Balochistan Particle Board Limited

Report and Condensed Interim Financial Statements for the Half Year ended December 31, 2014 (Unaudited)

Company Information

Board of Directors	Murtaza H. Habib	*Chairman*
	Muslim R. Habib	*Chief Executive*
	Tanzeel Abdul Sattar	
	S. Iqbal Ahmed	
	Ali A. Rahim	
	Ali Niaz Akhtar	
	Mehboob Ali Lilani	
Audit Committee	Ali A. Rahim	*Chairman*
	Murtaza H. Habib	*Member*
	Mehboob Ali Lilani	*Member*
Human Resource & Remuneration Committee	Ali Niaz Akhtar	*Chairman*
	Muslim R. Habib	*Member*
	Mehboob Ali Lilani	*Member*
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	

Directors' Report

Dear Members – Assalam-o-Alekum

On behalf of the Board of Directors of Balochistan Particle Board Limited, I present the unaudited condensed interim financial statements of the Company for the half year ended December 31, 2014.

During the period under review, Company earned income of Rs.1.52 (2013: 1.94) million and profit after tax amounted to Rs.0.41 (2013: 0.74) million resulting in earnings per share of Re. 0.07 (2013: 0.12) as shown in the accompanying unaudited condensed interim financial statements. These unaudited condensed interim financial statements have been prepared on going concern basis and the reasons thereof have been explained in Note No. 7 of the Notes to the unaudited condensed interim 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 was challenged and decided by the Honourable High Court of Sindh in favour of the Company. The Government of Sindh has however, filed an appeal before the Honourable Supreme Court of Pakistan which is pending adjudication. Lastly, the petitions were fixed for hearing on February 17, 2015, but were not taken up and adjourned for the second week of March 2015.

The Board of Directors considered the prevailing adverse conditions of urea formaldehyde industry and concluded that future course of action will be decided upon finality of the above 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'. In this respect the company maintains that 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 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.

On behalf of the Board of Directors

Ali Niaz Akhtar
Director

Karachi: February 27, 2015

Auditors' Report to the Members on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of Balochistan Particle Board Limited as at December 31, 2014 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim financial information for the quarters ended December 31, 2014 and 2013 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2014.

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 condensed interim financial information 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.

Basis of Qualified Conclusion

The interim financial information have been prepared on going concern basis as the 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 and keeping in view the continued financing arranged as loan to the Company by sponsor directors through affiliated Company as explained in Note 7 to the interim financial information. The Board has, however, not yet envisaged any business plan to recommence its operations. The Board of Directors deliberated over the prevailing adverse conditions and concluded that future course of action will be decided upon the disposal of the pending court cases, the details whereof are fully disclosed in Note 5 to the interim financial information and also the viability of the urea formaldehyde operations.

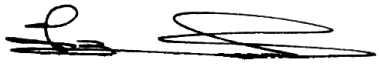
In view of the prevailing conditions there is significant doubt about the Company's ability to continue as a going concern. Consequently, adjustments may be required to the recorded asset amounts and classification of liabilities.

Qualified Conclusion

Based on our review, except of the matters described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2014 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

Other Matter

We draw attention to Note 5 to the condensed interim financial statements which describes material uncertainities with respect to pending court cases.



Tanzeem & Company
Chartered Accountants

Karachi: February 27, 2015

Audit Engagement Partner Tanzeem Zaidi

Condensed Interim Balance Sheet
as at December 31, 2014
(Unaudited)

	Note	(Unaudited) December 31, 2014	(Audited) June 30, 2014
		(Rupees in thousands)	
Assets			
Non-Current Assets			
Fixed assets			
Property, plant and equipment		2,754	2,863
Long-term deposits		125	125
Current Assets			
Stores and spare parts		2,501	2,501
Short-term prepayments		58	–
Other receivables			
- excise duty refundable		1,076	1,076
Cash and bank balances		6,024	5,915
		9,659	9,492
Total Assets		12,538	12,480
Equity and Liabilities			
Share Capital			
Authorised			
10,000,000 ordinary shares of Rs. 5 each		50,000	50,000
Issued, subscribed and paid-up capital		30,000	30,000
Accumulated loss		(36,136)	(36,546)
		(6,136)	(6,546)
Non-Current Liabilities			
Long-term financing	4	18,000	18,000
Current Liabilities			
Trade and other payables		347	813
Taxation - net		327	213
		674	1,026
Contingencies	5		
Total Equity and Liabilities		12,538	12,480

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

Muslim R. Habib
Chief Executive

Ali Niaz Akhtar
Director

Condensed Interim Profit and Loss Account for the half year ended December 31, 2014 (Unaudited)

	Half year ended		Quarter ended	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
	(Rupees in thousands)			
Revenue				
Rental income	1,289	1,816	323	938
Profit on treasury call account	234	123	121	67
	1,523	1,939	444	1,005
Factory and administrative expenses				
Salaries and allowances	42	42	21	21
Rent, rates and taxes	38	38	19	19
Communication, printing and stationery	165	172	67	75
Repairs and maintenance	–	111	–	111
Directors' fee	6	6	6	3
Depreciation	109	121	54	60
Legal and professional charges	176	171	138	137
Insurance	6	7	3	4
Auditors' remuneration	38	31	19	10
Fees, subscription and other expenses	129	109	38	25
	709	808	365	465
Profit before finance cost and tax	814	1,131	79	540
Finance cost	73	70	30	36
Profit before taxation	741	1,061	49	504
Taxation	(331)	(320)	(56)	(170)
Profit / (loss) after taxation	410	741	(7)	334
Earnings per share-Basic and diluted (Re.)	0.068	0.124	(0.001)	0.056

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

Muslim R. Habib
Chief Executive

Ali Niaz Akhtar
Director

Condensed Interim Statement of Comprehensive Income for the half year ended December 31, 2014 (Unaudited)

	Half year ended		Quarter ended	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
	(Rupees in thousands)			
Profit / (loss) after taxation	410	741	(7)	334
Other comprehensive income	–	–	–	–
Total comprehensive income / (loss) for the half year ended December 31, 2014	410	741	(7)	334

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

Muslim R. Habib
Chief Executive

Ali Niaz Akhtar
Director

Condensed Interim Statement of Changes in Equity for the half year ended December 31, 2014 (Unaudited)

	Issued, Subscribed and Paid-up Capital	Accumulated (Loss)	Total
	(Rupees in thousands)		
Balance as on July 1, 2013	30,000	(37,421)	(7,421)
Total comprehensive income for the half year ended December 31, 2013	–	741	741
Balance as on December 31, 2013	30,000	(36,680)	(6,680)
Balance as on July 1, 2014	30,000	(36,546)	(6,546)
Total comprehensive income for the half year ended December 31, 2014	–	410	410
Balance as on December 31, 2014	30,000	(36,136)	(6,136)

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

Muslim R. Habib
Chief Executive

Ali Niaz Akhtar
Director

Condensed Interim Cash Flow Statement for the half year ended December 31, 2014 (Unaudited)

	Note	Dec. 31, 2014 (Rupees in thousands)	Dec. 31, 2013
Cash flows from operating activities			
Cash generated from operations	6	191	1,032
Profit received on treasury call account		234	123
Finance cost paid		(99)	(78)
Income tax paid		(217)	(285)
		(82)	(240)
Net cash generated from operating activities		109	792
Cash flows from investing activities		–	–
Net increase in cash and cash equivalents		109	792
Cash and cash equivalents at the beginning of the period		5,915	3,805
Cash and cash equivalents at the end of the period		6,024	4,597

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

Muslim R. Habib
Chief Executive

Ali Niaz Akhtar
Director

Notes to the Condensed Interim Financial Statements for the half year ended December 31, 2014 (Unaudited)

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. Statement of compliance

These condensed interim financial statements are unaudited but subject to limited scope review by auditors and are being submitted to the members as required under Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of International Accounting Standard (IAS) - 34, 'Interim Financial Reporting', as applicable in Pakistan. The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2014.

3. Significant accounting policies and disclosures

The accounting policies and methods of computation followed for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Company for the year ended June 30, 2014.

4. Long-term financing

From affiliated company - unsecured

This represents financing from Karachi Mercantile Company (Pvt) Limited arranged by sponsor directors as loan in order to meet financial obligations, maintenance and upkeep of plant and machinery on which moratorium on the mark-up has been agreed in accordance with the terms of financing.

5. Contingencies

5.1 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 against the above judgement 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. The above petitions were, however, fixed for re-hearing on February 12, 2010 and after being heard were adjourned for March 8, 2010. Thereafter, cases were heard cumulatively by the Honourable Supreme Court of Pakistan 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 February 17, 2015. However, the cases were not proceeded and adjourned for the second week of March 2015. As per advice of our legal counsel, Company expects a favourable outcome of the cases.

Guarantees given by the bank in this respect as on December 31, 2014 to the Director General Excise and Taxation (Excise), Government of Sindh, Karachi amounted to Rs. 6.3 (June 2014: Rs. 6.3) million are secured against equitable mortgage of land and buildings of the Company.

	Dec. 31, 2014	Dec. 31, 2013
	(Rupees in thousands)	
6. Cash generated from operations		
Profit before taxation	741	1,061
Adjustment for non-cash charges and other items :		
Depreciation	109	121
Profit on treasury call account	(234)	(123)
Finance cost	73	70
Working capital changes - Note 6.1	(498)	(97)
	(550)	(29)
	191	1,032

	Dec. 31, 2014	Dec. 31, 2013
	(Rupees in thousands)	
6.1 **Working capital changes**		
(Increase) / decrease in current assets		
Stores and spare parts	–	37
Short-term prepayments	(50)	(79)
	(50)	(42)
(Decrease) in current liabilities		
Trade and other payables	(448)	(55)
	(498)	(97)

7. 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.

8. Transactions with related parties

Transactions with related parties are given below:

	Half year ended		Quarter ended	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
	(Rupees in thousands)			
Rental income	1,289	1,816	323	938
Profit on treasury call account	234	123	121	67
Insurance	6	7	3	4
Bank charges	2	2	1	2

9. General

9.1 Figures presented in these condensed interim financial statements have been rounded off to the nearest thousand rupees.

9.2 These condensed interim financial statements were approved by the Board of Directors and authorised for issue on February 27, 2015.

Muslim R. Habib
Chief Executive

Ali Niaz Akhtar
Director