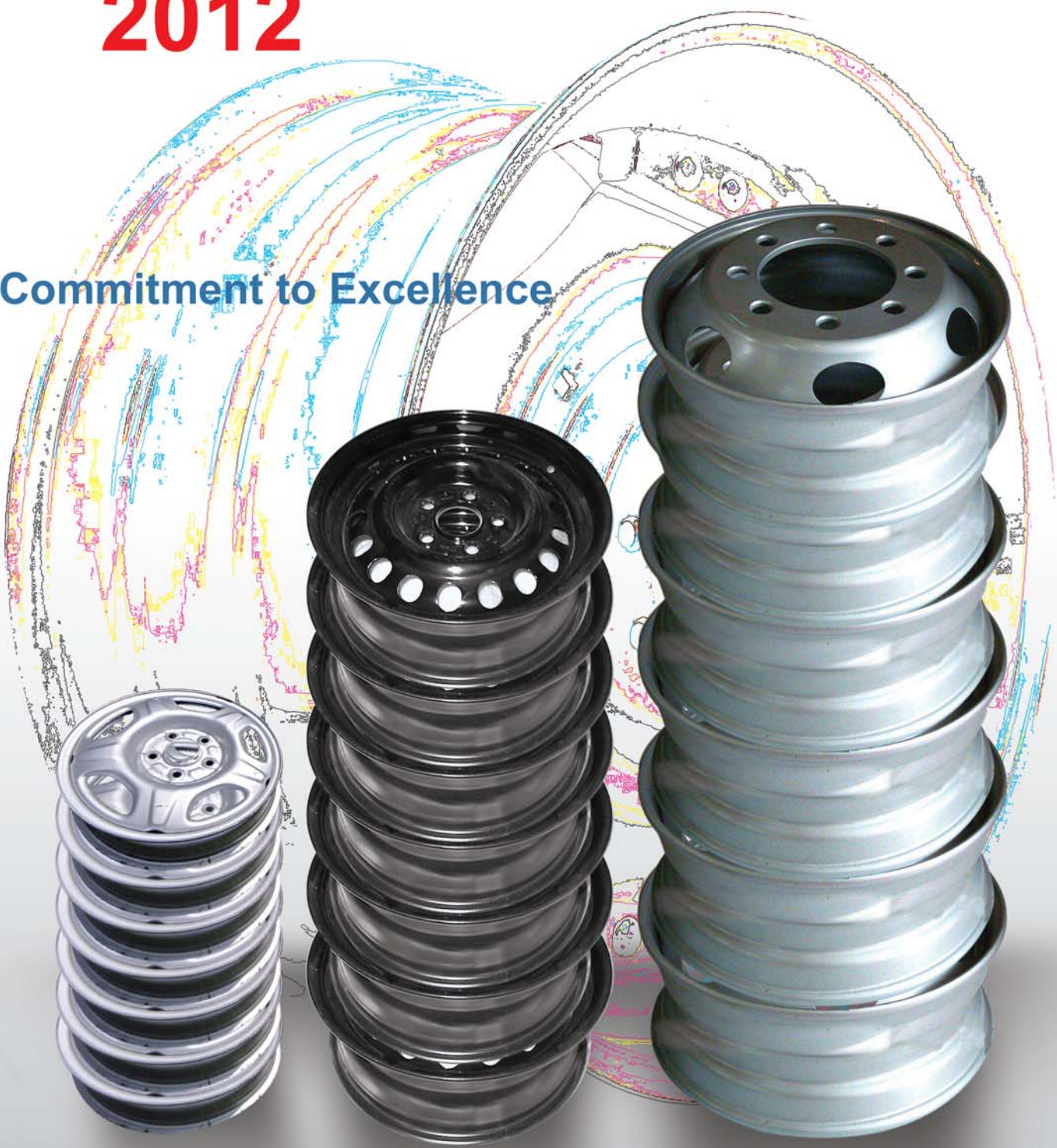


Annual Report
2012

Manufacturers of Automotive Wheels In Pakistan

Commitment to Excellence



Baluchistan Wheels Limited

A View of



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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New Induction of CO2 Welding



New Induction of Automobile Disc profile Forming Machine by Spinning Process



Corporate Information



Mr. Muhammad Siddique Misri
Chairman



Mr. Razak H. M. Bengali
Chief Executive



Mr. Muhammad Irfan Ghani
Chief Operating Officer

BOARD OF DIRECTORS

Mr. Muhammad Siddique Misri	Chairman (Executive Director)
Mr. Razak H. M. Bengali	Chief Executive (Executive Director)
Mr. Muhammad Irfan Ghani	Chief Operating Officer (Executive Director)
Syed Haroon Rashid	Director (Nominee - NIT) (Non Executive Director)
Syed Zubair Ahmed Shah	Director (Nominee - NIT) (Non Executive Director)
Mr. Muhammad Javed	Director (Executive Director)
Mr. Irfan Ahmed Qureshi	Director (Executive 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	Chairman
Mr. Razak H. M. Bengali	Chief Executive
Mr. Muhammad Irfan Ghani	Chief Operating Officer
Mr. Muhammad Javed	Director / S.G.M (Technical)
Mr. Irfan Ahmed Qureshi	Director / S.G.M (Finance) / Company Secretary
Mr. Sajid Nadri	G.M (Research & Development)
Mr. Muhammad Yasin Younus Ladha	G.M (Finance)
Mr. Nisar Ahmed	G.M (Supply & Services)
Mr. Shaikh Muhammad Iqbal	G.M (Sales)
Mr. Arshad Ali Siddiqui	Dy. General Manager (Human Resources)

BOARD HUMAN RESOURCES AND COMPENSATION COMMITTEE

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

LEGAL ADVISOR

Mohsin Tayebaly & Company
(Advocates)

EXTERNAL AUDITORS

Ernst & Young Ford Rhodes Sidat Hyder
(Chartered Accountants)

CHIEF INTERNAL AUDITOR

Mr. Muhammad Asad Saeed

SHARE REGISTRAR

Shares & Corporate 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: bwlfin@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



Syed Haroon Rashid
Director (Nominee - NIT)



Syed Zubiar Ahmed Shah
Director (Nominee - NIT)



Mr. Muhammad Javed
Director



Mr. Irfan Ahmed Qureshi
Director

Notice of the Meeting

NOTICE IS HEREBY GIVEN that the 32nd 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 20, 2012 at 11:00 am. to transact the following business :-

1. To confirm the minutes of the 31st Annual General Meeting, held on October 29, 2011.
2. To receive, consider and adopt the Audited Accounts for the year ended June 30, 2012 together with the Directors' and Auditors' reports thereon.
3. To approve the payment of Cash Dividend. The Board of Directors has recommended payment of cash dividend @ 15% i.e. Rs. 1.5/- per share of Rs. 10/- each for the year ended June 30, 2012.
4. To appoint Auditors for the year 2012-2013 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 2012-2013.
5. To consider any other Business with the permission of the Chair.

BY ORDER OF THE BOARD

Irfan Ahmed Qureshi
Company Secretary

Karachi: September 14, 2012

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 13, 2012 to October 20, 2012 (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, 32401634
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.
6. As per SECP circular No. 779(1) 2011, dated August 18, 2011 the DIVIDEND WARRANT (s) should bear the CNIC number of the Registered shareholder(s), so please let us have a copy of your CNIC on Most Urgent basis, (if not already provided) failing which your dividend warrant(s), if any, will be withheld till the compliance of the above referred notification.
7. Circular No. 18 of 2012, dated June 05, 2012 issued by SECP regarding Dividend mandate, (optional and not compulsory) is also attached with Annual Accounts-2012.

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 NIC 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 9:45 am.

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

Leadership Team



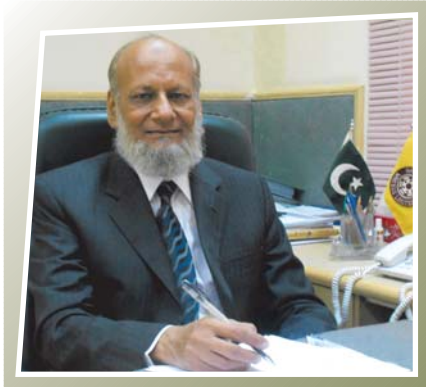
Mr. Muhammad Siddique Misri
Chairman



Mr. Razak H. M. Bengali
Chief Executive



Mr. Muhammad Irfan Ghani
Chief Operating Officer



Mr. Muhammad Javed
Director/Senior GM (Technical)



Mr. Irfan Ahmed Qureshi
Director/Senior GM (Finance) / Company Secretary



Mr. Sajid Nadri
G M (Research & Development)



Mr. Muhammad Yasin Younus Ladha
GM (Finance)



Mr. Nisar Ahmed
GM (Supply & Services)



Mr. Shaikh Muhammad Iqbal
GM (Sales)



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

Directors' Report

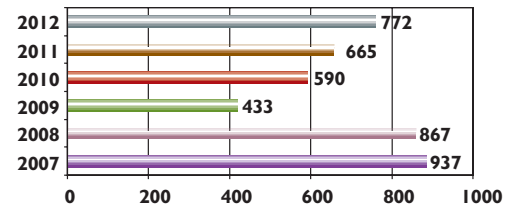
Your Directors are pleased to present Annual Accounts for the year ended June 30, 2012.

OPERATIONAL PERFORMANCE

This year your Company had overall consolidated revenue of Rs.1.50 billion as compared to Rs.1.46 billion in the previous year. The Car wheels sale was Rs.942 million as compared to Rs.775 million in the previous year. The Truck / Bus wheels sale was Rs.91 million as compared to Rs.81 million in the previous year. The Tractor wheels sale has declined to Rs.392 million as compared to Rs.536 million in the previous year. Similarly, the exports were Rs.43 million as compared to Rs.36 million in the previous year. Overall at the National Level the Passenger Cars production was 154,255 units in 2012 as compared to 133,972 units in the year 2011, improved by 15% only, whereas 20,929 LCV's, Vans and Jeeps were produced in 2012 as against 19,142 units in the year 2011, an improvement of 9%, while 3,165 Trucks / Buses were produced in 2012 against production of 3,300 Trucks / Buses in the year 2011, showing decline of 4% over the corresponding past year. The Tractors production has declined to 48,120 units in the year 2012 as compared to 70,770 tractors in the year 2011 which has declined by 32%.

The main reason for the decline of tractors production is the imposition of sales tax @ 16% in March 2011, which resulted in sharp decline of tractors sales & subsequently the Government of Pakistan has reduced sales tax on tractors to 5% effective February 2012 & tractors sales started picking up. The sales tax on tractors will be increased to 10% from January 2013 & standard rates of sales tax will again be applicable from January 2014.

SALES OF CAR WHEELS
(Quantity in '000')



FINANCIAL PERFORMANCE

The gross profit was Rs.277 million as compared to Rs.258 million of the previous year. The profit after taxation was Rs.103 million as compared to Rs.95 million of the previous year. The year under review saw the improvement in Car sales, consistency, in Truck / Bus sales & a sharp decline in Tractor sales due to reasons already mentioned as above.

The comparative financial results for the year 2012 as against 2011 are as follows:

	2012	2011
	(Rs. in thousand)	
Sales	1,507,907	1,465,209
Gross Profit	277,318	258,246
Profit before Tax	162,805	138,556
Profit after Tax	102,618	94,997
Earning per Share (Rs.)	7.70	7.12

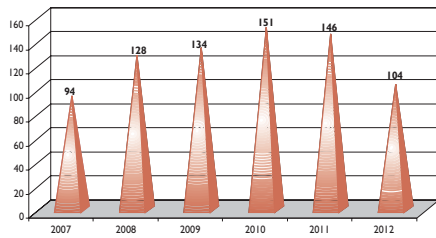
PROPOSED DIVIDEND

The Board of Directors have proposed a final cash dividend of Rs. 1.50/- per share for the year ended June 30, 2012 amounting Rs. 20.001/- million (2011: Rs.2. per share amounting Rs.26.67 million) at the meeting held on September 14, 2012, for approval

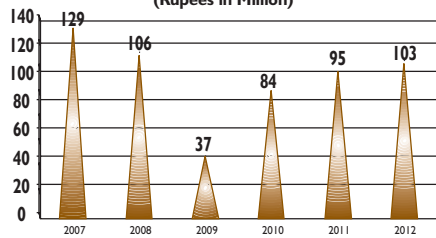
of members at the Annual General Meeting to be held on October 20, 2012. The financial statements, however, do not reflect these appropriations in compliance with the revised Fourth Schedule to the Companies Ordinance, 1984.



SALES OF TRUCK/BUS/TRACTOR WHEELS (Quantity in '000')



PROFIT AFTER TAX (Rupees in Million)



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.

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 & up till now no serious accident has taken place during the production resulting in any major injury or loss of life.

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

The E.D Paint Shops Conveyer Monorail imported last year has resulted in uninterrupted paint of the wheels and consistent and reliable production of painted wheels. Now it is planned to improve our Truck /Bus wheels production line too and for this purpose L/C for a new Spinning Machine to improve the quality of the Disc has been opened this will enable the company to produce Truck / Bus wheels disc based on the new technology & will cost around Rs.27 million.

Besides, the efforts are being made to manufacture Rim also, based on Section Based Material so as to manufacture Section Based Rim in Pakistan initially at a low capital expenditure.



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.284 million. Besides, it is also providing employment opportunities to the local people residing in Hub and other adjoining areas.

BOARD & COMMITTEES

Since the implementation of Code of Corporate Governance of 2002 we had formed Board Audit Committee chaired by a Non Executive Director and another Non Executive Director and an Executive Director as members. The present committee comprises of Mr. Syed Haroon Rashid as Chairman, Mr. Syed Zubair Ahmed Shah and Mr. Muhammad Irfan Ghani as Members.

Besides this, we also had historically Human Resources & Compensation Committee comprising the Chairman as Head, the Chief Executive and the Chief Operating Officer as Members and Head of Human Resources Department as Secretary to the Committee.

We presently do not have an independent Director on our Board & two Non Executive Directors are on the Board Audit Committees, therefore, it is intended that in the next elections due in the middle of June 2013, we will again encourage independent Directors and the Committees will be formed accordingly.

STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statement, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
- 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.
- There are no significant doubts upon the company's ability to continue as going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.



Korean Technical Experts for Plant / Tooling performance review



A snap of Mr. Razak H.M. Bengali on the occasion of a Seminar at the German Chamber of Commerce, Dubai.



Mr. Razak H.M. Bengali (Standing in the middle) at the reception organized by PGBF in honor of the German Ambassador to Pakistan Dr. Grill Nunn and the Council General Dr. Tillo Klinner.



G. M. Sales in a meeting with foreign buyers of Wheels.



Board of Directors of the Company.

- 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:

Executive Provident Fund	Rs.57 million
Non-Executive Provident Fund	Rs.22 million
Gratuity Fund	Rs.35 million

Based on audited accounts as at June 30, 2011.

- 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	02
Mr. Muhammad Javed	04
Mr. Irfan Ahmed Qureshi	04

Similarly, 04 meetings of the Audit Committee were held. Attendance by each Director is as follows:

Name of Director	No. of Meetings Attended
Syed Haroon Rashid (Chairman)	02
Syed Zubair Ahmed Shah (Member)	04
Mr. Muhammad Irfan Ghani (Member)	04

The matters of Human Resources & Compensation Committee were directly discussed and approved at the Board Meeting.

- l. Mr. Syed Haroon Rashid has successfully completed Director Education Certification programme conducted by the Pakistan Institute of Corporate Governance (PICG).
- m. The pattern of shareholding is annexed.
- n. Purchase of shares by CEO, Directors, Company Secretary, CFO, their spouses and minor children is given below:

	No. of Shares Purchased / (Disposal)
1. Mr. Muhammad Siddique Misri (Gifted to Mr. Riaz Misri, Brother)	(394,610)
2. Mr. Razak H.M. Bengali	31,721
3. Mrs. Gul Bano Razak (W/o Mr. Razak H.M. Bengali)	10,000
4. Mrs. Kausar Irfan (W/o Mr. Muhammad Irfan Ghani)	78,518

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, 2012 have been complied with. A statement to this effect is annexed with the report.



FUTURE OUTLOOK

As reported in the previous Annual Report, the year 2011-12 will be year of challenges and the fittest will survive, and it all depends on our managers of economy at the Ministry of Finance etc to control fiscal deficit, improve the taxation base, exports, control inflation, improve electricity & gas shortages and resolution of circular debt and power theft which still remain challenges ahead.

In the last quarter of 2011 the Government of Pakistan imposed sales tax on the tractors. This resulted in the sharp fall of tractors sales resulting in the huge piling of stocks with the dealers and the assemblers as a result the tractors manufacturer suspended /curtailed their production due to unsold stock with dealers and at their plants too. Thereafter, the Government realized and reduced the sales tax to 5% w.e.f Feb 2012 and the sales of tractors started picking up.

Similarly, the local truck 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 bowzers 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.

However, the Car production improved by 15% to 154,255 units as on June 2012 from 133,972 units in June 2011, and there is still a room for improvement if the Government of Pakistan reviews its policy of import of second hand cars under baggage scheme & further there is still a room for a capacity of 60,000 units in Pakistan for which all the stake holders i.e. Assemblers, Parts vendors, and the Government functionaries (EDB, FBR & other concerned ministries) sit together along with PAPAM & PAMA and devise a policy where by local car production is encouraged at a reasonable cost.

It will not be out of place to mention here that Engineering Industry is the backbone of every developed economy & Auto is one of the sector which can bring new investment, technology & creates employment in a massive way if policies are made in the best national interest and every one is kept on board.

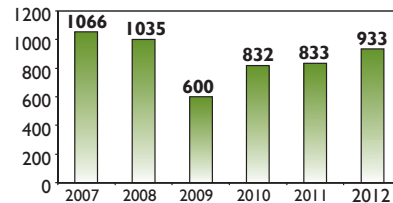
Your Management endeavors to come up with good results even under tough circumstances.

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. 25.1 (ii) in the financial statements for the year ended June 30, 2012, 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.

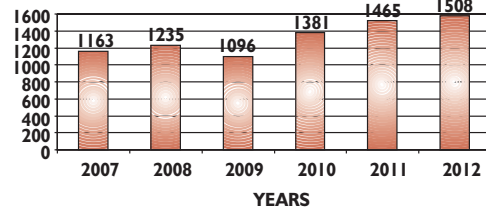
PRODUCTION

(Quantity in '000)



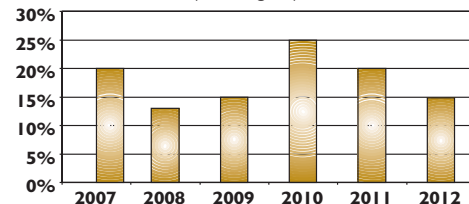
SALES

(Rupees in Million)



DIVIDEND (Payout)

(Percentage %)



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.7.70 (2011: Rs.7.12).

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.

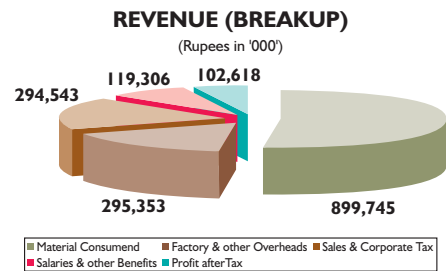
We also acknowledge the support and cooperation received from the Government, business partners, bankers, and all the other stakeholders.

For and on Behalf of the Board

Muhammad Siddique Misri
Chairman

Razak H.M. Bengali
Chief Executive

Karachi: September 14, 2012



Team Members of Finance Division



Board of Directors Meeting in Progress

Pattern of Shareholding

"FORM 34"

AS AT JUNE 30, 2012

NO. OF SHAREHOLDERS	FROM	RANGE	TO	NO. OF SHARES
625	1	-	100	27,595
523	101	-	500	140,522
104	501	-	1000	74,935
100	1001	-	5000	187,141
7	5001	-	10000	50,486
4	10001	-	15000	47,569
2	15001	-	20000	35,535
2	20001	-	25000	48,325
1	35001	-	40000	37,375
1	40001	-	45000	41,001
1	60001	-	65000	60,192
1	95001	-	100000	100,000
1	110001	-	115000	115,000
1	120001	-	125000	121,900
1	145001	-	150000	145,015
1	150001	-	155000	151,563
1	165001	-	170000	168,068
1	190001	-	195000	191,618
1	285001	-	290000	287,500
1	340001	-	345000	341,693
1	360001	-	365000	363,683
1	380001	-	385000	381,165
1	435001	-	440000	437,201
1	465001	-	470000	467,742
1	625001	-	630000	627,978
1	810001	-	815000	811,357
1	1135001	-	1140000	1,139,071
1	1210001	-	1215000	1,213,385
1	1245001	-	1250000	1,249,000
1	1280001	-	1285000	1,282,825
1	1395001	-	1400000	1,395,650
1	1590001	-	1600000	1,592,160
1,391				13,334,250

SHAREHOLDERS CATEGORY	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	PERCENTAGE (%)
FINANCIAL INSTITUTIONS	11	1,174,934	8.81%
INDIVIDUAL	1,353	8,458,762	63.44%
OTHERS	1	230	-
JOINT STOCK COMPANIES	17	1,601,854	12.01%
LEASING COMPANIES	1	100,000	0.75%
MUTUAL FUND	2	1,652,352	12.40%
CHARITABLE TRUSTS	1	172	-
INSURANCE COMPANIES	1	341,693	2.56%
INVESTMENT COMPANIES	4	4,253	0.03%
	1,391	13,334,250	100.00%

Pattern of Shareholding - Breakup

AS AT JUNE 30, 2012

CATEGORIES OF SHAREHOLDERS	NO. OF SHAREHOLDERS	SHARES HELD	PERCENTAGE (%)
RELATED PARTIES	-	-	-
NIT AND ICP	5	2,937,774	22.03%
1 M/S. NATIONAL BANK OF PAKISTAN, TRUSTEE DEPTT. NI(U) T.FUND		1,592,160	
2 M/S. NATIONAL BANK OF PAKISTAN		811,357	
3 M/S. NATIONAL BANK OF PAKISTAN		151,563	
4 M/S. NATIONAL INVESTMENT TRUST LTD		41,001	
5 M/S. STATE LIFE INSURANCE CORP. OF PAKISTAN		341,693	
DIRECTORS, CEO & THEIR SPOUSE AND MINOR-CHILDREN	8	5,214,383	39.11%
1 MR. MUHAMMAD SIDDIQUE MISRI		1,395,650	
2 MRS. MEHTAB BIBI		437,201	
3 MR. RAZAK H.M. BENGALI		1,139,071	
4 MRS. GUL BANO		363,683	
5 MR. MUHAMMAD IRFAN GHANI		1,249,000	
6 MRS. KAUSAR IRFAN		627,978	
7 MR. MUHAMMAD JAVED		1,300	
8 MR. IRFAN AHMED QURESHI		500	
EXECUTIVES	-	-	-
PUBLIC SECTORS COMPANIES AND CORPORATIONS	-	-	-
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTION, INSURANCE - COMPANIES, MODARABAs, AND MUTUAL FUNDS	11	175,236	1.31%
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		168,068	
11 M/S. HABIB BANK AG ZURICH, DEIRA DUBAI		250	
Bal. C/F	24	8,327,393	62.45%

CATEGORIES OF SHAREHOLDERS	NO. OF SHAREHOLDERS	SHARES HELD	PERCENTAGE %
Bal. B/F	24	8,327,393	62.45%
INDIVIDUALS	1,346	3,244,416	24.33%
OTHERS	21	1,762,441	13.22%
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		927	
9 M/S. TRUSTEESARVABAI & FAKHRUDDIN MEMORIAL FDN		172	
10 M/S S.H. BUKHARI SECURITIES (PVT) LIMITED		86	
11 M/S. DJM SECURITIES (PRIVATE) LTD		25,000	
12 M/S. JS GLOBAL CAPITAL LIMITED		100	
13 M/S. DARSON SECURITIES (PRIVATE) LIMITED		3,200	
14 M/S. AWJ SECURITIES (SMC-PRIVATE) LIMITED		187	
15 M/S. MUHAMMAD AHMED NADEEM SECURITIES (SMC-PRIVATE) LIMITED		287	
16 M/S. MSMANIAR FINANCIALS (PVT) LTD		345	
17 M/S. PEARL CAPITAL MANAGEMENT (PRIVATE) LIMITED		10	
18 M/S. CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT		60,192	
19 M/S. SECURITY LEASING CORPORATION LIMITED		100,000	
20 M/S KHAWAJA SECURITIES (PVT) LIMITED		87	
21 M/S. INVEST CAPITAL MARKETS LIMITED		287	
TOTAL	1,391	13,334,250	100.00%

SHAREHOLDERS HOLDING FIVE PERCENT OR MORE - VOTING INTEREST IN THE COMPANY

	7	8,683,448	-
1 MR. MUHAMMAD SIDDIQUE MISRI		1,395,650	
2 MR. RAZZAK H. M. BENGALI		1,139,071	
3 MR. MUHAMMAD IRFAN GHANI		1,249,000	
4 M/S NATIONAL BANK OF PAKISTAN TRUSTEE DEPTT, NI(U) T.FUND		1,592,160	
5 M/S NATIONAL BANK OF PAKISTAN		811,357	
6 M/S MILLAT TRACTORS LTD		1,282,825	
7 MR. RIAZ AHMED MISRI		1,213,385	

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 the BOD includes two non-executive directors.

Name of Director	Category of Director		
	Independent	Non-Executive	Executive
	Nil	2	5
Mr. Muhammad Siddique Misri			✓
Mr. Razak H.M. Bengali			✓
Mr. Muhammad Irfan Ghani			✓
Syed Zubair Ahmed Shah		✓	
Syed Haroon Rashid		✓	
Mr. Muhammad Javed			✓
Mr. Irfan Ahmed Qureshi			✓

2. The Directors have confirmed that none of them is serving as a director in more than seven 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 Development Financial Institution (DFI) or Non Banking Financial Institution (NBFI) 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 in the Board.
5. The Company has prepared and circulated a Code of Conduct / Statement of Ethics and Business Practices and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the BOD have been duly exercised and decisions on material transactions, and significant matters are documented by a resolution passed by the 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 the BOD.
8. The meetings of the BOD were presided over by the Chairman and, in his absence, by a director elected by the BOD for this purpose and the BOD met at least once in every quarter. Written notices of the Board meetings, along with agenda were circulated at least seven days before the meetings. The minutes of the meetings 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 the BOD.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The BOD has formed an Audit Committee. It comprises three members, of whom two are Non-Executive Directors including the Chairman of the committee.
16. The meetings of the Audit Committee were held at least once in every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference to the Committee have been formed and advised to the Committee for compliance.
17. The Board has already formed a Human Resources & Remuneration Committee prior to the promulgation of the revised Code of Corporate Governance. It comprises of four members, three of which are executive directors. The Committee will be reconstituted on next election of BOD in line with the revised Code of Corporate Governance.
18. 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.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP), 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).
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 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.
22. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange.
23. Material / Price sensitive information has been disseminated among all market participants at once through stock exchange.
24. 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 14, 2012

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 Executives & Working Directors at book value as per the Company policy as disclosed in note 3.4 of the Financial Statements.

On Behalf of the Board of Directors

Muhammad Siddique Misri
Chairman

Razak H.M. Bengali
Chief Executive

Karachi: September 14, 2012



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

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended **30 June 2012**, prepared by the Board of Directors of **Baluchistan Wheels Limited** (the Company) to comply with the Listing Regulation No. 35 (Chapter XI) of Karachi Stock Exchange (Guarantee) Limited where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Karachi: September 14, 2012

Auditors' Report to the Members

We have audited the annexed balance sheet of **Baluchistan Wheels Limited** (the Company) as at **30 June 2012** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes 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 2012, and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Audit Engagement Partner: Omar Mustafa Ansari
Karachi: September 14, 2012



Balance Sheet

AS AT JUNE 30, 2012

	Note	2012 (Rupees in thousand)	2011
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	3	360,700	394,140
Intangible asset	4	220	330
		360,920	394,470
Long-term investments	5	708	925
Long-term loans and advances	6	1,740	1,939
Long-term deposits	7	9,082	10,838
		372,450	408,172
CURRENT ASSETS			
Stores, spare parts and loose tools	8	45,925	51,702
Stock-in-trade	9	508,184	440,673
Trade debts	10	129,508	133,364
Loans and advances	11	8,568	26,722
Trade deposits and short-term prepayments	12	2,907	1,355
Sales tax refundable - net	13	-	5,733
Bank balances	14	48,331	41,391
		743,423	700,940
TOTAL ASSETS		1,115,873	1,109,112
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	15	133,343	133,343
Reserves	16	790,921	715,189
		924,264	848,532
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	17	5,695	4,501
Long-term deposits	18	784	335
Deferred taxation	19	45,076	50,596
		51,555	55,432
CURRENT LIABILITIES			
Trade and other payables	20	87,107	89,535
Accrued mark-up	21	149	918
Murabaha	22	-	6,773
Short-term borrowings	23	70	67,473
Sales tax payable - net		3,131	-
Current portion of:			
- liabilities against assets subject to finance lease		3,291	1,668
- long-term deposits		-	117
Provision for warranty	24	4,091	14,676
Provision for taxation - net		42,215	23,988
		140,054	205,148
CONTINGENCIES AND COMMITMENTS	25		
TOTAL EQUITY AND LIABILITIES		1,115,873	1,109,112

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, 2012

	Note	2012 (Rupees in thousand)	2011
Turnover - net	26	1,507,907	1,465,209
Cost of sales	27	(1,230,589)	(1,206,963)
Gross profit		277,318	258,246
Distribution costs	28	(20,582)	(34,568)
Administrative expenses	29	(67,529)	(65,447)
Finance costs	30	(15,057)	(10,100)
Other operating expenses	31	(15,335)	(11,669)
		(118,503)	(121,784)
Operating profit		158,815	136,462
Other operating income	32	3,990	2,094
Profit before taxation		162,805	138,556
Taxation	33	(60,187)	(43,559)
Profit after taxation		102,618	94,997
Earnings per share - Basic and diluted			
		(Rupees)	
	34	7.70	7.12

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, 2012

	Note	2012 (Rupees in thousand)	2011
Net profit for the year		102,618	94,997
Other comprehensive (loss) / income			
Unrealised (loss) / gain due to changes in fair value of available-for-sale investment arising during the year	5.1	(217)	314
Total comprehensive income for the year		102,401	95,311

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

Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 (Rupees in thousand)	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	36	184,415	107,069
Income tax paid		(50,413)	(49,538)
Finance costs paid		(15,826)	(9,877)
Employees' benefits paid		(8,631)	(5,037)
Long-term loans and advances - net		199	(113)
Long-term deposits - net		2,088	(8,230)
Net cash generated from operating activities		111,832	34,274
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(8,667)	(33,554)
Proceeds from disposal of fixed assets		5,543	1,899
Mark-up received on deposit accounts		368	243
Gain on redemption of mutual funds		582	-
Dividend received		29	43
Net cash used in investing activities		(2,145)	(31,369)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term financing		-	(27,701)
Repayment of murabaha - net		(6,733)	(3,157)
Short-term borrowings - net		(67,403)	67,473
Proceeds from sale and leaseback arrangement		-	6,500
Repayment of liabilities against asset subject to finance lease		(2,144)	(331)
Dividend paid		(26,467)	(16,675)
Net cash used in financing activities		(102,747)	26,109
Net increase in cash and cash equivalents		6,940	29,014
Cash and cash equivalents at the beginning of the year		41,391	12,377
Balance at June 30		48,331	41,391

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, 2012

	Reserves				Total reserves	Total
	Issued, subscribed and paid-up share capital	General reserve	Unrealised gain/(loss) on revaluation of available-for-sale-investments	Unappropriated profit		
----- (Rupees in thousand) -----						
Balance at June 30, 2010	133,343	160,000	467	476,079	636,546	769,889
Final dividend for the year ended June 30, 2010 @ Rs. 1.25 per share	-	-	-	(16,668)	(16,668)	(16,668)
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
Balance at June 30, 2011	133,343	160,000	781	554,408	715,189	848,532
Final dividend for the year ended June 30, 2011 @ Rs. 2 per share	-	-	-	(26,669)	(26,669)	(26,669)
Net profit for the year	-	-	-	102,618	102,618	102,618
Other comprehensive income / (loss)	-	-	(217)	-	(217)	(217)
Total comprehensive income / (loss)	-	-	(217)	102,618	102,401	102,401
Balance at June 30, 2012	133,343	160,000	564	630,357	790,921	924,264

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, 2012

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 (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of preparation

2.2.1 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.

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

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

	Standard or Interpretation	Effective Date (accounting periods beginning on or after)
IAS 1	Presentation of Financial Statements - Presentation of items of comprehensive income	July 01, 2012
IFRS 7	Financial Instruments: Disclosures - (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 12	Income Tax (Amendment) - Recovery of underlying assets	January 01, 2012
IAS 19	Employee Benefits - Amendments	January 01, 2013
IAS 32	Offsetting Financial Assets and Financial Liabilities - (Amendment)	January 01, 2014

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not have material affect on the Company's financial statements in the period of initial application, except for the following:

IAS19 - Employee Benefits (Revised) requires actuarial gains and losses to be recognized in other comprehensive income as they occur. Further, amounts recorded in profit and loss account will be limited to current and past service costs, gains or losses on settlements and net interest income (expense). Furthermore, all other charges in the net defined benefit asset (liability) will be recognized in other comprehensive income with no subsequent recycling to profit and loss account.

This will accordingly result in change in accounting policy as disclosed in note 2.20 and eventual effect on the financial statements in the period of such standard getting effective.

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

	Standard	IASB Effective date (annual periods beginning on or after)
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

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

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

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 7	Financial Instruments: Disclosures (Amendment)
IAS 24	Related Party Disclosures (Revised)
IFRIC 14	Prepayments of a Minimum Funding Requirement (Amendment)

Amendments to standards and interpretations

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below which became effective during the current year:

IFRS 7	Financial Instruments: Disclosures - Clarification of Disclosures
IAS 1	Presentation of Financial Statements - Clarification of Statement of Changes in Equity
IAS 34	Interim Financial Reporting - Significant Events and Transactions
IFRIC 13	Customer Loyalty Programmes - Fair Value of Award Credits

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

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.

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.

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.

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.

NRV signifies the estimated selling price in the ordinary course of business less estimated cost of completion and estimated 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 to bring the carrying value down to expected NRV.

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 identified.

2.12 Loans and advances

These are stated at cost, which is the fair value of consideration given, less provision for any doubtful receivables. In case of long-term loans and advances, the fair value effect at initial measurement is ignored, if the same is considered immaterial.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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.

2.19 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

2.20 Staff 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, 2012 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 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 / liabilities 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 / taxable temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized.

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.

2.22 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 Significant accounting judgements and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. 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. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

Determining the residual values, useful lives and impairment of property, plant and equipment and intangible

The Company reviews the appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effect on the depreciation charge and impairment.

Staff benefits

The cost of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rate, expected rate of return on assets and future salary increases. Due to long term nature of these plans, such estimates are subject to significant uncertainty and may effect the future financial statements.

Provision for warranty

A provision is recognised for expected warranty claims on products sold at the rate of 0.5 percent of last six months' turnover based on past experience. Assumptions used to calculate the provision for warranties are based on current sales levels and current information available about past trend and future expectation of such claims. Any change in the estimates in future might effect the profit and loss account of that year.

Provision for slow moving inventories

The Company maintained provision for slow moving stock-in-trade and stores, spares and loose tools in respect of written down of inventories to their expected Net Realizable Value (NRV). The Company reviews the NRV of stock-in-trade and stores, spares and loose tools at each year end to assess any diminution in the carrying value keeping in view the aging analysis. Any change in the estimate in future might effect the profit and loss account of that year.

3. PROPERTY, PLANT AND EQUIPMENT

	Note	2012 (Rupees in thousand)	2011
Operating fixed assets	3.1	360,500	394,140
Capital work in progress	3.5	200	-
		<u>360,700</u>	<u>394,140</u>

3.1 Operating assets

	C O S T			Rate %	ACCUMULATED DEPRECIATION			BOOK VALUE	
	As at July 1, 2011	Additions/ (disposals)	As at June 30, 2012		As at July 1, 2011	Charge for the year	(Disposals) / **Impairment	As at June 30, 2012	As at June 30, 2012
	--- (Rupees in thousand) ---				----- (Rupees in thousand) -----				
Owned									
Land - freehold	2,559	-	2,559	-	-	-	-	-	2,559
Building on freehold land	93,471	135	93,606	5 & 10	37,753	2,795	-	40,548	53,058
Plant and machinery	817,046	2,359 (880)	818,525	10 & 20	516,547	33,636	(532) **108	549,759	268,766
Electrical installations	28,844	-	28,844	10	17,410	1,147	-	18,557	10,287
Furniture and fittings	4,837	23	4,860	10	3,150	170	-	3,320	1,540
Office equipment	11,294	629 (543)	11,380	33	9,244	810	(500)	9,554	1,826
Computers	6,043	353 (41)	6,355	33	5,799	183	(41)	5,941	414
Vehicles	24,669	4,968 (6,540)	23,097	20	11,074	2,816	(3,042)	10,848	12,249
Library books	42	-	42	10	38	-	-	38	4
	988,805	8,467 (8,004)	989,268		601,015	41,557	(4,115) **108	638,565	350,703
Leased									
Vehicles	6,500	4,961	11,461	20	150	1,514	-	1,664	9,797
2012	995,305	13,428 (8,004)	1,000,729		601,165	43,071	(4,115) **108	640,299	360,500

	C O S T			Rate %	ACCUMULATED DEPRECIATION			BOOK VALUE	
	As at July 1, 2010	Additions/ (disposals)	As at June 30, 2011		As at July 1, 2010	Charge for the year	(Disposals)	As at June 30, 2011	As at June 30, 2011
	--- (Rupees in thousand) ---				----- (Rupees in thousand) -----				
Owned									
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
Leased									
Vehicles	-	6,500	6,500	20	-	150	-	150	6,350
2011	962,266	40,054 (7,015)	995,305		562,492	43,788	(5,115)	601,165	394,140

	Note	2012 (Rupees in thousand)	2011
3.2 Reconciliation of book value is as follows:			
Book value at the beginning of the year		394,140	399,774
Additions during the year		13,428	40,054
Depreciation for the year		(43,071)	(43,788)
Impairment during the year		(108)	-
Disposals during the year at NBV		(3,889)	(1,899)
Book value as at the end of year		<u>360,500</u>	<u>394,140</u>

3.3 Allocation of depreciation is as follows:			
Cost of sales - Manufacturing overheads	27	38,550	40,394
Distribution cost	28	27	6
Administrative expenses	29	4,494	3,388
		<u>43,071</u>	<u>43,788</u>

3.4 Particulars of operating fixed assets having written down value (WDV) exceeding Rs. 50,000/- disposed of during the year are as follows:

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/(loss)	Mode of disposal	Particulars of purchaser
----- (Rupees in thousands) -----							
Plant & machinery							
Fork Lifter	881	532	349	450	101	Tender	HTG Petro Chemical Industries (Pvt.) Limited, Karachi
Vehicles							
Suzuki Bolan	404	285	119	419	300	Tender	Automall Limited, Karachi
Suzuki Bolan	404	285	119	419	300	Tender	Automall Limited, Karachi
Suzuki Bolan	620	71	549	620	71	Insurance Claim	EFU General Insurance Limited, Karachi
Suzuki Cultus	600	429	171	450	279	Insurance Claim	EFU General Insurance Limited, Karachi
Suzuki Mehran	395	266	129	129	-	Company policy	Mr. Akhtar Hussain (Employee), Karachi
Suzuki Mehran	395	270	125	125	-	Company policy	Mr. Syed Shahzad Ali (Employee), Karachi
Suzuki Mehran	395	292	103	103	-	Company policy	Mr. Shafiquddin (Employee), Karachi
Toyota Corolla	1,269	384	885	885	-	Company policy	Mr. Badruddin A. Ali (Employee), Karachi
Honda Civic	1,719	465	1,254	1,500	246	Insurance Claim	EFU General Insurance Limited, Karachi
Others	922	836	86	443	357		
2012	<u>8,004</u>	<u>4,115</u>	<u>3,889</u>	<u>5,543</u>	<u>1,654</u>		
2011	<u>7,015</u>	<u>5,115</u>	<u>1,900</u>	<u>1,899</u>	<u>(1)</u>		

	2012 (Rupees in thousand)	2011
3.5 Capital work in process		
Civil works	<u>200</u>	-

4. INTANGIBLE ASSET

	COST			ACCUMULATED AMORTIZATION			WRITTEN DOWN VALUE	
	As at July 1, 2011	Addition	As at June 30, 2012	As at July 1, 2011	For the year	As at June 30, 2012	As at June 30, 2012	Amortization rate %
----- (Rupees in thousand) -----								
Software								
2012	<u>550</u>	-	<u>550</u>	<u>220</u>	<u>110</u>	<u>330</u>	<u>220</u>	<u>20%</u>
2011	<u>550</u>	-	<u>550</u>	<u>110</u>	<u>110</u>	<u>220</u>	<u>330</u>	<u>20%</u>

	Note	2012 (Rupees in thousand)	2011
5. LONG-TERM INVESTMENTS			
Available-for-sale - at fair value			
Quoted securities	5.1	<u>708</u>	<u>925</u>
5.1 Represents 18,876 (2011: 18,876) ordinary shares of Rs.10/- each of Bolan Castings Limited. Equity held 0.018% (2011: 0.018%). The movement in available-for-sale investment is as follows :			
	Note	2012 (Rupees in thousand)	2011
Balance at the beginning of the year		925	611
(Loss) / gain on fair value adjustment		<u>(217)</u>	<u>314</u>
Balance at the end of the year		<u>708</u>	<u>925</u>
6. LONG-TERM LOANS AND ADVANCES - secured, considered good			
Loans to employees	6.1	<u>1,617</u>	<u>1,795</u>
Loans to executives	6.2	<u>8</u>	<u>12</u>
		<u>1,625</u>	<u>1,807</u>
Less: Receivable within one year	11	<u>644</u>	<u>578</u>
		<u>981</u>	<u>1,229</u>
Advances to employees	6.3	<u>2,394</u>	<u>2,199</u>
Less: Receivable within one year	11	<u>1,635</u>	<u>1,489</u>
		<u>759</u>	<u>710</u>
		<u>1,740</u>	<u>1,939</u>
6.1 Represents interest-free loans to employees for purchase of motorcars, motorcycles, home appliances, house building and for staff welfare in accordance with the Company's policy. These loans are recoverable in four years in equal monthly installments. These loans are secured against the retirement benefits of employees.			
6.2 The maximum aggregate amount due from executives at the end of any month during the year was Rs. 0.959 million (2011: Rs. 0.938 million).			
6.3 Represents interest-free advances given to employees against their salaries. These are recoverable in equal monthly installments. These advances are secured against the retirement benefits of employees			
7. LONG-TERM DEPOSITS	Note	2012 (Rupees in thousand)	2011
Trade deposits	7.1	<u>9,082</u>	<u>10,838</u>
7.1 Represents security deposits which are given to suppliers of goods and / or services as a security against future payments. These are refunded / adjusted against supplies or services at the end.			
8. STORES, SPARE PARTS AND LOOSE TOOLS	Note	2012 (Rupees in thousand)	2011
Stores		6,598	5,326
Spare parts		83,340	82,269
Loose tools		<u>1,864</u>	<u>2,475</u>
		<u>91,802</u>	<u>90,070</u>
Less: Provision for slow moving:			
Stores		<u>200</u>	<u>23</u>
Spare parts		<u>45,307</u>	<u>38,006</u>
Loose tools		<u>370</u>	<u>339</u>
	8.1	<u>45,877</u>	<u>38,368</u>
		<u>45,925</u>	<u>51,702</u>

	Note	2012 (Rupees in thousand)	2011
8.1			
Movement in provision is as follows:			
Balance at the beginning of the year		38,368	30,895
Charge during the year	27	7,509	7,473
Balance at the end of the year		<u>45,877</u>	<u>38,368</u>
9. STOCK-IN-TRADE			
Raw material and components		185,941	188,265
Work-in-process		127,211	101,728
Finished goods	9.1	156,569	110,994
Scrap stock		33,148	39,990
		<u>502,869</u>	<u>440,977</u>
Stock-in-transit		22,524	1,873
		<u>525,393</u>	<u>442,850</u>
Less: Provision for slow moving stock	9.1	(17,209)	(2,177)
		<u>508,184</u>	<u>440,673</u>
9.1			
Movement in provision is as follows:			
Balance at the beginning of the year		2,177	5,159
Charge during the year	27	16,003	61
Reversed during the year	27	(971)	(3,043)
Balance at the end of the year		<u>17,209</u>	<u>2,177</u>
10. TRADE DEBTS - unsecured			
Considered good		129,508	133,364
Considered doubtful		1,362	3,561
Less: Provision for doubtful debts	10.1	1,362	3,561
		<u>-</u>	<u>-</u>
		<u>129,508</u>	<u>133,364</u>
10.1			
Reconciliation of provision for impairment of trade debts is as follows:			
Balance at the beginning of the year		3,561	2,395
Provision made during the year	29	514	2,510
Reversed during the year	32	(666)	(1,211)
Written off during the year against trade debts		(2,047)	(133)
Balance at the end of the year		<u>1,362</u>	<u>3,561</u>
11. LOANS AND ADVANCES			
Loans - secured, considered good			
Current portion of long-term loans	6	644	578
Advances			
Considered good			
Current portion of long-term advances - secured	6	1,635	1,489
For expenses - unsecured		903	1,062
To suppliers - unsecured		4,967	23,289
Letters of credit fee and margin - unsecured		419	304
		<u>7,924</u>	<u>26,144</u>
Considered doubtful		<u>231</u>	<u>231</u>
Less: Provision for doubtful advances		231	231
		<u>-</u>	<u>-</u>
		<u>8,568</u>	<u>26,722</u>

	Note	2012 (Rupees in thousand)	2011 (Rupees in thousand)
12. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Deposits		2,050	545
Prepayments		857	810
		<u>2,907</u>	<u>1,355</u>
13. SALES TAX REFUNDABLE - NET			
Sales tax refundable		-	5,733
		<u>-</u>	<u>5,733</u>
14. BANK BALANCES			
Current accounts		37,969	38,474
Saving accounts	14.1	10,362	2,917
		<u>48,331</u>	<u>41,391</u>

14.1 These carry profit at the rate of approx. 8 percent (2011: approx. 8 percent) per annum on daily product basis.

15. SHARE CAPITAL

2012 (Number of shares)	2011 (Number of shares)		2012 (Rupees in thousand)	2011 (Rupees in thousand)
Authorised capital				
<u>25,000,000</u>	<u>25,000,000</u>	Ordinary shares of Rs. 10/- each	<u>250,000</u>	<u>250,000</u>
Issued, subscribed and paid-up capital				
2012 (Number of shares)	2011 (Number of shares)	Fully paid ordinary shares of Rs. 10/- each		
9,276,000	9,276,000	- issued for cash	92,760	92,760
4,058,250	4,058,250	- issued as fully paid bonus shares	40,583	40,583
<u>13,334,250</u>	<u>13,334,250</u>		<u>133,343</u>	<u>133,343</u>

16. RESERVES

Revenue				
- general			160,000	160,000
- unappropriated profit			630,357	554,408
- Unrealised gain on revaluation of available-for-sale Investment			564	781
			<u>790,921</u>	<u>715,189</u>

17. 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.11.461 million (2011: Rs.6.500 million) 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 (2011: six months KIBOR plus 250 bps) per annum have been used as discounting factor. Purchase options can be exercised by the Company at the end of lease terms, by paying 10 percent of the leased amount. The movement in the finance lease liability is as follows:

	2012		2011	
	Minimum lease payments	Present value	Minimum lease payments	Present value
	----- (Rupees in thousand) -----			
Within one year	4,214	3,291	2,441	1,668
After one year but not more than five year	6,173	5,695	5,126	4,501
Total minimum lease payments	10,387	8,986	7,567	6,169
Less: Amount representing finance charges	1,401	-	1,398	-
Present value of minimum lease payments	8,986	8,986	6,169	6,169
Less: Current portion	3,291	3,291	1,668	1,668
	5,695	5,695	4,501	4,501

	Note	2012 (Rupees in thousand)	2011
18. LONG-TERM DEPOSITS			
Deposit from employees		784	452
Less: Current portion		-	117
	18.1	784	335
18.1	This represents interest-free deposits received from employees on account of Executive cars scheme. The amount will be adjustable within the period of five years against book value of the vehicles.		
19. DEFERRED TAXATION			
Deferred tax liability	19.1	45,076	50,596
19.1	Deferred tax liability comprises of:		
Difference between accounting and tax depreciation		74,425	76,357
Deferred tax asset arising in respect of:			
Provisions		(26,204)	(23,602)
Liabilities against assets subject to finance lease		(3,145)	(2,159)
		45,076	50,596
20. TRADE AND OTHER PAYABLES			
Creditors		14,946	13,537
Accrued liabilities		42,475	32,260
Advance from customers		2,863	8,224
Retention money		812	812
Security deposits		448	448
Compensated absences		6,100	8,422
Payable to Gratuity Fund	20.1	4,877	5,209
Payable to Provident Fund		1,123	1,119
Workers' Profits Participation Fund	20.2	1,763	7,454
Workers' Welfare Fund		8,017	7,254
FED payable		-	1,409
Unclaimed dividend		3,152	2,950
Others		531	437
		87,107	89,535

20.1 Payable to gratuity fund

The latest actuarial valuation was carried out as at June 30, 2012 using the Projected Unit Credit Method, according to which present value of gratuity obligation and fair value of plan assets were Rs. 48.152 million and Rs. 42.820 million respectively.

	Note	2012 (Rupees in thousand)	2011
20.1.1 Reconciliation of obligations as at year end			
Present value of defined benefit obligation	20.1.4	48,152	42,832
Fair value of plan assets	20.1.5	(42,820)	(37,490)
		<u>5,332</u>	<u>5,342</u>
Unrecognised actuarial gain		(455)	(133)
Net liability at end of the year		<u>4,877</u>	<u>5,209</u>
20.1.2 Movement in net liability			
Net liability at beginning of the year		5,209	4,481
Charge for the year	20.1.3	4,877	5,209
Contributions		(5,209)	(4,481)
Net liability at end of the year		<u>4,877</u>	<u>5,209</u>
20.1.3 Charge for the year			
Current service cost		3,731	3,100
Interest cost		5,721	5,124
Expected return on plan assets		(4,575)	(3,096)
Actuarial gain recognized		-	81
Charge for the year		<u>4,877</u>	<u>5,209</u>
20.1.4 Movement in defined benefit obligation			
Present value of defined benefit obligation at beginning of the year		42,832	40,682
Current service cost		3,731	3,100
Interest cost		5,721	5,124
Benefits paid during the year		(3,938)	(5,516)
Actuarial gain		(194)	(558)
Present value of defined benefit obligation at end of the year		<u>48,152</u>	<u>42,832</u>
20.1.5 Movement in fair value of plan assets			
Fair value of plan assets at beginning of the year		37,490	31,482
Expected return on plan assets		4,575	3,096
Contributions made by the Company		5,209	4,481
Benefits paid during the year		(3,938)	(5,516)
Actuarial (loss) / gain		(516)	3,947
Fair value of plan assets at end of the year		<u>42,820</u>	<u>37,490</u>
20.1.6 The principal assumptions used in the actuarial valuations carried out as of June 30, 2012 using the 'Projected Unit Credit' method are as follows:			

	Gratuity Fund	
	2012 %	2011 %
Rate of salary increase (per annum)	12.5	14
Rate of return (per annum)	12.5	12
Discount rate (per annum)	12.5	14
Expected mortality rate	EFU	EFU
Expected withdrawal rate	61-66 mortality table Age Dependent	61-66 mortality table Age Dependent

	2012 (Rupees in thousand)	2011
20.1.7 Actual return on plan assets	<u>4,738</u>	<u>2,725</u>

20.1.8 Plan assets comprise the following:

	2012		2011	
	Rupees in thousand	%age	Rupees in thousand	%age
Equity (mutual funds)	7,744	23.50	8,810	23.50
Debt	34,368	74.29	27,852	74.29
Others	708	2.21	828	2.21
	<u>42,820</u>		<u>37,490</u>	

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

20.1.10 Expected contribution to the fund for the year ending June 30, 2013 is Rs. 3.040 million.

20.1.11 Comparison for five years:

	2012	2011	2010	2009	2008
	----- (Rupees in thousand) -----				
Present value of defined benefit					
Obligation	48,152	42,832	40,682	32,951	37,586
Fair value of plan assets	(42,820)	(37,490)	(31,482)	(29,188)	(29,713)
Surplus	<u>5,332</u>	<u>5,342</u>	<u>9,200</u>	<u>3,763</u>	<u>7,873</u>
Experience adjustments					
(Loss) / gain on plan liabilities	<u>(194)</u>	<u>(558)</u>	<u>(356)</u>	<u>(7,443)</u>	<u>1,015</u>
Gain / (loss) on plan assets	<u>(516)</u>	<u>3,947</u>	<u>(4,399)</u>	<u>(3,879)</u>	<u>(363)</u>

	Note	2012 (Rupees in thousand)	2011
20.2 Workers' Profits Participation Fund			
Balance at the beginning of the year		7,454	7,976
Interest on funds utilised in the Company's business	30	272	270
Allocation for the year	31	<u>8,763</u>	<u>7,454</u>
		<u>16,489</u>	<u>15,700</u>
Less: Payments made during the year		<u>14,726</u>	<u>8,246</u>
Balance at the end of the year		<u>1,763</u>	<u>7,454</u>

21. ACCRUED MARK-UP

Short-term running finances	<u>149</u>	<u>918</u>
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22. MURABAHA

Represents murabaha finance facilities obtained from various banks. The rate of profit on these finances ranges from three months KIBOR plus 115 basis points to three months KIBOR plus 140 basis points.

23. SHORT-TERM BORROWINGS

	Note	2012 (Rupees in thousand)	2011
Running finance under mark-up arrangement - secured	23.1	<u>70</u>	<u>67,473</u>

23.1 These facilities are obtained from two commercial banks 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.

	Note	2012 (Rupees in thousand)	2011
24. PROVISION FOR WARRANTY			
Balance at the beginning of the year		14,676	13,760
Provision made during the year	2.14 & 28	-	1,644
Reversal made during the year	24.1 & 32	(10,418)	-
Adjustment during the year against claims		(167)	(728)
Balance at the end of the year		<u>4,091</u>	<u>14,676</u>

24.1 During the year, the Company changed the estimate of provision for warranty by maintaining provision for expected warranty claims on products sold at the rate of 0.5 percent of last six months' turnover instead of 2 percent of last six months' turnover. The management believes that this change reflects a more appropriate provision level. This change has been accounted for as a change in accounting estimate in accordance with the requirement of IAS - 8 "Accounting Policies, Change in Accounting Estimates and Errors".

Had the estimate not been revised:

- no reversal of provision for warranty would have been made;
- the warranty charge for the year would have been higher by Rs. 1.855 million;
- carrying value of provision for warranty would have been higher Rs. 12.273 million; and
- the profit before tax would have been lower by Rs. 10.418 million.

25. CONTINGENCIES AND COMMITMENTS

25.1 Contingencies

- (i) Indemnity bonds issued to Sui Southern Gas Company Limited amounted to Rs. 2.721 (2011: Rs. 2.721) 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. During the year ended June 30, 2004, 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.

	2012 (Rupees in thousand)	2011
25.2 Commitments		
Capital commitments - Plant and machinery	<u>2,321</u>	-
Letters of credit issued by commercial banks	<u>169,048</u>	<u>220,914</u>
Duties and other charges payable on stock-in-transit	<u>295</u>	-

26. TURNOVER - Net

Local sales	26.1	1,712,652	1,711,034
Less: Sales return		13,443	18,115
Sales tax		234,356	243,006
Federal excise duty		-	20,493
		<u>247,799</u>	<u>281,614</u>
Export sales		<u>43,054</u>	<u>35,789</u>
		<u>1,507,907</u>	<u>1,465,209</u>

26.1 Includes scrap sales of Rs. 40.071 million (2011: Rs. 37.510 million).

27. COST OF SALES	Note	2012 (Rupees in thousand)	2011
Raw material and components consumed			
Opening stock - Raw material		188,265	124,864
- Scrap		39,990	29,806
		228,255	154,670
Purchases		961,637	977,893
Less: Closing stock - Raw material		185,941	188,265
- Scrap		33,148	39,990
		219,089	228,255
		970,803	904,308
Manufacturing overheads			
Salaries, wages and benefits	27.1	116,374	109,310
Stores, spare parts and loose tools consumed		73,620	61,049
Fuel and power		37,396	39,941
Depreciation	3.3	38,550	40,394
Outsourced job contractor		16,684	26,428
Staff transportation		12,028	10,268
Repairs and maintenance		2,972	3,272
Travelling and conveyance		734	1,084
Vehicle running expenses		2,374	1,428
Insurance		3,558	3,042
Communication		734	741
Entertainment		1,524	1,416
Printing and stationery		89	59
Subscription		197	188
Rent, rates and taxes		90	64
Provision for slow moving stores, spares and loose tools	8.1	7,509	7,473
Provision / (reversal) of slow moving stock-in-trade - net	9.1	15,032	(2,982)
Computer expense		184	115
Foreign specialist expense		850	81
Others		345	1,289
		330,844	304,660
Manufacturing cost		1,301,647	1,208,968
Work-in-process - Opening		101,728	103,225
- Closing		(127,211)	(101,728)
		(25,483)	1,497
Cost of goods manufactured		1,276,164	1,210,465
Finished goods - Opening		110,994	107,492
- Closing		(156,569)	(110,994)
		(45,575)	(3,502)
		1,230,589	1,206,963

27.1 Included herein are the following employees' benefits costs:

- Defined benefit plan - gratuity	3,657	3,907
- Defined contribution plan - provident fund	2,145	1,973
- Medical	3,240	2,792
- Accrual for compensated absences	1,471	578
- Bonus	10,135	11,361
	20,648	20,611

28. DISTRIBUTION COSTS	Note	2012 (Rupees in thousand)	2011
Salaries and benefits	28.1	3,272	3,002
Carriage and forwarding		23,937	27,366
(Reversal) / provision for warranty claims	24	(10,418)	1,644
Selling expense - exports		1,675	688
Depreciation	3.3	27	6
Insurance		155	142
Advertisement		64	35
Vehicle running expenses		441	282
Travelling and conveyance		125	70
Staff transportation		123	126
Communication		99	90
Entertainment		75	81
Computer expenses		43	65
Utilities		436	425
Others		528	546
		<u>20,582</u>	<u>34,568</u>
28.1 Included herein are the following employees' benefits:			
- Defined benefit plan - gratuity		244	260
- Defined contribution plan - provident fund		42	32
- Medical		98	83
- Accrual for compensated absences		62	12
- Bonus		676	757
		<u>1,122</u>	<u>1,144</u>
29. ADMINISTRATIVE EXPENSES			
Salaries and benefits	29.1	30,358	29,114
Depreciation	3.3	4,494	3,388
Amortization of intangible assets		110	110
Outsourced job contractor		6,130	6,221
Utilities		4,043	4,069
Vehicle running expenses		6,884	5,396
Communication		1,356	1,382
Rent, rates and taxes		1,891	1,891
Entertainment		2,672	2,934
General stores supplies		2,045	1,436
Corporate expenses		1,223	1,203
Travelling and conveyance		304	318
Auditors' remuneration	29.2	1,004	928
Legal and professional charges		195	643
Repairs and maintenance		592	329
Insurance		1,075	820
Staff transportation		979	1,035
Subscription		194	273
Printing and stationery		267	326
Advertisement		153	140
Provision for doubtful debts	10.1	514	2,510
Computer expense		801	630
Donations	29.3	20	209
Others		225	142
		<u>67,529</u>	<u>65,447</u>
29.1 Included herein are the following employees' benefits:			
- Defined benefit plan - gratuity		975	1,042
- Defined contribution plan - provident fund		999	1,021
- Medical		1,445	1,185
- Accrual for compensated absences		327	141
- Bonus		2,703	3,030
		<u>6,449</u>	<u>6,419</u>

	Note	2012 (Rupees in thousand)	2011
29.2 Auditors' remuneration			
Audit fee		525	500
Fees for limited scope review and employees' funds		255	118
Tax and other advisory services		174	215
Out of pocket expenses		50	95
		<u>1,004</u>	<u>928</u>
29.3 No director or their spouse had any interest in any donee to which the donation was made.			
30. FINANCE COSTS			
Mark-up on secured:			
- long-term financing		-	2,934
- short-term financing		10,890	2,034
- murabaha		2,345	4,215
Finance lease charges		873	76
Interest on Workers' Profits Participation Fund	20.2	272	270
Bank charges and excise duty		677	571
		<u>15,057</u>	<u>10,100</u>
31. OTHER OPERATING EXPENSES			
Workers' Profits Participation Fund	20.2	8,763	7,454
Workers' Welfare Fund		3,696	3,079
Exchange losses - net		2,768	1,135
Loss on sale of fixed assets		-	1
Impairment loss on plant & machinery	3.1	108	-
		<u>15,335</u>	<u>11,669</u>
32. OTHER OPERATING INCOME			
Gain on sale of fixed assets	3.4	1,654	-
Reversal of provision for doubtful debts	10.1	666	1,211
Profit on deposit accounts		368	243
Income from mutual funds		582	-
Dividend income		29	43
Others		691	640
		<u>3,990</u>	<u>2,094</u>
33. TAXATION			
Current		62,230	49,793
Prior	33.1	3,477	44
Deferred	33.2	(5,520)	(6,278)
		<u>60,187</u>	<u>43,559</u>

33.1 During the year, the Income Tax department issued certain show cause notices to the Company creating demands against assessment / tax years from 2003 to 2006 and from 2008 to 2011 for alleged excess refund claims amounting to Rs. 46.7 million. The management, in consultation with their tax advisors has replied to such show cause notices. The management based on opinion of its tax advisor is of the view that such notices cannot stand.

	2012 (Rupees in thousand)	2011
33.2 Relationship between tax expense and accounting profit		
Profit before taxation	<u>162,805</u>	<u>138,556</u>
Tax at the rate of 35% on above	56,982	48,495
Tax effects of prior year tax charge	3,477	44
Tax effects of permanent differences	(1,041)	(5,724)
Tax effect on export sales taxed at a lower rate	<u>769</u>	<u>744</u>
Tax expense for the year	<u>60,187</u>	<u>43,559</u>

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:

	2012	2011
Profit for the year after taxation (Rupees in thousand)	<u>102,618</u>	<u>94,997</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>7.70</u>	<u>7.12</u>

35. UNAVAILED CREDIT FACILITIES

The facility for opening letters of credit and letters of guarantees amounted to Rs. 390 million (2011: Rs. 415 million) and Rs.10 million (2011: Rs.15 million) respectively, of which Rs. 218.631 million (2011: Rs. 236.105 million) and Rs.7.279 million (2011: Rs.13.855 million) respectively, remained unutilized as of the balance sheet date.

	Note	2012 (Rupees in thousand)	2011
36. CASH GENERATED FROM OPERATIONS			
Profit before taxation		162,805	138,556
Adjustments for:			
Depreciation		43,071	43,788
Amortisation		110	110
(Gain) / loss on sale of fixed assets		(1,653)	1
Finance cost		15,057	10,100
Provision for slow moving stores, spare parts and loose tools		7,509	7,473
Provision / (reversal) for slow moving stock-in-trade - net		15,032	(2,982)
(Reversal) / provision for doubtful debts - net		(152)	1,299
Provision for compensated absences		1,100	148
(Reversal) / provision for warranty		(10,418)	1,644
Provision for employees' benefits		4,877	5,209
Profit on deposit accounts		(368)	(243)
Dividend income		(29)	(43)
Gain on redemption of mutual fund units		(582)	-
		<u>73,554</u>	<u>66,504</u>
		236,359	205,060
Working capital changes	36.1	<u>(51,944)</u>	<u>(97,991)</u>
		<u>184,415</u>	<u>107,069</u>

36.1 Working capital changes	2012	2011
	(Rupees in thousand)	
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(1,732)	(5,636)
Stock-in-trade	(82,543)	(34,178)
Trade debts	6,055	(13,866)
Loans and advances	18,154	(13,178)
Trade deposits and short-term prepayments	(1,552)	621
Sales tax refundable - net	5,733	(5,733)
Increase / (decrease) in current liabilities		
Trade and other payables	3,941	(26,021)
	(51,944)	(97,991)

37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	<u>CHIEF EXECUTIVE</u>		<u>DIRECTORS</u>		<u>EXECUTIVES</u>		<u>TOTAL</u>	
	2012	2011	2012	2011	2012	2011	2012	2011
	----- (Rupees in thousand) -----							
Remuneration	2,742	2,632	7,019	6,637	2,730	2,991	12,491	12,260
Housing	1,234	1,184	3,088	2,987	1,151	1,346	5,473	5,517
Retirement benefits	1,263	930	6,728	2,426	1,162	527	9,153	3,883
Bonus	658	545	1,640	1,407	411	730	2,709	2,682
Medical expenses	379	139	490	459	179	345	1,048	943
Utilities	290	309	1,021	908	390	448	1,701	1,665
Leave fare assistance	593	-	230	705	30	55	853	760
	7,159	5,739	20,216	15,529	6,053	6,442	33,428	27,710
Number	<u>1</u>	<u>1</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>5</u>	<u>9</u>	<u>10</u>

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/- (2011: Rs. 20,000/-).

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks particularly including credit risk, liquidity risk and market risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

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 that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

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 mainly exposed to credit risk mainly on long-term deposits, trade debts, deposits, advances and bank balances. The Company seeks to minimise the credit risk exposure through having exposure only to customers and parties considered credit worthy and obtaining securities where applicable.

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

	Carrying Values	
	2012	2011
	(Rupees in thousand)	
Long-term loans and advances - secured	1,740	1,939
Long-term deposits	9,082	10,838
Trade debts - unsecured	129,508	133,365
Loans and advances - secured	8,568	26,722
Trade deposits	2,050	545
Bank balances	48,331	41,391
	<u>199,279</u>	<u>214,800</u>

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:

38.2 The ageing analysis of unimpaired trade debts at June 30 is as follows:	2012	2011
	(Rupees in thousand)	
Neither past due nor impaired	118,168	106,845
Past due but not impaired		
- within 30 days	6,267	19,856
- 31 to 60 days	-	4,621
- over 90 days	5,073	2,042
	<u>129,508</u>	<u>133,364</u>
38.3 Bank balances		
Ratings		
AI+	<u>48,331</u>	<u>41,391</u>

38.4 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	Total
----- (Rupees in thousand) -----					
Year ended June 30, 2012					
Liabilities against asset subject to finance lease	-	779	2,512	5,695	8,986
Trade and other payables	87,107	-	-	-	87,107
Accrued mark-up	-	149	-	-	149
	<u>87,107</u>	<u>928</u>	<u>2,512</u>	<u>5,695</u>	<u>96,242</u>

Year ended June 30, 2011

Liabilities against asset subject to finance lease	-	392	1,276	4,501	6,169
Trade and other payables	89,535	-	-	-	89,535
Accrued mark-up	-	918	-	-	918
Murabaha	-	6,773	-	-	6,773
	<u>89,535</u>	<u>8,083</u>	<u>1,276</u>	<u>4,501</u>	<u>103,395</u>

38.5 Market risk**i. 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:

	2012	2011
(USD in thousand).....	
Debtors	<u>40</u>	<u>33</u>

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

Exchange rate	<u>94.00</u>	<u>85.85</u>
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The foreign currency exposure is partly covered as the majority of the Company's billing is determined in dollars which is converted into rupees at the exchange rate prevailing at the transaction date. The Company has assessed that hedging its foreign currency borrowings will be more expensive than assuming the risk itself.

Sensitivity analysis

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

	Change in US dollar rate (%)	Effect on profit or (loss) (Rs. in thousand)
2012	+2	<u>75</u>
	-2	<u>(75)</u>
2011	+2	<u>56</u>
	-2	<u>(56)</u>

ii. 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, liabilities against assets subject to finance lease and short-term borrowings with floating interest rates.

	Increase / decrease in interest rates	Effect on profit / (loss) before tax (Rupees in thousand)
2012	+2%	(181)
	-2%	181
2011	+2%	(1,608)
	-2%	1,608

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, 2012 and 2011 were as follows:

	2012	2011
	(Rupees in thousand)	
Short-term borrowings	70	67,473
Trade and other payables	87,107	89,535
Murabaha	-	6,773
Accrued mark-up	149	918
Total debt	87,326	164,699
Less: Bank balances	48,331	41,391
Net debt	38,925	123,308
Equity	924,264	848,532
Equity and net debt	963,189	904,367
Gearing ratio	4.05%	13.63%

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). Amounts due from / to executives and remuneration of the Chief Executive, Directors and Executives are disclosed in respective notes to these financial statements. Other transactions with other related parties are as follows:

Nature of relationship	Nature of transactions	2012	2011
		(Rupees in thousand)	
Key management personnel	Sale of vehicles / equipment	1,017	1,486
Staff	Sale of vehicles	258	408
Staff retirement benefit plans	Provident fund contribution during the year	3,364	3,330
	Contribution paid to gratuity fund	5,209	4,481

		2012	2011
		(Units in thousand)	
40. PLANT CAPACITY AND ACTUAL PRODUCTION			
Plant capacity - single shift (estimated)		850	850
Actual production		933	833

41. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue by the Board of Directors of the Company on **September 14, 2012**.

42. DIVIDEND AND APPROPRIATIONS

The Board of Directors has proposed a final dividend of Rs. 1.5/- per share for the year ended June 30, 2012, amounting to Rs. 20.001 million at its meeting held on **September 14, 2012** for approval of the members at the Annual General Meeting to be held on **October 20, 2012**.

43. CORRESPONDING FIGURES

Certain corresponding figures have been reclassified for the purpose of better presentation and comparison. Significant changes made during the year are as follows:

From	Reclassification		Note	Nature	(Rupees in thousand)
	To				
Other receivables	Sales tax refundable	13	Represents sales tax refundable - classified in accordance with its nature	5,733	
Trade and other payables	Provision for warranty claims	24	Represents warranty provision - separately classified	14,676	

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') -----					
	2007	2008	2009	2010	2011	2012
ASSETS						
Non Current Assets						
Property, plant & equipment	353,235	374,795	410,982	399,774	394,140	360,700
Intangible asset	-	-	-	440	330	220
Long term investment	770	747	315	611	925	708
Long-term loans & advances	1,411	2,391	2,005	1,826	1,939	1,740
Long-term deposits	2,346	3,418	3,573	2,679	10,838	9,082
	<u>357,762</u>	<u>381,351</u>	<u>416,875</u>	<u>405,330</u>	<u>408,172</u>	<u>372,450</u>
Current Assets						
Stores, spare parts & loose tools	58,656	63,456	64,293	53,539	51,702	45,925
Stock-in-trade	318,348	275,420	325,773	403,513	440,673	508,184
Trade debts	114,277	98,689	92,550	120,664	133,364	129,508
Loans and advances	42,135	35,526	20,084	13,544	26,722	8,568
Trade deposits and short term prepayments	4,808	1,708	512	1,976	1,355	2,907
Investments	1,709	76,815	-	-	-	-
Other receivables	-	-	-	-	5,733	-
Taxation - net	-	-	3,435	-	-	-
Bank balances	68,985	52,205	30,510	12,377	41,391	48,331
	<u>608,918</u>	<u>603,819</u>	<u>537,157</u>	<u>605,613</u>	<u>700,940</u>	<u>743,423</u>
TOTAL ASSETS	<u>966,680</u>	<u>985,170</u>	<u>954,032</u>	<u>1,010,943</u>	<u>1,109,112</u>	<u>1,115,873</u>
EQUITY AND LIABILITIES						
Share Capital and Reserves						
Authorised Capital						
25,000,000 Ord. shares of Rs. 10/- each	<u>150,000</u>	<u>150,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Issued, subscribed and paid up Capital	133,343	133,343	133,343	133,343	133,343	133,343
Reserves	<u>490,465</u>	<u>569,786</u>	<u>589,262</u>	<u>636,546</u>	<u>715,189</u>	<u>790,921</u>
	<u>623,808</u>	<u>703,129</u>	<u>722,605</u>	<u>769,889</u>	<u>848,532</u>	<u>924,264</u>
Non Current Liabilities						
Long term financing	61,420	43,872	27,701	19,786	-	-
Liabilities against assets subject to finance lease	3,325	-	-	-	4,501	5,695
Long term deposits	428	444	327	154	335	784
Deferred liabilities	41,952	50,994	59,411	56,874	50,596	45,076
	<u>107,125</u>	<u>95,310</u>	<u>87,439</u>	<u>76,814</u>	<u>55,432</u>	<u>51,555</u>
Current Liabilities						
Trade and other payables	188,981	130,434	123,828	110,993	89,535	87,107
Accrued mark-up	216	89	1,898	695	918	149
Murabaha	-	-	-	9,930	6,773	-
Short term borrowings	-	-	-	-	67,473	70
Sales tax payable - net	-	-	-	-	-	3,131
Current portion of						
- long term financing	17,549	17,549	7,916	7,915	-	-
- liabilities against assets subject to finance lease	13,207	3,325	-	-	1,668	3,291
- long term deposits	8	64	218	369	117	-
Provision ofr warranty	11,694	13,650	10,128	13,760	14,676	4,091
Provision for taxation - net	4,092	21,620	-	20,578	23,988	42,215
	<u>235,747</u>	<u>186,731</u>	<u>143,988</u>	<u>164,240</u>	<u>205,148</u>	<u>140,054</u>
TOTAL EQUITY AND LIABILITIES	<u>966,680</u>	<u>985,170</u>	<u>954,032</u>	<u>1,010,943</u>	<u>1,109,112</u>	<u>1,115,873</u>

Six Years at a Glance

PROFIT AND LOSS ACCOUNT

(Rupees in '000')

	2007	2008	2009	2010	2011	2012
Turnover - net	1,162,860	1,234,731	1,095,824	1,380,901	1,465,209	1,507,907
Cost of Sales	(876,351)	(968,588)	(963,741)	(1,113,091)	(1,206,963)	(1,230,589)
Gross Profit	286,509	266,143	132,083	267,810	258,246	277,318
Distribution Costs	(18,797)	(25,876)	(24,054)	(35,715)	(34,568)	(20,582)
Administration Expenses	(48,440)	(52,840)	(55,986)	(61,892)	(65,447)	(67,529)
Finance Costs	(14,849)	(15,251)	(18,455)	(12,219)	(10,100)	(15,057)
Other Operating Expenses	(14,762)	(10,810)	(4,483)	(12,404)	(11,669)	(15,335)
	<u>(96,848)</u>	<u>(104,777)</u>	<u>(102,978)</u>	<u>(122,230)</u>	<u>(121,784)</u>	<u>(118,503)</u>
Operating Profit	189,661	161,366	29,105	145,580	136,462	158,815
Other Operating Income	6,468	9,017	23,902	2,775	2,094	3,990
Profit before Taxation	196,129	170,383	53,007	148,355	138,556	162,805
Taxation	(67,413)	(64,371)	(16,387)	(64,698)	(43,559)	(60,187)
Profit after Taxation	<u>128,716</u>	<u>106,012</u>	<u>36,620</u>	<u>83,657</u>	<u>94,997</u>	<u>102,618</u>
Basic Earnings per Share (Rupees)	<u>9.65</u>	<u>7.95</u>	<u>2.75</u>	<u>6.27</u>	<u>7.12</u>	<u>7.70</u>

Significant Ratios and Statistics

	2007	2008	2009	2010	2011	2012
Liquidity & Leverage Ratios:						
-Current Ratios (Times)	2.58	3.23	3.73	3.69	3.42	5.31
-Quick Ratios (Times)	0.98	1.42	1.02	0.90	1.02	1.35
-Liability as a % of Total Assets (%)	35.47	28.63	24.26	23.84	23.49	17.17
-Debt Equity Ratio (Times)	13.87	8.92	4.96	3.97	1.99	1.99
-Interest Cover Ratio (Times)	14.21	16.76	3.87	13.14	14.72	11.81
Equity Ratios:						
-Break up Value per Share (Rs)	46.78	52.73	54.19	57.74	63.64	69.32
-Dividend as a % of Capital (%)	20.00	12.50	15.00	25.00	20.00	15.00
-Dividend Yield Ratio/ Cost of Equity (%)	3.00	2.12	5.36	8.62	6.27	5.17
-Dividend per Share (Rs)	2.00	1.25	1.50	2.50	2.00	1.50
Profitability Ratios:						
-Gross Profit (%)	24.64	21.55	12.05	19.39	17.63	18.39
-Operating Profit(%)	19.41	15.91	6.93	12.53	10.94	12.81
-Profit before Tax(%)	16.87	13.80	4.83	10.74	9.45	10.80
-Profit after Tax (%)	11.07	8.59	3.34	6.06	6.48	6.81
-Return on Capital Employed(%)	31.44	24.23	7.33	19.27	16.33	17.61
-Earnings per Share (Rs)	9.65	7.95	2.75	6.27	7.12	7.70
-Price Earning Ratio(Times)	6.84	7.42	10.20	4.63	4.48	3.76
-Dividend Payout Ratio (%)	20.72	15.72	54.62	39.85	28.07	19.49
-Dividend Cover (Times)	4.82	6.36	1.83	2.51	3.56	5.13
-Capital Turnover (Times)	1.86	1.76	1.52	1.79	1.73	1.63
-Return on Assets (%)	13.31	10.76	3.84	8.28	8.57	9.20
Turnover/Efficiency Ratios:						
-Inventory Turnover Ratio(Times)	2.39	2.71	2.64	2.63	2.54	2.35
-Debtor Turnover Ratio(Times)	10.54	11.60	11.46	12.95	11.54	11.47
-Fixed Assets Turnover Ratio(Times)	3.29	3.29	2.67	3.45	3.72	4.18
Plant Capacity:						
Plant Capacity Utilisation (%)	126	122	71	98	98	110
Share Performance:						
-Year end Market Price per Share	66.00	59.00	28.00	29.00	31.90	29.00
-High Price per Share during the Year	76.00	96.40	59.00	40.95	41.00	32.00
-Low Price per Share during the Year	52.20	58.80	24.71	23.50	26.70	22.52

To:

Name of Member: _____

Address: _____

Dear Shareholder(s)

Subject: **DIVIDEND MANDATE FORM**

This is to inform you that under Section 250 of the Companies Ordinance, 1984 a shareholder may, if so desire, direct the Company to pay dividend through his/her/its bank account.

In pursuance of the directive given by the Securities and Exchange Commission of Pakistan vide Circular number **18 of 2012** dated **June 05, 2012** hereby give an opportunity to authorize the Company to directly credit shareholders bank account cash dividend, if any, declared by the Company in future. We request registered shareholders of BALUCHISTAN WHEELS LIMITED, to hereby authorize the Company in the future.

(PLEASE NOTE THAT THIS DIVIDEND MANDATE IS OPTIONAL AND NOT COMPULSORY, IN CASE YOU DO NOT WISH YOUR DIVIDEND TO BE CREDITED INTO YOUR BANK ACCOUNT THEN THE SAME SHALL BE PAID TO YOU THROUGH THE DIVIDEND WARRANTS.)

Do you wish the cash dividend declared by the company, if any, is directly credited in your bank account, instead of issue of dividend warrants. Please "✓" any of the following boxes:

 YES

 NO

If yes then please provide the following information:

Transferee Detail	
Title of Bank Account	
Bank Account Number	
Bank's Name	
Branch Name and Address	
Cell Number of Transferee	
Landline Number of Transferee, if any	

It is stated that the above mentioned information is correct, that I will intimate the changes in the above mentioned information to the company and the concerned share registrar as soon as these occur.

In case of shareholders having CDC Investors/Sub-Accounts, the duly filled Forms should be submitted to CDC Customers service or the respective Participants.

Signature of the member/shareholder

Date: _____

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 20, 2012** and at any adjournment thereof.

As witness my/our hand this _____ day of _____ 2012

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 than 48 hours before the time of holding the meeting.

FOR CDC ACCOUNT HOLDERS/CORPORATE ENTITIES

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

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

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

**Disc Wheels for Cars, Vans,
Pick-ups and 4x4s**



Pak Suzuki Motor Co. Ltd.



Indus Motor Co. Ltd.



Dewan Farooque Motors Ltd.



Honda Atlas Cars Ltd.



Adam Motor Company Ltd.



Karakoram Motors (Pvt.) Ltd.



Nexus Automotive (Pvt.) Ltd.



**Disc Wheels for
Agricultural Tractors**



Al-Ghazi Tractors Ltd.



Millat Tractors Ltd.



Dewan Automotive Engineering Ltd.



Shanghai Tractor

**Disc Wheels for
Commercial Vehicles**



Hinopak Motors Ltd.



Sindh Engineering (Pvt.) Ltd.



Ghandhara Nissan Ltd.



Ghandhara Industries Ltd.



Master Motors Corporation Ltd.



Afzal Motors (Pvt.) Ltd.





THE WHEELS THAT DRIVE PAKISTAN

BALUCHISTAN WHEELS LIMITED

In the last 30 years has Produced and Supplied over
12,000,000 Wheels of international Quality and Standard.

We Thank the OEMs and Users
for their support behind the
success of our wheels.

30 years of success – celebrated. Thank You OEMs. Thank You Pakistan.

Manufacturers of Automotive Wheels in Pakistan



Baluchistan Wheels Limited