



Notes to the Financial Statements for the year ended June 30, 2007

1. The Company and its operations

Balochistan Particle Board Limited is a public listed Company incorporated in Pakistan. The manufacturing operations of Urea Formaldehyde continued to remain closed on account of prevailing adverse conditions. Company is earning rental and storage income by letting out part of its premises.

2. Statement of Compliance

These financial statements have been prepared in accordance with the approved accounting and financial reporting standards, as applicable in Pakistan and the requirements of Companies Ordinance, 1984. The approved accounting and financial reporting standards comprise of such International Standards as are notified, under the provisions of Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or Statutory Rule and Orders (SROs) and Circulars issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of said SROs and Circulars, as appropriate, take precedence.

3. Summary of significant accounting policies

3.1 Critical accounting estimates and judgements

The preparation of financial statements in conformity with the above basis 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. The area involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are set out below:

- i) Provision for income tax
- ii) Provision for obsolescence and slow moving spares
- iii) Property, Plant and equipment

3.2 Accounting standards not yet effective:

The following new standards and amendments of approved accounting standards are applicable in Pakistan from the dates mentioned below against there respective standard or amendment.

IAS-Presentation of Financial Statements amendments relating to capital disclosures	Effective from accounting period beginning on or after January 01, 2007
IAS-23 (Revised) Borrowing Cost	Effective from accounting period beginning on or after January 01, 2009
IAS-41 Agriculture	Effective from accounting period beginning on on after May 22, 2007
IFRS-2 Share based Payment	Effective from accounting period beginning on or after January 1, 2007
IFRS-3 Business Combinations	Effective from accounting period beginning on or after January 1, 2007
IFRS-5 Non-current Assets held for sale and discontinued operations	Effective from accounting period beginning on or after January 1, 2007



IFRS-6 Exploration for and evaluation of mineral resources	Effective from accounting period beginning on or after January 1, 2007
IFRIC- 10 - Interim financial reporting and impairment	Effective from accounting period beginning on or after November 1, 2006
IFRIC-11 - Group and treasury share transactions	Effective from accounting period beginning on or after March 1, 2007
IFRIC- 12 - Services concession arrangements.	Effective from accounting period beginning on or after January 1, 2008
IFRIC- 13 - Customer Loyalty Programmer.	Effective from accounting period beginning on or after July 1, 2008
IFRIC - 14 - The limit on a defined benefit asset minimum funding requirements and their interaction	Effective from accounting period beginning on or after January 1, 2008

The Company expects that the adoption of the above standards, amendments and interpretations will have no impact on the Company's financial statements in the period of initial application.

3.3 Accounting convention

These financial statements have been prepared under the historical cost convention.

3.4 Fixed assets

3.4.1 Property, Plant and equipment

These are stated at cost less accumulated depreciation except freehold land which is stated at cost.

Depreciation is charged to income 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, in line with the recommendations of the Institute of Chartered Accountants of Pakistan.

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

3.5 Stores and spares

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

3.6 Taxation

Provision for current taxation is computed in accordance with the provisions of Income Tax laws.

The company accounts for deferred taxation on all material timing 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 tax is nil as at balance sheet date.

3.7 Impairment

The carrying amounts of the company's assets are reviewed periodically 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

Rental income and interest on deposit account is recorded on accrual basis.

3.9 Transactions with related parties

Transactions with related parties are carried out at arm's length using comparable uncontrolled price method, except for long-term finance from Karachi Mercantile Company (Pvt.) Limited on which moratorium on the mark-up has been agreed in accordance with the terms of financing.



4. Fixed assets

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

	Cost as at July 1, 2006	Additions/ (deletions)	Cost as at June 30, 2007	Accum- ulated depreci- ation as at July 1, 2006	Deprec- iation charge for the year	Accumu- lated dep- reciation as at June 30, 2007	Written down value as at June 30, 2007	Annual rate of Depre- ciation %
(Rupees in thousands)								
Freehold land	620	–	620	–	–	–	620	–
Buildings on freehold land	9,176	–	9,176	8,088	109	8,197	979	10
Roads	461	–	461	283	9	292	169	5
Plant and machinery	10,849	–	10,849	7,273	358	7,631	3,218	10
Furniture, fittings and office equipments	1,746	–	1,746	1,473	27	1,500	246	10
Vehicle	28	–	28	22	1	23	5	20
2007	22,880	–	22,880	17,139	504	17,643	5,237	

	Cost as at July 1, 2005	Additions/ (deletions)	Cost as at June 30, 2006	Accum- ulated depreci- ation as at July 1, 2005	Deprec- iation charge for the year	Accumu- lated dep- reciation as at June 30, 2006	Written down value as at June 30, 2006	Annual rate of Depre- ciation %
(Rupees in thousands)								
Freehold land	620	–	620	–	–	–	620	–
Buildings on freehold land	9,176	–	9,176	7,967	121	8,088	1,088	10
Roads	461	–	461	274	9	283	178	5
Plant and machinery	10,849	–	10,849	6,875	398	7,273	3,576	10
Furniture, fittings and office equipments	1,746	–	1,746	1,443	30	1,473	273	10
Vehicle	28	–	28	20	2	22	6	20
2006	22,880	–	22,880	16,579	560	17,139	5,741	



	2007	2006		
	(Rupees in thousands)			
5. Stores and spares				
Stores	2,014	2,014		
Spares	1,791	1,791		
	<u>3,805</u>	<u>3,805</u>		
Less: Provision for obsolescence and slow moving stores and spares	84	-		
	<u>3,721</u>	<u>3,805</u>		
6. Loans and advances				
Advances	30	67		
Income tax - Net of Provision	230	225		
	<u>260</u>	<u>292</u>		
7. Trade deposits and short-term prepayments				
Short-term prepayments	<u>50</u>	<u>40</u>		
8. Other receivables				
Excise duty refundable	<u>1,076</u>	<u>1,076</u>		
9. Cash and bank balances				
Balance with banks on:				
Deposit account	1,487	353		
Current accounts	9	26		
Guarantee margin deposit account	1,169	1,169		
	<u>2,665</u>	<u>1,548</u>		
10. Issued, subscribed and paid-up capital				
Ordinary shares of Rs. 5 each				
	2007	2006		
	<u>Number of Shares</u>			
4,000,000	4,000,000		Shares fully paid in cash	20,000
			Shares issued as fully paid	
2,000,000	2,000,000		bonus shares	10,000
<u>6,000,000</u>	<u>6,000,000</u>			<u>30,000</u>



	2007	2006
	(Rupees in thousands)	
11. Long-term finances		
From affiliated company - unsecured	<u>26,487</u>	<u>26,487</u>

This represents finance from Karachi Mercantile Company (Pvt.) Limited arranged by sponsor directors in order to meet finance 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.

	2007	2006
	(Rupees in thousands)	
12. Trade and other payables		
Advance rent	556	525
Accrued expenses	27	35
Unclaimed dividend	320	320
	<u>903</u>	<u>880</u>

13. Contingencies

13.1 The case pending before the Hon'ble High Court of Sindh against the demand of Rs. 57.4 million for vend fee and permit fee 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 and permit fee cannot be levied on methanol.

The Government of Sindh against the judgement of the Hon'ble High Court of Sindh in favour of the Company filed a civil petition before the Hon'ble Supreme Court of Pakistan, the hearing of which concluded on March 16, 2006 and the judgement has been reserved.

13.2 The case pending before the Hon'ble High Court of Sindh against the demand of excise duty on transportation of methanol from Karachi to Hub for Rs. 14.1 million by the Sindh Government with interest at rates applicable on Khas Deposit Certificates was decided in favour of the Company by maintaining that methanol does not fall within the purview of Sindh Abkari Act 1878 and as such excise duty on transportation of methanol cannot be levied. The Government of Sindh, however, filed Constitution Petition for leave to appeal in the Hon'ble Supreme Court of Pakistan against the judgement of the Hon'ble High Court of Sindh, the hearing of which was concluded on March 16, 2006 and the judgement has been reserved.

Guarantees given by the bank in this respect as on June 30, 2007 amounted to Rs. 6.3 million (June 2006: Rs. 6.3 million) which are secured against equitable mortgage of land and buildings of the Company.



	2007	2006
	(Rupees in thousands)	
14. Auditor remuneration		
Annual audit fee	25	25
Half yearly review fee	5	5
	<u>30</u>	<u>30</u>
15. Financial Charges - Net		
Guarantee Commission	114	114
Federal Excise Duty	4	-
Bank Charges	14	2
	<u>132</u>	<u>116</u>
Interest earned on deposit account	(34)	(12)
	<u>98</u>	<u>104</u>
16. Other income		
Storage income	-	33
Rental income	2,012	1,800
	<u>2,012</u>	<u>1,833</u>
17. Taxation		
Income Tax - Current	<u>100</u>	<u>9</u>
17.1 Reconciliation of tax charge for the year		
Accounting profit	<u>584</u>	<u>235</u>
Corporate tax rate	<u>35%</u>	<u>35%</u>
Tax on accounting profit at applicable rate	204	82
Effect of presumptive tax on rental income at lower rate	(104)	-
Recognitions of tax loss	-	(82)
Minimum tax on turnover	-	9
	<u>(104)</u>	<u>(73)</u>
Provision for taxation	<u>100</u>	<u>9</u>



18. Earnings per share

Profit after taxation	484	226
Number of ordinary shares of Rs. 5 each	6,000,000	6,000,000
Earnings per share	Re. 0.08	Re. 0.04

19. Cash generated from operations

Profit before taxation	584	235
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Adjustment for non - cash charges and other items :

Depreciation	504	560
Financial charges - Net	98	104
Provision for obsolescence and slow moving stores and spares	84	—
Working capital changes - Note 19.1	60	(169)
	746	495
	1,330	730

19.1 Working capital changes

(Increase) / decrease in current assets

Loans and advances	37	(29)
Trade deposits and short-term prepayments	—	8
	37	(21)

Increase / (decrease) in current liabilities

Trade and other payables	23	(148)
	60	(169)

20. Remuneration of directors, chief executive and executives

	2007				2006			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	(Rupees in thousands)							
Meeting fee 7 directors (2006: 7 directors)	—	10	—	10	—	10	—	10
Managerial remuneration	—	—	—	—	—	—	—	—
Number of persons	1	—	—	1	1	—	—	1



21. Financial instruments and related disclosures

21.1 Interest / mark-up risk exposure

The Company's exposure to interest / mark-up rate on its financial assets and liabilities are summarized as under:

	Interest / Mark-up bearing			Non-Interest / Mark-up bearing			2007 Total
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total	
(Rupees in thousands)							
Financial assets							
Deposit	–	–	–	–	113	113	113
Cash and bank balances	1,487	–	1,487	1,178	–	1,178	2,665
	<u>1,487</u>	<u>–</u>	<u>1,487</u>	<u>1,178</u>	<u>113</u>	<u>1,291</u>	<u>2,778</u>
Financial liabilities							
Trade and other payables	–	–	–	903	–	903	903
Loan from affiliated company – Refer Note No. 10	–	26,487	26,487	–	–	–	26,487
	<u>–</u>	<u>26,487</u>	<u>26,487</u>	<u>903</u>	<u>–</u>	<u>903</u>	<u>27,390</u>
(Rupees in thousands)							
	Interest / Mark-up bearing			Non-Interest / Mark-up bearing			2006 Total
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total	
(Rupees in thousands)							
Financial assets							
Deposit	–	–	–	–	113	113	113
Cash and bank balances	353	–	353	1,195	–	1,195	1,548
	<u>353</u>	<u>–</u>	<u>353</u>	<u>1,195</u>	<u>113</u>	<u>1,308</u>	<u>1,661</u>
Financial liabilities							
Trade and other payables	–	–	–	880	–	880	880
Loan from affiliated company – Refer Note No. 10	–	26,487	26,487	–	–	–	26,487
	<u>–</u>	<u>26,487</u>	<u>26,487</u>	<u>880</u>	<u>–</u>	<u>880</u>	<u>27,367</u>

21.2 Concentration of credit risk

The company believes that it is not exposed to major concentration of credit risk.

21.3 Foreign exchange risk management

The company is not exposed to any foreign exchange risk.

21.4 Fair value of the financial instruments

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



22. Number of employees

Total number of employees on contract basis at the year end were 2 (2006: 2).

23. General

23.1 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. Further, the Company is ensuring maintenance and upkeep of urea formaldehyde plant and machinery to recommence operations if considered economically viable.

	2007		2006	
	Quantity	Working days	Quantity	Working days
23.2 Capacity and production				
Urea formaldehyde				
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	–

On account of adverse economic conditions, the plant operations continued to remain closed.

23.3 Transactions with related parties

Transactions with related parties were as follows:

	2007	2006
	(Rupees in thousands)	
Rental income	2,012	1,800
Profit on short term deposit	34	12
Insurance premium	34	37
Bank charges	2	1
Repayment to affiliated company	–	1,000

23.4 Date of authorization

These financial statements were authorised for issue on September 29, 2007 by the Board of Directors of the Company.

Muslim R. Habib
Chairman & Chief Executive

Murtaza H. Habib
Director



Pattern of Shareholding as at June 30, 2007

Number of Shareholders	Size of Shareholding			Total Number of Shares held
	From	...	To	
335	1	...	100	15,089
441	101	...	500	121,103
183	501	...	1,000	126,172
149	1,001	...	5,000	347,768
21	5,001	...	10,000	153,556
5	10,001	...	15,000	63,598
2	15,001	...	20,000	33,777
6	20,001	...	25,000	130,842
6	25,001	...	30,000	165,156
3	30,001	...	35,000	103,465
2	40,001	...	45,000	87,765
2	45,001	...	50,000	98,427
1	60,001	...	65,000	64,647
1	80,001	...	85,000	84,300
2	85,001	...	90,000	175,211
5	90,001	...	95,000	461,429
2	100,001	...	105,000	207,025
2	105,001	...	110,000	217,859
1	110,001	...	115,000	111,671
2	145,001	...	150,000	296,772
3	185,001	...	190,000	560,527
1	205,001	...	210,000	209,178
1	230,001	...	235,000	232,064
1	345,001	...	350,000	346,840
1	1,585,001	...	1,590,000	1,585,759
1,178				6,000,000

Shareholders' Category	Number of Shareholders	Number of Shares held	Percentage
Individuals	1,163	3,383,029	56.38
Financial Institutions	2	1,794,937	29.92
Insurance Companies	3	86,400	1.44
Joint Stock Companies	8	498,609	8.31
Others:			
Charitable Trust	1	148,975	2.48
Society	1	88,050	1.47
	1,178	6,000,000	100.00



Pattern of Shareholding as at June 30, 2007

Additional Information

Shareholders' Categories	Number of Shareholders	Number of Shares Held
Related Parties		
Habib Sugar Mills Ltd.	1	147,797
NIT and ICP		
National Bank of Pakistan Trustee Department (NIT)	1	1,585,759
Investment Corporation of Pakistan	1	209,178
Directors, CEO & their spouses and minor children		
Muslim R. Habib	<i>Chairman & Chief Executive</i>	1,000
Murtaza H. Habib	<i>Director</i>	94,164
Imran A. Habib	"	91,033
Muhammad Shafi (NIT Nominee)	"	—
Raza Abbas Jaffery (NIT Nominee)	"	—
Ghulam Abbas Karjatwala	"	1,000
Ali A. Rahim	"	9,000
Ali Niaz Akhtar	"	1,000
Executives	—	—
Joint Stock Companies and Corporations	7	350,812
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	3	86,400
Individuals	1,157	3,185,832
Charitable Trusts and Societies	2	237,025
Shareholders holding 10% or more voting interest		
National Bank of Pakistan Trustee Department (NIT) 1,585,759 shares		
	1,178	6,000,000