



# **Service Industries Textiles Limited**

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3rd Quarterly Accounts  
Un-Audited

March 31, 2018

**COMPANY INFORMATION**

<b>BOARD OF DIRECTORS</b>	: Ijaz Hameed Mohammad Hameed Aamer Hameed Uzma Hameed Tariq Hameed Omer Mohyudin Malik Murtaza Hameed Sajid Saleem Minhas	(Chairman/Non Executive Director) (Chief Executive/Executive Director) (Executive Director) (Non Executive Director) (Non Executive Director) (Independent Director) (Non Executive Director) (Non Executive Director)
<b>COMPANY SECRETARY</b>	: Usman Khalid	
<b>CHIEF FINANCIAL OFFICER</b>	: Usman Khalid	
<b>AUDIT COMMITTEE</b>	: Omer Mohyudin Malik Sajid Saleem Minhas Murtaza Hameed	(Chairman) (Member) (Member)
<b>HUMAN RESOURCE &amp; REMUNERATION COMMITTEE</b>	: Ijaz Hameed Omer Mohyudin Malik Tariq Hameed	(Chairman) (Member) (Member)
<b>BANKERS</b>	: MCB Bank Limited Bank Alfalah Limited	
<b>AUDITORS</b>	: Horwath Hussain Chaudhury & Co., Chartered Accountants	
<b>INTERNAL AUDITOR</b>	: Awan & Co. Chartered Accountants	
<b>REGISTERED OFFICE</b>	: 38-Empress Road, Lahore Telephones: 36304561-3, 36367861-3 Telefax: (92-42) 3636 7861 E-mail: <a href="mailto:info@prime-service.com">info@prime-service.com</a>	
<b>MILLS</b>	: G.T Road, Gujrat Telephone: (92-53) 3514065, 3535085 Telefax: (92-53) 3513700	
<b>Web Reference</b>	: <a href="http://www.sitl.com.pk">www.sitl.com.pk</a> <a href="http://www.prime-service.com">www.prime-service.com</a>	
<b>Share Registrar</b>	: 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 nine months ended March 31, 2018. The financial results are as follows:

	<u>31.03.18</u> (Rupees 000)	<u>31.03.17</u> (Rupees 000)
Net profit for the period	3,466	18,778
Accumulated loss brought forward	(202,427)	(254,406)
	(198,961)	(235,630)
Transfer from surplus on revaluation Of property, plant and equipment in respect of: - Incremental Depreciation- net of deferred tax	5,254	5,838
	(193,707)	(229,790)
Earning per share - Basic	0.78	4.21

During the period under review the Company earned the net profit of Rs. 3.466 Million as compared to net profit of Rs. 18.778 Million for the same period in previous year. In the last quarter profit margin squeezes because of inflationary trend in the price of raw material and also because of the unavailability of system gas which resulted in increase in the price of fuel and power.


Although the performance of the Company is satisfactory, we foresee challenging times ahead. Due to increase in the cost of doing business Pakistan has lost its competitive edge regionally that has resulted in declining of the country's share in international market. Further billion of rupees of textile sector 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. 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.

Lahore  
27 April, 2018

  
Aamer Hameed  
Director

  
Mohammad Hameed  
Chief Executive



## ڈائریکٹرز رپورٹ

کمپنی کے ڈائریکٹرز 31 مارچ 2018 کو ختم ہوتے ہوئے نصف سال کے غیر متنتج شدہ حسابات پیش کرتے ہیں۔ مالیاتی نتائج درج ذیل ہیں:

31-12-2017 (Rupees 000)	31-03-2018 (Rupees 000)	
18,778	3,466	مدت کیلئے خالص منافع
(254,406)	(202,427)	جمع نقصان آگے لایا
(235,630)	(198,961)	
5,838	5,254	ٹرانسفر فرام سرپلس آن ریولوشن
(229,790)	(193,707)	
4.21	0.78	فی شیئر منافع

زیر جائزہ مدت کے دوران کمپنی کو 3.446 بلین روپے کا خالص منافع ہوا۔ جبکہ پچھلے سال اسی مدت کے دوران کمپنی کو 18.778 بلین روپے کا منافع ہوا۔ آخری سہ ماہی میں کپاس کی قیمت بڑھنے اور سسٹم گیس کی عدم دستیابی کی وجہ سے تیل اور گیس کی قیمتوں میں اضافہ ہوا جسکی وجہ سے منافع کم ہوا۔

گو کہ زیرہ جائزہ مدت میں کمپنی کی کارکردگی تسلی بخش رہی لیکن 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 جسکی وجہ سے آج کل کے حالات میں ٹیکسٹائل کا چلانا کسی چیلنج سے کم نہیں۔ بڑھتی ہوئی کاروباری لاگت اور اسکے علاوہ ٹیکسٹائل شعبے کے کئی بلین روپے سیلز 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

عمر حمید  
ڈائریکٹر

لاہور

مورخہ 27 فروری 2018

**CONDENSED INTERIM BALANCE SHEET (UN-AUDITED) AS AT MARCH 31, 2018**

	Notes	March 31, 2018 (Un-audited) Rs. '000'	June 30, 2017 (Audited) Rs. '000'
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, plant and equipment	4	489,865	483,658
Long term deposits		11,442	11,442
		501,307	495,100
<b>Current Assets</b>			
Stores and spares		4,404	4,727
Stock in trade	5	73,615	28,748
Sales tax refunds due from the government		1,806	1,214
Advances, prepayments and other receivables		12,533	8,150
Cash and bank balances		5,841	17,627
		98,199	60,466
		599,506	555,566
<b>CAPITAL AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
<b>Authorized share capital</b>			
20,000,000 (June 30, 2017: 20,000,000) ordinary shares of Rs. 10 each		200,000	200,000
<b>Issued, subscribed and paid up capital</b>			
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		(193,707)	(202,427)
		785	(7,935)
Surplus on Revaluation of Property, Plant and Equipment		355,736	360,990
<b>Non Current Liabilities</b>			
Long term financing	6	53,007	60,700
Staff retirement benefits		10,627	10,605
Deferred tax liability		19,012	22,816
		82,646	94,121
<b>Current Liabilities</b>			
Trade and other payables		124,986	76,347
Accrued markup on long term financing		9,430	11,908
Current portion of long term financing		12,000	12,000
Provision for taxation		13,923	8,135
		160,339	108,390
<b>Contingencies and Commitments</b>			
	7	-	-
		599,506	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 3<sup>rd</sup> QUARTER AND NINE MONTHS ENDED MARCH 31, 2018**

	Notes	Nine Months Ended March 31, 2018	Nine Months Ended March 31, 2017	3rd Quarter Ended March 31, 2018	3rd Quarter Ended March 31, 2017
		(Un-audited) Rupees '000	(Un-audited) Rupees '000	(Un-audited) Rupees '000	(Un-audited) Rupees '000
Sales - net		628,468	623,063	201,032	216,686
Cost of sales	8	(597,211)	(571,866)	(204,060)	(178,506)
Gross Profit / (Loss)		31,257	51,197	(3,028)	38,180
Operating Expenses					
Distribution expenses		(540)	(8,288)	(169)	(2,427)
Administrative expenses		(19,038)	(17,291)	(5,915)	(6,076)
		(19,578)	(25,579)	(6,084)	(8,503)
Operating Profit / (Loss)		11,679	25,618	(9,112)	29,677
Finance cost		(3,683)	(4,640)	(1,145)	(894)
Other operating charges		(743)	(3,218)	613	(1,650)
Other income	9	52	1,606	19	15
Profit / (Loss) before Taxation		7,305	19,366	(9,625)	27,148
Taxation	10	(3,839)	(588)	224	(923)
Net Profit / (Loss) for the Period		3,466	18,778	(9,401)	26,225
Earnings per Share - Basic		0.78	4.21	(2.11)	5.89
Earnings per Share - Diluted		0.18	1.70	(0.48)	2.37

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 3<sup>rd</sup> QUARTER AND NINE MONTHS ENDED MARCH 31, 2018**

	9 Months March 31, 2018	9 Months March 31, 2017
	(Un-audited) Rupees '000	(Un-audited) Rupees '000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	7,305	19,366
Adjustments for:		
- Depreciation	15,564	15,857
- Provision for gratuity	2,520	2,590
- Workers' (profit) participation fund	398	1,054
- Workers' welfare fund	156	666
- Balances written off	100	1,408
- Balances written back - net	-	(1,565)
- Finance costs	3,683	4,640
	<u>22,421</u>	<u>24,650</u>
Operating profit before working capital changes	29,726	44,016
Decrease / (Increase) in current assets:		
- Stores and spares	323	237
- Stock in trade	(44,867)	21,835
- Trade debts		61
- Sales tax refunds due from the government	(592)	
- Advances and other receivables	1,030	1,197
Increase / (decrease) in current liabilities:		
- Trade and other payables	48,248	(48,656)
	<u>4,142</u>	<u>(25,326)</u>
Cash Generated from Operations	33,868	18,690
Income tax paid	(7,368)	(4,416)
Finance cost paid	(6,161)	(21)
Workers' welfare fund paid	(163)	
Gratuity paid	(2,498)	(2,780)
Net Cash Generated from Operating Activities	17,678	11,473
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(21,771)	(2,878)
Net Cash Used in Investing Activities	(21,771)	(2,878)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term financing repaid	(7,693)	(9,582)
Net Cash Used in Financing Activities	(7,693)	(9,582)
Net decrease in Cash and Cash Equivalents	(11,786)	(987)
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>5,841</u>	<u>10,731</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 3<sup>rd</sup> QUARTER AND NINE MONTHS ENDED MARCH 31, 2018**

	Nine Months Ended March 31, 2018	Nine Months Ended March 31, 2017	3rd Quarter Ended March 31, 2018	3rd Quarter Ended March 31, 2017
	(Un-audited) Rupees '000	(Un-audited) Rupees '000	(Un-audited) Rupees '000	(Un-audited) Rupees '000
Net Profit / (Loss) for the Period	3,466	18,778	(9,401)	26,225
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>3,466</u>	<u>18,778</u>	<u>(9,401)</u>	<u>26,225</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**  
**FOR THE 3<sup>rd</sup> QUARTER AND NINE MONTHS ENDED MARCH 31, 2018**  
**(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, 2016	44,492	150,000	35,000	(254,406)	(24,914)
Total comprehensive income for the nine months period ended March 31, 2017	-	-	-	18,778	18,778
Incremental depreciation charged for the period on surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	5,838	5,838
Balance as at March 31, 2017	44,492	150,000	35,000	(229,790)	(298)
Balance as at June 30, 2017	44,492	150,000	-	(202,427)	(7,935)
Total comprehensive income for the nine months period ended March 31, 2017	-	-	-	3,466	3,466
Incremental depreciation charged for the period on surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	5,254	5,254
Balance as at March 31, 2018	44,492	150,000	-	(193,707)	785

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 3<sup>rd</sup> QUARTER AND NINE MONTHS ENDED MARCH 31, 2018**

**Note 1****The Company and its Operations**

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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 Act, 2017) 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.

**Note 2****Basis of Preparation**

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2.1 This condensed interim financial information has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017:  
and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives under the Companies Act, 2017 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, 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 nine months ended March 31, 2017.

2.3 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**

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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	Nine Months Ended	Year Ended
Property, Plant and Equipment	March 31, 2018	June 30, 2017
Note	(Un-audited)	(Audited)
	Rs.'000'	Rs.'000'
Opening written down value	483,658	498,419
Additions during the period / year - at cost	21,771	6,439
	505,429	504,858
Depreciation charge for the period / year	(15,564)	(21,200)
	489,865	483,658

Note 5	Nine Months Ended	Year Ended
Stock in Trade	March 31, 2018	June 30, 2017
	(Un-audited)	(Audited)
	Rs.'000'	Rs.'000'
Raw materials	65,542	19,996
Work in process	3,717	5,241
Finished goods	4,356	3,511
	73,615	28,748

Note 6	Nine Months Ended	Year Ended
Long Term Financing	March 31, 2018	June 30, 2017
	(Un-audited)	(Audited)
	Rs.'000'	Rs.'000'
Related parties - Unsecured		
Director	65,007	60,700
Less: Current portion	(12,000)	(12,000)
	53,007	72,700



## Note 7

## Contingencies and Commitments

## Contingencies

7.1 Sui Northern Gas Pipelines Limited (SNGPL) has demanded an amount of Rs. 19.810 million (June 30, 2017:Rs. 7.42 million) from the Company in respect of Gas Infrastructure Development Cess under the Gas Infrastructure Development Cess Act, 2015. However, the Company denies the claim and has filed a suit before the Honourable Sindh High Court which is pending for adjudication. Based on the advice of legal counsel, the management is of the view that there are meritorious grounds to defend the Company's position and it would be resolved in the Company's favor. Hence, no provision has been made in these financial statements.

## Commitments

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

## Note 8

## Cost of Sales

	Nine Months Ended March 31, 2018	Nine Months Ended March 31, 2017	Quarter Ended March 31, 2018	Quarter Ended March 31, 2017
	(Un-audited) Rs.'000'	(Un-audited) Rs.'000'	(Un-audited) Rs.'000'	(Un-audited) Rs.'000'
Raw materials consumed	416,335	353,557	135,313	105,372
Stores and spares consumed	8,816	6,379	2,674	2,363
Packing materials consumed	8,978	7,837	2,794	2,342
Fuel and power	71,660	67,285	32,276	20,200
Salaries, wages and benefits	73,091	64,400	24,739	21,031
Repairs and maintenance	2,866	4,698	1,176	1,109
Depreciation	14,786	15,637	5,239	5,148
	596,532	519,793	204,211	157,565
Work in process:				
- Opening	5,241	4,595	4,128	4,703
- Closing	(3,717)	(4,890)	(3,717)	(4,890)
	1,524	(295)	411	(187)
	598,056	519,498	204,622	157,378
Finished goods:				
- Opening	3,511	56,938	3,794	25,698
- Closing	(4,356)	(4,570)	(4,356)	(4,570)
	(845)	52,368	(562)	21,128
	597,211	571,866	204,060	178,506



## Note 9

## Other Income

	Nine Months Ended March 31, 2018	Nine Months Ended March 31, 2017	Quarter Ended March 31, 2018	Quarter Ended March 31, 2017
	(Un-audited) Rs.'000'	(Un-audited) Rs.'000'	(Un-audited) Rs.'000'	(Un-audited) Rs.'000'
Balances written back	-	1,565	-	-
Scrap sale	52	41	19	15
	<u>52</u>	<u>1,606</u>	<u>19</u>	<u>15</u>

## Note 10

## Taxation

	Nine Months Ended March 31, 2018	Nine Months Ended March 31, 2017
	(Un-audited) Rs.'000'	(Un-audited) Rs.'000'
Current		
- Charge for the year	7,972	6,231
- Prior years / tax credits	(330)	(1,446)
	<u>7,642</u>	<u>4,785</u>
Deferred tax	(3,803)	(4,197)
	<u>3,839</u>	<u>588</u>

## 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:

	March 31, 2018	March 31, 2017
	(Un-audited) Rs.'000'	(Un-audited) Rs.'000'
Transactions with related persons		
Repayment of loan from directors	7,693	9,582
Markup accrued on loan from directors	3,657	3,943
Markup paid to directors / adjusted	6,134	-
Rent for office building paid to directors	150	-
Balance outstanding as at,		
Long term financing	65,007	76,528
Accrued markup on long term financing	9,430	13,755
Share deposit money	<u>150,000</u>	<u>150,000</u>



Note 12

Date of Authorization for Issue

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This condensed interim financial information (un-audited) is authorized for issuance on April 27, 2018 by the Board of Directors of the Company.

Note 13

General

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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