



HALF YEARLY REPORT

DECEMBER 31, 2022

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Shadman Cotton Mills Limited

| | |
|---------------------------------|--|
| BOARD OF DIRECTORS | MR. SHAHID MAZHAR (Chief Executive) MRS. GHAZALA SHAHID (Chairperson) MR. AHMED BIN SHAHID MR. MUHAMMAD AFNAN SHAHID MR. MUHAMMAD AKHTAR MR. NADEEM BHATTI MR. HAMID BASIR |
| AUDITORS | MUSHTAQ & COMPANY CHARTERED ACCOUNTANTS |
| LEGAL ADVISOR | MR. FAZAL MAHMOOD (ADVOCATE) |
| AUDIT COMMITTEE | MR. NADEEM BHATTI (Chairman) MRS. GHAZALA SHAHID (Member) MR. MUHAMMAD AKHTAR (Member) |
| H.R. AND REMUNERATION COMMITTEE | MR. HAMID BASIR (Chairman) MR. AHMED BIN SHAHID (Member) MR. MUHAMMAD AFNAN SHAHID (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 | 3.5 K.M. FEROZE WATOAN, WARBURTON ROAD, KOT SHAH MOHAMMAD, NEAR CHANDI KOT TESIL & DISTRICT: NANKANA SAHIB |
| HEAD OFFICE | 3.5 K.M. FEROZE WATOAN, WARBURTON ROAD, KOT SHAH MOHAMMAD, NEAR CHANDI KOT TESIL & DISTRICT: NANKANA SAHIB |
| SHARE REGISTRAR | M/S HAMEED MAJEED ASSOCIATES (PVT.) LTD. H.M. HOUSE, 7-BANK SQUARE LAHORE. TEL: 042-37235081-82 FAX: 042-37358817 |
| MILLS | 3.5 K.M. FEROZE WATOAN, WARBURTON ROAD, KOT SHAH MOHAMMAD, NEAR CHANDI KOT TESIL & DISTRICT: NANKANA SAHIB |
| URL | WWW.SHADMAN.COM.PK |

DIRECTORS' REPORT

Dear Shareholders,

The Directors are pleased to present the un-audited condensed interim financial statements of the company for the Half Year and Quarter ended December 31, 2022 together with independent auditor's review report.

During the six months under review, the net turnover of the company is Rs. 102.938 million including export sale of Rs. 99.412 million as compared to net turnover of Rs. 157.916 million of corresponding period of previous year. During the half year after tax profit of the company is Rs. 40.833 million as compared to after tax loss of Rs. (12.952) million. Profit per share is Rs. 2.32 as compared to loss per share of Rs. (0.73) of the corresponding half year of the previous year.

During the period under review the company mainly utilized the export-oriented apparel division manufacturing process in a well-planned manner and also adopted alternative strategies to keep up the project. High cost of production of apparel including high prices of fabrics and competitive low sale rates in the market resulted in gross loss during the period.

The country is struggling to overcome the economic challenges such as low foreign reserves level, high foreign exchange rates, high rate of inflation, high fuel & energy prices, disrupt raw materials supplies due to curb on imports and shrunk liquidity position that affected all the industries very badly. However, in spite of all these challenges, the management of the company is mainly focusing to decrease the cost of production with increase in productivity of apparel division along with alternative measures. We anticipate positive financial performance during the remaining period of current financial year.

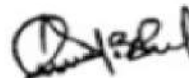
We remain committed to the difficult task to improve the financial results. We would like to highlight the hard work put in by the member of corporate family. We look forward to same dedication and cooperation in the days ahead.

For and on behalf of the Board



Chief Executive Officer

For and on behalf of the Board



Director

Nankana Sahib: March 01, 2023

ذمہاء مجس کی رپورٹ

یہ اف تگان حصص مد ترم

ہم آزاد آڈیٹر کے جائزہ کے ساتھ کمپنی کے غیر آڈٹ شدہ مالیاتی حسابات 31 دسمبر 2022 کو ختم ہونے والی ششماہی اور سہ ماہی کے لیے پیش کرنے پر خوش ہیں۔

زیر جائزہ چھ مہینوں کے دوران، کمپنی کی خالص فروخت 102.938 ملین روپے ہے جس میں 99.412 ملین روپے برآمدی فروخت شامل ہے۔ پچھلے سال کی اسی مدت میں خالص فروخت 157.916 ملین روپے تھی۔ کمپنی کا بعد از ٹیکس منافع ششماہی کے دوران 40.833 ملین روپے ہے۔ پچھلے سال کی اسی ششماہی میں بعد از ٹیکس نقصان (12.952) ملین روپے تھا۔ اس مدت میں فی حصص منافع 2.32 روپے ہے پچھلے سال کی اسی ششماہی کافی شیئر نقصان (0.73) روپے تھا۔

زیر جائزہ مدت کے دوران کمپنی نے بنیادی طور پر برآمدی ملبوسات کی پیداواری کے عمل کو منصوبہ بند طریقے سے استعمال کیا اور اس منصوبے کو جاری رکھنے کے لیے متبادل حکمت عملی بھی اپنائی۔ کپڑے کی زیادہ قیمت خرید اور مارکیٹ میں مسابقتی کم قیمت فروخت کی شرح سمیت ملبوسات کی پیداواری کی زیادہ لاگت کے نتیجے میں اس مدت کے دوران مجموعی نقصان ہوا۔

ملک معاشی مسائل پر قابو پانے کے لیے جدوجہد کر رہا ہے جیسے کہ زرمبادلہ کے ذخائر کی کم سطح، بلند زرمبادلہ کی شرح، افراط زر کی بلند شرح، ایندھن اور توانائی کی بلند قیمتیں، درآمدات پر پابندی کی وجہ سے خام مال کی سپلائی میں خلل پڑنا اور لیکویڈیٹی کی سکتڑتی ہوئی پوزیشن جس سے تمام صنعتیں بہت بری طرح متاثر ہوئی ہیں۔ تاہم، ان تمام مسائل کے باوجود، کمپنی کی انتظامیہ بنیادی طور پر متبادل اقدامات کے ساتھ ملبوسات کی تیاری کی پیداواری صلاحیت میں اضافے کے ساتھ پیداواری لاگت کو کم کرنے پر توجہ مرکوز کر رہی ہے۔ ہم رواں مالی سال کی بقیہ مدت کے دوران مثبت مالی کارکردگی کی توقع کرتے ہیں۔

ہم مالیاتی نتائج کو بہتر بنانے کے مشکل کام کے لیے پرعزم ہیں۔ ہم کارپوریٹ فیملی کے ممبر کی طرف سے کی گئی محنت کو اجاگر کرنا چاہیں گے۔ ہم آنے والے دنوں میں اسی لگن اور تعاون کے منتظر ہیں۔

مہنجان ب بورڈ

ڈائریکٹر

مہنجان ب بورڈ

چیف ایگزیکٹو آفیسر

Independent auditor's review report to the members of Shadman Cotton Mills Limited

Report on the Review of the Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Shadman Cotton Mills Limited** as at December 31, 2022 and the related condensed interim statement of profit or loss and condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows and notes to the financial statements for the six-months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarter ended December 31, 2022 and December 31, 2021 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2022.

Scope of Review

We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedure. A review is substantially less in scope than audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

1. As referred in note 6.1 and 7.1.2 the company has outstanding liability of accrued mark up shown in financial statements in long term finances amounting to Rs. 103.51 million from Bank of Punjab which need to be reversed and total outstanding liability of accrued mark up amounting to Rs. 367.739 to be shown as a contingent liability only as management is committed to repay the amount of loan as per agreed terms. But the company has not reversed the liability, if same has been reversed then long term finances would be reduced by Rs. 103.51 million, profit for the period would be higher by Rs. 103.51 million and accumulated loss would be reduced by the same amount. The amount of charge as disclosed in Note 48 of recently audited financial statements is not confirmed as the company is in litigation with banking companies.
2. An amount of Rs.4.01 million of long term loan from Habib Bank Limited in note 7.1.3 has not been confirmed by the bank, also as referred to in note 7.1.3 to these financial statements, Company had not recognized expenses for the cost of suit and cost of funds on outstanding liability, the case is decreed in favor of Habib Bank Limited by the Banking Court, appeal of which had been filed in Honorable Lahore High Court. In the absence of any estimate, we are unable to calculate its impact on the financial statements.

3. As referred in note 5.1, this liability of Rs. 18.316 million was payable to Excise and Taxation Officer (ETO) Government of Sindh. Company had filed the suit against ETO in Sindh High Court against this levy. No copy of suit filed provided to us neither legal advisor confirmed this suit in his direct confirmation.

4. Trade debts includes an amount receivable from LESCO of Rs. 16.198 million, this receivable is past due since 30th June, 2011. The balance is not directly confirmed by the party as the said balance is also under litigation. In our opinion, this past due balance has been impaired but no loss allowance in respect of this receivable balance has been made in the financial statements.

5. As disclosed in Note 7.1.5, a suit has been filed by the Meezan bank limited before the banking court, Lahore, against recovery of outstanding balance of ijarah rentals amounting to Rs. 51.419 million. Suit decreed by Banking Court for Rs. 28.54 million. Appeal of said decree has been filed in Lahore High Court. Bank's execution is also pending before Banking Court Lahore. We do not receive bank confirmation for this Rental Payable.

Qualified Conclusion

Based on our review, with the exception of the matters described in the basis for qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter Paragraph

We draw attention to note 2.2 in the financial statements which indicates that the Company has temporarily stopped the production of its spinning unit since October 21, 2018. As at December 31, 2022, the company has accumulated losses of Rs. 341.238 million. Its current liabilities exceed its current assets by Rs. 89.842 million. The Company has defaulted in repayment of its debt finances and interest/mark-up thereon from banking companies. The providers of debt finances have filed recovery suits for recovery of these debts finances and interest/mark-up thereon. These conditions, along with other matters as explained in note 2.2, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. However, these financial statements have been prepared on going concern basis. Our opinion is not modified in respect of this matter.

The engagement partner on review resulting in this independent auditor's report is Zahid Hussain Zahid, FCA.

MUSHTAQ & CO
Chartered Accountants

Karachi
Dated:

UDIN: RR202210043yQ3P5vbsz

Shadman Cotton Mills Limited

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2022

| | Note | Dec 31, 2022 Rupees (Un-Audited) | June 30, 2022 Rupees (Audited) |
|---|------|--|--------------------------------------|
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorized share capital | | | |
| 18,000,000 (June 2022: 18,000,000) ordinary shares of Rs. 10 each | | <u>180,000,000</u> | <u>180,000,000</u> |
| Issued, subscribed and paid-up capital | | 176,367,190 | 176,367,190 |
| Capital reserve | | 53,218,752 | 53,218,752 |
| Accumulated losses | | (341,238,271) | (384,138,821) |
| Director's loan | | 120,000,000 | 120,000,000 |
| Surplus on revaluation of property, plant and equipment | | 489,435,226 | 491,502,502 |
| TOTAL EQUITY | | 497,782,897 | 456,949,623 |
| NON-CURRENT LIABILITIES | | | |
| Long term finances - secured | 4 | 417,281,997 | - |
| Long term payable | 5 | 40,678,309 | 40,678,309 |
| Employee retirement obligation | | 9,377,495 | 7,965,892 |
| | | 467,337,801 | 48,644,201 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 128,863,092 | 139,604,366 |
| Accrued Interest/markup | 6 | - | 103,514,885 |
| Short term borrowings | | 204,626,317 | 373,052,846 |
| Current portion of non-current liabilities | | 82,447,496 | 101,868,864 |
| Current portion of GIDC Payable | | - | 440,170 |
| Ijara rentals payable | | 28,544,690 | 28,544,690 |
| Provision for taxation | | 1,038,189 | 13,248,747 |
| | | 445,519,784 | 760,274,568 |
| TOTAL LIABILITIES | | 912,857,585 | 808,918,769 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 7 | | |
| TOTAL EQUITY AND LIABILITIES | | <u>1,410,640,482</u> | <u>1,265,868,393</u> |
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 8 | 913,971,044 | 918,909,478 |
| Investment Property | 9 | 112,793,174 | 114,220,936 |
| Long term deposits - unsecured, considered good | | 28,198,874 | 28,180,774 |
| | | 1,054,963,092 | 1,061,311,188 |
| CURRENT ASSETS | | | |
| Stores, spares and loose tools | | 20,207,176 | 22,012,525 |
| Stock in trade | | 27,845,286 | 58,099,251 |
| Trade debts - unsecured | | 39,526,088 | 56,730,307 |
| Loans and advances | | 11,109,126 | 2,146,946 |
| Trade deposits and short term prepayments | | 3,887,139 | 3,881,706 |
| Other receivables | | 6,242,911 | 7,364,421 |
| Tax refunds due from govt. | | 21,419,819 | 29,424,653 |
| Short term investments | 10 | 210,589,269 | 269,604 |
| Cash and bank balances | | 14,850,576 | 24,627,792 |
| | | 355,677,390 | 204,557,205 |
| TOTAL ASSETS | | <u>1,410,640,482</u> | <u>1,265,868,393</u> |

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

| Note | Six months ended | | Three months ended | |
|--|---------------------|---------------------|--------------------|---------------------|
| | Dec 31, 2022 | Dec 31, 2021 | Dec 31, 2022 | Dec 31, 2021 |
| | Rupees | Rupees | Rupees | Rupees |
| Turnover - net | 102,937,575 | 157,915,521 | 19,806,518 | 94,344,890 |
| Cost of sales | (114,908,221) | (174,868,639) | (25,804,734) | (98,473,729) |
| Gross loss | (11,970,646) | (16,953,118) | (5,998,216) | (4,128,839) |
| Selling and distribution expenses | (3,398,465) | (9,080,182) | (423,530) | (5,770,652) |
| Administrative and general expenses | (18,767,041) | (17,221,673) | (10,216,115) | (7,410,021) |
| | (22,165,506) | (26,281,855) | (10,639,645) | (13,180,673) |
| Other income | (34,136,152) | (43,234,973) | (16,637,861) | (17,309,512) |
| | 75,796,452 | 24,883,163 | 56,092,613 | 7,035,398 |
| Operating profit / (loss) | 41,660,300 | (18,351,810) | 39,454,752 | (10,274,114) |
| Finance cost | (259,173) | (32,484) | (158,037) | (8,380) |
| Other Expenses | (6,889,589) | (1,464,371) | (6,106,181) | (732,186) |
| Profit /(loss) before taxation | 34,511,538 | (19,848,665) | 33,190,534 | (11,014,680) |
| Taxation | 6,321,736 | 6,897,014 | 7,161,363 | 7,539,163 |
| Profit /(loss) after taxation | 40,833,274 | (12,951,651) | 40,351,897 | (3,475,517) |
| Earning /(loss) per share - basic and diluted | 2.32 | (0.73) | 2.29 | (0.20) |

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

Shadman Cotton Mills Limited

CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

| | Six months ended | | Three months ended | |
|--|-------------------|---------------------|--------------------|--------------------|
| | December 31, 2022 | December 31, 2021 | December 31, 2022 | December 31, 2021 |
| | Rupees | Rupees | Rupees | Rupees |
| Profit /(loss) after taxation for the period | 40,833,274 | (12,951,651) | 40,351,897 | (3,475,517) |
| Other comprehensive income | | | | |
| <i>Items that will not be reclassified to profit or loss</i> | | | | |
| Revaluation surplus on Property, plant and machinery | - | - | - | - |
| Remeasurements of defined benefit obligation | - | - | - | - |
| Total comprehensive income /(loss) | 40,833,274 | (12,951,651) | 40,351,897 | (3,475,517) |

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

| | Six months ended | |
|---|----------------------|--------------------|
| | December 31, 2022 | December 31, 2021 |
| | Rupees | Rupees |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit /(loss) before taxation | 34,511,538 | (19,848,665) |
| Adjustments for non-cash items | | |
| Depreciation | 10,703,336 | 10,443,434 |
| Provision for employees retirement benefits | 2,500,000 | 1,000,000 |
| Gain on disposal of property, plant and equipment | (1,717,640) | (1,665,521) |
| Changes in fair value of investments at fair value through profit or loss | (19,665) | 1,037,018 |
| Finance cost | 259,173 | 32,484 |
| | 11,725,204 | 10,847,415 |
| Operating profit /(loss) before changes in working capital | 46,236,742 | (9,001,250) |
| Changes in working capital | | |
| Stores, spares and loose tools | (2,767,432) | 6,988,816 |
| Stock in trade | 34,826,746 | 19,793,172 |
| Trade debts | 17,204,218 | 3,030,423 |
| Advances, prepayments and other receivables | (1,701,627) | (11,818,659) |
| Short term investments | - | (12,220,890) |
| Trade and other payables | (11,253,385) | 20,728,804 |
| | 36,308,520 | 26,501,666 |
| Net cash generated from operations | 82,545,262 | 17,500,416 |
| Payments for | | |
| Finance cost | (187,232) | (32,484) |
| Income tax | (4,028,464) | (3,885,264) |
| Employees retirement benefits | (1,088,397) | (1,503,446) |
| Net cash generated from operating activities | 77,241,169 | 12,079,222 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (4,619,500) | (7,416,340) |
| Proceeds from disposal of property, plant and equipment | 2,000,000 | 1,900,000 |
| Short term investment | (210,300,000) | - |
| Long term deposits | (18,100) | - |
| Net cash used in investing activities | (212,937,600) | (5,516,340) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net increase / (decrease) in long term financing | 397,860,629 | - |
| Net increase / (decrease) in short term borrowings | (168,426,529) | 23,330,698 |
| Net increase / (decrease) in accrued markup | (103,514,885) | - |
| Net cash generated from financing activities | 125,919,215 | 23,330,698 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | (9,777,216) | 29,893,580 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 24,627,792 | 1,039,032 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 14,850,576 | 30,932,612 |

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

| | Share capital | Reserves | | Equity | Revaluation Surplus | Total equity |
|---|---|---------------------------|------------------------------|---------------------------|--|--------------------|
| | Issued subscribed and paid-up capital Rupees | Capital reserve Rupees | Accumulated losses Rupees | Director's loan Rupees | Revaluation Surplus on Property, plant and machinery Rupees | |
| Balance as at July 01, 2021 - Audited | 176,367,190 | 53,218,752 | (400,293,309) | 120,000,000 | 495,743,069 | 445,035,702 |
| Loss after taxation for the Period | - | - | (12,951,651) | - | - | (12,951,651) |
| Other comprehensive income for the period | - | - | - | - | - | - |
| Total comprehensive Income/ (Loss) | - | - | (12,951,651) | - | - | (12,951,651) |
| Incremental Depreciation-net of deferred tax | - | - | 2,912,509 | - | (2,912,509) | - |
| Balance as at December 31, 2021 - Un-audited | <u>176,367,190</u> | <u>53,218,752</u> | <u>(410,332,451)</u> | <u>120,000,000</u> | <u>492,830,560</u> | <u>432,084,051</u> |
| Balance as at July 01, 2022 - Audited | 176,367,190 | 53,218,752 | (384,138,821) | 120,000,000 | 491,502,502 | 456,949,623 |
| Profit after taxation for the period | - | - | 40,833,274 | - | - | 40,833,274 |
| Other comprehensive income for the period | - | - | - | - | - | - |
| Total comprehensive Income/ (Loss) | - | - | 40,833,274 | - | - | 40,833,274 |
| Incremental Depreciation-net of deferred tax | - | - | 2,067,276 | - | (2,067,276) | - |
| Balance as at December 31, 2022 - Un-audited | <u>176,367,190</u> | <u>53,218,752</u> | <u>(341,238,271)</u> | <u>120,000,000</u> | <u>489,435,226</u> | <u>497,782,897</u> |


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

1 STATUS AND NATURE OF BUSINESS

Shadman Cotton Mills Limited (the Company) was incorporated in Pakistan as a public limited company on November 24, 1979 under the then Companies Act, 1973 (now the Companies Act 2017) and is listed on Pakistan Stock Exchange Limited. The Company is engaged in the manufacturing and sale of yarn and apparels. The registered office, the manufacturing facilities and land covering 358 kanals of the company is located at 3.5 KM Feroze Watoan Warburton Road, Kot Shah Mohammad, Near Chandi Kot Tehsil & District Nankana Sahib.

2 STATEMENT OF COMPLIANCE

This condensed interim financial information is un-audited and has been prepared in accordance with the requirements of the IAS 34 Interim Financial Reporting and provisions of and directives issued under the Companies Act, 2017 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 as at and for the year ended 30th June, 2022.

Where the provision of and directives issued under the Companies Act, 2017 differ with the requirement of IAS 34, the provision of and directives issued under the Companies Act, 2017 have been followed.

2.1 Accounting convention

The condensed 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.

2.2 Appropriateness of going concern assumption

The Company has been facing operational losses mainly due to decrease in selling prices in local as well as international markets, dumping of Indian yarn at low prices along with other factors. The Company has not been able to utilize its production capacity at an optimum level due to which the desired profitability remained unachieved. Company has stopped its spinning production temporarily since October 21, 2018.

As a result, the company has accumulated losses of Rs. 341.238 million as at the reporting date. The company's current liabilities exceeds its current assets by Rs. 89.842 million. The Company has defaulted in repayment of its debt finances and interest/mark-up thereon from banking companies. The providers of debt finances have filed recovery suits for recovery of these debts finances and interest/mark-up thereon. These factors indicate existence of material uncertainty that raises doubts about the Company's ability to continue as a going concern. However, these financial statements have been prepared on going concern basis based on the following:

- a) In the opinion of Company's legal counsel the ongoing litigation between the Company and The Banking companies regarding recovery of debt finances and interest/mark-up thereon will take a few years to conclude as such the Company will be able to settle its liabilities to The Banking companies through the stream of cash flows from future sales. However the Company has made out of court settlement with Bank of Punjab and withdraw suit against Bank of Punjab.
- b) The management has started utilizing the apparel segment considering the demand of apparel products in local and international markets and further making plan to restart the spinning production process in view of magement plan to provide funds to the company according to its requirements.
- c) The management is taking steps towards reduction of fixed cost and rationalization of other expenses including right sizing of man power, resource conservation and close monitoring of fixed cost.
- d) Directors have conveyed their commitment for providing continued financial support

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements of the Company for the year ended June 30, 2022.

Shadman Cotton Mills Limited

| | <i>Note</i> | December 31, 2022 | June 30, 2022 |
|---|-------------|--------------------------|------------------|
| | | <i>Rupees</i> | <i>Rupees</i> |
| | | <i>(Un-Audited)</i> | <i>(Audited)</i> |
| 4 LONG TERM FINANCES - SECURED | | | |
| These represent long term finances utilized under interest/markup arrangements from banking companies | | | |
| The Bank of Punjab | | | |
| 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 |
| The Bank of Punjab - Cash Finance | | 75,818,065 | - |
| The Bank of Punjab - Running Finance | | 128,672,679 | - |
| The Bank of Punjab - Overdue Acceptances against LCs | | 89,855,000 | - |
| | 4.1 | 392,209,000 | 97,863,256 |
| The Bank Of Punjab- Accrued Markup | 6.1 | 103,514,885 | - |
| Habib Bank Limited - Term finance | 4.2 | 4,005,608 | 4,005,608 |
| | | 499,729,493 | 101,868,864 |
| Current maturity presented under current liabilities | | (82,447,496) | (101,868,864) |
| | | 417,281,997 | - |

4.1 This represent out of Court settlement through restructuring/rescheduling of entire principal liability of Long term financing and Short term borrowings of the company payable to The Bank of Punjab as on December 31, 2022, as per bank letter dated January 19, 2023. The finance is secured by charge over operating fixed assets and current assets of the Company. The finance carries mark up at the rate of 5.97% and shall be waived 100% at tail end subject to no default by the company. The company has paid 10% down payment of Rs. 39.221 million on January 25, 2023 immediately on signing of letter and balance amount is payable in 36 equal quarterly installments commencing from March 31, 2023.

4.2 The finance was been obtained from Habib Bank Limited to finance capital expenditure and was secured by charge over operating fixed assets of the Company. The finance carried interest/markup at three months KIBOR plus 1.50% per annum, payable quarterly. The finance was repayable in eighteen equal monthly installments with the first installment was due in June 2010. The entire outstanding balance is over due as at the reporting date. Refer to note 7.1.3 for details of litigation between the Company and Habib Bank Limited regarding recovery of this amount.

| | <i>Note</i> | December 31, 2022 | June 30, 2022 |
|-----------------------------------|-------------|--------------------------|-------------------|
| | | <i>Rupees</i> | <i>Rupees</i> |
| | | <i>(Un-Audited)</i> | <i>(Audited)</i> |
| 5 LONG TERM PAYABLE | | | |
| Infrastructure fee payable - ETO | 5.1 | 18,316,926 | 18,316,926 |
| Infrastructure cess payable - Gas | 5.2 | 22,361,383 | 22,361,383 |
| | | 40,678,309 | 40,678,309 |

5.1 This represents infrastructure cess levied by Excise and Taxation Officer ('ETO') Government of Sindh on movement of imported goods entering the Sindh Province from outside Pakistan. The Company and others have filed a suit before the Sindh High Court ('SHC') challenging the levy. The Supreme Court of Pakistan through order has declared all levies and collections before December 26, 2008 to be invalid. During the pendency of decision on the levies and collections on or after December 26, 2008, SHC has directed the petitioners to pay 50% of liability for levies on or after December 26, 2008 to ETO and to arrange bank gaurantees for the remaining amount in favour of ETO. The liability represents 50% of levies after December 26, 2008 against which guarantees have been arranged in favour of ETO.

5.2 This represents infrastructure gas cess payable to Sui Northern Gas Pipelines Limited.

| | <i>Note</i> | December 31, 2022 | June 30, 2022 |
|---|-------------|--------------------------|--------------------|
| | | <i>Rupees</i> | <i>Rupees</i> |
| | | <i>(Un-Audited)</i> | <i>(Audited)</i> |
| 6 ACCRUED INTEREST/MARKUP | | | |
| Long term Finance | 6.1 | 39,813,820 | 39,813,820 |
| Short term Borrowings | 6.1 | 63,701,065 | 63,701,065 |
| Less: Transferred to Long term finances | | (103,514,885) | - |
| | | - | 103,514,885 |

- 6.1 The Company has made out of Court settlement through restructuring/rescheduling of principal and mark up liability of the company payable to The Bank of Punjab as per letter dated January 19, 2023. As per settlement terms Principal liability is rescheduled and mark up liability amounting to Rs. 367.739 million to be waived off if company do not default in repayment of principal liability as per agreed terms. On the reporting date the company has reclassified outstanding liability of accrued mark up amounting to Rs. 103.51 million to long term finances. Total outstanding liability of accrued mark up amounting of Rs. 367.739 to be shown as a contingent liability only as management is committed to repay the amount of loan as per agreed terms. But The Company has not reversed the liability, if same has been reversed then long term finances would be reduced by Rs. 103.51 million, profit for the period would be higher by Rs. 103.51 million and accumulated loss would be reduced by the same amount.

7 CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

- 7.1.1 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. A counter suit has been filed by the Company against The Bank of Punjab, before the Lahore High Court wherein, along other prayers, the Company has claimed Rs. 744.348 million on account of acts and omission committed by the Bank against the Company.

Subsequent to period end there is out of court settlement and on the basis of settlement The Bank has filed settlement agreement with honorable high court for passing of consent decree in terms of restructuring / rescheduling. The Honorable court has decreed the suit against The Company in terms of settlement letter between The Bank of Punjab and The Company.

The Company shall also withdraw the suit against The Bank Unconditionally and all other litigations on the basis of agreed terms of out of court settlement. Subsequently the Company has filed application to withdraw the suit against the Bank and same has been disposed off by the honorable High Court.

- 7.1.2 The company has made an out of court settlement with The Bank of Punjab dated January 19, 2023. As per the terms of settlement, the company will pay an amount of Rs. 392.209 million to the bank which is outstanding liability of principal amount. Mark up liability of the company amounting to Rs. 367.739 million payable to The Bank of Punjab as per letter dated January 19, 2023, shall be waived 100% at tail-end subject to no default by the company in repayment of principal amount in 36 equal quarterly installments. Down payment of Rs. 39.221 million will be paid on immediate basis, whereas the remaining amount will be paid in 36 equal quarterly installments. However, in case of default, the company will be liable to pay markup of Rs. 367.739 million to the bank in addition to mark up on outstanding liability from 1st of Jan 2023. Subsequently, the company has paid the down payment of Rs. 39.221 million. The company is committed to repay the agreed amount as per agreed terms.
- 7.1.3 The Company is contesting recovery suit 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. Appeal is pending in Lahore High Court. The company has paid an amount of Rs. 4.100 million through Court.
- 7.1.4 A suit has been filed by the company before the Civil Court, Lahore against recovery of outstanding balance amounting to Rs. 16.196 million from Lahore Electric Supply Company (LESCO). The case is pending in court however legal advisor is of the view that the outcome of the case will be in favor of the company.
- 7.1.5 A suit was filed by the Meezan bank limited before the Banking Court Lahore against recovery of outstanding balance of ijara rentals amounting to Rs. 51.419 million. The suit is decreed by the banking court for an amount of Rs. 28.545 million alongwith costs of suit as well as costs of funds. Appeal is pending in Lahore High Court. Bank's execution is also pending before Banking Court Lahore.

7.2 Commitments

- 7.2.1 There are no known commitments as at the reporting date.

Shadman Cotton Mills Limited

| | Note | December 31, 2022 | June 30, 2022 |
|--|-------|------------------------|---------------------|
| | | Rupees (Un-Audited) | Rupees (Audited) |
| 8 | | | |
| PROPERTY, PLANT AND EQUIPMENT | | | |
| Operating fixed assets | 8.1 | 913,971,044 | 918,909,478 |
| | | <u>913,971,044</u> | <u>918,909,478</u> |
| 8.1 | | | |
| Operating fixed assets | | | |
| Assets owned by the Company | 8.1.1 | 913,971,044 | 918,909,478 |
| | | <u>913,971,044</u> | <u>918,909,478</u> |
| | | | |
| | Note | December 31, 2022 | June 30, 2022 |
| | | Rupees (Un-Audited) | Rupees (Audited) |
| 8.1.1 | | | |
| Assets owned by the Company | | | |
| Net book value at the beginning of the period/year | | 918,909,478 | 923,543,917 |
| Additions during the period/year | | 4,619,500 | 13,945,132 |
| Net book value of assets disposed during the period/year | | (282,360) | (234,479) |
| Depreciation for the period/year | | (9,275,574) | (18,345,092) |
| Net book value at end of the period/year | | <u>913,971,044</u> | <u>918,909,478</u> |
| 9 | | | |
| INVESTMENT PROPERTY - At Cost | | | |
| Net carrying value as at July 01 | | 114,220,936 | 117,149,678 |
| Depreciation charged to other operating expnses during the period/year | | (1,427,762) | (2,928,742) |
| Net book value as at close of period | | <u>112,793,174</u> | <u>114,220,936</u> |
| Gross carrying value | | | |
| Cost | | 122,267,095 | 122,267,095 |
| Accumulated Depreciation | | (9,473,921) | (8,046,159) |
| Net book value | | <u>112,793,174</u> | <u>114,220,936</u> |
| 9.1 | | | |
| Depreciation is charged by reducing balance method at the rate % per annum | | <u>2.5%</u> | <u>2.5%</u> |
| 9.2 | | | |
| Depreciation charge for the period has been allocated as follows: | | | |
| Other operating expenses | | (1,427,762) | (2,928,742) |
| 10 | | | |
| SHORT TERM INVESTMENTS | | | |
| | Note | December 31, 2022 | June 30, 2022 |
| | | Rupees (Un-Audited) | Rupees (Audited) |
| Term Deposit Certificates | | 210,300,000 | - |
| Investment in Shares | 10.1 | 289,269 | 269,604 |
| | | <u>210,589,269</u> | <u>269,604</u> |
| 10.1 | | | |
| Investment in Shares | | | |
| This represents investment in listed equity securities held for trading classified as "financial assets at fair value through profit or loss". | | | |
| Particulars of investments are as follows: | | | |
| Cost | | 265,500 | 265,500 |
| Fair value adjustment | | 23,769 | 4,104 |
| | | <u>289,269</u> | <u>269,604</u> |
| | Note | December 31, 2022 | June 30, 2022 |
| | | (Un-Audited) | (Audited) |
| 10.1.1 | | | |
| Market value of investments | | | |
| Market ValuesRupees..... | | | |
| MCB Bank 357 (June 30, 2022: 357) shares | | 41,469 | 43,904 |
| Engro Powergen Qadirpur 10,000 (June 30, 2022: 10,000) Shares | | 247,800 | 225,700 |
| | | <u>289,269</u> | <u>269,604</u> |

Shadman Cotton Mills Limited

11 TAXATION

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

11.2 No provision for deferred tax has been made as the impact of the same is considered immaterial.

12 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:

| | | Note | December 31, 2022 | December 31, 2021 |
|---|--------------------------------|------|------------------------|------------------------|
| | | | Rupees (Un-Audited) | Rupees (Un-Audited) |
| 12.1 Transactions with related parties | | | | |
| Nature of relationship | Nature of transaction | | | |
| Directors | Short term borrowings obtained | | 182,984,245 | 34,880,698 |
| | Short term borrowings repaid | | 61,700,000 | 8,750,000 |
| Associate | Short term borrowings obtained | | - | - |
| | Short term borrowings repaid | | - | 2,800,000 |

| | | Note | December 31, 2022 | June 30, 2022 |
|---|---------------------------------|------|------------------------|---------------------|
| | | | Rupees (Un-Audited) | Rupees (Audited) |
| 12.2 Balances with related parties | | | | |
| Nature of relationship | Nature of balances | | | |
| Directors | Equity portion of director loan | | 120,000,000 | 120,000,000 |
| | Short term borrowings | | 204,626,317 | 83,342,072 |
| Associate | Short term borrowings | | - | - |

13 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 information.

14 RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, subject to appropriateness of going concern reservation, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in this condensed interim financial information.

15 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information have been approved by the Board of Directors of the Company and authorized for issue on March 01, 2023.

16 GENERAL

16.1 There are no other significant activities since December 31, 2022 affecting the interim financial information.

16.2 Figures have been rounded off to the nearest Rupee.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR