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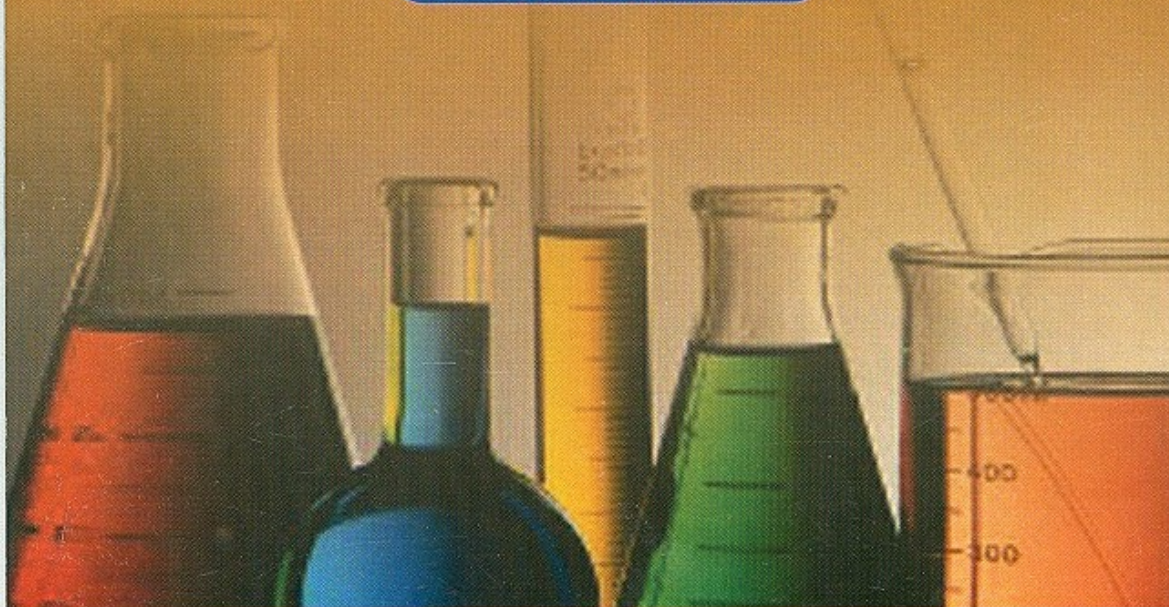
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**SHAFFI CHEMICAL
INDUSTRIES LIMITED**

3rd Quarterly

REPORT

March 31, 2014





SHAFFI CHEMICAL INDUSTRIES LIMITED

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SHAFFI CHEMICAL INDUSTRIES LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS

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

COMPANY SECRETARY

- Mr Nazir Ahmed

AUDIT COMMITTEE

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

HUMAN RESOURCE & REMUNERATION COMMITTEE

1.	Mr. Sohail Malik	Chairman	<i>(Non-Executive 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

- M/S HLB Ijaz Tabussum & Co. (Chartered Accountants)

BANKERS

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

REGISTERED OFFICE

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

FACTORY

- Plot No. 2, Gadoon Amazai, Industrial Estate, Swabi, Khyber Pakhtoonkhwa
Tel: 0938-270597, 270297
E.mail: scil_gad@hotmail.com

PRINCIPAL OFFICE

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

SHARE REGISTRAR

- M/s Corplink (Pvt) Limited
Wing Arcade, 1-K Commercial, Model Town, Lahore
Tel: 042-35839182, 35887262
Fax: 042-35869037



SHAFFI CHEMICAL INDUSTRIES LIMITED

DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors of **Shaffi Chemical Industries Ltd.**, I place before you the quarterly financial statements of the company for the quarter ended March, 31, 2014.

FINANCIAL HIGHLIGHTS:

Due to suspension of industrial activities during the quarter under review, Sales-net are nil comparing to Rs. 2.997 M of the corresponding quarterly accounts of 31/03/2013. Similarly Gross Profit/Loss is nil as against Gross Profit/Loss of Rs. 0.112 M of the corresponding quarter ended 31/03/2013. 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 for the P.E. 30th June, 2013 under the title "Contingencies and Commitments".

FUTURE OUTLOOK:

As informed earlier in the annual report P.E. 30th June, 2013 and half yearly report for the P.E. 31st December, 2013 that due to persistent recession, increase in the financial cost and 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 in the remote area of Gadoon Amazai is even unable to meet the manufacturing cost of goods and 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 are Rs. (0.03) as compared to Rs. 0.08 in the corresponding quarter ended 31st March, 2013.

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

Lahore

Dated:- 28th April, 2014

IFTIKHAR SHAFFI
Chief Executive



SHAFFI CHEMICAL INDUSTRIES LIMITED

CONDENSED INTERIM BALANCE SHEET

As at March 31, 2014 (Un-Audited)

EQUITY AND LIABILITIES	Note	Un-Audited	Audited
		March 31, 2014	June 30, 2013
		Rupees	Rupees
			Restated
SHARE CAPITAL AND RESERVES			
Authorised Capital			
12,000,000 Ordinary shares of Rs. 10/- each		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	5	120,000,000	120,000,000
Fair Value Reserve		6,289,586	3,340,115
Accumulated Profit		(159,347,020)	(150,429,198)
		(33,057,434)	(27,089,083)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
		5,076,116	5,379,190
NON-CURRENT LIABILITIES			
Long Term Loan		-	11,250,764
Deferred Liabilities	6	300,856	1,806,561
		300,856	13,057,325
CURRENT LIABILITIES			
Trade and Other Payables		35,436,718	23,087,511
Accrued Interest on Borrowings		696,000	696,000
Short Term Borrowings - Secured		49,991,574	49,991,574
Provision for Taxation		59,795	56,325
		86,184,087	73,831,410
CONTINGENCIES AND COMMITMENTS			
	7	-	-
TOTAL EQUITY AND LIABILITIES			
		58,503,627	65,178,842
ASSETS			
NON-CURRENT ASSETS			
Property, Plant and Equipment	8	18,328,010	19,406,597
Long Term Deposits		223,560	223,560
Long Term Investments	9	30,493,808	34,286,750
CURRENT ASSETS			
Stock in Trade	10	1,078,847	1,160,077
Trade Debts		976,204	1,988,399
Loans and Advances		544,890	414,426
Other Receivables		6,140,248	6,165,795
Cash and Bank Balances		718,060	1,533,238
		9,458,249	11,261,935
TOTAL ASSETS			
		58,503,627	65,178,842

The annexed notes form an integral part of this financial information.

Chief Executive

Director



SHAFFI CHEMICAL INDUSTRIES LIMITED

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT For The Period Ended March 31, 2014 (Un-Audited)

	Note	Nine Months Ended		Quarter Ended	
		March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
		Rupees	Rupees	Rupees	Rupees
Sales - net		1,542,051	9,073,123	-	2,997,162
Cost of Sales	11	(1,755,585)	(8,791,022)	-	(2,885,056)
Gross Profit / (Loss)		(213,534)	282,101	-	112,106
Distribution Expenses		(60,971)	(49,695)	(3,000)	(10,752)
Administrative Expenses		(2,577,182)	(2,579,891)	(676,166)	(678,834)
Other Operating Income		450,192	32,245	3,284	2,619
		(2,187,961)	(2,597,341)	(675,882)	(686,967)
		(2,401,495)	(2,315,240)	(675,882)	(574,861)
Finance Cost		(17,193)	(21,040)	(11,713)	(8,847)
			(2,336,280)	(687,595)	(583,708)
Share of profit / (loss) of associated company		(5,347,709)	6,062,237	(772,282)	1,589,083
Profit / (Loss) before Taxation		(7,766,397)	3,725,957	(1,459,877)	1,005,375
TAXATION					
-Current	12	(59,795)	(45,366)	-	(14,986)
-Share of tax of associated company		940,514	(1,215,343)	1,048,034	(54,386)
		880,719	(1,260,709)	1,048,034	(69,372)
Profit / (Loss) after Taxation		(6,885,678)	2,465,248	(411,843)	936,004
Earnings per share	13	(0.57)	0.21	(0.03)	0.08

The annexed notes form an integral part of this financial information.

Chief Executive

Director



SHAFFI CHEMICAL INDUSTRIES LIMITED

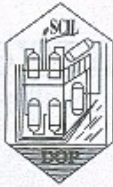
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME For The Period Ended March 31, 2014 (Un-Audited)

	Nine Months Ended		Quarter Ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	Rupees	Rupees	Rupees	Rupees
PROFIT / (LOSS) FOR THE PERIOD	(6,883,678)	2,465,248	(411,843)	935,004
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	(5,087,510)	3,165,020	(2,048,920)	3,455,590
Reversal of impairment loss / (impairment loss) on long term investments	2,713,527	-	(2,487,376)	-
Unrealized gain arising on remeasurement of available for sale investments	2,949,471	-	(329,776)	-
Other Comprehensive income for the period	575,488	3,165,020	(4,866,072)	3,455,590
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(6,310,190)	5,630,268	(5,277,915)	4,391,594

The annexed notes form an integral part of this financial information.

Chief Executive

Director



SHAFFI CHEMICAL INDUSTRIES LIMITED

CONDENSED INTERIM STATEMENT OF CASH FLOWS For The Period Ended March 31, 2014 (Un-Audited)

	March 31, 2014 Rupees	March 31, 2013 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/ (Loss) before taxation	(7,766,397)	3,725,957
Adjustments for :		
Depreciation	1,078,587	1,184,296
Share of profit / (loss) of associated company	5,347,709	(6,062,237)
Provision for gratuity	522,921	122,128
Interest Income	(6,442)	(32,245)
Finance Cost	17,193	21,040
Operating Profit/(Loss) before Working Capital Changes	(806,428)	(1,041,061)
Changes in Working Capital		
(Increase) / Decrease in Current Assets		
Stock in Trade	81,230	2,549,720
Trade Debts	1,012,196	(3,045,091)
Loans and Advances	(130,464)	1,261,722
Other Receivables	25,547	818,153
	988,509	1,584,504
Increase / (Decrease) in Current Liabilities		
Trade and Other Payables	12,349,207	411,595
Changes in Working Capital	13,337,716	1,996,099
Cash Generated from / (used in) Operations	12,531,288	(955,038)
Taxes paid	(56,325)	-
Gratuity paid/adjusted	(2,028,626)	-
Finance Cost Paid	(17,193)	(21,040)
	(2,102,144)	(21,040)
Net Cash Generated from / (Used in) Operating Activities	10,429,144	(933,998)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Cash Generated from Investing Activities	-	-
Net Cash Flows Before Financing Activities	10,429,144	(933,998)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short Term Borrowings	-	-
Interest Income	6,442	32,245
Loan from Directors	(11,250,764)	-
Net Cash Flows From Financing Activities	(11,244,322)	32,245
Net Increase / (Decrease) in Cash & Cash Equivalents	(815,178)	966,243
Cash & Cash Equivalents at the Beginning	1,533,238	1,754,734
Cash & Cash Equivalents at the End	718,060	2,720,977

The annexed notes form an integral part of this financial information.

Chief Executive

Director



SHAFFI CHEMICAL INDUSTRIES LIMITED

SHAFFI CHEMICAL INDUSTRIES LIMITED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY For The Period Ended March 31, 2014 (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 2012	120,000,000		(53,212,459)	(53,212,459)	36,787,541
Prior year errors (Note 4)			3,134,041	3,134,041	3,134,041
Balance as at 01 July 2012 (Restated)	120,000,000		(50,078,458)	(50,078,458)	39,921,542
Effect of items directly credited in equity by the associated companies			(54,205)	(54,205)	(54,205)
Incremental depreciation on surplus on revaluation of property, plant & equipment-net off deferred tax			330,879	330,879	330,879
Profit for the period			2,465,248	2,465,248	2,465,248
Other comprehensive income for the period			3,165,020	3,165,020	3,165,020
Total comprehensive income for the period			5,630,268	5,630,268	5,630,268
Balance as at 31st March, 2013	120,000,000		(74,171,516)	(74,171,516)	45,828,484
Balance as at 01 July 2013 (Restated)	120,000,000	3,540,115	(150,429,158)	(147,089,053)	(27,089,053)
Effect of items directly credited in equity by the associated companies			38,765	38,765	38,765
Incremental depreciation on surplus on revaluation of property, plant & equipment-net off deferred tax			303,074	303,074	303,074
Loss for the period			(6,855,678)	(6,855,678)	(6,855,678)
Other comprehensive loss for the period		2,949,471	(2,373,983)	575,488	575,488
Total comprehensive loss for the period		2,949,471	(9,259,661)	(6,310,190)	(6,310,190)
Balance as at 31st March, 2014	120,000,000	6,289,586	(159,347,020)	(153,057,434)	(33,057,434)

The annexed notes form an integral part of these financial statements

Chief Executive

Director



SHAFFI CHEMICAL INDUSTRIES LIMITED

CONDENSED INTERIM NOTES TO THE FINANCIAL INFORMATION For The Period Ended March 31, 2014 (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. Currently, the company is producing Lith and Diltex Binder. The registered office of the company is situated at Gadoon Amazai, Industrial Estate, Sawabi, Khyber Pakhtoonkhwa.

2 BASIS OF PREPARATION

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

3 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.

4 PRIOR YEAR ERRORS

The following inadvertent errors were corrected and restated whenever required:

- 4.1 The management while incorporating surplus on revaluation of property, plant and equipment and incremental depreciation thereon wrongly/erroneously recorded the same without the effect of deferred taxation. Consequently, the surplus on revaluation of property, plant and equipment and incremental depreciation thereon were overstated and related deferred tax liability was understated. Later on, the related deferred tax liability on revaluation surplus was rectified but the surplus on revaluation of property, plant and equipment and incremental depreciation thereon were not rectified. Now, the error has been rectified by restating the prior years and the effect of the error is as follows:

Impact of the errors on financial statements

	2013		Impact
	Previously reported Rupees	Restated Rupees	
Effect on total comprehensive income			
Increase/(decrease) in income			
Incremental depreciation on surplus on revaluation of property, plant and equipment	678,726	441,172	(237,554)
Effect on balance sheet			
(Increase)/decrease in surplus on revaluation of fixed assets			
Surplus on revaluation of property, plant and equipment	8,954,403	5,820,362	3,134,041
Net impact as on July 1, 2013			2,896,487
Effect on equity as on July 1, 2013			
Increase/(decrease) in unappropriated losses			
Unappropriated losses	(153,325,685)	(150,429,198)	(2,896,487)



SHAFFI CHEMICAL INDUSTRIES LIMITED

	2012		
	Previously reported Rupees	Restated Rupees	Impact Rupees
Effect on total comprehensive income			
Increase/(decrease) in income			
Incremental depreciation on surplus on revaluation of property, plant and equipment	741,467	481,954	(259,513)
Effect on balance sheet			
(Increase)/decrease in surplus on revaluation of fixed assets			
Surplus on revaluation of property, plant and equipment	9,695,870	6,302,315	3,393,554
Net impact as on July 1, 2012			3,134,041
Effect on equity as on July 1, 2012			
Increase/(decrease) in unappropriated losses			
Unappropriated losses	(83,212,499)	(80,078,458)	(3,134,041)

4.2 The financial statements of the associated company were restated by the management of that company and consequently, the long term investment in associated company under equity method and impairment losses thereon were understated. The long term investment in associated company and accumulated impairment losses thereon has been restated as:

	2013		
	Previously reported Rupees	Restated Rupees	Impact Rupees
Effect on balance sheet			
Increase/(decrease) in assets			
Long term investments under equity method at the year end	104,550,818	103,085,790	(1,465,028)
Accumulated impairment losses at the year end	(74,679,368)	(73,214,340)	1,465,028
Net impact as on June 30, 2013	29,871,450	29,871,450	-
Effect on equity as on June 30, 2013			
(Increase)/decrease in unappropriated profits & losses			
Unappropriated profits & losses			-

5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Number of shares		Un-Audited	Audited
March 31, 2014	June 30, 2013	March 31, 2014	June 30, 2013
		Rupees	Rupees
12,000,000	12,000,000	120,000,000	120,000,000
12,000,000	12,000,000	120,000,000	120,000,000

6 DEFERRED LIABILITIES

	Un-Audited	Audited
	March 31, 2014	June 30, 2013
	Rupees	Rupees
Gratuity-defined benefit plan	300,856	1,806,561
Deferred taxation	6.1	
	300,856	1,806,561



SHAFFI CHEMICAL INDUSTRIES LIMITED

6.1 Deferred Taxation

Accelerated tax depreciation allowance
Surplus on revaluation of property, plant and equipment
Provision for doubtful debts
Provision for slow moving stock
Provision for gratuity
Net temporary differences
Effect of accumulated tax losses
Non-recognition of deferred tax asset

	March 2014		
	Balance at the beginning of the period	Recognized in profit & loss account	Balance at end of the period
	1,414,415	(5,765)	1,408,649
	2,896,487	(163,193)	2,733,294
	(5,229,690)	-	(5,229,690)
	(268,095)	-	(268,095)
	(632,296)	527,582	(104,714)
	(1,819,179)	358,623	(1,460,556)
	(67,055,112)	(1,604,646)	(68,659,758)
	(68,874,291)	(1,246,023)	(70,120,314)
6.2	68,874,291	1,246,023	70,120,314

6.2 Deferred tax asset of Rs. 70,120 million (2013: 68,874 million; 2012: 51,135 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 the asset can be utilized.

7 CONTINGENCIES AND COMMITMENTS

There is no major change in contingencies and commitments as have been disclosed in last audited financial statement of the Company.

8 PROPERTY, PLANT AND EQUIPMENT

Book value at the beginning of the period	19,406,597	20,985,659
Less: Depreciation charged during the period	(1,078,587)	(1,579,062)
	18,328,010	19,406,597

Allocation of Depreciation

Cost of Goods Sold	1,027,262	1,497,078
Administrative Expenses	51,325	81,984
	1,078,587	1,579,062

9 LONG TERM INVESTMENTS

Long term investment in associated company under equity method	23,129,037	29,871,450
Long term investment available for sale	7,364,771	4,415,300
	30,493,808	34,286,750

9.1 Long term investment in associated company under equity method

Long term investment in associated company under equity method	93,629,850	103,085,790
Less: Impairment loss		
At the beginning of the year	(73,214,340)	-
Impairment loss charged during the year	(16,772,181)	(73,214,340)
Reversal of impairment loss during the year	19,485,708	-
Impairment loss for the year	2,713,527	(73,214,340)
At the end of the year	(70,500,813)	(73,214,340)
	23,129,037	29,871,450

10 STOCK IN TRADE

Raw Materials	1,637,264	1,833,076
Less: Provision for slow moving stock	(765,986)	(765,986)
	871,278	1,067,090
Finished Goods	207,569	92,987
	1,078,847	1,160,077



SHAFFI CHEMICAL INDUSTRIES LIMITED

11 COST OF SALES

	Nine Months Ended		Quarter Ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	Rupees	Rupees	Rupees	Rupees
Cost of goods manufactured	1,870,167	8,616,163	-	2,528,956
Opening stock of finished goods	92,987	935,414	-	1,116,655
	<u>1,963,154</u>	<u>9,551,577</u>	-	<u>3,645,611</u>
Closing Stock of finished goods	<u>(207,569)</u>	<u>(760,555)</u>	-	<u>(760,555)</u>
	<u>1,755,585</u>	<u>8,791,022</u>	-	<u>2,885,056</u>

12 TAXATION

Taxation - minimum turnover tax	15,420	45,366
Taxation - dividend under FTR	44,375	-
	<u>59,795</u>	<u>45,366</u>

13 EARNINGS PER SHARE

Profit / (loss) after taxation	<u>(6,885,678)</u>	<u>2,465,248</u>
	<u>Number of shares</u>	
Issued, subscribed and paid up capital	<u>12,000,000</u>	<u>12,000,000</u>
	<u>Quarter Ended</u>	
	March 31, 2014	March 31, 2013
	Rupees	Rupees
Earnings per share	<u>(0.57)</u>	<u>0.21</u>

14 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 personnel and staff retirement funds.

Detail of transactions with related parties;

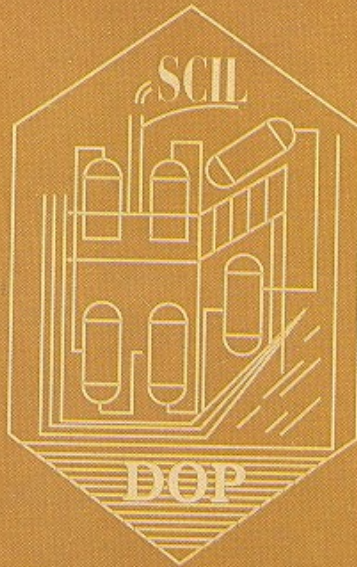
	Un-Audited	Audited
	March 31, 2014	June 30, 2013
	Rupees in Millions	
Capital Industrial Enterprises (Private) Limited		(7.490)

15 Figures have been rounded off to the nearest rupee.

16 These condensed set of interim financial information was authorized for issue on April 28, 2014 by the board of directors of the Company.

Chief Executive

Director



**SHAFFI CHEMICAL
INDUSTRIES LIMITED**

If undelivered please return to:

SHARES REGISTRAR

CORPLINK (PVT) LTD.

WINGS ARCADE, 1-K COMMERCIAL MODEL TOWN, LAHORE.
Ph: 92-42-35916714, 35916719, 35839182, Fax: 92-42-35869037