



**Shadman**

**Cotton Mills Ltd.**

**Nine Months Report  
March 31, 2015**

## COMPANY INFORMATION

BOARD OF DIRECTORS	:	MR. SHAHID MAZHAR (Chief Executive / Chairman) MR. AHMED BIN SHAHID MRS. GHAZALA SHAHID MRS. NAUREEN REHAN MR. FIDA HUSSAIN MR. MUHAMMAD AKHTAR MR. ABDUL RAZZAQ
AUDITORS	:	M/S RAHMAN SARFRAZ RAHIM IQBAL RAFIQ 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	:	NASIR ALI KHAN BHATTI
BANKERS	:	ALLIED BANK LIMITED SONERI BANK LIMITED THE BANK OF PUNJAB HABIB BANK LIMITED HABIB METROPOLITAN BANK LTD. MEEZAN BANK LTD.
REGISTERED OFFICE	:	2/E, BLOCK-G, MUSHTAQ AHMED GURMANI ROAD, GULBERG-II LAHORE-PAKISTAN TEL: 042-35959121-26 FAX:042-35959120
HEAD OFFICE	:	2/E, BLOCK-G, MUSHTAQ AHMED GURMANI ROAD, GULBERG-II LAHORE-PAKISTAN TEL: 042-35959121-26 FAX:042-35959120
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	:	<a href="http://www.shadman.com.pk">www.shadman.com.pk</a>



**DIRECTORS REPORT**

The Directors of your company are pleased to present before you the un-audited interim final statements for the 3<sup>rd</sup> Quarter ended on March 31, 2015.

The turnover for 9 months is Rs. 0.997 Billion as compared to Rs. 2.325 Billion for the corresponding period of last year. The net (loss) for the 9 month is Rs.(140.283) Million compared to net (loss) of Rs.(12.950) Million for the same period of last year.

The decrease in turnover is attributed to the following factors:-

1. Half of the production capacity remained closed during this period mainly for reason explained below.
2. Our major sales are exports and China has been the major buyer. Unfortunately export to China has come to stand still.
3. Due to stability in Pak Rupee against US\$ vs. devaluation of other competing currencies against US\$, we have become uncompetitive in international market.
4. The entire Textile Industry is passing through this depressed phase and prices in local market have gone down due to oversupply in the local market.
5. Import of yarn from neighboring country has further reduced the demand from local spinners on the basis of cost benefit.
6. Increased power and labour cost have further eroded our profit ability.
7. Scheduled and unscheduled load shedding of Electricity has caused disruption in production and resultantly increased the cost of doing business.

**EARNING PER SHARE**

The earning (Loss) per share for the period ended on March 31, 2015 is Rs.(7.95) as compared to Rs. (0.73) of the corresponding period in previous year.

**FUTURE OUTLOOK**

We don't see any promising growth or recovery in near future unless some drastic changes are made by the government to boost the textile/spinning industry.

Our Global competitors are enjoying subsidies and availability of basic needs for the industry from their Government. The absence of such facilities in Pakistan has caused Pakistani exporters at inconvenience position in the Global market. We all know that Textile industry is the major contributor to earn foreign exchange. On the basis of current challenges to the industry, and poor economy, the textile industry needs BMR particularly of the old plants. This seriously needs textile investment support fund and technology upgradation fund or similar incentives to make the industry viable and Globally competitive.

**ACKNOWLEDGEMENT**

The Board wishes to record the appreciation to all banks for continued support to the company and is confident that this will continue in the coming years as well. We would like to place on record our deep appreciation for the executives, officers and other staff members for their hard work, cooperation and sincerity to the company. We are also thankful to our Suppliers, Customers, and Shareholders for their cooperation.

Lahore:  
Dated: April 25, 2015



SHAHID MAZHAR  
Chief Executive Officer

**SHADMAN COTTON MILLS LIMITED**  
**CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)**  
**AS AT MARCH 31, 2015**

		(UN-AUDITED)	(AUDITED)
	Note	31-Mar-15	30-Jun-14
		RUPEES	RUPEES
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	5	1,341,665,455	1,380,998,221
Capital work in Progress		-	3,353,359
Long term deposits		27,247,915	15,572,915
		1,368,913,370	1,399,924,495
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		71,331,734	80,516,944
Stock in trade		182,238,653	233,301,350
Trade debts		99,851,797	90,869,831
Loans and advances		20,711,194	26,752,575
Other receivables		11,793,045	12,326,880
Tax refund due from Government		60,675,878	57,940,551
Other financial assets		100,000	1,031,250
Cash and bank balances		2,274,321	6,134,400
		448,976,622	508,873,781
<b>TOTAL ASSETS</b>		1,817,889,992	1,908,798,276
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital		180,000,000	180,000,000
18,000,000 ordinary shares of Rs. 10 each			
Issued, subscribed and paid up capital	6	176,367,190	176,367,190
Capital Reserve		53,218,752	53,218,752
Unappropriated (loss)		(388,309,569)	(271,427,657)
Shareholder's equity		(158,723,627)	(41,841,715)
Surplus on revaluation of property, plant and equipment		625,222,543	654,224,618
Deferred income		2,022,608	4,045,217
<b>NON CURRENT LAIBILITIES</b>			
Loan from Banking Company and Directors-Unsecured		112,634,381	88,388,162
Liabilities against assets subject to finance lease		-	7,672,001
Deferred liabilities		110,164,209	109,195,910
		110,164,209	116,867,911
<b>CURRENT LIABILITIES</b>			
Trade & other payables		308,339,743	269,094,197
Interest / markup on loans		278,166,955	260,747,752
Short term borrowings		360,728,274	364,745,189
<b>Current portion of:</b>			
Long term financings		2,316,666	23,333,330
Liabilities against assets subject to finance lease		32,795,594	28,637,031
Overdue bank liabilities		105,968,864	112,299,032
Provision for taxation		38,253,782	28,257,552
		1,126,569,878	1,087,114,083
<b>Contingencies and commitments</b>			
<b>TOTAL EQUITY AND LIABILITIES</b>	7	1,817,889,992	1,908,798,276

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

Lahore:  
Dated: April 25, 2015



Chief Executive



Director




**SHADMAN COTTON MILLS LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
**FOR THE NINE MONTHS ENDED MARCH 31, 2015**

Note	Nine Months Ended		Quarter Ended	
	31-Mar-15 RUPEES	31-Mar-14 RUPEES	31-Mar-15 RUPEES	31-Mar-14 RUPEES
Sales and services	997,471,295	2,325,849,379	319,247,930	523,853,422
Cost of sales and services	(1,065,525,646)	(2,298,076,468)	(338,770,486)	(591,290,665)
<b>Gross profit / (Loss)</b>	<b>(68,054,351)</b>	<b>27,772,911</b>	<b>(19,522,556)</b>	<b>(67,437,243)</b>
Other operating income	28,613,353	91,132,137	2,073,396	84,663,017
Distribution cost	(7,919,048)	(15,148,159)	(1,751,983)	(3,898,613)
Administrative expenses	(34,305,574)	(37,709,101)	(8,893,631)	(11,834,228)
Other operating expenses	-	(764,315)	(348,368)	1,344,337
Finance cost	(48,622,080)	(55,926,179)	(15,154,283)	(16,426,294)
	<b>(62,233,349)</b>	<b>(18,415,617)</b>	<b>(24,074,869)</b>	<b>53,848,219</b>
Profit / (loss) before Taxation	<b>(130,287,700)</b>	<b>9,357,294</b>	<b>(43,597,425)</b>	<b>(13,589,024)</b>
<b>Taxation:</b>				
Current year	(9,996,230)	(22,308,127)	(3,126,953)	(3,313,610)
Prior year	-	-	-	-
	<b>(9,996,230)</b>	<b>(22,308,127)</b>	<b>(3,126,953)</b>	<b>(3,313,610)</b>
Profit / (loss) for the period	<b>(140,283,930)</b>	<b>(12,950,833)</b>	<b>(46,724,378)</b>	<b>(16,902,634)</b>
Profit / (loss) per Share				
Basic and Diluted	<b>(7.95)</b>	<b>(0.73)</b>	<b>(2.65)</b>	<b>(0.958)</b>

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

Lahore:  
Dated: April 25, 2015

  
Chief Executive


  
Director

**SHADMAN COTTON MILLS LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
**FOR THE NINE MONTHS ENDED MARCH 31, 2015**

	Nine Months Ended		Quarter Ended	
	31-Mar-15 RUPEES	31-Mar-14 RUPEES	31-Mar-15 RUPEES	31-Mar-14 RUPEES
Profit / (Loss) for the period	(140,283,930)	(12,950,833)	(63,502,045)	(16,902,634)
<b>Other comprehensive income:</b>				
Transfer from surplus on revaluation of property, plant, and equipment				
Incremental depreciation	23,402,018	24,714,630	7,800,673	8,238,210
Total comprehensive income / (loss) for the period	<b>(116,881,912)</b>	<b>11,763,797</b>	<b>(55,701,372)</b>	<b>(8,664,424)</b>

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

Lahore:  
Dated: April 25, 2015

  
Chief Executive

  
Director



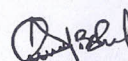
**SHADMAN COTTON MILLS LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE NINE MONTHS ENDED MARCH 31, 2015**

Note	31-Mar-15 RUPEES	31-Mar-14 RUPEES
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Cash generated from operations	9 38,128,387	65,364,874
Finance cost paid	(7,281,185)	(11,121,823)
Dividend paid	-	-
Gratuity paid	(3,394,700)	(9,410,416)
Taxes refunded/ (paid) - net	(2,735,327)	(20,539,085)
	<u>(13,411,212)</u>	<u>(41,071,324)</u>
<b>Cash flow from operating activities</b>	<b>24,717,175</b>	<b>24,293,550</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(11,143,288)	(33,440,676)
Loan from Directors	-	5,910,000
plant and equipment	4,872,000	-
	<u>(11,675,000)</u>	<u>(27,530,676)</u>
<b>Cash flow used in investing activities</b>	<b>(17,946,288)</b>	<b>(27,530,676)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Acquisition/(repayment) of Short term borrowings	(4,016,915)	(12,311,058)
Acquisition/(Payment) of liabilities against assets subject to finance lease	(3,513,438)	-
	-	(9,258,202)
Acquisition/(repayment) of long term finances	(3,100,613)	-
	<u>(10,630,966)</u>	<u>(21,569,260)</u>
<b>Net Increase/(Decrease) in Cash and Cash equivalents</b>	<b>(3,860,079)</b>	<b>(24,806,386)</b>
Cash and cash equivalents at the beginning of the period	6,134,400	28,852,373
<b>Cash and cash equivalents at the end of the period</b>	<b>2,274,321</b>	<b>4,045,987</b>

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

Lahore:  
Dated: April 25, 2015

  
Chief Executive


  
Director


**SHADMAN COTTON MILLS LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE NINE MONTHS ENDED MARCH 31, 2015**

	SHARE CAPITAL	RESERVES			TOTAL EQUITY
		REVENUE		SUB TOTAL	
		CAPITAL RESERVE	UN-APPROPRIATED PROFIT/(LOSS)		
	Rupees				
Balance as at July 01, 2013	176,367,190	53,218,752	(238,007,847)	(184,789,095)	(8,421,905)
Total Comprehensive income/(loss) for the nine months ended March. 31, 2014			11,763,797	11,763,797	11,763,797
Balance as at March.31, 2014	176,367,190	53,218,752	(226,244,050)	(173,025,298)	3,341,892
Balance as at April 01, 2014	176,367,190	53,218,752	(226,244,050)	(173,025,298)	3,341,892
Comprehensive income/(loss) for the 4th Quarter (April 2014-June 2014)	-	-	(45,183,607)	88,109,047	88,109,047
Balance as at June30, 2014 (Audited)	176,367,190	53,218,752	(271,427,657)	(218,208,905)	(41,841,715)
Balance as at July 01, 2014	176,367,190	53,218,752	(271,427,657)	(218,208,905)	(41,841,715)
Total Comprehensive income/(loss) for the nine months ended March. 31, 2015	-	-	(116,881,912)	(116,881,912)	(116,881,912)
Balance as at March 31, 2015	176,367,190	53,218,752	(388,309,569)	(335,090,817)	(158,723,627)

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

Lahore:  
Dated: April 25, 2015

  
Chief Executive

  
Director



**SHADMAN COTTON MILLS LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)**  
**FOR THE NINE MONTHS ENDED MARCH 31, 2015**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

Shadman Cotton Mills Ltd. (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 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 BASIS OF PREPARATION****2.1 Statement of compliance**

This condensed interim financial information is un-audited and has been prepared in accordance with the requirements of the International Accounting Standards IAS 34 "Interim Financial Reporting" as applicable in Pakistan. This condensed interim financial information does not include all of the information and disclosures required for Annual Financial Statements, and should be read in conjunction with the financial statements of the Company for the year ended 30th June, 2014.

This condensed interim financial information is being submitted to the shareholders as required by the Listing Regulations of Karachi & Lahore Stock Exchanges and section 245 of the Companies Ordinance, 1984.

These condensed interim financial information comprise of condensed interim balance sheet, condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes for the nine month ended March 31, 2015 which have been subjected to a review but not audited. These condensed interim financial information also include the condensed interim profit and loss account for the quarter ended March 31, 2015.

**3 SIGNIFICANT ACCOUNTING POLICIES**

- 3.1 The accounting policies and methods of computation which have been used in the preparation of this condensed interim financial information are the same as those applied in preparation of the financial statements for the proceeding year ended June 30, 2014 Except note # 3.3
- 3.2 Amendments to certain existing standards and new interpretations on approved accounting standards effective during the period either was not relevant to the Company's operations or did not have any impact on the accounting policies of the Company. As otherwise disclosed.
- 3.3 During the period, the company has adopted IAS 19, (Revised) 'Employee Benefits'. The amendments in the revised standard require the company to eliminate the corridor approach and recognize all actuarial gain and losses (now called 'remeasurements'), that result from the remeasurement of defined benefits obligations and fair value of plan assets at the balance sheet date) in other comprehensive income as they occur, immediately recognize all past service costs and replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefits liability/asset.

This change in accounting policy has been accounted for retrospectively as required under international Accounting standard-8 'Accounting policies, Change in Accounting Estimates and Errors', and the comparative financial statements have been prepared accordingly.

The changes in the accounting policy on the interim financial statement have no effect on the balance sheet as the company has policy of recognizing all actuarial gains or losses arising at each valuation date immediately in profit and loss account. However the amendments in IAS 19, (Revised) 'Employee Benefits', require to recognize the actuarial gain or loss in other comprehensive income instead of profit and loss account, hence the effect based on the relevant available actuarial valuation on the financial statement have been summarized below:

	As at	
	30-Jun-14	30-Jun-13
	----- Rupees -----	----- Rupees -----
Impact on Balance sheet		
Increase in the retirement benefits	-	-
Decrease in deferred tax liability	-	-
Decrease in accumulated profits	-	-
	-----	-----
	Year ended	
	30-Jun-14	30-Jun-13
	----- Rupees -----	----- Rupees -----
Impact on Profit and Loss account		
Increase in profit and loss account	1,504,380	(4,050,261)
Decrease in deferred taxation-current	-	-
Decrease in other comprehensive income	1,504,380	(4,050,261)

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

- 4.1 The preparation of this condensed interim financial information 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. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

Judgments and estimates made by management in the preparation of this condensed interim financial information are the same as those that were applied to the financial statements as at and for the year ended 30 June, 2014.

- 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, 2014.

**5 PROPERTY, PLANT AND EQUIPMENT**

(Un-audited) (Audited)  
 31-Mar-15 30-Jun-14  
 Rupees

Property, plant and equipment 1,341,665,455 1,380,998,221

- 5.1 The cost of additions and deletions to property, plant and equipment during the half year ended March 31, 2015 were as follows.

	31-Mar-15		30-Jun-14	
	Acquisition	Disposal	Acquisition	Disposal
	----- Rupees -----	----- Rupees -----	----- Rupees -----	----- Rupees -----
<b>PROPERTY, PLANT AND EQUIPMENT</b>				
Land	-	-	24,717,500	-
Factory building	-	-	-	-
Non factory building	-	-	-	-
Plant & Machinery	10,998,056	(3,014,750)	12,410,077	-
Office equipment	-	-	360,861	-
Furniture & Fixture	-	-	146,300	-
Vehicle	145,232	(4,337,523)	2,495,007	(1,356,638)
Plant & Machinery Lease	-	-	-	-
	<u>11,143,288</u>	<u>(7,352,273)</u>	<u>40,129,745</u>	<u>(1,356,638)</u>

**6 SHARE CAPITAL**

(Un-audited) (Audited)  
 31-Mar-15 30-Jun-14  
 Rupees

	Number of shares			
	31-Mar-15	30-Jun-14		
11,627,344	11,627,344	11,627,344	Ordinary shares of Rs.10/- each allotted for consideration paid in cash.	116,273,440
6,009,375	6,009,375	6,009,375	Ordinary shares of Rs.10/- each issued as bonus shares.	60,093,750
	<u>17,636,719</u>	<u>17,636,719</u>		<u>176,367,190</u>

**7 CONTINGENCIES AND COMMITMENTS**

There has been no significant change in the contingencies and commitments since the last audited financial statements except as disclosed in note 7.1 and 7.2 respectively.

- 7.1 Contingencies:
- |   |            |            |
|---|------------|------------|
| i Bank guarantee issued to Sui Gas Department | 16,092,900 | 27,767,900 |
| ii ETO guarantees issued to Custom Department | 18,316,900 | 18,316,900 |
| iii Post Dated cheques                        | -          | 475,158    |
- 7.2 Commitments:
- |                                 |   |           |
|---------------------------------|---|-----------|
| Letter of credit in respect of: |   |           |
| - Raw material                  | - | 3,526,494 |



	(Un-audited) 31-Mar-15	(Un-audited) 31-Mar-14
	Rupees	
<b>8 OTHER OPERATING INCOME</b>		
Gain on sale of property, plant & equipment	1,703,469	-
Gain on lease back	2,022,609	1,348,405
Gain on Restatement of Debtors	576,877	-
Gain on sale of shares	84,583	-
Gain on Restatement of share	186,500	135,750
Bad debts recovered	-	52,176
Profit on PLS account	10,972	237,080
Foreign exchange gain	106,651	-
Rental Income on assets	-	4,650,000.0
Liabilities waived off by bank	23,921,692	84,708,726.0
	<u>28,613,353</u>	<u>91,132,137</u>
<b>9 CASH USED IN OPERATIONS</b>		
Profit / (Loss) before taxation	(130,287,700)	9,357,294
Adjustments for non cash changes and other items:		
Depreciation on property, plant & equipment	47,429,522	49,820,236
(Gain) on sale of property, plant & equipment	(1,703,469)	-
Amortization of deferred Income	(2,022,609)	-
Exchange Gain/(Loss)	44,231	316,763
Fair value adjustment made in value of investment	(186,500)	(135,750)
Provision for gratuity	4,363,000	5,544,066
Finance cost	48,622,080	55,926,179
Gain loss on lease back	-	(1,348,405)
Write off Payables	-	(52,176)
Liabilities waived off by bank	(23,921,692)	(84,708,726)
Restatement of assets and liabilities	(576,877)	447,552
	<u>72,047,686</u>	<u>25,809,739</u>
Operating profit before working capital changes	(58,240,014)	35,167,033
Changes in working capital		
(Increase) / decrease in current assets:		
Store, spares, loose tools and stock in trade	60,247,907	(58,720,009)
Trade debts	(8,449,320)	30,228,816
Loans and advances	6,041,381	(16,696,356)
Trade deposits and short term prepayments	-	-
Other receivables	533,835	102,687,213
	<u>58,373,803</u>	<u>57,499,664</u>
Increase / (decrease) in current liabilities:		
Trade and other payables	37,994,598	(27,301,823)
	<u>38,128,387</u>	<u>65,364,874</u>

	(Un-audited) 31-Mar-15	(Un-audited) 31-Mar-14
	Rupees	
<b>10 TRANSACTIONS WITH RELATED PARTIES</b>		
The related parties comprise of associated companies, directors and key management personnel. Transactions with related parties are as under:		
<b>Nadeem Textiles Mills Limited</b>	<b>Associates</b>	
Purchase of Land	-	23,000,000
<b>11 DATE OF AUTHORIZATION FOR ISSUE</b>		
These financial statements were approved by the Board of Directors and authorized for issue on April 25, 2015.		
<b>12 GENERAL</b>		
Figures in these financial statements have been rounded off to the nearest rupee.		

Lahore:  
Dated: April 25, 2015

  
Chief Executive

  
Director