



SHAMS TEXTILE MILLS LIMITED

QUARTERLY REPORT

September 30, 2015

(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

Head of Internal Audit

Tariq Javed

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)

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
Bank Islami Limited
United Bank Limited
Habib Metropolitan Bank Limited

Registered Office

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Project Locations

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

DIRECTORS' REPORT

The Board of Directors is pleased to present Directors' report on the operation and financial performance of the Company for the period July to September 2015 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 improved compared to last corresponding period with a loss after tax of Rs. 28.70 million. The cost of doing business has been increasing and cotton prices have sharply increased during this period. Pakistan's major customer of textile products has reduced, its off take from Pakistan and whatever sales are possible 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 2015
Sales	872.61
Gross profit	26.61
Operating expenses	40.71
Other income	2.62
(Loss) from operation	(11.48)
Finance cost	8.50
(Loss) before taxation	(19.98)
Provision for taxation	8.73
(Loss) after taxation	(28.70)
(Loss) per share (Rs.)	(3.32)

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 28, 2015
Lahore

CONDENSED INTERIM BALANCE SHEET

As At September 30, 2015

	Un Audited September 30, 2015	Audited June 30, 2015
	Note	(Rupees in thousands)
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorized share capital		
25,000,000 (30 June 2015: 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 2015: 8,640,000) ordinary shares of Rupees 10 each	86,400	86,400
Reserves	665,634	660,961
Total equity	752,034	747,361
LIABILITIES		
NON-CURRENT LIABILITIES		
Long term financing	5 123,126	141,409
Deferred income tax liability	5,706	5,706
	128,832	147,115
CURRENT LIABILITIES		
Trade and other payables	511,006	542,864
Accrued mark-up	6,060	5,601
Short term borrowings	197,382	115,945
Current portion of long term financing	6 73,127	73,127
	787,575	737,537
Total liabilities	916,407	884,652
CONTINGENCIES AND COMMITMENTS	7 -	-
TOTAL EQUITY AND LIABILITIES	1,668,441	1,632,013

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

Chief Executive

	Un Audited September 30, 2015	Audited June 30, 2015
Note	(Rupees in thousands)	
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	8 1,026,122	1,043,902
Long term deposits	1,576	1,576
	1,027,698	1,045,478
CURRENT ASSETS		
Stores, spare parts and loose tools	55,564	54,785
Stock-in-trade	229,095	211,549
Trade debts	165,593	140,088
Advances	6,943	33,137
Short term prepayments	3,298	-
Other receivable	1,314	110
Short term investments	92,513	59,138
Sales tax refundable	19,781	20,818
Taxation - net	61,118	62,492
Cash and bank balances	5,524	4,418
	640,743	586,535
TOTAL ASSETS	1,668,441	1,632,013

Director

SHAMS TEXTILE MILLS LIMITED

CONDENSED INTERIM PROFIT & LOSS ACCOUNT (Un-Audited)
For The Period Ended September 30, 2015

	Note	September 30, 2015 (Rupees in thousands)	September 30, 2014
SALES	9	872,606	1,153,740
COST OF SALES	10	(845,995)	(1,129,012)
GROSS PROFIT		26,611	24,728
DISTRIBUTION COST		(26,439)	(21,456)
ADMINISTRATIVE EXPENSES		(13,628)	(13,378)
OTHER OPERATING EXPENSES		(642)	-
		(40,709)	(34,834)
		(14,098)	(10,106)
OTHER OPERATING INCOME		2,622	7,365
(LOSS) FROM OPERATIONS		(11,476)	(2,741)
FINANCE COST		(8,499)	(22,493)
(LOSS) BEFORE TAXATION		(19,975)	(25,234)
TAXATION		(8,726)	(11,436)
(LOSS) AFTER TAXATION		(28,701)	(36,670)
(LOSS) PER SHARE - BASIC AND DILUTED (RUPEES)		(3.32)	(4.24)

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

Chief Executive

Director

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

For The Period Ended September 30, 2015

	September 30, 2015	September 30, 2014
	(Rupees in thousands)	
LOSS AFTER TAXATION	(28,701)	(36,670)
OTHER COMPREHENSIVE INCOME		
Surplus on remeasurement of available for sale Investments	33,374	15,554
Other comprehensive income for the period	33,374	15,554
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	4,673	(21,116)

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, 2015

	September 30, 2015	September 30, 2014
	Note	
	(Rupees in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	11 (41,917)	118,468
Finance cost paid	(8,042)	(24,139)
Income tax paid	(8,726)	(10,907)
Dividend paid	9	1
Net cash generated from operating activities	(58,676)	83,423
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on property, plant and equipment	(4,187)	(2,988)
Proceeds from sale of property, plant and equipment	815	7,870
Net cash used in investing activities	(3,372)	4,882
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing	(18,283)	(18,283)
Short term borrowings - net	81,437	(66,873)
Net cash used in financing activities	63,154	(85,156)
Net increase in cash and cash equivalents	1,106	3,149
Cash and cash equivalents at the beginning of the period	4,418	4,510
Cash and cash equivalents at the end of the period	5,524	7,659

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, 2015

	Reserves							TOTAL EQUITY
	SHARE CAPITAL		Capital		Revenue			
	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 2014 (Audited)	86,400	27,056	1,13,456	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
Total comprehensive profit 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	42,610	1,29,010	600,000	(46,598)	553,402	682,412	768,812
(Loss) for the period ended 30 June 2015	-	-	-	-	(16,456)	(16,456)	(16,456)	(16,456)
Other comprehensive (loss) for the period ended 30 June 2015	-	(4,995)	(4,995)	-	-	-	(4,995)	(4,995)
Total comprehensive (loss) for the period ended 30 June 2015	-	(4,995)	(4,995)	-	(16,456)	(16,456)	(21,451)	(21,451)
Balance as at 30 June 2015 (Audited)	86,400	37,615	1,24,015	600,000	(63,054)	536,946	660,961	747,361
(Loss) for the period ended 30 September 2015	-	-	-	-	(28,701)	(28,701)	(28,701)	(28,701)
Other comprehensive income for the period ended 30 September 2015	-	33,374	33,374	-	-	-	33,374	33,374
Total comprehensive income/(loss) for the period ended 30 September 2015	-	33,374	33,374	-	(28,701)	(28,701)	4,673	4,673
Balance as at 30 September 2015 (Un-audited)	86,400	70,989	1,57,389	600,000	(91,755)	508,245	665,634	752,034

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, 2015

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.

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 period ended 30 September 2015 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 2015.

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 2015.

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 2015.

	Unaudited September 30, 2015	Audited June 30, 2015
	(Rupees in thousands)	
5. LONG TERM FINANCING - SECURED		
Opening balance	214,536	314,271
Less: Repayments during the period / year	18,283	99,735
	196,253	214,536
6. Less: Current portion shown under current liabilities	73,127	73,127
	123,126	141,409

SELECTED NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION (Un-Audited)
For The Period Ended September 30, 2015

7. CONTINGENCIES AND COMMITMENTS**Contingencies**

Bank guarantees of Rupees 64.715 million (30 June 2015: Rupees 64.715 million) are given by the bank of the company in favour of Sui Northern Gas Pipelines Limited against gas connections.

Commitments

Letters of credit for other than capital expenditures amounted to Rupees 9.578 million (30 June 2015: Rupees 14.791 million).

	Un-audited September 30, 2015	Audited June 30, 2015
	(Rupees in thousands)	
8. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets		
Owned (Note 8.1)	978,987	999,647
Capital work-in-progress (Note 8.2)	47,135	44,255
	1,026,122	1,043,902
8.1 Operating fixed assets - owned		
Opening book value	999,647	931,271
Add: Cost of additions during the period / year (Note 8.1.1)	1,307	165,868
	1,000,954	1,097,139
Less: Book value of deletions during the period / year (Note 8.1.2)	125	4,441
	1,000,829	1,092,698
Less: Depreciation charged during the period / year	21,842	93,051
Closing book value	978,987	999,647
8.1.1 Cost of additions		
Residential Building	-	160,863
Vehicles	1,307	5,005
	1,307	165,868
8.1.2 Book value of deletions		
Plant and machinery	-	2,310
Vehicles	125	2,131
	125	4,441
8.2 Capital work-in-progress		
Advance against office premises	47,135	44,255
	47,135	44,255
	Unaudited September 30, 2015	Unaudited September 30, 2014
	(Rupees in thousands)	
9. SALES		
Export	518,854	336,045
Local	353,752	817,695
	872,606	1,153,740

SELECTED NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION (Un-Audited)
For The Period Ended September 30, 2015

	Unaudited September 30, 2015	Unaudited September 30, 2014
	(Rupees in thousands)	
10. COST OF SALES		
Raw material consumed	628,826	611,072
Stores, spares and loose tools consumed	22,876	20,326
Packing materials	17,547	13,123
Salaries, wages and other benefits	68,353	56,357
Fuel and power	90,040	102,400
Repairs and maintenance	7,146	5,491
Insurance	1,214	1,379
Depreciation	21,175	21,326
Other factory overheads	1,334	1,055
	858,511	832,529
Work-in-process:		
Opening stock	26,581	28,859
Closing stock	(18,752)	(22,135)
	7,829	6,724
Cost of goods manufactured	866,340	839,253
Finished goods:		
Opening stock	151,263	444,993
Closing stock	(171,608)	(155,234)
	(20,345)	289,759
	845,995	1,129,012
11. CASH GENERATED FROM OPERATIONS		
(Loss) before taxation	(19,975)	(25,234)
Adjustments for non-cash charges and other items:		
Depreciation	21,842	22,011
Gain on sale of property, plant and equipment	(691)	(5,608)
Finance cost	8,499	22,493
Working capital changes (Note 11.1)	(51,592)	104,806
	(41,917)	118,468
11.1 Working capital changes		
(Increase) / decrease in current assets:		
- Stores, spare parts and loose tools	(779)	3,960
- Stock-in-trade	(17,546)	124,726
- Trade debts	(25,505)	(7,497)
- Loans and advances	26,194	24,444
- Trade deposit and short term prepayments	(3,298)	(4,688)
- Other receivables	(1,204)	(699)
- Sales tax refundable	1,037	3,047
	(21,101)	143,293
Decrease in trade and other payables	(30,491)	(38,487)
	(51,592)	104,806

SELECTED NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION (Un-Audited)
For The Period Ended September 30, 2015

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:

	Un-audited	Un-audited
	September	September
	30, 2015	30, 2014
	(Rupees in thousands)	
Associated Companies		
Sale of goods and services	24,290	39,580
Purchase of goods and services	114	209
Insurance premium ¹	6,018	5,910
Insurance claim received	3,844	-
Rent expense	60	510
Other related parties		
Company's contribution to employees' provident fund trust	1,330	1,061

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 2015.

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 28, 2015.

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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