



Balochistan Particle Board Limited

34th Annual Report 2014



Company Information

Board of Directors	Murtaza H. Habib Muslim R. Habib Tanzeel Abdul Sattar S. Iqbal Ahmed Ali A. Rahim Ali Niaz Akhtar Mehboob Ali Lilani	<i>Chairman</i> <i>Chief Executive</i>
Audit Committee	Ali A. Rahim Murtaza H. Habib Mehboob Ali Lilani	<i>Chairman</i> <i>Member</i> <i>Member</i>
Human Resource & Remuneration Committee	Ali Niaz Akhtar Muslim R. Habib Mehboob Ali Lilani	<i>Chairman</i> <i>Member</i> <i>Member</i>
Company Secretary	Amir Bashir Ahmed	
Registered Office	Imperial Court, 3rd Floor Dr. Ziauddin Ahmed Road Karachi-75530 Phone : (+92-21) 35680036 Fax : (+92-21) 35684086 www : bpbl.net	
Factory	Hub Chowki Phone : (+92-0853) 363362	
Bankers	Bank AL Habib Limited Habib Bank Limited	
Auditors	Tanzeem & Company Chartered Accountants	
Share Registrar	THK Associates (Pvt.) Limited 2nd Floor, State Life Building-3, Dr. Ziauddin Ahmed Road, Karachi-75530 Phones : (+92-21) 111-000-322 Fax : (+92-21) 35655595 E-mail : secretariat@thk.com.pk info@thk.com.pk Website : www.thk.com.pk	



VISION STATEMENT

We aim to be a leading manufacturer of Formaldehyhde and Formaldehyhde based Resin (Glue). We aspire to be known for the quality of our products and develop relationship with our stakeholders based on cooperation and ethical values.

MISSION STATEMENT

We shall strive to achieve excellence and to meet the expectations of stakeholders through efficient, ethical and time tested business practices which the management and employees represent and continuously strive for.



Code of Conduct

The founders of Balochistan Particle Board Limited were visionaries who established the company on very sound principles and envisioned its development and growth on the basis of making no compromises in any aspects of business practices.

The company takes pride in adherence to its principles and continues to serve all the stakeholders and society based on the following guidelines :

Products

- To produce Formaldehyd and Formaldehyd based Resin (Glue) which would ensure customer satisfaction and adherence to standards determined by the company and would exceed industry norms and averages.

Systems & Processes

- To develop and maintain the technical and professional standards, operating procedures and stringent Quality Control measures with on-line quality assurance at every stage of manufacture.
- To maintain a smooth work-flow in all departments with an effective communication system contained within the framework of principles yet allowing the required degree of autonomy for efficient functioning.

Management & Employees

- To employ only the appropriately suited human resource through the selection and recruitment process based on the commensurate qualification and experience criteria without any non-professional considerations.
- To ensure that employees and management personnel strictly adhere to the company rules and regulations and observe the best codes of conduct and abide by laws of the country.

Financial

- To implement an effective, transparent and secure financial reporting and internal control system so as to be fully compliant.
- To place a strict Internal Audit system to study, analyze, review and report all company earning and spending and enhance reliability of all financial information.
- To regularly prepare, as per pre-determined schedules, all financial reports and present accounts to the board for review and analysis and show trends based on company income, revenues and expenses and industry trends.

Adherence to Law

- The company shall at all times strictly adhere to all laws of the country and fulfill all statutory requirements and ensure timely, proper and full payment of all applicable taxes, rates, duties and / or any other levies as may be imposed from time to time.

Environment

- The company shall use all means to ensure a clean, safe, healthy and pollution free environment employ such technology as may be beneficial in maintaining a healthy and hygienic working and living environment.



Notice of Annual General Meeting

Notice is hereby given that the Thirty-fourth Annual General Meeting of Balochistan Particle Board Limited will be held on Friday, October 24, 2014 at 11:30 a.m. at Iqbal Auditorium, 3rd Floor, Institute of Bankers Pakistan, Moulvi Tamizuddin Khan Road, Karachi to transact the following business:

1. To receive and consider the audited financial statements, the Directors' report and the Auditors' report for the year ended June 30, 2014.
2. To appoint auditors for the year ending June 30, 2015 and fix their remuneration.

By order of the Board

Amir Bashir Ahmed
Company Secretary

Karachi: October 2, 2014

Notes:

1. The Share Transfer Books of the Company will remain closed from Saturday, October 18, 2014 to Friday, October 24, 2014, both days inclusive.
2. A member entitled to attend and vote at this meeting is entitled to appoint another member of the Company as a proxy to attend and vote on his / her behalf. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed at least 48 hours before the time of meeting. In case of corporate entity, the Board of Directors' / Trustees' resolution / Power of Attorney with specimen signature of the nominee shall be produced in original at the time of the meeting to authenticate the identity.
3. For identification, CDC account holders should present the participant's Computerized National Identity Card (CNIC) and CDC Account Number.
4. Members are requested to notify any change in their addresses and their contact numbers immediately to our Share Registrar, THK Associates (Pvt.) Limited, Karachi.
5. Members who have not yet submitted an attested copy of their valid Computerized National Identity Card (CNIC) to the Company are requested to send the same at the earliest to the Company's Share Registrar, THK Associates (Pvt.) Limited, Karachi. The Corporate entities are requested to provide their National Tax Number (NTN).



Directors' Report

Dear Members – Assalam-o-Alekum

On behalf of my colleagues on the Board, I welcome you to the Thirty-fourth Annual General Meeting of the Company and present before you the annual report, alongwith the audited financial statements of the Company, for the year ended June 30, 2014.

During the year under review, Company's income was Rs.4.04 million (2013: Rs. 3.52 million) and the profit after tax amounted to Rs.0.88 million (2013: Rs. 1.93 million) resulting in earnings per share - basic and diluted of Re.0.15 (2013: Re. 0.32), as shown in the accompanying financial statements.

The manufacturing operations of Urea Formaldehyde Division continued to remain closed on account of prevailing adverse conditions and pending legal cases in respect of arbitrary demand of excise duty, vend fee and permit fee raised by the Government of Sindh which had been challenged by the Company in the Honourable High Court of Sindh.

The Honourable High Court of Sindh decided the cases in favour of the Company by maintaining that methanol does not fall within the purview of the Sindh Abkari Act 1878 and as such vend fee, permit fee and excise duty on transportation of methanol cannot be levied.

The Government of Sindh filed civil petitions before the Honourable Supreme Court of Pakistan, the hearing of which was concluded on March 16, 2006 and the judgement was reserved. Thereafter, the above petitions were fixed for re-hearing on February 12, 2010 and after being heard were adjourned for March 8, 2010. The cases were heard cumulatively on June 21, 22, 23 and 24, 2010 at great length and adjourned to date in office. Lastly, the petitions were fixed for hearing on November 6, 2013 but were not taken-up and were adjourned to date in office. Further, based on the legal advice, the Company expects favourable outcome and accordingly no provision has been made in these financial statement.

The Board of Directors after considering the adverse conditions of the urea formaldehyde industry have concluded that future course of action will be decided upon finality of the pending cases and also the economic viability of the urea formaldehyde operations.

Auditors' Reservation on Going Concern

The auditors in their report to the members have expressed reservation about the Company's ability to continue as 'going concern'. The company maintains that its business operations comprise of letting out part of its premises to third parties for purposes of storage and the conduct of their commercial operations and continued financing arranged as loan to the company by sponsor directors through affiliated company. The management is also ensuring maintenance and upkeep of urea formaldehyde plant and machinery to recommence operations if considered economically viable. In view of the foregoing, the financial statements have been prepared on going concern basis.



Election of Directors

On April 4, 2014, election of directors was held and Messers Murtaza H. Habib, Muslim R. Habib, S. Iqbal Ahmed, Muhammad Salman Husain Chawala, Ali A. Rahim, Ali Niaz Akhtar and Mehboob Ali Lilani were elected as directors of the Company for a period of three years.

Board Management Committees

Audit Committee

The Company has established an Audit Committee comprising of the following members:

		No. of meetings attended
Mr. Ali A. Rahim	Chairman	4
Mr. Murtaza H. Habib	Member	4
Mr. Ali Niaz Akhtar	Member	3 (Ceased to be a member on April 17, 2014)
Mr. Mehboob Ali Lilani	Member	1 (Appointed on April 17, 2014)

HR and Remuneration Committee

The Company has established an HR and Remuneration Committee comprising of the following members.

		No. of meetings attended
Mr. Ali Niaz Akhtar	Chairman	1
Mr. Muslim R. Habib	Member	1
Mr. Mehboob Ali Lilani	Member	1 (Appointed on April 17, 2014)

Performance evaluation of the Board of Directors

The Board has setup criteria for evaluation of its performance being the trustee of the Shareholders.

Corporate Social Responsibility

The manufacturing operations of the company continued to remain closed on account of adverse economic conditions. Presently, the company has rented out part of its premises to third party hence no material activity with respect to Corporate Social Responsibility was undertaken.

Contribution to the National Exchequer

Your Company contributed an amount of Rs. 606 thousand to the Government treasury in the shape of income tax and federal excise duty.

Auditors

The auditors Messrs. Tanzeem & Company, Chartered Accountants, retire and being eligible have offered themselves for re-appointment.

The Audit Committee has recommended to consider the re-appointment of Messrs. Tanzeem & Company, Chartered Accountants, as auditors of the Company for the ensuing year.

Statements on Corporate and Financial Reporting Framework

1. The financial statements prepared by the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of account of the Company have been maintained.



3. Appropriate accounting policies have been consistently applied in preparation of the financial statements, changes if any have been adequately disclosed and accounting estimates are based on reasonable and prudent judgement.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure therefrom, if any, has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. The statement in respect of Company's ability to continue as a going concern has been explained in Note No. 20 of the notes to the financial statements.
7. There has been no material departure from the best practices of the corporate governance, as detailed in the listing regulations.
8. Key operating and financial data for last six years in summarized form is given on page 12.
9. In view of the accumulated losses, the Company has not declared any dividend or bonus shares.
10. During the year four board meetings were held and the attendance of each Director was as follows:

Name of Director	Number of meetings attended
Mr. Murtaza H. Habib	4
Mr. Muslim R. Habib	3
Mr. S. Iqbal Ahmed	4
Mr. Muhammad Salman Husain Chawala	4 (Resigned on May 5, 2014)
Mr. Tanzeel Abdul Sattar	– (Appointed on May 5, 2014)
Mr. Ali A. Rahim	4
Mr. Ghulam Abbas Karjatwala	1 (Ceased to be a director on April 4, 2014)
Mr. Ali Niaz Akhtar	4
Mr. Mehboob Ali Lilani	1 (Elected on April 4, 2014)

11. The pattern of shareholding and additional information regarding pattern of shareholding is given on page 31 & 32.
12. The Directors, CEO, CFO, Company Secretary and their spouses and minor children did not carry out any trade in the shares of the Company.

On behalf of the Board of Directors

Murtaza H. Habib
Chairman

Karachi: October 2, 2014



Statement of Compliance with the best practices of Code of Corporate Governance

Year Ended June 30, 2014

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in the listing Regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Director	Mr. Mehboob Ali Lilani
Executive Director	Mr. Muslim R. Habib
Non-Executive Directors	Mr. Murtaza H. Habib Mr. S. Iqbal Ahmed Mr. Tanzeel Abdul Sattar Mr. Ali A. Rahim Mr. Ali Niaz Akhtar

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, DFI or NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred in the Board during the current year which was filled up by the directors within the prescribed time.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. Particulars of significant policies have been maintained and amended / updated as and when required.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and terms and conditions of employment of the CEO has been taken by the board / shareholders. The CEO is working on honorary basis.
8. The meetings of the Board were presided over by the Chairman and in his absence by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. During the year, one Director has acquired the formal Directors Training Certificate from Pakistan Institute of Cost and Management Accountants of Pakistan (ICMAP) as required under CCG.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit and terms and conditions of their employment.



11. The directors' report for the year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an audit committee. It comprises of three members who are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board formed an HR and Remuneration Committee. It comprises of three members, of whom two are non-executive directors including the Chairman of the committee. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
18. The Board has set up an effective internal audit function.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period' prior to the announcement of interim / final results and business decisions which may materially affect the market price of Company's securities was determined and intimated to directors, employees and Karachi and Lahore Stock Exchanges.
22. Material / price sensitive information has been disseminated amongst all market participants at once through Stock Exchanges.
23. All related party transactions have been placed before the audit committee and Board of Directors on a quarterly basis and have been approved by the Board of Directors to comply with the requirements of listing regulations of the Karachi and Lahore Stock Exchanges.
24. We confirm that all other material principles contained in the CCG have been complied with.

Murtaza H. Habib
Chairman

Karachi: October 2, 2014



Review Report to the Members on the Statement of Compliance with best Practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices in the Code of Corporate Governance (the Code) for the year ended June 30, 2014 prepared by the Board of Directors of Balochistan Particle Board Limited (the Company), to comply with the Listing Regulations of the respective Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and control and to form an opinion on the effectiveness of such controls, the company's corporate governance procedures and risks.

Further, Listing Regulations of respective Stock Exchanges, where the Company is listed, require the Company to place before the Board of Directors for their consideration and approval, related party transaction distinguishing between transaction carried out on terms equivalent to those that prevails at arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transaction before the audit committee. We have not carried out any procedures to determine whether the related party transactions are undertaken at arm's length price or not.

Based on our review,, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2014.

Tanzeem & Company
Chartered Accountants
Audit Engagement Partner Tanzeem Zaidi

Karachi: October 2, 2014



Key operating and financial data of last six years

	2014	2013	2012	2011	2010	2009
	(Rupees in thousands)					
Operating results						
Rental and other income	4,041	3,521	3,248	3,203	2,560	2,400
Factory, administrative expenses and finance cost	2,166	1,290	1,753	1,221	1,345	1,657
Profit before taxation	1,875	2,231	1,495	1,982	1,215	743
Profit after taxation	875	1,925	1,215	1,632	934	528
Shareholders' equity						
Paid up capital	30,000	30,000	30,000	30,000	30,000	30,000
Accumulated loss	(36,546)	(37,421)	(39,346)	(40,561)	(42,193)	(43,127)
Shareholders' equity	(6,546)	(7,421)	(9,346)	(10,561)	(12,193)	(13,127)
Financial position						
Fixed assets	2,863	3,105	3,374	3,672	4,006	4,374
Long - term deposits	125	125	125	113	113	113
Current assets	9,492	8,144	5,915	6,414	9,448	8,155
Total assets	12,480	11,374	9,414	10,199	13,567	12,642
Non-current liabilities	18,000	18,000	18,000	20,000	25,000	25,000
Current liabilities	1,026	795	760	760	760	769
Total liabilities	19,026	18,795	18,760	20,760	25,760	25,769



Auditors' Report to the Members

We have audited the annexed balance sheet of Balochistan Particle Board Limited as at June 30, 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that :

The annexed financial statements have been prepared on going concern basis, as the Company maintains that its present business operations comprise of letting out part of its premises to third parties for the conduct of their commercial operations and continued financing arranged as loan to the Company by sponsor directors through affiliated company.

The Board of Directors of the Company has however, not yet envisaged any business plan to recommence its manufacturing operations and the uncertainty related to the outcome of the lawsuits pending before the Hon'ble Supreme Court of Pakistan, as referred to in Note No. 12 to the financial statements of the Company, raises significant doubt about the Company's ability to continue as a going concern.

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984.
- b) Except for the effects of above reservation, in our opinion;
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied ;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business ; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company ;
- c) except for the effect of above reservation, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with the approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 in the manner so required, and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of profit, comprehensive income, its cash flows and changes in equity for the year then ended; and



d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without qualifying our report, we draw attention to note No. 12 to the financial statements which describes material uncertainty related to the outcome of lawsuits contingency as fully disclosed in the note.

The financial statements for the year ended June 30, 2013 were audited by another firm of Chartered Accountants who have issued modified report dated September 21, 2013.

Tanzeem & Company
Chartered Accountants
Audit Engagement Partner Tanzeem Zaidi

Karachi: October 2, 2014



Balance Sheet as at June 30, 2014

	Note	2014 (Rupees in thousands)	2013
Assets			
Non-Current Assets			
Property, plant and equipment	4	2,863	3,105
Long-term Deposits		125	125
Current Assets			
Stores and spare parts	5	2,501	3,058
Short-term prepayments		—	10
Other receivables	6	1,076	1,076
Tax refund due from Government		—	184
Taxation - net	7	—	11
Cash and bank balances	8	5,915	3,805
		9,492	8,144
Total Assets		<u>12,480</u>	<u>11,374</u>
Equity and Liabilities			
Share Capital			
Authorised capital 10,000,000 ordinary shares of Rs. 5 each		<u>50,000</u>	<u>50,000</u>
Issued, subscribed and paid-up capital	9	30,000	30,000
Accumulated loss		(36,546)	(37,421)
		(6,546)	(7,421)
Non-Current Liabilities			
Long-term financing	10	18,000	18,000
Current Liabilities			
Trade and other payables	11	813	795
Taxation - net		213	—
		1,026	795
Contingencies	12		
Total Equity and Liabilities		<u>12,480</u>	<u>11,374</u>

The annexed notes 1 to 24 form an integral part of these financial statements.

Muslim R. Habib
Chief Executive

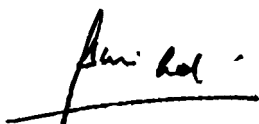
Ali Niaz Akhtar
Director



Profit and Loss Account for the year ended June 30, 2014

	Note	2014 (Rupees in thousands)	2013
Revenue			
Rental income		3,748	3,407
Profit on treasury call account		293	114
		<u>4,041</u>	<u>3,521</u>
Factory and administrative expenses			
Salaries and allowances		84	84
Rates and taxes		76	76
Communication, printing and stationery		270	172
Repairs and maintenance		223	—
Provision for obsolescence and slow moving stores and spare parts 5.1		520	—
Directors' fee		11	9
Depreciation		242	269
Legal and professional charges		256	299
Insurance		13	13
Auditors' remuneration	13	101	101
Fees, subscription & other expenses		238	131
		<u>(2,034)</u>	<u>(1,154)</u>
Profit before interest and tax		<u>2,007</u>	<u>2,367</u>
Finance cost	14	<u>132</u>	<u>136</u>
Profit before taxation		<u>1,875</u>	<u>2,231</u>
Provision for taxation	15	<u>1,000</u>	<u>306</u>
Profit after taxation		<u>875</u>	<u>1,925</u>
Earnings per share - Basic and diluted (Re.)	16	<u>0.15</u>	<u>0.32</u>

The annexed notes 1 to 24 form an integral part of these financial statements.


Muslim R. Habib
Chief Executive


Ali Niaz Akhtar
Director



Statement of Comprehensive Income for the year ended June 30, 2014

	2014 (Rupees in thousands)	2013
Profit after taxation	875	1,925
Other comprehensive income	—	—
Total comprehensive income for the year	<u>875</u>	<u>1,925</u>

The annexed notes 1 to 24 form an integral part of these financial statements.

Muslim R. Habib
Chief Executive

Ali Niaz Akhtar
Director

Statement of Changes in Equity for the year ended June 30, 2014

	Share Capital	Accumulated (Loss)	Total
	(Rupees in thousands)		
Balance as on July 1, 2012	30,000	(39,346)	(9,346)
Total comprehensive income for the year ended June 30, 2013	—	1,925	1,925
Balance as on June 30, 2013	30,000	(37,421)	(7,421)
Total comprehensive income for the year ended June 30, 2014	—	875	875
Balance as on June 30, 2014	<u>30,000</u>	<u>(36,546)</u>	<u>(6,546)</u>

The annexed notes 1 to 24 form an integral part of these financial statements.

Muslim R. Habib
Chief Executive

Ali Niaz Akhtar
Director



Cash Flow Statement for the year ended June 30, 2014

	Note	2014 (Rupees in thousands)	2013
Cash flows from operating activities			
Cash generated from operations	17	2,541	2,572
Profit received on treasury call account		293	114
Finance cost paid		(132)	(137)
Income tax paid		(592)	(317)
Net cash generated from operating activities		2,110	2,232
Cash flows from financing activities		—	—
Net Increase in cash and bank		2,110	2,232
Cash and cash equivalent at the beginning of the year		3,805	1,573
Cash and cash equivalent at the end of the year	8	5,915	3,805

The annexed notes 1 to 24 form an integral part of these financial statements.

Muslim R. Habib
Chief Executive

Ali Niaz Akhtar
Director



Notes to the Financial Statements for the year ended June 30, 2014

1. The Company and its operations

Balochistan Particle Board Limited is a public limited Company incorporated in Pakistan, with shares quoted on the Karachi and Lahore Stock Exchanges. The manufacturing operations of Urea Formaldehyde continued to remain closed on account of adverse conditions. Company's present business operations comprise of letting out part of its premises to third parties for purposes of storage and the conduct of their commercial operations. The registered office of the Company is situated at Imperial Court, 3rd Floor, Dr. Ziauddin Ahmed Road, Karachi.

2. Basis of Preparation

2.1 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case the requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Functional Currency

These financial statements are presented in Pak rupee being company's functional currency.

2.3 Basis of measurement

These financial statements have been prepared under historical cost convention.

2.4 Significant accounting judgements and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In the process of applying the accounting policies, management has made the following estimates and judgements which are significant to the financial statements:

- a) Determining the residual values and useful lives of property, plant and equipment (Note 3.1);
- b) Provision for obsolescence and slow moving stores and spare parts (Note 3.2);
- c) Recognition of taxation (Note 3.6) ; and
- d) Impairment of financial assets (Note 3.7)

2.5 Amendments to standards that became effective

The following standards, amendments and interpretations are effective for the year ended June 30, 2014. These standards, amendments and interpretations are either not relevant to the Company's operation or are not expected to have significant impact on the Company's financial statements.

IFRS - 7	Financial instruments: Disclosures (Amendment)
IAS - 1	Presentation of Financial Statements (Amendment)
IAS - 16	Property, Plant & Equipment - Classification of servicing equipment (Amendment)
IAS - 19	Employees benefits (revised)
IAS - 32	Financial Instruments: Presentation (Amendment)
IAS - 34	Interim Financial reporting - interim reporting of segment information for total assets and total liabilities
IFRIC - 20	Stripping Cost in the Production Phase of a Surface Mine

2.6 Standards, interpretations amendments to published approved account standards that are not yet effective.

The following standards, interpretations and revisions / amendments are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the revisions / amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements.

Standards, interpretation and revision / amendments		Effective date (accounting periods beginning on or after)
IFRS - 2	Share-based Payments (Amendments)	July 1, 2014
IFRS - 3	Business Segments (Amendments)	July 1, 2014
IFRS - 8	Operating Segments (Amendments)	July 1, 2014
IAS -16	Property, Plant and Equipment (Amendments)	July 1, 2014
IAS -19	Employees Benefits (Amendments)	July 1, 2014
IAS -24	Related Party Disclosures (Amendments)	July 1, 2014
IAS -27	Separate Financial Statements (Amendments)	January 1, 2014
IAS -32	Financial Instruments: Presentation (Amendments)	January 1, 2014
IAS -36	Impairment of assets (Amendments)	January 1, 2014
IAS -38	Intangible Assets (Amendments)	July 1, 2014
IAS -39	Financial instruments: Recognition and measurement (Amendments)	January 1, 2014
IAS -40	Investments Property (Amendments)	July 1, 2014
IFRIC -21	Levies (Amendments)	January 1, 2014

2.7 Standards issued by IASB but not yet notified by SECP

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

IFRS - 1	Frist-time adoption of International Financial Reporing Standards
IFRS - 9	Financial Instruments
IFRS - 10	Consolidated Financial Statements
IFRS - 11	Joint Arrangements
IFRS - 12	Disclosure of interests in other entities
IFRS - 13	Fair value measurement

The following interpretations issued by the IASB have been waived of by SECP effective January 16, 2012:

IFRIC - 4	Determining whether an arrangement contains base.
IFRIC - 12	Service concession arrangements

3 Summary of Significant accounting policies:

3.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment, if any except for freehold land which is stated at cost.

Depreciation is charged to profit and loss account applying the reducing balance method. Depreciation on additions is charged from the month in which the asset is put to use and on disposals upto the month the asset is in use. Assets residual values and useful lives are reviewed and adjusted, if appropriate at each balance sheet date.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Gain or loss on disposal of assets is included in profit and loss account.

3.2 Stores and spare parts

These are valued at moving average cost. Provision if any is made for obsolescence and slow moving items.

3.3 Loans and advances

Assets for trade and other amounts receivable are carried at cost which is the fair value of the consideration to be received in future.

3.4 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at their nominal value. For the purposes of the cash flow statement, cash and cash equivalents comprise of cash in hand, with banks on current, treasury call and deposit accounts net of short term borrowings under mark-up arrangements, if any.

3.5 Borrowings and their cost

Borrowings are recorded when proceeds received.

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

3.6 Taxation

Provision for current taxation is computed in accordance with the provisions of Income Tax laws. The charge for current year's is recorded after adjustment, if any, to the provision for tax made in prior year including those arising from assessment and amendments in assessments during the year in such years.

The Company accounts for deferred taxation on all temporary differences using liability method. Deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available and the credits can be utilized. Provision for deferred taxation is nil as at balance sheet date.

3.7 Impairment

The carrying amounts of the company's assets are reviewed at each year end to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impairment losses are recognized in the profit and loss account.

3.8 Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable. Rental income and profit on treasury call account are recorded on accrual basis.

3.9 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised at the time when the Company loses control of the contractual rights that comprises the financial assets. All financial liabilities are derecognised at the time when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gains or losses on derecognising of financial assets and financial liabilities are taken to profit and loss account currently.

3.10 Offsetting of financial assets and financial liabilities:

Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset or settle the liability simultaneously.

3.11 Provision

Provision is recognized when the Company has a present, legal or constructive obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and reliable estimate of the amounts can be made. Provision is reviewed periodically and adjusted to reflect the current best estimate.

3.12 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.



4. Property, plant and equipment

4.1 The following is a statement of property, plant and equipment for 2014 :

	Cost as at July 1, 2013	Additions/ (deletions)	Cost as at June 30, 2014	Accum- ulated depreci- ation as at July 1, 2013	Depreciation charge for the year	Accumu- lated dep- reciation as at June 30, 2014	Written down value as at June 30, 2014	Annual rate of Depre- ciation %
(Rupees in thousands)								
Freehold land	620	–	620	–	–	–	620	–
Buildings on freehold land	9,176	–	9,176	8,656	52	8,708	468	10
Roads	461	–	461	335	6	341	120	5
Plant and machinery	10,849	–	10,849	9,140	171	9,311	1,538	10
Furniture, fittings and office equipments	1,746	–	1,746	1,616	13	1,629	117	10
	22,852	–	22,852	19,747	242	19,989	2,863	

4.2 Reconciliation of carrying values for 2014:

	Written down value as at July 1, 2013	Additions/ (deletions)	Depreciation charge for the year	Written down value as at June 30, 2014
(Rupees in thousands)				
Freehold land	620	–	–	620
Buildings on freehold land	520	–	52	468
Roads	126	–	6	120
Plant and machinery	1,709	–	171	1,538
Furniture, fittings and office equipments	130	–	13	117
	3,105	–	242	2,863

4.3 The following is a statement of property, plant and equipment for 2013 :

	Cost as at July 1, 2012	Additions/ (deletions)	Cost as at June 30, 2013	Accum- ulated depreci- ation as at July 1, 2012	Depreciation charge for the year	Accumu- lated dep- reciation as at June 30, 2013	Written down value as at June 30, 2013	Annual rate of Depre- ciation %
(Rupees in thousands)								
Freehold land	620	–	620	–	–	–	620	–
Buildings on freehold land	9,176	–	9,176	8,598	58	8,656	520	10
Roads	461	–	461	329	6	335	126	5
Plant and machinery	10,849	–	10,849	8,950	190	9,140	1,709	10
Furniture, fittings and office equipments	1,746	–	1,746	1,601	15	1,616	130	10
	22,852	–	22,852	19,478	269	19,747	3,105	



4.4 Reconciliation of carrying values for 2013:

	Written down value as at July 1, 2012	Additions/ (deletions)	Depreciation charge for the year	Written down value as at June 30, 2013
	(Rupees in thousands)			
Freehold land	620	—	—	620
Buildings on freehold land	578	—	58	520
Roads	132	—	6	126
Plant and machinery	1,899	—	190	1,709
Furniture, fittings and office equipments	145	—	15	130
	3,374	—	269	3,105

4.5 The plant and machinery having carrying value of Rs.1.538 million (2013: Rs.1.709 million) is idle for the last 16 years.

	2014 (Rupees in thousands)	2013 (Rupees in thousands)
5. Stores and spare parts		
Stores	1,855	1,855
Spare parts	1,732	1,769
	3,587	3,624
Less: Provision for obsolescence and slow moving stores and spare parts - Note 5.1	1,086	566
	2,501	3,058
5.1 Provision for obsolescence and slow moving stores and spare parts		
Balance at beginning of year,	566	566
Provision made during the year	520	—
Balance at end of year,	1,086	566
6. Other receivables		
Excise duty refundable - Note : 12	1,076	1,076
7. Taxation - net		
Taxation - net	—	11



			2014 (Rupees in thousands)	2013 (Rupees in thousands)
8. Cash and bank balances				
Balance with banks on:				
Treasury call account with related party - Note 8.1			4,710	2,631
Current account			36	5
Guarantee margin deposit account - Note: 8.2			1,169	1,169
			<u>5,915</u>	<u>3,805</u>
8.1	Profit rates on treasury call account with related party ranged between 8% to 9% (2013: 8% to 10%) per annum.			
8.2	Represents margin held by bank against guarantees of Rs. 6.3 million (2013: Rs. 6.3 million) Refer Note: 12.			
			2014 (Rupees in thousands)	2013 (Rupees in thousands)
9. Issued, subscribed and paid-up capital				
Ordinary shares of Rs. 5 each				
	<u>2014</u>	<u>2013</u>		
	Number of Shares			
4,000,000	4,000,000	Shares fully paid in cash	20,000	20,000
		Shares issued as fully paid bonus shares		
<u>2,000,000</u>	<u>2,000,000</u>		<u>10,000</u>	<u>10,000</u>
<u>6,000,000</u>	<u>6,000,000</u>		<u>30,000</u>	<u>30,000</u>
Issued, subscribed and paid-up capital of the Company includes 147,797 Ordinary shares of Rs. 5 each (2013: 147,797) held by Habib Sugar Mills Limited at the end of the year.			2014 (Rupees in thousands)	2013 (Rupees in thousands)
10. Long-term financing - Unsecured				
From affiliated company - unsecured			<u>18,000</u>	<u>18,000</u>
This represents financing from Karachi Mercantile Company (Pvt) Limited arranged by sponsor directors as loan in order to meet financial obligations and the maintenance and upkeep of plant and machinery on which moratorium on the mark-up has been agreed in accordance with the terms of financing.				
			2014 (Rupees in thousands)	2013 (Rupees in thousands)
11. Trade and other payables				
Advance rent - related party			400	400
Accrued expenses			93	75
Unclaimed dividend			320	320
			<u>813</u>	<u>795</u>

12. Contingencies

The cases before the Honourable High Court of Sindh against the arbitrary demand of Rs. 57.4 million for vend fee & permit fee and Rs. 14.1 million for excise duty on transportation of methanol from Karachi to Hub along with interest at rates applicable on Khas Deposit Certificates raised by the Government of Sindh was decided in favour of the Company by maintaining that methanol does not fall within the purview of the Sindh Abkari Act 1878 and as such vend fee, permit fee and excise duty cannot be levied.

The Government of Sindh has however, filed an appeal before the Honourable Supreme Court of Pakistan which is pending final judgement / decision albeit having been heard at length on numerous dates. Lastly, the petitions were fixed for hearing on November 6, 2013, however, the cases were adjourned to date in office.

Further, based on the legal advise, the Company expects favourable outcome and accordingly no provision has been made in the financial statements against the arbitrary demand raised by the government of Sindh.

Excise Duty amounting to Rs. 1.08 (2013: Rs. 1.08) million had been paid under protest and shown as refundable under current assets.

Guarantees given by the bank in this respect as on June 30, 2014 to the Director General Excise and Taxation (Excise), Government of Sindh, Karachi amounted to Rs. 6.3 (June 30, 2013: Rs. 6.3) million are secured against equitable mortgage of land and buildings of the Company.

	2014	2013
	(Rupees in thousands)	
13. Auditors' remuneration		
Annual audit fee	75	75
Half yearly review fee	21	20
Out of pocket expenses	5	6
	<u>101</u>	<u>101</u>
14. Finance Cost		
Guarantee commission	114	114
Federal Excise duty on guarantee commission	14	19
Bank charges	4	3
	<u>132</u>	<u>136</u>
15. Provision for Taxation		
Income tax - current	<u>1,000</u>	<u>306</u>



	2014 (Rupees in thousands)	2013
15.1 Reconciliation of tax charge for the year		
Accounting profit	1,875	2,231
Corporate tax rate	34%	35%
Tax on accounting profit at applicable rate	638	781
Tax effect of lower tax rate	—	(886)
Tax effect of expenses that are not deductible for tax purposes	362	411
Provision for taxation	1,000	306
16. Earnings per share		
Profit after taxation	875	1,925
Number of ordinary shares of Rs. 5 each	6,000,000	6,000,000
Earnings per share - Basic and diluted	Re. 0.15	Re. 0.32
17. Cash generated from operations		
Profit before taxation	1,875	2,231
Adjustment for non - cash charges and other items		
Depreciation	242	269
Profit on treasury call account	(293)	(114)
Finance cost	132	136
Provision for obsolescence and slow moving stores and spare parts	520	—
Working capital changes - Note 17.1	65	50
	666	341
	2,541	2,572
17.1 Working capital changes		
Decrease in current assets		
Stores and spare parts	37	—
Short term prepayments	10	15
	47	15
Increase in current liabilities		
Trade and other payables	18	35
	65	50



18. Remuneration of Chief Executive, Directors and Executives

	2014				2013			
	Chief Execu- tive	Direc- tors	Execu- tives	Total	Chief Execu- tive	Direc- tors	Execu- tives	Total
(Rupees in thousands)								
Meeting fee - 7 directors (2013: 7 directors)	–	11	–	11	–	9	–	9
Managerial remuneration	–	–	–	–	–	–	–	–

19. Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks i.e. credit risk, liquidity risk and market risk including interest rate risk, currency risk and other price risk. The Company's overall risk management programmes focuses on the under predictability of financial markets and seek to minimize potential adverse effects on the Company's financial programme.

19.1 Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company believes that it is not exposed to major concentration of credit risk.

19.1.1 The maximum exposure of financial assets as at the balance sheet date are as follows:

	2014	2013
	(Rupees in thousands)	
Long-term deposits	125	125
Bank balances	5,915	3,805
	<u>6,040</u>	<u>3,930</u>

19.1.2 Quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or the historical information about counter party default rates. Presently the Company has long-term deposits which are duly monitored and bank balances the quality of which is stated hereunder:

	Carrying Values	
	2014	2013
	(Rupees in thousands)	
A1+	4,746	2,636
AA+	1,169	1,169
	<u>5,915</u>	<u>3,805</u>

19.1.3. Bank balances

A1+	4,746	2,636
AA+	1,169	1,169
	<u>5,915</u>	<u>3,805</u>



19.2. Liquidity risk

Liquidity risk reflects Company's inability in raising funds to meet commitments. However, in view of the rental income from property and income from bank deposits, there is no significant exposure with respect to liquidity.

19.3 Market risk

Market risk refers to fluctuation in value of financial instruments as a result of changes in market prices. The Company is not exposed to any significant market risk.

19.4 Foreign currency risk

The Company is presently not exposed to any foreign exchange risk.

19.5 Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. Mark-up on treasury call account is duly monitored for changes in rates and accordingly acted upon. The Company has no significant long-term interest bearing financial assets and liabilities whose fair value or future cash flows will fluctuate because of changes in market interest rates.

19.6 Fair value of financial instruments

The carrying values of all financial assets and liabilities reflected in the financial statements approximates their fair values.

19.7 Capital risk management

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain a strong base to support the sustained development of its business. The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions.

20. Going concern

These financial statements have been prepared on going concern basis as the Company's business operations comprise of letting out part of its premises to third parties for purposes of storage and the conduct of their commercial operations and keeping in view the continued financing arranged as loan to the Company by sponsor directors through affiliated Company. The Company is ensuring maintenance and upkeep of urea formaldehyde plant and machinery to recommence operations if considered economically viable.

21. Capacity and production

	2014		2013	
	Quantity	Working days	Quantity	Working days
Urea formaldehyde division				
a) Formaldehyde:				
Capacity	3,000 Tons	300	3,000 Tons	300
Actual production	Nil	—	Nil	—
b) Urea formaldehyde:				
Capacity	4,000 Tons	300	4,000 Tons	300
Actual production	Nil	—	Nil	—

The manufacturing operations continued to remain closed on account of adverse economic conditions and pending cases in respect of arbitrary demand of excise duty, vend fee and permit fee raised by the Government of Sindh.



22. Number of Employees

The total average number of employees during the year and as at June 30, 2014 and 2013 respectively are as follows:

	No of employees	
	2014	2013
Average number of employees during the year	1	1
Number of employees at end of year,	1	1

23. Transactions with related parties / associated undertakings

Material transactions with related parties / associated undertakings other than directors' fee as disclosed in Note No. 18 are given below:

23.1 Following are related parties and transaction with them:

Related Parties	Nature of Transaction	Relationship	Revenue		Expense	
			Year ended	Year ended	Year ended	Year ended
			June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
			(Rupees in thousands)		(Rupees in thousands)	
Habib Motorcycles Co. (Pvt) Ltd.	Rental income	Affiliated company	3,748	3,407	-	-
Bank AL Habib Limited	Profit on treasury call account	Affiliated company	293	114	-	-
Bank AL Habib Limited	Bank charges	Affiliated company	-	-	2	2
Habib Insurance Co. Limited	Insurance premium	Affiliated company	-	-	13	13
			4,041	3,521	15	15

23.2 Following balances are outstanding at end of year:

Related Parties	Nature	Relationship	Amount owed to related parties		Amount owed by related parties	
			As at	As at	As at	As at
			June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
			(Rupees in thousands)		(Rupees in thousands)	
Karachi Mercantile Co. (Pvt) Ltd.	Long term loan	Affiliated company	18,000	18,000	-	-
Habib Motorcycles Co. (Pvt.) Ltd.	Advance rent	Affiliated company	400	400	-	-
			18,400	18,400	-	-

Transaction with related parties are carried out at arm's length.

24. General

24.1 Figures have been rounded off to the nearest thousand rupees.

24.2 These financial statements were authorised for issue on October 2, 2014 by the Board of Directors of the Company.

Muslim R. Habib
Chief Executive

Ali Niaz Akhtar
Director