SHAVYL®

ANNUAL REPORT 2010

PAKISTAN PVC LIMITED

47th ANNUAL REPORT

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS

CHAIRMAN & CHIEF EXECUTIVE	Arif Shaffi
DIRECTORS	Ijaz Ahmad Khan Adeel Shaffi Asif Shaffi Mohammad Iqbal Mohammad Shaffi Adnan Shaffi
SECRETARY & CHIEF FINANCIAL OFFICER	Asif Shaffi
AUDITORS	Mushtaq & Co. Chartered Accountants
AUDIT COMMITTEE	Adnan Shaffi – Chairman Mohammad Iqbal – Member Ijaz Ahmad Khan – Member
BANKERS	United Bank Limited Muslim Commercial Bank Limited Royal Bank of Scotland Limited
REGISTERED OFFICE	Shaffiabad, Gharo, District Thatta.
SHARE REGISTRAR	CORPLINK (PVT) LTD. Wings Arcade, 1 – K, Commercial, Model Town, Lahore.
FACTORIES	Shaffiabad, Gharo, District Thatta. Sector I – 9, Industrial Area, Islamabad.

PAKISTAN PVC LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 47th Annual General Meeting of the Company will be held on Saturday, October 30, 2010 at the registered office of the company at **Pakistan PVC Limited**, Shaffiabad, Gharo, District Thatta at 9.00 a.m. to transact the following business.

ORDINARY BUSINESS

1. To confirm the minutes of the 46th Annual General Meeting of the company held on October 31, 2009.
2. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2010 together with the reports of the Director's and Auditors' thereon.
3. To appoint auditors of the company for the year ending June 30,2011 and fix their remuneration.
4. To elect one director for a period of three years. The retiring director is: Mr. Adnan Shaffi. The retiring director being eligible has offered himself for reappointment.

ANY OTHER BUSINESS

1. To transact any other business of the company with the permission of the chair.

Islamabad: September 25, 2010

By Order of the Board
(ASIF SHAFFI)
Company Secretary

Notes:

1. A member 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 valid must be received by the company not later than 72 hours before the scheduled time for the meeting.
2. As required u/s 178 (3), any member who seeks to contest an election to the office of director, shall whether he is retiring director or otherwise, file with the Company, not later than fourteen days before the date of the meeting at which election are to be held, a notice of his intention to offer himself for election as a director alongwith consent to act as a director u/s 184 of the Companies Ordinance, 1984.
3. The share transfer books of the company will remain closed from October 25, 2010 to October 30, 2010 (both days inclusive).
4. CDC account holders will in addition have to follow the under mentioned guidelines as laid down in Circular No.1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan for attending the Meeting:

(i) **In case of individuals:** The account holder or sub account holder and / or the person whose securities are registered on CDS; and their registration details are uploaded as per the regulations, shall authenticate his /her identity by showing his/her original National Identity Care (NIC) or original passport at the time of attending the Meeting. The Members are also required to bring their Participants' I.D. number and account numbers in CDS.

(ii) **In case of corporate entity:** The Board of Directors Resolution / Power of Attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

5. Shareholders are requested to promptly notify the company about any change in their address.

OBJECTIVES AND STRATEGIC PLANNING

SHAVYL GROUP VISION

"Shavyl to be a global group of companies recognized for a range of quality products".

MISSION STATEMENT

"To be market leader in petrochemicals, building company's image through innovation and competitiveness, ensuring satisfaction to customers and stakeholders and to fulfill social obligations".

OBJECTIVES

Constantly endeavor to be market leaders in terms of market share and technology pacesetters in areas of operations and to continuously improve efficiency and competitive strength.

To offer customers quality products and support services at competitive prices and to their satisfaction.

By continuously improving performance, aim to generate earnings sufficient to ensure a secure future for the Company and to protect and increase shareholders' return.

To enhance creativity and job satisfaction, provide employees opportunity for personal development.

Be an integral part of national economy with a strong sense of responsibility to society and the environment.

STRATEGIC PLANNING

To maintain a strong R&D department for the development of new and the up gradation of our own technology. To develop in-house know how for a world scale petrochemical complex.

STATEMENT OF ETHICS AND BUSINESS PRACTICES

The Company's Ethics and Business Practices conform to the Shavyl Group Vision and the Company's Mission Statement.

THE PURPOSE AND VALUES OF BUSINESS

Manufacturers of PVC Resins and its down stream products that conform to the Specified Standards, saving of foreign exchange and developing technical and engineering capabilities in the country.

EMPLOYEES

Recruitment of personnel on merit offering training and career development, equal opportunities of growth, no discrimination or harassment and reward for achievements. Improved working conditions, ensuring safety, security and health.

Employees shall not use Company information and assets for their personal advantage. Conflict of interest shall be avoided and disclosed where it exists and guidance sought.

CUSTOMER RELATION

Ensure customer satisfaction by providing quality products at competitive prices with warranty coverage and ensuring after sale service.

SHAREHOLDERS, FINANCIAL INSTITUTIONS & CREDITORS

Protection of investment made in the Company and proper return on money lent/invested. A commitment to accurate and timely communication on achievements and prospects.

SUPPLIERS

Prompt settling of bills. Co-operation to achieve quality and efficiency. No bribery or excess hospitality accepted or given.

SOCIETY / COMMUNITY

Compliance with the spirit of laws. Timely payment of all Government taxes and dues. Eliminate the release of substance that may cause environmental damage. Financial assistance for promoting education and social activities including games and donation/charity to deserving.

GENERAL

The Company shall neither support any political party nor contribute funds to groups or associations whose activities prompt political interest. The Company shall promote its legitimate business interest through trade associations.

IMPLEMENTATION

Company Board to ensure implementation of these codes, regular monitoring, and review for modification/amendment where necessary.

DIRECTOR'S REPORT TO THE SHAREHOLDERS

On behalf of my colleagues on the Board, I welcome you to the 47th Annual General Meeting of the Company and present the audited accounts for the year ended June 30, 2010 along with the auditors' report thereon.

During the period under review Gharo Plant remains closed and there was no production. The production of PVC Pipes & Fittings at Islamabad increased during the year. As reported earlier, maintenance work of Artificial Leather at Gharo is nearing completion. Maintenance work of Sheet Plant has been completed and it is expected that we will be able to start Extrusion Sheet Plant on trial/test basis soon.

Sales during the year under review increased to Rs. 5.748 millions as compared to Rs. 3.951 millions of the same period last year and net loss during the year was Rs. 20.910 million as compared to a net profit of Rs. 19.935 millions during the previous year. Work of installation of Machinery of Pipe Plant shifted from Gharo to Islamabad has delayed due to non availability of funds.

During the year under review Gharo Plant remains closed through out the year and there was no production. The production of PVC Pipes at Islamabad factory was 174,615 meters as against 128,185 meters last year.

1. **AUDITORS' RESERVATION OF GOING CONCERN**
   The auditors have qualified their opinion, since your company has prepared the accounts on the going concern basis. The reason given in their qualification is the continued losses sustained by your company, no improvement/result of the efforts made by the management for obtaining additional capital. The case for the revival of your company remains under active consideration with the Committee for Revival of Sick Industrial Units set up by the Finance Division, Government of Pakistan and the United Bank Limited. In the meantime as desired by the United Bank Limited and as per the State Bank of Pakistan regulation new revaluation reports have been prepared by State Bank approved valuators.
2. **AUDITORS' RESERVATION ABOUT DIRECT CONFIRMATON**
   As regards confirmations from the lenders of long term loans the company had dispatched the balance confirmation letters several times to the lenders of long term loans.
3. **AUDITORS' RESERVATION ABOUT LONG OUTSTANDING BALANCES**
   As regards balances of very long outstanding balances of Creditors, Advances from Customers and Accrued liability we have to state that these balances are appearing in the company's accounts since last many years and as regards confirmations from the Creditors, Advances from Customers and Accrued liability the company had dispatched the balance confirmation letters to the Creditors, Advances from Customers and Accrued liability and we understand that an over all majority of these have been responded too.
4. **AUDITORS' RESERVATION ABOUT EMPLOYEES PROVIDENT FUND**
   As regards non payment of employees provident fund. The Company has started paying the employees provident fund. As soon as the company's financial position improves the company will clear its liability of the fund. The company is accruing interest for non payment.

I would like to inform you that the case for the revival of your company remains under active consideration with the Committee for Revival of Sick Industrial Units set up by the Finance Division, Government of Pakistan and the United Bank Limited.

As reported earlier that due to non availability of financial limits from the banks, discontinuation of electricity by KESC for Gharo plant, management of your company could not start the production at Gharo. As reported in earlier years I repeat my statement that unless Gharo plant goes into operation, no fruitful results could be seen.

AUDIT COMMITTEE

In compliance with the code of corporate governance the Company has established an Audit Committee comprising of the following members:-

Mr. Adnan Shaffi	Chairman
Mr. Mohammad Iqbal	Member
Mr. Ijaz Ahmad Khan	Member

DIVIDEND

Due to poor financial result and huge accumulated losses, the Directors of your company have decided to pass over the Dividend.

AUDITORS

The Audit Committee has recommended the appointment of Messer's Mushtaq & Company, Chartered Accountants, as auditors of the Company for the ensuing year.

The present auditors M/s Mushtaq & Company, Chartered Accountants, the retiring auditors being eligible have offered themselves for reappointment as auditors of the Company for the year ending June 30, 2011.

STATEMENTS OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK

1. The financial statements, prepared by the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of account of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the company's ability to continue as a going concern as have been fully explained in Note no.1 of the Notes to the Accounts.
7. There has been no material departure from the best practices of the corporate governance, as detailed in the listing regulations.
8. Key operating and financial data for last six years in summarized form is given on page 8.
9. During the year five board meetings were held and the attendance of the concerned Directors during their tenure on the Board was as follows:

Name of Director	Total Number of Board Meetings	Number of Meetings Attended
Mr. Reyaz Shaffi	4	3
Mr. Adeel Shaffi	4	4
Mr. Mohammad Iqbal	4	4
Mr. Asif Shaffi	4	4
Mr. Arif Shaffi	4	4
Mr. Mohammad Shaffi	1	1
Mr. Ijaz Ahmad Khan	4	4
Mr. Adnan Shaffi	4	4

10. The pattern of shareholding and additional information regarding pattern of shareholding is given on Page 37 – 40.
11. No trades in the shares of the Company during the year were carried out by the Director, CEO, CFO, Company Secretary and their spouses and minor children.

Islamabad: September 25, 2010

On behalf of the Board of Directors
(ARIF SHAFFI) – Chief Executive.

Statement of Compliance With The Best Practice On Transfer Pricing

The Company has fully complied with the best practices on transfer pricing as contained in the listing regulations of the Karachi & Lahore Stock Exchanges.

Arif Shaffi – Chief Executive

Dated: September 25, 2010

Six Years at a Glance

(Rs.000)

	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
TURNOVER	5,748	3,751	7,977	11,276	10,856	10,403
GROSS PROFIT	(19,473)	(22,057)	(22,008)	(6,605)	(9,541)	(5,870)
NET PROFIT	(22,010)	(20,349)	60,452	(19,093)	(2,710)	(36,384)
TAXATION	1,100	414	40	61	55	63
SHARE CAPITAL FUND	149,580	149,580	149,580	149,580	149,580	149,580
SHAREHOLDERS FUND	228,772	219,381	214,811	281,302	267,232	500,566
GROSS PROFIT %	(339)	(588)	(276)	(59)	(88)	(56)
NET PROFIT %	(383)	(542)	758	(169)	(25)	(350)
TAXATION %	19	11	1	1	1	0.61
EARNING PER SHARE	(1.47)	(1.36)	4.04	(1.28)	(0.25)	(7.31)
DIVIDEND %	-	-	-	-	-	-
BONUS %	-	-	-	-	-	-

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended June 30, 2010

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes at least 4 independent non-executive directors including 2 directors representing minority shareholders out of total of 7 directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
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 NBFI.
4. One casual vacancy occurred in the Board during the year.
5. The Company has prepared a Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
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 is being 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 and other executive directors, have been taken by the Board.
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 circulates at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors of the company have given declaration that they are aware of their duties, powers and responsibilities under the Companies Ordinance, 1984 and the listing regulations of the Stock Exchange. The directors have also attended workshops and seminars of the subject of corporate governance.
10. The Board has approved the appointment of CFO, Company Secretary to one of the Executive Directors who is performing these duties at the same remuneration which he was drawing as Executive Director. He holds graduate degree in commerce since 1986 and has experience of handling financial and corporate affairs of this company since many years.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code 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 Code.
15. The Board has formed an audit committee. It comprises 3 members, of whom all are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
18 The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, 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 Institute of Chartered Accountants of Pakistan.
19. 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.
20. We confirm that all other material principles contained in the Code have been complied.

(Arif Shaffi)

Chairman / CEO
Dated: September 25, 2010

REVIEW REPORT TO THE MEMBERS

On the Statement of Compliance with Best Practices of the 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 **Pakistan PVC Limited** to comply with the Listing Regulation No. 35 (previously Regulation No. 37) of the Karachi Stock Exchange (Guarantee) Limited and Chapter XIII of Lahore Stock Exchange (Guarantee) Limited 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 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires 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 justification for using such alternate pricing mechanism. Further, 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 under taken at arm's length price.

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 respect, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2010.

Karachi:
Dated: **September 25, 2010**

MUSHTAQ & COMPANY
Chartered Accountants
Engagement Partner:

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Pakistan PVC Limited** as at June 30, 2010 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 purpose 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.

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 the 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 verifications, we report that;

(a) As stated in the note 3 to the financial statements, the company has accumulated loss of Rs. 378.391 million (June 30, 2009: Rs. 368.961 million) as at June 30, 2009 against the issued, subscribed and paid up capital of Rs. 149.580 million (June 30, 2009: Rs. 149.580 million) turning shareholders' equity to a negative balance of Rs. 228.811 million (June 30, 2009: Rs. 219.381 million as restated). The current liabilities exceed the current assets by Rs. 247.152 million (June 30, 2009: Rs. 239.300 million). Further the company has not been able to obtain enough finance to revive its operations. These circumstances give rise to significant uncertainty as to the ability of the company to continue operations as going concern in the foreseeable future. However, these financial statements do not include any adjustment relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the company be unable to continue as a going concern.

(b) Bank statements are not available to verify the correctness of balance of long term loan from Government of Pakistan reflected under current portion of long term loans amounting to Rs. 32,991,000 and UBL cash finance Amounting to Rs. 15,000,000 reflected under short term borrowings, therefore, the same along with the markup accrued thereon amounting to Rs..63,105,003 and Rs. 63,644,222 respectively and underlying terms and conditions of these borrowings remained unverified.

(c) Due to very long outstanding balances and non availability of underlying records, We are unable to verify the amounts included in Trade and other payables in respect of accrued liabilities of Rs. 9,111,107 and liability of Rs. 10,000,000 towards Privatization Commission, Finance Division, out of total of Rs. 56,481,260 and Rs. 10,000,000 respectively.

(d) Trade and other payables include an amount of Rs. 2,691,587 pertaining to employee's provident fund and interest accrued thereon. Non payment of this amount is in violation of Section 227 of the Companies Ordinance, 1984 and Securities and Exchange Commission of Pakistan imposed a penalty of Rs, 5000 on the chief executive of the company.

(e) Deposits from customers amounting to Rs. 1,711,918 have not kept in special bank account as against the requirements of section 226 of the Companies Ordinance, 1984. However, any potential liability that may arise as a result of this continued non-compliance cannot presently be estimated, therefore, no effect for the same in these financial statements has been taken.

(f) We do not concur with the accounting treatment of leasehold land referred in note 14.3 of these financial statements being violation of the requirements of International Accounting Standards (IAS 40) "Investment Property".

(g) As more fully explained in note 13 of these financial statements the impact on the financial statements of the disputed CDA plot of land at Islamabad is not determinable.

(h) Except for the effects of the matters stated above, in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

(i) In our opinion;

(i) Except for the matters referred in paragraph (a) to (g) 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 accounts 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;

(j) Because of the significance of the matters discussed in the preceding paragraph (a) to (g) above, we do not express an opinion on these financial statements.

(k) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Karachi:
Date: September 25, 2010

MUSHTAQ & COMPANY
Chartered Accountants
Engagement Partner:

PAKISTAN PVC LIMITED
BALANCE SHEET
AS AT JUNE 30, 2010

	Note	2010	2009
		............Rupees............	
SHARE CAPITAL AND RESERVES			
Authorized capital 15,000,000 (2009:15,000,000) ordinary shares of Rs. 10/- each		150,000,000	150,000,000
Issued, subscribed and paid up capital	5	149,580,000	149,580,000
Accumulated loss		(378,352,098)	(368,961,328)
		(228,772,098)	(219,381,328)
Surplus on revaluation of fixed assets	6	155,099,864	167,719,270
NON CURRENT LIABILITIES			
Long term financing	7	-	-
Deferred liabilities	8	161,993	157,571
CURRENT LIABILITIES			
Trade and other payables	9	76,209,604	73,404,397
Accrued interest / markup	10	126,749,226	119,510,248
Short term borrowings	11	17,751,745	17,535,960
Current portion of long term financing	7	32,991,000	32,991,000
Provision for taxation - net	12	150,719	367,641
		253,852,293	243,809,245
CONTINGENCIES AND COMMITMENTS	13		
		180,342,052	192,304,758

	Note	2010	2009
		............Rupees............	
NON CURRENT ASSETS			
Property, plant and equipment	14	173,442,132	187,634,887
Intangible assets	15	-	-
Long term investments	16	-	-
Long term advances and deposits	17	160,315	160,315
CURRENT ASSETS			
Stores, spares and loose tools	18	1,660	14,426
Stocks in trade	19	958,503	784,553
Trade debts	20	3,302,500	2,249,132
Loans and advances	21	879,972	905,630
Trade deposits	22	206,150	173,631
Other receivables	23	675,805	-
Tax refunds due from Government	24	490,235	336,136
Cash and bank balances	25	224,779	46,047
		6,739,604	4,509,556
		180,342,052	192,304,758

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

Arif Shaffi — ***CHIEF EXECUTIVE***

Adnan Shaffi — ***DIRECTOR***

PAKISTAN PVC LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
		........Rupees...........	
Sales - net	26	5,748,269	3,750,983
Cost of sales	27	(25,221,291)	(25,808,095)
Gross loss		(19,473,022)	(22,057,112)
Other operating income	28	10,964,168	13,848,787
Distribution cost	29	(1,760,386)	(1,342,677)
Administrative expenses	30	(3,363,688)	(3,090,506)
Finance costs	31	(7,276,898)	(7,293,330)
Loss before taxation		(20,909,827)	(19,934,838)
Taxation	32	(1,100,350)	(413,698)
Loss for the year		(22,010,177)	(20,348,536)
Loss per share - basic and diluted	33	(1.47)	(1.36)

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

Arif Shaffi
CHIEF EXECUTIVE

Adnan Shaffi
DIRECTOR

PAKISTAN PVC LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
		............Rupees............	
Loss for the year		(22,010,177)	(19,934,838)
Other comprehensive income / loss		-	-
Total comprehensive loss for the year		(22,010,177)	(20,348,536)

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

Arif Shaffi
CHIEF EXECUTIVE

Adnan Shaffi
DIRECTOR

PAKISTAN PVC LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	............Rupees............	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(20,909,827)	(19,934,838)
Adjustments for :		
Depreciation	14,312,569	17,656,429
Finane cost	7,276,898	7,293,330
Staff retirement benefits - gratuity	4,422	4,422
Rental income	(10,964,168)	-
Realization of surplus on amortization of intangible assets	-	(9,302,500)
Operating cash flows before changes in working capital	(10,280,105)	(4,283,158)
(Increase) / decrease in current assets		
Store, spare parts and loose tools	12,766	(5,714)
Stock in trade	(173,949)	(348,322)
Trade debts	(1,053,368)	(757,578)
Loans and advances	25,658	(167,949)
Trade deposits	(32,519)	-
Other receivables	-	(22,581)
Increase in current liabilities		
Trade and other payables	829,025	5,638,636
	(392,387)	4,336,492
Net cash generated from operations	(10,672,492)	53,334
Income tax paid	(1,471,371)	(265,805)
Finance cost paid	(13,465)	(5,879)
	(1,484,836)	(271,684)
Net cash used in operating activities	(12,157,328)	(218,350)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment acquired	(119,814)	-
Rent received	12,240,090	-
Net cash genrated from investing activities	12,120,276	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term borrowings	215,785	212,306
Net cash generated from financing activities	215,785	212,306
Net increase / (decrease) in cash and cash equivalents	178,732	(6,044)
Cash and cash equivalent at the beginning of the year	46,047	52,091
Cash and cash equivalent at the end of the year	224,779	46,047

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

Arif Shaffi
CHIEF EXECUTIVE

Adnan Shaffi
DIRECTOR

PAKISTAN PVC LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010

	Issued, subscribed and paid up capital	Accumulated losses	Total
	........................Rupees.....................		
Balance at June 30, 2008	149,580,000	(364,390,902)	(214,810,902)
Transfer from surplus on revaluation on account of incremental depreciation	-	15,778,111	15,778,111
Total comprehensive loss for the year	-	(20,348,536)	(20,348,536)
Balance at June 30, 2009	149,580,000	(368,961,328)	(219,381,328)
Transfer from surplus on revaluation on account of incremental depreciation	-	12,619,406	12,619,406
Total comprehensive loss for the year	-	(22,010,177)	(22,010,177)
Balance at June 30, 2010	149,580,000	(378,352,098)	(228,772,098)

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

Arif Shaffi
CHIEF EXECUTIVE

Adnan Shaffi
DIRECTOR

PAKISTAN PVC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

1 LEGAL STATUS AND OPERATIONS

Pakistan PVC Limited (the company) is incorporated in Pakistan and is listed on the Karachi (KSE) and Lahore Stock exchange (LSE). KSE has transferred the company to default counter. The present management are the ex-owners of the company who took over the management on February 08, 1992 after acquiring 51% shares from the Privatization Commission of Government of Pakistan under the privatization policy. During the year 2006, the company offered right shares in the ratio of two shares for every one share held. Only 180 shares were subscribed by the existing shareholders, remaining shares were taken up by the underwriter (Ensena Holdings Inc.), which constitutes 66% of the total shareholding. The registered office of the company is situated at Shaffiabad, Gharo, District Thatta.

The company is engaged in production and sale of PVC resin, PVC pipes and fittings, PVC compound and caustic soda.

The case for the revival of the company remained with the committee for revival of sick industrial unit setup by the finance division, Government of Pakistan with representation of the federation of Chamber of Commerce and Industries. The company has applied for settlement of loans to all financial institutions under SBP circular 29 dated October 15, 2002, as a result long term loan from HBL has been settled.

These financial statements are presented in Pak Rupees, which is the company's functional and presentation currency and figures are rounded to the nearest rupee.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. 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. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards

Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

- IAS 1 (Revised), 'Presentation of Financial Statements' is effective from January 2009. The revised standard requires that all changes in equity arising from transactions with owners in their capacity as owners (i.e owners changes in equity) to be presented separately from non-owner changes in equity. An entity is not permitted to present components of comprehensive income (i.e non-owner changes in equity) in the statement of changes in equity. As a result the company shows all owner related changes in equity in statement of changes in equity, whereas all non-owner changes in equity are presented in other comprehensive income, Comparative information is required to be re-presented so that it is in conformity with the revised standard.

  Income and expenses to be presented in one statement (a statement of comprehensive income) or in two statements (a separate income statement and a statement of comprehensive income). The company has preferred to present two statements; a statement displaying components of profit or loss separate income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income (statement of comprehensive income). Comparative information has also been re presented/re arranged so it is in conformity with the revised standard. The amendment change only presentation aspects of the financial statements, it has no impact on profit or loss for the year.

- IAS 23 (Amendment), 'Borrowing Costs' is effective from January 1, 2009. The amendment requires an entity shall capitalize borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The allowed alternative treatment of recognition of borrowing cost has been removed. The company's current accounting policy is in compliance with this amendment, and therefore there is no impact on the company's financial statements.

- Revised IFRS - 3 Business Combinations (applicable for annual periods beginning on or after 01 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognized in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the company's financial statements.

- IAS 38 (Amendment),' Intangible Assets'. is effective from annual periods beginning on or after July 1, 2009. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in any significant impact on the company's financial statements.

- IAS - 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 January 2009). The amendment removes the definition of the cost methods from IAS - 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have an effect on company's financial statements.

- IAS 27 (Revised),' Consolidated and Separate Financial Statements', is effective from July 1, 2009. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains or losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fail value, and a gain or loss is recognized in income statement. The amendment will not result in any material impact on the company's financial statements.

- Amendments to IAS - 32 Financial Instruments : Presentation and IAS - 1 Presentation of Financial Statements (effective for annual period beginning on or after 01 January 2009) - Puttable Financial Instruments and Obligations Arising on Liquidations requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which requires retrospective application, or not expected to have any impact on the company's financial statements.

- Amendment to IAS - 39 Financial Instruments : Recognition and Measurement - Eligible hedged items (effective for annual periods beginning on or after 01 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment is not likely to have an effect on the company's financial statements.

- Amendments to IAS - 39 and IFRIC - 9 Embedded derivatives (effective for annual periods beginning on or after 01 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value. The amendments are not likely to have an effect on company's financial statements.

- Amendment to IFRS - 2 Share-based Payment - Vesting Conditions and Cancellations (effective for annual periods beginning on or after 01 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on the company's financial statements.

- IFRS - 4 Insurance Contracts (effective for annual periods beginning on or after 01 January 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts. The standard is not applicable to the company's operations.

- IFRS 7,'Financial Instruments: Disclosures' is effective from January 1, 2009. IFRS 7 introduces new disclosures relating to financial instruments. The application of IFRS 7 has resulted in additional disclosures in the company's financial statements, however, there is no impact on profit for the year.

- IFRS 8,'Operating Segments' is effective for annual periods beginning on or after January 01, 2009. IFRS 8 replaces the IAS 14" segment reporting" and introduces the "management approach " to segment reporting. It requires a change in the presentation and disclosure of segment information based on the internal reports that a regularly reviewed by the company's "chief operating decision maker" in order to asses each segment's performance and to allocate resources to them. The amendment will not result in any impact on the company's financial statements.

- IFRIC - 15, 'Agreement for the Construction of Real Estate' (effective for annual periods beginning on or after January 01, 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The IFRIC is not relevant to the company's operations.

- IFRIC 17 - Distribution of non - cash assets to owner(effective from July 01, 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in the equity. When the non cash assets is distributed, the difference between the carrying amount and fair value is recognized in the income statement.

- IFRIC 18- Transfers of the assets from customer (to be applied prospectively to transfer of assets from customers received on or after 1st July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water).

Standards, interpretations and amendments to published approved accounting standards that are not yet effective and have not been early adopted in the current year

The following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after January 1, 2010 or later periods, but the company has not early adopted them:

- IAS 1 (Amendment), 'Presentation of Financial Statements' . The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The company will apply IAS 1(amenndment) from January 1, 2010. It is not expected to have a material impact on the company's financial statements.

- IAS 17 (Amendment). 'Leases' is effective from annual periods beginning on or after January 1, 2010. The IASB deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendment clarify that when a lease includes both the land and building elements, and entity should determine the classification of each element based on paragraphs 7-13 of IAS 17, taking account of the fact that land normally has an indefinite economic life. The amendment is not relevant to the company's operations.

- IAS 24. 'Related Party Disclosures (revised 2009)' (effective for annual periods beginning on or after January 1, 2011). The revised IAS amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. These amendments are unlikely to have an impact on the company's financial statements.

- IAS 32 (Amendment), 'Financial Instruments: Presentation- Classification of Rights Issues is effective for annual periods beginning on or after January 1, 2010. The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers right, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. These amendments are unlikely to have an implication on the company's financial statements.

IAS 36 (Amendment), 'Impairment of Assets' (effective for annual periods beginning on or after January 1, 2010). The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria of IFRS 8. The amendment apply prospectively. The amendment is not relevant to company's operations.

- IAS 39 (Amendment),' Cash Flow Hedge Accounting'. This amendment provides clarification when to recognize gains or losses on hedging instruments as a reclassification adjustments in a cash flow hedge of forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to income statement in the period in which the hedged forecast cash flow affects income statement. The company will apply IAS 39 (Amendment) from January 1, 2010. It is not expected to have any significant impact on the company's financial statements.

- IFRS 2 (Amendment), "Share-based Payment-Group Cash-settled Share-based Payment Transactions is effective for annual periods beginning on or after January 01, 2010. The IASB amended IFRS 2 to require an entity receiving goods or services (receiving entity) in either an equity settled or a cash-settled share-based payment transaction to account for the transaction in its separate or individual financial statements. This principal even applies if another group entity or shareholder settles the transaction (settling entity) and the receiving entity has no obligation to settle the payment. Retrospective application is subject to the transitional requirements in IFRS 2.

- IFRS 5 (Amendment), 'Measurement of Non-Current Assets (or disposal group) Classified as Held-for-Sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current asset (or disposal group) classified as held-for-sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The company will apply IFRS 5 (Amendment) from January 1, 2010. It is not expected to have a material impact on the company's financial statements.

- IFRS-9 'Financial Instruments' (effective for annual periods beginning on or after January 1, 2013). IFRS 9 is the first standard issued as a part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary classifications depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply

- IFRIC - 14 IAS 19- The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 1, 2011). These amendment removes unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognized as an asset rather than an expense. These amendments are unlikely to have an impact on the company's financial statements.

- IFRS 1, ' First-time Adoption of IFRSs (effective for annual periods beginning on or after January 1, 2011). The amendments clarify that IAS 8 is not first IFRS financial statements; introduce guidance for entities that publish interim financial information udndr IAS 34 Interim Financial Reporting and change either their acconting policies or use of the IFRS 1 exemptions during the period covered by their first IFRS financial statements; extend the scope of paragraph D8 of IFRS 1 so that an entity is premitted to use event-driven fair value measurement as deemed cost for some or all of its assets when such revaluation occured during the reporting periods covered by its first IFRS financial statements; and introduce and additional optional deemed cost exemption for entities to use the carrying amounts under previous GAAP as deemed cost at the date of transition to IFRSs for items of property, plant and equipment or intangible assets used in certain rate-regulated activities. The amendment is not relevant to the company's operations.

- IFRS 7, 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after January 1, 2011). The amendments add an explicit statement that qualitative disclosure should be made in the contact of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial statements. In addition, the IASB amended and removed existing disclosure requirements. These amendments would result in increase in disclosures in the financial statements of the company.

- IAS 34, 'Interim Financial Reporting' (effective for annual periods beginning on or after January 1, 2011). The amendments add examples to the list of events or transaction that require disclosures under IAS 34 and remove references to materiality in IAS 34 that describes other minimum disclosures.

- IFRIC 13, 'Customer Loyalty Programmes' (effective for annual periods beginning on or after January 1, 2011). The amendment clarify that the fair value of the award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits.

- IFRIC-19, 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after July 1, 2010). This interpretation provides guidance on the accounting for debt for equity swaps. The amendment is not relevant to the company's operations.

3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except that certain fixed assets that have been stated at revalued amounts. The company has accumulated loss of Rs. 378.391 million (June 30, 2009 : Rs. 368.961 million as restated) as at June 30, 2010 against the issued, subscribed and paid up capital of Rs. 149.580 million (June 30, 2009 : Rs. 149.580 million) turning shareholders' equity to a negative balance of Rs. 228.8111 million (June 30, 2009 : Rs. 219.381 million as restated). The current liabilities exceeds the current assets by Rs. 247.151 million (June 30, 2009 : Rs. 239.300 million). Further the company has not been able to obtain enough finance to revive its operations. These circumstances give rise to significant uncertainty as to the ability of the company to continue operations as going concern in the foreseeable future. However, these financial statements do not include any adjustment relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the company be unable to continue as a going concern.

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that effect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience, industry trends, legal and technical pronouncements and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised. Significant areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows.

3.1 Provision for taxation

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

3.2 Financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on assumptions that are dependent on market conditions existing at balance sheet date.

3.3 Property, plant and equipment

The company reviews recoverable amount, useful life , residual value and possible impairment on an annual basis. Any changes, if material in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

3.4 Other areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows.

- Provision for doubtful debts
- Estimation of net realizable value
- Computation of deferred taxation
- Disclosure of contingencies

4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

4.1 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost or revalued amount less accumulated depreciation and impairment in value, if any.

Depreciation is charged on additions from the first day of the month in which the asset is available for use while no depreciation is to charged in the month in which the asset is disposed off Depreciation is charged to income applying the reducing balance method at the rates specified in property, plant and equipment note no.14.

Subsequent costs are included in the asset's carrying amount or as a separate asset, as appropriated, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other costs are charged to income during the period in which they are incurred.

Gains and losses on disposal of assets, if any, are recognized as and when incurred.

The surplus on revaluation of fixed assets to the extent of the incremental depreciation charged on the related assets is transferred by the Company to retained earnings.

4.2 Intangible assets

An intangible asset is recognized as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

4.3 Impairment

At each balance sheet date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the greater of net selling price and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

4.4 Investments

The investments made by the company are classified for the purpose of measurement into the following categories.

Investments at fair value through profit or loss

Investments which are acquired principally for the purpose of selling in the near term are classified as investment at fair value through profit or loss. These are stated at fair values at balance sheet date with any change in fair value recognized directly in the profit or loss account. The fair value of such investments are determined on the basis of prevailing market prices at balance sheet date.

Held to maturity

Investments with fixed maturity that the management has the intention and ability to maturity and are initially measured at cost and at subsequent reporting dates measured at amortized cost using the effective yield method.

Available for sale

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology.

All purchases and sales of investments are recognized on the trade date which is the date that the company commits to purchase or sell the investment. Cost of purchase includes transaction cost.

At each reporting date , the company reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exist the recoverable amount is estimated in order to determine the extent of the impairment loss if any. Impairment losses is recognized as an expense. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount but limited to the extent of initial cost of the investment. A reversal of the impairment loss is recognized in income. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

4.5 Stores and spares

These are valued at lower of cost or net realizable value. Cost is determined on weighted average basis except items in transit, which are valued at cost accumulated to balance sheet date. Provision is made in the financial statements for obsolete and slow moving store spares based on the management best estimate.

4.6 Stock in trade

Stock in trade have been valued at lower of cost and net realizable value (NRV) except waste, which is valued at net realizable value. Cost is determined as follows:

Raw material	- At weighted average cost
Work in process and finished goods	- Cost of material and proportionate manufacturing overheads
Stock in transit	- At cost accumulated to the balance sheet date
Scrap and Crush of pipes	- Net realizable value

Provision is made in the financial statements for obsolete and slow moving stocks based on the management best estimates.

4.7 Trade debts

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

4.8 Cash and cash equivalents

For the purpose of cash flow statement cash and cash equivalents comprises cash in hand and bank balances.

4.9 Borrowings and borrowing costs

Borrowings are recorded at the proceeds received. Financial charges are accounted for on accrual basis and are included in accrued interest / markup to the extent of amount remaining unpaid, if any.

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, are added to the cost of those assets until such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to the income, in the period in which these are incurred.

4.10 Revenue recognition

Revenue from sale of goods is recognized on delivery / dispatch of goods to customers.

4.11 Financial instruments

Financial instruments carried at the balance sheet date include long term advances, trade debts, marketable securities, trade deposits, other receivables, cash and bank balances, long term financing, short term loans and running finances, creditors, accrued and other liabilities and interest / markup accrued on secured loans. Financial assets and liabilities are recognized when the company becomes a party to the contractual provisions of the instrument and derecognized when the company looses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

4.17 Provisions

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

4.18 Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Pak Rupee at the rate of exchange prevailing at the balance sheet date, except those covered by forward contracts, which are stated at contracted rates. Foreign currency transactions are translated into Pak Rupee at the rates prevailing at the date of transaction except for those covered by forward contracts, which are translated at contracted rates. Non monetary items are translated into Pak Rupee on the date of transaction or on the date when fair values are determined. Exchange differences are included in income currently.

4.19 Related parties

Transaction with related parties are priced on an arms length basis determined in accordance with comparable uncontrolled price method.

5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2010	2009		2010	2009
Number of shares			............Rupees............	
2,603,335	2,603,335	Ordinary shares of Rs.10/- each fully paid in cash	26,033,350	26,033,350
2,396,665	2,396,665	Ordinary shares of Rs.10/= each fully paid for consideration of amounts outstanding against secured loans	23,966,650	23,966,650
180	180	Right shares issued of Rs. 10 each for cash in ratio of 2 for 1 share	1,800	1,800
9,971,820	9,971,820	Right Shares issued to underwriters	99,718,200	99,718,200
14,972,000	14,972,000		149,720,000	149,720,000
(14,000)	(14,000)	Less: Unpaid amount in respect of shares allotted to Federal Chemical and Ceramics Corporation (Pvt) Limited.	(140,000)	(140,000)
14,958,000	14,958,000		149,580,000	149,580,000

6 SURPLUS ON REVALUATION OF FIXED ASSETS

	Note	2010	2009
		............Rupees............	
Surplus on revaluation of property plant and equipment-gross	6.1	155,099,864	167,719,270
Surplus on revaluation of intangible assets	6.2	-	-
		155,099,864	167,719,270

6.1 Surplus on revaluation of property, plant and equipment - gross

	2010	2009
Surplus on revaluation of property, plant and equipment at the beginning of the year	167,719,270	199,203,524
Diminution in value	-	(15,706,143)
Transfer to unappropriated profit in respect of incremental depreciation on revalued assets	(12,619,406)	(15,778,111)
	155,099,864	167,719,270

	Note	2010	2009
		...........Rupees...........	
6.2 Surplus on revaluation of intangible assets			
Surplus on revaluation of intangible assets at the beginning of the year		-	144,390,000
Surplus on revaluation of intangible assets realized during the year on amortization of intangible assets		-	(144,390,000)
		-	-

7 LONG TERM FINANCING

	Note	2010	2009
Government loan - secured	7.1	32,991,000	32,991,000
Less : Current portion		(32,991,000)	(32,991,000)
		-	-

7.1 The loan was repayable in four half-yearly installments commenced one year after the date of disbursement to the company (i.e. June 17, 1992) and subject to an interest @ 11% (SBP rate prevailed at the time of agreement) as agreed with the management. It is secured against bank guarantee provided by the directors which is secured against personal marketable securities of directors.

7.2 These Remain over due and unpaid

8 DEFERRED LIABILITIES

	Note	2010	2009
		...........Rupees...........	
Staff retirement benefits - gratuity	8.1	161,993	157,571
		161,993	157,571

8.1 Staff retirement benefits - gratuity

opening balance	157,571	153,149
Provision made during the year	4,422	4,422
	161,993	157,571
Paid during the year	-	-
Closing balance	161,993	157,571

8.2 There is only one employee (June 30, 2009:1), entitled for gratuity, therefore the management believes that it is unreasonable to conduct actuarial valuation as required by IAS 19" Employee Benefits".

9 TRADE AND OTHER PAYABLES

	Note	2010	2009
		...........Rupees...........	
Creditors		1,366,993	1,198,759
Accrued liabilities		56,481,260	53,100,331
Income tax withheld		2,530	1,977,470
provident fund payable	9.1	2,691,587	2,974,416
Advances from customers		9,642	408,298
Advance Rent		3,517,682	1,565,955
Interest free demand deposits		1,711,918	1,721,918
Unclaimed dividend		45,980	45,980
Privatization Commission, Finance Division	9.2	10,000,000	10,000,000
Others		382,011	411,270
		76,209,604	73,404,397

9.1 It includes interest @ 14% per annum on the basis of previous years balance.

9.2 It represents unsecured, interest free advance received from Privatization Commission Financial Division, Islamabad in October 1992 for payment to workers on account of golden hand shake.

	Note	2010	2009
		............Rupees............	

10 ACCRUED INTEREST / MARKUP

	Note	2010	2009
Interest / markup on:			
Short term borrowings		63,644,222	60,034,255
Long term financing		63,105,003	59,475,993
		126,749,226	119,510,248

11 SHORT TERM BORROWINGS

	Note	2010	2009
From banking companies - secured			
Cash finance	11.1	15,000,000	15,000,000
From related parties and directors - unsecured			
Related parties	11.2	1,609,500	2,309,500
Directors	11.2	1,142,245	226,460
		17,751,745	17,535,960

11.1 This represents UBL cash finance amounting to Rs. 15,000,000. Suit against the recovery of short term borrowings has been filed by the bank against the company was decreed in favor of the bank by the Banking Court for Rs. 21,978,493/- and markup thereon from the date of filing of suit. The amount of markup accrued has not been confirmed by the bank and have been accrued by the company on estimated basis. The company has filed an appeal against the decree in the High Court Sindh, Karachi.

11.2 These loans are mark-up free

12 PROVISION FOR TAXATION - NET

	Note	2010	2009
		............Rupees............	
Opening balance		367,641	113,011
Add: Provision for the year	32.1	1,100,350	413,698
Less: Paid / adjusted during the year		(1,317,272)	(159,068)
		150,719.40	367,641

13 CONTINGENCIES AND COMMITMENTS

13.1 The Securities and Exchange Commission of Pakistan (SECP) had appointed an inspector to investigate into the affairs of the company under Section 265 of the Companies Ordinance, 1984. The inspector has submitted report on his findings to the SECP.The outcome can not be anticipated at this stage.

13.2 Title of plot of land of the company situated at Islamabad is in dispute.The company has started negotiations with CDA. As a result company has committed to pay outstanding dues to CDA for the leasehold land. CDA has not confirmed the amount therefore the amount of the obligation can not be measured with sufficient reliability.

14 PROPERTY, PLANT AND EQUIPMENT

	Note	2010	2009
		..........Rupees..........	
Operating assets	14.1	53,735,833	56,927,887
Non Operating assets	14.2	119,706,300	130,707,000
		173,442,132	187,634,887

14.1 Operating assets

	Owned													
	Land leasehold	Factory building	Plant and machinery	Electric installation	Loose tools and implements	Air conditioner, coolers and fans	Fire fighting equipment	Weighing scales	Furniture and fixtures	Office equipments	Canteen equipments	Motor vehicles	Other assets	Total
Cost														
Balance as at July 01, 2008	27,222,200	5,497,375	39,865,000	2,592,503	1,583,074	1,141,099	119,860	347,476	815,521	1,896,064	25,416	696,569	116,983	81,919,140
Additions during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation / adjustments	(3,222,200)	3,478,469	4,613,338	-	-	-	-	-	-	-	-	-	-	4,869,607
	-	(2,575,844)	(18,478,338)	-	-	-	-	-	-	-	-	-	-	(21,054,182)
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2009	24,000,000	6,400,000	26,000,000	2,592,503	1,583,074	1,141,099	119,860	347,476	815,521	1,896,064	25,416	696,569	116,983	65,734,565
Balance as at July 01, 2009	24,000,000	6,400,000	26,000,000	2,592,503	1,583,074	1,141,099	119,860	347,476	815,521	1,896,064	25,416	696,569	116,983	65,734,565
Additions during the year	-	-	-	-	-	67,899	-	-	-	51,915	-	-	-	119,814
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2010	**24,000,000**	**6,400,000**	**26,000,000**	**2,592,503**	**1,583,074**	**1,208,998**	**119,860**	**347,476**	**815,521**	**1,947,979**	**25,416**	**696,569**	**116,983**	**65,854,379**
Depreciation														
Balance as at July 01, 2008	-	2,251,230	16,102,042	2,400,134	1,578,775	1,056,893	116,146	322,921	749,671	1,678,313	25,238	689,767	111,941	27,083,071
Charge for the year	-	324,614	2,376,296	19,237	860	12,631	557	2,455	6,585	32,663	27	1,360	504	2,777,789
Surplus on revaluation / adjustments	-	(2,575,844)	(18,478,338)	-	-	-	-	-	-	-	-	-	-	(21,054,182)
Depreciation on disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2009	-	-	-	2,419,371	1,579,635	1,069,524	116,703	325,376	756,256	1,710,976	25,265	691,127	112,445	8,806,678
Balance as at July 01, 2009	-	-	-	2,419,371	1,579,635	1,069,524	116,703	325,376	756,256	1,710,976	25,265	691,127	112,445	8,806,678
Charge for the year	-	640,000	2,600,000	17,313	688	14,622	316	2,210	5,927	29,228	23	1,088	454	3,311,869
Surplus on revaluation / adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation on disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2010	**-**	**640,000**	**2,600,000**	**2,436,684**	**1,580,323**	**1,084,146**	**117,019**	**327,586**	**762,183**	**1,740,204**	**25,288**	**692,215**	**112,899**	**12,118,547**
Written down value as at June 30, 2009	24,000,000	6,400,000	26,000,000	173,132	3,439	71,575	3,157	22,100	59,265	185,088	151	5,442	4,538	56,927,887
Written down value as at June 30, 2010	**24,000,000**	**5,760,000**	**23,400,000**	**155,819**	**2,751**	**124,852**	**2,841**	**19,890**	**53,339**	**207,775**	**128**	**4,354**	**4,084**	**53,735,833**
Rate of depreciation	**-**	**10%**	**10%**	**10%**	**20%**	**15%**	**10%**	**10%**	**10%**	**15%**	**15%**	**20%**	**10%**	

14.2 Non operating assets

	Owned													
	Land leasehold	Land freehold	Factory building	Plant and machinery	Loose tools and implements	Air conditionar, coolers and fans	Fire fighting equipment	Weighing scales	Furniture and fixtures	Office equipments	Canteen equipments	Motor vehicles	Other assets	Total
Cost														
Balance as at July 01, 2008	11,200,000	6,175,000	23,067,840	256,900,000	-	-	-	-	-	-	-	-	-	297,342,840
Additions during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation / adjustments	6,868,421	(3,543,421)	(7,026,276)	(16,874,474)	-	-	-	-	-	-	-	-	-	(20,575,750)
			(12,034,564)	(134,025,526)	-	-	-	-	-	-	-	-	-	(146,060,090)
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2009	18,068,421	2,631,579	4,007,000	106,000,000	-	-	-	-	-			-	-	130,707,000

Balance as at July 01, 2009	18,068,421	2,631,579	4,007,000	106,000,000	-	-	-	-	-	-	-	-	-	130,707,000
Additions during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2010	**18,068,421**	**2,631,579**	**4,007,000**	**106,000,000**	-	-	-	-	-	-	-	-	-	**130,707,000**
Depreciation														
Balance as at July 01, 2008	-	-	10,808,644	120,372,807	-	-	-	-	-	-	-	-	-	131,181,451
Charge for the year	-	-	1,225,920	13,652,719	-	-	-	-	-	-	-	-	-	14,878,639
Surplus on revaluation / adjustments	-	-	(12,034,564)	(134,025,526)	-	-	-	-	-	-	-	-	-	(146,060,090)
Depreciation on disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2009	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at July 01, 2009	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charge for the year	-	-	400,700	10,600,000	-	-	-	-	-	-	-	-	-	11,000,700
Depreciation on disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2010	-	-	**400,700**	**10,600,000**	-	-	-	-	-			-	-	**11,000,700**
Written down value as at June 30, 2009	18,068,421	2,631,579	4,007,000	106,000,000	-	-	-	-	-	-	-	-	-	130,707,000
Written down value as at June 30, 2010	**18,068,421**	**2,631,579**	**3,606,300**	**95,400,000**	-	-	-	-	-	-	-	-	-	**119,706,300**
Rate of depreciation	-	-	**10%**	**10%**	-	-	-	-	-	-	-	-	-	-

14.3 The company has ceased the production at Gharo since 1995. The above represent assets transferred from property, plant and equipment - operating to property, plant and equipment - non operating from July 1, 2003.

14.4 Depreciation has been allocated as under

	Note	2010	2009
		............Rupees............	
Cost of good manufactured	28.1	14,281,361	17,623,860
Administrative expenses	32	14,266	15,395
Selling and distribution	29	16,942	17,174
		14,312,569	17,656,429

14.5 Lease hold land is classified as owner occupied property till disposal of the case referred to in note 13.2 to these financial statements.

14.6 The company had its land freehold / leasehold, buildings on freehold land and plant and machinery revalued. Revaluation of the assets was carried out by the independent valuers " M/S Asif Associates (Pvt) Limited " on June 30, 2009 . The value is assessed on the basis of professional knowledge, present market conditions and available records. Freehold / leasehold land, building on freehold land, and plant and machinery was revalued at market value. The company has incorporated a deficit amounted to Rs. 15,706,143 on revaluation of above assets on the basis of said valuation report. Accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

14.7 Had there been no revaluation, the carrying amount of the specific class of assets would have been as follows.

	Operating assets		Non operating assets	
	2010	2009	2010	2009
	............Rupees............		............Rupees............	
Freehold land	-	-	5,902	5,902
Leasehold land	4,981,979	4,981,979	38,957	38,957
Factory building	175,586	195,096	89,703	99,670
Plant and machinery	2,335,542	2,595,047	1,106,206	1,229,118
	7,493,108	7,772,122	1,240,768	1,373,647

15 INTANGIBLE ASSETS

	Note	2010	2009
		............Rupees............	
Cost at the beginning of the year		-	135,087,500
Amortized during the year	15.2	-	(135,087,500)
		-	-

15.1 This represents cost of polymerization process and formulas for polymerization of PVC for increasing the polymerization capacity from 5,000 to 25,000 tons per annum. This asset was purchased by the company on June 18, 1999 from M/s Ensena Holding Inc.

15.2 In the absence of active market of this intangible asset, any indication of future profitable operations of the company and the resultant economic benefits that might be derived from the use of such intangible asset, the value of this asset can not be determined reliably therefore, the company's' management had amortized the asset as at June 30, 2009.

16 LONG TERM INVESTMENTS

Available for sale	Note	2010	2009
		............Rupees............	
Listed Companies			
20,000 fully paid ordinary shares			
of Rs. 10 each in Standard Insurance Company Limited	16.1	200,000	200,000
Less: Provision for diminution in the value of investments		(200,000)	(200,000)
		-	-
Unlisted Companies			
2,000 Shares of Omer Sons Food	16.2		
Products Limited (In liquidation)		20,000	20,000
Less: Provision for diminution in the value of investments		(20,000)	(20,000)
		-	-
Government Securities			
National defense saving certificates	16.2	5,000	5,000
Less: Provision for loss		(5,000)	(5,000)
		-	-
		-	-

16.1 Investments were made in the Standard Insurance Company Limited. This company has been delisted and the fair value is not available. Provision for diminution in value against this investment has been made in the financial statements.

	Note	2010	2009
		............Rupees............	
17 LONG TERM ADVANCES AND DEPOSITS			
Security deposits		160,315	160,315
		160,315	160,315
18 STORES, SPARES AND LOOSE TOOLS			
General stores		2,593,486	2,591,826
Provision for slow moving and obsolete items		(2,591,826)	(2,591,826)
		1,660	-
Spare parts		6,190,444	6,191,581
Provision for slow moving and obsolete items		(6,190,444)	(6,191,581)
		-	-
Building materials		176,452	176,452
Provision for slow moving and obsolete items		(176,452)	(176,452)
		-	-
Factory supplies		230,511	244,937
Provision for slow moving and obsolete items		(230,511)	(230,511)
		-	14,426
Loose tools		710,825	710,825
Provision for slow moving and obsolete items		(710,825)	(710,825)
		-	-
		1,660	14,426

	Note	2010	2009
		............Rupees............	
19 STOCK IN TRADE			
Raw and packing materials		6,686,070	6,566,902
Provision for slow moving, damaged and obsolete material		(6,561,904)	(6,561,904)
		124,166	4,998
Raw material with bank and third parties		707,894	707,894
Provision for slow moving, damaged and obsolete material		(707,894)	(707,894)
		-	-
Raw material in transit		1,756,681	1,756,681
Provision for slow moving, damaged and obsolete material		(1,756,681)	(1,756,681)
		-	-
Work in process		579,673	613,061
Provision for slow moving, damaged and obsolete material		(526,850)	(526,850)
		52,823	86,211
Finished goods		785,321	697,152
Provision for slow moving, damaged and obsolete goods		(3,808)	(3,808)
		781,513	693,344
		958,503	784,553
20 TRADE DEBTS			
Considered good			
Local - unsecured		3,302,500	2,249,132
		3,302,500	2,249,132
21 LOANS AND ADVANCES			
Advance to suppliers - considered good		259,167	252,306
Due from employees	21.1	620,805	653,324
		879,972	905,630
21.1 Due from employees			
Considered good		620,805	653,324
Considered doubtful		191,578	191,578
		812,383	844,902
Provision for doubtful debts		(191,578)	(191,578)
		620,805	653,324
22 TRADE DEPOSITS			
Deposits - considered good		206,150	173,631
Deposits - considered doubtful			
Margin held by banks		504,038	504,038
Other deposits		316,490	316,490
		1,026,678	994,159
Less: Provision for doubtful deposits		(820,528)	(820,528)
		206,150	173,631

	Note	2010	2009
		...........Rupees...........	
23 OTHER RECEIVABLES			
Considered good			
Rent receivables		675,805	-
Considered doubtful			
Interest receivable		-	434,363
Custom duty		-	628,311
Export tax		-	2,010,943
Export rebate		-	976,605
Others		-	490,426
		-	4,540,648
		675,805	4,540,648
Less: Bad debts written off against already created provision		-	(4,540,648)
		675,805	-
24 TAX REFUNDS DUE FROM GOVERNMENT			
Sales tax receivables		18,897	49,054
Advance income tax		471,338	287,082
		490,235	336,136
25 CASH AND BANK BALANCES			
Cash at bank - current accounts		196,563	30,400
Cash in hand		28,216	15,647
		224,779	46,047
26 SALES - Net			
Local		7,786,632	4,671,668
Less: Trade discounts and commission		(2,038,363)	(920,685)
		5,748,269	3,750,983
27 COST OF SALES			
Opening stock - finished good		697,152	273,361
Cost of goods manufactured	27.1	24,861,576	25,869,125
Outside purchases		447,885	362,761
		26,006,613	26,505,247
Closing stock- finished goods		(785,321)	(697,152)
		25,221,291	25,808,095
27.1 Cost of goods manufactured			
Raw and packing material consumed	27.2	2,987,013	1,987,100
Directors remuneration		750,000	750,000
Salaries, wages and benefits		3,008,869	2,111,579
Fuel and power		1,279,088	1,447,053
Stores and spares consumed		158,320	116,245
Repairs and maintenance		844,085	496,592
Postage and telephone		78,623	67,996
Rent, rates and taxes		765,050	650,000
Traveling, conveyance and vehicles running		565,742	515,767
Entertainment		94,477	17,409
Subscription and donation		15,560	10,057
Depreciation		14,281,361	17,623,860
		24,828,187	25,793,656
Work in progress			
Opening stock		613,061	590,540
Closing stock		(579,673)	(613,061)
		33,388	(22,521)
Cost of goods manufactured		24,861,576	25,771,136
27.2 Raw and packing material consumed			
Opening stock		7,274,796	7,372,786
Purchases		3,106,181	1,987,100
		10,380,977	9,359,886
Closing stock		(7,393,964)	(7,274,796)
		2,987,013	2,085,090

	Note	2010	2009
		...........Rupees...........	
28 OTHER INCOME			
From other than financial assets			
Rental income		10,964,168	4,530,747
Sale of scrap		-	15,540
Realization of surplus on amortization of intangible assets		-	9,302,500
		10,964,168	13,848,787
29 DISTRIBUTION COST			
Salaries, wages and benefits		664,050	558,997
Rent, rates and taxes		1,208	1,271
Vehicles running		33,172	42,080
Traveling and conveyance		233,193	111,970
Entertainment		225,889	121,104
Postage and telephone		161,083	144,633
Printing and stationery		89,479	30,790
Electricity, gas and water		289,886	210,356
Transportation cost		42,560	84,455
Membership and subscription		2,924	10,847
Advertisement		-	3,500
Depreciation		16,942	17,174
Other		-	5,500
		1,760,386	1,342,677
30 ADMINISTRATIVE EXPENSES			
Directors remuneration		2,250,000	2,250,000
Salaries, wages and benefits		434,998	338,000
Traveling and conveyance		36,883	43,153
Entertainment		40,223	9,689
Postage and telephone		3,550	7,795
Printing and stationery		39,330	27,376
Repairs and maintenance		-	25,845
Electricity, gas and water		128,016	35,303
Membership fee and subscription		127,950	37,950
Legal and professional		103,472	115,000
Auditors remuneration	30.1	185,000	185,000
Depreciation		14,266	15,395
		3,363,688	3,090,506
30.1 Auditors' remuneration			
Statutory audit fee		125,000	125,000
Half yearly review fee		60,000	60,000
		185,000	185,000
31 FINANCE COSTS			
Mark-up on long term financing		3,629,010	3,629,010
Mark-up on short term borrowings		3,609,967	3,609,967
Bank charges		13,465	5,879
Interest on employees provident fund		24,455	4,848
		7,276,898	7,249,704
32 TAXATION			
Current	32.1	1,100,350	413,698
Deferred	32.3	-	-
		1,100,350	413,698

32.1 The provision for current year taxation on local sales and rental income earned during the year. The assessment of the company will be finalized in respect of rental income under presumptive tax regime under section 169. Other than rental income, assessment will be finalized under the provisions of Income Tax Ordinance, 2001.

32.2 The relationship between tax expense and accounting profit has not been presented in these financial statements as the total income of the company falls under the presumptive tax regime of the Income Tax Ordinance, 2001. Income tax returns are filed up to tax year 2009.

32.3 During the year net deferred tax assets for the carry forward of unused tax losses amounting to Rs. 99,984,779 (2009: Rs.96,858,075) has not been recognized because it is not probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

33 BASIC AND DILUTED EARNINGS PER SHARE

	Note	2010	2009
		............Rupees............	
Loss for the year - Rupees		(22,010,177)	(20,348,536)
Weighted average number of shares		14,958,000	14,958,000
Basic loss per share - Rupees		(1.47)	(1.36)

There is no dilutive effect on the basic earnings per share of the company for the year.

34 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The company has exposures to the following risks from its use of financial instruments.

34.1 Credit risk
34.2 Liquidity risk
34.3 Market risk

The board of directors has 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.

34.1 Credit risk

Exposure to credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade debts, loans and advances, trade deposits and short term prepayments and cash and bank balances. Out of total financial assets of Rs. 5.996 million (June 30, 2009 : Rs. 3.641 million), financial assets which are subject to credit risk aggregate to Rs. 5.772 million (June 30, 2009 : Rs. 3.595 million). The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows.

	2010	2009
	............Rupees............	
Long term deposits	160,315	160,315
Trade debts	3,302,500	2,249,132
Loans and advances	879,972	905,630
Trade deposits	206,150	173,631
Other receivables	675,805	-
Cash and bank balances	224,779	46,047
	5,449,522	3,534,755

The maximum exposure to credit risk for trade debts at the balance sheet date by type of customer is as follows.

	2010	2009
	............Rupees............	
Domestic	3,302,500	2,249,132

The aging of trade debtors at the balance sheet is as follows.

	Gross debtors	
	2010	2009
	............Rupees............	
Not past due	2,937,130	1,883,762
Past due 0 - 30 days	-	-
Past due 31 - 90 days	-	-
Past due 90 days - 1 year	-	-
More than one year	365,370	365,370
	3,302,500	2,249,132

34.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the company's reputation. The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	2010					
	Carrying Amount	Contractual Cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	Rupees					
Long term financing	32,991,000	32,991,000	32,991,000	-	-	-
Short term borrowings	17,751,745	17,751,745	17,751,745	-	-	-
Accrued interest / markup	126,749,226	126,749,226	126,749,226	-	-	-
Trade and other payables	76,209,604	76,209,604	12,125,418	11,711,918	52,372,268	-
Total	253,701,574	253,701,574	189,617,388	11,711,918	52,372,268	-

	2009					
	Carrying Amount	Contractual Cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	Rupees					
Long term loan and liabilities	32,991,000	34,805,505	34,805,505	-	-	-
Short term borrowings	17,535,960	19,340,943	19,340,943	-	-	-
Markup payable	119,510,248	123,129,736	123,129,736	-	-	-
Trade and other payables	73,404,397	73,404,397	10,295,041	11,721,918	51,387,438	-
Total	243,441,604	250,680,581	187,571,226	11,721,918	51,387,438	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark up rates effective as at June 30, 2010. The rates of mark up have been disclosed in relevant notes to these financial statements.

34.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities, and liquidity in the market. The company is exposed to currency risk and interest rate risk only.

Currency risk

Exposure to currency risk

The company is exposed to currency risk on trade debts, borrowing and import of raw material and stores that are denominated in a currency other than the respective functional currency of the company. The company has not exposed to any currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposures arises from short and long term borrowings from bank and term deposits and deposits in PLS saving accounts with banks. At the balance sheet date the interest rate profile of the company's interest bearing financial instrument is as follows.

	2010	2009
	............Rupees............	
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	50,742,745	50,526,960

Fair value sensitivity analysis for fixed rate instruments

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

Fair value of financial assets and liabilities

The carrying value of all financial instruments reflected in the financial statements approximate to their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

35 CAPITAL RISK MANAGEMENT

The board's policy is to maintain a strong capital base as to maintain investor, creditor and market confidence and to sustain future development of the business, however, practical difficulties with this regard are being faced by the management due to liquidity crisis, small market share and huge losses. The board of directors monitor the return on capital and the level of dividend to ordinary shareholders while due to heavy losses no dividend has been declared for the last many years. There were no changes to the company's approach to capital management during the year and the company is not subject to externally imposed capital requirements.

36 TRANSACTIONS WITH RELATED PARTIES

The company has related party relationship with its directors and key management personnel. Remuneration given to chief executive directors and executives are in accordance with their terms of employment as disclosed in note 37 to the financial statements. Following are the balances with related parties.

	2010	2009
	............Rupees............	
Short term borrowing from Mr. Arif Shaffi - Director	569,325	226,460
Short term borrowing from Mrs. Parveen Shaffi - w/o Director	1,609,500	2,309,500
Short term borrowing from Mr. Reyaz Shaffi - Director	572,920	-

37 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	CHIEF EXECUTIVE		DIRECTORS		TOTAL	
	2010 Rupees	2009 Rupees	2010 Rupees	2009 Rupees	2010 Rupees	2009 Rupees
Basic	999,996	999,996	999,996	999,996	1,999,992	1,999,992
House rent	449,998	449,998	449,998	449,998	899,996	899,996
Others	50,006	50,006	50,006	50,006	100,012	100,012
	1,500,000	1,500,000	1,500,000	1,500,000	3,000,000	3,000,000
Number of persons	1	1	2	2	3	3

37.1 Chief executive of the company is provided with free use of car. No employee of the company fall under the definition of executive as defined in the Companies Ordinance, 1984.

38 PLANT CAPACITY

	Budgeted capacity	Actual production 2010	Actual production 2009
At Gharo			
PVC Resin - tons	25,000	-	-
Compounds 100% - tons	1,500	-	-
PVC leather cloth and plastic sheets - meters	22,144,500	-	-
At Islamabad			
PVC pipes and fittings - meters	7,751,808	174,615	128,185

The actual current production capacity given above is to be reconfirmed by technical experts as these figures are coming unchanged since privatization.

The company has ceased the production at Gharo Plant since 1995.

The lower of production of PVC pipes and fittings is due to abnormal increase in prices of raw material , which is directly linked with international petroleum prices.

39 RECLASSIFICATIONS

Following reclassification / rearrangement has been made in financial statements for compliance, better understanding and presentation.

Note	From	To	Nature	Amount
24	Other receivables - Sales tax	Tax refunds due from Govt.	Proper classification / presentation	49,054
24	Other receivables - Advance income tax	Tax refunds due from Govt.	Proper classification / presentation	287,082
27.1	Cost of goods manufactured - others	Cost of goods manufactured-stores and spares consumed	Proper classification / presentation	72,866

40 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 25, 2010 by the board of directors of the company.

41 GENERAL

Figures have been rounded off to the nearest Rupee.

Arif Shaffi	**Adnan Shaffi**
CHIEF EXECUTIVE	**DIRECTOR**

FORM 34

THE COMPANIES ORDINANCE 1984
(Section 236(1) and 464)
PATTERN OF SHAREHOLDING

1. Incorporation Number **0001781**

2. Name of the Company **PAKISTAN PVC LIMITED**

3. Pattern of holding of the shares held by the shareholders as at **30-06-2010**

CDC	PHY	4. No. of Shareholders	------Shareholding------ From	To	Total Shares Held	PHY	CDC
16	227	243	1	100	10,473	9,951	522
22	64	86	101	500	26,586	17,925	8,661
7	17	24	501	1,000	19,925	13,636	6,289
8	28	36	1,001	5,000	94,378	72,083	22,295
2	3	2	5,001	10,000	39,101	25,050	14,051
1	3	4	10,001	15,000	49,290	39,160	10,130
	2	2	15,001	20,000	34,970	34,970	
	1	1	65,001	70,000	65,940	65,940	
1		1	175,001	180,000	180,000		180,000
	1	1	295,001	300,000	300,000	300,000	
	2	2	375,001	380,000	752,550	752,550	
	1	1	425,001	430,000	425,602	425,602	
	1	1	735,001	740,000	737,640	737,640	
1		1	1,105,001	1,110,000	1,110,000		1,110,000
1		1	1,150,001	1,155,000	1,153,725		1,153,725
	1	1	9,970,001	9,975,000	9,971,820	9,971,820	
59	351	410			14,972,000	12,466,327	2,505,673

5. Categories of shareholders	Share held	Percentage
5.1 Directors, Chief Executive Officers, and their spouse and minor childern	806,450	5.3864%
5.2 Associated Companies, undertakings and related parties.	0	0.0000%
5.3 NIT and ICP	8,712	0.0582%
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	2,810,180	18.7696%
5.5 Insurance Companies	25,420	0.1698%
5.6 Modarabas and Mutual Funds	0	0.0000%
5.7 Share holders holding 10%	9,971,820	66.6031%
5.8 General Public		
a. Local	910,321	6.0802%
b. Foreign		

5.9 Others (to be specified)

1- Joint Stock Companies	436,932	2.9183%
2- Investment Companies	1,625	0.0109%
3- Abandoned Properties	539	0.0036%
4- Forigen Companies	9,971,820	66.6031%
5- Other Companies	1	0.0000%

6. Signature of Company Secretary	Sd…….
7. Name of Signatory	Asif Shaffi
8. Designation	Company Secretary
9. NIC Number	42000-0439074-3
10 Date	30	06	2010

PAKISTAN PVC LIMITED

Categories of Share Holders as required under C.C.G.

As on 30th June, 2010

S. No.	NAME	HOLDING	% AGE
DIRECTORS, CEO THEIR SPOUSES & MINOR CHILDREN			
1	MR. ARIF SHAFFI	376,450	2.5144%
2	MR. ASIF SHAFFI	376,100	2.5120%
3	MR. MOHAMMAD SHAFFI	17,500	0.1169%
4	MR. MOHAMMAD IQBAL	2,500	0.0167%
5	MR. ADEEL SHAFFI	2,500	0.0167%
6	MR. IJAZ AHMED KHAN	2,500	0.0167%
7	MRS. SHAZIA SHAFFI	13,550	0.0905%
8	MRS. SAIRA SHAFFI	12,850	0.0858%
9	MR. ADNAN SHAFFI	2,500	0.0167%
		806,450	5.3864%
ASSOCIATED COMPANIES			
		0	0.0000%
NIT & ICP			
1	NATIONAL INVESTMENT TRUST LIMITED.	4,312	0.0288%
2	IDBP (ICP UNIT) (CDC)	25	0.0002%
3	INVESTMENT CORPORATION OF PAKISTAN	4,375	0.0292%
		8,712	0.0582%
BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS			
1	UNITED BANK LIMITED	300	0.0020%
2	UNITED BANK LIMITED	15	0.0001%
3	UNITED BANK LIMITED	300,000	2.0037%
4	COMMERCE BANK LIMITED	50	0.0003%
5	HABIB BANK LIMITED	150	0.0010%
6	NATIONAL BANK OF PAKISTAN	65,940	0.4404%
7	SAMBA BANK LIMITED. (CDC)	1,153,725	7.7059%
8	HABIB BANK LIMITED- TREASURY DIVISION. (CDC)	180,000	1.2022%
9	INDUSTRIAL DEVELOPMENT BANK OF PAKISTAN. (CDC)	1110000	7.4138%
		2,810,180	18.7696%
INSURANCE COMPANIES			
1	EASTREN FEDERAL UNION INSURANCE CO. LIMITED.	1,600	0.0107%
2	PAKISTAN INSURANCE CORP.	6,350	0.0424%
3	STATE LIFE INSURANCE CORPORATION OF PAKISTAN	17,470	0.1167%
		25,420	0.1698%
MODARABAS & MUTUAL FUNDS		0	0.0000%
JOINT STOCK COMPANIES			
1	NATIONAL RIFINERY LIMITED	500	0.0033%
2	FEDERAL CHEMICAL & CERAMICS CORP. (PVT) LTD.	425,602	2.8427%
3	Y.S. SECURITIES & SERVICES (PVT) LTD. (CDC)	500	0.0033%
4	A.H.K.D. SECURITIES (PVT) LTD. (CDC)	10,130	0.0677%
5	STOCK MASTER SECURITIES (PRIVATE) LTD.(CDC)	200	0.0013%
		436,932	2.9183%
INVESTMENT COMPANIES			
1	H.M. INVESTMENT LIMITED	125	0.0008%
2	PYRAMID INVESTMENTS (PVT) LIMITED	1,500	0.0100%
		1,625	0.0109%
ABANDONED PROPERTY			
1	ADMINISTRATOR ABANDONED PROPERTIES	539	0.0036%
FORIGEN COMPANIES			
1	ENSENA HOLDING FZC	9,971,820	66.6031%
OTHERS			
1	CORPORATION LAW AUTHORITY	1	0.0000%
SHARES HELD BY THE GENERAL PUBLIC		910,321	6.0802%
		14,972,000	100.0000%

SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL

S. No.	NAME	HOLDING	% AGE
1	ENSENA HOLDING FZC	9,971,820	66.6031%
		9,971,820	66.6031%

During the financial year the trading in shares of the company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is as follows

NIL