

**SHAVYL<sup>®</sup>**

**Annual  
report  
2014**

**PAKISTAN PVC LIMITED**

# 51<sup>st</sup> ANNUAL REPORT

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# 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 51<sup>st</sup> Annual General Meeting of the Company will be held on Saturday, October 25, 2014 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 50<sup>th</sup> Annual General Meeting of the company held on October 26, 2013.
2. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2014 together with the reports of the Director's and Auditors' thereon.
3. To appoint auditors of the company for the year ending June 30, 2015 and fix their remuneration.

#### ANY OTHER BUSINESS

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

Islamabad: September 20, 2014

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. The share transfer books of the company will remain closed from October 18, 2014 to October 25, 2014 (both days inclusive).
3. Any Any individual Beneficial Owner of CDC, entitled to vote at this meeting must bring his/her original CNIC with him/her to prove his/her identity; and in case of proxy, a copy of shareholder's attested CNIC must be attached with the proxy form. Representatives of corporate members should bring the Board of Directors' Resolution/Power of Attorney with specimen signature of the nominees at the time of meeting.
4. 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 51<sup>st</sup> Annual General Meeting of the Company and present the audited accounts for the year ended June 30, 2014 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.

Sales during the year under review increased to Rs. 9.514 million as compared to Rs. 3.373 million of the same period last year and net loss during the year was Rs. 21.170 million as compared to a net loss of Rs. 10.440 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 307,378 meters as against 92,082 meters last year. Excess capacity of this water treatment plant was used to make Mineral Water. Sale of Mineral Water was 50,525 Gallons as against 48,366 Gallons.

### 1. AUDITORS' RESERVATION OF GOING CONCERN

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

### 2. AUDITORS' RESERVATION ABOUT DIRECT CONFIRMATION

As regards confirmations from the lenders of long term loans the company had dispatched the balance confirmation letters several times to the lenders of long term loans.

### 3. AUDITORS' RESERVATION ABOUT LONG OUTSTANDING BALANCES

As regards balances of very long outstanding balances of Creditors, Advances from Customers and Accrued liability we have to state that these balances are appearing in the company's accounts since last many years and as regards confirmations from the Trade and other payables in respect of Accrued liability the company had dispatched the balance confirmation letters to the Trade and other payables in respect of Accrued liability and we understand that an over all majority of these have been responded too.

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, 2015.

**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 handicapped 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 and 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:

<u>Name of Director</u>	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 35 – 37.
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 20, 2014 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 20, 2014

## Six Years at a Glance

(Rs.000)

	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
TURNOVER	9,514	3,373	2,432	6,510	5,748	3,751
GROSS PROFIT	(17,761)	(17,198)	(19,301)	(20,400)	(19,473)	(22,057)
NET PROFIT	(24,225)	(11,687)	(25,069)	(22,975)	(22,010)	(20,349)
TAXATION	3,055	1,247	1,121	1,143	1,100	414
SHARE CAPITAL FUND	149,580	149,580	149,580	149,580	149,580	149,580
SHAREHOLDERS FUND	271,332	257,764	255,276	240,429	228,811	219,381
GROSS PROFIT %	(187)	(510)	(794)	(313)	(339)	(588)
NET PROFIT %	(255)	(346)	(1,031)	(353)	(383)	(542)
TAXATION %	32	37	46	18	19	11
EARNING PER SHARE	(1.62)	(0.78)	(1.68)	(1.54)	(1.47)	(1.36)
DIVIDEND %	-	-	-	-	-	-
BONUS %	-	-	-	-	-	-

**STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE**  
**For the year ended June 30, 2014**

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:

<b>Category</b>	<b>Name</b>
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 NBF1.
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 circulated 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 is 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 20, 2014

**REVIEW REPORT TO THE MEMBERS***On the Statement of Compliance with Best Practices of the Code of Corporate Governance*

We have reviewed the enclosed statement of compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Pakistan PVC Limited** for the year ended June 30, 2014 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 and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the company's personnel and review of various documents prepared by the company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board'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.

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

Based on our review, nothing has come to our attention which causes us to believe that the statement of compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2014.

Karachi:

Dated: **September 20, 2014**

**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, 2014 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, 2014 of Rs. 24.225 million (June 30, 2013: Rs. 11.687 million) and as of that date, reported accumulated loss of Rs. 420.912 million (June 30, 2013: Rs. 407.344 million) against the issued, subscribed and paid up capital of Rs. 149.580 million (June 30, 2013: Rs. 149.580 million) turning shareholders' equity to a negative balance of Rs. 271.332 million (June 30, 2013: Rs. 257.764 million). The current liabilities exceed the current assets by Rs. 267.174 million (June 30, 2013: Rs. 255.174 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. 77,621,043 and Rs. 78,084,092.
- (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".

- (g) Except for the effects of the matters stated above, in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (h) In our opinion;
- (i) Except for the matters referred in paragraph (a) to (g) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (i) Because of the significance of the matters discussed in the preceding paragraph (a) to (f) above, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. 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 (XVIII of 1980).

Karachi:

Dated: **September 20, 2014**

**MUSHTAQ & COMPANY**

Chartered Accountants

**Engagement Partner:**

Shahabuddin A. Siddiqui

FCA

PAKISTAN PVC LIMITED  
BALANCE SHEET  
AS AT JUNE 30, 2014

		2014	2013			2014	2013
Note		-----Rupees-----		Note		-----Rupees-----	
<b>SHARE CAPITAL AND RESERVES</b>				<b>NON CURRENT ASSETS</b>			
				Property, plant and equipment	15	166,999,944	179,225,571
Authorized capital 15,000,000 (June 30, 2013 : 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	Long term investments	16	64,000	58,500
Accumulated loss		(420,911,735)	(407,343,877)				
		(271,331,735)	(257,763,877)				
Surplus on revaluation of fixed assets	7	151,000,614	161,657,388	Long term deposit	17		
<b>NON CURRENT LIABILITIES</b>				<b>CURRENT ASSETS</b>			
Long term financing	8	20,041,401	20,041,401	Stock in trade	18	774,690	1,020,855
Deferred liabilities	9	179,682	175,260	Trade debts	19	1,515,839	1,475,247
<b>CURRENT LIABILITIES</b>				<b>CURRENT ASSETS</b>			
Trade and other payables	10	62,099,023	62,302,689	Loans and advances	20	504,665	141,569
Accrued interest / markup	11	155,705,135	148,466,158	Trade deposits	21		
Short term borrowings	12	18,749,706	18,757,587	Other receivables	22	2,339	101,705
Current portion of long term financing	8	32,991,000	32,991,000	Tax refunds due from Government	23	253,414	600,030
Provision for taxation - net	13	856,410		Cash and bank balances	24	176,346	4,004,127
		270,401,275	262,517,434			3,227,292	7,343,534
<b>CONTINGENCIES AND COMMITMENTS</b>	<b>AND</b>						
	14	170,291,237	186,627,605			170,291,237	186,627,605

The annexed notes from 1 to 41 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, 2014**

		2014	2013
	Note	-----Rupees-----	
Sales - net	25	9,514,091	3,373,320
Cost of sales	26	(27,275,159)	(20,571,736)
Gross loss		(17,761,068)	(17,198,416)
Other income	27	12,456,675	21,337,639
Distribution cost	28	(3,068,791)	(2,901,278)
Administrative expenses	29	(4,057,378)	(3,638,234)
Other operating expenses	30	(1,488,978)	(793,620)
Finance costs	31	(7,249,972)	(7,246,433)
Loss before taxation		(21,169,512)	(10,440,342)
Taxation	32	(3,055,119)	(1,247,075)
Loss for the year		(24,224,632)	(11,687,417)
Loss per share - basic and diluted	33	(1.62)	(0.78)

The annexed notes from 1 to 41 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, 2014**

		2014	2013
	Note	-----Rupees-----	
Loss for the year		(24,224,632)	(11,687,417)
Other comprehensive income / (loss)		-	-
Total comprehensive loss for the year		(24,224,632)	(11,687,417)

The annexed notes from 1 to 41 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, 2014

	2014	2013
	-----Rupees-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(21,169,512)	(10,440,342)
<b>Adjustments for :</b>		
Depreciation	12,225,626	10,773,542
Accrued Interest	(5,500)	(4,500)
Debit balances written off	1,488,978	793,620
Credit balances written off		(8,512,391)
Finance cost	7,249,972	7,246,433
Staff retirement benefits - gratuity	4,422	4,422
Rental income	(12,451,175)	(12,820,748)
Operating cash flows before changes in working capital	(12,657,189)	(12,959,964)
<b>(Increase) / decrease in current assets</b>		
Stock in trade	246,166	(442,283)
Trade debts	(1,427,864)	(18,609)
Loans and advances	(363,095)	(296,796)
Tax refunds due from Government	301,602	(102,351)
<b>Increase in current liabilities</b>		
Trade and other payables	2,747,300	4,678,085
	1,504,108	3,818,045
<b>Net cash used in operation</b>	(11,153,081)	(9,141,918)
Income tax paid	(2,153,695)	(1,178,569)
Finance cost paid	(10,995)	(7,456)
	(2,164,690)	(1,186,025)
<b>Net cash used in operating activities</b>	(13,317,771)	(10,327,944)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property, plant and equipment acquired		(2,015,000)
Rent received	9,497,871	13,226,688
<b>Net cash generated from investing activities</b>	9,497,871	11,211,688
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short term borrowings	(7,881)	885,766
<b>Net cash (used) / generated from financing activities</b>	(7,881)	885,766
Net increase in cash and cash equivalents	(3,827,781)	1,769,510
Cash and cash equivalent at the beginning of the year	4,004,127	2,234,617
<b>Cash and cash equivalent at the end of the year</b>	176,346	4,004,127

The annexed notes from 1 to 41 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, 2014

	Issued, subscribed and paid up capital	Accumulated loss	Total
	-----Rupees-----		
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
Total comprehensive loss for the year ended June 30, 2013	-	(11,687,417)	(11,687,417)
Balance as at June 30, 2013	149,580,000	(407,343,877)	(257,763,877)
Transfer from surplus on revaluation on account of incremental depreciation	-	10,656,774	10,656,774
Total comprehensive loss for the year ended June 30, 2014	-	(24,224,632)	(24,224,632)
Balance as at June 30, 2014	149,580,000	(420,911,735)	(271,331,735)

*The annexed notes from 1 to 41 form an integral part of these financial statements.*

*Arif Shaffi*  
CHIEF EXECUTIVE

*Mohammad Shaffi*  
DIRECTOR

PAKISTAN PVC LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2014

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 (Ensen 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 off 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, 2014 of Rupees 24.225 million (June 30, 2013: Rupees 11.687 million) and as of that date, reported accumulated loss of Rs. 420.912 million as at June 30, 2014 (June 30, 2013 : Rs. 407.344 million) against the issued, subscribed and paid up capital of Rs. 149.580 million (June 30, 2013 : Rs. 149.580 million) turning shareholders' equity to a negative balance of Rs. 271.332 million (June 30, 2013 : Rs. 257.764 million). The current liabilities exceeds the current assets by Rs. 267.174 million (June 30, 2012 : Rs. 255.174 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

Following are the amendments that are applicable for accounting periods beginning on or after January 1, 2013:

- IAS 19 Employee Benefits (amended 2011). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. There is only one employee entitled for gratuity, management believes that it is unreasonable to conduct actuarial valuation as required by IAS "19" Employee Benefits". Therefore, change in accounting policy does not have any effect on the company's financial statements.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. The amendment does not have any effect on the company.
- IFRIC 20 - Stripping cost in the production phase of a surface mining. The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company. The amendment does not have any effect on the company.

4.2 New accounting standards, amendments to existing approved accounting standards and interpretations that are issued but not yet effective and have not been early adopted by the Company

The following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after their respective effective dates:

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) - (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.
- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). The amendments have no impact on financial statements of the Company.
- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Interpretation has no impact on financial statements of the Company
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments have no impact on financial statements of the Company.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2015). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2015. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2015). IAS 28

(2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and, on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

- IFRS 10, 'Consolidated Financial Statements', applicable from January 01, 2015, build on existing principles by identifying the concept of control as the determine factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- IFRS 11, 'Joint Arrangements', applicable from January 01, 2015, is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement; joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
- IFRS12, 'Disclosures of interests in other entities', applicable from January 01, 2015, this standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- IFRS 13, 'Fair value measurement', applicable from January 01, 2015, this standard provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

**4.2.1 Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:**

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further, IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.
- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision-maker. This change aligns the disclosure requirements with those for segment liabilities.
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.
- There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.

**4.3 Standards, interpretations issued by the IASB that are applicable to the company but are not yet notified by the SECP**

- IFRS 9, 'Financial Instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until January 01, 2013 but is available for early adoption. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace IAS 39, 'Financial Instruments' Recognition and measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect

financial institutions. There will be no impact on the company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the company does not have any such liabilities.

- 4.4 There are a number of other minor amendments and interpretations to other approved accounting standards that are not yet effective and are also not relevant to the company and therefore have not been presented here.

## 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 loses 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

During the period, the company has adopted IAS 19, (Revised) "Employee Benefits". The amendments in the revised standard require the company to eliminate the corridor approach and recognize all actuarial gains and losses (now called 'remeasurements', that result from the remeasurement of defined benefits obligations and fair value of plan assets at the balance sheet date) in other comprehensive income as they occur, immediately recognize all past service costs and replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefits liability / asset.

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.

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 "(Revised) Employee Benefits". As the company has not carried out actuarial valuation under projected credit unit method therefore, adoption of IAS 19 (revised) "Employee benefits" have no retrospective impacts on these financial statements as required under International Accounting Standard - 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and the comparative financial statements have not been restated.

#### 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

2014	2013		2014	2013
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	2014	2013
-----Rupees-----			
<b>7 SURPLUS ON REVALUATION OF FIXED ASSETS</b>			
Surplus on revaluation of property, plant and equipment - gross	7.1	151,000,614	161,657,388
		151,000,614	161,657,388
<b>7.1 Surplus on revaluation of property, plant and equipment - gross</b>			
Surplus on revaluation of property, plant and equipment at the beginning of the year		161,657,388	133,520,680
Arised during the year			37,336,255
Transfer to unappropriated profit in respect of incremental depreciation on revalued assets		(10,656,774)	(9,199,547)
		151,000,614	161,657,388

## 8 LONG TERM FINANCING

## Secured

Government loan	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	2014	2013
-----Rupees-----			
<b>9 DEFERRED LIABILITIES</b>			
Staff retirement benefits - gratuity	9.1	179,682	175,260
		179,682	175,260

## 9.1 Staff retirement benefits - gratuity

Opening balance	175,260	170,838
Provision made during the year	4,422	4,422
	179,682	175,260
Paid during the year		
Closing balance	179,682	175,260

- 9.2 There is only one employee (June 30, 2013: 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	2014	2013
-----Rupees-----			
<b>10 TRADE AND OTHER PAYABLES</b>			
Creditors		2,992,446	3,412,989
Accrued liabilities		47,055,605	43,892,549
Advances from customers		282,204	277,418
Advance Rent		1,342,288	4,293,253
Interest free demand deposits		380,500	380,500
Unclaimed dividend		45,980	45,980
Privatization commission, finance division	10.1	10,000,000	10,000,000
		62,099,023	62,302,689

- 10.1 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	2014	2013
-----Rupees-----			
<b>11 ACCRUED INTEREST / MARKUP</b>			
Interest / markup on:			
Short term borrowings-UBL		78,084,092	74,474,125
Long term financing		77,621,043	73,992,033
		155,705,135	148,466,158

## 12 SHORT TERM BORROWINGS

	Note	2014	2013
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	2,139,820	2,091,020
Book over draft - unsecured	12.3	386	57,067
		18,749,706	18,757,587

- 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	2014	2013
-----Rupees-----			
<b>13 PROVISION FOR TAXATION - NET</b>			
Opening balance			
Add: Provision for the year	32.1	3,055,119	1,247,075
Less: Paid / adjusted during the year		(2,198,709)	(1,247,075)
		856,410	-

## 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. 80,996,929. 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

	2014	2013
	-----Rupees-----	
Operating assets	54,034,314	56,854,871
Non operating assets	112,965,630	122,370,700
	166,999,944	179,225,571

Note

15.1

15.2

15.1 Operating assets

	Owned											Total				
	Land leasehold	Factory building	Plant and machinery	Electric installation	Loose tools and	Air conditioners,c	Fire fighting equipment	Weighing scales	Furniture and fixtures	Office computers	Office equipments		Canteen equipments	Motor vehicles	Other assets	
<b>Cost</b>																
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)	(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	
Balance as at July 01, 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	
Additions during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance as at June 30, 2014	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	
<b>Depreciation</b>																
Balance as at July 01, 2012	-	1,734,400	7,305,625	2,466,290	1,581,313	1,125,293	117,599	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	6,920	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	1,581,666	1,143,234	117,789	332,976	779,137	62,500	1,820,379	25,337	916,516	114,006	9,372,451	
Balance as at July 01, 2013	-	-	-	2,478,911	1,581,666	1,143,234	117,789	332,976	779,137	62,500	1,820,379	25,337	916,516	114,006	9,372,451	
Charge for the year	-	1,013,360	1,561,000	11,359	282	15,250	207	1,450	6,138	131,250	19,140	12	60,811	298	2,820,556	
Depreciation on disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance as at June 30, 2014	-	1,013,360	1,561,000	2,490,271	1,581,947	1,158,484	117,996	334,426	785,275	193,750	1,839,519	25,349	977,327	114,303	12,193,007	
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	61,384	437,500	127,600	79	304,053	2,977	56,854,871	
Written down value as at June 30, 2014	29,944,442	9,120,240	14,049,000	102,233	1,127	86,414	1,864	13,050	55,246	306,250	108,450	67	243,242	2,680	54,034,314	
Rate of depreciation	10%	10%	10%	10%	20%	15%	10%	10%	10%	30%	15%	15%	20%	10%	10%	

## 15.2 Non operating assets

Cost	Owned											Total			
	Land leasehold	Land freehold	Factory building	Plant and machinery	Loose tools and	Air conditioners,c	Fire fighting equipment	Weighing scales	Furniture and fixtures	Office computers	Office equipments		Canteen equipments	Motor vehicles	Other assets
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
Balance as at July 01, 2013	24,480,000	3,840,000	18,240,700	75,810,000											122,370,700
Additions during the year															
Disposals															
Balance as at June 30, 2014	24,480,000	3,840,000	18,240,700	75,810,000											122,370,700
Depreciation															
Balance as at July 01, 2012			1,055,897	28,726,000											29,811,897
Charge for the year			292,110	7,727,400											8,019,510
Adjustment															
Depreciation on disposals															
Balance as at June 30, 2013															
Balance as at July 01, 2013															
Charge for the year															
Depreciation on disposals															
Balance as at June 30, 2014															
Written down value as at June 30, 2013	24,480,000	3,840,000	18,240,700	75,810,000											122,370,700
Written down value as at June 30, 2014	24,480,000	3,840,000	16,416,630	68,229,000											112,965,630
Rate of depreciation		10%		10%											

15.3 The company has ceased the production at Charo since 1995. 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	Rupees-----	
	2014	2013
26.1	12,138,735	10,667,121
29	9,775	11,485
28	77,116	94,936
	12,225,626	10,773,542

15.5 Lease hold land is classified as owner occupied property till disposal of the case referred to in note 14.2 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. 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 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		
	2014	2013	2014	2013	2014	2013
Freehold land					5,902	5,902
Leasehold land	4,981,979	4,981,979			38,957	38,957
Factory building	115,203	128,003			65,394	72,660
Plant and machinery	2,577,553	2,863,948	806,424	896,027		
	7,674,735	7,973,929	916,677	1,013,545		

	Note	2014	2013
-----Rupees-----			
<b>16 LONG TERM INVESTMENTS</b>			
Held to maturity			
Government Securities			
National defense saving certificates	16.1	50,000	50,000
Add: Profit accrued to date		14,000	8,500
		64,000	58,500
		64,000	58,500

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 2014.

	Note	2014	2013
-----Rupees-----			
<b>17 LONG TERM DEPOSITS</b>			
Security deposits		-	160,315
Less: Security deposits written off	17.1	-	(160,315)
		-	-

17.1 During the year security deposits amounting to Rs. Nil (June 30, 2013 :Rs. 160,315) have been written off by the management through board resolution.

	Note	2014	2013
-----Rupees-----			
<b>18 STOCK IN TRADE</b>			
Raw and packing materials		281,649	50,417
Work in process		69,714	115,294
Finished goods		423,327	855,144
		774,690	1,020,855

	Note	2014	2013
-----Rupees-----			
<b>19 TRADE DEBTS</b>			
Local - unsecured considered good			
- Pipes and fittings sales			
Gross debtors	19.1	2,893,797	1,475,247
Less: Bad debts written off		(1,387,273)	-
		1,506,524	1,475,247
- Water Sales		9,315	-
		1,515,839	1,475,247

19.1 During the year trade debts amounting to Rs. 1,387,273 (June 30, 2013 : Nil) have been written off by the management through board resolution.

	Note	2014	2013
-----Rupees-----			
<b>20 LOANS AND ADVANCES</b>			
Advance to suppliers - considered good		261,161	140,873
Due from employees	20.1	-	-
Advance for expenses		243,504	-
Advance to others		-	696
		504,665	141,569
20.1 Due from employees		-	620,805
Considered doubtful		-	620,805
		-	(620,805)
Less: written off advances		-	-

20.2 During the year advance to employees amounting to Rs. Nil (June 30, 2013 : 620,805) have been written off by the management through board resolution.

	Note	2014	2013
-----Rupees-----			
<b>21 TRADE DEPOSITS</b>			
Trade deposits			12,500
Less: written off trade deposits			(12,500)
<b>22 OTHER RECEIVABLES</b>			
Gross rent receivables		104,044	101,705
Less: written off rent receivables	22.1	(101,705)	-
		2,339	101,705
22.1	During the year rent receivables amounting to Rs. 101,705 (June 30, 2013 : Nil) have been written off by the management through board resolution.		
<b>23 TAX REFUNDS DUE FROM GOVERNMENT</b>			
Sales tax receivables		253,414	555,016
Advance income tax	23.1	-	45,014
		253,414	600,030
23.1 Advance income tax			
Opening balance		45,014	113,519
Deducted during the year		2,153,695	1,178,570
Total		2,198,709	1,292,089
Adjusted against liability		(2,198,709)	(1,247,075)
			45,014
<b>24 CASH AND BANK BALANCES</b>			
Cash in hand		29,900	35,240
Cash at banks - current accounts		146,446	3,968,887
		176,346	4,004,127
<b>25 SALES - Net</b>			
Local			
PVC pipes and fittings		12,942,831	4,087,756
Mineral water		974,775	632,189
Less: Trade discounts and commission		(4,403,515)	(1,346,625)
		9,514,091	3,373,320
<b>26 COST OF SALES</b>			
Opening stock - finished good		855,144	484,147
Cost of goods manufactured	26.1	26,946,003	20,633,086
Outside purchases		80,665	309,647
Finished goods (outside purchases) returned		(183,326)	-
		27,698,486	21,426,880
Closing stock- finished goods		(423,327)	(855,144)
		27,275,159	20,571,736
26.1 Cost of goods manufactured			
Raw and packing material consumed	26.2	5,425,560	1,876,542
Directors remuneration		750,000	750,000
Salaries, wages and benefits		4,264,069	4,043,634
Fuel and power		1,443,430	1,206,154
Stores and spares consumed		623,774	355,893
Repairs and maintenance		1,061,477	834,778
Postage and telephone		97,945	123,644
Printing and Stationery		-	500
Rent, rates and taxes		265,939	105,600
Traveling, conveyance and vehicles running		779,013	714,776
Entertainment		50,481	17,551
Depreciation	15.4	12,138,735	10,667,121
		26,900,423	20,696,193

	Note	2014	2013
-----Rupees-----			
<b>Work in process</b>			
Opening stock		115,294	52,187
Closing stock		(69,714)	(115,294)
		45,580	(63,107)
Cost of goods manufactured		26,946,003	20,633,086
<b>26.2 Raw and packing material consumed</b>			
Opening stock		50,417	42,238
Purchases		5,656,792	1,884,721
Available for consumption		5,707,209	1,926,959
Closing stock		(281,649)	(50,417)
		5,425,560	1,876,542
<b>27 OTHER INCOME</b>			
<b>From other than financial assets</b>			
Rental income		12,451,175	12,820,748
Profit on national defense saving certificates		5,500	4,500
Credit balances written off	27.1	-	8,512,391
		12,456,675	21,337,639
<b>27.1</b>			
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	2014	2013
-----Rupees-----			
<b>28 DISTRIBUTION COST</b>			
Salaries, wages and benefits		1,014,106	867,300
Rent, rates and taxes		97,692	114,981
Vehicles running		272,449	299,565
Traveling and conveyance		191,214	294,463
Entertainment		207,786	228,582
Postage and telephone		156,561	207,822
Printing and stationery		121,000	216,836
Electricity, gas and water		496,015	464,805
Transportation cost		23,995	40,280
Membership and subscription		266,773	19,853
Advertisement		143,280	48,857
Depreciation	15.4	77,116	94,936
Others		804	3,000
		3,068,791	2,901,278
	Note	2014	2013
-----Rupees-----			
<b>29 ADMINISTRATIVE EXPENSES</b>			
Directors remuneration		2,250,000	2,250,000
Salaries, wages and benefits		726,000	678,000
Rent, rates and taxes		7,385	-
Traveling and conveyance		21,400	6,455
Entertainment		61,712	63,400
Postage and telephone		2,840	5,740
Printing and stationery		44,400	34,034
Repairs and maintenance		158,600	73,220
Electricity, gas and water		24,593	57,209
Membership fee and subscription		6,750	-
Legal and professional		556,423	271,192
Auditors remuneration	29.1	187,500	187,500
Depreciation	15.4	9,775	11,485
		4,057,378	3,638,234

	Note	2014	2013
-----Rupees-----			
<b>29.1 Auditors' remuneration</b>			
Statutory audit fee		125,000	125,000
Half yearly review fee		62,500	62,500
		<u>187,500</u>	<u>187,500</u>
<b>30 OTHER OPERATING EXPENSES</b>			
Debit balances written off		1,488,978	793,620
		<u>1,488,978</u>	<u>793,620</u>
<b>31 FINANCE COSTS</b>			
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		10,995	7,456
		<u>7,249,972</u>	<u>7,246,433</u>
<b>32 TAXATION</b>			
Current year	32.1	3,038,252	1,247,075
Prior year		16,867	-
		<u>3,055,119</u>	<u>1,247,075</u>

32.1 The provision for current year taxation on local sales and rental income earned during the year. The assessment of the company will be finalized under the provisions of Income Tax Ordinance, 2001. Income tax returns are filed up to tax year 2013.

32.2 Relationship between tax expense and accounting profit is presented below.

	2014	2013
-----Rupees-----		
Accounting loss	(21,169,512)	(10,440,342)
Tax at the applicable tax rate of 34% (2013: 35%)		
<b>Tax effects:</b>		
Deferred tax - net	-	-
Prior year tax effect	16,867	-
Income taxed as separate block	3,038,252	-
Tax credits	-	-
Difference in tax rate under normal assessment and presumptive tax regime	-	1,247,075
	<u>3,055,119</u>	<u>1,247,075</u>

32.3 During the year net deferred tax assets for the carry forward of unused tax losses amounting to Rs. 93,391,761 (2013: Rs. 113,975,557) has not been recognized because it is not probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

	Note	2014	2013
-----Rupees-----			
<b>33 LOSS PER SHARE - BASIC AND DILUTED</b>			
Loss for the year - Rupees		(24,224,632)	(11,687,417)
Weighted average number of shares		14,958,000	14,958,000
Basic loss per share - Rupees		(1.62)	(0.78)

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

#### 34 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

- 34.1 Credit risk
- 34.2 Liquidity risk
- 34.3 Market risk

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

## 34.1 Credit risk

## Exposure to credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade debts, loans and advances, trade deposits and short term prepayments and cash and bank balances. Out of total financial assets of Rs. 2,199 million (June 30, 2013 : Rs. 5,723 million), financial assets which are subject to credit risk aggregate to Rs. 2,023 million (June 30, 2013 : Rs. 1,718 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.

	2014	2013
	-----Rupees-----	
Long term deposits	-	-
Trade debts	1,515,839	1,475,247
Loans and advances	504,665	141,569
Trade deposits	-	-
Other receivables	2,339	101,705
Cash and bank balances	176,346	4,004,127
	<u>2,199,188</u>	<u>5,722,649</u>

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

	2014	2013
	-----Rupees-----	
Domestic	1,515,839	1,475,247

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

	Gross debtors	
	2014	2013
	-----Rupees-----	
Not past due	504,593	594,257
Past due 0 - 30 days	1,005,342	-
Past due 31 - 90 days	-	-
Past due 90 days - 1 year	1,044	-
More than one year	4,860	880,990
	<u>1,515,839</u>	<u>1,475,247</u>

## 34.2 Liquidity risk

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

	2014					
	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	18,749,706	18,749,706	18,749,706	-	-	-
Accrued interest / markup	155,705,135	155,705,135	155,705,135	-	-	-
Trade and other payables	60,474,531	60,474,531	60,474,531	-	-	-
Total	<u>287,961,774</u>	<u>287,961,774</u>	<u>267,920,373</u>	<u>-</u>	<u>-</u>	<u>20,041,401</u>

	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			
<b>Total</b>	<b>277,988,165</b>	<b>277,988,165</b>	<b>257,946,764</b>			<b>20,041,401</b>

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, 2014. The rates of mark up have been disclosed in relevant notes to these financial statements.

### 34.3 Market risk

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

#### Currency risk

##### Exposure to currency risk

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

#### Interest rate risk

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

	2014	2013
-----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.

### 35 CAPITAL RISK MANAGEMENT

The board's policy is to maintain a strong capital base as to maintain investor, creditor and market confidence and to sustain future development of the business, however, practical difficulties with this regard are being faced by the management due to liquidity crisis, small market share and huge losses. The board of directors monitor the return on capital and the level of dividend to ordinary shareholders while due to heavy losses no dividend has been declared 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.

### 36 TRANSACTIONS WITH RELATED PARTIES

The company has related party relationship with its directors and key management personnel. Remuneration given to chief executive directors and executives are in accordance with their terms of employment as disclosed in note 38 to the financial statements. Following are the balances of and transaction with related parties with related parties.

	2014	2013
-----Rupees-----		
Balances with related parties		
Short term borrowing from Mr. Arif Shaffi - Director	739,820	691,020
Short term borrowing from Mrs. Parveen Shaffi - w/o Director	1,609,500	1,609,500
Short term borrowing from Mr. Asif Shaffi - Director	1,400,000	1,400,000
Long term financing from Parveen Shaffi - Heirs Mr. Reyaz Shaffi	20,041,401	20,041,401
	23,790,721	23,741,921
Transaction with related parties		
Short term borrowings from directors - receipt	48,800	-
Short term borrowings from directors - repayment	-	75,675

## 37 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	CHIEF EXECUTIVE		DIRECTORS		TOTAL	
	2014 Rupees	2013 Rupees	2014 Rupees	2013 Rupees	2014 Rupees	2013 Rupees
Basic	999,996	999,996	999,996	999,996	1,999,992	1,999,992
House rent	449,998	449,998	449,998	449,998	899,996	899,996
Others	50,006	50,006	50,006	50,006	100,012	100,012
	1,500,000	1,500,000	1,500,000	1,500,000	3,000,000	3,000,000
Number of persons	1	1	2	2	3	3

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

## 38 PLANT CAPACITY

	Budgeted capacity	Actual production	
		2014	2013
-----Rupees-----			
At Gharo			
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	307,378	92,082
Processing of water - Gallons	900,000	50,525	48,366

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.

## 39 NUMBER OF EMPLOYEES

	2014	2013
Number of employees as at year end	44	40
Average employee during the year	46	38

## 40 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 20, 2014 by the board of directors of the company.

## 41 GENERAL

Figures have been rounded off to the nearest Rupee.

Arif Shaffi  
CHIEF EXECUTIVE

Mohammad shaffi  
DIRECTOR

**PATTERN OF SHAREHOLDING**  
As at June 30, 2014

No. of Shareholders	-----Shareholding-----		Total Shares Held
	From	To	
259	1	100	10,120
102	101	500	36,281
59	501	1,000	54,237
117	1,001	5,000	360,159
37	5,001	10,000	293,040
9	10,001	15,000	124,166
6	15,001	20,000	101,470
3	20,001	25,000	72,000
4	25,001	30,000	115,500
1	65,001	70,000	65,690
2	70,001	75,000	149,000
1	75,001	80,000	77,000
1	95,001	100,000	100,000
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	9,970,001	9,975,000	9,971,820
609			14,972,000

**Categories of Shareholding**  
As at June 30, 2014

Categories of shareholders	Share held	Percentage
Directors, Chief Executive Officers, and their spouse and minor children	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.	1,600,563	10.6904%
Insurance Companies	24,220	0.1618%
Modarabas and Mutual Funds	0	0.0000%
Share holders holding 10% or more	9,971,820	66.6031%
General Public		
a. Local	2,061,857	13.7714%
b. Foreign		
Others (to be specified)		
1- Joint Stock Companies	501,214	3.3477%
2- Investment Companies	1,625	0.0109%
3- Forigen Companies	9,971,820	66.6031%
4- Other Companies	1	0.0000%

**Categories of Shareholding required under Code of Corporate Governance (CCG)  
As on June 30, 2014**

Sr. No.	Name	No. of Shares Held	Percentage
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**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:**

**Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)**

1	ENSENA HOLDING FZC	9,971,820	66.6031%
2	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