

BOLAN CASTINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2004

1. The Company was 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, 2004 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, 2004 except as stated in note 4 below.

4. CHANGE IN ACCOUNTING POLICY

During the period, the Securities and Exchange Commission of Pakistan has substituted the Fourth Schedule to the Companies Ordinance, 1984 which is effective from the financial year ending on or after July 5, 2004. This has resulted in a change in accounting policy relating to recognition of dividend proposed subsequent to the year end. The Company, effective from current year, has not recognized the final dividend, proposed subsequent to the year end, as a liability to comply with IAS 10 ‘Events after the Balance Sheet Date’ which was previously overridden by the requirements of the Fourth Schedule to the Companies Ordinance, 1984. Such a change in policy has been accounted for retrospectively and comparative financial statements have been restated in accordance with the recommended benchmark treatment of IAS 8 ‘Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies’. Had there been no change, the unappropriated profit and the current liabilities for the year ended June 30, 2004 would have been lower and higher by Rs. 27,626,535 (June 30, 2003: Rs. 33,151,842).

5. CONTINGENCIES AND COMMITMENTS

- 5.1 Letters of credit outstanding as at December 31, 2004 Rs. 11,782,371 (June 30, 2004: Rs. 9,402,000).
- 5.2 Post dated cheques issued in favour of collector of customs in support of indemnity bonds as at December 31, 2004 Rs. 93,393 (June 30, 2004: Rs. 319,076).

6. ADDITIONS AND DISPOSALS IN FIXED ASSETS

	December 31, 2004 Rupees	June 30, 2004 Rupees
6.1 Following were the major additions in the fixed assets during the period/year:		
Plant, machinery and equipment	3,897,726	3,907,737
Automotive vehicles	1,871,000	2,375,980
Computers	256,300	331,800
6.2 Following were the major disposals of the fixed assets during the period/year - at net book value:		
Automotive vehicles	960,307	847,520
Computers	110,871	-

7. SALES - net

	<u>For the half year ended</u>		<u>For the second quarter ended</u>	
	<u>December 31, 2004</u>	<u>December 31, 2003</u>	<u>December 31, 2004</u>	<u>December 31, 2003</u>
	-----Rupees-----		-----Rupees-----	
Manufacturing goods	366,066,216	259,037,743	184,759,778	177,180,590
Trading goods	1,299,755	3,108,556	-	-
	<u>367,365,971</u>	<u>262,146,299</u>	<u>184,759,778</u>	<u>177,180,590</u>
Sales tax	49,499,412	31,563,550	24,707,459	21,175,837
	<u><u>317,866,559</u></u>	<u><u>230,582,749</u></u>	<u><u>160,052,319</u></u>	<u><u>156,004,753</u></u>

8. COST OF GOODS SOLD

	For the half year ended		For the second quarter ended	
	December 31, 2004	December 31, 2003	December 31, 2004	December 31, 2003
	-----Rupees-----		-----Rupees-----	
Raw material and components consumed				
Opening stock	55,031,214	27,564,780	74,759,901	37,845,431
Purchases	186,754,246	106,107,892	90,075,310	66,725,081
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Closing stock	241,785,460 (79,388,838)	133,672,672 (46,879,451)	164,835,211 (79,388,838)	104,570,512 (46,879,451)
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	162,396,622	86,793,221	85,446,373	57,691,061
Salaries, wages and benefits	22,681,188	19,623,458	11,940,796	12,200,564
Staff welfare	1,254,292	1,129,399	640,385	616,187
Stores and spares consumed	23,055,745	16,670,928	11,379,481	9,736,599
Fuel and power	39,759,956	27,089,046	19,355,882	15,312,247
Machining expenses	2,300,065	2,706,520	1,229,287	1,865,764
Other services	11,647,755	8,135,388	6,289,466	5,073,385
Travelling and conveyance	3,907,191	2,600,870	1,908,409	1,283,171
Rent, rates and taxes	167,668	137,034	99,884	76,440
Repairs and maintenance	1,603,580	1,102,146	718,839	723,789
Export expenses	266,276	729,542	230,891	322,746
Freight charges	6,035,813	4,020,133	2,651,221	2,692,740
Insurance	365,700	411,307	187,233	206,533
Vehicles expense	1,015,298	901,687	605,065	454,626
Depreciation	4,905,661	5,055,751	2,496,198	2,544,170
Others	1,429,835	943,536	1,032,935	400,053
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	120,396,023	91,256,745	60,765,972	53,509,014
Work in process - opening	28,295,000	14,957,000	24,065,000	15,704,000
- closing	(26,771,000)	(23,275,000)	(26,771,000)	(23,275,000)
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Cost of goods manufactured	284,316,645	169,731,966	143,506,345	103,629,075
Finished goods - opening	5,022,000	4,332,000	7,491,000	9,183,000
- closing	(8,453,000)	(4,117,000)	(8,453,000)	(4,117,000)
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Cost of goods sold				
- own manufactured	280,885,645	169,946,966	142,544,345	108,695,075
- trading goods	1,028,535	2,506,855	9,580	9,520
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	281,914,180	172,453,821	142,553,925	108,704,595

9. **CASH GENERATED FROM OPERATIONS**

	For the half year ended	
	December 31, 2004 Rupees	December 31, 2003 Rupees
Profit before taxation	27,172,509	48,362,617
Adjustment for non cash charges and other items:		
Depreciation	5,207,114	5,366,063
Provision for retirement benefits	1,182,867	266,387
(Gain) / loss on sale of fixed assets	(139,834)	(43,680)
Dividend income	(375,000)	(500,000)
Finance cost	336,574	289,932
Return on deposits	(230,421)	(554,685)
Working capital changes - (note 9.1)	2,107,998	(47,207,632)
	<u>35,261,807</u>	<u>5,979,002</u>

9.1 **Working capital changes**

(Increase)/decrease in current assets:		
Stores, spares and loose tools	(4,885,658)	(7,782,662)
Stock-in-trade	(24,349,725)	(27,417,671)
Trade debts	12,800,605	(19,442,267)
Loans, advances, deposits and prepayments	(6,568,003)	3,170,255
Other receivables	400,833	10,794
	<u>(22,601,948)</u>	<u>(51,461,551)</u>
Increase/(decrease) in current liabilities:		
Trade and other payables	9,441,355	4,253,919
Short term credit facilities	15,268,591	-
	<u>2,107,998</u>	<u>(47,207,632)</u>

10. **TRANSACTIONS WITH ASSOCIATED UNDERTAKING**

Sales and purchases to/from Millat Tractors Limited for the half year ended December 31, 2004 amounted to Rs. 285,890,548 (December 31, 2003: Rs. 168,510,143) and Nil (December 31, 2003: 2,452,455) respectively. Receivable from Millat Tractors Limited as at December 31, 2004 amounted to Rs. 22,368,251 (June 30, 2004: Rs. 18,343,588).

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 by the Board of Directors of the Company on February 22, 2005.

LAAEQ UDDIN ANSARI
CHIEF EXECUTIVE

SIKANDAR M. KHAN
CHAIRMAN