

SHAVYL®

Annual Report 2011

PAKISTAN PVC LIMITED

47th ANNUAL REPORT

CONTENTS

Company Information -----	2
Notice of Meeting -----	3
Objectives and Strategic Planning -----	4
Statement of Ethics and Business Practices -----	5
Director's Report to the Shareholders -----	6
Six Years at a Glance -----	8
Statement of Compliance with the Code of Corporate Governance ---	9
Auditor's Review Report on Statement of Compliance -----	10
Auditors' Report -----	11
Balance Sheet -----	13
Profit & Loss Account -----	14
Cash Flow Statement -----	15
Statement of Changes in Equity -----	16
Notes to the Accounts -----	17
Pattern of Shareholding -----	34
Form of Proxy -----	38

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 48th Annual General Meeting of the Company will be held on Monday, October 31, 2011 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 47th Annual General Meeting of the company held on October 30, 2010.
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, 2012 and fix their remuneration.

ANY OTHER BUSINESS

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

Islamabad: September 24, 2011

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, 2011 to October 31, 2011 (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 Card (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 48th Annual General Meeting of the Company and present the audited accounts for the year ended June 30, 2011 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. 6.510 million as compared to Rs. 5.748 million of the same period last year and net loss during the year was Rs. 21.832 million as compared to a net profit of Rs. 20.910 million 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 181,438 meters as against 174,615 meters last year. I am happy to report that a new water treatment plant was setup at Islamabad which has started production in July 2011. Excess capacity of this water treatment plant was used to make Mineral Water. 3,795 Gallons of Mineral Water was produced.

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 valuers.

2. AUDITORS' RESERVATION ABOUT DIRECT CONFIRMATION

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 Trade and other payables in respect of Accrued liability the company had dispatched the balance confirmation letters to the Trade and other payables in respect of 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, 2012.

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:

<u>Name of Director</u>	<u>Total Number of Board Meetings</u>	<u>Number of Meetings Attended</u>
Mr. Arif Shaffi	4	4
Mr. Adeel Shaffi	4	4
Mr. Mohammad Iqbal	4	4
Mr. Asif Shaffi	4	4
Mr. Mohammad Shaffi	4	4
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 34 – 35.
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 24, 2011

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 24, 2011

Six Years at a Glance

(Rs.000)

	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
TURNOVER	6,510	5,748	3,751	7,977	11,276	10,856
GROSS PROFIT	(20,400)	(19,473)	(22,057)	(22,008)	(6,605)	(9,541)
NET PROFIT	(22,975)	(22,010)	(20,349)	60,452	(19,093)	(2,710)
TAXATION	1,143	1,100	414	40	61	55
SHARE CAPITAL FUND	149,580	149,580	149,580	149,580	149,580	149,580
SHAREHOLDERS FUND	240,429	228,811	219,381	214,811	281,302	267,232
GROSS PROFIT %	(313)	(339)	(588)	(276)	(59)	(88)
NET PROFIT %	(353)	(383)	(542)	758	(169)	(25)
TAXATION %	18	19	11	1	1	1
EARNING PER SHARE	(1.54)	(1.47)	(1.36)	4.04	(1.28)	(0.25)
DIVIDEND %	-	-	-	-	-	-
BONUS %	-	-	-	-	-	-

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended June 30, 2011

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. No 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 circulated 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 24, 2011

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, 2011.

Karachi:
Dated: **September 24, 2011**

MUSHTAQ & COMPANY
Chartered Accountants
Engagement Partner:
Shahabuddin A. Siddiqui
F.C.A

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Pakistan PVC Limited** as at June 30, 2011 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. 390.009 million (June 30, 2010: Rs. 378.391 million) as at June 30, 2011 against the issued, subscribed and paid up capital of Rs. 149.580 million (June 30, 2010: Rs. 149.580 million) turning shareholders' equity to a negative balance of Rs. 240.429 million (June 30, 2010: Rs. 228.811 million). The current liabilities exceed the current assets by Rs. 259.200 million (June 30, 2010: Rs. 247.152 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. 66,734,013 and Rs. 67,254,190 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. 62,845,101 and Rs. 10,000,000 respectively.
- (d) Trade and other payables include an amount of Rs. 2,524,900 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. 467,183 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 14.5 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) As stated in note 16 to the financial statement, no record were provided to the auditors for the verification of investment in Standard Insurance company, Omer sons food products limited and national defense saving certificate amounted to Rs. 200,000, Rs. 20,000 and Rs. 5,000 respectively.
- (i) 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;
- (j) In our opinion;
- (i) Except for the matters referred in paragraph (a) to (h) 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;
- (k) Because of the significance of the matters discussed in the preceding paragraph (a) to (h) above, we do not express an opinion on these financial statements.
- (l) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Karachi:

Dated: **September 24, 2011**

MUSHTAQ & COMPANY
Chartered Accountants
Engagement Partner:
Shahabuddin A. Siddiqui
F.C.A

PAKISTAN PVC LIMITED BALANCE SHEET AS AT JUNE 30, 2011

		2011	2010			2011	2010
	Note	.....Rupees.....			Note	.....Rupees.....	
SHARE CAPITAL AND RESERVES				NON CURRENT ASSETS			
Authorized capital 15,000,000 (June 30, 2010 : 15,000,000) ordinary shares of Rs. 10/- each		150,000,000	150,000,000	Property, plant and equipment	14	162,469,609	173,442,133
Issued, subscribed and paid up capital	5	149,580,000	149,580,000	Long term investments	15	50,000	-
Accumulated loss		(390,008,702)	(378,391,031)				
		(240,428,702)	(228,811,031)				
Surplus on revaluation of fixed assets	6	143,742,399	155,099,864	Long term advances	16	160,315	160,315
NON CURRENT LIABILITIES				CURRENT ASSETS			
Long term financing	7	-	-	Stores, spare parts and loose tools	17	1,652	1,660
Deferred liabilities	8	166,415	161,993	Stocks in trade	18	525,973	958,503
CURRENT LIABILITIES				Trade debts	19	3,545,700	3,302,500
Trade and other payables	9	79,914,536	76,209,604	Loans and advances	20	865,574	879,972
Accrued interest / markup	10	133,988,203	126,749,226	Trade deposits	21	206,150	206,150
Short term borrowings	11	17,947,496	17,751,745	Other receivables	22	191,455	675,805
Current portion of long term financing	7	32,991,000	32,991,000	Tax refunds due from Government	23	270,385	490,235
Provision for taxation - net	12	99,884	189,653	Cash and bank balances	24	134,419	224,779
		264,941,119	253,891,227			5,741,307	6,739,604
CONTINGENCIES AND COMMITMENTS						168,421,231	180,342,052
	13	168,421,231	180,342,052			168,421,231	180,342,052

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, 2011

		<u>2011</u>	<u>2010</u>
	Note	.....Rupees.....	
Sales - net	25	6,509,672	5,748,269
Cost of sales	26	(26,910,004)	(25,221,291)
Gross loss		<u>(20,400,332)</u>	<u>(19,473,022)</u>
Other operating income	27	11,741,917	10,964,168
Distribution cost	28	(2,488,002)	(1,760,386)
Administrative expenses	29	(3,408,305)	(3,363,688)
Finance costs	30	(7,277,101)	(7,276,898)
Loss before taxation		<u>(21,831,824)</u>	<u>(20,909,826)</u>
Taxation	31	(1,143,311)	(1,139,283)
Loss for the year		<u>(22,975,135)</u>	<u>(22,049,110)</u>
Loss per share - basic and diluted	32	(1.54)	(1.47)

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, 2011

		<u>2011</u>	<u>2010</u>
	Note	.....Rupees.....	
Loss for the year		(22,975,135)	(22,049,110)
Other comprehensive income / (loss)			
Total comprehensive loss for the year		<u>(22,975,135)</u>	<u>(22,049,110)</u>

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, 2011

	2011	2010
.....Rupees.....		
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(21,831,824)	(20,909,827)
<i>Adjustments for :</i>		
Depreciation	13,061,524	14,312,569
Finance cost	7,277,101	7,276,898
Staff retirement benefits - gratuity	4,422	4,422
Rental income	(11,741,917)	(10,964,168)
Operating cash flows before changes in working capital	(13,230,694)	(10,280,105)
(Increase) / decrease in current assets		
Store, spare parts and loose tools	8	12,766
Stock in trade	432,530	(173,949)
Trade debts	(243,200)	(1,053,368)
Loans and advances	14,398	25,658
Trade deposits	-	(32,519)
Tax refunds due from Government	(251,488)	30,157
Increase in current liabilities		
Trade and other payables	7,088,929	829,025
	7,041,177	(362,230)
Net cash used in operation	(6,189,517)	(10,642,335)
Income tax paid	(761,742)	(1,501,528)
Finance cost paid	(13,669)	(13,465)
	(775,411)	(1,514,993)
Net cash used in operating activities	(6,964,927)	(12,157,328)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment acquired	(2,089,000)	(119,814)
Rent received	8,817,816	12,240,090
Long term investment	(50,000)	-
Net cash generated from investing activities	6,678,816	12,120,276
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term borrowings	195,751	215,785
Net cash generated from financing activities	195,751	215,785
Net increase / (decrease) in cash and cash equivalents	(90,360)	178,732
Cash and cash equivalent at the beginning of the year	224,779	46,047
Cash and cash equivalent at the end of the year	134,419	224,779

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, 2011

	Issued, subscribed and paid up capital	Accumulated loss	Total
	.....Rupees.....		
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	-	(22,049,110)	(22,049,110)
Balance at June 30, 2010	149,580,000	(378,391,031)	(228,811,031)
Transfer from surplus on revaluation on account of incremental depreciation	-	11,357,465	11,357,465
Total comprehensive loss for the year	-	(22,975,135)	(22,975,135)
Balance at June 30, 2011	149,580,000	(390,008,702)	(240,428,702)

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, 2011

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 (Ensen 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. During the year company has installed a water purification plant to process and sale mineral water.

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 (Amendment), 'Presentation of financial statements' is effective from January 01, 2010. 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 application of the amendment will not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.
- IAS 17 (Amendment), 'Leases' is effective from January 01, 2010. Prior to the amendment, IAS 17 generally required a lease of land with an indefinite useful life to be classified as an operating lease, unless title passed at the end of the lease term. The amendment provides clarification that when a lease includes both land and buildings, classification as a finance or operating lease is performed separately in accordance with IAS 17's general principles. A lease newly classified as a finance lease should be recognized retrospectively. The adoption of this amendment does not have any impact on the Company's financial statements.
- IAS 36 (Amendment), 'Impairment of assets', is effective from January 01, 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics). The application of this amendment does not have any impact on the Company's financial statements.
- IAS 38 (Amendment), 'Intangible assets' is effective from July 01, 2010. The amendment is part of the IASB's annual improvements project published in April 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 application of this amendment does not have any impact on the Company's financial statements.
- IAS 39 (Amendment), 'Cash flow hedge accounting' is effective from January 01, 2010. This amendment provides clarification when to recognize gains or losses on hedging instruments as a reclassification adjustments in a cash flow hedge of a 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 application of this amendment does not have any impact on the Company's financial statements.
- IFRS 2 (Amendments), 'Group cash-settled share-based payment transactions' is effective from January 01, 2010. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2-Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The application of this amendment does not have any impact on the Company's financial statements.
- IFRS 3 (Revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective from July 01, 2010. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. It does not have any impact on the Company's financial statements.

- IFRS 5 (Amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale' is effective from January 01, 2010. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) 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 application of this amendment does not have any impact on the Company's financial statements.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective July 01, 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. It is not expected to have any impact on the Company's financial statements.

2.2.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company.

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 01, 2011 or later periods, but the Company has not early adopted them:

- IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets. The standard is not applicable until January 01, 2013 but is available for early adoption.
- IAS 1 (Amendments), Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. This amendment is effective for periods beginning on or after July 01, 2012.
- IAS 24, 'Related party disclosures' (Revised), issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 01, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.
- IFRIC 14, 'Prepayments of a minimum funding requirement' (Amendment). The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning January 01, 2011. The amendments should be applied retrospectively to the earliest comparative period presented. The Company will apply these amendments for the financial reporting period commencing on April 01, 2011. It is not expected to have any impact on the Company's financial statements.
- 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.

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. 390.009 million (June 30, 2010 : Rs. 378.391 million as restated) as at June 30, 2010 against the issued, subscribed and paid up capital of Rs. 149.580 million (June 30, 2010 : Rs. 149.580 million) turning shareholders' equity to a negative balance of Rs. 240.429 million (June 30, 2010 : Rs. 228.811 million). The current liabilities exceeds the current assets by Rs. 259.200 million (June 30, 2010 : Rs. 247.151 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 / revalued amount less accumulated depreciation and impairment in value, if any. Freehold land is stated at cost / revaluation less any identified impairment loss, if any.

Depreciation on all items of property, plant and equipment except for freehold land is charged to income applying the reducing balance method so as to write off historical cost / revalued amount of an asset over its estimated useful life at the rates as disclosed in property, plant and equipment note. The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant.

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.

An item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of assets, if any, are recognized as and when incurred.

Surplus arising on revaluation of an item of property, plant and equipment is credited to surplus on revaluation of property, plant and equipment, except to the extent that it reverses deficit on revaluation of the same assets previously recognized in profit or loss, in which case the surplus is credited to profit or loss to the extent of deficit previously charged to income. Deficit on revaluation of an item of property, plant and equipment is charged to profit or loss to the extent that it exceeds the balance, if any held in surplus on revaluation of property, plant and equipment relating to previous revaluation of that item. On subsequent sale or retirement of revalued item of property, plant and equipment the attributable surplus remaining in the surplus on revaluation of property, plant and equipment is transferred directly to unappropriated profit. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred to unappropriated profit.

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 loses control of the contractual rights that comprise the financial asset or in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

4.12 Off setting financial assets and financial liabilities

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

4.13 Dividend

Dividend distribution to the shareholders is recognized as a liability in the financial statements in the period in which such dividends are declared and approved by the shareholders.

4.14 Staff retirement benefits-gratuity

The company operates an unfunded gratuity scheme covering for all its permanent employees who have attained the minimum qualifying period for entitlement to the gratuity.

Provision is made annually to cover the obligation on the basis of actuarial valuation and charged to income currently. There is only one employee entitled for gratuity, therefore the management believes that it is unreasonable to conduct actuarial valuation as required by IAS 19 "Employee Benefits" for the year ended June 30, 2011.

Net cumulative unrecognized actuarial gains / losses relating to previous reporting periods in excess of the higher of 10 percent of present value of defined benefit obligation or 10 percent of the fair value of plan assets are recognized as income or expense over the estimated remaining working lives of the employees.

4.15 Taxation

Current

Provision for current taxation is based on taxability of certain income streams of the company under presumptive / final tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under the normal tax regime after taking into account tax credit and tax rebates available, if any. The charge for current tax includes any adjustment to past years liabilities.

Deferred

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses and tax credits to the extent that it is probable that future taxable profits will be available against which deferred tax asset can be utilized, except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability that, at the time of transaction, affects neither the accounting nor taxable profits.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized. During the year company a deferred tax assets for the carry forward of unused tax losses that shall not be 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

Deferred tax asset and liability is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

4.16 Trade and other payable

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

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

2011	2010		2011	2010
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
<u>14,972,000</u>	<u>14,972,000</u>		<u>149,720,000</u>	<u>149,720,000</u>
(14,000)	(14,000)	Less: Unpaid amount in respect of shares allotted to Federal Chemical and Ceramics Corporation (Pvt) Limited.	(140,000)	(140,000)
<u>14,958,000</u>	<u>14,958,000</u>		<u>149,580,000</u>	<u>149,580,000</u>

	Note	2011	2010
6 SURPLUS ON REVALUATION OF FIXED ASSETS			
.....Rupees.....			
Surplus on revaluation of property plant and equipment-gross	6.1	143,742,399	155,099,864
		<u>143,742,399</u>	<u>155,099,864</u>
6.1 Surplus on revaluation of property, plant and equipment - gross			
Surplus on revaluation of property, plant and equipment at the beginning of the year		155,099,864	167,719,270
Transfer to unappropriated profit in respect of incremental depreciation on revalued assets		(11,357,465)	(12,619,406)
		<u>143,742,399</u>	<u>155,099,864</u>
	Note	2011	2010
.....Rupees.....			
7 LONG TERM FINANCING			
Secured			
Government loan - secured	7.1	32,991,000	32,991,000
Less : Current portion		(32,991,000)	(32,991,000)
		<u>-</u>	<u>-</u>
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			
	Note	2011	2010
.....Rupees.....			
8 DEFERRED LIABILITIES			
.....Rupees.....			
Staff retirement benefits - gratuity	8.1	166,415	161,993
		<u>166,415</u>	<u>161,993</u>
8.1 Staff retirement benefits - gratuity			
opening balance		161,993	157,571
Provision made during the year		4,422	4,422
		<u>166,415</u>	<u>161,993</u>
Paid during the year		-	-
Closing balance		<u>166,415</u>	<u>161,993</u>
8.2 There is only one employee (June 30, 2010:1), entitled for gratuity, therefore the management believes that it is unreasonable to conduct actuarial valuation as required by IAS 19" Employee Benefits".			
	Note	2011	2010
.....Rupees.....			
9 TRADE AND OTHER PAYABLES			
.....Rupees.....			
Creditors		3,007,540	1,366,993
Accrued liabilities		62,845,101	56,481,260
Income tax withheld		2,530	2,530
provident fund payable	9.1	2,524,900	2,691,587
Advances from customers		214,335	9,642
Advance Rent		109,230	3,517,682
Interest free demand deposits		782,908	1,711,918
Unclaimed dividend		45,980	45,980
Privatization Commission, Finance Division	9.2	10,000,000	10,000,000
Others		382,011	382,011
		<u>79,914,536</u>	<u>76,209,604</u>
9.1 It includes interest @ 14% (2010 : 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	2011	2010
10 ACCRUED INTEREST / MARKUP		.....Rupees.....	
Interest / markup on:			
Short term borrowings-UBL		67,254,190	63,644,222
Long term financing		66,734,013	63,105,003
		<u>133,988,203</u>	<u>126,749,226</u>
11 SHORT TERM BORROWINGS			
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	1,609,500
Directors	11.2	1,337,996	1,142,245
		<u>17,947,496</u>	<u>17,751,745</u>

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

	Note	2011	2010
12 PROVISION FOR TAXATION - NET		.....Rupees.....	
Opening balance		189,653	367,641
Add: Provision for the year	31.1	1,143,311	1,139,283
Less: Paid / adjusted during the year		(1,233,080)	(1,317,272)
		<u>99,884</u>	<u>189,653</u>

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

Note

2011

2010

.....Rupees.....

14.1	52,663,939	53,735,833
14.2	109,805,670	119,706,300
	<u>162,469,609</u>	<u>173,442,133</u>

Operating assets

Non operating assets

14.1 Operating assets

Cost	Owned											Total		
	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
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	65,734,566
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	65,854,380
Balance as at July 01, 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	65,854,380
Additions during the year	-	-	1,550,000	-	-	15,000	-	-	-	-	-	524,000	-	2,089,000
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2011	24,000,000	6,400,000	27,550,000	2,592,503	1,583,074	1,223,998	119,860	347,476	815,521	1,947,979	25,416	1,220,569	116,983	67,943,380
Depreciation														
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
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
Balance as at July 01, 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
Charge for the year	-	576,000	2,456,250	15,582	550	20,040	284	1,989	5,334	31,166	19	53,271	408	3,160,894
Depreciation on disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2011	-	1,216,000	5,056,250	2,452,266	1,580,873	1,104,186	117,303	329,575	767,516	1,771,370	25,307	745,486	113,307	15,279,441
Written down value as at June 30, 2010	24,000,000	5,760,000	23,400,000	155,819	2,752	124,852	2,841	19,890	53,339	207,775	128	4,354	4,084	53,735,833
Written down value as at June 30, 2011	24,000,000	5,184,000	22,493,750	140,237	2,201	119,812	2,557	17,901	48,005	176,609	109	475,083	3,676	52,663,939
Rate of depreciation	10%	10%	10%	10%	20%	15%	10%	10%	10%	15%	15%	20%	10%	10%

14.2 Non operating assets

Cost	Owned											Total		
	Land leasehold	Land freehold	Factory building	Plant and machinery	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
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
Balance as at July 01, 2010	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, 2011	18,068,421	2,631,579	4,007,000	106,000,000	-	-	-	-	-	-	-	-	-	130,707,000
Depreciation														
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
Balance as at July 01, 2010	-	-	400,700	10,600,000	-	-	-	-	-	-	-	-	-	11,000,700
Charge for the year	-	-	360,630	9,540,000	-	-	-	-	-	-	-	-	-	9,900,630
Depreciation on disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2011	-	-	761,330	20,140,000	-	-	-	-	-	-	-	-	-	20,901,330
Written down value as at June 30, 2010	18,068,421	2,631,579	3,606,300	95,400,000	-	-	-	-	-	-	-	-	-	119,706,300
Written down value as at June 30, 2011	18,068,421	2,631,579	3,245,670	85,860,000	-	-	-	-	-	-	-	-	-	109,805,670
Rate of depreciation	-	-	10%	10%	-	-	-	-	-	-	-	-	-	-

14.3 The company has ceased the production at Ghara 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	
	2011	2010	2011	2010
Cost of good manufactured	28.1	12,972,362	14,281,361	
Administrative expenses	32	14,424	14,266	
Selling and distribution	28	74,737	16,942	
		13,061,523	14,312,569	

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 amount of 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	
	2011	2010	2011	2010
Freehold land			5,902	5,902
Leasehold land	4,081,979	4,081,979	38,957	38,957
Factory building	158,028	175,586	80,733	89,703
Plant and machinery	3,535,738	2,335,542	995,585	1,106,206
	8,675,745	7,493,108	1,121,177	1,240,768

15 LONG TERM INVESTMENTS	Note	2011	2010
.....Rupees.....			
Available for sale			
Listed Companies			
20,000 fully paid ordinary shares of Rs. 10 each in Standard Insurance Company Limited Less: Provision for diminution in the value of investments	15.1	200,000 (200,000)	200,000 (200,000)
Unlisted Companies			
2,000 Shares of Omer Sons Food Products Limited (In liquidation) Less: Provision for diminution in the value of investments		20,000 (20,000)	20,000 (20,000)
Government Securities			
National defense saving certificates Less: Provision for loss	15.2	55,000 (5,000)	5,000 (5,000)
		50,000	-
		<u>50,000</u>	<u>-</u>

15.1 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.

15.2 During the year defense saving certificate of Rs. 50,000 is purchased from the Government of Pakistan under 10 years maturity scheme. The certificates are encashable at par at any time. However, no profit is payable if encashment is made before completion of one year. The average compound rate of return on maturity presently works to 13.55 percent per annum.

16 LONG TERM ADVANCES AND DEPOSITS	Note	2011	2010
.....Rupees.....			
Security deposits		160,315	160,315
		<u>160,315</u>	<u>160,315</u>
17 STORES, SPARE PARTS AND LOOSE TOOLS			
General stores Provision for slow moving and obsolete items		2,593,478 (2,591,826)	2,593,486 (2,591,826)
		1,652	1,660
Spare parts Provision for slow moving and obsolete items		6,190,444 (6,190,444)	6,191,581 (6,191,581)
Building materials Provision for slow moving and obsolete items		176,452 (176,452)	176,452 (176,452)
Factory supplies Provision for slow moving and obsolete items		230,511 (230,511)	230,511 (230,511)
Loose tools Provision for slow moving and obsolete items		710,825 (710,825)	710,825 (710,825)
		1,652	1,660
		<u>1,652</u>	<u>1,660</u>

	Note	2011	2010
.....Rupees.....			
18 STOCK IN TRADE			
Raw and packing materials		6,663,004	6,686,070
Provision for slow moving, damaged and obsolete material		(6,561,904)	(6,561,904)
		101,100	124,166
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		565,965	579,673
Provision for slow moving, damaged and obsolete material		(526,850)	(526,850)
		39,115	52,823
Finished goods		389,565	785,321
Provision for slow moving, damaged and obsolete goods		(3,808)	(3,808)
		385,757	781,513
		525,973	958,503
19 TRADE DEBTS			
Considered good			
Local - unsecured		3,545,700	3,302,500
		3,545,700	3,302,500
20 LOANS AND ADVANCES			
Advance to suppliers - considered good		244,769	259,167
Due from employees	20.1	620,805	620,805
		865,574	879,972
20.1 Due from employees			
Considered good		620,805	620,805
Considered doubtful		191,578	191,578
		812,383	812,383
Provision for doubtful debts		(191,578)	(191,578)
		620,805	620,805
21 TRADE DEPOSITS			
Deposits - considered good		206,150	206,150
Deposits - considered doubtful			
Margin held by banks		504,038	504,038
Other deposits		316,490	316,490
		1,026,678	1,026,678
Less: Provision for doubtful deposits		(820,528)	(820,528)
		206,150	206,150
22 OTHER RECEIVABLES			
Considered good			
Rent receivables		191,455	675,805
		191,455	675,805

	Note	2011	2010
.....Rupees.....			
23 TAX REFUNDS DUE FROM GOVERNMENT			
Sales tax receivables		270,385	18,897
Advance income tax		-	471,338
		<u>270,385</u>	<u>490,235</u>
Advance income tax			
Opening balance		471,338	287,082
Deducted during the year		761,742	1,501,528
Total		<u>1,233,080</u>	<u>1,788,610</u>
Adjusted against liability		<u>(1,233,080)</u>	<u>(1,317,272)</u>
		<u>-</u>	<u>471,338</u>
24 CASH AND BANK BALANCES			
Cash at bank - current accounts		26,394	196,563
Cash in hand		108,025	28,216
		<u>134,419</u>	<u>224,779</u>
.....Rupees.....			
25 SALES - Net			
Local			
PVC pipes and fittings		9,340,468	7,786,632
Mineral water		35,724	-
Less: Trade discounts and commission		(2,866,520)	(2,038,363)
		<u>6,509,672</u>	<u>5,748,269</u>
26 COST OF SALES			
Opening stock - finished good		785,321	697,152
Cost of goods manufactured	26.1	25,910,138	24,861,576
Outside purchases		604,110	447,885
		<u>27,299,570</u>	<u>26,006,613</u>
Closing stock- finished goods		<u>(389,565)</u>	<u>(785,321)</u>
		<u>26,910,004</u>	<u>25,221,291</u>
26.1 Cost of goods manufactured			
Raw and packing material consumed	26.2	4,366,772	2,987,013
Directors remuneration		750,000	750,000
Salaries, wages and benefits		3,847,238	3,008,869
Fuel and power		1,183,575	1,279,088
Stores and spares consumed		614,733	158,320
Repairs and maintenance		1,244,101	844,085
Postage and telephone		77,379	78,623
Rent, rates and taxes		220,327	765,050
Traveling, conveyance and vehicles running		563,588	565,742
Entertainment		56,356	94,477
Subscription and donation		-	15,560
Depreciation		12,972,362	14,281,361
		<u>25,896,430</u>	<u>24,828,187</u>
Work in progress			
Opening stock		579,673	613,061
Closing stock		(565,965)	(579,673)
		<u>13,708</u>	<u>33,388</u>
Cost of goods manufactured		<u>25,910,138</u>	<u>24,861,576</u>
26.2 Raw and packing material consumed			
Opening stock		7,393,964	7,274,796
Purchases		4,343,706	3,106,181
		<u>11,737,670</u>	<u>10,380,977</u>
Closing stock		<u>(7,370,898)</u>	<u>(7,393,964)</u>
		<u>4,366,772</u>	<u>2,987,013</u>

	Note	2011	2010
27 OTHER INCOME			
		.....Rupees.....	
From other than financial assets			
Rental income		11,521,477	10,964,168
Sale of scrap		220,440	-
		<u>11,741,917</u>	<u>10,964,168</u>
28 DISTRIBUTION COST			
Salaries, wages and benefits		743,871	664,050
Rent, rates and taxes		2,995	1,208
Vehicles running		62,893	33,172
Traveling and conveyance		340,941	233,193
Entertainment		290,521	225,889
Postage and telephone		192,103	161,083
Printing and stationery		115,883	89,479
Electricity, gas and water		590,888	289,886
Transportation cost		45,070	42,560
Membership and subscription		17,900	2,924
Advertisement		10,200	-
Depreciation		74,737	16,942
		<u>2,488,002</u>	<u>1,760,386</u>
29 ADMINISTRATIVE EXPENSES			
Directors remuneration		2,250,000	2,250,000
Salaries, wages and benefits		660,000	434,998
Traveling and conveyance		3,060	36,883
Entertainment		46,506	40,223
Postage and telephone		5,130	3,550
Printing and stationery		34,900	39,330
Repairs and maintenance		14,487	-
Electricity, gas and water		26,994	128,016
Membership fee and subscription		11,250	127,950
Legal and professional		154,054	103,472
Auditors remuneration	29.1	187,500	185,000
Depreciation		14,424	14,266
		<u>3,408,305</u>	<u>3,363,688</u>
29.1 Auditors' remuneration			
Statutory audit fee		125,000	125,000
Half yearly review fee		62,500	60,000
		<u>187,500</u>	<u>185,000</u>
30 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		13,669	13,465
Interest on employees provident fund		24,455	24,455
		<u>7,277,101</u>	<u>7,276,898</u>
31 TAXATION			
Current			
Current year	31.1	1,182,244	1,139,283
Prior year		(38,933)	-
		<u>1,143,311</u>	<u>1,139,283</u>

31.1 The provision for current year taxation on local sales and rental income earned during the year. The assessment of the company will be finalized under the provisions of Income Tax Ordinance, 2001.

31.2 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 2010.

31.3 During the year net deferred tax assets for the carry forward of unused tax losses amounting to Rs. 111,296,895 (2010: Rs.99,984,779) 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.

Note	2011	2010
	.....Rupees.....	
32 LOSS PER SHARE - BASIC AND DILUTED		
Loss for the year - Rupees	(22,975,135)	(22,049,110)
Weighted average number of shares	14,958,000	14,958,000
Basic loss per share - Rupees	(1.54)	(1.47)

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

33 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

- 33.1 Credit risk
- 33.2 Liquidity risk
- 33.3 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.

33.1 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. 5.104 million (June 30, 2010 : Rs. 5.450 million), financial assets which are subject to credit risk aggregate to Rs. 4.969 million (June 30, 2010 : Rs. 5.225 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.

	2011	2010
	.....Rupees.....	
Long term deposits	160,315	160,315
Trade debts	3,545,700	3,302,500
Loans and advances	865,574	879,972
Trade deposits	206,150	206,150
Other receivables	191,455	675,805
Cash and bank balances	134,419	224,779
	5,103,613	5,449,522

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

	2011	2010
	.....Rupees.....	
Domestic	3,545,700	3,302,500

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

	Gross debtors	
	2011	2010
	.....Rupees.....	
Not past due	2,691,129	2,937,130
Past due 0 - 30 days	-	-
Past due 31 - 90 days	-	-
Past due 90 days - 1 year	-	-
More than one year	854,571	365,370
	3,545,700	3,302,500

33.2 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.

	2011					
	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	17,947,496	17,947,496	17,947,496	-	-	-
Accrued interest / markup	133,988,203	133,988,203	133,988,203	-	-	-
Trade and other payables	79,914,536	79,914,536	-	-	-	-
Total	264,841,235	264,841,235	184,926,699	-	-	-

	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 loan and liabilities	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	-

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, 2011. The rates of mark up have been disclosed in relevant notes to these financial statements.

33.3 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.

	2011	2010
	.....Rupees.....	
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	50,938,496	50,742,745

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.

34 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.

35 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 35 to the financial statements. Following are the balances with related parties.

	2011	2010
	.....Rupees.....	
Short term borrowing from Mr. Arif Shaffi - Director	765,076	569,325
Short term borrowing from Mrs. Parveen Shaffi - w/o Director	1,609,500	1,609,500
Short term borrowing from Mr. Reyaz Shaffi - Director	572,920	572,920

36 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	CHIEF EXECUTIVE		DIRECTORS		TOTAL	
	2011 Rupees	2010 Rupees	2011 Rupees	2010 Rupees	2011 Rupees	2010 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

36.1 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.

37 PLANT CAPACITY

	Budgeted capacity	Actual production	
		2011	2010
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	181,438	174,615
Processing of water - Gallons	900,000	3,795	-

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.

38 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 24, 2011 by the board of directors of the company.

39 GENERAL

Figures have been rounded off to the nearest Rupee.

Arif Shaffi
CHIEF EXECUTIVE

Adnan Shaffi
DIRECTOR

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 30-06-2011

-----Shareholding-----			
4. No. of Shareholders	From	To	Total Shares Held
248	1	100	10,541
84	101	500	25,850
26	501	1,000	21,194
35	1,001	5,000	93,777
5	5,001	10,000	39,101
4	10,001	15,000	49,290
2	15,001	20,000	34,970
1	65,001	70,000	65,940
1	175,001	180,000	180,000
1	295,001	300,000	300,000
2	375,001	380,000	752,550
1	425,001	430,000	425,602
1	735,001	740,000	737,640
1	1,105,001	1,110,000	1,110,000
1	1,150,001	1,155,000	1,153,725
1	9,970,001	9,975,000	9,971,820
414			14,972,000

5. Categories of shareholders	Share held	Percentage
5.1 Directors, Chief Executive Officers, and their spouse and minor children	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	26,420	0.1765%
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	910,021	6.0782%
b. Foreign		
5.9 Others (to be specified)		
1- Joint Stock Companies	436,232	2.9137%
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

2011

PAKISTAN PVC LIMITED
Categories of Share Holders as required under C.C.G.
As on 30th June, 2011

S. No.	NAME	HOLDING	% AGE
<u>DIRECTORS, CEO THEIR SPOUSES & MINOR CHILDREN</u>			
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	MR. ADNAN SHAFFI	2,500	0.0167%
8	MRS. SHAZIA SHAFFI W/O ASIF SHAFFI	13,550	0.0905%
9	MRS. SAIRA SHAFFI W/O ARIF SHAFFI	12,850	0.0858%
		806,450	5.3864%
<u>ASSOCIATED COMPANIES</u>			
		0	0.0000%
<u>NIT & ICP</u>			
1	IDBP (ICP UNIT) (CDC)	25	0.0002%
2	NATIONAL INVESTMENT TRUST LIMITED.	4,312	0.0288%
3	INVESTMENT CORPORATION OF PAKISTAN	4,375	0.0292%
		8,712	0.0582%
<u>BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS</u>			
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)	1,110,000	7.4138%
		2,810,180	18.7696%
<u>INSURANCE COMPANIES</u>			
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%
4	CENTRAL INSURANCE CO. LTD	1,000	0.0067%
		26,420	0.1765%
<u>MODARABAS & MUTUAL FUNDS</u>			
		0	0.0000%

JOINT STOCK COMPANIES

1	NATIONAL RIFINERY LIMITED	500	0.0033%
2	FEDERAL CHEMICAL & CERAMICS CORP. (PVT) LTD.	425,602	2.8427%
4	A.H.K.D. SECURITIES (PVT) LTD. (CDC)	10,130	0.0677%
		<u>436,232</u>	<u>2.9137%</u>

INVESTMENT COMPANIES

1	H.M. INVESTMENT LIMITED	125	0.0008%
2	PYRAMID INVESTMENTS (PVT) LIMITED	1,500	0.0100%
		<u>1,625</u>	<u>0.0109%</u>

ABANDONED PROPERTY

1	ADMINISTRATOR ABANDONED PROPERTIES	<u>539</u>	<u>0.0036%</u>
---	------------------------------------	------------	----------------

FORIGEN COMPANIES

1	ENSENA HOLDING FZC	<u>9,971,820</u>	<u>66.6031%</u>
---	--------------------	------------------	-----------------

OTHERS

1	CORPORATION LAW AUTHORITY	<u>1</u>	<u>0.0000%</u>
---	---------------------------	----------	----------------

SHARES HELD BY THE GENERAL PUBLIC

	<u>910,021</u>	<u>6.0782%</u>
	<u>14,972,000</u>	<u>100.0000%</u>

SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL

S. No.	NAME	HOLDING	% AGE
1	ENSENA HOLDING FZC	9,971,820	66.6031%
		<u>9,971,820</u>	<u>66.6031%</u>

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