



SHAMS TEXTILE MILLS LIMITED

9 MONTHS REPORT

March 31, 2010

(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

Kotla Kahloon, District Nankana Sahib, Punjab

3-KM, Faisalabad Road, Chiniot, Punjab

DIRECTOR REPORT

On behalf of the Directors, I am pleased to present the un-audited accounts for nine months ended 31st March 2010.

Financial Performance

During the period under review the company posted a profit after tax of Rs. 100.537 million (2009: Rs. -70.561 million) with an EPS of Rs. 11.64 (2009: Rs. -8.17 million). The sales increased by 32.92 % to Rs. 2.596 billion (2009: Rs. 1.953 billion) while the gross profit margin was 12.04% as compared to 3.76% last year. The other operating expenses increased to Rs. 15.951 million (2009: 14.468 million).

The long-term liabilities decreased by 43.48% to Rs. 87.558 million while the current ratio and debt equity ratio were 0.78 and 18:82 respectively for the period under review.

Future Prospects

The performance of the textile sector has improved during the period under review due to high demand for textile products. As mentioned in the previous report the country is currently facing the worst power crisis in the history and manufacturing costs are increasing everyday due to higher energy costs. Cotton production in the country is far less than the required demand with very high raw material prices all over the world. In spite of this we foresee better prospects for the textile industry due to better demand. Higher prices of end products will mitigate these negative effects and we feel that we are going to at least maintain or improve the current results.

Acknowledgements

I wish to thank the shareholders, bankers, suppliers and management for their cooperation and efforts.



Khalid Bashir
Chief Executive

April 28, 2010
Lahore

CONDENSED INTERIM BALANCE SHEET

As At 31 March 2010

	Note	Un Audited 31 March 2010 (Rupees in thousands)	Audited 30 June 2009
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 25,000,000 (30 June 2009: 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 2009: 8,640,000) ordinary shares of Rupees 10 each		86,400	86,400
Reserves		425,931	312,186
Total equity		512,331	398,586
NON-CURRENT LIABILITIES			
Long term financing	5	113,819	201,377
Long term supplier's credit		-	39,709
Liabilities against assets subject to finance lease		35	5,556
Deferred income tax liability		10,949	-
		124,803	246,642
CURRENT LIABILITIES			
Trade and other payables		217,375	215,285
Accrued mark-up		31,807	29,906
Short term borrowings		633,553	660,404
Current portion of non-current liabilities	6	164,584	85,151
		1,047,319	990,746
Total liabilities		1,172,122	1,237,388
CONTINGENCIES AND COMMITMENTS	7	-	-
TOTAL EQUITY AND LIABILITIES		1,684,453	1,635,974

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


Chief Executive

SHAMS TEXTILE MILLS LIMITED

	Note	Un Audited 31 March 2010 (Rupees in thousands)	Audited 30 June 2009
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	865,857	914,743
Long term deposits		1,611	1,611
		867,468	916,354
CURRENT ASSETS			
Stores, spare parts and loose tools		57,174	36,364
Stock in trade		466,407	289,186
Trade debts		188,741	277,081
Loans and advances		9,317	24,220
Short term prepayments		2,556	-
Other receivables		565	3,608
Short term investments		36,195	29,236
Refunds due from the Government		27,516	27,282
Taxation - net		23,743	18,305
Cash and bank balances		4,771	14,338
		816,985	719,620
TOTAL ASSETS		1,684,453	1,635,974


Director

SHAMS TEXTILE MILLS LIMITED

CONDENSED INTERIM PROFIT & LOSS ACCOUNT
For The Nine Months Ended 31 March 2010 (Un-Audited)

	Note	Nine Months Ended		Quarter Ended	
		31 March 2010	31 March 2009	31 March 2010	31 March 2009
(Rupees in thousands)					
SALES		2,596,098	1,953,152	899,482	705,255
COST OF SALES	9	(2,283,638)	(1,879,719)	(764,793)	(702,566)
GROSS PROFIT		312,460	73,433	134,689	2,689
DISTRIBUTION COST		(57,393)	(13,497)	(18,956)	(1,854)
ADMINISTRATIVE EXPENSES		(27,077)	(21,361)	(9,988)	(6,821)
OTHER OPERATING EXPENSES		(15,951)	(14,468)	(6,552)	(384)
		(100,421)	(49,326)	(35,496)	(9,059)
		212,039	24,107	99,193	(6,370)
OTHER OPERATING INCOME		3,297	4,134	1,026	444
PROFIT FROM OPERATIONS		215,336	28,241	100,219	(5,926)
FINANCE COST		(87,548)	(95,295)	(34,500)	(29,850)
PROFIT / (LOSS) BEFORE TAXATION		127,788	(67,054)	65,719	(35,776)
PROVISION FOR TAXATION		(27,251)	(3,507)	(5,317)	(1,381)
PROFIT / (LOSS) AFTER TAXATION		100,537	(70,561)	60,402	(37,157)
EARNINGS / (LOSS) PER SHARE- BASIC AND DILUTED (RUPEES)		11.64	(8.17)	6.99	(4.30)

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


Chief Executive


Director

SHAMS TEXTILE MILLS LIMITED

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For The Nine Months Ended 31 March 2010 (Un-Audited)

	Nine Months Ended		Quarter Ended	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
	(Rupees in thousands)			
PROFIT / (LOSS) AFTER TAXATION	100,537	(70,561)	60,402	(37,157)
OTHER COMPREHENSIVE INCOME				
Impairment loss taken to profit and loss account	6,243	-	1,141	-
Surplus / (deficit) on remeasurement of available for sale investments	6,965	(58,980)	6,965	(22,523)
Other comprehensive income / (loss) for the period	13,208	(58,980)	8,106	(22,523)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	113,745	(129,541)	68,508	(59,680)

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


Chief Executive


Director

CONDENSED INTERIM CASH FLOW STATEMENT

For The Nine Months Ended 31 March 2010 (Un-Audited)

	Note	NINE MONTHS ENDED	
		31 March 2010	31 March 2009
(Rupees in thousands)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	10	190,623	209,707
Finance cost paid		(85,647)	(95,779)
Income tax paid		(21,740)	(8,105)
Dividend paid		-	(1)
		(107,387)	(103,885)
Net cash generated from / (utilized in) operating activities		83,236	105,822
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(13,596)	(13,230)
Proceeds from sale of property, plant and equipment		1,000	939
Proceeds from sale of investment		-	1,271
Net cash used in investing activities		(12,596)	(11,020)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(46,055)	(66,806)
Repayment of finance lease liabilities		(7,299)	(6,139)
Short term borrowings - net		(26,853)	(32,225)
Net cash from / (used in) financing activities		(80,207)	(105,170)
Net increase / (decrease) in cash and cash equivalents		(9,567)	(10,368)
Cash and cash equivalents at the beginning of the period		14,338	13,962
Cash and cash equivalents at the end of the period		4,771	3,594

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


Chief Executive


Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
For The Nine Months Ended 31 March 2010 (Un-Audited)

	SHARE CAPITAL	Reserves						TOTAL EQUITY	
		Capital		Revenue		Total			
		Premium on issue of right shares	Fair value reserve	Sub Total	General reserve		Accumulated loss		Sub total
		(Rupees in thousands)							
Balance as on 01 July 2008 (audited)	86,400	86,400	15,741	102,141	345,000	(22,634)	322,366	424,507	510,907
Total comprehensive loss for the nine months ended 31 March 2009	-	-	(58,980)	(58,980)	-	(70,561)	(70,561)	(70,561)	(129,541)
Balance as on 31 March 2009 (un-audited)	86,400	86,400	(43,239)	43,161	345,000	(93,195)	251,805	294,966	381,366
Total comprehensive income / (loss) for the three months ended 30 June 2009	-	-	30,031	30,031	-	(12,811)	(12,811)	(12,811)	17,220
Balance as on 30 June 2009 (audited)	86,400	86,400	(13,208)	73,192	345,000	(106,006)	238,994	312,186	398,586
Total comprehensive income for the nine months ended 31 March 2010	-	-	13,208	13,208	-	100,537	100,537	100,537	113,745
Balance as on 31 March 2010 (un-audited)	86,400	86,400	-	86,400	345,000	(5,469)	339,531	425,931	512,331

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

Amir
Chief Executive

Amir
Director

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For The Nine Months Ended 31 March 2010 (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 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 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 2009.

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 2009.

The following amendments to published approved accounting standards relevant to the company have been adopted in the current period:

IAS 1 (Revised) 'Presentation of Financial Statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in performance statement. Companies can choose whether to present one performance statement (the statement of comprehensive income) or two statements (profit and loss account and statement of comprehensive income). The company has preferred to present two statements; a profit and loss account and a statement of comprehensive income. In this condensed interim financial information, comparative information has been re-presented in conformity with the revised standard. Since this change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

In addition to above, there are other new standards and amendments to published approved accounting standards which are mandatory for financial statements for annual periods beginning on or after 01 January 2009 and are also relevant to the company. However, the adoption of these new standards and amendments to standards did not have any significant impact on this condensed interim financial information of the company, therefore, are not analyzed in detail.

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 2009.

	Un-audited 31 March 2010 (Rupees in thousands)	Audited 30 June 2009
5. LONG TERM FINANCING		
Secured		
Opening balance	276,618	351,859
Less: Repaid during the period / year	46,055	75,241
Closing balance	230,563	276,618
Less: Current portion shown under current liabilities	116,744	75,241
	113,819	201,377

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

For The Nine Months Ended 31 March 2010 (Un-Audited)

	Un-audited 31 March 2010 (Rupees in thousands)	Audited 30 June 2009
6. CURRENT PORTION OF NON-CURRENT LIABILITIES		
Long term financing	116,744	75,241
Long term supplier's credit	39,709	-
Liabilities against assets subject to finance lease	8,131	9,910
	164,584	85,151
7. CONTINGENCIES AND COMMITMENTS		
Contingencies		
i) Bank guarantees of Rupees 35.9 million (30 June 2009: Rupees 35.9 million) are given by the banks of the company in favour of Sui Northern Gas Pipelines Limited against gas connections.		
Commitments		
i) Contracts for capital expenditure are Nil (30 June 2009: Rupees 2.892 million).		
ii) Letters of credit for other than for capital expenditure are Rupees 53.500 million (30 June 2009: Rupees 85.433 million).		
8. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets		
Owned (Note 8.1)	804,607	852,207
Leased (Note 8.2)	23,011	24,877
Capital work in progress (Note 8.3)	38,240	37,659
	865,857	914,743
8.1 Operating fixed assets - owned		
Opening book value	852,207	930,604
Add: Cost of additions during the period / year (Note 8.1.1)	13,015	9,262
	865,222	939,866
Less: Book value of deletions during the period / year (Note 8.1.2)	511	280
	864,711	939,586
Less: Depreciation charge during the period / year	60,104	87,379
	804,607	852,207
8.1.1 Cost of additions		
Plant and machinery	7,966	2,590
Vehicles	5,049	6,672
	13,015	9,262
8.1.2 Book value of deletions		
Plant and machinery	122	14
Factory equipment	-	39
Furniture and fixtures	-	1
Vehicles	389	226
	511	280
8.2 Operating fixed assets - leased		
Opening book value	24,877	27,641
Less: Depreciation charged for the period / year	1,866	2,764
Closing book value	23,011	24,877
8.3 Capital work in progress		
Advance against plant and machinery	-	1,700
Advance against vehicle	-	1,411
Advance against office premises	38,240	34,548
	38,240	37,659

SHAMS TEXTILE MILLS LIMITED

SELECTED NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION

For The Nine Months Ended 31 March 2010 (Un-Audited)

	Un-Audited			
	Nine Months Ended		Quarter ended	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
	(Rupees in thousands)			
9. COST OF SALES				
Raw materials consumed	1,791,414	1,434,108	611,460	391,760
Salaries, wages and other benefits	131,895	112,251	43,347	39,658
Stores, spare parts and loose tools	54,539	36,131	17,744	15,358
Packing materials consumed	37,532	31,900	11,633	9,986
Repair and maintenance	12,210	11,936	4,247	3,723
Fuel and power	171,073	131,081	72,194	44,444
Insurance	4,771	4,101	1,822	1,401
Other factory overheads	4,085	3,549	1,088	1,051
Depreciation	59,981	65,959	20,073	21,985
	2,267,500	1,831,016	783,608	529,366
Work-in-process				
Opening stock	10,872	12,991	15,145	12,303
Closing stock	(12,938)	(12,084)	(12,938)	(12,085)
	(2,066)	907	2,207	218
Cost of goods manufactured	2,265,434	1,831,923	785,815	529,584
Finished goods				
Opening stock	141,563	207,064	102,337	332,249
Closing stock	(123,359)	(159,268)	(123,359)	(159,267)
	18,204	47,796	(21,022)	172,982
Cost of sales	2,283,638	1,879,719	764,793	702,566

UN-AUDITED NINE MONTHS ENDED			
31 March 2010		31 March 2009	
(Rupees in thousands)			

10. CASH GENERATED FROM OPERATIONS

Profit / (loss) before taxation	127,788	(67,054)
Adjustments for non-cash charges and other items:		
Depreciation	61,970	67,553
Gain on sale of property, plant and equipment	(487)	(659)
Loss on sale of investment	-	-
Impairment loss on investments	6,249	-
Finance cost	87,548	95,295
Working capital changes (Note 10.1)	(92,446)	114,572
	190,623	209,707

10.1 Working capital changes

(Increase) / decrease in current assets:		
- Stores, spare parts and loose tools	(20,810)	(3,125)
- Stock in trade	(177,221)	103,564
- Trade debts	88,340	(42,904)
- Loans and advances	14,903	999
- Short term deposits and prepayments	(2,556)	(1,017)
- Other receivables	3,043	214
- Refunds due from the Government	(234)	1,111
	(94,535)	58,842
Increase in trade and other payables	2,090	55,730
	(92,446)	114,572

11. 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 CONDENSED INTERIM
FINANCIAL INFORMATION

For The Nine Months Ended 31 March 2010 (Un-Audited)

	Un-Audited			
	Nine Months Ended		Quarter ended	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
	(Rupees in thousands)			

Associated Companies				
Sale of goods	131,884	45,512	23,682	31,780
Purchase of goods and services	1,233	47,692	283	21,079
Electricity purchase	21,375	-	16,812	-
Purchase of fixed assets	-	3,603	-	-
Insurance claim received	7,200	-	-	-
Insurance premium	15,746	-	1,336	-
Other related parties				
Contribution to provident fund	2,434	2,037	790	739
Remuneration paid to Chief Executive, Directors and Executives	12,174	11,017	4,058	4,110

12. 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 2009.

13. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was approved by the Board of Directors and authorized for issue on 28 April, 2010.

14. CORRESPONDING FIGURES

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

15. GENERAL

Figures have been rounded off to nearest thousand of Rupees.


Chief Executive


Director



BOOK POST

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