



# Baluchistan Wheels Limited



**BWL** - moving the nation ahead



Annual Report **2009**

A View

# Baluchistan Wheels Limited





# VISION MISSION

To Produce Automotive Wheels and Allied Products of International Quality Standard of ISO 9002 and contribute towards national economy by import substitution, exports, taxation, employment and consistently compensate the stake holders through stable returns.

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# CORPORATE



Mr. Muhammad Siddique Misri  
Chairman

## BOARD OF DIRECTORS

Mr. Muhammad Siddique Misri	Chairman
Mr. Razak H.M. Bengali	Chief Executive
Mr. Muhammad Irfan Ghani	Chief Operating Officer
Mr. Syed Haroon Rashid	Director (Nominee - NIT)
Mr. Syed Zubair Ahmed	Director (Nominee - NIT)
Mr. Muhammad Javed	Director
Mr. Irfan Ahmed Qureshi	Director



Mr. Muhammad Irfan Ghani  
Chief Operating Officer

## COMPANY SECRETARY

Mr. Irfan Ahmed Qureshi

## BOARD AUDIT COMMITTEE

Mr. Syed Haroon Rashid - Chairman
Director
Mr. Syed Zubair Ahmed - Member
Director
Mr. Muhammad Irfan Ghani - Member
Chief Operating Officer
Mr. Yasin Younus Ladha - Secretary
Dy. General Manager Finance



Mr. Syed Zubair Ahmed  
Director (Nominee - NIT)

## MANAGEMENT COMMITTEE

Mr. Muhammad Siddique Misri	Chairman
Mr. Razak H.M. Bengali	Chief Executive
Mr. Muhammad Irfan Ghani	Chief Operating Officer
Mr. Muhammad Javed	Director / S.G.M (Technical)
Mr. Irfan Ahmed Qureshi	Director / G.M (Finance) / Company Secretary
Mr. Badruddin A. Ali	G.M (Supply & Services)
Mr. Shaikh Muhammad Iqbal	G.M (Sales)
Mr. Sajid Nadri	G.M (Research & Development)
Mr. Yasin Younus Ladha	Dy. General Manager (Finance)
Mr. Arshad Ali Siddiqui	Dy. General Manager (Human Resources)
Mr. Abdul Aziz Vakili	Dy. General Manager (Coordination)



Mr. Irfan Ahmed Qureshi  
Director

## BOARD HUMAN RESOURCES AND COMPENSATION COMMITTEE

Mr. Muhammad Siddique Misri	Chairman
Mr. Razak H.M. Bengali	Chief Executive (Member)
Mr. Muhammad Irfan Ghani	Chief Operating Officer (Member)
Mr. Arshad Ali Siddiqui	Dy. General Manager HR (Secretary)

# INFORMATION

## RELATED PARTIES

Staff Retirement Funds

## BANKERS

Habib Bank Limited  
Faysal Bank Limited  
Standard Chartered Bank(Pakistan) Limited  
National Bank of Pakistan  
Bank Alfiah Limited

## LEGAL ADVISOR

Mohsin Tayebaly & Company  
(Advocates)

## EXTERNAL AUDITORS

Ford Rhodes Sidat Hyder & Co.  
(Chartered Accountants)

## CHIEF INTERNAL AUDITOR

Mr. Muhammad Asad Saeed

## SHARE REGISTRAR

Shares & Corprate Services (Pvt) Ltd  
Mehersons Estate,Block-E,  
Talpur Road,Karachi-74000  
Telephone#32429632-35,32401634  
Fax#32420015

## HEAD OFFICE

1st Floor,State Life Building # 3  
Dr.Ziauddin Ahmed Road,Karachi.  
E-mail:bwlfm@cyber.net.pk  
Website:<http://www.bwheels.com>  
Telephone#35689259,35683474,35687502  
Fax#35684003

## FACTORY AND REGISTERED OFFICE

Main RCD Highway, Hub Chowki,  
Lasbella, Baluchistan.  
Telephone # (0853) 363426,363428  
Fax # (0853) 364025



Mr. Razak H. M. Bengali  
Chief Executive



Mr. Muhammad Javed  
Director



Mr. Syed Haroon Rashid  
Director (Nominee - NIT)

## NOTICE OF THE MEETING

NOTICE IS HEREBY GIVEN that the Twenty Ninth Annual General Meeting of the Company will be held at the Company's Registered Office, Main RCD Highway, Hub Chowki, District Lasbella, Baluchistan, on Saturday, October 24, 2009 at 11:30 am. to transact the following business :-

1. To confirm the minutes of the 28th Annual General Meeting, held on October 25, 2008
2. To receive, consider and adopt the Audited Accounts for the year ended June 30, 2009 together with the Directors' and Auditors' reports thereon.
3. To approve the payment of Cash Dividend. The Board of Directors has recommended payment of cash dividend @ 15% i.e. Re. 1.50 per share of Rs. 10/- each for the year ended June 30, 2009
4. To appoint Auditors for the year 2009-2010 and to fix their remuneration. The present Auditors, M/s. Ford Rhodes Sidat Hyder & Co. Chartered Accountants, retire and being eligible, offer themselves for reappointment. The Board of Directors has recommended appointment of M/s. Ford Rhodes Sidat Hyder & Co, Chartered Accountants as Auditors for the year 2009-2010.
5. To consider any other Business with the permission of the Chair.

BY ORDER OF THE BOARD

**Irfan Ahmed Qureshi**  
Company Secretary

Karachi: September 10, 2009

**NOTES:**

1. The Share Transfer Books of the Company will remain closed from October 17, 2009 to October 24, 2009 (both days inclusive).
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote for him/her. A proxy must be a member of the Company.
3. An instrument of proxy and the power of attorney or other authority ( if any) under which it is signed, or notorially certified copy of such power of attorney, in order to be valid must be deposited at the Head office of the Company not less than 48 hours before the time of the meeting.
4. Shareholders are advised to immediately notify of any change in their address to our Share Registrar :  
**Shares & Corporate Services (Pvt) Ltd,**  
**Mehersons Estate, Block-E, Talpur Road,**  
**Karachi-74000.**  
**Telephone # 32429632-35**  
**Fax # 32420015**
5. CDC Account holders will further have to follow the guidelines as laid down in Circular- I dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

In case of individuals, the account holder or sub-account holder and/or the persons whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting .

The shareholders registered on CDS are also requested to bring their participants ID numbers and account number in CDS.

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

The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form. The proxy shall produce his original CNIC or original passport at the time of meeting.

Transport will be provided to members from the Karachi Stock Exchange Building to attend the meeting. Departure from Stock Exchange Building will be at 10:30 a.m. Members are requested to bring their CNIC or original passport at the time of attending the meeting.



# MANAGEMENT



Mr. Muhammad Siddique Misri  
Chairman



Mr. Razzak H. M. Bengali  
Chief Executive

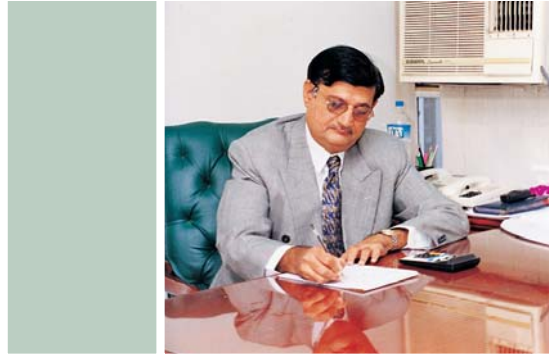


Mr. Muhammad Irfan Ghani  
Chief Operating Officer

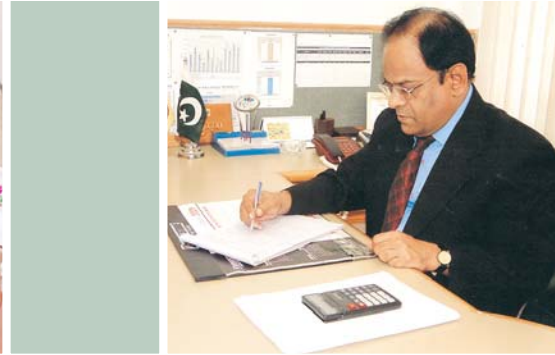
# TEAM



**Mr. Muhammad Javed**  
Director/Senior GM (Technical)



**Mr. Irfan Ahmed Qureshi**  
Director/GM Finance/Company Secretary



**Mr. Shaikh Muhammad Iqbal**  
GM (Sales)



**Mr. Badruddin A. Ali**  
GM (Supply & Services)



**Mr. Sajid Nadri**  
G M (Research & Development)



**Mr. Yasin Younus Ladha**  
Dy. General Manager (Finance)



**Mr. Arshad Ali Siddiqui**  
Dy. General Manager (Human Resources)



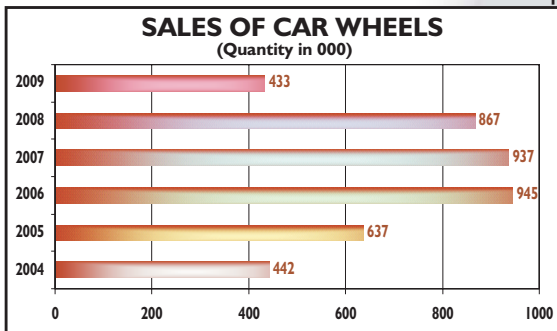
**Mr. Abdul Aziz Vakil**  
Dy. General Manager (Coordination)

# DIRECTORS' REPORT

Your Directors are pleased to present Annual Accounts for the year ended June 30, 2009.

## OPERATIONAL PERFORMANCE

This year your Company had overall consolidated revenue of Rs. 1.09 billion as compared to Rs. 1.23 billion in the previous year. The Car wheels sale was Rs. 557 million as compared to Rs. 776 million in the previous year. The Truck / Bus wheels sale was Rs. 49 million as compared to Rs. 114 million in the previous year. The Tractor wheels sale has improved to Rs. 415 million as compared to Rs. 277 million in the previous year. Similarly, the exports were Rs. 45 million as compared to Rs. 32 million in the previous year. Overall at the National Level the Passenger Car production was 84,308 units in 2009 as compared to 164,710 vehicles in the year 2008, a decline of almost 49%, whereas 16,158 LCV's, Vans and Jeeps were produced in 2009 as against 21,344 units in the year 2008, a decline of 24%, while 3,792 Trucks / Buses were produced in 2009 as against production of 6,136 Trucks / Buses in the year 2008, showing a decline of 38% over the past year. The only sector which has shown positive growth was Tractor Industry where a total of 59,968 Tractors were produced in the year 2009 as against the production figures of 53,256 in the year 2008, recorded an increase of 12.6% to preceding year.



## FINANCIAL PERFORMANCE

The gross profit was Rs. 132 million as compared to Rs. 266 million of the previous year. The profit after taxation was Rs. 37 million as compared to Rs. 106 million of the previous year. The year under review saw the impact of rise in steel prices coupled with weakening of Pak Rupees against major currencies, which also impacted the other input costs like energy etc which led to decrease of gross profit from Rs. 266 million to Rs. 132 million coupled with the low productivity due to weak demand for vehicles in the market also effected the other elements of fixed and variable cost too.

The comparative financial results for the year 2009 as against 2008 are as follows:

	2009	2008
	(Rs. in '000)	
Sales	<b>1,095,824</b>	1,234,731
Gross Profit	<b>132,083</b>	266,143
Profit before Tax	<b>53,007</b>	170,383
Profit after Tax	<b>36,620</b>	106,012
Earning per Share (Rs.)	<b>2.75</b>	7.95



## PROPOSED DIVIDEND

The Board of Directors have proposed a final cash dividend of Rs. 1.50 per share for the year ended June 30, 2009 (2008 Rs. 1.25 per share) amounting to Rs. 20.001 million (2008 Rs. 16.668 million) at the meeting held on September 10, 2009, for approval of members at the Annual General Meeting to be held on October 24, 2009. The financial statements, however, do not reflect these appropriations in compliance with the revised Fourth Schedule to the Companies Ordinance, 1984.

## HUMAN RESOURCE

We firmly believe that our officers, staff and workforce are the backbone of our business. The management believes in encouraging the talented and dedicated employees, who are frequently sent for training at home and abroad to update their professional and technical skills. This year also officers from technical & administrative side attended seminars & courses at various institutions to upgrade their skills. Direct and indirect rewards to the workforce like Worker-of-the-Month Award, Haj Scheme, Special Health Allocation and many other such benefits are in place. The labour laws are strictly followed and your management has successfully conducted agreement with CBA for next two year.

## SAFETY, HEALTH & ENVIRONMENT

We are actively managing health and safety risks associated with our manufacturing processes and are working towards improving our procedures to reduce and control the risk of accidents or injuries during work.

Apart from this, healthy activities of sports are encouraged, and we have a cricket as well as a football team. Every measure is being taken to preserve nature and to maintain clean environment at workplaces.

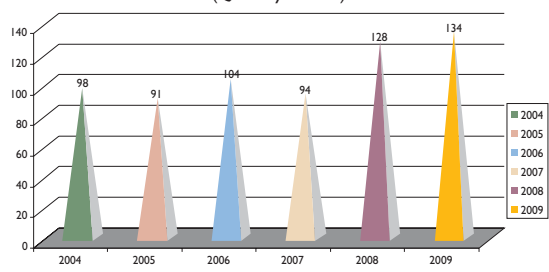
## COMPANY'S CONTRIBUTION TO THE ECONOMY OF THE COUNTRY

Your company being an import substitution unit is contributing to the economy by saving foreign exchange and is very important vending industry for the auto assemblers. During the period under review, your company contributed to national exchequer by paying income tax, sales tax, federal excise duty and other indirect taxes to the tune of Rs. 216 million. Besides, it is also providing employment opportunities to the local people residing in Hub and other adjoining areas.

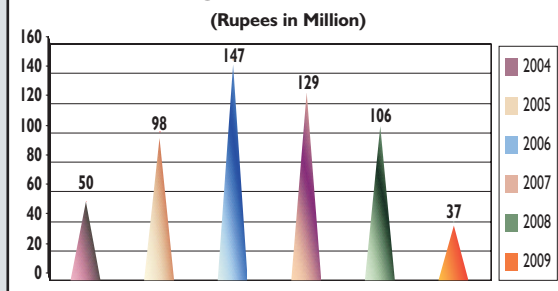
## STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statement, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

### SALES OF TRUCK/BUS/TRACTOR WHEELS



### PROFIT AFTER TAX



- b. Proper books of accounts of the company have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of 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 the preparation of financial statements.
- e. The system of internal control is sound in design and is effectively implemented and monitored. The process of review will continue and any weaknesses in controls will be removed.
- f. There are no significant doubts upon the company's ability to continue as going concern.
- g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h. Key operating and financial data for last six years in summarized form is annexed.
- i. Outstanding Taxes and Levies:  
Please refer to Note No. 30 to the annexed audited accounts.
- j. The following is the value of investments based on respective audited accounts:

Executive Provident Fund	Rs. 51.32 million
Non-Executive Provident Fund	Rs. 17.14 million
Gratuity Fund	Rs. 29.53 million

Based on audited accounts as at June 30, 2008.

- k. During the year 04 meetings of the Board of Directors were held. Attendance by each Director is as follows:

<b>Name of Director</b>	<b>No. of Meetings Attended</b>
Mr. Muhammad Siddique Misri	03
Mr. Razak H.M. Bengali	04
Mr. Muhammad Irfan Ghani	04
Mr. Syed Zubair Ahmed	04
Mr. Syed Haroon Rashid	03
Mr. Muhammad Javed	03
Mr. Irfan Ahmed Qureshi	04



- l. The pattern of shareholding is annexed.
- m. Purchase of shares by CEO, Directors, Company Secretary, CFO, their spouses and minor children is given below:

**No. of Shares Purchased**

Mrs. Kausar Irfan (W/o Mr. Muhammad Irfan Ghani) 15,303

**STATEMENT OF ETHICS AND BUSINESS PRACTICES**

The Board regularly reviews the company's strategic direction. Annual plans and performance targets for business are set and are reviewed by the Board in the light of the company's overall objectives. The Board is committed to maintain high standards of good corporate governance. As a leading wheel manufacturer, reputation for high ethical standards is central to business success. Treatment of stakeholders with respect, courtesy and competence, ensuring clear consciousness in all decisions and operations and on this basis code of business principles has been developed and acknowledged by each Director and employee of the company.

**COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE**

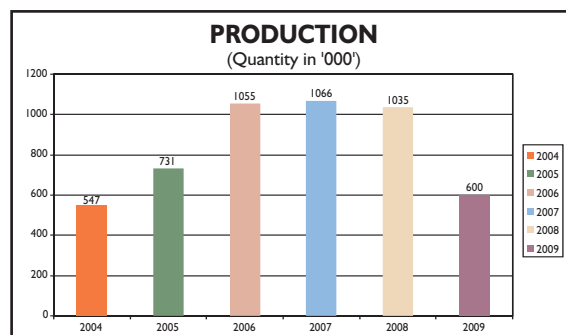
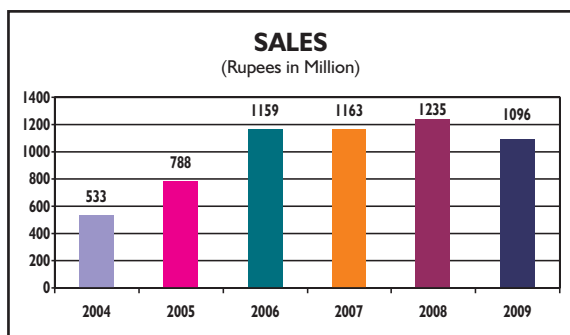
The requirements of the Code of Corporate Governance set out by the Karachi Stock Exchange in its Listing Rules, relevant for the year ended June 30, 2009 have been complied with. A statement to this effect is annexed with the report.

**FUTURE OUTLOOK**

The effects of increase in oil prices led the economies of all the oil importing countries towards the recession and economic meltdown. Our economy is also no exception and because of this the balance of payments became wide resulting in sharp depreciation of Pakistani Rupees which is in the vicinity of Rs. 83 to a US Dollar.

The oil price from an average of US \$ 91.48 per barrel in the year 2008 is presently in the range of US \$ 43 to US \$ 73 per barrel and now while writing this report the price is about US \$ 73 per barrel. This has given some respite to the world economies and now it seems that the world economies are heading towards recovery although very slow. International steel prices are also showing a stable trend after an abrupt increase and then a temporary decline.





The Government of Pakistan has also taken corrective steps by withdrawing 5% FED on Cars above 850cc, withdrawal of 35% L/C margin on imports and withdrawal of 2.5% withholding tax at registration. Similarly, the assemblers have also reduced the prices and now it is expected that Car sales decline will stop and some improvement is seen in this sector although it is very difficult to predict the future trend. However, it is hoped that soon economy will stabilize and things will start recovering.

### **NBP AND RELATED MATTERS**

NBP suit for recovery against the Company (BWL) and Privatization Commission (PC) for payment amounting to Rs. 91.25 million it has paid to PC, which the Company does not acknowledge as briefly explained at Note No. 22.1 (ii) in the financial statements for the year ended June 30, 2009, has been heard by the High Court of Sindh and the orders were expected, but has been sent for final arguments again because of July 31, 2009 decision of the Honorable Supreme Court of Pakistan where by several Judges were removed and the Honorable judge who had heard this matter was also removed and as such this matter is now likely to be fixed for rehearing. The management and its Legal Counsel are hopeful that the ultimate outcome of the matter will be in Company's favour.

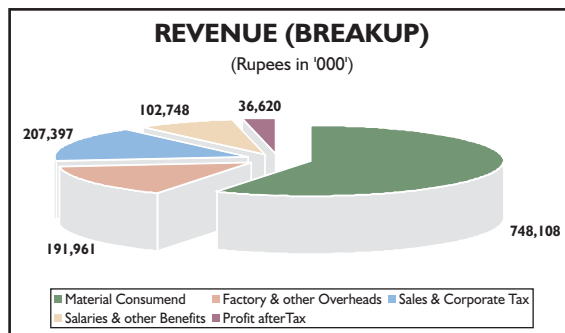
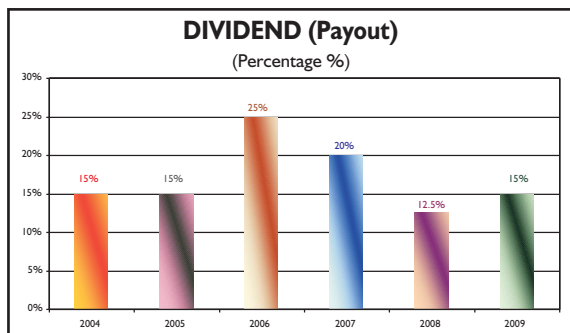
### **AUDITORS**

The Audit Committee has recommended to appoint M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accountants, for re-appointment at the time of Annual General Meeting (AGM). The present Auditors, M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accountants, retire and offer themselves for re-appointment subject to their eligibility under the law at the time of appointment at the AGM.

### **TRANSFER PRICING**

Your company has fully complied with the best practices on transfer pricing as contained in the listing regulation No.38 of the Karachi Stock Exchange except the sale of cars and other assets to the officers and executive directors at WDV as per the company policy.





## BASIC EARNINGS PER SHARE

Based on the net profit for the current year, the earnings per share was Rs. 2.75 (2008: Rs. 7.95).

## ACKNOWLEDGEMENT

The Board would like to record its appreciation for the valuable services rendered by Management, Officers and Workers of the Company enabling the Company to achieve its objectives.

We also acknowledge the support and cooperation received from the government, business partners, bankers, and all the other stakeholders.

For and on behalf of the Board of Directors

**Muhammad Siddique Misri**  
Chairman

**Razak H.M. Bengali**  
Chief Executive

Karachi: September 10, 2009





## PATTERN OF SHAREHOLDING

"FORM 34"  
AS AT JUNE 30, 2009

NO. OF SHAREHOLDERS	FROM	RANGE	TO	NO. OF SHARES
584	1	-	100	26,837
570	101	-	500	151,837
106	501	-	1000	76,468
101	1001	-	5000	187,071
5	5001	-	10000	36,367
3	10001	-	15000	33,062
2	15001	-	20000	35,750
5	20001	-	25000	116,091
1	30001	-	35000	31,650
2	35001	-	40000	72,825
1	45001	-	50000	49,450
1	50001	-	55000	50,300
1	95001	-	100000	100,000
1	110001	-	115000	115,000
1	120001	-	125000	121,900
1	135001	-	140000	136,400
1	145001	-	150000	146,300
1	190001	-	195000	191,618
1	270001	-	275000	270,987
1	275001	-	280000	277,150
1	285001	-	290000	287,500
1	340001	-	345000	341,693
1	375001	-	380000	376,165
1	380001	-	385000	384,200
1	435001	-	440000	437,201
1	815001	-	820000	818,775
1	905001	-	910000	907,350
1	1245001	-	1250000	1,249,000
1	1280001	-	1285000	1,282,825
1	1590001	-	1595000	1,592,160
1	1640001	-	1645000	1,640,058
1	1790001	-	1795000	1,790,260
<b>1,401</b>				<b>13,334,250</b>

SHAREHOLDERS CATEGORY	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	PERCENTAGE
INDIVIDUAL	1,356	7,808,101	58.56
JOINT STOCK COMPANIES	24	1,679,293	12.59
FINANCIAL INSTITUTIONS	9	3,235,178	24.26
INSURANCE COMPANIES	1	341,693	2.56
INVESTMENT COMPANIES	8	169,583	1.27
CHARITABLE INSTITUTIONS	1	172	0.00
LEASING COMPANIES	1	100,000	0.75
UNLISTED PUBLIC COMPANIES	1	230	0.00
	<b>1,401</b>	<b>13,334,250</b>	<b>100.00</b>

## PATTERN OF SHAREHOLDING - BREAKUP

AS AT JUNE 30, 2009

CATEGORIES OF SHAREHOLDERS	NO. OF SHAREHOLDERS	SHARES HELD	PERCENT %
<b>RELATED PARTIES</b>	-	-	-
<b>NIT AND ICP</b>	<b>2</b>	<b>3,573,911</b>	<b>26.80%</b>
1 M/S. NATIONAL BANK OF PAKISTAN, TRUSTEE DEPTT.		3,232,218	
2 M/S. STATE LIFE INSURANCE CORP. OF PAKISTAN		341,693	
<b>DIRECTORS, CEO &amp; THEIR SPOUSE AND MINOR - CHILDREN</b>	<b>8</b>	<b>5,046,961</b>	<b>37.85%</b>
1 MR. MUHAMMAD SIDDIQUE MISRI		1,790,260	
2 MRS. MEHTAB BIBI		437,201	
3 MR. RAZAK H.M. BENGALI		907,350	
4 MRS. GUL BANO		277,150	
5 MR. MUHAMMAD IRFAN GHANI		1,249,000	
6 MRS. KAUSAR IRFAN		384,200	
7 MR. MUHAMMAD JAVED		1,300	
8 MR. IRFAN AHMED QURESHI		500	
<b>EXECUTIVES</b>	-	-	-
<b>PUBLIC SECTORS COMPANIES AND CORPORATIONS</b>	-	-	-
<b>BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS , NON BANKING FINANCIAL INSTITUTION, INSURANCE - COMPANIES, MODARABAS, AND MUTUAL FUNDS</b>	<b>11</b>	<b>7,213</b>	<b>0.05%</b>
1 M/S. BANKERS TRUST COMPANY		86	
2 M/S. MORGAN STANLEY TRUST COMPANY		718	
3 M/S. CROSBY SECURITIES PTE LTD.		833	
4 M/S. SOMERS NOMINEES (FAR EAST) LTD.		590	
5 M/S. NATIONAL DEV. FINANCE CORP.INVESTERS		438	
6 M/S. IDBP (ICP UNIT)		30	
7 M/S. HABIB BANK AG ZURICH, DEIRA DUBAI		265	
8 M/S. ROYAL BANK OF SCOTLAND		1,638	
9 M/S. BANK OF SCOTLAND		718	
10 M/S. MORGAN STANLEY BANK LUXEMBOURG		1,322	
11 M/S. PRUDENTIAL INVESTMENT BANK LIMITED		575	
<b>Bal. C/F</b>	<b>21</b>	<b>8,628,085</b>	<b>64.71%</b>

CATEGORIES OF SHAREHOLDERS	NO. OF SHAREHOLDERS	SHARES HELD	PERCENT %
Bal. B/F	21	8,628,085	64.71%
<b>SHAREHOLDERS HOLDING TEN PERCENT OR MORE - VOTING INTEREST IN THE COMPANY</b>	-	-	-
<b>INDIVIDUALS</b>	<b>1,349</b>	<b>2,761,140</b>	<b>20.71%</b>
<b>OTHERS</b>	<b>31</b>	<b>1,945,025</b>	<b>14.59%</b>
1 M/S. NATIONAL MOTORS LIMITED		230	
2 M/S. GENERAL MODARABA SERVICES (PVT) LTD		18	
3 M/S. BOLAN CASTINGS LIMITED		287,500	
4 M/S. MILLAT TRACTORS LIMITED		1,282,825	
5 M/S. PRUDENTIAL SECURITIES LIMITED		718	
6 M/S. INVEST CAPITAL INVESTMENT BANK LIMITED		287	
7 M/S. AZIZ FIDAHUSEIN & COMPANY (PVT) LTD.		40	
8 M/S. JAN MOHD. A.LATIF NINI & SONS (PVT) LTD		50	
9 M/S. SAT SECURITIES (PVT.) LTD.		593	
10 M/S. Y.S. SECURITIES & SERVICES (PVT) LTD.		862	
11 M/S. VALIKA ART FABRICS LTD		1,437	
12 M/S. SATTAR CHINOY SECURITIES PVT LTD		11,500	
13 M/S. S.H. BUKHARI SECURITIES (PVT) LIMITED		86	
14 M/S. DARSON SECURITIES (PRIVATE) LIMITED		5	
15 M/S. AZEE SECURITIES (PRIVATE) LIMITED		1,724	
16 M/S. DJM SECURITIES (PRIVATE) LIMITED		35,450	
17 M/S. LIVE SECURITIES LIMITED		200	
18 M/S. B & B SECURITIES (PRIVATE) LIMITED		50,300	
19 M/S. DARSON SECURITIES (PVT) LIMITED		3,000	
20 M/S. AWJ SECURITIES (SMC-PRIVATE) LIMITED.		187	
21 M/S. MUHAMMAD AHMED NADEEM SECURITIES (SMC-PV		287	
22 M/S. MSMANIAR FINANCIALS (PVT) LTD.		345	
23 M/S. DURVESH SECURITIES (PVT) LTD		1,362	
24 M/S. KHAWAJA SECURITIES (PVT.) LIMITED		287	
25 M/S. ISLAMABAD STOCK EXCHANGE (G) LIMITED		230	
26 M/S. RS HOLDINGS (PRIVATE) LIMITED		300	
27 M/S. CDC - TRUSTEE UTP ISLAMIC FUND		146,300	
28 M/S. CDC - TRUSTEE JS PENSION SAVINGS FUND -		18,500	
29 M/S. SECURITY LEASING CORPORATION LIMITED		100,000	
30 M/S. LOADS LIMITED		230	
31 M/S. TRUSTEES ARVABAI&FAKHRUDDIN MEMORIAL FDN		172	
<b>*** TOTAL ***</b>	<b>1,401</b>	<b>13,334,250</b>	<b>100.00%</b>

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the listing regulation no.35 of the Karachi Stock Exchange (Guarantee) Ltd for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of the Corporate Governance.

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

1. The Company encourages representation of independent non-executive directors and representation of minority interests on its Board of Directors (BOD). At present BOD includes two non-executive Directors.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies including this Company.
3. All the resident Directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFIs or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred during the year.
5. The Company has prepared and circulated a "Statement of Ethics and Business Practices", which has been signed by all the Directors and Employees of the Company.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of BOD have been duly exercised and decisions on material transactions, and significant matters are documented by a resolution passed by BOD, including appointment and determination of remuneration and terms and conditions of employment of the Chairman, CEO, COO, CFO / Company Secretary and other Executive Directors, have been taken by BOD.
8. The meetings of BOD were presided over by the Chairman and, in his absence, by a director elected by BOD for this purpose and BOD met at least once in every quarter. Written notices of the BOD meetings, along with the agenda were circulated at least seven days before the meeting. The minutes of the meeting were appropriately recorded and circulated.
9. The BOD is in the process of arranging orientation courses for its directors to further apprise them of their duties and responsibilities.
10. No new appointment of CFO/Company Secretary and Head of Internal Audit has been made during the year.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and CFO before the approval of BOD.
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 Code.
15. The BOD has formed an Audit Committee. It comprises three members, of whom two are Non-Executive Directors including the Chairman of the committee.
16. The meetings of the Audit Committee were held at least once in every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference to the Committee have been formed and advised to the Committee for compliance.
17. The Board had outsourced the internal audit function to M/S. Anjum Asim Shahid Rehman & Co. Chartered Accountants. With effect from November 01, 2006, the Board has approved bringing in house Internal Audit function, and approved the appointment, terms and conditions of the employment of the Chief Internal Auditor.
18. 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), 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 (ICAP).
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The transactions with related parties are placed before the Board of Directors and the Board Audit Committee for review and approval. A complete party-wise record of related party transactions has been maintained by the Company.
21. We confirm all other material principles contained in the Code have been complied with as stated above, except that presently the position of the CFO and Company Secretary is held by the same person. The decision in respect of the position of CFO and Company Secretary has been taken by BOD keeping in view the size of the Company and orientation courses for the Directors will be conducted during the current year.

On behalf of the Board of Directors

**Muhammad Siddique Misri**  
Chairman

**Razak H.M. Bengali**  
Chief Executive

Karachi: September 10, 2009

## **STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING**

The Company has fully complied with the best practices on Transfer Pricing as contained in the regulation No.38 of the Karachi Stock Exchange (Guarantee) Ltd. Further, certain fixed assets of the Company are sold to the Executive & Working Directors at book value as per the Company policy as disclosed in note 3.1.2 of the Financial Statements.

On behalf of the Board of Directors

**Muhammad Siddique Misri**  
Chairman

**Razak H.M. Bengali**  
Chief Executive

Karachi: September 10, 2009



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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) for the year ended **30 June 2009** prepared by the Board of Directors of **Baluchistan Wheels Limited** (the Company) to comply with the Listing Regulation no. 37 (Chapter XI) [now Regulation 35 Chapter XI] of the Karachi Stock Exchange (Guarantee) Limited where the Company is listed.

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

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

Further, Sub-Regulation (xiii) of Listing Regulations 37 [now Regulation 35] notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the board of directors for their consideration and approval of related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. 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 of Corporate Governance for the year ended 30 June 2009.

**Ford Rhodes Sidat Hyder & Co.**  
**Chartered Accountants**

Karachi: September 10, 2009

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Baluchistan Wheels Limited** (the Company) as at **30 June 2009** and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion :
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **30 June 2009** and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and was deposited in the Central Zakat Fund established under section 7 of that Ordinance.

**Ford Rhodes Sidat Hyder & Co.**  
**Chartered Accountants**

**Audit Engagement Partner:** Shariq Ali Zaidi

Karachi: September 10, 2009



## BALANCE SHEET

### AS AT JUNE 30, 2009

	Note	2009 (Rupees in thousand)	2008
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	3	410,982	374,795
Long-term investments	4	315	747
Long-term loans and advances	5	2,005	2,391
Long-term deposits	6	3,573	3,418
		<u>416,875</u>	<u>381,351</u>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	7	64,293	63,456
Stock-in-trade	8	325,773	275,420
Trade debts	9	92,550	98,689
Loans and advances	10	20,084	35,526
Trade deposits and short-term prepayments	11	512	1,708
Investments	12	-	76,815
Taxation - net	13	3,435	-
Bank balances	14	30,510	52,205
		<u>537,157</u>	<u>603,819</u>
<b>TOTAL ASSETS</b>		<u><u>954,032</u></u>	<u><u>985,170</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	15	133,343	133,343
Reserves	16	589,262	569,786
		<u>722,605</u>	<u>703,129</u>
<b>NON CURRENT LIABILITIES</b>			
Long-term financing	17	27,701	43,872
Long-term deposits	18	327	444
Deferred liabilities	19	59,411	50,994
		<u>87,439</u>	<u>95,310</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	20	133,956	144,084
Accrued mark-up	21	1,898	89
Current portion of:			
- long-term financing	17	7,916	17,549
- liabilities against assets subject to finance lease		-	3,325
- long-term deposits	18	218	64
Taxation - net		-	21,620
		<u>143,988</u>	<u>186,731</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	22		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>954,032</u></u>	<u><u>985,170</u></u>

The annexed notes from 1 to 41 form an integral part of these financial statements.

**Muhammad Siddique Misri**  
Chairman

**Razak H.M. Bengali**  
Chief Executive

## PROFIT AND LOSS ACCOUNT

### FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 (Rupees in thousand)	2008
Sales - net	23	1,095,824	1,234,731
Cost of sales	24	(963,741)	(968,588)
<b>Gross profit</b>		<b>132,083</b>	266,143
Distribution costs	25	(24,054)	(25,876)
Administrative expenses	26	(55,986)	(52,840)
Other operating expenses	27	(4,483)	(15,251)
Finance costs	28	(18,455)	(10,810)
		<b>(102,978)</b>	(104,777)
<b>Operating profit</b>		<b>29,105</b>	161,366
Other operating income	29	23,902	9,017
<b>Profit before taxation</b>		<b>53,007</b>	170,383
Taxation	30	(16,387)	(64,371)
<b>Profit after taxation</b>		<b>36,620</b>	106,012
<b>Basic and diluted earnings per share (Rupees)</b>	31	<b>2.75</b>	7.95

The annexed notes from 1 to 41 form an integral part of these financial statements.

**Muhammad Siddique Misri**  
Chairman

**Razak H.M. Bengali**  
Chief Executive

## CASH FLOW STATEMENT

### FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 (Rupees in thousand)	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	33	160,488	148,393
Income tax paid		(32,846)	(37,612)
Finance cost paid		(16,646)	(10,937)
Employees' benefits paid		(4,443)	(4,463)
Long-term loans and advances - net		386	(980)
Long-term deposits -net		192	(1,144)
Net cash generated from operating activities		107,131	93,257
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(84,294)	(59,488)
Proceeds from sale of fixed assets		96	937
Profit received on deposit accounts		561	1,685
Dividend received		-	20
Net cash used in investing activities		(83,637)	(56,846)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long-term financing		(25,804)	(17,549)
Repayment of liabilities against asset subject to finance lease		(2,798)	(9,134)
Dividends paid		(16,587)	(26,508)
Net cash used in financing activities		(45,189)	(53,191)
<b>Net decrease in cash and cash equivalents</b>		<b>(21,695)</b>	<b>(16,780)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>52,205</b>	<b>68,985</b>
<b>Cash and cash equivalents at the end of the year</b>	14	<b>30,510</b>	<b>52,205</b>

The annexed notes from I to 4I form an integral part of these financial statements.

**Muhammad Siddique Misri**  
Chairman

**Razak H.M. Bengali**  
Chief Executive

## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED JUNE 30, 2009

	Issued, subscribed and paid-up share capital	General reserves	Reserves		Total reserves	Total
			Unrealised gain/(loss) on revaluation of available- for-sale- investments	Unappr- opriated profit		
----- (Rupees in thousand) -----						
<b>Balance at June 30, 2007</b>	133,343	160,000	670	329,795	490,465	623,808
Final dividend for the year ended June 30, 2007 @ Rs.2.00 per share	-	-	-	(26,668)	(26,668)	(26,668)
Unrealised loss on revaluation of available-for-sale investment	-	-	(23)	-	(23)	(23)
Net profit for the year	-	-	-	106,012	106,012	106,012
<b>Balance at June 30, 2008</b>	<b>133,343</b>	<b>160,000</b>	<b>647</b>	<b>409,139</b>	<b>569,786</b>	<b>703,129</b>
Final dividend for the year ended June 30, 2008 @ Rs.1.25 per share	-	-	-	(16,668)	(16,668)	(16,668)
Unrealised loss on revaluation of available-for-sale investment	-	-	(476)	-	(476)	(476)
Net profit for the year	-	-	-	36,620	36,620	36,620
<b>Balance at June 30, 2009</b>	<b>133,343</b>	<b>160,000</b>	<b>171</b>	<b>429,091</b>	<b>589,262</b>	<b>722,605</b>

The annexed notes from 1 to 41 form an integral part of these financial statements.

**Muhammad Siddique Misri**  
Chairman

**Razak H.M. Bengali**  
Chief Executive

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2009

### I. THE COMPANY AND ITS OPERATIONS

- 1.1** Baluchistan Wheels Limited (the Company) was incorporated in Pakistan on June 16, 1980. The Company is engaged in manufacturing and marketing of automotive wheel rims for trucks, buses, tractors, cars and mini commercial vehicles. The Company is listed on the Karachi Stock Exchange. The registered office and factory of the Company is situated at Main RCD Highway, Hub Chowki, Lasbella, Baluchistan, Pakistan.
- 1.2** During the year, the Company has increased its authorized share capital from 15,000,000 ordinary shares of Rs.10/- each to 25,000,000 ordinary shares of Rs.10/- each and special resolution to such effect had been passed in the Annual General Meeting of the Company held on October 25, 2008.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Statement of compliance

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

#### 2.2 Basis of preparation

These financial statements have been prepared under the historical cost convention, except for certain investment in securities which are carried at fair value as stated in note 2.6 below and certain staff retirement benefits at present value.

#### 2.3 Property, plant and equipment

##### Owned

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for the freehold land which is stated at cost.

Depreciation is charged to profit and loss account applying the reducing balance method except for computers which are depreciated on straight line method at the rates stated in note 3.1.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalised.

An item of property, plant and equipment derecognized upon disposal or when no future economic benefits are expected from its use or disposal then gain or loss on disposal of property, plant and equipment is included in profit and loss account.

##### Assets subject to finance lease

The Company accounts for operating assets acquired under finance leases by recording the assets and the related liability at the amounts which are determined on the basis of the discounted value of minimum lease payments. Financial charges are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged to income applying the same basis as for owned assets.

Income on sale and lease back arrangement is deferred and amortized over the lease term.

### **Capital work-in-progress**

These are stated at cost less impairment losses, if any, and represent expenditures connected with specific assets incurred during the construction / erection period. These are transferred to specific assets as and when assets are available for use.

### **2.4 Intangible assets**

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. These are amortized using the straight line method reflecting the pattern in which the economic benefits of the asset are consumed by the Company.

### **2.5 Impairment**

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount of property, plant and equipment is the higher of net selling price and value in use.

### **2.6 Investments**

The management of the Company determines the appropriate classification of its investments at the time of purchases and these are initially recognized at fair value, plus, in case of investment at fair value through profit or loss, directly attributable transaction cost.

#### **Investments at fair value through profit or loss**

Investments at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

#### **Held-to-maturity**

Investments with fixed maturity, where management has both the intent and ability to hold to maturity, are classified as held-to-maturity. Such investments are initially recognised at cost and subsequently remeasured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. Any gain or loss arising on derecognition / impairment in value of such investments is taken to profit and loss account.

#### **Available-for-sale**

Investments that are not held for trading but may be sold in response to the need for liquidity or change in market rates are classified as available-for-sale. Investments in quoted equity securities are initially recorded at cost and subsequently remeasured at fair value. The resulting gain or loss is recognised directly as a component of equity until the investment is sold, or otherwise disposed off, or until the investment is determined to be impaired, at which time, the cumulative gain or loss previously reported in equity is taken to profit and loss account.

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

These are valued at lower of weighted average cost and estimated Net Realisable Value (NRV) except items in transit which are stated at invoice value plus other charges paid thereon to the balance sheet date.

Provision / write off, if required, is made in the accounts for slow moving, obsolete and unusable items to bring their carrying value down to NRV.

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

## 2.8 Stock-in-trade

Raw materials and components except for those in transit are valued at lower of weighted average cost and Net Realisable Value (NRV).

Work in process is valued at lower of average manufacturing cost and NRV.

Finished goods are valued at lower of average manufacturing cost and NRV. Average manufacturing cost comprises the cost of direct materials and labour and a proportion of manufacturing overheads based on normal capacity.

Stock in transit is valued at cost comprising invoice value plus other charges incurred thereon to the balance sheet date.

Scrap stocks are valued at NRV.

NRV signifies the estimated selling price in the ordinary course of business less cost of completion and costs necessarily to be incurred to make the sale.

Provision is made for obsolete inventory based on management's judgment.

## 2.9 Trade debts

Trade debts are recognised and carried at original invoice amount which is the fair value of the consideration given, less provision for doubtful debts. When the recovery of the amount is considered uncertain by the management, a provision is made for the same. Bad debts are written-off as incurred.

## 2.10 Loans and advances

These are stated at cost, which is the fair value of consideration given, less provision for any doubtful receivables.

## 2.11 Taxation

### Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation on income. The charge for current tax is calculated using prevailing tax rates. The charge for current tax also includes adjustments for prior years or otherwise considered necessary for such years. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

### Deferred

Deferred tax is provided using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan, if considered material.

## 2.12 Trade and other payables

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

### 2.13 Provisions

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

### 2.14 Provision for warranty

The management estimates at each balance sheet date a liability that could arise as a result of the Company's obligation to repair and replace products under warranty. The provision for warranty is maintained at the rate of two percent of last six months' turnover.

### 2.15 Financial instruments

All financial assets and liabilities are recognised at the time when the Company becomes party to the contractual provisions of the instrument and are derecognised in case of assets, when the contractual rights under the instrument are realised, expired or surrendered and in case of liability, when the obligation is discharged, cancelled or expired.

Any gain / loss on the recognition and derecognition of the financial assets and liabilities is taken to profit and loss account.

### 2.16 Offsetting of financial assets or liabilities

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

### 2.17 Foreign currency translations

Transactions in foreign currencies are translated into Pak Rupees (presentation currency) at the rates of exchange approximating those appearing on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Rupees at the rates of exchange approximating those prevailing at the balance sheet date. Any resulting gain or loss arising from changes in exchange rates is taken to profit and loss account.

### 2.18 Staff retirement benefits

#### Defined benefit plan

The Company operates an approved and funded defined gratuity scheme for all permanent employees who have completed the minimum qualifying period of service for entitlement of gratuity. The contributions to the scheme are made in accordance with the independent actuarial valuation. The latest actuarial valuation was carried out as of June 30, 2009 using Projected Unit Credit Method. Actuarial gains are recognised and spread forward over average remaining service lives of the employees in excess of the following corridor limits, whichever is higher:

- 10 percent of the present value of defined benefit obligations; and
- 10 percent of the fair value of plan assets

#### Defined contribution plan

The Company operates an approved defined contributory provident fund scheme for all permanent employees who have completed the minimum qualifying period of service. Equal contributions are made by the Company and the employees to the fund at the rate of 10 percent of basic salary.

#### Compensated absences

Accrual for compensated absences is made to the extent of the value of accrued absences of the employees at the balance sheet date using their current salary levels as per Company's policy.



**2.19 Related party transactions**

All transactions with related parties are carried out by the Company using the methods prescribed under the Ordinance.

**2.20 Revenue recognition**

Sales are recognised upon passage of title to the customers, which generally coincides with physical delivery.

Scrap sales are recognised on physical delivery to customer.

Dividend income is recognised when right to receive the dividend is established.

Profit on deposit accounts is recognised on an accrual basis.

**2.21 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise current and deposit accounts.

**2.22 Dividend and appropriations to reserves**

These are recognized in the financial statements in the period in which these are approved.

**2.23 Accounting estimates and judgments**

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

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

	<b>Note</b>
Determining the residual values and useful lives of property, plant and equipment	2.3 & 3.1
Impairment / adjustment of inventories to their Net Realizable Value	2.7 & 7, 2.8 & 8
Recognition of taxation and deferred tax	2.11, 13, 19.1 & 30
Accounting for staff retirement benefits	2.18 & 20.1
Classification of investments	2.6

**2.24 Standards, interpretations and amendments to published approved accounting standards that are not yet effective**

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

<b>Standard or Interpretation</b>	<b>Effective date (accounting periods beginning on or after)</b>
IAS 1 - Presentation of Financial Statements (Revised)	January 01, 2009
IAS 23 - Borrowings Costs (Revised)	January 01, 2009
IAS 27 - Consolidated and Separate Financial Statements (Amended)	July 01, 2009
IAS 32 - Financial Instruments: Presentation - Amendments regarding Puttable Financial Instruments	January 01, 2009

IAS 39 - Financial Instruments: Recognition and measurement - Amendments regarding Eligible Hedge Items	July 01, 2009
IFRS 2 - Share Based Payment - Amendments regarding Vesting Conditions and Cancellations	January 01, 2009
IFRS 3 - Business Combinations (Revised)	July 01, 2009
IFRS 7 - Improving Disclosures about Financial Instruments (Amended)	January 01, 2009
IFRS 8 - Operating Segments	January 01, 2009
IFRIC 15 - Agreements for the Construction of Real Estate	January 01, 2009
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	October 01, 2008
IFRIC 17 - Distributions of Non-cash Assets to Owners	July 01, 2009
IFRIC 18 - Transfers of Assets from Customers	July 01, 2009
IFAS 2 - Ijarah	January 01, 2009

The Company expects that the adoption of the above standards and interpretations either are not relevant or will have no material impact on the Company's financial statements in the period of initial application other than as stated below:

IAS 1 "Presentation of Financial Statements". The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. Accordingly, the above may require certain additional disclosures in the Company's financial statements.

In addition to the above, amendments (2008 Annual improvements to IFRS) to various accounting standards have also been issued by IASB as a result of its annual improvement project. Such amendments are generally effective for accounting periods beginning on or after 1 January 2009. The management is currently evaluating the impact of such amendments on the Company's financial statements for the ensuing periods.

## 2.25 Standards adopted during the year

During the year, the Company has adopted IFRS 7 "Financial Instruments - Disclosures", which resulted in certain additional disclosures relating to financial instruments in these financial statements. Further, interpretations of accounting standards, namely IFRIC 9 "IAS 39 Amendment - Embedded Derivatives", IFRIC 12 "Service Concession Arrangements", IFRIC 13 "Customer Loyalty Programmes" and IFRIC 14 "IAS 19 - The Limit on Defined Benefit Asset Minimum Funding Requirements and their Interactions" also became effective during the year. However, these interpretations do not affect the Company's financial statements.

	Note	2009 (Rupees in thousand)	2008
<b>3. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating assets	3.1	<b>403,674</b>	362,693
Capital work-in-progress	3.2	<b>7,308</b>	12,102
		<b>410,982</b>	374,795

## 3.1 Operating assets

	C O S T				ACCUMULATED DEPRECIATION			BOOK VALUE	
	As at July 1, 2008	Additions/(deletions)/ <sup>*</sup> transfer	As at June 30, 2009	Rate	As at July 1, 2008	Charge for the year	(Disposals)/ <sup>*</sup> transfers	As at June 30, 2009	As at June 30, 2009
	--- (Rupees in thousand) ---				%	----- (Rupees in thousand) -----			
<b>Owned</b>									
Land - freehold	2,559	-	2,559	-	-	-	-	-	2,559
Building on freehold land	72,872	11,942	84,814	5 & 10	29,168	2,784	-	31,952	52,862
Plant and machinery	694,004	69,409	763,413	10 & 20	411,907	34,072	-	445,979	317,434
Electrical installations	28,320	524	28,844	10	13,172	1,556	-	14,728	14,116
Furniture and fittings	4,557	48	4,605	10	2,558	205	-	2,763	1,842
Office equipment	8,355	2,469 (269)	10,555	33	5,755	1,576	(191)	7,140	3,415
Computers	5,612	99 (62)	5,649	33	4,791	513	(52)	5,252	397
Vehicles	16,886	*7,599	24,485	20	7,942	1,992	*3,507	13,441	11,044
Library books	42	-	42	10	36	1	-	37	5
	833,207	84,491 (331) *7,599	924,966		475,329	42,699	(243) *3,507	521,292	403,674
<b>Leased</b>									
Vehicles	7,599	*(7,599)	-	20	2,784	723	*(3,507)	-	-
	7,599	*(7,599)	-		2,784	723	*(3,507)	-	-
<b>2009</b>	<b>840,806</b>	<b>84,491 (331)</b>	<b>924,966</b>		<b>478,113</b>	<b>43,422</b>	<b>(243)</b>	<b>521,292</b>	<b>403,674</b>

	C O S T				ACCUMULATED DEPRECIATION			BOOK VALUE	
	As at July 1, 2007	Additions/(deletions)/ <sup>*</sup> transfer	As at June 30, 2008	Rate	As at July 1, 2007	Charge for the year	(Deletions)/ <sup>*</sup> transfers/ <sup>**</sup> impairment	As at June 30, 2008	As at June 30, 2008
	--- (Rupees in thousand) ---				%	----- (Rupees in thousand) -----			
<b>Owned</b>									
Land - freehold	2,559	-	2,559	-	-	-	-	-	2,559
Building on freehold land	70,958	1,914	72,872	5 & 10	26,893	2,275	-	29,168	43,704
Plant and machinery	612,620	44,165 *37,219	694,004	10 & 20	372,620	28,255	*10,064 **968	411,907	282,097
Electrical installations	28,320	-	28,320	10	11,489	1,683	-	13,172	15,148
Furniture and fittings	4,216	341	4,557	10	2,348	210	-	2,558	1,999
Office equipment	6,815	1,573 (33)	8,355	33	4,654	1,124	(23)	5,755	2,600
Computers	5,211	453 (52)	5,612	33	4,200	592	(1)	4,791	821
Vehicles	11,558	3,206 (1,678) *3,800	16,886	20	5,634	1,589	(1,266) *1,985	7,942	8,944
Library books	42	-	42	10	35	1	-	36	6
	742,299	51,652 (1,763) *41,019	833,207		427,873	35,729	(1,290) *12,049 **968	475,329	357,878
<b>Leased</b>									
Plant and machinery	37,219	*(37,219)	-	10	8,667	1,397	*(10,064)	-	-
Vehicles	11,399	*(3,800)	7,599	20	3,434	1,335	*(1,985)	2,784	4,815
	48,618	*(41,019)	7,599		12,101	2,732	*(12,049)	2,784	4,815
<b>2008</b>	<b>790,917</b>	<b>51,652 (1,763)</b>	<b>840,806</b>		<b>439,974</b>	<b>38,461</b>	<b>(1,290) **968</b>	<b>478,113</b>	<b>362,693</b>

	Percentage %	Note	2009 (Rupees in thousand)	2008
<b>3.1.1 Allocation of depreciation</b>				
Cost of sales	75	24	<b>32,573</b>	28,872
Distribution cost	5	25	<b>2,172</b>	1,918
Administrative expenses	20	26	<b>8,677</b>	7,671
			<b>43,422</b>	<b>38,461</b>

### 3.1.2 Details of disposal of operating assets

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/(loss)	Mode of disposal	Particulars of purchaser
----- (Rupees in thousands) -----							
Split AC	30	23	7	7	-	Company policy	Mr. Rehmat Sher
Generator	28	20	8	8	-	Company policy	Mr. Arshad Ali Siddiqui
Generator	30	21	9	9	-	Company policy	Mr. Rehmat Sher
Generator	30	21	9	9	-	Company policy	Mr. Zia Ahmed Makhdoom
Generator	30	21	9	9	-	Company policy	Mr. Yaseen Ladha
Generator	30	21	9	9	-	Company policy	Mr. Atiq-ur-Rehman
Generator	30	21	9	9	-	Company policy	Mr. Shafiquddin
Generator	30	21	9	9	-	Company policy	Mr. Muhammad Qasim
Generator	30	21	9	9	-	Company policy	Mr. Shafiq-ur-Rehman
Computer	16	16	-	2	2	Company policy	Mr. Muhammad Rafique
Computer	34	34	-	2	2	Company policy	Ms. Noreen Fatima
Computer	13	3	10	14	4	Insurance claim	EFU General Insurance
<b>2009</b>	<b>331</b>	<b>243</b>	<b>88</b>	<b>96</b>	<b>8</b>		
2008	1,763	1,290	473	937	464		

### 3.2 Capital work-in-progress

Civil works	<b>7,308</b>	12,102
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### 4. LONG-TERM INVESTMENTS

#### Available-for-sale - at fair value

Quoted securities	4.1	<b>315</b>	747
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#### 4.1 Represents 14,300 (2008: 11,000) ordinary shares of Rs.10/- each of Bolan Castings Limited. The movement in available-for-sale investment is as follows :

Balance at the beginning of the year	<b>747</b>	770
Investment made during the year (Right Shares)	<b>44</b>	-
Loss on fair value adjustment	<b>(476)</b>	(23)
Balance at the end of the year	<b>315</b>	747

### 5. LONG-TERM LOANS AND ADVANCES - considered good

Loans - secured	5.1	<b>811</b>	1,089
Advance to employees - secured		<b>2,841</b>	2,997
		<b>3,652</b>	4,086
Less: Current portion			
Loans	10	<b>269</b>	297
Advances	10	<b>1,378</b>	1,398
		<b>1,647</b>	1,695
		<b>2,005</b>	2,391

- 5.1 Represents interest free loans to employees for purchase of motorcars, motorcycles, home appliances, house building and for staff welfare in accordance with the Company's policy. These loans are recoverable in four years in equal monthly installments. These loans are secured against the retirement benefits of employees.

	Note	2009 (Rupees in thousand)	2008
<b>6. LONG-TERM DEPOSITS</b>			
Trade deposits		<u>3,573</u>	<u>3,418</u>
<b>7. STORES, SPARE PARTS AND LOOSE TOOLS</b>			
Stores		7,345	6,697
Spare parts		74,232	70,295
Loose tools		<u>2,918</u>	<u>1,821</u>
		<b>84,495</b>	<b>78,813</b>
Less: Provision for slow moving:			
Stores		12	127
Spare parts		20,127	15,090
Loose tools		63	140
	7.1	<u>20,202</u>	<u>15,357</u>
		<b>64,293</b>	<b>63,456</b>
<b>7.1 Movement in provision is as follows:</b>			
Balance at the beginning of the year		15,357	8,049
Charge during the year	24	4,845	7,308
Balance at the end of the year		<u>20,202</u>	<u>15,357</u>
<b>8. STOCK-IN-TRADE</b>			
Raw material and components		147,761	131,382
Work-in-process		88,266	85,618
Finished goods		44,544	32,389
Scrap stock		<u>15,058</u>	<u>12,764</u>
		<b>295,629</b>	<b>262,153</b>
Stock-in-transit		<u>40,932</u>	<u>27,498</u>
		<b>336,561</b>	<b>289,651</b>
Less: Provision for slow moving stock	8.1	<u>10,788</u>	<u>14,231</u>
		<b>325,773</b>	<b>275,420</b>
<b>8.1 Movement in provision is as follows:</b>			
Balance at the beginning of the year		14,231	12,404
Charge during the year	24	1,312	1,827
Reversed during the year	24	<u>(4,755)</u>	<u>-</u>
Balance at the end of the year		<u>10,788</u>	<u>14,231</u>
<b>9. TRADE DEBTS - unsecured</b>			
Considered good		92,550	98,689
Considered doubtful		2,597	2,949
Less: Provision for doubtful debts	9.1	<u>2,597</u>	<u>2,949</u>
		<b>92,550</b>	<b>98,689</b>

	Note	2009 (Rupees in thousand)	2008
<b>9.1 Movement in provision is as follows:</b>			
Balance at the beginning of the year		2,949	2,337
Provision made during the year	26	1,530	1,824
Reversed during the year	29	(1,882)	-
Write off during the year		-	(1,212)
Balance at the end of the year		<u>2,597</u>	<u>2,949</u>

**9.2 The ageing analysis of unimpaired trade debts at June 30 is as follows:**

Neither past due nor impaired	78,965	73,285
Past due but not impaired		
- within 30 days	12,273	17,921
- 31 to 60 days	920	2,626
- 61 to 90 days	725	5,542
- over 90 days	2,264	2,264
	<u>95,147</u>	<u>101,638</u>

**10. LOANS AND ADVANCES**

**Loans - secured, considered good**

Current portion of long-term loans	5	269	297
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**Advances**

**Considered good**

Current portion of long-term advances - secured	5	1,378	1,398
For expenses - unsecured		511	1,000
To suppliers - unsecured		17,622	24,444
Letters of credit fee and margin - unsecured		304	8,387
		<u>19,815</u>	<u>35,229</u>

**Considered doubtful**

Less: Provision for doubtful advances	10.1	757	2,323
		<u>757</u>	<u>2,323</u>
		-	-
		<u>20,084</u>	<u>35,526</u>

**10.1 Movement in provision is as follows:**

Balance at the beginning of the year		2,323	1,414
(Reversal) / provision made during the year	29	(1,056)	909
Write off during the year		(510)	-
Balance at the end of the year		<u>757</u>	<u>2,323</u>

**11. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS**

Deposits		80	1,247
Prepayments		432	461
		<u>512</u>	<u>1,708</u>

**12. INVESTMENTS**

Open ended mutual funds - at fair value through profit and loss

<b>2009</b>	<b>2008</b>		<b>2009</b>	<b>2008</b>
Number of units		<b>Note</b>	(Rupees in thousand)	
- 2,379,957.1276		NAFA Cash Fund	-	25,648
- 247,869.8480		Faysal Saving Growth Fund	-	25,667
- 248,610.0096		HBL Income Fund	-	25,500
			<u>-</u>	<u>76,815</u>

**13. TAXATION**

The income tax assessments of the Company have been finalized by the Income Tax Department upto tax year 2008 (accounting year ended June 30, 2008).

**14. BANK BALANCES**

Current accounts			<b>7,522</b>	49,144
Deposit accounts		14.1	<b>22,988</b>	3,061
			<u><b>30,510</b></u>	<u>52,205</u>

**14.1** These carry profit at the rates ranging from 7 to 8 percent (2008: 8 percent to 9.5 percent) per annum.

**15. SHARE CAPITAL**

<b>2009</b>	<b>2008</b>		<b>2009</b>	<b>2008</b>
(Number of shares)			(Rupees in thousand)	
<b>Authorised capital</b>				
<b>25,000,000</b>	15,000,000	Ordinary shares of Rs. 10/- each	<u><b>250,000</b></u>	<u>150,000</u>
<b>Issued, subscribed and paid-up capital</b>				
(Number of shares)				
		Ordinary shares of Rs. 10/- each		
<b>9,276,000</b>	9,276,000	- issued for cash	<b>92,760</b>	92,760
<b>4,058,250</b>	4,058,250	- issued as bonus shares	<b>40,583</b>	40,583
<u><b>13,334,250</b></u>	<u>13,334,250</u>		<u><b>133,343</b></u>	<u>133,343</u>

**16. RESERVES**

Revenue				
- unrealised gain on revaluation of available-for-sale investment			<b>171</b>	647
- general			<b>160,000</b>	160,000
- unappropriated profit			<b>429,091</b>	409,139
			<u><b>589,262</b></u>	<u>569,786</u>

**17. LONG-TERM FINANCING - Secured**

Represents utilized portion of demand finance facility of Rs.55.616 (2008: Rs.120.2) million from a commercial bank. It carries a profit rate of three months' KIBOR plus 250 basis points with floor of 7% and is repayable by 2013 in nine semi-annually installments commencing from December 2009. It is secured by way of second charge over the Company's fixed assets. The movement in long term liability is as follows:

	Note	2009 (Rupees in thousand)	2008
Balance - at the beginning of the year		61,421	78,969
Add: Obtained during the year		55,616	-
		<u>117,037</u>	<u>78,969</u>
Less: Paid during the year		81,420	17,548
Balance at the end of the year		<u>35,617</u>	<u>61,421</u>
Less: Due within one year		7,916	17,549
		<u>27,701</u>	<u>43,872</u>
<b>18. LONG-TERM DEPOSITS</b>			
Deposit from employees		545	508
Less: Current portion		218	64
		<u>327</u>	<u>444</u>

This represents interest free deposits received from employees. The amount will be adjustable within the period of three to five years against book value of the generators and vehicles.

**19. DEFERRED LIABILITIES**

Deferred taxation	19.1	59,411	50,815
Deferred income on sale and leaseback arrangement		-	179
		<u>59,411</u>	<u>50,994</u>

**19.1 Deferred taxation comprises of:**

Deferred tax liability arising in respect of :			
Accelerated tax depreciation		76,057	70,148
Deferred gain on sale and leaseback arrangement		-	63
		<u>76,057</u>	<u>70,211</u>
Deferred tax asset arising in respect of :			
Provisions		16,646	18,232
Liabilities against assets subject to finance lease		-	1,164
		<u>16,646</u>	<u>19,396</u>
		<u>59,411</u>	<u>50,815</u>

**20. TRADE AND OTHER PAYABLES**

Creditors		32,112	9,089
Bills payable		-	18,028
Accrued liabilities		19,212	36,518
Advance from customers		33,819	22,417
Retention money		1,393	1,169
Security deposits		248	348
Compensated absences		8,420	6,971
Payable to gratuity fund	20.1	3,087	3,580
Payable to provident fund		909	660
Workers' Profit Participation Fund	20.2	2,850	9,160
Workers' Welfare Fund		9,899	12,759
Sales tax payable		8,001	6,118
FED payable		830	521
Provision for warranty claims	20.3	10,128	13,650
Unclaimed dividend		2,561	2,480
Others		487	616
		<u>133,956</u>	<u>144,084</u>



<b>20.1 Payable to gratuity fund</b>	<b>Note</b>	<b>2009</b>	<b>2008</b>
		(Rupees in thousand)	
<b>20.1.1 Reconciliation of obligations as at year end</b>			
Present value of defined benefit obligation		<b>32,951</b>	37,586
Fair value of plan assets		<u>(29,188)</u>	<u>(29,712)</u>
		<b>3,763</b>	7,874
Unrecognised actuarial gain		<b>(676)</b>	(4,294)
Net liability at end of the year		<u><b>3,087</b></u>	<u>3,580</u>
<b>20.1.2 Movement in net liability</b>			
Net liability at beginning of the year		<b>3,580</b>	2,793
Charge for the year	20.1.3	<b>3,087</b>	3,580
Contributions		<b>(3,580)</b>	(2,793)
Net liability at end of the year		<u><b>3,087</b></u>	<u>3,580</u>
<b>20.1.3 Charge for the year</b>			
Current service cost		<b>2,088</b>	3,009
Interest cost		<b>4,510</b>	3,353
Expected return on plan assets		<b>(3,565)</b>	(2,782)
Actuarial (gains)/losses recognized		<b>54</b>	
Charge for the year		<u><b>3,087</b></u>	<u>3,580</u>
<b>20.1.4 Movement in defined benefit obligation</b>			
Present value of defined benefit obligation at beginning of the year		<b>37,586</b>	33,528
Current service cost		<b>2,088</b>	3,009
Interest cost		<b>4,510</b>	3,353
Benefits paid during the year		<b>(3,790)</b>	(3,319)
Actuarial (gain) / loss		<b>(7,443)</b>	1,015
Present value of defined benefit obligation at end of the year		<u><b>32,951</b></u>	<u>37,586</u>
<b>20.1.5 Movement in fair value of plan assets</b>			
Fair value of plan assets at beginning of the year		<b>29,712</b>	27,820
Expected return on plan assets		<b>3,565</b>	2,782
Contributions made by the Company		<b>3,580</b>	2,793
Benefits paid during the year		<b>(3,790)</b>	(3,319)
Actuarial (loss) / gain		<b>(3,879)</b>	(363)
Fair value of plan assets at end of the year		<u><b>29,188</b></u>	<u>29,713</u>

**20.1.6** The principal assumptions used in the actuarial valuations carried out as of June 30, 2009 using the 'Projected Unit Credit' method are as follows:

	<b>Gratuity Fund</b>	
	<b>2009</b>	<b>2008</b>
	%	%
Rate of salary increase (per annum)	<b>11</b>	12
Rate of return (per annum)	<b>13</b>	12
Discount rate (per annum)	<b>13</b>	12
Expected mortality rate	<b>EFU</b>	EFU
	<b>61-66 mortality table</b>	61-66 mortality table
Expected withdrawal rate	<b>Age dependent</b>	Age dependent

**2009**                      **2008**  
(Rupees in thousand)

**20.1.7** Actual return on plan assets

(230)                      2,232

**20.1.8** Plan assets comprise the following:

	<b>2009</b>		<b>2008</b>	
	Amount in thousand	%age	Amount in thousand	%age
Equity (mutual funds)	19,703	67.50	22,320	75.12
Debt	9,267	31.75	6,608	22.24
Others	218	0.75	785	2.64
	<u>29,188</u>		<u>29,713</u>	

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

**20.1.10** Expected contribution to the fund for the year ending June 30, 2010 is Rs. 2.963 million.

**20.1.11** Comparison for five years:

	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
	----- (Rupees in thousand) -----				
Present value of defined benefit obligation	<b>32,951</b>	37,586	33,528	27,364	22,367
Fair value of plan assets	<b>(29,188)</b>	(29,713)	(27,820)	(24,530)	(22,999)
Surplus / (deficit)	<u><b>3,763</b></u>	<u>7,873</u>	<u>5,708</u>	<u>2,834</u>	<u>(632)</u>
Experience adjustments: (Gain) / loss on plan liabilities	<u><b>(7,443)</b></u>	<u>1,015</u>	<u>2,563</u>	<u>1,986</u>	<u>690</u>
Gain / (loss) on plan assets	<u><b>(3,879)</b></u>	<u>(363)</u>	<u>569</u>	<u>(769)</u>	<u>(688)</u>

**Note**                      **2009**                      **2008**  
(Rupees in thousand)

**20.2 Workers' Profit Participation Fund**

Balance at the beginning of the year		<b>9,160</b>	10,544
Allocation for the year	27	<u><b>2,850</b></u>	<u>9,160</u>
		<b>12,010</b>	19,704
Interest on funds utilised in the Company's business	28	<u><b>622</b></u>	<u>368</u>
		<b>12,632</b>	20,072
Less: Payments made during the year		<u><b>9,782</b></u>	<u>10,912</u>
Balance at the end of the year		<u><b>2,850</b></u>	<u>9,160</u>

**20.3 Movement in provision for warranty claims is as follows:**

Balance at the beginning of the year		<b>13,650</b>	11,694
Provision made during the year	2.14 & 25	<b>142</b>	1,956
Adjustment during the year		<u><b>(3,664)</b></u>	<u>-</u>
Balance at the end of the year		<u><b>10,128</b></u>	<u>13,650</u>

	Note	2009 (Rupees in thousand)	2008
<b>21. ACCRUED MARK-UP</b>			
Long-term financing		1,886	89
Short-term running finance		12	-
		<u>1,898</u>	<u>89</u>

## 22. CONTINGENCIES AND COMMITMENTS

### 22.1 Contingencies

(i) Indemnity bonds issued to Sui Southern Gas Company Limited amounted to Rs. 1.145 (2008: Rs. 1.145) million and indemnity bonds issued to Collector of Custom amounted to Rs. Nil (2008: Rs.0.259 million).

(ii) The Privatization Commission (PC) has filed a suit against Abdul Qadir Tawwakal, Saleem I. Kapoorwala, National Bank of Pakistan (NBP) and has made the Company also a party for the recovery of Rs. 207 million against sale of shares of the Company. The sale price was guaranteed by NBP. The Company has not acknowledged the said claim since it did not issue any counter guarantees and is not a party to the agreement between Abdul Qadir Tawwakal, Saleem. I. Kapoorwala and PC for the sale of shares and neither the Company requested NBP to issue any guarantee in this regard. Subsequent to the year ended June 30, 2003, NBP has made the payment to PC amounting to Rs. 91.25 million and filed a suit for the recovery against the Company. The management and its legal counsel are hopeful that the ultimate outcome of the matter will be in the Company's favour. Accordingly, no provision is considered necessary in these financial statements in respect of the above matter.

### 22.2 Commitments

Capital commitments - Plant and machinery	-	45,881
Letters of credit issued by commercial banks	89,933	230,689

## 23. SALES

Local sales	23.1	1,241,363	1,402,842
Less: Sales return		10,528	6,915
Sales tax		169,873	181,118
Federal excise duty		10,609	12,109
		191,010	200,142
Export sales		45,471	32,031
		<u>1,095,824</u>	<u>1,234,731</u>

23.1 Includes scrap sales of Rs.29.910 (2008: Rs.35.837) million.

24. COST OF SALES	Note	2009 (Rupees in thousand)	2008
<b>Raw material and components consumed</b>			
Opening stock - Raw material		131,382	212,689
- Scrap		<u>12,764</u>	<u>13,484</u>
		144,146	226,173
Purchases		781,581	689,550
Less: Closing stock - Raw material		<u>(147,761)</u>	<u>131,382</u>
- Scrap		<u>(15,058)</u>	<u>12,764</u>
		<u>(162,819)</u>	<u>144,146</u>
		<b>762,908</b>	<b>771,577</b>
Salaries, wages and benefits	24.1	<b>76,127</b>	79,239
Stores, spares and loose tools consumed		<b>47,462</b>	55,219
Fuel and power		<b>23,698</b>	23,484
Depreciation	3.1.1	<b>32,573</b>	28,872
Services rendered by contractors		<b>13,863</b>	13,095
Staff transportation		<b>8,190</b>	7,673
Repairs and maintenance		<b>6,846</b>	5,426
Travelling and conveyance		<b>94</b>	258
Vehicle running expenses		<b>1,219</b>	968
Insurance		<b>1,316</b>	1,205
Communication		<b>798</b>	769
Entertainment		<b>650</b>	801
Printing and stationery		<b>63</b>	35
Subscription		<b>37</b>	158
Rent, rates and taxes		<b>36</b>	32
Provision for slow moving stores, spares and loose tools	7.1	<b>4,845</b>	7,308
Slow moving stock in trade:			
- provision made during the year	8.1	<b>1,312</b>	1,827
- reversal made during the year	8.1	<b>(4,755)</b>	-
Computer expense		<b>147</b>	266
Foreign specialist expense		<b>728</b>	542
Others		<b>387</b>	84
		<b>215,636</b>	227,261
<b>Manufacturing cost</b>		<b>978,544</b>	998,838
Work-in-process - Opening		<b>85,618</b>	62,620
- Closing		<b>(88,266)</b>	(85,618)
		<b>(2,648)</b>	(22,998)
<b>Cost of goods manufactured</b>		<b>975,896</b>	975,840
Finished goods - Opening		<b>32,389</b>	25,137
- Closing		<b>(44,544)</b>	(32,389)
		<b>(12,155)</b>	(7,252)
		<b>963,741</b>	968,588
<b>24.1 Included herein are the following employees' benefits:</b>			
- Defined benefit plan - gratuity		<b>2,250</b>	2,685
- Defined contribution plan - provident fund		<b>1,781</b>	1,615
- Medical		<b>3,340</b>	3,092
- Charge for compensated leave absences		<b>2,017</b>	1,494
- Bonus		<b>2,492</b>	8,562
		<b>11,880</b>	17,448

	Note	2009 (Rupees in thousand)	2008
<b>25. DISTRIBUTION COSTS</b>			
Salaries and benefits	25.1	2,272	2,455
Carriage and forwarding		15,626	16,192
Provision for warranty claims	20.3	142	1,956
Depreciation	3.1.1	2,172	1,918
Insurance		32	36
Advertisement		342	915
Vehicle running expenses		266	234
Travelling and conveyance		274	128
Staff transportation		74	64
Communication		93	62
Entertainment		44	42
Selling expense - foreign sales		2,035	1,433
Computer expense		49	35
Utilities		271	267
Others		362	139
		<u>24,054</u>	<u>25,876</u>
<b>25.1 Included herein are the following employees' benefits:</b>			
- Defined benefit plan - gratuity		150	179
- Defined contribution plan - provident fund		14	67
- Medical		105	106
- Provision of compensated leave absences		119	98
- Bonus		166	571
		<u>554</u>	<u>1,021</u>
<b>26. ADMINISTRATIVE EXPENSES</b>			
Salaries and benefits	26.1	24,348	22,361
Depreciation	3.1.1	8,677	7,671
Services rendered by contractors		3,257	2,316
Utilities		2,963	2,644
Vehicle running expenses		3,819	3,358
Communication		1,252	1,275
Rent, rates and taxes		1,488	1,488
Entertainment		1,593	1,648
Travelling and conveyance		237	460
Corporate expenses		1,311	819
Auditors' remuneration	26.2	933	837
Legal and professional charges		575	577
Repairs and maintenance		566	574
Insurance		346	418
Staff transportation		730	658
Subscription		128	76
Printing and stationery		240	305
Advertisement		24	51
Provision for doubtful debts	9.1	1,530	1,824
Provision for doubtful advances	10.1	-	909
General stores supplies		1,234	1,606
Computer expense		546	696
Others		189	269
		<u>55,986</u>	<u>52,840</u>

	Note	2009 (Rupees in thousand)	2008
<b>26.1 Included herein are the following employees' benefits:</b>			
- Defined benefit plan - gratuity		687	716
- Defined contribution plan - provident fund		978	825
- Medical		1,233	1,049
- Provision of compensated leave absences		538	420
- Bonus		665	2,283
		<u>4,101</u>	<u>5,293</u>
<b>26.2 Auditors' remuneration</b>			
Audit fee		500	450
Fees for limited scope review and employees' funds		163	162
Tax and other advisory services		200	151
Out of pocket expenses		70	74
		<u>933</u>	<u>837</u>
<b>27. OTHER OPERATING EXPENSES</b>			
Workers' Profit Participation Fund	20.2	2,850	9,160
Workers' Welfare Fund		1,140	3,664
Impairment loss on plant and machinery		-	968
Exchange losses - net		493	1,459
		<u>4,483</u>	<u>15,251</u>
<b>28. FINANCE COSTS</b>			
Mark-up on			
- long-term financing		12,046	8,889
- short-term running finance		4,983	447
Finance lease charges		233	711
Interest on Workers' Profit Participation Fund	20.2	622	368
Bank charges and excise duty		571	395
		<u>18,455</u>	<u>10,810</u>
<b>29. OTHER OPERATING INCOME</b>			
Gain on sale of fixed assets	3.1.2	8	464
Reversal of provision for			
- doubtful debts	9.1	1,882	-
- doubtful advances	10.1	1,056	-
Income on Mutual Fund Units		458	1,815
Accrued return on Defence Saving Certificates		-	91
Profit on deposit accounts		561	1,685
Dividend income		-	20
Deferred income on sale and leaseback arrangement		179	189
Liabilities written back	29.1	18,028	4,361
Reversal of write off of trade debts		480	-
Others		1,250	392
		<u>23,902</u>	<u>9,017</u>

**29.1** Last year, the Company imported certain Section Based Steel items. The Company initially booked the duty on such items under different classification i.e. at a concessionary rate of duty whereas Engineering Development Board did not agree with the Company. The Company on a prudent basis made a provision of duty at a higher rate. During the current year, the matter went for adjudication to the High Court of Sindh and a final relief was provided to the Company. The provision has therefore been reversed accordingly.

	Note	2009 (Rupees in thousand)	2008
<b>30. TAXATION</b>			
Current		7,317	54,321
Prior		474	819
Deferred		8,596	9,231
	30.1	<u>16,387</u>	<u>64,371</u>
<b>30.1 Relationship between tax expense and accounting profit</b>			
Profit before taxation		<u>53,007</u>	<u>170,383</u>
Applicable tax rate		<u>35%</u>	<u>35%</u>
Tax at the above rate		18,552	59,634
Prior year tax reversal		474	819
Tax effect of income / expenses that are exempt / not allowable in determining taxable income		(11,442)	(4,205)
Tax effect of dividend income taxed at a lower rate		-	(5)
Tax effect on export sales taxed at a lower rate		207	(1,103)
Adjustment in respect of deferred tax		8,596	9,231
Tax expense for the year		<u>16,387</u>	<u>64,371</u>
Average effective tax rate		<u>30.91%</u>	<u>37.78%</u>

**Prior**

The return of income for tax year 2008 has been filed by the Company. The said return, as per the provision of Section 120 of the Income Tax Ordinance, 2001 has been taken as an assessment order passed by the Commissioner of Income Tax.

**31. BASIC AND DILUTED EARNINGS PER SHARE**

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

	2009	2008
Profit for the year after taxation (Rupees in thousand)	<u>36,620</u>	<u>106,012</u>
Weighted average number of ordinary shares of Rs.10/- each (in thousand)	<u>13,334</u>	<u>13,334</u>
Basic earnings per share (Rupees)	<u>2.75</u>	<u>7.95</u>

**32. UNAVAILED CREDIT FACILITIES**

**32.1** The facilities for short term running finance available from various commercial banks amounted to Rs.130 (2008: Rs.130) million which remained unutilized as of the balance sheet date. The rate of mark-up on these finances range from three months' KIBOR plus 150 basis points to three months' KIBOR plus 275 basis points. These are secured by way of hypothecation charge ranking pari passu over Company's stocks and trade debts.

**32.2** The facility for opening letters of credit and letters of guarantees amounted to Rs.415 (2008: Rs.340) million and Rs.15 (2008: Rs.7.5) million respectively, of which Rs.325.067 (2008: Rs.63.43) million and Rs.13.855 (2008: Rs.6.355) million respectively, remained unutilized as of the balance sheet date.

2009                      2008  
(Rupees in thousand)

### 33. CASH GENERATED FROM OPERATIONS

Profit before taxation	<b>53,007</b>	170,383
<b>Adjustments for:</b>		
Depreciation	<b>43,422</b>	38,461
Gain on sale of fixed assets	<b>(8)</b>	(464)
Finance cost	<b>18,455</b>	10,810
Provision for slow moving stores, spare parts and loose tools	<b>4,845</b>	7,308
Provision for / (reversal of) slow moving stock-in-trade	<b>(3,443)</b>	1,827
Provision for / (reversal of) doubtful advances	<b>(1,056)</b>	909
Provision for doubtful debts	<b>1,530</b>	1,824
Reversal of doubtful debts	<b>(1,882)</b>	-
Provision for compensated absences	<b>2,312</b>	1,962
Provision for warranty claims	<b>142</b>	1,956
Provision for employees' benefits	<b>3,087</b>	3,580
Profit on deposit accounts	<b>(561)</b>	(1,685)
Accrued return on Defence Saving Certificates	<b>-</b>	(77)
Dividend income	<b>-</b>	(20)
Gain on remeasurement of fair value / redemption of Mutual Funds Units	<b>(458)</b>	(1,815)
Deferred income on sale and leaseback arrangement	<b>(179)</b>	(189)
Liabilities written back	<b>(18,028)</b>	(4,361)
	<b>48,178</b>	60,026
	<b>101,185</b>	230,409
<b>Working capital changes :</b>		
<b>(Increase)/decrease in current assets</b>		
Stores, spare parts and loose tools	<b>(5,682)</b>	(12,108)
Stock-in-trade	<b>(46,910)</b>	41,101
Trade debts	<b>6,491</b>	14,976
Loans and advances	<b>17,008</b>	5,700
Trade deposits and short-term prepayments	<b>1,196</b>	3,100
Investments	<b>76,815</b>	(75,000)
	<b>48,918</b>	(22,231)
<b>Increase/(decrease) in current liabilities</b>		
Trade and other payables	<b>10,385</b>	(59,785)
	<b>59,303</b>	(82,016)
	<b>160,488</b>	148,393

### 34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

34.1 Aggregate amounts charged in the financial statements are as follows:

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES		TOTAL	
	2009	2008	2009	2008	2009	2008	2009	2008
	----- (Rupees in thousand) -----							
Remuneration	2,182	2,182	5,631	5,433	2,844	522	12,657	8,137
Housing	982	982	2,534	2,445	1,257	235	4,773	3,662
Retirement benefits	400	400	1,103	1,650	483	168	1,986	2,218
Bonus	545	727	1,358	1,811	464	151	2,367	2,689
Medical expenses	147	107	471	314	105	20	723	441
Utilities	182	139	679	483	273	64	1,134	686
Leave fare assistance	35	465	218	33	35	30	228	528
	<b>4,473</b>	5,002	<b>11,994</b>	12,169	<b>5,461</b>	1,190	<b>23,868</b>	18,361
Number	<b>1</b>	1	<b>4</b>	4	<b>5</b>	1	<b>10</b>	6



- 34.2** In addition, the Chief Executive, directors and certain executives are also provided with free use of the Company's maintained cars, household items and other benefits in accordance with their terms of employment.
- 34.3** Aggregate amount charged in the financial statements for fee to a director was Rs.10,000/- (2008: Rs.10,000/-).

### 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

#### 35.1 Credit Risk

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

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is exposed to credit risk on long-term deposits, trade debts, advances, deposits, other receivables and bank balances. The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is:

	Carrying Values	
	2009	2008
	(Rupees in thousand)	
Long-term loans - secured	542	792
Long-term advances - secured	1,463	1,599
Long-term deposits	3,573	3,418
Trade debts - unsecured	92,550	98,689
Loans - secured	269	297
Advances	19,815	35,229
Deposits	80	1,247
Short-term investments	-	76,815
Bank balances	30,510	52,205
	<b>148,802</b>	<b>270,291</b>

#### Quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or the historical information about counter party default rates as shown below:

##### 35.1.1 Trade debts

Customers with no defaults in the past one year	92,550	98,689
Customers with some defaults in past one year which have been fully recovered	568	-
	<b>93,118</b>	<b>98,689</b>

##### 35.1.2 Bank balances

AI +	<b>30,510</b>	<b>52,205</b>
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### 35.2 Liquidity Risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The Company applies prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines. The table below summarizes the maturity profile of the Company's financial liabilities at the following reporting dates:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
----- (Rupees in thousand) -----						
<b>Year ended 30 June 2009</b>						
Long-term financing - secured	-	-	7,916	27,701	-	35,617
Trade and other payables	125,125	-	-	-	-	125,125
Accrued interest on long-term financing	-	1,886	-	-	-	1,886
Accrued interest on short term running finance	-	12	-	-	-	12
	<u>125,125</u>	<u>1,898</u>	<u>7,916</u>	<u>27,701</u>	<u>-</u>	<u>162,640</u>
<b>Year ended 30 June 2008</b>						
Long-term financing - secured	-	-	17,549	43,872	-	61,421
Liabilities against assets subject to finance lease	-	-	3,325	-	-	3,325
Trade and other payables	137,445	-	-	-	-	137,445
Accrued interest on long-term financing	-	89	-	-	-	89
Accrued interest on finance lease obligation	-	173	-	-	-	173
	<u>137,445</u>	<u>262</u>	<u>20,874</u>	<u>43,872</u>	<u>-</u>	<u>202,453</u>

### 35.3 Foreign Currency Risk

Foreign currency risk is the risk that the value of financial asset or a financial liability will fluctuate due to a change in a foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. The Company's exposure to foreign currency risk is as follows:

	2009 (USD in thousands)	2008
Debtors	<u>55</u>	<u>49</u>

The following significant exchange rates have been applied at the reporting dates:

Exchange rate	<u>81.10</u>	<u>68.30</u>
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The foreign currency exposure is partly covered as the majority of the Company's billing is determined in dollars which is converted into rupees at the exchange rate prevailing at the transaction date. The Company has assessed that hedging its foreign currency borrowings will be more expensive than assuming the risk itself.

#### Sensitivity analysis:

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's profit before tax and the Company's equity.

	Change in US dollar rate (%)	Effect on profit or (loss) (Rs. in thousands)
30 June 2009	+2	89
	-2	(89)
30 June 2008	+2	67
	-2	(67)

### 35.4 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

The Company is exposed to interest / mark-up risk in respect of following:

	Effective yield / mark-up rate %	Interest / Mark-up bearing				Non-Interest / Mark-up bearing				Total June 30, 2009
		Maturity upto one year	Maturity from one to five years	Maturity after five years	Sub-total	Maturity upto one year	Maturity from one to five years	Maturity after five years	Sub-total	
(Rupees in thousand)										
<b>FINANCIAL ASSETS</b>										
Investments	-	-	-	-	-	-	-	315	315	315
Deposits	-	-	-	-	-	-	3,573	-	3,573	3,573
Trade debts	-	-	-	-	-	92,550	-	-	92,550	92,550
Loans	-	-	-	-	-	269	542	-	811	811
Bank balances	7 - 8	22,988	-	-	22,988	7,522	-	-	7,522	30,510
		22,988	-	-	22,988	100,341	4,115	315	104,771	127,759
<b>FINANCIAL LIABILITIES</b>										
Long-term financing	3 m Kibor + 250 bps	7,916	27,701	-	35,617	-	-	-	-	35,617
Trade and other payables	-	-	-	-	-	125,125	-	-	125,125	125,125
		7,916	27,701	-	35,617	125,125	-	-	125,125	160,742
<b>Net financial assets/ (liabilities) - 2009</b>		<b>15,072</b>	<b>(27,701)</b>	<b>-</b>	<b>(12,629)</b>	<b>(24,284)</b>	<b>4,115</b>	<b>315</b>	<b>(20,354)</b>	<b>(32,983)</b>
(Rupees in thousand)										
<b>FINANCIAL ASSETS</b>										
Investments	-	-	-	-	-	76,815	-	747	77,562	77,562
Deposits	-	-	-	-	-	-	3,418	-	3,418	3,418
Trade debts	-	-	-	-	-	98,689	-	-	98,689	98,689
Loans	-	-	-	-	-	297	792	-	1,089	1,089
Bank balances	8 - 9.5	3,061	-	-	3,061	49,144	-	-	49,144	52,205
		3,061	-	-	3,061	224,945	4,210	747	229,902	232,963
<b>FINANCIAL LIABILITIES</b>										
Long-term financing	3 m Kibor + 250 bps	17,549	43,871	-	61,420	-	-	-	-	61,420
Liabilities against assets subject to finance lease	6 m Kibor + 225 bps	3,325	-	-	3,325	-	-	-	-	3,325
Trade and other payables	-	-	-	-	-	137,445	-	-	137,445	137,445
		20,874	43,871	-	64,745	137,445	-	-	137,445	202,190
<b>Net financial assets/ (liabilities) - 2008</b>		<b>(17,813)</b>	<b>(43,871)</b>	<b>-</b>	<b>(61,684)</b>	<b>87,500</b>	<b>4,210</b>	<b>747</b>	<b>92,457</b>	<b>30,773</b>

### 35.5 Interest/mark-up rate risk exposure

Yield / mark-up rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market yield / mark-up rates. Sensitivity to yield / mark-up rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The company manages these mismatches through risk management strategies.

#### Sensitivity analysis:

The following figures demonstrate the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Company's profit before tax:

	Increase / decrease in basis points	Effect on profit before tax (Rs. in thousands)
<b>2009</b>		
3 months KIBOR + 2.5%	+ 100	(172)
	-100	172
<b>2008</b>		
3 months KIBOR + 2.5%	+ 100	(100)
	-100	100

### 35.6 Fair value of financial instruments

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

### 35.7 Capital risk management

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

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

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, trade and other payables, less cash and bank balances and investments. Capital signifies equity as shown in the balance sheet plus net debt.

The gearing ratios as at June 30, 2009 and 2008 were as follows:

	2009 (Rupees in thousand)	2008 (Rupees in thousand)
Long term financing	35,617	61,421
Liabilities against asset subject to finance lease	-	3,325
Trade and other payables	133,956	144,084
Accrued mark-up	1,898	89
Total debt	171,471	208,919
Less: Bank balances	30,510	52,205
<b>Net debt</b>	<b>140,961</b>	<b>156,714</b>
Equity	722,605	703,129
Unrealised loss reserves	476	23
<b>Total capital</b>	<b>723,081</b>	<b>703,152</b>
<b>Capital and net debt</b>	<b>864,042</b>	<b>859,866</b>
<b>Gearing ratio</b>	<b>16.31%</b>	<b>18.23%</b>

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

### 36. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise holding company, associates, directors, key management personnel, retirement benefit plans, major suppliers and Government of Pakistan (GoP). Transactions with GoP, amounts due from / to executives and remuneration of the Chief Executive Officer, Directors and Executives is disclosed in respective notes to these financial statements. However, the transactions with other related parties are as follows:

#### Terms and conditions of transactions with related parties

The transactions with the related parties are made at normal market prices. There have been no guarantees provided or received for any related party receivables or payables. For the year ended June 30, 2009, the Company has not made any provision for doubtful debts relating to amounts owed by related parties. An assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Relationship with the Company	Nature of transactions	2009 (Rupees in thousand)	2008
<b>Key management personnel</b>	Sale of vehicles/equipment	<u>78</u>	<u>94</u>
<b>Staff</b>	Sale of computer / equipment	<u>4</u>	<u>-</u>
<b>Staff retirement benefit plans</b>	Provident fund contribution during the year	<u>2,971</u>	<u>2,711</u>
	Provision for gratuity during the year	<u>3,087</u>	<u>3,580</u>

### 37. PLANT CAPACITY AND ACTUAL PRODUCTION

Plant capacity - single shift (estimated)	<u>850</u>	<u>850</u>
Actual production	<u>600</u>	<u>1,035</u>

The original machinery provided by the German supplier determined annual production capacity at the time of installation of 376,000 units. During the current year, the actual production had been below the plant capacity due to low demand from the automobile sector.

### 38. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue by the Board of Directors of the Company on **September 10, 2009**.

### 39. DIVIDEND AND APPROPRIATIONS

The Board of Directors has proposed a **final dividend of Rs. 1.50 per share** for the year ended June 30, 2009, amounting to **Rs. 20,001,375/-** at its meeting held on September 10, 2009 for approval of the members at the Annual General Meeting to be held on **October 24, 2009**.

### 40. CORRESPONDING FIGURES

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

### 41. GENERAL

Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

**Muhammad Siddique Misri**  
Chairman

**Razak H.M. Bengali**  
Chief Executive

## SIX YEARS AT A GLANCE

### BALANCE SHEET

	----- (Rupees in '000') -----					
	2004	2005	2006	2007	2008	2009
<b>ASSETS</b>						
<b>Non Current Assets</b>						
Fixed assets	144,509	171,438	239,783	353,235	374,795	410,982
Investment properties	8,096	6,800	-	-	-	-
Long-term investments	1,757	1,912	2,371	770	747	315
Long-term loans & advances	390	144	711	1,411	2,391	2,005
Long-term deposits	2,601	6,203	6,483	2,346	3,418	3,573
Deferred tax asset	656	3,757	-	-	-	-
<b>Current Assets</b>						
Stores, spare parts & loose tools	24,460	30,348	36,942	58,656	63,456	64,293
Stock-in-trade	139,314	232,062	319,377	318,348	275,420	325,773
Trade debts	79,503	87,943	106,448	114,277	98,689	92,550
Loans and advances	24,084	20,928	18,487	42,135	35,526	20,084
Trade deposits and short term prepayments	1,304	1,329	1,250	4,808	1,708	512
Interest accrued	18,272	2,850	249	-	-	-
Investments	-	-	-	1,709	76,815	-
Other receivables	1,702	147	-	-	-	-
Term deposit	50,840	-	-	-	-	-
Income tax refunds due from the government - net	13,779	-	-	-	-	-
Taxation - net	-	-	-	-	-	3,435
Bank balances	35,423	26,712	97,684	68,985	52,205	30,510
	<u>388,681</u>	<u>402,319</u>	<u>580,437</u>	<u>608,918</u>	<u>603,819</u>	<u>537,157</u>
	<u>546,690</u>	<u>592,573</u>	<u>829,785</u>	<u>966,680</u>	<u>985,170</u>	<u>954,032</u>
<b>EQUITY AND LIABILITIES</b>						
<b>Share Capital and Reserves</b>						
Authorised Capital						
25,000,000 Ord. shares of Rs. 10/- each	150,000	150,000	150,000	150,000	150,000	250,000
Issued, subscribed and paid up capital	115,950	115,950	133,343	133,343	133,343	133,343
Reserves	201,344	282,311	395,235	490,465	569,786	589,262
	<u>317,294</u>	<u>398,261</u>	<u>528,578</u>	<u>623,808</u>	<u>703,129</u>	<u>722,605</u>
<b>Non Current Liabilities</b>						
Long- term financing	-	-	31,171	61,420	43,872	27,701
Liabilities against assets subject to finance lease	4,316	24,468	16,514	3,325	-	-
Long term deposits	172	88	290	428	444	327
Deferred liabilities	-	-	3,680	41,952	50,994	59,411
<b>Current Liabilities</b>						
Trade and other payables	96,842	112,808	177,383	200,675	144,084	133,956
Accrued mark-up	534	789	709	216	89	1,898
Short term borrowings	36,274	10,804	-	-	-	-
Current portion of						
- long term financing	-	-	-	17,549	17,549	7,916
- liabilities against assets subject to finance lease	4,916	15,054	15,554	13,207	3,325	-
- long term deposits	95	106	-	8	64	218
Overdue portion of long term loan	85,851	-	-	-	-	-
Taxation-net	396	30,195	55,906	4,092	21,620	-
	<u>224,908</u>	<u>169,756</u>	<u>249,552</u>	<u>235,747</u>	<u>186,731</u>	<u>143,988</u>
	<u>546,690</u>	<u>592,573</u>	<u>829,785</u>	<u>966,680</u>	<u>985,170</u>	<u>954,032</u>

## SIX YEARS AT A GLANCE

### PROFIT AND LOSS ACCOUNT

----- (Rupees in '000') -----

	2004	2005	2006	2007	2008	2009
Sales - net	533,451	788,983	1,159,001	1,162,860	1,234,731	1,095,824
Cost of Sales	410,750	602,890	855,074	876,351	968,588	963,741
Gross Profit	122,701	186,093	303,927	286,509	266,143	132,083
Distribution Cost	8,080	19,764	15,561	18,797	25,876	24,054
Administration Expenses	36,193	33,756	41,860	48,440	52,840	55,986
Other Operating Expenses	5,144	11,025	20,221	14,762	10,810	4,483
Finance Cost	3,441	8,422	7,468	14,849	15,251	18,455
	52,858	72,967	85,110	96,848	104,777	102,978
Operating Profit	69,843	113,126	218,817	189,661	161,366	29,105
Other Operating Income	2,726	6,673	6,914	6,468	9,017	23,902
Gain on litigation settlement	-	28,787	-	-	-	-
Profit before Taxation	72,569	148,586	225,731	196,129	170,383	53,007
Taxation	(21,894)	(50,197)	(78,260)	(67,413)	(64,371)	(16,387)
Profit after Taxation	50,675	98,389	147,471	128,716	106,012	36,620
	Restated	Restated				
Basic Earnings per Share (Rupees)	3.80	7.38	11.06	9.65	7.95	2.75

### SIGNIFICANT RATIOS AND STATISTICS

	2004	2005	2006	2007	2008	2009
<b>Liquidity &amp; Leverage Ratios</b>						
-Current Ratio	1.73	2.37	2.33	2.58	3.23	3.73
-Quick Ratio	1.00	0.82	0.90	0.98	1.42	1.02
-Liability as a % of Total Assets	41.96	32.79	36.30	35.47	28.63	24.26
-Debt Equity Ratio	2.98	6.94	9.91	13.87	8.92	4.96
-Interest Cover Ratio (Times)	22.09	18.64	31.23	14.21	16.76	3.87
<b>Equity Ratios</b>						
-Break up Value per Share (Rs)	27.36	34.35	39.64	46.78	52.73	54.19
-Dividend as a % of Capital	15.00	15.00	25.00	20.00	12.50	15.00
-Dividend Yield Ratio/ Cost of Equity (%)	5.33	4.25	4.29	3.00	2.12	5.36
-Dividend per Share (Rs)	1.50	1.50	2.50	2.00	1.25	1.50
-Bonus Shares per 100 shares	-	15.00	-	-	-	-
<b>Profitability Ratios</b>						
-Gross Profit (%)	23.00	24.00	26.22	24.64	21.55	12.05
-Operating Profit( %)	15.00	17.00	21.86	19.41	15.91	6.93
-Profit before Tax(%)	14.00	19.00	19.48	16.87	13.80	4.83
-Profit after Tax (%)	9.00	12.00	12.72	11.07	8.59	3.34
-Return on Capital Employed( %)	23.00	37.00	42.70	31.44	24.23	7.33
-Earnings per Share (Rs)	3.80	7.38	11.06	9.65	7.95	2.75
-Price Earing Ratio(Times)	7.41	4.16	5.27	6.84	7.42	10.20
-Dividend Payout Ratio (%)	39.47	20.34	22.61	20.72	15.72	54.62
-Dividend Cover (Times)	2.92	2.82	4.42	4.82	6.36	1.83
-Capital Turnover (Times)	1.68	1.98	2.19	1.86	1.76	1.52
-Return on Assets (%)	9.27	16.60	17.78	13.31	10.76	3.84
<b>Turnover/Efficiency Ratios</b>						
-Inventory Turnover Ratio(Times)	2.81	2.83	2.76	2.39	2.71	2.64
-Debtor Turnover Ratio(Times)	7.52	9.42	13.84	10.54	11.60	11.46
-Fixed Assets Turnover Ratio(Times)	3.69	4.60	4.83	3.29	3.29	2.67
<b>Plant Capacity Utilisation (%)</b>	145	194	296	126	122	71
<b>Share Performance</b>						
-Year end Market Price per Share	28.15	35.10	58.25	66.00	59.00	28.00
-High Price during the Year	47.45	35.30	73.50	76.00	96.40	59.00
-Low Price during the Year	26.90	27.00	34.50	52.20	58.80	24.71

## PROXY FORM

I/We \_\_\_\_\_

of \_\_\_\_\_ (Full address)

being a member (s) of Baluchistan Wheels Limited and holding \_\_\_\_\_ Ordinary Shares

as per Share Register Folio No. \_\_\_\_\_

or CDC Participant I.D. No. \_\_\_\_\_ and Sub A/c. No. \_\_\_\_\_

hereby appoint Mr./Mrs./Miss \_\_\_\_\_ Folio No. \_\_\_\_\_

of \_\_\_\_\_ (Full address)

failing Mr./Mrs./Miss \_\_\_\_\_ Folio No. \_\_\_\_\_

of \_\_\_\_\_ (Full address)

another member of the Company to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on October 24, 2009 and at any adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2009

Signature of Member(s)

Please affix  
Rs. 5/- Revenue  
Stamp

Witness: \_\_\_\_\_

Name: \_\_\_\_\_

CNIC No: \_\_\_\_\_

Address: \_\_\_\_\_

Witness: \_\_\_\_\_

Name: \_\_\_\_\_

CNIC No: \_\_\_\_\_

Address: \_\_\_\_\_

1. A member entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint another member as his/her proxy to attend and vote instead of his/her. No person shall act as proxy (except for a Corporation) unless he/she is entitled to be present and vote in his/her own right.
2. The instrument appointing a proxy should be signed by the member(s) or by his/her attorney duly authorized, in writing, or if the member is a Corporation/Company either under the common seal, or under the hand of an officer or attorney so authorised.
3. This Proxy Form duly completed must be deposited at the Head Office of the Company, 1st Floor, State Life Building # 3, Dr. Ziauddin Ahmed Road, Karachi not less than 48 hours before the time of holding the meeting.

### FOR CDC ACCOUNT HOLDERS/CORPORATE ENTITIES

CDC Shareholders and their proxies must each attach an attested photo copy of their National Identity Card or Passport with this proxy form.

The Proxy Form shall be witnessed by two persons whose names, addresses and NIC number shall be mentioned on the form.

In case of Corporate Entity, the Board of Directors Resolution/Power of Attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.





## BWL Family



### Head Office

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E-mail: bwlho@cyber.net.pk

### Factory / Registered Office

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