



SHAMS TEXTILE MILLS LIMITED

9 MONTHS REPORT

March 31, 2011

(Un-Audited)



SHAMS TEXTILE MILLS LIMITED

NINE MONTHS REPORT 2011

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COMPANY INFORMATION

Board of Directors

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

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
Faysal Bank
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

DIRECTOR 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 March 2011.

Financial Performance

The Company's operations for the period under review showed growth in sales and profitability. Profit after tax is Rs. 150.717 million (2010:100.537 million) and earnings per share of Rs. 17.44 (2010: Rs. 11.64).

The sales increased by 39.49% Rs. 3.621 billion (2010: Rs. 2.596 billion) while the gross profit margin decreased by 0.85% to 11.19% as compared to 12.04% last year. The other operating expenses increased by 9.50% i.e. Rs. 17.467 million (2010: 15.95 million) due to increase in sales volume.

The long-term liabilities decreased by 82.64% to Rs. 14.696 million (2010: 84.633million) while the current ratio and debt equity ratio significantly increase to 0.94 and 02:98 respectively for the period under review.

The period under review has been very volatile in prices of raw materials as also of finished products. World cotton prices reached to record levels with New York cotton futures crossing the USD 2.20. 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.

Future Outlook

Now looking at the current cotton and yarn prices, we expect the next 3 months to be a time of great difficulty with physical raw material prices remaining high and yarn prices decreasing, there will be big impact on the inventories of yarn. There is no buyer of yarn at any price and we are also not positive that the end product prices will keep pace with high raw material costs. It is therefore difficult to forecast the performance of the company over the next three 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, employees and shareholders for their continued support.

For & On behalf of Board of Directors

Khalid Bashir
Chief Executive

April 26, 2011
Lahore

CONDENSED INTERIM BALANCE SHEET

As At 31 March 2011

	Note	Un Audited 31 March 2011 (Rupees in thousands)	Audited 30 June 2010
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised 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		594,196	458,334
Total equity		680,596	544,734
NON-CURRENT LIABILITIES			
Long term financing	5	14,696	84,633
Deferred taxation		14,646	13,631
		29,342	98,264
CURRENT LIABILITIES			
Trade and other payables		400,831	245,150
Accrued mark-up		41,576	25,967
Short term borrowings		1,272,217	493,146
Current portion of non-current liabilities		99,123	122,296
		1,813,747	886,559
Total liabilities		1,843,089	984,823
CONTINGENCIES AND COMMITMENTS	6	-	-
TOTAL EQUITY AND LIABILITIES		2,523,685	1,529,557

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

Chief Executive

SHAMS TEXTILE MILLS LIMITED

	Note	Un Audited 31 March 2011 (Rupees in thousands)	Audited 30 June 2010
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	817,207	848,475
Long term deposits		1,576	1,611
		818,783	850,086
CURRENT ASSETS			
Stores, spare parts and loose tools		58,777	71,504
Stock-in-trade		1,251,587	300,483
Trade debts		315,789	204,002
Loans and advances		9,076	9,378
Short term prepayments		204	901
Other receivables		6	2,610
Short term investments		25,537	27,278
Sales tax refundable		23,020	25,823
Taxation - net		16,943	23,757
Cash and bank balances		3,963	13,735
		1,704,902	679,471
<hr/>			
TOTAL ASSETS		2,523,685	1,529,557

Director

SHAMS TEXTILE MILLS LIMITED

CONDENSED INTERIM PROFIT & LOSS ACCOUNT
For The Nine Months Ended 31 March 2011 (Un-Audited)

	Note	Nine Months Ended		Quarter Ended	
		31 March 2011	31 March 2010	31 March 2011	31 March 2010
(Rupees in thousands)					
SALES		3,621,221	2,596,098	1,489,704	899,482
COST OF SALES	8	(3,216,105)	(2,283,638)	(1,341,080)	(764,793)
GROSS PROFIT		405,116	312,460	148,624	134,689
DISTRIBUTION COST		(76,160)	(57,393)	(32,652)	(18,956)
ADMINISTRATIVE EXPENSES		(29,888)	(27,077)	(10,247)	(9,988)
OTHER OPERATING EXPENSES		(17,467)	(15,951)	(6,821)	(6,552)
		(123,515)	(100,421)	(49,720)	(35,496)
		281,601	212,039	98,904	99,193
OTHER OPERATING INCOME		2,482	3,297	1,141	1,026
PROFIT FROM OPERATIONS		284,083	215,336	100,045	100,219
FINANCE COST		(96,139)	(87,548)	(44,557)	(34,500)
PROFIT BEFORE TAXATION		187,944	127,788	55,488	65,719
TAXATION		(37,227)	(27,251)	(14,778)	(5,317)
PROFIT AFTER TAXATION		150,717	100,537	40,710	60,402
EARNINGS PER SHARE- BASIC AND DILUTED (RUPEES)		17.44	11.64	4.71	6.99

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 2011 (Un-Audited)

	Nine Months Ended		Quarter Ended	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
	(Rupees in thousands)			
PROFIT AFTER TAXATION	150,717	100,537	40,710	60,402
OTHER COMPREHENSIVE INCOME				
Impairment loss taken to profit and loss account	-	6,243	-	1,141
Surplus on remeasurement of available for sale investments	2,425	6,965	349	6,965
Other comprehensive income for the period - net of tax	2,425	13,208	349	8,106
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	153,142	113,745	41,059	68,508

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 2011 (Un-Audited)

	Note	NINE MONTHS ENDED	
		31 March 2011 (Rupees in thousands)	31 March 2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	9	(542,247)	190,623
Finance cost paid		(76,541)	(85,647)
Income tax paid		(29,398)	(21,740)
Dividend paid		408	-
Refund of long term security deposits		35	-
Net cash used in operating activities		(647,743)	83,236
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(50,827)	(13,596)
Proceeds from sale of property, plant and equipment		2,837	1,000
Net cash used in investing activities		(47,990)	(12,596)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(87,558)	(46,055)
Repayment of finance lease liabilities		(5,552)	(7,299)
Short term borrowings - net		779,071	(26,853)
Net cash from financing activities		685,961	(80,207)
Net increase in cash and cash equivalents		(9,772)	(9,567)
Cash and cash equivalents at the beginning of the period		13,735	14,338
Cash and cash equivalents at the end of the period		3,963	4,771

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 2011 (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 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	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	
Total comprehensive income for the three months ended 30 June 2010	-	-	2,163	2,163	-	30,240	30,240	32,403	32,403	
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 nine months ended 31 March 2011	-	-	2,425	2,425	-	150,717	150,717	153,142	153,142	
Balance as on 31 March 2011 (Un-Audited)	86,400	86,400	4,588	90,988	445,000	58,208	503,208	594,196	680,596	

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

Chief Executive

Director

SELECTED NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION

For The Nine Months Ended 31 March 2011 (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 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 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 nine months period ended 31 March 2011 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.

	Un-audited 31 March 2011 (Rupees in thousands)	Audited 30 June 2010
5. LONG TERM FINANCING - SECURED		
Opening balance	201,377	276,618
Less: Repayments during the period / year	87,558	75,241
Closing balance	113,819	201,377
Less: Current portion shown under current liabilities	99,123	116,744
	14,696	84,633

SELECTED NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION

For The Nine Months Ended 31 March 2011 (Un-Audited)

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 61.738 million (30 June 2010: Rupees 127.654 million).

	Un-audited 31 March 2011 (Rupees in thousands)	Audited 30 June 2010
7. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets		
Owned (Note 7.1)	773,204	786,651
Leased (Note 7.2)	-	22,389
Capital work-in-progress (Note 7.3)	44,003	39,435
	817,207	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)	24,990	15,231
Add: Transfer from leased assets during the period / year (Note 7.2)	21,270	-
	832,911	867,438
Less: Book value of deletions during the period / year (Note 7.1.2)	2,771	512
	830,140	866,926
Less: Depreciation charged during the period / year	56,936	80,275
Closing book value	773,204	786,651
7.1.1 Cost of additions		
Plant and machinery	10,983	10,116
Vehicles	14,007	5,115
	24,990	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	4,115	1,047
Advance against office premises	39,888	38,388
	44,003	39,435

SHAMS TEXTILE MILLS LIMITED

SELECTED NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION

For The Nine Months Ended 31 March 2011 (Un-Audited)

	Un-Audited			
	Nine Months Ended		Quarter ended	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
	(Rupees in thousands)			
8. COST OF SALES				
Raw material consumed	3,122,104	1,791,414	1,319,391	611,460
Salaries, wages and other benefits	146,083	131,895	49,592	43,347
Stores, spare parts and loose tools consumed	58,184	54,539	19,763	17,744
Packing materials consumed	38,563	37,532	12,095	11,633
Repair and maintenance	21,056	12,210	7,224	4,247
Fuel and power	213,464	171,073	83,664	72,194
Insurance	7,883	4,771	2,936	1,822
Other factory overheads	4,016	4,085	1,609	1,088
Depreciation	54,693	59,981	18,273	20,073
	3,666,046	2,267,500	1,514,547	783,608
Work-in-process:				
Opening stock	17,528	10,872	26,854	15,145
Closing stock	(24,853)	(12,938)	(24,853)	(12,938)
	(7,325)	(2,066)	2,001	2,207
Cost of goods manufactured	3,658,721	2,265,434	1,516,548	785,815
Finished goods:				
Opening stock	244,283	141,563	511,431	102,337
Closing stock	(686,899)	(123,359)	(686,899)	(123,359)
	(442,616)	18,204	(175,468)	(21,022)
Cost of sales	3,216,105	2,283,638	1,341,080	764,793

UN-AUDITED NINE MONTHS ENDED		
31 March 2011	31 March 2010	
(Rupees in thousands)		

9. CASH (USED IN) / GENERATED FROM OPERATIONS

Profit before taxation	187,944	127,788
Adjustments for non-cash charges and other items:		
Depreciation	58,055	61,970
Gain on sale of property, plant and equipment	(66)	(487)
Impairment loss on investments	4,166	6,249
Finance cost	96,139	87,548
Working capital changes (Note 9.1)	(888,485)	(92,445)
	(542,247)	190,623

9.1 Working capital changes

(Increase) / decrease in current assets:		
- Stores, spare parts and loose tools	12,727	(20,810)
- Stock-in-trade	(951,104)	(177,221)
- Trade debts	(111,787)	88,340
- Loans and advances	302	14,903
- Short term prepayments	697	(2,556)
- Other receivables	2,604	3,043
- Sales tax refundable	2,803	(234)
	(1,043,758)	(94,535)
Increase in trade and other payables	155,273	2,090
	(888,485)	(92,445)

SELECTED NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION

For The Nine Months Ended 31 March 2011 (Un-Audited)

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			
	Nine Months Ended		Quarter ended	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
	(Rupees in thousands)			

Associated companies

Sale of goods	90,717	131,884	26,170	23,682
Purchase of goods and services	1,736	1,233	30	283
Electricity purchased	35,063	21,375	18,588	16,812
Insurance claim received	-	7,200	-	-
Insurance premium	13,025	15,746	1,589	1,336
Dividend paid	5,813	-	-	-

Other related parties

Contribution to provident fund	2,609	2,434	893	790
Remuneration paid to Chief Executive, Directors and Executives	13,592	12,174	4,532	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 April 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.

Chief Executive

Director



BOOK POST

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