



Service Industries Textiles Limited
3rd Quarterly Accounts
March 31, 2014





COMPANY INFORMATION

BOARD OF DIRECTORS : Ijaz Hameed Chairman / Non Executive Director
Mohammad Hameed Chief Executive / Director
Farooq Hameed Executive Director
Aamer Hameed Non Executive Director
Tariq Hameed Non Executive Director
Abid Hussain Independent Director
Murtaza Hameed Non Executive Director

COMPANY SECRETARY : Usman Khalid

CHIEF FINANCIAL OFFICER : Farooq Hameed A.C.A (England & Wales)

AUDIT COMMITTEE : Abid Hussain (Chairman)
Tariq Hameed (Member)
Murtaza Hameed (Member)

HUMAN RESOURCE & REMUNERATION COMMITTEE : Ijaz Hameed (Chairman)
Aamer Hameed (Member)
Tariq Hameed (Member)

BANKERS : Habib Bank Limited
The Bank of Punjab

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 : (053) 3514 065, 353 5085
Telefax : (92-53) 3513 700

Web Reference : www.prim-service.com

Share Registrar : Corplink (Pvt) Ltd.
Wings Arcade, 1-K Commercial Model Town,
Lahore. Tel: 042-3583 9182, 3591 6719

**DIRECTORS' REPORT**

The Directors of your Company present before you the un-audited financial statements for the nine months ended March 31, 2014. The financial results are as follows:

	31.03.14 (Rupees 000)	31.03.13 (Rupees 000)
Net Profit for the period	17,155	58,423
Accumulated loss brought forward	(312,358)	(383,676)
	(295,203)	(325,253)
Transfer from surplus on revaluation Of property, plant and equipment in respect of: - Incremental Depreciation- net of deferred tax	3,669	4,015
	(291,534)	(321,238)
Earning per share - Basic	3.86	13.13

During the period under review we earned the net profit of Rs.17.155 Million as compared to net profit of Rs. 58.423 Million for the same period in previous year.

Textile sector in Pakistan facing an uphill task of shortage and high cost of electricity & gas which resulted in decrease in production, declining profits for the period and higher production cost. Moreover exemption of custom duty on imported yarn had hit the local spinning industry hard as it drove down the demand for local cotton. 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.

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

For and on Behalf of the Board of Directors

MOHAMMAD HAMEED
Chief Executive

Lahore
30 April, 2014

**CONDENSED INTERIM BALANCE SHEET AS AT MARCH 31, 2014**

	Note	March 31, 2014 (Un-audited) Rs. '000'	June 30, 2013 (Audited) Rs. '000'
CAPITAL AND LIABILITIES			
Share Capital and Reserves			
Authorized capital: 10,000,000 (June 30, 2013: 10,000,000) ordinary shares of Rs. 10 each		100,000	100,000
Issued, subscribed and paid up capital 4,449,159 (June 30, 2013: 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		(291,534)	(312,358)
		(173,792)	(194,616)
Surplus on Revaluation of Property, Plant and Equipment		256,412	260,081
Non Current Liabilities			
Long term financing	4	263,389	278,571
Staff retirement benefits		8,400	7,987
Deferred tax liability		23,311	25,942
		295,100	312,500
Current Liabilities			
Trade and other payables		45,755	36,369
Short term borrowings	5	275	475
Current and overdue portion of long term financing		13,177	26,145
Provision for taxation		6,808	6,797
		66,015	69,786
Contingencies and Commitments	6	-	-
		443,735	447,751
		March 31, 2014 (Un-audited) Rs. '000'	June 30, 2013 (Audited) Rs. '000'
ASSETS			
Non Current Assets			
Property, plant and equipment	7	356,632	362,481
Long term deposits		8,478	7,477
		365,110	369,958
Current Assets			
Stores and spares		3,125	2,933
Stock in trade	8	49,514	41,524
Trade debts (Unsecured, considered good)		2,430	3,780
Advances and other receivables		11,733	11,276
Cash and bank balances		11,823	18,280
		78,625	77,793
		443,735	447,751

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


Mohammad Hameed
Chief Executive


Farooq Hameed
Director



**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE 3rd QUARTER AND NINE MONTHS ENDED MARCH 31, 2014**

	3rd Quarter Ended March 31, 2014	3rd Quarter Ended March 31, 2013	Nine Months Ended March 31, 2014	Nine Months Ended March 31, 2013
	(Un-audited) Rupees '000	(Un-audited) Rupees '000	(Un-audited) Rupees '000	(Un-audited) Rupees '000
Sales - net	182,787	185,348	528,007	512,868
Cost of sales	(180,408)	(158,177)	(492,152)	(431,564)
Gross Profit	2,379	27,171	35,855	81,304
Operating expenses:				
Distribution cost	(375)	(589)	(821)	(1,286)
Administrative and general expenses	(2,534)	(7,462)	(14,158)	(15,922)
Operating (Loss) / Profit	(530)	19,120	20,876	64,096
Finance cost	(5)	(8)	(17)	(5,283)
Other operating charges	59	-	(1,599)	(90)
Other operating income	17	(863)	90	102
(Loss) / Profit before Taxation	(459)	18,249	19,350	58,825
Taxation	(1,198)	(206)	(2,195)	(402)
(Loss) / Profit after Taxation	(1,657)	18,043	17,155	58,423
Earnings per Share - Basic	(0.37)	4.06	3.86	13.13
Earning per Share - Dilutive	(0.20)	2.18	2.07	7.06

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

Mohammad Hameed
Chief Executive

Farooq Hameed
Director

**CONDENSED CASH FLOW STATEMENT (UN-AUDITED)**

FOR THE NINE MONTHS ENDED MARCH 31, 2014

	March 31, 2014	March 31, 2013
	(Un-audited) Rupees '000	(Un-audited) Rupees '000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	19,350	58,825
Adjustments for:		
- Depreciation	11,288	12,481
- Gratuity	2,974	1,960
- Finance costs	17	5,284
	<u>14,279</u>	<u>19,725</u>
Operating profit before working capital changes	33,629	78,550
(Increase) / decrease in current assets:		
- Stores and spares	(191)	(855)
- Stock in trade	(7,990)	(24,652)
- Trade debts	1,350	(5,166)
- Advances and other receivables	(456)	5,634
Increase / (decrease) in current liabilities:		
- Trade and other payables	9,386	13,938
	<u>2,099</u>	<u>(11,101)</u>
Cash generated from / (used in) operations	35,728	67,449
Income tax paid	(4,816)	(143)
Finance costs paid	(17)	(11,934)
Gratuity paid	(2,562)	(2,842)
Net Cash generated from Operating Activities	28,333	52,530
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(5,439)	(4,197)
Long term deposits	(1,001)	-
Net Cash used in Investing Activities	(6,440)	(4,197)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term financing	(28,150)	1,998
Short term borrowings	(200)	(44,708)
Net Cash used in Financing Activities	(28,350)	(42,710)
Net Decrease in Cash and Cash Equivalents	(6,457)	5,623
Cash and cash equivalents at the beginning of the period	18,280	1,406
Cash and Cash Equivalents at the End of the Period	<u>11,823</u>	<u>7,029</u>

Mohammad Hameed
Chief Executive**Farooq Hameed**
Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED MARCH 31, 2014**

	Quarter Ended March 31, 2014	Quarter Ended March 31, 2013	9 Months Ended March 31, 2014	9 Months Ended March 31, 2013
	(Un-audited) Rupees '000	(Un-audited) Rupees '000	(Un-audited) Rupees '000	(Un-audited) Rupees '000
Profit / (Loss) after taxation for the Period	(1,657)	18,043	17,155	58,423
Transfer from surplus on revaluation of property, plant and equipment on incremental depreciation charged in current period - net of deferred tax	1,223	1,338	3,669	4,015
Total Comprehensive Income / (Loss) for the Period	(434)	19,381	20,824	62,438

Mohammad Hameed
Chief Executive**Farooq Hameed**
Director



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (RESTATED)
FOR THE NINE MONTHS ENDED MARCH 31, 2014
(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, 2012 as Previously Reported	44,492	38,250	35,000	(377,667)	(259,925)
Impact of change in accounting policy of retirement benefits	-	-	-	(6,009)	(6,009)
Balance as at June 30, 2012 as Restated	44,492	38,250	35,000	(383,676)	(265,934)
Total comprehensive income for the nine months period ended March 31, 2013	-	-	-	62,438	62,438
Balance as at March 31, 2013	44,492	38,250	35,000	(321,238)	(203,496)
Balance as at June 30, 2013 as Previously Reported	44,492	38,250	35,000	(307,340)	(189,598)
Impact of change in accounting policy of retirement benefits	-	-	-	(5,018)	(5,018)
Balance as at June 30, 2013 as Restated	44,492	38,250	35,000	(312,358)	(194,616)
Total comprehensive income for the nine months period ended March 31, 2014	-	-	-	20,824	20,824
Balance as at March 31, 2014	44,492	38,250	35,000	(291,534)	(173,792)

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

Mohammad Hameed
Chief Executive

Farooq Hameed
Director



**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)
FOR THE NINE MONTHS ENDED MARCH 31, 2014**

Note 1

The Company and its Operations

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.

Note 2

Basis of Preparation

- 2.1** This condensed interim financial information of the company for the nine months period ended March 31, 2014 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, 2013. Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2013 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 nine months ended March 31, 2013.
- 2.3** 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 of this condensed interim financial information are same as those followed in the preparation of annual financial statements for the preceding financial year ended June 30, 2013 except for the change in accounting policy as described below:

3.1 Change in accounting policy for employee benefits - defined benefit plan

IAS-19 (Revised) 'Employee Benefits' amends the accounting for employment benefits. The Standard has become effective for the Company from July 01, 2013. Major changes introduced by the Revised Standard are as follows:

- i) Past service cost to be recognized immediately in the profit and loss account
- ii) Interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate to be measured at the beginning of the year.
- iii) Remeasurement of the net defined benefit liability / asset comprising the actuarial gain / losses and the difference between the actual return on investments and return implied by the net interest cost.
- iv) Recognition of remeasurement immediately in other comprehensive income.



Note 3, Significant Accounting Policies - Continued...

The management believes that the effect of these changes would not have a material effect on the condensed interim financial information except for "iv" above that has been accounted for retrospectively in accordance with IAS-8 'Accounting Policies, Changes in Accounting Estimates and Errors' resulting in restatement of financial statements of prior periods. As a result of this change the cumulative balance of unrecognized actuarial loss and transitional liability existing as at June 30, 2013 has been presented and disclosed as a part of the statement of changes in equity. Corresponding period adjustments and restatements have been incorporated in the balance sheet.

The effect of changes in the accounting policy is demonstrated as below:

	June, 2013	June 30, 2012
	Rupees (000)	Rupees (000)
Effect on Balance Sheet		
Reserves		
As previously reported	(307,340)	(377,667)
Effect of change in accounting policy	(5,019)	(6,009)
As restated	<u>(312,359)</u>	<u>(383,676)</u>
Staff retirement benefits		
As previously reported	2,969	2,847
Effect of change in accounting policy	5,018	6,009
As restated	<u>7,987</u>	<u>8,856</u>

Note 4

Long Term Financing

		Nine Months Ended March 31, 2014	Year Ended June 30, 2013
	Note	(Un-audited) Rs.'000'	(Audited) Rs.'000'
Banking companies - Secured			
Restructured demand finance - Habib Bank Limited	4.1	-	8,573
Less: Current portion including overdues		-	(8,573)
		-	-
Restructured bridge finance - Bank of Punjab	4.2		
- Deferred mark up		42,911	56,111
- Less: Current portion		(13,177)	(17,572)
		29,734	38,539
Related parties - Unsecured			
Director and related persons	4.3	233,655	240,032
		<u>263,389</u>	<u>278,571</u>



Note 4, Long Term Financing - Continued...

- 4.1** The Company has repaid the outstanding liability during the period.
- 4.2** During the last year, the Company has reached a settlement arrangement with The Bank of Punjab in respect of its outstanding liability on the following terms and conditions:

The Company has settled its entire outstanding principal liability through adjustment of personal property (land) of the related persons.

Mark up on principal amount, up to the date of, repayment was charged at 9.33% p.a.

Two quarterly installments of Rs. 4.393 million have been paid during the period against deferred markup after the outstanding repayment of the outstanding principal loan. Four quarterly installments of Rs. 4.393 million each will be paid and Rs 29.769 shall be waived off subject to the regular repayment of the remaining mark up as per repayment schedule. However, the default in repayment may result in a contingent liability as specified in Note 6.1.

This 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 directors of the Company.

- 4.3** This represents loans obtained from directors and related persons to meet the liquidity requirements of the Company. These loans are unsecured and interest free. Repayment of the remaining loan shall be subject to the availability of funds with the Company.

Note 5

Short Term Borrowings

		Nine Months Ended March 31, 2014	Year Ended June 30, 2013
	Note	(Un-audited) Rs.'000'	(Audited) Rs.'000'
From banking companies - Secured			
First Elite Capital Modaraba	5.1	275	475
		<u>275</u>	<u>475</u>

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 During the year 2012, the Bank of Punjab filed a suit in the Honorable Lahore High Court against the Company for the recovery of Rs. 168.503 million. However, in last year, the Company reached a settlement arrangement with the bank whereby the outstanding loan principal was settled through adjustment of personal property of related persons. The Company is in the process of repayment of frozen mark up as per the repayment schedule provided by the bank and, therefore, no additional liability is foreseen.

Commitments

6.2 There were no significant commitments as at the balance sheet date (2013: Rs. Nil).

Note 7

Property, Plant and Equipment

		Nine Months Ended March 31, 2014	Year Ended June 30, 2013
	Note	(Un-audited) Rs.'000'	(Audited) Rs.'000'
Operating fixed assets	7.1	354,269	362,481
Capital work in progress		2,363	-
		<u>356,632</u>	<u>362,481</u>
7.1 Operating fixed assets			
Opening written down value		362,481	374,190
Add: Additions during the period / year - at cost		3,076	4,771
		<u>365,557</u>	<u>378,961</u>
Less: Depreciation charge for the period / year		(11,288)	(16,480)
		<u>354,269</u>	<u>362,481</u>

Note 8

Stock in Trade

		Nine Months Ended March 31, 2014	Year Ended June 30, 2013
	Note	(Un-audited) Rs.'000'	(Audited) Rs.'000'
Raw materials		38,275	48,945
Work in process		5,308	4,529
Finished goods		5,931	5,806
		<u>49,514</u>	<u>59,280</u>



Note 9

Transactions with Related Parties

	Nine Months Ended March 31, 2014 (Un-audited)	Year Ended June 30, 2013 (Audited)
Funds (in kind) from related persons	-	68,591
Repayment of funds to related persons	<u>6,377</u>	<u>337</u>

Note 10

Authorization of the Financial Information

This condensed interim financial information (un-audited) has been authorized for issue on April 30, 2014 by the Board of Directors of the Company.

Note 11

General

Corresponding figures are re-arranged, reclassified, wherever necessary, to facilitate comparison. No material re-arrangement, re-classification have been made in this condensed interim financial information (Un-audited) except for those described in Note 3.1.

Mohammad Hameed
Chief Executive

Farooq Hameed
Director