COMPANY INFORMATION

BOARD OF DIRECTORS	:	Ijaz Hameed	Chairman / Non Executive Director
		Mohammad Hameed	(Chief Executive) / Director
		Farooq Hameed	Executive Director
		Aamer Hameed	Executive Director
		Tariq Hameed	Non Executive Director
		Abid Hussain	Non Executive 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 National Bank of Pakistan 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.prime-service.com	
Share Registrar	:	Corplink (Pvt) Ltd.	
	:	Wings Arcade, 1-K Commercial Model Town, Lahore. Tel: 042-3583 9182, 3591 6719	

NOTICE OF MEETING

Notice is hereby given that the 52nd Annual General Meeting of the Shareholders of Service Industries Textiles Limited will be held on 31st October, 2013 at 1130 hours at Registered Office 38 - Empress Road, Lahore to transact the following business:

1. To confirm the minutes of the 51th Annual General Meeting.

2. To receive and adopt the audited accounts together with the Directors and Auditors reports for the year ended June 30, 2013.

3. To elect Directors in accordance with the provisions of section 178 of the Companies Ordinance, 1984. The Board has fixed number of elected directors at seven. The following director's term is expiring on 30.10.2013.

1.	Mr. Mohammad Hameed	2.	Mr. Ijaz Hameed
3.	Mr. Farooq Hameed	4.	Mr. Aamer Hameed
5.	Mr. Tariq Hameed	6.	Mr. Abid Hussain
7.	Mr. Murtaza Hameed		

4. To appoint auditors and to fix their remuneration.

5. To transact any other business with permission of the Chair.

BY ORDER OF THE BOARD

LAHORE
Dated: 10 October, 2013

(USMAN KHALID)
Company Secretary

NOTES

1. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote. Votes may be given either personally or by proxy or by attorney, and in case of a corporation by a representative duly authorized.

2. The instrument of proxy duly executed in accordance with the Articles of Association of the Company should be deposited at the registered office of the Company at least 48 hours before the time of the meeting.

3. Transfers received in order upto the close of business on 31st October, 2013 will be considered in time to effect the voting rights.

4. The share transfer books of the Company will remain closed from 24th October, 2013 to 31st October, 2013 (both days inclusive).

5. The shareholders desirous of contesting the election are advised to send their nomination and consent to act as Director to reach the Company 14 days earlier than the date of holding of election.

6. Shareholders are requested to notify the change of their addresses, if any, to Share Registrar M/s Corplink (Pvt) Limited, Wings Arcade, 1-K, Commercial Model Town, Lahore. Tele No. 35839182, 35916719 and Fax No. 35869037.

DIRECTORS REPORT

The directors present the 52th annual report along with audited financial statement for the year ended 30 June 2013.

Operating & Financial Results:

By the grace of Almighty Allah the Company has earned during the year net profit after tax of Rs. 64.973 Million as compared to net loss of Rs. 19.274 Million in preceding year. Turnover for the year is Rs. 683.246 Million (2012: Rs. 525.056 Million). Gross Profit ratio for the year is 14% as compared to 4% in the preceding year.

The Directors of your company are committed to run the company at any cost and making it interest free therefore injected the funds from their own sources. During the year Company has settled the principal portion of loan obtained from The Bank of Punjab, by giving the personal property of directors, through property swap agreement. The management of your Company is striving to control cost to minimize the impact of declining margins in the coming days.

Key Operational and Financial Data

	June 2013 (Rupees)	June 2012 (Rupees)	June 2011 (Rupees)	June 2010 (Rupees)	June 2009 (Rupees)	June 2008 (Rupees)
Sales	683,246,466	525,054,610	559,499,640	370,868,777	242,859,736	192,849,521
Gross (Loss/Profit)	96,317,915	23,292,205	(14,043,008)	31,858,744	(6,332,200)	(5,904,006)
Operating Profit/(Loss)	80,371,085	8,945,199	(26,006,890)	21,603,794	(15,453,721)	(15,581,281)
Profit/(Loss)before Tax	65,424,969	(19,851,576)	(46,325,824)	2,854,825	(36,704,721)	(36,680,898)
Tax	(451,351)	577,532	2,094,854	3,413,961	1,644,002	1,140,396
Profit/(Loss) after Tax	64,973,618	(19,274,044)	(44,230,970)	6,268,786	(35,060,719)	(35,540,502)
Total Assets	447,751,266	444,386,408	465,873,735	435,868,938	181,337,355	187,066,505
Current Liabilities	69,785,595	170,807,211	281,821,183	164,995,496	137,991,751	204,766,789
	377,965,671	273,579,197	184,052,552	270,873,442	43,345,604	(17,700,284)
Presented by:						
Equity-net	70,482,610	5,591,351	24,865,396	69,096,366	(180,835,266)	(110,373,681)
Long term loans & leases	278,571,212	236,316,081	125,004,300	164,331,527	217,717,457	118,655,151
Deferred Liability	28,911,849	31,671,765	34,182,856	37,445,549	6,463,413	9,418,814
	377,965,671	273,579,197	184,052,552	270,873,442	43,345,604	(17,700,284)

EPS:

Earning per share (basic) for the year ended June 30, 2013 is Rs. 14.60 (2012:Rs. -4.33)

Future Prospectus:

One of the major reasons for the boom in spinning sector for the current year under review is the buying of yarn from China. However this trend has already been slow down which will directly affect the local yarn prices and may result in declining margins from the operations.

Major threat for textiles industry is power disruption due to shut down of gas and electricity in the coming months which will affect the production capacity adversely. The Government has also increased the tariffs of both electricity and gas during the month of August 2013 which will increase the production cost. These facts have made it very difficult for textile industry to compete in the international markets. State Bank of Pakistan has raised the interest rate by 50 bps owing to rupee devaluation and recent revenue generation measures taken by the Government to check its fiscal deficit.

We are fully aware of the challenges and are prepared to do everything possible to mitigate the adverse impact of such an event after as far as it is under the control limit of management. We remain hopeful of the improving macro and micro economic situation of the country.

Payment of Dividend:

No dividend has been declared by the Company during the year due to accumulated losses. Further as you are well aware of the fact that currently we have retired working capital limit with our bank and are in the process of building a buffer stock of cotton for the months in which cotton is not available. Furthermore subsequent to the balance sheet date we have paid Rs. 12.972 Million to settle our liability with Habib Bank and service of quarterly deferred mark up of The Bank of Punjab. Because of all these facts we are unable to declare the dividend for the current year.

Corporate & Financial Reporting Framework:

a) The financial statement prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and change in equity.
b) Proper books of accounts for the Company have been maintained.
c) Appropriated accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d) International accounting standards as applicable in Pakistan have been followed in preparation of financial statements.
e) The system of internal control is sound in design and has been effectively implemented and monitored. The process of review will continue and any weakness in control will be removed.
f) Six year financial summary is annexed.
g) Pattern of shareholdings as on June 30, 2013 and its disclosure as required by the Code of Corporate Governance is annexed with this report.
h) The Company has adopted best practices of corporate governance as per listing regulations of exchanges.

Internal Control System:

The Company has always emphasized on a sound Internal Control System and for the effective implementation and monitoring of Internal Control System.

Statutory Payments:

There is not outstanding statutory payment payable other than shown in the Notes to Accounts.

Audit Committee:

The Committee's meeting was held during the year for reviewing each quarterly and annual financial results of the Company as required by the Code of Corporate Governance.

Attendance of Meeting:

During the year ended 30 June 2013, the Board of Directors held six meetings. Attendance of each director is given hereunder;

Mohammad Hameed	6
Ijaz Hameed	6
Farooq Hameed	6
Aamer Hameed	6
Tariq Hameed	5
Abid Hussain	5
Murtaza Hameed	4

Leave of absence was granted to the director who was unable to attend the meetings.

Books of Accounts:

The Company at the registered Office has maintained proper books of accounts.

Auditors:

M/s Horwath Hussain Chaudhury & Co., Chartered accountants, retires and being eligible, offer for re-appointment for the year ending 30 June 2014.

Safety, Health and Environment:

We maintain our commitment to higher standard of safety, health and environment. We are committed in providing clean, healthy and safe conditions to our employees. All our employees undergo continuous training on all aspects of safety especially with regards to safe production, delivery, storage and handling of the materials. Safety values are demonstrated in our day to day activities through lead by example approach. Due to these controls and with the blessing of Al-Mighty Allah no major accidents or incidents took place at the mill.

Pattern of Shareholding:

Pattern of shareholding and additional information regarding pattern of shareholding is attached separately. No trade in shares of the company was carried out by CEO, CFO and Company Secretary and their spouses and minor children except those that have been duly reported as per the law.

Acknowledgement:

The directors express their gratitude for the continued support of the bankers, shareholders and employees of the Company during the period under review and pray to Allah for better prospects in future.

For & on behalf of the Board of Directors

Mohammad Hameed
Chief Executive

Lahore
Dated: 10 October, 2013

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 June 2013

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Stock Exchanges in Pakistan for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner.

1. The company encourages representation of independent non executive directors on its Board of Directors. The Board of Directors of the company has always supported implementation of the highest standards of Corporate Governance at all times. In upcoming election composition of board will be as follows:

Category	Nos.
Independent Director	1
Executives Directors	2
Non Executive Directors	4

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a Stock Exchange, has been declared as defaulter by that Stock Exchange.

4. No casual vacancy occurred in the Board during the year.

5. The company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement. Overall corporate strategy and significant policies of the company are under process of approval.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors have been taken by the Board in line with Articles of Association of the Company.

8. The meeting of the Board was presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least 7 days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Chief Executive recommends that members of the Board should conduct orientation courses. However all directors on the Board are fully conversant with their duties & responsibilities as directors.

10. The Board has approved appointment of CFO, Company Secretary and Internal audit department including their remuneration and terms and conditions of employment in line with Code of Corporate Governance.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code. The exceptions as mentioned in review report of the auditors shall be complied with in forthcoming year.

15. The Board has formed an audit committee. It comprises three members all members are non executive.

16. The meeting of the audit committee was held before the approval of quarterly and final results of the Company as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. Subsequent to the balance sheet date the Board has outsource the internal audit function to Awan & Co. who is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.

18. The Board has formed a HR and Remuneration Committee. It comprises three members of whom two are non executive directors including the Chairman.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with international Federation of Associations (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The “closed period” prior to the announcement of interim and financial results and business decisions which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.

22. The transactions with related parties have been placed before the audit committee and board of directors meeting for their consideration and formal approval.

23. We confirm that all other material principles contained in the Code have substantially complied with.

For & on behalf of the Board of Directors

(MOHAMMAD HAMEED)
Chief Executive

Lahore
Dated: 10 October, 2013

Horwath Hussain Chaudhury & Co.
Chartered Accountants
Member Crowe Horwath International

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Lahore-54660 Pakistan
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REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Service Industries Textiles Limited, to comply with the Listing Regulation No. 35 of both the Karachi Stock Exchange and Lahore Stock Exchange, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (x) of Listing Regulations 35 of Karachi and Lahore Stock Exchanges requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

We have observed that the following mandatory clauses of Code of Corporate Governance are not being complied with:

1. Orientation courses for directors of the Company as required under clause (xiv) have not been arranged.
2. The Company has not constituted internal audit department as required under clause (xxxi).
3. Secretarial compliance certificate as required under clause (xxii) has not been furnished with the Registrar of Companies.

Based on our review, except for the matters noted in previous paragraphs (from 1 to 3), nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2013.

Horwath Hussain Ch. Co.

Lahore
Dated: 10 October, 2013

(HORWATH HUSSAIN CHAUDHURY & CO.)
Chartered Accountants

(Engagement Partner: Muhammad Nasir Muneer)

Horwath Hussain Chaudhury & Co.
Chartered Accountants
Member Crowe Horwath International

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SERVICE INDUSTRIES TEXTILES LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of SERVICE INDUSTRIES TEXTILES LIMITED as at June 30, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion;

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2013 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

Crowe Horwath™

d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Horwath Hussain Ch. & Co.

Lahore
Dated: 10 October, 2013

(HORWATH HUSSAIN CHAUDHURY & CO.)
Chartered Accountants

(Engagement Partner: Muhammad Nasir Muneer)

BALANCE SHEET AS AT JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
CAPITAL AND LIABILITIES			
Share Capital and Reserves			
Authorized capital 10,000,000 (2012: 10,000,000) ordinary shares of Rs. 10 each		100,000,000	100,000,000
Issued, subscribed and paid up capital	6	44,491,590	44,491,590
Share deposit money	7	38,250,000	38,250,000
General reserve		35,000,000	35,000,000
Accumulated loss		(307,339,653)	(377,666,530)
		(189,598,063)	(259,924,940)
Surplus on Revaluation of Property, Plant and Equipment	8	260,080,673	265,516,291
Non Current Liabilities			
Long term financing	9	278,571,212	236,316,081
Staff retirement benefits	10	2,969,134	2,846,527
Deferred tax liability	11	25,942,715	28,825,238
		307,483,061	267,987,846
Current Liabilities			
Trade and other payables	12	36,368,837	30,585,206
Short term borrowings	13	475,000	45,358,383
Accrued mark up	14	-	4,434,076
Current and overdue portion of long term financing	9	26,144,559	84,844,559
Provision for taxation - net	15	6,797,199	5,584,987
		69,785,595	170,807,211
Contingencies and Commitments	16	-	-
		447,751,266	444,386,408

The annexed notes form an integral part of these financial statements.

Mohammad Hameed
Chief Executive

BALANCE SHEET AS AT JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	17	362,480,971	374,190,411
Long term deposits	18	7,477,162	8,413,162
		369,958,133	382,603,573
Current Assets			
Stores and spares	19	2,933,365	2,393,628
Stock in trade	20	41,524,043	47,036,073
Trade debts	21	3,779,556	-
Advances, prepayments and other receivables	22	11,276,369	10,946,764
Cash and bank balances	23	18,279,800	1,406,370
		77,793,133	61,782,835
		447,751,266	444,386,408

Farooq Hameed
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
Sales	24	683,246,466	525,054,610
Cost of sales	25	(586,928,551)	(501,762,405)
Gross Profit		96,317,915	23,292,205
Operating expenses:			
- Distribution costs	26	(1,247,192)	(1,502,129)
- Administrative expenses	27	(14,699,638)	(13,688,728)
		(15,946,830)	(15,190,857)
Operating Profit		80,371,085	8,101,348
- Finance cost	28	(8,975,113)	(28,796,775)
- Other operating expenses	29	(6,073,009)	(315,000)
- Other income	30	102,006	1,158,851
		(14,946,116)	(27,952,924)
Profit / (Loss) before Taxation		65,424,969	(19,851,576)
Taxation	31	(451,351)	577,532
Net Profit / (Loss) for the Year		64,973,618	(19,274,044)
Earning / (Loss) per Share - Basic	32	14.60	(4.33)
Earning / (Loss) per Share - Dilutive	32	7.85	(2.33)

The annexed notes form an integral part of these financial statements.

Mohammad Hameed
Chief Executive

Farooq Hameed
Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2013

	2013 Rupees	2012 Rupees
Net Profit / (Loss) for the Year	64,973,618	(19,274,044)
Other Comprehensive Income for the Year		
Items that will not be reclassified to profit and loss		
Transferred from surplus on revaluation of property, plant and equipment on incremental depreciation charged in current year - net of deferred tax	5,353,259	5,948,065
Total Comprehensive Income / (Loss) for the Year	70,326,877	(13,325,979)

The annexed notes form an integral part of these financial statements.

Mohammad Hameed
Chief Executive

Farooq Hameed
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013

	2013 Rupees	2012 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	65,424,969	(19,851,576)
Adjustments for:		
- Depreciation	16,480,300	18,013,824
- Provision for gratuity	3,965,616	2,613,513
- Balances written off	654,860	-
- Finance cost	8,975,113	28,796,775
	30,075,889	49,424,112
Operating profit before working capital changes	95,500,858	29,572,536
(Increase) / decrease in current assets:		
- Stores and spares	(539,737)	(273,838)
- Stock in trade	5,512,030	16,006,662
- Trade debts	(3,779,556)	-
- Advances and other receivables	(2,992,247)	(7,734,312)
Increase / (decrease) in current liabilities:		
- Trade and other payables	5,783,630	(11,042,267)
	3,984,120	(3,043,755)
Cash generated from operations	99,484,978	26,528,781
Income tax paid	(196,238)	(5,470,068)
Finance cost paid	(13,409,189)	(12,060,811)
Gratuity paid	(3,843,009)	(1,921,799)
Net Cash generated from Operating Activities	82,036,542	7,076,103
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipment purchased	(4,770,860)	(394,500)
Long term deposits	936,000	(5,861,100)
Net Cash used in Investing Activities	(3,834,860)	(6,255,600)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term financing	(16,444,869)	7,272,781
Short term borrowings	(44,883,383)	(9,942,587)
Net Cash used in Financing Activities	(61,328,252)	(2,669,806)
Net Increase / (Decrease) in Cash and Cash Equivalents	16,873,430	(1,849,303)
Cash and cash equivalents at the beginning of the year	1,406,370	3,255,673
Cash and Cash Equivalents at the End of the Year	18,279,800	1,406,370

The annexed notes form an integral part of these financial statements.

Mohammad Hameed
Chief Executive

Farooq Hameed
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2013

	Share Capital	Share Deposit Money	General Reserve	Accumulated Loss	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as on June 30, 2011	44,491,590	38,250,000	35,000,000	(364,340,551)	(246,598,961)
Total comprehensive loss for the year	-	-	-	(13,325,979)	(13,325,979)
Balance as on June 30, 2012	44,491,590	38,250,000	35,000,000	(377,666,530)	(259,924,940)
Total comprehensive income for the year	-	-	-	70,326,877	70,326,877
Balance as on June 30, 2013	44,491,590	38,250,000	35,000,000	(307,339,653)	(189,598,063)

The annexed notes form an integral part of these financial statements.

Mohammad Hameed
Chief Executive

Farooq Hameed
Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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 repealed 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 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except certain property, plant and equipment that have been stated at revalued amounts and post employment benefits that are stated at present value.

2.3 Reporting currency

These financial statements are prepared and presented in Pak Rupees which is the Company's functional and presentation currency. All financial information presented in Pak Rupees has been rounded off to the nearest rupee, unless otherwise stated.

Note 3
Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under circumstances, results of which form the basis of making judgment about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are as under:

3.1 Property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in estimates in remaining useful life might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment, if any.

Note 3, Use of Estimates and Judgments ... Contd.

3.2 Employee retirement benefits

The Company has recorded its employee retirement benefits at present value using actuarial assumptions regarding increase in salaries in subsequent years, remaining working lives of employees and an estimate of discount rates. Change in actuarial assumptions over the period of time may affect the fair value of post-employment benefits payable and the charge for such liability accounted for in any given period.

3.3 Inventories

The Company has recorded its inventories using lower of cost and net realizable value. Valuation of this inventory is reviewed at regular intervals for determination of possible impairment, if any. Any possible impairment may change the future value of inventories.

3.4 Taxation

The Company takes into account the current income tax laws and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the tax department at the assessment stage and the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

The management believes that the change in outcome of estimates would not have a material effect on the amounts disclosed in the financial statements.

Note 4
New and Revised Standards and Interpretations

Since June 30, 2012, International Accounting Board (IASB) has made certain amendments into the existing standards and introduced one new interpretation (IFRIC 20). These amendments seek to enhance the disclosure requirements in the financial statements and do not have any significant effect on the Company's financial statements other than presentation / disclosures. These amendments are as under:

Revision / improvements / amendments to IFRS and interpretations	Effective Date (Period beginning on or after)
- IAS 32: Financial instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	January 1, 2014
- IFRS 1: First-time Adoption of International Financial Reporting Standards - Government Loans	January 1, 2013
- IFRS 7: Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities	January 1, 2013
- IFRS 9: Financial Instruments - Mandatory Effective Date and Transition Disclosures	January 1, 2015
- IFRS 10: Consolidated Financial Statements - Transition Guidance	January 1, 2013
- IFRS 11: Joint Arrangements - Transition Guidance	January 1, 2013
- IFRS 12: Disclosures of Interest in Other Entities - Transition Guidance	January 1, 2013
- Annual Improvements 2009-2011 Cycle	January 1, 2013
- IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

Note 5
Significant Accounting Policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years otherwise stated.

5.1 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

5.2 Staff retirement benefits

The Company operates an unfunded gratuity scheme for all its employees whose period of service with the Company is one year or more. Liability is provided annually on the basis of the last drawn salary and the length of service of the employee in accordance with the Company's rules.

The liability is provided using the actuarial valuation method as required under IAS - 19 (Employee Benefits). The policy for recognition of actuarial gain / loss is based on minimum 10% corridor approach mentioned under the IAS. Latest actuarial valuation of retirement benefits payable was carried out as at June 30, 2012 by an independent actuary using the following significant assumptions:

Discount rate	13%
Expected rate of salary increase in future years	12%
Average expected remaining working life time of employees	6 years
Actuarial valuation method	Projected Unit Credit Method

5.3 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

5.4 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax expense is recognized in the profit and loss account except to the extent that relates to items recognized directly in equity, in which case it is recognized in equity.

Current

Charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any.

Deferred

Deferred tax is accounted for by using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent of potential taxable profits available against which deductible temporary differences, unused tax losses and tax credits can be utilized.

5.5 Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost / revalued amounts less accumulated depreciation and identified impairment losses if any, except free hold land which is stated at revalued amount. Cost of property, plant and equipment consists of historical cost, mark up, interest and other charges pertaining to the construction and erection period and directly attributable cost of bringing the assets to working condition.

Depreciation is charged to income on reducing balance method at the rates specified in Note 17. Full month's depreciation is charged on additions during the month, whereas no depreciation is charged on assets disposed off during the month. Where an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over its estimated useful life.

Note 5, Significant Accounting Policies - Continued...

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and replacements are capitalized. Gains or losses on disposal of property, plant and equipment are included in the current year income.

Leased

The Company accounts for assets acquired under finance lease by recording assets and related liabilities. The principal values are determined on the basis of discounted values of the total minimum lease payments to be paid by the Company. Finance costs are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on outstanding liabilities. Depreciation is charged on the same basis and rates as for owned assets to write off the cost of assets over their estimated useful life.

Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss, if any.

5.6 Impairment

Carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and impairment loss is recognized in the profit and loss account.

5.7 Stores and spares

These are valued at lower of moving average cost and net realizable value except for items in transit that are valued at cost comprising invoice value plus incidental charges paid thereon.

5.8 Stock in trade

These are valued at lower of cost and net realizable value. The cost is determined by using the following basis:

Raw materials	- At weighted average cost
Material in transit	- At cost comprising invoice value plus incidental charges
Work in process	- At estimated average manufacturing cost
Finished goods	- At average manufacturing cost
Wastes	- At net realizable value

Manufacturing cost in relation to work in process and finished goods comprises cost of material, labor and appropriate manufacturing overheads.

Net realizable value is determined on the basis of selling prices prevailing in the market in the ordinary course of business less selling expenses incidental to sales.

5.9 Trade debts

Trade debts are carried at original invoice value less an estimate made for doubtful debts based on a review of all outstanding amounts at the balance sheet date. Bad debts, if any, are written off as incurred and provision is made against debts considered doubtful when collection of the full amount is no longer probable.

5.10 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash in hand, cheques in hand and deposits with banks.

5.11 Mark-up, interest and other charges

Mark-up, interest and other charges on loans and advances are capitalized upto the date of commissioning of the respective asset, acquired out of the proceeds of such loans and advances. All other mark-up, interest and other charges are charged to income currently.

Note 5, Significant Accounting Policies - Continued...

5.12 Related party transactions

Transactions with related parties are based on the transfer pricing policy that all transactions between the Company and the related party or between two or more segments of the Company are at arm's length prices determined using the comparable uncontrolled price method, except in circumstances where it is not in the interest of the Company to do so.

5.13 Financial instruments

Financial instruments are recognized in the financial statements when the Company becomes a party to the contract and ceases to recognize when it loses control of contractual rights, in case of financial assets, and in case of financial liability when the liability is extinguished. Any gain or loss on subsequent remeasurement / derecognition is charged to income.

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.14 Foreign currency transactions and translation

Transactions denominated in foreign currencies are initially recorded in Pak Rupees by applying the foreign exchange rate ruling on the date of transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rate prevailing at the balance sheet date except for balances covered under forward exchange contracts, which are converted at the contracted rates. Exchange differences are included in income currently.

5.15 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. Segment results, assets, and liabilities include items directly attributable to a segment. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

5.16 Revenue recognition

Sales are accounted for on dispatch of goods to the customers.

Note 6
Issued, Subscribed and Paid up Capital

2013	2012		2013	2012
Number of shares			Rupees	Rupees
2,884,580	2,884,580	Ordinary shares of Rs. 10 each	28,845,800	28,845,800
23,400	23,400	Ordinary shares of Rs. 10 each issued for consideration other than cash	234,000	234,000
1,541,179	1,541,179	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	15,411,790	15,411,790
4,449,159	4,449,159		44,491,590	44,491,590

6.1 No shares have been issued, redeemed or cancelled during the year.

Note 7
Share Deposit Money

This represent unsecured and interest free deposit for share received from directors in previous years. The Company intends to initiate the process of issue of capital after obtaining necessary approvals.

Note 8
Surplus on Revaluation of Property, Plant and Equipment

	2013 Rupees	2012 Rupees
Land	211,983,702	211,983,702
Factory buildings on freehold land	39,574,033	43,971,148
Plant and machinery	13,878,126	15,420,140
Electric fittings	80,429	89,366
	265,516,290	271,464,356
Deferred tax liability reversed due to change in tax rate	(82,358)	-
Incremental depreciation charged on revalued property, plant and equipment in current year net of deferred tax transferred to retained earnings	(5,353,259)	(5,948,065)
	260,080,673	265,516,291

8.1 Previous revaluation was carried out by an approved valuer on May 06, 2002 that resulted in revaluation surplus of Rs. 260.124 million. The following basis were used for this purpose:

-	Land	Market value
-	Building	Depreciated replacement cost
-	Plant and machinery	Depreciated replacement cost
-	Electric fittings, equipment and appliances	Depreciated replacement cost

8.2 The Company further revalued its land, buildings and plant and machinery as on October 1, 2009. The valuation was carried out by an approved valuer that resulted in revaluation surplus of Rs. 277.803 million. The following basis were used for revaluation:

Land	Market value
Building	Depreciated replacement cost
Plant and machinery	Depreciated replacement cost

Note 9
Long Term Financing

	Note	2013 Rupees	2012 Rupees
Banking companies - Secured			
Restructured demand finance - Habib Bank Limited	9.1	8,572,559	10,572,559
Less: Current portion including overdue		(8,572,559)	(10,572,559)
		-	-
Bank of Punjab:	9.2		
- Outstanding principal		-	65,486,000
- Deferred mark up		56,111,000	64,911,000
- Less: Current portion		(17,572,000)	(74,272,000)
		38,539,000	56,125,000
Related parties - Unsecured			
Directors and related persons	9.3	240,032,212	180,191,081
		278,571,212	236,316,081

9.1 During the previous years, the Company reached a settlement package with Habib Bank Limited with cut off date of March 31, 2004 to repay the entire outstanding liabilities of Rs. 41.034 million against payment of Rs. 23.487 million without any further mark up. The agreed liability was payable in down payment of Rs. 2.349 million and ten equal quarterly installments of Rs. 2.113 million each commencing from October 01, 2004 without any further mark up. The restructured demand finance is secured through equitable mortgage on the Company's assets and personal guarantees of all the directors.

The Company has paid Rs. 2 million during the current year and the remaining balance of Rs. 8.572 million has been repaid subsequent to the balance sheet date.

Note 9, Long Term Financing - Continued...

9.2 During the current 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, upto the date of, repayment was charged at 9.33% p.a.
- Two quarterly installments of Rs. 4.393 million have been paid during the year against deferred markup after the repayment of the outstanding principal loan. Six 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 16.1
- 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.

9.3 This represents loans obtained from directors and related persons to meet the liquidity requirements of the Company. These loans are unsecured and interest free. Terms of repayment of the remaining loans have yet not been finalized. During the year properties worth of Rs. 67.091 million, approximately, have been surrendered by related persons in favour of the Company in order to settle the outstanding principal of the Bank of Punjab.

Note 10
Staff Retirement Benefits

	2013 Rupees	2012 Rupees
Gratuity payable	2,969,134	2,846,527
10.1 Basing upon the actuarial valuation, the Company's liability works out to be as under:		
Balance sheet liability as previously reported	2,846,527	2,154,813
Charge for the year	3,965,616	2,613,513
	6,812,143	4,768,326
Benefits paid to employees	(3,843,009)	(1,921,799)
	2,969,134	2,846,527
10.2 Reconciliation		
Present value of defined benefit obligation	7,987,870	8,855,537
Unrecognized actuarial loss	(4,788,780)	(5,587,425)
Unrecognized transitional liability	(229,956)	(421,585)
Liability recognized in financial statements	2,969,134	2,846,527
10.3 Charge for the year		
Current service cost	1,941,122	1,876,530
Interest cost	1,034,220	485,989
Actuarial losses charge	798,645	59,365
Liability charged due to application of IAS-19	191,629	191,629
	3,965,616	2,613,513

10.4 The Company does not have any plan assets covering its post-employment benefits payable. The comparative statement of present value of defined benefit obligations is as under:

	2013 Rupees	2012 Rupees	2011 Rupees	2010 Rupees	2009 Rupees
Present value of defined defined benefit obligation	2,969,134	2,846,527	2,154,813	1,858,834	2,010,945
Less: Plan assets	-	-	-	-	-
Deficit	2,969,134	2,846,527	2,154,813	1,858,834	2,010,945

Note 11

Deferred Tax Liability

	2013 Rupees	2012 Rupees
Credit balance arising in respect of surplus on revaluation of property, plant and equipment	25,942,715	28,825,238

11.1 Deferred tax has been accounted for to the extent of surplus on revaluation of property, plant and equipment. Deductible temporary differences in respect of assessed losses of Rs. 244.731 (2012: Rs. 318.765) million have given rise to net deferred tax asset, which being prudent, have not been recognized in these financial statements.

Note 12

Trade and Other Payables

	Note	2013 Rupees	2012 Rupees
Creditors for:			
- Raw materials		10,899,330	7,273,626
- Others		3,947,817	3,888,626
Accrued liabilities		9,010,160	8,040,768
Advances from customers		1,630,830	3,814,879
Workers' (profit) participation fund	12.1	3,523,156	-
Workers' welfare fund		1,514,993	-
Income tax withheld		3,418,687	6,307,451
Sales tax payable		1,101,261	-
Other liabilities		870,274	807,527
Unclaimed dividends		232,987	232,987
Additional tax for non payment of corporate assets tax		219,342	219,342
		36,368,837	30,585,206

12.1 Workers' (profit) participation fund

	2013	2012
Opening balance	-	-
Provision for the year	3,523,156	-
	3,523,156	-
Paid during the year	-	-
Closing balance	3,523,156	-

Note 13

Short Term Borrowings

	Note	2013 Rupees	2012 Rupees
From banking companies - Secured			
National Bank of Pakistan	13.1	-	44,458,383
First Elite Capital Modaraba	13.2	475,000	900,000
		475,000	45,358,383

13.1 This represents short term borrowings obtained from the bank to meet the working capital requirements. The entire loan has been repaid during the year.

13.2 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 14

Accrued Mark up

	2013 Rupees	2012 Rupees
Long term financing	-	861,266
Short term borrowing	-	3,572,810
	-	4,434,076

Note 15
Provision for Taxation - Net

	2013 Rupees	2012 Rupees
Opening balance	5,584,987	8,311,070
Provision for current year	3,416,232	2,625,273
	9,001,219	10,936,343
Payments / adjustments during the year	(2,204,020)	(5,351,356)
	6,797,199	5,584,987

15.1 Income tax assessments are deemed finalized upto Tax Year 2012 as returns were filed under self assessment scheme.

Note 16
Contingencies and Commitments

Contingencies

16.1 During the year 2012, the Bank of Punjab filed a suit in the Honourable Lahore High Court against the Company for the recovery of Rs. 168.503 million. However, during the current 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 freezed mark up as per the repayment schedule provided by the bank and, therefore, no additional liability is foreseen.

Commitments

16.2 There were no significant commitments as at the balance sheet date (2012: Rs. Nil).

Note 17
Property, Plant and Equipment

17.1 Year Ended June 30, 2013

Particulars	Cost			Depreciation				Written Down Value as at 30-06-2013
	As at 30-06-2012	Additions / (Disposal)	Total as at 30-06-2013	Rate	As at 30-06-2012	For the year	Total as at 30-06-2013	
	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees
Owned								
Land - free hold	212,000,000	-	212,000,000		-	-	-	212,000,000
Factory building on freehold land	91,782,622	-	91,782,622	10	22,872,386	6,891,024	29,763,410	62,019,212
Plant and machinery	106,097,167	4,535,500	110,632,667	10	25,841,452	8,276,414	34,117,866	76,514,801
Furniture and fixtures	6,802,836	86,700	6,889,536	10	6,057,454	79,596	6,137,050	752,486
Gas generator	21,964,606	-	21,964,606	10	11,459,003	1,050,560	12,509,563	9,455,043
Vehicles	2,777,798	-	2,777,798	20	2,743,896	6,780	2,750,676	27,122
Electric fittings, equipment and appliances	4,691,895	148,660	4,840,555	10	2,952,322	175,926	3,128,248	1,712,307
Library books	11,856	-	11,856	10	11,856	-	11,856	-
Total Rupees	446,128,780	4,770,860	450,899,640		71,938,369	16,480,300	88,418,669	362,480,971

17.2 Year Ended June 30, 2012

Particulars	Cost			Depreciation				Written Down Value as at 30-06-2012
	As at 30-06-2011	Additions / (Disposal)	Total as at 30-06-2012	Rate	As at 30-06-2011	For the year	Total as at 30-06-2012	
	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees
Owned								
Land - free hold	212,000,000	-	212,000,000		-	-	-	212,000,000
Factory building on freehold land	91,782,622	-	91,782,622	10	15,215,693	7,656,693	22,872,386	68,910,236
Plant and machinery	105,762,167	335,000	106,097,167	10	16,933,452	8,908,000	25,841,452	80,255,715
Furniture and fixtures	6,802,836	-	6,802,836	10	5,974,634	82,820	6,057,454	745,382
Gas generator	21,964,606	-	21,964,606	10	10,291,714	1,167,289	11,459,003	10,505,603
Vehicles	2,777,798	-	2,777,798	20	2,735,420	8,476	2,743,896	33,902
Electric fittings, equipment and appliances	4,632,395	59,500	4,691,895	10	2,761,776	190,546	2,952,322	1,739,573
Library books	11,856	-	11,856	10	11,856	-	11,856	-
Total Rupees	445,734,280	394,500	446,128,780		53,924,545	18,013,824	71,938,369	374,190,411

17.3 Latest revaluation of property, plant and equipment was carried out by an independent valuer (refer to note 8) as on October 01, 2009. Had there been no revaluation, the cost, accumulated depreciation and book values of revalued assets would have been as under:

	As on June 30, 2013		
	Cost	Accumulated depreciation	Book value
	Rupees	Rupees	Rupees
Land	16,298	-	16,298
Factory building	39,357,792	32,133,395	7,224,397
Plant and machinery	315,666,321	258,367,387	57,298,934
Electric fittings, equipment and appliances	14,550,076	12,949,132	1,600,944
	369,590,487	303,449,914	66,140,573

17.4 Depreciation charge for the year has been allocated as under:

	Note	2013	2012
		Rupees	Rupees
Cost of sales	25	16,393,924	17,922,528
Administrative and selling expenses	27	86,376	91,296
		16,480,300	18,013,824

Note 18
Long Term Deposits

	Note	2013 Rupees	2012 Rupees
Long term deposits	18.1	7,477,162	8,413,162

18.1 It includes Rs. 4.925 million on account of security deposited with Sui Northern Gas Pipeline Limited against gas connection.

Note 19
Stores and Spares

	2013 Rupees	2012 Rupees
Stores and spares	2,510,322	670,677
Packing materials	423,043	1,722,951
	2,933,365	2,393,628

Note 20
Stock in Trade

	2013 Rupees	2012 Rupees
Raw materials	34,037,525	37,887,436
Work in process	3,821,030	2,645,143
Finished goods	3,665,488	6,503,494
	41,524,043	47,036,073

Note 21
Trade Debts

	2013 Rupees	2012 Rupees
Local debts (Unsecured - considered good)	3,779,556	-

Note 22
Advances, Prepayments and Other Receivables

	Note	2013 Rupees	2012 Rupees
Advances to employees (Unsecured - Considered good)	22.1	359,380	126,038
Advances to suppliers (Unsecured - considered good)		10,179,756	6,250,000
Income tax deducted at source		196,237	2,204,019
Prepayments		540,996	-
Sales tax refundable		-	2,366,707
		11,276,369	10,946,764

22.1 Amounts due from the chief executive, directors and executives amount to Nil (2012: Nil) as at the balance sheet date.

Note 23
Cash and Bank Balances

	2013 Rupees	2012 Rupees
Cash in hand	233,830	786,393
Cash at banks in current accounts	18,045,970	619,977
	18,279,800	1,406,370

Note 24
Sales

	2013 Rupees	2012 Rupees
Local:		
- Yarn	675,607,365	515,219,550
- Wastes	12,489,008	9,835,060
	688,096,373	525,054,610
Less: Sales tax	(4,849,907)	-
	683,246,466	525,054,610

Note 25
Cost of Sales

	Note	2013 Rupees	2012 Rupees
Raw materials consumed		437,746,526	364,067,243
Stores and spares consumed		16,362,535	14,479,271
Fuel and power		53,974,922	47,846,306
Salaries and wages	25.1	53,462,736	42,603,742
Repairs and maintenance		7,325,789	4,428,881
Depreciation	17.4	16,393,924	17,922,528
		585,266,432	491,347,971
Work in process			
- Opening		2,645,143	6,001,241
- Closing		(3,821,030)	(2,645,143)
		(1,175,887)	3,356,098
		584,090,545	494,704,069
Finished goods			
- Opening		6,503,494	13,561,830
- Closing		(3,665,488)	(6,503,494)
		2,838,006	7,058,336
		586,928,551	501,762,405

25.1 This includes Rs. 3.583 million (2012: Rs. 2.349 million) in respect of staff retirement benefits.

Note 26
Distribution Cost

	2013 Rupees	2012 Rupees
Salaries	392,840	287,520
Commission	854,352	1,214,609
	1,247,192	1,502,129

Note 27
Administrative Expenses

	Note	2013 Rupees	2012 Rupees
Salaries and benefits	27.1	7,594,871	7,242,187
Utilities		462,919	372,497
Printing and stationery		236,133	198,380
Communication		708,712	707,490
Travelling and conveyance		654,392	412,052
Repairs and maintenance		194,666	134,952
Rent, rates and taxes		130,714	135,894
Vehicle running and maintenance		1,616,617	1,631,276
Legal and professional charges		1,234,175	852,820
Insurance		426,455	438,342
Entertainment		934,067	1,153,503
Advertisement		56,000	37,000
Newspapers and periodicals		65,539	58,554
Donations	27.2	136,120	127,100
Miscellaneous		161,882	95,385
Depreciation	17.4	86,376	91,296
		14,699,638	13,688,728

27.1 This includes Rs. 0.383 million (2012: Rs. 0.265 million) in respect of staff retirement benefits.

27.2 None of the directors or their spouses have any interest in the donees.

Note 28
Finance Cost

	2013 Rupees	2012 Rupees
Mark-up / interest on:		
- Long term financing	2,893,650	20,957,752
- Short term borrowings	1,746,934	7,785,382
Loan settlement expense - The Bank of Punjab (Note. 9.2)	4,262,000	-
Bank charges	72,529	53,641
	8,975,113	28,796,775

Note 29
Other Operating Expenses

	Note	2013 Rupees	2012 Rupees
Auditors' remuneration:			
- Statutory audit fee		265,000	220,000
- Other attestation services		115,000	95,000
		380,000	315,000
Provision for workers' (profit) participation fund	12.1	3,523,156	-
Provision for workers' welfare fund		1,514,993	-
Balances written off		654,860	-
		6,073,009	315,000

Note 30
Other Income

	2013 Rupees	2012 Rupees
Sale of scrap	102,006	1,158,851

Note 31
Taxation

	2013 Rupees	2012 Rupees
Provision for current year	3,416,232	2,625,273
Deferred tax	(2,964,881)	(3,202,805)
	451,351	(577,532)

31.1 Reconciliation of tax charge for the year:

	2013 Rupees	2012 Rupees
Profit before taxation	65,424,969	(19,851,576)
Tax @ 35% on profit before taxation	22,898,739	-
Minimum tax	3,416,232	2,625,273
Adjustment of brought forward tax losses	(22,898,739)	-
Deferred taxation	(2,964,881)	(3,202,805)
	451,351	(577,532)

Note 32
Earnings per Share - Basic and Dilutive

		2013	2012
Net profit / (loss) for the year attributable to ordinary shareholders	Rupees	64,973,618	(19,274,044)
Weighted average number of ordinary shares	Number	4,449,159	4,449,159
Weighted average number of dilutive shares	Number	8,274,159	8,274,159
Earnings per share - Basic	Rupees	14.60	(4.33)
Earnings per share - Dilutive	Rupees	7.85	(2.33)

32.1 To calculate the dilutive earnings per share, the share deposit money has been considered as issued share capital for the calculation of earnings per share.

Note 33

Chief Executive's and Directors' Remuneration

Aggregate amounts charged in the financial statements for the year as remuneration and benefits to the chief executive and directors of the Company are as follows:

	Chief Executive		Directors		Executives	
	2013	2012	2013	2012	2013	2012
	Rupees in Thousands		Rupees in Thousands		Rupees in Thousands	
Managerial remuneration	309,600	309,600	928,800	928,800	1,640,000	-
House rent allowance	139,320	139,320	417,960	417,960	-	-
Medical allowance	31,080	31,080	93,240	93,240	-	-
	480,000	480,000	1,440,000	1,440,000	1,640,000	
Number of persons	1	1	3	3	2	-

33.1 The chief executive officer is provided with Company maintained car.

33.2 No meeting fee was paid during the year to any director of the Company.

33.3 Executives are defined as employees with basic salary exceeding Rs. 500,000 per annum.

Note 34

Transactions with Related Parties

Related parties comprise associated companies, directors, key management employees, group companies 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 undertaken as per terms of their employment during the year. Other funding arrangements entered into with related parties were as follows:

	2013	2012
	Rupees	Rupees
Interest free loan received from related parties - net	59,841,131	55,186,781

Note 35

Plant Capacity and Production

	2013	2012
	Kgs	Kgs
100% plant capacity converted into 20/PC (2012: 20/PC) count based on three shifts per day for 1080 shifts (2012: 1080 shifts)	4,702,894	4,408,920
Actual production for the year converted into '32/ PC (2012: 32/PC)	4,427,161	3,812,165

Plant capacity has been determined on the basis of management estimate as it is difficult to calculate precisely the production capacity of spinning unit since it fluctuates widely depending on various factors such as count of yarn spun, spindles speed, twist, maintenance of machinery, power shutdown and raw materials used etc. It also varies according to the pattern of production adopted in any particular year.

Note 36
Financial Risk Management

36.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management policies focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. As there are no foreign receivables / payables of the Company, it is not exposed to currency risk.

(ii) Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to equity and commodity price risk.

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets / liabilities. As at the balance sheet date, the interest rate profile of the Company's interest bearing financial instruments was:

	2013	2012
	Rupees in thousands	
Floating rate instruments		
Financial liabilities		
Short term borrowings	-	45,358

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2013	2012
	Rupees in thousands	
Long term deposits	7,477	8,413
Trade debts	3,780	-
Cash and bank balances	18,046	620

The credit quality of cash and bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

Note 36 - Financial Risk Management ... Contd.

	Rating Short term	Rating Long term	Rating Agency	2013 Rupees	2012 Rupees
Allied Bank Limited	-	-	-	-	46,519
Habib Bank Limited	-	-	-	-	4,883
National Bank of Pakistan	A-1+	AAA	JCR-VIS	796,982	37,646
MCB Bank Limited	A1+	AA+	PACRA	12,222,032	341,776
Habib Metropolitan Bank Limited	-	-	-	-	6,308
Bank Alfalah Limited	A1+	AA	PACRA	5,026,956	26,066
United Bank Limited	-	-	-	-	140,817
Soneri Bank	-	-	-	-	10,446
NDFC	-	-	-	-	5,000
Standard Chartered Bank	-	-	-	-	516
				18,045,970	619,977

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash and certain short term borrowing facilities. As at the balance sheet date, the Company has Rs. 18.279 million (2012: Rs. 1.406 million) cash and bank balances. The management believes low liquidity risk as the directors are continually injecting interest free funds to meet the liquidity requirements of the Company. Following are the contractual maturities of financial liabilities, including interest payments.

Contractual maturities of financial liabilities as at June 30, 2013:

	Carrying Amount	Contractual cash flows	Within 1 year	1-2 Years	2-5 Years	5 - 10 years
			Rupees in thousand			
Long-term finances	248,605	248,605	8,573	-	-	240,032
Deferred mark up *	56,111	56,111	17,572	8,770	29,769	-
Trade and other payables	24,728	24,728	24,728	-	-	-
Short term finances	475	475	475	-	-	-
	329,919	329,919	51,348	8,770	29,769	240,032

* Rs. 29.769 million shall be waived off on the repayment of Rs. 26.342 million (Note. 9.2).

Contractual maturities of financial liabilities as at June 30, 2012:

	Carrying Amount	Contractual cash flows	Within 1 year	1-2 Years	2-5 Years	5 - 10 years
			Rupees in thousand			
Long-term finances	256,250	259,250	79,059	-	-	180,191
Deferred mark up	64,911	64,911	8,786	17,572	38,553	-
Trade and other payables	20,011	20,011	20,011	-	-	-
Accrued interest	4,434	2,239	2,239	-	-	-
Short term finances	45,358	52,162	52,162	-	-	-
	390,964	398,573	162,257	17,572	38,553	180,191

Note 36 - Financial Risk Management ... Contd.

36.2 Financial instruments by categories

Financial instruments as at June 30, 2013

	Cash and Cash Equivalents	Loans and advances	Available for sale	Assets at fair value through profit or loss	Total
	---------- Rupees in thousands ----------				
Assets as per balance sheet					
Long term deposits	-	7,477	-	-	7,477
Trade debts	-	3,780	-	-	3,780
Cash and bank balances	18,280	-	-	-	18,280
	18,280	11,257	-	-	29,537

	Other liabilities
	Rupees in thousands
Long term financing	304,716
Trade and other payable	24,728
Short term borrowings	475
	329,919

Financial instruments as at June 30, 2012

	Cash and Cash Equivalents	Loans and advances	Available for sale	Assets at fair value through profit or loss	Total
	---------- Rupees in thousands ----------				
Assets as per balance sheet					
Long term deposits	-	8,413	-	-	8,413
Cash and bank balances	1,406	-	-	-	1,406
	1,406	8,413	-	-	9,819

	Other liabilities
	Rupees in thousands
Long term financing	321,161
Trade and other payable	20,011
Accrued markup	4,434
Short term borrowings	45,358
	390,964

36.3 Fair values of financial assets and liabilities

Carrying values of all financial assets and liabilities reflected in financial statements approximate to their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Note 37

Capital Risk Management

While managing capital, the objectives of the Company are to ensure that it continues to meet the going concern assumption, enhance shareholders' wealth and meets stakeholders' expectations. The Company ensures its sustainable growth viz. maintaining optimal capital structure, keeping its finance cost low, exercising the option of issuing right shares or repurchase shares, if possible, selling surplus property, plant and equipment without affecting the optimal production and operating level and regulating its dividend payout thus maintaining smooth capital management.

In line with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non current) less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus net debt. The gearing ratio has not been worked out owing to negative equity as at the balance sheet date.

Note 38

Number of Employees

	2013				
	Permanent		Contractual		Total
	Head office	Mills	Head office	Mills	
	Number	Number	Number	Number	Number
Employees as at the year end	10	48	7	288	353
Average employees during the year	10	49	7	283	349

	2012				
	Permanent		Contractual		Total
	Head office	Mills	Head office	Mills	
	Number	Number	Number	Number	Number
Employees as at the year end	10	49	7	277	343
Average employees during the year	10	49	7	250	316

Note 39

Provident Fund Related Disclosures

The Company does not run any provident fund for its employees.

Note 40

Date of Authorization for Issue

These financial statements have been authorized for issue by the Board of Directors of the Company on October 10, 2013.

Note 41

General

Comparative figures are re-arranged / reclassified, wherever necessary, to facilitate comparison. The following re-arrangements have been made in these financial statements for better presentation:

Particulars	Amount Rupees	From	To
Deferred tax liability	28,825,238	Deferred Liability (Note 10)	Face of the balance sheet

Mohammad Hameed
Chief Executive

Farooq Hameed
Director

FORM 34
THE COMPANIES ORDINANCE 1984
[Section 236(1) and 464]

PATTERN OF SHAREHOLDING

1. Incorporation Number: 001420

2. Name of the Company: SERVICE INDUSTRIES TEXTILES LIMITED

3. Patter of holding of the shares held by the shareholders as at: 30.06.2013

4. Number of Shareholders	Shareholding From	Shareholding To	Total Shares Held
487	1	100	14,929
421	101	500	89,527
77	501	1,000	55,820
82	1,001	5,000	178,065
10	5,001	10,000	77,110
3	10,001	15,000	33,590
1	30,001	35,000	35,000
1	35,001	40,000	38,000
9	45,001	50,000	444,780
1	50,001	55,000	51,500
1	70,001	75,000	74,606
1	75,001	80,000	78,000
2	85,001	90,000	179,426
1	90,001	95,000	90,813
1	95,001	100,000	100,000
2	110,001	115,000	222,390
1	120,001	125,000	123,148
1	125,001	130,000	130,000
1	195,001	200,000	199,420
1	230,001	235,000	234,706
1	265,001	270,000	268,324
1	295,001	300,000	295,929
1	400,001	405,000	401,359
1	410,001	415,000	411,711
1	620,001	625,000	621,006
1109			4,449,159

	No. of Shares	% Age
5.1 Directors Chief Executive Officer and their spouse and minor childrens	1,644,820	36.97
5.2 Associated Companies undertaking and related partries	-	-
5.3 NIT and ICP	621,006	13.96
5.4 Bank Development Financial Institutions, Non Banking Financial Institutions	380,929	8.56
5.5 Insurance Companies	416,920	9.37
5.6 Modarabas and Mutal Fund	9,900	0.22
5.7 Shareholders holding 10%	621,006	13.96
5.8 General Public		
a. Local	1,375,578	30.92
b Foreign	-	
5.9 Others (to be specified)		
Joint Stock Companies	6	0.00

Catagories of Shareholding required under Code of Corporate Goverance (CCG)
As on 30.06.2013

S.No.	Name	No of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties (Name Wise):		-	-
Mutual Funds (Name Wise Detail)		-	-
Directors, CEO and their Spouse and Minor Children (Name Wise):			
1	Mr. Ijaz Hameed	268,324	6.03
2	Mr. Farooq Hameed	401,359	9.02
3	Mr. Aamer Hameed	411,711	9.25
4	Mr. Mohammad Hameed	89,713	2.02
5	Mr. Tariq Hameed	89,713	2.02
6	Mr. Murtaza Hameed	50,000	1.12
7	Mrs. Robina Ijaz	123,148	2.77
8	Mrs. Uzma Hameed	110,352	2.48
9	Mrs. Saima Hameed	100,000	2.25
10	Mr. Abid Hussain	500	0.01
Executive:		-	-
Public Sector Companeis & Corporation:		-	-
Bank, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds:		807,749	18.16
Shareholders holding five percent or more voting interest in the listed company (Name Wise):			
1	Investment Corporation of Pakistan	621,006	13.96
2	Mr. Aamer Hameed	411,711	9.25
3	Mr. Farooq Hameed	401,359	9.02
4	Mr. Ijaz Hameed	268,324	6.03
5	National Bank of Pakistan	295,929	6.65
6	Mrs. Safia Saeed	234,706	5.28

All trades in the shares of the listed company, carries out by its Directors, CEO, CFO, Company Secretary and their spouses and Minor children:

S.No.	NAME	SALE	PURCHASE

N I L

SERVICE INDUSTRIES TEXTILES LIMITED

FORM OF PROXY

Please quote Folio Number

I / We ______________________________

of ______________________________

being a member of SERVICE INDUSTRIES TEXTILES LIMITED hereby appoint

Mr. ______________________________

of ______________________________

another member of the Company or failing him

Mr. ______________________________

of ______________________________

another member of the Company as my proxy to attend, act and vote for me and on my behalf at the Annual General Meeting of the Company to be held on Thursday October 31, 2013 at 1130 hrs at the Registered Office, 38-Empress Road, Lahore, and at any adjournment thereof.

Signature
on
Five Ruppees
Revenue
Stamp

(Signatures should agree with the specimen signatures registered with the Company).

Witness ______________

Date ______________

NOTE:-
The proxy must be signed across a Five Rupees Revenue Stamp and it should be deposited in the Office of the Company not later than 48 hours before the time of holding the meeting.