

**BOLAN CASTINGS LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2005**

1. The Company is incorporated in Pakistan as a public limited company and is listed on Karachi Stock Exchange. The Company is principally engaged in castings of tractors and automotive parts.
2. These financial statements are unaudited and are being submitted to the shareholders in accordance with section 245 of the Companies Ordinance, 1984 and International Accounting Standard 34 – 'Interim Financial Reporting'. The figures for the half year ended December 31, 2005 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance.
3. The accounting policies adopted in the preparation of these half yearly financial statements are the same as those applied in the preparation of the audited published financial statements of the Company for the year ended June 30, 2005.

**4. PROPERTY, PLANT AND EQUIPMENT**

	<b>December 31, 2005 Rupees</b>	<b>June 30, 2005 Rupees</b>
Operating fixed assets (note 4.1)	84,557,582	87,597,118
Capital work-in-progress (note 4.2)	45,564,823	5,147,554
	<u>130,122,405</u>	<u>92,744,672</u>

**4.1. Additions and disposals in fixed assets**

Following were the major additions during the period/year:

Building on freehold land	-	1,644,738
Plant and machinery	49,500	4,360,902
Electrical appliances	129,400	309,805
Automotive vehicles	1,905,000	6,994,000
Computers	368,500	289,600

Following were the major disposals during the period/year - at net book value:

Vehicles	380,145	1,195,187
Computers	-	110,871



#### 4.2. Capital work-in-progress

During the period the Company incurred expenditure on work-in-progress in respect of Balancing, Modernization, Replacement and Expansion of Plant and Machinery and Civil Works amounting to Rs. 40,417,269 (June 2005: Rs. 4,688,765).

#### 5. LONG TERM LOANS - secured

Represents long term loan from a commercial bank out of the total demand finance facility of Rs. 145 million (June 30, 2005: 145 million) secured by way of first registered hypothecation charge of Rs. 182 million over present and future fixed assets of the Company. The facility carries standard mark-up at the rate of 14.60 percent per annum and timely payment mark-up at the rate of 'KIBOR plus 0.75%', and is repayable in 5 years in eight equal semi-annual installments commencing after one year's grace period.

#### 6. CONTINGENCIES AND COMMITMENTS

Letters of credit outstanding as at December 31, 2005 Rs. 62,914,400 (June 30, 2005: Rs. 30,584,000).

#### 7. SALES - net

	For the half year ended		For the second quarter ended	
	December 31, 2005	December 31, 2004	December 31, 2005	December 31, 2004
	-----Rupees-----		-----Rupees-----	
Manufacturing goods	444,295,570	383,761,316	240,573,970	191,328,081
Trading goods	-	1,299,755	-	-
	444,295,570	385,061,071	240,573,970	191,328,081
Sales return	21,854,325	17,695,100	12,582,412	6,568,303
Sales tax	57,142,379	49,499,412	40,058,926	24,707,459
	<u>365,298,866</u>	<u>317,866,559</u>	<u>187,932,632</u>	<u>160,052,319</u>



## 8. COST OF GOODS SOLD

	For the half year ended		For the second quarter ended	
	December 31, 2005	December 31, 2004	December 31, 2005	December 31, 2004
	-----Rupees-----		-----Rupees-----	
Raw material and components consumed				
Opening stock	66,698,393	55,031,214	97,542,559	74,759,901
Purchases	249,860,950	186,754,246	106,655,133	90,075,310
	<u>316,559,343</u>	<u>241,785,460</u>	<u>204,197,692</u>	<u>164,835,211</u>
Closing stock	(114,316,354)	(79,388,838)	(114,316,354)	(79,388,838)
	<u>202,242,989</u>	<u>162,396,622</u>	<u>89,881,338</u>	<u>85,446,373</u>
Salaries, wages and benefits	18,544,163	22,681,188	9,239,534	11,940,796
Staff welfare	1,431,547	1,254,292	758,212	640,385
Stores and spares consumed	30,175,305	23,055,745	14,710,921	11,379,481
Fuel and power	55,477,828	39,759,956	24,618,550	19,355,882
Machining expenses	3,743,203	2,300,065	2,347,154	1,229,287
Other services	14,699,834	11,647,755	7,822,306	6,289,466
Travelling and conveyance	5,069,429	3,907,191	2,709,666	1,908,409
Rent, rates and taxes	238,364	167,668	106,584	99,884
Repairs and maintenance	2,408,897	1,603,580	1,421,391	718,839
Export expenses	386,620	266,276	210,530	230,891
Freight charges	9,605,839	6,035,813	6,321,662	2,651,221
Insurance	457,326	365,700	230,740	187,233
Vehicles expense	1,334,486	1,015,298	734,684	605,065
Depreciation	4,883,094	4,905,661	2,475,431	2,496,198
Others	1,542,447	1,429,835	803,164	1,032,935
	<u>149,998,382</u>	<u>120,396,023</u>	<u>74,510,529</u>	<u>60,765,972</u>
Work in process - opening	21,701,000	28,295,000	32,864,000	24,065,000
- closing	(22,543,000)	(26,771,000)	(22,543,000)	(26,771,000)
Cost of goods manufactured	<u>351,399,371</u>	<u>284,316,645</u>	<u>174,712,867</u>	<u>143,506,345</u>
Finished goods - opening	8,069,000	5,022,000	13,691,000	7,491,000
- closing	(7,268,000)	(8,453,000)	(7,268,000)	(8,453,000)
Cost of goods sold				
- own manufactured	352,200,371	280,885,645	181,135,867	142,544,345
- trading goods	-	1,028,535	-	9,580
	<u><u>352,200,371</u></u>	<u><u>281,914,180</u></u>	<u><u>181,135,867</u></u>	<u><u>142,553,925</u></u>



## 9. CASH GENERATED FROM OPERATIONS

	For the half year ended	
	December 31, 2005 Rupees	December 31, 2004 Rupees
Profit before taxation	3,278,378	27,172,509
Adjustment for non cash charges and other items:		
Depreciation	5,247,038	5,207,114
(Reversal of provision)/provision for retirement benefits	(869,154)	1,182,867
Gain on sale of fixed assets	-	(139,834)
Dividend income	(375,000)	(375,000)
Finance cost	3,340,738	336,574
Return on deposits	(675,244)	(230,421)
Working capital changes - (note 9.1)	(27,111,971)	(13,160,593)
	<u>(17,165,215)</u>	<u>19,993,216</u>

### 9.1 Working capital changes

(Increase)/decrease in current assets:		
Stores, spares and loose tools	(1,568,273)	(4,885,658)
Stock-in-trade	(54,901,787)	(24,349,725)
Trade debts	43,960,428	12,800,605
Loans, advances, deposits and prepayments	(11,996,267)	(6,568,003)
Trade deposits and short term prepayments	(1,413,864)	-
Other receivables	20,981	400,833
	<u>(25,898,782)</u>	<u>(22,601,948)</u>
Increase/(decrease) in current liabilities:		
Trade and other payables	(1,213,189)	9,441,355
	<u>(27,111,971)</u>	<u>(13,160,593)</u>

## 10. TRANSACTIONS WITH RELATED PARTIES

Sales to Millat Tractors Limited for the half year ended December 31, 2005 amounted to Rs. 309,194,977 (December 31, 2004: Rs. 270,644,726). Receivable from Millat Tractors Limited as at December 31, 2005 amounted to Rs. 22,287,457 (June 30, 2005: Rs. 68,574,899).



**11. CORRESPONDING FIGURES**

In order to comply with the requirements of International Accounting Standard - 34, 'Interim Financial Reporting', the Balance Sheet has been compared with the preceding Balance Sheet as at the year end, whereas the Profit and Loss Account and Cash Flow Statement have been compared with the corresponding periods of the previous year. Corresponding figures have been re-arranged and reclassified where necessary, for the purpose of comparison.

**12. DATE OF AUTHORIZATION**

These financial statements were authorized for issue on February 28, 2006 by the Board of Directors of the Company.

**JAVAID ASHRAF**  
**CHIEF EXECUTIVE**

**SIKANDAR M. KHAN**  
**CHAIRMAN**