



# ANNUAL REPORT 2011

**CASTING A FUTURE OF SUCCESS**



**BOLAN CASTINGS LIMITED**

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# Corporate Objectives & Policies

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# Vision / Mission

## Corporate Strategy / Quality Policy

### Safety, Health & Environment

#### 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.

#### 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.

#### 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.



# Statement of Ethics & 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

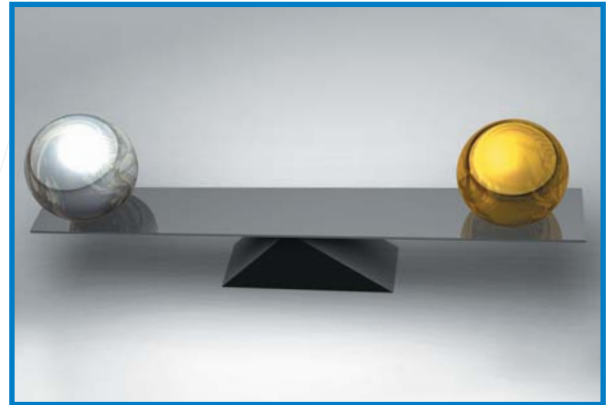
Recruitment of personnel on merit, offering training, career development, equal opportunities of growth, no discrimination or harassment and reward for achievement. Improved working conditions, ensuring safety, security and health.

## 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.



# 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.

## 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.



# General Information

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# Company Information

<b>Board of Directors</b>	<p>Mr. Sikandar M. Khan            Mr. Shahid A. Hakim            Mr. Latif Khalid Hashmi            Mr. Sohail Bashir Rana            Mr. Laeeq Uddin Ansari            Mr. Mian Muhammad Saleem            Mr. Javed Munir            Mr. Sirajuddin Khan            Mr. Muhammad Imran Rafiq</p>	<p>Chairman            Chief Executive            Director            Director            Director            Director            Director            Director            Director (NIT Nominee)</p>
<b>Company Secretary</b>	Mr. Arafat Mushir	
<b>Chief Financial Officer</b>	Mr. Faisal Lakhani	
<b>Head of Internal Audit</b>	Mr. Saqib Hanif	
<b>Auditors</b>	M/s. Ernst & Young Ford Rhodes Sidat Hyder	Chartered Accountants
<b>Legal Advisors</b>	M/s. Walker Martineau Saleem	Advocates & Legal Consultants
<b>Bankers</b>	Habib Bank Limited MCB Bank Limited Bank AlFalah Limited Dubai Islamic Bank Soneri Bank Limited Faysal Bank Limited Barclays Bank PLC, Pakistan Askari Bank Limited	
<b>Share Registrar</b>	M/s. Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block-B, S.M.C.H.S. Main Shahrah-e-Faisal, Karachi Tel: +92-800-23275 Fax: +92-21-34326053	
<b>Factory &amp; Registered Office</b>	Main RCD Highway, Hub Chowki, District Lasbela, Balochistan, Pakistan Tel : +92-853-363293,363296 Fax : +92-853-363292 E-mail: bclhub@bclpk.com	
<b>Head Office</b>	F-1, Hub River Road, S.I.T.E., Karachi Tel : +92-21-32579681, 32579819 Fax : +92-21-32573558 E-mail: bclho@bclpk.com	
<b>Web Site</b>	www.bolancastings.com	





## Board of Directors

Mr. Javed Munir

Mr. Sohail Bashir Rana

Mr. Latif Khalid Hashmi

Mr. Sikandar M. Khan  
Chairman



## Board of Directors

Mr. Shahid A. Hakim  
Chief Executive

Mr. Laeeq Uddin Ansari

Mr. Mian Muhammad Saleem

Mr. Sirajuddin Khan

Mr. Muhammad Imran Rafiq



## Directors' Profile

Name	Mr. Sikandar M. Khan
Title	Chairman / Non Executive Director
Appointment	July 13, 1982
Committee membership	Chairman of Board's Committee for Supervision and Business Strategy Committee
External appointments	Chairman of Millat Tractors Ltd., Millat Equipment Ltd., Millat Industrial Products Ltd. and Director of Arabian Sea Country Club, Business Support Fund, The Pakistan Business Council, National Productivity Organization, National Vocational and Technical Education Commission, Habib Bank Limited.

Name	Mr. Latif Khalid Hashmi
Title	Non Executive Director
Appointment	June 13, 1993
Committee membership	Member of Audit Committee, Board's Committee for Supervision and Business Strategy Committee
External appointments	Director of Millat Tractors Ltd., Millat Equipment Ltd., Millat Industrial Products Ltd.

Name	Mr. Laeeq Uddin Ansari
Title	Non Executive Director
Appointment	June 13, 1993
Committee membership	Chairman of Audit Committee and Member of Board's Committee for Supervision and Business Strategy Committee
External appointments	Chief Executive of Millat Tractors Ltd. and Director of Millat Equipment Ltd., Millat Industrial Products Ltd., Etimaad Engineering (Pvt.)Ltd.

Name	Mr. Muhammad Imran Rafiq
Title	Non Executive Director (NIT Nominee)
Appointment	July 30, 2010
Committee membership	Member of Audit Committee
External appointments	Head of Research Department of National Investment Trust Ltd. and Director of Hashmi Can Co. Ltd., Johnson & Phillips (Pakistan) Ltd.

Name	Mr. Shahid A. Hakim
Title	Chief Executive Officer
Appointment	December 08, 2006
Committee membership	Chairman of System and Technology Committee and Human Resources Committee and Member of Business Strategy Committee
External appointments	Currently no external appointment

Name	Mr. Sohail Bashir Rana
Title	Non Executive Director
Appointment	June 13, 1993
Committee membership	Member of Board's Committee for Supervision
External appointments	Director of Millat Tractors Ltd., Millat Equipment Ltd., Millat Industrial Products Ltd.

Name	Mr. Mian Muhammad Saleem
Title	Non Executive Director
Appointment	June 13, 1993
Committee membership	Member of Audit Committee and Board's Committee for Supervision
External appointments	Director of Millat Tractors Ltd., Millat Equipment Ltd., Millat Industrial Products Ltd.

Name	Mr. Javed Munir
Title	Non Executive Director
Appointment	February 22, 2005
Committee membership	No committee membership
External appointments	Chief Financial Officer of Millat Tractors Ltd. and Director of Millat Equipment Ltd.

Name	Mr. Sirajuddin Khan
Title	Executive Director
Appointment	February 19, 2011
Committee membership	Member of Business Strategy Committee, System and Technology Committee and Human Resources Committee
External appointments	Currently no external appointment

## Board Committees

### Audit Committee

#### Composition of Committee

##### Chairman

Mr. Laeeq Uddin Ansari  
Non-Executive Director

#### Meetings Attended

1 of 4

##### Members

Mr. Latif Khalid Hashmi  
Non-Executive Director  
Mr. Mian Muhammad Saleem  
Non-Executive Director  
Mr. Muhammad Imran Rafiq  
Non-Executive Director

3 of 4

0 of 4

1 of 4

#### Terms of Reference

Terms of Reference of Audit Committee are as follows:

- > To make recommendations to the Board on the appointment of external auditors, the audit fee, any question of resignation or removal and provision of any service by the external auditors in addition to audit.
- > To determine the measures to safeguards the assets of the Company.
- > To review, before submission to the Board, quarterly, half yearly and annual financial statements and related announcements to be issued by the Company. This renders focusing on significant items like material adjustments resulting from audit, going concern assumption, major judgmental areas, changes in accounting polices and practices and compliance of accounting standard, listing regulations and statutory requirements.
- > To facilitate the external audit, ensure coordination between external and internal auditors and discuss observations raised by the external auditors and management letter issued by them alongwith response of management.
- > To review scope and extent of internal audit and shall ensure that internal audit is adequately resourced and appropriately placed within the Company.
- > To consider major findings of internal investigations and management's response.

- > To ascertain that financial and operating controls and accounting reporting systems are adequate and effective.
- > To review the statement on internal control system before endorsement by the Board.
- > To determine the compliance of applicable statutory requirements and shall also monitor compliance of Code of Corporate Governance to identify the significant violations.
- > To institute special projects, other reviews and tasks as the Board shall delegate to it, from time to time, by consulting CEO and referring external auditors and other external bodies.

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

#### Composition of Committee

##### Chairman

Mr. Sikandar M. Khan

Chairman /Non-Executive Director

##### Members

Mr. Latif Khalid Hashmi Non-Executive Director  
Mr. Sohail Bashir Rana Non-Executive Director  
Mr. Laeeq Uddin Ansari Non-Executive Director  
Mr. Mian Muhammad Saleem Non-Executive Director

#### Terms of Reference

Terms of Reference of Board's Committee for Supervision (BCS) are as follows:

- > To provide a forum for the Company's Senior Executives to contribute to planning the strategic direction of the Company.
- > To review and monitor the periodic operating activities regarding technical, financial and administrative aspects of the Company, against budget, forecasts and previous year on monthly basis.
- > To ensure implementation of strategy, the corporate plan, policies and procedures.
- > To ensure successful achievement of objectives of the Company.
- > To ensure active co-ordination, cooperation and communication between all departments of the Company.
- > To review the organizational structure of the Company and making recommendations for change.

# Management Committees

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## Business Strategy Committee

### Composition of Committee

#### Chairman

Mr. Sikandar M. Khan

#### Members

Mr. Latif Khalid Hashmi  
Mr. Laeeq Uddin Ansari  
Mr. Shahid A. Hakim  
Mr. Sirajuddin Khan

### Responsibilities

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.

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## System and Technology Committee

### Composition of Committee

#### Chairman

Mr. Shahid A. Hakim

#### Members

Mr. Sirajuddin Khan  
Mr. Faisal Lakhani  
Mr. Aamir Hashmi

### Responsibilities

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

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## Human Resources Committee

### Composition of Committee

#### Chairman

Mr. Shahid A. Hakim

#### Members

Mr. Sirajuddin Khan  
Mr. Faisal Lakhani  
Mr. Abdul Qadir Lasi

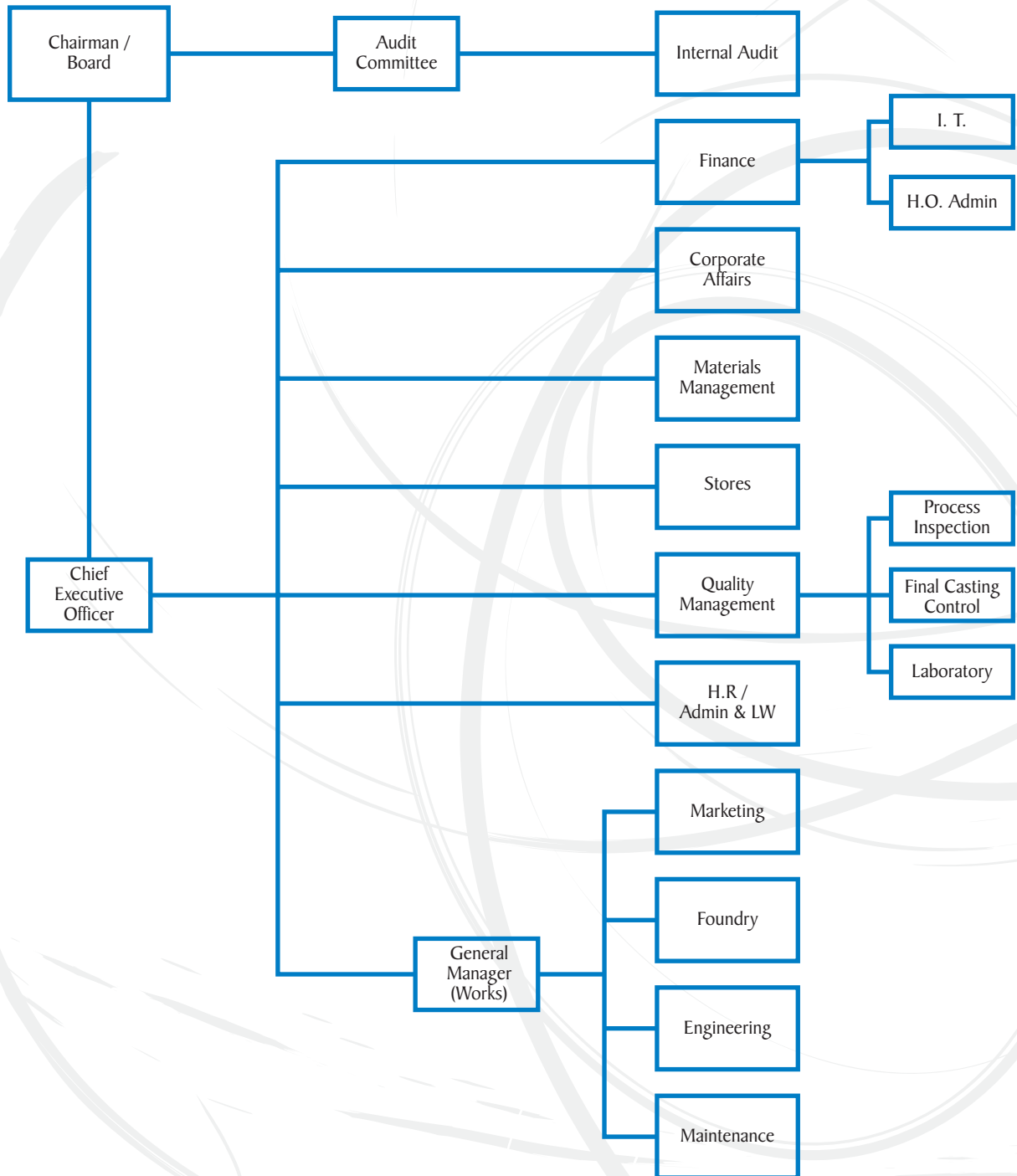
### Responsibilities

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.



# Organization Structure



# 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 15th 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 13th 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 produces more than 16,000 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.
- > Resin Coating Plant Continuous Mixer, Shell Core Machines, Silicate / CO2 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.



# Company Profile

- > 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.
- > All work areas sufficiently ventilated.

## 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.

## SUPPORT FOR FOUNDRY ENGINEERING EDUCATION

To improve the level of knowledge in the field of foundry practice, BCL for the last two years is providing technical support to the students of Metallurgical Engineering and Materials Engineering of NED University of Engineering & Technology, Karachi in a planned manner.

## ISO CERTIFICATION

Bolan Castings Limited was the first foundry of its kind to obtain ISO 9002 certificate in April, 1999. The Company has now achieved ISO 9001-2008 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.





# Customers & Product Range

## CUSTOMERS

### Tractors

- . Millat Tractors Limited
- . Al-Ghazi Tractors Limited

## PRODUCT RANGE

### Tractor Industry

- a. MF Tractors
  1. Cylinder block
  2. Cylinder head
  3. Transmission case
  4. Centre housing
  5. Timing gears
  6. Bearing caps
  7. Planetary carrier
  8. Differential cases
  9. Hydraulic lift cover
  10. Box hydraulic
  11. Oil sump 240
  12. Link rocker
  13. Sleeve
  14. Fork clutch release
  15. Axle housing 240
  16. Axle housing 385
  17. Oil sump 385
  18. Fly wheel 240
  19. Fly wheel 385
  20. Front wheel hub 240
  21. Front wheel hub 385
  22. Front axle support 240
- b. Fiat Tractors
  1. Axle casing
  2. Differential case
  3. Trumpet 640
  4. Front axle support
  5. Bearing covers
  6. Trumpet cover 640
  7. Trumpet 480
  8. Hubs
  9. Master clutch housing
  10. Oil sump 480

### Automobiles

- . Hino Pak Motors Ltd.
- . Ghandhara Nissan Ltd.
- . Ghandhara Industries Ltd.
- . Sind Engineering (Pvt.) Ltd.
- . Master Motors Corporation Ltd.
- . Adam Motors Company Ltd.
- . Sigma Motors (Pvt.) Ltd.

### Automobile Industry

- a. Isuzu Trucks/Buses
  1. Brake drums & Hubs
  2. Exhaust manifold
  3. Spring pads & Brackets
  4. Generator brackets
  5. Fly wheel
- b. Dong Feng Trucks/Buses
  1. Brake drums & Hubs
  2. Brackets
  3. Shackles
- c. Nissan Trucks/Buses
  1. Brake drums & Hubs
  2. Fan pulley
  3. Shackles
  4. Spring stoppers & Brackets
  5. Pads
- d. Hino Trucks/Buses
  1. Brake drums
  2. Spring stoppers & Brackets
  3. Bracket injection pump
  4. Pulleys
- e. Bedford Trucks
  1. Brake drums
  2. Differential carrier
- f. Honda/Coure
  1. Pulleys
- g. Master Trucks
  1. Brake drums
- h. Adam Car
  1. Brake drums
  2. Brake discs
- i. Sigma Jeep
  1. Brake drums

### Engineering/Others

- . Millat Equipment Limited
- . Alsons Industries
- . HMA Stainless Steel Pumps
- . Balochistan Engineering Works
- . Transmission Engineering
- . Pakistan Machine Tool Factory
- . Pakistan Synthetic
- . Noor Engineering

### Engineering Industry

- a. Pumps
  1. Pump heads
  2. Pump bases
  3. Base plates
  4. Adopter flanges
  5. Pump housings
  6. Suction chambers
  7. Seal covers
- b. Wheel Rims
  1. Blank holder dies
  2. Forming punch dies
  3. Roller dies
- c. Textile
  1. Labyrinth seals



## Metal being Poured into Moulds



# Communication with Shareholders

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# Shareholders Information

Bolan Castings Limited (BCL) is committed to providing a high standard of communication to its Shareholders so that 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 Accounts are also placed on Company's website.

## 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 Ninth Annual General Meeting is scheduled to be held at the Registered Office of the Company, Main RCD Highway, Hub Chowki, District Lasbela, Baluchistan, Pakistan, on Friday October 28, 2011 at 11:30 hours.

## Books Closure & Dividend / Bonus Shares Entitlement

The Share transfer books of BCL will remain closed from October 18, 2011 to October 28, 2011 both days inclusive. Transfers received in order at the office of Share Registrar of the Company at the address given hereunder by close of working hours (1730 hrs) on October 17, 2011 shall be treated in time for the purpose of entitlement of Cash Dividend.

## 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 Registrar:

## Shares Registrar Address:

Central Depository Company of Pakistan Limited,  
CDC House, 99-B, Block-B,  
S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400.  
Tel: Customer Support Services (Toll Free) 0800-CDCPL (23275)  
Fax: (92-21) 34326053  
Email: info@cdcpak.com  
Website: www.cdcpakistan.com

## Web Presence

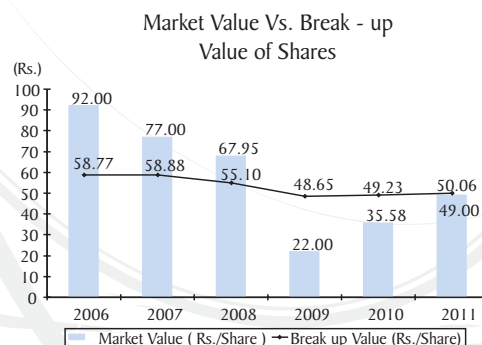
A wide range of information about BCL is available at Company's website, [www.bolancastings.com](http://www.bolancastings.com).

The website has general information about the Company and details of its product range. The quarterly and annual reports of the Company are also posted on this site.

## Price Ranges

Quarterly price ranges of BCL shares on the Karachi Stock Exchange, the principal market in which the stock is traded, were:

Quarter	2011		2010	
	High	Low	High	Low
----- Rupees -----				
First (July-Sep)	50.61	35.25	49.91	22.00
Second (Oct-Dec)	51.99	41.50	63.06	30.50
Third (Jan-Mar)	52.25	43.00	48.50	35.50
Fourth (Apr-June)	50.49	42.70	42.96	34.10

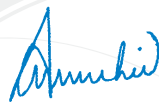


# Notice of Annual General Meeting

Notice is hereby given that 29th Annual General Meeting of Bolan Castings Limited will be held at the Registered Office of the Company Main RCD Highway, Hub Chowki, District Lasbella, Baluchistan, Pakistan, on Friday 28th October, 2011 at 11:30 hours to transact the following business:-

1. To confirm the minutes of the 28th Annual General Meeting.
2. To receive, consider and adopt the audited accounts of the Company for the year ended 30th June, 2011 together with the Directors' and Auditors' reports thereon.
3. To approve payment of dividend as recommended by the Directors.
4. To appoint auditors for the year ending 30th June, 2012 and to fix their remuneration. Present Auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants retire and being eligible offer themselves for re-appointment.
5. To elect eight Directors as fixed by the Board of Directors for term of three years. The retiring Directors are Mr. Sikandar M.Khan, Mr. Latif Khalid Hashmi, Mr. Sohail Bashir Rana, Mr. Laeeq Uddin Ansari, Mr. Mian Muhammad Saleem, Mr. Javed Munir, Mr. Sirajuddin Khan and Mr. Muhammad Imran Rafiq
6. To transact any other business with the permission of the Chair.

By Order of the Board of Directors

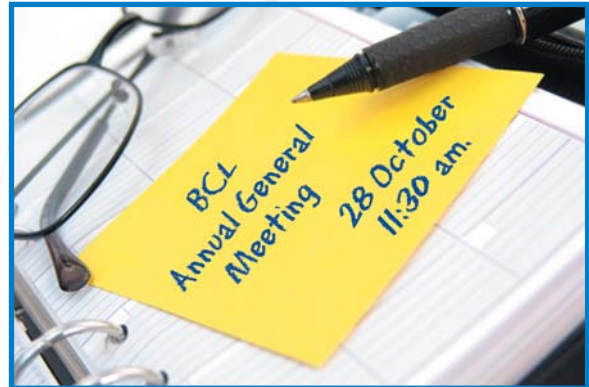


Arafat Mushir  
Company Secretary

Karachi:  
September 14, 2011

## Notes :

1. The Share Transfer Books of the Company shall remain closed from October 18, 2011 to October 28, 2011 (both days inclusive). Transfers received in order at the office of our Share Registrar M/s. Central Depository Company of Pakistan Limited., CDC House, 99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 by close of working hours on October 17, 2011 shall be treated in time.
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 at the office of our Share Registrar M/s. Central Depository Company of Pakistan Limited at least 48 hours before the meeting.
4. Shareholders are requested to promptly notify any change in their addresses to our Share Registrar M/s. Central Depository Company of Pakistan Limited.
5. Any person who seeks to contest election to the office of Director shall, whether he is retiring Director or otherwise, file with the Company, not later than fourteen days before the date of meeting a notice of his intention to offer himself for election as a director.
6. Additionally pursuant to provisions of Code of Corporate Governance the declarations required as follows shall also have to be submitted that:
  - i) he / she is aware of his / her duties and powers under the relevant laws and listed company's Memorandum and Articles of Association and the listing regulations of Stock Exchange where the company is listed.
  - ii) he / she is not serving as director of ten other listed companies.
  - iii) his / her name is borne on the register of national tax payers except if a person is a non-resident.
  - iv) he / she has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a banking company, a Development Financial Institution or non Banking Financial Institution or he, being a member of a Stock Exchange has been declared as a defaulter as such by the stock Exchange.



# Notice of Annual General Meeting

- v) he / she or his / her spouse is not engaged in the business of Stock brokerage (unless specifically exempted by the Securities and Exchange Commission of Pakistan).
- 7. Representation of independent non-executive directors including those representing minority interests on the Board of Directors of the company is encouraged.
- 8. 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.

## 8.1 FOR ATTENDING THE MEETING :

- 8.1.1 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.
- 8.1.2 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.

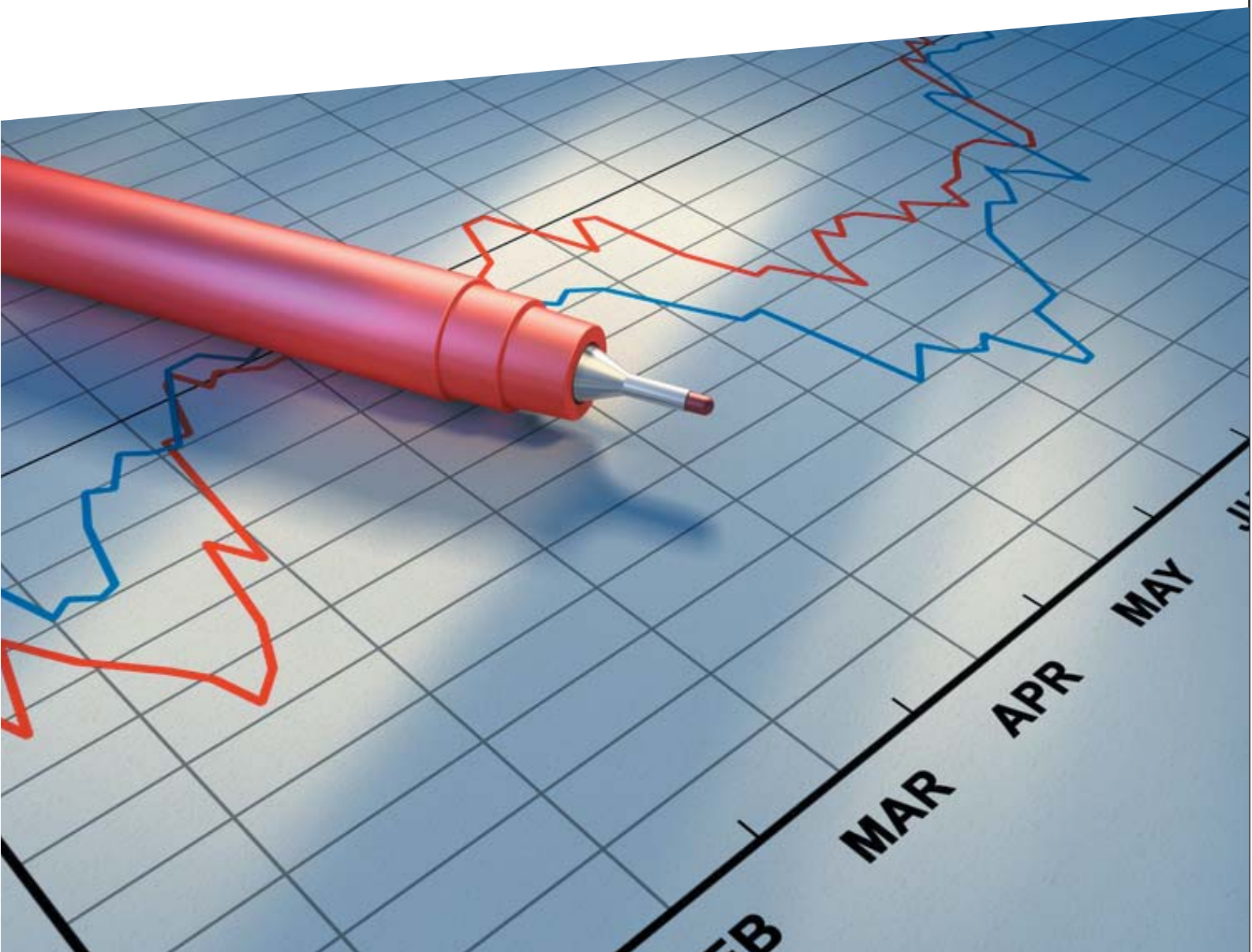
## 8.2 FOR APPOINTING PROXIES :

- 8.2.1 In case of individual, the account holder or sub account holder, shall submit the proxy form as per the above requirement.
- 8.2.2 The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- 8.2.3 Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- 8.2.4 The proxy shall produce his / her original CNIC or original passport at the time of the meeting.
- 8.2.5 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.



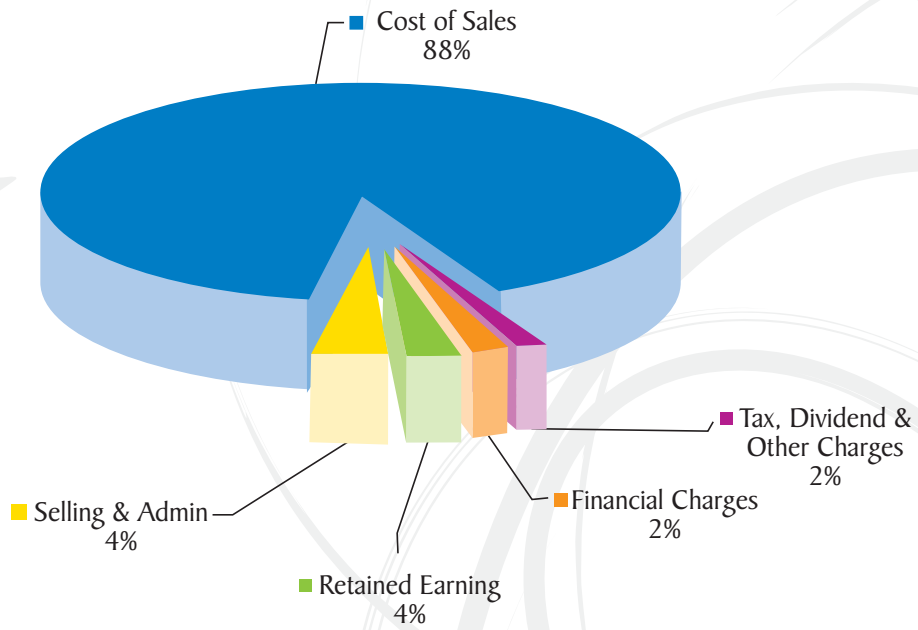
# Stakeholders Information

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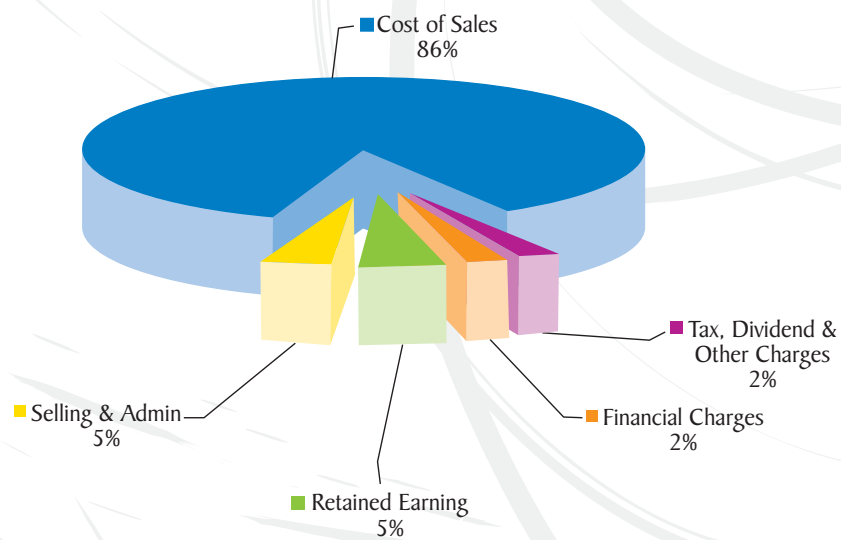


# Application of Revenue

2011



2010





## Vertical Analysis

	2011		2010		2009	
	(Rs. 000)	%	(Rs. 000)	%	(Rs. 000)	%
<b>Operating Results</b>						
Net income	1,946,677	100.0	1,707,846	100.0	1,604,626	100.0
Cost of sales	1,711,481	87.92	1,468,284	85.97	1,440,373	89.76
Admin, selling & distribution expenses	81,439	4.18	77,955	4.56	67,834	4.23
Other operating expenses	9,556	0.49	9,422	0.55	4,045	0.25
Investment Income	(1,075)	(0.06)	(1,072)	(0.06)	(515)	(0.03)
Other income	(12,344)	(0.63)	(16,662)	(0.98)	(18,520)	(1.15)
Finance cost	33,822	1.74	44,170	2.59	58,259	3.63
Taxation	45,593	2.34	43,591	2.55	19,124	1.19
Profit after taxation	78,205	4.02	82,157	4.81	34,026	2.12
<b>Balance Sheet</b>						
Property, plant and equipment	235,330	23.8	236,205	22.6	242,245	27.1
Long term investments	9,171	0.9	8,338	0.8	8,050	0.9
Other non-current assets	5,106	0.5	4,963	0.5	4,876	0.5
Current assets	739,686	74.8	793,499	76.1	639,502	71.5
Total assets	989,293	100	1,043,004	100	894,673	100
Total Share holder's equity	522,145	52.8	466,809	44.8	384,364	43.0
Long term debts (excluding current maturiy)	-	-	14,082	1.4	14,082	1.6
Long term Deposits	4,442	0.4	3,843	0.4	-	-
Deferred liabilities	35,681	3.6	30,284	2.9	30,802	3.4
Deferred taxation	25,001	2.5	22,383	2.1	20,649	2.3
Short term debts	247,873	25.1	221,867	21.3	289,830	32.4
Trade creditors	147,361	14.9	241,167	23.1	109,434	12.2
Current portion of long term debts	-	-	36,250	3.5	36,250	4.1
Other current liabilities	6,791	0.7	6,320	0.6	9,262	1.0
Total liabilities	467,148	47.2	576,195	55.2	510,309	57.0
Total equity and liabilities	989,293	100	1,043,004	100	894,673	100
<b>Cash Flow</b>						
Cash generated from operations	278,139	319	162,306	256	96,647	(1,583)
Cash flow from/(used in) operating activities	186,039	213	83,359	131	23,627	(387)
Cash flow from/(used in) investing activities	(24,950)	(29)	(19,919)	(31)	(17,776)	291
Cash flow from/(used in) financing activities	(73,927)	(85)	-	-	(11,955)	196
Net increase/(decrease) in cash and cash equivalents	87,162	100	63,440	100	(6,104)	100



# Horizontal Analysis

	2011 (Rs. 000)	Inc./(dec.) vs last year figure %	2010 (Rs. 000)	Inc./(dec.) vs last year figure %	2009 (Rs. 000)	Inc./(dec.) vs last year figure %	2008 (Rs. 000)
<b>Operating Results</b>							
Net income	1,946,677	14.0	1,707,846	6.4	1,604,626	41.9	1,130,538
Cost of sales	1,711,481	16.6	1,468,284	1.9	1,440,373	41.7	1,016,595
Gross profit	235,196	(1.8)	239,562	45.8	164,253	44.2	113,943
Admin, selling & distribution expenses	81,439	4.5	77,955	14.9	67,834	41.3	48,010
Other operating expenses	9,556	1.4	9,422	132.9	4,045	(8.9)	4,443
Investment Income	1,075	0.2	1,072	108.4	515	(46.1)	955
Other income	12,344	(25.9)	16,662	(10.0)	18,520	273.5	4,958
Profit before finance cost	157,621	(7.2)	169,918	52.5	111,409	65.3	67,404
Finance cost	33,822	(23.4)	44,170	(24.2)	58,259	77.1	32,903
Profit before Taxation	123,799	(1.6)	125,749	136.6	53,150	54.1	34,501
Taxation	45,593	4.6	43,591	127.9	19,124	61.4	11,853
Profit after taxation	78,205	(4.8)	82,157	141.5	34,026	50.2	22,648
<b>Balance Sheet</b>							
Property, plant and equipment	235,330	(0.4)	236,205	(2.5)	242,245	(3.9)	252,155
Long term investments	9,171	10.0	8,338	3.6	8,050	(52.5)	16,963
Other non-current assets	5,106	2.9	4,963	1.8	4,876	10.4	4,417
Current assets	739,686	(6.8)	793,499	24.1	639,502	19.9	533,411
Total assets	989,293	(5.1)	1,043,004	16.6	894,673	10.9	806,946
Share capital	104,296	10.0	94,814	20.0	79,012	30.0	60,778
Reserves	417,849	12.3	371,995	21.8	305,352	11.4	274,161
Total Share holder's equity	522,145	11.9	466,809	21.4	384,364	14.8	334,940
Long term debts (excluding current maturiy)	-	(100.0)	14,082	-	14,082	(72.0)	50,332
Long term Deposits	4,442	15.6	3,843	100.0	-	-	-
Deferred liabilities	35,681	17.8	30,284	(1.7)	30,802	82.1	16,914
Deferred taxation	25,001	11.7	22,383	8.4	20,649	47.1	14,038
Short term debts	247,873	11.7	221,867	(23.4)	289,830	5.7	274,112
Trade creditors	147,361	(38.9)	241,167	120.4	109,434	49.8	73,063
Current portion of long term debts	-	(100.0)	36,250	-	36,250	-	36,250
Other current liabilities	6,791	7.5	6,320	(31.8)	9,262	26.9	7,297
Total liabilities	467,148	(18.9)	576,195	12.9	510,309	4.4	488,920
Total equity and liabilities	989,293	(5.1)	1,043,004	16.6	894,673	8.6	823,860
<b>Cash Flow</b>							
Cash generated from operations	278,139	71.4	162,306	67.9	96,647	851.6	10,157
Cash flow from/(used in) operating activities	186,039	123.2	83,359	252.8	23,627	(151.4)	(45,964)
Cash flow from/(used in) investing activities	(24,950)	25.3	(19,919)	12.1	(17,776)	(25.1)	(23,737)
Cash flow from/(used in) financing activities	(73,927)	100.0	-	(100.0)	(11,955)	(73.2)	(44,559)
Net increase/(decrease) in cash and cash equivalents	87,162	37.4	63,440	(1,139.4)	(6,104)	(94.7)	(114,260)



## Decade at a Glance

(Rupees in Thousand)

Year ended 30 <sup>th</sup> June	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>INCOME</b>										
Net sales	1,946,677	1,707,846	1,604,626	1,130,538	869,672	802,761	695,077	538,765	394,786	378,139
Gross profit	235,196	239,562	164,253	113,943	109,174	122,819	98,780	114,907	89,201	111,719
Operating profit	167,176	179,341	115,454	67,403	64,300	84,598	68,855	88,770	63,972	92,871
Profit before tax	123,799	125,749	53,150	34,500	39,870	72,910	65,348	83,378	90,829	97,897
Profit after tax	78,205	82,157	34,026	22,648	26,038	47,826	42,665	58,115	63,160	75,293
<b>FINANCIAL POSITION</b>										
Current assets	739,686	793,499	639,502	533,411	433,427	331,842	294,312	231,424	204,529	215,963
Less: Current liabilities	402,024	505,603	444,777	390,722	279,276	98,616	92,453	41,500	73,136	115,849
Net working capital	337,662	287,896	194,725	142,689	154,151	233,226	201,858	189,924	131,393	100,114
Property, plant and equipment	235,330	236,205	242,245	252,155	255,249	203,383	92,745	87,178	91,840	91,567
Others-non current assets	14,277	13,301	12,926	21,379	23,111	22,692	13,685	14,473	8,816	1,489
	587,268	537,401	449,896	416,223	432,510	459,301	308,288	291,575	232,049	193,170
Less: Long term debts	-	14,082	14,082	50,332	84,128	121,190	-	-	-	-
Other Liabilities	65,124	56,510	51,450	30,952	23,028	13,397	11,695	10,345	10,434	3,065
Shareholders' Equity	522,145	466,809	384,364	334,940	325,355	324,714	296,593	281,230	221,615	190,105
<b>REPRESENTED BY:</b>										
Share capital	104,296	94,814	79,012	60,778	55,253	55,253	55,253	55,253	55,253	55,253
Reserves	323,500	274,500	256,500	240,000	230,000	210,000	195,000	164,000	164,000	134,000
Unrealized gain on long term investment	3,671	2,838	2,550	11,463	13,475	11,247	3,325	3,000	1,500	-
Premium on issuance of right share	12,156	12,156	12,156	-	-	-	-	-	-	-
Unappropriated profit	78,522	82,502	34,147	22,699	26,627	48,214	43,015	58,977	862	852
Net Capital Employed	522,145	466,809	384,364	334,940	325,355	324,714	296,593	281,230	221,615	190,105
<b>Summary of CashFlows</b>										
Cash flows from operating activities	186,039	84,150	23,627	(45,964)	(51,536)	21,070	21,036	15,504	43,382	31,645
Cash used in investing activities	(24,950)	(20,710)	(17,776)	(23,737)	(67,612)	(121,156)	(16,303)	(5,357)	(14,349)	(11,243)
Cash used in financing activities	(73,927)	-	(11,955)	(44,559)	(45,632)	91,148	(7,713)	(33,021)	(32,686)	(27,555)
Net change in cash and cash equivalents	(123,524)	(210,685)	(274,125)	(268,022)	(153,761)	11,019	19,957	22,937	45,812	49,465

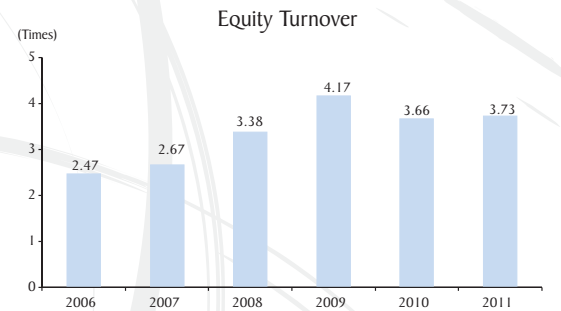
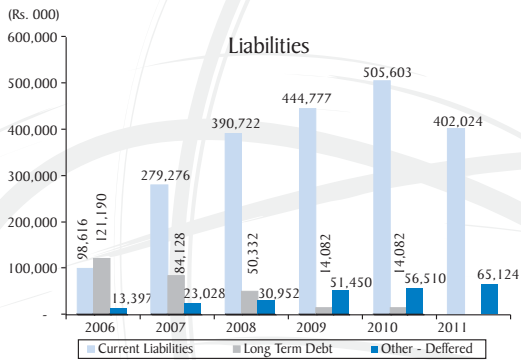
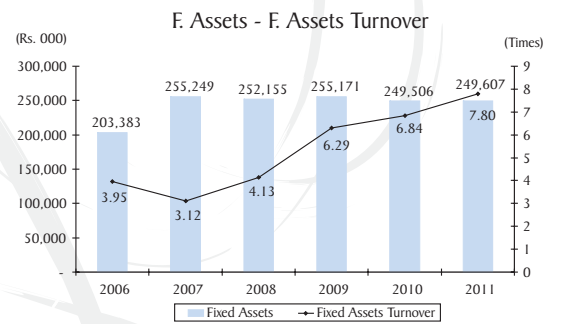
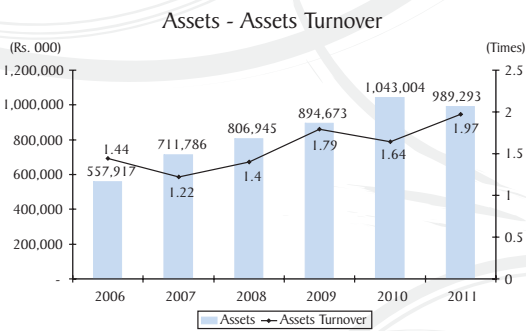
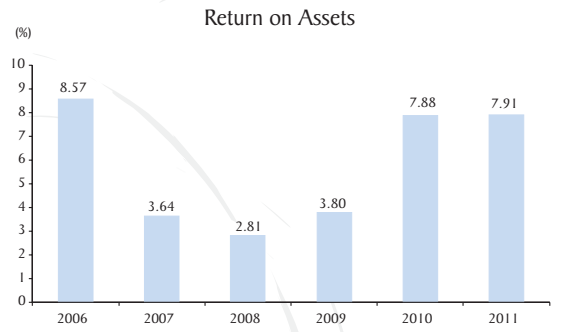
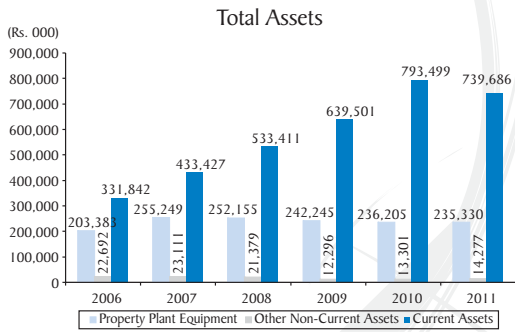


# Decade at a Glance

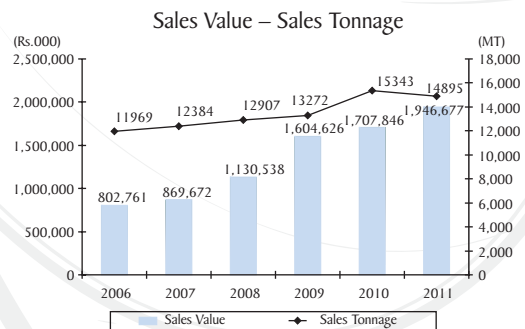
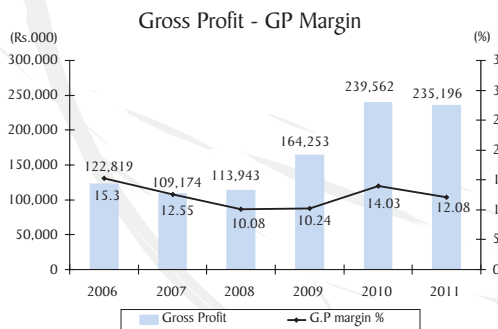
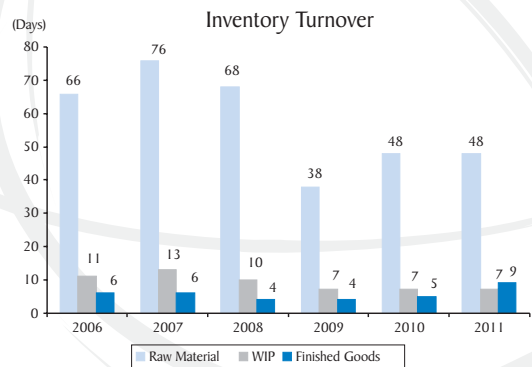
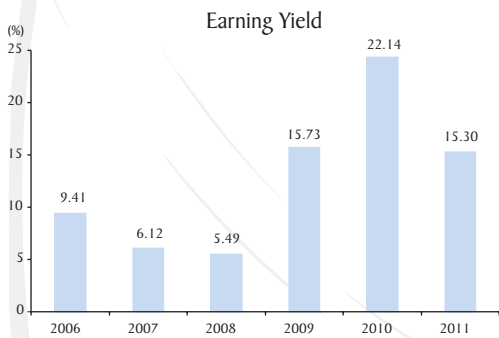
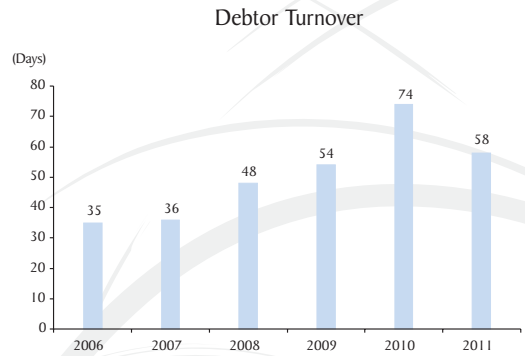
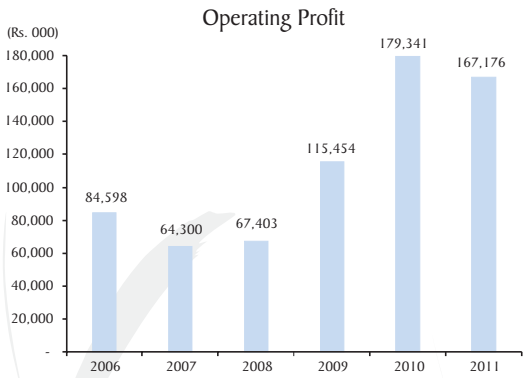
Year ended 30 <sup>th</sup> June	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>PRODUCTION / SALES</b>										
Production capacity installed (MT)	13,200	13,200	13,200	10,367	10,367	7,450	5,700	5,700	5,700	5,700
Production capacity attained (MT)	16,278	16,069	14,335	13,801	13,543	12,627	12,320	10,532	7,868	7,615
Capacity ratio (%)	123	122	109	133	131	169	216	185	138	134
Net sales (MT)	14,895	15,343	13,272	12,907	12,384	11,969	11,806	9,550	7,568	7,260
<b>MARKET VALUE RATIOS</b>										
Break up value of a share of Rs.10/-each	50.06	49.23	48.65	55.11	58.88	58.77	53.68	50.90	40.11	34.41
Dividend (rupees per share)	1.50	2.50	-	-	2.00	5.00	5.00	5.00	6.00	6.00
Dividend (%)	15	25	-	-	20	50	50	50	60	60
Bonus shares (%)	-	10	20	10	10	-	-	45	-	-
<b>PROFITABILITY RATIOS</b>										
Gross profit ratios (%)	12.08	14.03	10.24	10.08	12.55	15.30	14.21	21.33	22.59	29.54
Profit before tax to sales (%)	6.36	7.36	3.31	3.05	4.58	9.08	9.40	15.48	23.01	25.89
Profit after tax to sales (%)	4.02	4.81	2.12	2.00	2.99	5.96	6.14	10.79	16.00	19.91
Basic earnings per share - EPS (Rs.)	7.50	7.88	3.46	2.95	4.28	8.66	7.72	10.52	11.43	13.63
Earning yield - year end price (%)	15.30	22.14	15.73	5.49	6.12	9.41	11.35	14.71	19.21	35.96
Price earning ratio - year end price	6.53	4.52	6.36	18.22	16.34	10.62	8.81	6.80	5.20	2.78
EBITDA ( earning before interest, tax,depreciation & amortization) (%)	10.00	12.09	8.93	8.39	9.42	11.65	11.26	18.55	19.23	27.57
Dividend payout (%)	20.00	31.74	-	-	42.44	57.76	64.75	47.54	52.49	44.03
Dividend yield ratio (%)	3.06	7.03	-	-	2.60	5.43	7.35	6.99	10.08	15.83
Return on equity (%)	14.98	17.60	8.85	6.76	8.00	14.73	14.39	20.66	28.50	39.61
Return on assets (%)	7.91	7.88	3.80	2.81	3.64	8.57	10.65	17.45	20.70	24.37
Operating cycle - (days)	59	89	78	114	109	102	104	110	113	122
Dividend cover - (times)	5.00	3.15	-	-	2.36	1.73	1.54	2.10	1.91	2.27
<b>LIQUIDITY RATIOS</b>										
Current ratio	1.84:1	1.57:1	1.44:1	1.37:1	1.54:1	3.36:1	3.18:1	5.58:1	2.80:1	1.86:1
Quick ratio	1.12:1	1.19:1	1.10:1	0.96:1	0.62:1	1.54:1	1.68:1	2.42:1	1.83:1	1.33:1
<b>ACTIVITY RATIOS</b>										
Raw material Inventory turnover - (days)	48	48	38	68	76	66	65	62	50	40
WIP inventory turnover - (days)	7	7	7	10	13	11	15	18	13	11
Finished goods inventory turnover - (days)	9	5	4	4	6	6	4	4	9	14
Debtors turnover ratio - (days)	58	74	54	48	36	35	35	37	58	74
Assets turnover (%)	1.97	1.64	1.79	1.40	1.22	1.44	1.73	1.62	1.29	1.22
Fixed assets turnover - (times)	7.80	6.84	6.29	4.13	3.12	3.95	7.50	6.18	4.30	4.13
<b>LEVERAGE RATIOS</b>										
Equity turnover - (times)	3.73	3.66	4.17	3.38	2.67	2.47	2.34	1.92	1.78	1.99
Debt-equity ratio	0:100	3:97	4:96	13:87	21:79	27:73	0:100	0:100	0:100	0:100
<b>SHARE PRICE- (RS.)</b>										
Highest	52.25	63.06	64.60	84.00	114.65	98.70	87.85	73.95	62.00	45.00
Lowest	35.25	22.00	22.00	61.00	68.00	59.85	59.80	50.00	35.45	31.50
Average	43.75	42.53	43.30	73.06	91.33	79.28	73.83	61.98	48.73	38.25
At the year end	49.00	35.58	22.00	67.95	77.00	92.00	68.00	71.50	59.50	37.90



# Graphical Illustration



# Graphical Illustration

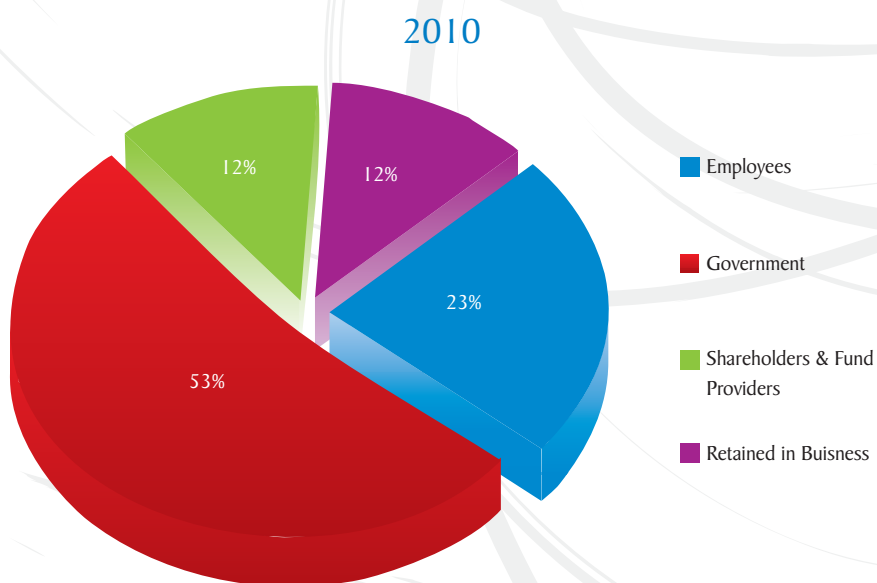
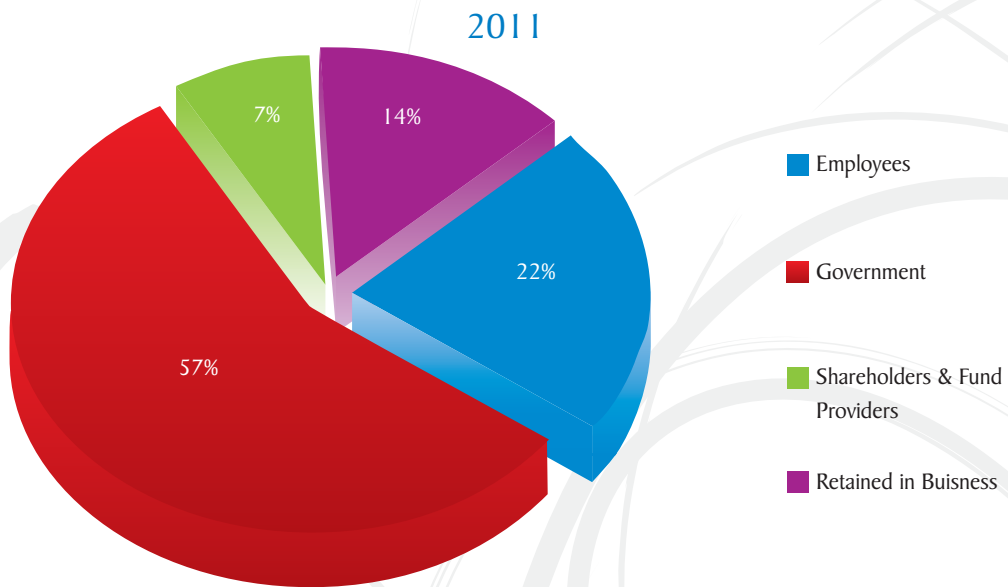


# Statement of Value Added and its Distribution

PARTICULARS	2011		2010	
	Rs. 000	%	Rs. 000	%
<b>VALUE ADDITION</b>				
Revenue Generated	2,277,637		1,996,370	
Bought-In Material and Services	(1,622,915)		(1,382,123)	
Other Income	13,419		17,734	
	<u>668,141</u>		<u>631,981</u>	
<b>DISTRIBUTION TO:</b>				
<b>Employees</b>				
Salaries, Wages and benefits	142,424	21	136,897	22
Workers Participation Fund	6,683	1	6,754	1
	149,107	22	143,651	23
<b>Government</b>				
Income Tax	45,593	7	43,591	7
Sales Tax	330,667	50	281,719	45
Special Excise Duty	294	0	6,805	1
Workers Welfare Fund	2,847	0	2,569	0
	379,401	57	334,684	53
<b>Shareholders &amp; Fund Providers</b>				
Bonus Shares	-	-	9,448	1
Cash Dividend	15,644	2	23,705	4
Financial Charges	33,822	5	44,170	7
	49,467	7	77,323	12
<b>Society</b>				
Donation	25	0	100	0
<b>Retained in Business</b>				
Depreciation	27,254	4	26,890	4
Amortization	326	0	329	0
Retained Profit	62,561	10	49,004	8
	90,141	14	76,223	12
	<u>668,141</u>	<u>100</u>	<u>631,981</u>	<u>100</u>



# Distribution of Value Addition





# Corporate & Financial Reporting

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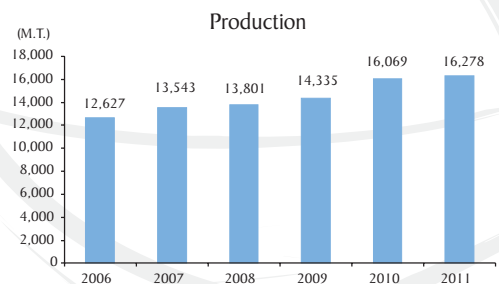


## Chairman's Review



### Dear Shareholders,

I am pleased to welcome you to the 29th Annual General Meeting of Bolan Castings Limited and to present the Annual Report together with the Audited Financial Statements of the Company for the Financial Year ended June 30, 2011.



***“Despite all odds and difficulties, the performance of BCL remained within the limits set for the year 2011”.***

### National Economic Review

The period under review witnessed macro-economic slow down in internal as well as external factors. Our national economy is facing challenges of low productivity, high inflation, low investments and continued reliance on external borrowings.

The worst floods in the country's history, the ongoing war against terrorism and a spurt in world oil prices pulled back the economy that grew by only 2.4% against a target of 4.5% in the financial year 2010-11. Agriculture sector recorded modest growth of 1.2% against the target of 3.8% while the manufacturing sector posted a growth of 3% as against 5.5% of last year and services sector grew by 4.1% against the target of 4.7%.



# Chairman's Review

A substantial decline in local and foreign direct investment, mainly due to the deteriorating law and order situation, and shortages of electricity and gas are having an adverse effect on national economic development during the year.

### Business Review

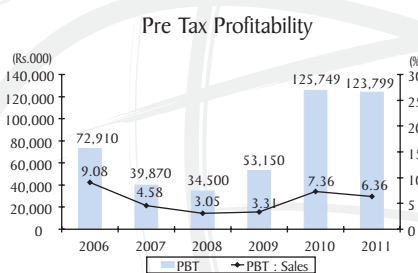
After a good start to the year 2011, with sales in the first three quarters up by 25% over the same period previous year, sales in the last quarter were affected adversely due to imposition of General Sales Tax (GST) on tractor prices. As the production of your company has been mainly focused on manufacturing of tractor castings therefore following the aforementioned reason the tractors sales have gone down which predominantly contributed to relatively decreased profitability of the Company.

Additionally, severe energy crises cause interruptions in production thereby resulting in higher fuel, materials and electricity consumptions. Also the sudden shutdowns result in a substantial increase in the maintenance downtime.

Despite all these odds and difficulties, the performance of your company remained within the limits set for the year. During the year, your company produced 16,278 M.T. of castings against 16,069 M.T. of last year. The tonnage net sales were 14,895 M.T. against 15,341 M.T. last year.

### Company's Performance

The sales revenues of the Company for the period under review amounted to Rs. 1,946.677 million as against Rs. 1,707.846 million of the same period last year. The gross profit was recorded as Rs. 235.196 million as against Rs. 239.562 million of same period last year.



The selling, distribution and administrative expenses were Rs. 81.439 million against Rs. 77.955 million of last year. Prudent financial management enabled the Company to reduce financial cost which declined to Rs. 33.822 million against Rs. 44.170 million of last year, making a healthy contribution of Rs. 10.348 million.

The profit before tax was Rs. 123.799 million as against Rs. 125.749 million of last year. The income tax was Rs. 45.593 million as against Rs. 43.591 million of last year. The profit after tax was Rs. 78.205 million against Rs. 82.157 million of same period last year.

Your Directors were pleased to recommend a cash dividend of Rs. 1.50 per share (15%), subject to approval at the Annual General Meeting.

### Future Prospects

The imposition of sales tax on the price of tractors is making its adverse impact on tractors' sale and the local tractor manufacturers are facing dearth of fresh orders from the growers and farmers. The truck manufacturers are also facing declining trend in fresh bookings. The vending industry including BCL is the main sufferer of this adversity. However, this gloomy phase should be a temporary and we expect that the demand and production of tractors should pick up soon as the country's agricultural economy can not do well without tractors and agriculture implements as the case with water and fertilizer.

Still to remain a profitable and progressive venture, we are focusing on export orders and at the same time adopting cost-cutting measures at all levels of company operations. This will be done through improving the production, quality and weight reduction of casted components. In addition, for the uninterrupted plant operations, capacity of electricity self generation is being enhanced to cope up with frequent load shedding by KESC.

### Contribution towards Economic Development and Self Reliance

The Company is 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 huge

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. It has also been a source of employment to the people of the region at all levels.

### Human Resource Development

Human resource is the most valuable asset of your Company. We recognize that skilled and motivated teams of people are essential to deliver success. Hiring of professionals to build and maintain an efficient team devoted to attain set targets of achievements is our main endeavour.

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.

### Acknowledgement

I am extremely grateful to our shareholders, customers, suppliers, contractors, bankers and other business partners for their enduring relationship and their continued support towards the prosperity of the Company.

I would like to thank the management and employees for their sincere contributions to the ongoing success of the Company.

In the end, I would like to thank my fellow Board members for their untiring efforts in directing the Company's course through favourable and unfavourable business conditions and look forward to continued commitment of all stakeholders for future progress of the Company.

Sikandar M. Khan  
Chairman



## Directors' Report

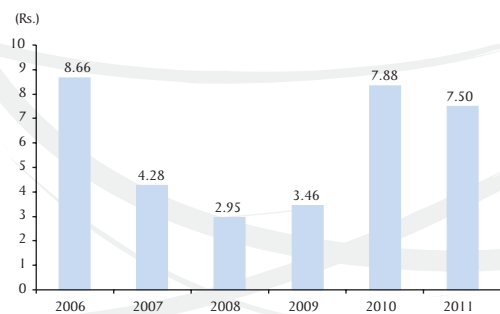


***“We continue to target real progress through profitable sales growth, continuous cost reduction and the development of our people.”***

**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, 2011.

Earnings Per Share



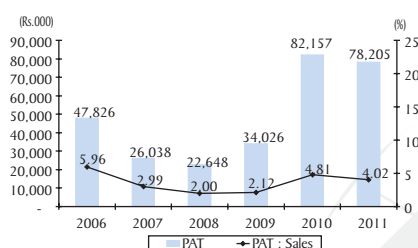
### General

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



# Directors' Report

## Post Tax Profitability



## Appropriations

Following are the appropriations made during the year:

	(Rs.000)
Un-appropriated profit brought forward	82,502
Final dividend for the year ended June 30, 2010	(23,704)
Bonus shares issued for the year ended June 30, 2010	(9,481)
Transfer to general reserve	(49,000)
Profit after tax for the year ended June 30, 2011	78,205
Un-appropriated profit carried forward	<u>78,522</u>

## Dividends

The Directors have recommended cash dividend at the rate of Rs. 1.50 per share i.e. 15%. If approved by the shareholders in the Annual General Meeting, the cash dividend will be paid within thirty days of AGM to the shareholders whose names appear on the register of shareholders of the Company at close of business on October 17, 2011. The Board has also decided to transfer Rs. 62.00 million to general reserves.

## Subsequent Effects

The cash dividend amounting to Rs. 15.644 million for the financial year 2011 shall be reflected in the financial statements for the year ended June 30, 2012. However, this will have no bearing on payment of dividends to shareholders.

## Earnings Per Share

The earnings per share for the year ended June 30, 2011 were Rs.7.50 as against restated Rs.7.88 of preceding year.

## Risk Management

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

## 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.

## Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Company manages this risk through effective cash management and by keeping committed credit lines available.

## Corporate Social Responsibility

Your Company recognizes the importance of conducting its business in a socially responsible manner. This is demonstrated in the way we deal with our employees, customers and the wider community where we operate.

BCL considers that corporate social responsibility is an integral element of good business management. Various activities conducted in this area are enumerated below:

## Energy Conservation

BCL is well aware of the Country's need for energy as well as its responsibility towards energy conservation. For this purpose, the Company continues its effort to minimize energy consumption in daily operations of the Company. Our employees are encouraged to avoid unnecessary consumption of electricity, gas and water. Furthermore, the management has also issued directives to minimize fuel consumption in Company-owned vehicles and also to use energy-saving lighting device at all locations of the Company.

## Environmental Protection Measures

We attach great importance to the maintenance of a healthy living environment and consistently integrate the ideas and measures of environment protection. We encourage initiatives which benefit the environment. Our operations are conducted with the emphasis on compliance of regulatory requirements relating to the environment. Continued efforts are made so that the Company's plant operational activities are environment friendly. In this regard, following are ensured in particular:

- Wet sludge tank for cupola emissions,
- Scrubbers for air born emission at core plant,
- Reduction of dust emissions through bag filter,
- Closed cabin for shot blasting and sand plant,
- Dust catcher (venties) in grinding area,
- Sound proofing of noisy machines area, and
- Maximum plantation in factory through the use of waste water.

## Occupational Safety and Health

BCL 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.



# Directors' Report

We believe that production is not so important that time cannot be taken to find a safe way to do our work. BCL ensures availability at Plant of effective fire fighting system, Ventilation and Protection against direct heat from Sun in storage area of flammable material. All necessary first aid facilities are available with qualified staff round the clock. Medical check up of the employees is carried out on periodic basis.

## Consumer Protection Measures

BCL ensures customers' satisfaction by providing quality product at competitive prices. The Company believes that quality and 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'. BCL has developed a Quality Control System that covers inspection of the complete process from raw materials supply to the dispatch of finished goods to its customers.

BCL was the first foundry of its kind to obtain ISO 9002 certificate in April 1999. The Company has also achieved ISO 9001 - 2008 version of Quality Management System which is a proof of our commitment of providing quality services to our customers as well as to increase their satisfaction level.

## Industrial Relations

BCL believes in maintaining cordial industrial relationship with its employees and their Collective Bargaining Agent (CBA). The Labour Management agreement for the terms of two years ending June 2012 has successfully been finalized through mutual consent.

The Company is always taking measures towards the employees' welfare. The Company provides subsidized food at its canteen. Further, the Company also provides medical facilities to its employees. The Company has a balanced programme of employee in-service and post employment benefits and policies. The Company has provident fund as well as gratuity and pension fund schemes for a majority of its employees.

The Company has a Hajj Scheme for its employees under which three employees are sent to perform Hajj at Company's expense every year.

## Employment of Special Persons

BCL continues to be supportive of the employment and advancement of disabled person in accordance with their abilities and aptitudes, provided that they can be employed in a safe working environment.

If employees become disabled, every effort is made to ensure the continuity of their employment and where the disability of the employees is such that they can not continue to work then in such cases, the Company provides employment to their child.

## Business Ethics and Anti-Corruption Measures

BCL is committed to high standard business conduct. We believe that it is vital to the reputation and financial success of the Company that we conduct our business with honesty, integrity and in compliance with all applicable legal and regulatory requirements. It is a fundamental policy of the Company that all employees observe and comply with the laws and regulations applicable to the Company's business and that they act with high standards of business integrity.

The Company's Statement of Ethics and Business Practices reinforces the Company's commitment to ethical and transparent business practices. Affirmations as to adherence thereof are received from each director and all employees of the Company on annual basis.

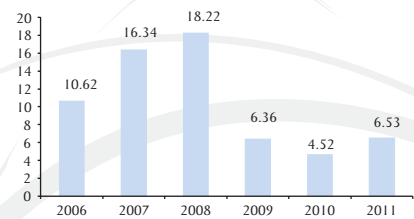
In addition to above, all employees are required to give a monthly certification on compliance of internal controls which is formally reported by the CEO to the Board on quarterly basis.

## National Cause Donations

During the first quarter of the year under review, our country faced the unprecedented calamity of the great floods that played havoc with the lives of millions of our fellow Pakistanis. Unfortunately, that was the period when our company was facing liquidity problems due to which the Company could not contributed significantly.

Despite difficult financial period, your Company contributed Rs. 20,000/- in flood relief activity through Lasbela Chamber of Commerce and EOBI.

## Price Earning Ratio



## Contribution to National Exchequer

BCL has contributed Rs. 376.554 million to the national exchequer during the period by way of taxes and duties. This includes Rs. 45.593 million as income tax, Rs. 330.667 million as sales tax and Rs. 0.294 million as special excise duties.

Furthermore, the Company also contributed a hefty amount to the national exchequer as withholding tax agent.

## Corporate Governance

### Compliance with the Code of Corporate Governance

BCL is deeply aware of the significance of corporate governance in achieving effective checks and balance and protecting the interest of all shareholders and is dedicated to pursuing sustained optimization of corporate governance. The Company regards the building of sound corporate governance as an important means to maintain shareholder relationship and enhance corporate value. The Company is convinced that sound corporate governance is of great importance to the sustainable long term growth of the Company and that the efforts to improve and optimize our corporate governance and the progress that have been made to this end will help in enhancing our core competitiveness and increasing corporate value.

In accordance with the Code of Corporate Governance, the Board has established sound corporate governance policies and procedures, which are monitored and reviewed on a continuous basis. Our Corporate governance framework is directed towards achieving our business objectives in a manner which is responsible and in accordance with high standards of honesty, transparency and accountability.



# Directors' Report

For achievement of these principles, our vision / mission statements, overall corporate strategy, statement of business ethics and practices and significant policy guidelines, have been in place for many years.

Statements of compliance with the code of corporate governance duly reviewed and certified by the external auditors are annexed to this report.

## Board of Directors

### Board Structure

Effective management and good stewardship are led by the Board of Directors, which currently consists of eight elected directors, of whom one is executive director and seven are non-executive directors. 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.

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.

### Role of the Chairman and Chief Executive Officer

The Chairman is responsible to provide overall leadership and vision in developing the strategic direction of the Company.

The Chairman's primary role includes ensuring that the Board functions properly, it meets its obligations and responsibilities and that its organization and mechanisms are in place and are working effectively.

The CEO is responsible for managing the Company and to ensure delivery of the strategic and financial objectives which have been agreed by the Board. He is also responsible for stewardship of the Company's assets and jointly with the Chairman, represents the Company externally.

## Board Effectiveness / Board Process

The Board is collectively responsible for the success of the Company. Its role is to provide entrepreneurial leadership to the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the Company's strategic aims, ensures that the necessary financial and human resources are in place for the Company to meet its objectives and reviews management performance. It also sets the company's values and standards and ensures that its obligations to its shareholders and others are understood and met.

Specific responsibilities reserved to the Board include:

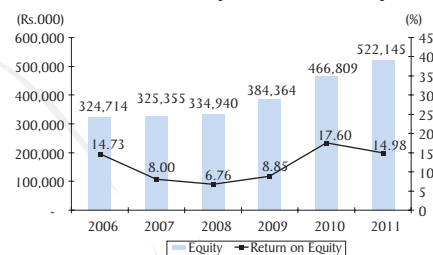
- Approving annual budget and projections;
- Approving annual and quarterly accounts;
- Reviewing the Company's systems of financial control and risk management;
- Approving major acquisitions, divestments and capital expenditure;
- Issuing shares of the Company;
- Ensuring that appropriate management development and succession plans are in place;
- Reviewing matters relating to corporate social responsibility including the environmental, health and safety performance of the Company;
- Reviewing the activities of the Board's Committees; and
- Approving appointments to the Board, to the Board Committees and to the positions of CEO, CFO, Company Secretary and the Head of Internal Audit.

### Board Meetings

The Board is accountable to shareholders for ensuring that the Company is appropriately managed and achieves the strategic objectives it sets. The Board discharges those responsibilities through annual program of meetings.

The Board met four times during the financial year 2010-11. The meetings were presided over by the Chairman of the Board and, in his absence, by a director elected by the Board for this purpose. These meetings were also attended by the Chief Financial Officer and the Company Secretary.

## Shareholder's Equity & Return on Equity



Attendance of Directors at Board meetings is set out below:

### Name of Director Meetings Attended

Mr. Sikandar M. Khan	3 of 4
Mr. Shahid A. Hakim	4 of 4
Mr. Latif Khalid Hashmi	3 of 4
Mr. Sohail Bashir Rana	2 of 4
Mr. Laeeq Uddin Ansari	1 of 4
Mr. Mian Muhammad Saleem	0 of 4
Mr. Javed Munir	3 of 4
Mr. Mohammad Imran Rafiq (NIT Nominee)	2 of 4
Mr. Mujtaba Ahmed*	3 of 3
Mr. Sirajuddin Khan**	1 of 1

\* Resigned from the Board w.e.f. 19-02-2011.  
\*\* Appointed on the Board w.e.f. 19-02-2011.

Notice of meetings along with the agenda items and comprehensive working papers dealing with aspects of the business are distributed to Directors by the Company Secretary in advance of each Board Meeting so that the meeting can benefit from an informed board.

All the directors are fully aware of their responsibilities. At least once in a year, the Company conducts a course for its directors to acquaint them with their duties and responsibilities regarding managing the affairs of the Company on behalf of shareholders. Further, our director Mr. Sirajuddin Khan has acquired certification under "Corporate Governance Leadership Skills (CGLS)-Director Education Program" offered by the Pakistan Institute of Corporate Governance (PICG).

The Board of Directors takes into account the interests of the Company as well as the interests of BCL's shareholders and other stakeholders when making decision.



# Directors' Report

The Company Secretary is responsible for advising the Board on all governance matters and for ensuring that Board procedures are followed and applicable rules and regulations complied with. Additionally, the Company Secretary is also responsible for compiling the minutes of Board Meeting and circulating amongst the directors within fourteen days of the date of meeting.

The Chief Financial Officer is responsible for advising the Board on all financial and accounting matters and also responsible, alongwith the Chief Executive Officer, for presenting the annual and quarterly accounts. He takes care of assets and financing thereof.

Additionally, the CFO is also responsible for finalizing Annual Corporate Budgets and periodic review of Budget vs Actual analysis for smooth running of the Company affairs.

## Changes in the Board

During the year, following changes occurred in the Board of Directors:

- In July 2010, Mr. Sajid Hassan, NIT Nominee Director, had resigned from the Board and in his place Mr. Muhammad Imran Rafiq was co-opted as NIT Nominee Director to fill the casual vacancy.
- In February 2011, Mr. Mujtaba Ahmed had resigned from the Board and in his place Mr. Sirajuddin Khan was co-opted as Director on the following terms:
  - To perform duties as whole time working director of the Company as per law and laid down procedures.
  - Salary and allowances allowed not exceeding Rs.3.0 million per annum inclusive of perquisites and benefits but exclusive of retirement benefits and medical for self and dependents which he is entitled under the terms of his appointment with the Company. The above remuneration shall be subject to such increments and adjustments, including bonus/profit sharing as may be granted at any time and from time to time by the Company in accordance with the Company's policy and service rules for the time being in force. Further he is also authorized for free use of Company maintained transport for official and private purposes.

The nature of the concern or interest of any other director in the co-option of Mr. Sirajuddin Khan as Director is none other than as required to fill in the casual vacancy occurred in the Board.

The Board of Directors wishes to place on record its appreciation on the most commendable services rendered by the outgoing Directors Mr. Sajid Hassan and Mr. Mujtaba Ahmed during their tenure. The Board of Directors also welcomed and congratulated the incoming Directors Mr. Muhammad Imran Rafiq and Mr. Sirajuddin Khan.

## Change of Company Secretary

In March 2011, Mr. Arafat Mushir has been appointed as Company Secretary of Bolan Castings Limited in place of Mr. M. Mushtaq Akhtar, on following terms:

- To perform duties as Company Secretary of the Company as per law and laid down procedures.
- Salary and allowances allowed not exceeding Rs.2.5 million per annum inclusive of perquisites and benefits but exclusive of retirement benefits and medical for self and dependents which he is entitled under the terms of his appointment with the Company. The above remuneration shall be subject to such increments and adjustments, including bonus/profit sharing as may be granted at any time and from time to time by the Company in accordance with the Company's policy and service rules for the time being in force. Further he is also authorized to use Company transport for official and private purposes.

The Board of Directors wishes to place on record its appreciation on the most commendable services rendered by the outgoing Company Secretary during his tenure.

The nature of the concern or interest of any Director in the appointment of Company Secretary is none other than as required for appointment.

## Election of Directors

The existing elected directors of the Company are retiring this year. Election of Directors for

fresh term of three years is to take place at the AGM 2011, detail of which is given in the Notice of AGM.

## Board Committees

In order to provide effective oversight and leadership the Board has established two committees with particular responsibilities. The terms of reference of both committees are clearly defined by the Board.

The proceedings of Board Committees are reported to the Board of Directors in their meetings.

The Board Committees contain directors with a variety of relevant skills and experience so that no undue reliance is placed on any individual.

## Audit Committee

To guarantee the objectiveness, fairness and independence of the Audit Committee, the Audit committee comprises four non-executive directors and is chaired by Mr. Laeeq Uddin Ansari. The other members of the Committee are Mr. Latif Khalid Hashmi, Mr. Mian Muhammad Saleem and Mr. Muhammad Imran Rafiq.

The primary role of the Audit Committee, which reports its findings to the Board, is to ensure the integrity of the financial reporting and audit process and the maintenance of a sound internal control and risk management system. In pursuing these objectives, the committee ensures that an appropriate relationship is maintained between the internal and the external auditors of the Company. The committee also considers the effectiveness of the external audit process and makes recommendations to the Board on appointment, resignation or dismissal of the auditors and their level of audit fee.

The Committee performs its responsibilities in supervising internal audit function and also plays an important role in optimizing the Company's internal control systems. The Audit Committee reviews the implementation on the internal control systems regularly and supervises the rectification of identified internal control problems.





# Directors' Report

The Committee also ensures the compliance with the best practices of corporate governance and other relevant regulatory requirements.

The Committee formally meets at least once in a quarter prior to approval of interim results of the Company and before and after completion of external audit. The Chief Executive Officer, the Chief Financial Officer and the Head of Internal Audit attend the meetings. The External Auditors attend the meetings at which annual and half yearly accounts are reviewed for subsequent approval by the Board of Directors.

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

During the financial year 2011, the Committee met four times to coincide with the financial and reporting cycles of the Company. 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.

## Board's Committee for Supervision (BCS)

The Board's Committee for Supervision (BCS) acts as an Executive Committee and is chaired by Mr. Sikandar M Khan. The other members of the committee are Mr. Latif Khalid Hashmi, Mr. Laeeq Uddin Ansari and Mr. Mian Muhammad Saleem. Subsequently, in September 2011 the Board of Directors have increased the number of Members of BCS from four to five and appointed Mr. Sohail Bashir Rana, Non-Executive Director, as Member of BCS.

The BCS is 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 a monthly basis.

The meetings of BCS were held once a month. The CEO and all departmental heads also attend the meetings. The minutes of meetings are 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 success. 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:

- 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.
- Periodic training arrangements.
- Devising hierarchy of management.

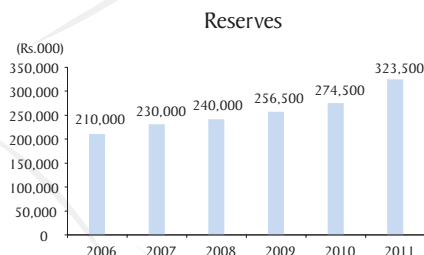
## Accountability and Audit

### Financial Reporting

The Board satisfies that it has met its obligation to present a balanced and understandable assessment of the Company's position and prospects through Chairman's review, Directors' report and Accounts which includes the operational and business review. Directors' statement on corporate and financial reporting is included in this Directors' report.

### Internal Controls

The directors are responsible for the Company's system of internal controls which aims to: safeguard the Company's assets; ensure that proper accounting records are maintained; ensure compliance with statutory and regulatory requirements; and ensure the effectiveness and efficiency of operations.



The Company maintains a sound system of internal controls, which is designed to identify, evaluate and manage risks that may impede the achievement of the Company's business objectives rather than to eliminate these risks and can, therefore, provide only reasonable, assurance against material misstatement or loss. The Audit Committee has been formally delegated the responsibility for reviewing the effectiveness of the system of internal controls.

The Company and its operations are subject to a detailed annual budget process. Actual performance during the year is monitored periodically against budget, forecasts and previous year. These forecasts and results are presented to the Board's Committee regularly.

### Internal Audit

Internal Audit's mission is to provide objective assurance and to increase the effectiveness of the BCL's operations. It helps to achieve BCL's objectives by using a systematic and methodical approach to assess the processes and systems used for risk management, control and corporate governance. It also helps improve them by making proposals to increase their effectiveness.

The scope of the work done by the Internal Audit make it possible to determine whether the processes, systems and controls, as they have been developed and implemented, are sufficient and are applied in such a way as to ensure that:

- Risks are defined, evaluated and managed adequately;
- Financial and operational information is authorized, reliable and available in a timely fashion;
- Directives, policies, laws, regulations and statutory requirements are respected; and



# Directors' Report

- Human, informational, material and financial resources are acquired economically, used efficiently and protected adequately.

Internal Audit reports directly to the Audit Committee of the Board of Directors. The organizational structure is designed to ensure Internal Audit has the independence required to play its role effectively.

## External Audit

The present auditors, M/s. Ernst & Young Ford Rhodes Sidat Hyder, 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. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as the auditors for the financial year 2011-2012.

M/s. Ernst & Young Ford Rhodes Sidat Hyder, 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.

## Relations with shareholders

### Constructive use of the Annual General Meeting

The Board considers the Annual General Meeting an opportunity to communicate with shareholders, and encourages their participation. At least 21 days before the date of AGM, the Notice of meeting including the agenda and necessary information are dispatched to shareholders and published in leading Urdu and English newspapers also.

## Other

The Company maintains a website ([www.bolancastings.com](http://www.bolancastings.com)), which offers any interested person information on the Company. Apart from this, its principal communication with shareholders and others is Annual Report and Quarterly Financial Statements, which are placed on the website soon after publication.

The Company dispatches the printed copies of Annual Reports to its shareholders. However, the quarterly financial statements can also be dispatched to shareholders, on demand.

## 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:

- 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.
- Proper books of accounts of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation 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.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.

- 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 the last decade is annexed.

## Taxation

Please refer to Note 32 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, 2011 (audit in progress) were as follows:

Provident Funds	Rs. 51.521 million
Gratuity Fund	Rs. 36.868 million
Pension Fund	Rs. 59.312 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 except as stated below:

Name & Designation	No. of Shares	Nature of Transaction
Mr. Laeeq Uddin Ansari Director	92,125	Purchase
Mr. Shahid A. Hakim Chief Executive	300	Purchase
Mr. Mujtaba Ahmed Director till 19-02-2011	272	Purchase
	3,174	Sale

## Pattern of Shareholdings

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

## Approval and Authorization

The Board of Directors of the Company in their meeting held on September 14, 2011 approved the Directors' Report and authorized Mr. Shahid A. Hakim, Chief Executive Officer of the Company to sign the report on its behalf.

On Behalf of the Board



Karachi:  
September 14, 2011

Shahid A. Hakim  
Chief Executive



# Statement of Compliance with the Best Practices of the Code of Corporate Governance

For the year ended June 30, 2011

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 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 on its Board of Directors (the Board). At present, the Board comprises nine directors, including seven non-executive directors.
2. The directors have confirmed that none of them is serving as a director in ten or more 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. During the year, casual vacancies occurred in the Board which were duly filled up by directors within 30 days thereof.
5. The Company has prepared and issued a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.
7. 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.
8. 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.
9. The Company has maintained proper records in respect of related party transactions. All the related party transactions and the related pricing methods have been reviewed and approved by the Board.
10. The Company has arranged an orientation course for its directors during the year to apprise them of their duties and responsibilities. Further, one director of the Company has acquired certification under "Corporate Governance Leadership Skills - Director Education Program" offered by the Pakistan Institute of Corporate Governance.
11. No new appointment of Chief Financial Officer and Head of Internal Audit has been made during the year. However, the Board has approved appointment of Company Secretary, including his remuneration and terms and conditions of employment, as determined by the CEO.
12. The Directors' Report for the 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.



# Statement of Compliance with the Best Practices of the Code of Corporate Governance

For the year ended June 30, 2011

14. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
15. The Company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed an Audit Committee. It comprises four members, all of them 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 and final results of the Company and as required by the Code. The terms of reference of the Committee have been determined by the Board 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 14, 2011

Shahid A. Hakim  
Chief Executive



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

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

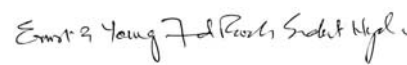
The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Company's compliance with the provisions of the Code and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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, as applicable to the Company for the year ended 30 June 2011.

Karachi: 14 September 2011

  
Chartered Accountants

## Auditors' Report to the Members

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

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and profit and loss account, together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for changes as stated in note 4.1 to the financial statements with which we concur;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2011 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of the Ordinance.

*Ernst & Young Ford Rhodes Sidat Hyder*

Chartered Accountants

Audit Engagement Partner: Shariq Ali Zaidi

Date: 14 September 2011  
Karachi

[In case of any discrepancy on the Company's website, the auditors shall only be responsible in respect of the information contained in the hard copies of the audited financial statements available at the Company's registered office.]

# Balance Sheet

As at June 30, 2011

	Note	2011 Rupees	2010 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets			
Property, plant and equipment	7	235,189,350	235,738,248
Intangible assets	8	<u>140,533</u>	<u>466,577</u>
		235,329,883	236,204,825
Long-term investments	9	9,171,250	8,337,500
Long-term loans	10	762,000	694,200
Long-term deposits		<u>4,343,500</u>	<u>4,269,160</u>
		249,606,633	249,505,685
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	11	101,500,322	90,962,184
Stock-in-trade	12	289,614,769	193,731,108
Trade debts	13	208,351,875	409,893,146
Loans and advances	14	24,972,036	7,718,403
Deposits and short term prepayments	15	2,098,226	2,699,992
Other receivables	16	32,074,804	31,204,611
Sales tax - net		5,227,813	-
Income tax - net		52,008,869	46,107,989
Cash and bank balances	17	<u>23,837,305</u>	<u>11,181,100</u>
		739,686,019	793,498,533
<b>TOTAL ASSETS</b>		<u><u>989,292,652</u></u>	<u><u>1,043,004,218</u></u>
<b>EQUITY AND LIABILITIES</b>			
Share capital	18	104,295,710	94,814,280
Reserves		<u>417,848,840</u>	<u>371,994,989</u>
		522,144,550	466,809,269
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing		-	14,081,686
Long-term deposits	19	4,442,158	3,842,968
Deferred tax liability	20	25,000,821	30,283,840
Deferred liabilities	21	<u>35,680,884</u>	<u>22,383,437</u>
		65,123,863	70,591,93
<b>CURRENT LIABILITIES</b>			
Trade and other payables	22	247,208,619	238,760,683
Current portion of:			
- long-term financing		-	36,250,000
- long-term deposits	19	663,921	462,445
Accrued mark-up		6,790,777	6,319,567
Short-term borrowings	23	<u>147,360,922</u>	<u>221,866,552</u>
Sales tax - net		-	1,943,771
		402,024,239	505,603,018
<b>CONTINGENCIES AND COMMITMENTS</b>	24		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>989,292,652</u></u>	<u><u>1,043,004,218</u></u>

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

  
Chief Executive

  
Director



# Profit and Loss Account

For the year ended June 30, 2011

	Note	2011 Rupees	2010 Rupees
Turnover - net	25	1,946,676,916	1,707,845,850
Cost of sales	26	(1,711,481,140)	(1,468,284,292)
<b>Gross profit</b>		<b>235,195,776</b>	<b>239,561,558</b>
Distribution costs	27	(44,579,733)	(42,036,054)
Administrative expenses	28	(36,858,867)	(35,919,348)
		(81,438,600)	(77,955,402)
Other operating income	29	13,419,095	17,734,405
Finance costs	30	(33,822,192)	(44,169,885)
Other charges	31	(9,555,552)	(9,422,096)
		(29,958,649)	(35,857,576)
<b>Profit before taxation</b>		<b>123,798,527</b>	<b>125,748,580</b>
Taxation	32	(45,593,426)	(43,591,143)
<b>Profit after taxation</b>		<b>78,205,101</b>	<b>82,157,437</b>
			(Restated)
<b>Earnings per share - basic and diluted</b>	33	<b>7.50</b>	<b>7.88</b>

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

  
Chief Executive

  
Director





# Statement of Comprehensive Income

For the year ended June 30, 2011

	2011 Rupees	2010 Rupees
Net profit for the year	78,205,101	82,157,437
Other comprehensive income		
Unrealized gain on revaluation of available-for- sale investments	833,750	287,500
<b>Total comprehensive income for the year</b>	<b><u>79,038,851</u></b>	<b><u>82,444,937</u></b>

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

  
Chief Executive

  
Director

# Cash Flow Statement

For the year ended June 30, 2011

	Note	2011 Rupees	2010 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	34	278,138,982	162,306,229
Long-term loans		(67,800)	(87,000)
Long-term deposits - net		726,326	963,815
Taxes paid		(56,777,325)	(31,269,374)
Retirement benefits paid		(2,629,916)	(1,442,025)
Finance costs paid		(33,350,982)	(47,112,728)
<b>Net cash inflow from operating activities</b>		<b>186,039,285</b>	<b>83,358,917</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(28,327,475)	(22,340,283)
Proceeds from disposal of operating fixed assets		2,341,823	1,354,584
Return on bank deposits received		676,250	276,190
Dividend received		359,375	790,625
<b>Net cash used in investing activities</b>		<b>(24,950,027)</b>	<b>(19,918,884)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of long-term financing		(50,331,686)	-
Dividend paid		(23,595,737)	-
<b>Net cash used in financing activities</b>		<b>(73,927,423)</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>87,161,835</b>	<b>63,440,033</b>
Cash and cash equivalents at beginning of the year		(210,685,452)	(274,125,485)
<b>Cash and cash equivalents at end of the year</b>	35	<b>(123,523,617)</b>	<b>(210,685,452)</b>

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

  
Chief Executive

  
Director



# Statement of Changes in Equity

For the year ended June 30, 2011

	Reserves						Total	Total equity
	Issued subscribed and paid-up capital	Capital reserve	Revenue Reserves			Gain on revaluation of available-for-sale investments		
			General reserve	Unappropriated profit				
	----- (Rupees) -----							
Balance as at July 01, 2009	79,011,900	12,155,680	256,500,000	34,146,752	2,550,000	305,352,432	384,364,332	
Net profit for the year	-	-	-	82,157,437	-	82,157,437	82,157,437	
Other comprehensive income	-	-	-	-	287,500	287,500	287,500	
Total comprehensive income for the year	-	-	-	82,157,437	287,500	82,444,937	82,444,937	
Issue of bonus shares @ 20%	15,802,380	-	-	(15,802,380)	-	(15,802,380)	-	
Transfer to general reserve	-	-	18,000,000	(18,000,000)	-	-	-	
Balance as at June 30, 2010	94,814,280	12,155,680	274,500,000	82,501,809	2,837,500	371,994,989	466,809,269	
Net profit for the year	-	-	-	78,205,101	-	78,205,101	78,205,101	
Other comprehensive income	-	-	-	-	833,750	833,750	833,750	
Total comprehensive income for the year	-	-	-	78,205,101	833,750	79,038,851	79,038,851	
Issue of bonus shares @ 10%	9,481,430	-	-	(9,481,430)	-	(9,481,430)	-	
Final dividend @ Rs. 2.5/- per share	-	-	-	(23,703,570)	-	(23,703,570)	(23,703,570)	
Transfer to general reserve	-	-	49,000,000	(49,000,000)	-	-	-	
Balance as at June 30, 2011	<u>104,295,710</u>	<u>12,155,680</u>	<u>323,500,000</u>	<u>78,521,910</u>	<u>3,671,250</u>	<u>417,848,840</u>	<u>522,144,550</u>	

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



Chief Executive



Director



# Notes to the Financial Statements

For the year ended June 30, 2011

## 1. THE COMPANY AND ITS OPERATIONS

Bolan Castings Limited (the Company) is a public limited company incorporated and domiciled in Pakistan. The Company is listed on the Karachi Stock Exchange. The registered office and manufacturing plant of the Company is situated at main RCD Highway, Hub Chowki, District Lasbela, Balochistan, Pakistan. The Company manufactures and sells castings for tractors and automotive parts.

## 2. STATEMENT OF COMPLIANCE

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

## 3. BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention as modified by revaluation of available-for-sale investments at fair value and certain staff retirement benefits at present value.

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

## 4. SIGNIFICANT ACCOUNTING POLICIES

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

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

IFRS 2 - Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions

IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues (Amendment) Issues (Amendment)

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

Improvements to various standards issued by IASB

Issued in 2009

IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations

IFRS 8 - Operating Segments

IAS 1 - Presentation of Financial Statements

IAS 7 - Statement of Cash Flows

IAS 17 - Leases

IAS 36 - Impairment of Assets

IAS 39 - Financial Instruments: Recognition and Measurement

Issued in 2010

IFRS 3 - Business Combinations

IAS 27 - Consolidated and Separate Financial Statements

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



# Notes to the Financial Statements

## 4.2 Fixed assets

### Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment loss, except freehold land and capital work-in-progress, which are stated at cost.

Depreciation is charged to income applying the reducing balance method at the rates given in note 7.1. 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. Residual values and useful lives of assets and method of depreciation 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 profit and loss account as incurred. Major renewals and improvements to property plant and equipment are capitalized and the assets so replaced, if any, are retired.

### Intangible assets

These are carried at cost less accumulated amortization and impairment loss. The useful lives of intangibles are assessed as either finite or indefinite.

Intangible assets with finite life are amortized over the useful economic life and assume for impairment whenever there is identification that asset may be impaired. Amortization is charged to income applying the rate stated in note 8.

The estimated useful life and amortization methods are revised at each balance sheet date, with effects of any changes in estimates being accounted for on a prospective basis.

Cost associated with maintaining intangible assets is charged to profit and loss account as incurred.

## 4.3 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

## 4.4 Investments

The investments of the Company, upon initial recognition, are classified as available-for-sale investment. These are initially measured at fair value plus transaction costs that are directly attributable to acquisition. After initial measurement such investments are measured at fair value with unrealized gain or loss recognised directly in the statement of comprehensive income until the investment is derecognized or determined to be impaired at which time the cumulative gain or loss previously recognised in equity is taken to profit and loss account.

## 4.5 Stores, spare parts and loose tools

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

## 4.6 Stock-in-trade

These are valued at the lower of cost and NRV. Cost in relation to raw material represents weighted average purchase cost and in relation to work-in-process and finished goods represents weighted average cost comprising direct material, labour and related manufacturing overheads.

Stock-in-transit is stated at invoice value plus other charges paid thereon to the balance sheet date.

NRV is 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.



# Notes to the Financial Statements

## 4.7 Trade debts and other receivables

Trade debts originated by the Company are recognised and carried at original invoice amount less provision for impairment. Other receivables are carried at cost less provision for impairment. Provision for impairment is based on the management's assessment of customers' outstandings and creditworthiness. Trade debts and receivables are written off when considered irrecoverable.

## 4.8 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and balance with banks net off short term borrowings.

## 4.9 Borrowings

These are recognized initially at fair value and subsequently at amortized cost using the effective interest method. Borrowings payable within the next twelve months are classified as current liabilities.

## 4.10 Trade and other payables

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

## 4.11 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 will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. The amount recognized represents the best estimate of the expenditure required to settle the obligation at the balance sheet date. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

## 4.12 Financial instruments

All financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights under the instruments are realized, expired or surrendered. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

## 4.13 Offsetting of financial assets and liabilities

A financial asset and a financial liability is 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 assets and settle the liability simultaneously. Corresponding income and expenditure is also netted off and reported on a net basis in the profit and loss account.

## 4.14 Taxation

### Current

Provision for current taxation is charged to income and 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 tax credits and adjustments for prior years.

### Deferred

Deferred income tax is provided using the 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 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.



## Notes to the Financial Statements

Deferred tax is calculated at the rates that are expected to apply to the period when the related deferred tax asset is realized or the deferred tax liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to income.

Deferred tax relating to items in equity is recognized in equity and not in the profit and loss account.

### Sales tax

Revenues, expenses and assets are recognized net off amount of sales tax except:

- Where sales tax incurred on a purchase of asset or service is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables or payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

### 4.15 Retirement and other service benefits

#### Pension scheme

The Company operates an approved defined benefit contributory pension scheme for all its eligible employees. The scheme is funded and provides for 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 based on actuarial valuation which is covered out atleast once in every two years by independent actuaries using the Projected Unit Credit Method. The most recent actuarial valuation was carried out as of June 30, 2011.

Cumulative net unrecognized 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 benefit obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the employees, participating in the scheme.

#### Executives' gratuity scheme

The Company operates an approved gratuity scheme for all its eligible executive employees. The scheme is funded and 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. Actuarial valuation of the scheme is carried out at least once in every two years. The most recent actuarial valuation was carried out as of June 30, 2011 using the 'Projected Unit Credit Method'.

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 benefit obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the employees.

#### 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. The liability recognized in the balance sheet is calculated by the Company using this basis as the difference in liability is not expected to be material if calculated on the Projected Unit Credit Method.



# Notes to the Financial Statements

## Provident fund

The Company 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. Annual contribution by the Company is charged to income.

## Compensated absences

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

Provisions are made to cover the obligation under the scheme on accrual basis and are charged to income. The liability recognized in the balance sheet is calculated by the Company using this basis as the difference in liability is not expected to be material using the Projected Unit Credit Method.

## 4.16 Foreign currency translation

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees using the exchange rate at balance sheet date. Foreign exchange gain / loss resulting from the settlement of such transactions and from translation at year end exchange rates of monetary assets and liabilities in foreign currencies are recognised in profit and loss account.

## 4.17 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 is recognised when the Company's right to receive the dividend is established.
- Return on bank deposits is recognised using the effective interest method.

## 4.18 Dividend and appropriation to reserves

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

## 5. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

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

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IAS 1 - Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	July 01, 2012
IFRS 7 - Financial Instruments : Disclosures - Amendments enhancing disclosures about transfers of financial assets	July 01, 2011





## Notes to the Financial Statements

IAS 12 - Income Taxes (Amendment) - Deferred Taxes : Recovery of Underlying Assets	January 01, 2012
IAS 19 - Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	January 01, 2013
IAS 24 - Related Party Disclosures (Revised)	January 01, 2011
IFRIC 14- Prepayments of a Minimum Funding Requirement (Amendment)	January 01, 2011

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

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

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

Standard	IASB effective date (accounting periods beginning on or after)
IFRS 9 - Financial Instruments	January 01, 2013
IFRS 10 - Consolidated Financial Statements	January 01, 2013
IFRS 11 - Joint Arrangements	January 01, 2013
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 - Fair Value Measurement	January 01, 2013

### 6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

	Notes
- determining the residual values and useful lives of fixed assets	4.2 & 7
- classification of investments	4.4 & 9
- valuation of inventories	4.5, 4.6, 11 & 12
- provision for impairment of trade debts and other receivables	4.7, 13 & 16
- provision for current and deferred taxation	4.14, 20 & 32
- provision for retirement and other service benefits	4.15 & 21
- contingencies	24



# Notes to the Financial Statements

## 7. PROPERTY, PLANT AND EQUIPMENT

	Note	2011 Rupees	2010 Rupees
Operating assets	7.1	232,528,399	233,820,682
Capital work-in-progress -plant and machinery		2,660,951	1,917,566
		<u>235,189,350</u>	<u>235,738,248</u>

### 7.1 Operating assets

	COST			ACCUMULATED DEPRECIATION			BOOK VALUE	
	As at July 01, 2010	Additions / (Disposals)	As at June 30, 2011	As at July 01, 2010	Charge for the year / (disposals)	As at June 30, 2011	As at June 30, 2011	Depreciation rate %
Rupees								
2011								
Freehold land	2,678,754	-	2,678,754	-	-	-	2,678,754	-
Building on freehold land	77,644,748	699,286	78,344,034	45,206,287	3,287,016	48,493,303	29,850,731	10%
Plant and machinery	436,231,032	10,838,154 (1,082,166)	445,987,020	284,222,820	15,712,352 (971,032)	298,964,140	147,022,880	10%
Electrical and gas installations	30,271,850	3,728,269	34,000,119	12,955,398	1,901,768	14,857,166	19,142,953	10%
Furniture and fittings	3,119,316	43,345	3,162,661	1,659,236	147,455	1,806,691	1,355,970	10%
Electrical appliances	6,452,404	150,718	6,603,122	2,961,061	353,744	3,314,805	3,288,317	10%
Office equipments	2,390,743	87,088	2,477,831	1,550,748	86,798	1,637,546	840,285	10%
Computers	6,612,479	120,400	6,732,879	5,806,166	250,852	6,057,018	675,861	30%
Vehicles	39,372,082	11,916,830 (4,232,542)	47,056,370	16,591,010	5,514,485 (2,721,773)	19,383,722	27,672,648	20%
Total	<u>604,773,408</u>	<u>27,584,090</u> <u>(5,314,708)</u>	<u>627,042,790</u>	<u>370,952,726</u>	<u>27,254,470</u> <u>(3,692,805)</u>	<u>394,514,391</u>	<u>232,528,399</u>	

	COST			ACCUMULATED DEPRECIATION			BOOK VALUE	
	As at July 01, 2009	Additions / (Disposals)	As at June 30, 2010	As at July 01, 2009	Charge for the year / (disposals)	As at June 30, 2010	As at June 30, 2010	Depreciation rate %
Rupees								
2010								
Freehold land	2,678,754	-	2,678,754	-	-	-	2,678,754	-
Building on freehold land	77,401,920	242,828	77,644,748	41,618,010	3,588,277	45,206,287	32,438,461	10%
Plant and machinery	425,190,343	11,040,689	436,231,032	268,073,054	16,149,766	284,222,820	152,008,212	10%
Electrical and gas installations	29,375,042	896,808	30,271,850	11,071,500	1,883,898	12,955,398	17,316,452	10%
Furniture and fittings	3,028,316	91,000	3,119,316	1,499,580	159,656	1,659,236	1,460,080	10%
Electrical appliances	5,914,056	538,348	6,452,404	2,606,850	354,211	2,961,061	3,491,343	10%
Office equipments	2,390,743	-	2,390,743	1,457,414	93,334	1,550,748	839,995	10%
Computers	6,533,849	78,630	6,612,479	5,476,064	330,102	5,806,166	806,313	30%
Vehicles	33,457,895	9,451,980 (3,537,793)	39,372,082	14,636,757	4,330,613 (2,376,360)	16,591,010	22,781,072	20%
Total	<u>585,970,918</u>	<u>22,340,283</u> <u>(3,537,793)</u>	<u>604,773,408</u>	<u>346,439,229</u>	<u>26,889,857</u> <u>(2,376,360)</u>	<u>370,952,726</u>	<u>233,820,682</u>	



## Notes to the Financial Statements

### 7.2 Depreciation charge for the year has been allocated as follows:

	Note	2011 Rupees	2010 Rupees
Cost of sales	26	25,983,800	25,836,274
Distribution costs	27	317,670	263,396
Administrative expenses	28	953,000	790,187
		<u>27,254,470</u>	<u>26,889,857</u>

### 7.3 The following operating assets (vehicles) were disposed off during the year:

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain on disposal	Mode of disposal	Particulars of buyers
Plant and Machinery							
Fork Lift Trucks - Toyota	375,852	310,690	65,162	112,142	46,980	Tender	M/s H. M. Kashif Noman & Co., Karachi
Fork Lift Trucks - TCM	706,314	660,342	45,972	336,426	290,454	Tender	M/s H. M. Kashif Noman & Co., Karachi
Vehicles							
Suzuki Van (CK - 6755)	357,642	315,226	42,416	261,345	218,929	Tender	Mr. S.M. Shahrukh Wasi, Karachi
Toyota Cuore (ASB - 162)	611,000	170,401	440,599	595,000	154,401	Insurance claim	Adamjee Insurance Company, Lahore
Suzuki Cultus VXR (ARB - 784)	699,000	288,920	410,080	410,080	-	Company policy	Mr. M. Mushtaq Akhtar (Employee)
Suzuki Baleno (AHA - 431)	769,000	590,931	178,069	178,069	-	Company policy	Mr. Sirajuddin Khan (Employee)
Suzuki Cultus VXR (AHW - 315)	595,000	466,821	128,179	128,179	-	Company policy	Mr. M. Hanif (Employee)
Suzuki Bolan (CN - 8393)	461,000	362,307	98,693	98,693	-	Company policy	Mr. Muhammad Masood (Employee)
Suzuki Alto VXR (AJB - 967)	461,000	362,307	98,693	98,693	-	Company policy	Mr. M. Iqbal (Employee)
Honda CD-70 (KEN - 9170)	62,900	10,204	52,696	61,852	9,156	Insurance claim	Adamjee Insurance Company, Lahore
Aggregate amount of assets disposed off having book value less than Rs.50,000/- each	216,000	154,656	61,344	61,344	-	-	Various
2011	<u>5,314,708</u>	<u>3,692,805</u>	<u>1,621,903</u>	<u>2,341,823</u>	<u>719,920</u>		
2010	<u>3,537,793</u>	<u>2,376,360</u>	<u>1,161,433</u>	<u>1,354,584</u>	<u>193,151</u>		

## 8. INTANGIBLE ASSETS

		COST		ACCUMULATED AMORTIZATION		BOOK VALUE	Amortization Period (years)
		As at July 01	As at July 01	Charge for the year	As at June 30	As at June 30	
Rupees							
Software	2011	<u>988,033</u>	<u>521,456</u>	<u>326,044</u>	<u>847,500</u>	<u>140,533</u>	3
	2010	<u>988,033</u>	<u>192,098</u>	<u>329,358</u>	<u>521,456</u>	<u>466,577</u>	3



# Notes to the Financial Statements

	Note	2011 Rupees	2010 Rupees
<b>8.1 Amortization charge for the year has been allocated as follows:</b>			
Cost of sales	26	195,626	197,615
Distribution costs	27	32,605	32,936
Administrative expenses	28	97,813	98,807
		<u>326,044</u>	<u>329,358</u>
<b>9. LONG-TERM INVESTMENTS</b>			
Available-for-sale			
Represents investment in 287,500 (2010: 287,500) quoted ordinary shares of Rs. 10/- each of Balochistan Wheels Limited representing 2.15% (2010: 2.15%) of equity held.			
	Note	2011 Rupees	2010 Rupees
<b>10. LONG-TERM LOANS - secured, considered good</b>			
Loans to employees	10.1	1,358,000	1,247,000
Less: Current portion shown under current assets	14	<u>(596,000)</u>	<u>(552,800)</u>
		<u>762,000</u>	<u>694,200</u>
<b>10.1</b> Represent interest free loans given to employees for the purchase of motorcycles. These are secured against retirement benefits and are recoverable in monthly installments over a period of fifty months.			
	Note	2011 Rupees	2010 Rupees
<b>11. STORES, SPARE PARTS AND LOOSE TOOLS</b>			
Stores including in transit Rs. 1,098,691/- (2010: Rs. 742,102/-)		18,301,688	15,572,422
Spares parts including in transit Rs. 2,920,155/- (2010: Rs. 1,559,725/-)		58,423,948	49,491,456
Loose tools including in transit Rs. 1,476/- (2010: Nil)		<u>5,137,708</u>	<u>1,794,814</u>
		<u>81,863,344</u>	<u>66,858,692</u>
Hard coke including in transit Rs. 129,909/- (2010: Rs. 14,364,153/-)		17,179,157	22,345,785
Diesel		2,084,920	1,725,545
Kerosene oil		<u>372,901</u>	<u>32,162</u>
		<u>101,500,322</u>	<u>90,962,184</u>
<b>12. STOCK-IN-TRADE</b>			
Raw materials including in transit Rs. 40,547,573/- (2010: Rs. 14,404,264/-)	12.1	182,267,769	146,521,108
Work in process		39,749,000	26,533,000
Finished goods	12.1 & 12.2	<u>67,598,000</u>	<u>20,677,000</u>
		<u>289,614,769</u>	<u>193,731,108</u>



## Notes to the Financial Statements

12.1 Include stock held with third parties aggregating to Rs. 24,956,827 (2010: Rs. 12,036,554) out of which stock of Rs. 1,905,292/- (2010: Rs. 4,356,220/-) held by Millat Tractors Limited (a related party).

12.2 Include items valued at NRV resulting in writing down of inventories by Rs. 4,287,000/- (2010: Rs. 374,000/-).

13. TRADE DEBTS - unsecured	Note	2011 Rupees	2010 Rupees
Considered good			
Related parties	13.1	149,996,641	357,936,675
Others		<u>58,355,234</u>	<u>51,956,471</u>
		<u>208,351,875</u>	<u>409,893,146</u>
Considered doubtful		<u>67,847</u>	<u>259,850</u>
Less: Provision for impairment	13.3	<u>208,419,722</u>	<u>410,152,996</u>
		<u>(67,847)</u>	<u>(259,850)</u>
		<u>208,351,875</u>	<u>409,893,146</u>

13.1 Represent amount due from the following related parties:

- Millat Tractors Limited	148,958,749	357,119,502
- Millat Equipments Limited	<u>1,037,892</u>	<u>817,173</u>
	<u>149,996,641</u>	<u>357,936,675</u>

13.2 The ageing of trade debts is as follows:

Neither past due not impaired	197,485,917	346,208,494
Past due not impaired		
- 45 - 90 days	7,342,933	6,133,070
- 90 - 180 days	-	7,258,955
- over 180 days	<u>3,523,025</u>	<u>50,292,627</u>
	<u>208,351,875</u>	<u>409,893,146</u>

13.3 Movement of provision for impairment is as follows:

Opening balance	29	259,850	259,850
Reversal of provision during the year		<u>(192,003)</u>	<u>-</u>
Closing balance		<u>67,847</u>	<u>259,850</u>

14. LOANS AND ADVANCES - considered good

Loans			
Current portion of long-term loans to employees	10	596,000	552,800
Advances			
- to employees		<u>1,116,531</u>	<u>515,675</u>
- to suppliers		<u>23,259,505</u>	<u>6,649,928</u>
		<u>24,376,036</u>	<u>7,165,603</u>
		<u>24,972,036</u>	<u>7,718,403</u>

15. DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposits	2,050,100	2,699,992
Prepayments	<u>48,126</u>	<u>-</u>
	<u>2,098,226</u>	<u>2,699,992</u>



# Notes to the Financial Statements

16. OTHER RECEIVABLES	Note	2011 Rupees	2010 Rupees
Considered good			
Accrued return on bank deposits		45,830	6,542
Pension fund	16.1	17,500,329	14,795,152
Provident fund		-	842,535
Executives gratuity fund	16.1	10,531,965	10,387,164
Special excise duty receivable		3,601,961	1,198,517
Others		394,719	478,870
		<u>32,074,804</u>	<u>27,708,780</u>
Considered doubtful			
Claims receivable from supplier		3,495,831	3,495,831
Less: Provision for impairment	26	(3,495,831)	-
		<u>-</u>	<u>3,495,831</u>
		<u>32,074,804</u>	<u>31,204,611</u>

	Pension fund		Executives gratuity fund	
	2011 Rupees	2010 Rupees	2011 Rupees	2010 Rupees
16.1 Movement in asset				
Opening balance	14,795,152	12,421,284	10,387,164	10,357,839
Reversal for the year	856,811	744,050	144,801	29,325
Payments made during the year	1,848,366	1,629,818	-	-
Closing balance	<u>17,500,329</u>	<u>14,795,152</u>	<u>10,531,965</u>	<u>10,387,164</u>
16.2 Balance sheet reconciliation				
Fair value of plan assets	71,601,529	60,964,623	49,843,084	49,317,545
Present value of defined benefit obligations	(56,536,485)	(48,494,978)	(34,763,571)	(37,316,036)
Unrecognised actuarial gains/(losses)	2,435,285	2,325,507	(4,547,548)	(1,614,345)
	<u>17,500,329</u>	<u>14,795,152</u>	<u>10,531,965</u>	<u>10,387,164</u>
16.3 Movement in fair value of plan assets				
Opening balance	60,964,623	55,296,494	49,317,545	41,958,445
Expected return on plan assets	7,994,794	7,266,217	5,622,957	5,431,040
Payments made during the year	2,680,060	2,363,202	-	-
Benefits paid during the year	(1,612,480)	(1,168,245)	(12,128,064)	(362,428)
Actuarial (loss) / gain on plan assets	1,574,532	(2,793,045)	7,030,646	2,290,488
Closing balance	<u>71,601,529</u>	<u>60,964,623</u>	<u>49,843,084</u>	<u>49,317,545</u>
16.4 Movement in defined benefit obligations				
Opening balance	48,494,978	43,093,166	37,316,036	31,258,334
Current service cost	1,566,497	1,530,420	1,347,644	1,263,465
Interest cost	6,403,180	5,725,130	4,130,512	4,138,250
Benefits paid during the year	(1,612,480)	(1,168,245)	(12,128,064)	(362,428)
Actuarial (gain) / loss on obligations	1,684,310	(685,493)	4,097,443	1,018,415
Closing balance	<u>56,536,485</u>	<u>48,494,978</u>	<u>34,763,571</u>	<u>37,316,036</u>
16.5 Reversal for the year				
Current service cost	1,566,497	1,530,420	1,347,644	1,263,465
Interest cost	6,403,180	5,725,130	4,130,512	4,138,250
Expected return on plan assets	(7,994,794)	(7,266,216)	(5,622,957)	(5,431,040)
Employee contribution	(831,694)	(733,384)	-	-
	<u>(856,811)</u>	<u>(744,050)</u>	<u>(144,801)</u>	<u>(29,325)</u>
16.6 Actual return on plan assets	<u>9,569,326</u>	<u>4,475,693</u>	<u>12,653,603</u>	<u>7,721,528</u>



## Notes to the Financial Statements

	Pension fund		Executives gratuity fund	
	2011	2010	2011	2010
	----- (%) -----		----- (%) -----	
<b>16.7 The principal assumptions used in the actuarial valuations are as follows:</b>				
Discount rate	14	13	14	13
Expected rate of return on plan assets	14	13	14	13
Expected rate of increase in future salaries	14	13	14	13
<b>16.8 Plan assets comprise:</b>				
National / Special Saving Certificates	41	40	16	15
Listed shares / mutual funds units	18	25	26	38
Bank balance	33	27	57	46
Others	8	8	1	1

### 16.9 Historical information for the five years is as follows:

	2011 Rupees	2010 Rupees	2009 Rupees	2008 Rupees	2007 Rupees
<b>Pension fund</b>					
Fair value of plan assets	71,601,529	60,964,623	55,296,494	52,175,028	47,547,000
Present value of defined benefit obligations	(56,536,485)	(48,494,978)	(43,093,166)	(34,990,398)	(28,756,000)
Surplus	<u>15,065,044</u>	<u>12,469,645</u>	<u>12,203,328</u>	<u>17,184,630</u>	<u>18,791,000</u>
Experience adjustments on plan liabilities - (gain) / loss	<u>1,684,310</u>	<u>(685,493)</u>	<u>3,358,129</u>	<u>1,936,551</u>	<u>-</u>
Experience adjustments on plan assets - (loss) / gain	<u>1,574,532</u>	<u>(2,793,045)</u>	<u>(4,507,628)</u>	<u>(1,541,636)</u>	<u>498,000</u>
<b>Executives gratuity fund</b>					
Fair value of plan assets	48,659,881	49,317,545	41,958,445	47,703,456	47,870,000
Present value of defined benefit obligations	(34,763,570)	(37,316,036)	(31,258,334)	(28,292,803)	(22,032,000)
Surplus	<u>13,896,311</u>	<u>12,001,509</u>	<u>10,700,111</u>	<u>19,410,653</u>	<u>25,838,000</u>
Experience adjustments on plan liabilities -loss / (gain)	<u>4,097,443</u>	<u>1,018,415</u>	<u>(1,103,075)</u>	<u>(2,635,563)</u>	<u>-</u>
Experience adjustments on plan assets - (loss) / gain	<u>7,030,646</u>	<u>2,290,488</u>	<u>(8,817,148)</u>	<u>(3,001,239)</u>	<u>(1,597,000)</u>



## Notes to the Financial Statements

- 16.10 In view of the surplus of plan assets over present value of defined benefit obligations, no contributions are expected to be made next year in Executive gratuity fund. However, the expected contribution in respect of Pension fund for the year ending June 30, 2012 amounts to Rs. 1,797,116.

	Note	2011 Rupees	2010 Rupees
<b>17. CASH AND BANK BALANCES</b>			
Cash in hand		35,335	77,487
Cash at banks			
Current accounts		19,920,510	8,446,755
Deposit accounts	17.1	2,316,460	1,091,858
Term deposit receipts	17.2	1,565,000	1,565,000
		<u>23,801,970</u>	<u>11,103,613</u>
		<u>23,837,305</u>	<u>11,181,100</u>

- 17.1 These carry profit rates ranging from 5% to 10.5% (2010: 5.5% to 9.5%) per annum.

- 17.2 These carry profit rate of 5.5% (2010: 5.5%) per annum.

### 18. SHARE CAPITAL

#### 18.1 Authorised capital

12,000,000 (2010:12,000,000) Ordinary shares of Rs. 10/- each	<u>120,000,000</u>	<u>120,000,000</u>
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#### 18.2 Issued, subscribed and paid-up capital

	2011 -----Number of shares-----	2010		2011 Rupees	2010 Rupees
			Ordinary shares of Rs. 10/- each		
	6,740,875	6,740,875	Fully paid in cash	67,408,750	67,408,750
	<u>3,688,696</u>	<u>2,740,553</u>	Issued as fully paid bonus shares	<u>36,886,960</u>	<u>27,405,530</u>
	<u>10,429,571</u>	<u>9,481,428</u>		<u>104,295,710</u>	<u>94,814,280</u>

- 18.3 As at June 30, 2011, 4,824,527 (2010: 4,385,934) ordinary shares of the Company were held by Millat Tractors Limited (a related party).

	2011 Rupees	2010 Rupees
<b>19. LONG-TERM FINANCING - secured</b>		
Deposits from employees	5,106,079	4,305,413
Less: Current portion	<u>(663,921)</u>	<u>(462,445)</u>
	<u>4,442,158</u>	<u>3,842,968</u>

Represent interest free deposits received from employees. The amount will be adjustable within a period of six years against book value of vehicles.





# Notes to the Financial Statements

	Note	2011 Rupees	2010 Rupees
<b>20. DEFERRED TAX LIABILITY</b>			
Credit balances arising due to:			
- accelerated tax depreciation		38,736,419	38,196,310
Debit balances arising due to:			
- provision for gratuity scheme		(6,778,102)	(3,872,405)
- provision for compensated absences		(5,710,208)	(3,949,263)
- provision for doubtful debts		(1,247,288)	(90,802)
		<u>(13,735,598)</u>	<u>(7,912,470)</u>
		<u>25,000,821</u>	<u>30,283,840</u>
<b>21. DEFERRED LIABILITIES</b>			
Non-executive gratuity scheme	21.1	19,366,007	11,081,745
Compensated absences	21.2	16,314,877	11,301,692
		<u>35,680,884</u>	<u>22,383,437</u>
<b>21.1 Non-executive gratuity scheme</b>			
Opening balance		11,081,745	10,953,842
Charge for the year:			
- current service cost		4,086,653	836,411
- past service cost		4,841,501	-
		<u>8,928,154</u>	<u>836,411</u>
Payments made during the year		(643,892)	(708,508)
Closing balance		<u>19,366,007</u>	<u>11,081,745</u>
<b>21.2 Compensated absences</b>			
Opening balance		11,301,692	9,694,912
Charge for the year		6,999,209	2,340,297
Payments made during the year		(1,986,024)	(733,517)
Closing balance		<u>16,314,877</u>	<u>11,301,692</u>
<b>22. TRADE AND OTHER PAYABLES</b>			
Creditors	22.1	171,231,080	176,987,705
Advance from customers	22.2	32,179,359	18,642,446
Security deposits		987,817	942,817
Provision for bonus	22.3	29,842,092	29,830,244
Workers' Profit Participation Fund	22.4	6,683,453	6,753,534
Workers' Welfare Fund		2,836,847	2,568,562
Accrued liabilities		1,369,502	1,474,282
Dividends		1,322,168	1,214,335
Others		756,301	346,758
		<u>247,208,619</u>	<u>238,760,683</u>

22.1 Include Rs. 5.312 million (2010: Rs. 7.45 million) due to Millat Tractors Limited (a related party).

22.2 Include Rs. 28.606 million (2010: Rs. 14.175 million) due to Millat Tractors Limited (a related party).

# Notes to the Financial Statements

	Note	2011 Rupees	2010 Rupees
<b>22.3 Provision for bonus</b>			
Balance at the beginning of the year		29,830,244	-
Provision for the year		25,073,717	41,549,628
		<u>54,903,961</u>	<u>41,549,628</u>
Payments made during the year		(25,061,869)	(11,719,384)
Balance at end of the year		<u>29,842,092</u>	<u>29,830,244</u>
<b>22.4 Workers' Profit Participation Fund</b>			
Balance at the beginning of the year		6,753,534	2,859,756
Allocation for the year	31	6,683,453	6,753,534
		<u>13,436,987</u>	<u>9,613,290</u>
Payments made during the year		(6,753,534)	(2,859,756)
Balance at the end of the year		<u>6,683,453</u>	<u>6,753,534</u>

## 23. SHORT TERM BORROWINGS - secured

Represent running finance facilities obtained from commercial banks aggregating to Rs. 510 million (2010: Rs. 405 million). These facilities expire on various dates latest by May 31, 2012 and carry mark-up at rates ranging from 1 month to 6 months' KIBOR plus 0.4% to 1.25% (2010: 1 month to 6 months' KIBOR plus 1% to 1.5%) per annum. These are secured by way of a hypothecation charge on plant and machinery, stocks and book debts ranking pari passu with each other.

## 24. CONTINGENCIES AND COMMITMENTS

24.1 The Company had filed returns declaring tax losses during the tax holiday period amounting to Rs. 82.724 million and Rs. 17.227 million for the assessment years 1987-88 and 1988-89 respectively. These losses were disallowed by the Assessing Officer and upheld by the Commissioner of Income Tax (Appeals). The Company filed an appeal with Income Tax Appellate Tribunal (ITAT), which decided the matter in the Company's favour.

The Income Tax Department filed a reference application before the Honourable High Court of Sindh, which upheld the ITAT's order in favour of the Company. The Income Tax Department filed a reference with the Honourable Supreme Court of Pakistan which is still pending. In the event that the decision is not in the favour of the Company, a tax liability of Rs. 23.9 million would arise representing the tax effect of losses relating to the tax holiday period utilised by the Company. The management of the Company, based on the views of its tax consultant, is confident that the decision will be given in favour of the Company and therefore, no provision has been made in these financial statements for this amount.

24.2 The Assessing Officer while finalizing assessment for the assessment year 2001-2002 imposed penalty amounting to Rs. 1.735 million alleging concealment of income. The matter is pending before the Honourable High Court of Sindh. Based on the advice of its legal advisor, the management is confident that the ultimate outcome of the matter will be decided in its favour and accordingly, no provision has been made for the above liability in these financial statements.

24.3 Outstanding letters of credit at the end of the year amount to Rs. 286.06 million (2010: Rs. 277.9 million).



## Notes to the Financial Statements

	Note	2011 Rupees	2010 Rupees
<b>25. TURNOVER - net</b>			
Local sales		2,394,629,386	2,067,726,931
Less: Sales returns		(116,991,933)	(74,166,259)
Sales tax		(330,666,523)	(281,718,656)
Less: Special excise duty		(294,014)	(6,805,261)
		(447,952,470)	(362,690,176)
		<u>1,946,676,916</u>	<u>1,705,036,755</u>
Export sales		-	2,809,095
		<u>1,946,676,916</u>	<u>1,707,845,850</u>
<b>26. COST OF SALES</b>			
Raw material consumed			
Opening stock		132,116,844	92,644,163
Purchases		1,058,272,490	892,465,251
		<u>1,190,389,334</u>	<u>985,109,414</u>
Closing stock	12	(141,720,196)	(132,116,844)
		<u>1,048,669,138</u>	<u>852,992,570</u>
Manufacturing expenses			
Salaries, wages and benefits		106,110,386	103,464,174
Staff welfare		11,598,174	8,370,451
Stores, spares parts and loose tools consumed		136,032,221	132,128,269
Fuel and power	26.1	286,796,490	222,912,447
Machining expenses		15,598,447	9,147,124
Outsourced job contractors		97,343,117	76,435,927
Travelling and conveyance		23,369,697	20,773,081
Depreciation	7.2	25,983,800	25,836,274
Amortization	8.1	195,626	197,615
Provision for doubtful claims	16	3,495,831	-
Rent, rates and taxes		505,084	485,093
Printing and stationery		390,816	378,130
Repairs and maintenance		4,379,846	4,644,822
Communication		585,652	564,491
Export expenses		-	156,956
Insurance		2,859,378	2,476,795
Vehicle expenses		3,185,589	3,353,824
Training		3,094,535	2,303,155
Entertainment		773,516	660,354
Others		650,797	742,599
		<u>722,949,002</u>	<u>615,031,581</u>
Work in process - opening		26,533,000	31,922,000
- closing	12	(39,749,000)	(26,533,000)
Cost of goods manufactured		<u>1,758,402,140</u>	<u>1,473,413,151</u>
Finished goods - opening stock		20,677,000	15,548,141
Finished goods - closing stock	12	(67,598,000)	(20,677,000)
		<u>1,711,481,140</u>	<u>1,468,284,292</u>

26.1 Includes hard coke, diesel and kerosine oil consumed aggregating to Rs. 163,710,756/- (2010: Rs. 125,683,205/-).

# Notes to the Financial Statements

## 27. DISTRIBUTION COSTS

	Note	2011 Rupees	2010 Rupees
Salaries, wages and benefits		2,470,739	2,571,359
Staff welfare		795,334	454,752
Freight charges		38,973,221	38,055,885
Travelling and conveyance		126,960	74,367
Insurance		468,202	173,808
Sales promotion		1,311,493	305,770
Depreciation	7.2	317,670	263,396
Amortization	8.1	32,605	32,936
Rent, rates and taxes		8,950	2,250
Repairs and maintenance		7,300	1,500
Communication		10,400	9,400
Vehicle expenses		46,179	56,137
Others		10,680	34,494
		<u>44,579,733</u>	<u>42,036,054</u>

## 28. ADMINISTRATIVE EXPENSES

Salaries, wages and benefits		19,561,437	20,856,787
Staff welfare		1,887,899	1,180,281
Legal and professional charges		1,485,989	1,098,312
Outsourced job contractors		2,767,256	2,359,089
Travelling and conveyance		760,410	1,159,247
Utilities		946,746	892,276
Rent, rates and taxes		2,332,910	2,052,155
Repairs and maintenance		439,721	422,440
Printing and stationery		818,129	784,837
Communication		471,274	408,447
Depreciation	7.2	953,000	790,187
Amortisation	8.1	97,813	98,807
Advertisement		141,910	182,410
Vehicle expenses		1,781,598	1,809,716
Insurance		592,286	399,507
Subscription		294,050	280,917
Auditors' remuneration	28.1	605,540	560,000
Entertainment		395,761	228,343
Training		360,692	179,241
Others		164,446	176,349
		<u>36,858,867</u>	<u>35,919,348</u>

### 28.1 Auditors' remuneration

Statutory audit fee	500,000	500,000
Fee for half yearly review	75,000	60,000
Out of pocket expenses	30,540	-
	<u>605,540</u>	<u>560,000</u>



# Notes to the Financial Statements

	Note	2011 Rupees	2010 Rupees
<b>29. OTHER OPERATING INCOME</b>			
Income from financial assets			
Return on bank deposits		715,538	281,786
Dividend income		359,375	790,625
		<u>1,074,913</u>	<u>1,072,411</u>
Income from non-financial assets			
Scrap sales		9,025,922	6,682,751
Liabilities no longer payable written back		2,138,688	3,322,518
Reversal of provision for doubtful debts	13.3	192,003	-
Gain on disposal of operating assets		719,920	193,151
Others		267,649	6,463,574
		<u>12,344,182</u>	<u>16,661,994</u>
		<u>13,419,095</u>	<u>17,734,405</u>
<b>30. FINANCE COSTS</b>			
Mark-up on:			
- long-term financing		2,899,745	6,945,925
- short-term borrowings		28,974,898	33,958,754
		<u>31,874,643</u>	<u>40,904,679</u>
Interest on Workers' Profit Participation Fund		339,990	42,700
Interest on advance from customer		-	2,855,211
Bank charges		1,607,559	367,295
		<u>33,822,192</u>	<u>44,169,885</u>
<b>31. OTHER CHARGES</b>			
Workers' Profit Participation Fund	22.4	6,683,453	6,753,534
Workers' Welfare Fund		2,847,099	2,568,562
Donations	31.1	25,000	100,000
		<u>9,555,552</u>	<u>9,422,096</u>
<b>31.1</b> Recipients of donations do not include any donee in whom any Director or his spouse had any interest.			
<b>32. TAXATION</b>			
Current			
- for the year		50,807,646	44,223,849
- for prior years		68,798	(114,983)
		<u>50,876,444</u>	<u>44,108,866</u>
Deferred		(5,283,018)	(517,723)
		<u>45,593,426</u>	<u>43,591,143</u>



# Notes to the Financial Statements

	2011 Rupees	2010 Rupees
<b>32.1 Reconciliation of accounting profit with tax charge for the year</b>		
Profit before taxation	<u>123,798,527</u>	<u>125,748,580</u>
Tax at the applicable rate of 35% (2010: 35%)	43,329,484	44,012,003
Tax surcharge @ 15% of tax liability	<u>2,128,522</u>	-
	45,458,006	44,012,003
Tax effect of:		
- Permanent differences not deductible in determining taxable income	156,467	(85,479)
- Income taxed at reduced rates	(89,845)	(220,398)
- Prior year	<u>68,798</u>	<u>(114,983)</u>
	<u>45,593,426</u>	<u>43,591,143</u>

### 33. EARNINGS PER SHARE - basic and diluted

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

	2011	2010
Profit after taxation (Rupees)	<u>78,205,101</u>	<u>82,157,437</u>
Weighted average number of ordinary shares	<u>10,429,571</u>	<u>10,429,571</u>
Earnings per share (Rupees)	<u>7.50</u>	<u>7.88</u>

33.1 The weighted average number of shares for 2010 has been adjusted for the effect of bonus shares issued during the year.

	2011 Rupees	2010 Rupees
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### 34. CASH GENERATED FROM OPERATIONS

Profit before taxation	123,798,527	125,748,580
Adjustment for:		
- Depreciation	27,254,470	26,889,857
- Amortization	326,044	329,358
- Provision for retirement benefits	15,927,363	3,176,708
- Gain on disposal of operating assets	(719,920)	(193,151)
- Return on bank deposits	(715,538)	(281,786)
- Finance costs	33,822,192	44,169,885
- Dividend income	(359,375)	(790,625)
	<u>75,535,236</u>	<u>73,300,246</u>
Operating profit before working capital changes	<u>199,333,763</u>	<u>199,048,826</u>
Working capital changes (Increase) / decrease in current assets:		
- Stores, spares parts and loose tools	(10,538,138)	3,494,810
- Stock in trade	(95,883,661)	(44,198,965)
- Trade debts	201,541,271	(131,161,090)
- Loans and advances	(17,253,633)	3,260,168
- Deposits and short term prepayments	601,766	1,342,834
- Other receivables	(830,905)	(4,092,094)
- Sales tax - net	(7,171,584)	(17,519,364)
Increase in current liabilities:		
- Trade and other payable	<u>8,340,103</u>	<u>152,131,104</u>
	<u>78,805,219</u>	<u>(36,742,597)</u>
	<u>278,138,982</u>	<u>162,306,229</u>



# Notes to the Financial Statements

	Note	2011 Rupees	2010 Rupees
<b>35. CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	17	23,837,305	11,181,100
Short-term borrowings	23	(147,360,922)	(221,866,552)
		<u>(123,523,617)</u>	<u>(210,685,452)</u>

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Company's financial instruments are market risks, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

### 36.1 Market risk

Market risk is the risk that the fair value of future cash flows of financial instrument will fluctuate due to changes in market variables such as interest rate, foreign exchange rates and equity prices.

#### i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the short-term borrowings and bank balances with floating interest rates. Management of the Company estimates that 1% increase in the market interest rate, with all other factor remaining constant, would decrease the Company's profit by Rs. 1,457,959/- and a 1% decrease would result in the increase in the Company's profit by the same amount. However, in practice, the actual result may differ from the sensitivity analysis.

#### ii) Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. As at June 30, 2011, the Company is not materially exposed to currency risks in respect of financial assets or financial liabilities.

#### iii) Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activity, supply and demand for shares and liquidity in the market. Management of the Company estimates that 10% increase in the overall equity prices in the market with all other factor remaining constant would increase the Company's income by Rs. 917,125/- and a 10% decrease would result in the decrease in Company's income by the same amount. However, in practice, the actual result may differ from the sensitivity analysis.

### 36.2 Credit risk

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

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.



## Notes to the Financial Statements

The table below analysis the Company's maximum exposure to credit risk:

	2011 Rupees	2010 Rupees
Deposits	6,393,600	6,969,152
Trade debts	208,351,875	409,893,146
Advances to suppliers	23,259,505	6,649,928
Other receivables	32,074,804	31,204,611
Bank balances	23,801,970	11,103,613
	<u>293,881,754</u>	<u>465,820,450</u>

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

	2011 Rupees	2010 Rupees
Trade debts		
Customers with no defaults in the past one year	<u>208,351,875</u>	<u>409,893,146</u>
Bank Balances		
Ratings		
A1+	21,003,428	11,103,613
A1	2,798,542	-
	<u>23,801,970</u>	<u>11,103,613</u>

### 36.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The table below summarises the maturity profile of the Company's financial liabilities at the following reporting dates:

2011	Less than 3 months	3 to 12 months	1 to 5 years	Total
	----- (Rupees) -----			
Trade and other payables	180,266,411	66,942,208	-	247,208,619
Accrued markup	6,790,777	-	-	6,790,777
Short-term borrowings	147,360,922	-	-	147,360,922
	<u>334,418,110</u>	<u>66,942,208</u>	<u>-</u>	<u>401,360,318</u>
2010	Less than 3 months	3 to 12 months	1 to 5 years	Total
	----- (Rupees) -----			
Long-term financing	-	36,250,000	14,081,686	50,331,686
Trade and other payables	181,990,016	56,770,667	-	238,760,683
Accrued markup	6,319,567	-	-	6,319,567
Short term borrowings	221,866,552	-	-	221,866,552
	<u>410,176,135</u>	<u>93,020,667</u>	<u>14,081,686</u>	<u>517,278,488</u>





## Notes to the Financial Statements

### 37. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The fair value of listed shares is based on market prices quoted on the stock exchange. The carrying values of all other financial assets and liabilities reflected in the financial statements approximate their fair values.

Fair value hierarchy

The Company uses the following hierarchy for disclosure of the fair value of financial instruments by valuation technique:

Level 1: quoted prices in active market for identical assets.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at June 30, 2011, the Company has only available-for-sale investments measured at fair value using level 1 valuation technique.

### 38. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital is to safeguard the Company's ability to continue to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The gearing ratios as at June 30, 2011 and 2010 were as follows:

	2011 Rupees	2010 Rupees
Long-term financing	-	50,331,686
Trade and other payables	247,208,619	238,760,683
Accrued mark-up	6,790,777	6,319,567
Total debt	<u>253,999,396</u>	<u>295,411,936</u>
Add: Cash and cash equivalents	123,523,617	210,685,452
Net debt	<u>377,523,013</u>	<u>506,097,388</u>
Share capital	104,295,710	94,814,280
Reserves	417,848,840	371,994,989
Equity	<u>522,144,550</u>	<u>466,809,269</u>
Capital	<u>899,668,167</u>	<u>972,906,657</u>
Gearing ratio	<u>41.96%</u>	<u>52.02%</u>



# Notes to the Financial Statements

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

	2011			2010		
	Chief Executive	Directors	Executive	Chief Executive	Director	Executive
	(Rupees)			(Rupees)		
Managerial remuneration	2,316,367	1,189,266	2,167,375	1,993,480	853,289	895,848
Bonus	379,042	1,527,204	790,326	477,312	1,117,643	212,356
Production incentive	189,521	127,267	167,233	449,235	305,880	202,703
House rent	966,581	464,460	1,041,129	833,899	349,417	373,554
Retirement benefits	214,788	184,530	233,170	185,310	155,285	83,118
Utilities	861,364	862,503	990,621	757,155	558,573	423,472
Medical expenses	287,039	111,038	192,000	206,595	95,628	72,000
Fees	-	12,000	-	-	18,000	-
Others	959,694	1,101,253	560,683	833,847	334,673	71,250
	<u>6,174,396</u>	<u>5,579,521</u>	<u>6,142,537</u>	<u>5,736,833</u>	<u>3,788,388</u>	<u>2,334,301</u>
Number of persons	<u>1</u>	<u>2</u>	<u>3</u>	<u>1</u>	<u>2</u>	<u>1</u>

39.1 The Company provides the Chief Executive and Executives with free use of the Company maintained car and residential telephone.

## 40. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associates, retirement benefits funds, directors and key management personnel. Details of transactions / balances with related parties, other than those disclosed elsewhere in the financial statements, are as follows:

Nature of relationship	Nature of transactions	2011	2010
		Rupees	Rupees
<b>Associates</b>			
- Millat Tractors Limited	Sales	1,759,766,077	1,506,381,492
	Purchases	10,845,904	9,230,599
	Dividend paid	12,061,317	-
	Purchase of fixed assets	-	4,464,000
	Interest on advance	-	2,855,211
	Receipt / repayment of advances	14,430,740	6,926,556
- Millat Equipments Limited	Sales	14,726,054	11,260,450
<b>Retirement funds</b>			
- Pension fund	Contributions	1,848,366	1,629,818
- Provident fund	Contributions	2,865,589	2,489,168
- Executives' gratuity fund	Benefits paid on behalf of the fund	9,269,927	377,428



# Notes to the Financial Statements

	2011 ----- (metric ton) -----	2010 -----
<b>41. PRODUCTION CAPACITY - Castings</b>		
Installed capacity	<u>13,200</u>	<u>13,200</u>
Actual production	<u>16,278</u>	<u>16,069</u>
Capacity utilization	<u>123%</u>	<u>122%</u>

## 42. DIVIDENDS AND APPROPRIATIONS

The Board of Directors in its meeting held on September 14, 2011 (i) approved the transfer of Rs. 62 million from unappropriated profit to general reserve and (ii) proposed a final dividend of Rs. 1.5/- per share amounting to Rs. 15.644 million for the year ended June 30, 2011, for approval of the members at the Annual General Meeting to be held on October 28, 2011.

## 43. CORRESPONDING FIGURES

Certain prior year figures have been reclassified consequent upon certain changes in current year's presentation. The summary of material reclassification is as follows:

Note	Reclassification		Nature	Rupees
	From	To		
19	Trade and other payables	Long-term deposits	Deposit from employees	4,305,413

## 44. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 14, 2011 by the Board of Directors of the Company.



Chief Executive



Director



# Pattern of Shareholding

As at June 30, 2011

No. of Shareholders	*Size of Holding		Total Shares Held	Amount Rupees
	From	To		
113	1	100	3,416	34,160
415	101	500	79,448	794,480
45	501	1000	34,672	346,720
195	1001	5000	384,305	3,843,050
25	5001	10000	166,744	1,667,440
11	10001	15000	125,653	1,256,530
5	15001	20000	88,390	883,900
2	20001	25000	47,266	472,660
1	30001	35000	34,999	349,990
1	35001	40000	38,546	385,460
1	40001	45000	42,071	420,710
1	60001	65000	61,961	619,610
1	65001	70000	70,000	700,000
1	130001	135000	131,236	1,312,360
1	140001	145000	143,468	1,434,680
1	150001	155000	151,245	1,512,450
2	230001	235000	469,484	4,694,840
1	255001	260000	260,000	2,600,000
1	260001	265000	261,800	2,618,000
1	265001	270000	266,717	2,667,170
1	285001	290000	288,229	2,882,290
1	300001	305000	302,064	3,020,640
1	335001	340000	335,997	3,359,970
1	445001	450000	445,616	4,456,160
1	1370001	1375000	1,371,717	13,717,170
1	4820001	4825000	4,824,527	48,245,270
<b>830</b>			<b>10,429,571</b>	<b>104,295,710</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	4,824,527	46.26
2	Investment Companies	3	457,576	4.39
3	Bank/Financial Institutions	4	1,649,959	15.82
4	Joint Stock Companies	11	109,646	1.05
5	Individuals	808	2,844,287	27.27
6	Others	3	543,576	5.21
	<b>Total</b>	<b>830</b>	<b>10,429,571</b>	<b>100.00</b>



## Categories of Shareholders

As at June 30, 2011

S.No.	Particulars	Shares Held	%
1	<b>Directors, Chief Executive Officer and their Spouse and Minor Children</b>		
	Sikandar Mustafa Khan	151,245	1.45
	Shahid Ahmed Hakim	1,839	0.02
	Latif Khalid Hashmi	302,064	2.90
	Sohail Bashir Rana	131,236	1.26
	Laeq Uddin Ansari	597,797	5.73
	Mian Muhammad Saleem	61,961	0.59
	Javed Munir	9,438	0.09
	Sirajuddin Khan	4,703	0.05
2	<b>Associated Companies, Undertakings and Related Parties</b>		
	Millat Tractors Limited	4,824,527	46.26
3	<b>NIT &amp; ICP</b>		
	National Bank of Pakistan Trustee Department NI(U)T Fund	446,106	4.28
4	<b>Banks, Development Financial Institutions, Non Banking Financial Institutions</b>		
	Faysal Bank Limited	5,000	0.05
	Summit Bank Limited	234,696	2.25
5	<b>Insurance Companies</b>	-	-
6	<b>Modarabas &amp; Mutual Funds</b>	-	-
7	<b>Public Sector Companies and Corporations</b>	1,421,733	13.63
8	<b>General Public</b>		
	a. Local	1,349,167	12.93
	b. Foreign	-	-
9	<b>Others</b>		
	a. Joint Stock Companies	109,646	1.05
	b. Miscellaneous	234,788	2.25
	c. BCL Employees	543,625	5.21
	<b>Total</b>	<b>10,429,571</b>	<b>100.00</b>
	<b>Share holders holding Ten Percent or more Voting Interest</b>		
	Millat Tractors Limited	4,824,527	46.26
	National Bank of Pakistan	1,410,263	13.52



# 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 29<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 28, 2011 at 1130 Hrs. and / or at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2011

Signature  
on  
Five Rupees  
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 Office of our Share Register M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi not less than 48 hours before the time of holding of the meeting.





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