

SHAVYL®

**ANNUAL
REPORT
2009**

Pakistan PVC Limited

46th ANNUAL REPORT

CONTENTS

Company Information -----	2
Notice of Meeting -----	3
Objectives and Strategic Planning -----	4
Statement of Ethics and Business Practices -----	5
Director's Report to the Shareholders -----	6
Six Years at a Glance -----	8
Statement of Compliance with the Code of Corporate Governance ----	9
Auditor's Review Report on Statement of Compliance -----	10
Auditors' Report -----	11
Balance Sheet -----	13
Profit & Loss Account -----	14
Cash Flow Statement -----	15
Statement of Changes in Equity -----	16
Notes to the Accounts -----	17
Pattern of Shareholding -----	34
Form of Proxy -----	36

COMPANY INFORMATION

BOARD OF DIRECTORS

CHAIRMAN &
CHIEF EXECUTIVE

Reyaz Shaffi

DIRECTORS

Ijaz Ahmad Khan
Adeel Shaffi
Asif Shaffi
Mohammad Iqbal
Arif Shaffi
Adnan Shaffi

SECRETARY &
CHIEF FINANCIAL OFFICER

Asif Shaffi

AUDITORS

Mushtaq & Co.
Chartered Accountants

AUDIT COMMITTEE

Adnan Shaffi – Chairman
Mohammad Iqbal – Member
Ijaz Ahmad Khan – Member

BANKERS

United Bank Limited
Muslim Commercial Bank Limited
Royal Bank of Scotland Limited

HEAD OFFICE

Shaffiabad, Gharo, District Thatta

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 46th Annual General Meeting of the Company will be held on Saturday, October 31, 2009 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 45th Annual General Meeting of the company held on September 30, 2008.
2. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2009 together with the reports of the Director's and Auditors' thereon.
3. To appoint auditors of the company for the year ending June 30, 2010 and fix their remuneration.
4. To elect six directors for a period of three years. The retiring directors are: M/s Reyaz Shaffi, Asif Shaffi, Arif Shaffi, Mohammad Iqbal, Ijaz Ahmad Khan and Adeel Shaffi. All the Six retiring directors being eligible offered themselves for reappointment.
5. To approve the remuneration package for the chief executive and two full time working directors of the company
 "Resolved that the Chief Executive is allowed to receive gross annual remuneration of Rs. 1.5 million alongwith free use of company car, telephone, medical and other benefits as per company's regulations from time to time."
 "Further Resolved that two full time working directors are allowed to receive gross annual remuneration of Rs. 1.5 million alongwith free use of company car, telephone, medical and other benefits as per company's regulations from time to time."

ANY OTHER BUSINESS

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

Islamabad: October 10, 2009

By Order of the Board
(ASIF SHAFFI)
Company Secretary

Notes:

1. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be valid must be received by the company not later than 72 hours before the scheduled time for the meeting.
2. As required u/s 178 (3), any member who seeks to contest an election to the office of director, shall whether he is retiring director or otherwise, file with the Company, not later than fourteen days before the date of the meeting at which election are to be held, a notice of his intention to offer himself for election as a director alongwith consent to act as a director u/s 184 of the Companies Ordinance, 1984.
3. The share transfer books of the company will remain closed from October 26, 2009 to October 31, 2009 (both days inclusive).
4. CDC account holders will in addition have to follow the under mentioned guidelines as laid down in Circular No.1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan for attending the Meeting:
 - (i) **In case of individuals:** The account holder or sub account holder and / or the person whose securities are registered on CDS; and their registration details are uploaded as per the regulations, shall authenticate his /her identity by showing his/her original National Identity Care (NIC) or original passport at the time of attending the Meeting. The Members are also required to bring their Participants' I.D. number and account numbers in CDS.
 - (ii) **In case of corporate entity:** The Board of Directors Resolution / Power of Attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.
5. Shareholders are requested to promptly notify the company about any change in their address.

OBJECTIVES AND STRATEGIC PLANNING

SHAVYL GROUP VISION

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

MISSION STATEMENT

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

OBJECTIVES

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

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

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

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

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

STRATEGIC PLANNING

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

STATEMENT OF ETHICS AND BUSINESS PRACTICES

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

THE PURPOSE AND VALUES OF BUSINESS

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

EMPLOYEES

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

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

CUSTOMER RELATION

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

SHAREHOLDERS, FINANCIAL INSTITUTIONS & CREDITORS

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

SUPPLIERS

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

SOCIETY / COMMUNITY

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

GENERAL

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

IMPLEMENTATION

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

DIRECTOR'S REPORT TO THE SHAREHOLDERS

On behalf of my colleagues on the Board, I welcome you to the 46th Annual General Meeting of the Company and present the audited accounts for the year ended June 30, 2009 along with the auditors' report thereon.

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

Sales during the year under review decreased to Rs. 3.951 millions as compared to Rs. 7.977 millions of the same period last year and net loss during the year was Rs. 19.935 million as compared to a net profit of Rs. 60.493 millions during the previous year. Work of installation of Machinery of Pipe Plant shifted from Gharo to Islamabad has delayed due to non availability of funds.

During the year under review Gharo Plant remains closed through out the year and there was no production. The production of PVC Pipes at Islamabad factory was 128,185 meters as against 359,705 meters last year.

1. AUDITORS' RESERVATION OF GOING CONCERN

The auditors have qualified their opinion, since your company has prepared the accounts on the going concern basis. The reason given in their qualification is the continued losses sustained by your company, no improvement/result of the efforts made by the management for obtaining additional capital. The case for the revival of your company remains under active consideration with the Committee for Revival of Sick Industrial Units set up by the Finance Division, Government of Pakistan and the United Bank Limited. In the meantime as desired by the United Bank Limited and as per the State Bank of Pakistan regulation new revaluation reports have been prepared by State Bank approved 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 Creditors, Advances from Customers and Accrued liability the company had dispatched the balance confirmation letters to the Creditors, Advances from Customers and Accrued liability and we understand that an over all majority of these have been responded too.

4. AUDITORS' RESERVATION ABOUT EMPLOYEES PROVIDENT FUND

As regards non payment of employees provident fund. The Company has started paying the employees provident fund. As soon as the company's financial position improves the company will clear its liability of the fund. The company is accruing interest for non payment. All the amounts which were written back were very old and had been time barred.

5. AUDITORS' RESERVATION ABOUT TAX RECORDS

As regards the absence of tax records assessment orders for last few years have not been finalized by the department.

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

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

AUDIT COMMITTEE

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

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

DIVIDEND

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

AUDITORS

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

The present auditors M/s Mushtaq & Company, Chartered Accountants, the retiring auditors being eligible have offered themselves for reappointment as auditors of the Company for the year ending June 30, 2009.

STATEMENTS OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

<u>Name of Director</u>	<u>Total Number of Board Meetings</u>	<u>Number of Meetings Attended</u>
Mr. Reyaz Shaffi	4	4
Mr. Adeel Shaffi	4	4
Mr. Mohammad Iqbal	4	4
Mr. Asif Shaffi	4	4
Mr. Arif Shaffi	4	4
Mr. Ijaz Ahmad Khan	4	4
Mr. Adnan Shaffi	4	4

10. The pattern of shareholding and additional information regarding pattern of shareholding is given on Page 26 – 27.
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: October 3, 2009

On behalf of the Board of Directors
(REYAZ 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.

Reyaz Shaffi – Chief Executive

Dated: October 3, 2009

Six Years at a Glance

(Rs.000)

	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
TURNOVER	3,751	7,977	11,276	10,856	10,403	10,430
GROSS PROFIT	(22,057)	(22,008)	(6,605)	(9,541)	(5,870)	(5,113)
NET PROFIT	(20,349)	60,452	(19,093)	(2,710)	(36,384)	(40,168)
TAXATION	414	40	61	55	63	125
SHARE CAPITAL FUND	149,580	149,580	149,580	149,580	49,860	49,860
SHAREHOLDERS FUND	219,381	214,811	281,302	267,232	500,566	468,027
GROSS PROFIT %	(588)	(276)	(59)	(88)	(56)	(49)
NET PROFIT %	(542)	758	(169)	(25)	(350)	(385)
TAXATION %	11	1	1	1	0.61	1.20
EARNING PER SHARE	(1.36)	4.04	(1.28)	(0.25)	(7.31)	(5.51)
DIVIDEND %	-	-	-	-	-	-
BONUS %	-	-	-	-	-	-

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended June 30, 2009

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi Stock Exchange and Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes at least 4 independent non-executive directors including 2 directors representing minority shareholders out of total of 7 directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF.
4. No casual vacancy occurred in the Board during the year.
5. The Company has prepared a Statement of Ethics and Business Practices, which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended is being maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors of the company have given declaration that they are aware of their duties, powers and responsibilities under the Companies Ordinance, 1984 and the listing regulations of the Stock Exchange. The directors have also attended workshops and seminars of the subject of corporate governance.
10. The Board has approved the appointment of CFO, Company Secretary to one of the Executive Directors who is performing these duties at the same remuneration which he was drawing as Executive Director. He holds graduate degree in commerce since 1986 and has experience of handling financial and corporate affairs of this company since many years.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises 3 members, of whom all are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied.

(Reyaz Shaffi)

Chairman / CEO

Dated: October 3, 2009

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

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Pakistan PVC Limited** to comply with the Listing Regulation No. 35 (previously Regulation No. 37) of the Karachi Stock Exchange (Guarantee) Limited and Chapter XIII of Lahore Stock Exchange (Guarantee) Limited where the company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price.

Based on our review, nothing has come to our attention which causes us to believe that the statement of compliance does not appropriately reflect the company's compliance, in all material respect, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2009.

Karachi:
Dated: **October 3, 2009**

MUSHTAQ & COMPANY
Chartered Accountants
Engagement Partner:

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Pakistan PVC Limited** as at June 30, 2009 and the related profit and loss account, 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. The financial statements of the company as of June 30, 2008 were audited by another auditor whose report dated September 06, 2008, expressed a disclaimer of opinion due to significance of the various matters, (i) uncertainty as to the ability to continue as a going concern, (ii) non verification of long term Government loan, short term running finance, accrued liabilities, and liability towards Privatization Commission, Finance Division, (iii) non provision of supporting documents regarding written off long term advances and deposits, trade debts, other receivable, creditors and accrued liabilities, (iv) non compliance of section 226 of Companies Ordinance, 1984 deposits from customers not kept in special bank account, (v) non provision of tax records regarding calculation of deferred tax, (vi) unable to perform impairment test and non amortization of an intangible assets, (vii) non provision of depreciation, unable to perform impairment test on non operating property plant and equipment and non complying with the disclosure requirements relating to the presentation of carrying amount that would have been recognized had the asset carried under cost model, (viii) disagreement with the accounting treatment of leasehold land, (ix) non deposit of withholding tax deducted by the company within the prescribed time frame, (x) indetermination of financial impact of the contingencies and commitments on the financial statements.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verifications, we report that;

- (a) As shown in the note 3 to the financial statements, the company has accumulated loss of Rs. 368.961 million (June 30, 2008: Rs. 364.391 million as restated) as at June 30, 2009 against the issued, subscribed and paid up capital of Rs. 149.580 million (June 30, 2008: Rs. 149.580 million) turning shareholders' equity to a negative balance of Rs. 219.381 million (June 30, 2008: Rs. 214.811 million as restated). The current liabilities exceed the current assets by Rs. 239.300 million (June 30, 2008: Rs. 227.310 million). Further the company has not been able to obtain enough finance to revive its operations. These circumstances give rise to significant uncertainty as to the ability of the company to continue operations as going concern in the foreseeable future. However, these financial statements do not include any adjustment relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the company be unable to continue as a going concern.
- (b) Bank statements are not available to verify the correctness of balance of long term loan from Government of Pakistan reflected under current portion of long term loans amounting to Rs. 32,991,000 and UBL cash finance amounting to Rs. 15,000,000 reflected under short term borrowings, therefore, the same along with the markup accrued thereon amounting to Rs. 59,475,993 and Rs. 60,034,255 respectively and underlying terms and conditions of these borrowings remained unverified.
- (c) Due to very long outstanding balances and non availability of underlying records, We are unable to verify Rs. 53,100,311 and Rs. 10,000,000 respectively, the amounts included in trade and other payables in respect of accrued liabilities of Rs. 9,111,107 and liability of Rs. 10,000,000 towards Privatization Commission, Finance Division.
- (d) Trade and other payables include an amount of Rs. 2,974,416 pertaining to employee's provident fund and interest accrued thereon. Non payment of this amount is in violation of Section 227 of the Companies Ordinance, 1984 and Securities and Exchange Commission of Pakistan imposed a penalty of Rs. 5000 on the Chief Executive of the Company.
- (e) Deposits from customers amounting to Rs. 1,721,918 have not kept in special bank account as against the requirements of section 226 of the Companies Ordinance, 1984. However, any potential liability that

may arise as a result of this continued non-compliance cannot presently be estimated, therefore, no effect for the same in these financial statements has been taken.

- (f) We do not concur with the accounting treatment of leasehold land referred in note 13.6 of these financial statements being violation of the requirements of International Accounting Standards (IAS 40) "Investment Property".
- (g) As shown in the note 15.2 in the absence of active market of this intangible asset, any indication of future profitable operations of the company and the resultant economic benefits that might be derived from the use of such intangible asset, the value of this asset can not be determined reliably. In the absence of revaluation figure based on discounted cash flow method as suggested by International Accounting Standards (IAS 36) "Impairment of Assets" management is unable to perform impairment test. In the absence of active market price and economic benefits that might be derived from the use of such intangible asset company's management has decided to amortize the asset in current year.
- (h) The company has not deposited the withholding tax, amounting to Rs. 1,977,470 deducted under section 153 of Income Tax Ordinance 2001 within the time frame prescribed under Rule 43(b) of the Income tax Rules, 2002. We cannot estimate the exposure on the financial statements of the company by not following the above mentioned legal requirement.
- (i) As more fully explained in note 13 of these financial statements the impact on the financial statements is not determinable.
- (j) 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;
- (k) In our opinion;
- (i) Except for the matters referred in paragraph (a) to (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of 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;
- (l) Because of the significance of the matters discussed in the preceding paragraph (a) to (i) above, we do not express an opinion on these financial statements.
- (f) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Karachi:
Date: **October 3, 2009**

MUSHTAQ & COMPANY
Chartered Accountants
Engagement Partner:

PAKISTAN PVC LIMITED
BALANCE SHEET
AS AT JUNE 30, 2009

	2009	2008		2009	2008
Note	.....Rupees..... (Restated)		Note	.....Rupees..... (Restated)	
SHARE CAPITAL AND RESERVES			NON CURRENT ASSETS		
Authorized share capital 15,000,000 ordinary shares of Rs.10/- each	150,000,000	150,000,000	Tangible Assets		
			Property, plant and equipment	14	187,634,887 220,997,458
Issued, subscribed and paid up capital	5	149,580,000			
Accumulated loss	(368,961,328)	(364,390,902)			
	(219,381,328)	(214,810,902)			
Surplus on revaluation of assets	6	167,719,270	Intangible assets	15	- 135,087,500
		343,593,524	Long term investments	16	- -
NON CURRENT LIABILITIES			Long term advances and	17	160,315 160,315
Long term loan	7	-			
Deferred liabilities	8	157,571			
		153,149			
CURRENT LIABILITIES			CURRENT ASSETS		
Trade and other payables	9	73,404,397	Stores, spares and loose tools	18	14,426 8,712
Markup accrued on loans	10	119,510,248	Stocks in trade	19	784,553 436,232
Short term borrowings	11	17,535,960	Trade debts	20	2,249,132 1,491,554
Current portion of long term loan	7	32,991,000	Loans and advances	21	905,630 737,681
Provision for taxation - net	12	367,641	Trade deposits	22	173,631 173,631
		243,809,246	Other receivables	23	155,791 26,473
		230,416,221	Tax refunds due from Govt.		180,345 180,345
CONTINGENCIES AND COMMITMENTS	13		Cash and bank balances	24	46,047 52,091
		192,304,758			4,509,556 3,106,719
		359,351,992			192,304,758 359,351,992

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

REYAZ SHAFFI
CHIEF EXECUTIVE

ADNAN SHAFFI
DIRECTOR

PAKISTAN PVC LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009	2008
		.....Rupees.....	
			(Restated)
Sales-net	25	3,750,983	7,977,212
Cost of sales	26	(25,808,095)	(29,985,467)
Gross loss		<u>(22,057,112)</u>	<u>(22,008,255)</u>
Other income	27	13,848,787	98,929,026
Distribution cost	28	(1,342,677)	(1,192,930)
Administrative expenses	29	(3,090,506)	(7,932,724)
Finance costs	30	(7,293,330)	(7,302,408)
Profit / (loss) before tax		<u>(19,934,838)</u>	60,492,710
Taxation		(413,698)	(40,410)
Profit / (loss) after tax for the year		<u><u>(20,348,536)</u></u>	<u><u>60,452,300</u></u>
Basic and diluted earnings per share	32	(1.36)	4.04

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

REYAZ SHAFFI
CHIEF EXECUTIVE

ADNAN SHAFFI
DIRECTOR

PAKISTAN PVC LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009

	2009	2008
	.....Rupees.....	
CASH FLOWS FROM OPERATING ACTIVITIES		(Restated)
Profit / (loss) before tax	(19,934,838)	60,492,710
<i>Adjustments for non-cash items :</i>		
Depreciation	17,656,429	19,621,559
Financial charges	7,293,329.97	7,302,408
Provision for gratuity	4,422	4,422
Long term security deposits write off	-	173,153
Provision for doubtful debts	-	4,598,537
Creditors written off	-	(96,431,741)
Realization of surplus on amortization of intangible assets	(9,302,500)	-
Operating cash flows before changes in working capital	(4,283,158)	(4,238,952)
(Increase) / decrease in current assets		
Store and spares	(5,714)	(8,712)
Stock in trade	(348,322)	461,527
Trade debts	(757,578)	231,586
Loans and advances	(167,949)	268,497
Trade deposits	-	(26,473)
Other receivables	(22,581)	-
Increase in current liabilities		
Trade and other payables	5,638,636	3,951,712
	4,336,492	4,878,136
Net cash generated from operations	53,334	639,184
Income tax paid	(265,805)	(30,280)
Financial charges paid	(5,879)	(63,431)
	(271,684)	(93,711)
Net cash generated from / (used in) operating activities	(218,350)	545,473
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	(24,000)
Net cash used in investing activities	-	(24,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term borrowings	212,306	(691,899)
Net cash generated from/ (used in) financing activities	212,306	(691,899)
Net increase / (decrease) in cash and cash equivalents	(6,044)	(170,426)
Cash and cash equivalent at the beginning of the year	52,091	222,517
Cash and cash equivalent at the end of the year	46,047	52,091

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

REYAZ SHAFFI
CHIEF EXECUTIVE

ADNAN SHAFFI
DIRECTOR

PAKISTAN PVC LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2009

	Issued, subscribed and paid up capital	Accumulated losses	Total
	.....Rupees.....		
Balance at June 30, 2007 as previously reported	149,580,000	(430,882,055)	(281,302,055)
Application of accounting policy for the provision of depreciation on non-operating assets - note-14.2	-	(114,649,630)	(114,649,630)
Application of accounting policy for transfer from surplus on account of incremental depreciation - note-6.1	-	103,157,249	103,157,249
Balance at June 30, 2007 as restated	149,580,000	(442,374,436)	(292,794,436)
Transfer from surplus on revaluation on account of incremental depreciation (restated)	-	17,531,234	17,531,234
Profit for the year ended June 30, 2008 (restated)	-	60,452,300	60,452,300
Balance at June 30, 2008 as restated	149,580,000	(364,390,902)	(214,810,902)
Transfer from surplus on revaluation on account of incremental depreciation	-	15,778,111	15,778,111
Loss for the year ended June 30, 2009	-	(20,348,536)	(20,348,536)
Balance at June 30, 2009	149,580,000	(368,961,328)	(219,381,328)

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

REYAZ SHAFFI
CHIEF EXECUTIVE

ADNAN SHAFFI
DIRECTOR

PAKISTAN PVC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

1 LEGAL STATUS AND OPERATIONS

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

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

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Standards, interpretations and amendments to published approved accounting standards

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

- ❖ IFRS - 7 Financial Instruments : Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS - 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS - 32 Financial Instruments : Disclosure and Presentation. The application of the standard did not have significant impact on the company's financial statements other than increase in disclosures.
- ❖ IAS - 29 Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The company does not have any operations in hyperinflationary economies and therefore the application of the standard did not affect the company's financial statements.
- ❖ IFRIC - 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operates or otherwise participate in customer loyalty programmes under which the customer can redeem credit for award such as free or discounted goods or services. The application of IFRIC - 13 did not affect the company's financial statements.
- ❖ IFRIC - 14, IAS - 19 The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after January 01, 2008). IFRIC - 14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements for such asset. The interpretation has no effect on company's financial statements.

Standards, interpretations and amendments to published approved accounting standards that are not yet effective

- ❖ The following standards, interpretations and amendments of approved accounting standards are only effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the company's operations or are not expected to have significant impact on the company's financial statements other than increased disclosures in certain cases.
- ❖ Revised IAS - 1 Presentation of Financial Statements (effective for annual periods beginning on or after 01 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

- ❏ Revised IAS - 23 Borrowing Costs (effective for annual periods beginning on or after 01 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying assets as part of the cost of that asset. The application of the standard is not likely to have an effect on the company's financial statements.
- ❏ Amended IAS - 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transactions. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the company's financial statements.
- ❏ IAS - 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 January 2009). The amendment removes the definition of the cost methods from IAS - 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have an effect on company's financial statements.
- ❏ Amendments to IAS - 32 Financial Instruments : Presentation and IAS - 1 Presentation of Financial Statements (effective for annual period beginning on after 01 January 2009) - Puttable Financial Instruments and Obligations Arising on Liquidations requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which requires retrospective application, or not expected to have any impact on the company's financial statements.
- ❏ Amendment to IAS - 39 Financial Instruments : Recognition and Measurement - Eligible hedged items (effective for annual periods beginning on or after 01 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment is not likely to have an effect on the company's financial statements.
- ❏ Amendments to IAS - 39 and IFRIC - 9 Embedded derivatives (effective for annual periods beginning on or after 01 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value. The amendments are not likely to have an effect on company's financial statements.
- ❏ Amendment to IFRS - 2 Share-based Payment - Vesting Conditions and Cancellations (effective for annual periods beginning on or after 01 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on the company's financial statements.
- ❏ Amendment to IFRS - 2 Share-based Payment - Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 01 January 2010). Currently effective IFRS requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transactions to account for the transaction in its separate or individual financial statements.
- ❏ Revised IFRS - 3 Business Combinations (applicable for annual periods beginning on or after 01 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognized in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the company's financial statements.
- ❏ IFRS - 4 Insurance Contracts (effective for annual periods beginning on or after 01 January 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts. The standard is not applicable to the company's operations.
- ❏ Amendment to IFRS - 7 Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 01 January 2009). These amendments have been made to bring the disclosure requirements of IFRS - 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements.
- ❏ The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the company's 2010 financial statements. These amendments are unlikely to have an impact on the company's financial statements.

- ❖ The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the company's 2010 financial statements. These amendments are unlikely to have an impact on the Company's financial statements.
- ❖ IFRS - 8 Operating Segments (effective for annual periods beginning on or after 01 January 2009) introduces the "management approach" to segment reporting. IFRS - 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the company's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them.
- ❖ IFRIC - 15 Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 01 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The IFRIC is not relevant to the company's operations.
- ❖ IFRIC - 16 Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 01 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The IFRIC is not relevant to the company's operations.
- ❖ IFRIC - 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 01 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognized in the income statement. As the company does not distribute non-cash assets to its shareholders, this interpretation has no impact on the company's financial statements.
- ❖ IFRIC - 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). The interpretation is not relevant to the company's operations.

3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except that certain fixed assets that have been stated at revalued amounts. The company has accumulated loss of Rs. 368.961 million (June 30, 2008 : Rs. 364.391 million as restated) as at June 30, 2009 against the issued, subscribed and paid up capital of Rs. 149.580 million (June 30, 2008 : Rs. 149.580 million) turning shareholders' equity to a negative balance of Rs. 219.381 million (June 30, 2008 : Rs. 214.811 million as restated). The current liabilities exceeds the current assets by Rs. 239.300 million (June 30, 2008 : Rs. 227.310 million). Further the company has not being able to obtain enough finance to revive its operations. These circumstances give rise to significant uncertainty as to the ability of the company to continue operations as going concern in the foreseeable future. However these financial statements do not include any adjustment relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the company be unable to continue as a going concern.

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

3.1 Provision for taxation

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

3.2 Staff retirement benefits - gratuity

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

3.3 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.

3.4 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.

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

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

4 SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property, plant and equipment

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

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

Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the asset so replaced, if any, are retired.

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

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

4.2 Intangible assets

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

4.3 Impairment

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

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

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

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

4.4 Investments

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

Investments at fair value through profit or loss

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

Held to maturity

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

Available for sale

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

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

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

4.5 Stores and spares

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

4.6 Stock in trade

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

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

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

4.7 Trade debts

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

4.8 Cash and cash equivalents

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

4.9 Borrowings and borrowing costs

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets until such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to the income, in the period in which these are incurred.

4.10 Revenue recognition

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

4.11 Financial instruments

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

4.12 Off setting financial assets and financial liabilities

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

4.13 Dividend

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

4.14 Staff retirement benefits-gratuity

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

Provision is made annually to cover the obligation on the basis of actuarial valuation and charged to income currently. There is only one employee entitled for gratuity, therefore the management believes that it is unreasonable to conduct actuarial valuation as required by IAS 19 "Employee Benefits" for the year ended June 30, 2009.

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

4.15 Taxation**Current**

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

Deferred

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized. During the year company a deferred tax assets for the carryforward of unused tax losses amounting to Rs. 96,858,075 arised that shall not be recognized because it is not probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized

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

4.16 Trade and other payable

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

4.17 Provisions

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

4.18 Foreign currencies

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

4.19 Related parties

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

5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2009		2008		2009		2008	
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	

	Note	2009	2008
.....Rupees.....			
(Restated)			
Surplus on revaluation of property plant and equipment-gross	6.1	167,719,270	199,203,524
Surplus on revaluation of intangible assets	6.3	-	144,390,000
		167,719,270	343,593,524
6.1 Surplus on revaluation of property, plant and equipment - gross			
Surplus on revaluation of property, plant and equipment at the beginning of the year- as previously reported		199,203,524	319,892,007
Application of accounting policy for transfer from surplus on account of incremental depreciation	6.2	-	(103,157,249)
Surplus on revaluation of property, plant and equipment at the beginning of the year- (As restated)		199,203,524	216,734,758
Deficit arised during the year		(15,706,143)	-
Transfer to unappropriated profit in respect of incremental depreciation on revalued assets		(15,778,110.94)	(17,531,234)
		167,719,270	199,203,524
6.2 The company had not realized the surplus in respect of incremental depreciation since June 30, 2003 due to non provision of depreciation on non operating assets. In current year company has provided depreciation on non operating assets to comply with the International Accounting standard (IAS 16) " Property, Plant and Equipment" and Technical Release (TR 11) "Depreciation on idle Property, Plant and Equipment". Due to provision of depreciation on idle property, plant and equipment company has realized the portion of surplus on account of incremental depreciation. The realization of incremental depreciation has been applied retrospectively in accordance with International Accounting Standard (IAS 8) "Accounting Policies, Changes in Accounting Estimates and Error". Consequently surplus on revaluation of property, plant and equipment is decreased by Rs.103,157,249.			

	Note	2009	2008
.....Rupees.....			
6.3 Surplus on revaluation of intangible assets			
Surplus on revaluation of intangible assets at the beginning of the year		144,390,000	144,390,000
Surplus on revaluation of intangible assets realized during the year on amortization of intangible assets	15.2	(144,390,000)	-
		-	144,390,000

7 LONG TERM LOAN

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

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

	Note	2009	2008
.....Rupees.....			
8 DEFERRED LIABILITIES			
Staff retirement benefits-gratuity	8.1	157,571	153,149
		157,571	153,149
8.1 Staff retirement benefits-gratuity			
opening balance		153,149	148,727
Provision made during the year		4,422	4,422
		157,571	153,149
Paid during the year		-	-
Closing balance		157,571	153,149
8.2 There is only one employee (2008:1), entitled for gratuity, therefore the management believes that it is unreasonable to conduct actuarial valuation as required by IAS 19" Employee Benefits".			

	Note	2009	2008
.....Rupees.....			
9 TRADE AND OTHER PAYABLES			
Creditors	9.1	1,198,759	1,258,789
Accrued liabilities	9.1	53,100,331	49,116,877
Income tax withheld		1,977,470	1,977,470
Payable to provident fund	9.2	2,974,416	2,925,942
Advances from customers		408,298	201,856
Advance Rent		1,565,955	141,944
Interest free demand deposits		1,721,918	1,665,918
Unclaimed dividend		45,980	45,980
Privatization Commission, Finance Division	9.3	10,000,000	10,000,000
Others		411,270	382,510
		<u>73,404,397</u>	<u>67,717,287</u>

9.1

During the year the company has written back the creditors and accrued liabilities outstanding from more than three years amounting to Rs. Nil (2008: Rs. 45,165,965) and Rs. Nil (2008: Rs.22,578,451) respectively with the guidance of its legal advisor in the light of Limitations Act, 1980. The amounts written back are directly charged to profit and loss account in respective years.

9.2

It includes interest @ 14% p.a. on the previous years' balance. During the year the company has written back provident fund amounting to Rs. Nil (2008: Rs.23,629,399) outstanding since long pertaining to ex-employees for which no claim has been filed by the employees. Furthermore the provident fund under litigation amounting to Rs. Nil (2008: Rs.5,057,926) has been written back on the basis of decision of Honorable Sindh Civil Court. Further more, the opinion of legal advisor (advocate supreme court) has been obtained explaining the terms used in decision of Honorable Sindh Civil Court, the amounts written back have been directly charged to Profit and Loss Account.

9.3

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	2009	2008
.....Rupees.....			
10 MARKUP ACCRUED ON LOANS			
Mark-up on short term borrowings-secured		60,034,255	56,424,287
Mark-up on long term loan-secured		59,475,993	55,846,983
		<u>119,510,248</u>	<u>112,271,270</u>
11 SHORT TERM BORROWINGS			
Cash finance - secured	11.1	15,000,000	15,000,000
Loan from related parties - unsecured	11.2	2,309,500	2,309,500
Loan from director - unsecured	11.2	226,460	14,153
		<u>17,535,960</u>	<u>17,323,653</u>

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

11.2 This represents interest / mark up free loan.

	Note	2009	2008
.....Rupees.....			
12 PROVISION FOR TAXATION - NET			
Opening balance		113,011	102,882
Add: Provision for the year		413,698	40,410
Less: Paid during the year		(159,068)	(30,280)
		<u>367,641.40</u>	<u>113,011</u>

12.1 According to the assessment order for the year 2001-02, tax losses available to be carried forward are Rs.151.232 million while subsequent returns filed reflected losses. Company has provided tax expense only on rental income earned during the year.

13 CONTINGENCIES AND COMMITMENTS

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

13.2 Title of plot of land of the company situated at Islamabad is in dispute. Allotment of land at Islamabad was cancelled by CDA for which company is contesting in Supreme Court of Pakistan. The company has also started negotiations with CDA. The case is pending and management is hopeful of a favorable outcome.

13.3 The company has filed an appeal to the Securities and Exchange Commission of Pakistan (The Commission) against the order issued by the Commission to appoint statutory auditor to evaluate and verify the amount due to the provident fund trust and also verify the amount of provident fund which is subjudice due to the matter pending in the court of law and submit a report to the Commission. During last year the company has written back outstanding provident fund balance on the basis of order issued by Honorable Sindh Civil Court as more fully explained in note 9.2.

13.4 Company has committed to pay outstanding dues to CDA for the Leasehold Land. CDA has not confirmed the amount therefore the amount of the obligation can not be measured with sufficient reliability.

14 PROPERTY, PLANT AND EQUIPMENT

	2009	2008
.....Rupees.....		
(Restated)		
14.1	56,927,887	54,836,069
14.2	130,707,000	166,161,389
	187,634,887	220,997,458

Note

Operating assets
Non Operating assets

14.1 Operating assets

Cost	Owned											Total		
	Land leasehold	Factory building	Plant and machinery	Electric installation	Loose tools and implements	Air conditioner, coolers and fans	Fire fighting equipment	Weighting scales	Furniture and fixtures	Office equipments	Canteen equipments		Motor vehicles	Other assets
Balance as at July 01, 2007	27,222,200	5,497,375	39,865,000	2,592,503	1,583,074	1,117,099	119,860	347,476	815,521	1,896,064	25,416	706,280	116,983	81,904,851
Additions during the year	-	-	-	-	-	24,000	-	-	-	-	-	-	-	24,000
Disposals	-	-	-	-	-	-	-	-	-	-	-	(9,711)	-	(9,711)
Balance as at June 30, 2008	27,222,200	5,497,375	39,865,000	2,592,503	1,583,074	1,141,099	119,860	347,476	815,521	1,896,064	25,416	696,569	116,983	81,919,140
Balance as at July 01, 2008	27,222,200	5,497,375	39,865,000	2,592,503	1,583,074	1,141,099	119,860	347,476	815,521	1,896,064	25,416	696,569	116,983	81,919,140
Additions during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation / adjustments	(3,222,200)	3,478,469	4,613,338	-	-	-	-	-	-	-	-	-	-	4,869,607
Disposals	-	(2,575,844)	(18,478,338)	-	-	-	-	-	-	-	-	-	-	(21,054,182)
Balance as at June 30, 2009	24,000,000	6,400,000	26,000,000	2,592,503	1,583,074	1,141,099	119,860	347,476	815,521	1,896,064	25,416	696,569	116,983	65,734,565
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at July 01, 2007	-	1,890,547	13,461,713	2,578,760	1,577,700	1,042,033	115,491	320,193	742,354	1,639,886	25,207	697,778	111,381	24,003,043
Charge for the year	-	360,683	2,640,329	21,374	1,075	14,860	655	2,728	7,317	38,427	31	1,700	560	3,089,739
Depreciation on disposals	-	-	-	-	-	-	-	-	-	-	-	(9,711)	-	(9,711)
Balance as at June 30, 2008	-	2,251,230	16,102,042	2,400,134	1,578,775	1,056,893	116,146	322,921	749,671	1,678,313	25,238	689,767	111,941	27,083,071
Balance as at July 01, 2008	-	2,251,230	16,102,042	2,400,134	1,578,775	1,056,893	116,146	322,921	749,671	1,678,313	25,238	689,767	111,941	27,083,071
Charge for the year	-	324,614	2,376,296	19,237	860	12,631	557	2,455	6,585	32,663	27	1,360	504	2,777,789
Surplus on revaluation / adjustments	-	(2,575,844)	(18,478,338)	-	-	-	-	-	-	-	-	-	-	(21,054,182)
Depreciation on disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2009	-	-	-	2,419,371	1,579,635	1,069,524	116,703	325,376	756,256	1,710,976	25,265	691,127	112,445	8,806,678
Written down value as at June 30, 2008	27,222,200	3,246,145	23,762,958	192,369	4,299	84,206	3,714	24,555	65,850	217,751	178	6,802	5,042	54,836,069
Written down value as at June 30, 2009	24,000,000	6,400,000	26,000,000	173,132	3,439	71,575	3,157	22,100	59,265	185,088	151	5,442	4,538	56,927,887
Rate of depreciation	-	10%	10%	10%	20%	15%	10%	10%	10%	15%	15%	20%	10%	10%

14.2 Non operating assets

Cost	Owned											Total		
	Land leasehold	Land freehold	Factory building	Plant and machinery	Loose tools and implements	Airconditioner, coolers and fans	Fire fighting equipment	Weighing scales	Furniture and fixtures	Office equipments	Canteen equipments		Motor vehicles	Other assets
Balance as at July 01, 2007	11,200,000	6,175,000	23,067,840	256,900,000	-	-	-	-	-	-	-	-	-	297,342,840
Additions during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2008	11,200,000	6,175,000	23,067,840	256,900,000	-	-	-	-	-	-	-	-	-	297,342,840
Balance as at July 01, 2008	11,200,000	6,175,000	23,067,840	256,900,000	-	-	-	-	-	-	-	-	-	297,342,840
Additions during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation / adjustments	6,868,421	(3,543,421)	(7,026,276)	(16,874,474)	-	-	-	-	-	-	-	-	-	(20,575,750)
			(12,094,564)	(134,025,526)	-	-	-	-	-	-	-	-	-	
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2009	18,068,421	2,631,579	4,047,000	106,040,000	-	-	-	-	-	-	-	-	-	130,707,000
Depreciation														
Balance as at July 01, 2007 as reported	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effect of provision of depreciation note-14.4	-	-	9,446,511	105,203,119	-	-	-	-	-	-	-	-	-	114,649,630
Balance as at July 01, 2007 as restated	-	-	9,446,511	105,203,119	-	-	-	-	-	-	-	-	-	114,649,630
Charge for the year (restated)	-	-	1,362,133	15,169,688	-	-	-	-	-	-	-	-	-	16,531,821
Depreciation on disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2008	-	-	10,808,644	120,372,807	-	-	-	-	-	-	-	-	-	131,181,451
Balance as at July 01, 2008	-	-	10,808,644	120,372,807	-	-	-	-	-	-	-	-	-	131,181,451
Charge for the year	-	-	1,225,920	13,652,719	-	-	-	-	-	-	-	-	-	14,878,639
Surplus on revaluation / adjustments	-	-	(12,034,564)	(134,025,526)	-	-	-	-	-	-	-	-	-	(146,060,090)
Depreciation on disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2009	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Written down value as at June 30, 2008-restated	11,200,000	6,175,000	12,259,196	136,527,193	-	-	-	-	-	-	-	-	-	166,161,389
Written down value as at June 30, 2009	18,068,421	2,631,579	4,047,000	106,000,000	-	-	-	-	-	-	-	-	-	130,707,000
Rate of depreciation	-	0%	10%	10%	-	-	-	-	-	-	-	-	-	-

14.3 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.

14.4 The company had not provide depreciation since July 01, 2002 on non operating assets. In current year company has provided depreciation on non operating assets to comply with the International Accounting standard (IAS 16) "Property, Plant and Equipment" and Technical Release (TR 11) "Depreciation on idle Property, Plant and Equipment". Due to provision of depreciation on idle property, plant and equipment company has realized the portion of surplus on account of incremental depreciation. The realization of incremental depreciation has been applied retrospectively in accordance with International Accounting Standard (IAS 8) "Accounting Policies, Changes in Accounting Estimates and Error", consequently accumulated depreciation increased by Rs. 114,649,630 and carrying amount of property, plant and equipment is decreased by the same amount.

14.5 Depreciation has been allocated as under

Note	2009		2008	
	Rupees.....			
28.1	17,623,860	(Restated)	19,583,391	(Restated)
32	15,395		18,095	
28	17,174		20,074	
	17,656,429		19,621,560	

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

14.7 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 Adif Associates (Pvt) Limited" on June 30, 2009. The value is assessed on the basis of professional knowledge, present market conditions and available records. Freehold / leasehold land, building on freehold land, and plant and machinery was revalued at market value. The company has incorporated a deficit amounting to Rs. 15,706,143 on revaluation of above assets on the basis of said valuation report. Accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

	Operating assets		Non operating assets	
	2009	2008	2009	2008
	Rupees.....			
	(Restated)	(Restated)	(Restated)	(Restated)
Freehold land	4,981,979	4,981,979	5,902	5,902
Leasehold land	195,096	216,773	38,957	38,957
Factory building	2,595,047	2,883,586	99,670	110,744
Plant and machinery	7,772,122	8,082,138	1,229,118	1,365,686.48
			1,373,647	1,521,290

		2009	2008
15 INTANGIBLE ASSETS	Note		
		.....Rupees.....	
Cost at the beginning of the year		135,087,500	135,087,500
Amortized during the year	15.2	(135,087,500)	-
		-	135,087,500

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

15.2 In the absence of active market of this intangible asset, any indication of future profitable operations of the company and the resultant economic benefits that might be derived from the use of such intangible asset, the value of this asset can not be determined reliably. In the absence of revaluation figure based on discounted cash flow method as suggested by International Accounting Standards (IAS 36) " Impairment of Assets" management is unable to perform impairment test. In the absence of active market price and economic benefits that might be derived from the use of such intangible asset company's' management has decided to amortize the asset in current year.

		2009	2008
16 LONG TERM INVESTMENTS	Note		
		.....Rupees.....	
Available for sale			
Listed Companies			
20,000 fully paid ordinary shares of Rs. 10 each in Standard Insurance Company Limited	16.1	200,000	200,000
Less: Provision for diminution in the value of investments		(200,000)	(200,000)
		-	-
Unlisted Companies			
2,000 Shares of Omer Sons Food Products Limited (In liquidation)		20,000	20,000
Less: Provision for diminution in the value of investments		(20,000)	(20,000)
		-	-
Government Securities			
National defense saving certificates		5,000	5,000
Less: Provision for loss		(5,000)	(5,000)
		-	-
		-	-

16.1 Investment in Standard Insurance Company Limited has a market value of Rs. 880,000 as at June 30, 2009, But company has not any record and shares regarding this investment therefore provision for diminution in value against investment has been made in the books.

		2009	2008
17 LONG TERM ADVANCES AND DEPOSITS	Note		
		.....Rupees.....	
Other advances - considered doubtful		-	64,607
Less: Provision for doubtful advances		-	-
Less: Bad debts written off against already created provision		-	(64,607)
		-	-
Security deposits		160,315	333,468
Less: security deposits written off directly		-	(173,153)
		160,315	160,315
		160,315	160,315

		2009	2008
18 STORES, SPARES AND LOOSE TOOLS			
General stores		2,591,826	2,598,838
Provision for slow moving and obsolete items		(2,591,826)	(2,598,838)
		-	-
Spare parts		6,191,581	6,307,550
Provision for slow moving and obsolete items		(6,191,581)	(6,307,550)
		-	-
Building materials		176,452	176,452
Provision for slow moving and obsolete items		(176,452)	(176,452)
		-	-
Factory supplies		244,937	239,223
Provision for slow moving and obsolete items		(230,511)	(230,511)
		14,426	8,712
Loose tools		710,825	710,825
Provision for slow moving and obsolete items		(710,825)	(710,825)
		-	-
		14,426	8,712

19 STOCK IN TRADE

Raw and packing materials	6,566,902	6,664,892
Provision for slow moving, damaged and obsolete material	(6,561,904)	(6,561,904)
	4,998	102,988
Raw material with bank and third parties	707,894	707,894
Provision for slow moving, damaged and obsolete material	(707,894)	(707,894)
	-	-
Raw material in transit	1,756,681	1,756,681
Provision for slow moving, damaged and obsolete material	(1,756,681)	(1,756,681)
	-	-
Work in process	613,061	590,540
Provision for slow moving, damaged and obsolete material	(526,850)	(526,850)
	86,211	63,691
Finished goods	697,152	273,361
Provision for slow moving, damaged and obsolete goods	(3,808)	(3,808)
	693,344	269,553
	784,553	436,232
	2009	2008

20 TRADE DEBTS

	Note	.....Rupees.....
Considered good		2,249,132
Considered doubtful		-
		2,249,132
Written of against provision		-
Bad debts written off directly		(4,598,536)
		2,249,132
		1,491,554

21 LOANS AND ADVANCES

Advance against supplies (considered good)		252,306	84,357.00
Due from employees	21.1	653,324	653,324.26
		905,630	737,681
21.1 Due from employees		653,324	1,226,912
Considered good		191,578	191,578
Considered doubtful		844,902	1,418,490
		(191,578)	(191,578)
Provision for doubtful debts		-	(573,588)
Bad debts written off directly		653,324	653,324

22 TRADE DEPOSITS

Deposits - considered good	173,631	173,631
Deposits - considered doubtful	504,038	504,038
Margin held by banks	316,490	316,490
Other deposits	994,159	994,159
	(820,528)	(820,528)
Less: Provision for doubtful deposits	173,631	173,631
	2009	2008

23 OTHER RECEIVABLES

	Note	.....Rupees.....
Considered good		49,054
Sales tax receivable		26,473
Advance income tax		106,737
Considered doubtful		434,363
Interest receivable		628,311
Custom duty		2,010,943
Export tax		976,605
Export rebate		490,426
Others		4,540,648
		4,696,439
Less: Provision for doubtful receivables		-
Less: Bad debts written off against already created provision		(4,540,648)
		155,791
		26,473

24 CASH AND BANK BALANCES

Cash at bank - current accounts	30,400	20,533
Cash in hand	15,647	31,558
	<u>46,047</u>	<u>52,091</u>

25 SALES - Net

Local	5,309,959	12,101,046
Less: Trade discounts and commission	(920,685)	(2,840,661)
Sales tax and federal excise duty	(638,291)	(1,283,173)
	<u>3,750,983</u>	<u>7,977,212</u>

26 COST OF SALES

(Restated)

Opening balance - finished good	273,361	570,162
Cost of goods manufactured	26.1 25,869,125	29,430,242
Outside purchases	362,761	258,424
	<u>26,505,247</u>	<u>30,258,828</u>
Closing balance- finished goods	(697,152)	(273,361)
	<u>25,808,095</u>	<u>29,985,467</u>

26.1 Cost of goods manufactured

Raw and packing material consumed	26.2 2,085,090	4,713,152
Directors remuneration	750,000	750,000
Salaries, wages and benefits	2,111,579	2,015,566
Fuel and power	1,447,053	1,398,169
Stores and spares consumed	43,379	99,274
Repairs and maintenance	496,592	440,566
Postage and telephone	67,996	91,445
Rent, rates and taxes	650,000	400
Traveling, conveyance and vehicles running	515,767	112,073
Entertainment	17,409	-
Subscription and donation	10,057	
Depreciation	17,623,860	19,583,391
Other	72,866	36,744
	<u>25,891,646</u>	<u>29,240,780</u>

Work in progress

Opening balance	590,540	780,002
Closing balance	(613,061)	(590,540)
	<u>(22,521)</u>	<u>189,462</u>

Cost of goods manufactured

	<u>25,869,125</u>	<u>29,430,242</u>
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26.2 Raw and packing material consumed

Opening stock	7,372,786	7,348,049
Purchases	1,987,100	4,737,889
	<u>9,359,886</u>	<u>12,085,938</u>
Closing stock	(7,274,796)	(7,372,786)
	<u>2,085,090</u>	<u>4,713,152</u>

2009

2008

27 OTHER INCOME

Note

.....Rupees.....

Rental income	4,530,747	2,482,789.00
Sale of scrap	15,540	14,495.84
Creditors' and other payable balances written back	27.1 -	96,431,741.00
Realization of surplus on amortization of intangible assets	9,302,500	-
	<u>13,848,787</u>	<u>98,929,025.84</u>

27.1 During the year the company has written back the creditors and accrued liabilities outstanding for more than three years amounting to Rs. Nil (2008:Rs.45,165,965) and Rs.Nil (2008: Rs.22,578,451) respectively with the guidance of its legal advisor in the light of Limitations Act 1980 and provident fund amounting to Rs. Nil (2008: Rs. 23,629,399) and Rs. Nil.(2008: Rs. 5,057,926) as more explained in note 9.

		2009	2008
		.....Rupees.....	
	Note		(Restated)
28 DISTRIBUTION COST			
Salaries, wages and benefits		558,997	544,789
Rent, rates and taxes		1,271	3,892
Vehicles running		42,080	32,128
Traveling and conveyance		111,970	100,865
Entertainment		121,104	74,652
Postage and telephone		144,633	131,122
Printing and stationery		30,790	55,144
Electricity, gas and water		210,356	118,043
Transportation cost		84,455	90,984
Membership and subscription		10,847	4,467
Advertisement		3,500	-
Depreciation		17,174	20,074
Other		5,500	16,770
		1,342,677	1,192,930
29 ADMINISTRATIVE EXPENSES			
Directors remuneration		2,250,000	2,250,000
Salaries, wages and benefits		338,000	398,574
Vehicles running		-	16,154
Traveling and conveyance		43,153	95,642
Entertainment		9,689	25,717
Postage and telephone		7,795	8,724
Printing and stationery		27,376	20,678
Repairs and maintenance		25,845	-
Electricity and gas		35,303	-
Membership fee and subscription		37,950	67,950
Legal and professional		115,000	60,000
Auditors remuneration	29.1	185,000	185,000
Advertisement		-	7,300
Depreciation		15,395	18,095
Bad debts		-	4,771,690
Other		-	7,200
		3,090,506	7,932,724
29.1 Auditors' remuneration			
Statutory audit fee		125,000	125,000
Half yearly review fee		60,000	60,000
		185,000	185,000
30 FINANCE COSTS			
Mark-up on long term financing		3,629,010	3,629,010
Mark-up on short term borrowings		3,609,967	3,609,967
Bank charges		5,879	12,904
Interest on employees provident fund		48,474	50,527
		7,293,330	7,302,408
31 Taxation			
Current	31.1	413,698	40,410
Deferred	31.4	-	-
		413,698	40,410

31.1 According to the assessment order for the year 2001-02, tax losses available to be carried forward are Rs. 151.232 million while subsequent returns filed reflected losses. Company has provided tax expense only on rental income earned during the year.

31.2 The relationship between tax expense and accounting profit has not been presented in these financial statements as the total income of the company falls under the presumptive tax regime of the Income Tax Ordinance, 2001. Income tax returns are filed up to tax year 2008.

31.3 The assessment of the company will be finalized in respect of rental under presumptive tax regime under section 169. Other than rental income, assessment will be finalized under the provisions of Income Tax Ordinance, 2001.

31.4 During the year net deferred tax assets for the carry forward of unused tax losses amounting to Rs. 96,858,075 arised 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.

32 BASIC AND DILUTED EARNINGS PER SHARE

Note

	2009	2008
.....Rupees.....		
Profit / (loss) after taxation - Rupees (restated)	(20,348,536)	60,452,300
Weighted average number of shares	14,958,000	14,958,000
Basic earnings per share - Rupees (restated)	(1.36)	4.04

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

33 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

- 33.1 Credit risk
- 33.2 Liquidity risk
- 33.3 Market risk

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

33.1 Credit risk

Exposure to credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade debts, loans and advances, trade deposits and short term prepayments and cash and bank balances. Out of total financial assets of Rs. 3.691 million (June 30, 2008 : Rs. 2.642 million), financial assets which are subject to credit risk aggregate to Rs. 3.644 million (June 30, 2008 : Rs. 2.590 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.

	2009	2008
.....Rupees.....		
Long term deposits	160,315	160,315
Trade debts	2,249,132	1,491,554
Loans and advances	905,630	737,681
Trade deposits	173,631	173,631
Other receivables	155,791	26,473
Cash and bank balances	46,047	52,091
	3,690,546	2,641,745

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

	2009	2008
.....Rupees.....		
Domestic	2,249,132	1,491,554

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

	Gross debtors	
	2009	2008
.....Rupees.....		
Not past due	1,883,762	1,082,478
Past due 0 - 30 days	-	-
Past due 31 - 90 days	-	-
Past due 90 days - 1 year	-	-
More than one year	365,370	409,076
	2,249,132	1,491,554

33.2 Liquidity risk

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

	2009					
	Carrying Amount	Contractual Cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	Rupees					
Long term loan and liabilities	32,991,000	34,805,505	34,805,505	-	-	-
Short term borrowings	17,535,960	19,340,943	19,340,943	-	-	-
Markup payable	119,510,248	123,129,736	123,129,736	-	-	-
Trade and other payables	73,404,397	73,404,397	10,295,041	11,721,918	51,387,438	-
Total	243,441,604	250,680,581	187,571,226	11,721,918	51,387,438	-
	2008					
	Carrying Amount	Contractual Cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	Rupees					
Long term loan and liabilities	32,991,000	36,620,010	36,620,010	-	-	-
Short term borrowings	17,323,653	20,933,620	20,933,620	-	-	-
Markup payable	112,271,270	115,890,759	115,890,759	-	-	-
Trade and other payables	67,717,287	67,717,287	6,934,492	11,665,918	49,116,877	-
Total	230,303,210	241,161,676	180,378,881	11,665,918	49,116,877	-

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, 2009. The rates of mark up have been disclosed in relevant notes to these financial statements.

33.3 Market risk

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

Currency risk**Exposure to currency risk**

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

Interest rate risk

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

	2009	2008
	.....Rupees.....	
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	50,526,960	50,314,653

Fair value sensitivity analysis for fixed rate instruments

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

Fair value of financial assets and liabilities

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

34 CAPITAL RISK MANAGEMENT

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

35 TRANSACTIONS WITH RELATED PARTIES

The company has related party relationship with its directors and key management personnel. Remuneration given to chief executive directors and executives are in accordance with their terms of employment as disclosed in note 36 to the financial statements.

	2009	2008
	.....Rupees.....	
Interest free borrowings from Mr. Arif Shaffi (Director)	1,004,723	93,500
Payment of borrowings from Mrs. Parveen Shaffi (w/o Director)	-	259,500
Payment of borrowings from Mr. Arif Shaffi (Director)	792,416	525,900

36 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	CHIEF EXECUTIVE		DIRECTORS		TOTAL	
	2009 Rupees	2008 Rupees	2009 Rupees	2008 Rupees	2009 Rupees	2008 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
Utilities	50,006	50,006	50,006	50,006	100,012	100,012
	1,500,000	1,500,000	1,500,000	1,500,000	3,000,000	3,000,000
Number of persons	1	1	2	2	3	3

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

37 PLANT CAPACITY

	Budgeted capacity	Actual production	
		2009	2008
At Gharo			
PVC Resin - tons	25,000	-	-
Compounds 100% - tons	1,500	-	-
PVC leather cloth and plastic sheets - meters	22,144,500	-	-
At Islamabad			
PVC pipes and fittings - meters	7,751,808	128,185	359,705

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

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

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

38 RECLASSIFICATIONS

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

Note	From	To	Nature	Amount
9	Advance for expenses (Loans and Advances)	Advance for expenses (Accrued Liabilities)	Allocation to proper head of account.	1,396,926
26	Profit and loss account- creditors balances written back	Profit and loss account (Other income)	Transfer of creditors balance written off account from face of the profit and loss account to other income note.	96,431,741
14	Balance sheet- Non operating assets	Balance sheet- Property plant and equipment	Transfer of Property plant and equipment- non operating from face of the balance sheet to property plant and equipment note.	130,707,000

39 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 3, 2009 by the board of directors of the company.

40 GENERAL

Figures have been rounded off to the nearest Rupee.

REYAZ SHAFFI
CHIEF EXECUTIVE

ADNAN SHAFFI
DIRECTOR

PAKISTAN PVC LIMITED

PATTERN OF HOLDING OF SHARES AS ON 30.06.2009

NO. OF SHAREHOLDERS	SHARE HOLDING			SHARES HELD	% AGE	
303	FROM	1	TO	100	14,113	0.09
78	FROM	101	TO	500	21,569	0.14
19	FROM	501	TO	1000	15,511	0.10
36	FROM	1001	TO	5000	106,008	0.71
3	FROM	5001	TO	10000	26,950	0.18
4	FROM	10001	TO	15000	51,910	0.35
1	FROM	15001	TO	20000	17,470	0.12
1	FROM	20001	TO	25000	21,192	0.14
1	FROM	65001	TO	70000	65,940	0.44
1	FROM	175001	TO	180000	180,000	1.20
1	FROM	295001	TO	300000	300,000	2.00
2	FROM	375001	TO	380000	752,550	5.03
1	FROM	425001	TO	430000	425,602	2.84
1	FROM	735001	TO	740000	737,640	4.93
1	FROM	1105001	TO	1110000	1,110,000	7.41
1	FROM	1150001	TO	9999999	1,153,725	7.71
1	FROM	11500001	TO	99999999	9,971,820	66.60
455					14,972,000	100.00

Catagories of Shareholders	Numbers	Shares held	%age
Individual	434	11,665,891	77.92
Investment Companies	2	22,792	0.15
Insurance Companies	5	38,720	0.26
Financial Institutions	9	2,810,330	18.77
Joint Stock Companies	2	8,125	0.05
Others:			
Corporate Law Authority	1	1	0.00
Administrator, Abandoned Properties	1	539	0.00
Federal Chem. & Ceramics	1	425,602	2.84
	455	14,972,000	100.00

PAKISTAN PVC LIMITED

PATTERN OF HOLDING OF SHARES AS ON 30.06.2009

<u>SHAREHOLDERS' CATEGORIES</u>	<u>No. of Shareholders</u>	<u>Shares held</u>	<u>Percentage</u>
1 Directors, CEO & their Spouse and Minor Children	8	791,450	5.286
Mr. Reyaz Shaffi		5,000	0.033
Mr. Asif Shaffi		376,100	2.512
Mr. Arif Shaffi		376,450	2.514
Mr. Mohammed Iqbal		2,500	0.017
Mr. Adeel Shaffi		2,500	0.017
Mr. Ijaz Ahmed Khan		2,500	0.017
Mr. Aftab Ahmed Sheikh (IDBP Nominee)		0	0.000
Mrs. Shazia Shaffi		13,550	0.091
Mrs. Saira Shaffi		12,850	0.086
2 Associated Companies, Undertakings and Related Parties	0	0	0.000
3 NIT and ICP	2	25,504	0.170
M/s. Investment Corporation of Pakistan		21,192	0.142
M/s. National Investment Trust Limited		4,312	0.029
4 Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Modaraba and Mutual Funds	14	2,849,050	19.029
Eastren Federal Union Insurance		2,500	0.017
Pakistan Insurance Corporation		12,750	0.085
Premier Insurance Company		5,000	0.033
Industrial Development Bank of Pakistan		1,110,000	7.414
United Bank Limited		300	0.002
State Life Insurance Corporation		17,470	0.117
United Bank Limited		15	0.000
Commerce Bank Limited		50	0.000
Habib Bank Limited		300	0.002
National Bank of Pakistan		65,940	0.440
United Bank Limited		300,000	2.004
Habib Bank Limited		180,000	1.202
Central Insurance Company Limited		1,000	0.007
Crescent Investment Bank Limited		1,153,725	7.706
5 Shareholders holding 10% or more			
Refer No. 4 and 6			
6 General Public	428	10,879,854	72.668
a) Local	423	149,509	0.999
b) Joint Stock Companies	2	8,125	0.054
c) Foreign Investors	3	10,722,220	71.615
Riaz Hussain Warraich		737,640	4.927
Qaiser F. Warraich		12,760	0.085
Ensena Holdings Fzc		9,971,820	66.603
7 Others	3	426,142	2.846
	455	14,972,000	100.000