

The Cover Concept

BCL believes that progress lies not in enhancing what is, but in advancing toward what it will be!

The Company has explored the concept of "Progress" through the eyes of its customers and stakeholders. Major factor that contributes towards the sustained progress emanate from the leadership commitment, vision and passion. The employees personalize the targets put in place by the leadership and perceive it as their individual responsibility thereby achieving the vision and mission of the Company.

BOLAN CASTINGS LIMITED



ANNUAL REPORT 2008





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Corporate Objectives & Policies



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.

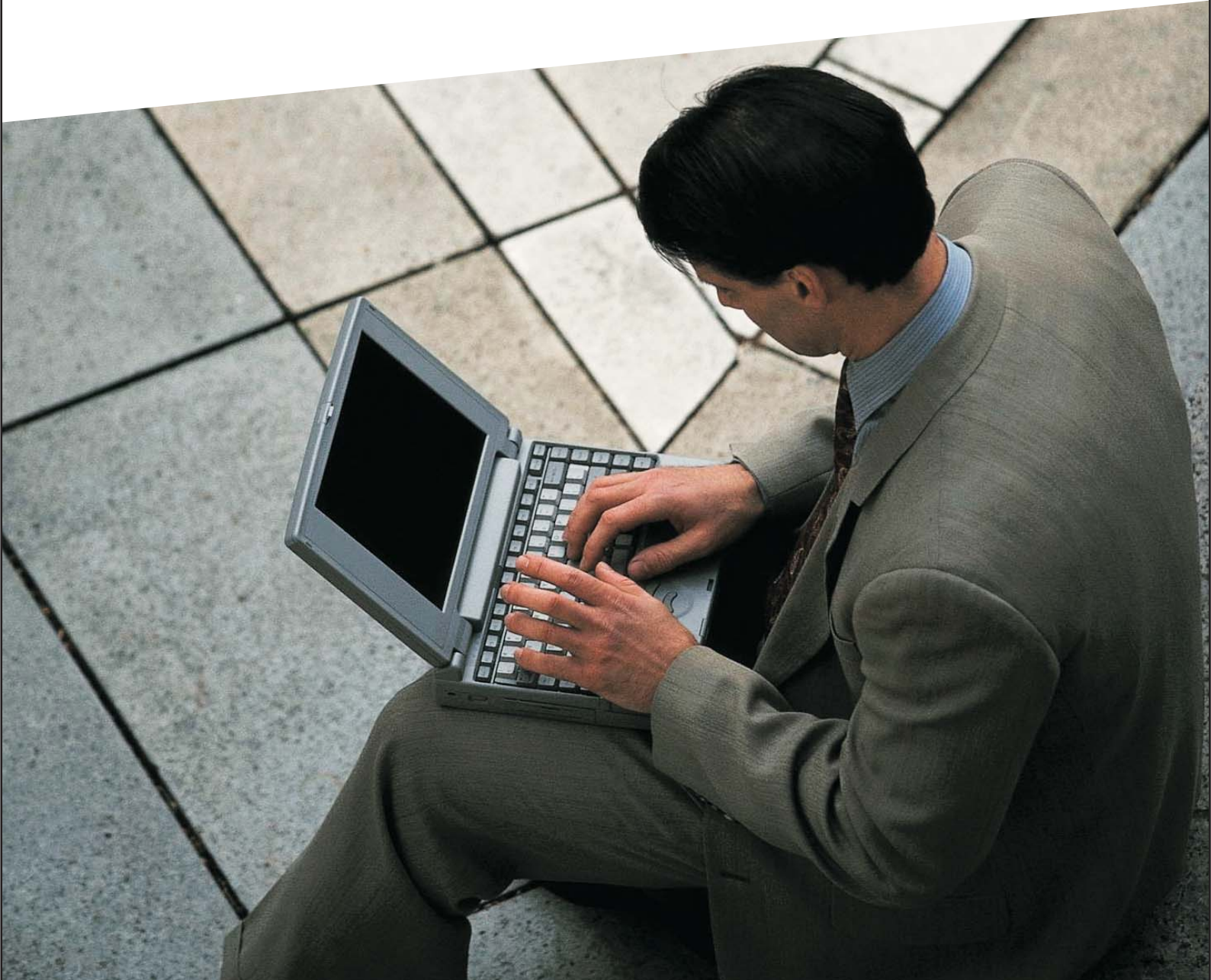
7. Mutual Respect

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



Company Information

Board of Directors	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. Bashir Ahmed Chaudhry Mr. Javed Munir Mr. Sajid Hassan	Chairman Chief Executive Director Director Director Director Director Director Director (NIT Nominee)
Company Secretary	Mr. M. Mushtaq Akhtar	
Chief Financial Officer	Mr. Faisal Lakhani	
Head of Internal Audit	Mr. Saqib Hanif	
Auditors	M/s. A.F. Ferguson & Co.	Chartered Accountants
Legal Advisors	M/s. Walker Martineau Saleem	Advocates & Legal Consultants
Bankers	Habib Bank Limited MCB Bank Limited Royal Bank of Scotland Bank Alfalah Limited Dubai Islamic Bank JS Bank Limited	
Factory & Registered Office	Main RCD Highway, Hub Chowki, District Lasbela, Balochistan, Pakistan Tel : +92-853-363293, 363296 Fax : +92-853-363292 E-mail: bclhub@bclpk.com	
Head Office	F-1, Hub River Road, S.I.T.E., Karachi Tel : +92-21-2579681, 2579819 Fax : +92-21-2573558 E-mail: bclho@bclpk.com	
Web Site	www.bolancastings.com	

Board of Directors



Mr. Mian Muhammad Saleem



Mr. Bashir Ahmed Chaudhry



Mr. Sajid Hassan



Mr. Latif Khalid Hashmi



Mr. Shahid A. Hakim
Chief Executive



Mr. Sikandar M. Khan
Chairman



Mr. Laeeq Uddin Ansari



Mr. Sohail Bashir Rana



Mr. Javed Munir

Board Committees

> Audit Committee

> Board's Committee for Supervision (BCS)

Board Committees

Audit Committee

Composition of Committee

Composition of Committee	Meetings Attended
Chairman Mr. Laeeq Uddin Ansari* Non-Executive Director	1 of 1
Members Mr. Latif Khalid Hashmi Non-Executive Director	5 of 5
Mr. Mian Muhammad Saleem Non-Executive Director	4 of 5
Mr. Sajid Hassan Non-Executive Director	3 of 5

* One meeting held following appointment

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 save guards 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

Composition of Committee	Meetings Attended
Chairman Mr. Sikandar M. Khan Chairman /Non-Executive Director	11 of 12
Members Mr. Latif Khalid Hashmi Non-Executive Director	12 of 12
Mr. Laeeq Uddin Ansari Non-Executive Director	11 of 12
Mr. Mian Muhammad Saleem Non-Executive Director	07 of 12

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
 > Business Strategy Committee
 > System and Technology Committee
 > Human Resources Committee

Management Committees

Business Strategy Committee

Composition of Committee

Chairman

Mr. Sikandar M. Khan

Members

Mr. Laeeq Uddin Ansari

Mr. Shahid A. Hakim

Mr. Mujtaba Ahmed

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.

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 successes. This Committee assists Board of Directors in formulating, implementing and upgrading systems of all types in the Company.

Human Resources Committee

Composition of Committee

Chairman

Mr. Shahid A. Hakim

Members

Mr. Mujtaba Ahmed

Mr. M. Mushtaq Akhtar

Mr. Abdul Qadir Lasi

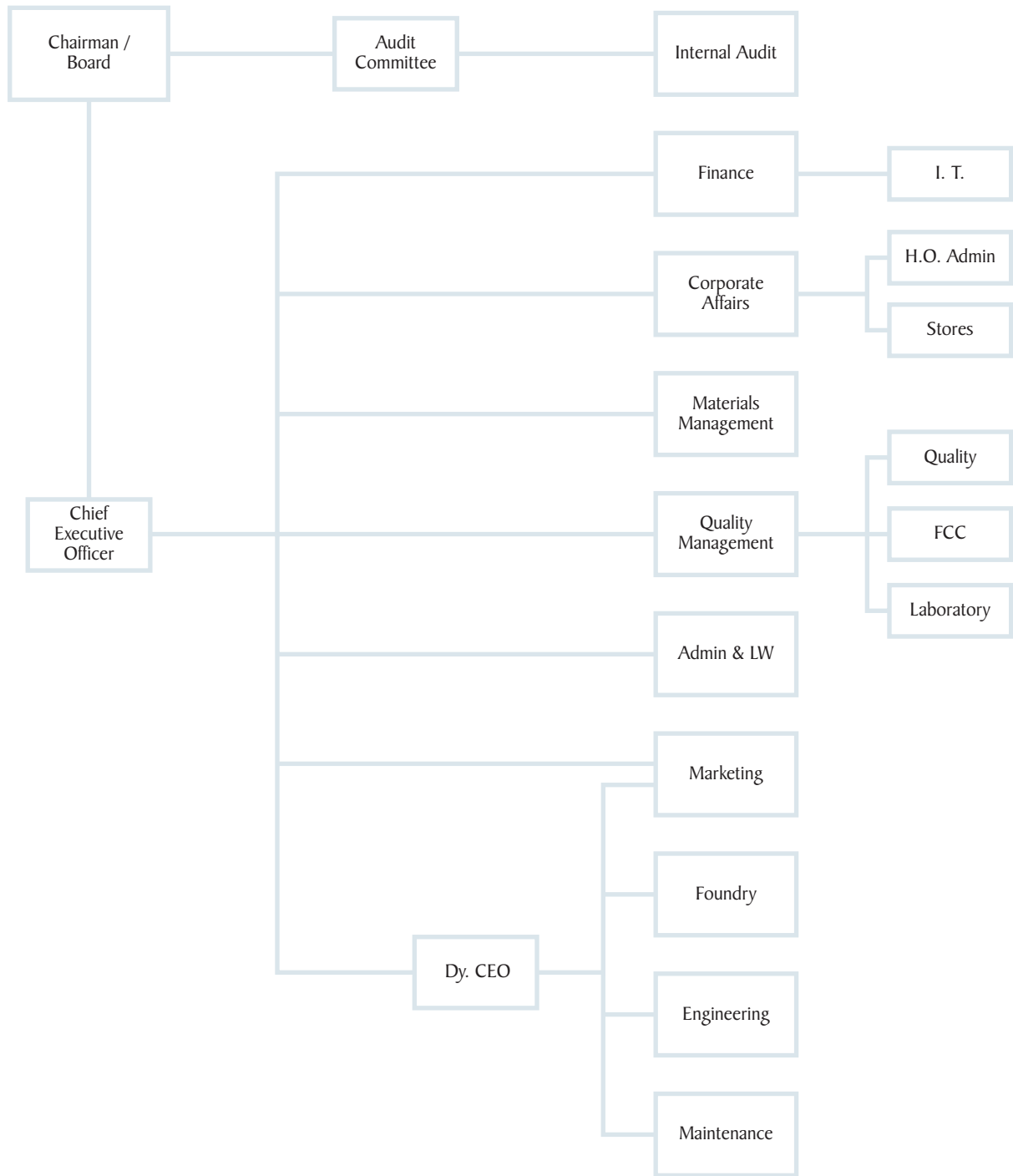
Responsibilities

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

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 about 14,000 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.

- > 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.



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

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

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

ISO CERTIFICATION

Bolan Castings Limited was the first foundry of its kind to obtain ISO 9002 certificate in April, 1999. The Company has now achieved ISO 9001-2000 version of Quality Management System.



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.



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
- 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



Communication with Shareholders



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

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

The Company dispatches the Annual Accounts to its Shareholders by post. Annual 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 Sixth 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 Tuesday October 28, 2008 at 1030 hours.

Share Price Trend during the Year

Months	Jul, 07	Aug, 07	Sep, 07	Oct,07	Nov, 07	Dec, 07	Jan, 08	Feb, 08	Mar, 08	Apr,08	May, 08	Jun, 08
Highest	80.85	79.00	81.00	81.00	84.00	80.05	78.50	77.50	75.00	73.50	68.50	68.35
Lowest	76.85	74.75	72.00	64.85	65.00	73.00	70.90	69.05	69.05	64.60	65.00	61.00
Month end	79.50	77.00	81.00	68.05	80.00	76.65	72.90	72.65	73.00	68.00	68.50	67.95

Books Closure and Dividend Entitlement

The Share transfer books of BCL will remain closed from October 15, 2008 to October 28, 2008 both days inclusive. Transfers received in order at the Shares Department of the Company at the address given hereunder by close of working hours (1730hrs) on October 14, 2008 shall be treated in time for the purpose of entitlement of Bonus Shares and Right Shares.

Shareholders Enquiries

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

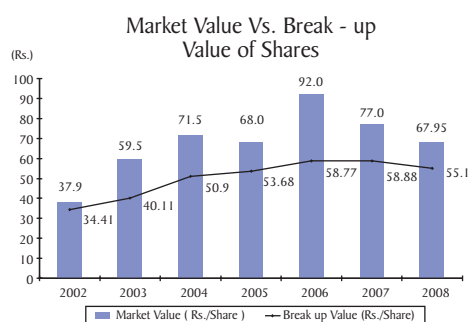
Shares Department Address

Bolan Castings Limited,
Shares Department,
F-1, National Container Building,
Hub River Road, S.I.T.E., Karachi.
Tel: 0092-21-2584576
Fax: 0092-21-2573558

Web Presence

A wide range of information about BCL is available at Company's website, 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.



Notice of Annual General Meeting

Notice of Annual General Meeting

Notice is hereby given that 26th Annual General Meeting of Bolan Castings Limited will be held at Registered Office of the Company Main RCD Highway, Hub Chowki, District Lasbella, Baluchistan, Pakistan, on Tuesday 28th October, 2008 at 1030 hours to transact the following business:-

ORDINARY BUSINESS

1. To confirm the minutes of the 25th Annual General Meeting.
2. To receive, consider and adopt the audited accounts of the Company for the year ended 30th June, 2008 together with the Directors' and Auditors' reports thereon.
3. To appoint auditors for the year ending 30th June, 2009 and to fix their remuneration. Present Auditors M/s. A.F.Ferguson & Co., Chartered Accountants retire. Their five years period as auditors of the Company has completed. Hence in their place Board of Directors has recommended appointment of M/s. Ford Rhodes Sidat Hyder & Co. Chartered Accountants as auditors in the light of recommendations of Audit Committee of Board of Directors of the Company.
4. To elect eight Directors as fixed by the Board of Directors for the 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. Bashir Ahmed Chaudhry, Mr. Javed Munir and Mr. Sajid Hassan.

SPECIAL BUSINESS

5. To consider and if thought fit, to approve the increase in authorized capital of the Company and to pass the following resolution with or without modification as a special resolution:

RESOLVED that the authorized capital of the Company be and is hereby increased from Rs. 75,000,000/- divided into 7,500,000 ordinary shares of Rs. 10/- each to Rs. 120,000,000/- divided into 12,000,000 ordinary shares of Rs. 10/- each.

FURTHER RESOLVED and hereby agreed that in Clause V of the Memorandum of Association and Article 3.01 of the Articles of Association of the Company, words and figures "Rs. 75,000,000/- (Rupees Seventy five million) divided into 7,500,000 (Seven million five hundred thousand)" be and are hereby substituted by words and figures "Rs.120,000,000/- (Rupees One hundred and twenty million) divided into 12,000,000 (Twelve million)".

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



RESOLVED that a sum of Rs. 6,077,838/- (rounded to Rs. 6,077,840/-) out of the profit available for appropriations as at June 30, 2008 be capitalized and be applied to the issue of 607,783.8 (rounded to 607,784) ordinary shares of Rs. 10/- each allotted as fully paid bonus shares to the members whose names appear in the register of members as at close of business on October 14, 2008 in the proportion of one bonus share for every ten ordinary shares held i.e 10%.

FURTHER RESOLVED that these bonus shares shall rank pari passu in all respects with the existing shares except that these shares shall not qualify for the current issue of right shares.

FURTHER RESOLVED that the Directors be and are hereby authorized to consolidate all fractions of bonus shares and sell in the stock market and pay the proceeds of sales when realized to a charitable trust.

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

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

7. To consider and if thought fit to approve issuance of 20% right shares with a premium of Rs. 10/- per share by passing the following resolution as an ordinary resolution:

RESOLVED that it be and is hereby recommended that increase of Rs.12,155,676/- (rounded to 12,155,680) in the paid up capital of the Company be made by issuing fully paid up 1,215,567.60 (rounded to 1,215,568) right shares of Rs. 10/- each at a premium of Rs. 10/- per share to the members whose names appear in the register of members as at close of business on October 14, 2008 in the proportion of two right shares for every ten ordinary shares held i.e 20%.

Notice of Annual General Meeting

FURTHER RESOLVED that these right shares shall rank pari passu in all respects with the existing shares except that these shares shall not qualify for the current issue of bonus shares.

FURTHER RESOLVED that the Directors be and are hereby authorized to consolidate all fractions of right shares and sell in the stock market and pay the proceeds of sales when realized to a charitable trust.

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

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

8. To approve increase in remuneration payable to the Non Executive Director (s) of the Company for attending Board Meeting and meeting of Committees formed by the Board and to incorporate amendment in Article 9.11 of the Articles of Association of the Company and to pass following resolution with or without modification as a special resolution:

RESOLVED and hereby agreed that Article 9.11 of the Articles of Association of the Company be and is hereby amended in the following manner:

- i) The words appearing in first line i.e. "The Company in General Meeting" be and are hereby deleted and subsequent appearing word "each" be started with alphabet "E" instead of "e".
- ii) Figures Rs. 1,000/- appearing in third line be deleted and hereby replaced with Rs.3,000/-

OTHER BUSINESS

9. To transact any other business with the permission of the Chair.

By Order of the Board of Directors



Karachi:
September 18, 2008

M. Mushtaq Akhtar
Company Secretary

Notes :

1. The Share Transfer Books of the Company shall remain closed from October 15, 2008 to October 28, 2008 (both days inclusive). Transfers received in order at the Shares Department of the Company at the address given here under by close of working hours (1730 hrs) on October 14, 2008 shall be treated in time for the purpose of entitlement of bonus shares and right shares.
2. A member entitled to attend and vote at the meeting may appoint another member as his / her proxy to attend the meeting and vote on his / her behalf. Vote may be given either personally or by proxy or in case of a company / corporation by a representative duly authorized.
3. Duly executed proxies in order to be effective must be received by the Company at its Head Office at least 48 hours before the meeting.
4. Shareholders are requested to promptly notify the Company of any change in their addresses, at its Head Office, F-1, National Containers Building, Hub River Road, S.I.T.E., Karachi.
5. 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.
 - 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).

Notice of Annual General Meeting

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.

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

This statement set out the material facts concerning the Special Business given in the Notice of Annual General Meeting of the Company.

Agenda item No. 5 of the Notice - Increase in authorized capital.

The Board of Directors in its meeting held on September 18, 2008 has recommended 10% bonus shares and 20% right shares at a premium of Rs. 10/- per share to the existing shareholders. In consequence of that the paid up capital of the Company will increase. Therefore, the Board of Directors has also recommended to increase the authorized capital of the Company to accommodate the increase in paid up capital. The Directors directly or indirectly, are not personally interested in this issue except to the extent of their shareholding in the Company.

Agenda item No. 6 of the Notice - Issue of bonus shares.

The Directors are of the view that Company's financial position and its reserves justify the capitalization of free reserves amounting to Rs. 6,077,838/- for the issue of bonus shares in the proportion of one bonus share for every 10 ordinary shares held. The Directors directly or indirectly, are not personally interested in this issue except to the extent of their shareholding in the Company.

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

Agenda item No. 7 of the Notice - Issue of right shares.

The proceeds from right issue shall be utilized for payment of expensive loans to avoid heavy financial charges thereby enabling the Company to have financial strength and make use of subsequently available funds for operational uses and ultimately increase shareholders wealth. The Directors directly or indirectly, are not personally interested in this issue except to the extent of their shareholding in the Company.

Agenda item No. 8 of the Notice - Increase in remuneration payable to the Non Executive Director (s) of the Company.

As per existing practice amongst various companies, the Board of Directors in its meeting held on September 18, 2008 has recommended, subject to approval of amendments in the Articles of Association of the Company, a fee of Rs. 3,000/- be paid to Non Executive Director (s) other than full time working Directors of the Company for attending Board Meeting and meeting of Committees formed by the Board with restrictions / reservations, if any under any applicable laws and regulations.

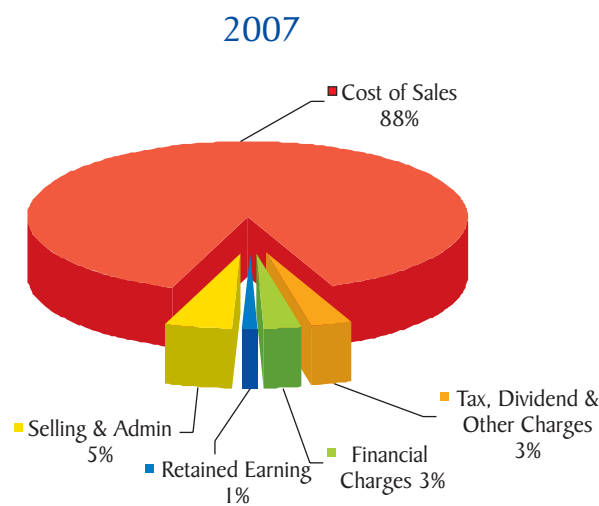
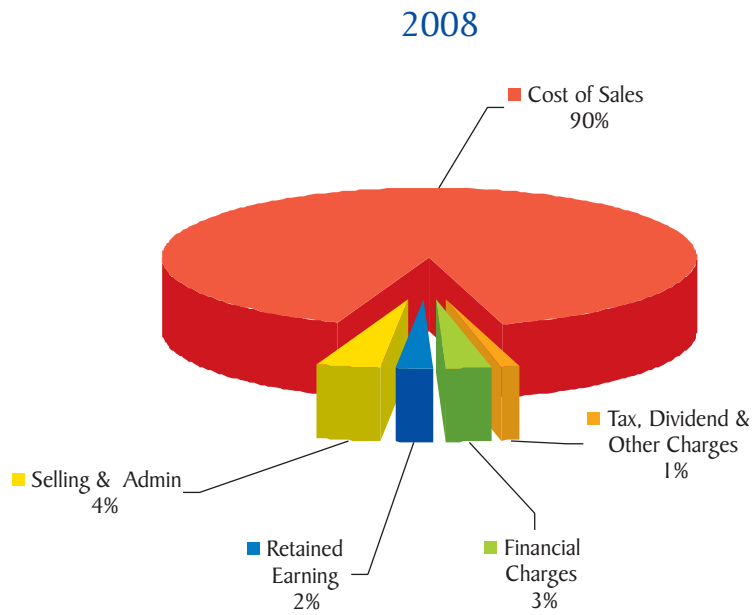


Pouring of Molten Metal from an Induction Furnace

Stakeholders Information



Application of Revenue



Vertical Analysis

	2008		2007		2006	
	(Rs. 000)	%	(Rs. 000)	%	(Rs. 000)	%
Operating results						
Net income	1,130,538	100.0	869,672	100.0	802,761	100.0
Cost of good sold	1,016,595	89.9	760,498	87.5	679,942	84.7
Admin, selling & distribution expenses	48,010	4.2	44,894	5.2	38,221	4.8
Other operating expenses	4,443	0.4	2,978	0.3	5,343	0.7
Investment income	(955)	(0.1)	(1,576)	(0.2)	(1,519)	(0.2)
Other income	(4,958)	(0.4)	(1,421)	(0.2)	(859)	(0.1)
Finance cost	32,903	2.9	24,429	2.8	8,724	1.1
Taxation	11,853	1.11	13,832	1.6	25,084	3.1
Profit after taxation	22,648	2.0	26,038	3.0	47,826	5.9
Balance Sheet						
Property, plant and equipment	252,155	31.3	255,249	35.8	203,383	36.4
Long term investments	16,963	2.1	18,975	2.7	16,747	3.0
Other non-current assets	4,417	0.5	4,136	0.6	5,945	1.1
Current assets	533,411	66.1	433,427	60.9	331,842	59.5
Total assets	806,946	100	711,786	100	557,917	100
Total Share holder's equity	334,940	41.5	325,355	45.7	324,715	56.8
Long term debts (excluding current maturiy)	50,332	6.2	84,128	11.8	121,190	21.2
Deferred liabilities	16,914	2.1	15,190	2.1	13,397	2.3
Deferred taxation	14,038	1.7	7,838	1.1	-	-
Short term debts	274,112	34.0	171,992	24.2	26,151	4.6
Trade creditors	73,063	9.1	67,135	9.4	53,649	9.4
Current portion of long term debts	36,250	4.5	36,250	5.1	17,313	3.0
Other current liabilities	7,297	0.9	3,899	0.5	1,503	0.3
Total liabilities	472,006	58.5	386,432	54.3	246,600	43.2
Total equity and liabilities	806,946	100	711,786	100	571,314	100
Cash Flow						
Cash generated from operations	10,157	(9)	(10,573)	6	43,991	(492)
Cash flow from/(used in) operating activities	(45,964)	40	(51,536)	31	21,070	(236)
Cash flow from/(used in) investing activities	(23,737)	21	(67,612)	41	(121,156)	1,356
Cash flow from/(used in) financing activities	(44,559)	39	(45,632)	28	91,148	(1,020)
Net (decrease)/increase in cash and cash equivalents	(114,260)	100	(164,781)	100	(8,938)	100

Vertical & Horizontal Analysis

Horizontal Analysis

	2008 (Rs. 000)	Inc./(dec.) vs last year figure %	2007 (Rs. 000)	Inc./(dec.) vs last year figure %	2006 (Rs. 000)	Inc./(dec.) vs last year figure %	2005 (Rs. 000)
Operating results							
Net income	1,130,538	30.0	869,672	8.3	802,761	15.5	695,077
Cost of good sold	1,016,595	33.7	760,498	11.8	679,942	14.0	596,297
Gross profit	113,943	4.4	109,174	(11.1)	122,819	24.3	98,780
Admin, selling & distribution expenses	48,010	6.9	44,894	17.5	38,221	27.7	29,924
Other operating expenses	4,443	49.2	2,978	(44.3)	5,343	(6.5)	5,715
Investment income	955	(39.4)	1,576	3.8	1,519	117.7	698
Other income	4,958	249.0	1,421	65.3	859	(70.6)	2,926
Profit before finance cost	67,404	4.8	64,300	(21.2)	81,634	22.3	66,764
Finance cost	32,903	34.7	24,429	180.0	8,724	516.1	1,416
Profit before taxation	34,501	(13.5)	39,870	(45.3)	72,910	11.6	65,348
Taxation	11,853	(14.3)	13,832	(44.9)	25,084	10.6	22,683
Net profit/(loss)	22,648	(13.0)	26,038	(45.6)	47,826	12.1	42,665
Balance sheet							
Property, plant and equipment	252,155	(1.2)	255,249	25.5	203,383	119.3	92,745
Long term investments	16,963	(10.6)	18,975	13.3	16,747	89.8	8,825
Other non-current assets	4,417	6.8	4,136	(30.4)	5,945	22.3	4,860
Current assets	533,411	23.1	433,427	30.6	331,842	12.8	294,312
Total assets	806,946	13.4	711,786	27.6	557,917	39.2	400,741
Share capital	60,778	10.0	55,253	-	55,253	-	55,253
Reserves	274,161	1.5	270,102	0.2	269,462	11.7	241,340
Total Share holder's equity	334,940	2.9	325,355	0.2	324,715	9.5	296,593
Long term debts (excluding current maturiy)	50,332	(40.2)	84,128	(30.6)	121,190	-	-
Deferred liabilities	16,914	11.4	15,190	13.4	13,397	14.6	11,695
Deferred taxation	14,038	79.1	7,838	-	-	-	-
Short term debts	274,112	59.4	171,992	557.7	26,151	(28.8)	36,711
Trade creditors	73,063	8.8	67,135	25.1	53,649	(3.0)	55,321
Current portion of long term debts	36,250	-	36,250	109.4	17,313	-	-
Other current liabilities	7,297	87.2	3,899	159.4	1,503	256.7	421
Total liabilities	472,006	22.1	386,432	56.7	246,600	112.9	115,843
Total equity and liabilities	806,946	13.4	711,786	24.6	571,314	38.5	412,436
Cash Flow							
Cash generated from operations	10,157	(196.1)	(10,573)	(124.0)	43,991	(17.3)	53,164
Cash flow from/(used in) operating activities	(45,964)	(10.8)	(51,536)	(344.6)	21,070	0.2	21,036
Cash flow from/(used in) investing activities	(23,737)	(64.9)	(67,612)	(44.2)	(121,156)	643.2	(16,303)
Cash flow from/(used in) financing activities	(44,559)	(2.4)	(45,632)	(150.1)	91,148	(1,281.7)	(7,713)
Net (decrease)/increase in cash and cash equivalents	(114,260)	(30.7)	(164,781)	1,743.7	(8,938)	199.9	(2,980)

NOTE:

Keeping in view the current uncertain market condition especially for the last five years we have prepared our horizontal analysis by making the preceding year as a bench mark for the year which is to be analyzed.

Decade at a Glance

> Financial Position

> Financial Ratios

Financial Position

	(Rs. In Thousands)									
Year ended 30 th June	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
INCOME										
Net Sales	1,130,538	869,672	802,761	695,077	538,765	394,786	378,139	469,752	457,257	406,021
Gross Profit	113,943	109,174	122,819	98,780	114,907	89,201	111,719	125,203	112,242	94,375
Operating profit	67,403	64,299	84,598	68,855	88,770	63,972	92,871	102,970	90,036	74,027
Profit before Tax	34,500	39,870	72,910	65,348	83,378	90,829	97,897	97,095	80,995	50,520
Profit after Tax	22,648	26,038	47,826	42,665	58,115	63,160	75,293	61,638	52,796	33,764
FINANCIAL POSITION										
Current Assets	533,411	433,427	331,842	294,312	231,424	204,529	215,963	243,496	143,203	187,597
Less: Current Liabilities	390,722	279,276	98,616	92,453	41,500	73,136	115,849	179,493	112,786	131,731
Net Working Capital	142,689	154,151	233,226	201,858	189,924	131,393	100,114	64,003	30,417	55,866
Property, Plant and Equipment	252,155	255,249	203,383	92,745	87,178	91,840	91,567	85,292	84,748	88,806
Others-Non Current Assets	21,379	23,111	22,692	13,685	14,473	8,816	1,489	1,479	1,896	1,858
	416,223	432,510	459,301	308,288	291,575	232,049	193,170	150,774	117,061	146,530
Less: Long Term Debts	50,332	84,128	121,190	-	-	-	-	-	-	60,000
Other Liabilities	30,952	23,028	13,397	11,695	10,345	10,434	3,065	2,809	3,107	3,271
Shareholders' Equity	334,940	325,355	324,714	296,593	281,230	221,615	190,105	147,965	113,954	83,259
REPRESENTED BY:										
Share Capital	60,778	55,253	55,253	55,253	55,253	55,253	55,253	55,253	55,253	55,253
Reserves	240,000	230,000	210,000	195,000	164,000	164,000	134,000	92,000	58,000	28,000
Unrealized Gain on Long Term Investment	11,463	13,475	11,247	3,325	3,000	1,500	-	-	-	-
Unappropriated Profit /(Loss)	22,699	26,627	48,214	43,015	58,977	862	852	712	701	6
Net Capital Employed	334,940	325,355	324,714	296,593	281,230	221,615	190,105	147,965	113,954	83,259
SUMMARY OF CASHFLOWS										
Cash flows from operating activities	(45,964)	(51,536)	21,070	21,036	15,504	43,382	31,645	54,562	64,885	65,311
Cash used in investing activities	(23,737)	(67,612)	(121,156)	(16,303)	(5,357)	(14,349)	(11,243)	(10,072)	(5,533)	(4,563)
cash used in financing activities	(44,559)	(45,632)	91,148	(7,713)	(33,021)	(32,686)	(27,555)	(21,706)	(72,736)	(23,953)
Net change in cash and cash equivalents	(268,022)	(153,761)	11,019	19,957	22,937	45,812	49,465	56,618	33,835	47,219

Decade at a Glance

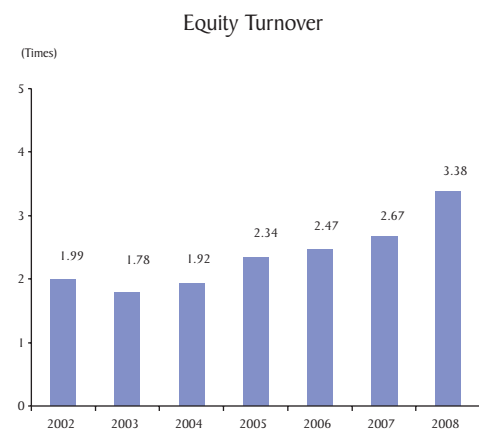
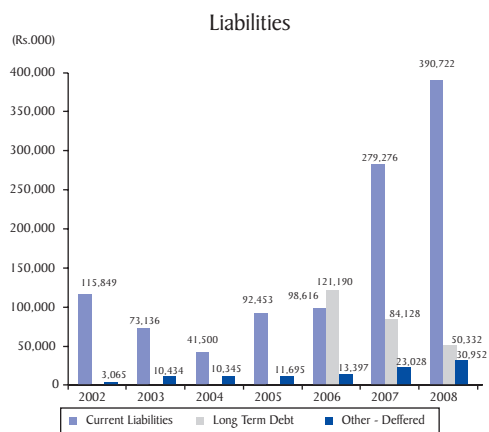
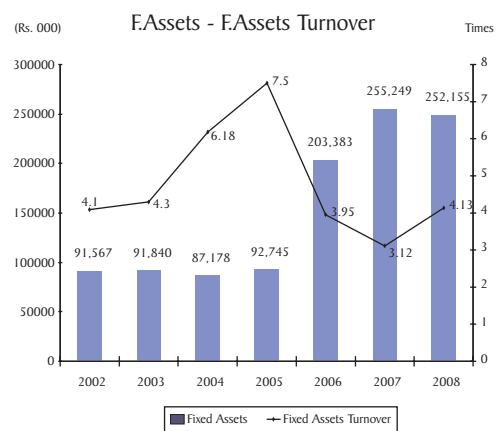
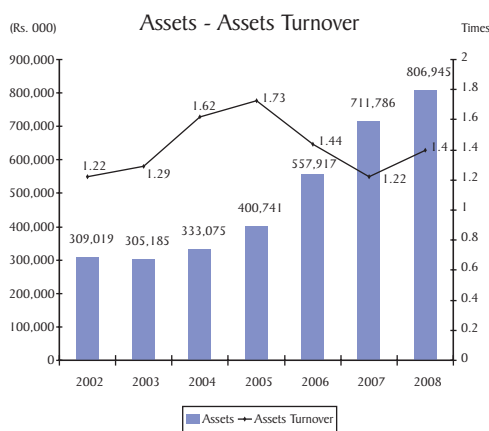
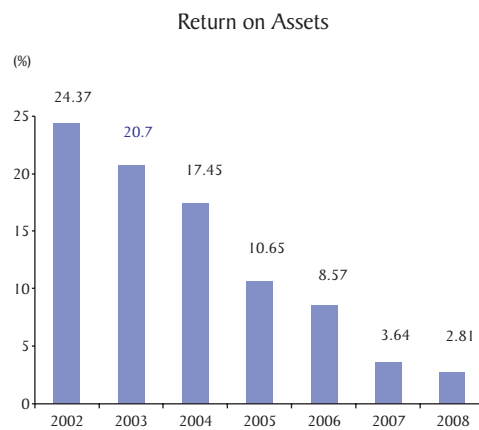
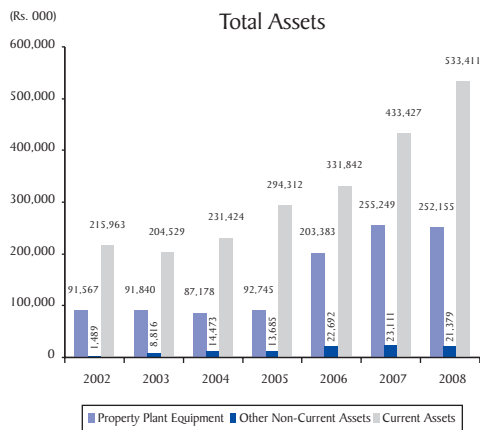
> Financial Position

> Financial Ratios

Financial Ratios

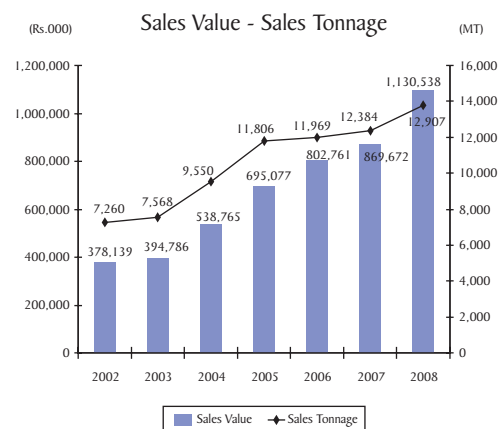
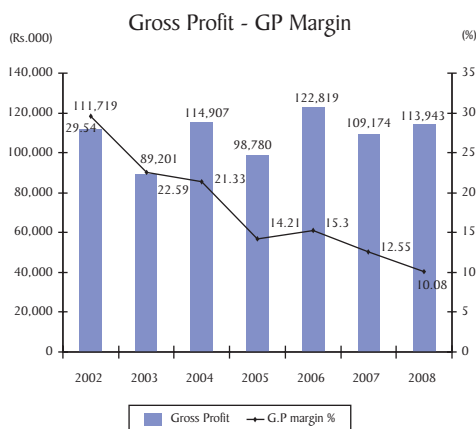
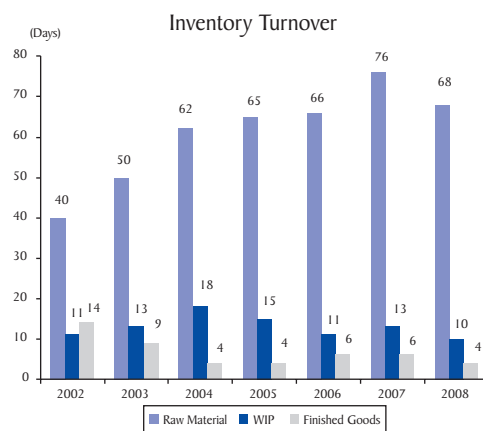
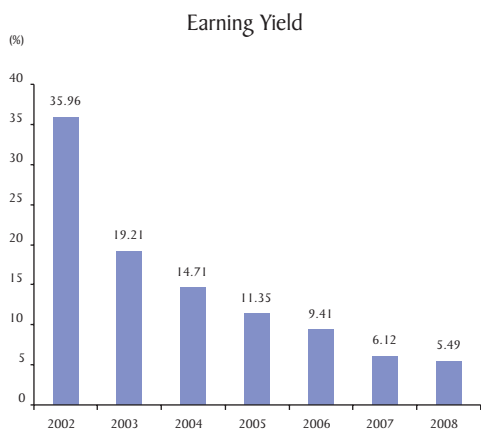
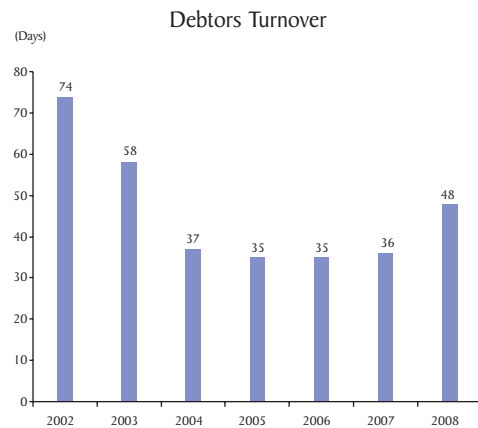
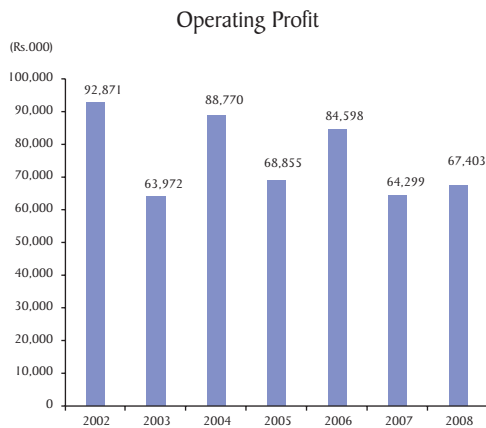
Year ended 30 th June	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
PRODUCTION / SALES										
Production Capacity Installed (MT)	5,700	10,367	10,367	7,450	5,700	5,700	5,700	5,700	5,700	5,700
Production Capacity Attained (MT)	13,801	13,543	12,627	12,320	10,532	7,868	7,615	9,441	9,419	8,353
Capacity Ratio (%)	133	131	169	216	185	138	134	166	165	147
Net Sales (MT)	12,907	12,384	11,969	11,806	9,550	7,568	7,260	9,051	8,855	7,785
MARKET VALUE RATIOS										
Break up value of a Share of Rs. 10/-each	55.11	58.88	58.77	53.68	50.90	40.11	34.41	26.78	20.62	15.07
Dividend (Rupees per share)	-	2.00	5.00	5.00	5.00	6.00	6.00	5.00	4.00	2.50
Dividend (%)	-	20	50	50	50	60	60	50	40	25
Bonus Shares (%)	10	10	-	-	-	-	-	-	-	-
PROFITABILITY RATIOS										
Gross Profit Ratios %	10.08	12.55	15.30	14.21	21.33	22.59	29.54	26.65	24.55	23.24
Profit before Tax to Sales (%)	3.05	4.58	9.08	9.40	15.48	23.01	25.89	20.67	17.71	12.44
Profit after Tax to Sales (%)	2.00	2.99	5.96	6.14	10.79	16.00	19.91	13.12	11.55	8.32
Basic Earnings per Share - EPS (Rs.)	3.73	4.28	8.66	7.72	10.52	11.43	13.63	11.16	9.56	6.11
Earning Yield - year end price (%)	5.49	6.12	9.41	11.35	14.71	19.21	35.96	29.21	29.42	33.03
Price Earning Ratio - year end price	18.22	16.34	10.62	8.81	6.80	5.20	2.78	3.42	3.40	3.03
EBITDA%(Earning before interest,tax, depreciation & Amortization).	5.7	9.42	11.65	11.26	18.55	19.23	27.57	24.84	22.75	21.58
Dividend Payout (%)	-	42.44	57.76	64.75	47.54	52.49	44.03	44.82	41.86	40.91
Dividend Yield Ratio (%)	-	2.60	5.43	7.35	6.99	10.08	15.83	13.09	12.31	13.51
Return on Equity (%)	6.76	8.00	14.73	14.39	20.66	28.50	39.61	41.66	46.33	40.55
Return on Assets (%)	2.81	3.64	8.57	10.65	17.45	20.70	24.37	18.66	22.97	12.13
Operating Cycle (Days)	114	109	102	104	110	113	122	78	88	107
Dividend Cover (Times)	-	2.36	1.73	1.54	2.10	1.91	2.27	2.23	2.39	2.44
LIQUIDITY RATIOS										
Current Ratio	1.37:1	1.54:1	3.36:1	3.18:1	5.58:1	2.80:1	1.86:1	1.36:1	1.27:1	1.42:1
Quick Ratio	0.96:1	0.62:1	1.54:1	1.68:1	2.42:1	1.83:1	1.33:1	1.01:1	0.68:1	0.86:1
ACTIVITY RATIOS										
Raw Material Inventory Turnover - (Days)	68	76	66	65	62	50	40	32	44	49
WIP Inventory Turnover - (Days)	10	13	11	15	18	13	11	6	7	10
Finished Goods Inventory Turnover - (Days)	4	6	6	4	4	9	14	10	10	17
Debtors Turnover Ratio (Days)	48	36	35	35	37	58	74	45	37	44
Assets Turnover - (Times)	1.4	1.22	1.44	1.73	1.62	1.29	1.22	1.42	1.99	1.46
Fixed Assets Turnover - (Times)	4.13	3.12	3.95	7.50	6.18	4.30	4.1	5.51	5.40	4.57
LEVERAGE RATIOS										
Equity Turnover - (Times)	3.38	2.67	2.47	2.34	1.92	1.78	1.99	3.17	4.01	4.88
Debt-Equity Ratio	13:87	21:79	27:73	0:100	0:100	0:100	0:100	0:100	0:100	42:58
SHARE PRICE- (Rs.)										
Highest	84	114.65	98.70	87.85	73.95	62.00	45.00	39.75	55.75	34.25
Lowest	61	68.00	59.85	59.80	50.00	35.45	31.50	32.00	26.00	8.00
Average	73.06	91.33	79.28	73.83	61.98	48.73	38.25	35.38	40.88	21.13
At the year end	67.95	77.00	92.00	68.00	71.50	59.50	37.90	38.20	32.50	18.50

Graphical Illustration



Decade at a Glance

Decade at a Glance

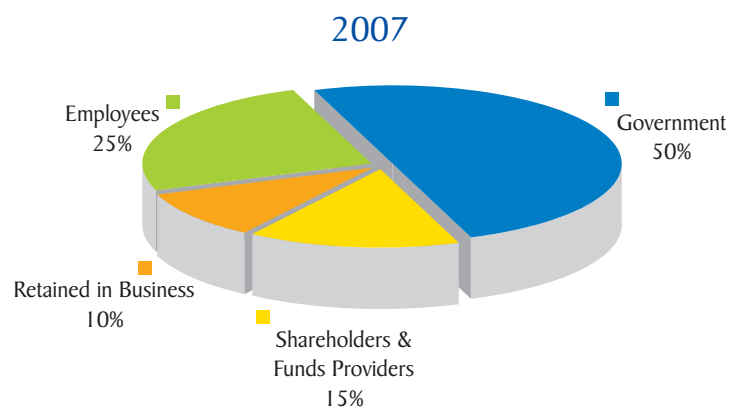
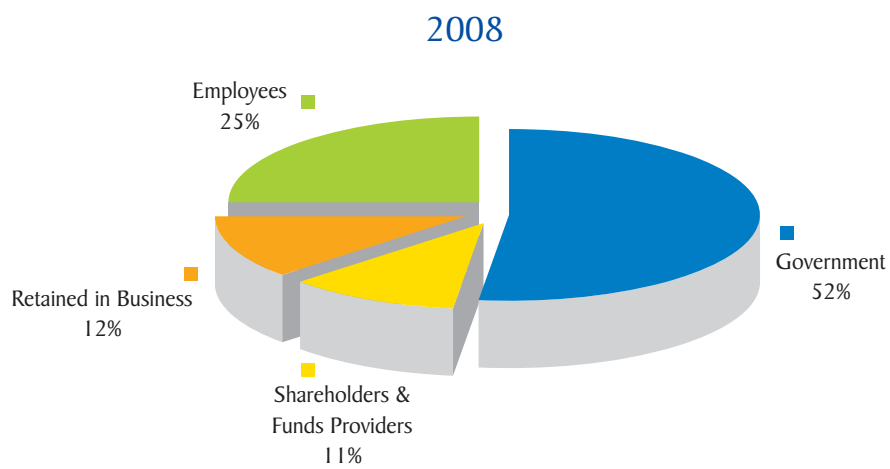


Statement of Value Added and its Distribution

Statement of Value Added and its Distribution

PARTICULARS	2008 Rs. 000		2007 Rs. 000	
VALUE ADDITION				
Revenue Generated	1,310,852		999,725	
Bought-In Material and Services	(950,913)		(720,018)	
Other Income	5,913		2,997	
	<u>365,852</u>		<u>282,705</u>	
DISTRIBUTION TO:				
Employees		%		%
Salaries, Wages and Benefits	88,180	24	67,704	24
Workers Participation Fund	1,853	1	2,176	1
	90,033	25	69,880	25
Government				
Income Tax	11,853	3	13,832	5
Sales Tax	169,044	46	130,053	45
Special Excise Duty	11,270	3	-	-
Workers Welfare Fund	704	-	801	-
	192,870	52	144,687	50
Shareholders & Funds Providers				
Bonus Shares	6,078	2	5,525	2
Cash Dividend	-	-	11,051	4
Financial Charges	32,903	9	24,429	9
	38,981	9	41,005	15
Retained in Business				
Depreciation	27,398	7	17,671	6
Retained Profit	22,648	5	9,462	4
	50,046	12	27,133	10
	<u>365,852</u>	<u>100</u>	<u>282,705</u>	<u>100</u>

Distribution of Value Addition



Corporate & Financial Reporting



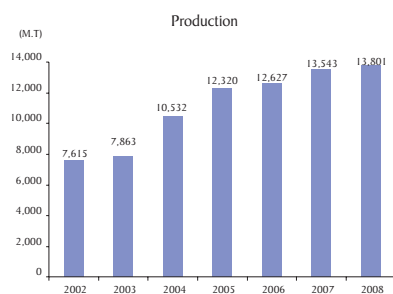
Chairman's Review

Chairman's Review

I am pleased to welcome you to the 26th Annual General Meeting of Bolan Castings Limited and to present the Annual Audited Accounts and Financial Reports of the Company for the financial year ended June 30, 2008.

Economy

The GDP growth during the period was 5.8% against 6.8% of prior period and the target of 7.2%. The growth was mainly due to better performance of service sector while both agriculture sector and manufacturing sector could not contribute up to the desired level. Agriculture grew just by 1.5% against the target of 4.8%. The manufacturing sector posted a growth of 5.4% against 8.2% of last year. Pakistan's economy during the period was facing four major challenges which were (a) decline in growth (b) rising inflation (c) growing fiscal deficit and (d) the widening of trade and current account deficit. Currently the shortage and erratic supply of power and gas is having an adverse effect on production in tonnage and has also increased the cost to manufacture.



Company's Performance

Your Company had record production of 13,801MT of Castings during the period under review against 13,543 MT of corresponding period last year. The net sales were 12,907 MT against 12,384 MT of same period last year. Product range included Castings for Tractors, Automotives and others.

During the period under review the sales revenue of the Company was an all time high touching Rs. 1,130.54 million against Rs. 869.67 million of corresponding period last year. The gross profit was recorded at Rs. 113.94 million against Rs. 109.17 million of same period last year.

Selling and Distribution expenses were Rs. 25.78 million against Rs.25.31 million of corresponding period last year. Administrative expenses were Rs.22.23 million against Rs.18.42 million of corresponding period last year. Financial charges during the period were Rs.32.90 million against Rs.24.43 million of same period last year.

The profit before tax was Rs.34.50 million against Rs.39.87 million of same period last year. The profit for the current period is lower due to inflation, higher raw material prices, higher operating costs and delays in rationalization of prices of castings from our customers.

The Income Tax was Rs.11.85 million against Rs.13.83 million of last year. After adjustment of taxes the profit after tax was Rs.22.65 million against Rs.26.04 million of corresponding period last year.



Your Directors were pleased to recommend bonus share @ 10% in the proportion of one bonus share for every ten ordinary shares held. The directors also recommended issue of right shares @20% at par plus premium of Rs.10 per share in the proportion of two shares for every ten ordinary shares held.

Business Risk and Challenges

Production of your Company has been mainly focused on manufacture of tractor castings due to their heavy demand throughout the period and it is expected that the trend would continue.

Electricity breakdowns have become a regular ongoing feature. These breakdowns cause interruptions in production thereby resulting in higher fuel, material and electricity consumption. Also, these sudden shutdowns result in a substantial increase in the maintenance downtime. However, your Company management has taken corrective action by installing generator to partially offset power shortage.

Upward surge of the exchange rates of US Dollar and other international currencies versus the Pakistani Rupees is adding to the input cost of your Company and thereby narrowing down the profit margins.

Plant Expansion

Your Company's Plant expansion though completed is undergoing some startup issues thereby not allowing full swing production.

Chairman's Review

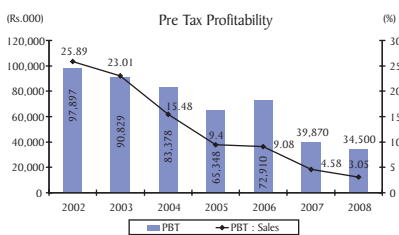
Once the problems of the new plant are resolved, the Company would be in a position to enhance its production and Sales from the existing level. Increase in production to its full capacity will also help in reducing the impact of financial cost on the profits of the Company.

Future Prospects

With the implementation of Democracy at all levels in Pakistan, the economic activity is expected to consolidate its base on a sound footing. With more foreign investment coming in, the manufacturing and agricultural sectors should perform better by strengthening availability of raw material, energy and better communications. Availability of electricity and gas is critical to further improve productivity.

Given the projected stability of the Country, the engineering, automotives and tractors sectors should perform better. Bolan Castings being part of the vending industry anticipates better scope for increase in sale of its castings.

The potential for export of castings has not been fully exploited. Your Company has participated in international fairs and is working towards securing export orders in the near future.



Contribution towards Economic Development and Self Reliance

The Company has a unique designed automotive foundry of its type in the country. It has contributed in a big way for the development of parts for agricultural tractors and automotive industry. Your Company has made large investments for the development of pattern toolings and has acquired expertise to design and manufacture the pattern equipment required for casting of components. The ongoing process of Research and Development in the Company is a source of strength for the production lines and for diversification. It has also been a source of employment to the people of the region at all levels.

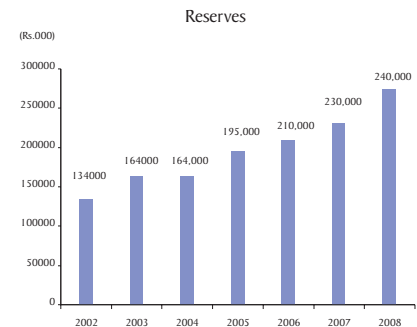
Human Resource Development

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.

Corporate Social Responsibility

Responsible behavior towards our stakeholders and the wider community is fundamental to the business of BCL. We seek to ensure that we always act with integrity; that we give priority to the health and safety of our employees and those affected by our activities;



and that we manage our activities so as to control our environmental impact.

You would be pleased to know that the current year has been an injury free year for Bolan Castings employees.


Environment

BCL is committed to maintaining good environmental practice to minimize the impact of its activities on the environment. Your Company has installed environment friendly equipment that helps in reducing air pollution to a minimum possible level. We encourage initiatives, which benefit the environment. Our operations are conducted with the emphasis on compliance of regulatory requirements relating to the environment.

Acknowledgement

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

Karachi:
September 18, 2008


Sikandar M. Khan
Chairman

Directors' Report

Directors' Report

Dear Shareholders

Directors of your Company have pleasure in presenting the Annual Report and the Audited Financial Statements of the Company for the financial year ended June 30, 2008.

General

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

Appropriations

Following are the appropriations made during the year:

	(Rs. 000)
Un-appropriated profit brought forward	26,627
Final dividend for the year ended June 30, 2007	(11,051)
Bonus shares issued for the year ended June 30, 2007	(5,525)
Transfer to general reserve	(10,000)
Profit after tax for the year ended June 30, 2008	22,649
Un-appropriated profit carried forward	<u>22,700</u>

Bonus Shares

The directors have recommended bonus shares in the proportion of one share for every ten shares (i.e. 10%) held by the Shareholders whose names are registered in the books of the Company at the close of business on October 14, 2008. However, these bonus shares shall not qualify for the current issue of right shares.

Right Shares

In addition to bonus shares, the directors have also recommended right shares in the proportion of two right shares for every ten ordinary shares (i.e. 20%) held by the Shareholders whose names are registered in the books of the Company at the close of business on October 14, 2008. However, these right shares shall not qualify for the current issue of bonus shares.

The proceeds from right issue shall be utilized for payment of expensive loans to avoid heavy financial charges thereby enabling the Company to have financial strength and make use of subsequently available funds for operational uses and ultimately increase shareholders wealth.

The Directors directly or indirectly, are not personally interested in the issue of bonus and right shares except to the extent of their shareholding in the Company.

Earnings Per Share

The earnings per share for the year ended June 30, 2008 was Rs. 3.73 as against Rs. 4.71 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 reprise in a given period, through risk management strategies where significant changes in gap position can be adjusted.



Credit Risk

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

Foreign Exchange Risk

With the recent withdrawal of the facility by the State Bank, the Company is exposed to foreign currency risk. The Company manages this risk through forward currency contracts.

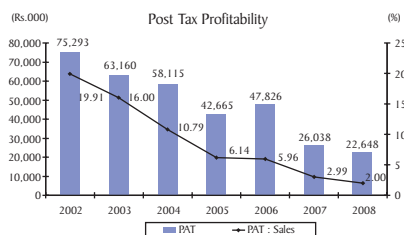
Liquidity Risk

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 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.

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

The Company is controlled through the Board of Directors which comprises eight elected Directors plus the Chief Executive Officer (CEO) to be deemed as Director. Except for the CEO, all the Directors are non-executive Directors.

The post of Chairman and Chief Executive Officer are held by different directors to ensure an appropriate balance of power and clear division of accountability and responsibility.

Mr. Sikandar M. Khan, a non-executive director, is the Chairman of the Board and Mr. Shahid A. Hakim is the Chief Executive Officer of the Company.

Role of the Chairman and CEO

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 programme of meetings.

The Board met five times during the financial year 2007-08. All the meetings were presided over by the Chairman of the Board. These meetings were also attended by the Chief Financial Officer and the Company Secretary.

Attendance of Directors at Board meetings is set out below:

Name of Directors	Meetings Attended
Mr. Sikandar M. Khan	5 of 5
Mr. Shahid A. Hakim	5 of 5
Mr. Latif Khalid Hashmi	5 of 5
Mr. Sohail Bashir Rana	5 of 5
Mr. Laeeq Uddin Ansari	5 of 5
Mr. Mian Muhammad Saleem	5 of 5
Mr. Bashir Ahmed Chaudhry	4 of 5
Mr. Javed Munir	5 of 5
Mr. Sajid Hassan (NIT Nominee)	4 of 5

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. Further, at least once in a year, the Company conducts a course for their Directors to acquaint them with their duties and responsibilities regarding managing the affairs of the Company on behalf of shareholders.

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.

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.

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 2008, 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.

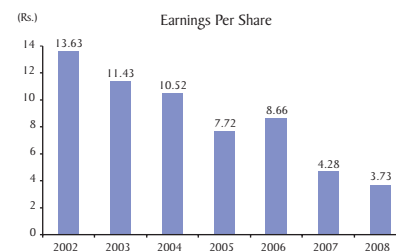
The Board Committees contain directors with a variety of relevant skills and experience so that no undue reliance is placed on any individual.

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. Sajid Hassan and Mr. Mian Muhammed Saleem. Mr. Laeeq Uddin Ansari became a member as well as Chairman of the committee on April 25, 2008, till that Mr. L. K. Hashmi was the Chairman Audit Committee.

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.

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 2008, the Committee met six 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.

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 successes. This Committee assists Board of Directors in formulating, implementing and upgrading systems of all types in the Company.

Human Resources Committee

The Human Resources Committee assists Board of Directors in:

- 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.

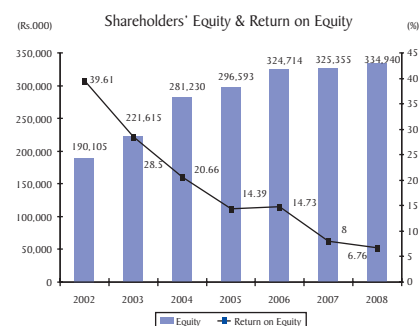
The scope of the work done by the Internal Audit make it possible to determine whether the processes, systems and controls, as they have been developed and implemented, are sufficient and are applied in such a way as to ensure that:

- > 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
- > 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 external auditors are engaged to express an opinion on the Company's annual and half yearly accounts. They independently and objectively review management's reporting of the operational results and financial position. They also review and test the systems of internal control and the data contained in the annual report and accounts to the extent necessary for expressing opinion.



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), which offers any interested person information on the Company. Apart from this, its principal communication with shareholders and others is its 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.

Auditors' Rotation

BCL has policy to rotate its external auditors after every five years. The present auditors, M/s. A.F. Ferguson & Co., Chartered Accountants, retire. Their five years period as Auditors of the Company has completed this year. Therefore, the Audit Committee of Board of Directors of the Company suggested a change of auditors and recommended to the Board regarding the appointment of M/s. Ford Rhodes Sidat Hyder & Co. Chartered Accountants as auditors for financial year 2008-2009. Hence Board of Directors has recommended to the shareholders appointment of M/s. Ford Rhodes Sidat Hyder & Co. Chartered Accountants as auditors in the light of recommendations of Audit Committee of Board of Directors of the Company.

The Board of Directors wish to place on record and acknowledge the highest standard of professional independence, objectivity and effectiveness shown by M/s. A.F. Ferguson & Co., Chartered Accountants, who have been the external auditors for the last five years.

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

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

Chairman's Review

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

Statement on Corporate and Financial Reporting Framework

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

- 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 account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparations of financial statements except for those as stated in the notes to the financial statements and accounting estimates are based on reasonable and prudent judgment.
- 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 28 of 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, 2008 (audit in progress) were as follows:

Provident Funds	Rs. 62.718 million
Gratuity Fund	Rs. 47.703 million
Pension Fund	Rs. 45.697 million

Trading in the Company Shares

The Directors, CEO, CFO, Company Secretary and their spouses and minor children did not carry out any trade in the shares of the Company during the period under review.

Pattern of Shareholdings

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

Approval and Authorization

The Board of Directors of the Company in their meeting held on September 18, 2008 approves the Directors' Report and authorizes Mr. Shahid A. Hakim, Chief Executive Officer of the Company to sign the report on its behalf.

On Behalf of the Board



Karachi:
September 18, 2008

Shahid A. Hakim
Chief Executive

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

For the year ended June 30, 2008

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

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. The Board comprises eight elected directors, all of whom are independent non-executive directors, including director representing minority shareholders. In addition to eight elected directors, ninth is the Chief Executive Officer who by virtue of being CEO is deemed to be a director of the Company.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board of Directors of the Company during the year ended June 30, 2008.
5. The Chairman of the Board of Directors has been elected from among the non-executive directors of the Company.
6. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.
7. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
8. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
9. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
10. The Board arranged an orientation course for its directors during the year to apprise them of their duties and responsibilities.
11. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
12. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

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

Karachi
September 18, 2008


Shahid A. Hakim
Chief Executive

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

A.F. Ferguson & Co.
Chartered Accountants
State Life Building No. 1-C
I.I. Chundrigar Road, P.O. Box 4716
Karachi-74000, Pakistan
Telephone: (021) 2426682-6 / 2426711-5
Facsimile : (021) 2415007 / 2427938

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2008.



Chartered Accountants
Karachi

Dated: September 18, 2008

Auditors' Report to the Members

A.F. Ferguson & Co.
Chartered Accountants
State Life Building No. 1-C
I.I. Chundrigar Road, P.O. Box 4716
Karachi-74000, Pakistan
Telephone: (021) 2426682-6 / 2426711-5
Facsimile: (021) 2415007 / 2427938

We have audited the annexed balance sheet of Bolan Castings Limited as at June 30, 2008 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with 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;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditures incurred during the year were in accordance with the objects of the Company;
- c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of Company's affairs as at June 30, 2008 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) In our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.



Chartered Accountants
Karachi

Dated: September 18, 2008

Balance Sheet

as at June 30, 2008

	Note	2008 Rupees	2007 Rupees
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	252,155,215	255,248,879
Available for sale financial asset	4	16,962,500	18,975,000
Long term loans	5	608,000	577,300
Long term deposits		3,808,660	3,558,660
		<u>273,534,375</u>	<u>278,359,839</u>
Current Assets			
Stores, spares and loose tools	6	74,755,416	54,237,455
Stock-in-trade	7	157,689,411	206,713,192
Trade debts	8	193,470,877	101,689,808
Loans and advances	9	15,556,601	10,800,133
Deposits and short term prepayments	10	41,395,974	17,529,657
Other receivables	11	665,824	96,351
Taxes recoverable		43,786,496	24,129,127
Cash and bank balances	12	6,090,689	18,230,925
		<u>533,411,288</u>	<u>433,426,648</u>
TOTAL ASSETS		<u><u>806,945,663</u></u>	<u><u>711,786,487</u></u>
EQUITY AND LIABILITIES			
Share Capital			
Share Capital	13	60,778,380	55,253,070
Reserves	14	274,161,374	270,101,525
		<u>334,939,754</u>	<u>325,354,595</u>
Non-Current Liabilities			
Long term finance	15	50,331,686	84,127,670
Deferred taxation	16	14,038,215	7,838,399
Deferred liabilities	17	16,913,989	15,189,714
		<u>81,283,890</u>	<u>107,155,783</u>
Current Liabilities			
Current portion of long term finance	15	36,250,000	36,250,000
Trade and other payables	18	73,062,662	67,134,983
Accrued interest/mark-up		7,296,961	3,898,836
Short term borrowings	19	274,112,396	171,992,290
		<u>390,722,019</u>	<u>279,276,109</u>
Contingencies and Commitments			
	20		
TOTAL EQUITY AND LIABILITIES		<u><u>806,945,663</u></u>	<u><u>711,786,487</u></u>

The annexed notes 1 to 39 form an integral part of these financial statements.



Shahid A. Hakim
Chief Executive



Sikandar M. Khan
Chairman

Profit and Loss Account

For the year ended June 30, 2008

	Note	2008 Rupees	2007 Rupees
Net sales	21	1,130,538,417	869,672,061
Cost of sales	22	(1,016,595,142)	(760,498,414)
Gross profit		113,943,275	109,173,647
Distribution expenses	23	(25,781,690)	(25,307,697)
Administrative expenses	24	(22,227,880)	(18,419,315)
Other operating expenses	25	(4,442,586)	(4,144,196)
		(52,452,156)	(47,871,208)
		61,491,119	61,302,439
Other operating income	26	5,912,626	2,997,160
Profit from operations		67,403,745	64,299,599
Finance costs	27	(32,902,964)	(24,429,169)
Profit before taxation		34,500,781	39,870,430
Taxation	28	(11,852,508)	(13,832,021)
Profit after taxation		22,648,273	26,038,409
Earnings per share - basic and diluted	29	3.73	4.28

The annexed notes 1 to 39 form an integral part of these financial statements.


Shahid A. Hakim
Chief Executive


Sikandar M. Khan
Chairman

Cash Flow Statement

For the year ended June 30, 2008

	Note	2008 Rupees	2007 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	30	10,156,521	(10,572,935)
Net decrease/(increase) in long term loans		(30,700)	3,600
Net decrease/(increase) in long term trade deposits		(250,000)	6,500
Taxes paid		(25,310,061)	(17,767,692)
Retirement benefits paid		(1,025,158)	(1,171,870)
Financial charges paid		(29,504,839)	(22,033,525)
Net cash (outflow) from operating activities		(45,964,237)	(51,535,922)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(25,684,419)	(70,605,621)
Proceeds from disposal of operating assets		1,550,663	1,834,525
Return on bank deposits received		396,424	1,158,739
Net cash outflow from investing activities		(23,737,332)	(67,612,357)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term finance		(36,250,000)	(18,125,001)
Proceeds from long term finance		2,454,016	-
Dividend paid		(10,762,789)	(27,507,290)
Net Cash inflow from financing activities		(44,558,773)	(45,632,291)
Net (decrease) in cash and cash equivalents		(114,260,342)	(164,780,570)
Cash and cash equivalents at beginning of the year		(153,761,365)	11,019,205
Cash and cash equivalents at end of the year	31	(268,021,707)	(153,761,365)

The annexed notes 1 to 39 form an integral part of these financial statements.



Shahid A. Hakim
Chief Executive



Sikandar M. Khan
Chairman

Statement of Changes in Equity

For the year ended June 30, 2008

	Share Capital	General Reserve	Unrealised Gain on Long Term Investment	Unappropriated Profit	Total
	----- (Rupees) -----				
Balance as on June 30, 2006	55,253,070	210,000,000	11,246,875	48,214,651	324,714,596
Profit for the year	-	-	-	26,038,409	26,038,409
Final dividend for the year ended June 30, 2006 (@ Rs. 5 per share)	-	-	-	(27,626,535)	(27,626,535)
Unrealised gain due to change in fair value of long-term investment	-	-	2,228,125	-	2,228,125
Transfer to general reserve	-	20,000,000	-	(20,000,000)	-
Balance as on June 30, 2007	55,253,070	230,000,000	13,475,000	26,626,525	325,354,595
Profit for the year	-	-	-	22,648,273	22,648,273
Final dividend for the year ended June 30, 2007 (@ Rs. 2 per share)	-	-	-	(11,050,614)	(11,050,614)
Unrealised gain due to change in fair value of long-term investment	-	-	(2,012,500)	-	(2,012,500)
Issue of Bonus Share as dividend - note 13.4	5,525,310	-	-	(5,525,310)	-
Transfer to general reserve	-	10,000,000	-	(10,000,000)	-
Balance as on June 30, 2008	60,778,380	240,000,000	11,462,500	22,698,874	334,939,754

The annexed notes 1 to 39 form an integral part of these financial statements.



Shahid A. Hakim
Chief Executive



Sikandar M. Khan
Chairman

Notes to the Financial Statements

For the year ended June 30, 2008

1. THE COMPANY AND ITS OPERATIONS

The Company is a public limited liability company incorporated and domiciled in Pakistan. It is listed on the Karachi Stock Exchange. The address of its registered office is main RCD Highway, Hub Chowki, District Lasbela, Balochistan, Pakistan. The Company manufactures and sells castings for tractors and automotive parts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

2.1.2 These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as notified under the provisions of the Ordinance. Wherever the requirements of Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives have been followed.

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

- Residual values and useful lives of property, plant and equipment (note 2.2)
- Provision for impairment of trade debts and other receivables (note 2.6)
- Provision for retirements and other service benefits (note 2.9)
- Taxation (note 2.13)

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

2.1.4 New standards, amendments and interpretations effective in current period

Amendment to IAS 1 - "Presentation of Financial Statements - Capital Disclosures" introduces new disclosures relating to an entity's capital. This amendment has only resulted in additional disclosure given in note 34 to the financial statements.

IFRIC 10 - 'Interim financial reporting and impairment' prohibits the impairment loss as recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.

2.1.5 New standards, amendments and interpretations effective in current period but not relevant

IFRIC 11 - 'IFRS 2 Group and treasury share transactions' is effective from July 1, 2007 and is mandatory for accounting periods beginning on or after that date but is not relevant to the Company's operations.

2.1.6 New standards, amendments and interpretations that are relevant but not yet effective and have not been earlier adopted by the Company

- IAS 1 (Revised) - 'Presentation of Financial Statements' is effective from January 1, 2009. This requires apart from changing the names of certain financial statements, presentation of transactions with owners in statement of changes in equity and with non-owners in the Comprehensive Income statement. Adoption of the above standard will only impact the presentation of the financial statements
- IFRS 7 - 'Financial instruments: Disclosures' is effective from April 28, 2008. The IFRS introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the financial instruments.
- IAS 23 (Amendment) - 'Borrowing costs' is effective from January 1, 2009. The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. The option of immediately expensing those borrowing costs will be removed. The current accounting policy of the Company is not in line with this amendment.
- IFRIC 14 - IAS 19 - 'The limit on a defined benefit asset, minimum funding requirements and their interaction' is effective from January 1, 2008. IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Company will apply IFRIC 14 from January 1, 2008, but it is not expected to have any impact on the Company's financial statements.

2.2 Property, plant and equipment

These are stated at cost less accumulated depreciation except freehold land and capital work-in-progress, which are stated at cost. Cost in relation to certain fixed assets including capital work-in-progress, signifies historical cost. Depreciation is charged to income applying the reducing balance method at the rates given in note 3.1. Depreciation on additions is charged from the month in which the asset is available for use and on disposals upto the preceding month of disposal. Residual values and useful lives of assets are reviewed, and adjusted, if appropriate at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

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

2.3 Financial instruments

Financial assets

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

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

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

(b) Loans and receivables

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

(c) Held to maturity financial assets

Held to maturity financial assets are non-derivative financial asset with fixed or determinable payments and fixed maturity with a positive intention to hold to maturity.

(d) Available-for-sale financial assets

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

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

Changes in the fair value of financial assets at fair value through profit or loss are taken to income. Changes in the fair value of securities classified as available-for-sale are recognised in equity.

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

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

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

2.4 Stores, spares and loose tools

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

2.5 Stock-in-trade

These are valued at the lower of cost or net realisable value. Cost in relation to raw material represents weighted average cost and in relation to work-in-process and finished goods represents weighted average cost comprising direct material, labour and related manufacturing overheads. It excludes borrowing costs.

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

Net realisable value 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.

2.6 Trade debts and other receivables

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

2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and in transit, balances with banks, and short term running finance. In the balance sheet short term running finance is included in current liabilities.

2.8 Share capital

Ordinary shares are classified as equity and recognized at their face value.

2.9 Retirement and other service benefits

2.9.1 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 based on actuarial valuation are made at the rate of 4.5% of the basic salary by the employee and 10% of the basic salary by the Company.

The liability recognised in the balance sheet in respect of the pension scheme represents the present value of defined benefit obligations at the balance sheet date as adjusted for unrecognised actuarial gains and losses and past service costs, if any and as reduced by the fair value of plan assets. The defined benefit obligation is calculated every two years by independent actuaries using the Projected Unit Credit Method. The most recent actuarial valuation was carried out as of June 30, 2008

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.

2.9.2 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 this scheme is carried out at least once in every two years. The most recent actuarial valuation was carried out as of June 30, 2008 using the 'Projected Unit Credit Method'.

The liability recognised in the balance sheet in respect of the gratuity scheme represents the present value of defined benefit obligations as adjusted for unrecognised actuarial gains and losses and as reduced by the fair value of plan assets. The defined benefit obligation is calculated every two years by independent actuaries 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.

2.9.3 Non-Executives Gratuity Scheme

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

2.9.4 Compensated Absences

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

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

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

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

2.9.5 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 are charged to income.

2.10 Trade and other payables

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

2.11 Borrowings

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

2.12 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.

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

Deferred tax is calculated at the rates that are expected to apply to the period when the 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.

2.14 Foreign currency transaction and translation

Transactions in foreign currencies are translated into the functional currency at the rates of exchange ruling on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transaction and from translation at year end exchange rates of monetary assets and liabilities in foreign currencies are recognised in income.

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

2.15 Offsetting of financial assets and liabilities

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

2.16 Revenue recognition

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

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

2.17 Borrowing costs

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

2.18 Dividend and appropriation to reserves

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

3. PROPERTY, PLANT AND EQUIPMENT

	2008 Rupees	2007 Rupees
Operating assets (note 3.1)	250,528,443	251,590,374
Capital work-in-progress (note 3.4)	1,626,772	3,658,505
	<u>252,155,215</u>	<u>255,248,879</u>

3.1 Operating assets

	Land Freehold	Building on Freehold Land	Plant & Machinery	Electrical & Gas Installations	Furniture and Fittings	Electrical Appliances	Office Equipments	Computers	Vehicles	TOTAL
Rupees										
As at July 1, 2006										
Cost	2,678,754	40,879,098	279,528,626	6,923,262	2,023,484	3,841,037	1,996,623	5,461,868	26,467,938	369,800,690
Accumulated depreciation	-	(32,295,906)	(222,750,708)	(5,842,736)	(1,070,804)	(1,775,107)	(1,161,864)	(4,209,086)	(12,279,378)	(281,385,589)
Net book value	<u>2,678,754</u>	<u>8,583,192</u>	<u>56,777,918</u>	<u>1,080,526</u>	<u>952,680</u>	<u>2,065,930</u>	<u>834,759</u>	<u>1,252,782</u>	<u>14,188,560</u>	<u>88,415,101</u>
Year ended June 30, 2007										
Opening net book value	2,678,754	8,583,192	56,777,918	1,080,526	952,680	2,065,930	834,759	1,252,782	14,188,560	88,415,101
Additions	-	26,507,039	126,085,117	21,827,600	475,801	762,825	150,750	501,599	5,604,000	181,914,731
Disposals										
- Cost	-	-	-	-	-	-	-	(4,500)	(3,798,696)	(3,803,196)
- Accumulated depreciation	-	-	-	-	-	-	-	3,744	2,730,678	2,734,422
- Net book value	-	-	-	-	-	-	-	(756)	(1,068,018)	(1,068,774)
Depreciation charge for the year	-	(1,913,528)	(10,951,301)	(1,017,535)	(101,217)	(240,011)	(89,861)	(424,040)	(2,933,191)	(17,670,684)
Closing net book value	<u>2,678,754</u>	<u>33,176,703</u>	<u>171,911,734</u>	<u>21,890,591</u>	<u>1,327,264</u>	<u>2,588,744</u>	<u>895,648</u>	<u>1,329,585</u>	<u>15,791,351</u>	<u>251,590,374</u>
As at July 1, 2007										
Cost	2,678,754	67,386,137	405,613,743	28,750,862	2,499,285	4,603,862	2,147,373	5,958,967	28,273,242	547,912,225
Accumulated depreciation	-	(34,209,434)	(233,702,009)	(6,860,271)	(1,172,021)	(2,015,118)	(1,251,725)	(4,629,382)	(12,481,891)	(296,321,851)
Net book value	<u>2,678,754</u>	<u>33,176,703</u>	<u>171,911,734</u>	<u>21,890,591</u>	<u>1,327,264</u>	<u>2,588,744</u>	<u>895,648</u>	<u>1,329,585</u>	<u>15,791,351</u>	<u>251,590,374</u>
Year ended June 30, 2008										
Opening net book value	2,678,754	33,176,703	171,911,734	21,890,591	1,327,264	2,588,744	895,648	1,329,585	15,791,351	251,590,374
Additions	-	10,015,783	12,466,292	-	417,170	354,949	165,450	385,622	3,910,886	27,716,152
Disposals										
- Cost	-	-	-	-	-	(43,483)	-	(64,000)	(2,084,980)	(2,192,463)
- Accumulated depreciation	-	-	-	-	-	21,666	-	728,372	812,289	812,289
- Net book value	-	-	-	-	-	(21,817)	-	(1,749)	(1,356,608)	(1,380,174)
Depreciation charge for the year	-	(3,432,586)	(17,472,277)	(2,189,059)	(161,635)	(277,380)	(102,957)	(493,288)	(3,268,727)	(27,397,909)
Closing net book value	<u>2,678,754</u>	<u>39,759,900</u>	<u>166,905,749</u>	<u>19,701,532</u>	<u>1,582,799</u>	<u>2,644,496</u>	<u>958,141</u>	<u>1,220,170</u>	<u>15,076,902</u>	<u>250,528,443</u>
As at June 30, 2008										
Cost	2,678,754	77,401,920	418,080,035	28,750,862	2,916,455	4,915,328	2,312,823	6,280,589	30,099,148	573,435,914
Accumulated depreciation	-	(37,642,020)	(251,174,286)	(9,049,330)	(1,333,656)	(2,270,832)	(1,354,682)	(5,060,419)	(15,022,246)	(322,907,471)
Net book value	<u>2,678,754</u>	<u>39,759,900</u>	<u>166,905,749</u>	<u>19,701,532</u>	<u>1,582,799</u>	<u>2,644,496</u>	<u>958,141</u>	<u>1,220,170</u>	<u>15,076,902</u>	<u>250,528,443</u>
Annual rate of depreciation %	-	10	10	10	10	10	10	30	20	

	2008 Rupees	2007 Rupees
3.2 The depreciation charge for the year has been allocated as follows:		
Cost of sales (note 22)	26,537,112	16,913,020
Distribution expenses (note 23)	215,199	189,416
Administrative expenses (note 24)	645,598	568,248
	<u>27,397,909</u>	<u>17,670,684</u>

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

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyers
	------(Rupees)-----					
Vehicles						
Honda City Reg.No. AET-747	615,000	111,042	503,958	505,209	Company policy	Mr Saadat Ali Abdi (Ex-Employee)
Suzuki Van Reg. No. CR-8242	466,000	38,316	427,684	427,165	Company policy	Mr Abid Ali Bukhari (Ex-Employee)
Suzuki Cultus Reg. No. AKN-979	461,000	210,216	250,784	250,582	Company policy	Mr Abdullah Khan (Ex-Employee)
Suzuki Van Reg. No. CK-6957	325,000	274,109	50,891	210,000	Official Tender	Mr Rasool Bux M.Baloch goth, sector 7-F, Orangi town, Karachi.
Aggregate amount of assets disposed of having book value less than Rs. 50,000 each	325,463	178,606	146,857	157,707		
	<u>2,192,463</u>	<u>812,289</u>	<u>1,380,174</u>	<u>1,550,663</u>		
2007	<u>3,803,196</u>	<u>2,734,422</u>	<u>1,068,774</u>	<u>1,834,525</u>		

	2008 Rupees	2007 Rupees
3.4 Capital work-in-progress		
Civil work	1,626,772	3,658,505
4. AVAILABLE FOR SALE FINANCIAL ASSET		
Balance at beginning of year	18,975,000	16,746,875
Net (loss)/gain transferred to equity	(2,012,500)	2,228,125
Balance at end of year	<u>16,962,500</u>	<u>18,975,000</u>

- 4.1 Available for sale financial asset represents investment is 287,500 (2007: 287,500) quoted ordinary shares of Rs. 10 each of Balochistan Wheels Limited

2008	2007
Rupees	Rupees

5. LONG TERM LOANS - secured, considered good

Loans to employees (note 5.1)	1,137,800	1,088,600
Less: Current portion shown under current assets (note 9)	<u>529,800</u>	<u>511,300</u>
	<u>608,000</u>	<u>577,300</u>

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

6. STORES, SPARES AND LOOSE TOOLS

2008	2007
Rupees	Rupees

Stores including in transit Rs. 1,251,638 (2007 : Rs. 1,722,770)	15,296,280	16,500,411
Spares including in transit Rs. 683,545 (2007 : Rs. 2,797,658)	37,184,949	32,160,215
Loose tools including in transit Rs. 44,976 (2007 : Rs. Nil)	<u>2,019,069</u>	<u>1,893,237</u>
	54,500,298	50,553,863
Hard coke including in transit Rs. 2,617,777 (2007 : Rs. 183,770)	19,159,973	3,207,962
Diesel	1,076,945	333,061
Kerosine oil	<u>18,200</u>	<u>142,569</u>
	<u>74,755,416</u>	<u>54,237,455</u>

7. STOCK-IN-TRADE

Raw materials including in transit Rs. 26,186,955 (2007: Rs. 46,027,943)	125,402,411	158,933,192
Work in process	20,139,000	35,897,000
Finished goods - own manufactured (Note 7.1)	<u>12,148,000</u>	<u>11,883,000</u>
	<u>157,689,411</u>	<u>206,713,192</u>

- 7.1 Includes stock held by Millat Tractors Limited amounting to Rs. 3,848,464 (2007: Rs. 459,540).

8. TRADE DEBTS - unsecured

Considered good		
Due from associated undertaking, Millat Tractors Limited (note 8.1)	159,011,301	86,528,188
Others	<u>34,459,576</u>	<u>15,161,620</u>
	193,470,877	101,689,808
Considered doubtful	<u>259,850</u>	<u>259,850</u>
	193,730,727	101,949,658
Less: Provision for impairment	<u>(259,850)</u>	<u>(259,850)</u>
	<u>193,470,877</u>	<u>101,689,808</u>

8.1 The maximum aggregate balance due from associated undertaking at the end of any month during the year was Rs. 159,011,301 (2007: Rs. 86,528,188).

	2008 Rupees	2007 Rupees
9. LOANS AND ADVANCES		
Loans and advances - unsecured, considered good		
- Employees	394,910	429,477
- Suppliers	14,631,891	9,859,356
	<u>15,026,801</u>	<u>10,288,833</u>
Current portion of long term loans to employees (note 5)	529,800	511,300
	<u>15,556,601</u>	<u>10,800,133</u>
10. DEPOSITS AND SHORT TERM PREPAYMENTS		
Deposits	23,674,275	2,005,657
Prepayments:		
- Pension fund (note 10.1)	9,233,646	6,620,000
- Executives gratuity fund (note 10.1)	8,363,566	7,667,000
- Officers' provident fund	-	975,238
- Others	124,487	261,762
	<u>17,721,699</u>	<u>15,524,000</u>
	<u>41,395,974</u>	<u>17,529,657</u>

10.1 Staff retirement benefits

The latest actuarial valuation of the defined benefit plans comprising pension fund and executives' gratuity fund was carried out as at June 30, 2008 using the 'Projected Unit Credit Method'. The details of employee retirement and other service benefits obligations are as follows:

	Pension Fund		Executives gratuity Fund	
	2008	2007	2008	2007
10.1.1 Balance Sheet Reconciliation	----- Rupees -----			
Present value of defined benefit obligations	34,990,398	28,756,000	28,292,803	22,032,000
Fair value of plan assets	(52,175,028)	(47,547,000)	(47,703,456)	(47,870,000)
	<u>(17,184,630)</u>	<u>(18,791,000)</u>	<u>(19,410,653)</u>	<u>(25,838,000)</u>
Unrecognised actuarial gains	7,950,984	12,171,000	11,047,087	18,171,000
Net (asset) at end of the year	<u>(9,233,646)</u>	<u>(6,620,000)</u>	<u>(8,363,566)</u>	<u>(7,667,000)</u>

	Pension Fund		Executives' gratuity Fund	
	2008	2007	2008	2007
----- Rupees -----				
10.1.2 Movement in liability				
Net (asset)/liability at beginning of the year	(6,620,000)	(3,228,000)	(7,667,000)	(4,530,000)
Income for the year	(1,198,802)	(1,934,000)	(696,566)	(3,137,000)
Contributions	(1,414,844)	(1,458,000)	-	-
Net (asset) at end of the year	<u>(9,233,646)</u>	<u>(6,620,000)</u>	<u>(8,363,566)</u>	<u>(7,667,000)</u>

10.1.3 Movement in defined benefit obligation

Present value of defined benefit obligations at beginning of the year	28,756,000	25,430,000	22,032,000	23,014,000
Service cost	2,058,418	1,046,000	3,374,345	1,111,000
Interest cost	2,875,600	2,543,000	2,203,200	2,301,000
Benefits paid during the year	(636,171)	(263,000)	(1,952,305)	(4,394,000)
Actuarial loss on obligation	1,936,551	-	2,635,563	-
Present value of defined benefit obligations at end of the year	<u>34,990,398</u>	<u>28,756,000</u>	<u>28,292,803</u>	<u>22,032,000</u>

10.1.4 Movement in fair value of plan assets

Fair value of plan assets at beginning of the year	47,547,000	41,087,000	47,870,000	48,965,000
Expected return on plan assets	4,754,700	4,109,000	4,787,000	4,896,000
Contributions for the year	2,051,135	2,116,000	-	-
Benefits paid during the year	(636,171)	(263,000)	(1,952,305)	(4,394,000)
Actuarial gain / (loss) on assets	(1,541,636)	498,000	(3,001,239)	(1,597,000)
Fair value of plan assets at end of the year	<u>52,175,028</u>	<u>47,547,000</u>	<u>47,703,456</u>	<u>47,870,000</u>

10.1.5 The principal assumptions used in the actuarial valuations carried out as of June 30, 2008 using the 'Projected Unit Credit' method are as follows:

	Pension Fund		Executives' gratuity Fund	
	2008	2007	2008	2007
Discount rate	12%	10%	12%	10%
Expected rate of return per annum on plan assets	12%	10%	12%	10%
Expected rate of increase per annum in future salaries	12%	8%	12%	9%
Actual return on plan assets	Rs. 3,213,064	Rs. 4,607,000	Rs. 1,785,761	Rs. 6,549,000
Expected mortality rate	EFU 61-66 mortality table	EFU 61-66 mortality table	EFU 61-66 mortality table	EFU 61-66 mortality table
Expected withdrawal rate	Age dependent	Age dependent	Age dependent	Age dependent

10.1.6 Plan assets comprise:

	Pension fund		Executives' gratuity fund	
	2008	2007	2008	2007
Term Finance Certificates (UBL)	-	-	1%	1%
Defence Saving Certificates	-	-	11%	14%
Term Deposit - Faysal Bank	52%	49%	8%	7%
Mutual Funds	33%	36%	56%	51%
Shares - BCL	3%	4%	22%	23%
Cash at bank in PLS account	2%	2%	2%	4%
Present value of future employee contribution	10%	9%	-	-

10.1.7 Plan assets include the Company's ordinary shares with a fair value of Rs. 12,227,535 (2007: Rs. 12,644,940).

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

10.1.9 The movement during the five years is as follows:

	2008	2007	2006	2005	2004
	Rupees				
Pension Fund					
Present value of defined benefit obligation	34,990,398	28,756,000	25,430,000	24,547,000	24,252,000
Fair value of plan assets	(52,175,028)	(47,547,000)	(41,087,000)	(36,056,000)	(29,618,000)
(Surplus)	(17,184,630)	(18,791,000)	(15,657,000)	(11,509,000)	(5,366,000)
Experience adjustments on plan liabilities - loss/(gain)	1,936,551	-	(2,779,000)	(2,780,000)	(264,000)
Experience adjustments on plan assets - gain / (loss)	(1,541,636)	498,000	(160,000)	2,479,000	5,030,000
Executives' Gratuity Fund					
Present value of defined benefit obligation	28,292,803	22,032,000	23,014,000	22,798,000	20,896,000
Fair value of plan assets	(47,703,456)	(47,870,000)	(48,965,000)	(42,334,000)	(40,033,000)
(Surplus)/deficit	(19,410,653)	(25,838,000)	(25,951,000)	(19,536,000)	(19,137,000)
Experience adjustments on plan liabilities - gain / (loss)	(2,635,563)	-	2,435,000	281,000	-
Experience adjustments on plan assets - (loss) / gain	(3,001,239)	(1,597,000)	3,202,000	(646,000)	10,042,000

10.1.10 In view of the surplus of plan assets over present value of defined benefit obligation, no contributions are expected to be made next year.

	2008 Rupees	2007 Rupees
11. OTHER RECEIVABLES - unsecured, considered good		
Accrued return on bank deposits	10,496	27,215
Others	655,328	69,136
	<u>665,824</u>	<u>96,351</u>
12. CASH AND BANK BALANCES		
Cash in hand	137,700	123,184
Cash at banks		
- on deposit accounts (note 12.1)	1,428,110	13,717,346
- on current accounts	4,524,879	4,390,395
	<u>5,952,989</u>	<u>18,107,741</u>
	<u>6,090,689</u>	<u>18,230,925</u>
12.1 Includes term deposit of Rs. 680,000 (2007: Rs. 680,000) and Rs 100,000 held as security against guarantee given by the bank on behalf of the Company.		
13. SHARE CAPITAL	2008 Rupees	2007 Rupees
13.1 Authorised capital 7,500,000 (2006: 7,500,000) ordinary shares of Rs. 10 each	<u>75,000,000</u>	<u>75,000,000</u>
13.2 Issued, subscribed and paid up capital 6,077,838 (2007: 5,525,307) ordinary shares of Rs. 10 each fully paid in cash	<u>60,778,380</u>	<u>55,253,070</u>
13.3 As at June 30, 2008, 2,811,497 (2007: 2,555,907) ordinary shares of the Company were held by Millat Tractors Limited, an associated company.		
13.4 During the year 552,531 ordinary shares were issued as bonus shares to existing share holders as dividend for the year ended June 30, 2007.		
14. RESERVES	2008 Rupees	2007 Rupees
Revenue - General	240,000,000	230,000,000
Revenue - Unappropriated	22,698,874	26,626,525
	262,698,874	256,626,525
Unrealised gain on investment	11,462,500	13,475,000
	<u>274,161,374</u>	<u>270,101,525</u>

	2008 Rupees	2007 Rupees
15. LONG TERM FINANCE - secured		
MCB Bank (note 15.1)	86,581,686	120,377,670
Less: Current maturity shown under current liabilities	36,250,000	36,250,000
	<u>50,331,686</u>	<u>84,127,670</u>
15.1 This represents the amount utilised against the demand finance facility, amounting to Rs.145 million (2007: Rs. 145 million) to finance the 'Balancing, Modernization and Replacement' of the Company's existing foundry. The amount utilised against this facility is repayable in 8 equal half yearly installments commencing February 2007 and carries standard mark-up at the rate of 14.6% per annum but subject to a timely payment mark-up at the rate of 'KIBOR plus 0.75%'. The facility is secured by way of first registered equitable mortgage charge of Rs. 182 million over all present and future fixed assets of the Company.		
16. DEFERRED TAXATION	2008 Rupees	2007 Rupees
Credit balances arising due to accelerated tax depreciation	38,452,564	35,961,676
Debit balances arising due to:		
- provision for unfunded gratuity scheme and compensated absences	(5,919,896)	(5,303,356)
- provision for doubtful debts	(90,948)	(90,948)
- minimum turnover tax (note 16.1)	(10,001,052)	(4,348,360)
- recoupable carried forward tax losses (note 16.1)	(8,402,453)	(18,380,613)
	<u>(24,414,349)</u>	<u>(28,123,277)</u>
	<u>14,038,215</u>	<u>7,838,399</u>
16.1 The aggregate tax losses available for set off at June 30, 2008 amount to Rs. 24 million (2007: Rs. 52.5 million), the tax effect of which has been recognised in these financial statements.		
17. DEFERRED LIABILITIES	2008 Rupees	2007 Rupees
Non-executive gratuity (note 17.1)	8,295,892	7,794,584
Compensated absences (note 17.2)	8,618,097	7,395,130
	<u>16,913,989</u>	<u>15,189,714</u>
17.1 Non-executive gratuity		
Balance as at July 1	7,794,584	6,249,211
Add: Accruals for the year	572,607	1,676,797
Less: Payments	(71,299)	(131,424)
Balance as at June 30	<u>8,295,892</u>	<u>7,794,584</u>

	2008 Rupees	2007 Rupees
17.2 Compensated absences		
Balance as at July 1	7,395,130	7,147,936
Add: Accruals for the year	2,176,826	1,287,640
Less: Payments	(953,859)	(1,040,446)
Balance as at June 30	<u>8,618,097</u>	<u>7,395,130</u>
18. TRADE AND OTHER PAYABLES		
Trade and other creditors	48,544,171	45,813,185
Accrued liabilities	756,303	867,639
Security deposits	3,950,502	4,569,156
Retention money	1,847,288	4,330,731
Workers' profits participation fund (note 18.1)	1,852,888	2,176,493
Sales tax payable	9,889,488	4,929,499
Special excise duty payable	1,287,862	-
Advances from employees against		
- car scheme (Executive)	2,980,054	2,884,517
- motor cycle scheme (Executive)	310,051	277,289
- motor cycle scheme (Non - Executive)	96,402	38,904
	3,386,507	3,200,710
Dividends	1,230,295	942,470
Others	317,358	305,100
	<u>73,062,662</u>	<u>67,134,983</u>
18.1 Workers' Profits Participation Fund		
Balance payable at the beginning of the year	2,176,493	(674,852)
Allocation for the year (note 25)	1,852,888	2,176,493
	<u>4,029,381</u>	<u>1,501,641</u>
Amount deposited with the Government	(1,344,000)	-
Amount (paid) / received from trustees of the fund	(832,493)	674,852
	<u>(2,176,493)</u>	<u>674,852</u>
Balance payable at the end of the year	<u>1,852,888</u>	<u>2,176,493</u>
19. SHORT TERM BORROWINGS - Secured		
Running finance utilised under mark-up arrangement (note 19.1)	229,333,333	111,992,290
Finance against Trust Receipt (note 19.2)	44,779,063	60,000,000
	<u>274,112,396</u>	<u>171,992,290</u>

19.1 The facilities for running finance available from banks under mark-up arrangement aggregate to Rs. 355 million (2007: Rs. 125 million). These facilities expire on various dates by February 28, 2009. The facilities carry mark-up at rates ranging from 1 month to 3 months KIBOR plus 0.5% to 1.25% (2007: one month to three months KIBOR plus 1%). The facilities are secured by way of a hypothecation charge on stocks and book debts ranking pari passu with each other.

19.2 Facility available from a commercial bank for retirement of import documents against trust receipt amounts to Rs. 50 million (2007: Rs. 60 million). Amount utilized against this facility amounts to Rs 44.78 million (2007: Rs. 60 million) and carries mark-up at the rate of 3 months KIBOR plus 0.5% (2007: 1 month KIBOR plus 1%).

20. CONTINGENCIES AND COMMITMENTS

20.1 Outstanding letters of credit at the end of the year amount to Rs.216.828 million (2007: Rs. 170.731 million).

20.2 The Company had filed returns declaring the 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 CIT (Appeals). The Company filed an appeal with Income Tax appellate tribunal (ITAT), which decided the matter in the Company's favour.

The department filed a reference application before the Honorable High Court of Sindh, which upheld the ITAT's order in favour of the Company. The department has now filed a reference with the Supreme Court of Pakistan which is pending. In the event that the decision is not in 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 utilized by the Company. The management of the Company, however, is confident that the decision will be given in the favour of the Company and therefore, no provision has been made in these financial statements for this amount.

20.3 The Assessing Officer while finalizing the assessment for the assessment year 2001-2002 imposed penalty amounting to Rs.1,734,884 on the alleged concealment of income. The matter is pending before the Honorable High Court of Sindh. The management, based on the advice of its legal advisor, is confident that the ultimate outcome of the matter will be decided in its favour and accordingly has made no provision for the liability in these financial statements.

	2008 Rupees	2007 Rupees
21. NET SALES		
Gross Local sales	1,418,998,910	1,064,799,448
Less: Sales returns	(111,723,782)	(67,723,204)
	<u>1,307,275,128</u>	<u>997,076,244</u>
Less: Sales tax	(169,044,198)	(130,053,423)
Less: Special excise duty	(11,269,613)	-
	<u>(180,313,811)</u>	<u>(130,053,423)</u>
	1,126,961,317	867,022,821
Add: Export sales	3,577,100	2,649,240
	<u><u>1,130,538,417</u></u>	<u><u>869,672,061</u></u>

	2008 Rupees	2007 Rupees
22. COST OF SALES		
Raw material and components consumed		
Opening stock	112,905,249	77,344,282
Purchases	553,609,792	494,724,315
	<u>666,515,041</u>	<u>572,068,597</u>
Closing stock (note 7)	(99,215,456)	(112,905,249)
	<u>567,299,585</u>	<u>459,163,348</u>
Salaries, wages and benefits (note 24.1)	66,432,108	50,468,615
Staff welfare	5,669,330	4,656,083
Stores, spares and loose tools consumed	94,345,864	73,219,376
Fuel and power (note 22.1)	157,568,067	100,599,967
Machining expenses	5,064,028	3,837,621
Other services	50,004,648	42,971,886
Travelling and conveyance	12,865,814	10,694,951
Depreciation (note 3.2)	26,537,112	16,913,020
Rent, rates and taxes	410,127	445,133
Repairs and maintenance	4,377,796	4,053,534
Export expenses	290,392	179,819
Insurance	2,768,561	1,968,943
Vehicle expenses	2,637,903	2,203,657
Others	4,830,807	4,636,461
	<u>433,802,557</u>	<u>316,849,066</u>
Work in process - opening	35,897,000	19,115,000
Work in process - closing (note 7)	(20,139,000)	(35,897,000)
Cost of goods manufactured	<u>1,016,860,142</u>	<u>759,230,414</u>
Finished goods - opening	11,883,000	13,151,000
Finished goods - closing (note 7)	(12,148,000)	(11,883,000)
	<u>1,016,595,142</u>	<u>760,498,414</u>

22.1 Included in fuel and power are stores, spares and loose tools representing cost of hard coke, diesel and Kerosine oil aggregating Rs. 98,236,567 (2007: Rs. 52,525,528).

	2008 Rupees	2007 Rupees
23. DISTRIBUTION EXPENSES		
Salaries, wages and benefits (note 24.1)	1,687,251	1,643,591
Freight charges	22,862,579	20,203,750
Staff welfare	199,338	232,536
Depreciation (note 3.2)	215,199	189,416
Travelling	139,895	238,303
Insurance	317,218	390,085
Utilities	9,547	63,192
Sales promotion	145,200	1,967,454
Rent, rates and taxes	2,630	10,350
Repairs and maintenance	4,375	2,600
Communication	17,407	60,487
Vehicle expenses	78,473	141,937
Printing and stationery	55,459	93,516
Miscellaneous	47,119	70,480
	<u>25,781,690</u>	<u>25,307,697</u>
24. ADMINISTRATIVE EXPENSES		
Salaries, wages and benefits (note 24.1)	12,861,269	9,179,279
Staff welfare	1,330,345	1,523,442
Travelling	890,530	1,100,625
Utilities	794,128	658,606
Rent, rates and taxes	690,352	681,453
Repairs and maintenance	325,470	459,064
Printing and stationery	527,809	512,102
Communication	411,142	366,234
Advertisement	103,875	240,040
Vehicle expenses	1,267,930	1,224,578
Insurance	450,720	436,290
Entertainment	116,936	102,270
Subscription	153,886	118,521
Training	67,486	6,750
Depreciation (note 3.2)	645,598	568,248
Miscellaneous	1,590,404	1,241,813
	<u>22,227,880</u>	<u>18,419,315</u>

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

	Pension fund	Executives gratuity fund	2008	2007
	----- (Rupees) -----			
Current service cost	2,058,418	3,374,345	5,432,763	2,157,000
Interest cost	2,875,600	2,203,200	5,078,800	4,844,000
Expected return on plan assets	(4,754,700)	(4,787,000)	(9,541,700)	(9,005,000)
Recognition of actuarial gain	(741,630)	(1,487,111)	(2,228,741)	(2,409,000)
Total (income) for the year	(562,312)	(696,566)	(1,258,878)	(4,413,000)
Employees' contribution	(636,490)	-	(636,490)	(658,000)
	(1,198,802)	(696,566)	(1,895,368)	(5,071,000)

In addition, salaries, wages and benefits also include Rs.573 thousand (2007: Rs. 1,677 thousand), Rs. 2,177 thousand (2007: Rs. 1,288 thousand) and Rs. 1,816 thousand (2007: Rs. 1,618 thousand) in respect of Company's contribution towards non-executive gratuity scheme, staff compensated absences and provident fund respectively.

24.2 Remuneration of Chief executive, director and executive

	2008			2007		
	Chief Executive	Director	Executive	Chief Executive	Director	Executive
	----- (Rupees) -----					
Managerial remuneration	1,522,575	-	616,110	985,597	-	1,279,368
Bonus	166,767	-	130,284	73,757	-	58,656
House rent	634,367	-	218,981	422,450	-	455,628
Retirement benefits	140,976	-	110,940	122,056	-	171,765
Utilities	631,466	-	443,911	520,562	-	712,707
Medical expenses	180,746	-	59,726	449,088	-	116,532
Fees	-	9,000	-	-	2,000	-
Others	967,940	-	322,474	573,101	-	667,251
	<u>4,244,837</u>	<u>9,000</u>	<u>1,902,426</u>	<u>3,146,611</u>	<u>2,000</u>	<u>3,461,907</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

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

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

	2008 Rupees	2007 Rupees
25. OTHER OPERATING EXPENSES		
Legal and professional charges	1,585,600	863,997
Auditors' remuneration (note 25.1)	300,000	302,500
Workers' profits participation fund (note 18.1)	1,852,888	2,176,493
Workers' welfare fund	704,098	801,206
	<u>4,442,586</u>	<u>4,144,196</u>
25.1 Auditors' remuneration		
Statutory audit	150,000	150,000
Fee for half yearly review	60,000	60,000
Other services	20,000	7,500
Out of pocket expenses	70,000	85,000
	<u>300,000</u>	<u>302,500</u>
26. OTHER OPERATING INCOME		
Scrap sales Income	1,210,970	-
Liabilities no longer payable written back	3,187,784	-
Return on bank deposits	379,705	857,717
Dividend income	575,000	718,750
Gain on disposal of operating assets	170,489	765,751
Recovery of bad debts written-off	-	60,967
Exchange Gain	-	2,881
Miscellaneous income	388,678	591,094
	<u>5,912,626</u>	<u>2,997,160</u>
27. FINANCE COSTS		
Mark-up on short term borrowings	20,136,428	8,608,729
Mark-up on long term finance	10,913,767	14,321,028
Bank charges	318,843	717,683
Interest on workers' profits participation fund	60,509	681,729
Markup on advances given by Millat Tractors Limited	1,473,417	-
Bank charges on dividend account	-	100,000
	<u>32,902,964</u>	<u>24,429,169</u>
28. TAXATION		
Current		
- for the year	5,652,692	4,384,298
- for prior years (reversal)	-	(189,993)
	5,652,692	4,194,305
Deferred tax expense for the year	6,199,816	9,637,716
	<u>11,852,508</u>	<u>13,832,021</u>

	2008 Rupees	2007 Rupees
28.1	The charge for the year represents minimum tax at the rate of 0.5% of the turnover.	
28.2	Reconciliation of tax charge for the year	
	Accounting profit before taxation	Accounting profit before taxation
	<u>34,500,781</u>	<u>39,870,430</u>
	Tax at the applicable rate of 35% (2007: 35%)	Tax at the applicable rate of 35% (2007: 35%)
	12,075,273	13,954,651
	Effect of minimum tax on turnover	Effect of minimum tax on turnover
	(6,422,581)	(9,593,333)
	Tax effect of permanent differences not deductible in determining taxable income	Tax effect of permanent differences not deductible in determining taxable income
	-	238,605
	Tax effect of expenses that are not deductible in determining taxable profit:	
	- Depreciation expense	- Depreciation expense
	2,490,888	33,225,709
	- Provision for unfunded gratuity scheme and compensated absences	- Provision for unfunded gratuity scheme and compensated absences
	(616,540)	(678,594)
	- Provision for doubtful debt	- Provision for doubtful debt
	-	(180,426)
	Tax effect of deferred taxes on:	
	- Carried forward tax losses	- Carried forward tax losses
	9,978,160	(18,380,613)
	- Minimum turnover tax	- Minimum turnover tax
	(5,652,692)	(4,348,360)
	Effect of applicability of lower tax rate on certain income	Effect of applicability of lower tax rate on certain income
	-	(215,625)
	Effect of assessment finalised during the year	Effect of assessment finalised during the year
	-	(189,993)
	Tax expense for the year	Tax expense for the year
	<u>11,852,508</u>	<u>13,832,021</u>
29.	EARNINGS PER SHARE - Basic and diluted	
	There is no dilutive effect on the basic earnings per share of the Company, which is based on:	
	2008	2007
	Profit after taxation (Rupees)	Profit after taxation (Rupees)
	<u>22,648,273</u>	<u>26,038,409</u>
	Weighted average number of ordinary shares	Weighted average number of ordinary shares
	<u>6,077,838</u>	<u>6,077,838</u>
	Earnings per share (Rupees)	Earnings per share (Rupees)
	<u>3.73</u>	<u>4.28</u>

	2008 Rupees	2007 Rupees
30. CASH GENERATED FROM OPERATIONS		
Profit before taxation	34,500,781	39,870,430
Adjustment for:		
- Depreciation (note 3.2)	27,397,909	17,670,684
- Provision for retirement benefits	2,749,433	2,964,437
- Gain on disposal of operating assets-net (note 26)	(170,489)	(765,751)
- Return on bank deposits (note 26)	(379,705)	(857,717)
- Finance costs (note 27)	32,902,964	24,429,169
	<u>62,500,112</u>	<u>43,440,822</u>
Operating profit before working capital changes	97,000,893	83,311,252
Working capital changes		
(Increase) / decrease in current assets:		
- Stores, spares and loose tools	(20,517,961)	(6,891)
- Stock in trade	49,023,781	(81,397,876)
- Trade debts	(91,781,069)	(30,439,002)
- Loans and advances	(4,756,468)	7,540,261
- Deposits and short term prepayments	(23,866,317)	(3,869,007)
- Other receivables	(586,192)	52,065
	<u>(92,484,226)</u>	<u>(108,120,450)</u>
Increase / (decrease) in current liabilities:		
- Trade and other payable	5,639,854	14,236,263
	<u>(86,844,372)</u>	<u>(93,884,187)</u>
	<u>10,156,521</u>	<u>(10,572,935)</u>
31. CASH AND CASH EQUIVALENTS		
Cash and bank balances (note 12)	6,090,689	18,230,925
Short term running finance (note 19)	(274,112,396)	(171,992,290)
	<u>(268,021,707)</u>	<u>(153,761,365)</u>

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

32.1 Financial assets and liabilities

	Interest/mark up bearing			Non-interest/mark up bearing			Total		Effective interest/mark-up rates
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	2008	2007	
	(Rupees)								
FINANCIAL ASSETS									
Long term investment	-	-	-	-	16,962,500	16,962,500	16,962,500	18,975,000	-
Loans to employees	-	-	-	529,800	608,000	1,137,800	1,137,800	1,088,600	-
Long term deposits	-	-	-	-	3,808,660	3,808,660	3,808,660	3,558,660	-
Trade debts	-	-	-	193,470,877	-	193,470,877	193,470,877	101,689,808	-
Deposits	-	-	-	23,674,275	-	23,674,275	23,674,275	2,005,657	-
Other receivables	-	-	-	665,824	-	665,824	665,824	96,351	-
Cash and bank balances	1,428,110	-	1,428,110	4,662,579	-	4,662,579	6,090,689	18,230,925	2.5% - 3.5%
	<u>1,428,110</u>	<u>-</u>	<u>1,428,110</u>	<u>223,003,355</u>	<u>21,379,160</u>	<u>244,382,515</u>	<u>245,810,625</u>	<u>145,645,001</u>	
FINANCIAL LIABILITIES									
Long term finance	36,250,000	50,331,686	86,581,686	-	-	-	86,581,686	120,377,670	10.5% - 14%
Trade and other payable	-	-	-	60,032,424	-	60,032,424	60,032,424	60,028,991	-
Accrued interest/mark-up	-	-	-	7,296,961	-	7,296,961	7,296,961	3,898,836	-
Short term borrowings	274,112,396	-	274,112,396	-	-	-	274,112,396	171,992,290	10.5% - 12.5%
	<u>310,362,396</u>	<u>50,331,686</u>	<u>360,694,082</u>	<u>67,329,385</u>	<u>-</u>	<u>67,329,385</u>	<u>428,023,467</u>	<u>356,297,787</u>	

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

- 32.2 **Interest / mark-up rate risk** Interest / mark-up rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark-up rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.
- 32.3 **Credit risk** Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Company's credit risk is primarily attributable to its receivables and its balances at bank. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. Out of the financial assets aggregating Rs.245,810,625 (2007:Rs 145,645,001) the financial assets which are subject to credit risk amount to Rs.227,710,325 (2007: Rs. 125,581,401).Significant concentration of credit risk on amounts due from trade debtors aggregating Rs.193,470,877 (2007: Rs. 101,689,808) is managed by monitoring credit exposures, limiting transactions with specific customers and containing assessment of credit worthiness of customers.
- 32.4 **Currency risk** Foreign currency risk arises on transactions in foreign currencies. The Company manages this risk through forward currency contracts. With the recent withdrawal of the facility by the State Bank, the Company is exposed to foreign currency risk.
- 32.5 **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.

33. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

34. CAPITAL RISK MANAGEMENT

The objective of the Company when managing capital is to ensure its ability to continue as a going concern and to provide expected returns to its shareholders by maintaining optimum capital structure to minimize the cost of capital.

The capital structure of the Company consists of debt and equity. Debt comprises of borrowings as disclosed in notes 15 and 19 and equity comprises of Share capital, General reserve, Unrealised gain / (loss) on long term investment and Unappropriated Profit.

The proportion of debt to equity at the year end was 1.08:1 (2007:0.90:1).

35. TRANSACTIONS WITH RELATED PARTIES

35.1 Transactions with related parties during the year, in these financial statements, are as follows:

Nature of Relationship	Nature of transactions	2008 Rupees	2007 Rupees
Associated Company			
- Millat Tractors Limited	Sales of goods - Net	1,018,866,088	807,156,370
	Purchases	-	8,082,957
Post employment plans			
- Pension fund	Contributions	1,414,645	1,458,000
- Provident fund	Contributions	1,815,896	1,618,070
- Executives' gratuity fund	Benefits paid on behalf of fund	1,952,305	4,394,000

35.2 There are no transactions with key management personnel other than under the terms of the employment as disclosed in note 24.2.

35.3 The related party status of outstanding balances as at June 30, 2008 are disclosed in the respective notes to the financial statements.

36. CAPACITY - Castings

Installed capacity 10,367 M.T. (2007: 10,367 M.T.) double shift per annum. Production 13,801 M.T. (2007: 13,543 M.T.). Capacity utilization 133% approx (2007: 131% approx).

37. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 18, 2008 by the Board of Directors of the Company.

38. CORRESPONDING FIGURES

Previous year's figures have been rearranged and reclassified wherever necessary for the purposes of comparison. There have been no significant reclassification in these financial statements.

39. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on September 18, 2008 (i) approved the transfer of Rs. 16.5 million from unappropriated profit to general reserve; (ii) proposed a bonus issue of 1 share for every 10 shares held (10%); and (iii) proposed a right issue of 2 share for every 10 shares held (20%) at a premium of Rs. 10 for the year ended June 30, 2008 for approval of the members at the Annual General Meeting to be held on October 28, 2008.



Shahid A. Hakim
Chief Executive



Sikandar M. Khan
Chairman

Pattern of Shareholding
Categories of Shareholders

Pattern of Shareholding

As at June 30, 2008

No. of Shareholders	*Size of Holding		Total Shares Held	Amount Rupees
	From	To		
48	1	100	1,933	19,330
410	101	500	55,559	555,590
155	501	1000	130,000	1,300,000
89	1001	5000	198,930	1,989,300
16	5001	10000	106,000	1,060,000
6	10001	15000	66,741	667,410
1	15001	20000	16,390	163,900
2	20001	25000	49,519	495,190
2	25001	30000	56,160	561,600
1	30001	35000	30,200	302,000
1	40001	45000	44,000	440,000
1	55001	60000	55,660	556,600
1	90001	95000	92,500	925,000
1	140001	145000	143,550	1,435,500
1	145001	150000	149,160	1,491,600
1	155001	160000	155,430	1,554,300
1	160001	165001	161,700	1,617,000
1	175001	180000	178,500	1,785,000
1	255001	260000	259,535	2,595,350
1	260001	265000	261,800	2,618,000
1	265001	270000	267,344	2,673,440
1	785001	790000	785,730	7,857,300
1	2810001	2815000	2,811,497	28,114,970
743			6,077,838	60,778,380

*There is no shareholding in the slabs not mentioned

Categories of Shareholders

S. No.	Categories	No. of Shareholders	No. of Shares Held	%
1	Associated Companies	1	2,811,497	46.26
2	Investment Companies	1	527,779	8.68
3	Bank / Financial Institutions	1	785,730	12.93
4	Joint Stock Companies	9	358,740	5.90
5	Individuals	567	1,188,173	19.55
6	Others	164	405,919	6.68
	Total	743	6,077,838	100.00

Categories of Shareholders

As at June 30, 2008

S.No.	Particulars	Shares Held	%
1	Directors, CEO, and their Spouse and Minor Children.		
	Mr. Sikandar M. Khan - Chairman	55,660	0.92
	Mr. Shahid A. Hakim - CEO	880	0.01
	Mr. Latif Khalid Hashmi	143,550	2.36
	Mr. Sohail Bashir Rana	44,000	0.72
	Mr. Laeeq Uddin Ansari	261,800	4.31
	Mr. Mian Muhammad Saleem	3,630	0.06
	Mr. Bashir Ahmed Chaudhry	2,750	0.05
	Mr. Javed Munir	5,500	0.09
	Mr. Sajid Hassan	—	—
2	Associated Companies, Undertakings and Related Parties.		
	Millat Tractors Limited	2,811,497	46.26
3	NIT and ICP		
	National Bank of Pakistan Trustees Department	527,779	8.68
4	Banks, Development Financial Institutions, Non Banking Financial Institutions.		
	National Bank of Pakistan (Former NDFC)	785,730	12.93
5	Insurance Companies	—	—
6	Public Sector Companies and Corporation	—	—
7	Joint Stock Companies	358,740	5.90
8	General Public		
	Local	670,403	11.03
	Foreign	—	—
9	Others		
	BCL Employees	404,819	6.66
	Trustees Packages Limited MGT Staff Pension Fund	1,100	0.02
	Total	6,077,838	100
	Shareholders Holding Ten Percent or more Voting Interest		
	Millat Tractors Limited	2,811,497	46.26
	National Bank of Pakistan (Former NDFC)	785,730	12.93

Proxy Form

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

I/We _____ (NAME)

of _____ (FULL ADDRESS)

in the district of _____

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

_____ Shares No. _____ hereby appoint

Mr. / Mrs. / Miss _____ (NAME)

of _____ (FULL ADDRESS)

in the district of _____

_____ as my / our proxy to attend and vote for me / us and on my / our behalf at the 26th Annual General Meeting of the Company to be held at Registered Office, Main RCD Highway, Hub Chowki, Distt. Lasbela, Balochistan on October 28, 2008 at 1030 Hrs. and / or at any adjournment thereof.

Signed this _____ day of _____ 2008

Signature
on
One Rupee
Revenue
Stamp

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

Important:

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