



Service Industries Textiles Limited



Service Industries Textiles Limited

Half Yearly Accounts

Un-Audited

December 31, 2017



COMPANY INFORMATION

BOARD OF DIRECTORS : Ijaz Hameed (Chairman/Non Executive Director)
Mohammad Hameed (Chief Executive/Executive Director)
Aamer Hameed (Executive Director)
Uzma 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 : Usman Khalid

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
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Web Reference : www.sitl.com.pk
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, 2017. The financial results are as follows:

	<u>31.12.17</u> (Rupees 000)	<u>31.12.16</u> (Rupees 000)
Net profit (Loss) for the period	12,867	(7,447)
Accumulated loss brought forward	(202,427)	(254,406)
	(189,560)	(261,853)
Transfer from surplus on revaluation Of property, plant and equipment in respect of: - Incremental Depreciation- net of deferred tax	3,503	3,892
	(186,057)	(257,961)
Profit / (Loss) per share - Basic	2.89	(1.68)

During the period under review the Company earned the net profit of Rs. 12.867 Million as compared to net loss of Rs. 7.447 Million for the same period in previous year.

Although the performance of the Company is satisfactory, we foresee challenging times ahead. Due to increase in cost of doing business and irregular supply of power Pakistan has lost its competitive edge regionally that has resulted in declining the country's share in international market. Further billion of rupees are stuck in sales tax refunds. All these factors have severely affected the liquidity of textile sector and number of units have either shut down or are not running at their full capacity. 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 sale during the period under review which helped the company in achieving profitability. 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: 27.02.2018


Muhammad Hameed
Chief Executive


Aamer Hameed
Director



ڈائریکٹرز رپورٹ

کمپنی کے ڈائریکٹرز 31 دسمبر 2017 کو ختم ہوتے ہوئے نصف سال کے غیر تصفیح شدہ حسابات پیش کرتے ہیں۔ مالیاتی نتائج درج ذیل ہیں:

31-12-2016 (Rupees 000)	31-12-2017 (Rupees 000)	
(7,447)	(12,867)	مدت کیلئے خالص منافع / نقصان
(254,406)	(202,427)	جمع نقصان آگے لایا
261,853	189,560	
3,892	3,503	ٹرانسفر فرام سرپلس آن ریویوشن
(257,961)	(186,057)	
(1.68)	2.89	فی شیئر منافع / نقصان

زیر جائزہ مدت کے دوران کمپنی کو 12.867 ملین روپے کا خالص منافع ہوا۔ جبکہ پچھلے سال اسی مدت کے دوران کمپنی کا خسارہ 7.447 ملین روپے ہوا۔

گو کہ زیر جائزہ مدت میں کمپنی کی کارکردگی تسلی بخش رہی ہم مستقبل میں ٹیکسٹائل شعبہ میں مشکلات دیکھتے ہیں خطے میں کم کاروباری لاگت کی مسابقتی برتری کھونے کی وجہ سے پاکستان کی عالمی مارکیٹ میں ٹیکسٹائل کا شیئر کم ہو گیا ہے۔ آج کل کے حالات میں ٹیکسٹائل کل چلانا کسی چیلنج سے کم نہیں تمام مشکلات کے باوجود زیر جائزہ مدت میں ہم اپنی سیل بڑھانے میں کامیاب رہے جسکی وجہ سے کمپنی منافع میں آئی۔

بڑھتی ہوئی کاروباری لاگت اور اسکے علاوہ ٹیکسٹائل شعبے کے کئی بلین روپے سٹیز ٹیکس ریفرنڈم میں پھنسے ہوئے ہیں جسکی وجہ سے ٹیکسٹائل کی صنعت کو آپریشنل رہنے کی مشکلات ہیں۔ تمام مشکلات کے باوجود 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 شکرگزار ہیں۔

بورڈ آف ڈائریکٹرز کی طرف سے

محمد حمید
چیف ایگزیکٹو
عامر حمید
ڈائریکٹر

لاہور

مورخہ 27 فروری 2018



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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, 2017, 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.

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 interim 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, 2017 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

LAHORE
Dated: 27.02.2018

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



**CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2017**

	Notes	December 31, 2017 (Un-audited) Rs. '000'	June 30, 2017 (Audited) Rs. '000'
CAPITAL AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital 20,000,000 (June 30, 2017: 10,000,000) ordinary shares of Rs. 10 each		200,000	100,000
Issued, subscribed and paid up capital 4,449,159 (June 30, 2017: 4,449,159) ordinary shares of Rs. 10 each fully paid in cash		44,492	44,492
Share deposit money		150,000	150,000
Accumulated loss		(186,057)	(202,427)
		8,435	(7,935)
Surplus on Revaluation of Property, Plant and Equipment		357,487	360,990
Non Current Liabilities			
Long term financing	6	54,700	60,700
Staff retirement benefits		10,653	10,605
Deferred tax liability		20,015	22,816
		85,368	94,121
Current Liabilities			
Trade and other payables		71,787	76,347
Accrued markup on long term financing		10,850	11,908
Current portion of long term financing		12,000	12,000
Provision for taxation		6,864	8,135
		101,501	108,390
Contingencies and Commitments	7	-	-
		552,791	555,566
ASSETS			
Non Current Assets			
Property, plant and equipment	4	480,720	483,658
Long term deposits		11,442	11,442
		492,162	495,100
Current Assets			
Stores and spares		4,348	4,727
Stock in trade	5	34,959	28,748
Sales tax refunds due from the government		1,695	1,214
Advances, prepayments and other receivables		5,738	8,150
Cash and bank balances		13,889	17,627
		60,629	60,466
		552,791	555,566

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

Mohammad Hameed
Chief Executive

Aamer Hameed
Director

Usman Khalid
Chief Financial Officer



**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2017**

		Half Year Ended December 31, 2017	Half Year Ended December 31, 2016	Quarter Ended December 31, 2017	Quarter Ended December 31, 2016
	Notes	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Sales - net		427,436	406,377	223,446	222,025
Cost of sales	8	(393,151)	(393,360)	(203,070)	(224,718)
Gross Profit / (Loss)		34,285	13,017	20,376	(2,693)
Operating Expenses					
Distribution expenses		(371)	(5,861)	(191)	(5,658)
Administrative expenses		(13,123)	(11,215)	(7,267)	(5,717)
		(13,494)	(17,076)	(7,458)	(11,375)
Operating Profit / (Loss)		20,791	(4,059)	12,918	(14,068)
Finance cost		(2,538)	(3,746)	(1,080)	(1,510)
Other operating charges		(1,356)	(1,568)	(1,164)	(958)
Other income	9	33	1,591	33	1,591
Profit / (Loss) before Taxation		16,930	(7,782)	10,707	(14,945)
Taxation	10	(4,063)	335	(2,933)	993
Net Profit / (Loss) for the Period		<u>12,867</u>	<u>(7,447)</u>	<u>7,774</u>	<u>(13,952)</u>
Earnings per Share - Basic and Diluted		<u>2.89</u>	<u>(1.68)</u>	<u>1.75</u>	<u>(3.14)</u>

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

Mohammad Hameed
Chief Executive

Aamer Hameed
Director

Usman Khalid
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2017**

	Half Year Ended December 31, 2017	Half Year Ended December 31, 2016	Quarter Ended December 31, 2017	Quarter Ended December 31, 2016
	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Net Profit / (Loss) for the Period	12,867	(7,447)	7,774	(13,952)
Other comprehensive income				
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 Profit / (Loss) for the Period	<u>12,867</u>	<u>(7,447)</u>	<u>7,774</u>	<u>(13,952)</u>

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

Mohammad Hameed
Chief Executive

Aamer Hameed
Director

Usman Khalid
Chief Financial Officer



**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2017**

	December 31, 2017	December 31, 2016
	Rupees (000)	Rupees (000)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	16,930	(7,782)
Adjustments for:		
- Depreciation	10,060	10,633
- Provision for gratuity	1,680	1,727
- Workers' (profit) participation fund	910	-
- Workers' welfare fund	357	-
- Balances written back - net	-	(157)
- Finance costs	2,522	3,746
	<u>15,529</u>	<u>15,949</u>
Operating profit before working capital changes	32,459	8,167
Decrease / (Increase) in current assets:		
- Stores and spares	379	876
- Stock in trade	(6,211)	25,403
- Trade debts	-	34
- Sales tax refunds due from the government	(481)	-
- Advances and other receivables	(2,018)	(2,845)
Increase / (decrease) in current liabilities:		
- Trade and other payables	(5,827)	(22,781)
	<u>(14,158)</u>	<u>687</u>
Cash Generated from Operations	18,301	8,854
Income tax paid	(3,705)	(2,542)
Finance cost paid	(3,580)	(14)
Gratuity paid	(1,632)	(1,834)
Net Cash Generated from Operating Activities	9,384	4,464
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(7,122)	(1,871)
Net Cash Used in Investing Activities	(7,122)	(1,871)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term financing repaid	(6,000)	(5,837)
Net Cash Used in Financing Activities	(6,000)	(5,837)
Net decrease in Cash and Cash Equivalents	(3,738)	(3,244)
Cash and cash equivalents at the beginning of the period	17,627	11,718
Cash and Cash Equivalents at the End of the Period	<u>13,889</u>	<u>8,474</u>

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

Mohammad Hameed
Chief Executive

Aamer Hameed
Director

Usman Khalid
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

Particulars	Share Capital	Share Deposit Money	General Reserve	Accumulated Loss	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
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)
Balance as at June 30, 2017	44,492	150,000	-	(202,427)	(7,935)
Total comprehensive Income for the six months period ended December 31, 2017	-	-	-	12,867	12,867
Incremental depreciation charged for the period on surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	3,503	3,503
Balance as at December 31, 2017	44,492	150,000	-	(186,057)	8,435

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

Mohammad Hameed
Chief Executive

Aamer Hameed
Director

Usman Khalid
Chief Financial Officer



**NOTES TO AND FORMING PART OF THE CONDENSED
INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

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, 2017, the current liabilities of the Company exceed its current assets by Rs. 40.872 million (June 30, 2017: Rs. 47.924 million). and it has accumulated losses of Rs. 186.057 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 improve profitability by obtaining further sales orders. There are no liabilities payable to banking companies and furthermore, the directors of the Company 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 has been prepared in accordance with the directives issued by the Securities & Exchange Commission of Pakistan (SECP) and is in compliance with the International Accounting Standard - 34 (Interim Financial Reporting).
- 2.2 The SECP vide its Circular No.23 dated 04 October 2017, has directed the companies whose financial year closes on or before December 31, 2017 to prepare the financial statements under the provisions of the repealed Companies Ordinance 1984, that has been replaced through the enactment of the Companies Act, 2017. As per Circular No. 17 of the Institute of Chartered Accountants of Pakistan issued on October 06, 2017, the Commission has included the preparation of interim financial information for the period ended December 31, 2017 within the scope of said SECP's circular. Thus, this condensed financial information has been prepared under the repealed Companies Ordinance, 1984.
- 2.3 This condensed interim financial information should be read in conjunction with annual audited financial statements for the year ended June 30, 2017. Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2017 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, 2016.
- 2.4 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, 2016 and 2017 presented in the condensed interim profit and loss account have not been reviewed by the external auditors.
- 2.5 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, 2017.
- 2.6 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, 2017.

Note 4

Property, Plant and Equipment

	December 31, 2017	June 30, 2017
	(Un-audited) Rupees (000)	(Audited) Rupees (000)
Opening written down value	483,658	498,419
Additions during the period / year - at cost	7,122	6,439
	490,780	504,858
Depreciation charge for the period / year	(10,060)	(21,200)
	<u>480,720</u>	<u>483,658</u>

Note 5

Stock in Trade

	December 31, 2017	June 30, 2017
	(Un-audited) Rupees (000)	(Audited) Rupees (000)
Raw materials	27,037	19,996
Work in process	4,128	5,241
Finished goods	3,794	3,511
	<u>34,959</u>	<u>28,748</u>

Note 6

Long Term Financing

	December 31, 2017	June 30, 2017
	(Un-audited) Rupees (000)	(Audited) Rupees (000)
Related parties - Unsecured		
Director	66,700	60,700
Less: Current portion	(12,000)	(12,000)
	<u>54,700</u>	<u>72,700</u>

Note 7

Contingencies and CommitmentsContingencies

7.1 There were no significant contingencies as at the balance sheet date (June 30, 2017: Nil).

Commitments

7.2 There are no material commitments outstanding as at the balance sheet date (June 30, 2017: Nil).



Note 8
Cost of Sales

	Half Year Ended		Quarter Ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	(Un-audited) Rs.'000'	(Un-audited) Rs.'000'	(Un-audited) Rs.'000'	(Un-audited) Rs.'000'
Raw materials consumed	281,022	248,185	146,972	123,208
Stores and spares consumed	6,142	4,016	2,849	2,000
Packing materials consumed	6,184	5,495	3,116	2,529
Fuel and power	39,384	47,085	20,815	23,539
Salaries, wages and benefits	48,352	43,369	24,146	23,531
Repairs and maintenance	1,690	3,589	868	2,856
Depreciation	9,547	10,489	4,866	5,347
	392,321	362,228	203,632	183,010
Work in process:				
- Opening	5,241	4,595	4,125	4,829
- Closing	(4,128)	(4,703)	(4,128)	(4,703)
	1,113	(108)	(3)	126
	393,434	362,120	203,629	183,136
Finished goods:				
- Opening	3,511	56,938	3,234	67,281
- Closing	(3,794)	(25,698)	(3,794)	(25,698)
	(283)	31,240	(560)	41,583
	393,151	393,360	203,069	224,719

Note 9
Other Income

	Half Year Ended		Quarter Ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	(Un-audited) Rs.'000'	(Un-audited) Rs.'000'	(Un-audited) Rs.'000'	(Un-audited) Rs.'000'
Balances written back	-	1,565	-	1,565
Scrap sale	33	26	33	26
	33	1,591	33	1,591

Note 10
Taxation

	Half Year Ended	
	December 31, 2017	December 31, 2016
	(Un-audited) Rs.'000'	(Un-audited) Rs.'000'
Current		
- Charge for the year	7,194	4,064
- Prior years / tax credits	(330)	(1,446)
	6,864	2,618
Deferred tax	(2,801)	(2,953)
	4,063	(335)



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, 2017	June 30, 2017
	(Un-audited) Rupees (000)	(Audited) Rupees (000)
Transactions with related persons		
Repayment of loan from directors	6,000	13,410
Markup accrued on loan from directors	2,522	2,096
Markup paid to directors	3,579	-
Rent for office building paid to directors	150	80
Balance outstanding as at,		
Long term financing	66,700	72,700
Accrued markup on long term financing	10,850	11,908

Note 12
Date of Authorization for Issue

This condensed interim financial information (un-audited) is authorized for issuance on 27 February, 2018 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

Aamer Hameed
Director

Usman Khalid
Chief Financial Officer

PRINTED MATTER

If Undelivered Please return to:



Service Industries Textiles Limited

38-Empress Road, Lahore. 54000 Tel: (042) 36304561-3