



Shadman
Cotton Mills Limited

**REPORT FOR THE 1ST QUARTER
ENDED SEPTEMBER 30, 2022**

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COMPANY INFORMATION

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 TEHSIL & DISTRICT: NANKANA SAHIB TEL: 056-3731270-72
HEAD OFFICE	PLOT No. 20, BLOCK L, EXTENSION MM ALAM ROAD, GULBERG - III, LAHORE-PAKISTAN TEL: 042-35758275-6
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 TEHSIL & 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 1st quarter and three months period ended September 30, 2022.

During the three months under review, the net turnover of the company is Rs. 83.131 million including export sales of Rs. 79.804 million as compared to net turnover of Rs. 63.571 million of corresponding period of previous year. During the 1st quarter the company earned after tax profit of Rs. 0.481 million as compared to after tax loss of Rs. (9.476) million. Profit per share is Rs. 0.03 as compared to loss per share of Rs. (0.54) of the corresponding 1st quarter of the previous year.

During the period under review the results of the company affected due to higher prices of fabric and other overheads and slow pace of manufacturing process. However, the company utilized the alternative strategies to keep the project in profitable running position. All these strategic activities helped to run the affairs of the company in a smooth manner.

The business environment of Pakistan textile industry is showing depressive position due to abnormal increase in the rates of raw materials and fuel and power in the country. Unfortunately, Government policies are not supporting industry which is against the expectations of the business community. The business environment is very much dependent on petroleum prices, exchange rate of Pak Rupee against US Dollar and political situation of the country.

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)

For and on behalf of the Board



Director

Lahore: October 28, 2022

Shadman Cotton Mills Limited

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2022

	Note	Sept. 30, 2022 Rupees (Un-Audited)	June 30, 2022 Rupees (Audited)
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
<i>Authorized share capital</i>			
18,000,000 (2022: 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 reserve		53,218,752	53,218,752
Accumulated losses		(382,623,805)	(384,138,821)
Equity portion of Directors loan		120,000,000	120,000,000
Surplus on revaluation of property, plant and equipment		490,468,863	491,502,502
TOTAL EQUITY		457,431,000	456,949,623
NON-CURRENT LIABILITIES			
Long term finances - <i>secured</i>	4	-	-
Long term payables	5	40,678,309	40,678,309
Employees benefit obligation	6	7,821,892	7,965,892
		48,500,201	48,644,201
CURRENT LIABILITIES			
Trade and other payables		128,828,641	139,604,366
Accrued interest/markup		103,514,885	103,514,885
Short term borrowings		496,452,846	373,052,846
Current portion of non-current liabilities		101,868,864	101,868,864
Current portion of GIDC payable		-	440,170
ljara rentals payable		28,544,690	28,544,690
Provision for taxation		14,088,374	13,248,747
		873,298,300	760,274,568
TOTAL LIABILITIES		921,798,501	808,918,769
CONTINGENCIES AND COMMITMENTS			
	7		
TOTAL EQUITY AND LIABILITIES		1,379,229,501	1,265,868,393
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	914,429,608	918,909,478
Investment Property	9	113,507,055	114,220,936
Long term deposits - <i>unsecured, considered good</i>		28,198,874	28,180,774
Deferred taxation		-	-
		1,056,135,537	1,061,311,188
CURRENT ASSETS			
Stores, spares and loose tools		24,833,480	22,012,525
Stock in trade		10,832,176	58,099,251
Trade debts - <i>unsecured</i>		42,739,004	56,730,307
Loans and advances		7,423,239	2,146,946
Trade deposits and short term prepayments		3,991,272	3,881,706
Other receivables		6,693,122	7,364,421
Tax refunds due from govt.		25,304,175	29,424,653
Short term investments		257,483	269,604
Cash and bank balances		201,020,013	24,627,792
		323,093,964	204,557,205
TOTAL ASSETS		1,379,229,501	1,265,868,393

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


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

Shadman Cotton Mills Limited

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2022 (UN-AUDITED)

	Note	Three months ended	
		Sept. 30, 2022	Sept. 30, 2021
		Rupees	Rupees
Turnover - net		83,131,057	63,570,631
Cost of sales		(89,103,487)	(76,394,910)
Gross loss		(5,972,430)	(12,824,279)
Selling and distribution expenses		(2,974,935)	(3,289,530)
Administrative and general expenses		(8,550,926)	(9,811,652)
		(11,525,861)	(13,101,182)
		(17,498,291)	(25,925,461)
Other income		19,703,839	17,847,765
Operating profit / (loss)		2,205,548	(8,077,696)
Finance cost		(101,136)	(24,104)
Other Expenses		(783,408)	(732,185)
Profit / (loss) before taxation		1,321,004	(8,833,985)
Taxation		(839,627)	(642,149)
Profit / (loss) after taxation		481,377	(9,476,134)
Profit/ (loss) per share - basic and diluted		0.03	(0.54)

The annexed notes 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 FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2022 (UN-AUDITED)

	Three months ended	
	Sept. 30, 2022	Sept. 30, 2021
	Rupees	Rupees
Profit / (loss) after taxation for the period	481,377	(9,476,134)
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)	481,377	(9,476,134)

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


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER



DIRECTOR

Shadman Cotton Mills Limited

CONDENSED INTERIM STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2022 (UN-AUDITED)

	Three months ended	
	Sept. 30, 2022	Sept. 30, 2021
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	1,321,004	(8,833,985)
Adjustments for non-cash items		
Depreciation	5,193,751	5,187,637
Finance cost	101,136	24,104
Changes in fair value of investments at fair value	12,121	-
	5,307,008	5,211,741
Operating profit/(loss) before changes in working capital	6,628,012	(3,622,244)
Changes in working capital		
Stores, spares and loose tools	(2,820,955)	11,474,386
Stock in trade	47,267,075	(26,278,037)
Trade debts	13,991,302	7,009,015
Advances, prepayments and other receivables	1,563,889	(14,083,641)
Trade and other payables	(11,251,865)	18,904,465
	48,749,446	(2,973,812)
Net cash generated from/ (used in) operations	55,377,458	(6,596,056)
Payments for		
Finance cost	(65,166)	(24,104)
Income tax	(2,157,971)	(1,600,366)
Employees retirement benefits	(144,000)	(711,116)
Net cash generated from / (used in) operating activities	53,010,321	(8,931,642)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	-
Short term investment	-	(7,886,978)
Long term deposits	(18,100)	-
Net cash used in investing activities	(18,100)	(7,886,978)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in short term borrowings	123,400,000	31,232,000
Net cash generated from financing activities	123,400,000	31,232,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	176,392,221	14,413,380
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	201,020,013	15,452,412


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



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

Shadman Cotton Mills Limited

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2022 (UN-AUDITED)

	Share capital	Reserves		Equity	Revaluation Surplus	
	Issued subscribed and paid-up capital	Capital reserve	Accumulated losses	Equity portion of directors loan	Revaluation Surplus on Property, plant and machinery	Total equity
	Rupees	Rupees	Rupees	Rupees	Rupees	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 three months Period	-	-	(9,476,134)	-	-	(9,476,134)
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive loss	-	-	(9,476,134)	-	-	(9,476,134)
Transactions with owners	-	-	-	-	-	-
Incremental Depreciation-net of deferred tax	-	-	1,456,255	-	(1,456,255)	-
Balance as at September 30, 2021 - Un-audited	<u>176,367,190</u>	<u>53,218,752</u>	<u>(408,313,188)</u>	<u>120,000,000</u>	<u>494,286,814</u>	<u>435,559,568</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 three months Period	-	-	481,377	-	-	481,377
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income	-	-	481,377	-	-	481,377
Transactions with owners	-	-	-	-	-	-
Incremental Depreciation-net of deferred tax	-	-	1,033,639	-	(1,033,639)	-
Balance as at September 30, 2022 - Un-audited	<u>176,367,190</u>	<u>53,218,752</u>	<u>(382,623,805)</u>	<u>120,000,000</u>	<u>490,468,863</u>	<u>457,431,000</u>

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


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

Shadman Cotton Mills Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2022 (UN-AUDITED)

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 of the Company is situated at Mills 3.5 K.M. Feroze Watoan Warburton Road Kot Shah Muhammad Near Chandī 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

This 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.

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.

	Sept. 30, 2022 <i>Rupees</i> <i>(Un-Audited)</i>	June 30, 2022 <i>Rupees</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 - 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	4,005,608	4,005,608
	101,868,864	101,868,864
Current maturity presented under current liabilities	(101,868,864)	(101,868,864)
	-	-
5 LONG TERM PAYABLES		
Infrastructure fee payable - ETO	18,316,926	18,316,926
Infrastructure cess payable - Gas	22,361,383	22,361,383
	40,678,309	40,678,309
6 EMPLOYEES BENEFIT OBLIGATION		
Balance at the beginning of the year	7,965,892	5,993,171
Charged to profit or loss for the period/ year	-	4,696,059
Benefits paid during the period/year	(144,000)	(1,541,116)
Remeasurements recognized in the other comprehensive income	-	(1,182,222)
Balance at the end of the period/ year	7,821,892	7,965,892

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 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 prayers, the Company has claimed Rs. 744.348 million on account of acts and omission committed by the Bank against the Company. The suits are pending before the Lahore High Court and has been fixed for arguments.

Shadman Cotton Mills Limited

7.1.2 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 suits was decreed by the Banking Court for an amount of Rs. 8.105 million. Appeal is pending in Lahore High Court. An amount of Rs.4.100 million was paid through Court.

7.1.3 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.

7.1.4 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.

7.2 Commitments

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

	Note	Sept. 30, 2022 Rupees (Un-Audited)	June 30, 2022 Rupees (Audited)
8 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	8.1	914,429,608	918,909,478
Capital work in progress		-	-
		<u>914,429,608</u>	<u>918,909,478</u>
8.1 Operating fixed assets			
Assets owned by the Company	8.1.1	914,429,608	918,909,478
		<u>914,429,608</u>	<u>918,909,478</u>
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		-	13,945,132
Net book value of assets disposed during the period/year		-	(234,479)
Depreciation for the period/year		(4,479,870)	(18,345,092)
Net book value at end of the period/year		<u>914,429,608</u>	<u>918,909,478</u>
9 INVESTMENT PROPERTY			
Net carrying value at the beginning of the year		114,220,936	117,149,678
Depreciation charged to other operating expnses during the period/year		(713,881)	(2,928,742)
Net book value at the close of the period/year		<u>113,507,055</u>	<u>114,220,936</u>
Gross carrying value			
Cost		122,267,095	122,267,095
Accumulated Depreciation		(8,760,040)	(8,046,159)
Net book value		<u>113,507,055</u>	<u>114,220,936</u>
9.1 Depreciation is charged by reducing balance method at the rate % per annum		2.5%	2.5%
10 TAXATION			
10.1 Provision for taxation has been made under section 113, 154 and 169 of the Income Tax Ordinance, 2001.			

Shadman Cotton Mills Limited

11 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:

		Sept. 30, 2022	June 30, 2022
		<i>Rupees</i>	<i>Rupees</i>
		<i>(Un-Audited)</i>	<i>(Audited)</i>
11.1 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- Directors	206,742,072	83,342,072

12 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 informaton.

13 RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, 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.

14 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 October 28, 2022.

15 GENERAL

15.1 There are no other significant activities since September 30, 2022 affecting the interim financial information.

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

15.3 Figures have been rounded off to the nearest Rupee.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR