

QUARTERLY REPORT  
UN-AUDITED  
1st Quarter Ended  
September 30, 2018



Service Industries Textiles Limited





## 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** : M. Muddasar Shahzad

**AUDIT COMMITTEE** : Omer Mohyudin Malik (Chairman)  
Sajid Saleem Minhas (Member)  
Murtaza Hameed (Member)

**HUMAN RESOURCE & REMUNERATION COMMITTEE** : Omer Mohyudin Malik (Chairman)  
Ijaz Hameed (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.sitl.com.pk](http://www.sitl.com.pk)

**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 quarter ended September 30, 2018. The financial results are as follows:

	<u>30.09.18</u> (Rupees 000)	<u>30.09.17</u> (Rupees 000)
Net Profit for the period	17,052	5,093
Accumulated loss brought forward	<u>(184,791)</u>	<u>(202,427)</u>
	(167,739)	(197,334)
Transfer from surplus on revaluation Of fixed assets in respect of incremental Depreciation- net of deferred tax	1,576	1,751
Accumulated Loss	<u>(166,163)</u>	<u>(195,583)</u>
Earning per share - Basic	3.83	1.14

During the current period Company has earned a net profit of Rs.17.052 million as compared to net profit of Rs. 5.093 million for the same period in previous year. Major reason for the profit in the current quarter is our reinvestment of profits in cotton stock in previous year.

Although the performance of the Company is satisfactory, we foresee challenging times ahead. Due to increase in cost of doing business Pakistan has lost its competitive edge regionally that has resulted in declining the country's share in international market. Again target cotton crop could not be met this year and as a result raw material prices have started showing inflationary trend which may squeeze the profit in coming days. 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. We remain hopeful of the improving macro and micro economic situation of the country.

For and on behalf of the Board of Directors

Lahore  
30 October, 2018

Mohammad Hameed  
Chief Executive

Aamer Hameed  
Director



**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT SEPTEMBER 30, 2018 (UN AUDITED)**

		September 30 2018	June 30, 2018
	Note	(Unaudited) Rupees (000)	(Audited) Rupees (000)
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, plant and equipment	4	472,259	476,496
Long term deposits		12,261	11,442
<b>Current Assets</b>			
Stores and spares		4,628	4,145
Stock in trade		47,343	65,567
Trade debts- Unsecured considered good		-	1,002
Sales tax refund due from the Government		2,508	2,016
Advances and other receivables		10,633	8,615
Cash and bank balances		10,911	37,203
		76,023	118,549
<b>Less: Current Liabilities</b>			
Trade and other payables		74,574	136,346
Unclaimed dividend		233	233
Accrued markupon long term financing		9,732	10,110
Current and overdue portion of non current liabilities		12,000	12,000
Provision for taxation		11,897	8,673
		108,437	167,362
<b>Less: Non Current Liabilities</b>			
Long term financing		45,700	48,700
Staff retirement benefits		10,045	9,862
Deferred tax liability		15,624	16,878
		71,369	75,440
		<u>380,737</u>	<u>363,685</u>
<b>REPRESENTED BY:</b>			
<b>Authorised capital</b>			
20,000,000 (June 30,2018: 20,000,000) ordinary shares of Rs 10 each.		<u>200,000</u>	<u>200,000</u>
<b>Issued, subscribed and paid up capital</b>			
4,449,159 (June 30,2018: 4,449,159) ordinary shares of Rs. 10 each.		44,492	44,492
Share deposit money		150,000	150,000
General reserve		-	-
Revaluation surplus		352,408	353,984
Accumulated loss		(166,163)	(184,791)
		<u>380,737</u>	<u>363,685</u>

Mohammad Hameed  
Chief Executive

Aamer Hameed  
Director

M. Muddasar Shahzad  
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS  
FOR THE QUARTER ENDED SEPTEMBER 30, 2018 (UN AUDITED)**

		Quarter Ended September 30, 2018	Quarter Ended September 30, 2017
	Notes	(Unaudited) Rupees (000)	(Unaudited) Rupees (000)
Sales		260,180	203,990
Cost of Sales	5	(232,090)	(190,081)
Gross Profit		28,090	13,909
Operating Expenses:			
Distribution Cost		(224)	(180)
Administrative expenses	6	(6,117)	(5,856)
Operating Profit		21,749	7,873
Financel cost		(1,350)	(1,458)
Other operating expenses		(1,391)	(192)
Other operating Income		14	-
Profit before taxation		19,022	6,223
Provision for taxation		(1,970)	(1,130)
Profit after taxation		17,052	5,093
Earnings per Share - Basic		3.83	1.14

Mohammad Hameed  
Chief ExecutiveAamer Hameed  
DirectorM. Muddasar Shahzad  
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME  
FOR THE QUARTER ENDED SEPTEMBER 30, 2018 (UN-AUDITED)**

	Quarter Ended September 30, 2018 (Unaudited) Rupees (000)	Quarter Ended September 30, 2017 (Unaudited) Rupees (000)
Net Profit for the period	17,052	5,093
Other Comprehensive Income for the period		
Items that will not be reclassified to profit and loss		
Experience adjustment on remeasurement of staff retirement benefits - net of deferred tax	-	-
Unrecognized actuarial losses / transitional liability on remeasurement of staff retirement benefits - net of deferred tax	-	-
	-	-
Total Comprehensive Income for the period	<u>17,052</u>	<u>5,093</u>

Mohammad Hameed  
Chief ExecutiveAamer Hameed  
DirectorM. Muddasar Shahzad  
Chief Financial Officer



**CONDENSED INTERIM CASH FLOW STATEMENT  
FOR THE QUARTER ENDED SEPTEMBER 30, 2018 (UN-AUDITED)**

	Quarter Ended September 30, 2018	Quarter Ended September 30, 2017
	(Unaudited) Rupees (000)	(Unaudited) Rupees (000)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	19,022	6,223
Adjustments for :		
Depreciation	4,730	4,937
Provision for gratuity for the period	939	840
Worker's (profit) participation fund	1,021	331
Worker's welfare fund	369	109
Finance cost	1,350	1,451
	<u>8,409</u>	<u>7,668</u>
Operating Profit before working capital changes	27,431	13,891
(Increase) / decrease in current assets:		
Stores and spares	(483)	483
Stock in trade	18,224	6,753
Trade debts	1,002	-
Sales tax refund due from the government	(492)	(212)
Advances, deposits, prepayments and other receivables	69	1,339
Increase/(Decrease) in current liabilities:		
Creditors, accrued and other liabilities	(63,161)	(25,220)
	<u>(44,841)</u>	<u>(16,857)</u>
Cash used in operations	(17,410)	(2,966)
Income tax paid	(2,087)	(1,568)
Financial charges paid	(1,728)	(2,578)
Gratuity paid	(755)	(828)
Net Cash used in operating activities	<u>(21,980)</u>	<u>(7,940)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Property , plant and equipment purchased	(493)	(2,100)
Capital Work in process	(819)	-
Net cash used in Investing Activities	<u>(1,312)</u>	<u>(2,100)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term finances	(3,000)	(3,000)
Net cash used in Financing Activities	<u>(3,000)</u>	<u>(3,000)</u>
Net Decrease in Cash and Cash Equivalents	<u>(26,292)</u>	<u>(13,040)</u>
Cash and Cash Equivalents at the beginning of the Year	37,203	17,627
Cash and Cash Equivalents at the end of the Year	<u>10,911</u>	<u>4,587</u>

Mohammad Hameed  
Chief Executive

Aamer Hameed  
Director

M. Muddasar Shahzad  
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE QUARTER ENDED SEPTEMBER 30, 2018 (UN-AUDITED)**

	Share capital	General Reserve	Share deposit money	Surplus on Revaluation of Fixed Assets	Accumulated loss	Total
	Rupees (000)	Rupees (000)	Rupees (000)	Rupees (000)	Rupees (000)	Rupees (000)
Balance as at June 30, 2017 - Restated	44,492	-	150,000	360,990	(202,427)	353,055
Net profit for the period ended September 30, 2017	-	-	-	-	5,093	5,093
Other comprehensive income for the period ended September 30, 2017 - net of deferred tax	-	-	-	-	-	-
Transferred from surplus on revaluation of property, plant and equipment on incremental depreciation charged in current year - net of deferred tax	-	-	-	(1,751)	1,751	-
Balance as on September 30, 2017	44,492	-	150,000	359,239	(195,583)	358,148
Balance as at June 30, 2018	44,492	-	150,000	353,984	(184,791)	363,685
Net profit for the period ended September 30, 2018	-	-	-	-	17,052	17,052
Other comprehensive income for the period ended September 30, 2018 - net of deferred tax	-	-	-	-	-	-
Transferred from surplus on revaluation of property, plant and equipment on incremental depreciation charged in current year - net of deferred tax	-	-	-	(1,576)	1,576	-
Balance as on September 30, 2018	44,492	-	150,000	352,408	(166,163)	380,737

Muhammad Hameed  
Chief ExecutiveAamer Hameed  
DirectorM. Muddasar Shahzad  
Chief Financial Officer





**NOTES TO AND FORMING PART OF THE  
CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE QUARTER ENDED SEPTEMBER 30, 2018 (UN-AUDITED)**

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 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.

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, 2018. Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2018 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 quarter ended September 30, 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, 2018.



Note 4	September 30	September 30
PROPERTY, PLANT & EQUIPMENT	2018	2017
	(Unaudited)	(Unaudited)
	Rupees	Rupees
	(000)	(000)
Operating fixed assets	472,259	480,821
Capital work in progress	-	-
	<u>472,259</u>	<u>480,821</u>
Note 5	September 30	September 30
COST OF SALES	2018	2017
	(Unaudited)	(Unaudited)
	Rupees	Rupees
	(000)	(000)
Raw material consumed	168,484	134,050
Stores and spares consumed	4,711	3,293
Packing material consumed	3,168	3,067
Fuel and power	22,417	18,569
Salaries & wages	27,399	24,205
Repair & maintenance	1,848	822
Depreciation	4,569	4,681
	<u>232,596</u>	<u>188,688</u>
Work in process		
Opening	3,562	5,241
Closing	(4,239)	(4,125)
	(677)	1,116
Finished Goods		
Opening	3,111	3,511
Closing	(2,941)	(3,234)
	171	277
	<u>232,090</u>	<u>190,081</u>
Note 6	September 30	September 30
ADMINISTRATIVE AND SELLING EXPENSES	2018	2017
	(Unaudited)	(Unaudited)
	Rupees	Rupees
	(000)	(000)
Salaries & Benefits	4,068	3,426
Utilities	162	97
Printing & Stationery	52	80
Communication	140	152
Travelling & conveyance	252	440
Repairs & Maintenance	19	12
Rent, rates & Taxes	21	360
Vehicle running & Maintenance	427	236
Fee and Subscription	22	-
Legal & Professional charges	243	267
Insurance	131	155
Entertainment	284	263
Newspaper & Periodicals	13	20
Donations	72	60
Miscellaneous	49	34
Depreciation	161	256
	<u>6,117</u>	<u>5,856</u>



## Note 7

## TRANSACTIONS WITH RELATED PARTIES

Related parties comprise directors of the Company and their close relatives, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Significant transactions with related parties and balances due to/from them are as under:

Transactions during the period			September 30	September 30	
			2018	2017	
			(Unaudited)	(Unaudited)	
			Rupees	Rupees	
			(000)	(000)	
Related party	Relationship	Nature of transaction			
Directors and close relatives thereof	Associated persons	Long term financing repaid to directors	3,000	3,000	
		Markup on long term financing from directors	1,344	1,246	
		Markup on long term financing repaid / adjusted	1,722	2,373	
Balance outstanding as at September 30, 2018					
Directors, executives and close relatives thereof					
			Long term financing	57,700	69,700
			Accrued markup on long term financing	9,732	10,781
			Share deposit money	150,000	150,000
			<u>217,432</u>	<u>230,481</u>	

Following are the related parties with whom the Company had entered into transactions or have arrangement / agreement in place.

Sr No	Company Name/ Party Name	Basis or association	Aggregate % of Shareholding
1	Mr. Aamer Hameed	Director	9.25
2	Mr. Farooq Hameed	Ex-CFO	9.02
3	Mr. Ijaz Hameed	Director	6.03
4	Mr. Muhammad Hameed	CEO	2.02
5	Mr. Tariq Hameed	Director	2.02
6	Ms. Uzma Hameed	Director	2.48

## Note 8

## Date of Authorization for Issue

These financial statements were approved by the board of directors and authorized for issue on 30 October 2018.

## Note 9

## CORRESPONDING FIGURES

Figures have been rounded off to the nearest thousand of rupee.

Corresponding figures have been re-arranged and re-grouped where-ever necessary for the purpose of comparison.

Mohammad Hameed  
Chief Executive

Aamer Hameed  
Director

M. Muddasar Shahzad  
Chief Financial Officer

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**PRINTED MATTER**

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**SERVICE INDUSTRIES TEXTILES LIMITED**  
38-Empress Road, Lahore. 54000