



SHAMS TEXTILE MILLS LIMITED

HALF YEARLY REPORT

31 December 2013

(Un-Audited)



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COMPANY INFORMATION

Board of Directors

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

Chief Financial Officer

Farooq Ahmad

Company Secretary

Hashim Tariq

Audit Committee

Muhammad Anwar	(Chairman)
Asif Bashir	(Member)
Adil Bashir	(Member)
Khaleeqe Ahmad	(Secretary)

Human Resource & Remuneration Committee

Amjad Mahmood	(Chairman)
Khalid Bashir	(Member)
Adil Bashir	(Member)

Auditors

Riaz Ahmad & Company
Chartered Accountants

Share Registrar

Crescent Group (Pvt) Ltd.
306, 3rd Floor, Sadiq Trade Centre,
72-Main Boulevard, Gulberg, Lahore

Bankers

Allied Bank Limited
MCB Bank Limited
National Bank of Pakistan
The Bank of Punjab
KASB Bank Limited
United Bank Limited

Registered Office

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Project Locations

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DIRECTORS' REPORT

It gives me great pleasure to present on behalf of the Board of Directors the financial statements for the six months ended December 31, 2013.

Review

The period under review has been difficult for your Company. Supply of energy to the industry in general has curtailed resulting in lower productions and higher costs. The new Government which took over in June 13 has made concerted efforts to improve the economic conditions. It will however take a considerable period for things to get better especially as far as energy supply is concerned.

Operational Results & Future Outlook

The financial results achieved during the period under review are as per expectations keeping in view the various problems faced by the industry. Cotton prices have maintained an upward trend and yarn off take prices have been low. There was slow demand from our major customer China.

The financial results are as follow:

	Rs. In thousand
Sales Revenue	2,266,103
Gross Profit	146,163
Operating Expenses	76,718
Other Income	15,359
Finance Cost	21,952
Profit before Taxation	62,852
Taxation	22,635
Profit after Taxation	40,217

Future Outlook

Due to higher cotton prices, low yarn prices and very poor off take we expect the next six months, to be very difficult for the industry. China's policy regarding import of cotton and yarn is unclear and prospects for better results appear bleak. Your Company has embarked upon a modernization in its Unit no. II which is expected to be completed within March 2014. Hopefully this will translate into higher production and better quality of its products enabling your company to compete better in the market.

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 very hard throughout the period.

For & On behalf of Board of Directors

Khalid Bashir
Chief Executive

February 26, 2014
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 2013 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (herein after referred to as "condensed interim financial information"). 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 2013 and 31 December 2012 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the half year ended 31 December 2013.

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 as of and for the half year ended 31 December 2013 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:

Sarfraz Mahmood

Date: 26 February, 2014

LAHORE

CONDENSED INTERIM BALANCE SHEET

As At 31 December 2013

	Un Audited	Audited
	31 December	30 June
	2013	2013
	Note	
	(Rupees in thousand)	
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorized share capital		
25,000,000 (30 June 2013: 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 2013: 8,640,000) ordinary shares of Rupees 10 each	86,400	86,400
Reserves	788,309	773,124
Total equity	874,709	859,524
LIABILITIES		
NON-CURRENT LIABILITIES		
Long term financing	5 265,207	114,271
Deferred income tax liability	14,842	9,238
	820,049	123,509
CURRENT LIABILITIES		
Trade and other payables	506,116	406,071
Accrued mark-up	11,127	8,024
Short term borrowings	421,027	197,758
Current portion of long term financing	5 73,127	29,845
	1,011,397	641,698
Total liabilities	1,291,446	765,207
CONTINGENCIES AND COMMITMENTS	6	
TOTAL EQUITY AND LIABILITIES	2,166,155	1,624,731

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

Chief Executive

	Un Audited	Audited
	31 December	30 June
	2013	2013
Note	(Rupees in thousand)	
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	7 1,114,782	853,289
Long term security deposits	1,576	1,576
	1,116,358	854,865
CURRENT ASSETS		
Stores, spare parts and loose tools	67,924	80,311
Stock-in-trade	616,192	379,862
Trade debts	213,404	191,206
Advances	20,687	6,899
Short term prepayments	4,241	-
Other receivables	20	963
Short term investments	37,505	36,617
Sales tax refundable	28,224	32,882
Taxation - net	54,524	33,563
Cash and bank balances	7,076	7,563
	1,049,797	769,866
TOTAL ASSETS	2,166,155	1,624,731

Director

SHAMS TEXTILE MILLS LIMITED

CONDENSED INTERIM PROFIT & LOSS ACCOUNT (Un-Audited)
For The Half Year Ended 31 December 2013

	HALF YEAR ENDED		QUARTER ENDED	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Note	(Rupees in thousand)			
SALES	2,266,103	2,483,484	1,026,019	1,276,620
COST OF SALES	8 (2,119,940)	(2,149,947)	(974,617)	(1,101,342)
GROSS PROFIT	146,163	333,537	51,402	175,278
DISTRIBUTION COST	(47,469)	(86,424)	(19,796)	(58,808)
ADMINISTRATIVE EXPENSES	(24,932)	(23,662)	(12,335)	(12,358)
OTHER EXPENSES	(4,317)	(32,022)	(749)	(14,560)
	(76,718)	(142,108)	(32,880)	(85,726)
	69,445	191,429	18,522	89,552
OTHER INCOME	15,359	11,091	11,475	7,903
PROFIT FROM OPERATIONS	84,804	202,520	29,997	97,455
FINANCE COST	(21,952)	(24,200)	(14,714)	(11,847)
PROFIT BEFORE TAXATION	62,852	178,320	15,283	85,608
TAXATION	(22,635)	(21,187)	(10,234)	(11,554)
PROFIT AFTER TAXATION	40,217	157,133	5,049	74,054
EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)	4.65	18.19	0.58	8.57

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 31 December 2013

	HALF YEAR ENDED		QUARTER ENDED	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	(Rupees in thousand)			
PROFIT AFTER TAXATION	40,217	157,133	5,049	74,054
OTHER COMPREHENSIVE INCOME / (LOSS)				
Items that will not be reclassified to profit or loss	-	-	-	-
Items that may be reclassified subsequently to profit or loss:				
Surplus / (deficit) on remeasurement of available for sale investmens	888	8,418	(1,223)	6,777
Other comprehensive income / (loss) for the period	888	8,418	(1,223)	6,777
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	41,105	165,551	3,826	80,831

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 31 December 2013

	HALF YEAR ENDED	
	31 December 2013	31 December 2012
Note	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash (used in) / generated from operations	9 (46,677)	265,164
Finance cost paid	(18,849)	(39,705)
Income tax paid	(37,992)	(21,190)
Dividend paid	(24,531)	(10,270)
Net cash (used in) / generated from operating activities	(128,049)	193,999
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on property, plant and equipment	(303,147)	(82,786)
Proceeds from sale of property, plant and equipment	13,222	15,100
Net cash used in investing activities	(289,925)	(67,686)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing	(5,782)	(36,565)
Long term financing obtained	200,000	92,509
Short term borrowings - net	223,269	(173,728)
Net cash from / (used in) financing activities	417,487	(117,784)
Net (decrease) / increase in cash and cash equivalents	(487)	8,529
Cash and cash equivalents at the beginning of the period	7,563	4,339
Cash and cash equivalents at the end of the period	7,076	12,868

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 Half Year Ended 31 December 2013

1. THE COMPANY AND ITS OPERATIONS

Shams Textile Mills Limited ("the Company") 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 trading 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 of the Company for the half year ended 31 December 2013 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 2013.

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 2013.

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 2013.

	Unaudited	Audited
	31 December	30 June
	2013	2013
	(Rupees in thousand)	
5. LONG TERM FINANCING - SECURED		
Opening balance	144,116	150,672
Add: Obtained during the period / year	200,000	92,509
Less: Repaid during the period / year	5,782	99,065
	338,334	144,116
Less: Current portion shown under current liabilities	73,127	29,845
	265,207	114,271

SELECTED NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION (Un-Audited)
For The Half Year Ended 31 December 2013

6. CONTINGENCIES AND COMMITMENTS

Contingencies

Bank guarantees of Rupees 45.037 million (30 June 2013: Rupees 45.037 million) are given by the bank of the company in favour of Sui Northern Gas Pipelines Limited against gas connections and Lahore Electric Supply Company Limited against electricity connections.

Commitments

- (i) Contracts for capital expenditures amounted to Rupees 27.281 million (30 June 2013: Rupees 339.027 million).
- (ii) Letters of credit for other than capital expenditures amounted to Rupees 25.270 million (30 June 2013: Rupees 10.225 million).

	Unaudited 31 December 2013 (Rupees in thousand)	Audited 30 June 2013
7. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets (Note 7.1)	778,464	747,367
Capital work-in-progress (Note 7.2)	336,318	105,922
	1,114,782	853,289
7.1 Operating fixed assets		
Opening book value	747,367	725,831
Add: Cost of additions during the period / year (Note 7.1.1)	72,751	103,491
	820,118	829,322
Less: Book value of deletions during the period / year (Note 7.1.2)	4,839	8,948
	815,279	820,374
Less: Depreciation charged during the period / year	36,815	73,007
Closing book value	778,464	747,367
7.1.1 Cost of additions		
Plant and machinery	72,751	82,766
Electric and sui gas installations	-	16,130
Vehicles	-	4,595
	72,751	103,491
7.1.2 Book value of deletions		
Plant and machinery	4,181	8,700
Vehicles	658	248
	4,839	8,948
7.2 Capital work-in-progress		
Buildings	116,303	60,893
Advance against purchase of office premises	44,255	44,255
Plant and machinery	175,760	774
	336,318	105,922

SHAMS TEXTILE MILLS LIMITED

**SELECTED NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION (Un-Audited)**
For The Half Year Ended 31 December 2013

	Un-Audited			
	Half year ended		Quarter ended	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	(Rupees in thousand)			
8. COST OF SALES				
Raw materials consumed	1,807,827	1,562,076	911,772	781,913
Salaries, wages and other benefits	135,273	142,355	68,673	77,533
Stores, spare parts and loose tools consumed	49,712	43,768	23,561	23,579
Packing materials consumed	35,191	33,193	18,224	17,314
Repair and maintenance	16,302	28,316	8,133	20,518
Fuel and power	290,314	218,570	155,688	114,692
Insurance	2,926	3,543	1,312	1,260
Other factory overheads	4,182	5,071	1,634	3,336
Depreciation	35,110	32,833	18,139	16,671
	2,376,837	2,069,725	1,207,136	1,056,816
Work-in-process:				
Opening stock	29,461	24,089	27,017	21,616
Closing stock	(32,743)	(28,846)	(32,743)	(28,846)
	(3,282)	(4,757)	(5,726)	(7,230)
Cost of goods manufactured	2,373,555	2,064,968	1,201,410	1,049,586
Finished goods:				
Opening stock	142,562	163,981	169,384	130,758
Closing stock	(396,177)	(79,002)	(396,177)	(79,002)
	(253,615)	84,979	(226,793)	51,756
	2,119,940	2,149,947	974,617	1,101,342

	Unaudited	
	Half Year Ended	
	31 December 2013	31 December 2012
	(Rupees in thousand)	

9. CASH (USED IN)/GENERATED FROM OPERATIONS		
Profit before taxation	62,852	178,320
Adjustments for non-cash charges and other items:		
Depreciation	36,815	34,565
Gain on sale of property, plant and equipment	(8,383)	(8,090)
Provision against slow moving stores, spare parts and loose tools	-	10,000
Provision against doubtful debts	-	12,630
Finance cost	21,952	24,200
Working capital changes (Note 9.1)	(159,913)	13,539
	(46,677)	265,164
9.1 Working capital changes		
(Increase) / decrease in current assets:		
- Stores, spare parts and loose tools	12,387	(4,419)
- Stock-in-trade	(236,330)	(113,696)
- Trade debts	(22,198)	(2,026)
- Advances	(13,788)	(2,443)
- Short term prepayments	(4,241)	(5,901)
- Other receivables	943	656
- Sales tax refundable	4,658	(10,335)
	(258,569)	(138,164)
Increase in trade and other payables	98,656	151,703
	(159,913)	13,539

SELECTED NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION (Un-Audited)
For The Half Year Ended 31 December 2013

10. TRANSACTIONS 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:

i. Transactions	Un-Audited			
	Half year ended 31 December 2013	31 December 2012	Quarter ended 31 December 2013	31 December 2012
(Rupees in thousand)				
Associated companies				
Sale of goods and services	266,029	105,499	15,672	73,589
Purchase of goods and services	3,477	43	-	-
Electricity purchased	20,899	57,199	7,987	35,357
Insurance premium	7,178	9,603	269	620
Dividend income	48	32	48	32
Rent expense	1,020	870	1,020	870
Dividend paid	8,719	3,633	8,719	3,633
Purchase of operating fixed assets	3,000	-	-	-
Insurance claim	5,663	1,748	5,663	1,748
Other related parties				
Company's contribution to employees' provident fund trust	2,216	2,227	1,081	1,189
Remuneration of Chief Executive, Director and Executives	10,429	9,628	10,429	9,628
ii. Period end balances				
As at 31 December 2013				
	Associated Companies	Other related Parties	Total	
(Rupees in thousand)				
Trade and other payables		1,167	48,112	49,279
Short term prepayments		4,124	-	-
Short term investments		16,326	-	16,326
As at 30 June 2013				
	Associated Companies	Other related Parties	Total	
(Rupees in thousand)				
Trade and other payables		2,845	229	3,074
Trade debts		61,184	-	61,184
Short term investments		16,432	-	16,432
Other receivables		152	-	152

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 2013.

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 26 February, 2014.

13. 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 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.

14. GENERAL

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

Chief Executive

Director



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