SHAFFI CHEMICAL

Industries Limited

ANNUAL REPORT

2012

Shaffi Chemical Industries Limited

23-Km Multan Road, Mohlanwal, Lahore - Pakistan.

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ANNUAL REPORT 2012

FOR THE YEAR ENDED JUNE 30, 2012

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	Director	*(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	Director	*(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 Limited
- Summit Bank Limited

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 Pakhtoonkhwa
  Tel: 0938-270597, 270297
  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: 042-35839182, 35887262
  Fax: 042-35869037

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that Annual General Meeting of Shareholders of Shaffi Chemical Industries Limited will be held on Wednesday 31st October, 2012 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, 2011.

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, 2012.

3. To appoint Auditors for next financial year ending June 30, 2013 and to fix their remuneration. M/s Tabussum Saleem & Company Chartered Accountants has consented to continue as the Auditors of the Company for the next year. The Board of Directors has also recommended for the appointment of M/s Tabussum Saleem & Company Chartered Accountants as Auditors of the company for the year ending June 30, 2013.

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

BY ORDER OF THE BOARD

NAZIR AHMED
FITM, FICS
COMPANY SECRETARY

Lahore: 08-10-2012

Notes:

1. The share transfer books of the company will remain closed from 24th October 2012 to 31st October, 2012 (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, 2012 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.
4. 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,

On behalf of the board of directors I feel pleasure to present to our shareholders 18th Annual Report of **Shaffi Chemical Industries Ltd.**, together with the Audited Financial Statements for the year ended June 30, 2012.

FINANCIAL HIGHLIGHTS...2012

The financial results of the company are numerated below:

-	Gross Profit	= Rs.	415,520
-	Operating Expenses	= Rs.	(3,858,002)
-	Operating Profit / (Loss)	= Rs.	(3,442,482)
-	Profit / (Loss) before Taxation	= Rs.	(14,370,252)
-	Taxation	= Rs.	(119,250)
-	Profit / (Loss) after Taxation	= Rs.	(14,489,502)

YEAR IN REVIEW:

Net Sales during the year under review were registered at Rs. 14.09 million as compared to Rs. 42.64 million registered during the last year. The main reason behind that unprecedented decrease in sales was cessation of sales of super bond. It was finally decided by the Management in 2011 to stop its production and sales which then resulted in lower turnover during the year under review. Gross Profit amounting to Rs. 0.42 million was earned during the year as against gross profit of Rs. 13.62 million during the last year. Operating Results also landed in loss due to fixed operating expenses. The recognition of losses of associated company affected the net profitability of the Company.

Option to re-start production of "Di-Octyle-Ortho-Phathalates" (DOP) is in active consideration by the Management. As soon as uninterrupted supply of its basic raw material i.e., 2-Etylethonal is ensured by the suppliers it production will resumed.

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

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE:

The requirements of the Code of Corporate Governance set out by the Karachi Stock Exchange and Lahore Stock Exchange in their Listing Regulations have been duly complied with and a statement to this effect is annexed with the Report. In preparation of annual financial statements, the applicable accounting standards have been followed which give a true and fair view of the state of affairs of the company at the end of the financial year and the profit/loss for the year under review. The financial statements have been prepared on a going concern basis and sufficient care is taken for properly maintaining the accounting records in accordance with the provisions of the Companies Ordinance, 1984 for safeguarding the assets of the company.

The Directors are satisfied with the system of internal control and there has been no material departure from the best practice of the listing regulations. The accounting policies and practices are in compliance with listing rules and regulations.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK:

Shaffi Chemical Industries Limited is listed on Karachi and Lahore Stock Exchanges and the Board has pursued the standard of Corporate Governance and represents independent and diverse perspectives on the board to provide proper overview of financial reporting framework of the company. The company has maintained proper books of accounts. Appropriate accounting policies have been consistently applied in the preparation f financial statements and accounting estimates are based on reasonable and prudent judgment. International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and there has been no departure there from. The system of internal control is sound in design and has been effectively implemented and monitored. The annual audited financial statements are circulated within four months of the close of the financial year. There are no significant doubts about the Company's ability to continue as a going concern.

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, 2012 is Rs.(1.21) compared to Rs.(14.21) per share for the preceding year.

PATTERN OF SHAREHOLDING:

Pattern of shareholding is annexed to this report.

BOARD MEETINGS:

Ten Board Meetings were held during the year. The attendance of each director at the meetings is as under:

S.#	Name	Position	Board Meeting attended	
1.	Mr. Waqar A. Shaffi	Chief Executive	05	Resigned 27-12-2011
2.	Mr. Iftikhar Shaffi	Chief Executive	05	Appointed 27-12-2011
2.	Mr. Shariq Ifitkhar	Director	10	
3.	Mr. Sohail Malik	Director	10	
4.	Mr Muhammad Sameer	Director	10	
5.	Mr Zahoor Ahmed	Director	10	
6.	Mr. Hashim Aslam Butt	Director	08	
7.	Mr Mohib Hussain	Director	08	

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 non executive directors. Names of the members of audit committee are 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 four meetings during the year ended 30th June, 2012.

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:

The Management of the Company is actively considering revival of its DOP plant and has contacted major supplier of 2-Ethylehexonal for its continued and uninterrupted supply. As soon as the arrangement with the supplier is made, DOP operations will be restarted. Production and sale of Lith, Diltex Binder, would however continue till revival of the DOP plant.

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 Tabussum Saleem & Company, Chartered Accountants are retiring at the conclusion of the forthcoming Annual General Meeting of the company. The Audit Committee has recommended the appointment of M/s Tabussum Saleem & Company Chartered Accountants as the statutory auditors of the Company for the year ending June 30, 2013. The Board of Directors has endorsed this recommendation.

QUALIFICATION OF AUDITORS REPORT:

- With respect to qualification No. 1, it is stated that the Company had lodged a complaint with the Securities and Exchange Commission of Pakistan against illegal withdrawal of shares by First Capital ABN Amro Equities (Pak) Limited, a member of Karachi and Lahore Stock Exchanges available in CDC subaccount maintained with them. The provision against doubtful recovery has been made due to continued inaction on the part of the SECP on our complaint filed in the year 2000. Reversal of such provision will however, be made after the positive action by SECP in this matter. As regard a claim amounting to Rs. 552 million of First Capital ABN Amro Equities (Pak) Ltd., proper disclosure has been made under Note # 11.
- As revaluation of fixed assets, 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. The Management is now considering revival of DOP plant, hence revaluation of the property, plant and equipment will be considered in the next year.
- With respect to qualification # 3 of the audit report and as stated in note # 35 of the annexed financial statements, the management is of the view that the recoverable amount of the plant is higher than its carrying value as the plant could be used in the production of similar kind of other chemicals with slight modification/addition.
- Regarding qualification # 4 and 5 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.
- As reported under paragraph 2 two above, revival of DOP is under active consideration. There will be tremendous increase in sales volume and profitability once the plant is restarted..

ACKNOWLEDGMENT:

The Board joins 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, 2012

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

Vision

To transform the company into a dynamic manufacturing organization to play a meaningful role on sustainable basis in the economy of Pakistan in the best possible manner.

Mission

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.

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.

Statement of Ethics & Business Practices

a) The Company's policy is to conduct business with honesty & integrity and be ethical in its business dealings showing respect to all.
b) The company runs its business in an environment that is sound and sustainable.
c) The company complies with all laws & regulations and expects its employees to familiarize & comply with them as well.
d) The company does not support any political party nor contribute to the funds of any group whose activities promote party interests.
e) The company is committed to the quality of its products and satisfies customer needs and expectations.
f) The company believes in adherence to the principles of reliability and credibility in its financial reporting and in transparency of business transactions.
g) The company is an equal opportunity employer. Its employee recruitment and promotional policies are free of any gender bias and are merit oriented. It believes in maintaining good channels of communications.
h) The company expects its employees to abide by certain personal ethics whereby company information and assets are not used for any personal advantage or gain.
i) The company believes in fair competition and support appropriate competition laws.

The Board of Directors has constituted the audit committee, to be supportive of compliance.

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, Lahore and Islamabad Stock Exchange (Guarantee) 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 Board comprises of seven directors including the Chief Executive Officer. The Company encourages the representation of non-executive directors on its Board of Directors. At present majority of the Directors on the Board are non-executive.

The independent directors meets the criteria of independence under clause i (b) of the CCG.

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. One casual vacancy was accurred in the Board of directors on 27th December, 2011 which was filled up by the directors within days thereof.

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. The Board arranged no training programs for its directors during the year.

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, who are non-executive.

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, who are non-executive directors.

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. 37 of the Karachi and Lahore Stock Exchanges (Guarantee) Limited where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and 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 (xiii) of Listing Regulation No. 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/-269 dated January 19, 2009 and Chapter XI of the Lahore Stock Exchange (Guarantee) Limited 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 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, 2012.

Dated: October 8, 2012
Place: Lahore, Pakistan

TABUSSUM SALEEM & COMPANY.
Chartered Accountants
Engagement Partner:
Muhammad Aslam Tabussum (FCA)
Muhammad Aslam Tabussum (FCA)

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **SHAFFI CHEMICAL INDUSTRIES LIMITED** as at June 30, 2012 and the related profit and loss account, statement of other 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. As stated in note 18 to the financial statements, first Capital ABN Equities (Pak) Ltd, jointly with other petitioner has filed a claim against the company amounting to Rs. 9.6 Million, (share of Shaffi Chemical Industries Ltd.) out of Rs. 552 Million against the company and five others. The company along with its sister concern Diamond Industries Ltd. have counter claimed a sum of Rs. 200 Million, out of which an amount of Rs. 159.025 Million has duly been accounted for in the Company's books. The Company's action of writing off this does not seem to be in the interest of the Company.

2. Company revalued its assets as on April 2003, since then neither the company revalued its assets nor tested those for impairment.

3. The company has closed its DOP plant since many years and its impairment has not been tested since then.

4. As stated in note 9 to the financial statements, the short term borrowings amounting to Rs. 49.9 Million due to Allied Bank Ltd. under markup arrangements have been stopped. We have not received the confirmation from Allied Bank Ltd. Furthermore no markup has been provided on this amount.

5. As stated in note 18 to the financial statements, other receivables include markup amounting to Rs. 4.6 million paid to Allied Bank Ltd. under protest. This amount was not confirmed to us as at June 30, 2012.

(a) In our opinion, except for the effects of matters referred to in paragraphs 1 to 4 proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

(b) In our opinion, except for the effects of matters referred to in paragraphs 1 to 4:-

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) In our opinion and to the best of our information and according to the explanations given to us, except for the effects of matters referred to in paragraphs 1 to 4, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2012 and of the profit, 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).

Without qualifying our opinion, we draw attention to Note 20 in the financial statements which indicates that the turnover of the Company has decreased by Rs. =28.572/- Million from last year. Current situation of under trading during the year under review indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

TABUSSUM SALEEM & CO.
Chartered Accountants
Audit Engagement Partner:
Muhammad Aslam Tabussum (FCA)

Lahore, October 08, 2012

BALANCE SHEET

AS AT JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees (Restated)
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized Capital			
12,000,000 Ordinary shares of Rs. 10/- each		120,000,000	120,000,000
Issued, Subscribed and Paid Up Capital	3	120,000,000	120,000,000
Reserves		(80,096,327)	(72,906,217)
		39,903,673	47,093,783
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	4	8,954,403	9,695,870
NON-CURRENT LIABILITIES			
Long Term Loan	5	11,250,764	11,250,764
Deferred Liabilities	6	1,783,026	1,484,331
		13,033,790	12,735,095
CURRENT LIABILITIES			
Trade and Other Payables	7	24,880,995	19,884,793
Accrued Interest on Borrowings	8	696,000	696,000
Short Term Borrowings - Secured	9	49,991,574	49,991,574
Provision for Taxation	10	182,871	429,182
		75,751,440	71,001,549
CONTINGENCIES AND COMMITMENTS	11		
TOTAL EQUITY AND LIABILITIES		137,643,307	140,526,297

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

Chief Executive **Director**

BALANCE SHEET
AS AT JUNE 30, 2012

ASSETS	Note	2012 Rupees	2011 Rupees (Restated)
NON-CURRENT ASSETS			
Property, Plant and Equipment	12	20,985,659	22,721,509
Long Term Deposits	13	223,560	223,560
Long Term Investments	14	95,644,834	99,932,704
CURRENT ASSETS			
Stock in Trade	15	5,943,442	2,109,955
Trade Debts	16	1,413,360	1,838,848
Loans and Advances	17	1,552,486	718,354
Other Receivables	18	10,125,232	11,546,844
Cash and Bank Balances	19	1,754,734	1,434,523
		20,789,254	17,648,524
TOTAL ASSETS		137,643,307	140,526,297

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

Chief Executive **Director**

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

	Note	2012 Rupees	2011 Rupees (Restated)
Sales - net	20	14,068,947	42,641,193
Cost of Sales	21	(13,653,427)	(29,016,295)
Gross Profit		415,520	13,624,898
Operating Expenses			
Distribution Expenses	22	(460,321)	(18,325,297)
Administrative Expenses	23	(3,107,681)	(164,836,193)
Other Operating Expenses	24	(290,000)	(290,000)
		(3,858,002)	(183,451,490)
Operating Profit / (Loss)		(3,442,482)	(169,826,592)
Finance Cost	25	(44,649)	(16,814)
Share of Profit/ (loss) from associated Company	14	(10,883,121)	(573,037)
Profit / (loss) before Taxation		(14,370,252)	(170,416,443)
Taxation			
Taxation	26	(156,575)	(429,182)
Share of tax of associated company	14	37,325	280,767
		(119,250)	(148,415)
Profit / (loss) after Taxation		(14,489,502)	(170,564,858)
Loss per Share	27	(1.21)	(14.21)

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

Chief Executive

Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 Rupees	2011 Rupees (Restated)
(LOSS) FOR THE YEAR		(14,489,502)	(170,564,858)
OTHER COMPREHENSIVE INCOME			
Unrealized gain arising on remeasurement of available for sale investments of associated company	14	1,579,050	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(12,910,452)	(170,564,858)

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

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees (Restated)
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	28	969,437	27,666,537
Taxes paid		(402,886)	(684,472)
Finance cost paid		(44,649)	(16,814)
Gratuity paid / adjusted		(201,691)	-
Net Cash generated from operating activities		320,211	26,965,251
CASH FLOW FROM INVESTING ACTIVITIES			
Sale Proceeds of Property, Plant And Equipment		-	-
Purchase of Property, Plant And Equipment		-	-
Net Cash Generated from /(used in) Investing Activities		-	-
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		320,211	275,779
Cash & Cash Equivalents at the Beginning of the Year		1,434,523	1,158,744
Cash & Cash Equivalents at the End of the Year		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, 2012

		REVENUE RESERVES			
	SHARE CAPITAL	Surplus on revaluation of property, plant & equipment	(Accumulated loss) / unappropriated profit	TOTAL RESERVES	TOTAL EQUITY
	(Rupees)				
Balance as at 30 June 2010	120,000,000	5,467,178	91,205,975	96,673,153	216,673,153
Prior year errors	-	4,515,865	(4,648,321)	(132,456)	(4,780,777)
Balance as at 30 June 2010 (Restated)	120,000,000	9,983,043	86,557,654	96,540,697	216,540,697
Effect of items directly credited in equity by the associated companies	-	-	307,432	307,432	307,432
Incremental depreciation on surplus on revaluation of property, plant & equipment (Restated)	-	810,512	-	810,512	810,512
(Loss) for the year	-	-	(170,564,858)	(170,564,858)	(170,564,858)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive loss for the year	-	-	(170,564,858)	(170,564,858)	(170,564,858)
Balance as at 30 June 2011 (Restated)	120,000,000	10,793,555	(83,699,772)	(72,906,217)	47,093,783
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	11,535,022	(91,631,349)	(80,096,327)	39,903,673

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

CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2012

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 (Kyberpakhtoonkhwan).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

These financial statements 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 equipments 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 2011:

IAS 1 (Amendment), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2011). It clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. However, this amendment has no material impact on these financial statements.

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 July 2011). The new disclosure requirements apply to transfer of financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are part of the International Accounting Standards Board (IASBs) comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset. However, this amendment has no material impact on these financial statements.

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 new interpretations and amendments to the published approved standards that are mandatory for accounting periods beginning on or after 01 July 2011 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 2012 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 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 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 1 (Amendment), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). The main change resulting from this amendment is the requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments). The amendment does not address which items are presented in OCI. However, this amendment is 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 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.

2.5 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, 2012. The valuation uses projected unit credit method and a discount rate of 13% per annum. It assumes that salaries will increase by 12% 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**

2012	2011		2012	2011
Number of shares			Rupees	Rupees Restated
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 4,182,240(2011 : 4,182,240Nos.) Ordinary shares of Rs 10/- each were held by Associated companies at the year end. Detail is as follows:

	2012 Nos.	2011 Nos. Restated
Diamond Industries Limited	3,754,240	3,754,240
Diamond Corporation	173,000	173,000
Diamond Home Textile	255,000	255,000
	418,2240	418,2240

	2012 Rupees	2011 Rupees Restated
4 SURPLUS ON REVALUATION OF FIXED ASSETS		
Opening balance	9,695,870	10,506,382
Surplus relating to incremental depreciation charged on related assets during the year transferred to changes in equity.	(741,467)	(810,512)
	8,954,403	9,695,870

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

4.2 Surplus on revaluation of fixed assets have been corrected retrospectively by Rs. 132,456/-and adjustment has been made to transfer Rs. 4,515,865/- from un-appropriated profits to surplus on revaluation of fixed assets.

5 **LONG TERM LOAN**

Related Party - Unsecured

	2012	2011
Loan from Director	11,250,764	11,250,764

This loan is interest free and there is no agreement between the company and the director regarding the repayment of the loan.

6 **DEFERRED LIABILITIES**

	Note	2012	2011
Gratuity - Defined benefit plan	6.1	1,783,026	1,484,331
Provision for deferred taxation	6.2	-	-
		1,783,026	1,484,331

6.1 **Gratuity**

	Note	2012	2011
The amounts recognized in the financial statements are determined as follows:-	6.1.1	1,783,026	1,484,331

		2012 Rupees	2011 Rupees Restated
6.1.1	**Reconciliation of Amounts recognized in the balance sheet**		
	Present value of unfunded defined benefit obligation	1,818,227	1,510,371
	Add: Benefits payables (i.e. Benefits due but not paid)	-	-
	Less: Actuarial gains / (losses) to be charged in later periods	(35,201)	(26,040)
	Liability in the Balance Sheet	1,783,026	1,484,331
	The amounts recognized in the profit and loss account are as follows:-		
	Current service cost/provision for the year	288,934	244,471
	Interest cost	211,452	146,607
	Actuarial gain recognized	-	1,259
	Total included in salaries benefits	500,386	392,337
	Movement in liability recognized in the balance sheet		
	At the beginning of the year	1,510,371	1,221,722
	Amount recognized during the year - as shown above	288,934	244,471
	Interest cost for the year	211,452	146,607
	Liability transferred to Diamond Industries Limited (Associated Company)	(187,691)	
	Actuarial (gain)/losses charged to current profit and loss	9,161	(102,429)
	Benefits paid during the year	(14,000)	-
	Present value of unfunded defined benefit obligation	1,818,227	1,510,371
	The principal actuarial assumptions used were as follows		
	Discount rate	13% per annum	14% per annum
	Expected rate of increase in salary	12% per annum	13% per annum
	Average expected remaining working life of employees	6 years	5 years
6.2	**Provision for Deferred Taxation**		
	Deferred taxation liability comprises as follows :		
	Taxable temporary differences		
	Accelerated tax depreciation allowance	4,541,184	4,774,419
	Deductible temporary differences		
	Provision for doubtful debts	(5,229,690)	(5,222,590)
	Provision for slow moving stock	(268,095)	(268,095)
	Provision for gratuity	(624,059)	(519,516)
		(6,121,844)	(6,010,201)
	Total taxable temporary difference	(1,580,660)	(1,235,782)
	Effect of accumulated tax losses	(29,554,629)	(6,496,809)
		(31,135,289)	(7,732,591)
	Non recognition of Deferred tax asset	31,135,289	7,732,591
		-	-
7	**Trade and Other Payables**		
	Unsecured :		
	Trade creditors	7,422,568	2,003,842
	Advances from customers	2,537,343	2,077,575
	Other Liabilities	677,509	677,561
	Accrued Expenses	1,027,759	1,909,999
	Payable to sponsors and associates	10,525,760	10,525,760
	Unclaimed Dividend	2,690,056	2,690,056
		24,880,995	19,884,793

7.1 Trade Creditors Include Rs. 6.334Million (2011:Rs. 1.672 Million) payable to M/s. Capital Industrial Enterprises (Pvt) Limited.

	2012	2011
	Rupees	Rupees
		Restated
8 ACCRUED INTEREST ON BORROWINGS		
Accrued Interest on Borrowings	696,000	696,000

9 SHORT TERM BORROWINGS

From Banking Companies - Secured

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 (2011:Rs.100Million). Markup is payable quarterly at the rates ranging from paisas 19 to paisas 27 per Rs. 1,000per day.(2011: paisas 19 to paisas 27 per Rs. 1,000 per day.)

These facilities were stopped by the bank in the previous years 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 (2011: 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 PROVISION FOR TAXATION

Opening Balance	429,182	684,472
Taxation for the year	156,575	429,182
Adjustment against advance income tax	(402,886)	(684,472)
	182,871	429,182

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 Dhadhi 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. Muhammed Hanif Moosa 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.96,709,921.19against 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
As at 01 July 2010							
Cost	1,000,000	17,810,748	44,649,095	582,842	943,878	8,005,309	72,991,872
Accumulated depreciation	-	(7,921,141)	(31,676,144)	(453,390)	(722,024)	(7,587,122)	(48,359,821)
Net book value	1,000,000	9,889,607	12,972,951	129,452	221,854	418,187	24,632,051
Year ended 30 June 2011							
Opening net book value	1,000,000	9,889,607	12,972,951	129,452	221,854	418,187	24,632,051
Additions	-	-	-	-	-	-	-
Disposal							
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Depreciation charge	-	(494,480)	(1,297,295)	(12,945)	(22,185)	(83,637)	(1,910,542)
Closing net book value	1,000,000	9,395,127	11,675,656	116,507	199,669	334,550	22,721,509
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	-	-	-	-	-	-	-
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
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, 2012 would have been as follows:

Particulars	2012			2011 (Restated)		
	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	5,980,618	4,591,092	10,571,710	5,738,982	4,832,728
Plant and Machinery	31,398,708	25,510,742	5,887,966	31,398,708	24,856,523	6,542,185
Rupees	41,970,418	31,491,360	10,479,058	41,970,418	30,595,505	11,374,913

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

	2012	2011
	Rupees	Rupees
Cost of sales	1,637,322	1,791,776
Administrative expenses	98,528	118,766
	1,735,850	1,910,542

13 LONG TERM DEPOSITS

	2012 Rupees	2011 Rupees Restated
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

Associated Company-Quoted Equity Method
Diamond Industries Limited.
1,422,450 fully paid ordinary shares of Rs.10 each
Equity held 15.80 % (2011: 15.80 %)
Market value as on June 30-2012, Rs. 12,446,437/-
(2011: Rs. 12,446,437/-)

	2012	2011
Share in net assets at the beginning of the year	99,932,704	99,917,542
Add: Share in profit / (loss) before taxation	(10,883,121)	(573,037)
Share in taxation	37,325	280,767
Change in surplus on revaluation of fixed assets	(1,003,002)	(609,004)
Share of transfer from Surplus on revaluation of fixed assets on account of incremental depreciation	1,165,726	936,929
Effect of prior years' adjustments	4,482,848	-
Share of gain arising on measurement of available for sale investment	1,579,050	
Other Items directly credited in changes in equity	333,302	(20,493)
Share in net assets at the end of the year	95,644,834	99,932,704

14.1 Summarized financial information of associated company

Name of associated	Audited / Un-audited	Assets	Liabilities	Net assets	Revenue	Profit / (Loss)
2012						
Diamond Industries Ltd	Un-Audited 31-03-11	681,922,011	76,766,466	605,155,545	197,354,504	11,041,391
2011						
Diamond Industries Ltd	Un-Audited 31-03-11	641,494,334	9,208,959	632,285,375	159,960	(1,849,225)

14.2 The breakup value of Diamond Industries Limited is Rs. =67.24/-per share while market value of Share certificate is Rs. =9.62/-but since it is not due to impairment indicators as mentioned in IAS 39 Financial Instruments: Recognition and Measurement therefore management believes that impairment is not required to be calculated.

14.3 There was no significant transaction or event occurred in associated company between March 31, 2012and June 30, 2012, therefore there is no need to take any adjustment.

15 STOCK IN TRADE

	2012	2011
Raw Materials	5,774,014	2,229,864
Less: Provision for slow moving stock	(765,986)	(765,986)
	5,008,028	1,463,878
Finished Goods	935,414	646,077
	5,943,442	2,109,955

			2012 Rupees	2011 Rupees Restated
16	TRADE DEBTS			
	Considered Good- unsecured		1,413,360	1,838,848
	Considered Doubtful		14,941,971	14,921,686
			16,355,331	16,760,534
	Provision for Doubtful Debts		(14,941,971)	(14,921,686)
			1,413,360	1,838,848

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

Upto 3 Months	1,413,360	1,818,563
3 to 6 Months	-	-
6 to 12 Months	-	-
More than 1 Year	14,941,971	14,941,971
	16,355,331	16,760,534

17	LOANS AND ADVANCES			
	Advances : Considered good			
	Advance to employees		171,500	140,800
	Other Advances		1,279,967	529,967
	Advance income tax		101,019	47,587
			1,552,486	718,354
18	OTHER RECEIVABLES			
	Sales Tax Receivable		3,890,679	6,007,565
	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.	18.1	-	-
	Margin against Bank Guarantee (Sui Gas)		1,400,000	700,000
	Security Deposits - Suppliers		100,000	100,000
	Other Receivable		1,851	6,577
			10,125,232	11,546,844
18.1	Receivables from First Capital ABN AMRO Equities (Pak) Ltd.			
	Opening Balance		159,025,425	159,025,425
	Provision for Bad Debts		(159,025,425)	(159,025,425)
			-	-

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 2000due to continued in action on the part of Security and Exchange Commission of Pakistan the company has made a provision against doubtful debt.

19	CASH & BANK BALANCES		
	Cash in hand	325,175	209,553
	Cash at banks:		
	Current Accounts	1,429,559	1,224,970
		1,754,734	1,434,523
20	SALES		
	Sales	15,206,923	42,918,225
	Less: Sales Tax	(1,137,976)	(277,032)
		14,068,947	42,641,193

			2012	2011
			Rupees	Rupees
21	**COST OF SALES**			Restated
	Raw Material Consumed	21.1	10,033,345	19,969,656
	Salaries, Wages & Benefits	21.2	987,086	2,649,780
	Fuel & Power		544,398	1,078,934
	Repair & Maintenance		233,389	3,171,838
	Gas & Water Charges		276,120	220,530
	Misc. Expenses		231,104	129,264
	Depreciation	12.2	1,637,322	1,791,776
			13,942,764	29,011,778
	Add : Finished Goods-Opening		646,077	650,594
			14,588,841	29,662,372
	Less : Finished Goods-Closing		(935,414)	(646,077)
			13,653,427	29,016,295
21.1	**RAW MATERIAL CONSUMED**			
	Opening Stock		2,229,864	765,986
	Purchases		13,577,495	21,433,534
			15,807,359	22,199,520
	Closing Stock		(5,774,014)	(2,229,864)
			10,033,345	19,969,656

21.2 This includes gratuity amounting to Rs. 87,392/- (2011: Rs. 86,336/-)

			2012	2011
22	**DISTRIBUTION COST**			
	Salaries, Wages & Benefits	22.1	295,305	242,886
	Travelling & Conveyance		9,474	3,340,374
	Commission		-	220,395
	Publicity		27,790	1,396,546
	Bad Debts		20,286	13,125,096
	Freight & Forwarding		60,520	-
	Miscellaneous Expenses		46,946	-
			460,321	18,325,297

22.1 This includes gratuity amounting to Rs. 23,807/- (2011: Rs. 17,638/-)

			2012	2011
23	**ADMINISTRATIVE EXPENSES**			
	Salaries, Wages & Benefits	23.1	1,692,475	1,536,980
	Communications		109,275	146,805
	Travelling and Conveyance		239,264	131,105
	Fees & Taxes		102,680	725,050
	Legal & Professional Charges		603,147	2,758,300
	Repair & Maintenance		-	550
	Provision for First Capital ABN AMRO Equities (Pak) Ltd.	18.1	-	159,025,425
	Miscellaneous		262,312	393,212
	Depreciation	12.2	98,528	118,766
			3,107,681	164,836,193

23.1 This includes gratuity amounting to Rs. 389,187/- (2011: 288,363/-)

			2012	2011
24	**OTHER OPERATING EXPENSES**			
	Auditors' Remuneration	24.1	290,000	290,000
			290,000	290,000
24.1	**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

			2012	2011
25	FINANCE COST		Rupees	Rupees Restated
	Markup on Short Term Loans			
	Bank Charges		44,649	16,814
			44,649	16,814
26	TAXATION			
	Current tax for the year		140,689	429,182
	Tax for prior periods		15,886	-
	Share of Tax of associated company		(37,325)	(280,767)
			119,250	148,415

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.

26.1 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.

27	LOSS PER SHARE-BASIC			
	(Loss) for the year after taxation (Rupees)		(14,489,502)	(170,564,858)
	Average No. of ordinary shares (Numbers)		12,000,000	12,000,000
			(1.21)	(14.21)

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.

28	CASH GENERATED FROM OPERATIONS			
	Profit before taxation		(14,370,252)	(170,416,443)
	Adjustments for:			
	Depreciation on property, plant and equipment		1,735,850	1,910,542
	Share of loss of associated company		10,883,121	573,037
	Provision for gratuity		500,386	392,337
	Finance cost		44,649	16,814
	Working capital changes	28.1	2,175,683	195,190,250
			15,339,689	198,082,980
			969,437	27,666,537
28.1	**Working Capital Changes**			
	(Increase) / Decrease in Current Assets			
	Stock in Trade		(3,833,487)	(1,459,361)
	Trade Debtors		425,488	13,028,980
	Loans and Advances		(834,132)	76,293
	Other Receivables		1,421,612	184,463,515
			(2,820,519)	196,109,427
	Increase / (Decrease) in Current Liabilities			
	Trade and Other Payables		4,996,202	(919,177)
	Changes in Working Capital		2,175,683	195,190,250

29 FINANCIAL RISK MANAGEMENT

29.1 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 minimise 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.

29.1.1 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 actuarist. 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:

	2012 Rupees	2011 Rupees Restated
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.

29.1.2 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	1,413,360	1,838,848
Loans and Advances	1,552,486	718,354
Other Receivables	10,125,232	11,546,844
Cash and Bank Balances	1,754,734	1,434,523
	15,069,372	15,762,129

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 Short Term	Long term	Agency	2012 Rupees	2011 Rupees
Banks					
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	3,876	12,282
Allied Bank Limited	A1+	AA+	PACRA	156,396	365,820
Silk Bank	A-2	A-	JCR-VIS	320,970	318,970
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	252,675	121,286
Askari Bank Limited	A1+	AA	JCR-VIS	2,094	2,094
Bank Alfalah Limited	A1+	AA	PACRA	610,842	404,518
Summit Bank	A-2	A-	JCR-VIS	82,706	-
				1,429,559	1,224,970

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 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	-	-	-
	37,914,785	37,914,785	24,880,995	-	-	13,033,790

Contractual maturities of financial liabilities as at 30 June 2011

	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	1,484,331	1,484,331				1,484,331
Trade and Other Payables	19,884,793	19,884,793	19,884,793	-	-	-
	32,619,888	32,619,888	19,884,793	-	-	12,735,095

29.2 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:

29.3 Financial instruments by categories

	Loans and receivables Rupees	Available for sale Rupees	Total 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	10,125,232	-	10,125,232
Bank Balances	1,429,559	-	1,429,559
	14,744,197	-	14,744,197

	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

	Loans and receivables	Available for sale	Total
	Rupees	Rupees	Rupees
As at 30 June 2011			
Assets as per balance sheet			
Long Term Deposits	223,560	-	223,560
Trade Debts	1,838,848	-	1,838,848
Loans and Advances	718,354	-	718,354
Other Receivables	11,546,844	-	11,546,844
Bank Balances	1,224,970	-	1,224,970
	15,552,576	-	15,552,576

	Financial liabilities at amortized cost
	Rupees
Liabilities as per balance sheet	
Long Term Loan	11,250,764
Gratuity payable	1,484,331
Trade and other payables	19,884,793
	32,619,888

29.4 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.

Total borrowings	61,242,338	61,242,338
Cash and bank balances	(1,754,734)	(1,434,523)
	59,487,604	59,807,815
Total equity	48,846,697	56,789,653
	108,334,301	116,597,468
Gearing ratio	54.91%	51.29%

30 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.

31 NUMBER OF EMPLOYEES

Number of employees as at year end	22	30

	2012	2011
32 INSTALLED CAPACITY		
DOP PLANT		
Installed Capacity Per Annum (Tons)	17,500	17,500
Actual Capacity Utilized (Tons)	-	-

33 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 transactions with the related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2012	2011
	(Rupees in Million)	
Associates		
Purchases		
Capital Industrial Enterprises (Pvt) Ltd	5.371	20.020

36 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on **October 08, 2012** by the board of directors of the company.

36 CORRESPONDING FIGURES

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

37 GENERAL

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

Chief Executive **Director**

Operating Highlights

(Rupees ' 000)

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

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 **6/30/2012**

4. No. of Shareholders	------Shareholding------ From	To	Total Shares Held
278	1	100	22,045
312	101	500	147,484
84	501	1000	81,246
175	1001	5000	524,091
59	5001	10000	482,693
19	10001	15000	250,907
11	15001	20000	203,460
4	20001	25000	84,875
3	25001	30000	85,696
1	30001	35000	30,446
1	35001	40000	40,000
1	40001	45000	40,500
3	45001	50000	145,001
1	65001	70000	69,124
1	75001	80000	75,999
1	85001	90000	86,123
2	95001	100000	200,000
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	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
969			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	27.5275%
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	4,175,941	34.8000%
b. Foreign	--	--
5.9 Others (to be specified)		
Joint Stock Companies	184,367	1.5364%

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 2012

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

Sr. No.	Name	No. of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties (Name Wise Detail):			
1	DIAMOND INDUSTRIES LTD.(CDC)	3,754,240	31.2853
3	CAPITAL INDUSTRIAL ENTERPRISES (PVT) LTD (CDC)	21,002	0.1750
4	DIAMOND CORPORATION (PVT) LTD.	176,000	1.4667
5	DIAMOND HOME TEXTILE (PVT) LTD.	255,000	2.1250
6	DIAMOND PRODUCTS (PVT) LTD	130,000	1.0833
Mutual Funds (Name Wise Detail)		-	-
Directors and their Spouse and Minor Chidren (Name Wise Detail):			
1	MR. IFTIKHAR SHAFFI	547,960	4.5663
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 SHAFFI	394,500	3.2900
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	MR. SHARIQ IFTIKHAR	1,306,000	10.8833
2	DIAMOND INDUSTRIES LTD.	3,754,240	31.2853
3	MRS. ASMA SHARIQ W/O MR. SHARIQ IFTIKHAR	700,000	5.8333
4	MR. MUBASHAR IFTIKHAR	752,300	6.2692
5	MR. IFTIKHAR A. SHAFFI	899,950	7.4996

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

FORM OF PROXY

I/We ____

of ____

being a member of SHAFFI CHEMICAL INDUSTRIES LIMITED, hereby appoint

____
(Name)

of ______________________________ another member of the Company

or failing him/her ______________________________
(Name)

of ______________________________ another member of the Company

(being a member of the company) as my/our proxy to attend and vote for and on my/our behalf, at the Annual General Meeting of the Company to be held at its registered office, Plot # 2, Gado on Amazai Industrial Estate, Swabi Khyber Pakhtoonkhwa on Wednesday 31st October, 2012 at 2:00 p.m. and any adjournment thereof.

As witnessed given under my/our hand(s) __________ day of __________ 2012

1) Witness:

Signature __________________

Name __________________

Address __________________

____

Signature of Member

2) Witness:

Signature __________________ Shares Held __________________

Name __________________ Shareholder's Folio No. __________________

Address __________________ CDC A/c No. __________________

__________________ CNIC No. __________________

Note :

1) Proxies, in order to be effective, must be received at the Company's Registered office, not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.

2) CDC shareholders, entitled to attend and vote at this meeting, must bring with them their Computerised National Identity Cards/Passport in original to prove his/her identity, and in case of Proxy, must enclose an attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose.

SCIL

DOP