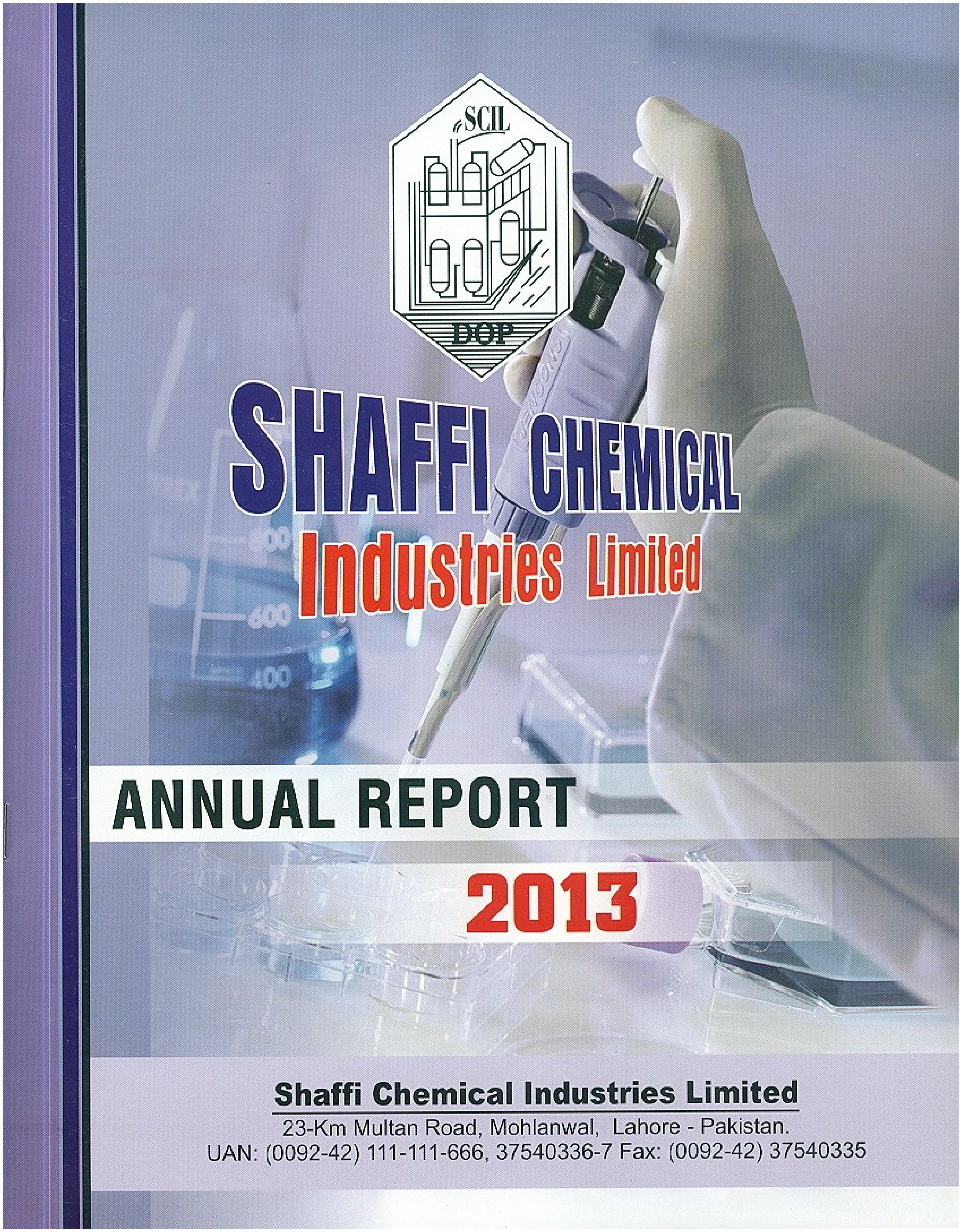

SHAFFI CHEMICAL Industries Limited

ANNUAL REPORT 2013

Shaffi Chemical Industries Limited
23-Km Multan Road, Mohlanwal, Lahore - Pakistan.
UAN: (0092-42) 111-111-666, 37540336-7 Fax: (0092-42) 37540335

ANNUAL REPORT 2013

FOR THE YEAR ENDED JUNE 30, 2013

CONTENTS

CORPORATE PROFILE

BOARD OF DIRECTORS

1.	Mr. Iftikhar Shaffi	Chief Executive	(Executive)
2.	Mr. Shariq Iftikhar	Director	(Executive)
3.	Mr. Sohail Malik	Director	(Non-Executive)
4.	Mr. Muhammad Sameer	Director	(Non-Executive)
5.	Mr. Hashim Aslam Butt	Director	(Non-Executive)
6.	Mr. Zahoor Ahmad	Director	(Non-Executive)
7.	Mr. Mohib Hussain	Director	(Non-Executive)

COMPANY SECRETARY

· Mr Nazir Ahmed

AUDIT COMMITTEE

1.	Mr. Sohail Malik	Chairman (Non-Executive Director)
2.	Mr. Muhammad Sameer	Member (Non-Executive Director)
3.	Mr. Hashim Aslam Butt	Member (Non-Executive Director)

HUMAN RESOURCE & REMUNERATION COMMITTEE

1.	Mr. Sohail Malik	Chairman (Non-Executive Director)
2.	Mr. Muhammad Sameer	Member (Non-Executive Director)
3.	Mr. Hashim Aslam Butt	Member (Non-Executive Director)

LEGAL ADVISOR

· A.K. Minhas Law Associates

BANKERS

- Allied Bank Limited
- Askari Commercial Bank Limited
- Bank Alfalah Limited
- Habib Metropolitan Bank Limited
- Silk Bank Limited
- Standard Chartered Bank Pakistan Limiated

REGISTERED OFFICE

· Plot No. 2, Gadoon Amazai, Industrial Estate, Swabi, Khyber Pakhtoonkhwa
Tel: 0938-270696, 270697

FACTORY

· Plot No. 2, Gadoon Amazai, Industrial Estate, Swabi, Khyber Pakhtoon khwa
Tel: 0938-270697
E.mail: scil_gad@hotmail.com

PRINCIPLE OFFICE

· 23-Km, Multan Road, Mohlanwal, Lahore
Tel: 042-37540336-7
Fax: 042-37540335
E.mail: info@diamondfoam.com

SHARE REGISTRAR

· M/s Corplink (Pvt) Limited
Wing Arcade, 1-K Commercial, Model Town, Lahore
Tel: 042-35916714, 35916719, 35839182
Fax: 042-35869037
E.mail: corplink786@yahoo.com

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that Annual General Meeting of Shareholders of Shaffi Chemical Industries Limited will be held on Thursday 31st October, 2013 at 2:00 P.M. at Company's Registered Office at Plot No. 2, Gadoon Amazai, Industrial Estate, Swabi, Khyber-Pakhtoonkhwa to transact the following business:

Ordinary Business

1. To confirm minutes of the last Annual General Meeting held on 31st October, 2012.

2. To receive, consider and adopt the Annual Audited Accounts of the Company together with the Auditors and Directors Reports thereon for the financial year ended June 30, 2013.

3. To appoint External Auditors for next financial year ending June 30, 2014 and to fix their remuneration. The retiring auditors M/s HBL Ijaz Tabussum & Co. Chartered Accountants being eligible offer themselves for reappointment. The Board of Directors has also recommended for the appointment of M/s HBL Ijaz Tabussum & Co. Chartered Accountants as Auditors of the company for next financial year ending June 30, 2014.

To consider any other transactions with the permission of the chair.

BY ORDER OF THE BOARD

NAZIR AHMED
FITM, FICS
COMPANY SECRETARY

Lahore: 08-10-2013

Notes:

1. The share transfer books of the company will remain closed from 24th October 2013 to 31st October, 2013 (both days inclusive). The shares received at company's share registrar office i.e. Corplink (Pvt) Limited by the close of business on 23rd October, 2013 will be considered in order for registration in the name of the transferees.

2. Members of the company are requested to immediately notify the change of address, if any, to the Share Registrar M/s Corplink (Pvt) Limited, Wings Arcade, 1-K Commercial Model Town, Lahore.

3. A member of the company 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 effective must be received by the Company at the registered office not less than 48 hours before the meeting.

1. The members whose share are maintained on Central Depository System with the Central depository Company of Pakistan Limited should follow the guidelines for attending the General Meeting and appointment of proxies as laid down by the Securities and Exchange Commission of Pakistan.

DIRECTORS' REPORT

Dear Shareholders,

The Directors of **Shaffi Chemical Industries Limited** are pleased to present before you Directors' Report together with the audited Financial Statements for the year ended June 30, 2013 along with the Auditors' Report thereon.

FINANCIAL HIGHLIGHTS…2013

The financial results of the company are numerated below:

		(Rupees in Millions)
-	Sales-net	11.265
-	Gross Profit/(Loss)	(2.618)
-	Operating Expenses	(2.204)
-	Operating Profit / (Loss)	(4.822)
-	Profit/(Loss) before Taxation	(72.618)
-	Taxation	(1.510)
-	Profit/(Loss) after Taxation	(74.128)

YEAR IN REVIEW:

Net Sales during the year under review are Rs. 11.265 (M) as compared to Rs. 14.069 (M) during the preceding year. The main reason for reduction in sales was due to discontinuation of production & sales of Super Bond. The company remained engaged in the business of manufacturing & sales of Lith only. Gross Loss of Rs. (2.618) (M) is sustained during the year as against G.P. of Rs. 0.416 (M) for the previous year. Operating Profit/(Loss) is Rs. (4.822) (M) compared to Operating Profit/(Loss) of Rs. (3.152) (M). Profit/(Loss) after taxation is Rs. (74.128) (M) as against Profit/(Loss) after taxation of Rs. (14.489) (M) of the preceding year.

An application/complaint was filed with the SECP in the year 2000 against illegal withdrawal of shares by First Capital ABN Amro 'Equities (Pak) Limited' from our CDC sub account maintained with them. Regretfully the SECP since then has not taken any action against First Capital ABN Amro 'Equities (Pak) Limited'. The Company thus has no option but to create a provision as doubtful recovery of that amount recoverable from First Capital ABN Amro 'Equities (Pak) Limited'. These provisions will be reversed after a positive action from SECP on our application/complaint filed in the year 2000 and recovery against account receivables.

Option to re-start production of company's core product "Di-Octyle-Ortho-Phathalates" (DOP) has also been considered by the management which however could not be undertaken due to acute shortage of its basic raw material 2-Ethylethonal. Therefore due to persistent recession, increase in the financial cost & that of raw material and also because of adverse economic factors coupled with other circumstances there has been very nominal trading volume in the shares of our company and the directors could not declare dividend after the financial year ended 30th June, 2007 so the management, on the face of multiple hurdles and crucial situation believes & desires not to deprive the members from a reasonable return, is considering to take approval of the shareholders for closing down all manufacturing activities of the company.

With respect to all legal disputed cases these are explained comprehensively under the title "Contingencies and Commitments".

VISION AND MISSION:

The statement reflecting the Vision and Mission of the Company is annexed to the report.

EARNING PER SHARE:

Earning/(loss) per share for the year ended 30th June, 2013 is Rs.(6.18) compared to Rs.(1.21) per share for the preceding year.

PATTERN OF SHAREHOLDING:

Pattern of shareholding is annexed to this report.

BOARD MEETINGS:

Fourteen meetings of Board of Directors were held during the year ended June 30, 2013 and the attendance of the Directors is as follows:

S.#	Name	Position	Attendance
1.	Mr. Iftikhar Shaffi	Chief Executive	14
2.	Mr. Shariq Ifitkhar	Director	14
3.	Mr. Sohail Malik	Director	14
4.	Mr Muhammad Sameer	Director	13

5.	Mr. Hashim Aslam Butt	Director	13
6.	Mr Zahoor Ahmed	Director	14
7.	Mr Mohib Hussain	Director	14

BOARD COMMITTEES:

The Audit Committee and Human Resources & Remuneration Committee are the standing committees of the board of directors.

Audit Committee is constituted by Board comprising of three members wherein two members are non executive directors and the chairman is an Independent director. Name of the members of audit committee is appended at corporate profile of this annual report. The Committee reviews the periodic financial statements and examines the adequacy of financial policies and practices to ensure that an efficient and strong system of internal control is in place. The Committee also reviews the audit reports issued by the Internal Audit Department and compliance status of audit observations. The Audit Committee is also responsible for recommending to the Board of Directors the appointment of external auditors by the Company's shareholders and considers any question of resignation or removal of external auditors, audit fees and provision of any service to the Company by its external auditors in addition to the audit of its financial statements and reviews their procedures for ensuring their independence with respect to their audit performance. The terms and reference of the committee have been formed and advised to the committee for compliance. The committee held five meetings during the year ended 30th June, 2013 as required by CCG.

Human Resources & Remuneration Committee is responsible to look into the requirements of manpower engaged by the company alongwith their remuneration and regularize the safety measures and environmental stewardship. Committee recommend the board for review, consider & approve the managerment policies, compensation matters (including retirement benefits) of COO, CFO, Company Secretary and head of internal audit and all such matters for key management position who report directly to CEO. The committee also ensures all elements of compensation and welfare for all its employees.

TRANSFER PRICING:

The company has fully complied with the best practices on Transfer Pricing as contained in the Listing Regulations of Stock Exchanges.

FUTURE OUTLOOK:

Due to the remote area of Gadoon Amazai industrial estate it is very difficult for the company to cope with the daily increase in prices of raw material, power & fuel, salaries & wages and worst power crises resulting in higher input cost which slowed down the business activities and badly affected overall business & trade of the company has impacted its profitability. Therefore due to persistent recession, increase in the financial cost & that of raw material and also because of adverse economic factors coupled with stiff competition among the competitors and other circumstances, the company without any incentive from the Government, is even unable to meet the manufacturing cost of goods & allied expenses. On the face of multiple hurdles & crucial situation, the directors of the company are considering seeking approval of the shareholders to close down all manufacturing activities in order to save the shareholders interest in company from further decline in value of shares.

CODE OF CONDUCT:

Our code is built on a set of shared values based on principles of honesty, integrity, diligence, truthfulness and honour.

PATTERN OF SHAREHOLDING:

Pattern of shareholding is annexed to this report.

AUDITORS:

The present auditors, M/s HBL Ijaz Tabussum & Co., Chartered Accountants are retiring at the conclusion of the forthcoming Annual General Meeting of the company and being eligible offered themselves for their re-appointment. The Audit Committee has also recommended for the appointment of M/s HBL Ijaz Tabussum & Co., Chartered Accountants as the statutory auditors of the Company for the financial year ending June 30, 2014. The Board of Directors has endorsed this recommendation.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK:

The directors of the company are pleased to confirm that the Company has made compliance of provisions of the Code of Corporate Governance set out in the Regulation No. 35 of Karachi and Lahore listing regulations issued by the Securities and Exchange Commission of Pakistan and there is no material departure from the best practice as detailed in the listing regulations. Our statements on corporate and financial reporting are as follows:

a) The Financial statements, prepared by the management of the Company present a fair state of affairs of the Company, results of its operations, cash flows and changes in equity;

a) Proper books of accounts of the Company have been maintained as required under the Companies Ordinance, 1984;

b) Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgement;

a) International Accounting / Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and there is no departure there from;

a) The system of internal control is sound and has been effectively implemented and monitored;
b) There are significant doubts about the company's ability to contimue as a going concern
c) Reasons for not considering the company as a going concern are explained under the head of Year in Review and Future Outlook.
d) Financial Highlights for the last 6-years are annexed.
e) Reasons for not declared dividend are stated in the Year in Review.

QUALIFICATION OF AUDITORS REPORT:

With respect to qualification No. 1, Company has stopped production & sale of Super bond during the year under review & only transacted Lith business thus sustained gross loss & Net Loss respectively but the management of the company has been contemplating the production of its core product of DOP which may result in earning of profits. As regarding to the excess of current liabilities over the current assets by Rs. 62.57 (M), it is apparent from the financial statements that the major current liability of Rs. 49.992 (M) is related to ABL only which is under litigation. With respect to borrowing facilities from Allied Bank limited, the company has neither reviewed nor rescheduled because of the matter has been under litigation and pending before Honourable Lahore High Court Lahore. The auditors have shown their reservations regarding excess of current liabilities against current assets, if we go through the annexed financial statements it is apparent that the one major figure of Rs.49.992 (Millions) is appearing in current liabilities as short term borrowing from ABL which is under litigation as explained above. As regard to any written design/plan of functionally reviving of the company it has verbally been explained that beside active consideration to restart core production of "Di-Octyle-Ortho_Phathalates" (DOP) which could not be undertaken due to uninterrupted supply of its basic raw material i.e. 2-Etylethona. Also the company intended to embark upon the new business of petroleum products and applied for registration with Attock Petroleum Ltd., Karachi for commencement of supplies of furnace oil and solvent oil or any other products of POL. However due to its cumbersome procedure and inordinate delay in getting its registration the management of the company considered it as unfeasible and continued the manufacturing business of Lith & Diltex Binder. Now on the face of the existing position explained in the Future Outlook, the management of the company intends to discuss the matter in the meeting of the shareholders for closing down of the business activities of the company.

- With respect to qualification # 2 of the audit report it is stated that since the DOP operations were ceased therefore, the management was of the opinion that there is no need of revaluation in the year under review.

- Regarding qualification # 3 of the audit report, the company has filed suit against Allied Bank Limited as stated in note # 11.II.a,b of the annexed financial statements. The bank is not providing any kind of correspondence as the case is pending before the Honorable Lahore High Court Lahore.

ACKNOWLEDGEMENT:
The Directors of your company join me to thank all the staff members and management team for their concerted efforts and contribution.

For and on behalf of the Board

IFTIKHAR SHAFFI
Chief Executive

Lahore:- 08th October, 2013

Vision/Mission Statement/Corporate Strategy And Statement of Ethics & Business Practices

Vision

The Company's vision is to be a market leader as manufacturing organization and to play a meaningful role on sustainable basis in the economy of Pakistan in the best possible manners with customer satisfaction as its premier goal.

Mission

Its objects, as outlined in the mission statement are to conduct company business through good governance with responsibility to all our stake holders and foster a sound & dynamic team for maintaining professional standards and optimum use of resources while achieving the unique position in the market by meeting the requirements of high quality products for the customers and proving a stimulating environment to all the employees for their growth and development and fostering a feeling of job satisfaction, by following the highest of ethical and fiduciary standards and serving the interests of the society.

Corporate strategy

To produce and market high quality products, consistently exceeding customer expectations, ensure right usage of company's resources, create employment opportunities and protect the interest of stakeholders.

IFTIKHAR SHAFFI
Chief Executive

Statement of Compliance
With the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi and Lahore Stock Exchange Limited 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 CCG 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	Names
Executive Director	Mr. Iftikhar Shaffi Mr. Shariq Iftikhar
Independent Director	-
Non-Executive Directors	Mr. Sohail Malik Mr. Muhammad Sameer Mr. Hashim Aslam Butt Mr. Zahoor Ahmad Mr. Mohib Hussain

The condition of clause i(b) of the CCG in relation to independent director will be applicable after next election of directors in December, 2013.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy was accrued in the Board of directors 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 has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. All directors of the company have 16 to 40 years of working experience in their respective areas of specialization and are well aware of their duties & responsibilities and powers as per code of Corporate Governance and the Companies Ordinance, 1984 which are crucial to the running and development of companies. Directors of the company have inculcated good governance practices in the corporate sector and have more than 15 years of education as well and thus fall under the exemption available in the Code of Corporate Governance.

Further Mr Iftikhar A. Shaffi Director of the company and Chairman of Diamond Group of Industries is a well known industrialist with vast and rich experience of about 40 years in managing large industrial units. Also the management of the company carries out orientation of director's education of Corporate Governance Leadership Skills (CGLS).

10. There was no change in the position of company secretary, Chief Financial Officer (CFO) and Head of Internal Audit during the year.

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 already formed an Audit Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is an independent director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have already been formed for compliance.

17. The Board has already formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is an independent director.

18. The Board has set up an effective internal audit function managed by suitably qualified and experienced personnel who are conversant with the policies and procedures of the company.

19. The statutory auditors of the company have confirmed that they have been given satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the CCG have been complied with.

IFTIKHAR SHAFFI
Chief Executive

Review Report to the Members on Statement of Compliance with best practices of Code of Corporate Governance

We have reviewed the statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Shaffi Chemical Industries Limited, to comply with the Listing Regulation No. 35 of the Karachi, and Lahore Stock Exchanges 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 Code of Corporate Governance and report if it does not. 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 the internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Boards' statement on internal control covers all risk and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-regulation (x) of Listing Regulation No. 35 notified by The Karachi Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arms' length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of Approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out 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 status of 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, 2013.

Dated: 08th October, 2013
Place: Lahore, Pakistan

HLB IJAZ TABUSSUM & COMPANY.
Chartered Accountants
Engagement Partner:
Muhammad Aslam Tabussum

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of SHAFFI CHEMICAL INDUSTRIES LIMITED as at June 30, 2013 and the related Profit and Loss account, statement of comprehensive income, statement of cash flows 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 statements based on our audit.

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 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 verification, we report that:-

1. Company is suffering gross and net losses amounting to Rs.= 2.618 million & Rs.= 74.128 million respectively thus causing a net capital deficiency of Rs. = 29.985 million. Current liabilities have exceeded the current assets by Rs. = 62.570 million. Borrowing facility from Allied bank limited has expired since 2004 which has neither been renewed nor re-scheduled ever since. Furthermore company did not provide us any plan till date of this letter which could satisfy us that it has any design/ plan to functionally revive the company.
   The said conditions indicate a material uncertainty which may cast a significant doubt on the Company's ability to continue as a going concern, whereas despite of all these negative facts the financial statements are prepared on going concern basis as explained in note 2.1 to the accounts.

2. Company revalued its assets on April 15, 2003, since then no revaluation or impairment has been conducted.

3. We have not received confirmation from Allied Bank of Pakistan Limited for short term borrowings amounting to Rs. 49,991,574/.

Except for the contents of the preceding paragraphs from 1 to 3 and the extent to which these affect the annexed financial statements:-

(a) In our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

(b) In our opinion,

(i) The balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) The expenditure incurred during the year was for the purpose of the company's business; and

(iii) The business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) Owing to the significance of matters as discussed in our observations from 1 to 3 here above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of cash flows, statement of comprehensive income and statement of changes in equity together with the notes forming part thereof do not give a true and fair view of the state of the company's affairs as at June 30, 2013 and of the losses, its cash flows and the changes in equity for the year then ended; and

(d) In our opinion, no zakat was deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980).

The financial statements of Shaffi Chemical Industries Limited for the year ended June 30, 2012 were audited by Tabussum Saleem and company, chartered accountants who expressed qualified opinion on those statements vide their audit report dated October 08, 2012. Major reasons for qualified opinion were non availability of confirmation from Allied Bank of Pakistan, non-revaluation assets since 2003 and not testing the assets for impairment.

HLB IJAZ TABUSSUM & CO.
Chartered Accountants
Audit Engagement Partner:
Muhammad AslamTabussum(FCA)

HLB IJAZ TABUSSUM & CO. CHARTERED ACCOUNTANTS S-8 Ahmed Arcade 161 Ferozepur Road LAHORE PAKISTAN

Dated: 08th October, 2013
Place: Lahore

BALANCE SHEET
AS AT June 30, 2013

EQUITY AND LIABILITIES	Note	2013 Rupees	2012 Rupees Restated	2011 Rupees Restated
SHARE CAPITAL AND RESERVES				
Authorized Capital				
12,000,000 Ordinary shares of Rs. 10/- each		120,000,000	120,000,000	120,000,000
Issued, Subscribed and Paid Up Capital	3	120,000,000	120,000,000	120,000,000
Fair Value Reserve		3,340,115	-	-
Un-appropriated profits / (losses)		(153,325,685)	(83,212,499)	(76,022,389)
		(29,985,570)	36,787,501	43,977,611
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	4	8,275,677	8,954,403	9,695,870
NON-CURRENT LIABILITIES				
Long Term Loan	5	11,250,764	11,250,764	11,250,764
Deferred Liabilities	6	1,806,561	1,783,026	1,484,331
		13,057,325	13,033,790	12,735,095
CURRENT LIABILITIES				
Trade and Other Payables	7	23,087,511	24,880,995	19,884,793
Accrued Interest on Borrowings	8	696,000	696,000	696,000
Short Term Borrowings - Secured	9	49,991,574	49,991,574	49,991,574
Provision for Taxation	10	56,325	182,871	429,182
		73,831,410	75,751,440	71,001,549
CONTINGENCIES AND COMMITMENTS	11	-	-	-
TOTAL EQUITY AND LIABILITIES		65,178,842	134,527,135	137,410,125

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

Chief Executive **Director**

BALANCE SHEET
AS AT June 30, 2013

ASSETS	Note	2013 Rupees	2012 Rupees Restated	2011 Rupees Restated
NON-CURRENT ASSETS				
Property, Plant and Equipment	12	19,406,597	20,985,659	22,721,509
Long Term Deposits	13	223,560	223,560	223,560
Long Term Investments	14	34,286,750	95,644,834	99,932,704
CURRENT ASSETS				
Stock in Trade	15	1,160,077	5,943,442	2,109,955
Trade Debts	16	1,988,399	1,413,360	1,838,848
Loans and Advances	17	414,426	1,552,486	718,354
Other Receivables	18	6,165,795	7,009,060	8,430,672
Cash and Bank Balances	19	1,533,238	1,754,734	1,434,523
		11,261,935	17,673,082	14,532,352
TOTAL ASSETS		65,178,842	134,527,135	137,410,125

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

Chief Executive **Director**

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
Sales - net	20	11,264,944	14,068,947
Cost of Sales	21	(13,883,089)	(13,653,427)
Gross Profit / (Loss)		(2,618,145)	415,520
Operating Expenses			
Distribution Expenses	22	(128,755)	(460,321)
Administrative Expenses	23	(3,451,793)	(3,107,681)
Other Operating Income	24	1,376,283	-
		(2,204,265)	(3,568,002)
Operating Profit / (Loss)		(4,822,410)	(3,152,482)
Other Operating Expenses	25	(290,000)	(290,000)
		(5,112,410)	(3,442,482)
Finance Cost	26	(32,664)	(44,649)
		(5,145,074)	(3,487,131)
Impairment on long term investments		(74,679,368)	-
		(79,824,442)	(3,487,131)
Share of Profit/ (Loss) from associated Company	14	7,206,414	(10,883,121)
Profit / (loss) before Taxation		(72,618,028)	(14,370,252)
Taxation			
Taxation-current	27	(56,325)	(156,575)
Taxation-prior periods		182,871	
Share of tax of associated company	14	(1,636,290)	37,325
		(1,509,744)	(119,250)
Profit / (loss) after Taxation		(74,127,772)	(14,489,502)
Loss per Share	28	(6.18)	(1.21)

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

Chief Executive

Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
PROFIT AFTER TAXATION		(74,127,772)	(14,489,502)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Items that may be reclassified subsequently to profit or loss:			
Unrealized gain arising on remeasurement of available for sale investments of associated companies		3,367,785	1,579,050
Unrealized gain arising on remeasurement of available for sale investments		3,340,115	-
Other Comprehensive income for the period		6,707,900	1,579,050
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(67,419,872)	(12,910,452)

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

CHIEF EXECUTIVE	DIRECTOR

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees (Restated)	2011 Rupees (Restated)
CASH FLOW FROM OPERATING ACTIVITIES				
Cash generated from / (used in) operations	29	1,399,068	969,437	27,666,537
Taxes paid		-	(402,886)	(684,472)
Finance cost paid		(32,664)	(44,649)	(16,814)
Gratuity paid / adjusted		(512,714)	(201,691)	-
Net Cash generated from operating activities		853,690	320,211	26,965,251
CASH FLOW FROM INVESTING ACTIVITIES				
Sale Proceeds of Property, Plant And Equipment		-	-	-
Investment recognized		(1,075,185)		
Purchase of Property, Plant And Equipment		-	-	-
Net Cash Generated from /(used in) Investing Activities		(1,075,185)	-	-
CASH FLOW FROM FINANCING ACTIVITIES				
Short Term Borrowings		-	-	-
Loan from Director		-	-	(26,689,472)
Net Cash generated from /(used in) financing activities		-	-	(26,689,472)
Net Increase / (Decrease) in Cash & Cash Equivalents		(221,495)	320,211	275,779
Cash & Cash Equivalents at the Beginning of the Year		1,754,734	1,434,523	1,158,744
Cash & Cash Equivalents at the End of the Year		1,533,238	1,754,734	1,434,523

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

Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2013

		CAPITAL RESERVES	REVENUE RESERVES		
	SHARE CAPITAL	Fair Value Reserve	(Accumulated loss) / inappropriate profit	TOTAL RESERVES	TOTAL EQUITY
	(Rupees)				
Balance as at 01 July 2011	120,000,000	-	(72,906,217)	(72,906,217)	47,093,783
Effect of prior period errors			(3,116,172)	(3,116,172)	(3,116,172)
Balance as at 01 July 2011 (Restated)	120,000,000	-	(76,022,389)	(76,022,389)	43,977,611
Effect of items directly credited in equity by the associated companies	-	-	4,978,875	4,978,875	4,978,875
Incremental depreciation on surplus on revaluation of property, plant & equipment	-	-	741,467	741,467	741,467
Loss for the year	-	-	(14,489,502)	(14,489,502)	(14,489,502)
Other comprehensive income for the year	-	-	1,579,050	1,579,050	1,579,050
Total comprehensive loss for the year	-	-	(12,910,452)	(12,910,452)	(12,910,452)
Balance as at 30 June 2012	120,000,000	-	(83,212,499)	(83,212,499)	36,787,501
Balance as at 01 July 2012	120,000,000	-	(83,212,499)	(83,212,499)	36,787,501
Effect of items directly credited in equity by the associated companies	-	-	(31,925)	(31,925)	(31,925)
Incremental depreciation on surplus on revaluation of property, plant & equipment	-	-	678,726	678,726	678,726
Loss for the year	-	-	(74,127,772)	(74,127,772)	(74,127,772)
Other comprehensive income for the year	-	3,340,115	3,367,785	6,707,900	6,707,900
Total comprehensive loss for the year	-	3,340,115	(70,759,987)	(67,419,872)	(67,419,872)
Balance as at 30 June 2013	120,000,000	3,340,115	(153,325,685)	(149,985,570)	(29,985,570)

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

CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2013

1 STATUS AND NATURE OF BUSINESS

The Company was incorporated under the Companies Ordinance, 1984 as Public Limited Company on 27th September 1994. The shares of the company are quoted on Karachi and Lahore Stock Exchanges. The main activity of the company is to manufacture and process of Di-Octyle-Ortho Phthalates (DOP) Chemicals. In the current year the company produced Lith and Diltex Binder. The registered office of the company is situated at Gadoon Amazai, Industrial Estate, Sawabi (Khyber Pakhtunkhwa).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

These financial statements have been prepared on going concern basis and have been prepared under the historical cost convention except for Building, Plant & Machinery which is stated on revalued amounts and staff retirement benefits which have been recognized at present value determined by the actuary.

2.2 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take the precedence.

2.3 Significant accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimate and judgments are regularly evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 6.1 to the financial statements for valuation of present value of defined benefit obligations.

Property, plant and equipment

The company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in future years might effect the remaining amounts of respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

Income Taxes

In making the estimates for income taxes payable by the Company, the management considers current Income Tax law and the decisions of appellate authorities on certain cases issued in past.

2.4 Changes / Amendments in Accounting Standards

2.4.1 Amendments to published approved standards that are effective in current year and are relevant to the company

The following amendments to published approved standards are mandatory for the Company's accounting periods beginning on or after 01 July 2012:

IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). Under the amendments to IAS 1, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments does not address which items are presented in OCI. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2.4.2 Interpretations and amendments to published approved standards that are effective in current year but not relevant to the company

There are other amendments to the published approved standards that are mandatory for accounting periods beginning on or after 01 July 2012 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.4.3 Standards and amendments to published approved standards that are not yet effective but relevant to the company

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2013 or later periods:

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2013). The International Accounting Standards Board (IASB) has amended the accounting requirements and disclosures related to offsetting of financial assets and financial liabilities by issuing amendments to IAS 32 'Financial Instruments: Presentation' and IFRS 7. These amendments are the result of IASB and US Financial Accounting Standard Board undertaking a joint project to address the differences in their respective accounting standards regarding offsetting of financial instruments. The clarifying amendments to IAS 32 are effective for annual periods beginning on or after 01 January 2014. However, these amendments are not expected to have a material impact on the Company's financial statements.

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2015). It addresses the classification, measurement and recognition of financial assets and financial liabilities. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that shall replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change shall mainly affect financial institutions. There shall be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Company does not have any such liabilities.

IFRS 10 'Consolidated Financial Statements' (effective for annual periods beginning on or after 01 January 2013). Concurrent with the issuance of IFRS 10, the IASB has also issued IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IAS 27 (revised 2011) 'Consolidated and Separate Financial Statements' and IAS 28 (revised 2011) 'Investments in Associates'. The objective of IFRS 10 is to have a single basis for consolidation for all entities, regardless of the nature of the investee, and that basis is control. The definition of control includes three elements: power over an investee, exposure or rights to variable returns of the investee and the ability to use power over the investee to affect the investor's returns. IFRS 10 replaces those parts of IAS 27 'Consolidated and Separate Financial Statements' that address when and how an investor should prepare consolidated financial statements and replaces Standing Interpretations Committee (SIC) 12 'Consolidation – Special Purpose Entities' in its entirety. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective for annual periods beginning on or after 01 January 2013) provide additional transition relief in by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

Amendments to IFRS 10, IFRS 12 and IAS 27 (effective for annual periods beginning on or after 01 January 2014) provide 'investment entities' an exemption from the consolidation of particular subsidiaries and instead require that: an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss; requires additional disclosures; and require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements. The management of the Company is in the process of evaluating the impacts of the aforesaid amendments on the Company's financial

IFRS 12 'Disclosures of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2013). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. This standard is not expected to have a material impact on the Company's financial statements.

IFRS 13 'Fair value Measurement' (effective for annual periods beginning on or after 01 January 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is not expected to have a material impact on the Company's financial statements.

IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made in IAS 36 to reduce the circumstances in which the recoverable amount of assets or cash- generating units is required to be disclosed, clarify the disclosures required and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. However, the amendments are not expected to have a material impact on the Company's financial statements.

On 17 May 2012, IASB issued Annual Improvements to IFRSs: 2009 – 2011 Cycle, incorporating amendments to five IFRSs more specifically in IAS 1 'Presentation of Financial Statements' and IAS 32 'Financial instruments: Presentation', that are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 January 2013. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

2.4.4 Standards, Interpretations and amendments to published approved standards that are not yet effective and not considered relevant to the company

There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2013 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.5 Property, Plant and Equipment

Property, Plant and Equipment except for lease-hold land are stated at cost or revalued amounts less accumulated depreciation and impairment loss, if any. Depreciation is charged to income applying the reducing balance method at the rates given in Note 12.

Depreciation on additions is charged from the month in which the assets become available for use, while on disposal depreciation is charged up to the month of disposal.

Residual values are determined by the management as the amount it expects it would receive currently for the item of property plant and equipment if it were already of the age and in the condition expected at the end of its useful life based on the prevailing market prices of similar assets already at the end of their useful life.

Useful lives are determined by the management based on expected usage of the assets, expected physical wear and tear, technical and commercial obsolescence and other similar factors.

Gains or losses on disposal of fixed assets are recognized in income.

Maintenance and normal repairs are charged to revenue as and when incurred. Major renewals and improvements are capitalized.

2.6 Investments.

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

a) Held to maturity

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

b) Investment in associated companies

Long term investments in associated companies are valued using equity method.

c) **Available at fair value through profit or loss**

Investments at fair value through profit or loss 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. Realized and unrealized gains and losses arising from the changes in fair value are included in the net profit or loss for the period in which they arise. Investments intended to be held for less than twelve months from the balance sheet date are included in current assets, all other investments are classified as non-current asset. Management determines the appropriate classification of its investments at the time of the purchase and reevaluates such designation periodically.

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 investment to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense. Where an impairment loss is subsequently reversed, 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.

2.7 Stock - in - Trade

These are valued at lower of cost or net realizable value. Cost is determined as follows:

Raw-Material	Weighted Average Cost
Work in Process and Finished Goods	Average Manufacturing Cost or Net Realizable value

Net realizable value signifies the estimated selling prices in the ordinary course of business less cost necessary to be incurred in order to make a sale.

2.8 Stores, Spares and Loose Tools

These are stated al lower of cost and net realizable value. The cost of inventory is based on weighted average cost. Items in transit are stated at cost accumulated to balance sheet date.

2.9 Financial instruments

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provision of the instruments. The particular measurements method adopted are disclosed in the individual policy statements associated with each item.

2.10 Trade debts

Trade debts originated by the company are recognized and carried at original invoice amount less an allowance for any uncollectible amount. An estimate for doubtful debts is made when collection of full amount is no longer probable. Bad debts are written off as incurred and become bad in actual sense.

2.11 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement cash and cash equivalents comprise of cash in hand and bank balances.

2.12 Taxation

Current

Charge for current taxation is based on taxable income at current tax rates after taking into account all tax credits and rebates available, if any. In case of loss minimum tax liability is provided in these accounts based on liability worked out under section 113 or under sections 154 and 153 of the Income Tax Ordinance, 2001, whichever of these liabilities is higher.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that is the probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse based on the tax rates that have been enacted.

2.13 Revenue Recognition

Revenue is recognized on dispatch of goods. Dividend income on equity investments is recognized as income when the right of receipt is established. Interest income is recognized on the time proportion basis.

2.14 Retirement Benefits

The company operates an unfunded and unapproved gratuity scheme for its employees, which is a defined benefit plan based upon the last salary drawn by an employee. Present value of defined benefit obligation is calculated on the basis of actuarial valuation at the end of the year. The valuation in these accounts is worked out on the Projected Unit Credit Actuarial Cost method basis.

Actuarial valuation of defined benefit scheme was conducted to calculate the actuarial present value of gratuity obligation as at June 30, 2013. The valuation uses projected unit credit method and a discount rate of 10.5% per annum. It assumes that salaries will increase by 9.5% per annum.

Actuarial gains and losses are accounted for in accordance with the minimum recommended approach under IAS-19 "Employee benefits".

2.15 Provisions

Provisions are recognized when the company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

2.16 Borrowing Cost

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the construction of a qualifying asset in which case they are capitalized as part of the cost of that asset.

2.17 Foreign Currency Transactions

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at the rate of exchange approximating those prevailing on the dates of transaction. Exchange gains and losses are included in the profit and loss account currently.

2.18 Related party transactions

All transactions with related parties are carried out by the Company at arm's length prices using the method prescribed under the Companies Ordinance 1984.

2.19 Loans, Advances and other Receivables

Loans, advances and other receivables are recognized initially at cost and subsequently measured at amortized cost.

2.20 Long Term Loans and Short Term Borrowings

Loans and borrowings are initially recorded at the time proceeds are received and subsequently at amortized cost. Financial charges are accounted for on accrual basis and are either added to the carrying amount of the instruments or included in the creditors, accrued and other liabilities to the extent of the amount remaining unpaid. Exchange gain and losses (if any) arising in respect of loan or borrowings in foreign currency are added to the carrying amount of the instrument.

2.21 Trade and Other Payables

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 or not billed to the company.

2.22 **Impairment**

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impairment losses are recognized in the profit and loss account.

3 **ISSUED, SUBSCRIBED & PAID UP CAPITAL**

2013	2012		2013	2012
Number of shares			Rupees	Rupees
12,000,000	12,000,000	Ordinary shares of Rupees 10 each fully paid up in cash	120,000,000	120,000,000
12,000,000	12,000,000		120,000,000	120,000,000

3.1 4,336,242 (2012 : 4,336,242 Nos.) Ordinary shares of Rs 10/- each were held by Associated companies at the year end. Detail is as follows:

	2013 Nos.	2012 Nos.
Diamond Industries Limited	3,754,240	3,754,240
Diamond Corporation (Private) Limited	176,000	176,000
Diamond Home Textile (Private) Limited	255,000	255,000
Capital Industrial Enterprises (Private)Limited	21,002	21,002
Diamond Products (Private) Limited	130,000	130,000
	4,336,242	4,336,242

	2013 Rupees	2012 Rupees
4 SURPLUS ON REVALUATION OF FIXED ASSETS		
Opening balance	8,954,403	9,695,870
Surplus relating to incremental depreciation charged on related assets during the year transferred to changes in equity.	(678,726)	(741,467)
	8,275,677	8,954,403

4.1 Building and Plant & Machinery were revalued by M/S Dimen Associates (Pvt.) Ltd. on April 15 , 2003 on the basis of current replacement values. Revaluation surplus was credited to surplus on revaluation of Fixed Assets account.

5 **LONG TERM LOAN**
Related Party - Unsecured

	2013	2012
Loan from Director	11,250,764	11,250,764
	11,250,764	11,250,764

This loan is unsecured and interest free. This amount Is not repayable In foreseable future.

6 **DEFERRED LIABILITIES**

	Note	2013	2012
Gratuity - Defined benefit plan	6.1	1,806,561	1,783,026
Provision for deferred taxation	6.2	-	-
		1,806,561	1,783,026

6.1 **Gratuity**

	Note	2013	2012
The amounts recognized in the financial statements are determined as follows:-	6.1.1	1,806,561	1,783,026

6.1.1 **Reconciliation of Amounts recognized in the balance sheet**

	2013	2012
Present value of unfunded defined benefit obligation	2,143,958	1,818,227
Add: Benefits payables (i.e. Benefits due but not paid)	-	-
Less: Actuarial gains / (losses) to be charged in later periods	(337,397)	(35,201)
Liability in the Balance Sheet	1,806,561	1,783,026

	2013 Rupees	2012 Rupees
The amounts recognized in the profit and loss account are as follows:-		
Current service cost/provision for the year	299,879	288,934
Interest cost	236,370	211,452
Actuarial gain recognized	-	-
Total included in salaries benefits	536,249	500,386
Movement in liability recognized in the balance sheet		
At the beginning of the year	1,818,227	1,510,371
Amount recognized during the year - as shown above	299,879	288,934
Interest cost for the year	236,370	211,452
Liability transferred to Diamond Industries Limited (Associated Company)	(259,554)	(187,691)
Actuarial (gain)/losses charged to current profit and loss	302,196	9,161
Benefits paid during the year	(253,160)	(14,000)
Present value of unfunded defined benefit obligation	2,143,958	1,818,227
The principal actuarial assumptions used were as follows		
Discount rate	10.5% per annum	13% per annum
Expected rate of increase in salary	9.5% per annum	12% per annum
Average expected remaining working life of employees	6 years	6 years

6.2 Provision for Deferred Taxation

	2013 Rupees	2012 Rupees
Deferred taxation liability comprises as follows :		
Taxable temporary differences		
Accelerated tax depreciation allowance	4,310,902	4,541,184
Deductible temporary differences		
Provision for doubtful debts	(5,229,690)	(5,229,690)
Provision for slow moving stock	(268,095)	(268,095)
Provision for gratuity	(632,296)	(624,059)
	(6,130,081)	(6,121,844)
Total taxable temporary difference	(1,819,179)	(1,580,660)
Effect of accumulated tax losses	(67,055,112)	(29,554,629)
	(68,874,291)	(31,135,289)
Non recognition of Deferred tax asset	68,874,291	31,135,289
	-	-

7 Trade and Other Payables

	2013 Rupees	2012 Rupees
Unsecured :		
Trade creditors	714,635	1,085,003
Payable to associated companies	7,489,857	6,337,565
Advances from customers	-	2,537,343
Other Liabilities	724,278	677,509
Accrued Expenses	942,925	1,027,759
Loan from Directors and Associates	10,525,760	10,525,760
Unclaimed Dividend	2,690,056	2,690,056
	23,087,511	24,880,995

8 ACCRUED INTEREST ON BORROWINGS

	2013 Rupees	2012 Rupees
Accrued Interest on Borrowings	696,000	696,000

9 SHORT TERM BORROWINGS

From Banking Companies - Secured

	2013 Rupees	2012 Rupees
Running Finance	49,991,574	49,991,574
	49,991,574	49,991,574

These finances were available from Allied Bank Limited under mark-up arrangements amounting to Rs.100 Million (2012:Rs.100 Million). Markup is payable quarterly at the rates ranging from paisa 19 to paisa 27 per Rs. 1,000 per day.(2012: paisa 19 to paisa 27 per Rs. 1,000 per day.)

These facilities were stopped by the bank and have not yet been renewed since June 2004.

Additionally the Company have the facilities for opening of letters of credit amounting to 30 million (2012: 30 million). The L/C facility in the current financial year remained unutilized. These facilities are secured against the following:

PRINCIPAL SECURITIES

- 1st floating charge of Rs:328.924 (Million) on the current assets of the company by way of hypothecation of stocks with 25 % margin.
- Pledge of stock of raw material and finished goods with 15 % margin.
- Lien on valid import documents covering import of petrochemical items at Nil Margin.
- Personal guarantee of all the directors of the company.

COLLATERAL

- 1st charge of Rs:49.467(Million) on fixed assets of the company.
- Cross Corporate Guarantee, letter of awareness and overlap in Security / Collateral from all companies of the Group.

10

	2013 Rupees	2012 Rupees
PROVISION FOR TAXATION		
Opening Balance	182,871	429,182
Taxation for the year	(126,546)	156,575
Adjustment against advance income tax	-	(402,886)
	56,325	182,871

11 CONTINGENCIES AND COMMITMENTS

I. HIGH COURT OF SINDH AT KARACHI

a. **First Capital ABN Amro Equities etc. Vs Iftikhar Shaffi etc.**

(Suit No. 808/2000)

M/s First Capital ABN AMRO Equities (Pakistan) Ltd and others filed a Suit for Recovery of Rs.552,344,051/- against Mr. Iftikhar Shaffi and five others including this Company before the High Court of Sindh at Karachi. The case is now at the stage of evidence.

b. **SCIL Vs Arif Habib and others.**

(Suit No. 639/2003)

The company filed a Suit for Declaration, Injunction and Recovery of Damages amounting to Rs.1,701,035,843/- against Arif Habib Ex-Chairman Karachi Stock exchange (KSE) and others before High Court of Sindh at Karachi. The case is still pending adjudication before the Court.

c. **Aqeel Karim Dhedhi Securities Vs Iftikhar Shaffi etc.**

(Suit No 607/2003)

M/s. Aqeel Karim Dhedhi Pvt Ltd filed a Suit for Recovery of Rs.80.297 million against Mr. Iftikhar Shaffi and five others including this company before High Court of Sindh at Karachi and the Suit is still pending.

d. **Muhammad Hanif Musa Vs Iftikhar Shaffi etc.**

(Suit No. 843/2003)

Muhammad Hanif Musa Ex Member KSE filed a Suit for Recovery, Damages, Declaration and Injunction amounting to Rs.447,587,159/- against Mr. Iftikhar Shaffi and five others including this company and the Suit is still pending.

II. LAHORE HIGH COURT LAHORE

a. **ABL Vs Shaffi Chemical etc.** (C.O.S. 25/2005)

Allied Bank Limited filed a Suit for Recovery of Rs.96,709,921.19 against the company before Lahore High Court, Lahore. The Honourable Court passed an order for interim decree of Rs.37,689,574/- against the company and granted Leave to appear and defend the suit vide order dated 3-3-2008. Now, the proceedings of the case are at the stage of evidence.

b. **ABL Vs Shaffi Chemicals (Execution Petition)**

An execution arising out of the referred interim decree is also pending before the Lahore High Court, Lahore. Now, the proceedings of the case are fixed for arguments on a proposal filed by the company.

c. **Diamond Industries Ltd and Shaffi Chemical Industries Ltd. Vs Lahore Stock Exchange".**

(Civil Revision No.1847 of 2003)

The Company filed a Revision Petition against an interim order of the Civil Judge Lahore passed in Civil Suit No. 297/2003. The case is still pending adjudication before the Court for arguments.

III. CIVIL COURT LAHORE.

a. **Lahore Stock Exchange (G) Ltd. Vs. Iftikhar Shaffi etc.**

The Lahore Stock Exchange filed suit No. 297 of 2003 against Mr. Iftikhar Shaffi and five others including this company for recovery of Rs.190,704,373/- The case is still pending adjudication before the court.

b. **Naeem Anwar Vs Iftikhar Shaffi and Others.**

Naeem Anwar filed a Suit for Declaration Damages & Recovery of Rs.19.9 million against Mr. Iftikhar Shaffi and other defendants including this company. The case is still pending adjudication before the court.

Commitments

There are no commitments in respect of outstanding Letters of Credit.

The management of the company is strongly and vigorously contesting all these cases and there is every likelihood that these cases will be decided in favour of the Company soon.

12 PROPERTY, PLANT AND EQUIPMENT

	Leasehold Land	Building on Leasehold Land	Plant and Machinery	Furniture and Fixtures	Office Equipment	Vehicles	TOTAL
	Rupees						
As at 01 July 2011							
Cost	1,000,000	17,810,748	44,649,095	582,842	943,878	8,005,309	72,991,872
Accumulated depreciation	-	(8,415,621)	(32,973,439)	(466,335)	(744,209)	(7,670,759)	(50,270,363)
Net book value	1,000,000	9,395,127	11,675,656	116,507	199,669	334,550	22,721,509
Year ended 30 June 2012							
Opening net book value	1,000,000	9,395,127	11,675,656	116,507	199,669	334,550	22,721,509
Additions	-	-	-	-	-	-	-
Adjustment							
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Disposal							
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Depreciation charge	-	(469,756)	(1,167,566)	(11,651)	(19,967)	(66,910)	(1,735,850)
Closing net book value	1,000,000	8,925,371	10,508,090	104,856	179,702	267,640	20,985,659
As at 30 June 2012							
Cost	1,000,000	17,810,748	44,649,095	582,842	943,878	8,005,309	72,991,872
Accumulated depreciation	-	(8,885,377)	(34,141,005)	(477,986)	(764,176)	(7,737,669)	(52,006,213)
Net book value	1,000,000	8,925,371	10,508,090	104,856	179,702	267,640	20,985,659
As at 01 July 2012							
Cost	1,000,000	17,810,748	44,649,095	582,842	943,878	8,005,309	72,991,872
Accumulated depreciation	-	(8,885,377)	(34,141,005)	(477,986)	(764,176)	(7,737,669)	(52,006,213)
Net book value	1,000,000	8,925,371	10,508,090	104,856	179,702	267,640	20,985,659
Year ended 30 June 2012							
Opening net book value	1,000,000	8,925,371	10,508,090	104,856	179,702	267,640	20,985,659
Additions	-	-	-	-	-	-	-
Disposal							
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Depreciation charge	-	(446,269)	(1,050,809)	(10,486)	(17,970)	(53,528)	(1,579,062)
Closing net book value	1,000,000	8,479,102	9,457,281	94,370	161,732	214,112	19,406,597
Year ended 30 June 2013							
Cost	1,000,000	17,810,748	44,649,095	582,842	943,878	8,005,309	72,991,872
Accumulated depreciation	-	(9,331,646)	(35,191,814)	(488,472)	(782,146)	(7,791,197)	(53,585,275)
Net book value	1,000,000	8,479,102	9,457,281	94,370	161,732	214,112	19,406,597
Annual rate of depreciation	-	5%	10%	10%	10%	20%	

12.1 Building and Plant & Machinery were revalued by M/S Dimen Associates (Pvt.) Ltd. on April 15 , 2003 on the basis of current replacement values.

If there had been no revaluation, the cost, accumulated depreciation and book value of the revalued assets at June 30, 2013 would have been as follows:

Particulars	2013			2012		
	Cost	Accumulated Depreciation	Written Down Value	Cost	Accumulated Depreciation	Written Down Value
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Building on Leasehold Land	10,571,710	6,210,173	4,361,537	10,571,710	5,980,618	4,591,092
Plant and Machinery	31,398,708	26,099,539	5,299,169	31,398,708	25,510,742	5,887,966
Rupees	41,970,418	32,309,712	9,660,706	41,970,418	31,491,360	10,479,058

12.2 The depreciation charged for the year has been allocated as follows:

	2013	2012	2011
	Rupees	Rupees	Rupees
Cost of sales	1,497,078	1,637,322	1,791,776
Administrative expenses	81,984	98,528	118,766
	1,579,062	1,735,850	1,910,542

			2013 Rupees	2012 Rupees
13	LONG TERM DEPOSITS			
	Security deposits against :			
	Utilities		70,760	70,760
	Gas		127,800	127,800
	Central Depositary Co. Ltd.		25,000	25,000
			223,560	223,560
14	LONG TERM INVESTMENTS			
	Investment in Associated Company - Equity Method	14.1	29,871,450	95,644,834
	Investment Available for Sale	14.2	4,415,300	-
			34,286,750	95,644,834

14.1 Associated Company-Quoted Equity Method

Diamond Industries Limited.

1,422,450 fully paid ordinary shares of Rs.10 each
Equity held 15.80 % (2012: 15.80 %)
Market value as on June 30-2013, Rs. 29,871,450/-
(2012: Rs. 13,683,969/-)

	2013	2012
Share in net assets at the beginning of the year	95,644,834	99,932,704
Add: Share in profit / (loss) before taxation	7,206,414	(10,883,121)
Share in taxation	(1,636,290)	37,325
Change in surplus on revaluation of fixed assets	(1,062,219)	(1,003,002)
Share of transfer from Surplus on revaluation of fixed assets on account of incremental depreciation	1,062,219	1,165,726
Effect of prior years' adjustments	(42,098)	4,482,848
Share of gain arising on measurement of available for sale investment	3,367,785	1,579,050
Other Items directly credited in changes in equity	10,173	333,302
Impairment on long term investments	(74,679,368)	-
Share in net assets at the end of the year	29,871,450	95,644,834

14.1.1 **Summarized financial information of associated company**

Name of associated	Audited / Un-audited	Assets	Liabilities	Net assets	Revenue	Profit / (Loss)
2013						
Diamond Industries Ltd	Un-Audited 31-03-13	1,021,136,769	359,632,067	661,504,702	1,378,509,372	22,100,862
2012						
Diamond Industries Ltd	Un-Audited 31-03-12	681,922,011	76,766,466	605,155,545	197,354,504	11,041,391

14.1.2 There was no significant transaction or event occurred in associated company between March 31, 2013 and June 30, 2013, therefore there is no need to take any adjustment.

14.2 Investment Available for Sale

		2013	2012
Gadoon Textile Mills Limited			
35,500 (2012: Nil) Ordinary shares of Rupees 10 each		1,065,000	-
Add: Fair Value Adjustment	**14.2.1**	3,337,000	-
		4,402,000	-
Sui Northern Gas Pipelines limited			
663 (2012: Nil) Ordinary shares of Rupees 10 each		10,185	-
Add: Fair Value Adjustment	**14.2.1**	3,115	-
		13,300	-

14.2.1 **Fair Value Adjustment**

	2013	2012
Opening Balance	-	-
Surplus on re-measurement of available for sale	3,340,115	-
	3,340,115	-

14.2.2 The company had an investment in shares of Gadoon Textile Mills Limited and Sui Northern Gas Pipelines limited with the broker, First Capital ABN AMRO Equities (Pak) Ltd. The broker intentionally withdrawn shares of Gadoon Textile Mills Limited, Sui Northern Gas Pipelines Limited and other companies and lost the share certificates of the investee companies. In the year under review investee companies distributed dividend warrant in name of the company and Therefore company recovered its investment at least in these two Companies.

The investment in shares of Gadoon Textile Mills Limited and Sui Northern Gas Pipeline Limited is recognized as investment available for sale during the year. The receivable from First Capital ABN AMRO Equities (Pak) Limited and provision for bad debts is reduced by the amount of investment recognized accordingly. The provision for bad debts was charged to profit and loss account in the year 2011. In the year under review recovered amount of investment is recognized as other income.

			2013	2012
15	STOCK IN TRADE		Rupees	Rupees Restated
	Raw Materials		1,833,076	5,774,014
	Less: Provision for slow moving stock		(765,986)	(765,986)
			1,067,090	5,008,028
	Finished Goods		92,987	935,414
			1,160,077	5,943,442
16	TRADE DEBTS			
	Considered Good- unsecured		1,988,399	1,413,360
	Considered Doubtful		14,941,971	14,941,971
			16,930,370	16,355,331
	Provision for Doubtful Debts		(14,941,971)	(14,941,971)
			1,988,399	1,413,360

Provision against bad debts has been provided in the accounts against accounts receivable beyond a period of three years.

	Upto 3 Months		1,988,399	1,413,360
	3 to 6 Months		-	-
	6 to 12 Months		-	-
	More than 1 Year		14,941,971	14,941,971
			16,930,370	16,355,331
17	LOANS AND ADVANCES			
	Advances : Considered good			
	Advance to employees		206,100	171,500
	Other Advances		-	1,279,967
	Advance income tax		208,326	101,019
			414,426	1,552,486
18	OTHER RECEIVABLES			
	Sales Tax Receivable		607,194	774,507
	Mark up paid to Allied Bank Ltd. (under protest)		4,657,524	4,657,524
	Accrued Interest		75,178	75,178
	Receivables from First Capital ABN AMRO Equities (Pak) Ltd.	18.2	-	-
	Margin against Bank Guarantee (Sui Gas)		700,001	1,400,000
	Security Deposits - Suppliers		100,000	100,000
	Other Receivable		25,898	1,851
			6,165,795	7,009,060

18.1 The input sales tax amounting to Rs. 3.1 Million, the claim of which was related to prior years and therefore couldn't be claimed by the company has been expensed out retrospectively.

	2013 Rupees	2012 Rupees
18.2 **Receivables from First Capital ABN AMRO Equities (Pak) Ltd.**		
Receivables from First Capital ABN AMRO Equities (Pak)	159,025,425	159,025,425
Provision for Bad Debts	(159,025,425)	(159,025,425)
Amount recovered	1,075,185	-
	(157,950,240)	(159,025,425)
Cost of investment in Gadoon Textile Mills Limited	(1,065,000)	-
Cost of investment in Sui Northern Gas Pipelines Limited	(10,185)	-
	-	-

This represents amount receivable from First Capital ABN AMRO 'Equities (Pak) Ltd., member Karachi & Lahore Stock Exchange, which illegally and without lawful 'authority withdrew the share from sub account of the company.

The company had filed an application before the Securities & Exchange Commission of Pakistan for recovery of the same and proceedings of the case is still pending since the year 2000 due to continued in action on the part of Security and Exchange Commission of Pakistan the company has made a provision against doubtful debt.

18.1.1 The receivable from First Capital ABN AMRO Equities (Pak) Ltd. and provision for bad debts are reduced by an amount disclosed in Note 14.2.2

	Note	2013	2012
19 CASH & BANK BALANCES			
Cash in hand		997,213	325,175
Cash at banks:			
Current Accounts		536,025	1,429,559
		1,533,238	1,754,734
20 SALES			
Sales		12,166,140	15,206,923
Less: Sales Tax		(901,196)	(1,137,976)
		11,264,944	14,068,947
21 COST OF SALES			
Raw Material Consumed	21.1	7,960,276	10,033,345
Salaries, Wages & Benefits	21.2	2,524,083	987,086
Fuel & Power		560,371	544,398
Repair & Maintenance		103,995	233,389
Gas & Water Charges		293,765	276,120
Misc. Expenses		101,094	231,104
Depreciation	12.2	1,497,078	1,637,322
		13,040,662	13,942,764
Add : Finished Goods-Opening		935,414	646,077
		13,976,076	14,588,841
Less : Finished Goods-Closing		(92,987)	(935,414)
		13,883,089	13,653,427
21.1 RAW MATERIAL CONSUMED			
Opening Stock		5,774,014	2,229,864
Purchases		4,019,338	13,577,495
		9,793,352	15,807,359
Closing Stock		(1,833,076)	(5,774,014)
		7,960,276	10,033,345

21.2 This includes gratuity amounting to Rs. 117,975/- (2012: Rs. 87,392/-)

			2013 Rupees	2012 Rupees
22	**DISTRIBUTION COST**			
	Salaries, Wages & Benefits	22.1	55,417	295,305
	Travelling & Conveyance		23,889	9,474
	Publicity		-	27,790
	Bad Debts		-	20,286
	Freight & Forwarding		21,700	60,520
	Miscellaneous Expenses		27,749	46,946
			128,755	460,321

22.1 This includes gratuity amounting to Rs. 24,131/- (2012: Rs. 23,807/-)

23	**ADMINISTRATIVE EXPENSES**			
	Salaries, Wages & Benefits	23.1	1,876,666	1,692,475
	Communications		19,115	109,275
	Travelling and Conveyance		9,780	239,264
	Fees & Taxes		332,550	102,680
	Legal & Professional Charges		710,006	603,147
	Miscellaneous		421,692	262,312
	Depreciation	12.2	81,984	98,528
			3,451,793	3,107,681

23.1 This includes gratuity amounting to Rs. 394,143/- (2012: 389,187/-)

24	**OTHER OPERATING INCOME**			
	Other Income		1,075,185	-
	Interest Income		33,190	-
	Dividend Income		267,908	-
			1,376,283	-
25	**OTHER OPERATING EXPENSES**			
	Auditors' Remuneration	25.1	290,000	290,000
			290,000	290,000
25.1	**Auditors' Remuneration**			
	Audit Fee		250,000	250,000
	Out of pocket		10,000	10,000
	Half yearly review		30,000	30,000
			290,000	290,000
26	**FINANCE COST**			
	Bank Charges		32,664	44,649
			32,664	44,649
27	**TAXATION**			
	Current tax for the year		56,325	140,689
	Tax for prior periods		(182,871)	15,886
	Share of Tax of associated company		1,636,290	(37,325)
			1,509,744	119,250

Due to carry forward tax losses, tax liability computed under normal tax regime is less than tax liability under section 113 of the Income Tax Ordinance, 2001, therefore tax provision under section 113 of the Ordinance has been provided.

27.1 **Relationship between tax expenses and accounting profit**

No reconciliation is required between the accounting profit and tax profit in the current year since the company has made income tax provision under section 113 of Income Tax Ordinance 2001.

28 LOSS PER SHARE-BASIC

		2013 Rupees	2012 Rupees
(Loss) for the year after taxation	(Rupees)	(74,127,772)	(14,489,502)
Average No. of ordinary shares	(Numbers)	12,000,000	12,000,000
		(6.18)	(1.21)

No figure for diluted earning per share has been presented as the Company has not issued any instruments carrying options which would have an impact on earning per share when exercised.

29 CASH GENERATED FROM OPERATIONS

		2013	2012
Profit before taxation		(72,618,028)	(14,370,252)
Adjustments for:			
Depreciation on property, plant and equipment		1,579,062	1,735,850
Impairment on long term investments		74,679,368	-
Share of loss of associated company		(7,206,414)	10,883,121
Provision for gratuity		536,249	500,386
Finance cost		32,664	44,649
Working capital changes	29.1	4,396,167	2,175,683
		74,017,096	15,339,689
		1,399,068	969,437

29.1 Working Capital Changes

	2013	2012
(Increase) / Decrease in Current Assets		
Stock in Trade	4,783,365	(3,833,487)
Trade Debtors	(575,039)	425,488
Loans and Advances	1,138,060	(834,132)
Other Receivables	843,265	1,421,612
	6,189,651	(2,820,519)
Increase / (Decrease) in Current Liabilities		
Trade and Other Payables	(1,793,484)	4,996,202
Changes in Working Capital	4,396,167	2,175,683

30 FINANCIAL RISK MANAGEMENT

30.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Company's finance department evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, use of derivative financial instruments and non derivative financial instruments and investment of excess liquidity.

30.1.1 Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The company is not exposed to currency risks.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity price risk.

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company is geared only to the extent of borrowings as mentioned in Note 26 and since these borrowings are under litigation so for the time being the company is exposed to the interest rate risk only to the extent of calculation of gratuity provision by the actuary. Financial instruments at variable rates expose the company to cash flow interest rate risk. Financial instruments at fixed rate expose the company to fair value interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	2013 Rupees	2012 Rupees
Floating rate instruments		
Financial liabilities		
Short Term Borrowings - Secured	49,991,574	49,991,574

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 or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

The Company does not account for any variable rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

30.1.2 Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

Long Term Deposits	223,560	223,560
Trade Debts	1,988,399	1,413,360
Loans and Advances	414,426	1,552,486
Other Receivables	6,165,795	7,009,060
Cash and Bank Balances	1,533,238	1,754,734
	10,325,418	11,953,200

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate:

	Rating			2013	2012
	Short Term	Long term	Agency	Rupees	Rupees
Banks					
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	(248,996)	3,876
Allied Bank Limited	A1+	AA+	PACRA	167,130	156,396
Silk Bank	A-2	A-	JCR-VIS	394,860	320,970
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	192,613	252,675
Askari Bank Limited	A1+	AA	JCR-VIS	2,094	2,094
Bank Alfalah Limited	A1+	AA	PACRA	25,626	610,842
Summit Bank	A-2	A-	JCR-VIS	2,698	82,706
				536,025	1,429,559

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 16.

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The company manages liquidity risk by maintaining sufficient cash. The company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements. Following are the contractual maturities of financial liabilities. The amounts disclosed in the table are undiscounted cash flows.

Contractual maturities of financial liabilities as at 30 June 2013

	Carrying Amount	Contractual Cash Flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	(Rupees)					
Non-derivative financial liabilities:						
Long Term Loan	11,250,764	11,250,764	-	-	-	11,250,764
Gratuity payable	1,806,561	1,806,561	-	-	-	1,806,561
Trade and Other Payables	23,087,511	23,087,511	23,087,511	-	-	23,087,511
	36,144,836	36,144,836	23,087,511	-	-	36,144,836

Contractual maturities of financial liabilities as at 30 June 2012

	Carrying Amount	Contractual Cash Flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	(Rupees)					
Non-derivative financial liabilities:						
Long Term Loan	11,250,764	11,250,764		-		11,250,764
Gratuity payable	1,783,026	1,783,026				1,783,026
Trade and Other Payables	24,880,995	24,880,995	24,880,995	-	-	24,880,995
	37,914,785	37,914,785	24,880,995	-	-	37,914,785

30.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped in to levels 1 to 3 based on the degree to which fair value is observable:

30.3 Financial instruments by categories

	Loans and receivables	Available for sale	Total
	Rupees	Rupees	Rupees
As at 30 June 2013			
Assets as per balance sheet			
Long Term Deposits	223,560	-	223,560
Trade Debts	1,988,399	-	1,988,399
Loans and Advances	4,14,426	-	4,14,426
Other Receivables	6,165,795	-	6,165,795
Bank Balances	536,025	-	536,025
	9,328,205	-	9,328,205

	Financial liabilities at amortized cost
	Rupees
Liabilities as per balance sheet	
Long Term Loan	11,250,764
Gratuity payable	1,806,561
Trade and other payables	23,087,511
	36,144,836

	Loans and receivables	Available for sale	Total
	Rupees	Rupees	Rupees
As at 30 June 2012			
Assets as per balance sheet			
Long Term Deposits	223,560	-	223,560
Trade Debts	1,413,360	-	1,413,360
Loans and Advances	1,552,486	-	1,552,486
Other Receivables	7,009,060	-	7,009,060
Bank Balances	1,429,559	-	1,429,559
	11,628,025	-	11,628,025

	Financial liabilities at amortized cost
	Rupees
Liabilities as per balance sheet	
Long Term Loan	11,250,764
Gratuity payable	1,783,026
Trade and other payables	24,880,995
	37,914,785

30.4 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to be safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

	2013 Rupees	2012 Rupees
Total borrowings	61,242,338	61,242,338
Cash and bank balances	(1,533,238)	(1,754,734)
	59,709,100	59,487,604
Total equity	(21,709,893)	45,741,904
	37,999,207	105,229,508
Gearing ratio	157.13%	56.53%

31 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

No remuneration/other allowances were paid to the Chief Executive (No. 1) and Directors (No. 6) of the company.

32 NUMBER OF EMPLOYEES

Number of employees as at year end	18	22

	2013	2012
33 INSTALLED CAPACITY		
DOP PLANT		
Installed Capacity Per Annum (Tons)	17,500	17,500
Actual Capacity Utilized (Tons)	-	-
LITH - DILTEX BINDER PLANT AND SUPER BOND		
Installed Capacity Per Annum (Tons)	2,060	2,060
Actual Capacity Utilized (Tons)	96	151

Non utilization of DOP Plant is mainly due to no DOP orders and switching of the company to produce other kind of chemical.

34 TRANSACTIONS WITH RELATED PARTIES.

Transactions and contracts with the related parties are carried out at arm's length prices determined in accordance with comparable uncontrolled price method except in circumstances where it is in the interest of the Company to do so with prior approval of the board of directors.

The related parties comprise associated companies, key management personnel and staff retirement fund. Detail of balances with the related parties, whether especially disclosed elsewhere or not in this financial statements are as follows:

	2013	2012
	(Rupees in Million)	
Capital Industrial Enterprises (Pvt) Ltd	(7.490)	(6.338)

35 FINANCIAL STATEMENTS RESTATEMENT

These financial statements have been restated due to correction of prior year error that unclaimable refund of sales tax was not written off in prior year financial statement.

36 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on **October 08, 2013** by the board of directors of the company.

37 CORRESPONDING FIGURES

Corresponding figures have been rearranged wherever necessary for the purpose of comparison.

38 GENERAL

Figures have been rounded off to nearest Rupee, if required.

Chief Executive **Director**

Operating Highlights

(Rupees ' 000)

KEY INDICATORS		2007	2008	2009	2010	2011	2012	2013
OPERATING								
GROSS MARGIN	%	1.77	21.78	15.83	28.56	32	3	(23)
OPERATING MARGIN	%	(13.15)	9.24	6.08	2.36	(398)	(24)	(43)
PRE TAX MARGIN	%	827.03	8.63	32.53	12.16	(400)	(102)	(645)
NET MARGIN	%	(105.40)	8.13	32.53	11.66	(400)	(103)	(658)
PERFORMANCE								
RETURN ON ASSETS	%	0.67	3.66	12.60	4.71	(121)	(0.11)	(0.74)
ASSETS TURNOVER	Times	0.05	0.45	0.39	0.40	0.30	0.10	(0.73)
FIXED ASSETS TURNOVER	Times	0.40	4.43	4.69	5.56	1.88	0.67	(3.74)
INVENTORY TURNOVER	Times	(6.89)	18.34	34.56	30,421	21.03	3.39	3.91
RETURN ON EQUITY	%	0.98	6.06	19.20	7.02	(300)	(30)	341
RETURN ON CAPITAL EMPLOYED	%	0.81	5.89	16.24	5.99	(2.45)	(0.23)	1.37
LEVERAGE								
DEBT : EQUITY	%	0.55	0.66	0.52	0.49	1.47	1.82	-4.00
LIQUIDITY								
CURRENT	%	3.12	2.72	2.88	2.96	0.25	0.27	0.15
QUICK	%	2.87	2.62	2.88	2.95	0.22	0.20	0.14
VALUATION								
EARNING PER SHARE (PRE TAX)	RS.	0.15	0.93	3.40	1.39	(14.20)	(1.20)	(6.05)
EARNING PER SHARE (AFTER TAX)	RS.	0.14	0.87	3.40	1.33	(14.21)	(1.21)	(6.18)
BREAK UP VALUE	RS.	14.69	14.38	17.72	18.95	4.73	4.07	(1.81)
HISTORICAL TRENDS								
TRADING RESULTS								
TURNOVER	RS.	12,514	128,624	125,501	136,894	42,641	14,068	11,264,944
GROSS PROFIT / (LOSS)	RS.	221	28,018	19,865	39,095	13,625	416	(2,618,145)
OPERATING PROFIT / (LOSS)	RS.	(1,646)	11,879	7,627	3,227	(169,537)	(3,442)	(4,822,410)
PROFIT/(LOSS) BEFORE TAX	RS.	1,827	11,103	40,831	16,651	(170,416)	(14,370)	(72,618,022)
PROFIT/(LOSS) AFTER TAX	RS.	1,735	10,460	40,831	15,967	(170,565)	(14,490)	(74,127,772)
FINANCIAL POSITION								
SHAREHOLDERS' FUNDS	RS.	176,281	172,531	212,627	227,457	56,789	48,858	(21,710,093)
PROPERY, PLANT & EQUIPMENT	RS.	31,629	29,061	26,738	24,632	22,722	20,986	19,406,597
NET CURRENT ASSETS	RS.	125,223	127,374	136,746	141,306	(88,651)	(54,962)	(62,569,475)
LONG TERM ASSETS	RS.	89,631	83,993	114,455	125,183	122,877	61,892	53,916,862
LONG TERM LIABILITIES	RS.	37,940	37,940	37,940	37,940	11,251	11,251	13,057,325

FORM 34

THE COMPANIES ORDINANCE 1984
(Section 236(1) and 464)
PATTERN OF SHAREHOLDING

1. Incorporation Number **B-01398**

2. Name of the Company **SHAFFI CHEMICAL INDUSTRIES LIMITED**

3. Pattern of holding of the shares held by the shareholders as at **6/30/2013**

4. No. of Shareholders	------Shareholding------ From	To	Total Shares Held
287	1	100	22,086
313	101	500	148,205
80	501	1000	77,546
130	1001	5000	381,405
44	5001	10000	361,098
14	10001	15000	185,592
7	15001	20000	137,634
4	20001	25000	93,002
1	25001	30000	28,300
2	30001	35000	69,699
1	35001	40000	40,000
1	45001	50000	44,000
1	65001	70000	67,000
1	80001	85000	85,000
2	85001	90000	176,123
3	95001	100000	300,000
1	125001	130000	130,000
1	175001	180000	176,000
1	195001	200000	198,000
1	210001	215000	214,950
1	250001	255000	255,000
1	350001	355000	353,000
1	390001	395000	394,500
1	415001	420000	416,360
1	545001	550000	547,960
1	680001	685000	685,000
1	695001	700000	700,000
1	750001	755000	752,300
1	1305001	1310000	1,306,000
1	3650001	3655000	3,654,240
905			12,000,000

5. Categories of shareholders	Share held	Percentage
5.1 Directors, Chief Executive Officers, and their spouse and minor childern	3,302,950	27.5246%
5.2 Associated Companies, undertakings and related parties.	4,336,242	36.1354%
5.3 NIT and ICP	500	0.0042%
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	--	--
5.5 Insurance Companies	--	--
5.6 Modarabas and Mutual Funds	--	--
5.7 Share holders holding 10%	5,060,240	42.1687%
5.8 General Public		
a. Local	4,303,325	35.8610%
b. Foreign	--	--
5.9 Others (to be specified)		
Joint Stock Companies	56,983	0.4749%

6. Signature of Company Secretary	
7. Name of Signatory	NAZIR AHMED
8. Designation	Company Secretary
9. NIC Number	35202-0733525-5
10 Date	30 06 2013

Catagories of Shareholding required under Code of Coprorate Governance (CCG)
As on June 30, 2013

Sr. No.	Name	No. of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties (Name Wise Detail):			
1	DIAMOND CORPORATION (PVT) LTD.	176,000	1.4667
2	DIAMOND HOME TEXTILE (PVT) LTD.	255,000	2.1250
3	DIAMOND PRODUCTS (PVT) LIMITED	130,000	1.0833
4	DIAMOND INDUSTRIES LIMITED	3,754,240	31.2853
5	CAPITAL INDUSTRIAL ENTERPRISES (PVT) LTD (CDC)	21,002	0.1750
Mutual Funds (Name Wise Detail)		-	-
Directors and their Spouse and Minor Children (Name Wise Detail):			
1	MR. IFTIKHAR A. SHAFFI	899,950	7.4996
2	MR. SHARIQ IFTIKHAR	1,306,000	10.8833
3	MR. SOHAIL MALIK	500	0.0042
4	MR. MUHAMMAD SAMEER	500	0.0042
5	MR. HASHIM ASLAM BUTT	500	0.0042
6	MR. ZAHOOR AHMAD	500	0.0042
7	MR. MOHIB HUSSAIN	500	0.0042
8	MRS. SEEMA IFTIKHAR W/O MR. IFTIKHAR A SHAFFI	394,500	3.2875
9	MRS. ASMA SHARIQ W/O MR. SHARIQ IFTIKHAR	700,000	5.8333
Executives:		-	-
Public Sector Companies & Corporations:		-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:		-	-
Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail)			
1	DIAMOND INDUSTRIES LTD.	3,754,240	31.2853
2	MR. SHARIQ IFTIKHAR	1,306,000	10.8833
3	MR. IFTIKHAR A. SHAFFI	899,950	7.4996
4	MR. MUBASHAR IFTIKHAR	752,300	6.2692
5	MRS. ASMA SHARIQ W/O MR. SHARIQ IFTIKHAR	700,000	5.8333

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