

**BOLAN CASTINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2005.**

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’.
3. The accounting policies adopted in the preparation of these quarterly 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 March 31, 2005 Rs. 10,640,085 (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 March 31, 2005 Rs. 93,393 (June 30, 2004: Rs. 319,076).

## 6. ADDITIONS AND DISPOSALS IN FIXED ASSETS

	<b>March 31, 2005 Rupees</b>	<b>June 30, 2004 Rupees</b>
6.1 Following were the major additions in the fixed assets during the period/year:		
Plant, machinery and equipment	3,962,526	3,907,737
Automotive vehicles	3,401,000	2,375,980
Computers	266,100	331,800
6.2 Following were the major disposals of the fixed assets during the period/year - at net book value:		
Automotive vehicles	2,176,820	847,520
Computers	552,410	-

## 7. SALES - net

	<b>Cumulative upto</b>		<b>For the third quarter ended</b>	
	<b>March 31, 2005</b>	<b>March 31, 2004</b>	<b>March 31, 2005</b>	<b>March 31, 2004</b>
	-----Rupees-----		-----Rupees-----	
Manufacturing goods	576,183,822	452,888,252	192,422,506	180,496,446
Trading goods	1,318,635	4,695,441	18,880	1,586,885
	<u>577,502,457</u>	<u>457,583,693</u>	<u>192,441,386</u>	<u>182,083,331</u>
Sales Return	(28,222,111)	(20,750,051)	(10,527,011)	(7,395,988)
Sales tax	(74,399,457)	(53,614,437)	(24,900,045)	(22,050,887)
	<u><u>474,880,889</u></u>	<u><u>383,219,205</u></u>	<u><u>157,014,330</u></u>	<u><u>152,636,456</u></u>

## 8. COST OF GOODS SOLD

	Cumulative upto		For the third quarter ended	
	March 31, 2005	March 31, 2004	March 31, 2005	March 31, 2004
	-----Rupees-----		-----Rupees-----	
Raw material and components consumed				
Opening stock	<b>55,031,214</b>	23,321,983	<b>79,388,838</b>	46,879,451
Purchases	<b>263,702,171</b>	190,046,782	<b>76,947,925</b>	79,696,093
	<b>318,733,385</b>	213,368,765	<b>156,336,763</b>	126,575,544
Closing stock	<b>(68,145,794)</b>	(60,472,469)	<b>(68,145,794)</b>	(60,472,469)
	<b>250,587,591</b>	152,896,296	<b>88,190,969</b>	66,103,075
Salaries, wages and benefits	<b>31,855,207</b>	28,319,497	<b>9,174,019</b>	8,696,039
Staff welfare	<b>2,158,108</b>	2,180,438	<b>903,816</b>	1,051,039
Stores and spares consumed	<b>37,281,391</b>	29,031,376	<b>14,225,646</b>	12,360,448
Fuel and power	<b>63,800,939</b>	45,985,535	<b>24,040,983</b>	18,896,489
Machining expenses	<b>3,646,067</b>	3,994,212	<b>1,346,002</b>	1,287,692
Other services	<b>18,003,413</b>	13,176,537	<b>6,355,658</b>	5,041,149
Travelling and conveyance	<b>6,301,677</b>	4,369,567	<b>2,394,486</b>	1,768,697
Rent, rates and taxes	<b>269,119</b>	198,408	<b>101,451</b>	61,374
Repairs and maintenance	<b>2,434,438</b>	1,718,843	<b>830,858</b>	616,697
Export expenses	<b>526,964</b>	1,388,147	<b>260,688</b>	658,605
Freight charges	<b>10,288,854</b>	5,634,763	<b>4,253,041</b>	1,614,630
Insurance	<b>624,944</b>	617,847	<b>259,244</b>	206,540
Vehicles expense	<b>1,618,742</b>	1,358,922	<b>603,444</b>	457,235
Depreciation	<b>7,495,628</b>	7,596,017	<b>2,589,967</b>	2,540,266
Others	<b>2,930,846</b>	1,208,259	<b>1,501,011</b>	264,723
	<b>189,236,337</b>	146,778,368	<b>68,840,314</b>	55,521,623
Work in process - opening	<b>28,295,000</b>	14,957,000	<b>26,771,000</b>	23,275,000
- closing	<b>(28,121,000)</b>	(24,950,000)	<b>(28,121,000)</b>	(24,950,000)
Cost of goods manufactured	<b>439,997,928</b>	289,681,664	<b>155,681,283</b>	119,949,698
Finished goods - opening	<b>5,022,000</b>	4,332,000	<b>8,453,000</b>	4,117,000
- closing	<b>(9,476,000)</b>	(6,094,000)	<b>(9,476,000)</b>	(6,094,000)
Cost of goods sold				
- own manufactured	<b>435,543,928</b>	287,919,664	<b>154,658,283</b>	117,972,698
- trading goods	<b>1,028,535</b>	3,808,665	-	1,301,810
	<b>436,572,463</b>	291,728,329	<b>154,658,283</b>	119,274,508

		<b>For the period ended</b>	
		<b>March 31, 2005</b>	<b>March 31, 2004</b>
		<b>Rupees</b>	<b>Rupees</b>
<b>9</b>	<b>Cash generated from operations</b>		
	Profit before taxation	26,164,783	76,700,540
	Adjustment for non cash charges and other items:		
	Depreciation	7,990,707	8,069,765
	Provision for retirement benefits	1,560,198	342,451
	(Gain) / loss on sale of fixed assets	(139,836)	(43,680)
	Dividend income	(375,000)	(500,000)
	Finance cost	821,048	490,144
	Return on deposits	(281,857)	(664,347)
	Working capital changes - (note 9.1)	(3,448,079)	(70,097,916)
		<u>32,291,964</u>	<u>14,296,957</u>
<b>9.1</b>	<b>Working capital changes</b>		
	(Increase)/decrease in current assets:		
	Stores, spares and loose tools	(5,364,856)	(7,305,001)
	Stock-in-trade	(8,202,425)	(52,027,790)
	Trade debts	9,177,655	(11,881,571)
	Loans, advances, deposits and prepayments	(5,111,300)	2,617,798
	Other receivables	449,096	(1,076,841)
		<u>(9,051,830)</u>	<u>(69,673,405)</u>
	Increase/(decrease) in current liabilities:		
	Trade and other payables	5,603,751	(424,511)
		<u>(3,448,079)</u>	<u>(70,097,916)</u>

**10. TRANSACTIONS WITH ASSOCIATED UNDERTAKING**

Sales and purchases to/from Millat Tractors Limited for the period ended March 31, 2005 amounted to Rs. 423,253,634 (March 31, 2004: Rs. 294,309,026) and Rs. 1,326,510 (March 31, 2004: Rs. 3,747,465) respectively. Receivable from Millat Tractors Limited as at March 31, 2005 amounted to Rs. 24,119,539 (June 30, 2004: Rs. 18,343,588).

**11. CORRESPONDING FIGURES**

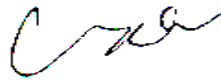
In order to comply with the requirements of International Accounting Standard - 34, 'Interim Financial Reporting', the Balance Sheet has been compared with the preceding Balance Sheet as at the year end, whereas the Profit and Loss Account and Cash Flow Statement have been compared with the corresponding 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 April 28 , 2005.



**JAVOID ASHRAF**  
**CHIEF EXECUTIVE**



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