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SHAPING THE FUTURE

Annual Report 2013

PAKISTAN PVC LIMITED

50th ANNUAL REPORT

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS

CHAIRMAN	Adnan Shaffi
CHIEF EXECUTIVE	Arif Shaffi
DIRECTORS	Ijaz Ahmad Khan Adeel Shaffi Asif Shaffi Mohammad Iqbal Mohammad Shaffi
SECRETARY & CHIEF FINANCIAL OFFICER	Asif Shaffi
AUDITORS	Mushtaq & Co., Chartered Accountants
AUDIT COMMITTEE	Mohammad Shaffi – Chairman Mohammad Iqbal – Member Ijaz Ahmad Khan – Member
HUMAN RESOURCES & REMUNERATION COMMITTEE	Mohammad Shaffi – Chairman Mohammad Iqbal – Member Ijaz Ahmad Khan – Member
BANKERS	Habib Bank Limited Muslim Commercial Bank Limited Faysal Bank 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 50th Annual General Meeting of the Company will be held on Saturday, October 26, 2013 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 49th Annual General Meeting of the company held on October 30, 2012.

2. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2013 together with the reports of the Director's and Auditors' thereon.

3. To appoint auditors of the company for the year ending June 30, 2014 and fix their remuneration.

4. To elect one director of the Company as fixed by the Board of Directors under Section 178 (1) of the Companies Ordinance 1984 for a period of three years. The retiring directors is: M/s Adnan Shaffi. The retiring director being eligible offered himself for reappointment.

ANY OTHER BUSINESS

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

Islamabad: September 21, 2013

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 19, 2013 to October 26, 2013 (both days inclusive).
4. CDC account holders will in addition have to follow the under mentioned guidelines as laid down in Circular No.1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan for attending the Meeting:

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

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

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

OBJECTIVES AND STRATEGIC PLANNING

SHAVYL GROUP VISION

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

MISSION STATEMENT

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

OBJECTIVES

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

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

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

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

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

STRATEGIC PLANNING

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

STATEMENT OF ETHICS AND BUSINESS PRACTICES

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

THE PURPOSE AND VALUES OF BUSINESS

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

EMPLOYEES

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

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

CUSTOMER RELATION

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

SHAREHOLDERS, FINANCIAL INSTITUTIONS & CREDITORS

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

SUPPLIERS

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

SOCIETY / COMMUNITY

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

GENERAL

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

IMPLEMENTATION

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

DIRECTOR'S REPORT TO THE SHAREHOLDERS

On behalf of my colleagues on the Board, I welcome you to the 50th Annual General Meeting of the Company and present the audited accounts for the year ended June 30, 2013 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. 3.373 million as compared to Rs. 2.432 million of the same period last year and net loss during the year was Rs. 10.440 million as compared to a net loss of Rs. 23.857 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 92,082 meters as against 13,275 meters last year. Excess capacity of this water treatment plant was used to make Mineral Water. Sale of Mineral Water was 48,366 Gallons as against 28,145 Gallons.

It gives me great pleasure to inform you that during the year under review the Company attained the ISO 9001:2008 certification.

1. **AUDITORS' RESERVATION OF GOING CONCERN**
   The auditors have qualified their opinion, since your company has prepared the accounts on the going concern basis. The reason given in their qualification is the continued losses sustained by your company, no improvement/result of the efforts made by the management for obtaining additional capital. The case for the revival of your company remains under active consideration with the Committee for Revival of Sick Industrial Units set up by the Finance Division, Government of Pakistan and the United Bank Limited. In the meantime as desired by the United Bank Limited and as per the State Bank of Pakistan regulation new revaluation reports have been prepared by State Bank approved valuators.

2. **AUDITORS' RESERVATION ABOUT DIRECT CONFIRMATON**
   As regards confirmations from the lenders of long term loans the company had dispatched the balance confirmation letters several times to the lenders of long term loans.

3. **AUDITORS' RESERVATION ABOUT LONG OUTSTANDING BALANCES**
   As regards balances of very long outstanding balances of Creditors, Advances from Customers and Accrued liability we have to state that these balances are appearing in the company's accounts since last many years and as regards confirmations from the 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.

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

HUMAN RESOURCES & REMUNERATION COMMITTEE

In compliance with the code of corporate governance the Company has established a Human Resources & Remuneration Committee comprising of the following members:-

Mr. Mohammad 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, 2014.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company strongly believes that improving its environmental and social performance is inevitable for its financial success. The Company has continued with CSR program with a focus on health support, education programs, energy conservation, environmental protection measures, community welfare schemes, occupational safety & health and business ethics.

The Company in its continuous efforts to positively impact the local communities that reside near our plants has formulated policies for social development that are based on the following guiding principles:

- Adopt an approach that aims at achieving a greater balance between social development and economic development.
- Adopt new measures to accelerate and ensure the basic needs of the local population.
- Work towards elimination of all barriers for the social inclusion of disadvantaged groups such as the poor and the disabled.
- Give unfailing attention to children for in their hands lies the country's future. It is for their sake that health, education and environment get topmost priority in our programs.

The Company works closely with Special Olympics Pakistan to support their programs for rehabilitation of mentally handy capped children.

The main emphasis of our CSR is in District Thatta and Federal Capital Islamabad.

Health

As a Company, we are not only committed to compliance with legal norms but endeavour to voluntarily go beyond that and provide quality healthcare facilities in the regions around our plants.

Education

Education is a basic tool to bring development to an area and its people. We aim to create an awareness pool of human resource both within and across our area of operations. We are committed to bridging the digital divide between the haves and have-nots in educational infrastructure and facilities. The Company is involved in activities that have changed the lives of the people residing the close proximity to our plants. Education is the main thrust of these activities.

Energy Conservation Measures

Energy conservation measures include usage of energy savers and LED lights all around the plant and shutting down auxiliaries and equipments wherever possible.

Occupational Health, Safety and Environment

The Company is committed to health, safety and environment. Potential risks are systematically identified and managed in a manner that any undesirable damage is minimized. HSE signs are displayed at key locations are their implementation is ensured.

Business Ethics

The Company's Code of Business Ethics sets the minimum standards expected of the entire Team and is part of the Corporate Governance framework approved by the Board. The conduct of business should above all be characterized by honesty and integrity. Unethical practices of any sort are not to find their way into our business. All employees are expected to promote the Company's best interest whilst maintaining the highest standard of personal integrity and business practices. All employees must act at all times in the interest of Company's shareholders and must abide by the Company's stated standards of environmental safety and management practices. No employee shall ever commit an illegal or an unethical act, or instruct and encourage another employee to do so. The laws and regulations of the country should always be observed.

The Company has communicated the code to all its employees.

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 9.
9. During the year five board meetings were held and the attendance of the concerned Directors during their tenure on the Board was as follows:

Name of Director	Total Number of Board Meetings	Number of Meetings Attended
Mr. Adnan Shaffi	4	4
Mr. Arif 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. Adeel Shaffi	4	4

10. The pattern of shareholding and additional information regarding pattern of shareholding is given on Page 39 – 41.
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 21, 2013 **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 21, 2013

Six Years at a Glance

(Rs.000)

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
TURNOVER	3373	2,432	6,510	5,748	3,751	7,977
GROSS PROFIT	(17,198)	(19,301)	(20,400)	(19,473)	(22,057)	(22,008)
NET PROFIT	(11,687)	(25,069)	(22,975)	(22,010)	(20,349)	60,452
TAXATION	1,247	1,121	1,143	1,100	414	40
SHARE CAPITAL FUND	149,580	149,580	149,580	149,580	149,580	149,580
SHAREHOLDERS FUND	257,764	255,276	240,429	228,811	219,381	214,811
GROSS PROFIT %	(510)	(794)	(313)	(339)	(588)	(276)
NET PROFIT %	(346)	(1,031)	(353)	(383)	(542)	758
TAXATION %	37	46	18	19	11	1
EARNING PER SHARE	(0.78)	(1.68)	(1.54)	(1.47)	(1.36)	4.04
DIVIDEND %	-	-	-	-	-	-
BONUS %	-	-	-	-	-	-

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended June 30, 2013

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:

Category	Name
Non – Executive Director	Adnan Shaffi
Executive Director	Arif Shaffi
Independent Director	Ijaz Ahmad Khan
Executive Director	Adeel Shaffi
Executive Director	Asif Shaffi
Independent Director	Mohammad Iqbal
Non – Executive Director	Mohammad Shaffi

   The independent directors meet the criteria of independence under clause i (b) of the Code of Corporate Governance.
2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the 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 "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended 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/shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulates at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The board arranged 1 training programs for its directors during the year.
10. The Board has approved the appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance 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 of Corporate Governance.
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 of Corporate Governance. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises 3 members, of whom all are non-executive directors including the chairman of the committee.
18. The Board has set-up an effective internal audit function who are considered suitably qualified and

experienced for the purpose and are conversant with the policies and procedures of the Company.

19 The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program 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.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. We confirm that all other material principles contained in the Code of Corporate Governance have been complied with.

(Adnan Shaffi)

Chairman

Dated: September 21, 2013

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2013 prepared by the Board of Directors of **Pakistan PVC Limited** to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange Limited and Lahore Stock Exchange 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's personnel and review of various documents prepared by the company to comply with the Code.

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

Further, Sub- Regulation (x) of Listing Regulation No. 35 of Karachi and Lahore Stock Exchanges 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 undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the statement of compliance does not appropriately reflect the status of the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2013.

Karachi:
Dated: **September 21, 2013**

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

AUDITORS' REPORT TO THE MEMBERS

We were engaged to audit the annexed balance sheet of **Pakistan PVC Limited** as at June 30, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the 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. Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with International Standards on Auditing as applicable in Pakistan. Because of the matters described in paragraph (a) to (f), however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

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) The company has ceased the production at Gharo Plant since 1995. The production at Islamabad Plant continues. As stated in the note 2.2 to the financial statements, the company had incurred a loss for the year ended June 30, 2013 of Rs. 11.687 million (June 30, 2012: Rs. 25.069 million) and as of that date, reported accumulated loss of Rs. 407.344 million (June 30, 2012: Rs. 404.856 million) against the issued, subscribed and paid up capital of Rs. 149.580 million (June 30, 2012: Rs. 149.580 million) turning shareholders' equity to a negative balance of Rs. 257.764 million (June 30, 2012: Rs. 255. 276 million). The current liabilities exceed the current assets by Rs. 255.174 million (June 30, 2012: Rs. 252.405 million). Further the company has not been able to obtain enough finance to revive its Gharo Plant 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 and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business. 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 management has not prepared cash flow projections and future plan to revive the operation of Gharo plant closed since 1995.

(b) No confirmation/bank statement was received 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 and markup accrued thereon amounting to Rs. 73,992,033 and Rs. 74,474,125.

(c) No confirmation was received to verify the amount included in trade and other payables in respect of liability towards Privatization Commission, Finance Division, amounted to Rs. 10,000,000.

(d) Deposits from customers amounting to Rs. 330,500 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.

(e) We do not concur with the accounting treatment of leasehold land referred in note 15.5 of these financial statements being violation of the requirements of International Accounting Standards (IAS 40) "Investment Property".

(f) As more fully explained in note 14.2 of these financial statements, the impact on the financial statements of the disputed CDA plot of land at Islamabad is not determinable.

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

(h) In our opinion;

(i) Except for the matters referred in paragraph (a) to (g) the balance sheet and profit account together with the notes thereon have been drawn up in conformity with the Co Ordinance, 1984, and are in agreement with the books of accounts and are further in acc with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the company's business; a

(iii) the business conducted, investments made and the expenditure incurred during the year accordance with the objects of the company;

(i) Because of the significance of the matters discussed in the preceding paragraph (a) to (f) above, not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit Accordingly, we do not express an opinion on these financial statements.

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

Karachi:
Dated: **September 21, 2013**

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

PAKISTAN PVC LIMITED
BALANCE SHEET
AS AT JUNE 30 2013

	Note	2013	2012
		------------Rupees------------	
SHARE CAPITAL AND RESERVES			
Authorized capital 15,000,000 (June 30, 2012 : 15,000,000) ordinary shares of Rs. 10/- each		150,000,000	150,000,000
Issued, subscribed and paid up capital	6	149,580,000	149,580,000
Accumulated loss		(407,343,877)	(404,856,007)
		(257,763,877)	(255,276,007)
Surplus on revaluation of fixed assets	7	161,657,388	133,520,680
NON CURRENT LIABILITIES			
Long term financing	8	20,041,401	20,041,401
Deferred liabilities	9	175,260	170,838
CURRENT LIABILITIES			
Trade and other payables	10	62,302,689	66,001,047
Accrued interest / markup	11	148,466,158	141,227,180
Short term borrowings	12	18,757,587	17,871,821
Current portion of long term financing	8	32,991,000	32,991,000
Provision for taxation - net	13	-	-
		262,517,434	258,091,049
CONTINGENCIES AND COMMITMENTS	14		
		186,627,605	156,547,961

	Note	2013	2012
		------------Rupees------------	
NON CURRENT ASSETS			
Property, plant and equipment	15	179,225,571	150,647,858
Long term investments	16	58,500	54,000
Long term deposit	17	-	160,315
CURRENT ASSETS			
Stores, spare parts and loose tools	18	-	-
Stock in trade	19	1,020,855	578,572
Trade debts	20	1,475,247	1,456,638
Loans and advances	21	141,569	735,571
Trade deposits	22	-	12,500
Other receivables	23	101,705	101,705
Tax refunds due from Government	24	600,030	566,184
Cash and bank balances	25	4,004,127	2,234,617
		7,343,534	5,685,788
		186,627,605	156,547,961

The annexed notes from 1 to 42 form an integral part of these financial statements.

Arif Shaffi
CHIEF EXECUTIVE

Mohammad Shaffi
DIRECTOR

PAKISTAN PVC LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013	2012
		------------Rupees------------	
Sales - net	26	3,373,320	2,432,058
Cost of sales	27	(20,571,736)	(21,732,792)
Gross loss		(17,198,416)	(19,300,734)
Other income	28	21,337,639	11,716,250
Distribution cost	29	(2,901,278)	(2,822,891)
Administrative expenses	30	(3,638,234)	(3,600,030)
Other operating expenses	31	(793,620)	(2,576,685)
Finance costs	32	(7,246,433)	(7,272,664)
Loss before taxation		(10,440,342)	(23,856,755)
Taxation	33	(1,247,075)	(1,212,269)
Loss for the year		(11,687,417)	(25,069,024)
Loss per share - basic and diluted	34	(0.78)	(1.68)

The annexed notes from 1 to 42 form an integral part of these financial statements.

Arif Shaffi
CHIEF EXECUTIVE

Mohammad Shaffi
DIRECTOR

PAKISTAN PVC LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013	2012
		------------Rupees------------	
Loss for the year		(11,687,417)	(25,069,024)
Other comprehensive income / (loss)		-	-
Total comprehensive loss for the year		(11,687,417)	(25,069,024)

The annexed notes from 1 to 42 form an integral part of these financial statements.

Arif Shaffi
CHIEF EXECUTIVE

Mohammad Shaffi
DIRECTOR

PAKISTAN PVC LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	-----------Rupees-----------	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(10,440,342)	(23,856,755)
Adjustments for :		
Depreciation	10,773,542	11,842,651
Accrued interest	(4,500)	(4,000)
Provision for slow moving damaged stock	-	(4,295)
Debit balances written off	793,620	2,383,035
Credit balances written off	(8,512,391)	-
Provision for doubtful deposits	-	193,650
Finance cost	7,246,433	7,272,664
Staff retirement benefits - gratuity	4,422	4,423
Rental income	(12,820,748)	(11,712,250)
Operating cash flows before changes in working capital	(12,959,964)	(13,880,878)
(Increase) / decrease in current assets		
Store, spare parts and loose tools	-	-
Stock in trade	(442,283)	(46,652)
Trade debts	(18,609)	(114,064)
Loans and advances	(296,796)	(77,365)
Tax refunds due from Government	(102,351)	(182,280)
Increase in current liabilities		
Trade and other payables	4,678,085	2,352,832
	3,818,045	1,932,471
Net cash used in operation	(9,141,918)	(11,948,406)
Income tax paid	(1,178,569)	(1,425,671)
Finance cost paid	(7,456)	(9,231)
	(1,186,025)	(1,434,902)
Net cash used in operating activities	(10,327,944)	(13,383,309)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment acquired	(2,015,000)	(20,900)
Rent received	13,226,688	15,580,082
Net cash generated from investing activities	11,211,688	15,559,182
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term borrowings	885,766	(75,675)
Net cash generated from financing activities	885,766	(75,675)
Net increase in cash and cash equivalents	1,769,510	2,100,198
Cash and cash equivalent at the beginning of the year	2,234,617	134,419
Cash and cash equivalent at the end of the year	4,004,127	2,234,617

The annexed notes from 1 to 42 form an integral part of these financial statements.

Arif Shaffi
CHIEF EXECUTIVE

Mohammad Shaffi
DIRECTOR

PAKISTAN PVC LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2013

	Issued, subscribed and paid up capital	Accumulated loss	Total
	--------------------	Rupees	--------------------
Balance as at June 30, 2011	149,580,000	(390,008,702)	(240,428,702)
Transfer from surplus on revaluation on account of incremental depreciation	-	10,221,719	10,221,719
Total comprehensive loss for the year ended 30.06.2012	-	(25,069,024)	(25,069,024)
Balance as at June 30, 2012	149,580,000	(404,856,007)	(255,276,007)
Transfer from surplus on revaluation on account of incremental depreciation	-	9,199,547	9,199,547.00
Total comprehensive loss for the year ended 30.06.2013	-	(11,687,417)	(11,687,416.97)
Balance as at June 30, 2013	149,580,000	(407,343,877)	(257,763,877)

The annexed notes from 1 to 42 form an integral part of these financial statements.

Arif Shaffi
CHIEF EXECUTIVE

Mohammad Shaffi
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1 LEGAL STATUS AND OPERATIONS

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

The company is engaged in production and sale of PVC resin, PVC pipes and fittings, PVC compound and caustic soda. The company has ceased the production at Gharo since 1995. The production at Islamabad plant continues. The company has installed a water purification plant to process and sell mineral water in 2011.

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.

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 the requirements of The Companies Ordinance, 1984 (the Ordinance) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under The Companies Ordinance, 1984, provisions of and directives issued under under The Companies Ordinance, 1984. Wherever the requirements of The Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of The Companies Ordinance, 1984 or the requirements of the said directives prevail.

2.2 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 had incurred a loss for the year ended June 30, 2013 of Rupees 11.687 million (June 30, 2012: Rupees 25.069 million) and as of that date, reported accumulated loss of Rs. 407.344 million as at June 30, 2013 (June 30, 2012 : Rs. 404.856 million) against the issued, subscribed and paid up capital of Rs. 149.580 million (June 30, 2012 : Rs. 149.580 million) turning shareholders' equity to a negative balance of Rs. 257.764 million (June 30, 2012 : Rs. 255.276 million). The current liabilities exceeds the current assets by Rs. 255.174 million (June 30, 2012 : Rs. 252.405 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.

3 ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that effect application of policies 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 Standards, interpretations and amendments to published approved accounting standards

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

During the year, the following standards, amendments to standards and interpretations including amendments to interpretations became effective, however, the application of these amendments and interpretations did not have material impact on the financial statements of the Company:

Standards, interpretations and amendments	Description
Amendments to IAS 1 - Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income	The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gains on hedges of net investments, exchange differences on translation of foreign operations, net movements on cash flow hedges and net losses or gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). Income tax on items of other comprehensive income is required to be allocated on the same basis i.e. the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments require retrospective application. The amendment is effective for annual periods beginning on or after July 01, 2012.

4. 2 **Approved accounting standards, interpretations and amendments thereto issued but not effective as at the reporting date**

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date.

Standards, interpretations and amendments	Description
Amendments to IAS 16 - Property, Plant and Equipment - Classification of servicing equipment	This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. The standard is effective for annual periods beginning on or after January 01, 2013.
Amendments to IAS 19 - Employee Benefits	The amendments eliminate the corridor approach and therefore require an entity to recognize changes in defined benefit plans obligations and plan assets when they occur. All actuarial gains or losses arising during the year are recognized immediately through other comprehensive income. The amendments also require additional disclosures and retrospective application with certain exceptions. The application of the amendments to IAS 19 would result in the recognition of cumulative unrecognized actuarial loss in other comprehensive income in the period of initial application. The standard is effective for annual periods beginning on or after January 01, 2013.
Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The standard is effective for annual periods beginning on or after January 01, 2013.

Standards, interpretations and amendments	Description
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the entity by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default. The standard is effective for annual periods beginning on or after January 01, 2014.
Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities	The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures. The standard is effective for annual periods beginning on or after January 01, 2013.
Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The amendment is effective for annual periods beginning on or after January 01, 2013.
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The amendment is effective for annual periods beginning on or after January 01, 2013.

4.3 Securities and Exchange Commission of Pakistan through SRO 182(I)/2013 dated 4th March 2013 has amended the requirements of 4th Schedule of the Companies Ordinance 1984. The amendments require some additional disclosure and modification of existing disclosure.

5 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.

5.1 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 / revalued amount 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.

5.2 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.

5.3 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.

5.4 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 hold onto until maturity 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 are 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.

All purchases and sales are recognized on the trade date which is the date that the company commits to purchase or sell the investment, except for sale and purchase of securities in future market which are accounted for at settlement date. Cost of purchase includes transaction cost.

5.5 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.

5.6 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's best estimates.

5.7 **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.

5.8 **Cash and cash equivalents**

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

5.9 **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.

5.10 **Revenue recognition**

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

5.11 **Financial instruments**

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

5.12 **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.

5.13 **Dividends**

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.

5.14 **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, 2013

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.

5.15 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 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.

5.16 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.

5.17 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.

5.18 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.

5.19 Related parties

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

6 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2013	2012		2013	2012
Number of shares			----------Rupees----------	
2,603,335	2,603,335	Ordinary shares of Rs. 10/- each fully paid in cash	26,033,350	26,033,350
2,396,665	2,396,665	Ordinary shares of Rs. 10/= each fully paid for consideration of amounts outstanding against secured loans	23,966,650	23,966,650
180	180	Right shares issued of Rs. 10 each for cash in ratio of 2 for 1 share	1,800	1,800
9,971,820	9,971,820	Right shares issued to underwriters	99,718,200	99,718,200
14,972,000	14,972,000		149,720,000	149,720,000
(14,000)	(14,000)	Less: Unpaid amount in respect of shares allotted to Federal Chemical and Ceramics Corporation (Pvt) Limited.	(140,000)	(140,000)
14,958,000	14,958,000		149,580,000	149,580,000

6.1 The shareholders' are entitled to receive all distributions to them including dividend and other entitlements in the form of bonus and right shares as and when declared by the company. All shares carry "one vote" per share without restriction. There is no movement in share capital during the year.

	Note	2013	2012
7 SURPLUS ON REVALUATION OF FIXED ASSETS		----------Rupees----------	
Surplus on revaluation of property, plant and equipment-gross	7.1	161,657,388	133,520,680
		161,657,388	133,520,680

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

	2013	2012
Surplus on revaluation of property, plant and equipment at the beginning of the year	133,520,680	143,742,399
Arised during the year	37,336,255	-
Transfer to unappropriated profit in respect of incremental depreciation on revalued assets	(9,199,547)	(10,221,719)
	161,657,388	133,520,680

8 LONG TERM FINANCING

	Note	2013	2012
Secured			
Government loan - secured	8.1	32,991,000	32,991,000
Less : Current portion shown under current liabilities		(32,991,000)	(32,991,000)
		-	-
Unsecured - From related parties			
Mrs. Parveen Shaffi	8.2	20,041,401	20,041,401
		20,041,401	20,041,401

8.1 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. The entire amount of the loan stands outstanding and overdue.

8.2 In previous year, amount payable to Mr. Reyaz Shaffi (deceased), against his services provided to the company, was transferred to long term financing because Mrs. Parveen Shaffi being the legal heirs of Mr. Reyaz Shaffi (deceased) have provided her consent to convert the said amount to long term financing. The loan is interest free, unsecured and not repayable in next twelve months.

	Note	2013	2012
9 DEFERRED LIABILITIES		----------Rupees----------	
Staff retirement benefits - gratuity	9.1	175,260	170,838
		175,260	170,838

9.1 Staff retirement benefits - gratuity

Opening balance	170,838	166,415
Provision made during the year	4,422	4,423
	175,260	170,838
Paid during the year	-	-
Closing balance	175,260	170,838

9.2 There is only one employee (June 30, 2012: one employee), entitled for gratuity, therefore the management believes that it is unreasonable to conduct actuarial valuation as required by IAS "19" Employee Benefits".

	Note	2013	2012
10 TRADE AND OTHER PAYABLES		------------Rupees------------	
Creditors		3,412,989	2,820,250
Accrued liabilities		43,892,549	46,556,241
Provident fund payable	10.1	-	1,309,446
Advances from customers		277,418	280,262
Advance Rent		4,293,253	3,887,313
Interest free demand deposits		380,500	719,545
Unclaimed dividend		45,980	45,980
Privatization commission, finance division	10.2	10,000,000	10,000,000
Others		-	382,011
		62,302,689	66,001,047

10.1 It includes interest nil (2012 : 14%) per annum on the basis of previous years balance. During the year the company had deposited the outstanding liability with trust established for this purpose.

10.2 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	2013	2012
11 ACCRUED INTEREST / MARKUP		------------Rupees------------	
Interest / markup on:			
Short term borrowings-UBL		74,474,125	70,864,157
Long term financing		73,992,033	70,363,023
		148,466,158	141,227,180
12 SHORT TERM BORROWINGS			
From banking companies - secured			
Cash finance	12.1	15,000,000	15,000,000
From related parties and directors - unsecured			
Related parties	12.2	1,609,500	1,609,500
Directors	12.2	2,091,020	1,262,321
Book over draft - unsecured	12.3	57,067	-
		18,757,587	17,871,821

12.1 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.

12.2 These loans are mark-up free

12.3 This represents book overdraft due to issuance of cheques in excess of balances in bank accounts.

	Note	2013	2012
13 PROVISION FOR TAXATION - NET		------------Rupees------------	
Opening balance		-	99,884
Add: Provision for the year	33.1	1,247,075	1,212,269
Less: Paid / adjusted during the year		(1,247,075)	(1,312,153)
		-	-

14 CONTINGENCIES AND COMMITMENTS

14.1 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.

14.2 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.

14.3 The Privatization Commission of Pakistan had filed a suit in honorable Islamabad High Court, C.O.S No 07/2002,against the company for recovery of amount repayable to the Privatization commission against principal amount of Government loan assumed at time of privatization of Rs. 32,971,000 along with the markup thereon amounting to Rs. 48,005,929 aggregating to Rs. 80,976,929. The outcome of the case is still undecided however, the legal opinion of the solicitors appointed by the company are of the view that even if the above suit is decided against the company it shall not involve the company into any financial loss.

15 Property, plant and equipment

	Note	2013	2012
		----------Rupees----------	
Operating assets	15.1	56,854,871	49,752,755
Non operating assets	15.2	122,370,700	100,895,103
		179,225,571	150,647,858

15.1 Operating assets

	Owned														
	Land (leasehold)	Factory building	Plant and machinery	Electric installation	Loose tools and implements	Air conditioners, coolers and fans	Fire fighting equipment	Weighing scales	Furniture and fixtures	Office computers	Office equipments	Canteen equipments	Motor vehicles	Other assets	Total
Cost															
Balance as at July 01, 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
Additions during the year	-	-	-	-	-	20,900	-	-	-	-	-	-	-	-	20,900
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2012	24,000,000	6,400,000	27,550,000	2,592,503	1,583,074	1,244,898	119,860	347,476	815,521	-	1,947,979	25,416	1,220,569	116,983	67,964,280
Balance as at July 01, 2012	24,000,000	6,400,000	27,550,000	2,592,503	1,583,074	1,244,898	119,860	347,476	815,521	-	1,947,979	25,416	1,220,569	116,983	67,964,280
Additions during the year	-	-	1,490,000	-	-	-	-	-	25,000	500,000	-	-	-	-	2,015,000
Surplus/(Deficit)	5,944,442	5,934,560	(4,037,854)												7,841,148
Adjustment	-	(2,200,960)	(9,392,146)												(11,593,106)
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2013	29,944,442	10,133,600	15,610,000	2,592,503	1,583,074	1,244,898	119,860	347,476	840,521	500,000	1,947,979	25,416	1,220,569	116,983	66,227,322
Depreciation															
Balance as at July 01, 2011	-	1,216,000	5,056,250	2,452,266	1,580,873	1,104,186	117,303	329,575	767,516	-	1,771,372	25,307	745,486	113,307	15,279,441
Charge for the year	-	518,400	2,249,375	14,024	440	21,107	256	1,790	4,800	-	26,490	16	95,017	368	2,932,084
Depreciation on disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2012	-	1,734,400	7,305,625	2,466,290	1,581,313	1,125,293	117,559	331,365	772,317	-	1,797,862	25,323	840,503	113,675	18,211,525
Balance as at July 01, 2012	-	1,734,400	7,305,625	2,466,290	1,581,313	1,125,293	117,559	331,365	772,317	-	1,797,862	25,323	840,503	113,675	18,211,525
Charge for the year	-	466,560	2,086,521	12,621	352	17,941	230	1,611	6,810	62,500	22,518	14	76,013	331	2,754,032
Adjustment	-	(2,200,960)	(9,392,146)	-	-	-	-	-	-	-	-	-	-	-	(11,593,106)
Depreciation on disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2013	-	-	-	2,478,911	1,581,665	1,143,234	117,789	332,976	779,127	62,500	1,820,379	25,337	916,516	114,006	9,372,451
Written down value as at June 30, 2012	24,000,000	4,665,600	20,244,375	126,213	1,761	119,605	2,301	16,111	43,204	-	150,117	93	380,066	3,308	49,752,755
Written down value as at June 30, 2013	29,944,442	10,133,600	15,610,000	113,592	1,409	101,664	2,071	14,500	61,394	437,500	127,600	79	304,053	2,977	56,854,871
Rate of depreciation	-	10%	10%	10%	30%	15%	10%	10%	10%	30%	15%	15%	20%	10%	

15.2 Non operating assets

	Owned														
	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 computers	Office equipments	Canteen equipments	Motor vehicles	Other assets	Total
Cost															
Balance as at July 01, 2011	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, 2012	18,068,421	2,631,579	4,007,000	106,000,000	-	-	-	-	-	-	-	-	-	-	130,707,000
Balance as at July 01, 2012	18,068,421	2,631,579	4,007,000	106,000,000	-	-	-	-	-	-	-	-	-	-	130,707,000
Additions during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus	6,411,579	1,208,421	15,611,707	6,263,400	-	-	-	-	-	-	-	-	-	-	29,495,107
Adjustment	-	-	(1,378,007)	(36,453,400)	-	-	-	-	-	-	-	-	-	-	(37,831,407)
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2013	24,480,000	3,840,000	18,240,700	75,810,000	-	-	-	-	-	-	-	-	-	-	122,370,700
Depreciation															
Balance as at July 01, 2011	-	-	761,330	20,140,000	-	-	-	-	-	-	-	-	-	-	20,901,330
Charge for the year	-	-	324,567	8,586,000	-	-	-	-	-	-	-	-	-	-	8,910,567
Depreciation on disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2012	-	-	1,085,897	28,726,000	-	-	-	-	-	-	-	-	-	-	29,811,897
Balance as at July 01, 2012	-	-	1,085,897	28,726,000	-	-	-	-	-	-	-	-	-	-	29,811,897
Charge for the year	-	-	292,110	7,727,400	-	-	-	-	-	-	-	-	-	-	8,019,510
Adjustment	-	-	(1,378,007)	(36,453,400)	-	-	-	-	-	-	-	-	-	-	(37,831,407)
Depreciation on disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2013	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Written down value as at June 30, 2012	18,068,421	2,631,579	2,921,103	77,274,000	-	-	-	-	-	-	-	-	-	-	100,895,103
Written down value as at June 30, 2013	24,480,000	3,840,000	18,240,700	75,810,000	-	-	-	-	-	-	-	-	-	-	122,370,700
Rate of depreciation	-	-	10%	10%	-	-	-	-	-	-	-	-	-	-	-

15.3 The company has ceased the production at Gharo since 1998. The above represent assets transferred from property, plant and equipment - operating to property, plant and equipment - non operating from July 1, 2003.

15.4 Depreciation has been allocated as under

	Note	2013	2012
		----------Rupees----------	
Cost of good manufactured	27.1	10,667,121	11,714,948
Administrative expenses	30	11,485	13,496
Distribution cost	29	94,936	114,206
		10,773,542	11,842,651

15.5 Lease hold land is classified as owner occupied property till disposal of the case referred to in note 14.3 to these financial statements.

15.6 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 W-W Engineering service (Pvt.) Limited " on June 30, 2013. Previously Revaluation of the assets was carried out 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 revaluation surplus of Rs. 37,786,255 (previously deficit amounted to Rs. 15,706,145) 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 is restated to the revalued amount of the asset.

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

	Operating assets		Non operating assets	
	2013	2012	2013	2012
	-------Rupees-------		-------Rupees-------	
Freehold land	-	-	5,902	5,902
Leasehold land	4,981,979	4,981,979	38,957	38,957
Factory building	128,003	142,225	72,660	80,733
Plant and machinery	2,865,948	3,182,164	896,027	995,585
	7,975,929	8,306,368	1,013,545	1,121,177

	Note	2013	2012
		------------Rupees------------	
16 LONG TERM INVESTMENTS			
Held to maturity			
Government Securities			
National defense saving certificates	16.1	50,000	50,000
Add: Profit accrued to date		8,500	4,000
		58,500	54,000
		58,500	54,000

16.1 National defense saving certificate of Rs. 50,000 have been purchased from the Government of Pakistan under 10 years maturity scheme. The certificates are en-cashable 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 12.60 % per annum. Profit accrued represents the profit on National defense saving certificates from November 2010 till June 2013.

	Note	2013	2012
		------------Rupees------------	
17 LONG TERM DEPOSITS			
Security deposits		160,315	160,315
Less: Security deposits written off	17.1	(160,315)	-
		-	160,315

17.1 During the year security deposits amounting to Rs. 160,315 (June 30, 2012 : Nil) have been written off by the management through board resolution.

	Note	2013	2012
		------------Rupees------------	
18 STORES, SPARE PARTS AND LOOSE TOOLS			
General stores		-	-
		-	-
19 STOCK IN TRADE			
Raw and packing materials		50,417	42,238
Work in process		115,294	52,187
Finished goods		855,144	484,147
		1,020,855	578,572
20 TRADE DEBTS			
Local - unsecured considered good			
- Pipes and fittings sales			
Gross debtors		1,475,247	3,656,964
Less: Bad debts written off	20.1	-	(2,203,126)
		1,475,247	1,453,838
- Water Sales		-	2,800
		1,475,247	1,456,638

20.1 During the year debts amounting to Rs. Nil (June 30, 2012 : 2,203,126) have been written off by the management.

	Note	2013	2012
		------------Rupees------------	
21 LOANS AND ADVANCES			
Advance to suppliers - considered good	21.1	140,873	114,766
Due from employees	21.2	-	620,805
Advance to others		696	-
		141,569	735,571

21.1 During the year advances to supplier amounting to Rs Nil(June 30,2012 :207,367) have been written off

21.2 Due from employees

	2013	2012
Considered good	-	620,805
Considered doubtful	620,805	191,578
	620,805	812,383
Written off advances	(620,805)	(191,578)
	-	620,805

21.3 During the year advance to employees amounting to Rs. 620,805 (June 30, 2012 : 191,578) have been written off.

	Note	2013	2012
		------------Rupees------------	
22 TRADE DEPOSITS			
Deposits - considered good		-	12,500
Deposits - considered doubtful			
Margin held by banks		-	504,038
Other deposits		12,500	510,140
		12,500	1,026,678
Less: written off trade deposits		(12,500)	(1,014,178)
		-	12,500
23 OTHER RECEIVABLES			
Rent receivables		101,705	101,705
		101,705	101,705
24 TAX REFUNDS DUE FROM GOVERNMENT			
Sales tax receivables		555,016	452,665
Advance income tax	24.1	45,014	113,519
		600,030	566,184
24.1 Advance income tax			
Opening balance		113,519	-
Deducted during the year		1,178,570	1,425,672
Total		1,292,089	1,425,672
Adjusted against liability		(1,247,075)	(1,312,153)
		45,014	113,519
25 CASH AND BANK BALANCES			
Cash in hand		35,241	29,900
Cash at banks - current accounts		3,968,887	2,204,717
		4,004,127	2,234,617
26 SALES - Net			
Local			
PVC pipes and fittings		4,087,756	3,243,403
Mineral water		632,189	264,942
Less: Trade discounts and commission		(1,346,625)	(1,076,287)
		3,373,320	2,432,058
27 COST OF SALES			
Opening stock - finished good		484,147	385,757
Cost of goods manufactured	27.1	20,633,086	21,622,375
Outside purchases		309,647	208,807
		21,426,880	22,216,939
Closing stock- finished goods		(855,144)	(484,147)
		20,571,736	21,732,792

	Note	2013	2012
		----Rupees----	
27.1 Cost of goods manufactured			
Raw and packing material consumed	27.2	1,876,542	1,235,023
Directors remuneration		750,000	750,000
Salaries, wages and benefits		4,043,634	4,310,026
Fuel and power		1,206,154	1,492,077
Stores and spares consumed		355,893	363,384
Repairs and maintenance		834,778	946,433
Postage and telephone		123,644	76,637
Printing and Stationery		500	-
Rent, rates and taxes		105,600	180,304
Traveling, conveyance and vehicles running		714,776	561,781
Entertainment		17,551	4,834
Depreciation	15.4	10,667,121	11,714,948
		20,696,193	21,635,447
Work in progress			
Opening stock		52,187	39,115
Closing stock		(115,294)	(52,187)
		(63,107)	(13,072)
Cost of goods manufactured		20,633,086	21,622,375
27.2 Raw and packing material consumed			
Opening stock		42,238	101,100
Purchases		1,884,721	1,176,161
Available for consumption		1,926,959	1,277,261
Closing stock		(50,417)	(42,238)
		1,876,542	1,235,023
28 OTHER INCOME			
From			
Rental income		12,820,748	11,712,250
Profit on national defense saving certificates		4,500	4,000
Credit balances written off	28.1	8,512,391	-
		21,337,639	11,716,250

28.1 During the year payables relating to officer / employees / parties who have left the company since 1992 to 2010 to whom the company owes various amounts and who have not confirmed their balance for more than five years, amounting to Rs. 8,512,391 have been written off by the management on legal opinion of the solicitors consulted by the company who are of the view that claims of officer / employees / parties against the company, if not approached / referred before the competent court of law within three year from date of accrual of cause of action, have already been expired, in as much as became time barred / in fructuous under the limitation Act (IX of 1908) hence neither the office / staff who have left the company since 1992 to 2010 can claim their dues, not the parties having the claim against the company can claim from the company under the law. Hence the company may treat the account of these officer / staff / parties as being written off.

	Note	2013	2012
29 DISTRIBUTION COST		----Rupees----	
Salaries, wages and benefits		867,300	773,177
Rent, rates and taxes		114,981	38,608
Vehicles running		299,565	125,895
Traveling and conveyance		294,463	552,684
Entertainment		228,582	304,668
Postage and telephone		207,822	170,535
Printing and stationery		216,836	146,282
Electricity, gas and water		464,805	542,091
Transportation cost		40,280	17,520
Membership and subscription		19,853	15,905
Advertisement		48,857	21,300
Depreciation	15.4	94,936	114,206
Others		3,000	-
		2,901,278	2,822,891

30 ADMINISTRATIVE EXPENSES

	Note	2013	2012
		------------Rupees------------	
Directors remuneration		2,250,000	2,250,000
Salaries, wages and benefits		678,000	660,000
Traveling and conveyance		6,455	4,340
Entertainment		63,400	33,338
Postage and telephone		5,740	-
Printing and stationery		34,034	28,222
Repairs and maintenance		73,220	30,635
Electricity, gas and water		57,209	-
Membership fee and subscription		-	193,542
Legal and professional		271,192	198,957
Auditors remuneration	30.1	187,500	187,500
Depreciation	15.4	11,485	13,496
		3,638,234	3,600,030

30.1 Auditors' remuneration

	2013	2012
Statutory audit fee	125,000	125,000
Half yearly review fee	62,500	62,500
	187,500	187,500

31 OTHER OPERATING EXPENSES

	2013	2012
Debit balances written off	793,620	2,383,035
Provision for doubtful deposits	-	193,650
	793,620	2,576,685

32 FINANCE COSTS

	Note	2013	2012
		------------Rupees------------	
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		7,456	9,231
Interest on employees provident fund		-	24,456
		7,246,433	7,272,664

33 TAXATION

	Note	2013	2012
Current year	33.1	1,247,075	1,160,546
Prior year		-	51,723
		1,247,075	1,212,269

33.1 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. During the year company has declared gross loss before setoff of depreciation and other inadmissible expenses under the income tax ordinance, 2001. Therefore, entire provision for current taxation is calculated against rental income.

33.2 The relationship between tax expense and accounting profit is 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 2012.

33.3 During the year net deferred tax assets for the carry forward of unused tax losses amounting to Rs. 113,975,557 (2012: Rs.112,816,614) 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.

34 LOSS PER SHARE - BASIC AND DILUTED

	Note	2013	2012
		------------Rupees------------	
Loss for the year - Rupees		(11,687,417)	(25,069,024)
Weighted average number of shares		14,958,000	14,958,000
Basic loss per share - Rupees		(0.78)	(1.68)

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

35 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

35.1 Credit risk
35.2 Liquidity risk
35.3 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.

35.1 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. 5.723 million (June 30, 2012 : Rs. 4.701 million), financial assets which are subject to credit risk aggregate to Rs. 1.718 million (June 30, 2012 : Rs. 2.467 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.

	2013	2012
	----------Rupees----------	
Long term deposits	-	160,315
Trade debts	1,475,247	1,456,638
Loans and advances	141,569	735,571
Trade deposits	-	12,500
Other receivables	101,705	101,705
Cash and bank balances	4,004,127	2,234,617
	5,722,649	4,701,347

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

	2013	2012
	----------Rupees----------	
Domestic	1,475,247	1,456,638

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

	Gross debtors	
	2013	2012
	----------Rupees----------	
Not past due	584,773	575,648
Past due 0 - 30 days	-	-
Past due 31 - 90 days	-	-
Past due 90 days - 1 year	-	-
More than one year	890,474	880,990
	1,475,247	1,456,638

35.2 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.

	2013					
	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	53,032,401	53,032,401	32,991,000	-	-	20,041,401
Short term borrowings	18,757,587	18,757,587	18,757,587	-	-	-
Accrued interest / markup	148,466,158	148,466,158	148,466,158	-	-	-
Trade and other payables	57,732,018	57,732,018	57,732,018	-	-	-
Total	277,988,164	277,988,164	257,946,763	-	-	20,041,401

	2012					
	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	53,032,401	53,032,401	32,991,000	-	-	20,041,401
Short term borrowings	17,871,821	17,871,821	17,871,821	-	-	-
Accrued interest / markup	141,227,180	141,227,180	141,227,180	-	-	-
Trade and other payables	61,833,472	61,833,472	61,833,472	-	-	-
Total	273,964,876	273,964,876	253,923,475	-	-	20,041,401

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, 2013. The rates of mark up have been disclosed in relevant notes to these financial statements.

35.3 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.

	2013	2012
	-----------Rupees-----------	
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	47,991,000	47,991,000

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.

36 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 since several past 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.

37 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 38 to the financial statements. Following are the balances of and transaction with related parties with related parties.

	2013	2012
Balances with related parties	------------Rupees------------	
Short term borrowing from Mr. Arif Shaffi - Director	691,020	689,401
Short term borrowing from Mrs. Parveen Shaffi - w/o Director	1,609,500	2,182,420
Short term borrowing from Mr. Asif Shaffi - Director	1,400,000	-
Long term financing from Parveen Shaffi - Heirs Mr. Reyaz Shaffi	20,041,401	20,041,401
	23,741,921	22,913,222
Transaction with related parties		
Short term borrowings from directors - receipt	828,699	-
Short term borrowings from directors - repayment	-	75,675

38 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	CHIEF EXECUTIVE		DIRECTORS		TOTAL	
	2013 Rupees	2012 Rupees	2013 Rupees	2012 Rupees	2013 Rupees	2012 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

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

39 PLANT CAPACITY

	Budgeted capacity	Actual production 2013	Actual production 2012
At Gharo		------------Rupees------------	
PVC Resin - tons	25,000	-	-
Compounds 100% - tons	1,500	-	-
PVC leather cloth and plastic sheets -	22,144,500	-	-
At Islamabad			
PVC pipes and fittings - meters	7,751,808	92,082	13,275
Processing of water - Gallons	900,000	48,366	28,145

The budgeted capacity at Gharo is from the time of ceasure of production and can only be re-assessed when production resumes at the facility.

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

The lower level 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.

40 CORRESPONDING FIGURES

Figures have been rearranged / reclassified whenever necessary for the purpose of comparison. There were no significant reclassifications / rearrangements made in financial statements in the current period. Nomenclature of the following accounts have been changed for better understanding and presentation.

Note	From	To	Reason
17	Long term advances	Long term deposit	Better presentation

41 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 21, 2013 by the board of directors of the company.

42 GENERAL

Figures have been rounded off to the nearest Rupee.

Arif Shaffi
CHIEF EXECUTIVE

Mohammad Shaffi
DIRECTOR

PATTERN OF SHAREHOLDING
As at June 30, 2013

No. of Shareholders	------Shareholding------ From	To	Total Shares Held
251	1	100	10,040
82	101	500	25,404
27	501	1,000	23,189
47	1,001	5,000	116,164
13	5,001	10,000	91,540
4	10,001	15,000	49,166
2	15,001	20,000	34,970
1	60,001	65,000	61,500
1	65,001	70,000	65,690
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	1,045,001	1,050,000	1,045,725
1	1,080,001	1,085,000	1,081,000
1	9,970,001	9,975,000	9,971,820
437			14,972,000

Categories of Shareholding
As at June 30, 2013

Categories of shareholders	Share held	Percentage
Directors, Chief Executive Officers, and their spouse and minor childern	806,450	5.3864%
Associated Companies, undertakings and related parties.	0	0.0000%
NIT and ICP	4,250	0.0284%
Banks Development Financial Institutions, Non Banking Financial Institutions.	2,681,563	17.9105%
Insurance Companies	24,220	0.1618%
Modarabas and Mutual Funds	0	0.0000%
Share holders holding 10%	9,971,820	66.6031%
General Public		
a. Local	993,318	6.6345%
b. Foreign		
Others (to be specified)		
1- Joint Stock Companies	488,214	3.2608%
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%

Catagories of Shareholding required under Code of Coprorate Governance (CCG)
As on June 30, 2013

Sr. No.	Name	No. of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties (Name Wise Detail):		-	-
Mutual Funds (Name Wise Detail)			
Directors and their Spouse and Minor Children (Name Wise Detail):			
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%
Executives:		-	-
Public Sector Companies & Corporations:		-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:		2,705,783	18.0723%
Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail)			
1	ENSENA HOLDING FZC	9,971,820	66.6031%
2	INDUSTRIAL DEVELOPMENT BANK OF PAKISTAN. (CDC)	1,081,000	7.2201%
3	SAMBA BANK LIMITED. (CDC)	1,045,725	6.9845%

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

NIL

Folio No.	CDC Account No.	
	Participant I. D.	Account No.

PROXY FORM

I/We ______________________________of ______________________________being a member / members of **PAKISTAN PVC LIMITED** hereby appoint ______________________ (name) of ___________________________(Full address) another member of the company or failing him / her ______________________ (name) of ____ (Full address) another member of the company as my/our proxy to attend and vote for me/us and on my/us behalf, at the 50th Annual General Meeting of the company to be held at Shaffiabad, Gharo, Distt. Thatta on Saturday, October 26, 2013 and at every adjournment thereof.

Signed this _________________day of ____________________________________

Signature on Rupee One Revenue Stamp

(Signature should agree with the specimen signature registered with the company)

Important

1. A member entitled to attend and vote at the Annual General Meeting of the company entitled to appoint a proxy to attend and vote instead of him / her. No person shall act as proxy, who is not a member.
2. The instrument appointing a proxy should be signed by the member (s) or by his/her attorney duly authorized in writing. If the member is a corporation, its common seal should be affixed to the instrument.
3. This Proxy Form, duly completed, must be deposited at the company's Registered Office, at Shaffiabad, Gharo, Distt. Thatta, not less than 72 hours before the time of holding the meeting.
4. The Proxy shall produce his original CNIC or original passport at the time of the Meeting.
5. In case of individual CDC Account holders, attested copy of CNIC or passport (as the case may be) of the beneficial owner will have to be provided with this Proxy.
6. In case of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signature of the nominee shall be submitted along with this Proxy.