

**CONTENTS**

Company Information .....	2
Directors's Report .....	3
Balance Sheet .....	4
Profit and Loss Account .....	5
Statement of other Comprehensive Income .....	6
Statement of Cash Flow .....	7
Statement of Changes in Equity .....	8
Notes to the Condensed Interim Financial Statements .....	9-10

**COMPANY INFORMATION**

<b>BOARD OF DIRECTORS</b>	MR. SHAHID MAZHAR (chief executive / chariman) MR. AHMED BIN SHAHID MRS. GHAZALA SHAHID MRS. NAUREEN REHAN MR. MUHAMMAD AKHTAR MR. SHAHID MAHMUD MR. NADEEM BHATTI
<b>AUDITORS</b>	RAHMAN SARFARAZ RAHIM IQBAL RAFIQ CHARTERED ACCOUNTANTS
<b>LEGAL ADVISOR</b>	MR. FAZAL MAHMOOD (ADVOCATE)
<b>AUDIT COMMITTEE</b>	MRS. NAUREEN REHAN (Chairman) MRS. GHAZALA SHAHID (Membner) MR. MUHAMMAD AKHTAR (Member)
<b>H.R. AND REMUNERATION COMMITTEE</b>	MR. AHMED BIN SHAHID (chariman) MR. SHAHID MAZHAR (Member) MR. MUHAMMAD AKHTAR (Member)
<b>CHIEF FINANCIAL OFFICER</b>	MR.SHAHID MAHMUD
<b>COMPANY SECRETARY</b>	MR. MUHAMMAD AKHTAR (Member)
<b>BANKERS</b>	ALLIED BANK LIMITED SONERI BANK LIMITED THE BANK OF PUNJAB HABIB BANK LIMITED MEEZAN BANK LIMITED
<b>REGISTERED OFFICE</b>	2-E, BLOCK-G, MUSHTAQ AHMED GURMANI ROAD, GULBERG - II, LAHORE-PAKISTAN TEL: 042-35959121-25 FAX: 042-35959120
<b>HEAD OFFICE</b>	2-E, BLOCK-G, MUSHTAQ AHMED GURMANI ROAD, GULBERG - II, LAHORE-PAKISTAN TEL: 042-35959121-25 FAX: 042-35959120
<b>SHARE REGISTRAR</b>	M/S TECHNOLOGY TRADE (PVT) LTD. 241-C, BLOCK-2, P.E.C.H.S., KARACHI
<b>MILLS</b>	3.5 K.M. FEROZ WATOAN,WARBURTON ROAD, KOT SHAH MOHAMMAD TEHSIL & DISTRICT: NANKANA SAHIB
<b>URL</b>	WWW.SHADMAN.COM.PK

## DIRECTORS' REPORT

Dear Shareholders,

The Directors of the company present the un-audited financial statements of the company for the 1<sup>st</sup> quarter and three months ended September 30, 2016.

During the 1<sup>st</sup> quarter under review, the net sales turnover of the company is Rs.188.843 million including export sales of Rs. 12.598 million as compared to sales of Rs. 115.010 million of corresponding period of previous year. The sales are increased due to decrease in carry over stock of yarn from the last year. 1<sup>st</sup> quarter of the year showing after tax loss of Rs. 28.233 million as compared to loss of corresponding quarter of previous year of Rs. 49.637 million showing a decrease in loss of Rs. 21.404 million. Loss per share in the 1<sup>st</sup> quarter is Rs. (1.61) as compared to loss per share of Rs. (2.81) of the corresponding period of the 1<sup>st</sup> quarter.

The textile spinning sector industry in Pakistan is still facing severe difficulties. The government has not taken appropriate steps to improve the viability of this sector. The improvement of textile spinning sector is not possible without the major steps like ban of dumping of Indian yarn and low price continuous supply of energy.

Although the company has not achieved the satisfactory financial results during the quarter under review, however in this period of crisis your management worked in a planned manner to reduce the loss to possible bottom level and trying to convert this loss into profitability by rational control of inputs and other related components of cost. The management is further striving very hard to achieve better financial results in the rest of three quarters of the year by improving the performance of mills in terms of production, yield, quality, utilization of installed capacity & doubling segment of the company by considering and analyzing the prevailing market conditions.

The board avails the opportunity to appreciate the devoted work done by the executives, officers, staff and workers of the company.

For and on behalf of the Board

**SHAHID MAZHAR**  
(Chief Executive)

Lahore: December 09, 2016

## BALANCE SHEET (UN-AUDITED) AS AT SEPTEMBER 30, 2016

NOTES	(UN-AUDITED) Sept 30, 2016 RUPEES	(AUDITED) June 30, 2016 RUPEES
<b>ASSETS</b>		
<b>NON CURRENT ASSETS</b>		
Property, plant and equipment	1,253,777,635	1,267,909,038
Long term deposits	27,444,429	27,444,429
	<b>1,281,222,064</b>	<b>1,295,353,467</b>
<b>CURRENT ASSETS</b>		
Stores, spares and loose tools	60,983,343	63,853,870
Stock in trade	144,859,260	236,828,849
Trade debts - unsecured	74,352,836	71,766,748
Advances, deposits, prepayments and other receivables	68,335,156	60,535,289
Advance income tax / tax refundable	2,298,771	2,044,792
Short term investments	95,500	95,500
Cash and bank balances	973,337	1,322,346
	<b>351,898,203</b>	<b>436,447,394</b>
<b>TOTAL ASSETS</b>	<b>1,633,120,267</b>	<b>1,731,800,861</b>
<b>EQUITY AND LIABILITIES</b>		
Capital and Reserves		
Authorized capital		
18,000,000 ordinary shares of Rs. 10 each	<b>180,000,000</b>	<b>180,000,000</b>
Issued, subscribed and paid up capital	176,367,190	176,367,190
Capital reserve	53,218,752	53,218,752
Unappropriated loss	(341,024,691)	(317,309,875)
<b>Total Equity</b>	<b>(111,438,749)</b>	<b>(87,723,933)</b>
Surplus on revaluation of property, plant and equipment	615,062,355	619,825,233
<b>NON CURRENT LIABILITIES</b>		
Deferred liabilities	51,753,948	51,969,287
<b>CURRENT LIABILITIES</b>		
Trade & other payables	339,236,905	419,664,251
Accrued Interest / markup	105,482,401	105,482,401
Short term borrowings	494,433,341	485,818,341
Current portion of non-current liabilities	132,163,132	132,163,132
Provision for taxation	6,426,934	4,602,149
	<b>1,077,742,713</b>	<b>1,147,730,274</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,633,120,267</b>	<b>1,731,800,861</b>

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

CHIEF EXECUTIVE

DIRECTOR

**PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2016**

NOTES	(UN-AUDITED) Sept 30, 2016 RUPEES	(UN-AUDITED) Sept 30, 2015 RUPEES
Sales - Net	188,843,007	115,010,239
Cost of sales	(206,006,354)	(154,051,440)
<b>Gross Loss</b>	<b>(17,163,347)</b>	<b>(39,041,201)</b>
Selling and distribution expenses	(956,727)	(755,732)
Administrative and general expenses	(8,494,582)	(8,494,582)
	(9,451,309)	(9,250,314)
	(26,614,656)	(48,291,515)
Other income	1,657	558
<b>Loss from operations</b>	<b>(26,612,999)</b>	<b>(48,290,957)</b>
Finance cost	(39,910)	(258,299)
<b>Loss before taxation</b>	<b>(26,652,909)</b>	<b>(48,549,256)</b>
Taxation	(1,824,785)	(1,088,006)
<b>Loss after taxation</b>	<b>(28,477,694)</b>	<b>(49,637,262)</b>
Loss per share - basic and diluted	(1.61)	(2.81)

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

CHIEF EXECUTIVE

DIRECTOR

**STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2016**

	QUARTER ENDED	
	Sept.16	Sept.15
	Rupees	Rupees
Items that may be reclassified subsequently to profit or loss	-	-
Items that will not be reclassified to profit or loss		
Incremental depreciation	<b>4,762,878</b>	7,400,099
Remeasurements of defined benefit obligation	-	-
Taxation relating to remeasurements of defined benefit obligation	-	-
	<b>4,762,878</b>	7,400,099
<b>Other comprehensive income</b>	<b>4,762,878</b>	7,400,099
<b>Loss after taxation</b>	<b>(28,477,694)</b>	(49,637,262)
<b>Total comprehensive loss</b>	<b>(23,714,816)</b>	(42,237,163)

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

CHIEF EXECUTIVE

DIRECTOR

**STATEMENT OF CASH FLOW ( UN-AUDITED)  
FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2016**

	<b>30-Sep 2016 RUPEES</b>	<b>30-Sep 2015 RUPEES</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(26,652,909)	(48,549,256)
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation on property plant and equipment	14,131,402	14,976,187
Investment at fair value through profit and loss	-	(6,500)
Finance cost	39,910	258,299
	<u>14,171,312</u>	<u>15,227,986</u>
<b>Cash flows from operating activities before working capital changes</b>	(12,481,597)	(33,321,270)
<b>(Increase) / decrease in current assets</b>		
Stores, spares and loose tools	2,870,527	1,767,580
Stock in trade	91,969,589	(7,958,530)
Trade debts	(2,586,088)	(15,443,397)
Loans and advances	(7,799,867)	(2,719,500)
Tax refund due from Government	-	698,590
Other receivables	(253,978)	(1)
	<u>84,200,183</u>	<u>(23,655,258)</u>
<b>(Decrease) / Increase in trade and other payables</b>	(80,427,346)	27,809,523
<b>Effect on cash flows due to working capital changes</b>	<u>3,772,837</u>	<u>4,154,265</u>
<b>Cash used in operations</b>	(8,708,760)	(29,167,005)
Finance cost paid	(39,910)	(190,551)
Gratuity paid	(215,339)	(440,000)
Taxes paid	-	(351,972)
	<u>(255,249)</u>	<u>(982,523)</u>
<b>Cash flow from operating activities</b>	(8,964,009)	(30,149,528)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure	-	(1,685,930)
Long term deposits	-	(4,051,178)
<b>Cash flow used in investing activities</b>	-	(5,737,108)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Short term borrowings	(1,170,000)	9,697,653
Loan from directors	9,785,000	27,834,094
	<u>8,615,000</u>	<u>37,531,747</u>
<b>Net increase in cash and cash equivalents</b>	(349,009)	1,645,111
Cash and cash equivalents at the beginning of the period	1,322,346	385,619
Cash and cash equivalents at the end of the period	<u>973,337</u>	<u>2,030,730</u>

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

CHIEF EXECUTIVE

DIRECTOR

**STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2016**

	<b>SHARE CAPITAL</b>	<b>RESERVES CAPITAL RESERVE</b>	<b>UN-APPROPRIATED PROFIT / (LOSS)</b>	<b>SUB TOTAL</b>	<b>TOTAL EQUITY</b>
<b>Balance as at June 30,2015</b>	176,367,190	53,218,752	(204,051,569)	(150,832,817)	25,534,373
loss for the 1st quarter ended September 30,2015	-	-	(49,637,262)	(49,637,262)	(49,637,262)
Other Comprehensive Income	-	-	7,400,099	7,400,099	7,400,099
Total comprehensive loss	-	-	(42,237,163)	(42,237,163)	(42,237,163)
<b>Balance as at September 30, 2015</b>	<u>176,367,190</u>	<u>53,218,752</u>	<u>(246,288,732)</u>	<u>(193,069,980)</u>	<u>(16,702,790)</u>
Loss for the nine months ended June 30,2016	-	-	(90,090,402)	(90,090,402)	(90,090,402)
Other Comprehensive Income	-	-	19,069,259	19,069,259	19,069,259
Total comprehensive loss	-	-	(71,021,143)	(71,021,143)	(71,021,143)
<b>Balance as at June 30, 2016</b>	<u>176,367,190</u>	<u>53,218,752</u>	<u>(317,309,875)</u>	<u>(264,091,123)</u>	<u>(87,723,933)</u>
loss for the 1st quarter ended September 30,2016	-	-	(28,477,694)	(28,477,694)	(28,477,694)
Other Comprehensive Income	-	-	4,762,878	4,762,878	4,762,878
Total comprehensive loss	-	-	(23,714,816)	(23,714,816)	(23,714,816)
<b>Balance as at September 30, 2016</b>	<u>176,367,190</u>	<u>53,218,752</u>	<u>(341,024,691)</u>	<u>(287,805,939)</u>	<u>(111,438,749)</u>

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

CHIEF EXECUTIVE

DIRECTOR

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2016**

**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 (now Pakistan Stock Exchange). The registered office of the Company is located at 2-E Block G, Mushtaq Ahmed Gurmani Road, Gulberg II, Lahore and its mills are located at Feroze Watwan. The Company is principally engaged in manufacturing and sale of yarn.

**2 STATEMENT OF COMPLIANCE**

**2.1** These financial statements of the company for the 1st quarter ended September 30, 2016 have been prepared in accordance with the requirements of the International Accounting Standard 34 -Interim Financial reporting and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed.

**2.2** The comparative condensed balance sheet, presented in these financial statements, as at June 30, 2016 has been extracted from the annual audited financial statements of the Company for the year ended June 30, 2016 whereas the comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement for the period ended September 30, 2015.

**3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and methods of computation which have been used in the preparation of these financial statements are the same as those applied in preparation of the financial statements for the preceding year ended June 30, 2016.

**4 ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT**

**4.1** The preparation of these financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events.

Judgments and estimates made by management in the preparation of these financial statements are the same as those that were applied to the financial statements for the year ended 30 June, 2016.

**4.2** The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 30 June 2016.

**5 PROPERTY, PLANT AND EQUIPMENT**

		(Un-audited)	(Audited)
	Note	30-Sep-16 ----- Rupees -----	30-Jun-16 -----
Opening Written down value		1,267,909,038	1,326,203,585
Additions during the period- at cost	5.1	-	1,707,875
Disposals during the period- at WDV	5.1	-	(145,232)
Depreciation charged		(14,131,403)	(59,881,704)
Depreciation adjustment		-	24,514
		<u>1,253,777,635</u>	<u>1,267,909,038</u>

**5.1** The cost of additions and deletions to property, plant and equipment during the 1st quarter ended September 30, 2016 were as follows.

	30-Sep-16		30-Jun-16	
	Acquisition Cost	Disposal WDV	Acquisition Cost	Disposal WDV
	----- Rupees -----	-----	----- Rupees -----	-----
<b>PROPERTY, PLANT &amp; EQUIPMENT</b>				
Office equipment	-	-	21,945	-
Vehicles	-	-	1,685,930	(145,232)
	<u>-</u>	<u>-</u>	<u>1,707,875</u>	<u>(145,232)</u>

**6 CONTINGENCIES AND COMMITMENTS**

**6.1 Contingencies**

**6.1.1** The Company is contesting recovery suit filed by Bank of Punjab in year 2011 amounting to Rs. 577.391 million on account of principal and markup claimed in the suit with cost of funds, established at Rs. 141.98 million upto June 30, 2016, and all other claims arising therein till realization. A counter suit has been filed by the Company against The Bank of Punjab, before the Lahore High Court wherein, along other payers, the Company has claimed Rs. 744.348 million on account of acts and omission committed by the Bank against the Company. The suits are pending before the Lahore High Court and has been fixed for arguments.

**6.1.2** 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.

**6.1.3** Guarantees issued by banks on behalf of the Company as at the reporting date to Rs. 18.317 million ( 2015 : Rs. 46.09 million), however the Company has already recognized related liability amounting to Rs. 18.317 (2015: Rs. 18.317 million). See note 12.2.

**6.2 Commitments**

There are no known commitments as at the reporting date.

**7 TRANSACTIONS WITH RELATED PARTIES**

The Company purchased from associated undertaking material of aggregate sum of Rs. 1,881,600/- (June 30, 2016 : Rs. Nil) during the period. The maximum aggregate amount due to / from associated undertaking at the end of the period was Rs. 1,626,371 (June 30, 2016 : Rs. 255,229).

**8 FINANCIAL RISK MANAGEMENT**

The company's financial risk management objectives and policies are consistent with those disclosed in the audited annual financial statements of the company as at and for the year ended June 30, 2016.

**9 CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and better presentation.

**10 DATE OF AUTHORISATION FOR ISSUE**

These financial statements have been approved by the Board of Directors of the company and authorized for issue on December 02, 2016.

Chief Executive

Director