



SHAMS TEXTILE MILLS LIMITED

HALF YEARLY REPORT

December 31, 2010

(Un-Audited)



CONTENTS

1.	Company Information	3
2.	Directors' Report	4
3.	Auditor's Report	5
4.	Balance Sheet	6-7
5.	Profit & Loss Account	8
6.	Statement of Comprehensive Income	9
7.	Cash Flow Statement	10
8.	Statement of Changes in Equity	11
9.	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)
Riyazul Haque	(Nominee: NIT)
Nadeem Maqbool	

Chief Financial Officer

Farooq Ahmad

Audit Committee

Muhammad Anwar	(Chairman)
Asif Bashir	(Member)
Adil Bashir	(Member)
Khaleeq 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
Royal Bank of Scotland
The Bank of Punjab

Registered Office

7-B-III, Aziz Avenue, Gulberg-V, Lahore

Ph: +92-42-3576 0379, 3576 0381
Fax: +92-42-3576 0376
Email: info@shams.com.pk
Web: www.shams.com.pk

Project Locations

Kotla Kahloon, District Nankana, Punjab

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 31 December 2010.

Financial Performance

The Company's operations for the period under review showed an excellent growth in sales and profitability. Profit after tax is Rs. 110.006 million (2009:40.135) and earnings per share of Rs. 12.73 (2009: Rs. 4.65).

The sales increased by 25.63% Rs. 2.131 billion (2009: Rs. 1.697 billion) while the gross profit margin was 12.03% as compared to 10.48% last year. The other operating expenses increased by 7.4% i.e. Rs. 11.55 million (2009: 10.76 million) due to increase in sales volume.

The long-term liabilities decreased by 59% to Rs. 34.70 million while the current ratio and debt equity ratio were 0.91 and 05:95 respectively for the period under review.

Future Outlook

The period under review has been marked by high volatility in prices of raw materials as also of finished products. World cotton prices have surged to record levels with New York cotton futures crossing the USD 2.00 mark. Cotton production this season worldwide and especially in Pakistan has shown a downward trend with consumers having to chase higher prices. Pakistani mills have had to import substantial quantities of cotton at very high prices to meet their requirements.

We expect the next six months to be a period of equal uncertainty as far as availability and prices of raw material are concerned. We are also not positive that the end product prices will keep pace with the rise in raw material costs. It is therefore difficult to forecast the performance of the company over the next six months.

The management however continues to maintain its efforts towards cost controls, efficiency and higher productivity. We hope that these efforts will contribute towards maximization of return to shareholders.

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 with dedication zeal throughout the year.

For & On behalf of Board of Directors

Khalid Bashir
Chief Executive

February 26, 2011
Lahore

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of SHAMS TEXTILE MILLS LIMITED as at 31 December 2010 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (herein after referred to as "condensed interim financial information"), for the half year then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended 31 December 2010 and 31 December 2009 have not been reviewed and we do not express an conclusion on them as we are required to review only the cumulative figures for the half year ended 31 December 2010.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

RIAZ AHMAD & COMPANY

Chartered Accountants

Name of engagement partner:

Syed Mustafa Ali

Lahore

Date: February 26, 2011

CONDENSED INTERIM BALANCE SHEET

As At December 31, 2010

	Un Audited December 31, 2010	Audited June 30, 2010
	Note	(Rupees in thousands)
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorized share capital		
25,000,000 (30 June 2010: 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 2010: 8,640,000) ordinary shares of Rupees 10 each	86,400	86,400
Reserves	553,136	458,334
Total equity	639,536	544,734
NON-CURRENT LIABILITIES		
Long term financing	5 34,696	84,633
Deferred taxation	14,646	13,631
	49,342	98,264
CURRENT LIABILITIES		
Trade and other payables	352,802	245,150
Accrued mark-up	30,786	25,967
Short term borrowings	1,002,943	493,146
Current portion of non-current liabilities	108,309	122,296
	1,494,840	886,559
Total liabilities	1,544,182	984,823
CONTINGENCIES AND COMMITMENTS	6 -	-
TOTAL EQUITY AND LIABILITIES	2,183,718	1,529,557

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

Chief Executive

	Un Audited December 31, 2010	Audited June 30, 2010
Note	(Rupees in thousands)	
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	7	822,057
Long term deposits		1,576
		848,475
		1,611
		823,633
		850,086
CURRENT ASSETS		
Stores, spare parts and loose tools	63,739	71,504
Stock in trade	968,154	300,483
Trade debts	210,677	204,002
Loans and advances	11,179	9,378
Short term prepayments	486	901
Other receivables	1,123	2,610
Short term investments	27,619	27,278
Sales tax refundable	32,798	25,823
Taxation - net	17,520	23,757
Cash and bank balances	26,790	13,735
	1,360,085	679,471
TOTAL ASSETS	2,183,718	1,529,557

Director

SHAMS TEXTILE MILLS LIMITED

CONDENSED INTERIM PROFIT & LOSS ACCOUNT (Un-Audited)
For The Half Year Ended December 31, 2010

Note	HALF YEAR ENDED		QUARTER ENDED	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	(Rupees in thousands)			
SALES	2,131,517	1,696,616	1,107,319	914,999
COST OF SALES	8 (1,875,024)	(1,518,845)	(984,784)	(801,525)
GROSS PROFIT	256,493	177,771	122,535	113,474
DISTRIBUTION COST	(43,509)	(38,437)	(24,417)	(22,391)
ADMINISTRATIVE EXPENSES	(19,640)	(16,570)	(10,428)	(8,727)
OTHER OPERATING EXPENSES	(11,550)	(10,755)	(1,955)	-
	(74,699)	(65,762)	(36,800)	(31,118)
	181,794	112,009	85,735	82,356
OTHER OPERATING INCOME	2,213	2,271	1,552	2,816
PROFIT FROM OPERATIONS	184,007	114,280	87,287	85,172
FINANCE COST	(51,582)	(53,048)	(30,540)	(27,997)
PROFIT BEFORE TAXATION	132,425	61,232	56,747	57,175
TAXATION	(22,419)	(21,097)	(12,177)	(17,276)
PROFIT AFTER TAXATION	110,006	40,135	44,570	39,899
EARNINGS PER SHARE- BASIC AND DILUTED (RUPEES)	12.73	4.65	5.16	4.62

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

Chief Executive

Director

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

For The Half Year Ended December 31, 2010

	HALF YEAR ENDED		QUARTER ENDED	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	(Rupees in thousands)			
PROFIT AFTER TAXATION	110,006	40,135	44,570	39,899
OTHER COMPREHENSIVE INCOME				
Impairment loss taken to profit and loss account	-	5,102	-	(1,502)
Surplus on remeasurement of available for sale investments	2,076	8,106	1,730	8,106
Other comprehensive income for the period - net of tax	2,076	13,208	1,730	6,604
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	112,082	53,343	46,300	46,503

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

Chief Executive

Director

CONDENSED INTERIM CASH FLOW STATEMENT (Un-Audited)
For The Half Year Ended December 31, 2010

	HALF YEAR ENDED	
	December 31, 2010	December 31, 2009
	Note	(Rupees in thousands)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash (used in) / generated from operations	9	(342,247) 2,565
Finance cost paid		(46,763) (57,730)
Income tax paid		(15,167) (16,119)
Dividend paid		(16,669) -
Refund of long term security deposits		35 -
Net cash used in operating activities		(420,811) (71,284)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment		(14,844) (9,739)
Proceeds from sale of property, plant and equipment		2,837 500
Net cash used in investing activities		(12,007) (9,239)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing		(58,372) (16,869)
Repayment of finance lease liabilities		(5,552) (4,775)
Short term borrowings - net		509,797 106,717
Net cash from financing activities		445,873 85,073
Net increase in cash and cash equivalents		13,055 4,550
Cash and cash equivalents at the beginning of the period		13,735 14,338
Cash and cash equivalents at the end of the period		26,790 18,888

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 Half Year Ended December 31, 2010

	SHARE CAPITAL	Reserves					TOTAL EQUITY		
		Capital		Revenue					
		Premium on issue of right shares	Fair value reserve	Sub Total	General reserve	Unappropriated Profit/Accumulated loss		Sub total	Total
(Rupees in thousands)									
Balance as on 01 July 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 half year ended 31 December 2009	-	-	13,208	13,208	-	40,135	40,135	40,135	53,343
Balance as on 31 December 2009 (Un-Audited)	86,400	86,400	-	86,400	345,000	(65,871)	279,129	365,529	451,929
Total comprehensive income for the half year ended 30 June 2010	-	-	2,163	2,163	-	90,642	90,642	90,642	92,805
Balance as on 30 June 2010 (Audited)	86,400	86,400	2,163	88,563	345,000	24,771	369,771	458,334	544,734
Final dividend for the year ended 30 June 2010 @ Rupees 2 per share	-	-	-	-	-	(17,280)	(17,280)	(17,280)	(17,280)
Transfer to general reserve	-	-	-	-	100,000	(100,000)	-	-	-
Total comprehensive income for the half year ended 31 December 2010	-	-	2,076	2,076	-	110,006	110,006	110,006	112,082
Balance as on 31 December 2010 (Un-Audited)	86,400	86,400	4,239	90,639	445,000	17,497	462,497	553,136	639,536

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 Half Year Ended December 31, 2010

1. THE COMPANY AND ITS OPERATIONS

Shams Textile Mills Limited is a public limited company incorporated in Pakistan under the Companies Act, 1913 (Now the 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 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 six months period ended 31 December 2010 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 2010.

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 2010.

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 2010.

	Unaudited December 31, 2010 (Rupees in thousands)	Audited June 30, 2010
5. LONG TERM FINANCING - SECURED		
Opening balance	201,377	276,618
Less: Repayment during the period / year	58,372	75,241
Closing balance	143,005	201,377
Less: Current portion shown under current liabilities	108,309	116,744
	34,696	84,633

6. CONTINGENCIES AND COMMITMENTS

Contingencies

Bank guarantee of Rupees 37.813 million (30 June 2010: Rupees 37.813 million) is 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 59.592 million (30 June 2010: Rupees 127.654 million).

SELECTED NOTES TO THE INTERIM
FINANCIAL INFORMATION (Un-Audited)
For The Half Year Ended December 31, 2010

	Unaudited December 31, 2010	Audited June 30, 2010
	(Rupees in thousands)	
7. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets		
Owned (Note 7.1)	780,689	786,651
Leased (Note 7.2)	-	22,389
Capital work-in-progress (Note 7.3)	41,368	39,435
	822,057	848,475
7.1 Operating fixed assets - owned		
Opening book value	786,651	852,207
Add: Cost of additions during the period / year (Note 7.1.1)	12,911	15,231
Add: Transfer from leased assets during the period / year (Note 7.2)	21,270	-
	820,832	867,438
Less: Book value of deletions during the period / year (Note 7.1.2)	2,771	512
	818,061	866,926
Less: Depreciation charged during the period / year	37,372	80,275
Closing book value	780,689	786,651
7.1.1 Cost of additions		
Plant and machinery	-	10,116
Vehicles	12,911	5,115
	12,911	15,231
7.1.2 Book value of deletions		
Plant and machinery	-	122
Vehicles	2,771	390
	2,771	512
7.2 Operating fixed assets - leased		
Opening book value	22,389	24,877
Less: Book value of transfer to owned assets during the period / year	21,270	-
	1,119	24,877
Less: Depreciation charged during the period / year	1,119	2,488
Closing book value	-	22,389
7.3 Capital work-in-progress		
Building	2,480	1,047
Advance against office premises	38,888	38,388
	41,368	39,435

SHAMS TEXTILE MILLS LIMITED

SELECTED NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION (Un-Audited)
For The Half Year Ended December 31, 2010

	Un-Audited			
	Half year ended		Quarter ended	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
(Rupees in thousands)				
8. COST OF SALES				
Raw material consumed	1,802,713	1,179,954	1,155,412	627,460
Salaries, wages and other benefits	96,491	88,548	51,513	44,562
Stores, spare parts and loose tools consumed	38,421	36,794	17,668	18,405
Packing materials consumed	26,467	25,898	15,077	13,067
Repair and maintenance	13,832	7,963	7,205	4,046
Fuel and power	129,800	98,879	78,864	53,137
Insurance	4,948	2,950	2,615	1,559
Other factory overheads	2,406	2,997	1,289	1,418
Depreciation	36,420	39,908	18,210	19,974
	2,151,498	1,483,891	1,347,853	783,628
Work-in-process:				
Opening stock	17,528	10,872	14,103	11,958
Closing stock	(26,854)	(15,145)	(26,854)	(15,145)
	(9,326)	(4,273)	(12,751)	(3,187)
Cost of goods manufactured	2,142,172	1,479,618	1,335,102	780,441
Finished goods:				
Opening stock	244,283	141,564	161,113	123,421
Closing stock	(511,431)	(102,337)	(511,431)	(102,337)
	(267,148)	39,227	(350,318)	21,084
Cost of sales	1,875,024	1,518,845	984,784	801,525

	Unaudited	
	Half Year Ended	
	December 31, 2010	December 31, 2009
(Rupees in thousands)		

9. CASH (USED IN) / GENERATED FROM OPERATIONS

Profit before taxation	132,425	61,232
Adjustments for non-cash charges and other items:		
Depreciation	38,491	41,138
Gain on sale of property, plant and equipment	(66)	(378)
Impairment loss on investments	1,735	5,108
Finance cost	51,582	53,048
Working capital changes (Note 9.1)	(566,414)	(157,583)
	(342,247)	2,565

9.1 Working capital changes

(Increase) / decrease in current assets:		
- Stores, spare parts and loose tools	7,765	(24,863)
- Stock-in-trade	(667,671)	(205,875)
- Trade debts	(6,675)	45,944
- Loans and advances	(1,801)	8,678
- Short term prepayments	415	(4,249)
- Other receivables	1,487	3,608
- Sales tax refundable	(6,975)	1,584
	(673,455)	(175,173)
Increase in trade and other payables	107,041	17,590
	(566,414)	(157,583)

SELECTED NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION (Un-Audited)
For The Half Year Ended December 31, 2010

10. TRANSACTIONS 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:

	Un-Audited			
	Half year ended 31 December 2010	31 December 2009	Quarter ended 31 December 2010	31 December 2009
(Rupees in thousands)				
Associated companies				
Sale of goods	64,547	108,202	12,979	28,338
Purchase of goods and services	1,706	12,303	30	5,480
Electricity purchased	16,475	4,563	13,501	4,563
Insurance claim received	-	7,200	-	7,200
Insurance premium	11,436	3,163	1,775	1,672
Dividend paid	5,672	-	-	-
Other related parties				
Contribution to provident fund	1,715	1,644	901	873
Remuneration paid to Chief Executive, Directors and Executives	9,060	8,116	4,377	4,058

11. 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 2010.

12. 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 February 26, 2011.

13. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison, however, no significant re-arrangements have been made except supplier's credit amounting to Rupees 39,709 thousand has been reclassified to 'trade and other payables' from 'current portion of non-current liabilities' as non-current portion of this liability is NIL in both periods presented in the condensed interim balance sheet.

14. GENERAL

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



BOOK POST

Shams Textile Mills Limited
7-B-3, Aziz Avenue, Gulberg 5
Lahore Pakistan
T: 92 (42) 3576 0381
F: 92 (42) 3576 0376
E: info@shams.com.pk

www.shams.com.pk

Grace Printing Press 0334-067074

