



Shadman

Cotton Mills Limited

REPORT FOR THE 1ST QUARTER ENDED
SEPTEMBER 30, 2018

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COMPANY INFORMATION

BOARD OF DIRECTORS	MR. SHAHID MAZHAR (Chief Executive) MRS. GHAZALA SHAHID (Chairperson) MR. AHMED BIN SHAHID MRS. NAUREEN REHAN MR. MUHAMMAD AKHTAR MR. SHAHID MAHMUD MR. NADEEM BHATTI
AUDITORS	MUSHTAQ & COMPANY CHARTERED ACCOUNTANTS
LEGAL ADVISOR	MR. FAZAL MAHMOOD (ADVOCATE)
AUDIT COMMITTEE	MR. NADEEM BHATTI (Chairman) MRS. GHAZALA SHAHID (Member) MRS. NAUREEN REHAN (Member)
H.R. AND REMUNERATION COMMITTEE	MR. AHMED BIN SHAHID (Chairman) MR. NADEEM BHATTI (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 HAMEED MAJEED ASSOCIATES (PVT.) LTD. H.M.HOUSE, 7-BANK SQUARE LAHORE. TEL: 042-37235081-82 FAX: 042-37358817
MILLS	3.5 K.M. FEROZ 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 1st quarter ended September 30, 2018.

During the 1st quarter under review, the net sales turnover of the company is Rs.156.360 million including export sales of Rs. 16.223 million as compared to sales of Rs. 64.929 million of corresponding quarter of previous year. The sales increased with quantity of production as during corresponding quarter of previous year mills remain closed. The company has sustained after tax loss of Rs. 5.751 million as compared to loss of corresponding quarter of previous year of Rs. 27.343 million. Loss per share of the 1st quarter is Rs. (0.33) as compared to loss per share of Rs. (1.55) of the corresponding period of previous year.

The Textile sector in Punjab is under continuous pressure due to high cost of doing business and very high utility cost in the province. The prices of raw materials are fluctuating very sharply which is creating problems to make a balance of local yarn market in favor of spinning industry. The other factor is that the textile products are struggling in global market as the cost of production is higher than regional competitors. Both these factors are affecting the textile sector in a very negative manner. The government has announced to eliminate the inter provinces gas price difference and reduce the price of gas and electricity for five major export oriented industries. However, the future growth of exports and textile industry mainly depends on the actual realization of supports announced by the government.

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



CHIEF EXECUTIVE

For and on behalf of the Board



DIRECTOR

Lahore: November 27, 2018

مجلس نفعیاء کی رپورٹ

محترم حصص یافتگان

ہم کمپنی کے غیر آڈٹ شدہ حسابات اختصار کے گوشوارے برائے ختم ہونے والی پہلی سہ ماہی 30 September 2018 کو آپ کی خدمت میں پیش کر رہے ہیں۔

زیر نظر مدت میں کمپنی نے 156.360 ملین روپے فروخت کی جس میں 16.233 ملین روپے برآمدات شامل ہیں۔ جب کہ پچھلے سال اسی مدت کی فروخت 64.929 ملین روپے تھی۔ فروخت میں اضافے کی وجہ زیادہ پیداوار ہے کیونکہ پچھلے سال اسی مدت میں مل بند تھی۔ کمپنی نے زیر جائزہ تین مہینوں میں 5.751 ملین روپے کا نقصان کیا ہے۔ جب کہ پچھلے سال کی اسی مدت میں نقصان 27.343 ملین روپے تھا۔ اس مدت کے دوران نقصان فی حصص 0.33 روپے رہا۔ جب کہ پچھلے سال کی اسی مدت میں یہ نقصان فی حصص 1.55 روپے تھا۔

پنجاب میں ٹیکسٹائل کی صنعت کو پیداواری لاگت میں اضافے اور توانائی کی قیمت میں اضافے کی وجہ سے سخت مشکلات کا سامنا ہے۔ خام مال کی قیمتوں میں زیادہ تاثر چڑھاؤ مقامی سوت منڈی کو سوت کی بہتر قیمت نہیں دے رہا۔ اس کے علاوہ ٹیکسٹائل کی مصنوعات بین الاقوامی منڈی میں بھی تنزلی کا شکار ہیں کیونکہ ہماری پیداواری لاگت علاقائی حربوں کے مقابلے میں زیادہ ہے۔ یہ دونوں چیزیں ہماری ٹیکسٹائل کی صنعت کو بہت بری طرح متاثر کر رہی ہیں۔ باوجودیکہ حکومت نے صوبوں میں گیس کی قیمتوں کے فرق کو ختم کرنے کا عندیہ دیا ہے۔ اور مزید برآں پانچ بڑے برآمد کنندگان جن میں ٹیکسٹائل کی صنعت بھی شامل ہے کہ لئے بجلی اور گیس کی قیمتوں میں کمی کا اعلان کیا ہے۔ تاہم ٹیکسٹائل کی صنعت کا ادارہ مدار اس اعلان کے پورے ہونے پر منحصر ہے۔

بورڈ کمپنی کے ایگزیکٹوز، افسران اور کارکنوں کی انتھاک کو ششوں کا شکر گزار ہے۔

لاہور 27 نومبر 2018

منجانب بورڈ



ڈائریکٹر

منجانب بورڈ



چیف ایگزیکٹو

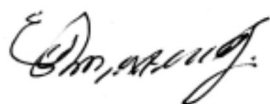
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2018

	Note	Sept. 30, 2018 Rupees (Un-audited)	June 30, 2018 Rupees (Audited)
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
<i>Authorized share capital</i>			
18,000,000 (June 30, 2017: 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		(357,844,602)	(357,824,889)
Surplus on revaluation of property, Plant & equipment		583,507,296	589,238,613
TOTAL EQUITY		455,248,636	460,999,666
NON-CURRENT LIABILITIES			
Long term finances - <i>secured</i>	4	-	-
Deferred liabilities	5	21,886,022	22,214,872
		21,886,022	22,214,872
CURRENT LIABILITIES			
Trade and other payables		239,554,476	254,816,161
Accrued interest/markup		105,872,404	105,872,404
Short term borrowings		436,732,148	435,717,148
Current portion of non-current liabilities		105,968,864	105,968,864
Ijara rentals payable		26,187,171	26,187,171
Provision for taxation		8,570,450	6,561,741
		922,885,513	935,123,489
TOTAL LIABILITIES		944,771,535	957,338,361
CONTINGENCIES AND COMMITMENTS	6		
TOTAL EQUITY AND LIABILITIES		1,400,020,171	1,418,338,027
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	1,203,660,892	1,222,974,041
Long term deposits - <i>unsecured, considered good</i>		27,865,585	27,865,585
Deferred taxation		-	-
		1,231,526,477	1,250,839,626
CURRENT ASSETS			
Stores, spares and loose tools		55,834,706	55,730,572
Stock in trade		56,606,625	60,747,497
Trade debts - <i>unsecured</i>		21,489,390	18,756,676
Advances, deposits, prepayments and other receivables		20,351,929	18,880,466
Advance income tax/income tax refundable		12,518,522	10,807,991
Short term investments		70,511	70,511
Cash and bank balances		1,622,011	2,504,688
		168,493,694	167,498,401
TOTAL ASSETS		1,400,020,171	1,418,338,027

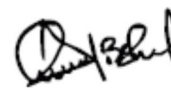
The annexed notes form an integral part of this condensed interim financial information.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

SHADMAN COTTON MILLS LIMITED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2018 (UN-AUDITED)

	Sept. 30, 2018	Sept. 30, 2017
	<i>Rupees</i>	<i>Rupees</i>
Turnover - net	156,359,895	64,928,551
Cost of sales	(156,279,398)	(83,539,165)
Gross profit / (loss)	80,497	(18,610,614)
Selling and distribution expenses	(992,634)	(2,832,343)
Administrative and general expenses	(5,437,789)	(5,037,336)
	(6,430,423)	(7,869,679)
	(6,349,926)	(26,480,293)
Other income	4,683,444	31,273
Operating loss	(1,666,482)	(26,449,020)
Finance cost	(45,589)	(47,573)
Other expenses	(2,030,250)	-
Loss before taxation	(3,742,321)	(26,496,593)
Taxation	(2,008,709)	(846,682)
Loss after taxation	(5,751,030)	(27,343,275)
Loss per share - basic and diluted	(0.33)	(1.55)

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 COMPREHENSIVE INCOME
FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2018
(UN-AUDITED)

	<u>Sept. 30, 2018</u>	<u>Sept. 30, 2017</u>
	<i>Rupees</i>	<i>Rupees</i>
Loss after taxation for the period	(5,751,030)	(27,343,275)
Other comprehensive income <i>- Items that will not be subsequently reclassified to profit or loss</i>	-	-
Total comprehensive loss	<u>(5,751,030)</u>	<u>(27,343,275)</u>

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


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

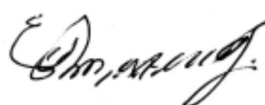
SHADMAN COTTON MILLS LIMITED CONDENSED INTERIM STATEMENT OF CASH FLOW FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2018 (UN-AUDITED)

	Sept. 30, 2018	Sept. 30, 2017
	<i>Rupees</i>	<i>Rupees</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(3,742,321)	(26,496,593)
Adjustments for non-cash items		
Depreciation	11,269,216	13,343,014
Loss on disposal of property, plant and equipment	1,767,058	-
Foreign exchange loss	263,192	-
Finance cost	45,589	47,573
	13,345,055	13,390,587
Operating profit/(loss) before changes in working capital	9,602,734	(13,106,006)
Changes in working capital		
Stores, spares and loose tools	(104,134)	110,595
Stock in trade	4,140,872	(10,816,380)
Trade debts	(2,732,714)	(3,086,418)
Advances, prepayments and other receivables	(1,471,463)	2,696,325
Trade and other payables	(15,261,685)	19,417,063
	(15,429,124)	8,321,185
Net cash used in operations	(5,826,390)	(4,784,821)
Payments for		
Finance cost	(45,589)	(47,573)
Income tax	(1,710,531)	(174,246)
Employees retirement benefits	(328,850)	-
Net cash used in operating activities	(7,911,360)	(5,006,640)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(103,125)	(824,930)
Proceeds from disposal of property, plant and equipment	6,380,000	-
Net cash generated/(used in) from investing activities	6,276,875	(824,930)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in short term borrowings	1,015,000	5,488,000
Net cash generated from financing activities	1,015,000	5,488,000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(619,485)	(343,570)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,504,688	575,854
Effect of exchange loss	(263,192)	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1,622,011	232,284

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 1ST QUARTER ENDED SEPTEMBER 30, 2018 (UN-AUDITED)

	Issued subscribed and paid-up capital	Capital reserve	Accumulated losses	Surplus on revaluation of property, plant equipment	Total equity
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Balance as at June 30, 2017 restated- Audited	176,367,190	53,218,752	(283,352,405)	474,927,770	421,161,307
Total comprehensive loss	-	-	(27,343,275)	-	(27,343,275)
Transation with owners	-	-	-	-	-
Current period incremental depreciation - net of deferred tax	-	-	8,381,939	(8,381,939)	-
Balance as at September 30, 2017 restated- Un-audited	<u>176,367,190</u>	<u>53,218,752</u>	<u>(302,313,741)</u>	<u>466,545,831</u>	<u>393,818,032</u>
Balance as at October 01, 2017 restated- Un-audited	176,367,190	53,218,752	(302,313,741)	466,545,831	393,818,032
Total comprehensive loss	-	-	(69,679,033)	-	(69,679,033)
Transation with owners	-	-	-	-	-
Surplus arised on revaluation of Property, plant & equipment	-	-	-	116,809,857	116,809,857
Current period incremental depreciation - net of deferred tax	-	-	14,167,885	(14,167,885)	-
Deferred tax adjustment due to surplus on building and plant and machinery	-	-	-	14,932,866	14,932,866
Revaluation surplus on property, plant and equipment adjustment due to change in tax rate	-	-	-	5,117,944	5,117,944
Balance as at June 30, 2018 - Audited	<u>176,367,190</u>	<u>53,218,752</u>	<u>(357,824,889)</u>	<u>589,238,613</u>	<u>460,999,666</u>
Balance as at July 01, 2018 - Audited	176,367,190	53,218,752	(357,824,889)	589,238,613	460,999,666
Total comprehensive loss	-	-	(5,751,030)	-	(5,751,030)
Transation with owners	-	-	-	-	-
Current period incremental depreciation - net of deferred tax	-	-	4,004,725	(4,004,725)	-
Surplus realised on sale of plant & machinery - net of deferred tax	-	-	1,726,592	(1,726,592)	-
Balance as at September 30, 2018 - Un-audited	<u>176,367,190</u>	<u>53,218,752</u>	<u>(357,844,602)</u>	<u>583,507,296</u>	<u>455,248,636</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 1ST QUARTER ENDED SEPTEMBER 30, 2018 (UN-AUDITED)

1 THE COMPANY AND OPERATIONS

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. The registered office of the Company is situated at 2/E, Block G, Mushtaq Ahmed Gurmani Road, Gulberg II, Lahore. The manufacturing facilities of the company is located at 3.5 K.M. Feroz Watoan, Warburton Road, Kot Shah Muhammad tehsil Nankana Sahib.

2 STATEMENT OF COMPLIANCE

This interim statement of financial position is un-audited and has been presented in condensed form and does not include all the information as is required to be provided in a full set of annual financial statements. This condensed interim financial information should be read in conjunction with the audited financial statements of the Company for the year ended June 30, 2018.

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 Act, 2017. In case where requirements differ, the provisions of and directives issued under the Companies Act, 2017 have been followed. This condensed interim financial information is un-audited and is being transmitted to shareholders as required under section 237 of the Companies Act, 2017.

2.1 Accounting convention

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.

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, 2018.

4 LONG TERM FINANCES - SECURED

These represent long term finances utilized under interest/markup arrangements from banking companies

	Sept. 30, 2018	June 30, 2018
	<i>Rupees</i>	<i>Rupees</i>
	<i>(Un-Audited)</i>	<i>(Audited)</i>
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)
	-	-

	Sept. 30, 2018	June 30, 2018
	<i>Rupees</i>	<i>Rupees</i>
	<i>(Un-Audited)</i>	<i>(Audited)</i>
5 DEFERRED LIABILITIES		
Long Term Payables - Secured	18,316,926	18,316,926
Employees retirement benefits	3,569,096	3,897,946
	<u>21,886,022</u>	<u>22,214,872</u>

6 CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

6.1.1 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 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.

6.1.2 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.

6.1.3 Guarantees issued by banks on behalf of the Company as at the reporting date amount to Rs. 18.317 million (June 30, 2018: Rs. 18.317 million), however the Company has already recognized related liability amounting to Rs. 18.317 million (June 30, 2018: Rs. 18.317 million).

6.1.4 A suit 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.

6.1.5 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 favour of the company.

6.2 Commitments

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

	Sept. 30, 2018	June 30, 2018
	<i>Rupees</i>	<i>Rupees</i>
	<i>(Un-Audited)</i>	<i>(Audited)</i>
7 PROPERTY, PLANT AND EQUIPMENT		
Net book value at the beginning of the period/year	1,222,974,041	1,169,099,789
Add: surplus on revaluation of property, plant & equipment during the year	-	116,809,857
Additions during the period/year		
Building	-	7,683,995
Plant and machinery	-	1,757,845
Vehicles	103,125	2,787,000
Net book value of assets disposed during the period/year	(8,147,058)	(24,652,955)
Depreciation for the period/year	(11,269,216)	(50,511,490)
Net book value at end of the period/year	<u>1,203,660,892</u>	<u>1,222,974,041</u>

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:

		Sept. 30, 2018	Sept. 30, 2017
		<i>Rupees</i>	<i>Rupees</i>
		<i>(Un-Audited)</i>	<i>(Un-Audited)</i>
8.1 Transactions with related parties			
Nature of relationship	Nature of transaction		
Key management personnel	Short term borrowings obtained	11,045,000	6,755,000
	Short term borrowings repaid	10,030,000	-
Associated undertaking		-	-
		Sept. 30, 2018	June 30, 2018
		<i>Rupees</i>	<i>Rupees</i>
		<i>(Un-Audited)</i>	<i>(Audited)</i>
8.2 Balances with related parties			
Nature of relationship	Nature of balances		
Key management personnel	Short term borrowings	128,489,374	127,474,374
	Short term employee benefits payable	12,840,000	12,840,000
Associated undertaking	Trade debts	48,629	48,629

9 FINANCIAL RISK MANAGEMENT

The company financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements of the company as at and for the year ended June 30, 2018.

10 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.

11 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 November 27, 2018.

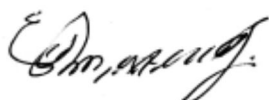
12 GENERAL

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

12.2 Figures have been rounded off to the nearest Rupee.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR