

PAKISTAN PVC LIMITED
DIRECTOR'S REPORT TO THE SHAREHOLDERS

SHAVYL®

**QUARTERLY REPORT
AND ACCOUNT
MARCH 31, 2014
(UNAUDITED)**

(ARIF SHAFIQ)
Chief Executive

Islamabad, April 20, 2014

PAKISTAN PVC LIMITED

Registered Office
Shaffiabad, Gharo Dist. Thatta.

PAKISTAN PVC LIMITED DIRECTOR'S REPORT TO THE SHAREHOLDERS

On behalf of my colleagues on the Board, I present the unaudited accounts for the 3rd quarter ended March 31, 2014.

Sales during the year under review was increased to Rs. 5.903 million as compared to Rs. 2.594 million of the same period last year and net loss during the year was Rs. 14.641 million as compared to a net loss of Rs. 15.487 million during the previous year. The lower production of PVC Pipes & Fittings at Islamabad is due to shortage of funds and prevailing economic conditions in the country.

The financial position of your company during the quarter ended March 31, 2014 further deteriorated due to high raw material cost, political situation, financial charges, idle cost and depreciation. As reported previously, Gharo Plant remains closed and there was no production during the period under review.

Islamabad: April 26, 2014

(ARIF SHAFFI)
Chief Executive

PAKISTAN PVC LIMITED**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2014**

	Quarter Ended		Third Quarter Ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Note	-----Rupees-----			
Sales - net	5,273,088	1,699,868	5,902,810	2,594,048
Cost of sales	8 (6,252,224)	(5,529,395)	(18,773,223)	(15,705,015)
Gross loss	(979,136)	(3,829,527)	(12,870,413)	(13,110,967)
Other income	3,072,804	5,286,870	9,304,868	9,259,053
Distribution cost	(595,852)	(1,505,124)	(2,423,049)	(2,299,811)
Administrative expenses	(1,258,699)	(1,876,287)	(3,094,529)	(2,696,319)
Other operating expenses	-	-	(101,705)	-
Finance cost	(1,814,556)	(3,622,379)	(5,436,746)	(5,435,797)
Loss before taxation	(1,575,440)	(5,546,447)	(14,621,575)	(14,283,841)
Taxation	(13,835)	(1,202,667)	(19,041)	(1,202,667)
Loss for the period	(1,589,274)	(6,749,114)	(14,640,615)	(15,486,508)
Loss per share - basic and diluted	(0.11)	(0.45)	(0.98)	(1.04)

The annexed notes form an integral part of these condensed interim financial information.

ARIF SHAFFI
CHIEF EXECUTIVE

MUHAMMAD SHAFFI
DIRECTOR

PAKISTAN PVC LIMITED**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2014**

	Quarter Ended		Third Quarter Ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	-----Rupees-----			
Loss for the period	(1,589,274)	(6,749,114)	(14,640,615)	(15,486,508)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	(1,589,274)	(6,749,114)	(14,640,615)	(15,486,508)

The annexed notes form an integral part of these condensed interim financial information.

ARIF SHAFFI
CHIEF EXECUTIVE

MUHAMMAD SHAFFI
DIRECTOR

PAKISTAN PVC LIMITED

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED MARCH 31, 2014

	March 31, 2014	March 31, 2013
-----Rupees-----		
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(14,621,575)	(14,283,841)
<i>Adjustments for :</i>		
Depreciation	7,826,861	7,914,792
Finance cost	5,436,746	5,435,797
Long term Deposits write off	-	160,315
Bad debts	101,705	281,227
Other income	-	-
Provision for staff retirement benefits - gratuity	3,316	3,316
Trade deposits	-	12,500
Rental income	(9,304,868)	(9,540,280)
	4,063,760	4,267,667
Operating cash flows before changes in working capital	(10,557,815)	(10,016,174)
(Increase) / decrease in current assets		
Stores, spares and loose tools	(9,400)	(240)
Stock in trade	392,814	(467,386)
Trade debts	(465,767)	84,449
Loans and advances	(88,224)	(287,084)
Trade deposits	-	(12,500)
Tax refunds due from Government - sales tax	139,162	(99,184)
	(31,414)	(781,945)
Increase in current liabilities		
Trade and other payables	426,561	3,149,506
	395,147	2,367,562
Net cash used in operations	(10,162,668)	(7,648,613)
Income tax paid	(915,234)	(656,594)
Finance cost paid	(7,513)	(6,564)
	(922,747)	(663,158)
Net cash used in operating activities	(11,085,415)	(8,311,771)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	(2,015,000)
Long term deposits	-	(160,315)
Rent received	7,195,433	7,582,735
Net cash generated from investing activities	7,195,433	5,407,420
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase / (decrease) in short term borrowings	(8,267)	708,699
Net cash generated from financing activities	(8,267)	708,699
Net increase / (decrease) in cash and cash equivalents	(3,898,248)	(7,195,652)
Cash and cash equivalent at the beginning of the period	4,004,127	234,617
Cash and cash equivalent at the end of the period	10 ₹	38,966

The annexed notes form an integral part of these condensed interim financial information.

ARIF SHAFFI
CHIEF EXECUTIVE

MUHAMMAD SHAFFI
DIRECTOR

PAKISTAN PVC LIMITED**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2014**

	Share capital	Accumulated loss	Total
	-----RUPEES-----		
Balance as at July 1, 2012	149,580,000	(404,856,007)	(255,276,007)
Total comprehensive loss for the period	-	(10,445,295)	(10,445,295)
Transfer from revaluation surplus on account of incremental depreciation	-	4,599,773	4,599,773
Balance as at December 31, 2012	<u>149,580,000</u>	<u>(410,701,529)</u>	<u>(261,121,529)</u>
Balance as at July 1, 2013	149,580,000	(407,343,877)	(257,763,877)
Total comprehensive loss for the period	-	(14,640,615)	(14,640,616)
Transfer from revaluation surplus on account of incremental depreciation	-	7,992,580	7,992,580
Balance as at March 31, 2014	<u>149,580,000</u>	<u>(413,991,912)</u>	<u>(264,411,913)</u>

The annexed notes form an integral part of these condensed interim financial information.

ARIF SHAFFI
CHIEF EXECUTIVE

MUHAMMAD SHAFFI
DIRECTOR

PAKISTAN PVC LIMITED

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED MARCH 31, 2014

1 LEGAL STATUS AND OPERATIONS

- 1.1 Pakistan PVC Limited (the company) is incorporated in Pakistan and is listed on the Karachi (KSE) and Lahore Stock exchange (LSE). KSE has transferred the company to default counter. The present management are the ex-owners of the company who took over the management on February 08, 1992 after acquiring 51% shares from the Privatization Commission of Government of Pakistan under the privatization policy. During the year 2006, the company offered right shares in the ratio of two shares for every one share held. Only 180 shares were subscribed by the existing shareholders, remaining shares were taken up by the underwriter (Ensena Holdings Inc.), which constitutes 66% of the total shareholding. The registered office of the company is situated at Shaffiabad, Gharo, District Thatta.
- 1.2 The company is engaged in production and sale of PVC resin, PVC pipes and fittings, PVC compound and Caustic soda. The company has ceased the production at Gharo since 1995. The production at Islamabad plant continues. The company has installed a water purification plant to process and sell mineral water in 2011.
- 1.3 The case for the revival of the company remained with the committee for revival of sick industrial unit setup by the finance division, Government of Pakistan with representation of the federation of Chamber of Commerce and Industries. The company has applied for settlement of loans to all financial institutions under SBP circular no. 29, dated October 15, 2002, as a result long term loan from HBL has been settled.
- 1.4 These financial statements are presented in Pak Rupees, which is the company's functional and presentation currency and figures are rounded to the nearest rupee.

2 BASIS OF PREPARATION

Statement of compliance

This condensed interim financial information is un-audited and has been prepared in accordance with the requirements of the International Financial Reporting Standard (IFRS), IAS 34 'Interim Financial Reporting' as applicable in Pakistan. This condensed interim financial information does not include all of the information and disclosures required for annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended June 30, 2013.

This condensed interim financial information is being submitted to the shareholders as required by the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges and section 245 of the Companies Ordinance, 1984.

These condensed interim financial statements comprise of condensed interim balance sheet, condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes for the half year ended December 31, 2013 which have been subject to a review but not audited. These condensed interim financial statements also include the condensed interim income statement for the quarter ended December 31, 2013.

3 SIGNIFICANT ACCOUNTING POLICIES

- 3.1 The accounting policies and methods of computation which have been used in the preparation of this condensed interim financial information are the same as those applied in preparation of the financial statements for the preceding year ended June 30, 2013, except the amendments made in the IAS 19, (Revised) "Employee Benefits" as given below in note 3.2.
- 3.2 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 been restated.
- 3.3 Amendments to certain existing standards and new interpretations on approved accounting standards effective during the period either were not relevant to the company's operations or did not have any impact on the accounting policies of the company.

4 ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

PAKISTAN PVC LIMITED

Judgments and estimates made by management in the preparation of this condensed interim financial information are the same as those that were applied to the financial statements as at and for the year ended June 30, 2013.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2013.

5 CONTINGENCIES AND COMMITMENTS

- 5.1 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.
- 5.2 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.
- 5.3 The Privatization Commission of Pakistan had filed a suit in honorable Islamabad High Court, C.O.S No 07/2002, against the company for recovery of amount repayable to the Privatization commission against principal amount of Government loan assumed at time of privatization of Rs. 32,991,000 along with the markup thereon amounting to Rs. 48,005,929 aggregating to Rs. 80,976,929. The outcome of the case is still undecided however, the legal opinion of the solicitors appointed by the company are of the view that even if the outcome of the case is unfavorable for the company there will be no financial consequences.

6 CURRENT PORTION OF LONG TERM FINANCING

The entire amount of the loan remains overdue and unpaid.

7 PROPERTY, PLANT AND EQUIPMENT

Note	Un-audited March 31, 2014	Audited June 30, 2013
-----Rupees-----		
Operating assets	54,739,455	56,854,871
Non operating assets	116,659,255	122,370,700
	<u>171,398,710</u>	<u>179,225,571</u>

7.1 Operating assets

Opening book value	56,854,871	49,752,755
Add: Additions during the period	-	2,015,000
Surplus / (deficit)	-	7,841,148
Less: Depreciation charged during the period	(2,115,416)	(2,754,032)
	<u>(2,115,416)</u>	<u>7,102,116</u>
Closing book value	<u>54,739,455</u>	<u>56,854,871</u>

7.2 Non operating assets

Opening book value	122,370,700	100,895,103
Add: Additions during the period	-	29,495,107
Surplus / (deficit)	-	(8,019,510)
Less: Depreciation charged during the period	(5,711,445)	(21,475,597)
	<u>(5,711,445)</u>	<u>21,475,597</u>
Closing book value	<u>116,659,255</u>	<u>122,370,700</u>

8 COST OF SALES

Note	Quarter Ended		Third Quarter Ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	-----Rupees-----			
Opening finished goods	162,283	491,877	855,144	484,147
Purchases of pipes and fittings	-	254,448	-	309,647
Cost of goods manufactured	6,587,471	5,580,625	18,415,609	15,708,776
	<u>6,749,754</u>	<u>6,326,950</u>	<u>19,270,753</u>	<u>16,502,570</u>
Closing finished goods	(497,530)	(797,555)	(497,530)	(797,555)
	<u>6,252,224</u>	<u>5,529,395</u>	<u>18,773,223</u>	<u>15,705,015</u>

PAKISTAN PVC LIMITED

Quarter Ended Third Quarter Ended

March 31, 2014 March 31, 2013 March 31, 2014 March 31, 2013

-----Rupees-----

8.1 Cost of Goods Manufactured

	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Opening raw material	50,417	19,840	50,417	42,238
Purchase of raw material	2,404,935	725,645	3,499,109	1,752,884
Closing raw material	(90,594)	(219,276)	(90,594)	(219,276)
Packing and raw material consumed	2,364,758	526,209	3,458,932	1,575,846
Director's remuneration	138,267	276,534	414,801	375,003
Salaries, wages and benefits	1,132,129	1,168,132	3,406,682	3,290,798
Fuel and power	392,240	305,166	1,130,158	958,858
Stores and spares	158,156	128,765	476,917	238,504
Repair and maintenance	339,519	271,823	836,904	618,564
Postage and telephone	44,475	19,233	69,416	101,800
Printing and stationery	-	-	-	500
Rent, rates and taxes	69,300	-	177,309	95,600
Traveling and conveyance	170,730	278,745	561,553	585,227
Entertainment	10,195	-	45,868	10,042
Depreciation	1,692,325	2,563,706	7,761,692	7,834,975
	6,512,094	5,538,313	18,340,232	15,685,717
Opening work in process	115,294	71,440	115,294	52,187
Closing work in process	(39,916)	(29,128)	(39,916)	(29,128)
	75,378	42,312	75,378	23,059
	6,587,471	5,580,625	18,415,609	15,708,776

9 TRANSACTIONS WITH RELATED PARTIES

Relationship with the company	Nature of transaction	Third Quarter Ended	
		March 31, 2014	March 31, 2013
		-----Rupees-----	
Key management personnel	Salaries and other employee benefits	2,250,000	2,250,000
Mr. Arif Shaffi-Director	Short term borrowing	739,820	571,020
Mrs. Parveen Shaffi-W/O Director	Short term borrowing	1,609,500	1,609,500
Mr. Asif Shaffi-Director	Short term borrowing	1,400,000	1,400,000
Parveen Shaffi-Hiers Mr. Reyaz Shaffi	Long term financing	20,041,401	20,041,401

All transactions with related parties have been carried out on commercial terms and conditions.

10 NUMBER OF EMPLOYEES

	Third Quarter Ended	
	March 31, 2014	March 31, 2013
	-----Rupees-----	
Number of employees as at half year end	7	7
Average employees during the half year	7	7

11 CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim financial position and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim income statement, condensed interim statement of comprehensive income and condensed interim statement cash flows have been compared with the balances of comparable period of immediately preceding financial year.

Comparative information has been rearranged and reclassified, wherever necessary, for the purpose of better presentation and comparison. However no major reclassification has been made during this period.

12 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements have been issued for authorization on April 26, 2014 by the board of directors of the company.

ARIF SHAFFI
CHIEF EXECUTIVE

MUHAMMAD SHAFFI
DIRECTOR