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Shadman

Cotton Mills Limited

39th ANNUAL REPORT 2018

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VISION STATEMENT

To be a dynamic, profitable and growth oriented Organization through dedication, integrity and professionalism.

MISSION STATEMENT

Our mission is to achieve higher level of sustainable growth and profitability by:

a) Striving for excellence and sustaining position as a preferred supplier of yarn with a customers focused strategy.

b) Providing diversified and value added textile products.

c) Building a long term relationship with our customers, suppliers and other stake holders.

d) Enhancing the profitability by employing latest technologies for achieving higher levels of efficiency, quality and productivity.

e) Continuously responding to the changing needs of all our customers.

f) Nurturing a work culture that generates creativity, enthusiasm, participation and professionalism.

g) Developing motivation and retaining people to achieve high team performance.

h) Being a good corporate citizen by fulfilling our social responsibilities.

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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	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 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

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Thirty Ninth Annual General Meeting of the Shareholders of **SHADMAN COTTON MILLS LIMITED** will be held at Company's Registered Office, 2-E, Block-G, Mushtaq Ahmed Gurmani Road, Gulberg-II, Lahore on Tuesday**, November 27, 2018 at 10.30 a.m.** to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of Thirty Eighth Annual General Meeting of the members of the Company held on Tuesday, October 31, 2017.
2. To receive, consider and adopt the Audited Statement of Accounts for the year ended June 30, 2018 together with the Directors' and Auditors' Reports thereon.
3. To appoint Auditors for the year ending June 30, 2019 and fix their remuneration. The present auditors M/s Sheikh & Chaudhri, Chartered Accountants, retired and offer themselves for re-appointment.

SPECIAL BUSINESS:

4. To approve transmission of annual audited financial statements, auditors' report and directors' report etc. to the Company's members through CD/DVD/USB at their address as allowed by the Securities and Exchange Commission of Pakistan vide SRO No. 470(1)/2016 dated May 31, 2016;
5. "RESOLVED THAT, as notified by the Securities and Exchange Commission of Pakistan vide SRO No. 470(1)/2016 dated May 31, 2016, transmission of annual audited financial statements, auditors' report and directors' report etc. to the Company's members at their registered addresses in soft copies in the form of CD/DVD/USB, be and is hereby approved."

ANY OTHER BUSINESS:

6. To consider any other business with the permission of the Chair.

By order of the Board

Place:Lahore

(MUHAMMAD AKHTAR)

Dated:November 06, 2018

Company Secretary

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NOTES:

1. The Share Transfer Books of the Company will remain closed from November 21, 2018 to November 27, 2018 both days inclusive.
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend and vote on his/her behalf. Proxies in order to be valid must be deposited with the Company not less than 48 hours before the time appointed for the meeting.
3. Shareholders are requested to immediately notify the company change in their address and also forward a copy of Computerized National Identity Card if not yet furnished at the Office of our Registrar Hameed Majeed Associates (Pvt.) Ltd., H.M. House, 7-Bank Square, Lahore.
4. CDC shareholders or their proxies are required to bring with them original Computerized National Identity Cards or Passports along with the participant's I.D. number and their account numbers at the time of attending the Annual General Meeting in order to authenticate their identity.

5. **Mandate for E-Dividends for Shareholders:**
   Pursuant to the requirements of Section 242 of the Companies Act 2017 read with SRO No. 1145(I)/2017 dated November 06, 2017 shareholders are MANDATORILY required to provide their bank account details to receive their cash dividend directly into their bank accounts instead of receiving it through dividend warrants. Shareholders are required to provide relevant details of their bank accounts (i.e. title of account, complete bank account number (i.e. 24 digits IBAN) complete mailing address of the bank, name of the bank, folio number mobile number and email address) for payment of cash dividend through electronic mode. As such, the Company shall be bound to withhold any dividend declared by the company of those members who do not provide their bank details. E-Dividend Mandate Forms are available at the Registered Office of the Company and can be downloaded from the company's website.

6. **Transmission of Annual Financial Statements through Email:**
   Securities and Exchange Commission of Pakistan vide SRO No. 787(1)/2014 dated September 8, 2014 has provided an option to receive audited financial statements electronically through email, those shareholders who are interested in receiving the annual reports electronically in future are required to submit their email address at Registered Office of the Company on a standard request form which is available on Company's website: www.shadman.com.pk.

STATEMENT OF MATERIAL FACTS UNDER SECTION 134(3) OF THE COMPANIES ACT 2017

This statement sets out the material facts concerning the Special Business to be transacted at the AGM of the Company to be held on November 27, 2018.

Item No. 5 of the notice-Circulation of Annual Reports Through CD/DVD/USB

Securities and Exchange Commission of Pakistan vide SRO No. 470(1)/2016 dated 31May 2016 allowed the companies to circulate the annual reports including annual accounts, notices of annual general meeting and other information contained therein of the Company to its members through CD/DVD/USB subject to consent of the shareholders in the general meeting. This will save time and expenses incurred on printing of the annual report.

The Company shall supply the hard copies of aforesaid document to the shareholders on demand, free of cost, within one week of such demand. After approval of the shareholders, the Company will place a Standard Request Form on its website to communicate their need of hard copies of the documents along with postal and email address of the Company Secretary/ Share Registrar to whom such request shall be made.

Accordingly, the directors have placed the matter before the shareholders for their approval and to pass the ordinary resolution as proposed in the notice of meeting. The directors are not interested, directly or indirectly, in the above business except to the extent of their shareholdings.

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سالانہ اجلاس عام کا نوٹس

اطلاع دی جاتی ہے کہ شادمان کاٹن ملز لیمیٹڈ کا انتالیسواں سالانہ اجلاس عام بروز منگل مورخہ 27 نومبر 2018 کو صبح 10:30 بجے کمپنی کے رجسٹرڈ دفتر واقع 2 ای بلاک جی مشتاق احمد گرمانی روڈ گلبرگ II لاہور منعقد ہوگا۔ اجلاس میں مندرجہ امور زیر بحث لائے جائیں گے۔

عام کاروبار:

1. 31 اکتوبر 2017 کو منعقد کیے گئے 38 ویں اجلاس کے منٹس پڑھنا اور تصدیق کرنا۔
2. کمپنی کے سال 30 جون 2018 کے آڈیٹڈ اکاؤنٹس اور اس پر آڈیٹر کی رپورٹ کی منظوری۔
3. 30 جون 2019 کے لئے آڈیٹر کا تقرر اور ان کے معاوضے کی منظوری۔ موجودہ آڈیٹر M/s Sheikh & Chaudhri Chartered Accountants جو اس سال ریٹائر ہوئے ہیں اگلے سال کے لئے آڈٹ کی اہلیت رکھتے ہوئے دوبارہ اس سال آڈیٹر کی تقرری کے لئے اپنے آپ کو پیش کرتے ہیں۔

خصوصی کاروبار

4. سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے SRO 470(1)2016 مورخہ 31 مئی 2016 کے تحت سالانہ آڈٹ شدہ مالی گوشواروں، اجلاس عام کے نوٹسز اور دیگر معلومات اور اطلاعات کی بذریعہ سی ڈی/ڈی وی ڈی/یو ایس بی ترسیل کے لیے شیئر ہولڈرز کی منظوری حاصل کرنا۔
5. قرار پایا کہ سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے SRO 470(1)2016 مورخہ 31 مئی 2016 کے تحت آنیدہ ممبران کو سالانہ آڈٹ شدہ مالی گوشواروں، اجلاس عام کے نوٹسز اور دیگر معلومات اور اطلاعات کی اصل کاپی کی بجائے بذریعہ سی ڈی/ڈی وی ڈی/یو ایس بی ترسیل کے لیے شادمان کاٹن ملز لمیٹڈ کے ممبران کی رائے اور منظوری حاصل کی جائے۔

کوئی اور کاروبار:

6. چیئرپرسن کی اجازت سے کمپنی کے دیگر کسی امور کی انجام دہی۔

حسب حکم بورڈ

محمد اختر (کمپنی سیکرٹری)

لاہور 06 نومبر 2018

نوٹ:

1. کمپنی کے شیئرز کی کتابیں مورخہ 21 نومبر 2018 سے 27 نومبر 2018 جن میں دونوں دن شامل ہیں۔ بند رہیں گی۔
2. کوئی بھی ممبر سالانہ اجلاس عام میں شرکت اور ووٹ دینے کا حق کسی بھی کمپنی کے ممبر کو اپنی پراکسی کے طور پر مقرر کرنے کا حق رکھتا ہے۔ جائز پراکسیز میٹنگ کیلئے مقرر کردہ وقت سے 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس میں جمع کرائی جا سکتی ہے۔
3. شیئر زہولڈر سے درخواست ہے کہ اپنے کمپنی کے بتائے ہوئے پتہ میں اگر کوئی تبدیلی ہے تو وہ کمپنی کے شیئر زرجسٹرار Hameed Majeed Associates (Pvt.) Ltd. جن کا پتہ H.M. House 7 Bank Square Lahore. پر اطلاع کریں۔
4. CDC شیئر زہولڈر اپنی پراکسیوں کو ان کی شناخت کی تصدیق کرنے کیلئے سالانہ اجلاس عام میں شرکت کے دوران شناختی کارڈ نمبر اور CDC کے اکاؤنٹس کی تفصیلات لانی ضروری ہے۔

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5. کمپنیز ایکٹ 2017 کے سیکشن نمبر 242 اور SRO نمبر 1145(I) 2017 بتاریخ 6 نومبر 2017 کے تحت حصص یافتگان اپنا نقد منافع منقسمہ بجائے ڈیویڈنڈ وارنٹس کے براہ راست بینک میں وصول کرنے کے لیے لازمی طور پر اپنے بینک اکاؤنٹس کی تفصیلات جمع کرائیں۔ حصص یافتگان اپنے بینک اکاؤنٹ کی تفصیل (اکاؤنٹ کا نام، مکمل پتہ، بینک کا نام، فولیو نمبر، موبائل نمبر اور ای میل ایڈریس) فراہم کر دیں تا کہ منافع منقسمہ کی ادائیگی الیکٹرانک طریقے سے کی جا سکے۔ بصورت دیگر بینک اکاؤنٹ کی تفصیلات کی عدم موجودگی کے باعث کمپنی اس بات کی پابند ہوگی کہ وہ ان حصص تا فتگان کو منافع منقسمہ کی ترسیم روک دیں۔ ای ڈیویڈنڈ یٹ فارم کمپنی کے رجسٹرڈ آفس میں موجود ہیں اور کمپنی کی ویب سائٹ سے بھی ڈاؤن لوڈ کئے جا سکتے ہیں۔

6. سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے SRO 787(1)/2014 مورخہ 8 ستمبر 2014 کے تحت شیئر ہولڈر کو آڈیٹڈ مالی گوشوارے اور منسلک شدہ معلومات الیکٹرونکلی بھی بھجوائے جا سکتے ہیں۔ خواہش مند شیئر ہولڈرز کو گزارش کی جاتی ہے کہ کمپنی کے رجسٹرڈ آفس یا ویب سائٹ سے فارم لے کر اس کو مکمل کر کے یہ کام انجام دے لیں۔

کمپنی ایکٹ 2017 کے شق نمبر 34 کے مطابق نوٹس برائے اسپیشل کاروبار برائے منظوری شیئر ہولڈر مندرجہ ذیل ہیں۔

یہ گوشوارہ شادمان کاٹن ملز لمیٹڈ کے 27 نومبر 2018 کو منعقد ہونے والے انتالیسویں اجلاس عام کے نوٹس ہذا کے ہمراہ اور مندرجہ ذیل خصوصی امور سے متعلق ٹھوس حقائق پر مبنی مواد حصص یافتگان کی منظوری کیلئے ممبران کو ارسال کیا جا رہا ہے۔

سالانہ رپورٹس کی بذریعہ سی ڈی/ڈی وی ڈی/ایو ایس بی ترسیل۔

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے بذریعہ SRO 470(I)/2016 مورخہ 31 مئی 2016 کمپنیوں کو اجلاس عام میں شیئر ہولڈرز کی رائے حاصل کرنے کے بعد سالانہ آڈٹ شدہ اکاؤنٹس، اجلاس عام کے نوٹس کی دیگر معلومات بذریعہ سی ڈی/ڈی وی ڈی/ایو ایس بی ممبران کو ارسال کرنے کی اجازت دے دی ہے۔ تاہم کمپنی شیئر ہولڈرز کے طلب کرنے پر ایک ہفتہ کے اندر بلا معاوضہ مذکورہ دستاویزات کی ہارڈ کاپی فراہم کر دے گی۔ شیئر ہولڈرز کی منظوری پر کمپنی ان دستاویزات کی ہارڈ کاپی کیلئے ویب سائٹ پر ایک اسٹینڈرڈ ریکویسٹ فارم مع کمپنی سیکریٹری/شیئر رجسٹرار کے ای میل ایڈریس، جاری کر دے گی جو اس درخواست پر عمل کریں گے۔

اس کے مطابق ڈائریکٹرز نے یہ قرارداد شیئر ہولڈرز کے اجلاس میں منظوری کے لیے پیش کی ہے۔ ڈائریکٹرز کی اس قرارداد میں اپنی شیئر ہولڈنگ کے سوا کوئی براہ راست یا بلواسطہ دلچسپی نہیں ہے۔

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DIRECTORS REPROT TO THE SHAREHOLDERS

FOR THE YEAR ENDED JUNE 30, 2018

The Directors of your Company are presenting the 39th Annual Report of the Company together with Audited Financial Statements and Auditors report thereon for the year ended June 30, 2018.

SUMMARY OF FINANCIAL RESULTS

Following is the brief highlights of the financial results of the Company for the year ended June 30, 2018.

	2018	2017(Restated)
	Rupees in Million	
Turnover-net	546.927	412.549
Gross Loss	(49.343)	(68.982)
Operating Loss	(63.893)	(54.191)
Loss before Taxation	(69.037)	(97.610)
Loss after Taxation	(96.629)	(83.427)

BREAK-UP VALUE AND EARNING PER SHARE

The break-up value of shares as on June 30, 2018 is Rs. 26.14 as compared to Rs. 23.88 (restated) as on June 30, 2017 which increased due to fresh revaluation of land, building and plant & machinery. The loss per share for the year ended June 30, 2018 is Rs. (5.48) as compared to Rs. (4.73) of previous year as per computation given below:

	2018	2017(Restated)
	Rupees	
Loss after Taxation	(96,628,505)	(83,426,507)
No. of ordinary shares	17,636,719	17,636,719
Loss per share	(5.48)	(4.73)

OVERVIEW

The auditors continued the qualified opinion on reversal of mark-up of Rs. 179.89 million during the year June 30, 2015 and non-recognition of further mark-up thereafter of Bank of Punjab as was reported in the previous year's auditors report. The management is of the view that the financial obligation of the Company to Bank of Punjab has been confined to the amount involved in litigation and as per opinion of our legal counsel any over provision of mark-up which has been reversed in earlier year is not required, consequently no further provision have been recognized.

So far as the qualified opinion of auditors regarding provision of trade debts of Rs. 18.756 million is concerned, it is stated that this includes a single amount of Rs. 16.196 million receivable from LESCO against supply of electricity and the matter is in Court of Law as mentioned in note 18.1.6 of the financial statements. The management is confident of favourable outcome of this case as per opinion of our legal counsel consequently no provision has been recognized against these receivables.

Finally the auditors have also emphasized that due to circumstances described in note 3.2 material uncertainties exists about the company's ability to continue as a going concern. However, the management has prepared the annexed financial statements

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on going concern basis due to reasons explained in note 3.2 to the financial statements. The auditors have not qualified their opinion in this respect.

During the year under review, the Company has suffered after tax loss of Rs.96.629 million as compared to restated after tax loss of Rs.83.427 million in previous year. The net turnover in the current year is Rs.546.927 million including export sales of Rs. 53.162 million as compared to Rs. 412.549 million of last year which shows increase of 32.57% in turnover as a result of increase in prices of yarn and quantity of production. Low prices of yarn in comparison to higher cost of production are the main reason of gross loss.

FUTURE OUTLOOK

The current scenario of textile industry in Pakistan is not showing any significant improvement as the demand of yarn in local and international market is increasing with a very slow pace. In spite of these conditions higher cost of production is still creating hurdles for Pakistan textile products to compete in the global market. The price of cotton started aggressively from the beginning of the season and now showing downward trend whereas, manmade fibers price is showing upward trend with increase in international oil prices and devaluation of Pak Rupee. This mixed trend of prices is disturbing the local yarn market very badly. The new government has to take well planned concrete steps to uplift the economy including revival of textile industry.

However, the management will continue the required financial support in the form of interest free directors' loan to the Company to uplift the economic position. In the opinion of the company's legal counsel the ongoing litigation with the banks for recovery of debts and interest/mark up thereon will take few years to conclude and will not disturb the current cash flows. The management is further taking steps to increase the revenue of the company and reduce the production cost by increasing the utilization of available capacity by foreseeing the market conditions and right sizing of manpower. We hope that these measures will help to improve the financial performance of the Company.

DIVIDEND

The directors have not recommended any dividend in view of loss sustained by the company for the year ended 30th June, 2018.

We confirm that:

- The financial statements have been drawn up in conformity with the Companies Act, 2017and present fairly the state of its affairs, operating results, cash flow, comprehensive income and changes in equity.
- Proper books of accounts have been maintained in the manner required under Companies. Act, 2017.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements.
- The internal control system is being implemented and monitored.
- There is no significant doubt upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as required by the listing regulations, except as stated otherwise in the statement of compliance with best practices of the code of corporate governance.
- The key operating and financial data for the last six years is annexed to this report.
- Outstanding duties and taxes, if any, have been disclosed in the financial statements.
- The Directors' Report dealing with the performance of the company during the year ended June 30, 2018, future prospects and other matters of concern to the Company forms part of this report.

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BOARD OF DIRECTOR'S MEETINGS

The number of Board meetings held during the year 2017-18 was four. The attendance of the directors is as under:-

Sr. #	Name of Directors	No. of Meetings Attended
1.	Mr. Shahid Mazhar	4
2.	Mrs. Ghazala Shahid	4
3.	Mr. Ahmed Bin Shahid	4
4.	Mrs. Naureen Rehan	3
5.	Mr. Muhammad Akhtar	4
6.	Mr. Shahid Mahmud	4
7.	Mr. Nadeem Bhatti	4

Leave of absence was granted to Director who could not attend the meeting.

- Pattern of shareholding as at June 30, 2018 is annexed to this report.
- We confirm that Directors and CFO and their spouse and minor children have made no transactions of the Company's shares during the year.
- The Statement of Compliance with the Code of Corporate Governance is annexed to this report.

CORPORATE SOCIAL RESPONSIBILITIES (CSR)

Corporate Social Responsibility (CSR) is about business giving back to society. As routine, we strive to safeguard the health and well-being of our employees, neighbors and customers, as well as the communities in which we live, work and co-operate.

SAFETY, HEALTH & ENVIRONMENT

We maintain a culture of encouraging best health and safety practices amongst our workers by imparting awareness. We are pleased to inform you that there has been no incident of safety and health during the year. The Company actively strives to provide a safe and healthy workplace for its employees toward communities and environment in which it operates. There have been more plantations by increasing the area of green field to improve the environment.

WORK-LIFE BALANCE

In order to promote a health work-life balance, we strictly follow a 9.00 a.m. to 5.00 p.m. working routine. This ensures that our employees have plenty of time after work for extra-curricular activities with their families and friends.

BUSINESS ETHICS AND ANTI-CORRUPTION MEASURES

The Management is committed to conduct all business activities with integrity, honesty and in full compliances with the current laws and regulations. A code of conduct has been developed and approved by the Board, which is signed by all employees.

ENERGY CONSERVATION

The Company has taken many measures at mills premises to conserve the energy by fixing energy conserving devices.

ACKNOWLEDGEMENT

The Directors of the Company would like to take the opportunity to thank the Shareholders, valued clients and bankers for the co-operation extended by them during the course of business activities. The Directors are also pleased to record their appreciation for the continued diligence and devotion of the staff members and workers of the Company.

On behalf of the Board of Directors



Chief Executive Officer

Place: Lahore

Date: November 06, 2018

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مجلس نظماء کی رپورٹ

محترم حصص یافتگان،

کمپنی کی مجلس نظماء 39 ویں سالانہ اجلاس میں آپ کا استقبال کرتی ہے اور 30 جون 2018 کو ختم ہونے والے سال کے لیئے کمپنی نظر ثانی شدہ حسابات کے ساتھ سالانہ رپورٹ پیش ہے۔

مالیاتی نتائج

کمپنی کے مالیاتی نتائج تقابلی شکال میں حسب ذیل ہیں:۔

روپے ملین میں

	30 جون 2018	30 جون 2017 (اعادہ)
خالص فروخت	546.927	412.549
مجموعی نقصان	(49.343)	(68.982)
آپریٹنگ نقصان	(63.893)	(54.191)
قبل از ٹیکسن نقصان	(69.037)	(97.610)
بعد از ٹیکس نقصان	(96.629)	(83.427)

نجی مارکیٹ کی قیمت اور فی شیئر نقصان

زیر جائزہ سال کے اختتام 30 جون 2018 کو فی شیئر نجی مارکیٹ کی قیمت 26.14 روپے ہے جب کہ پچھلے سال کے اختتام پر 30 جون 2017 (اعادہ) کو یہی قیمت 23.88 روپے تھی۔ فی شیئر نقصان گذشتہ سال 4.73 روپے فی شیئر (اعادہ) کے مقابلے میں اس سال فی شیئر نقصان 5.48 روپے ہے۔ نجی مارکیٹ میں فی حصیر اضافہ کی وجہ نئی زمین، بلڈنگ اور مشینری کی پنر مولین ہے۔

مجموعی جائزہ

پچھلے سال کی طرح بینک آف پنجاب کے مارک اپ کی الغائی 179.890 ملین روپے اور اس پر اگلی مدت کا مارک اپ درج نہ کرنے پر محاسب نے اس سال بھی اعتراض کیا ہے۔ جب کہ کمپنی کی انتظامیہ کے مطابق جو مارک اپ حسابات میں پہلے سے لیا ہے وہی کافی ہے۔ جیسا کہ کمپنی کے قانونی مشیر نے مشورہ دیا ہے کہ اس سے زیادہ مارک اپ حسابات میں درج کرنے کی کوئی ضرورت نہیں ہے۔

محاسب نے تجارتی گاہکوں سے لینے والے 18.756 ملین روپے وصول نہ ہونے پر اس کے برعکس پروژن نہ رکھنے پر اعتراض کیا ہے۔ اس کے متعلق انتظامیہ کی رائے ہے کہ اس تمام لینے والی رقم میں 16.196 ملین صرف ایک اہم پارٹی لاہور الیکٹرک سپلائی کمپنی ہے۔ جس کا کیس عدالت میں زیر التوا ہے اور ہمارے قانونی مشیر کے مطابق یہ کیس ہمارے حق میں فیصلہ ہونے کے قوی امکانات ہیں۔ اس لئے کمپنی نے اس کے برعکس کوئی پروژن نہیں رکھی۔

آخر میں محاسب نے اس سال کے حسابات کی رپورٹ میں درج 3.2 نمبر پر کمپنی کا کاروبار چلنے کے حالات پر اپنے تشویشی خیالات کا اظہار کیا ہے۔ جب کہ کمپنی انتظامیہ نے یہ حسابات چالو کاروباری حالت کو مدنظر رکھتے ہوئے بنائے ہیں۔ تاہم محاسب کو ان حالات پر جو کہ حسابات میں درج 3.2 نمبر پر کوئی اعتراض نہیں ہے۔

زیر جائزہ سال کے دوران کمپنی نے بعد از ٹیکس نقصان (96.629) ملین روپے ہے اس کے مقابلے میں پچھلے سال اسی مدت میں اعادہ بعد از ٹیکس نقصان (83.427) ملین روپے تھا۔ زیر جائزہ سال کے دوران مجموعی فروخت 546.927 ملین روپے جس میں 53.162 ملین روپے بیرون ملک برآمدات شامل ہیں جب کہ پچھلے سال کے دوران یہی مجموعی فروخت 412.549 ملین روپے تھی جو کہ سوتر کے ریٹ اور پیداواری مقدار میں اضافہ کیوجہ سے 32.57 فی صد زیادہ ہوئی ہے۔ سوتر کی کم قیمت فروخت اور پیداواری لاگت زیادہ ہونے کیوجہ سے کمپنی کو مجموعی نقصان ہوا ہے۔

مستقبل کے نقطہ نظر

اس وقت پاکستان کی ٹیکسٹائل کی صنعت میں دھاگے کی مقامی اور بین الاقوامی منڈی میں طلب کم ہونے کی وجہ سے کوئی اہم بہتری نہیں آئی۔ ٹیکسٹائل کی مصنوعات پیداواری لاگت زیادہ ہونے کیوجہ سے بین الاقوامی مارکیٹ میں بہت زیادہ تنزلی کا شکار ہیں۔ اس سال کے شروع میں روئی کی قیمت بہت زیادہ تھی جو کہ اب نیچے کی طرف آ رہی ہے۔ جب کہ انسان کے بنائے ہوئے مصنوعی ریشے کی قیمت خام تیل میں اضافے اور پاکستانی روپے کی قدر میں کمی ہونے سے مسلسل اوپر جا رہی ہے۔ اس طرح خام مال کی قیمت میں اتار چڑھاؤ دھاگے کی منڈی کو بہت بری طرح متاثر کر رہا ہے۔ ان حالات میں گورنمنٹ کو معشیت کو سنبھالنے کے لئے بہت بہتر منصوبہ بندی کے ساتھ ٹیکسٹائل صنعت کو اوپر لانے کی ضرورت ہے۔

تاہم انتظامیہ ضرورت پڑھنے پر کمپنی کے حالات بہتر کرنے کے لئے ڈائریکٹرز سود سے پاک سرمایہ فراہم کرنے کو تیار رہیں گے۔ کمپنی کے قانونی مشیر کی رائے کے مطابق بینکوں کے کیس جو عدالت میں زیر التوا ہیں ان کا فیصلہ اگلے چند سال تک متوقع نہیں ہے اور اس کا فی الوقت کاروبار میں موجود نقدی کے بہاؤ پر کوئی اثر نہیں پڑھے گا۔ اس کے علاوہ بھی انتظامیہ مختلف طریقوں سے نقدی کے بہاؤ کو بہتر بنانے اور زیادہ سپنڈل چالو کرا کر ملازمین کی مقدار میں نظر ثانی کر کے پیداواری لاگت کم کرنے میں کوشاں ہے۔ امید ہے یہ تمام اقدامات کمپنی کے مالی حالات بہتر بنانے میں کارگر ثابت ہونگے۔

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منافع منقسمہ

بورڈ آف ڈائیریکٹرز نے حالیہ سال کے نقصان کو مدنظر رکھتے ہوئے حصص یافتگان کو کسی قسم کا کوئی منافع نہ دینے کی سفارش کی ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

- کمپنی کی انتظامیہ کی طرف سے تیار کردہ مالیاتی حسابات، اس کے امور، آپریشنز کے نتائج، نقدی بہاؤ اور ایکویٹی میں تبدیلیوں کو کمپنی ایکٹ 2017 کے مطابق منصفانہ طور پر ظاہر کیا گیا ہے۔
- کمپنی کے کھاتہ جات کمپنی ایکٹ 2017 کے مطابق بالکل صحیح طور سے بنائے گئے ہیں۔
- مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔
- مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کی پیروی کی گئی ہے۔
- اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور اسکی موثر طریقے سے عمل درآمد اور نگرانی کی جاتی ہے۔
- کمپنی کا کاروبار رجالو حالت میں ہونے کی صلاحیت پر کوئی قابل ذکر شک نہیں ہے۔
- کارپوریٹ اور مالیاتی انتظام میں کسی قسم کی کوئی قابل ذکر تبدیلی نہیں ہے۔ سوائے اس کے کہ جو کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک کی رپورٹ میں ظاہر کیا گیا ہے۔
- گذشتہ چھ سال کا کلیدی آپریٹنگ اور مالیاتی ڈیٹا اس رپورٹ کے ہمراہ منسلک ہے۔
- ٹیکس اور ڈیوٹیز کو حسابات کی مناسب ذیلی مد میں بیان کیا گیا ہے۔
- ڈائریکٹرز کی کمپنی کی کارکردگی، مستقبل کے نقطہ نظر کے مطلق اور دیگر معاملات کی رائے اس سالانہ رپورٹ کے ہمراہ منسلک ہیں۔

بورڈ آف ڈائیریکٹرز کے اجلاس

سال کے دوران بورڈ آف ڈائیریکٹر کے چار اجلاس منعقد ہوئے اور ان اجلاسوں میں حاضری حسب ذیل ہے۔

نام ڈائیریکٹر	تعداد حاضری
جناب شاہد مظہر	4
محترمہ غزالہ شاہد	4
جناب احمد بن شاہد	4
محترمہ نوریں ریحان	3
جناب محمد اختر	4
جناب شاہد محمود	4
جناب ندیم بھٹی	4

ڈائریکٹرز جو اجلاس میں شرکت نہ کر سکے کو غیر موجودگی کی رخصت عطا کی گئی تھی۔

- حصص کا طریقہ کار کی معلومات اس سالانہ رپورٹ کے ہمراہ منسلک ہیں۔
- ہم تصدیق کرتے ہیں کہ رواں سال کے دوران ڈائریکٹروں اور چیف فنانشل آفیسر یا ان سب میں سے کسی کے شریک حیات یا نابالغ بچوں میں سے کسی نے کمپنی کے حصص کی خرید و فروخت نہیں کی۔
- کارپوریٹ اور مالیاتی فریم ورک پر عملدرآمد کے مطابق بیان اس سالانہ رپورٹ کے ہمراہ منسلک ہے۔

کارپوریٹ سماجی ذمہ داری

کمپنی تسلیم کرتی ہے کہ معاشرہ کو اقتصادی فوائد پہنچانا کامیاب اور پائیدار کاروبار کی کلید ہے۔ ہم اپنے ملازمین، ہمسائے، گاہکوں اور جس کمیونٹی میں ہم رہتے ہیں ان کی صحت کی حفاظت اور بہتری کیلئے کوشاں ہیں۔

صحت، حفاظت اور ماحول

ہم اپنے ملازمین کے لئے محفوظ اور صحت مند کام کا ماحول یقینی بنانے کے لئے مسلسل کام کرتے ہیں۔ ہمیں یہ بتاتے ہوئے خوشی محسوس ہوتی ہے کہ رواں سال کے دوران حفاظت اور صحت کے لحاظ سے کسی قسم کا کوئی نہ خوشگوار واقع پیش نہیں آیا۔ اس کے علاوہ کمپنی نے ماحول کو صاف ستھرا رکھنے کیلئے مزید درخت لگائے ہیں۔

کام اور زندگی کا توازن

صحت کام اور زندگی کے توازن کو فروغ دینے کے لئے ہم صبح 9:00 بجے تا سہ پہر 5:00 بجے تک معمول کے مطابق عمل کرتے ہیں۔ یہ یقینی بناتا ہے کہ ہمارے ملازمین کے پاس کام کے بعد اپنے اہل خانہ اور دوستوں کے ساتھ غیر نصابی سرگرمیوں کے لئے کافی وقت میسر ہوتا ہے۔

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کاروباری اخلاقیات اور اینٹی کرپشن کے اقدامات

انتظامیہ سالمیت ایمانداری اور موجودہ قوانین وضوابط کی مکمل پاسداری کے ساتھ تمام کاروباری سرگرمیوں کو مستحکم کرنے پر کاربند ہے۔بورڈ کی طرف سے ایک ضابطہ اخلاق تیار کیا گیا ہے جس پر تمام ملازمین کے دستخط ہیں۔

بجلی کی بچت

کمپنی نے مل کے احاطہ میں بجلی کی بچت کے آلات نصب کر کے توانائی کے تحفظ کے کئی اقدامات کئے ہیں۔

شکرگزاری

بورڈ کمپنی کے حصص یافتگان، گاہکوں، مالیاتی اداروں، ایگزیکٹوز، افسران اور کارکنوں کی انتھک کوششوں کا شکرگزار ہے۔

منجانب بورڈ

چیف ایگزیکٹو

لاہور 6 نومبر 2018

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CHAIRPERSON'S REVIEW

I am pleased to present the report on the overall performance of the Board and effectiveness of the role achieving the Company's objective.

During the year, the Board focused practically on challenges being faced to increase the utilization of available capacity to reduce the production cost and loss. The Board regularly tracked the progress against the business plan. The committee of the Board worked diligently and focused on their terms of reference during the year under review.

The Board has carried out a review of its effectiveness and performances which is satisfactory. The board evaluation during the year 2018 robustly considered all aspects of the Board including the performance of individual Directors, Board Committees and the Board as a whole and I am happy to report that your Board continues to function effectively and is focused on priorities for the Company's business.

(Mrs. Ghazala Shahid)
CHAIRPERSON

Place: **Lahore**
Date: **November 06, 2018**

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STATEMENT OF COMPLIANCE

With the Code of Corporate Governance for the year ended June 30, 2018.

Shadman Cotton Mills Limited ("the Company") has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017 ("the Regulations") in the following manner:

1. The total number of directors are seven as per following:
   a) Male: Five
   b) Female: Two
2. The composition of Board of Directors ("the Board") is as follows:

Category	Name
Independent Director	Mr. Nadeem Bhatti
Executive Directors	Mr. Shahid Mahmud Mr. Muhammad Akhtar
Non-Executive Directors	Mrs. Ghazala Shahid (Chairperson) Mr. Shahid Mazhar (Chief Executive) Mr. Ahmed Bin Shahid Mrs. Naureen Rehan

3. The Directors have confirmed that none of them is serving as a director on more than five listed companies, including this company.
4. All resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a capital DFI or an NBFI or being a member of stock exchange has been declared as a defaulter by the stock exchange.
5. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has prepared a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with dates on which they were approved or amended has been maintained.
7. All the powers of Board have been duly exercised and decision on relevant matters have been taken by the Board / shareholders as empowered by relevant provisions of the Companies Act, 2017 ("the Act") and these Regulations.
8. The meetings of the Board were presided over by the Chairperson and, in her absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
9. The Board of Directors has a formal policy and transparent procedures for the remuneration of directors in accordance with the Act and these regulations.
10. In accordance with criteria specified in clause (xi) of CCG, one director of the company is exempted from the requirement of Directors' training program, one director is certified and the rest of the directors to be trained. However, no director obtained training during the year.
11. The Directors' report for this period has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of Shareholding.
13. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulation.

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14. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.

15. The Board has formed committees comprising of members given below:

    a) Audit Committee

    -Mr. Nadeem Bhatti (Chairman)
    -Mrs. Ghazala Shahid
    -Mrs. Naureen Rehan

    b) HR and Remuneration Committee

    -Mr. Ahmed Bin Shahid (Chairman)
    -Mr. Muhammad Akhtar
    -Mr. Nadeem Bhatti

16. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

17. The frequency of meetings of the aforesaid committees were as per following:

    a) Audit Committee: Four quarterly meetings during the financial year ended June 30, 2018.

    b) HR and Remuneration Committee: One meeting during the financial year ended June 30, 2018.

18. The Board has set up an effective internal audit function team who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given satisfactory rating under the quality control review program of Institute of Chartered Accountants of Pakistan ("the ICAP") and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The "Close Period" prior to the announcement of interim/financial results and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to Directors, Employees and Stock Exchange.

22. Material/price sensitive information existed which should be disseminated among all market participants at once through stock exchange.

23. We confirm that all other requirements of the Regulations have been complied with.

(Mrs. Ghazala Shahid)
CHAIRPERSON

Place: Lahore
Date: November 06, 2018

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Key Operating & Financial Data
For the Period from July 2012 to June 2018

PARTICULARS	July-June 2017-2018	July-June 2016-2017	July-June 2015-2016	July-June 2014-2015	July-June 2013-2014	July-June 2012-2013
Net Sales Revenue	546,927,040	412,548,682	709,838,580	1,175,182,874	2,704,995,003	5,689,892,326
Cost of Goods Sold	(596,269,741)	(481,530,678)	(842,819,315)	(1,300,007,886)	(2,704,680,340)	(5,450,046,960)
Gross Profit / (Loss)	(49,342,701)	(68,981,996)	(132,980,735)	(124,825,012)	314,663	239,845,366
Operating Profit/(Loss)	(63,892,751)	(54,191,427)	(175,397,630)	88,104,876	(70,890,818)	128,877,280
Profit/ (Loss) Before Tax	(69,037,173)	(97,609,730)	(175,816,394)	23,909,561	(37,296,905)	39,460,341
Profit/ (Loss) After Tax	(96,628,505)	(83,426,507)	(139,727,664)	12,844,016	(67,877,044)	(2,791,508)
Paid Up Capital	176,367,190	176,367,190	176,367,190	176,367,190	176,367,190	176,367,190
Current Assets	167,498,401	200,950,427	445,971,074	382,389,837	508,873,781	678,436,921
Current Liabilities	935,123,489	961,091,103	1,143,749,201	970,478,947	1,102,189,730	1,125,964,430

Production in '000' Kgs	3,620	1,094	6,704	7,147	9,833	19,850

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF SHADMAN COTTON MILLS LIMITED ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **Shadman Cotton Mills Limited** (the Company) for the year ended June 30, 2018 in accordance with the requirements of Regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

Further, we highlight below instances of non-compliance with the requirements of the code as reflected in the paragraph reference where these are stated in the statement of compliance.

Reference	Description
10	During the year no director attended Director's Training Program and one director exempted from the training has not yet claimed his exemption.
13	CFO appointed by the Company is a graduate with more than 7 years of managerial experience. However, no application filed by the company to SECP for suitability of the candidate.
13	Internal auditor appointed by the Company is a graduate with more than 7 years of managerial experience. However, no application filed by the company to SECP for suitability of the candidate.
23	The Board has not yet put in place a mechanism for annual evaluation of its performance.

Lahore, Pakistan
Date: November 06, 2018

SHEIKH & CHAUDHRI
Chartered Accountants
Engagement Partner: ***M Saeed Malik***

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
SHADMAN COTTON MILLS LIMTED

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the annexed financial statements of **SHADMAN COTTON MILLS LIMITED** (the Company), which comprise the statement of financial position as at June 30, 2018, and the statement of profit and loss, statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit and loss, statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Company's affairs as at June 30, 2018 and of the loss and other comprehensive loss, its cash flows and changes in equity for the year then ended.

Basis for Qualified Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Professional Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(a) As referred to in note 18.1.3 to the financial statements, during the year ended June 30, 2015, the company has reversed accrued interest/markup amounting to Rs.179.89 million payable to The Bank of Punjab based on the advice of the Company's legal advisor. Further the company has not recognized interest/markup on debt finances from July 01, 2016 to June 30, 2018, based on the advice of the Company's legal advisor. As a result of reversal, the interest/markup recognized as payable to The Bank of Punjab stands at 103.52 million as at June 30, 2018 as against Rs. 565.87 million claimed by Bank of Punjab as interest/markup till June 30, 2018 and cost of funds for period after December 31, 2011 up to June 30, 2018 estimated at Rs. 566.09 million as per direct confirmation from The Bank of Punjab. Had the reversal not been made and liability for interest/markup been recognized, the accumulated losses and loss for the year would have been higher by Rs. 462.35 million and Rs.43 million respectively. In addition, book balance of Running Finance facility from The Bank of Punjab is not reconciled with direct confirmation from the bank. There is a difference of Rs. 2.861 million between two sources. In the matter of Habib Bank Limited, company had not recognized expenses for cost of suit and cost of funds on outstanding liability, the case decreed in favour 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 financial statements.

(b) As referred in note 12.1 this liability of Rs. 18.32 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.

(c) Trade debts of Rs. 18.756 million are past due neither any of the debtors directly confirmed the outstanding balances. In our opinion, these past due trade debts are impaired but no provision in respect of doubtful debts has been made in

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the financial statements. We are unable to determine the quantum of provision with reasonable accuracy and, therefore, its impact on results for the year and equity could not be quantified.

Emphasis of Matter

We draw attention to note 3.2 to the financial statements, which indicates that the Company has incurred gross loss of Rs. 49.342 million and loss after taxation of Rs. 96.628 million during the year. The Company's accumulated losses as at June 30, 2018 amount to Rs. 357.824 million. The Company's current liabilities exceed current assets by Rs.767.625 million. The Company has also defaulted in repayment of its debt finances and interest/markup thereon, as referred to note 11, 15, 16 and 17 to the financial statements aggregating to Rs. 549.132 million. Lenders of debt finances have also filed a suit against the Company for recovery of its debts amounting to Rs. 586.39 million. These conditions, along with other matters explained in note 3.2 to the financial statements, indicate the existence of material uncertainties which may cast significant doubt as to the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters.

S No.	Key audit matters	How the matter was addressed in our audit
1	**Promulgation of Companies Act, 2017**	
	Companies Act, 2017 ("the Act") was promulgated on May 30, 2017 which introduced certain new requirements including certain changes in accounting and disclosures with respect to preparation of financial statements by companies. The third and fourth schedules to the Companies Act, 2017 became applicable to the company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fourth schedules) forms an integral part of the statutory financial reporting framework applicable to the Company In view of the significant changes in disclosures, we consider it as a key audit matter. Refer to note 7 to the financial statements.	We obtained an understanding of the requirements regarding preparation and filing of financial statements applicable to the Company and assessed the design and operation of its key controls over preparation and filing of financial statements. We reviewed minutes of meetings of Board of directors, Audit committee and Internal audit reports for any recorded instances of potential non-compliance and maintained a high level of vigilance when carrying out other audit procedures for indication of non-compliance. We reviewed financial statements to ensure completeness and accuracy of disclosures in the financial statements to ensure compliance with the reporting and disclosure requirements of Companies Act, 2017.
2	**Control environment relating to the financial reporting process and related IT systems**	
	The IT control environment relating to the financial reporting process and the application controls of	Our audit procedures included evaluation of the financial reporting process and related control

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	individuals IT systems have an impact on the selected audit approach. As the financial statements are based on extensive number of data flows from multiple IT systems, consequently the financial reporting control environment is determined as a key audit matter.	environment, as well as testing of the effectiveness of controls including general IT controls. Our audit procedures focused on testing the reconciliation and approval controls as well as on evaluating the administration of access rights. Our audit procedures extensively consisted of several substantive procedures as well as data analysis relating to the most significant balances on the profit and loss account and statement of financial position.
3	**Contingencies**	
	The company is subject to litigations including suits filed by the Bank of Punjab and Habib Bank Limited for the recovery of principal and markup. Moreover, 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). Management has engaged independent legal counsel on these matters. The accounting for and disclosure of contingencies is complex and is a matter of significance in our audit because of the judgments required to determine the level of certainty on these matters. The detail of contingencies along with the management assessment and the related provisions are disclosed in note 18 to the financial statements.	In response to this matter, our audit procedures include; ▪ Discussing legal cases with the management to understand the management's viewpoint and obtaining and reviewing the litigation documents in order to assess the facts and circumstances. ▪ Obtaining independent opinion of legal advisors dealing with such cases in the form of confirmations. ▪ We also evaluated the legal cases in line with the requirements of IAS 37: Provisions, contingent liabilities and contingent assets. ▪ The disclosures of legal exposures and provisions were assessed for completeness and accuracy.

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Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty

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exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that except for the matters referred in Basis for our Qualified Opinion paragraph, in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
b) the statement of financial position, the statement of profit and loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
d) no zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other Matter(s)

The financial statements of the Company for the year ended June 30, 2017 were audited by another auditor who expressed a modified opinion on those statements as on October 09, 2017.

Engagement Partner: ***M Saeed Malik***
SHEIKH & CHAUDHRI
Chartered Accountants
Lahore, Pakistan

Date: November 06, 2018

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SHADMAN COTTON MILLS LIMITED

BALANCE SHEET
AS AT JUNE 30, 2018

	Note	2018	2017 (Restated)	2016 (Restated)
		Rupees	Rupees	Rupees
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized share capital				
18,000,000 (2017: 18,000,000) ordinary shares of Rs. 10 each		180,000,000	180,000,000	180,000,000
Issued, subscribed and paid-up capital	8	176,367,190	176,367,190	176,367,190
Capital reserve	9	53,218,752	53,218,752	53,218,752
Accumulated losses		(357,824,889)	(283,352,405)	(224,668,629)
Surplus on revaluation of property, plant and equipment	10	589,238,613	474,927,770	494,200,384
TOTAL EQUITY		460,999,666	421,161,307	499,117,697
NON-CURRENT LIABILITIES				
Long term finances - secured	11	-	-	-
Deferred liabilities	12	22,214,872	21,744,706	51,969,287
		22,214,872	21,744,706	51,969,287
CURRENT LIABILITIES				
Trade and other payables	13	254,816,161	269,479,991	419,664,251
Accrued interest/markup	14	105,872,404	105,475,305	105,482,401
Short term borrowings	15	435,717,148	450,057,841	485,818,341
Current portion of non-current liabilities	16	105,968,864	105,968,864	105,968,864
Ijarah rentals payables	17	26,187,171	26,194,268	26,194,268
Provision for taxation		6,561,741	3,914,834	621,076
		935,123,489	961,091,103	1,143,749,201
TOTAL LIABILITIES		957,338,361	982,835,809	1,195,718,488
CONTINGENCIES AND COMMITMENTS	18			
TOTAL LIABILITIES		1,418,338,027	1,403,997,116	1,694,836,185

The annexed notes 1 to 53 form an integral part of these financial statements.

CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER | DIRECTOR

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BALANCE SHEET
AS AT JUNE 30, 2018

	Note	2018	2017	2016
		Rupees	Rupees (Restated)	Rupees (Restated)
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	19	**1,222,974,041**	1,175,602,260	1,221,420,682
Long term deposits - *unsecured, considered good*	20	**27,865,585**	27,444,429	27,444,429
Deferred taxation	21	**-**	-	
		1,250,839,626	1,203,046,689	1,248,865,111
CURRENT ASSETS				
Stores, spares and loose tools	22	**55,730,572**	57,811,315	63,853,870
Stock in trade	23	**60,747,497**	52,615,196	236,828,849
Trade debts - *unsecured*	24	**18,756,676**	20,844,357	71,766,748
Advances, deposits, prepayments and other receivables	25	**18,880,466**	56,155,616	60,535,289
Advances income tax/income tax refundable		**10,807,991**	12,862,089	11,568,472
Short term investments	26	**70,511**	86,000	95,500
Cash and bank balances	27	**2,504,688**	575,854	1,322,346
		167,498,401	200,950,427	445,971,074
TOTAL ASSETS		**1,418,338,027**	1,403,997,116	1,694,836,185

The annexed notes 1 to 53 form an integral part of these financial statements.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

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SHADMAN COTTON MILLS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		Rupees	*Rupees* (Restated)
Turnover - *net*	*28*	**546,927,040**	412,548,682
Cost of sales	*29*	**(596,269,741)**	(481,530,678)
Gross loss		**(49,342,701)**	(68,981,996)
Selling and distribution expenses	*30*	**(5,098,269)**	(4,569,376)
Administrative and general expenses	*31*	**(21,442,012)**	(24,162,739)
		(26,540,281)	(28,732,115)
Other income	*32*	**11,990,231**	43,522,684
Operating loss		**(63,892,751)**	(54,191,427)
Finance cost	*33*	**(543,338)**	(754,049)
Other expenses	*34*	**(4,601,084)**	(42,664,254)
Loss before taxation		**(69,037,173)**	(97,609,730)
Taxation	*35*	**(27,591,332)**	14,183,223
Loss after taxation		**(96,628,505)**	(83,426,507)
Loss per share - *basic and diluted*	*36*	**(5.48)**	(4.73)

The annexed notes 1 to 53 form an integral part of these financial statements.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

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SHADMAN COTTON MILLS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		Rupees	Rupees (Restated)
Loss for the year		**(96,628,505)**	**(83,426,507)**
Other comprehensive income			
Item that will not be subsequently reclassified to profit or loss:			
- Remeasurement of net defined benefit liability	*21.2*	**(393,803)**	**(1,314)**
Total comprehensive loss		**(97,022,308)**	**(83,427,821)**

The annexed notes 1 to 53 form an integral part of these financial statements.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

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SHADMAN COTTON MILLS LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		Rupees	*Rupees* (Restated)
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	*37*	**1,615,368**	45,186,539
Payments for:			
Employees retirement benefits		**(1,438,327)**	(1,715,382)
Interest/markup on borrowings		**(153,336)**	(7,096)
Income tax		**(2,839,517)**	(1,665,482)
Net cash generated (used in)/from operating activities		**(2,815,812)**	41,798,579
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		**24,425,000**	2,492,900
Purchase of property, plant and equipment		**(5,726,369)**	(9,277,471)
Long term deposit		**(421,156)**	-
Net cash from/(used in) investing activities		**18,277,475**	(6,784,571)
CASH FLOW FROM FINANCING ACTIVITIES			
Net decrease in short term borrowings		**(14,340,693)**	(35,760,500)
Net cash (used in) / from financing activities		**(14,340,693)**	(35,760,500)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,120,970**	(746,492)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE YEAR		**575,854**	1,322,346
Effect of exchange gain		**807,864**	-
CASH AND CASH EQUIVALENTS AS AT END OF THE YEAR	*38*	**2,504,688**	575,854

The annexed notes 1 to 53 form an integral part of these financial statements.

CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER | DIRECTOR

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SHADMAN COTTON MILLS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	Issued subscribed and paid-up capital	Capital reserve	Accumulated losses	Surplus on revaluation of property, plant and	Total equity
	Rupees	*Rupees*	*Rupees*		*Rupees*
Balance as at July 01, 2016 - as previously reported - restated	176,367,190	53,218,752	(317,309,875)	-	(87,723,933)
Impact of restatement - note 6.11	-	-	(46,488,356)	-	(46,488,356)
Impact of restatement - note 6.18	-	-	13,504,753	-	13,504,753
Impact of restatement - note 7	-	-	-	619,825,233	619,825,233
Impact of restatement - note 6.2			125,624,849	(125,624,849)	-
Comprehensive loss for the year			(83,427,821)		(83,427,821)
Transaction with owners	-		-	-	-
Current year incremental depreciation - net of deferred tax			24,744,045	(24,744,045)	-
Revaluation surplus on property, plant and equipment - adjustment due to change in tax rate				(5,471,431)	5,471,431
	176,367,190	53,218,752	(283,352,405)	474,927,770	421,161,307
Balance as at July 01, 2017 - restated	**176,367,190**	**53,218,752**	**(283,352,405)**	**474,927,770**	**421,161,307**
Total comprehensive loss	**-**	**-**	**(97,022,308)**	**-**	**(97,022,308)**
Transaction with owners	**-**	**-**	**-**	**-**	**-**
Surplus arising on land				**168,302,500**	**168,302,500**
Surplus arising on building				**11,086,589**	**11,086,589**
Surplus reversal on plant & machinery				**(62,579,232)**	**(62,579,232)**
Current year incremental depreciation - net of deferred tax	**-**	**-**	**22,549,824**	**(22,549,824)**	**-**
Deferred tax adjustment due to revaluation on building	**-**	**-**	**-**	**(3,215,111)**	**(3,215,111)**
Deferred tax adjustment due to reversal of surplus on plant and machinery	**-**	**-**	**-**	**18,147,977**	**18,147,977**

The annexed notes 1 to 53 form an integral part of these financial statements

CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER | DIRECTOR

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SHADMAN COTTON MILLS LIMITED

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1 REPORTING ENTITY

Shadman Cotton Mills Limited ('the Company') was incorporated in Pakistan as a public limited company on November 24, 1979 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. Manufacturing facilities and land covering 358 Kanals of the company is located at 3.5 K.M, Feroz Watoan, Warburton Road, Kot Shah Mohammad tehsil, Nankana Sahib.

2 SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

a) There is one (2017: one) significant foreign customer to whom sales in excess of 10% of the Company's total sales amounting to Rs. 59.05 million (2017: 64.5 million) were made during the year.

b) The accounting policy relating to revaluation of property, plant and equipment changed during the as detailed in Note 7 of these financial statements.

c) Adoption of Companies Act, 2017 - note 3.1

3 BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 Appropriateness of the going concern assumption

The Company has been facing operational losses mainly due to decrease in selling prices in local as well as international markets, the on-going power crises, dumping of Indian yarn at low prices along with other factors, including economic instability and unfavorable textile policy of the Government, affecting the textile industry. The Company has not been able to utilize its production capacity at an optimum level due to which the desired profitability remained unachieved.

As a result, the Company has incurred gross loss of Rs. 49.342 million and loss after taxation of Rs. 96.628 million during the year ended June 30, 2018. As at June 30, 2018, the Company has accumulated losses of Rs. 357.824 million. Its current liabilities exceed its current assets by Rs. 767.625 million. The Company has defaulted in repayment of its debt finances and interest/markup thereon amounting to Rs. 589.612 million. The providers of debts finances have filed recovery suits for recovery of these debts finances and interest/markup thereon. These factors indicate existence of material uncertainty that raises doubts about the Company's ability to continue as a going concern and that the Company may not be able to discharge its liabilities and realize its assets in the normal course of business.. However, these financial statements have been prepared on going concern basis based on the following:

a) The Company has continued financial support of its sponsors in the form of interest free loans. During the year, the sponsors provided financial support amounting to Rs. 11.534 million in the form of long term interest free loans.

b) In the opinion of the Company's legal counsel the ongoing litigation between the Company and The Bank of Punjab regarding recovery of debt finances and interest/markup thereon will take a few years to conclude as such the Company will be able to settle its liabilities to The Bank of Punjab through the stream of cash flows from future sales.

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.

3.3 Basis of measurement

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These financial statements have been prepared under the historical cost convention except that inventories are carried at lower of cost or net realizable value, land and buildings are stated at revalued amounts, employee retirement benefits liabilities measured at present value and certain financial instruments measured at fair value/amortized cost. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

3.4 Judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Subsequently, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. There are no estimation uncertainties as at the reporting date. Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

3.4.1 Depreciation method, rates and useful lives of operating fixed assets (see note 6.1.1)

The Company reassesses useful lives, depreciation method and rates for each item of property and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item.

3.4.2 Taxation (see note 6.18)

The Company takes into account the current income tax law and decisions taken by appellate and other relevant legal forums while estimating its provision for current tax. Provision for deferred tax is estimated after taking into account historical and expected future turnover and profit trends and their taxability under the current tax law.

3.4.3 Provisions (see note 6.13)

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

3.4.4 Obligation under defined benefit plan (see note 6.5)

The Company's obligation under the defined benefit plan is based on assumptions of future outcomes, the principal ones being in respect of increases in remuneration, remaining working lives of employees and discount rates to be used to determine present value of defined benefit obligation. These assumptions are determined periodically by independent actuaries.

3.4.5 Revaluation of property, plant and equipment (see note 6.2)

Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

3.4.6 Net realizable values of stock in trade (see note 6.4)

The company estimates net realizable values of its stock in trade as the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

3.5 Functional currency

These financial statements have been prepared in Pak Rupees which is the Company's functional currency.

4 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE DURING THE YEAR.

The company has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year.

Amendments to IAS 7 "Statement of Cash Flow" became effective for the annual periods beginning on or after July 01, 2017 which is relevant to the company. Amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flow and non-cash changes.

Amendments to IAS 12 'Income Taxes' became effective for the annual periods beginning on or after July 01, 2017. The amendment clarifying the requirements on recognition of deferred assets for unrealized losses on debt instruments measured at fair value.

5 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE.

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The following standards, interpretations and amendments are in issue which are not effective as at the reporting date and have not been early adopted by the Company.

	Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments (2014)	July 01, 2018
IFRS 15 – Revenue from Contracts with Customers (2014)	July 01, 2018
IFRS 16 – Leases (2016)	January 01, 2019
IFRS 17 – Insurance contracts (2017)	January 01, 2021

The Company intends to adopt these new and revised standards, interpretations and amendments on their effective dates, subject to, where required, notification by Securities and Exchange Commission of Pakistan regarding their adoption. The management anticipates that, except as stated below, the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Company's financial statements other than in presentation/disclosures.

IFRS 9 – Financial Instruments: Classification and Measurement (2014)

IFRS 9 replaces IAS 39 - Financial Instruments: *Recognition and Measurement.* The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their cash flow characteristics. The standard introduces a 'fair value through comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to measurement of entity's own credit risk.
- **Impairment:** IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit loss to have occurred before a credit loss is recognized.
- **Hedge accounting:** IFRS 9 introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposure.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Adoption of this IFRS 9 may result in material adjustment to carrying amounts of financial assets and liabilities. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

IFRS 16 – Leases (2016)

IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the leases term is twelve months or less or the underlying asset has low value.

Adoption of this IFRS 16 will result in recognition of assets and liabilities for all operating leases for which the lease terms is more than twelve months. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

6 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for change in accounting policy as mentioned in note 7 to these financial statement.

6.1 Property, plant and equipment

6.1.1 Operating fixed assets

Operating fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses with the exception of freehold land, which is stated at revalued amount, and buildings, plant and machinery which are carried at revalued amounts less accumulated depreciation. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation.

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Major renewals and improvements to operating fixed assets are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of operating fixed assets are recognized in profit or loss as incurred.

The Company recognizes depreciation in profit or loss by applying reducing balance method over the useful life of each operating fixed asset using rates specified in note 19.1 to the financial statements. Depreciation on additions to operating fixed assets is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

An operating fixed asset is de-recognized when permanently retired from use. Any gain or loss on disposal of operating fixed assets is recognized in profit or loss.

Gain / losses on disposal of property, plant and equipment are charged to the statement of profit or loss.

6.1.2 Capital work in progress

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the cost of material, labour and appropriate overheads directly relating to the construction, erection or installation of an item of operating fixed assets. These costs are transferred to operating fixed assets as and when related items become available for intended use.

6.2 Surplus / deficit arising on revaluation of property, plant and equipment

Surplus arising on revaluation of items of property, plant and equipment is carried on balance sheet after reversing deficit relating to the same item previously recognized in profit or loss, if any. Deficit arising on revaluation is recognized in profit or loss after reversing the surplus relating to the same item previously carried on balance sheet, if any. An amount equal to incremental depreciation, being the difference between the depreciation based on revalued amounts and that based on the original cost, net of deferred tax, if any, is transferred from surplus on revaluation of property, plant and equipment to accumulated profit every year, through statement of other comprehensive income.

6.3 Stores, spares and loose tools

These are generally held for internal use and are valued at cost. Cost is determined on the basis of moving average except for items in transit, which are valued at invoice price plus related cost incurred up to the reporting date. For items which are considered obsolete, the carrying amount is written down to nil. Stores and spares held exclusively for capitalization are recognized as capital work in progress.

6.4 Stock in trade

These are valued at lower of cost, where ascertainable, and net realizable value, with the exception of stock of waste which is valued at net realizable value. Cost is determined using the following basis:

Raw materials	Average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Stock in transit	Invoice price plus related cost incurred up to the reporting date

Average manufacturing cost in relation to work in process and finished goods consists of direct material, labour and an appropriate proportion of manufacturing overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make a sale.

6.5 Employee benefits

Short-term employee benefits

The Company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting standards. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

Post-employment benefits

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The Company operates an unfunded gratuity scheme (defined benefit plan) for all its employees who have completed the minimum qualifying service period. Liability is adjusted on each reporting date to cover the obligation and the adjustment is charged to profit or loss with the exception of remeasurements which are recognized in other comprehensive income. The amount recognized on balance sheet represents the present value of defined benefit obligation. The details of the scheme are referred to in note 12.2 to the financial statements.

6.6 Financial instruments

6.6.1 Recognition

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument.

6.6.2 Classification

The Company classifies its financial instruments into following classes depending on the purpose for which the financial assets and liabilities are acquired or incurred. The Company determines the classification of its financial assets and liabilities at initial recognition.

a) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Assets in this category are presented as current assets except for maturities greater than twelve months from the reporting date, where these are presented as non-current assets.

b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets that are either designated as such on initial recognition or are classified as held for trading. Financial assets are designated as financial assets at fair value through profit or loss if the Company manages such assets and evaluates their performance based on their fair value in accordance with the Company's risk management and investment strategy. Financial assets are classified as held for trading when these are acquired principally for the purpose of selling and repurchasing in the near term, or when these are part of a portfolio of identified financial instruments that are managed together and for which there is a recent actual pattern of profit taking, or where these are derivatives, excluding derivatives that are financial guarantee contracts or that are designated and effective hedging instruments. Financial assets in this category are presented as current assets.

c) Financial liabilities at amortized cost

Non-derivative financial liabilities that are not financial liabilities at fair value through profit or loss are classified as financial liabilities at amortized cost. Financial liabilities in this category are presented as current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities.

6.6.3 Measurement

The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

6.6.4 De-recognition

Financial assets are de-recognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognized if the Company's obligations specified in the contract expire or are discharged or cancelled. Any gain or loss on de-recognition of financial assets and financial liabilities is recognized in profit or loss.

6.6.5 Off-setting

A financial asset and a financial liability is offset and the net amount reported in the balance sheet if the Company has legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

6.7 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

6.8 Loans and borrowings

Loans and borrowings are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in the profit or loss over the period of the borrowings on an effective interest basis.

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6.9 Investments in listed equity securities

Investments in listed equity securities held for trading are classified as 'financial assets at fair value through profit or loss'.. On initial recognition, these are measured at cost, being their fair value on the date of acquisition. Subsequent to initial recognition, these are measured at fair value. Changes in fair value are recognized in other comprehensive income. Gains and losses on de-recognition are recognized in profit or loss.

6.10 Finance leases

Leases in terms of which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are classified as 'operating fixed assets'. On initial recognition, these are measured at cost, being an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, these are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation, subsequent expenditure, de-recognition, and gains and losses on de-recognition are accounted for in accordance with the respective policies for operating fixed assets. Liabilities against assets subject to finance lease and deposits against finance lease are classified as 'financial liabilities at amortized cost' and 'loans and receivables' respectively, however, since they fall outside the scope of measurement requirements of IAS 39 'Financial Instruments - Recognition and Measurement', these are measured in accordance with the requirements of IAS 17 'Leases'. On initial recognition, these are measured at cost, being their fair value at the date of commencement of lease, less attributable transaction costs. Subsequent to initial recognition, minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Deposits against finance leases, subsequent to initial recognition are carried at cost. Gain arising on sale and lease back transactions are recognized as deferred income and amortized over the lease term, whereas losses on sales and lease back transactions are recognized immediately in profit or loss.

6.11 Operating leases

Leases including Ijarah financing where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight-line basis over the lease / Ijarah term unless another systematic basis is representative of the time pattern of the company's benefit.

The company has certain Ijarah leases which were not classified as operating leases in the financial statements for the year ended 30 June 2017, as required by the Islamic Financial Accounting Standard 2 (IFAS 2) issued by the Institute of Chartered Accountants of Pakistan. However, in compliance with IFAS 2, all its Ijarah financing have now been classified as operating lease rather then finance lease and as per International Accounting Standard 8 (IAS 8) "Accounting Policies, Changes in Accounting Estimates and Errors" the adjustments of such classification have been made retrospectively. Consequently, leased assets have been reduced by Rs 46.488 million and lease liability has been reclassified as Ijarah rentals payable amounting to Rs 26.194 million as at June 30, 2016. Depreciation expense for the year ended 30 June 2017 have been decreased by Rs 2.324 million. The effect of such classification on basic and diluted loss per share of the company for year ended 30 June 2018 is negligible.

6.12 Trade and other payables

6.12.1 Financial liabilities

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being their fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

6.12.2 Non-financial liabilities

These, on initial recognition and subsequently, are measured at cost.

6.13 Provisions and contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provision is recognized at an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where outflow of resources embodying

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economic benefits is not probable, or where a reliable estimate of the amount of obligation cannot be made, a contingent liability is disclosed, unless the possibility of outflow is remote.

6.14 Trade and other receivables

6.14.1 Financial assets

These are classified as 'loans and receivables'. On initial recognition, these are measured at cost, being their fair value at the date of transaction, plus attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

6.14.2 Non-financial assets

These, on initial recognition and subsequently, are measured at cost.

6.15 Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided and other income earned in the normal course of business. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of revenue and the associated costs incurred or to be incurred can be measured reliably.

Revenue from different sources is recognized as follows:

Revenue from sale of goods is recognized when risks and rewards incidental to the ownership of goods are transferred to the buyer. Transfer of risks and rewards vary depending on the individual terms of the contract of sale. For local sales transfer usually occurs on dispatch of goods to customers. For export sales transfer occurs upon loading the goods onto the relevant carrier.

Interest income is recognized using effective interest method.

Dividend income is recognized when the right to receive payment is established.

6.16 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income ('OCI'). OCI comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by approved accounting standards, and is presented in 'statement of profit or loss and other comprehensive income'.

6.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss as incurred.

6.18 Income tax

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in other comprehensive income.

The company had not recognized income tax refunds amounting to Rs. 9.524 million and Income tax provision amounting to Rs. 3.981 million in the previous years erroneously. Therefore, accumulated balance of advance Income tax as at June 30, 2017 has been increased from Rs. 3.338 to Rs. 12.862 million. Similarly, accumulated balance of provision for taxation as at June 30, 2017 has been reduced to Rs. 3.914 million from Rs. 7.895 million. The accumulated losses as on July 01, 2016 have also been decreased by Rs. 13.504 million. These errors have now been rectified as per International Accounting Standard (IAS) 8 retrospectively.

6.18.1 Current taxation

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Current tax is the amount of tax payable on taxable income for the year and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

6.18.2 Deferred taxation

Deferred tax is accounted for using the balance sheet approach providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

6.19 Earnings per share ('EPS')

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

6.20 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and cash at banks. These, with the exception of cash in hand, are classified as 'loans and receivables' and are carried at amortized cost. Cash in hand is carried at cost.

6.21 Foreign currency transactions and balances

Transactions in foreign currency are translated to the functional currency of the Company using exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at exchange rate prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate prevailing at the date the fair value is determined. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated to functional currency at exchange rate prevailing at the date of initial recognition. Any gain or loss arising on translation of foreign currency transactions and balances is recognized in profit or loss.

6.22 Impairment

6.22.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related

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objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

6.22.2 Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used in determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

6.23 Dividend distribution to ordinary shareholders

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, to the extent it is unclaimed/unpaid, in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders.

7 CHANGE IN ACCOUNTING POLICY

The specific provision / section in the repealed Companies Ordinance, 1984 relating to the surplus on revaluation of fixed assets has not been carried forward in the Company's Act, 2017. Previously, section 235 of the repealed Company's Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets, which was not in accordance with the IFRS requirements. Accordingly, in accordance with the requirements of International Accounting Standard (IAS) 16, 'Property, Plant and Equipment', surplus on revaluation of fixed assets would now be presented under equity.

Following the application of IAS 16, the Company's accounting policy for surplus on revaluation of land and building stands amended as follows:

Increases in the carrying amounts arising on revaluation of land and buildings are recognized, net of tax, in other comprehensive income and accumulated in revaluation surplus in shareholders' equity. To the extent that increase reverses a decrease previously recognized in the statement of profit or loss, the increase is first recognized in the statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to the statement of profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss and depreciation based on assets' original cost, net of tax, is reclassified from revaluation surplus on property, plant and equipment to unappropriated profit.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

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The effect of change in accounting policy is summarised below.

	As at June 30, 2017			As at June 30, 2016		
	As previously reported	Re-statement	As re-stated	As previously reported	Re-statement	As re-stated
	----------Rupees----------					
Effect on balance sheet						
Revaluation surplus on property plant and equipment	613,733,114	(138,805,344)	474,927,770	619,825,233	(125624849.2)	494,200,384
Share capital and reserves	-	474,927,770	474,927,770	-	494,200,384	494,200,384
Effect on statement of changes In equity						
Revaluation surplus on property plant and equipment	-	474,927,770	474,927,770	-	494,200,384	494,200,384

There was no effect on statement of cash flows due to retrospective application of change in accounting policy.

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SHADMAN COTTON MILLS LIMITED

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

8 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2018	2015	2017		2018	2017
No. of shares		*No. of shares*		*Rupees*	*Rupees*
			Ordinary shares of Rs. 10 each		
11,627,344		11,627,344	Issued for cash	**116,273,440**	116,273,440
6,009,375		6,009,375	Issued as fully paid bonus shares	**60,093,750**	60,093,750
17,636,719		17,636,719		**176,367,190**	176,367,190

9 CAPITAL RESERVE

This represents premium on issue of right ordinary shares recognized under Section 83(1) of the repealed Companies Ordinance, 1984.

	Note	2018	2017
		Rupees	*Rupees*
10 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
As at beginning of the year		**474,927,770**	494,200,384
Surplus arising on land		**168,302,500**	-
Surplus arising on building		**11,086,589**	-
Surplus reversal on plant & machinery		**(62,579,232)**	-
		116,809,857	**-**
Incremental depreciation recognized in other comprehensive income			
Incremental depreciation for the year		**(31,760,316)**	(35,348,635)
Deferred taxation		**9,210,492**	10,604,591
		(22,549,824)	(24,744,045)
Deferred tax adjustment due to revaluation on building		**(3,215,111)**	
Deferred tax adjustment due to reversal of surplus on plant and machinery		**18,147,977**	-
Deferred tax adjustment attributable to changes in tax rates		**5,117,944**	5,471,431
As at end of the year		**589,238,613**	474,927,770

	Note	2018	2017
		Rupees	*Rupees*
11 LONG TERM FINANCES – SECURED			
These represent long term finances utilized under interest/markup arrangements from banking companies			
The Bank of Punjab - Demand finance - I	*11.1*	**17,863,256**	17,863,256
The Bank of Punjab - Demand finance - II	*11.2*	**80,000,000**	80,000,000
Habib Bank Limited - Term finance	*11.3*	**8,105,608**	8,105,608
		105,968,864	105,968,864
Current maturity presented under current liabilities		**(105,968,864)**	(105,968,864)

11.1 The finance was obtained from The Bank of Punjab to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carried interest/markup at 7% per annum, payable quarterly. The finance was

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repayable in ten equal half yearly installments with the first installment was due in September 2010. The entire outstanding balance is over due as at the reporting date. Refer to note 18.1.1 for details of litigation between the Company and The Bank of Punjab regarding recovery of this amount.

11.2 The finance was obtained from The Bank of Punjab to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carried interest/markup at six months KIBOR plus 2% per annum payable semi annually. The finance was repayable in eight equal half yearly installments with the first installment was due in October 2010. The entire outstanding balance is over due as at the reporting date. Refer to note 18.1.1 for details of litigation between the Company and The Bank of Punjab regarding recovery of this amount.

11.3 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 18.1.2 for details of litigation between the Company and Habib Bank Limited regarding recovery of this amount.

11.4 For restrictions on title, and assets pledged as security, refer to note 44 to the financial statements.

12 DEFERRED LIABILITIES

Deferred taxation	*21*	**-**	-
Long term payables - *Secured*	*12.1*	**18,316,926**	18,316,926
Employees retirement benefits	*12.2*	**3,897,946**	3,427,780
		22,214,872	21,744,706

12.1 Long term payables - *secured*

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 (see note 18.1.4).

12.2 Employees retirement benefits

The Company operates an unfunded gratuity scheme, a defined benefit plan, for all its employees who have completed the minimum qualifying service period. Under the scheme, the Company pays a lump-sum benefit equal to last drawn monthly gross salary for each year of service to scheme members whereas the members of the scheme are not required to make any contributions to the scheme. The scheme is administered by the management of the Company under the supervision and directions of the Board of Directors of the Company. The amount recognized on balance sheet represents present value of defined benefit obligation.

	Note	**2018**	2017
		Rupees	*Rupees*
12.2.1 Movement in present value of defined benefit obligation			
As at beginning of the year		**3,427,780**	10,332,084
Charged / (credit) to profit or loss for the year	*12.2.2*	**1,514,690**	(5,190,236)
Benefits paid during the year		**(1,438,327)**	(1,715,382)
Remeasurements recognized in other comprehensive income	*12.2.4*	**393,803**	1,314
As at end of the year		**3,897,946**	3,427,780
12.2.2 Charge to profit or loss			
Current service (credit)/cost		**1,304,772**	(5,412,759)
Interest cost		**209,918**	222,523
		1,514,690	(5,190,236)
12.2.3 The charge to profit or loss has been allocated as follows			
Cost of sales	*29*	**947,238**	(5,877,304)
Administrative and general expenses	*31*	**567,452**	687,068
		1,514,690	(5,190,236)

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12.2.4 Remeasurements recognized in other comprehensive income

Actuarial loss arising from changes in:		
Demographic assumptions		-
Financial assumptions		
Experience adjustments	**393,803**	1,314
	393,803	1,314

12.2.5 Principal actuarial assumptions

Present value of defined benefit obligation has been determined using projected unit credit method. The liability as at the reporting date is based on actuarial valuation carried out by independent actuaries. The principal assumptions used in determining present value of defined benefit obligation are:

	2018	2017
Discount rate	**8.00%**	7.75%
Expected rates of increase in salary	**7.00%**	6.75%
Expected average remaining working lives of employees	**10 years**	10 years

12.2.6 Average duration of the defined benefit obligation

The average duration of the defined benefit obligation is nine years.

12.2.7 Expected charge to profit or loss for the next financial year

The expected charge to profit or loss for the year ending June 30, 2019 amounts to Rs. 6.384 million.

12.2.8 Sensitivity analysis

An analysis of sensitivity for discount rate and expected rate of increase in salary used to determine the present value of defined benefit obligation as at the reporting date showing how the defined benefit obligation would have been affected by changes in relevant actuarial assumption that were reasonably possible at that date is as follows:

	2018		2017	
	Change in actuarial assumption	**Defined benefit obligation**	Change in actuarial assumption	Defined benefit obligation
		Rupees		*Rupees*
Discount rate	+ 1%	3,310,101	+ 1%	3,022,480
	- 1%	4,603,091	- 1%	3,923,325
Expected rate of increase in salary	+ 1%	4,603,091	+ 1%	3,923,325
	- 1%	3,299,979	- 1%	3,015,559

A change in expected remaining working lives of employees is not expected to have a material impact on the present value of defined benefit obligation. Accordingly, the sensitivity analysis for the same has not been carried out.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of defined benefit obligation as at the reporting date has been calculated using projected unit credit method, which is the same as that applied in calculating the defined benefit obligation to be recognized in these financial statements.

12.2.9 Risk factors

The defined benefit plan exposes the Company to the following actuarial risks:

Interest risk: The discount rate used in determination of present value of defined benefit obligation has been determined by reference to market yield at the reporting date on Pakistan Investment Bonds since there is no deep market in long term corporate bonds in Pakistan. An increase in market yield resulting in a higher discount rate will decrease in the defined benefit liability.

Longevity risk: The present value of defined benefit obligation is calculated by reference to the best estimate of the expected remaining working lives of the employees. An increase in the expected remaining working lives will increase the defined benefit obligation. However, the increase is not expected to be material.

Salary risk: The present value of defined benefit obligation is calculated by reference to future salaries of employees. An increase in salary of employees will increase the defined benefit obligation.

	Note	**2018**	2017
		Rupees	*Rupees* (Restated)

13 TRADE AND OTHER PAYABLES

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Trade creditors - *Unsecured*		**126,035,014**	145,043,555
Accrued liabilities		**86,059,017**	83,666,436
Advances from customers - *Unsecured*		**40,776,398**	36,744,945
Workers' Profit Participation Fund	*13.1*	**1,776,106**	1,630,203
Workers' Welfare Fund	*13.2*	**45,237**	619,580
Other payables - *Unsecured*		**124,389**	1,775,272
		254,816,161	269,479,991

13.1 Workers' Profit Participation Fund

As at beginning of the year		**1,630,203**	1,449,069
Interest on funds utilized by the Company	*13.1.1*	**145,903**	181,134
As at end of the year		**1,776,106**	1,630,203

13.1.1 Interest has been charged at 8.95% (2017:12.5%) per annum.

	Note	**2018**	2017
		Rupees	*Rupees*
13.2 Workers' Welfare Fund			
As at beginning of the year		**619,580**	613,283
Charged to profit or loss for the year	*34*	**45,237**	55,983
Paid during the period		**(619,580)**	(49,686)
As at end of the year		**45,237**	619,580
14 ACCRUED INTEREST/MARKUP			
Long term finance		**39,813,820**	39,813,820
Short term borrowings		**63,701,065**	63,701,065
Liabilities against assets subject to finance lease		**2,357,519**	1,960,420
		105,872,404	105,475,305

14.1 The entire balance of accrued interest/mark-up represents overdue interest/mark-up. Refer to note 18 for details of litigation between the Company and lending banks regarding recovery of this amount.

	Note	**2018**	2017
		Rupees	*Rupees*
15 SHORT TERM BORROWINGS			
Secured			
These represent short term finances utilized under interest/markup arrangements from banking companies			
Running finances	*15.1*	**308,242,774**	311,049,774
Unsecured			
Loan from director	*15.2*	**127,474,374**	139,008,067
		435,717,148	450,057,841

15.1 These facilities were obtained from various banking companies for working capital requirements and are secured by charge over all present and future current assets of the Company. These carried markup at the rates ranging from three month to six months KIBOR plus 1.35% to 2% per annum payable quarterly. These facilities have expired and the entire outstanding balance is overdue as at the reporting date. Refer to note 18 for details of litigation between the Company and lending banks regarding recovery of this amount.

15.2 This represents temporary loan obtained from director of the Company. The loan is unsecured and interest free.

15.3 For restrictions on title, and assets pledged as security, refer to note 44 to the financial statements.

	Note	**2018**	2017
		Rupees	*Rupees* (Restated)
16 CURRENT MATURITY OF NON-CURRENT LIABILITIES			
Long term finances	*11*	**105,968,864**	105,968,864
17 IJARAH RENTALS PAYABLES			
Ijarah rentals payable	*17.1*	**26,187,171**	26,194,268

17.1 These represent Ijarah obtained under sale and lease back arrangements for acquiring plant and machinery. The lease was priced at three months KIBOR plus 1.75% per annum, subject to floor and cap of 10% and 24% per annum respectively. Lease rentals were payable quarterly over a tenor of three years with the first installment due from November 2012. Under the terms of agreement, taxes, repairs,

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replacements and insurance costs in respect of assets subject to ijarah lease are borne by the Company. The lease term has expired and the entire outstanding balance represents overdue installments.

18 CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

18.1.1 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, estimated at Rs. 565.87 million upto June 30, 2018, 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, besides other payers, the Company has claimed Rs. 744.348 million on account of acts and omission committed by the Bank against the Company. The suits is pending before the Lahore High Court and has been fixed for arguments.

18.1.2 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 suits was decreed by the Banking Court for an amount of Rs. 8.105 million. Appeal is pending in Lahore High Court.

18.1.3 The Company has not recognized interest/markup amounting to Rs. 43 million for the year ended June 30, 2018 based on legal opinion of its legal counsel engaged in defending the above suits.

18.1.4 Guarantees issued by banks on behalf of the Company as at the reporting date amount to Rs. 18.317 million (2017: Rs. 18.317 million), however the Company has already recognized related liability amounting to Rs. 18.317 million (2017: Rs. 18.317 million). See note 12.1.

18.1.5 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.

18.1.6 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.

18.2 Commitments

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

		Note	**2018** ***Rupees***	2017 *Rupees* (Restated)
19	**PROPERTY, PLANT AND EQUIPMENT**			
	Operating fixed assets	*19.1*	**1,222,974,041**	1,169,099,789
	Capital work in progress	*19.2*	**-**	6,502,471
			1,222,974,041	1,175,602,260

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19.1 Operating fixed assets

	2018											
	COST/REVALUED AMOUNT						DEPRECIATION					Net book
	As at July 01, 2017 *Rupees* (Restated)	Additions *Rupees*	Disposals *Rupees*	Revaluation Addition / (Reversal) *Rupees*	As at June 30, 2018 *Rupees* (Restated)	Rate %	As at July 01, 2017 *Rupees* (Restated)	For the year *Rupees* (Restated)	Adjustment *Rupees*	As at June 30, 2018 *Rupees* (Restated)	value as at June 30, 2018 *Rupees* (Restated)
Assets owned by the Company											
Freehold land	**168,217,500**	**-**	**-**	**168,302,500**	**336,520,000**	**-**	**-**	**-**	**-**	**-**	**336,520,000**
Building	**575,090,102**	**7,683,995**	**-**	**11,086,589**	**593,860,686**	**5**	**217,053,517**	**17,933,845**	**-**	**234,987,362**	**358,873,324**
Plant and machinery	**1,593,731,981**	**1,757,845**	**(40,238,585)**	**(62,579,232)**	**1,492,672,009**	**5**	**960,260,463**	**31,156,076**	**(16,940,305)**	**974,476,234**	**518,195,775**
Office equipment	**6,101,286**	**-**	**-**	**-**	**6,101,286**	**10**	**4,130,699**	**197,059**	**-**	**4,327,758**	**1,773,528**
Furniture and fixtures	**3,790,036**	**-**	**-**	**-**	**3,790,036**	**10**	**2,896,724**	**89,331**	**-**	**2,986,055**	**803,981**
Vehicles	**32,849,293**	**2,787,000**	**(7,259,748)**	**-**	**28,376,545**	**20**	**26,339,006**	**1,135,179**	**(5,905,073)**	**21,569,112**	**6,807,433**
	2,379,780,198	**12,228,840**	**(47,498,333)**	**116,809,857**	**2,461,320,562**		**1,210,680,409**	**50,511,490**	**(22,845,378)**	**1,238,346,521**	**1,222,974,041**

	2017										
	COST/REVALUED AMOUNT					DEPRECIATION					Net book
	As at July 01, 2016 *Rupees*	Additions *Rupees*	Disposals *Rupees*	Transfers *Rupees*	As at June 30, 2017 *Rupees*	Rate %	As at July 01, 2016 *Rupees*	For the year *Rupees*	Adjustment *Rupees*	As at June 30, 2017 *Rupees*	value as at June 30, 2017 *Rupees*
Assets owned by the Company											
Freehold land	168,217,500	-	-	-	168,217,500	-	-	-	-	-	168,217,500
Building	575,090,102	-	-	-	575,090,102	5	198,209,486	18,844,031	-	217,053,517	358,036,585
Plant and machinery	1,590,956,981	2,775,000	-	-	1,593,731,981	5	927,029,396	33,231,067	-	960,260,463	633,471,518
Office equipment	6,101,286	-	-	-	6,101,286	10	3,911,745	218,954	-	4,130,699	1,970,587
Furniture and fixtures	3,790,036	-	-	-	3,790,036	10	2,797,467	99,257	-	2,896,724	893,312
Vehicles	38,352,644	-	(5,503,351)	-	32,849,293	20	29,139,773	1,745,438	(4,546,205)	26,339,006	6,510,287
	2,382,508,549	2,775,000	(5,503,351)	-	2,379,780,198		1,161,087,867	54,138,747	(4,546,205)	1,210,680,409	1,169,099,789

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19.1.1 Disposal of operating fixed assets

	2018						
	Cost/revalued amount *Rupees*	Accumulated depreciation *Rupees*	Net book value *Rupees*	Disposal proceeds *Rupees*	Gain / (loss) on disposal *Rupees*	Mode of disposal	Particulars of buyer
Vehicles							
Machinery							
Card Trutzchler DK-903 (2 Nos.)	8,400,000	4,121,969	4,278,031	5,100,000	821,969	Negotiation	Mustaqim Dyeing Printing Industries (Pvt) Ltd.
Cone Winding Murata 21-C (2 Nos.)	31,838,585	12,818,336	19,020,249	15,200,000	(3,820,249)	Negotiation	Mustaqim Dyeing Printing Industries (Pvt) Ltd.
Vehicles							
Toyatta Corolla	1,836,626	1,274,042	562,584	1,700,000	1,137,416	Negotiation	Tahira Razzaq
BMW	5,423,122	4,631,031	792,091	2,425,000	1,632,909	Negotiation	Sadia Abdul Rasheed
	47,498,333	22,845,378	24,652,955	24,425,000	(227,955)		

	2017						
	Cost/revalued amount *Rupees*	Accumulated depreciation *Rupees*	Net book value *Rupees*	Disposal proceeds *Rupees*	Gain on disposal *Rupees*	Mode of disposal	Particulars of buyer
Vehicles							
Sazuki Mehran	317,100	298,215	18,885	325,000	306,115	Negotiation	Adil Shahzad *(Employee)*
Honda Civic	1,928,000	1,381,407	546,593	910,000	363,407	Negotiation	Mehmood Ahmed
Honda Civic	1,311,485	1,245,394	66,091	100,000	33,909	Negotiation	Muhammad Saleem
Toyatta Corolla	1,334,060	1,053,219	280,841	657,900	377,059	Negotiation	Hamid Bashir *(Employee)*
Suzuki Cultus	612,706	567,970	44,736	500,000	455,264	Negotiation	Muhammad Abid *(Employee)*
	5,503,351	4,546,205	957,146	2,492,900	1,535,754		

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	Note	2018	2017
		Rupees	Rupees (Restated)
19.1.2 The depreciation charge for the year has been allocated as follows:			
Cost of sales	29	**49,089,921**	52,075,098
Administrative and general expenses	31	**1,421,569**	2,063,649
		50,511,490	54,138,747

19.1.3 Most recent valuation of land, building and plant and machinery of the Company was carried out by an independent valuer Messrs Spell Vision as on June 30, 2018. For basis of valuation and other fair value measurement disclosures refer to note 43.
Had there been no revaluation, the cost, accumulated depreciation and net book values of revalued items would have been as follows:

	2018		
	Cost	**Accumulated depreciation**	**Net book value**
	Rupees	***Rupees***	***Rupees***
Freehold land	**51,545,829**	**-**	**51,545,829**
Factory building	**175,426,146**	**134,410,508**	**41,015,638**
Plant and machinery	**1,220,247,304**	**1,034,543,121**	**185,704,183**

	2017		
	Cost	Accumulated depreciation	Net book value
	Rupees	*Rupees*	*Rupees*
Freehold land	51,545,829	-	51,545,829
Factory building	175,426,146	132,251,790	43,174,356
Plant and machinery	1,321,307,276	1,037,826,908	283,480,368

19.2 Capital work in progress

	2018			
	As at July 01, 2017	**Additions**	**Transfers**	**As at June 30, 2018**
	Rupees	***Rupees***	***Rupees***	***Rupees***
Building	**6,502,471**	**1,181,524**	**(7,683,995)**	**-**
	6,502,471	**1,181,524**	**(7,683,995)**	**-**

	2017			
	As at July 01, 2016	Additions	Transfers	As at June 30, 2017
	Rupees	*Rupees*	*Rupees*	*Rupees*
Building	-	6,502,471	-	6,502,471
	-	6,502,471	-	6,502,471

19.3 This freehold land and building of 358 Kanals is located at 21 KM, Sheikhupura Road, Ferozwattwan, Off 3.5 KM Warburton Road, Hadbast Mauza, Kot Shah Muhammad, Tehsil Nankana, District, Sheikhupura.

19.4 Plant and machinery includes includes various machinery.

19.5 Forced sales value as per the last revaluation report as of June 30, 2018 - note 10

Asset class	**Forced sale value**

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Freehold land	286,042,000
Building on freehold land	302,168,625
Plant and machinery	314,500,000
	902,710,625

20 LONG TERM DEPOSITS

These have been deposited with various utility companies and regulatory authorities. These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as their amortized cost is impracticable to determine.

21 DEFERRED TAXATION

			(Restated)
Deferred tax asset on deductible temporary differences	*21.2*	249,773,682	257,563,057
Deferred tax liability on taxable temporary differences	*21.2*	(204,897,847)	(242,221,315)
Net asset/(liability)		44,875,835	15,341,742
Less: Deferred income tax asset not recognised			
		(44,875,835)	(15,341,742)
		-	-

21.1 The net deferred income tax asset of Rs. 44.875 million (2017: Rs. 15.341 million) has not been recognised in these financial statements as the temporary differences are not expected to reverse in foreseeable future because taxable profits may not be available against which the temporary differences can be utilised.

21.2 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	June 30, 2018	**June 30, 2017**
Deferred tax assets		
Employees retirement benefits	**(1,004,138)**	**(925,778)**
Provisions	**(14,852,603)**	**(14,512,711)**
Unused tax losses and credits	**(233,916,941)**	**(242,124,568)**
	(249,773,682)	**(257,563,057)**
Deferred tax liabilities		
Operating fixed assets - owned	**94,502,565**	**103,995,364**
Revaluation surplus on property, plant and equipment	**110,395,282**	**138,225,951**
	204,897,847	**242,221,315**
	(44,875,835)	**(15,341,742)**

21.2 Revenue from export sales of the Company is subject to taxation under the final tax regime, while the remaining portion of revenue attracts assessment under normal provisions of the Ordinance. Deferred tax is provided for only that portion of timing differences that represent income taxable under normal provisions of the Ordinance. These differences are calculated at that proportion of total timing differences that the local sales, other than the indirect exports taxable under section 154 (3) of the Ordinance, bear to the total sales revenue based on historical and future trends. Deferred tax has been calculated at 29% (2017: 30%) of the timing differences so determined based on tax rates notified by the Government of Pakistan for future tax years.

21.3 Deferred tax asset on unused tax losses and credits as at June 30, 2018 represents deferred tax asset of Rs. 153.91 million and Rs. 80.03 million on unabsorbed depreciation and unused business losses respectively. Taxable profits are expected to be available in future against which the recognized deferred tax assets could be utilized.

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		Note	2018	2017
			Rupees	Rupees
22	**STORES, SPARES AND LOOSE TOOLS**			
	Stores		**3,488,712**	5,461,572
	Spares		**52,053,591**	52,138,834
	Loose tools		**188,269**	210,909
			55,730,572	57,811,315

22.1 There are no stores, spares and loose tools held exclusively for capitalization.

23	**STOCK IN TRADE**			
	Raw material		**12,774,519**	9,859,184
	Work in process		**5,551,682**	101,500
	Finished goods	*23.1*	**42,421,296**	42,654,512
			60,747,497	52,615,196

23.1 Stock of finished goods includes stock of waste valued at net realizable values of Rs. 354,095 (2017: Rs. 92,675) .

23.2 As at June 30, 2018, net realizable values of finished goods (yarn stock) were lower than their cost, which resulted in write-down of Rs. 1,106,867 which has been charged to cost of sales.

23.2 Details of stock pledged as security are referred to in note 44 to the financial statements.

		Note	2018	2017
			Rupees	Rupees
24	**TRADE DEBTS - UNSECURED**			
	Local			
	considered good		**18,756,676**	17,460,129
	considered doubtful	*24.1*	**51,081,161**	51,081,661
			69,837,837	68,541,790
	Foreign			
	considered good	*24.3 & 24.4*	**-**	3,384,228
	considered doubtful	*24.3 & 24.4*	**3,921,894**	-
			3,921,894	3,384,228
			73,759,731	71,926,018
	Impairment allowance	*24.2 & 24.3*	**(55,003,055)**	(51,081,661)
			18,756,676	20,844,357

24.1 It includes Rs. 48,629 (2017: Rs. 48,629) due from A-Square (Private) Limited, a related party, no movement during the year.

	Note	2018	2017
		Rupees	Rupees
Not yet due		**-**	-
Past due by less than one year		**-**	-
Past due by more than one year		**48,629**	48,629
		-	
		48,629	48,629

24.2 Movement in accumulated impairment

As at beginning of the year		**51,081,661**	11,126,394
Recovered during the year		**(500)**	-
Recognized during the year	*34*	**-**	39,955,267
As at end of the year		**51,081,161**	51,081,661

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24.3 Movement in accumulated impairment

As at beginning of the year		**-**	-
Recovered during the year		**-**	-
Recognized during the year	*35*	**3,921,894**	-
As at end of the year		**3,921,894**	-

24.4 It represents outstanding balance since 2016 from 4 Trevos Malhas LDA Lugar, Purtugal. No legal action has been taken.

	Note	**2018**	2017
		Rupees	*Rupees*
25 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances to suppliers - *unsecured*	*25.1*	**9,243,256**	11,359,703
	25.2	**476,765**	266293
Security deposits	*25.3*	**3,500,000**	3,500,000
Sales tax refundable		**2,294,829**	28,150,946
Special excise duty		**551,522**	551,522
Insurance claims receivable		**-**	9,439,092
Other receivables - *unsecured, considered good*	***25.4***	**2,814,094**	2,888,060
		18,880,466	56,155,616
25.1 Advances to suppliers - unsecured			
considered		**9,243,256**	11,359,703
good			
considered doubtful		**2,653,000**	2,653,000
		11,896,256	14,012,703
Impairment allowance	*25.1.1*	**(2,653,000)**	(2,653,000)
		9,243,256	11,359,703

25.1.1 Movement in accumulated impairment

As at beginning of the year		**2,653,000**	-
Recognized during the year	*31*	**-**	2,653,000
As at end of the year		**2,653,000**	2,653,000

25.2 These represent advances to employees for purchases and expenses on behalf of the Company and those against future salaries and post employment benefits in accordance with the Company policy. No advances have been given to any of the directors or chief executive of the Company. These advances do not carry any interest or markup.

25.3 This represents short term deposits in the normal course of business and does not carry any interest or markup.

25.4 This represents short term receivables in the normal course of business and does not carry any interest or markup.

26 SHORT TERM INVESTMENTS

This represents investment in listed equity securities held for trading classified as financial assets at fair value through “profit or loss”

	Note	**2018**	2017
		Rupees	*Rupees*
NIB Bank Limited			
Cost		**75,500**	75,500
Changes in fair value		**(4,989)**	10,500
		70,511	86,000

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		Note	2018	2017
27	**CASH AND BANK BALANCES**		**Rupees**	Rupees
	Cash in hand		**10,000**	60
	Cash at banks			
	current accounts		**2,459,139**	571,363
	deposit/saving accounts		**35,549**	4,431
			2,494,688	575,794
			2,504,688	575,854

27.1 Effective markup rate in respect of deposits / savings accounts, for the year, ranges from 3.70% (2017: 3.75% to 4.5%)

28 TURNOVER - NET

	Note	2018		
		Local	**Export**	**Total**
		Rupees	***Rupees***	***Rupees***
Yarn	*28.1*	**486,152,125**	**53,161,649**	**539,313,774**
Waste		**6,213,111**	**-**	**6,213,111**
Processing services		**1,400,155**	**-**	**1,400,155**
		493,765,391	**53,161,649**	**546,927,040**
Sales tax		**-**	**-**	**-**
		493,765,391	**53,161,649**	**546,927,040**

	2017		
	Local	Export	Total
	Rupees	*Rupees*	*Rupees*
Yarn	324,242,603	63,293,535	387,536,138
Waste	3,565,860	-	3,565,860
Raw material	13,805,434	-	13,805,434
Processing services	7,641,250	-	7,641,250
	349,255,147	63,293,535	412,548,682
Sales tax	-	-	-
	349,255,147	63,293,535	412,548,682

28.1 During the year all export sales made to DRB Industrial Co. Korea, all exports were through confirmed LC.

		Note	2018	2017
			Rupees	*Rupees*
29	**COST OF SALES**			
	Raw material consumed	*29.1*	**356,889,990**	112,095,811
	Cost of raw material sold		**-**	10,766,479
	Stores, spares and loose tools consumed		**14,880,019**	13,490,042
	Salaries, wages and benefits	*29.2*	**66,567,437**	37,424,418
	Power and fuel		**72,473,860**	45,685,141
	Repair and maintenance		**2,177,244**	2,198,759
	Travelling and conveyance		**766,702**	645,653
	Depreciation	*19.1.2*	**49,089,921**	52,075,098
	Others		**1,208,464**	1,806,597

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Manufacturing cost	**564,053,637**	276,187,998
Work in process		
As at beginning of the year	**101,500**	6,285,590
As at end of the year	**(5,551,682)**	(101,500)
	(5,450,182)	6,184,090
Cost of goods manufactured	**558,603,455**	282,372,088

	2018	2017
Finished goods	***Rupees***	*Rupees*
As at beginning of the year	**42,654,512**	204,516,971
Purchased during the year	**37,433,070**	37,296,131
As at end of the year	**(42,421,296)**	(42,654,512)
	37,666,286	199,158,590
	596,269,741	481,530,678

	2018	2017
	Rupees	*Rupees*
29.1 Raw material consumed		
As at beginning of the year	**9,859,184**	26,026,288
Purchased during the year	**359,805,325**	106,695,186
Sold during the year	**-**	(10,766,479)
As at end of the year	**(12,774,519)**	(9,859,184)
	356,889,990	112,095,811

29.2 These include charge / credit in respect of employees retirement benefits amounting to Rs. 947,238(2017: Rs. 5,877,304)

	Note	**2018**	2017
		Rupees	*Rupees*
30 SELLING AND DISTRIBUTION EXPENSES			
Local			
Freight and handling		**2,005,013**	739,419
Commission		**62,203**	253,917
Forwarding charges		**-**	12,839
		2,067,216	1,006,175
Export			
Ocean freight		**94,125**	373,352
Commission on export		**1,699,582**	1,758,325
Export development surcharge		**122,437**	157,534
Export trailer charges		**436,000**	456,000
Export bank charges		**111,297**	202,037
Quality claim		**-**	149,093
Others		**567,612**	466,860
		3,031,053	3,563,201
		5,098,269	4,569,376
31 ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries and benefits	*31.1*	**9,176,898**	11,628,029
Travelling and conveyance		**2,201,630**	1,612,893
Legal and professional		**2,687,556**	2,221,925

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Fee and subscription		**589,987**	594,346
Rent, rates and taxes		**140,512**	96,724
Electricity, gas and water		**1,499,105**	1,691,794
Insurance		**-**	208,104
Repair and maintenance		**258,030**	694,852
Communication		**379,451**	422,752
Printing and stationery		**95,639**	93,579
Vehicle running and maintenance		**684,607**	717,050
Advertisement		**30,000**	112,000
Entertainment		**437,831**	482,534
Auditor's remuneration	*31.2*	**900,000**	801,750
Depreciation		**1,421,569**	2,063,649
Ijarah lease rentals		**390,003**	-
Miscellaneous expenses		**549,194**	720,758
		21,442,012	24,162,739

31.1

	Note	2018	2017
		Rupees	*Rupees*
31.2 Auditor's remuneration			
Annual statutory audit		**750,000**	630,000
Half yearly review		**50,000**	89,250
		50,000	52,500
Out of pocket expenses		**50,000**	30,000
		900,000	801,750
32 OTHER INCOME			
Gain on financial instruments			
Foreign exchange gain		**807,864**	-
Return on bank deposits		**121,605**	304,377
Old liabilities written back		**-**	41,692,053
	26	**(15,489)**	(9,500)
Dividend income		**2,856**	-
		916,836	41,986,930
Other income			
Sale of scrap		**649,062**	-
Gain on disposal of operating fixed assets	*19.1.1*	**-**	1,535,754
Other income		**10,424,333**	-
		11,073,395	1,535,754
		11,990,231	43,522,684
33 FINANCE COST			
Interest on workers' profit participation fund	*13.1*	**145,903**	181,134
Bank charges		**397,435**	572,915
		543,338	754,049
34 OTHER EXPENSES			
Workers' Welfare Fund	*13.2*	**45,237**	55,983
Impairment for doubtful debts and advances	*24.2 & 25.1.1*	**3,921,894**	42,608,271
Loss on disposal of operating fixed assets	*19.1.1*	**227,953**	-
Commission on sale of fixed assets		**406,000**	-
		4,601,084	42,664,254

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35 TAXATION

Current taxation			
current year	*35.1*	**6,561,741**	3,914,834
prior year		**978,781**	(249,211)
Deferred Tax		**20,050,810**	(17,848,846)
		27,591,332	(14,183,223)

35.1
Provision for taxation has been made under section 113, 154 and 169 (2017: section 113, 154 and section 169) of the Income Tax Ordinance, 2001 ("the Ordinance"), there is no relationship between aggregate tax expense and accounting profit. Accordingly no numerical reconciliation has been presented.

35.2 Assessments for the tax years up to 2017 are deemed assessments in terms of Section 120 (1) of the Ordinance, as per returns filled by the Company.

35.3 The Government of Pakistan vide Finance Act 2017 notified a reduced tax rate of 30% for tax year 2018 as compared to 31% applicable to previous year for Companies.

35.4 Comparison of tax provision against tax assessments

Years	**Tax provisions**	**Tax assessment / return**
2016-17	3,914,834	4,757,123
2015-16	621,076	371,865
2014-15	5,466,059	3,755,444

	Unit	**2018**	2017
36 LOSS PER SHARE - BASIC AND DILUTED			
Loss attributable to ordinary shareholders	*Rupees*	**(96,628,505)**	(83,426,507)
	No. of shares	**17,636,719**	17,636,719
Loss per share - *Basic*	*Rupees*	**(5.48)**	(4.73)

	2018	2017
	Rupees	*Rupees*
37 CASH GENERATED FROM OPERATIONS		
Loss before taxation	**(69,037,173)**	(97,609,730)
Adjustments for non-cash and other items		
	227,955	(1,535,754)
Provision for employees retirement benefits	**1,514,690**	(5,190,236)
Old liabilities written back	**-**	(41,692,053)
	-	42,608,267
	15,489	9,500
Foreign exchange gain	**(807,864)**	-
Finance Cost	**543,338**	-
Depreciation	**50,511,490**	54,138,747
	52,005,098	48,338,471
	(17,032,075)	(49,271,259)

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Changes in working capital			
Stores, spares and loose tools		**2,080,743**	6,042,555
Stock in trade		**(8,132,301)**	184,213,653
Trade debts		**2,087,681**	10,967,124
Advances, prepayments and other receivables		**37,275,150**	1,726,673
Trade and other payables		**(14,663,830)**	(108,492,207)
		18,647,443	94,457,798
Cash generated from operations		**1,615,368**	45,186,539

38 CASH AND CASH EQUIVALENTS

Cash and bank balances	*27*	**2,504,688**	575,854
		2,504,688	575,854

39 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

		2018	2017
		Rupees	*Rupees*
39.1	**Transactions with related parties**		
	Nature of relationship		
	Key management personnel		
		22,420,000	52,608,000
		33,953,693	38,690,000
	Associated undertaking		
	(A Square (Pvt) Ltd)		206,600
	Balances with related parties		
	Nature of relationship		
	Key management personnel		
		116,934,374	128,468,067
		2,690,000	2,690,000
		7,850,000	7,850,000
		6,000,000	6,000,000
		4,800,000	4,800,000
		2,040,000	2,040,000
	Associated undertaking		
	(A Square (Pvt) Ltd)	**48,629**	48,629

40 FINANCIAL INSTRUMENTS

The carrying amounts of the Company's financial instruments by class and category are as follows:

	Note	**2018**	2017
		Rupees	*Rupees*
Financial assets			
Cash in hand	*27*	**10,000**	60
Loans and receivables			
Long term deposits	*20*	**27,865,585**	27,444,429
Trade debts	*24*	**18,756,676**	20,844,357
Security deposits	*25*	**3,500,000**	3,500,000
Insurance claims receivable	*25*	**-**	9,439,092
Cash at bank	*27*	**2,494,688**	575,794
		52,616,949	61,803,672

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Short term investments	*26*	**70,511**	86,000
		52,697,460	61,889,732
Financial liabilities			
Financial liabilities at amortized cost			
Long term finances	*11*	**105,968,864**	105,968,864
Long term payables	*12.1*	**18,316,926**	18,316,926
Short term borrowings	*15*	**435,717,148**	450,057,841
Accrued interest/markup	*14*	**105,872,404**	105,475,305
Trade creditors	*13*	**126,035,014**	145,043,555
Ijarah rentals payables	*17*	**26,187,171**	26,194,268
Accrued liabilities	*13*	**86,059,017**	83,666,436
Bills payable	*13*	**-**	-
		904,156,544	934,723,195

41

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. These risks affect revenues, expenses and assets and liabilities of

The Board of Directors has the overall responsibility for establishment and oversight of risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework. The risk policy focuses on unpredictability of financial markets, the Company's exposure to risk of adverse effects thereof and objectives, policies and processes for measuring and managing such risks. The management team of the Company is responsible for administering and monitoring the financial and operational financial risk management throughout the Company in accordance with the risk management framework.

The Company's exposure to financial risks, the way these risks affect the financial position and performance, and forecast transactions of the Company and the manner in which such risks are managed is as follows:

41.1 Credit risk

Credit risk is the risk of financial loss to the Company, if the counterparty to a financial instrument fails to meet its obligations.

41.1.1 Maximum exposure to credit risk

Credit risk principally arises from the Company's loans and receivables. The maximum exposure to credit risk as at the reporting date is as follows:

	Note	**2018**	2017
		Rupees	*Rupees*
Loans and receivables			
Long term deposits	*20*	**27,865,585**	27,444,429
Trade debts	*24*	**18,756,676**	20,844,357
Security deposits	*25*	**3,500,000**	3,500,000
Insurance claims receivable	*25*	**-**	9,439,092
Bank balances	*27*	**2,494,688**	575,794
		52,616,949	61,803,672

41.1.2 Concentration of credit risk

The Company's maximum exposure to credit risk, as at the reporting date, by type of counterparty is as follows:

	2018	2017
	Rupees	*Rupees*
Customers	**18,756,676**	20,844,357
Banking companies and financial institutions	**5,994,688**	13,514,886
Utility companies and regulatory authorities	**27,865,585**	27,444,429
	52,616,949	61,803,672

41.1.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. All counterparties, with the exception of customers, have external credit ratings determined by various credit rating agencies. Credit quality of customers is assessed by reference to historical defaults rates and present ages.

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a) Counterparties with external credit ratings

These include banking companies and financial institutions, which are counterparties to 'insurance claims receivable', 'security deposits' and 'cash at bank'. These counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company.

b) Counterparties without external credit ratings

These include customers which are counter parties to 'trade debts' and utility companies and regulatory authorities which are counter parties to 'long term deposits'. Credit risk in respect of 'long term deposits' is considered to be insignificant as non-performance by these parties is not expected. The Company is exposed to credit risk in respect of trade debts. The analysis of ages of trade debts as at the reporting date is as follows:

	2018		2017	
	Gross carrying amount	**Accumulated Impairment**	Gross carrying amount	Accumulated Impairment
	Rupees	***Rupees***	*Rupees*	*Rupees*
Neither past due nor impaired	**-**		-	
Past due by 0 to 30 days	**629,759**		-	
Past due by 31 to 90 days	**130,362**		-	
Past due by 90 days to one year	**587,354**		81,042	
Over one year	**72,412,755**	**55,003,055**	71,844,976	51,081,661
	73,760,230	**55,003,055**	71,926,018	51,081,661

41.1.4 Collateral held

The Company does not hold any collateral to secure its financial assets.

41.1.5 Credit risk management

As mentioned in note 41.1.3 to the financial statements, the Company's financial assets do not carry significant credit risk, with the exception of trade debts, which are exposed to losses arising from any non-performance by customers. "&"In respect of trade debts, the Company manages credit risk by limiting significant exposure to any single customer. Formal policies and procedures of credit management and administration of receivables are established and executed. "&"In monitoring customer credit risk, the ageing profile of total receivables and individually significant balances, along with collection activities are reviewed on a regular basis. "&"High risk customers are identified and restrictions are placed on future trading, including suspending future shipments and administering dispatches on a prepayment basis or confirmed letters of credit."

41.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

41.2.1 Exposure to liquidity risk

The following is the analysis of contractual maturities of financial liabilities, including estimated interest payments.

			2018		
	Carrying amount	**Contractual cash flows**	**One year or less**	**One to five years**	**More than five years**
	Rupees	***Rupees***	***Rupees***	***Rupees***	***Rupees***
Long term finances	**105,968,864**	**105,968,864**	**105,968,864**	**-**	**-**
Short term borrowings	**435,717,148**	**435,717,148**	**435,717,148**	**-**	**-**
Accrued interest/markup	**105,872,404**	**105,872,404**	**105,872,404**	**-**	**-**
Trade creditors	**126,035,014**	**126,035,014**	**126,035,014**	**-**	**-**
Ijarah rentals payable	**26,187,171**	**26,187,171**	**26,187,171**		
Accrued liabilities	**86,059,017**	**86,059,017**	**86,059,017**	**-**	**-**
Bills payable	**-**	**-**		**-**	**-**
	885,839,618	**885,839,618**	**885,839,618**	**-**	**-**

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	Carrying amount	Contractual cash flows	One year or less	One to five years	More than five years
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Long term finances	105,968,864	105,968,864	105,968,864	-	-
Short term borrowings	450,057,841	450,057,841	450,057,841	-	-
Accrued interest/markup	105,475,305	105,475,305	105,475,305	-	-
Trade creditors	145,043,555	145,043,555	145,043,555	-	-
Ijarah rentals payable	26,194,268	26,194,268	26,194,268		
Accrued liabilities	83,666,436	83,666,436	83,666,436	-	-
Bills payable	-	-	-	-	-
	916,406,269	916,406,269	916,406,269	-	-

41.2.2 Overdue financial liabilities

As at the reporting date, the following debt finances and accrued interest/markup thereon are overdue.

	Note	2018	2017
		Rupees	*Rupees*
Long term finances	*11*	**105,968,864**	105,968,864
Ijarah rentals payable	*17*	**26,187,171**	26,194,268
Short term borrowings	*15*	**308,242,774**	311,049,774
Accrued interest/mark-up	*14*	**105,872,404**	105,475,305
		546,271,213	548,688,211

The Company is contesting recovery suits filed by the lenders. Refer to note 18.1 for details.

41.2.3 Liquidity risk management

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational cash flows, including servicing of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. The Company also has continued financial support from its directors in the form of interest free loans for any short term or long term liquidity requirements.

41.3 Market risk

41.3.1 Currency risk

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from transactions and resulting balances that are denominated in a currency other than functional currency.

a) Exposure to currency risk

The Company's exposure to currency risk as at the reporting date is as follows:

	2018	
	USD	**Total**
	Rupees	***Rupees***
Trade debts	**3,921,894**	**3,921,894**
Net exposure	**3,921,894**	**3,921,894**

	2017	
	USD	Total
	Rupees	*Rupees*
Trade debts	3,384,228	3,384,228
Financial liabilities	-	-
Net exposure	3,384,228	3,384,228

	2018		2017	
	Assets	**Liabilities**	Assets	Liabilities
	Rupees	***Rupees***	*Rupees*	*Rupees*
USD	**121.4500**	**121.6300**	104.8000	105.0000

(b) Exchange rates applied as at the reporting date

The following spot exchange rates were applied as at the reporting date.

	2018		2017	
	Assets	**Liabilities**	Assets	Liabilities
	Rupees	***Rupees***	*Rupees*	*Rupees*
USD	**121.4500**	**121.6300**	104.8000	105.0000

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(c) ***Sensitivity analysis***

A ten percent appreciation in Pak Rupee against foreign currencies would have decreased profit for the year by Rs. 0.392 million (2017: Rs. 0.338 million). A ten percent depreciation in Pak Rupee would have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

d) ***Currency risk management***

The Company manages its exposure to currency risk through continuous monitoring of expected/forecast committed and non-committed foreign currency payments and receipts. Reports on forecast foreign currency transactions, receipts and payments are prepared on monthly basis, exposure to currency risk is measured and appropriate steps are taken to ensure that such exposure is minimized while optimizing return. This includes matching of foreign currency liabilities/payments to assets/receipts and using source inputs in foreign currency.

41.3.2 Interest rate risk

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

a) Interest/markup bearing financial instruments

The effective interest/markup rates for interest/markup bearing financial instruments are mentioned in relevant notes to the financial statements. The Company's interest/markup bearing financial instruments as at the reporting date are as follows:

	2018	2017
	Rupees	*Rupees*
Fixed rate instruments		
Financial assets	**35,549**	4,431
Financial liabilities	**17,863,256**	17,863,256
Variable rate instruments		
Financial assets	**-**	-
Financial liabilities	**422,535,553**	425,349,650

b) Fair value sensitivity analysis for fixed rate instruments

The Company does not account for fixed rate financial assets and liabilities at fair value through profit or loss.

c) Cash flow sensitivity analysis for variable rate instruments and cash flow hedges

An increase of 100 basis points in interest rates as at the reporting date would have decreased profit for the year by Rs. 4.23 million (2017: Rs. 4.25 million). A decrease of 100 basis points wound have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

d) Interest rate risk management

The Company manages interest rate risk by analyzing its interest rate exposure on a dynamic basis. Cash flow interest rate risk is managed by simulating various scenarios taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates impact on profit after taxation and equity of defined interest rate shift, mostly 100 basis points.

41.3.3 Price risk

Price risk represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments. The Company is exposed to price risk in respect of its investment in listed equity securities.

A ten percent appreciation in prices of equity securities as at reporting date would have increased profit for the year by Rs. 7,051 (2017: Rs. 8,600). A ten percent diminution in prices of equity securities as at the reporting date would have had equal but opposite effect on profit. The analysis assumes that all other variables remain constant and ignores the impact, if any, on provision for taxation for the year.

42 CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. These are subject to operational conditions both internal and external, and generation of cash flows for working capital requirements and meeting of debt obligations. Any temporary shortfall is met through interest free loans from directors. The Board of Directors monitors the return on capital and level of dividends to ordinary shareholders and seeks to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. The Company monitors capital using the gearing ratio which is debt divided by total capital employed. Debt comprises long term finances and liabilities against assets subject to finances lease, including current maturity. Total capital employed includes total equity, as shown in the balance sheet plus surplus on revaluation of property, plant and equipment, plus debt. The Company's strategy is to maintain an optimal capital structure in order to minimize cost of capital. Gearing ratio of the Company as at the reporting date is as follows:

	Unit	**2018**	2017
Total debt	*Rupees*	**105,968,864**	**105,968,864**

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	Total equity	*Rupees*	**460,999,666**	421,161,307
			566,968,530	527,130,171
	Gearing	*% age*	**18.69%**	20.10%

43 FAIR VALUE MEASUREMENTS

43.1 Financial Instruments

43.1.1 Financial instruments measured at fair value

The Company measures some of its assets at fair value at the end of each reporting period. Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements and has the following levels.

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value hierarchy of assets measured at fair value and the information about how the fair values of these financial instruments are determined are as follows:

a) Recurring fair value measurements

	Nature of asset	Hierarchy	Valuation techniques/Key inputs	2018	2017
				Rupees	*Rupees*
	Financial assets at fair value through profit or loss				
	Short term investments	Level 1	Quoted prices in an active market	**70,511**	86,000

b) Non-recurring fair value measurements

43.1.2 Financial instruments not measured at fair value

The management considers the carrying amount of all financial instruments not measured at fair value to approximate their carrying values.

43.2 Assets and liabilities other than financial instruments.

43.2.1 Recurring fair value measurements

For recurring fair value measurements, the fair value hierarchy and information about how the fair values are determined is as follows:

	Level 1	Level 2	Level 3	2018	2017
				Rupees	*Rupees*
Freehold land	-	336,520,000	-	**336,520,000**	168,217,500
Factory building	-	234,987,362	-	**234,987,362**	217,053,517
Plant and machinery	-	974,476,234	-	**974,476,234**	960,260,463

The fair valuation of the revalued assets are considered to represent a level 2 valuation of fair value hierarchy based on significant observable inputs. The fair values are subject to change owing to change in input. However, the management does not expect there to be a material sensitivity to the fair values arising from the observable inputs. The basis of revaluation for items of these fixed assets were as follows:

Freehold land:

Revalued amount of freehold land has been determined by reference to local market values of land taking into account prevailing fair market prices under the position and circumstances present on the date of revaluation and current market scenario for properties of similar nature in the immediate neighborhood and adjoining areas.

Building:

Revalued amount of building has been determined by reference to present depreciated replacement values after taking into consideration covered area and type of construction, age of civil and ancillary structures, physical condition and level of preventive maintenance carried out by the Company.

Plant and machinery:

Valuation is based on inquiries from the local manufacturers / suppliers of the similar machinery that was compared to the prices of machinery and equipment installed in other comparable companies and the information provided by the client. The invoice value was enhanced to about 20% to cater for the duty structure and overheads like insurance, clearing and freight costs and installation etc to come to the landed cost, which was compared with the prices of equivalent and similar machinery.

43.2.2 Non-recurring fair value measurements

There are no non-recurring fair value measurements as at the reporting date.

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44 RESTRICTION ON TITLE, AND ASSETS PLEDGED AS SECURITY

	2018	2017
	Rupees	*Rupees*
Mortgages and charges		
Charge over current assets	**209,000,000**	209,000,000
Charge over fixed assets	**321,000,000**	321,000,000
Pledge		
Raw material	**11,632,671**	8,717,336
Finished goods	**42,421,296**	42,654,512
	2018	

45 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged to profit or loss in respect of chief executive, directors and executives on account of managerial remuneration, allowances and perquisites, post employment benefits and the number of such directors and executives is as follows:

	Chief Executive	Directors	Executives
	Rupees	*Rupees*	*Rupees*
Managerial remuneration	**-**	**-**	**6,660,362**
Allowances and perquisites		**-**	**2,220,121**
Post employment benefits		**-**	**-**
		-	**8,880,483**
Number of persons	**1**	**2**	**6**

	2017		
	Chief Executive	Directors	Executives
	Rupees	*Rupees*	*Rupees*
Managerial remuneration	-	-	4,312,500
Allowances and perquisites	-	-	1,437,500
Post employment benefits	-	-	-
	-	-	5,750,000
Number of persons	1	2	6

The chief executive and directors are provided with cars maintained by the Company and telephone at their residence. The directors have waived their meeting fees.

46 SEGMENT INFORMATION

46.1 The Company is a single reportable segment.

46.2 All non-current assets of the Company are situated in Pakistan.

46.3 All sales of the Company have originated from Pakistan.

47 NUMBER OF EMPLOYEES

Total number of employees of the Company as at the reporting date are 379 (2017: 90). Average number of persons employed by the Company during the year are 235 (2017: 217).

48 RECOVERABLE AMOUNTS AND IMPAIRMENT

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

49 PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	2018	2017
Owned			
Total number of spindles installed	*No.*	**50,136**	50,136
Average number of spindles worked	*No.*	**10,916**	10,718
Number of shifts worked per day	*No.*	**1 to 3**	1 to 3
	Kgs	**14,924,234**	14,924,234
Actual production converted into 20s count	*Kgs*	**3,619,940**	1,094,254

It is difficult to precisely compare production capacity and the resultant production converted into base count in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw materials used, spindle speed and twist etc. It would also vary according to pattern of production adopted in a particular year.

50 EVENTS AFTER BALANCE SHEET DATE

There is no event after the reporting period requiring any adjustment in or disclosure in financial statements.

51 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on November 06, 2018 by the Board of Directors of the Company.

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52 RECLASSIFICATION

The following have been reclassified for better presentation.

Particulars	From	To	2018	2017
Sundary payable	Other payables	Trade creditors	**39,024,877**	38,744,984

53 GENERAL

53.1 Figures have been rounded off to the nearest rupee.

53.2 Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison. However, there were no significant reclassifications during the year.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

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PATTERN OF SHAREHOLDING

1. Incorporation Number 0007332

2. Name of the Company SHADMAN COTTON MILLS LIMITED

3. Pattern of holding of the shares held by the shareholders as on JUNE 30, 2018

Number of ShareHolders	Shareholdings		Total Number of Share Held	Percentage of Total Capital
	From	To		
619	1 -	100	15,489	0.09
231	101 -	500	53,413	0.30
160	501 -	1000	113,987	0.65
121	1001 -	5000	237,836	1.35
10	5001 -	10000	58,778	0.33
5	10001 -	15000	65,693	0.37
2	15001 -	20000	32,750	0.19
5	20001 -	25000	103,099	0.58
1	25001 -	30000	29,121	0.17
1	30001 -	35000	32,077	0.18
1	35001 -	40000	38,892	0.22
2	50001 -	55000	102,484	0.58
1	70001 -	75000	74,016	0.42
2	105001 -	110000	213,308	1.21
1	185001 -	190000	185,872	1.05
1	315001 -	320000	318,931	1.81
1	400001 -	405000	401,566	2.28
1	495001 -	500000	500,000	2.83
1	510001 -	515000	514,503	2.92
1	515001 -	520000	519,793	2.95
1	865001 -	870000	869,500	4.93
1	1105001 -	1110000	1,105,528	6.27
2	1495001 -	1500000	3,000,000	17.01
1	9050001 -	9055000	9,050,083	51.31
1,172			17,636,719	100.00

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SHADMAN COTTON MILLS LIMITED
CATEGORIES OF SHAREHOLDERS
AS ON JUNE 30TH, 2018

Sr. #	Name		Shares Held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children				
1	SHAHID MAZHAR		9,550,083	
2	GHAZALA SHAHID		401,566	
3	AHMED BIN SHAHID		1,500,000	
4	MUHAMMAD AFNAN SHAHID (MINOR) THRO SHAHID MAZHAR (GUARDIAN)		1,500,000	
5	NAUREEN REHAN		519,793	
6	MUHAMMAD AKHTAR		939	
7	SHAHID MAHMUD		500	
8	NADEEM BHATTI		500	
		Sub-Total:	**13,473,381**	**76.3939**
NIT and ICP				
1	M/S. NATIONAL BANK OF PAKISTAN, TRUSTEE DEPARTMENT		2,500	
2	M/S. INVESTMENT CORPORATION OF PAKISTAN		479	
		Sub-Total:	**2,979**	**0.0169**
Mudarabas and Mutual Funds			**-**	**0.0000**
Insurance Companies			**-**	**0.0000**
Banks, Development Financial Instituations, Non Banking Financial Instituations				
1	IDBL (ICP UNIT)		600	
2	NATIONAL BANK OF PAKISTAN LTD.		2	
		Sub-Total:	**602**	**0.0034**
General Public (Foreign)				
	MOHAMED HAFEEDH FAIROOZUDDIN WADHWA SANDHU		7,523	
	M/S COLOMBY TRADING LTD.		100	
		Sub-Total:	**7,623**	**0.0432**
Others				
1	FIKREES (PRIVATE) LIMITED		1,000	
2	MUHAMMAD AHMED NADEEM SECURITIES (SMC-PVT) LIMITED		27	
3	AWJ SECURITIES (PRIVATE) LIMITED.		386	
4	CAPITAL VISION SECURITIES (PVT) LTD.		1,361	
5	MAPLE LEAF CAPITAL LIMITED		1	
6	NH SECURITIES (PVT) LIMITED.		120	
7	NH HOLDINGS (PVT) LTD		1,077	
8	Y.S. SECURITIES & SERVICES (PVT) LTD.		78	
		Sub-Total:	**4,050**	**0.0230**
Individuals (Local)			4,148,084	
		Sub-Total:	**4,148,084**	**23.5196**
	Grand Total:		**17,636,719**	**100.0000**
Shareholders having 5% or more voting rights:				
1	SHAHID MAZHAR		9,550,083	54.1489
2	AHMED BIN SHAHID		1,500,000	8.5050
3	MUHAMMAD AFNAN SHAHID (MINOR) THRO SHAHID MAZHAR (GUARDIAN)		1,500,000	8.5050
		Total:	**12,550,083**	**71.1588**

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Shadman Cotton Mills Limited

Folio No./CDC Participant ID

And Account No. _____

CNIC No. _____

PROXY FORM

I/We _____ Son / Daughter / Wife of _____ being member(s) of **Shadman Cotton Mills Limited** and holder of _____ Ordinary Shares as per Registered Folio No. /CDC Participant ID No.Account No. _____ do hereby appoint Mr. _____ of _____ or failing him/her _____ of _____ who is also member of **Shadman Cotton Mills Limited,** vide registered folio no./CDC/ Participant ID No. and Account No. _____ as my / our proxy to vote for me / us and on my / our behalf at the 39th Annual General Meeting of the Company to be held on **Tuesday, November 27, 2018 at 10.30 a.m.** at 2-E, Block-G, Mushtaq Ahmed Gurmani Road, Gulberg-II, Lahore and at any adjournment thereof.

As witness my/our hand this _____day of _____2018

1. Witness:

Signature _____

Name _____

Address: _____

_____

CNIC/Passport No. _____

Please affix here
Revenue Stamp of
Rs.5/-

_____
Members' Signature

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as his / her proxy to attend and vote on his / her behalf. Proxies in order to be valid must be received at the Registered Office of the Company 48 hours before the time of the meeting. A proxy must be a member of the Company.

2. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his / her original CNIC or Passport to prove his / her identity and in case of proxy must encloses an attested copy of his / her CNIC or Passport. Representative of corporate members should bring the usual documents required for such purposes.

3. Signature should agree with specimen signature registered with the company.

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فولیو نمبر / CDC پارٹیسپینٹ نمبر (شرکت نمبر)

کھاتا نمبر: _____

کمپیوٹرائزڈ شناختی کارڈ نمبر: _____

پراکسی فارم

میں/ہم _____

بیٹا/بیٹی/زوجہ _____ بحیثیت رکن

شادمان کاٹن ملز لیمیٹڈ اور حامل _____ عام حصص، بمطابق رجسٹر فولیو نمبر/

سی ڈی سی پارٹیسپینٹ (سرکت) آئی ڈی اور اکاؤنٹ (کھاتا) نمبر: _____

محترم _____ کا/کے _____

یا عدم موجودگی کی صورت میں، محترم _____

کا/کے _____ بھی جو کے شادمان کاٹن ملز لیمیٹڈ کے رکن ملاحظہ رجسٹر ڈ فولیو نمبر/سی ڈی سی پارٹیسپینٹ (شرکت) آئی ڈی اور اکاؤنٹ (کھاتا) نمبر: کو اپنے/ہمارے ایما پر مورخہ 27 نومبر 2018 بروز منگل صبح 10:30 بجے منعقد ہونے والے کمپنی کے سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے یا کسی بھی صورت میں اپنا/ہمارا پراکسی مقرر کرتا ہوں/کرتے ہیں۔

آج بروز _____ تاریخ _____ 2018 بطور گواہ دستخط کئے گئے۔

1) گواہ:

دستخط: _____

نام: _____

پتہ: _____

کمپیوٹرائزڈ شناختی کارڈ نمبر: _____

پانچ روپے مالیت کی رسیدی ٹکٹ چسپاں کریں

2) گواہ:

دستخط: _____

نام: _____

پتہ: _____

کمپیوٹرائزڈ شناختی کارڈ نمبر: _____

_____

ممبر کے دستخط

نوٹ:

1۔ کوئی بھی رکن (ممبر) جو سالانہ اجلاس میں شرکت کرنے اور ووٹ دینے کا/کی حقدار ہے وہ اجلاس میں شرکت کرنے اور ووٹ دینے کے لئے کسی دوسرے رکن (ممبر) کو اپنا پراکسی مقرر کرسکتا/سکتی ہے۔ پراکسیاں موثر ہونے کے لیے اجلاس کے انعقاد سے 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس میں موصول ہونی چاہیں۔ پراکسی کا رکن (ممبر) ہونا لازمی ہے۔

2۔ سی ڈی سی کے انفرادی مالک جو اس میں شرکت کے اہل ہیں اپنا کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ اپنی شناخت کے لیے ہمراہ لائیں۔ پراکسی کی صورت میں اپنے قومی کمپیوٹرائزڈ شناختی کارڈ یا پاسپورٹ کی مصدقہ نقل منسلک کریں۔ کارپوریٹ ممبرز کے نمائندگان شناخت کے لیے اس موقع پر درکار معمول کی دستاویزات ہمراہ لے کر آئیں۔