

Half Yearly Accounts
December 31, 2012



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 half year ended December 31, 2012. The financial results are as follows:

	31.12.12	31.12.11
	(Rupees 000)	(Rupees 000)
Net Profit / Loss for the period	40,380	(23,103)
Accumulated loss brought forward	(377,667)	(364,341)
	(337,287)	(387,444)
Transfer from surplus on revaluation Of property, plant and equipment in respect of: - Incremental Depreciation- net of deferred tax	2,677	2,974
	(334,610)	(384,470)
Earning per share - Basic	9.08	(5.19)

By the grace of Almighty Allah during the period under review we earned the net profit of Rs. 40.380 Million as compared to net loss of Rs. 23.103 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

MOHAMMAD HAMEED
Chief Executive

Lahore
Dated: 28.02.2013

REVIEW REPORT TO THE MEMBERS

Introduction

We have reviewed the accompanying condensed interim balance sheet of Service Industries Textiles Limited as at December 31, 2012 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 (here-in-after referred to as the "interim financial information") for the six months period then ended. This interim financial information is the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements 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 on December 31, 2011 and December 31, 2012 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2012.

Scope of Review

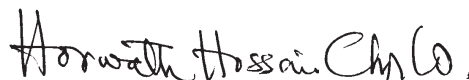
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of financial information consists of making inquiries, primarily of persons responsible for the financial 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 annexed interim financial information as of and for the half year ended December 31, 2012 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Emphasis of Matter

We draw attention to Note 1.2 to the interim financial information, which indicates that the Company has accumulated loss of Rs. 334.610 million and its current liabilities exceed its current assets by Rs. 6.860 million as at December 31, 2012. These conditions along with other as stated in Note 6 indicate the existence of a material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern. Our report is not qualified with regard to this matter.

LAHORE
Dated: 28.02.2012**HORWATH HUSSAIN CHAUDHURY & CO.**
Chartered Accountants
(Engagement Partner: Muhammad Nasir Muneer)



**CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT DECEMBER 31, 2012**

	Note	December 31, 2012 (Un-audited) Rs. '000'	June 30, 2012 (Audited) Rs. '000'
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		(334,610)	(377,667)
		(216,868)	(259,925)
Surplus on Revaluation of Property, Plant and Equipment		262,840	265,516
Non Current Liabilities			
Long term financing	4	295,011	236,316
Deferred liabilities		29,605	31,672
		324,616	267,988
Current Liabilities			
Trade and other payables		22,931	30,585
Accrued mark up on short term borrowings		951	4,434
Short term borrowings	5	1,947	45,358
Current and overdue portion of long term financing		30,015	84,845
Provision for taxation		7,223	5,585
		63,067	170,807
Contingencies and Commitments	6	-	-
		433,654	444,386
ASSETS			
Non Current Assets			
Property, plant and equipment	7	369,034	374,190
Long term deposits		8,413	8,413
		377,447	382,604
Current Assets			
Stores and spares		3,097	2,394
Stock in trade	8	34,134	47,036
Advances and other receivables		12,609	10,947
Cash and bank balances		6,367	1,406
		56,207	61,783
		433,654	444,386

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


Mohammad Hameed
Chief Executive


Farooq Hameed
Director



CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2012

	Half Year Ended December 31, 2012	Half Year Ended December 31, 2011	Quarter Ended December 31, 2012	Quarter Ended December 31, 2011
	(Un-Audited) Rupees '000	(Un-Audited) Rupees '000	(Un-Audited) Rupees '000	(Un-Audited) Rupees '000
Sales - net	327,520	266,458	165,069	125,641
Cost of sales	(273,387)	(261,543)	(140,739)	(129,041)
Gross Profit / (Loss)	54,133	4,915	24,330	(3,400)
Operating Expenses				
Distribution cost	(697)	(893)	(697)	(893)
Administrative and general expenses	(8,460)	(6,097)	(4,900)	(2,195)
Operating Profit / (Loss)	44,976	(2,075)	18,733	(6,488)
Finance cost	(5,275)	(20,886)	(2,467)	(18,731)
Other operating charges	(90)	(70)	(90)	(70)
Other operating income	965	991	948	906
Profit / (Loss) before Taxation	40,576	(22,040)	17,124	(24,383)
Taxation	(196)	(1,063)	(104)	(456)
Profit / (Loss) after Taxation	40,380	(23,103)	17,020	(24,839)
Earnings per Share - Basic	9.08	(5.19)	3.83	(5.58)
Earning per Share - Dilutive	4.88	(2.79)	2.06	(3.00)

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

Mohammad Hameed
Chief Executive

Farooq Hameed
Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2012**

	Half Year Ended December 31, 2012	Half Year Ended December 31, 2011	Quarter Ended December 31, 2012	Quarter Ended December 31, 2011
	(Un-audited) Rupees '000	(Un-audited) Rupees '000	(Un-audited) Rupees '000	(Un-audited) Rupees '000
Profit / (Loss) after Taxation for the Period	40,380	(23,103)	17,019	(24,839)
Transfer from surplus on revaluation of property, plant and equipment on incremental depreciation charged in current period - net of deferred tax	2,677	2,974	1,339	1,487
Total Comprehensive Income / (Loss) for the Period	43,057	(20,129)	18,358	(23,352)


Mohammad Hameed
Chief Executive
Farooq Hameed
Director



CONDENSED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2012

	December 31, 2012	December 31, 2011
	(Un-audited)	(Un-audited)
	Rupees (000)	Rupees (000)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	40,576	(22,040)
Adjustments for:		
- Depreciation	8,138	9,002
- Gratuity	1,306	835
- Finance costs	5,275	20,886
	<u>14,719</u>	<u>30,723</u>
Operating profit before working capital changes	55,295	8,683
(Increase) / decrease in current assets:		
- Stores and spares	(703)	(984)
- Stock in trade	12,902	11,092
- Trade debts	-	(2,486)
- Advances and other receivables	(643)	(788)
Increase / (decrease) in current liabilities:		
- Trade and other payables	(7,654)	(3,621)
	<u>3,902</u>	<u>3,212</u>
Cash generated from operations	59,197	11,895
Income tax paid	(1,018)	(57)
Finance costs paid	(8,758)	(4,406)
Gratuity paid	(1,932)	(717)
Net Cash generated from Operating Activities	47,488	6,715
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,981)	(371)
Long term deposits	-	(5,500)
Net Cash used in Investing Activities	(2,981)	(5,871)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term financing	3,865	(757)
Short term borrowings	(43,412)	(144)
Net Cash used in Financing Activities	(39,547)	(901)
Net Increase / (Decrease) in Cash and Cash Equivalents	4,961	(57)
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>6,367</u>	<u>3,199</u>


Mohammad Hameed
 Chief Executive


Farooq Hameed
 Director



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2012

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 loss for the six months period ended December 31, 2011	-	-	-	(20,129)	(20,129)
Balance as at December 31, 2011	44,492	38,250	35,000	(384,470)	(266,728)
Balance as at June 30, 2012	44,492	38,250	35,000	(377,667)	(259,925)
Total comprehensive income for the six months period ended December 31, 2012	-	-	-	43,057	43,057
Balance as at December 31, 2012	44,492	38,250	35,000	(334,610)	(216,868)

Mohammad Hameed
Chief Executive

Farooq Hameed
Director



Service Industries Textiles Limited

Half Yearly Accounts Dec. 31, 2012

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2012

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.

1.2 Going concern assumption

The Company has accumulated loss of Rs. 334.610 million (June 30, 2012: 377.667 million) and its current liabilities exceed its current assets by Rs. 6.860 million (June 30, 2012: 109.024 million) as at the balance sheet date. As further explained in Note 4.1 to interim financial statements, the Company has defaulted in repayment of its loan liabilities. These factors along with matters as set forth in Note 6 raise doubts about the Company being a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of its business.

However, any adjustments relating to the recoverability of recorded assets and liabilities have not been incorporated in this interim financial information as the Company has earned net profit from operations during the period and the management is confident to obtain continuous support from its sponsoring directors and favorable negotiation with lenders. The management has successfully settled principal liability of one of its long term financing during the period ended December 31, 2012. Moreover, directors are committed to run the Company and have injected further funds into the Company to pay the bank liabilities. Keeping in view, the continuous support from directors and favorable negotiation with lenders, the going concern assumption is considered appropriate and, therefore, this financial information has been prepared on going concern basis.

Note 2

Basis of Preparation

2.1 This condensed interim financial information of the company for the six months period ended December 31, 2012 has been prepared in accordance with the requirements of the International Accounting Standard 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.

2.2 This financial information should be read in conjunction with annual audited financial statements for the year ended June 30, 2012. Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2012 whereas comparative profit and loss account, comparative statement of comprehensive income, comparative cash flows statement and comparative statement of changes in equity are stated from unaudited interim financial information for the half year ended on December 31, 2011.

2.3 This condensed interim financial information is unaudited. However, a limited scope review of this interim financial information has been performed by the auditors as required by the Code of Corporate Governance.

2.4 This condensed interim financial information is presented in Pak Rupees, which is the Company's functional and presentational currency. Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.



Note 3

Significant 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 financial statements for the year ended June 30, 2012.

Note 4

Long Term Financing

		Half Year Ended December 31, 2012	Year Ended June 30, 2012
	Note	(Un-audited) Rupees (000)	(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		
- Principal loan		-	65,486
- Deferred mark up		66,781	64,911
- Less: Current portion		(19,442)	(74,272)
		47,339	56,125
Related parties - Unsecured			
Director and related persons	4.3	247,672	180,191
		<u>295,011</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 half year ended December 31, 2012, 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

		Half Year Ended December 31, 2012	Year Ended June 30, 2012
	Note	(Un-audited) Rupees (000)	(Audited) Rupees (000)
From banking companies - Secured			
National Bank of Pakistan	5.1	1,197	44,458
First Elite Capital Modaraba	5.2	750	900
		<u>1,947</u>	<u>45,358</u>

5.1 Aggregate facilities for Rs. 53.35 million (June 2012: Rs.53.35 million), expiring 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 2011: 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 as explained in note 4.3.

5.2 The Company reached a settlement package with First Elite Capital Modaraba during the year 2006 to repay the entire outstanding liabilities. The agreed liability of Rs. 2.0 million was to be paid in down payment of Rs. 0.5 million and balance in 8 equal monthly installments commencing from July 30, 2006 without any further mark up.

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

	Half Year Ended December 31, 2012	Year Ended June 30, 2012
	(Un-audited) Rupees (000)	(Audited) Rupees (000)
Operating fixed assets		
Opening written down value	374,190	403,397
Add: Additions during the period / year - at cost	<u>2,982</u>	<u>7,945</u>
	377,172	411,342
Less: Depreciation charge for the period / year	<u>(8,138)</u>	<u>(19,532)</u>
	<u>369,034</u>	<u>391,810</u>



Note 8

Stock in Trade

	Half Year Ended December 31, 2012	Year Ended June 30, 2012
	(Un-audited)	(Audited)
	Rupees (000)	Rupees (000)
Raw materials	24,206	37,887
Work in process	2,659	2,645
Finished goods	7,269	6,503
	<u>34,134</u>	<u>47,036</u>

Note 9

Transactions with Related Parties

	Half Year Ended Dec. 31, 2012	Half Year Ended Dec. 31, 2012
	(Un-audited)	(Un-audited)
	Rupees (000)	Rupees (000)
Funds (in kind) from related persons	68,591	-
Repayment of funds to related persons	<u>337</u>	<u>757</u>

Note 10

General

10.1 This interim financial information has been authorized for issue on February 28, 2013 by the Board of Directors of the Company.

10.2 The figures have been rounded off to the nearest thousand rupees.



Mohammad Hameed
Chief Executive



Farooq Hameed
Director

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