



Shadman

Cotton Mills Limited

Half Yearly Report
December 31, 2018

CONTENTS

Company Information	2
Directors' Report (English)	3
Directors' Report (Urdu)	4
Independent Auditor's Review Report.....	5-6
Condensed Interim Statement of Financial Position	7
Condensed Interim Statement of Profit or Loss	8
Condensed Interim Statement of Other Comprehensive Income	9
Condensed Interim Statement of Cash Flow	10
Condensed Interim Statement of Changes in Equity	11
Notes to the Condensed Interim Financial Information	12-17

Shadman Cotton Mills Limited

COMPANY INFORMATION

BOARD OF DIRECTORS	MR. SHAHID MAZHAR (Chief Executive) MRS. GHAZALA SHAHID (Chairperson) MR. AHMED BIN SHAHID MRS. NAUREEN REHAN MR. MUHAMMAD AKHTAR MR. SHAHID MAHMUD MR. NADEEM BHATTI
AUDITORS	MUSHTAQ & COMPANY CHARTERED ACCOUNTANTS
LEGAL ADVISOR	MR. FAZAL MAHMOOD (ADVOCATE)
AUDIT COMMITTEE	MR. NADEEM BHATTI (Chairman) MRS. GHAZALA SHAHID (Member) MRS. NAUREEN REHAN (Member)
H.R. AND REMUNERATION COMMITTEE	MR. AHMED BIN SHAHID (Chairman) MR. NADEEM BHATTI (Member) MR. MUHAMMAD AKHTAR (Member)
CHIEF FINANCIAL OFFICER	MR. SHAHID MAHMUD
COMPANY SECRETARY	MR. MUHAMMAD AKHTAR
BANKERS	ALLIED BANK LIMITED SONERI BANK LIMITED THE BANK OF PUNJAB HABIB BANK LIMITED MEEZAN BANK LIMITED
REGISTERED OFFICE	2-E, BLOCK-G, MUSHTAQ AHMED GURMANI ROAD, GULBERG - II, LAHORE-PAKISTAN TEL: 042-35959121-25 FAX: 042-35959120
HEAD OFFICE	2-E, BLOCK-G, MUSHTAQ AHMED GURMANI ROAD, GULBERG - II, LAHORE-PAKISTAN TEL: 042-35959121-25 FAX: 042-35959120
SHARE REGISTRAR	M/S HAMEED MAJEED ASSOCIATES (PVT.) LTD. H.M.HOUSE, 7-BANK SQUARE LAHORE. TEL: 042-37235081-82 FAX: 042-37358817
MILLS	3.5 K.M. FEROZ WATOAN, WARBURTON ROAD, KOT SHAH MOHAMMAD TEHSIL & DISTRICT: NANKANA SAHIB
URL	www.shadman.com.pk

Shadman Cotton Mills Limited

DIRECTORS' REPORT

Dear Shareholders,

The Directors are pleased to present the un-audited condensed interim financial statements of the company for the six months period ended December 31, 2018 together with limited scope reviewed report by the auditors.

During the half year under review, the net turnover of the company is Rs. 213.232 million including export sales of Rs. 16.223 million as compared to net turnover of Rs. 193.483 million of corresponding period of previous year. During the half year the company earned after tax profit of Rs. 1.830 million as compared to after tax loss of Rs. (47.552) million. Earnings per share are Rs. 0.10 as compared to loss per share of Rs. (2.70) of the corresponding period of the half year.

The company partially suspended the manufacturing process during the second quarter of half year due to continuous increase in prices of raw materials and higher production cost, whereas increase in the prices of yarn did not correspond with the increase in raw material prices and high production cost. After the temporary closure the management adopted alternative measures to overcome this difficult situation and succeeded to generate enough funds required to meet the fixed expenditures for smooth running of company. The auditors continued the qualifications in the half yearly financial statements from the previous year's annual audit report. The management has already expressed their views in the previous year's annual report.

In order to make the export sector competitive in the world market and to improve the balance of payments, Government announced certain concession for textile sector including reduction in energy costs. We hope the Government will also solve other chronic issues including release of upheld tax refunds and will ensure uninterrupted energy supply. The management has started utilizing the doubling segment of the company and planning to restart the spinning process considering the trend of local and international market of yarn. We anticipate positive financial performance during the remaining period of current financial year.

We remain committed to the difficult task to improve the financial results. We would like to highlight the hard work put in by the member of corporate family. We look forward to same dedication and cooperation in the days ahead.

For and on behalf of the Board



CHIEF EXECUTIVE

For and on behalf of the Board



DIRECTOR

Lahore: February 27, 2019

مجلس نظام کی رپورٹ

محترم حصص یافتگان

ڈائریکٹرز مسرت کے ساتھ 31 December 2018 کو ختم ہونے والی ششماہی کے غیر آڈٹ شدہ مالیاتی حسابات آڈیٹر کی محدود دائرہ کار پر مشتمل رپورٹ پیش کرتے ہیں۔

زیر نظر مدت میں کمپنی نے 213.232 ملین روپے فروخت کی جس میں 16.223 ملین روپے کی برآمدات شامل ہیں۔ جبکہ پچھلے سال اسی مدت کی فروخت 193.483 ملین روپے تھی۔ کمپنی نے زیر جائزہ چھ مہینوں میں بعد از انکم ٹیکس 1.830 ملین روپے کا منافع کمایا ہے۔ جبکہ پچھلے سال اسی مدت میں نقصان 47.552 ملین روپے تھا۔ ان چھ مہینوں کی مدت کے دوران فی حصص منافع 0.10 روپے رہا۔ جبکہ پچھلے سال کی اسی مدت میں یہ نقصان فی حصص 2.70 روپے تھا۔

کمپنی کو اس مدت کی دوسری سرمایہ میں خام مال کی بڑھتی ہوئی قیمتوں اور زیادہ پیداواری لاگت کی وجہ سے جزوی طور پر پیداواری عمل کو بند کرنا پڑا۔ جس کی وجہ سوت کی قیمت فروخت میں اضافہ خام مال کی قیمتوں اور پیداواری لاگت میں اضافہ کی نسبت کم رہا۔ اس نازک صورت حال میں انتظامیہ نے بڑھی سمجھداری کے ساتھ متبادل طریقے اپنا کر کمپنی کو کامیابی سے ہموار طریقے سے چلانے والا راستہ اپنایا۔ محاسب نے جو اعتراضات پچھلے سال سالانہ گوشواروں میں لگائے تھے وہی اس مدت میں بھی لگائے ہیں۔ کمپنی کی انتظامیہ اس کا تفصیلی جواب سالانہ رپورٹ میں دے چکی ہے۔

عالمی منڈی میں برآمدی شعبہ کو مقابلہ کے لئے کھڑا کرنے اور ادائیگیوں کے توازن کو بہتر بنانے کے لئے حکومت نے اس شعبہ کے لئے کچھ اقدامات کا اعلان کیا ہے۔ جس میں توانائی کی لاگت میں کمی بھی شامل ہے۔ ہم پر امید ہیں کہ حکومت دیگر درپیش مسائل بھی حل کرے گی جن میں روکے گئے ٹیکس ریفرنڈ کی ادائیگی اور بلاغظیل توانائی کی فراہمی شامل ہیں۔ انتظامیہ ڈیپانگ سیکرٹ کو بڑی کامیابی سے چلا رہی ہے اور بتایا بند پیداواری عمل کو چلانے کے لئے سوت کی مقامی اور عالمی منڈی کو مد نظر رکھتے ہوئے منصوبہ بندی کر رہی ہے۔ ہم موجودہ مالی سال کے باقی رہ جانے والے عرصہ میں بھی بہتر مالیاتی نتائج کی توقع رکھتے ہیں۔

تاہم انتظامیہ مالیاتی گوشواروں میں بہتری کے مشکل کام میں کوشاں ہے۔ یہاں پر ہم کارپوریٹ خاندان کے ممبران کی انتظامیہ محنت کا ذکر کرنا بہت ضروری سمجھتے ہیں۔ امید کی جاتی ہے کہ آنے والے دنوں میں کارپوریٹ خاندان کے ممبران اسی طرح انتظامیہ محنت سے ادارے کو بہتر بنانے کے لئے کوششیں جاری رکھیں گے۔

لاہور 27 فروری 2019

منجانب بورڈ



ڈائریکٹر

منجانب بورڈ



چیف ایگزیکٹو

Shadman Cotton Mills Limited

Independent auditor's review report to the members of Shadman Cotton Mills Limited

Report on the Review of the Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Shadman Cotton Mills Limited as at December 31, 2018 and the related condensed interim statement of profit or loss and condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows and notes to the financial statements for the six-months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedure. A review is substantially less in scope than audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

1. As referred to in note 8.1.5 to the condensed interim financial statements, during the year ended June 30, 2015, the company has reversed accrued interest/markup amounting to Rs.179.89 million payables to The Bank of Punjab based on the advice of the Company's legal advisor. Further the company has not recognized interest/markup on debt finances from July 01, 2015 to June 30, 2018 amounting to Rs.133 million and Rs.22.06 million during six months period ended December 31, 2018, based on the advice of the Company's legal advisor. Had the reversal not been made and liability for interest/markup been recognized, the accumulated losses would have been higher by Rs. 334.95 million and profit for the period would have been reduced by Rs.22.06 million. The book balance of Running Finance facility from The Bank of Punjab is not reconciled with direct confirmation from the bank. There is a difference of Rs. 2.861 million between two sources. In the matter of Habib Bank Limited, Company had not recognized expenses for the cost of suit and cost of funds on outstanding liability, the decreed in favour of Habib Bank Limited by the Banking Court, appeal of which had been filed in Honorable Lahore High Court. In the absence of any estimate, we are unable to calculate its impact on the financial statements.
2. Trade debts of Rs. 18.756 million are past due neither any of the debtors directly confirmed the outstanding balances. In our opinion, these past due trade debts are impaired but no provision in respect of doubtful debts has been made in the condensed interim financial statements. We are unable to determine the quantum of provision with reasonable accuracy and, therefore, its impact on results for the period and equity could not be quantified.

Qualified Conclusion

Based on our review, with the exception of the matters described in the basis for qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are

Shadman Cotton Mills Limited

not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasize of Matter Paragraph

We draw attention to note 2.2 in the financial statements which indicates that the Company has temporarily stopped the production of its spinning unit since October 21, 2018. As at December 31, 2018, the company has accumulated losses of Rs. 401.409 million. Its current liabilities exceed its current assets by Rs. 747.585 million. The Company has defaulted in repayment of its debt finances and interest/mark-up thereon amounting to Rs.541.954 million. The lenders of debt finances have also filed recovery suits for recovery of these debt finances and interest/mark-up thereon amounting to Rs.577.391 million. These conditions, along with other matters as explained in note 2.2, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. However, these financial statements have been prepared on going concern. Our opinion is not modified in respect of this matter.

Other Matter Paragraph

The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarter ended December 31, 2018 and December 31, 2017 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2018.

The financial statements of the Company for the year ended June 30, 2018 were audited by another auditor who expressed a modified opinion on those statements as on November 06, 2018.

The engagement partner on review resulting in this independent auditor's report is Zahid Hussain Zahid.

MUSHTAQ & CO

Chartered Accountants

Lahore.

Dated: February 27, 2019

Shadman Cotton Mills Limited

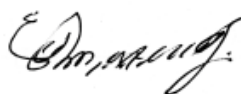
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

	Note	Dec. 31, 2018 Rupees (Un-Audited)	June 30, 2018 Rupees (Audited) (Restated)
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
18,000,000 (2018: 18,000,000) ordinary shares of Rs. 10 each		180,000,000	180,000,000
Issued, subscribed and paid-up capital		176,367,190	176,367,190
Capital reserve		53,218,752	53,218,752
Accumulated losses		(401,409,221)	(408,113,726)
Surplus on revaluation of property, plant and equipment		541,178,509	546,053,347
TOTAL EQUITY		369,355,230	367,525,563
NON-CURRENT LIABILITIES			
Long term finances - <i>secured</i>	6	-	-
Deferred liabilities	7	21,802,022	22,214,872
		21,802,022	22,214,872
CURRENT LIABILITIES			
Trade and other payables		216,735,165	254,816,161
Accrued interest/markup		103,514,885	103,514,885
Short term borrowings		447,635,148	435,717,148
Current portion of non-current liabilities		105,968,864	105,968,864
Ijara lease rentals payable		28,544,690	28,544,690
Provision for taxation		2,622,211	6,561,741
		905,020,963	935,123,489
TOTAL LIABILITIES		926,822,985	957,338,361
CONTINGENCIES AND COMMITMENTS			
	8		
TOTAL LIABILITIES		1,296,178,215	1,324,863,924
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,110,876,757	1,129,499,938
Long term deposits - <i>unsecured, considered good</i>		27,865,585	27,865,585
Deferred taxation		-	-
		1,138,742,342	1,157,365,523
CURRENT ASSETS			
Stores, spares and loose tools		55,514,758	55,730,572
Stock in trade		33,796,311	60,747,497
Trade debts - <i>unsecured</i>		36,445,813	18,756,676
Advances, deposits, prepayments and other receivables		14,727,707	16,585,637
Tax refunds and due from govt.		7,354,514	13,102,820
Short term investments		66,759	70,511
Cash and bank balances		9,530,011	2,504,688
		157,435,873	167,498,401
TOTAL ASSETS		1,296,178,215	1,324,863,924

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



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

Shadman Cotton Mills Limited

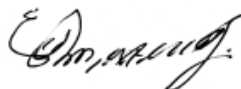
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

Note	Six months ended		Three months ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	Rupees	Rupees	Rupees	Rupees
Turnover - net	213,232,017	193,483,033	56,872,122	128,554,482
Cost of sales	(209,763,718)	(228,631,652)	(53,484,320)	(145,092,487)
Gross profit/ (loss)	3,468,299	(35,148,619)	3,387,802	(16,538,005)
Selling and distribution expenses	(1,110,109)	(2,434,071)	(117,475)	398,272
Administrative and general expenses	(10,117,140)	(10,146,154)	(4,679,351)	(5,108,818)
	(11,227,249)	(12,580,225)	(4,796,826)	(4,710,546)
	(7,758,950)	(47,728,844)	(1,409,024)	(21,248,551)
Other income	12,599,747	2,771,465	7,916,303	2,740,192
Operating profit/ (loss)	4,840,797	(44,957,379)	6,507,279	(18,508,359)
Finance cost	(60,192)	(173,559)	(14,603)	(125,986)
Other Expenses	(328,727)	-	-	-
Profit/ (loss) before taxation	4,451,878	(45,130,938)	6,492,676	(18,634,345)
Taxation	(2,622,211)	(2,420,610)	(613,502)	(1,573,928)
Profit/ (loss) after taxation	1,829,667	(47,551,548)	5,879,174	(20,208,273)
Profit/ (loss) per share - basic and dilute	0.10	(2.70)	0.33	(1.15)

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UN-AUDITED)

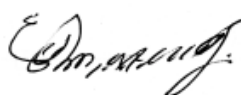
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

	Six months ended		Three months ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	Rupees	Rupees	Rupees	Rupees
Profit/(Loss) after taxation for the period / year	1,829,667	(47,551,548)	5,879,174	(20,208,273)
Other comprehensive income				
<i>Items that will not be reclassified to profit or loss</i>				
Revaluation surplus on Property, plant and machinery	-	-	-	-
Remeasurements of defined benefit obligation	-	-	-	-
Total comprehensive Income/ (loss)	1,829,667	(47,551,548)	5,879,174	(20,208,273)

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

Shadman Cotton Mills Limited

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

	Six months ended	
	December 31, 2018	December 31, 2017
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/ (Loss) before taxation	4,451,878	(45,130,938)
Adjustments for non-cash items		
Depreciation	15,436,098	26,615,363
Provision for employees retirement benefits	300,000	-
Gain/(loss) on disposal of property, plant and equipment	65,535	(2,770,326)
Changes in fair value of investments at fair value through profit or loss	3,752	-
Finance cost	60,192	173,559
	15,865,577	24,018,596
Operating profit/ (loss) before changes in working capital	20,317,455	(21,112,342)
Changes in working capital		
Stores, spares and loose tools	215,814	1,382,039
Stock in trade	26,951,186	(3,499,504)
Trade debts	(17,689,137)	(3,152,811)
Advances, prepayments and other receivables	1,857,930	15,741,127
Trade and other payables	(38,080,996)	17,434,533
	(26,745,203)	27,905,384
Net cash generated from/(used in) operations	(6,427,748)	6,793,042
Payments for		
Finance cost	(60,192)	(173,559)
Income tax	(813,435)	(435,180)
Employees retirement benefits	(712,850)	(820,000)
Net cash generated from / (used in) operating activities	(8,014,225)	5,364,303
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,258,452)	(880,902)
Proceeds from disposal of property, plant and equipment	6,380,000	4,125,001
Long term deposit	-	(421,156)
Net cash generated from /(used in) investing activities	3,121,548	2,822,943
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan from directors (repaid)/obtained	16,235,000	(2,845,000)
Net decrease in short term borrowings	(4,317,000)	(1,285,000)
Net cash generated from/ (used in) financing activities	11,918,000	(4,130,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,025,323	4,057,246
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,504,688	575,854
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	9,530,011	4,633,100

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

Shadman Cotton Mills Limited

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

	Share capital	Reserves		Revaluation Surplus	
	Issued subscribed and paid-up capital	Capital reserve	Accumulated losses	Revaluation Surplus on Property, plant and machinery	Total equity
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at July 01, 2017 - Audited	176,367,190	53,218,752	(283,352,405)	474,927,770	421,161,307
Comprehensive loss					
Loss after taxation	-	-	(47,551,548)	-	(47,551,548)
Incremental Depreciation-net of deferred tax	-	-	11,274,912	(11,274,912)	-
Total comprehensive loss	-	-	(36,276,636)	(11,274,912)	(47,551,548)
Balance as at December 31, 2017 - Un-audited	<u>176,367,190</u>	<u>53,218,752</u>	<u>(319,629,041)</u>	<u>463,652,858</u>	<u>373,609,759</u>
Balance as at July 01, 2018- Audited	176,367,190	53,218,752	(357,824,889)	589,238,613	460,999,666
Effect of restatement (Note-5)	-	-	(50,288,837)	(43,185,266)	(93,474,103)
Balance as at July 01, 2018 (Restated)- Audited	176,367,190	53,218,752	(408,113,726)	546,053,347	367,525,563
Comprehensive Income					
Profit after taxation	-	-	1,829,667	-	1,829,667
Incremental Depreciation-net of deferred tax	-	-	4,874,838	(4,874,838)	-
Total comprehensive income	-	-	6,704,505	(4,874,838)	1,829,667
Balance as at December 31, 2018- Un-audited	<u>176,367,190</u>	<u>53,218,752</u>	<u>(401,409,221)</u>	<u>541,178,509</u>	<u>369,355,230</u>


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

1 STATUS AND NATURE OF BUSINESS

Shadman Cotton Mills Limited ('the Company') was incorporated in Pakistan as a public limited company on November 24, 1979 under the then Companies Act, 1973 (now the Companies Act 2017) and is listed on Pakistan Stock Exchange Limited. The Company is engaged in the manufacturing and sale of yarn. The registered office of the Company is situated at 2/E, Block G, Mushtaq Ahmed Gurmani Road, Gulberg II, Lahore.

2 STATEMENT OF COMPLIANCE

The financial information contained in this interim financial report is un-audited and has been presented in condensed form and does not include all the information as is required to be provided in a full set of annual financial statements. This condensed interim financial information should be read in conjunction with the audited financial statements of the Company for the year ended June 30, 2018.

This condensed interim financial information has been subjected to limited scope review by the auditors of the Company, as required by the Code of Corporate Governance. The comparative interim statement of financial position as at June 30, 2018 and the related notes to the condensed interim financial information are based on audited financial statements. The comparative interim statement of profit or loss, interim statement of other comprehensive income, interim statement of cash flows, interim statement of changes in equity and related notes to the condensed interim financial information for the six months period ended December 31, 2018 are based on unaudited, reviewed interim financial information. The interim statement of profit or loss and interim statement of other comprehensive income for the quarter ended December 31, 2018 and December 31, 2017 are neither audited nor reviewed.

This condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34 - Interim Financial Reporting, and provisions of and directives issued under the Companies Act, 2017. In case where requirements differ, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.1 Accounting convention

The financial information contained in this interim has been prepared under the historical cost convention except for certain financial instruments at fair value, certain financial liabilities at amortized cost and employees retirement benefits at present value. In this financial information, except for the amounts reflected in the statement of cash flows, all transactions have been accounted for on accrual basis.

2.2 Appropriateness of going concern assumption

The Company has been facing operational losses mainly due to decrease in selling prices in local as well as international markets, dumping of Indian yarn at low prices along with other factors. The Company has not been able to utilize its production capacity at an optimum level due to which the desired profitability remained unachieved. Company has stopped its production temporarily since October 21, 2018.

As a result, the company has accumulated losses of Rs. 401.409 million as at the reporting date. The company's current liabilities exceeds its current assets by Rs. 747.585 million. The company has negative operating cash flows amounting to Rs 8.014 during the six months ended December 31, 2018. The Company has defaulted in repayment of its debt finances and interest/mark-up thereon amounting to Rs. 541.954 million. The providers of debt finances have filed recovery suits for recovery of these debts finances and interest/mark-up thereon amounting to Rs.577.391 million. These factors indicate existence of material uncertainty that raises doubts about the Company's ability to continue as a going concern. However, these financial statements have been prepared on going concern basis based on the following:

- a) In the opinion of Company's legal counsel the ongoing litigation between the Company and The Bank of Punjab regarding recovery of debt finances and interest/mark-up thereon will take a few years to conclude as such the Company will be able to settle its liabilities to The Bank of Punjab through the stream of cash flows from future sales.
- b) The management is taking steps towards reduction of fixed cost and rationalization of other expenses including right sizing of manpower, resource conservation and close monitoring of fixed cost.
- c) The management has started utilizing the doubling segment considering the demand of doubled yarn in local and international markets and further making plan to restart the spinning production process in view of management plan to provide funds to the company according to its requirements.

Shadman Cotton Mills Limited

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements of the Company for the year ended June 30, 2018 except for change referred to note 4.

4 CHANGE IN ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

There are certain amendments and an interpretation to approved accounting and reporting standards which are mandatory for the Company's annual accounting period which began on July 1, 2018. However, these do not have any significant impact on the Company's financial reporting and, therefore, have not been detailed in these consolidated condensed interim financial statements.

In addition to that a new standard (i.e. IFRS 15) have become applicable to the Company effective from July 1, 2018. Because of this new standard certain changes to the accounting policies have been made in light of the following paragraphs:

IFRS 15 'Revenue from contracts with customers'

IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition.

IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The changes laid down by these standard do not have any significant impact on the amounts reported in all current and periods presented in these condensed interim financial statements of the Company.

IFRS 9 'Financial Instruments'

The Company has deferred the adoption of IFRS 9, in pursuant to SRO 229(I)/2019 dated February 14, 2019. Through this SRO the SECP has modified the effective date for applicability of IFRS 9 (Financial Instruments) in place of IAS 39 (Financial Instruments: Recognition & Measurement) as "Reporting Period / Year ending on or after June 30, 2019.

Previously Through SRO 1007(I)/2017 dated October 04, 2017, the SECP had notified IFRS 9 replacing IAS 39 with effect from reporting periods starting from July 01, 2018.

5 RECTIFICATION OF ERROR

In Previous year there was an error in the calculation of revaluation surplus on the building and plant and machinery. The rectification of error has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The effect of rectification of error is summarised below .

	As at June 30, 2018		
	As previously reported	Re-statement	As re-stated
Effect on statement of financial position			
Property, plant and equipment	1,222,974,041	(93,474,103)	1,129,499,938
Revaluation surplus on property plant and equipment	589,238,613	(43,185,266)	546,053,347
Accumulated losses	(357,824,889)	(50,288,837)	(408,113,726)
Effect on statement of changes in equity			
Revaluation surplus on property plant and equipment	589,238,613	(43,185,266)	546,053,347
Accumulated losses	(357,824,889)	(50,288,837)	(408,113,726)

There was no effect on interim statement of profit or loss, interim statement of comprehensive income and interim statement of cash flows for the six months period ended December 31, 2017 due to retrospective rectification of error.

Shadman Cotton Mills Limited

	<i>Note</i>	December 31, 2018	June 30, 2018
		<i>Rupees</i>	<i>Rupees</i>
		<i>(Un-Audited)</i>	<i>(Audited)</i>
6 LONG TERM FINANCES - SECURED			
These represent long term finances utilized under interest/markup arrangements from banking companies			
The Bank of Punjab - Demand finance - I	6.1	17,863,256	17,863,256
The Bank of Punjab - Demand finance - II	6.2	80,000,000	80,000,000
Habib Bank Limited - Term finance	6.3	8,105,608	8,105,608
		105,968,864	105,968,864
Current maturity presented under current liabilities		(105,968,864)	(105,968,864)
		-	-

- 6.1** The finance was obtained from The Bank of Punjab to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carried interest/markup at 7% per annum, payable quarterly. The finance was repayable in ten equal half yearly installments with the first installment was due in September 2010. The entire outstanding balance is over due as at the reporting date. Refer to note 8.1.1 for details of litigation between the Company and The Bank of Punjab regarding recovery of this amount.
- 6.2** The finance was obtained from The Bank of Punjab to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carried interest/markup at six months KIBOR plus 2% per annum payable semi annually. The finance was repayable in eight equal half yearly installments with the first installment was due in October 2010. The entire outstanding balance is over due as at the reporting date. Refer to note 8.1.1 for details of litigation between the Company and The Bank of Punjab regarding recovery of this amount.
- 6.3** The finance was been obtained from Habib Bank Limited to finance capital expenditure and was secured by charge over operating fixed assets of the Company. The finance carried interest/markup at three months KIBOR plus 1.50% per annum, payable quarterly. The finance was repayable in eighteen equal monthly installments with the first installment was due in June 2010. The entire outstanding balance is over due as at the reporting date. Refer to note 8.1.2 for details of litigation between the Company and Habib Bank Limited regarding recovery of this amount.

	<i>Note</i>	December 31, 2018	June 30, 2018
		<i>Rupees</i>	<i>Rupees</i>
		<i>(Un-Audited)</i>	<i>(Audited)</i>
7 DEFERRED LIABILITIES			
Long Term Payables - Secured		18,316,926	18,316,926
Employees retirement benefits		3,485,096	3,897,946
		21,802,022	22,214,872

8 CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

- 8.1.1** The Company is contesting recovery suit filed by The Bank of Punjab in year 2011 amounting to Rs. 577.391 million on account of principal and markup claimed in the suit along with cost of funds, estimated at Rs. 565.87 million upto December 31, 2018, and all other claims arising therein till realization. A counter suit has been filed by the Company against The Bank of Punjab, before the Lahore High Court wherein, along other prayers, the Company has claimed Rs. 744.348 million on account of acts and omission committed by the Bank against the Company. The suits is pending before the Lahore High Court and has been fixed for arguments.
- 8.1.2** The Company is contesting recovery suit filed by Habib Bank Limited amounting to Rs. 8.996 million on account of principal and markup claimed in the suit. The suits was decreed by the Banking Court for an amount of Rs. 8.105 million.
- 8.1.3** Guarantees issued by the bank on behalf of the Company amounting to Rs. 18.317 million (June 2018: 18.317 million).
- 8.1.4** A suite has been filed by the Company before the Sindh High Court against a show Cause notice issued by the Securities and Exchange Commission of Pakistan ('SECP') regarding related party transactions and has obtained stay order restraining SECP from taking any adverse action.

Shadman Cotton Mills Limited

8.1.5 the company has reversed accrued interest/markup amounting to Rs.179.89 million payable to The Bank of Punjab based on the advice of the Company's legal advisor. Further the company has not recognized interest/markup on debt finances from July 01, 2015 to June 30, 2018 amounting to Rs.133 million and Rs.22.06 million during six months period ended December 31, 2018, based on the advice of the Company's legal advisor. Had the reversal not been made and liability for interest/markup been recognized, the accumulated losses and loss for the period would have been higher by Rs. 334.95 million and Rs.22.06 million respectively.

8.1.6 A suit has been filed by the company before the Civil Court, Lahore against recovery of outstanding balance amounting to Rs. 16.196 million from Lahore Electric Supply Company (LESCO). The case is pending in court however legal advisor is of the view that the outcome of the case will be in favor of the company.

8.2 Commitments

8.2.1 There are no known commitments as at the reporting date.

	<i>Note</i>	December 31, 2018	June 30, 2018
		<i>Rupees</i>	<i>Rupees</i>
		<i>(Un-Audited)</i>	<i>(Audited)</i>
			<i>(Restated)</i>
9 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	9.1	1,110,876,757	1,129,499,938
Capital work in progress		-	-
		<u>1,110,876,757</u>	<u>1,129,499,938</u>
9.1 Operating fixed assets			
Assets owned by the Company	9.1.1	1,110,876,757	1,129,499,938
		<u>1,110,876,757</u>	<u>1,129,499,938</u>
9.1.1 Assets owned by the Company			
Net book value at the beginning of the period/year		1,129,499,938	1,169,099,789
Additions during the period/year		3,258,452	12,228,840
Revaluation Surplus on PPE		-	23,335,754
Net book value of assets disposed during the period/year		(6,445,535)	(24,652,955)
Depreciation for the period/year		(15,436,098)	(50,511,490)
Net book value at end of the period/year		<u>1,110,876,757</u>	<u>1,129,499,938</u>

9.2 CHANGE IN ACCOUNTING ESTIMATE

During the year, the management of the company has changed its estimate with regards to depreciation of building, plant and machinery, after detailed review by a certified reviewer and technical team of the company. The average life of the building, plant and machinery has been re-estimated more as against past level of estimates. Depreciation rate on building and plant and machinery has been decreased from 5 to 2.5 percent on reducing balance method. The change in estimate is dealt under International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had the previous rate of depreciation been used, profit for the year would have been decreased by Rs. 4.923 million and the written down value of operating fixed assets would have been decreased by the same amount. The impact of change of this estimate in future periods is not disclosed because estimating the effect in future periods is impracticable.

10 TAXATION

10.1 Provision for taxation has been made under section 113, 154 and 169 of the Income Tax Ordinance, 2001.

10.2 No provision for deferred tax has been made as the impact of the same is considered immaterial.

11 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise associated companies and undertakings and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and includes the Chief Executive and Directors of the Company. Details of transactions and balances with related parties is as follows:

Shadman Cotton Mills Limited

	Note	December 31, 2018	June 30, 2018
		Rupees	Rupees
		(Un-Audited)	(Audited)
11.1 Transactions with related parties			
Nature of relationship	Nature of transaction		
Key management personnel	Short term borrow ings obtained	26,515,000	22,420,000
	Short term borrow ings repaid	10,280,000	33,953,693
Associated undertaking	Purchases during the period	-	-
	Note	December 31, 2018	June 30, 2018
		Rupees	Rupees
		(Un-Audited)	(Audited)

11.2 Balances with related parties

Nature of relationship	Nature of balances		
Key management personnel	Short term borrow ings	143,709,374	127,474,374
	short term employee benefits payable	12,840,000	12,840,000
Associated undertaking	Trade debts	48,629	48,629

12 FINANCIAL INSTRUMENTS

The carrying amounts of the Company's financial instruments by class and category are as follow s:

	December 31, 2018	June 30, 2018
	Rupees	Rupees
	(Un-Audited)	(Audited)
12.1 Financial assets		
Cash in hand	39,857	10,000
Loans and receivables		
Long term deposits	27,865,585	27,865,585
Trade debts	36,445,813	18,756,676
Security deposits	3,500,000	3,500,000
Cash at bank	9,490,154	2,494,688
	77,301,552	52,616,949
Available for sale financial assets		
Short term investments	66,759	70,511
	77,408,168	52,697,460
12.2 Financial liabilities		
Financial liabilities at amortized cost		
Long term finances	105,968,864	105,968,864
Ijarah rentals payables	28,544,690	26,187,171
Long term payables	18,316,926	18,316,926
Short term borrow ings	447,635,148	435,717,148
Accrued interest/markup	103,514,885	105,872,404
Trade creditors	93,851,068	126,035,014
Accrued liabilities	68,229,535	86,059,017
	866,061,116	904,156,544

Shadman Cotton Mills Limited

13 FAIR VALUE MEASUREMENTS

The Company measures some of its financial instruments at fair value at the end of each reporting period. Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements and has the following levels.

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value hierarchy of financial instruments measured at fair value and the information about how the fair values of these financial instruments are determined are as follows:

13.1 Financial instruments measured at fair value

13.1.1 Recurring fair value measurements

Nature of asset	Hierarchy	Valuation techniques/Key inputs	December 31, 2018 Rupees (Un-Audited)	June 30, 2018 Rupees (Audited)
Financial assets at fair value through profit or loss				
Short term investments	Level 1	Quoted bid prices in an active market	66,759	70,511

13.1.2 Non-recurring fair value measurements

There are no non-recurring fair value measurements as at the reporting date.

13.2 Financial instruments not measured at fair value

The management considers the carrying amount of all financial instruments not measured at fair value at the end of each reporting period to approximate their fair values as at the reporting date.

14 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period that may require adjustment of and/or disclosure in this condensed interim financial report.

15 RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, subject to appropriateness of going concern reservation, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in this condensed interim financial

16 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information have been approved by the Board of Directors of the Company and authorized for issue on February 27, 2019.

17 GENERAL

- 17.1 There are no other significant activities since June 30, 2018 affecting the interim financial information.
- 17.2 Corresponding figures have been re-arranged where necessary to facilitate comparison. However, there are no significant reclassifications during the period.
- 17.3 Figures have been rounded off to the nearest Rupee.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR