



Shadman

Cotton Mills Limited

Nine Months Report
MARCH 31, 2016

COMPANY INFORMATION

BOARD OF DIRECTORS	:	MR. SHAHID MAZHAR (Chief executive / Chairman) MR. AHMED BIN SHAHID MRS. GHAZALA SHAHID MRS. NAUREEN REHAN MR. MUHAMMAD AKHTAR MR. ABDUL RAZZAQ MR. FIDA HUSSAIN
AUDITORS	:	RAHMAN SARFARAZ RAHIM IQBAL RAFIQ CHARTERED ACCOUNTANTS
LEGAL ADVISOR	:	MR. FAZAL MAHMOOD (ADVOCATE)
AUDIT COMMITTEE	:	MRS. NAUREEN REHAN (Chairman) MRS. GHAZALA SHAHID (Member) MR. MUHAMMAD AKHTAR (Member)
H.R. ADD REMUNERATION COMMITTEE	:	MR. AHMED BIN SHAHID (Chairman) MR. SHAHID MAZHAR (Member) MR. MUHAMMAD AKHTAR (Member)
CHIEF FINANCIAL OFFICER/	:	MR. NASIR ALI KHAN BHATTI
COMPANY SECRETARY	:	MR. 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
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 present the un-audited financial statements of the company for the nine months and third quarter ended March 31, 2016.

During the nine months period under review, the sales turnover of the company is Rs.625.368 million including export sales of Rs.49.632 million as compared to sales of Rs. 997.471 million including export sales of Rs.67.654 million of corresponding period of previous year. Third quarter of the year showed after tax loss of Rs. 17.341 million as compared to loss of corresponding quarter of previous of Rs. 46.724 million showed a decrease in loss of Rs. 29.383 million. Loss per share in the third quarter is Rs. (0.98) as compared to loss per share of Rs. (2.65) of the corresponding period of the third quarter.

The overall profitability of the company remained affected due to higher prices of raw materials and low prices of yarn as a result of less demand in local and international markets. The company achieved better financial results in the third quarter of the year due to lower cost of energy, improved utilization of available capacity and production of specialized yarn. The management is further planning to increase the utilization of available capacity to reduce the fixed cost per unit.

We are hope full that after the implementation of demands made by APTMA for the revival of Textile Sector such as complete withdrawal of Gas Infrastructure Development Cess (GIDC) levied on textile Industry, imposition of 15% Regulatory Duty on import of yarn and fabric, zero rating of entire textile chain, etc. the textile industry will take boost again. Resultantly, there will be increase in textile exports, employment and economy betterment.

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

Lahore:

Dated: April 29, 2016



SHAHID MAZHAR

Chief Executive

**BALANCE SHEET (UN-AUDITED)
AS AT MARCH 31, 2016**

ASSETS	Note	(Un-audited)	(Audited)
		31-Mar-2016	30-Jun-15
		Rupees	Rupees
NON CURRENT ASSETS			
Property, plant and equipment	5	1,282,982,349	1,326,203,585
Long term deposits		36,843,871	27,247,915
		1,319,826,220	1,353,451,500
CURRENT ASSETS			
Stores, spares and loose tools		65,044,869	69,958,862
Stock in trade		178,046,380	180,463,893
Trade debts		83,834,055	66,615,697
Loans and advances		18,152,320	32,741,713
Other receivables		12,872,230	12,326,880
Tax refunds due from the Government		14,208,554	19,796,173
Other financial assets		94,500	101,000
Cash and bank balances		3,182,367	385,619
		375,435,275	382,389,837
TOTAL ASSETS		1,695,261,495	1,735,841,337
EQUITY AND LIABILITIES			
Capital and Reserves			
Authorised capital			
18,000,000 (30 June 2015: 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 Reserves		53,218,752	53,218,752
Accumulated loss		(307,951,118)	(204,051,569)
Shareholders' Equity		(78,365,176)	25,534,373
Surplus on revaluation of property, plant and equipment		618,865,442	633,941,332
Deferred income		1,348,405	1,348,405
NON CURRENT LIABILITIES			
Deferred liabilities		102,683,005	104,538,280
CURRENT LIABILITIES			
Trade and other payables		355,378,104	306,041,549
Accrued Interest / mark-up on loans		107,376,295	107,423,040
Loan from directors		83,908,934	46,991,840
Short term borrowings		360,728,274	364,528,770
Current portion of:			
Long term financings and overdue bank liabilities		133,161,833	129,349,832
Liabilities against assets subject to finance lease		-	7,672,001
Provision for taxation		10,176,379	8,471,915
		1,050,729,819	970,478,947
Contingencies and Commitments	7		
TOTAL EQUITY AND LIABILITIES		1,695,261,495	1,735,841,337

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



Chief Executive




Director

**PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2016**

	<u>Note</u>	<u>Nine Months Ended</u>		<u>Quarter Ended</u>	
		<u>31-Mar-16</u> <u>Rupees</u>	<u>31-Mar-15</u> <u>Rupees</u>	<u>31-Mar-16</u> <u>Rupees</u>	<u>31-Mar-15</u> <u>Rupees</u>
Sales - net		625,367,564	997,471,295	251,909,366	319,247,930
Cost of sales		(708,566,785)	(1,065,525,646)	(258,316,418)	(338,770,486)
Gross loss		(83,199,221)	(68,054,351)	(6,407,052)	(19,522,556)
Other income	8	2,103	28,613,353	-	2,073,396
Distribution cost		(2,299,788)	(7,919,048)	(997,444)	(1,751,983)
Administrative expenses		(26,626,535)	(34,305,574)	(7,484,606)	(8,893,631)
Other operating expenses		-	-	-	(348,368)
Finance Cost		(650,192)	(48,622,080)	-	(15,154,283)
		(29,574,412)	(62,233,349)	(8,482,050)	(24,074,869)
Loss before taxation		(112,773,633)	(130,287,700)	(14,889,102)	(43,597,425)
Taxation		(6,201,806)	(9,996,230)	(2,451,922)	(3,126,953)
Loss for the period		(118,975,439)	(140,283,930)	(17,341,024)	(46,724,378)
Loss per share- basic & diluted		(6.75)	(7.95)	(0.98)	(2.65)

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


Chief Executive


Director

**STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2016**

	Nine Months Ended		Quarter Ended	
	31-Mar-16 Rupees	31-Mar-15 Rupees	31-Mar-16 Rupees	31-Mar-15 Rupees
Loss for the period	(118,975,439)	(94,256,288)	(17,341,024)	(46,724,378)
Other comprehensive (loss) / income for the period	-	-	-	-
Items that will not be reclassified to profit & loss account	-	-	-	-
Items that will be reclassified to profit & loss account	-	-	-	-
Total comprehensive loss for the period	<u>(118,975,439)</u>	<u>(94,256,288)</u>	<u>(17,341,024)</u>	<u>(46,724,378)</u>

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



Chief Executive



Director

**CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2016**

	<u>Note</u>	<u>31-Mar-16</u> <u>Rupees</u>	<u>31-Mar-15</u> <u>Rupees</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (Used in)/Generated From Operations	9	(11,284,875)	38,128,387
Finance cost paid		(696,937)	(7,281,185)
Staff retirement benefits - gratuity paid		(2,125,025)	(3,394,700)
Taxes paid - net		(1,049,182)	(2,735,327)
		(3,871,144)	(13,411,212)
Cash flows (used in) / from operating activities		(15,156,019)	24,717,175
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,707,875)	(11,143,288)
Proceeds from disposal of property, plant and equipment		-	4,872,000
Long term deposit		(9,595,956)	(11,675,000)
Cash flow used in investing activities		(11,303,831)	(17,946,288)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings - net		(3,800,496)	(4,016,915)
Repayment of liabilities against assets subject to finance lease		(3,860,000)	(3,513,438)
Loans from directors		36,917,094	-
Repayment of long term finances		-	(3,100,613)
Cash flow from / (used in) financing activities		29,256,598	(10,630,966)
Net increase / (decrease) in cash and cash equivalents		2,796,748	(3,860,079)
Cash and cash equivalents at the beginning of the period		385,619	6,134,400
Cash and cash equivalents at the end of the period		3,182,367	2,274,321

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


Chief Executive


Director

**STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2016**

	Share Capital	Reserves			Total Equity
		Revenue		SUB TOTAL	
		Capital reserves	Unappropriated Profit/(loss)		
Rupees					
Balance as at July 01, 2014	176,367,190	53,218,752	(247,505,964)	(194,287,212)	(17,920,022)
Total comprehensive loss for the nine months ended March 31, 2015	-	-	(140,283,930)	(140,283,930)	(140,283,930)
Transfer from surplus on revaluation on account of incremental depreciation charge on revalued assets	-	-	23,402,018	23,402,018	23,402,018
Balance as at March 31, 2015	176,367,190	53,218,752	(364,387,876)	(311,169,124)	(134,801,934)
Total comprehensive income for the three months (April 2015 to June 2015)	-	-	153,127,947	153,127,947	153,127,947
Remeasurement on staff retirement benefits	-	-	(594,678)	(594,678)	(594,678)
Transfer from surplus on revaluation on account of incremental depreciation charge on revalued assets	-	-	7,803,038	7,803,038	7,803,038
Balance as at June 30, 2015	176,367,190	53,218,752	(204,051,569)	(150,832,817)	25,534,373
Total comprehensive loss for the nine months ended March 31, 2016	-	-	(118,975,439)	(118,975,439)	(118,975,439)
Transfer from surplus on revaluation on account of incremental depreciation charge on revalued assets	-	-	15,075,890	15,075,890	15,075,890
Balance as at March 31, 2016	176,367,190	53,218,752	(307,951,118)	(254,732,366)	(78,365,176)

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


Chief Executive


Director

**NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 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 (formerly 58, Alhanra Housing Society, Block 7/8, Tipu Sultan Road, off. Shaheed-e-Millat Road, Karachi) 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 period ended March 31, 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 balance sheet, presented in these financial statements, as at June 30, 2015 has been extracted from the annual audited financial statements of the Company for the year ended June 30, 2015 whereas the comparative profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement for the period ended March 31, 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, 2015.

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, 2015.

- 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 2015.

5 PROPERTY, PLANT AND EQUIPMENT

	Note	(Un-audited) 31-Mar-16	(Audited) 30-Jun-15
		Rupees	
Opening Written down value		1,326,203,585	1,380,998,221
Additions during the period- at cost	5.1	1,707,875	13,113,788
Disposals during the period- at WDV	5.1	-	(5,017,031)
Depreciation charged		(44,929,111)	(62,891,393)
		<u>1,282,982,349</u>	<u>1,326,203,585</u>

- 5.1 The cost of additions and deletions to property, plant and equipment during the period ended March 31, 2016 were as follows.

	31-Mar-16		30-Jun-15	
	Acquisition Cost	Disposal WDV	Acquisition Cost	Disposal WDV
	Rupees		Rupees	
PROPERTY, PLANT & EQUIPMENT				
Plant & machinery	-	-	10,998,056	(361,888)
Office equipment	21,945	-	-	-
Vehicles	1,685,930	-	2,115,732	(4,655,143)
	<u>1,707,875</u>	<u>-</u>	<u>13,113,788</u>	<u>(5,017,031)</u>

6 SHARE CAPITAL

			(Un-audited)	(Audited)
		Note	31-Mar-16	30-Jun-15
			----- Rupees -----	
Number of shares				
31-Mar-16	30-Jun-15			
11,627,344	11,627,344	Ordinary Shares of Rs.10/- each allotted for consideration paid in cash	116,273,440	116,273,440
6,009,375	6,009,375	Ordinary Shares of Rs.10/- each issued as bonus shares	60,093,750	60,093,750
17,636,719	17,636,719		176,367,190	176,367,190

7 CONTINGENCIES AND COMMITMENTS

There has been no significant change in the contingencies and commitments since the last audited financial statements which are being disclosed below:

7.1 Contingencies

- 7.1.1** The Company is contesting recovery suit filed by Bank of Punjab in year 2011 in the Lahore High Court amounting to Rs. 577.391 million on account of principal and mark-up claimed in the suit with cost of funds till the disposal of suit. The Company has in turn filed counter suit of Rs. 744.348 million against The Bank of Punjab, before the Lahore High Court vide COS No. 26/2012 on grounds including acts and omission committed by the Bank against the company. The company has not recognised the cost of fund since the matter is subjudice and yet to be decided by the Court and also not recognised any receivable/ income on account of its suit against the bank till the final disposal of the suit by the Court.

During the year ended 30 June 2015, the Company reversed mark-up recorded in earlier years that included mark-up charged after the expiry date of finance agreement and mark-up booked against usance LC amounting to Rs. 179.893 million in aggregate since its legal counsel has advised that mark-up liability mentioned above would not be allowed by the Court. In addition, there is difference of Rs.15.155 million between the mark up accrued in financial statement and that claimed by the bank in the suit as of 31.12.2011. Moreover, the estimate of cost of funds not recognised as liability for the period from the date of suit till the reporting date if calculated by using 1 year kibar rate would be Rs. 131.50 million. In the opinion of the legal counsel, this matter is subjudice and would not be permitted by the Court in the circumstances of the case of the company on principal loan liability balance as claimed by the bank and the company has not recorded any liability on this account.

7.1.2 Guarantee

- i Bank guarantee issued to Sui Northern Gas Department 27,767,900 27,767,900

- 7.1.3** A Suit No. 1638 of 2010 has been filed in the High Court of Sindh by the Company against the Show Cause notice issued by the SECP on related party transactions and has obtained stay order from the High Court of Sindh, Karachi restraining SECP from taking any adverse action.

7.2 Commitments:

There were no commitments as at 31 March, 2016.

8 OTHER INCOME

	Note	(Un-audited) 31-Mar-16	(Un-audited) 31-Mar-15
		Rupees	
Profit on Bank deposits		2,103	10,972
Gain on sale of fixed assets		-	1,703,469
Gain on lease back		-	2,022,609
Gain on restatement of debtors		-	576,877
Gain on sale of shares		-	84,583
Foreign exchange gain		-	106,651
Mark-up waived off		-	23,921,692
Gain on measurement of investment at fair value		-	186,500
		<u>2,103</u>	<u>28,613,353</u>

9 CASH (USED IN)/ GENERATED FROM OPERATIONS

Loss before taxation	(112,773,633)	(130,287,700)
Adjustments for non cash charges and other items:		
Depreciation on property, plant and equipment	44,929,111	47,429,522
(Gain) on sale of property, plant and equipment	-	(1,703,469)
Amortization of deferred income	-	(2,022,609)
Exchange gain	-	44,231
Fair value adjustment in value of investment	6,500	(186,500)
Provision for gratuity	269,750	4,363,000
Mark-up waived off	-	(23,921,692)
Finance cost	650,192	48,622,080
(Gain) on restatement of debtors	-	(576,877)
	<u>45,855,553</u>	<u>72,047,686</u>
Operating profit before working capital changes	(66,918,080)	(58,240,014)
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares & loose tools	4,913,993	9,185,210
Trade debts	(17,218,358)	(8,449,320)
Loans and advances	14,589,393	6,041,381
Sales tax Refundable	2,139,459	-
Stock in Trade	2,417,513	51,062,697
Other receivables	(545,350)	533,835
	<u>6,296,650</u>	<u>58,373,803</u>
Increase / (decrease) in current liabilities		
Trade and other payables	49,336,555	37,994,598
	<u>(11,284,875)</u>	<u>38,128,387</u>

10 TRANSACTIONS WITH RELATED PARTIES

Relationship	Transaction	2016 Rupees	2015 Rupees
Associated Undertaking	Sale / purchase	-	-
Key management personnel	Receipt/(payment) of loan from directors	36,917,094	-

11 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, 2015.

12 CORRESPONDING FIGURES

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

13 DATE OF AUTHORISATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the company and authorized for issue on April 29, 2016.



Chief Executive



Director