

SHAVYL®

Annual Report 2015

PAKISTAN PVC LIMITED

52nd ANNUAL REPORT

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PAKISTAN PVC LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 52nd Annual General Meeting of the Company will be held on Saturday, October 31, 2015 at the registered office of the company at **Pakistan PVC Limited**, Shafiiabad, Ghara, District Thatta at 9.00 a.m. to transact the following business.

ORDINARY BUSINESS

1. To confirm the minutes of the 51st Annual General Meeting of the company held on October 25, 2014.
2. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2015 together with the reports of the Directors and Auditors thereon.
3. To appoint auditors of the company for the year ending June 30, 2016 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 Shafii, Asif Shafii, Muhammad Shafii, Muhammad Iqbal, Ijaz Ahmad Khan and Adeel Shafii. 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. 0.5 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.

Is made at: September 21, 2015

By Order of the Board
(ASIF SHAFII)
Company Secretary

Notes:

1. In Compliance with Securities and Exchange Commission of Pakistan's (SECP) directive SRO 831 dated 5 July 2012 printing of Computerized National Identity Card (CNIC) number of shareholders on dividend warrants is **MANDATORY**, therefore, shareholders are requested to provide a copy of their valid CNICs, if they have not already done so to our Share Registrar at their above referred office address, latest by October 17, 2015. Failing which may result in withholding of dividend warrants of respective shareholders.
2. 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.
3. The share transfer books of the company will remain closed from October 23, 2015 to October 31, 2015 (both days inclusive).
4. Any individual Beneficial Owner of CBC, entitled to vote at this meeting must bring his/her original CNIC with him/her to prove his/her identity; and in case of proxy, a copy of shareholder's attested CNIC must be attached with the proxy form. Representatives of corporate members should bring the Board of Directors' Resolution/Power of Attorney with specimen signature of the nominees at the time of meeting. 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 when 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 donations/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 52nd Annual General Meeting of the Company and present the audited accounts for the year ended June 30, 2015 along with the auditors' report thereon.

During the period under review Ghara Plant remains closed and there was no production. The production of PVC Pipes & Fittings at Islamabad increased during the year.

Sales during the year under review decreased to Rs. 7,740 million as compared to Rs. 9,514 million of the same period last year and loss during the year was Rs. 26,213 million as compared to a net loss of Rs. 24,225 million during the previous year. Work of installation of Machinery of Pipe Plant shifted from Ghara to Islamabad has delayed due to non availability of funds.

During the year under review Ghara Plant remains closed through out the year and there was no production. The production of PVC Pipes at Islamabad factory was 255,284 meters as against 307,378 meters last year. Excess capacity of this water treatment plant was used to make Mineral Water. Sale of Mineral Water was 124,500 Gallons as against 50,525 Gallons.

1. AUDITORS' RESERVATION OF GOING CONCERN

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

2. AUDITORS' RESERVATION ABOUT DIRECT CONFIRMATION

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

3. AUDITORS' RESERVATION ABOUT LONG OUTSTANDING BALANCES

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

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

As reported earlier that due to non availability of financial limits from the banks, a discontinuation of electricity by KESC for Ghara plant, management of your company could not start the production at Ghara. As reported in earlier years I repeat my statement that unless Ghara 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 Shafi	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 Shafi	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 Mrs 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, 2016.

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. H&S 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 controls 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:

Name of Director	Total Number of Board Meetings	Number of Meetings Attended
Mr. Adnan Shafi	4	4
Mr. Arif Shafi	4	4
Mr. Mohammad Iqbal	4	4
Mr. Asif Shafi	4	4
Mr. Mohammad Shafi	4	4
Mr. Ijaz Ahmad Khan	4	4
Mr. Adeel Shafi	4	4
10. The pattern of shareholding and additional information regarding pattern of shareholding is given on Page 35-37.
11. No trades in the shares of the Company during the year were carried out by the Director, CEO, CFO, Company Secretary and their spouses and minor children.

Islamabad: September 21, 2015

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 Shafi – Chief Executive

Dated: September 21, 2015

Six Years at a Glance

(Rs.000)

	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
TURNOVER	7,740	9,514	3,373	2,432	6,510	5,748
GROSS PROFIT	(17,155)	(17,761)	(17,198)	(19,301)	(20,400)	(19,473)
NET PROFIT	(26,204)	(24,225)	(11,687)	(25,069)	(22,075)	(22,010)
TAXATION	1,381	3,055	1,247	1,121	1,143	1,120
SHARE CAPITAL FUND	149,580	149,580	149,580	149,580	149,580	149,580
SHAREHOLDERS FUND	287,944	271,332	257,764	255,276	240,429	228,811
GROSS PROFIT %	(222)	(187)	(510)	(794)	(313)	(330)
NET PROFIT %	(339)	(255)	(346)	(1,031)	(353)	(380)
TAXATION %	18	32	37	46	18	19
EARNING PER SHARE	(1.75)	(1.62)	(0.76)	(1.68)	(1.54)	(1.47)
DIVIDEND %	-	-	-	-	-	-
BONUS %	-	-	-	-	-	-

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE For the year ended June 30, 2015

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	Aul Shah
Independent Director	Ijaz Ahmad Khan
Executive Director	Ajmal Shah
Executive Director	Aul Shah
Independent Director	Mohammad Iqbal
Non – Executive Director	Muhammad Shafi

The independent directors meet the criteria of independence under clause 101 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 CFI 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 termination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board's 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 engaged training programs for its directors during the year.
10. The Board has approved the appointment of CEO, 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. Five 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 adhered to by the committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises 3 members of whom all are non-executive directors including the chairman of the committee.
18. The Board has setup an effective internal audit function who is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed if at 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 or 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 "close period" prior to the announcement of interfinancial 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. Materially sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles contained in the Code of Corporate Governance have been complied with.

(Adnan Shaffi)

Chairman

Dated: September 21, 2015

REVIEW REPORT TO THE MEMBERS

On the Statement of Compliance with Best Practices of the Code of Corporate Governance

We have reviewed the enclosed statement of compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Pakistan PVC Limited ("the Company") for the year ended June 30, 2015 to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the statement of compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2015.

Lahore:

Dated: **September 21, 2015**

MUSHTAQ & COMPANY

Chartered Accountants

Engagement Partner:

Abdul Qadoos, FCA

AUDITORS' REPORT TO THE MEMBERS

We were engaged to audit the annexed balance sheet of **Pakistan PVC Limited** ("the Company") as at June 30, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with International Standards on Auditing as applicable in Pakistan. Because of the matters described in paragraph (a) to (f), however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

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

- (a) The Company has ceased the production at Gharo Plant since 1995. The production at Islamabad Plant continues. As stated in the note 2.2 to the financial statements, the Company had incurred a loss for the year ended June 30, 2015 of Rs. 26.213 million (June 30, 2014: Rs. 24.225 million) and as of that date, reported accumulated loss of Rs. 437.534 million (June 30, 2014: Rs. 420.912 million) against the issued, subscribed and paid up capital of Rs. 149.580 million (June 30, 2014: Rs. 149.580 million) turning shareholders' equity to a negative balance of Rs. 287.954 million (June 30, 2014: Rs. 271.332 million). The current liabilities exceed the current assets by Rs. 302.461 million (June 30, 2014: Rs. 267.174 million). Further the Company has not been able to obtain enough finance to revive its Gharo Plant operations. These circumstances give rise to significant uncertainty as to the ability of the Company to continue operations as going concern in the foreseeable future and therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. However, these financial statements do not include any adjustment relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The management has not prepared cash flow projections and future plan to revive the operation of Gharo plant closed since 1995.
- (b) No confirmation/bank statement was received to verify the correctness of balance of long term loan from Government of Pakistan reflected under current portion of long term loans amounting to Rs. 32,991,000 and UBL cash finance amounting to Rs. 15,000,000 reflected under short term borrowings and markup accrued thereon amounting to Rs. 81,250,053 and Rs. 81,694,060.
- (c) No confirmation was received to verify the amount included in trade and other payables in respect of liability towards Privatization Commission, Finance Division, amounted to Rs. 10,000,000.
- (d) Deposits from customers amounting to Rs. 290,500 have not kept in special bank account as against the requirements of section 226 of the Companies Ordinance, 1984. However, any potential liability that may arise as a result of this continued non-compliance cannot presently be estimated, therefore, no effect for the same in these financial statements has been taken.

- (e) We do not concur with the accounting treatment of leasehold land referred in note 15.4 of these financial statements, being violation of the requirements of International Accounting Standards (IAS 40) "Investment Property".
- (f) As more fully explained in note 14.7 of these financial statements, the impact on the financial statements of the disputed COA plot of land at Islamabad is not determinable.
- (g) Except for the effects of the matters stated above, in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (h) in our opinion:
 - (i) Except for the matters referred in paragraph (a) to (g) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (i) Because of the significance of the matters discussed in the preceding paragraph (a) to (f) above, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.
- (j) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVII of 1980).

Lahore.

Date: **September 21, 2015**

MUSHTAQ & COMPANY
Chartered Accountants
Engagement Partner:
Abdul Karim, FCA

PAKISTAN PVC LIMITED **BALANCE SHEET** **AS AT JUNE 30, 2015**

		2015		2014				2015		2014	
		Rupees		Rupees				Rupees		Rupees	
SHARE CAPITAL AND RESERVES						NON CURRENT ASSETS					
Authorized capital						Property, plant and equipment	15				
15,000,000 (June 30, 2014 : 15,000,000) ordinary shares of Rs. 10/- each		150,000,000		150,000,000				156,330,951		166,559,545	
Issued, subscribed and paid up capital	6	149,580,000		149,580,000		Long term investments	16	70,000		61,000	
Accumulated loss		(437,543,974)		(420,911,735)							
		(287,963,974)		(271,331,735)							
Surplus on revaluation of fixed assets	7	141,409,516		151,000,614							
NON CURRENT LIABILITIES											
Long term financing	8	-		20,341,401							
Deferred liabilities	9	184,164		1,79,582							
CURRENT LIABILITIES						CURRENT ASSETS					
Trade and other payables	10	70,362,641		62,099,023		Stores, spare part and house tools		31,501			
Accrued interest / Markup	11	162,944,113		155,735,135		Stock in trade	17	653,107		734,540	
Short term borrowings	12	39,117,524		18,749,736		Trade debts	18	1,634,600		1,315,519	
Current portion of long term financing	5	32,991,000		32,991,000		Loans and advances	19	156,555		534,655	
Provision for taxation - net	13	606,816		856,410		Trade deposits	20	168,000			
						Other receivables	21	5,004		2,119	
						Tax refunds due from Government	22	154,683		253,414	
						Cash and bank balances	23	105,629		176,146	
		901,742,094		270,401,275				1,280,744		1,337,297	
CONTINGENCIES AND COMMITMENTS											
	14	59,581,740		170,791,237				159,151,740		170,791,237	

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

Arit Shaffi
CHIEF EXECUTIVE

Mohammad Shaffi
DIRECTOR

PAKISTAN PVC LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2015

		<u>2015</u>	<u>2014</u>
	Note	-----Rupees-----	
Sales - net	24	7,740,037	9,514,091
Cost of sales	25	(24,895,413)	(27,275,159)
Gross loss		<u>(17,155,376)</u>	<u>(17,761,068)</u>
Other income	26	6,410,910	12,456,675
Distribution cost	27	(3,223,286)	(3,068,791)
Administrative expenses	28	(3,602,629)	(4,057,378)
Other operating expenses	29	-	(1,488,978)
Finance costs	30	(7,251,970)	(7,249,972)
Loss before taxation		<u>(24,822,351)</u>	<u>(21,169,513)</u>
Taxation	31	(1,390,986)	(3,055,119)
Loss for the year		<u>(26,213,337)</u>	<u>(24,224,632)</u>
Loss per share - basic and diluted	32	(1.75)	(1.62)

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

Arif Shaffi
CHIEF EXECUTIVE

Mohammad Shaffi
DIRECTOR

PAKISTAN PVC LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2015

		<u>2015</u>	<u>2014</u>
	Note	-----Rupees-----	
Loss for the year		(26,213,337)	(24,224,632)
Other comprehensive income / (loss)		-	-
Total comprehensive loss for the year		<u>(26,213,337)</u>	<u>(24,224,632)</u>

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

Arif Shaffi
CHIEF EXECUTIVE

Mohammad Shaffi
DIRECTOR

PAKISTAN PVC LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014
	-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(74,822,351)	(21,169,512)
<i>Adjustments for :</i>		
Depreciation	10,968,984	12,225,626
Accrued interest	(6,000)	(5,500)
Debit balances written off	-	1,488,978
Finance cost	7,251,970	7,749,977
Staff retirement benefits - gratuity	4,422	4,422
Provision for slow moving damaged stock	-	-
Rental Income	(6,404,910)	(12,451,175)
Operating cash flows before changes in working capital	(13,607,885)	(12,657,159)
(Increase) / decrease in current assets		
Stores, spare part and loose tools	(31,501)	-
Stock in trade	94,383	746,765
Trade debts	(288,761)	(1,427,864)
Trade deposits	(100,000)	-
Loans and advances	108,105	(384,053)
Tax refunds due from Government	95,731	301,602
Increase in current liabilities		
Trade and other payables	8,760,407	2,747,320
	8,639,368	1,504,108
Net cash used in operation	(4,968,517)	(11,153,051)
Income tax paid	(1,640,581)	(2,153,695)
Finance cost paid	(12,993)	(10,595)
	(1,653,574)	(2,164,290)
Net cash used in operating activities	(6,622,091)	(13,317,341)
CASH FLOWS FROM INVESTING ACTIVITIES		
Rent received	5,604,956	9,497,871
Net cash generated from investing activities	5,604,956	9,497,871
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term borrowings - net	346,417	(7,881)
Net cash (used) / generated from financing activities	346,417	(7,881)
Net increase in cash and cash equivalents	(70,717)	(3,827,351)
Cash and cash equivalent at the beginning of the year	175,346	4,004,127
Cash and cash equivalent at the end of the year	105,629	175,346

The annexed notes from 1 to 43 form an integral part of these financial statements

Arif Shaffi
CHIEF EXECUTIVE

Mahammad Shaffi
DIRECTOR

PAKISTAN PVC LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2015

	Issued, subscribed and paid up capital	Accumulated loss	Total
	-----Rupees-----		
Balance as at June 30, 2013	149,580,000	(107,343,877)	(257,763,877)
Transfer from surplus on revaluation on account of incremental depreciation	-	10,656,774	10,656,774
Total comprehensive loss for the year ended June 30, 2014	-	(24,224,632)	(24,224,632)
Balance as at June 30, 2014	149,580,000	(120,911,735)	(271,331,735)
Transfer from surplus on revaluation on account of incremental depreciation		9,591,096	9,591,096
Total comprehensive loss for the year ended June 30, 2015		(26,213,337)	(26,213,337)
Balance as at June 30, 2015	149,580,000	(147,534,976)	(287,954,976)

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

Arif Shaffi
CHIEF EXECUTIVE

Mohammad Shaffi
DIRECTOR

PAKISTAN PVC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

1 LEGAL STATUS AND OPERATIONS

Pakistan PVC Limited (the company) is incorporated in Pakistan and is listed on the Karachi (KSE) and Lahore (LSX) Stock Exchange Limited. The registered office of the company is situated at Shaheedabad, 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 1993. The production at Islamabad plant continues. The company has installed a water purification plant to process and sell mineral water in 2011.

The case for the revival of the company remained with the committee for revival of sick industrial unit setup by the Finance Division, Government of Pakistan with representation of the federation of Chamber of Commerce and Industries.

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of The Companies Ordinance, 1984 (the Ordinance) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under The Companies Ordinance, 1984 provisions of and directives issued under 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, 2015 of Rupees 26,332 million (June 30, 2014: Rupees 24,225 million) and as of that date, reported accumulated loss of Rs. 437,552 million as at June 30, 2015 (June 30, 2014 : Rs. 420,912 million) against the issued, subscribed and paid up capital of Rs. 149,580 million (June 30, 2014 : Rs. 149,580 million) turning shareholders' equity to a negative balance of Rs. 287,972 million (June 30, 2014 : Rs. 271,332 million). The current liabilities exceed the current assets by Rs. 302,480 million (June 30, 2014 : Rs. 167,174 million). Further the company has not been able to obtain enough finance to revive its operations. These circumstances give rise to significant uncertainty as to the ability of the company to continue operations as going concern in the foreseeable future. However, these financial statements do not include any adjustment relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the company be unable to continue as a going concern.

3 ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect application of policies reported amount of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience, industry trends, legal and technical pronouncements and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised. Significant areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

3.1 Provision for taxation

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

3.2 Financial instruments

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

3.3 Property, plant and equipment

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

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

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

4 Standards, interpretations and amendments to published approved accounting standards

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

During the year certain amendments to standards or new interpretations became effective; however, the amendments or interpretation did not have any material effect on the financial statements of the company.

4.2 Standards, interpretations and amendments to existing standards that are applicable to the company but are not yet effective:

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 July 2015 and the Company does not expect to have any material / significant changes in its accounting policy except for disclosures, where applicable:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments have no impact on Company's financial statements as the company has the policy of depreciating / amortizing its property, plant and equipment and intangible assets based on the assessed useful lives.
- IFRS 10 'Consolidated Financial Statements' (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 is not likely to have any impact on the financial statements of the company.
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. IFRS 11 is not likely to have any impact on the financial statements of the company.
- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015). The adoption of this standard is not likely to have an impact on company's financial statements.
- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015). The adoption of this standard is not likely to have an impact on company's financial statements.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Agriculture: Bearer Plants (Amendment to IAS 16 and IAS 41) (effective for annual periods beginning on or after 1 January 2016). These amendments have no impact on the financial statements of the company.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) (effective for annual periods beginning on or after 1 January 2016). The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

- IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. These amendments are not likely to have any implication on the company's financial statements.
 - IFRS 7 'Financial Instruments- Disclosures'. These amendments are not likely to have any implication on the company's financial statements.
 - IAS 19 'Employee Benefits'. These amendments are not likely to have any implication on the company's financial statements.
 - IAS 34 'Interim Financial Reporting'. These amendments are not likely to have any implication on the company's financial statements.
- 4.3 There are a number of other minor amendments and interpretations to other approved accounting standards that are not yet effective and are also not relevant to the company and therefore have not been presented here.

5 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied in 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 assets carrying amount or as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other costs are charged to income during the period in which they are incurred.

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

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

5.2 Intangible assets

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

5.3 Impairment

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

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

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

5.4 Investments

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

Investments at fair value through profit or loss

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

Held to maturity

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

Available for sale

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

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

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

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

5.5 Stores and spares

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

5.6 Stock in trade

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

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

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

5.7 Trade debts

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

5.8 Cash and cash equivalents

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

5.9 Borrowings and borrowing costs

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

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

5.10 Revenue recognition

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

5.11 Financial instruments

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

5.12 Off setting financial assets and financial liabilities

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

5.13 Dividends

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

5.14 Staff retirement benefits-gratuity

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

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

There is only one employee entitled for gratuity, therefore the management believes that it is unreasonable to conduct actuarial valuation as required by IAS 19 "(Revised) Employee Benefits". As the company has not carried out actuarial valuation under projected credit unit method therefore, adoption of IAS 19 (revised) "Employee benefits" have no retrospective impacts on these financial statements as required under International Accounting Standard - 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and the comparative financial statements have not been restated.

5.15 Taxation

Current

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

Deferred

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

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

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

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

5.16 Trade and other payable

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

5.17 Provisions

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of past event, and it is probable that an out flow of resource including 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 arm's length basis determined in accordance with comparable uncontrolled price method.

6 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2015	2014		2015	2014
Number of shares			Rupees	
7,603,335	2,662,225	Ordinary shares of Rs. 10/- each fully paid in cash	26,611,110	26,633,350
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 7 for 1 share	1,800	1,800
9,971,820	9,971,670	Right shares issued to underwriters	99,718,230	99,716,710
14,972,000	14,972,000		149,726,830	149,722,000
(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		149,586,830	149,582,000

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

	Note	2015	2014
		Rupees	
7 SURPLUS ON REVALUATION OF FIXED ASSETS			
Surplus on revaluation of property, plant and equipment - gross	7.1	141,409,518	151,000,614
		<u>141,409,518</u>	<u>151,000,614</u>
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		151,000,614	161,657,188
Arised during the year			
Transfer to unappropriated profit in respect of incremental depreciation on revalued assets		(9,591,096)	(10,656,774)
		<u>141,409,518</u>	<u>151,000,614</u>

B LONG TERM FINANCING

Secured

Government loan	8.1	32,991,000	32,991,000
Less : Current portion shown under current liabilities		(32,991,000)	(32,991,000)

Unsecured - From related parties

Mrs. Parveen Shafi	8.2	-	20,041,401
		<u>-</u>	<u>20,041,401</u>

- 8.1 The loan was repayable in four half-yearly instalments 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 amount payable to Mrs. Parveen Shafi transferred to short term borrowings. There is not any written agreement regarding repayment of loan and the loan amount is payable to Mrs. Parveen Shafi on her demand with mutual consent of management of the company, therefore, the loan is clubbed in short term borrowings and classified under current liabilities. The loan is interest free, unsecured and not repayable in next twelve months.

	Note	2015	2014
		Rupees	
9 DEFERRED LIABILITIES			
Staff retirement benefits - gratuity	9.1	184,104	179,682
		<u>184,104</u>	<u>179,682</u>
9.1 Staff retirement benefits - gratuity			
Opening balance		179,682	175,260
Provision made during the year		4,422	4,422
		<u>184,104</u>	<u>179,682</u>
Paid during the year			
Closing balance		<u>184,104</u>	<u>179,682</u>

- 9.2 There is only one employee (June 30, 2014: 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	2015	2014
-----Rupees-----			
10 TRADE AND OTHER PAYABLES			
Creditors		2,946,109	2,992,646
Accrued liabilities	10.1	54,583,898	47,055,605
Income tax withheld		1,081	-
Advances from customers		1,579,574	282,204
Advance Rent		545,499	1,347,288
Interest free demand deposits		367,530	380,500
Unclaimed dividend		45,980	45,980
Privatization commission, finance division	10.2	10,000,000	10,000,000
		<u>70,062,641</u>	<u>62,399,073</u>

10.1 It includes amount payable to directors and associates amounting to Rs.49,015,047 against the salaries payable and other expenses.

10.2 It represents unsecured, interest free advance received from Privatization Commission Financial Division, Islamabad in October 1992 for payment to workers on account of golden hand shake.

	Note	2015	2014
-----Rupees-----			
11 ACCRUED INTEREST / MARKUP			
Interest / markup on:			
Short term borrowings-UBL		81,694,060	78,084,092
Long term financing		81,250,053	77,621,343
		<u>162,944,113</u>	<u>155,705,435</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	21,650,901	1,609,500
Directors	12.3	7,139,833	2,139,820
Bank over draft - unsecured	12.4	345,803	386
		<u>39,137,524</u>	<u>19,749,706</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 It includes Rs. 20,041,401 payable to Mrs. Parveen shaffi as fully explained in note 8.2.

12.3 These are interest free.

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

	Note	2015	2014
-----Rupees-----			
13 PROVISION FOR TAXATION - NET			
Opening balance		856,410	-
Add: Provision for the year	13.1	1,398,986	3,055,119
Less: Paid / adjusted during the year		(1,640,580)	(2,198,709)
		<u>606,816</u>	<u>856,410</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 D77/002, 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. 37,971,000 along with the markup thereon amounting to Rs. 48,005,929 aggregating to Rs. 80,996,929. The outcome of the case is still undecided however, the legal opinion of the solicitors appointed by the company are of the view that even if the above suit is decided against the company it shall not involve the company into any financial loss.

15.2 More operating assets

Date	Land Inscribed	Factory Inscribed	Plant and machinery	Long lease and	At conditional disposal	Pre-emptive agreement	Working capital	Furniture and fixtures	Office equipment	Leases acquired	Other assets	Total
Balance at July 1 st , 2013	24,483,000	3,842,000	19,140,700	75,830,000								123,275,700
Additional during the year:												
Surplus												
Adjustment												
Depreciation												
Balance at June 30, 2014	24,483,000	3,842,000	18,040,700	75,830,000								123,275,700
Balance at July 01, 2014	24,483,000	3,842,000	18,040,700	75,830,000								123,275,700
Additional during the year:												
Depreciation												
Balance at June 30, 2015	24,483,000	3,842,000	18,040,700	75,830,000								123,275,700

Depreciation

Balance at July 1 st , 2013												
Change for the year												
Adjustment												
Depreciation of equipment												
Balance at June 30, 2014												
Balance at July 01, 2014												
Change for the year												
Depreciation of equipment												
Balance at June 30, 2015												

15.3 The company has recorded the following changes in its operating assets during the year ended June 30, 2015:

	2015	2014
Land	10,000,000	12,120,000
Factory	4,300,000	3,000,000
Plant and machinery	62,700,000	57,710,000
Long lease	12,000,000	10,000,000

15.4 The company has recorded the following changes in its operating assets during the year ended June 30, 2015:

15.5 The company has recorded the following changes in its operating assets during the year ended June 30, 2015:

	2015	2014
Land	10,000,000	12,120,000
Factory	4,300,000	3,000,000
Plant and machinery	62,700,000	57,710,000
Long lease	12,000,000	10,000,000

	Note	2015	2014
		-----Rupees-----	
16 LONG TERM INVESTMENTS			
Held to maturity			
Government Securities			
National defense saving certificates	16.1	50,000	50,000
Add: Profit accrued to date		20,000	14,000
		70,000	64,000
		<u>70,000</u>	<u>64,000</u>
16.1	National defense saving certificate of Rs. 50,000 have been purchased from the Government of Pakistan under 10 years maturity scheme. The certificates are en-cashable at par at any time. However, no profit is payable if encashment is made before completion of one year. The average compound rate of return on maturity presently works to 12.60 % per annum. Profit accrued represents the profit on National defense saving certificates from November 2010 till June 2015.		
	Note	2015	2014
		-----Rupees-----	
17 STOCK IN TRADE			
Raw and packing materials		57,035	281,649
Work in process		78,250	69,714
Finished goods		585,322	473,327
		<u>680,307</u>	<u>774,690</u>
18 TRADE DEBTS			
Local - unsecured - considered good			
- Pipes and fittings sales			
Gross debtors	18.1	1,772,535	2,893,797
Less: Bad debts written off		-	(1,387,273)
		1,772,535	1,506,524
- Water Sales		42,065	9,315
		<u>1,804,600</u>	<u>1,515,839</u>
18.1	During the year trade debts amounting to Rs. Nil (June 30, 2014 : 1,387,273) have been written off by the management through board resolution.		
	Note	2015	2014
		-----Rupees-----	
19 LOANS AND ADVANCES			
Advance to suppliers - considered good		396,556	461,161
Advance for expenses		-	243,504
		<u>396,556</u>	<u>504,665</u>
	Note	2015	2014
		-----Rupees-----	
20 TRADE DEPOSITS			
Trade deposits		100,000	-
		<u>100,000</u>	<u>-</u>
21 OTHER RECEIVABLES			
Gross rent receivables		5,504	104,644
Less: written off rent receivables	21.1	-	(101,705)
		<u>5,504</u>	<u>2,939</u>
21.1	During the year rent receivables amounting to Rs. Nil (June 30, 2014 : 101,705) have been written off by the management through board resolution.		

	Note	2015	2014
		Rupees	
22 TAX REFUNDS DUE FROM GOVERNMENT			
Sales tax receivables		156,683	253,414
Advance income tax	22.1	-	-
		<u>156,683</u>	<u>253,414</u>
22.1 Advance income tax			
Opening balance		-	45,014
Deducted during the year		839,326	2,154,695
Total		<u>839,326</u>	<u>2,199,709</u>
Adjusted against liability		<u>(839,326)</u>	<u>(2,199,709)</u>
23 CASH AND BANK BALANCES			
Cash in hand		34,900	29,900
Cash at banks - current accounts		70,729	146,446
		<u>105,629</u>	<u>176,346</u>
24 SALES - Net			
Local			
PVC pipes and fittings		7,554,950	12,947,881
Mineral water		1,362,824	974,775
Less: Trade discounts and commission		(1,177,747)	(4,403,515)
		<u>7,740,027</u>	<u>9,519,141</u>
		<u>2015</u>	<u>2014</u>
25 COST OF SALES	Note	Rupees	
Opening stock - finished goods		423,377	855,144
Cost of goods manufactured	25.1	24,808,150	26,946,003
Outside purchases		248,958	80,665
Finished goods (outside purchases) returned		-	(183,376)
		<u>25,480,485</u>	<u>27,698,436</u>
Closing stock - finished goods		<u>(585,322)</u>	<u>(423,377)</u>
		<u>24,895,163</u>	<u>27,275,059</u>
25.1 Cost of goods manufactured			
Raw and packing material consumed	25.2	3,830,930	5,425,560
Directors remuneration		750,000	750,000
Salaries, wages and benefits		4,961,474	4,264,369
Fuel and power		1,743,322	1,443,433
Stores and spares consumed		633,689	623,774
Repairs and maintenance		1,343,088	1,051,477
Postage and telephone		131,551	97,945
Rent, rates and taxes		272,000	765,939
Traveling, conveyance and vehicles running		458,804	779,013
Entertainment		53,612	50,481
Depreciation	15.4	10,897,957	12,138,735
		<u>74,776,585</u>	<u>26,900,423</u>
Work in process			
Opening stock		59,714	115,294
Closing stock		<u>(38,250)</u>	<u>(69,714)</u>
		<u>21,464</u>	<u>45,580</u>
Cost of goods manufactured		<u>74,808,150</u>	<u>26,946,003</u>

		2015	2014
	Note	-----Rupees-----	
25.2 Raw and packing material consumed			
Opening stock		281,649	50,417
Purchases		3,606,294	5,650,792
Available for consumption		3,887,943	5,707,209
Closing stock		(57,035)	(281,649)
		<u>3,830,908</u>	<u>5,425,560</u>
26 OTHER INCOME			
From financial assets			
Profit on national defense saving certificates		6,000	5,500
From other than financial assets			
Rental income		6,434,910	12,451,175
		<u>6,410,910</u>	<u>12,456,675</u>
	Note	2015	2014
27 DISTRIBUTION COST		-----Rupees-----	
Salaries, wages and benefits		1,051,841	1,014,106
Rent, rates and taxes		145,290	97,692
Vehicles running		419,169	272,449
Traveling and conveyance		287,953	191,214
Entertainment		173,952	207,736
Postage and telephone		128,773	56,561
Printing and stationery		64,426	121,000
Electricity, gas and water		342,213	496,015
Transportation cost		23,550	23,995
Membership and subscription		517,633	266,773
Advertisement		1,740	143,280
Depreciation	15.4	62,706	77,116
Others		-	804
		<u>3,223,286</u>	<u>3,068,791</u>
28 ADMINISTRATIVE EXPENSES			
Directors remuneration		2,250,000	2,250,000
Salaries, wages and benefits		840,000	776,393
Rent, rates and taxes		635	7,385
Traveling and conveyance		87,650	21,400
Entertainment		27,736	61,712
Postage and telephone		-	2,840
Printing and stationery		14,200	44,400
Repairs and maintenance		-	158,600
Electricity, gas and water		-	24,592
Membership fee and subscription		-	6,750
Legal and professional		186,587	556,423
Auditors remuneration	28.1	187,500	187,500
Depreciation	15.4	8,321	9,775
		<u>3,602,629</u>	<u>4,057,378</u>
28.1 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>

	Note	2015	2014
		-----Rupees-----	-----
29 OTHER OPERATING EXPENSES			
Debit balances written off			1,488,475
			<u>1,488,475</u>
30 FINANCE COSTS			
Mark-up on long term financing		1,679,010	1,679,515
Mark-up on short term borrowings		1,609,967	1,609,967
Bank charges		12,551	10,995
		<u>3,301,528</u>	<u>3,299,477</u>
31 TAXATION			
Current year	31.1	1,474,754	1,038,252
Prior year		141,100	16,867
		<u>1,615,854</u>	<u>1,055,119</u>

31.1 The provision for current year taxation on local sales and taxable income earned during the year. The assessment of the company will be finalized under the provisions of income Tax Ordinance, 2001. Income tax returns are filed up to tax year 2014.

31.2 Relationship between tax expense and accounting profit is presented below:

	2015	2014
	-----Rupees-----	-----
Accounting loss	<u>34,822,291</u>	<u>17,169,512</u>
Tax at the applicable tax rate of 11% (2014: 34%)		
Tax effects:		
Prior year tax effect	161,100	16,867
Income taxed as separate block	1,474,754	1,038,252
	<u>1,636,854</u>	<u>1,055,119</u>

31.3 During the year, net deferred tax assets for the carry forward of unused tax losses amounting to Rs. 73,360,444 (2014: Rs. 93,591,321) 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	2015	2014
		-----Rupees-----	-----
32 LOSS PER SHARE - BASIC AND DILUTED			
Loss for the year - Rupees		<u>126,271,117</u>	<u>124,224,552</u>
Weighted average number of shares		<u>14,575,000</u>	<u>14,918,000</u>
Basic loss per share - Rupees		<u>11.75</u>	<u>17.62</u>

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

33 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

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

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

33.1 Credit risk

Exposure to credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade debts, loans and advances, trade deposits and short term prepayments and cash and bank balances. Out of total financial assets of Rs. 2,016 million (June 30, 2014 : Rs. 1,695 million), financial assets which are subject to credit risk aggregate to Rs. 1,910 million (June 30, 2014 : Rs. 1,515 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.

	2015	2014
	-----Rupees-----	
Trade debts	1,804,600	1,515,839
Other receivables	5,504	2,339
Cash and bank balances	106,629	176,346
	<u>2,015,732</u>	<u>1,694,524</u>

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

	2015	2014
	-----Rupees-----	
Domestic	1,804,600	1,515,839

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

	Gross debtors	
	2015	2014
	-----Rupees-----	
Not past due	760,088	504,551
Past due 0 - 30 days	835,560	1,005,342
Past due 31 - 90 days	-	-
Past due 90 days - 1 year	1,044	1,044
More than one year	207,907	4,860
	<u>1,804,599</u>	<u>1,515,839</u>

33.2 Liquidity risk

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

	2015				
	Carrying Amount	Contractual Cash flows	Six months or less	Six to twelve months	Two to five years
	-----Rupees-----				
Long term financing	32,991,000	32,991,000	32,991,000	-	-
Short term borrowings	39,137,524	39,137,524	39,137,524	-	-
Accrued interest / markup	162,944,113	162,944,113	162,944,113	-	-
Trade and other payables	67,937,568	67,937,568	67,937,568	-	-
Total	<u>303,010,205</u>	<u>303,010,205</u>	<u>303,010,205</u>	-	-

	2014				
	Carrying Amount	Contractual Cash Flows	Six months or less	Six to twelve months	Two to five years
			Rupees		
Long term financing	52,032,401	53,032,401	32,991,775	-	-
Short term borrowings	18,749,706	18,749,706	18,749,706	-	-
Accrued interest / markup	155,705,125	155,705,125	155,705,125	-	-
Trade and other payables	60,474,531	60,474,531	60,474,531	-	-
Total	287,951,775	287,951,775	267,920,137	-	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark up rates effective as at June 30, 2014. The rates of mark up have been disclosed in relevant notes to these financial statements.

33.3 Market risk

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

Currency risk

Exposure to currency risk

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

Interest rate risk

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

	2015	2014
	Rupees	
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	47,991,000	47,991,000

Fair value sensitivity analysis for fixed rate instruments

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

Fair value of financial assets and liabilities

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

34 CAPITAL RISK MANAGEMENT

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

	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.

33.3 Market risk

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

Currency risk

Exposure to currency risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposures arises from short and long term borrowings from bank and term deposits and deposits in FLS 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.

35 TRANSACTIONS WITH RELATED PARTIES

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

	2015	2014
	-----Rupees-----	
Balances with related parties		
Short term borrowing from Mr. Arif Shaffi - Director	739,820	739,820
Short term borrowing from Mrs. Parveen Shaffi - w/o Director	21,650,901	1,609,500
Short term borrowing from Mr. Asif Shaffi - Director	1,400,000	1,400,000
Long term financing from Parveen Shaffi - Heirs Mr. Reyaz Shaffi		23,041,401
	<u>23,790,721</u>	<u>23,790,721</u>
Transaction with related parties		
Short term borrowings from directors - receipt	-	48,800
Short term borrowings from directors - repayment	-	-

36 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	CHIEF EXECUTIVE		DIRECTORS		TOTAL	
	2015 Rupees	2014 Rupees	2015 Rupees	2014 Rupees	2015 Rupees	2014 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

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

37 PLANT CAPACITY

	Budgeted capacity	Actual production	
		2015	2014
		-----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	255,284	307,378
Processing of water - Gallons	930,333	124,500	501,124

The budgeted capacity at Gharo is from the time of ceasure of production and can only be reassessed 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.

38 NUMBER OF EMPLOYEES

	2015	2014
Number of employees as at year end	41	40
Average employee during the year	46	38

39 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 21, 2014 by the board of directors of the company.

40 GENERAL

Figures have been rounded off to the nearest Rupee.

Arif Shaffi
CHIEF EXECUTIVE

Muhammad Shaffi
DIRECTOR

**PATTERN OF SHAREHOLDING
As at June 30, 2015**

-----Shareholding-----

No. of Shareholders	From	To	Total Shares Held
262	1	100	10,126
103	101	500	36,570
63	501	1,000	59,987
113	1,001	5,000	320,451
33	5,001	10,000	269,209
13	10,001	15,000	183,660
7	15,001	20,000	120,970
2	20,001	25,000	50,000
1	30,001	35,000	32,500
1	40,001	45,000	44,500
1	50,001	55,000	54,000
1	65,001	70,000	65,690
1	70,001	75,000	75,000
1	1,005,001	110,000	109,500
1	115,001	120,000	118,500
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
7	9,970,001	9,975,000	9,971,820
611			14,972,000

**Categories of Shareholding
As at June 30, 2015**

Categories of shareholders	Share held	Percentage
Directors, Chief Executive Officers, and their spouse and minor children	806,450	5.3864%
Associated Companies, undertakings and related parties.	0	0.0000%
NIT and ICP	4,250	0.0284%
Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies	1,800,563	10.6904%
Modarabas and Mutual Funds	0	0.0000%
Share holders holding 10% or more	9,971,820	66.6031%
General Public		
a. Local	1,942,618	12.9763%
b. Foreign		
Others (to be specified)		
1- Joint Stock Companies	619,715	4.1392%
2- Investment Companies	1,625	0.0109%
3- Abandoned Properties	539	0.0036%
4- Foreign Companies	9,971,820	66.6031%

**Catagories of Shareholding required under Code of Corporate Governance (CCG)
As on June 30, 2015**

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	376,150	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. SAIHA 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: 1,624,783 10.8521%

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

1	ENSENA HOLDING FZC	9,971,820	66.6031%
2	SAMBA BANK LIMITED (QDC)	1,045,725	6.9845%

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

NIL.