



**REPORT FOR THE 1st QUARTER ENDED
SEPTEMBER 30, 2014**

COMPANY INFORMATION

| | | |
|---|---|--|
| BOARD OF DIRECTORS | : | MR. SHAHID MAZHAR (Chief Executive / Chairman) MRS. GHAZALA SHAHID MR. AHMED BIN SHAHID MRS. NAUREEN REHAN MR. FIDA HUSSAIN MR. MUHAMMAD AKHTAR MR. ABDUL RAZZAQ |
| AUDITORS | : | M/S MUSHTAQ & CO CHARTERED ACCOUNTANTS |
| LEGAL ADVISOR | : | MR. FAZAL MAHMOOD (ADVOCATE) |
| AUDIT COMMITTEE | : | MRS. NAUREEN REHAN (Chairperson) MRS. GHAZALA SHAHID (Member) MR. MUHAMMAD AKHTAR (Member) |
| H.R. AND REMUNERATION COMMITTEE | : | MR. AHMED BIN SHAHID (Chairman) MR. SHAHID MAZHAR (Member) MR. MUHAMMAD AKHTAR (Member) |
| CHIEF FINANCIAL OFFICER/ COMPANY SECRETARY | : | MR. FIDA HUSSAIN FCMA |
| BANKERS | : | ALLIED BANK LIMITED SONERI BANK LIMITED THE BANK OF PUNJAB HABIB BANK LIMITED MEEZAN BANK LIMITED HABIB METROPOLITAN BANK |
| REGISTERED OFFICE | : | 58, AL-HUMRA COOPERATIVE HOUSING SOCIETY, BLOCK 7/8, TIPU SULTAN ROAD, OFF: SHAHEED-E-MILLAT ROAD, KARACHI-PAKISTAN PHONE: (021)34312876 |
| HEAD OFFICE | : | 2/E , BLOCK G , MUSHTAQ AHMED GURMANI ROAD, GULBERG II, LAHORE - PAKISTAN PHONE : (042) 35959121 - 26 FAX : (92-42) 35959120 |
| SHARE REGISTRAR | : | M/S. TECHNOLOGY TRADE (PVT) LTD. 241-C, BLOCK-2, P.E.C.H.S. , KARACHI. |
| MILLS | : | KOT SHAH MOHAMMAD, WARBURTON ROAD, FEROZ WATOAN, TEHSIL & DISTRICT: NANKANA SAHIB |
| URL | : | www.shadman.com.pk |

DIRECTORS REPORT

Dear Shareholders,

The Directors of the Company are pleased to present their report along with the unaudited financial statement of the Company for the 1st Quarter ended on September 30, 2014.

OVERVIEW & FINANCIAL RESULTS:

The sales turnover of the Company for the period is Rs. 404.08 Million as compared to Rs. 897.75 Million of corresponding period last year.
The Company has incurred pretax loss of Rs. 46.34 Million as compared to profit of 14.66 Million during the corresponding period last year.

EARNING PER SHARE:

Earnings (loss) per share for the period are Rs. (2.86) as compared to Earnings per share of 0.37 of the corresponding period last year.

CURRENT & FUTURE SUMMARY & PROSPECTUS:

Our sales in export sector have reduced tremendously as we are not competitive due to highest energy cost, shortage of energy, high input cost and tough regional competition.

The excessive supply of Yarn in local market has reduced the selling rates resulting increase in losses.

Electricity scheduled and unscheduled load shading hampers the continuity of production and increases wastage.

Gas supply is only 25% and non-availability of Gas in winter season stops the production. Due to above adverse factors the working hours of our both units have been reduced.

Your management is doing its best to curtail cost, increase productivity, reduce wastage and through better planning and monitoring available resources trying to improve the results in the next Quarter.

Karachi.
Dated: 31st October, 2014



SHAHID MAZHAR
Chief Executive Officer

SHADMAN COTTON MILLS LIMITED
CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT SEPTEMBER 30, 2014

| ASSETS | Note | (UN-AUDITED) Sep. 30, 2014 | (AUDITED) June 30, 2014 |
|---|-------------|---------------------------------------|------------------------------------|
| NON CURRENT ASSETS | | RUPEES | RUPEES |
| Property, plant and equipment | 4 | 1,363,070,549 | 1,380,998,221 |
| | | 3,353,359 | 3,353,359 |
| Long term deposits | | 15,572,915 | 15,572,915 |
| | | <u>1,381,996,823</u> | <u>1,399,924,495</u> |
| CURRENT ASSETS | | | |
| Stores, spares and loose tools | | 80,251,697 | 80,516,944 |
| Stock in trade | | 234,099,745 | 233,301,350 |
| Trade debts | | 112,291,480 | 90,869,831 |
| Loans and advances | | 24,830,018 | 26,752,575 |
| Other receivables | | 12,608,266 | 12,326,880 |
| Tax refund due from Government | | 54,790,841 | 57,940,551 |
| Other financial assets | | 1,043,500 | 1,031,250 |
| Cash and bank balances | | 6,595,862 | 6,134,400 |
| | | <u>526,511,409</u> | <u>508,873,781</u> |
| TOTAL ASSETS | | <u>1,908,508,232</u> | <u>1,908,798,276</u> |
| EQUITY AND LIABILITIES | | | |
| Capital and Reserves | | | |
| Authorized capital | | | |
| 18,000,000 ordinary shares of Rs. 10 each | | 180,000,000 | 180,000,000 |
| Issued, subscribed and paid up capital | | 176,367,190 | 176,367,190 |
| Reserves | | 53,218,752 | 53,218,752 |
| Unappropriated loss | | (316,310,070) | (271,427,657) |
| Shareholder's equity | | (86,724,128) | (41,841,715) |
| Surplus on revaluation of property, plant and equipment | | 650,154,456 | 654,224,618 |
| Deferred income | | 3,371,014 | 4,045,217 |
| NON CURRENT LAIBILITIES | | | |
| Long Term Financing | | | |
| From Banking Companies | | 46,334,153 | 68,998,162 |
| From Director | | 18,180,000 | 19,390,000 |
| Liabilities against assets subject to finance lease | | 7,672,001 | 7,672,001 |
| Deferred liabilities | | 109,799,677 | 109,195,910 |
| | | <u>181,985,831</u> | <u>205,256,073</u> |
| CURRENT LIABILITIES | | | |
| Trade & other payables | | 316,158,028 | 269,094,197 |
| Interest / markup on loans | | 315,941,766 | 260,747,752 |
| Short term borrowings | | 360,728,274 | 364,745,189 |
| Current portion of: | | | |
| Long term finances | | 16,333,331 | 23,333,330 |
| Overdue bank liabilities | | 89,635,533 | 112,299,032 |
| Liabilities against assets subject to finance lease | | 28,553,199 | 28,637,031 |
| Provision of Income tax | | 32,370,928 | 28,257,552 |
| | | <u>1,159,721,059</u> | <u>1,087,114,083</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>1,908,508,232</u> | <u>1,908,798,276</u> |

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.



Chief Executive
Karachi: 31st October, 2014



Director

SHADMAN COTTON MILLS LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2014

| | Sep. 30, 2014 | Sep. 30, 2013 |
|--|----------------------------|--------------------------|
| | RUPEES | RUPEES |
| Sales and services | 404,081,255 | 897,752,074 |
| Cost of sales and services | <u>(418,223,283)</u> | <u>(848,578,325)</u> |
| Gross profit / (Loss) | (14,142,028) | 49,173,749 |
| Other operating income | 1,200,732 | 5,407,651 |
| Distribution cost | (3,099,413) | (5,256,633) |
| Administrative expenses | (12,970,663) | (15,460,815) |
| Other operating expenses | (354,618) | - |
| Finance Cost | <u>(16,977,047)</u> | <u>(19,202,691)</u> |
| | (32,201,009) | (34,512,488) |
| Profit / (loss) before taxation | <u>(46,343,037)</u> | <u>14,661,261</u> |
| Taxation: | | |
| Taxation | (4,113,920) | (8,168,472) |
| Deferred tax | - | - |
| Profit / (loss) for the period | <u>(50,456,957)</u> | <u>6,492,789</u> |
| Earning per share-basic and diluted | <u>(2.86)</u> | <u>0.37</u> |

The annexed notes 1 to 8 form an integral part of these condensed interim financial statement.



Chief Executive
Karachi: 31st October, 2014



Director

SHADMAN COTTON MILLS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2014

| SHARE CAPITAL | RESERVES | | | | |
|--|-----------------|------------|-------------------------------|---------------|--------------|
| | REVENUE | | UN-APPROPRIATED PROFIT/(LOSS) | SUB TOTAL | TOTAL EQUITY |
| | CAPITAL RESERVE | | | | |
| Rupees | | | | | |
| Balance as at June, 30 2013 | 176,367,190 | 53,218,752 | (238,007,847) | (184,789,095) | (8,421,905) |
| Net profit/ (loss) 1st quarter ended September 30,2013 | - | - | 6,492,789 | 6,492,789 | 6,492,789 |
| Incremental depreciation for the 1st quarter ended Sep. 30, 2013 | - | - | 8,238,210 | 8,238,210 | 8,238,210 |
| Balance as at September 30, 2013 | 176,367,190 | 53,218,752 | (223,276,848) | (170,058,096) | 6,309,094 |
| Balance as at June 30, 2014 | 176,367,190 | 53,218,752 | (271,427,657) | (218,208,905) | (41,841,715) |
| Net profit/ (loss) 1st quarter ended September 30,2014 | - | - | (48,952,577) | (48,952,577) | (48,952,577) |
| Incremental depreciation for the 1st quarter ended Sep. 30, 2014 | - | - | 4,070,164 | 4,070,164 | 4,070,164 |
| Balance as at September 30, 2014 | 176,367,190 | 53,218,752 | (316,310,070) | (263,091,318) | (86,724,128) |

The annexed notes 1 to 8 form an integral part of these condensed interim financial statement.



Chief Executive
Karachi: 31st October, 2014



Director

**Shadman Cotton Mills Limited**

SHADMAN COTTON MILLS LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOW (UN-AUDITED)
FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2014

| | Sep. 30, 2014 RUPEES | Sep. 30, 2013 RUPEES |
|---|-------------------------|--------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | 17,336,963 | 34,188,381 |
| Cash generated from operations | | |
| Finance cost paid | 38,216,967 | (3,806,206) |
| Gratuity paid | (806,250) | (2,402,300) |
| Taxes refunded/ (paid)-net | (1,030,515) | (8,872,951) |
| | <u>36,380,202</u> | <u>(15,081,457)</u> |
| Cash flow from operating activities | <u>53,717,165</u> | <u>19,106,924</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Capital expenditure | 1,482,551 | (27,444,164) |
| Long term deposits | - | 831,343 |
| Proceeds from disposal of property, plant and equipment | 2,900,000 | - |
| Cash flow used in investing activities | <u>4,382,551</u> | <u>(26,612,821)</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Short term borrowings | (4,016,915) | (6,999,999) |
| Acquisition/(payment) of long and lease liabilities | (53,621,339) | - |
| Term finances | <u>(57,638,254)</u> | <u>(6,999,999)</u> |
| Net increase in cash and cash equivalents | <u>461,462</u> | <u>(14,505,896)</u> |
| Cash and cash equivalents at the beginning of the period | 6,134,400 | 28,852,373 |
| Cash and cash equivalents at the end of the period | <u><u>6,595,862</u></u> | <u><u>14,346,477</u></u> |

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

Chief Executive
Karachi: 31st October, 2014

Director

SHADMAN COTTON MILLS LIMITED
**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2014**
1 LEGAL STATUS AND NATURE OF BUSINESS

Shadman Cotton Mills Limited (the company) was incorporated in Pakistan on November 24, 1979 under the Companies Act, 1913 (Now the Companies Ordinance, 1984). The shares of the company are listed on Karachi and Lahore Stock Exchanges. The registered office of the company is located at 58 Alhumra Housing Society, Block 7/8, Tipu Sultan Road, off. Saheed-e-Millat Road, Karachi and its mills are located at Feroze Watwan. The Company is principally engaged in manufacturing and sale of yarn.

2 BASIS OF PREPARATION

These financial statements have been prepared in compliance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and in compliance with the requirements of section 245 of the Companies Ordinance 1984.

3 ACCOUNTING POLICIES

The accounting policies and method of computation adopted for the preparation of the financial statements for these financial statements are the same as those applied in the preparation of the financial statements of the company for the period ended June 30, 2014.

4 ACQUISITION AND DISPOSAL OF FIXED ASSETS

| | (UN-AUDITED) Sep. 30, 2014 | | (AUDITED) June 30, 2014 | |
|------------------------|---------------------------------------|--------------------|------------------------------------|--------------------|
| | Acquisition | Disposal | Acquisition | Disposal |
| | Cost | | Cost | |
| | ———— Rupees ———— | | ———— Rupees ———— | |
| Freehold Land | - | - | 24,717,500 | |
| Plant and machinery | - | - | 12,410,077 | |
| Office equipment | - | - | 360,861 | |
| Vehicles | 145,232 | (3,125,000) | 2,495,007 | (1,356,638) |
| Furniture and fixtures | - | - | 146,300 | |
| | <u>145,232</u> | <u>(3,125,000)</u> | <u>40,129,745</u> | <u>(1,356,638)</u> |

5 CASH USED IN OPERATIONS
Profit / (loss) before taxation

| (UN-AUDITED) Sep. 30, 2014 RUPEES | (UN-AUDITED) Sep. 30, 2013 RUPEES |
|--|--|
|--|--|

| | |
|--------------|------------|
| (46,343,037) | 14,661,261 |
|--------------|------------|

Adjustments for non cash charges and other items:

Depreciation on property, plant and equipment.

| | |
|------------|------------|
| 15,696,510 | 16,520,004 |
|------------|------------|

(Gain) / loss on sale of property, plant and equipment.

| | |
|-----------|---|
| (523,611) | - |
|-----------|---|

Amortization of deferred cost

| | |
|---|-----------|
| - | (694,230) |
|---|-----------|

Investment at fair value through profit and loss

| | |
|-------|---------|
| 6,250 | (6,750) |
|-------|---------|

Restatement of assets and Liabilities

| | |
|---------|---|
| 348,368 | - |
|---------|---|

Provision for gratuity

| | |
|-----------|-----------|
| 1,410,000 | 1,672,500 |
|-----------|-----------|

Finance cost

| | |
|------------|------------|
| 16,977,047 | 19,202,691 |
|------------|------------|

Bad debts Write Off

| | |
|---|----------|
| - | (52,615) |
|---|----------|

| | |
|-------------------|-------------------|
| <u>33,914,564</u> | <u>36,641,600</u> |
|-------------------|-------------------|

Operating profit before working capital changes

| | |
|--------------|------------|
| (12,428,473) | 51,302,861 |
|--------------|------------|

| | (UN-AUDITED) Sep. 30, 2014 RUPEES | (UN-AUDITED) Sep. 30, 2013 RUPEES |
|---|---|---|
| CHANGES IN WORKING CAPITAL | | |
| (Increase)/decrease in current assets | | |
| Stores, pares and loose tools and stock in trade | (533,148) | (9,489,708) |
| Trade debts | (21,770,017) | 505,415 |
| Loans and advances | 1,922,557 | (50,988,941) |
| Sales tax refundable | 3,628,159 | (1,128,078) |
| Other receivables | (1,011,460) | 22,914,032 |
| | (17,763,909) | (38,187,280) |
| (Increase)/decrease in current liabilities | | |
| Trade and other payables | 47,529,345 | 21,072,800 |
| Cash flow from operating activities | <u>17,336,963</u> | <u>34,188,381</u> |

6 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated companies, directors and key management personnel. Transactions with related parties are as under:

| | (UN-AUDITED) Sep. 30, 2014 RUPEES | (UN-AUDITED) Sep. 30, 2013 RUPEES |
|----------------------------------|---|---|
| Nadeem Textile Mills Ltd. | | |
| | Associate in 2013 only | |
| Purchase of Land | - | 23,000,000 |

7 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved by the Board of Directors and authorized for issue on October 31st, 2014.

8 GENERAL

Figures in these financial statements have been rounded off to the nearest rupee.



Chief Executive
Karachi: 31st October, 2014



Director

| |
|------------------|
| BOOK POST |
| PRINTED MATTER |

If undelivered please return to:
2/E Block G, Mushtaq Ahmed Gurmani Road,
Gulberg II, Lahore - Pakistan.
Tel: +92 42 35959121-26 Fax: +92 42 35959120
Email: info@shadman.com.pk
www.shadman.com.pk