

SHAVYL®

Annual Report 2012

PAKISTAN PVC LIMITED

49th ANNUAL REPORT

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COMPANY INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

Adnan Shaffi

CHIEF EXECUTIVE

Arif Shaffi

DIRECTORS

Ijaz Ahmad Khan

Adeel Shaffi

Asif Shaffi

Mohammad Iqbal

Mohammad Shaffi

**SECRETARY &
CHIEF FINANCIAL OFFICER**

Asif Shaffi

AUDITORS

Mushtaq & Co., Chartered
Accountants

AUDIT COMMITTEE

Mohammad Shaffi – Chairman

Mohammad Iqbal – Member

Ijaz Ahmad Khan – Member

**HUMAN RESOURCES &
REMUNERATION
COMMITTEE**

Mohammad Shaffi – Chairman

Mohammad Iqbal – Member

Ijaz Ahmad Khan – Member

BANKERS

Habib Bank Limited

Muslim Commercial Bank Limited

Faysal Bank Limited

REGISTERED OFFICE

Shaffiabad, Gharo, District Thatta

SHARE REGISTRAR

CORPLINK (PVT) LTD.,
Wings Arcade, 1 – K, Commercial,
Model Town, Lahore.

FACTORIES

Shaffiabad, Gharo, District Thatta.
Sector I – 9, Industrial Area,
Islamabad.

PAKISTAN PVC LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 49th Annual General Meeting of the Company will be held on Tuesday, October 30, 2012 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 48th Annual General Meeting of the company held on October 31, 2011.
2. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2012 together with the reports of the Director's and Auditors' thereon.
3. To appoint auditors of the company for the year ending June 30, 2013 and fix their remuneration.
4. To elect six directors of the Company including Chief Executive as fixed by the Board of Directors under Section 178 (1) of the Companies Ordinance 1984 for a period of three years. The retiring directors are: M/s Arif Shaffi, Asif Shaffi, Mohammad 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: September 22, 2012

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 24, 2012 to October 30, 2012 (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 CDC.
 - (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 49th Annual General Meeting of the Company and present the audited accounts for the year ended June 30, 2012 along with the auditors' report thereon.

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

Sales during the year under review increased to Rs. 2.432 million as compared to Rs. 6.510 million of the same period last year and net loss during the year was Rs. 23.861 million as compared to a net loss of Rs. 21.832 million during the previous year. Work of installation of Machinery of Pipe Plant shifted from Gharo to Islamabad has delayed due to non availability of funds.

During the year under review Gharo Plant remains closed through out the year and there was no production. The production of PVC Pipes at Islamabad factory was 13,275 meters as against 181,438 meters last year. Excess capacity of this water treatment plant was used to make Mineral Water. Sale of Mineral Water was 28,145 Gallons as against 3,795 Gallons.

1. AUDITORS' RESERVATION OF GOING CONCERN

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

2. AUDITORS' RESERVATION ABOUT DIRECT CONFIRMATION

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

3. AUDITORS' RESERVATION ABOUT LONG OUTSTANDING BALANCES

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

4. AUDITORS' RESERVATION ABOUT EMPLOYEES PROVIDENT FUND

As regards non payment of employees provident fund. The Company has started paying the employees provident fund. As soon as the company's financial position improves the company will clear its liability of the fund. The company is accruing interest for non payment.

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

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

AUDIT COMMITTEE

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

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

HUMAN RESOURCES & REMUNERATION COMMITTEE

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

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

DIVIDEND

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

AUDITORS

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

The present auditors M/s Mushtaq & Company, Chartered Accountants, the retiring auditors being eligible have offered themselves for reappointment as auditors of the Company for the year ending June 30, 2013.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

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

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

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

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

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

Health

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

Education

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

Energy Conservation Measures

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

Occupational Health, Safety and Environment

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

Business Ethics

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

The Company has communicated the code to all its employees.

STATEMENTS OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK

1. The financial statements, prepared by the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of account of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the company's ability to continue as a going concern as have been fully explained in Note no.1 of the Notes to the Accounts.
7. There has been no material departure from the best practices of the corporate governance, as detailed in the listing regulations.
8. Key operating and financial data for last six years in summarized form is given on page 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. Adnan Shaffi | 4 | 4 |
| Mr. Arif Shaffi | 4 | 4 |
| Mr. Mohammad Iqbal | 4 | 4 |
| Mr. Asif Shaffi | 4 | 4 |
| Mr. Mohammad Shaffi | 4 | 4 |
| Mr. Ijaz Ahmad Khan | 4 | 4 |
| Mr. Adeel Shaffi | 4 | 4 |

10. The pattern of shareholding and additional information regarding pattern of shareholding is given on Page 38 – 40.
11. No trades in the shares of the Company during the year were carried out by the Director, CEO, CFO, Company Secretary and their spouses and minor children.

Islamabad: September 22, 2012

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

Statement of Compliance With The Best Practice On Transfer Pricing

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

Arif Shaffi – Chief Executive

Dated: September 22, 2012

Six Years at a Glance

(Rs.000)

| | 2011-12 | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2006-07 |
|--------------------|----------|----------|----------|----------|----------|----------|
| TURNOVER | 2,432 | 6,510 | 5,748 | 3,751 | 7,977 | 11,276 |
| GROSS PROFIT | (19,493) | (20,400) | (19,473) | (22,057) | (22,008) | (6,605) |
| NET PROFIT | (25,073) | (22,975) | (22,010) | (20,349) | 60,452 | (19,093) |
| TAXATION | 1,121 | 1,143 | 1,100 | 414 | 40 | 61 |
| SHARE CAPITAL FUND | 149,580 | 149,580 | 149,580 | 149,580 | 149,580 | 149,580 |
| SHAREHOLDERS FUND | 255,280 | 240,429 | 228,811 | 219,381 | 214,811 | 281,302 |
| GROSS PROFIT % | (802) | (313) | (339) | (588) | (276) | (59) |
| NET PROFIT % | (1,031) | (353) | (383) | (542) | 758 | (169) |
| TAXATION % | 46 | 18 | 19 | 11 | 1 | 1 |
| EARNING PER SHARE | (1.68) | (1.54) | (1.47) | (1.36) | 4.04 | (1.28) |
| DIVIDEND % | - | - | - | - | - | - |
| BONUS % | - | - | - | - | - | - |

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
For the year ended June 30, 2012

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

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

The independent directors meet the criteria of independence under clause i (b) of the Code of Corporate Governance.
2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF.
4. No casual vacancy occurred in the Board during the year.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended is being maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board/shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The board arranged 2 training programs for its directors during the year.
10. The Board has approved the appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance
15. The Board has formed an audit committee. It comprises 3 members, of whom all are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code of Corporate Governance. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an Human Resource and Remuneration Committee. It comprises 3 members, of whom all are non-executive directors including the chairman of the committee.

18. The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles contained in the Code of Corporate Governance have been complied with.

(Adnan Shaffi)

Chairman

Dated: September 22, 2012

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, 2012.

Karachi:

Dated: **September 22, 2012**

MUSHTAQ & COMPANY

Chartered Accountants

Engagement Partner:

Shahabuddin A. Siddiqui

FCA

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Pakistan PVC Limited** as at June 30, 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984.

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

- (a) The company has ceased the production at Gharo Plant since 1995. The production at Islamabad Plant continues. As stated in the note 2.2 to the financial statements, the company had incurred a loss for the year ended June 30, 2012 of Rs. 25.069 million (June 30, 2011: 22.975 million) and as of that date, reported accumulated loss of Rs. 404.856 million (June 30, 2011: Rs. 390.009 million) against the issued, subscribed and paid up capital of Rs. 149.580 million (June 30, 2011: Rs. 149.580 million) turning shareholders' equity to a negative balance of Rs. 255.276 million (June 30, 2011: Rs. 240.429 million). The current liabilities exceed the current assets by Rs. 252.405 million (June 30, 2011: Rs. 259.200 million). Further the company has not been able to obtain enough finance to revive its Gharo Plant operations. These circumstances give rise to significant uncertainty as to the ability of the company to continue operations as going concern in the foreseeable future and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business. However, these financial statements do not include any adjustment relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the company be unable to continue as a going concern.
- (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. 70,363,023 and Rs. 70,864,157 respectively and underlying terms and conditions of these borrowings remained unverified.
- (c) Due to very long outstanding balances and non availability of underlying records, We are unable to verify the amounts included in Trade and other payables in respect of accrued liabilities of Rs. 7,034,088 and liability of Rs. 10,000,000 towards Privatization Commission, Finance Division, out of total of Rs. 46,556,241 and Rs. 10,000,000 respectively.
- (d) Trade and other payables include an amount of Rs. 1,309,446 pertaining to employee's provident fund and interest accrued thereon. Nonpayment 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. 5,000 on the chief executive of the company.
- (e) Deposits from customers amounting to Rs. 719,545 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 15.5 of these financial statements being violation of the requirements of International Accounting Standards (IAS 40) "Investment Property".
- (g) As more fully explained in note 14.2 of these financial statements, the impact on the financial statements of the disputed CDA plot of land at Islamabad is not determinable.
- (h) Except for the effects of the matters stated above, in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (i) In our opinion;
- (i) Except for the matters referred in paragraph (a) to (h) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
- (ii) the expenditure incurred during the year was for the purpose of the company's business; and
- (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (j) Because of the significance of the matters discussed in the preceding paragraph (a) to (h) above, we do not express an opinion on these financial statements.
- (k) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Karachi:
Dated: **September 22, 2012**

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

PAKISTAN PVC LIMITED
BALANCE SHEET
AS AT JUNE 30, 2012

| | | 2012 | 2011 | | | 2012 | 2011 |
|--|------|------------------|---------------|-------------------------------------|------|------------------|-------------|
| | | -----Rupees----- | | | | -----Rupees----- | |
| SHARE CAPITAL AND RESERVES | | | | NON CURRENT ASSETS | | | |
| | Note | | | | Note | | |
| Authorized capital | | | | Property, plant and equipment | 15 | 150,647,858 | 162,469,609 |
| 15,000,000 (June 30, 2011 : 15,000,000) ordinary shares of Rs. 10/- each | | 150,000,000 | 150,000,000 | | | | |
| Issued, subscribed and paid up capital | 6 | 149,580,000 | 149,580,000 | Long term investments | 16 | 54,000 | 50,000 |
| Accumulated loss | | (404,859,814) | (390,008,702) | | | | |
| | | (255,279,814) | (240,428,702) | | | | |
| Surplus on revaluation of fixed assets | 7 | 133,520,680 | 143,742,399 | | | | |
| NON CURRENT LIABILITIES | | | | CURRENT ASSETS | | | |
| Long term financing | 8 | 20,041,401 | - | Long term advances | 17 | 160,315 | 160,315 |
| Deferred liabilities | 9 | 170,838 | 166,415 | | | | |
| CURRENT LIABILITIES | | | | CURRENT ASSETS | | | |
| Trade and other payables | 10 | 66,001,047 | 79,914,536 | Stores, spare parts and loose tools | 18 | - | 1,652 |
| Accrued interest / markup | 11 | 141,227,180 | 133,988,203 | Stock in trade | 19 | 578,572 | 525,973 |
| Short term borrowings | 12 | 17,871,821 | 17,947,496 | Trade debts | 20 | 1,456,638 | 3,545,700 |
| Current portion of long term financing | 8 | 32,991,000 | 32,991,000 | Loans and advances | 21 | 735,571 | 865,574 |
| Provision for taxation - net | 13 | - | 99,884 | Trade deposits | 22 | 12,500 | 206,150 |
| | | 258,091,049 | 264,941,119 | Other receivables | 23 | 101,705 | 191,455 |
| CONTINGENCIES AND COMMITMENTS | 14 | | | Tax refunds due from Government | 24 | 566,184 | 270,385 |
| | | 156,544,154 | 168,421,231 | Cash and bank balances | 25 | 2,234,617 | 134,419 |
| | | 156,544,154 | 168,421,231 | | | 5,685,788 | 5,741,307 |
| | | 156,544,154 | 168,421,231 | | | 156,547,961 | 168,421,231 |

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

Arif Shaffi
CHIEF EXECUTIVE

Mohammad Shaffi
DIRECTOR

PAKISTAN PVC LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2012

| | | <u>2012</u> | <u>2011</u> |
|------------------------------------|------|---------------------|---------------------|
| | Note | -----Rupees----- | |
| Sales - net | 26 | 2,432,058 | 6,509,672 |
| Cost of sales | 27 | (21,736,600) | (26,910,005) |
| Gross loss | | <u>(19,304,542)</u> | <u>(20,400,333)</u> |
| Other operating income | 28 | 11,716,250 | 11,741,917 |
| Distribution cost | 29 | (2,822,891) | (2,488,002) |
| Administrative expenses | 30 | (3,600,030) | (3,408,305) |
| Other operating expenses | | (2,576,685) | - |
| Finance costs | 32 | (7,272,664) | (7,277,101) |
| Loss before taxation | | <u>(23,860,563)</u> | <u>(21,831,825)</u> |
| Taxation | 33 | (1,212,269) | (1,143,311) |
| Loss for the year | | <u>(25,072,831)</u> | <u>(22,975,136)</u> |
| Loss per share - basic and diluted | 34 | (1.68) | (1.54) |

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

Arif Shaffi
CHIEF EXECUTIVE

Mohammad Shaffi
DIRECTOR

PAKISTAN PVC LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012

| | | <u>2012</u> | <u>2011</u> |
|---------------------------------------|------|---------------------|---------------------|
| | Note | -----Rupees----- | |
| Loss for the year | | (25,072,831) | (22,975,136) |
| Other comprehensive income / (loss) | | - | - |
| Total comprehensive loss for the year | | <u>(25,072,831)</u> | <u>(22,975,136)</u> |

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

Arif Shaffi
CHIEF EXECUTIVE

Mohammad Shaffi
DIRECTOR

PAKISTAN PVC LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

| | 2012 | 2011 |
|--|------------------|--------------|
| | -----Rupees----- | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before taxation | (23,860,563) | (21,831,824) |
| <i>Adjustments for :</i> | | |
| Depreciation | 11,842,651 | 13,061,524 |
| Accrued Interest | (4,000) | |
| Provision for slow moving damaged stock | (4,295) | |
| Bad Debts written off | 2,383,035 | |
| Provision for Doubtful deposits | 193,650 | |
| Finance cost | 7,272,664 | 7,277,101 |
| Staff retirement benefits - gratuity | 4,423 | 4,422 |
| Rental income | (11,712,250) | (11,741,917) |
| Operating cash flows before changes in working capital | (13,884,685) | (13,230,694) |
| <i>(Increase) / decrease in current assets</i> | | |
| Store, spare parts and loose tools | - | 8 |
| Stock in trade | (46,652) | 432,530 |
| Trade debts | (114,064) | (243,200) |
| Loans and advances | (77,365) | 14,398 |
| Trade deposits | - | - |
| Tax refunds due from Government | (182,280) | (251,488) |
| <i>Increase in current liabilities</i> | | |
| Trade and other payables | 2,352,832 | 7,088,929 |
| | 1,932,471 | 7,041,177 |
| Net cash used in operation | (11,952,214) | (6,189,517) |
| Income tax paid | (1,425,671) | (761,742) |
| Finance cost paid | (9,231) | (13,669) |
| | (1,434,902) | (775,411) |
| Net cash used in operating activities | (13,387,116) | (6,964,928) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Property, plant and equipment acquired | (20,900) | (2,089,000) |
| Rent received | 15,580,082 | 8,817,816 |
| Long term investment | - | (50,000) |
| Net cash generated from investing activities | 15,559,182 | 6,678,816 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Short term borrowings | (75,675) | 195,751 |
| Net cash generated from financing activities | (75,675) | 195,751 |
| Net increase / (decrease) in cash and cash equivalents | 2,096,391 | (90,360) |
| Cash and cash equivalent at the beginning of the year | 134,419 | 224,779 |
| Cash and cash equivalent at the end of the year | 2,230,810 | 134,419 |

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

Arif Shaffi
CHIEF EXECUTIVE

Mohammad Shaffi
DIRECTOR

PAKISTAN PVC LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2012

| | Issued, subscribed and paid up capital | Accumulated loss | Total |
|---|--|---------------------|---------------|
| | -----Rupees----- | | |
| Balance as at June 30, 2010 | 149,580,000 | (378,391,031) | (228,811,031) |
| Transfer from surplus on revaluation on account of incremental depreciation | - | 11,357,465 | 11,357,465 |
| Total comprehensive loss for the year | - | (22,975,135) | (22,975,135) |
| Balance as at June 30, 2011 | 149,580,000 | (390,008,702) | (240,428,702) |
| Transfer from surplus on revaluation on account of incremental depreciation | - | 10,221,719 | 10,221,719 |
| Total comprehensive loss for the year | - | (25,072,831) | (25,072,831) |
| Balance as at June 30, 2012 | 149,580,000 | (404,859,814) | (255,279,815) |

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

Arif Shaffi
CHIEF EXECUTIVE

Mohammad Shaffi
DIRECTOR

PAKISTAN PVC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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 (Ensenza Holdings Inc.), which constitutes 66% of the total shareholding. The registered office of the company is situated at Shaffiabad, Gharo, District Thatta.

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

The case for the revival of the company remained with the committee for revival of sick industrial unit setup by the finance division, Government of Pakistan with representation of the federation of Chamber of Commerce and Industries. The company has applied for settlement of loans to all financial institutions under SBP circular no. 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 the requirements of The Companies Ordinance, 1984 (the Ordinance) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under The Companies Ordinance, 1984, provisions of and directives issued under under The Companies Ordinance, 1984. Wherever the requirements of The Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of The Companies Ordinance, 1984 or the requirements of the said directives prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except that certain fixed assets that have been stated at revalued amounts. The company had incurred a loss for the year ended June 30, 2012 of Rupees 25.069 million (June 30, 2011: Rupees 22.975 million) and as of that date, reported accumulated loss of Rs. 404.856 million as at June 30, 2012 (June 30, 2011 : Rs. 390.009 million) against the issued, subscribed and paid up capital of Rs. 149.580 million (June 30, 2011 : Rs. 149.580 million) turning shareholders' equity to a negative balance of Rs. 255.276 million (June 30, 2011 : Rs. 240.429 million). The current liabilities exceeds the current assets by Rs. 252.405 million (June 30, 2011 : Rs. 259.200 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.

ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

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

3.1 Provision for taxation

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

3.2 Financial instruments

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

3.3 Property, plant and equipment

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

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

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

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

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

- ❑ IFRS 7 (Amendments), 'Financial Instruments', emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment has only resulted in additional disclosures with respect to financial Instruments.
- ❑ IAS 1, 'Presentation of financial statements' (Amendments), now requires an entity to present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Since the company currently does not have any items of other comprehensive income, the amendments do not affect the Company's financial statements.
- ❑ IAS 24 (Revised), 'Related Party Disclosures', issued in November 2009. It supersedes IAS 24, 'Related Party Disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.
- ❑ IFRIC 14 (Amendment), 'Prepayments of a minimum funding requirement'. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions.

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

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

- ❑ IFRS 9, 'Financial Instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until January 01, 2013 but is available for early adoption. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace IAS 39, 'Financial Instruments' Recognition and measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions. There will be no impact on the company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the company does not have any such liabilities.
- ❑ IFRS 10, 'Consolidated Financial Statements', applicable from January 01, 2013, build on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- ❑ IFRS 11, 'Joint Arrangements', applicable from January 01, 2013, is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement; joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The company will apply this standard from April 01, 2013.
- ❑ IFRS 12, 'Disclosures of interests in other entities'. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is not applicable until April 01, 2013 but is available for early adoption.
- ❑ IFRS 13, 'Fair value measurement', this standard provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The standard is not applicable until April 01, 2013 but is available for early adoption.
- ❑ IAS 1, 'Financial statement presentation' (Amendment). The main change resulting from this amendment is the requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments). The amendment does not address which items are presented in OCI.

- ❑ IAS 12, 'Income Taxes' (Amendments). These are applicable on accounting periods beginning on or after January 01, 2012. IAS 12, 'Income taxes', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment Property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes – recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn.
- ❑ IAS 19, 'Employee Benefits' (Amendment). The amendment will eliminate the corridor approach and calculate finance costs on a net funding basis. The amendments are not applicable until April 01, 2013 but is available for early adoption.
- ❑ Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) - (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.
- ❑ Offsetting of financial assets and financial liabilities (Amendments to IFRS 7) - (effective for annual periods beginning on or after January 01, 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.
- ❑ Annual Improvements 2009-2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following standards, with consequential amendments to other standards and interpretations.

IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period - which is the preceding period - is required for a complete set of financial statements.

IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand by equipment and servicing equipment.

IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to accounting for income taxes relating to distribution to holders of an equity instrument and transaction costs of an equity transaction.

IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments.

- ❑ There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company

Standards, interpretations and amendments to published standards that are effective but not relevant to the company

- ❑ The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 are considered not to be relevant or to have any significant impact on the company's financial reporting and operations.

5 SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost / revalued amount less accumulated depreciation and impairment in value, if any. Freehold land is stated at cost / revalued amount less any identified impairment loss, if any.

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

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

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

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

5.2 Intangible assets

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

5.3 Impairment

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

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

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

5.4 Investments

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

Investments at fair value through profit or loss

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

Held to maturity

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

Available for sale

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

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

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

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

5.5 Stores and spares

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

5.6 Stock in trade

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

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

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

5.7 Trade debts

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

5.8 Cash and cash equivalents

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

5.9 Borrowings and borrowing costs

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

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

5.10 Revenue recognition

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

5.11 Financial instruments

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

5.12 Off setting financial assets and financial liabilities

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

5.13 Dividends

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

5.14 Staff retirement benefits-gratuity

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, 2012.

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

5.15 Taxation***Current***

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

Deferred

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

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

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

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

5.16 Trade and other payable

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

5.17 Provisions

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

5.18 Foreign currencies

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

5.19 Related parties

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

6 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

| 2012 | | 2011 | | 2012 | 2011 |
|------------------|------------|---|-------------|-------------|------|
| 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 | |

7 SURPLUS ON REVALUATION OF FIXED ASSETS

| 2012 | | 2011 | |
|---|------|------------------|--------------|
| -----Rupees----- | | -----Rupees----- | |
| Surplus on revaluation of property, plant and equipment-gross | 7.1 | 133,520,680 | 143,742,399 |
| | | 133,520,680 | 143,742,399 |
| 7.1 Surplus on revaluation of property, plant and equipment - gross | | | |
| Surplus on revaluation of property, plant and equipment at the beginning of the year | | 143,742,399 | 155,099,864 |
| Transfer to unappropriated profit in respect of incremental depreciation on revalued assets | | (10,221,719) | (11,357,465) |
| | | 133,520,680 | 143,742,399 |
| | Note | 2012 | 2011 |

8 LONG TERM FINANCING

| 2012 | | 2011 | |
|--|--|------------------|--------------|
| -----Rupees----- | | -----Rupees----- | |
| Secured | | | |
| Government loan - secured | 8.1 | 32,991,000 | 32,991,000 |
| Less : Current portion shown under current liabilities | | (32,991,000) | (32,991,000) |
| Unsecured - From related parties | | | |
| Mrs. Parveen Shaffi | 8.2 | 20,041,401 | - |
| | | 20,041,401 | - |
| 8.1 | The loan was repayable in four half-yearly installments commenced one year after the date of disbursement to the company (i.e. June 17, 1992) and subject to an interest @ 11% (SBP rate prevailed at the time of agreement) as agreed with the management. It is secured against bank guarantee provided by the directors which is secured against personal marketable securities of directors. The entire amount of the loan stands outstanding and overdue. | | |
| 8.2 | During the year an amount payable to Mr. Reyaz Shaffi (deceased), against his services provided to the company, was transferred to long term financing because Mrs. Parveen Shaffi being the legal heirs of Mr. Reyaz Shaffi (deceased) have provided her consent to convert the said amount to long term financing. The loan is interest free and not repayable in next twelve months. | | |
| | Note | 2012 | 2011 |

9 DEFERRED LIABILITIES

| 2012 | | 2011 | |
|---|---|------------------|---------|
| -----Rupees----- | | -----Rupees----- | |
| Staff retirement benefits - gratuity | 9.1 | 170,838 | 166,415 |
| | | 170,838 | 166,415 |
| 9.1 Staff retirement benefits - gratuity | | | |
| Opening balance | | 166,415 | 161,993 |
| Provision made during the year | | 4,423 | 4,422 |
| | | 170,838 | 166,415 |
| Paid during the year | | - | - |
| Closing balance | | 170,838 | 166,415 |
| 9.2 | There is only one employee (June 30, 2011: one employee), entitled for gratuity, therefore the management believes that it is unreasonable to conduct actuarial valuation as required by IAS "19" Employee Benefits". | | |

| | Note | 2012 | 2011 |
|--|---|--------------------|--------------------|
| 10 TRADE AND OTHER PAYABLES | | | |
| -----Rupees----- | | | |
| Creditors | | 2,820,250 | 3,007,540 |
| Accrued liabilities | | 46,556,241 | 62,845,101 |
| Income tax withheld | | - | 2,530 |
| Provident fund payable | 10.1 | 1,309,446 | 2,524,900 |
| Advances from customers | | 280,262 | 214,335 |
| Advance Rent | | 3,887,313 | 109,230 |
| Interest free demand deposits | | 719,545 | 782,908 |
| Unclaimed dividend | | 45,980 | 45,980 |
| Privatization commission, finance division | 10.2 | 10,000,000 | 10,000,000 |
| Others | | 382,011 | 382,011 |
| | | <u>66,001,047</u> | <u>79,914,535</u> |
| 10.1 | It includes interest @ 14% (2011 : 14%) per annum on the basis of previous years balance. | | |
| 10.2 | It represents unsecured, interest free advance received from Privatization Commission Financial Division, Islamabad in October 1992 for payment to workers on account of golden hand shake. | | |
| 11 ACCRUED INTEREST / MARKUP | | | |
| -----Rupees----- | | | |
| Interest / markup on: | | | |
| Short term borrowings-UBL | | 70,864,157 | 67,254,190 |
| Long term financing | | 70,363,023 | 66,734,013 |
| | | <u>141,227,180</u> | <u>133,988,203</u> |
| 12 SHORT TERM BORROWINGS | | | |
| From banking companies - secured | | | |
| Cash finance | 12.1 | 15,000,000 | 15,000,000 |
| From related parties and directors - unsecured | | | |
| Related parties | 12.2 | 1,609,500 | 1,609,500 |
| Directors | 12.2 | 1,262,321 | 1,337,996 |
| | | <u>17,871,821</u> | <u>17,947,496</u> |
| 12.1 | This represents UBL cash finance amounting to Rs. 15,000,000. Suit against the recovery of short term borrowings has been filed by the bank against the company was decreed in favor of the bank by the Banking Court for Rs. 21,978,493 and markup thereon from the date of filing of suit. The amount of markup accrued has not been confirmed by the bank and have been accrued by the company on estimated basis. The company has filed an appeal against the decree in the High Court Sindh, Karachi. | | |
| 12.2 | These loans are mark-up free | | |
| 13 PROVISION FOR TAXATION - NET | | | |
| -----Rupees----- | | | |
| Opening balance | | 99,884 | 189,653 |
| Add: Provision for the year | 33.1 | 1,212,269 | 1,143,311 |
| Less: Paid / adjusted during the year | | (1,312,153) | (1,233,080) |
| | | <u>-</u> | <u>99,884</u> |
| 14 CONTINGENCIES AND COMMITMENTS | | | |
| 14.1 | The Securities and Exchange Commission of Pakistan (SECP) had appointed an inspector to investigate into the affairs of the company under Section 265 of the Companies Ordinance, 1984. The inspector has submitted report on his findings to the SECP. The outcome can not be anticipated at this stage. | | |
| 14.2 | Title of plot of land of the company situated at Islamabad is in dispute. The company has started negotiations with CDA. As a result company has committed to pay outstanding dues to CDA for the leasehold land. CDA has not confirmed the amount therefore the amount of the obligation can not be measured with sufficient reliability. | | |
| 14.3 | The Privatization Commission of Pakistan had filed a suit in honorable Islamabad High Court, C.O.S No 07/2002, against the company for recovery of amount repayable to the Privatization commission against principal amount of Government loan assumed at time of privatization of Rs. 32,971,000 along with the markup thereon amounting to Rs. 48,005,929 aggregating to Rs. 80,976,929. The outcome of the case is still undecided however, the legal opinion of the solicitors appointed by the company are of the view that even if the outcome of the case is unfavorable for the company there will be no financial consequences. | | |

15 Property, plant and equipment

2012 2011

Note Rupees

Operating assets
Non operating assets

| | | |
|------|--------------------|--------------------|
| 15.1 | 49,752,755 | 52,663,939 |
| 15.2 | 100,895,103 | 109,805,670 |
| | <u>150,647,858</u> | <u>162,469,609</u> |

15.1 Operating assets

| Cost | Owned | | | | | | | | | | Total | | | |
|--|----------------|------------------|---------------------|-----------------------|----------------------------|------------------------------|-------------------------|-----------------|------------------------|-------------------|--------|--------------------|----------------|--------------|
| | Land leasehold | Factory building | Plant and machinery | Electric installation | Loose tools and implements | Air conditioner, coolers and | Fire fighting equipment | Weighing scales | Furniture and fixtures | Office equipments | | Canteen equipments | Motor vehicles | Other assets |
| Balance as at July 01, 2010 | 24,000,000 | 6,400,000 | 26,000,000 | 2,592,503 | 1,583,074 | 1,208,998 | 119,860 | 347,476 | 815,521 | 1,947,979 | 25,416 | 696,569 | 116,983 | 65,854,380 |
| Additions during the year | - | - | 1,550,000 | - | - | 15,000 | - | - | - | - | - | 524,000 | - | 2,089,000 |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Balance as at June 30, 2011 | 24,000,000 | 6,400,000 | 27,550,000 | 2,592,503 | 1,583,074 | 1,223,998 | 119,860 | 347,476 | 815,521 | 1,947,979 | 25,416 | 1,220,569 | 116,983 | 67,943,380 |
| Balance as at July 01, 2011 | 24,000,000 | 6,400,000 | 27,550,000 | 2,592,503 | 1,583,074 | 1,223,998 | 119,860 | 347,476 | 815,521 | 1,947,979 | 25,416 | 1,220,569 | 116,983 | 67,943,380 |
| Additions during the year | - | - | - | - | - | 20,900 | - | - | - | - | - | - | - | 20,900 |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Balance as at June 30, 2012 | 24,000,000 | 6,400,000 | 27,550,000 | 2,592,503 | 1,583,074 | 1,244,898 | 119,860 | 347,476 | 815,521 | 1,947,979 | 25,416 | 1,220,569 | 116,983 | 67,964,280 |
| Depreciation | | | | | | | | | | | | | | |
| Balance as at July 01, 2010 | - | 640,000 | 2,600,000 | 2,436,684 | 1,580,323 | 1,084,146 | 117,019 | 327,586 | 762,183 | 1,740,204 | 25,288 | 692,215 | 112,899 | 12,118,547 |
| Charge for the year | - | 576,000 | 2,456,250 | 15,582 | 550 | 20,040 | 284 | 1,989 | 5,334 | 31,166 | 19 | 53,271 | 408 | 3,160,894 |
| Depreciation on disposals | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Balance as at June 30, 2011 | - | 1,216,000 | 5,056,250 | 2,452,266 | 1,580,873 | 1,104,186 | 117,303 | 329,575 | 767,516 | 1,771,370 | 25,307 | 745,486 | 113,307 | 15,279,441 |
| Balance as at July 01, 2011 | - | 1,216,000 | 5,056,250 | 2,452,266 | 1,580,873 | 1,104,186 | 117,303 | 329,575 | 767,516 | 1,771,370 | 25,307 | 745,486 | 113,307 | 15,279,441 |
| Charge for the year | - | 518,400 | 2,249,375 | 14,024 | 440 | 21,107 | 256 | 1,790 | 4,800 | 26,491 | 16 | 95,017 | 368 | 2,932,084 |
| Depreciation on disposals | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Balance as at June 30, 2012 | - | 1,734,400 | 7,305,625 | 2,466,290 | 1,581,313 | 1,125,293 | 117,559 | 331,365 | 772,317 | 1,797,862 | 25,323 | 840,503 | 113,675 | 18,211,525 |
| Written down value as at June 30, 2011 | 24,000,000 | 5,184,000 | 22,493,750 | 140,237 | 2,201 | 119,812 | 2,557 | 17,901 | 48,005 | 176,609 | 109 | 475,083 | 3,676 | 52,663,939 |
| Written down value as at June 30, 2012 | 24,000,000 | 4,665,600 | 20,244,375 | 126,213 | 1,761 | 119,605 | 2,301 | 16,111 | 43,204 | 150,117 | 93 | 380,066 | 3,308 | 49,752,755 |
| Rate of depreciation | 10% | 10% | 10% | 10% | 20% | 15% | 10% | 10% | 10% | 15% | 13% | 20% | 10% | 10% |

15.2 Non operating assets

| Cost | Owned | | | | | | | | | | | Total | | |
|--|----------------|---------------|------------------|---------------------|----------------------------|------------------------------|-------------------------|------------------|------------------------|-------------------|--------------------|-------|----------------|--------------|
| | Land leasehold | Land freehold | Factory building | Plant and machinery | Loose tools and implements | Air conditioner, coolers and | Fire fighting equipment | Weighting scales | Furniture and fixtures | Office equipments | Canteen equipments | | Motor vehicles | Other assets |
| Balance as at July 01, 2010 | 18,068,421 | 2,631,579 | 4,007,000 | 106,000,000 | - | - | - | - | - | - | - | - | - | 130,707,000 |
| Additions during the year | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Balance as at June 30, 2011 | 18,068,421 | 2,631,579 | 4,007,000 | 106,000,000 | - | - | - | - | - | - | - | - | - | 130,707,000 |
| Balance as at July 01, 2011 | 18,068,421 | 2,631,579 | 4,007,000 | 106,000,000 | - | - | - | - | - | - | - | - | - | 130,707,000 |
| Additions during the year | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Balance as at June 30, 2012 | 18,068,421 | 2,631,579 | 4,007,000 | 106,000,000 | - | - | - | - | - | - | - | - | - | 130,707,000 |
| Depreciation | | | | | | | | | | | | | | |
| Balance as at July 01, 2010 | - | - | 400,700 | 10,600,000 | - | - | - | - | - | - | - | - | - | 11,000,700 |
| Charge for the year | - | - | 360,630 | 9,540,000 | - | - | - | - | - | - | - | - | - | 9,900,630 |
| Depreciation on disposals | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Balance as at June 30, 2011 | - | - | 761,330 | 20,140,000 | - | - | - | - | - | - | - | - | - | 20,901,330 |
| Balance as at July 01, 2011 | - | - | 761,330 | 20,140,000 | - | - | - | - | - | - | - | - | - | 20,901,330 |
| Charge for the year | - | - | 324,567 | 8,586,000 | - | - | - | - | - | - | - | - | - | 8,910,567 |
| Depreciation on disposals | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Balance as at June 30, 2012 | - | - | 1,085,897 | 28,726,000 | - | - | - | - | - | - | - | - | - | 29,811,897 |
| Written down value as at June 30, 2011 | 18,068,421 | 2,631,579 | 3,245,670 | 85,860,000 | - | - | - | - | - | - | - | - | - | 109,805,670 |
| Written down value as at June 30, 2012 | 18,068,421 | 2,631,579 | 2,921,103 | 77,274,000 | - | - | - | - | - | - | - | - | - | 100,895,103 |
| Rate of depreciation | - | - | 10% | 10% | - | - | - | - | - | - | - | - | - | - |

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

15.4 Depreciation has been allocated as under

| Note | 2012 | | 2011 | |
|---------------------------|--------|------------|------------|--|
| | Rupees | | Rupees | |
| Cost of good manufactured | 27.1 | 11,714,948 | 12,972,362 | |
| Administrative expenses | 30 | 13,496 | 14,424 | |
| Distribution cost | 29 | 114,206 | 74,737 | |
| | | 11,842,651 | 13,061,524 | |

15.5 Lease hold land is classified as owner occupied property till disposal of the case referred to in note 14.2 to these financial statements.

15.6 The company had its land freehold / leasehold, buildings on freehold land and plant and machinery revalued. Revaluation of the assets was carried out by the independent valuers 'M/S Asif Associates (Pvt) Limited' on June 30, 2009. The value is assessed on the basis of professional knowledge, present market conditions and available records. Freehold / leasehold land, building on freehold land, and plant and machinery was revalued at market value. The company has incorporated a deficit amount 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.

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

| | Operating assets | | Non operating assets | |
|---------------------|------------------|-----------|----------------------|-----------|
| | 2012 | 2011 | 2012 | 2011 |
| | Rupees | | Rupees | |
| Freehold land | | | 5,902 | 5,902 |
| Leasehold land | 4,981,979 | 4,981,979 | 38,957 | 38,957 |
| Factory building | 142,225 | 158,028 | 80,733 | 89,703 |
| Plant and machinery | 3,182,164 | 3,535,738 | 995,585 | 1,106,206 |
| | 8,306,368 | 8,675,744 | 1,121,177 | 1,240,768 |

| 16 LONG TERM INVESTMENTS | Note | 2012 | | 2011 | |
|---|---|------------------|---|-----------|-------------|
| | | -----Rupees----- | | | |
| Available for sale | | | | | |
| Listed Companies | | | | | |
| 20,000 fully paid ordinary shares of Rs. 10 each in Standard Insurance Company Limited Less: Provision for diminution in the value of investments | 16.1 | - | - | 200,000 | (200,000) |
| Unlisted Companies | | | | | |
| 2,000 Shares of Omer Sons Food Products Limited (In liquidation) Less: Provision for diminution in the value of investments | 16.2 | - | - | 20,000 | (20,000) |
| Government Securities | | | | | |
| National defense saving certificates Less: Provision for loss Add: Profit accrued | 16.3 | 50,000 | - | 55,000 | (5,000) |
| | | 4,000 | - | - | - |
| | | 54,000 | - | 50,000 | - |
| | | 54,000 | - | 50,000 | - |
| 16.1 | Investments were made in the Standard Insurance company limited. This company has been de-listed and the fair value is not available. During the year the Investments have been written off against the provisions outstanding against these investments, as the management believes that there will be no inflow of future economic benefits from the said investment. | | | | |
| 16.2 | Investments were made in the Omer Sons Foods limited. This company has gone into liquidation. The management does not believe that any amount of the original investment made in the company will be recovered. During the year Investments have been written off against the provisions outstanding against these investments. | | | | |
| 16.3 | During the year the Investments in national saving certificate of Rs. 5,000 have been written off against the provisions outstanding against these investments, as the management believes that there will be no inflow of future economic benefits from the said investment. | | | | |
| | National defense saving certificate of Rs. 50,000 have been purchased from the Government of Pakistan under 10 years maturity scheme. The certificates are en-cashable at par at any time. However, no profit is payable if encashment is made before completion of one year. The average compound rate of return on maturity presently works to 13.55 % per annum. Profit accrued represents the profit on National defense saving certificates from November 2010 till June 2012. | | | | |
| 17 LONG TERM ADVANCES AND DEPOSITS | | | | | |
| Security deposits | | 160,315 | - | 160,315 | - |
| | | 160,315 | - | 160,315 | - |
| 18 STORES, SPARE PARTS AND LOOSE TOOLS | | | | | |
| General stores Provision for slow moving and obsolete items | 18.1 | - | - | 2,593,478 | (2,591,826) |
| | | - | - | 1,652 | - |
| Spare parts Provision for slow moving and obsolete items | 18.1 | - | - | 6,190,444 | (6,190,444) |
| Building materials Provision for slow moving and obsolete items | 18.1 | - | - | 176,452 | (176,452) |
| Factory supplies Provision for slow moving and obsolete items | 18.1 | - | - | 230,511 | (230,511) |
| Loose tools Provision for slow moving and obsolete items | 18.1 | - | - | 710,825 | (710,825) |
| | | - | - | 1,652 | - |
| 18.1 | During the year the company has written off slow moving, dead and obsolete stores, spares and loose tools aggregating to Rs.9.900 million against the provisions outstanding against them. | | | | |

| | Note | 2012 | 2011 |
|--|--|------------------|------------------|
| 19 STOCK IN TRADE | | | |
| -----Rupees----- | | | |
| Raw and packing materials | 19.1 | 42,238 | 6,663,004 |
| Provision for slow moving, damaged and obsolete material | | - | (6,561,904) |
| | | 42,238 | 101,100 |
| Raw material with bank and third parties | 19.1 | - | 707,894 |
| Provision for slow moving, damaged and obsolete material | | - | (707,894) |
| | | - | - |
| Raw material in transit | 19.1 | - | 1,756,681 |
| Provision for slow moving, damaged and obsolete material | | - | (1,756,681) |
| | | - | - |
| Work in process | 19.1 | 52,187 | 565,965 |
| Provision for slow moving, damaged and obsolete material | | - | (526,850) |
| | | 52,187 | 39,115 |
| Finished goods | 19.1 | 484,147 | 389,565 |
| Provision for slow moving, damaged and obsolete goods | | - | (3,808) |
| | | 484,147 | 385,757 |
| | | <u>578,572</u> | <u>525,973</u> |
| 19.1 | During the year the company has written off slow moving, dead and obsolete stock aggregating to Rs. 9.557 million against the provisions outstanding against them. | | |
| 20 TRADE DEBTS | | | |
| -----Rupees----- | | | |
| Local - unsecured considered good | | | |
| - Pipes and fittings sales | | | |
| Gross debtors | 20.1 | 3,656,964 | 3,545,700 |
| Less: Bad debts written off | | (2,203,126) | - |
| | | 1,453,838 | 3,545,700 |
| - Water Sales | | 2,800 | - |
| | | <u>1,456,638</u> | <u>3,545,700</u> |
| 20.1 | During the year debts amounting to Rs. 2,203,126 (June 30, 2011 : Nil) have been written off by the management. | | |
| 21 LOANS AND ADVANCES | | | |
| Advance to suppliers - considered good | 21.1 | 114,766 | 244,769 |
| Due from employees | 21.2 | 620,805 | 620,805 |
| | | <u>735,571</u> | <u>865,574</u> |
| 21.1 | During the year advance to supplier amounting to Rs. 207,367 (June 30, 2011 : Nil) have been written off. | | |
| 21.1 | Due from employees | | |
| Considered good | | 620,805 | 620,805 |
| Considered doubtful | | 191,578 | 191,578 |
| | | <u>812,383</u> | <u>812,383</u> |
| Provision for doubtful advances | | (191,578) | (191,578) |
| | | <u>620,805</u> | <u>620,805</u> |
| 22 TRADE DEPOSITS | | | |
| Deposits - considered good | | 12,500 | 206,150 |
| Deposits - considered doubtful | | | |
| Margin held by banks | | 504,038 | 504,038 |
| Other deposits | | 510,140 | 316,490 |
| | | 1,026,678 | 1,026,678 |
| Less: Provision for doubtful deposits | | (1,014,178) | (820,528) |
| | | <u>12,500</u> | <u>206,150</u> |
| 23 OTHER RECEIVABLES | | | |
| Rent receivables | | 101,705 | 191,455 |
| | | <u>101,705</u> | <u>191,455</u> |

| | Note | 2012 | 2011 |
|---|------|-------------------|-------------------|
| -----Rupees----- | | | |
| 24 TAX REFUNDS DUE FROM GOVERNMENT | | | |
| Sales tax receivables | | 452,665 | 270,385 |
| Advance income tax | 24.1 | 113,519 | - |
| | | <u>566,184</u> | <u>270,385</u> |
| 24.1 Advance income tax | | | |
| Opening balance | | - | 471,338 |
| Deducted during the year | | 1,425,672 | 761,742 |
| Total | | 1,425,672 | 1,233,080 |
| Adjusted against liability | | (1,312,153) | (1,233,080) |
| | | <u>113,519</u> | <u>-</u> |
| 25 CASH AND BANK BALANCES | | | |
| Cash in hand | | 29,900 | 26,394 |
| Cash at banks - current accounts | | 2,204,717 | 108,025 |
| | | <u>2,234,617</u> | <u>134,419</u> |
| 26 SALES - Net | | | |
| Local | | | |
| PVC pipes and fittings | | 3,243,403 | 9,340,468 |
| Mineral water | | 264,942 | 35,724 |
| Less: Trade discounts and commission | | (1,076,287) | (2,866,520) |
| | | <u>2,432,058</u> | <u>6,509,672</u> |
| 27 COST OF SALES | | | |
| Opening stock - finished good | | 389,565 | 785,321 |
| Cost of goods manufactured | 27.1 | 21,622,375 | 25,910,139 |
| Outside purchases | | 208,807 | 604,110 |
| | | <u>22,220,747</u> | <u>27,299,570</u> |
| Closing stock- finished goods | | (484,147) | (389,565) |
| | | <u>21,736,600</u> | <u>26,910,005</u> |
| 27.1 Cost of goods manufactured | | | |
| Raw and packing material consumed | 27.2 | 1,235,023 | 4,366,772 |
| Directors remuneration | | 750,000 | 750,000 |
| Salaries, wages and benefits | | 4,310,026 | 3,847,238 |
| Fuel and power | | 1,492,077 | 1,183,575 |
| Stores and spares consumed | | 363,384 | 614,733 |
| Repairs and maintenance | | 946,433 | 1,244,101 |
| Postage and telephone | | 76,637 | 77,379 |
| Rent, rates and taxes | | 180,304 | 220,327 |
| Traveling, conveyance and vehicles running | | 561,781 | 563,588 |
| Entertainment | | 4,834 | 56,357 |
| Depreciation | | 11,714,948 | 12,972,362 |
| | | <u>21,635,447</u> | <u>25,896,431</u> |
| Work in progress | | | |
| Opening stock | | 39,115 | 52,823 |
| Closing stock | | (52,187) | (39,115) |
| | | <u>(13,072)</u> | <u>13,708</u> |
| Cost of goods manufactured | | <u>21,622,375</u> | <u>25,910,139</u> |
| 27.2 Raw and packing material consumed | | | |
| Opening stock | | 101,100 | 124,166 |
| Purchases | | 1,176,161 | 4,343,706 |
| Available for consumption | | 1,277,261 | 4,467,872 |
| Closing stock | | (42,238) | (101,100) |
| | | <u>1,235,023</u> | <u>4,366,772</u> |

| | Note | 2012 | 2011 |
|--|------|-------------------|-------------------|
| | | -----Rupees----- | |
| 8 OTHER OPERATING INCOME | | | |
| From | | | |
| Rental income | | 11,712,250 | 11,521,477 |
| Sale of scrap | | - | 220,440 |
| Profit on national defense saving certificates | | 4,000 | - |
| | | <u>11,716,250</u> | <u>11,741,917</u> |
| 9 DISTRIBUTION COST | | | |
| Salaries, wages and benefits | | 773,177 | 743,871 |
| Rent, rates and taxes | | 38,608 | 2,995 |
| Vehicles running | | 125,895 | 62,893 |
| Traveling and conveyance | | 552,684 | 340,941 |
| Entertainment | | 304,688 | 290,521 |
| Postage and telephone | | 170,535 | 192,103 |
| Printing and stationery | | 146,282 | 115,883 |
| Electricity, gas and water | | 542,091 | 590,888 |
| Transportation cost | | 17,520 | 45,070 |
| Membership and subscription | | 15,905 | 17,900 |
| Advertisement | | 21,300 | 10,200 |
| Depreciation | | 114,206 | 74,737 |
| | | <u>2,822,891</u> | <u>2,488,002</u> |
| 0 ADMINISTRATIVE EXPENSES | | | |
| Directors remuneration | | 2,250,000 | 2,250,000 |
| Salaries, wages and benefits | | 660,000 | 660,000 |
| Traveling and conveyance | | 4,340 | 3,060 |
| Entertainment | | 33,338 | 46,506 |
| Postage and telephone | | - | 5,130 |
| Printing and stationery | | 28,222 | 34,900 |
| Repairs and maintenance | | 30,635 | 14,487 |
| Electricity, gas and water | | - | 26,994 |
| Membership fee and subscription | | 193,542 | 11,250 |
| Legal and professional | | 198,957 | 154,054 |
| Auditors remuneration | 30.1 | 187,500 | 187,500 |
| Depreciation | | 13,496 | 14,424 |
| | | <u>3,600,030</u> | <u>3,408,305</u> |
| 30.1 Auditors' remuneration | | | |
| Statutory audit fee | | 125,000 | 125,000 |
| Half yearly review fee | | 62,500 | 62,500 |
| | | <u>187,500</u> | <u>187,500</u> |
| 1 OTHER OPERATING EXPENSES | | | |
| Bad debts written off | | 2,383,035 | - |
| Provision for doubtful deposits | | 193,650 | - |
| | | <u>2,576,685</u> | <u>-</u> |
| 2 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 | | 9,231 | 13,669 |
| Interest on employees provident fund | | 24,456 | 24,455 |
| | | <u>7,272,664</u> | <u>7,277,101</u> |
| 3 TAXATION | | | |
| Current year | | 1,160,546 | 1,182,244 |
| Prior year | 33.1 | 51,723 | (38,933) |
| | | <u>1,212,269</u> | <u>1,143,311</u> |

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

33.2 The relationship between tax expense and accounting profit is presented in these financial statements as the total income of the company falls under the presumptive tax regime of the Income Tax Ordinance, 2001. Income tax returns are filed up to tax year 2011.

33.3 During the year net deferred tax assets for the carry forward of unused tax losses amounting to Rs. 112,816,614 (2011: Rs.111,296,895) has not been recognized because it is not probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

| Note | 2012 | 2011 |
|--|------------------|--------------|
| | -----Rupees----- | |
| 34 LOSS PER SHARE - BASIC AND DILUTED | | |
| Loss for the year - Rupees | (25,072,831) | (22,975,136) |
| Weighted average number of shares | 14,958,000 | 14,958,000 |
| Basic loss per share - Rupees | (1.68) | (1.54) |

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

35 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

- 35.1 Credit risk
- 35.2 Liquidity risk
- 35.3 Market risk

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

35.1 Credit risk

Exposure to credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade debts, loans and advances, trade deposits and short term prepayments and cash and bank balances. Out of total financial assets of Rs. 4.701 million (June 30, 2011 : Rs. 5.104 million), financial assets which are subject to credit risk aggregate to Rs. 2.467 million (June 30, 2011 : Rs. 4.969 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.

| | 2012 | 2011 |
|---------------------------------|------------------|------------------|
| | -----Rupees----- | |
| Long term advances and deposits | 160,315 | 160,315 |
| Trade debts | 1,456,638 | 3,545,700 |
| Loans and advances | 735,571 | 865,574 |
| Trade deposits | 12,500 | 206,150 |
| Other receivables | 101,705 | 191,455 |
| Cash and bank balances | 2,234,617 | 134,419 |
| | <u>4,701,347</u> | <u>5,103,613</u> |

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

| | 2012 | 2011 |
|----------|------------------|-----------|
| | -----Rupees----- | |
| Domestic | 1,456,638 | 3,545,700 |

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

| | Gross debtors | |
|---------------------------|------------------|------------------|
| | 2012 | 2011 |
| | -----Rupees----- | |
| Not past due | 575,648 | 2,691,129 |
| Past due 0 - 30 days | - | - |
| Past due 31 - 90 days | - | - |
| Past due 90 days - 1 year | - | - |
| More than one year | 880,991 | 854,571 |
| | <u>1,456,638</u> | <u>3,545,700</u> |

35.2 Liquidity risk

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

| | 2012 | | | | | |
|---------------------------|--------------------|------------------------|--------------------|----------------------|-------------------|----------------------|
| | Carrying Amount | Contractual Cash flows | Six months or less | Six to twelve months | Two to five years | More than five years |
| | Rupees | | | | | |
| Long term financing | 53,032,401 | 53,032,401 | 32,991,000 | - | 20,041,401 | - |
| Short term borrowings | 17,871,821 | 17,871,821 | 17,871,821 | - | - | - |
| Accrued interest / markup | 141,227,180 | 141,227,180 | 141,227,180 | - | - | - |
| Trade and other payables | 61,833,472 | 61,833,472 | 61,833,472 | - | - | - |
| Total | 273,964,875 | 273,964,875 | 253,923,474 | - | 20,041,401 | - |

| | 2011 | | | | | |
|--------------------------------|--------------------|------------------------|--------------------|----------------------|-------------------|----------------------|
| | Carrying Amount | Contractual Cash flows | Six months or less | Six to twelve months | Two to five years | More than five years |
| | Rupees | | | | | |
| Long term loan and liabilities | 32,991,000 | 32,991,000 | 32,991,000 | - | - | - |
| Short term borrowings | 17,947,496 | 17,947,496 | 17,947,496 | - | - | - |
| Accrued interest / markup | 133,988,203 | 133,988,203 | 133,988,203 | - | - | - |
| Trade and other payables | 79,590,970 | 79,590,970 | 79,590,970 | - | - | - |
| Total | 264,517,670 | 264,517,670 | 264,517,670 | - | - | - |

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, 2012. The rates of mark up have been disclosed in relevant notes to these financial statements.

35.3 Market risk

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

Currency risk

Exposure to currency risk

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

Interest rate risk

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

| | 2012 | 2011 |
|-------------------------------|------------------|------------|
| | -----Rupees----- | |
| Fixed rate instruments | | |
| Financial assets | - | - |
| Financial liabilities | 50,862,821 | 50,938,496 |

Fair value sensitivity analysis for fixed rate instruments

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

Fair value of financial assets and liabilities

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

36 CAPITAL RISK MANAGEMENT

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

37 TRANSACTIONS WITH RELATED PARTIES

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

| | 2012 | 2011 |
|--|-------------------|------------------|
| | -----Rupees----- | |
| Short term borrowing from Mr. Arif Shaffi - Director | 689,401 | 765,076 |
| Short term borrowing from Mrs. Parveen Shaffi - w/o Director | 2,182,420 | 1,609,500 |
| Short term borrowing from Mr. Reyaz Shaffi - Director | - | 572,920 |
| Long term financing from Parveen Shaffi - Hiers Mr. Reyaz Shaffi | 20,041,401 | - |
| | <u>22,913,222</u> | <u>2,947,496</u> |

38 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

| | CHIEF EXECUTIVE | | DIRECTORS | | TOTAL | |
|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2012 Rupees | 2011 Rupees | 2012 Rupees | 2011 Rupees | 2012 Rupees | 2011 Rupees |
| Basic | 999,996 | 999,996 | 999,996 | 999,996 | 1,999,992 | 1,999,992 |
| House rent | 449,998 | 449,998 | 449,998 | 449,998 | 899,996 | 899,996 |
| Others | 50,006 | 50,006 | 50,006 | 50,006 | 100,012 | 100,012 |
| | <u>1,500,000</u> | <u>1,500,000</u> | <u>1,500,000</u> | <u>1,500,000</u> | <u>3,000,000</u> | <u>3,000,000</u> |
| Number of persons | 1 | 1 | 2 | 2 | 3 | 3 |

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

39 PLANT CAPACITY

| | Budgeted capacity | | Actual production | |
|--|-------------------|--|-------------------|---------|
| | | | 2012 | 2011 |
| | -----Rupees----- | | | |
| At Gharo | | | | |
| PVC Resin - tons | 25,000 | | - | - |
| Compounds 100% - tons | 1,500 | | - | - |
| PVC leather cloth and plastic sheets - | 22,144,500 | | - | - |
| At Islamabad | | | | |
| PVC pipes and fittings - meters | 7,751,808 | | 13,275 | 181,438 |
| Processing of water - Gallons | 900,000 | | 28,145 | 3,795 |

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

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

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

40 CORRESPONDING FIGURES

Figures have been rearranged / reclassified whenever necessary for the purpose of comparison. There were no significant reclassifications / rearrangements made in financial statements in the current period.

41 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 22, 2012 by the board of directors of the company.

42 GENERAL

Figures have been rounded off to the nearest Rupee.

Arif Shaffi
CHIEF EXECUTIVE

Mohammad Shaffi
DIRECTOR

PATTERN OF SHAREHOLDING

As at June 30, 2012

| No. of Shareholders | -----Shareholding----- | | Total Shares Held |
|---------------------|------------------------|-----------|-------------------|
| | From | To | |
| 252 | 1 | 100 | 10,223 |
| 79 | 101 | 500 | 23,760 |
| 23 | 501 | 1,000 | 18,336 |
| 38 | 1,001 | 5,000 | 100,514 |
| 7 | 5,001 | 10,000 | 52,074 |
| 4 | 10,001 | 15,000 | 49,166 |
| 2 | 15,001 | 20,000 | 34,970 |
| 1 | 65,001 | 70,000 | 65,940 |
| 1 | 90,001 | 95,000 | 93,680 |
| 1 | 175,001 | 180,000 | 180,000 |
| 1 | 295,001 | 300,000 | 300,000 |
| 2 | 375,001 | 380,000 | 752,550 |
| 1 | 425,001 | 430,000 | 425,602 |
| 1 | 735,001 | 740,000 | 737,640 |
| 1 | 1,045,001 | 1,050,000 | 1,045,725 |
| 1 | 1,105,001 | 1,110,000 | 1,110,000 |
| 1 | 9,970,001 | 9,975,000 | 9,971,820 |
| 416 | | | 14,972,000 |

Categories of Shareholding As at June 30, 2012

| Categories of shareholders | Share held | Percentage |
|--|------------|------------|
| Directors, Chief Executive Officers, and their spouse and minor children | 806,450 | 5.3864% |
| Associated Companies, undertakings and related parties. | - | 0.0000% |
| NIT and ICP | 8,562 | 0.0572% |
| Banks Development Financial Institutions, Non Banking Financial Institutions. | 2,710,813 | 18.1059% |
| Insurance Companies | 25,720 | 0.1718% |
| Modarabas and Mutual Funds | - | 0.0000% |
| Share holders holding 10% | 9,971,820 | 66.6031% |
| General Public | | |
| a. Local | 1,019,412 | 6.8088% |
| b. Foreign | | |
| Others (to be specified) | | |
| 1- Joint Stock Companies | 427,058 | 2.8524% |
| 2- Investment Companies | 1,625 | 0.0109% |
| 3- Abandoned Properties | 539 | 0.0036% |
| 4- Forigen Companies | 9,971,820 | 66.6031% |
| 5- Other Companies | 1 | 0.0000% |

**Catagories of Shareholding required under Code of Coprorate Governance (CCG)
As on June 30, 2012**

| Sr. No. | Name | No. of Shares Held | Percentage |
|---|--|--------------------|------------|
| Associated Companies, Undertakings and Related Parties (Name Wise Detail): | | | |
| Mutual Funds (Name Wise Detail) | | | |
| Directors and their Spouse and Minor Children (Name Wise Detail): | | | |
| 1 | MR. ARIF SHAFFI | 376,450 | 2.5144% |
| 2 | MR. ASIF SHAFFI | 376,100 | 2.5120% |
| 3 | MR. MOHAMMAD SHAFFI | 17,500 | 0.1169% |
| 4 | MR. MOHAMMAD IQBAL | 2,500 | 0.0167% |
| 5 | MR. ADEEL SHAFFI | 2,500 | 0.0167% |
| 6 | MR. IJAZ AHMED KHAN | 2,500 | 0.0167% |
| 7 | MR. ADNAN SHAFFI | 2,500 | 0.0167% |
| 8 | MRS. SHAZIA SHAFFI W/O ASIF SHAFFI | 13,550 | 0.0905% |
| 9 | MRS. SAIRA SHAFFI W/O ARIF SHAFFI | 12,850 | 0.0858% |
| Executives: | | | |
| Public Sector Companies & Corporations: | | | |
| Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds: | | 2,736,533 | 18.2777% |
| Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail) | | | |
| 1 | ENSENA HOLDING FZC | 9,971,820 | 66.6031% |
| 2 | SAMBA BANK LIMITED. (CDC) | 1,045,725 | 6.9845% |
| 3 | INDUSTRIAL DEVELOPMENT BANK OF PAKISTAN. (CDC) | 1,110,000 | 7.4138% |

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

NIL



Since 1963