



Shadman

Cotton Mills Limited

**REPORT FOR THE 1ST QUARTER ENDED
SEPTEMBER 30, 2017**

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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 (Chairman)
MR. NADEEM BHATTI (Member)
MR. MUHAMMAD AKHTAR (Member)

CHIEF FINANCIAL OFFICER

MR. SHAHID MAHMUD

COMPANY SECRETARY

MR. MUHAMMAD AKHTAR

BANKERS

ALLIED BANK LIMITED
SONERI BANK LIMITED
THE BANK OF PUNJAB
HABIB BANK LIMITED
MEEZAN BANK LIMITED

REGISTERED OFFICE

2-E, BLOCK-G, MUSHTAQ AHMED GURMANI
ROAD, GULBERG - II, LAHORE-PAKISTAN
TEL: 042-35959121-25 FAX: 042-35959120

HEAD OFFICE

2-E, BLOCK-G, MUSHTAQ AHMED GURMANI
ROAD, GULBERG - II, LAHORE-PAKISTAN
TEL: 042-35959121-25 FAX: 042-35959120

SHARE REGISTRAR

M/S 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

DIRECTORS' REPORT

Dear Shareholders,

The Directors of the company present the un-audited financial statements of the company for the 1st quarter and three months ended September 30, 2017.

During the 1st quarter under review, the net sales turnover of the company is Rs.64.929 million including export sales of Rs. 11.193 million as compared to sales of Rs. 188.843 million of corresponding period of previous year. The sales are decreased due to decrease in quantity of production as it is the start period of mills operation. The company has sustained after tax loss of Rs. 27.343 million as compared to loss of corresponding quarter of previous year of Rs. 28.233 million. Loss per share in the 1st quarter is Rs. (1.55) as compared to loss per share of Rs. (1.60) of the corresponding period of the 1st quarter of the year.

The textile spinning sector in Pakistan is still facing severe difficulties due to decrease in export of textile products. Most of the operative spinning units are producing yarn which is used for production of local fabric and the local market is very uncertain derived by supply and demand of yarn and fabric. The prices of raw materials are increasing whereas the local yarn market is not absorbing the increase in cost due to oversupply and weak fabric demand. Moreover, the government has not taken appropriate steps to improve the viability of this sector.

However, the management has restarted the operation of mills in a well-planned manner and we are hopeful that with the increase in available operating capacity of installed spindles the cost of production will decrease which will help to produce positive financial results in the coming period. Further the management is minutely focusing to improve the performance of mills in terms of production, yield, quality of yarn and use of 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



Chief Executive

Lahore: October 27, 2017

مجلس نظماء کی رپورٹ

محترم ممبران

ہم کہنی کے غیر آڈٹ شدہ حسابات اختصار کے گوشارے برائے قلم ہونے والی پہلی سہ ماہی 30 ستمبر 2017 کو آپ کی خدمت میں پیش کر رہے ہیں۔

زیر نظر مدت میں کہنی نے 64.929 ملین روپے فروخت کی جس میں 11.193 ملین روپے کی برآمدات شامل ہیں۔ جبکہ پچھلے سال کے اسی مدت کی فروخت 188.843 ملین روپے تھی۔
فروخت میں کمی کی وجہ پیداوار کی کمی ہے کیونکہ مل بندھ جانے کی بدولت دوبارہ چلائی گئی ہے۔ کہنی نے زیر چارہ تین مہینوں میں 27.343 ملین روپے کا نقصان کیا ہے۔ جبکہ پچھلے سال کی اسی مدت میں نقصان 28.233 ملین روپے تھا۔ اس مدت کے دوران نقصان کی حصص 1.55 روپے رہا جبکہ پچھلے سال کی اسی مدت میں یہ نقصان فی حصص 1.60 روپے تھا۔

اس وقت ٹیکسٹائل سپلائنگ سکیمز برآمدات میں کمی کی وجہ سے بہت زیادہ تنزیلی کا شکار ہے۔ جو سپلائنگ ملیں چل رہی ہیں ان کا دھماگہ مقامی منڈی میں فروخت ہو رہا ہے جو کہ مقامی کپڑا بنانے کے لئے استعمال ہو رہا ہے اور مقامی منڈی بہت خیر چلتی کا شکار ہے جو کہ دھماگے اور کپڑے کی کمپٹ پر منحصر ہے۔ خام مال کی قیمتیں بڑھ رہی ہیں جبکہ بڑھی ہوئی مال بنانے کی لاگت کو زیادہ رسد ہونے کے باعث منڈی قبول نہیں کر رہی۔ مزید برآں گورنمنٹ کو ٹیکسٹائل سکیمز کی بحالی کے لئے مناسب اقدامات کرنے چاہئیں جبکہ گورنمنٹ کی اس پابنت توجہ کم ہے۔

تاہم انتظامیہ نے پوری منصوبہ بندی کے ساتھ بنڈل کو دوبارہ چلا دیا ہے اور امید کی جاتی ہے کہ جیسے جیسے زیادہ پنڈل چلتے جائیں گے دیے مال بنانے کی لاگت بھی کم ہوتی جائے گی جس سے بہتر نتیجے کی توقع کی جا رہی ہے۔ مزید برآں انتظامیہ بہت تن دی سے مل کی کارکردگی، پیداوار، خام مال کی سیلڈ اور کوالٹی پر بہت زیادہ توجہ دے رہے ہیں۔

بورڈ کہنی کے ایگزیکٹوز، افسران اور کارکنوں کی انتھک کوششوں کا شکریہ ادا ہے۔

منجانب بورڈ



چیف ایگزیکٹو

لاہور 27 اکتوبر 2017

BALANCE SHEET (UN - AUDITED)
AS AT SEPTEMBER 30, 2017

	Note	Sept 30, 2017 Rupees (Un-audited)	June 30, 2017 Rupees (Audited)
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
<i>Authorized share capital</i>			
18,000,000 (June 30, 2017: 18,000,000) ordinary shares of Rs. 10 each		180,000,000	180,000,000
Issued, subscribed and paid-up capital		176,367,190	176,367,190
Capital reserves		53,218,752	53,218,752
Accumulated losses		(392,062,761)	(373,101,425)
TOTAL EQUITY		(162,476,819)	(143,515,483)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		605,351,175	613,733,114
NON-CURRENT LIABILITIES			
Long term finances - secured	3	-	-
Liabilities against assets subject to finance lease - secured	4	-	-
Deferred liabilities		21,744,706	21,744,706
		21,744,706	21,744,706
CURRENT LIABILITIES			
Trade and other payables		288,897,054	269,479,991
Accrued interest/markup		105,482,401	105,475,305
Short term borrowings		455,545,841	450,057,841
Current portion of non-current liabilities		132,156,036	132,163,132
Provision for taxation		8,742,589	7,895,907
		990,823,921	965,072,176
TOTAL LIABILITIES		1,012,568,627	986,816,882
CONTINGENCIES AND COMMITMENTS			
	5		
TOTAL EQUITY AND LIABILITIES		1,455,442,983	1,457,034,513
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	1,207,248,114	1,219,766,198
Long term deposits - unsecured, considered good		27,444,429	27,444,429
Deferred taxation		18,397,139	18,397,139
		1,253,089,682	1,265,607,766
CURRENT ASSETS			
Stores, spares and loose tools		57,700,720	57,811,315
Stock in trade		63,431,576	52,615,196
Trade debts - unsecured		23,930,775	20,844,357
Advances, deposits, prepayments and other receivables		53,459,291	56,155,616
Advance income tax/income tax refundable		3,512,655	3,338,409
Short term investments		86,000	86,000
Cash and bank balances		232,284	575,854
		202,353,301	191,426,747
TOTAL ASSETS		1,455,442,983	1,457,034,513

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



Chief Executive



Director

PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2017

	Sept. 30, 2017 Rupees	Sept. 30, 2016 Rupees
Turnover - net	64,928,551	188,843,007
Cost of sales	(83,539,165)	(206,535,684)
Gross loss	(18,610,614)	(17,692,677)
Selling and distribution expenses	(2,832,343)	(956,727)
Administrative and general expenses	(5,037,336)	(7,720,842)
	(7,869,679)	(8,677,569)
	(26,480,293)	(26,370,246)
Other income	31,273	1,657
Operating loss	(26,449,020)	(26,368,589)
Finance cost	(47,573)	(39,910)
Loss before taxation	(26,496,593)	(26,408,499)
Taxation	(846,682)	(1,824,785)
Loss after taxation	(27,343,275)	(28,233,284)
Loss per share - basic and diluted	(1.55)	(1.60)

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



Chief Executive



Director

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2017

	Sept. 30, 2017	Sept. 30, 2016
	Rupees	Rupees
<i>Items that may be reclassified subsequently to profit or loss</i>		
<i>Items that will not be reclassified to profit or loss</i>		
Incremental depreciation	8,381,939	4,762,878
Other comprehensive income	8,381,939	4,762,878
Loss after taxation	(27,343,275)	(28,233,284)
Total comprehensive loss	(18,961,336)	(23,470,406)

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



Chief Executive



Director

CASH FLOW STATEMENT (UN-AUDITED)

FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2017

	Sept. 30, 2017	Sept. 30, 2016
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(26,496,593)	(26,408,499)
Adjustments for non-cash items		
Depreciation	13,343,014	14,131,402
Finance cost	47,573	39,910
	13,390,587	14,171,312
Operating loss before changes in working capital	(13,106,006)	(12,237,187)
Changes in working capital		
Stores, spares and loose tools	110,595	2,870,527
Stock in trade	(10,816,380)	91,969,589
Trade debts	(3,086,418)	(2,586,088)
Advances, prepayments and other receivables	2,696,325	(8,053,845)
Trade and other payables	19,417,063	(80,671,756)
	8,321,185	3,528,427
Net cash generated from/(used in) operations	(4,784,821)	(8,708,760)
Payments for		
Finance cost	(47,573)	(39,910)
Income tax	(174,246)	-
Employees retirement benefits	-	(215,339)
Net cash generated from/(used in) operating activities	(5,006,640)	(8,964,009)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(824,930)	-
Net cash used in investing activities	(824,930)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (decrease)/increase in short term borrowings	5,488,000	8,615,000
Net cash generated from financing activities	5,488,000	8,615,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	(343,570)	(349,009)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	575,854	1,322,346
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	232,284	973,337

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



Chief Executive



Director

STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2017

	Share capital	Revenue reserve		
	Issued subscribed and paid-up capital	Capital reserve	Accumulated losses	Total equity
	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2016 - Audited	176,367,190	53,218,752	(317,309,875)	(87,723,933)
Comprehensive loss				
Loss after taxation	-	-	(28,233,284)	(28,233,284)
Other comprehensive income	-	-	4,762,878	4,762,878
Total comprehensive loss	-	-	(23,470,406)	(23,470,406)
Balance as at September 30, 2016 - Un-audited	176,367,190	53,218,752	(340,780,281)	(111,194,339)
Balance as at October 01, 2016 - Un-audited	176,367,190	53,218,752	(340,780,281)	(111,194,339)
Comprehensive loss				
Loss after taxation	-	-	(53,928,295)	(53,928,295)
Other comprehensive income	-	-	21,807,151	21,807,151
Total comprehensive loss	-	-	(32,321,144)	(32,321,144)
Transaction with owners	-	-	-	-
Balance as at June 30, 2017 - Audited	176,367,190	53,218,752	(373,101,425)	(143,515,483)
Balance as at July 01, 2017 - Audited	176,367,190	53,218,752	(373,101,425)	(143,515,483)
Comprehensive loss				
Loss after taxation	-	-	(27,343,275)	(27,343,275)
Other comprehensive income	-	-	8,381,939	8,381,939
Total comprehensive loss	-	-	(18,961,336)	(18,961,336)
Transaction with owners	-	-	-	-
Balance as at September 30, 2017 - Un-audited	176,367,190	53,218,752	(392,062,761)	(162,476,819)

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



Chief Executive



Director

NOTES TO THE FINANCIAL INFORMATION (UN-AUDITED)

FOR THE 1ST QUARTER ENDED SEPTEMBER 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

The financial information contained in this financial report is un-audited and does not include all the information as is required to be provided in a full set of annual financial statements. This financial information should be read in conjunction with the audited financial statements of the Company for the year ended June 30, 2017.

2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34 - Interim Financial Reporting, and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 have been followed.

2.2 Basis of measurement

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

2.3 Judgments, estimates and assumptions

The preparation of financial information in conformity with approved accounting standard 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 continually evaluated and based on historical experience and various other factors including reasonable expectations of future events.

Judgements and estimates made by the management in the preparation of this financial information is the same as those applied to the financial statements for the year ended June 30, 2017.

2.4 Functional currency

This financial information is prepared in Pak Rupees which is the Company's functional currency.

	Sept. 30, 2017	June 30, 2017
	Rupees	Rupees
	(Un-Audited)	(Audited)

3 LONG TERM FINANCES - SECURED

These represent long term finances utilized under interest/markup arrangements from banking companies:

The Bank of Punjab - Demand finance - I	17,863,256	17,863,256
The Bank of Punjab - Demand finance - II	80,000,000	80,000,000
Habib Bank Limited - Term finance	8,105,608	8,105,608
	105,968,864	105,968,864
Current maturity presented under current liabilities	(105,968,864)	(105,968,864)
	-	-

NOTES TO THE FINANCIAL INFORMATION (UN-AUDITED)

FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2017

	Sept. 30, 2017	June 30, 2017
	Rupees	Rupees
	(Un-Audited)	(Audited)
4 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of minimum lease payments	26,187,172	26,194,268
Current portion presented under current liabilities	(26,187,172)	(26,194,268)
	<u>-</u>	<u>-</u>

5 CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

5.1.1 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 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.

5.1.2 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 suit was decreed by the Banking Court for an amount of Rs. 8.105 million.

5.1.4 Guarantees issued by banks on behalf of the Company as at the reporting date amount to Rs. 18.317 million (June 30, 2017: Rs. 18.317 million), however the Company has already recognized related liability amounting to Rs. 18.317 million (June 30, 2017: Rs. 18.317 million).

5.1.5 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.

5.2 Commitments

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

	Note	Sept. 30, 2017	June 30, 2017
		Rupees	Rupees
		(Un-Audited)	(Audited)
6 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	1,199,920,713	1,213,263,727
Capital work in progress- building		7,327,401	6,502,471
		<u>1,207,248,114</u>	<u>1,219,766,198</u>
6.1 Operating fixed assets			
Assets owned by the Company	6.1.1	1,156,308,824	1,169,099,789
Assets subject to finance lease	6.1.2	43,611,889	44,163,938
		<u>1,199,920,713</u>	<u>1,213,263,727</u>

	Sept. 30, 2017	June 30, 2017
6.1.1 Assets owned by the Company		
Net book value at the beginning of the period/year	1,169,099,789	1,221,420,682
Additions during the period/year		
Plant & Machinery	-	2,775,000
	1,169,099,789	1,224,195,682
Net book value of assets disposed during the period/year		(957,146)
Depreciation for the period/year	(12,790,965)	(54,138,747)
Net book value at end of the period/year	1,156,308,824	1,169,099,789

6.1.2 Assets subject to finance lease

Net book value at beginning of the period/year	44,163,938	46,488,356
Depreciation for the period/year	(552,049)	(2,324,418)
Net book value at end of the period/year	43,611,889	44,163,938

7 TAXATION

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

8 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:

		First Quarter ended	
		Sept. 30, 2017	Sept. 30, 2016
		Rupees	Rupees
		(Un-Audited)	(Un-Audited)
8.1 Transactions with related parties			
Nature of relationship	Nature of transaction		
Key management personnel	Short term borrowings obtained	6,755,000	13,960,000
	Short term borrowings repaid	-	4,175,000
	Short term employee benefits	-	-
Associated undertaking	Purchases during the period	-	1,881,600
	Note	Sept. 30, 2017	June 30, 2017
		Rupees	Rupees
		(Un-Audited)	(Audited)
8.2 Balances with related parties			
Nature of relationship	Nature of balances		
Key management personnel	Short term borrowings	145,763,067	139,008,067
	Short term employee benefits payable	12,840,000	12,840,000
Associated undertaking	Trade debts	48,629	(1,626,371)

9 EVENTS AFTER THE REPORTING PERIOD

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

10 DATE OF AUTHORIZATION FOR ISSUE

This financial information has been approved by the Board of Directors of the Company and authorized for issue on October 27, 2017.

11 GENERAL

11.1 Corresponding figures have been re-arranged where necessary to facilitate comparison. However, there are no significant reclassifications during the period.

11.2 Figures have been rounded off to the nearest Rupee.



Chief Executive



Director