



**Balochistan Particle Board Limited**

**37th Annual Report 2017**



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## Company Information

<b>Board of Directors</b>	Murtaza H. Habib Muslim R. Habib Tanzeel Abdul Sattar Ali A. Rahim Ghulam Abbas Karjatwala Ali Niaz Akhtar Ali Akber Mehboob Ali Lilani	<i>Chairman</i> <i>Chief Executive</i>  Resigned on July 4, 2017  Co-opted on September 21, 2017
<b>Audit Committee</b>	Ali A. Rahim Murtaza H. Habib Mehboob Ali Lilani	<i>Chairman</i> <i>Member</i> <i>Member</i>
<b>Human Resource &amp; Remuneration Committee</b>	Ali Niaz Akhtar Muslim R. Habib Mehboob Ali Lilani	<i>Chairman</i> <i>Member</i> <i>Member</i>
<b>Company Secretary</b>	Amir Bashir Ahmed	
<b>Registered Office</b>	Imperial Court, 3rd Floor Dr. Ziauddin Ahmed Road Karachi-75530 Phone : (+92-21) 35680036 Fax : (+92-21) 35684086 www : bpbl.net	
<b>Factory</b>	Hub Chowki Phone : (+92-0853) 363362	
<b>Bankers</b>	Bank AL Habib Limited Habib Bank Limited	
<b>Auditors</b>	Tanzeem & Company Chartered Accountants	
<b>Share Registrar</b>	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	



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## **VISION STATEMENT**

We aim to be a leading manufacturer of Formaldehyhde and Formaldehyhde based Resin (Glue). We aspire to be known for the quality of our products and develop relationship with our stakeholders based on cooperation and ethical values.

## **MISSION STATEMENT**

We shall strive to achieve excellence and to meet the expectations of stakeholders through efficient, ethical and time tested business practices which the management and employees represent and continuously strive for.



## **Code of Conduct**

The founders of Balochistan Particle Board Limited were visionaries who established the company on very sound principles and envisioned its development and growth on the basis of making no compromises in any aspects of business practices.

The company takes pride in adherence to its principles and continues to serve all the stakeholders and society based on the following guidelines :

### **Products**

- To produce Formaldehyhde and Formaldehyhde based Resin (Glue) which would ensure customer satisfaction and adherence to standards determined by the company and would exceed industry norms and averages.

### **Systems & Procedures**

- To develop and maintain the technical and professional standards, operating procedures and stringent Quality Control measures with on-line quality assurance at every stage of manufacture.
- To maintain a smooth work-flow in all departments with an effective communication system contained within the framework of principles yet allowing the required degree of autonomy for efficient functioning.

### **Management & Employees**

- To employ only the appropriately suited human resource through the selection and recruitment process based on the commensurate qualification and experience criteria without any non-professional considerations.
- To ensure that employees and management personnel strictly adhere to the company rules and regulations and observe the best codes of conduct and abide by laws of the country.

### **Financial**

- To implement an effective, transparent and secure financial reporting and internal control system so as to be fully compliant.
- To place a strict Internal Audit system to study, analyze, review and report all company earning and spending and enhance reliability of all financial information.
- To regularly prepare, as per pre-determined schedules, all financial reports and present accounts to the Board of Directors for review and analysis and show trends based on company income, revenues and expenses and industry trends.

### **Adherence to Law**

- The company shall at all times strictly adhere to all laws of the country and fulfil all statutory requirements and ensure timely, proper and full payment of all applicable taxes, rates, duties and / or any other levies as may be imposed from time to time.

### **Environment**

- The company shall use all means to ensure a clean, safe, healthy and pollution free environment, employ such technology as may be beneficial in maintaining a healthy and hygienic working and living environment.



## Notice of Annual General Meeting

Notice is hereby given that the Thirty-seventh Annual General Meeting of Balochistan Particle Board Limited will be held on Wednesday, October 25, 2017 at 12:00 Noon at Iqbal Auditorium, (3rd Floor), Institute of Bankers Pakistan, Moulvi Tamizuddin Khan Road, Karachi to transact the following business:

1. To receive and consider the audited financial statements, the Directors' report and the Auditors' report for the year ended June 30, 2017.
2. To appoint auditors for the year ending June 30, 2018 and fix their remuneration.

By order of the Board

**Amir Bashir Ahmed**  
Company Secretary

Karachi: September 21, 2017

### Notes:

1. The Share Transfer Books of the Company will remain closed from Wednesday, October 18, 2017 to Wednesday, October 25, 2017 both days inclusive.
2. A member entitled to attend and vote at this meeting is entitled to appoint another member of the Company as a proxy to attend and vote on his / her behalf. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed at least 48 hours before the time of meeting.
3. For identification, Owners of the physical shares and CDC account holder should present Computerized National Identity Card (CNIC) along with participants ID number and CDC account number. In case of appointment of proxy by such account holders, the guidelines as contained in the SECP's circular No. 1 of January 26, 2000 are to be followed.
4. Members are requested to notify any change in their addresses and their contact numbers immediately to Company's Share Registrar, THK Associates (Pvt.) Limited, Karachi.
5. Members who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) are requested to send the same to the Company / Share Registrar. The Corporate entities are requested to provide their National Tax Number (NTN).
6. **Consent for Electronic Transmission of Audited Financial Statements & Notices (Optional)**

The Securities and Exchange Commission of Pakistan through its Notification S.R.O 787(I)/2014 dated September 8, 2014 has permitted companies to circulate Audited Financial Statements along with Notice of Annual General Meeting to its members through e-mail. Accordingly, members are requested to send their consent and e-mail addresses for receiving Audited Financial Statements and Notices through e-mail. In order to avail this facility, a standard request form is available at the Company's website.



## Directors' Report

*Dear Members – Assalam-o-Alekum*

On behalf of my colleagues on the Board, I welcome you to the Thirty-seventh Annual General Meeting of the Company and present before you the annual report, alongwith the audited financial statements of the Company, for the year ended June 30, 2017.

During the year under review, the Company earned profit of Rs. 0.13 million (2016: Rs.0.23 million) and earnings per share – basic and diluted Re. 0.02 (2016: Re.0.04), as shown in the accompanying financial statements. Continuous efforts are being made to rent out part of the premises to third parties for storage and the conduct of their operations and in this respect members' authorization / approval has already been obtained as required in the Companies Ordinance, 1984.

The manufacturing operations of Urea Formaldehyde Division continued to remain closed due to adverse conditions of the Urea formaldehyde industry and the arbitrary demand of excise duty, vend fee and permit fee raised by the Government. The Honourable High Court of Sindh on March 26, 2003 and August 20, 2004 respectively, decided the cases 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 on transportation of methanol cannot be levied.

The Government of Sindh filed civil petitions before the Honourable Supreme Court of Pakistan against the decisions of the Honourable High Court of Sindh, the hearing of petitions was concluded on March 16, 2006 and the judgement was reserved but not pronounced. Thereafter, both petitions were heard on numerous dates especially for the entire day on June 21, 22, 23 and 24, 2010 at greater length. Later, on February 3, 2016, the matter was again heard at considerable length involving numerous 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 chamber for fixation of the matter after the receipt thereof. This case must be treated as a part heard matter". Unquote

Lastly, the matter was fixed and heard at length on March 29, 30, and 31, 2017 and was adjourned as date in office.

The Board of Directors have concluded that the future course of action will be decided upon favourable outcome of the pending cases before the Honourable Supreme Court of Pakistan 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 the purposes of storage and the conduct of their commercial operations and also continued financing as loan to the company by sponsor directors through affiliated company. In view of the above, the financial statements have been prepared on going concern basis.



## **Board Management Committees**

### **Audit Committee**

The Company has established an Audit Committee comprising of the following members :

		No. of meetings attended
Mr. Ali A. Rahim	Chairman	4
Mr. Murtaza H. Habib	Member	2
Mr. Mehboob Ali Lilani	Member	4

### **HR and Remuneration Committee**

The Company has established an HR and Remuneration Committee comprising of the following members :

		No. of meetings attended
Mr. Ali Niaz Akhtar	Chairman	1
Mr. Muslim R. Habib	Member	1
Mr. Mehboob Ali Lilani	Member	1

### **Corporate Social Responsibility**

The manufacturing operations of the company continued to remain closed on account of adverse economic conditions and hence no material activity with respect to Corporate Social Responsibility was undertaken.

### **Contribution to the National Exchequer**

Your Company contributed an amount of Rs. 70 thousand to the Government treasury in the shape of income tax and federal excise duty.

### **Auditors**

The auditors Messrs. Tanzeem & Company, Chartered Accountants, retire and being eligible have offered themselves for reappointment.

The Audit Committee has recommended Messrs. Tanzeem & Company, Chartered Accountants for re-appointment as statutory auditors of the Company for the ensuing year.

### **Statements on Corporate and Financial Reporting Framework**

1. The financial statements, prepared by the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of account of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements, changes if any, have been adequately disclosed and accounting estimates are based on reasonable and prudent judgement.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure therefrom, if any, has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored.





6. The statement in respect of Company's ability to continue as a going concern has been explained in Note No. 22 of the Notes to the financial statements.
7. There has been no material departure from the best practices of the corporate governance, as detailed in the listing regulations.
8. Key operating and financial data for six financial years, 2012 to 2017, in summarized form is given on page 12.
9. In view of the accumulated losses, the company has not declared any dividend or bonus shares.
10. During the year four board meetings were held and the attendance of each Director was as follows :

Name of Directors	No. of meetings attended
Mr. Murtaza H. Habib	2
Mr. Muslim R. Habib	4
Mr. Tanzeel Abdul Sattar	2
Mr. Ali A. Rahim	4
Mr. Ali Niaz Akhtar	4
Mr. Mehboob Ali Lilani	4
Mr. Ghulam Abbas Karjatwala*	3
Mr. Ali Akber**	—

\*Resigned on July 4, 2017

\*\*Co-opted on September 21, 2017

11. The pattern of shareholding and additional information regarding pattern of shareholding is given on page 30 & 31.
12. The Directors, CEO, CFO, Company Secretary and their spouses and minor children did not carry out any trade in the shares of the Company.

#### **Election of directors**

Election of directors was held on April 8, 2017 and Messrs Murtaza H. Habib, Muslim R. Habib, Ali A. Rahim, Ghulam Abbas Karjatwala, Ali Niaz Akhtar, Tanzeel Abdul Sattar and Mehboob Ali Lilani were elected as directors of the company for the period of three years.

#### **Change in Directors**

Mr. Ghulam Abbas Karjatwala resigned on July 4, 2017 and in his place Mr. Ali Akber was co-opted on September 21, 2017.

On behalf of the Board of Directors

**Murtaza H. Habib**  
Chairman

Karachi: September 21, 2017



## Statement of Compliance with the Best Practices of Code of Corporate Governance Year Ended June 30, 2017

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in the Regulation No.5.19.24(a) of the listing regulations of Pakistan Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors*	Mr. Mehboob Ali Lilani Mr. Ali Akber**
Executive Director	Mr. Muslim R. Habib
Non-Executive Directors	Mr. Murtaza H. Habib Mr. Ali A. Rahim Mr. Ghulam Abbas Karjatwala** Mr. Ali Niaz Akhtar Mr. Tanzeel Abdul Sattar

\*The independent director meets the criteria of independence under clause 5.19.1(b) of the Code of Corporate Governance

\*\* Mr. Ghulam Abbas Karjatwala resigned on July 4, 2017 and in his place Mr. Ali Akber was co-opted on September 21, 2017.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, DFI or NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred on the Board was filled up by the directors within 79 days.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors have been taken by the board/shareholders. The CEO is working on honorary basis.
8. The meetings of the Board were presided over by the Chairman and in his absence by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Directors are well conversant with the listing regulations, legal requirements and operational imperatives of the company, and as such are fully aware of their duties and responsibilities. At present, three directors have acquired formal directors training certificate and three directors of the Company are exempted from the directors training programme on the basis of their education and length of experience as prescribed in the Code.



10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of their employment. The CFO, Company Secretary and Head of Internal Audit are also working on honorary basis.
11. The directors' report for the year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an audit committee. It comprises of three members, who are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of three members, of whom one is independent director and two are non-executive directors including the Chairman of the committee. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
18. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period' prior to the announcement of interim/final results and business decisions which may materially affect the market price of Company's securities was determined and intimated to directors, employees and Pakistan Stock Exchange.
22. Material / price sensitive information has been disseminated amongst all market participants at once through Stock Exchange.
23. All related party transactions have been placed before the audit committee and Board of Directors on a quarterly basis and have been approved by the Board of Directors to comply with the requirements of listing regulations of the Pakistan Stock Exchange.
24. The Company has complied with the requirements relating to the maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of person from the said list.
25. We confirm that all other material principles contained in the CCG have been complied with.

**Murtaza H. Habib**  
Chairman

Karachi: September 21, 2017



## **Review Report to the Members on Statement of Compliance with Best Practices of the Code of Corporate Governance**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Balochistan Particle Board Limited (the Company), for the year ended June 30, 2017 to comply with the requirements of the Rule book of Pakistan Stock Exchange limited chapter 5, clause 5.19.24(b) of the code where the company is listed.

The responsibility of the compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance can reflect the status of the Company's compliance with the provisions of the code and report if it does not and to highlight any non compliance with the requirements of the Code. A review is limited primarily to inquiries of the company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arms length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2017.

Karachi: September 21, 2017

Tanzeem & Company  
Chartered Accountants  
Audit Engagement Partner  
Syed Tanzeem Husain Zaidi



## Six years' review at a glance

	2017	2016	2015	2014	2013	2012
	(Rupees in thousands)					
<b>Operating results</b>						
Storage / rental and other income	2,283	2,027	1,802	4,041	3,521	3,248
Factory, administrative and finance cost	2,098	1,686	1,632	2,166	1,290	1,753
Profit before taxation	185	341	170	1,875	2,231	1,495
Profit / (Loss) after taxation	128	232	(152)	875	1,925	1,215
<b>Shareholders' equity</b>						
Paid up capital	30,000	30,000	30,000	30,000	30,000	30,000
Accumulated loss	(36,338)	(36,466)	(36,698)	(36,546)	(37,421)	(39,346)
Shareholders' equity	(6,338)	(6,466)	(6,698)	(6,546)	(7,421)	(9,346)
<b>Financial position</b>						
Fixed assets	2,270	2,447	2,644	2,863	3,105	3,374
Long - term deposits	125	125	125	125	125	125
Current assets	10,146	9,748	9,229	9,492	8,144	5,915
Total assets	12,541	12,320	11,998	12,480	11,374	9,414
Non-current liabilities	18,000	18,000	18,000	18,000	18,000	18,000
Current liabilities	879	786	696	1,026	795	760
Total liabilities	18,879	18,786	18,696	19,026	18,795	18,760



## Auditors' Report to the Members

We have audited the annexed balance sheet of **Balochistan Particle Board Limited** as at June 30, 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that :

- a) The Company has suffered losses in the past which resulted in net capital deficiency of Rs.6.4 million as at June 30, 2017. The manufacturing activities have been suspended since 1997 and the board of directors has not yet envisaged any plan to recommence manufacturing operations due to pending legal cases (Refer Note 14).

Presently, the Company is indebted to its affiliated company of Rs.18.0 million which is far in excess of book value of its total assets and together with the uncertainty related to the outcome of the appeals filed by the Sindh Government before the Honourable Supreme Court of Pakistan, raises significant doubt on the Company's ability to continue as a going concern and therefore, may not be able to discharge its liabilities in the ordinary course of business.

- b) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984.
- c) in our opinion;
- i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied ;
- ii) the expenditure incurred during the year was for the purpose of the Company's business ; and
- iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company ;
- d) except for the effects of the matters described in (a) above, if any, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with the approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2017 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and
- e) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without qualifying our report, we draw attention to note No. 14 to the financial statements which describes material uncertainty related to the outcome of lawsuits contingency as fully disclosed in the note.

Tanzeem & Company  
Chartered Accountants  
Audit Engagement Partner  
Syed Tanzeem Husain Zaidi

Karachi: September 21, 2017



## Balance Sheet as at June 30, 2017

	Note	2017 (Rupees in thousands)	2016
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	4	2,270	2,447
<b>Long-term Deposits</b>			
	5	125	125
<b>Current Assets</b>			
Stores and spare parts	6	2,501	2,501
Advances and short-term prepayments	7	210	210
Other receivables	8	1,076	1,076
Cash and bank balances	9	6,359	5,961
		10,146	9,748
<b>Total Assets</b>		<b>12,541</b>	<b>12,320</b>
<b>Equity and Liabilities</b>			
<b>Share Capital</b>			
Authorised capital 10,000,000 ordinary shares of Rs. 5 each		50,000	50,000
Issued, subscribed and paid-up capital	10	30,000	30,000
Accumulated loss		(36,338)	(36,466)
		(6,338)	(6,466)
<b>Non-Current Liabilities</b>			
Long-term financing - Unsecured	11	18,000	18,000
<b>Current Liabilities</b>			
Trade and other payables	12	464	401
Provision for income tax - net	13	415	385
		879	786
<b>Contingencies</b>	14		
<b>Total Equity and Liabilities</b>		<b>12,541</b>	<b>12,320</b>

The annexed notes 1 to 26 form an integral part of these financial statements.

**Muslim R. Habib**  
Chief Executive

**Ali Niaz Akhtar**  
Director



## Profit and Loss Account for the year ended June 30, 2017

	Note	2017 (Rupees in thousands)	2016 (Rupees in thousands)
<b>Revenue</b>			
Storage income		2,020	1,775
Profit on treasury call account		263	252
		<u>2,283</u>	<u>2,027</u>
<b>Factory and administrative expenses</b>			
Salaries and allowances		158	144
Rates and taxes		76	76
Communication, printing and stationery		383	251
Directors' fee		9	11
Depreciation	4.1	177	197
Legal and professional charges		858	559
Insurance		12	12
Auditors' remuneration	15	111	106
Fees, subscription & other expenses		180	197
		<u>(1,964)</u>	<u>(1,553)</u>
Profit before finance cost and tax		319	474
Finance cost	16	134	133
Profit before taxation		185	341
Taxation	17	57	109
Profit after taxation		<u>128</u>	<u>232</u>
Earnings per share - Basic and diluted (Re.)	18	<u>0.02</u>	<u>0.04</u>

The annexed notes 1 to 26 form an integral part of these financial statements.

**Muslim R. Habib**  
Chief Executive

**Ali Niaz Akhtar**  
Director





## Statement of Comprehensive Income for the year ended June 30, 2017

	2017 (Rupees in thousands)	2016
Profit after taxation	128	232
Other comprehensive income	-	-
Total comprehensive income for the year	<u>128</u>	<u>232</u>

The annexed notes 1 to 26 form an integral part of these financial statements.

**Muslim R. Habib**  
Chief Executive

**Ali Niaz Akhtar**  
Director

## Statement of Changes in Equity for the year ended June 30, 2017

	Share Capital	Accumulated (Loss)	Total
			(Rupees in thousands)
Balance as on July 1, 2015	30,000	(36,698)	(6,698)
Total comprehensive income for the year ended June 30, 2016	-	232	232
Balance as on June 30, 2016	30,000	(36,466)	(6,466)
Total comprehensive income for the year ended June 30, 2017	-	128	128
Balance as on June 30, 2017	<u>30,000</u>	<u>(36,338)</u>	<u>(6,338)</u>

The annexed notes 1 to 26 form an integral part of these financial statements.

**Muslim R. Habib**  
Chief Executive

**Ali Niaz Akhtar**  
Director



## Cash Flow Statement for the year ended June 30, 2017

	Note	2017 (Rupees in thousands)	2016
<b>Cash flows from operating activities</b>			
Cash generated from operations	19	296	225
Profit received on treasury call account		263	252
Finance cost paid		(134)	(133)
Income tax paid		(27)	(25)
Net cash generated from operating activities		398	319
Cash and cash equivalents at the beginning of the year		5,961	5,642
Cash and cash equivalents at the end of the year	9	6,359	5,961

The annexed notes 1 to 26 form an integral part of these financial statements.

**Muslim R. Habib**  
Chief Executive

**Ali Niaz Akhtar**  
Director



## Notes to the Financial Statements for the year ended June 30, 2017

### 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. 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 to conduct their commercial operations. The registered office of the Company is situated at Imperial Court, 3rd Floor, Dr. Ziauddin Ahmed Road, Karachi.

### 2. Basis of Preparation

#### 2.1 Statement of compliance

The Companies Act, 2017 (the Act) has been promulgated on May 30, 2017, however, Securities and Exchange Commission of Pakistan (SECP) vide circular No. 17 of 2017 dated July 20, 2017 directed that the companies whose financial year closes on or before June 30, 2017, shall prepare financial statements in accordance with the provisions of Companies Ordinance, 1984 (Repealed Ordinance). Accordingly, these financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprises of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Repealed Ordinance, provisions of and directives issued under the Repealed Ordinance. In case where requirements differ, the provisions of or directives issued under the Repealed Ordinance shall prevail.

#### 2.2 Functional Currency

These financial statements are presented in Pak rupee being company's functional currency.

#### 2.3 Basis of measurement

These financial statements have been prepared under historical cost convention.

#### 2.4 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 3.1);
- b) Provision for obsolescence and slow moving stores and spare parts (Note 3.2)
- c) Recognition of taxation (Note 3.6) ; and
- d) Impairment of financial assets (Note 3.7)



## 2.5 Amendments and improvements to the standards that became effective

The following amendments and improvements to the standards are effective for the year ended June 30, 2017. These amendments and improvements are either not relevant to the Company's operation or are not expected to have significant impact on the Company's financial statements.

### Amendments

- IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements: Investment Entities: Applying the Consolidation Exception (Amendment).
- IFRS 11 - Joint Arrangements: Accounting for Acquisition of Interest in Joint Operation (Amendment).
- IAS 1 - Presentation of Financial Statements: Disclosure Initiative (Amendment).
- IAS 16 - Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Method of Depreciation and Amortization (Amendment).
- IAS 16 - Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment).
- IAS 27 - Separate Financial Statements: Equity Method in Separate Financial Statements (Amendment).

### Improvements

- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal.
- IFRS 7 - Financial Instruments: Disclosures - Servicing contracts.
- IFRS 7 - Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements.
- IAS 19 - Employee Benefits - Discount rate: regional market issue.
- IAS 34 - Interim Financial Reporting - Disclosure of information elsewhere in the interim financial report.

## 2.6 Amendments to the standards and interpretations that are not yet effective

The following amendments to the standards and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These amendments to the standards and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements.

	Effective date (accounting periods beginning on or after)
IFRS 2 - Classification and Measurement of Share Based Payment Transactions (Amendments).	January 01, 2018
IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - (Amendments).	January 01, 2018
IFRS 7 - Financial instrument Disclosures - Disclosure Initiative (Amendment).	January 01, 2017
IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment).	Not yet finalized
IAS 12 - Income Taxes - Recognition of Deferred Tax Assets for Unrealized losses (Amendments).	January 01, 2017
IAS 40 - Investment Property: Transfers of Investment Property (Amendments).	January 01, 2018
IFRIC 22 - Foreign Currency Transactions and Advance Consideration.	January 01, 2018
IFRIC 23 - Uncertainty over Income Tax Treatments.	January 01, 2019



## **2.7 Standards issued by IASB but not yet notified by SECP**

The following new standards have been issued by IASB which are not yet notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

IFRS 9 -	Financial Instruments: Classification and Measurement
IFRS 14 -	Regulatory Deferral Accounts
IFRS 15 -	Revenue from Contracts with Customers
IFRS 16 -	Leases
IFRS 17 -	Insurance contracts

## **3 Summary of Significant accounting policies:**

### **3.1 Property, plant and equipment**

These are stated at cost less accumulated depreciation and impairment, if any, 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. 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.

### **3.2 Stores and spare parts**

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

### **3.3 Loans and advances**

Assets for trade and other amounts receivable are carried at cost which is the fair value of the consideration to be received in future.

### **3.4 Cash and cash equivalents**

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

### **3.5 Borrowings and their cost**

Borrowings are recorded when proceeds received.

Borrowing costs are recognized 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 capitalized as part of the cost of that asset.

### **3.6 Taxation**

Provision for current taxation is computed in accordance with the provisions of Income Tax laws. The charge for current year 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 recognized only to the extent that it is probable that future taxable profit will be available and the credits can be utilized. Provision for deferred taxation is nil as at balance sheet date.



### **3.7 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.

### **3.8 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 / storage income and profit on treasury call account are recorded on accrual basis.

### **3.9 Financial instruments**

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized at the time when the Company loses control of the contractual rights that comprises the financial assets. All financial liabilities are derecognized 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.

### **3.10 Offsetting of financial assets and financial liabilities**

Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset or settle the liability simultaneously.

### **3.11 Provision**

Provision is recognized when the company has a present, legal or constructive obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate of the amounts can be made. Provision is reviewed periodically and adjusted to reflect the current best estimate.

### **3.12 Trade and other payables**

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.



#### 4. Property, plant and equipment

4.1 The following is a statement of property, plant and equipment for 2017 :

	Cost as at July 1, 2016	Additions/ (deletions)	Cost as at June 30, 2017	Accum- ulated depreci- ation as at July 1, 2016	Depreciation charge for the year	Accumu- lated dep- reciation as at June 30, 2017	Written down value as at June 30, 2017	Annual rate of Depre- ciation %
(Rupees in thousands)								
Freehold land	620	–	620	–	–	–	620	–
Buildings on freehold land	9,176	–	9,176	8,797	38	8,835	341	10
Roads	461	–	461	353	5	358	103	5
Plant and machinery	10,849	–	10,849	9,604	124	9,728	1,121	10
Furniture, fittings and office equipment	1,746	–	1,746	1,651	10	1,661	85	10
	22,852	–	22,852	20,405	177	20,582	2,270	

4.2 Reconciliation of carrying values for 2017:

	Written down value as at July 1, 2016	Additions/ (deletions)	Depreciation charge for the year	Written down value as at June 30, 2017
(Rupees in thousands)				
Freehold land	620	–	–	620
Buildings on freehold land	379	–	38	341
Roads	108	–	5	103
Plant and machinery	1,245	–	124	1,121
Furniture, fittings and office equipment	95	–	10	85
	2,447	–	177	2,270

4.3 The following is a statement of property, plant and equipment for 2016 :

	Cost as at July 1, 2015	Additions/ (deletions)	Cost as at June 30, 2016	Accum- ulated depreci- ation as at July 1, 2015	Depreciation charge for the year	Accumu- lated dep- reciation as at June 30, 2016	Written down value as at June 30, 2016	Annual rate of Depre- ciation %
(Rupees in thousands)								
Freehold land	620	–	620	–	–	–	620	–
Buildings on freehold land	9,176	–	9,176	8,755	42	8,797	379	10
Roads	461	–	461	347	6	353	108	5
Plant and machinery	10,849	–	10,849	9,465	139	9,604	1,245	10
Furniture, fittings and office equipment	1,746	–	1,746	1,641	10	1,651	95	10
	22,852	–	22,852	20,208	197	20,405	2,447	



**4.4 Reconciliation of carrying values for 2016:**

	Written down value as at July 1, 2015	Additions/ (deletions)	Depreciation charge for the year	Written down value as at June 30, 2016
	(Rupees in thousands)			
Freehold land	620	–	–	620
Buildings on freehold land	421	–	42	379
Roads	114	–	6	108
Plant and machinery	1,384	–	139	1,245
Furniture, fittings and office equipment	105	–	10	95
	<u>2,644</u>	<u>–</u>	<u>197</u>	<u>2,447</u>

**4.5** The plant and machinery having carrying value of Rs. 1.12 million (2016: Rs. 1.25 million) is idle for the last 19 years.

**4.6** Land and building have also been mortgaged with bank against guarantee of Rs.6.3 million issued by the bank on behalf of the Company to Government of Sindh.

	Note	2017 (Rupees in thousands)	2016 (Rupees in thousands)
<b>5. Long-term Deposits</b>		<u>125</u>	<u>125</u>
Represents interest free deposits			
<b>6. Stores and spare parts</b>			
Stores		1,855	1,855
Spare parts		1,732	1,732
		<u>3,587</u>	<u>3,587</u>
Less: Provision for obsolescence and slow moving items		1,086	1,086
		<u>2,501</u>	<u>2,501</u>
<b>7. Advances and short-term prepayments</b>			
Advances	7.1	200	200
Short-term prepayments		10	10
		<u>210</u>	<u>210</u>
7.1 Represents interest free advances			
<b>8. Other receivables</b>			
Excise duty refundable	14	1,076	1,076
<b>9. Cash and bank balances</b>			
Balance with banks on:			
Treasury call account with Bank AL Habib - a related party	9.1	5,182	4,792
Current account		8	–
Guarantee margin deposit account	9.2	1,169	1,169
		<u>6,359</u>	<u>5,961</u>





- 9.1 Profit rates on treasury call account is 5.5% (2016: 5.5% to 6%) per annum.
- 9.2 Represents margin held by bank against guarantees of Rs. 6.3 (2016: Rs.6.3) million Refer Note No: 14.
- 9.3 The Company has conventional banking relationship with all the Banks having islamic window operations.

		2017 (Rupees in thousands)		2016 (Rupees in thousands)	
<b>10.</b>	<b>Issued, subscribed and paid-up capital</b>				
	Ordinary shares of Rs. 5 each				
	2017          2016				
	<u>Number of Shares</u>				
	4,000,000    4,000,000	Shares fully paid in cash	20,000	20,000	
		Shares issued as fully paid			
	<u>2,000,000</u> <u>2,000,000</u>	bonus shares	<u>10,000</u>	<u>10,000</u>	
	<u>6,000,000</u> <u>6,000,000</u>		<u>30,000</u>	<u>30,000</u>	

Issued, subscribed and paid-up capital of the Company includes 147,797 Ordinary shares of Rs. 5 each (2016: 147,797 ) held by Habib Sugar Mills Limited an associated Company and 346,840 Ordinary shares of Rs. 5 each (2016: 346,840) held by Karachi Mercantile Company (Pvt.) Limited, an affiliated company.

		2017 (Rupees in thousands)		2016 (Rupees in thousands)	
<b>11.</b>	<b>Long-term financing - Unsecured</b>				
	From affiliated company - unsecured		<u>18,000</u>	<u>18,000</u>	

This represents financing 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.

		2017 (Rupees in thousands)		2016 (Rupees in thousands)	
<b>12.</b>	<b>Trade and other payables</b>				
	Accrued expenses		131	75	
	Sales tax payable		13	6	
	Unclaimed dividend		320	320	
			<u>464</u>	<u>401</u>	
<b>13.</b>	<b>Provision for income tax - net</b>				
	Balance at beginning of year		385	301	
	Deductions during the year		(27)	(25)	
	Provision made during the year		57	109	
	Balance at end of year		<u>415</u>	<u>385</u>	



## 14 Contingencies

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. Against the decision of the Honourable High Court of Sindh, the Government of Sindh filed an appeal before the Honourable Supreme Court of Pakistan.

On March 16, 2006, both the cases were heard and judgement was reserved but not pronounced. Thereafter, the both Petitions were heard on numerous dates especially for the entire day on June 21, 22, 23 and 24, 2010 at greater length.

Later, on February 3, 2016, the matter was again heard at length and resulted in the following order as duly reproduced below:

"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".

Lastly, the matter was fixed and heard at length on March 29, 30 and 31, 2017 and was adjourned as date in office.

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 (2016: Rs.1.08) million had been paid under protest and shown as refundable under current assets.

Guarantees given by the bank in this respect as on June 30, 2017 to the Director General Excise and Taxation (Excise), Government of Sindh, Karachi amounted to Rs.6.3 (2016: Rs. 6.3) million are secured against equitable mortgage of land and buildings of the Company.

	2017	2016
	(Rupees in thousands)	
<b>15. Auditors' remuneration</b>		
Annual audit fee	79	79
Half yearly review fee	22	21
Out of pocket expenses	10	6
	<u>111</u>	<u>106</u>
<b>16. Finance Cost</b>		
Guarantee commission	114	114
Federal Excise duty on guarantee commission	16	16
Bank charges	4	3
	<u>134</u>	<u>133</u>



	2017	2016
	(Rupees in thousands)	
<b>17. Taxation</b>		
Income tax - current	<u>57</u>	<u>109</u>
<b>17.1 Reconciliation of tax charge for the year</b>		
Accounting profit	<u>185</u>	<u>341</u>
Corporate tax rate	<u>31%</u>	<u>32%</u>
Tax on accounting profit at applicable rate	57	109
Tax effect of lower tax rate	-	-
Tax effect of expenses that are not deductible for tax purposes	<u>-</u>	<u>-</u>
Taxation	<u>57</u>	<u>109</u>
<b>18. Earnings per share</b>		
Profit after taxation	<u>128</u>	<u>232</u>
Number of ordinary shares of Rs. 5 each	<u>6,000,000</u>	<u>6,000,000</u>
Earnings per share - Basic and diluted	<u>Re. 0.02</u>	<u>Re. 0.04</u>
<b>19. Cash generated from operations</b>		
Profit before taxation	185	341
<b>Adjustment for non - cash charges and other items</b>		
Depreciation	177	197
Profit on treasury call account	(263)	(252)
Finance cost	134	133
Working capital changes - Note 19.1	63	(194)
	111	(116)
	<u>296</u>	<u>225</u>
<b>19.1 Working capital changes</b>		
Decrease in current assets		
Advances and short-term prepayments	-	(200)
Increase in current liabilities		
Trade and other payables	<u>63</u>	<u>6</u>
	<u>63</u>	<u>(194)</u>



## 20. Remuneration of Chief Executive, Directors and Executives

	2017 (Rupees in thousands)	2016
Meeting fee - 7 directors	<u>9</u>	<u>11</u>

## 21 Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks i.e. credit risk, liquidity risk and market risk including interest rate risk, currency risk and other price risk. The Company's overall risk management programmes focuses on the under predictability of financial markets and seek to minimize potential adverse effects on the Company's financial programme.

### 21.1 Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company believes that it is not exposed to major concentration of credit risk.

#### 21.1.1 The maximum exposure of financial assets as at the balance sheet date are as follows;

	2017 (Rupees in thousands)	2016
Long-term deposits	125	125
Advances and short-term prepayments	210	210
Bank balances	6,359	5,961
	<u>6,694</u>	<u>6,296</u>

#### 21.1.2 Quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or the historical information about counter party default rates. Presently the Company has long-term deposits which are duly monitored and bank balances the quality of which is stated hereunder :

	Carrying Values	
	2017	2016
	(Rupees in thousands)	
<b>21.1.3. Bank balances</b>		
A1+	<u>6,359</u>	<u>5,961</u>



## 21.2 Liquidity risk

Liquidity risk reflects Company's inability in raising funds to meet commitments. However, in view of the rental / storage income from property and income from bank deposits, there is no significant exposure with respect to liquidity.

## 21.3 Market risk

Market risk refers to fluctuation in value of financial instruments as a result of changes in market prices. The Company is not exposed to any significant market risk.

## 21.4 Foreign currency risk

The Company is presently not exposed to any foreign exchange risk.

## 21.5 Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. Mark-up on treasury call account is duly monitored for changes in rates and accordingly acted upon. The Company has no significant long-term interest bearing financial assets and liabilities whose fair value or future cash flows will fluctuate because of changes in market interest rates.

## 21.6 Fair value of financial instruments

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

## 21.7 Capital risk management

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain a strong base to support the sustained development of its business. The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions.

## 22 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.

## 23. Capacity and production

	2017		2016	
	Quantity	Working days	Quantity	Working days
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	–

The manufacturing operations continued to remain closed on account of adverse economic conditions and pending cases in respect of arbitrary demand of excise duty, vend fee and permit fee raised by the Government of Sindh.



**24. Number of Employees**

Total average number of employees during the year and as at June 30, 2017 and 2016 was only one .

**25. Transactions with related parties**

Transactions with related parties other than directors' fee as disclosed in Note 20 are given below:

**25.1** Following are related parties and transaction with them:

Parties	Nature of Transaction	Relationship	Revenue		Expense	
			Year ended	Year ended	Year ended	Year ended
			June 30, 2017 (Rupees in thousands)	June 30, 2016 (Rupees in thousands)	June 30, 2017 (Rupees in thousands)	June 30, 2016 (Rupees in thousands)
Bank AL Habib Limited	Profit on treasury call account	Affiliated company	263	252	-	-
Bank AL Habib Limited	Bank charges	Affiliated company	-	-	2	1
Habib Insurance Co. Limited	Insurance premium	Affiliated company	-	-	12	12
			<u>263</u>	<u>252</u>	<u>14</u>	<u>13</u>

**25.2** Following balances are outstanding at end of year:

Parties	Nature	Relationship	Amount Payable	
			As at	As at
			June 30, 2017 (Rupees in thousands)	June 30, 2016 (Rupees in thousands)
Karachi Mercantile Co. (Pvt) Ltd.	Long-term loan	Affiliated company	18,000	18,000
			<u>18,000</u>	<u>18,000</u>

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

**26 General**

**26.1** Figures have been rounded off to the nearest thousand rupees.

**26.2** These financial statements were authorised for issue on September 21, 2017 by the Board of Directors of the Company.

**Muslim R. Habib**  
Chief Executive

**Ali Niaz Akhtar**  
Director



## Pattern of Shareholding as at June 30, 2017

Number of Shareholders	Size of Shareholding			Total Number of Shares held
	From	...	To	
412	1	...	100	16,855
436	101	...	500	128,092
227	501	...	1,000	181,063
217	1,001	...	5,000	583,500
47	5,001	...	10,000	373,655
13	10,001	...	15,000	163,509
5	15,001	...	20,000	92,198
6	20,001	...	25,000	129,762
3	25,001	...	30,000	85,723
1	35,001	...	40,000	40,000
4	40,001	...	45,000	170,765
2	45,001	...	50,000	95,000
1	50,001	...	55,000	50,620
1	60,001	...	65,000	64,647
1	85,001	...	90,000	87,161
3	90,001	...	95,000	280,842
1	95,001	...	100,000	100,000
1	125,001	...	130,000	125,522
1	140,001	...	145,000	140,500
2	145,001	...	150,000	296,772
3	195,001	...	200,000	596,016
1	215,001	...	220,000	216,555
1	230,001	...	235,000	232,064
1	285,001	...	290,000	287,089
1	345,001	...	350,000	346,840
1	456,001	...	457,000	456,991
1	655,001	...	660,000	658,259
1,393				6,000,000

Shareholders' Category	Number of Shareholders	Number of Shares held	Percentage
General Public	1,373	4,267,858	71.13
Insurance Companies	2	23,750	0.40
Joint Stock Companies	11	527,755	8.79
Financial Institutions	4	723,529	12.06
Charitable Trusts	2	436,064	7.27
Society	1	21,044	0.35
	1,393	6,000,000	100.00



## Pattern of Shareholding as at June 30, 2017

### Additional Information

Shareholders' Categories	Number of Shareholders	Number of Shares held		
<b>Associated companies, undertakings and related parties</b>				
Habib Sugar Mills Ltd.	1	147,797		
Karachi Mercantile Co. (Pvt.) Ltd.	1	346,840		
<b>NIT &amp; ICP</b>				
National Bank of Pakistan Trustee Department (NIT)	1	658,259		
Investment Corporation of Pakistan	1	50,620		
<b>Directors, CEO and their spouses and minor children</b>				
Murtaza H. Habib	Chairman	1	94,164	
Muslim R. Habib	Chief Executive	1	198,671	
Tanzeel Abdul Sattar	NIT Nominee Director	—	—	
Ali A. Rahim	Director	1	9,000	
Ali Niaz Akhtar	"	1	1,000	
Ghulam Abbas Karjatwala	"	1	1,000	
Mehboob Ali Lilani	"	1	1,000	
<b>Executives</b>			—	—
<b>Public Sector Companies and Corporations</b>			9	33,118
<b>Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds</b>			4	38,400
<b>General Public</b>				
Local	1,357	3,933,773		
Foreign	10	29,250		
<b>Charitable Trusts</b>			2	436,064
<b>Society</b>			1	21,044
<b>Shareholders holding 5% or more voting interest</b>				
- National Bank of Pakistan Trustee Department (NIT) 658,259 shares				
- Karachi Mercantile Co. (Pvt.) Ltd. 346,840 shares				
- Mr. Salman Hussain D. Habib 456,991 shares				
	1,393	6,000,000		



- ۷۔ کارپوریٹ گورننس کے طریقہ کار جیسا کہ لسٹنگ ریگولیشنز میں تفصیل دی گئی ہے جسکی کوئی خلاف ورزی نہیں کی گئی ہے۔
- ۸۔ چھ سالہ مالیاتی سالوں میں یعنی 2012 سے 2017 تک جو کہ صفحہ نمبر 12 پر دیا گیا ہے۔
- ۹۔ جمع شدہ خسارہ کی روشنی میں کمپنی نے ڈویڈنڈ یا بونس شیئرز کا اعلان نہیں کیا ہے۔
- ۱۰۔ سال کے دوران بورڈ کے چار اجلاس منعقد کئے گئے اور ہر ڈائریکٹر کی حاضری کی تفصیلات درج ذیل ہیں:

ڈائریکٹر کا نام	میٹنگ میں شریک ہونے کی تعداد
جناب مرتضیٰ ایچ حبیب	2
مسلم آرحیب	4
تنزیل عبدالستار	2
علی اے رحیم	4
علی نیاز اختر	4
محبوب علی لیلانی	4
غلام عباس کر جت والا*	3
علی اکبر**	-

\* 4 جولائی 2017ء کو استعفیٰ دیا۔

\*\* 21 ستمبر 2017ء کو شامل ہوئے۔

- ۱۱۔ شیئر ہولڈنگ کے طریقہ اور اس سے متعلق اضافی معلومات صفحہ نمبر 30 اور 31 پر دی گئی ہیں۔
- ۱۲۔ ڈائریکٹرز، CEO، CFO، کمپنی سیکریٹری اور ان کے بیوی بچوں نے کمپنی کے شیئرز میں کوئی تجارت نہیں کی۔

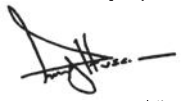
ڈائریکٹرز کا انتخاب:

ڈائریکٹرز کا انتخاب 18 اپریل 2017ء کو منعقد ہوا اور جناب مرتضیٰ ایچ حبیب، مسلم آرحیب، علی اے رحیم، غلام عباس کر جت والا، علی نیاز اختر، تنزیل عبدالستار اور محبوب علی لیلانی کو تین سال کیلئے کمپنی کا ڈائریکٹر منتخب کیا گیا۔

ڈائریکٹرز میں تبدیلی:

جناب غلام عباس کر جت والا نے 4 جولائی 2017ء کو استعفیٰ دیا اور ان کی جگہ جناب علی اکبر کو 21 ستمبر 2017ء کو شامل کیا گیا۔

از طرف بورڈ آف ڈائریکٹرز



مرتضیٰ ایچ حبیب  
چیئرمین

کراچی، 21 ستمبر 2017ء

بورڈ کی انتظامی کمیٹیاں:

آڈٹ کمیٹی:

کمپنی نے ایک آڈٹ کمیٹی تشکیل دی ہے جس میں درج ذیل ممبران شامل ہیں:

میٹنگ میں شریک ہونے کی تعداد

4 جناب علی اے رحیم چیئرمین

2 جناب مرتضیٰ ایچ حبیب ممبر

4 جناب محبوب علی لیلانی ممبر

HR اور اجرتی کمیٹی:

کمپنی نے HR اور اجرتی کمیٹی تشکیل دی ہے جس میں درج ذیل ممبران شامل ہیں:

میٹنگ میں شریک ہونے کی تعداد

1 جناب علی نیاز اختر چیئرمین

1 جناب مسلم آر حبیب ممبر

1 جناب محبوب علی لیلانی ممبر

کارپوریٹ سوشل ذمہ داری:

کمپنی کا پیداواری عمل مستقل طور پر خراب معاشی حالات کے سبب بند ہے لہذا کارپوریٹ سوشل ذمہ داری کے تحت کوئی بھی قابل ذکر سرگرمی نہیں کی گئی۔

قومی خزانے میں حصہ داری:

آپ کی کمپنی نے سرکاری خزانے میں انکم ٹیکس اور وفاقی ایکسائز ڈیوٹی کے زمرے میں مبلغ 70 ہزار روپے جمع کروائے۔

آڈیٹرز:

آڈیٹرز میسرز تنظیم اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس سبکدوش ہو رہے ہیں اور انہوں نے خود کو دوبارہ بطور کمپنی کے آڈیٹرز تقرری کیلئے پیش کیا ہے۔

آڈٹ کمیٹی نے میسرز تنظیم اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کو آئندہ سال کیلئے بطور کمپنی آڈیٹرز کیلئے دوبارہ تقرری کی سفارش کی ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک سے متعلق اسٹیٹمنٹ:

۱- مالیاتی حسابات جو کہ کمپنی نے مرتب کئے ہیں یہ شفاف انداز میں کمپنی کے ضروری امور اور آپریشنز کے نتائج کیش فلو اور ایکویٹی میں تبدیلی کو ظاہر کرتے ہیں۔

۲- کمپنی کی بکس آف اکاؤنٹ مناسبت طریقے سے ترتیب دیئے جاتے ہیں۔

۳- مالیاتی حسابات کی تیاری کے سلسلے میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور کسی بھی تبدیلی اور تخمینہ کو مناسب اور واضح طور پر ظاہر کیا جاتا ہے۔

۴- انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈز جو کہ پاکستان میں نافذ العمل ہے اس پر مالیاتی حسابات کی تیاری پر لاگو کیا جاتا ہے۔ جہاں نہیں کی گئی وہاں مناسب طور پر وضاحت کی گئی ہے۔

۵- داخلی کنٹرول کا نظام مستحکم ہے اور موثر طور پر اس پر عمل درآمد اور نگرانی کی جاتی ہے۔

۶- کمپنی کی صلاحیت بطور چلے ہوئے کاروبار کے اسٹیٹمنٹ کو مالیاتی حسابات کے نوٹ نمبر 22 میں بیان کیا گیا ہے۔

## ڈائریکٹرز کی رپورٹ

محترم ممبران۔ السلام علیکم!

بورڈ میں اپنے ساتھیوں کی جانب سے میں آپ کو کمپنی کی 37 ویں سالانہ جنرل میٹنگ میں خوش آمدید کہتا ہوں اور سالانہ رپورٹ بمع کمپنی کے آڈٹ شدہ مالیاتی حسابات برائے سال 30 جون 2017ء پیش کرتا ہوں۔

زیر نظر سال کے دوران کمپنی نے مبلغ 0.13 ملین روپے کا منافع حاصل کیا (2016: 0.33 ملین روپے) اور فی شیئر بنیادی آمدنی 0.02 روپے (2016: بنیادی آمدنی فی شیئر 0.01 روپے) کے حساب سے حاصل کیا جیسا کہ منسلک مالیاتی اسٹیٹمنٹ میں دکھایا گیا ہے۔ مستقل اس بات کی کوشش کی جارہی ہے کہ کمپنی کی جگہ کسی تیسری پارٹی کو اسٹورج کیلئے اور اسکی کاروباری امور کیلئے دیدی جائے اور اس سلسلے میں ممبران سے کمپنی آرڈیننس کے تحت اجازت اختیار لیا گیا ہے۔

یوریا فارل ڈی ہائیڈرو ڈیوٹن کے مینوفیکچرنگ آپریشن صنعت کی خراب حالت اور حکومت سندھ کی جانب سے لگائی گئی ایکسائز ڈیوٹی وینڈ اور پرمٹ فیس کے باعث بند ہے۔ محترم ہائی کورٹ آف سندھ نے مورخہ 26 مارچ 2003ء اور 20 اگست 2004ء کو ان کیسز کا فیصلہ کمپنی کے حق میں کر دیا اور طے یہ کیا کہ میتھانول سندھ آبکاری ایکٹ 1878ء کے زمرے میں نہیں آتا ہے لہذا مذکورہ بالا ایکسائز ڈیوٹی وینڈ فیس اور پرمٹ فیس میتھانول کی ترسیل پر نہیں لگائی جاسکتی۔

حکومت سندھ نے عزت مآب سپریم کورٹ آف پاکستان میں ایک سول عرضداشت محترم ہائی کورٹ آف سندھ کے فیصلے کے خلاف داخل کی جس کی پیشی مورخہ 03-16-2006 کو ہوئی اور فیصلہ کو محفوظ رکھا گیا تھا لیکن اعلان نہیں کیا گیا جس کے بعد مذکورہ بالا عرضداشت کی متعدد تاریخوں میں پورے دن تفصیل سے سنوائی ہوئی اور خاص طور پر اس کے بعد 3 فروری 2016ء کو یہ معاملہ دوبارہ تفصیل سے تمام ترامور پر غور کرتے ہوئے دلائل پیش کئے گئے جس کے بعد کورٹ 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 نیچرٹ/ڈی نیچر ڈی ہے یا نہیں۔ لہذا اس سلسلے میں ماہرین کی رائے درکار تھی۔ ہم نے ڈپارٹمنٹ آف پاکستان کونسل آف سائنٹفک اینڈ انسٹریٹریل ریسرچ کراچی کے ڈائریکٹر جنرل/ڈپارٹمنٹ کے سربراہ کو ہدایت کی کہ وہ اس سلسلے میں اپنی رپورٹ ایک ماہ کے اندر چیپمبر 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۔

بالآخر یہ معاملہ سنوائی کے لئے مقرر کیا گیا اور 29، 30 اور 31 مارچ 2017ء کو تفصیل سے سنا گیا اور غیر معینہ مدت کے لئے ملتوی کر دیا گیا۔

بورڈ آف ڈائریکٹرز نے یہ نتیجہ اخذ کیا کہ مستقبل کی کاروائی کا فیصلہ مذکورہ بالا زیر التوا کیسز کے بعد کمپنی کے حق میں فیصلہ آنے کے بعد کیا جائے گا اور اس کے ساتھ ساتھ یوریا فارل ڈی ہائیڈرو آپریشن کی اقتصادی حالت کا بھی جائزہ لیا 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 اسٹورج 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 لہذا مذکورہ بالا حقائق کے پیش نظر مالیاتی حسابات چلتے ہوئے کاروبار کی بنیاد پر تیار کئے گئے۔