

## **Notes to the Interim Condensed Financial Statements for the quarter ended September 30, 2009 (Unaudited)**

### **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 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.

### **2. Statement of compliance**

These interim condensed financial statements are unaudited and are being submitted to the shareholders 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. 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, 2009.

### **3. Accounting policies**

The accounting policies followed in the preparation of these interim condensed 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, 2009.

### **4. Going concern**

These interim condensed financial statements 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. Further, the Company is ensuring maintenance and upkeep of urea formaldehyde plant and machinery to recommence operations if considered economically viable.

### **5. 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 and maintenance and upkeep of plant and machinery on which moratorium on the mark-up has been agreed in accordance with the terms of financing.

### **6. Contingencies**

- 6.1** The case 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.

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.

- 6.2** The case 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 civil 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 September 30, 2009 to the Director General Excise and Taxation (Excise), Government of Sindh, Karachi amounted to Rs. 6.3 million (June 2009: Rs. 6.3 million) which are secured against equitable mortgage of land and buildings of the Company.

Sept. 30,                      Sept. 30,  
2009                              2008  
(Rupees in thousands)

**7. Cash generated from operations**

Profit before taxation	266	173
Adjustment for non-cash charges and other items :		
Depreciation	92	102
Financial charges / (income) - Net	(26)	8
Working capital changes - Note 7.1	(23)	19
	309	302
	309	302

**7.1 Working capital changes**

(Increase) / decrease in current assets

Trade deposits and short-term prepayments	(41)	(182)
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Increase / (decrease) in current liabilities

Trade and other payables	18	201
	(23)	19
	(23)	19

**8. Transactions with related parties**

Transactions with related parties were as follows:

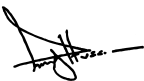
Rental income	600	600
Profit on treasury call account	61	23
Insurance premium	5	5

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

**9. General**

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

**9.2** These interim condensed financial statements were authorised for issue on October 28, 2009 by the Board of Directors of the Company.



**Murtaza H. Habib**  
Director



**Ali Niaz Akhtar**  
Director

**Note: Authentication of financial statements**

Mr. Muslim R. Habib Chairman & Chief Executive of the Company is presently out of Pakistan hence these financial statements have been signed by two Directors in accordance with the provisions of Section 241 of the Companies Ordinance, 1984.