



SHAMS TEXTILE MILLS LIMITED

QUARTERLY REPORT

September 30, 2011

(Un-Audited)



CONTENTS

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

COMPANY INFORMATION

Board of Directors

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

Chief Financial Officer

Farooq Ahmad

Audit Committee

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

Auditors

Riaz Ahmad & Company
Chartered Accountants

Bankers

Allied Bank Limited
Habib Bank Limited
MCB Bank Limited
National Bank of Pakistan
The Bank of Punjab

Registered Office

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Project Locations

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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 30 September 2011.

Financial Performance

The Company's operations for the period under review showed decreased in sales. The sales decreased by approximately 28 % of Rs. 736.096 million (2010: Rs. 1024.198 million) while the gross (loss)/profit margin was (15.82%) as compared to 13.08% last year. For the year (Loss)/Profit after tax is Rs. (174.610) million (2010:65.436) and earnings per share decreased by (Rs. 20.21) (2010: Rs. 7.57).

The other operating expenses decreased to Rs. 3.60 million (2010: 9.60 million).

The long-term liabilities in the period under review are Nil, while the current ratio was 0.60 for the period under review.

Future Outlook

The current year looks very volatile, as the cotton and yarn prices have fallen drastically. New York futures have come down to about \$1.00 and this has reflected in the raw material prices in all origins.. Cotton crop in Pakistan is expected to be adequate to meet domestic consumption but the price trend remains an enigma. Although cotton price in Pakistan is the lowest in the world but due to this price volatility our main buyer China is also on the sidelines as the demand for yarn and other value added products remains volatile and no segment of the textile chain seems willing to take a bet on future trends. Mostly the industry is working cautiously but one thing is sure, the profitability of earlier years will not be achieved. We hope that prices of raw materials and yarn stabilize so that China and other countries in the Far East and Europe come to fulfill their demand.

The management continues to maintain its efforts towards efficiency, higher productivity and cost controls. We hope that with these efforts we will be able to produce better results and maximize our return to the shareholders. We are also examining the feasibility of different avenues which will help us to offset negative trends in the textile markets.

Acknowledgements

On behalf of the Board of Directors, I would take this opportunity to thank all our partners for their continued support and especially thank the employees who have worked very hard throughout the year.

For & On behalf of Board of Directors

Khalid Bashir
Chief Executive

October 26, 2011
Lahore

CONDENSED INTERIM BALANCE SHEET

As At September 30, 2011

		Un Audited September 30, 2011	Audited June 30, 2011
	Note	(Rupees in thousands)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
25,000,000 (30 June 2011: 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 2011: 8,640,000) ordinary			
shares of Rupees 10 each		86,400	86,400
Reserves		270,107	444,576
Total equity		356,507	530,976
NON-CURRENT LIABILITIES			
Long term financing	5	-	11,565
Deferred income tax liability		7,182	7,182
		7,182	17,747
CURRENT LIABILITIES			
Trade and other payables		309,196	298,066
Accrued mark-up		20,809	23,315
Short term borrowings		721,362	875,027
Current portion of non-current liabilities	6	55,447	73,068
		1,106,814	1,269,476
Total liabilities		1,113,996	1,288,223
CONTINGENCIES AND COMMITMENTS	7	-	-
TOTAL EQUITY AND LIABILITIES		1,470,503	1,819,199

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

Chief Executive

SHAMS TEXTILE MILLS LIMITED

	Note	Un Audited September 30, 2011 (Rupees in thousands)	Audited June 30, 2011
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	801,086	822,875
Long term deposits		1,576	1,576
		802,662	824,451
CURRENT ASSETS			
Stores, spare parts and loose tools		48,112	52,007
Stock in trade		370,068	754,679
Trade debts		156,980	93,753
Loans and advances		12,026	5,264
Short term prepayments		3,783	-
Other receivables		34	198
Short term investments		23,976	23,834
Refunds due from the Government		25,164	22,939
Taxation - net		18,872	22,734
Cash and bank balances		8,826	19,340
		667,841	994,748
TOTAL ASSETS		1,470,503	1,819,199

Director

SHAMS TEXTILE MILLS LIMITED

CONDENSED INTERIM PROFIT & LOSS ACCOUNT (Un-Audited)
For The Period Ended September 30, 2011

	Note	September 30, 2011 (Rupees in thousands)	September 30, 2010
SALES	9	736,096	1,024,198
COST OF SALES	10	(852,522)	(890,240)
GROSS (LOSS) / PROFIT		(116,426)	133,958
DISTRIBUTION COST		(11,257)	(19,092)
ADMINISTRATIVE EXPENSES		(10,342)	(9,212)
OTHER OPERATING EXPENSES		(3,600)	(9,595)
		(25,199)	(37,899)
		(141,625)	96,059
OTHER OPERATING INCOME		765	661
(LOSS) / PROFIT FROM OPERATIONS		(140,860)	96,720
FINANCE COST		(26,389)	(21,042)
(LOSS) / PROFIT BEFORE TAXATION		(167,249)	75,678
TAXATION		(7,361)	(10,242)
(LOSS) / PROFIT AFTER TAXATION		(174,610)	65,436
(LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED (Rupees)		(20.21)	7.57

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, 2011

	September 30, 2011	September 30, 2010
	(Rupees in thousands)	
(LOSS) / PROFIT AFTER TAXATION	(174,610)	65,436
OTHER COMPREHENSIVE INCOME		
Surplus on remeasurement of available for sale investments	141	346
Other comprehensive income for the period - net of tax	141	346
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	(174,469)	65,782

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

Chief Executive

Director

SHAMS TEXTILE MILLS LIMITED

CONDENSED INTERIM CASH FLOW STATEMENT (Un-Audited)
For The Period Ended September 30, 2011

	Note	September 30, 2011 (Rupees in thousands)	September 30, 2010 (Rupees in thousands)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash from operations	11	200,886	135,146
Finance cost paid		(28,895)	(28,689)
Income tax paid		(3,607)	(5,855)
Dividend paid		48	-
		(32,454)	(34,544)
Net cash from operating activities		168,432	100,602
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		3,510	(15,057)
Proceeds from sale of property, plant and equipment		395	-
Net cash used in investing activities		3,905	(15,057)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(29,186)	(29,186)
Repayment of finance lease liabilities		-	(2,710)
Short term borrowings - net		(153,665)	(55,517)
Net cash used in financing activities		(182,851)	(87,413)
Net decrease in cash and cash equivalents		(10,514)	(1,868)
Cash and cash equivalents at the beginning of the year		19,340	13,735
Cash and cash equivalents at the end of the period		8,826	11,867

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, 2011

	SHARE CAPITAL	Reserves					TOTAL EQUITY		
		Capital		Revenue					
		Premium on issue of right shares	Fair value reserve	Sub Total	General reserve	Accumulated profit/(loss)		Sub total	Total
		(Rupees in thousands)							
Balance as on 01 July 2010 (audited)	86,400	86,400	2,163	88,563	345,000	24,771	369,771	458,334	544,734
Total comprehensive income for the period ended 30 September 2010	-	-	346	346	-	65,436	65,436	65,436	65,782
Balance as on 30 September 2010 (un-audited)	86,400	86,400	2,509	88,909	345,000	90,207	435,207	524,116	610,516
Final Dividend for the year ended 30 June 2010	-	-	-	-	-	(17,280)	(17,280)	(17,280)	(17,280)
Total comprehensive income for the nine months ended 30 June 2011	-	-	(291)	(291)	-	(61,969)	(61,969)	(62,260)	(62,260)
Balance as on 30 June 2011 (audited)	86,400	86,400	2,218	88,618	345,000	10,958	355,958	444,576	530,976
Total comprehensive income for the period ended 30 September 2011	-	-	141	141	-	(174,610)	(174,610)	(174,469)	(174,469)
Balance as at 30 September 2011 (un-audited)	86,400	86,400	2,359	88,759	345,000	(163,652)	181,348	270,107	356,507

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

Chief Executive

Director

SELECTED NOTES TO THE INTERIM
FINANCIAL INFORMATION (Un-Audited)
For The Period Ended September 30, 2011

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, cloth and processing of cloth.

2. BASIS OF PREPARATION

This condensed interim financial information is un-audited and is being submitted to the shareholders, as required by Section 245 of the Companies Ordinance, 1984. This condensed interim financial information has been prepared in accordance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting" as applicable in Pakistan and notified by the Securities and Exchange Commission of Pakistan (SECP). 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 2011.

3. ACCOUNTING POLICIES

The accounting policies and methods of computations adopted for the preparation of this condensed interim financial information are the same as applied in the preparation of the preceding audited annual published financial statements of the company for the year ended 30 June 2011.

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 2011.

	Unaudited September 30, 2011	Audited June 30, 2011
(Rupees in thousands)		
5. LONG TERM FINANCING		
Secured		
Opening balance	84,633	201,377
Less: Repaid during the period / year	29,186	116,744
Closing balance	55,447	84,633
Less: Current portion shown under current liabilities	55,447	73,068
	-	11,565
6. CURRENT PORTION OF NON-CURRENT LIABILITIES		
Long term financing	55,447	73,068
	55,447	73,068

7. CONTINGENCIES AND COMMITMENTS

Contingencies

- i) Bank guarantees of Rupees 37.813 million (30 June 2011: Rupees 37.813 million) are given by the banks of the company in favour of Sui Northern Gas Pipelines Limited against gas connections.

Commitments

- i) Letters of credit for other than for capital expenditure are Rupees Nil (30 June 2011: Rupees 4.769 million).

SHAMS TEXTILE MILLS LIMITED

SELECTED NOTES TO THE INTERIM
FINANCIAL INFORMATION (Un-Audited)
For The Period Ended September 30, 2011

	Unaudited September 30, 2011	Audited June 30, 2011
(Rupees in thousands)		
8. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets		
Owned (Note 8.1)	753,778	772,056
Leased (Note 8.2)	0	0
Capital work in progress (Note 8.3)	47,309	50,819
	801,086	822,875
8.1 Operating fixed assets - owned		
Opening book value	772,056	786,651
Add: Cost of additions during the period / year (Note 8.1.1)	0	65,396
	772,056	852,047
Less: Book value of deletions during the period / year (Note 8.1.2)	94	2,981
	771,962	849,066
Less: Depreciation charge during the period / year	18,184	77,010
	753,778	772,056
8.1.1 Cost of additions		
Plant and machinery	-	50,347
Vehicles	-	15,049
	-	65,396
8.1.2 Book value of deletions		
Vehicles	94	2,981
	94	2,981
8.2 Operating fixed assets - leased		
Opening book value	-	22,389
Less: Depreciation charged for the period / year	-	1,119
	-	21,270
Closing book value	-	(21,270)
Transferred to Fixed assets	-	-
	-	-
8.3 Capital work in progress		
Building	6,408	6,396
Letter of credit against plant and machinery	-	3,522
Advance against vehicle	1,013	1,013
Advance against office premises	39,888	39,888
	47,309	50,819
	Unaudited September 30, 2011	Unaudited September 30, 2010
(Rupees in thousands)		
9. SALES		
Export	165,183	269,878
Local	570,913	754,320
	736,096	1,024,198

SHAMS TEXTILE MILLS LIMITED

SELECTED NOTES TO THE INTERIM
FINANCIAL INFORMATION (Un-Audited)
For The Period Ended September 30, 2011

	Unaudited September 30, 2011	Unaudited September 30, 2010
	(Rupees in thousands)	
10. COST OF SALES		
Raw materials consumed	409,647	647,301
Salaries, wages and other benefits	39,803	44,978
Stores, spare parts and loose tools	12,448	20,753
Packing materials consumed	8,913	11,390
Repair and maintenance	6,350	6,627
Fuel and power	46,361	50,936
Insurance	2,195	2,333
Other factory overheads	1,073	1,117
Depreciation	17,184	18,210
	543,974	803,645
Work-in-process		
Opening stock	16,101	17,528
Closing stock	(24,413)	(14,103)
	(8,312)	3,425
Cost of goods manufactured	535,662	807,070
Finished goods		
Opening stock	621,130	244,283
Closing stock	(304,270)	(161,113)
	316,860	83,170
Cost of sales	852,522	890,240
11. CASH GENERATED FROM OPERATIONS		
(Loss) / Profit before taxation	(167,249)	75,678
Adjustments for non-cash charges and other items:		
Depreciation	18,184	18,852
Gain on sale of property, plant and equipment	(289)	-
Impairment loss on investments	-	4,282
Finance cost	26,389	21,042
Working capital changes (Note 11.1)	323,851	15,292
	200,886	135,146
11.1 Working capital changes		
(Increase) / decrease in current assets:		
- Stores, spare parts and loose tools	3,895	7,894
- Stock in trade	384,611	42,282
- Trade debts	(63,227)	(51,537)
- Loans and advances	(6,762)	381
- Short term deposits and prepayments	(3,783)	90
- Other receivables	164	2,402
- Refunds due from the Government	(2,225)	(2,667)
	312,673	(1,155)
Increase in trade and other payables	11,178	16,447
	323,851	15,292
12. TRANSACTION WITH RELATED PARTIES		
The related parties comprise associated undertakings, other related companies, 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:		

SELECTED NOTES TO THE INTERIM
FINANCIAL INFORMATION (Un-Audited)
For The Period Ended September 30, 2011

	Unaudited September 30, 2011	Unaudited September 30, 2010
(Rupees in thousands)		
Associated Companies		
Sale of goods	28,856	51,568
Purchase of goods and services	45,842	1,676
Electricity purchase	5,751	2,974
Insurance premium	9,417	9,661
Other related parties		
Contribution to provident fund	742	814

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 2011.

14. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was approved by the Board of Directors and authorized for issue on October 26, 2011.

15. CORRESPONDING FIGURES

Comparative figures have been re-arranged / regrouped wherever necessary for the purpose of comparison. However, no significant rearrangement / regroupings have been made.

16. GENERAL

Figures have been rounded off to nearest thousand of Rupees.

Chief Executive

Director



BOOK POST

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