



COMPANY INFORMATION

- BOARD OF DIRECTORS** : Ijaz Hameed (Chairman/Non Executive Director)
Mohammad Hameed (Chief Executive/Executive Director)
Farooq Hameed (Executive Director)
Aamer Hameed (Non Executive Director)
Tariq Hameed (Non Executive Director)
Omer Mohyudin Malik (Independent Director)
Murtaza Hameed (Non Executive Director)
Sajid Saleem Minhas (Non Executive Director)
- COMPANY SECRETARY** : USMAN KHALID
- CHIEF FINANCIAL OFFICER** : Farooq Hameed
F.C.A (England & Wales)
- AUDIT COMMITTEE** : Omer Mohyudin Malik (Chairman)
Sajid Saleem Minhas (Member)
Murtaza Hameed (Member)
- HUMAN RESOURCE & REMUNERATION COMMITTEE** : Ijaz Hameed (Chairman)
Omer Mohyudin Malik (Member)
Tariq Hameed (Member)
- BANKERS** : MCB Bank Limited
Bank Alfalah Limited
- AUDITORS** : Horwath Hussain Chaudhury & Co.,
Chartered Accountants
- INTERNAL AUDITOR** : Awan & Co.
Chartered Accountants
- REGISTERED OFFICE** : 38-Empress Road, Lahore
Telephones: 36304561-3, 36367861-3
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
- Web Reference** : www.prime-service.com
- Share Registrar** : Corplink (Pvt) Ltd.
Wings Arcade, 1-K Commercial
Model Town, Lahore
Tel: 042-35839182, 35916719



DIRECTORS' REPORT

The Directors of your Company present before you the un-audited financial statements for the half year ended December 31, 2016. The financial results are as follows:

	<u>31.12.16</u> (Rupees 000)	<u>31.12.15</u> (Rupees 000)
Net loss for the period	(7,447)	(16,330)
Accumulated loss brought forward	(254,406)	(240,785)
	<u>(261,853)</u>	<u>(257,115)</u>
Transfer from surplus on revaluation Of property, plant and equipment in respect of: - Incremental Depreciation- net of deferred tax	3,892	4,324
	<u>(257,961)</u>	<u>(252,791)</u>
Loss per share - Basic	<u>(1.68)</u>	<u>(3.67)</u>

During the period under review we incurred the net loss of Rs. 7.447 Million as compared to net loss of Rs. 16.330 Million for the same period in previous year.

Textile sector is under severe financial crisis for last few years for multiple reasons but mainly due to poor demand of yarn locally and internationally. It is quite challenging in today's business environment to keep the company afloat. In spite of all the difficulties and challenges we were able to increase our production capacity in previous year which resulted in increase in sale and reduction in fixed overheads. Though we incurred a net loss during the period under review but we remain hopeful that in near future your company will be able to achieve the profitability. Therefore in spite of auditor's observation as to going concern of the company we considered it appropriate and financial statements have been prepared on going concern basis. We remain hopeful of the improving macro and micro economic situation of the country.

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

Directors acknowledge and appreciate the efforts of the employees and continuous support of their shareholders.

For and on behalf of the Board of Directors

Lahore

Dated: 27.02.2017

MOHAMMAD HAMEED

Chief Executive



ڈائریکٹرز رپورٹ

کمپنی کے ڈائریکٹرز 31 دسمبر 2016 کو ختم ہوئے نصف سال کے غیر تفتیح شدہ حسابات پیش کرتے ہیں۔ مالیاتی نتائج درج ذیل ہیں:

31.12.15 (Rupees 000)	31.12.16 (Rupees 000)	
(16,330)	(7,447)	مدت کیلئے خالص نقصان
(240,785)	(254,406)	جمع نقصان آگے لایا
(257,115)	(261,853)	
4,324	3,892	ٹرانسفر فرام سرپلس آن ریویژن
(252,791)	(257,961)	
(3.67)	(1.68)	فی شیئر خسارہ

زیر جائزہ مدت کے دوران کمپنی کو 7.447 ملین کا خسارہ ہوا۔ جبکہ پچھلے سال اسی مدت کے دوران کمپنی کا خسارہ 16.330 ملین روپے ہوا۔

ٹیکسٹائل کا شعبہ پچھلے کچھ سال سے مختلف وجوہات کی بنا پر کافی مشکلات سے گزر رہا ہے لیکن بنیادی وجہ دھاگے کی مقامی اور بین الاقوامی مارکیٹ میں طلب کم ہونا ہے۔ تمام مشکلات کے باوجود کمپنی نے اپنی پیداواری صلاحیت اور دھاگے کی کوالٹی کو بہتر کیا ہے جس کی وجہ سے سیل بڑھی اور مقررہ اخراجات میں کمی ہوئی۔ گوکہ کمپنی کو زیر جائزہ مدت میں نقصان ہوا ہے لیکن ہم پر امید ہیں کہ مستقبل قریب میں کمپنی منافع میں جائے گی اس لئے آڈیٹرز کی طرف سے حالیہ نقصان کی وجہ سے تشویش کا اظہار کیا گیا ہے لیکن مندرجہ بالا وجوہ کی بناء پر کمپنی کے ڈائریکٹران پر امید ہیں کہ کمپنی جلد منافع میں آجائے گی۔ ہم پر امید ہیں کہ ملکی معیشت آنے والے دنوں میں بہتری کی طرف جائے گی۔

کمپنی کی انتظامیہ مشکلات سے بخوبی آگاہ ہے اور اپنی بھرپور جدوجہد کمپنی کو چلانے اور اسکے شیئر ہولڈرز کیلئے اس کو منافع بخش بنانے کیلئے جاری رکھے گی۔

کمپنی اپنے ملازمین اور شیئر ہولڈرز کے مسلسل تعاون پر شکر گزار ہیں۔

بورڈ آف ڈائریکٹرز کی طرف سے

محمد حمید

چیف ایگزیکٹو

لاہور

مورچہ 27 فروری 2017

AUDITORS' REPORT TO MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of SERVICE INDUSTRIES TEXTILES LIMITED (the Company") as at December 31, 2016, 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 and the notes to the accounts for the six-month period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this 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 interim financial information based on our review. The figures included in the condensed interim profit and loss account for the quarters ended December 31, 2015 and December 31, 2016 have not been reviewed, as we are required to review only the cumulative figures for half year ended December 31, 2016.

Scope of Review

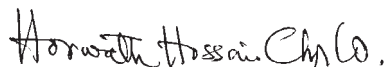
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of financial information consists of making inquiries, primarily of persons responsible for the financial 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 accompanying interim financial information as of and for the half year ended December 31, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

We draw attention to note 1.2 to the interim financial information, which states that the Company has incurred net loss of Rs. 7.45 million for the period ended December 31, 2016 and has accumulated losses of Rs. 257.96 million as on that date. Current liabilities of the Company exceed its current assets by Rs. 57.59 million as at December 31, 2016. These conditions indicate the existence of a material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern. Our conclusion is not qualified with regard to this matter.


LAHORE
Dated: 27.02.2017HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants
(Engagement Partner: Amin Ali)



**CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2016**

	Notes	December 31, 2016 (Un-audited) Rs. '000'	June 30, 2016 (Audited) Rs. '000'
CAPITAL AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital		100,000	100,000
10,000,000 (June 30, 2016: 10,000,000) ordinary shares of Rs. 10 each			
Issued, subscribed and paid up capital			
4,449,159 (June 30, 2016: 4,449,159) ordinary shares of			
Rs. 10 each fully paid in cash			
		44,492	44,492
Share deposit money		150,000	150,000
General reserve		35,000	35,000
Accumulated loss		(257,961)	(254,406)
		(28,469)	(24,914)
Surplus on Revaluation of Property, Plant and Equipment		364,882	368,774
Non Current Liabilities			
Long term financing	6	68,273	72,700
Staff retirement benefits		10,402	10,509
Deferred tax liability		28,420	31,373
		107,095	114,582
Current Liabilities			
Trade and other payables		99,937	123,928
Accrued markup on long term financing		13,189	9,812
Current and overdue portion of long term financing		12,000	13,410
Provision for taxation		4,063	4,830
		129,189	151,980
Contingencies and Commitments	7	-	-
		572,697	610,422
		December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
ASSETS			
Non Current Assets			
Property, plant and equipment		489,657	498,419
Long term deposits		11,442	11,442
		501,099	509,861
Current Assets			
Stores and spares		3,817	4,693
Stock in trade		49,768	75,171
Trade debts		27	61
Advances and other receivables		9,512	8,918
Cash and bank balances		8,474	11,718
		71,598	100,561
		572,697	610,422

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


Mohammad Hameed
Chief Executive


Farooq Hameed
Director



**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

		Half Year Ended December 31, 2016	Half Year Ended December 31, 2015	Quarter Ended December 31, 2016	Quarter Ended December 31, 2015
	Notes	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Sales - net		406,377	247,272	222,025	139,101
Cost of sales	8	(393,360)	(241,935)	(224,718)	(142,098)
Gross Profit / (Loss)		13,017	5,337	(2,693)	(2,997)
Operating Expenses					
Distribution expenses		(5,861)	(1,994)	(5,658)	(1,248)
Administrative expenses		(11,215)	(12,355)	(5,717)	(6,913)
Operating Loss		(4,059)	(9,012)	(14,068)	(11,158)
Finance cost		(3,746)	(3,729)	(1,510)	(1,296)
Other operating charges		(1,568)	(90)	(958)	(22)
Other income	9	1,591	322	1,591	306
Loss before Taxation		(7,782)	(12,509)	(14,945)	(12,170)
Taxation	10	335	(3,821)	993	(4,038)
Net Loss for the Period		(7,447)	(16,330)	(13,952)	(16,208)
Loss per Share - Basic		(1.68)	(3.67)	(3.14)	(3.64)
Loss per Share - Diluted		(0.67)	(1.48)	(1.26)	(1.46)

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

Mohammad Hameed
Chief Executive

Farooq Hameed
Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	Half Year Ended December 31, 2016	Half Year Ended December 31, 2015	Quarter Ended December 31, 2016	Quarter Ended December 31, 2015
	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Net Loss for the Period	(7,447)	(16,330)	(13,952)	(16,208)
Other comprehensive loss				
Items that may be reclassified subsequently to the profit or loss	-	-	-	-
Items that will not be reclassified subsequently to the profit or loss	-	-	-	-
Total Comprehensive Loss for the Period	<u>(7,447)</u>	<u>(16,330)</u>	<u>(13,952)</u>	<u>(16,208)</u>

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

Mohammad Hameed
Chief Executive

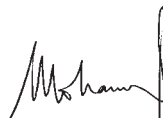
Farooq Hameed
Director



**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	December 31, 2016	December 31, 2015
	Rupees (000)	Rupees (000)
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(7,782)	(12,509)
Adjustments for:		
- Depreciation	10,633	10,577
- Provision for gratuity	1,727	2,124
- Balances written back - net	(157)	(285)
- Finance costs	3,746	3,729
	<u>15,949</u>	<u>16,145</u>
Operating profit before working capital changes	8,167	3,636
Decrease / (Increase) in current assets:		
- Stores and spares	876	402
- Stock in trade	25,403	(9,748)
- Trade debts	34	554
- Advances and other receivables	(2,845)	(565)
Increase / (decrease) in current liabilities:		
- Trade and other payables	(22,781)	25,637
	<u>687</u>	<u>16,280</u>
Cash Generated from Operations	8,854	19,916
Income tax paid	(2,542)	(5,402)
Finance cost paid	(14)	(16)
Gratuity paid	(1,834)	(1,784)
Net Cash Generated from Operating Activities	4,464	12,714
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,871)	(4,959)
Long term deposits	-	(1,382)
Net Cash Used in Investing Activities	(1,871)	(6,341)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term financing repaid	(5,837)	(5,340)
Net Cash Used in Financing Activities	(5,837)	(5,340)
Net (Decrease) / Increase in Cash and Cash Equivalents	(3,244)	1,033
Cash and cash equivalents at the beginning of the period	11,718	12,013
Cash and Cash Equivalents at the End of the Period	<u>8,474</u>	<u>13,046</u>

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


Mohammad Hameed
Chief Executive


Farooq Hameed
Director



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2016

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, 2015	44,492	150,000	35,000	(240,785)	(11,293)
Total comprehensive loss for the six months period ended December 31, 2015	-	-	-	(16,330)	(16,330)
Incremental depreciation charged for the period on surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	4,324	4,324
Balance as at December 31, 2015	44,492	150,000	35,000	(252,791)	(23,299)
Balance as at June 30, 2016	44,492	150,000	35,000	(254,406)	(24,914)
Total comprehensive loss for the six months period ended December 31, 2016	-	-	-	(7,447)	(7,447)
Incremental depreciation charged for the period on surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	3,892	3,892
Balance as at December 31, 2016	44,492	150,000	35,000	(257,961)	(28,469)

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

Mohammad Hameed
Chief Executive

Farooq Hameed
Director



**NOTES TO AND FORMING PART OF THE CONDENSED
INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2016**

Note 1**The Company and its Operations**

- 1.1 Service Industries Textiles Limited (the Company) 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 the Pakistan Stock Exchange Limited. 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

As at December 31, 2016, the current liabilities of the Company exceed its current assets by Rs. 57.59 million (June 30, 2016: Rs. 51.41 million). The company has incurred net loss of Rs. 7.45 million during the period and, as on that date, has accumulated losses of Rs. 257.96 million. These factors indicate uncertainties that raise doubts about the Company's ability to continue as a going concern and that, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The Company is striving to enhance its operating capacity and obtain further sales orders, thus improving its profitability. There are no liabilities payable to banking companies and further directors have assured their continuous support to the ongoing operations of the Company. Keeping in view these factors, the going concern assumption is considered appropriate and, therefore, these financial statements have been prepared on going concern basis.

Note 2**Basis of Preparation**

- 2.1 This condensed interim financial information of the Company for the half year ended December 31, 2016 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 condensed interim financial information should be read in conjunction with annual audited financial statements for the year ended June 30, 2016. Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2016 whereas comparative profit and loss account, comparative statement of comprehensive income, comparative cash flows statement and comparative statement of changes in equity are extracted from unaudited interim financial information for the half year ended December 31, 2015.
- 2.3 This condensed interim financial information is unaudited; however, a limited scope review has been performed by the external auditors as required by the Code of Corporate Governance. The figures for the quarters ended on December 31, 2015 and 2016 presented in the condensed interim profit and loss account have not been reviewed by the external auditors.
- 2.4 The preparation of these condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by the management in applying accounting policies and key sources of estimation were the same as those that were applied to the financial statements for the year ended June 30, 2016.
- 2.5 This condensed interim financial information is presented in Pak Rupees, which is the Company's functional and presentational currency. All the figures have been rounded off to the nearest rupees, unless otherwise stated.

Note 3**Significant Accounting Policies**

The Company's accounting and financial risk management policies and methods of computation of this condensed interim financial information are the same as those followed in the preparation of annual financial statements for the preceding financial year ended June 30, 2016.



Note 4

Property, Plant and Equipment

	December 31, 2016	June 30, 2016
	(Un-audited) Rupees (000)	(Audited) Rupees (000)
Opening written down value	498,419	501,252
Additions / transfers during the period / year - at cost	1,871	19,273
	500,290	520,525
Depreciation charge for the period / year	(10,633)	(22,106)
	<u>489,657</u>	<u>498,419</u>

Note 5

Stock in Trade

	December 31, 2016	June 30, 2016
	(Un-audited) Rupees (000)	(Audited) Rupees (000)
Raw materials	19,367	13,638
Work in process	4,703	4,595
Finished goods	25,698	56,938
	<u>49,768</u>	<u>75,171</u>

Note 6

Long Term Financing

	December 31, 2016	June 30, 2016
	(Un-audited) Rupees (000)	(Audited) Rupees (000)
Related parties - Unsecured		
Director	80,273	86,110
Less: Current portion	(12,000)	(13,410)
	<u>68,273</u>	<u>72,700</u>

Note 7

Contingencies and Commitments

Contingencies

7.1 There were no significant contingencies as at the balance sheet date (June 30, 2016: Nil).

Commitments

7.2 There were no significant commitments as on December 31, 2016 (June 30, 2016: commitments against post dated cheques : Rs. 0.287 million).



Note 8
Cost of Sales

	Half Year Ended		Quarter Ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	(Un-audited) Rs.'000'	(Un-audited) Rs.'000'	(Un-audited) Rs.'000'	(Un-audited) Rs.'000'
Raw materials consumed	248,185	148,004	123,208	79,706
Stores and spares consumed	4,016	4,380	2,000	2,131
Packing materials consumed	5,495	4,298	2,529	2,129
Fuel and power	47,085	38,277	23,539	22,174
Salaries, wages and benefits	43,369	39,795	23,531	21,794
Repairs and maintenance	3,589	1,413	2,856	778
Depreciation	10,489	10,535	5,347	5,290
	362,228	246,702	183,010	134,002
Work in process:				
- Opening	4,595	4,811	4,829	4,145
- Closing	(4,703)	(4,615)	(4,703)	(4,615)
	(108)	196	126	(470)
	362,120	246,898	183,136	133,532
Finished goods:				
- Opening	56,938	3,485	67,281	17,014
- Closing	(25,698)	(8,448)	(25,698)	(8,448)
	31,240	(4,963)	41,583	8,566
	393,360	241,935	224,719	142,098

Note 9
Other Income

	Half Year Ended		Quarter Ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	(Un-audited) Rs.'000'	(Un-audited) Rs.'000'	(Un-audited) Rs.'000'	(Un-audited) Rs.'000'
Balances written back	1,565	285	-	-
Scrap sale	26	37	-	21
	1,591	322	-	21

Note 10
Taxation

	Half Year Ended	
	December 31, 2016	December 31, 2015
	(Un-audited) Rs.'000'	(Un-audited) Rs.'000'
Current		
- Charge for the year	4,064	2,473
- Tax credits	(1,446)	(1,535)
Prior years	-	3,200
	2,618	4,138
Deferred tax	(2,953)	(317)
	(335)	3,821



Note 11

Transactions with Related Parties

Related parties comprise directors, key management personnel and other related parties through close family members of the directors of the Company.

There were no sale / purchase transactions with related parties or transactions with key management personnel other than those undertaken as per the terms of their employment during the period. Transactions along with balances with related parties and associated companies, other than remuneration and benefits to key management personnel under the terms of their employment, are as follows:

	December 31, 2016	December 31, 2015
	(Un-audited) Rupees (000)	(Un-audited) Rupees (000)
Transactions with related persons		
Repayment of loan from directors	5,837	5,340
Markup accrued on loan from directors	3,377	3,712
Balance outstanding as at,		
Long term financing	80,273	91,361
Accrued markup on long term financing	13,189	5,888

Note 12

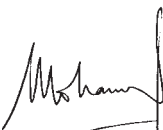
Date of Authorization for Issue

This condensed interim financial information (un-audited) is authorized for issuance on 27 February, 2017 by the Board of Directors of the Company.

Note 13

General

Corresponding figures are re-arranged / reclassified, wherever necessary, to facilitate comparison. No material re-arrangements, re-classifications have been made in this condensed interim financial information (un-audited).



Mohammad Hameed
Chief Executive



Farooq Hameed
Director