



SHAMS TEXTILE MILLS LIMITED

9 MONTHS REPORT

31 March 2014

(Un-Audited)



CONTENTS

1.	Company Information	4
2.	Directors' Report	5
4.	Balance Sheet	6-7
5.	Profit & Loss Account	8
6.	Statement of Comprehensive Income	9
7.	Cash Flow Statement	10
8.	Statement of Changes in Equity	11
9.	Notes to the accounts	12-15

COMPANY INFORMATION

Board of Directors

Khalid Bashir	(Chief Executive)
Muhammad Anwar	(Chairman)
Adil Bashir	
Amjad Mahmood	
Asif Bashir	
Muhammad Asif	(Nominee NIT)
Nadeem Maqbool	

Chief Financial Officer

Farooq Ahmad

Company Secretary

Hashim Tariq

Audit Committee

Muhammad Anwar	(Chairman)
Asif Bashir	(Member)
Adil Bashir	(Member)
Khaleeqe Ahmad	(Secretary)

Human Resource & Remuneration Committee

Amjad Mahmood	(Chairman)
Khalid Bashir	(Member)
Adil Bashir	(Member)

Auditors

Riaz Ahmad & Company
Chartered Accountants

Share Registrar

Crescent Group (Pvt) Ltd.
10th Floor, BOP Tower, 10-B, Block E-2,
Gulberg-III, Lahore

Bankers

Allied Bank Limited
MCB Bank Limited
National Bank of Pakistan
The Bank of Punjab
KASB Bank Limited
United Bank Limited

Registered Office

7-B-III, Aziz Avenue, Gulberg-V, Lahore

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Fax: +92-42-3576 0376
Email: info@shams.com.pk
Web: www.shams.com.pk

Project Locations

Kotla Kahloon, District Nankana Sahib, Punjab
3-KM, Faisalabad Road, Chiniot, Punjab

DIRECTORS' REPORT

On behalf of the Board of Directors, I am pleased to present the operating and financial performance of the company for the period ended 31 March 2014.

Financial Performance

The Company's operations for the period under review showed net loss Rs. (10.430) million (Profit 2013: Rs. 223.294 million) and loss per share of Rs. (1.21) (Profit 2013: Rs.25.84).

The sales decreased by 13.26% to Rs. 3.165 billion (2013: Rs. 3.649 billion) and also decreased in gross profit by 67.12% to Rs. 156.954 million as compared to corresponding period of Rs. 477.366 million. The financial cost increased by 15.40% to Rs. 47.337 million as compared to corresponding period (2013: Rs. 41.019 million).

The financial results are as follow:

	Rs. In thousand
Sales Revenue	3,164,865
Gross Profit	156,954
Operating Expenses	102,202
Other Income	13,909
Finance Cost	47,337
Profit before Taxation	21,324
Taxation	31,754
(Loss) after Taxation	(10,430)

Energy remains a big problem in Punjab and is becoming worst day by day. Due to non-availability of gas and electricity, our manufacturing facilities were severely affected in terms of production and operating costs. Cost of manufacturing has become very expensive in Punjab as compared to the other provinces due to the difference in the cost of energy.

The cost of production in Unit No. 1 had been increased substantially due to massive load shedding of electricity, sui gas and also increase in their prices. As a result management of the Company decided to close the operation of Unit No. 1, located at 3 KM Faisalabad Road, Chiniot with immediate effect.

Future Outlook

Due to higher cotton prices, low yarn prices and very poor off take we expect the next quarter, to be very difficult for the industry. China's policy regarding import of cotton and yarn is unclear and prospects for better results appear bleak. Your Company started modernization in its Unit No. II, which is now, completed. Hopefully due to this BMR we will see higher production and better quality of its products enabling your company to compete better in the market.

Acknowledgements

On behalf of the Board of Directors, I would take this opportunity to thank all our partners, employees and shareholders for their continued support.

For & On behalf of Board of Directors

Khalid Bashir
Chief Executive

April 22, 2014
Lahore

CONDENSED INTERIM BALANCE SHEET

As At 31 March 2014

	Un Audited	Audited
	31 March	30 June
	2014	2013
Note	(Rupees in thousand)	
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorized share capital		
25,000,000 (30 June 2013: 25,000,000) ordinary shares of Rupees 10 each	250,000	250,000
Issued, subscribed and paid-up share capital		
8,640,000 (30 June 2013: 8,640,000) ordinary shares of Rupees 10 each	86,400	86,400
Reserves	748,075	773,124
Total equity	834,475	859,524
LIABILITIES		
NON-CURRENT LIABILITIES		
Long term financing	5 265,208	114,271
Deferred income tax liability	9,342	9,238
	274,550	123,509
CURRENT LIABILITIES		
Trade and other payables	578,304	406,071
Accrued mark-up	15,730	8,024
Short term borrowings	512,307	197,758
Current portion of long term financing	67,345	29,845
	1,173,686	641,698
Total liabilities	1,448,236	765,207
CONTINGENCIES AND COMMITMENTS	6 -	-
TOTAL EQUITY AND LIABILITIES	2,282,711	1,624,731

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

Chief Executive

	Un Audited 31 March 2014	Audited 30 June 2013
Note	(Rupees in thousand)	
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	7 1,128,227	853,289
Long term deposits	1,576	1,576
	1,129,803	854,865
CURRENT ASSETS		
Stores, spare parts and loose tools	69,059	80,311
Stock-in-trade	784,801	379,862
Trade debts	153,919	191,206
Loans and advances	17,572	6,899
Short term prepayments	3,278	963
Short term investments	47,918	36,617
Sales tax refundable	26,017	32,882
Taxation - net	46,006	33,563
Cash and bank balances	4,338	7,563
	1,152,908	769,866
TOTAL ASSETS	2,282,711	1,624,731

Director

CONDENSED INTERIM PROFIT & LOSS ACCOUNT (Un-Audited)
For The Nine Months Ended 31 March 2014

	NINE MONTHS ENDED		QUARTER ENDED	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Note	(Rupees in thousand)			
SALES	3,164,865	3,648,645	898,761	1,165,161
COST OF SALES	8 (3,007,911)	(3,171,279)	(887,971)	(1,021,332)
GROSS PROFIT / (LOSS)	156,954	477,366	10,790	143,829
DISTRIBUTION COST	(63,423)	(129,079)	(15,953)	(41,347)
ADMINISTRATIVE EXPENSES	(37,091)	(33,702)	(12,157)	(11,348)
OTHER OPERATING EXPENSES	(1,688)	(35,855)	327	(3,884)
	(102,202)	(198,636)	(27,783)	(56,579)
	54,752	278,730	(16,993)	87,250
OTHER OPERATING INCOME	13,909	12,899	853	2,790
PROFIT / (LOSS) FROM OPERATIONS	68,661	291,629	(16,140)	90,040
FINANCE COST	(47,337)	(41,019)	(25,384)	(16,818)
PROFIT / (LOSS) BEFORE TAXATION	21,324	250,610	(41,524)	73,222
TAXATION	(31,754)	(27,316)	(9,119)	(7,061)
(LOSS) / PROFIT AFTER TAXATION	(10,430)	223,294	(50,643)	66,161
(LOSS) / EARNING PER SHARE - BASIC AND DILUTED (RUPEES)	(1.21)	25.84	(5.86)	7.66

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

Chief Executive

Director

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Un-audited)

For The Nine Months Ended 31 March 2014

	NINE MONTHS ENDED		QUARTER ENDED	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	(Rupees in thousand)			
(LOSS) / PROFIT AFTER TAXATION	(10,430)	223,294	(50,643)	66,161
OTHER COMPREHENSIVE INCOME				
Surplus / (Deficit) on remeasurement of available for sale investments	11,301	3,635	10,413	(4,783)
Other comprehensive income / (loss) for the period	11,301	3,635	10,413	(4,783)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	871	226,929	(40,230)	61,378

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

Chief Executive

Director

CONDENSED INTERIM CASH FLOW STATEMENT (Un-Audited)
For The Nine Months Ended 31 March 2014

	NINE MONTHS ENDED	
	31 March 2014	31 March 2013
Note	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	9 (73,429)	160,619
Finance cost paid	(39,629)	(56,068)
Income tax paid	(44,093)	(32,791)
Dividend paid	(24,858)	(10,615)
Net cash generated from operating activities	(182,009)	61,145
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on property, plant and equipment	(337,442)	(119,152)
Proceeds from sale of property, plant and equipment	13,240	15,120
Net cash used in investing activities	(324,202)	(104,032)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing	(11,563)	(49,065)
Long term financing obtained	200,000	92,509
Short term borrowings - net	314,549	9,633
Net cash used in financing activities	502,986	53,077
Net increase in cash and cash equivalents	(3,225)	10,190
Cash and cash equivalents at the beginning of the period	7,563	4,339
Cash and cash equivalents at the end of the period	4,338	14,529

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

Chief Executive

Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-Audited)
For The Nine Months Ended 31 March 2014

	Reserves							TOTAL EQUITY
	SHARE CAPITAL	Capital		Revenue			Total reserves	
		Premium on issue of right shares	Fair value reserve	Sub Total	General reserve	Un-appropriated Profit / (Accumulated loss)		
	(Rupees in thousand)							
Balance as at 30 June 2012 (Audited)	86,400	6,240	92,640	345,000	53,306	398,306	490,946	577,346
Final dividend for the year ended 30 June 2012 @ Rupees 1.25 per share	-	-	-	-	(10,800)	(10,800)	(10,800)	(10,800)
Profit for the nine months ended 31 March 2013	-	-	-	-	223,294	223,294	223,294	223,294
Other comprehensive income for the nine months ended 31 March 2013	-	3,635	3,635	-	-	-	3,635	3,635
Total comprehensive profit for the nine months ended 31 March 2013	-	3,635	3,635	-	223,294	223,294	226,929	226,929
Balance as at 31 March 2013 (Un-audited)	86,400	9,875	96,275	345,000	265,800	610,800	707,075	793,475
Profit for the three months ended 30 June 2013	-	-	-	-	60,830	60,830	60,830	60,830
Other comprehensive profit for the three months ended 30 June 2013	-	5,219	5,219	-	-	-	5,219	5,219
Total comprehensive income for the three months ended 30 June 2013	-	5,219	5,219	-	60,830	60,830	66,049	66,049
Balance as at 30 June 2013 (Audited)	86,400	15,094	101,494	345,000	326,630	671,630	773,124	859,524
Transaction with owners - Final dividend for the year ended 30 June 2013 @ Rupees 3 per share	-	-	-	-	(25,920)	(25,920)	(25,920)	(25,920)
Profit for the nine months ended 31 March 2014	-	-	-	-	(10,430)	(10,430)	(10,430)	(10,430)
Other comprehensive income for the nine months ended 31 March 2014	-	11,301	11,301	-	-	-	11,301	11,301
Total comprehensive income for the nine months ended 31 March 2014	-	11,301	11,301	-	(10,430)	(10,430)	871	871
Balance as at 31 March 2014 (Un-audited)	86,400	26,395	112,795	345,000	290,280	635,280	748,075	834,475

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

Chief Executive

Director

SELECTED NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION (Un-Audited)
For The Nine Months Ended 31 March 2014

1. THE COMPANY AND ITS OPERATIONS

Shams Textile Mills Limited is a public limited company incorporated in Pakistan under the Companies Act, 1913 (Now Companies Ordinance, 1984) and is listed on Karachi and Lahore Stock Exchanges in Pakistan. Its registered office is situated at 7-B-III, Aziz Avenue, Gulberg V, Lahore. The company is engaged in the business of manufacturing, sale and trading of yarn and trading of cloth.

2. BASIS OF PREPARATION

This condensed interim financial information is un-audited but subject to limited scope review by the statutory auditors and is being submitted to the shareholders, as required by Section 245 of the Companies Ordinance, 1984. This condensed interim financial information of the company for the nine months ended 31 March 2014 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information should be read in conjunction with the audited annual published financial statements of the company for the year ended 30 June 2013.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the preceding audited annual published financial statements of the company for the year ended 30 June 2013.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

During preparation of this condensed interim financial information, the significant judgments made by the management in applying the company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the company for the year ended 30 June 2013.

	Unaudited	Audited
	31 March	30 June
	2014	2013
	(Rupees in thousand)	
5. LONG TERM FINANCING - SECURED		
Opening balance	144,116	150,672
Add: Obtained during the period / year	200,000	92,509
Less: Repaid during the period / year	11,563	99,065
	332,553	144,116
Less: Current portion shown under current liabilities	67,345	29,845
	265,208	114,271

SELECTED NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION (Un-Audited)
For The Nine Months Ended 31 March 2014

6. CONTINGENCIES AND COMMITMENTS

Contingencies

Bank guarantees of Rupees 45.037 million (30 June 2013: Rupees 45.037 million) are given by the bank of the company in favour of Sui Northern Gas Pipelines Limited against gas connections.

Commitments

- (i) Contracts for capital expenditures amounted to Rupees 74.982 million (30 June 2013: Rupees 339.027 million).
- (ii) Letters of credit for other than capital expenditures amounted to Rupees 15.841 million (30 June 2013: Rupees 10.225 million).

	Unaudited 31 March 2014 (Rupees in thousand)	Audited 30 June 2013
7. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets		
Owned (Note 7.1)	939,512	747,367
Capital work-in-progress (Note 7.2)	188,715	105,922
	1,128,227	853,289
7.1 Operating fixed assets - owned		
Opening book value	747,367	725,831
Add: Cost of additions during the period / year (Note 7.1.1)	254,648	103,491
	1,002,015	829,322
Less: Book value of deletions during the period / year (Note 7.1.2)	4,839	8,948
	997,166	820,374
Less: Depreciation charged during the period / year	57,654	73,007
Closing book value	939,512	747,367
7.1.1 Cost of additions		
Plant and machinery	254,648	82,766
Electric installations	-	16,130
Vehicles	-	4,595
	254,648	103,491
7.1.2 Book value of deletions		
Plant and machinery	4,182	8,700
Vehicles	667	248
	4,849	8,948
7.2 Capital work-in-progress		
Buildings	144,460	60,893
Plant and machinery	-	774
Advance against office premises	44,255	44,255
	188,715	105,922

SHAMS TEXTILE MILLS LIMITED

SELECTED NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION (Un-Audited)
For The Nine Months Ended 31 March 2014

	Un-Audited			
	Nine Months ended		Quarter ended	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	(Rupees in thousand)			
8. COST OF SALES				
Raw material consumed	2,607,221	2,354,805	799,393	792,857
Stores, spares and loose tools consumed	65,615	72,756	15,904	28,989
Packing materials	51,812	50,180	16,621	16,987
Salaries, wages and other benefits	191,190	205,275	55,918	62,919
Fuel and power	417,153	323,791	126,838	105,220
Repairs and maintenance	24,966	36,606	8,664	8,291
Insurance	4,517	5,304	1,591	1,760
Depreciation	55,127	50,864	20,016	18,031
Other factory overheads	5,773	10,492	1,591	5,420
	3,423,374	3,110,073	1,046,536	1,040,474
Work-in-process:				
Opening stock	29,461	24,089	26,063	33,361
Closing stock	(23,031)	(28,338)	(23,031)	(28,338)
	6,430	(4,249)	3,032	5,023
Cost of goods manufactured	3,429,804	3,105,824	1,049,568	1,045,497
Finished goods:				
Opening stock	142,562	163,981	402,858	74,361
Closing stock	(564,455)	(98,526)	(564,455)	(98,526)
	(421,893)	65,455	(161,597)	(24,165)
	3,007,911	3,171,279	887,971	1,021,332

	Unaudited	
	Nine Months Ended	
	31 March 2014	31 March 2013
	(Rupees in thousand)	

9. CASH GENERATED FROM OPERATIONS

Profit before taxation	21,324	250,610
Adjustments for non-cash charges and other items:		
Depreciation	57,654	53,577
Gain on sale of property, plant and equipment	(8,383)	(8,103)
Provision against slow moving stores, spare parts and loose tools	-	10,000
Provision against doubtful debts	-	12,630
Finance cost	47,337	41,019
Working capital changes (Note 9.1)	(191,361)	(199,114)
	(73,429)	160,619

9.1 Working capital changes

(Increase) / decrease in current assets:		
- Stores, spare parts and loose tools	11,252	(14,632)
- Stock-in-trade	(404,939)	(435,540)
- Trade debts	37,287	45,118
- Loans and advances	(10,673)	1,714
- Other receivables	(2,315)	(6,543)
- Sales tax refundable	6,865	(6,033)
	(362,523)	(415,916)
Increase in trade and other payables	171,162	216,802
	(191,361)	(199,114)

SELECTED NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION (Un-Audited)
For The Nine Months Ended 31 March 2014

10. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, key management personnel and provident fund trust. The company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties are as follows:

i. Transactions	Un-Audited			
	Nine Months ended 31 March 2014	31 March 2013	Quarter ended 31 March 2014	31 March 2013
(Rupees in thousand)				
Associated companies				
Sale of goods and services	270,481	239,236	4,452	133,737
Purchase of goods and services	6,718	9,203	241	9,000
Electricity purchased	38,143	83,566	17,244	25,617
Insurance premium	7,178	11,245	-	1,642
Dividend received	48	32	-	-
Rent expense	1,530	1,285	510	455
Dividend paid	8,719	8,284	-	4,651
Insurance claim received	5,663	1,748	-	-
Other related parties				
Company's contribution to employees' provident fund trust	3,383	3,417	1,167	1,190
ii. Period end balances				
As at 31 March 2014				
	Associated Companies	Other related Parties	Total	
(Rupees in thousand)				
Trade and other payables		7,089	51,899	58,988
Short term investments		9,716	-	9,716
As at 30 June 2013				
	Associated Companies	Other related Parties	Total	
(Rupees in thousand)				
Trade and other payables		2,845	229	3,074
Trade debts		61,184	-	61,184
Short term investments		16,432	-	16,432
Other receivables		152	-	152

11. FINANCIAL RISK MANAGEMENT

The company's financial risk management objectives and policies are consistent with those disclosed in the preceding audited annual published financial statements of the company for the year ended 30 June 2013.

12. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was approved by the Board of Directors of the company and authorized for issue on 22 April, 2014.

13. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting", the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim profit and loss account, condensed interim statement of profit or loss and other comprehensive income and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison, however, no significant re-arrangements have been made.

14. GENERAL

Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.

Chief Executive

Director



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