Shadman
Cotton Mills Ltd.

38th ANNUAL REPORT 2017

CONTENTS

VISION STATEMENT

To be a dynamic, profitable and growth oriented Organization through dedication, integrity and professionalism.

MISSION STATEMENT

Our mission is to achieve higher levels of sustainable growth and profitability by:

a) Striving for excellence and sustaining position as a preferred supplier of yarn with a customer focused strategy.

b) Providing diversified and value added textile products.

c) Building a long term relationship with our customers, suppliers and other stake holders.

d) Enhancing the profitability by employing latest technologies for achieving higher levels of efficiency, quality and productivity.

e) Continuously responding to the changing needs of all our customers.

f) Nurturing a work culture that generates creativity, enthusiasm, participation and professionalism.

g) Developing, motivation and retaining people to achieve high team performance.

h) Being a good corporate citizen by fulfilling our social responsibilities.

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	RAHMAN SARFARAZ RAHIM IQBAL RAFIQ 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 (Chariman) 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 TECHNOLOGY TRADE (PVT) LTD. 241-C, BLOCK-2, P.E.C.H.S., KARACHI
MILLS	3.5 K.M. FEROZ WATOAN,WARBURTON ROAD, KOT SHAH MOHAMMAD TEHSIL & DISTRICT: NANKANA SAHIB
URL	WWW.SHADMAN.COM.PK

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Thirty Eighth Annual General Meeting of the Shareholders of **SHADMAN COTTON MILLS LIMITED** will be held at Company's Registered Office, 2-E, Block-G, Mushtaq Ahmed Gurmani Road, Gulberg-II, Lahore on Tuesday, **October 31, 2017 at 10.30 a.m.** to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of Extra Ordinary General Meeting of the members of the Company held on Saturday, the 11th March, 2017.

2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2017 together with the Directors' and Auditors' Report thereon.

3. To appoint Auditors of the Company for the year ending June 30, 2018 and fix their remuneration. The present auditors M/s Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, retired and offer themselves for re-appointment.

4. To consider any other business with the permission of the Chair.

By order of the Board

Place: Lahore
Dated: October 09, 2017

(MUHAMMAD AKHTAR)
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 25, 2017 to October 31, 2017 (both days inclusive). Transfers received in order at Company's Independent Share Registrar's Office, Technology Trade (Pvt.) Limited, Dagia House, 241-C, Block-2, P.E.C.H.S., Off. Shahrah-e-Quaideen, Karachi by the close of business, October 24, 2017 will be treated in time for the entitlement of dividend to the transferees and to attend the meeting.

2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be deposited at the Registered Office of the Company at least 48 hours before the time of the meeting. A proxy must be a member.

3. The shareholders are requested to immediately notify the change in address, if any.

4. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 of 2000, Dated 26th January, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting

a. In case of Individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or, original Passport at the time of attending the Meeting.

b. Members are requested to immediately inform of any change in their addresses to our Share Registrar's Office, Technology Trade (Pvt.) Limited, Dagia House, 241-C, Block-2, P.E.C.H.S., Off. Shahrah-e-Quaideen, Karachi.

c. In case of corporate entity, the Board's resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies

a. In case of individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.

b. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC number shall be mentioned on the form.

c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.

d. The proxy shall produce his original CNIC or original passport at the time of the Meeting.

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

5. **Availability of Audited Financial Statements on Company's Website**

The Company has placed the Audited Annual Financial Statements for the year ended June 30, 2017 along with Auditors and Directors Reports thereon on its website; www.shadman.com.pk

6. **Notice of Shareholders who have not provided their CNIC's:**

Members who have not yet submitted photocopy of their Computerized National Identity Cards (CNIC) to the Company are requested to send the same at the earliest.

DIRECTORS REPROT TO THE SHAREHOLDERS FOR THE YEAR ENDED JUNE 30, 2017

The Directors of your Company are presenting the 38th Annual Report of the Company together with Audited Financial Statements and Auditors report thereon for the year ended June 30, 2017.

SUMMARY OF FINANCIAL RESULTS

Following is the brief highlights of the financial results of the Company for the year ended June 30, 2017.

	2017	2016
	Rupees in Million	
Turnover-net	412.549	709.839
Gross Loss	(71.306)	(132.981)
Operating Loss	(56.516)	(175.398)
Loss before Taxation	(99.934)	(175.816)
Loss after Taxation	(82.162)	(139.728)

BREAK-UP VALUE AND EARNING PER SHARE

The break-up value of the shares as on June 30, 2017 was Rs. 26.66 as compared to Rs. 30.17 as on June 30, 2016. The loss per share for the year ended June 30, 2017 is Rs. (4.66) as compared to Rs. (7.92) of previous year as per computation given below:

	2017	2016
	Rupees	
Loss after Taxation	(82,161,579)	(139,727,664)
No. of ordinary shares	17,636,719	17,636,719
Loss per share	(4.66)	(7.92)

OVERVIEW

The auditors continued the qualification of reversal of mark-up of Rs. 179.89 million from the previous year's audit report. The management is of the view that the financial obligation of the Company to BOP has been confined to the amount involved in litigation and any over provision of mark-up which has been reversed in earlier year, consequently no further provision have been recognized.

The auditors have qualified their opinion on recognition of deferred tax asset amounting to Rs. 87.04 million on unused business losses. However the management did not agree with the said judgment of auditors and is hopeful that in near future these income tax losses will revert with betterment in the business conditions of textile sector. Accordingly sufficient taxable profits will be available against which the deferred tax asset could be utilized.

Finally the auditors have also emphasized that due to circumstances described in note 2.2 material uncertainty exists about the company's ability to continue as a going concern. However, the management has prepared the annexed financial statements on going concern basis due to reasons explained in note 2.2 to the financial statements. The auditors have not qualified their opinion in this respect.

During the year under review, the Company has suffered after tax loss of Rs.82.162 million as compared to after tax loss of Rs.139.728 million in previous year. The net turnover in the current year is Rs.412.549 million including export sales of Rs. 63.293 million as compared to Rs. 709.839 million of last year which shows decrease of 41.88% in turnover due to temporary closure of mills from January to June 2017 and consequent reduction in quantity of production. Higher cost of production and low prices of yarn in local market are the main reasons of gross loss.

During the year under review acute recession continued on textile spinning industry in Pakistan which forced us to close the mills. Consequently, the management took a very prudent decision for temporary closure of mills and succeeded to avoid heavy cash losses. During the closure of mills, the management overhauled the machinery for restart, reduced the cost to possible bottom level by right sizing the manpower & resource conservation and close monitoring of fixed cost.

FUTURE OUTLOOK

The current scenario of textile industry in Pakistan is still depressing and the main cause is decline in exports on account of higher cost of production which made Pakistan textile products unable to compete in international market. The prices of raw materials are increasing with devaluation of Pak Rupee whereas the local market of yarn is slow due to oversupply and depressing fabric rates. The government has to take well planned concrete steps to uplift the economy including revival of textile industry. But unfortunately, in the prevailing political situation of the country there is hardly any chance of support from government to industrial sector.

However, the management has restarted the partial operation of mills in a well-planned manner to achieve the better results by improving performance in terms of production, yield, quality and utilization of available facilities. We hope that with passage of time increase in utilization of available capacity will reduce the cost of production. These measures will help to improve the performance of the Company.

DIVIDEND

The directors have not recommended any dividend in view of loss sustained by the company for the year ended 30th June, 2017.

CODE OF CORPORATE GOVERNANCE

The Board of Directors hereby declares that for the period ended June 30, 2017.

- The financial statements, together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984. These Statements present fairly the Company's state of affairs, results of its operation, cash flow, comprehensive income and changes in equity.

- The Company entered in arm length transaction with related parties. These transactions are in compliance with the directives issued by the Security & Exchange Commission of Pakistan (SECP) in this regard.

- Proper books of accounts of the Company have been maintained.

- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The international accounting standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no significant doubt upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations, except as stated otherwise in the statement of compliance with best practices of the code of corporate governance.
- The key operating and financial data for the last six years in summarized form is annexed.
- Information about taxes and levies is given in the notes to the accounts.
- All the directors of the company are registered as tax-payer and none of all company's directors is in default of payment of any dues to a banking company, DFI, NBFI or Stock Exchange.
- None of the Directors of the Company is serving on the Board of seven or more listed companies. The company operates an unfunded gratuity covering all its employees who have completed their qualifying period. Provision is made annually to cover current obligation under the scheme.

BOARD OF DIRECTORS MEETINGS

During the year five meetings of the Board of Directors were held and attendance of these meetings is as under:-

Sr. #	Name of Directors	No. of Meetings Attended	
1.	Mr. Shahid Mazhar	5	(Resigned from Chairmanship)
2.	Mrs. Ghazala Shahid	4	(Appointed Chairperson)
3.	Mr. Ahmed Bin Shahid	5	
4.	Mrs. Naureen Rehan	3	
5.	Mr. Muhammad Akhtar	5	
6.	Mr. Shahid Mahmud	5	
7.	Mr. Nadeem Bhatti	5	

Leave of absence was granted to Directors who could not attend the meeting.

AUDIT COMMITTEE-2017

During the year the meetings of the audit committee were held as per requirement of Code of Corporate Governance. These meetings were attended by all members of audit committee and their names are given as under:-

Name	No. of Meetings Attended	
Mrs. Naureen Rehan	4	
Mrs. Ghazala Shahid-	4	
Mr. Muhammad Akhtar	4	Resigned
Mr. Nadeem Bhatti	0	Appointed

The fresh composition of the Audit Committee is as under:-

Mr. Nadeem Bhatti	Chairman
Mrs. Naureen Rehan	Member
Mrs. Ghazala Shahid	Member

The Chairman is independent non-executive director whereas two members are also non-executive directors. The Management is implementing the Code of Corporate Governance (CCG) 2012, in its true spirit.

HUMAN RESOURCE AND REMUNERATION COMMITTEE

In compliance with the Code of Corporate Governance the Board of Directors has constituted a Human Resource and Remuneration Committee (HR & R Committee). It comprises three members of whom two are non-executive directors and the Chairman of the Committee is a non-executive director. The attendance of meeting held during the year is as under:-

Name	No. of Meetings Attended	
Mr. Ahmed Bin Shahid	1	
Mr. Shahid Mazhar	1	Resigned
Mr. Muhammad Akhtar	1	
Mr. Nadeem Bhatti	0	Apponited

The fresh composition of the Audit Committee is as under:-

Mr. Ahmed Bin Shahid	Chairman
Mr. Muhammad Akhtar	Member
Mr. Nadeem Bhatti	Member

DIRECTORS TRAINING PROGRAMME

In accordance with criteria specified in clause (xi) of CCG, one director of the company is exempted from the requirement of Directors' training program, one director is certified and the rest of the directors to be trained. However, no director obtained training during the year.

AUDITORS

The present Auditors M/s Rehman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, retire and being eligible offer themselves for re-appointment. The audit committee of the board has recommended the re-appointment of M/s Rehman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants as external auditors of the Company for the year 2017-2018.

BOARD ANNUAL EVALUATION

In compliance with the Code of Corporate Governance, 2012, the Board is in the process to Place a mechanism for the Annual Evaluation of Board's performance.

CORPORATE SOCIAL RESPONSIBILITIES (CSR)

Corporate Social Responsibility (CSR) is about business giving back to society. As routine, we strive to safeguard the health and well-being of our employees, neighbors and customers. As well as the communities in which we live, work and co-operate.

SAFETY, HEALTH & ENVIRONMENT

We maintain a culture of encouraging best health and safety practices amongst our workers by imparting awareness. We are pleased to inform you that there has been no incident of safety and health during the year. The Company actively strives to provide a safe and healthy workplace for its employees toward communities and environment in which it operates. There have been more plantations by increasing the area of green field to improve the environment.

WORK-LIFE BALANCE

In order to promote a health work-life balance, we strictly follow a 9.00 a.m. to 5.00 p.m. working routine. This ensures that our employees have plenty of time after work for extra-curricular activities with their families and friends.

BUSINESS ETHICS AND ANTI-CORRUPTION MEASURES

The Management is committed to conduct all business activities with integrity, honesty and in full compliances with the current laws and regulations. A code of conduct has been developed and approved by the Board, which is signed by all employees.

ENERGY CONSERVATION

The Company has taken many measures at mills premises to conserve the energy by fixing energy conserving devices.

PATTERN OF SHAREHOLDING

The Pattern of Shareholding of the Company as at June 30, 2017 is annexed.

ACKNOWLEDGEMENT

The Directors of the Company would like to take the opportunity to thank the Shareholders, valued clients and bankers for the co-operation extended by them during the course of business activities. The Directors are also pleased to record their appreciation for the continued diligence and devotion of the staff members and workers of the Company.

On behalf of the Board of Directors

CHIEF EXECUTIVE

Place: Lahore
Date: October 09, 2017

مجلس نظماء کی رپورٹ

محترم حصص یافتگان،

کمپنی کی مجلس نظماء 38 ویں سالانہ اجلاس میں آپ کا استقبال کرتی ہے اور 30 جون 2017 کو ختم ہونے والے سال کے لیئے کمپنی نظر ثانی شدہ حسابات کے ساتھ سالانہ رپورٹ پیش ہے۔

مالیاتی نتائج

کمپنی کے مالیاتی نتائج تقابلی شکال میں حسب ذیل ہیں:۔

روپے ملین میں

	30 جون 2017	**30 جون 2016**
خالص فروخت	412.549	709.839
مجموعی نقصان	(71.306)	(132.981)
آپریٹنگ نقصان	(56.516)	(175.398)
قبل از ٹیکسن نقصان	(99.934)	(175.816)
بعد از ٹیکس نقصان	(82.162)	(139.728)

نجی مارکیٹ کی قیمت اور فی شیئر نقصان

زیر جائزہ سال کے اختتام 30 جون 2017 کو فی شیئر نجی مارکیٹ کی قیمت 26.66 روپے ہے جب کہ پچھلے سال کے اختتام پر 30 جون 2016 کو یہی قیمت 30.17 روپے تھی۔
فی شیئر نقصان گذشتہ سال 7.92 روپے فی شیئر کے مقابلے میں اس سال فی شیئر نقصان 4.66 روپے ہے۔

مجموعی جائزہ

پچھلے سال کی طرح بینک آف پنجاب کے مارک اپ کی التائی 179.890 ملین روپے پر محاسب نے اس سال بھی اعتراض کیا ہے۔ جب کہ کمپنی کی انتظامیہ کے مطابق جو مارک اپ حسابات میں پہلے سے لیاء ہے وہی کافی ہے۔ جیسا کہ کمپنی کے قانونی مشیر نے مشورہ دیا ہے کہ اس سے زیادہ مارک اپ حسابات میں درج کرنے کی کوئی ضرورت نہیں ہے۔

محاسب نے پچھلے سال کی طرح زیرِ التوا ٹیکس اثاثہ جات 87.04 ملین روپے جو کہ کاروباری نقصان پر حسابات میں لیاء ہے اس پر بھی اعتراض کیا ہے لیکن کمپنی انتظامیہ یہ سمجھتی ہے کہ اس کا یہ اندازہ صیح نہیں ہے اور اگلے آنے والے سالوں میں ٹیکسٹائل صنعت میں بہتری آنے سے یہ زیر التوا ٹیکس اثاثہ جات استعمال میں آ جائیں گے۔

آخر میں محاسب نے اس سال کے حسابات کی رپورٹ میں درج 2.2 نمبر پر کمپنی کا کاروبار چلنے کے حالات پر اپنے تشویشی خیالات کا اظہار کیا ہے۔ جب کہ کمپنی انتظامیہ نے یہ حسابات چالو کاروباری حالت کو مدنظر رکھتے ہوئے بنائے ہیں۔ تاہم محاسب کو ان حالات پر جو کہ حسابات میں درج 2.2 نمبر پر کوئی اعتراض نہیں ہے۔

زیر جائزہ سال کے دوران کمپنی نے بعد از ٹیکس نقصان (82.162) ملین روپے کے مقابلے میں پچھلے سال بعد از ٹیکس نقصان (139.728) ملین روپے ہے۔ زیر جائزہ سال کے دوران مجموعی فروخت 412.549 ملین روپے جس میں 63.293 ملین روپے بیرون ملک برآمدات شامل ہیں جب کہ پچھلے سال کے دوران یہی مجموعی فروخت 709.839 ملین روپے تھی جو کہ 41.88 فی صد مل جنوری 2017 تا جون 2017 بند رہنے کیوجہ سے کم ہوئی ہے۔ سوتر کی قیمت کم اور اس کی فروخت کی لاگت زیادہ ہونے کیوجہ سے کمپنی کو مجموعی نقصان ہوا ہے۔

زیر جائزہ سال کے دوران پاکستان کی ٹیکسٹائل صنعت پر شدید بحران کیوجہ سے انتظامیہ کو مل عارضی طور پر بند کرنا پڑی۔ نتیجتاً اس دوران انتظامیہ نے مشینری کی مرمت کی اور انتظامی اخراجات کو کم از کم کی سطح پر کیا جس کیوجہ سے کمپنی کو کم از کم نقصان اٹھانا پڑا۔

مستقبل کے نقطہ نظر

اس وقت پاکستان کی ٹیکسٹائل مصنوعات کی پیداواری لاگت زیادہ ہونے کیوجہ سے بین لاقوامی مارکیٹ میں بہت زیادہ تنزلی کا شکار ہیں۔ خام مال کی قیمتیں پاکستانی روپے کی قدر میں کمی کے باعث بڑھ رہی ہیں۔ جب کہ سوتر کی زیادتی اور کپڑے کی کھپت کم ہونے کیوجہ سے سوتر کی قیمت سہی نہیں مل رہی۔ ان حالات میں گورنمنٹ کو معیشت کو سنبھالنے کے لئے بہت بہتر منصوبہ بندی کے ساتھ ٹیکسٹائل صنعت کو بچانے کیلیئے کام کرنا چاہئے مگر بدقسمتی سے اسوقت کہ سیاسی حالات کو مدنظر رکھتے ہوئے گورنمنٹ سے کسی قسم کی بہتری کی توقع نہیں کی جا سکتی کہ جس سے ٹیکسٹائل صنعت کو سہارا مل سکے۔
تاہم ان تمام حالات کے باوجود کمپنی انتظامیہ نے مل کو جزوی طور پر بہتر منصوبہ بندی کے ساتھ دوبارہ پیداوار شروع کر دی ہے۔ امید ہے کہ بہتر پیداوار، اچھی کارکردگی اور معیاری مصنوعات کی پیداوار سے مطلوبہ پیداواری نتائج حاصل کرنے میں کامیاب ہو جائے گی۔ اور اس کے بعد جیسے جیسے زیادہ مشینیں چلتی جایئں گی تو ویسے ویسے فروخت کی لاگت کم ہونے سے حالات بہتری کی طرف جائیں گے۔

منافع منقسمہ

بورڈ آف ڈائریکٹر نے حالیہ سال کے نقصان کو مدنظر رکھتے ہوئے حصص یافتگان کو کسی قسم کا کوئی منافع نہ دینے کی سفارش کی ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

- کمپنی کی انتظامیہ کی طرف سے تیار کردہ مالیاتی حسابات، اس کے امور، آپریشنز کے نتائج، نقدی بہاؤ اور ایکویٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔
- مطلقہ پارٹیوں کے ساتھ کمپنی نے لین دین مارکیٹ کی قیمت کے حساب سے رکھا ہے اور یہ لین دین سیکورٹی اینڈ ایکسچینج کمیشن کے مرتب کردہ قوانین کے عین مطابق ہے۔
- کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔
- مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔
- مالی حسابات کو کمپنیز آرڈیننس 1984 کے قوانین کے تحت تیار کیا گیا ہے اور اس کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کی پیروی کی گئی ہے۔ اور کسی بھی انحراف کی موزوں انکشاف اور وضاحت کی گئی ہے۔
- اندورنی کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور اسکی موثر طریقے سے عمل درآمد اور نگرانی کی جاتی ہے۔
- کمپنی کا کاروبار چالو حالت میں ہونے کی صلاحیت پر کوئی قابل ذکر شک نہیں ہیں۔
- کارپوریٹ اور مالیاتی انتظام میں کسی قسم کی کوئی قابل ذکر تبدیلی نہیں ہے۔ سوائے اس کے کہ جو کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک کی رپورٹ میں ظاہر کیا گیا ہے۔
- گذشتہ چھ سال کا کلیدی آپریٹنگ اور مالیاتی ڈیٹا منسلک ہے۔
- مختلف لیویز کی معمول کی ادائیگیوں کے علاوہ ٹیکس، ڈیوٹیز، لیویز اور چارجز کو حسابات کی مناسب ذیلی مد میں بیان کیا گیا ہے۔
- کمپنی کے تمام ڈائریکٹر صاحبان رجسٹرڈ ٹیکس دہندگان کی فہرست میں شامل ہیں اور ان کے خلاف کسی قسم کا کوئی مالیاتی اداروں یا سٹاک ایکسچینج کی نادہندگی کا کوئی عنصر نہیں ہے۔
- سال کے دوران کمپنی کے حصص میں اس کے ڈائریکٹرز، سی ای او، سی ایف او اور کمپنی سیکرٹری اور ان کے زوج اور نابالغ بچوں کی طرف سے کوئی تجارت نہیں ہوئی ہے۔

بورڈ آف ڈائریکٹرز کے اجلاس

سال کے دوران بورڈ آف ڈائریکٹر کے پانچ اجلاس منعقد ہوئے اور ان اجلاسوں میں حاضری حسب ذیل ہے۔

نام ڈائریکٹر	تعداد حاضری	
جناب شاہد مظہر	5	چیئرمین شپ سے مستعفی
محترمہ غزالہ شاہد	4	نئی چیئرپرسن تقرر ہوئیں۔
جناب احمد بن شاہد	5	
محترمہ نورین ریحان	3	
جناب محمد اختر	5	
جناب شاہد محمود	5	
جناب ندیم بھٹی	5	

ڈائریکٹرز جو اجلاس میں شرکت نہ کر سکے کو غیر موجودگی کی رخصت عطا کی گئی تھی۔

آڈٹ کمیٹی

سال کے دوران آڈٹ کمیٹی کے چار اجلاس منعقد ہوئے اور ان اجلاسوں میں حاضری حسب ذیل ہے۔

نام	تعداد حاضری	
محترمہ نورین ریحان	4	
محترمہ غزالہ شاہد	4	
جناب محمد اختر	4	مستعفی
جناب ندیم بھٹی	0	تقرر

آڈٹ کمیٹی کی تازہ تشکیل حسب ذیل ہے۔

جناب ندیم بھٹی	چیئرمین
محترمہ نورین ریحان	ممبر
محترمہ غزالہ شاہد	ممبر

آڈٹ کمیٹی کا چیئرمین آزاد غیرا یگزیکٹوڈائریکٹر ہے اور باقی دو ڈائریکٹر بھی غیرا یگزیکٹو ہیں۔

انسانی وسائل اور معاوضہ کمیٹی

کارپوریٹ گورننس کے ضابطہ اخلاق کے مطابق بورڈ آف ڈائریکٹرز نے انسانی وسائل اور معاوضہ کمیٹی تشکیل دی ہے۔ یہ تین ارکان پر مشتمل ہے۔ جن میں سے دو غیرا یگزیکٹوڈائریکٹر ہیں۔ اور کمیٹی کا چیئرمین غیرا یگزیکٹوڈائریکٹر ہے۔

سال کے دوران منعقد ہونے والے اجلاس کی حاضری حسب ذیل ہے۔

نام	تعداد حاضری	
جناب احمد بن شاہد	1	
جناب شاہد مظہر	1	مستعفی
جناب محمد اختر	1	
جناب ندیم بھٹی	0	تقرری

انسانی وسائل اور معاوضہ کمیٹی کی تازہ تشکیل حسب ذیل ہے۔

جناب احمد بن شاہد	چیئرمین
جناب محمد اختر	ممبر
جناب ندیم بھٹی	ممبر

ڈائریکٹرز ٹریننگ پروگرام

CCG کی شق (XI) پر مجوزہ معیار کے مطابق ایک ڈائریکٹر تربیتی پروگرام کی ضرورت سے مستثناء ہے۔ ایک ڈائریکٹر سند یافتہ ہے اور باقی ڈائریکٹرز بھی کام سیکھ لیں گے۔ تاہم سال کے دوران کسی بھی ڈائریکٹر نے تربیت حاصل نہیں کی۔

محاسب

موجودہ محاسب میسرز رحمان سرفراز رحیم اقبال رفیق چارٹرڈ اکاؤنٹنٹس ریٹائر ہوگئے ہیں اور دوبارہ تقرری کے لئے خود کو پیش کیا ہے۔ بورڈ کی آڈٹ کمیٹی نے سال 2017-2018 کے لئے کمپنی کے بیرونی محاسب کے طور پر میسرز رحمان سرفراز رحیم اقبال رفیق چارٹرڈ اکاؤنٹنٹس کی دوبارہ تقرری کی سفارش کی ہے۔

بورڈ کی سالانہ تشخیص

کمپنی نے بورڈ کی سالانہ تشخیص کا ابھی تک طریقہ کار وضع نہیں کیا جو کہ کوڈ آف کارپوریٹ گورننس کے مطابق ضروری تھا۔ تاہم کمپنی اس کی تیاری پر کام کر رہی ہے۔

کارپوریٹ سماجی ذمہ داری

کمپنی تسلیم کرتی ہے کہ معاشرہ کو اقتصادی فوائد پہنچانا کامیاب اور پائیدار کاروبار کی کلید ہے۔ہم اپنے ملازمین کو وسیع سہولیات کی فراہمی، اپنے مرحوم ملازمین کے خاندانوں کی مدد، اپنے ملازمین کے درمیان بہتر کام اور زندگی کے توازن کا فروغ، قانون کے مطابق قومی خزانے میں باقاعدہ حصہ فراہم کر کے اپنی مقامی کمیونٹی، ملازمین اور حکومت کی قدر پیدا کرتے ہیں۔

صحت، حفاظت اور ماحول

ہم اپنے ملازمین کے لئے محفوظ اور صحت مند کام کا ماحول یقینی بنانے کے لئے مسلسل کام کرتے ہیں۔ہمیں یہ بتاتے ہوئے خوشی محسوس ہوتی ہے کہ رواں سال کے دوران حفاظت اور صحت کے لحاظ سے کسی قسم کا کوئی نہ خوشگوار واقع پیش نہس آیا۔اس کے علاوہ کمپنی نے ماحول کو صاف ستھرا رکھنے کیلئے مزید درخت لگائے ہیں۔

کام اور زندگی کا توازن

صحت کام اور زندگی کے توازن کو فروغ دینے کے لئے ہم سختی سے صبح 9:00 بجے تا سہ پہر 5:00 بجے تک معمول کے مطابق عمل کرتے ہیں۔ یہ یقینی بناتا ہے کہ ہمارے ملازمین کے پاس کام کے بعد اپنے اہل خانہ اور دستوں کے ساتھ غیر نصابی سرگرمیوں کے لئے کافی وقت میسر ہوتا ہے۔

کاروباری اخلاقیات اور اینٹی کرپشن کے اقدامات

انتظامیہ سالمیت ایمانداری اور موجودہ قوانین وضوابط کی مکمل پاسداری کے ساتھ تمام کاروباری سرگرمیوں کو مستحکم کرنے پر کاربند ہے۔ بورڈ کی طرف سے ایک ضابطہ اخلاق تیار کیا گیا ہے جس پر تمام ملازمین کے دستخط ہیں۔

بجلی کی بچت

کمپنی نے مل کے احاطہ میں بجلی کی بچت کے آلات نصب کر کے توانائی کے تحفظ کے کئی اقدامات کئے ہیں۔

حصص کا طریقہ کار

حصص کا طریقہ کار اور درکار اضافی معلومات اس سالانہ رپورٹ کے ہمراہ منسلک ہیں۔

شکرگزاری

بورڈ کمپنی کے حصص یافتگان، مالیاتی اداروں، ایگزیکٹوز، افسران اور کارکنوں کی انتھک کوششوں کا شکر گزار ہے۔

منجانب بورڈ

چیف ایگزیکٹو

لاہور 9 اکتوبر 2017

Key Operating & Financial Data
For the Period from July 2011 to June 2017

PARTICULARS	July-June 2016-2017	July-June 2015-2016	July-June 2014-2015	July-June 2013-2014	July-June 2012-2013	July-June 2011-2012
Net Sales Revenue	412,548,682	709,838,580	1,175,182,874	2,704,995,003	5,689,892,326	4,281,832,449
Cost of Goods Sold	(483,855,096)	(842,819,315)	(1,300,007,886)	(2,704,680,340)	(5,450,046,960)	(4,277,593,476)
Gross Profit / (Loss)	(71,306,414)	(132,980,735)	(124,825,012)	314,663	239,845,366	4,238,973
Operating Profit/(Loss)	(56,515,845)	(175,397,630)	88,104,876	(70,890,818)	128,877,280	(97,094,112)
Profit/ (Loss) Before Tax	(99,934,148)	(175,816,394)	23,909,561	(37,296,905)	39,460,341	(269,152,707)
Profit/ (Loss) After Tax	(82,161,579)	(139,727,664)	12,844,016	(67,877,044)	(2,791,508)	(311,287,553)
Paid Up Capital	176,367,190	176,367,190	176,367,190	176,367,190	176,367,190	176,367,190
Current Assets	191,426,747	436,447,394	382,389,837	508,873,781	678,436,921	923,325,881
Current Liabilities	965,072,176	1,147,730,274	970,478,947	1,102,189,730	1,125,964,430	1,689,819,267
Production in ‘000’ Kgs	1,094	6,704	7,147	9,833	19,850	18,687

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2017

This Statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.5.19.23 of Listing Regulations of the Rule Book of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code of Corporate Governance (CCG) in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:-

Category	Name
Independent Director	Mr. Nadeem Bhatti
Executive Directors	Mr. Shahid Mazhar (Chief Executive) Mr. Shahid Mahmud Mr. Muhammad Akhtar
Non-Executive Director	Mrs. Ghazala Shahid (Chairperson) Mr. Ahmed Bin Shahid Mrs. Naureen Rehan

The independent director meets the criteria of independence under clause 5.19.1(b) of the CCG.

2 The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including this company.

3 All Resident Directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or being a member of a Stock Exchange has been declared as a defaulter by the Stock Exchange.

4 All the Directors of the Company have been retired and re-elected on the Board in the Extra Ordinary General Meeting of the company held on 11th March, 2017 during the financial year 2016-2017.

5 The Company has prepared a “Code of Conduct” and has been disseminated throughout the company along with its supporting policies and procedures.

6 The Board has developed a vision and mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7 All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and executive and non-executive directors have been taken by the Board.

8. The meetings of the Board was presided by the Chairman. The Board met at least once in every quarter. Written notices of Board Meetings, along with agenda and work papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. In accordance with criteria specified in clause 5.19.7 of the Code, one director of the company is exempted from the requirement of Directors' training program, one director is certified and the rest of the directors to be trained. However, no director obtained training during the year.

10. There is no change in the position of CFO, Company Secretary and Head of Internal Audit during the year. The remuneration and terms and conditions of employment have been approved by the Board.

11. The Directors' Report for this period has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.

13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the Pattern of Shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee comprising of three members all of whom are non-executive directors including Chairman of the committee.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the committee for compliance.

17. The Board has formed a Human Resource and Remuneration Committee. It comprises three members of whom two are non-executive directors and the Chairman of the committee is a non-executive director.

18. The Board has setup an effective internal audit function team who are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company and they are involved in internal audit function on full time basis.

19. The statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants 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 the Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.

20. The statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the Auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The "Close Period" prior to the announcement of interim/final results and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to Directors, Employees and Stock Exchange.

22. Material/price sensitive information existed which should be disseminated among all market participants at once through Stock Exchange.

23. The company has complied with requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

24. We confirm that all other material principles enshrined in the Code have been complied with except the board has not yet developed a mechanism for annual evaluation of the performance of the board.

On behalf of the Board of Directors

CHIEF EXECUTIVE

Place: Lahore
Date: 9th October, 2017

Review Report on Statement of Compliance with Best practices of Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ('the Code') prepared by the Board of Directors of **SHADMAN COTTON MILLS LIMITED** for the year ended **June 30, 2017** to comply with the requirements of Regulation No 5.19 of the Rule Book of Pakistan Stock Exchange Limited where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

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.

There were no related party transactions falling within the ambit of Regulation No. 5.19.6 of the Rule Book of Pakistan Stock Exchange Limited.

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 best practices contained in the Code as applicable to the Company for the year ended **June 30, 2017**.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance

Reference	**Description**
Paragraph 9	The Board has not arranged any directors training program for its directors during the year.
Paragraph 24	The Board has not yet put in place a mechanism for annual evaluation of its performance.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Engagement Partner: ***IRFAN RAHMAN MALIK***

Lahore: ***October 09, 2017***

Auditors' Report to the Members

We have audited the annexed balance sheet of **SHADMAN COTTON MILLS LIMITED** ("the Company") as at June 30, 2017 and the related profit and loss account, statement of profit or loss and other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Repealed Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that-

I. As referred to in note 17.1.3 to the financial statements, during the year ended June 30, 2015, 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 amounting to Rs. 47 million during the year ended June 30, 2016 and Rs. 43 million during the year ended June 30, 2017 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 year would have been higher by Rs. 269.89 million and Rs. 43 million respectively;

II. As referred to in note 20 to the financial statements, the Company has recognized deferred tax asset on unused business losses amounting to Rs. 87.04 million as it expects to have sufficient taxable profits in future against which the deferred tax asset could be utilized. However, the present financial situation of the Company and the fact that the Company has incurred gross loss consecutively for three years are strong evidence that future taxable profits may not be available. Had the deferred tax asset not been recognized the loss for the year ended June 30, 2017 and accumulated losses as at June 30, 2017 would have been higher by Rs. 87.04 million.

III. Except for the impact of matters described in paragraphs (I) to (II) above:

   a) in our opinion, proper books of accounts have been kept by the Company as required by the Repealed Companies Ordinance, 1984;

   b) in our opinion:

      i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Repealed Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

      ii. the expenditure incurred during the year was for the purpose of the Company's business; and

      iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of profit or loss and other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Repealed Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2017 and of the loss, other comprehensive income, its cash flows and changes in equity for the year then ended; and

IV. In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980.)

V. As referred to in note 2.2 to the financial statements, the Company has incurred gross loss of Rs. 71.31 million and loss after taxation of Rs. 82.162 million during the year. The Company's accumulated losses as at June 30, 2017 amount to Rs. 373.101 million resulting in negative equity of Rs. 143.515 million. The Company's current liabilities exceed current assets by Rs. 773.645 million. There is a visible reduction in turnover by 42% as compared to the previous year. The Company also has defaulted in repayment of its debt finances and interest/markup thereon, as referred to note 10, 11, 14 and 15 to the financial statements aggregating to Rs. 548.688 million. Lenders of debt finances have also filed a suit against the Company for recovery of its debts amounting to Rs. 586.39 million. These factors indicate existence of material uncertainty that raises doubts about the Company's ability to continue as a going concern and that the Company may not be able to discharge its liabilities and realize its assets in the normal course of business. However, the management has prepared the annexed financial statements on going concern basis due to reasons explained in note 2.2 to the financial statements. Our opinion is not qualified in respect of this matter.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants
Engagement Partner: *IRFAN RAHMAN MALIK*
Lahore: *October 09, 2017*

BALANCE SHEET
AS AT JUNE 30, 2017

	Note	2017	2016
		Rupees	Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
18,000,000 (2016: 18,000,000) ordinary shares of Rs. 10 each		**180,000,000**	180,000,000
Issued, subscribed and paid-up capital	6	**176,367,190**	176,367,190
Capital reserve	7	**53,218,752**	53,218,752
Accumulated losses		**(373,101,425)**	(317,309,875)
TOTAL EQUITY		**(143,515,483)**	(87,723,933)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	8	**613,733,114**	619,825,233
DEFERRED INCOME	9	**-**	-
NON-CURRENT LIABILITIES			
Long term finances - *secured*	10	-	-
Liabilities against assets subject to finance lease - *secured*	11	-	-
Deferred liabilities	12	**21,744,706**	51,969,287
		21,744,706	51,969,287
CURRENT LIABILITIES			
Trade and other payables	13	**269,479,991**	419,664,251
Accrued interest/markup	14	**105,475,305**	105,482,401
Short term borrowings	15	**450,057,841**	485,818,341
Current portion of non-current liabilities	16	**132,163,132**	132,163,132
Provision for taxation		**7,895,907**	4,602,149
		965,072,176	1,147,730,274
TOTAL LIABILITIES		**986,816,882**	1,199,699,561
CONTINGENCIES AND COMMITMENTS	17		
TOTAL LIABILITIES		**1,457,034,513**	1,731,800,861

The annexed notes 1 to 51 form an integral part of these financial statements.

CHIEF EXECUTIVE | **DIRECTOR**

BALANCE SHEET
AS AT JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	18	**1,219,766,198**	1,267,909,038
Long term deposits - *unsecured, considered good*	19	**27,444,429**	27,444,429
Deferred taxation	20	**18,397,139**	-
		1,265,607,766	1,295,353,467
CURRENT ASSETS			
Stores, spares and loose tools	21	**57,811,315**	63,853,870
Stock in trade	22	**52,615,196**	236,828,849
Trade debts - *unsecured*	23	**20,844,357**	71,766,748
Advances, deposits, prepayments and other receivables	24	**56,155,616**	60,535,289
Advances income tax/income tax refundable		**3,338,409**	2,044,792
Short term investments	25	**86,000**	95,500
Cash and bank balances	26	**575,854**	1,322,346
		191,426,747	436,447,394
TOTAL ASSETS		**1,457,034,513**	1,731,800,861

The annexed notes 1 to 51 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
Turnover - *net*	27	**412,548,682**	709,838,580
Cost of sales	28	**(483,855,096)**	(842,819,315)
Gross loss		**(71,306,414)**	(132,980,735)
Selling and distribution expenses	29	**(4,569,376)**	(7,595,112)
Administrative and general expenses	30	**(24,162,739)**	(38,659,691)
		(28,732,115)	(46,254,803)
Other income	31	**43,522,684**	3,837,908
Operating loss		**(56,515,845)**	(175,397,630)
Finance cost	32	**(754,049)**	(369,078)
Other expenses	33	**(42,664,254)**	(49,686)
Loss before taxation		**(99,934,148)**	(175,816,394)
Taxation	34	**17,772,569**	36,088,730
Loss after taxation		**(82,161,579)**	(139,727,664)
Loss per share - ***basic and diluted***	35	**(4.66)**	(7.92)

The annexed notes 1 to 51 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017	2016
		Rupees	Rupees
Items that may be reclassified subsequently to profit or loss		-	-
Items that will not be reclassified to profit or loss			
Incremental depreciation	8	26,371,009	26,894,902
Remeasurements of defined benefit obligation	12.2.4	(1,314)	(593,404)
Taxation relating to remeasurements of defined benefit obligation	20.1	334	167,860
		26,370,029	26,469,358
Other comprehensive income		26,370,029	26,469,358
Loss after taxation		(82,161,579)	(139,727,664)
Total comprehensive loss		(55,791,550)	(113,258,306)

The annexed notes 1 to 51 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	36	**45,186,539**	(56,892,285)
Payments for:			
Employees retirement benefits		**(1,715,382)**	(6,708,997)
Interest/markup on borrowings		**(7,096)**	(1,101,299)
Income tax		**(1,665,482)**	(2,038,733)
Net cash generated from/(used in) operating activities		**41,798,579**	(66,741,314)
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		**2,492,900**	143,400
Purchase of property, plant and equipment		**(9,277,471)**	(1,707,875)
Long term deposit		**-**	(196,514)
Net cash used in investing activities		**(6,784,571)**	(1,760,989)
CASH FLOW FROM FINANCING ACTIVITIES			
Net (decrease) / increase in short term borrowings		**(35,760,500)**	74,297,731
Repayment of liabilities against assets subject to finance lease		**-**	(4,858,701)
Net cash (used in)/generated from financing activities		**(35,760,500)**	69,439,030
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(746,492)**	936,727
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE YEAR		**1,322,346**	385,619
CASH AND CASH EQUIVALENTS AS AT END OF THE YEAR	37	**575,854**	1,322,346

The annexed notes 1 to 51 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2017

	Issued subscribed and paid-up capital	Capital reserve	Accumulated losses	Total equity
	Rupees	*Rupees*	*Rupees*	*Rupees*
Balance as at July 01, 2015	176,367,190	53,218,752	(204,051,569)	25,534,373
Comprehensive loss				
Loss after taxation	-	-	(139,727,664)	(139,727,664)
Other comprehensive income	-	-	26,469,358	26,469,358
Total comprehensive loss	-		(113,258,306)	(113,258,306)
Transaction with owners	-		-	-
Balance as at June 30, 2016	176,367,190	53,218,752	(317,309,875)	(87,723,933)
Balance as at July 01, 2016	**176,367,190**	**53,218,752**	**(317,309,875)**	**(87,723,933)**
Comprehensive loss				
Loss after taxation	**-**	**-**	**(82,161,579)**	**(82,161,579)**
Other comprehensive income	**-**	**-**	**26,370,029**	**26,370,029**
Total comprehensive loss	**-**		**(55,791,550)**	**(55,791,550)**
Transaction with owners	**-**		**-**	**-**
Balance as at June 30, 2017	**176,367,190**	**53,218,752**	**(373,101,425)**	**(143,515,483)**

The annexed notes 1 to 51 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1 REPORTING ENTITY

Shadman Cotton Mills Limited ('the Company') was incorporated in Pakistan as a public limited company on November 24, 1979 under the Companies Ordinance, 1984 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 BASIS OF PREPARATION

2.1 Statement of compliance

During the year, the Companies Act 2017 ('the Act') has been promulgated, however, Securities and Exchange Commission of Pakistan vide its circular no. 17 of 2017 dated July 20, 2017 communicated that the Commission has decided that the companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, these financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of repealed Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards ('IFRSs') issued by the International Accounting Standards Board as notified under the provisions of the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions of or directives under the repealed Companies Ordinance, 1984 prevail.

2.2 Appropriateness of the going concern assumption

The Company has been facing operational losses mainly due to decrease in selling prices in local as well as international markets, the on-going power crises, dumping of Indian yarn at low prices along with other factors, including economic instability and unfavourable textile policy of the Government, affecting the textile industry. The Company has not been able to utilize its production capacity at an optimum level due to which the desired profitability remained unachieved.

As a result, the Company has incurred gross loss of Rs. 71.31 million and loss after taxation of Rs. 82.162 million during the year ended June 30, 2017. As at June 30, 2017, the Company has accumulated losses of Rs. 373.101 million and negative equity of Rs. 143.515 million as at the reporting date. Its current liabilities exceed its current assets by Rs. 773.645 million. There is a visible reduction in turnover by 42% as compared to the previous year. The Company has defaulted in repayment of its debt finances and interest/markup thereon amounting to Rs. 586.39 million. The providers of debts finances have filed recovery suits for recovery of these debts finances and interest/markup thereon. These factors indicate existence of material uncertainty that raises doubts about the Company's ability to continue as a going concern and that the Company may not be able to discharge its liabilities and realize its assets in the normal course of business.. However, these financial statements have been prepared on going concern basis based on the following:

a) The Company has continued financial support of its sponsors in the form of interest free loans. During the year, the sponsors provided financial support amounting to Rs. 13.918 million in the form of long term interest free loans.

b) In the opinion of the Company's legal counsel the ongoing litigation between the Company and The Bank of Punjab regarding recovery of debt finances and interest/markup 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.

c) The management is taking steps towards reduction of fixed cost and rationalization of other expenses including right sizing of man power, resource conservation and close monitoring of fixed cost.

2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except for employee retirement benefits liabilities measured at present value and certain financial instruments measured at fair value/amortized cost. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

2.4 Judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Subsequently, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. There are no estimation uncertainties as at the reporting date. Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

2.4.1 ***Depreciation method, rates and useful lives of operating fixed assets (see note 5.1.1)***

The Company reassesses useful lives, depreciation method and rates for each item of property and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item.

2.4.2 ***Taxation (see note 5.17)***

The Company takes into account the current income tax law and decisions taken by appellate and other relevant legal forums while estimating its provision for current tax. Provision for deferred tax is estimated after taking into account historical and expected future turnover and profit trends and their taxability under the current tax law.

2.4.3 ***Provisions (see note 5.12)***

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

2.4.4 ***Obligation under defined benefit plan (see note 5.5)***

The Company's obligation under the defined benefit plan is based on assumptions of future outcomes, the principal ones being in respect of increases in remuneration, remaining working lives of employees and discount rates to be used to determine present value of defined benefit obligation. These assumptions are determined periodically by independent actuaries.

2.4.5 ***Revaluation of property, plant and equipment (see note 5.2)***

Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

2.4.6 ***Net realizable values of stock in trade (see note 5.4)***

The company estimates net realizable values of its stock in trade as the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

2.5 **Functional currency**

These financial statements have been prepared in Pak Rupees which is the Company's functional currency.

3 **NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE DURING THE YEAR.**

The following new and revised standards, interpretations and amendments are effective in the current year but are either not relevant to the Company or their application does not have any material impact on the financial statements of the Company other than presentation and disclosures.

IFRS 14 – Regulatory Deferral Accounts (2014)

The standard permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

Equity Method in Separate Financial Statements (Amendments to IAS 27 - Separate Financial Statements)

IAS 27 - Separate Financial Statements has been amended to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 – Joint Arrangements)

IFRS 11 - Joint Arrangements has been amended to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

- Apply all of the business combinations accounting principles in IFRS 3 - Business Combinations and other IFRSs, except for those principles that conflict with the guidance in IFRS 11.
- Disclose the information required by IFRS 3 - Business Combinations and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets)

IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets have been amended to:

- Clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.

- Introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.
- Add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities, IAS 28 - Accounting for Investments in Associates and Joint Ventures)

The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities.

Agriculture: Bearer Plants (Amendments to IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture)

IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture have been amended to:

- Include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16.
- Introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.
- Clarify that produce growing on bearer plants remains within the scope of IAS 41.

Disclosure initiative (Amendments to IAS 1 - Presentation of Financial Statements)

IAS 1 Presentation of Financial Statements has been amended to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

- Clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;
- Clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;
- Additional examples of possible ways of ordering the notes to clarify that understand ability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

4 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE.

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date and have not been early adopted by the Company.

	Effective date (annual periods beginning on or after)
Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 - Income Taxes)	January 01, 2017
Disclosure initiative (Amendments to IAS 7 - Statement of Cash Flows)	January 01, 2017
IFRS 9 – Financial Instruments (2014)	January 01, 2018
IFRS 15 – Revenue from Contracts with Customers (2014)	January 01, 2018
IFRS 16 – Leases (2016)	January 01, 2019
IFRS 17 – Insurance contracts (2017)	January 01, 2021
Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures).	Deferred Indefinitely
Clarifications to IFRS 15 - Revenue from Contracts with Customers	January 01, 2018
IFRIC 22 - Foreign Currency Transactions and Advances Consideration	January 01, 2018
IFRIC 23 - Uncertainty over Income Tax Treatments	January 01, 2019
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 - Share-based Payment)	January 01, 2018

Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4 - Insurance Contracts)	January 01, 2018
Transfers of Investment Property (Amendments to IAS 40 - Investment Property)	January 01, 2018
Annual Improvements to IFRS 2014–2016 Cycle	January 01, 2018
Companies Act, 2017	July 01, 2017

The Company intends to adopt these new and revised standards, interpretations and amendments on their effective dates, subject to, where required, notification by Securities and Exchange Commission of Pakistan regarding their adoption. The management anticipates that, except as stated below, the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Company's financial statements other than in presentation/disclosures.

IFRS 9 – Financial Instruments: Classification and Measurement (2014)

IFRS 9 replaces IAS 39 - Financial Instruments: *Recognition and Measurement.* The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their cash flow characteristics. The standard introduces a 'fair value through 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 measurement of entity's own credit risk.
- **Impairment:** 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 loss to have occurred before a credit loss is recognized.
- **Hedge accounting:** IFRS 9 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 exposure.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Adoption of this IFRS 9 may result in material adjustment to carrying amounts of financial assets and liabilities. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

IFRS 16 – Leases (2016)

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 leases term is twelve months or less or the underlying asset has low value.

Adoption of this IFRS 16 will result in recognition of assets and liabilities for all operating leases for which the lease terms is more than twelve months. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

twelve months. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

5.1 Property, plant and equipment

5.1.1 Operating fixed assets

Operating fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses with the exception of freehold land and leasehold land, which is stated at revalued amount, and buildings, plant and machinery and vehicles which are carried at revalued amounts less accumulated depreciation. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation.

Major renewals and improvements to operating fixed assets are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of operating fixed assets are recognized in profit or loss as incurred.

The Company recognizes depreciation in profit or loss by applying reducing balance method over the useful life of each operating fixed asset using rates specified in note 18.1 to the financial statements. Depreciation on additions to operating fixed assets is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

An operating fixed asset is de-recognized when permanently retired from use. Any gain or loss on disposal of operating fixed assets is recognized in profit or loss.

5.1.2 Capital work in progress

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the cost of material, labour and appropriate overheads directly relating to the construction, erection or installation of an item of operating fixed assets. These costs are transferred to operating fixed assets as and when related items become available for intended use.

5.2 Surplus / deficit arising on revaluation of property, plant and equipment

Surplus arising on revaluation of items of property, plant and equipment is carried on balance sheet after reversing deficit relating to the same item previously recognized in profit or loss, if any. Deficit arising on revaluation is recognized in profit or loss after reversing the surplus relating to the same item previously carried on balance sheet, if any. An amount equal to incremental depreciation, being the difference between the depreciation based on revalued amounts and that based on the original cost, net of deferred tax, if any, is transferred from surplus on revaluation of property, plant and equipment to accumulated profit every year, through statement of other comprehensive income.

5.3 Stores, spares and loose tools

These are generally held for internal use and are valued at cost. Cost is determined on the basis of moving average except for items in transit, which are valued at invoice price plus related cost incurred up to the reporting date. For items which are considered obsolete, the carrying amount is written down to nil. Stores and spares held exclusively for capitalization are recognized as capital work in progress.

5.4 Stock in trade

These are valued at lower of cost, where ascertainable, and net realizable value, with the exception of stock of waste which is valued at net realizable value. Cost is determined using the following basis:

Raw materials	Average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Stock in transit	Invoice price plus related cost incurred up to the reporting date

Average manufacturing cost in relation to work in process and finished goods consists of direct material, labour and an appropriate proportion of manufacturing overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make a sale.

5.5 Employee benefits

Short-term employee benefits

The Company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting standards. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

Post-employment benefits

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its employees who have completed the minimum qualifying service period. Liability is adjusted on each reporting date to cover the obligation and the adjustment is charged to profit or loss with the exception of remeasurements which are recognized in other comprehensive income. The amount recognized on balance sheet represents the present value of defined benefit obligation. The details of the scheme are referred to in note 12.2 to the financial statements.

5.6 Financial instruments

5.6.1 Recognition

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument.

5.6.2 Classification

The Company classifies its financial instruments into following classes depending on the purpose for which the financial assets and liabilities are acquired or incurred. The Company determines the classification of its financial assets and liabilities at initial recognition.

(a) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Assets in this category are presented as current assets except for maturities greater than twelve months from the reporting date, where these are presented as non-current assets.

(b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets that are either designated as such on initial recognition or are classified as held for trading. Financial assets are designated as financial assets at fair value through profit or loss if the Company manages such assets and evaluates their performance based on their fair value in accordance with the Company's risk management and investment strategy. Financial assets are classified as held for trading when these are acquired principally for the purpose of selling and repurchasing in the near term, or when these are part of a portfolio of identified financial instruments that are managed together and for which there is a recent actual pattern of profit taking, or where these are derivatives, excluding derivatives that are financial guarantee contracts or that are designated and effective hedging instruments. Financial assets in this category are presented as current assets.

(c) Financial liabilities at amortized cost

Non-derivative financial liabilities that are not financial liabilities at fair value through profit or loss are classified as financial liabilities at amortized cost. Financial liabilities in this category are presented as current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities.

5.6.3 Measurement

The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

5.6.4 De-recognition

Financial assets are de-recognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognized if the Company's obligations specified in the contract expire or are discharged or cancelled. Any gain or loss on de-recognition of financial assets and financial liabilities is recognized in profit or loss.

5.6.5 Off-setting

A financial asset and a financial liability is offset and the net amount reported in the balance sheet if the Company has legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.7 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

5.8 Loans and borrowings

Loans and borrowings are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in the profit or loss over the period of the borrowings on an effective interest basis.

5.9 Investments in listed equity securities

Investments in listed equity securities held for trading are classified as 'financial assets at fair value through profit or loss'.. On initial recognition, these are measured at cost, being their fair value on the date of acquisition. Subsequent to initial recognition, these are measured at fair value. Changes in fair value are recognized in other comprehensive income. Gains and losses on de-recognition are recognized in profit or loss.

5.10 Finance leases

Leases in terms of which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are classified as 'operating fixed assets'. On initial recognition, these are measured at cost, being an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, these are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation, subsequent expenditure, de-recognition, and gains and losses on de-recognition are accounted for in accordance with the respective policies for operating fixed assets. Liabilities against assets subject to finance lease and deposits against finance lease are classified as 'financial liabilities at amortized cost' and 'loans and receivables' respectively, however, since they fall outside the scope of measurement requirements of IAS 39 'Financial Instruments - Recognition and Measurement', these are measured in accordance with the requirements of IAS 17 'Leases'. On initial recognition, these are measured at cost, being their fair value at the date of commencement of lease, less attributable transaction costs. Subsequent to initial recognition, minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Deposits against finance leases, subsequent to initial recognition are carried at cost. Gain arising on sale and lease back transactions are recognized as deferred income and amortized over the lease term, whereas losses on sales and lease back transactions are recognized immediately in profit or loss.

5.11 Trade and other payables

5.11.1 Financial liabilities

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being their fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

5.11.2 Non-financial liabilities

These, on initial recognition and subsequently, are measured at cost.

5.12 Provisions and contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provision is recognized at an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where outflow of resources embodying economic benefits is not probable, or where a reliable estimate of the amount of obligation cannot be made, a contingent liability is disclosed, unless the possibility of outflow is remote.

5.13 Trade and other receivables

5.13.1 Financial assets

These are classified as 'loans and receivables'. On initial recognition, these are measured at cost, being their fair value at the date of transaction, plus attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

5.13.2 Non-financial assets

These, on initial recognition and subsequently, are measured at cost.

5.14 Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided and other income earned in the normal course of business. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of revenue and the associated costs incurred or to be incurred can be measured reliably.

Revenue from different sources is recognized as follows:

Revenue from sale of goods is recognized when risks and rewards incidental to the ownership of goods are transferred to the buyer. Transfer of risks and rewards vary depending on the individual terms of the contract of sale. For local sales transfer usually occurs on dispatch of goods to customers. For export sales transfer occurs upon loading the goods onto the relevant carrier.

Interest income is recognized using effective interest method.

Dividend income is recognized when the right to receive payment is established.

5.15 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income ('OCI'). OCI comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by approved accounting standards, and is presented in 'statement of profit or loss and other comprehensive income'.

5.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss as incurred.

5.17 Income tax

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in other comprehensive income.

5.17.1 Current taxation

Current tax is the amount of tax payable on taxable income for the year and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

5.17.2 Deferred taxation

Deferred tax is accounted for using the balance sheet approach providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

5.18 Earnings per share ('EPS')

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

5.19 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and cash at banks. These, with the exception of cash in hand, are classified as 'loans and receivables' and are carried at amortized cost. Cash in hand is carried at cost.

5.20 Foreign currency transactions and balances

Transactions in foreign currency are translated to the functional currency of the Company using exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at exchange rate prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate prevailing at the date the fair value is determined. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated to functional currency at exchange rate prevailing at the date of initial recognition. Any gain or loss arising on translation of foreign currency transactions and balances is recognized in profit or loss.

5.21 Impairment

5.21.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

5.21.2 Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used in determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

5.22 Dividend distribution to ordinary shareholders

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, to the extent it is unclaimed/unpaid, in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders.

6 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2015	2016		2017	2016
No. of shares	*No. of shares*		***Rupees***	*Rupees*
		Ordinary shares of Rs. 10 each		
11,627,344	11,627,344	Issued for cash	**116,273,440**	116,273,440
6,009,375	6,009,375	Issued as fully paid bonus shares	**60,093,750**	60,093,750
17,636,719	17,636,719		**176,367,190**	176,367,190

7 CAPITAL RESERVE

This represents premium on issue of right ordinary shares recognized under Section 83(1) of the Companies Ordinance, 1984.

	Note	2017	2016
		Rupees	*Rupees*
8 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
As at beginning of the year		**619,825,233**	633,941,332
Incremental depreciation recognized in other comprehensive income			
Incremental depreciation for the year		**(35,348,635)**	(37,503,859)
Deferred taxation		**8,977,626**	10,608,957
		(26,371,009)	(26,894,902)
Deferred tax adjustment attributable to changes in proportion of income taxation under final tax regime		**13,876,508**	5,853,599
Deferred tax adjustment attributable to changes in tax rates		**6,402,382**	6,925,204
As at end of the year		**613,733,114**	619,825,233
9 DEFERRED INCOME			
Deferred gain on sale and lease back	*9.1*	**-**	1,348,405
Less: Amortized during the year	*31*	**-**	(1,348,405)
		-	-

9.1 This represents excess of sale proceeds over carrying amount asset sold and leased back and is being amortized over the lease term on a straight line basis. The asset is fully amortised during the year.

	Note	2017	2016
		Rupees	*Rupees*
10 LONG TERM FINANCES - SECURED			
These represent long term finances utilized under interest/markup arrangements from banking companies			
The Bank of Punjab - Demand finance - I	*10.1*	**17,863,256**	17,863,256
The Bank of Punjab - Demand finance - II	*10.2*	**80,000,000**	80,000,000
Habib Bank Limited - Term finance	*10.3*	**8,105,608**	8,105,608
		105,968,864	105,968,864
Current maturity presented under current liabilities		**(105,968,864)**	(105,968,864)
		-	-

10.1 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 17.1.1 for details of litigation between the Company and The Bank of Punjab regarding recovery of this amount.

10.2 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 anually. The

assets of the Company. The finance carried interest/markup at six months KIBOR plus 2% per annum payable semi anually. 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 17.1.1 for details of litigation between the Company and The Bank of Punjab regarding recovery of this amount.

10.3 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 17.1.2 for details of litigation between the Company and Habib Bank Limited regarding recovery of this amount.

10.4 For restrictions on title, and assets pledged as security, refer to note 43 to the financial statements.

		Note	**2017**	2016
			Rupees	*Rupees*
11	**LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**			
	Present value of minimum lease payments	*11.1 & 11.2*	**26,194,268**	26,194,268
	Current portion presented under current liabilities	*11.1 & 11.2*	**(26,194,268)**	(26,194,268)
			-	-

11.1 These represent finance lease obtained under sale and lease back arrangements for acquiring plant and machinery. The lease was priced at three months KIBOR plus 1.75% per annum, subject to floor and cap of 10% and 24% per annum respectively. Lease rentals were payable quarterly over a tenor of two years with the first installment due from November 2013. Under the terms of agreement, taxes, repairs, replacements and insurance costs in respect of assets subject to finance lease are borne by the Company. The lease term has expired and the entire outstanding balance represents overdue installments.

11.2 The amount of future payments under the lease arrangement and the period in which these payments will become due are as follows:

	2017	2016
	Rupees	*Rupees*
Not later than one year	**26,194,268**	26,194,268
Later than one year but not later than five years	**-**	-
Total future minimum lease payments	**26,194,268**	26,194,268
Finance charge allocated to future periods	**-**	-
Present value of future minimum lease payments	**26,194,268**	26,194,268
Not later than one year	**(26,194,268)**	(26,194,268)
Later than one year but not later than five years	**-**	-

11.3 Current portion includes overdue installments of Rs. 26,194,268 (2016: Rs. 26,194,268)

12	**DEFERRED LIABILITIES**			
	Deferred taxation	*20*	**-**	23,320,277
	Long term payables - *Secured*	*12.1*	**18,316,926**	18,316,926
	Employees retirement benefits	*12.2*	**3,427,780**	10,332,084
			21,744,706	51,969,287

12.1 Long term payables - *secured*

This represents infrastructure cess levied by Excise and Taxation Officer ('ETO') Government of Sindh on movement of imported goods entering the Sindh Province from outside Pakistan. The Company and others have filed a suit before the Sindh High Court ('SHC') challenging the levy. The Supreme Court of Pakistan through order has declared all levies and collections before December 26, 2008 to be invalid. During the pendency of decision on the levies and collections on or after December 26, 2008, SHC has directed the petitioners to pay 50% of liability for levies on or after December 26, 2008 to ETO and to arrange bank gaurantees for the remaining amount in favour of ETO. The liability represents 50% of levies after December 26, 2008 against which guarantees have been arranged in favour of ETO (see note 17.1.4).

12.2 Employees retirement benefits

The Company operates an unfunded gratuity scheme, a defined benefit plan, for all its employees who have completed the minimum qualifying service period. Under the scheme, the Company pays a lump-sum benefit equal to last drawn monthly gross salary for each qualifying service period. Under the scheme, the Company pays a lump-sum benefit equal to last drawn monthly gross salary for each year of service to scheme members whereas the members of the scheme are not required to make any contributions to the scheme. The scheme is administered by the management of the Company under the supervision and directions of the Board of Directors of the Company. The amount recognized on balance sheet represents present value of defined benefit obligation.

	Note	**2017**	2016
		Rupees	*Rupees*
12.2.1 Movement in present value of defined benefit obligation			
As at beginning of the year		**10,332,084**	13,244,608
(Credit)/charged to profit or loss for the year	*12.2.2*	**(5,190,236)**	3,203,069
Benefits paid during the year		**(1,715,382)**	(6,708,997)
Remeasurements recognized in other comprehensive income	*12.2.4*	**1,314**	593,404
As at end of the year		**3,427,780**	10,332,084
12.2.2 Charge to profit or loss			
Current service (credit)/cost		**(5,412,759)**	2,773,449
Interest cost		**222,523**	429,620
		(5,190,236)	3,203,069
12.2.3 The charge to profit or loss has been allocated as follows			
Cost of sales	*28*	**(5,877,304)**	1,388,094
Administrative and general expenses	*30*	**687,068**	1,814,975
		(5,190,236)	3,203,069
12.2.4 Remeasurements recognized in other comprehensive income			
Actuarial loss arising from changes in:			
Demographic assumptions		**-**	-
Financial assumptions		**-**	-
Experience adjustments		**1,314**	593,404
		1,314	593,404

12.2.5 Principal actuarial assumptions

Present value of defined benefit obligation has been determined using projected unit credit method. The liability as at the reporting date is based on actuarial valuation carried out by independent actuaries. The principal assumptions used in determining present value of defined benefit obligation are:

	2017	2016
Discount rate	**7.75%**	7.25%
Expected rates of increase in salary	**6.75%**	6.25%
Expected average remaining working lives of employees	**10 years**	9 years

12.2.6 Average duration of the defined benefit obligation

The average duration of the defined benefit obligation is ten years.

12.2.7 Expected charge to profit or loss for the next financial year

The expected charge to profit or loss for the year ending June 30, 2017 amounts to Rs. 1.285 million.

12.2.8 Sensitivity analysis

An analysis of sensitivity for discount rate and expected rate of increase in salary used to determine the present value of defined benefit obligation as at the reporting date showing how the defined benefit obligation would have been affected by changes in relevant actuarial assumption that were reasonably possible at that date is as follows:

	2017		2016	
	Change in actuarial assumption	**Defined benefit obligation**	Change in actuarial assumption	Defined benefit obligation
		Rupees		*Rupees*
Discount rate	+ 1%	3,022,480	+ 1%	3,461,361
	- 1%	3,923,325	- 1%	4,497,464
Expected rate of increase in salary	+ 1%	3,923,325	+ 1%	4,497,464
	- 1%	3,015,559	- 1%	3,453,381

A change in expected remaining working lives of employees is not expected to have a material impact on the present value of defined benefit obligation. Accordingly, the sensitivity analysis for the same has not been carried out.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of defined benefit obligation as at the reporting date has been calculated using projected unit credit method, which is the same as that applied in calculating the defined benefit obligation to be recognized in these financial statements.

12.2.9 Risk factors

The defined benefit plan exposes the Company to the following actuarial risks:

Interest risk: The discount rate used in determination of present value of defined benefit obligation has been determined by reference to market yield at the reporting date on Pakistan Investment Bonds since there is no deep market in long term corporate bonds in Pakistan. An increase in market yield resulting in a higher discount rate will decrease in the defined benefit liability.

Longevity risk: The present value of defined benefit obligation is calculated by reference to the best estimate of the expected remaining working lives of the employees. An increase in the expected remaining working lives will increase the defined benefit obligation. However, the increase is not expected to be material.

Salary risk: The present value of defined benefit obligation is calculated by reference to future salaries of employees. An increase in salary of employees will increase the defined benefit obligation.

		Note	2017	2016
			Rupees	*Rupees*
13	**TRADE AND OTHER PAYABLES**			
	Trade creditors - *Unsecured*		**106,298,571**	125,109,963
	Accrued liabilities		**83,666,436**	93,410,509
	Advances from customers - *Unsecured*		**36,744,945**	158,862,933
	Bills payable		**-**	47,208
	Workers' Profit Participation Fund	*13.1*	**1,630,203**	1,449,069
	Workers' Welfare Fund	*13.2*	**619,580**	613,283
	Other payables - *Unsecured*		**40,520,256**	40,171,286
			269,479,991	419,664,251
13.1	**Workers' Profit Participation Fund**			
	As at beginning of the year		**1,449,069**	1,288,061
	Interest on funds utilized by the Company	*13.1.1*	**181,134**	161,008
	As at end of the year		**1,630,203**	1,449,069

13.1.1 Interest has been charged at 12.5% per annum.

		Note	2017	2016
			Rupees	*Rupees*
13.2	**Workers' Welfare Fund**			
	As at beginning of the year		**613,283**	563,597
	Charged to profit or loss for the year	*33*	**55,983**	49,686
	Paid during the period		**(49,686)**	-
	As at end of the year		**619,580**	613,283
14	**ACCRUED INTEREST/MARKUP**			
	Long term finance		**39,813,820**	39,813,820
	Short term borrowings		**63,701,065**	63,701,065
	Liabilities against assets subject to finance lease		**1,960,420**	1,967,516
			105,475,305	105,482,401

14.1 The entire balance of accrued interest/mark-up represents overdue interest/mark-up. Refer to note 17 for details of litigation between the Company and lending banks regarding recovery of this amount.

		Note	2017	2016
			Rupees	*Rupees*
15	**SHORT TERM BORROWINGS**			
	Secured			
	These represent short term finances utilized under interest/markup arrangements from banking companies			
	Running finances	*15.1*	**311,049,774**	360,728,274
	Unsecured			
	Loan from director	*15.2*	**139,008,067**	125,090,067
			450,057,841	485,818,341

15.1 These facilities were obtained from various banking companies for working capital requirements and are secured by charge over all present and future current assets of the Company. These carried markup at the rates ranging from three month to six months KIBOR plus 1.35% to 2% per annum payable quarterly. These facilities have expired and the entire outstanding balance is overdue as at the reporting date. Refer to note 17 for details of litigation between the Company and lending banks regarding recovery of this amount.

15.2 This represents temporary loan obtained from director of the Company. The loan is unsecured and interest free.

15.3 For restrictions on title, and assets pledged as security, refer to note 43 to the financial statements.

		Note	2017	2016
			Rupees	*Rupees*
16	**CURRENT MATURITY OF NON-CURRENT LIABILITIES**			
	Long term finances	*10*	**105,968,864**	105,968,864
	Liabilities against assets subject to finance lease	*11*	**26,194,268**	26,194,268
			132,163,132	132,163,132

17 CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

17.1.1 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. 141.98 million upto June 30, 2017, 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, besides other payers, 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.

17.1.2 The Company is contesting recovery suite 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.

17.1.3 The Company has not recognized interest/markup amounting to Rs. 43 million for the year ended June 30, 2017 based on legal opinion of its legal counsel engaged in defending the above suits.

17.1.4 Guarantees issued by banks on behalf of the Company as at the reporting date amount to Rs. 18.317 million (2016: Rs. 18.317 million), however the Company has already recognized related liability amounting to Rs. 18.317 million (2016: Rs. 18.317 million). See note 12.1.

17.1.5 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.

17.2 Commitments

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

	Note	**2017**	2016
		Rupees	*Rupees*
18 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	*18.1*	**1,213,263,727**	1,267,909,038
Capital work in progress	*18.2*	**6,502,471**	-
		1,219,766,198	1,267,909,038

18.1 Operating fixed assets

	2017										
	COST/REVALUED AMOUNT						DEPRECIATION				Net book
	As at July 01, 2016 Rupees	Additions Rupees	Disposals Rupees	Transfers Rupees	As at June 30, 2017 Rupees	Rate %	As at July 01, 2016 Rupees	For the year Rupees	Adjustment Rupees	As at June 30, 2017 Rupees	value as at June 30, 2017 Rupees
Assets owned by the Company											
Freehold land	168,217,500	-	-	-	168,217,500	-	-	-	-	-	168,217,500
Factory building	477,667,348	-	-	-	477,667,348	5	156,687,582	16,048,988	-	172,736,570	304,930,778
Non-Factory building	97,422,754	-	-	-	97,422,754	5	41,521,904	2,795,043	-	44,316,947	53,105,807
Plant and machinery	1,590,956,981	2,775,000	-	-	1,593,731,981	5	927,029,396	33,231,067	-	960,260,463	633,471,518
Office equipment	6,101,286	-	-	-	6,101,286	10	3,911,745	218,954	-	4,130,699	1,970,587
Furniture and fixtures	3,790,036	-	-	-	3,790,036	10	2,797,467	99,257	-	2,896,724	893,312
Vehicles	38,352,644	-	(5,503,351)	-	32,849,293	20	29,139,773	1,745,438	(4,546,205)	26,339,006	6,510,287
	2,382,508,549	2,775,000	(5,503,351)	-	2,379,780,198		1,161,087,867	54,138,747	(4,546,205)	1,210,680,409	1,169,099,789
Assets subject to finance lease											
Plant and machinery	55,615,937	-	-	-	55,615,937	5	9,127,581	2,324,418	-	11,451,999	44,163,938
	2,438,124,486	2,775,000	(5,503,351)	-	2,435,396,135		1,170,215,448	56,463,165	(4,546,205)	1,222,132,408	1,213,263,727

	2016											
	COST/REVALUED AMOUNT						DEPRECIATION					Net book
	As at July 01, 2015 *Rupees*	Additions *Rupees*	Disposals *Rupees*	Transfers *Rupees*	As at June 30, 2016 *Rupees*	Rate %	As at July 01, 2015 *Rupees*	For the year *Rupees*	Adjustment *Rupees*	As at June 30, 2016 *Rupees*	value as at June 30, 2016 *Rupees*
Assets owned by the Company											
Freehold land	168,217,500	-	-	-	168,217,500	-	-	-	-	-	168,217,500
Factory building	477,667,348	-	-	-	477,667,348	5	139,793,910	16,893,672	-	156,687,582	320,979,766
Non-Factory building	97,422,754	-	-	-	97,422,754	5	38,579,753	2,942,151	-	41,521,904	55,900,850
Plant and machinery	1,590,956,981	-	-	-	1,590,956,981	5	892,085,838	34,943,558	-	927,029,396	663,927,585
Office equipment	6,079,341	21,945	-	-	6,101,286	10	3,669,682	242,063	-	3,911,745	2,189,541
Furniture and fixtures	3,790,036	-	-	-	3,790,036	10	2,687,181	110,286	-	2,797,467	992,569
Vehicles	36,811,946	1,685,930	(145,232)	-	38,352,644	20	26,861,069	2,303,218	(24,514)	29,139,773	9,212,871
	2,380,945,906	1,707,875	(145,232)	-	2,382,508,549		1,103,677,433	57,434,948	(24,514)	1,161,087,867	1,221,420,682
Assets subject to finance lease											
Plant and machinery	55,615,937	-	-	-	55,615,937	5	6,680,825	2,446,756	-	9,127,581	46,488,356
	2,436,561,843	1,707,875	(145,232)	-	2,438,124,486		1,110,358,258	59,881,704	(24,514)	1,170,215,448	1,267,909,038

18.1.1 Disposal of operating fixed assets

	2017						
	Cost/revalued amount *Rupees*	**Accumulated depreciation** *Rupees*	**Net book value** *Rupees*	**Disposal proceeds** *Rupees*	**Gain on disposal** *Rupees*	**Mode of disposal**	**Particulars of buyer**
Vehicles							
Sazuki Mehran	**317,100**	**298,215**	**18,885**	**325,000**	**306,115**	**Negotiation**	**Adil Shahzad *(Employee)***
Honda Civic	**1,928,000**	**1,381,407**	**546,593**	**910,000**	**363,407**	**Negotiation**	**Mehmood Ahmed**
Honda Civic	**1,311,485**	**1,245,394**	**66,091**	**100,000**	**33,909**	**Negotiation**	**Muhammad Saleem**
Toyatta Corolla	**1,334,060**	**1,053,219**	**280,841**	**657,900**	**377,059**	**Negotiation**	**Hamid Bashir *(Employee)***
Sazuki Cultus	**612,706**	**567,970**	**44,736**	**500,000**	**455,264**	**Negotiation**	**Muhammad Abid *(Employee)***
	5,503,351	**4,546,205**	**957,146**	**2,492,900**	**1,535,754**		

	2016						
	Cost/revalued amount *Rupees*	Accumulated depreciation *Rupees*	Net book value *Rupees*	Disposal proceeds *Rupees*	Gain/(loss) on disposal *Rupees*	Mode of disposal	Particulars of buyer
Vehicles							
Motor cycle	74,363	12,552	61,811	73,500	11,689	Negotiation	Riaz Hussain *(Employee)*
Motor cycle	70,869	11,962	58,907	69,900	10,993	Negotiation	Ejaz-Un-Nabi Qamar *(Employee)*
	145,232	24,514	120,718	143,400	22,682		

	Note	2017	2016
		Rupees	*Rupees*

18.1.2 The depreciation charge for the year has been allocated as follows:

	Note	2017 Rupees	2016 Rupees
Cost of sales	*28*	**54,399,516**	57,226,137
Administrative and general expenses	*30*	**2,063,649**	2,655,567
		56,463,165	59,881,704

18.1.3 Most recent valuation of land, building, plant and machinery and vehicles of the Company was carried out by an independent valuer Messrs K.G Traders (Private) Limited as on July 01, 2013. For basis of valuation and other fair value measurement disclosures refer to note 42.

Had there been no revaluation, the cost, accumulated depreciation and net book values of revalued items would have been as follows:

	2017		
	Cost *Rupees*	**Accumulated depreciation** *Rupees*	**Net book value** *Rupees*
Freehold land	**51,545,829**	**-**	**51,545,829**
Factory building	**110,523,931**	**95,474,785**	**15,049,146**
Non-factory building	**64,902,215**	**36,777,005**	**28,125,210**
Plant and machinery	**1,321,307,276**	**1,037,826,908**	**283,480,368**
Vehicles	**23,899,572**	**18,814,681**	**5,084,891**

	2016		
	Cost *Rupees*	Accumulated depreciation *Rupees*	Net book value *Rupees*
Freehold land	51,545,829	-	51,545,829
Factory building	110,523,931	94,682,725	15,841,206
Non-factory building	64,902,215	35,296,731	29,605,484
Plant and machinery	1,318,532,276	1,023,016,428	295,515,848
Vehicles	29,402,923	21,971,799	7,431,124

18.2 Capital work in progress

	2017			
	As at July 01, 2016 *Rupees*	**Additions** *Rupees*	**Transfers** *Rupees*	**As at June 30, 2017** *Rupees*
Building	**-**	**6,502,471**	**-**	**6,502,471**
	-	**6,502,471**	**-**	**6,502,471**

	2016			
	As at July 01, 2015 *Rupees*	Additions *Rupees*	Transfers *Rupees*	As at June 30, 2016 *Rupees*
Building	-	-	-	-
	-	-	-	

19 LONG TERM DEPOSITS

These have been deposited with various utility companies and regulatory authorities. These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as their amortized cost is impracticable to determine.

20 DEFERRED TAXATION

Deferred tax asset on deductible temporary differences	*20.1*	**249,657,165**	245,007,420
Deferred tax liability on taxable temporary differences	*20.1*	**(231,260,026)**	(268,327,697)
Net asset/(liability)		**18,397,139**	(23,320,277)

20.1 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2017			
	As at July 01, 2016	**Recognized in profit or loss**	**Recognized in OCI**	**As at June 30, 2017**
	Rupees	***Rupees***	***Rupees***	***Rupees***
Deferred tax assets				
Employees retirement benefits	**2,922,703**	**(2,052,471)**	**334**	**870,566**
Provisions	**3,147,394**	**10,499,800**	**-**	**13,647,194**
Unused tax losses and credits	**238,937,323**	**(3,797,918)**	**-**	**235,139,405**
	245,007,420	**4,649,411**	**334**	**249,657,165**
Deferred tax liabilities				
Operating fixed assets - owned	**(262,586,978)**	**15,611,887**	**20,278,890**	**(226,696,201)**
Operating fixed assets - leased	**(5,740,719)**	**1,176,894**	**-**	**(4,563,825)**
	(268,327,697)	**16,788,781**	**20,278,890**	**(231,260,026)**
	(23,320,277)	**21,438,192**	**20,279,224**	**18,397,139**

	2016			
	As at July 01, 2015	Recognized in profit or loss	Recognized in OCI	As at June 30, 2016
	Rupees	*Rupees*	*Rupees*	*Rupees*
Deferred tax assets				
Employees retirement benefits	4,238,275	(1,483,432)	167,860	2,922,703
Provisions	3,560,446	(413,052)	-	3,147,394
Unused tax losses and credits	81,287,483	157,649,840	-	238,937,323
	89,086,204	155,753,356	167,860	245,007,420
Deferred tax liabilities				
Operating fixed assets - owned	(166,534,626)	(108,831,155)	12,778,803	(262,586,978)
Operating fixed assets - leased	4,471,676	(10,212,395)	-	(5,740,719)
	(162,062,950)	(119,043,550)	12,778,803	(268,327,697)
	(72,976,746)	36,709,806	12,946,663	(23,320,277)

20.2 Revenue from export sales of the Company is subject to taxation under the final tax regime, while the remaining portion of revenue attracts assessment under normal provisions of the Ordinance. Deferred tax is provided for only that portion of timing differences that represent income taxable under normal provisions of the Ordinance. These differences are calculated at that proportion of total timing differences that the local sales, other than the indirect exports taxable under section 154 (3) of the Ordinance, bear to the total sales revenue based on historical and future trends. Deferred tax has been calculated at 30% (2016: 31%) of the timing differences so determined based on tax rates notified by the Government of Pakistan for future tax years.

20.3 Deferred tax asset on unused tax losses and credits as at June 30, 2017 represents deferred tax asset of Rs. 148.1 million and Rs. 90.84 million on unabsorbed depreciation and unused business losses respectively. Taxable profits are expected to be available in future against which the recognized deferred tax assets could be utilized.

		Note	2017 Rupees	2016 Rupees
21	**STORES, SPARES AND LOOSE TOOLS**			
	Stores		**5,461,572**	6,032,426
	Spares		**52,138,834**	57,588,490
	Loose tools		**210,909**	232,954
			57,811,315	63,853,870

21.1 There are no stores, spares and loose tools held exclusively for capitalization.

		Note	2017 Rupees	2016 Rupees
22	**STOCK IN TRADE**			
	Raw material		**9,859,184**	26,026,288
	Work in process		**101,500**	6,285,590
	Finished goods	*22.1*	**42,654,512**	204,516,971
			52,615,196	236,828,849

22.1 Stock of finished goods includes stock of waste valued at net realizable values of Rs. 92,675 (2016: Rs. 2,786,299) .

22.2 As at June 30, 2017, net realizable values of finished goods (yarn stock) were lower than their cost, which resulted in write-down of Rs. 18,478,646 which has been charged to cost of sales.

22.2 Details of stock pledged as security are referred to in note 43 to the financial statements.

		Note	2017 Rupees	2016 Rupees
23	**TRADE DEBTS - UNSECURED**			
	Local			
	considered good		**17,460,129**	61,697,755
	considered doubtful	*23.1*	**51,081,661**	11,126,394
			68,541,790	72,824,149
	Foreign		**3,384,228**	10,068,993
			71,926,018	82,893,142
	Impairment allowance	*23.2*	**(51,081,661)**	(11,126,394)
			20,844,357	71,766,748

23.1 It includes Rs. 48,629 (2016: Rs. 255,229) due from A-Square (Private) Limited, a related party.

		Note	2017 Rupees	2016 Rupees
	Age analysis of amounts due from related party is as follows:			
	Not yet due		**-**	-
	Past due by less than one year		**-**	-
	Past due by more than one year		**48,629**	255,229
			48,629	255,229
23.2	**Movement in accumulated impairment**			
	As at beginning of the year		**11,126,394**	11,126,394
	Recognized during the year	*30*	**39,955,267**	-
	As at end of the year		**51,081,661**	11,126,394

		Note	2017	2016
			Rupees	Rupees
24	**ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**			
	Advances to suppliers - *unsecured*	*24.1*	**11,359,703**	17,534,432
	Advances to employees - *unsecured, considered good*	*24.2*	**266,293**	1,531,546
	Security deposits		**3,500,000**	3,500,000
	Sales tax refundable		**28,150,946**	25,088,169
	Special excise duty		**551,522**	551,522
	Insurance claims receivable		**9,439,092**	9,439,092
	Other receivables - *unsecured, considered good*		**2,888,060**	2,890,528
			56,155,616	60,535,289
24.1	**Advances to suppliers - unsecured**			
	considered good		**11,359,703**	17,534,432
	considered doubtful		**2,653,000**	-
			14,012,703	17,534,432
	Impairment allowance	*24.1.1*	**(2,653,000)**	-
			11,359,703	17,534,432
24.1.1	**Movement in accumulated impairment**			
	As at beginning of the year		**-**	-
	Recognized during the year	*30*	**2,653,000**	-
	As at end of the year		**2,653,000**	-

24.2 These represent advances to employees for purchases and expenses on behalf of the Company and those against future salaries and post employment benefits in accordance with the Company policy. No advances have been given to any of the directors or executives of the Company.

25 SHORT TERM INVESTMENTS

This represents investment in listed equity securities held for trading classified as "financial assets at fair value through profit or loss". Particulars of investments are as follows:

		Note	2017	2016
			Rupees	Rupees
	NIB Bank Limited 50,000 (2016: 50,000) ordinary shares of Rs. 10 each			
	Cost		**75,500**	75,500
	Changes in fair value		**10,500**	20,000
			86,000	95,500
26	**CASH AND BANK BALANCES**			
	Cash in hand		**60**	10,706
	Cash at banks			
	current accounts		**571,363**	1,202,043
	deposit/saving accounts		**4,431**	109,597
			575,794	1,311,640
			575,854	1,322,346

26.1 Effective markup rate in respect of deposit/saving accounts, for the year, ranges from 3.75% to 4.5% (2016: 3.5% to 4.5%).

27 TURNOVER - NET

	2017		
	Local	**Export**	**Total**
	Rupees	***Rupees***	***Rupees***
Yarn	**324,242,603**	**63,293,535**	**387,536,138**
Waste	**3,565,860**	**-**	**3,565,860**
Raw material	**13,805,434**	**-**	**13,805,434**
Processing services	**7,641,250**	**-**	**7,641,250**
	349,255,147	**63,293,535**	**412,548,682**
Sales tax	**-**	**-**	**-**
	349,255,147	**63,293,535**	**412,548,682**

	2016		
	Local	Export	Total
	Rupees	*Rupees*	*Rupees*
Yarn	659,958,855	62,107,629	722,066,484
Waste	6,754,395	-	6,754,395
Raw material	7,326,324	-	7,326,324
Processing services	-	-	-
	674,039,574	62,107,629	736,147,203
Sales tax	(26,308,623)	-	(26,308,623)
	647,730,951	62,107,629	709,838,580

	Note	**2017**	2016
		Rupees	*Rupees*
28 COST OF SALES			
Raw material consumed	*28.1*	**112,095,811**	470,589,803
Cost of raw material sold		**10,766,479**	7,284,483
Stores, spares and loose tools consumed		**13,490,042**	82,819,707
Salaries, wages and benefits	*28.2*	**37,424,418**	137,961,364
Power and fuel		**45,685,141**	119,501,576
Repair and maintenance		**2,198,759**	3,512,325
Travelling and conveyance		**645,653**	815,053
Depreciation	*18.1.2*	**54,399,516**	57,226,137
Others		**1,806,597**	2,253,954
Manufacturing cost		**278,512,416**	881,964,402
Work in process			
As at beginning of the year		**6,285,590**	14,770,678
As at end of the year		**(101,500)**	(6,285,590)
		6,184,090	8,485,088
Cost of goods manufactured		**284,696,506**	890,449,490
Finished goods			
As at beginning of the year		**204,516,971**	132,318,336
Purchased during the year		**37,296,131**	24,568,460
As at end of the year		**(42,654,512)**	(204,516,971)
		199,158,590	(47,630,175)
		483,855,096	842,819,315

		2017 Rupees	2016 Rupees
28.1	**Raw material consumed**		
	As at beginning of the year	**26,026,288**	33,374,879
	Purchased during the year	**106,695,186**	470,525,695
	Sold during the year	**(10,766,479)**	(7,284,483)
	As at end of the year	**(9,859,184)**	(26,026,288)
		112,095,811	470,589,803

28.2 These include credit/charge in respect of employees retirement benefits amounting to Rs. 5,877,304 (2016: Rs. 1,388,094).

		Note	2017 Rupees	2016 Rupees
29	**SELLING AND DISTRIBUTION EXPENSES**			
	Local			
	Freight and handling		**739,419**	1,438,450
	Commission		**253,917**	2,180,706
	Forwarding charges		**12,839**	52,018
			1,006,175	3,671,174
	Export			
	Ocean freight		**373,352**	109,423
	Commission on export		**1,758,325**	1,681,785
	Export development surcharge		**157,534**	92,501
	Export trailer charges		**456,000**	435,804
	Export bank charges		**202,037**	661,801
	Quality claim		**149,093**	413,823
	Others		**466,860**	528,801
			3,563,201	3,923,938
			4,569,376	7,595,112
30	**ADMINISTRATIVE AND GENERAL EXPENSES**			
	Directors' remuneration		**-**	6,720,000
	Salaries and benefits	*30.1*	**11,628,029**	13,400,158
	Travelling and conveyance		**1,612,893**	2,483,795
	Legal and professional		**2,221,925**	3,735,245
	Fee and subscription		**594,346**	955,225
	Rent, rates and taxes		**96,724**	302,074
	Electricity, gas and water		**1,691,794**	2,056,731
	Insurance		**208,104**	-
	Repair and maintenance		**694,852**	904,075
	Communication		**422,752**	520,601
	Printing and stationery		**93,579**	225,202
	Vehicle running and maintenance		**717,050**	1,172,268
	Advertisement		**112,000**	41,500
	Entertainment		**482,534**	1,043,536
	Auditor's remuneration	*30.2*	**801,750**	765,000
	Depreciation		**2,063,649**	2,655,567
	Miscellaneous expenses		**720,758**	1,678,714
			24,162,739	38,659,691

30.1 These include charge in respect of employees retirement benefits amounting to Rs. 687,068 (2016: Rs. 1,814,975).

		Note	2017 Rupees	2016 Rupees
30.2	**Auditor's remuneration**			
	Annual statutory audit		**630,000**	600,000
	Half yearly review		**89,250**	85,000
	Review report under Code of Corporate Governance		**52,500**	50,000
	Out of pocket expenses		**30,000**	30,000
			801,750	765,000
31	**OTHER INCOME**			
	Gain on financial instruments			
	Foreign exchange gain		**-**	554,006
	Return on bank deposits		**304,377**	222,725
	Old liabilities written back		**41,692,053**	839,340
	Changes in fair value of investments at fair value through profit or loss	*25*	**(9,500)**	(5,500)
	Dividend income		**-**	56,250
			41,986,930	1,666,821
	Other income			
	Sale of scrap		**-**	800,000
	Amortization of deferred income	*9*	**-**	1,348,405
	Gain on disposal of operating fixed assets	*18.1.1*	**1,535,754**	22,682
			1,535,754	2,171,087
			43,522,684	3,837,908
32	**FINANCE COST**			
	Interest on workers' profit participation fund	*13.1*	**181,134**	161,008
	Bank charges		**572,915**	208,070
			754,049	369,078
33	**OTHER EXPENSES**			
	Workers' Welfare Fund	*13.2*	**55,983**	49,686
	Impairment for doubtful debts and advances	*23.2 & 24.1.1*	**42,608,271**	-
			42,664,254	49,686
34	**TAXATION**			
	Current taxation			
	current year	*34.1*	**3,914,834**	621,076
	prior year		**(249,211)**	-
			3,665,623	621,076
	Deferred taxation			
	changes attributable to origination and reversal of temporary differences	*20*	**(28,592,840)**	(41,354,487)
	changes attributable to changes in tax rates		**7,154,648**	4,644,681
			(21,438,192)	(36,709,806)
			(17,772,569)	(36,088,730)

34.1 Provision for taxation has been made under section 113, 154 and 169 (2016: section 113, 154 and section 169) of the Income Tax Ordinance, 2001 ("the Ordinance"), there is no relationship between aggregate tax expense and accounting profit. Accordingly no numerical reconciliation has been presented.

34.2 Assessments for the tax years up to 2016 are deemed assessments in terms of Section 120 (1) of the Ordinance, as per returns filled by the Company.

34.3 The Government of Pakistan vide Finance Act 2016 notified a reduced tax rate of 31% for tax year 2017 as compared to 32% applicable to previous year for Companies.

		Unit	2017	2016
35	**LOSS PER SHARE - BASIC AND DILUTED**			
	Loss attributable to ordinary shareholders	*Rupees*	**(82,161,579)**	(139,727,664)
	Weighted average number of ordinary shares outstanding during the year	*No. of shares*	**17,636,719**	17,636,719
	Loss per share - *Basic*	*Rupees*	**(4.66)**	(7.92)

There is no anti-dilutive effect on the basic loss per share of the Company.

			2017	2016
			Rupees	*Rupees*
36	**CASH GENERATED FROM OPERATIONS**			
	Loss before taxation		**(99,934,148)**	(175,816,394)
	Adjustments for non-cash and other items			
	Gain on disposal of operating fixed assets		**(1,535,754)**	(22,682)
	Provision for employees retirement benefits		**(5,190,236)**	3,203,069
	Old liabilities written back		**(41,692,053)**	(839,340)
	Impairment allowance for doubtful debts and advances		**42,608,267**	-
	Changes in fair value investments at fair value through profit or loss		**9,500**	5,500
	Foreign exchange gain		**-**	(554,006)
	Amortization of deferred income		**-**	(1,348,405)
	Depreciation		**56,463,165**	59,881,704
			50,662,889	60,325,840
	Operating loss before changes in working capital		**(49,271,259)**	(115,490,554)
	Changes in working capital			
	Stores, spares and loose tools		**6,042,555**	6,104,992
	Stock in trade		**184,213,653**	(56,364,956)
	Trade debts		**10,967,124**	(4,597,045)
	Advances, prepayments and other receivables		**1,726,673**	(167,424)
	Trade and other payables		**(108,492,207)**	113,622,702
			94,457,798	58,598,269
	Cash generated from/(used in) operations		**45,186,539**	(56,892,285)
37	**CASH AND CASH EQUIVALENTS**			
	Cash and bank balances	*26*	**575,854**	1,322,346
			575,854	1,322,346

38 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:

			2017	2016
			Rupees	*Rupees*
38.1	**Transactions with related parties**			
	Nature of relationship	**Nature of transactions**		
	Key management personnel	Short term borrowings obtained	**52,608,000**	112,371,535
		Short term borrowings repaid	**38,690,000**	34,273,308
		Short term employee benefits	**-**	6,720,000
	Balances with related parties			
	Nature of relationship	**Nature of balances**		
	Key management personnel	Short term borrowings	**139,008,067**	125,090,067
		Short term employee benefits payable	**12,840,000**	12,840,000
	Associated undertaking	Trade debts	**48,629**	255,229

39 FINANCIAL INSTRUMENTS

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

	Note	2017	2016
		Rupees	*Rupees*
Financial assets			
Cash in hand	*26*	**60**	10,706
Loans and receivables			
Long term deposits	*19*	**27,444,429**	27,444,429
Trade debts	*23*	**20,844,357**	71,766,748
Security deposits	*24*	**3,500,000**	3,500,000
Insurance claims receivable	*24*	**9,439,092**	9,439,092
Cash at bank	*26*	**575,794**	1,311,640
		61,803,672	113,461,909
Financial assets at fair value through profit or loss			
Short term investments	*25*	**86,000**	95,500
		61,889,732	113,568,115
Financial liabilities			
Financial liabilities at amortized cost			
Long term finances	*10*	**105,968,864**	105,968,864
Liabilities against assets subject to finance lease	*11*	**26,194,268**	26,194,268
Long term payables	*12.1*	**18,316,926**	18,316,926
Short term borrowings	*15*	**450,057,841**	485,818,341
Accrued interest/markup	*14*	**105,475,305**	105,482,401
Trade creditors	*13*	**106,298,571**	125,109,963
Accrued liabilities	*13*	**83,666,436**	93,410,509
Bills payable	*13*	**-**	47,208
		895,978,211	960,348,480

40 FINANCIAL RISK EXPOSURE AND MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. These risks affect revenues, expenses and assets and liabilities of the Company.

The Board of Directors has the overall responsibility for establishment and oversight of risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework. The risk policy focuses on

Directors has developed a risk policy that sets out fundamentals of risk management framework. The risk policy focuses on unpredictability of financial markets, the Company's exposure to risk of adverse effects thereof and objectives, policies and processes for measuring and managing such risks. The management team of the Company is responsible for administering and monitoring the financial and operational financial risk management throughout the Company in accordance with the risk management framework.

The Company's exposure to financial risks, the way these risks affect the financial position and performance, and forecast transactions of the Company and the manner in which such risks are managed is as follows:

40.1 Credit risk

Credit risk is the risk of financial loss to the Company, if the counterparty to a financial instrument fails to meet its obligations.

40.1.1 Maximum exposure to credit risk

Credit risk principally arises from the Company's loans and receivables. The maximum exposure to credit risk as at the reporting date is as follows:

	Note	**2017**	2016
		Rupees	*Rupees*
Loans and receivables			
Long term deposits	*19*	**27,444,429**	27,444,429
Trade debts	*23*	**20,844,357**	71,766,748
Security deposits	*24*	**3,500,000**	3,500,000
Insurance claims receivable	*24*	**9,439,092**	9,439,092
Bank balances	*26*	**575,794**	1,311,640
		61,803,672	113,461,909

40.1.2 Concentration of credit risk

The Company's maximum exposure to credit risk, as at the reporting date, by type of counterparty is as follows:

	2017	2016
	Rupees	*Rupees*
Customers	**20,844,357**	71,766,748
Banking companies and financial institutions	**13,514,886**	14,250,732
Utility companies and regulatory authorities	**27,444,429**	27,444,429
	61,803,672	113,461,909

40.1.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. All counterparties, with the exception of customers, have external credit ratings determined by various credit rating agencies. Credit quality of customers is assessed by reference to historical defaults rates and present ages.

(a) Counterparties with external credit ratings

These include banking companies and financial institutions, which are counterparties to 'insurance claims receivable', 'security deposits' and 'cash at bank'. These counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company.

(b) Counterparties without external credit ratings

These include customers which are counter parties to 'trade debts' and utility companies and regulatory authorities which are counter parties to 'long term deposits'. Credit risk in respect of 'long term deposits' is considered to be insignificant as non-performance by these parties is not expected. The Company is exposed to credit risk in respect of trade debts. The analysis of ages of trade debts as at the reporting date is as follows:

	2017		2016	
	Gross carrying amount	**Accumulated Impairment**	Gross carrying amount	Accumulated Impairment
	Rupees	***Rupees***	*Rupees*	*Rupees*
Neither past due nor impaired	**-**		-	
Past due by 0 to 30 days	**-**		2,964,276	
Past due by 31 to 90 days	**-**		834,767	
Past due by 90 days to one year	**81,042**		15,548,176	
Over one year	**71,844,976**	**51,081,661**	63,545,923	11,126,394
	71,926,018	**51,081,661**	82,893,142	11,126,394

The Company's three (2016: two) significant customers account for Rs. 24.088 million (2016: Rs. 25.714 million) of trade debts as at the reporting date, apart from which, exposure to any single customer does not exceed 10% of trade debts as at the reporting date. Balances with these significant customers have been overdue by over year but the management expects to recover these, along with other balances past due, in the ensuing year. Accordingly, no further impairment allowance has been made.

40.1.4 Collateral held

The Company does not hold any collateral to secure its financial assets.

40.1.5 Credit risk management

As mentioned in note 40.1.3 to the financial statements, the Company's financial assets do not carry significant credit risk, with the exception of trade debts, which are exposed to losses arising from any non-performance by customers. In respect of trade debts, the Company manages credit risk by limiting significant exposure to any single customer. Formal policies and procedures of credit management and administration of receivables are established and executed. In monitoring customer credit risk, the ageing profile of total receivables and individually significant balances, along with collection activities are reviewed on a regular basis. High risk customers are identified and restrictions are placed on future trading, including suspending future shipments and administering dispatches on a prepayment basis or confirmed letters of credit.

40.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

40.2.1 Exposure to liquidity risk

The following is the analysis of contractual maturities of financial liabilities, including estimated interest payments.

	2017				
	Carrying amount	**Contractual cash flows**	**One year or less**	**One to five years**	**More than five years**
	Rupees	***Rupees***	***Rupees***	***Rupees***	***Rupees***
Long term finances	**105,968,864**	**105,968,864**	**105,968,864**	**-**	**-**
Liabilities against assets subject to finance lease	**26,194,268**	**26,194,268**	**26,194,268**	**-**	**-**
Short term borrowings	**450,057,841**	**450,057,841**	**450,057,841**	**-**	**-**
Accrued interest/markup	**105,475,305**	**105,475,305**	**105,475,305**	**-**	**-**
Trade creditors	**106,298,571**	**106,298,571**	**106,298,571**	**-**	**-**
Accrued liabilities	**83,666,436**	**83,666,436**	**83,666,436**	**-**	**-**
Bills payable	**-**	**-**	**-**	**-**	**-**
	877,661,285	**877,661,285**	**877,661,285**	**-**	**-**

	2016				
	Carrying amount	Contractual cash flows	One year or less	One to five years	More than five years
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Long term finances	105,968,864	105,968,864	105,968,864	-	-
Liabilities against assets subject to finance lease	26,194,268	26,194,268	26,194,268	-	-
Short term borrowings	485,818,341	485,818,341	485,818,341	-	-
Accrued interest/markup	105,482,401	105,482,401	105,482,401	-	-
Trade creditors	125,109,963	125,109,963	125,109,963	-	-
Accrued liabilities	93,410,509	93,410,509	93,410,509	-	-
Bills payable	47,208	47,208	47,208	-	-
	942,031,554	942,031,554	942,031,554	-	-

40.2.2 Overdue financial liabilities

As at the reporting date, the following debt finances and accrued interest/markup thereon are overdue.

	Note	**2017**	2016
		Rupees	*Rupees*
Long term finances	*10*	**105,968,864**	105,968,864
Liabilities against assets subject to finance lease	*11*	**26,194,268**	26,194,268
Short term borrowings	*15*	**311,049,774**	360,728,274
Accrued interest/mark-up	*14*	**105,475,305**	105,482,401
		548,688,211	598,373,807

The Company is contesting recovery suits filed by the lenders. Refer to note 17.1 for details.

40.2.3 Liquidity risk management

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational cash flows, including servicing of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. The Company also has continued financial support from its directors in the form of interest free loans for any short term or long term liquidity requirements.

Due to reasons explained in note 2.2, the Company defulted in repayments of its debts finances and interest/markup thereon amounting to Rs. 548.69 million. (see note 40.2.2).

40.3 Market risk

40.3.1 Currency risk

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from transactions and resulting balances that are denominated in a currency other than functional currency.

(a) Exposure to currency risk

The Company's exposure to currency risk as at the reporting date is as follows:

	2017	
	USD	**Total**
	Rupees	***Rupees***
Financial assets		
Trade debts	**3,384,228**	**3,384,228**
Financial liabilities	**-**	**-**
Net exposure	**3,384,228**	**3,384,228**

	2016	

	USD	Total
	Rupees	*Rupees*
Financial assets		
Trade debts	10,068,993	10,068,993
Financial liabilities	-	-
Net exposure	10,068,993	10,068,993

(b) ***Exchange rates applied as at the reporting date***

The following spot exchange rates were applied as at the reporting date.

	2017		2016	
	Assets	**Liabilities**	Assets	Liabilities
	Rupees	***Rupees***	*Rupees*	*Rupees*
USD	**104.8000**	**105.0000**	104.5000	104.7000

(c) Sensitivity analysis

A ten percent appreciation in Pak Rupee against foreign currencies would have decreased profit for the year by Rs. 0.338 million (2016: Rs. 1.007 million). A ten percent depreciation in Pak Rupee would have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

(d) Currency risk management

The Company manages its exposure to currency risk through continuous monitoring of expected/forecast committed and non-committed foreign currency payments and receipts. Reports on forecast foreign currency transactions, receipts and payments are prepared on monthly basis, exposure to currency risk is measured and appropriate steps are taken to ensure that such exposure is minimized while optimizing return. This includes matching of foreign currency liabilities/payments to assets/receipts and using source inputs in foreign currency.

40.3.2 Interest rate risk

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

(a) Interest/markup bearing financial instruments

The effective interest/markup rates for interest/markup bearing financial instruments are mentioned in relevant notes to the financial statements. The Company's interest/markup bearing financial instruments as at the reporting date are as follows:

	2017	2016
	Rupees	*Rupees*
Fixed rate instruments		
Financial assets	**4,431**	109,597
Financial liabilities	**17,863,256**	17,863,256
Variable rate instruments		
Financial assets	**-**	-
Financial liabilities	**425,349,650**	475,028,150

(b) Fair value sensitivity analysis for fixed rate instruments

The Company does not account for fixed rate financial assets and liabilities at fair value through profit or loss.

(c) Cash flow sensitivity analysis for variable rate instruments and cash flow hedges

An increase of 100 basis points in interest rates as at the reporting date would have decreased profit for the year by Rs. 4.25 million (2016: Rs. 4.75 million). A decrease of 100 basis points wound have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

(d) Interest rate risk management

The Company manages interest rate risk by analyzing its interest rate exposure on a dynamic basis. Cash flow interest rate risk is managed by simulating various scenarios taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates impact on profit after taxation and equity of defined interest rate shift, mostly 100 basis points.

40.3.3 Price risk

Price risk represents the risk that the fair value or future cash flows of 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 instruments. The Company is exposed to price risk in respect of its investment in listed equity securities.

A ten percent appreciation in prices of equity securities as at reporting date would have increased profit for the year by Rs. 8,600 (2016: Rs. 9,550). A ten percent diminution in prices of equity securities as at the reporting date would have had equal but opposite effect on profit. The analysis assumes that all other variables remain constant and ignores the impact, if any, on provision for taxation for the year.

41 CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. These are subject to operational conditions both internal and external, and generation of cash flows for working capital requirements and meeting of debt obligations. Any temporary shortfall is met through interest free loans from directors. The Board of Directors monitors the return on capital and level of dividends to ordinary shareholders and seeks to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. The Company monitors capital using the gearing ratio which is debt divided by total capital employed. Debt comprises long term finances and liabilities against assets subject to finances lease, including current maturity. Total capital employed includes total equity, as shown in the balance sheet plus surplus on revaluation of property, plant and equipment, plus debt. The Company's strategy is to maintain an optimal capital structure in order to minimize cost of capital. Gearing ratio of the Company as at the reporting date is as follows:

	Unit	**2017**	2016
Total debt	*Rupees*	**132,163,132**	132,163,132
Total equity	*Rupees*	**470,217,631**	532,101,300
		602,380,763	664,264,432
Gearing	*% age*	**21.94%**	19.90%

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements, except those, related to maintenance of debt covenants, commonly imposed by the providers of debt finances, including the impact, if any, of recovery suits filed by them against the Company. See note 17.

42 FAIR VALUE MEASUREMENTS

42.1 Financial Instruments

42.1.1 Financial instruments measured at fair value

The Company measures some of its assets 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 assets measured at fair value and the information about how the fair values of these financial instruments are determined are as follows:

a) Recurring fair value measurements

Nature of asset	Hierarchy	Valuation techniques/Key inputs	2017	2016
			Rupees	*Rupees*
Financial assets at fair value through profit or loss				
Short term investments	Level 1	Quoted prices in an active market	**86,000**	95,500

b) Non-recurring fair value measurements

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

42.1.2 Financial instruments not measured at fair value

The management considers the carrying amount of all financial instruments not measured at fair value to approximate their carrying

42.2 Assets and liabilities other than financial instruments.

42.2.1 Recurring fair value measurements

For recurring fair value measurements, the fair value hierarchy and information about how the fair values are determined is as follows:

	Level 1	Level 2	Level 3	2017	2016
				Rupees	*Rupees*
Freehold land	-	168,217,500	-	**168,217,500**	168,217,500
Factory building	-	172,736,570	-	**172,736,570**	320,979,766
Non-factory building	-	44,316,947	-	**44,316,947**	55,900,850
Plant and machinery	-	960,260,463	-	**960,260,463**	663,927,585
Vehicles	-	26,339,006	-	**26,339,006**	9,212,871

For fair value measurements categorised into Level 2 and Level 3 the following information is relevant:

	Valuation technique	Significant inputs	Sensitivity
Freehold land	Market comparable approach that reflects recent transaction prices for similar properties	Estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition.	A 5% increase in estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition would result in a significant increase in fair value of buildings by Rs. 8.41 million (2016: Rs. 8.41 million).
Factory building	Cost approach that reflects the cost to the market participants to construct assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated construction costs and other ancillary expenditure.	A 5% increase in estimated construction and other ancillary expenditure would result in a significant increase in fair value of buildings by Rs. 15.247 million (2016: Rs. 16.049 million).
Non-factory building	Cost approach that reflects the cost to the market participants to construct assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated construction costs and other ancillary expenditure.	A 5% increase in estimated construction and other ancillary expenditure would result in a significant increase in fair value of buildings by Rs. 2.655 million (2016: Rs. 2.795 million).

	Valuation technique	Significant inputs	Sensitivity

Plant and machinery	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would result in a significant increase in fair value of plant and machinery by Rs. 31.674 million (2016: Rs. 33.196 million).
Vehicle	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would result in a significant increase in fair value of vehicle by Rs. 325,514 (2016: Rs. 460,644).

Reconciliation of fair value measurements categorized in Level 3 is presented in note 18.1.

There were no transfers between fair value hierarchies during the year.

42.2.2 Non-recurring fair value measurements

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

	2017	2016
	Rupees	***Rupees***
43 RESTRICTION ON TITLE, AND ASSETS PLEDGED AS SECURITY		
Mortgages and charges		
Charge over current assets	**209,000,000**	209,000,000
Charge over fixed assets	**321,000,000**	321,000,000
Pledge		
Raw material	**8,717,336**	20,431,629
Finished goods	**42,654,512**	119,476,459

44 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged to profit or loss in respect of chief executive, directors and executives on account of managerial remuneration, allowances and perquisites, post employment benefits and the number of such directors and executives is as follows:

	2017		
	Chief Executive	**Directors**	**Executives**
	Rupees	***Rupees***	***Rupees***
Managerial remuneration	**-**	**-**	**4,312,500**
Allowances and perquisites	**-**	**-**	**1,437,500**
Post employment benefits	**-**	**-**	**-**
	-	**-**	**5,750,000**
Number of persons	**1**	**2**	**6**

	2016		
	Chief Executive	Directors	Executives
	Rupees	*Rupees*	*Rupees*
Managerial remuneration	1,500,000	1,860,000	10,085,250
Allowances and perquisites	1,500,000	1,860,000	3,361,750
Post employment benefits	-	-	-
	3,000,000	3,720,000	13,447,000
Number of persons	1	2	13

The chief executive and directors are provided with cars maintained by the Company and telephone at their residence. The directors have waived their meeting fees.

45 SEGMENT INFORMATION

45.1 The Company is a single reportable segment.

45.2 All non-current assets of the Company are situated in Pakistan.

45.3 All sales of the Company have originated from Pakistan.

45.4 There is one (2016: one) significant external customers to whom sales in excess of 10% of the Company's total sales amounting to Rs. 64.5 million (2016: 92.9 million) were made during the year.

46 NUMBER OF EMPLOYEES

Total number of employees of the Company as at the reporting date are 90 (2016: 450). Average number of persons employed by the Company during the year are 217 (2016: 709).

47 RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, subject to appropriateness of going concern assumption, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these financial statements.

48 PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	**2017**	2016
Owned			
Total number of spindles installed	*No.*	**50,136**	50,136
Average number of spindles worked	*No.*	**10,718**	25,479
Number of shifts worked per day	*No.*	**1 to 3**	1 to 3
Plant capacity on the basis of utilization converted into 20s count	*Kgs*	**14,924,234**	14,924,234
Actual production converted into 20s count	*Kgs*	**1,094,254**	6,703,756

It is difficult to precisely compare production capacity and the resultant production converted into base count in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw materials used, spindle speed and twist etc. It would also vary according to pattern of production adopted in a particular year.

49 EVENTS AFTER BALANCE SHEET DATE

There is no event after the reporting period requiring any adjustment in or disclosure in financial statements.

50 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 09, 2017 by the Board of Directors of the Company.

51 GENERAL

51.1 Figures have been rounded off to the nearest rupee.

51.2 Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison. However, there were no significant reclassifications during the year.

CHIEF EXECUTIVE **DIRECTOR**

FORM 34

THE COMPANIES ORDINANCE 1984
(Section 236(1) and 464)

PATTERN OF SHAREHOLDING

1. Incorporation Number 0007332

2. Name of the Company **SHADMAN COTTON MILLS LIMITED**

3. Pattern of holding of the shares held by the shareholders as at **JUNE 30, 2017**

No. of Shareholders	Shareholdings			Total Shares Held
646	Shareholding From	1	To 100	15,685
231	Shareholding From	101	To 500	53,453
164	Shareholding From	501	To 1000	116,922
122	Shareholding From	1001	To 5000	242,419
9	Shareholding From	5001	To 10000	53,024
5	Shareholding From	10001	To 15000	64,693
2	Shareholding From	15001	To 20000	31,750
5	Shareholding From	20001	To 25000	103,099
1	Shareholding From	25001	To 30000	29,121
1	Shareholding From	30001	To 35000	32,077
1	Shareholding From	35001	To 40000	38,892
2	Shareholding From	50001	To 55000	102,484
1	Shareholding From	70001	To 75000	74,016
2	Shareholding From	105001	To 110000	213,308
1	Shareholding From	185001	To 190000	185,872
1	Shareholding From	315001	To 320000	318,931
1	Shareholding From	400001	To 405000	401,566
1	Shareholding From	495001	To 500000	500,000
1	Shareholding From	510001	To 515000	514,503
1	Shareholding From	515001	To 520000	519,793
1	Shareholding From	865001	To 870000	869,500
1	Shareholding From	1105001	To 1110000	1,105,528
2	Shareholding From	1495001	To 1500000	3,000,000
1	Shareholding From	9050001	To 9055000	9,050,083
1,203				17,636,719

Categories of ShareholdersShares HeldPercentage

			%
BANKS DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS.			
	Sub-Totals :	0	0.00
INSURANCE COMPANIES			
	Sub-Totals :	0	0.00
DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN			
SHAHID MAZHAR		9,550,083	
MUHAMMAD AKHTAR		939	
MUHAMMAD AFNAN SHAHID (MINOR) THROUGH SHAHID MAZHAR (GUARDIAN)		1,500,000	
GHAZALA SHAHID		401,566	
AHMED BIN SHAHID		1,500,000	
SHAHID MAHMUD		500	
NAUREEN REHAN		519,793	
NADEEM BHATTI		500	
	Sub-Totals :	13,473,381	76.39
MODARABAS AND MUTUAL FUNDS.			
	Sub-Totals :	0	0.00
NIT AND ICP			
M/S. NATIONAL BANK OF PAKISTAN,		2,500	
IDBL (ICP UNIT)		600	
M/S. INVESTMENT CORPORATION		479	
	Sub-Totals :	3,579	0.02
FOREIGN INVESTORS			
MOHAMED HAFEEDH FAIROOZUDDIN WADHWA SAND		7,523	
M/S. COLOMBY TRADING LTD.		100	
	Sub-Totals :	7,623	0.04
OTHERS			
Y.S. SECURITIES & SERVICES (PVT) LTD.		78	
FIKREE'S (SMC-PVT) LTD.		1,000	
MUHAMMAD AHMED NADEEM SECURITIES (SMC-PV		27	
AWJ SECURITIES (PRIVATE) LIMITED.		386	
CAPITAL VISION SECURITIES (PVT) LTD.		1,361	
MAPLE LEAF CAPITAL LIMITED		1	
NH SECURITIES (PVT) LIMITED.		120	
NH HOLDINGS (PVT) LTD		1,077	
	Sub-Totals :	4,050	0.03
Individual			
Local - Individuals		4,148,086	
	Sub-Totals :	4,148,086	23.52
	G-Totals :	17,636,719	100.00

PROXY FORM

I/We____, being member(s) of **Shadman Cotton Mills Limited** and holder of _______________ Ordinary Shares as per Registered Folio No. __________CDC Participant ID # _____________and Sub Account # _______________ do hereby appoint _____________________________________ of ____________ or failing him/her ___________________________________ of __________ as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of **Shadman Cotton Mills Limited** scheduled to be held on **Tuesday, October 31, 2017 at 10.30 a.m.** at 2-E, Block-G, Mushtaq Ahmed Gurmani Road, Gulberg-II, Lahore and at any adjournment thereof.

As witness my/our hand this _____________________day of ________________________2017

1. Witness:

Signature	________________________
Name	________________________
Address:	________________________
	________________________
CNIC/Passport No.	________________________

Please affix here Revenue Stamp of Rs.5/-

____
Members' Signature

Notes:

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy.

2. Proxies, in order to be effective, must be received at the Company's Registered Office, 2-E, Block-G, Mushtaq Ahmed Gurmani Road, Gulberg-II, Lahore, not later than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.

3. CDC Account Holders will further have to follow the under-mentioned guidelines as laid down in circular #1, dated 26th January, 2000 of The Securities and Exchange Commission of Pakistan.

   a. In case of individuals, the account holder and/or sub-account holder whose securities and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
   b. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.
   c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
   d. The proxy shall produce his original CNIC or original passport at the time of the Meeting.
   e. In case of corporate entity, the Board's resolution/power of attorney with specimen signatures of the proxy holder shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

CONSENT FORM FOR ELECTRONIC TRANSMISION

The Securities & Exchange Commission of Pakistan through SRO 787(I)/2014 of September 08, 2014 allowed the Company to circulate its Annual Balance Sheet and Profit & Loss Account, Auditors' Report and Directors' Report etc. (Audited Financial Statements) along with the Company's Notice of Annual General Meeting to its shareholders through e-mail. Those shareholders who wish to receive the Company's Report through e-mail are requested to complete the requisite form below:-

CDC Shareholders are requested to submit their Electronic Transmission Consent Form along with their copy of CNIC directly to their broker (participant)/CDC; while shareholders having physical shares are to send the forms and a copy of their CNIC to the Company's Registrar, Technology Trade (Pvt.) Limited, Dagia House, 241-C, Block-2, P.E.C.H.S., Off. Shahrah-e-Quaideen, Karachi

Pursuant to the directions given by the Securities and Exchange Commission of Pakistan through its SRO 787(I)/2014 of September 08, 2014, I Mr./Ms. ______________________________
S/o, D/o, W/o _________________________________ hereby consent to have the Shadman Cotton Mills Limited Audited Financial Statements, Notice of Annual General Meeting delivered to me via e-mail on my address provided below:

Name of Member/Shareholder ___________________________________
Folio/ CDC Account No. ___________________________________
CNIC No. ___________________________________
E-mail Address: ___________________________________

It is stated that above mentioned information is true and correct and that I shall notify the company and its Share Registrar in writing of any change in my e-mail address or withdrawal of my consent to e-mail delivery of the Company's Audited Financial Statement and Notice of Annual General Meeting

Date: ______________

____
Signature of Member/Shareholder