



SHAFFI CHEMICAL INDUSTRIES LIMITED

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SHAFFI CHEMICAL INDUSTRIES LIMITED

CORPORATE PROFILE

BOARD OF DIRECTORS

1. Mr. Iftikhar Shaffi	Chief Executive	<i>(Executive)</i>
2. Mr. Shariq Iftikhar	Director	<i>(Executive)</i>
3. Mr. Bilal Ejaz	Director	<i>(Independent)</i>
4. Mr. Muhammad Sameer	Director	<i>(Non-Executive)</i>
5. Mr. Hashim Aslam Butt	Director	<i>(Non-Executive)</i>
6. Mr. Abdul Shakoor	Director	<i>(Non-Executive)</i>
7. Mr. Mohib Hussain	Director	<i>(Non-Executive)</i>

COMPANY SECRETARY

- Mr Zahoor Ahmad

AUDIT COMMITTEE

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

HUMAN RESOURCE & REMUNERATION COMMITTEE

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

LEGAL ADVISOR

- A.K. Minhas Law Associates

AUDITORS

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

BANKERS

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

REGISTERED OFFICE

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

FACTORY

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

PRINCIPLE OFFICE

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

SHARE REGISTRAR

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



SHAFFI CHEMICAL INDUSTRIES LIMITED

DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors of **Shaffi Chemical Industries Limited** I am pleased to place before you the unaudited quarterly financial statements of the company for the quarter ended March 31, 2016.

FINANCIAL HIGHLIGHTS:

Sales-net during the period under review are Rs. NIL comparing to Rs. 0.208 M of the corresponding quarterly accounts for the period ended March 31, 2015. Gross Profit/(Loss) is also NIL as against Gross Profit/(Loss) of Rs. NIL of the corresponding quarter ended March 31, 2015. Profit/(Loss) after taxation is Rs. 20.052 M comparing to Rs. (43.639) M of the previous quarter ended March 31, 2015. The disputed cases related to First Capital ABN AMRO equities (Pakistan) Ltd, Lahore Stock Exchange and others are contested vigorously at its proper forums by your company and are explained in the latest annual financial statements under the title "Contingencies and Commitments".

FUTURE OUTLOOK:

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

EARNING PER SHARE:

The earnings per share of the company for the quarter under review is Rs. 1.67 as compared to Rs. (3.64) in the corresponding quarter ended 31st March, 2015.

ACKNOWLEDGEMENT:

The Board of Directors deeply expresses its appreciation to the staff, workers and all other stakeholders for their continued support in achieving the reported level of performance.

For and on behalf of Board

IFTIKHAR SHAFFI
Chief Executive

Lahore

Dated:- 26th April, 2016



SHAFFI CHEMICAL INDUSTRIES LIMITED

CONDENSED INTERIM BALANCE SHEET As At March 31, 2016 (Un-Audited)

	Note	March 31, 2016 (Un-Audited)		June 30, 2015 (Audited)	
		Book Value	Estimated Realisable/ Settlement Value	Book Value	Estimated Realisable/ Settlement Value
ASSETS					
Cash and Bank Balances		542,602	542,602	539,246	539,246
Trade Debts		-	-	-	-
Loans and Advances		413,731	413,731	198,251	198,251
Other Receivables		1,651,682	1,576,504	1,452,942	1,377,764
Security Deposits		223,560	223,560	223,560	223,560
Investments	5	31,908,236	34,756,895	40,671,283	38,398,910
Property, Plant and Equipment	6	63,778,284	61,977,019	67,721,087	61,977,019
TOTAL ASSETS		98,518,094	99,490,310	110,806,369	102,714,750
LIABILITIES					
Accrued and Other Payables		10,099,256	10,099,256	9,755,420	9,755,420
Accrued Markup		16,403,648	16,403,648	2,932,687	2,932,687
Borrowings		16,128,336	16,128,336	60,114,050	60,114,050
Deferred Income Tax	7	-	-	-	-
Provision for Taxation		-	-	2,076	2,076
TOTAL LIABILITIES		42,631,240	42,631,240	72,804,232	72,804,232
NET ASSETS		55,886,854	56,859,070	38,002,137	29,910,518
REPRESENTED BY:-					
Authorised 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					
12,000,000 Ordinary shares of Rs. 10/- each fully paid in cash	8	120,000,000	120,000,000	120,000,000	120,000,000
Fair Value Reserve		6,721	6,721	7,477	7,477
Accumulated Profits		(118,830,711)	(118,830,711)	(140,153,339)	(140,153,339)
Share Holders' Equity		1,176,011	1,176,011	(20,145,862)	(20,145,862)
Surplus on Revaluation of Property, Plant and Equipments		54,710,843	-	58,147,998	-
Net Surplus on Estimated Realisable/Settlement Value		-	55,683,060	-	50,056,379
Contingencies & Commitments	9	-	-	-	-
		55,886,854	56,859,070	38,002,137	29,910,518

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.


Chief Executive


Director



SHAFFI CHEMICAL INDUSTRIES LIMITED

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT For The Period Ended March 31, 2016 (Un-Audited)

	Note	Nine Months Ended		Quarter Ended	
		March 31, 2016 Rupees	March 31, 2015 Rupees	March 31, 2016 Rupees	March 31, 2015 Rupees
Sales - net		-	207,565	-	-
Cost of Sales	10	-	(207,565)	-	-
Gross Profit / (Loss)		-	-	-	-
Distribution Expenses		-	-	-	-
Administrative Expenses		(5,197,582)	(6,271,773)	(1,745,259)	(2,087,677)
Other Operating Income		258,034	1,948,436	6,709	590,831
		(4,939,548)	(4,323,337)	(1,738,550)	(1,496,846)
		(4,939,548)	(4,323,337)	(1,738,550)	(1,496,846)
Finance Cost		(858,448)	(1,461,412)	(105,266)	(491,320)
		(5,797,996)	(5,784,749)	(1,843,816)	(1,988,166)
Derecognition of Financial Liabilities		32,445,761	-	-	-
		26,647,765	(5,784,749)	(1,843,816)	(1,988,166)
(Impairment) / Reversal of Impairment on Long Term Investment	5.1	(14,014,946)	(29,182,332)	(3,086,296)	(16,805,131)
		12,632,819	(34,967,081)	(4,930,112)	(18,793,297)
Share of Profit / (Loss) of Associated Company		2,818,235	(1,330,101)	4,375,914	306,971
Profit / (Loss) before Taxation		15,451,054	(36,297,182)	(554,198)	(18,486,326)
Taxation					
-Current	11	-	(2,076)	-	-
-Share of Tax of Associated Company		4,601,116	(7,339,988)	(1,345,822)	(7,417,544)
		4,601,116	(7,342,064)	(1,345,822)	(7,417,544)
Profit / (Loss) after Taxation		20,052,170	(43,639,245)	(1,900,020)	(25,903,870)
Earnings per share	12	1.67	(3.64)	(0.16)	(2.16)

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

Chief Executive

Director



SHAFFI CHEMICAL INDUSTRIES LIMITED

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME For The Period Ended March 31, 2016 (Un-Audited)

	Nine Months Ended		Quarter Ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	Rupees	Rupees	Rupees	Rupees
PROFIT / (LOSS) FOR THE PERIOD	20,052,170	(43,639,245)	(1,900,020)	(25,903,870)
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss				
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain / (loss) arising on remeasurement of available for sale investments of associated companies	819,789	2,794,124	(273,021)	763,314
Unrealized gain / (loss) arising on remeasurement of available for sale investments	(756)	305	968	(3,713)
Other Comprehensive income for the period	819,033	2,794,429	(272,053)	759,601
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	20,871,203	(40,844,816)	(2,172,073)	(25,144,269)

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

Chief Executive

Director



SHAFFI CHEMICAL INDUSTRIES LIMITED

CONDENSED INTERIM STATEMENT OF CASH FLOWS For The Period Ended March 31, 2016 (Un-Audited)

	March 31, 2016 Rupees	March 31, 2015 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/ (Loss) before taxation	15,451,054	(36,297,182)
Adjustments for :		
Depreciation	3,942,803	4,321,084
Impairment/(Reversal of impairment) on long term investment	14,014,946	29,182,332
Share of (profit) / loss of associated company	(2,818,235)	1,330,101
Provision for gratuity	-	55,287
Interest income	(66)	(2,070)
Finance cost	858,448	1,461,412
	15,997,896	36,348,146
Operating Profit before Working Capital Changes	31,448,950	50,964
Changes in Working Capital		
(Increase) / Decrease in Current Assets		
Stock in Trade	-	207,569
Loans and Advances	(215,480)	2,108
Other Receivables	(198,740)	(54,943)
	(414,220)	154,734
Increase / (Decrease) in Current Liabilities		
Trade and Other Payables	343,836	(222,552)
Changes in Working Capital	(70,384)	(67,818)
Cash Generated from / (used in) Operations	31,378,566	(16,854)
Taxes Paid	(2,076)	(27,818)
Finance Cost Paid	12,612,513	(22,042)
Net Cash Generated from / (Used in) Operating Activities	43,989,003	(66,714)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Cash Generated from Investing Activities	-	-
Net Cash Flows Before Financing Activities	43,989,003	(66,714)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short Term Borrowings	(43,985,714)	-
Interest Income	66	2,070
Net Cash Flows From Financing Activities	(43,985,648)	2,070
Net Increase / (Decrease) in Cash & Cash Equivalents	3,355	(64,645)
Cash & Cash Equivalents at the Beginning	539,246	647,799
Cash & Cash Equivalents at the End	542,602	583,154

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

Chief Executive

Director



SHAFFI CHEMICAL INDUSTRIES LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY For The Period Ended March 31, 2016 (Un-Audited)

	CAPITAL RESERVES		REVENUE RESERVES		TOTAL RESERVES	TOTAL EQUITY
	SHARE CAPITAL	Fair Value Reserve	(Accumulated Loss) / Unappropriated Profit	(Rupees)		
Balance as at 01 July 2014	120,000,000	4,832	(122,469,263)	(122,464,431)	(2,464,431)	
Effect of items directly credited in equity by the associated companies	-	-	19,425,571	19,425,571	19,425,571	
Incremental depreciation on surplus on revaluation of property, plant & equipment	-	-	3,765,030	3,765,030	3,765,030	
Loss for the period	-	-	(43,639,245)	(43,639,245)	(43,639,245)	
Other comprehensive income for the period	-	305	2,794,124	2,794,429	2,794,429	
Total comprehensive loss for the period	-	305	(40,845,121)	(40,844,816)	(40,844,816)	
Balance as at 31 March 2015	120,000,000	5,137	(140,123,783)	(140,118,646)	(20,118,646)	
Balance as at 01 July 2015	120,000,000	7,477	(140,153,339)	(140,145,862)	(20,145,862)	
Effect of items directly credited in equity by the associated companies	-	-	(2,986,486)	(2,986,486)	(2,986,486)	
Incremental depreciation on surplus on revaluation of property, plant & equipment	-	-	3,437,155	3,437,155	3,437,155	
Profit for the period	-	-	20,052,170	20,052,170	20,052,170	
Other comprehensive income for the period	-	(756)	819,789	819,033	819,033	
Total comprehensive income for the period	-	(756)	20,871,959	20,871,203	20,871,203	
Balance as at 31 March 2016	120,000,000	6,721	(118,830,711)	(118,823,990)	1,176,010	

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

Chief Executive

Director



SHAFFI CHEMICAL INDUSTRIES LIMITED

CONDENSED INTERIM NOTES TO THE FINANCIAL INFORMATION For The Period Ended March 31, 2016 (Un-Audited)

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 of Pakistan. The main activity of the company is to manufacture and process of Di-Octyle-Ortho Phthalates (DOP) Chemicals. In the current years, the company produced Lith and Diltex Binder. The registered office of the company is situated at Gadoon Amazai, Industrial Estate, Swabi, Khyber Pakhtoonkhwan.

2 GOING CONCERN ASSUMPTION

During the nine months ended March 31, 2016, the company reported profit after taxation of Rupees **20.052 Million**. The company has accumulated losses and shareholders' equity Rupees **118.831 Million** and Rupees **1.176 Million** respectively as on March 31, 2016. During the nine months Sales of company have decreased from **0.208 Million** to Nil. Company remained closed for nine months. Management of the company has 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.

3 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 management's 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.

These condensed interim financial statements are un-audited and are submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984. These interim financial statements are prepared in accordance with the requirements of the International Accounting Standards 34 " Interim Financial Reporting ".

4 ACCOUNTING POLICIES

The accounting policies adopted in preparation of these financial statements are the same as those applied in the preparation of the preceding annual audited published financial statements of the Company.

Un-Audited	Audited
March 31, 2016	June 30, 2015
Rupees	Rupees

5 INVESTMENTS

Long term investment in associated company under equity method	5.1	31,891,329	40,653,621
Long term investment available for sale		16,907	17,662
		31,908,236	40,671,283



SHAFFI CHEMICAL INDUSTRIES LIMITED

5.1 Long term investment in associated company under equity method

Long term investment in associated company under equity method	103,778,525	98,525,871
Less: Impairment loss		
At the beginning of the period	57,872,250	37,703,275
Impairment loss for the period	14,014,946	20,168,975
At the end of the period	71,887,196	57,872,250
	31,891,329	40,653,621

Un-Audited	Audited
March 31, 2016	June 30, 2015
Rupees	Rupees

6 PROPERTY, PLANT AND EQUIPMENT

Book value at the beginning of the period	67,721,087	73,482,532
Less: Depreciation charged during the period	6.1 (3,942,803)	(5,761,445)
	63,778,284	67,721,087

6.1 Allocation of Depreciation

Cost of Goods Sold	-	-
Administrative Expenses	3,942,803	5,761,445
	3,942,803	5,761,445

7 DEFERRED INCOME TAX

Mar 2016		
Balance at the beginning of the period	Recognized in profit & loss account	Balance at the end of the period
Accelerated tax depreciation allowance	1,308,099	260,936
Surplus on revaluation of property, plant and equipment	19,188,839	(1,681,368)
Provision for doubtful debts	(4,253,319)	4,253,319
Net temporary differences	16,243,619	2,832,887
Effect of accumulated tax losses	(66,406,865)	2,012,329
	(50,163,247)	(64,394,536)
Non-recognition of deferred tax asset	7.1 50,163,247	4,845,217
	-	(45,318,030)
	-	45,318,030
	-	-

7.1 Deferred tax asset of Rs. **45.318 million (2015: 50.163million)** 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.

8 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Number of shares		Un-Audited	Audited
March 31, 2016	June 30, 2015	March 31, 2016	June 30, 2015
		Rupees	Rupees
12,000,000	12,000,000 Cash	120,000,000	120,000,000
12,000,000	12,000,000	120,000,000	120,000,000

9 CONTINGENCIES AND COMMITMENTS

There is no major change in contingencies and commitments as have been disclosed in last audited financial statement of the Company, except as explained in **note 9.1**.



SHAFFI CHEMICAL INDUSTRIES LIMITED

9.1 That the plaintiff i.e Allied Bank Limited instituted a Civil Original Suit No. 25/2005 for recovery of Rs. 96,709,921.19/- against the applicants /appellants in October 2005. The said suit was duly contested by the defendants. On 27-11-2006, the learned judge passed an interim decree of Rs. 37,689,574/- against the SCIL i.e. defendant No. 1. Later on, leave was granted to the SCIL vide order dated 3-3-2008. Thereafter, the interim decree was also passed against the rest of the defendants vide order dated 8-3-2010 and leave was granted to them.

Thereafter the bank filed execution proceedings seeking recovery of interim decree. The respondent bank specifically mentioned total amount of recoverable as Rs. 37,689,574/-. However, an amount of Rs. 24,801,285/-, which was paid during the pendency of the suit, was not accounted for by the respondent bank. The said amount was adjusted pursuant to the orders passed by trial court vide order dated 13-10-2009. Thereafter, the bank also filed statement regarding outstanding decretal amount showing amount recoverable under interim decree Rs. 12,888,289/-.

During the course of evidence there were witnesses who were summoned through process of the Court including one witness namely Mr. Naeem Mukhtar, who was the key witness of a settlement duly reached between the parties. The said witness after having partial Examination in Chief refused to appear before the court. The bank in order to avoid the evidence of the said witness filed an application C.M. No. 511-B/2015 whereby the bank forego its balance claim, and, inter alia, sought for cost of funds. The learned Single Bench disposed of the said applications vide order dated 17-06-2015 refused to pass a Final Decree, however as per management the cost of fund under section 3 of the Ordinance, is unjustified.

10 COST OF SALES

	Nine Months Ended (Un-Audited)		Quarter Ended (Un-Audited)	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	Rupees	Rupees	Rupees	Rupees
Cost of goods manufactured	-	-	-	-
Opening stock of finished goods	-	207,565	-	-
Closing Stock of finished goods	-	207,565	-	-
	-	207,565	-	-

11 TAXATION

	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	Rupees	Rupees	Rupees	Rupees
Taxation - minimum turnover tax	-	(2,076)	-	-
	-	(2,076)	-	-

12 EARNINGS PER SHARE

	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	Rupees	Rupees	Rupees	Rupees
Profit / (loss) after taxation	20,052,170	(43,639,245)	(1,900,020)	(25,903,870)
	Number of shares		Number of shares	
Issued, Subscribed and Paid up Capital	12,000,000	12,000,000	12,000,000	12,000,000
	Number of shares		Number of shares	
	12,000,000	12,000,000	12,000,000	12,000,000
	Number of shares		Number of shares	
	12,000,000	12,000,000	12,000,000	12,000,000
	Number of shares		Number of shares	
	12,000,000	12,000,000	12,000,000	12,000,000
Earnings per share	1.67	(3.64)	(0.16)	(2.16)

13 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.

The related parties comprises of associated companies, directors of the companies, key management personnels and staff retirement funds.

Detail of transactions with related parties:

	Un-Audited March 31, 2016	Audited June 30, 2015
	Rupees in Millions	
Sales		
Diamond Products (Private) Limited	-	(0.243)
Symbol Industries (Private) Limited	-	(0.205)
Payable to related party		
Capital Industrial Enterprises (Private) Limited	(0.522)	-
Loan from related party		
Capital Industrial Enterprises (Private) Limited	(3.240)	(14.780)
Mark-up on loan from related party		
Capital Industrial Enterprises (Private) Limited	(3.093)	(2.237)

14 Figures have been rounded off to the nearest rupee.

15 These condensed set of interim financial information was authorised for issue on April 26, 2016 by the board of directors of the Company.

Chief Executive

10

Director