



**BALUCHISTAN GLASS LIMITED**

An ISO 9001:2008 Certified Company

# ANNUAL REPORT 2013



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## BOARD OF DIRECTORS'

Mr. Muhammad Tousif Paracha Chairman & Chief Executive  
Mr. Tariq Siddiq Paracha  
Mr. Mustafa Tousif Ahmed Paracha  
Mr. Jawaid Aziz Paracha  
Mr. Mian Nazir Ahmed Paracha  
Mr. Nasir Malik  
Mr. Muhammad Ishaque Khokhar

## COMPANY SECRETARY

Sheikh Arif Moin-ul-Haq

## AUDIT COMMITTEE

Mr. Mian Nazir Ahmed Paracha Chairman  
Mr. Mustafa Tousif Ahmed Paracha Member  
Mr. Muhammad Ishaq Khokhar Member

## HR & REMUNIRATION COMMITTEE

Mr. Ishaq khkhar Chairman  
Mr. Jawaid Azaiz paracha Member  
Mr. Tariq Siddiq Paracha Member

## BANKERS

The Bank of Punjab  
Bank Al Falah Limited  
Al Baraka Bank (Pakistan) Limited  
Citibank N.A  
Faysal Bank Limited  
KASB Bank Limited  
Meezan Bank Limited  
National Bank of Pakistan  
United Bank Limited  
BankIslami Pakistan Limited  
Summit Bank Limited  
MCB Bank Limited

## AUDITORS

F.R.A.N.T.S. & Co.  
Chartered Accountants

## LEGAL ADVISOR

Masood Khan Ghory  
(Advocate & Legal Consultant)

## REGISTERED OFFICE

Plot no. 8, Sector M, H.I.T.E.,  
Hub, District Lasbella, Balochistan.  
Tel : 0853 - 363657

## HEAD OFFICE

12-KM, Sheikhpura Road,  
Kot Abdul Malik, Lahore.  
Ph. # 042-37923993-4  
Fax # 042-37930616  
Web: [www.balochistanglass.com](http://www.balochistanglass.com)  
Email: [info@balochistanglass.com](mailto:info@balochistanglass.com)

## KARACHI OFFICE

Dime Centre, B.C. 4, 3rd Floor,  
Block 09, Clifton, Karachi.  
Ph. No. 021-35377977-80

## FACTORIES

### UNIT-I

Plot no. 8, Sector M, H.I.T.E.,  
Hub, District Lasbella,  
Balochistan.

### UNIT-II

29-KM, Sheikhpura Road,  
Sheikhpura.

### UNIT-III

12-KM, Sheikhpura Road,  
Kot Abdul Malik, Lahore.

## SHARE REGISTRAR

Corplink (Pvt.) Limited  
Wings Arcade, 1-K, Commercial,  
Model Town, Lahore.

## **VISION STATEMENT**

To attain and maintain second to none status in Quality, Customers' Satisfaction, Cost Effectiveness and Market Leadership

## **Mission Statement**

To Establish, Maintain and continuously improve the management system by:

Developing and maintaining the Lean organization structure

Monitoring and reducing the cost without compromising the quality

Establishing, maintaining and continuous improvement of process efficiency and effectiveness

Developing a culture of process ownership

# Notice of Annual General Meeting



Notice is hereby given that 33<sup>rd</sup> Annual General Meeting of Balochistan Glass Limited will be held on October 31, 2013 at 12:00 P.M at 28-B/III, Gulberg-III Lahore to transact the following businesses:

## Ordinary Business

1. To confirm minutes of last Annual General Meeting (AGM) held on October 31, 2012.
2. To receive, consider and adopt the audited financial statements of the company for the year ended June 30, 2013 together with Auditor's and Director's report thereon.
3. To appoint Auditors of the Company for the year ending June 30, 2013 and to fix their remuneration.

## Other Business

4. To transact any other business with the permission of chair

By Order of the Board

Date: October 08, 2013  
Place: Lahore.

Sheikh Arif Moin-ul-Haq  
Company Secretary

## Notes:

1. The share transfer books of the Company will remain closed from October 24, 2013 to October 31, 2013 (both days inclusive). The transfers received at share registrar office i.e. Corplink (Pvt.) Limited by the close of business on October 23, 2013 will be considered in time.
2. A member of the Company entitled to attend and vote at this meeting may appoint another member as his / her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
3. Any individual beneficial owner of CDC, entitled to attend and Vote at AGM, must bring his/her CNIC or passport with his/her to prove his/her identity and in case of proxy, attested copy of the shareholder's CNIC must be attached with the proxy form. The representative of corporate member should bring usual documents required for such purpose.
4. Members are requested to immediately notify the change of their addresses, if any to our share registrar, Corplink (Pvt.) Limited, wings Arcade, 1-K, Commercial, Model Town, Lahore.
5. Members who have not yet submitted photocopy of their CNIC to the company's registrar are requested to send the same, with the folio numbers, to our share registrar, at the earliest.



The Directors of your company are pleased to present Annual Report along with the Audited Financial Statements of your company for the year ended June 30, 2013.

## COMPANY PERFORMANCE

Analysis of key operating results for the current period in comparison with the previous period is given below:

*(Rupees in thousands)*

	2013	2012
Sales - Net	2,714,121	1,960,672
Gross Profit	13,989	77,167
Operating Profit	8,342	22,274
Depreciation & Amortization	142,538	129,776
(Loss) before Tax	(216,368)	(245,366)
(Loss) after Tax	(226,299)	(260,816)
Basic and diluted (Loss) per share	(1.50)	(3.04)

Sales of the Company during the year remained highest in the history of company with net sales increased by Rs. 753,449 million which is 38.43% higher than last year. Increase in sales is mainly due to better efficiencies of plants, increase in sale prices and start of operations of Unit-II. We encountered initial operational problems after start of Unit-II, however, by the grace of Allah now this plant is also meeting its production targets set by the management. All three units of the company remained operational during the period which enabled the Company to meet its customer demands and production targets.

However, despite of achieving better efficiencies, all best efforts of management, better sale prices and highest ever sales, BGL still incurred heavy loss during the year which is mainly attributed due to discriminatory policies of SNGPL in distribution of gas supply among the glass manufacturing companies. BGL-II & III faced severe gas curtailment in summer as well as in winter season due to which not only our production suffered badly as well as we have to use expensive fuels which increased our cost of production. Non availability of gas is the key reason of increase in operational loss and low production than expectations.

SNGPL had given smooth gas supply to other companies in similar industry and in same vicinity whereas BGL suffered not only because of load management as well as due to low gas pressure than the required one. The management of the Company has raised this matter with concerned authorities and we hope that government will take steps to end this discrimination in gas supply policy otherwise this will have a negative impact on overall economy and glass sector of our beloved country.

## FUTURE OUTLOOK

Management is continuously focusing on streamlining the operations of all the units and enhancing the quality of products offered to its valued customers. In order to improve profitability and to diversify its products, management of the Company converted Unit-I on production of amber pharma glass so that company can meet growing demand of pharmaceutical market. Demand for company's tableware products manufactured at Unit-III have increased significantly during the current year, therefore, in order to cater growing demand management is planning to shift partially its tableware facility to Unit-II which will help to reduce cost of production and meet the growing demand of "Marimax" products. Management is confident that these decisions will result better outcome in coming years.



Keeping in view the continuous growth in sales, operation of all the plants, improvement in operational performances of all units, restructuring by major banks and financial institutions and tight cost controls by the management; we feel that Company will come out of loss in coming years.

## COMMENTS ON AUDITORS OBSERVATIONS /QUALIFICATION

### Going Concern Assumption

Auditors' has raised their observation about going concern of company. However, management of the Company believes that keeping in view the below factors, we foresee that company will continue as a going concern entity:

- Continuous increase in revenue of company from last two years
- Better operational performance of all units
- Improvement in production and increase in capacity utilization
- All units of the company are fully operational and also meeting their operational liabilities
- Restructuring with major lenders of the company
- Repayment to banks and financial institutions as per agreed terms
- Continued financial support of its sponsors and associates
- Future prospects of industry, better selling prices and company presence in local and export market

Further, till to date all plants of the Company are fully operational and company is meeting its operational liabilities without major default. We feel that by considering all the above factors, performance of glass industry, present and future demand of glass products in local & export market and continued support and commitment of directors & associates, management of the company is fully justified to prepare the financial statements by using going concern assumption.

## Corporate and Financial Reporting Framework

In compliance with the Code of Corporate Governance, we give below statements on Corporate and Financial Reporting Framework:

- i. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- ii. Proper books of account of the Company have been maintained.
- iii. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- iv. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- v. The system of internal control is sound in design and has been effectively implemented and monitored.
- vi. Management feels that there is no significant doubt on the Company's ability to continue as going concern. We had already provided our reply on Auditors' Observation in this report and mitigating factors are also disclosed in detail.

- vii. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations. Company has also constituted Audit Committee and HR & R Committee and its members are disclosed in annual report.
- viii. The detail of trading in shares of the Company, if any, carried out by the directors, CEO, CFO, and Company Secretary and their spouses and minor children is provided in pattern of shareholding annexed with this report.
- ix. No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which these financial statements relate and the date of Directors' report.
- x. Key operating and financial data for last six years is annexed.
- xi. The pattern of shareholding is also annexed.
- xii. The Company has fulfilled its major statutory and financial obligations, except as disclosed in the Financial Statements in detail (refer note 9, 10, 14 & 16).
- xiii. No dividend or bonus shares are declared because of loss during the year.
- xiv. Company has arranged in house training programs for its directors; however, most of directors meet criteria as laid down in code of corporate governance regarding directors' training.
- xv. The Statement of compliance with the best practices of Code of Corporate Governance is annexed with this report.

## BOARD & AUDIT COMMITTEE MEETINGS

During the year under report, four Board of Directors (BoD) and Audit Committee (BAC) meetings were held. Leave of absence was granted to directors who could not attend the meetings. Attendance of each director was as follows:

	<b>BOD</b>	<b>BAC</b>
1. Mr. Muhammad Tousif Paracha	3	-
2. Mr. Tariq Siddiq Paracha	3	-
3. Mr. Muhammad Niaz Paracha (Resigned in May-13)	3	3
4. Mr. Jawaid Aziz Paracha	2	-
5. Mr. Muhammad Ishaq Khokhar	3	3
6. Mr. Muhammad Nasir Malik	4	-
7. Mr. Nazir Ahmad Paracha	4	4
8. Mr. Mustafa Tousif Ahmed Paracha (Appointed on May-13)	-	-





## Auditors

The auditors of the company M/s F.R.A.N.T.S. & Co. Chartered Accountants retire and are eligible for re-appointment for the next year. Audit Committee has recommended the re-appointment of M/s F.R.A.N.T.S. & Co. Chartered Accountants, as auditors of the Company for the forthcoming year.

## Acknowledgment

Board of Directors appreciates the assistance and co-operation extended by our banks and financial institutions as well as efforts, dedication and commitment demonstrated by all the employees and contractors of the Company as well as support & cooperation extended by our distributors, dealers, suppliers and other stakeholders of the company.

For on the behalf of Board of Directors'

Muhammad Tousif Paracha  
Chief Executive

**Lahore: 08 October 2013**



Balochistan Glass Limited (BGL) places the highest value on the integrity of the Company as integrity is a bedrock principle of all our behaviors. All employees must abide by and uphold the Code of Business Conduct and all laws. All directors, officers and employees and all representatives, including all agents, consultants, independent contractors and suppliers of BGL, are responsible for complying with all applicable laws and regulations and complying with this Code of Business Conduct and other policies of the Company. Violations of law or this Code or other policies of the Company are subject to disciplinary action, which may include termination. The policies in this Code apply across BGL.

BGL provides this Code of Conduct to its employees for their guidance in recognizing and resolving properly the ethical and legal issues they may encounter in conducting the Company's business. The Code and its terms may be modified or eliminated at any time by the Company. Directors, officers and employees and other representatives of the Company are responsible for being familiar with its contents. The Code does not include all of the policies of the Company. Each BGL employee shall comply with the letter and spirit of the Code of Business Conduct and with the policies and procedures of the Company, and shall communicate any suspected violations promptly.

## **1. Relationship with the Company and Each Other**

BGL most important resource is its employees whose skills, energy and commitment to excellence and the Company's vision and values are the source of the Company's character and central to its leadership and success.

## **2. We Respect the Individual and Diversity**

Company recognizes the dignity of each individual, respects each employee, provides compensation and benefits that are competitive, promotes self-development through training that broadens work-related skills, and values diversity and different perspectives and ideas.

## **3. We Live Our Values**

As representatives of the Company to the outside world, and regardless of the pressures inherent in conducting business, BGL employees are expected to act responsibly and in a manner that reflects favorably on Company. We will carry out our assignments guided by the principles set forth in our vision and values and in compliance with this Code of Business Conduct and our corporate policies.

## **4. We Avoid Conflicts of Interest**

Each of us and our immediate families should avoid any situation that may create or appear to create a conflict between our personal interests and the interests of the Company.

## **5. We Invite Full Participation and Support Diversity**

BGL is committed to an all-inclusive work culture. We believe and recognize that all people should be respected for their individual abilities and contributions. The Company aims to provide challenging, meaningful and rewarding opportunities for personal and professional growth to all employees without regard to gender, race, ethnicity, sexual orientation, physical or mental disability, age, pregnancy, religion, veteran status, national origin etc.

## **6. We Work in a Positive Environment**

BGL endeavors to provide all employees an environment that is conducive to conducting business and allows individuals to excel, be creative, take initiatives, seek new ways to solve problems, generate opportunities and be accountable for their actions. The Company also encourages teamwork in order to leverage our diverse talents and expertise through effective collaboration and cooperation.



## **7. We Do Not Employ Child or Forced Labor**

BGL does not and will not employ child labor or forced labor. BGL defines a child as anyone under the age of eighteen.

## **8. We Provide a Safe Workplace**

It's BGL policy to establish and manage a safe and healthy work environment and to manage its business in ways that are sensitive to the environment. The Company will comply with all regulatory requirements regarding health, safety and protection of the environment.

## **9. We Safeguard Company Property and Business Information**

Safeguarding Company assets is the responsibility of all directors, officers and employees and Company representatives. All employees, directors' must use and maintain such assets with care and respect while guarding against waste and abuse.

Similarly, all directors, officers and employees and Company representatives are not expected to share any business secrets, inside information or strategies with BGL competitors either directly or indirectly.

## **10. We Maintain Accurate Books and Records and Report Results with Integrity**

BGL financial, accounting, and other reports and records will accurately and fairly reflect the transactions and financial condition of the Company in reasonable detail, and in accordance with generally accepted and Company-approved accounting principles, practices and procedures and applicable government regulations.

## **11. Our Relationship with Our Customers**

BGL serves many industrial, corporate and non-corporate enterprises, dealers and distributors as well as of governmental bodies and individual consumers, for whom we design, develop, manufacture and market quality products.

## **12. We Obey All Laws and Regulations**

Our customer relationships are critical to BGL. In meeting our customers' needs, the Company is committed to doing business with integrity and according to all applicable laws. Products must be designed and produced to internal standards and to comply with external regulations, the standards of the appropriate approval entities, and any applicable contractual obligations.

## **13. We Provide Quality Products and Services**

Committed to being a Six Sigma Company, we strive to provide products and services that meet or exceed our customers' expectations for quality, reliability and value, and to satisfy their requirements with on-time deliveries.

## **14. We Seek Business Openly and Honestly**

Sales are the lifeblood of the organization, and we commit that we will market our products fairly and vigorously based on their proven quality, integrity, reliability, delivery and value to our customer.

## **15. We Follow Accurate Billing Procedures**

It is the Company's policy to reflect accurately on all invoices to customers the sale price and other terms of sales. Every employee has the responsibility to maintain accurate and complete records. No false, misleading or artificial entries may be made in BGL books and records.



**16. Our Relationship with our Suppliers**

BGL suppliers are our partners in Six Sigma Plus. The high caliber of the materials, goods and services they provide is linked directly to the quality, reliability, values and prompt delivery of the Company's products to our customers and, thus, leads to customer's satisfaction.

**17. We Will Not Be Influenced by Gifts**

We will not be influenced by gifts or favors of any kind from our suppliers or potential suppliers. The Company expects each employee to exercise reasonable judgment and discretion in accepting any gratuity or gift offered to the employee in connection with employment at BGL.

**18. We Do Not Make Improper Political Contributions**

Company funds generally can not to be used for political contributions, directly or indirectly, in support of any party or candidate.

**19. We Protect the Environment**

BGL abides by all applicable health, safety and environmental laws and regulations. We will also abide by Company's own standards.

**20. We Comply with Export Control and Import Laws**

BGL will comply with all Export Control and Import laws and regulations that govern the exportation and importation of commodities and technical data, including items that are hand-carried as samples or demonstration units in luggage.

**21. Supervisory Personnel**

Managers and supervisors have key roles in the Integrity and Compliance Program and are expected to demonstrate their personal commitment to the Company's standards of conduct and to lead their employees accordingly.

**22. Trading in Company's Shares**

All executives and directors of the company who purchase company shares must inform the company secretary in writing about their sale and purchase transactions. However, no employee, director or executive of the company is allowed to trade during 'closed period', as intimated prior to the announcement of interim/final results, and business decisions, and all directors, employees and officers are prohibited to take advantage from any price sensitive information which may materially affect the market price of company's securities.

**23. Smoking & Use Of Alcohol**

Employees are prohibited from smoking at restricted places and they are also prohibited to use Alcohol inside organization at any place during working hours.

# Summary of Last Six Year's Financial Results



	2013	2012	2011	2010	2009	2008
<b>Operating Results</b>						
Net sales	2,714,121	1,960,672	1,098,795	1,099,308	1,033,035	1,188,199
Gross profit/ (loss)	13,989	77,167	(257,995)	(352,278)	(187,344)	(179,134)
Profit/ (loss) before tax	(216,368)	(245,366)	(569,934)	(598,460)	(503,129)	(476,265)
Profit/ (loss) after tax	(226,299)	(260,816)	(565,101)	(602,456)	(508,334)	(456,238)
Dividend/ bonus	-	-	-	-	-	-

## Financial Position

Property, plant and Equipment	1,534,156	1,526,580	1,612,831	1,657,680	1,360,688	1,322,720
Current Assets	790,840	723,936	595,345	979,799	1,433,827	1,414,109
Current Liabilities	1,531,063	1,503,026	1,303,483	1,336,784	1,561,056	1,059,985
Current portion of Long term Liabilities	146,375	176,912	290,680	172,814	245,781	139,433
Long Term Loans	916,411	808,028	738,188	1,027,535	888,283	798,038
Subordinated Loan -Unsecured	482,080	482,080	482,080	482,080	482,080	482,080
Share Capital	1,716,000	858,000	858,000	858,000	858,000	858,000

## Financial Ratios

Gross Profit ratio	0.52%	3.94%	-23.48%	-32.05%	-18.14%	-15.08%
Profit before Tax ratio	-7.97%	-12.51%	-51.87%	-54.40%	-48.20%	-40.08%
Profit after Tax ratio	-8.34%	-13.30%	-51.43%	-54.80%	-49.21%	-38.40%
Current ratio	0.52:1	0.48:1	0.37:1	0.64:1	0.92:1	1.33:1
Working Capital	(740,223)	(779,090)	(998,817)	(544,776)	(127,229)	354,124

# Statement of Compliance with best Practices of Code of Corporate Governance



This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi and Lahore 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 CCG in the following manner:

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

Category	Names
Independent Director	Nil
Executive Director	Mr. Muhammad Tousif Paracha Mr. Tariq Siddiq Paracha Mr. Nasir Malik
Non-Executive Director	Mr. Mian Nazir Ahmed Paracha Mr. Mustafa Tousif Ahmed Paracha Mr. Jawaid Aziz Paracha Mr. Muhammad Ishaque Khokhar

The independent director shall be elected at the time of fresh election as per regulations of CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs 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 prescribed time..
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 on which they were approved or amended 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 executives and non-executive directors, have been taken by the Board/shareholders.
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. The Board arranged two in house training programs for its directors during the year.



# Statement of Compliance with best Practices of Code of Corporate Governance



10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The directors' report for this 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 three members, of whom two are non-executive directors and the chairman of the committee is a Non-Executive director.
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 three members, of whom two are non-executive directors including the chairman of the committee.
18. The Board has set up an effective internal audit function.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the 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 ICAP.
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 stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied except as required under provisions of clause i(a),i(b), i(d) & vi and these shall take effect when the Board is reconstituted on expiry of its current term.

For and on behalf of Board of Directors

Muhammad Tousif Paracha  
Chief Executive

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



We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Balochistan Glass Limited ('the Company') for the year ended June 30, 2013 to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. 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's 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.

Further, Listing Regulations of the respective Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justifications for using such alternate pricing mechanism. Furthermore, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before 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 of Corporate Governance as applicable to the Company for the year ended June 30, 2013.

**Lahore: October 08, 2013**

**F.R.A.N.T.S. & Co.**  
**Chartered Accountants**  
*Engagement Partner: Nouman Razaq Khan*



We have audited the annexed balance sheet of Balochistan Glass Limited as at June 30, 2013 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) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) 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;
- (c) 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 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, 2013 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Without qualifying our report, we draw attention of the members towards note 2 of the financial statements, which indicates the Company incurred net loss amounting to Rs. 226.299 million during the year ended June 30, 2013 and as of that date its accumulated loss of Rs. 2,912.222 million have resulted in net capital deficiency of Rs. 1,711.022 million and its current liabilities exceeded its current assets by Rs. 747.483 million. These conditions, along with other matters as set forth in note 2 indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

**Lahore: 08 October 2013**

**F.R.A.N.T.S. & Co.**  
**Chartered Accountants**  
*Engagement Partner: Nouman Razaq Khan*

# Balance Sheet

as at June 30, 2013



	Notes	2013 (Rupees in thousand)	Restated 2012
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital	4	1,766,000	1,766,000
Issued, subscribed and paid-up capital	5	1,716,000	858,000
Discount on shares	6	(514,800)	-
Accumulated loss		(2,912,222)	(2,693,044)
		(1,711,022)	(1,835,044)
Share deposit money	6	-	343,200
Surplus on revaluation of property, plant and equipment	7	253,656	260,777
<b>NON-CURRENT LIABILITIES</b>			
Subordinated loan - Unsecured	8	482,080	482,080
Long term loans	9	916,411	808,028
Liabilities against assets subject to finance lease	10	36,635	24,800
Deferred liabilities	11	832,172	686,908
		2,267,298	2,001,816
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	929,363	637,389
Markup accrued	13	167,370	266,505
Short term borrowings	14	295,215	422,220
Current maturity of non current liabilities	15	146,375	176,912
		1,538,323	1,503,026
<b>CONTINGENCIES AND COMMITMENTS</b>			
	16		
		<b>2,348,255</b>	<b>2,273,775</b>
<b><u>ASSETS</u></b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	17	1,534,156	1,526,580
Long term deposits		23,259	23,259
		1,557,415	1,549,839
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	18	238,312	258,880
Stock in trade	19	194,156	121,306
Trade debts	20	238,193	177,747
Loans and advances	21	41,612	71,332
Trade deposits, prepayments and other receivable	22	41,176	47,366
Taxes recoverable	23	15,139	9,891
Cash and bank balances	24	22,252	37,414
		790,840	723,936
		<b>2,348,255</b>	<b>2,273,775</b>

The annexed notes 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

# Profit & Loss Account

For The Year Ended June 30, 2013



	Notes	2013 (Rupees in thousand)	Restated 2012
Sales - Net	25	2,714,121	1,960,672
Cost of sales	26	2,700,132	1,883,505
Gross profit/ (loss)		13,989	77,167
Administrative and selling expenses	27	61,134	45,555
Other operating expenses	28	32,338	20,006
		93,472	65,561
Other operating income	29	87,825	10,668
Operating profit / (loss)		8,342	22,274
Financial charges	30	224,710	267,640
Loss before taxation		(216,368)	(245,366)
Taxation - Current	31	9,931	15,450
<b>Loss after taxation</b>		<b>(226,299)</b>	<b>(260,816)</b>
Loss per share - Basic and diluted (Rupees)	32	(1.50)	(3.04)

The annexed notes 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

# Statement of Comprehensive Income

For The Year Ended June 30, 2013



	2013	Restated 2012
	(Rupees in thousand)	
Loss for the year	(226,299)	(260,816)
Other comprehensive income:		
Incremental depreciation transferred from surplus on revaluation of property, plant and equipment	10,956	12,082
Related deferred tax	(3,835)	(4,229)
	7,121	7,853
	(219,178)	(252,964)
Component of comprehensive income not reflected in equity - Net of tax	-	-
Total comprehensive income/ (loss) for the period	(219,178)	(252,964)

*The annexed notes 1 to 40 form an integral part of these financial statements.*

**CHIEF EXECUTIVE**

**DIRECTOR**



# Cash Flow Statement

For The Year Ended June 30, 2013



	2013	Restated 2012
	(Rupees in thousands)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(216,368)	(245,366)
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation	142,538	129,776
Provisions for doubtful balances	32,338	20,006
Gain on settlement of liabilities	(87,825)	(10,571)
Financial charges	224,710	267,640
Provision for gratuity	7,927	6,444
<b>Operating profit/ (loss) before working capital changes</b>	<u>103,320</u>	<u>167,929</u>
<b>Working capital changes</b>		
<i>(Increase)/Decrease in current assets</i>		
Stores, spares and loose tools	20,568	(19,581)
Stock in trade	(72,850)	(55,909)
Trade debts	(60,446)	(55,212)
Loans and advances	29,720	(5,684)
Trade deposits, prepayments and other receivables	6,190	6,193
<i>Increase/(Decrease) in current liabilities</i>		
Trade and other payables	241,855	137,399
<b>Cash generated from operations</b>	<u>268,357</u>	<u>175,135</u>
<b>Payments for:</b>		
Financial charges	(18,703)	(39,936)
Taxes	(12,098)	(7,047)
Gratuity	(3,734)	(2,877)
<b>Net cash inflow from operating activities</b>	<u>236,028</u>	<u>125,275</u>
	A	
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(150,114)	(43,525)
Proceeds from disposal of fixed assets	-	-
Long-term deposits	-	-
<b>Net cash outflow from investing activities</b>	<u>(150,114)</u>	<u>(43,525)</u>
	B	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term loans paid - Net	(24,376)	38,452
Lease rentals paid	(35,314)	(13,840)
Short term borrowings - Net	(39,180)	(75,254)
<b>Net cash outflow from financing activities</b>	<u>(101,076)</u>	<u>(50,642)</u>
	C	
<b>Net increase/(decrease) in cash and cash equivalents</b>	A+B+C	(15,162)
<b>Cash and cash equivalents as at 1st July</b>		37,414
<b>Cash and cash equivalents as at 30th June</b>		<u>22,252</u>
		<u>37,414</u>

The annexed notes 1 to 40 form an integral part of these financial statements.

**CHIEF EXECUTIVE**

**DIRECTOR**

# Statement of Changes in Equity

For The Year Ended June 30, 2013



	Notes	Issued, subscribed and paid-up capital	Discount on issuance of shares	Accumulated Loss Restated	Total
(Rupees in thousand)					
Balance at June 30, 2011 as previously reported		858,000	-	(2,170,218)	(1,312,218)
Cumulative effect of markup on loan from CEO June 30, 2011	9.8	-	-	(269,862)	
<b>Balance as on July 01, 2011 - restated</b>		<b>858,000</b>	<b>-</b>	<b>(2,440,080)</b>	<b>(1,582,080)</b>
<b>Total comprehensive income/(loss) for the period</b>					
Loss after taxation - restated		-	-	(260,816)	(260,816)
Other comprehensive income:					
Transfer from surplus on revaluation					
of property, plant and equipment - Net of tax		-	-	7,853	7,853
Total comprehensive income for the year - restated		-	-	(252,964)	(252,964)
<b>Balance as on June 30, 2012 - restated</b>		<b>858,000</b>	<b>-</b>	<b>(2,693,044)</b>	<b>(1,835,044)</b>
<b>Total comprehensive income/(loss) for the period</b>					
Profit/ (Loss) after taxation		-	-	(226,299)	(226,299)
Other comprehensive income:					
Transfer from surplus on revaluation					
of property, plant and equipment - Net of tax		-	-	7,121	7,121
Shares issued during the period		858,000			858,000
Discount on issuance of shares			(514,800)		(514,800)
Total comprehensive income for the period		858,000	(514,800)	(219,178)	124,022
<b>Balance as on June 30, 2013</b>		<b>1,716,000</b>	<b>(514,800)</b>	<b>(2,912,222)</b>	<b>(1,711,022)</b>

The annexed notes 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

# Notes to the Financial Statements

For The Year Ended June 30, 2013



## 1 STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan as a public listed company in 1980 under the Companies Act, 1913 (now the Companies Ordinance, 1984). Its shares are listed on the Karachi and Lahore Stock Exchanges. The Company is engaged in manufacturing and sale of glass containers, glass table wares and plastic shells. The registered office of the Company is situated at Hub, Balochistan whereas head office of the Company is situated at Kot Abdul Malik, Lahore.

## 2 GOING CONCERN ASSUMPTION

The financial statements for the year ended June 30, 2013 are showing loss after taxation amounting to Rs. 226.299 million (2012: Rs. 260.816 million) and has accumulated loss of Rs. 2,912.222 million (June 2012: Rs. 2,693.044 million) at the year end which resulted in negative equity of Rs. 1,711.022 million (June 2012: Rs. 1,835.044 million). In addition, the Company's current liabilities exceeded its current assets by Rs. 747.483 million (June 2012: Rs. 779.090 million).

As the above conditions are prevailing from last few years, thus raising significant doubts on the Company's ability to continue as a going concern as the Company may be unable to realize its assets and discharge its liabilities in normal course of business.

However, the management of the Company is confident to continue as a going concern based on its concerted efforts to re-profile Company's borrowings in a manner which will provide relief in payment terms, its ability to utilize liquidity generated for the maximum utilization of production capacities with the objective to improve liquidity & cost efficiency.

As a result of management's efforts, the Company's sales have improved and it has repaid certain outstanding loans of financial institutions. Further, the Company is in negotiation with its other lenders (financial institutions & leasing companies) for the restructuring /rescheduling of financial facilities and is expecting relaxation in mark up rate and repayment terms from the remaining lenders.

These financial statements consequently, do not include any adjustment relating to the realization of its assets and liquidation of any liabilities that might be necessary should the Company be unable to continue as a going concern.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

#### 3.1.1 The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2013:

	Effective for period beginning on or after
- IAS 1 – Presentation of Financial Statements	January 1, 2013
- IAS 19 – Employee Benefits (Amendment)	January 1, 2013
- IAS 27 – Separate Financial Statements (Revised)	January 1, 2013
- IAS 28 – Investments in Associates and Joint Ventures (Revised)	January 1, 2013
- IAS 32 – Financial Instruments: Presentation	January 1, 2014
- IAS 36 – Impairment of assets (Amendment)	January 1, 2014
- IAS 39 – Financial Instruments: Recognition and Measurement	January 1, 2014
- IFRS 1 – First-time Adoption of International Financial Reporting Standards (Amendment)	January 1, 2013
- IFRS 7 – Financial Instruments: Disclosures (Amendment)	January 1, 2013
- IFRIC 21 - Interpretation on the accounting for Levies imposed by governments	January 1, 2014

# Notes to the Financial Statements

For The Year Ended June 30, 2013



The management anticipates that except for the effects on the financials statements of amendments to IAS 19 "Employee Benefits", the adoption of above standards, amendments and interpretations in future periods, will have no material impact on the Company's financial statements other than in presentation and disclosures. The application of the amendments to IAS 19 would result in the recognition of cumulative unrecognized actuarial gains/loss in other comprehensive income in the period of initial application, which cannot be presently quantified as on the date of balance sheet.

The following new standards and interpretation are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the applicability in Pakistan.

- IFRS 9 – Financial Instruments	January 1, 2015
- IFRS 10 – Consolidated Financial Statements	January 1, 2013
- IFRS 11 – Joint Arrangements	January 1, 2013
- IFRS 12 – Disclosures of Interest in Other Entities	January 1, 2013
- IFRS 13 – Fair Value Measurement	January 1, 2013

The following interpretations issued by IASB have been waived off by the SECP, effective January 16, 2012:

- IFRIC 4 - Determining whether an arrangement contains a lease
- IFRIC 12 - Service Concession Arrangements.

## 3.2 Basis of preparation

These financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities which are remeasured at their fair value. The Company's significant accounting policies are stated in note 3.3.

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 judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

### 3.2.1 Staff retirements benefits

Certain actuarial assumptions have been adopted as disclosed in note 11.3 to the financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect unrecognised gains and losses in those years.

### 3.2.2 Income taxes

The Company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment and appellate stages and where the Company considers that its views on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

### 3.2.3 Property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

### 3.2.4 Provision for doubtful receivables

The Company reviews its doubtful trade debts and other receivables at each reporting date to assess whether provision should be recorded in the profit and loss account. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.



## 3.3 SIGNIFICANT ACCOUNTING POLICIES

### 3.3.1 Staff retirement benefits

The Company operates unfunded gratuity scheme covering all employees eligible to the benefit. Provisions are based on actuarial recommendations. Actuarial valuations are carried out using the projected unit credit method as required by International Accounting Standard 19 "Employee Benefits". The unrecognized actuarial gains or losses at each valuation date are amortized over the average remaining working lives of the employees in excess of 10% of the present value of the defined benefit obligation.

### 3.3.2 Taxation

#### *Current*

Provision for current taxation is based on current rates of tax after taking into account tax credits and rebates available, if any.

#### *Deferred*

Deferred tax is recognized on all timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes.

### 3.3.3 Property, plant and equipment and depreciation

#### *Owned*

These are stated at cost less accumulated depreciation except for freehold land & building which is stated at revalued amount less accumulated depreciation. All expenditures connected with specific assets incurred during installation and construction period are carried under capital work in progress at cost. These are transferred to specific assets as and when these assets are available for use.

Increase in the carrying amount arising on revaluation of property, plant and equipment is credited to surplus on revaluation of property, plant and equipment. Decrease that offset previous increase of the same assets is charged against this surplus, all other decreases are charged to income. Each year the difference between depreciation based on revalued carrying amount of the asset (the depreciation charged to the income) and depreciation based on the assets' original cost is transferred from surplus on revaluation of property, plant and equipment to unappropriated profit/accumulated loss.

#### *Leased*

Assets subject to finance lease are initially recorded at lower of the present value of minimum lease payments under the lease agreements and the fair value of leased assets. The related obligation under the lease less financial charges allocated to future period are shown as a liability. These financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

Depreciation charge is based on the reducing balance method at the rates specified in note 17 to the financial statements.

Depreciation on additions is charged from the month in which the asset is put into use and on disposals up to the month the asset is in use.

Maintenance and normal repairs are charged to income as and when incurred; major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Gains and losses on disposal of assets are taken to profit and loss account.

### 3.3.4 Stores and spares

These are valued at lower of average cost and net realizable value except for those in transit, which are valued at cost. Provision is made for slow moving and obsolete stores and spares.

### 3.3.5 Stock in trade

These are stated at the lower of cost and net realizable value. The cost is determined as follows:

Raw and packing materials	Average cost
Work in process	Average material cost only. Conversion costs are not included as these are not significant.
Finished goods	Average cost which includes prime cost and appropriate portion of production overheads.
Items in transit	Cost comprising invoice values plus other charges incurred thereon.

# Notes to the Financial Statements

For The Year Ended June 30, 2013



Net realizable value signifies the estimated selling price in the ordinary course of business less cost necessarily to be incurred to make the sale.

### **3.3.6 Trade debts and other receivables**

Trade debts are carried at original invoice amount less an estimate made for doubtful receivable balances based on review of outstanding amounts at the year end. Bad debts are written off when identified.

### **3.3.7 Foreign currency translation**

Transactions in foreign currencies are recorded using the rates of exchanges ruling at the date of transaction.

Assets and liabilities in foreign currencies are translated into Rupees at exchanges rates approximating those prevailing at the balance sheet date except where forward exchange contracts have been entered into, in which case the rates contracted for are used.

All other exchanges differences are taken into profit and loss account.

### **3.3.8 Transaction with related parties**

Transactions with related parties are based on the policy that all the transactions between the Company and related parties are carried out at arm's length. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods sold in an economically comparable market to a buyer unrelated to the seller.

### **3.3.9 Revenue recognition**

Sales are recorded on dispatch of goods to customers. Profits / mark-up on deposits and investments are accounted for when it becomes receivable.

### **3.3.10 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss as incurred.

### **3.3.11 Provisions**

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

### **3.3.12 Financial instruments**

All the financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account.

### **3.3.13 Trade and other payables**

Short term liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

### **3.3.14 Impairment**

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is an indication of impairment loss. Any impairment loss arising is recognized as expense in the profit and loss account.



# Notes to the Financial Statements

For The Year Ended June 30, 2013



### 3.3.15 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash at bank which are subject to an insignificant risk of change in value.

### 3.3.16 Off setting of financial assets and liabilities

A financial asset and a financial liability are offset and the net amount is reported in the financial statements if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### 3.3.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors of the Company that makes strategic decisions.

	2013	2012
	(Rupees in thousand)	
<b>4 AUTHORIZED CAPITAL</b>		
171,600,000 (June 30, 2012: 171,600,000) Ordinary shares of Rs. 10/- each	1,716,000	1,716,000
5,000,000 (June 30, 2012: 5,000,000) Preference shares of Rs. 10/- each	50,000	50,000
	1,766,000	1,766,000
<b>5 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
85,300,000 Ordinary shares of Rs.10 each fully paid in cash (2012: 85,300,000 of Rs.10 each)	853,000	853,000
85,800,000 Ordinary shares of Rs.10 issued on 60% discount each fully paid in cash (2012: Nil)	858,000	-
500,000 Ordinary shares of Rs.10 each issued as fully paid Bonus Shares (2012: 500,000 shares of Rs.10 each)	5,000	5,000
	171,600,000	858,000

5.1 42,435,422 (2012: 25,714,156) ordinary shares of the Company are held by associated company.

### 6 DISCOUNT ON SHARES

The Company has passed a special resolution in its annual general meeting held on November 30, 2010 that the 85.800 million ordinary shares of Rs. 10/- each be issued to Mr. Muhammad Tousif Paracha (Director/CEO) at 60% discount i.e. at Rs. 4 per shares (total amounting to Rs. 343.200 million) otherwise than right against the outstanding loan of Mr. Muhammad Tousif Paracha (Director/CEO) to the Company. In September 2012, the Company issued 85.800 million ordinary shares to Mr. Muhammad Tousif Paracha at 60% discount against the outstanding share deposit money of Rs. 343.200 million and recorded Rs. 514.800 million as discount on shares.

	2013	2012
	(Rupees in thousand)	
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>		
Opening Balance - net of deferred tax	260,777	268,630
Transfer to accumulated loss in respect of incremental depreciation charged during the year - Net of tax	(7,121)	(7,853)
Surplus on revaluation of fixed assets - Closing	253,656	260,777



# Notes to the Financial Statements

For The Year Ended June 30, 2013



- 9.1 The Demand Finance facility has been obtained from The Bank of Punjab (BOP) initially for the purpose of swap of debts from other banks. During the year 2010, the Bank re-structured / re-scheduled facility for the purpose of conversion of existing outstanding principal amounting to Rs.463.664 Million. However, the Company was unable to ensure scheduled payments due to liquidity issues.

During the year 2012, the Company again entered into a settlement agreement with BOP for re-structuring/rescheduling of loan with an upfront payment of Rs. 63 Million. The loan is payable in 58 monthly step up installments and carries mark up @ 3 months KIBOR with floor of bank's cost of funds of 2011 (9.55%).

- 9.2 This Demand Finance II facility has been restructured/rescheduled by BOP against unserviceable markup of Rs. 240.444 million as on June 30, 2012. It includes frozen markup on DF-I amounting Rs. 99.087 million which will be waived at the tail end subject to no defaults in repayment agreed under the revised restructuring arrangements. The balance amount of Rs. 141.357 million is payable in 8 monthly step up installments till October 2018.

- 9.3 Demand finance facility has been restructured, previously this was part of Long Term Loans. According to new agreement, the principal will be repaid in unequal monthly installments till April 30, 2017 starting from July 31, 2012. Markup amounting to Rs. 161.519 million accrued till April 30, 2017 is deferred and will be payable in unequal monthly installments till March 31, 2018 starting from May 31, 2017; and accordingly grouped under deferred markup as mentioned in note 11, whereas out of Rs. 240.444 million, Rs. 141.357 million is payable till October 31, 2018 and the balance of Rs. 99.087 million will be waived at tail end subject to no default in the repayment of installments.

- 9.4 These facilities are secured against ranking charge of Rs. 833.334 million through equitable and registered mortgage over the present and future fixed assets of the Company.

- 9.5 During current year, the Company entered into a settlement agreement with Citibank N.A. under which the bank offered full and final settlement against outstanding Term Finance and Export Pre-shipment Finance on payment of lump sum Rs. 55.000 million by the Company. The liabilities against the loan have been settled but the formalities against the release of securities are still in process.

- 9.6 The Demand Finance facility has been restructured by KASB Bank Limited during the year 2011. The loan is repayable in 18 installments of the principal amount. It carries markup @ 6 months KIBOR plus 1% per annum. It is secured against 1st pari passu charge upto Rs. 227 million over the Company's fixed assets (Land, Building, Plant and Machinery and against the personal property and guarantee of director. The said facility was valid till March 31, 2013. The Company has partially complied with repayment schedule resulting in certain overdue installments. The Company is again in the process of negotiation with bank for relaxation in repayment plan for the balance outstanding amount and is hopeful to get the facility rescheduled.

- 9.7 This facility was obtained from United Bank Limited which carries mark-up of 1% p.a. above the cost of funds to banks from SBP. This facility is secured by first pari passu hypothecation charge over Company's present and future stocks & book debts and personal guarantee of directors. During the year 2012, this facility has been rescheduled to term finance loan payable within 18 monthly installments. Markup on this loan has not been charged as it will be waived at the tail end subject to no defaults in repayment agreed under the revised restructuring arrangements. The facility was due to be settled on December 31, 2012.

- 9.8 During last year, Mr. Muhammad Tousif Paracha (Chairman & CEO) claimed mark up on his outstanding loan including share deposit money which was previously agreed to be interest free. Board of Directors (BOD) had formed a committee to negotiate with Mr. Muhammad Tousif Paracha for finalisation of his mark up. After negotiations and on recommendation of the committee, the BOD approved mark up @ 16.5% p.a. from the date of loans provided subject to the conversion of foreign currency loans into Pak Rupee loan from July 01, 2012 and deferment on payment of markup till the time liquidity position of the company improves and company is regular in payment of its financial and operational obligations. Past mark up will not be paid for a period of three years unless BOD decides otherwise on improvement of company's financial position. Mark up relating to prior periods have charged by restatement of opening accumulated loss. The effect of the restatement on those financial statements is summarised below.

	<b>Deferred Mark up</b>	<b>Accumulated Loss</b>
	<b>(Rupees in thousand)</b>	
Balances as at July 01, 2011, previously reported	-	(2,170,218)
Effect of cumulative mark up upto 2011	269,862	(269,862)
<b>Restated balance at July 01, 2011</b>	<b>269,862</b>	<b>(2,440,080)</b>
Balance at June 30, 2012, as previously reported	-	(2,322,544)
Effect of cumulative mark up upto 2011	269,862	(269,862)
Effect of mark up charged during 2012	100,638	(100,638)
<b>Restated balance at June 30, 2012</b>	<b>370,500</b>	<b>(2,693,044)</b>

# Notes to the Financial Statements

For The Year Ended June 30, 2013



The effects on statement of comprehensive income were as follows:

	Effect for the year ended June 30, 2012	Cumulative effect upto June 30, 2011
	(Rupees in thousand)	
Increase in Financial Charges	100,638	269,862
Decrease in tax expense		
<b>Increase in loss</b>	<b>100,638</b>	<b>269,862</b>

9.9 These unsecured loans have been obtained from directors and carry mark up @ 16.5% per annum.

## 10 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2013		2012	
	Lease Payments		Lease Payments	
	Minimum	Present Value	Minimum	Present Value
	(Rupees in thousand)		(Rupees in thousand)	
Not later than one year	51,563	51,404	98,155	95,959
Later than one year but not later than five years	36,635	36,635	24,959	24,800
Total	88,198	88,039	123,114	120,759
Less: Finance charge allocated to future periods	159	-	2,355	-
Present value of minimum lease payments	88,039	88,039	120,759	120,759
Less: Current portion- under current liabilities	20,539	20,539	40,035	40,035
Over due portion-under current liabilities	30,865	30,865	55,924	55,924
	36,635	36,635	24,800	24,800

10.1 The Company entered into lease agreement with various leasing companies to acquire vehicles and plant and machinery for its BMR program.

The rentals under these lease agreements are payable monthly and quarterly up to the period ending December 2013. Mark up rate ranging from 8.50% to 22% per annum (2012: 8.50% to 22% per annum) have been used as discounting factors. The cost of operating and maintaining the leased assets is borne by the Company. During the year, the Company was successful to negotiate with two of the leasing companies for rescheduling/ restructuring the facilities. The Company intends to exercise its option to purchase the leased assets upon the completion of the respective lease periods.

		2013	Restated 2012
		(Rupees in thousand)	
<b>11 DEFERRED LIABILITIES</b>			
Deferred taxation	11.1	40,020	43,855
Employees retirements benefits	11.3	36,302	32,109
Deferred mark up (related party)	9.8	481,640	370,500
Deferred mark up (financial institution)	9.3	274,210	240,444
		<b>832,172</b>	<b>686,908</b>

# Notes to the Financial Statements

For The Year Ended June 30, 2013



		<b>2013</b>	<b>2012</b>
		<b>(Rupees in thousand)</b>	
<b>11.1</b>	<b>Deferred taxation</b>		
	Credit balances arising due to:		
	- Accelerated tax depreciation allowances	189,415	147,593
	- Revaluation - net of related depreciation	-	-
	- Relating to finance lease	26,618	30,584
	Debit balances arising due to:		
	- Staff gratuity	(12,523)	(8,718)
	- Available tax loss and credit	(783,932)	(779,588)
	Deferred tax asset	<u>(580,422)</u>	<u>(610,129)</u>
	Deferred tax asset not recognized	<u>580,422</u>	<u>610,129</u>
	Deferred tax liability relating to surplus on revaluation of property, plant and equipment	<u>40,020</u>	<u>43,855</u>
		<u>40,020</u>	<u>43,855</u>
<b>11.2</b>	Deferred tax asset arising due to tax loss which has not been recognized as the future taxable profits may not be available against which the said loss will be adjusted.		
<b>11.3</b>	<b>Employees retirements benefits</b>		
	<b>Staff gratuity:</b>		
	<b>Movement in balance</b>		
	Opening balance	32,109	28,542
	Payments during the year	<u>3,734</u>	<u>2,877</u>
		28,375	25,665
	Charge for the year	11.3.1 <u>7,927</u>	6,444
		11.3.2 <u>36,302</u>	<u>32,109</u>
<b>11.3.1</b>	<b>Charge for the year</b>		
	Service cost	3,996	3,721
	Interest cost	3,996	3,102
	Actuarial (gains) / Losses	(65)	(379)
		<u>7,927</u>	<u>6,444</u>
<b>11.3.2</b>	<b>Balance sheet reconciliation</b>		
	Present value of defined benefit obligations	32,109	28,542
	Unrecognized actuarial gains	4,193	3,567
		<u>36,302</u>	<u>32,109</u>
<b>11.3.3</b>	<b>Principal actuarial assumption</b>		
	Expected rate of increase in salaries	9.5 % p.a.	13 % p.a.
	Discount factor used	10.5 % p.a.	14 % p.a.
	Average expected remaining working life time of employees	11 years	11 years
<b>12</b>	<b>TRADE AND OTHER PAYABLES</b>		
	Bills payable	141,156	100,636
	Trade creditors	12.1 382,055	276,109
	Accrued expenses	12.2 147,747	178,015
	Advances from customers	68,964	29,620
	Unclaimed dividend	164	164
	Sales tax and excise duty payable	85,718	49,565
	Taxes payable	41,477	-
	Others	62,082	3,280
		<u>929,363</u>	<u>637,389</u>

# Notes to the Financial Statements

For The Year Ended June 30, 2013



**12.1** This includes amount of Rs. 28.068 million (2012: Rs. 12.372 million) payable to M/S Pak Hy Oils Limited (associated company).

**12.2** Included herein a sum of Rs. 69.429 million (2012: Rs. 130.322 million) outstanding on account of Sui gas bills and Rs. 7.260 million (2012: Rs. Nil) against the rent payable to the CEO.

13

## MARK UP ACCRUED

Markup accrued	13.1	167,370	266,505
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**13.1** This includes amount of Rs. 60.045 million (2012: 135.604 million ) payable to associated companies.

14

## SHORT TERM BORROWINGS

		Limits (Rupees in thousand)		
From banks and financial institutions - Secured				
Export pre shipment finance	9.5	40,000	-	40,000
Short term morabaha	14.1	102,035	-	90,571
Short term running finance	14.2	215,243	192,740	144,439
From related parties - Unsecured				
Associated company	14.3		32,488	101,286
Others - Unsecured, interest free				
Temporary bank overdraft			69,987	45,924
			295,215	422,220

**14.1** The Company had entered into morabaha facilities with Al Baraka Bank (Pakistan) Limited and Meezan Bank Limited and are secured by way of first pari passu charge over present and future stocks & book debts of the Company and personal guarantees of directors. The Company has converted facility form Al Baraka Bank (Pakistan) Limited in unfunded Letter of Credit facility and entered into a settlement agreement with Meezan Bank Limited for re-structuring/ rescheduling under which the murabaha is payable in 24 monthly installments which is shown in long term loans.

**14.2** The facilities for running finances under mark-up arrangement available from various banks which carry mark up ranging from three to six months KIBOR plus 225 to 350 bps (2012: three to six months KIBOR plus 225 to 350 bps) payable quarterly in arrears. These facilities are secured by first pari passu hypothecation charge over the Company's present and future fixed assets and ranking charge over current assets and personal guarantees of directors; and are generally for a period of one year renewable at the end of the period. The said facilities also include facility to borrow in foreign currency up to the tune of Rs. 30.000 million (2012: Rs. 30.000 Million) against which an amount of Rs. Nil million (2012: Rs. 24.128 million) outstanding at the year end. Out of total running finance facilities from banks and financial institutions, facilities amounting to Rs. 107.240 million have not been renewed for which the active negotiation are under process.

**14.3** The unsecured loan has been obtained from associated company for working capital requirement which carries markup @ 17 % p.a. (2012: three to six months KIBOR plus 100 to 350 bps) payable quarterly in arrears.

## 15 CURRENT MATURITY OF NON CURRENT LIABILITIES

		2013	2012
(Rupees in thousand)			
Demand Finance- I	9	50,000	23,500
Term Finance	9	-	30,000
Term Finance II	9	4,205	9,813
Demand Finance	9	19,440	17,640
Murabaha	9	21,326	-
Lease Liabilities	10	51,404	95,959
		146,375	176,912

# Notes to the Financial Statements

For The Year Ended June 30, 2013



## 16 CONTINGENCIES AND COMMITMENTS

### 16.1 Contingencies

- 16.1.1 Bank guarantees amounting to Rs. 96.893 million (2012: Rs. 91.993 million) have been given by various banks on behalf of the Company.
- 16.1.2 Suit for recovery and damages amounting to Rs. 1.214 million and Rs. 0.250 million was filed by M/s Tawakkal Traders (Packaging Contractor) against the Company for recovery of their machine, tools, equipments, motors etc. and acquired ex-parte judgment against the Company, revision petition was filed by BGL and revision was allowed in its favour. Thereafter, Civil appeal has been filed by Tawakkal Traders which is pending for adjudication. Execution filed by Tawakkal Traders remained suspended as per the order passed in the revision in favour of the Company, Tawakkal Traders filed another execution which is pending for adjudication and ultimate outcome cannot be established at this stage. The legal advisor of the Company has opined that there will be no financial loss to the Company as the documents filed by M/s Tawakkal Traders provide no concurrent evidence in support of its claim.
- 16.1.3 Bank Alfalah has filed a recovery suit against the Company during the year 2011 in Banking Court under the Financial Institutions (Recovery of Finances) Ordinances, 2001 for an aggregate amount of Rs.45.491 million in respect of short term finances and other counter guarantees wherein the Company's Leave to Defend against the claim had been refused. However, the aforesaid order has been suspended by the Honorable High Court in the constitutional petition till disposal of the same case. The legal advisor of the Company has opined that the matter may be remanded back to the Honorable Banking Court for a fresh hearing of the same. Further, the Company has entered into negotiation with the bank for out of court settlement which remains inconclusive till date. As the case is still under adjudication and the ultimate outcome can not be established.
- 16.1.4 Company is defendant in various legal proceedings initiated by various ex-employees, suppliers and contractors in various labor / civil / high courts. The aggregate of suit amounts is Rs.25.643 million. The Company expects decisions in its favor based on grounds of cases therefore Company has not made provision of amounts referred above.

### 16.2 Commitments

Rs. Nil (2012: Rs. Nil)

## 17 PROPERTY, PLANT AND EQUIPMENT

		2013	2012
		(Rupees in thousand)	
Operating fixed assets	17.1	1,444,578	1,512,471
Capital work in progress	17.4	89,578	14,109
		1,534,156	1,526,580

### 17.1 Operating Assets - At cost less accumulated depreciation

Particulars	2013								Book value As at June 30, 2013	Rate %
	Cost / Revaluation				Depreciation					
	As at July 01, 2012	Additions / Transfer	Disposal / Transfer	As at June 30, 2013	As at July 01, 2012	For the year ended 30 June 2013	As at June 30, 2013			
(Rupees in thousand)										
Freehold land	224,500	-	-	224,500	-	-	-	224,500	--	
Building on freehold land										
Factory	165,690	336	-	166,026	61,062	10,482	71,544	94,482	10	
Non factory	54,781	-	-	54,781	14,644	2,007	16,651	38,130	5	
Plant and machinery										
Owned	2,019,896	52,027	-	2,071,923	1,091,606	106,881	1,198,487	873,436	10 & 15	
Leased	343,679	-	-	343,679	162,091	18,159	180,250	163,429	10	
Electric and gas installation	31,218	16,604	-	47,822	10,162	2,603	12,765	35,057	10	
Furniture and fixtures	10,106	1,703	-	11,809	8,143	221	8,364	3,445	10	
Office equipment	7,454	627	-	8,081	4,189	348	4,537	3,544	10	
Vehicles										
Owned	13,367	3,348	-	16,715	8,536	1,394	9,930	6,785	20	
Leased	10,845	-	-	10,845	8,632	443	9,075	1,770	20	
	2,881,536	74,645	-	2,956,181	1,369,065	142,538	1,511,603	1,444,578		



# Notes to the Financial Statements

For The Year Ended June 30, 2013



Particulars	-----2012-----								Book value As at June 30, 2012	Rate %
	Cost / Revaluation			Depreciation						
	As at July 01, 2011	Additions / Transfer	Disposal / Transfer	As at June 30, 2012	As at July 01, 2011	For the year ended 30 June 2012	As at June 30, 2012			
Freehold land	224,500	-		224,500	-	-	-	224,500	--	
Building on freehold land										
Factory	164,627	1,063		165,690	49,545	11,517	61,062	104,628	10	
Non factory	54,781	-		54,781	12,532	2,112	14,644	40,137	5	
Plant and machinery										
Owned	1,818,577	201,319		2,019,896	998,937	92,669	1,091,606	928,290	10 & 15	
Leased	343,679	-		343,679	140,824	21,267	162,091	181,588	10	
Electric and gas installation	11,189	20,029		31,218	9,862	300	10,162	21,056	10	
Furniture and fixtures	9,651	455		10,106	7,971	172	8,143	1,963	10	
Office equipment	7,204	250		7,454	3,850	339	4,189	3,265	10	
Vehicles										
Owned	10,857	2,510		13,367	7,689	847	8,536	4,831	20	
Leased	10,845	-		10,845	8,079	553	8,632	2,213	20	
	2,655,910	225,626	-	2,881,536	1,239,289	129,776	1,369,065	1,512,471		

	2013	2012
	(Rupees in thousand)	
17.2 Depreciation charge for the year has been allocated as follows:		
Cost of sales	139,999	127,464
Administrative and selling	2,539	2,312
	<u>142,538</u>	<u>129,776</u>

17.3 Freehold land and building on freehold land represent the values subsequent to revaluation in March 2010. Had there been no revaluation, the cost, accumulated depreciation and book values of revalued property, plant and equipment as on June 30, 2013 would have as follows.

	Cost as at June 30, 2013	Accumulated Depreciation as at June 30, 2013	Book Value as at June 30, 2013	Book Value as at June 30, 2012
	Rs. '000"			
Freehold land	45,167	-	45,167	45,167
Building on freehold land				
Factory	46,459	37,077	9,382	9,954
Non factory	19,353	11,441	7,912	8,328
	<u>110,979</u>	<u>48,518</u>	<u>62,461</u>	<u>63,449</u>

17.4 Capital work in progress - At cost

Opening		14,109	196,210
Additions		84,478	22,244
Less: Capitalized		(9,009)	(204,345)
Closing	17.5	<u>89,578</u>	<u>14,109</u>

# Notes to the Financial Statements

For The Year Ended June 30, 2013



		2013	2012
		(Rupees in thousand)	
<b>17.5</b>	<b>Capital work in progress - Breakup</b>		
	Plant and Machinery	89,098	13,629
	Civil work	480	480
		<u>89,578</u>	<u>14,109</u>
<b>18</b>	<b>STORES, SPARES AND LOOSE TOOLS</b>		
	Stores	80,553	98,169
	Spares and loose tools (incl. moulds)	202,254	196,156
		<u>282,807</u>	<u>294,325</u>
	Provision for slow moving and obsolete items	(44,495)	(35,445)
		<u>238,312</u>	<u>258,880</u>
<b>18.1</b>	<b>Provision for slow moving and obsolete items</b>		
	Balance as at July 01	35,445	35,445
	Provision for the year	28 9,050	-
		<u>44,495</u>	<u>35,445</u>
<b>19</b>	<b>STOCK IN TRADE</b>		
	Raw and packing materials	60,896	44,063
	Work in process	7,117	4,587
	Finished goods	126,143	72,656
		<u>194,156</u>	<u>121,306</u>
<b>20</b>	<b>TRADE DEBTS</b>		
	Trade Debts - Secured	1,307	7,161
	Trade Debts - Unsecured- considered good	236,886	170,586
	Trade Debts - Unsecured and considered doubtful	52,330	50,668
		<u>290,523</u>	<u>228,415</u>
	Less: Provision for doubtful debts	20.1 (52,330)	(50,668)
		<u>238,193</u>	<u>177,747</u>
<b>20.1</b>	<b>Provision for doubtful debts</b>		
	Balance as at July 01	50,668	46,905
	Provision for the year	28 1,662	3,763
		<u>52,330</u>	<u>50,668</u>
<b>21</b>	<b>LOANS AND ADVANCES</b>		
	Employees	21.1 2,307	1,981
	Suppliers	72,507	90,461
	Against expenses	11,723	11,844
		<u>86,537</u>	<u>104,286</u>
	Less: provision for doubtful balances		
	Provision for Suppliers	(38,471)	(26,500)
	Provision against expenses	(6,454)	(6,454)
		21.2 (44,925)	(32,954)
		<u>41,612</u>	<u>71,332</u>
<b>21.1</b>	Aggregate amount due from executives of the Company is Rs. 0.586 million (2012: Rs.0.528 million).		
<b>21.2</b>	<b>Provision for doubtful loans and advances</b>		
	Balance as at July 01	32,954	23,505
	Provision for the year (suppliers)	28 11,971	9,449
		<u>44,925</u>	<u>32,954</u>

# Notes to the Financial Statements

For The Year Ended June 30, 2013



		2013	2012
		(Rupees in thousand)	
<b>22</b>	<b>TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE</b>		
	Short term deposits	22.1 54,375	50,718
	Other receivable	18,195	18,387
		<u>72,570</u>	<u>69,105</u>
	Less Provision for Short term Deposits	(13,252)	(9,528)
	Provision for Other Receivables	(18,142)	(12,211)
		22.2 <u>(31,394)</u>	<u>(21,739)</u>
		<u>41,176</u>	<u>47,366</u>
	<b>22.1</b> This includes a sum of Rs. 23.694 million (2012: 23.694 million) relating to assets subject to finance lease.		
	<b>22.2 Provision for doubtful loans and advances</b>		
	Balance as at July 01	21,739	14,945
	Provision for the year (short term deposits)	28 3,724	1,472
	Provision for the year (other receivables)	28 5,931	5,322
		<u>31,394</u>	<u>21,739</u>
<b>23</b>	<b>TAXES RECOVERABLE</b>		
	Taxes recoverable	<u>15,139</u>	<u>9,891</u>
<b>24</b>	<b>CASH AND BANK BALANCES</b>		
	Cash in hand	788	935
	Cash at banks - Current account	21,464	36,479
		<u>22,252</u>	<u>37,414</u>
<b>25</b>	<b>SALES - Net</b>		
	<b>Gross Sales</b>		
	Local	3,105,144	2,152,634
	Export	38,995	105,265
		3,144,139	2,257,899
	Less:		
	Sales tax	430,018	297,227
		<u>2,714,121</u>	<u>1,960,672</u>
<b>26</b>	<b>COST OF SALES</b>		
	Raw material consumed		
	Opening stock	44,063	33,436
	Purchases	1,128,643	813,678
		1,172,706	847,114
	Closing stock	(60,896)	(44,063)
		<u>1,111,810</u>	<u>803,051</u>
	Power, fuel and water	687,675	551,819
	Salaries, wages and other benefits	26.1 359,438	248,796
	Stores and spares	101,457	107,953
	Oil & lubricants	325,338	68,713
	Repairs and maintenance	10,326	5,650
	Communication	2,187	1,551
	Traveling and conveyance	6,816	5,651
	Legal and professional	293	234
	Stationery, fees and subscription	3,376	758
	Insurance	2,413	2,960
	Entertainment	2,282	1,057
	Depreciation	17.2 139,999	127,464
	Rent, rates and taxes	1,153	922
	Others	1,586	2,208
		<u>2,756,149</u>	<u>1,928,787</u>

# Notes to the Financial Statements

For The Year Ended June 30, 2013



	2013	2012
	(Rupees in thousand)	
Work In Process-Opening	4,587	2,632
Work In Process-Closing	(7,117)	(4,587)
Cost of Goods Manufactured	<u>2,753,619</u>	<u>1,926,832</u>
Finished Goods - Opening	72,656	29,329
Finished Goods - Closing	<u>(126,143)</u>	<u>(72,656)</u>
	<u>2,700,132</u>	<u>1,883,505</u>
<b>26.1</b>	Salaries, wages and other benefits include amount of Rs. 5.707 million (2012: Rs. 5.993 million) relating to staff retirement benefits.	
<b>27</b>	<b>ADMINISTRATIVE AND SELLING EXPENSES</b>	
Salaries and other benefits	27.1	7,395
Communication		1,931
Rent, rates and taxes	27.2	8,324
Travelling and conveyance		9,827
Legal and professional		16,990
Advertisement		32
Stationery, fees and subscription		259
Power, fuel and water		351
Entertainment		1,189
Audit fee	27.3	900
Depreciation	17.2	2,539
Repairs and maintenance		259
Freight, handling and forwarding		10,393
Charity and donation		393
Miscellaneous		352
		<u>61,134</u>
		<u>45,555</u>
<b>27.1</b>	Salaries and other benefits include amount of Rs. 2.220 million (2012: Rs.0.451 million) relating to staff retirement benefits.	
<b>27.2</b>	This includes Rs. 7.260 million (2012: Rs. Nil) against the rent of property owned by the CEO.	
<b>27.3</b>		525
Auditor's remuneration		525
Half yearly review		300
Out of pocket expenses		75
		<u>900</u>
		<u>900</u>
<b>27.4</b>	Recipients of donation do not include any donee in whom a director or his spouse had any interest.	
<b>28</b>	<b>OTHER OPERATING EXPENSES</b>	
Provision for -		
trade debts		1,662
- advances		11,971
- deposits		3,724
- other receivables		5,931
- store and spares		9,050
		<u>32,338</u>
		<u>20,006</u>
<b>29</b>	<b>OTHER OPERATING INCOME</b>	
Liabilities and mark up written back on settlement with financial institutions		51,766
Mark up written back on settlement with associated undertakings		36,059
Mould charges		-
		<u>97</u>
		<u>87,825</u>
		<u>10,668</u>

# Notes to the Financial Statements

For The Year Ended June 30, 2013



	2013	Restated 2012
	(Rupees in thousand)	
<b>30 FINANCIAL CHARGES</b>		
Mark up on		
- Long term loans		
- banks and financial institutions	33,766	67,504
- related parties (directors)	111,119	105,036
- Liabilities against assets subject to finance lease	1,876	4,907
- Short term borrowings		
- banks and financial institutions	21,281	26,528
- related parties (associated companies)	13,584	40,435
- others	24,280	327
Provision for default surcharge on taxation	10,865	-
Exchange loss on foreign currency translation - net	2,062	8,516
Bank charges (including B/G commission)	5,877	14,387
	224,710	267,640
<b>31 TAXATION</b>		
Current	13,766	19,607
Prior	-	72
Deferred	(3,835)	(4,229)
	9,931	15,450

The current tax provision represents the final tax chargeable under section 154 and 113 of the Income Tax Ordinance, 2001.

For the purpose of current taxation, the tax losses available for carry forward as at June 30, 2013 are estimated at Rs. 2,172.747 million (2012: Rs. 2,205.902 million)

	2013	Restated 2012
	(Rupees in thousand)	
<b>32 LOSS PER SHARE - Basic and diluted</b>		
There is no dilutive effect on the basic loss per share of the Company, which is based on:		
Loss after taxation	(226,299)	(260,816)
	<b>Number of shares</b>	
Weighted average ordinary shares in issue during the year	150,678,904	85,800,000
Loss per share - Basic and diluted (Rupees)	(1.50)	(3.04)

### 33 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Company is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The board of directors has the overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

#### 33.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company's credit risk is primary attributable to its receivables and balances with banks.

The carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:



# Notes to the Financial Statements

For The Year Ended June 30, 2013



All the financial liabilities of the Company are non derivative financial liabilities. The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at June 30. The rates of mark-up have been disclosed in note 9, 10 and 14 to these financial statements.

## Liquidity risk management

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity for meeting its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational cash flows, including servicing of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. The Company also maintains various lines of credit with banking companies.

Company has approached its lenders for the restructuring of its short term and lease liabilities which is under active consideration by them. Long term loans and short term borrowings from some of the financial institutions have been renewed/ restructured and active negotiations are under process with rest of the lenders.

## 33.3 Market Risk

Market risk is a risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of financial instruments. The Company is exposed to currency risk and interest rate risk only.

### 33.3.1 Currency risk

Foreign currency risk arises mainly where receivables and payables exists due to transactions in foreign currencies. The financial instruments of the Company exposed to currency risk were as follows:

	2013	2012
	(Rupees in thousand)	
<b>Financial Liabilities:</b>		
Foreign currency loan	-	183,486
Foreign creditors	3,766	2,834
	<u>3,766</u>	<u>186,320</u>
<b>Financial Assets:</b>		
Foreign debtors	-	2,166
	<u>-</u>	<u>2,166</u>
Net Exposure	<u>3,766</u>	<u>184,154</u>
The following significant exchange rate has been applied:		
USD to PKR (Reporting date rate in Rupees)	<u>98.44</u>	<u>94.20</u>
USD to PKR (Average rate in Rupees)	<u>96.38</u>	<u>89.90</u>

### Sensitivity analysis

At reporting date, if PKR had strengthened by 10% against the US Dollar with all other variables held constant loss / profit for the year would have been lower / higher by the amounts shown below, mainly as a result of foreign exchange gain on translation of foreign currency liabilities.

Effect on (loss) / profit	<u>(377)</u>	<u>(18,415)</u>
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# Notes to the Financial Statements

For The Year Ended June 30, 2013



The 10% weakening of the PKR against US Dollar would have had an equal but opposite impact on the loss / profit for the year on the basis that all other variables remain constant.

### 33.3.2 Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to the risk of changes in interest rates relates primarily to the following:

#### Fixed rate instruments at carrying amounts:

Company does not have any of its financial instruments that can be classified as fixed rate.

	2013	Restated 2012
<u>Variable rate instruments at carrying amounts:</u>		
(Rupees in thousand)		
Financial liabilities		
Long term financing	1,011,382	888,981
Lease liabilities	88,039	120,759
Short term borrowings	225,228	376,296
	<u>1,324,649</u>	<u>1,386,036</u>

#### **Fair value sensitivity analysis for fixed rate instruments:**

The Company does not account for any fixed rate financial assets at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

#### **Cash flow sensitivity analysis for variable rate instruments:**

A change of 100 basis points in interest rates at the reporting date would have increased / decreased loss/profit for the year by the amounts shown below:

Effect on loss due to change of 100 BPs		
Increase / (decrease)	<u>13,246</u>	<u>13,860</u>

The effective interest / mark up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

### 33.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction. The carrying values of financial instruments reflected in these financial statements approximate their fair values.

### 33.5 Capital risk management

The Company's prime objective when managing capital is to safe guard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

### 33.6 Off balance sheet financial instruments

Off balance sheet financial liabilities are disclosed in notes 16.2 to the financial statements.

# Notes to the Financial Statements

For The Year Ended June 30, 2013



## 34 REMUNERATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	(Rupees in thousand)							
Managerial remuneration	-	-	4,767	3,889	15,571	11,079	20,338	14,968
House rent allowance	-	-	2,145	1,750	7,007	4,987	9,152	6,737
Utilities	-	-	477	389	1,558	1,109	2,035	1,498
Medical	-	-	80	65	260	185	340	250
Conveyance	-	-	477	389	1,558	1,108	2,035	1,497
	-	-	7,946	6,482	25,954	18,468	33,900	24,950
Number of persons	1	1	2	2	24	26	27	29

Two directors and some executives have been provided with Company maintained cars. No payment is made to directors for attending the meeting of board of directors.

## 35 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, directors and key management personnel. Remuneration and benefits to chief executive, directors and key management personnel under terms of their employment are disclosed in note 34 to the financial statements. Transaction with related parties, other than those which have been specifically disclosed elsewhere in these financial statements, are as follows: -

	Restated	
	2013	2012
	(Rupees in thousand)	
<b>Associated companies</b>		
Pak Hy-Oils		
Purchases	36,200	3,757
Short term loan received	115,515	92,042
Repayment of short term loan	184,313	198,540
Markup charged on loan	13,584	25,053
Payment against supplies	20,504	2,857
Gharibwal Cement Limited		
Purchases	-	230
Short term loan received	-	76,876
Repayment of short term loan	-	77,299
Markup charged on loan	-	15,382
Trade liability undertaken by BGL	24,810	95,500
Balance taken over by CEO	28,435	15,894
<b>Directors</b>		
Loan received	309,715	122,959
Repayment of loan	150,309	31,920
Markup charged on loan	111,119	105,036
Balance of GCL taken over by CEO	24,810	15,894
Rent of property charged by CEO	7,260	-

## 36 INFORMATION ABOUT BUSINESS SEGMENTS

**36.1** For management purposes, the activities of the Company are organized into business units based on their products and services and has two reportable operating segments. The glass containers segment mainly relates to production of glass containers and tableware. Plastic shells segment includes production of plastic shells. The analysis for segments is given below:

# Notes to the Financial Statements

For The Year Ended June 30, 2013



	2013			
	Glass Containers	Plastic Shells	Eliminations	Total
	(Rupees in thousand)			
<b>REVENUE</b>				
Sales to external customers	2,922,618	221,521	-	3,144,139
Less: Sales tax	(399,463)	(30,555)	-	(430,018)
Net Revenue	2,523,155	190,966	-	2,714,121
Cost of goods sold	(2,538,039)	(162,093)	-	(2,700,132)
Admin and selling expenses	(58,134)	(3,000)	-	(61,134)
Other charges	(32,338)	-	-	(32,338)
Financial charges	(223,183)	(1,527)	-	(224,710)
Other income	87,825	-	-	87,825
	<b>(2,763,869)</b>	<b>(166,620)</b>	-	<b>(2,930,489)</b>
Segment results	<b>(240,714)</b>	<b>24,346</b>	-	<b>(216,368)</b>
Income tax				(9,931)
Loss for the year				<b>(226,299)</b>
<b>OTHER INFORMATION</b>				
Capital expenditure	150,114	-		
Depreciation	132,495	10,043		

	2012 (Restated)			
	Glass Containers	Plastic Shells	Eliminations	Total
	(Rupees in thousand)			
<b>REVENUE</b>				
Sales to external customers	2,049,307	208,592	-	2,257,899
Inter-segment sales	-	-	-	-
Gross revenue	2,049,307	208,592	-	2,257,899
Less: Sales tax	(263,852)	(33,375)	-	(297,227)
Special excise duty	-	-	-	-
Discount on sales	-	-	-	-
Net Revenue	1,785,455	175,217	-	1,960,672
Cost of goods sold	(1,721,216)	(162,289)	-	(1,883,505)
Admin and selling expenses	(42,555)	(3,000)	-	(45,555)
Other charges	(20,006)	-	-	(20,006)
Financial charges	(266,309)	(1,331)	-	(267,640)
Other income	10,668	-	-	10,668
	<b>(2,039,418)</b>	<b>(166,620)</b>	-	<b>(2,206,038)</b>
Segment results	<b>(253,964)</b>	<b>8,598</b>	-	<b>(245,366)</b>
Income tax				(15,450)
Loss for the year				<b>(260,816)</b>
<b>OTHER INFORMATION</b>				
Capital expenditure	43,525	-		
Depreciation	117,787	11,989		

# Notes to the Financial Statements

For The Year Ended June 30, 2013



36.2 GEOGRAPHICAL INFORMATION	2013	2012
	(Rupees in thousand)	
Revenue from external customers		
Pakistan	2,675,127	1,855,407
Asia other than Pakistan	2,581	105,265
Africa	36,413	-
	<b>2,714,121</b>	<b>1,960,672</b>

The revenue information above is based on the location of customers.

All non-current assets of the Company at 30 June 2013 are located in Pakistan. The detail of segment assets have not been disclosed in these financial statements as these are not reported to the chief operating decision maker on regular basis.

## 37 CAPACITY AND PRODUCTION

Unit	2013		2012			
	Annual Capacity	Production	Annual Capacity	Production		
Based on 350 working days						
Glass containers	Tons	120,400	69,700	120,400	49,706	
	Tons	120,400	69,700	120,400	49,706	
Plastic shells	Full depth	Pieces	1,500,000	455,386	1,500,000	526,308
	Half depth	Pieces	800,000	62,533	800,000	50,954
		Pieces	2,300,000	517,919	2,300,000	577,262

38 NUMBER OF EMPLOYEES	2013	2012
	Numbers	
Number of employees at end of the year	938	913
Average number of employees during the year	904	730

## 39 GENERAL

**39.1** These financial statements are presented in rupees and figures have been rounded off to nearest thousand rupees.

**39.2** Comparative figures of the previous year have been rearranged and restated wherever required to facilitate comparison.

## 40 DATE OF AUTHORIZATION FOR ISSUE

These financial statements are authorized for issue on October 8, 2013 in accordance with the resolution of the Board of Directors of the Company.

**CHIEF EXECUTIVE**

**DIRECTOR**

# Pattern of Shareholding

As on June 30, 2013



## THE COMPANIES ORDINANCE 1984

(Section 236(1) and 464)

### PATTERN OF SHAREHOLDING

Pattern of holding of the shares held by the shareholders as at

**30-06-2013**

4. No. of Shareholders	-----Shareholding-----		Total Shares Held
	From	To	
821	1	100	28,660
517	101	500	136,816
186	501	1,000	147,363
267	1,001	5,000	700,591
58	5,001	10,000	448,469
32	10,001	15,000	406,071
13	15,001	20,000	230,996
10	20,001	25,000	233,050
5	25,001	30,000	138,935
8	30,001	35,000	267,767
5	35,001	40,000	195,813
3	45,001	50,000	147,500
3	50,001	55,000	159,449
2	60,001	65,000	126,464
3	70,001	75,000	225,000
1	75,001	80,000	80,000
4	115,001	120,000	466,539
1	135,001	140,000	137,000
1	150,001	155,000	152,000
1	155,001	160,000	157,000
1	170,001	175,000	172,590
1	175,001	180,000	179,000
1	200,001	205,000	201,200
1	345,001	350,000	350,000
1	590,001	595,000	590,465
1	620,001	625,000	623,000
1	625,001	630,000	626,558
1	875,001	880,000	879,077
1	1,890,001	1,895,000	1,892,208
1	2,035,001	2,040,000	2,038,234
1	2,885,001	2,890,000	2,888,458
1	3,990,001	3,995,000	3,995,000
1	4,400,001	4,405,000	4,401,596
1	8,995,001	9,000,000	9,000,000
1	10,005,001	10,010,000	10,006,435
1	16,520,001	16,525,000	16,521,266
1	25,710,001	25,715,000	25,714,156
1	86,935,001	86,940,000	86,935,274
<b>1959</b>			<b>171,600,000</b>

# Pattern of Shareholding

As on June 30, 2013



5.	Categories of shareholders	Share held	Percentage
5.1	Directors, Chief Executive Officers, and their spouse and minor children	115,373,681	67.23%
5.2	Associated Companies, undertakings and related parties.	42,235,422	24.61%
5.3	NIT and ICP	50	0.00%
5.4	Banks Development Financial Institutions, Non Banking Financial Institutions.	4,402,178	2.57%
5.5	Insurance Companies	172,640	0.10%
5.6	Modarabas and Mutual Funds	0	0.00%
5.7	Share holders holding 10%	152,758,373	89.02%
5.8	General Public		
	a. Local	8,272,147	4.82%
	b. Foreign		
5.9	Others (to be specified)		
	<b>Pension Funds</b>	54,080	0.03%
	<b>Joint Stock Companies</b>	736,294	0.43%
	<b>Other Companies</b>	353,508	0.21%

# Pattern of Shareholding

As on June 30, 2013



## BALOSHISTAN GLASS LIMITED

Categories of Shareholding required under Code of Corporate Governance (CCG)

As on June 30, 2013

Sr. No.	Name	No. of Shares Held	Percentage
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### Associated Companies, Undertakings and Related Parties:

1	PAK HY-OILS LIMITED	42,235,422	24.61%
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### Mutual Funds

- 0.00%

### Directors their Spouse and Minor Childrens:

1	MR. TARIQ SIDDIQ PARACHA	23,587,027	13.75%
2	MR. MUHAMMAD TAUSIF PARACHA	86,935,924	50.66%
3	MR. MUHAMMAD MUSTAFA PARACHA	500	0.00%
4	MR. JAWAID AZIZ PARACHA	500	0.00%
5	MIAN NAZIR AHMED PARACHA	500	0.00%
6	MR. NASIR MALIK	500	0.00%
7	MR. MUHAMMAD ISHAQUE KHOKHAR	500	0.00%
8	MRS. TABUSSAM TAUSIF PARACHA W/O MUHAMMAD TAUSIF PARACHA	1,925,445	1.12%
9	MRS. SHAZIA TARIQ PARACHA W/O TARIQ SIDDIQ PARACHA	2,922,785	1.70%

### Executives:

- 0.00%

### Public Sector Companies & Corporations:

- 0.00%

### Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:

4,628,948 2.70%

### Shareholders holding five percent or more voting interest in the listed company

1	MR. MUHAMMAD TAUSIF PARACHA	86,935,924	50.66%
2	PAK HY-OILS LIMITED	42,235,422	24.61%
3	MR. TARIQ SODDIQ PARACHA	23,587,027	13.75%

### All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

S. No	NAME	Sale	Shares Issued
1	MR. TARIQ SIDDIQ PARACHA	500	-
2	MR. MUHAMMAD TAUSIF PARACHA	-	85,800,000



# Form of Proxy

## 32nd Annual General Meeting



The Company Secretary  
Balochistan Glass Limited  
12-Km, Sheikhpura Road,  
Kot Abdul Malik, Lahore

Dear Sir,

I/We ----- of (full address) ----- being a member(s) of Balochistan Glass Limited holding ----- Ordinary Shares as per Registered Folio No. / CDC A/c No ----- hereby appoint Mr./ Mrs./ Miss ----- of (full address) ----- or failing him / her Mr./ Mrs./ Miss ----- of (full address) ----- being member of the Company as my/our Proxy to attend, act and vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held on 31<sup>st</sup> October 2013

Signed this ----- day of ----- 2013

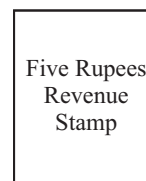
Witnesses:

Signature \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

CNIC No./ Passport Number \_\_\_\_\_



Signature should be agreed with the Specimen Signatures with the Company

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint a proxy to attend and vote instead of him/her.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his constituted attorney or if such appointer is a corporation or company under the common seal of such corporation or company.
3. In case of individual, the account holder or sub-account holder and / or the person whose securities are in group account shall submit the Proxy form along with following documents:
  - a. The Proxy form shall be witnessed by the two persons whose names, addresses and CNIC number shall be mentioned on the form.
  - b. Attested copies of CNIC or the passport of the beneficial owners and the Proxy shall be furnished with the Proxy form.
  - c. The Proxy shall produce his / her original CNIC or original passport at the time of the meeting.
  - d. In case of corporate entity, the Board of Director's resolution / power of attorney with specimen signature shall be submitted along with Proxy form to the company.
4. The Proxy Form, duly completed, must be deposited with the Company Secretary of Balochistan Glass Limited., 12-Km, Sheikhpura Road, Kot Abdul Malik, Lahore not less than 48 hours before the time for holding the meeting.



**BALUCHISTAN GLASS LIMITED**

