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# SHAFFI CHEMICAL INDUSTRIES LIMITED ANNUAL REPORT 2014

## CORPORATE PROFILE

### BOARD OF DIRECTORS

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

### COMPANY SECRETARY

- Mr Nazir Ahmed

### AUDIT COMMITTEE

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

### HUMAN RESOURCE & REMUNERATION COMMITTEE

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

### LEGAL ADVISOR

- A.K. Minhas Law Associates

### AUDITORS

HLB IJAZ TABUSSUM & CO.  
S-8, Ahmad Arcade, 161-Ferozpur Road, Lahore  
Tel: 92-42-7567667 – 7587323 - 7269904  
Fax: 92-42-7580097 – 7575510  
E.mail: mataabussum@hotmail.com

### BANKERS

- Allied Bank Limited
- Askari Commercial Bank Limited
- Bank Alfalah Limited
- Habib Metropolitan Bank Limited
- Silk Bank Limited
- Standard Chartered Bank Pakistan 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 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, I-K Commercial, Model Town, Lahore  
Tel: 042-35916714, 35916719, 35839182  
Fax: 042-35869037  
E.mail: corplink786@yahoo.com



# SHAFFI CHEMICAL INDUSTRIES LIMITED ANNUAL REPORT 2014

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that Annual General Meeting of Shareholders of Shaffi Chemical Industries Limited will be held on Friday 31<sup>st</sup> October, 2014 at 10:00 A.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 Extra Ordinary General Meeting held on 28<sup>th</sup> December, 2013.
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, 2014.
3. To appoint External Auditors for next financial year ending June 30, 2015 and to fix their remuneration. The retiring auditors being eligible, have offered themselves for reappointment. Audit Committee of the Board has also recommended for the re-appointment of M/s HLB Ijaz Tabussum & Co. Chartered Accountants, S-8, Ahmad Arcade, 161-Ferozpur Road, Lahore, as Auditors of the company for next financial year ending June 30, 2015.
4. To discuss and approve the related parties transactions & terms thereon.
5. To consider any other transactions with the permission of the chair.

BY ORDER OF THE BOARD

NAZIR AHMED  
FITM, FICS  
COMPANY SECRETARY

Lahore: 09-10-2014

### Notes:

1. The share transfer books of the company will remain closed from 24<sup>th</sup> October 2014 to 31<sup>st</sup> October, 2014 (both days inclusive). The shares received at company's share registrar office i.e. Corplink (Pvt) Limited by the close of business on 23<sup>rd</sup> October, 2014 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,

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, 2014 along with the Auditors' Report thereon.

### FINANCIAL HIGHLIGHTS...2014

The financial results of the company are numerated below:

	(Rupees in Millions)
- Sales-net	1.542
- Gross Profit/(Loss)	(0.588)
- Operating Expenses	4.229
- Operating Profit / (Loss)	3.641
- Profit/(Loss) before Taxation	32.849
- Taxation	0.836
- Profit/(Loss) after Taxation	33.685

### YEAR IN REVIEW:

Net Sales during the year under review are Rs. 1.542 (M) as compared to Rs. 11.265 (M) during the preceding year. The main reason for reduction in sales was discontinuation of production & sales of Super Bond. The company remained engaged in the business of manufacturing & sales of Lith only. Gross Loss of Rs. (0.588) (M) is sustained during the year as against Gross Loss of Rs. (2.618) (M) for the previous year. Operating Profit/(Loss) is Rs. 3.641 (M) compared to Operating Profit/(Loss) of Rs. (4.822) (M) of the preceding year. Profit/(Loss) after taxation is Rs. 33.685 (M) as against Profit/(Loss) after taxation of Rs. (74.128) (M) of the preceding year.

Reasons for the low productivity are persistent recession, increase in the financial cost & that of raw material and also because of adverse economic factors coupled with other circumstances. Federal Govt. withdrew 50% sales tax incentive and increased the sales tax rate to 17% with 1% additional sales tax to be charged from unregistered customers. This resulted in an overall impact of 10% on the prevailing sales prices of the products being manufactured & sold by the company i.e previously sales tax rate was 8% in specified areas of KPK and now it is 17%+1%. Another main reasons are increase in cost of electricity and increase in minimum wages by the Govt. All these factors and with no incentive by the Government the company has no option to continue its current business. Also 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 30<sup>th</sup> June, 2007.

Keeping in view all above factors, the board of directors has decided to prepare & report annual financial statements on the assumption that the company is "not a going concern".

Similarly the option to re-start production of company's core product "Di-Octyle-Ortho-Phthalates" (DOP) has also been considered by the management which however could not be undertaken due to acute shortage of its basic raw material 2-Ethylethional. 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.

As informed in the previous annual report that 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.

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



## SHAFFI CHEMICAL INDUSTRIES LIMITED ANNUAL REPORT 2014

### **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 30<sup>th</sup> June, 2014 is Rs. 2.81 compared to Rs.(6.18) per share for the preceding year.

### **PATTERN OF SHAREHOLDING:**

Pattern of shareholding is annexed to this report.

### **BOARD MEETINGS:**

Ten meetings of Board of Directors were held during the year ended June 30, 2014 and the attendance of the Directors is as follows:

<b>S.#</b>	<b>Name</b>	<b>Position</b>	<b>Attendance</b>
1.	Mr. Iftikhar Shaffi	Chief Executive	08
2.	Mr. Shariq Ifitkhar	Director	07
3.	Mr. Sohail Malik	Director	10
4.	Mr Muhammad Sameer	Director	07
5.	Mr. Hashim Aslam Butt	Director	08
6.	Mr Zahoor Ahmed	Director	10
7.	Mr Mohib Hussain	Director	10

### **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 30<sup>th</sup> June, 2014 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 management 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.



## SHAFFI CHEMICAL INDUSTRIES LIMITED ANNUAL REPORT 2014

### **FUTURE OUTLOOK:**

As informed earlier in preceding year report that 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 HLB 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 HLB Ijaz Tabussum & Co., Chartered Accountants as the statutory auditors of the Company for the financial year ending June 30, 2015. 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;
- b) Proper books of accounts of the Company have been maintained as required under the Companies Ordinance, 1984;
- c) Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgement;
- d) International Accounting / Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and there is no departure there from;
- e) The system of internal control is sound and has been effectively implemented and monitored;
- f) There are significant doubts about the company's ability to continue as a going concern.
- g) Reasons for not considering the company as a going concern are explained under the head of Year in Review and Future Outlook.
- h) Financial Highlights for the last 6-years are annexed.


### **QUALIFICATION OF AUDITORS REPORT:**

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. Hence auditor received no confirmation from said bank. 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.

### **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:- 03<sup>rd</sup> October, 2014



**VISION / MISSION STATEMENT AND CORPORATE STRATEGY**

**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 providing 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	Mr. Sohail Malik
Non-Executive Directors	Mr. Muhammad Sameer Mr. Hashim Aslam Butt Mr. Zahoor Ahmad Mr. Mohib Hussain

The independent director 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 NBFIs 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.



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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 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



## SHAFFI CHEMICAL INDUSTRIES LIMITED ANNUAL REPORT 2014

### 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 ("the Company") for the year ended 30, June 2014, to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

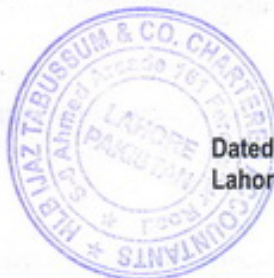
The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the company's compliance with the provisions of the 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 internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing Regulations of the Karachi and Lahore Stock Exchanges requires 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 arm's 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 any procedure to determine whether the related party transactions were taken at arms' 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, 2014.

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



Dated: *October 03, 2014.*  
Lahore.



## **Auditors' Report to the Members**

We have audited the annexed balance sheet of **M/S SHAFFI CHEMICAL INDUSTRIES LIMITED** as at June 30, 2014 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. 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 paragraph and extent to which these effect 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



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- (c) 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 comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give information required by 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, 2014 and of the profit, its comprehensive income, 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.

We draw attention to Note No. 1.2 to the financial statements, which states that these financial statements have been prepared on the basis of estimated realizable / settlement value of assets and liabilities respectively in addition to historical cost convention as the company is no longer a going concern for the reason stated in the aforesaid note. Our report is not qualified in respect of this matter.

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

Dated: *October 03, 2014*  
Place: Lahore





# SHAFFI CHEMICAL INDUSTRIES LIMITED ANNUAL REPORT 2014

## BALANCE SHEET AS AT JUNE 30, 2014

ASSETS	Note	2014		Restated 2013	Restated July 01, 2012
		Book value	Estimated		
			Realisable/ settlement value		
Cash and bank balances	4	647,799	647,799	1,533,238	1,754,734
Trade Debts	5	-	-	1,988,399	1,413,360
Loan and Advances	6	241,537	241,537	414,426	1,552,486
Other Receivables	7	1,435,731	1,360,553	1,508,271	2,351,536
Stock in trade	8	207,569	207,569	1,160,077	5,943,442
Security Deposits	9	223,560	223,560	223,560	223,560
Investments	10	56,301,364	56,301,364	34,286,750	95,644,834
Property, Plant and Equipment	11	73,482,532	61,977,019	19,406,597	20,985,659
<b>TOTAL ASSETS</b>		<b>132,540,092</b>	<b>120,959,400</b>	<b>60,521,318</b>	<b>129,869,611</b>
<b>LIABILITIES</b>					
Accrued and other payables	12	10,341,264	10,341,264	23,087,511	24,880,995
Accrued Markup	13	1,014,283	1,014,283	696,000	696,000
Borrowings	14	60,114,050	60,114,050	45,334,050	45,334,050
Loan from Directors	15	-	-	11,250,764	11,250,764
Employee benefit	16.1	307,092	307,092	2,143,958	1,818,227
Deferred income tax	16.2	-	-	-	-
Provision for taxation	17	59,795	59,795	56,325	182,871
<b>TOTAL LIABILITIES</b>		<b>71,836,485</b>	<b>71,836,485</b>	<b>82,568,608</b>	<b>84,162,908</b>
<b>NET ASSETS</b>		<b>60,703,607</b>	<b>49,122,916</b>	<b>(22,047,291)</b>	<b>45,706,703</b>
<b>REPRESENTED BY:-</b>					
<b>Authorized share capital</b>					
12,000,000 Ordinary shares of Rs. 10/- each		120,000,000	120,000,000	120,000,000	120,000,000
<b>Issued, subscribed and Paid Up Capital</b>					
Fair Value Reserves	18	120,000,000	120,000,000	120,000,000	120,000,000
Accumulated Losses		4,832	4,832	3,340,115	-
Share Holders' Equity		(122,469,263)	(122,469,263)	(153,663,082)	(83,247,700)
Surplus on Revaluation of property, Plant and equipments	19	(2,464,431)	(2,464,431)	(30,322,967)	36,752,300
Net surplus on estimated realisable/settlement value		63,168,038	-	8,275,677	8,954,403
Contingencies & Commitments	20	-	51,587,347	-	-
		60,703,607	49,122,916	(22,047,291)	45,706,703

Chief Executive

Director



# SHAFFI CHEMICAL INDUSTRIES LIMITED ANNUAL REPORT 2014

## PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
Sales - net	21	1,542,050	11,264,944
Cost of Sales	22	(2,129,873)	(13,883,089)
<b>Gross Profit / (Loss)</b>		<b>(587,823)</b>	<b>(2,618,145)</b>
<b>Operating Expenses</b>			
Distribution Expenses	23	(68,726)	(128,755)
Administrative Expenses	24	(4,860,324)	(3,451,793)
Other Operating Income	25	9,157,857	1,376,283
		4,228,808	(2,204,265)
<b>Operating Profit / (Loss)</b>		<b>3,640,985</b>	<b>(4,822,410)</b>
Other Operating Expenses	26	(290,000)	(290,000)
		3,350,985	(5,112,410)
Finance Cost	27	(338,075)	(32,664)
		3,012,910	(5,145,074)
(Impairment)/Reversal of impairment on long term investment		36,976,093	(74,679,368)
		39,989,003	(79,824,442)
Share of Profit/ (Loss) from associated company	10	(7,139,603)	7,206,414
<b>Profit / (loss) before Taxation</b>		<b>32,849,400</b>	<b>(72,618,028)</b>
<b>Taxation</b>			
Taxation	28	(360,795)	126,546
Share of tax of associated company	10	1,196,518	(1,636,290)
		835,723	(1,509,744)
<b>Profit / (loss) after Taxation</b>		<b>33,685,123</b>	<b>(74,127,772)</b>
Earning/(loss) per Share	29	2.81	(6.18)

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

  
Chief Executive

  
Director



# SHAFFI CHEMICAL INDUSTRIES LIMITED ANNUAL REPORT 2014

## STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED JUNE 30, 2014

	Note	2014 Rupees	Restated 2013 Rupees
<b>PROFIT / (LOSS) FOR THE YEAR</b>		<b>33,685,123</b>	<b>(74,127,772)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Gain/ (Loss) on remeasurement of staff retirement benefit		1,505,118	(302,196)
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Unrealized gain / (loss) arising on remeasurement of available for sale investments of associated companies		(4,117,844)	3,367,785
Unrealized gain arising on remeasurement of available for sale investments		1,717	3,340,115
Other Comprehensive income for the year		(4,116,127)	6,707,900
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>31,074,114</b>	<b>(67,722,068)</b>

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

  
Chief Executive

  
Director



# SHAFFI CHEMICAL INDUSTRIES LIMITED ANNUAL REPORT 2014

## STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from / (used in) operations	30	(11,202,203)	1,399,069
Taxes paid		(357,325)	-
Finance cost paid		(707,658)	(32,664)
Gratuity paid / adjusted		(1,487,489)	(512,714)
<b>Net Cash generated from operating activities</b>		<b>(13,754,675)</b>	<b>853,691</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Disposal of investment available for sale		9,340,000	-
Investment recognized		-	(1,075,185)
Purchase of Property, Plant And Equipment		-	-
<b>Net Cash Generated from / (used in) Investing Activities</b>		<b>9,340,000</b>	<b>(1,075,185)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Short Term Borrowings		14,780,000	-
Loan from Director		(11,250,764)	-
<b>Net Cash generated from / (used in) financing activities</b>		<b>3,529,236</b>	<b>-</b>
<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>		<b>(885,439)</b>	<b>(221,494)</b>
<b>Cash &amp; Cash Equivalents at the Beginning of the Year</b>		<b>1,533,238</b>	<b>1,754,734</b>
<b>Cash &amp; Cash Equivalents at the End of the Year</b>		<b>647,799</b>	<b>1,533,238</b>

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

  
Chief Executive

  
Director

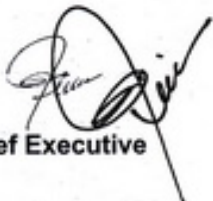



# SHAFFI CHEMICAL INDUSTRIES LIMITED ANNUAL REPORT 2014

## STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED JUNE 30, 2014

	CAPITAL RESERVES		REVENUE RESERVES	TOTAL RESERVES	TOTAL EQUITY
	SHARE CAPITAL	Fair Value Reserve	(Accumulated loss) / Unappropriated profit		
(Rupees)					
Balance as at 01 July 2012	120,000,000	-	(83,212,499)	(83,212,499)	36,787,501
Effect of change in accounting policy	-	-	(35,201)	(35,201)	(35,201)
Balance as at 01 July 2012 (Restated)	120,000,000	-	(83,247,700)	(83,247,700)	36,752,300
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	3,065,589	6,405,704	6,405,704
Total comprehensive loss for the year	-	3,340,115	(71,062,183)	(67,722,068)	(67,722,068)
Balance as at 30 June 2013	120,000,000	3,340,115	(153,663,082)	(150,322,967)	(30,322,967)
Balance as at 01 July 2013 (Restated)	120,000,000	3,340,115	(153,663,082)	(150,322,967)	(30,322,967)
Effect of items directly credited in equity by the associated companies	-	-	(500,267)	(500,267)	(500,267)
Incremental depreciation on surplus on revaluation of property, plant & equipment	-	-	621,689	621,689	621,689
Transfer of fair value reserve to unappropriated profit & loss on disposal of long term investment available for sale	-	(3,337,000)	-	(3,337,000)	(3,337,000)
Profit for the year	-	-	33,685,123	33,685,123	33,685,123
Other comprehensive income for the year	-	1,717	(2,612,726)	(2,611,009)	(2,611,009)
Total comprehensive loss for the year	-	1,717	31,072,397	31,074,114	31,074,114
Balance as at 30 June 2014	120,000,000	4,832	(122,469,263)	(122,464,431)	(2,464,431)

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

  
Chief Executive

  
Director



# SHAFFI CHEMICAL INDUSTRIES LIMITED ANNUAL REPORT 2014

## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED JUNE 30, 2014

### 1 STATUS AND NATURE OF BUSINESS

The Company was incorporated under the Companies Ordinance, 1984 as Public Limited Company on 27<sup>th</sup> 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 years, the company produced Lith and Diltex Binder. The registered office of the company is situated at Gadoon Amazal, Industrial Estate, Sawabi (Khyberpakhtoonkhwan).

### 1.2 GOING CONCERN ASSUMPTION

During the year ended June 30, 2014, the company reported gross loss of Rupees =0.588 Million. The company has accumulated Losses and shareholders' equity Rupees 122.469 Million and Rupees 60.704 Million respectively as on June 30, 2014. During Sale of company has decreased from 11.264 Million to 1.542 Million. Company remained closed for 9 months. Management company is drafting future plans for rehabilitation and reconstruction of the Company. However these factors raised uncertainties the company may not be able to continue as a going concern. Therefore these financial statements have been prepared on estimated realisable/ settlement values of assets and liabilities respectively in addition to historical cost convention. All liabilities in these financial statements have been presented in the order of liquidity.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of Preparation

Keeping in view the fact that company may not be able to continue as going concern, these financial statements are prepared on the basis of realisable/ settlement values of assets and liabilities respectively. In realisable/ settlement value basis, assets are carried at amount of cash and cash equivalents that could currently be obtained by selling the assets in an orderly disposal. Liabilities are carried at their settlement values, that is undiscounted amounts of cash or cash equivalents expected to be paid to satisfy the liabilities in the normal course of business. Realisable / settlement values of assets and liabilities respectively as disclosed in the balance sheet are based on the managements' estimate, except for property, plant and equipment which are valued by independent valuer.

In addition to the accounting convention of realisable./ settlement values of assets and liabilities, these financial statements have also been prepared under 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 16.1 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.



# SHAFFI CHEMICAL INDUSTRIES LIMITED ANNUAL REPORT 2014

## 2.4 Changes / Amendments in Accounting Standards

2.4.1 The Company has adopted the following revised standards, amendments and interpretations of IFRSs which became effective for the current year:

IAS 1	Presentation of Financial Statements - Presentation of items of other comprehensive income - (Amendment)
IAS 19	Employee Benefits - (Revised)
IAS 28	Investments in Associates and Joint Ventures
IFRS 7	Financial Instruments: Disclosures - (Amendments) Amendments enhancing disclosures about offsetting of financial assets and financial
IFRIC 20	Stripping costs in the production phase of a surface mine

### Amendments to Accounting Standards Issued by the IASB

IAS 1	Presentation of Financial Statements - Clarification of the requirements for comparative information
IAS 16	Property, Plant and Equipment - Clarification of Servicing Equipment
IAS 32	Financial Instruments: Presentation - Tax Effects of Distribution to Holders of Equity
IAS 34	Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above revisions and amendments to accounting standards and interpretations did not have any material effect on the financial statements except as explained in note 2.21.

## 2.4.2 Standards, Interpretations and amendments to approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

		Effective date (annual periods beginning or after)
IAS 32	Offsetting Financial Assets and Financial Liabilities - (Amendment)	1st January 2014
IAS 36	Recoverable Amount for Non-Financial Assets - (Amendment)	1st January 2014
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting	1st January 2014
IFRIC 21	Levies	1st January 2014

The Company expects that the adoption of the above amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

		IASB Effective date
IFRS 09	Financial Instruments: Classification and Measurement	1st January 2015
IFRS 10	Consolidated Financial Statements	1st January 2013
IFRS 11	Joint Arrangements	1st January 2013
IFRS 12	Disclosure of Interests in Other Entities	1st January 2013
IFRS 13	Fair Value Measurement	1st January 2013



## 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 11.

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.



## SHAFFI CHEMICAL INDUSTRIES LIMITED ANNUAL REPORT 2014

### 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 at 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 the last salary drawn by an employee. Present value of defined benefit obligation is calculated on the basis of actuarial valuation 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, 2014. The details of the scheme are referred to in note 16.1 to the financial statements.

Actuarial gains and losses are accounted for in accordance with the revised IAS-19 "Employee benefits".



## SHAFFI CHEMICAL INDUSTRIES LIMITED ANNUAL REPORT 2014

### 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 CHANGE IN ACCOUNTING POLICY

- 3.1 During the year (with effect from July 01, 2013) the Company has adopted IAS 19, (Revised) 'Employee Benefits'. The amendments in the revised standard require the company to eliminate the corridor approach and recognize all actuarial gains and losses (now called 'remeasurements' that result from the remeasurements of defined benefit obligations and fair value of plan assets at the balance sheet date) in other comprehensive income as they occur, immediately recognize all past service costs and replace interest cost and expected return on plan assets with an interest amount that is calculated by applying the discount rate to the net defined benefits liability / asset.



# SHAFFI CHEMICAL INDUSTRIES LIMITED ANNUAL REPORT 2014

- 3.2 Previously the Company accounted for the actuarial gain/loss with respect to actuarial valuation of its retirement benefit plan using '10% corridor approach'. The amount recognized on balance sheet represented the present value of defined benefit obligation as adjusted for unrecognized actuarial gains or losses.

The change in accounting policy has been applied retrospectively. The effect of the change in the accounting policy on the current and the prior period financial statements have been summarized below:

	As at June 30 2013	As at July 01 2012
<b>Impact on balance sheet</b>		
Increase in employee retirement benefits	302,196	35,201
Decrease in reserves	(302,196)	(35,201)
		For the year ended June 30, 2013
<b>Impact on other comprehensive income</b>		
Decrease in remeasurement loss of employees retirement benefits		(302,196)
<b>Impact on statement of changes in equity</b>		
Decrease in accumulated losses		302,196
<b>4 CASH &amp; BANK BALANCES</b>	<b>2014 Rupees</b>	<b>2013 Rupees</b>
Cash in hand	170,186	997,213
<b>Cash at banks:</b>		
Current Accounts	477,613	536,025
	<u>647,799</u>	<u>1,533,238</u>
<b>5 TRADE DEBTS</b>		
Considered Good- unsecured	-	1,988,399
Considered Doubtful	15,190,273	14,941,971
	15,190,273	16,930,375
Provision for Doubtful Debts	(15,190,273)	(14,941,971)
	<u>-</u>	<u>1,988,399</u>
Provision against bad debts has been provided in the accounts against accounts receivable beyond a period of		
Upto 3 Months	-	1,988,399
3 to 6 Months	-	-
6 to 12 Months	-	-
More than 1 Year	15,190,273	14,941,971
	<u>15,190,273</u>	<u>16,930,370</u>
<b>6 LOANS AND ADVANCES</b>		
Advances : Considered good		
Advance to employees	12,700	206,100
Other Advances	7,849	-
Advance income tax	220,988	208,326
	<u>241,537</u>	<u>414,426</u>



# SHAFFI CHEMICAL INDUSTRIES LIMITED ANNUAL REPORT 2014

## 7 OTHER RECEIVABLES

Sales Tax Receivable		560,552	607,194
Accrued Interest		75,178	75,178
Receivables from First Capital ABN AMRO Equities (Pak) Ltd.	7.1	-	-
Margin against Bank Guarantee (Sui Gas)		700,001	700,001
Security Deposits - Suppliers		100,000	100,000
Other Receivable		-	25,898
		<u>1,435,731</u>	<u>1,508,271</u>

### 7.1 Receivables from First Capital ABN AMRO Equities (Pak) Ltd.

Receivables from First Capital ABN AMRO Equities (Pak) Ltd.		157,950,240	159,025,425
Provision for Bad Debts	7.2	(157,950,240)	(159,025,425)
Amount Recovered		-	1,075,185
		<u>(157,950,240)</u>	<u>(157,950,240)</u>
Cost of investment in Gadoon Textile Mills Limited		-	(1,065,000)
Cost of investment in Sui Northern Gas Pipelines Limited		-	(10,185)
		<u>-</u>	<u>-</u>

7.2 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 proceedings of the case is still pending since the year 2000 due to continued in action on the part of Security and Commission of Pakistan the company has made a provision against doubtful debt.

## 8 STOCK IN TRADE

Raw Materials		1,637,264	1,833,076
Less: Provision for slow moving stock		(1,637,264)	(765,986)
		-	1,067,090
Finished Goods		207,569	92,987
		<u>207,569</u>	<u>1,160,077</u>

## 9 SECURITY DEPOSITS

	2014	2013
	Rupees	Rupees
Utilities	70,760	70,760
Gas	127,800	127,800
Central Depository Co. Ltd.	25,000	25,000
	<u>223,560</u>	<u>223,560</u>

## 10 INVESTMENTS

Investment in Associated Company - Equity Method	10.1	56,286,347	29,871,450
Investment Available for Sale	10.2	15,017	4,415,300
		<u>56,301,364</u>	<u>34,286,750</u>

### 10.1 Associated Company-Quoted Equity Method

#### Diamond Industries Limited.

1,422,450 fully paid ordinary shares of Rs.10 each

Equity held 15.80 % (2013: 15.80 %)

Market value as on June 30-2014, Rs. 56,286,347/-

(2013: Rs. 29,871,450/-)



# SHAFFI CHEMICAL INDUSTRIES LIMITED ANNUAL REPORT 2014

Share in net assets at the end of the year	93,989,622	104,550,818
Less: Impairment loss at the end of the period	(37,703,275)	(74,679,368)
	56,286,347	29,871,450
 Share in net assets at the beginning of the year	 104,550,818	 95,644,834
 Add: Share in profit / (loss) before taxation	 (7,139,603)	 7,206,414
Share in taxation	1,196,518	(1,636,290)
Change in surplus on revaluation of fixed assets	(629,465)	(1,062,219)
Share of transfer from Surplus on revaluation of fixed assets on account of incremental depreciation	629,465	1,062,219
Effect of prior year adjustments	(516,752)	(42,098)
Share of gain/(loss) arising on measurement of available for sale investment	(4,117,844)	3,367,785
Other Items directly credited in changes in equity	16,485	10,173
	(10,561,196)	8,905,984
	93,989,622	104,550,818
 Accumulated impairment loss at the beginning of the year	 (74,679,368)	 -
 Impairment loss charged during the year	 (15,307,153)	 (74,679,368)
Reversal of impairment loss during the year	52,283,246	-
Net (impairment loss)/reversal for the year	36,976,093	(74,679,368)
 Accumulated impairment loss at the end of the year	 (37,703,275)	 (74,679,368)
 Share in net assets at the end of the year	 56,286,347	 29,871,450

#### 10.1.1 Summarized financial information of associated company

Name of associated company	Audited / Un-audited	Assets	Liabilities	Net assets	Revenue	Profit / (Loss)
<b>2014</b>						
Diamond Industries	Un-Audited 31-03-14	812,352,458	217,669,625	594,682,833	371,357,321	(15,501,706)
<b>2013</b>						
Diamond Industries	Un-Audited 31-03-13	1,021,136,769	359,632,067	661,504,702	1,378,509,372	22,100,862

10.1.2 There was no significant transaction or event occurred in associated company between March 31, 2014 and June 30, 2014, therefore there is no need to take any adjustment.

#### 10.2 Investment Available for Sale

##### Gadoon Textile Mills Limited

35,500 (2013: 35,500) Ordinary shares of Rupees 10 each

Add: Fair Value Adjustment

Less: Adjustment on Disposal

		4,402,000	1,065,000
10.2.1		-	3,337,000
		(4,402,000)	-
		-	4,402,000

##### Sui Northern Gas Pipelines

663 (2013: 663) Ordinary shares of Rupees 10 each

Add: Fair Value Adjustment

		13,300	10,185
10.2.2		1,717	3,115
		15,017	13,300

#### 10.2.1 Fair Value Adjustment

Opening Balance

Surplus on re-measurement of available for sale investment

	3,340,115	-
	1,717	3,340,115
	3,341,832	3,340,115

Adjustment on disposal of investment:

Fair value reserve transferred to retained earnings

	(3,337,000)	-
	4,832	3,340,115



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10.2.2 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.

## 11 PROPERTY, PLANT AND EQUIPMENT

	Leasehold Land	Building on Leasehold Land	Plant and Machinery	Furniture and Fixtures	Office Equipment	Vehicles	TOTAL
Rupees							
<b>As at 01 July 2012</b>							
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
<b>Year ended 30 June 2013</b>							
Opening net book value	1,000,000	8,925,371	10,508,090	104,856	179,702	267,640	20,985,659
Additions	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
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
<b>As at 30 June 2013</b>							
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
<b>As at 01 July 2013</b>							
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
<b>Year ended 30 June 2014</b>							
Opening net book value	1,000,000	8,479,102	9,457,281	94,370	161,732	214,112	19,406,597
Additions/Revaluation	-	22,023,603	33,490,447	-	-	-	55,514,050
Adjustment	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Depreciation charge	-	(423,955)	(945,728)	(9,437)	(16,173)	(42,822)	(1,438,115)
Closing net book value	1,000,000	30,078,750	42,002,000	84,933	145,559	171,290	73,482,532



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As at 30 June 2014

Cost	1,000,000	39,834,351	78,139,542	582,842	943,878	8,005,309	128,505,922
Accumulated depreciation	-	(9,755,601)	(36,137,542)	(497,909)	(798,319)	(7,834,019)	(55,023,390)
Net book value	<u>1,000,000</u>	<u>30,078,750</u>	<u>42,002,000</u>	<u>84,933</u>	<u>145,559</u>	<u>171,290</u>	<u>73,482,532</u>
Annual rate of depreciation	-	5%	10%	10%	10%	20%	

11.1 Building and Plant & Machinery were revalued by RBS ASSOCIATES (Private) Limited as on June 28, 2014 on the basis of Current replacement values. Previously it was revalued by M/S Dimen Associates (Pvt.) Ltd. on April 15, 2003.

If there had been no revaluation, the cost, accumulated depreciation and book value of the revalued assets at June 30, 2014 would have been as follows:

Particulars	2014			2013		
	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	6,428,250	4,143,460	10,571,710	6,210,173	4,361,537
Plant and Machinery	31,398,708	26,629,456	4,769,252	31,398,708	26,099,539	5,299,169
<b>Rupees</b>	<u>41,970,418</u>	<u>33,057,706</u>	<u>8,912,712</u>	<u>41,970,418</u>	<u>32,309,712</u>	<u>9,660,706</u>

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

	2014	2013	2012
	Rupees	Rupees	Rupees
Cost of sales	456,561	1,497,078	1,637,322
Administrative expenses	981,554	81,984	98,528
	<u>1,438,115</u>	<u>1,579,062</u>	<u>1,735,850</u>

11.3 Realisable value of property, plant and equipment as on June 30, 2014 is Rupees 61,977,019/-

## 12 Trade and Other Payables

### Unsecured :

Trade creditors and other payables	61,064	8,204,492
Other Liabilities	388,673	724,278
Accrued Expenses	681,951	942,925
Payable to sponsors and associates	6,519,520	10,525,760
Unclaimed Dividend	2,690,056	2,690,056
	<u>10,341,264</u>	<u>23,087,511</u>

## 13 ACCRUED INTEREST ON BORROWINGS

Accrued Interest on Borrowings	<u>1,014,283</u>	<u>696,000</u>
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## 14 SHORT TERM BORROWINGS

From Banking Companies - Secured	14.1	45,334,050	45,334,050
From Associated Companies - Un-Secured	14.2	14,780,000	-
		<u>60,114,050</u>	<u>45,334,050</u>

### 14.1 From Banking Companies - Secured

Running Finance	49,991,574	49,991,574
Mark up paid to Allied Bank Ltd. (under protest)	(4,657,524)	(4,657,524)
	<u>45,334,050</u>	<u>45,334,050</u>



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These finances were available from Allied Bank Limited under mark-up arrangements amounting to Rs. 100 Million (2013: Rs. 100 Million). Markup is payable quarterly at the rates ranging from paisas 19 to paisas 27 per Rs. 1,000 per day.(2013: paisas 19 to paisas 27 per Rs. 1,000 per day.)

Additionally the Company have the facilities for opening of letters of credit amounting to Rs. 30 million (2013: Rs. 30 million). The L/C facility in the current financial year remained unutilized. These facilities are secured against the following:

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

## 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

14.2 From Associated Companies - Un-Secured 14,780,000

This Represents the short term unsecured loan received from associated company. This Carries Markup rate 3 Month Kibor + 2.5% with floor of 13% and no cap.

## 15 LONG TERM LOAN

### Related Party - Unsecured

Loan from Director 11,250,764

This loan was interest free and the loan is repaid to the director of the company during the year.

## 16.1 Gratuity

The amounts recognized in the financial statements are determined as follows:-

16.1.1 307,092 2,143,958

### 16.1.1 Reconciliation of Amounts recognized in the balance sheet

Present value of unfunded defined benefit obligation	307,092	2,143,958	
Add: Benefits payables (i.e. Benefits due but not paid)	-	-	
Less: Actuarial gains / (losses) to be charged in later periods	-	-	
<b>Liability in the Balance Sheet</b>	<u>307,092</u>	<u>2,143,958</u>	

The amounts recognized in the profit and loss account are as follows:-

Current service cost/provision for the year	964,574	299,879	
Interest cost	191,168	236,370	
Actuarial gain recognized	-	-	
<b>Total included in salaries benefits</b>	<u>1,155,742</u>	<u>536,249</u>	



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Movement in liability recognized in the balance sheet	2014 Rupees	2013 Rupees
Present value of defined benefit obligation at the beginning of the year	2,143,958	1,818,227
Current service cost	964,574	299,879
Interest cost for the year	191,168	236,370
Liability transferred to Associated Companies	(840,864)	(259,554)
Benefits due but not paid (payables)	-	-
Benefits paid during the year	(646,625)	(253,160)
Gains and losses arising on plan settlements	-	-
Remeasurements:		
Actuarial (gains)/losses from changes in demographic assumptions	-	-
Actuarial (gains)/losses from changes in financial assumptions	-	-
Experience adjustments	(1,505,118)	302,196
<b>Present value of unfunded defined benefit obligation</b>	<b>307,092</b>	<b>2,143,958</b>
<b>Changes in Net Liability</b>		
Liability recognized in the balance sheet at the beginning of the year	2,403,512	1,818,227
Expenses chargeable to	1,155,742	536,249
Remeasurements chargeable in other comprehensive income	(1,505,118)	302,196
Benefits paid	(646,625)	(253,160)
Benefits payable transferred to short term liability	-	-
<b>Liability recognized in the balance sheet at the year end</b>	<b>1,407,510</b>	<b>2,403,512</b>

## The principal actuarial assumptions used were as follows

Discount rate used for Interest Cost in P & L Charged	10.50% per annum	13.00% per annum
Discount rate used for year end obligation	13.25% per annum	10.50% per annum
Salary increase used for year end obligation		
Salary Increase FY2014	N/A	9.50% per annum
Salary Increase FY2015	12.25% per annum	9.50% per annum
Salary Increase FY2016	12.25% per annum	9.50% per annum
Salary Increase FY2017	12.25% per annum	9.50% per annum
Salary Increase FY2018	12.25% per annum	9.50% per annum
Salary Increase FY2019	12.25% per annum	9.50% per annum
Salary Increase FY2020 onward	12.25% per annum	9.50% per annum
Next salary is increased at	01-Mar-2015	01-Jan-2015
Mortality Rates	SLIC 2001-2005 Set back 1 Year	EFU 61-66
Withdrawal Rates	Age-Based	Age-Based
Retirement Assumption	60 years	60 years
Year end Sensitivity Analysis (+/-100 bps) on defined benefit obligation		2013-14
Discount Rate + 100 bps		303,711
Discount Rate - 100 bps		311,118
Salary Increase + 100 bps		310,992
Salary Increase - 100 bps		303,771

## 16.2 Provision for Deferred Taxation

2014		
Balance at the beginning of the year	Recognized in profit & loss account	Balance at end of the year



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Deferred taxation liability comprises as follows :

Taxable temporary differences

Accelerated tax depreciation allowance	1,414,415	18,744,141	20,158,556
Surplus arising on revaluation of property, plant and equipment	2,896,487	(211,375)	2,685,112
	4,310,902	18,532,766	22,843,668

Deductible temporary differences

Provision for doubtful debts	(5,229,690)	64,997	(5,164,693)
Provision for slow moving stock	(268,095)	(288,575)	(556,670)
Provision for gratuity	(750,385)	645,974	(104,411)
	(6,248,170)	422,396	(5,825,774)

Net temporary differences	(1,937,268)	18,955,163	17,017,894
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Effect of accumulated tax losses	(67,055,112)	357,061	(66,698,051)
	(68,992,381)	19,312,224	(49,680,157)

Non recognition of Deferred tax asset	16.2.1	68,992,381	(19,312,224)	49,680,157
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2013

Balance at the beginning of the year	Recognized in profit & loss account	Balance at end of the year
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Deferred taxation liability comprises as follows :

Taxable temporary differences

Accelerated tax depreciation allowance	1,407,143	7,272	1,414,415
Surplus arising on revaluation of property, plant and equipment	3,134,041	(237,554)	2,896,487
	4,541,184	(230,282)	4,310,902

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	(636,380)	(114,006)	(750,385)
	(6,134,165)	(114,006)	(6,248,170)

Net temporary differences	(1,592,980)	(344,288)	(1,937,268)
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Effect of accumulated tax losses	(29,554,629)	(37,500,483)	(67,055,112)
	(31,147,609)	(37,844,771)	(68,992,381)

Non recognition of Deferred tax asset	16.2.1	31,147,609	37,844,771	68,992,381
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16.2.1 Deferred tax asset of Rs. 49,680 million (2013: 68,992 million; 2012: 31,148 million) has not been recognised because the continuously sustaining losses and in the future years sufficient taxable profits will not be available against which they can be utilized.

## 17 PROVISION FOR TAXATION

Opening Balance	56,325	182,871
Taxation for the year	360,795	(126,546)
Paid / Adjusted against advance income tax	(357,325)	-
	59,795	56,325

## 18 ISSUED, SUBSCRIBED & PAID UP CAPITAL

2014	2013		2014	2013
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



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18.1 4,336,242 (2013 : 4,336,242 Nos.) Ordinary shares of Rs 10/- each were held by Associated companies at the year end. Detail is as follows:

	2014 Nos.	2013 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)	21,002	21,002
Diamond Product (Private) Limited	130,000	130,000
	<b>4,336,242</b>	<b>4,336,242</b>

## 19 SURPLUS ON REVALUATION OF FIXED ASSETS

	2014 Rupees	2013 Rupees
<b>Surplus on Buildings</b>		
Opening balance	7,239,038	7,239,038
Add: Revaluation during the year	19.1 22,023,603	-
<b>Total revaluation surplus on building</b>	29,262,641	7,239,038
Less: Incremental depreciation charged in previous years	3,121,473	2,904,759
Less: Incremental depreciation charged in current years	205,878	216,714
	3,327,351	3,121,473
<b>Revaluation surplus on building net off incremental depreciation</b>	25,935,290	4,117,565
<b>Surplus on Plant and Machinery</b>		
Opening balance	13,250,387	13,250,387
Add: Revaluation during the year	19.1 33,490,447	-
<b>Total revaluation surplus on plant and machinery</b>	46,740,834	13,250,387
Less: Incremental depreciation charged in previous years	9,092,275	8,630,263
Less: Incremental depreciation charged in current years	415,811	462,012
	9,508,086	9,092,275
<b>Revaluation surplus on plant and machinery net off incremental depreciation</b>	37,232,748	4,158,112
<b>Closing balance</b>	<b>63,168,038</b>	<b>8,275,677</b>

19.1 Building and Plant & Machinery were revalued RBS Associates (Pvt.) Ltd. as on June 28, 2014. Previously it was 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.

## 20 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.



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- 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.96,709,921.19 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 said case was consolidated with the suit titled as "Iftikhar Shaffi Vs. LSE & Others" and the proceedings of joint evidence were being conducting in the said cases. An order dated 13-9-2013 was passed by the Civil Judge refusing an application for summoning of certain witnesses filed by Mr. Iftikhar Shaffi and the said order was challenged in the Lahore High Court through Civil Revision No.2928/2014 and the Honourable Judge was pleased to issue the notice to the other side and in the meanwhile proceedings of the civil cases were ordered to be stayed.

- 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.



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		2014 Rupees	2013 Rupees
<b>21 SALES</b>			
Sales		1,819,620	12,166,140
Less: Sales Tax		(277,570)	(901,196)
		<u>1,542,050</u>	<u>11,264,944</u>
<b>22 COST OF SALES</b>			
Raw Material Consumed	22.1	735,812	7,960,276
Salaries, Wages & Benefits	22.2	796,834	2,524,083
Fuel & Power		143,136	560,371
Repair & Maintenance		10,652	103,995
Gas & Water Charges		68,282	293,765
Misc. Expenses		33,178	101,094
Depreciation	11.2	456,561	1,497,078
		<u>2,244,455</u>	<u>13,040,662</u>
Add : Finished Goods-Opening		92,987	935,414
		<u>2,337,442</u>	<u>13,976,076</u>
Less : Finished Goods-Closing		(207,569)	(92,987)
		<u>2,129,873</u>	<u>13,883,089</u>
<b>22.1 RAW MATERIAL CONSUMED</b>			
Opening Stock		1,833,076	5,774,014
Purchases		540,000	4,019,338
		<u>2,373,076</u>	<u>9,793,352</u>
Closing Stock		(1,637,264)	(1,833,076)
		<u>735,812</u>	<u>7,960,276</u>
<b>22.2</b>	This includes gratuity amounting to Rs. 288,935/- (2013: Rs. 117,975/-)		
<b>23 DISTRIBUTION COST</b>			
Salaries, Wages & Benefits	23.1	-	55,417
Travelling & Conveyance		2,360	23,889
Freight & Forwarding		16,500	21,700
Miscellaneous Expenses		49,866	27,749
		<u>68,726</u>	<u>128,755</u>
<b>23.1</b>	This includes gratuity amounting to Rs. Nil/- (2011: Rs. 17,638/-)		
<b>24 ADMINISTRATIVE EXPENSES</b>			
Salaries, Wages & Benefits	24.1	1,762,770	1,876,666
Communications		66,385	19,115
Travelling and Conveyance		38,313	9,780
Fees & Taxes		191,264	332,550
Legal & Professional Charges		80,000	710,006
Utilities		398,542	-
Provision for Slow Moving Stock		871,278	-
Provision for Bad Debts		248,302	-
Miscellaneous		221,916	421,692
Depreciation	11.2	981,554	81,984
		<u>4,860,324</u>	<u>3,451,793</u>
<b>24.1</b>	This includes gratuity amounting to Rs. 866,807/- (2013: 394,143/-)		
<b>24.2</b>	The manufacturing expenses reclassified as administrative expenses are disclosed in Note 35.		
<b>25 OTHER OPERATING INCOME</b>			
Other Income		431,714	1,075,185
Interest Income		7,393	33,190
Dividend Income		443,750	267,908
Gain on Disposal of Long Term Investment		8,275,000	-
		<u>9,157,857</u>	<u>1,376,283</u>



# SHAFFI CHEMICAL INDUSTRIES LIMITED ANNUAL REPORT 2014

		2014 Rupees	2013 Rupees
<b>26 OTHER OPERATING EXPENSES</b>			
Auditors' Remuneration	26.1	290,000	290,000
		<u>290,000</u>	<u>290,000</u>
<b>26.1 Auditors' Remuneration</b>			
Audit Fee		250,000	250,000
Out of pocket		10,000	10,000
Half yearly review		30,000	30,000
		<u>290,000</u>	<u>290,000</u>
<b>27 FINANCE COST</b>			
Markup on Short Term Loans		318,283	-
Bank Charges		19,792	32,664
		<u>338,075</u>	<u>32,664</u>
<b>28 TAXATION</b>			
Current tax for the year	28.1	59,795	56,325
Tax for prior periods		301,000	(182,871)
Share of Tax of associated company		(1,196,518)	1,636,290
		<u>(835,723)</u>	<u>1,509,744</u>
<b>28.1</b>	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. The tax liability on dividend under FTR has also been provided for.		
<b>28.2</b>	<b>Relationship between tax expenses and accounting profit</b>		
	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.		
<b>29 LOSS PER SHARE-BASIC</b>		<b>2014</b>	<b>2013</b>
(Loss) for the year after taxation	(Rupees)	33,685,123	(74,127,772)
Average No. of ordinary shares	(Numbers)	12,000,000	12,000,000
		<u>2.81</u>	<u>(6.18)</u>
	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.		
<b>30 CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		32,849,400	(72,618,028)
<b>Adjustments for:</b>			
Depreciation on property, plant and equipment		1,438,115	1,579,062
Impairment/(Reversal) of impairment on long term investment		(36,976,093)	74,679,368
Liabilities written off		(431,714)	-
Gain on disposal of long term investment available for sale		(8,275,000)	-
Share of profit/(loss) of associated company		7,139,603	(7,206,414)
Provision for bad debts		248,302	-
Provision for gratuity		1,155,742	536,249
Provision for slow moving stock		871,278	-
Finance cost		338,075	32,664
Working capital changes	30.1	(9,559,911)	4,396,168
		<u>(44,051,604)</u>	<u>74,017,097</u>
		<u>(11,202,204)</u>	<u>1,399,069</u>



# SHAFFI CHEMICAL INDUSTRIES LIMITED ANNUAL REPORT 2014

## 30.1 Working Capital Changes

### (Increase) / Decrease in Current Assets

Stock in Trade	952,508	4,783,365
Trade Debtors	1,988,399	(575,038)
Loans and Advances	172,889	1,138,060
Other Receivables	72,540	843,265
	<b>3,186,336</b>	<b>6,189,652</b>

### Increase / (Decrease) in Current Liabilities

Trade and Other Payables	(12,746,247)	(1,793,484)
--------------------------	--------------	-------------

### Changes in Working Capital

	<b>(9,559,911)</b>	<b>4,396,168</b>
--	--------------------	------------------

## 31 FINANCIAL RISK MANAGEMENT

### 31.1 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.

#### 31.1.1 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 27 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 acturist. 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:

	2014 Rupees	2013 Rupees
<b>Floating rate instruments</b>		
<b>Financial liabilities</b>		
Short Term Borrowings - Secured	60,114,050	45,334,050
<b>Fair value sensitivity analysis for fixed rate instruments</b>		

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.



# SHAFFI CHEMICAL INDUSTRIES LIMITED ANNUAL REPORT 2014

## 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.

### 31.1.2 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:

	2014 Rupees	2013 Rupees
Long Term Deposits	223,560	223,560
Trade Debts	-	1,988,399
Loans and Advances	241,537	414,426
Other Receivables	1,435,731	1,508,271
Cash and Bank Balances	647,799	1,533,238
	<u>2,548,627</u>	<u>5,667,894</u>

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			2014	2013
	Short Term	Long term	Agency	Rupees	Rupees
<b>Banks</b>					
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	89,107	(248,996)
Allied Bank Limited	A1+	AA+	PACRA	108,806	167,130
Silk Bank	A-2	A-	JCR-VIS	273,756	394,860
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	182	192,613
Askari Bank Limited	A1+	AA	PACRA	2,094	2,094
Bank Alfalah Limited	A1+	AA	PACRA	970	25,626
Summit Bank	A-3	A-	JCR-VIS	2,698	2,698
				<u>477,613</u>	<u>536,025</u>

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 5.

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 2014

	Carrying Amount	Contractual Cash Flows	Contractual Maturities			
			6 month or less	6-12 month	1-2 Year	More than 2 Years
						(Rupees)
<b>Non-derivative financial liabilities:</b>						
Loan from Associated Company	14,780,000	14,780,000	14,780,000	-	-	-
Gratuity payable	307,092	307,092	-	-	-	307,092
Trade and Other Payables	10,341,264	10,341,264	10,341,264	-	-	-
	<u>25,428,356</u>	<u>25,428,356</u>	<u>25,121,264</u>	-	-	<u>307,092</u>



# SHAFFI CHEMICAL INDUSTRIES LIMITED ANNUAL REPORT 2014

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)					
<b>Non-derivative financial liabilities:</b>					
Long Term Loan	11,250,764	11,250,764	-	-	11,250,764
Gratuity payable	2,143,958	2,143,958	-	-	2,143,958
Trade and Other Payables	23,087,511	23,087,511	23,087,511	-	-
	<b>36,482,233</b>	<b>36,482,233</b>	<b>23,087,511</b>	<b>-</b>	<b>13,394,722</b>

### 31.2 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:

### 31.3 Financial instruments by categories

	Loans and receivables Rupees	Available for sale Rupees	Total Rupees
<b>As at 30 June 2014</b>			
<b>Assets as per balance sheet</b>			
Long Term Deposits	223,560	-	223,560
Loans and Advances	241,537	-	241,537
Other Receivables	1,435,731	-	1,435,731
Bank Balances	477,613	-	477,613
	<b>2,378,441</b>	<b>-</b>	<b>2,378,441</b>

#### Liabilities as per balance sheet

	Financial liabilities at amortized cost Rupees
Loan from Associated Company	14,780,000
Mark-up on loan from Associated Company	318,283
Gratuity payable	307,092
Trade and other payables	10,341,264
	<b>25,746,639</b>

#### As at 30 June 2013

#### Assets as per balance sheet

	Loans and receivables Rupees	Available for sale Rupees	Total Rupees
Long Term Deposits	223,560	-	223,560
Trade Debts	1,988,399	-	1,988,399
Loans and Advances	414,426	-	414,426
Other Receivables	1,508,271	-	1,508,271
Bank Balances	536,025	-	536,025
	<b>4,670,681</b>	<b>-</b>	<b>4,670,681</b>

#### Liabilities as per balance sheet

	Financial liabilities at amortized cost Rupees
Long Term Loan	11,250,764
Gratuity payable	2,143,958
Trade and other payables	23,087,511
	<b>36,482,233</b>



# SHAFFI CHEMICAL INDUSTRIES LIMITED ANNUAL REPORT 2014

## 31.4 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	60,114,050	56,584,814
Cash and bank balances	(647,799)	(1,533,238)
	<u>59,466,251</u>	<u>55,051,576</u>
Total equity	60,703,607	(22,047,291)
	<u>120,169,858</u>	<u>33,004,285</u>
Gearing ratio	49.49%	166.80%

## 32 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.

## 33 NUMBER OF EMPLOYEES

Number of employees as at year end	<u>3</u>	<u>18</u>
	2014	2013

## 34 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)	15	96

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

## 35 RECLASSIFICATION OF EXPENSES

The following manufacturing expenses are reclassified as administrative expenses:

Salaries, Wages & Other Benefits	392,677	-
Utilities	398,542	-
Insurance Expenses	7,701	-
Telephone Expenses	4,554	-
Fee & Taxes	9,101	-
Depreciation	913,122	-
	<u>1,725,697</u>	<u>-</u>

35.1 The manufacturing expenses are reclassified as administrative expenses because the production activities are not carried on after the first quarter. These expenses incurred after the end of the first quarter. Except for depreciation which is reclassified after the end of the fourth month.



# SHAFFI CHEMICAL INDUSTRIES LIMITED ANNUAL REPORT 2014

## 36 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 whether especially disclosed elsewhere in these financial statements are as follows:

	2014	2013
	(Rupees in Million)	
<b>Other Payables</b>		
Capital Industrial Enterprises (Private) Limited	(0.011)	(7.490)
<b>Loan from Associated Company</b>		
Capital Industrial Enterprises (Private) Limited	(14.780)	-
<b>Mark-up on loan from Associated Company</b>		
Capital Industrial Enterprises (Private) Limited	(0.318)	-

## 37 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on **October 03, 2014** by the board of directors of the company.

## 38 CORRESPONDING FIGURES

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

## 39 GENERAL

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

  
Chief Executive

  
Director



# SHAFFI CHEMICAL INDUSTRIES LIMITED ANNUAL REPORT 2014

## Operating Highlights

		2008	2009	2010	(Rupees '000)		2013	2014
					2011	2012		
<b>KEY INDICATORS</b>								
<b>OPERATING</b>								
GROSS MARGIN	%	21.78	15.83	28.56	31.95	2.96	(23.2)	(38.1)
OPERATING MARGIN	%	9.24	6.08	2.36	(397.59)	(24.47)	(42.8)	236.1
PRE TAX MARGIN	%	8.63	32.53	12.16	(399.65)	(102.15)	(644.6)	2,130.2
NET MARGIN	%	8.13	32.53	11.66	(400.00)	(103.00)	(658.0)	2,184.4
<b>PERFORMANCE</b>								
RETURN ON ASSETS	%	3.66	12.60	4.71	(121.00)	(0.11)	(0.74)	0.25
ASSETS TURNOVER	Times	0.45	0.39	0.40	0.30	(0.10)	(0.73)	0.01
FIXED ASSETS TURNOVER	Times	4.43	4.69	5.56	1.88	0.67	0.58	0.02
INVENTORY TURNOVER	Times	18.34	34.56	30.42	21.03	3.39	3.91	(3.11)
RETURN ON EQUITY	%	6.06	19.20	7.02	(300.00)	(30.00)	244.46	(1,366.85)
RETURN ON CAPITAL EMPLOYED	%	5.89	16.24	5.99	(2.45)	(0.23)	2.39	(13.33)
<b>LEVERAGE</b>								
DEBT : EQUITY	%	0.66	0.52	0.49	1.47	1.84	(3.75)	1.18
<b>LIQUIDITY</b>								
CURRENT QUICK	%	2.72	2.88	2.96	0.25	0.27	0.15	0.10
	%	2.62	2.88	2.95	0.22	0.20	0.14	0.08
<b>VALUATION</b>								
EARNING PER SHARE (PRE TAX)	RS.	0.93	3.40	1.39	(14.20)	(1.20)	(6.05)	2.74
EARNING PER SHARE (AFTER TAX)	RS.	0.87	3.40	1.33	(14.21)	(1.21)	(6.18)	2.81
BREAK UP VALUE	RS.	14.38	17.72	18.95	4.73	4.07	(2.53)	(0.21)
<b>HISTORICAL TRENDS</b>								
<b>TRADING RESULTS</b>								
TURNOVER	RS.	128,624	125,501	136,894	42,641	14,068	11,265	1,542
GROSS PROFIT / (LOSS)	RS.	28,018	19,865	39,095	13,625	416	(2,618)	(588)
OPERATING LOSS	RS.	11,879	7,627	3,227	(169,537)	(3,442)	(4,822)	3,641
PROFIT/( LOSS) BEFORE TAX	RS.	11,103	40,831	16,651	(170,416)	(14,370)	(72,618)	32,849
PROFIT/(LOSS) AFTER TAX	RS.	10,460	40,831	15,967	(170,565)	(14,490)	(74,128)	33,685
<b>FINANCIAL POSITION</b>								
SHAREHOLDERS' FUNDS	RS.	172,531	212,627	227,457	56,789	48,858	(30,323)	(2,464)
PROPERTY, PLANT & EQUIPMENT	RS.	29,061	26,738	24,632	22,722	20,986	19,407	73,483
NET CURRENT ASSETS	RS.	127,374	136,746	141,306	(88,651)	(54,962)	(62,569)	(68,997)
LONG TERM ASSETS	RS.	83,993	114,455	125,183	122,877	61,892	53,917	130,007
LONG TERM LIABILITIES	RS.	37,940	37,940	37,940	11,251	11,251	13,395	307



# SHAFFI CHEMICAL INDUSTRIES LIMITED ANNUAL REPORT 2014

**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 **6/30/2014**

4. No. of Shareholders	-----Shareholding-----		Total Shares Held
	From	To	
290	1	100	21,882
303	101	500	144,019
79	501	1000	76,146
139	1001	5000	406,396
53	5001	10000	429,796
14	10001	15000	183,192
9	15001	20000	177,134
3	20001	25000	69,002
2	25001	30000	58,500
1	30001	35000	35,000
1	35001	40000	40,000
2	40001	45000	85,500
1	60001	65000	60,500
1	80001	85000	85,000
1	85001	90000	86,123
4	95001	100000	400,000
1	125001	130000	130,000
1	175001	180000	176,000
1	195001	200000	198,000
2	210001	215000	426,450
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
917			12,000,000



# SHAFFI CHEMICAL INDUSTRIES LIMITED ANNUAL REPORT 2014

5. Categories of shareholders	Share held	Percentage
5.1 Directors, Chief Executive Officers, and their spouse and minor children	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)		
<b>Joint Stock Companies</b>	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



# SHAFFI CHEMICAL INDUSTRIES LIMITED ANNUAL REPORT 2014

Catagories of Shareholding required under Code of Coprorate Governance (CCG)  
As on June 30, 2014

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



# SHAFFI CHEMICAL INDUSTRIES LIMITED ANNUAL REPORT 2014

## FORM OF PROXY

I/We \_\_\_\_\_

of \_\_\_\_\_  
being a member of SHAFFI CHEMICAL INDUSTRIES LIMITED, hereby appoint

\_\_\_\_\_ of \_\_\_\_\_  
another member of the Company or failing him/her

\_\_\_\_\_ 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, Gadoon Amazai Industrial Estate Estate, Swabi Khyber Pakhtoonkhwa on Friday 31<sup>st</sup> October, 2014 at 10:00 a.m. and any adjournment thereof.

As witnessed given under my/our hand(s) \_\_\_\_\_ day of \_\_\_\_\_ 2014.

1) Witness:

Signature \_\_\_\_\_  
Name \_\_\_\_\_  
\_\_\_\_\_



Signature of Member

Address \_\_\_\_\_  
\_\_\_\_\_

2)

Witness:  
Signature \_\_\_\_\_ Shares Held \_\_\_\_\_  
Name \_\_\_\_\_ Shareholder's Folio No. \_\_\_\_\_  
Address \_\_\_\_\_ CDC A/c No. \_\_\_\_\_  
\_\_\_\_\_ CNIC No. \_\_\_\_\_

### Note :

- Proxies, in order to be effective, must be received at the Company's Registrar office, not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.
- 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.
- **For CDC Account Holders / Corporate Entities**

In addition to the above the following requirements have to be met.

- (i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be stated on the form.
- (ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
- (iii) The proxy shall produce his original CNIC or original passport at the time of the meeting.

In case of a corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

