Balochistan Particle Board Limited

Report and Condensed Interim Financial Statements for the Half Year ended December 31, 2016 (Unaudited)

Company Information

Board of Directors	Murtaza H. Habib	*Chairman*
	Muslim R. Habib	*Chief Executive*
	Tanzeel Abdul Sattar	
	Ali A. Rahim	
	Ghulam Abbas Karjatwala	
	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 1st Floor, 40-C, Block-6, P.E.C.H.S, Karachi-75400 Phones : (+92-21) 111-000-322 Fax : (+92-21) 34168271 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, 2016.

During the period under review, Company earned after tax profit of Rs. 0.09 (2015: 0.14) million resulting in earnings per share of Re. 0.01 (2015: 0.02) 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 the Company continued to remain closed since 1997. The Government of Sindh filed an appeal before the Honourable Supreme Court of Pakistan in respect of arbitrary demand of Rs.57.4 million for vend fee and permit fee and Rs.14.1 million for excise duty alongwith interest at rates applicable on khas deposit certificates decided in favour of the Company by the Honourable High Court of Sindh which is pending adjudication.

The petitions were fixed for hearing on February 3, 2016 and the matter was heard at considerable length involving numberous aspects arising therefrom and an interim order was passed by the apex court, details of which are reproduced below:

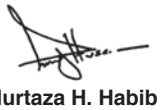
Quote "During the course of hearing one of the points which has conspicuously emerged is whether methanol contains alcohol/alcoholic content and whether it is a denaturant/denatured product or not, therefore, in order to seek an expert opinion, we direct the Director General/Head of the Department of Pakistan Council of Scientific and Industrial Research, Karachi to submit a report in this regard within a period of one month which (report) must be placed before the learned senior Judge in chambers for fixation of the matter after the receipt thereof. This case must be treated as a part heard matter". *Unquote*

The Board of Directors concluded that future course of action will be decided upon finality of the above pending cases.

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 providing storage facilities and letting out part of its premises to third parties for purposes of conduct of their commercial operations and continued financing arranged as loan to the company by sponsor directors through affiliated company. In view of the foregoing, the financial statements have been prepared on going concern basis.

On behalf of the Board of Directors



Murtaza H. Habib
Chairman

Karachi: February 25, 2017

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, 2016 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 profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2016 and 2015 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2016.

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 providing storage facilities and letting out part of its premises to third parties for purposes of 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.

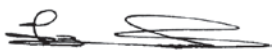
In view of the prevailing conditions there is significant doubt about the Company's ability to continue as a going concern. Consequently, adjustments may be required to the recorded asset amounts and classification of liabilities.

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, 2016 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 uncertainties with respect to pending court cases.



Tanzeem & Company
Chartered Accountants
Engagement Partner Tanzeem Zaidi

Karachi: February 25, 2017

Condensed Interim Balance Sheet
as at December 31, 2016
(Unaudited)

	Note	(Unaudited) December 31, 2016	(Audited) June 30, 2016
		(Rupees in thousands)	
Assets			
Non-Current Assets			
Fixed assets			
Property, plant and equipment		2,358	2,447
Long-term deposits		125	125
Current Assets			
Stores and spare parts		2,501	2,501
Advances and Short-term prepayments		218	210
Other receivables			
- excise duty refundable		1,076	1,076
Cash and bank balances		6,139	5,961
		9,934	9,748
Total Assets		12,417	12,320
Equity and Liabilities			
Share Capital			
Authorised Capital			
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		(36,380)	(36,466)
		(6,380)	(6,466)
Non-Current Liabilities			
Long-term financing	4	18,000	18,000
Current Liabilities			
Trade and other payables		385	401
Taxation - net		412	385
		797	786
Contingencies	5		
Total Equity and Liabilities		12,417	12,320

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, 2016 (Unaudited)

	Half year ended		Quarter ended	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
	(Rupees in thousands)			
Revenue				
Storage income	720	865	370	450
Profit on treasury call account	131	129	66	62
	851	994	436	512
Factory and administrative expenses				
Salaries and allowances	74	72	38	36
Rates and taxes	38	38	19	19
Communication, printing and stationery	178	221	52	105
Directors' fee	4	6	2	3
Depreciation	89	98	45	49
Legal and professional charges	76	76	38	38
Insurance	6	6	3	3
Auditors' remuneration	43	38	24	19
Fees, subscription and other expenses	151	173	33	73
	659	728	254	345
Profit before finance cost and tax	192	266	182	167
Finance cost	66	67	29	32
Profit before taxation	126	199	153	135
Taxation	40	64	36	44
Profit after taxation	86	135	117	91
Earnings per share-Basic and diluted (Re.)	0.014	0.023	0.020	0.015

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, 2016 (Unaudited)

	Half year ended		Quarter ended	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
	(Rupees in thousands)			
Profit after taxation	86	135	117	91
Other comprehensive income	–	–	–	–
Total comprehensive income	86	135	117	91

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, 2016
(Unaudited)

	Issued, Subscribed and Paid-up Capital	Accumulated (Loss)	Total
	(Rupees in thousands)		
Balance as on July 1, 2015	30,000	(36,698)	(6,698)
Total comprehensive income for the half year ended December 31, 2015	–	135	135
Balance as on December 31, 2015	30,000	(36,563)	(6,563)
Balance as on July 1, 2016	30,000	(36,466)	(6,466)
Total comprehensive income for the half year ended December 31, 2016	–	86	86
Balance as on December 31, 2016	30,000	(36,380)	(6,380)

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, 2016 (Unaudited)

	Note	Dec. 31, 2016	Dec. 31, 2015
		(Rupees in thousands)	
Cash flows from operating activities			
Cash generated from operations	6	126	157
Profit received on treasury call account		131	129
Finance cost paid		(66)	(75)
Income tax paid		(13)	(13)
Net cash generated from operating activities		178	198
Net increase in cash and cash equivalents		178	198
Cash and cash equivalents at the beginning of the period		5,961	5,642
Cash and cash equivalents at the end of the period		6,139	5,840

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, 2016 (Unaudited)

1 The Company and its operations

Balochistan Particle Board Limited is a public limited Company incorporated in Pakistan with shares quoted on the Pakistan Stock Exchange Limited. The manufacturing operations of the Company, continued to remain closed since 1997. Company's present business operations comprise of letting out part of its premises to third parties for purposes of storage and to conduct 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 and subject to limited scope review by the auditors. These are being submitted to the members in accordance with 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 and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 will be followed. The condensed interim 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, 2016.

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 preparation of the annual published financial statements of the Company for the year ended June 30, 2016.

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 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 and 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 were decided in favour of the Company on March 26, 2003 and August 20, 2004 respectively, 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 February 3, 2016, and the matter was heard at considerable length and resulted in the following order as duly reproduced hereinbelow:

"During the course of hearing one of the points which has conspicuously emerged is whether methanol contains alcohol/alcoholic content and whether it is a denaturant/denatured product or not, therefore, in order to seek an expert opinion, we direct the Director General/Head of the Department of Pakistan Council of Scientific and Industrial Research, Karachi to submit a report in this regard within a period of one month and the same must be placed before the learned senior Judge in chamber for fixation of the matter after the receipt thereof. This case must be treated as a part heard matter".

Further, based on the legal advice, 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 (June 2016: Rs.1.08) million had been paid under protest and shown as other receivable - excise duty refundable under current assets.

Guarantees given by the bank in this respect as on December 31, 2016 to the Director General Excise and Taxation (Excise), Government of Sindh, Karachi amounted to Rs.6.3 (June 2016: Rs. 6.3) million are secured against equitable mortgage of land and buildings of the Company.

	(Unaudited) Dec. 31, 2016	Dec. 31, 2015
	(Rupees in thousands)	
6. Cash generated from operations		
Profit before taxation	126	199
Adjustment for non-cash charges and other items :		
Depreciation	89	98
Profit on treasury call account	(131)	(129)
Finance cost	66	67
Working capital changes - Note 6.1	(24)	(78)
	–	(42)
	126	157
6.1 **Working capital changes**		
(Increase) / decrease in current assets		
Advances and Short-term prepayments	(8)	(53)
Increase / (decrease) in current liabilities		
Trade and other payables	(16)	(25)
	(24)	(78)

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.

8. Transactions with related parties

Material transactions with related parties are given below :

			(Unaudited)			
			Half year ended		Quarter ended	
			Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
			(Rupees in thousands)			
Parties	**Nature of Transaction**	**Relationship**				
Bank AL Habib Limited	Profit on treasury call account	Affiliated company	131	129	66	62
Bank AL Habib Limited	Bank charges	Affiliated company	1	–	–	–
Habib Insurance Co. Limited	Insurance premium	Affiliated company	6	6	3	3
Directors	Directors' meeting fee	Director	4	6	2	3

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 authorised for issue on February 25, 2017 by the Board of Directors of the Company.

Muslim R. Habib
Chief Executive

Ali Niaz Akhtar
Director

ڈائریکٹرز رپورٹ

محترم ممبران۔السلام علیکم!

بلوچستان پارٹیکل بورڈ کے بورڈ آف ڈائریکٹرز کی جانب سے میں 31 دسمبر 2016ء کو ختم ہونے والی ششماہی کے کمپنی کے غیر آڈٹ شدہ عبوری مالیاتی حسابات پیش کر رہا ہوں۔

اس مدت کے دوران کمپنی کا ٹیکس کے بعد منافع کی رقم مبلغ 0.09 (0.14-2015) ملین روپے رہی جس کے نتیجے میں فی شیئر بنیادی منافع 0.01 روپیہ (0.02 روپیہ-2015) رہی جیسا کہ منسلکہ عبوری مالیاتی حسابات میں دکھایا گیا ہے۔ یہ غیر آڈٹ شدہ عبوری مالیاتی حسابات چلتے ہوئے کاروبار کی بنیاد پر تیار کئے گئے ہیں اور اسکی وجوہات کی وضاحت مالیاتی حسابات کے نوٹ نمبر 7 میں کر دی گئی ہے۔

کمپنی کے پیداواری امور 1997ء سے مسلسل بند ہیں۔ حکومت سندھ نے ویلتھ اور پرمٹ فیس کی مد میں 57.4 ملین روپے اور ایکسائز ڈیوٹی کی مد میں 14.1 ملین روپے بشمول سود جو کہ خاص ڈپازٹ سرٹیفکیٹ پر لاگو ہے کہ مطالبے کے بارے میں عزت مآب سپریم کورٹ آف پاکستان میں اپیل دائر کر رکھی ہے جو کہ زیر سماعت ہے جس کے بارے میں عزت مآب ہائی کورٹ سندھ نے کمپنی کے حق میں فیصلہ کر دیا تھا۔

اس کی پیشی 3 فروری 2016ء کو مقرر کی گئی تھی اور اس کیس کے متعلق تمام تر امور پر غور کرتے ہوئے دلائل پیش کئے گئے جس کے بعد عدالت نے ایک عبوری حکم جاری کیا جس کا متن درج ذیل ہے۔

اقتباس "پیشی کے دوران ایک نقطہ اہمیت کا حامل رہا کہ آیا میتھانول میں الکوحل / الکوحل کے اجزاء شامل ہیں اور کیا یہ پروڈکٹ ڈی نیچرنٹ / ڈی نیچرڈ ہے یا نہیں۔ لہٰذا اس سلسلے میں ماہرین کی رائے درکار تھی۔ ہم نے ڈپارٹمنٹ آف پاکستان کونسل آف سائنٹفک اینڈ انڈسٹریل ریسرچ کراچی کے ڈائریکٹر جنرل / ڈپارٹمنٹ کے سربراہ کو ہدایت کی کہ وہ اس سلسلے میں اپنی رپورٹ ایک ماہ کے اندر چیمبر میں محترم سینئر جج کے روبرو پیش کرے جو اس رپورٹ کے ملنے کے بعد سنوائی کا وقت مقرر کرے اور اس کیس اور رپورٹ کو سنا ہوا حصہ تصور کیا جائے" غیر اقتباس۔

بورڈ آف ڈائریکٹرز نے یہ نتیجہ اخذ کیا کہ مستقبل کی کارروائی کا فیصلہ مذکورہ بالا زیر التواء کیسز کے فیصلے کے بعد کیا جائے گا۔

کمپنی کے چلتے ہوئے کاروبار کے معاملے پر آڈیٹر کے تحفظات:

آڈیٹرز نے ممبران کو اپنی رپورٹ میں کمپنی کے چلتے ہوئے کاروباری صلاحیت سے متعلق تحفظات کا اظہار کیا اس سلسلے میں کمپنی نے یہ بتایا کہ وہ اپنے کاروباری عمل کو تیسری پارٹی کو اپنی جگہ اسٹوریج کیلئے اور اسکے کاروباری امور کیلئے کرائے پر دیتی ہے اور اسپانسر ڈائریکٹران مستقل طور پر ملحقہ کمپنیز کے ذریعے کمپنی کی مالی اعانت قرضے کے طور پر کرتے ہیں لہٰذا مذکورہ بالا حقائق کے پیش نظر مالیاتی حسابات چلتے ہوئے کاروبار کی بنیاد پر تیار کئے گئے ہیں۔

بورڈ آف ڈائریکٹران کی جانب سے

مرتضیٰ ایچ حبیب

چیئرمین

کراچی 25 فروری 2017ء