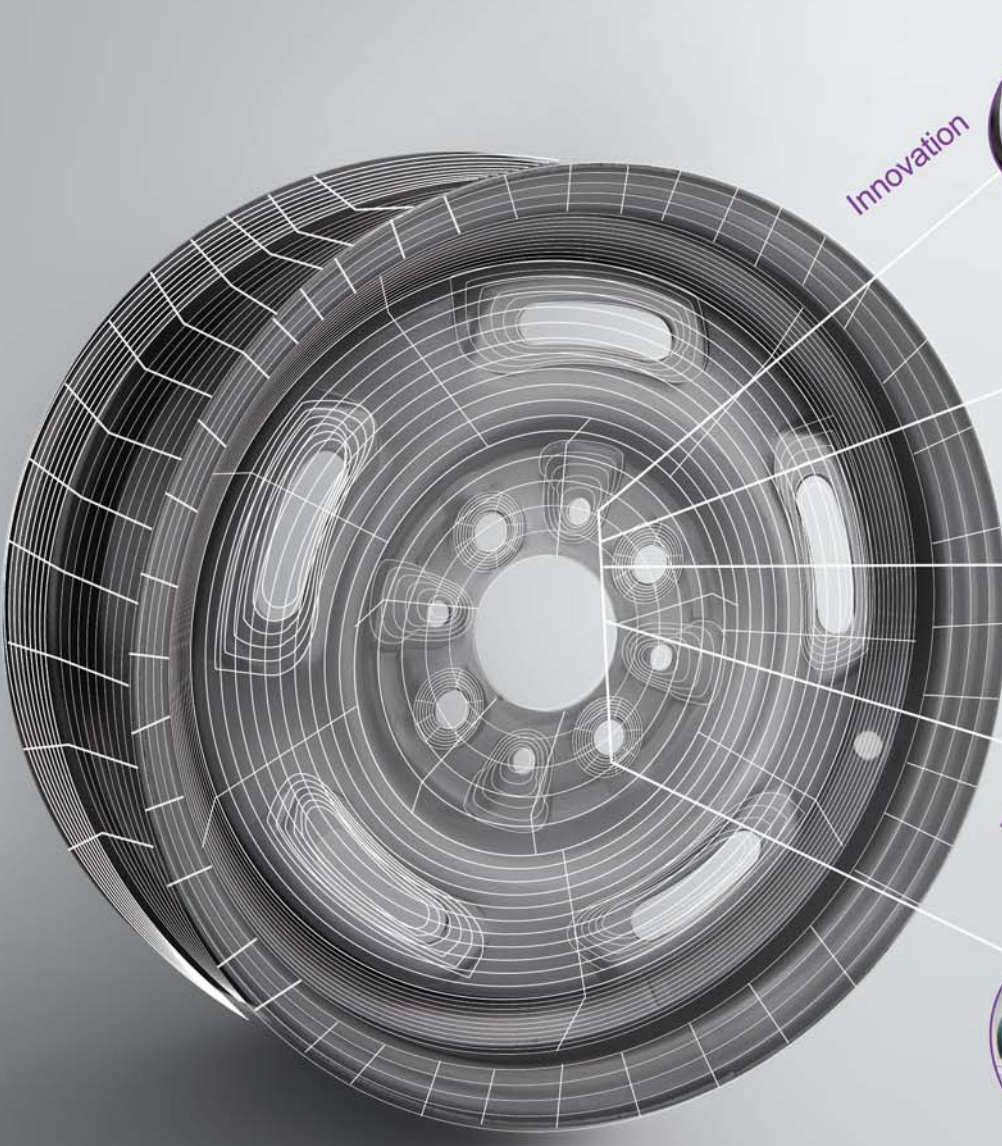




Manufacturers of Automotive Wheels In Pakistan

INNOVATION & STRENGTH



Innovation



Marketing



Process Improvement



Quality Assurance System



Research and Development



ANNUAL REPORT 2011

Baluchistan Wheels Limited





**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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## Form of Proxy





# CORPORATE

Mr. Muhammad Siddique Misri  
Chairman



## BOARD OF DIRECTORS

Mr. Muhammad Siddique Misri  
Mr. Razak H.M. Bengali  
Mr. Muhammad Irfan Ghani  
Syed Haroon Rashid  
Syed Zubair Ahmed Shah  
Mr. Muhammad Javed  
Mr. Irfan Ahmed Qureshi

Chairman  
Chief Executive  
Chief Operating Officer  
Director (Nominee - NIT)  
Director (Nominee - NIT)  
Director  
Director

## COMPANY SECRETARY

Mr. Irfan Ahmed Qureshi

## BOARD AUDIT COMMITTEE

Syed Haroon Rashid - Chairman  
Director  
Syed Zubair Ahmed Shah - Member  
Director  
Mr. Muhammad Irfan Ghani - Member  
Chief Operating Officer  
Mr. Muhammad Yasin Younus Ladha - Secretary  
G.M (Finance)

## MANAGEMENT COMMITTEE

Mr. Muhammad Siddique Misri  
Mr. Razak H.M. Bengali  
Mr. Muhammad Irfan Ghani  
Mr. Muhammad Javed  
Mr. Irfan Ahmed Qureshi  
Mr. Badruddin A. Ali  
Mr. Shaikh Muhammad Iqbal  
Mr. Sajid Nadri  
Mr. Muhammad Yasin Younus Ladha  
Mr. Arshad Ali Siddiqui

Chairman  
Chief Executive  
Chief Operating Officer  
Director / S.G.M (Technical)  
Director / S.G.M (Finance) / Company Secretary  
G.M (Supply & Services)  
G.M (Sales)  
G.M (Research & Development)  
G.M (Finance)  
Dy. General Manager (Human Resources)

## BOARD HUMAN RESOURCES AND COMPENSATION COMMITTEE

Mr. Muhammad Siddique Misri  
Mr. Razak H.M. Bengali  
Mr. Muhammad Irfan Ghani  
Mr. Arshad Ali Siddiqui

Chairman  
Chief Executive (Member)  
Chief Operating Officer (Member)  
Dy. General Manager HR (Secretary)

Mr. Razak H. M. Bengali  
Chief Executive



Mr. Muhammad Irfan Ghani  
Chief Operating Officer



Syed Haroon Rashid  
Director (Nominee - NIT)



Syed Zubair Ahmed Shah  
Director (Nominee - NIT)



# INFORMATION

## **RELATED PARTIES**

Staff Retirement Funds

## **BANKERS**

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

## **LEGAL ADVISOR**

Mohsin Tayebaly & Company  
(Advocates)

## **EXTERNAL AUDITORS**

Ernst &Young Ford Rhodes Sidat Hyder  
(Chartered Accountants)

## **TAX CONSULTANTS**

Ernst &Young Ford Rhodes Sidat Hyder  
(Chartered Accountants)

Baker Tilly Mehmood Idrees Qamar  
(Chartered Accountants)

## **CHIEF INTERNAL AUDITOR**

Mr. Muhammed 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. Muhammed Javed  
Director



Mr. Irfan Ahmed Qureshi  
Director





## NOTICE OF THE MEETING

NOTICE IS HEREBY GIVEN that the 31st 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 29, 2011 at 2:00 pm (14:00 Hours) to transact the following business :-

1. To confirm the minutes of the 30th Annual General Meeting, held on October 23, 2010.
2. To receive, consider and adopt the Audited Accounts for the year ended June 30, 2011 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 @ 20%. i.e. Re. 2/- per share of Rs. 10/- each for the year ended June 30, 2011.
4. To appoint Auditors for the year 2011-2012 and to fix their remuneration. The present Auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and being eligible, offer themselves for reappointment. The Board of Directors has recommended appointment of M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, as Auditors for the year 2011-2012.
5. To consider any other Business with the permission of the Chair.

BY ORDER OF THE BOARD

**Irfan Ahmed Qureshi**  
Company Secretary

Karachi: September 09, 2011



**NOTES:**

1. The Share Transfer Books of the Company will remain closed from October 22, 2011 to October 29, 2011 (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 notarially 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 addresses 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 under mentioned 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 person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his Identity by showing his Computerised 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, address 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 01:00 pm (13:00 Hours).

Members are requested to bring their CNIC / Original Passport at the time of attending the meeting.





## LEADERSHIP



Mr. Muhammad Siddique Misri  
Chairman



Mr. Razak H. M. Bengali  
Chief Executive



Mr. Muhammad Irfan Ghani  
Chief Operating Officer

# TEAM



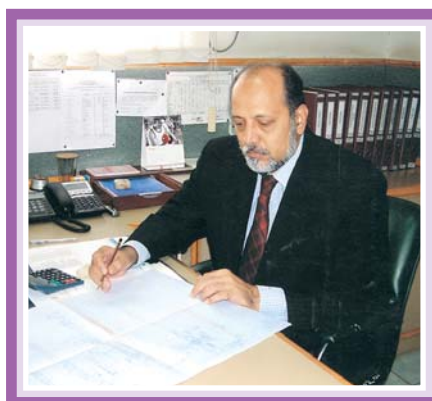
**Mr. Muhammad Javed**  
Director/Senior GM (Technical)



**Mr. Irfan Ahmed Gureshi**  
Director/Senior GM [Finance] / Company Secretary



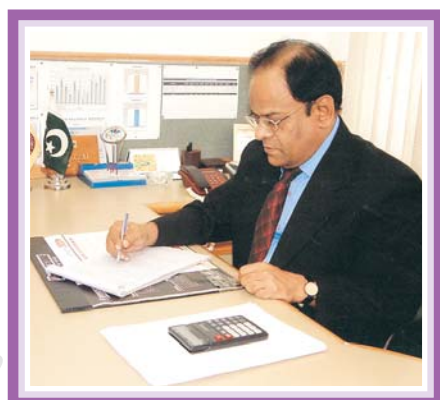
**Mr. Badruddin A. Ali**  
GM (Supply & Services)



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



**Mr. Muhammad Yasin Younus Ladha**  
GM (Finance)



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



**Mr. Arshad Ali Siddiqui**  
Dy. GM (Human Resources)



## DIRECTORS' REPORT

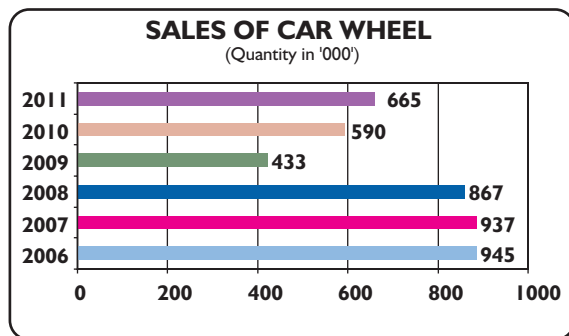
Your Directors are pleased to present Annual Accounts for the year ended June 30, 2011.

### OPERATIONAL PERFORMANCE

This year your Company had overall consolidated revenue of Rs. 1.46 billion as compared to Rs. 1.38 billion in the previous year. The Car wheels sale was Rs. 775 million as compared to Rs. 721 million in the previous year. The Truck / Bus wheels sale was Rs. 81 million as compared to Rs. 124 million in the previous year. The Tractor wheels sale has improved to Rs. 536 million as compared to Rs. 462 million in the previous year. Similarly, the exports were Rs. 36 million as compared to Rs. 43 million in the previous year. Overall at the National Level the Passenger Cars production was 133,972 units in 2011 as compared to 121,647 units in the year 2010, improved by 10% only, whereas 19,142 LCV's, Vans and Jeeps were produced in 2011 as against 15,768 units in the year 2010, an improvement of 21%, while 3,300 Trucks / Buses were produced in 2011 against production of 4,053 Trucks / Buses in the year 2010, showing decline of 19% over the corresponding past year. The Tractors production has declined to 70,770 units as compared to 71,607 tractors in the year 2010 which has declined by 1%.

### FINANCIAL PERFORMANCE

The gross profit was Rs. 258 million as compared to Rs. 268 million of the previous year. The profit after taxation was Rs. 95 million as compared



to Rs. 84 million of the previous year. The year under review saw the consistent behavior of the industry after it had improved

in last year after a huge decline.

The comparative financial results for the year 2011 as against 2010 are as follows:

	2011	2010
	(Rs. in thousand)	
Sales	<b>1,465,209</b>	1,380,901
Gross Profit	<b>258,246</b>	267,810
Profit before Tax	<b>138,556</b>	148,355
Profit after Tax	<b>94,997</b>	83,657
Earning per Share (Rs.)	<b>7.12</b>	6.27

### PROPOSED DIVIDEND

The Board of Directors have proposed a final cash dividend of Rs. 2/- per share for the year ended June 30, 2011 amounting Rs. 26.67 million (2010 Rs. 2.50 per share amounting Rs. 33.34 million) at the meeting held on September 09, 2011, for approval of members at the Annual General Meeting to be held on October 29, 2011. 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. The Labour laws are strictly followed and your Management has successfully conducted agreement with CBA for next two year.



## COMMUNITY INVESTMENT & WELFARE SCHEMES

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 the company is able to maintain cordial relationship with CBA.

## 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.

## ENERGY CONSERVATION

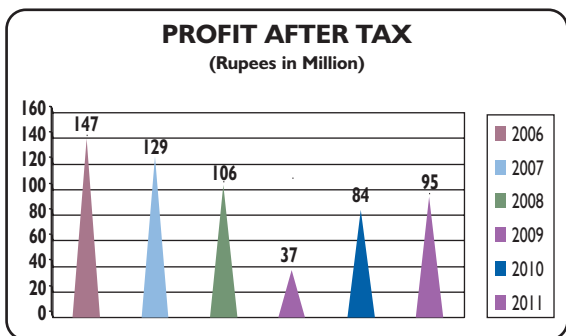
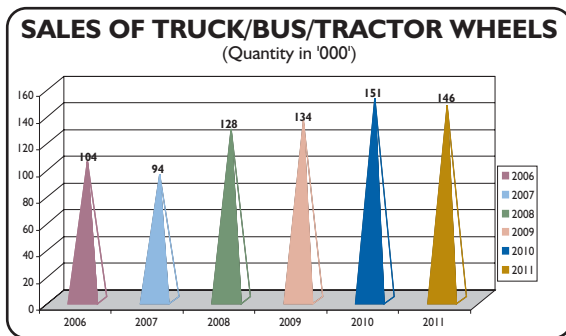
Increasing energy costs have driven industry to conserve energy. Some effective measures taken in the Company to conserve energy are as under:

- In the new plant the roof and side walls have transparent sheets and glasses, in day time working for which minimum lights are required. Estimated 5,000 KW are saved monthly.

- Power factor management improved by installing additional capacitors in the LT Panels which have reduced power penalty to zero from December 2009.
- In E.D Paint Shop centralized water heating system for pretreatment chemicals was converted to individual heating, resulting in removal of three 4 KW Motors, with estimated of 5,400 KW (two shifts monthly), and reducing gas consumption.

## UPGRADATION OF PLANT & PROCESS

During the year under review we were able to replace the conveyer belt of our main ED Paint shop at a cost of Rs. 16.50 million with the latest Monorail imported from China. This has resulted in the uninterrupted paint of the wheels and consistent and reliable production of painted wheels because the previous conveyer had passed its effective life and was giving lot of breakdown resulting in loss of production due to the breakdown etc. thus increasing cost.







## RESEARCH & DEVELOPMENT & QUALITY CONTROL

Wheel being a critical part of a vehicle is to be manufactured under strict quality controls for which we have a quality control department which strictly watches the quality from ordering of material to its usage / consumption and each & every step is monitored and controlled online as well as at the testing lab where testing equipments have been installed.

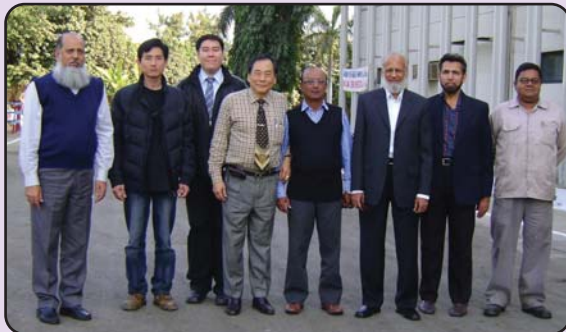
The company is deeply concentrating on areas of Research & Development (R&D). The purpose of R&D is to reduce the process losses, develop new tools indigenously and maintain the existing tools in order to meet the customer's requirements

## 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 year 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.313 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

- a. 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.
- 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. 33 to the annexed audited accounts.
- j. The following is the value of investments based on respective audited accounts:



Visit of Butt Welding Experts came from  
DAICHEN (TAIWAN)



Visit of Butt Wedling Experts came from  
Arplas Welding Company (Belgium)

Executive Provident Fund	Rs.55 million
Non-Executive Provident Fund	Rs.20 million
Gratuity Fund	Rs.34 million

Based on audited accounts as at June 30, 2010.

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

Name of Director	No. of Meetings Attended
Mr. Muhammad Siddique Misri	03
Mr. Razak H.M. Bengali	04
Mr. Muhammad Irfan Ghani	04
Syed Zubair Ahmed Shah	04
Syed Haroon Rashid	04
Mr. Muhammad Javed	04
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
1. Mr. Razak H.M. Bengali	200,000
2. Mrs. Kausar Irfan (W/o Mr. Muhammad Irfan Ghani)	145,746

#### STATEMENT OF ETHICS AND BUSINESS PRACTICES

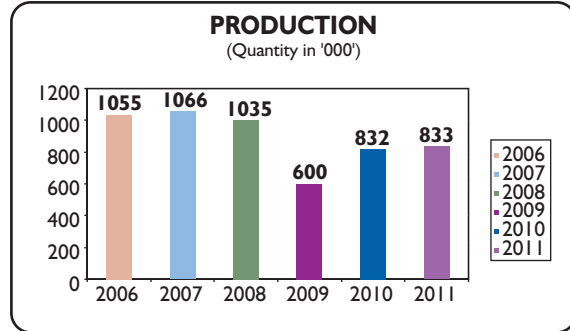
The Board regularly reviews the company's strategic direction. Annual plans and performance targets for business are set and are reviewed by the Board in the light of the company's overall objectives. The Board is committed to maintain high standards of good corporate governance. As a leading wheel manufacturer, 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, 2011 have been complied with. A statement to this effect is annexed with the report.



Mr. Razak H.M. Bengali, attended Lecture on "Pakistan Fiscal Policies" by Mr. Yaseen Anwar, Acting Governor State Bank of Pakistan at Hotel Sheraton, Karachi.



## FUTURE OUTLOOK

The year 2009 was the worst year for the Auto Industry because the world was hit by the economic recession and meltdown. The year 2010 saw the recovery and the production of cars, tractors had started improving. In the year 2011 the consistency in the production & sales remained although there was Tsunami in Japan & it was feared that CKD supply from Japan may hit our assemblers of Japanese cars too, but we must give credit to great Japanese Nation's resilience that they came out of the shock soon and started rebuilding again and the CKD supply was managed.

In the last quarter of 2011 the Government of Pakistan imposed sales tax on the tractor initially up to June 30, 2011 this resulted in the sharp fall of tractor sales resulting in the huge piling of stocks with the dealers and the assemblers as a result the tractor manufacturer suspended /curtailed their production due to unsold stock with dealers and at their plants too. It is hoped that the farmer will soon realize the reality of sales tax and start buying after the current cotton crop from September otherwise the picture is quite bleak in terms of tractor sales.

Similarly, the local trucks and buses demand is also coming down. A noticeable number of trucks and commercial vehicles are entering the market under various schemes like gift and transfer of baggage due to relaxation in the import policy. Under the special purpose vehicle, sprinkler Lorries and water browsers are being imported and converted in trucks and Lorries. The Government may also encourage the use of local buses instead of allowing import of buses to meet the urgent need of transportation of public.

The financial year 2012 budget envisaging a 1% GST cut along with the removal of Rs.2.5% SED on the sales will be ultimately beneficial for the industry and new car buyers and we expect the automobile sales to improve.

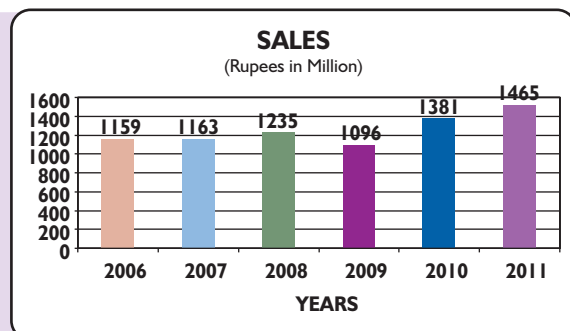
The world economies are again showing the signs of recession resulting in the correction in the stock exchanges of UK, USA, Japan, Hong Kong etc.

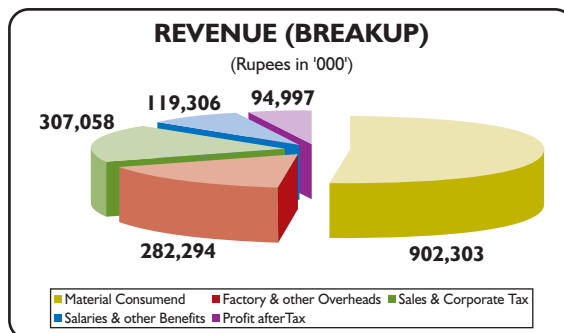
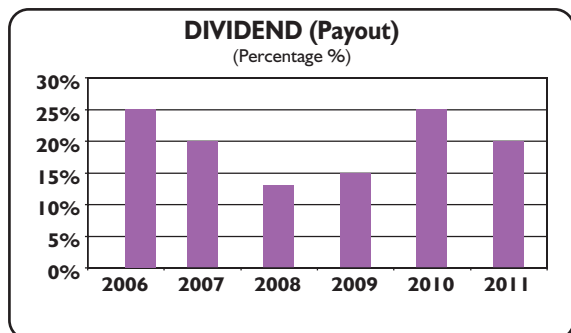
The year 2011-12 will be the year of challenges and the fittest will survive. Nevertheless it all depends on our managers of economy at the ministry of finance etc able to control fiscal deficit, improve the taxation base, exports, control inflation, improve electricity shortages and resolution of circular debts and power theft which are the challenges ahead.

Your management and endeavors to come up with good results even under tough circumstances.

## 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. 25. I (ii) in the financial statements for the year ended June 30, 2011, 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 had been finally argued and reheard & now reserved for Judgment, but the latest development is that the Honorable Judge who heard the case has also been transferred, and now the matter will be argued & heard again. The management and its legal counsel are hopeful that the ultimate outcome of the matter will be in Company's favour.





## DIRECTORS & BOARD AUDIT COMMITTEE

There has been no change in the constitution of Director and Board Audit Committee.

## AUDITORS

The Audit Committee has recommended to appoint M/s. Ernst Young Ford Rhodes Sidat Hyder., Chartered Accountants, for re-appointment at the time of Annual General Meeting (AGM). The present Auditors, M/s. Ernst Young Ford Rhodes Sidat Hyder., 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 & 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.7.12 (2010: Rs.6.27).

## 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

**Muhammad Siddique Misri**  
Chairman

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

Karachi: September 09, 2011







## PATTERN OF SHAREHOLDING

"FORM 34"

AS AT JUNE 30, 2011

NO. OF SHAREHOLDERS	FROM	RANGE	TO	NO. OF SHARES
615	1	-	100	26,845
531	101	-	500	142,107
102	501	-	1000	73,273
96	1001	-	5000	176,115
7	5001	-	10000	47,951
3	10001	-	15000	33,062
2	15001	-	20000	35,535
5	20001	-	25000	116,091
1	25001	-	30000	29,900
2	35001	-	40000	72,825
2	40001	-	45000	85,001
1	50001	-	55000	50,300
1	95001	-	100000	100,000
1	110001	-	115000	115,000
1	120001	-	125000	121,900
1	140001	-	145000	141,447
1	150001	-	155000	151,563
1	190001	-	195000	191,618
1	220001	-	225000	222,175
1	285001	-	290000	287,500
1	340001	-	345000	341,693
1	350001	-	355000	353,683
1	375001	-	380000	376,165
1	400001	-	405000	404,113
1	435001	-	440000	437,201
1	545001	-	550000	549,460
1	810001	-	815000	811,357
1	815001	-	820000	818,775
1	1105001	-	1110000	1,107,350
1	1245001	-	1250000	1,249,000
1	1280001	-	1285000	1,282,825
1	1590001	-	1595000	1,592,160
1	1790001	-	1795000	1,790,260
<b>1,388</b>				<b>13,334,250</b>

SHAREHOLDERS CATEGORY	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	PERCENTAGE
INDIVIDUALS	1,346	8,347,257	62.60
JOINT STOCK COMPANIES	20	1,675,144	12.56
FINANCIAL INSTITUTIONS	12	1,570,734	11.78
INVESTMENT COMPANIES	5	4,553	0.04
CHARITABLE INSTITUTION	1	172	-
LEASING COMPANIES	1	100,000	0.75
UNLISTED PUBLIC COMPANIES	1	230	-
MUTUAL FUNDS	2	1,636,160	12.27
	<b>1,388</b>	<b>13,334,250</b>	<b>100.00</b>



## PATTERN OF SHAREHOLDING - BREAKUP

AS AT JUNE 30, 2011

CATEGORIES OF SHAREHOLDERS	NO. OF SHAREHOLDERS	SHARES HELD	PERCENT %
<b>RELATED PARTIES</b>	-	-	-
<b>NIT AND ICP</b>	<b>6</b>	<b>2,937,804</b>	<b>22.03%</b>
1 M/S. NATIONAL BANK OF PAKISTAN, TRUSTEE DEPTT.		2,596,111	
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>5,488,754</b>	<b>41.16%</b>
1 MR. MUHAMMAD SIDDIQUE MISRI		1,790,260	
2 MRS. MEHTAB BIBI		437,201	
3 MR. RAZAK H.M. BENGALI		1,107,350	
4 MRS. GUL BANO		353,683	
5 MR. MUHAMMAD IRFAN GHANI		1,249,000	
6 MRS. KAUSAR IRFAN		549,460	
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>229,343</b>	<b>1.72%</b>
1 M/S. ROYAL BANK OF SCOTLAND		1,638	
2 M/S. BANK OF SCOTLAND		718	
3 M/S. BANKERS TRUST COMPANY		86	
4 M/S. MORGAN STANLEY BANK LUXEMBOURG		1,322	
5 M/S. MORGAN STANLEY TRUST COMPANY		718	
6 M/S. CROSBY SECURITIES PTE LTD		833	
7 M/S. SOMERS NOMINEES (FAR EAST) LTD		590	
8 M/S. NATIONAL DEV FINANCE CORP. INVESTERS		438	
9 M/S. PRUDENTIAL INVESTMENT BANK LIMITED		575	
10 M/S. FAYSAL BANK LIMITED		222,175	
11 M/S. HABIB BANK AG ZURICH, DEIRA DUBAI		250	
<b>Bal. C/F</b>	<b>25</b>	<b>8,655,901</b>	<b>64.91%</b>



CATEGORIES OF SHAREHOLDERS	NO. OF SHAREHOLDERS	SHARES HELD	PERCENT %
Bal. B/F	25	8,655,901	64.91%
<b>SHAREHOLDERS HOLDING TEN PERCENT OR MORE - VOTING INTEREST IN THE COMPANY</b>	-	-	-
<b>INDIVIDUALS</b>	<b>1,338</b>	<b>2,858,503</b>	<b>21.44%</b>
<b>OTHERS</b>	<b>25</b>	<b>1,819,846</b>	<b>13.65%</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. AZIZ FIDAHUSEIN & COMPANY (PVT) LTD.		40	
7 M/S. LOADS LIMITED		230	
8 M/S. VALIKA ART FABRICS LTD		1,437	
9 M/S. TRUSTEESARVABAI & FAKHRUDDIN MEMORIAL FDN		172	
10 M/S. SATTAR CHINOY SECURITIES PVT LTD		11,500	
11 M/S. S.H. BUKHARI SECURITIES (PVT) LIMITED		86	
12 M/S. ACE SECURITIES (PVT.) LIMITED		500	
13 M/S. RS HOLDINGS (PRIVATE) LIMITED		300	
14 M/S. DJM SECURITIES (PRIVATE) LIMITED		35,450	
15 M/S. JS GLOBAL CAPITAL LIMITED		100	
16 M/S. B & B SECURITIES (PRIVATE) LIMITED		50,300	
17 M/S. DARSON SECURITIES (PRIVATE) LIMITED		3,200	
18 M/S. AWJ SECURITIES (SMC-PRIVATE) LIMITED		187	
19 M/S. MUHAMMAD AHMED NADEEM SECURITIES (SMC-PV		287	
20 M/S. MSMANIAR FINANCIALS (PVT) LTD.		345	
21 M/S. PEARL CAPITAL MANAGEMENT (PRIVATE) LIMITED		47	
22 M/S. CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT		44,000	
23 M/S. SECURITY LEASING CORPORATION LIMITED		100,000	
24 M/S. KHAWAJA SECURITIES (PVT.) LIMITED		87	
25 M/S. INVEST CAPITAL MARKETS LIMITED		287	
<b>*** TOTAL ***</b>	<b>1,388</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 Board had arranged an orientation course 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. There is an effective Internal Audit function, Head of Internal Audit is suitably qualified and experienced and is conversant with the policies and procedures of the Company and he is involved in the internal audit function on a full time basis.
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 had been conducted.

On behalf of the Board of Directors

**Muhammad Siddique Misri**  
Chairman

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

Karachi. September 09, 2011



## 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 09, 2011



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

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended **30 June 2011**, prepared by the Board of Directors of **Baluchistan Wheels Limited** (the Company) to comply with the Listing Regulation no. 35 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited where the Company is listed.

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

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

Further, the Listing Regulations require the Company to place before the board of directors for their consideration and approval, 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 as applicable to the Company for the year ended **30 June 2011**.

**Ernst & Young Ford Rhodes Sidat Hyder**  
**Chartered Accountants**

Karachi: September 09, 2011



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Baluchistan Wheels Limited** (the Company) as at **30 June 2011** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion :
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for change as stated in note 2.4 to the accompanying financial statements with which we concur;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2011 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deducted by the Company under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

**Ernst & Young Ford Rhodes Sidat Hyder**  
**Chartered Accountants**

**Audit Engagement Partner:** Shariq Ali Zaidi

Karachi: September 09, 2011





## BALANCE SHEET

### AS AT JUNE 30, 2011

	Note	2011 (Rupees in thousand)	2010
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	3	394,140	399,774
Intangible asset	4	330	440
Long-term investments	5	925	611
Long-term loans and advances	6	1,939	1,826
Long-term deposits	7	10,838	2,679
		<b>408,172</b>	<b>405,330</b>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	8	51,702	53,539
Stock-in-trade	9	440,673	403,513
Trade debts	10	133,364	120,664
Loans and advances	11	26,722	13,544
Trade deposits and short-term prepayments	12	1,355	1,976
Other receivables	13	5,733	-
Bank balances	14	41,391	12,377
		<b>700,940</b>	<b>605,613</b>
<b>TOTAL ASSETS</b>		<b>1,109,112</b>	<b>1,010,943</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	15	133,343	133,343
Reserves	16	715,189	636,546
		<b>848,532</b>	<b>769,889</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing	17	-	19,786
Liabilities against assets subject to finance lease	18	4,501	-
Long-term deposits	19	335	154
Deferred taxation	20	50,596	56,874
		<b>55,432</b>	<b>76,814</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	21	104,211	124,753
Accrued mark-up	22	918	695
Murabaha finance	23	6,773	9,930
Short term borrowing	24	67,473	-
Current portion of:			
- long-term financing	17	-	7,915
- liabilities against assets subject to finance lease	18	1,668	-
- long-term deposits	19	117	369
Taxation - net		23,988	20,578
		<b>205,148</b>	<b>164,240</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	25		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,109,112</b>	<b>1,010,943</b>

The annexed notes from 1 to 44 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, 2011

	Note	2011 (Rupees in thousand)	2010
Sales - net	26	1,465,209	1,380,901
Cost of sales	27	(1,206,963)	(1,113,091)
<b>Gross profit</b>		<b>258,246</b>	<b>267,810</b>
Distribution costs	28	(34,568)	(35,715)
Administrative expenses	29	(65,447)	(61,892)
Other operating expenses	30	(11,669)	(12,404)
Finance costs	31	(10,100)	(12,219)
		<b>(121,784)</b>	<b>(122,230)</b>
<b>Operating profit</b>		<b>136,462</b>	<b>145,580</b>
Other operating income	32	2,094	2,775
<b>Profit before taxation</b>		<b>138,556</b>	<b>148,355</b>
Taxation	33	(43,559)	(64,698)
<b>Profit after taxation</b>		<b>94,997</b>	<b>83,657</b>
<b>Basic and diluted earnings per share (Rupees)</b>	34	<b>7.12</b>	<b>6.27</b>

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

**Muhammad Siddique Misri**  
Chairman

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



## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 (Rupees in thousand)	2010
<b>Profit after taxation for the year</b>		<b>94,997</b>	83,657
<b>Other comprehensive income / (loss)</b>			
Unrealised gain / (loss) due to changes in fair value of available for sale investment arising during the year	5.1	314	296
<b>Total comprehensive income</b>		<b>95,311</b>	<b>83,953</b>

The annexed notes from I to 44 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, 2011

	Note	2011 (Rupees in thousand)	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	36	107,069	116,285
Income tax paid		(49,538)	(49,024)
Finance cost paid		(9,877)	(13,422)
Employees' benefits paid		(5,037)	(4,367)
Long-term loans and advances - net		(113)	179
Long-term deposits -net		(8,230)	872
Net cash generated from operating activities		34,274	50,523
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(33,554)	(37,194)
Proceeds from sale of fixed assets		1,899	2,587
Profit received on deposit accounts		243	310
Dividend received		43	-
Net cash used in investing activities		(31,369)	(34,297)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long-term financing		(27,701)	(7,915)
Proceeds from Murabaha Financing		6,773	9,930
Repayment of Murabaha Financing		(9,930)	-
Proceeds from sale and leaseback arrangement		6,500	-
Repayment of liabilities against asset subject to finance lease		(331)	-
Dividends paid		(16,675)	(36,374)
Net cash used in financing activities		(41,364)	(34,359)
<b>Net decrease in cash and cash equivalents</b>		<b>(38,459)</b>	<b>(18,133)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>12,377</b>	<b>30,510</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>(26,082)</b>	<b>12,377</b>
<b>Cash and cash equivalents comprise:</b>			
Cash at bank	14	41,391	12,377
Short-term borrowing	24	(67,473)	-
		<b>(26,082)</b>	<b>12,377</b>

The annexed notes from 1 to 44 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, 2011

	Issued, subscribed and paid-up share capital	Reserves			Total reserves	Total
		General reserve	Unrealised gain/(loss) on revaluation of available- for-sale- investments	Unappr- opriated profit		
----- (Rupees in thousand) -----						
<b>Balance at June 30, 2009</b>	133,343	160,000	171	429,091	589,262	722,605
Net profit for the year	-	-	-	83,657	83,657	83,657
Other comprehensive income	-	-	296	-	296	296
Total comprehensive income	-	-	296	83,657	83,953	83,953
Final dividend for the year ended June 30, 2009 @ Rs. 1.50 per share	-	-	-	(20,001)	(20,001)	(20,001)
Interim dividend for the year ended June 30, 2010 @ Rs. 1.25 per share	-	-	-	(16,668)	(16,668)	(16,668)
<b>Balance at June 30, 2010</b>	<b>133,343</b>	<b>160,000</b>	<b>467</b>	<b>476,079</b>	<b>636,546</b>	<b>769,889</b>
Net profit for the year	-	-	-	94,997	94,997	94,997
Other comprehensive income	-	-	314	-	314	314
Total comprehensive income	-	-	314	94,997	95,311	95,311
Final dividend for the year ended June 30, 2010 @ Rs. 1.25 per share	-	-	-	(16,668)	(16,668)	(16,668)
<b>Balance at June 30, 2011</b>	<b>133,343</b>	<b>160,000</b>	<b>781</b>	<b>554,408</b>	<b>715,189</b>	<b>848,532</b>

The annexed notes from I to 44 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, 2011

### 1. THE COMPANY AND ITS OPERATIONS

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.

### 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 2.8 below and certain staff retirement benefits at present value.

#### 2.3 Standards, interpretations and amendments to approved accounting standards that are not yet effective

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

	<b>Standard or Interpretation</b>	<b>Effective Date (accounting periods beginning on or after)</b>
IAS 1	Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	July 01, 2012
IFRS 7	Financial Instruments : Disclosures - Amendments enhancing disclosures about transfers of financial assets	July 01, 2011
IAS 12	Income Tax (Amendment) - Deferred Taxes : Recovery of underlying assets	January 01, 2012
IAS 19	Employee Benefits - Amended Standard resulting from the post-employment benefits and termination benefits projects	January 01, 2013
IAS 24	Related Party Disclosures (Revised)	January 01, 2011
IFRIC 14	Prepayments of a Minimum Funding Requirement (Amendment)	January 01, 2011

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not have material effect on the Company's financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2011. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.



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

	<b>Standard</b>	<b>IASB Effective date (annual periods beginning on or after)</b>
IFRS 9	Financial Instruments	January 01, 2015
IFRS 10	Consolidated Financial Statements	January 01, 2013
IFRS 11	Joint Arrangements	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13	Fair Value Measurement	January 01, 2013

## **2.4 Standards, amendments and interpretations adopted during the year**

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

### **New and amended standards and interpretations**

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 2	Group Cash-settled Share-based Payment Arrangements
IAS 32	Financial Instruments: Presentation - Classification of Rights Issues (Amendment)
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

### **Improvements to various standards issued by IASB**

*Issued in 2009*

IFRS 5	Non-Current Assets Held for Sale and Discontinued Operations
IFRS 8	Operating Segments
IAS 1	Presentation of Financial Statements
IAS 7	Statement of Cash Flows Presentation of Financial Statements
IAS 17	Leases
IAS 36	Impairment of Assets
IAS 39	Financial Instruments : Recognition and Measurement

*Issued in May 2010*

IFRS 3	Business Combinations
IAS 27	Consolidated and Separate Financial Statements

The adoption of the above standards, amendments / improvements and interpretations did not have any effect on the financial statements.

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

## **2.5 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.

### **2.6 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.

### **2.7 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.

### **2.8 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.





## 2.9 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 necessary to make the sale.

## 2.10 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.

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.

## 2.11 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.

## 2.12 Loans and advances

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

## 2.13 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.

#### **2.14 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.

#### **2.15 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.

#### **2.16 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.

#### **2.17 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.

#### **2.18 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.

#### **2.19 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.

#### **2.20 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, 2011 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.

### 2.21 Related party transactions

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

### 2.22 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.

### 2.23 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.

### 2.24 Dividend and appropriations to reserves

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

### 2.25 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	2.5 & 3.1
Impairment / adjustment of inventories to their Net Realizable Value	2.9 & 8, 2.10 & 9
Recognition of taxation and deferred tax	2.13 & 13, 20.1 & 33
Accounting for staff retirement benefits	2.20 & 21.1
Classification of investments	2.8

	<b>Note</b>	<b>2011</b>	<b>2010</b>
(Rupees in thousand)			
<b>3. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating assets	3.1	<u><b>394,140</b></u>	<u><b>399,774</b></u>

### 3.1 Operating assets

	C O S T			Rate %	ACCUMULATED DEPRECIATION			BOOK VALUE	
	As at July 1, 2010	Additions/ (disposals)/ *transfer	As at June 30, 2011		As at July 1, 2010	Charge for the year	(Disposals)/ *transfers	As at June 30, 2011	As at June 30, 2011
	--- (Rupees in thousand) ---				----- (Rupees in thousand) -----				
<b>Owned</b>									
Land - freehold	2,559	-	2,559	-	-	-	-	-	2,559
Building on freehold land	93,325	146	93,471	5 & 10	34,826	2,927	-	37,753	55,718
Plant and machinery	788,684	28,362	817,046	10 & 20	481,540	35,007	-	516,547	300,499
Electrical installations	28,844	-	28,844	10	16,140	1,270	-	17,410	11,434
Furniture and fittings	4,837	-	4,837	10	2,963	187	-	3,150	1,687
Office equipment	11,110	339 (155)	11,294	33	8,382	994	(132)	9,244	2,050
Computers	5,920	123	6,043	33	5,602	197	-	5,799	244
Vehicles	26,945	4,584 (6,860)	24,669	20	13,002	3,055	(4,983)	11,074	13,595
Library books	42	-	42	10	37	1	-	38	4
	962,266	33,554 (7,015)	988,805		562,492	43,638	(5,115)	601,015	387,790
<b>Leased</b>									
Vehicles	-	6,500	6,500	20	-	150	-	150	6,350
<b>2011</b>	<b>962,266</b>	<b>40,054 (7,015)</b>	<b>995,305</b>		<b>562,492</b>	<b>43,788</b>	<b>(5,115)</b>	<b>601,165</b>	<b>394,140</b>

	C O S T			Rate %	ACCUMULATED DEPRECIATION			BOOK VALUE	
	As at July 1, 2009	Additions/ (deletions)/ *transfer	As at June 30, 2010		As at July 1, 2009	Charge for the year	(Deletions)/ *transfers	As at June 30, 2010	As at June 30, 2010
	--- (Rupees in thousand) ---				----- (Rupees in thousand) -----				
<b>Owned</b>									
Land - freehold	2,559	-	2,559	-	-	-	-	-	2,559
Building on freehold land	84,814	8,511	93,325	5 & 10	31,952	2,874	-	34,826	58,499
Plant and machinery	763,413	26,812 (1,541)	788,684	10 & 20	445,979	36,659	(1,098)	481,540	307,144
Electrical installations	28,844	-	28,844	10	14,728	1,412	-	16,140	12,704
Furniture and fittings	4,605	232	4,837	10	2,763	200	-	2,963	1,874
Office equipment	10,555	576 (21)	11,110	33	7,140	1,251	(9)	8,382	2,728
Computers	5,649	271	5,920	33	5,252	350	-	5,602	318
Vehicles	24,485	7,006 (4,546)	26,945	20	13,441	2,600	(3,039)	13,002	13,943
Library books	42	-	42	10	37	-	-	37	5
<b>2010</b>	<b>924,966</b>	<b>43,408 (6,108)</b>	<b>962,266</b>		<b>521,292</b>	<b>45,346</b>	<b>(4,146)</b>	<b>562,492</b>	<b>399,774</b>





### 3.1.1 Allocation of depreciation

	Note	2011 (Rupees in thousand)	2010
Cost of sales	27	<b>40,394</b>	34,010
Distribution cost	28	<b>6</b>	2,267
Administrative expenses	29	<b>3,388</b>	9,069
		<b>43,788</b>	<b>45,346</b>

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/(loss)	Mode of disposal	Particulars of purchaser
Split A/C	91	85	6	5	(1)	Tender	Mr. Farooq Ahmed
Split A/C	33	30	3	3	-	Company policy	Mr. Muhammad Javed - employee
Split A/C	31	17	14	14	-	Company policy	Mr. Muhammad Qasim - employee
Motor Cycle	64	44	20	20	-	Company policy	Mr. Muhammad Amir Siddiqui - employee
Surf Car	3,800	2,927	873	873	-	Company policy	Mr. Muhammad Siddique Misri - employee
Civic Car	1,002	674	328	328	-	Company policy	Mr. Irfan Ahmed Qureshi - employee
Baleno Car	809	541	268	268	-	Company policy	Mr. Muhammad Yasin Ladha - employee
Mehran Car	395	265	130	130	-	Company policy	Mr. Fareed A. Razzak - employee
Mehran Car	395	266	129	129	-	Company policy	Mr. Rizwan Ahmed - employee
Mehran Car	395	266	129	129	-	Company policy	Mr. Imran Bari - employee
<b>2011</b>	<b>7,015</b>	<b>5,115</b>	<b>1,900</b>	<b>1,899</b>	<b>(1)</b>		
<b>2010</b>	<b>6,108</b>	<b>4,146</b>	<b>1,962</b>	<b>2,587</b>	<b>625</b>		

### 4. INTANGIBLE ASSET

	COST			ACCUMULATED AMORTIZATION			WRITTEN DOWN VALUE	
	As at July 1, 2010	Addition	As at June 30, 2011	As at July 1, 2010	For the year	As at June 30, 2011	As at June 30, 2011	Amortization rate %
	----- (Rupees in thousand) -----							
Software	550	-	550	110	110	220	330	20
<b>2011</b>	<b>550</b>	<b>-</b>	<b>550</b>	<b>110</b>	<b>110</b>	<b>220</b>	<b>330</b>	
<b>2010</b>	<b>-</b>	<b>550</b>	<b>550</b>	<b>-</b>	<b>110</b>	<b>110</b>	<b>440</b>	

### 5. LONG-TERM INVESTMENTS

	Note	2011 (Rupees in thousand)	2010
Available-for-sale - at fair value			
Quoted securities	5.1	<b>925</b>	611

**5.1** Represents 18,876 (2010: 17,160) 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>611</b>	315
Gain on fair value adjustment	<b>314</b>	296
Balance at the end of the year	<b>925</b>	611

	Note	2011 (Rupees in thousand)	2010
<b>6. LONG-TERM LOANS AND ADVANCES - considered good</b>			
Loans - secured	6.1	1,807	872
Advance to employees - secured		2,199	2,862
		<u>4,006</u>	<u>3,734</u>
Less: Current portion			
Loans	11	578	293
Advances	11	1,489	1,615
		<u>2,067</u>	<u>1,908</u>
		<u>1,939</u>	<u>1,826</u>
<b>6.1</b> 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.			
<b>7. LONG-TERM DEPOSITS</b>			
Trade deposits		<u>10,838</u>	<u>2,679</u>
<b>8. STORES, SPARE PARTS AND LOOSE TOOLS</b>			
Stores		5,326	5,461
Spare parts		82,269	76,470
Loose tools		2,475	2,503
		<u>90,070</u>	<u>84,434</u>
Less: Provision for slow moving:			
Stores		23	13
Spare parts		38,006	30,803
Loose tools		339	79
	8.1	<u>38,368</u>	<u>30,895</u>
		<u>51,702</u>	<u>53,539</u>
<b>8.1</b> Movement in provision is as follows:			
Balance at the beginning of the year		30,895	20,202
Charge during the year	27	7,473	10,693
Balance at the end of the year		<u>38,368</u>	<u>30,895</u>
<b>9. STOCK-IN-TRADE</b>			
Raw material and components		188,265	124,864
Work-in-process		101,728	103,225
Finished goods		110,994	107,492
Scrap stock		39,990	29,806
		<u>440,977</u>	<u>365,387</u>
Stock-in-transit		1,873	43,285
		<u>442,850</u>	<u>408,672</u>
Less: Provision for slow moving stock	9.1	2,177	5,159
		<u>440,673</u>	<u>403,513</u>
<b>9.1</b> Movement in provision is as follows:			
Balance at the beginning of the year		5,159	10,788
Charge during the year	27	61	619
Reversed during the year	27	(3,043)	(6,248)
Balance at the end of the year		<u>2,177</u>	<u>5,159</u>



	Note	2011 (Rupees in thousand)	2010
<b>10. TRADE DEBTS - unsecured</b>			
Considered good		133,364	120,664
Considered doubtful		3,561	2,395
Less: Provision for doubtful debts	10.1	3,561	2,395
		-	-
		<u>133,364</u>	<u>120,664</u>
<b>10.1 Movement in provision is as follows:</b>			
Balance at the beginning of the year		2,395	2,597
Provision made during the year	29	2,510	402
Reversed during the year	32	(1,211)	(350)
Write off during the year		(133)	(254)
Balance at the end of the year		<u>3,561</u>	<u>2,395</u>
<b>10.2 The ageing analysis of unimpaired trade debts at June 30 is as follows:</b>			
Neither past due nor impaired		106,845	94,340
Past due but not impaired			
- within 30 days		19,856	21,116
- 31 to 60 days		4,621	1,402
- 61 to 90 days		-	434
- over 90 days		5,603	5,767
		<u>136,925</u>	<u>123,059</u>
<b>11. LOANS AND ADVANCES</b>			
<b>Loans - secured, considered good</b>			
Current portion long-term loans	6	578	293
<b>Advances</b>			
<b>Considered good</b>			
Current portion of long-term advances - secured	6	1,489	1,615
For expenses - unsecured		1,062	811
To suppliers - unsecured		23,289	10,521
Letters of credit fee and margin - unsecured		304	304
		<u>26,144</u>	<u>13,251</u>
<b>Considered doubtful</b>			
Less: Provision for doubtful advances	11.1	231	231
		231	231
		-	-
		<u>26,722</u>	<u>13,544</u>
<b>11.1 Movement in provision is as follows:</b>			
Balance at the beginning of the year		231	757
(Reversal) / provision made during the year	29	-	109
Write off during the year		-	(635)
Balance at the end of the year		<u>231</u>	<u>231</u>
<b>12. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>			
Deposits		545	1,380
Prepayments		810	596
		<u>1,355</u>	<u>1,976</u>



	Note	2011 (Rupees in thousand)	2010
<b>13. OTHER RECEIVABLE</b>			
Sales tax refundable		<u>5,733</u>	<u>-</u>
<b>14. BANK BALANCES</b>			
Current accounts		<b>38,474</b>	3,720
Deposit accounts	14.1	<u>2,917</u>	<u>8,657</u>
		<u><b>41,391</b></u>	<u>12,377</u>

14.1 These carry profit at the rate of 8 percent (2010: 8 percent) per annum on daily product basis.

#### 15. SHARE CAPITAL

2011 (Number of shares)	2010		2011 (Rupees in thousand)	2010
<b>Authorised capital</b>				
<b>25,000,000</b>	25,000,000	Ordinary shares of Rs. 10/- each	<u><b>250,000</b></u>	<u>250,000</u>
<b>Issued, subscribed and paid-up capital</b>				
2011 (Number of shares)	2010			
<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>781</b>	467
- general			<b>160,000</b>	160,000
- unappropriated profit			<u><b>554,408</b></u>	<u>476,079</u>
			<u><b>715,189</b></u>	<u>636,546</u>

#### 17. LONG-TERM FINANCING - Secured

Represents utilized portion of demand finance facility of Rs. Nil (2010: Rs.27.701 million) from a commercial bank. It carries a profit rate of three months' KIBOR plus 175 basis points with floor of 7%, It was secured by way of second charge over the Company's fixed assets. The movement in long term liability is as follows:

	2011 (Rupees in thousand)	2010
Balance - at the beginning of the year	<b>27,701</b>	35,617
Add: Obtained during the year	<u>-</u>	<u>-</u>
	<b>27,701</b>	35,617
Less: Paid during the year	<u>27,701</u>	<u>7,916</u>
Balance at the end of the year	<u>-</u>	<u>27,701</u>
Less: Due within one year	<u>-</u>	<u>7,915</u>
	<u><b>-</b></u>	<u>19,786</u>



## 18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Represents finance lease entered into with a commercial bank for a vehicle. Total lease rentals due under lease agreement aggregates to Rs.6.500 million (2010: Rs.NIL) and are payable in equal monthly installments latest by 2014. Taxes, repairs, replacement and insurance costs are to be borne by the Company. In case of termination of agreement, the Company has to pay the entire rent for the unexpired period. Financing rate is six months KIBOR plus 250 bps (2010: NIL) per annum have been used as discounting factor. Purchase options can be exercised by the Company, by paying 10 percent of the leased amount. The movement in the finance lease liability is as follows:

	Minimum lease payments	Present value	Minimum lease payments	Present value
	----- (Rupees in thousand) -----			
Within one year	2,441	1,668		
After one year but not more than five year	5,126	4,501		
Total minimum lease payments	7,567	6,169		
Less: Amount representing finance charges	1,398	-		
Present value of minimum lease payments	6,169	6,169		
Less: current portion	1,668	1,668		
	4,501	4,501		

## 19. LONG-TERM DEPOSITS

	Note	2011 (Rupees in thousand)	2010
Deposit from employees		452	523
Less: Current portion		117	369
		335	154

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

## 20. DEFERRED TAXATION

		2011	2010
Deferred tax liability	20.1	50,596	56,874
<b>20.1</b> Deferred tax liability comprises of:			
Deferred tax liability arising in respect of:			
Accelerated tax depreciation		76,357	76,796
Deferred tax asset arising in respect of:			
Provisions		(23,602)	(19,922)
Liabilities against assets subject to finance lease		(2,159)	-
		50,596	56,874

## 21. TRADE AND OTHER PAYABLES

Creditors		13,537	40,719
Accrued liabilities		32,260	24,564
Advance from customers		8,224	4,599
Retention money		812	812
Security deposits		448	348
Compensated absences		8,422	8,830
Payable to gratuity fund	21.1	5,209	4,481
Payable to provident fund		1,119	841
Workers' Profit Participation Fund	21.2	7,454	7,976
Workers' Welfare Fund		7,254	7,288
Sales tax payable		-	6,600
FED payable		1,409	750
Provision for warranty claims	21.3	14,676	13,760
Unclaimed dividend		2,950	2,856
Others		437	329
		104,211	124,753



	Note	2011 (Rupees in thousand)	2010
<b>21.1 Payable to gratuity fund</b>			
<b>21.1.1 Reconciliation of obligations as at year end</b>			
Present value of defined benefit obligation	21.1.4	42,832	40,682
Fair value of plan assets	21.1.5	(37,490)	(31,482)
		<u>5,342</u>	<u>9,200</u>
Unrecognised actuarial gain		(133)	(4,719)
Net liability at end of the year		<u>5,209</u>	<u>4,481</u>
<b>21.1.2 Movement in net liability</b>			
Net liability at beginning of the year		4,481	3,087
Charge for the year	21.1.3	5,209	4,481
Contributions		(4,481)	(3,087)
Net liability at end of the year		<u>5,209</u>	<u>4,481</u>
<b>21.1.3 Charge for the year</b>			
Current service cost		3,100	3,710
Interest cost		5,124	4,742
Expected return on plan assets		(3,096)	(3,971)
Actuarial gain recognized		81	-
Charge for the year		<u>5,209</u>	<u>4,481</u>
<b>21.1.4 Movement in defined benefit obligation</b>			
Present value of defined benefit obligation at beginning of the year		40,682	32,951
Current service cost		3,100	3,710
Interest cost		5,124	4,742
Benefits paid during the year		(5,516)	(365)
Actuarial gain		(558)	(356)
Present value of defined benefit obligation at end of the year		<u>42,832</u>	<u>40,682</u>
<b>21.1.5 Movement in fair value of plan assets</b>			
Fair value of plan assets at beginning of the year		31,482	29,188
Expected return on plan assets		3,096	3,971
Contributions made by the Company		4,481	3,087
Benefits paid during the year		(5,516)	(365)
Actuarial gain / (loss)		3,947	(4,399)
Fair value of plan assets at end of the year		<u>37,490</u>	<u>31,482</u>
<b>21.1.6 The principal assumptions used in the actuarial valuations carried out as of June 30, 2011 using the 'Projected Unit Credit' method are as follows:</b>			
		<b>Gratuity Fund</b>	
		<b>2011</b>	<b>2010</b>
		%	%
Rate of salary increase (per annum)		14	14
Rate of return (per annum)		12	10
Discount rate (per annum)		14	14
Expected mortality rate		<b>EFU</b>	<b>EFU</b>
		<b>61-66 mortality table</b>	<b>61-66 mortality table</b>
Expected withdrawal rate		<b>Age Dependent</b>	<b>Age Dependent</b>



**2011**                      **2010**  
(Rupees in thousand)

**21.1.7** Actual return on plan assets 2,725                      1,500

**21.1.8** Plan assets comprise the following:

	<b>2011</b>		<b>2010</b>	
	<b>Rupees in thousand</b>	<b>%age</b>	<b>Rupees in thousand</b>	<b>%age</b>
Equity (mutual funds)	<b>8,810</b>	<b>23.50</b>	20,794	66.05
Debt	<b>27,852</b>	<b>74.29</b>	7,950	25.25
Others	<b>828</b>	<b>2.21</b>	<u>2,738</u>	8.70
	<b><u>37,490</u></b>		<u>31,482</u>	

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

**21.1.10** Expected contribution to the fund for the year ending June 30, 2012 is Rs. 3.040 million.

**21.1.11** Comparison for five years:

	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
	----- (Rupees in thousand) -----				
Present value of defined benefit obligation	<b>42,832</b>	40,682	32,951	37,586	33,528
Fair value of plan assets	<b>(37,490)</b>	(31,482)	(29,188)	(29,713)	(27,820)
Surplus	<b><u>5,342</u></b>	<u>9,200</u>	<u>3,763</u>	<u>7,873</u>	<u>5,708</u>
Experience adjustments (Loss) / gain on plan liabilities	<b><u>(558)</u></b>	<u>(356)</u>	<u>(7,443)</u>	<u>1,015</u>	<u>2,563</u>
Gain / (loss) on plan assets	<b><u>3,947</u></b>	<u>(4,399)</u>	<u>(3,879)</u>	<u>(363)</u>	<u>569</u>

	<b>Note</b>	<b>2011</b>	<b>2010</b>
		(Rupees in thousand)	
<b>21.2 Workers' Profit Participation Fund</b>			
Balance at the beginning of the year		<b>7,976</b>	2,850
Allocation for the year	30	<b><u>7,454</u></b>	<u>7,976</u>
		<b>15,430</b>	10,826
Interest on funds utilised in the Company's business	31	<b>270</b>	107
		<b>15,700</b>	10,933
Less: Payments made during the year		<b><u>8,246</u></b>	<u>2,957</u>
Balance at the end of the year		<b><u>7,454</u></b>	<u>7,976</u>

**21.3** Movement in provision for warranty is as follows:

Balance at the beginning of the year		<b>13,760</b>	10,128
Provision made during the year	2.16 & 28	<b>1,644</b>	5,206
Adjustment during the year		<b><u>(728)</u></b>	<u>(1,574)</u>
Balance at the end of the year		<b><u>14,676</u></b>	<u>13,760</u>

**22. ACCRUED MARK-UP**

Short-term running finance		<b><u>918</u></b>	<u>695</u>
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## 23. MURABAHA FINANCE

Represents murabaha finance facility obtained from various banks, the rate of profit on this finance ranges from 3 months KIBOR plus 1.15 to 3 months KIBOR plus 1.4 percent.

	Note	2011 (Rupees in thousand)	2010
<b>24. SHORT-TERM BORROWING</b>			
Running finance under mark-up arrangement	24.1	<u>67,473</u>	<u>-</u>
	<b>Security</b>	<b>Limit</b>	<b>2011</b>
			<b>2010</b>
		----- (Rupees in thousand) -----	
<b>24.1 Running finance under mark-up arrangement</b>			
<b>Habib Bank Limited</b>	These facilities are under mark-up arrangement and are secured by way of hypothecation charge banking Pari Passu over Company's stock and debts. The rates of mark-up on these finances are three months' KIBOR plus 150 basis points.	<u>75,000</u>	<u>36,321</u>
<b>Standard Chartered Bank (Pakistan) Limited</b>	These facilities are under mark-up arrangement and are secured by way of hypothecation charge banking Pari Passu over Company's stock and debts. The rates of mark-up on these finances are three months' KIBOR plus 125 basis points.	<u>55,000</u>	<u>31,152</u>
			<u>-</u>

## 25. CONTINGENCIES AND COMMITMENTS

### 25.1 Contingencies

- (i) Indemnity bonds issued to Sui Southern Gas Company Limited amounted to Rs.2.721 (2010: Rs.1.145) 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.

	2011 (Rupees in thousand)	2010
<b>25.2 Commitments</b>		
Capital commitments - Plant and machinery	<u>-</u>	<u>1,735</u>
Letters of credit issued by commercial banks	<u>220,914</u>	<u>177,160</u>



	Note	2011 (Rupees in thousand)	2010
<b>26. SALES</b>			
Local sales	26.1	1,711,034	1,572,672
Less: Sales return		18,115	7,434
Sales tax		243,006	214,050
Federal excise duty		20,493	13,378
		281,614	234,862
Export sales		35,789	43,091
		<u>1,465,209</u>	<u>1,380,901</u>
<b>26.1</b>	Includes scrap sales of Rs.37.510 (2010: Rs.31.309) million.		
<b>27. COST OF SALES</b>			
<b>Raw material and components consumed</b>			
Opening stock - Raw material		124,864	147,761
- Scrap		29,806	15,058
		154,670	162,819
Purchases		977,893	905,735
Less: Closing stock - Raw material		188,265	124,864
- Scrap		39,990	29,806
		228,255	154,670
		<u>904,308</u>	<u>913,884</u>
Salaries, wages and benefits	27.1	109,310	95,732
Stores, spare parts and loose tools consumed		61,049	64,950
Fuel and power		39,941	33,492
Depreciation	3.1.1	40,394	34,010
Services rendered by contractors		26,428	20,764
Staff transportation		10,268	10,254
Repairs and maintenance		3,272	5,094
Travelling and conveyance		1,084	286
Vehicle running expenses		1,428	1,784
Insurance		3,042	2,834
Communication		741	743
Entertainment		1,416	849
Printing and stationery		59	92
Subscription		188	346
Rent, rates and taxes		64	36
Provision for slow moving stores, spares and loose tools	8.1	7,473	10,693
Slow moving stock in trade:			
- provision made during the year	9.1	61	619
- reversal made during the year	9.1	(3,043)	(6,248)
Computer expense		115	199
Foreign specialist expense		81	101
Others		1,289	484
		304,660	277,114
<b>Manufacturing cost</b>		<u>1,208,968</u>	<u>1,190,998</u>
Work-in-process - Opening		103,225	88,266
- Closing		(101,728)	(103,225)
		1,497	(14,959)
<b>Cost of goods manufactured</b>		<u>1,210,465</u>	<u>1,176,039</u>
Finished goods - Opening		107,492	44,544
- Closing		(110,994)	(107,492)
		(3,502)	(62,948)
		<u>1,206,963</u>	<u>1,113,091</u>

	Note	2011 (Rupees in thousand)	2010
<b>27.1</b>	Included herein are the following employees' benefits:		
- Defined benefit plan - gratuity		3,907	3,361
- Defined contribution plan - provident fund		1,973	1,776
- Medical		2,792	2,778
- Charge for compensated leave absences		578	1,305
- Bonus		11,361	8,909
		<u>20,611</u>	<u>18,129</u>
<b>28.</b>	<b>DISTRIBUTION COSTS</b>		
Salaries and benefits	28.1	3,002	2,183
Carriage and forwarding		27,366	22,615
Provision for warranty claims	21.3	1,644	5,206
Depreciation	3.1.1	6	2,267
Insurance		142	136
Advertisement		35	142
Vehicle running expenses		282	275
Travelling and conveyance		70	181
Staff transportation		126	91
Communication		90	98
Entertainment		81	68
Selling expense - foreign sales		688	1,637
Computer expenses		65	36
Utilities		425	385
Others		546	395
		<u>34,568</u>	<u>35,715</u>
<b>28.1</b>	Included herein are the following employees' benefits:		
- Defined benefit plan - gratuity		260	24
- Defined contribution plan - provident fund		32	25
- Medical		83	68
- Provision of compensated leave absences		12	62
- Bonus		757	201
		<u>1,144</u>	<u>380</u>
<b>29.</b>	<b>ADMINISTRATIVE EXPENSES</b>		
Salaries and benefits	29.1	29,114	27,493
Depreciation	3.1.1	3,388	9,069
Amortization of intangible assets		110	110
Services rendered by contractors		6,221	2,981
Utilities		4,069	3,671
Vehicle running expenses		5,396	4,546
Communication		1,382	1,243
Rent, rates and taxes		1,891	1,488
Entertainment		2,934	2,230
Travelling and conveyance		318	431
Corporate expenses		1,203	1,447
Auditors' remuneration	29.2	928	1,264
Legal and professional charges		643	347
Repairs and maintenance		329	596
Insurance		820	689
Staff transportation		1,035	907
Subscription		273	106
Printing and stationery		326	328
Advertisement		140	37
Provision for doubtful debts	10.1	2,510	402
Provision for doubtful advances	11.1	-	109
Doubtful advances written off directly		-	7
General stores supplies		1,436	1,559
Computer expense		630	660
Donation	29.3	209	5
Others		142	167
		<u>65,447</u>	<u>61,892</u>



	Note	2011 (Rupees in thousand)	2010
<b>29.1</b>	Included herein are the following employees' benefits:		
- Defined benefit plan - gratuity		1,042	1,096
- Defined contribution plan - provident fund		1,021	930
- Medical		1,185	1,335
- Provision of compensated leave absences		141	323
- Bonus		3,030	2,768
		<u>6,419</u>	<u>6,452</u>
<b>29.2</b>	<b>Auditors' remuneration</b>		
Audit fee		500	500
Fees for limited scope review and employees' funds		118	148
Tax and other advisory services		215	516
Out of pocket expenses		95	100
		<u>928</u>	<u>1,264</u>
<b>29.3</b>	No director or their spouse had any interest in any donee to which the donation was made.		
<b>30.</b>	<b>OTHER OPERATING EXPENSES</b>		
Workers' Profit Participation Fund	21.2	7,454	7,976
Workers' Welfare Fund		3,079	3,190
Exchange losses - net		1,135	1,238
Loss on sale of fixed assets	3.1.2	1	-
		<u>11,669</u>	<u>12,404</u>
<b>31.</b>	<b>FINANCE COSTS</b>		
Mark-up on			
- long-term financing		2,934	4,765
- short-term financing		6,249	6,847
Finance lease charges		76	-
Interest on Workers' Profit Participation Fund	21.2	270	107
Bank charges and excise duty		571	500
		<u>10,100</u>	<u>12,219</u>
<b>32.</b>	<b>OTHER OPERATING INCOME</b>		
Gain on sale of fixed assets	3.1.2	-	625
Reversal of provision for doubtful debts	10.1	1,211	350
Profit on deposit accounts		243	310
Liabilities written back		-	1,362
Others		640	128
		<u>2,094</u>	<u>2,775</u>
<b>33.</b>	<b>TAXATION</b>		
Current		49,793	53,771
Prior		44	13,464
Deferred		(6,278)	(2,537)
	33.1	<u>43,559</u>	<u>64,698</u>





2011                      2010  
(Rupees in thousand)

**33.1 Relationship between tax expense and accounting profit**

Profit before taxation	<u>138,556</u>	<u>148,355</u>
Applicable tax rate	<u>35%</u>	<u>35%</u>
Tax at the above rate	48,495	51,924
Prior year tax reversal	44	13,464
Tax effect of income / expenses that are exempt / not allowable in determining taxable income	554	1,031
Tax effect on export sales taxed at a lower rate	744	816
Adjustment in respect of deferred tax	(6,278)	(2,537)
Tax expense for the year	<u>43,559</u>	<u>64,698</u>
Average effective tax rate	<u>31.44%</u>	<u>43.61%</u>

**Prior**

The return of income for tax year 2010 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.

The income tax assessments of the Company have been finalized by the Income Tax Department up to tax year 2010 (accounting year ended June 30, 2010).

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

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

	2011	2010
Profit for the year after taxation (Rupees in thousand)	<u>94,997</u>	<u>83,657</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>7.12</u>	<u>6.27</u>

**35. UNAVAILED CREDIT FACILITIES**

The facility for opening letters of credit and letters of guarantees amounted to Rs.415 (2010: Rs.415) million and Rs.15 (2010: Rs.15) million respectively, of which Rs.236.105 (2010: Rs.236.105) million and Rs.13.855 (2010: Rs.13.855) million respectively, remained unutilized as of the balance sheet date.



2011                      2010  
(Rupees in thousand)

### 36. CASH GENERATED FROM OPERATIONS

Profit before taxation	<b>138,556</b>	148,355
<b>Adjustments for:</b>		
Depreciation	<b>43,788</b>	45,346
Amortisation	<b>110</b>	110
Loss / (Gain) on sale of fixed assets	<b>1</b>	(625)
Finance cost	<b>10,100</b>	12,219
Provision for slow moving stores, spare parts and loose tools	<b>7,473</b>	10,693
Reversal of slow moving stock-in-trade - net	<b>(2,982)</b>	(5,629)
Provision for doubtful advances	<b>-</b>	109
Provision for doubtful debts	<b>2,510</b>	402
Reversal of doubtful debts	<b>(1,211)</b>	(350)
Doubtful advances written off directly	<b>-</b>	7
Provision for compensated absences	<b>148</b>	1,690
Provision for warranty	<b>1,644</b>	5,206
Provision for employees' benefits	<b>5,209</b>	4,481
Profit on deposit accounts	<b>(243)</b>	(310)
Dividend income	<b>(43)</b>	-
Liabilities written back	<b>-</b>	(1,362)
	<b>66,504</b>	71,987
	<b>205,060</b>	220,342

#### Working capital changes

##### (Increase)/decrease in current assets

Stores, spare parts and loose tools	<b>(5,636)</b>	61
Stock-in-trade	<b>(34,178)</b>	(72,111)
Trade debts	<b>(13,866)</b>	(27,912)
Loans and advances	<b>(13,178)</b>	7,066
Trade deposits and short-term prepayments	<b>621</b>	(1,464)
Other receivables	<b>(5,733)</b>	-
<b>(Decrease) in current liabilities</b>		
Trade and other payables	<b>(26,021)</b>	(9,697)
	<b>(97,991)</b>	(104,057)
	<b>107,069</b>	116,285

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

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

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES		TOTAL	
	2011	2010	2011	2010	2011	2010	2011	2010
	----- (Rupees in thousand) -----							
Remuneration	<b>2,632</b>	2,182	<b>6,637</b>	5,693	<b>2,991</b>	2,348	<b>12,260</b>	10,223
Housing	<b>1,184</b>	982	<b>2,987</b>	2,534	<b>1,346</b>	1,025	<b>5,517</b>	4,541
Retirement benefits	<b>930</b>	400	<b>2,426</b>	1,103	<b>527</b>	442	<b>3,883</b>	1,945
Bonus	<b>545</b>	455	<b>1,407</b>	1,173	<b>730</b>	469	<b>2,682</b>	2,097
Medical expenses	<b>139</b>	98	<b>459</b>	816	<b>345</b>	191	<b>943</b>	1,105
Utilities	<b>309</b>	245	<b>908</b>	777	<b>448</b>	308	<b>1,665</b>	1,330
Leave fare assistance	<b>407</b>	705	<b>900</b>	55	<b>70</b>	760	<b>1,377</b>	-
	<b>5,739</b>	4,769	<b>15,529</b>	12,996	<b>6,442</b>	4,853	<b>27,710</b>	22,618
Number	<b>1</b>	1	<b>4</b>	4	<b>5</b>	4	<b>10</b>	9

- 37.2** 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.
- 37.3** Aggregate amount charged in the financial statements for fee to a director was Rs.20,000/- (2010: Rs.10,000/-).

### **38. 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.

#### **38.1 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:

	<b>Carrying Values</b>	
	<b>2011</b>	<b>2010</b>
	(Rupees in thousand)	
Long-term loans - secured	1,229	579
Long-term advances - secured	710	1,247
Long-term deposits	10,838	2,679
Trade debts - unsecured	133,365	120,664
Loans - secured	578	293
Advances	26,144	13,251
Deposits	545	1,380
Bank balances	41,391	12,377
	<b>214,800</b>	<b>152,470</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:

	<b>Carrying Values</b>	
	<b>2011</b>	<b>2010</b>
	(Rupees in thousand)	
<b>38.1.1 Trade debts</b>		
Customers with no defaults in the past one year	133,365	120,664
Customers with some defaults in past one year which have been fully recovered	-	-
	<b>133,365</b>	<b>120,664</b>
<b>38.1.2 Bank balances</b>		
AI+	41,391	12,377



### 38.2 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 2011</b>						
Long-term financing - secured	-	-	-	-	-	-
Liabilities against asset subject to finance lease	-	392	1,276	4,501	-	6,169
Trade and other payables	102,707	-	-	-	-	102,707
Accrued interest on long-term financing	-	-	-	-	-	-
Murabaha financing	-	-	-	-	-	-
Accrued interest on short-term running finance	-	918	-	-	-	918
	<b>102,707</b>	<b>1,310</b>	<b>1,276</b>	<b>4,501</b>	-	<b>109,794</b>
<b>Year ended 30 June 2010</b>						
Long-term financing - secured	-	-	7,915	19,786	-	27,701
Trade and other payables	117,403	-	-	-	-	117,403
Murabaha financing	-	-	9,930	-	-	9,930
Accrued interest on short term running finance	-	695	-	-	-	695
	<b>117,403</b>	<b>695</b>	<b>17,845</b>	<b>19,786</b>	-	<b>155,729</b>

### 38.3 Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in 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:

	2011	2010
	(USD in thousand)	
Debtors	<u>33</u>	<u>49</u>
The following significant exchange rates have been applied at the reporting dates:		
Exchange rate	<u>85.85</u>	<u>85.40</u>

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 thousand)
30 June 2011	+2	<u>56</u>
	-2	<u>(56)</u>
30 June 2010	+2	<u>83</u>
	-2	<u>(83)</u>

### 38.4 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			
		Maturity upto one year	Maturity from one to five years	Maturity after five years	Total
----- (Rupees in thousand) -----					
<b>FINANCIAL ASSETS</b>					
Investments	-	-	-	-	-
Deposits	-	-	-	-	-
Trade debts	-	-	-	-	-
Loans	-	-	-	-	-
Bank balances	7 - 8	2,917	-	-	2,917
		<u>2,917</u>	-	-	<u>2,917</u>
<b>FINANCIAL LIABILITIES</b>					
Morabaha financing	3 m Kibor + 115 to 140 bps	6,773	-	-	6,773
Trade and other payables	-	-	-	-	-
		<u>6,773</u>	-	-	<u>6,773</u>
<b>Net financial assets/ (liabilities) - 2011</b>		<b>(3,856)</b>	-	-	<b>(3,856)</b>

	Effective yield / mark-up rate %	Interest / Mark-up bearing			
		Maturity upto one year	Maturity from one to five years	Maturity after five years	Total
----- (Rupees in thousand) -----					
<b>FINANCIAL ASSETS</b>					
Investments	-	-	-	-	-
Deposits	-	-	-	-	-
Trade debts	-	-	-	-	-
Loans	-	-	-	-	-
Bank balances	7 - 8	8,657	-	-	8,657
		<u>8,657</u>	-	-	<u>8,657</u>
<b>FINANCIAL LIABILITIES</b>					
Long-term financing	3 m Kibor + 175 bps	7,915	19,786	-	27,701
Murabaha financing	3 m Kibor + 115 to 140 bps	9,930	-	-	9,930
Trade and other payables	-	-	-	-	-
		<u>17,845</u>	<u>19,786</u>	-	<u>37,631</u>
<b>Net financial assets/ (liabilities) - 2010</b>		<b>(9,188)</b>	<b>(19,786)</b>	-	<b>(28,974)</b>



### 38.5 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 thousand)
<b>2011</b>		
3 months KIBOR + 1.75%	+ 100	<u>(93)</u>
	-100	<u>93</u>
<b>2010</b>		
3 months KIBOR + 1.75%	+ 100	<u>(116)</u>
	-100	<u>116</u>

### 38.6 Fair value of financial instruments

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

### 38.7 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, 2011 and 2010 were as follows:

	2011 (Rupees in thousand)	2010
Long-term financing	-	27,701
Trade and other payables	104,116	124,753
Murabaha financing	6,773	9,930
Accrued mark-up	918	695
<b>Total debt</b>	<b>111,807</b>	163,079
Less: Bank balances (net)	41,391	12,377
<b>Net debt</b>	<b>70,416</b>	150,702
Equity	850,550	769,889
Unrealised gain / loss reserves	(314)	(296)
<b>Total capital</b>	<b>850,236</b>	769,593
<b>Capital and net debt</b>	<b>920,652</b>	920,295
<b>Gearing ratio</b>	<b>7.68%</b>	16.37%



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.

### 39. 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, 2011, 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	2011 (Rupees in thousand)	2010
Key management personnel	Sale of vehicles/equipment	<u>1,486</u>	<u>681</u>
Staff	Sale of Vehicles	<u>408</u>	<u>-</u>
Staff retirement benefit plans	Provident fund contribution during the year	<u>3,330</u>	<u>2,968</u>
	Provision for gratuity during the year	<u>5,209</u>	<u>4,481</u>

### 40. PLANT CAPACITY AND ACTUAL PRODUCTION

Plant capacity - single shift (estimated)	<u>850</u>	<u>850</u>
Actual production	<u>833</u>	<u>832</u>

The original machinery provided by the German supplier determined annual production capacity at the time of installation.

### 41. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue by the Board of Directors of the Company on **September 9, 2011**.

### 42. DIVIDEND AND APPROPRIATIONS

The Board of Directors has proposed a final dividend of Rs. 2/- per share for the year ended June 30, 2011, amounting to Rs. 26.668 million at its meeting held on **September 9, 2011** for approval of the members at the Annual General Meeting to be held on **October 29, 2011**.

### 43. CORRESPONDING FIGURES

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

### 44. 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') -----					
	2006	2007	2008	2009	2010	2011
<b>ASSETS</b>						
<b>Non Current Assets</b>						
Property, plant & equipment	239,783	353,235	374,795	410,982	399,774	394,140
Intangible asset	-	-	-	-	440	330
Investment properties	-	-	-	-	-	-
Long term investment	2,371	770	747	315	611	925
Long-term loans & advances	711	1,411	2,391	2,005	1,826	1,939
Long-term deposits	6,483	2,346	3,418	3,573	2,679	10,838
	<u>249,348</u>	<u>357,762</u>	<u>381,351</u>	<u>416,875</u>	<u>405,330</u>	<u>408,172</u>
<b>Current Assets</b>						
Stores, spare parts & loose tools	36,942	58,656	63,456	64,293	53,539	51,702
Stock-in-trade	319,377	318,348	275,420	325,773	403,513	440,673
Trade debts	106,448	114,277	98,689	92,550	120,664	133,364
Loans and advances	18,487	42,135	35,526	20,084	13,544	26,722
Trade deposits and short term prepayments	1,250	4,808	1,708	512	1,976	1,355
Interest accrued	249	-	-	-	-	-
Investments	-	1,709	76,815	-	-	-
Other receivables	-	-	-	-	-	5,733
Taxation - net	-	-	-	3,435	-	-
Bank balances	97,684	68,985	52,205	30,510	12,377	41,391
	<u>580,437</u>	<u>608,918</u>	<u>603,819</u>	<u>537,157</u>	<u>605,613</u>	<u>700,940</u>
<b>TOTAL ASSETS</b>	<u>829,785</u>	<u>966,680</u>	<u>985,170</u>	<u>954,032</u>	<u>1,010,943</u>	<u>1,109,112</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	250,000	250,000	250,000
Issued, subscribed and paid up Capital	133,343	133,343	133,343	133,343	133,343	133,343
Reserves	395,235	490,465	569,786	589,262	636,546	715,189
	<u>528,578</u>	<u>623,808</u>	<u>703,129</u>	<u>722,605</u>	<u>769,889</u>	<u>848,532</u>
<b>Non Current Liabilities</b>						
Long term financing	31,171	61,420	43,872	27,701	19,786	-
Liabilities against assets subject to finance lease	16,514	3,325	-	-	-	4,501
Long term deposits	290	428	444	327	154	335
Deferred liabilities	3,680	41,952	50,994	59,411	56,874	50,596
	<u>51,655</u>	<u>107,125</u>	<u>95,310</u>	<u>87,439</u>	<u>76,814</u>	<u>55,432</u>
<b>Current Liabilities</b>						
Trade and other payables	177,383	200,675	144,084	133,956	124,753	104,211
Accrued mark-up	709	216	89	1,898	695	918
Murabaha finance	-	-	-	-	9,930	6,773
Short term borrowings	-	-	-	-	-	67,473
Current portion of						
- long term financing	-	17,549	17,549	7,916	7,915	-
- liabilities against assets subject to finance lease	15,554	13,207	3,325	-	-	1,668
- long term deposits	-	8	64	218	369	117
Taxation-net	55,906	4,092	21,620	-	20,578	23,988
	<u>249,552</u>	<u>235,747</u>	<u>186,731</u>	<u>143,988</u>	<u>164,240</u>	<u>205,148</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>829,785</u>	<u>966,680</u>	<u>985,170</u>	<u>954,032</u>	<u>1,010,943</u>	<u>1,109,112</u>

## SIX YEARS AT A GLANCE

### PROFIT AND LOSS ACCOUNT

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

	2006	2007	2008	2009	2010	2011
Sales - net	1,159,001	1,162,860	1,234,731	1,095,824	1,380,901	1,465,209
Cost of Sales	855,074	876,351	968,588	963,741	1,113,091	1,206,963
Gross Profit	303,927	286,509	266,143	132,083	267,810	258,246
Distribution Cost	15,561	18,797	25,876	24,054	35,715	34,568
Administration Expenses	41,860	48,440	52,840	55,986	61,892	65,447
Other Operating Expenses	20,221	14,762	10,810	4,483	12,404	11,669
Finance Cost	7,468	14,849	15,251	18,455	12,219	10,100
	85,110	96,848	104,777	102,978	122,230	121,784
Operating Profit	218,817	189,661	161,366	29,105	145,580	136,462
Other Operating Income	6,914	6,468	9,017	23,902	2,775	2,094
Profit before Taxation	225,731	196,129	170,383	53,007	148,355	138,556
Taxation	(78,260)	(67,413)	(64,371)	(16,387)	(64,698)	(43,559)
Profit after Taxation	147,471	128,716	106,012	36,620	83,657	94,997
Basic Earnings per Share (Rupees)	11.06	9.65	7.95	2.75	6.27	7.12

## SIGNIFICANT RATIOS AND STATISTICS

	2006	2007	2008	2009	2010	2011
<b>Liquidity &amp; Leverage Ratios:</b>						
-Current Ratios	2.33	2.58	3.23	3.73	3.69	3.42
-Quick Ratios	0.90	0.98	1.42	1.02	0.90	1.02
-Liability as a % of Total Assets	36.30	35.47	28.63	24.26	23.84	23.49
-Debt Equity Ratio	9:91	13:87	8:92	4:96	3:97	1:99
-Interest Cover Ratio (Times)	31.23	14.21	16.76	3.87	13.14	14.72
<b>Equity Ratios:</b>						
-Break up Value per Share (Rs)	39.64	46.78	52.73	54.19	57.74	63.64
-Dividend as a % of Capital	25.00	20.00	12.50	15.00	25.00	20.00
-Dividend Yield Ratio/ Cost of Equity (%)	4.29	3.00	2.12	5.36	8.62	6.27
-Dividend per Share (Rs)	2.50	2.00	1.25	1.50	2.50	2.00
<b>Profitability Ratios:</b>						
-Gross Profit (%)	26.22	24.64	21.55	12.05	19.39	17.63
-Operating Profit( %)	21.86	19.41	15.91	6.93	12.53	10.94
-Profit before Tax(%)	19.48	16.87	13.80	4.83	10.74	9.45
-Profit after Tax (%)	12.72	11.07	8.59	3.34	6.06	6.48
-Return on Capital Employed( %)	42.70	31.44	24.23	7.33	19.27	16.33
-Earnings per Share (Rs)	11.06	9.65	7.95	2.75	6.27	7.12
-Price Earning Ratio(Times)	5.27	6.84	7.42	10.20	4.63	4.48
-Dividend Payout Ratio (%)	22.61	20.72	15.72	54.62	39.85	28.07
-Dividend Cover (Times)	4.42	4.82	6.36	1.83	2.51	3.56
-Capital Turnover (Times)	2.19	1.86	1.76	1.52	1.79	1.73
-Return on Assets (%)	17.78	13.31	10.76	3.84	8.28	8.57
<b>Turnover/Efficiency Ratios:</b>						
-Inventory Turnover Ratio(Times)	2.76	2.39	2.71	2.64	2.63	2.54
-Debtor Turnover Ratio(Times)	13.84	10.54	11.60	11.46	12.95	11.54
-Fixed Assets Turnover Ratio(Times)	4.83	3.29	3.29	2.67	3.45	3.72
<b>Plant Capacity:</b>						
-Plant Capacity Utilisation (%)	296	126	122	71	98	98
<b>Share Performance:</b>						
-Year end Market Price per Share	58.25	66.00	59.00	28.00	29.00	31.90
-High Price per Share during the Year	73.50	76.00	96.40	59.00	40.95	41.00
-Low Price per Share during the Year	34.50	52.20	58.80	24.71	23.50	26.70





# 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 29, 2011 and at any adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2011

\_\_\_\_\_  
Signature of Member(s)

Please affix  
Rs. 5/- Revenue  
Stamp

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

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

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

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

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

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

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

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 then 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.



## **FACTORY AND REGISTERED OFFICE**

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