



SHAMS TEXTILE MILLS LIMITED

## QUARTERLY REPORT

September 30, 2014

(Un-Audited)





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## COMPANY INFORMATION

**Board of Directors**

Muhammad Anwar	(Chairman)
Khalid Bashir	(Chief Executive)
Asif Bashir	
Khurram Mazhar Karim	
Muhammad Asif	(Nominee: NIT)
Shahid Arshad	
Sharik Bashir	

**Chief Financial Officer**

Farooq Ahmad

**Company Secretary**

Hashim Tariq

**Audit Committee**

Khurram Mazhar Karim	(Chairman)
Muhammad Anwar	(Member)
Asif Bashir	(Member)

**Human Resource & Remuneration Committee**

Khalid Bashir	(Chairman)
Muhammad Anwar	(Member)
Khurram Mazhar Karim	(Member)

**Legal Advisor**

Muhammad Iqbal Khawaja

**Share Registrar**

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

**Auditors**

Riaz Ahmad & Company  
Chartered Accountants

**Bankers**

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

**Registered Office**

7-B-III, Aziz Avenue, Gulberg-V, Lahore  
Ph: +92-423-576 0379, 576 0382  
Fax: +92-423-576 0376  
Email: [info@shams.com.pk](mailto:info@shams.com.pk)  
Web: [www.shams.com.pk](http://www.shams.com.pk)

**Project Locations**

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

## DIRECTORS' REPORT

The Board of Directors is pleased to present a brief report on the operation and financial performance of the Company for the period July to September 2014 quarter.

As reported in the annual Directors' report textile industry in Pakistan continues to be in deep trouble. The major factors being the worsening energy crisis and the very low prices of its products in the world market. Your Company has not been able to avoid the adverse effect of these conditions.

The Company financial performance has therefore not been satisfactory with a loss after tax of Rs. 36.670 million. The cost of doing business has been increasing and although cotton prices have declined during this period, this has been more than offset by very low prices of the end products. Pakistan's major customer of textile products has reduced, its off take from Pakistan and whatever sales are possible are at extremely low prices so that the Company is operating at a loss.

### Financial summary of the current quarter is as follow:

Rs. in million	30 September 2014
Sales	1,153.74
Gross profit	24.728
Operating expenses	34.834
Other income	7.365
(Loss) from operation	(2.741)
Finance cost	22.493
(Loss) before taxation	(25.234)
Provision for taxation	11.436
(Loss) after taxation	(36.670)
(Loss) per share (Rs.)	(4.24)

### Future Outlook:

It appears that the world textile industry in general and Pakistan in particular will continue to operate in a very difficult scenario and unless something dramatic happens, will continue with negative results. The energy situation appears bleak and even if cotton price remain low, with very low prices for end products the performance of your Company will not be positive.

For and On behalf of Board of Directors

**Khalid Bashir**  
Chief Executive

**October 27, 2014**

## CONDENSED INTERIM BALANCE SHEET

As At September 30, 2014

	<b>Un Audited September 30, 2014</b>	Audited June 30, 2014
	<b>Note</b>	<b>(Rupees in thousands)</b>
<b>EQUITY AND LIABILITIES</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
<b>Authorized share capital</b>		
25,000,000 (30 June 2014: 25,000,000) ordinary shares of Rupees 10 each	<b>250,000</b>	250,000
<b>Issued, subscribed and paid up share capital</b>		
8,640,000 (30 June 2014: 8,640,000) ordinary shares of Rupees 10 each	<b>86,400</b>	86,400
<b>Reserves</b>	<b>682,412</b>	703,528
<b>Total equity</b>	<b>768,812</b>	789,928
<b>LIABILITIES</b>		
<b>NON-CURRENT LIABILITIES</b>		
Long term financing	<b>5</b> <b>196,254</b>	214,537
Deferred income tax liability	<b>9,414</b>	9,414
	<b>205,668</b>	223,951
<b>CURRENT LIABILITIES</b>		
Trade and other payables	<b>465,476</b>	503,964
Accrued mark-up	<b>12,360</b>	13,997
Short term borrowings	<b>381,745</b>	448,619
Current portion of long term financing	<b>6</b> <b>99,734</b>	99,734
	<b>959,315</b>	1,066,314
<b>Total liabilities</b>	<b>1,164,983</b>	1,290,265
<b>CONTINGENCIES AND COMMITMENTS</b>	<b>7</b> -	-
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,933,795</b>	2,080,193

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

Chief Executive

	Un Audited September 30, 2014	Audited June 30, 2014
Note	(Rupees in thousands)	
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	<b>8</b> <b>1,103,029</b>	1,124,311
Long term deposits	<b>1,576</b>	1,576
	<b>1,104,605</b>	1,125,887
<b>CURRENT ASSETS</b>		
Stores, spare parts and loose tools	<b>66,949</b>	70,907
Stock-in-trade	<b>420,197</b>	544,923
Trade debts	<b>174,149</b>	166,652
Loans and advances	<b>8,475</b>	32,919
Short term prepayments	<b>4,688</b>	-
Other receivable	<b>719</b>	20
Short term investments	<b>64,133</b>	48,579
Sales tax refundable	<b>16,495</b>	19,542
Taxation - net	<b>65,726</b>	66,254
Cash and bank balances	<b>7,659</b>	4,510
	<b>829,190</b>	954,306
<b>TOTAL ASSETS</b>	<b>1,933,795</b>	2,080,193

Director

**CONDENSED INTERIM PROFIT & LOSS ACCOUNT (Un-Audited)**  
For The Period Ended September 30, 2014

	Note	September 30, 2014 (Rupees in thousands)	September 30, 2013
SALES	9	1,153,740	1,240,084
COST OF SALES	10	(1,129,012)	(1,145,323)
GROSS PROFIT		24,728	94,761
DISTRIBUTION COST		(21,456)	(27,673)
ADMINISTRATIVE EXPENSES		(13,378)	(12,597)
OTHER OPERATING EXPENSES		-	(3,568)
		(34,834)	(43,838)
		(10,106)	50,923
OTHER OPERATING INCOME		7,365	3,884
(LOSS) / PROFIT FROM OPERATIONS		(2,741)	54,807
FINANCE COST		(22,493)	(7,238)
(LOSS) / PROFIT BEFORE TAXATION		(25,234)	47,569
TAXATION		(11,436)	(12,401)
(LOSS) / PROFIT AFTER TAXATION		(36,670)	35,168
(LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)		(4.24)	4.07

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

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF  
COMPREHENSIVE INCOME (Un-audited)**

For The Period Ended September 30, 2014

	<b>September 30, 2014</b>	September 30, 2013
	<b>(Rupees in thousands)</b>	
(LOSS) / PROFIT AFTER TAXATION	<b>(36,670)</b>	35,168
<b>OTHER COMPREHENSIVE INCOME</b>		
Investments	<b>15,554</b>	2,111
Other comprehensive income for the period	<b>15,554</b>	2,111
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>	<b>(21,116)</b>	37,279

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

Chief Executive

Director

**CONDENSED INTERIM CASH FLOW STATEMENT (Un-Audited)**  
For The Period Ended September 30, 2014

	<b>September 30, 2014</b>	September 30, 2013
	<b>Note</b>	<b>(Rupees in thousands)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Cash generated from operations</b>	<b>11</b>	<b>118,468</b>
Finance cost paid		227,111
Income tax paid		(9,544)
Dividend paid		(10,907)
		1
<b>Net cash generated from operating activities</b>		<b>83,423</b>
		197,906
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure on property, plant and equipment		(2,988)
Proceeds from sale of property, plant and equipment		7,870
<b>Net cash used in investing activities</b>		<b>4,882</b>
		(142,872)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long term financing		(18,283)
Long term financing obtained		-
Short term borrowings - net		(66,873)
<b>Net cash used in financing activities</b>		<b>(85,156)</b>
		(58,353)
<b>Net increase in cash and cash equivalents</b>		<b>3,149</b>
		(3,319)
<b>Cash and cash equivalents at the beginning of the period</b>		<b>4,510</b>
		7,563
<b>Cash and cash equivalents at the end of the period</b>		<b>7,659</b>
		4,244

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 Period Ended September 30, 2014

	Reserves							TOTAL EQUITY	
	SHARE CAPITAL		Capital		Revenue				Total reserves
	Premium on issue of right shares	Fair value reserve	Sub total	General reserve	Unappropriated profit / accumulated loss)	Sub total	Total reserves		
	(Rupees in thousands)								
Balance as at 30 June 2013 (Audited)	86,400	86,400	15,094	101,494	345,000	326,630	671,630	773,124	859,524
Profit for the period ended 30 September 2013	-	-	-	-	-	35,168	35,168	35,168	35,168
Other comprehensive income for the period ended 30 September 2013	-	-	2,111	2,111	-	-	-	2,111	2,111
Total comprehensive profit for the period ended 30 September 2013	-	-	2,111	2,111	-	35,168	35,168	37,279	37,279
Balance as at 30 September 2013 (Un-audited)	86,400	86,400	17,205	103,605	345,000	361,798	706,798	810,403	896,803
Transaction with owners - Final dividend for the year ended 30 June 2013 @ Rupees 3 per share	-	-	-	-	-	(25,920)	(25,920)	(25,920)	(25,920)
Transfer to general reserve	-	-	-	-	255,000	(255,000)	-	-	-
(Loss) for the period ended 30 June 2014	-	-	-	-	-	(90,806)	(90,806)	(90,806)	(90,806)
Other comprehensive profit for the period ended 30 June 2014	-	-	9,851	9,851	-	-	-	9,851	9,851
Total comprehensive income/(loss) for the period ended 30 June 2014	-	-	9,851	9,851	-	(90,806)	(90,806)	(80,955)	(80,955)
Balance as at 30 June 2014 (Audited)	86,400	86,400	27,056	113,456	600,000	(9,928)	590,072	703,528	789,928
(Loss) for the period ended 30 September 2014	-	-	-	-	-	(36,670)	(36,670)	(36,670)	(36,670)
Other comprehensive income for the period ended 30 September 2014	-	-	15,554	15,554	-	-	-	15,554	15,554
Total comprehensive income/(loss) for the period ended 30 September 2014	-	-	15,554	15,554	-	(36,670)	(36,670)	(21,116)	(21,116)
Balance as at 30 September 2014 (Un-audited)	86,400	86,400	42,610	129,010	600,000	(46,598)	553,402	682,412	768,812

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 Period Ended September 30, 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 30 September 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 2014.

**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 2014.

**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 2014.

	<b>Unaudited September 30, 2014</b>	Audited June 30, 2014
	<b>(Rupees in thousands)</b>	
<b>5. LONG TERM FINANCING - SECURED</b>		
Opening balance	<b>314,271</b>	144,116
Add: Obtained during the period / year	-	200,000
Less: Repayments during the period / year	<b>18,283</b>	29,845
	<b>295,988</b>	314,271
<b>6. Less: Current portion shown under current liabilities</b>	<b>99,734</b>	99,734
	<b>196,254</b>	214,537

SELECTED NOTES TO THE CONDENSED INTERIM  
FINANCIAL INFORMATION (Un-Audited)  
For The Period Ended September 30, 2014

**7. CONTINGENCIES AND COMMITMENTS**

**Contingencies**

Bank guarantees of Rupees 47.537 million (30 June 2014: Rupees 47.537 million) are given by the bank of the company in favour of Sui Northern Gas Pipelines Limited against gas connections.

**Commitments**

Contracts for capital expenditures amounted to Rupees 22.950 million (30 June 2014: Rupees 24.673 million).

Letters of credit for other than capital expenditures amounted to Rupees 12.904 million (30 June 2014: Rupees 96.262 million).

	<b>Un-audited September 30, 2014</b>	Audited June 30, 2014
	<b>(Rupees in thousands)</b>	
<b>8. PROPERTY, PLANT AND EQUIPMENT</b>		
Operating fixed assets		
Owned (Note 8.1)	<b>909,640</b>	931,271
Capital work-in-progress (Note 8.2)	<b>193,389</b>	193,040
	<b>1,103,029</b>	1,124,311
<b>8.1 Operating fixed assets - owned</b>		
Opening book value	<b>931,271</b>	747,367
Add: Cost of additions during the period / year (Note 8.1.1)	<b>2,639</b>	272,569
	<b>933,910</b>	1,019,936
Less: Book value of deletions during the period / year (Note 8.1.2)	<b>2,259</b>	7,095
	<b>931,651</b>	1,012,841
Less: Depreciation charged during the period / year	<b>22,011</b>	81,570
Closing book value	<b>909,640</b>	931,271
<b>8.1.1 Cost of additions</b>		
Residential Building	-	17,921
Plant and machinery	-	254,648
Vehicles	<b>2,639</b>	-
	<b>2,639</b>	272,569
<b>8.1.2 Book value of deletions</b>		
Plant and machinery	<b>1,071</b>	6,429
Vehicles	<b>1,188</b>	666
	<b>2,259</b>	7,095
<b>8.2 Capital work-in-progress</b>		
Building <b>149,133</b>	148,785	
Advance against office premises	<b>44,256</b>	44,255
	<b>193,389</b>	193,040
	<b>Unaudited September 30, 2014</b>	Unaudited September 30, 2013
	<b>(Rupees in thousands)</b>	
<b>9. SALES</b>		
Export	<b>336,045</b>	279,455
Local	<b>817,695</b>	960,629
	<b>1,153,740</b>	1,240,084

SELECTED NOTES TO THE CONDENSED INTERIM  
FINANCIAL INFORMATION (Un-Audited)  
For The Period Ended September 30, 2014

	<b>Unaudited September 30, 2014</b>	Unaudited September 30, 2013
	<b>(Rupees in thousands)</b>	
<b>10. COST OF SALES</b>		
Raw material consumed	<b>611,072</b>	896,055
Stores, spares and loose tools consumed	<b>20,326</b>	26,151
Packing materials	<b>13,123</b>	16,967
Salaries, wages and other benefits	<b>56,357</b>	66,600
Fuel and power	<b>102,400</b>	134,626
Repairs and maintenance	<b>5,491</b>	8,169
Insurance	<b>1,379</b>	1,614
Depreciation	<b>21,326</b>	16,971
Other factory overheads	<b>1,055</b>	2,548
	<b>832,529</b>	1,169,701
Work-in-process:		
Opening stock	<b>28,859</b>	29,461
Closing stock	<b>(22,135)</b>	(27,017)
	<b>6,724</b>	2,444
Cost of goods manufactured	<b>839,253</b>	1,172,145
Finished goods:		
Opening stock	<b>444,993</b>	142,562
Closing stock	<b>(155,234)</b>	(169,384)
	<b>289,759</b>	(26,822)
	<b>1,129,012</b>	1,145,323
<b>11. CASH GENERATED FROM OPERATIONS</b>		
<b>(Loss) / Profit before taxation</b>	<b>(25,234)</b>	47,569
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation	<b>22,011</b>	17,828
Gain on sale of property, plant and equipment	<b>(5,608)</b>	-
Finance cost	<b>22,493</b>	7,238
Working capital changes (Note 21.1)	<b>104,806</b>	154,476
	<b>118,468</b>	227,111
<b>11.1 Working capital changes</b>		
(Increase) / decrease in current assets:		
- Stores, spare parts and loose tools	<b>3,960</b>	12,042
- Stock-in-trade	<b>124,726</b>	68,014
- Trade debts	<b>(7,497)</b>	21,189
- Loans and advances	<b>24,444</b>	648
- Trade deposit nad short term prepayments	<b>(4,688)</b>	-
- Other receivables	<b>(699)</b>	623
- Sales tax refundable	<b>3,047</b>	5,893
	<b>143,293</b>	108,409
Decrease in trade and other payables	<b>(38,487)</b>	46,067
	<b>104,806</b>	154,476

SELECTED NOTES TO THE CONDENSED INTERIM  
FINANCIAL INFORMATION (Un-Audited)  
For The Period Ended September 30, 2014

**12. TRANSACTION 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:

	<b>Unaudited</b>	Unaudited
	<b>September</b>	September
	<b>30, 2014</b>	30, 2013
	<b>(Rupees in thousands)</b>	
<b>Associated Companies</b>		
Sale of goods and services	<b>39,580</b>	250,357
Purchase of goods and services	<b>209</b>	3,477
Electricity purchase	<b>15,938</b>	12,912
Insurance premium	<b>5,910</b>	6,909
Purchase of Tangible fixed assets	-	3,000
Rent expense	<b>510</b>	-
<b>Other related parties</b>		
Company's contribution to employees' provident fund trust	<b>1,061</b>	1,135

**13. 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 2014.

**14. 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 October 27, 2014.

**15. 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.

**16. GENERAL**

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

Chief Executive

Director



***BOOK POST***

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Grace Printing Press 0334-067074

