Banks, development finance institutions, non-banking finance companies,	1	234,696	2.25
7	Insurance Companies	-	-	-
8	Modarabas	-	-	-
9	Mutual Funds	-	-	-
10	General Public			
	a. Local	640	1,298,395	12.45
	b. Foreign	-	-	-
11	Others			
	a. Joint Stock Companies	11	139,983	1.34
	b. Miscellaneous	4	280,932	2.69
	c. BCL Officer's Gratuity Fund	1	266,717	2.56
	d. BCL Emp.Pension Fund Trust	1	42,071	0.40
	Totals	783	10,429,571	100.00

Shareholders holding Five percent or more Voting Interest

Millat Tractors Limited	4,824,527	46.26
National Bank of Pakistan	1,368,112	13.12
Laeq Uddin Ansari	666,474	6.39

Proxy Form

Please quote your Folio No. as is in the Register of Members Folio No.

I/We _____ (NAME)

of _____ (FULL ADDRESS)

in the district of _____

being a member / members of BOLAN CASTINGS LIMITED and a holder of _____

_____ Shares No. _____ hereby appoint

Mr. / Mrs. / Miss _____ (NAME)

of _____ (FULL ADDRESS)

in the district of _____

_____ as my / our proxy to attend and vote for me / us and on my / our behalf at the 31st Annual General Meeting of the Company to be held at Registered Office, Main RCD Highway, Hub Chowki, Distt. Lasbela, Balochistan on October 03, 2013 at 1130 Hrs. and / or at any adjournment thereof.

Signed this _____ day of _____ 2013

Signature
on
Five Rupees
Revenue
Stamp

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

Important:

1. A member entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint a proxy to attend and vote instead of him / her.
2. The instrument appointing a proxy should be signed by the member (s) or by his / her attorney duly authorised in writing, or if the member is a corporation / company either under the common seal, or under the hand of any officer or attorney so authorised.
3. This Proxy Form, duly completed, must be deposited at the Office of our Share Register M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi not less than 48 hours before the time of holding of the meeting.



Head Office & Registered Office

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