



Notes to the Financial Statements for the year ended June 30, 2008

1. The Company and its operations

Balochistan Particle Board Limited is a public listed 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 prevailing adverse conditions. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the approved accounting standards, as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as notified under the provisions of Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives 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 directives take precedence.

2.2 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 2.5);
- b) Recognition of taxation and deferred tax (Note 2.9) ; and
- c) Impairment of financial assets (Note 2.10)

2.3 Accounting standards not yet effective:

The International Accounting Standards Board (IASB) announced new standards, interpretations of and amendments in the International Accounting Standards (IFRS) from time to time. The amendments in the following IASs, IFRSs, and new IFRICs, in relation to subject mentioned below have already been published by the IASB, becoming mandatorily applicable, from the accounting periods beginning on or after the date specified hereunder which are either not relevant to Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures:

IFRS-2 Share based Payments	Effective for annual periods beginning on or after January 1, 2009
IFRS-3 Business Combinations	Effective for annual periods beginning on or after July 1, 2009
IFRS-7 Financial Instruments	Effective for annual periods beginning on or after July 1, 2008
IFRS-8 Operating Segments	Effective for annual periods beginning on or after July 1, 2008



Revised IAS-1 Presentation of Financial Statements	Effective for annual periods beginning on or after January 1, 2009
Revised IAS-23 Borrowing cost	Effective for annual periods beginning on or after January 1, 2009
IAS-29 Financial Reporting in Hyperinflationary Economies	Effective for annual periods beginning on or after January 1, 2009
IAS-32 Financial Instruments	Effective for annual periods beginning on or after January 1, 2009
IFRIC- 12 - Services Concession Arrangements	Effective for annual periods beginning on or after January 1, 2008
IFRIC - 13 - Customer Loyalty Programmes	Effective for annual periods beginning on or after July 1, 2008
IFRIC - 14 / IAS - 19 The limit on defined benefit asset, minimum funding requirements and their interaction.	Effective for annual periods beginning on or after January 1, 2008
IFRIC - 15 Agreement for the Construction of Real Estate	Effective for annual periods beginning on or after October 1, 2008
IFRIC - 16 Hedge of Net Investment in a Foreign Operation	Effective for annual periods beginning on or after October 1, 2008

2.4 Basis of preparation

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

2.5 Fixed assets

Property, plant and equipment

These are stated at cost less accumulated depreciation 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, in line with the recommendations of the Institute of Chartered Accountants of Pakistan. 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.

2.6 Stores and spares

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

2.7 Cash and cash equivalents

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



2.8 Borrowings and their cost

Borrowings are recorded at the 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.

2.9 Taxation

Provision for current taxation is computed in accordance with the provisions of Income Tax laws. The charge for current income tax 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. However provision for deferred tax is nil as at balance sheet date.

2.10 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.

2.11 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 deposit accounts is recorded on accrual basis.

2.12 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.

2.13 Transactions with related parties

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

2.14 Offsetting of financial assets and financial liabilities:

A financial asset and financial liability is offset and the net amount is reported in the balance sheet. If the company has a legally enforceable right to set-off the recognized amounts and the company intends either to settle on a net basis or to realize the asset and discharge the liability simultaneously.

2.15 Provisions

Provisions are recognized when the Company has present, legal or constructive obligations as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and reliable estimate of the amounts can be made.



3. Fixed assets

3.1 The following is a statement of property, plant and equipment for 2008 :

	Cost as at July 1, 2007	Additions/ (deletions)	Cost as at June 30, 2008	Accum- ulated depreci- ation as at July 1, 2007	Deprec- iation charge for the year	Accumu- lated dep- reciation as at June 30, 2008	Written down value as at June 30, 2008	Annual rate of Depre- ciation %
(Rupees in thousands)								
Freehold land	620	–	620	–	–	–	620	–
Buildings on freehold land	9,176	–	9,176	8,197	98	8,295	881	10
Roads	461	–	461	292	8	300	161	5
Plant and machinery	10,849	–	10,849	7,631	322	7,953	2,896	10
Furniture, fittings and office equipments	1,746	–	1,746	1,500	25	1,525	221	10
Vehicle	28	–	28	23	1	24	4	20
2008	22,880	–	22,880	17,643	454	18,097	4,783	

3.2 The following is a statement of property, plant and equipment for 2007 :

	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	



		2008	2007
		(Rupees in thousands)	
4.	Stores and spares		
	Stores	2,014	2,014
	Spares	1,787	1,791
		<u>3,801</u>	<u>3,805</u>
	Less: Provision for obsolescence and slow moving items	137	84
		<u>3,664</u>	<u>3,721</u>
5.	Loans and advances		
	Advances	30	30
	Income tax - Net of Provision	232	230
		<u>262</u>	<u>260</u>
6.	Trade deposits and short-term prepayments		
	Short-term prepayments	<u>1</u>	<u>50</u>
7.	Other receivables		
	Excise duty refundable	<u>1,076</u>	<u>1,076</u>
8.	Cash and bank balances		
	Balance with banks on:		
	Treasury call account	1,127	1,487
	Current accounts	10	9
	Guarantee margin deposit account	1,169	1,169
		<u>2,306</u>	<u>2,665</u>
9.	Issued, subscribed and paid-up capital		
	Ordinary shares of Rs. 5 each		
	2008		
	2007		
	Number of Shares		
	4,000,000	4,000,000	Shares fully paid in cash
			20,000
			20,000
	2,000,000	2,000,000	Shares issued as fully paid
			bonus shares
			10,000
			10,000
	<u>6,000,000</u>	<u>6,000,000</u>	<u>30,000</u>
			<u>30,000</u>



	2008	2007
	(Rupees in thousands)	
10. Long-term finances		
From affiliated company - unsecured	<u>25,000</u>	<u>26,487</u>

This represents finance 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.

	2008	2007
	(Rupees in thousands)	
11. Trade and other payables		
Advance rent	375	556
Accrued expenses	165	27
Unclaimed dividend	<u>320</u>	<u>320</u>
	<u>860</u>	<u>903</u>

12. Contingencies

12.1 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 was concluded on March 16, 2006 and the judgement has been reserved.

12.2 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, 2008 amounted to Rs. 6.3 million (June 2007: Rs. 6.3 million) which are secured against equitable mortgage of land and buildings of the Company.



	2008 (Rupees in thousands)	2007
13. Stock exchange listing fee		
Karachi Stock Exchange	15	15
Lahore Stock Exchange		
Current year	10	–
Prior years	115	–
	125	–
	140	15
14. Auditor's remuneration		
Annual audit fee	40	25
Half yearly review fee	5	5
	45	30
15. Financial charges / (income) - Net		
Guarantee commission	114	114
Federal excise duty	3	4
Bank charges	1	14
	118	132
Profit earned on treasury call account	(122)	(34)
	(4)	98
16. Other income		
Rental income	2,196	2,012
	2,196	2,012
17. Taxation		
Income tax - Current	110	100
	110	100
17.1 Reconciliation of tax charge for the year		
Accounting profit	723	584
Corporate tax rate	35%	35%
Tax on accounting profit at applicable rate	253	204
Effect of presumptive tax on rental income at lower rate	(143)	(104)
Provision for taxation	110	100



	2008	2007						
	(Rupees in thousands)							
18. Earnings per share								
Profit after taxation	613	484						
Number of ordinary shares of Rs. 5 each	6,000,000	6,000,000						
Earnings per share - Basic and diluted	Re. 0.10	Re. 0.08						
19. Cash generated from operations								
Profit before taxation	723	584						
Adjustment for non - cash charges and other items								
Depreciation	454	504						
Financial charges / (income) - Net	(4)	98						
Provision for obsolescence and slow moving items	53	84						
Working capital changes - Note 19.1	(39)	60						
	464	746						
	1,187	1,330						
19.1 Working capital changes								
(Increase) / decrease in current assets								
Stores and spares	4	-						
Loans and advances	-	37						
	4	37						
Increase / (decrease) in current liabilities								
Trade and other payables	(43)	23						
	(39)	60						
20. Remuneration of directors, chief executive and executives								
	2008				2007			
	Chief Execu- tive	Direc- tors	Execu- tives	Total	Chief Execu- tive	Direc- tors	Execu- tives	Total
	(Rupees in thousands)							
Meeting fee 7 directors (2007: 7 directors)	-	8	-	8	-	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			2008
	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
Loans and advances	–	–	–	262	–	262	262
Other receivables	–	–	–	–	1,076	1,076	1,076
Cash and bank balances	1,127	–	1,127	1,179	–	1,179	2,306
	<u>1,127</u>	<u>–</u>	<u>1,127</u>	<u>1,441</u>	<u>1,189</u>	<u>2,630</u>	<u>3,757</u>
Financial liabilities							
Trade and other payables	–	–	–	860	–	860	860
Long-term finances – Refer Note No. 10	–	25,000	25,000	–	–	–	25,000
	<u>–</u>	<u>25,000</u>	<u>25,000</u>	<u>860</u>	<u>–</u>	<u>860</u>	<u>25,860</u>
(Rupees in thousands)							
	Interest / Mark-up bearing			Non-Interest / Mark-up bearing			2007
	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
Loans and advances	–	–	–	260	–	260	260
Other receivables	–	–	–	–	1,076	1,076	1,076
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>1,438</u>	<u>1,189</u>	<u>2,627</u>	<u>4,114</u>
Financial liabilities							
Trade and other payables	–	–	–	903	–	903	903
Long-term finances – 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>

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 (2007: 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.

	2008		2007	
	Quantity	Working days	Quantity	Working days
23.2 Capacity and production				
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	–

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:

	2008	2007
	(Rupees in thousands)	
Rental income	2,196	2,012
Profit on treasury call account	122	34
Insurance premium	20	34
Bank charges	1	2
Long-term finance repayment to affiliated company	1,487	–

23.4 Date of authorization

These financial statements were authorised for issue on October 8, 2008 by the Board of Directors of the Company.

Muslim R. Habib
Chairman & Chief Executive

Murtaza H. Habib
Director