

Bolan Castings Limited

Quarterly Financial Statements
For and upto the Second Quarter
Ended December 31, 2018

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NEW HEIGHTS



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COMPANY INFORMATION

Board of Directors	Mr. Sikandar M. Khan Mr. Nisar Ahmed Mirani Mr. Latif Khalid Hashmi Mr. Sohail Bashir Rana Mr. Laeeq Uddin Ansari Syed Muhammad Irfan Aqueel Syed Javaid Ashraf Mr. Muhammad Salman Husain Chawala	Chairman Chief Executive Director Director Director Director Director Director
Company Secretary	Mr. Arafat Mushir	
Chief Financial Officer	Syed Sajid Ali	
Auditors	M/s. A.F. Ferguson & Co.	Chartered Accountants
Legal Advisors	M/s. Latif & Latif Advocate M/s. Rizwan Manai Associates	
Bankers	Habib Bank Limited MCB Bank Limited Bank Alfalah Limited Dubai Islamic Bank Pakistan Ltd. Meezan Bank Limited Faysal Bank Limited Askari Bank Limited Bank Al-Habib Limited	
Share Registrar	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	
Registered Office	Main RCD Highway, Hub Chowki, District Lasbela, Balochistan, Pakistan Tel : +92-853-364033,363296 Fax : +92-853-363292 E-mail: bclhub@bclpk.com	
Web Site	www.bolancastings.com	

DIRECTORS' REVIEW

Dear Shareholders

Directors of your company take this opportunity to present the un-audited financial statements for the half year ended December 31, 2018 duly reviewed by the statutory auditors' of the Company.

The net sales for the six months under review were Rs. 803.3 million as compared to Rs. 1,123.7 million of corresponding period of last year. The gross loss for the six months was Rs. 12.8 million as compared to gross profit of Rs. 179.9 million of the corresponding period. The loss after tax was Rs. 67.3 million as compared to profit after tax of Rs. 75.5 million of the corresponding period.

The profitability was mainly affected as a result of decline of castings' sales to tractor manufacturers, which were facing a dearth of fresh orders. Additionally, the continuing devaluation of Pakistani rupee against foreign currencies coupled with the increase in raw material and fuel prices have also adversely impacted on the business.

The management of your Company is vigilant of these challenges and is taking all possible measures to mitigate their impact by implementing aggressive strategies for procurement of raw materials along with continuous emphasis on financial controls and operational efficiencies. Further, we are also striving to look for new sales avenues and adding new customers as well as new products, which would help in improving financial results for the upcoming period of the current financial year.

We would like to extend our deepest gratitude towards our customers and shareholders for their trust and confidence for being steadfast and standing resolute with us in this challenging time.

For and on behalf of the Board



NISAR AHMED MIRANI
Chief Executive Officer

Hub:
February 13, 2019

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF BOLAN CASTINGS LIMITED REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Bolan Castings Limited as at December 31, 2018 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended December 31, 2018 and 2017 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2018.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditor's report is Syed Fahim ul Hasan.



A. F. Ferguson & Co.
Chartered Accountants
Karachi

Date: February 26, 2019

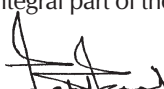
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

		(Unaudited) December 31, 2018	(Audited) June 30, 2018
	Note	-----Rupees-----	
ASSETS			
Non-current assets			
Property, plant and equipment	5	259,406,692	232,681,443
Long-term investment	6	21,571,125	31,110,375
Long-term loans		1,229,000	846,000
Deferred tax assets		33,298,161	-
Long-term deposits		3,806,541	3,806,541
Employee benefits prepayment	7	15,963,258	15,708,298
		<u>335,274,777</u>	<u>284,152,657</u>
Current assets			
Stores, spare parts and loose tools		123,394,277	119,591,526
Stock-in-trade	8	415,004,590	391,227,480
Trade receivables	9	49,798,147	69,328,325
Loans and advances		43,897,010	3,820,576
Trade deposits and short term prepayments		6,132,496	293,874
Other receivables		228,283	271,306
Refunds due from the Government - sales tax		24,187,154	14,692,936
Taxation - payments less provision		186,722,145	152,837,850
Cash and bank balances		14,423,511	20,681,061
		<u>863,787,613</u>	<u>772,744,934</u>
Total assets		<u>1,199,062,390</u>	<u>1,056,897,591</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		114,725,290	114,725,290
Reserves		419,272,856	524,792,735
		<u>533,998,146</u>	<u>639,518,025</u>
LIABILITIES			
Non-current liabilities			
Long-term deposits		5,689,541	6,193,726
Deferred tax liabilities		-	405,018
Employee benefits obligations	7	89,821,863	77,807,334
		<u>95,511,404</u>	<u>84,406,078</u>
Current liabilities			
Trade and other payables		91,232,529	96,579,321
Current portion of long-term deposits		1,545,447	1,191,631
Unclaimed dividend		3,638,903	3,098,928
Accrued mark-up		10,788,694	3,725,391
Short-term financing		462,347,267	228,378,217
		<u>569,552,840</u>	<u>332,973,488</u>
Total liabilities		<u>665,064,244</u>	<u>417,379,566</u>
Contingencies and commitments	10		
Total equity and liabilities		<u>1,199,062,390</u>	<u>1,056,897,591</u>

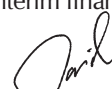
The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.



Chief Executive



Director



Chief Financial Officer

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE HALF YEAR ENDED DECEMBER 31, 2018 - UNAUDITED

	Note	Quarter ended		Half year ended	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
		Rupees			
Revenue	11	307,134,219	635,501,354	803,302,089	1,123,734,146
Cost of sales		(321,500,548)	(528,730,357)	(816,144,756)	(943,784,660)
Gross (loss) / profit		(14,366,329)	106,770,997	(12,842,667)	179,949,486
Distribution cost		(10,228,616)	(14,892,445)	(25,612,370)	(29,662,512)
Administrative expenses		(25,692,994)	(18,737,955)	(41,855,200)	(34,955,030)
Other expenses		-	(4,838,336)	-	(7,632,305)
Other income		6,735,737	3,398,780	9,373,644	4,494,043
Operating (loss) / profit		(43,552,202)	71,701,041	(70,936,593)	112,193,682
Finance cost		(10,823,076)	(2,365,240)	(18,138,702)	(5,725,413)
(Loss) / profit before income tax		(54,375,278)	69,335,801	(89,075,295)	106,468,269
Income tax - net		13,560,327	(21,200,604)	21,775,989	(30,927,513)
(Loss) / profit for the period		(40,814,951)	48,135,197	(67,299,306)	75,540,756
(Loss) / earnings per share - Basic and diluted	12	(3.56)	4.20	(5.87)	6.58

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.


Chief Executive


Director


Chief Financial Officer

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)

	Quarter ended		Half year ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	Rupees			
(Loss) / profit for the period	(40,814,951)	48,135,197	(67,299,306)	75,540,756
Other comprehensive income / (loss):				
Items that will not be reclassified to profit or loss				
Unrealised loss on revaluation of investment at fair value through other comprehensive income	(4,439,000)	(3,378,125)	(9,539,250)	(10,996,875)
Total comprehensive (loss) / income for the period	(45,253,951)	44,757,072	(76,838,556)	64,543,881

The annexed notes 1 to16 form an integral part of these condensed interim financial statements.


Chief Executive


Director


Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED DECEMBER 31, 2018 - UNAUDITED

		December 31, 2018	December 31, 2017
	Note	-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	13	(114,381,507)	47,066,344
Increase in long-term loans		(383,000)	(365,255)
(Decrease) / increase in long-term deposits - net		(150,369)	2,034,147
Income taxes paid - net		(45,811,485)	(37,655,650)
Employee benefits paid		(2,124,319)	(2,534,979)
Mark-up paid		(10,943,467)	(3,795,856)
Net cash generated from operating activities		(173,794,147)	4,748,751
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition of property, plant and equipment		(41,525,329)	(30,782,603)
Proceeds from disposal of property, plant and equipment		2,984,102	2,898,827
Return received on savings and deposit accounts		250,122	194,790
Investment in Term Deposit Receipts (TDRs)		(454,180)	-
Dividend received		-	1,150,000
Net cash used in investing activities		(38,745,285)	(26,538,986)
CASH USED IN FINANCING ACTIVITIES			
Dividend paid		(28,141,348)	(55,660,606)
Net decrease in cash and cash equivalents		(240,680,780)	(77,450,841)
Cash and cash equivalents at beginning of the period		(211,099,176)	(118,863,484)
Cash and cash equivalents at end of the period	14	(451,779,956)	(196,314,325)

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.


Chief Executive


Director


Chief Financial Officer

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.


Chief Financial Officer

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)

1. THE COMPANY AND ITS OPERATIONS

Bolan Castings Limited (the Company) is a public limited company incorporated and domiciled in Pakistan and listed on the Pakistan 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.

The Company is a subsidiary of Millat Tractors Limited in accordance with the provisions of IFRS 10 - Consolidated Financial Statements.

2. BASIS OF PREPARATION

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statements do not include all the information required for full financial statements and should be read in conjunction with the annual financial statements for the year ended June 30, 2018.

2.1 Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

IFRS 9 'Financial instruments' - This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit loss model that replaces the current incurred loss impairment model.

IFRS 15 'Revenue from contracts with customers' - IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition.

IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

NOTES TO THE FINANCIAL STATEMENTS

The changes laid down by these standards do not have any significant impact on these financial statements of the Company.

b) Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2018 are considered not to be relevant for the Company's financial statements and hence have not been detailed here.

c) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant

The following is the new standard that will be effective for the periods beginning on or after January 1, 2019 that may have an impact on the financial statements of the Company.

IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases.

The management is in the process of assessing the impact of changes laid down by this standard on its financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2018.

4. ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts. Actual results may differ from these judgements, estimates and assumptions.

However, management believes that the change in outcome of judgements, estimates and assumptions would not have a material impact on the amounts disclosed in these condensed interim financial statements.

Judgements and estimates made by the management in the preparation of these condensed interim financial statements are the same as those that were applied to the financial statements as at and for the year ended June 30, 2018.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2018.

NOTES TO THE FINANCIAL STATEMENTS

	(Unaudited) December 31, 2018	(Audited) June 30, 2018
	-----Rupees-----	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets - note 5.1	215,267,432	222,482,850
Capital work-in-progress	44,139,260	10,198,593
	<u>259,406,692</u>	<u>232,681,443</u>

5.1 Additions and disposals to operating assets during the period are as follows:

	Additions (at cost)		Disposals (at net book value)	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	-----Rupees-----			
Plant and machinery	4,250,635	22,318,963	-	179,125
Building on freehold land	455,877	864,000	-	-
Furniture and fittings	-	69,485	-	-
Electrical appliances	63,200	178,500	8,043	-
Computers	-	377,255	-	-
Office equipment	383,750	-	-	-
Vehicles	2,414,700	8,445,000	1,797,498	2,111,325
	<u>7,568,162</u>	<u>32,253,203</u>	<u>1,805,541</u>	<u>2,290,450</u>

	(Unaudited) December 31, 2018	(Audited) June 30, 2018
	-----Rupees-----	
6. LONG-TERM INVESTMENT		
Investment at fair value through OCI		
Balance at beginning of the year	31,110,375	42,693,750
Unrealised loss on revaluation - transferred to equity	(9,539,250)	(11,583,375)
Balance at end of the period	<u>21,571,125</u>	<u>31,110,375</u>

Represents investment in 287,500 (June 30, 2018: 287,500) quoted ordinary shares of Rs. 10/- each of Baluchistan Wheels Limited. Equity held 2.16% (June 30, 2018: 2.16%).

7. EMPLOYEE BENEFITS

The Company follows a consistent practice to conduct actuarial valuations annually at the year end. Hence, the impact, if any, relating to remeasurements of post employment benefit obligations (actuarial gains/losses) on condensed interim financial statements is not calculated and accounted for.

NOTES TO THE FINANCIAL STATEMENTS

	(Unaudited) December 31, 2018	(Audited) June 30, 2018
	-----Rupees-----	
8. STOCK-IN-TRADE		
Raw materials (including in transit Rs. 14.71 million; June 30, 2018: Rs. 25.65 million)	101,117,694	149,402,873
Work in process	83,729,141	108,002,038
Finished goods - note 8.1	230,157,755	133,822,569
	415,004,590	391,227,480
Provision for slow moving stock	-	-
	415,004,590	391,227,480
8.1 This includes stock of Rs. 85.69 million (June 30, 2018: Rs. 24.48 million) which has been written-down to net realisable value by Rs. 11.13 million (June 30, 2018: Rs. 3.17 million).		
	(Unaudited) December 31, 2018	(Audited) June 30, 2018
	-----Rupees-----	
9. TRADE RECEIVABLES		
Considered good		
- Related parties	40,423,070	53,489,007
- Others	9,375,077	15,839,318
	49,798,147	69,328,325
10. CONTINGENCIES AND COMMITMENTS		
10.1 CONTINGENCIES		
There has been no change in status of contingencies reported in the financial statements for the year ended June 30, 2018.		
10.2 The aggregate commitments in respect of capital expenditure as at December 31, 2018 amount to Rs 44.9 million (June 30, 2018: Rs. 53.09 million).		
	December 31, 2018	December 31, 2017
	-----Rupees-----	
11. REVENUE		
Gross revenue	973,963,641	1,377,532,036
Less:		
- Sales returns	(29,125,423)	(53,537,407)
- Sales tax	(141,536,129)	(200,260,483)
	(170,661,552)	(253,797,890)
	803,302,089	1,123,734,146

NOTES TO THE FINANCIAL STATEMENTS

	December 31, 2018	December 31, 2017
	-----Rupees-----	
12. (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED		
(Loss) / profit after taxation attributable to ordinary shareholders	<u>(67,299,306)</u>	<u>75,540,756</u>
Weighted average number of shares in issue during the period	<u>11,472,529</u>	<u>11,472,529</u>
(Loss) / earnings per share (Rupees) - Basic and diluted	<u>(5.87)</u>	<u>6.58</u>
12.1. Diluted (loss) / earnings per share has not been presented as the Company did not have any convertible instruments in issue as at December 31, 2018 and 2017 which would have any effect on the (loss) / earnings per share if the option to convert is exercised.		
13. CASH GENERATED FROM OPERATIONS		
(Loss) / profit before income tax	(89,075,295)	106,468,269
Adjustment for non-cash charges and other items		
Depreciation	12,994,539	10,816,699
Non-cash employee benefits expense	13,883,888	3,331,437
Gain on disposal of property, plant and equipment	(1,178,561)	(608,377)
Return on savings and deposit accounts	(250,122)	(194,790)
Dividend income	-	(1,150,000)
Mark-up on short-term financing	18,006,770	5,141,610
	<u>43,456,514</u>	<u>17,336,579</u>
	<u>(45,618,781)</u>	<u>123,804,848</u>
EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES		
Decrease / (Increase) in current assets		
Stores, spare parts and loose tools	(3,802,751)	(2,529,660)
Stock-in-trade	(23,777,110)	(15,922,710)
Trade receivables	19,530,178	(68,935,590)
Loans and advances	(40,076,434)	(357,050)
Trade deposits and short term prepayments	(5,838,622)	(4,503,076)
Other receivables	43,023	34,226
Refunds due from the Government - Sales tax	(9,494,218)	21,167,140
	<u>(63,415,934)</u>	<u>(71,046,720)</u>
Decrease in current liabilities		
Trade and other payables	(5,346,792)	(5,691,784)
	<u>(114,381,507)</u>	<u>47,066,344</u>

NOTES TO THE FINANCIAL STATEMENTS

	December 31, 2018	December 31, 2017
	-----Rupees-----	
14. CASH AND CASH EQUIVALENTS		
Cash in hand	318,353	190,365
With Banks on:		
- current accounts	4,384,010	3,028,554
- savings accounts	5,864,948	3,625,812
	10,248,958	6,654,366
Short-term financing	(462,347,267)	(203,159,056)
	<u>(451,779,956)</u>	<u>(196,314,325)</u>

15. RELATED PARTY DISCLOSURE

The following transactions were carried out with related parties during the period:

Relationship with the Company	Nature of transactions	December 31, 2018	December 31, 2017
		-----Rupees-----	
Parent company:			
- Millat Tractors Limited (MTL)	Sale of goods	754,557,594	1,039,855,952
	Purchase of goods	756,958	2,575,229
	Purchase of operating assets	-	3,323,076
	Dividend paid	13,267,448	26,534,895
	Expenses incurred by MTL on behalf of the Company	6,773,428	6,537,977
Associated company:			
- Millat Equipment Limited	Sale of goods	557,015	12,793,599
Employee benefit funds:			
- Pension fund	Contributions	1,278,599	1,202,776
- Provident fund	Contributions	2,278,179	1,960,671
- Executives' Gratuity Fund	Contributions	405,372	447,569
- Executives' Gratuity Fund	Benefits paid on behalf of the fund	3,603,762	11,270,133
Key management personnel:	Salaries and other short term employee benefits paid"	25,349,063	20,293,027

NOTES TO THE FINANCIAL STATEMENTS

16. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on February 13, 2019 by the Board of Directors of the Company.



Chief Executive



Director



Chief Financial Officer



Main RCD Highway,
Hub Chowki, District Lasbela,
Balochistan, Pakistan
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CORPORATE

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