Shadman

Cotton Mills Limited

NINE MONTHS REPORT
MARCH 31, 2018

DIRECTORS' REPORT

Dear Shareholders,

The Directors of the company present the un-audited financial statements of the company for the nine months period and third quarter ended March 31, 2018.

During the nine months under review, the net sales turnover of the company is Rs. 353.802 million including export sales of Rs. 38.570 million as compared to net sales turnover of Rs. 394.451 million of corresponding period of previous year. The reason for decrease in sales is quantum and sale price of yarn. During the third quarter of the year the company sustained after tax loss of Rs. 18.216 million as compared to after tax loss of Rs. 25.768 million of the corresponding quarter. Loss per share is Rs. (1.03) as compared to loss per share of Rs. (1.46) of the corresponding period of the third quarter.

The market conditions of textile spinning sector is now showing a slight improvement because of increased yarn demand in local and international market as well. Consequently the financial results of the company are also improving quarter by quarter with improvement in yarn markets and reduction in cost of production with increase in spindles working. Prices of raw materials are increasing constantly from the beginning of the year due to increase in prices of international crude oil and now devaluation of Pak Rupee, however, now the prices of yarn is also corresponding in the same pace.

High energy cost in Punjab than other provinces of the country is one of the problems to compete in local and international market. Presently in the prevailing political situation the government is hardly in a position to take radical steps for the revival of textile industry. 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. Moreover, the management is constantly working to reduce the cost of production by optimum utilization of available installed capacity. Considering the present market conditions of textile spinning we are hopeful of better financial results in the last quarter of the 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 members of corporate family. We look forward to same dedication and cooperation in the days ahead.

For and on behalf of the Board

SHAHID MAZHAR
Chief Executive

Lahore: April 27, 2018

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	SHEIKH & CHAUDHRI 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 (Chariman) 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 TECHNOLOGY TRADE (PVT) LTD. 241-C, BLOCK-2, P.E.C.H.S., KARACHI
MILLS	3.5 K.M. FEROZ WATOAN,WARBURTON ROAD, KOT SHAH MOHAMMAD TEHSIL & DISTRICT: NANKANA SAHIB
URL	WWW.SHADMAN.COM.PK

DIRECTORS' REPORT

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For and on behalf of the Board

SHAHID MAZHAR
Chief Executive

Lahore: April 27, 2018

Shadman

Shadman Cotton Mills Limited

مجلس نظماء کی رپورٹ

محترم حصص یافتگان:۔

ہم کمپنی کے غیر آڈٹ شدہ حسابات اختصار کے گوشوارے برائے ختم ہونے والی تیسری سہ ماہی اور نو ماہ کے اختتام پر 31 مارچ 2018 کو آپ کی خدمت میں پیش کر رہے ہیں۔

زیر نظر نو ماہ کی مدت میں کمپنی نے 353.802 ملین روپے فروخت کی جس میں 38.570 ملین روپے کی برآمدات شامل ہیں۔ جبکہ پچھلے سال کے اسی مدت کی فروخت 394.451 ملین روپے تھی۔ فروخت میں کمی کی وجہ سوتر کی مقدار اور قیمتوں میں کمی ہے۔ کمپنی نے زیر جائزہ سہ ماہی میں بعد از ٹیکس 18.216 ملین

[redacted] ملین روپے تھا۔ اس تیسری سہ ماہی کے تین مہینوں کی مدت کے دوران فی حصص نقصان

Shadman

CONDENSED INTERIM BALANCE SHEET
AS AT MARCH 31, 2018

	Note	March 31, 2018	June 30, 2017
		Rupees	*Rupees*
EQUITY AND LIABILITIES		*(Un-audited)*	*(Audited)*
SHARE CAPITAL AND RESERVES			
Authorized share capital			
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		**(413,723,357)**	(373,101,425)
TOTAL EQUITY		**(184,137,415)**	(143,515,483)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		**588,587,306**	613,733,114
NON-CURRENT LIABILITIES			
Long term finances - *secured*	4	**-**	-
Liabilities against assets subject to finance lease - *secured*	5	**-**	-
Deferred liabilities	6	**20,333,899**	21,744,706
		20,333,899	21,744,706
CURRENT LIABILTIES			
Trade and other payables		**270,825,966**	269,479,991
Accrued interest/markup		**105,482,401**	105,475,305
Short term borrowings		**433,742,841**	450,057,841
Current portion of non-current liabilities		**132,156,036**	132,163,132
Provision for taxation		**12,318,427**	7,895,907
		954,525,671	965,072,176
TOTAL LIABILITIES		**974,859,570**	986,816,882
CONTINGENCIES AND COMMITMENTS	7		
TOTAL EQUITY AND LIABILITIES		**1,379,309,461**	1,457,034,513
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	**1,158,105,156**	1,219,766,198
Long term deposits - *unsecured, considered good*		**27,865,585**	27,444,429
Deffered taxation		**18,397,139**	18,397,139
		1,204,367,880	1,265,607,766
CURRENT ASSETS			
Stores, spares and loose tools		**56,215,040**	57,811,315
Stock in trade		**55,233,158**	52,615,196
Trade debts - u*nsecured (net)*		**21,999,350**	20,844,357
Advances, deposits, prepayments and other receivables (net)		**35,886,664**	56,155,616
Advance income tax/income tax refundable		**4,931,431**	3,338,409
Short term investments		**86,000**	86,000
Cash and bank balances		**589,938**	575,854
		174,941,581	191,426,747
TOTAL ASSETS		**1,379,309,461**	1,457,034,513

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

Chief Executive

Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2018

	Note	Nine months ended		Quarter ended	
		March 31, 2018	March 31, 2017	**March 31, 2018**	March 31, 2017
		Rupees	*Rupees*	***Rupees***	*Rupees*
Turnover - net		**353,801,620**	394,450,638	**160,318,587**	51,911,067
Cost of sales		**(401,764,755)**	(450,433,431)	**(173,133,103)**	(70,280,881)
Gross loss		**(47,963,135)**	(55,982,793)	**(12,814,516)**	(18,369,814)
Selling and distribution expenses		**(3,659,409)**	(3,594,021)	**(1,225,338)**	(970,485)
Administrative and general expenses		**(14,654,368)**	(18,233,027)	**(4,508,214)**	(5,739,767)
		(18,313,777)	(21,827,048)	**(5,733,552)**	(6,710,252)
		(66,276,912)	(77,809,841)	**(18,548,068)**	(25,080,066)
Other income		**5,950,198**	540,684	**3,178,733**	136,506
Operating loss		**(60,326,714)**	(77,269,157)	**(15,369,335)**	(24,943,560)
Finance cost		**(248,061)**	(282,397)	**(74,502)**	(242,095)
Other expenses		**(633,953)**	-	**(633,953)**	-
Loss before taxation		**(61,208,728)**	(77,551,554)	**(16,077,790)**	(25,185,655)
Taxation		**(4,559,012)**	(4,011,354)	**(2,138,402)**	(582,642)
Loss after taxation		**(65,767,740)**	(81,562,908)	**(18,216,192)**	(25,768,297)
Loss per share - *basic and diluted*		**(3.73)**	(4.62)	**(1.03)**	(1.46)

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

Chief Executive

Director

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

FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2018

	Nine months ended		Quarter ended	
	March 31, 2018	March 31, 2017	**March 31, 2018**	March 31, 2017
	Rupees	*Rupees*	***Rupees***	*Rupees*
Items that may be reclassified subsequently to profit or loss	-	-	-	-
Items that will not be reclassified to profit or loss				
Incremental depreciation	**25,145,808**	14,288,633	**8,381,935**	4,762,875
Other comprehensive income	**25,145,808**	14,288,633	**8,381,935**	4,762,875
Loss after taxation	**(65,767,740)**	(81,562,908)	**(18,216,192)**	(25,768,297)
Total comprehensive loss	**(40,621,932)**	(67,274,275)	**(9,834,257)**	(21,005,422)

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

Chief Executive

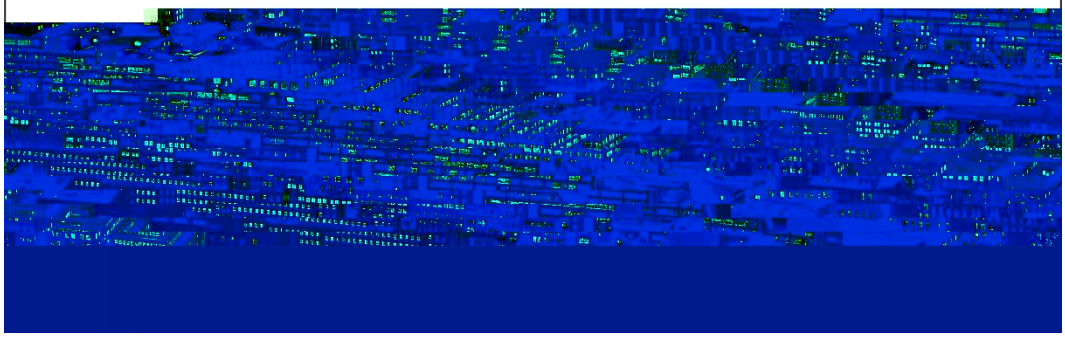
Director

Shadman

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2018

	Share capital	Reserves		
	Issued subscribed and paid-up capital	Capital reserve	Accumulated losses	Total equity
	Rupees	*Rupees*	*Rupees*	*Rupees*
Balance as at June 30, 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)
Balance as at March 31, 2017 - *Un-audited*	176,367,190	53,218,752	(384,584,150)	(154,998,208)
Balance as at April 01, 2017 - *Un-audited*	176,367,190	53,218,752	(384,584,150)	(154,998,208)
Comprehensive loss				
Loss after taxation	-	-	(598,671)	(598,671)
Other comprehensive income	-	-	12,081,396	12,081,396
Total comprehensive loss	-	-	11,482,725	11,482,725
Balance as at June 30, 2017 - *Audited*	176,367,190	53,218,752	(373,101,425)	(143,515,483)
Balance as at July 01, 2017 - *Audited*	**176,367,190**	**53,218,752**	**(373,101,425)**	**(143,515,483)**
Comprehensive loss				
Loss after taxation	-	-	**(65,767,740)**	**(65,767,740)**
Other comprehensive income	-	-	**25,145,808**	**25,145,808**
Total comprehensive loss	-	-	**(40,621,932)**	**(40,621,932)**
Balance as at March 31, 2018 - *Un-audited*	**176,367,190**	**53,218,752**	**(413,723,357)**	**(184,137,415)**

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



NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2018

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. The registered office of the Company is situated at 2/E, Block G, Mushtaq Ahmed Gurmani Road, Gulberg II, Lahore.

2 STATEMENT OF COMPLIANCE

The Securities & Exchange Commission of Pakistan (SECP) in its circular no. 23 (2017) dated October 4, 2017 and the Institute of Chartered Accountants of Pakistan (ICAP) in its circular no. 17 (2017) dated October 6, 2017 have clarified that the companies whose financial year and interim periods are ending on or before December 31, 2017 shall prepare their financial statements in accordance with the repealed Companies Ordinance 1984 instead of the Companies Act, 2017 that has come into force on May 30, 2017.

Therefore in the light of above, this financial information have beed prepared in accordance of the provision of repealed Companies Ordinance 1984.

The financial information contained in this interim financial report 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, 2017.

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.

2.1 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, 2017.

	March 31, 2018 *Rupees* *(Un-Audited)*	June 30, 2017 *Rupees* *(Audited)*
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	**8,105,608**	8,105,608
	105,968,864	105,968,864
Current maturity presented under current liabilities	**(105,968,864)**	(105,968,864)
	-	-
5 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of minimum lease payments	**26,187,172**	26,194,268
Current portion presented under current liabilities	**(26,187,172)**	(26,194,268)
	-	-

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2018

		March 31, 2018 Rupees (Un-Audited)	June 30, 2017 Rupees (Audited)
6	**DEFERRED LIABILITIES**		
	Long Term Payables - *Secured*	**18,316,926**	18,316,926
	Employees retirement benefits	**2,016,973**	3,427,780
		20,333,899	**21,744,706**

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 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.

7.1.2 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.

7.1.3 Guarantees issued by banks on behalf of the Company as at the reporting date amount to Rs. 18.317 million (June 30, 2017: Rs. 18.317 million), however the Company has already recognized related liability amounting to Rs. 18.317 million (June 30, 2017: Rs. 18.317 million).

7.1.4 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.

7.2 Commitments

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

		Note	March 31, 2018 Rupees (Un-Audited)	June 30, 2017 Rupees (Audited)
8	**PROPERTY, PLANT AND EQUIPMENT**			
	Operating fixed assets	*8.1*	**1,150,721,783**	1,213,263,727
	Capital work in progress		**7,383,373**	6,502,471
			1,158,105,156	1,219,766,198
8.1	**Operating fixed assets**			
	Assets owned by the Company	*8.1.1*	**1,108,213,993**	1,169,099,789
	Assets subject to finance lease	*8.1.2*	**42,507,790**	44,163,938
			1,150,721,783	1,213,263,727
8.1.1	**Assets owned by the Company**			
	Net book value at the beginning of the period/year		**1,169,099,789**	1,221,420,682
	Additions during the period/year			
	Plant and machinery		**1,757,845**	2,775,000
	Net book value of assets disposed during the period/year		**(24,652,955)**	(957,146)
	Depreciation for the period/year		**(37,990,686)**	(54,138,747)
	Net book value at end of the period/year		**1,108,213,993**	1,169,099,789

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2018

8.1.2 Assets subject to finance lease

Net book value at beginning of the period/year	**44,163,938**	46,488,356
Depreciation for the period/year	**(1,656,148)**	(2,324,418)
Net book value at end of the period/year	**42,507,790**	44,163,938

9 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, 2018	March 31, 2017
			Rupees	*Rupees*
			(Un-Audited)	*(Audited)*
9.1	**Transactions with related parties**			
	Nature of relationship	**Nature of transaction**		
	Key management personnel	Short term borrowings obtained	**17,370,000**	41,870,000
		Short term borrowings repaid	**32,400,000**	34,390,000
	Associated undertaking	Purchases during the period	-	1,881,600

			March 31, 2018	June 30, 2017
			Rupees	*Rupees*
			(Un-Audited)	*(Audited)*
9.2	**Balances with related parties**			
	Nature of relationship	**Nature of balances**		
	Key management personnel	Short term borrowings	**123,978,067**	139,008,067
		Short term employee benefits payable	**12,840,000**	12,840,000
	Associated undertaking	Trade debts	**48,629**	48,629

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 April 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

Director