



## TABLE OF CONTENTS

Company Information	2
Committees of the Board of Directors	3
Management Committees	4
Organization Structure	5
Vision & Mission Statements	8
Statement of Ethics & Business Practices	9
Corporate Strategy	10
Safety, Health and Environment	12
Core Values	14
Company Profile	16
Customers & Product Range	21
Communication with Shareholders	22
Year at a Glance	24
Notice of Annual General Meeting	26
Chairman's Review	28
Directors' Report	32
Application of Revenue	41
Statement of Value Added & its Distribution	42
Decade at a Glance	44
Graphical Illustration	45
Statement of Compliance of the Code of Corporate Governance	47
Review Report on Compliance of Code of Corporate Governance	48
Auditors' Report to the Members	49
Balance Sheet	50
Profit and Loss Account	51
Cash Flow Statement	52
Statement of Changes in Equity	53
Notes to the Financial Statements	54
Pattern of Shareholding	79
Form of Proxy	

## COMPANY INFORMATION

### Board of Directors

Mr. Sikandar M. Khan	Chairman
Mr. Shahid A. Hakim	Chief Executive
Mr. Latif Khalid Hashmi	Director
Mr. Sohail Bashir Rana	Director
Mr. Laeeq Uddin Ansari	Director
Mr. Mian Muhammad Saleem	Director
Mr. Bashir Ahmed Chaudhry	Director
Mr. Javed Munir	Director
Mr. Sajid Hassan	Director (NIT Nominee)

### Company Secretary

Mr. M. Mushtaq Akhtar

### Chief Financial Officer

Mr. Imran Ahmed

### 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  
ABN Amro Bank  
Bank AlFalah Limited

### Factory & Registered Office

Main RCD Highway, Hub Chowki,  
District Lasbela, Balochistan, Pakistan  
Tel : +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  
Tel : +92-21-2579681, 2579819  
Fax : +92-21-2573558  
E-mail: bclho@cyber.net.pk

### Web Site

[www.bolancastings.com](http://www.bolancastings.com)

# COMMITTEES OF THE BOARD OF DIRECTORS

## Audit Committee

Mr. Latif Khalid Hashmi	Chairman
Mr. Mian Muhammad Saleem	Member
Mr. Sajid Hassan	Member

## Board's Committee for Supervision (BCS)

Mr. Sikandar M. Khan	Chairman
Mr. Latif Khalid Hashmi	Member
Mr. Laeeq Uddin Ansari	Member
Mr. 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	–	11 of 11
Mr. Latif Khalid Hashmi*	3 of 3	7 of 7
Mr. Sohail Bashir Rana**	3 of 3	3 of 4
Mr. Laeeq Uddin Ansari	–	11 of 11
Mr. Mian Muhammad Saleem	6 of 6	8 of 11
Mr. Bashir Ahmed Chaudhry***	0 of 6	–
Mr. Sajid Hassan****	0 of 0	–
Mr. Asif Jameel*****	1 of 6	–

- \* Appointed as Member Audit Committee and BCS w.e.f. October 30, 2006.  
 \*\* Ceased to be Member Audit Committee as well as BCS w.e.f. October 30, 2006.  
 \*\*\* Ceased to be Member Audit Committee w.e.f. June 26, 2007.  
 \*\*\*\* Appointed as Member Audit Committee w.e.f. June 26, 2007.  
 \*\*\*\*\* Ceased to be Member Audit Committee w.e.f. April 27, 2007.

# MANAGEMENT COMMITTEES

## Business Strategy Committee

i)	Mr. Sikandar M. Khan	Chairman
ii)	Mr. Laeeq Uddin Ansari	Member
iii)	Mr. Shahid A. Hakim	Member
iv)	Mr. Mujtaba Ahmed	Member

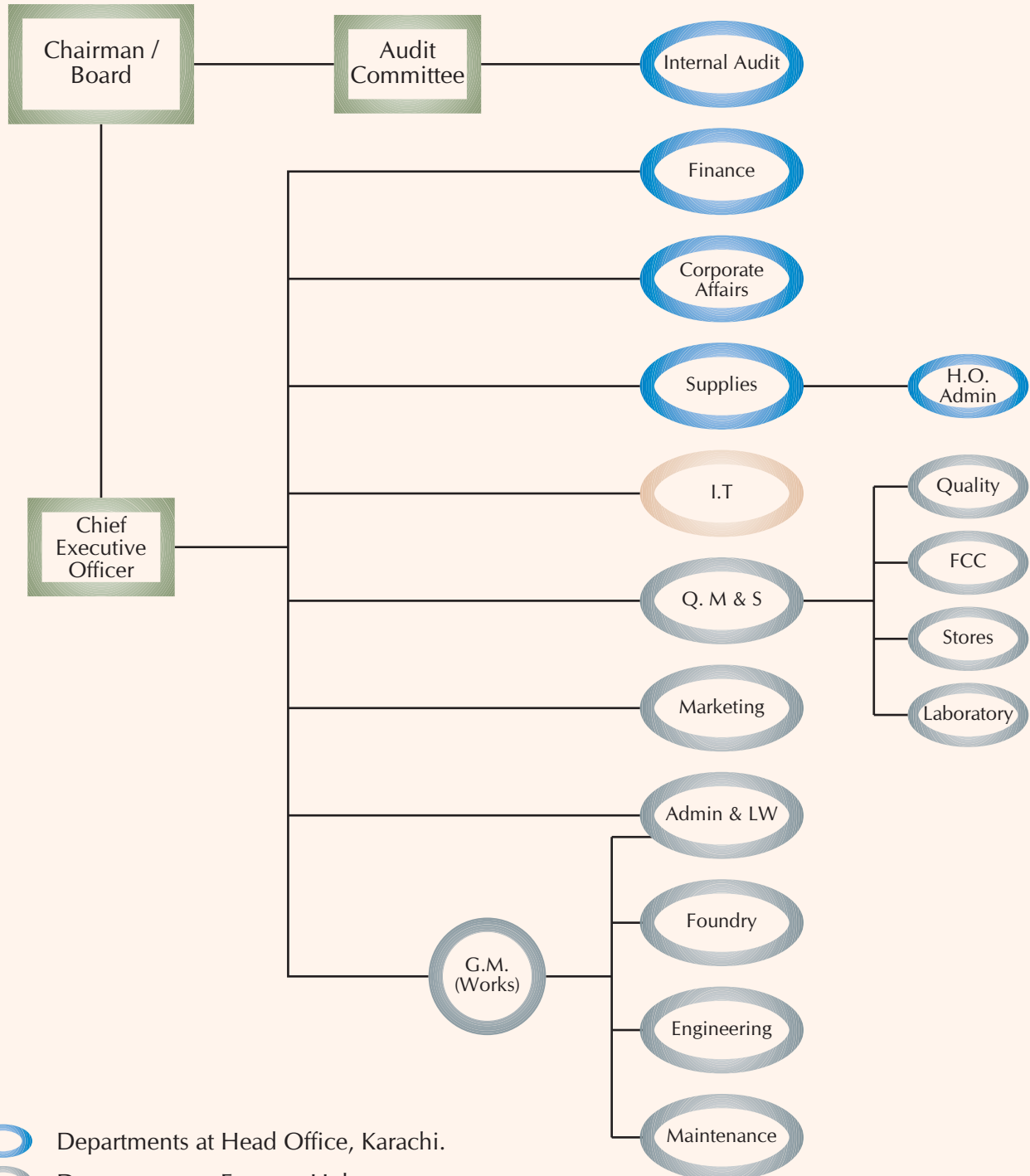
## System and Technology Committee

(i)	Mr. Shahid A. Hakim	Chairman
(ii)	Mr. Sirajuddin Khan	Member
(iii)	Mr. Imran Ahmed	Member
(iv)	Mr. S. Sadat Ali Abidi	Member

## Human Resources Committee

(i)	Mr. Shahid A. Hakim	Chairman
(ii)	Mr. Mujtaba Ahmed	Member
(iii)	Mr. M. Mushtaq Akhtar	Member
(iv)	Mr. Abdul Qadir Lasi	Member

# ORGANIZATION STRUCTURE



- Departments at Head Office, Karachi.
- Departments at Factory, Hub.
- Department at both locations.

## BOARD OF DIRECTORS



Standing L to R : Mr. Mian Muhammad Saleem, Mr. Bashir Ahmed Chaudhry,

Sitting L to R : Mr. Sohail Bashir Rana, Mr. Shahid A. Hakim,



Mr. Javed Munir, Mr. Laeeq Uddin Ansari and Mr. Sajid Hassan

Mr. Sikandar M. Khan and Mr. Latif Khalid Hashmi





# VISION

**To be a player in the global market  
by providing high quality foundry  
based engineering products.**

# MISSION

**To be market leader in  
foundry technology by  
offering competitive high  
quality value added  
products to the satisfaction  
of customers and to grow  
through diversification in local and export markets,  
while serving the best interest of shareholders.**





# 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.

## **Purpose and Value of Business**

Manufacturer of castings of tractor parts, automotive parts, engineering and other that conform to the specified standards.

## **Employees**

Recruitment of personnel on merit, offering training, career development, equal opportunities of growth, no discrimination or harassment and reward for achievement. Improved working conditions, ensuring safety, security and health.

## **Customer Relation**

Ensure customer satisfaction by providing quality product at competitive prices.

## **Shareholders, Financial Institutions & Creditors**

Protection of investment made in the Company and appropriate return on money lent/invested.



Achievement and prospects to be timely and accurately communicated.

## **Supplies**

Prompt settling of bills, coordination and cooperation to achieve quality and efficiency. No bribery or excess hospitality to be accepted or given.

## **Society/ Community**

Compliance with the spirit of laws, timely payment of Government taxes and dues thereby contributing for uplift of society and extending training including other appropriate activities for uplift of community.

## **General**


The Company neither support any political party nor contribute funds to groups or associations whose activities promote political interests.



# CORPORATE STRATEGY

Bolan Castings Limited will remain proactive in combating all threats and make use of all opportunities to improve the productivity, profitability and for achieving its immediate goals and ultimate mission.

# QUALITY POLICY



We will pursue and continuously improve our quality management systems so as to consistently meet the expectations of our customers and other stakeholders, operate safely and encourage our employees to develop and grow.



CAD-CAM Operations for Pattern Toolings



# SAFETY

The management of Bolan Castings Limited believes that the safety and welfare of its employees is of paramount importance.

We believe that all industrial injuries can be prevented.

Each individual employee is responsible for working safely, both for his own welfare, and for the safety and welfare of his fellow employees.

We believe that production is not so important that time cannot be taken to find a safe way to do our work.



## HEALTH

- ✓ Good health of employees is very important to Bolan Castings Limited.
- ✓ All employees of Bolan Castings Limited go through an annual medical check up.
- ✓ Bolan Castings Limited has a clinic at the plant site which provides medical facilities, for its employees.
- ✓ All employees are insured under Group Life and Health Insurance Scheme.

## ENVIRONMENT

- ✓ Bolan Castings Limited is making all out efforts to ensure that it takes care of the environment.
- ✓ Continued efforts are made so that the Company's plant operational activities are environment friendly.
- ✓ The Company is committed to improve the environment and is currently working to achieve the environmental standards.



# OUR CORE VALUES

## 1. Ethics & Integrity:



We do care how results are achieved and will demonstrate honest and ethical behaviour in all our activities.

Choosing the course of highest integrity is our intent and we will establish and maintain the highest professional and personal standards.

## 2. Innovation:

Innovation is critical to our success.



Our workplace must be an environment where creativity and new ideas have the ability to reach their full potential. We welcome new challenges as opportunities for growth

## 3. Excellence:

We are committed to excellence in every aspect of our activities. Each one of us must make maximum efforts to provide a quality



product that responds to our customers need. Our products must meet and exceed competition. Rather than asking "is it good enough", we must ask, "how can we do it better?". The quality of everything we do reflects on us and is essential for maintaining long-term relationships with our stakeholders.

## 4. Customer Focus:



We are a customer-driven organization and believe that customer satisfaction is our strength and motivates us to grow.

## OUR CORE VALUES

### 5. Responsibility:



We will manage our affairs in a highly responsible manner by ensuring that we take care of the environment, are a good corporate citizen, ensure complete satisfaction of our

customers through quality and timely delivery of our products.

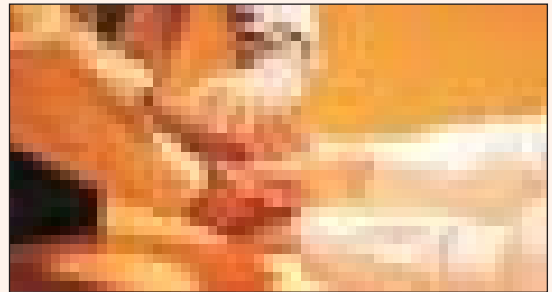
### 6. Teamwork:



We put a lot of emphasis on team work by recognizing that we will achieve more through teamwork. We feel that operational excellence will be achieved by working together as a team and diligently performing tasks in an exceptional manner.

### 7. Mutual Respect:

We have respect for all stakeholders of our business which includes our customers, suppliers, contractors, regulators, shareholders, our families and one other.



We care about the professional and personal well being of each member of Bolan Castings Limited. People are our greatest asset and we will strive to exhibit care, concern and interest in those with whom we work and with whom we do business. Our work environment respects individual talents and provides opportunities for training, leadership development, professional growth and financial reward. A secure, highly motivated, and well-trained workforce will thrive and meet the challenges set by our customers.

# COMPANY PROFILE

## INTRODUCTION

Being a modern and well equipped foundry and holding a major market share of the tractor and automotive castings, Bolan Castings Limited can rightly claim to be the leading foundry of its kind in Pakistan.

The Company was incorporated on 15<sup>th</sup> July, 1982 as a public limited company by Pakistan Automobile Corporation Limited (PACO) under the administrative control of Ministry of Production, Government of Pakistan. The plant was commissioned in June 1986 with the assistance of Foundry Management & Design Company (FMD), United Kingdom (U.K) and commercial production was started in July, 1986. The plant is located about 40 Kms from Karachi on the main R.C.D. Highway, Hub Chowki, District Lasbella, Balochistan. The Company was privatised and handed over to a group of management under a joint collaboration of Millat Tractors Limited and the employees of Bolan Castings Limited on 13<sup>th</sup> June, 1993.

## FOUNDRY

The foundry is located at Hub, Balochistan on a 100,000 square meters plot with a covered area of approximately 20,000 square meters. The foundry is manufacturing tractor castings such as cylinder



blocks, cylinder heads, centre housings, transmission cases and truck / bus castings like brake drums and hubs with a large number of other similar castings.

The plant produced 13,535 tons of castings last year but after its expansion, the plant capacity has increased to over 18,000 tons per year of tractor / automotive castings in grey and ductile iron. So far, more than 200 different types of castings have been successfully developed and supplied to various customers.

## PRODUCTION FACILITIES

The foundry has:

- ✓ Duplex melting facilities consisting of Twin Cold Blast Cupolas and Coreless Induction Furnaces.
- ✓ Induction melting through two 1.5 tons furnaces.
- ✓ One high pressure line of 1150 x 800 x 300 / 300 mm box size.
- ✓ Another high pressure moulding line of 650 x 550 x 250 / 250 mm box size.
- ✓ New Sand Preconditioning Plants.





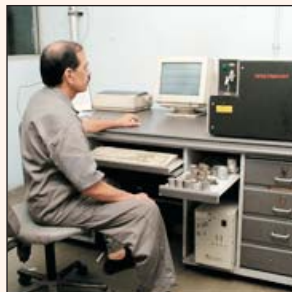


## COMPANY PROFILE

- ✓ Resin Coating Plant Continuous Mixer, Shell Core Machines, Silicate / CO<sub>2</sub> Core Machines, Cold Box Core Machine.
- ✓ Shot blasting, fettling, grinding, heat treatment and painting.
- ✓ Complete inspection, testing and quality control laboratory equipments including spectrometer.
- ✓ A 60 tons / hr fully computerised sand plant which on demand automatically delivers predetermined sand mixes to the moulding line.
- ✓ A separate shop for the repair and maintenance of patterns, tooling, and core boxes through CAD / CAM process.
- ✓ An ancillary workshop for the fabrication and maintenance of equipment and tools.

## RESEARCH & DEVELOPMENT

Experimentation and innovative studies are constantly undertaken for both manufacturing and product improvements. Bolan Castings Limited, from the very beginning, is engaged in research, quality improvement of the products, productivity enhancement, new products development and processes improvement.



## POLLUTION CONTROL

Maximum attention is given to reduce the air pollution through the following:

- ☞ Wet sludge tank for cupola emissions.
- ☞ Scrubbers for air born emission at new sand pre conditioning and core plant.
- ☞ Reduction of dust emissions through bag filter closed cabin for shot blasting and sand plant.
- ☞ Dust catchers in grinding area.
- ☞ Maximum plantation at the open areas of the factory.



## INDUSTRIAL & PERSONAL SAFETY

The following are in place for the safety of our employees and equipments:

- ☞ Effective fire fighting system, which covers all areas of the plant.
- ☞ Safety protective provided to the work force.
- ☞ Adequate sound proofing of high noise machines.
- ☞ Protective cover for cutting machines.
- ☞ Controlled admittance to production site.
- ☞ Flammable material adequately protected from sun and heat.



## COMPANY PROFILE

### QUALITY & INSPECTION

We believe that quality and a relentless commitment to continuous improvement are essential to our success. To this end, we define quality as understanding the customers' expectations, agreeing on performance and value, and providing products and services that meet expectations. Our motto is, "We pour quality into castings."



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

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

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

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

### ISO CERTIFICATION

Bolan Castings Limited was first



foundry 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 the Company's 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.



**BUREAU VERITAS**  
Certification



## Certification

Awarded to

### **BOLAN CASTINGS LIMITED**

HEAD OFFICE: F-1, S.I.T.E., HUB RIVER ROAD, KARACHI  
FACTORY: RCD HIGHWAY, TEHSIL HUB, LASBELLA, BALOCHISTAN  
PAKISTAN

**Bureau Veritas certify that the Management System of the above organisation has been audited and found to be in accordance with the requirements of the management system standard detailed below**

STANDARD

**ISO 9001:2000**

SCOPE OF SUPPLY

**MANUFACTURING OF CASTINGS FOR TRACTORS,  
AUTOMOBILES AND OTHER INDUSTRIES**

*Original approval date: 30<sup>TH</sup> DECEMBER 2005*

*Subject to the continual satisfactory operation of the organisation's Management System,  
this Certificate is valid from: 30<sup>TH</sup> DECEMBER 2005 Valid until: 29<sup>TH</sup> DECEMBER 2007*

*To check this certificate validity please call: +92 21 111 786 013*

*Further clarifications regarding the scope of this certificate and the applicability of the Management System requirements may be obtained by consulting the organization*

Certificate Number: 185817 Date: 28<sup>th</sup> December 2006 Mohammad Shahab SAQIB



MANAGING OFFICE ADDRESS: 2<sup>nd</sup> Floor, Tower Bridge Court, 224-226 Tower Bridge Road, London, SE1 2YX, United Kingdom  
ISSUING OFFICE ADDRESS: H. NO. 45 Block 7/8, Jinnah Cooperative Housing Society, Karachi, Pakistan



# OUR ACHIEVEMENTS



Mr. Mohammad Abdullah Yusuf, Secretary General Revenue Division / Chairman, Central Board of Revenue Presenting "Best Corporate Report Awards-2005" for Bolan Castings Limited on securing Third Position in Engineering Sector. Mr. Shahid A. Hakim, Chief Executive Officer of Bolan Castings Limited, receiving the Award.

## BEST CORPORATE REPORT AWARDS - 2005



Best Corporate Report Awards - 2004



Best Corporate Report Awards - 2003



Karachi Stock Exchange Top Companies Award - 2001



Certificate of Corporate Excellence - 2001

President  
ICAP

President  
ICMAP

# CUSTOMERS & PRODUCT RANGE

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

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

## 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 30<sup>th</sup> September.
- \* Second Quarterly / Half Yearly Report upto 31<sup>st</sup> December.
- \* Third Quarterly Report upto 31<sup>st</sup> March.
- \* Annual Report upto 30<sup>th</sup> 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 Fifth Annual General Meeting is scheduled to be held at the Registered Office of the Company, Main RCD Highway, Hub Chowki, District Lasbela, Balochistan, Pakistan, on Thursday October 25, 2007 at 1000 hours.

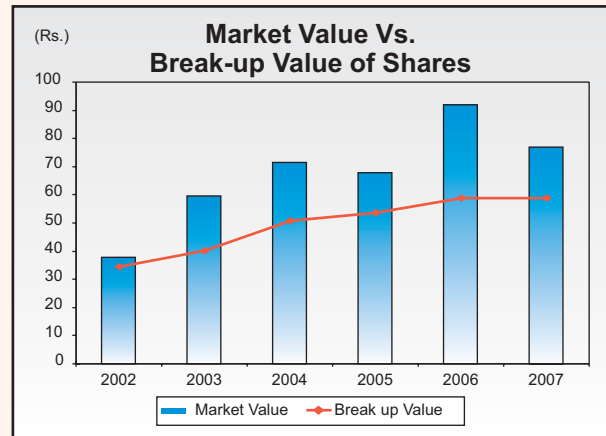
## COMMUNICATION WITH SHAREHOLDERS

### Books Closure and Dividend Entitlement

The Share transfer books of BCL will remain closed from October 16, 2007 to October 25, 2007 both days inclusive. Transfers received in order at the Shares Department of the Company at the address given hereunder by close of working hours on October 15, 2007 shall be treated in time for the purpose of entitlement of cash dividend and bonus shares regarding the year ended June 30, 2007, 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](http://www.bolancastings.com)

## YEAR AT A GLANCE

<b>Particulars</b>	<b>June 30, 2007</b>	
	<b>Rs. (000)</b>	
Net Sales	869,672	
Profit Before Taxation	39,870	
Taxation	(13,832)	
Profit After Taxation	26,038	
Shareholders' Equity	325,355	
Capital Expenditure	70,606	
Total Assets	715,639	
<hr/>		
Break-Up Value Per Share	Rs.	58.88
Market Value Per Share	Rs.	77.00
Net Sales in Tonnage	M.T.	12,384
Earnings Per Share	Rs.	4.71
Dividend	%	20
Bonus Share	%	10
<hr/>		
Gross Profit Ratio	%	10.19
Current Ratio		1.54:1
Return on Equity	%	8





Pouring of Molten Metal from an Induction Furnace

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 25<sup>th</sup> Annual General Meeting of Bolan Castings Limited will be held at Factory / Registered Office of the Company Main RCD Highway, Hub Chowki, District Lasbella, Balochistan, Pakistan, on Thursday October 25, 2007 at 1000 hours to transact the following business:-

## A. ORDINARY BUSINESS

1. To confirm the minutes of the 24<sup>th</sup> Annual General Meeting.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2007 together with the Directors' and Auditors' reports thereon.
3. To appoint auditors for the year ending June 30, 2008 and to fix their remuneration. Present Auditors M/s. A.F.Ferguson & Co., Chartered Accountants retire and being eligible offer themselves for re-appointment.
4. To approve payment of dividend as recommended by the Directors.

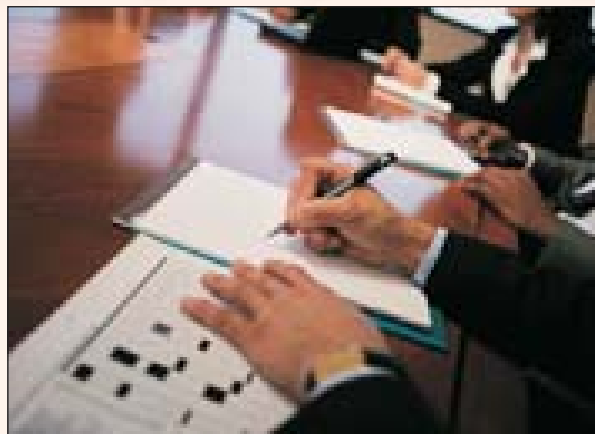
## B. SPECIAL BUSINESS

5. To consider and if thought fit to approve issuance of 10% bonus shares by passing the following resolution as an ordinary resolution:

**RESOLVED** that a sum of Rs. 5,525,307/- (rounded to Rs. 5,525,310/-) out of the profit available for appropriations as at June 30, 2007 be capitalized and be applied to the issue of 552,530.7 (rounded to 552,531) ordinary shares of Rs. 10/- each allotted as fully paid bonus shares to the members whose names appear in the register of members as at close of business on October 15, 2007 in the proportion of one bonus share for every ten ordinary shares held i.e 10%.

**FURTHER RESOLVED** that these bonus shares shall rank pari passu in all respects with the existing shares except that these shares shall not qualify for the cash dividend declared for the financial year ended June 30, 2007.

**FURTHER RESOLVED** that the Directors be and are hereby authorized to consolidate all fractions of bonus shares and sell in the stock market and



pay the proceeds of sales when realized to the shareholders according to their entitlements.

**FURTHER RESOLVED** that the Directors be and are hereby authorized and empowered to give effect to this resolution and to do, cause to be done; all acts, deeds and things that may be necessary or required for the issue, allotment and distribution of bonus shares.

**FURTHER RESOLVED** and hereby agreed that Company Secretary be and is hereby authorized to complete all formalities related to issue of bonus shares.

## C. OTHER BUSINESS

6. 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 10, 2007

## Notes:

1. The Share Transfer Books of the Company shall remain closed from October 16, 2007 to October 25, 2007 (both days inclusive). Transfers received in order at the Shares Department of the Company at the address given hereunder by close of working hours on October 15, 2007 shall be treated in time for the purpose of entitlement of cash dividend and bonus shares regarding the year ended June 30, 2007.



## 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.

### STATEMENT UNDER SECTION 160 (1) (b) OF THE COMPANIES ORDINANCE, 1984.

This statement set out the material facts concerning the Special Business, given in agenda item No. 5 of the Notice.

The Directors are of the view that Company's financial position and its reserves justify the capitalization of free reserves amounting to Rs. 5,525,310/- for the issue of bonus shares in the proportion of one bonus share for every 10 ordinary shares held. The Directors directly or indirectly, are not personally interested in this issue except to the extent of their shareholding in the Company.

Pursuant to rule 6 (iii) of the Companies (Issue of Capital) Rules, 1996, the Auditors have certified that the free reserves retained after the issue of the bonus shares would be higher than twenty five percent of the enhanced paid-up capital.

# CHAIRMAN'S REVIEW

Dear Shareholders,



It is a pleasure for me to welcome you to the 25<sup>th</sup> 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, 2007.

## General Review on Performance of the Company

During the period under review, your Company had a record production of 13,543 MT of castings against 12,627 MT of same period last year. The net sales were 12,384 MT as against 11,969 MT of same period last year. The range of products comprises castings for tractors, automotives and others including exports.

## Operating Results

The sales revenue of the Company for the period under review were an all time high amounting to Rs.869.67 million as against Rs.802.76 million of the same period last year. The gross profit amounted to Rs.88.60 million as against Rs.102.24 million of same period last year.

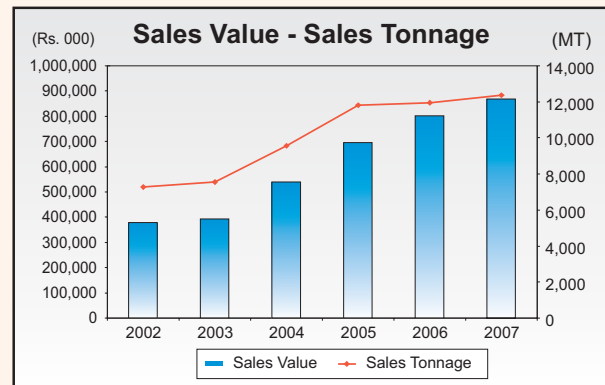
The selling, distribution and administrative expenses were Rs.24.32 million against Rs.17.64 million of last year.

The financial charges were substantially high at Rs.24.43 million as against Rs.8.72 million of the preceding year, mainly due to the long term loan that was arranged for plant expansion and the high working capital loan that remained fully utilized to finance raw material purchases and other operating expenses.

## General National Economic Review

The Country's economy maintained a strong growth in both the commodity producing sector and the service sector. However inflation remained high. In the year ended June 30, 2007 economy grew by 7% against 6.6 % of last year, agriculture grew by 5% against 1.6% of last year, manufacturing sector growth slowed to 8.4% against 10% of last year. Per capita income, regarded as one of the major indicators of economic well being of any country, rose to US\$925 from US\$833 last year.

Pakistan is an agro based country, in which agriculture has pivotal role to play. Due to this, the government is focusing on mechanized farming for improvement in productivity level.



## CHAIRMAN'S REVIEW

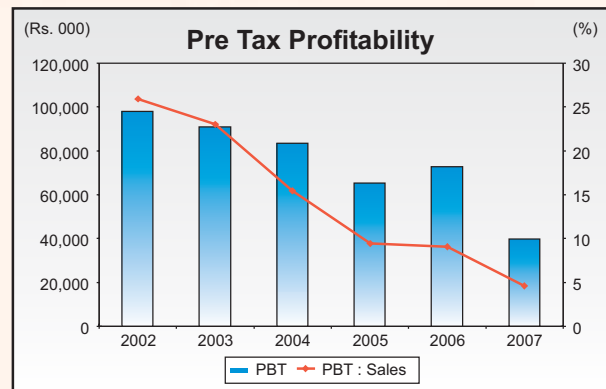
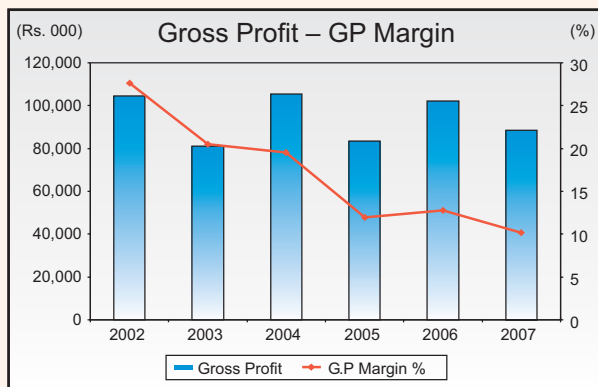
The profit before tax was Rs.39.87 million as against Rs.72.91 million of last year. The decrease in profit before tax was mainly due to substantial increase in raw material prices and higher financial charges. The income tax was Rs.13.83 million as against Rs.25.08 million of last year. The profit after tax was Rs.26.04 million against Rs.47.83 million of same period last year.

Your Directors are pleased to recommend cash dividend of 20% i.e. Rs.2.00 per share and additionally also recommend bonus shares @ 10% in the proportion of one bonus share for every ten ordinary shares held.

### Business Risks and Challenges

Sales of your Company's products are mainly to the tractor assemblers and manufacturers. Though we do not expect a substantial drop in sales of tractors, but any change in tractor sales may have a direct impact on our sales and profitability.

The non availability of machinery spare parts and quality raw materials from both international and national sources is a cause of concern and could result in production losses, for which management is taking necessary steps to minimize risk.



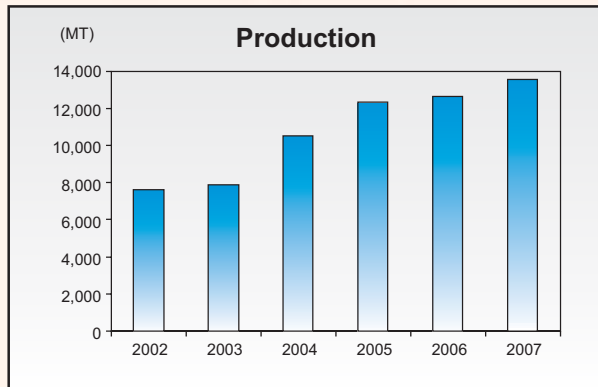
The influx of cheap Chinese products has made its existence felt in various market segments. Cheaper castings from this source, if made available, would increase the challenges for the Company.

Frequent electricity breakdowns are disrupting production schedules. To combat such a situation, we do have an alternate source of energy in the shape of in-house power generation. Frequent power failures affect quality and increases rejection rate.

### Plant Expansion

Your Company has recently completed its Plant expansion, which shall now result in substantially increased production. We did have start up issues but with the blessings of Almighty Allah, we have been able to resolve these issues and are endeavouring to maximize capacity utilization. Production capacity of plant has now increased to more than 18,000 MT per annum. This should help in boosting our sales of castings to both local and foreign customers and hopefully result in increased revenues and consequently improved return to shareholders.

## CHAIRMAN'S REVIEW



### Future Prospects

The plant expansion will increase production, improve efficiency by reducing the rejection rate and ultimate profitability of the Company.

Your Company will therefore have capacity to increase sales in the export market which has enormous potential.

At the Government level, guidelines are being developed for banking and insurance sectors to support the agricultural sector. Linked with agricultural sector, the tractor industry is expected to grow, adding to domestic sales of castings to the tractor industry.

### Contribution of Company Towards National Economic Development and Self Reliance.

The Company has a unique designed automotive foundry of its type in the Country. It has contributed in a large scale for the development of parts for agricultural tractors and automotive industry. Your Company has made large investments for the development of pattern toolings and has acquired expertise to design and manufacture the pattern equipment required for casting of components. The ongoing process of Research and Development in the Company is a source of strength for the production lines and for diversification.

Your Company being part of vending industry for tractors and auto industry has been a rich source of creating jobs and economic activity through its chain of supplies. Company on regular basis is contributing substantial amounts in national exchequer in shape of taxes, and reasonable return to shareholders.

### Human Resource Development

Human resource is the most valuable asset of your Company. Hiring of professionals to build and maintain an efficient team devoted to attain set targets of achievements is our main endeavour.

The Company has a balanced programme of employee in-service and post employment benefits and policies. Your Company has a Provident fund as well as Gratuity and Pension fund schemes for its old employees that help retain high caliber individuals for attainment of strategic plans. Recruitment in the Company is merit based and employee growth is performance based. Synchronization of both helps attaining higher productivity and our corporate goals.

Your Company gives a lot of emphasis to its training programmes for update and enhancement of the employee skills. Apart from it, Company also imparts on the job training to the unskilled workers, fresh diploma holders, engineers and MBAs which becomes a rich source for their career building.

The Labour Management agreement for the term of two years ending June 2008 has successfully been finalized which is a source of strength for the organisation.



## **CHAIRMAN'S REVIEW**

### **Safety, Health and Environment**

Your Company maintains proper safety equipment including fire fighting systems at plant site. The hazardous and flammable materials are properly protected. First aid facilities are our top priority. Medical checkups of employees are carried out periodically. Your Company has installed environment friendly equipment that helps avoiding air pollution to a minimum possible level. You would be pleased to know that the current year has been a major injury free year for the employees and contractors.

### **Performance Recognition**

Your Company attaches high priority to professionally presenting financial and regulatory information. In recognition of Company efforts, The Joint Committee of the Institute of Chartered Accountants of Pakistan & The Institute of Cost

& Management Accountants of Pakistan awarded for the third consecutive year a Certificate to the Company for Best Presented Report of the Year 2005 (third position) from the Engineering Sector.

### **Acknowledgement**

In the end, I would like to convey my appreciation to the Directors and entire BCL team including officers and workers for their dedicated efforts and contribution during the period under review and to our stakeholders on reposing their confidence in the Company.



Karachi  
September 10, 2007

**SIKANDAR M. KHAN**  
CHAIRMAN

# 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, 2007.

## General

Your 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.

## Appropriations

Following are the appropriations made during the year:

	(Rs. 000)
Un-appropriated profit brought forward	48,215
Final dividend for the year ended June 30, 2006	(27,626)
Transfer to general reserve	(20,000)
Profit after tax for the year ended June 30, 2007	26,038
Un-appropriated profit carried forward	<u>26,627</u>

## Dividends

The Directors have recommended cash dividend at the rate of Rs.2.00 per share i.e. 20%. 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 whose name appear on the register of shareholders of the Company at close of business on October 15, 2007.

## Subsequent Effects

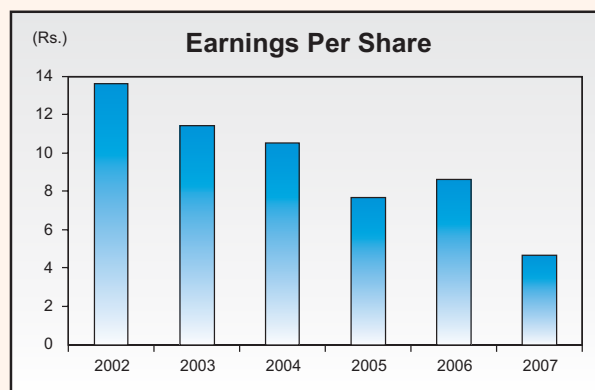
The cash dividend amounting to Rs.11.051 million for the financial year 2007 shall be reflected in the financial statements for the year ended June 30, 2008. However, this will have no bearing on payment of dividends to shareholders.

## Bonus Shares

In addition to cash dividend, the Directors have also recommended bonus shares in the proportion of one share for every ten shares (i.e. 10%) held by the Shareholders whose names are registered in the books of the Company at the close of business on October 15, 2007. However, these bonus shares shall not qualify for payment of cash dividend recommended for the financial year ended June 30, 2007.

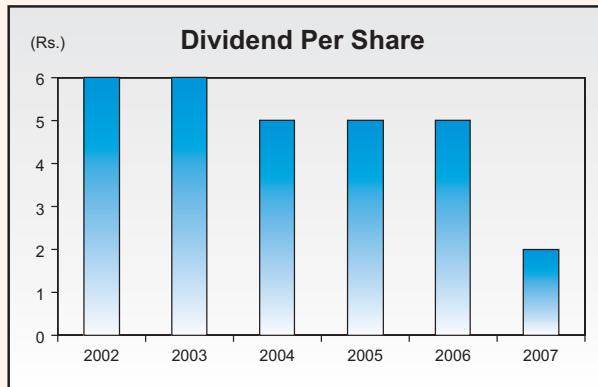
## Earnings Per Share

The earnings per share for the year ended June 30, 2007 was Rs.4.71 as against Rs.8.66 of preceding year.





## DIRECTORS' REPORT



### Risk Management

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

### Interest / Mark-up Rate Risk

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

### Credit Risk

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

### Foreign Exchange Risk

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.

### Liquidity Risk

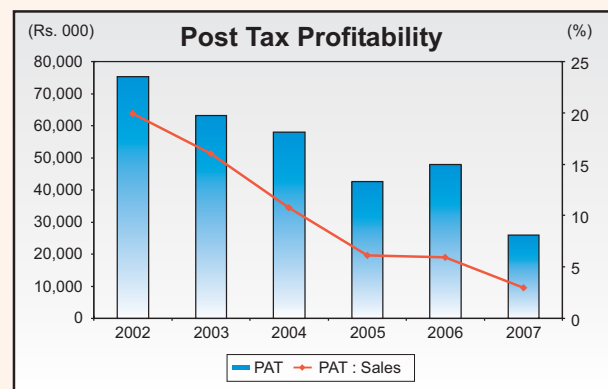
Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to effective cash management and planning policy, the Company aims at maintaining flexibility in funding by keeping committed credit lines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

### Corporate Governance

#### Compliance with the Code of Corporate Governance

The Board of Directors (the Board) remains committed to maintaining high standard of corporate governance, which it sees as a cornerstone in managing the business affairs of the Company and a fundamental part of discharging its stewardship responsibilities.

The Board has developed corporate governance framework which are directed towards achieving our business objectives in a manner which is responsible and in accordance with high standards of honesty, transparency and accountability. These principles are reflected in our vision / mission statements, overall corporate strategy and significant policy guidelines, which have been in place for many years and are kept under continual review in order to ensure that they remain at the forefront of best business practices. In addition, the principles set out within our statement of ethics and business practices are designed to help meet the expectations placed on us by our various stakeholders.





## **DIRECTORS' REPORT**

The Company has applied all the principles of good governance contained in the Code of Corporate Governance in organizational matters and the procedures adhered to in its financial reporting, internal control and assurance process.

The Board therefore considers that the Company has satisfied its obligation under the Code of Corporate Governance set out by the Karachi Stock Exchange in its Listing Regulations, relevant for the year ended June 30, 2007. Statements of Compliance with the Code of Corporate Governance, duly reviewed and certified by external auditors, are annexed to this report.

### **Board of Directors**

#### **The Board & its Responsibilities**

Effective management and good stewardship are led by the Board of Directors, which currently consists of eight elected directors plus the Chief Executive Officer (CEO) to be deemed as Director. Except for CEO all the Directors are non-executive directors.

The responsibility of the Board is to lead and supervise the Company in the conduct of its affairs and protect interests of shareholders and the Company as a whole. It exercises its powers pursuant to our articles of association, the relevant laws and regulations and regulatory requirements; it is responsible for supervising and controlling the governance structure and rules, defining our overall development strategies and approving our annual and quarterly accounts, strategic development plans, annual budgets and targets, capital expenditure and investment plans, supervising the effectiveness of our internal control

system and regulatory compliance of our operations, formulating a management system and managing the performance of the management of the Company. The Board delegated day-to-day management of the Company's business and administration to the management.

### **Chairman and Chief Executive Officer**

The positions of Chairman and the Chief Executive Officer are held by Mr. Sikandar M. Khan and Mr. Shahid A. Hakim respectively. The separation of functions ensures greater independence between the Board and the management. There is a clear division of responsibilities between the roles of the Chairman and the CEO.

The Chairman is amongst the non-executive directors and is responsible for chairing and managing the Board, as well as focusing on major strategic issues and corporate governance. The Chairman is also responsible for effective operation of the Board, in terms of its agenda, decision making and the utilization of the skills and experience of the Directors.

The Chief Executive Officer is responsible for running the Company affairs and leading the executive and operational teams in implementing overall strategies approved by the Board.

### **Change of the Chief Executive Officer and Director**

On attaining age of superannuation, Mr. Javaid Ashraf retired as Chief Executive Officer of the Company in December 2006 and was succeeded by Mr. Shahid A. Hakim, who was appointed as Chief Executive Officer of the Company by



## DIRECTORS' REPORT

the Board of Directors on the following terms:

- To perform duties as Chief Executive Officer as per law and laid down procedures.
- Salary and allowances not exceeding Rs. 4.0 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. Shahid A. Hakim is deemed to be a Director of the Company.

In April 2007, Mr. Asif Jameel, NIT Nominee Director, had resigned from the Board and in his place Mr. Sajid Hassan was co-opted as NIT Nominee Director.

The Board of Directors wishes to place on record its appreciation on the most commendable services rendered by the outgoing Director and Chief Executive Officer during their respective tenures. The Board of Directors also welcomed and congratulated the incoming Director and Chief Executive Officer and expected a positive contribution towards the success of the Company from them.

### Board Meetings

The Board of Directors met at least 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.

All Directors are aware of their responsibilities to take decisions objectively in the interest of the Company. The Chairman always seeks to obtain consensus at Board meetings before taking decision.

The Board ensures that all Directors have opportunities to include issues for discussion in the agenda. Notices of the Board Meetings and all documents for the meetings are delivered to the Directors at least seven days before holding of the meetings.

The Company Secretary keeps close liaison with all Directors and ensures operation of the Board is in line with the procedures.

Additionally, the Company Secretary is responsible for compiling and submitting the minutes of meetings to all Directors, for their review, circulated within fourteen days of the date of meeting.

The Board held five scheduled meetings during the year, all of which were presided over by the Chairman of the Board of Directors. 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:

## DIRECTORS' REPORT

Name of Directors	No. of Meetings Attended	Leave of Absence Granted
Mr. Sikandar M. Khan	5 of 5	—
Mr. Shahid A. Hakim*	3 of 3	—
Mr. Latif Khalid Hashmi	5 of 5	—
Mr. Sohail Bashir Rana	4 of 5	1
Mr. Laeeq Uddin Ansari	4 of 5	1
Mr. Mian Muhammad Saleem	5 of 5	—
Mr. Bashir Ahmed Chaudhry	2 of 5	3
Mr. Javed Munir	4 of 5	1
Mr. Sajid Hassan (NIT Nominee)**	1 of 2	1
Mr. Javaid Ashraf ***	2 of 2	—
Mr. Asif Jameel (NIT Nominee)****	0 of 3	3

\* Appointed as CEO w.e.f. December 08, 2006

\*\* Appointed on the Board w.e.f. April 27, 2007

\*\*\* Retired as CEO w.e.f. December 07, 2006

\*\*\*\* Resigned from the Board w.e.f. April 27, 2007

### Board Committees

The Board has established two committees under their supervision, namely the Audit Committee and the Board's Committee for Supervision (BCS). Both committees have written charters and are provided with sufficient resources to perform their duties. The committees report their decisions and recommendations to the Board of Directors in the Board Meetings.

#### Audit Committee

During the year the Board of Directors has reconstituted the Audit Committee, comprising the members as follows:

1- Mr. Latif Khalid Hashmi	Chairman
2- Mr. Mian Muhammad Saleem	Member
3- Mr. Sajid Hassan	Member

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

The Board has determined that the Committee members have the skills and experience necessary to contribute meaningfully to the committee's deliberation. In addition, the Chairman of the Committee is a Chartered Accountant with

expertise and experience in accounting and financial management.

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 main responsibilities of the Audit Committee include:

Considering and recommending to Board of Directors for approval of the appointment, reappointment, resignation or removal of external auditors and their fees; reviewing intended publications of results and quarterly, half yearly and annual financial statements, the estimates and judgment applied by management in preparation of those statements and any change in financial reporting requirement; coordinating and discussing with external auditors any problems and comments raised during statutory audit; reviewing any correspondence from the external auditors to the management and the responses of the management; ensuring the efficacy and reliability of internal controls, effectiveness of the Company's Internal Audit functions and its relationship with external auditors.



## **DIRECTORS' REPORT**

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.

Six meetings of Audit Committee were held during the financial year. The proceedings of meetings are properly recorded by Secretary Audit Committee and minutes of meetings are circulated to all Members, Directors and Chief Financial Officer within fortnight of date of meetings. The proceedings of Audit Committee meetings are also reviewed and discussed in the Board meetings, held subsequently after Audit Committee meetings.

### **Board's Committee for Supervision (BCS)**

During the year, the Board of Directors has reconstituted the Board's Committee for Supervision (BCS) which now comprises the following Directors:

1- Mr. Sikandar M Khan	Chairman
2- Mr. Latif Khalid Hashmi	Member
3- Mr. Laeeq Uddin Ansari	Member
4- Mr. 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

Committee also reviews the operating and financial performance on monthly basis.

The meetings of BCS were held once in every month. The CEO and all departmental heads also attended the meetings. The minutes of meetings were properly recorded and circulated to all concerned.

### **Management Committees**

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

#### **Business Strategy Committee**

The Business Strategy Committee assists Board of Directors in devising short term and long term business plans and suggests strategies for achievement of organizational objectives.

#### **System & Technology Committee**

Systems provide solid base for any type of 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.



## **DIRECTORS' REPORT**

### **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 monitor and facilitate the accomplishment of the Company's business objectives, safeguard its assets against loss and misappropriation, ensure maintenance of proper accounting records for the provision of reliable financial information, ensure compliance with applicable laws, rules and regulations and to provide reasonable, but not absolute, assurance against material misstatement or loss.

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.

The Company has an effective Internal Audit Department which plays a key role in providing an objective view and continuous reassurance of the effectiveness of the risk management and related control systems. The internal audit department reports directly to the Audit Committee and is independent of the Company's daily operation accounting functions. Internal Audit focuses on efficiency, accountability and internal controls. It contributes to the strengthening of operation and improvement in internal control systems of 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 2007-2008.

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**

The Board is fully aware of its responsibility in respect of corporate and financial reporting framework as recognized by the Code of Corporate Governance. The Directors of your Company are of the view that:

## DIRECTORS' REPORT

- a) The financial statements, prepared by the management of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- b) Proper books of accounts of the Company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparations of financial statements except for those as stated in the notes to the financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- e) The system of internal controls is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts upon the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations of Stock Exchange.

### Operating and Financial Summary

A summary of key operating and financial data alongwith key ratios of the Company for last decade is annexed to the report.

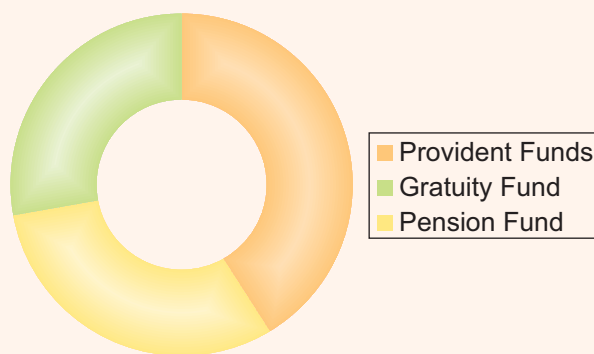
### Taxation

Please refer to note 28 to the financial statements for details regarding taxation of the Company.

### Investment of Retirement Benefits Funds

The values of investments of Provident Funds, Gratuity Fund and Pension Fund based on their un-audited accounts as on June 30, 2007 (audit in progress) were as follows:

Provident Funds	Rs. 60.815 million
Gratuity Fund	Rs. 45.466 million
Pension Fund	Rs. 40.953 million



### Trading in the Company Shares

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.

### Pattern of Shareholdings

The pattern of shareholdings alongwith their categorized detail is annexed to the report.

On Behalf of the Board

**SHAHID A. HAKIM**  
CHIEF EXECUTIVE

Karachi  
September 10, 2007

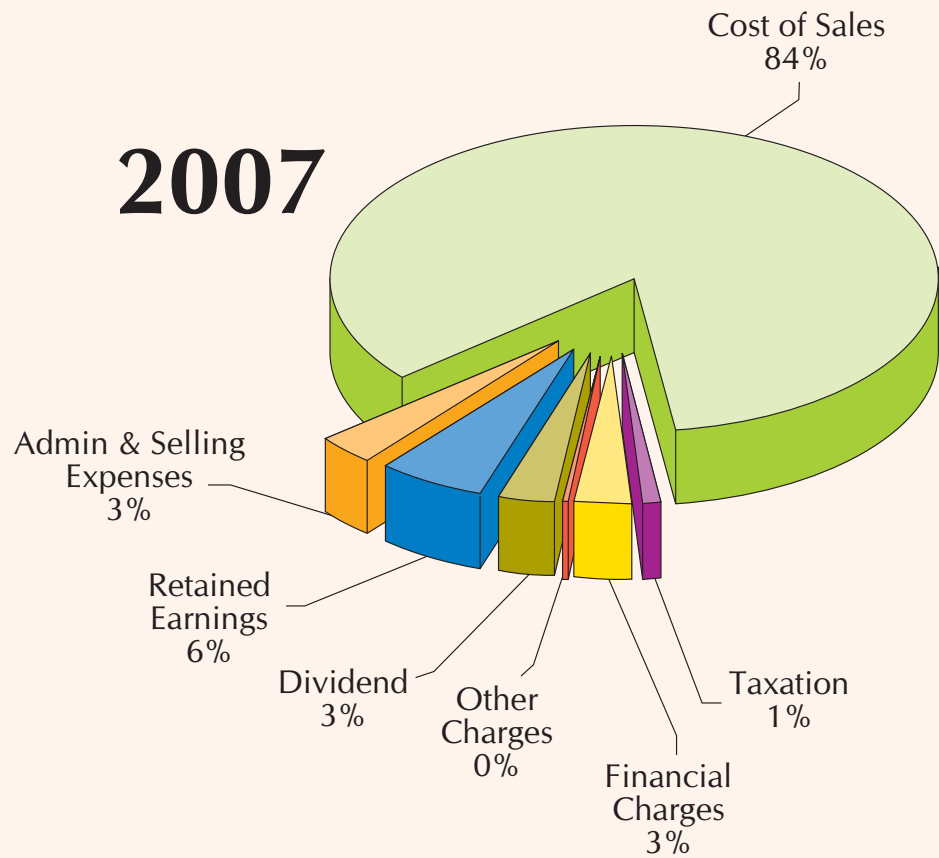


Moulding Machine

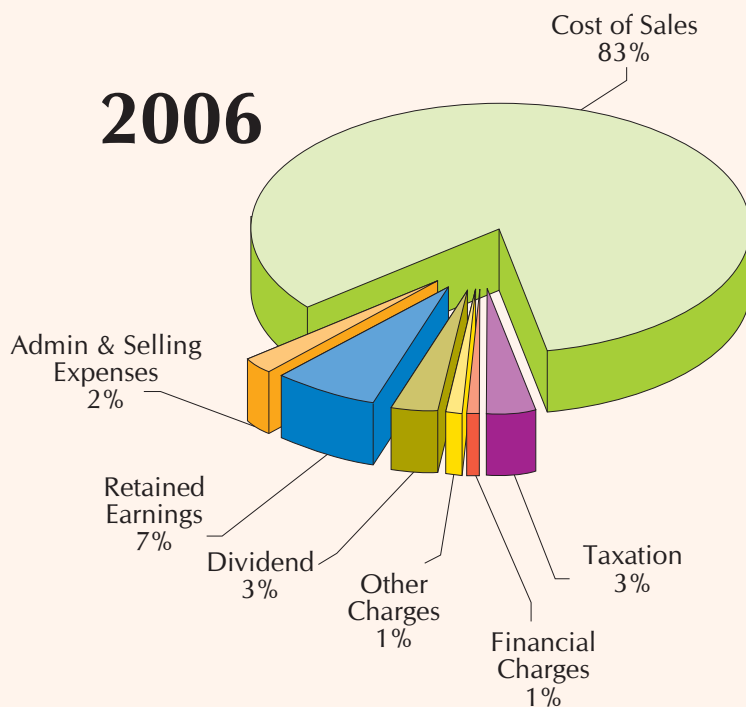


# APPLICATION OF REVENUE

## 2007



## 2006

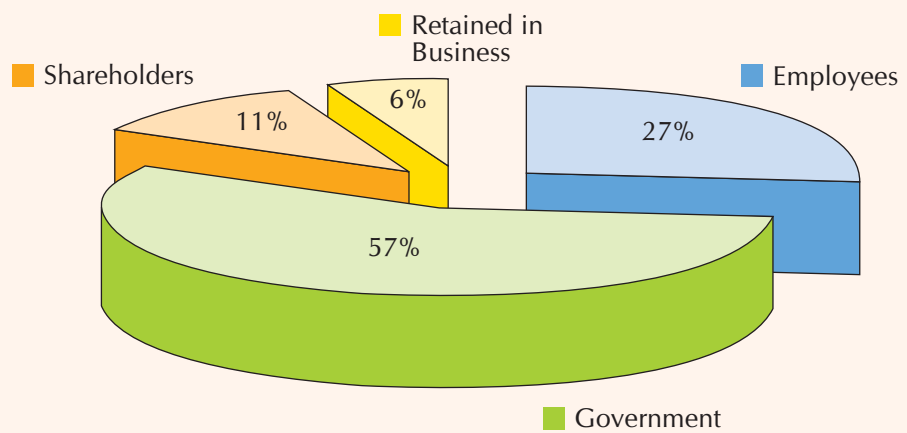


## STATEMENT OF VALUE ADDED & ITS DISTRIBUTION

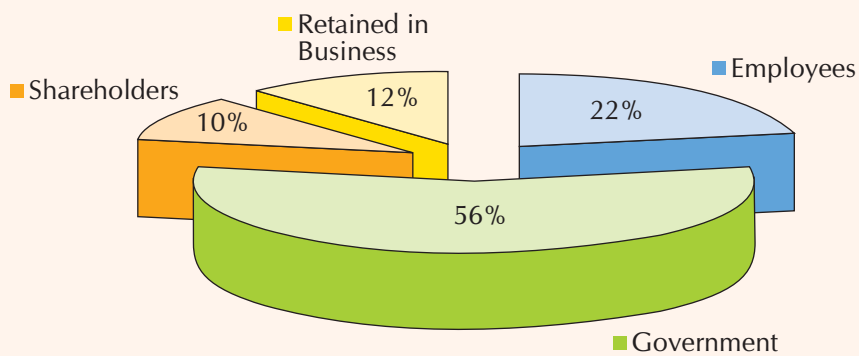
PARTICULARS	2007		2006	
	(Rupees in thousand)			
<b>VALUE ADDED</b>				
Sales inclusive of sales tax	1,001,971		921,505	
Materials and services	(720,018)		(648,856)	
Other operating income (net)	2,997		2,328	
Finance cost	(24,429)		(8,724)	
	<u>260,521</u>		<u>266,253</u>	
<b>DISTRIBUTION TO:</b>		%		%
<b>EMPLOYEES</b>				
Salaries, wages and benefits	67,704	26	57,412	22
Workers' Profit Participation Fund	1,366	1	840	0
	<u>69,070</u>	27	<u>58,252</u>	22
<b>GOVERNMENT</b>				
Income tax	13,832	5	25,084	9
Sales tax	132,299	51	118,744	45
W.P.P.F & W.W.F	1,611	1	4,452	2
	<u>147,742</u>	57	<u>148,280</u>	56
<b>SHAREHOLDERS</b>				
Dividend	27,627	11	27,627	10
<b>RETAINED IN BUSINESS</b>				
Depreciation & Retained profit	16,082	6	32,094	12
	<u>260,521</u>	<u>100</u>	<u>266,253</u>	<u>100</u>

# DISTRIBUTION OF VALUE ADDITION

## 2007



## 2006

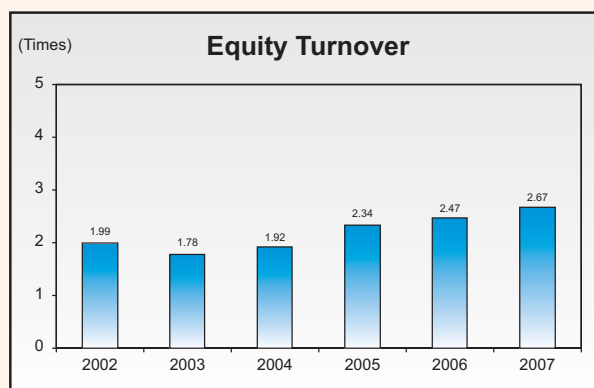
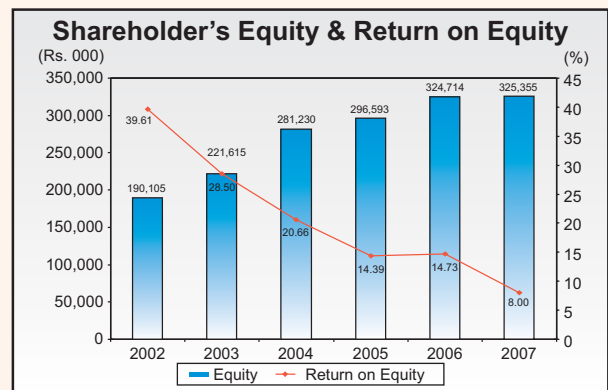
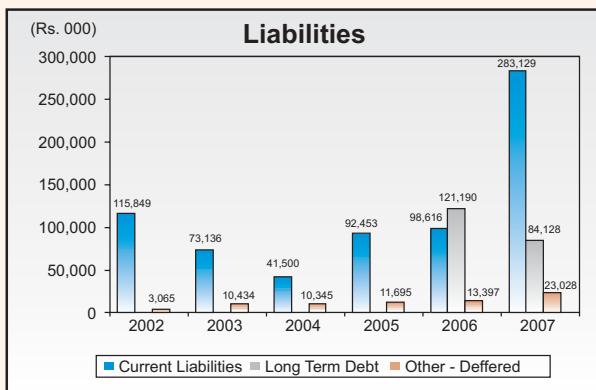
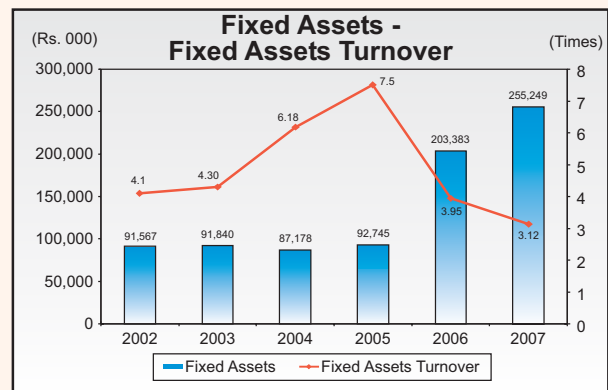
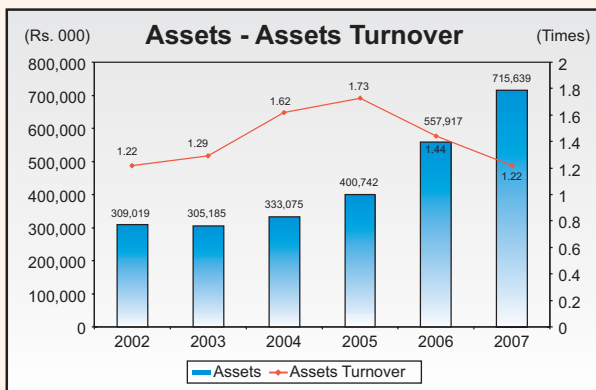
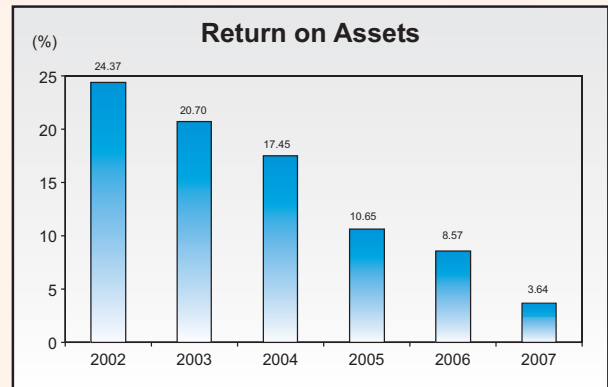
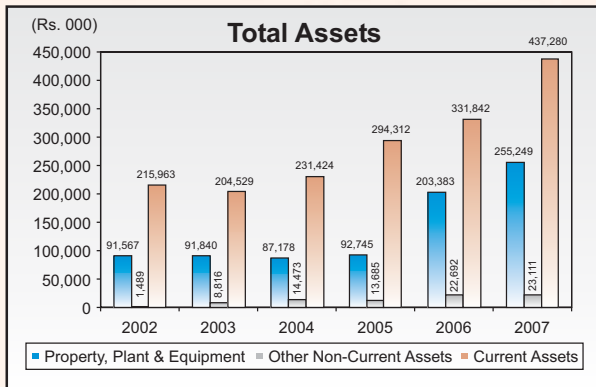


# DECADE AT A GLANCE

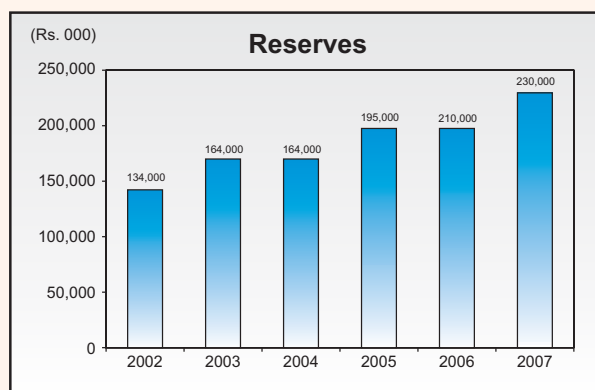
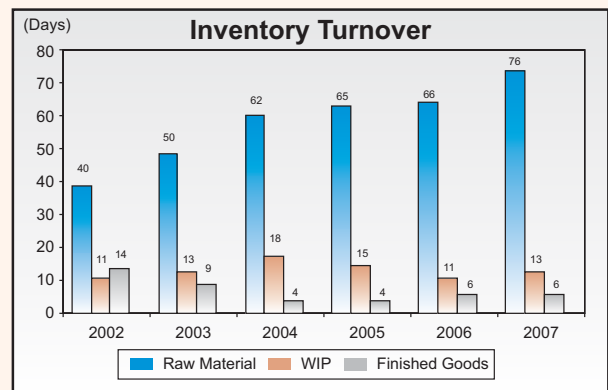
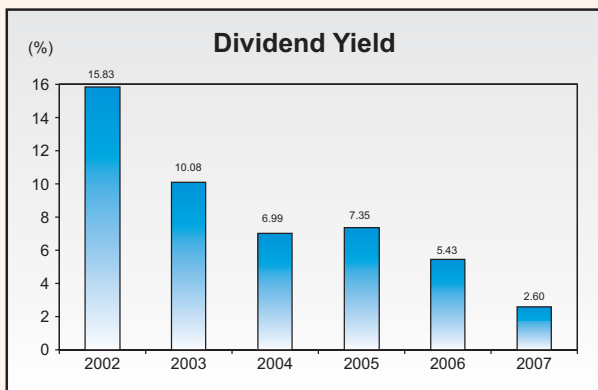
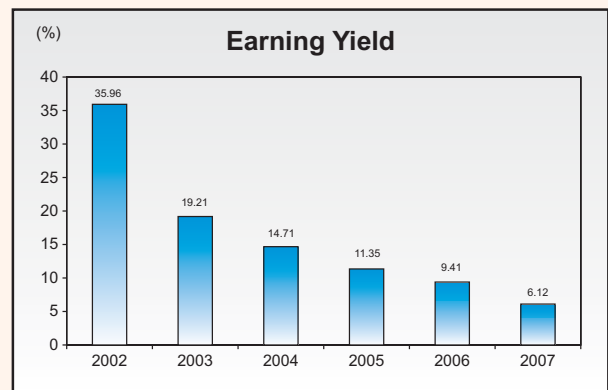
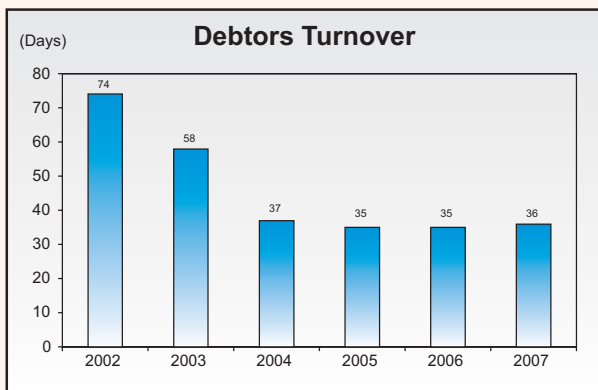
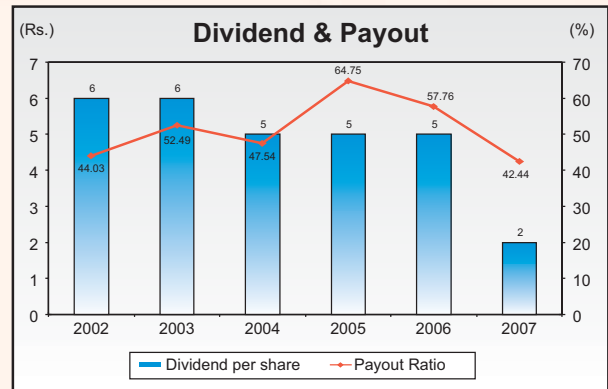
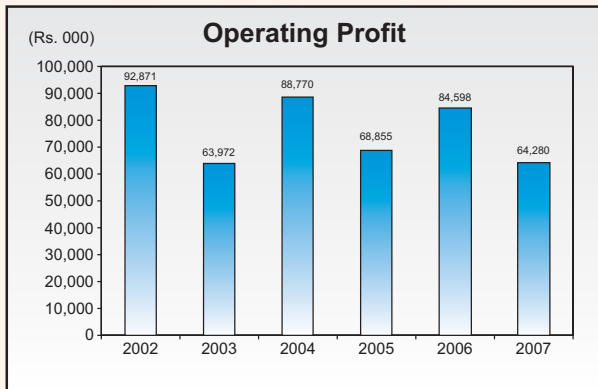
Year ended 30 <sup>th</sup> June	(Rupees in Thousand)									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>INCOME</b>										
Net Sales	869,672	802,761	695,077	538,765	394,786	378,139	469,752	457,257	406,021	206,046
Gross Profit	88,600	102,241	83,367	105,375	80,999	104,521	117,475	104,673	87,521	43,808
Operating profit	64,280	84,598	68,855	88,770	63,972	92,871	102,970	90,036	74,027	28,981
Profit before Tax	39,870	72,910	65,348	83,378	90,829	97,897	97,095	80,995	50,520	32,713
Profit after Tax	26,038	47,826	42,665	58,115	63,160	75,293	61,638	52,796	33,764	8,063
<b>FINANCIAL POSITION</b>										
Current Assets	437,280	331,842	294,312	231,424	204,529	215,963	243,496	143,203	187,597	128,276
Less: Current Liabilities	283,129	98,616	92,453	41,500	73,136	115,849	179,493	112,786	131,731	78,227
Net Working Capital	154,151	233,226	201,858	189,924	131,393	100,114	64,003	30,417	55,866	50,049
Property, Plant and Equipment	255,249	203,383	92,745	87,178	91,840	91,567	85,292	84,748	88,806	96,428
Others-Non Current Assets	23,111	22,692	13,685	14,473	8,816	1,489	1,479	1,896	1,858	3,127
	432,510	459,301	308,288	291,575	232,049	193,170	150,774	117,061	146,530	149,604
Less: Long Term Debts	84,128	121,190	-	-	-	-	-	-	60,000	83,374
Other Liabilities	23,028	13,397	11,695	10,345	10,434	3,065	2,809	3,107	3,271	2,921
<b>Shareholders' Equity</b>	<b>325,355</b>	<b>324,714</b>	<b>296,593</b>	<b>281,230</b>	<b>221,615</b>	<b>190,105</b>	<b>147,965</b>	<b>113,954</b>	<b>83,259</b>	<b>63,309</b>
<b>REPRESENTED BY:</b>										
Share Capital	55,253	55,253	55,253	55,253	55,253	55,253	55,253	55,253	55,253	55,253
Reserves	230,000	210,000	195,000	164,000	164,000	134,000	92,000	58,000	28,000	8,000
Unrealized Gain on Long Term Investment	13,475	11,247	3,325	3,000	1,500	-	-	-	-	-
Unappropriated Profit/(Loss)	26,627	48,214	43,015	58,977	862	852	712	701	6	56
<b>Net Capital Employed</b>	<b>325,355</b>	<b>324,714</b>	<b>296,593</b>	<b>281,230</b>	<b>221,615</b>	<b>190,105</b>	<b>147,965</b>	<b>113,954</b>	<b>83,259</b>	<b>63,309</b>
<b>PRODUCTION / SALES</b>										
Production Capacity Installed (MT)	10,367	7,450	5,700	5,700	5,700	5,700	5,700	5,700	5,700	5,700
Production Capacity Attained ( MT)	13,543	12,627	12,320	10,532	7,868	7,615	9,441	9,419	8,353	3,977
Capacity Ratio ( % )	131	169	216	185	138	134	166	165	147	70
Net Sales ( MT )	12,384	11,969	11,806	9,550	7,568	7,260	9,051	8,855	7,785	3,706
<b>MARKET VALUE RATIOS</b>										
Break up value of a Share of Rs.10/-each	58.88	58.77	53.68	50.90	40.11	34.41	26.78	20.62	15.07	11.46
Dividend (Rupees per share)	2.00	5.00	5.00	5.00	6.00	6.00	5.00	4.00	2.50	1.50
Dividend ( % )	20.00	50	50	50	60	60	50	40	25	15
<b>PROFITABILITY RATIOS</b>										
Gross Profit Ratios %	10.19	12.74	11.99	19.56	20.52	27.64	25.01	22.89	21.56	21.26
Profit before Tax to Sales ( % )	4.58	9.08	9.40	15.48	23.01	25.89	20.67	17.71	12.44	15.88
Profit after Tax to Sales ( % )	2.99	5.96	6.14	10.79	16.00	19.91	13.12	11.55	8.32	3.91
Basic Earnings per share - EPS ( Rs.)	4.71	8.66	7.72	10.52	11.43	13.63	11.16	9.56	6.11	1.46
Earning Yield - year end price (%)	6.12	9.41	11.35	14.71	19.21	35.96	29.21	29.42	33.03	29.20
Price Earning Ratio - year end price	16.34	10.62	8.81	6.80	5.20	2.78	3.42	3.40	3.03	3.42
Dividend Payout (%)	42.44	57.76	64.75	47.54	52.49	44.03	44.82	41.86	40.91	102.79
Dividend Yield Ratio (%)	2.60	5.43	7.35	6.99	10.08	15.83	13.09	12.31	13.51	30.00
Return on Equity ( % )	8.00	14.73	14.39	20.66	28.50	39.61	41.66	46.33	40.55	12.74
Return on Assets (%)	3.64	8.57	10.65	17.45	20.70	24.37	18.66	22.97	12.13	3.54
<b>LIQUIDITY RATIOS</b>										
Current Ratio	1.54:1	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
Quick Ratio	0.62:1	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
<b>ACTIVITY RATIOS</b>										
Raw material Inventory Turnover - (days)	76	66	65	62	50	40	32	44	49	61
WIP Inventory Turnover - (days)	13	11	15	18	13	11	6	7	10	13
Finished Goods Inventory Turnover - (days)	6	6	4	4	9	14	10	10	17	51
Debtors Turnover Ratio - (days)	36	35	35	37	58	74	45	37	44	69
Assets Turnover - (times)	1.22	1.44	1.73	1.62	1.29	1.22	1.42	1.99	1.46	0.90
Fixed Assets Turnover - (times)	3.12	3.95	7.50	6.18	4.30	4.1	5.51	5.40	4.57	2.14
<b>LEVERAGE RATIOS</b>										
Equity Turnover - (times)	2.67	2.47	2.34	1.92	1.78	1.99	3.17	4.01	4.88	3.25
Debt-Equity Ratio	21:79	27:73	0:100	0:100	0:100	0:100	0:100	0:100	42:58	57:43
<b>SHARE PRICE- (Rs.)</b>										
Highest	114.65	98.70	87.85	73.95	62.00	45.00	39.75	55.75	34.25	6.00
Lowest	68.00	59.85	59.80	50.00	35.45	31.50	32.00	26.00	8.00	3.00
Average	91.33	79.28	73.83	61.98	48.73	38.25	35.38	40.88	21.13	4.50
At the year end	77.00	92.00	68.00	71.50	59.50	37.90	38.20	32.50	18.50	5.00

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

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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancies occurred in the Board of Directors of the Company during the year ended June 30, 2007 were filled up by directors within 30 days thereof.
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 three 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 10, 2007

  
**SHAHID A. HAKIM**  
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, 2007.



Chartered Accountants  
Karachi

Dated: September 10, 2007




## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Bolan Castings Limited as at June 30, 2007 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, 2007 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

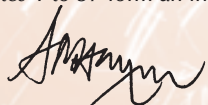
Dated: September 10, 2007

# BALANCE SHEET

AS AT JUNE 30, 2007

	Note	2007 Rupees	2006 Rupees
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	3	255,248,879	203,382,716
Long term investment	4	18,975,000	16,746,875
Long term loans	5	577,300	580,900
Long term deposits		3,558,660	3,565,160
Deferred taxation		-	1,799,317
		<b>278,359,839</b>	<b>226,074,968</b>
<b>Current Assets</b>			
Stores, spares and loose tools	6	54,237,455	54,230,564
Stock-in-trade	7	206,713,192	125,315,316
Trade debts	8	101,689,808	71,250,806
Loans and advances	9	10,800,133	18,340,394
Deposits and short term prepayments	10	17,529,657	13,660,650
Other receivables	11	3,949,205	1,318,707
Taxes recoverable		24,129,127	10,555,740
Cash and bank balances	12	18,230,925	37,170,081
		<b>437,279,502</b>	<b>331,842,258</b>
<b>TOTAL ASSETS</b>		<b>715,639,341</b>	<b>557,917,226</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital</b>			
<b>Reserves</b>	13	55,253,070	55,253,070
	14	270,101,525	269,461,526
		<b>325,354,595</b>	<b>324,714,596</b>
<b>Non-Current Liabilities</b>			
Long term finance - secured	15	84,127,670	121,189,837
Deferred taxation	16	7,838,399	-
Deferred liabilities	17	15,189,714	13,397,147
		<b>107,155,783</b>	<b>134,586,984</b>
<b>Current Liabilities</b>			
Current portion of long term finance	15	36,250,000	17,312,834
Trade and other payables	18	70,987,837	53,648,744
Accrued interest/mark-up		3,898,836	1,503,192
Short term borrowings	19	171,992,290	26,150,876
		<b>283,128,963</b>	<b>98,615,646</b>
Contingencies and Commitments	20		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>715,639,341</b>	<b>557,917,226</b>

The annexed notes 1 to 37 form an integral part of these financial statements.



**SHAHID A. HAKIM**  
CHIEF EXECUTIVE



**SIKANDAR M. KHAN**  
CHAIRMAN

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007 Rupees	2006 Rupees
Sales - net	21	869,672,061	802,761,248
Cost of goods sold	22	(781,071,763)	(700,519,901)
<b>Gross profit</b>		<b>88,600,298</b>	<b>102,241,347</b>
Selling and distribution expenses	23	(5,103,947)	(2,837,014)
Administrative expenses	24	(19,216,213)	(14,805,898)
Other operating expenses	25	(2,977,699)	(5,342,920)
		<b>(27,297,859)</b>	<b>(22,985,832)</b>
		<b>61,302,439</b>	<b>79,255,515</b>
Other operating income	26	2,997,160	2,378,213
<b>Profit from operations</b>		<b>64,299,599</b>	<b>81,633,728</b>
Finance costs	27	(24,429,169)	(8,723,687)
<b>Profit before taxation</b>		<b>39,870,430</b>	<b>72,910,041</b>
Taxation	28	(13,832,021)	(25,084,010)
<b>Profit after taxation</b>		<b>26,038,409</b>	<b>47,826,031</b>
Earnings per share - basic and diluted (Rupees)	32	<b>4.71</b>	<b>8.66</b>

The annexed notes 1 to 37 form an integral part of these financial statements.



**SHAHID A. HAKIM**  
CHIEF EXECUTIVE



**SIKANDAR M. KHAN**  
CHAIRMAN

## CASH FLOW STATEMENT

### FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007 Rupees	2006 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	30	(9,114,935)	43,990,821
Net decrease/(increase) in long term loans		3,600	(58,200)
Net decrease/(increase) in long term trade deposits		6,500	(2,250,000)
Taxes paid		(17,767,692)	(11,178,251)
Retirement benefits paid		(2,629,870)	(1,792,049)
Financial charges paid		(22,033,525)	(7,641,904)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(51,535,922)</b>	<b>21,070,417</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(70,605,621)	(123,512,634)
Proceeds from disposal of operating assets		1,834,525	979,985
Return on bank deposits received		1,158,739	1,376,494
<b>Net cash outflow from investing activities</b>		<b>(67,612,357)</b>	<b>(121,156,155)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of long term loan		(18,125,001)	-
Proceeds from long term loan		-	138,502,671
Finance against trust receipt		60,000,000	(19,826,353)
Dividend paid		(27,507,290)	(27,528,215)
<b>Net cash inflow from financing activities</b>		<b>14,367,709</b>	<b>91,148,103</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(104,780,570)</b>	<b>(8,937,635)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>11,019,205</b>	<b>19,956,840</b>
<b>Cash and cash equivalents at end of the year</b>	31	<b>(93,761,365)</b>	<b>11,019,205</b>

The annexed notes 1 to 37 form an integral part of these financial statements.



**SHAHID A. HAKIM**  
CHIEF EXECUTIVE



**SIKANDAR M. KHAN**  
CHAIRMAN

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2007

	Share Capital	General Reserve	Unrealised Gain on Long Term Investment (Rupees)	Unappropriated Profit	Total
<b>Balance as on June 30, 2005</b>	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)	-
<b>Balance as on June 30, 2006</b>	55,253,070	210,000,000	11,246,875	48,214,651	324,714,596
Profit for the year	-	-	-	26,038,409	26,038,409
Final dividend for the year ended June 30, 2006 (@ Rs. 5 per share)	-	-	-	(27,626,535)	(27,626,535)
Unrealised gain due to change in fair value of long-term investment	-	-	2,228,125	-	2,228,125
Transfer to general reserve	-	20,000,000	-	(20,000,000)	-
<b>Balance as on June 30, 2007</b>	<b>55,253,070</b>	<b>230,000,000</b>	<b>13,475,000</b>	<b>26,626,525</b>	<b>325,354,595</b>

The annexed notes 1 to 37 form an integral part of these financial statements.



**SHAHID A. HAKIM**  
CHIEF EXECUTIVE



**SIKANDAR M. KHAN**  
CHAIRMAN

# **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2007**

## **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. The registered office of the Company is situated at main RCD Highway, Hub Chowki, District Lasbela, Balochistan, Pakistan. Its main business activity is to undertake castings of tractors and automotive parts.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **2.1 Basis of preparation**

**2.1.1** 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.

**2.1.2** These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as notified under the provisions of the Ordinance. 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.

### **2.1.3 Critical accounting estimates and judgements**

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 set out below:

- Residual values and useful lives of property, plant and equipment (note 2.2)
- Provision for impairment of non-financial assets (note 2.8)
- Provision for impairment of trade debts and other receivables (note 2.6)
- Provision for taxation (note 2.14)
- Recognition and measurement of deferred tax assets and liabilities (note 2.14)
- Obligation under staff retirement benefits (note 2.10)

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

### **2.1.4 Amendments to published standards and new interpretations effective in 2006.**

IAS 19 (Amendment), Employee Benefits, is mandatory for the Company's accounting periods beginning on or after January 1, 2006. It introduces the option of an alternative recognition approach for actuarial gains and losses. It also adds new disclosure requirements. As the Company does not intend to change the accounting policy adopted for recognition of actuarial gains and losses, adoption of this amendment only impacts the format and extent of disclosures presented in the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

IFRIC 4, Determining whether an arrangement contains a Lease, is applicable to the Company's financial statements covering accounting periods beginning on or after January 1, 2006. IFRIC 4 requires the determination that whether an arrangement is or contains a lease to be based on the substance of the arrangement. In addition, it requires an assessment of whether: (a) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. The Company has assessed its arrangements with its suppliers and customers and is of the view that these arrangements do not contain arrangements which meet the criteria for recognition as lease, as laid down in IFRIC 4.

### 2.1.5 Standards, amendments and interpretations effective in 2006 but not relevant.

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2006 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

### 2.1.6 Amendments/Interpretations to existing standards that are not yet effective and have not been earlier adopted by the Company.

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than extent of disclosures in certain cases:

IAS 1 - Presentation of financial statements - amendments relating to capital disclosures	Effective from accounting period beginning on or after January 1, 2007
IFRS 2 - Share-based payment	Effective from accounting period beginning on or after January 1, 2007
IFRS 3 - Business combinations	Effective from accounting period beginning on or after January 1, 2007
IFRS 5 - Non-current assets held for sale and discontinued operations	Effective from accounting period beginning on or after January 1, 2007
IFRS 6 - Exploration for and evaluation of mineral resources	Effective from accounting period beginning on or after January 1, 2007
IFRIC 10 - Interim financial reporting and impairment	Effective from accounting period beginning on or after November 1, 2006
IFRIC 11 - Group and treasury share transactions	Effective from accounting period beginning on or after March 1, 2007
IFRIC 12 - Service concession arrangements	Effective from accounting period beginning on or after January 1, 2008

## NOTES TO THE FINANCIAL STATEMENTS

### 2.2 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. Depreciation on additions is charged from the month in which the asset is available for use and on disposals upto the preceding month of disposal. Assets residual values and useful lives are reviewed, and adjusted, if appropriate at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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.

### 2.3 Financial instruments

#### Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### (a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets. There were no financial assets held for trading at the balance sheet date.

#### (b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables are classified as trade debts, loans, deposits and other receivables in the balance sheet.

#### (c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date.



## NOTES TO THE FINANCIAL STATEMENTS

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised on trade date, the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Changes in the fair value of securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the Company's right to receive payments is established.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the Company measures the investments at cost.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade receivables is described in note 2.6.

### Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit and loss account.

### 2.4 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.

### 2.5 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.

## NOTES TO THE FINANCIAL STATEMENTS

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.

### 2.6 Trade debts and other receivables

Trade debts and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method less provision for impairment. A provision for impairment is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is charged to profit and loss account. Trade debts and receivables are written off when considered irrecoverable.

### 2.7 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.

### 2.8 Impairment of non-financial assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Impairment losses are charged to profit and loss account.

### 2.9 Equity instruments

These are recorded at their face value.

### 2.10 Staff retirement benefits

#### 2.10.1 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2.10.2 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.

### 2.10.3 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.

### 2.10.4 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.

### 2.10.5 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2.11 Trade and other payables

These are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liability.

### 2.12 Short term borrowings

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

### 2.13 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.

### 2.14 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.

### 2.15 Foreign currency transaction and 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2.16 Offsetting of financial assets and liabilities

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.

### 2.17 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.

### 2.18 Borrowing costs

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

### 2.19 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)

2007 Rupees	2006 Rupees
251,590,374	88,415,101
<u>3,658,505</u>	<u>114,967,615</u>
<u>255,248,879</u>	<u>203,382,716</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 3.1 Operating assets

	Land Freehold	Building on Freehold Land	Plant & Machinery	Electrical & Gas Installations	Furniture and Fittings	Electrical Appliances	Office Equipments	Computers	Vehicles	TOTAL
Rupees										
<b>As at July 1, 2005</b>										
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	21,878,577	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)	(9,818,567)	(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>12,060,010</u>	<u>87,597,118</u>
<b>Year ended June 30, 2006</b>										
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	12,060,010	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)	(3,547,141)	(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>14,188,561</u>	<u>88,415,101</u>
<b>As at July 1, 2006</b>										
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	26,467,938	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)	(12,279,378)	(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>14,188,560</u>	<u>88,415,101</u>
<b>Year ended June 30, 2007</b>										
Opening net book value	2,678,754	8,583,192	56,777,918	1,080,526	952,680	2,065,930	834,759	1,252,782	14,188,560	88,415,101
Additions	-	26,507,039	126,085,117	21,827,600	475,801	762,825	150,750	501,599	5,838,000	182,148,731
Disposals	-	-	-	-	-	-	-	(756)	(1,068,018)	(1,068,774)
Adjustments	-	-	-	-	-	-	-	-	(234,000)	(234,000)
Depreciation charge for the year	-	(1,913,528)	(10,951,301)	(1,017,535)	(101,217)	(240,011)	(89,861)	(424,040)	(2,933,191)	(17,670,684)
Closing net book value	<u>2,678,754</u>	<u>33,176,703</u>	<u>171,911,734</u>	<u>21,890,591</u>	<u>1,327,264</u>	<u>2,588,744</u>	<u>895,648</u>	<u>1,329,585</u>	<u>15,791,351</u>	<u>251,590,374</u>
<b>As at June 30, 2007</b>										
Cost	2,678,754	67,386,137	405,613,743	28,750,862	2,499,285	4,603,862	2,147,373	5,958,967	28,273,242	547,912,225
Accumulated depreciation	-	(34,209,434)	(233,702,009)	(6,860,271)	(1,172,021)	(2,015,118)	(1,251,725)	(4,629,383)	(12,481,890)	(296,321,851)
Net book value	<u>2,678,754</u>	<u>33,176,703</u>	<u>171,911,734</u>	<u>21,890,591</u>	<u>1,327,264</u>	<u>2,588,744</u>	<u>895,648</u>	<u>1,329,584</u>	<u>15,791,352</u>	<u>251,590,374</u>
<b>Annual rate of depreciation %</b>	-	10	10	10	10	10	10	30	20	

**3.1.1** Until last year, full year's depreciation was charged on additions during the year, whereas no depreciation was charged on retirement made during the year. Effective from current year, depreciation on additions is charged from the month in which the asset is put to use and on disposal upto the preceding month of disposal. The change has been accounted for as a change in accounting estimate in accordance with the provisions of IAS-8 "Accounting Policies, Changes in Accounting Estimates and Errors" by adjusting the depreciation charge for current and future periods. Had there been no change in estimate, the profit after taxation for the year would have been lower by Rs. 7,263,319.

### 3.2 The depreciation charge for the year has been allocated as follows:

	2007 Rupees	2006 Rupees
Cost of goods sold (note 22)	<b>16,913,020</b>	10,992,165
Selling and distribution expenses (note 23)	<b>189,416</b>	225,610
Administrative expenses (note 24)	<b>568,248</b>	676,830
	<b><u>17,670,684</u></b>	<u>11,894,605</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 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)					
<b>Vehicles</b>						
Toyota Corolla Reg No ADG-259	974,000	744,205	229,795	255,328	Company Policy	Javed Ashraf (Ex-CEO)
Suzuki Van Reg. No. CN-2578	453,000	276,728	176,272	185,549	Company Policy	Mr. Muzaffar Rana (Employee)
Suzuki Mehran Reg. No.AEF-281	379,000	254,810	124,190	124,190	Company Policy	Mr Shabbir Hussain (Employee)
PickUp Shehzore Reg.No.LSC-363	589,000	412,080	176,920	342,222	Official Tender	Mr.Fahim Khan R - 725, F. B area , block 17, Karachi.
Aggregate amount of assets disposed of having book value less than Rs. 50,000 each	1,408,196	1,046,599	361,597	927,236		
	<b>3,803,196</b>	<b>2,734,422</b>	<b>1,068,774</b>	<b>1,834,525</b>		

### 3.4 Capital work-in-progress

Civil work  
Plant and machinery

**2007  
Rupees**

2006  
Rupees

**3,658,505**

22,253,439

-

92,714,176

**3,658,505**

**114,967,615**

### 4. LONG TERM INVESTMENT - Available for sale

#### Balochistan Wheels Limited - quoted

287,500 (2006: 287,500) ordinary shares of Rs. 10/- each including bonus shares - 37,500 (2006:37,500)

**18,975,000**

**16,746,875**

### 5. LONG TERM LOANS - secured, considered good

Loans to employees (note 5.1)

**1,088,600**

1,069,900

Less: Current portion shown under current assets (note 9)

**(511,300)**

(489,000)

**577,300**

**580,900**

## NOTES TO THE FINANCIAL STATEMENTS

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

### 6. STORES, SPARES AND LOOSE TOOLS

Stores including in transit Rs. 1,722,770  
(2006 : Rs. 26,183)  
Spares including in transit Rs. 2,797,658  
(2006 : Rs. 1,234,202)  
Loose tools including in transit Rs. Nil  
(2006 : Rs. 395,835)

Hard coke including in transit Rs. 183,770  
(2006 : Rs. 8,742,363)  
Kerosine oil

2007 Rupees	2006 Rupees
16,833,472	8,891,311
32,160,215	23,230,055
1,893,237	1,529,424
<b>50,886,924</b>	<b>33,650,790</b>
3,207,962	20,262,380
142,569	317,394
<b>54,237,455</b>	<b>54,230,564</b>

### 7. STOCK-IN-TRADE

Raw materials including in transit Rs. 46,027,943  
(2006: Rs. 15,705,034)  
Work in process  
Finished goods - own manufactured (note 7.1)

158,933,192	93,049,316
35,897,000	19,115,000
11,883,000	13,151,000
<b>206,713,192</b>	<b>125,315,316</b>

- 7.1 Includes stock held by Millat Tractors Limited amounting to Rs. 459,540 (2006: Rs. 1,284,660).

### 8. TRADE DEBTS - unsecured

#### Considered good

Due from associated undertaking,  
Millat Tractors Limited (note 8.1)  
Others

2007 Rupees	2006 Rupees
86,528,188	54,637,673
15,161,620	16,613,133
<b>101,689,808</b>	<b>71,250,806</b>
259,850	259,850
<b>101,949,658</b>	<b>71,510,656</b>
(259,850)	(259,850)
<b>101,689,808</b>	<b>71,250,806</b>

Considered doubtful

Less: Provision for impairment

- 8.1 The maximum aggregate balance due from associated undertaking at the end of any month during the year was Rs. 86,528,188 (2006: Rs. 102,933,000).



## NOTES TO THE FINANCIAL STATEMENTS

### 9. LOANS AND ADVANCES

Loans and advances - unsecured, considered good

- Employees
- Suppliers
- Current portion of long term loans to employees (note 5)

2007 Rupees	2006 Rupees
429,477	212,693
9,859,356	17,638,701
<b>511,300</b>	<b>489,000</b>
<b>10,800,133</b>	<b>18,340,394</b>

### 10. DEPOSITS AND SHORT TERM PREPAYMENTS

Deposits

Prepayments:

- Pension fund (note 10.1)
- Executives gratuity fund (note 10.1)
- Officers' provident fund
- Workers' profits participation fund (note 18.2)
- Others

2,005,657	4,960,895
<b>6,620,000</b>	3,228,000
<b>7,667,000</b>	4,530,000
<b>975,238</b>	-
-	674,852
<b>261,762</b>	<b>266,903</b>
<b>15,524,000</b>	<b>8,699,755</b>
<b>17,529,657</b>	<b>13,660,650</b>

#### 10.1 Staff retirement benefits

The details of employee retirement and other service benefits obligations are as follows:

##### 10.1.1 Reconciliation of obligations as at year end

Present value of defined benefit obligation  
Fair value of plan assets

(Surplus)/deficit  
Unrecognised actuarial gains

Net (asset) at end of the year

	Pension fund		Executives gratuity fund	
	2007	2006	2007	2006
	Rupees			
28,756,000	25,430,000	22,032,000	23,014,000	
<b>(47,547,000)</b>	<b>(41,087,000)</b>	<b>(47,870,000)</b>	<b>(48,965,000)</b>	
<b>(18,791,000)</b>	<b>(15,657,000)</b>	<b>(25,838,000)</b>	<b>(25,951,000)</b>	
<b>12,171,000</b>	<b>12,429,000</b>	<b>18,171,000</b>	<b>21,421,000</b>	
<b>(6,620,000)</b>	<b>(3,228,000)</b>	<b>(7,667,000)</b>	<b>(4,530,000)</b>	
<b>(3,228,000)</b>	<b>(1,135,000)</b>	<b>(4,530,000)</b>	<b>(2,596,000)</b>	
<b>(1,934,000)</b>	<b>(883,000)</b>	<b>(3,137,000)</b>	<b>(1,934,000)</b>	
<b>(1,458,000)</b>	<b>(1,210,000)</b>	-	-	
<b>(6,620,000)</b>	<b>(3,228,000)</b>	<b>(7,667,000)</b>	<b>(4,530,000)</b>	

##### 10.1.2 Movement in liability

Net (asset)/liability at beginning of the year  
Charge for the year  
Contributions

Net (asset) at end of the year

## NOTES TO THE FINANCIAL STATEMENTS

	Pension fund		Executives gratuity fund	
	2007	2006	2007	2006
	Rupees			
<b>10.1.3 Movement in defined benefit obligation</b>				
Present value of defined benefit obligation at beginning of the year	25,430,000	24,547,000	23,014,000	22,798,000
Service cost	1,046,000	1,376,000	1,111,000	1,175,000
Interest cost	2,543,000	2,455,000	2,301,000	2,280,000
Benefits paid during the year	(263,000)	(169,000)	(4,394,000)	(804,000)
Actuarial (gains) on obligation	-	(2,779,000)	-	(2,435,000)
Present value of defined benefit obligation at end of the year	<b>28,756,000</b>	25,430,000	<b>22,032,000</b>	23,014,000
<b>10.1.4 Movement in fair value of plan assets</b>				
Fair value of plan assets at beginning of the year	41,087,000	36,056,000	48,965,000	42,334,000
Expected return on plan assets	4,109,000	3,606,000	4,896,000	4,233,000
Contributions for the year	2,116,000	1,754,000	-	-
Benefits paid during the year	(263,000)	(169,000)	(4,394,000)	(804,000)
Actuarial gain / (loss) on assets	498,000	(160,000)	(1,597,000)	3,202,000
Fair value of plan assets at end of the year	<b>47,547,000</b>	41,087,000	<b>47,870,000</b>	48,965,000

10.1.5 The principal assumptions used in the actuarial valuations carried out as of June 30, 2006 using the 'Projected Unit Credit' method are as follows:

	Pension fund		Executives gratuity fund	
	2007	2006	2007	2006
	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%	9%
Actual return on plan assets	Rs. 4,607,000	Rs. 4,865,000	Rs.3,299,000	Rs.6,549,000
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

## NOTES TO THE FINANCIAL STATEMENTS

10.1.6 Plan assets comprise the following:

	Pension fund		Executives gratuity fund	
	2007	2006	2007	2006
	Rupees			
Term Finance Certificates (UBL)	-	-	1%	1%
Defence Saving Certificates	-	-	14%	17%
Term Deposit - Faysal Bank	49%	48%	7%	6.94%
Mutual Funds	36%	34%	51%	47%
Shares - BCL	4%	5%	23%	28%
Cash at bank in PLS account	2%	1%	4%	0.06%
Present value of future employee contribution	9%	12%	-	-

10.1.7 Plan assets include the Company's ordinary shares with a fair value of Rs. 12,644,940 (2006: Rs. 15,050,280).

10.1.8 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected return on equity investments reflect long-term real rates of return experienced in the market.

10.1.9 The movement during the five years is as follows:

	2007	2006	2005	2004	2003
	Rupees				
<b>Executives' gratuity fund</b>					
Present value of defined benefit obligation	22,032,000	23,014,000	22,798,000	20,896,000	19,668,000
Fair value of plan assets	(47,870,000)	(48,965,000)	(42,334,000)	(40,033,000)	(28,762,000)
(Surplus)/deficit	(25,838,000)	(25,951,000)	(19,536,000)	(19,137,000)	(9,094,000)
Experience adjustments on plan liabilities - gain / (loss)	-	2,435,000	281,000	-	(11,000)
Experience adjustments on plan assets - (loss) / gain	(1,597,000)	3,202,000	(646,000)	10,042,000	1,268,000
<b>Pension fund</b>					
Present value of defined benefit obligation	28,756,000	25,430,000	24,547,000	24,252,000	21,654,000
Fair value of plan assets	(47,547,000)	(41,087,000)	(36,056,000)	(29,618,000)	(21,654,000)
(Surplus)/deficit	(18,791,000)	(15,657,000)	(11,509,000)	(5,366,000)	-
Experience adjustments on plan liabilities -loss/(gain)	-	(2,779,000)	(2,780,000)	(264,000)	-
Experience adjustments on plan assets - gain / (loss)	498,000	(160,000)	2,479,000	5,030,000	-

## NOTES TO THE FINANCIAL STATEMENTS

	2007 Rupees	2006 Rupees
<b>11. OTHER RECEIVABLES - unsecured, considered good</b>		
Sales tax refundable	3,852,854	869,269
Accrued return on bank deposits	27,215	328,237
Others	69,136	121,201
	<u>3,949,205</u>	<u>1,318,707</u>
<b>12. CASH AND BANK BALANCES</b>		
Cash in hand	123,184	136,439
Cash at banks		
- on deposit accounts (note 12.1)	13,717,346	33,065,461
- on current accounts	4,390,395	3,968,181
	<u>18,107,741</u>	<u>37,033,642</u>
	<u>18,230,925</u>	<u>37,170,081</u>
<b>12.1</b> Includes term deposit of Rs. 680,000 (2006: Rs. 426,000) held as security against guarantee given by the bank on behalf of the Company.		
	2007 Rupees	2006 Rupees
<b>13. SHARE CAPITAL</b>		
<b>13.1 Authorised capital</b>		
7,500,000 (2006: 7,500,000) ordinary shares of Rs. 10 each	<u>75,000,000</u>	<u>75,000,000</u>
<b>13.2 Issued, subscribed and paid up capital</b>		
5,525,307 (2006: 5,525,307) ordinary shares of Rs. 10 each fully paid in cash	<u>55,253,070</u>	<u>55,253,070</u>
<b>13.3</b> As at June 30, 2007: 2,555,907 (2006: 2,555,907) ordinary shares of the Company were held by Millat Tractors Limited, an associated company.		
	2007 Rupees	2006 Rupees
<b>14. RESERVES</b>		
Revenue - General	230,000,000	210,000,000
Revenue - Unappropriated	26,626,525	48,214,651
	256,626,525	258,214,651
Unrealised gain on investment	13,475,000	11,246,875
	<u>270,101,525</u>	<u>269,461,526</u>

## NOTES TO THE FINANCIAL STATEMENTS

	2007 Rupees	2006 Rupees
<b>15. LONG TERM FINANCE - secured</b>		
MCB Bank (note 15.1)	120,377,670	138,502,671
Less: Current maturity shown under current liabilities	<u>(36,250,000)</u>	<u>(17,312,834)</u>
	<u><b>84,127,670</b></u>	<u><b>121,189,837</b></u>
<b>15.1</b> This represents the amount utilised against the demand finance facility, amounting to Rs.145 million (2006: Rs. 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. 182 million over all present and future fixed assets of the Company.		
<b>16. DEFERRED TAXATION</b>		
Debit / (Credit) balances arising due to:		
- provision for unfunded gratuity scheme and compensated absences	5,303,356	4,624,762
- provision for doubtful debts	90,724	(89,702)
- minimum turnover tax	4,348,360	-
- unused tax losses	18,380,613	-
- accelerated tax depreciation allowance	(35,961,452)	(2,735,743)
	<u>(7,838,399)</u>	<u>1,799,317</u>
<b>17. DEFERRED LIABILITIES</b>		
Non-executive gratuity	7,794,584	6,249,211
Compensated absences	7,395,130	7,147,936
	<u><b>15,189,714</b></u>	<u><b>13,397,147</b></u>
<b>18. TRADE AND OTHER PAYABLES</b>		
Trade creditors	45,813,185	30,828,866
Accrued liabilities	867,639	12,766,512
Security deposits	4,569,156	2,780,247
Retention money	4,330,731	239,234
Workers' profits participation fund (note 18.2)	2,176,493	-
Payable to		
- staff provident fund trust	-	284,157
- officers provident fund trust	-	161,744
Sales tax payable	8,782,353	2,695,552
Advances from employees against		
- car scheme (Executive)	2,884,517	2,496,096
- motor cycle scheme (Executive)	277,289	420,539
- motor cycle scheme (Non - Executive)	38,904	-
	<u><b>3,200,710</b></u>	<u><b>2,916,635</b></u>
Dividends	942,470	823,225
Others	305,100	152,572
	<u><b>70,987,837</b></u>	<u><b>53,648,744</b></u>

## NOTES TO THE FINANCIAL STATEMENTS

**18.1** The maximum aggregate balance due to associated undertaking at the end of any month during the year was Rs: 4,950,636 (2006: Rs. Nil).

### 18.2 Workers' Profits Participation Fund

Balance at the beginning of the year  
Allocation for the year

Amount paid to the trustees of the fund  
Amount deposited with the Government  
Amount received from trustees of the fund

	2007 Rupees	2006 Rupees
	(674,852)	3,504,783
	<b>2,176,493</b>	3,910,148
	<b>1,501,641</b>	7,414,931
	-	(5,425,000)
	-	(2,664,783)
	<b>674,852</b>	-
	<b>674,852</b>	(8,089,783)
	<b>2,176,493</b>	(674,852)

### 19. SHORT TERM BORROWINGS

Running finance utilised under mark-up arrangement (note 19.1)  
Finance against Trust Receipt (note 19.2)

	<b>111,992,290</b>	26,150,876
	<b>60,000,000</b>	-
	<b>171,992,290</b>	26,150,876

**19.1** The facilities for running finance available from banks under mark-up arrangement aggregated to Rs. 125 million (2006: Rs. 105 million). These facilities expire on various dates by February 26, 2008. The facilities carry mark-up at the rate upto 'KIBOR plus 1%' (2006: KIBOR plus 1%) and secured by way of charge on Company's stocks and book debts.

**19.2** Facility utilised from a commercial bank for retirement of import documents against trust receipt amounts to Rs. 60 million (2006: Rs. Nil) as at the year end. The facility is valid upto January 31, 2008 and carries mark-up at the rate of 'KIBOR plus 1%' (2006: 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. Nil (2006: Rs. 13,007,258).

**20.2** Outstanding letters of credit at the end of the year amounted to Rs. 170.731 million (2006: Rs. 102 million).

### 21. SALES

Manufactured goods

Less: Sales returns  
Less: Sales tax

	2007 Rupees	2006 Rupees
	<b>1,079,737,411</b>	977,083,167
	<b>(77,766,176)</b>	(55,578,157)
	<b>(132,299,174)</b>	(118,743,762)
	<b>(210,065,350)</b>	(174,321,919)
	<b>869,672,061</b>	802,761,248

## NOTES TO THE FINANCIAL STATEMENTS

	2007 Rupees	2006 Rupees
<b>22. COST OF GOODS SOLD</b>		
Raw material and components consumed		
Opening stock	77,344,282	66,698,394
Purchases	494,724,315	411,278,481
	<u>572,068,597</u>	<u>477,976,875</u>
Closing stock	(112,905,249)	(77,344,282)
	<u>459,163,348</u>	<u>400,632,593</u>
Salaries, wages and benefits (note 24.2)	50,468,615	45,649,442
Staff welfare	4,656,083	3,174,120
Stores, spares and loose tools consumed (note 22.1)	79,336,304	66,523,218
Fuel and power	94,483,039	97,679,455
Machining expenses	3,837,621	5,054,399
Other services	42,971,886	30,205,692
Travelling and conveyance	10,694,951	10,372,712
Depreciation (note 3.2)	16,913,020	10,992,165
Rent, rates and taxes	445,133	529,860
Repairs and maintenance	4,053,534	4,283,650
Export expenses	179,819	621,436
Freight charges	20,203,750	19,881,343
Insurance	1,968,943	956,529
Vehicle expenses	2,203,657	2,962,507
Others	5,006,060	3,496,780
	<u>337,422,415</u>	<u>302,383,308</u>
Work in process - opening	19,115,000	21,701,000
Work in process - closing	(35,897,000)	(19,115,000)
Cost of goods manufactured	<u>779,803,763</u>	<u>705,601,901</u>
Finished goods - opening	13,151,000	8,069,000
Finished goods - closing	(11,883,000)	(13,151,000)
	<u>781,071,763</u>	<u>700,519,901</u>
<b>22.1 Stores, spares and loose tools consumed</b>		
Opening stock	31,994,570	33,476,972
Purchases	93,708,230	65,040,816
	<u>125,702,800</u>	<u>100,174,470</u>
Closing stock	(46,366,496)	(31,994,570)
	<u>79,336,304</u>	<u>66,523,218</u>

## NOTES TO THE FINANCIAL STATEMENTS

	2007 Rupees	2006 Rupees
<b>23. SELLING AND DISTRIBUTION EXPENSES</b>		
Salaries, wages and benefits (note 24.2)	1,643,591	1,600,237
Staff welfare	232,536	117,864
Depreciation (note 3.2)	189,416	225,610
Travelling	238,303	124,902
Insurance	390,085	162,500
Utilities	63,192	80,157
Sales promotion	1,967,454	99,500
Rent, rates and taxes	10,350	10,680
Repairs and maintenance	2,600	24,835
Communication	60,487	47,745
Vehicle expenses	141,937	230,469
Printing and stationery	93,516	39,345
Miscellaneous	70,480	73,170
	<u>5,103,947</u>	<u>2,837,014</u>
<b>24. ADMINISTRATIVE EXPENSES</b>		
Salaries, wages and benefits (note 24.2)	9,179,279	6,170,878
Staff welfare	1,523,442	699,656
Travelling	1,100,625	426,564
Utilities	658,606	601,470
Rent, rates and taxes	681,453	574,141
Repairs and maintenance	459,064	352,514
Printing and stationery	512,102	581,042
Communication	366,234	403,687
Advertisement	240,040	215,860
Vehicle expenses	1,224,578	1,798,681
Insurance	436,290	290,185
Legal and professional charges	494,397	580,045
Entertainment	102,270	93,304
Auditors' remuneration (note 24.1)	302,500	229,140
Subscription	118,521	130,425
Training	6,750	25,000
Depreciation (note 3.2)	568,248	676,830
Miscellaneous	1,241,814	956,476
	<u>19,216,213</u>	<u>14,805,898</u>
<b>24.1 Auditors' remuneration</b>		
Statutory audit	150,000	125,000
Fee for half yearly review	60,000	50,000
Other services	7,500	-
Out of pocket expenses	85,000	54,140
	<u>302,500</u>	<u>229,140</u>



## NOTES TO THE FINANCIAL STATEMENTS

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	2007	2006
Rupees				
Current service cost	1,046,000	1,111,000	2,157,000	2,551,000
Interest cost	2,543,000	2,301,000	4,844,000	4,735,000
Expected return on plan assets	(4,109,000)	(4,896,000)	(9,005,000)	(7,840,000)
Recognition of actuarial gain	(756,000)	(1,653,000)	(2,409,000)	(1,719,000)
Total expense/(income) for the year	(1,276,000)	(3,137,000)	(4,413,000)	(2,273,000)
Employees' contribution	(658,000)	-	(658,000)	(544,000)
	(1,934,000)	(3,137,000)	(5,071,000)	(2,817,000)

In addition, salaries, wages and benefits also include Rs. 1.677 million (2006: Rs. 0.487 million), Rs. 1.288 million (2006: Rs. 1.798 million) and Rs. 1.618 million (2006: Rs. 1.379 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, director and executive

	2007			2006		
	Chief Executive	Director	Executive	Chief Executive	Director	Executive
(Rupees)						
Managerial remuneration	985,597	-	1,279,368	396,234	-	1,123,014
Bonus	73,757	-	58,656	270,171	-	-
House rent	422,450	-	455,628	144,000	-	505,356
Retirement benefits	122,056	-	171,765	73,846	-	112,301
Utilities	520,562	-	712,707	92,927	-	157,408
Medical expenses	449,088	-	116,532	202,258	-	142,512
Fees	-	2,000	-	-	4,000	-
Others	573,101	-	667,251	112,539	-	551,441
	3,146,611	2,000	3,461,907	1,291,975	4,000	2,592,032
Number of persons	1	1	1	1	1	1

24.3.1 The Company provides the Chief Executive and 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.

## NOTES TO THE FINANCIAL STATEMENTS

	2007 Rupees	2006 Rupees
<b>25. OTHER OPERATING EXPENSES</b>		
Workers' profits participation fund	2,176,493	3,910,148
Workers' welfare fund	801,206	1,382,772
Donations	-	50,000
	<u>2,977,699</u>	<u>5,342,920</u>
<b>26. OTHER OPERATING INCOME</b>		
Return on bank deposits	857,717	1,518,885
Dividend income	718,750	375,000
Gain on disposal of operating assets	765,751	-
Recovery of bad debts written-off	60,967	56,862
Reversal of provision for doubtful debt	-	42,338
Exchange gain	2,881	-
Miscellaneous income	591,094	385,128
	<u>2,997,160</u>	<u>2,378,213</u>
<b>27. FINANCE COSTS</b>		
Mark-up on long term finance	14,321,028	4,801,882
Mark-up on short term borrowings	8,608,729	3,568,954
Bank charges	717,683	252,851
Interest on workers' profits participation fund	681,729	-
Bank charges on dividend account	100,000	100,000
	<u>24,429,169</u>	<u>8,723,687</u>
<b>28. TAXATION</b>		
Current		
- for the year	4,384,298	25,481,731
- for prior years (reversal)	(189,993)	(1,620,531)
	4,194,305	23,861,200
Deferred	9,637,716	1,222,810
	<u>13,832,021</u>	<u>25,084,010</u>

## NOTES TO THE FINANCIAL STATEMENTS

	2007 Rupees	2006 Rupees
<b>28.1 Reconciliation of tax charge for the year</b>		
Accounting profit	<u>39,870,430</u>	<u>72,910,041</u>
Corporate tax rate	<u>35%</u>	<u>35%</u>
Tax on accounting profit at applicable rate	13,954,651	25,518,514
Minimum tax at the rate of 0.5% of revenue	4,348,360	-
Deferred tax asset on minimum tax	(4,348,360)	-
Tax effect of permanent differences not allowable in determining taxable income	238,605	1,359,210
Effect of applicability of lower tax rate on certain income	(215,625)	(171,706)
Effect of tax assessments finalised during the year	(189,993)	(1,620,531)
Others	44,383	(1,477)
	<u>13,832,021</u>	<u>25,084,010</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	2007 Rupees	2006 Rupees
<b>Associates</b>			
- Millat Tractors Limited	Sales of goods - Net	807,156,370	694,054,846
	Purchases	8,082,957	2,526,042
<b>Post employment plans</b>			
- Pension fund	Contributions	1,458,000	1,210,000
- Executives gratuity fund	Benefits paid on behalf of fund	4,394,000	791,477

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, 2007 are disclosed in the respective notes to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 30. CASH GENERATED FROM OPERATIONS

	2007 Rupees	2006 Rupees
Profit before taxation	39,870,430	72,910,041
Adjustment for:		
- Depreciation	17,670,684	11,894,605
- Provision for retirement benefits	(2,106,563)	(532,620)
- (Gain) on sale of operating assets-net	(765,751)	-
- Finance costs	24,429,169	8,723,687
- Return on bank deposits	(857,717)	(1,518,885)
	<u>38,369,822</u>	<u>18,566,787</u>
Operating profit before working capital changes	<u>78,240,252</u>	<u>91,476,828</u>

#### Working capital changes

(Increase) / decrease in current assets:

- Stores, spares and loose tools	(6,891)	(15,115,934)
- Stock in trade	(81,397,876)	(25,629,638)
- Trade debts	(30,439,002)	10,617,608
- Loans and advances	7,540,261	(12,634,052)
- Deposits and short term prepayments	2,659,993	(2,213,058)
- Other receivables	(2,931,520)	(57,340)
	<u>(104,575,035)</u>	<u>(45,032,414)</u>

Increase / (decrease) in current liabilities:

- Trade and other payable	17,219,848	(2,453,593)
	<u>(87,355,187)</u>	<u>(47,486,007)</u>
	<u>(9,114,935)</u>	<u>43,990,821</u>

### 31. CASH AND CASH EQUIVALENTS

Cash and bank balances (note 12)	18,230,925	37,170,081
Short term running finance (note 19)	(111,992,290)	(26,150,876)
	<u>(93,761,365)</u>	<u>11,019,205</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:

	2007 Rupees	2006 Rupees
Profit after taxation (Rupees)	<u>26,038,409</u>	<u>47,826,031</u>
Weighted average number of ordinary shares	<u>5,525,307</u>	<u>5,525,307</u>
Earnings per share (Rupees)	<u>4.71</u>	<u>8.66</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

#### 33.1 Financial assets and liabilities

	Interest/mark up bearing			Non-interest/mark up bearing			Total		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	2007	2006	
	( Rupees)								
<b>FINANCIAL ASSETS</b>									
Long term investment	-	-	-	18,975,000	-	18,975,000	18,975,000	16,746,875	-
Loans to employees	-	-	-	511,300	577,300	1,088,600	1,088,600	1,282,593	-
Long term deposits	-	-	-	3,558,660	-	3,558,660	3,558,660	3,565,160	-
Deposits	-	-	-	2,005,657	-	2,005,657	2,005,657	4,960,895	-
Trade debts	-	-	-	101,689,808	-	101,689,808	101,689,808	71,250,806	-
Other receivables	-	-	-	96,351	-	96,351	96,351	449,438	-
Cash and bank balances	13,717,346	-	13,717,346	4,513,579	-	4,513,579	18,230,925	37,170,081	3.75%
	13,717,346	-	13,717,346	131,350,355	577,300	131,927,655	145,645,001	135,425,848	
<b>FINANCIAL LIABILITIES</b>									
Long term finance	36,250,000	84,127,670	120,377,670	-	-	-	120,377,670	138,502,671	10.61%
Trade and other payable	-	-	-	55,885,811	-	55,885,811	55,885,811	50,953,192	-
Accrued interest/mark-up	-	-	-	3,898,836	-	3,898,836	3,898,836	1,503,191	-
Short term borrowings	171,992,290	-	171,992,290	-	-	-	171,992,290	26,150,876	10.80%
	208,242,290	84,127,670	292,369,960	59,784,647	-	59,784,647	352,154,607	217,109,930	

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. 145,645,001 (2006: Rs. 135,425,848) the financial assets which are subject to credit risk amount to Rs. 125,581,401 (2006: Rs. 113,831,220). Significant concentration of credit risk on amounts due from trade debtors aggregating Rs. 101,689,808 (2006: Rs. 71,250,806) is managed by monitoring credit exposures, limiting transactions with specific customers and containing assessment of credit worthiness of customers.

## NOTES TO THE FINANCIAL STATEMENTS

### 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 10,367 M.T. (2006: 7,450 M.T.) double shift per annum. Production 13,543 M.T. (2006: 12,627 M.T.). Capacity utilization 131% approx (2006: 169% approx).

### 35. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 10, 2007 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. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on September 10, 2007 (i) approved the transfer of Rs. 10 million from unappropriated profit to general reserve; and (ii) proposed a final cash dividend of Rs. 2 per share (20%) amounting to Rs. 11,050,614 and a bonus issue of 1 share for every 10 shares held (10%) for the year ended June 30, 2007 for approval of the members at the Annual General Meeting to be held on October 25, 2007.



**SHAHID A. HAKIM**  
CHIEF EXECUTIVE



**SIKANDAR M. KHAN**  
CHAIRMAN

## PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2007

No. of Shareholders	*Size of Holding		Total Shares Held	Amount Rupees
	From	To		
368	1	100	36,422	364,220.00
68	101	500	23,478	234,780.00
160	501	1000	131,700	1,317,000.00
86	1001	5000	220,200	2,202,000.00
13	5001	10000	89,300	893,000.00
4	10001	15000	47,610	476,100.00
3	20001	25000	68,590	685,900.00
1	25001	30000	25,800	258,000.00
1	35001	40000	40,000	400,000.00
1	50001	55000	50,600	506,000.00
2	130001	135000	265,300	2,653,000.00
1	140001	145000	141,300	1,413,000.00
1	145001	150000	147,000	1,470,000.00
1	235001	240000	238,000	2,380,000.00
1	245001	250000	250,000	2,500,000.00
1	475001	480000	479,800	4,798,000.00
1	710001	715000	714,300	7,143,000.00
1	2555001	2560000	2,555,907	25,559,070.00
<b>Total</b>	<b>714</b>		<b>5,525,307</b>	<b>55,253,070.00</b>

\* 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	Bank/Financial Institutions	1	714,300	12.93
4	Joint Stock Companies	7	407,900	7.38
5	Individuals	539	969,510	17.55
6	Others	165	397,890	7.20
	<b>Total</b>	<b>714</b>	<b>5,525,307</b>	<b>100.00</b>

## CATEGORIES OF SHAREHOLDERS

AS AT JUNE 30, 2007

S.No.	Particulars	Shares Held	%
<b>1-</b>	<b>Directors, CEO, and their Spouse and Minor Children.</b>		
	Mr. Sikandar M. Khan - Chairman	50,600	0.92
	Mr. Shahid A. Hakim	800	0.01
	Mr. Latif Khalid Hashmi	130,500	2.36
	Mr. Sohail Bashir Rana	40,000	0.72
	Mr. Laeeq Uddin Ansari	238,000	4.31
	Mr. Mian Muhammad Saleem	3,300	0.06
	Mr. Bashir Ahmed Chaudhry	2,500	0.05
	Mr. Javed Munir	5,000	0.09
	Mr. Sajid Hassan	—	—
<b>2-</b>	<b>Associated Companies, Undertakings and Related Parties.</b>		
	Millat Tractors Limited	2,555,907	46.26
<b>3-</b>	<b>NIT and ICP</b>		
	National Bank of Pakistan Trustees Department	479,800	8.68
<b>4-</b>	<b>Banks, Development Financial Institutions, Non Banking Financial Institutions.</b>		
	National Bank of Pakistan Former NDFC	714,300	12.93
<b>5-</b>	<b>Insurance Companies</b>	—	—
<b>6-</b>	<b>Modarabas and Mutual Funds</b>	—	—
<b>7-</b>	<b>Public Sector Companies and Corporation</b>		
<b>8-</b>	<b>Joint Stock Companies</b>	407,900	7.38
<b>9-</b>	<b>General Public</b>		
	Local	498,810	9.03
	Foreign	—	—
<b>10-</b>	<b>Others</b>		
	BCL Employees	396,890	7.18
	Trustees Packages Ltd. MGT Staff Pension Fund	1,000	0.02
	<b>Total</b>	<b>5,525,307</b>	<b>100.00</b>
	<b>Shareholders Holding Ten Percent or more Voting Interest</b>		
	Millat Tractors Limited	2,555,907	46.26
	National Bank of Pakistan	714,300	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 25<sup>th</sup> Annual General Meeting of the Company to be held at Registered Office, Main RCD Highway, Hub Chowki, Distt. Lasbela, Balochistan on October 25, 2007 at 1000 Hrs. and / or at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2007

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.