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**Company
Information**

Board of Directors	Mr. Sikandar M. Khan	Chairman
	Mr. Javaid Ashraf	Chief Executive
	Mr. Latif Khalid Hashmi	Director
	Mr. Sohail Bashir Rana	Director
	Mr. Laeeq Uddin Ansari	Director
	Mian Muhammad Saleem	Director
	Mr. Bashir Ahmed Chaudhry	Director
	Mr. Javed Munir	Director
Mr. Asif Jameel	Director (NIT Nominee)	

Company Secretary Mr. M. Mushtaq Akhtar Chief Financial Officer

Auditors M/s. A.F. Ferguson & Co. Chartered Accountants

Legal Advisors M/s. Walker Martineau Saleem Advocates & Legal Consultants

Bankers
Habib Bank Limited
MCB Bank Limited
Standard Chartered Bank
ABN Amro Bank
Bank Alfalah Limited

Factory & Registered Office
Main RCD Highway, Hub Chowki,
District Lasbela, Balochistan, Pakistan
Ph # +92-853-302381-2, 302525
Fax : +92-853-302524
E-mail: bclhub@cyber.net.pk

Head Office
F-1, Hub River Road, S.I.T.E., Karachi
Ph # +92-21-2579681, 2579819
Fax : +92-21-2573558
E-mail: bclho@cyber.net.pk

Web Site www.bolancastings.com

Committees of the Board of Directors

Audit Committee

Mr. Sohail Bashir Rana	Chairman
Mian Muhammad Saleem	Member
Mr. Bashir Ahmed Chaudhry	Member / Secretary
Mr. Asif Jameel	Member

Board's Committee for Supervision (BCS)

Mr. Sikandar M. Khan	Chairman
Mr. Sohail Bashir Rana	Member
Mr. Laeeq Uddin Ansari	Member
Mian Muhammad Saleem	Member

Attendance of Directors in Committees of Board of Directors

Name of Directors	Audit Committee	Board's Committee for Supervision (BCS)
Mr. Sikandar M. Khan	–	10 of 12
Mr. Sohail Bashir Rana	4 of 5	9 of 12
Mr. Laeeq Uddin Ansari	–	9 of 12
Mian Muhammad Saleem	3 of 5	10 of 12
Mr. Bashir Ahmed Chaudhry	4 of 5	–
Mr. Asif Jameel	2 of 5	–

Leave of absence was granted to directors who could not attend the meetings.

**Management
Committees**

Business Strategy Committee

Mr. Sikandar M. Khan	Chairman
Mr. Laeeq Uddin Ansari	Member
Mr. Javaid Ashraf	Member
Mr. Mujtaba Ahmed	Member

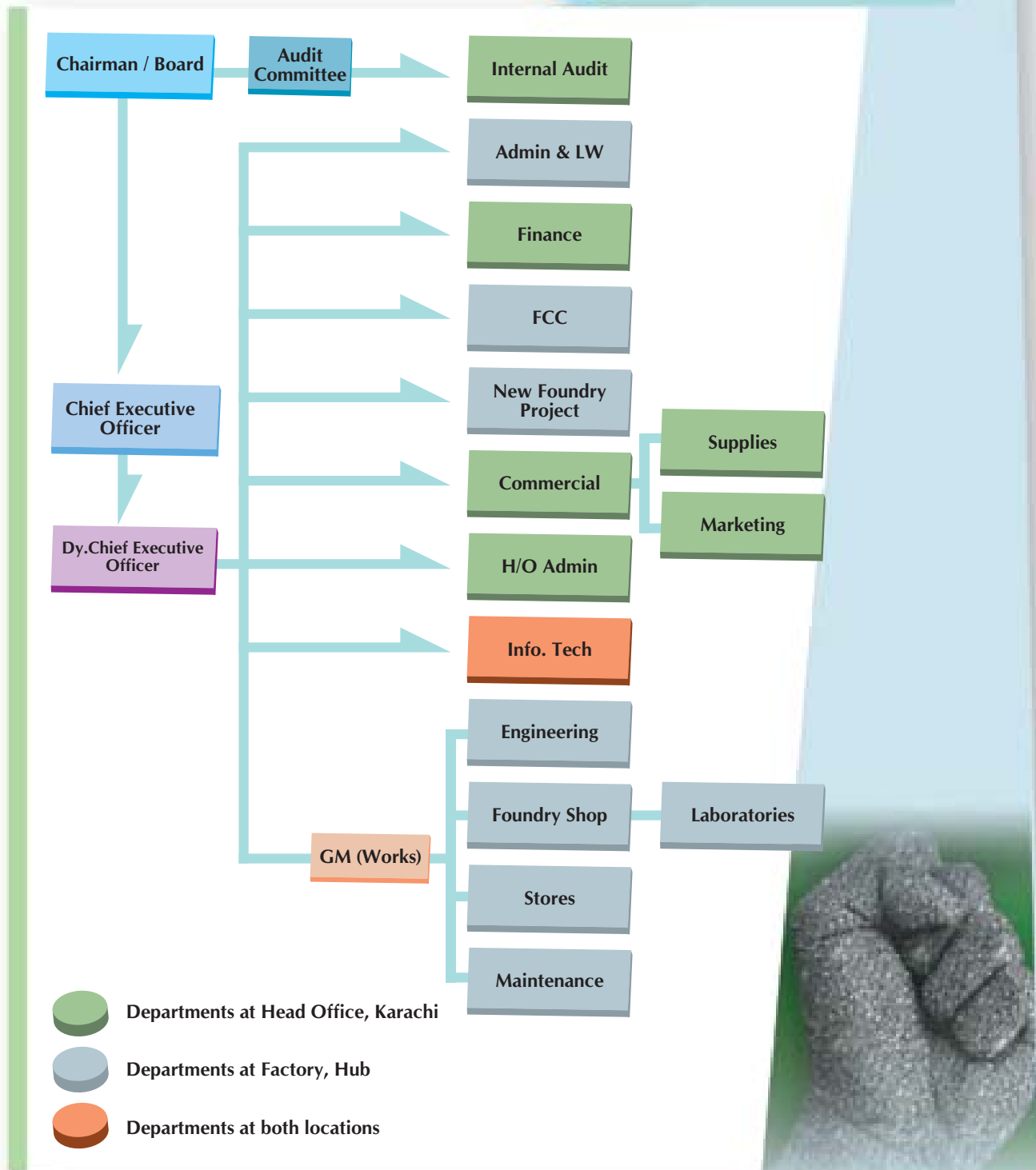
Human Resources Committee

Mr. Javaid Ashraf	Chairman
Mr. Mujtaba Ahmed	Member
Mr. M. Mushtaq Akhtar	Member
Mr. Abdul Qadir Lasi	Member

System & Technology Committee

Mr. Javaid Ashraf	Chairman
Mr. Sirajuddin Khan	Member
Mr. S. Sadat Ali Abidi	Member

Organization Structure





Vision
vision

TO BE A PLAYER IN THE GLOBAL MARKET BY PROVIDING HIGH QUALITY FOUNDRY BASED ENGINEERING PRODUCTS.

Mission
mission

TO BE MARKET LEADER IN FOUNDRY TECHNOLOGY BY OFFERING COMPETITIVE HIGH QUALITY VALUE ADDED PRODUCTS TO CUSTOMERS' SATISFACTION AND TO GROW THROUGH DIVERSIFICATION IN LOCAL AND EXPORT MARKETS, WHILE SERVING BEST INTEREST OF SHAREHOLDERS.

Corporate
Strategy

BCL TO REMAIN PROACTIVE IN COMBATING ALL THREATS, MAKING USE OF ALL OPPORTUNITIES IN STRENGTHENING PRODUCTIVITY AND PROFITABILITY AND FOR ACHIEVING ITS GOALS AND ULTIMATE MISSION.



Safety, Health and Environment

Safety

- ⇒ All employees at plant have been provided safety equipment during performance of their duties.
- ⇒ Fire Fighting system has been installed to cope with any mishap.
- ⇒ All employees are insured under Group Life Insurance Scheme.

Health

- ⇒ BCL allows and shall continue to allow medical facilities as may be adequate, from time to time, for up keep of health of its employees.

Environment

- ⇒ All possible efforts, as far as possible, are made for BCL's plant operational activities to be environment friendly.



Statement of Ethics and Business Practices

Every Director and employee of Bolan Castings limited believes and is committed to adopt fair means to perform all business activities, based on good moral values, which are generally acceptable on social, business and economic grounds.

Their conduct shall be based on and committed to integrity, objectivity, professional competence, due care, confidentiality, professional behaviour and technical standards.



Company Profile

INTRODUCTION

Being a modern and well equipped foundry and holding a major market share of the tractor and automotive castings, BCL can rightly claim to be the No. 1 foundry of its kind in Pakistan.

The company was incorporated on 15th July, 1982 as a public limited company by Pakistan Automobile Corporation Ltd. (PACO) under the administrative control of Ministry of Production, Government of Pakistan. The commercial production was started in July, 1986. The plant is located at about 40 Kms from Karachi on the Main R.C.D. Highway Hub Chowki, District Lasbella, Balochistan. The company was privatized and handed over to a group of management under a joint collaboration of Millat Tractors Ltd. and the Employees of Bolan Castings Ltd. on 13th June, 1993.

FOUNDRY

BCL's output flows from its mechanised foundry located at Hub (Balochistan) which produced about 12,700 tons of castings in the year 2006. The foundry is located on a 100,000 square meters plot with a covered area of 20,000 square meters. The foundry is manufacturing cylinder blocks, cylinder heads, centre housings and transmission cases along with a large number of other similar castings.

PRODUCTION FACILITIES

The foundry has, a) duplex melting facilities consisting of Twin Cold Blast Cupolas and Coreless Induction Furnaces, b) High pressure Moulding line, c) New Sand Preconditioning Plants, d) Resin Coating Plant Continuous Mixer, Shell Core Machines, Silicate / CO₂ Core Machines, e) Shot blasting, fettling, grinding, heat treatment and painting, and f) Complete Inspection, testing and quality control laboratory equipments.

PLANT

BCL has an automated moulding line operating at speeds upto 30 moulds/hr. Box size is 1150 x 800 x 300/300 mm and casting upto 150 Kgs can be produced on this line. The 60 tons/hr sand plant is fully computerised and on demand automatically delivers predetermined sand mixes to the moulding line.

The manufacturing cycle also comprises the production of cores and finishing of castings. The foundry has a separate shop for the repair and maintenance of patterns and core boxes. In addition, there is an ancillary workshop for the fabrication and maintenance of equipment and tools.



**Company
Profile****PRODUCTION CAPACITY**

The plant was initially designed to produce 6,000 tons of tractor and automotive castings in grey and ductile iron like Engine blocks, Cylinder heads, Gearboxes, Axle housings, Hubs and Brake drums etc. So far, more than 200 different types of castings have been successfully developed and supplied to various customers.

PRODUCTION CAPACITY ENHANCEMENT

The production capacity of the existing foundry has been increased to 15,000 tons per year by operating the plant round the clock in day and night shifts added with the required BMR of melting and moulding line equipments.

FOUNDRY EXPANSION

The production capacity is being further increased by 5,000 tons per year by adding a new foundry set up just adjacent to the existing foundry on a covered area of 4,000 Square meters. The project now is in its final stages of completion. The plant includes induction melting furnaces, high pressure multi-piston squeeze moulding line with 650 x 550 x 250 / 250 mm box size, cold box core machine, shot blast and modern grinding equipment.

RESEARCH & DEVELOPMENT

Experimentation and innovative studies are constantly undertaken for both manufacturing and product improvements. BCL, from the very beginning, is engaged in research, improve quality of the products, increase productivity, develop new products and improvement in processes.

The significant outcome of this work is the development of a process for the manufacture of nodular iron castings by duplex melting method instead of melting by induction furnace only.

POLLUTION CONTROL, INDUSTRIAL AND PERSONAL SAFETY MEASURES

Maximum attention is given to air pollution, Industrial and personal safety.



Company Profile

Followings are ensured:

Air Pollution

- ▶ Wet sludge tank for cupola emissions
- ▶ Scrubbers for air born emission at core plant
- ▶ Reduction of dust emissions through bag filter closed cabin for shot blasting and sand plant.
- ▶ Dust catcher (Venties) in Grinding area
- ▶ Maximum plantation in factory.

Industrial and Personal Safety

- ▶ Effective fire fighting system, Ventilation and protection against direct heat from sun in storage area of flammable material.
- ▶ All necessary protection wears provided to work force.
- ▶ Sound proofing of noisy machines area.
- ▶ Protective cover for cutting machines.
- ▶ Controlled admittance to production site.
- ▶ All necessary first aid facilities are available with qualified staff round the clock.

QUALITY & INSPECTION

Quality is the fruit of care taken while designing foundry operations from start to finish: methods, equipments, metallurgical processes, moulding, core making and finishing.

The foundry has developed a "Quality Control System" that covers the complete process from raw materials supply to the despatch of finished goods. Laboratories at the plant use equipment and techniques to check all incoming material: metal charges, ferro alloys, sands, resins, coatings and refractories.



Company Profile

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

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

As a result of strict and effective quality control, high standards have been achieved and the plant is now working at almost full capacity.

ISO CERTIFICATION

BCL foundry was first of its kind to obtain ISO 9002 certificate in April, 1999. The company has now achieved ISO 9001-2000 version of Quality Management System.

FORWARD INTEGRATION

In the year 1998-99, setting up of in-house machining lines for various castings of tractors and trucks was undertaken. This has resulted in a considerable boost to BCL sales and profitability.

BACKWARD INTEGRATION

In the year 2000-2001, a CNC machining set up was added in the Pattern Shop to manufacture new pattern tooling equipments. This has reduced considerably the development time for new products.



Customers & Product Range

CUSTOMERS	TRACTORS	AUTOMOBILE	ENGINEERING/OTHERS
	<ul style="list-style-type: none"> • Millat Tractors Limited • Al-Ghazi Tractors Limited 	<ul style="list-style-type: none"> • Hino Pak Motors Ltd. • Ghandhara Nissan Ltd. • Ghandhara Industries Ltd. • Sind Engineering (Pvt.) Ltd. • Master Motors Corporation Ltd. • Adam Motors Company Ltd. 	<ul style="list-style-type: none"> • Alsons Industries • HMA Stainless Steel Pumps • Baluchistan Engineering works • Transmission Engineering • Pakistan Machine Tool Factory • Pakistan Synthetic • Noor Engineering

PRODUCT RANGE	TRACTOR INDUSTRY	AUTOMOBILE INDUSTRY	ENGINEERING INDUSTRY
	<p>a. MF Tractors</p> <ol style="list-style-type: none"> 1. Cylinder block 2. Cylinder head 3. Transmission case 4. Centre housing 5. Timing gears 6. Bearing caps 7. Planetary carrier 8. Differential cases 9. Hydraulic lift cover 10. Box hydraulic 11. Oil sump 240 12. Link rocker 13. Sleeve 14. Fork clutch release 15. Axle housing 240 16. Axle housing 385 17. Oil sump 385 <p>b. Fiat Tractors</p> <ol style="list-style-type: none"> 1. Axle casing 2. Differential case 3. Trumpet 640 4. Front axle support 5. Bearing covers 6. Trumpet cover 640 7. Trumpet 480 8. Hubs 9. Master clutch housing 10. Oil sump 480 	<p>a. Isuzu Trucks/Buses</p> <ol style="list-style-type: none"> 1. Brake drums & Hubs 2. Exhaust manifold 3. Spring pads & Brackets 4. Generator Brackets 5. Fly Wheel <p>b. Dong Feng Trucks/Buses</p> <ol style="list-style-type: none"> 1. Brake drums & Hubs 2. Brackets 3. Shackles <p>c. Nissan Trucks/Buses</p> <ol style="list-style-type: none"> 1. Brake drums & Hubs 2. Fan pulley 3. Shackles 4. Spring stoppers & Brackets 5. Pads <p>d. Hino Trucks/Buses</p> <ol style="list-style-type: none"> 1. Brake drums 2. Spring stoppers & Brackets 3. Bracket injection pump 4. Pulleys <p>e. Bedford Trucks</p> <ol style="list-style-type: none"> 1. Brake drums 2. Differential carrier <p>f. Honda/Coure</p> <ol style="list-style-type: none"> 1. Pulleys <p>g. Master Trucks</p> <ol style="list-style-type: none"> 1. Brake drums <p>h. Adam Car</p> <ol style="list-style-type: none"> 1. Brake drums 2. Brake discs 	<p>a. Pumps</p> <ol style="list-style-type: none"> 1. Pump heads 2. Pump bases 3. Base plates 4. Adopter flanges 5. Pump housings 6. Suction chambers 7. Seal covers <p>b. Wheel Rims</p> <ol style="list-style-type: none"> 1. Blank holder dies 2. Forming punch dies 3. Roller dies <p>c. Defence</p> <ol style="list-style-type: none"> 1. Bomb shell <p>d. Textile</p> <ol style="list-style-type: none"> 1. Labyrinth seals



VARIOUS SECTIONS OF NEW FOUNDRY





Communication with Shareholders

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

Periodic Financial Reports

BCL produces four Periodic Financial Reports for shareholders each year:

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

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

The Company dispatches the Annual Accounts to its Shareholders by post.

Annual General Meeting

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

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

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

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

The Twenty Fourth Annual General Meeting is scheduled to be held at the Registered Office of the Company, Main RCD Highway, Hub Chowki, District Lasbela, Baluchistan, Pakistan, on Monday October 30, 2006 at 1400 hours.



Communication with Shareholders

Books Closure and Dividend Entitlement

The Share transfer books of BCL will remain closed from October 17, 2006 to October 30, 2006 both days inclusive. Transfers received in order at the Shares Department of the Company at the address given hereunder by close of working hours (1400hrs) on October 16, 2006 shall be treated in time for the purpose of entitlement of Cash Dividend regarding the year ended June 30, 2006, if approved by the shareholders in AGM.

Shareholders Enquiries

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

Shares Department Address

Bolan Castings Limited,
Shares Department,
F-1, National Container Building,
Hub River Road,
S.I.T.E.,
Karachi.

Tel: 0092-21-2579027

Fax: 0092-21-2573558

Web Presence

A wide range of information on BCL including Company's profile and financial statements is available at Company's website, www.bolancastings.com



Notice of Annual General Meeting

Notice is hereby given that 24th Annual General Meeting of Bolan Castings Limited will be held at the Registered Office of the Company, Main RCD Highway, Hub Chowki, District Lasbella, Baluchistan, Pakistan, on Monday 30th October, 2006 at 1400 hours to transact the following business:

1. To confirm the minutes of the 23rd Annual General Meeting.
2. To receive, consider and adopt the audited accounts of the company for the year ended 30th June, 2006 together with the Directors' and Auditors' reports thereon.
3. To approve payment of dividend as recommended by the Directors.
4. To appoint auditors for the year ending 30th June, 2007 and to fix their remuneration. Present Auditors M/s. A.F.Ferguson & Co., Chartered Accountants retire and being eligible offer themselves for re-appointment.
5. To transact any other business with the permission of the Chair.

By Order of the Board of Directors



M. Mushtaq Akhtar
Company Secretary

Karachi:
September 21, 2006

Notes:

1. The Share Transfer Books of the company shall remain closed from October 17, 2006 to October 30, 2006 (both days inclusive). Transfers received in order at the Shares Department of the company at the address given here under by close of working hours (1400 hrs) on October 16, 2006 shall be treated in time for the purpose of entitlement of cash dividend regarding the year ended June 30, 2006.



Notice of Annual General Meeting

2. A member entitled to attend and vote at the meeting may appoint another member as his / her proxy to attend the meeting and vote on his / her behalf. Vote may be given either personally or by proxy or in case of a company / corporation by a representative duly authorized.
3. Duly executed proxies in order to be effective must be received by the company at its Head Office at least 48 hours before the meeting.
4. Shareholders are requested to promptly notify the company of any change in their addresses at its Head Office, F-1, National Containers Building, Hub River Road, S.I.T.E., Karachi.
5. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

5.1 FOR ATTENDING THE MEETING:

- 5.1.1 In case of individual, the account holder or sub-account holder shall authenticate his identity by showing his original Computerised National Identity Card (CNIC) or original passport at the time of attending the meeting.
- 5.1.2 In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall have to be produced (unless it has been provided earlier) at the time of the meeting.

5.2 FOR APPOINTING PROXIES:

- 5.2.1 In case of individual, the account holder or sub account holder shall submit the proxy form as per the above requirement.
- 5.2.2 The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- 5.2.3 Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- 5.2.4 The proxy shall produce his / her original CNIC or original passport at the time of the meeting.
- 5.2.5 In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall have to be submitted (unless it has been provided earlier) along with proxy form to the Company.



Chairman's Review

Dear Shareholders,

It is a pleasure for me to welcome you at the 24th Annual General Meeting of Bolan Castings Limited and to present the Annual Audited Accounts and Financial Report of the Company for the Financial Year ended June 30, 2006.

General Economic Review

The country has averaged more than 6% growth in GDP during last few years. The economic Managers estimate sustained growth pattern of around 7% for the next few years.

The agriculture sector is getting a renewed focus from the government as the country could only achieve 2.5% growth in this sector during last year. This ambitious target of GDP can be achieved with the good performance of the agriculture sector. The government is determined to promote mechanised farming to improve productivity levels.

General Review of Performance of the Company

By the blessings of Almighty Allah, your company achieved all time best performance in production and sales. The higher demand for castings continued this year as well which helped the company in achieving record production of 12,627 MT of castings marginally better than 12,320 MT of the last year. Your company has touched a gross sales figure of 12,697 MT during the period under review against 12,599 MT of last year.

Operating Results

The Company succeeded in securing all time record sales revenue of Rs.802.76 million against Rs.695.08 million of last year, an increase of Rs.107.68 million (15.49%). The gross profit for the current year was Rs.102.24 million against Rs.83.45 million of last year, an increase of Rs.18.79 million (22.52%).

**Chairman's
Review**

The administrative and selling expenses were Rs.17.64 million against Rs.14.59 million of last year. Other operating expenses were Rs.5.34 million against Rs.5.72 million of last year. The financial charges were Rs.8.72 million, against last year's Rs.1.42 million. This increase of Rs.7.30 million is because the company injected borrowings for its BMR and Plant expansion during the period to meet the requirements of heavy production and sales.

The profit before tax was Rs.72.91 million against Rs.65.35 million of last year, an increase of Rs.7.56 million. The income tax works out to Rs.25.08 million against Rs.22.68 million of last year. The profit after tax was Rs.47.83 million against Rs.42.66 million, showing an increase of Rs.5.17 million.

Your Directors were pleased to recommend a cash dividend of 50 % (Rs.5.00 per share) as against same payout of last year.

Business Risks and Challenges

The major customers of the company products are Tractor Manufacturers. The government has allowed import of built up tractors without duty and sales tax. There exists a risk of decline of castings sales to tractor manufacturers if the government policy continues.

Other risks include availability of input materials at competitive prices. Your company is dependant upon import of raw materials, therefore currency exchange risk persists. However level of risk may be considered low due to stable Pak Rupee witnessed during the recent past.

There was a possibility of competition from outside world subsequent to enforcement of WTO conditionalities. However, as first world countries are in process of outsourcing foundry business to the developing world, the risk of tough competition is turning into a challenging opportunity. To take up the challenge as a first step, company has undertaken appropriate measures in shape of Plant expansion on completion of which by September/October 2006, Company shall start working on its long term Master Plan.

**Chairman's
Review****Future Prospects**

Despite all odds, your Company has maintained its record of profitable operations, and is now concentrating on internal reforms which will help in controlling cost and enhancing profitability.

The international market also provides opportunities and prospects for BCL export business. Given the foothold in international foundry market the company with its quality products is quite capable of capitalizing on it.

Balancing, Modernization & Replacement (BMR) and Plant Expansion

Seeing better market prospects, BCL has expanded its production facilities which till June 2006 were for about 12,000 MT per annum. With BMR and Plant expansion, our capacity shall reach 18,000 MT. This will help boosting our local and foreign supply of castings thereby increasing revenues and consequently increasing shareholders returns.

Human Resource Development

The Company considers its human capital as its most valued asset. It endeavors to maintain a well-balanced program of employee benefits and policies. The foundry is the toughest and most technical of the manufacturing concerns. The company has adequate Post Employment Plans in shape of Gratuity and Pension Fund for retaining high caliber individuals for the purpose of attaining its long-term strategic plans. The transparent recruitment and maintaining quality talent is a stated goal of the Company as well.

Company has well knitted "on and off the job" Training Programmes which are designed considering the needs. Company keeps providing training facilities on Internship basis to the Technicians, Diploma holders, Engineers and MBAs which helps in their career building.

**Chairman's
Review****Safety, Health and Environment**

Your Company has an effective fire fighting system at the Plant site. Additionally, all flammable materials are protected through adequate ventilation and protection against direct heat from Sun in storage area. All necessary first aid facilities are available with qualified staff round the clock. Medical check ups of employees on periodic bases are carried out. All fire fighting equipment is kept operative. Maximum attention is given to the environment to avoid air pollution and to maintain industrial and human safety.

Acknowledgement

I take the opportunity to thank all the Directors, Officers and Workers of the company for their dedicated efforts and valuable contribution that helped company in achievement of better operating results.



SIKANDAR M. KHAN
Chairman

Karachi
September 21, 2006



Directors' Report

Dear Shareholders

Directors of your Company have pleasure in presenting Annual Report and the Audited Financial Statements of the Company for financial year ended June 30, 2006.

Appropriations

Following are the appropriations made during the year:

	(Rs. 000)
Un-appropriated profit brought forward	43,015
Final dividend for the year ended June 30, 2005	(27,626)
Transfer to general reserve	(15,000)
Profit after tax for the year ended June 30, 2006	<u>47,826</u>
Un-appropriated profit carried forward	<u>48,215</u>

Dividends

The directors have recommended cash dividend at the rate of Rs.5.00 per share i.e. 50%. If approved by the shareholders in the Annual General Meeting, the cash dividend will be paid within forty-five days of AGM to the shareholders on the register on October 17, 2006.

Subsequent Effects

The cash dividend amounting to Rs.27,626,535 for the financial year 2006 shall be reflected in the financial statements for the year ending June 30, 2007. However, this will have no bearing on payment of dividends to shareholders.

Earnings Per Share

The earnings per share for the year ended June 30, 2006 was Rs. 8.66 as against Rs. 7.72 of preceding year.

**Directors'
Report****Cash Flow**

After adjusting the increase of Rs. 47.486 million in working capital the company generated Rs. 43.991 million cash from operations during the year and contributed Rs.11.178 millions in government's treasury by paying taxes. The company spent Rs.123.512 million on Capital Expenditure and paid Rs.27.528 million to its shareholders in the form of dividend during the year.

Risk Management

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

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

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

The company is not exposed to major foreign exchange risk due to stability in foreign currency rates during the year and in the foreseeable future.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to effective cash management and planning policy, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

Corporate Governance

The Board is committed to high standard of corporate governance in its management of the affairs. The Board has developed a vision / mission statement, overall corporate strategy, statement of business ethics and significant policy guidelines on corporate direction and control. All that have ensured that the company has applied all the principles of good governance contained in the Code of Corporate Governance in the organizational matters and the procedures adhered to in its financial reporting, internal control and assurance process.

**Directors'
Report**

The requirements of Code of Corporate Governance set out by the Karachi Stock Exchange in its Listing Rules, relevant for the year ended June 30, 2006 have been duly complied with. Statements of Compliance with the Code of Corporate Governance are annexed.

Board of Directors

During the last Annual General Meeting dated October 25, 2005, the eight Directors were elected unopposed as Directors of the company for the next term of three years ending October 2008.

The newly elected Board of Directors of our company comprises the following:

1. Mr. Sikandar M. Khan
2. Mr. Latif Khalid Hashmi
3. Mr. Sohail Bashir Rana
4. Mr. Laeeq Uddin Ansari
5. Mian Muhammad Saleem
6. Mr. Bashir Ahmed Chaudhry
7. Mr. Javed Munir
8. Mr. Asif Jameel (NIT Nominee)

After election of Board of Directors, the Directors in their meeting re-elected Mr. Sikandar M. Khan as Chairman of the Board of Directors for the next term of three years ending October 2008.

The Board of Directors also re-appointed Mr. Javaid Ashraf as Chief Executive Officer of the Company on the following terms:

- To perform duties as Chief Executive Officer as per law and laid down procedures.
- Salary and allowances not exceeding Rs. 2.2 million per annum inclusive of perquisite benefits but exclusive of retirement benefits and medical which he is entitled under the terms of his appointment with the Company.

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

By virtue of being CEO of Company, Mr. Javaid Ashraf is deemed to be a Director of Company.

After aforementioned election and appointment, the Board of Directors now comprises eight elected Directors plus the Chief Executive Officer to be deemed as Director. The positions of Chairman and Chief Executive Officer are held by separate individuals.

Directors'
Report

Board Meetings

The Board of Directors met atleast once in every quarter of the financial year to consider and approve the quarterly and annual accounts of company. In addition the significant issues including the annual business plans, long term plans, annual budget, cash flow projections, forecasts, investments, bad debts, loans, agreements, amendments of law, rules or regulations, recommendations of statutory auditors and Board Committees were placed for the information, consideration and decisions of the Board of Directors.

Written notices of meetings along with agenda and its working papers were circulated at least seven days before the meetings. In compliance of provisions of section 173 of Companies Ordinance, 1984 the minutes of meetings were circulated within fourteen days of the date of meeting.

During the year five Board Meetings were held. The meetings were presided over by the Chairman of the Board of Directors and, in his absence, by a director elected by Board for this purpose. All the Board Meetings were also attended by the Chief Financial Officer and Company Secretary. The number of meetings attended by each Director is given here under:

Name of Directors	No. of Meetings Attended	Leave of Absence Granted
Mr. Sikandar M. Khan	4 of 5	1
Mr. Javaid Ashraf	5 of 5	–
Mr. Latif Khalid Hashmi	3 of 5	2
Mr. Sohail Bashir Rana	3 of 5	2
Mr. Laeeq Uddin Ansari	5 of 5	–
Mian Muhammad Saleem	5 of 5	–
Mr. Bashir Ahmed Chaudhry	2 of 5	3
Mr. Javed Munir	3 of 5	2
Mr. Asif Jameel (NIT Nominee)	3 of 5	2

Board Committees

Audit Committee

The Audit Committee of Board of Directors of the Company comprises the following:

1 - Mr. Sohail Bashir Rana	Chairman
2 - Mian Muhammad Saleem	Member
3 - Mr. Bashir Ahmed Chaudhry	Member
4 - Mr. Asif Jameel	Member

Directors' Report

All the members of Audit Committee including the Chairman are Non-Executive Directors.

The terms of reference of the Audit Committee have been formed and advised to the Committee for compliance in accordance with the Code of Corporate Governance.

The Audit Committee is responsible for recommending the appointment and re-appointment of the external auditors. The committee reviews and discusses the intended publication of results and quarterly, half yearly and annual financial statements, the estimates and judgment applied by management in preparation of those statements, the efficiency and reliability of internal controls, the effectiveness of the Company's internal audit function and its relationship with external auditors and any changes to financial reporting requirements.

The Committee is also monitoring the compliance with the best practices of corporate governance and other relevant statutory requirements.

The meetings of the Audit Committee were held at least once in every quarter prior to approval of interim results of the company and before and after completion of external audit. The Chief Financial Officer and the Head of Internal Audit attended the meetings. The External Auditors attended the meetings at which issues relating to accounts and audit were discussed.

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

Five meetings of Audit Committee were held during the financial year.

Board's Committee for Supervision (BCS)

The Board of Directors has constituted Board's Committee for Supervision (BCS) which comprises the following Directors:

1 - Mr. Sikandar M Khan	Chairman
2 - Mr. Sohail Bashir Rana	Member
3 - Mr. Laeeq Uddin Ansari	Member
4 - Mian Muhammad Saleem	Member

The BCS acts as an Executive Committee responsible for monitoring the activities and strategy regarding technical, financial and administrative aspects of the company.

The meetings of BCS were held once in every month. The CEO and all departmental heads also attended the meetings.



Directors' Report

Management Committees

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

Business Strategy Committee

The Business Strategy Committee assists Board of Directors in devising short term and long term business plans and suggests strategies for achievement of organizational objectives. All plans, strategies, policies, procedures and target setting activities are done through this committee.

System & Technology Committee

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

Human Resources Committee

The Human Resources Committee assists Board of Directors in:

- a) Formulating plans, procedures on manpower induction, fixation and payments of salaries, wages, allowances, retirement benefits, disciplinary activities, rewards and punishments, service rules and Labour-Management relationships.
- b) Periodic training arrangements.
- c) Devising hierarchy of management.

Internal Controls

The Board has ultimate responsibility for the system of internal controls and also for reviewing its effectiveness. The Chief Executive Officer has day-to-day control over the company's operations within the guidelines adopted by the Board. The internal control system is designed to meet the risks to which the company is exposed. The system of internal controls can provide only reasonable and not absolute assurance against material misstatement or loss. It comprises all controls including financial, operational and compliance controls and risk management.

The company has defined targets, which are agreed by the Board at the beginning of each fiscal year, against which performance is monitored by the Board's committee on a monthly basis. There is a continuous process for identifying, evaluating and managing the significant risks faced by the company. The company has an effective financial reporting system which includes annual budget and monthly, quarterly and annual financial results.

**Directors'
Report**

The Internal Audit function of the company plays a key role in providing an objective view and continuous reassurance of the effectiveness of the risk management and related control systems. The company has an Audit Committee, which consists of four non-executive directors. The committee regularly reviews the internal audit functions in the company.

Auditors

The present auditors, M/s. A.F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment. The directors endorse recommendations of the audit committee for the re-appointment of M/s. A.F. Ferguson & Co., Chartered Accountants as the auditors for the financial year 2006-2007.

M/s. A.F. Ferguson & Co., Chartered Accountants have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan. Further, they have confirmed that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

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

Chairman's Review

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

Statement on Corporate and Financial Reporting Framework

- a) The financial statements, prepared by the management of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- b) Proper books of account of the Company have been maintained.

Directors'
Report

- c) Appropriate accounting policies have been consistently applied in preparations of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International accounting standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- e) The system of internal controls is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts upon the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations of Stock Exchange.
- h) Key operating and financial data alongwith key ratios of the company for last decade are annexed.
- i) For taxes please refer to note no. 28 annexed to the accounts of the period.
- j) The foreseeable future prospects are good. The risk involving international economic, political and trade activities cannot be termed as total threat. There are hopes of global natural moves towards human and economic development as well. The local auto industry expects continuity in existing trends, during the next year.
- k) The values of investments of Provident Funds, Gratuity Fund and Pension Fund based on their un-audited accounts as on June 30, 2006 (audit in progress) were as follows:

Provident Funds Rs. 53.241 million

Gratuity Fund Rs. 47.888 million

Pension Fund Rs. 35.954 million

**Directors'
Report**

- l) The Directors, CEO, CFO, Company Secretary and their spouses and minor children did not carry out any trade in the shares of the Company during the period under review except as stated below:

Name & Designation	No. of Shares Purchased
1. Mr. Laeeq Uddin Ansari Director	30,700
2. Mr. Javed Munir Director	2,000

Pattern of Shareholdings

The pattern of shareholdings is annexed.

On Behalf of the Board



JAVOID ASHRAF
Chief Executive

Karachi:
September 21, 2006

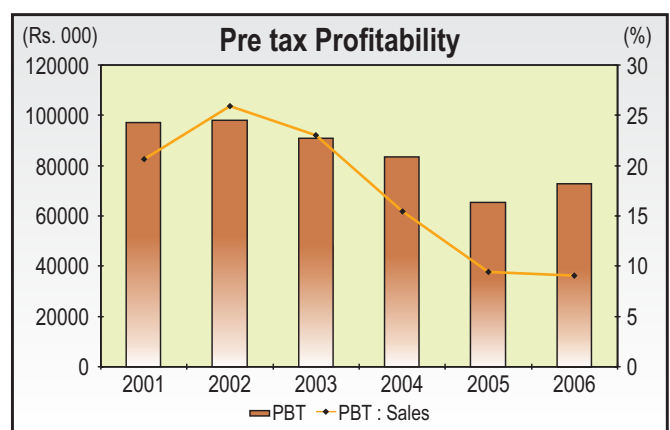
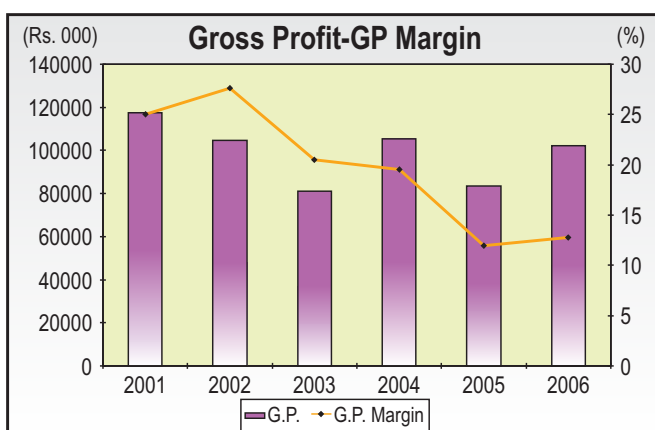
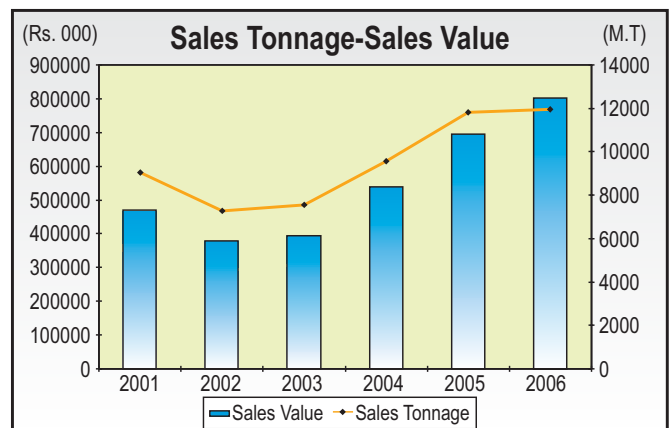
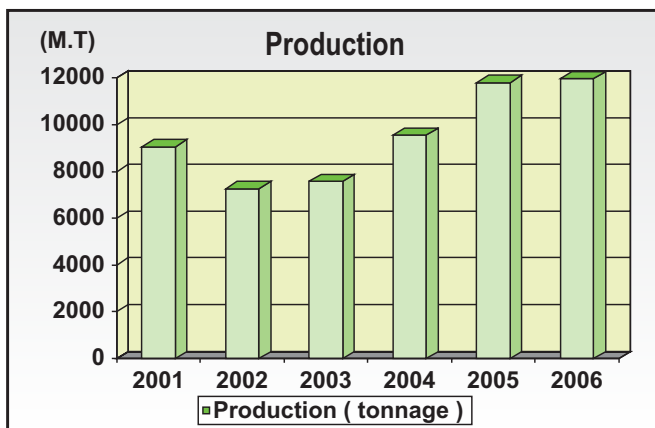
BOLAN CASTINGS LIMITED

DECADE AT A GLANCE

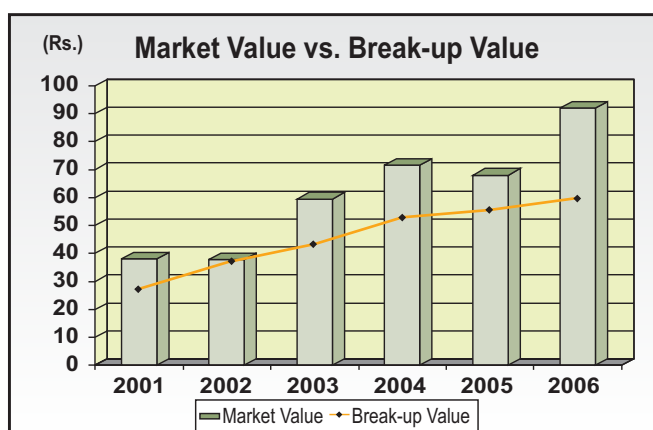
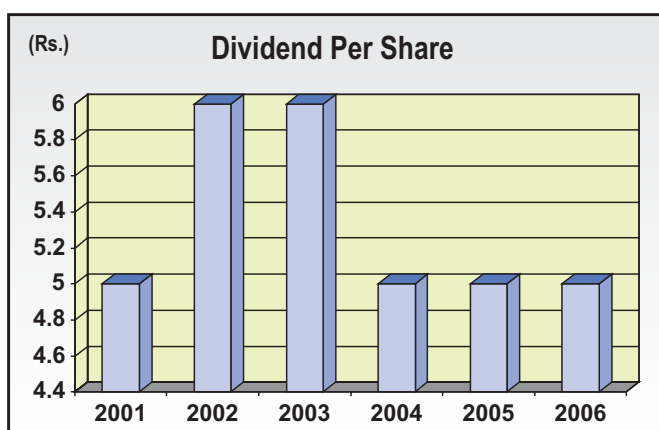
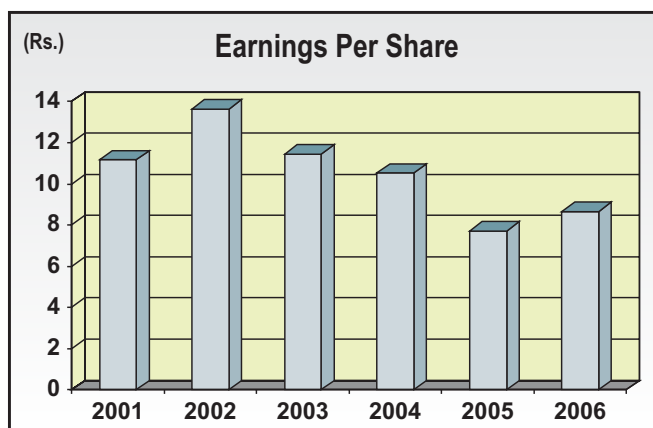
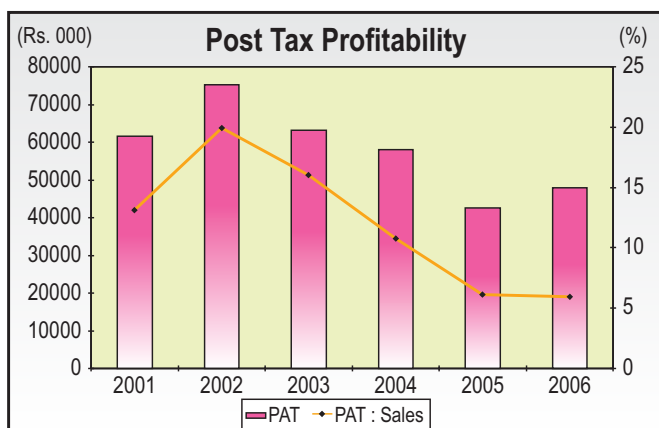
Year ending 30 th June	(Rupees in Thousand)									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
INCOME										
Net Sales	802,761	695,077	538,765	394,786	378,139	469,752	457,257	406,021	206,046	194,040
Gross Profit	102,241	83,367	105,375	80,999	104,521	117,475	104,673	87,521	43,808	35,188
Operating Profit	84,598	68,855	88,770	63,972	92,871	102,970	90,036	74,027	28,981	21,529
Profit Before Tax	72,910	65,348	83,378	90,829	97,897	97,095	80,995	50,520	32,713	2,108
Profit After Tax	47,826	42,665	58,115	63,160	75,293	61,638	52,796	33,764	8,063	1,138
FINANCIAL POSITION										
Current Assets	331,842	294,312	231,424	204,529	215,963	243,496	143,203	187,597	128,276	141,444
Less: Current Liabilities	98,616	92,453	41,500	73,136	115,849	179,493	112,786	131,731	78,227	187,102
Net Working Capital	233,226	201,858	189,924	131,393	100,114	64,003	30,417	55,866	50,049	(45,658)
Property, Plant and Equipment	203,383	92,745	87,178	91,840	91,567	85,292	84,748	88,806	96,428	106,096
Other Non Current Assets	22,692	13,685	14,473	8,816	1,489	1,479	1,896	1,858	3,127	4,176
	459,301	308,288	291,575	232,049	193,170	150,774	117,061	146,530	149,604	64,614
Less: Long Term Debts	121,190	-	-	-	-	-	-	60,000	83,374	-
Other Liabilities	13,397	11,695	10,345	10,434	3,065	2,809	3,107	3,271	2,921	1,080
Shareholders' Equity	324,714	296,593	281,230	221,615	190,105	147,965	113,954	83,259	63,309	63,534
REPRESENTED BY										
Share Capital	55,253	55,253	55,253	55,253	55,253	55,253	55,253	55,253	55,253	55,253
Reserves	210,000	195,000	164,000	164,000	134,000	92,000	58,000	28,000	8,000	7,000
Unrealized Gain on Long Term Investment	11,247	3,325	3,000	1,500	-	-	-	-	-	-
Unappropriated Profit	48,214	43,015	58,977	862	852	712	701	6	56	1,281
Net Capital Employed	324,714	296,593	281,230	221,615	190,105	147,965	113,954	83,259	63,309	63,534
PRODUCTION / SALES										
Production Capacity Installed (M.T)	7,450	5,700	5,700	5,700	5,700	5,700	5,700	5,700	5,700	5,700
Production Capacity Attained (M.T)	12,627	12,320	10,532	7,868	7,615	9,441	9,419	8,353	3,977	3,853
Capacity Ratio (%)	169	216	185	138	134	166	165	147	70	68
Net Sales (M.T)	11,969	11,783	9,550	7,568	7,260	9,051	8,855	7,785	3,706	3,583
MARKET VALUE RATIOS										
Break up value of a Share of Rs.10/-each	58.77	53.68	50.90	40.11	34.41	26.78	20.62	15.07	11.46	11.50
Proposed Dividend (Rupees per share)	5.00	5.00	5.00	6.00	6.00	5.00	4.00	2.50	1.50	-
Proposed Dividend (%)	50	50	50	60	60	50	40	25	15	-
PROFITABILITY RATIOS										
Gross Profit Ratio (%)	12.74	11.99	19.56	20.52	27.64	25.01	22.89	21.56	21.26	18.13
Profit Before Tax to Sales (%)	9.08	9.40	15.48	23.01	25.89	20.67	17.71	12.44	15.88	1.09
Profit After Tax to Sales (%)	5.96	6.14	10.79	16.00	19.91	13.12	11.55	8.32	3.91	0.59
Basic Earnings per Share (Rs.)	8.66	7.72	10.52	11.43	13.63	11.16	9.56	6.11	1.46	0.21
Earnings Yield - Year end price (%)	9.41	11.35	14.71	19.21	35.96	29.21	29.42	33.03	29.20	2.90
Price Earning Ratio - Year end price	10.62	8.81	6.80	5.20	2.78	3.42	3.40	3.03	3.42	34.52
Dividend Pay out (%)	57.76	64.75	47.54	52.49	44.03	44.82	41.86	40.91	102.79	-
Dividend Yield (%)	5.43	7.35	6.99	10.08	15.83	13.09	12.31	13.51	30.00	-
Return on Equity (%)	14.73	14.39	20.66	28.50	39.61	41.66	46.33	40.55	12.74	1.79
Return on Assets (%)	8.57	10.65	17.45	20.70	24.37	18.66	22.97	12.13	3.54	0.45
LIQUIDITY RATIOS										
Current Ratio	3.36:1	3.18:1	5.58:1	2.80:1	1.86:1	1.36:1	1.27:1	1.42:1	1.64:1	0.8:1
Quick Ratio	1.54:1	1.68:1	2.42:1	1.83:1	1.33:1	1.01:1	0.68:1	0.86:1	0.83:1	0.40:1
ACTIVITY RATIOS										
Raw material Inventory Turnover - (days)	66	65	62	50	40	32	44	49	61	54
WIP Inventory Turnover - (days)	11	15	18	13	11	6	7	10	13	14
Finished Goods Inventory Turnover - (days)	6	4	4	9	14	10	10	17	51	47
Debtors Turnover (days)	35	35	37	58	74	45	37	44	69	78
Assets Turnover - (times)	1.44	1.73	1.62	1.29	1.22	1.42	1.99	1.46	0.90	0.77
Fixed Assets Turnover - (times)	3.95	7.50	6.18	4.30	4.10	5.51	5.40	4.57	2.14	1.83
LEVERAGE RATIO										
Equity Turnover - (times)	2.47	2.34	1.92	1.78	1.99	3.17	4.01	4.88	3.25	3.05
Debt:Equity Ratio	27:73	0:100	0:100	0:100	0:100	0:100	0:100	42:58	57:43	0:100
SHARE PRICE - (Rs.)										
Highest	98.70	87.85	73.95	62.00	45.00	39.75	55.75	34.25	6.00	9.50
Lowest	59.85	59.80	50.00	35.45	31.50	32.00	26.00	8.00	3.00	5.00
Average	79.28	73.83	61.98	48.73	38.25	35.38	40.88	40.25	4.50	7.25
At the year end	92.00	68.00	71.50	59.50	37.90	38.20	32.50	18.50	5.00	7.25

Note: Dividend related figures/ratios are based on dividend declared by Board of Directors subsequent to year end.

GRAPHICAL ILLUSTRATION



GRAPHICAL ILLUSTRATION



STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED JUNE 30, 2006

This statement is being presented to comply with the Code of Corporate Governance contained in the Regulation No. 37 of listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. The Board comprises eight elected directors, all of whom are independent non-executive directors, including director representing minority shareholders. In addition to eight elected directors, ninth is the Chief Executive Officer who by virtue of being CEO is deemed to be a director of the company.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board of Directors of the company during the year ended June 30, 2006.
5. The Chairman of the Board of Directors has been elected from among the non-executive directors of the company.
6. The company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.
7. 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.
8. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
9. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
10. The Board arranged an orientation course for its directors during the year to apprise them of their duties and responsibilities.
11. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

12. 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.
13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
14. 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.
15. The Company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed an audit committee. It comprises four members, all of whom are non-executive directors including the chairman of committee.
17. The meetings of the audit committee were held at least once every quarter prior to approval of interim results of the Company and before and after completion of external audit. The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The Board has set-up an effective internal audit function.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan. Further, they have confirmed that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
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. We confirm that all other material principles contained in the Code have been complied with.

Karachi:
September 21, 2006


JAVOID ASHRAF
Chief Executive

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Bolan Castings Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2006.



Chartered Accountants
Karachi

Dated: September 21, 2006

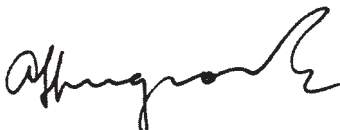
AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Bolan Castings Limited as at June 30, 2006 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) In our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) In our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditures incurred during the year were in accordance with the objects of the Company;
- c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of Company's affairs as at June 30, 2006 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) In our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.



Chartered Accountants
Karachi

Dated: september 21, 2006

BALANCE SHEET

AS AT JUNE 30, 2006

	Note	2006 Rupees	2005 Rupees
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	203,382,716	92,744,672
Long term investment	4	16,746,875	8,825,000
Long term loans	5	580,900	522,700
Long term deposits		3,565,160	1,315,160
Deferred tax	6	1,799,317	3,022,127
		<u>226,074,968</u>	<u>106,429,659</u>
Current Assets			
Stores, spares and loose tools	7	54,230,564	39,114,630
Stock-in-trade	8	125,315,316	99,685,678
Trade debts	9	71,250,806	81,868,414
Loans and advances	10	18,340,394	5,706,342
Trade deposits and short term prepayments	11	13,660,650	6,737,734
Other receivables	12	1,318,707	1,118,976
Taxes recoverable		10,555,740	23,238,689
Cash and bank balances	13	37,170,081	36,841,343
		<u>331,842,258</u>	<u>294,311,806</u>
TOTAL ASSETS		<u>557,917,226</u>	<u>400,741,465</u>
EQUITY AND LIABILITIES			
Share Capital			
Reserves	14	55,253,070	55,253,070
	15	269,461,526	241,340,155
		<u>324,714,596</u>	<u>296,593,225</u>
Non-Current Liabilities			
Long term finance - secured	16	121,189,837	-
Deferred liabilities	17	13,397,147	11,694,816
		<u>134,586,984</u>	<u>11,694,816</u>
Current Liabilities			
Current portion of long term finance	16	17,312,834	-
Trade and other payables	18	53,648,744	55,321,159
Accrued interest/mark-up		1,503,192	421,409
Short term borrowings	19	26,150,876	36,710,856
		<u>98,615,646</u>	<u>92,453,424</u>
Contingencies and Commitments			
	20		
TOTAL EQUITY AND LIABILITIES		<u>557,917,226</u>	<u>400,741,465</u>

The annexed notes form an integral part of these financial statements.


JAVOID ASHRAF
 CHIEF EXECUTIVE


SIKANDAR M. KHAN
 CHAIRMAN

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2006

	Note	2006 Rupees	2005 Rupees
Sales - net	21	802,761,248	695,077,412
Cost of goods sold	22	(700,519,901)	(611,630,588)
Gross profit		102,241,347	83,446,824
Selling and distribution expenses	23	(2,837,014)	(2,947,317)
Administrative expenses	24	(14,805,898)	(11,644,312)
Other operating expenses	25	(5,342,920)	(5,715,249)
		(22,985,832)	(20,306,878)
		79,255,515	63,139,946
Other operating income	26	2,378,213	3,623,554
Profit from operations		81,633,728	66,763,500
Finance costs	27	(8,723,687)	(1,415,956)
Profit before taxation		72,910,041	65,347,544
Taxation	28	(25,084,010)	(22,682,591)
Profit after taxation		47,826,031	42,664,953
Earnings per share - basic and diluted (Rupees)	32	8.66	7.72

The annexed notes form an integral part of these financial statements.


JAVAID ASHRAF
 CHIEF EXECUTIVE


SIKANDAR M. KHAN
 CHAIRMAN

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2006

	Note	2006 Rupees	2005 Rupees
Cash flow from operating activities			
Cash generated from operations	30	43,990,821	53,164,084
Net (increase) in long term loans		(58,200)	(15,400)
Net decrease in long term trade deposits		(2,250,000)	25,000
Taxes paid		(11,178,251)	(29,458,245)
Retirement benefits paid		(1,792,049)	(1,663,654)
Financial charges paid		(7,641,904)	(1,016,097)
Net cash inflow from operating activities		21,070,417	21,035,688
Cash flow from investing activities			
Capital expenditure		(123,512,634)	(18,405,452)
Proceeds from disposal of operating assets		979,985	1,544,788
Return on bank deposits received		1,376,494	558,116
Net cash outflow from investing activities		(121,156,155)	(16,302,548)
Cash flow from financing activities			
Proceeds from long term loan		138,502,671	-
Finance against trust receipt		(19,826,353)	19,826,353
Dividend paid		(27,528,215)	(27,539,840)
Net Cash outflow from financing activities		91,148,103	(7,713,487)
Net (decrease) in cash and cash equivalents		(8,937,635)	(2,980,347)
Cash and cash equivalents at beginning of the year		19,956,840	22,937,187
Cash and cash equivalents at end of the year	31	11,019,205	19,956,840

The annexed notes form an integral part of these financial statements.


JAVOID ASHRAF
CHIEF EXECUTIVE


SIKANDAR M. KHAN
CHAIRMAN

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2006

	Share Capital	General Reserve	Unrealised gain on long term investment	Unappropriated Profit	Total
	(Rupees)				
Balance as on June 30, 2004	55,253,070	164,000,000	3,000,000	58,976,737	281,229,807
Profit for the year	-	-	-	42,664,953	42,664,953
Final dividend for the year ended June 30, 2004 (@ Rs. 5 per share)	-	-	-	(27,626,535)	(27,626,535)
Unrealised gain due to change in fair value of long-term investment	-	-	325,000	-	325,000
Transfer to general reserve	-	31,000,000	-	(31,000,000)	-
Balance as on June 30, 2005	55,253,070	195,000,000	3,325,000	43,015,155	296,593,225
Profit for the year	-	-	-	47,826,031	47,826,031
Final dividend for the year ended June 30, 2005 (@ Rs. 5 per share)	-	-	-	(27,626,535)	(27,626,535)
Unrealised gain due to change in fair value of long-term investment	-	-	7,921,875	-	7,921,875
Transfer to general reserve	-	15,000,000	-	(15,000,000)	-
Balance as on June 30, 2006	<u>55,253,070</u>	<u>210,000,000</u>	<u>11,246,875</u>	<u>48,214,651</u>	<u>324,714,596</u>

The annexed notes form an integral part of these financial statements.


JAVAID ASHRAF
 CHIEF EXECUTIVE


SIKANDAR M. KHAN
 CHAIRMAN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

1. LEGAL STATUS AND NATURE OF BUSINESS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared under the 'historical cost' convention except for available for sale investments which have been recognised at fair value and the recognition of certain staff retirement benefits at present value.

2.2 Statement of compliance

2.2.1 These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and International Accounting Standards (IAS) as applicable in Pakistan. Approved accounting standards comprise of such IASs as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

The preparation of financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are

disclosed in respective notes to the financial statements.

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

Following amendments to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after January 1, 2006 or later periods:

- i. IAS 19 (Amendments) - Employee Benefits effective from January 1, 2006
- ii. IAS 39 Financial Instruments: Recognition and Measurement - Fair Value Option effective from January 1, 2006
- iii. IAS 1 Presentation of Financial Statements Capital Disclosures effective from January 1, 2007

Adoption of the above amendments may only impact the extent of disclosures presented in the financial statements.

2.3 Property, plant and equipment

These are stated at cost less accumulated depreciation except freehold land and capital work-in-progress, which are stated at cost. Cost in relation to certain fixed assets including capital work-in-progress, signifies historical cost. Depreciation is charged to income applying the reducing balance method at the rates given in note 3.1. Full year's depreciation is charged on additions during the year, whereas no depreciation is charged on disposal during the year. Assets residual values and useful lives are reviewed, and adjusted, if appropriate at each balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

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

Gains or losses on disposal of assets are included in income currently.

2.4 Long-term investment - Available for sale

Long term investment classified as 'Available for sale' represent investments which are not 'held at fair value through profit or loss' or 'held to maturity'. All such investments are initially recognised at cost, being the fair value of the consideration given. Subsequent to initial recognition, for investments traded in active market, fair value is determined by reference to quoted market price and the investments for which a quoted market price is not available, or the fair value cannot be reasonably calculated, are measured at cost, subject to a review of impairment at each balance sheet date.

Any gain or loss from a change in the fair value of investments available for sale is recognised directly in equity as unrealised, unless sold, collected or otherwise disposed off, or until the investment is determined to be impaired, at which time cumulative gain or loss previously recognised in equity is included in the income for the period.

2.5 Stores, spares and loose tools

These are valued at weighted average cost, except items in transit, which are stated at invoice value plus other charges paid thereon to the balance sheet date. Provision is made for slow moving items where considered necessary.

2.6 Stock-in-trade

These are valued at the lower of cost or net realisable value. Stock-in-transit is stated at invoice value plus other charges paid thereon to the balance sheet date.

Cost in relation to raw material represents weighted average cost, and in relation to work-in-process and finished goods represents weighted average cost comprising direct material, labour and appropriate manufacturing overheads.

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

2.7 Trade debts and other receivables

Trade debts and other receivables are stated at original invoice amount as reduced by appropriate provision for debts/receivables considered to be doubtful. Bad debts/receivables are written-off when identified.

2.8 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand and in transit, balances with banks, and short term running finance. In the balance sheet short term running finance is included in current liabilities.

2.9 Impairment

The carrying amounts of all assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the assets' recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are charged to income.

2.10 Equity instruments

These are recorded at their face value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

2.11 Staff retirement benefits**2.11.1 Pension scheme**

The Company operates approved funded defined benefit contributory pension scheme for all its eligible employees. The scheme provides pension based on the employees' last drawn salary. Pensions are payable for life and thereafter to surviving spouses and children upto the age limits as given in the fund's rules. Contributions to the scheme are made at the rate of 4.5% of the basic salary by the employee and 10% of the basic salary by the Company. The most recent actuarial valuation was carried out as of June 30, 2006 using the 'Projected Unit Credit Method'.

The amount recognised in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognised actuarial gains and losses and as reduced by the fair value of plan assets.

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

2.11.2 Executives Gratuity Scheme

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

Contributions are made to the scheme on the basis of actuarial valuation and charged to income. The most recent actuarial valuation was carried out as of June 30, 2006 using the 'Projected Unit Credit Method'.

The amount recognised in the balance sheet represents the present value of defined

benefit obligations as adjusted for unrecognised actuarial gains and losses and as reduced by the fair value of plan assets.

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

2.11.3 Non-Executives Gratuity Scheme

The Company operates an unfunded gratuity scheme for all eligible non-executive employees which provides for benefits dependent on the length of service of the employee on terminal date, subject to the completion of minimum qualifying period of service. Provisions are made annually to cover the obligation on the basis of number of completed years of service of an employee and last drawn basic salary and charged to income.

2.11.4 Compensated Absences

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

Executive employees are entitled to 30 days privilege leave and 15 days sick leave for each completed year of service. Unutilised privilege leave and sick leave can be accumulated upto a maximum of 150 days and 90 days respectively. Entire accumulated privilege leave balance can be encashed at the time of retirement.

Non-executives are entitled to 30 days privilege leave and 12 days sick leave for each completed year of service. Unutilised privilege leave and sick leave can be accumulated upto a maximum of 150 days and 36 days respectively which can be encashed during the service.

Provisions are made to cover the obligation under the scheme on accrual basis and are charged to income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

2.11.5 Provident fund

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

2.12 Short term borrowings

These are recorded at the proceeds received. Financial charges are accounted for on accrual basis and are disclosed as 'Accrued interest/mark-up' to the extent of the amount remaining unpaid.

2.13 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

2.14 Provisions

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

2.15 Taxation**Current**

Provision for current taxation is based on the 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.

Deferred

Deferred tax is accounted for using the balance sheet liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are generally

recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to income.

2.16 Foreign currency translation

Transactions in foreign currencies are accounted for in Pakistan rupees at the rates of exchange ruling on the date of the transaction. All assets and liabilities in foreign currencies are translated into rupees at the rates of exchange prevailing at the balance sheet date and exchange gains and losses are included in income currently.

The financial statements are presented in Pakistan rupees which is the Company's functional and presentation currency.

2.17 Financial assets and liabilities

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

A financial asset and a financial liability are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.18 Revenue recognition

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

- Sales are recorded upon transfer of title to the customers, which generally coincides with physical delivery and acceptance;
- Dividend income on equity instruments is recognised when the Company's right to receive the payment has been established; and
- Return on deposits is recognised on accrual basis.

2.19 Borrowing costs

Borrowing costs are charged to income in the period in which they are incurred.

2.20 Dividend and appropriation to reserves

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

3. PROPERTY, PLANT AND EQUIPMENT

Operating assets (note 3.1)

Capital work-in-progress (note 3.4)

	2006 Rupees	2005 Rupees
Operating assets (note 3.1)	88,415,101	87,597,118
Capital work-in-progress (note 3.4)	114,967,615	5,147,554
	203,382,716	92,744,672

3.1 Operating assets

	Land freehold	Building on freehold land	Plant & Machinery	Electrical & Gas Installations	Furniture and fittings	Electrical Appliances	Office Equipments	Computers	Vehicles	Bicycles	TOTAL
	Rupees										
As at July 1, 2004											
Cost	2,678,754	37,603,075	270,913,005	6,803,262	1,796,003	3,135,273	1,899,498	5,253,728	17,482,482	915	347,565,995
Accumulated depreciation	-	(30,463,818)	(209,905,176)	(5,589,280)	(876,806)	(1,334,502)	(976,382)	(3,548,545)	(8,151,300)	(896)	(260,846,705)
Net book value	<u>2,678,754</u>	<u>7,139,257</u>	<u>61,007,829</u>	<u>1,213,982</u>	<u>919,197</u>	<u>1,800,771</u>	<u>923,116</u>	<u>1,705,183</u>	<u>9,331,182</u>	<u>19</u>	<u>86,719,290</u>
Year ended June 30, 2005											
Opening net book value	2,678,754	7,139,257	61,007,829	1,213,982	919,197	1,800,771	923,116	1,705,183	9,331,182	19	86,719,290
Additions	-	1,644,738	4,360,902	120,000	48,442	309,805	4,200	289,600	6,994,000	-	13,771,687
Disposals (Book Value)	-	-	-	-	-	-	-	(110,871)	(1,195,187)	-	(1,306,058)
Write Offs (Book Value)	-	-	-	-	(3,774)	-	-	-	-	-	(3,774)
Adjustments	-	-	-	-	-	-	-	-	(55,000)	-	(55,000)
Depreciation Charge for the year	-	(878,400)	(6,536,873)	(133,398)	(96,390)	(211,057)	(92,731)	(565,174)	(3,015,000)	(4)	(11,529,027)
Closing net book value	<u>2,678,754</u>	<u>7,905,595</u>	<u>58,831,858</u>	<u>1,200,584</u>	<u>867,475</u>	<u>1,899,519</u>	<u>834,585</u>	<u>1,318,738</u>	<u>12,059,995</u>	<u>15</u>	<u>87,597,118</u>
As at July 1, 2005											
Cost	2,678,754	39,247,813	275,273,907	6,923,262	1,832,426	3,445,078	1,903,698	4,990,918	21,877,662	915	358,174,433
Accumulated depreciation	-	(31,342,218)	(216,442,049)	(5,722,678)	(964,951)	(1,545,559)	(1,069,113)	(3,672,180)	(9,817,667)	(900)	(270,577,315)
Net book value	<u>2,678,754</u>	<u>7,905,595</u>	<u>58,831,858</u>	<u>1,200,584</u>	<u>867,475</u>	<u>1,899,519</u>	<u>834,585</u>	<u>1,318,738</u>	<u>12,059,995</u>	<u>15</u>	<u>87,597,118</u>
Year ended June 30, 2006											
Opening net book value	2,678,754	7,905,595	58,831,858	1,200,584	867,475	1,899,519	834,585	1,318,738	12,059,995	15	87,597,118
Additions	-	1,631,285	4,254,719	-	191,058	395,959	92,925	470,950	7,076,677	-	14,113,573
Disposals	-	-	-	-	-	-	-	-	(979,985)	-	(979,985)
Adjustments	-	-	-	-	-	-	-	-	(421,000)	-	(421,000)
Depreciation Charge for the year	-	(953,688)	(6,308,659)	(120,058)	(105,853)	(229,548)	(92,751)	(536,907)	(3,547,138)	(3)	(11,894,605)
Closing net book value	<u>2,678,754</u>	<u>8,583,192</u>	<u>56,777,918</u>	<u>1,080,526</u>	<u>952,680</u>	<u>2,065,930</u>	<u>834,759</u>	<u>1,252,781</u>	<u>14,188,549</u>	<u>12</u>	<u>88,415,101</u>
As at June 30, 2006											
Cost	2,678,754	40,879,098	279,528,626	6,923,262	2,023,484	3,841,037	1,996,623	5,461,868	26,467,023	915	369,800,690
Accumulated depreciation	-	(32,295,906)	(222,750,708)	(5,842,736)	(1,070,804)	(1,775,107)	(1,161,864)	(4,209,086)	(12,278,475)	(903)	(281,385,589)
Net book value	<u>2,678,754</u>	<u>8,583,192</u>	<u>56,777,918</u>	<u>1,080,526</u>	<u>952,680</u>	<u>2,065,930</u>	<u>834,759</u>	<u>1,252,782</u>	<u>14,188,548</u>	<u>12</u>	<u>88,415,101</u>
Annual Rate of Depreciation %	-	10	10	10	10	10	10	30	20	20	

	2006 Rupees	2005 Rupees
3.2 The depreciation charge for the year has been allocated as follows:		
Cost of goods sold (note 22)	10,992,165	10,652,821
Selling and Distribution expenses (note 23)	225,610	219,052
Administrative expenses (note 24)	676,830	657,154
	11,894,605	11,529,027

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

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyers
	(Rupees)					
Vehicles						
Toyota Corolla Reg. No. ABK-827	438,314	294,687	143,627	143,627	Company policy	Mr. Javaid Ashraf (Employee)
Toyota Corolla Reg. No. ACH-269	866,500	629,982	236,518	236,518	Company policy	Mr. Mujtaba Ahmed (Employee)
Suzuki Cultus Reg. No. AHW-041	595,000	119,000	476,000	476,000	Company policy	Mr. Iqbal-ul-Ghani (Employee)
Aggregate amount of assets disposed of having book value less than Rs. 50,000 each	166,500	42,660	123,840	123,840		
	2,066,314	1,086,329	979,985	979,985		

	2006 Rupees	2005 Rupees
3.4 Capital work-in-progress		
Civil work	22,253,439	1,920,616
Plant and machinery	92,714,176	3,226,938
	114,967,615	5,147,554

4. LONG-TERM INVESTMENT - Available for sale

Balochistan Wheels Limited - quoted

287,500 (2005: 250,000) ordinary shares of Rs. 10/- each including bonus shares - 37,500 (2005: Nil)

	16,746,875	8,825,000
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5. LONG TERM LOANS - secured, considered good

Loans to employees (note 5.1)

	1,069,900	959,500
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Less: Current portion shown under current assets (note 10)

	489,000	436,800
	580,900	522,700

- 5.1 These represent interest free loans given to employees for the purchase of motor cycles and are secured against respective asset. These loans are recoverable in monthly installments over a period of fifty months.

	2006 Rupees	2005 Rupees
6. DEFERRED TAX		
Debit balance arising due to:		
- provision for unfunded gratuity scheme and compensated absences	4,624,762	4,052,254
- provision for doubtful debts	(89,702)	105,765
	4,535,060	4,158,019
Credit balance arising due to accelerated tax depreciation allowance	(2,735,743)	(1,135,892)
	<u>1,799,317</u>	<u>3,022,127</u>
7. STORES, SPARES AND LOOSE TOOLS		
Stores including in transit Rs.26,183 (2005 : Nil)	8,891,311	7,871,837
Spares including in transit Rs.1,234,202 (2005 : Nil)	23,230,055	23,096,167
Loose tools including in transit Rs. 395,835 (2005 : Nil)	1,529,424	2,508,968
	33,650,790	33,476,972
Hard coke including in transit Rs. 8,742,363 (2005 : Nil)	20,262,380	5,337,419
Kerosine oil	317,394	300,239
	<u>54,230,564</u>	<u>39,114,630</u>
8. STOCK-IN-TRADE		
Raw materials including in transit Rs. 15,705,034 (2005: Rs. 3,217,285)	93,049,316	69,915,678
Work in process	19,115,000	21,701,000
Finished goods - own manufactured (Note 8.1)	13,151,000	8,069,000
	<u>125,315,316</u>	<u>99,685,678</u>
8.1 Includes stock held by Millat Tractors Limited amounting to Rs. 1,284,660 (2005: Rs. 3,019,068).		
9. TRADE DEBTS - unsecured		
Considered good		
Due from associated undertaking, Millat Tractors Limited (note 9.1)	54,637,673	68,574,899
Others	16,613,133	13,293,515
	71,250,806	81,868,414
Considered doubtful	259,850	302,188
	71,510,656	82,170,602
Less: Provision for impairment	(259,850)	(302,188)
	<u>71,250,806</u>	<u>81,868,414</u>

9.1 The maximum aggregate balance due from associated undertaking at the end of any month during the year was Rs. 102,933,000 (2005: Rs. 68,574,899).

	2006 Rupees	2005 Rupees
10. LOANS AND ADVANCES		
Loans and advances - unsecured, considered good		
- Employees	212,693	154,178
- Suppliers	17,638,701	5,115,364
- Current portion of long term loans to employees (note 5)	489,000	436,800
	<u>18,340,394</u>	<u>5,706,342</u>

11. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2006	2005
Deposits	4,960,895	2,684,295
Prepayments:		
- Pension fund (note 11.1)	3,228,000	1,135,000
- Executives gratuity fund (note 11.1)	4,530,000	2,596,000
- Officers provident fund	-	-
- Workers' profit participation fund (note 18.2)	674,852	-
- Others	266,903	322,439
	<u>8,699,755</u>	<u>4,053,439</u>
	<u>13,660,650</u>	<u>6,737,734</u>

11.1 Staff retirement benefits

	Pension fund		Executives gratuity fund	
	2006	2005	2006	2005
	----- Rupees -----			
Present value of defined benefit obligations	25,430,000	24,547,000	23,014,000	22,798,000
Fair value of plan assets	(41,087,000)	(36,056,000)	(48,965,000)	(42,334,000)
	(15,657,000)	(11,509,000)	(25,951,000)	(19,536,000)
Unrecognised actuarial gains	12,429,000	10,374,000	21,421,000	16,940,000
Net (asset) at the end of the year	<u>(3,228,000)</u>	<u>(1,135,000)</u>	<u>(4,530,000)</u>	<u>(2,596,000)</u>
Net (asset) at the beginning of the year	(1,135,000)	(72,000)	(2,596,000)	(623,000)
Charge/(income) for the year	(883,000)	114,000	(1,934,000)	(1,973,000)
Contributions	(1,210,000)	(1,177,000)	-	-
Net (asset) at the end of the year	<u>(3,228,000)</u>	<u>(1,135,000)</u>	<u>(4,530,000)</u>	<u>(2,596,000)</u>

11.2 The principal assumptions used in the actuarial valuation were as follows:

	Pension fund		Executives gratuity fund	
	2006	2005	2006	2005
	Rupees			
Discount rate	10%	10%	10%	10%
Expected rate of return per annum on plan assets	10%	10%	10%	10%
Expected rate of increase per annum in future salaries	8%	8%	9%	10%
Indexation of pension	0%	0%	-	-
Actual return on plan assets	Rs. 4,865,000	Rs. 4,170,000	Rs.6,549,000	Rs. 5,388,000
Expected mortality rate	EFU 61-66 mortality table	EFU 61-66 mortality table	EFU 61-66 mortality table	EFU 61-66 mortality table
Expected withdrawal rate	Age dependent	Age dependent	Age dependent	Age dependent

12. OTHER RECEIVABLES - unsecured, considered good

	2006 Rupees	2005 Rupees
Sales tax refundable	869,269	861,761
Accrued return on bank deposits	328,237	185,846
Others	121,201	71,369
	<u>1,318,707</u>	<u>1,118,976</u>

13. CASH AND BANK BALANCES

	2006 Rupees	2005 Rupees
Cash in hand	136,439	1,009,785
Cash at banks		
- on deposit accounts (note 13.1)	33,065,461	31,340,548
- on current accounts	3,968,181	4,491,010
	<u>37,033,642</u>	<u>35,831,558</u>
	<u>37,170,081</u>	<u>36,841,343</u>

13.1 Includes term deposit of Rs. 426,000 (2005: Rs. 426,000) held as security against guarantee given by the bank on behalf of the Company.

14. SHARE CAPITAL

14.1 Authorised capital

	2006 Rupees	2005 Rupees
7,500,000 (2005: 7,500,000) ordinary shares of Rs. 10 each	<u>75,000,000</u>	<u>75,000,000</u>

	2006 Rupees	2005 Rupees
14.2 Issued, subscribed and paid up capital		
5,525,307 (2005: 5,525,307) ordinary shares of Rs. 10 each fully paid in cash	<u>55,253,070</u>	<u>55,253,070</u>
14.3 As at June 30, 2006, 2,555,907 (2005: 2,555,907) ordinary shares of the Company were held by Millat Tractors Limited, an associated company.		
	2006 Rupees	2005 Rupees
15. RESERVES		
Revenue - General	<u>210,000,000</u>	195,000,000
- Unappropriated	<u>48,214,651</u>	43,015,155
	<u>258,214,651</u>	238,015,155
Unrealised gain on investment	<u>11,246,875</u>	3,325,000
	<u>269,461,526</u>	241,340,155
16. LONG TERM FINANCE - secured		
MCB Bank (note 16.1)	138,502,671	-
Less: Current maturity shown under current liabilities	17,312,834	-
	<u>121,189,837</u>	<u>-</u>
16.1 This represents the amount utilised against the demand finance facility, amounting to Rs.145 million (2005: 145 million) to finance the 'Balancing, Modernization and Replacement' of the Company's existing foundry. The amount utilised against this facility is repayable in 8 equal half yearly installments commencing from February 2007 and carries standard mark-up at the rate of 14.6% per annum and timely payment mark-up at the rate of 'KIBOR plus 0.75%'. The facility is secured by way of first registered equitable mortgage charge of Rs. 207 million over all present and future fixed assets of the Company.		
	2006 Rupees	2005 Rupees
17. DEFERRED LIABILITIES		
Non-executive gratuity	6,249,211	5,821,346
Compensated absences	7,147,936	5,873,470
	<u>13,397,147</u>	<u>11,694,816</u>

	2006 Rupees	2005 Rupees
18. TRADE AND OTHER PAYABLES		
Trade creditors	30,828,866	24,973,514
Accrued liabilities	12,766,512	12,947,660
Security deposits	3,019,481	4,114,574
Workers' profit participation fund (note 18.2)	-	3,504,783
Payable to		
- staff provident fund trust	284,157	96,469
- officers provident fund trust	161,744	165,208
Sales tax payable	2,695,552	5,607,674
Advances from employees against		
- car scheme	2,496,096	2,238,322
- motor cycle scheme	420,539	495,423
	2,916,635	2,733,745
Dividends	823,225	724,905
Others	152,572	452,627
	<u>53,648,744</u>	<u>55,321,159</u>

18.1 The maximum aggregate balance due to associated undertaking at the end of any month during the year was Rs: Nil (2005: Rs. 1,327,000).

	2006 Rupees	2005 Rupees
18.2 Workers' Profit Participation Fund		
Balance at the beginning of the year	3,504,783	4,478,732
Allocation for the year	3,910,148	3,504,783
	<u>7,414,931</u>	<u>7,983,515</u>
Amount paid to the trustees of the fund	(5,425,000)	(876,000)
Amount deposited with the Government	(2,664,783)	(3,602,732)
	<u>(8,089,783)</u>	<u>(4,478,732)</u>
	<u>(674,852)</u>	<u>3,504,783</u>

19. SHORT TERM BORROWINGS

Running finance utilised under mark-up arrangement (note 19.1)	26,150,876	16,884,503
Finance against Trust Receipt (note 19.2)	-	19,826,353
	<u>26,150,876</u>	<u>36,710,856</u>

19.1 The facilities for running finance available from banks under mark-up arrangement aggregated to Rs. 105 million (2005: Rs. 110 million). These facilities expire on various dates by February 28, 2007. The facilities carry mark-up at the rate upto 'KIBOR plus 1%' (2005: KIBOR plus 1%) and secured by way of charge on Company's stocks and book debts.

19.2 Unutilised finance facility from a commercial bank for retirement of import documents against trust receipt amounts to Rs. 60 million (2005: Rs. 30 million) as at the year end. The facility is valid upto January 31, 2007 and carries mark-up at the rate of 'KIBOR plus 1%' (2005: KIBOR plus 1%).

20. CONTINGENCIES AND COMMITMENTS

- 20.1** Contracts signed in respect of capital expenditure but not executed till the end of the year amounted to Rs. 13,007,258 (2005: Rs. 2,607,561).
- 20.2** Outstanding letters of credit at the end of the year amounted to Rs. 102 million (2005: Rs. 31 million).

	2006	2005
	Rupees	Rupees
21 SALES		
Manufactured goods	977,083,167	841,979,340
Trading goods	-	1,318,635
	<u>977,083,167</u>	<u>843,297,975</u>
Less: Sales returns	(55,578,157)	(50,174,370)
Less: Sales tax	(118,743,762)	(98,046,193)
	<u>(174,321,919)</u>	<u>(148,220,563)</u>
	<u>802,761,248</u>	<u>695,077,412</u>
22 COST OF GOODS SOLD		
Raw material and components consumed		
Opening stock	66,698,394	55,031,214
Purchases	411,278,481	354,132,764
	<u>477,976,875</u>	<u>409,163,978</u>
Closing stock	(77,344,282)	(66,698,393)
	<u>400,632,593</u>	<u>342,465,585</u>
Salaries, wages and benefits (note 24.2)	45,649,442	41,244,527
Staff welfare	3,174,120	2,827,811
Stores, spares and loose tools consumed (note 22.1)	66,523,218	53,414,022
Fuel and power	97,679,455	92,993,554
Machining expenses	5,054,399	5,203,370
Other services	30,205,692	24,113,904
Travelling and conveyance	10,372,712	8,964,761
Depreciation (note 3.2)	10,992,165	10,652,821
Rent, rates and taxes	529,860	402,217
Repairs and maintenance	4,283,650	3,323,436
Export expenses	621,436	444,421
Freight charges	19,881,343	14,182,722
Insurance	956,529	851,584
Vehicle expenses	2,962,507	2,287,521
Others	3,496,780	3,682,797
	<u>302,383,308</u>	<u>264,589,468</u>
Work in process - opening	21,701,000	28,295,000
- closing	(19,115,000)	(21,701,000)
Cost of goods manufactured	<u>705,601,901</u>	<u>613,649,053</u>
Finished goods - opening	8,069,000	5,022,000
- closing	(13,151,000)	(8,069,000)
Cost of goods sold - own manufactured	<u>700,519,901</u>	<u>610,602,053</u>
- trading goods (note 22.2)	-	1,028,535
	<u>700,519,901</u>	<u>611,630,588</u>

	2006 Rupees	2005 Rupees
22.1 Stores, spares and loose tools consumed		
Opening stock	33,476,972	28,544,040
Purchases	66,697,498	58,346,954
	<u>100,174,470</u>	<u>86,890,994</u>
Closing stock	(33,651,252)	(33,476,972)
	<u>66,523,218</u>	<u>53,414,022</u>
22.2 Cost of good sold-trading goods		
Opening stock	-	964,280
Purchases	-	64,255
	<u>-</u>	<u>1,028,535</u>
Closing stock	-	-
	<u>-</u>	<u>1,028,535</u>
23. SELLING AND DISTRIBUTION EXPENSES		
Salaries, wages and benefits (note 24.2)	1,600,237	1,756,567
Staff welfare	117,864	91,534
Depreciation (note 3.2)	225,610	219,052
Travelling	124,902	265,747
Insurance	162,500	118,619
Utilities	80,157	52,079
Sales promotion	99,500	62,294
Rent, rates and taxes	10,680	4,735
Repairs and maintenance	24,835	41,207
Communication	47,745	55,130
Vehicle expenses	230,469	171,386
Printing and stationery	39,345	38,370
Miscellaneous	73,170	70,597
	<u>2,837,014</u>	<u>2,947,317</u>
24. ADMINISTRATIVE EXPENSES		
Salaries, wages and benefits (note 24.2)	6,170,878	4,409,726
Staff welfare	699,656	354,284
Travelling	426,564	702,693
Utilities	601,470	499,415
Rent, rates and taxes	574,141	530,207
Repairs and maintenance	352,514	189,618
Printing and stationery	581,042	585,729
Communication	403,687	319,454
Advertisement	215,860	163,700
Vehicle expenses	1,798,681	1,110,526
Insurance	290,185	212,748
Legal and professional charges	580,045	668,033
Entertainment	93,304	59,663
Auditors' remuneration (note 24.1)	229,140	248,975
Subscription	130,425	94,100
Training	25,000	4,000
Depreciation (note 3.2)	676,830	657,154
Miscellaneous	956,476	834,287
	<u>14,805,898</u>	<u>11,644,312</u>

	2006 Rupees	2005 Rupees
24.1 Auditors' remuneration		
Statutory audit	125,000	125,000
Fee for half yearly review	50,000	50,000
Other services	-	22,500
Out of pocket expenses	54,140	51,475
	<u>229,140</u>	<u>248,975</u>

24.2 Salaries, wages and benefits under note 22, 23 and 24 include the following in respect of staff retirement benefits:

	Pension fund	Executives gratuity fund	2006	2005
	----- Rupees -----			
Current service cost	832,000	1,175,000	2,007,000	1,799,000
Interest cost	2,455,000	2,280,000	4,735,000	3,194,000
Expected return on plan assets	(3,606,000)	(4,234,000)	(7,840,000)	(5,464,000)
Recognition of actuarial gain	(564,000)	(1,155,000)	(1,719,000)	(1,388,000)
Expense/(income) for the year	<u>(883,000)</u>	<u>(1,934,000)</u>	<u>(2,817,000)</u>	<u>(1,859,000)</u>

In addition, salaries, wages and benefits also include Rs. 0.487 million (2005: Rs. 1.018 million), Rs. 1.798 million (2005: Rs. 0.818 million) and Rs. 1.379 million (2005: Rs. 1.163 million) in respect of Company's contribution towards non-executive gratuity scheme, staff compensated absences and provident fund respectively.

24.3 Remuneration of Chief executive, directors and executives

	2006			2005		
	Chief Executive	Director	Executive	Chief Executive	Director	Executive
	----- (Rupees) -----			----- (Rupees) -----		
Managerial remuneration	396,234	-	1,123,014	373,884	-	-
Bonus	270,171	-	-	273,832	-	-
House rent	144,000	-	505,356	144,000	-	-
Retirement benefits	73,846	-	112,301	69,376	-	-
Utilities	92,927	-	157,408	95,050	-	-
Medical expenses	202,258	-	142,512	164,622	-	-
Fees	-	4,000	-	-	8,000	-
Others	112,539	-	551,441	106,253	-	-
	<u>1,291,975</u>	<u>4,000</u>	<u>2,592,032</u>	<u>1,227,017</u>	<u>8,000</u>	<u>-</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>

24.3.1 The Company provides the Chief Executive with free use of company car and residential telephone.

24.3.2 The above remuneration does not include amounts, if any, paid to or provided for in respect of the Chief Executive, Director and executives of the associated companies or undertakings.

	2006 Rupees	2005 Rupees
25. OTHER OPERATING EXPENSES		
Workers' profit participation fund	3,910,148	3,504,783
Workers' welfare fund	1,382,772	1,243,339
Bad debts written-off	-	960,353
Donations (note 25.1)	50,000	3,000
Operating assets written-off	-	3,774
	<u>5,342,920</u>	<u>5,715,249</u>

25.1 The recipients of donations for the year do not include any donee in whom a director or his spouse had any interest.

	2006 Rupees	2005 Rupees
26. OTHER OPERATING INCOME		
Return on bank deposits	1,518,885	697,553
Dividend income	375,000	375,000
Gain on disposal of operating assets	-	238,730
Recovery of bad debts written-off	56,862	-
Reversal of provision for doubtful debt	42,338	2,142,343
Exchange Gain	-	147,723
Miscellaneous income	385,128	22,205
	<u>2,378,213</u>	<u>3,623,554</u>

27. FINANCE COSTS

Mark-up on long term loan	4,801,882	-
Mark-up on short term borrowings	3,568,954	1,065,606
Bank charges	252,851	250,350
Bank charges on dividend account	100,000	100,000
	<u>8,723,687</u>	<u>1,415,956</u>

28. TAXATION

Current		
- for the year	25,481,731	22,722,395
- for prior years (reversal)	(1,620,531)	(1,144,595)
	<u>23,861,200</u>	<u>21,577,800</u>
Deferred	1,222,810	1,104,791
	<u>25,084,010</u>	<u>22,682,591</u>

	2006 Rupees	2005 Rupees
28.1 Reconciliation of tax charge for the year		
Accounting profit	<u>72,910,041</u>	<u>65,347,544</u>
Corporate tax rate	<u>35%</u>	<u>35%</u>
Tax on accounting profit at applicable rate	25,518,514	22,871,640
Tax effect of permanent differences not allowable in determining taxable income	1,359,210	1,265,824
Effect of applicability of lower tax rate on certain income	(171,706)	(275,560)
Effect of tax assessments finalised during the year	(1,620,531)	(1,144,595)
Others	(1,477)	(34,718)
	<u>25,084,010</u>	<u>22,682,591</u>

29. TRANSACTIONS WITH RELATED PARTIES

29.1 Transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Relationship with the Company	Nature of transactions	2006 Rupees	2005 Rupees
Associates			
- Millat Tractors Limited	Sales of goods - Net	694,054,846	590,628,976
	Purchases	2,526,042	1,326,510
Post employment plans			
- Pension scheme	Contributions	1,210,000	1,177,000
- Gratuity scheme	Benefits paid on behalf of fund	791,477	153,411

29.2 There are no transactions with key management personnel other than under the terms of the employment as disclosed in note 24.3.

29.3 The related party status of outstanding balances as at June 30, 2006 are disclosed in the respective notes to the financial statements.

	2006 Rupees	2005 Rupees
30. CASH GENERATED FROM OPERATIONS		
Profit before taxation	72,910,041	65,347,544
adjustment for:		
- Depreciation	11,894,605	11,529,027
- Provision for retirement benefits	(532,620)	(22,993)
- Bad debts written-off	-	960,353
- (Gain) on sale of operating assets-net	-	(238,730)
- Operating assets written-off	-	3,774
- Finance costs	8,723,687	1,415,956
- Return on bank deposits	(1,518,885)	(697,553)
	<u>18,566,787</u>	<u>12,949,834</u>
Operating profit before working capital changes	<u>91,476,828</u>	<u>78,297,378</u>
Working capital changes		
(Increase) / decrease in current assets:		
- Stores, spares and loose tools	(15,115,934)	(8,460,363)
- Stock in trade	(25,629,638)	705,369
- Trade debts	10,617,608	(31,410,905)
- Loans and advances	(12,634,052)	(738,850)
- Trade deposits and short term prepayments	(2,213,058)	1,424,723
- Other receivables	(57,340)	(408,562)
	<u>(45,032,414)</u>	<u>(38,888,588)</u>
Increase / (decrease) in current liabilities:		
- Trade and other payable	(2,453,593)	13,755,294
	<u>(47,486,007)</u>	<u>(25,133,294)</u>
	<u>43,990,821</u>	<u>53,164,084</u>
31. CASH AND CASH EQUIVALENTS		
Cash and bank balances (note 13)	37,170,081	36,841,343
Short term running finance (note 19)	(26,150,876)	(16,884,503)
	<u>11,019,205</u>	<u>19,956,840</u>
32. EARNINGS PER SHARE - Basic and diluted		
There is no dilutive effect on the basic earnings per share of the Company, which is based on:		
	2006	2005
Profit after taxation (Rupees)	<u>47,826,013</u>	<u>42,664,953</u>
Weighted average number of ordinary shares	<u>5,525,307</u>	<u>5,525,307</u>
Earnings per share (Rupees)	<u>8.66</u>	<u>7.72</u>

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

33.1 Financial assets and liabilities

	Interest/mark up bearing			Non-interest/mark up bearing			Total 2006	Total 2005	Effective interest/ mark-up rates
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total			
(Rupees)									
FINANCIAL ASSETS									
Long term investment	-	-	-	16,746,875	-	16,746,875	16,746,875	8,825,000	-
Loans to employees	-	-	-	701,693	580,900	1,282,593	1,282,593	959,500	-
Long term deposits	-	-	-	3,565,160	-	3,565,160	3,565,160	1,315,160	-
Trade deposits	-	-	-	4,960,895	-	4,960,895	4,960,895	2,684,295	-
Trade debts	-	-	-	71,250,806	-	71,250,806	71,250,806	81,868,414	-
Other receivables	-	-	-	449,438	-	449,438	449,438	257,215	-
Cash and bank balances	33,065,461	-	33,065,461	4,104,620	-	4,104,620	37,170,081	36,841,343	6.29%
	<u>33,065,461</u>	<u>-</u>	<u>33,065,461</u>	<u>101,779,487</u>	<u>580,900</u>	<u>102,360,387</u>	<u>135,425,848</u>	<u>132,750,927</u>	
FINANCIAL LIABILITIES									
Long term finance	17,312,834	121,189,837	138,502,671	-	-	-	138,502,671	-	9.74%
Trade and other payable	-	-	-	50,953,192	-	50,953,192	50,953,192	43,474,957	-
Accrued interest/mark-up	-	-	-	1,503,191	-	1,503,191	1,503,191	421,409	-
Short term borrowings	26,150,876	-	26,150,876	-	-	-	26,150,876	36,710,856	9.73%
	<u>43,463,710</u>	<u>121,189,837</u>	<u>164,653,547</u>	<u>52,456,383</u>	<u>-</u>	<u>52,456,383</u>	<u>217,109,930</u>	<u>80,607,222</u>	

Taken as a whole, risk arising from the Company's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

33.2 Interest / mark-up rate risk

Interest / mark-up rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark-up rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

33.3 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Company's credit risk is primarily attributable to its receivables and its balances at bank. The credit risk on liquid fund is limited because the counter parties are banks with reasonably high credit ratings. Out of the financial assets aggregating Rs. 135,425,848 (2005: Rs. 132,750,927) the financial assets which are subject to credit risk amount to Rs.113,831,220 (2005: Rs. 122,912,142).

Significant concentration of credit risk on amounts due from trade debtors aggregating Rs. 71,510,656 (2005: Rs. 82,170,602) is managed by monitoring credit exposures, limiting transactions with specific customers and containing assessment of credit worthiness of customers.

33.4 Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Based on stability in foreign currency rates during the year, the Company believes that it is not exposed to major foreign exchange risk.

33.5 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to effective cash management and planning policy, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

33.6 Fair values of financial instruments

The carrying values of the financial instruments reflected in the financial statements approximate their fair values.

34. CAPACITY - Castings

Installed capacity	7,450 M.T. (2005: 5,700) double shift per annum
Production	12,627 M.T. (2005: 12,320 M.T)
Capacity utilization	169% approx (2005: 216% approx)

35. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 21, 2006 by the Board of Directors of the Company.

36. CORRESPONDING FIGURES

Previous year's figures have been rearranged and reclassified wherever necessary for the purposes of comparison.

37. PROPOSED DIVIDEND AND MOVEMENT BETWEEN RESERVES

The Board of Directors in its meeting held on September 21, 2006 (i) approved the transfer of Rs. 20,000,000 from unappropriated profit to general reserve; and (ii) proposed a final dividend of Rs. 5.00 per share for the year ended June 30, 2006, amounting to Rs. 27,626,535 for approval of the members at the Annual General Meeting to be held on October 30, 2006. These financial statements do not reflect these appropriations and the dividend payable.


JAVOID ASHRAF
 CHIEF EXECUTIVE


SIKANDAR M. KHAN
 CHAIRMAN

PATTERN OF SHAREHOLDING**AS AT JUNE 30, 2006**

No. of Shareholders	*Size of Holding		Total Shares Held	Amount Rupees
	From	To		
371	1	100	36,710	367,100
66	101	500	23,890	238,900
162	501	1000	132,800	1,328,000
89	1001	5000	224,600	2,246,000
16	5001	10000	115,010	1,150,100
3	10001	15000	39,800	398,000
3	20001	25000	67,390	673,900
1	25001	30000	27,000	270,000
1	35001	40000	40,000	400,000
1	50001	55000	50,600	506,000
1	110001	115000	110,500	1,105,000
1	130001	135000	130,500	1,305,000
1	140001	145000	141,300	1,413,000
1	145001	150000	147,000	1,470,000
1	235001	240000	238,000	2,380,000
1	245001	250000	250,000	2,500,000
1	475001	480000	479,800	4,798,000
1	710001	715000	714,500	7,145,000
1	2555001	2560000	2,555,907	25,559,070
TOTAL	722		5,525,307	55,253,070

* There is no shareholding in the slabs not mentioned.

CATEGORIES OF SHAREHOLDERS

S. No.	Categories	No. of Shareholders	No. of Shares Held	%
1	Associated Companies	1	2,555,907	46.26
2	Investment Companies	1	479,800	8.68
3	Public Sector Companies & Corpt.	1	250,000	4.52
4	Bank/Financial Institutions	1	714,500	12.93
5	Joint Stock Companies	6	157,800	2.86
6	Individuals	536	950,410	17.2
7	Others	176	416,890	7.55
	Total	722	5,525,307	100.00

CATEGORIES OF SHAREHOLDERS

AS AT JUNE 30, 2006

S.No.	Particulars	Shares Held	%
1-	DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN.		
	Mr. Sikandar M. Khan - Chairman	50,600	0.92
	Mr. Javaid Ashraf - CEO	8,210	0.15
	Mr. Latif Khalid Hashmi	130,500	2.36
	Mr. Sohail Bashir Rana	40,000	0.72
	Mr. Laeeq Uddin Ansari	238,000	4.31
	Mian Muhammad Saleem	3,300	0.06
	Mr. Bashir Ahmed Chaudhry	2,500	0.05
	Mr. Javed Munir	5,000	0.09
	Mr. Asif Jameel	—	—
2-	ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES.		
	Millat Tractors Limited	2,555,907	46.26
3-	NIT AND ICP		
	National Bank of Pakistan Trustees Department	479,800	8.68
4-	BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS.		
	National Bank of Pakistan (former NDFC)	714,500	12.93
5	INSURANCE COMPANIES	—	—
6-	MODARABAS AND MUTUAL FUNDS	—	—
7-	PUBLIC SECTOR COMPANIES AND CORPORATION		
	Sind Engineering (Pvt.) Limited	250,000	4.52
8-	JOINT STOCK COMPANIES	157,800	2.86
9-	GENERAL PUBLIC		
	Local	472,300	8.55
	Foreign	—	—
10-	OTHERS		
	BCL Employees	415,890	7.53
	Trustees Packages Ltd. MGT Staff Pension Fund	1,000	0.02
	Total	5,525,307	100.00
	SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST	SHARES HELD	%
	Millat Tractors Limited	2,555,907	46.26
	National Bank of Pakistan	714,500	12.93

PROXY FORM

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

I/We _____ (NAME)

of _____ (FULL ADDRESS)

in the district of _____

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

_____ Shares No. _____ hereby appoint

Mr. / Mrs. / Miss _____ (NAME)

of _____ (FULL ADDRESS)

in the district of _____

_____ as my / our proxy to attend and vote for me / us and on my / our behalf at the 24th Annual General Meeting of the Company to be held at Registered Office, Main RCD Highway, Hub Chowki, Distt. Lasbella, Balochistan on 30th October, 2006 at 14:00 Hrs. and / or at any adjournment thereof.

Signed this _____ day of _____ 2006

Signature on One Rupee Revenue Stamp
--

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

Important:

1. A member entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint a proxy to attend and vote instead of him / her.
2. The instrument appointing a proxy should be signed by the member (s) or by his / her attorney duly authorised in writing, or if the member is a corporation / company either under the common seal, or under the hand of any officer or attorney so authorised.
3. This Proxy Form, duly completed, must be deposited at the Company's Liaison Office F-1, National Container Building, Hub River Road, S.I.T.E., Karachi not less than 48 hours before the time of holding of the meeting.