



Shadman
Cotton Mills Limited

**NINE MONTHS REPORT
MARCH 31, 2017**

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COMPANY INFORMATION

BOARD OF DIRECTORS	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
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. AND REMUNERATION COMMITTEE	MR. AHMED BIN SHAHID (Chariman) MR. SHAHID MAZHAR (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. FEROUZ 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 nine months and third quarter ended March 31, 2017.

During the nine months under review, the net sales turnover of the company is Rs. 394.451 million including export sales of Rs. 57.367 million as compared to net sales turnover of Rs. 625.368 million of corresponding period of previous year. The sales decreased due to temporary closure of operation of mills during the third quarter. During the third quarter of the year the company sustained after tax loss of Rs. 25.768 million as compared to after tax loss of Rs. 17.341 million of the corresponding quarter. Loss per share is Rs. (1.46) as compared to loss per share of Rs. (0.98) of the corresponding period of the third quarter.

The present market conditions of textile sector are very tough to continue the operations and the management very prudently decided to temporarily close the mills to avoid heavy losses. During the quarter under review the management reduced the cost to possible bottom level by right sizing of manpower, resource conservation and close monitoring of fixed cost. Resultantly the loss of the third quarter is lowest of the three quarters.

The energy cost in Punjab is very high than other provinces of the country. However, the management of the company is making continuous efforts and taking initiatives to cope with the competitors in the market by better maintenance of plant and machinery to improve the production and quality of the product. The overhauling and maintenance of plant is under progress and we are hopeful to restart the partial operation of mills shortly.

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

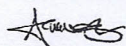


SHAHID MAZHAR
(Chief Executive)

Lahore: April 27, 2017

BALANCE SHEET (UN - AUDITED)**AS AT MARCH 31, 2017**

	Note	March 31, 2017 Rupees (Un-audited)	June 30, 2016 Rupees (Audited)
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
<i>Authorized share capital</i>			
18,000,000 (June 30, 2016: 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		(384,584,150)	(317,309,875)
TOTAL EQUITY		(154,998,208)	(87,723,933)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
		605,536,600	619,825,233
NON-CURRENT LIABILITIES			
Long term finances - secured	3	-	-
Liabilities against assets subject to finance lease - secured	4	-	-
Deferred liabilities		51,138,065	51,969,287
		51,138,065	51,969,287
CURRENT LIABILITIES			
Trade and other payables		324,223,382	419,664,251
Accrued interest/markup		105,475,305	105,482,401
Short term borrowings		451,456,341	485,818,341
Current portion of non-current liabilities		132,163,132	132,163,132
Provision for taxation		8,241,638	4,602,149
		1,021,559,798	1,147,730,274
TOTAL LIABILITIES		1,072,697,863	1,199,699,561
CONTINGENCIES AND COMMITMENTS			
	5		
TOTAL EQUITY AND LIABILITIES		1,523,236,255	1,731,800,861
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	1,228,746,596	1,267,909,038
Long term deposits - unsecured, considered good		27,444,429	27,444,429
		1,256,191,025	1,295,353,467
CURRENT ASSETS			
Stores, spares and loose tools		58,871,257	63,853,870
Stock in trade		67,189,120	236,828,849
Trade debts - unsecured		69,563,897	71,766,748
Advances, deposits, prepayments and other receivables		68,028,830	60,535,289
Advance income tax/income tax refundable		1,043,604	2,044,792
Short term investments		95,500	95,500
Cash and bank balances		2,253,022	1,322,346
		267,045,230	436,447,394
TOTAL ASSETS		1,523,236,255	1,731,800,861

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


CHIEF EXECUTIVE



DIRECTOR

PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2017

	Nine months ended		Quarter ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	Rupees	Rupees	Rupees	Rupees
Turnover - net	394,450,638	625,367,564	51,911,067	251,909,366
Cost of sales	(450,433,431)	(708,566,785)	(70,280,881)	(258,316,418)
Gross loss	(55,982,793)	(83,199,221)	(18,369,814)	(6,407,052)
Selling and distribution expenses	(3,594,021)	(2,299,788)	(970,485)	(997,444)
Administrative and general expenses	(18,233,027)	(26,626,535)	(5,739,767)	(7,484,606)
	(21,827,048)	(28,926,323)	(6,710,252)	(8,482,050)
	(77,809,841)	(112,125,544)	(25,080,066)	(14,889,102)
Other income	540,884	2,103	136,506	-
Operating loss	(77,269,157)	(112,123,441)	(24,943,560)	(14,889,102)
Finance cost	(282,397)	(650,192)	(242,095)	-
Loss before taxation	(77,551,554)	(112,773,633)	(25,185,655)	(14,889,102)
Taxation	(4,011,354)	(6,201,806)	(582,642)	(2,451,922)
Loss after taxation	(81,562,908)	(118,975,439)	(25,768,297)	(17,341,024)
Loss per share basic and diluted	(4.62)	(6.75)	(1.46)	(0.98)

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



CHIEF EXECUTIVE



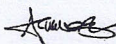
DIRECTOR

CASH FLOW STATEMENT (UN-AUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2017

	Nine months ended	
	March 31, 2017	March 31, 2016
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(77,551,554)	(112,773,633)
Adjustments for non-cash items		
Depreciation	42,342,574	44,929,111
Provision for employees retirement benefits	-	269,750
Gain on disposal of property, plant and equipment	(383,524)	-
Changes in investments at fair value through profit or loss	-	6,500
Interest/markup on borrowings	282,397	650,192
	42,241,447	45,855,553
Operating loss before changes in working capital	(35,310,107)	(66,918,080)
Changes in working capital		
Stores, spares and loose tools	4,982,613	4,913,993
Stock in trade	169,639,729	2,417,513
Trade debts	2,202,851	(17,218,358)
Advances, prepayments and other receivables	(7,493,541)	16,183,502
Trade and other payables	(95,440,869)	49,336,555
	73,890,783	55,633,205
Net cash generated from/(used in) operations	38,580,676	(11,284,875)
Payments for		
Interest/markup on borrowings	(289,493)	(696,937)
Income tax	629,323	(1,049,182)
Employees retirement benefits	(831,222)	(2,125,025)
Net cash generated from/(used in) operating activities	38,089,284	(15,156,019)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,806,608)	(1,707,875)
Proceeds from disposal of property, plant and equipment	1,010,000	-
Long term deposit	-	(9,595,958)
Net cash used in investing activities	(2,796,608)	(11,303,831)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan from directors obtained	7,480,000	36,917,094
Repayment of liabilities against assets subject to finance lease	-	(3,860,000)
Net (decrease)/increase in short term borrowings	(41,842,000)	(3,800,496)
Net cash generated from financing activities	(34,362,000)	29,256,598
NET INCREASE IN CASH AND CASH EQUIVALENTS	930,676	2,796,748
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	2,253,022	3,182,367

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


CHIEF EXECUTIVE

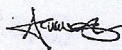

DIRECTOR

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

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2017

	Nine months ended		Quarter ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	Rupees	Rupees	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	14,288,633	15,075,890	4,762,875	5,025,297
Other comprehensive income	14,288,633	15,075,890	4,762,875	5,025,297
Loss after taxation	(81,562,908)	(118,975,439)	(25,768,297)	(17,341,024)
Total comprehensive loss	(67,274,275)	(103,899,549)	(21,005,422)	(12,315,727)

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



CHIEF EXECUTIVE



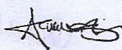
DIRECTOR

STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 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, 2015 - Audited	176,367,190	53,218,752	(204,051,569)	25,534,373
Comprehensive loss				
Loss after taxation	-	-	(118,975,439)	(118,975,439)
Other comprehensive income	-	-	15,075,890	15,075,890
Total comprehensive loss	-	-	(103,899,549)	(103,899,549)
Balance as at March 31, 2016 - Un-audited	176,367,190	53,218,752	(307,951,118)	(78,365,176)
Balance as at April 01, 2016 - Un-audited	176,367,190	53,218,752	(307,951,118)	(78,365,176)
Comprehensive loss				
Loss after taxation	-	-	(20,752,225)	(20,752,225)
Other comprehensive income	-	-	11,393,468	11,393,468
Total comprehensive loss	-	-	(9,358,757)	(9,358,757)
Transaction with owners	-	-	-	-
Balance as at June 30, 2016 - Audited	176,367,190	53,218,752	(317,309,875)	(87,723,933)
Balance as at July 01, 2016 - Audited	176,367,190	53,218,752	(317,309,875)	(87,723,933)
Comprehensive loss				
Loss after taxation	-	-	(81,562,908)	(81,562,908)
Other comprehensive income	-	-	14,288,633	14,288,633
Total comprehensive loss	-	-	(67,274,275)	(67,274,275)
Transaction with owners	-	-	-	-
Balance as at March 31, 2017 - Un-audited	176,367,190	53,218,752	(384,584,150)	(154,998,208)

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



CHIEF EXECUTIVE



DIRECTOR

NOTES TO THE FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 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, 2016.

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 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, 2016.

2.4 Functional currency

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

	March 31, 2017	June 30, 2016
	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)
	-	-
4 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of minimum lease payments	26,194,268	26,194,268
Current portion presented under current liabilities	(26,194,268)	(26,194,268)
	-	-

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 is 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, 2016: Rs. 18.317 million), however the Company has already recognized related liability amounting to Rs. 18.317 million (June 30, 2016: 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	March 31, 2017 Rupees (Un-Audited)	June 30, 2016 Rupees (Audited)
6 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	1,225,864,988	1,267,909,038
Capital work in progress		2,881,608	-
		<u>1,228,746,596</u>	<u>1,267,909,038</u>
6.1 Operating fixed assets			
Assets owned by the Company	6.1.1	1,181,119,945	1,221,420,682
Assets subject to finance lease	6.1.2	44,745,043	46,488,356
		<u>1,225,864,988</u>	<u>1,267,909,038</u>
6.1.1 Assets owned by the Company			
Net book value at the beginning of the period/year		1,221,420,682	1,277,268,473
Additions during the period/year		-	21,945
Office equipment		925,000	-
Plant & Machinery		-	1,685,930
Vehicles		-	-
		925,000	1,707,875
Net book value of assets disposed during the period/year		(626,476)	(120,718)
Depreciation for the period/year		(40,599,261)	(57,434,948)
Net book value at end of the period/year		<u>1,181,119,945</u>	<u>1,221,420,682</u>
6.1.2 Assets subject to finance lease			
Net book value at beginning of the period/year		46,488,356	48,935,112
Depreciation for the period/year		(1,743,313)	(2,446,756)
Net book value at end of the period/year		<u>44,745,043</u>	<u>46,488,356</u>
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:

		Nine months ended	
		March 31, 2017	March 31, 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	41,870,000	72,714,095
	Short term borrowings repaid	34,390,000	25,823,308
	Short term employee benefits	-	3,360,000
Associated undertaking	Purchases during the period	1,881,600	
		March 31, 2017	June 30, 2016
		Rupees	Rupees
		(Un-Audited)	(Audited)
8.2 Balances with related parties			
Nature of relationship	Nature of balances		
Key management personnel	Short term borrowings	132,570,067	125,090,067
	Short term employee benefits payable	12,840,000	12,840,000
Associated undertaking	Trade debts	48,629	255,229

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 April 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