

**BOLAN CASTINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE 1st QUARTER ENDED SEPTEMBER 30, 2006**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

The Company is incorporated in Pakistan as a public limited company and is listed on Karachi Stock Exchange. Its main business activity is to undertake castings of Tractors and Automotive Parts.

**2 COMPLIANCE WITH STATUTORY REQUIREMENTS**

These unaudited Financial statements have been prepared in Compliance of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and are being circulated as required under section 245 of the Companies Ordinance, 1984.

**3 ACCOUNTING POLICIES**

The accounting policies adopted for the preparation of these quarterly accounts for the period ended September 30, 2006 are the same as those applied in the preparation of the audited published accounts of the company for the period ended June 30, 2006.

	SEPTEMBER 30, 2006 RUPEES	JUNE 30, 2006 RUPEES
<b>4 PROPERTY , PLANT AND EQUIPMENT</b>		
Operating Fixed Assets	85,833,098	88,415,101
Capital work-in-progress	131,649,219	114,967,615
	<u>217,482,317</u>	<u>203,382,716</u>
<b>5 SHARE CAPITAL</b>		
<b>5.1 Authorized capital</b>		
7,500,000 (2005: 7,500,000) ordinary shares of Rs. 10 each	<u>75,000,000</u>	<u>75,000,000</u>
<b>5.2 Issued, subscribed and paid up capital</b>		
5,525,307 (2005: 5,525,307) ordinary shares of Rs. 10 each fully paid in cash	<u>55,253,070</u>	<u>55,253,070</u>
<b>6 RESERVES</b>		
Unrealized gain on investment	13,187,500	11,246,875
Revenue - General	230,000,000	210,000,000
- Unappropriated	39,460,676	48,214,651
	<u>269,460,676</u>	<u>258,214,651</u>
	<u>282,648,176</u>	<u>269,461,526</u>
<b>7 CONTINGENCIES AND COMMITMENTS</b>		
<b>7.1 Contracts signed in respect of capital expenditure but not executed till the end of the Quarter</b>	<u>5,037,190</u>	<u>13,007,258</u>
<b>7.2 Letters of credit issued by commercial banks</b>	<u>78,069,849</u>	<u>102,000,000</u>

	SEPTEMBER 30, 2006 RUPEES	SEPTEMBER 30, 2005 RUPEES
<b>8 SALES</b>		
Manufactured Goods	228,774,824	203,721,600
Less: Sales Return	(13,902,084)	(9,271,913)
Sales Tax	(18,589,730)	(17,083,453)
	(32,491,814)	(26,355,366)
	<u>196,283,010</u>	<u>177,366,234</u>

## 9 COST OF GOODS SOLD

Raw Material & Components consumed:

Opening Stock	77,344,282	63,679,326
Purchases	144,908,293	143,205,817
	<u>222,252,575</u>	<u>206,885,143</u>
Closing Stock	(122,228,200)	(97,542,559)
	<u>100,024,375</u>	<u>109,342,584</u>

Salaries,Wages & Benefits	12,490,570	9,304,629
Staff Welfare	828,845	673,335
Stores & Spares Consumed	17,113,320	15,464,384
Fuel & power	19,460,216	30,859,278
Machining Expenses	414,186	1,396,049
Other services	9,077,428	6,877,528
Travelling & Conveyance	2,266,806	2,359,763
Rent, Rates & Taxes	91,460	131,780
Repair and Maintenance	864,924	987,506
Insurance	226,419	226,586
Vehicle Expenses	453,975	599,802
Freight Expenses	4,016,265	3,284,177
Export Expenses	6,230	176,090
Depreciation	2,062,856	2,407,663
Others	1,082,299	739,283
	<u>70,455,799</u>	<u>75,487,853</u>
	<u>170,480,174</u>	<u>184,830,437</u>

Work-in-Process - Opening	19,115,000	21,701,000
- Closing	(18,096,000)	(32,864,000)
	<u>1,019,000</u>	<u>(11,163,000)</u>
Cost of Goods Manufactured	<u>171,499,174</u>	<u>173,667,437</u>

Finished Goods - Opening	13,151,000	8,069,000
- Closing	(16,438,000)	(13,691,000)
	<u>(3,287,000)</u>	<u>(5,622,000)</u>

Cost of Goods sold	<u>168,212,174</u>	<u>168,045,437</u>
--------------------	--------------------	--------------------

	SEPTEMBER 30, 2006 RUPEES	SEPTEMBER 30, 2005 RUPEES
--	---------------------------------	---------------------------------

## 10 CASH GENERATED FROM OPERATIONS

Profit before taxation	17,301,577	4,801,552
adjustment for :		
Depreciation	2,578,570	2,581,164
Provision for retirement benefits	217,741	206,261
Provision for doubtful debts	-	(89,200)
Finance cost	4,951,129	897,465
Return on deposits	(444,697)	(394,664)
	<u>7,302,743</u>	<u>3,201,026</u>
Operating profit before working capital changes	<u>24,604,320</u>	<u>8,002,578</u>

### Working Capital Changes

(Increase) / Decrease in current assets:

Stores,spares and loose tools	(9,642,515)	5,369,905
Stock-in-trade	(47,841,032)	(54,528,533)
Trade debts	23,076,668	15,799,435
Loans and advances	(460,665)	(6,608,761)
Trade,deposits & short term prepayments	(4,247,893)	(2,550,988)
Other receivables	(558,798)	(695,191)
	<u>(39,674,235)</u>	<u>(43,214,133)</u>

Increase in current liabilities:  
Trade & Other Payables

<b>26,955,324</b>	33,113,345
<b>(12,718,911)</b>	(10,100,788)
<b>11,885,409</b>	(2,098,210)

#### 11 CASH AND CASH EQUIVALENTS

Cash and bank balances	<b>19,164,611</b>	4,205,492
Short term running finance	<b>(40,509,502)</b>	(38,604,877)
	<b>(21,344,891)</b>	(34,399,385)

#### 12 TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS AND RELATED PARTIES

Sales to Millat Tractors Limited for the 1st quarter ended September 30,2006 amounted to Rs.178,979,084 (September 30,2005 :Rs.151,646,836). Receivable from Millat Tractors Ltd as at September 30,2006 amounted to Rs.32,111,155(June 30, 2006:Rs.54,637,673)

12.1 All Transactions with associated undertakings are at arm's length price.

#### 13 AUTHORIZATION OF ISSUE

The Financial Statements were authorized for issue by the Board of Directors on October 30, 2006.

#### 14 NON ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

Out of the profits for the year ended June 30, 2006, dividend approved by the share holders after the balance sheet date amount to Rs. 27,626,535 (Rs. 5/- per share)

#### 15 CORRESPONDING FIGURES

Corresponding figures have been re-arranged,where necessary,for the purpose of comparison.



**JAVOID ASHRAF**  
CHIEF EXECUTIVE



**SIKANDAR M.KHAN**  
CHAIRMAN