SHAFFI CHEMICAL INDUSTRIES LTD.

Annual Report

2018

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CORPORATE PROFILE

(SCIL)

BOARD OF DIRECTORS

1.	Mr. Iftikhar Shaffi	Chief Executive	*(Executive)*
2.	Mr. Qaiser Sakeem Khan	Director	*(Independent)*
3.	Mr. Imran Kabir	Director	*(Independent)*
4.	Mr. Muhammad Sameer	Director	*(Non-Executive)*
5.	Mr. Abdul Shakoor	Director	*(Non-Executive)*
6.	Mr. Hashim Aslam Butt	Director	*(Non-Executive)*
7.	Mr. Mohib Hussain	Director	*(Non-Executive)*

COMPANY SECRETARY

- Mr. Zahoor Ahmad

AUDIT COMMITTEE

1.	Mr. Imran Kabir	Chairman	*(Independent Director)*
2.	Mr. Muhammad Sameer	Member	*(Non-Executive Director)*
3.	Mr. Hashim Aslam Butt	Member	*(Non-Executive Director)*

HUMAN RESOURCE & REMUNERATION COMMITTEE

1.	Mr. Imran Kabir	Chairman	*(Independent Director)*
2.	Mr. Muhammad Sameer	Member	*(Non-Executive Director)*
3.	Mr. Hashim Aslam Butt	Member	*(Non-Executive Director)*

LEGAL ADVISOR

- A.K. Minhas Law Associates

AUDITORS

TABUSSUM SALEEM & CO.
Office No. 1, 3rd Floor, Madinah Heights
87-E Moulana Shoukat Ali Road, Johar Town, Lahore
Tel: 92-42-35173258 - 35173260
E.mail: matabussum@hotmail.com

BANKERS

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

REGISTERED OFFICE

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

FACTORY

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

PRINCIPLE OFFICE

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

SHARE REGISTRAR

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that Annual General Meeting of Shareholders of Shaffi Chemical Industries Limited will be held on Saturday 27th October, 2018 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 the minutes of last Annual General Meeting held on 31st October, 2017.

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, 2018.

3. To appoint External Auditors for next financial year ending June 30, 2019 and to fix their remuneration. The retiring auditors being eligible, have offered themselves for their reappointment. Audit Committee of the Board has also recommended for re-appointment of M/s Tabussum Saleem & Co. Chartered Accountants, Office No. 1, 3rd Floor, Madinah Heights 87-E Moulana Shoukat Ali Road, Johar Town, Lahore, to be appointed as auditors of the company for next financial year ending June 30, 2019.

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

BY ORDER OF THE BOARD

ZAHOOR AHMAD
Company Secretary

Lahore: 05-10-2018

Notes:

1. The share transfer books of the Company will remain closed from October 20, 2018 to October 27, 2018 (both days inclusive). Transfers received at the office of the Company's Registrars, Messrs CORPLINK (PVT) LTD, Wing Arcade, 1-K, Commercial Area, Model Town, Lahore by close of business on October 19, 2018, will be treated in time.

2. A member entitled to attend and vote at the Meeting, may appoint another member as his / her proxy to attend, speak and vote on his/her behalf. Proxies effective must be received at the office of the company not less than 48 hours before holding of meeting.

3. A member, who has deposited his/her shares in Central Depository Company of Pakistan, must bring his/her Participant ID number and account/sub account number alongwith original CNIC or Passport at the time of attending the meeting.

4. CDC account holders have to follow the guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by SECP.

5. In case of corporate entities, Board of Directors' resolution/Power of Attorney with specimen signature of the nominee shall be produce at the time of attending the meeting.

6. To ensure compliance with the SECP Notification SRO 831(1)2012 dated July 05, 2012 read with Notification SRO 19(1)2014 dated January 10, 2014, all members who have not yet submitted their valid CNIC/NTN, are hereby once again requested to submit the same without further delay.

7. The shareholders are advise to notify to the company's Share Registrar for any change in their addresses immediately and if applicable provide their non-deduction of Zakat Declaration Form.

8. In accordance of SECP Notification SRO 787 (I)/2014 dated September 8, 2014, all shareholders who wish to receive soft copy of Annual Report are requested to send their e-mail addresses to company or its Share Registrar.

9. In order to make process of cash dividend more efficient, SECP has initiated e-dividend mechanism through Notice No. 8(4)SM/CDC/2008 dated 05 April, 2013. The provision of Section 242 of the Companies Act, 2017 required that all listed companies to pay any dividend through electronic mode directly into the bank account of the entitled shareholder. Accordingly, the shareholder holding physical shares are requested to provide to Registrar of Company, the electronic dividend mandate on E-Dividend Form and in case of shares held in CDC, the same information should be provided to the CDS participants for updating and forwarding to the company.

10. In pursuant to section 244 of the Companies Act 2017 and to ensure the compliance of SECP Direction No. 16 of 2017 dated 07 July 2017, the shareholders, who could not collect their dividend / physical shares are requested to contact our share registrar to collect / enquire about their unclaimed dividend or shares if any.

DIRECTORS' REPORT

Dear Shareholders,

The Directors of **Shaffi Chemical Industries Limited** present before you Directors' Report together with the Auditors' Report and the audited Financial Statements for the year ended June 30, 2018.

FINANCIAL HIGHLIGHTS…2018

The financial results of the company are numerated below:

		(Rupees in Millions)
-	Sales-net	0.000
-	Gross Profit/(Loss)	0.000
-	Operating Expenses	(3.374)
-	Operating Profit / (Loss)	(3.369)
-	Profit/(Loss) before Taxation	(58.758)
-	Taxation	(0.873)
-	Profit/(Loss) after Taxation	(59.632)

YEAR IN REVIEW:

As the company has suspended all its industrial activities, resulting in no sales & Gross Profit thereon, However company has incurred certain operating expenses resulting an operating Loss of Rs. (3.369) million as compared to Rs. (2.689) million of the preceding year and Profit /(Loss) after taxation is Rs. (59.632) million as against of Rs. 5.983 million of the corresponding year.

During the year, company has entered into settlement with Allied Bank Limited and consequently all pending cases / litigations would be withdraw amicably by both of the parties. However on the basis of suspension of company's business activities since 2014, petition for winding up the company has been filed with Hon'ble High Court Peshawar by deputy registrar of companies Peshawar, which will be contested accordingly. In the interest of minority shareholders, it is more feasible to delist the company and buy back shares from its minority shareholders. The management has decided to make more efforts in expediting the matter for voluntary delisting of company and to buy back shares from its minority shareholders as soon as possible.

AUDITORS REPORT:

The auditors has issued un qualified report for the year 30.06.2018 as the company has paid all its outstanding liabilities of ABL and all pending litigations with ABL has been withdrawn by the both parties. With respect to other legal disputed cases, these have explained comprehensively under the title "Contingencies and Commitments".

VISION AND MISSION:

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

EARNING PER SHARE:

Earnings / (loss) per share for the year ended 30th June, 2018 is Rs. (4.97) compared to Rs. 0.50 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, 2018 and the attendance of the Directors is as follows:

S.#	Name	Position	Attendance
1.	Mr. Iftikhar Shaffi	Chief Executive	10
2.	Mr Muhammad Sameer	Director	09
3.	Mr. Hashim Aslam Butt	Director	10
4.	Mr Mohib Hussain	Director	08
5.	Mr. Abdul Shakoor	Director	09
6.	Mr Qaiser Saleem Khan	Director	09
7.	Mr. Imran Kabir	Director	09

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 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 to recommend the BOD for the appointment of external auditors, and considers any question of resignation or removal of external auditors, audit fees and provision of any services provided to the Company for ensuring their independence review with respect to their audit performance. The terms and reference of the committee has formed and advised for its compliance.

Human Resources & Remuneration Committee is responsible to look into the requirements of manpower engaged by the company along with 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.

FUTURE OUTLOOK:

As the company has entered into settlement with ABL during month of May 2018 and all the longstanding issued / litigations with ABL has settled amicably. Now upon clearance of eCIB, the company will be in better position to arrange fresh financing facilities to resume its business. Meanwhile for the sake of the interest of minority shareholders, the company is in process to delist and to buy back the shares and hope to complete it in near future.

CODE OF CONDUCT:

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

PATTERN OF SHAREHOLDING:

Pattern of shareholding is annexed to this report.

AUDITORS:

The present auditors, M/s Tabussum Saleem & Co., Chartered Accountants are retiring at the conclusion of the forthcoming Annual General Meeting of the company. The Audit Committee has recommended the re-appointment of M/s Tabussum Saleem & Co., Chartered Accountants as the statutory auditors of the Company for the financial year ending June 30, 2019. 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 contained in the Rule Book of the Exchange 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 Act, 2017;
c) Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
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 annex.

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:- 04th October, 2018

ڈائریکٹرز رپورٹ

محترم شیئر ہولڈرز: شفیع کیمیکل انڈسٹریز لمیٹڈ کے ڈائریکٹرز **30** جون **2018**ء کو ختم ہونیوالے سال کیلئے آپ کو ڈائریکٹرز رپورٹ مع آڈیٹرز رپورٹ اور آڈٹ شدہ مالیاتی بیانات پیش کرتے ہیں۔

مالی جھلکیاں 2018ء کمپنی کے مالی نتائج مندرجہ ذیل ہیں :

سیلز	0.000
مجموعی منافع	0.000
انتظامی اور دیگر مدوں میں اخراجات	(3.374)
آپریٹنگ منافع	(3.369)
منافع (نقصان) قبل از ٹیکس منافع	(58.758)
ٹیکس	(0.873)
منافع/(نقصان) بعد از ٹیکس منافع	(59.632)

جائزہ سال میں:

جیسا کہ کمپنی کی صنعتی سرگرمیوں کو معطل کر دیا گیا ہے جسکے نتیجے میں کوئی سیلز اور مجموعی منافع نہیں ہے۔ تاہم کمپنی نے کچھ آپریٹنگ اخراجات کئے ہیں جس کے نتیجے میں آپریٹنگ نقصان پچھلے سال (2.689) ملین روپے کے مقابلے میں (3.369) ملین روپے ہے اور منافع/(نقصان) بعد از ٹیکس پچھلے سال سے 5.983 میلین روپے کے مقابلے میں (59.632) روپے ہے۔

سال کے دوران کمپنی، الائیڈ بینک لمیٹڈ کے ساتھ تصفیہ میں داخل ہوئی اور نتیجتاً تمام زیرالتوا مقدمات دونوں جماعتوں کی طرف سے خوش اسلوبی سے دستبردار کر لئے گئے ہیں۔ تاہم 2014ء کے بعد سے کمپنی کی کاروباری سرگرمیوں کی معطلی کی بنیاد پر ڈپٹی رجسٹرار آف کمپنیز، پشاور کی طرف سے پشاور ہائیکورٹ میں کمپنی کے اختتام کی پٹیشن دائر کی گئی ہے۔ جس کو لڑا جا رہا ہے۔ اقلیتی حصص داروں کے مفاد میں کمپنی کو ڈی لسٹ اور اقلیتی حصص داروں سے حصص واپس لینا زیادہ موثر ہے۔ مینجمنٹ نے کمپنی کے رضا کارانہ ڈی لسٹنگ کے معاملے کو تیز کرنے اور جلد از جلد اقلیتی حصص داروں سے شیئرز واپس لینے کا فیصلہ کیا ہے۔

آڈیٹرز رپورٹ : 30 جون 2018ء کیلئے ان کو الیفائیڈ رپورٹ جاری کی گئی ہے۔ جیسا کہ کمپنی نے تمام بقایا واجبات کی ادائیگی کی اور الائیڈ بینک لمیٹڈ کے ساتھ تمام زیرالتواء مقدمات کو دونوں جماعتوں کی طرف سے واپس لے لیا گیا ہے۔

وژن اور مشن: کمپنی کے وژن اور مشن کی عکاسی کرتی رپورٹ منسلک ہے۔

فی حصص کمائی: فی حصص آمدنی (نقصان) 30 جون 2018ء میں پچھلے سال 0.50 روپے فی حصص کے مقابلے میں (4.97) روپے فی حصص رہی۔

پیٹرن آف شیئر ہولڈنگ : پیٹرن آف شیئر ہولڈنگ رپورٹ کے ساتھ منسلک ہے۔

بورڈ میٹنگ: اختتامی سال 30 جون 2018ء میں بورڈ آف ڈائریکٹرز کی نو میٹنگز منعقد کی گئی ہیں۔ اور ڈائریکٹرز کی حاضری درج ذیل ہے۔

نام	پوزیشن	حاضری کی تعداد
مسٹر افتخار شفیع	چیف ایگزیکٹو	10
مسٹر محمد سمیر	ڈائریکٹر	09
مسٹر ہاشم اسلم بٹ	ڈائریکٹر	10
مسٹر محب حسین	ڈائریکٹر	08
مسٹر عبدالشکور	ڈائریکٹر	09
مسٹر قیصر سلیم خان	ڈائریکٹر	09
مسٹر عمران کبیر	ڈائریکٹر	09

بورڈ کمیٹیز : انسانی وسائل اور معاوضے کی کمیٹی بورڈ آف ڈائریکٹرز کی قائمہ کمیٹی ہیں۔

آڈٹ کمیٹی: آڈٹ کمیٹی بورڈ نے تشکیل دی ہے اور اس میں تین ممبرز شامل ہیں جن میں سے دو نان ایگزیکٹو ڈائریکٹرز اور ایک چیئرمین خودمختار ڈائریکٹر ہے۔ آڈٹ کمیٹی کے ممبران اس سالانہ رپورٹ کی کارپوریٹ پروفائل میں درج ہیں۔ کمیٹی متواتر مالیاتی بیانات کا جائزہ لیتی ہے اور کمیٹی موثر اور مضبوط اندرونی نظام کی موجودگی کو یقینی بناتی ہے۔ کمیٹی اندرونی محکمہ آڈٹ کی جاری کردہ رپورٹ کا جائزہ لیتی ہے اور آڈٹ مشاہدہ کی تعمیل کرتی ہے۔

آڈٹ کمیٹی بیرونی آڈیٹرز کی تقرری میں بی او ڈی کو سفارش کرنے کی ذمہ دار ہے۔ اور ان کے آڈٹ کے سلسلے میں ان کی آزادی کا جائزہ لینے کو یقینی بنانے کیلئے کمپنی کو فراہم کی گئی کسی بھی خدمات، استعفیٰ یا بیرونی آڈیٹرز کی برطرفی اور آڈٹ معاوضہ کے سوال پر غور کریگی۔

انسانی وسائل اور معاوضہ کی کمیٹی معاوضہ کے ساتھ ساتھ کمپنی کی طرف سے معروف افرادی قوت کی ضروریات پر غور کرنے اور حفاظتی اقدامات اور ماحولیاتی قیادت مستقل کرنے کی ذمہ دار ہے۔

کمیٹی بورڈ کو سفارش کرتی ہے کہ وہ انتظامی پالیسیوں، معاوضے کے معاملات (ریٹائرمنٹ کی سہولیات)، سی او او، سی ایف او، کمپنی سیکرٹری اور اندرونی آڈٹ کے سربراہ، کا جائزہ کرے، غور کرے اور منظور کرے۔ کمیٹی اس کے تمام ملازمین کیلئے معاوضے اور بہبود کے تمام عناصر کو یقینی بناتی ہے۔

منتقلی کی قیمتوں کا تعین : کمپنی مکمل طور پر سٹاک ایکسچینج کی فہرست سازی کے ضابطے میں موجود ٹرانسفر پرائسنگ کے بہترین طریقوں پر عمل پیرا ہے۔

مستقبل کے نقطہ نظر : کمپنی مئی 2018ء میں الائیڈ بینک لمیٹڈ کے ساتھ تصفیہ میں داخل ہوئی اور الائیڈ بینک لمیٹڈ کے ساتھ تمام دیرینہ مقدموں کو باہمی طور پر حل کیا گیا، ای سی آئی بی کی کلیئرنس کے بعد کمپنی اپنے کاروبار کو دوبارہ شروع کرنے کیلئے تازہ مالی سہولیات کو بندوبست کرنے کی پوزیشن میں ہوگی۔

ضابطہ اخلاق : ہمارا ضابطہ، ایمانداری، سالمیت، صداقت وعزت کے اُصولوں کی بنیاد پر مشترکہ اقدار کے ایک سیٹ پر بنایا گیا ہے۔

شیئر ہولڈنگ کی طرز : شیئر ہولڈنگ کی طرز اس رپورٹ میں منسلک ہے۔

آڈیٹرز : موجودہ آڈیٹرز تبسم سلیم اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کمپنی کے آئندہ سالانہ اجلاس کے اختتام پر ریٹائر ہو رہے ہیں۔ آڈٹ کمیٹی نے تبسم سلیم اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کو کمپنی کے دوبارہ آڈیٹرز کے طور پر سفارش کیا ہے۔ مالی سال 2019ء کیلئے بورڈ آف ڈائریکٹرز نے اس سفارش کی تائید کی ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک : کمپنی کے ڈائریکٹرز خوش ہیں کہ کمپنی نے سیکوریٹیز اور ایکسچینج کمیشن آف پاکستان کی طرف سے جاری ایکسچینج کی حکمرانی کی کتاب میں موجود کارپوریٹ گورننس کے کوڈ کی دفعات کی تعمیل کی ہے۔ لسٹنگ قواعد وضوابط میں دی گئی بہترین پریکٹسیز سے کوئی بڑا انحراف نہیں ہے۔ کارپوریٹ اور مالیاتی رپورٹنگ پر ہمارے بیانات درج ذیل ہیں۔

اے)۔ کمپنی کے انتظامیہ کی طرف سے تیار کی گئی مالی بیانات، کمپنی کے اُمور کے ایک منصفانہ شکل ہے۔

بی)۔ کمپنی کے اکاؤنٹس کی کتابوں کو کمپنیز ایکٹ 2017 کی ضرورت کے مطابق رکھا گیا ہے۔

سی)۔ مالیاتی بیانات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو مستقل طور پر لاگو کیا جارہا ہے۔

ڈی)۔ انٹرنیشنل اکاؤنٹنگ، مالیاتی رپورٹنگ معیارات جوکہ پاکستان میں قابل عمل ہیں۔ مالیاتی بیانات کی تیاری میں پیروی کئے گئے ہیں۔اور کوئی انحراف نہیں ہے۔

ای)۔ اندرونی کنٹرول کے نظام کو مضبوط اور موثر طریقے سے نافذ کیا گیا اور نگرانی کی گئی ہے۔

ایف)۔ کمپنی کے مستقبل میں چلنے کی صلاحیت کے بارے میں اہم شکوک وشبہات ہیں۔

جی)۔ کمپنی کے مستقبل میں نہ چلنے کی جوہات مالیاتی جھلکیوں اور جائزہ سال میں درج ہیں۔

ایچ)۔ گزشتہ چھ سال کی مالیاتی جھلکیاں منسلک ہیں۔

اعتراف : آپ کی کمپنی کے ڈائریکٹرز مجھے ملے اور اُنہوں نے تمام عملے کے ارکان اور انتظامی ٹیم کا ان کی کوششوں پر شکریہ ادا کیا۔

بورڈ کی جانب سے۔

افتخار شفیع

(چیف ایگزیکٹو)

لاہور (اکتوبر 04 ، 2018)

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 proving a stimulating environment to all the employees for their growth and development and fostering a feeling of job satisfaction, by following the highest of ethical and fiduciary standards and serving the interests of the society.

Corporate strategy

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

Note: The Company is in process of restructuring hence Mission, Vision and Corporate Strategy will be followed and implemented in letter and spirit when restructuring process is complemented and the Company starts its production and sales processes.

IFTIKHAR SHAFFI
Chief Executive

Statement of Compliance with Listed Companies
(Code of Corporate Governance) Regulations, 2017

Name of Company:- SHAFFI CHEMICAL INDUSTRIES LIMITED
Year Ended:- 30-06-2018

The company has applied the principles contained in the CCG in the following manner:

1. The total number of directors are seven as per following:
   a) Male 7
   b) Female 0 (will be include in next election)
2. The composition of Board is as follows:

Category	Names
Executive Director	Mr. Iftikhar Shaffi
Independent Director	Mr. Qaiser Saleem Mr. Imran Kabir
Non-Executive Directors	Mr. Muhammad Sameer Mr. Hashim Aslam Butt Mr. Abdul Shakoor Mr. Mohib Hussain

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company.
4. 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.
5. 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.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. 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. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. All the 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 Act, 2017 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 Chief Executive of the company and Chairman of Diamond Group of Industries is well known industrialist with vast and rich experience of about 40 years in managing large industrial units.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:

    a) **Audit Committee:-** it comprise three members, of whom two are non-executive directors and the chairman of the committee is an independent director.

1	Mr. Imran Kabir	Chairman	Independent Director
2	Mr. Muhammad Sameed	Member	Non-Executive director
3	Mr. Hashim Aslam Butt	Member	Non-Executive director

    b) **HR and Remuneration Committee:-** it comprise three members, of whom two are non-executive directors and the chairman of the committee is an independent director.

1	Mr. Imran Kabir	Chairman	Independent Director
2	Mr. Muhammad Sameed	Member	Non-Executive director
3	Mr. Hashim Aslam Butt	Member	Non-Executive director

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the committee were duly been held as and when required but at least once of every quarter before approval of financial statements of the company.

15. The board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

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

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

IFTIKHAR SHAFFI
Chief Executive

To the members of SHAFFI CHEMICAL INDUSTRIES LIMITED

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of SHAFFI CHEMICAL INDUSTRIES LIMITED for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach.

We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

TABUSSUM SALEEM & COMPANY
CHARTERED ACCOUNTANTS
ENGAGEMENT PARTNER:

Muhammad Aslam Tabussum

Dated: October 04, 2018
Place: Lahore

INDEPENDENT AUDITOR'S REPORT

To the members of Shaffi Chemicals Limited
Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Shaffi Chemicals Limited (the Company), which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2018 and of the profit or loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty relating to Going Concern

During the year ended June 30, 2018, the company has accumulated losses and shareholders' equity Rupees 176.54 Million and Rupees (56.483) Million respectively as on June 30, 2018. Sales of company was Nil. Company remained closed for the whole year. Management of the company had decided to go for delisting therefore all the employees were laid off in the year ended June 30, 2015. Deputy registrar of company has initiated the winding up proceeding in Peshawar high court in current financial year. These factors have raised uncertainties that the company may not be able to continue as a going concern. Therefore these financial statements have been prepared on the basis of estimated realizable/ settlement values of assets and liabilities respectively in addition to historical cost convention. All assets and liabilities in these financial statements have been presented in the order of liquidity. Our report is not qualified in respect of this matter.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Fallowing is the Key audit matter:

Key Audit Matters	How our audit addressed the key audit matters
1.Preparation of financial statements under Companies Act, 2017	
As referred to in note 2.1(b) to the accompanying financial statements, the Companies Act, 2017 (the Act) became applicable for the first time for the preparation of the Company's annual financial statements for the year ended 30 June 2018. The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. In the case of the Company, a summary of key additional disclosures and changes to the existing disclosures have been stated in note 2.1(b) tothe accompanying financial statements. The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the Act.	We assessed the procedures applied by the management for identification of the changes required in the financial statements due to the application of the Act. We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements. We also evaluated the sources of information used by the management for the preparation of the above referred disclosures and the internal consistency of such disclosures with other elements of the financial statements.
2.Payment of loan to Allied Bank of Pakistan	
Management of the Company in Year 2016 stated that The company have been in legal proceedings with Allied Bank limited since 2005. Company have been carrying ABL liability/provision to the tune of Rs. 49.9 Million from 2006. However company has vehemently contested in court that certain amount were deposited in company current account have been adjusted by bank as markup & bank charges instead of adjusting principal amount ,if all such amounts/deposits have been adjusted against principal amount payable to Allied Bank, then final amount shall be Rs. 12.89 Million. The Honorable Court passed interim decree of said amount and order the bank to adjust the amount deposited by company from time to time and adjusted by bank as markup/bank charges. The bank filed a statement with the Court as per court orders, stating that the net payable by company after taking effect of court order arrives at Rs.12.89 Million. The suit continued till the Honorable Court passed final decree this year. However the Court also allowed cost of funds to the tune of Rs.13.31 Million to Allied bank. The	We assessed the procedures applied by the management for identification and recognition of liability and evaluated the sources of information used by the management i.e. statement of satisfaction from lender during the year and other arrangements. We also evaluated that board approved the payment of loan and treatment of expenses that reversed earlier before the final decree of court.

company has filed a revision application with the court against these cost of funds. However the management has accrued these expenses in its accounts and net final figure of Rs.19.831 Million shown as income in profit & Loss Account. In the year under review Management succeeded the negotiation with Allied bank of Pakistan before the final decree of court and got NOC from ABL in May 2018 after paying whole financial liability. Complete detail of it is given in note #11.1.1 of Financial statement.	

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the aud it in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial

statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

4. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements
Based on our audit, we further report that in our opinion:

a) Proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss and other comprehensive income or the income and expenditure account, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) Investments made, expenditure incurred and guarantees extended during the year were for the Purpose of the Company's business; and

d) No zakat is deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other Matter(s)
Prior Year Financial Statements are audited by HLB Ijaz Tabussum & Company Chartered Accountants and they gave adverse opinion on non-verification of ABL Loan.

The engagement partner on the audit resulting in this independent auditors' report is Muhammad Aslam Tabussum.

TABUSSUM SALEEM & COMPANY
CHARTERED ACCOUNTANTS

Date October 04, 2018
Place: Lahore

SHAFFI CHEMICAL INDUSTRIES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

ASSETS	Note	2018 Book value	2018 Estimated Realisable/ settlement value	2017 Book value	2017 Estimated Realisable/ settlement value
Cash and bank balances	3	611,639	611,639	605,968	605,968
Loan and Advances	4	553,848	553,848	448,929	448,929
Other Receivables	5	2,148,166	2,072,988	1,807,635	1,732,457
Security Deposits	6	223,560	223,560	223,560	223,560
Investments	7	3,893,484	35,109,315	35,147,901	37,393,742
Property, Plant and Equipment	8	14,764,763	13,363,227	15,692,279	13,380,030
TOTAL ASSETS		22,195,460	51,934,577	53,926,271	53,784,684
LIABILITIES					
Accrued and other payables	9	7,163,770	7,163,770	6,890,225	6,890,225
Unclaimed Dividend		2,690,056	2,690,056	2,690,056	2,690,056
Accrued Markup	10	4,434,053	4,434,053	16,944,696	16,944,696
Borrowings	11	-	-	12,888,289	12,888,289
Payable to Director	12	33,491,574	33,491,574	-	-
Payable to associated company	13	23,785,350	23,785,350	4,475,350	4,475,350
Deferred liabilities	14	-	-	-	-
Provision for taxation	15	-	-	-	-
TOTAL LIABILITIES		71,564,803	71,564,803	43,888,616	43,888,616
NET ASSETS		(49,369,343)	(19,630,226)	10,037,655	9,896,068
REPRESENTED BY:-					
Authorized share capital					
12,000,000 Ordinary shares of Rs. 10/- each		120,000,000	120,000,000	120,000,000	120,000,000
Issued, subscribed and Paid Up Capital	16	120,000,000	120,000,000	120,000,000	120,000,000
Fair Value Reserves		56,260	56,260	88,549	88,549
Accumulated Losses		(176,535,160)	(176,535,160)	(117,545,859)	(117,545,859)
Share Holders' Equity		(56,478,899)	(56,478,899)	2,542,690	2,542,690
Surplus on Revaluation of property, Plant and equipment	17	7,109,556	-	7,494,966	-
Net surplus on estimated realisable/settlement value		-	36,848,673	-	7,353,378
Contingencies & Commitments	18	-	-	-	-
		(49,369,343)	(19,630,226)	10,037,655	9,896,068

The annexed notes from 1 to 36 form an integral part of these financial statements.

Chief Executive

Chief Financial Officer

Director

SHAFFI CHEMICAL INDUSTRIES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Sales - net		-	-
Cost of Sales		-	-
Gross Profit / (Loss)		-	-
Operating Expenses			
Administrative Expenses	19	(3,374,839)	(2,786,977)
Other Operating Income	20	5,532	97,834
		(3,369,307)	(2,689,143)
Operating Profit / (Loss)		(3,369,307)	(2,689,143)
Other Operating Expenses	21	(175,000)	(176,500)
		(3,544,307)	(2,865,643)
Finance Cost	22	(815,431)	(450,116)
		(4,359,738)	(3,315,759)
Recognition of Financial Liabilities	11.1.1	(23,792,844)	-
		(28,152,582)	(3,315,759)
Reversal of impairment/(Impairment) on long term investment in associated company	7.1	56,135,225	16,833,092
		27,982,643	13,517,333
Share of Profit/ (Loss) from associated company	7.1	(86,741,583)	(4,427,901)
Profit / (loss) before Taxation		(58,758,940)	9,089,432
Taxation			
Taxation-Prior Year		-	4,509,650
Share of tax of associated company	7.1	(873,500)	(7,615,155)
		(873,500)	(3,105,505)
Profit / (loss) after Taxation		(59,632,440)	5,983,927
Earning/(loss) per Share	24	(4.97)	0.50

The annexed notes from 1 to 36 form an integral part of these financial statements.

Chief Executive

Chief Financial Officer

Director

SHAFFI CHEMICAL INDUSTRIES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
PROFIT / (LOSS) FOR THE PERIOD		**(59,632,440)**	5,983,927
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Gain/ (Loss) on remeasurement of staff retirement benefit of associated companies	7.1	**(426,894)**	(111,469)
Items that may be reclassified subsequently to profit or loss:			
Unrealized loss arising on remeasurement of available for sale investments of associated companies	7.1	**684,623**	641,395
Unrealized gain arising on remeasurement of available for sale investments	7.2	**(32,288)**	74,674
Other Comprehensive income for the period		**652,335**	716,069
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(59,406,999)**	6,588,527

The annexed notes from 1 to 36 form an integral part of these financial statements.

Chief Executive **Chief Financial Officer** **Director**

SHAFFI CHEMICAL INDUSTRIES LIMITED
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	25	(2,679,973)	(2,063,748)
Taxes paid		(108,723)	(25,385)
Finance cost paid/adjusted		(15,633)	(11,773)
Net Cash generated from operating activities		(2,804,329)	(2,100,906)
CASH FLOW FROM INVESTING ACTIVITIES			
Disposal of vehicles		-	-
Net Cash Generated from /(used in) Investing Activities		-	-
CASH FLOW FROM FINANCING ACTIVITIES			
Short Term Borrowings paid		(49,991,574)	2,197,635
Loan from associated company		19,310,000	-
Loan from Director		33,491,574	-
Net Cash generated from /(used in) financing activities		2,810,000	2,197,635
Net Increase / (Decrease) in Cash & Cash Equivalents		5,671	96,729
Cash & Cash Equivalents at the Beginning of the Period		605,968	509,238
Cash & Cash Equivalents at the End of the Period		611,639	605,968

The annexed notes from 1 to 36 form an integral part of these financial statements.

Chief Executive

Chief Financial Officer

Director

SHAFFI CHEMICAL INDUSTRIES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED JUNE 30, 2018

	SHARE CAPITAL	CAPITAL RESERVES	REVENUE RESERVES		TOTAL RESERVES	TOTAL EQUITY
		Fair Value Reserve	(Accumulated Loss) / Unappropriated Profit	Surplus on revaluation of property, plant and equipment		
	(Rupees)					
Balance as at 01 July 2016	120,000,000	13,875	(124,477,179)	7,912,433	(124,463,305)	(4,463,305)
Effect of items directly credited in equity by the associated companies	-	-	-	-	-	-
Incremental depreciation on surplus on revaluation of property, plant & equipment	-	-	417,467	(417,467)	417,467	417,467
Profit for the period	-	-	5,983,927		5,983,927	5,983,927
Other comprehensive income for the period	-	74,674	529,927		604,600	604,600
Total comprehensive loss for the period	-	74,674	6,513,854		6,588,527	6,588,527
Balance as at 30 June 2017	**120,000,000**	**88,549**	**(117,545,859)**	**7,494,966**	**(117,457,310)**	**2,542,690**
Balance as at 01 July 2017	**120,000,000**	**88,549**	**(117,545,859)**	**7,494,966**	**(117,457,310)**	**2,542,690**
Effect of items directly credited in equity by the associated companies	-	-	-	-	-	-
Incremental depreciation on surplus on revaluation of property, plant & equipment	-	-	385,410	(385,410)	385,410	385,410
Profit for the period	-	-	(59,632,440)		(59,632,440)	(59,632,440)
Other comprehensive income for the period	-	(32,288)	257,729		225,441	225,441
Total comprehensive loss for the period	-	(32,288)	(59,374,711)	-	(59,406,999)	(59,406,999)
Balance as at 30 June 2018	**120,000,000**	**56,260**	**(176,535,160)**	**7,109,556**	**(176,478,899)**	**(56,478,899)**

The annexed notes from 1 to 36 form an integral part of these financial statements.

Chief Executive

Chief Financial Officer

Director

SHAFFI CHEMICAL INDUSTRIES LIMITED
NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED JUNE 30, 2018

1 STATUS AND NATURE OF BUSINESS

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

1.2 GOING CONCERN ASSUMPTION

During the year ended June 30, 2018, the company reported gross loss of Rupees =Nil. The company has accumulated losses and shareholders' equity Rupees 176.535 Million and Rupees (56.479) Million respectively ason June 30, 2018. During the year Sales of company was Nil. Company remained closed for the year. Management of the company had decided to go for delisting therefore all the employees were laid off in the year ended June 30, 2015. These factors have raised uncertainties that the company may not be able to continue as a going concern. Therefore these financial statements have been prepared on the basis of estimated realisable/ settlement values of assets and liabilities respectively in addition to historical cost convention. All assets and liabilities in these financial statements have been presented in the order of liquidity.

1.3 SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANIES FIANANCIAL POSITION AND PERFORMANCE

a. During the year 2018, the company repaid the outstanding loan owed to ABL amounting to Rs. 49,991,574/-. This is full and final discharge of all obligations to the entire satisfaction of the bank as per settlement agreement.

b. The deputy Registrar of Companies has initiated the winding-up proceedings in Peshawar High Court through C.C 1/2018 on the basis suspension of its business since 2014. The next date in the winding up petition is fixed for 22-10-2018.

c. Company adopted The Companies Act 2017 in the current year 2018.

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

The companies act 2017 has been promulgated with effect from May 31, 2017, . These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprises of such international financial reporting standards (IFRS) issued by International accounting standard board as are notified under The Companies Act 2017, Provisions and directives issued under The Companies Act 2017, . In case requirements differ the provisions of and directives of The Companies Act 2017 shall prevail.

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 in the financial statements for valuation of present value of defined benefit obligations.

Property, plant and equipment

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

Income Taxes

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

Impairment of investment in an associated company

In making an estimate of recoverable amount of the Company's investment in associated company, the management considers future cash flows and an estimate of the terminal value of this investment.

2.4 Changes / Amendments in Accounting Standards

a) Amendments to published approved accounting standards that are effective in current year and are relevant to the Company

Following amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2017:

IAS 7 (Amendments), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2017). Amendments have been made to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The aforesaid amendments have resulted in certain additional disclosures in the Company's financial statements.

IAS 12 (Amendments), 'Income Taxes' (effective for annual periods beginning on or after 01 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments have no significant impact on Company's financial statements.

On 8 December 2016, IASB issued Annual Improvements to IFRSs: 2014 – 2016 Cycle, incorporating amendments to three IFRSs more specifically in IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2017). IFRS 12 states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified, or included in a disposal group that is classified, as held for sale (in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations). The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests. The amendments have no impact on the Company's financial statements

The application of the above amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income

b) Amendments to published approved accounting standards that are effective in current year but not relevant to the Company

There are other amendments to published approved accounting standards thatare mandatory for accounting periods beginning on or after 01 July 2017 bu t are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

c) Standards, Interpretations and amendments to approved accounting standards that are not yet effective

Following standards, interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2018 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 July 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 July 2018). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The aforesaid standard is not expected to have a material impact on the Company's financial statements.

IFRS 16 'Lease' (effective for annual periods beginning on or after 01 January 2019). IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16 approach to lessor accounting substantially unchanged from its predecessor, IAS 17 'Leases'. IFRS 16 replaces IAS 17 'Leases', IFRIC 4 'Determining Whether an Arrangement Contains a Lease', SIC-15 'Operating Leases–Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

Amendments to IFRS 9 (effective for annual periods beginning on or after 01 January 2019) clarify that for the purpose of assessing whether a prepayment feature meets the solely payments of principal and interest ('SPPI') condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendments are not likely to have significant impact on the Company's financial statements.

IFRS 15 (Amendments), 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 July 2018). Amendments clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. The aforesaid amendments are not expected to have a material impact on the Company's financial statements.

IAS 28 (Amendments) 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 01 January 2019). The IASB has clarified that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28). The amendments are not likely to have significant impact on the Company's financial statements

IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 01 January 2018). IFRIC 22 clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The interpretation is not expected to have a material impact on the Company's financial statements.

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. It specifically considers: whether tax treatments should be considered collectively; assumptions for taxation authorities' examinations; the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and the effect of changes in facts and circumstances. The interpretation is not expected to have a material impact on the Company's financial statements.

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 (deferred indefinitely) to clarify the treatment of the sale or contribution of assets from an investor to its associates or joint venture, as follows: require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 'Business Combinations'); require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occur by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves. The management of the Company is in the process of evaluating the impacts of the aforesaid amendments on the Company's financial statements

On 8 December 2016, IASB issued Annual Improvements to IFRSs: 2014 – 2016 Cycle, incorporating amendments to three IFRSs more specifically in IAS 28. These amendments are effective for annual periods beginning on or after 01 January 2018. These amendments have no significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On 12 December 2017, IASB issued Annual Improvements to IFRSs: 2015 – 2017 Cycle, incorporating amendments to four IFRSs more specifically in IFRS 3 'Business Combinations', IFRS 11 'Joint Arrangements', IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs'. The amendments are effective for annual periods beginning on or after 01 January 2019. The amendments have no significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework. The new Framework: reintroduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument; removes from the asset and liability definitions references to the expected flow of economic benefits–this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement; discusses historical cost and current value measures, and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability; states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use other comprehensive income and only for income or expenses that arise from a change in the current value of an asset or liability; and discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements. The Framework is not an IFRS standard and does not override any standard, so nothing will change in the short term. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRS. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS. It is effective for annual periods beginning on or after 1 January 2020 for preparers that develop an accounting policy based on the Framework.

d) Standards and amendments to approved published standards that are not yet effective and not considered relevant to the Company

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2018 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements

2.5 Property, Plant and Equipment

Property, Plant and Equipment except for lease-hold land are stated at cost or revalued amounts less accumulated depreciation and impairment loss, if any. Depreciation is charged to income applying the reducing balance method at the rates given in **Note 8**.

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

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

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

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

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

2.6 Investments

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

a) Held to maturity

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

b) Investment in associated companies

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

c) Available at fair value through profit or loss

Investments at fair value through profit or loss are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments, for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Realized and unrealized gains and losses arising from the changes in fair value are included in the net profit or loss for the period in which they arise. Investments intended to be held for less than twelve months from the balance sheet date are included in current assets, all other investments are classified as non-current asset. Management determines the appropriate classification of its investments at the time of the purchase and reevaluates such designation periodically.

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

At each reporting date, the company reviews the carrying amounts of the investment to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense. Where an impairment loss is subsequently reversed, the carrying amount of the investment is increased to the revised recoverable amount but limited to the extent of initial cost of the investment. A reversal of the impairment loss is recognized in income.

2.7 Stock - in - Trade

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

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

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

2.8 Stores, Spares and Loose Tools

These are stated 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 based upon the last salary drawn by an employee. Present value of defined benefit obligation is calculated on the basis of actuarial valuation at the end of the year. The valuation in these accounts is worked out on the Projected Unit Credit Actuarial Cost method basis.

Actuarial valuation of defined benefit scheme was not conducted because there was no employee in the company as at September 30, 2017.

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

2.15 Provisions

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

2.16 Borrowing Cost

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

2.17 Foreign Currency Transactions

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

2.18 Related party transactions

All transactions with related parties are carried out by the Company at arm's length prices using the method prescribed under the Companies Act 2017.

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 thefair 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.

			2018 Rupees	2017 Rupees
3	**CASH & BANK BALANCES**			
	Cash in hand		**25,340**	31,828
	Cash at banks:			
	Current Accounts		**586,299**	574,140
			611,639	605,968
4	**LOANS AND ADVANCES**			
	Advances : Considered good			
	Other Advances		**200,000**	203,804
	Advance income tax		**353,848**	245,125
			553,848	448,929
5	**OTHER RECEIVABLES**			
	Sales Tax Receivable		**1,368,546**	1,027,457
	Accrued Interest		**75,178**	75,178
	Receivables from First Capital ABN AMRO Equities (Pak) Ltd.	5.1	**-**	-
	Margin against Bank Guarantee (Sui Gas)		**700,000**	700,000
	Prepaid Expenses		**4,442**	5,000
			2,148,166	1,807,635
5.1	**Receivables from First Capital ABN AMRO Equities (Pak) Ltd.**			
	Receivables from First Capital ABN AMRO Equities (Pak) Ltd.		**157,950,240**	157,950,240
	Provision for Bad Debts	5.2	**(157,950,240)**	(157,950,240)
	Amount Recovered		**-**	-
			(157,950,240)	(157,950,240)
			-	-

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

			2018 Rupees	2017 Rupees
6	**SECURITY DEPOSITS**			
	Utilities		**70,760**	70,760
	Gas		**127,800**	127,800
	Central Depositary Co. Ltd.		**25,000**	25,000
			223,560	223,560
7	**INVESTMENTS**			
	Investment in Associated Company - Equity Method	7.1	**3,827,038**	35,049,167
	Investment Available for Sale	7.2	**66,446**	98,734
			3,893,484	35,147,901

7.1 Associated Company-Quoted Equity Method

Diamond Industries Limited.		**2018**	**2017**
1,422,450 fully paid ordinary shares of Rs.10 each		**Rupees**	**Rupees**
Equity held 15.80 % (2017: 15.80 %)			
Market value as on 30 Jun 2018, Rs. 35,049,168/-			
(2017: Rs. 35,049,168/-)			
Share in net assets at the end of the period		**3,827,038**	91,184,392
Less: Impairment loss at the end of the period		**-**	(56,135,225)
		3,827,038	35,049,167
Share in net assets at the beginning of the period		**91,184,392**	102,697,522
Add: Share in profit / (loss) before taxation		**(86,741,583)**	(4,427,901)
Share in taxation		**(873,500)**	(7,615,155)
Change in surplus on revaluation of fixed assets		**(1,198,185)**	(1,453,697)
Share of transfer from Surplus on revaluation of fixed assets on account of incremental depreciation		**1,198,185**	1,453,697
Effect of prior year adjustments/other adjustments			-
Share of loss in remeasurement of staff retirement benefit		**(426,894)**	(111,469)
Share of gain/(loss) arising on measurement of available for sale investment		**684,623**	641,395
Other Items directly credited in changes in equity			-
		(87,357,354)	(11,513,130)
		3,827,038	91,184,392
Accumulated impairment loss at the beginning of the period		**(56,135,225)**	(72,968,317)
Impairment loss charged during the period			-
Reversal of impairment loss during the period		**56,135,225**	16,833,092
Net (impairment loss)/reversal for the period		**56,135,225**	16,833,092
Accumulated impairment loss at the end of the period		**-**	(56,135,225)
Share in net assets at the end of the period		**3,827,038**	35,049,167

7.1.1 Summarized financial information of associated company

Name of associated company	Audited / Un-audited	Assets	Liabilities	Net assets	Revenue	Profit / (Loss)
Mar-2018						
Diamond Industries Ltd	Unaudited 31-03-18	499,164,142	474,950,044	24,214,098	78,799,426	(6,815,946)
Mar-2017						
Diamond Industries Ltd	Unaudited 31-03-17	866,261,177	289,327,343	576,933,834	735,269,204	(86,206,731)

7.1.2 There was no significant transaction or event occurred in associated company between March 31, 2018 and June 30, 2018, therefore there is no need to take any adjustment.

7.2 Investment Available for Sale

Sui Northern Gas Pipelines limited			
663 (2017: 663) Ordinary shares of Rupees 10 each		**98,734**	24,060
Add: Fair Value Adjustment	7.2.1	**(32,288)**	74,674
		66,446	98,734

7.2.1 Fair Value Adjustment

Opening Balance	**88,549**	13,875
Surplus on re-measurement of available for sale investment	**(32,288)**	74,674
	56,261	88,549
	56,261	88,549

8 PROPERTY, PLANT AND EQUIPMENT

	Leasehold Land	Building on Leasehold Land	Plant and Machinery	Furniture and Fixtures	Office Equipment	Vehicles	TOTAL
	Rupees						
As at 01 July 2017							
Cost	2,800,000	20,303,280	50,217,922	582,842	943,878	-	74,847,922
Accumulated depreciation	-	(13,069,030)	(44,727,922)	(520,926)	(837,765)	-	(59,155,643)
Net book value	2,800,000	7,234,250	5,490,000	61,916	106,113	-	15,692,279
Period ended 30 June 2018							
Opening net book value	2,800,000	7,234,250	5,490,000	61,916	106,113	-	15,692,279
Additions/Revaluation	-	-	-	-	-	-	-
Adjustment							
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Disposal							
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Depreciation charge	-	(361,713)	(549,000)	(6,192)	(10,611)	-	(927,516)
Closing net book value	2,800,000	6,872,537	4,941,000	55,724	95,502	-	14,764,763
As at 30 June 2018							
Cost	2,800,000	20,303,280	50,217,922	582,842	943,878	-	74,847,922
Accumulated depreciation	-	(13,430,743)	(45,276,922)	(527,118)	(848,376)	-	(60,083,159)
Net book value	2,800,000	6,872,537	4,941,000	55,724	95,502	-	14,764,763
Annual rate of depreciation	-	5%	10%	10%	10%	20%	

8.1 Building and Plant & Machinery were revalued by Zafar Iqbal & Company as on June 22, 2016 on the basis of Current replacement values. Previously, it was revalued by M/S RBS Associates (Pvt.) Ltd. on June 30, 2014. Revaluation was credited to surplus on revaluation of Fixed Assets account.

If there had been no revaluation, the cost, accumulated depreciation and book value of the revalued assets at June 30, 2018 would have been as follows:

Particulars	2018			2017		
	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**	**7,196,836**	**3,374,874**	10,571,710	7,019,211	3,552,499
Plant and Machinery	**31,398,708**	**28,269,602**	**3,129,106**	31,398,708	27,921,923	3,476,785
Rupees	**41,970,418**	**35,466,438**	**6,503,980**	41,970,418	34,941,134	7,029,284

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

	2018	2017
	Rupees	Rupees
Cost of sales	-	-
Administrative expenses	**927,516**	1,009,420

8.3 Realisable value of property, plant and equipment as on June 30, 2018 is Rupees 13,367,426/- (2017: 13,380,030/-) Forced sale value in last revaluation Year 2016 was Rupees 13.212 Million

Particular of Immovable property (i.e land and building) in the name of Company are as followes

Location	Usage of immovable property	Total area
Gadoon , Amazai, Industrial Estate, Swabi, KPK	Manufturing facility	1.0 Acre

9	Trade and Other Payables	2018	2017
	Unsecured :	**Rupees**	**Rupees**
	Trade creditors and other payables	**160,299**	40,763
	Accrued expenses	**484,601**	334,242
	Payable to sponsors and associates	**6,515,220**	6,515,220
		7,163,770	6,890,225

10	ACCRUED INTEREST ON BORROWINGS			
	Accrued Interest on Borrowings	10.1	**-**	13,310,441
	Markup on loan from associated concern	10.2	**4,434,053**	3,634,255
			4,434,053	16,944,696

10.1 Interest payable was a claim of ABL filed in the court the said amount was in dispute in Honourable High Court Lahore as explained in note 11.1.1.

10.2 This is Interest payable on loan received from Associated Concern as explained in note13.

11	SHORT TERM BORROWINGS			
	From Banking Companies - Secured	11.1	**-**	12,888,289
	From Associated Companies - Un-Secured	11.2	**23,785,350**	4,475,350
			23,785,350	17,363,639

11.1	From Banking Companies - Secured			
	Running Finance	11.1.1	**49,991,574**	12,888,289
	Repayment of principal amount		**(49,991,574)**	-
			-	12,888,289

11.1.1 The company have been in legal proceedings with Allied Bank limited since 2005. Company have been carrying ABL liability/provision to the tune of Rs. 49.9(M) from 2006. However company has vehemently contested in court that certain amount were deposited in company current account have been adjusted by bank as markup & bank charges instead of adjusting principal amount ,if all such amounts/deposits have been adjusted against principal amount payable to Allied Bank, then finalamount shall be Rs. 12.89(M). The Honourable Cour t passed interim decree of said amount and order the bank to adjust the amount deposited by company from time to time and adjusted by bank as markup/bank charges. The bank filed a statement with the Court as per court orders , stating that the net payable by company after taking effect of court order arrives at Rs.12.89(M). The suit continued till the Honorable Court passed final decree. However the Court also allowed cost of funds to the tune of Rs.13.31 (M) to Allied bank. The company has filed a revision application with the court against these cost of funds. However the management accrued these expenses in its accounts and net final figure of Rs.19.831(M) shown as income in profit & Loss Account in year 2016. In the current year 2018, before the final decree of court ABL made final settlement agreement with managment of the Company for the payment of Rs. 49,9(M) toward entire liabilities. Further, the company and Bank have agreed to withdraw all their pending allegations, claims, counterclaims, litigations against each other. Therefore, Bank issued NOC on May 05, 2018 confirming that company has discharged all its obligations to the entire satisfactions of the bank as per settlement agreement. To cope with the current situation managment recongnized its fianancial liabilities amounting to Rs 19.831(M) which was derecognised in 2016 , the impact on financial statement for year 2018 of which is hereuner:-

	Principle	Interest
ABL Loan as on June 30, 2015	49,991,574	696,000
ABL Loan as on June 30, 2016	(12,888,289)	12,614,441
Derecognition / Recognition of Financial liability	37,103,285	13,310,441
Net derecognition of Financial liability in 2018	23,792,844	

Therefore an amount of RS. 23.793(M) is recognized as an expense in Profit or Loss Account for the year 2018, and total Liability is paid off before May 05, 2018.

PRINCIPAL SECURITIES

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

COLLATERAL

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

		2018 Rupees	2017 Rupees
12	**LOAN FROM DIRECTORS**	**33,491,574**	-

This is interest free contractual loan, payable on demand by the company, without any agreed definite time of repayment from following directors:-

Name of Director	Designation	Opening Balance	Transactions (Net)	Closing Balance
Mr. Mudassar Iftikhar	Director	-	33,491,574	33,491,574

13	**From Associated Concern - Un-Secured**	**23,785,350**	4,475,350

This Represents the short term unsecured loan received from Associated Concern. This Carries Markup rate 3 Months Kibor + 2.5% with floor of 13% and no cap.In current year 2018.

13.1 Detail of Associated concern/ Related Parties

Name of Associated Concerns	Nature of	Relationship	Opening	During the year	Closing
Capital Industries Enterprises (pvt) Ltd.	Against working capital	Associated company	4,475,350	19,310,000	23,785,350
			4,475,350	**19,310,000**	**23,785,350**

14	**DEFERRED LIABILITIES**			
	Deferred Taxation	14.1	-	-

14.1 Provision for Deferred Taxation

		2018		
		Balance at the beginning of the year	**Recognized in profit & loss account**	**Balance at end of the year**
	Deferred taxation liability comprises as follows :			
	Taxable temporary differences			
	Accelerated tax depreciation allowance	1,313,105	289,608	1,602,713
	Surplus arising on revaluation of property, plant and equipment	1,765,439	(172,573)	1,592,867
		3,078,545	117,035	3,195,580
	Net temporary differences	3,078,545	117,035	3,195,580
	Effect of accumulated tax losses	(7,282,817)	1,707,877	(5,574,940)
		(4,204,273)	1,824,912	(2,379,360)
14.1.1	Non recognition of Deferred tax asset	4,204,273	(1,824,912)	2,379,360
		-	-	-

	2017		
	Balance at the beginning of the year	**Recognized in profit & loss account**	**Balance at end of the year**

Deferred taxation liability comprises as follows :

Taxable temporary differences				
Accelerated tax depreciation allowance		1,237,307	75,798	1,313,105
Surplus arising on revaluation of property, plant and equipment		1,955,979	(190,540)	1,765,439
		3,193,286	(114,741)	3,078,545
Deductible temporary differences				
Unused alternate corporate & minimum tax		(4,627,846)	4,627,846	-
		(4,627,846)	4,627,846	-
Net temporary differences		(1,434,560)	4,513,105	3,078,545
Effect of accumulated tax losses		-	(7,282,817)	(7,282,817)
		(1,434,560)	(2,769,713)	(4,204,273)
Non recognition of Deferred tax asset	14.1.1	1,434,560	2,769,713	4,204,273
		-	-	-

14.1.1 Deferred tax asset of Rs. 2.379 million (2017: 4.204 million; 2016: 1.435 million) has not been recognised because the company is continuously sustaining losses and in the future years sufficient taxable profits will not be available against which they can be utilized.

15	PROVISION FOR TAXATION	2018 Rupees	2017 Rupees
	Opening Balance	-	4,509,650
	Taxation for the year	-	-
	Paid / Adjusted against advance income tax	-	(4,509,650)
		-	-

a. Current status of tax assessment is completed under self assessment scheme.
b. Audit selection for the tax year 2010 U/S 177 is challanged by us before Honorable Lahore High Court and proceeding are stopped by learned high court Favourable outcome is expected No quantum of tax involved.
c. Order U/S 122(5C) passed by additional commissioner for the tax year 2010 and 2011 are annulled by the commissioner IR
d. No any unfavourable outcome is expected.
e. No other matter which is feel to aware of by the auditors.

16 ISSUED, SUBSCRIBED & PAID UP CAPITAL

2018	2017		2018	2017
Number of shares				
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

16.1 **4,336,242** (2017 : 4,336,242 Nos.) Ordinary shares of Rs 10/- each were held by Associated companies at the year end. Detail is as follows:

	2018 Nos.	2017 Nos.
Diamond Industries Limited	**3,754,240**	3,754,240
Diamond Corporation (Private) Limited	**176,000**	176,000
Diamond Home Textile (Private) Limited	**255,000**	255,000
Capital Industrial Enterprises (Private) Limited	**21,002**	21,002
Diamond Product (Private) Limited	**130,000**	130,000
	4,336,242	4,336,242

17	SURPLUS ON REVALUATION OF FIXED ASSETS		2018 Rupees	2017 Rupees
	Surplus on Land			
	Opening balance		**1,800,000**	1,800,000
	Add: Revaluation during the year		**-**	-
	Revaluation surplus on land		**1,800,000**	1,800,000
	Surplus on Buildings			
	Opening balance		**9,731,569**	9,731,569
	Add: Revaluation during the year	17.1	**-**	-
	Total revaluation surplus on building		**9,731,569**	9,731,569
	Less: Incremental depreciation charged in previous years		**6,049,818**	5,856,042
	Less: Incremental depreciation charged in current years		**184,088**	193,776
			6,233,906	6,049,818
	Revaluation surplus on building net off incremental depreciation		**3,497,663**	3,681,751
	Surplus on Plant and Machinery			
	Opening balance		**18,819,214**	18,819,214
	Add: Revaluation during the year	17.1	**-**	-
	Total revaluation surplus on plant and machinery		**18,819,214**	18,819,214
	Less: Incremental depreciation charged in previous years		**16,805,999**	16,582,308
	Less: Incremental depreciation charged in current years		**201,322**	223,691
			17,007,321	16,805,999
	Revaluation surplus on plant and machinery net off incremental depreciation		**1,811,893**	2,013,215
	Closing balance		**7,109,556**	7,494,966

17.1 Building and Plant & Machinery were revalued by Zafar Iqbal & Company as on June 22, 2016. Previously it was revalued by M/S RBS Associates (Pvt.) Ltd. on June 28, 2014 on the basis of current replacement values. Revaluation surplus was credited to surplus on revaluation of Fixed Assets account.

18 CONTINGENCIES AND COMMITMENTS

I. HIGH COURT OF SINDH AT KARACHI

a. First Capital ABN Amro Equities etc. Vs Iftikhar Shaffi etc.
(Suit No. 808/2000)

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

b. SCIL Vs Arif Habib and others.
(Suit No. 639/2003)

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

c. Aqeel Karim Dhedhi Securities Vs Iftikhar Shaffi etc.
(Suit No 607/2003)

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

d. Muhammad 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. **Shaffi Chemical Vs ABL** (F.A.O. 581/2015)

The said appeal was filed only to the extent of award of Cost of Fund to the ABL and is still pending adjudication before the Honorable Lahore High Court, Lahore.

b. **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. BANKING COURT LAHORE

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

An execution arising out of the referred interim decree was pending before the Lahore High Court, Lahore, however, the same was transferred to Banking Court No.IV, Lahore on account of pecuinary jurisdiction. Now, the proceedings of the case are fixed for arguments on a proposal filed by the company.

IV. 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 Honorable 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 was dismissed for non-prosecution on 27-10-15.

V. PESHAWAR HIGH COURT

a. **Deputy Registrar of companies Vs SCIL (Winding Up Petition)**

The Deputy Registrar Companies has initiated the winding up proceedings through C.C 1/2018 on the basis suspension of its business since 2014. In 2015 the company was dragged into frivolous litigation by ABL on account of which the business of the company suffered immensely. Recently the ABL and the company has mutually entered into a settlement and consequently all pending cases have been withdrawan by both sides. THe management of the company is now vigorously trying for revival of the company. The next date in winding up petition is fixed for 22-10-2018.

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.

			2018	2017
			Rupees	Rupees
19	**ADMINISTRATIVE EXPENSES**			
	Salaries, Wages & Benefits	19.1	**288,000**	288,000
	Communications		**98,339**	42,640
	Travelling and Conveyance		**-**	-
	Fees & Taxes		**235,734**	461,985
	Legal & Professional Charges		**459,000**	-
	Utilities		**1,086,063**	742,230
	Insurance		**39,367**	42,366
	Printing & Stationery		**240,820**	200,336
	Depreciation	8.2	**927,516**	1,009,420
			3,374,839	2,786,977

19.1 This includes gratuity amounting to Rs. Nil/- (2017: Nil)

19.2 The manufacturing expenses reclassified as administrative expenses are disclosed in **Note 32**.

19.3 The Note no. 19.1 also includes remuneration of Chief Executive amounting to Rs. 120,000/- (2017: 120,000/-)

		2018 Rupees	2017 Rupees
20 OTHER OPERATING INCOME			
Liabilities written off		-	97,771
Dividend income		5,468	-
Interest income		64	63
		5,532	97,834
21 OTHER OPERATING EXPENSES			
Auditors' Remuneration	21.1	175,000	176,500
		175,000	176,500
21.1 Auditors' Remuneration			
Audit Fee		135,000	135,000
Out of pocket		10,000	10,000
Half yearly review		30,000	31,500
		175,000	176,500
22 FINANCE COST			
Markup on Short Term Loans		799,798	438,343
Bank Charges		15,633	11,773
		815,431	450,116
23 TAXATION			
Current tax for the year	23.1	-	-
Prior year tax adjusted		-	(4,509,650)
Share of Tax of associated company		873,500	7,615,155
		873,500	3,105,505

23.1 Due to carry forward tax losses and no turnover during the year, tax liability is nil whether computed under normal tax regime or vide alternative corporate taxation or tax liability under section 113 of the Income Tax Ordinance, 2001, therefore tax provision is nil during the year.

23.2 Relationship between tax expenses and accounting profit

No reconciliation is required between the accounting profit and tax profit in the current year since the company has no income tax provision due to fact explained in 21.1.

24 EARNING/ (LOSS) PER SHARE-BASIC		2018	2017
(Loss) for the year after taxation	(Rupees)	(59,632,440)	5,983,927
Average No. of ordinary shares	(Numbers)	12,000,000	12,000,000
		(4.97)	0.50

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.

25 CASH GENERATED FROM OPERATIONS			
Profit before taxation		(58,758,940)	9,089,432
Adjustments for:			
Depreciation on property, plant and equipment		927,516	1,009,420
Impairment/(Reversal) of impairment on long term investment		(56,135,225)	(16,833,092)
Recognition of Financial liabilities		23,792,844	-
Share of profit/(loss) of associated company		86,741,583	4,427,901
Finance cost		815,431	450,116
Working capital changes	25.1	(63,183)	(207,525)
		56,078,967	(11,153,180)
		(2,679,973)	(2,063,748)

25.1 Working Capital Changes	2018 Rupees	2017 Rupees
(Increase) / Decrease in Current Assets		
Loans and Advances	3,804	(3,804)
Other Receivables	(340,531)	(160,116)
	(336,728)	(163,920)
Increase / (Decrease) in Current Liabilities		
Trade and Other Payables	273,545	(43,605)
Changes in Working Capital	(63,183)	(207,525)

26 FINANCIAL RISK MANAGEMENT

26.1 Financial risk factors

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

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

26.1.1 Market risk

(i) Currency risk

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

The company is not exposed to currency risks.

(ii) Other price risk

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

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company is geared only to the extent of borrowings as mentioned in **Note 26** and since these borrowings are under litigation so for the time being the company is exposed to the interest rate risk only to the extent of calculation of mark-up on loan from related party. 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:

Floating rate instruments		
Financial liabilities		
Short Term Borrowings - Secured	57,276,924	17,363,639

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

26.1.2 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:

	2018 Rupees	2017 Rupees
Investments	**3,893,484**	35,147,901
Long Term Deposits	**223,560**	223,560
Loans and Advances	**553,848**	448,929
Other Receivables	**2,148,166**	1,807,635
Cash and Bank Balances	**611,639**	605,968
	7,430,697	38,233,991

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			2018	2017
	Short Term	Long term	Agency	Rupees	Rupees
Banks					
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	**41,170**	53,937
Allied Bank Limited	A1+	AAA	PACRA	**39,903**	40,216
Silk Bank	A-2	A-	JCR-VIS	**181,691**	474,225
Askari Bank Limited	A1+	AA+	PACRA	**2,094**	2,094
Bank Alfalah Limited	A1+	AA+	PACRA	**970**	970
Summit Bank	A-1	A-	JCR-VIS	**2,698**	2,698
				268,526	574,140

The Company's exposure to credit risk and impairment losses related to trade debts is Nil due to no trade receivable during the year.

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.

26.1.3 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 2018

	Carrying Amount	Contractual Cash Flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	---------- (Rupees) ----------					
Non-derivative financial liabilities:						
Short Term Borrowings	-	-	-	-	-	-
Unclaimed Dividend	**2,690,056**	**2,690,056**	**2,690,056**	-	-	-
Payable to Director	**33,491,574**	**33,491,574**	**33,491,574**	-	-	-
Payable to associated company	**23,785,350**	**23,785,350**	**23,785,350**	-	-	-
Mark-up on Borrowings	**4,434,053**	**4,434,053**	**4,434,053**	-	-	-
Trade and Other Payables	**7,163,770**	**7,163,770**	**7,163,770**	-	-	-
	71,564,803	**71,564,803**	**71,564,803**	-	-	-

Contractual maturities of financial liabilities as at 30 June 2017

	Carrying Amount	Contractual Cash Flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	---------- (Rupees) ----------					

Non-derivative financial liabilities:

Payable to associated company	4,475,350	4,475,350	4,475,350	-	-	-
Unclaimed Dividend	2,690,056	2,690,056	2,690,056	-	-	-
Mark-up on Borrowings	3,634,255	3,634,255	3,634,255	-	-	-
Trade and Other Payables	6,890,225	6,890,225	6,890,225	-	-	-
	17,689,886	**17,689,886**	**17,689,886**	**-**	**-**	**-**

26.2 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:

26.3 Financial instruments by categories

	Fair value through profit & loss account	Loans and receivables	Available for sale	Total
	Rupees	Rupees	Rupees	Rupees
As at 30 June 2018				
Assets as per balance sheet				
Long Term Investment - Equity Method	**3,827,038**	**-**	**-**	**3,827,038**
Long Term Investment - Available for sale	**-**	**-**	**66,446**	**66,446**
Long Term Deposits	**-**	**223,560**	**-**	**223,560**
Loans and Advances	**-**	**553,848**	**-**	**553,848**
Other Receivables	**-**	**2,148,166**	**-**	**2,148,166**
Bank Balances	**-**	**268,526**	**-**	**268,526**
	3,827,038	**3,194,100**	**66,446**	**7,087,584**

	Financial liabilities at amortized cost
	Rupees
Liabilities as per balance sheet	
Long Term Loan from associated concern	**23,785,350**
Payable to Director	**33,491,574**
Mark-up on loan from associated concern	**4,434,053**
Unclaimed Dividend	**2,690,056**
Trade and other payables	**7,163,770**
	71,564,803

	Fair value through profit & loss account	Loans and receivables	Available for sale	Total
	Rupees	Rupees	Rupees	Rupees
As at 30 June 2017				
Assets as per balance sheet				
Long Term Investment - Equity Method	35,049,167			35,049,167
Long Term Investment - Available for sale			98,734	98,734
Long Term Deposits		223,560		223,560
Loans and Advances		448,929		448,929
Other Receivables		1,807,635		1,807,635
Bank Balances		574,140		574,140
	35,049,167	**3,054,263**	**98,734**	**38,202,163**

	Financial liabilities at amortized cost
	Rupees

Liabilities as per balance sheet

Long Term Loan from associated concern	4,475,350
Mark-up on loan from associated concern	3,634,255
Unclaimed Dividend	2,690,056
Trade and other payables	6,890,225
	17,689,886

27 RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

(i) Fair value hierarchy

Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the following three levels. An explanation of each level follows underneath the table.

Recurring fair value measurements At 30 June 2018	Level 1	Level 2	Level 3	Total
	.....Rupees.....			
Financial assets				
Fair value through profit & loss financial asset	**3,827,038**	**-**	**-**	**3,827,038**
Available for sale financial asset	**66,446**	**-**	**-**	**66,446**
Total financial assets	**3,893,484**	**-**	**-**	**3,893,484**

Recurring fair value measurements At 30 June 2017	Level 1	Level 2	Level 3	Total
	.....Rupees.....			
Financial assets				
Fair value through profit & loss financial asset	35,049,167	-	-	35,049,167
Available for sale financial asset	98,734	-	-	98,734
Total financial assets	35,147,901	-	-	35,147,901

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further, there was no transfer in and out of level 3 measurements.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include the use of quoted market prices.

28 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.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances. Total capital is calculated as equity as shown in the balance sheet plus net

	2018 Rupees	2017 Rupees
Total borrowings	**57,276,924**	17,363,639
Cash and bank balances	**(611,639)**	(605,968)
	56,665,285	12,282,322
Total equity	**(49,369,343)**	10,037,655
	7,295,942	26,795,326
Gearing ratio	**776.67%**	62.54%

29 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

No remuneration/other allowances were paid to the Directors (No. 6) of the company. The Chief Executive of the company is only entitled to a fixed remuneration, the detail of which is as follows:

	2018 Rupees	2017 Rupees
Remuneration	**120,000**	120,000

30 NUMBER OF EMPLOYEES

Number of employees as at year end	**1**	1

There is no employee except security guard of factory at daily wages.

Other officers of the Company like Company secretary, Chief Financial officer etc. are not drawing salary. Therefore number of employees are shown Nil

31 INSTALLED CAPACITY

	2018	2017
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)	**-**	-

Non utilization of DOP Plant and Diltex Binder Plant is mainly due to closure of manufacturing & trading activities & operations.

32 RECLASSIFICATION OF EXPENSES

	Rupees	Rupees
The following manufacturing expenses are reclassified as administrative expenses:		
Salaries, Wages & Other Benefits	**168,000**	168,000
Utilities	**1,086,063**	742,230
Insurance Expenses	**39,367**	42,366
Depreciation	**910,713**	990,750
	2,204,143	1,943,346

32.1 The manufacturing expenses are reclassified as administrative expenses because the production activities are not carried on during the period.

33 TRANSACTIONS WITH RELATED PARTIES.

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

The related parties comprise associated companies, key management personnel and staff retirement fund. Detail of transactions with the related parties whether especially disclosed elsewhere in these financial statements are as follows:

	2018	2017
	(Rupees in Million)	
Loan from Associated Concern		
Capital Industrial Enterprises (Private) Limited	**(23.785)**	(4.475)
Mark-up on loan from Associated Concern		
Capital Industrial Enterprises (Private) Limited	**(4.434)**	(3.634)
Loan from Director	**(33.492)**	-

34 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on **October 04, 2018** by the board of directors of the company.

35 CORRESPONDING FIGURES

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

36 GENERAL

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

Chief Executive **Chief Financial Officer** **Director**

Operating Highlights

Rupees "000"

		2013	2014	2015	2016	2017	2018
KEY INDICATORS							
OPERATING							
GROSS MARGIN	%	(23.24)	(38.12)	(0.00)	-	-	-
OPERATING MARGIN	%	(42.81)	236.11	(2,329.43)	-	-	-
PRE TAX MARGIN	%	(644.64)	2,130.24	(17,925.09)	-	-	-
NET MARGIN	%	(658.04)	2,184.44	(21,756.39)	-	-	-
PERFORMANCE							
RETURN ON ASSETS	%	0.1225	0.0254	(0.0408)	0.0464	0.1110	(4.0388)
ASSETS TURNOVER	Times	0.0002	-	-	-	-	-
FIXED ASSETS TURNOVER	Times	0.5805	0.0210	0.0031	-	-	-
INVENTORY TURNOVER	Times	3.9088	3.1147	2.0000	-	-	-
RETURN ON EQUITY	%	244.4608	(1,366.8519)	224.1584	(332.4555)	235.3385	(105.5830)
RETURN ON CAPITAL EMPLOYED	%	137.4852	(25.9101)	41.5764	19.0164	55.1305	(117.3674)
LEVERAGES							
DEBT:EQUITY	Times	(2.5665)	0.9903	1.5819	4.3971	1.7299	71.7731
LIQUIDITY							
CURRENT	Times	0.277	0.2219	0.301	0.0562	0.0652	0.0463
QUICK	Times	0.2284	0.2037	0.301	0.0562	0.0652	0.0463
VALUATION							
EARNING PER SHARE(PRE TAX)	Rs.	(6.0515)	2.7374	(3.1005)	1.2280	0.7575	(4.8960)
EARNING PER SHARE(AFTER TAX)	Rs.	(6.1773)	2.8071	(3.7632)	1.2365	0.4987	(4.9690)
BREAK UP VALUE	Rs.	(0.0025)	(0.2054)	(1.6788)	(0.3719)	0.2119	(4.7060)
HISTORICAL TRENDS							
TRADING RESULTS							
TURNOVER	Rs.	11,265	1,542	208	-	-	-
GROSS PROFIT/(LOSS)	Rs.	(2,618)	(588)	(0)	-	-	-
OPERATING PROFIT	Rs.	(4,822)	3,641	(4,835)	7,845	(2,866)	(3,544)
PROFIT/(LOSS) BEFORE TAX	Rs.	(72,618)	32,849	(37,206)	14,794	9,089	(58,759)
PROFIT/(LOSS) AFTER TAX	Rs.	(74,128)	33,685	(45,159)	14,839	5,984	(59,632)
FINANCIAL POSITION							
SHAREHOLDERS FUNDS	Rs.	(30,323)	(2,464)	(20,146)	(4,463)	2,543	(56,478)
PROPERTY, PLANT AND EQUIPMENT	Rs.	19,407	73,483	67,721	16,702	15,692	14,766
NET CURRENT ASSETS	Rs.	(17,235)	(8,883)	(10,500)	(38,720)	(40,803)	(68,251)
LONG TERM ASSETS	Rs.	53,917	130,007	108,616	46,455	51,064	18,882
LONG TERM LIABILITIES	Rs.	58,729	60,421	60,114	-	-	-

FORM 34

THE COMPANIES ACT, 2017
(Section 227(2)(f)
PATTERN OF SHAREHOLDING

1.1 Name of the Company **SHAFFI CHEMICAL INDUSTRIES LIMITED**

2.1. Pattern of holding of the shares held by the shareholders as at **30-06-2018**

2.2 No. of Shareholders	------Shareholdings------ From	To	Total Shares Held
296	1	100	21,943
330	101	500	157,332
115	501	1000	111,648
171	1001	5000	513,851
58	5001	10000	466,683
20	10001	15000	251,508
7	15001	20000	137,000
4	20001	25000	90,002
3	25001	30000	87,000
2	30001	35000	63,500
3	35001	40000	117,000
2	55001	60000	119,500
2	60001	65000	125,500
1	90001	95000	92,223
1	95001	100000	100,000
1	110001	115000	113,000
1	125001	130000	130,000
1	175001	180000	176,000
1	195001	200000	200,000
1	210001	215000	214,950
1	250001	255000	255,000
1	390001	395000	394,500
1	415001	420000	416,360
1	545001	550000	547,960
1	680001	685000	685,000
1	750001	755000	752,300
1	2005001	2010000	2,006,000
1	3650001	3655000	3,654,240
1028			12,000,000

2.3 Categories of shareholders	Share held	Percentage
2.3.1 Directors, Chief Executive Officers, and their spouse and minor children	1,297,450	10.8121%

2.3.2 Associated Companies, undertakings and related parties. (Parent Company)	4,336,242	36.1354%
2.3.3 NIT and ICP	500	0.0042%
2.3.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	--	--
2.3.5 Insurance Companies	--	--
2.3.6 Modarabas and Mutual Funds	--	--
2.3.7 Share holders holding 10% or more	5,760,240	48.0020%
2.3.8 General Public		
a. Local	6,348,633	52.9053%
b. Foreign	0	0.0000%
2.3.9 Others (to be specified)		
Joint Stock Companies	17,175	0.1431%

Catagories of Shareholding required under Code of Corporate Governance (CCG)
As on June 30, 2018

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. QAISER SALEEM KHAN	500	0.0042
3	MR. MUHAMMAD SAMEER	500	0.0042
4	MR. HASHIM ASLAM BUTT	500	0.0042
5	MR. ABDUL SHAKOOR	500	0.0042
6	MR. MOHIB HUSSAIN	500	0.0042
7	MR. IMRAN KABIR	500	0.0042
8	MRS. SEEMA IFTIKHAR W/O MR. IFTIKHAR A SHAFFI	394,500	3.2875
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	2,006,000	16.7167
3	MR. IFTIKHAR A. SHAFFI	899,950	7.4996
4	MR. MUBASHAR IFTIKHAR	752,300	6.2692

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:

S. No.	NAME	SALE	PURCHASE
	NIL		

FORM OF PROXY

SHAFFI CHEMICAL INDUSTRIES LIMITED

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 Saturday 27th October, 2018 at 10:00 a.m. and any adjournment thereof.

As witnessed given under my/our hand(s) _____ day of _____ 2018.

1) Witness:

Signature _____

Name _____

Address _____

_____ _____

_____

Signature of Member

2) Witness:

Signature _____ Shares Held _____

Name _____ Shareholder's Folio No._____

Address _____ CDC A/c No. _____

_____ CNIC No. _____

Note :

- 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 hall be submitted (unless it has been provided earlier) along with proxy form to the Company.

پراکسی کا فارم

شفیع کیمیکل انڈسٹریز لمیٹڈ

میں/ہم _____

کے _____

شفیع کیمیکل انڈسٹریز لمیٹڈ کا ممبر ہونے کے ناطے بطور پراکسی تقرر کرتا ہوں/ کرتے

کے _____ کے _____

کمپنی سالانہ اجلاس عام جو کہ 27 اکتوبر 2018 بروز ہفتہ صبح 10 بجے ہمارے رجسٹرڈ آفس، پلاٹ نمبر، 2 گدون امازے انڈسٹریل اسٹیٹ اسٹیٹ صوابی خیبر پختونخواہ میں منعقد ہوگا میں کمپنی کا کوئی دوسرا ممبر (کمپنی کے ممبر ہونے کے ناطے) جو میری/ہماری پراکسی کے طور پر شرکت کرے گا اور میری /ہماری جانب سے ووٹ دے گا۔

گواہی میں نے/ہم نے بقلم خود دی _____ بروز _____ 2018 _____

1) گواہ

دستخط _____

نام _____

پتہ _____

ممبر کے دستخط

دستخط _____ زیر ملکیت حصص _____

نام _____ شیئر ہولڈر کا فولیو نمبر _____

پتہ _____ سی ڈی سی اے/سی نمبر _____

_____ کمپیوٹرائزڈ شناختی کارڈ نمبر _____

نوٹ:

پراکسیز کو موثر بنانے کے لئے دستخط شدہ، تصدیق شدہ اور مہر شدہ پراکسیز کا کمپنی رجسٹرار کے دفتر میں اجلاس شروع ہونے سے 48 گھنٹے قبل پہنچ جانا ضروری ہے۔

سی ڈی سی شیئر ہولڈرز جو کہ اس اجلاس عام مے شرکت اور ووٹ دینے کا حق رکھتے ہیں، اپنی شناخت کی تصدیق کے لئے اپنے ہمراہ اپنا اصل کمپیوٹرائزڈ شناختی کارڈ/پاسپورٹ لانا ضروری ہے اور پراکسی کی صورت میں اس کے /اس کی کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقل جمع کروانی ضروری ہے۔ کارپوریٹ ممبرز کے نمائندے اپنے ہمراہ کاغذات لائیں گے جو اس مقصد کے لئے درکار ہیں۔

کارپوریٹ اداروں/سی ڈی سی اکاؤنٹ ہولڈرز کے لئے درج بالا کے ساتھ ساتھ نیچے دی گئی ضروریات بھی پوری کرنا ضروری ہے۔

(i) پراکسی فارم تصدیق دو افراد سے کروانا ہوگی، جن کے نام، پتے اور کمپیوٹرائزڈ قومی شناختی کارڈ نمبر فارم پر درج ہوں۔

(ii) مالکان کے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی تصدیق نقول اور پراکسی فارم کے ساتھ تقرر کیا جائے گا۔

(iii) پراکسی اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ اجلاس کے وقت فراہم کرے گا۔

کارپوریٹ ادارہ ہونے کی صورت میں، کمپنی کو بورڈ آف ڈائریکٹرز ریزولیشن/پاور آف اٹارنی کے ساتھ نمونے کے دستخط جمع کروانے ہوں گے (جب تک یہ پہلے فراہم نہیں کئے گئے)۔

SHAFFI CHEMICAL INDUSTRIES LIMITED
23 KM, MULTAN ROAD,MOHLANWAL, LAHORE, PAKISTAN
UAN: (0092-42) 111111666, 37540336-7, FAX: 37540335