

The cover features a black and white checkered floor that recedes into the distance towards a bright sun on the horizon. Three birds are flying in the sky above. In the foreground, a large, reflective sphere sits on the checkered floor, its lower half showing a distorted, inverted reflection of the checkered pattern.

**2014
annual
report**

Learn from the past

Live in the present

Hope for the future



Bolan Castings Limited



The Cover Concept

Companies do have a chequered history due to various uncertainties in the business environment.

Yet, it is taken as challenge at Bolan Castings to improve the way ahead.

"LEARN FROM THE PAST" and lay the foundation for a new level of success.

"LIVE IN THE PRESENT" to witness and lead the change and become the true creators of our own future.

'HOPE FOR THE FUTURE' as we believe it will be and as we want to be.

"The difference in winning and loosing is most often....not quitting".

Walt Disney

Contents

Vision / Mission	02
Corporate Strategy / Quality Policy	02
Safety, Health & Environment	02
Code of Conduct	03
Core Values	04
Company Information	05
Board of Directors	06
Directors' Profile	08
Board Committees	09
Management Committees	11
Organization Structure	12
Company Profile	14
Customers & Product Range	18
Notice of Annual General Meeting	20
Shareholders Information	23
Vertical Analysis	24
Horizontal Analysis	25
Decade at a Glance	26
Graphical Illustration	28
Statement of Value Added & its Distribution	30
Chairman's Review	32
Directors' Report	34
Statement of Compliance of Code of Corporate Governance	41
Review Report on Compliance of Code of Corporate Governance	43
Auditors' Report to the Members	44
Balance Sheet	45
Profit and Loss Account	46
Statement of Comprehensive Income	47
Cash Flow Statement	48
Statement of Changes in Equity	49
Notes to the Financial Statements	50
Pattern of Shareholding	77

[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. Syed Sajid Ali	
Auditors	M/s. A.F. Ferguson & Co.	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 Pakistan Ltd. Meezan Bank Limited 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	
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, Heavy Industries Texila Board

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.

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	Director of Millat Tractors Ltd., Millat Equipment Ltd., Millat Industrial Products Ltd., Arrowhead (Pvt) 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., Nishat Chunian Ltd., Century Papers & Board Mills 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

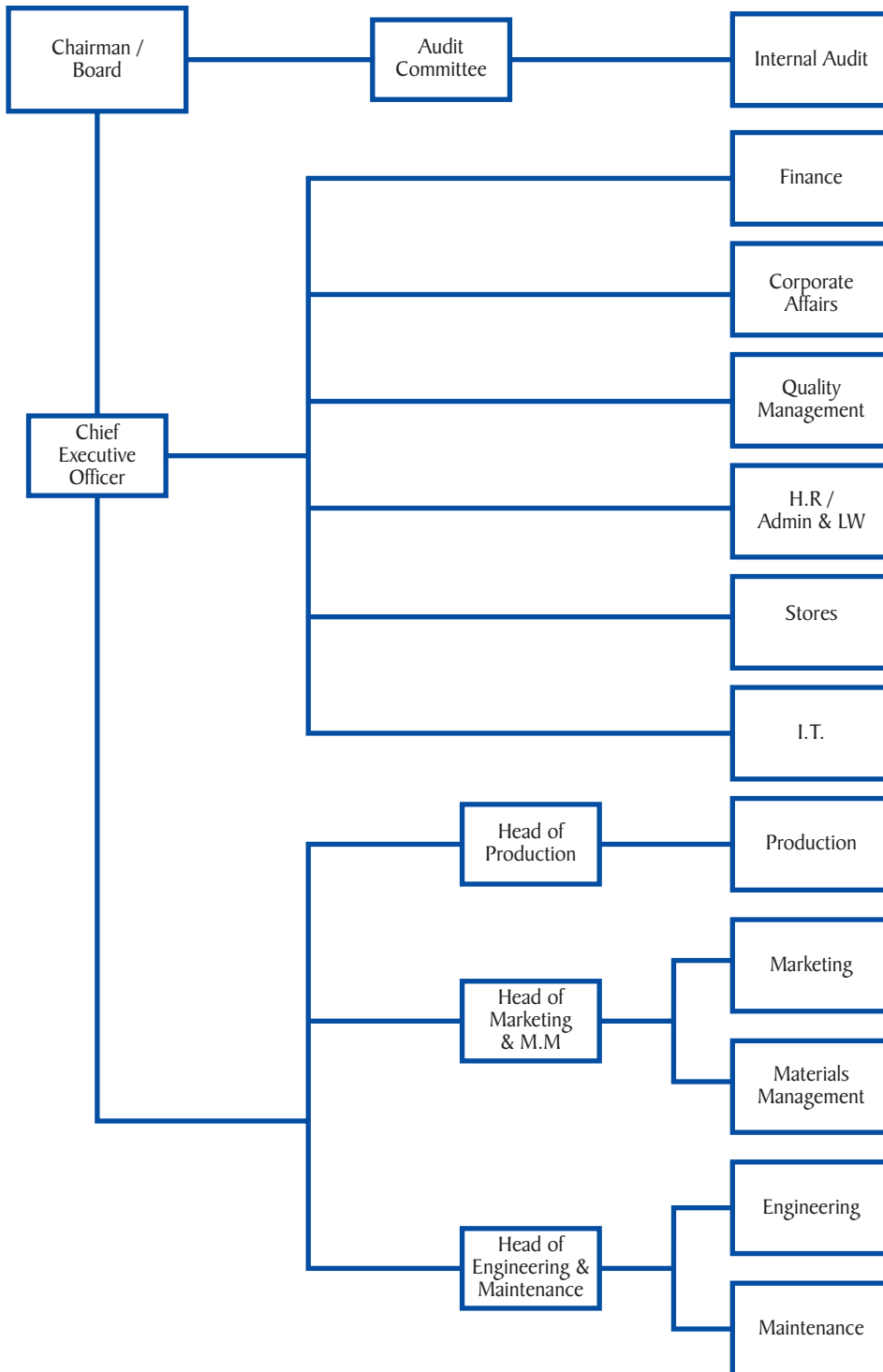
Mr. S. M. Zakauallah

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



BEST VENDOR AWARD - 2013 (MILLAT TRACTORS LIMITED)



CEO, BCL is receiving the award by the Chairman, Millat Group of Companies



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.

SUGGESTION SCHEME

Continual Improvement is the prime strategy at Bolan Castings Limited for bench mark performance and competitiveness. We encourage every employee and other concerned staff of the Company to participate in the scheme and get incentive.

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.

BCL SUGGESTION SCHEME - 2014 PRIZE DISTRIBUTION CEREMONY



Director, Mr. L. K. Hashmi is presenting the Suggestion Prize to the employees

BCL SUGGESTION SCHEME - 2014 PRIZE DISTRIBUTION CEREMONY



Chief Executive Officer, Mr. Sirajuddin Khan is presenting the Suggestion Prize to the employees

CUSTOMERS & PRODUCT RANGE

CUSTOMERS

Tractors

- . Millat Tractors Limited
- . Al-Ghazi Tractors Limited
- . Hema Industries, Turkey

Automobiles

- . Hino Pak Motors Ltd.
- . Ghandhara Nissan Ltd.
- . Ghandhara Industries Ltd.
- . Master Motors Corporation Ltd.

Engineering/Others

- . Millat Equipment Limited
- . Alsons Industries

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

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
2. Brackets

h. Adam Car

1. Brake drums
2. Brake discs

i. Sigma Jeep

1. Brake drums

Engineering Industry

a. Pumps

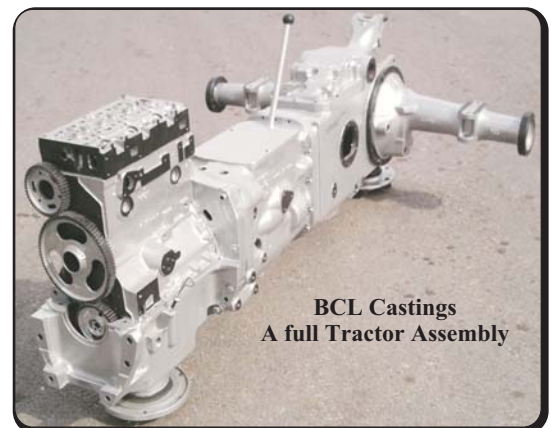
1. Pump heads
2. Pump bases
3. Base plates
4. Adopter flanges
5. Pump housings
6. Suction chambers
7. Seal covers

b. Wheel Rims

1. Blank holder dies
2. Forming punch dies
3. Roller dies

c. Textile

1. Labyrinth seals



High Pressure Moulding Machine (BMD - Germany)



Core Making Shop



NOTICE OF ANNUAL GENERAL MEETING



Notice is hereby given that 32nd 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 Tuesday October 28, 2014 at 11:30 hours to transact the following business:-

A. ORDINARY BUSINESS

1. To confirm the minutes of the 31st Annual General Meeting.
2. To receive, consider and adopt the audited financial statements of the Company for the year ended June 30, 2014 together with the Directors' and Auditors' reports thereon.
3. To appoint auditors for the year ending June 30, 2015 and to fix their remuneration. Present Auditors M/s. A. F. Ferguson & Co., Chartered Accountants retire and being eligible offer themselves for re-appointment.
4. To elect nine Directors as fixed by the Board of Directors for term of three years. The retiring Directors are Mr. Sikandar Mustafa Khan, Mr. Latif Khalid Hashmi, Mr. Sohail Bashir Rana, Mr. Laeeq Uddin Ansari, Mr. Mian Muhammad Saleem, Mr. Javed Munir, Mr. Sirajuddin Khan and Mr. Muhammad Imran Rafiq.

B. SPECIAL BUSINESS

5. To ratify and approve the transactions carried out in normal course of business with associated companies for the year ended June 30, 2014 by passing the following resolution as an ordinary resolution:

RESOLVED that the transactions carried out in normal course of business with associated companies as disclosed in note 35 to the financial statements for the year ended June 30, 2014 be and are hereby ratified and approved.

6. To authorize Chief Executive of the Company to approve transactions carried out and to be carried out in normal course of business with associated companies during the year ending June 30, 2015 by passing the following resolution with or without modification, as an ordinary resolution:

RESOLVED that the Chief Executive of the Company be and is hereby authorized to approve all the transactions carried out and to be carried out in normal course of business with associated companies during the year ending June 30, 2015.

FURTHER RESOLVED that the Chief Executive of the Company be and is hereby authorized to take any and all actions and sign any and all such documents as may be required in this regard.

C. OTHER BUSINESS

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

By Order of the Board of Directors

Hub
October 02, 2014

Arafat Mushir
Company Secretary

Notes :

1. The Share Transfer Books of the Company shall remain closed from October 15, 2014 to October 28, 2014 (both days inclusive) for the purposes of attendance at the Annual General Meeting. 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 October 14, 2014 shall be treated in time.
2. Members of the Company, whose names appear in the register of members as at close of business on October 14, 2014 are entitled to attend and vote at the meeting.
3. 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.
4. 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.
5. Members are requested to promptly notify any change in their addresses to our Share Registrar M/s. Central Depository Company of Pakistan Limited.

NOTICE OF ANNUAL GENERAL MEETING

6. Members are requested to provide copy of their CNIC or passport (in case of foreigner) unless it has been provided earlier enabling the Company to comply with the relevant laws.
7. Any person who seeks to contest election to the office of Director shall, whether he is retiring Director or otherwise, file with the Company, not later than fourteen days before the date of meeting a notice of his intention to offer himself for election as a director alongwith the following:
 - i) Form 28 - Consent to act as director prescribed under section 184 of Companies Ordinance, 1984.
 - ii) A detailed profile as required under SECP's SRO 25(I) 2012 dated January 16, 2012.
 - iii) Declaration confirming that:
 - a) He / she is a member of the Company. (Number of shares held alongwith the Folio number or CDC participant id / account number, be mentioned).
 - b) He / she is not ineligible to become a Director of the Company under any applicable laws and regulations.
 - c) He / she is not serving as a director in more than seven (7) listed companies including Bolan Castings Limited excluding the directorships in the listed subsidiaries of a listed holding company.
 - d) His / her name is borne on the register of national tax payers except if he / she is a non-resident. (National Tax Number (NTN) be mentioned, in the case of resident).
 - e) He / she has not defaulted in payment of any loan to a banking company, a Development Financial Institution or non Banking Financial Institution or being a member of a Stock Exchange has not been declared as a defaulter by that stock exchange.
 - f) He / she or his / her spouse is not engaged in the business of Stock brokerage and he / she is not a sponsor, director or officer of any corporate brokerage house.
8. Representation of independent non-executive directors including those representing minority interests on the Board of Directors of the Company is encouraged.
9. 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.
 - A. FOR ATTENDING THE MEETING :
 - i) 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.
 - ii) 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.
 - B. FOR APPOINTING PROXIES :
 - i) In case of individual, the account holder or sub account holder, shall submit the proxy form as per the above requirement.
 - ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv) The proxy shall produce his / her original CNIC or original passport at the time of the meeting.
 - v) 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. 5 and 6 of the Notice.

NOTICE OF ANNUAL GENERAL MEETING

- 1) Agenda Item No. 5 of the Notice - Transactions carried out with associated companies for the year ended 2014.

The transactions carried out in normal course of business with associated companies (Related Parties) were being approved by the Board as recommended by the Audit Committee on quarterly basis pursuant to clause 5.19.6 (b) of the Code of Corporate Governance, 2012.

During the 116th Board Meeting dated April 29, 2014, it was pointed out by the Directors that as the majority of Company Directors were interested in these transactions due to their common directorship and holding of shares in the associated companies, the quorum of directors could not be formed for approval of these transactions, therefore, these transactions had to be approved by the shareholders in the General Meeting.

In view of the above, the transactions conducted during the financial year ended June 30, 2014 with associated companies are being placed before the shareholders for their consideration and approval / ratification.

The Directors are interested in the resolution to the extent of their common directorships and shareholding in the associated companies.

- 2) Agenda Item No. 6 of the Notice - Authorization to CEO for the transactions carried out and to be carried out with associated companies during the year ending June 30, 2015.

The Company shall be conducting transactions with associated companies in the normal course of business. The majority of Directors are interested in these transactions due to their common directorship and shareholding in the associated companies. Therefore such transactions with associated companies have to be approved by the shareholders.

In order to compliance the provision of clause 5.19.6 (b) of the Code of Corporate Governance, 2012, the shareholders may authorize the Chief Executive to approve transactions carried out and to be carried out in normal course of business with associated companies during the year ending June 30, 2015.

The Directors are interested in the resolution to the extent of their common directorships and shareholding in the associated companies.

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 32nd 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 Tuesday October 28, 2014 at 11:30 hours.

Books Closure

The Share transfer books of BCL will remain closed from October 15, 2014 to October 28, 2014 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 October 14, 2014 shall be treated in time.

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

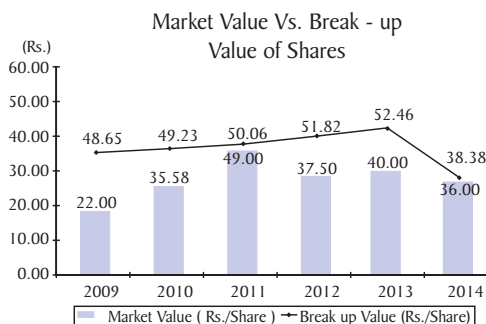
A wide range of information about BCL is available at Company's website, www.bolancastings.com.

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	2014		2013	
	High	Low	High	Low
First (July-Sep)	50.02	34.00	40.99	35.50
Second (Oct-Dec)	32.70	29.45	41.49	34.51
Third (Jan-Mar)	37.00	30.31	39.65	36.00
Fourth (Apr-June)	42.30	30.02	44.00	33.25



VERTICAL ANALYSIS

	2014		(Re-stated) 2013		(Re-stated) 2012	
	(Rs. 000)	%	(Rs. 000)	%	(Rs. 000)	%
Operating Results						
Net sales	1,111,227	100.0	1,745,974	100.0	1,724,539	100.0
Cost of sales	1,133,183	101.98	1,585,275	90.80	1,533,750	88.94
Admin, selling & distribution expenses	75,401	6.79	36,598	4.83	77,337	4.48
Other operating expenses	-	-	3,231	0.19	5,039	0.29
Investment income	743	0.07	14,088	0.85	1,076	0.06
Other income	12,622	1.14	9,711	0.51	9,845	0.57
Finance cost	62,353	5.61	49,354	2.83	50,330	2.92
Taxation	40,819	3.67	11,160	0.64	22,395	1.30
Profit / (loss) after taxation	(105,526)	(9.50)	22,261	1.27	46,608	2.70
Balance Sheet						
Property, plant and equipment	193,925	18.8	219,561	16.6	240,645	22.1
Long-term investments	12,219	1.2	14,088	1.1	8,338	0.8
Other non-current assets	61,897	6.0	18,343	1.4	19,261	1.8
Current assets	761,620	74.0	1,072,818	81.0	819,929	75.3
Total assets	1,029,661	100.0	1,324,810	100.0	1,088,173	100.0
Total Share holders' equity	440,311	42.8	547,125	41.3	540,444	49.7
Long-term deposits	3,852	0.4	4,895	0.4	5,178	0.5
Staff retirement benefits - obligations	21,846	2.1	18,834	1.4	12,162	1.1
Deferred taxation	-	-	19,557	1.5	25,477	2.3
Short-term debts	444,518	43.2	496,237	37.5	287,733	26.4
Trade creditors	106,267	10.3	209,770	15.8	207,838	19.1
Other current liabilities	12,867	1.2	28,392	2.1	9,341	0.9
Total liabilities	589,350	57.2	777,685	58.7	547,729	50.3
Total equity and liabilities	1,029,661	100	1,324,810	100	1,088,173	100
Cash Flow						
Cash generated from operations	138,717	282.6	(90,108)	43.7	7,127	(5)
Cash flow from/(used in) operating activities	46,340	94.4	(179,105)	86.9	(107,379)	69
Cash flow from/(used in) investing activities	2,742	5.6	(6,026)	2.9	(32,439)	21
Cash flow from/(used in) financing activities	-	-	(20,869)	10.1	(15,557)	10
Net increase/(decrease) in cash and cash equivalents	49,082.0	100.0	(206,001)	100.0	(155,376)	100

HORIZONTAL ANALYSIS

	2014 (Rs. 000)	Inc./ (dec.) vs last year figure %	(Re-stated) 2013 (Rs. 000)	Inc./ (dec.) vs last year figure %	(Re-stated) 2012 (Rs. 000)	Inc./ (dec.) vs last year figure %	2011 (Rs. 000)
Operating Results							
Net sales	1,111,227	(36.4)	1,745,974	1.2	1,724,539	(11.4)	1,946,677
Cost of sales	1,133,183	(28.5)	1,585,275	3.3	1,533,750	(10.4)	1,711,481
Gross profit / (loss)	(21,956)	(113.7)	160,699	(15.6)	190,789	(18.9)	235,196
Admin, selling & distribution expenses	75,401	(10.7)	84,404	9.1	77,337	(5.0)	81,439
Other operating expenses	-	(100)	3,231	(35.9)	5,039	(47.3)	9,556
Investment Income	743	(13.2)	856	(20.4)	1,076	0.1	1,075
Other income	12,622	42.5	8,855	(10.0)	9,845	(20.2)	12,344
Profit / (loss) before finance cost	(83,992)	(201.5)	82,775	(30.6)	119,334	(24.3)	157,621
Finance cost	62,353	26.3	49,354	(1.9)	50,330	48.8	33,822
Profit / (loss) before Taxation	(146,345)	(537.9)	33,421	(51.6)	69,003	(44.3)	123,799
Taxation	40,819	265.8	11,160	(50.2)	22,395	(50.9)	45,593
Profit / (loss) after taxation	(105,526)	(574.0)	22,261	(52.2)	46,608	(40.4)	78,205
Balance Sheet							
Property, plant and equipment	193,925	(11.7)	219,561	(8.8)	240,645	2.3	235,330
Long-term investments	12,219	(13.3)	14,088	69.0	8,338	(9.1)	9,171
Other non-current assets	61,897	237.4	18,343	(4.8)	19,261	277.3	5,106
Current assets	761,620	(29.0)	1,072,818	30.8	819,929	10.8	739,686
Total assets	1,029,661	(22.3)	1,324,810	21.7	1,088,173	10.0	989,293
Share capital	114,725	10.0	104,296	-	104,296	-	104,296
Reserves	325,586	(26.5)	442,829	1.5	436,148	4.4	417,849
Total Share holders' equity	440,311	(19.5)	547,125	1.2	540,444	3.5	522,145
Long term deposits	3,852	(21.3)	4,895	(5.5)	5,178	16.6	4,442
Staff retirement benefits - obligations	21,846	16.0	18,834	-	12,162	(65.9)	35,681
Deferred taxation	-	(100)	19,557.0	-	25,477	-	25,001
Short-term debts	444,518	(10.4)	496,237	72.5	287,733	95.3	147,361
Trade creditors	106,267	(49.3)	209,770	0.9	207,838	(16.2)	247,873
Other current liabilities	12,867	(54.7)	28,392	204.0	9,341	37.6	6,791
Total liabilities	589,350	(24.2)	777,685	42.0	547,729	17.2	467,148
Total equity and liabilities	1,029,661	(22.3)	1,324,810	21.7	1,088,173	10.0	989,293
Cash Flow							
Cash generated from operations	138,717	253.5	(90,373)	(1,368.1)	7,127	(97.4)	278,139
Cash flow from/(used in) operating activities	46,340	125.9	(179,106)	(66.8)	(107,379)	(157.7)	186,039
Cash flow from/(used in) investing activities	2,742	145.5	(6,026)	81.4	(32,439)	30.0	(24,950)
Cash flow from/(used in) financing activities	-	100.0	(20,869)	(34.1)	(15,557)	(79.0)	(73,927)
Net increase/(decrease) in cash and cash equivalents	49,082.0	123.8	(206,001.1)	(32.6)	(155,375.6)	(278.3)	87,161.8

DECADE AT A GLANCE

(Rupees in Thousand)

Year ended 30 th June	2,014	(Re-stated) 2013	(Re-stated) 2012	2011	2010	2009	2008	2007	2006	2005
INCOME										
Net sales	1,111,227	1,745,974	1,724,539	1,946,677	1,707,846	1,604,626	1,130,538	869,672	802,761	695,077
Gross profit / (loss)	(21,956)	160,699	190,789	235,196	239,562	164,253	113,943	109,174	122,819	98,780
Operating profit / (loss)	(83,992)	82,775	124,372	167,176	179,341	115,454	67,403	64,300	84,598	68,855
Profit / (loss) before tax	(146,345)	33,421	69,003	123,799	125,749	53,150	34,500	39,870	72,910	65,348
Profit / (loss) after tax	(105,526)	22,261	46,608	78,205	82,157	34,026	22,648	26,038	47,826	42,665
FINANCIAL POSITION										
Current assets	761,620	1,072,818	819,929	739,686	793,499	639,502	533,411	433,427	331,842	294,312
Less: Current liabilities	563,652	734,399	504,912	402,024	505,603	444,777	390,722	279,276	98,616	92,453
Net working capital	197,968	338,419	315,017	337,662	287,896	194,725	142,689	154,151	233,226	201,858
Property, plant and equipment	193,925	219,561	240,645	235,330	236,205	242,245	252,155	255,249	203,383	92,745
Others-non current assets	74,116	32,431	27,599	14,277	13,301	12,926	21,379	23,111	22,692	13,685
	466,009	590,411	583,261	587,268	537,401	449,896	416,223	432,510	459,301	308,288
Less: Long term debts	-	-	-	14,082	14,082	50,332	84,128	121,190	-	-
Other liabilities	25,698	43,286	42,817	65,124	56,510	51,450	30,952	23,028	13,397	11,695
Shareholders' equity	440,311	547,125	540,444	522,145	466,809	384,364	334,940	325,355	324,714	296,593
REPRESENTED BY:										
Share capital	114,725	104,296	104,296	104,296	94,814	79,012	60,778	55,253	55,253	55,253
General reserves	424,500	411,500	385,500	323,500	274,500	256,500	240,000	230,000	210,000	195,000
Unrealized gain on long term investment	6,719	8,588	2,838	3,671	2,838	2,550	11,463	13,475	11,247	3,325
Premium on issuance of right share	12,156	12,156	12,156	12,156	12,156	12,156	-	-	-	-
Unappropriated profit / (loss)	(117,789)	10,585	35,654	78,522	82,502	34,147	22,699	26,627	48,214	43,015
Net capital employed	440,311	547,125	540,444	522,145	466,809	384,364	334,940	325,355	324,714	296,593
SUMMARY OF CASH FLOWS										
Cash flows from operating activities	46,340	(179,106)	(107,379)	186,039	84,150	23,627	(45,964)	(51,536)	21,070	21,036
Cash used in investing activities	2,742	(6,026)	(32,439)	(24,950)	(20,710)	(17,776)	(23,737)	(67,612)	(121,156)	(16,303)
cash used in financing activities	-	(20,869)	(15,557)	(73,927)	-	(11,955)	(44,559)	(45,632)	91,148	(7,713)
Net change in cash and cash equivalents	49,082	(206,001)	(155,375)	87,161	(210,685)	(274,125)	(268,022)	(153,761)	11,019	19,957

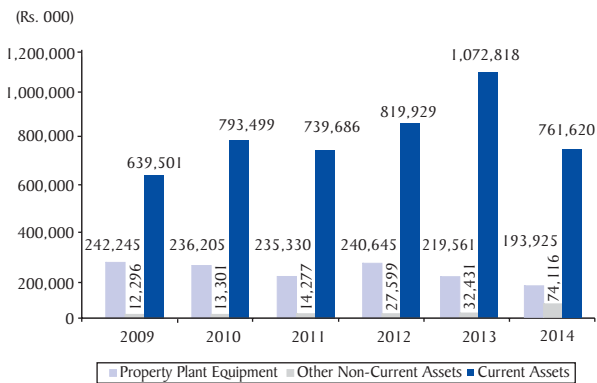
DECADE AT A GLANCE

(Rupees in Thousand)

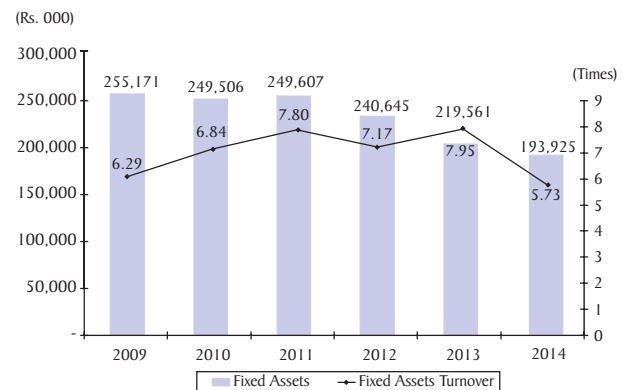
Year ended 30 th June	2,014	(Re-stated) 2013	(Re-stated) 2012	2011	2010	2009	2008	2007	2006	2005
PRODUCTION / SALES										
Production capacity installed (MT)	13,200	13,200	13,200	13,200	13,200	13,200	10,367	10,367	7,450	5,700
Production capacity attained (MT)	8,575	12,264	12,800	16,278	16,069	14,335	13,801	13,543	12,627	12,320
Capacity ratio (%)	65	93	97	123	122	109	133	131	169	216
Net sales (MT)	7,342	11,921	12,094	14,895	15,343	13,272	12,907	12,384	11,969	11,806
MARKET VALUE RATIOS										
Break up value of a share of Rs. 10/-each	38.38	52.46	51.82	50.06	49.23	48.65	55.11	58.88	58.77	53.68
Dividend (Rupees per share)	-	-	2	1.5	2.50	-	-	2.00	5.00	5.00
Dividend (%)	-	-	20	15	25	-	-	20	50	50
Bonus shares (%)	-	10	-	-	10	20	10	10	-	-
PROFITABILITY RATIOS										
Gross profit / (loss) ratio (%)	(1.98)	9.20	11.06	12.08	14.03	10.24	10.08	12.55	15.30	14.21
Profit / (loss) before tax to sales (%)	(13.17)	1.91	4.00	6.36	7.36	3.31	3.05	4.58	9.08	9.40
Profit / (Loss) after tax to sales (%)	(9.50)	1.27	2.70	4.02	4.81	2.12	2.00	2.99	5.96	6.14
Basic earnings per share - EPS (Rs.)	(9.20)	2.13	4.47	7.50	7.88	3.46	2.95	4.28	8.66	7.72
Earning yield - year end price (%)	(25.55)	5.34	11.92	15.30	22.14	15.73	5.49	6.12	9.41	11.35
Price earning ratio - year end price	(3.91)	20.62	8.39	6.53	4.52	6.36	18.22	16.34	10.62	8.81
EBITDA (%) (Earning before interest,tax, depreciation & amortization).	(5.37)	6.31	8.60	10.00	12.09	8.93	8.39	9.42	11.65	11.26
Dividend payout (%)	-	-	44.74	20.00	28.85	-	-	42.44	57.76	64.75
Dividend yield ratio (%)	-	-	5.33	3.06	7.03	-	-	2.60	5.43	7.35
Return on equity (%)	(23.97)	4.07	8.62	14.98	17.60	8.85	6.76	8.00	14.73	14.39
Return on assets %	(10.25)	1.68	4.28	7.91	7.88	3.80	2.81	3.64	8.57	10.65
Operating cycle	120.91	66.99	74.84	70.00	89.00	78.00	114.00	109.00	102.00	104.00
Dividend cover	-	-	2.24	5.00	3.47	-	-	2.36	1.73	1.54
LIQUIDITY RATIOS										
Current ratio	1.35:1	1.46:1	1.62:1	1.84:1	1.57:1	1.44:1	1.37:1	1.54:1	3.36:1	3.18:1
Quick ratio	0.50:1	0.91:1	0.71:1	1.12:1	1.19:1	1.10:1	0.96:1	0.62:1	1.54:1	1.68:1
ACTIVITY RATIOS										
Raw material inventory turnover - (days)	45	39	45	48	48	38	68	76	66	65
WIP inventory turnover - (days)	18	12	10	7	7	7	10	13	11	15
Finished goods inventory turnover - (days)	50	24	19	9	5	4	4	6	6	4
Debtors turnover ratio (days)	96	73	48	58	74	54	48	36	35	35
Assets turnover ratio %	0.93	0.76	0.63	1.97	1.64	1.79	1.40	1.22	1.44	1.73
Creditors turnover ratio (days)	88	81	47	63	44	24	25	29	28	29
Assets turnover - (times)	1.08	1.32	1.58	1.97	2	2	1	1	1	2
Fixed assets turnover - (times)	5.73	7.95	7.17	7.80	6.84	6.29	4.13	3.12	3.95	7.50
LEVERAGE RATIOS										
Equity turnover - (times)	2.52	3.19	3.19	3.73	3.66	4.17	3.38	2.67	2.47	2.34
Debt-equity ratio	-	-	-	-	3:97	4:96	13:87	21:79	27:73	-
SHARE PRICE- (RS.)										
Highest	50.02	44.00	50.90	52.25	63.06	64.60	84.00	114.65	98.70	87.85
Lowest	29.45	33.25	26.60	35.25	22.00	22.00	61.00	68.00	59.85	59.80
Average	39.73	38.63	38.75	43.75	42.53	43.30	73.06	91.33	79.28	73.83
At the year end	36.00	40.00	37.50	49.00	35.58	22.00	67.95	77.00	92.00	68.00

GRAPHICAL ILLUSTRATION

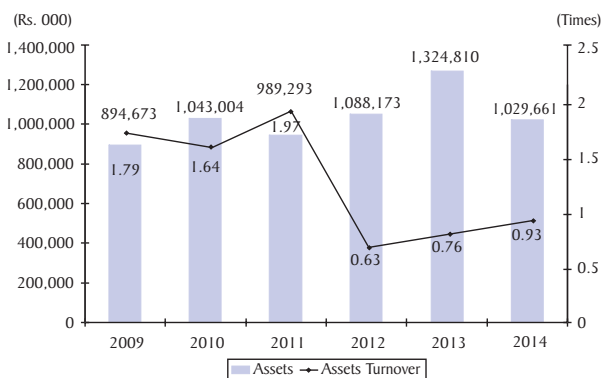
Total Assets



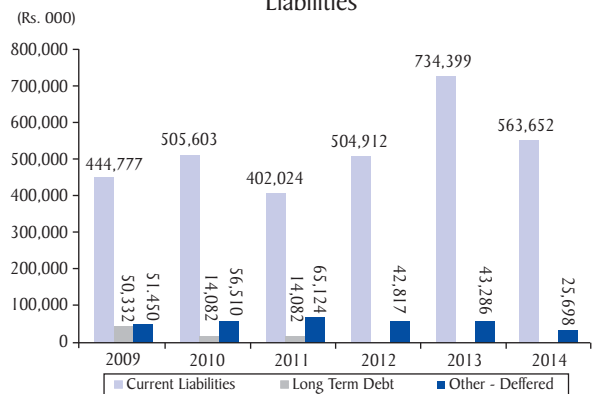
F. Assets - F. Assets Turnover



Assets - Assets Turnover

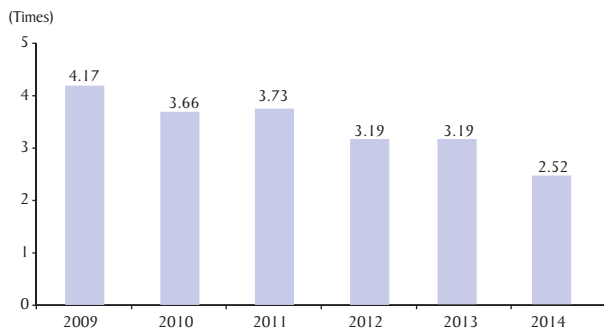


Liabilities



GRAPHICAL ILLUSTRATION

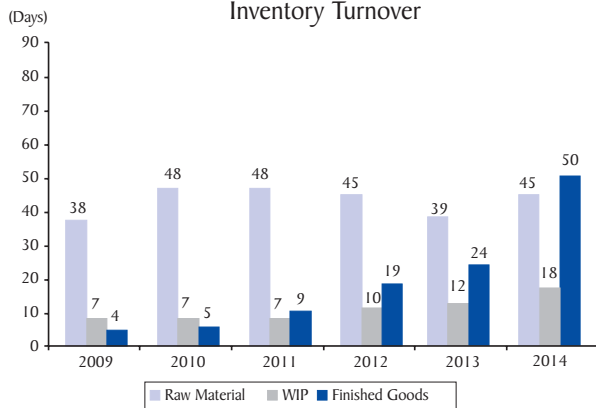
Equity Turnover



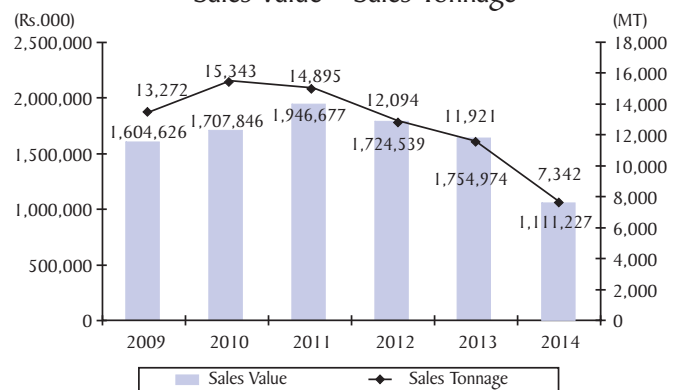
Debtor Turnover



Inventory Turnover



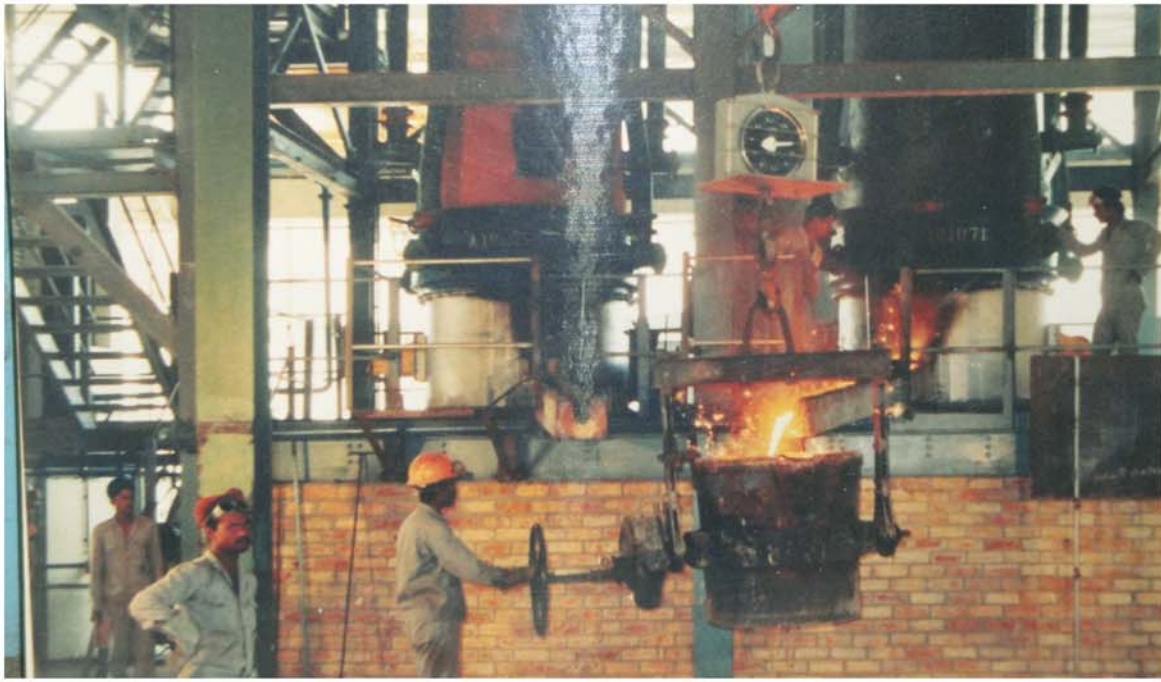
Sales Value – Sales Tonnage



STATEMENT OF VALUE ADDED AND ITS DISTRIBUTION

PARTICULARS	2014		2013	
	Rs. 000	%	Rs. 000	%
VALUE ADDITION				
Revenue Generated	1,111,227		1,745,974	
Bought-In Material and Services	(864,719)		(1,230,837)	
Other Income	13,365		9,712	
	<u>259,873</u>		<u>524,848</u>	
DISTRIBUTION TO:				
Employees				
Salaries, Wages and benefits	115,755	44.54	121,789	23.20
Workers Participation Fund	-	-	1,835	0.35
	<u>115,755</u>	<u>44.54</u>	<u>123,624</u>	<u>23.55</u>
Government				
Income Tax	(40,819)	(15.71)	11,160	2.13
Sales Tax	203,779	78.41	290,126	55.28
Special Excise Duty	-	-	-	-
Workers Welfare Fund	-	-	998	0.19
	<u>162,960</u>	<u>62.71</u>	<u>302,284</u>	<u>57.59</u>
Shareholders & Fund Providers				
Bonus Shares	-	-	10,429	1.99
Cash Dividend	-	-	-	-
Financial Charges	62,353	23.99	49,354	9.40
	<u>62,353</u>	<u>23.99</u>	<u>59,783</u>	<u>11.39</u>
Society				
Donation	-	-	-	-
Retained in Buisness / (Utilized in Operations)	(81,195)	(31.24)	39,157	7.46
	<u>259,873</u>	<u>100</u>	<u>524,848</u>	<u>100</u>

Melting Section



Shot Blast Machine



CHAIRMAN'S REVIEW



“The efforts are being made to explore the export market which has an enormous potential”

Dear Shareholders,

I am pleased to welcome you to the 32nd 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, 2014.

National Economic Review

The world economy after facing turbulent times in 2013 and 2014 is expected to resume its growth from later part of 2014.

The economic performance of Pakistan has also showed some signs of improvement in fiscal year 2014.

The GDP growth accelerated to 4.14 percent in 2013-14, against the growth of 3.7 percent recorded in the same period last year. The agriculture sector grew at the rate of 2.12 percent against the growth of 2.88 percent in the last year. The industrial sector expanded by 5.84 percent against the growth of 1.37 percent in last year, while large scale manufacturing posted a growth of 5.31 percent against the growth of 4.08 percent last year. The services sector grew at 4.29 percent as compared to 4.85 percent in last year.

The per capita income in dollar terms recorded a growth of 3.5 percent in 2013-14 as compared to 1.44 percent last year. The per capita income in dollar terms has reached to \$ 1,386 in 2013-14.

CHAIRMAN'S REVIEW

Business Review

Increase in sales tax on tractors from 10% to 16%, which came into effect from January 2014, followed by the speculations of its reduction, led to a drastic drop in the sales of tractors and tractors' castings as compared to last year. Further, the absence of subsidy schemes, by the federal and provincial governments has also adversely impacted by reducing the buying power of the farmers and resultantly scaling down the demand of tractors.

The above mentioned factors have severely hampered the sales and production of the Company and predominantly contributed toward the losses of the Company. During the year, your Company produced 8,575 M.T. of castings against 12,264 M.T. of last year. The tonnage net sales were 7,342 M.T. against 11,921 M.T. of last year.

Company's Performance

The sales revenues of the Company for the year under review amounted to Rs. 1,111.227 million as against Rs. 1,745.974 million of last year. The gross loss was Rs. 21.956 million as against gross profit of Rs. 160.699 million of last year.

The selling, distribution and administrative expenses were Rs. 75.401 million against Rs. 84.404 million of last year. The financial cost was Rs. 62.353 million against Rs. 49.354 million of last year.

The loss before tax was Rs. 146.345 million as against profit before tax of Rs. 33.421 million of last year. The loss after tax was Rs. 105.526 million against profit after tax of Rs. 22.261 million of last year.

The Company was not able to react timely towards the downward trend of tractor industry. However, corrective action has been initiated and it will have a positive impact in the next year's results.

Future Prospects

The Government's decision to reduce GST from 16 percent to 10 percent is a good omen, which coupled with the probable enhancement in tractor loaning by Zari Taraqjati Bank and other commercial banks would give an impetus to the crisis ridden tractor and its vending industry.

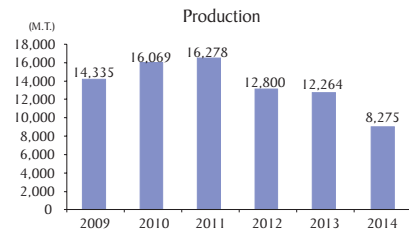
Additionally, it is envisaged that the government policies for development of agrarian economy, as announced in the Federal Budget for the financial year 2014-15, will extend good support to the agricultural sector. Being linked with agricultural sector, the tractor industry is expected to grow. The growth shall result into enhanced orders for tractor castings thereby enhancing possibility of additional sales orders for your Company.

The management is now concentrating on improving supply of tractors' castings in the most economical manner and keeping in view the quality for satisfaction of our customers. Further, the efforts are being made to explore the export market which has an enormous potential.

The above mentioned factors make us confident that the losses of our Company will turn into profit during the next financial year.

Contribution towards Economic Development and Self Reliance

The Company has contributed in 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 for success.

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

Acknowledgement

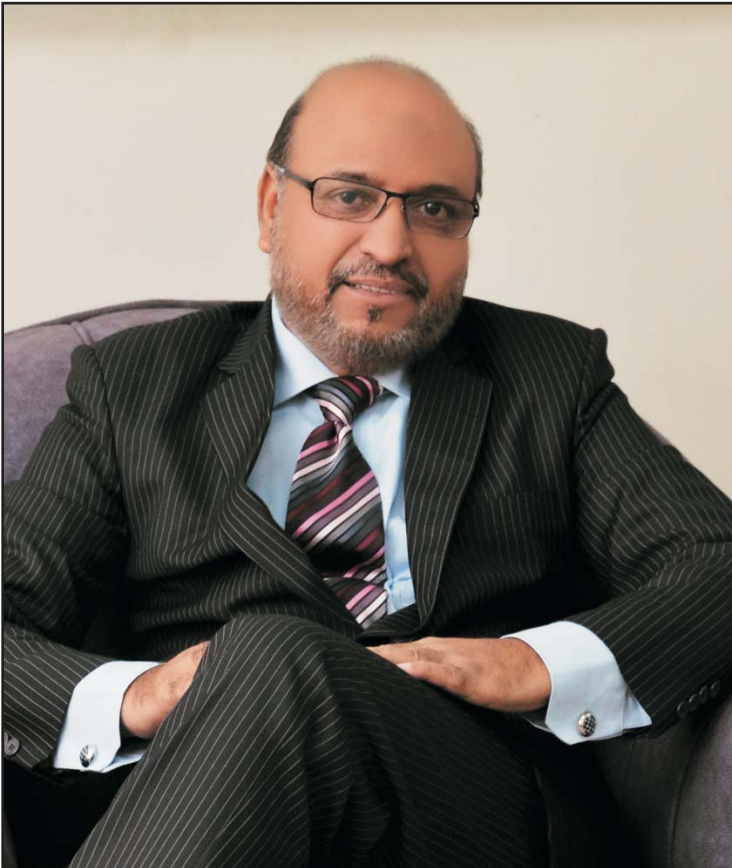
I am extremely grateful to our shareholders, customers, suppliers, contractors, bankers and other stakeholders for their enduring relationship and their continued support, confidence and co-operation which enabled us to battle through this difficult period.

I would like to appreciate the management and employees for their hard work, dedication and commitment.

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



"Games are won by players who focus on playing field, not by those whose eyes are glued to the score board"

(Warren Buffett)

Dear Shareholders

Directors of your Company have pleasure in presenting Annual Report and the Audited Financial Statements of the Company for financial year ended June 30, 2014.

Bolan Castings has been suffering from a chequered history of financial results since many years in the past, mainly due to Government's inconsistent taxation, tractor loaning and subsidized tractor import policies.

BCL is the largest manufacturer of Tractor castings in Pakistan, yet all these factors are frustrating and appear to have collectively resulted in a lack of confidence around our business. We had a drastic decline in our production and sales volume this year, as low as about 50% of our total capacity utilization.

Nevertheless, our primary economic asset is still our foundation technology operated by most experienced and qualified Human Resource. In addition we have taken some significant and tangible cost control measures in various areas of operations. We, thus, foresee many success reckoning milestones ahead in future years.

"YOU INVEST IN BUSINESS, NOT STOCKS."

DIRECTORS' REPORT

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.

Dividend & Appropriations

Keeping in view the losses incurred by the Company in the year ended June 30, 2014, the Board of Directors decided not to make any appropriation for the year 2014.

Following are the appropriations made during the year:

	(Rs.000)
Bonus shares issued for the year ended June 30, 2013	10,429
Transfer to general reserve	13,000

Loss Per Share

The loss per share for the year ended June 30, 2014 were Rs. 9.20 as against earnings of Rs. 1.94 per share 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

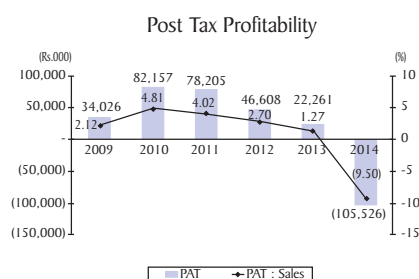
We attach great importance to the maintenance of a healthy living environment and consistently integrate the ideas and measures of environment protection. We encourage initiatives which benefit the environment. Our operations are conducted with the emphasis on compliance of regulatory requirements relating 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 filter bag,
- Closed cabin for shot blasting and sand plant, 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. We have a proper Safety Policy, duly regulated and certified by ISO 9001 : 2008 Quality Management System. BCL ensures availability at Plant of effective fire fighting system, Ventilation and Protection against direct heat from Sun in storage area of flammable material. Regular and real time fire fighting demonstration are taken as per Safety Policy. All necessary first aid facilities are available with qualified staff round the clock.



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 in Pakistan 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. 235.460 million to the national exchequer during the period by way of taxes and duties. This includes Rs. 28.489 million as income tax, Rs. 203.779 million as sales tax and Rs. 3.192 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.

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.

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.

DIRECTORS' REPORT

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.

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

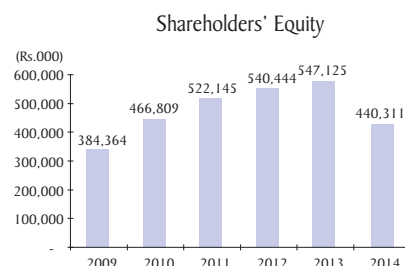
The Board is accountable to shareholders for ensuring that the Company is appropriately managed and achieves the strategic objectives it sets. The Board discharges those responsibilities through annual program of meetings.

The Board met four times during the financial year 2013-14. 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	3 of 4
Mr. Muhammad Imran Rafiq (NIT Nominee)	4 of 4

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.

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 financial statements. 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.

DIRECTORS' REPORT

Election of Directors

The existing elected directors of the Company are retiring in October 2014. Election of Directors for fresh term of three years is to take place at the ensuing AGM 2014, detail of which is given in the Notice of AGM.

Board Committees

In order to provide effective oversight and leadership the Board has established four 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 2014, the Committee met four 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 4
Mr. Latif Khalid Hashmi	4 of 4
Mr. Mian Muhammad Saleem	0 of 4
Mr. Javed Munir	3 of 4
Mr. Muhammad Imran Rafiq (NIT Nominee)	4 of 4

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 7
Mr. Latif Khalid Hashmi	7 of 7
Mr. Sohail Bashir Rana	2 of 7
Mr. Laeeq Uddin Ansari	1 of 7
Mr. Mian Muhammad Saleem	1 of 7

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.

Directors' Remuneration Committee

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.

DIRECTORS' REPORT

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. No meeting of the Committee was held during the year.

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	Independent Non-Executive Director
	(Rupees)	
Managerial remuneration	1,584	-
Bonus	117	-
Retirement benefits	147	-
House Rent	661	-
Utilities	993	-
Medical expenses	31	-
Fees	-	80
Others	543	-
	<u>4,076</u>	<u>80</u>
Number of person	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

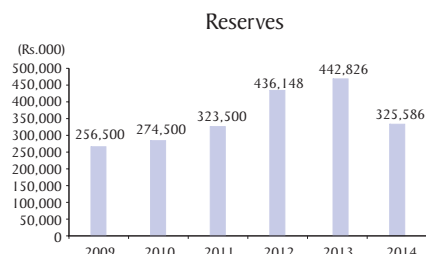
The directors are responsible for the Company's system of internal controls which aims to: safeguard the Company's assets; ensure that proper accounting records are maintained; ensure compliance with statutory and regulatory requirements; and ensure the effectiveness and efficiency of operations.

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;
- 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

The present auditors, M/s. A.F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment. The directors endorse recommendations of the audit committee for the re-appointment of M/s. A.F. Ferguson & Co., Chartered Accountants as the auditors for the financial year 2014-2015.

DIRECTORS' REPORT

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 31 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, 2014 (audit in progress) were as follows:

Provident Funds	Rs. 88.523 million
Gratuity Fund	Rs. 43.848 million
Pension Fund	Rs. 79.519 million

Trading in the Company Shares

The Directors, executives 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 September 09, 2014 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, 2014

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19 of the Karachi Stock Exchange Limited Regulations 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 5.19.1 (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 NBF. None of the directors is a member of any of the Stock Exchange.
4. No casual vacancy occurred in the Board during the year.
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. Five directors of the Company meet the exemption requirements of the Directors' Training Program and two directors have acquired certification under the said program. The training program for the remaining one director is planned to be arranged after the forthcoming election of directors in October 2014.
10. The Board has approved the appointment, remuneration and terms and conditions of employment of the Head of Internal Audit, CFO and Company Secretary. However, with effect from June 01, 2014, the CFO has resigned from the services and the appointment of new CFO is in process.
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 members, of whom one is independent director and four are non-executive directors including the Chairman of the Committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The Terms of Reference of the Committee have been formed and advised to the Committee for compliance. All the requirements of the CCG with respect to Audit Committee were complied with except that the Chairman Audit Committee was unable to attend the preceding Annual General Meeting of the Company. However, the Audit Committee was represented by its member on the Chairman's behalf.
17. The Board has formed a Human Resource (HR) and Remuneration Committee. It comprises three members, of whom two 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:
September 09, 2014



Sirajuddin Khan
Chief Executive



A.F FERGUSON & CO.

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Bolan Castings Limited for the year ended June 30, 2014 to comply with the Code contained in Regulation No. 5.19 of the Karachi Stock Exchange Limited Regulations where the Company is listed.

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

As a 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 of Directors' 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.

The Code required the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. 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 as applicable to the Company for the year ended June 30, 2014.

Further, we highlight below instance of non-compliance with the requirement of the Code as reflected in paragraph 16 in the Statement of Compliance:

- i- The Chairman Audit Committee shall be present at the Annual General Meeting (point reference 16 of the Statement).

A handwritten signature in blue ink, appearing to be 'A. Ferguson', written over a horizontal line.

Chartered Accountants
Karachi

Dated: September 25, 2014



A.F FERGUSON & CO.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Bolan Castings Limited as at 30 June 2014 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 accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except for the change as stated in note 4 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 2014 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The financial statements for the year ended 30 June 2013 were audited by another firm of Chartered Accountants whose report, dated 13 August 2013, expressed an unmodified opinion on those statements.

A handwritten signature in blue ink, appearing to be 'Farrukh Rehman', is written over a horizontal line.

Chartered Accountants
Karachi

Dated: September 25, 2014

Name of the engagement partner: Farrukh Rehman

BALANCE SHEET

AS AT JUNE 30, 2014

	Note	2014	(Re-stated) 2013	(Re-stated) July 1, 2012
ASSETS				
----- Rupees in thousand -----				
Non-current assets				
Property, plant and equipment	5	193,925	219,561	240,645
Intangible assets	6	443	685	-
Long term investment	7	12,219	14,088	8,338
Long term loans	8	847	848	857
Deferred taxation	9	41,533	-	-
Long term deposits		4,012	3,967	4,345
Staff retirement benefits - prepayment	10	15,062	12,843	14,059
		<u>268,041</u>	<u>251,992</u>	<u>268,244</u>
Current assets				
Stores, spare parts and loose tools	11	85,850	90,197	126,271
Stock in trade	12	391,174	312,184	334,938
Trade debts	13	121,387	460,908	241,557
Loans and advances	14	3,885	80,400	11,434
Deposits and short term prepayments	15	10,889	5,457	8,179
Other receivables	16	2,611	4,026	3,941
Refunds due from government - sales tax		20,132	-	-
Taxation - payments less provision		116,992	108,309	84,775
Cash and bank balances	17	8,700	11,337	8,834
		<u>761,620</u>	<u>1,072,818</u>	<u>819,929</u>
Total assets		<u>1,029,661</u>	<u>1,324,810</u>	<u>1,088,173</u>
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	18	114,725	104,296	104,296
Reserves	19	325,586	442,829	436,148
		<u>440,311</u>	<u>547,125</u>	<u>540,444</u>
LIABILITIES				
Non-current liabilities				
Long term deposits	20	3,852	4,895	5,178
Deferred taxation	9	-	19,557	25,477
Staff retirement benefits - obligations	10	21,846	18,834	12,162
		<u>25,698</u>	<u>43,286</u>	<u>42,817</u>
Current liabilities				
Trade and other payables	21	106,267	209,770	207,838
Current portion of long term deposits	20	1,345	1,006	789
Accrued mark-up		11,522	9,922	7,638
Short term borrowings	22	444,518	496,237	287,733
Sales tax payable		-	17,464	914
		<u>563,652</u>	<u>734,399</u>	<u>504,912</u>
Total liabilities		<u>589,350</u>	<u>777,685</u>	<u>547,729</u>
Contingencies and commitments	23			
Total equity and liabilities		<u>1,029,661</u>	<u>1,324,810</u>	<u>1,088,173</u>

The annexed notes 1 to 44 form an integral part of these financial statements


Chief Executive


Director

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	(Re-stated) 2013
		Rupees in thousand	
Sales	24	1,111,227	1,745,974
Cost of sales	25	(1,133,183)	(1,585,275)
Gross (loss) / profit		(21,956)	160,699
Distribution cost	26	(39,619)	(47,806)
Administrative expenses	27	(35,782)	(36,598)
Other operating expenses	28	-	(3,231)
Other income	29	13,365	9,711
(Loss) / profit from operations		(83,992)	82,775
Finance cost	30	(62,353)	(49,354)
(Loss) / profit before taxation		(146,345)	33,421
Taxation	31	40,819	(11,160)
(Loss) / profit after taxation		(105,526)	22,261
Earnings per share (Rupees) - Basic and diluted	32	(9.20)	1.94

The annexed notes 1 to 44 form an integral part of these financial statements


Chief Executive


Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2014

	2014	(Re-stated) 2013
	Rupees in thousand	
(Loss) / profit after taxation	(105,526)	22,261
Other comprehensive income		
Items that will not be reclassified to Profit and Loss		
Remeasurements of staff retirement benefits - note 10	116	(1,382)
Impact of deferred tax	465	911
	581	(471)
Items that may be subsequently reclassified to Profit and Loss		
Unrealised (loss) / gain on revaluation of available for sale investment - note 7	(1,869)	5,750
Total comprehensive (loss) / income for the year	<u>(106,814)</u>	<u>27,540</u>

The annexed notes 1 to 44 form an integral part of these financial statements


Chief Executive


Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	(Re-stated) 2013
Rupees in thousand			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	33	138,717	(90,373)
Decrease in long term loans		1	9
(Increase) / decrease in long term deposits - net		(749)	312
Income tax paid		(28,489)	(39,703)
Staff retirement benefits paid		(3,290)	(2,879)
Mark up paid		(59,850)	(46,472)
Net cash from / (used in) operating activities		46,340	(179,106)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,761)	(9,269)
Purchase of intangible assets		-	(725)
Proceeds from disposal of property, plant and equipment		4,760	3,091
Return received on savings accounts and deposits		312	446
Dividend income		431	431
Net cash generated from / (used in) investing activities		2,742	(6,026)
CASH USED IN FINANCING ACTIVITIES			
Dividends paid		-	(20,869)
Net increase / (decrease) in cash and cash equivalents		49,082	(206,001)
Cash and cash equivalents at the beginning of the year		(486,465)	(280,464)
Cash and cash equivalents at the end of the year	34	(437,383)	(486,465)

The annexed notes 1 to 44 form an integral part of these financial statements


Chief Executive


Director

STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2014

	Reserves					Sub Total	Total
	Capital		Revenue				
	Share Capital	Share premium	General	Unappropriated Profit / (Accumulated loss)	Gain on revaluation of available for sale investment		
	------(Rupees in thousand)-----						
Balance as at July 1, 2012 - as previously reported	104,296	12,156	385,500	47,486	2,838	447,980	552,276
Effect of change in accounting policy with respect to accounting for recognition of actuarial losses on defined benefit plan - net of tax - note 4	-	-	-	(11,832)	-	(11,832)	(11,832)
Balance as at July 1, 2012 - restated	104,296	12,156	385,500	35,654	2,838	436,148	540,444
Final dividend for the year ended June 30, 2012 @ Rs 2 per share	-	-	-	(20,859)	-	(20,859)	(20,859)
Total comprehensive income for the year ended June 30, 2013 - restated							
- Profit for the year ended June 30, 2013	-	-	-	22,261	-	22,261	22,261
- Other comprehensive income for the year ended June 30, 2013	-	-	-	(471)	5,750	5,279	5,279
	-	-	-	21,790	5,750	27,540	27,540
Transfer to general reserve	-	-	26,000	(26,000)	-	-	-
Balance as at June 30, 2013 - restated	104,296	12,156	411,500	10,585	8,588	442,829	547,125
Issue of bonus shares @ 10% for the year ended June 30, 2013	10,429	-	-	(10,429)	-	(10,429)	-
Total comprehensive loss for the year ended June 30, 2014							
- Loss for the year ended June 30, 2014	-	-	-	(105,526)	-	(105,526)	(105,526)
- Other comprehensive loss for the year ended June 30, 2014	-	-	-	581	(1,869)	(1,288)	(1,288)
	-	-	-	(104,945)	(1,869)	(106,814)	(106,814)
Transfer to general reserve	-	-	13,000	(13,000)	-	-	-
Balance as at June 30, 2014	114,725	12,156	424,500	(117,789)	6,719	325,586	440,311

The annexed notes 1 to 44 form an integral part of these financial statements


Chief Executive


Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

1. THE COMPANY AND ITS OPERATIONS

Bolan Castings Limited (the Company) is a public limited company incorporated and domiciled in Pakistan and 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. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

2.1.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.1.2 Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

The amendments to following standard have been adopted by the Company for the first time for the financial year beginning on July 1, 2013:

IAS 19, 'Employee benefits' was revised in June 2011. The changes on the Company's accounting policies are to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). See note 4 for the impact on the financial statements.

b) Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

The new standards, amendments and interpretations that are mandatory for accounting periods beginning on July 1, 2013 are considered not to be relevant for the Company's financial statements and hence have not been detailed in these financial statements.

c) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant

There are no new standards, amendments to existing approved accounting standards and new interpretations that are not yet effective that would be expected to have a material impact on the financial statements of the Company.

2.2 Overall valuation policy

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policy notes.

2.3 Property, plant and equipment and depreciation

Property, plant and equipment is stated at cost less depreciation except capital work in progress which is stated at cost. Depreciation is calculated using the reducing balance method at the rates given in note 5 to the financial statements. Depreciation on additions is charged from the month in which the asset is put to use and on disposals up to the month immediately preceding the disposal. Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

Gains and losses on disposal of property, plant and equipment are recognised in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

2.4 Intangible assets and amortisation

An intangible asset is recognised if it is probable that future economic benefits attributable to the asset will flow to the Company and that the cost of such asset can be measured reliably. These are stated at cost less accumulated amortisation and impairment, if any.

Costs that are directly associated with identifiable software and have probable economic benefits exceeding the cost beyond one year, are recognised as intangible assets. Direct costs include the purchase cost of the intangible asset, implementation cost and related overhead cost.

Intangible assets are amortised using the straight-line method over a period of three years or license period, whichever is shorter.

The carrying value of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount.

2.5 Investments

The Company determines the appropriate classification of its investment at the time of purchase.

Investment in securities which are intended to be held for an undefined period of time are classified as available for sale. These are initially measured at fair value including the transaction costs. Subsequent measurement of investments whose fair value can be reliably measured is stated at fair value with gains or losses taken to other comprehensive income.

2.6 Taxation

2.6.1 Current

The charge for current taxation is based on the taxable income for the year, determined in accordance with the prevailing law for taxation on income, using prevailing tax rates after taking into account tax credits and rebates available, if any.

2.6.2 Deferred

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

Deferred tax is charged or credited in the profit and loss account. Deferred tax is determined using tax rates and prevailing law for taxation on income that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

2.7 Stores, spare parts and loose tools

Stores, spare parts and loose tools, except items in transit, are stated at moving average cost. Cost comprises invoice value and other direct costs. Provision is made for slow moving and obsolete items wherever necessary.

Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

2.8 Stock in trade

Stock in trade is valued at the lower of cost and net realisable value. Cost of raw material and work in process is determined using the weighted average basis and cost of finished goods is determined using the First In First Out (FIFO) method. Cost for stock in transit represents invoice value and other charges paid thereon. Cost of work in process and finished goods include cost of raw materials and appropriate portion of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less cost necessarily to be incurred in order to make sale.

NOTES TO THE FINANCIAL STATEMENTS

2.9 Trade and other receivables

Trade debts and other receivables are carried at invoice value less a provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written-off.

2.10 Staff retirement and other benefits

2.10.1 Defined contribution plans

A defined contribution plan is a plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due.

The Company operates an approved contributory provident fund for all eligible employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 10% per annum of the basic salary.

2.10.2 Defined benefit plans

Defined benefit plans define an amount of pension or gratuity that an employee will receive on or after retirement, usually dependent on one or more factors, such as age, years of service and compensation. A defined benefit plan is a plan that is not a defined contribution plan. The liability recognised in the balance sheet in respect of defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuary using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high quality corporate bonds or the market rates on Government bonds. These are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation.

The Company operates the following schemes:

- i) Funded pension scheme for all of the Company's eligible employees. Contributions are made to the fund on the basis of the actuarial valuation. The latest actuarial valuation was carried out as at June 30, 2014, using the 'Projected Unit Credit Method'.
- ii) Funded gratuity scheme for all of the Company's eligible executive employees. Provisions are made annually to cover obligations under the scheme, as per actuarial valuation. The most recent valuation of the scheme was carried out as at June 30, 2014, using the 'Projected Unit Credit Method'.
- iii) Unfunded gratuity scheme for all of the Company's eligible non-executive employees. Provisions are made annually to cover obligations under the scheme, as per actuarial valuation. The most recent valuation of the scheme was carried out as at June 30, 2014, using the 'Projected Unit Credit Method'.

The amount arising as a result of remeasurements are recognised in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

Past service costs are recognised immediately in income.

2.10.3 Compensated absences

The Company accounts for compensated absences of its employees on unavailed balance of leave in the period in which the leave is earned.

2.11 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, balances with banks on current, savings and deposit accounts, short-term investments with original maturities of three months or less, running finance under mark-up arrangements and short-term finance.

NOTES TO THE FINANCIAL STATEMENTS

2.12 Impairment

2.12.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The Company considers evidence of impairment for receivable and other financial assets at specific asset levels. Losses are recognised as an expense in the profit and loss account. When a subsequent event causes the amount of impairment loss to decrease, this reduction is reversed through the profit and loss account.

2.12.2 Non-financial assets

The carrying amounts of non-financial assets, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised as an expense in the profit and loss account for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessment of the time value of money and the risk specific to the assets.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.13 Trade and other payables

Trade and other payables are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

2.14 Provisions

Provisions are recognised in the balance sheet when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

2.15 Revenue recognition

Revenue is recognised to the extent 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 / Interest on bank deposits are recognised on accrual basis.

2.16 Dividends and appropriation to general reserve

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

NOTES TO THE FINANCIAL STATEMENTS

2.17 Foreign currency transactions and translation

Foreign currency transactions are converted into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses are taken to income.

2.18 Financial assets and liabilities

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be.

Financial assets and liabilities are off set and the net amount is reported in the balance sheet if the Company has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.19 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the functional currency of the Company and figures are rounded off to the nearest thousands of Rupees.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

i. Taxation

The Company recognises provision for income tax based on best current estimates. However, where the final tax outcome is different from the amounts that were initially recorded, such differences impact the income tax provision in the period in which such determination is made.

ii. Defined benefit plans

Significant estimates relating to post employment benefits are disclosed in note 4.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management believes that the change in outcome of estimates would not have a material impact on the amounts disclosed in the financial statements.

No critical judgment has been used in applying accounting policies.

4. CHANGE IN ACCOUNTING POLICY

IAS 19 (revised) - 'Employee Benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for employee benefits. The standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

NOTES TO THE FINANCIAL STATEMENTS

Further, a new term 'Remeasurements' has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The standard requires 'Remeasurements' to be recognised in the balance sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

Following the application of IAS 19 (Amendment) - 'Employee Benefits', the Company's policy for Staff Retirement Benefits in respect of 'Remeasurements' stands amended as follows:

- The amount arising as a result of remeasurements are recognised in the balance sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.
- The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The Company's financial statements are affected by the 'remeasurements' relating to prior years. The effects have been summarised below:

	June 30, 2013	July 1, 2012
	(Rupees in thousand)	
Impact on Balance Sheet		
Decrease in staff retirement benefits - prepayments	<u>19,586</u>	<u>17,927</u>
Decrease in deferred taxation	<u>6,659</u>	<u>6,095</u>
Decrease in reserves	<u>12,927</u>	<u>11,832</u>
Impact on Statement of Changes in Equity		
Decrease in unappropriated profit		
- Cumulative effect from prior years	<u>-</u>	<u>11,832</u>
- Impact for the year ended	<u>1,095</u>	<u>-</u>
Impact on Profit and Loss		
Increase in cost of sales	<u>247</u>	
Decrease in distribution costs	<u>37</u>	
Increase in administrative expenses	<u>68</u>	
Increase in deferred tax expense	<u>346</u>	
Impact on Other Comprehensive Income		
Items that will not be reclassified to Profit and Loss Account		
Decrease in remeasurements of post employment benefit obligations - net of tax	<u>471</u>	

NOTES TO THE FINANCIAL STATEMENTS

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Building on freehold land	Plant and machinery	Electrical and gas installations	Furniture and fittings	Electrical appliances	Office equipments	Computers	Motor vehicles	Total
----- Rupees in thousand -----										
Year ended June 30, 2014										
Opening net book value	2,679	27,278	143,016	16,187	1,184	3,354	664	1,011	24,188	219,561
Additions (at cost)	-	41	1,776	-	-	48	-	-	896	2,761
Disposals (at NBV)	-	-	-	-	(2)	-	(108)	-	(2,879)	(2,989)
Write off (at NBV)	-	-	(179)	(1)	(558)	(497)	(31)	(53)	-	(1,319)
Depreciation charge	-	(2,731)	(14,318)	(1,619)	(73)	(295)	(58)	(304)	(4,691)	(24,089)
Closing net book value	<u>2,679</u>	<u>24,588</u>	<u>130,295</u>	<u>14,567</u>	<u>551</u>	<u>2,610</u>	<u>467</u>	<u>654</u>	<u>17,514</u>	<u>193,925</u>
At June 30, 2014										
Cost	2,679	81,814	472,403	34,704	1,357	5,695	1,660	5,308	39,887	645,507
Accumulated depreciation	-	(57,226)	(342,108)	(20,137)	(806)	(3,085)	(1,193)	(4,654)	(22,373)	(451,582)
Net book value	<u>2,679</u>	<u>24,588</u>	<u>130,295</u>	<u>14,567</u>	<u>551</u>	<u>2,610</u>	<u>467</u>	<u>654</u>	<u>17,514</u>	<u>193,925</u>
Year ended June 30, 2013										
Opening net book value	2,679	28,678	157,160	17,550	1,275	3,071	737	617	28,878	240,645
Additions (at cost)	-	1,508	1,742	413	94	642	-	669	4,201	9,269
Disposals (at NBV)	-	-	-	-	(57)	(7)	-	(76)	(2,928)	(3,068)
Depreciation charge	-	(2,908)	(15,886)	(1,776)	(128)	(352)	(73)	(199)	(5,963)	(27,285)
Closing net book value	<u>2,679</u>	<u>27,278</u>	<u>143,016</u>	<u>16,187</u>	<u>1,184</u>	<u>3,354</u>	<u>664</u>	<u>1,011</u>	<u>24,188</u>	<u>219,561</u>
At June 30, 2013										
Cost	2,679	81,773	471,953	34,713	2,927	6,782	2,260	5,568	48,490	657,145
Accumulated depreciation	-	(54,495)	(328,937)	(18,526)	(1,743)	(3,428)	(1,596)	(4,557)	(24,302)	(437,584)
Net book value	<u>2,679</u>	<u>27,278</u>	<u>143,016</u>	<u>16,187</u>	<u>1,184</u>	<u>3,354</u>	<u>664</u>	<u>1,011</u>	<u>24,188</u>	<u>219,561</u>
Depreciation rate per annum %	-	10	10	10	10	10	10	30	20	

5.1 The details of operating assets sold are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Purchaser
----- Rupees in thousand -----						
Motor Vehicle	1,060	742	318	318	Company Policy	Mr. S.M. Zakauallah - Executive
"	726	275	451	451	"	Mr. Rafat Ullah Khan - Ex Employee
"	687	237	450	450	"	Mr. Muhammad Masood - Ex Employee
"	630	339	291	291	"	Mr. Ghayoor-Ul-Hassan - Ex Employee
"	507	373	134	134	"	Mr. Aftab Ahmed - Employee
"	495	367	128	127	"	Mr. Mohammad Niaz - Employee
"	492	365	127	126	"	Mr. Muhammad Kaleem Khan - Employee
"	480	341	139	139	"	Mr. Muhammad Ayub - Ex employee
"	480	354	126	126	"	Mr. Ali Hasan - Employee
"	68	10	58	61	Insurance Claim	Adamjee Insurance Company Limited
"	68	15	53	61	"	Adamjee Insurance Company Limited
"	1,189	1,032	157	622	Auction	Mr. Mursleen Khan
"	404	351	53	353	"	Mr. Muhammad Ramzan
"	400	339	61	302	"	Mr. Muhammad Azhar Khan
Office Equipment	250	183	67	3	"	Mr. Hikmatullah
	<u>7,936</u>	<u>5,323</u>	<u>2,613</u>	<u>3,564</u>		
Aggregate of assets having book value of less than Rs. 50,000 each						
Motor Vehicles	1,812	1,479	333	1,193		
Office Equipments	163	122	41	3		
Furniture and Fittings	4	2	2	-		
	<u>1,979</u>	<u>1,603</u>	<u>376</u>	<u>1,196</u>		
2014	<u>9,915</u>	<u>6,926</u>	<u>2,989</u>	<u>4,760</u>		
2013	<u>7,171</u>	<u>4,103</u>	<u>3,068</u>	<u>3,091</u>		

NOTES TO THE FINANCIAL STATEMENTS

	2014	2013
	Rupees in thousand	
6. INTANGIBLE ASSETS – Computer softwares		
Net carrying value		
Balance at beginning of the year	685	-
Additions during the year	-	725
Amortisation for the year	(242)	(40)
Balance at end of the year	<u>443</u>	<u>685</u>
Gross carrying value		
Cost	1,713	1,713
Accumulated amortisation	(1,270)	(1,028)
Net book value	<u>443</u>	<u>685</u>

Amortisation is charged at the rate of 33.33% per annum.

7. LONG TERM INVESTMENT

Available for sale

Baluchistan Wheels Limited

Balance at the beginning of the year	14,088	8,338
Unrealised (loss) / gain on revaluation - transferred to equity	(1,869)	5,750
Balance at the end of the year	<u>12,219</u>	<u>14,088</u>

Represents investment in 287,500 (2013: 287,500) quoted ordinary shares of Rs. 10/- each of Baluchistan Wheels Limited. Equity held 2.16% (2013: 2.16%).

	2014	2013
	Rupees in thousand	
8. LONG TERM LOANS - considered good and secured		
Employees - note 8.1 and 8.2	1,510	1,520
Current portion of loans to employees	(663)	(672)
	<u>847</u>	<u>848</u>
8.1 Reconciliation of carrying amount of loans to employees:		
- opening balances	1,520	1,522
- disbursements	850	900
- repayments	(860)	(902)
	<u>1,510</u>	<u>1,520</u>

8.2 Represents 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.

NOTES TO THE FINANCIAL STATEMENTS

	2014	(Re-stated) 2013	(Re-stated) July 1, 2012
9. DEFERRED TAXATION			
	----- Rupees in thousand -----		
Credit balance arising in respect of:			
- accelerated tax depreciation allowance	(34,729)	(37,656)	(41,057)
Debit balance arising in respect of:			
- provision for slow moving stores, spare parts and loose tools	352	352	-
- provision for slow moving stock in trade	117	117	-
- provision for doubtful debts	1,187	1,188	1,245
- provision for retirement benefit obligations	16,942	16,442	13,673
- carried forward losses	46,449	-	-
- minimum tax credit	11,215	-	662
	76,262	18,099	15,580
	<u>41,533</u>	<u>(19,557)</u>	<u>(25,477)</u>

9.1 The management believes, based on future projections, that the Company would earn sufficient taxable profits in future years to set off its carried forward losses and minimum tax paid. The determination of such future taxable profits is most sensitive to certain key assumptions such as revenue growth, gross margin percentages and inflation. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.

10. STAFF RETIREMENT BENEFITS

10.1 As stated in note 2.10, the Company operates three defined benefit plans (The Plans) namely approved funded defined benefit executives' gratuity scheme for all eligible executive employees, approved funded defined benefit pension scheme for all eligible employees and unfunded defined benefit non-executives' gratuity scheme for all eligible non-executive employees. Actuarial valuation of the these plans is carried out every year and the latest actuarial valuation was carried out as at June 30, 2014.

10.2 Plan assets held in trusts are governed by local regulations which mainly includes Trust Act, 1882, Companies Ordinance, 1984, Income Tax Rules, 2002 and Rules under the Trust deeds of the Plans. Responsibility for governance of the Plans, including investment decisions and contribution schedules, lies with the Board of Trustees. The Company appoints the trustees and all trustees are employees of the Company.

10.3 The latest actuarial valuation of the plans as at June 30, 2014 was carried out using the Projected Unit Credit Method. Details of the plans as per the actuarial valuation are as follows:

2014			(Re-stated) 2013		
Funded		Un-Funded	Funded		Un-Funded
Pension	Executives' Gratuity	Non- Executives' Gratuity	Pension	Executives' Gratuity	Non- Executives' Gratuity
----- Rupees in thousand -----			----- Rupees in thousand -----		

10.4 Balance sheet reconciliation

Present value of defined benefit obligation at June 30 - note 10.5	(75,020)	(48,771)	(19,177)	(73,484)	(46,758)	(18,834)
Fair value of plan assets at June 30 - note 10.6	90,082	46,102	-	82,227	50,858	-
Surplus / (deficit)	<u>15,062</u>	<u>(2,669)</u>	<u>(19,177)</u>	<u>8,743</u>	<u>4,100</u>	<u>(18,834)</u>

NOTES TO THE FINANCIAL STATEMENTS

	2014			(Re-stated) 2013		
	Funded		Un-Funded	Funded		Un-Funded
	Pension	Executives' Gratuity	Non- Executives' Gratuity	Pension	Executives' Gratuity	Non- Executives' Gratuity
----- Rupees in thousand -----			----- Rupees in thousand -----			
10.5	Movement in the Present value of defined benefit obligation					
Balances as at July 1	73,484	46,758	18,834	64,756	45,302	12,162
Benefits paid by the plan	(3,362)	(9,293)	(1,123)	(2,676)	(3,747)	(719)
Current service costs	1,341	1,735	882	1,181	1,669	643
Past service cost	-	-	-	-	-	4,831
Interest cost	8,616	4,954	2,069	7,927	5,230	3,211
Remeasurement	(6,019)	4,617	(1,485)	1,335	(1,696)	(1,294)
Employee Contributions	960	-	-	961	-	-
Balance as at June 30	<u>75,020</u>	<u>48,771</u>	<u>19,177</u>	<u>73,484</u>	<u>46,758</u>	<u>18,834</u>
10.6	Movement in the Fair value of plan assets					
Balance as at July 1	82,227	50,858		73,901	50,215	
Contributions paid into the plan	2,167	-		2,160	-	
Benefits paid by the plan	(3,362)	(9,293)		(2,676)	(3,747)	
Interest income	9,854	5,544		9,265	6,043	
Remeasurement	(1,764)	(1,007)		(1,384)	(1,653)	
Employee Contributions	960	-		961	-	
Balance as at June 30	<u>90,082</u>	<u>46,102</u>		<u>82,227</u>	<u>50,858</u>	
10.7	Expense recognised in profit and loss account					
Current service costs	1,341	1,735	882	1,181	1,669	643
Past service costs	-	-	-	-	-	4,831
Net Interest (income) / cost	(1,238)	(590)	2,069	(1,338)	(813)	3,211
Expense / (income) recognised in profit and loss account	<u>103</u>	<u>1,145</u>	<u>2,951</u>	<u>(157)</u>	<u>856</u>	<u>8,685</u>
10.8	Remeasurement recognised in Other Comprehensive Income					
Experience (gain) / losses	(6,019)	4,617	(1,485)	1,335	(1,696)	(1,294)
Remeasurement of fair value of plan assets	1,764	1,007	-	1,384	1,653	-
Remeasurements	<u>(4,255)</u>	<u>5,624</u>	<u>(1,485)</u>	<u>2,719</u>	<u>(43)</u>	<u>(1,294)</u>

NOTES TO THE FINANCIAL STATEMENTS

	2014			(Re-stated) 2013		
	Funded		Un-Funded	Funded		Un-Funded
	Pension	Executives' Gratuity	Non- Executives' Gratuity	Pension	Executives' Gratuity	Non- Executives' Gratuity
	----- Rupees in thousand -----			----- Rupees in thousand -----		
10.9	Net recognised (asset) / liability					
Net recognised (asset) / liability as at July 1	(8,743)	(4,100)	18,834	(9,145)	(4,913)	12,162
Expense / (income) recognised in profit and loss account	103	1,145	2,951	(157)	856	8,685
Contribution made during the year to the Fund	(2,167)	-	(1,123)	(2,160)	-	(719)
Remeasurements recognised in Other Comprehensive Income	(4,255)	5,624	(1,485)	2,719	(43)	(1,294)
Recognised (asset) / liability as at June 30	<u>(15,062)</u>	<u>2,669</u>	<u>19,177</u>	<u>(8,743)</u>	<u>(4,100)</u>	<u>18,834</u>
10.10	Plan assets comprises of following:					
Debt instruments	76,860	33,617		68,391	40,010	
Equity and mutual funds	12,866	10,562		13,370	10,665	
Cash at Bank	356	1,923		466	183	
Total as at June 30	<u>90,082</u>	<u>46,102</u>		<u>82,227</u>	<u>50,858</u>	
10.11	Actuarial assumptions					
Discount rate at June 30	13.50%	13.50%	13.25%	12.00%	12.00%	
Future salary increases	13.25%	13.50%	13.25%	12.00%	12.00%	
Future pension increases	0.00%	-	-	0.00%	-	

10.12 Mortality was assumed to be SLIC (2001-05) table.

10.13 In case of the funded plans, the Company ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the Retirement benefit plan. Within this framework, the Company's ALM objective is to match assets to the retirement benefit obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due. The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the Retirement benefit plan obligations. The Company has not changed the processes used to manage its risks from previous periods. The Company does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2014 and 2013 consists of government bonds and term deposits. The Company believes that government bond offer the best returns over the long term with an acceptable level of risk.

10.14 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

The Company's contribution to the pension fund and executives' gratuity fund for the year ending June 30, 2015 is expected to be Nil and Rs 1.02 million, respectively.

The actuary conducts separate valuations for calculating contribution rates and the Company contributes to the pension and gratuity funds according to the actuary's advice. Expense of the defined benefit plan is calculated by the actuary.

NOTES TO THE FINANCIAL STATEMENTS

10.15 Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
----- Rupees in thousand -----			
Discount rate at June 30	1.00%	(7,382)	7,974
Future salary increases	1.00%	5,558	(5,491)

There is no significant change in the obligation if life expectancy increases by 1 year.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liabilities recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

10.16 Historical information for the five years is as follows:

	2014	2013	2012	2011	2010
----- Rupees in thousand -----					
Pension fund					
Fair value of plan assets	90,082	82,227	73,901	71,601	60,965
Present value of the defined benefit obligation	<u>(75,020)</u>	<u>(73,484)</u>	<u>(64,756)</u>	<u>(56,536)</u>	<u>(48,495)</u>
Surplus	<u>15,062</u>	<u>8,743</u>	<u>9,145</u>	<u>15,065</u>	<u>12,470</u>
Experience adjustments on plan liabilities - (gain) / loss	<u>(6,019)</u>	<u>1,335</u>	<u>729</u>	<u>1,684</u>	<u>(685)</u>
Experience adjustments on plan assets - (loss) / gain	<u>(1,764)</u>	<u>(1,384)</u>	<u>(8,380)</u>	<u>1,575</u>	<u>(2,791)</u>
Executives' gratuity fund					
Fair value of plan assets	46,102	50,858	50,215	49,843	49,318
Present value of the defined benefit obligation	<u>(48,771)</u>	<u>(46,758)</u>	<u>(45,302)</u>	<u>(34,764)</u>	<u>(37,316)</u>
(Deficit) / Surplus	<u>(2,669)</u>	<u>4,100</u>	<u>4,913</u>	<u>15,079</u>	<u>12,002</u>
Experience adjustments on plan obligations - loss / (gain)	<u>4,617</u>	<u>(1,696)</u>	<u>(5,637)</u>	<u>4,097</u>	<u>1,018</u>
Experience adjustments on plan assets - (loss) / gain	<u>(1,007)</u>	<u>(1,653)</u>	<u>(5,266)</u>	<u>7,031</u>	<u>2,290</u>
Non-Executives' gratuity fund					
Present value of the defined benefit obligation	<u>(19,177)</u>	<u>(18,834)</u>	<u>(12,162)</u>	<u>(19,366)</u>	<u>(11,082)</u>
Experience adjustments on plan obligations - loss / (gain)	<u>(1,485)</u>	<u>(1,294)</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

10.17 The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the fund, at the beginning of the period, for returns over the entire life of related obligation.

10.18 The weighted average duration of the plans are as follows:

	No. of years
Pension fund	13.0
Executives' gratuity fund	10.1
Non-executives' gratuity	6.0

10.19 Figures in this note are based on the latest actuarial valuation carried out as at June 30, 2014.

	2014	2013
	Rupees in thousand	
11. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores (including in transit Nil; 2013: Rs. 3.88 million)	20,189	17,607
Spare parts (including in transit Nil; 2013: Rs. 0.86 million)	56,065	59,217
Loose tools	<u>1,317</u>	<u>2,723</u>
	77,571	79,547
Hard coke, diesel and kerosene oil (including in transit Rs. 4.55 million; 2013: Rs. 0.18 million)	9,312	11,683
Provision for obsolescence	(1,033)	(1,033)
	<u>85,850</u>	<u>90,197</u>
12. STOCK IN TRADE		
Raw materials (including in transit Rs. 9.59 million; 2013: Rs. 49.56 million)	137,672	142,217
Work in process	51,697	59,120
Finished goods	<u>202,147</u>	<u>111,189</u>
	391,516	312,526
Provision for slow moving stock	(342)	(342)
	<u>391,174</u>	<u>312,184</u>

12.1 Stock in trade includes Rs. 15.84 million (2013: Rs. 16.13 million) held with third parties, out of which, stock of Rs. 1.13 million (2013: Rs. 1.42 million) is held with Millat Tractors Limited (a related party).

12.2 Finished goods include items costing Rs. 94.33 million (2013: Rs. 63.56 million) valued at net realisable value of Rs. 72.87 million (2013: Rs. 51.74 million).

NOTES TO THE FINANCIAL STATEMENTS

	2014	2013
	Rupees in thousand	
13. TRADE DEBTS		
Considered good		
- Related parties - note 13.1	104,171	441,370
- Others - note 13.2	17,216	19,538
	<u>121,387</u>	<u>460,908</u>
13.1 Represents amounts due from following related parties:		
- Millat Tractors Limited	101,520	432,656
- Millat Equipments Limited	2,651	8,714
	<u>104,171</u>	<u>441,370</u>
As at June 30, 2014, the age analysis of these trade debts is as follows:		
Not yet due	95,823	438,742
Past due		
- Up to 3 months	8,336	1,135
- 3 to 6 months	-	12
- More than 6 months	12	1,481
	8,348	2,628
	<u>104,171</u>	<u>441,370</u>
13.2 As at June 30, 2014, the age analysis of these trade debts is as follows:		
Not yet due	11,104	13,230
Past due		
- Up to 3 months	5,275	5,561
- 3 to 6 months	837	675
- More than 6 months	-	72
	6,112	6,308
	<u>17,216</u>	<u>19,538</u>
	2014	(Restated) 2013
	Rupees in thousand	
14. LOANS AND ADVANCES - considered good		
Current portion of loans to employees - note 8	663	672
Advances to:		
- employees - note 14.1	307	512
- suppliers - note 14.2	2,915	79,216
	3,222	79,728
	<u>3,885</u>	<u>80,400</u>
14.1 The advances to employees are given to meet business expenses and are settled as and when the expenses are incurred. Further, the Company also provides advance for personal medical expenses to its employees.		
14.2 Includes Rs. 0.10 million (2013: Rs. 0.33 million) due from Millat Tractors Limited (a related party).		

NOTES TO THE FINANCIAL STATEMENTS

	2014	2013
	Rupees in thousand	
15. DEPOSITS AND SHORT TERM PREPAYMENTS		
Security deposits	10,849	5,413
Prepayments	40	44
	<u>10,889</u>	<u>5,457</u>
16. OTHER RECEIVABLES		
Considered good		
Special excise duty receivable	2,056	3,602
Others	555	424
	<u>2,611</u>	<u>4,026</u>
Considered doubtful		
Claim receivable from supplier	3,496	3,496
Less: Provision for impairment	(3,496)	(3,496)
	<u>-</u>	<u>-</u>
	<u>2,611</u>	<u>4,026</u>
17. CASH AND BANK BALANCES		
With banks on:		
current accounts - note 17.1	5,509	7,426
savings accounts - note 17.2	1,253	2,161
term deposit receipts - note 17.2 and 17.3	1,565	1,565
	<u>8,327</u>	<u>11,152</u>
Cash in hand	373	185
	<u>8,700</u>	<u>11,337</u>

17.1 These include an amount of Rs. 0.89 million (2013: Nil), which is under lien with respect to bank guarantee issued by a commercial bank in favour of Sui Southern Gas Company Limited.

17.2 These carry mark up at the rates ranging from 6% to 7% (2013: 6% to 7%) per anum.

17.3 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

Authorised share capital

2014	2013		2014	2013
-----Number of shares-----			Rupees in thousand	
<u>12,000,000</u>	<u>12,000,000</u>	Ordinary shares of Rs. 10 each	<u>120,000</u>	<u>120,000</u>
Issued, subscribed and paid up capital				
Ordinary shares of Rs. 10 each				
6,740,875	6,740,875	Shares allotted for consideration paid in cash	67,409	67,409
4,731,654	3,688,696	Shares allotted as bonus shares	47,316	36,887
<u>11,472,529</u>	<u>10,429,571</u>		<u>114,725</u>	<u>104,296</u>

NOTES TO THE FINANCIAL STATEMENTS

18.1 Movement in issued, subscribed and paid-up capital

Ordinary shares of Rs 10 each

2014		2013	
-----Number of shares-----		Rupees in thousand	
10,429,571	10,429,571	Opening shares outstanding	104,296
1,042,958	-	Shares allotted as bonus shares	10,429
<u>11,472,529</u>	<u>10,429,571</u>		<u>104,296</u>

18.2 During the year, the company issued bonus shares in the ratio of 1 share for every 10 shares held.

18.3 As at June 30, 2014, 5.31 million (2013: 4.82 million) ordinary shares of Rs. 10 each were held by Millat Tractors Limited (a related party), representing 46.26% of total issued, subscribed and paid up capital (2013: 46.26%).

	2014	(Re-stated) 2013	(Re-stated) July 1, 2012
	----- Rupees in thousand -----		
19. RESERVES			
Capital reserves			
Share premium	12,156	12,156	12,156
Revenue reserves			
General	424,500	411,500	385,500
Unappropriated (loss) / profit	(117,789)	10,585	35,654
	306,711	422,085	421,154
Gain on revaluation of available for sale investments	6,719	8,588	2,838
	<u>325,586</u>	<u>442,829</u>	<u>436,148</u>

20. LONG TERM DEPOSITS

	2014	2013
	Rupees in thousand	
Deposits from employees	5,197	5,901
Less: Current portion	(1,345)	(1,006)
	<u>3,852</u>	<u>4,895</u>

This represents interest free deposits received from employees. The amount is adjustable with in a period of six years against book value of vehicles and five years against book value of motor cycles provided to them as per Company policy.

NOTES TO THE FINANCIAL STATEMENTS

	2014	(Restated) 2013
	Rupees in thousand	
21. TRADE AND OTHER PAYABLES		
Creditors - note 21.1	69,550	187,405
Advances from customers - note 21.2	22,135	3,132
Compensated absences - note 21.3	9,753	9,941
Security deposits	1,059	1,088
Provision for bonus	874	1,691
Workers' Profit Participation Fund - note 21.4	-	1,835
Workers' Welfare Fund	-	998
Accrued liabilities	1,395	1,806
Unclaimed dividend	1,399	1,399
Others	102	475
	<u>106,267</u>	<u>209,770</u>

21.1 This includes Rs. 10.21 million (2013: Rs. 3.68 million) due to Millat Tractors Limited (a related party).

21.2 This includes Rs. 16.23 million (2013: Rs. 1.54 million) due to Millat Tractors Limited (a related party), carrying mark up at the rate of 18% per annum and is adjustable against future sales invoices.

	2014	2013
	Rupees in thousand	
21.3 Compensated absences		
Opening balance	9,941	9,524
Charge for the year	1,620	2,242
Payments made during the year	(1,808)	(1,825)
Closing balance	<u>9,753</u>	<u>9,941</u>

21.4 Workers' Profits Participation Fund

Balance at the beginning of the year	1,835	3,686
Allocation for the year	-	1,835
	<u>1,835</u>	<u>5,521</u>
Interest charged during the year	64	165
Amount paid to the Trustees of the fund	(1,899)	(3,851)
Balance at the end of the year	<u>-</u>	<u>1,835</u>

22. SHORT TERM BORROWINGS

Running finance under markup arrangements - secured

This represents running finance facilities obtained from commercial banks aggregating to Rs. 760 million (2013: Rs. 660 million). These carry mark-up rates ranging from 1 month to 1 year KIBOR plus 0.4% to 1% (2013: 1 month to 6 months KIBOR plus 0.4% to 1%) per annum.

The arrangements are secured by way of hypothecation over plant and machinery and current assets of the Company.

The facilities for opening letters of credit and guarantees as at June 30, 2014 amounted to Rs. 0.98 billion (2013: Rs. 0.97 billion) out of which the amount remaining unutilised at the year end was Rs. 0.92 billion (2013: Rs. 0.76 billion).

NOTES TO THE FINANCIAL STATEMENTS

23. CONTINGENCIES AND COMMITMENTS

23.1 CONTINGENCIES

23.1.1 The Company had filed returns declaring tax losses during the tax holiday period amounting to Rs. 82.72 million and Rs. 17.23 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.

23.1.2 During the year, the Company has received a reassessment order, from the Income Tax Department, in respect of return filed for the tax year 2008. The Department has revised the return filed by the Company and reduced the income tax refund claimed by the Company by Rs. 6.02 million. The Company is of the opinion that the reassessment order for tax year 2008 is barred by time and the Department could not amend the return after the expiry of the specified time. As on June 30, 2014, the Company is in process of filing the appeal before the Commissioner Appeal against the above mentioned order. The management of the Company, based on the views of its tax consultant, is confident that the final decision will be given in favour of the Company and therefore, no provision has been made in these financial statements for this amount.

23.1.3 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.

23.2 COMMITMENTS

Outstanding letters of credit at the end of the year amount to Rs. 46.31 million (2013: Rs. 210.15 million).

	2014	2013
	Rupees in thousand	
24. SALES		
Local sales	1,402,246	2,089,186
Less:		
- Sales returns	(89,877)	(53,175)
- Sales tax	(203,779)	(290,126)
	<u>(293,656)</u>	<u>(343,301)</u>
	1,108,590	1,745,885
Export sales	2,637	89
	<u>1,111,227</u>	<u>1,745,974</u>

24.1 Sales to domestic customers in Pakistan are 99.76% (2013: 99.99%) and to customers outside Pakistan are 0.24% (2013: 0.01%) of the revenue during the year.

24.2 Sales to Millat Tractors Limited (a related party) of Rs. 994.19 million (2013: Rs. 1,599.64 million) account for over 89.47% (2013: 91.62%) of the net sales.

NOTES TO THE FINANCIAL STATEMENTS

	2014	(Restated) 2013
	Rupees in thousand	
25. COST OF SALES		
Raw materials consumed		
Opening stock	142,217	154,750
Purchases	654,601	941,274
Closing stock - note 12	<u>(137,672)</u>	<u>(142,217)</u>
	659,146	953,807
Manufacturing expenses		
Salaries, wages and benefits - note 25.1 and 25.2	89,487	96,576
Stores, spare parts and loose tools consumed	87,989	116,007
Fuel and power	128,549	119,245
Hard coke, diesel and kerosene oil consumed	93,366	147,921
Machining expenses	6,703	12,417
Outsourced job contractors	85,633	97,862
Travelling and conveyance	25,303	26,474
Depreciation - note 5	22,454	25,942
Amortisation - note 6	145	24
Write offs of Property, plant and equipment - note 5	1,091	-
Provision for slow moving and obsolete stores, spare parts and loose tools - note 11	-	1,033
Provision for slow moving and obsolete stock in trade - note 12	-	342
Repairs and maintenance	3,878	3,647
Insurance	4,909	4,104
Vehicle expenses	4,655	5,177
Training	1,225	1,196
Entertainment	258	332
Others	1,927	2,777
	557,572	661,076
Opening work in process	59,120	46,564
Closing work in process - note 12	<u>(51,697)</u>	<u>(59,120)</u>
Cost of goods manufactured	1,224,141	1,602,327
Opening stock of finished goods	111,189	94,137
Closing stock of finished goods - note 12	<u>(202,147)</u>	<u>(111,189)</u>
	<u>1,133,183</u>	<u>1,585,275</u>

25.1 This includes Rs. 3.56 million (2013: Rs. 9.54 million) and Rs. 2.59 million (2013: Rs. 2.56 million) in respect of defined benefit and defined contribution plans respectively.

25.2 This includes Rs. 13.34 million (2013: Rs. 13.38 million) in respect of staff welfare expenses.

	2014	(Restated) 2013
	Rupees in thousand	
26. DISTRIBUTION COST		
Salaries, wages and benefits - note 26.1 and 26.2	4,488	3,234
Freight charges	33,599	41,749
Others	1,532	2,823
	<u>39,619</u>	<u>47,806</u>

26.1 This includes Rs. 0.16 million (2013: Rs. 0.18 million) and Rs. 0.16 million (2013: Rs. 0.10 million) in respect of defined benefit and defined contribution plans respectively.

26.2 This includes Rs. 0.54 million (2013: Rs. 0.42 million) in respect of staff welfare expenses.

NOTES TO THE FINANCIAL STATEMENTS

	2014	(Restated) 2013
	Rupees in thousand	
27. ADMINISTRATIVE EXPENSES		
Salaries, wages and benefits - note 27.1 and 27.2	21,780	21,979
Legal and professional charges	3,127	2,236
Outsourced job contractors	2,028	2,904
Travelling and conveyance	332	494
Utilities	2,062	656
Repairs and maintenance	164	365
Depreciation - note 5	1,226	1,007
Amortisation - note 6	73	12
Write offs of Property, plant and equipment - note 5	171	-
Vehicle expenses	1,309	1,378
Insurance	615	657
Subscription	421	345
Auditors' remuneration - note 27.3	887	721
Entertainment	146	403
Training	192	329
Others	1,249	3,112
	<u>35,782</u>	<u>36,598</u>
27.1 This includes Rs. 0.62 million (2013: Rs. 0.62 million) and Rs. 0.80 million (2013: Rs. 0.78 million) in respect of defined benefit and defined contribution plans respectively.		
27.2 This includes Rs. 1.53 million (2013: Rs. 1.90 million) in respect of staff welfare expenses.		
	2014	2013
	Rupees in thousand	
27.3 Auditors' remuneration		
Audit fee	550	550
Fee for review of half yearly financial information and other certifications	250	83
Out of pocket expenses	87	89
	<u>887</u>	<u>722</u>
28. OTHER OPERATING EXPENSES		
Workers' Profits Participation Fund - note 21.4	-	1,835
Workers' Welfare Fund	-	998
Debtors' written off	-	398
	<u>-</u>	<u>3,231</u>
29. OTHER INCOME		
Income from financial assets		
Return on savings accounts and deposits	312	425
Dividend income	431	431
	<u>743</u>	<u>856</u>
Income from non-financial assets		
Scrap sales	7,890	8,717
Liabilities no longer required written back	2,655	34
Gain on disposal of property, plant and equipment	1,771	23
Others	306	81
	<u>12,622</u>	<u>8,855</u>
	<u>13,365</u>	<u>9,711</u>

NOTES TO THE FINANCIAL STATEMENTS

	2014	2013
	Rupees in thousand	
30. FINANCE COST		
Mark up on short term borrowings	49,697	46,120
Exchange loss	209	-
Interest on workers' profits participation fund	64	165
Interest on advance from customer	11,753	2,636
Bank charges	630	433
	<u>62,353</u>	<u>49,354</u>
	2014	(Restated) 2013
	Rupees in thousand	
31. TAXATION		
Current		
- for the year	11,284	16,035
- for prior year	8,522	134
	<u>19,806</u>	<u>16,169</u>
Deferred	(60,625)	(5,009)
	<u>(40,819)</u>	<u>11,160</u>
31.1 Reconciliation between tax expense and accounting profit.		
Accounting (loss) / profit before tax	<u>(146,345)</u>	<u>33,421</u>
Tax at the applicable tax rate of 34% (2013: 35%)	(49,757)	11,697
Tax effect of permanent differences	327	22
Effect of reduced tax rate	89	(31)
Effect of prior years tax	8,522	134
Adjustments for the effect of minimum tax	-	(662)
	<u>(40,819)</u>	<u>11,160</u>
32. EARNINGS PER SHARE - BASIC AND DILUTED		
(Loss) / profit after taxation attributable to ordinary shareholders	<u>(105,526)</u>	<u>22,261</u>
Weighted average number of shares in issue during the year - in thousand - note 32.1	<u>11,473</u>	<u>11,473</u>
Earnings per share (Rupees) - Basic	<u>(9.20)</u>	<u>1.94</u>
32.1 The weighted average shares at June 30, 2013 have been increased to reflect the bonus shares issued during the year.		
32.2 There is no dilutive effect on the basic loss per share of the Company.		

NOTES TO THE FINANCIAL STATEMENTS

	2014	(Restated) 2013
	Rupees in thousand	
33. CASH GENERATED / (USED IN) FROM OPERATIONS		
(Loss) / profit before taxation	(146,345)	33,421
Adjustment for non-cash charges and other items		
Depreciation and amortisation	24,331	27,325
Provision for staff benefits	4,199	9,384
Provision for slow moving stores, spare parts and loose tools	-	1,033
Provision for slow moving stock in trade	-	342
Debtors' written off	-	398
Write offs of Property, plant and equipment	1,319	-
Gain on disposal of property, plant and equipment	(1,771)	(23)
Return on savings accounts and deposits	(312)	(425)
Dividend income	(431)	(431)
Mark up on short term borrowings and advance from customer	61,450	48,756
	88,785	86,359
	(57,560)	119,780
EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES		
Decrease / (increase) in current assets		
Stores, spare parts and loose tools	4,347	35,041
Stock in trade	(78,990)	22,412
Trade debts	339,521	(219,749)
Loans and advances	76,515	(68,966)
Deposits and short term prepayments	(5,432)	2,722
Other receivables	1,415	(105)
Refunds due from government - Sales tax	(20,132)	-
	317,244	(228,645)
(Decrease) / increase in current liabilities		
Trade and other payables	(103,503)	1,942
Sales tax payable	(17,464)	16,550
	(120,967)	18,492
	138,717	(90,373)
34. CASH AND CASH EQUIVALENTS		
Cash and bank balances	7,135	9,772
Short term borrowings	(444,518)	(496,237)
	(437,383)	(486,465)

NOTES TO THE FINANCIAL STATEMENTS

35. RELATED PARTY DISCLOSURES

The following transactions were carried out with related parties during the year:

Relationship with the Company	Nature of transactions	2014	2013
		Rupees in thousand	
Associated companies:			
- Millat Tractors Limited	Sale of goods	994,190	1,599,638
	Purchase of goods	28,797	17,001
	Dividend paid	-	9,649
	Bonus shares issued	4,825	-
	Interest on advance	11,753	2,636
	Receipt / (repayment) of advance against sale of goods - net	14,680	(191)
	Adjustment of advance against purchase of goods	(237)	(353)
- Millat Equipments Limited	Sale of goods	11,577	31,150
Staff retirement benefit funds:			
- Pension fund	Contributions	2,167	2,160
- Provident fund	Contributions	3,551	4,461
- Executives' Gratuity fund	Benefits paid on behalf of the fund	9,286	3,548
Key management personnel:			
- Salaries and other short term employee benefits paid		17,157	19,232
- Post retirement benefits		1,499	1,475
- Proceeds from sale of assets		318	1,722

The related party status of outstanding balances as at June 30, 2014 and 2013 is included in stock in trade, trade debts, loans and advances and trade and other payables respectively. These are settled in ordinary course of business.

36. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amounts charged in the financial statements of the year for remuneration including all benefits to director, chief executive and executives of the Company are as follows:

	Chief Executives		Director		Executives	
	2014	2013	2014	2013	2014	2013
	----- Rupees in thousand -----					
Managerial remuneration and allowances	1,584	2,582	-	422	6,816	5,933
Bonus	117	-	-	-	666	-
Retirement benefits	147	232	-	78	828	842
House rent	661	1,002	-	175	2,560	2,277
Utilities	993	945	-	418	3,134	2,952
Medical expenses	31	484	-	103	546	485
Others	543	603	-	505	732	671
	<u>4,076</u>	<u>5,848</u>	<u>-</u>	<u>1,701</u>	<u>15,282</u>	<u>13,160</u>
Number of persons	1	2*	-	1	9	8

* On December 7, 2012, Mr. Shahid A. Hakim resigned as Chief Executive of the Company and Mr. Sirajuddin Khan was appointed as the new Chief Executive of the Company.

NOTES TO THE FINANCIAL STATEMENTS

36.1 In addition to above; fee to non-executive directors during the year amounted to Rs. 80,000 (2013: Rs. 69,000).

36.2 The Chief Executives, Executive Director and certain executives of the Company are also provided with free use of Company maintained cars in accordance with their terms of employment.

	2014 ----- (Metric tons) -----	2013 -----
37. PLANT CAPACITY AND PRODUCTION		
Installed capacity	<u>13,200</u>	<u>13,200</u>
Actual production	<u>8,575</u>	<u>12,264</u>
Capacity utilisation	<u>64.96%</u>	<u>92.91%</u>

Low production during the year is consequent to low market demand.

38. PROVIDENT FUND RELATED DISCLOSURE

The following information is based on un-audited financial statements of the Fund:

	2014 (Rupees in thousand)	2013
Size of the Fund - Total Assets	88,161	91,102
Fair value of investments	83,898	86,764
Percentage of investments made	95%	95%

38.1 The Cost of above investments amounted to Rs. 81.98 million (2013: Rs. 84.69 million).

38.2 The break-up of fair value of investments is as follows:

	2014 Percentage	2013	2014 (Rupees in thousand)	2013
National Savings Schemes	70.62%	40.42%	59,249	35,071
Government Securities	16.82%	57.36%	14,110	49,764
Bank deposits	12.56%	2.22%	10,539	1,929
	<u>100%</u>	<u>100%</u>	<u>83,898</u>	<u>86,764</u>

38.3 The investments out of provident fund have been made in accordance with the provision of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

	2014	2013
39. NUMBER OF EMPLOYEES		
Number of employees at June 30:		
- Permanent	188	191
- Contractual	<u>5</u>	<u>10</u>
	<u>193</u>	<u>201</u>
Average number of employees during the year:		
- Permanent	193	192
- Contractual	<u>7</u>	<u>12</u>
	<u>200</u>	<u>204</u>

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

40.1 Financial risk factors

The Company's activities expose it to variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on having cost effective funding as well as managing financial risk to minimize earnings volatility and provide maximum return to shareholders.

40.2 Financial assets and liabilities by category and their respective maturities

	Interest / Mark up bearing			Non-interest / Non-mark up bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
----- Rupees in thousand -----							
FINANCIAL ASSETS							
Available for sale							
Long term investments	-	-	-	-	12,219	12,219	12,219
Loans and receivables							
Loans and advances	-	-	-	970	847	1,817	1,817
Deposits	-	-	-	10,849	4,012	14,861	14,861
Trade debts	-	-	-	121,387	-	121,387	121,387
Other receivables	-	-	-	2,611	-	2,611	2,611
Cash and bank balances	2,818	-	2,818	5,882	-	5,882	8,700
June 30, 2014	<u>2,818</u>	<u>-</u>	<u>2,818</u>	<u>141,699</u>	<u>17,078</u>	<u>158,777</u>	<u>161,595</u>
June 30, 2013	<u>3,726</u>	<u>-</u>	<u>3,726</u>	<u>493,230</u>	<u>4,815</u>	<u>498,045</u>	<u>501,771</u>
FINANCIAL LIABILITIES							
Deposits	-	-	-	2,404	3,852	6,256	6,256
Trade and other payables	-	-	-	72,446	-	72,446	72,446
Short term borrowings	444,518	-	444,518	-	-	-	444,518
Accrued mark up	-	-	-	11,522	-	11,522	11,522
June 30, 2014	<u>444,518</u>	<u>-</u>	<u>444,518</u>	<u>86,372</u>	<u>3,852</u>	<u>90,224</u>	<u>534,742</u>
June 30, 2013	<u>496,237</u>	<u>-</u>	<u>496,237</u>	<u>205,934</u>	<u>4,895</u>	<u>210,829</u>	<u>707,066</u>
ON BALANCE SHEET GAP							
June 30, 2014	<u>(441,700)</u>	<u>-</u>	<u>(441,700)</u>	<u>55,327</u>	<u>13,226</u>	<u>68,553</u>	<u>(373,147)</u>
June 30, 2013	<u>(492,511)</u>	<u>-</u>	<u>(492,511)</u>	<u>287,296</u>	<u>(80)</u>	<u>287,216</u>	<u>(205,295)</u>
OFF BALANCE SHEET ITEMS							
Letters of credit / guarantee:							
June 30, 2014							<u>51,277</u>
June 30, 2013							<u>210,150</u>

NOTES TO THE FINANCIAL STATEMENTS

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

(i) **Credit risk**

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The maximum exposure to credit risk is equal to the carrying amount of financial assets. Out of total financial assets of Rs. 161.59 million (2013: Rs. 501.77 million), the financial assets which are subject to credit risk amounted to Rs. 146.95 million (2013: Rs. 483.90 million).

For trade debts, internal risk assessment process determines the credit quality of the customers, taking into account their financial positions, past experiences and other factors. Individual risk limits are set based on internal or external credit worthiness ratings in accordance with limits set by the management. As of June 30, 2014 trade debts of Rs. 14.46 million (2013: Rs. 8.94 million) were past due but not impaired. Trade debts majorly pertains to related parties for whom there is no significant risk of default.

Deposits have been placed mainly with utility companies, hence exposed to no significant credit risk.

Loans and advances to employees are not exposed to any material credit risk, since these are secured against their retirement benefits.

Other receivables constitute mainly refunds from the Government, therefore, are not exposed to any significant credit risk.

The bank balances represent low credit risk as they are placed with banks having good credit ratings assigned by credit rating agencies.

The management does not expect any losses from non-performance by these counterparties.

(ii) **Liquidity risk**

Liquidity risk reflects the Company's inability in raising funds to meet commitments. The Company manages liquidity risk by maintaining sufficient cash and bank balances and the availability of financing through banking arrangements.

(iii) **Market risk**

a) **Foreign exchange risk**

Foreign exchange risk arises mainly where receivables and payables exist in foreign currency. The Company is not exposed to foreign currency risk in respect of financial assets and financial liabilities as at June 30, 2014 and 2013.

b) **Interest rate risk**

The Company's interest rate risk arises from borrowings as the Company has no significant interest-bearing assets. Borrowings availed at variable rates expose the Company to cash flow interest rate risk.

At June 30, 2014, the Company had variable interest bearing financial assets of Rs. 2.82 million (2013: Rs. 3.73 million) and liabilities of Rs 444.52 million (2013: Rs. 496.24 million), and had the interest rate varied by 100 basis points with all the other variables held constant, profit before tax for the year would have been lower / higher by approximately Rs. 4.42 million (2013: Rs. 4.92 million), mainly as a result of higher / lower interest expense on floating rate borrowings.

41. **CAPITAL RISK MANAGEMENT**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The gearing ratios as at June 30, 2014, 2013 and 2012 were as follows:

NOTES TO THE FINANCIAL STATEMENTS

	2014	(Re-stated) 2013	(Re-stated) July 1, 2012
	----- Rupees in thousand -----		
Trade and other payables	106,267	209,770	207,838
Accrued mark up	11,522	9,922	7,638
Total debt	<u>117,789</u>	<u>219,692</u>	<u>215,476</u>
Cash and cash equivalents	<u>437,383</u>	<u>486,465</u>	<u>278,899</u>
Net debt	<u>555,172</u>	<u>706,157</u>	<u>494,375</u>
Total equity	<u>440,311</u>	<u>547,125</u>	<u>540,444</u>
Total capital	<u>995,483</u>	<u>1,253,282</u>	<u>1,034,819</u>
Gearing ratio	55.77%	56.34%	47.77%

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance.

42. CORRESPONDING FIGURES

The following prior year figures have been reclassified for the purpose of appropriate presentation:

Reclassification from	Reclassification to	2013	2012
		Rupees in thousand	
Other receivables	Staff retirement benefits - Prepayments	12,843	14,059
Deferred liabilities - Compensated absences	Trade and other payables	9,941	9,524

43. DIVIDENDS AND APPROPRIATIONS

The Board of Directors in its meeting held on September 09, 2014 (i) approved the transfer of Nil (2013: Rs. 13 million) from unappropriated profit to general reserve; (ii) proposed a bonus issue of Nil for the year ended June 30, 2014 (2013: 1 share for every 10 shares held).

44. DATE OF AUTHORISATION

These financial statements were authorised for issue on September 09, 2014 by the Board of Directors of the Company.



Chief Executive



Director

PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2014

No. of Shareholders	*Size of Holding		Total Shares Held	Amount Rupees
	From	To		
117	1	100	2,964	29,640
373	101	500	72,781	727,810
53	501	1000	40,133	401,330
188	1001	5000	389,730	3,897,300
22	5001	10000	146,150	1,461,500
9	10001	15000	108,460	1,084,600
1	15001	20000	17,936	179,360
2	20001	25000	41,526	415,260
3	25001	30000	81,991	819,910
1	40001	45000	44,794	447,940
1	45001	50000	46,278	462,780
1	65001	70000	68,157	681,570
1	90001	95000	93,011	930,110
1	140001	145000	144,359	1,443,590
2	165001	170000	332,983	3,329,830
3	255001	260000	774,931	7,749,310
1	290001	295000	293,388	2,933,880
1	330001	335000	332,270	3,322,700
1	360001	365000	363,524	3,635,240
1	365001	370000	369,596	3,695,960
1	405001	410000	405,663	4,056,630
1	490001	495000	490,276	4,902,760
1	1500001	1505000	1,504,649	15,046,490
1	5305001	5310000	5,306,979	53,069,790
786			11,472,529	114,725,290

* 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	5,306,979	46.26
2	Investment Companies	1	440	0.00
3	Bank / Financial Institutions	3	1,763,087	15.37
4	Joint Stock Companies	10	145,035	1.26
5	Mutual Funds	1	490,276	4.27
6	Individuals	764	3,118,023	27.18
7	Others	6	648,689	5.65
	Total	786	11,472,529	100.00

CATEGORIES OF SHAREHOLDERS

AS AT JUNE 30, 2014

S.No.	Particulars	Shareholders	Shares Held	Percentage %
1	Directors and their spouse(s) and minor children			
	Sikandar Mustafa Khan	1	166,369	1.45
	Sirajuddin Khan	2	5,172	0.05
	Latif Khalid Hashmi	1	332,270	2.90
	Sohail Bashir Rana	1	144,359	1.26
	Laeq Uddin Ansari	2	733,120	6.39
	Mian Mohammad Saleem	1	68,157	0.59
	Javed Munir	1	10,381	0.09
2	Executives	98	192,200	1.68
3	Associated companies, undertakings and related parties			
	Millat Tractors Limited	1	5,306,979	46.26
4	NIT & ICP	1	440	0.00
5	Public Sector Companies and Corporations	2	1,504,922	13.12
6	Banks, development finance institutions, non-banking finance companies,	1	258,165	2.25
7	Insurance Companies	-	-	-
8	Modarabas	-	-	-
9	Mutual Funds			
	CDC - Trustee National Investment (Unit) Trust	1	490,276	4.27
10	General Public			
	a. Local	657	1,465,995	12.78
	b. Foreign	-	-	-
11	Others			
	a. Joint Stock Companies	10	145,035	1.26
	b. Miscellaneous	4	309,023	2.69
	c. BCL Officer's Gratuity Fund	1	293,388	2.56
	d. BCL Emp.Pension Fund Trust	1	46,278	0.40
	Total	786	11,472,529	100.00

Share holders holding 5% or more

Millat Tractors Limited	5,306,979	46.26
National Bank of Pakistan	1,504,922	13.12
Laeq Uddin Ansari	733,120	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 32nd Annual General Meeting of the Company to be held at Registered Office, Main RCD Highway, Hub Chowki, Distt. Lasbela, Balochistan on Tuesday October 28, 2014 at 1130 Hrs. and / or at any adjournment thereof.

Signed this _____ day of _____ 2014

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.



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