



Quarterly Accounts
December 31, 2013



Service Industries Textiles Limited



COMPANY INFORMATION

BOARD OF DIRECTORS	: Mohammad Hameed (Chief Executive) Ijaz Hameed Farooq Hameed Aamer Hameed Tariq Hameed Abid Hussain Murtaza Hameed
COMPANY SECRETARY	: Usman Khalid
CHIEF FINANCIAL OFFICER	: Farooq Hameed A.C.A (England & Wales)
AUDIT COMMITTEE	: Abid Hussain (Chairman) Aamer Hameed Murtaza Hameed
BANKERS	: Bank of Punjab National Bank of Pakistan
AUDITORS	: Horwath Hussain Chaudhury & co. Chartered Accountants
REGISTERED OFFICE	: 38-Empress Road, Lahore. Telephones: 3630 4561-3, 3636 7862-3 Telefax: (92-42) 3636 7861 E-mail: info@prime-service.com
MILLS	: G.T Road, Gujrat Telephone: (92-53) 3514065, 3535085 Telefax: (92-53) 3513700

**DIRECTORS' REPORT**

The Directors of your Company present before you the un-audited financial statements for the nine months ended March 31, 2013. The financial results are as follows:

	31.03.13 (Rupees 000)	31.03.12 (Rupees 000)
Net Profit / Loss for the period	58,423	(11,078)
Accumulated loss brought forward	(377,667)	(364,341)
	(337,287)	(375,419)
Transfer from surplus on revaluation Of property, plant and equipment in respect of: - Incremental Depreciation- net of deferred tax	4,015	4,461
	(315,229)	(370,958)
Earning per share - Basic	13.13	(2.49)

By the grace of Almighty Allah during the period under review we earned the net profit of Rs. 58.423 Million as compared to net loss of Rs. 11.078 Million for the same period in previous year. During the period we settled the principal portion of loan obtained from The Bank of Punjab through property swap agreement.

The period under review, textile industry showed excellent growth in spite of weak economy of Pakistan. This improvement is due to vigorous demand of textile products from China and other major markets. Textile sector in Pakistan facing an uphill task of prolonged load shedding of electricity & gas which resulted in decrease in production, declining profits for the period and higher production cost. In spite of all these difficulties we are in the process of enhancing our production capabilities which will help us in achieving better profits.

The management is aware of the challenges that are ahead and will be making all efforts to ensure continued growth, operational efficiency and optimal results for the company and its valued stakeholders in days to come.

For and on Behalf of the Board of Directors

MUHAMMAD HAMEED
Chief Executive

Lahore
30 April, 2013



CONDENSED INTERIM BALANCE SHEET AS AT MARCH 31, 2013

		March 31, 2013	June 30, 2012
	Note	(Un-audited)	(Audited)
CAPITAL AND LIABILITIES			
Share Capital and Reserves			
Authorized capital:			
10,000,000 (June 30, 2012: 10,000,000) ordinary shares of Rs. 10 each		100,000	100,000
Issued, subscribed and paid up capital			
4,449,159 (June 30, 2012: 4,449,159) ordinary shares of Rs. 10 each fully paid in cash		44,492	44,492
Share deposit money		38,250	38,250
General reserve		35,000	35,000
Accumulated loss		(315,229)	(377,667)
		(197,487)	(259,925)
Surplus on Revaluation of Property, Plant and Equipment		261,501	265,516
Non Current Liabilities			
Long term financing	4	292,289	236,316
Deferred liabilities		28,628	31,672
		320,917	267,988
Current Liabilities			
Trade and other payables		44,524	30,585
Accrued mark up on short term borrowings		509	4,434
Short term borrowings	5	650	45,358
Current and overdue portion of long term financing		28,144	84,845
Provision for taxation		8,149	5,585
		81,976	170,807
Contingencies and Commitments	6	-	-
		466,908	444,386
ASSETS			
Non Current Assets			
Property, plant and equipment	7	365,906	374,190
Long term deposits		8,413	8,413
		374,319	382,604
Current Assets			
Stores and spares		3,249	2,394
Stock in trade	8	71,688	47,036
Trade debts (Unsecured, considered good)		5,166	-
Advances and other receivables		5,456	10,947
Cash and bank balances		7,029	1,406
		92,589	61,783
		466,908	444,386

The annexed notes form an integral part of condensed (un-audited) interim financial statements.


Mohammad Hameed
 Chief Executive


Farooq Hameed
 Director



CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE 3rd QUARTER AND NINE MONTHS ENDED MARCH 31, 2013

	3rd Quarter Ended March 31, 2013	3rd Quarter Ended March 31, 2012	Nine Months Ended March 31, 2013	Nine Months Ended March 31, 2012
	(Un-audited) Rupees '000	(Un-audited) Rupees '000	(Un-audited) Rupees '000	(Un-audited) Rupees '000
Sales - net	185,348	130,901	512,868	397,359
Cost of sales	(158,177)	(113,103)	(431,564)	(374,646)
Gross Profit	27,171	17,798	81,304	22,713
Operating expenses:				
Distribution cost	(589)	(76)	(1,286)	(969)
Administrative and general expenses	(7,462)	(3,425)	(15,922)	(9,522)
Operating (Loss) / Profit	19,120	14,297	64,096	12,222
Finance cost	(8)	(1,878)	(5,283)	(22,764)
Other operating charges	-	-	(90)	(70)
Other operating income	(863)	114	102	1,105
Profit / (Loss) before Taxation	18,249	12,533	58,825	(9,507)
Taxation	(206)	(508)	(402)	(1,571)
Profit / (Loss) after Taxation	18,043	12,025	58,423	(11,078)
Earnings per Share - Basic	4.06	2.70	13.13	(2.49)
Earning per Share - Dilutive	2.18	1.45	7.06	(1.34)

The annexed notes form an integral part of condensed (un-audited) interim financial statements.

Mohammad Hameed
Chief Executive

Farooq Hameed
Director



CONDENSED CASH FLOW STATEMENT
FOR THE NINE MONTHS ENDED MARCH 31, 2013

	March 31, 2013	March 31, 2012
	(Un-audited)	(Un-audited)
	Rupees '000	Rupees '000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	58,825	(9,507)
Adjustments for:		
- Depreciation	12,481	13,526
- Gratuity	1,960	1,252
- Finance costs	5,284	22,765
	19,725	37,543
Operating profit before working capital changes	78,550	28,036
(Increase) / decrease in current assets:		
- Stores and spares	(855)	(2,140)
- Stock in trade	(24,652)	2,642
- Trade debts	(5,166)	(3,481)
- Advances and other receivables	5,634	(1,319)
Increase / (decrease) in current liabilities:		
- Trade and other payables	13,938	(7,815)
	(11,101)	(12,113)
Cash generated from operations	67,449	15,923
Income tax paid	(143)	(93)
Finance costs paid	(11,934)	(8,589)
Gratuity paid	(2,842)	(1,407)
Net Cash generated from Operating Activities	52,530	5,834
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,197)	(488)
Long term deposits	-	(5,500)
Net Cash used in Investing Activities	(4,197)	(5,988)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term financing	1,998	841
Short term borrowings	(44,708)	(882)
Net Cash (used in) / generated from Financing Activities	(42,710)	(41)
Net Increase / Decrease in Cash and Cash Equivalents	5,623	(195)
Cash and cash equivalents at the beginning of the period	1,406	3,256
Cash and Cash Equivalents at the End of the Period	<u>7,029</u>	<u>3,061</u>


Mohammad Hameed
 Chief Executive


Farooq Hameed
 Director



CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED MARCH 31, 2013

	Quarter Ended March 31, 2013	Quarter Ended March 31, 2012	9 Months Ended March 31, 2013	9 Months Ended March 31, 2012
	(Un-audited) Rupees '000	(Un-audited) Rupees '000	(Un-audited) Rupees '000	(Un-audited) Rupees '000
Profit / (Loss) after taxation for the Period	18,043	12,025	58,423	(11,078)
Transfer from surplus on revaluation of property, plant and equipment on incremental depreciation charged in current period - net of deferred tax	1,338	1,487	4,015	4,461
Total Comprehensive Income / (Loss) for the Period	19,381	13,512	62,438	(6,617)


Mohammad Hameed
 Chief Executive


Farooq Hameed
 Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED MARCH 31, 2013
(UN-AUDITED)

Particulars	Share Capital	Share Deposit Money	General Reserve	Accumulated Loss	Total
	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Balance as at June 30, 2011	44,492	38,250	35,000	(364,341)	(246,599)
Total comprehensive income for the nine months period ended March 31, 2012	-	-	-	(6,617)	(6,617)
Balance as at March 31, 2012	44,492	38,250	35,000	(370,958)	(253,216)
Balance as at June 30, 2012	44,492	38,250	35,000	(377,667)	(259,925)
Total comprehensive income for the nine months period ended March 31, 2013	-	-	-	62,438	62,438
Balance as at March 31, 2013	44,492	38,250	35,000	(315,229)	(197,487)


Mohammad Hameed
 Chief Executive


Farooq Hameed
 Director



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2013

Note 1

The Company and its Operations

1.1 Service Industries Textiles Limited was incorporated in Pakistan in 1962 as a Private Limited Company under the Companies Act 1913, (now The Companies Ordinance, 1984) and was subsequently converted into a Public Limited Company in 1970. The Company is listed on Karachi and Lahore Stock Exchanges. The principal activity of the Company is manufacturing and sale of yarn made from raw cotton and synthetic fiber. The registered office of the Company is situated at 38 - Empress Road, Lahore.

Note 2

Basis of Preparation

2.1 These condensed interim financials statements have been prepared in accordance with directives issued by the Securities & Exchange Commission of Pakistan (SECP) and are in compliance with International Accounting Standard -34 (Interim Financial Reporting) and being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984

Note 3

Significant Accounting Policies

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial report are the same as those applied in the preparation of financial statements for the year ended June 30, 2012.

Note 4

Long Term Financing

	Note	Nine Months Ended March 31, 2013 (Un-audited) Rupees (000)	Year Ended June 30, 2012 (Audited) Rupees (000)
Banking companies - Secured			
Restructured demand finance - Habib Bank Limited	4.1	10,573	10,573
Less: Current portion including overdues		(10,573)	(10,573)
		-	-
Restructured bridge finance - Bank of Punjab	4.2	-	65,486
- Principal loan		-	64,911
- Deferred mark up		62,186	(74,272)
- Less: Current portion		-	(74,272)
		62,186	56,125
Related parties - Unsecured			
Director and related persons	4.3	247,675	180,191
		<u>309,861</u>	<u>236,316</u>

4.1 During previous years, the Company reached a settlement package with Habib Bank Limited with cut off date of March 31, 2004 to repay the entire outstanding liabilities of Rs. 41.034 million against payment of Rs. 23.487 million without any further mark up. The agreed liability was payable in down payment of Rs. 2.349 million and ten equal quarterly installments of Rs. 2.113 million each commencing from October 01, 2004 without any further mark up. The Company has defaulted in the repayment of remaining liability to the bank that may result in a contingent liability as specified in note 6.

The restructured demand finance is secured through equitable mortgage on the Company's assets and personal guarantees of all the directors.



4.2 During the period the Company has entered into a settlement with the Bank of Punjab to appropriate agri cum industrial land owned by related persons at Manga Raiwind Road, Lahore against 67.091 million of long term financing.

- Rs. 65.486 million was appropriated against the principal amount and remaining Rs. 1.605 million against the deferred markup.
- An amount of Rs. 35.142 million out of deferred markup of Rs. 64.911 shall be repaid in eight equal quarterly installments of Rs. 4.393 million and Rs. 29.769 million shall be waived off at tail end subject to the regular repayment as per repayment schedule.
- The loan is secured against registered cum equitable mortgage charge on residential properties of directors, first charge on current and non-current assets of the Company and personal guarantees of all the directors of the Company.

4.3 This represents loans obtained from directors and related persons for meeting the liquidity requirements of the Company. The loans are unsecured and interest free, terms of repayment of the remaining loans have yet not been finalized, however, loan from directors amounting to Rs. 80.00 million have been sub-ordinated in the favour of National Bank of Pakistan against short term borrowing facilities obtained from it.

Note 5

Short Term Borrowings

		Nine Months Ended	Year Ended
		March 31, 2013	June 30, 2012
	Note	(Un-audited)	(Audited)
		Rupees (000)	Rupees (000)
From banking companies - Secured			
National Bank of Pakistan	5.1	-	44,458
First Elite Capital Modaraba		650	900
		<u>650</u>	<u>45,358</u>

5.1 Aggregate facilities for Rs. 94.36 million (June 2012: Rs.94.36 million), expired on December 31, 2012, have been obtained from the bank to meet the working capital requirements. These facilities carry make up at 3 months KIBOR plus 2% (June 2012: 3 months KIBOR plus 2%) per annum with floor of 8% per annum, payable quarterly and are secured against pledge of cotton, polyester and yarn, first mortgage charge on plant and machinery and personal guarantees of sponsoring directors of the Company and subordination of directors' loan to the extent of Rs. 80.00 million.

Note 6

Contingencies and Commitments

Contingencies

6.1 The Company has defaulted on the repayments of settled liability of Habib Bank Limited. The settlement agreement provides that the bank shall be entitled to recover the amount allowed as waiver of Rs. 17.548 million in the case of default of two consecutive installments. The Company has defaulted in the payment of last five installments and hence the bank can legally recover the waived amount. As the management intends to repay the liability as per the settlement agreement, no provision for additional liability has been incorporated in this financial information.



6.2 Appeal before Honourable High Court, for assessment year 1997-1998 and certain tax matters is pending. The management expects favorable outcome of this appeal.

Commitments

6.3 There is no material commitment outstanding as at the balance sheet date (June 30, 2012: Nil)

Note 7

Property, Plant and Equipment

	Nine Months Ended March 31, 2013 (Un-audited) Rupees (000)	Year Ended June 30, 2012 (Audited) Rupees (000)
Operating fixed assets		
Opening written down value	374,190	403,397
Add: Additions during the period / year - at cost	4,197	7,945
	378,387	411,342
Less: Depreciation charge for the period / year	(12,482)	(19,532)
	365,906	391,810

Note 8

Stock in Trade

	Nine Months Ended March 31, 2013 (Un-audited) Rupees (000)	Year Ended June 30, 2012 (Audited) Rupees (000)
Raw materials	63,275	37,887
Work in process	3,267	2,645
Finished goods	5,147	6,503
	71,688	47,036

Note 9

Transactions with Related Parties

	Nine Months Ended March 31, 2013 (Un-audited) Rupees (000)	Year Ended June 30, 2012 (Un-audited) Rupees (000)
Received of funds from related persons	67,484	55,187

Note 10

General

10.1 These interim financial statements were authorized for issue on April 30, 2013 by the Board of Directors of the Company.

10.2 No significant re-arrangements have been made in these condensed interim (un-audited) financial statements.

Mohammad Hameed
Chief Executive

Farooq Hameed
Director

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