

Pakistan PVC Limited

Annual Report 1999

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COMPANY INFORMATION

BOARD OF DIRECTORS

CHAIRMAN & CHIEF EXECUTIVE

Reyaz Shaffi

DIRECTORS

Arif Shaffi
Asif Shaffi
Irshad Ahmad
Naseem Malik
Mahmood-ur-Rehman
Miss Naila Shaffi

SECRETARY

Mohammad Younus

AUDITORS

Riaz Ahmad, Saqib, Gohar & Co.,
Chartered Accountants

BANKERS

United Bank Limited
Habib Bank Limited
National Bank of Pakistan
Muslim Commercial Bank Limited
Prime Commercial Bank Limited

REGISTERED OFFICE

Shaffiabad, Gharo, Distt, Thatta.

FACTORY

Shaffiabad, Gharo, Distt, Thatta.
Sector I - 9, Industrial Area, Islamabad.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 36th Annual General Meeting of the Company will be held on Tuesday, February 29, 2000 at the registered office of the company at Pakistan PVC Limited, Shaffiabad, Gharo, Distt. Thatta at 1000 a.m. to transact the following business.

1. To confirm the minutes of the 35th Annual General Meeting of the Company held on December 31, 1998.

2. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 1999 together with the reports of the Director's and Auditors' thereon.

To appoint auditors of the company for the year ending June 30, 2000 and fix their remuneration.

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

By Order of the Board

(MOHAMMAD YOUNUS)
Company Secretary

Karachi: February 3, 2000

Notes:

1. A Member entitled to attend and vote at this meeting may appoint another member as his/her Proxy to attend and vote instead of him/her. Proxies in order to be valid must be received by the company not later than 72 hours before the scheduled time for the meeting.

2. The share transfer books of the company will remain closed from February 24, 2000 to February 29, 2000 (both days inclusive).

3. Shareholders are requested to notify the company promptly changes in their address (if any).

DIRECTOR'S REPORT TO THE SHAREHOLDERS

On behalf of my colleagues on the Board, I welcome you to the 36th Annual General Meeting of the company and present the audited accounts for the year ended June 30, 1999 alongwith the auditors' report thereon.

The financial position of your company during the year ended June 30, 1999 was further deteriorated due to financial expenses incurred on previous loans, ideal cost and depreciation. As reported previously, Gharo Plant remains closed through out the year and there was no production during the year from Gharo Plant. Machinery of Pipe Plant shifted from Gharo to Islamabad are still under installation.

During the year under review your management arranged the revaluation of Fixed Assets and for this purpose the services of an independent valuer was hired which resulted a surplus of Rs. 667.424 million over the book value. Production of PVC Pipes at Islamabad was 513,84,1 meters as against 675,882 meters last year. Reason for lower production is due to frequent electric failure and stoppage of machines for repairs. Your company sustained huge loss of Rs. 65,305 million as compared to a loss of 45.806 million during the previous year.

FINANCIAL RESULTS*(Rs. In Millions)*

Loss for the year before taxation	65.266
Provision for taxation - Turnover	0.039

Loss after taxation	65.305
Accumulated loss brought forward	367.291

Accumulated loss carried forward	432.596
	=====

AUDITORS' REPORT

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 and closure of operations at Gharo Plant.

DIVIDEND

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

AUDITORS

The present auditors M/s. Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants, the retiring auditors have offered themselves for appointment as auditors of the company for the year ending June 30, 2000.

PATTERN OF SHAREHOLDING

The pattern of shareholding is annexed to this report.

Karachi: 03 February, 2000

REYAZ SHAFFI
Chairman & Chief Executive

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Pakistan PVG Limited as at June 30, 1999 and the related profit and loss account and the statement of cash flow, 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 and, after due verification thereof, we state that:

The Company, during the year, has incurred after tax loss of Rs. 65.305 million. The Company has also recorded accumulated losses amounting to Rs. 432.596 million as at June 30, 1999 and, as of that date, the Company's current liabilities exceeded its current assets by Rs. 448,367 million. The Company has ceased all its operation at Gharo and therefore aforesaid events have created considerable doubt as to whether the Company would be able to continue as a "going-concern". No adjustments, if any, have been made in the accounts, that may be necessary should the Company be unable to continue as a "going-concern".

Subject to the foregoing, we report:

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984:

(b) in our opinion;

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinate, 1984 and are in agreement with the books of account 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 object of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us subject to the eventual outcome of the matters stated in note 7.1 and adjustments, if any, that may be required when these matters are resolved and determined, the balance sheet, profit and loss account and the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and Company's affairs as at June 30, 1999 and of the loss and the statement of cash flow for the year then ended ;and

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

Karachi: 03 February, 2000

RIAZ AHMAD, SAQIB, GOHAR & CO.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1999

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
CAPITAL AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised Capital			
15,000,000 (1998: 15,000,000) of Rs. 10 each		150,000,000	150,000,000
		=====	=====
Issued, Subscribed & paid-up capital	3	49,860,000	49,860,000
Accumulated Profit/(Loss)		(432,596,347)	(367,291,335)
		-----	-----
		(382,736,347)	(317 431,335)

SURPLUS ON REVALUATION OF FIXED ASSETS	4	667,424,060	--
LONG TERM LOANS & LIABILITIES	5	86,583,333	--
DEFERRED LIABILITY FOR GRATUITY		5,944,361	5,944,361
CURRENT LIABILITIES			
Current maturity of long term loans & liabilities		100,829,718	83,513,051
Finance utilized under mark-up arrangement - secured	6	51,496,560	42,671,587
Creditors, accrued & other liabilities	7	341,113,177	306,997,839
Provision for taxation		179,996	141,075
		-----	-----
		493,619,451	433,323,552
CONTINGENCIES AND COMMITMENTS	8	--	--
		-----	-----
		870,849,181	121,836,578
		=====	=====
PROPERTY AND ASSETS			
TANGIBLE FIXED ASSETS	9	824,980,819	59,274,227
LONG TERM INVESTMENTS	10	203,000	203,000
LONG TERM LOANS, ADVANCES AND DEPOSITS	11	412,593	412,593
CURRENT ASSETS			
Stores, spare parts and loose tools	12	8,113,459	8,140,045
Stock-in-trade	13	10,843,373	25,861,364
Materials-in-transit		1,756,681	17,561,681
Trade debtors - unsecured - considered good	14	3,748,677	3,831,120
Advances, deposits, prepayments and other receivables	15	21,023,637	23,518,635
Cash and bank balances	16	(233,058)	(1,161,087)
		-----	-----
		4,5,252,769	61,946,758
		-----	-----
		870,849,181	121,836,578
		=====	=====

The annexed notes form an integral part of these accounts.
Auditor's report annexed.

Karachi: February 03, 2000

REYAZ SHAFFI
Chief Executive

ASIF SHAFFI
Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1999**

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
Sales (Net)	17	7,784,118	13,430,962
Cost of sales	18	13,959,192	20,418,902
		-----	-----
Gross profit/(loss)		(6,175,074)	(6,987,940)
Less; Operating Expenses			
Administrative expenses	19	8,105,780	6,950,454
Selling & distribution expenses	20	1,790,345	2,054,938
		-----	-----
		9,896,125	9,005,392
		-----	-----
Operating loss		(16,071,199)	(15,993,332)
Other income / (loss)	21	106,880	173,188
		-----	-----
		(15,964,319)	(15,820,144)
Financial and other charges	22	49,301,772	30,342,679
		-----	-----
Profit/(loss) before taxation		(65,266,091)	(46,162,823)
Provision for taxation			
Current		38,921	67,155
Prior year		--	(423,357)
		-----	-----
		38,921	(356,202)
		-----	-----
Loss after taxation		(65,305,012)	(45,806,621)
Accumulated loss brought forward		(367,291,335)	(321,484,714)
		-----	-----
Accumulated loss carried forward		(432,596,347)	(367,291,335)
		=====	=====
Basic earnings per share	23	(13.10)	(9.19)
		=====	=====

The annexed notes form an integral part of these accounts.

REYAZ SHAFFI
Chief Executive

ASIF SHAFFI
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 1999

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
--	-------------	------------------------------	------------------------------

CASH FLOW FORM OPERATING ACTIVITIES

Cash generated from operations	1	1,031,370	1,539,691
--------------------------------	---	-----------	-----------

CASH FROM INVESTING ACTIVITIES

Fixed capital expenditure		(105,841)	(18,056)
---------------------------	--	-----------	----------

Payment of Gratuity		--	(1,257,830)
---------------------	--	----	-------------

Proceed from sale of fixed assets		2,500	--
-----------------------------------	--	-------	----

Net Cash from investing activities		(103,341)	(1,275,886)
------------------------------------	--	-----------	-------------

Net Decrease in cash and cash equivalents		928,029	263,805
---	--	---------	---------

Cash and cash equivalents at the beginning of the year		(1,161,087)	(1,424,892)
--	--	-------------	-------------

Cash and cash equivalents at the end of the year		(233,058)	(1,161,087)
--	--	-----------	-------------

1. CASH GENERATED FROM OPERATIONS

Loss before taxation		(65,266,091)	(46,162,823)
----------------------	--	--------------	--------------

Adjustments for non cash charges and other items			
--	--	--	--

Depreciation		5,723,308	6,352,165
--------------	--	-----------	-----------

Profit on sale of fixed assets		(2,499)	--
--------------------------------	--	---------	----

Provision for gratuity		14,324	169,449
------------------------	--	--------	---------

Working Capital changes	2	60,562,328	41,180,900
-------------------------	---	------------	------------

		66,297,461	47,702,514
--	--	------------	------------

		1,031,370	1,539,691
--	--	-----------	-----------

2. WORKING CAPITAL CHANGES

Decrease/(Increase) in current assets			
---------------------------------------	--	--	--

Stores & Spares		26,586	73,772
-----------------	--	--------	--------

Stock in trade		15,017,990	2,158,922
----------------	--	------------	-----------

Trade debts		82,443	(124,241)
-------------	--	--------	-----------

Advances, prepayments, deposits and other receivables		2,494,998	(1,547,922)
---	--	-----------	-------------

		17,622,017	560,531
--	--	------------	---------

Increase in current liabilities			
---------------------------------	--	--	--

Creditors, accrued and other liabilities		34,115,338	33,307,493
--	--	------------	------------

Finance utilized under markup arrangement		8,824,973	7,312,876
---	--	-----------	-----------

		42,940,311	40,620,369
--	--	------------	------------

		60,562,328	41,180,900
--	--	------------	------------

REYAZ SHAFFI**ASIF SHAFFI**

Chief Executive

Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1999

1. STATUS AND NATURE OF THE COMPANY

The company was incorporated in Pakistan and is listed on the two stock exchanges of Pakistan. The company is engaged in the production and sale of PVC resin, PVC pipes & fittings, PVC compound and caustic soda.

2. SIGNIFICANT ACCOUNTING POLICIES:

2.1 Accounting Convention:

These accounts have been prepared under the historical cost convention except that certain fixed assets have been included at revalued amount referred in sub para (2.3) and (9).

2.2 Gratuity:

Provision approximating the amount required to cover the company's obligations is made annually including for employees who have not completed the initial qualifying period.

2.3 Fixed Assets and Depreciation:

Freehold Land, Factory Building and Plant & Machinery at June 99, was revalued by an independent valuer as of that date and are shown at such revalued figures.

All other fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to income applying the reducing balance method. These rates used are stated in note 9 to the accounts. In respect of additions during the year, full year's depreciation is charged and no depreciation is charged on assets in the year of disposal.

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

Gains and losses on disposal of assets are included in current income.

2.4 Investments:

Investments are stated at cost less provision for diminution in value.

2.5 Store, Spare Parts and Loose Tools:

These are stated at the lower of average cost and net realizable value arrived at after making provisions for estimated loss on realization.

2.6 Stock-in-Trade:

Raw and packing materials and finished goods are valued at lower of average cost determined annually and net realizable value arrived at after making provisions for

estimated loss on realization.

2.7 Materials-in-Transit:

These are valued at cost accumulated upto the balance sheet date.

2.8 Revenue recognition:

Sales are recognized when goods are delivered to customers and invoices raised.

Income on investment is accounted for on receipt basis.

2.9 Taxation:

Provision for income tax is made on the basis of taxable income after taking into account any credit, unabsorbed depreciation and tax losses of prior years.

2.10 Deferred Taxation:

Deferred taxation is provided on timing differences using the liability method, excluding the tax effects of those timing difference which are not likely to reverse in the foreseeable future.

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
Ordinary Shares of Rs. 10 each:		
2,603,335 (1998: 2,603,335) issued for cash	26,033,350	26,033,350
2,396,665 (1998: 2,396,665) issued as fully paid in consideration of amounts outstanding as secured loans	23,966,650	23,966,650
	-----	-----
	50,000,000	50,000,000
Amount due in respect of 14,000 shares (1998: same) allotted to Federal Chemical and Ceramics Corporation (Private) Limited	140,000	140,000
	-----	-----
	49,860,000	49,860,000
	=====	=====
4. SURPLUS ON REVALUATION OF FIXED ASSETS		
Balance at July 1998	--	--
Revaluation during the year- note 4.1	667,424,060	--
	-----	-----
Balance as on 30-06-1999	667,424,060	--
	=====	=====

4.1 In June 1999, Freehold Land, Factory Building and Plant & Machinery pertaining to Pakistan PVC Limited was revalued by MIR & Associates which resulted in a surplus of Rs. 667,424,060

over the book value.

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
5. LONG TERM LOANS & LIABILITIES		
Banking Company - Secured		
Habib bank limited - note 5.2	6,550,000	6,550,000
Financial Institution-Secured		
Industrial Development Bank of Pakistan - note 5.3	43,972,051	43,972,051
	-----	-----
	50,522,051	50,522,051
	32,991,000	32,991,000
Federal Government - note 5.4		
Other long term liabilities-unsecured - note 5.5	103,900,000	--
	-----	-----
	187,413,051	83,513,051
Less: Shown under current liabilities		
Overdue installments of long term loans	83,513,051	83,513,051
Current maturity of other long term liabilities	17,316,667	--
	-----	-----
	100,829,718	83,513,051
	-----	-----
	86,583,333	--
	=====	=====

5.1 Irrespective of previous agreements, loans from bank and financial institution are repayable in rupees.

5.2 Habib Bank Limited

According to a draft agreement with HBL, the loans are to be repaid in fourteen unequal half-yearly installments commencing from 30 June 1982 and interest at the rate of 11% per annum payable half-yearly. (Penal interest for non-payment of principal and interest is to be paid additionally at the rate of 2% per annum). (Company is not charging penal interest @2% on overdue penal interest.)

According to a draft agreement with HBL, the loans (mark-up) shall be secured by a second charge on all present and future fixed assets of the company.

5.3 Industrial Development Bank of Pakistan

Industrial Development Bank of Pakistan (IDBP) loans is secured against a first equitable mortgage on all the present and future immovable assets of the company including buildings and fixed plants, machinery and fixtures thereon, first floating charge on all the assets of the company and a first charge by way of hypothecation of all the present and future plant and machinery of the company in favour of IDBP

Repayment terms and rate of interest on IDBP loans have not yet been agreed. However, IDBP is charging interest at the rate of 11% per annum plus 2% penal interest on overdue installments of principal and interest.

5.4 Federal Government Loan

The loan is repayable in four half-yearly installments commencing one year after the date of handing over (i.e. 17 June, 1992) and carries an interest @ 11%, as agreed with the new management.

5.5 Other Long Term Liabilities

The company has entered into an agreement for purchase of Polymerization process and formulas for polymerization of PVC for increasing the polymerization capacity from 5,000 to 25,000 Tons per annum. As per the terms of the agreement. The company is required to make payments in six hi-annual installments commencing from January 01, 2000. In case of default for continuous period of three years. The company has agreed to allow the seller to convert 20% of their outstanding amount into equity.

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
6. FINANCE UTILIZED UNDER MARK-UP ARRANGEMENT- SECURED	51,496,560	42,671,587
	=====	=====

The Cash Finance Facility was available from U.B.L Rate of markup is 54 Paisa per Rs. 1,000 on daily product basis. The above facility is secured by way of:-

(i) Hypothecation of stock of raw materials and finished goods under the first charged registered with the Registrar, Joint Stock companies.

(ii) Float-ins Charge on present and future current assets of the company.

The bank has filed a suit for recovery of its outstanding amount in Banking Tribunal.

7. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	80,878,197	72,928,715
Accrued expenses	82,790,848	74,115,808
Accrued interest on Loans	116,408,001	94,870,836
Interest payable on deferred custom duties	2,170,075	2,170,075
Sales-tax claims - note 7.1	21,759,934	21,766,602
Advances from Customers	25,826,276	29,172,873
Staff income-tax and withholding tax	--	687,797
Deposits (interest free, repayable on demand)	1,233,866	1,239,153
Unclaimed dividend	45,980	45,980
Others	10,000,000	10,000,000
	-----	-----
	341,113,177	306,997,839
	=====	=====

7.1 Sales-Tax Claims

This is stated net of payable Rs. 28,734,587 (1998: Rs.28,741,254) and receivable of Rs. 6,974,653 (1998: Rs. 6,974,653). Both these amounts are subject to determination by the sales-tax authorities.

8. CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

The ex-employees of the company have filed suits for recovery of their dues to the tune of Rs. 16.7 million against which the company has made provisions for Rs. 11.00 million in the accounts. The management feels that on the final out come of the suits the total claim is not likely to exceed the amount already provided. (1998: Rs. Nil)

8.2 Commitments

There were no commitments as at 30th June, 1999. (1998: Rs. Nil).

9. TANGIBLE FIXED ASSETS

PARTICULARS	COST			R A T E	DEPRECIATION			WRITTEN	
	AS ON	ADDITIONS/ ADJUSTMENT	AS AT		AS ON	CHARGE	ADJUSTMENT	AS AT	DOWN VALUE
	1 JULY	DURING THE	30 JUNE		1 JULY	FOR THE	DURING THE	30 JUNE	AS AT
	1998	YEAR	1999		1998	YEAR	1999	30 JUNE 1999	
	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees	Rupees
Land Leasehold	429,965	--	429,965	--	--	--	--	--	429,965
Land Freehold	2,231,339	108,518,696	110,750,035	--	--	--	--	--	110,750,035
Factory Building	14,782,672	26,207,328	40,990,000	10	11,288,219	349,445	11,288,219	349,445	40,640,555
Plant and Machinery	193,909,940	482,990,060*	676,900,000	10	142,319,757	5,159,018	142,319,757	5,159,018	671,740,982
Electric Installations	2,592,503	--	2,592,503	10	2,040,794	55,171	--	2,095,965	496,538
Tools and Implementation	1,573,074	--	1,573,074	20	1,557,442	3,126	--	1,560,569	12,506
Airconditioner, Cooler and Fan	1,028,689	28,500	1,057,189	15	857,609	29,937	--	887,546	169,643
Fire Fighting Equipments	119,860	--	119,860	15	100,998	2,829	--	103,828	16,032
Weighing Scales	347,476	--	347,476	10	277,055	7,042	--	284,097	63,379
Furniture and Fixture	799,341	--	799,341	10	643,585	15,576	--	659,160	140,180
Office Equipments	1,508,763	77,341	1,586,104	15	1,150,525	65,337	--	1,215,862	370,242
Canteen Equipments	25,416	--	25,416	15	24,512	136	--	24,647	769
Motor Vehicles	1,395,257	(3,157)	1,392,100	20	1,224,032	34,245	3,156	1,255,121	136,979
Other Assets	116,983	--	116,983	10	102,522	1,446	--	103,968	13,015
TOTAL 1999	220,861,279	617,818,767	838,680,047		161,587,052	5,723,307	153,611,132	13,699,227	824,980,819
TOTAL 1998	220,843,223	18,056	220,861,279		155,234,887	6,352,165	--	161,587,052	59,274,227

* Include Rs. 103,900,000/- on account of cost of Polymerization process (see note - 5.5)

9.1 Depreciation charged for the year has been allocated as follows:

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
Cost of Sales	5,631,307	6,255,491
Administrative expenses	62,106	66,480
Selling and distribution expenses	29,895	30,194
	-----	-----
	5,723,308	6,352,165
	=====	=====

Depreciation on fixed assets has been charged on the net book value of these assets before revaluation as on 30.06.1999

9.2 (a) Title deed to a part of the freehold land is in dispute.

(b) (i) Lease agreement in respect of old land is not available in company's record.

(ii) Allotment of land at Islamabad was cancelled by CDA for which company has taken stay order from the court of law.

(iii) Lease agreement for land in Gadoon Amazia in under acquisition.

9.3 Freeholdland, Factory Building and Plant & Machinery was revalued on 30 June, 1999 by Mir & Associates, Industrial Consultants. The valuation is based on present day market value of the fixed assets after appropriate adjustments to reflect their current value based on estimates of their remaining useful or economics life. At the above date, the revaluation resulted in a surplus of Rs. 667,424,060/-. The carrying value of the above fixed assets is Rs. 161,215,975/-.

9.4 Disposal of operating fixed assets

<i>Particulars</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Written down value</i>	<i>Sales proceeds</i>	<i>Mode of sale</i>	<i>Name of purchaser</i>
Vehicles						
Lambretta	3157.45	3,155.80	1.65	2,500.00	Negotiation	Mr. Aale Imran (Ex-employee)
Motor cycle Rag. No. LHE-6634	-----	-----	-----	-----		
	3157.45	3,155.80	1.65	2,500.00		
	=====	=====	=====	=====		

1999
Rupees

1998
Rupees

10. LONG TERM INVESTMENT**Listed Companies**

20,000 fully paid ordinary shares of Rs. 10 each in Standard Insurance Company Limited (Market value Rs. 880,000 1998 Rs. 880,000)	200,000	200,000
--	---------	---------

Unlisted Companies

2,000 shares of Omer Sons Food Products Limited (In liquidation)	20,000	20,000
Less: Provision for diminution in the value of investments	(20,000)	(20,000)
	-----	-----
	--	--

Government securities

National Defence Savings Certificates	5,000	5,000
Less: Provision for loss	(2,000)	(2,000)
	-----	-----
	3,000	3,000
	-----	-----
	203,000	203,000
	=====	=====

11. LONG TERM LOANS, ADVANCES AND DEPOSITS:

Other advances - considered doubtful	64,607	64,607
Less: Provision for doubtful advances	(64,607)	(64,607)
	-----	-----
	--	--
Security deposits	412,593	412,593
	-----	-----
	412,593	412,593
	=====	=====

1999
Rupees**1998**
Rupees**12. STORE, SPARE PARTS AND LOOSE TOOLS:**

General stores	3,151,608	3,163,159
Provision for damaged and obsolete items	(882,450)	(885,685)
	-----	-----
	2,269,158	2,277,474
	-----	-----
Spare parts	6,472,108	6,482,645
Provision for obsolete spares	(1,812,190)	(1,815,141)
	-----	-----
	4,659,918	4,667,504
Building materials	220,400	223,628
	-----	-----
Factory supplies	251,130	269,850

Provision for damaged items	--	(11,243)
	-----	-----
	251,130	258,607
Loose tools	712,853	712,832
	-----	-----
	8,113,459	8,140,045
	=====	=====
13. STOCK-IN-TRADE		
Raw and packing materials	25,140,048	25,236,577
Provision for damaged and obsolete materials	(17,125,912)	(2,541,891)
	-----	-----
	8,014,136	22,694,686
Raw materials with bank and third parties	707,894	707,894
Provision for slow moving, damaged and obsolete materials	(98,148)	(98,148)
	-----	-----
	609,746	609,746
Work-in-process	773,870	903,561
Finished goods	1,552,839	1,760,589
Provision for slow moving, damaged and obsolete goods	(107,218)	(107,218)
	-----	-----
	1,445,621	1,653,371
	-----	-----
	10,843,373	25,861,364
	=====	=====

13.1 Includes value of damaged stock of calcium carbide amounting to Rs. 12.182,896/-. The same has been taken as per quantity assessed by Masood & Associates, Surveyors and Consultants, Karachi.

13.2 It was not possible to undertake a physical count of salt, scrap and crush of pipes amounting to Rs. 3,311,313 (1998: Rs. 3,334,972) due to its bulky nature and the necessity of organising handling facilities on a large scale. Further, in the absence of arrangements or the third party certificates, material in their custody amounting to Rs. 626,773 (1998: Rs. 626,773) have not been physically verified against which, provision of Rs. 17,029 (1998: Rs.17,029) has been made. These items are, therefore, based on the quantities shown by the records.

14. TRADE DEBTORS **Unsecured**

1999
Rupees

1998
Rupees

Considered good	3,748,677	3,831,120
Considered doubtful	8,127,762	8,127,762
	-----	-----
	11,876,439	11,958,882
Less: Provision for doubtful debts	(8,127,762)	(8,127,762)
	-----	-----
	3,748,677	3,831,120
	=====	=====

**15. ADVANCES, DEPOSITS, PREPAYMENTS
AND OTHER RECEIVABLES**

Advances to suppliers	10,459,798	10,448,286
Loans to employees	4,373,469	4,769,705
Deposits	3,560,574	4,570,326
Prepayments	113,556	151,056
Margin held by banks	429,638	429,638
Insurance claims	--	436,583
Others	2,086,602	2,713,041
	-----	-----
Considered good	21,023,637	23,518,635
Considered doubtful	8,191,360	8,191,360
	-----	-----
	29,214,997	31,709,995
Less: Provision for doubtful receivables	(8,191,360)	(8,191,360)
	-----	-----
	21,023,637	23,518,635
	=====	=====

16. CASH AND BANK BALANCES:

Cash in hand	40,991	142,547
Cash at banks - current accounts - note 16.1	(275,351)	(1,304,936)
Cash at banks - deposits accounts	1,302	1,302
	-----	-----
	(233,058)	(1,161,087)
	=====	=====

16.1 No overdraft limit is available. The above is due to outstanding cheques which have not been presented at the bank.

	1999	1998
	Rupees	Rupees
17. SALES		
Local	9,811,205	15,976,437
Less: Trade discounts and commission	(2,027,087)	(2,545,475)
	-----	-----
	7,784,118	13,430,962
	=====	=====

18. COST OF SALES

Raw and packing materials:

Opening stock	25,236,577	25,724,714
Purchases	4,147,741	7,883,172
	-----	-----
	29,384,318	33,607,886
Closing stock	(25,140,048)	(25,236,577)
	-----	-----
Raw material consumed	4,244,270	8,371,309
Salaries, wages and benefits	2,247,214	1,898,254
Fuel and power	704,462	1,091,583
Stores and Spares consumed	304,870	417,413
Rent, rates and taxes	20,500	24,362
Repairs and maintenance	126,788	79,150
Postage and telephone	205,517	351,691
Water charges	2,950	3,100
Travel, conveyance and vehicle running	120,812	173,297
Entertainment	38,816	68,044
Other expenses	95,508	127,355
Depreciation	5,631,307	6,255,491
	-----	-----
	9,498,744	10,489,740
	-----	-----
	13,743,014	18,861,049
Add: Opening Work-in-process	903,561	1,094,594
	-----	-----
	14,646,575	19,955,643
Less: Adjustments	(75,875)	(112,933)
Closing work-Work-in-process	(773,870)	(903,561)
	-----	-----
Cost of goods manufactured	13,796,830	18,939,149
Add: Opening finished goods	1,760,589	3,240,342
Adjustment	(71,768)	--
Finished goods purchased	26,380	--
	-----	-----
	15,512,031	22,179,491
Closing finished goods	(1,552,839)	(1,760,589)
	-----	-----
	13,959,192	20,418,902
	=====	=====

19. ADMINISTRATIVE EXPENSES

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
Salaries, wages and benefits	5,975,797	5,397,663
Rent, rates and taxes	426,015	387,260

Motor car expenses	87,731	25,962
Traveling and conveyance	350,816	72,029
Entertainment	43,507	6,429
Postage, telegraph and telephone	184,117	70,994
Printing and stationary	82,208	33,346
Electricity, gas and water	101,478	71,412
Repairs and maintenance	277,057	14,238
Membership and subscription	53,844	9,830
Legal and professional charges	224,650	647,000
Insurance	38,336	3,420
Auditor's remuneration- note 19.1	80,000	80,000
Other expenses	118,118	64,391
Depreciation	62,106	66,480
	-----	-----
	8,105,780	6,950,454
	=====	=====

19.1 Auditor's Remuneration

Audit fee	80,000	80,000
	=====	=====

20. SELLING AND DISTRIBUTION EXPENSES

Salaries, wages and benefits	1,170,476	1,436,622
Rent, rates and taxes	167,832	147,098
Motor car expenses	300	9,087
Travelling and conveyance	40,563	58,950
Entertainment	2,736	5,950
Postage, telegraph and telephone	55,449	82,998
Printing and stationary	2,713	35,137
Electricity, gas and water	26,531	30,701
Repairs and maintenance	3,701	16,091
Carriage outward	137,731	160,566
Advertising and publicity	10,168	19,093
Membership and subscription	1,977	7,846
Depreciation	29,895	30,194
Other expenses	140,273	14,605
	-----	-----
	1,790,345	2,054,938
	=====	=====

1999
Rupees**1998**
Rupees**21. OTHER (LOSS) /INCOME:**

Profit on sale of scrap material	--	173,188
Profit on sale of fixed assets	2,498	--
Miscellaneous	104,382	--
	-----	-----
	106,880	175,188

22. FINANCIAL AND OTHER CHARGES

Mark-up on Long Term Loans	21,537,165	19,107,572
Mark-up on Short Term Running		
Finance and loans	8,824,973	7,312,586
Bank Charges	10,680	12,985
Bank Guarantee Commission	1,528,946	1,528,946
Interest on employees provident fund	1,760,387	2,407,062
Other's - provision for damaged stock	1,011,482	(26,472)
Other's - provision for damaged raw material	13,555,111	--
Others	1,073,028	--
	-----	-----
	49,301,772	30,342,679
	=====	=====

23. BASIC EARNINGS PER SHARE

Loss after taxation	(65,305,012)	(45,806,621)
Number of ordinary shares	4,986,000	4,986,000
	-----	-----
Basic earnings per share	(13.10)	(9.19)
	=====	=====

24. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	<i>CHIEF EXECUTIVE</i>			<i>DIRECTORS</i>	<i>EXECUTIVES</i>		
	<i>1999</i>	<i>1998</i>	<i>1999</i>		<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	
Fees	--	--	--	--	--	--	
Remuneration	1,500,000	1,500,000	1,500,000	1,500,000	1,236,516	700,896	
Utilities	88,317	73,975	63,748	54,211	38,813	21,965	
Medical Expenses	12,618	19,415	22,150	9,615	51,720	83,174	
	-----	-----	-----	-----	-----	-----	
	1,600,935	1,593,390	1,585,898	1,563,826	1,327,049	806,035	
	=====	=====	=====	=====	=====	=====	
Number of Persons	1	1	6	6	3	3	

24.1 Chief Executive of the Company is provided with the free use of car:

24.2 The Other staff of the company do not fall under the definition of the executives.

25. STATEMENT OF CHANGES IN EQUITY

	<i>Share</i>	<i>Accumulated</i>	<i>Total</i>
	<i>Rupees</i>	<i>loss</i>	
		<i>Rupees</i>	
Balance as at June 30, 1997	49,860,000	(321,484,714)	(271,624,714)
Loss for the year	--	(45,806,621)	(45,806,621)
	-----	-----	-----

Balance as at June 30, 1998	49,860,000	(367,291,335)	(317,431,335)
Loss for the year	--	(65,305,012)	(65,305,012)
	-----	-----	-----
Balance as at June 30, 1999	49,860,000	(432,596,347)	(382,736,347)
	=====	=====	=====

26. FINANCIAL INSTRUMENTS & RELATED DISCLOSURES

The Company's exposure to interest / mark-up rate risk and the effective rates on its financial assets and financial liabilities as at June 30, 1999 can be evaluated from the following:

	<i>Interest / mark-up bearing</i>		<i>Non interest/ mark-up bearing</i>	<i>Total</i>
	<i>Within one year</i>	<i>More than one year</i>		
FINANCIAL ASSETS				
Long term investments	--	--	203,000	203,000
Long term deposits	--	--	412,593	412,593
Trade debts	--	--	3,748,677	3,748,677
Other receivables	--	--	21,023,637	21,023,637
cash and bank balances	1,302	--	(234,360)	(233,058)
	-----	-----	-----	-----
Total	1,302	--	25,153,547	25,154,849
	=====	=====	=====	=====

Effective rates of interest %

FINANCIAL LIABILITIES

Long term loan & liabilities	76,963,051	--	110,450,000	187,413,051
Finance utilized under mark-up arrangement	51,496,560	--	--	51,496,560
Creditors, accrued & Other liabilities	--	--	341,113,177	341,113,177
	-----	-----	-----	-----
Total	128,459,611	--	451,563,177	580,022,788
	=====	=====	=====	=====

Effective rates of interest 11% to 20%

26.1 Concentration of credit risk

The substantial sales of company are made on cash basis. The company attempts to control credit risk associated with the carrying amount of its receivable by monitoring credit exposures, limiting transactions with specific customers and continuing assessment of credit worthiness of customers.

26.2 Fair value of financial instruments

The carrying value of all the financial instruments reflected in the financial statements approximate their fair value.

27. CAPACITY OF THE PLANT

<i>Designed</i>	<i>Actual</i>	<i>Production</i>
-----------------	---------------	-------------------

	<i>Capacity per year</i>	<i>1999</i>	<i>1998</i>
PVC Resin - tons	25,000	--	--
Caustic soda 100% - tons	7,200	--	--
HCL 100% - tons	6,000	--	--
Compounds - tons	1,500	--	--
PVC Pipes and fittings - meters	9,012,312	513,844	675,882
PVC leather cloth and plastic sheets - meters	22,144,500	--	--

27.1 Working days 300 per annum.

28 GENERAL

28.1 Figures have been rounded off to the nearest rupee.

28.2 Certain figures of previous year have been reclassified for the purposes of comparison.

**REYAZ SHAFFI
CHIEF EXECUTIVE**

**ASIF SHAFFI
DIRECTOR**

PATTERN OF SHAREHOLDING AS AT JUNE 30, 1999

<i>No. Shareholders</i>		<i>Share Holding</i>		<i>Shares Held</i>	<i>% Age</i>	
303	From	1	To	100	13,933	0.28
78	From	101	To	500	21,569	0.43
19	From	501	To	1000	15,511	0.31
36	From	1001	To	5000	106,008	2.12
3	From	5001	To	10000	26,950	0.54
4	From	10001	To	15000	51,910	1.04
1	From	15001	To	20000	17,470	0.35
1	From	20001	To	25000	21,192	0.42
1	From	65001	To	70000	65,940	1.32
1	From	175001	To	180000	180,000	3.60
1	From	295001	To	300000	300,000	600
2	From	375001	To	380000	752,550	15.05
1	From	425001	To	430000	425,602	8.51
1	From	735001	To	740000	737,640	1,475
1	From	1105001	To	1110000	1,110,000	22.20
1	From	1150001	To	9999999	1,153,725	23.08
-----					-----	-----
454				5,000,000	100.00	
=====					=====	=====

Categories of Shareholders

Numbers

**Share
Held**

% Age

Individual	434	1,694,430	33.89
Investment Companies	2	22,792	0.46
Insurance Companies	5	38,720	0.77
Financial Institutions	9	2,810,330	56.21
Joint Stock Companies	2	8,125	0.16
Others:			
Corporate Law Authority	1	1	0.00
Federal Chem. & Ceramics Corp. (Pvt.) Ltd.	1	425,602	8.51
	-----	-----	-----
	454	5,000,000	100.00
	=====	=====	=====