



SHAMS TEXTILE MILLS LIMITED

9 MONTHS REPORT

March 31, 2009

(Un-Audited)



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COMPANY INFORMATION

Board of Directors

Adil Bashir	
Amjad Mahmood	
Asif Bashir	
Bashir Ahmad	(Nominee: NIT)
Khalid Bashir	(Chief Executive)
Muhammad Asif	(Nominee: NIT)
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
First National Bank Modarba
Habib Bank Limited
MCB Bank Limited
National Bank of Pakistan
RBS
The Bank of Punjab
Standard Chartered Bank (Pakistan) Limited

Registered Office

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Project Locations

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DIRECTORS' REPORT

On behalf of the Directors, I am pleased to present the Un-Audited accounts for the nine months ended 31st March, 2009.

Financial Performance

During the period under review your company posted a loss after tax of Rs. 70.56 million (2008: loss after tax of Rs. 14.42 million) with negative eps of Rs 8.17 (2008: negative Rs. 1.67). The sales increased by 21.7% to 1,953 million while the operating profit was 73.4 million. The financial cost increased by 56.67% to Rs. 95.3 million due to higher interest rates and increased borrowing.

The long term loans have decreased by Rs. 4.554 million while the current ration and debt equity ratio were 0.73 and 42:58 respectively for the period under review.

The impact of investments impairment on profit & loss account is given in note 8.

Future Prospects

The performance of the textile sector has been badly affected during this world recession. The lack of demand and current excess supply in the textile chain has led to major closures of textile manufacturing units in Pakistan. The electricity and gas load shedding and higher interest rates have crippled this sector. The recent increase in electricity rates has put a massive burden on the textile chain making the situation worse. Near term improvement appears unlikely.

Acknowledgements

I wish to thank the Shareholders, Bankers, Suppliers and Staff for the cooperation and efforts.

Khalid Bashir
Chief Executive

April 25, 2009

INTERIM CONDENSED BALANCE SHEET

As At March 31, 2009

	Note	Un Audited March 31, 2009 (Rupees in thousands)	Audited June 30, 2008
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 25,000,000 (30 June 2008: 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 2008: 8,640,000) ordinary shares of Rupees 10 each		86,400	86,400
Reserves			
Capital reserves		43,161	102,141
Revenue reserves		251,805	322,366
		294,966	424,507
Total equity		381,366	510,907
NON-CURRENT LIABILITIES			
Long term financing	5	230,563	235,115
Supplier's credit		39,709	39,709
Liabilities against assets subject to finance lease		8,253	15,413
Deferred taxation		38,217	37,693
		316,742	327,930
CURRENT LIABILITIES			
Trade and other payables		192,331	136,601
Accrued markup		30,293	30,777
Short term borrowings		573,118	605,343
Current portion of non-current liabilities		63,905	125,138
		859,647	897,859
Total liabilities		1,176,389	1,225,789
CONTINGENCIES AND COMMITMENTS	6	-	-
TOTAL EQUITY AND LIABILITIES		1,557,755	1,736,696

The annexed notes form an integral part of this interim financial information. The impact of investments' impairment on profit and loss account is given in note 8.

Chief Executive

SHAMS TEXTILE MILLS LIMITED

	Note	Un Audited March 31, 2009 (Rupees in thousands)	Audited June 30, 2008
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	930,472	985,075
Long term security deposits		1,571	1,571
		932,043	986,646
CURRENT ASSETS			
Stores, spare parts and loose tools		41,764	38,639
Stock-in-trade		242,659	346,223
Trade debts		246,228	203,324
Short term investments	8	43,020	103,271
Loans and advances		8,966	9,965
Short term deposits and prepayments		1,927	910
Other receivables		-	214
Refunds due from Government		24,390	25,501
Income tax - net		13,164	8,041
Cash and bank balances		3,594	13,962
		625,712	750,050
TOTAL ASSETS		1,557,755	1,736,696

Director

SHAMS TEXTILE MILLS LIMITED

INTERIM CONDENSED PROFIT & LOSS ACCOUNT

For The Nine Months Ended March 31, 2009 (Un-Audited)

	Note	Nine Months Ended		Quarter Ended	
		March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
(Rupees in thousands)					
Sales		1,953,152	1,604,529	705,255	509,301
Cost of sales	9	1,879,719	1,541,211	702,566	501,281
Gross profit		73,433	63,318	2,689	8,020
Distribution cost		13,497	22,205	1,854	2,820
Administrative expenses		21,361	19,847	6,821	6,753
Other operating expenses		14,468	826	384	458
		49,326	42,878	9,059	10,031
		24,107	20,440	(6,370)	(2,011)
Other operating income		4,134	34,238	444	28,913
Profit from operations		28,241	54,678	(5,926)	26,902
Finance cost		95,295	60,824	29,850	26,248
Loss before taxation		(67,054)	(6,146)	(35,776)	654
Provision for taxation	10	3,507	8,283	1,381	2,553
Loss after taxation		(70,561)	(14,429)	(37,157)	(1,899)
Earnings per share- basic and diluted (rupees)	11	(8.17)	(1.67)	(4.30)	(0.22)

The annexed notes form an integral part of this interim financial information. The impact of investments' impairment on profit and loss account is given in note 8.

Chief Executive

Director

INTERIM CONDENSED CASH FLOW STATEMENT
For The Nine Months Ended March 31, 2009 (Un-Audited)

	March 31, 2009 (Rupees in thousands)	March 31, 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(67,054)	(6,146)
Adjustments for non cash charges and other items:		
Depreciation	67,553	73,745
Gain on sale of property, plant and equipment	(659)	(2,039)
Settlement of long term bills	-	(26,679)
Loss on revaluation of long term bill payable	-	1,119
Finance cost	95,295	60,824
Cash flow from operating activities before adjustment of working capital changes	95,135	100,824
(Increase)/ decrease in current assets		
Stores, spare parts and loose tools	(3,125)	(7,693)
Stock-in-trade	103,564	(277,995)
Trade debts	(42,904)	(24,259)
Loans and advances	999	8,729
Short term deposits and prepayments	(1,017)	(803)
Other receivables	214	1,185
Refunds due from Government	1,111	(2,052)
	58,842	(302,888)
Increase / (decrease) in current liabilities		
Trade and other payables	55,730	46,111
Short term borrowings	(32,225)	206,349
	23,505	252,460
Cash generated from / (used in) operations	177,482	50,396
Finance cost paid	(95,779)	(62,252)
Income tax paid	(8,105)	(5,843)
	(103,884)	(68,095)
Net cash generated from / (used in) operating activities	73,598	(17,699)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(13,230)	(15,054)
Proceeds from sale of property, plant and equipment	939	5,558
Proceeds from sale of investment	1,271	(40,946)
Net cash used in investing activities	(11,020)	(50,442)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing	(66,806)	(109,421)
Repayment of finance lease liabilities	(6,139)	(5,698)
Dividend paid	(1)	(19,965)
Net cash used in financing activities	(72,946)	(135,084)
Net decrease in cash and cash equivalents	(10,368)	(203,225)
Cash and cash equivalents at the beginning of the period	13,962	217,836
Cash and cash equivalents at the end of the period	3,594	14,611

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

Chief Executive

Director

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
For The Nine Months Ended March 31, 2009 (Un-Audited)

	SHARE CAPITAL	Reserves					TOTAL EQUITY		
		Capital Reserves		Revenue Reserves					
		Premium on issue of right shares	Fair value reserve	Sub Total	General reserve	Unappropriated profit/(loss)		Sub total	Total
(Rupees in thousands)									
Balance as on 30 June 2007	86,400	86,400	84,598	170,998	195,000	189,483	384,483	555,481	641,881
Final dividend for the year ended 30 June 2007 @ 2.5 Rupees per share	-	-	-	-	-	(21,600)	(21,600)	(21,600)	(21,600)
Transfer to general reserve	-	-	-	-	150,000	(150,000)	-	-	-
Fair value adjustment on investments	-	-	(22,565)	(22,565)	-	-	-	(22,565)	(22,565)
Net loss for the nine months	-	-	-	-	-	(14,429)	(14,429)	(14,429)	(14,429)
Balance as on 31 March 2008	86,400	86,400	62,033	148,433	345,000	3,454	348,454	496,887	583,287
Fair value adjustment on investments	-	-	(46,292)	(46,292)	-	-	-	(46,292)	(46,292)
Net loss for the three months	-	-	-	-	-	(26,088)	(26,088)	(26,088)	(26,088)
Balance as on 30 June 2008	86,400	86,400	15,741	102,141	345,000	(22,634)	322,366	424,507	510,907
Fair value adjustment on investments	-	-	(58,980)	(58,980)	-	-	-	(58,980)	(58,980)
Net loss for the nine months	-	-	-	-	-	(70,561)	(70,561)	(70,561)	(70,561)
Balance as on 31 March 2009	86,400	86,400	(43,239)	43,161	345,000	(93,195)	251,805	294,966	381,366

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

Chief Executive

Director

**SELECTED NOTES TO THE INTERIM CONDENSED
FINANCIAL INFORMATION**

For The Nine Months Ended March 31, 2009 (Un-Audited)

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 interim financial information is un-audited but subject to limited scope review by the Auditors and is being submitted to the shareholders, as required by Section 245 of the Companies Ordinance, 1984. This 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 interim financial information should be read in conjunction with the annual financial statements of the company for the year ended 30 June 2008.

3. ACCOUNTING POLICIES AND COMPUTATION METHODS

The accounting policies and method of computations adopted for the preparation of this interim financial information are the same as applied in the preparation of the preceding annual published financial statements of the company for the year ended 30 June 2008.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Judgments and estimates made by the management in the preparation of this interim financial information are the same as those applied to the preceding annual published financial statements of the company for the year ended 30 June 2008.

	Un-audited March 31, 2009 (Rupees in thousands)	Audited June 30, 2008
5. LONG TERM FINANCING		
Opening balance	351,859	517,145
Less: Repaid during the period/ year	66,806	165,286
Closing balance	285,053	351,859
Less: Current portion shown under current liabilities	54,490	116,744
	230,563	235,115
6. CONTINGENCIES AND COMMITMENTS		
Contingencies	NIL	NIL
Commitments		
i) Contracts for capital expenditure are approximately amounting to Rupees 11.789 million (30 June 2008: Rupees 10.684 million).		
ii) Letters of credit for other than capital expenditure are amounting to Rupees 111.918 million (30 June 2008: Rupees 36.315 million).		
7. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets		
Owned (Note 7.1)	873,239	930,604
Leased (Note 7.2)	25,568	27,641
Capital work-in-progress (Note 7.3)	31,665	26,830
	930,472	985,075
7.1 Operating fixed assets		
Opening book value	930,604	1,020,436
Add: Cost of additions during the period / year (Note 7.1.1)	8,395	10,289
	938,999	1,030,725
Less: Book value of deletions during the period / year (Note 7.1.2)	280	5,079
	938,719	1,025,646
Less: Depreciation charge during the period / year	65,480	95,042
Closing book value	873,239	930,604

SELECTED NOTES TO THE INTERIM CONDENSED
FINANCIAL INFORMATION

For The Nine Months Ended March 31, 2009 (Un-Audited)

	Un-audited March 31, 2009 (Rupees in thousands)	Audited June 30, 2008
7.1.1 Cost of additions during the period / year		
Factory building on freehold land	-	2,850
Residential and other building on freehold land	-	5,925
Plant and machinery	2,591	1,462
Vehicles	5,804	52
	8,395	10,289
7.1.2 Book Value of deletions during the period / year		
Cost of deletions		
Plant and machinery	275	17,987
Electric and sui gas installation	-	1,334
Factory equipment	541	-
Furniture and fixtures	47	-
Motor vehicles	1,578	2,129
	2,441	21,450
Less: Accumulated depreciation	(2,161)	(16,371)
Book value of deletions during the period / year	280	5,079
7.2 Operating fixed assets - leased		
Opening book value	27,641	30,712
Less: Depreciation charged for the period / year	2,073	3,071
Closing book value	25,568	27,641

7.3 This represents advance given to M/s Tricon Developers for purchase of office building.

8. SHORT TERM INVESTMENTS

The impairment loss of Rupees 46.166 million is determined on the basis of quoted market prices as at 31 March 2009. Due to current economic conditions in the country, the management believes that these circumstances are rare and share prices quoted on stock exchanges cannot be considered as a fair reflection of equity values. Therefore, in compliance with SRO 150 (1)/2009 dated 13 February 2009 of Securities and Exchange Commission of Pakistan (SECP), the impairment loss on valuation of listed equity investments is shown under the equity. This amount taken to equity including any adjustment / effect for price movement shall be taken to Profit and Loss Account on quarterly basis during the period ending on 31 March 2009. Further, the amount taken to equity as at 31 March 2009 shall be treated as a charge to Profit and Loss Account for the purposes of distribution as dividend.

Had the impairment loss been recognized through Profit and Loss Account the figures, recognized in this interim financial information would have been different as follows:

	Un-audited March 31, 2009
Increase in loss for the year (Rupees in thousand)	46,166
Decrease in deficit of fair value reserve (Rupees in thousand)	46,166
Increase in loss per share (Rupees)	5.34

SELECTED NOTES TO THE INTERIM CONDENSED
FINANCIAL INFORMATION

For The Nine Months Ended March 31, 2009 (Un-Audited)

	Un-Audited			
	Nine months ended		Quarter ended	
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
	(Rupees in thousands)			
9. COST OF SALES				
Raw materials consumed	1,411,039	1,257,499	385,424	395,304
Packing materials consumed	31,900	26,538	9,986	7,956
Stores, spare parts and loose tools	36,131	31,523	15,358	10,650
Salaries, wages and other benefits	110,693	95,001	39,094	32,603
Fuel and power	131,081	100,031	44,444	37,402
Insurance	4,100	3,176	1,401	1,193
Provident fund contributions	1,558	1,225	563	441
Depreciation	65,960	72,608	21,985	24,229
Repair and maintenance	11,937	8,940	3,723	4,995
Other factory overheads	3,549	2,356	1,052	753
	1,807,948	1,598,897	523,030	515,526
Work-in-process				
Opening stock	12,991	11,084	12,303	13,060
Closing stock	(12,085)	(14,277)	(12,085)	(14,277)
	906	(3,193)	218	(1,217)
Cost of goods manufactured	1,808,854	1,595,704	523,248	514,309
Finished goods				
Opening stock	207,064	80,346	332,249	135,500
Closing stock	(159,268)	(164,491)	(159,268)	(164,491)
	47,796	(84,145)	172,981	(28,991)
Cost of sales - own manufactured	1,856,650	1,511,559	696,229	485,318
Cost of sales - purchased finished goods	23,069	29,652	6,337	15,963
	1,879,719	1,541,211	702,566	501,281

10. TAXATION

The company is under the ambit of final tax upto the extent of export sales under section 169 of the Income Tax Ordinance, 2001. Provision for income tax for income which is not subject to final taxation is not considered necessary due to available tax losses of Rupees 351.163 million as on 31 March 2009.

11. EARNINGS PER SHARE-BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share.

12. TRANSACTION WITH RELATED PARTIES

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

Associated Companies

Purchase of goods and services	47,692	10,872	21,079	5,288
Sale of goods and services	45,512	17,297	31,780	3,099
Purchase of fixed assets	3,603	-	-	-
Dividend paid	-	5,042	-	-
Insurance claim received	-	2,500	-	2,500

Other related parties

Contribution to employees provident fund	2,037	1,631	739	576
Remuneration paid to Chief Executive, Directors and Executives	11,017	6,907	4,110	3,041

SELECTED NOTES TO THE INTERIM CONDENSED
FINANCIAL INFORMATION
For The Nine Months Ended March 31, 2009 (Un-Audited)

13. CORRESPONDING FIGURES

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

Cost of sales of purchased finished goods has been disclosed separately after cost of sale of own manufactured goods in the note of cost of sales, previously it was grouped in raw material consumed.

The above changes have no effect on net loss for the periods presented.

14. DATE OF AUTHORIZATION FOR ISSUE

This interim financial information was approved by the Board of Directors and authorized for issue on April 25, 2009.

15. GENERAL

Amounts have been rounded off to nearest thousand of Rupees.



BOOK POST

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