



**Half Yearly Report
December 31, 2013**

COMPANY INFORMATION

BOARD OF DIRECTORS	: MR. SHAHID MAZHAR (Chief Executive / Chairman) MRS. GHAZALA SHAHID MR. AHMED BIN SHAHID MRS. NAUREEN REHAN MR. FIDA HUSSAIN MR. MUHAMMAD AKHTAR MR. ABDUL RAZZAQ
AUDITORS	: M/S MUSHTAQ & CO CHARTERED ACCOUNTANTS
LEGAL ADVISOR	: MR. ABDUL GHANI KHAN (Advocate)
AUDIT COMMITTEE	: MRS. NAUREEN REHAN (Chairperson) MRS. GHAZALA SHAHID (Member) MR. MUHAMMAD AKHTAR (Member)
H.R. AND REMUNERATION COMMITTEE	: MR. SHAHID MAZHAR (Chairman) MR. AHMED BIN SHAHID (Member) MR. MUHAMMAD AKHTAR (Member)
CHIEF FINANCIAL OFFICER:	MR. FIDA HUSSAIN
BANKERS	: ALLIED BANK LIMITED SONERI BANK LIMITED THE BANK OF PUNJAB HABIB BANK LIMITED
REGISTERED OFFICE	: 58, AL-HAMRA COOPERATIVE HOUSING SOCIETY, BLOCK 7/8, TIPU SULTAN ROAD, OFF: SHAHEED-E-MILLAT ROAD, KARACHI - PAKISTAN PHONE : (021) 34312876
HEAD OFFICE	: 2/E , BLOCK G , MUSHTAQ AHMED GURMANI ROAD, GULBERG II, LAHORE - PAKISTAN PHONE : (042) 35959121 - 26 FAX : (92-42) 35959120
SHARE REGISTRAR	: M/S. TECHNOLOGY TRADE (PVT) LTD. 241-C, BLOCK-2, P.E.C.H.S. , KARACHI.
MILLS	: KOT SHAH MOHAMMAD, WARBURTON ROAD, FERAZ WATOAN, TEHSIL & DISTRICT : NANKANA SAHIB
URL	: www.shadman.com.pk

DIRECTOR'S REPORT

Dear Shareholders,
The Directors of your Company are pleased to present their report along with the Auditor's Reviewed Financial Statements of the Company for the half year ended December 31, 2013.

CHANGE IN THE BOARD OF DIRECTORS & MANAGEMENT

On 27th January 2014, Mr. Zahid Mazhar resigned as CEO and Director of the Company. Four other Directors also resigned. Thus the casual vacancies were filled in by co-opting 3 new Directors. Mr. Shahid Mazhar is appointed as the CEO of the Company.

OVERVIEW

In all operational comparison, last year we were having 3 manufacturing units, whereas this year the operational results pertain to only 2 units as one unit was sold to Nadeem Textile Mills Limited on 30th June 2013. The Company managed to earn gross profit of Rs. 95.21 million as compared to Rs. 143.06 million during the corresponding period of last year. The Sales turnover is Rs. 1802 million during the period under review as compared to Rs. 2,651 million during the comparative period of last year.

FINANCIAL RESULTS

The Company made a pre-tax profit of Rs. 22.9 million and after tax profit of Rs. 3.9 million during the period as compared to pre-tax profit of Rs. 38.78 million and after tax profit of Rs. 19.2 million of corresponding period of last year.

EARNING PER SHARE

Earning per share for the period is Rs. 0.22 as compared to Rs. 1.09 of the corresponding period of last year.

EXPANSION AND MODERNIZATION

The Company is not carrying out any major BMR program due to liquidity constraints.

CURRENT AND FUTURE SUMMARY AND PROSPECTS

Cotton prices increased by 25 - 30 % during the 2nd quarter of the year. Our major sale is in export market in China, where the market dwindled down continuously to date. This has resulted selling pressure in the local market, where selling rate didn't increase in proportion to increase in cotton prices. Thus increase in cotton prices and decreased in selling rates acted as two edge of the sword and pushed back our profitability in the 2nd quarter. Consequently in the first half of the year we remained slightly above the break even. Due to very slow demand from major export market i.e. China, the next six months results are not likely to improve.

ACKNOWLEDGMENT

Your Directors are pleased to acknowledge the Company's Bankers, Customers, Suppliers, Shareholders and Government Authorities and its employees for their cooperation.

Karachi:
February 27, 2014


SHAHID MAZHAR
Chief Executive

MUSHTAQ & CO.**CHARTERED ACCOUNTANTS**

407, Commerce Centre, Hasrat Mohani Road, Karachi. Tel: 32638521-4 Fax: 32639843
Branch Office: 501-B, City Towers, Gulberg-II, Lahore. Tel: 35788637 Fax: 35788626
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Member of



Illinois, USA

Auditor's Report to the Members on Review of Condensed Interim Financial Information**Introduction**

We have reviewed the accompanying condensed interim balance sheet of **Shadman Cotton Mills Limited** as at December 31, 2013, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended December 31, 2013 and December 31, 2012 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2013.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of the persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information for the half year ended December 31, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

KARACHI:
Date: February 27, 2014

MUSHTAQ & COMPANY
Chartered Accountants
Engagement Partner:
Mushtaq Ahmed Vohra
F.C.A

SHADMAN COTTON MILLS LIMITED
CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT DECEMBER 31, 2013

	Note	(Un-audited)	(Audited)
		31-Dec-13 Rupees	30-Jun-13 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	1,402,463,522	1,408,043,568
Long term deposits		15,572,915	15,572,915
		<u>1,418,036,437</u>	<u>1,423,616,483</u>
CURRENT ASSETS			
Stores, spares and loose tools		75,380,370	78,999,842
Stock in trade		303,190,654	216,347,983
Trade debts		128,157,211	150,199,642
Loans and advances		40,204,945	14,785,171
Other receivables		12,878,402	116,629,094
Tax due from Government		89,124,164	71,698,566
Short term investments		1,053,250	924,250
Cash and bank balances		38,077,933	28,852,373
		<u>688,066,929</u>	<u>678,436,921</u>
TOTAL ASSETS		<u>2,106,103,366</u>	<u>2,102,053,404</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Authorised capital			
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	6	176,367,190	176,367,190
Reserves		53,218,752	53,218,752
Accumulated loss		<u>(217,579,626)</u>	<u>(238,007,847)</u>
Shareholders' Equity		<u>12,006,316</u>	<u>(8,421,905)</u>
Surplus on revaluation of property, plant and equipment		618,621,495	635,097,915
Deferred income		5,393,624	6,742,029
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		22,257,463	36,309,032
Deferred liabilities		<u>170,684,663</u>	<u>171,848,413</u>
		<u>192,942,126</u>	<u>208,157,445</u>
CURRENT LIABILITIES			
Trade and other payables		292,887,312	320,476,401
Interest / mark-up on loans		323,057,312	292,213,944
Short term borrowings		460,842,128	474,159,905
Current portion of:			
Long term finances		10,000,000	20,000,000
Liabilities against assets subject to finance lease		27,037,772	19,306,905
Overdue bank liabilities		112,284,822	102,284,822
Provision for income tax		51,030,459	32,035,942
		<u>1,277,139,805</u>	<u>1,260,477,919</u>
Contingencies and Commitments	7		
TOTAL EQUITY AND LIABILITIES		<u>2,106,103,366</u>	<u>2,102,053,404</u>

The annexed notes 1 to 12 form an integral part of these condensed interim financial information.

Karachi:
Dated: February 27, 2014

Chief Executive
4

Director

SHADMAN COTTON MILLS LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2013

Note	Half Year Ended		Quarter Ended	
	31-Dec-13 Rupees	31-Dec-12 Rupees	31-Dec-13 Rupees	31-Dec-12 Rupees
Sales and services	1,801,995,957	2,651,683,198	904,243,883	1,498,853,606
Cost of sales and services	(1,706,785,803)	(2,508,621,108)	(858,207,478)	(1,420,671,259)
Gross profit	<u>95,210,154</u>	<u>143,062,090</u>	<u>46,036,405</u>	<u>78,182,347</u>
Other income	8 6,469,120	33,314,338	1,061,469	32,846,370
Distribution cost	(11,249,546)	(31,218,235)	(5,992,913)	(21,355,445)
Administrative expenses	(25,874,873)	(36,720,784)	(10,414,058)	(18,969,698)
Other operating expenses	(2,108,652)	(4,924,132)	(2,108,652)	(4,584,615)
Finance Cost	(39,499,885)	(64,725,659)	(20,297,194)	(31,564,988)
	<u>(72,263,836)</u>	<u>(104,274,472)</u>	<u>(37,751,348)</u>	<u>(43,628,376)</u>
Profit before taxation	<u>22,946,318</u>	<u>38,787,618</u>	<u>8,285,057</u>	<u>34,553,971</u>
Taxation:				
Current year	(18,994,517)	(21,210,877)	(10,826,045)	(12,427,050)
Prior year	-	1,647,802	-	1,647,802
Deferred tax	-	-	-	(5,746,000)
	<u>(18,994,517)</u>	<u>(19,563,075)</u>	<u>(10,826,045)</u>	<u>(16,525,248)</u>
Profit / (loss) for the period	<u>3,951,801</u>	<u>19,224,543</u>	<u>(2,540,988)</u>	<u>18,028,723</u>
Earnings / (loss) per share - basic and diluted	<u>0.22</u>	<u>1.09</u>	<u>(0.14)</u>	<u>1.02</u>

The annexed notes 1 to 12 form an integral part of these condensed interim financial information.

Karachi:
Dated: February 27, 2014

Chief Executive

Director

SHADMAN COTTON MILLS LIMITED

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2013

	Half Year Ended		Quarter Ended	
	31-Dec-13 Rupees	31-Dec-12 Rupees	31-Dec-13 Rupees	31-Dec-12 Rupees
Profit / (loss) for the period	3,951,801	19,224,543	(2,540,988)	18,028,723
Other comprehensive income / (loss) for the period	-	-	-	-
Total comprehensive income / (loss) for the period	3,951,801	19,224,543	(2,540,988)	18,028,723

The annexed notes 1 to 12 form an integral part of these condensed interim financial information.

Karachi:
Dated: February 27, 2014

Chief Executive

Director

SHADMAN COTTON MILLS LIMITED

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2013

	Note	31-Dec-13 Rupees	31-Dec-12 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Generated From Operations	9	87,214,237	193,258,226
Finance cost paid		(8,656,517)	(30,808,674)
Staff retirement benefits - gratuity paid		(4,844,250)	-
Taxes paid - net		(17,287,227)	(42,919,141)
		(30,787,994)	(73,727,815)
Cash flows from operating activities		56,426,243	119,530,411
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(27,562,205)	(10,432,707)
Proceeds from disposal of property, plant and equipment		-	42,008,512
Cash (used in) / generated from investing activities		(27,562,205)	31,575,805
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of short term borrowings - net		(13,317,777)	(105,876,493)
Acquisition/(repayment) of liabilities against assets subject to finance lease		(6,320,702)	1,274,981
Repayment of long term finances		-	(46,666,362)
Cash (used in) financing activities		(19,638,479)	(151,267,874)
Net increase / (decrease) in cash and cash equivalents		9,225,559	(161,658)
Cash and cash equivalents at the beginning of the period		28,852,374	8,252,292
Cash and cash equivalents at the end of the period		38,077,933	8,090,634

The annexed notes 1 to 12 form an integral part of these condensed interim financial information.

Karachi:
Dated: February 27, 2014

Chief Executive

Director

SHADMAN COTTON MILLS LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2013

	Share Capital	Reserves			Total Equity
		Revenue		SUB TOTAL	
		Capital reserves	Unappropriated Profit/(loss)		
Rupees					
Balance as at July 01, 2012	176,367,190	53,218,752	(364,421,443)	(311,202,691)	(134,835,501)
Total comprehensive income for the half year ended December 31, 2012	-	-	19,224,543	19,224,543	19,224,543
Transfer from surplus on revaluation on account of incremental depreciation charge on revalued assets	-	-	12,732,480	12,732,480	12,732,480
Balance as at December 31, 2012	176,367,190	53,218,752	(332,464,420)	(279,245,668)	(102,878,478)
Balance as at July 01, 2013	176,367,190	53,218,752	(238,007,847)	(184,789,095)	(8,421,905)
Total comprehensive income for the half year ended December 31, 2013	-	-	3,951,801	3,951,801	3,951,801
Transfer from surplus on revaluation on account of incremental depreciation charge on revalued assets	-	-	16,476,420	16,476,420	16,476,420
Balance as at December 31, 2013	176,367,190	53,218,752	(217,579,626)	(164,360,874)	12,006,316

The annexed notes 1 to 12 form an integral part of these condensed interim financial information.

Karachi:
Dated: February 27, 2014

Chief Executive

Director

SHADMAN COTTON MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2013

1 LEGAL STATUS AND NATURE OF BUSINESS

Shadman Cotton Mills Limited (the Company) was incorporated in Pakistan on November 24, 1979 under the Companies Act, 1913 (Now the Companies Ordinance, 1984). The shares of the Company are listed on Karachi and Lahore Stock Exchanges. The registered office of the Company is located at 58, Alhamra Housing Society, Block 7/8, Tipu Sultan Road, off. Shaheed-e-Millat Road, Karachi (previously 201-202, 2nd Floor, Commerce Centre, Hasrat Mohani Road, Karachi) and its mills are located at Faroze Watwan. The Company is principally engaged in manufacturing and sale of yarn.

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information is un-audited and has been prepared in accordance with the requirements of the International Accounting Standard IAS 34 "Interim Financial Reporting" 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 for the year ended 30th June, 2013.

This condensed interim financial information is being submitted to the shareholders as required by the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges and section 245 of the Companies Ordinance, 1984.

These condensed interim financial information comprise of condensed interim balance sheet, condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes for the half year ended December 31, 2013 which have been subjected to a review but not audited. These condensed interim financial information also include the condensed interim profit and loss account for the quarter ended December 31, 2013.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and methods of computation which have been used in the preparation of this condensed interim financial information are the same as those applied in preparation of the financial statements for the preceding year ended June 30, 2013 except for as stated in note 3.3.

3.2 Amendments to certain existing standards and new interpretations on approved accounting standards effective during the period either were not relevant to the company's operations or did not have any impact on the accounting policies of the company. As otherwise disclosed.

3.3 During the period, the company has adopted IAS 19, (Revised) 'Employee Benefits'. The amendments in the revised standard require the company to eliminate the corridor approach and recognise all actuarial gains and losses (now called 'remeasurements', that result from the remeasurement of defined benefits obligations and fair value of plan assets at the balance sheet date) in other comprehensive income as they occur, immediately recognize all past service costs and replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefits liability / asset.

This change in accounting policy has been accounted for retrospectively as required under International Accounting Standard - 8 'Accounting Policies, Changes in Accounting Estimates and Errors', and the comparative financial statements have been

The changes in the accounting policy on the interim financial statement have no effect on the balance sheet as the company has policy of recognising all actuarial gains or losses arising at each valuation date immediately in profit and loss account. However the amendments in IAS 19, (Revised) 'Employee Benefits', require to recognize the actuarial gain or loss in other comprehensive income instead of profit and loss account, hence the effects based on the relevant available actuarial valuation on the financial statements have been summarized below:

	As at	
	30-Jun-13	30-Jun-12
	-----Rupees-----	
Impact on Balance Sheet		
Increase in the retirement benefits obligation	-	-
Decrease in deferred tax liability	-	-
Decrease in accumulated profits	-	-
	-----	-----
	Year ended	
	30-Jun-13	30-Jun-12
	-----Rupees-----	
Impact on profit and loss account		
Increase in profit and loss account	4,050,261	7,774,789
Decrease in deferred taxation - current	-	-
Decrease in other comprehensive income	4,050,261	7,774,789

4 ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

4.1 The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

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