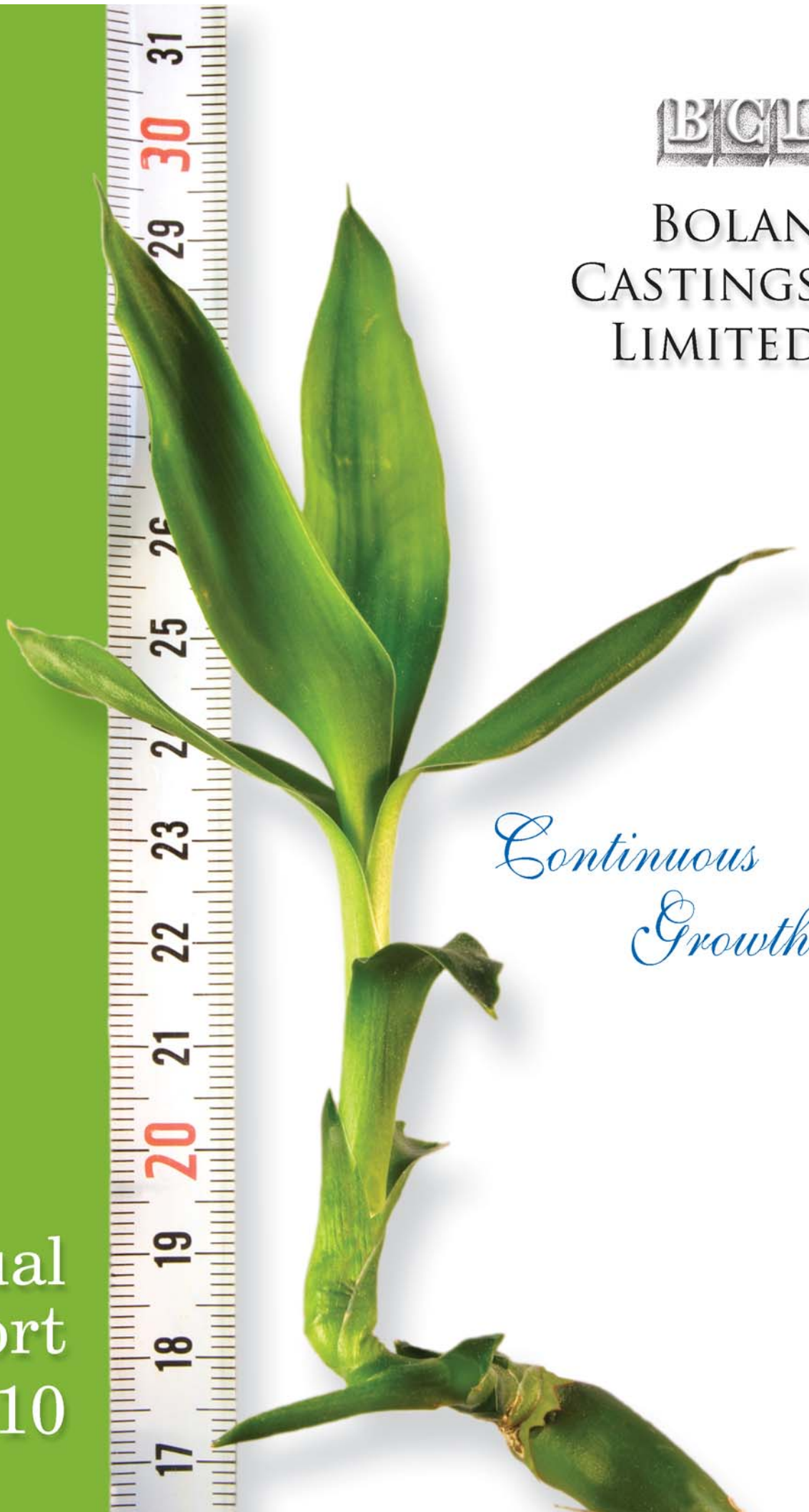




BOLAN  
CASTINGS  
LIMITED

*Continuous  
Growth*

Annual  
Report  
2010





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## Form of Proxy



*In 2010, BCL enjoyed its best operating year in company history delivering record production, sales and earnings. During the year we significantly improved operational performance and added high quality businesses to the Company.*

*We enter 2011 with even more robust businesses, a healthy balance sheet and significant opportunities for future growth. We have the financial flexibility to fund organic growth and remain confident of delivering further progress in 2011.*

# results

we're proud of...

Production

**16,069** metric ton  
**up 12%**

Sales Revenue

**Rs. 1,708** million  
**up 6%**

Gross Profit

**Rs. 240** million  
**up 46%**

Pre-Tax Profit

**Rs. 126** million  
**up 137%**

Earnings Per Share

**Rs. 8.66**  
**up 150%**



## Corporate Objectives & Policies

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# Vision / Mission

## Corporate Strategy / Quality Policy

### Safety, Health & Environment

#### Vision

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

#### Mission

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

#### Corporate Strategy

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

#### Quality Policy

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

#### Safety

- > The management of Bolan Castings Limited believes that the safety and welfare of its employees is of paramount importance.
- > We believe that all industrial injuries can be prevented.
- > Each individual employee is responsible for working safely, both for his own welfare, and for the safety and welfare of his fellow employees.
- > We believe that production is not so important that time cannot be taken to find a safe way to do our work.

#### Health

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

#### Environment

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



# Statement of Ethics & Business Practices

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

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

## Purpose and Value of Business

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

## Employees

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

## Customer Relation

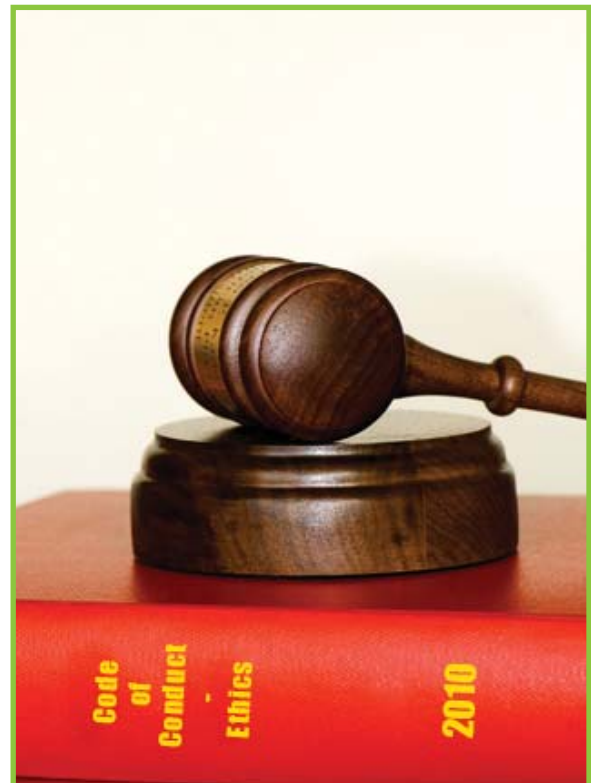
Ensure customer satisfaction by providing quality product at competitive prices.

## Shareholders, Financial Institutions & Creditors

Protection of investment made in the Company and appropriate return on money lent/invested. Achievement and prospects to be timely and accurately communicated.

## Supplies

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



## Society / Community

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

## General

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



# Core Values

## 1. Ethics & Integrity

We do care how results are achieved and will demonstrate honest and ethical behaviour in all our activities. Choosing the course of highest integrity is our intent and we will establish and maintain the highest professional and personal standards.

## 2. Innovation

Innovation is critical to our success. Our workplace must be an environment where creativity and new ideas have the ability to reach their full potential.

We welcome new challenges as opportunities for growth.

## 3. Excellence

We are committed to excellence in every aspect of our activities. Each one of us must make maximum efforts to provide a quality product that responds to our customers need. Our products must meet and exceed competition. Rather than asking "is it good enough?", we must ask, "how can we do it better?". The quality of everything we do reflects on us and is essential for maintaining long-term relationships with our stakeholders.

## 4. Customer Focus

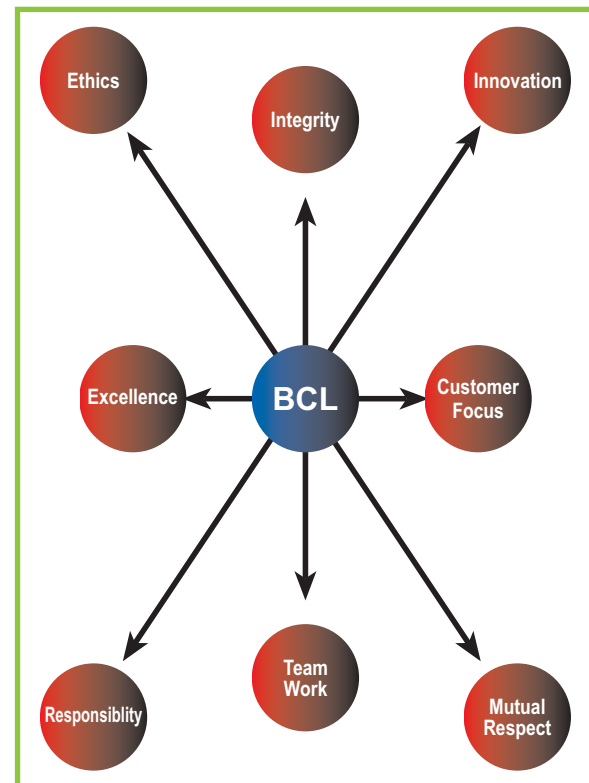
We are a customer-driven organization and believe that customer satisfaction is our strength and motivates us to grow.

## 5. Responsibility

We will manage our affairs in a highly responsible manner by ensuring that we take care of the environment, are a good corporate citizen, ensure complete satisfaction of our customers through quality and timely delivery of our products.

## 6. Teamwork

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



## 7. Mutual Respect

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

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



## General Information

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# Company Information

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

## Board of Directors

Mr. Javed Munir



Mr. Sohail Bashir Rana



Mr. Latif Khalid Hashmi



Mr. Sikandar M. Khan  
Chairman



## Board of Directors

Mr. Shahid A. Hakim  
Chief Executive

Mr. Laeeq Uddin Ansari

Mr. Mian Muhammad Saleem

Mr. Mujtaba Ahmed

Mr. Muhammad Imran Rafiq



## Directors' Profile

Name	Mr. Sikandar M. Khan
Title	Chairman / Non Executive Director
Appointment	July 03, 1984
Committee membership	Chairman of Board's Committee for Supervision and Business Strategy Committee
External appointments	Chairman of Millat Tractors Ltd., Millat Equipment Ltd., Millat Industrial Products Ltd., Millat Automobile Ltd. and Director of Arabian Sea Country Club, Business Support Fund, The Pakistan Business Council, National Productivity Organization, National Vocational and Technical Education Commission, Habib Bank Limited

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

Name	Mr. Laeeq Uddin Ansari
Title	Non Executive Director
Appointment	June 13, 1993
Committee membership	Chairman of Audit Committee and Member of Board's Committee for Supervision and Business Strategy Committee.
External appointments	Chief Executive of Millat Tractors Ltd. and Director of Millat Equipment Ltd., Millat Industrial Products Ltd., Millat Automobile Ltd., Engineers Technology Integrators Manufacturers and Asset Developers (Pvt.)Ltd., CTO 24/7 (Pvt.) Ltd.

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

Name	Mr. Sajid Hassan
Title	Non Executive Director (NIT Nominee)
Tenure	From April 27, 2007 to July 30, 2010
Committee membership	Member of Audit Committee till July 30, 2010
External appointments	Director of Shahmurad Sugar Mills Ltd.

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

Name	Mr. Sohail Bashir Rana
Title	Non Executive Director
Appointment	June 13, 1993
Committee membership	No committee membership.
External appointments	Director of Millat Tractors Ltd., Millat Equipment Ltd., Millat Industrial Products Ltd., Millat Automobile Ltd., Agri Mall (Pvt.) Ltd.

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

Name	Mr. Mujtaba Ahmed
Title	Executive Director
Appointment	October 28, 2009
Committee membership	Member of Business Strategy Committee and Human Resources Committee
External appointments	Currently no external appointment

Name	Mr. Muhammad Imran Rafiq
Title	Non Executive Director (NIT Nominee)
Appointment	Co-opted as Director in place of Mr. Sajid Hassan w.e.f. July 30, 2010
Committee membership	Member of Audit Committee w.e.f. September 15, 2010.
External appointments	Head of Research Department of National Investment Trust Ltd. and Director of Hashmi Can Co. Ltd., Johnson & Phillips (Pakistan) Ltd.

## Board Committees

### Audit Committee

#### Composition of Committee

#### Meetings Attended

#### Chairman

Mr. Laeeq Uddin Ansari  
Non-Executive Director

3 of 4

#### Members

Mr. Latif Khalid Hashmi  
Non-Executive Director  
Mr. Mian Muhammad Saleem  
Non-Executive Director  
Mr. Sajid Hassan\*  
Non-Executive Director

3 of 4

2 of 4

3 of 4

\* Mr. Muhammad Imran Rafiq, Non-Executive Director, has been appointed as Member Audit Committee in place of Mr. Sajid Hassan w.e.f. September 15, 2010.

#### Terms of Reference

Terms of Reference of Audit Committee are as follows:

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

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

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

#### Composition of Committee

#### Chairman

Mr. Sikandar M. Khan

Chairman /Non-Executive Director

#### Members

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

#### Terms of Reference

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

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



# Management Committees

## 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 success. 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

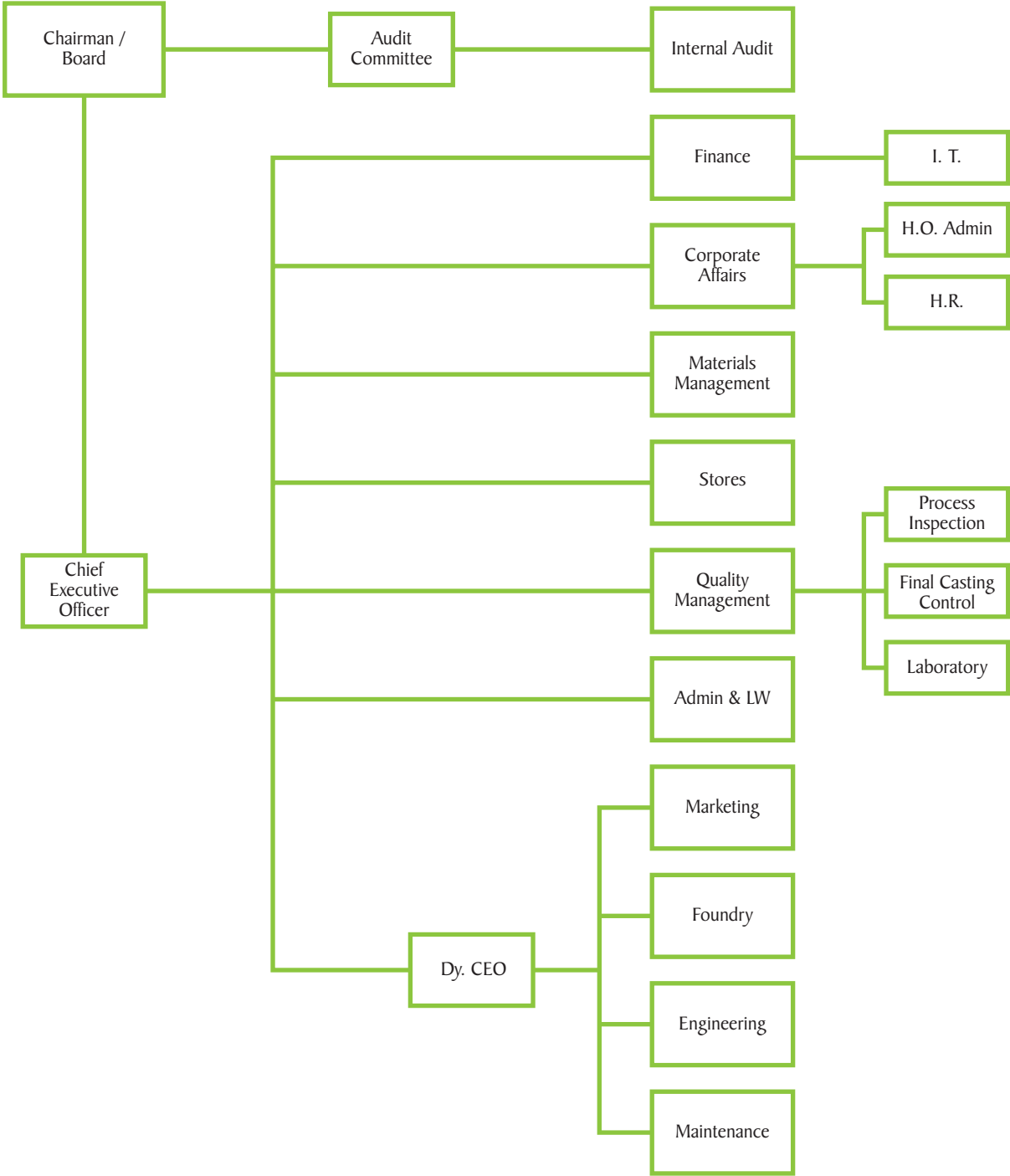
Mr. Abdul Qadir Lasi

### 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



## Company Profile

### INTRODUCTION

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

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

### FOUNDRY

The foundry is located at Hub, Balochistan on a 100,000 square meters plot with a covered area of approximately 20,000 square meters. The foundry is manufacturing tractor castings such as cylinder blocks, cylinder heads, centre housings, transmission cases and truck / bus castings like brake drums and hubs with a large number of other similar castings.



The plant produces more than 16,000 tons per year of tractor / automotive castings in grey and ductile iron. So far, more than 200 different types of castings have been successfully developed and supplied to various customers.

### PRODUCTION FACILITIES

The foundry has:

- > Duplex melting facilities consisting of Twin Cold Blast Cupolas and Coreless Induction Furnaces.
- > Induction melting through two 1.5 tons furnaces.



- > One high pressure line of 1150 x 800 x 300 / 300 mm box size.
- > Another high pressure moulding line of 650 x 550 x 250 / 250 mm box size.
- > New Sand Preconditioning Plants.
- > Resin Coating Plant Continuous Mixer, Shell Core Machines, Silicate / CO2 Core Machines, Cold Box Core Machine.
- > Shot blasting, fettling, grinding, heat treatment and painting.
- > Complete inspection, testing and quality control laboratory equipments including spectrometer.
- > A 60 tons / hr fully computerised sand plant which on demand automatically delivers predetermined sand mixes to the moulding line.
- > A separate shop for the repair and maintenance of patterns, tooling and core boxes through CAD / CAM process.
- > An ancillary workshop for the fabrication and maintenance of equipment and tools.

### RESEARCH & DEVELOPMENT

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



### POLLUTION CONTROL

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

- > Wet sludge tank for cupola emissions.
- > Scrubbers for air born emission at new sand pre conditioning and core plant.
- > Reduction of dust emissions through bag filter closed cabin for shot blasting and sand plant.

## Company Profile

- > Dust catchers in grinding area.
- > Maximum plantation at the open areas of the factory.

### INDUSTRIAL & PERSONAL SAFETY

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



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

### QUALITY & INSPECTION

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

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



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

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

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

### SUPPORT FOR FOUNDRY ENGINEERING EDUCATION

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

### ISO CERTIFICATION

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



### FORWARD INTEGRATION

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

### BACKWARD INTEGRATION

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

## Customers & Product Range

### CUSTOMERS

#### Tractors

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

### PRODUCT RANGE

#### Tractor Industry

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

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

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





## Pouring of Molten Metal from an Induction Furnace





## Communication with Shareholders

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## Shareholders Information

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

### Periodic Financial Reports

BCL produces four Periodic Financial Reports for shareholders each year:

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

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

The Company dispatches the Annual Accounts to its Shareholders by post. Annual Accounts are also placed on Company's website.

### Annual General Meeting

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

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

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

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

The Twenty Eight Annual General Meeting is scheduled to be held at the Registered Office of the Company, Main RCD Highway, Hub Chowki, District Lasbela, Baluchistan, Pakistan, on Monday October 25, 2010 at 1030 hours.

### Books Closure & Dividend / Bonus Shares Entitlement

The Share transfer books of BCL will remain closed from October 12, 2010 to October 25, 2010 both days inclusive. Transfers received in order at the office of Share Registrar of the Company at the address given hereunder by close of working hours (1730 hrs) on October 11, 2010 shall be treated in time for the purpose of entitlement of Cash Dividend and Bonus Shares.

### Shareholders Enquiries

During the year ended June 30, 2010, M/s. Central Depository Company of Pakistan Limited has been appointed as Share Registrar of BCL.

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

### Shares Registrar Address:

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

### Web Presence

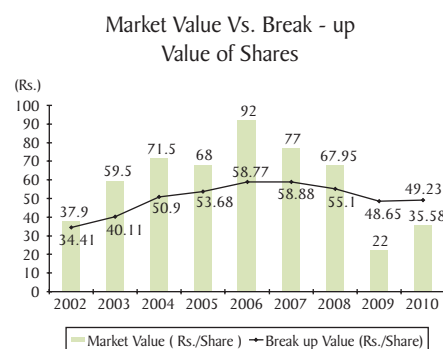
A wide range of information about BCL is available at Company's website, [www.bolancastings.com](http://www.bolancastings.com).

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

### Price Ranges

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

Quarter	2010		2009	
	High	Low	High	Low
First (July-Sep)	49.91	22.00	64.56	55.37
Second (Oct-Dec)	63.06	30.50	55.37	45.67
Third (Jan-Mar)	48.50	35.50	43.39	23.49
Fourth (Apr-June)	42.96	34.10	22.00	22.00



## Notice of Annual General Meeting

Notice is hereby given that 28th Annual General Meeting of Bolan Castings Limited will be held at the Registered Office of the Company Main RCD Highway, Hub Chowki, District Lasbella, Baluchistan, Pakistan, on Monday October 25, 2010 at 1030 hours to transact the following business:-

### A. ORDINARY BUSINESS

1. To confirm the minutes of the 27th Annual General Meeting.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2010 together with the Directors' and Auditors' reports thereon.
3. To appoint auditors for the year ending June 30, 2011 and to fix their remuneration. Present Auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants retire and being eligible offer themselves for re-appointment.
4. To approve payment of dividend as recommended by the Directors.

### B. SPECIAL BUSINESS

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

RESOLVED that a sum of Rs. 9,481,428/- (rounded to Rs. 9,481,430/-) out of the profit available for appropriations as at June 30, 2010 be capitalized and be applied to the issue of 948,142.8 (rounded to 948,143) 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 11, 2010 in the proportion of one bonus share for every ten ordinary shares held i.e 10%.

FURTHER RESOLVED that these bonus shares shall rank pari passu in all respects with the existing shares except that these shares shall not qualify for the cash dividend declared for the financial year ended June 30, 2010.

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.

### C. OTHER BUSINESS

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

By Order of the Board of Directors

Karachi:  
September 23, 2010

M. Mushtaq Akhtar  
Company Secretary

### Notes :

1. The Share Transfer Books of the Company shall remain closed from October 12, 2010 to October 25, 2010 (both days inclusive). Transfers received in order at the office of our Share Registrar M/s. Central Depository Company of Pakistan Limited., CDC House, 99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 by close of working hours on October 11, 2010 shall be treated in time for the purpose of entitlement of cash dividend and bonus shares regarding the year ended June 30, 2010.
2. A member entitled to attend and vote at the meeting may appoint another member as his / her proxy to attend the meeting and vote on his / her behalf. Vote may be given either personally or by proxy or in case of a company / corporation by a representative duly authorized.
3. Duly executed proxies in order to be effective must be received at the office of our Share Registrar M/s. Central Depository Company of Pakistan Limited at least 48 hours before the meeting.

## Notice of Annual General Meeting

4. Shareholders are requested to promptly notify any change in their addresses to our Share Registrar M/s. Central Depository Company of Pakistan Limited.
5. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

### 5.1 FOR ATTENDING THE MEETING:

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

### 5.2 FOR APPOINTING PROXIES :

- 5.2.1 In case of individual, the account holder or sub account holder, shall submit the proxy form as per the above requirement.
- 5.2.2 The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

5.2.3 Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

5.2.4 The proxy shall produce his / her original CNIC or original passport at the time of the meeting.

5.2.5 In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall have to be submitted (unless it has been provided earlier) along with proxy form to the Company.

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

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

The Directors are of the view that Company's financial position and its reserves justify the capitalization of free reserves amounting to Rs. 9,481,430/- for the issue of bonus shares in the proportion of one bonus share for every ten 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.

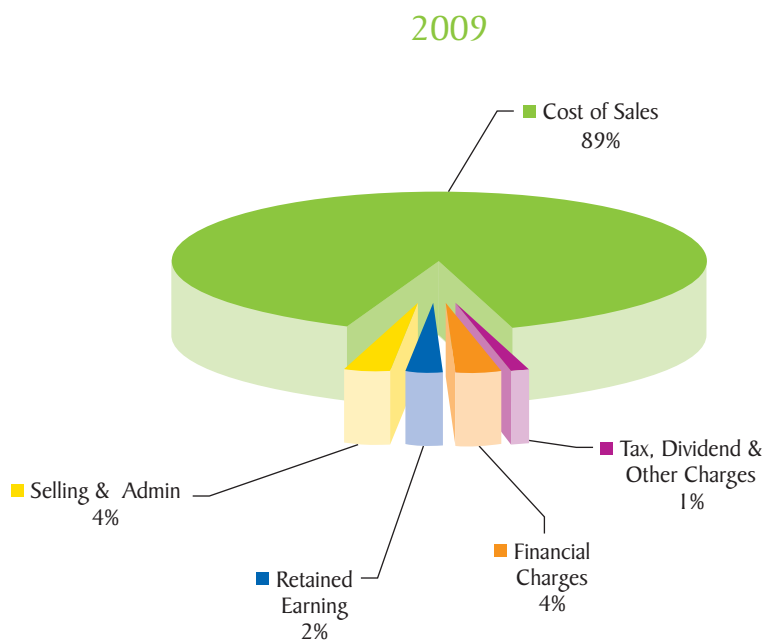
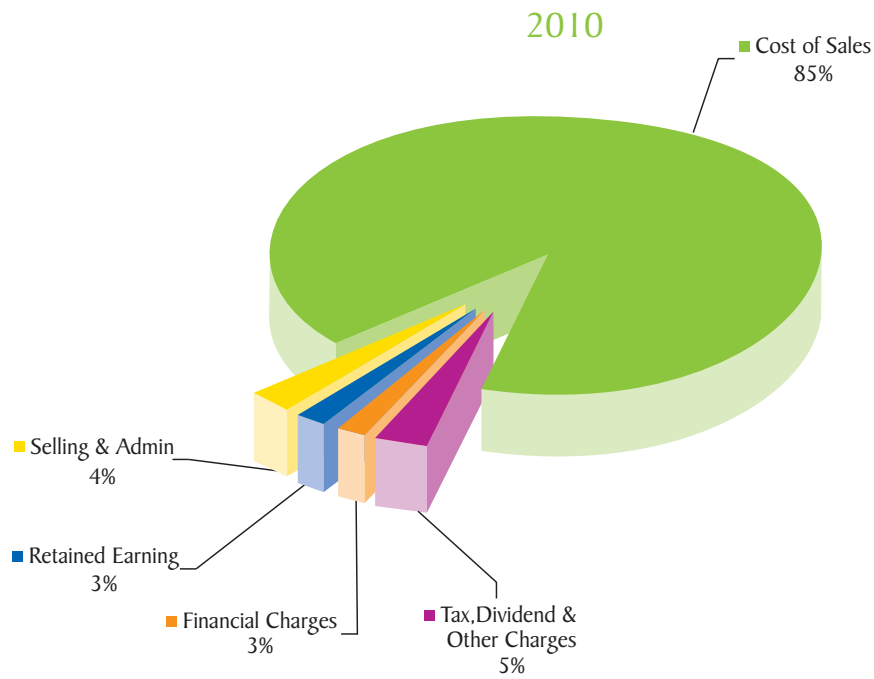
Pursuant to rule 6 (iii) of the Companies (Issue of Capital) Rules, 1996, the Auditors have certified that the free reserves retained after the issue of the bonus shares would be higher than twenty five percent of the enhanced paid-up capital.



## Stakeholders Information

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- 30 Graphical Illustration
- 32 Statement of Value Added & its Distribution

# Application of Revenue



## Vertical Analysis

	2010		2009		2008	
	(Rs. 000)	%	(Rs. 000)	%	(Rs. 000)	%
<b>Operating Results</b>						
Net income	1,707,846	100.0	1,604,626	100.0	1,130,538	100.0
Cost of sales	1,468,284	85.97	1,440,373	89.76	1,016,595	89.9
Admin, selling & distribution expenses	77,955	4.56	67,834	4.23	48,010	4.2
Other operating expenses	9,422	0.55	4,045	0.25	4,443	0.4
Investment income	(1,072)	(0.06)	(515)	(0.03)	(955)	(0.1)
Other income	(16,662)	(0.98)	(18,520)	(1.15)	(4,958)	(0.4)
Finance cost	44,170	2.59	58,259	3.63	32,903	2.9
Taxation	43,591	2.55	19,124	1.19	11,853	1.0
Profit after taxation	82,157	4.81	34,026	2.12	22,648	2.0
<b>Balance Sheet</b>						
Property, plant and equipment	236,205	22.6	242,245	27.1	252,155	31.2
Long term investments	8,338	0.8	8,050	0.9	16,963	2.1
Other non-current assets	4,963	0.5	4,876	0.5	4,417	0.5
Current assets	793,499	76.1	639,502	71.5	533,411	66.1
Total assets	1,043,004	100	894,673	100	806,946	100
Total Share holder's equity	466,809	44.8	384,364	43.0	334,940	41.5
Long term debts (excluding current maturiy)	14,082	1.4	14,082	1.6	50,332	6.2
Deferred liabilities	30,284	2.9	30,802	3.4	16,914	2.1
Deferred taxation	22,383	2.1	20,649	2.3	14,038	1.7
Short term debts	221,867	21.3	289,830	32.4	274,112	34.0
Trade creditors	245,010	23.5	109,434	12.2	73,063	9.1
Current portion of long term debts	36,250	3.5	36,250	4.1	36,250	4.5
Other current liabilities	6,320	0.6	9,262	1.0	7,297	0.9
Total liabilities	576,195	55.2	510,309	57.0	472,006	58.5
<b>Total equity and liabilities</b>	<b>1,043,004</b>	<b>100</b>	<b>894,673</b>	<b>100</b>	<b>806,946</b>	<b>100</b>
<b>Cash Flow</b>						
Cash generated from operations	164,061	259	96,647	(1,583)	10,157	(9)
Cash flow from/(used in) operating activities	84,150	133	23,627	(387)	(45,964)	40
Cash flow from/(used in) investing activities	(20,710)	(33)	(17,776)	291	(23,737)	21
Cash flow from/(used in) financing activities	-	-	(11,955)	196	(44,559)	39
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>63,440</b>	<b>100</b>	<b>(6,104)</b>	<b>100</b>	<b>(114,260)</b>	<b>100</b>

## Horizontal Analysis

	2010 (Rs. 000)	Inc./(dec.) vs last year figure %	2009 (Rs. 000)	Inc./(dec.) vs last year figure %	2008 (Rs. 000)	Inc./(dec.) vs last year figure %	2007 (Rs. 000)
<b>Operating Results</b>							
Net income	1,707,846	6.4	1,604,626	41.9	1,130,538	30.0	869,672
Cost of sales	1,468,284	1.9	1,440,373	41.7	1,016,595	33.7	760,498
Gross profit	239,562	45.8	164,253	44.2	113,943	4.4	109,174
Admin, selling & distribution expenses	77,955	14.9	67,834	41.3	48,010	6.9	44,894
Other operating expenses	9,422	132.9	4,045	(8.9)	4,443	49.2	2,978
Investment income	1,072	108.4	515	(46.1)	955	(39.4)	1,576
Other income	16,662	(10.0)	18,520	273.5	4,958	249.0	1,421
Profit before finance cost	169,918	52.5	111,409	65.3	67,404	4.8	64,300
Finance cost	44,170	(24.2)	58,259	77.1	32,903	34.7	24,429
Profit before taxation	125,749	136.6	53,150	54.1	34,501	(13.5)	39,870
Taxation	43,591	127.9	19,124	61.4	11,853	(14.3)	13,832
Profit after taxation	82,157	141.5	34,026	50.2	22,648	(13.0)	26,038
<b>Balance Sheet</b>							
Property, plant and equipment	236,205	(2.5)	242,245	(3.9)	252,155	(1.2)	255,249
Long term investments	8,338	3.6	8,050	(52.5)	16,963	(10.6)	18,975
Other non-current assets	4,963	1.8	4,876	10.4	4,417	6.8	4,136
Current assets	793,499	24.1	639,502	19.9	533,411	23.1	433,427
Total assets	1,043,004	16.6	894,673	10.9	806,946	13.4	711,786
Share capital	94,814	20.0	79,012	30.0	60,778	10.0	55,253
Reserves	371,995	21.8	305,352	11.4	274,161	1.5	270,102
Total Share holder's equity	466,809	21.4	384,364	14.8	334,940	2.9	325,355
Long term debts (excluding current maturiy)	14,082	-	14,082	(72.0)	50,332	(40.2)	84,128
Deferred liabilities	30,284	(1.7)	30,802	82.1	16,914	11.4	15,190
Deferred taxation	22,383	8.4	20,649	47.1	14,038	79.1	7,838
Short term debts	221,867	(23.4)	289,830	5.7	274,112	59.4	171,992
Trade creditors	245,010	123.9	109,434	49.8	73,063	8.8	67,135
Current portion of long term debts	36,250	-	36,250	-	36,250	-	36,250
Other current liabilities	6,320	(31.8)	9,262	26.9	7,297	87.2	3,899
Total liabilities	576,195	12.9	510,309	8.1	472,006	22.1	386,432
Total equity and liabilities	1,043,004	16.6	894,673	10.9	806,946	13.4	711,786
<b>Cash Flow</b>							
Cash generated from operations	164,061	69.8	96,647	851.6	10,157	(196.1)	(10,573)
Cash flow from/(used in) operating activities	84,150	256.2	23,627	(151.4)	(45,964)	(10.8)	(51,536)
Cash flow from/(used in) investing activities	(20,710)	16.5	(17,776)	(25.1)	(23,737)	(64.9)	(67,612)
Cash flow from/(used in) financing activities	-	(100.0)	(11,955)	(73.2)	(44,559)	(2.4)	(45,632)
Net increase/(decrease) in cash and cash equivalents	63,440	(1,139.4)	(6,104)	(94.7)	(114,260)	(30.7)	(164,781)

### 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

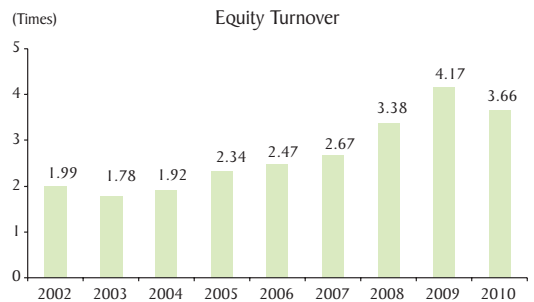
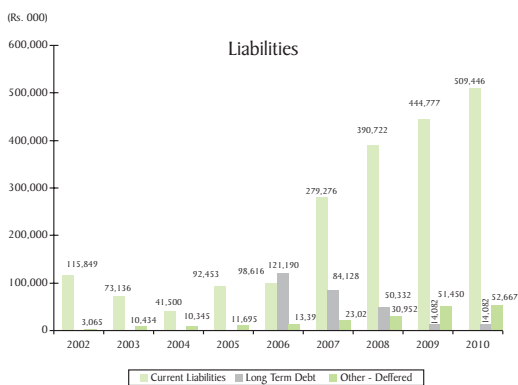
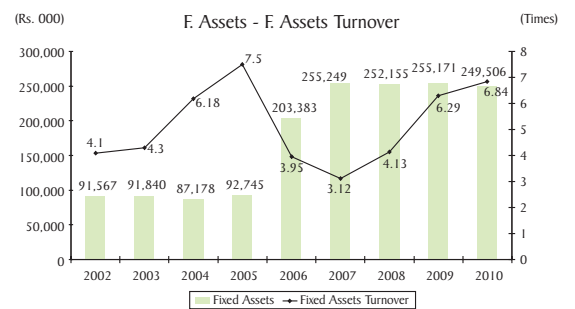
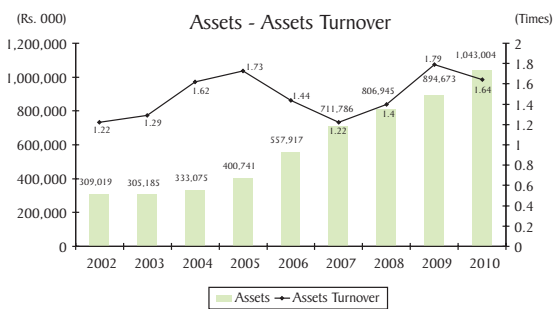
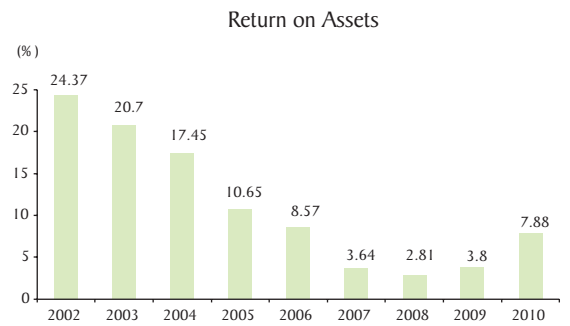
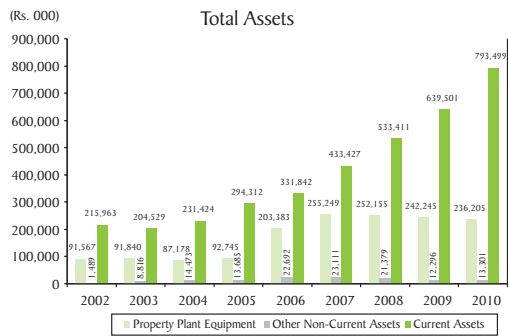
(Rupees in Thousand)

Year ended 30 <sup>th</sup> June	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>INCOME</b>										
Net Sales	1,707,846	1,604,626	1,130,538	869,672	802,761	695,077	538,765	394,786	378,139	469,752
Gross Profit	239,562	164,253	113,943	109,174	122,819	98,780	114,907	89,201	111,719	125,203
Operating profit	179,341	115,454	67,403	64,299	84,598	68,855	88,770	63,972	92,871	102,970
Profit before Tax	125,749	53,150	34,500	39,870	72,910	65,348	83,378	90,829	97,897	97,095
Profit after Tax	82,157	34,026	22,648	26,038	47,826	42,665	58,115	63,160	75,293	61,638
<b>FINANCIAL POSITION</b>										
Current assets	793,499	639,502	533,411	433,427	331,842	294,312	231,424	204,529	215,963	243,496
Less: current liabilities	509,446	444,777	390,722	279,276	98,616	92,453	41,500	73,136	115,849	179,493
Net working capital	284,053	194,725	142,689	154,151	233,226	201,858	189,924	131,393	100,114	64,003
Property, plant and equipment	236,205	242,245	252,155	255,249	203,383	92,745	87,178	91,840	91,567	85,292
Others-non current assets	13,301	12,926	21,379	23,111	22,692	13,685	14,473	8,816	1,489	1,479
	533,558	449,896	416,223	432,510	459,301	308,288	291,575	232,049	193,170	150,774
Less: Long term debts	14,082	14,082	50,332	84,128	121,190	-	-	-	-	-
Other liabilities	52,667	51,450	30,952	23,028	13,397	11,695	10,345	10,434	3,065	2,809
<b>Shareholders' Equity</b>	<b>466,809</b>	<b>384,364</b>	<b>334,940</b>	<b>325,355</b>	<b>324,714</b>	<b>296,593</b>	<b>281,230</b>	<b>221,615</b>	<b>190,105</b>	<b>147,965</b>
<b>REPRESENTED BY:</b>										
Share capital	94,814	79,012	60,778	55,253	55,253	55,253	55,253	55,253	55,253	55,253
Reserves	274,500	256,500	240,000	230,000	210,000	195,000	164,000	164,000	134,000	92,000
Unrealized gain on long term investment	2,838	2,550	11,463	13,475	11,247	3,325	3,000	1,500	-	-
Premium on issuance of right share	12,156	12,156	-	-	-	-	-	-	-	-
Unappropriated profit	82,502	34,147	22,699	26,627	48,214	43,015	58,977	862	852	712
<b>Net Capital Employed</b>	<b>466,809</b>	<b>384,364</b>	<b>334,940</b>	<b>325,355</b>	<b>324,714</b>	<b>296,593</b>	<b>281,230</b>	<b>221,615</b>	<b>190,105</b>	<b>147,965</b>
<b>Summary of Cash Flows</b>										
Cash flows from operating activities	84,150	23,627	(45,964)	(51,536)	21,070	21,036	15,504	43,382	31,645	54,562
Cash used in investing activities	(20,710)	(17,776)	(23,737)	(67,612)	(121,156)	(16,303)	(5,357)	(14,349)	(11,243)	(10,072)
cash used in financing activities	-	(11,955)	(44,559)	(45,632)	91,148	(7,713)	(33,021)	(32,686)	(27,555)	(21,706)
Net change in cash and cash equivalents	(210,685)	(274,125)	(268,022)	(153,761)	11,019	19,957	22,937	45,812	49,465	56,618

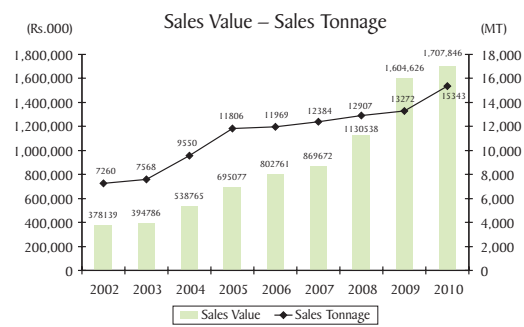
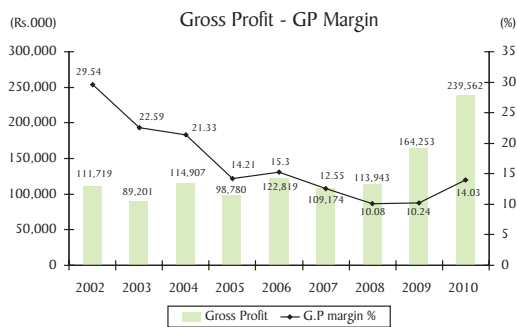
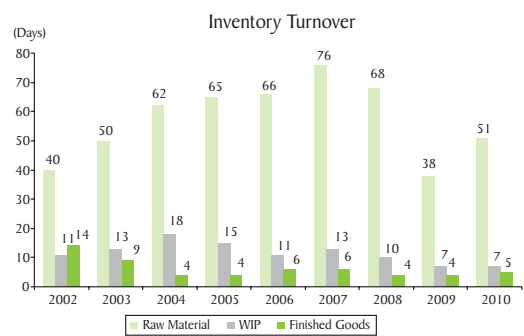
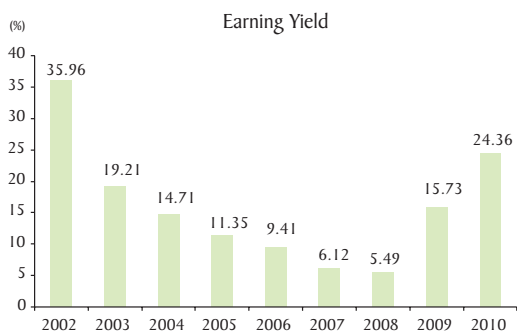
# Decade at a Glance

Year ended 30 <sup>th</sup> June	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>PRODUCTION / SALES</b>										
Production capacity installed (MT)	13,200	13,200	10,367	10,367	7,450	5,700	5,700	5,700	5,700	5,700
Production capacity attained (MT)	16,069	14,335	13,801	13,543	12,627	12,320	10,532	7,868	7,615	9,441
Capacity ratio (%)	122	109	133	131	169	216	185	138	134	166
Net sales (MT)	15,343	13,272	12,907	12,384	11,969	11,806	9,550	7,568	7,260	9,051
<b>MARKET VALUE RATIOS</b>										
Break up value of a share of Rs. 10/-each	49.23	48.65	55.11	58.88	58.77	53.68	50.90	40.11	34.41	26.78
Dividend (rupees per share)	2.50	-	-	2.00	5.00	5.00	5.00	6.00	6.00	5.00
Dividend (%)	25	-	-	20	50	50	50	60	60	50
Bonus shares (%)	10	20	10	10	-	-	-	-	-	-
<b>PROFITABILITY RATIOS</b>										
Gross profit ratios %	14.03	10.24	10.08	12.55	15.30	14.21	21.33	22.59	29.54	26.65
Profit before tax to sales (%)	7.36	3.31	3.05	4.58	9.08	9.40	15.48	23.01	25.89	20.67
Profit after tax to sales (%)	4.81	2.12	2.00	2.99	5.96	6.14	10.79	16.00	19.91	13.12
Basic earnings per share - EPS (Rs.)	8.66	3.46	2.95	4.28	8.66	7.72	10.52	11.43	13.63	11.16
Earning yield - year end price (%)	24.34	15.73	5.49	6.12	9.41	11.35	14.71	19.21	35.96	29.21
Price earning ratio - year end price	4.11	6.36	18.22	16.34	10.62	8.81	6.80	5.20	2.78	3.42
EBITDA (earning before interest, tax, depreciation & amortization). (%)	12.08	8.59	8.39	9.42	11.65	11.26	18.55	19.23	27.57	24.84
Dividend payout (%)	28.87	-	-	42.44	57.76	64.75	47.54	52.49	44.03	44.82
Dividend yield ratio (%)	7.03	-	-	2.60	5.43	7.35	6.99	10.08	15.83	13.09
Return on equity (%)	17.60	8.85	6.76	8.00	14.73	14.39	20.66	28.50	39.61	41.66
Return on assets (%)	7.88	3.80	2.81	3.64	8.57	10.65	17.45	20.70	24.37	18.66
Operating cycle (days)	92	78	114	109	102	104	110	113	122	78
Dividend cover (times)	3.46	-	-	2.36	1.73	1.54	2.10	1.91	2.27	2.23
<b>LIQUIDITY RATIOS</b>										
Current ratio	1.56:1	1.44:1	1.37:1	1.54:1	3.36:1	3.18:1	5.58:1	2.80:1	1.86:1	1.36:1
Quick ratio	1.18:1	1.10:1	0.96:1	0.62:1	1.54:1	1.68:1	2.42:1	1.83:1	1.33:1	1.01:1
<b>ACTIVITY RATIOS</b>										
Raw material inventory turnover - (days)	51	38	68	76	66	65	62	50	40	32
WIP inventory turnover - (days)	7	7	10	13	11	15	18	13	11	6
Finished goods inventory turnover - (days)	5	4	4	6	6	4	4	9	14	10
Debtors turnover ratio (days)	74	54	48	36	35	35	37	58	74	45
Assets turnover - (times)	1.64	1.80	1.4	1.22	1.44	1.73	1.62	1.29	1.22	1.42
Fixed assets turnover - (times)	6.84	6.29	4.13	3.12	3.95	7.50	6.18	4.30	4.1	5.51
<b>LEVERAGE RATIOS</b>										
Equity turnover - (times)	3.66	4.17	3.38	2.67	2.47	2.34	1.92	1.78	1.99	3.17
Debt-equity ratio	3:97	4:96	13:87	21:79	27:73	0:100	0:100	0:100	0:100	0:100
<b>SHARE PRICE- (Rs.)</b>										
Highest	63.06	64.60	84.00	114.65	98.70	87.85	73.95	62.00	45.00	39.75
Lowest	22.00	22.00	61.00	68.00	59.85	59.80	50.00	35.45	31.50	32.00
Average	42.53	43.30	73.06	91.33	79.28	73.83	61.98	48.73	38.25	35.38
At the year end	35.58	22.00	67.95	77.00	92.00	68.00	71.50	59.50	37.90	38.20

# Graphical Illustration



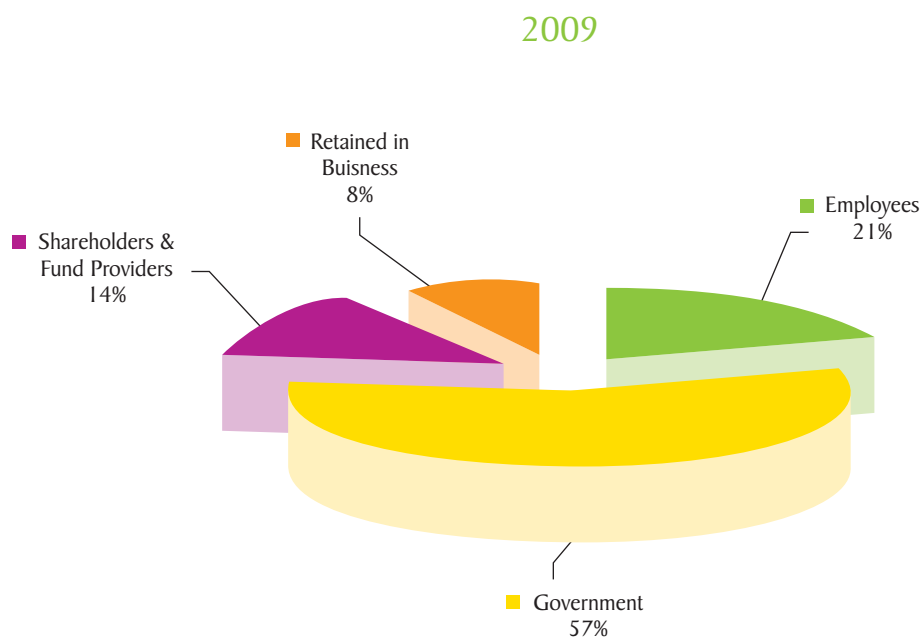
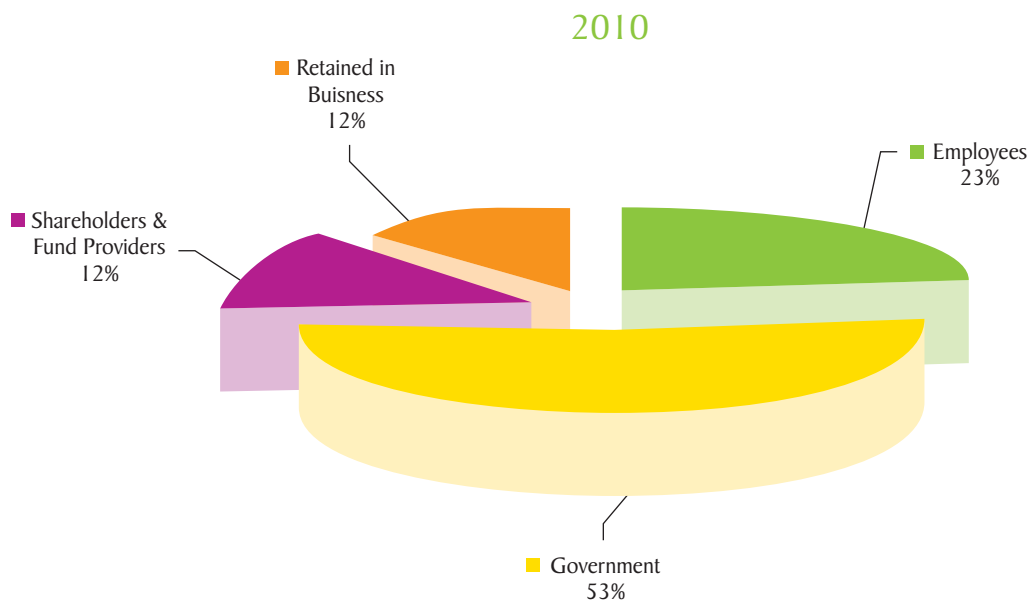
# Graphical Illustration



# Statement of Value Added and its Distribution

PARTICULARS	2010		2009	
	Rs. 000	%	Rs. 000	%
<b>VALUE ADDITION</b>				
Revenue Generated	1,996,370		1,876,461	
Bought-In Material and Services	(1,382,223)		(1,380,084)	
Other Income	17,734		19,035	
	<u>631,881</u>		<u>515,412</u>	
<b>DISTRIBUTION TO:</b>				
<b>Employees</b>				
Salaries, Wages and benefits	136,897	22	101,748	20
Workers Profit Participation Fund	6,754	1	2,860	1
	143,651	23	104,608	21
<b>Government</b>				
Income Tax	43,591	7	19,124	4
Sales Tax	281,719	45	255,845	50
Special Excise Duty	6,805	1	15,990	3
Workers Welfare Fund	2,569	0	1,186	0
	334,684	53	292,145	57
<b>Shareholders &amp; Fund Providers</b>				
Bonus Shares	9,448	1	15,802	3
Cash Dividend	23,705	4	-	-
Financial Charges	44,170	7	56,759	11
	77,323	12	72,561	14
<b>Retained in Buisness</b>				
Depreciation	26,890	4	27,682	5
Amortization	329	0	192	0
Retained Profit	49,004	8	18,224	3
	76,223	12	46,098	8
	<u>631,881</u>	<u>100</u>	<u>515,412</u>	<u>100</u>

# Distribution of Value Addition





## Corporate & Financial Reporting

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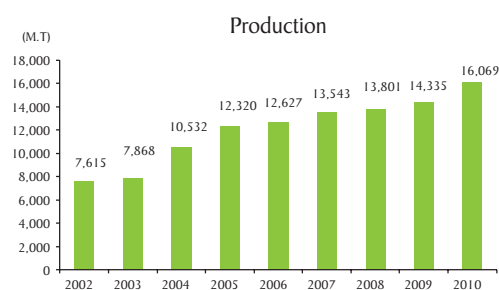
## Chairman's Review



***“2010 was a year of significant achievement where BCL delivered its best ever financial performance. We have a strong platform to support future progress and remain well positioned to deliver further growth in 2011.”***

### Dear Shareholders

It is a pleasure for me to welcome you to the 28th Annual General Meeting of Bolan Castings Limited and to present the Annual Audited Accounts and Financial Report of the Company for financial year ended June 30, 2010.



### Business Review

Despite ongoing economic slowdown, the agricultural sector has shown improvement in Pakistan and, therefore, this year there has been an increase in the demand for tractors. Accordingly the higher demand for components enabled the Company to achieve a record production and sale of more than 16,000 metric tons.

## Chairman's Review

Global need for food has increased tremendously all over the world and food prices have increased. This can be seen as an opportunity for the agricultural sector of Pakistan which will benefit the tractor industry and in turn improved demand for Company products.

We are hopeful, in coming years the Company will achieve even higher targets as compared to this year.

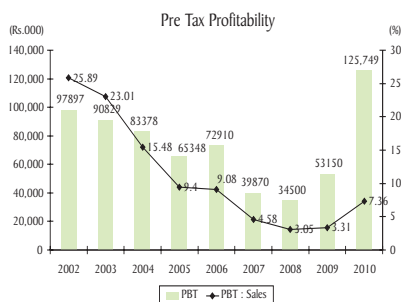
### Financial Performance

By the blessings of Almighty Allah, your Company achieved commendable performance in production and sales. The higher demand for castings helped the Company in achieving record production of 16,069 MT of Castings against 14,335 of last year. Your Company has successfully managed a gross sales figure of 16,009 MT during the period as against 14,312 MT of last year.

The Company succeeded in securing all time record sales revenue of Rs. 1,707.846 million against Rs. 1,604.626 million of last year with an increase of Rs. 103.220 million (6.43%).

By negotiating better prices and reduction in material cost, the gross profit for the year improved to Rs. 239.562 million as against Rs. 164.253 million last year, marking an increase of Rs. 75.309 million (45.85%).

Prudent management of stock in trade enabled the Company to reduce financial cost which declined to Rs. 44.170 million against Rs. 58.259 million of last year, making a healthy contribution of Rs. 14.089 million (24.18%). Net profit before tax jumped to Rs. 125.749 million against Rs. 53.150 million of last year reflecting increase of Rs. 72.599 million (136.59%).



Your Directors were pleased to recommend a cash dividend of Rs. 2.50 per share (25%) and a bonus issue of 10%, subject to approval at the Annual General Meeting.

### Future Prospects

The recent devastating floods though heavily damaged the agriculture and infrastructure yet positive side of these floods would be fertile land which farmers would try to cultivate to its optimum level which would increase tractor demand and in turn increased sale of your Company's products.

The Company now plans to concentrate on internal reforms to further control costs and enhance productivity and profitability.

The company will focus on improving quality and find alternate markets, both domestically and abroad, to reduce its dependence on single buyer.

### Human Resource Development

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. Additionally, the Company also cares for employment of special persons.

### Corporate Social Responsibility

In line with our fundamental social welfare policies, the company made a contribution during the year by providing financial help to one of the Eye Hospitals M/s. LRBT which is providing treatment to its patients absolutely free of cost. Your Company regularly contributes funds in the national exchequer in shape of duties and taxes, workers profit participation fund, workers welfare fund and employees pension schemes.

### Environment

BCL is committed to maintaining good environmental practices to minimize the



adverse impact of its activities on the environment. Your Company has installed environment friendly equipment that helps in reducing air pollution. Our operations emphasize on compliance of regulatory requirements relating to environment.

### Acknowledgement

I would like to thank the management and employees of the Company for their hard work and dedication towards making higher production and sales possible by keeping the plant operational despite numerous hurdles including law and order, heavy rains and frequent electricity breakdowns.

I wish them well in the next financial year. I am grateful to the Board of Directors for their participation and assistance in guiding the Company and look forward to their support in future.

Karachi:  
September 23, 2010

Sikandar M. Khan  
Chairman

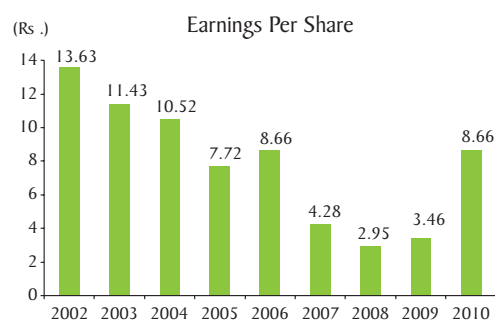
## Directors' Report



***“In the year 2010 we delivered further significant growth in revenue, operating profit and earnings per share and achieved our best operating results ever”***

### Dear Shareholders

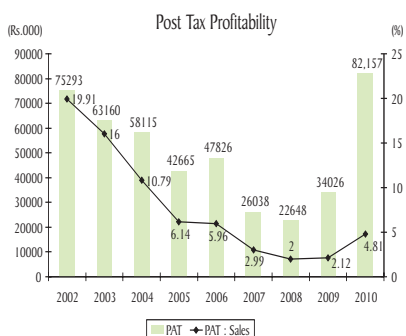
Directors of your Company have pleasure in presenting Annual Report and the Audited Financial Statements of the Company for financial year ended June 30, 2010.



### General

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

# Directors' Report



### Appropriations

Following are the appropriations made during the year:

	(Rs.000)
Un-appropriated profit brought forward	34,147
Bonus shares issued for the year ended June 30, 2009	(15,802)
Transfer to general reserve	(18,000)
Profit after tax for the year ended June 30, 2010	82,157
Un-appropriated profit carried forward	<u>82,502</u>

### Dividends

The directors have recommended cash dividend at the rate of Rs. 2.50 per share i.e. 25%. If approved by the shareholders in the Annual General Meeting, the cash dividend will be paid within thirty days of AGM to the shareholders whose name appear on the register of shareholders of the Company at close of business on October 11, 2010.

### Subsequent Effects

The cash dividend amounting to Rs. 23.704 million for the financial year 2010 shall be reflected in the financial statements for the year ended June 30, 2011. However, this will have no bearing on payment of dividends to shareholders.

### Bonus Shares

In addition to cash dividend the directors have also recommended bonus shares in the proportion of one share for every ten shares (i.e. 10%) held by the Shareholders whose names are registered in the books of the Company at the close of business on October 11, 2010.

### Earnings Per Share

The earnings per share for the year ended June 30, 2010 were Rs.8.66 as against restated Rs.3.46 of preceding year.

### Risk Management

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

### Interest / Mark-up Rate Risk

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

### Credit Risk

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

### Liquidity Risk

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

### Corporate 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.

# Directors' Report

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

## Board of Directors

### Board Structure

Effective management and good stewardship are led by the Board of Directors, which currently consists of eight elected directors, of whom one is executive director and seven are non-executive directors. In addition to eight elected directors, ninth is the Chief Executive Officer who by virtue of being CEO is deemed to be a director of the Company.

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

### Reappointment of the Chief Executive Officer

In December 2009, Mr. Shahid Ahmed Hakim was reappointed as Chief Executive Officer of the Company by the Board of Directors for the next term of three years, on the following terms:

- To perform duties as Chief Executive Officer as per law and laid down procedures.
- Salary and allowances not exceeding Rs. 5.0 million per annum inclusive of perquisite benefits but exclusive of retirement benefits and medical which he is entitled under the terms of his appointment with the Company. The above remuneration shall be subject to such increments and adjustments, including bonus / profit sharing as may be granted at any time and from time to time by the Company in accordance with the Company's policy and service rules for the time being in force. Further he is also authorized for free use of Company maintained transport for official and private purposes.

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

### Role of the Chairman and Chief Executive Officer

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

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

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

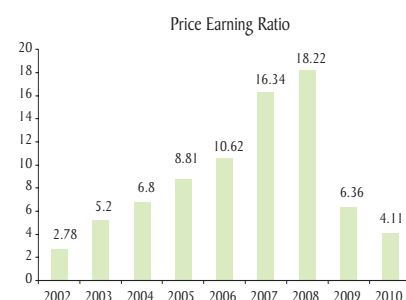
### Board Effectiveness / Board Process

The Board is collectively responsible for the success of the Company. Its role is to provide entrepreneurial leadership to the Company within a framework of prudent and effective

controls which enables risk to be assessed and managed. The Board sets the Company's strategic aims, ensures that the necessary financial and human resources are in place for the Company to meet its objectives and reviews management performance. It also sets the company's values and standards and ensures that its obligations to its shareholders and others are understood and met.

Specific responsibilities reserved to the Board include:

- Approving annual budget and projections;
- Approving annual and quarterly accounts;
- Reviewing the Company's systems of financial control and risk management;
- Approving major acquisitions, divestments and capital expenditure;
- Issuing shares of the Company;



- Ensuring that appropriate management development and succession plans are in place;
- Reviewing matters relating to corporate social responsibility including the environmental, health and safety performance of the Company;
- Reviewing the activities of the Board's Committees; and
- Approving appointments to the Board, to the Board Committees and to the positions of CEO, CFO, Company Secretary and the Head of Internal Audit.

### Board Meetings

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

The Board met five times during the financial year 2009-10. 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 Director	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	4 of 5
Mr. Laeeq Uddin Ansari	5 of 5
Mr. Mian Muhammad Saleem	5 of 5
Mr. Sajid Hassan (NIT Nominee)	3 of 5
Mr. Javed Munir	5 of 5
Mr. Mujtaba Ahmed	5 of 5



# Directors' Report

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 its 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.

### Subsequent Change in Board of Directors

In July 2010, Mr. Sajid Hassan, NIT Nominee Director, had resigned from the Board and in his place Mr. Muhammad Imran Rafiq was co-opted as NIT Nominee Director.

The Board of Directors wishes to place on record its appreciation on the most commendable services rendered by the

outgoing Director Mr. Sajid Hassan during his tenure. The Board of Directors also welcomed and congratulated the incoming Director Mr. Muhammad Imran Rafiq.

### Board Committees

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

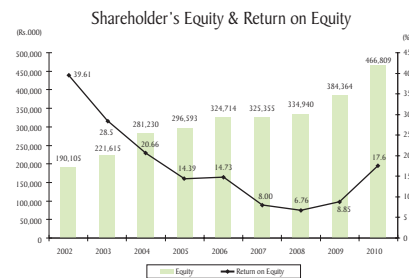
The proceedings of Board Committees are reported to the Board of Directors in their meetings.

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

### Audit Committee

To guarantee the objectiveness, fairness and independence of the Audit Committee the Audit committee comprises four non-executive directors and is chaired by Mr. Laeeq Uddin Ansari. The other members of the Committee are Mr. Latif Khalid Hashmi, Mr. Mian Muhammad Saleem and Mr. Sajid Hassan. Subsequently, in September 2010 the Board of Directors appointed Mr. Muhammad Imran Rafiq, Non-Executive Director, as Member Audit Committee in place of Mr. Sajid Hassan, who had resigned from the Board of Directors.

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 2010, the Committee met four times to coincide with the financial and reporting cycles of the Company. The proceedings of meetings are properly recorded by Secretary Audit Committee and minutes of meetings are circulated to all members, directors and Chief Financial Officer within fortnight of date of meetings.

# Directors' Report

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

### Human Resources Committee

The Human Resources Committee assists Board of Directors in:

- 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.

## 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 present auditors, M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and being eligible, offer themselves for re-appointment. The directors endorse recommendations of the audit committee for the re-appointment of M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as the auditors for the financial year 2010-2011.

M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan. Further, they have confirmed that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan. The external auditors or the persons associated with them have not been appointed to provide other services except in accordance with the

# Directors' Report

listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

### Relations with Shareholders

### Constructive use of the Annual General Meeting

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

### Other

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

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

### Chairman's Review

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

### Statement on Corporate and Financial Reporting Framework

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

- a) The financial statements, prepared by the management of the Company present fairly its state of affairs, the results of its

operations, cash flows and changes in equity.

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

### Operating and Financial Summary

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

### Taxation

Please refer to Note 32 to the Financial Statements for details regarding taxation of the Company.

### Investment of Retirement Benefits Funds

The values of investments of Provident Funds, Gratuity Fund and Pension Fund based on their un-audited accounts as on June 30, 2010 (audit in progress) were as follows:

Provident Funds	Rs. 64.266 million
Gratuity Fund	Rs. 49.090 million
Pension Fund	Rs. 54.862 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 23, 2010 approved the Directors' Report and authorized Mr. Shahid A. Hakim, Chief Executive Officer of the Company to sign the report on its behalf.

On Behalf of the Board

Karachi:  
September 23, 2010

Shahid A. Hakim  
Chief Executive



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

For the year ended June 30, 2010

This statement is being presented to comply with the Code of Corporate Governance set out in the listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors on its Board of Directors (Board). At present, the Board comprises nine directors, including seven non-executive directors.
2. The directors have confirmed that none of them is serving as a director in ten or more listed companies, including this Company.
3. All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The Company has prepared and issued a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Company has maintained proper records in respect of related party transactions. All the related party transactions and the related pricing methods have been reviewed and approved by the Board.
10. The Company has arranged an orientation course for its directors during the year to apprise them of their duties and responsibilities.
11. No new appointment of CFO / Company Secretary has been made during the year.
12. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

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

For the year ended June 30, 2010

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

Karachi:  
September 23, 2010



Shahid A. Hakim  
Chief Executive

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Bolan Castings Limited (the Company) to comply with the Listing Regulations of Karachi Stock Exchange, where the Company is listed.

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

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

Further, Sub-Regulation (xiii a) of the Listing Regulation 35 of the Karachi Stock Exchange requires the Company to place before the Board of Directors for their consideration and approval of related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, as applicable to the Company for the year ended 30 June 2010.

Karachi: 23 September 2010

A handwritten signature in black ink, appearing to read 'Ernst & Young Ford Rhodes Sidat Hyder'.  
Chartered Accountants

## Auditors' Report to the Members

We have audited the annexed balance sheet of Bolan Castings Limited (the Company) as at 30 June 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and profit and loss account, together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for changes as stated in note 4.2 to the financial statements with which we concur;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2010 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

*Ernst & Young Ford Rhodes Sidat Hyder*

Chartered Accountants

Audit Engagement Partner: Shariq Ali Zaidi

Date: 23 September 2010  
Karachi

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

# Balance Sheet

As at June 30, 2010

	Note	2010 Rupees	2009 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets			
Property, plant and equipment	7	235,738,248	241,449,255
Intangible assets	8	466,577	795,935
		<u>236,204,825</u>	<u>242,245,190</u>
Long-term investments	9	8,337,500	8,050,000
Long-term loans	10	694,200	607,200
Long-term deposits		4,269,160	4,269,160
		<u>249,505,685</u>	<u>255,171,550</u>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	11	90,962,184	94,456,994
Stock-in-trade	12	193,731,108	149,532,143
Trade debts	13	409,893,146	278,732,056
Loans and advances	14	7,718,403	10,978,571
Deposits and short term prepayments	15	2,699,992	4,042,826
Other receivables	16	31,204,611	27,106,921
Income tax - net		46,107,989	58,947,481
Cash and bank balances	17	11,181,100	15,704,735
		<u>793,498,533</u>	<u>639,501,727</u>
<b>TOTAL ASSETS</b>		<u><u>1,043,004,218</u></u>	<u><u>894,673,277</u></u>
<b>EQUITY AND LIABILITIES</b>			
Share capital	18	94,814,280	79,011,900
Reserves		371,994,989	305,352,432
		<u>466,809,269</u>	<u>384,364,332</u>
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing	19	14,081,686	14,081,686
Deferred tax liability	20	30,283,840	30,801,563
Deferred liabilities	21	22,383,437	20,648,754
		<u>66,748,963</u>	<u>65,532,003</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	22	243,066,096	89,971,177
Current portion of long-term financing	19	36,250,000	36,250,000
Accrued mark-up		6,319,567	9,262,410
Short-term borrowings	23	221,866,552	289,830,220
Sales tax - net		1,943,771	19,463,135
		<u>509,445,986</u>	<u>444,776,942</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	24		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>1,043,004,218</u></u>	<u><u>894,673,277</u></u>

The annexed notes from 1 to 44 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, 2010

	Note	2010 Rupees	2009 Rupees
Turnover - net	25	1,707,845,850	1,604,626,060
Cost of sales	26	(1,468,284,292)	(1,440,372,650)
<b>Gross profit</b>		<b>239,561,558</b>	<b>164,253,410</b>
Distribution costs	27	(42,036,054)	(33,777,863)
Administrative expenses	28	(35,919,348)	(34,055,856)
		(77,955,402)	(67,833,719)
Other operating income	29	17,734,405	19,034,665
		179,340,561	115,454,356
Finance costs	30	(44,169,885)	(58,259,246)
Other charges	31	(9,422,096)	(4,045,277)
		(53,591,981)	(62,304,523)
<b>Profit before taxation</b>		<b>125,748,580</b>	<b>53,149,833</b>
Taxation	32	(43,591,143)	(19,124,115)
<b>Profit after taxation</b>		<b>82,157,437</b>	<b>34,025,718</b>
			(Restated)
<b>Earnings per share - basic and diluted</b>	33	<b>8.66</b>	<b>3.46</b>

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



Shahid A. Hakim  
Chief Executive



Sikandar M. Khan  
Chairman

# Statement of Comprehensive Income

For the year ended June 30, 2010

2010  
Rupees

2009  
Rupees

Net profit for the year	82,157,437	34,025,718
Other comprehensive income		
Unrealized gain / (loss) on revaluation of available-for-sale investments	287,500	(8,912,500)
<b>Total comprehensive income for the year</b>	<b>82,444,937</b>	<b>25,113,218</b>

The annexed notes from 1 to 44 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, 2010

	Note	2010 Rupees	2009 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	34	164,060,669	96,646,715
Long-term loans		(87,000)	800
Long-term deposits		-	(460,500)
Taxes paid		(31,269,374)	(16,336,232)
Retirement benefits paid		(1,442,025)	(1,430,117)
Finance costs paid		(47,112,728)	(54,793,567)
<b>Net cash generated from operating activities</b>		<b>84,149,542</b>	<b>23,627,099</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(22,340,283)	(19,437,721)
Return on bank deposits received		276,190	164,756
Proceeds from disposal of operating fixed assets		1,354,584	1,496,688
<b>Net cash used in investing activities</b>		<b>(20,709,509)</b>	<b>(17,776,277)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of long-term loan		-	(36,250,000)
Proceeds from issue of shares		-	24,311,360
Dividend paid		-	(15,960)
<b>Net cash used in financing activities</b>		<b>-</b>	<b>(11,954,600)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>63,440,033</b>	<b>(6,103,778)</b>
Cash and cash equivalents at beginning of the year		(274,125,485)	(268,021,707)
<b>Cash and cash equivalents at end of the year</b>	35	<b>(210,685,452)</b>	<b>(274,125,485)</b>

The annexed notes from 1 to 44 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, 2010

	Reserves					Total	Total equity
	Issued subscribed and paid-up capital	Capital reserve	Revenue Reserves		Gain / (loss) on revaluation of available-for-sale investments		
			General reserve	Unappropriated profit			
	(Rupees)						
Balance as at July 01, 2008	60,778,380	-	240,000,000	22,698,874	11,462,500	274,161,374	334,939,754
Net profit for the year	-	-	-	34,025,718	-	34,025,718	34,025,718
Other comprehensive income	-	-	-	-	(8,912,500)	(8,912,500)	(8,912,500)
Total comprehensive income	-	-	-	34,025,718	(8,912,500)	25,113,218	25,113,218
Issue of right shares @ 2 : 10	12,155,680	12,155,680	-	-	-	12,155,680	24,311,360
Issue of bonus share @ 1 : 10	6,077,840	-	-	(6,077,840)	-	(6,077,840)	-
Transfer to general reserve	-	-	16,500,000	(16,500,000)	-	-	-
Balance as at June 30, 2009	79,011,900	12,155,680	256,500,000	34,146,752	2,550,000	305,352,432	384,364,332
Net profit for the year	-	-	-	82,157,437	-	82,157,437	82,157,437
Other comprehensive income	-	-	-	-	287,500	287,500	287,500
Total comprehensive income	-	-	-	82,157,437	287,500	82,444,937	82,444,937
Issue of bonus share @ 2 : 10	15,802,380	-	-	(15,802,380)	-	(15,802,380)	-
Transfer to general reserve	-	-	18,000,000	(18,000,000)	-	-	-
Balance as at June 30, 2010	94,814,280	12,155,680	274,500,000	82,501,809	2,837,500	371,994,989	466,809,269

The annexed notes from 1 to 44 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, 2010

## 1. THE COMPANY AND ITS OPERATIONS

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

## 2. STATEMENT OF COMPLIANCE

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

## 3. BASIS OF MEASUREMENT

- 3.1 These financial statements have been prepared under the historical cost convention as modified by revaluation of available-for-sale investments at fair value and certain staff retirement benefits at present value.
- 3.2 These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 4.1 The accounting policies adopted in preparation of these financial statements are consistent with those of the previous financial year. The Company has adopted the following new amended IFRS and IFRIC interpretations as of July 01, 2009:

- IFRS 2 Share Based Payment - Amendments regarding Vesting Conditions and Cancellations (Amendment)
- IFRS 3 Business Combinations (Revised)
- IFRS 7 Financial Instruments: Disclosures (Amendments)
- IFRS 8 Operating Segments
- IAS 1 Presentation of Financial Statements (Revised)
- IAS 23 Borrowing Costs (Revised)
- IAS 27 Consolidated and Separate Financial Statement - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)
- IAS 27 Consolidated and Separate Financial Statements (Amendment)
- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)
- IAS 39 Financial Instruments: Recognition and Measurement - Eligible hedged items (Amendments)
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 Distributions of Non-cash Assets to owners
- IFRIC 18 Transfers of Assets from Customers

Adoption of the above standards, amendments and interpretations did not have any effect on the financial statements except as disclosed in note 4.2.

# Notes to the Financial Statements

For the year ended June 30, 2010

## 4.2 Changes in accounting policies and disclosures

### IAS 1 - "Presentation of financial statements (Revised)"

The company has adopted IAS-1 "Presentation of financial statements (Revised)" which became effective during the year. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line item in the statement of changes in equity. In addition, the standard introduces the statement of comprehensive income which presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Company has elected to present two statements.

### IAS 23 "Borrowing Costs (Revised)"

The Company has adopted IAS-23 "Borrowing Costs (Revised)" which became effective during the year. The revised standard requires the Company to capitalize borrowing costs attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale). In order to comply with the requirements of the revised standard, the Company has changed its accounting policy related to borrowing costs. Previously, all borrowing costs were charged to the profit and loss account as incurred. This change in policy does not have any effect on these financial statements for the reason that during the year the Company has not incurred any borrowing costs directly attributable to the acquisition of or construction of qualifying assets.

### IFRS 7 - "Financial Instruments: Disclosures (Amendments)"

The amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurement related to items recorded at fair value are to be disclosed by source of input using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. The fair value measurement disclosures are presented in note 37 to the financial statements. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in note 36.3 to the financial statements.

## 4.3 Fixed assets

### Property, plant and equipment

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

Depreciation is charged to income applying the reducing balance method at the rates given in note 7.1. Depreciation on additions is charged from the month in which the asset is available for use and on disposals upto the preceding month of disposal. Residual values and useful lives of assets and method of depreciation are reviewed, and adjusted, if appropriate at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Maintenance and normal repairs are charged to profit and loss account as incurred. Major renewals and improvements to property plant and equipment are capitalized and the assets so replaced, if any, are retired.

### Intangible assets

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

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

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

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

# Notes to the Financial Statements

For the year ended June 30, 2010

## 4.4 Borrowing costs

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

## 4.5 Investments

The investments of the Company, upon initial recognition, are classified as available-for-sale investment.

All investments are initially measured at fair value plus transaction costs that are directly attributable to acquisition. After initial measurement such investments are measured at fair value with unrealized gain or loss recognised directly in the statement of comprehensive income until the investment is derecognized or determined to be impaired at which time the cumulative gain or loss previously recognised in equity is taken to profit and loss account.

## 4.6 Stores, spare parts 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.

## 4.7 Stock-in-trade

These are valued at the lower of cost and Net Realisable Value (NRV). 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 based on normal operating capacity.

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

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

## 4.8 Trade debts and other receivables

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

## 4.9 Cash and cash equivalents

These are carried at cost. For the purpose of cash flow statements, cash and cash equivalents comprise cash in hand and balance with banks net off short term borrowings.

## 4.10 Borrowings

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

## 4.11 Trade and other payables

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

# Notes to the Financial Statements

For the year ended June 30, 2010

## 4.12 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.

## 4.13 Financial instruments

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

## 4.14 Offsetting of financial assets and liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously. Corresponding income and expenditure is also netted off and reported on a net basis in the profit and loss account.

## 4.15 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.

Deferred tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

### Sales tax

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

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

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

# Notes to the Financial Statements

For the year ended June 30, 2010

## 4.16 Retirement and other service benefits

### Pension scheme

The Company operates an approved defined benefit contributory pension scheme for all its eligible employees. The scheme is funded and provides for pension based on the employees' last drawn salary. Pensions are payable for life and thereafter to surviving spouses and children upto the age limits as given in the fund's rules. Contributions to the scheme based on actuarial valuation which is covered out atleast once in every two years by independent actuaries using the Projected Unit Credit Method. The most recent actuarial valuation was carried out as of June 30, 2010.

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

### Executives' gratuity scheme

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

Contributions are made to the scheme on the basis of actuarial valuation and charged to income. Actuarial valuation of the scheme is carried out at least once in every two years. The most recent actuarial valuation was carried out as of June 30, 2010 using the 'Projected Unit Credit Method'.

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

### Non-executives' gratuity scheme

The Company operates an unfunded gratuity scheme for all eligible non-executive employees which provides for benefits dependent on the length of service of the employee on terminal date, subject to the completion of minimum qualifying period of service. Provisions are made annually to cover the obligation on the basis of number of completed years of service of an employee and last drawn basic salary and charged to income. The liability recognized in the balance sheet is calculated by the Company using this basis as the difference in liability is not expected to be material if calculated on the Projected Unit Credit Method.

### Provident fund

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

### Compensated absences

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

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

## 4.17 Foreign currency translation

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

# Notes to the Financial Statements

For the year ended June 30, 2010

## 4.18 Revenue recognition

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

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

## 4.19 Dividend and appropriation to reserves

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

## 4.20 Related party transactions

Transactions with related parties are carried out on commercial terms and conditions.

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

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

	Standards, interpretations and amendments	Effective date (accounting periods beginning on or after)
IFRS 2	Share-based Payments: Amendments relating to Group Cash - settled Share-based Payment Transactions	January 01, 2010
IAS 24	Related Parties Disclosure (Revised)	January 01, 2011
IAS 32	Financial Instruments: Presentation - Classification of Rights Issues (Amendment)	February 01, 2010
IFRIC 14	Prepayments of Minimum Funding Requirements (Amendment)	January 01, 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

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

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after January 01, 2010. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

## 6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

# Notes to the Financial Statements

For the year ended June 30, 2010

	Notes
- determining the residual values and useful lives of property, plant and equipment	4.3 & 7
- classification of investment	4.5 & 9
- valuation of inventories	4.6, 4.7, 11 & 12
- provision for impairment of trade debts and other receivables	4.8, 13 & 16
- provision for retirement and other service benefits	4.16 & 21
- provision for deferred tax	4.15, 20 & 32
- contingencies	24

	Note	2010 Rupees	2009 Rupees
<b>7. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating assets	7.1	233,820,682	239,531,689
Capital work-in-progress - civil works		1,917,566	1,917,566
		<u>235,738,248</u>	<u>241,449,255</u>

## 7.1 Operating assets

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



# Notes to the Financial Statements

For the year ended June 30, 2010

	COST			ACCUMULATED DEPRECIATION			BOOK VALUE		Depreciation rate %
	As at July 01, 2008	Additions / (Disposals)	As at June 30, 2009	As at July 01, 2008	Charge for the year / (disposals)	As at June 30, 2009	As at June 30, 2009		
	Rupees								
Freehold land	2,678,754	-	2,678,754	-	-	-	2,678,754	-	
Building on freehold land	77,401,920	-	77,401,920	37,642,020	3,975,990	41,618,010	35,783,910	10%	
Plant and machinery	418,080,035	7,110,308	425,190,343	251,174,286	16,898,768	268,073,054	157,117,289	10%	
Electrical and gas installations	28,750,862	624,180	29,375,042	9,049,330	2,022,170	11,071,500	18,303,542	10%	
Furniture and fittings	2,916,455	111,861	3,028,316	1,333,656	165,924	1,499,580	1,528,736	10%	
Electrical appliances	4,915,328	998,728	5,914,056	2,270,832	336,018	2,606,850	3,307,206	10%	
Office equipments	2,312,823	77,920	2,390,743	1,354,682	102,732	1,457,414	933,329	10%	
Computers	6,280,589	253,260	6,533,849	5,060,419	415,645	5,476,064	1,057,785	30%	
Vehicles	30,099,148	8,982,636 (5,623,889)	33,457,895	15,022,246	3,764,975 (4,150,464)	14,636,757	18,821,138	20%	
<b>Total</b>	<b>573,435,914</b>	<b>18,158,893 (5,623,889)</b>	<b>585,970,918</b>	<b>322,907,471</b>	<b>27,682,222 (4,150,464)</b>	<b>346,439,229</b>	<b>239,531,689</b>		

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

	Note	2010 Rupees	2009 Rupees
Cost of sales	26	25,836,274	22,593,085
Distribution costs	27	263,396	239,135
Administrative expenses	28	790,187	4,850,002
		<b>26,889,857</b>	<b>27,682,222</b>

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

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain on disposal	Mode of disposal	Particulars of buyers
	Rupees						
Toyota Corolla AHW-125	1,039,000	755,284	283,716	283,716	-	Company policy	Mr. Mujtaba Ahmed (Employee)
Suzuki van CN-4375	453,000	352,061	100,939	100,939	-	Company policy	Mr. Zafar Alam (Employee)
Suzuki van CN- 4390	453,000	352,061	100,939	100,939	-	Company policy	Mr. Ghayoor-ul-Hasan (Employee)
Suzuki alto AFV-231	453,000	352,061	100,939	100,939	-	Company policy	Mr. Qasim Mohiuddin (Employee)
Suzuki Pick up CK-9851	344,643	272,844	71,799	196,270	124,471	Tender	Mr. Asif Mobeen, Karachi
Honda CD-70 KEC-8293	62,900	7,233	55,667	55,667	-	Company policy	Mr. Irshad Ali (Employee)
Honda CD-70 KED- 1878	62,900	6,290	56,610	60,950	4,340	Insurance claim	Adamjee Insurance Company, Karachi
Honda CD-70 KEC- 8295	62,900	8,264	54,636	60,950	6,314	Insurance claim	Adamjee Insurance Company, Karachi
Honda CD-70 KED- 1882	62,900	10,483	52,417	52,417	-	Company policy	Mr. S.Hassan (Employee)
Aggregate amount of assets disposed off having book value less than Rs.50,000/- each	543,550	259,779	283,771	341,797	58,026		
<b>2010</b>	<b>3,537,793</b>	<b>2,376,360</b>	<b>1,161,433</b>	<b>1,354,584</b>	<b>193,151</b>		
<b>2009</b>	<b>5,623,889</b>	<b>4,150,464</b>	<b>1,473,425</b>	<b>1,496,688</b>	<b>23,262</b>		

# Notes to the Financial Statements

For the year ended June 30, 2010

## 8. INTANGIBLE ASSETS

		COST		ACCUMULATED AMORTIZATION		BOOK VALUE	Amortization Period
		As at July 01	As at July 01	Charge for the year	As at June 30	As at June 30	
----- Rupees -----							
Software	2010	988,033	192,098	329,358	521,456	466,577	3
	2009	988,033	-	192,098	192,098	795,935	3

### 8.1 Amortization charge for the year has been allocated as follows:

	Note	2010 Rupees	2009 Rupees
Cost of sales	26	197,615	115,259
Distribution costs	27	32,936	19,210
Administrative expenses	28	98,807	57,629
		329,358	192,098

## 9. LONG-TERM INVESTMENTS

Available-for-sale

8,337,500

8,050,000

9.1 Represents investment in 287,500 (2009: 287,500) quoted ordinary shares of Rs. 10/- each of Balochistan Wheels Limited representing 2.15% (2009: 2.15%) of equity held.

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

	Note	2010 Rupees	2009 Rupees
Loans to employees	10.1	1,247,000	1,116,000
Less: Current portion shown under current assets	14	(552,800)	(508,800)
		694,200	607,200

10.1 Represent interest free loans given to employees for the purchase of motorcycles. These are secured against respective assets and are recoverable in monthly installments over a period of fifty months.

## 11. STORES, SPARE PARTS AND LOOSE TOOLS

	2010 Rupees	2009 Rupees
Stores including in transit Rs. 742,102/- (2009: Rs. 82,915/-)	15,572,422	14,941,802
Spares parts including in transit Rs. 1,559,725/- (2009: Rs. 2,538,217/-)	49,491,456	44,574,184
Loose tools including in transit Nil (2009: Rs. 834,064/-)	1,794,814	2,581,562
	66,858,692	62,097,548
Hard coke including in transit Rs. 14,364,153/- (2009: Rs. 27,382/-)	22,345,785	31,446,656
Diesel	1,725,545	860,815
Kerosene oil	32,162	51,975
	90,962,184	94,456,994

# Notes to the Financial Statements

For the year ended June 30, 2010

	Note	2010 Rupees	2009 Rupees
<b>12. STOCK-IN-TRADE</b>			
Raw materials including in transit Rs. 14,404,264/- (2009: Rs. 9,417,839/-)		146,521,108	102,062,002
Work in process		26,533,000	31,922,000
Finished goods	12.1 & 12.2	20,677,000	15,548,141
		<u>193,731,108</u>	<u>149,532,143</u>
12.1 Includes stock held by Millat Tractors Limited (a related party) amounting to Rs. 4,356,220/- (2009: Rs. 2,182,042/-).			
12.2 Stocks include items valued at NRV resulting in writing down of inventories by Rs. 5,106/- (2009: Rs. 637,859/-).			
<b>13. TRADE DEBTS - unsecured</b>			
Considered good			
Related parties	13.1	357,936,675	226,053,081
Others		51,956,471	52,678,975
		<u>409,893,146</u>	<u>278,732,056</u>
Considered doubtful		259,850	259,850
		<u>410,152,996</u>	<u>278,991,906</u>
Less: Provision for impairment		(259,850)	(259,850)
		<u>409,893,146</u>	<u>278,732,056</u>
13.1 Represents amount due from the following related parties:			
- Millat Tractors Limited		357,119,502	220,376,826
- Millat Equipments Limited		817,173	5,676,255
		<u>357,936,675</u>	<u>226,053,081</u>
13.2 The ageing of trade debts at June 30, 2010 is as follows:			
Neither past due not impaired		346,208,494	251,790,075
Past due not impaired			
- 45 - 90 days		6,133,070	2,405,116
- 90 - 180 days		7,258,955	7,546,615
- over 180 days		50,292,627	16,990,250
		<u>409,893,146</u>	<u>278,732,056</u>
<b>14. LOANS AND ADVANCES - considered good</b>			
Loans			
Current portion of long-term loans to employees	10	552,800	508,800
Advances			
- to employees		515,675	492,667
- to suppliers		6,649,928	9,977,104
		<u>7,165,603</u>	<u>10,469,771</u>
		<u>7,718,403</u>	<u>10,978,571</u>
<b>15. DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Deposits		2,699,992	2,841,420
Prepaid insurance		-	1,201,406
		<u>2,699,992</u>	<u>4,042,826</u>



# Notes to the Financial Statements

For the year ended June 30, 2010

	Pension fund		Executives gratuity fund	
	2010 ----- (%) -----	2009 ----- (%) -----	2010 ----- (%) -----	2009 ----- (%) -----
<b>16.6</b> The principal assumptions used in the actuarial valuations are as follows:				
Discount rate	13	13	13	13
Expected rate of return on plan assets	13	13	13	13
Expected rate of increase in future salaries	13	13	13	13
<b>16.7</b> Plan assets comprise:				
National / Special Saving Certificates	40	14	15	-
Listed shares / mutual funds units	25	20	38	56
Bank balance	27	56	46	33
Others	8	10	1	11

**16.8** Historical information for the five years is as follows:

	2010 Rupees	2009 Rupees	2008 Rupees	2007 Rupees	2006 Rupees
<b>Pension fund</b>					
Fair value of plan assets	60,964,623	55,296,494	52,175,028	47,547,000	41,087,000
Present value of defined benefit obligation	(48,494,978)	(43,093,166)	(34,990,398)	(28,756,000)	(25,430,000)
Surplus	<u>12,469,645</u>	<u>12,203,328</u>	<u>17,184,630</u>	<u>18,791,000</u>	<u>15,657,000</u>
Experience adjustments on plan liabilities - (gain) / loss	<u>(685,493)</u>	<u>3,358,129</u>	<u>1,936,551</u>	<u>-</u>	<u>(2,779,000)</u>
Experience adjustments on plan assets - (loss) / gain	<u>(2,793,045)</u>	<u>(4,507,628)</u>	<u>(1,541,636)</u>	<u>498,000</u>	<u>(160,000)</u>
<b>Executives gratuity fund</b>					
Fair value of plan assets	49,317,545	41,958,445	47,703,456	47,870,000	48,965,000
Present value of defined benefit obligation	(37,316,036)	(31,258,334)	(28,292,803)	(22,032,000)	(23,014,000)
Surplus	<u>12,001,509</u>	<u>11,208,003</u>	<u>19,410,653</u>	<u>25,838,000</u>	<u>25,951,000</u>
Experience adjustments on plan liabilities - (loss) / gain	<u>1,018,415</u>	<u>(1,103,075)</u>	<u>(2,635,563)</u>	<u>-</u>	<u>2,435,000</u>
Experience adjustments on plan assets - (loss) / gain	<u>2,290,488</u>	<u>(8,817,148)</u>	<u>(3,001,239)</u>	<u>(1,597,000)</u>	<u>3,202,000</u>

# Notes to the Financial Statements

For the year ended June 30, 2010

16.9 The amounts charged to profit and loss account in respect of employment benefits are disclosed in note 28.1.

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

	Note	2010 Rupees	2009 Rupees
<b>17. CASH AND BANK BALANCES</b>			
Cash in hand		77,487	86,592
Cash at banks			
Current accounts		8,446,755	12,587,016
Deposit accounts	17.1	1,091,858	1,466,127
Term deposit receipts	17.1	1,565,000	1,565,000
		<u>11,103,613</u>	<u>15,618,143</u>
		<u>11,181,100</u>	<u>15,704,735</u>

17.1 These carry mark-up rates ranging from 5% to 5.5% (2009: 5.5% to 9.5%) per annum.

## 18. SHARE CAPITAL

### 18.1 Authorised capital

12,000,000 (2009:12,000,000) Ordinary shares of Rs. 10/- each

120,000,000

120,000,000

### 18.2 Issued, subscribed and paid-up capital

	2010 -----Number of shares-----	2009		2010 Rupees	2009 Rupees
			Ordinary shares of Rs. 10/- each		
	6,740,875	6,740,875	Fully paid in cash	67,408,750	67,408,750
	2,740,553	1,160,315	Issued as fully paid bonus shares	27,405,530	11,603,150
	<u>9,481,428</u>	<u>7,901,190</u>		<u>94,814,280</u>	<u>79,011,900</u>

18.3 As at June 30, 2010, 4,385,934 (2009: 3,654,945) ordinary shares of the Company were held by Millat Tractors Limited (a related party).

	Note	2010 Rupees	2009 Rupees
<b>19. LONG-TERM FINANCING - secured</b>			
From banking company		50,331,686	50,331,686
Less: Current portion	19.1	(36,250,000)	(36,250,000)
		<u>14,081,686</u>	<u>14,081,686</u>

19.1 Represents the amount utilised against the demand finance facility from a commercial bank, amounting to Rs.145 million (2009: Rs. 145 million) to finance the 'Balancing, Modernization and Replacement' of the Company's existing foundry. The facility is repayable in 8 equal half yearly installments commencing February 2007 and carries markup at the rate of 3 months' KIBOR plus 1.25% (2009: 3 months' KIBOR plus 0.75%) per annum. 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.

# Notes to the Financial Statements

For the year ended June 30, 2010

	Note	2010 Rupees	2009 Rupees
<b>20. DEFERRED TAX LIABILITY</b>			
Credit balances arising due to accelerated tax depreciation		38,196,310	38,119,575
Debit balances arising due to			
- provision for unfunded gratuity scheme and compensated absences		(7,821,668)	(7,227,064)
- provision for doubtful debts		(90,802)	(90,948)
		(7,912,470)	(7,318,012)
		30,283,840	30,801,563
<b>21. DEFERRED LIABILITIES</b>			
Non-executive gratuity scheme	21.1	11,081,745	10,953,842
Compensated absences	21.2	11,301,692	9,694,912
		22,383,437	20,648,754
<b>21.1 Non-executive gratuity scheme</b>			
Opening balance		10,953,842	8,295,892
Charge for the year		836,411	3,137,241
Payments made during the year		(708,508)	(479,291)
Closing balance		11,081,745	10,953,842
<b>21.2 Compensated absences</b>			
Opening balance		9,694,912	8,618,097
Charge for the year		2,340,297	2,027,641
Payments made during the year		(733,517)	(950,826)
Closing balance		11,301,692	9,694,912
<b>22. TRADE AND OTHER PAYABLES</b>			
Creditors	22.1	176,987,705	62,218,372
Accrued liabilities		1,474,282	1,627,145
Provision for bonus	22.2	29,830,244	-
Security deposits		19,585,263	11,683,943
Retention money		-	3,322,518
Workers' Profit Participation Fund	22.3	6,753,534	2,859,756
Workers' Welfare Fund		2,568,562	1,185,521
Special excise duty payable		-	2,151,400
Advance from employees		4,305,413	3,341,598
Dividends		1,214,335	1,214,335
Others		346,758	366,589
		243,066,096	89,971,177

22.1 Include Rs. 7.45 million (2009: Rs. 5.31 million) due to Millat Tractors Limited (a related party).



# Notes to the Financial Statements

For the year ended June 30, 2010

	Note	2010 Rupees	2009 Rupees
<b>22.2 Provision for bonus</b>			
Balance at the beginning of the year		-	-
Provision for the year		41,549,628	6,496,157
		41,549,628	6,496,157
Less: payments made during the year		(11,719,384)	(6,496,157)
Balance at end of the year		29,830,244	-
<b>22.3 Workers' Profit Participation Fund</b>			
Balance at the beginning of the year		2,859,756	1,852,888
Allocation for the year	31	6,753,534	2,859,756
		9,613,290	4,712,644
Less: Payments made during the year		2,859,756	1,852,888
Balance at the end of the year		6,753,534	2,859,756
<b>23. SHORT TERM BORROWINGS - secured</b>			
Running finance	23.1	221,866,552	246,308,427
Finance against Trust Receipt	23.2	-	43,521,793
		221,866,552	289,830,220

**23.1** The facilities for running finance available from banks aggregate to Rs.405 million (2009: Rs. 355 million). These facilities expire on various dates latest by February 28, 2011. The facilities carry mark-up at rates ranging from 1 month to 6 months' KIBOR plus 1% to 1.5% (2009: 1 month to 6 months' KIBOR plus 1.5% to 3%) per annum and are secured by way of a hypothecation charge on plant and machinery, stocks and book debts ranking pari passu with each other.

**23.2** Facility available from a commercial bank for retirement of import documents against trust receipt amounts to Rs. 50 million (2009: Rs. 50 million).

## 24. CONTINGENCIES AND COMMITMENTS

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

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

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

**24.3** Outstanding letters of credit at the end of the year amount to Rs. 277.9 million (2009: Rs. 86.2 million).

# Notes to the Financial Statements

For the year ended June 30, 2010

	Note	2010 Rupees	2009 Rupees
<b>25. TURNOVER - net</b>			
Local sales		2,067,726,931	2,002,545,989
Less: Sales returns		(74,166,259)	(126,084,619)
Sales tax		(281,718,656)	(255,844,998)
Less: Special excise duty		(6,805,261)	(15,990,312)
		(362,690,176)	(397,919,929)
		1,705,036,755	1,604,626,060
Export sales		2,809,095	-
		1,707,845,850	1,604,626,060
<b>26. COST OF SALES</b>			
Raw material consumed			
Opening stock		92,644,163	99,215,456
Purchases		892,465,251	919,850,202
		985,109,414	1,019,065,658
Closing stock	12	(132,116,844)	(92,644,163)
		852,992,570	926,421,495
Manufacturing expenses			
Salaries, wages and benefits	28.1	103,464,174	76,550,309
Staff welfare		8,370,451	6,799,529
Stores, spares parts and loose tools consumed		132,128,269	110,205,607
Fuel and power	26.1	222,912,447	214,763,648
Machining expenses		9,147,124	6,953,334
Outsourced job contractors		76,435,927	58,784,054
Travelling and conveyance		20,773,081	17,856,578
Depreciation	7.2	25,836,274	22,593,085
Amortization	8.1	197,615	115,259
Rent, rates and taxes		485,093	480,981
Printing and stationery		378,130	450,488
Repairs and maintenance		4,644,822	4,518,875
Communication		564,491	564,251
Export expenses		156,956	27,225
Insurance		2,476,795	2,223,161
Vehicle expenses		3,353,824	2,994,234
Training		2,303,155	2,456,802
Entertainment		660,354	226,873
Others		742,599	569,003
		615,031,581	529,134,296
Work in process - opening		31,922,000	20,139,000
Work in process - closing	12	(26,533,000)	(31,922,000)
Cost of goods manufactured		1,473,413,151	1,443,772,791
Finished goods - opening stock		15,548,141	12,148,000
Finished goods - closing stock	12	(20,677,000)	(15,548,141)
		1,468,284,292	1,440,372,650

26.1 Includes of hard coke, diesel and Kerosine oil aggregating Rs. 125,683,205/- (2009: Rs. 143,880,958/-).

# Notes to the Financial Statements

For the year ended June 30, 2010

	Note	2010 Rupees	2009 Rupees
<b>27. DISTRIBUTION COSTS</b>			
Salaries, wages and benefits	28.1	2,571,359	1,720,427
Staff welfare		454,752	231,795
Freight charges		38,055,885	30,050,844
Travelling		74,367	158,179
Insurance		173,808	335,937
Sales promotion		305,770	904,146
Depreciation	7.2	263,396	239,135
Amortization	8.1	32,936	19,210
Rent, rates and taxes		2,250	16,650
Repairs and maintenance		1,500	-
Communication		9,400	29,451
Vehicle expenses		56,137	38,309
Printing and stationery		24,252	27,478
Others		10,242	6,302
		<u>42,036,054</u>	<u>33,777,863</u>
<b>28. ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and benefits	28.1	20,856,787	14,955,504
Staff welfare		1,180,281	1,491,121
Legal and professional charges		1,098,312	1,051,347
Outsourced job contractors		2,359,089	2,234,221
Travelling		1,159,247	1,392,767
Utilities		892,276	857,668
Rent, rates and taxes		2,052,155	1,670,917
Repairs and maintenance		422,440	276,862
Printing and stationery		784,837	704,100
Communication		408,447	405,512
Depreciation	7.2	790,187	4,850,002
Amortisation	8.1	98,807	57,629
Advertisement		182,410	293,400
Vehicle expenses		1,809,716	1,874,938
Insurance		399,507	365,884
Subscription		280,917	296,499
Auditors' remuneration	28.2	560,000	755,654
Entertainment		228,343	233,983
Training		179,241	127,338
Others		176,349	160,510
		<u>35,919,348</u>	<u>34,055,856</u>
<b>28.1</b>			
Salaries, wages and benefits include Rs. 1.63 million (2009: Rs. 1.58 million), Rs. 1.26 million (2009: Rs. 1.18 million), Rs.0.836 million (2009: Rs. 3.1 million), Rs.2.340 million (2009: Rs. 2.027 million) and Rs. 2.489 million (2009: Rs. 2.249 million) in respect of Company's contribution towards pension fund, non-executive gratuity scheme, compensated absences and provident funds respectively.			
		2010 Rupees	2009 Rupees
<b>28.2</b>			
Auditors' remuneration			
Statutory audit fees		500,000	500,000
Fee for half yearly review		60,000	60,000
Other services		-	47,500
Out of pocket expenses		-	148,154
		<u>560,000</u>	<u>755,654</u>

# Notes to the Financial Statements

For the year ended June 30, 2010

	Note	2010 Rupees	2009 Rupees
<b>29. OTHER OPERATING INCOME</b>			
Income from financial assets			
Return on bank deposits		281,786	155,204
Dividend income		790,625	359,375
		<u>1,072,411</u>	<u>514,579</u>
Income from non-financial assets			
Scrap sales		6,682,751	16,928,400
Liabilities no longer payable written back		3,322,518	-
Gain on disposal of operating assets		193,151	23,262
Others		6,463,574	1,568,424
		<u>16,661,994</u>	<u>18,520,086</u>
		<u>17,734,405</u>	<u>19,034,665</u>
<b>30. FINANCE COSTS</b>			
Mark-up on:			
- long-term finance		6,945,925	9,807,928
- short-term borrowings		33,958,754	42,633,972
		<u>40,904,679</u>	<u>52,441,900</u>
Exchange loss		-	1,500,230
Interest on Workers' Profit Participation Fund		42,700	111,740
Markup on advance from customer		2,855,211	3,617,082
Bank charges		367,295	588,294
		<u>44,169,885</u>	<u>58,259,246</u>
<b>31. OTHER CHARGES</b>			
Workers' Profit Participation Fund	22.3	6,753,534	2,859,756
Workers' Welfare Fund		2,568,562	1,185,521
Donation	31.1	100,000	-
		<u>9,422,096</u>	<u>4,045,277</u>
<b>31.1</b> Recipients of donations do not include any donee in whom any Director or his spouse had any interest.			
<b>32. TAXATION</b>			
Current			
- for the year		44,223,849	2,258,278
- for prior years		(114,983)	102,489
		<u>44,108,866</u>	<u>2,360,767</u>
Deferred		(517,723)	16,763,348
		<u>43,591,143</u>	<u>19,124,115</u>

# Notes to the Financial Statements

For the year ended June 30, 2010

## 32.1 Reconciliation of accounting profit with tax charge for the year

Profit before taxation

125,748,580

53,149,833

Tax at the applicable rate of 35% (2009: 35%)

44,012,003

18,602,441

Tax effect of:

- Permanent differences not deductible in determining taxable income

(85,479)

329,371

- Income taxed at reduced rates

(220,398)

89,814

- Prior year

(114,983)

102,489

43,591,143

19,124,115

## 33. EARNINGS PER SHARE - basic and diluted

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

Profit after taxation (Rupees)

82,157,437

34,025,718

Weighted average number of ordinary shares

9,481,428

9,481,428

Earnings per share (Rupees)

8.66

3.46

33.1 The weighted average number of shares for 2009 has been adjusted for the effect of bonus shares issued during the year.

## 34. CASH GENERATED FROM OPERATIONS

Profit before taxation

125,748,580

53,149,833

Adjustment for:

- Depreciation

26,889,857

27,682,222

- Amortisation

329,358

192,098

- Provision for retirement benefits

3,176,708

5,164,882

- Gain on disposal of operating assets

(193,151)

(23,262)

- Return on bank deposits

(281,786)

(155,204)

- Finance costs

44,169,885

56,759,016

74,090,871

89,619,752

Operating profit before working capital changes

199,839,451

142,769,585

Working capital changes

(Increase) / decrease in current assets:

- Stores, spares parts and loose tools

3,494,810

(19,701,578)

- Stock in trade

(44,198,965)

8,157,268

- Trade debts

(131,161,090)

(85,261,179)

- Loans and advances

3,260,168

4,578,030

- Deposits and short term prepayments

1,342,834

19,755,936

- Other receivables

(4,092,094)

(8,853,436)

Increase / (decrease) in current liabilities:

- Trade and other payable

135,575,555

35,202,089

(35,778,782)

(46,122,870)

164,060,669

96,646,715

# Notes to the Financial Statements

For the year ended June 30, 2010

	Note	2010 Rupees	2009 Rupees
<b>35. CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	17	11,181,100	15,704,735
Short-term borrowings	23	(221,866,552)	(289,830,220)
		<u>(210,685,452)</u>	<u>(274,125,485)</u>

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

### 36.1 Market risk

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

#### (i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term financing and short term borrowings with floating interest rates. Management of the Company estimates that 1% increase in the market interest rate, with all other factor remaining constant, would increase the Company's profit by Rs. 438,026/- and a 1% decrease would result in the decrease in the Company's profit by the same amount. However, in practice, the actual result may differ from the sensitivity analysis.

#### (ii) Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. As at June 30, 2010, the Company is not exposed to currency risks in respect of financial assets or financial liabilities.

#### (iii) Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activity, supply and demand for shares and liquidity in the market. Management of the Company estimates that 10% increase in the overall equity prices in the market with all other factor remaining constant would increase the Company's income by Rs.0.083 million and a 10% decrease would result in the decrease in Company's income by the same amount. However, in practice, the actual result may differ from the sensitivity analysis.

### 36.2 Credit risk

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

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

# Notes to the Financial Statements

For the year ended June 30, 2010

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

	2010 Rupees	2009 Rupees
Deposits	6,969,152	7,110,580
Trade debts	409,893,146	278,732,056
Advances to suppliers	6,649,928	9,977,104
Other receivables	31,204,611	27,106,921
Investments	8,337,500	8,050,000
Bank balances	11,103,613	15,618,143
	<u>474,157,950</u>	<u>346,594,804</u>

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

	2010 Rupees	2009 Rupees
Trade debts		
Customers with no defaults in the past one year	<u>409,893,146</u>	<u>278,732,056</u>
Bank Balances		
Ratings		
A1+	11,103,613	7,415,412
A-1	-	1,995,995
A-2	-	6,206,736
	<u>11,103,613</u>	<u>15,618,143</u>

### 36.3 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The Company applies the prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines. The table below summarises the maturity profile of the Company's financial liabilities at the following reporting dates:

2010	Less than 3 months	3 to 12 months	1 to 5 years	Total
	----- (Rupees) -----			
Long-term financing	-	36,250,000	14,081,686	50,331,686
Trade and other payables	179,715,324	50,433,504	12,917,268	243,066,096
Accrued markup	6,319,567	-	-	6,319,567
Short term borrowings	221,866,552	-	-	221,866,552
	<u>407,901,443</u>	<u>86,683,504</u>	<u>26,998,954</u>	<u>521,583,901</u>
2009	Less than 3 months	3 to 12 months	1 to 5 years	Total
	----- (Rupees) -----			
Long-term financing	-	-	50,331,686	50,331,686
Trade and other payables	66,363,496	11,580,622	12,027,059	89,971,177
Accrued markup	9,262,410	-	-	9,262,410
Short term borrowings	289,830,220	-	-	289,830,220
	<u>365,456,126</u>	<u>11,580,622</u>	<u>62,358,745</u>	<u>439,395,493</u>

# Notes to the Financial Statements

For the year ended June 30, 2010

## 37. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy

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

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

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

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

As at June 30, 2010, the Company has only available-for-sale investments measured at fair value using level 1 valuation technique.

## 38. CAPITAL RISK MANAGEMENT

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

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, trade and other payables, less cash and bank balances. Capital signifies equity as shown in the balance sheet plus net debt.

The gearing ratios as at June 30, 2010 and 2009 were as follows:

	2010 Rupees	2009 Rupees
Long-term financing	50,331,686	50,331,686
Trade and other payables	243,066,096	89,971,177
Accrued mark-up	6,319,567	9,262,410
Total debt	299,717,349	149,565,273
Add: Cash and cash equivalent	210,685,452	274,125,485
Net debt	510,402,801	423,690,758
Share capital	94,814,280	79,011,900
Reserves	371,994,989	305,352,432
Equity	466,809,269	384,364,332
Capital	977,212,070	808,055,090
Gearing ratio	52.23%	52.43%



# Notes to the Financial Statements

For the year ended June 30, 2010

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

	2010			2009		
	Chief Executive	Directors	Executive	Chief Executive	Director	Executive
	(Rupees)			(Rupees)		
Managerial remuneration	1,993,480	853,289	895,848	1,696,841	714,071	771,100
Bonus	477,312	1,117,643	212,356	122,075	147,057	55,000
Production incentive	449,235	305,880	202,703	-	-	-
House rent	833,899	349,417	373,554	708,648	291,180	322,248
Retirement benefits	185,310	155,285	83,118	157,482	129,410	71,610
Utilities	757,155	558,573	423,472	798,997	560,477	425,424
Medical expenses	206,595	95,628	72,000	216,422	33,814	72,000
Fees	-	18,000	-	-	-	22,000
Others	833,847	334,673	71,250	728,742	307,846	169,277
	<u>5,736,833</u>	<u>3,788,388</u>	<u>2,334,301</u>	<u>4,429,207</u>	<u>2,205,855</u>	<u>1,886,659</u>
Number of persons	<u>1</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>1</u>

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

## 40. TRANSACTIONS WITH RELATED PARTIES

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

		2010 Rupees	2009 Rupees
Nature of relationship	Nature of transactions		
<b>Associates</b>			
- Millat Tractors Limited	Sales	1,506,381,492	1,434,395,010
	Purchases	9,230,599	16,244,410
	Purchase of fixed assets	4,464,000	-
	Mark-up on advance	2,855,211	3,617,082
	Receipt / repayment of advances	6,926,556	7,248,367
- Millat Equipments Limited	Sales	11,260,450	7,636,550
<b>Retirement funds</b>			
- Pension fund	Contributions	1,629,818	1,579,633
- Provident fund	Contributions	2,489,168	2,250,930
- Executives' Gratuity fund	Contributions	377,428	2,682,278

# Notes to the Financial Statements

For the year ended June 30, 2010

## 41. PRODUCTION CAPACITY - Castings

Installed capacity

13,200

13,200

Actual production

16,069

14,335

Capacity utilization

122%

109%

## 42. DIVIDENDS AND APPROPRIATIONS

The Board of Directors in its meeting held on 23 September 2010 (i) approved the transfer of Rs. 49 million from unappropriated profit to general reserve; (ii) proposed a final dividend of Rs. 2.5/- per share for the year ended June 30, 2010 amounting to Rs. 23.7 million; and (iii) proposed to a bonus issue of one share for every ten shares held (10%) for the year ended June 30, 2010, for approval of the members at the Annual General Meeting to be held on 25 October 2010.

## 43. CORRESPONDING FIGURES

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

Note	Reclassification		Nature	Rupees
	From	To		
22	Income tax - net	Trade and other payables	Worker's Welfare Fund	1,185,521
31	Other charges	Finance costs	Exchange loss	1,500,230
31	Other charges	Administrative expenses	Legal and professional charges and auditors' remuneration	1,807,001

## 44. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 23 September 2010 by the Board of Directors of the Company.



Shahid A. Hakim  
Chief Executive



Sikandar M. Khan  
Chairman

## Pattern of Shareholding

As at June 30, 2010

No. of Shareholders	*Size of Holding		Total Shares Held	Amount Rupees
	From	To		
76	1	100	2,220	22,200
408	101	500	69,407	694,070
54	501	1000	37,928	379,280
217	1001	5000	429,677	4,296,770
21	5001	10000	160,325	1,603,250
15	10001	15000	173,883	1,738,830
3	15001	20000	50,320	503,200
2	20001	25000	42,970	429,700
1	25001	30000	26,211	262,110
1	35001	40000	38,247	382,470
1	40001	45000	42,000	420,000
1	55001	60000	56,329	563,290
1	65001	70000	65,863	658,630
1	70001	75000	75,000	750,000
1	75001	80000	80,000	800,000
1	115001	120000	119,306	1,193,060
1	135001	140000	137,496	1,374,960
1	160001	165000	163,196	1,631,960
2	210001	215000	426,804	4,268,040
1	230001	235000	235,000	2,350,000
2	240001	245000	487,365	4,873,650
1	270001	275000	274,604	2,746,040
1	405001	410000	405,106	4,051,060
1	455001	460000	459,074	4,590,740
1	1035001	1040000	1,037,163	10,371,630
1	4385001	4390000	4,385,934	43,859,340
816			9,481,428	94,814,280

\* There is no shareholding in the slabs not mentioned.

### Categories of Shareholders

S. No.	Categories	No. of Shareholders	No. of Shares Held	%
1	Associated Companies	1	4,385,934	46.26
2	Investment Companies	3	416,434	4.39
3	Bank/Financial Institutions	5	1,641,281	17.31
4	Joint Stock Companies	11	83,249	0.88
5	Individuals	792	2,458,917	25.93
6	Others	4	495,613	5.23
	Total	816	9,481,428	100.00

# Categories of Shareholders

As at June 30, 2010

S.No.	Particulars	Shares Held	%
1	Directors, Chief Executive Officer and their spouse and minor children		
	Sikandar Mustafa Khan	137,496	1.45
	Shahid Ahmed Hakim	1,372	0.01
	Latif Khalid Hashmi	274,604	2.90
	Sohail Bashir Rana	119,306	1.26
	Laeq Uddin Ansari	459,074	4.84
	Mian Muhammad Saleem	56,329	0.59
	Javed Munir	8,580	0.09
	Mujtaba Ahmad	11,739	0.12
2	Associated Companies, undertakings and related parties		
	Millat Tractors Limited	4,385,934	46.26
3	NIT & ICP		
	National Bank of Pakistan-Trustee Department NI(U)T Fund	406,006	4.28
4	Banks, Development Financial Institutions, Non Banking Financial Institutions		
	National Bank of Pakistan	1,282,058	13.52
	Faysal Bank Limited	65,863	0.70
	The Bank of Punjab	80,000	0.84
	Arif Habib Bank Limited	213,360	2.25
5	Insurance Companies	-	-
6	Modarabas & Mutual Funds	-	-
7	Public Sector Companies and Corporations	10,428	0.11
8	General Public		
	a. Local	1,103,198	11.64
	b. Foreign	-	-
9	Others		
	a. Joint Stock Companies	83,249	0.88
	b. Miscellaneous	214,896	2.27
	c. BCL Employees	567,936	5.99
	<b>Total</b>	<b>9,481,428</b>	<b>100.00</b>
	Share holders holding Ten Percent or more Voting Interest		
	Millat Tractors Limited	4,385,934	46.26
	National Bank of Pakistan	1,282,058	13.52



# Proxy Form

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

I/We \_\_\_\_\_ (NAME)

of \_\_\_\_\_ (FULL ADDRESS)

in the district of \_\_\_\_\_

being a member / members of BOLAN CASTINGS LIMITED and a holder of \_\_\_\_\_

\_\_\_\_\_ Shares No. \_\_\_\_\_ hereby appoint

Mr. / Mrs. / Miss \_\_\_\_\_ (NAME)

of \_\_\_\_\_ (FULL ADDRESS)

in the district of \_\_\_\_\_

\_\_\_\_\_ as my / our proxy to attend and vote for me / us and on my / our behalf at the 28<sup>th</sup> Annual General Meeting of the Company to be held at Registered Office, Main RCD Highway, Hub Chowki, Distt. Lasbela, Balochistan on October 25, 2010 at 1030 Hrs. and / or at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010

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



**Head Office**

F-1, Hub River Road,  
S.I.T.E., Karachi  
Tel : +92-21-32579681, 32579819  
Fax : +92-21-32573558  
E-mail: bclho@bclpk.com

**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

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