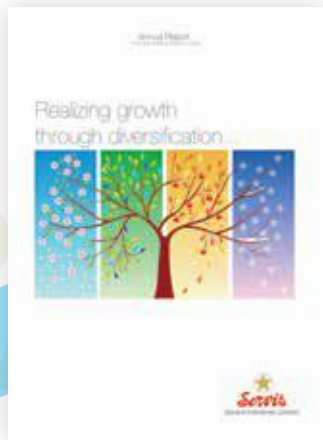


Realizing growth through diversification...



Servis

Service Industries Limited



Cover Story

Sustainable growth is among the biggest challenges any business faces. Every company needs to pin down “why we do & what we do.” That’s the company’s North Star, guiding every aspect from recruitment to customer management to product development and sales. Indeed, the most sustainable way to create value is to continually invest in diversification.

In the recent years, diversification in exports and in local business has been conducive to faster and sustainable growth.

1

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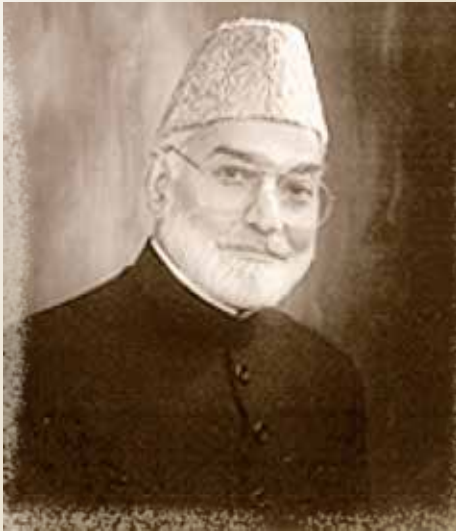
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Our History



Ch. Nazar Muhammad



Ch. Muhammad Hussain

The story of the 'Servis' begins with a group of friends - young, energetic, fresh from college, who established Service Industries in 1953, the Company went public in 1959.

These young men, named Ch. Nazar Muhammad (Late), Ch. Muhammad Hussain (Late) - both from Gujrat district and Ch. Muhammad Saeed (Late) from Gujranwala District, started business in 1941 on a small scale in Lahore. At that time, they were only manufacturing handbags and some other sports goods. Within years their business flourished remarkably and they were supplying their products to every corner of India at the time of Partition.

In 1954, they installed a shoe manufacturing plant at industrial area in Gulberg, Lahore. They started production in the same year. The industry started manufacturing various types of shoes. Later management shifted the factory from Lahore to Gujrat.

The goal
isn't to live
forever,
the goal is
to create
something
that will.

Humility, fairness and respect were the values close to the heart of these founders and it were these values that led to phenomenal success of the group over the years.

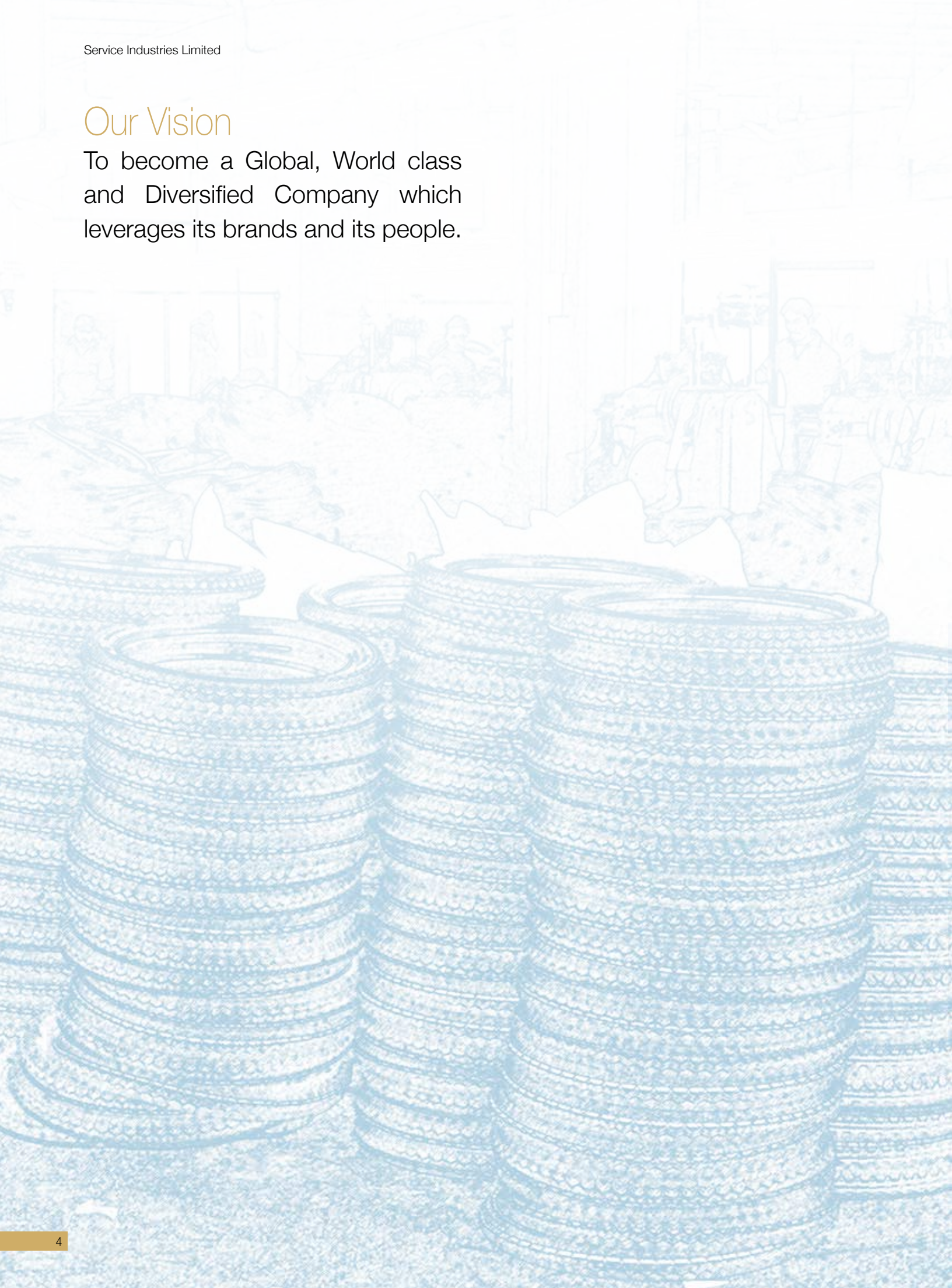
Today, the production side of the company has flourished into Service Industries Limited (SIL) which has world-class shoes, tyres, tubes and rubber production facilities in Gujrat and Muridke. SIL is also the leading exporter of footwear.

A humble venture of friends has grown into a group that makes a difference in the lives of millions of people every day.



Our Vision

To become a Global, World class and Diversified Company which leverages its brands and its people.



Our Mission

To be a result oriented and profitable Company by consistently improving market share quality, diversity, availability, presentation, reliability and customer acceptance.

To emerge as a growth oriented ensuring optimum return and value addition to its shareholders.

To ensure cost consciousness in decision making and operations without compromising the commitment to quality.

To create an efficient resource management and conducive business environment. Evolving an effective leadership by creating a highly professional and motivated management team fully equipped to meet any challenge.

To keep abreast with modern technology and designs to optimize production and enhance brand image to attain international recognition for the Company's product.

To set up highly ethical business standards and be a good corporate citizen, contributing towards the development of the national economy and assisting charitable causes.

To adopt appropriate safety rules and environment friendly policies.



Diversification and globalization
are the keys to the future

-Fujio Mitarai

Company Information

Board of Directors

Chaudhry Ahmed Javed
Chairman

Mr. Omar Saeed
Chief Executive

Mr. M Ijaz Butt

Mr. Arif Saeed

Mr. Hassan Javed

Mr. Riaz Ahmed

Mr. Shaukat Ellahi Shaikh

Mr. Muhammad Amin

Mr. Qaisar Mufti

Advisor

Ch. Ahmad Saeed

Chief Financial Officer

Mr. Ashfaq Alidina

Company Secretary

Mr. Waheed Ashraf

Audit Committee

Mr. Muhammad Amin
Chairman

Mr. Riaz Ahmed
Member

Mr. Qaisar Mufti
Member

Human Resource & Remuneration Committee

Mr. Riaz Ahmed
Chairman

Mr. Arif Saeed
Member

Mr. Muhammad Amin
Member

Web Presence

www.servisgroup.com

Bankers

Allied Bank Limited

Askari Bank Limited

Bank Al Habib Limited

Bank Alfalah Limited

Dubai Islamic Bank

(Pakistan) Limited

Faysal Bank Limited

Habib Bank Limited

MCB Bank Limited

Meezan Bank Limited

Samba Bank Limited

Standard Chartered Bank

(Pakistan) Limited

United Bank Limited

Auditors

M/s. Rahman Sarfaraz

Rahim Iqbal Rafiq

Chartered Accountants

Legal Advisor

M/s. Bokhari Aziz & Karim

2-A, block-G, Gulberg-II,
Lahore.

Registered Office

Servis House,
2-Main Gulberg,
Lahore-54662.

Tel: +92-42-35751990-96

Fax: +92-42-35710593,
35712109

Shares Registrar

M/s. Corplink (Pvt.) Limited

Wings Arcade, 1-K

Commercial, Model Town,
Lahore

Tel: +92-42-35916714,
35916719,
35839182

Fax: +92-42-35869037

Pakistan Stock Exchange Limited

Stock Exchange Symbol SRVI

Factories

G.T. Road, Gujrat.

Muridke-Sheikhupura Road,
Muridke.

Geographical Presence

Our products are available in more than fifteen countries





Business Diversification

Corporate Social Responsibility

Year after year we re-examine the relevance of our corporate values and the guidance it offers. At Service Industries Limited our code of conduct is an integral part of our corporate principles. We then question our values and seek answers related to how we can better serve our communities, customers, employees, shareholders and our environment.

Service Industries Limited strives to be a good corporate entity. Our Corporate Social Responsibility (CSR) is classified into the following categories;

- Corporate Philanthropy
- Community Investment
- Other areas like environmental protection, industrial relation etc.





Corporate Philanthropy

Apart from progressing in the various aspects of our own field, we are making incessant efforts for improving the health and education sector of the country. To ensure development in these areas, our company is involved in five projects;



a) Chaudhry Nazar Muhammad, Muhammad Hussain Memorial Society Hospital

This project features an eight bed comprehensive and well equipped hospital in Gandhra, Gujrat. It also includes fully functional facilities like;

- Operation Theater
- Laboratory
- X-ray
- Ultrasound

Approximately 24,050 patients were treated in the year 2016 in this hospital which offers free surgical care to the patients residing in Gandhra and its neighboring villages.



b) Service Free Dispensary

Located in Gujrat this dispensary has been set up especially for patients with low incomes. The patients can get free medicines and consultation through this dispensary. This dispensary also includes fully functional and free facilities like;

- Ultrasound
- X-ray
- Laboratory

Approximately 45,075 patients received free medication and consultation in the year 2016 from here.



c) **Dar-ul-Kafala**

Located in Lahore, this exclusive multi-residence housing facility aims to provide shelter to the homeless senior citizens of the city and its suburbs.

This cohesive projects provides;

- Recreational activities
- Events and gatherings
- Healthcare
- Meals



d) **Service High School for Boys**

Established in Gujrat this school serves as an educational institute for the underprivileged students in the area. A total of 225 students are enrolled in this school.



e) **Bagh-e-Rehmat**

Set up in Lahore, this educational institute offers both primary and secondary education options for underprivileged boys and girls. More than 400 students are receiving education from this institute.

Community Investment

a) Shalamar Hospital

This hospital was established in 1982 in Lahore, with the help of the contribution made by the founders of our company, Chaudhry Nazar Muhammad and Chaudhry Muhammad Hussain. It is owned by the Businessman Hospital Trust (BHT) which strives to provide health care services to patients belonging to varying income groups with special emphasis to those who belong to lower and middle income groups. In 2016 a donation of PKR 40.3 m was made by Service Industries Limited to this medical facility.

Service Industries Limited also donated PKR 22.2 m to other organizations, entities and NGOs, like;

- Servis Charitable Trust;
- Progressive Education Network;
- Foreman Christian College;
- Pakistan Society for the Rehabilitation of the Disabled – PSRD
- Care Foundation
- The Citizen Foundation

b) PEN- Progressive Education Network

Service Industries limited sponsors ten schools in Gujrat that are managed by PEN.

Other Areas

a) Industrial Relations

The personal productivity of our employees is the key asset to our organization. With a family of more than 9700 employees working in different areas, we are proud to be the source of earning for them and their families. The excellent mentoring of our managers and their work relationship with the subordinates has enabled us to perfect efficient management at workplace; a vital ingredient for the success of any organization.

b) Employment of females and Special Persons

We are an equal opportunity employer and encourage employment of women and people with special needs in our work environment many of whom are working at the different departments of the company. Moreover, a separate production line in Gujrat factory is managed by females and new line for females has been started in Muridke.

c) Occupational Safety and Health

Our procedures have been gauged to provide a safe, clean, injury and illness-free environment to our employees. Also the staff is provided with the genuine and most modern protective gear, which is required to be worn as mandatory when performing any such job responsibility.

d) Business Ethics and Anti-Corruption Measures

We are known for adhering to the highest principles of business ethics. We have a commitment of conducting our business with honesty and integrity and in full compliance with applicable laws and regulations. These principles are inculcated into our work philosophy so that every employee can associate with it at which ever positions they are serving. This is the reason each year all the employees and directors of the company sign a Statement of Ethics & Business Practices, which explains that “It is the Company’s policy to conduct its operations in accordance with the highest business ethical considerations, to comply with all statutory regulations and to conform to the best accepted standards of good corporate



citizenship.”

e) Consumer Protection Measures

We remain committed to producing quality products and excelling the varying requirements of our ever growing customer community. To us, customer satisfaction is the foremost concern and we cater to it by offering quality products at competitive rates which are backed by solid warranties.

f) Contribution to National Exchequer

During the year 2016 the company contributed PKR 1,089 million towards national exchequer on account of taxes, duties and levies.



Notice of Annual General Meeting

Notice is hereby given that the 60th Annual General Meeting of Service Industries Limited will be held on Friday the April 28, 2017 at 11:00 a.m. at Shalimar Tower Hotel, Adjacent Servis House, 2-Main Gulberg, Lahore to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the separate and consolidated audited financial statements of the Company for the year ended December 31, 2016, together with the Directors' and Auditors' Reports thereon.
2. To approve the final cash dividend of Rs. 25 per share i.e. 250% as recommended by the Board of Directors in addition to the interim cash dividend of Rs. 15 per share i.e. 150% already paid to the shareholders of the Company making a total cash dividend of Rs. 40 per share i.e. 400% for the year ended December 31, 2016.
3. To appoint Auditors and to fix their remuneration.

Special Business:

4. To consider and approve the substitution of Article 50 of the Articles of Association and, if thought fit, for this purpose to pass the following resolution as special resolution, with or without modification:

"Resolved that the existing Article 50 of the Articles of Association be substituted with the following new Article 50:

50. Qualification of Directors

No person shall be appointed as a director of the Company unless he is a member of the company, however, this Article shall not be applicable in the case of a person representing the Government or an institution or authority which is a member or a whole time director who is an employee of the Company or a chief executive or a person representing creditors as provided under Section 187 (h) of the Companies Ordinance, 1984."

5. To consider and, if deemed fit, pass the following resolution as a Special Resolution with or without modification for alterations in the Articles of Association of the Company:

"Resolved that pursuant to Section 28 and other applicable provisions, if any, of the Companies Ordinance, 1984 and any other law(s), Articles of Association of the Company be and are hereby amended by inserting a new Article 47A immediately after the existing Article 47 to read as under;

47A. ELECTRONIC VOTING: The Company shall comply with the mandatory e-voting requirements as may be prescribed by the Securities and Exchange Commission of Pakistan from time to time and members may be allowed to appoint members as well as non-members as proxies for the purposes of electronic voting pursuant to this Article.

Further resolved that the Chief Executive Officer or Company Secretary be and is hereby singly authorized to do all acts, deed and things, take all steps and action necessary, ancillary and incidental for altering the Articles of Association of the Company including filing of all requisite documents / statutory forms as may be required to be filed with the Registrar of Companies and complying with all other regulatory requirements so as to effectuate the alterations in the Articles of Association and implementing the aforesaid resolution."

A statement under Section 160(1)(b) of the Companies Ordinance, 1984 pertaining to the Special business is annexed herewith.

By Order of the Board

Lahore
April 06, 2017

WAHEED ASHRAF
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from April 21, 2017 to April 28, 2017 (both days inclusive). Transfers received in order by our Shares Registrar, M/s. Corplink (Pvt.) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore by the close of business on April 20, 2017 will be considered in time for the purpose of payment of final cash dividend and for the purpose of attending and voting at the meeting.
2. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend and vote in place of him/her at the meeting. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the time of meeting. A proxy must be a member of the Company.
3. Shareholders, who have deposited their shares into Central Depository Company of Pakistan, must bring their participant's ID numbers and account/sub account numbers along with original Computerized National Identity Cards or original Passports at the time of attending the meeting in order to facilitate identification of respective shareholders. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of meeting.
4. The directive of the Securities and Exchange Commission of Pakistan provides that the dividend warrants should bear the Computerized National Identity Card (CNIC) Numbers of the registered members or the authorized person except in the case of minor(s) and corporate members. CNIC numbers of the members are, therefore, mandatory for the issuance of future dividend warrants and in the absence of such information, payment of dividend may be withheld. Therefore, the members who have not yet provided their CNICs are once again advised to provide the attested copies of their CNICs (if not already provided) to our Shares Registrar.
5. In order to make process of payment of cash dividend more efficient, e-dividend mechanism has been envisaged by SECP where shareholders can get amount of the dividend credited into their respective bank accounts electronically. In this way, dividends may be instantly credited to respective bank accounts and there are no chances of dividend warrants getting lost in the post, undelivered or delivered to the wrong address, etc. The Securities and Exchange Commission of Pakistan (SECP) through Notice No. 8(4) SM/CDC 2008 dated April 05, 2013 has advised all listed companies to adopt e-dividend mechanism due to the benefits it entails for their members. In view of the above, you are hereby encouraged to provide a dividend mandate in favour of e-dividend by providing dividend mandate form duly filled in and signed which is available on the website of the company www.servisgroup.com.
6. Pursuant to the provisions of Finance Act, 2016 different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These rates are as follows:

(a) For filers of income tax returns	12.50%
(b) For non-filers of income tax returns	20%

To enable the Company to make tax deduction on the amount of cash dividend @12.50% instead of 20% all the shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of payment of the cash dividend, otherwise tax on their cash dividend will be deducted @20% instead of 12.50%.

In the case of shares registered in the name of two or more shareholders, each joint-holder is to be treated individually as either a filer or non-filer and tax will be deducted by the Company on the basis of shareholding of each joint-holder as may

Notice of Annual General Meeting

be notified to the Company in writing. If the share is not ascertainable then each account holder will be assumed to hold equal proportion of shares and the deduction will be made accordingly. Therefore, in order to avoid deduction of tax at a higher rate, the joint account holders are requested to provide the below details of their shareholding to the Share Registrar of the Company latest by the AGM date.

Folio/CDC A/C No.	Name of Shareholder	CNIC	Shareholding	Total Shares	Principal/Joint Shareholder
-------------------	---------------------	------	--------------	--------------	-----------------------------

For any query/problem/information, the investors may contact the Shares Registrar: Mr. Muhammad Akbar Moghal, Phone No. 042-35839182, 35916714, 5916719, e-mail address corplink786@gmail.com and / or the Company: Mr. Bashir Ahmed, Phone No. 042-35751990, email address shareholders@servis.com.

The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or the Shares Registrar. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

7. Pursuant to Notification vide SRO 787 (1)/2014 dated September 08, 2014, the Securities and Exchange Commission of Pakistan (SECP) has directed all companies to facilitate their members receiving Annual Financial Statements and Notice of Annual General Meeting (Notice) through electronic mail system (e-mail). The Company is pleased to offer this facility to our valued members who desire to receive Annual Financial Statements and Notices through email in future. In this regard, those members who wish to avail this facility are hereby requested to convey their consent via email on a standard request form which is available at the website of the Company www.servisgroup.com. Please ensure that your email account has sufficient rights and space available to receive such email.

Further, it is the responsibility of the member(s) to timely update the Company / Share Registrar of any change in his (her/its/their) registered email address.

8. The Company has placed the Audited Annual Financial Statements for the year ended 31 December 2016 along with Auditors and Directors Reports thereon on its website: www.servisgroup.com.
9. Members are advised to immediately notify the change in their addresses, if any to our Shares Registrar.

STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984, CONCERNING THE SPECIAL BUSINESSES:

This statement sets out the material facts concerning the Special Businesses to be transacted at the Annual General Meeting of the Company to be held on April 28, 2017.

ITEM NO. 4 OF THE AGENDA

Presently, the requirement of qualification shares of Directors is the holding of shares of value being not less than Rs. 25,000. In order to facilitate the representation of Directors, it is proposed to rationalize the requirement of qualification shares of Directors as per minimum requirement stipulated in the Companies Ordinance, 1984.

The directors are not interested, directly or indirectly, in the above special business except to the extent of their shareholdings as has been detailed in the pattern of shareholding annexed to the Directors Report. It is proposed to pass the special resolution as proposed in the notice to replace the existing Article 50 which is reproduced hereunder:

“50. Qualification of Directors

Save as provided in Section 187, no person shall be appointed as a Director unless he is a member of the Company and holds qualification shares of such value being not less than Rs. 25,000 as may be determined by the Board from time to time. For

purposes of this Article, the Director may hold the said qualification shares in his own name relaxable in the case of a Director representing interest holding shares of the requisite value.”

ITEM NO. 5 OF THE AGENDA

Securities and Exchange Commission of Pakistan has issued Companies (E-Voting) Regulations 2016 on January 22, 2016 vide S.R.O 43(1)/2016. The directors have recommended alteration in the Articles of Association by inserting a new Article 47A therein which will give the members option to be part of the decision making in the general meeting of the Company through electronic means. Accordingly, it has been proposed to pass the resolution as a Special Resolution for alteration in the Articles of Association of the Company, as specified in the notice of meeting.

The directors are not interested, directly or indirectly, in the above special business except to the extent of their shareholdings as has been detailed in the pattern of shareholding annexed to the Directors Report.



Notice of Annual General Meeting

Statement under Rule 4(2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012

Name of Investee Company	S2 Power Limited	Service Industries Capital (Private) Limited	S2 Hydro Limited
Total Investment Approved	Long term equity investment up to Rs. 25 million for purchase of 2,500,000 shares was approved by the members in EOGM held on July 24, 2014 for the period of three (3) years.	Long term Equity investment up to Rs. 300 million for purchase of 30,000,000 shares was approved by the members in EOGM held on November 06, 2015 for the period of five (5) years.	Long term equity investment up to Rs. 50 million for purchase of 5,000,000 shares was approved by the members in AGM held on April 25, 2016 for the period of three (3) years.
Amount of Investment made to date	An investment of Rs. 240,000 has been made so far by the Company. The remaining investment will be made as and when funds are required by the associated company.	An investment of Rs. 125.68 million has been made so far by the Company. The remaining investment will be made as and when funds are required by the associated company.	An investment of Rs. 240,000 has been made so far by the Company. The remaining investment will be made as and when funds are required by the associated company.
Reasons for not having made complete investment so far where resolution required it to be implemented in specified time	The investment will be made as and when funds are required by the associated company. The resolution is valid for three (3) years.	The investment will be made as and when funds are required by the associated company. The resolution is valid for five (5) years.	The investment will be made as and when funds are required by the associated company. The resolution is valid for three (3) years.
Material change in financial statements of associated company or associated undertaking since the date of the resolution passed for approval of investment in such company	There is no material change in the financial statement of the company since the date of passing of special resolution.	The balance sheet size of Service Industries Capital (Private) Limited as at December 31, 2016 is Rs. 125.60 million and loss incurred during the period from November 10, 2015 to December 31, 2016 is Rs. 1.07 million.	There is no material change in the financial statement of the company since the date of passing of special resolution.

Inspection:

All the documents related to the special business are being kept at the registered office of the Company for inspection during usual business hours till the date of the Annual General Meeting.



Board of Directors



Chaudhry Ahmed Javed
Chairman



Mr. Omar Saeed
Chief Executive Officer



Mr. M. Ijaz Butt
Director



Mr. Arif Saeed
Director



Mr. Hassan Javed
Director



Mr. Riaz Ahmed
Director



Mr. Muhammad Amin
Director



Mr. Shaukat Ellahi Shaikh
Director



Mr. Qaiser Mufti
Director

Group Executive Committee



Mr. Omar Saeed
Chief Executive Officer

Mr. Omar Saeed is a graduate of Brown University and did his Masters in Business Administration from Harvard Business School. He is the Chief Executive Officer of Service Industries Limited since 2011. He ran Service Sales Corporation from 2002 to 2010, leading it to become the country's largest footwear retailer. He serves as a director on the boards of Atlas Power Limited, The Bank of Punjab, Speed (Pvt.) Limited and Systems Limited.



Mr. Arif Saeed
Director

Mr. Arif Saeed graduated from Oxford University. He is a Director of Service Industries Limited. He has served Dar Es Salam Textile Mills Limited as Chief Executive Officer from 1992 to 2006. He has also been the Chairman of All Pakistan Textile Mills Association and The Lahore Stock Exchange. Mr. Saeed is currently the Chairman of Quaid-e-Azam Solar Power (Pvt.) Limited, Quaid-e-Azam Thermal Power (Pvt.) Limited and National Power Parks Management Company (Pvt.) Limited.



Mr. Hassan Javed
Director

Mr. Hassan Javed is a leather technologist from Nene College United Kingdom and Shoe Technologist from ISMS School Czech Republic. He is a Director of Service Industries Limited. Mr. Javed also served Service Industries Limited in various capacities most notably as the Resident Director of Gujrat for more than fifteen years. He served as the Chairman, Board of Directors of Gujranwala Electricity Supply Company. He serves as a Director of Standard Spinning Mills (Pvt.) Limited.

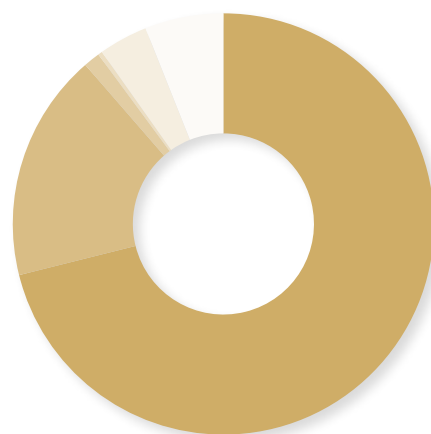
Value Added & its Distribution

	2016		2015	
	(Rs in '000)	%	(Rs in '000)	%
Wealth Generated				
Sales	18,984,428		17,544,736	
Other income	99,996		246,158	
Bought-in-material & services	(13,567,952)		(12,814,771)	
	5,516,472	100.0	4,976,123	100.0
Wealth Distributed				
To Employees				
Remuneration, benefits, and facilities	3,344,300	60.6	3,001,587	60.3
To Government				
Taxation	223,808	4.1	321,160	6.5
Workers welfare fund	17,092	0.3	25,857	0.5
To Society				
Donation	62,472	1.1	42,708	0.9
To Lenders				
Dividend	481,152	8.7	330,792	6.6
Mark up & finance cost	236,845	4.3	316,416	6.4
Retained for Reinvestment & Future Growth				
Depreciation	382,996	6.9	315,910	6.3
Amortization	3,472	0.1	6,638	0.1
Retained profit	764,335	13.9	615,055	12.4
Unappropriated profit, depreciation & amortization	1,150,803	20.9	937,603	18.8
	5,516,472	100.0	4,976,123	100.0

Wealth Generated & Distributed

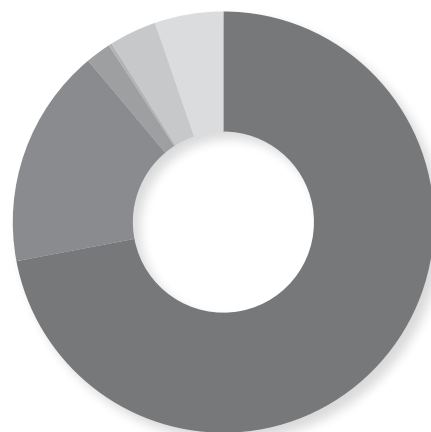
2016

	Amount	%
● Bought-in-material & services	13,567,952	71.09
● To Employees	3,344,300	17.52
● To Government	240,900	1.26
● To Society	62,472	0.33
● To Lenders	717,997	3.76
● Retained for Reinvestment & Future Growth	1,150,803	6.03
Total	19,084,424	100.00



2015

	Amount	%
● Bought-in-material & services	12,814,771	72.03
● To Employees	3,001,587	16.87
● To Government	347,017	1.95
● To Society	42,708	0.24
● To Lenders	647,208	3.64
● Retained for Reinvestment & Future Growth	937,603	5.27
Total	17,790,894	100.00

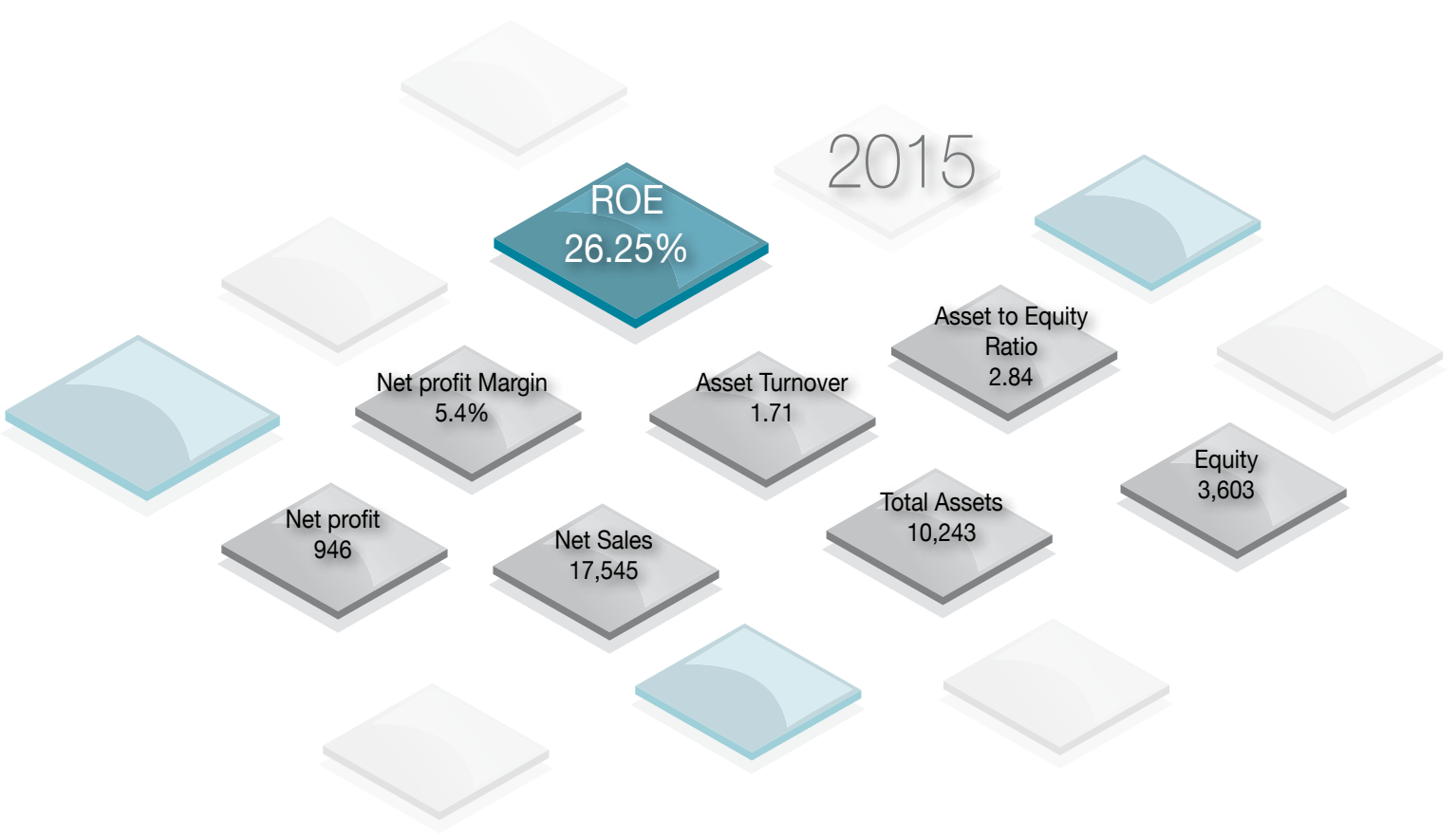
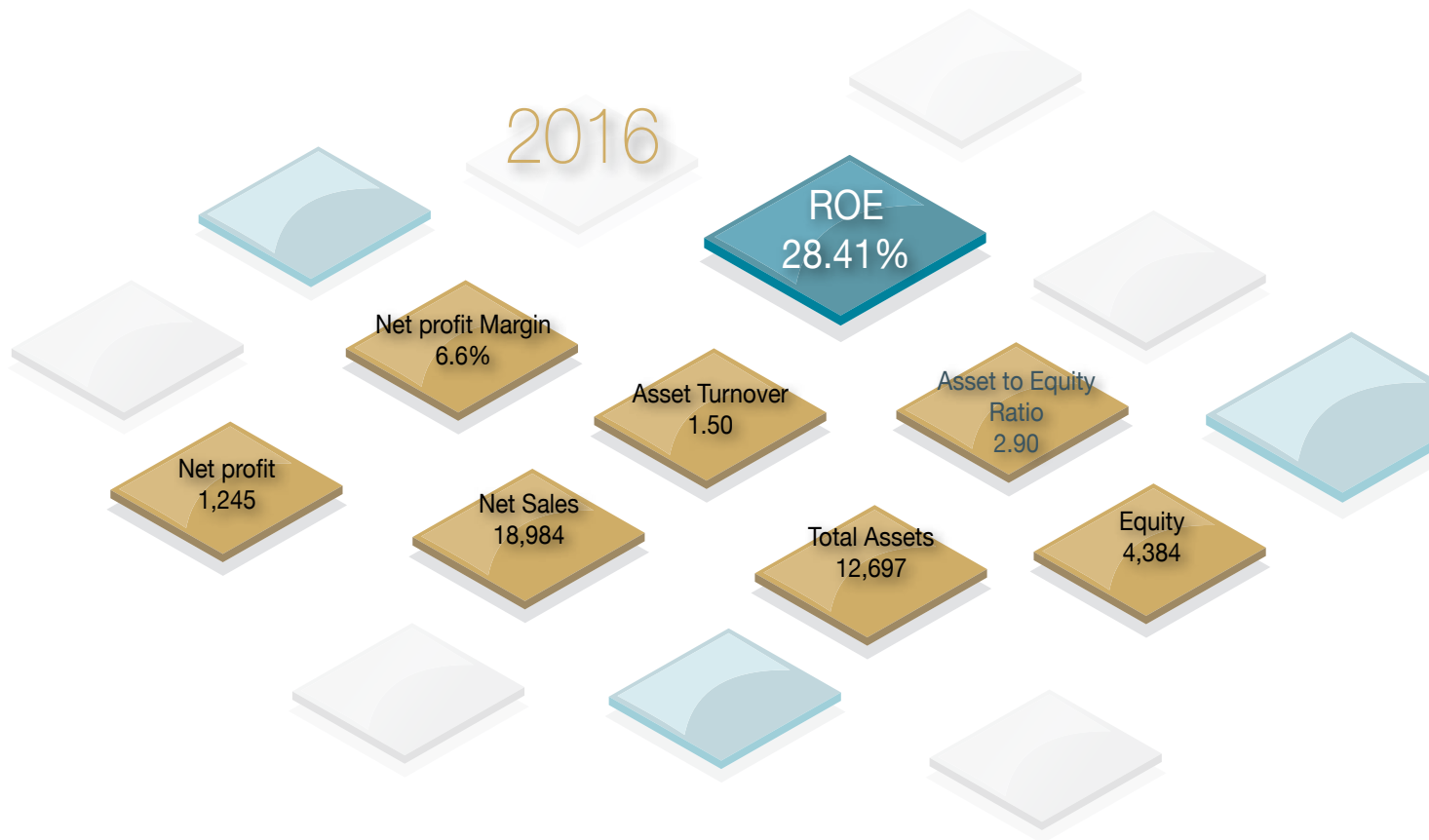


Key Financial Information

	2016	2015			2016	2015	
Sales Revenue (Rs in Million)	18,984	17,545	▲	Share Equity (Rs in Million)	4,384	3,603	▲
Operating Profit (Rs in Million)	1,706	1,583	▲	Price Earning Ratio (In times)	14.5	10.8	▲
Profit/(Loss) before taxation (Rs in Million)	1,469	1,267	▲	No of Employees	9,733	9,830	▼
Profit/(Loss) after taxation (Rs in Million)	1,245	946	▲	Current Ratio	1.1	1.2	▼
Earnings/(Loss) per share (EPS) (Rupees)	103.5	78.6	▲	Cash Generated from Operations (Rs in Million)	463	2,032	▼
Fixed Assets (Rs in Million)	5,216	3,771	▲	Finance Cost (Rs in Million)	237	316	▲
EBITDA (Rs in Million)	2,093	1,906	▲	Taxation (Rs in Million)	224	321	▲

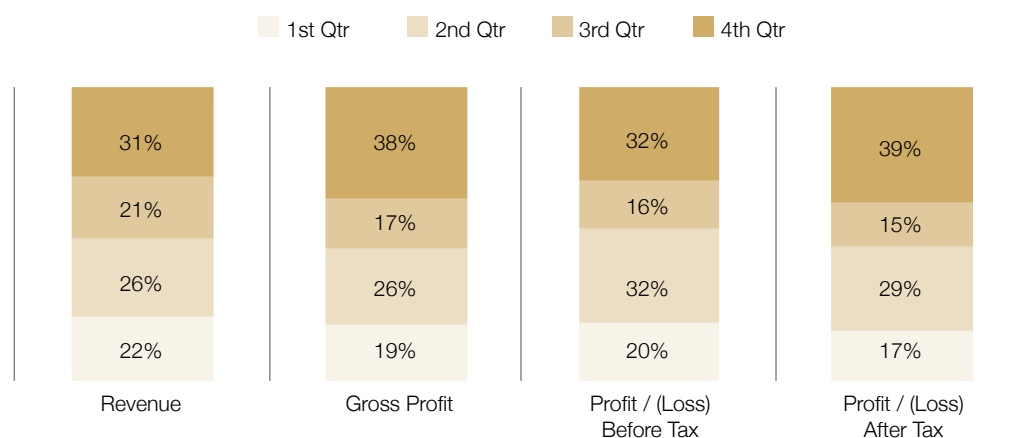


Dupont Analysis



Quarterly Analysis

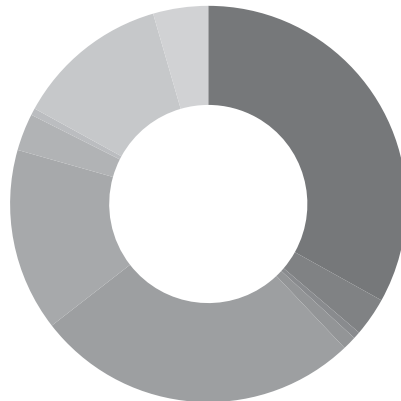
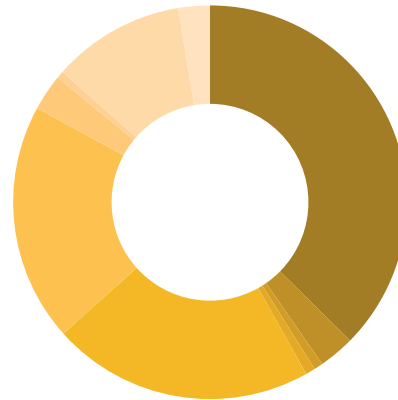
Particulars	2016				
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
	Rupees in '000				
Revenue	4,189,668	4,958,042	4,021,403	5,815,315	18,984,428
Cost of Sales	(3,469,927)	(3,978,816)	(3,377,480)	(4,382,506)	(15,208,729)
Gross Profit	719,741	979,226	643,923	1,432,809	3,775,699
Distribution Cost	(151,430)	(237,722)	(169,200)	(415,238)	(973,590)
Administrative Expenses	(177,608)	(193,416)	(218,192)	(394,197)	(983,413)
Other Operating Expenses	(34,576)	(52,200)	(28,354)	(97,422)	(212,552)
Operating Profit before other income	356,127	495,888	228,177	525,952	1,606,144
Other Operating Income	23,241	56,329	93,836	(73,410)	99,996
Operating Profit	379,368	552,217	322,013	452,542	1,706,140
Finance Cost	(88,763)	(83,819)	(79,977)	15,714	(236,845)
Profit before taxation	290,605	468,398	242,036	468,256	1,469,295
Taxation	(78,544)	(111,971)	(53,451)	20,158	(223,808)
Profit after tax	212,061	356,427	188,585	488,414	1,245,487



Balance Sheet Composition

Fixed and Current Assets

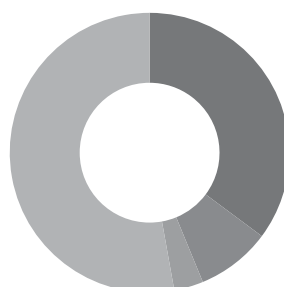
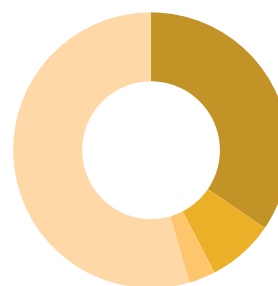
2016	
● Property, Plant and equipment	37%
● Long term investments	3%
● Long term loans and deposits	1%
● Stores and spares	0%
● Stock in trade	21%
● Trade debts - net	20%
● Advances and prepayments	3%
● Other receivables	1%
● Income tax - net	11%
● Cash and bank balances	3%



2015	
● Property, Plant and equipment	33%
● Long term investments	3%
● Long term loans and deposits	1%
● Stores and spares	0%
● Stock in trade	27%
● Trade debts - net	15%
● Advances and prepayments	3%
● Other receivables	1%
● Income tax - net	13%
● Cash and bank balances	4%

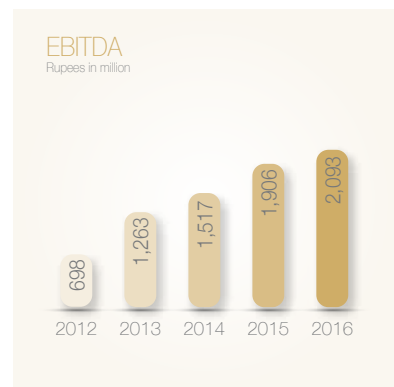
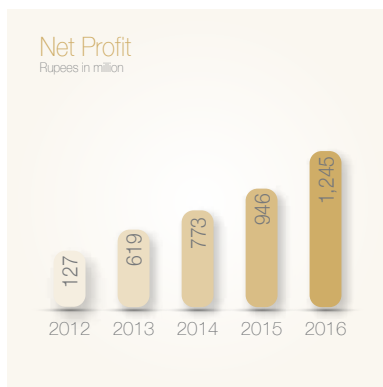
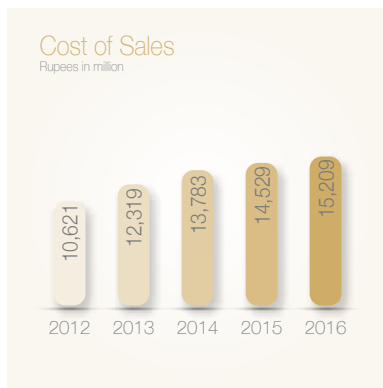
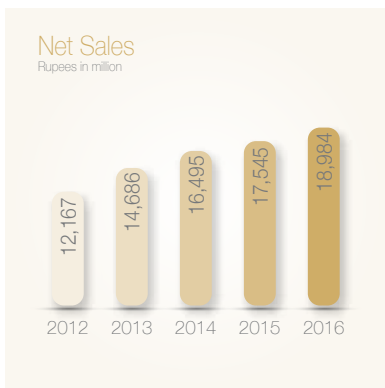
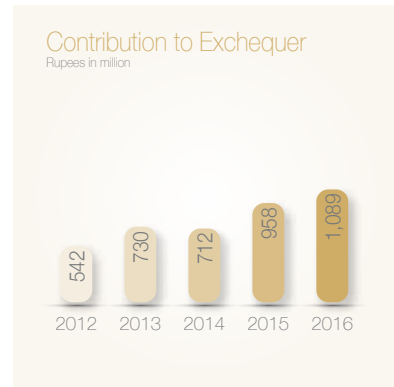
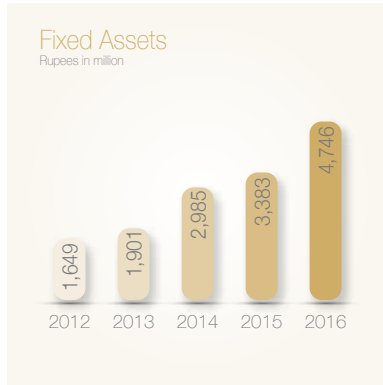
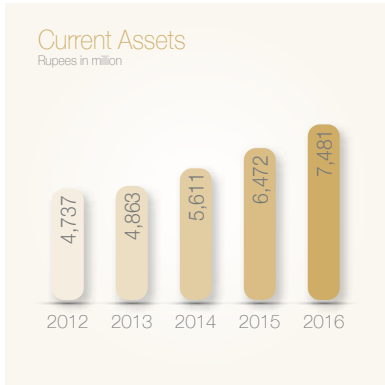
Equities and Liabilities

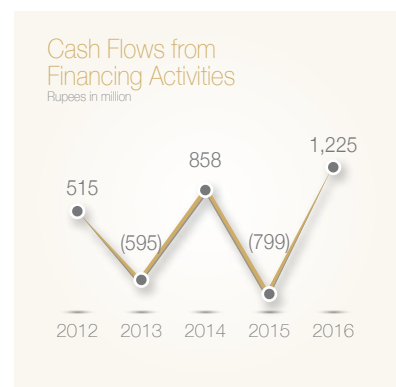
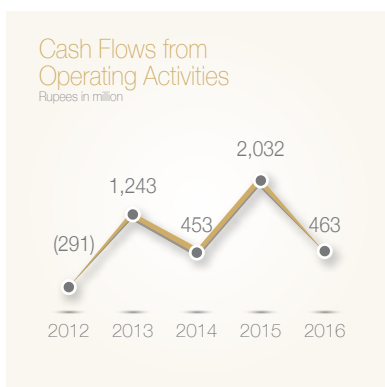
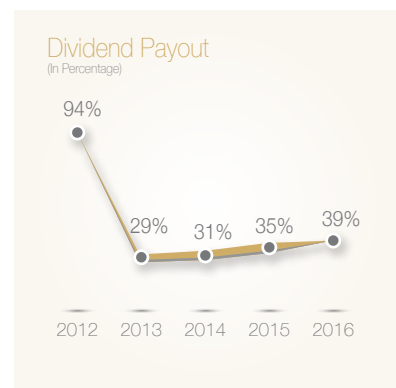
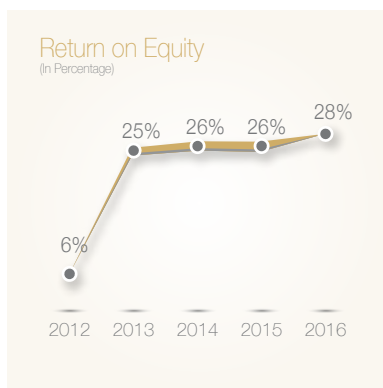
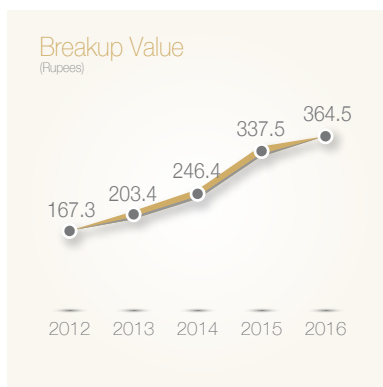
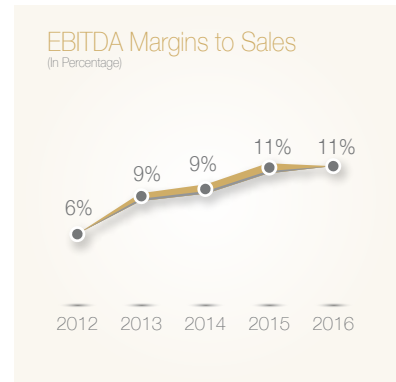
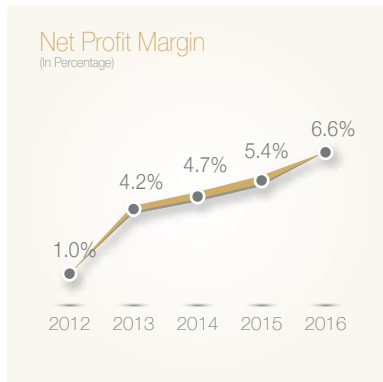
2016	
● Equity & reserves	35%
● Long term financing	8%
● Non current liabilities	3%
● Current liabilities	54%



2015	
● Equity & reserves	35%
● Long term financing	9%
● Non current liabilities	3%
● Current liabilities	53%

Analytical Review





Six Years at a Glance

Description	2016	2015	2014	2013	2012	2011
	Rupees in '000					
Sales	18,984	17,545	16,495	14,686	12,167	11,549
Gross profit	3,776	3,016	2,712	2,367	1,546	1,569
Profit before tax	1,469	1,267	944	747	192	535
Profit after tax	1,245	946	773	619	127	433
Share capital	120	120	120	120	120	120
Share holder's equity	4,384	3,603	2,964	2,447	2,020	2,013
Property, plant & equipment	4,746	3,383	2,985	1,901	1,649	1,612
Total assets	12,697	10,243	8,866	6,992	6,422	5,639
Net current assets	562	1,061	998	1,093	974	827
Market Value Per Share (Rs.)	1,497	850	975	545	167	195
Dividend (%)						
Cash - Interim	150	125	100	75	-	25
Cash - Final	250	250	150	100	75	100
Profitability (%)						
Gross Profit	19.89	17.19	16.44	16.12	12.71	13.59
Profit Before Tax	7.74	7.22	5.72	5.09	1.58	4.63
Profit After Tax	6.56	5.39	4.69	4.21	1.04	3.75
Return to Shareholders						
R.O.E -Before Tax (%)	33.52	35.16	31.86	30.54	9.53	26.56
R.O.E -After Tax (%)	28.41	26.25	26.09	25.31	6.30	21.53
E.P.S-After Tax (Rs.)	103.54	78.63	64.28	51.49	10.59	36.03
Price Earning Ratio	14.46	10.81	15.16	10.58	15.78	5.41
Activity (Times)						
Sales To Total Assets	1.50	1.71	1.86	2.10	1.89	2.05
Sales To Fixed Assets	4.00	5.19	5.53	7.72	7.38	7.16
Inventory Turnover Ratio	5.58	5.24	5.35	5.27	4.98	5.81
Interest Coverage Ratio	7.20	5.00	3.85	3.44	1.60	3.25
Liquidity/Leverage						
Current Ratio	1.08	1.20	1.22	1.29	1.26	1.26
Break-up Value per Share	364.45	299.54	246.40	203.44	167.34	167.34
Total Liabilities To Equity	1.90	1.84	1.99	1.86	2.18	1.80
Debt Equity Ratio	21:79	23:77	27:73	20:80	19:81	14:86



Growth is never
by mere chance; it
is a result of forces
working together.

-James Cash Penney

Horizontal Analysis

	2016		2015		2014		2013		2012	
	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %
Balance Sheet										
Equity & Reserve	4,383,940	21.7	3,603,069	21.6	2,963,949	21.1	2,447,086	21.5	2,014,424	0.1
Long term financing facilities	998,021	13.2	881,850	(8.0)	958,315	86.3	514,365	28.5	400,215	83.4
Non Current Liability	396,060	14.1	346,996	5.1	330,162	26.8	260,373	6.7	243,921	4.7
Current Liabilities	6,918,703	27.9	5,411,403	17.3	4,613,658	22.4	3,769,905	0.2	3,762,948	18.5
	12,696,724	24.0	10,243,318	15.5	8,866,084	26.8	6,991,729	8.9	6,421,508	13.9
Property Plant and Equipment	4,745,935	40.3	3,382,700	13.3	2,984,513	57.0	1,901,092	15.3	1,648,805	2.4
Intangibles	2,720	(51.8)	5,640	(30.3)	8,097	(49.8)	16,119	34.4	11,994	(18.1)
long term investment	373,855	15.6	323,520	58.4	204,279	15.4	177,032	100.0	-	-
long term loan & deposit	93,387	57.7	59,235	2.3	57,913	65.7	34,943	46.9	23,791	108.0
Current Asset										
Stores and spares	100,205	(12.5)	114,570	6.0	108,111	(6.6)	115,791	10.9	104,370	23.2
Stock in-trade	2,729,738	0.4	2,719,856	4.4	2,604,361	12.1	2,322,432	8.9	2,132,742	9.9
Trade Debts	2,483,211	62.6	1,527,479	(7.0)	1,642,863	32.0	1,244,470	0.0	1,244,889	32.7
Loans & Advances	293,228	25.5	233,671	51.0	154,741	(35.8)	241,099	4.6	230,423	36.5
Trade Deposits and Prepayments	85,769	11.8	76,719	342.7	17,329	1.7	17,033	12.6	15,128	96.9
Other receivables	75,699	30.2	58,126	199.9	19,379	203.3	6,389	-56.8	14,805	1076.9
Taxation	1,384,345	8.0	1,281,956	22.6	1,046,056	17.4	890,923	-9.2	981,132	15.7
Short term Investments	103,745	0.0	-	0.0	-	0.0	-	0.0	-	0.0
Cash and Balance	224,888	(51.1)	459,847	2393.5	18,442	(24.4)	24,406	81.7	13,429	11.3
	12,696,725	24.0%	10,243,318	15.5	8,866,084	26.8	6,991,729	8.9	6,421,508	13.9

	2016		2015		2014		2013		2012	
	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %
Profit & Loss										
Net Sales	18,984,428	8.2	17,544,736	6.4	16,495,123	12.3	14,685,638	20.7	12,167,267	5.4
Cost of Sales	15,208,729	4.7	14,528,670	5.4	13,783,455	11.9	12,318,716	16.0	10,620,854	6.4
Gross Profit	3,775,699	25.2	3,016,066	11.2	2,711,668	14.6	2,366,922	53.1	1,546,413	(1.5)
Administration and selling expenses	2,169,555	29.2	1,678,801	8.1	1,553,100	13.2	1,371,617	25.9	1,089,846	30.1
Operating profit	1,606,144	20.1	1,337,265	15.4	1,158,568	16.4	995,305	118.0	456,567	(37.6)
Other income	99,996	(59.4)	246,158	109.6	117,461	101.0	58,429	0.7	58,005	43.0
Financial charges	236,845	(25.1)	316,416	(4.6)	331,581	8.2	306,329	(4.9)	322,151	35.5
Profit before taxation	1,469,295	16.0	1,267,007	34.2	944,448	26.4	747,405	288.4	192,421	(64.0)
Provision for taxation	223,808	(30.3)	321,160	87.6	171,196	33.7	128,080	96.9	65,061	(35.7)
Profit after taxation	1,245,487	31.7	945,847	22.3	773,252	24.9	619,325	386.3	127,360	(70.6)

Vertical Analysis

	2016		2015		2014		2013		2012	
	Rs '000	CONTR. %	Rs '000	CONTR. %	Rs '000	CONTR. %	Rs '000	CONTR. %	Rs '000	CONTR. %
Balance Sheet										
Equity & Reserve	4,383,940	34.5	3,603,069	35.2	2,963,949	33.4	2,447,086	35.0	2,014,424	31.4
Long term financing facilities	998,021	7.9	881,850	8.6	958,315	10.8	514,365	7.4	400,215	6.2
Non Current Liability	396,060	3.1	346,996	3.4	330,162	3.7	260,373	3.7	243,921	3.8
Current Liabilities	6,918,703	54.5	5,411,403	52.8	4,613,658	52.0	3,769,905	53.9	3,762,948	58.6
	12,696,724	100.0	10,243,318	100.0	8,866,084	100.0	6,991,729	100.0	6,421,508	100.0
Property Plant and Equipment	4,745,935	37.4	3,382,700	33.0	2,984,513	33.7	1,901,092	27.2	1,648,805	25.7
Intangibles	2,720	0.0	5,640	0.1	8,097	0.1	16,119	0.2	11,994	0.2
Long term investment	373,855	2.9	323,520	3.2	204,279	2.3	177,032	2.5	-	0.0
Long term loans & deposit	93,387	0.7	59,235	0.6	57,913	0.7	34,943	0.5	23,791	0.4
Current Asset										
Stores and spares	100,205	0.8	114,570	1.1	108,111	1.2	115,791	1.7	104,370	1.6
Stock in-trade	2,729,738	21.5	2,719,856	26.6	2,604,361	29.4	2,322,432	33.2	2,132,742	33.2
Trade Debts	2,483,211	19.6	1,527,479	14.9	1,642,863	18.5	1,244,470	17.8	1,244,889	19.4
Loans & Advances	293,228	2.3	233,671	2.3	154,741	1.7	241,099	3.4	230,423	3.6
Trade Deposits and Prepayments	85,769	0.7	76,719	0.7	17,329	0.2	17,033	0.2	15,128	0.2
Other receivables	75,699	0.6	58,126	0.6	19,379	0.2	6,389	0.1	14,805	0.2
Taxation	1,384,345	10.9	1,281,956	12.5	1,046,056	11.8	890,923	12.7	981,132	15.3
Short term Investments	103,745	0.8	-	0.0	-	0.0	-	0.0	-	0.0
Cash and Balance	224,888	1.8	459,847	4.5	18,442	0.2	24,406	0.3	13,429	0.2
	12,696,725	100.0	10,243,318	100.0	8,866,084	100.0	6,991,729	100.0	6,421,508	100.0

	2016		2015		2014		2013		2012	
	Rs '000	CONTR. %	Rs '000	CONTR. %	Rs '000	CONTR. %	Rs '000	CONTR. %	Rs '000	CONTR. %
Profit & Loss										
Net Sales	18,984,428	100.0	17,544,736	100.0	16,495,123	100.0	14,685,638	100.0	12,167,267	100.0
Cost of Sales	15,208,729	80.1	14,528,670	82.8	13,783,455	83.6	12,318,716	83.9	10,620,854	87.3
Gross Profit	3,775,699	19.9	3,016,066	17.2	2,711,668	16.4	2,366,922	16.1	1,546,413	12.7
Administration & selling expenses	2,169,555	11.4	1,678,801	9.6	1,553,100	9.4	1,371,617	9.3	1,089,846	9.0
Operating profit	1,606,144	8.5	1,337,265	7.6	1,158,568	7.0	995,305	6.8	456,567	3.8
Other income	99,996	0.5	246,158	1.4	117,461	0.7	58,429	0.4	58,005	0.5
Financial charges	236,845	1.2	316,416	1.8	331,581	2.0	306,329	2.1	322,151	2.6
Profit before taxation	1,469,295	7.7	1,267,007	7.2	944,448	5.7	747,405	5.1	192,421	1.6
Provision for taxation	223,808	1.2	321,160	1.8	171,196	1.0	128,080	0.9	65,061	0.5
Profit after taxation	1,245,487	6.6	945,847	5.4	773,252	4.7	619,325	4.2	127,360	1.0

Directors' Report to the Shareholders

The Board of Director is pleased to present its Annual Report along with the audited financial statements of the Company for the year ended December 31, 2016 ("FY 2016").

There has been significant improvement in the macroeconomic indicators in the recent past but the socio political situation of the country remained unchanged which has resulted in volatile business environment. Despite the challenges, your company performed well by delivering revenue growth and higher profitability through operational efficiency as reflected in the Financial Performance ahead:

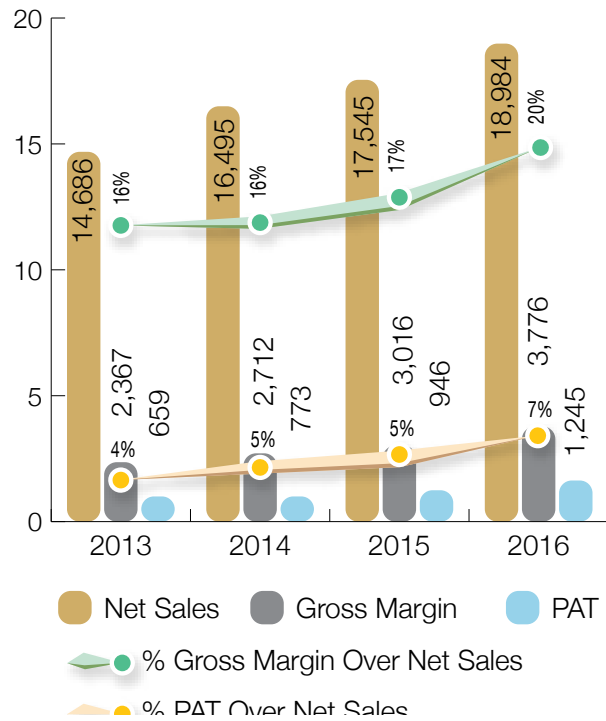
Key Performance Indicators (KPIs) for FY 2016 compared to FY 2015

KPIs	FY 2016 Rs'000	FY 2015 Rs'000	Percentage Change
Net Sales	18,984,428	17,544,736	8%
Gross Profit	3,775,699	3,016,066	25%
Operating profit / (loss)	1,706,140	1,583,423	8%
Profit / (Loss) before income tax expense	1,469,295	1,267,007	16%
Net profit / (loss) after tax for the year	1,245,487	945,847	32%
Earnings / (loss) per share (rupees)	103.5	78.6	32%

Focus on core business, cost efficiency, solid financial management and efforts of the management in increasing employee commitment and dedication, resulted in improved performance of all major business segments of the Company on year on year basis.

Your Company achieved sales of PKR 18.98 billion during the year compared to PKR 17.54 billion during corresponding last year, with steady growth of 8% mainly driven by volume growth. Our Export Sales continued to be impacted due to a weak Euro.

Due to favorable input costs, better product mix, production efficiencies, improved working capital performance and continuous investment in technology your Company showed the growth in Profit before Tax of 16% from PKR 1,267 million to PKR 1,469 million.



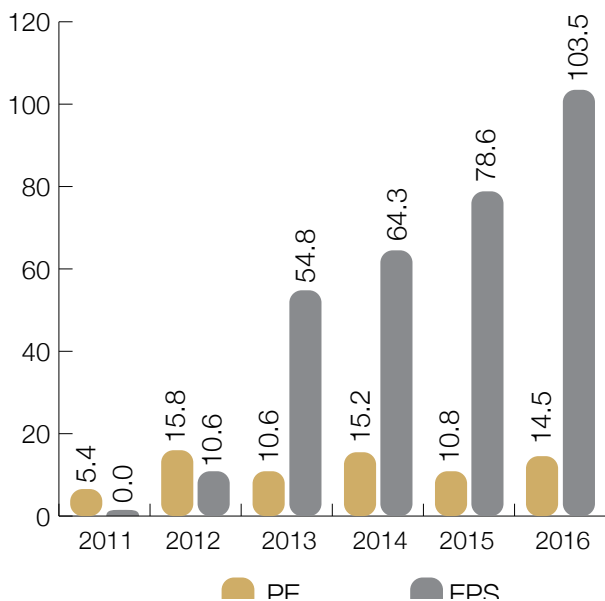
Your company has made total investment amounting to PKR 1.5 billion in Tyre business to enhance the production capacity of existing plant and to further improve the quality of products. Due to this investment capacity of our tyre and tube plant has increased by 20%.

During the year, your company also entered into the footwear retail business, with the brand name "Shoebox" through opening of 9 retail outlets.



The earnings per share stood at PKR 103.54 during the year under review registering a growth of 32% over Last Year.

Price Earning Ratio & Earning per Share



Appropriations

Following is the summary of appropriations made during FY 2016

Accumulated Profit as at January 01, 2016	3,603
Net profit after taxation for FY 2016	1,262
Final Dividend @ Rs 25 per ordinary share for FY 2015	(301)
Interim Dividend @ Rs 15 per ordinary share for FY 2016	(180)
Accumulated profit as at December 31, 2016	4,384

Key Operating and Financial Data of last 6 Years

An overview of key operating and financial data for last 6 years is annexed in the Annual Report.

Evaluation of Company's Performance

The Board has developed a mechanism of regular performance evaluation. Every member of the Board ensures his active participation in all the meetings of the Board. Detailed discussions are held on strategic matters and clear directions are provided to the management, which are regularly monitored by the Board and its committees.



Mr. Hassan Javed (Director) receiving Pakistan Stock Exchange (PSX) Top 25 Companies Award from Prime Minister of Pakistan, Mian Muhammad Nawaz Sharif.

Directors' Report to the Shareholders

For the purpose of evaluating the performance of the Company, the management uses various indicators that include industry growth, position of peer companies in the business segment where your company operates, prior years' performance, macroeconomic indicators and business environment impacting the Company.

Budgets are formulated and actual performance is measured against the budget at regular intervals during the year so that remedial action could be taken on a timely basis. This exercise is carried out for both the business segments of the Company.

The Board ensures that the Company adopts the best practices of corporate governance. The Board also reviews performance of business segments at each quarter with an aim to improve the low performing segments and at the same time further opportunities of growth are emphasized in all profitable segments.

Cash Flows & Capital Expenditure

The Company's cash requirements for capital expenditure are managed through internal cash generation with some reliance on external financing. The cash flow and funding requirements are effectively monitored. The company continuously re-invests its surplus funds to make the required levels of investments in business necessary to sustain long term growth. Cash inflows from operations were recorded at Rs. 462 million. During the year 2016, your company made a capital investment of Rs. 1.8 billion (2015: Rs. 0.7 billion) mainly to upgrade and enhance capacity of our tyre manufacturing plant.

Company's Principle Activities and Business Segments

The Company is operating through two major business divisions namely Tyre & Tubes (TT) and Footwear (FTW).

Risks, Uncertainties and Mitigations

Effective risk management is key to sustainable business success. Our risk management framework, coupled with our internal controls, helps us maintain our focus on managing the potential risks affecting our business.

The Internal Control Framework established by the Company ensures appropriate risk mitigation plans, designated accountability, and mechanisms for upward communication of any significant issues and incidents that arise. The Risk Management team uses its system of controls to protect the Company's assets, safeguard shareholder investment and ensure compliance with applicable legal requirements.

The Company is exposed, inter alia, to the following general risks which are mitigated through specific response plans:

Operational risks

Operational Risks are those which hinder the entity from running its operations smoothly. Our main operational risks are the supply chain management, customer relationship, and inflation and key employee turnover. These risks are being managed through a variety of measures including development of alternate sourcing of materials, dedicating resources with requisite skills and expertise, facility up gradations, robust forecasting process in commercial and manufacturing, simplification of operating model, etc. In addition to the above, adequate segregation of duties, trainings and skill development, job rotations, employee empowerment, etc. are being reinforced to reduce risk.

Financial risks

Financial Risks are those that may cause financial loss to the entity. Financial risk has been described in detail in note 38 of the attached Financial Statements that include market risks, credit risks and liquidity risks.

Compliance risk

The Company understands that non-compliance with laws and regulations may result in imposition of penalties, debarment, black listing, license cancellation etc. Hence, the Company has zero tolerance policy for non-compliance activities and behaviors. In addition, to mitigate such risks, a very comprehensive and effective compliance function is in place in the Company. Further, the Code of Business Conduct Guidelines clearly defines the Company's expectations from all directors, executives and employees of the Company and from those with whom it conducts business. The Company encourages employees and business partners to report compliance violations that they may encounter, with confidence that there will be no adverse consequences for them.

Environment, Health and Safety (EHS)

Service is committed to provide a safe, injury-free workplace where everyone is healthy, energized and protects the society. EHS remains a priority for Service at all levels and this year we focused on bringing an attitudinal change in the EHS culture by creating awareness and providing strong feedback on safety performance.

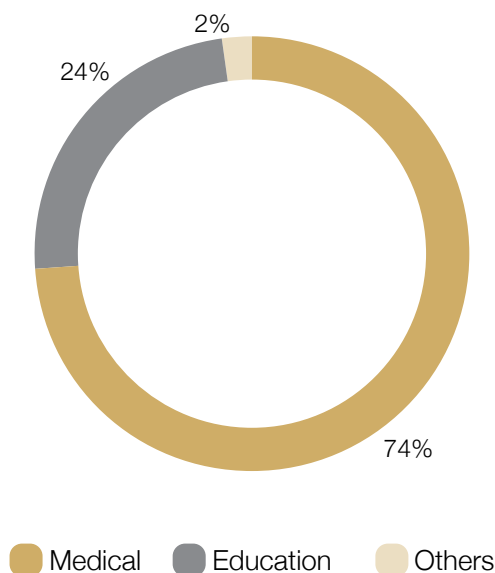
Corporate Social Responsibility

For us at Service, sustainable development is the means to achieve profitable and long-term growth. We have a clear commitment to think and act in the interest of future generations, achieving a balance between Profit, Planet and People.

Sustainability at Service Industries Limited is a key enabler of our strategy program. We are guided by responsible business practices in our interactions with external and internal stakeholders and we walk the talk within our own operations regarding environmental and social aspects. We are convinced that sustainability is a business opportunity, especially in the sense of energy and resource efficiency, and a key element for our aim to be the employer of choice.

During the year the Company contributed PKR 62 million in various sectors.

Contribution to CSR



Company's Future Outlook

Your Company is fully committed to create value for stakeholders. The Company has adopted a consistent strategy to position itself in both the business that we operate. Further, to ensure sustainable growth and value for stakeholders and to keep pace with the changing environment, the company will continue to closely monitor and review its business segments.

As part of its diversification strategy, your Company will continue to explore investment opportunities. Despite rising competition in footwear and tyre business in Pakistan, your Company will continue to focus on improving shareholders' wealth through cost optimization, investment in new technology to achieve production efficiencies.

Pakistan GDP increased to 4.7% in 2016 compared to 4.0% in 2015, which is also a healthy indicator regarding outlook of Pakistan. The economic growth trend is expected to sustain subject to continuity in government's policies and favorable security paradigm in the country.

Adherence to Best Practices of Corporate Governance

The Company is determined to meet and wherever possible, exceed in all legal and ethical requirements and to conduct all business according to the highest professional and ethical standards and practices. The Board defines a path of continuous improvement constantly challenging existing processes. It also requires the Company to embrace change so that the Company is in the right place when new opportunities open up. This also means attracting the best talent in the marketplace and giving them the skills and opportunities they need to become high-achievers. The Company constantly reviews its portfolio to provide answers to society's most vital challenges, enabling it to create sustainable value for its shareholders.

During the year, your company appointed and utilized the services of independent firm to evaluate internal controls and operations to ensure fair financial reporting processes, compliance with applicable laws and adherence with internal control systems. This also resulted in achieving our objective of adding value to our operations.

Directors' Report to the Shareholders

Statement of Compliance

The Company strictly adheres to the principles of corporate governance mandated by the Securities and Exchange Commission of Pakistan and has implemented all the prescribed stipulations. The same have been summarized in the enclosed statement of compliance with best practices of Code of Corporate Governance duly reviewed by the external auditors.

Directors Statements on Corporate and Financial Reporting Framework

As required by the Code of Corporate Governance (CCG), we, for and on behalf of the Directors are pleased to state that:

- a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b) Proper books of account have been maintained by the Company.
- c) Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in the preparation of financial statements.
- e) The Company maintains a sound internal control system which gives reasonable assurance against any material misstatement or loss. The internal control system is regularly reviewed. This has been formalized by the Board's Audit Committee and is updated as and when needed.
- f) There are no significant doubts upon the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h) The Key operating and financial data for the last six years is annexed to the annual report

Audit Committee

The Audit Committee consists of three members, of whom two are non-executive directors and one independent director. The Chairman of the committee is a non-executive director. The terms of reference of this Committee have been determined in accordance with the guidelines provided in the Listing Regulations and advised to the Committee for compliance. The Committee held five (05) meetings during the year.

An independent Internal Audit function headed by the Chief Internal Auditor reporting to the Board's Audit Committee reviews the corporate accounting and financial reporting process, the effectiveness and adequacy of internal controls, the management of risks and the external and internal audit process.

Human Resource and Remuneration Committee

The Human Resource & Remuneration Committee comprises of three members, most of whom are non-executive directors. Two (2) meetings were held in the current year. The committee is involved in making recommendations to the board regarding executives' remuneration, performance evaluation and succession planning etc.

Meetings and Activities during the Financial Year

Number of meetings of the Board of Directors, and its Audit and the Human Resource and Remuneration Committees, together with attendance therein, are as follows:

Board and its Committees	Board Meeting held / Attendance	Audit Committee Meeting held / Attendance	Human Resource and Remuneration Committee Meeting held / Attendance
Mr. Ahmed Javed	4/5	N/A	N/A
Mr. Omar Saeed	5/5	N/A	N/A
Mr. M. Ijaz Butt	5/5	N/A	N/A
Mr. Arif Saeed	4/5	N/A	2/2
Mr. Hassan Javed	5/5	N/A	N/A
Mr. Riaz Ahmed	4/5	5/5	2/2
Mr. Muhammad Amin	5/5	5/5	2/2
Mr. Shaikat Ellahi Shaikh	2/5	N/A	N/A
Mr. Manzoor Ahmed (Resigned on 15-03-2016)	1/5	1/5	N/A
Mr. Qaisar Mufti (Appointed on 07-06-2016)	2/5	1/5	N/A

Leave of absence was granted to the Directors who could not attend the Board and Committee meetings.

Changes in the Board of Directors

Mr. Manzoor Ahmed resigned from the Board on March 15, 2016 and Mr. Qaisar Mufti was appointed by the Board to fill the casual vacancy on June 07, 2016.

Management Committee

The Management Committee comprises of senior members who meet and discuss significant business plans, issues and progress updates of their respective functions. Significant matters to be put forth in the Board as per the Code of Corporate Governance are also discussed for onward approval.

Abstract under Section 218 of the Companies Ordinance, 1984

The abstract under Section 218 of the Companies Ordinance, 1984 is included in the report, the same has been previously circulated to the Shareholders.

External Auditors

The auditors, M/s. S.M. Masood & Co., Chartered Accountants resigned from the services during the year. On the recommendation of the Audit Committee, M/s. Rahman Sarfaraz Rahim Iqbal Rafiq & Co., Chartered Accountants, were appointed as external auditors of the Company to fill up the casual vacancy.

The Board of Directors, on the recommendation of the Audit Committee has proposed the appointment of M/s. Rahman Sarfaraz Rahim Iqbal Rafiq & Co., Chartered Accountants as external auditors, for the year ending December 31, 2017.

Investments in Retirement Benefits

The Company maintains retirement benefits plans for its employees which are regulated through the respective board of trustees. The value of investments of these funds as per their respective audited financial statements, are as follows:

	December 31, 2016	December 31, 2015	December 31, 2014
	(Rupees in million)		
Provident Fund	1,744	1,328	1,346
Gratuity Fund	99	76	75
Pension Fund	77	72	69

Pattern of Shareholding

The Company is listed on Pakistan Stock Exchange Limited. The pattern of shareholding as at December 31, 2016 along with disclosure as required under the Code of Corporate Governance is included in this Annual Report.

The Directors, CEO, CFO, Company Secretary, Head of Internal Audit and their spouses and minor children have not traded in the shares of the Company.

Post Balance Sheet Event

There have been no material changes or events since 31st of December 2016 to the date of this report, which has an impact on the financial statements, except for the declaration of final dividend which is subject to the approval of the Members at the forthcoming Annual General Meeting and the effect of which will be reflected in the next year's (Financial Year 2017) financial statements.

Acknowledgement

We take this opportunity to thank our valued customers who have continued to place trust in our products and provided sustained support in ensuring the growth of the Company. The Company is also immensely proud of and thankful to its employees for their committed and passionate efforts, loyalty and dedication. We also greatly value the support and cooperation received from our suppliers, business partners, financial institutions, regulators and all other stakeholders who are helping and contributing towards the progress of your Company. We look forward to continuing to deliver results in the coming years.

On behalf of the Board, I would also like to extend our sincerest gratitude to our shareholders for the confidence and trust they have reposed in us and for their unwavering support.

For and on behalf of the board

Dated: March 30, 2017
Place: Lahore

Omar Saeed
(Chief Executive)

Statement of Compliance

with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19.23 of listing regulations of Pakistan Stock Exchange Limited 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 CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Director	Mr. Qaisar Mufti
Executive Directors	Mr. Omar Saeed Mr. Arif Saeed Mr. Hassan Javed
Non-Executive Directors	Chaudhry Ahmed Javed Mr. M. Ijaz Butt Mr. Shaukat Ellahi Shaikh Mr. Riaz Ahmed Mr. Muhammad Amin

(The independent director meets the criteria of independence under clause 5.19.1(b) of the CCG).

2. The directors have confirmed that none of them is serving as a director on 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 NBFIs or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring on the Board on 15-03-2016 was filled up by the directors within 84 days.
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. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
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, other executive and non-executive directors, have been taken by the Board / shareholders.
8. The meetings of the Board were 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 seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Six directors Mr. Omar Saeed, Mr. Muhammad Amin, Mr. Hassan Javed, Mr. Riaz Ahmed, Mr. Shaukat Ellahi Shaikh and Mr. Qaisar Mufti have completed the Directors' Training Program. Two directors meet the criteria of minimum 14 years of education and 15 years of experience on the Board of a listed companies.
10. During the year, there was no change in the position of Company Secretary, however, the Board has approved the appointment of Chief Financial Officer (CFO) and Head of Internal Audit including their remuneration and terms and conditions of employment.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG 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 CCG.
15. The Board has formed an Audit Committee. It comprises three members, of whom two are non-executive directors and one is independent director. The Chairman of the committee is a non-executive director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises three members, of whom two are non-executive directors. The Chairman of the committee is a non-executive director.
18. The Board has set up an effective Internal Audit Function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
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 (ICAP), 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 Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan (ICAP).
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 / final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to the directors, employees and stock exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through the stock exchange.
23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

March 30, 2017
Lahore

Omar Saeed
Chief Executive

Review Report to The Members

on The Statement of Compliance With The Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of SERVICE INDUSTRIES LIMITED for the year ended December 31, 2016 to comply with the relevant Listing Regulation No. 5.19.24 of the Pakistan Stock Exchange Limited where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the 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 are not required to consider whether the Board of Director's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee and upon recommendation of the Audit committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail at arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of 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.

Based on our review, 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 as applicable to the Company for the year ended December 31, 2016.

Date: March 30, 2017

Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS
Engagement Partner: A. Rahman Mir
Lahore

Auditors' Report to The Members

We have audited the annexed balance sheet of SERVICE INDUSTRIES LIMITED ("the Company") as at December 31, 2016 and the related profit & 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 & 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 & 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 December 31, 2016 and of the profit, total comprehensive income, its cash flows & changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Other Matters:

The financial statements for the year ended 31 December 2015 were audited by another firm of Chartered Accountants who issued report dated 25 March 2016. The aforesaid auditors' report expressed an unqualified opinion.

Date: March 30, 2017

Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS
 Engagement Partner: **A. Rahman Mir**
 Lahore

Financial Statements

Balance Sheet

As at December 31, 2016

	Note	2016 Amount Rupees in thousand	2015 Amount
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital 100,000,000 (2015: 20,000,000) ordinary shares of Rs. 10/- each:		1,000,000	200,000
Paid up share capital	7	120,288	120,288
Reserves	8	4,263,652	3,482,781
		4,383,940	3,603,069
Non-current liabilities			
Long term financing	9	998,021	881,850
Long term deposits	10	5,268	3,665
Deferred liabilities	11	390,792	343,331
		1,394,081	1,228,846
Current liabilities			
Trade and other payables	12	3,259,466	3,223,831
Interest and mark-up accrued	13	44,362	52,986
Short term borrowings	14	3,242,870	1,662,360
Current portion of long term financing	9	223,058	221,170
Provision for taxation	34	148,947	251,056
		6,918,703	5,411,403
		12,696,724	10,243,318
Contingencies and commitments	15		

The annexed notes from 1 to 46 form an integral part of these financial statements.

Chaudhry Ahmed Javed
(Chairman)

	Note	2016 Amount Rupees in thousand	2015 Amount
ASSETS			
Non-current assets			
Property, plant and equipment	16	4,745,935	3,382,700
Intangible assets	17	2,720	5,640
Long term investments	18	373,855	323,520
Long term loans	19	15,431	7,083
Long term deposits		77,956	52,152
		5,215,897	3,771,095
Current assets			
Stores, spares and loose tools	20	100,205	114,570
Stock in trade	21	2,729,738	2,719,856
Trade debts	22	2,483,211	1,527,479
Loans and advances	23	293,228	233,671
Trade deposits and prepayments	24	85,769	76,719
Other receivables		75,699	58,126
Tax refunds due from government	25	1,384,345	1,281,956
Short Term Investment		103,745	–
Cash and cash equivalents	26	224,887	459,846
		7,480,827	6,472,223
		12,696,724	10,243,318

Omar Saeed
(Chief Executive)

Profit and Loss Account

For the year ended December 31, 2016

	Note	2016 Amount Rupees in thousand	2015 Amount
Sales - net	27	18,984,428	17,544,736
Cost of sales	28	15,208,729	14,528,670
Gross profit		3,775,699	3,016,066
Operating expenses			
Distribution cost	29	973,590	724,425
Administrative expenses	30	983,413	789,608
Other operating expenses	31	212,552	164,768
		2,169,555	1,678,801
Operating profit before other income		1,606,144	1,337,265
Other income	32	99,996	246,158
Operating profit		1,706,140	1,583,423
Finance cost	33	236,845	316,416
Profit before taxation		1,469,295	1,267,007
Taxation	34	223,808	321,160
Profit after taxation		1,245,487	945,847
Earnings per share - basic and diluted (Rupees)	35	103.54	78.63

The annexed notes from 1 to 46 form an integral part of these financial statements.

Chaudhry Ahmed Javed
(Chairman)

Omar Saeed
(Chief Executive)

Statement of Comprehensive Income

For the year ended December 31, 2016

	Note	2016 Amount Rupees in thousand	2015 Amount
Profit after taxation		1,245,487	945,847
Other comprehensive income			
Items that may reclassify to profit and loss account			
(Loss) / gain on Investments - net of tax		-	(8,800)
Add: Adjustment for amount transferred to profit and loss account		8,800	-
Items that may not reclassify to profit and loss account			
Actuarial gain / (loss) on defined benefit plans - net of tax (Pension Fund)		(1,570)	-
Actuarial gain / (loss) on defined benefit plans - net of tax (Gratuity Fund)		9,306	32,865
		16,536	24,065
Total comprehensive income for the year		1,262,023	969,912

The annexed notes from 1 to 46 form an integral part of these financial statements.

Chaudhry Ahmed Javed
(Chairman)

Omar Saeed
(Chief Executive)

Cash Flow Statement

For the year ended December 31, 2016

	Note	2016 Amount Rupees in thousand	2015 Amount
Cash flow from operating activities			
Cash generated from operations	37	1,270,401	2,835,970
Finance cost paid		(245,469)	(351,318)
Ijarah rentals paid		(70,041)	(71,839)
Income tax paid		(330,237)	(313,991)
Staff retirement benefits paid		(14,987)	(15,256)
W.P.P.F paid		(146,963)	(52,000)
Net cash generated from operating activities		462,704	2,031,566
Cash flow from investing activities			
Dividend from associated Company	18.1.2	10,446	65,706
Other investment - Equity		-	(107,724)
Capital expenditure		(1,797,336)	(733,625)
Proceeds from sale of property, plant and equipment		26,748	14,227
Investment in subsidiary company		(125,681)	-
Investment in associated companies		(480)	(28,541)
Proceeds from sale of long term investment		101,709	-
Short Term Investment		(103,745)	-
Long term loans - net		(8,348)	(361)
Long term deposits - net		(25,804)	(961)
Net cash used in investing activities		(1,922,491)	(791,279)
Cash flow from financing activities			
Short term borrowings - net		1,580,510	(442,992)
Long term financing		118,059	(29,660)
Dividend paid		(475,344)	(326,231)
Long term deposits		1,603	-
Net cash generated from / (used in) financing activities		1,224,828	(798,883)
Net (decrease) / increase in cash and cash equivalents		(234,959)	441,404
Cash and cash equivalents at the beginning of the year		459,846	18,442
Cash and cash equivalents at the end of the year	26	224,887	459,846

The annexed notes from 1 to 46 form an integral part of these financial statements.

Chaudhry Ahmed Javed
(Chairman)

Omar Saeed
(Chief Executive)

Statement of Changes in Equity

For the year ended December 31, 2016

	Capital reserves			Revenue reserves		Total
	Paid up share capital	Capital gains	Share premium	General reserve	Unappropriated profits	
Rupees in thousand						
Balance as at December 31, 2014	120,288	102,730	21,217	1,558,208	1,161,506	2,963,949
Final dividend for the year ended December 31, 2014 @ Rs. 15 per share	-	-	-	-	(180,432)	(180,432)
Interim dividend for the year ended December 31, 2015 @ Rs. 12.50 per share	-	-	-	-	(150,360)	(150,360)
Total comprehensive income for the year	-	-	-	-	969,912	969,912
Balance as at December 31, 2015	120,288	102,730	21,217	1,558,208	1,800,626	3,603,069
Final dividend for the year ended December 31, 2015 @ Rs. 25 per share	-	-	-	-	(300,720)	(300,720)
Interim dividend for the year ended December 31, 2016 @ Rs. 15 per share	-	-	-	-	(180,432)	(180,432)
Total comprehensive income for the year	-	-	-	-	1,262,023	1,262,023
Balance as at December 31, 2016	120,288	102,730	21,217	1,558,208	2,581,497	4,383,940

Chaudhry Ahmed Javed
(Chairman)

Omar Saeed
(Chief Executive)

Notes to the Financial Statements

For the year ended December 31, 2016

1 Legal status and operations

Service Industries Limited (the Company) was incorporated as a private limited company on March 20, 1957 in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984), was converted into a public limited company on September 23, 1959 and got listed on June 27, 1970. The shares of the Company are quoted on the Pakistan Stock Exchange. The registered office of the Company is located at 2-Main Gulberg, Lahore. The principal activities of the Company are purchase, manufacture and sale of footwear, tyres and tubes and technical rubber products. These financial statements pertain to Service Industries Limited as an individual entity.

Information on significant investments of the Company is disclosed in note 18.

2 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 and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives under the Companies Ordinance, 1984 shall prevail.

3 Use of estimates and judgments

The preparation of these financial statements in conformity with the approved accounting standards require management of the Company to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. 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 the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

There are no significant judgements or estimates, which if inaccurate or wrong could materially effect the current financial statements or the next years financial statements.

4 Application of new and revised International Financial Reporting Standards (IFRS)

4.1 IFRS & amendments effective for the current year

IAS 1 - Presentation of Financial Statements

IAS 16 - Property, Plant and Equipment

IAS 38 - Intangible Assets

IAS 27 - Separate Financial Statements

IAS 28 - Investments in Associates and Joint Ventures

IAS 41 - Agriculture

IFRS 10 - Consolidated Financial Statements

IFRS 11 - Joint Arrangements

IFRS 12 - Disclosure of Interests in Other Entities

Annual Improvements 2012-2014 cycles

The above amendments & improvements are either irrelevant or have no material impact on the Company's financial statements.

4.2 IFRS & amendments not yet effective & not applied

IAS 7 - Statement of Cash Flows
 IAS 12 - Income Taxes
 IAS 28 - Investments in Associates and Joint Ventures
 IAS 40 - Investment Property
 IFRS 2 - Share-based Payment
 IFRS 9 - Financial Instruments (Not notified by SECP)
 IFRS 10 - Consolidated Financial Statements
 IFRS 12 - Disclosure of Interests in Other Entities
 IFRS 14 - Regulatory Deferral Accounts (Not notified by SECP)
 IFRS 15 - Revenue from Contracts with Customers (Not notified by SECP)
 IFRS 16 - Leases (Not notified by SECP)
 IFRIC 22 - Foreign Currency Transactions and Advance Consideration
 Annual Improvements 2014-2016 cycles

The above mentioned standards & improvements, when effective, are not expected to have a significant impact on the Company's financial statements.

5 Basis of preparation

5.1 Accounting convention

These financial statements have been prepared under the historical cost convention except where stated otherwise in specific notes to the related items.

5.2 Functional and presentation currency

The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

6 Summary of significant accounting policies

6.1 Employees' retirement benefits

i) Contributory provident fund

Obligations for contributions to the provident fund are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

ii) Defined benefit plans

The Company operates a funded gratuity scheme as a defined benefit plan for its permanent employees other than those who participate in the provident fund scheme. The managerial staff is entitled to participate in both the provident fund trust and gratuity fund scheme.

The Company also operates a funded pension scheme as a defined benefit plan for employees who are not members of the employees' old-age benefit scheme under the rules applicable before July 01, 1986.

The company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating

Notes to the Financial Statements

For the year ended December 31, 2016

the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then - net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

6.2 Compensated absences

The Company accounts for compensated absences on the basis of each employee's un-availed earned leave balance at the end of the year.

6.3 Taxation

Income tax expense represents the sum of the current and deferred taxes & is recognized in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

i) Current tax

The provision for current taxation is based on the applicable tax regimes, tax rates, credits & rebates, in accord with the income tax laws of Pakistan.

ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case they are included in equity.

Deferred tax assets and liabilities are offset only if certain criteria are met.

6.4 Foreign currency transactions and translation

Transactions in foreign currencies are translated into the functional currency at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

6.5 Borrowing costs

Borrowing cost related to the financing of major projects is capitalized until substantially all the activities to complete the project for its intended use / operation are completed. All other borrowing costs are charged to profit and loss account as incurred.

6.6 Property, plant and equipment

6.6.1 Owned

Property, plant and equipment, except freehold land, are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at cost. Cost includes purchase cost and any incidental expenses of acquisition.

Property, plant and equipment are depreciated over their estimated useful lives at the rates specified in Note 16.1 to the financial statements using the reducing balance method except for leasehold improvements which are depreciated using straight line method.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

The Company reviews the useful life and residual value of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on depreciation charge.

6.6.2 Intangible assets

Expenditure incurred to acquire computer software programs are capitalized as intangible assets which are stated at cost less accumulated amortization and any identified impairment loss. Intangible assets are amortized at the rates specified in Note 17.1 to the financial statements using the straight line method. Amortization on additions to intangible assets is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off.

6.6.3 Interests in equity-accounted investees

Interests in associates are accounted for, using the equity method. Those are initially recognised at cost. Subsequent to initial recognition, the financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence ceases.

Notes to the Financial Statements

For the year ended December 31, 2016

6.6.4 Capital work in progress

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

6.6.5 Ijarah assets

The Company recognizes ijarah payments under an Ijarah agreement as an expense in the profit and loss account on a straight line basis over the Ijarah term.

6.7 Impairment of assets

6.7.1 Non-financial assets

Assets are tested for impairment, whenever circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

6.7.2 Financial Assets

Financial asset are considered impaired only if there is objective evidence of reduction in their estimated future cash flows.

Loan and receivables

The loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. The loss is recognised in profit or loss. Similarly, reversals of impairment losses are also dealt in profit and loss.

Equity-accounted investments

Impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount. The impairment loss is recognised in profit or loss, and is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

6.8 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in, first-out principle. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

6.9 Revenue

Sales revenue is recognised when the goods are dispatched and significant risks and rewards of ownership are transferred to the customer. Revenue from sale of goods is measured at fair value of consideration received or receivable, net of returns and trade discounts.

Dividend income is recognized when the Company's right to receive is established.

6.10 Financial instruments

Financial instruments are recognized, when the Company becomes a party to the contractual provisions of the instruments. Financial assets are de-recognized after all the substantial risks and rewards have been transferred. Financial liabilities are derecognized when they are extinguished. Initial measurement is at fair value plus transaction costs. Subsequent measurement of loans & receivables is at amortized cost less impairment. Financial liabilities are subsequently measured at amortized cost. For impairments see note 6.7.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet, if the Company has a legally enforceable right to setoff the recognized amounts and the Company intends to settle either on a net basis or realize the asset and settle the liability simultaneously.

6.11 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

6.12 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

6.13 Dividend

Dividend is recognised as a liability in the period in which it is declared.

6.14 Related Party Transactions

All transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes, as admissible, except in extremely rare circumstances where, subject to the approval of the Board of Directors, it is in the interest of the Company to do so.

Notes to the Financial Statements

For the year ended December 31, 2016

			2016	2015
			Amount	Amount
			Rupees in thousand	
7	Paid up share capital			
	Issued, subscribed and paid up:			
		2016	2015	
		3,183,190	3,183,190	Ordinary shares of Rs. 10/- each fully paid in cash
		8,845,599	8,845,599	Ordinary shares of Rs. 10/- each issued as bonus shares
		12,028,789	12,028,789	
				31,832
				88,456
				120,288
				120,288

7.1 Ordinary shares of the Company held by associated company as at year end are as follows:

			2016	2015
			Number of Shares	
			10,144	10,144

			2016	2015
			Amount	Amount
			Rupees in thousand	
8	Reserves			
	Capital reserves			
	Share premium	8.1	21,217	21,217
	Capital gains		102,730	102,730
			123,947	123,947
	Revenue reserves			
	General reserve		1,558,208	1,558,208
	Unappropriated profits		2,581,497	1,800,626
			4,139,705	3,358,834
			4,263,652	3,482,781

8.1 This reserve can be utilized by the Company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

			2016	2015
			Amount	Amount
			Rupees in thousand	
9	Long term financing			
	Total long term financing	9.1 & 9.2	1,221,079	1,103,020
	Less: current portion		(223,058)	(221,170)
			998,021	881,850

	Note	2016 Amount Rupees in thousand	2015 Amount
9.1	Loan from banking companies		
	Loan - I	245,000	315,000
	Loan - II	200,000	250,000
	Loan - III	250,000	163,922
	Loan - IV	250,000	–
		945,000	728,922
	Less: current portion	(120,000)	(128,196)
		825,000	600,726
9.2	Islamic term finance		
	Loan - V	42,494	59,492
	Loan - VI	14,594	20,432
	Loan - VII	77,819	100,053
	Loan - VIII	95,820	143,730
	Loan - IX	45,352	50,391
		276,079	374,098
	Less: current portion	(103,058)	(92,974)
		173,021	281,124

- I These represent long term finance loans obtained from Allied Bank Limited of Rs. 350 million approved in 2014 for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on September 19, 2015 and March 18, 2020 respectively. The markup rate is 6 month KIBOR + 40 bps per annum which was revised to 6 month KIBOR + 15 bps per annum during the year. The loan is secured by first pari passu charge over fixed assets of the Company with 25% margin.
- II These represent long term finance loans obtained from Allied Bank Limited of Rs. 250 million approved in 2014 for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on March 16, 2016 and August 22, 2020 respectively. The markup rate is 6 month KIBOR + 40 bps per annum which was revised to 6 month KIBOR + 15 bps per annum during the year. The loan is secured by first pari passu charge over fixed assets of the Company with 25% margin.
- III These represent long term finance loans obtained from MCB Bank Limited of Rs. 250 million approved in 2016 for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on March 28, 2018 and September 28, 2022 respectively. The markup rate is 6 month KIBOR + 25 bps per annum. The loan is secured by first pari passu charge over fixed assets of the Company with 25% margin.
- IV These represent long term finance loans obtained from Allied Bank Limited of Rs. 250 million approved in 2016 for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on June 15, 2018 and December 15, 2022 respectively. The markup rate is 6 month KIBOR + 15 bps per annum. The loan is secured by first pari passu charge over fixed assets of the Company with 25% margin.

Notes to the Financial Statements

For the year ended December 31, 2016

V to IX These represent long term finance loans obtained from Meezan Bank Limited under Islamic Diminishing Musharakah upto a limit of Rs. 735 million approved in 2012 and 2015 for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on June 30, 2014 and December 31, 2021 respectively. The markup rate is 6 month KIBOR + 40 bps per annum which was revised to 6 month KIBOR + 15 bps per annum during the year. The availed loans are secured by exclusive charge over plant & machinery with 15% margin and ranking charge over present and future fixed assets (including land & building) with 20% margin.

	2016 Amount	2015 Amount
	Rupees in thousand	
10 Long term deposits	5,268	3,665

10.1 These are deposits of dealers and others, who have permitted the utilization of such money by the Company in pursuance of section 226 of the Companies Ordinance, 1984.

	Note	2016 Amount	2015 Amount
		Rupees in thousand	
11 Deferred liabilities			
Deferred taxation	11.1	370,107	322,277
Employee benefit plans	11.2	20,685	21,054
		390,792	343,331

11.1 Deferred tax liability is made up as follows:

Deferred tax impact against accelerated depreciation	403,058	321,625
Deferred tax asset against provision for doubtful debts	(42,910)	(6,495)
Deferred tax impact against gain on employee benefit plans	-	9,759
Deferred tax impact against investment - Investment in associate	9,959	-
Deferred tax impact against investment - Available for sale	-	(2,612)
	370,107	322,277

11.2 Employees benefit plans

	Note	Gratuity scheme		Pension scheme	
		2016 Amount	2015 Amount	2016 Amount	2015 Amount
		Rupees in thousand			
11.2.1 The amounts recognized in the balance sheet					
Present value of defined benefit obligations	11.2.4	186,612	161,631	13,646	13,033
Fair value of plan assets	11.2.5	(101,576)	(80,080)	(77,997)	(73,530)
Balance sheet liability as at December 31		85,036	81,551	(64,351)	(60,497)
11.2.2 Movement in the net liability recognised in the balance sheet					
Opening balance		81,551	60,759	(60,497)	(57,785)
Charge for the year	11.2.3	27,748	24,166	(5,395)	(6,020)
Payments during the year		(14,957)	(15,222)	(30)	(34)
Remeasurements chargeable to OCI	11.2.6	(9,306)	11,848	1,570	3,342
Closing balance		85,036	81,551	(64,352)	(60,497)
11.2.3 Amounts recognized in the profit and loss account					
Current service cost		21,082	18,585	67	65
Interest cost		13,779	13,525	1,110	1,187
Expected return on plan assets		(7,113)	(7,944)	(6,557)	(7,257)
Contribution made by employees		–	–	(15)	(15)
		27,748	24,166	(5,395)	(6,020)
11.2.4 Changes in the present value of defined benefit obligation					
Opening defined benefit obligation		161,631	136,417	13,033	12,003
Current service cost		21,082	18,585	67	65
Interest cost		13,779	13,525	1,110	1,187
Benefits paid		(17,052)	(15,222)	(1,389)	(1,398)
Remeasurements:					
Actuarial losses from changes in financial assumptions		(443)	–	918	1,229
Experience adjustments		7,615	8,326	(93)	(53)
		186,612	161,631	13,646	13,033
11.2.5 Changes in the fair value of the plan assets					
Opening fair value of plan assets		80,080	75,658	73,530	69,787
Expected return		7,113	7,944	6,557	7,258
Contribution by employer		14,957	15,222	44	49
Benefits paid		(17,052)	(15,222)	(1,389)	(1,398)
Experience adjustments		16,478	(3,522)	(745)	(2,166)
		101,576	80,080	77,997	73,530

Notes to the Financial Statements

For the year ended December 31, 2016

	Note	Gratuity scheme		Pension scheme	
		2016 Amount	2015 Amount	2016 Amount	2015 Amount
11.2.6 Amounts recognized in the other comprehensive income					
Experience adjustments		7,615	(8,326)	(93)	(53)
Interest income on plan assets		(16,478)	(3,522)	745	2,166
Actuarial (gain) / loss from changes in financial assumptions		(443)	–	918	1,229
Actuarial (gain) / loss chargeable in OCI		(9,306)	(11,848)	1,570	3,342

11.2.7 The major categories of plan assets as a percentage of total plan assets are as follows:

	2016 Rupees in thousand	2016 %	2015 Rupees in thousand	2015 %
Gratuity scheme				
Unit trust	87,612	86.25	64,041	79.97
Term deposit	11,833	11.65	11,833	14.78
Other assets	2,131	2.10	4,206	5.25
	101,576	100.00	80,080	100.00
Pension Scheme				
Bank Al Habib Limited	–	–	24,684	33.56
Pak Oman Investment Company Limited	32,134	41.20	7,041	9.58
MCB - Cash Optimizer	36,704	47.06	31,454	42.78
MCB - Dynamic Cash Fund	–	–	4,274	5.81
National Investment Trust Limited	8,432	10.81	5,690	7.74
Cash at Bank(s)	728	0.93	387	0.53
	77,998	100.00	73,530	100.00

11.2.8 Return on plan assets

Expected return on plan assets	7,113	7,944	6,557	7,258
Actuarial gain/ (loss) on assets	16,478	(3,522)	(745)	(2,166)
	23,591	4,422	5,812	5,092

The expected return on plan assets is based on the market expectation and depend upon the asset portfolio of the fund at the beginning of the year. Expected yields on fixed interest investments is based on gross redemption on yields as at the balance sheet date.

	2016 Percentage	2015 Percentage	2016 Percentage	2015 Percentage
11.2.9 Principal actuarial assumptions				
Discount rate	8	9	8	9
Expected rate of salary increase	7	8	7	8
Expected rate of return on investments	9	10.5	9	10.5

11.2.10 Year end sensitivity analysis (\pm 100 bps) on defined benefit obligation

A change of 100 basis points in discount rates at the reporting date would have (decreased) / increased defined benefit obligation by the amounts shown below. This analysis assumes that all other variables, remain constant. The analysis is performed on the same basis as for 2015.

	2016 Amount Rupees in thousand	2015 Amount Rupees in thousand	2016 Amount Rupees in thousand	2015 Amount Rupees in thousand
Note				
Discount Rate + 100 bps	170,702	147,855	12,724	12,186
Discount Rate - 100 bps	205,221	177,668	14,702	13,992
Salary increase + 100 bps	205,522	177,902	13,649	13,033
Salary increase - 100 bps	170,155	147,408	13,644	13,028

	Note	2016 Amount Rupees in thousand	2015 Amount Rupees in thousand
12 Trade and other payables			
Trade creditors		1,242,305	1,245,430
Accrued liabilities		767,566	721,195
Bills payable		213,890	177,220
Advances from customers		903,524	901,513
Provident fund payable		28,426	20,802
Workers' profit participation fund	12.1	(2,753)	66,889
Workers' welfare fund	12.2	64,280	60,386
Unclaimed dividend		23,930	18,122
Others		11,904	6,092
Due to government agencies on account of:			
Staff income tax		4,111	466
Suppliers income tax		2,283	5,716
		3,259,466	3,223,831
12.1 Workers' profit participation fund			
Balance as at January 01		66,889	50,844
Add: provision for the year	31	77,321	68,045
		144,210	118,889
Less: payments during the year		(146,963)	(52,000)
Balance as at December 31		(2,753)	66,889

Notes to the Financial Statements

For the year ended December 31, 2016

	Note	2016 Amount	2015 Amount
Rupees in thousand			
12.2 Workers' welfare fund			
Balance as at January 01		60,386	34,529
Add: provision for the year		3,894	25,857
		64,280	60,386
Less: payments / adjustments during the year		-	-
Balance as at December 31		64,280	60,386
13 Interest and mark-up accrued			
Long term financing - secured		15,692	22,845
Short term borrowings - secured		28,670	30,141
		44,362	52,986
14 Short term borrowings			
From banks and other financial institutions:			
		Sanctioned limit	Availed limit
		2016	2015
		Rupees in thousand	
Under mark up arrangements with consortium banks:			
Cash credits		3,638,746	2,569,367
Export refinance		2,059,651	2,431,533
Import loan		1,583,503	-
		7,281,900	5,000,900
		3,242,870	1,662,360

These short term borrowing facilities have been availed from various banks. The rates of markup range between 1.3% to 6.83% (2015: 3.62% to 6.12% per annum). Short term borrowing facilities are secured by way of hypothecation of present and future current assets of the company which include but not limited to stores, spare parts, loose tools, stock in trade, goods, merchandise, products, stock of finished and unfinished goods, raw materials, packing materials, work in process, including chemicals and other stocks etc.

15 Contingencies and commitments

Contingencies

- 15.1 The Collectorate of Customs, Sambrial (Sialkot) initiated a case against the Company on March 15, 2003 before the Collector of Customs, Sales Tax and Central Excise (Adjudication) Lahore. The Customs department had alleged that the consignments of the Company were released without the payment of duties and taxes amounting to Rs. 17.99 million. The Company has strongly put forward its case that the said consignments were cleared against demand drafts prepared in favor of Collector of Customs, Sambrial Dry Port Trust and had been duly credited in the designated bank account. The case has been decided in favor of the Company by Collector (Appeal) Customs. The department has filed an appeal against the said decision before Sales Tax, Federal Excise and Customs Tribunal, Lahore, which is still

pending. However, the Company has a strong case therefore no provision has been made in these financial statements against the case.

- 15.2 The Additional Collector (Adjudication) of Pakistan Customs Computerized System, Karachi initiated case against the Company for failure to pay leviable sales tax and income tax of Rs. 18.6 million and Rs. 4.1 million respectively at import of tyre cord fabrics during the period w.e.f. August 2007 to July 2008 by wrongly claiming sales tax zero rating in terms of S.R.O 509 (1)/2007 dated 09-06-2007. The case has been remanded back by the Appellate Tribunal Inland Revenue, Lahore to the Commissioner Inland Revenue (Appeals-I), Lahore, which is still pending. According to the Company's legal counsel, the Company has a good arguable case and there is likelihood that the same will be decided in its favor.
- 15.3 The Deputy Director of Pakistan Employees Social Security Institute (PESSI), Gujrat initiated three cases against the Company. In the first case the alleged amount recoverable by the PESSI is Rs. 4.80 million covering the period from January 1987 to September 1992 on account of short payment of contributions. In the second case, Rs. 1.98 million is to be recoverable by the Company from PESSI on account of wrongly paid contributions covering the period from July 1992 to September 1993. Both cases have been decided against the Company by the Director General Recovery PESSI, Lahore. In the third case, Rs. 77.6 million is recoverable by PESSI. The case had been decided in the favor of the Company in the year 2013 but the case is re-opened in the year 2014. The Company has filed an appeal before Social Security Court, Lahore, during the pendency of the matter PESSI send a recovery notice for the same amount. The Company has filed a writ petition before Lahore High Court, Lahore. As per legal counsel of the Company, the Company has strong legal grounds for its success.
- 15.4 The Deputy Commissioner Inland Revenue, LTU initiated a case against the Company after post Sales Tax refund audit in which demand of Rs. 27.92 million was raised. The Company filed an appeal before CIR (Appeals) in which the demand was cancelled except two points having impact of Rs. 2.65 million. The Company had further filed an appeal before Tribunal against said points.

In management's opinion, chances of success in the aforesaid case are strong and there is no likelihood of any unfavorable outcome.

Commitments

- 15.5 Guarantees issued in ordinary course of business through banks are of Rs. 1,855.89 million (2015: Rs. 1,302.83 million).
- 15.6 Irrevocable letters of credit outstanding at the year end are of Rs. 1,657.62 million (2015: Rs. 1,169.53 million).
- 15.7 The amount of future ijarah rentals for ijarah financing and the period in which these payments will become due are as follows:

	Note	2016 Amount Rupees in thousand	2015 Amount
Not later than one year		68,824	64,351
Later than one year and not later than five years		100,558	161,951
Later than five years		-	-
		169,382	226,302
16 Property, plant and equipment			
Operating fixed assets	16.1	4,116,625	3,240,772
Capital work in progress	16.2	629,310	141,928
		4,745,935	3,382,700

Notes to the Financial Statements

For the year ended December 31, 2016

16.1 Operating fixed assets

Particulars	Cost				Accumulated depreciation				W.D.V. as at December 31, 2016
	As at January 01, 2016	Additions / transfers	Disposals	As at December 31, 2016	Rate %	Charge for the year	Adjustments / transfers	As at December 31, 2016	
Owned									
Freehold land	7,106	-	35	7,071	-	-	-	-	7,071
Building on freehold land	860,609	69,601	13,748	916,462	5-10	55,749	4,839	320,519	595,943
Plant and machinery	3,001,752	1,009,342	73,157	3,937,937	10	213,627	39,233	1,322,920	2,615,017
Furniture, fixture and fittings	36,641	5,849	48	42,442	10	1,664	44	24,418	18,024
Vehicles	27,169	8,571	6,654	29,086	20	3,217	4,552	12,540	16,546
Service equipments	1,078,074	79,967	19,768	1,138,273	10-30	86,621	14,189	400,130	738,143
Leasehold improvements	12,868	136,072	-	148,940	33.33	22,118	-	23,059	125,881
Total - 2016	5,024,219	1,309,402	113,410	6,220,211		382,996	62,857	2,103,586	4,116,625
December 31, 2015									
Particulars	As at January 01, 2015	Additions / transfers	Disposals	As at December 31, 2015	Rate %	Charge for the year	Adjustments / transfers	As at December 31, 2015	W.D.V. as at December 31, 2015
Owned									
Freehold land	7,106	-	-	7,106	-	-	-	-	7,106
Building on freehold land	622,266	238,343	-	860,609	5-10	46,352	-	269,609	591,000
Plant and machinery	2,660,808	351,721	10,777	3,001,752	10	190,557	951	1,148,526	1,853,226
Furniture, fixture and fittings	33,687	2,954	-	36,641	10	1,353	-	22,798	13,843
Vehicles	22,165	8,820	3,816	27,169	20	2,992	2,274	13,875	13,294
Service equipments	741,557	337,917	1,400	1,078,074	10-30	67,527	714	327,698	750,376
Leasehold improvements	10,479	12,868	10,479	12,868	33.33	941	7,799	941	11,927
Last and moulds	38,092	-	38,092	-	50	6,188	38,092	-	-
Total - 2015	4,136,160	952,623	64,564	5,024,219		315,910	49,830	1,783,447	3,240,772

16.1.1 Depreciation charge for the year has been allocated as follows:

	Note	2016 Amount Rupees in thousand	2015 Amount
Cost of sales	28	344,321	304,814
Administrative expenses	30	15,956	11,096
Distribution cost	29	22,719	–
		382,996	315,910

Notes to the Financial Statements

For the year ended December 31, 2016

16.1.2 Disposal of property, plant and equipment

Particulars	Cost	Accumulated depreciation	Net book value	Sale proceeds	Sold to	Mode of disposal
<-----Rupees in thousand----->						
Land						
Having book value less than Rs. 50,000	35	-	35	3,875	Land Sold to BD	Negotiation
	35	-	35	3,875		
Building						
Having Book Value Exceeding Rs. 50,000						
Brick Soling In Stroage Area	3,707	849	2,858	294	M.I.A Manufacture	Negotiation
Civil Work for Press Installation	327	3	324	69	A-Aziz & Sons	Negotiation
Civil Work & Press Installation	349	100	249	53	A-Aziz & Sons	Negotiation
Rice Husk Fired Boiler	8,517	3,511	5,006	675	M.I.A Manufacture	Negotiation
Rickshaw Tyre Curing Hall	642	309	334	71	A-Aziz & Sons	Negotiation
Storage Area for Rice Husk	162	55	107	13	M.I.A Manufacture	Negotiation
	13,704	4,827	8,878	1,175		
Building						
Having book value less than Rs. 50,000	44	12	31	5	A-Aziz & Sons	Negotiation
Total of Building	13,748	4,839	8,909	1,180		
Plant & machinery						
Having book value exceeding Rs. 50,000						
Auto Hydraulic Moulding	326	267	59	40	Z.a Traders	Negotiation
Foot Bed Pressing Machine	247	192	55	37	Z.a Traders	Negotiation
Automatic Grooving Machine	3,011	369	2,642	2,763	M/S Torielli Rag Pietro & C.	Negotiation
Bom Rickshaw Installation	1,167	379	789	167	A-Aziz & Sons	Negotiation
Conveyor Super Matic	5,851	5,557	293	294	Muhammad Yameen	Negotiation
Cording Machine	235	-	235	242	Transfer to Sri Lanka	Negotiation
Crimping M/C 163/47A (Caprice)	1,271	465	806	1,401	Transfer to Sri Lanka	Negotiation
Cutting Plotter	4,924	1,424	3,500	3,500	Transfer to Ssl	Negotiation
Digitizing Table Cal Comp	480	139	341	341	Transfer to Ssl	Negotiation
Further Adding Tire Curing	381	114	266	57	A-Aziz & Sons	Negotiation
Pneu. 2 Station Boot Leg	267	194	73	105	Transfer to Ssl	Negotiation
Pump Hot Water Bom	827	375	453	96	A-Aziz & Sons	Negotiation
Refurbishment of Rice Husk B	5,899	2,047	3,852	468	M.I.A Manufacture	Negotiation
Rice Husk Fired Boiler	28,021	11,552	16,469	2,221	M.I.A Manufacture	Negotiation
Shoe Master Classic	474	65	409	409	Transfer to Ssl	Negotiation
Sole Attaching Press	260	130	130	132	Transfer to Ssl	Negotiation
Stroble M/C Model CS-4060	256	55	201	210	Transfer to Ssl	Negotiation
Toe Forming M/C Model	1,481	620	861	1,000	Transfer to Ssl	Negotiation
Wrinkle Chasing M/C	223	105	118	152	Transfer to Ssl	Negotiation
Gradation of Rice Husk Boiler	1,998	623	1,375	158	M.I.A Manufacture	Negotiation
	57,599	24,672	32,927	13,793		
Having book value less than Rs. 50,000	15,558	14,561	997	2,341	Misc.	Negotiation
Total of plant & machinery	73,157	39,233	33,924	16,134		

Particulars	Cost	Accumulated depreciation	Net book value	Sale proceeds	Sold to	Mode of disposal
<-----Rupees in thousand----->						
Furniture & Fixture						
Having book value less than Rs. 50,000	48	44	4	1	Misc.	Negotiation
Total of Furniture & Fixture	48	44	4	1		
Vehicles						
Having Book Value Exceeding Rs. 50,000						
Honda C.G 125	103	28	74	88	Jubli Insurance.co	Negotiation
Honda Civic LE-7939	1,365	437	928	750	Irfan Ahmed	Negotiation
Hondacivic Pros- F	1,963	1,338	625	1,150	Khurram Motors	Negotiation
Millat Forkleft Truck Capaci	913	814	99	354	Muhammad Ayub	Negotiation
Millat Forklift Truck 3-Tons	913	826	87	348	Cheema Enterprises	Negotiation
Toyota High-Roof Van	953	817	136	980	Mr. Irshad Gujjar	Negotiation
	6,210	4,260	1,949	3,670		
Having Book Value Less Than Rs. 50,000	444	292	154	118	Misc.	Negotiation
Total of vehicles	6,654	4,552	2,103	3,788		
Service equipments						
Having book value exceeding Rs. 50,000						
A.Conditioner Plant H.office	1,829	1,420	409	130	Mohammad Yaseen Kabaria	Negotiation
Accessories for Hot Water & Cold	372	121	251	53	A-Aziz & Sons	Negotiation
Bom Hot Water Pumps	480	156	324	69	A-Aziz & Sons	Negotiation
Bom Rickshaw Installaion	593	137	457	97	A-Aziz & Sons	Negotiation
Bias Cutter Chain Hoist	154	34	120	25	A-Aziz & Sons	Negotiation
Control Room of Rice Husk Boiler	204	44	160	16	M.I.A Manufacture	Negotiation
Electric Cable+ Instrumentation	198	3	194	41	A-Aziz & Sons	Negotiation
Lasts CE-1,2,5	713	663	50	50	Muhammad Aslam Muridke	Negotiation
Pump Cold Water Centifugal	83	31	52	11	A-Aziz & Sons	Negotiation
Pump Hot Water Multi Stage	245	91	154	33	A-Aziz & Sons	Negotiation
Steam Traps	997	380	617	131	A-Aziz & Sons	Negotiation
Stand by Elevator for RH + Motors	1,193	267	927	197	A-Aziz & Sons	Negotiation
Steam Trap Thermodynamic	985	320	665	141	A-Aziz & Sons	Negotiation
Water Pump Movitec	435	197	238	50	A-Aziz & Sons	Negotiation
	8,481	3,864	4,618	1,044		
Having Book Value Less Than Rs. 50,000	11,287	10,325	960	686	Misc.	Negotiation
Total service equipments	19,768	14,189	5,578	1,730		
Total - 2016	113,410	62,857	50,553	26,708		
Total - 2015	64,564	49,830	14,734	14,227		

Notes to the Financial Statements

For the year ended December 31, 2016

16.2 Capital Work in Progress

						2016 Amount	2015 Amount
	Building	Plant and machinery	Furniture and fixture	Leasehold improvements	Service equipment	Total	
	<-----Rupees in thousand----->						
Balance as at January 01	62,304	39,573	-	-	40,051	141,928	365,720
Additions during the year	453,451	1,093,215	466	19,694	25,397	1,592,223	495,638
Transfers / adjustments during the year	(69,601)	(993,120)	-	-	(42,120)	(1,104,841)	(719,430)
Balance as at December 31	446,154	139,668	466	19,694	23,328	629,310	141,928

	Note	2016 Amount Rupees in thousand	2015 Amount
17 Intangible assets			
Software programs	17.1	2,720	5,640

17.1 Cost

As at January 01		40,111	37,212
Additions / transfers during the year		552	4,822
Disposal		-	(1,923)
As at December 31		40,663	40,111
Amortization			
As at January 01		34,471	29,115
Charge for the year		3,472	6,638
Disposals		-	(1,282)
As at December 31		37,943	34,471
Book value as at December 31		2,720	5,640
Rate of amortization		33.33%	33.33%

18 Long term investments

These represents long term investments in:

Related parties	18.1	373,855	227,208
Others	18.2	-	96,312
		373,855	323,520

18.1 Investment in Related Parties:

18.1.1 Investment in Subsidiary:

Service Industries Capital (Private) Limited		125,681	-
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18.1.2 Investment in Associate:

Speed (Private) Limited		247,694	227,208
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18.1.3 Investment in Joint Venture:

S2 Power Limited (24,000 fully paid shares of Rs.10/- each)		240	-
S2 Hydro Limited (24,000 fully paid shares of Rs.10/- each)		240	-
		480	-
		373,855	227,208

	Note	2016 Amount Rupees in thousand	2015 Amount
18.1.2.1 Speed (Private) Limited - associated company			
Cost of investment			
160,709 fully paid ordinary shares of Rs. 100/- each (2015: 142,839)		190,949	190,949
Share of post acquisition reserve			
As at the beginning of the year		36,259	41,871
Share of post acquisition profit for the year / period		30,932	60,094
Less: Dividends received during the year		(10,446)	(65,706)
		56,745	36,259
		247,694	227,208
18.1.2.2 The registered office of Speed (Private) Limited is situated at Office no.1, First Floor, Service Club Extension Building Mereweather Road, Karachi.			
	Note	2016 Amount Rupees in thousand	2015 Amount
18.1.2.3 Current assets			
		949,475	687,230
Non current assets		287,209	174,648
Current liabilities		377,593	96,337
Non current liabilities		2,170	2,170
Revenue - net for the year / period		1,761,433	1,554,133
Expenses for the year / period		1,620,193	1,282,711
Profit for the year / period		141,240	271,422
Other comprehensive income for the year		-	-
Total comprehensive income for the year		141,240	271,422
Net assets of the associate		856,921	763,371
Percentage of holding		21.90%	21.90%
Share in net assets of associate		187,664	167,178
18.1.2.4 Breakup value per share (Rupees)			
		1,168	1,040
18.1.2.5 Reconciliation of share in net assets of associate with carrying value of investment			
Share in net assets of associate		187,664	167,178
Add: Goodwill		60,030	60,030
Carrying value of investment in associate		247,694	227,208

Notes to the Financial Statements

For the year ended December 31, 2016

	Note	2016 Amount Rupees in thousand	2015 Amount
18.2	Investment in quoted securities - Available for sale investments		
	Hub Power Company		
	Equity held Nil (2015: 0.033%)		
	Nil (2015: 385,000) fully paid ordinary shares of Rs.10 each	-	39,501
	Fauji Cement Company Limited		
	Equity held Nil (2015: 0.045%)		
	Nil (2015: 600,000) fully paid ordinary shares of Rs.10 each	-	22,092
	K Electric Limited		
	Equity held Nil (2015: 0.017%)		
	Nil (2015:4,666,500) fully paid ordinary shares of Rs.3.5 each	-	34,719
		-	96,312
19	Long term loans		
	Considered good		
	- due from executives	19.1	20,101
	- due from other employees		938
			21,039
	Less: current portion of long term loans	23	(5,608)
			15,431
19.1	Reconciliation of loans to executives		
	Balance as at January 01		9,434
	Add: Disbursements during the year		18,010
	Less: Repayments during the year		(7,343)
	Balance as at December 31		20,101
19.2	These represent interest free loans to executives and employees for general purpose and house building, which are recoverable in monthly installments over a period of 10 years and are secured by a charge on the assets purchased and / or amount due to the employees against retirement benefits. These are stated at cost.		
19.3	The maximum aggregate amount due from the executives in respect of loans at the end of any month during the year was Rs. 23.644 million (2015: Rs. 13.90 million).		

	Note	2016 Amount Rupees in thousand	2015 Amount
20 Stores, spares and loose tools			
Machinery spares		52,590	56,849
Stores		2,246	71,082
Loose tools		68,851	3,596
Less:			
Provision for slow moving and obsolete items	20.1	(23,482)	(16,957)
		100,205	114,570
20.1 Movement for provisions:			
Balance at the beginning of the year		16,957	11,603
Provisions made during the year		10,256	6,605
Adjusted during the year		(437)	-
Reversals made during the year		(3,294)	(1,251)
Charge for the year		6,525	5,354
Balance at the end of the year		23,482	16,957
21 Stock in trade			
Raw material		963,419	1,213,355
Packing material		62,506	38,739
Work in process		288,944	392,647
Finished goods: Own production		920,504	864,755
Purchased		454,825	193,204
Goods in transit		133,763	183,162
Provision for slow moving, obsolete items and net realizable value	21.1	(94,223)	(166,006)
		2,729,738	2,719,856
21.1 Movement for provisions:			
Balance at the beginning of the year		166,006	102,947
Provisions made during the year		45,156	105,807
Reversals made during the year		(116,939)	(42,748)
Charge for the year		(71,783)	63,059
Balance at the end of the year		94,223	166,006

21.2 Finished goods of Rs. 632.6 million (2015: Rs. 88.4 million) are being carried at net realizable value and an amount of Rs. 34.35 million (2015: Rs. 43.62 million) has been charged to cost of sales, being the cost of inventory written down during the year.

Notes to the Financial Statements

For the year ended December 31, 2016

	Note	2016 Amount Rupees in thousand	2015 Amount
22 Trade debts			
Secured - Against irrevocable letters of credit		688,453	328,501
Unsecured - Considered good		1,794,758	1,198,978
Unsecured - Considered doubtful		65,670	45,939
Provision for doubtful debts	22.1	(65,670)	(45,939)
		2,483,211	1,527,479
22.1 Movement of provision for doubtful debts is as follows:			
Balance at the beginning of the year		45,939	71,399
Provisions made during the year		23,046	32,096
Bad debts written off		(1,212)	(53,832)
Recoveries made during the year		-	(3,724)
Reversals made during the year		(2,103)	-
		19,731	(25,460)
Balance at the end of the year		65,670	45,939
22.2 These relate to normal business of the Company.			
23 Loans and advances			
Advances - considered good:			
- Staff		1,901	1,166
- Suppliers		36,118	141,525
- Others	23.1	17,109	4,201
Letters of credit		232,492	83,569
Current portion of long term loans	19	5,608	3,210
		293,228	233,671
23.1 This includes balance of Rs. 941,150/- due from Subsidiary company - Service Industries Capital (Private) Limited on account of preliminary expenses paid on its behalf.			
24 Trade deposits and prepayments			
Security deposits		31,875	58,979
Prepayments		53,894	17,740
		85,769	76,719
25 Tax refunds due from government			
Custom duty rebate		126,389	161,841
Excise duty		64	49
Advance income tax		827,930	775,780
Sales tax		429,962	344,286
		1,384,345	1,281,956

	Note	2016 Amount Rupees in thousand	2015 Amount
26 Cash and cash equivalents			
Cash in hand		4,835	1,697
Balances with banks in current accounts:			
- Local currency		40,231	29,055
- Foreign currency		181	4,836
Term deposits with banks		178,144	424,258
Cash in transit		1,496	-
		224,887	459,846

27 Sales - net			
Export sales		4,918,730	5,152,464
Discounts, commissions, etc.		(81,830)	(113,500)
		4,836,900	5,038,964
Local sales		16,622,039	15,007,563
Sales tax and excise duty		(1,949,052)	(1,813,123)
Discounts, commissions, etc.		(525,459)	(688,668)
		14,147,528	12,505,772
		18,984,428	17,544,736

27.1 Export sales include net exchange rate gain of Rupees 216.92 million (2015: 199.6 million gain).

	Note	2016 Amount Rupees in thousand	2015 Amount
27.2 Sale of footwear (Net)			
Export sales		4,145,549	4,488,753
Local sales		5,470,748	4,839,952
		9,616,297	9,328,705
Sale of tyres and tubes (Net)			
Export sales		691,352	550,211
Local sales		8,663,011	7,665,719
		9,354,363	8,215,930
Sale of technical rubber products (Net)			
Export sales		-	-
Local sales		13,768	101
		13,768	101
		18,984,428	17,544,736

Notes to the Financial Statements

For the year ended December 31, 2016

	Note	2016 Amount Rupees in thousand	2015 Amount
28 Cost of sales			
Raw material consumed	28.1	9,514,194	9,660,367
Salaries, wages and benefits	28.2	2,442,442	2,292,956
Stores and spares consumed		257,182	224,430
Packing material consumed		603,231	549,376
Fuel and power		647,398	693,393
Insurance		18,373	17,012
Travelling expenses		13,682	13,455
Repair and maintenance		115,142	108,779
Entertainment		3,864	2,756
Depreciation	16.1.1	344,321	304,814
Provision for slow moving items, obsolete items and net realizable value		(65,258)	84,412
Other manufacturing charges		136,669	176,555
		14,031,240	14,128,305
Work in process: As at January 01		392,647	441,215
As at December 31		(288,944)	(392,647)
		103,703	48,568
Cost of goods manufactured		14,134,943	14,176,873
Finished goods: As at January 01		1,057,958	757,398
Purchases during the year		1,391,157	652,357
As at December 31		(1,375,329)	(1,057,958)
		1,073,786	351,797
		15,208,729	14,528,670
28.1 Raw material consumed			
Balance as at January 01		1,213,355	1,251,540
Purchases during the year	28.3	9,264,258	9,622,182
Balance as at December 31		(963,419)	(1,213,355)
		9,514,194	9,660,367
28.2 Salaries, wages and benefits			
Salaries, wages and benefits		2,339,388	2,195,560
Provident fund contribution		86,258	79,583
Gratuity contribution		16,788	17,730
Pension fund contribution		8	83
		2,442,442	2,292,956

28.3 Custom duty rebate for the year amounting to Rs. 73.77 million (2015: Rs. 79.68 million) has been adjusted against raw material consumed.

	Note	2016 Amount Rupees in thousand	2015 Amount
29 Distribution cost			
Freight and insurance	29.1	218,119	216,840
Salaries and benefits	29.2	155,191	118,678
Advertisement and publicity		318,041	203,411
Entertainment		9,642	6,031
Samples		66,439	78,511
Depreciation	16.1.1	22,719	–
Amortization on intangible assets	17.1	39	–
Others		183,400	100,954
		973,590	724,425
29.1	This includes export expenses of Rs. 91.10 million (2015: Rs. 98.68 million).		
29.2 Salaries and benefits			
Salaries and benefits		150,885	114,739
Gratuity contribution		(66)	56
Provident fund contribution		4,368	3,880
Pension fund contribution		4	3
		155,191	118,678
30 Administrative expenses			
Salaries and benefits	30.1	669,346	521,908
Communication		10,266	9,164
Printing and stationery		6,393	5,294
Travelling and conveyance		33,424	16,933
Entertainment		23,359	20,319
Motor car expenses		16,918	18,694
Insurance		4,118	5,009
Rent, rates and taxes		22,301	12,693
Fuel and power		22,203	19,664
Repairs and maintenance		10,248	10,355
General expenses		32,099	30,190
Auditors' remuneration	30.2	6,233	4,272
Legal and professional charges		19,631	12,935
Subscription		1,567	1,439
Depreciation	16.1.1	15,956	11,096
Amortization on intangible assets	17.1	3,433	6,638
ljarah rentals		70,041	71,839
Computer running expenses		14,850	10,971
Advertisement		1,027	195
		983,413	789,608

Notes to the Financial Statements

For the year ended December 31, 2016

	Note	2016 Amount Rupees in thousand	2015 Amount
30.1 Salaries and benefits			
Salaries and benefits		648,287	508,803
Gratuity contribution		11,027	6,380
Provident fund contribution		15,439	12,726
Pension fund contribution		(5,407)	(6,001)
		669,346	521,908
30.2 Auditors' remuneration			
Audit fee		2,323	1,863
Half yearly review		844	513
Taxation and other advisory services		2,592	1,701
Out of pocket expenses		474	195
		6,233	4,272
31 Other operating expenses			
Donations	31.1	62,472	42,708
Workers' profit participation fund		77,321	68,045
Workers' welfare fund-Current Year		17,092	25,857
Workers' welfare fund-Prior Year Reversal		(13,198)	-
Reversal of Custom Rebate		20,713	-
Loss on disposal of property, plant and equipment		23,805	-
Loss on sale of shares		3,404	-
Provision for doubtful debts		20,943	28,158
		212,552	164,768
31.1 None of the directors of the Company has interest in the donee.			
32 Other income			
Income from financial assets			
Dividend income		5,285	3,018
Share of profit from associated company		30,932	60,094
Income on term deposits with bank		12,994	77,939
		49,211	141,051
Income from non-financial assets			
Profit / (Loss) on disposal of property, plant and equipment		-	(1,148)
Scrap sales and others		40,959	96,446
Rental income		9,826	9,809
		50,785	105,107
		99,996	246,158

	Note	2016 Amount Rupees in thousand	2015 Amount
33 Finance cost			
Interest / markup on:			
- Short term borrowings		135,261	165,807
- Long term financing		61,422	99,883
Bank commission, fees and charges		40,162	50,726
		236,845	316,416
34 Taxation			
Current tax-Current Year		204,507	251,056
Current tax-Prior Year		(55,560)	-
Deferred tax		47,830	49,393
Super tax		27,031	20,711
		223,808	321,160
34.1 Numerical reconciliation of tax charge for the year			
Profit before taxation		1,469,295	1,267,007
Applicable tax rate 31% (2015: 32%)		455,481	405,442
Tax effect of amounts that are:			
Inadmissible expenses		12,143	11,158
Tax effect of dividend		449	17,607
Admissible expenses		(30,063)	(3,045)
Exempt income		(28,193)	(43,277)
Presumptive tax regime		(56,483)	(41,183)
Minimum tax credit / tax credit		(100,997)	(38,200)
Effect of change in tax rates		-	(8,053)
Super tax		27,031	20,711
Tax effect of prior years		(55,560)	-
		(231,673)	(84,282)
		223,808	321,160
Average effective tax rate charged to profit and loss account		15.23%	25.35%
35 Earnings per share - basic and diluted			
35.1 Basic earnings per share			
Profit after tax (Rupees in thousands)		1,245,487	945,847
Weighted average number of ordinary shares outstanding during the year		12,028,789	12,028,789
Basic earnings per share (Rupees)		103.54	78.63
35.2 Diluted earnings per share			

There is no dilution effect on basic earnings per share of the Company as the Company has no such commitments.

Notes to the Financial Statements

For the year ended December 31, 2016

36 Remuneration of directors, chief executive and executives

The aggregate amount for remuneration, including benefits to directors, the chief executive and executives of the Company charged in these financial statements are as follows:

Particulars	<-----Rupees in thousand----->					
	Directors	2016		2015		
		Chief executive	Executives	Directors	Chief executive	Executives
Managerial remuneration	69,187	18,733	176,900	58,067	15,708	172,454
Utilities	13,837	3,747	115,100	11,613	3,142	110,501
Retirement and other benefits	66,432	30,152	98,848	56,724	25,786	86,574
Total	149,456	52,632	390,848	126,404	44,636	369,529
No. of persons	4	1	158	4	1	151

Meeting fee of rupees 1.65 million (2015: rupees 1.77 million) was paid to non-executive directors. The chief executive, executive directors and some of the executives of the Company are provided with Company maintained vehicles in accordance with Company's policy.

	Note	2016 Amount Rupees in thousand	2015 Amount
37 Cash generated from operations			
Profit before taxation		1,469,295	1,267,007
Adjustments for non-cash charges and other items:			
Depreciation	16.1.1	382,996	315,910
Amortization	17.1	3,472	6,638
Employee benefit plans	11.2.3	22,353	18,146
Loss on sale of shares		3,404	–
Finance cost	33	236,845	316,416
Provision for slow moving and obsolete items		(65,258)	68,413
Provision for workers' profit participation fund		77,321	68,045
Provision for workers' welfare fund		3,894	25,857
Provision for doubtful debts		20,943	28,372
Ijarah rentals		70,041	71,839
Share of profit from Speed (Private) Limited	18.1.2	(30,932)	(60,094)
Loss / (Profit) on sale of property, plant and equipment		23,805	1,148
		748,884	860,690
Operating profit before working capital changes		2,218,179	2,127,697
Changes in working capital			
(Increase) / decrease in current assets			
Stores, spares and loose tools		7,840	(11,813)
Stock in trade		61,901	(178,554)
Trade debts		(976,675)	87,012
Loans and advances		(59,557)	(78,930)
Trade deposits and prepayments		(9,050)	(59,390)
Tax refunds, due from / to government		(50,239)	(65,056)
Other receivables		(17,573)	(38,747)
		(1,043,353)	(345,478)
Increase / (decrease) in current liabilities			
Trade and other payables		95,575	1,053,751
Cash generated from operations		1,270,401	2,835,970

Notes to the Financial Statements

For the year ended December 31, 2016

38 Financial risk management

38.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, other price risk and interest rate risk). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks 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 credit risk, liquidity risk, currency risk, other price risk and interest rate risk.

(i) 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.

(a) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Note	2016 Amount	2015 Amount
Rupees in thousand			
Long term loans		15,431	7,083
Long term deposits		77,956	52,152
Trade debts		2,548,881	1,573,418
Loans and advances		24,618	8,577
Trade deposits		31,875	58,979
Other receivables		75,699	58,126
Bank balances		218,556	458,149
		2,993,016	2,216,484
Trade debts			
Foreign parties		688,453	328,501
Local parties		1,860,428	1,244,917
		2,548,881	1,573,418

	2016			2015		
	Gross debtors	Provision	Net debtors	Gross debtors	Provision	Net debtors
<-----Rupees in thousand----->						
Neither past due nor impaired	2,472,004	-	2,472,004	1,481,168	-	1,481,168
Impaired	76,877	(65,670)	11,207	92,250	45,939	46,311
	2,548,881	(65,670)	2,483,211	1,573,418	45,939	1,527,479

(b) Credit rating of major bank accounts

Banks	Rating		Rating agency	2016	2015
	Short term	Long term		Amount	Amount
Rupees in thousand					
Bank Alfalah Limited	A1+	AA+	PACRA	347,210	224,248
Askari Bank Limited	A-1+	AA-	PACRA	346,944	173,500

(ii) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet.

	Carrying amount	<-----Rupees in thousand<----->			
		Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
December 31, 2016					
Long term financing	1,221,079	1,221,079	223,058	998,021	-
Long term deposits	5,268	5,268	-	5,268	-
Trade and other payables	2,265,989	2,265,989	2,265,989	-	-
Interest and mark-up accrued	44,362	44,362	44,362	-	-
Short term borrowings	3,242,870	3,242,870	3,242,870	-	-
	6,779,568	6,779,568	5,776,279	1,003,289	-
December 31, 2015					
Long term financing	1,103,020	1,103,020	221,170	847,183	34,667
Long term deposits	3,665	3,665	-	3,665	-
Trade and other payables	2,174,241	2,316,136	2,316,136	-	-
Interest and mark-up accrued	52,986	52,986	52,986	-	-
Short term borrowings	1,662,360	1,662,360	1,662,360	-	-
	4,996,272	5,138,167	4,252,652	850,848	34,667

Notes to the Financial Statements

For the year ended December 31, 2016

	Note	2016 Amount Rupees in thousand	2015 Amount
(a) Financial instruments by categories			
Assets as per balance sheet			
Long term loans		15,431	7,083
Long term deposits		77,956	52,152
Trade debts		2,548,881	1,573,418
Loans and advances		24,618	8,577
Trade deposits		31,875	58,979
Other receivables		75,699	58,126
Cash and bank balances		224,887	459,846
		2,999,347	2,218,181
Liabilities as per balance sheet			
Long term financing		1,221,079	1,103,020
Long term deposits		5,268	3,665
Interest and mark-up accrued		44,362	52,986
Short term borrowings		3,242,870	1,662,360
Trade and other payables		2,265,989	2,174,241
		6,779,568	4,996,272

According to classifications of IAS-39, all financial assets are classified as loans and receivables and all financial liabilities are designated at amortized cost.

(iii) Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

(a) 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.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the Euro and US Dollar. Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable / payable to foreign entities. The company uses forward exchange contracts to hedge its foreign currency risk, when considered appropriate. The Company's exposure to currency risk is as follows:

		Debtors	Cash and bank balances	Gross financial assets exposure	Trade and other payables	Net exposure
USD in ('000)	2016	755	–	755	(1,489)	(734)
USD in ('000)	2015	796	–	796	(524)	272
EURO in ('000)	2016	4,677	2	4,678	(533)	4,145
EURO in ('000)	2015	2,145	42	2,187	–	2,187

Significant exchange rates

	<-----Rupees per----->			
	US Dollar		Euro	
	Average	Reporting date	Average	Reporting date
2016	104.77	104.79	115.96	110.32
2015	102.74	104.60	113.53	114.32

Sensitivity analysis

At reporting date, if the PKR had strengthened by 10% against the foreign currencies with all other variables held constant, before tax profit for the year would have been lower by the amount shown below, mainly as a result of net foreign exchange gain on translation of foreign debtors, foreign currency bank account and trade and other payables.

	Note	2016 Amount Rupees in thousand	2015 Amount
Effect on profit and loss			
US Dollar		(7,688)	2,845
Euro		45,731	25,002
		38,043	27,847

The weakening of the PKR by 10% against foreign currencies would have had an equal but opposite impact on the post tax loss.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

(b) Other price risk

Other 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 commodity and equity price risk.

Notes to the Financial Statements

For the year ended December 31, 2016

(c) 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. The Company's interest rate risk arises from long term financing and short term borrowing. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	2016	2015	2016	2015
	Effective interest rate		Carrying amount	
	%	%	Rupees in thousand	
Fixed rate instruments				
Financial liabilities				
Long term financing	0.00	10.00 to 10.70	-	-
Floating rate instruments				
Financial liabilities				
Long term financing	6.21 to 8.55	6.81 to 10.60	1,221,079	1,103,020
Short term borrowings:				
Cash credit	6.34 to 7.51	6.81 to 11.07	(476,909)	(494,513)
Export refinance	2.25 to 4.00	4.00 to 7.00	2,059,652	2,156,873
Import loan	1.3 to 1.65	-	1,660,127	-
			3,242,870	1,662,360
			4,463,949	2,765,380

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have (decreased) / increased profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

	Interest rate 100 bps	
	Decrease in profit Rupees in thousand	Increase in profit Rupees in thousand
As at December 31 2016		
Long term financing	12,211	12,211
Short term financing		
Cash credit	(4,769)	(4,769)
Export refinance	20,597	20,597
Import loan	16,601	16,601
	44,640	44,640
As at December 31 2015		
Long term financing	11,030	11,030
Short term financing		
Cash credit	(4,945)	(4,945)
Export refinance	21,569	21,569
	27,654	27,654

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

38.2 Capital risk management

The Company's objectives while managing capital are to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain healthier capital ratios in order to support its business and maximize shareholders' value. The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payments to the shareholders, return on capital to shareholders or issue new shares.

The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Long term debt represents long term financing as referred in Note 9. Total capital employed includes 'total equity' as shown in the balance sheet plus long term debt. The Company's strategy, which was unchanged from last year, was to maintain optimal capital structure in order to minimize cost of capital.

	Note	2016 Amount Rupees in thousand	2015 Amount
The gearing ratio as at year ended December 31			
Long term debt	9	998,021	881,850
Equity	7 & 8	4,383,940	3,603,069
Total capital employed		5,381,961	4,484,919
Gearing ratio	(In %age)	18.54%	19.66%

Notes to the Financial Statements

For the year ended December 31, 2016

39 Related party transactions

The related parties comprise associated companies, entities over which the directors are able to exercise influence, staff retirement funds, directors and key management personnel. The transactions with related parties other than remuneration and benefits to key management personnel under the terms of their employment which are disclosed in the Note 36 are as follows:

Relationship with Company	Nature of transactions	Transactions for the year ended Dec 31, 2016	December 31, 2016 Closing balance		December 31, 2015 Closing balance	
			Debit	Credit	Debit	Credit
Associates	Investment	480	248,174	-	227,208	-
	Advances	7,500	7,500	-	-	-
	Expenses	1,869	1,869	-	-	-
	Others	3,782	-	3,782	-	-
Subsidiary	Advances	941	941			
	Investment	125,681	125,681			
Retirement Benefits	Contribution	128,419	-	49,111	-	41,856

All transaction with the related parties have been carried out on commercial terms and conditions.

40 Plant capacity

Footwear division

Due to the nature of the Company's business production capacity is not determinable.

Tyre division

	Installed capacity		Actual production	
	2016	2015	2016	2015
Number of tyres	14,085,900	12,906,400	10,618,111	9,125,152
Number of tubes	36,302,000	30,248,400	34,439,191	27,020,832

The capacity of the plant was utilized to the extent of orders received.

	Note	Audited	Audited
		2016	2015
		Amount	Amount
		Rupees in thousand	
41	Provident fund related disclosures		
	Size of the fund - Total assets	1,877,372	1,460,981
	Cost of investments	995,599	941,229
	Fair value of investments	1,744,351	1,328,783
	Percentage of investments made	92.91%	90.95%

41.1 The break-up of investments is as follows:

	2016		2016	
	Percentage	Amount Rupees in thousand	Percentage	Amount Rupees in thousand
Fixed income SMA / TDR	25%	248,033	24%	419,111
PIBs / Treasury bills	12%	126,614	7%	121,499
Mutual funds	48%	475,490	21%	367,744
Listed securities	15%	145,462	48%	835,997
	100%	995,599	100%	1,744,351

	2015		2015	
	Percentage	Amount Rupees in thousand	Percentage	Amount Rupees in thousand
Fixed income SMA / TDR	65%	602,541	50%	659,302
PIBs / Treasury bills	9%	86,798	7%	87,187
Mutual funds	11%	106,428	8%	107,648
Listed securities	15%	145,462	35%	474,646
	100%	941,229	100%	1,328,783

41.2 Investments out of provident fund have been made in accordance with the provision of section 227 of the companies Ordinance, 1984 and the rules formulated for this purpose. The break-up of investments for 2016 is based on audited accounts.

42	Number of employees	2016	2015
	Number of employees as on December 31	9,733	9,830
	Average number of employees during the year	9,782	9,435

43 Segment reporting

Segment information is presented in respect of the Company's business. The primary format, business segment, is based on the Company's management reporting structure. Its manufacturing facilities are located at Gujrat and Muridke. The Muridke unit is engaged in the production of footwear while the facility at Gujrat unit is engaged in the production of footwear, tyres and tubes and technical rubber products.

Segment results, assets and liabilities include items directly attributable to segment as well as those that can be allocated on a reasonable basis. Unallocated assets and liabilities include short term and long term borrowings, employees retirement benefits and other operating liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year.

The Company's operations comprise of the following main business segments:

- Footwear
- Tyre and tube
- Technical rubber products.

Notes to the Financial Statements

For the year ended December 31, 2016

Segment analysis for the year ended December 31, 2016

<-----Rupees in thousand----->

	Footwear		Tyre division		Technical rubber products		Total	Total
	2016	2015	2016	2015	2016	2015	2016	2015
External sales	9,616,297	9,328,705	9,354,363	8,215,930	13,768	101	18,984,428	17,544,736
Inter - segment sales	-	-	-	-	-	--	-	-
Total revenue	9,616,297	9,328,705	9,354,363	8,215,930	13,768	101	18,984,428	17,544,736
Profit / (loss) before tax and unallocated expenses	985,294	693,978	1,384,565	1,380,950	991	(9,577)	2,370,850	2,065,351
Unallocated corporate expenses:								
Finance cost							(200,646)	(271,913)
Other operating expenses							(773,737)	(686,795)
Other operating income							72,828	160,364
Taxation							(223,808)	(321,160)
Profit after taxation							1,245,487	945,847
Total assets for reportable segments	5,001,031	4,423,137	5,686,775	4,026,899	23,055	21,133	10,710,861	8,471,169
Unallocated assets:							1,985,863	1,772,149
Total assets as per balance sheet							12,696,724	10,243,318
Segment liabilities	-	-	-	-	-	-	-	-
Unallocated liabilities							8,312,784	6,640,249
Total Liabilities as per balance sheet							8,312,784	6,640,249
Segment capital expenditure	297,523	343,620	1,487,831.36	374,484	-	-	1,785,354	718,104
Unallocated capital expenditure	-	-	-	-	-	-	11,981	15,521
Consolidated capital expenditure							1,797,335	733,625
Non-cash expenses other than depreciation and amortization								
Provision for slow moving stock	(74,389)	(58,343)	9,131	(10,070)	-	-	(65,258)	(68,413)
Depreciation and amortization expense								
Depreciation and amortization	134,813	106,226	239,135	200,526	1,577	1,770	375,525	308,522
Unallocated depreciation and amortization	-	-	-	-	-	-	10,943	14,026
Consolidated depreciation and amortization							386,468	322,548
43.1 Total profit for reportable segments							2,370,850	2,065,351
Unallocated expenses							(901,555)	(798,344)
Profit before tax							1,469,295	1,267,007

43.2 Revenues from one customer of the Group's footwear segments represented approximately Rs. 3,023.13 million (2015: 3,863.09 million) of the Company's total revenues.

44 **Authorization date**

These financial statements were authorized for issue by the Board of Directors on March 30, 2017.

45 **Events after the balance sheet date**

The Board of Directors in its meeting held on March 30, 2017 has proposed a final cash dividend of Rs. 25 per share (2015: Rs. 25 per share) for approval of the members at the annual general meeting to be held on April 28, 2017. The Board has also recommended to transfer Rs. Nil (2015: Nil) to general reserve from unappropriated profit.

46 **General**

46.1 Previous year's figures have been re-arranged, wherever necessary for the purpose of comparison. However no material re-arrangements have been made.

46.2 Figures have been rounded off to the nearest thousand of rupees, except stated otherwise.

Chaudhry Ahmed Javed
(Chairman)

Omar Saeed
(Chief Executive)

Consolidated Financial Statements

Group Directors' Report

to The Shareholders

The Directors take pleasure in presenting their Report along with the Group Financial Information of the Service Industries Limited (SIL) for the year ended December 31, 2016.

The SIL Group comprises of Service Industries Limited and Service Industries Capital (Private) Limited (SICPL), a wholly owned subsidiary.

Service Industries Limited

The Directors' Report providing a commentary on the performance of Service Industries Limited for the year ended December 31, 2016 has been presented separately.

Service Industries Capital (Private) Limited

SICPL is a wholly owned subsidiary of the SIL and the main object of the subsidiary is to invest in new ventures, shares and securities listed or otherwise, in Pakistan or elsewhere in the world. Since the subsidiary has not yet invested any amount till year end, hence it has incurred a loss of PKR 1 million being preliminary expenses incurred till December 31, 2016.

For and on behalf of the Board

Dated: March 30, 2017

Place: Lahore

Omar Saeed
(Chief Executive)

Auditors' Report To The Members

On Consolidated Financial Statements

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of SERVICE INDUSTRIES LIMITED and its subsidiary company as at December 31, 2016 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Service Industries Limited and its subsidiary company. These financial statement are the responsibility of the holding company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the international standards on auditing and accordingly including such test of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the consolidated financial statements present fairly the financial position of SERVICE INDUSTRIES LIMITED and its subsidiary company as at December 31, 2016 and the result of their operations for the year then ended.

Date: March 30, 2017

Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS
Engagement Partner: A. Rahman Mir
Lahore

Consolidated Balance Sheet

As at December 31, 2016

	Note	2016 Amount Rupees in thousand	2015 Amount
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital 100,000,000 (2015: 20,000,000) ordinary shares of Rs. 10/- each:		1,000,000	200,000
Paid up share capital	7	120,288	120,288
Reserves	8	4,262,576	3,482,781
Attributable to owners of the holding company		4,382,864	3,603,069
Non-controlling interest			
Non-current liabilities			
Long term financing	9	998,021	881,850
Long term deposits	10	5,268	3,665
Deferred liabilities	11	390,792	343,331
		1,394,081	1,228,846
Current liabilities			
Trade and other payables	12	3,259,519	3,223,831
Interest and mark-up accrued	13	44,362	52,986
Short term borrowings	14	3,242,870	1,662,360
Current portion of long term financing	9	223,058	221,170
Provision for taxation	34	148,947	251,056
		6,918,756	5,411,403
		12,695,701	10,243,318
Contingencies and commitments	15		

The annexed notes from 1 to 46 form an integral part of these consolidated financial statement

Chaudhry Ahmed Javed
(Chairman)

	Note	2016 Amount Rupees in thousand	2015 Amount
ASSETS			
Non-current assets			
Property, plant and equipment	16	4,745,935	3,382,700
Intangible assets	17	2,720	5,640
Long term investments	18	248,174	323,520
Long term loans	19	15,431	7,083
Long term deposits		77,956	52,152
		5,090,216	3,771,095
Current assets			
Stores, spares and loose tools	20	100,205	114,570
Stock in trade	21	2,729,738	2,719,856
Trade debts	22	2,483,211	1,527,479
Loans and advances	23	354,029	233,671
Trade deposits and prepayments	24	85,769	76,719
Other receivables		75,699	58,126
Tax refunds due from government	25	1,384,844	1,281,956
Short Term Investment		103,745	–
Cash and cash equivalents	26	288,245	459,846
		7,605,485	6,472,223
		12,695,701	10,243,318

Omar Saeed
(Chief Executive)

Consolidated Profit and Loss Account

For the year ended December 31, 2016

	Note	2016 Amount Rupees in thousand	2015 Amount
Sales - net	27	18,984,428	17,544,736
Cost of sales	28	15,208,729	14,528,670
Gross profit		3,775,699	3,016,066
Operating expenses			
Distribution cost	29	973,590	724,425
Administrative expenses	30	984,407	789,608
Other operating expenses	31	212,715	164,768
		2,170,712	1,678,801
Operating profit before other income		1,604,987	1,337,265
Other income	32	100,079	246,158
Operating profit		1,705,066	1,583,423
Finance cost	33	236,847	316,416
Profit before taxation		1,468,219	1,267,007
Taxation	34	223,808	321,160
Profit after taxation		1,244,411	945,847
Attributable to:			
Owners of the holding company		1,244,411	945,847
Non-controlling interest		-	-
		1,244,411	945,847
Earnings per share - basic and diluted (Rupees) attributable to owners of the holding company	35	103.45	78.63

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.

Chaudhry Ahmed Javed
(Chairman)

Omar Saeed
(Chief Executive)

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2016

Note	2016 Amount Rupees in thousand	2015 Amount
Profit after taxation	1,244,411	945,847
Other comprehensive income		
Items that may reclassify to profit and loss account		
(Loss) / gain on Investments - net of tax	-	(8,800)
Add: Adjustment for amount transferred to profit and loss account	8,800	-
Items that may not reclassify to profit and loss account		
Actuarial gain / (loss) on defined benefit plans - net of tax (Pension Fund)	(1,570)	-
Actuarial gain / (loss) on defined benefit plans - net of tax (Gratuity Fund)	9,306	32,865
	16,536	24,065
Total comprehensive income for the year	1,260,947	969,912
Attributable to:		
Owners of the holding company	1,260,947	969,912
Non-controlling interest	-	-
	1,260,947	969,912

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.

Chaudhry Ahmed Javed
(Chairman)

Omar Saeed
(Chief Executive)

Consolidated Cash Flow Statement

For the year ended December 31, 2016

	Note	2016 Amount Rupees in thousand	2015 Amount
Cash flow from operating activities			
Cash generated from operations	37	1,208,579	2,835,970
Finance cost paid		(245,471)	(351,318)
Ijarah rentals paid		(70,041)	(71,839)
Income tax paid		(330,736)	(313,991)
Staff retirement benefits paid		(14,987)	(15,256)
W.P.P.F paid		(146,963)	(52,000)
Net cash generated from operating activities		400,381	2,031,566
Cash flow from investing activities			
Dividend from associated Company	18.1.1	10,446	65,706
Other investment - Equity		-	(107,724)
Capital expenditure		(1,797,336)	(733,625)
Proceeds from sale of property, plant and equipment		26,748	14,227
Investment in associated companies		(480)	(28,541)
Proceeds from sale of long term investment		101,709	-
Short Term Investment		(103,745)	-
Long term loans - net		(8,348)	(361)
Long term deposits - net		(25,804)	(961)
Net cash used in investing activities		(1,796,810)	(791,279)
Cash flow from financing activities			
Short term borrowings - net		1,580,510	(442,992)
Long term financing		118,059	(29,660)
Dividend paid		(475,344)	(326,231)
Long term deposits		1,603	-
Net cash generated from / (used in) financing activities		1,224,828	(798,883)
Net (decrease) / increase in cash and cash equivalents		(171,601)	441,404
Cash and cash equivalents at the beginning of the year		459,846	18,442
Cash and cash equivalents at the end of the year	26	288,245	459,846

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.

Chaudhry Ahmed Javed
(Chairman)

Omar Saeed
(Chief Executive)

Consolidated Statement of Changes in Equity

For the year ended December 31, 2016

	Paid up share capital	Capital reserves		Revenue reserves		Attributable to owners of the holding company	Non-controlling Interest	Total
		Capital gains	Share premium	General reserve	Unappropriated profits			
Rupees in thousand								
Balance as at December 31, 2014	120,288	102,730	21,217	1,558,208	1,161,506	2,963,949	-	2,963,949
Final dividend for the year ended December 31, 2014 @ Rs. 15 per share	-	-	-	-	(180,432)	(180,432)	-	(180,432)
Interim dividend for the year ended December 31, 2015 @ Rs. 12.50 per share	-	-	-	-	(150,360)	(150,360)	-	(150,360)
Total comprehensive income for the year	-	-	-	-	969,912	969,912	-	969,912
Balance as at December 31, 2015	120,288	102,730	21,217	1,558,208	1,800,626	3,603,069	-	3,603,069
Final dividend for the year ended December 31, 2015 @ Rs. 25 per share	-	-	-	-	(300,720)	(300,720)	-	(300,720)
Interim dividend for the year ended December 31, 2016 @ Rs. 15 per share	-	-	-	-	(180,432)	(180,432)	-	(180,432)
Total comprehensive income for the year	-	-	-	-	1,260,947	1,260,947	-	1,260,947
Balance as at December 31, 2016	120,288	102,730	21,217	1,558,208	2,580,421	4,382,864	-	4,382,864

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.

Chaudhry Ahmed Javed
(Chairman)

Omar Saeed
(Chief Executive)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

1 Legal status and operations

Service Industries Limited (the Holding Company) was incorporated as a private limited Holding Company on March 20, 1957 in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984), was converted into a public limited Holding Company on September 23, 1959 and got listed on June 27, 1970. The shares of the Holding Company are quoted on the Pakistan Stock Exchange. The registered office of the Holding Company is located at 2-Main Gulberg, Lahore. The principal activities of the Holding Company are purchase, manufacture and sale of footwear, tyres and tubes and technical rubber products.

Information on significant investments of the Group is disclosed in note 18.

The group consists of:

- Service Industries Limited - the holding company;
- Service Industries Capital (Private) Limited - Holding of 100%;

Service Industries Capital (Private) Limited

Service Industries Capital (Private) Limited got registered under the Companies Ordinance, 1984 in Pakistan as a company limited by shares on 10 November 2015. The registered office of Service Industries Capital (Private) Limited is situated at Service House, 2-Main Gulberg, Lahore. The main object of Service Industries Capital (Private) Limited is to make investment in new ventures, shares and securities, listed or otherwise, in Pakistan or elsewhere in the world, subject to requirements of applicable law.

2 Statement of compliance

These consolidated financial statements (hereinafter referred to as the 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 and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives under the Companies Ordinance, 1984 shall prevail.

Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Further, the Group also considers whether:

- it has power to direct the relevant activities of the subsidiaries;
- is exposed to variable returns from the subsidiaries; and
- decision making power allows the Group to affect its variable returns from the subsidiaries.

All business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the fair value of the assets given and liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination (including contingent liabilities) are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair values of the holding company's share of identifiable net assets acquired is recorded as goodwill.

The consolidated financial statements of the Group include the financial statements of the holding company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as the holding company, using consistent accounting policies.

The assets and liabilities of the subsidiaries have been consolidated on a line-by-line basis and the carrying value of investment held by the holding company is eliminated against the subsidiaries' share capital and pre-acquisition reserves in the consolidated financial statements. Material intragroup balances and transactions are eliminated.

A change in the ownership interest of the subsidiaries, without a change of control, is accounted for as an equity transaction.

The subsidiary companies are consolidated from the date on which more than 50% voting rights are transferred to the holding company or power to govern the financial and operating policies of the subsidiaries are established and are excluded from consolidation from the date of disposal or cessation of control.

Non-controlling interest (NCI) is the equity in a subsidiary not attributable, directly or indirectly, to the holding company.

Associates

Associates are all entities over which the Group has significant influence but not control. Investment in associate is accounted for using equity method, whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associate. The consolidated profit and loss account reflects the Group share of the results of the operations of the associate.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit and loss account where applicable. The gain / loss arising on dilution of interest in an equity accounted investee is recognized in the profit and loss account.

The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the same in the profit and loss account.

3 Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with the approved accounting standards require management of the Group to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. 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 the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

There are no significant judgements or estimates, which if inaccurate or wrong could materially effect the current consolidated financial statements or the next years consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

4 Application of new and revised International Financial Reporting Standards (IFRS)

4.1 IFRS & amendments effective for the current year

IAS 1 - Presentation of Financial Statements
IAS 16 - Property, Plant and Equipment
IAS 38 - Intangible Assets
IAS 27 - Separate Financial Statements
IAS 28 - Investments in Associates and Joint Ventures
IAS 41 - Agriculture
IFRS 10 - Consolidated Financial Statements
IFRS 11 - Joint Arrangements
IFRS 12 - Disclosure of Interests in Other Entities
Annual Improvements 2012-2014 cycles

The above amendments & improvements are either irrelevant or have no material impact on the consolidated financial statements.

4.2 IFRS & amendments not yet effective & not applied

IAS 7 - Statement of Cash Flows
IAS 12 - Income Taxes
IAS 28 - Investments in Associates and Joint Ventures
IAS 40 - Investment Property
IFRS 2 - Share-based Payment
IFRS 9 - Financial Instruments (Not notified by SECP)
IFRS 10 - Consolidated Financial Statements
IFRS 12 - Disclosure of Interests in Other Entities
IFRS 14 - Regulatory Deferral Accounts (Not notified by SECP)
IFRS 15 - Revenue from Contracts with Customers (Not notified by SECP)
IFRS 16 - Leases (Not notified by SECP)
IFRIC 22 - Foreign Currency Transactions and Advance Consideration

Annual Improvements 2014-2016 cycles

The above mentioned standards & improvements, when effective, are not expected to have a significant impact on the consolidated financial statements.

5 Basis of preparation

5.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except where stated otherwise in specific notes to the related items.

5.2 Functional and presentation currency

The consolidated financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency.

6 Summary of significant accounting policies

6.1 Employees' retirement benefits

i) Contributory provident fund

Obligations for contributions to the provident fund are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

ii) Defined benefit plans

The Holding Company operates a funded gratuity scheme as a defined benefit plan for its permanent employees other than those who participate in the provident fund scheme. The managerial staff is entitled to participate in both the provident fund trust and gratuity fund scheme.

The Holding Company also operates a funded pension scheme as a defined benefit plan for employees who are not members of the employees' old-age benefit scheme under the rules applicable before July 01, 1986.

The Holding Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Holding Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Holding Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then - net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Holding Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

6.2 Compensated absences

The Holding Company accounts for compensated absences on the basis of each employee's un-availed earned leave balance at the end of the year.

6.3 Taxation

Income tax expense represents the sum of the current and deferred taxes & is recognized in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

i) **Current tax**

The provision for current taxation is based on the applicable tax regimes, tax rates, credits & rebates, in accord with the income tax laws of Pakistan.

ii) **Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case they are included in equity.

Deferred tax assets and liabilities are offset only if certain criteria are met.

6.4 Foreign currency transactions and translation

Transactions in foreign currencies are translated into the functional currency at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

6.5 Borrowing costs

Borrowing cost related to the financing of major projects is capitalized until substantially all the activities to complete the project for its intended use / operation are completed. All other borrowing costs are charged to profit and loss account as incurred.

6.6 Property, plant and equipment

6.6.1 Owned

Property, plant and equipment, except freehold land, are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at cost. Cost includes purchase cost and any incidental expenses of acquisition.

Property, plant and equipment are depreciated over their estimated useful lives at the rates specified in Note 16.1 to the consolidated financial statements using the reducing balance method except for leasehold improvements which are depreciated using straight line method.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

The Group reviews the useful life and residual value of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on depreciation charge.

6.6.2 Intangible assets

Expenditure incurred to acquire computer software programs are capitalized as intangible assets which are stated at cost less accumulated amortization and any identified impairment loss. Intangible assets are amortized at the rates specified in Note 17.1 to the consolidated financial statements using the straight line method. Amortization on additions to intangible assets is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off.

6.6.3 Capital work in progress

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

6.6.4 Ijarah assets

The Group recognizes ijarah payments under an Ijarah agreement as an expense in the profit and loss account on a straight line basis over the Ijarah term.

6.7 Impairment of assets

6.7.1 Non-financial assets

Assets are tested for impairment, whenever circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

6.7.2 Financial Assets

Financial asset are considered impaired only if there is objective evidence of reduction in their estimated future cash flows.

Loan and receivables

The loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. The loss is recognised in profit or loss. Similarly, reversals of impairment losses are also dealt in profit and loss.

Equity-accounted investments

Impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount. The impairment loss is recognised in profit or loss, and is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

6.8 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in, first-out principle. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

6.9 Revenue

Sales revenue is recognised when the goods are dispatched and significant risks and rewards of ownership are transferred to the customer. Revenue from sale of goods is measured at fair value of consideration received or receivable, net of returns and trade discounts.

Dividend income is recognized when the Group's right to receive is established.

6.10 Financial instruments

Financial instruments are recognized, when the Group becomes a party to the contractual provisions of the instruments. Financial assets are de-recognized after all the substantial risks and rewards have been transferred. Financial liabilities are derecognized when they are extinguished. Initial measurement is at fair value plus transaction costs. Subsequent measurement of loans & receivables is at amortized cost less impairment. Financial liabilities are subsequently measured at amortized cost. For impairments see note 6.7.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet, if the Group has a legally enforceable right to setoff the recognized amounts and the Group intends to settle either on a net basis or realize the asset and settle the liability simultaneously.

6.11 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

6.12 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

6.13 Dividend

Dividend is recognised as a liability in the period in which it is declared.

6.14 Related Party Transactions

All transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes, as admissible, except in extremely rare circumstances where, subject to the approval of the Board of Directors, it is in the interest of the Group to do so.

			2016 Amount Rupees in thousand	2015 Amount
7	Paid up share capital			
	Issued, subscribed and paid up:			
	2016	2015		
	3,183,190	3,183,190	Ordinary shares of Rs. 10/- each fully paid in cash	31,832
	8,845,599	8,845,599	Ordinary shares of Rs. 10/- each issued as bonus shares	88,456
	12,028,78	12,028,789		120,288

7.1 Ordinary shares of the Holding Company held by associated Company as at year end are as follows:

		2016 Number of Shares	2015 Amount
– Shahid Arif Investments (Private) Limited		10,144	10,144

		Note	2016 Amount Rupees in thousand	2015 Amount
8	Reserves			
	Capital reserves			
	Share premium	8.1	21,217	21,217
	Capital gains		102,730	102,730
			123,947	123,947
	Revenue reserves			
	General reserve		1,558,208	1,558,208
	Unappropriated profits		2,580,421	1,800,626
			4,138,629	3,358,834
			4,262,576	3,482,781

8.1 This reserve can be utilized by the Holding Company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

		Note	2016 Amount Rupees in thousand	2015 Amount
9	Long term financing			
	Total long term financing	9.1 & 9.2	1,221,079	1,103,020
	Less: current portion		(223,058)	(221,170)
			998,021	881,850

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

	Note	2016 Amount Rupees in thousand	2015 Amount
9.1	Loan from banking companies		
	Loan - I	245,000	315,000
	Loan - II	200,000	250,000
	Loan - III	250,000	163,922
	Loan - IV	250,000	–
		945,000	728,922
	Less: current portion	(120,000)	(128,196)
		825,000	600,726
9.2	Islamic term finance		
	Loan - V	42,494	59,492
	Loan - VI	14,594	20,432
	Loan - VII	77,819	100,053
	Loan - VIII	95,820	143,730
	Loan - IX	45,352	50,391
		276,079	374,098
	Less: current portion	(103,058)	(92,974)
		173,021	281,124

- I These represent long term finance loans obtained from Allied Bank Limited of Rs. 350 million approved in 2014 for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on September 19, 2015 and March 18, 2020 respectively. The markup rate is 6 month KIBOR + 40 bps per annum which was revised to 6 month KIBOR + 15 bps per annum during the year. The loan is secured by first pari passu charge over fixed assets of the Holding Company with 25% margin.
- II These represent long term finance loans obtained from Allied Bank Limited of Rs. 250 million approved in 2014 for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on March 16, 2016 and August 22, 2020 respectively. The markup rate is 6 month KIBOR + 40 bps per annum which was revised to 6 month KIBOR + 15 bps per annum during the year. The loan is secured by first pari passu charge over fixed assets of the Holding Company with 25% margin.
- III These represent long term finance loans obtained from MCB Bank Limited of Rs. 250 million approved in 2016 for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on March 28, 2018 and September 28, 2022 respectively. The markup rate is 6 month KIBOR + 25 bps per annum. The loan is secured by first pari passu charge over fixed assets of the Holding Company with 25% margin.
- IV These represent long term finance loans obtained from Allied Bank Limited of Rs. 250 million approved in 2016 for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on June 15, 2018 and December 15, 2022 respectively. The markup rate is 6 month KIBOR + 15 bps per annum. The loan is secured by first pari passu charge over fixed assets of the Holding Company with 25% margin.

V to IX These represent long term finance loans obtained from Meezan Bank Limited under Islamic Diminishing Musharakah upto a limit of Rs. 735 million approved in 2012 and 2015 for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on June 30, 2014 and December 31, 2021 respectively. The markup rate is 6 month KIBOR + 40 bps per annum which was revised to 6 month KIBOR + 15 bps per annum during the year. The availed loans are secured by exclusive charge over plant & machinery with 15% margin and ranking charge over present and future fixed assets (including land & building) with 20% margin.

	Note	2016 Amount Rupees in thousand	2015 Amount
10	Long term deposits	5,268	3,665

10.1 These are deposits of dealers and others, who have permitted the utilization of such money by the Holding Company in pursuance of section 226 of the Companies Ordinance, 1984.

	Note	2016 Amount Rupees in thousand	2015 Amount
11	Deferred liabilities		
Deferred taxation	11.1	370,107	322,277
Employee benefits plans	11.2	20,685	21,054
		390,792	343,331

11.1 Deferred tax liability is made up as follows:

Deferred tax impact against accelerated depreciation	403,058	321,625
Deferred tax asset against provision for doubtful debts	(42,910)	(6,495)
Deferred tax impact against gain on employee benefit plans	-	9,759
Deferred tax impact against investment - Investment in associate	9,959	-
Deferred tax impact against investment - Available for sale	-	(2,612)
	370,107	322,277

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

11.2 Employees benefit plans

	Note	Gratuity scheme		Pension scheme	
		2016 Amount	2015 Amount	2016 Amount	2015 Amount
Rupees in thousand					
11.2.1 The amounts recognized in the balance sheet					
Present value of defined benefit obligations	11.2.4	186,612	161,631	13,646	13,033
Fair value of plan assets	11.2.5	(101,576)	(80,080)	(77,997)	(73,530)
Balance sheet liability as at December 31		85,036	81,551	(64,351)	(60,497)
11.2.2 Movement in the net liability recognised in the balance sheet					
Opening balance		81,551	60,759	(60,497)	(57,785)
Charge for the year	11.2.3	27,748	24,166	(5,395)	(6,020)
Payments during the year		(14,957)	(15,222)	(30)	(34)
Remeasurements chargeable to OCI	11.2.6	(9,306)	11,848	1,570	3,342
Closing balance		85,036	81,551	(64,352)	(60,497)
11.2.3 Amounts recognized in the profit and loss account					
Current service cost		21,082	18,585	67	65
Interest cost		13,779	13,525	1,110	1,187
Expected return on plan assets		(7,113)	(7,944)	(6,557)	(7,257)
Contribution made by employees		–	–	(15)	(15)
		27,748	24,166	(5,395)	(6,020)
11.2.4 Changes in the present value of defined benefit obligation					
Opening defined benefit obligation		161,631	136,417	13,033	12,003
Current service cost		21,082	18,585	67	65
Interest cost		13,779	13,525	1,110	1,187
Benefits paid		(17,052)	(15,222)	(1,389)	(1,398)
Remeasurements:					
Actuarial losses from changes in financial assumptions		(443)	–	918	1,229
Experience adjustments		7,615	8,326	(93)	(53)
		186,612	161,631	13,646	13,033
11.2.5 Changes in the fair value of the plan assets					
Opening fair value of plan assets		80,080	75,658	73,530	69,787
Expected return		7,113	7,944	6,557	7,258
Contribution by employer		14,957	15,222	44	49
Benefits paid		(17,052)	(15,222)	(1,389)	(1,398)
Experience adjustments		16,478	(3,522)	(745)	(2,166)
		101,576	80,080	77,997	73,530

	Note	Gratuity scheme		Pension scheme	
		2016 Amount	2015 Amount	2016 Amount	2015 Amount
		Rupees in thousand			
11.2.6 Amounts recognized in the other comprehensive income					
Experience adjustments		7,615	(8,326)	(93)	(53)
Interest income on plan assets		(16,478)	(3,522)	745	2,166
Actuarial (gain) / loss from changes in financial assumptions		(443)	–	918	1,229
Actuarial (gain) / loss chargeable in OCI		(9,306)	(11,848)	1,570	3,342

11.2.7 The major categories of plan assets as a percentage of total plan assets are as follows:

	2016 Rupees in thousand	2016 %	2015 Rupees in thousand	2015 %
Gratuity scheme				
Unit trust	87,612	86.25	64,041	79.97
Term deposit	11,833	11.65	11,833	14.78
Other assets	2,131	2.10	4,206	5.25
	101,576	100.00	80,080	100.00
Pension Scheme				
Bank Al Habib Limited	–	–	24,684	33.56
Pak Oman Investment Company Limited	32,134	41.20	7,041	9.58
MCB - Cash Optimizer	36,704	47.06	31,454	42.78
MCB - Dynamic Cash Fund	–	–	4,274	5.81
National Investment Trust Limited	8,432	10.81	5,690	7.74
Cash at Bank(s)	728	0.93	387	0.53
	77,998	100.00	73,530	100.00

11.2.8 Return on plan assets

Expected return on plan assets	7,113	7,944	6,557	7,258
Actuarial gain/ (loss) on assets	16,478	(3,522)	(745)	(2,166)
	23,591	4,422	5,812	5,092

The expected return on plan assets is based on the market expectation and depend upon the asset portfolio of the fund at the beginning of the year. Expected yields on fixed interest investments is based on gross redemption on yields as at the balance sheet date.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

	2016 Percentage	2015 Percentage	2016 Percentage	2015 Percentage
11.2.9 Principal actuarial assumptions				
Discount rate	8	9	8	9
Expected rate of salary increase	7	8	7	8
Expected rate of return on investments	9	10.5	9	10.5

11.2.10 Year end sensitivity analysis (\pm 100 bps) on defined benefit obligation

A change of 100 basis points in discount rates at the reporting date would have (decreased) / increased defined benefit obligation by the amounts shown below. This analysis assumes that all other variables, remain constant. The analysis is performed on the same basis as for 2015.

	2016 Amount Rupees in thousand	2015 Amount Rupees in thousand	2016 Amount Rupees in thousand	2015 Amount Rupees in thousand
Discount Rate + 100 bps	170,702	147,855	12,724	12,186
Discount Rate - 100 bps	205,221	177,668	14,702	13,992
Salary increase + 100 bps	205,522	177,902	13,649	13,033
Salary increase - 100 bps	170,155	147,408	13,644	13,028

	Note	2016 Amount Rupees in thousand	2015 Amount Rupees in thousand
12 Trade and other payables			
Trade creditors		1,242,305	1,245,430
Accrued liabilities		767,619	721,195
Bills payable		213,890	177,220
Advances from customers		903,524	901,513
Provident fund payable		28,426	20,802
Workers' profit participation fund	12.1	(2,753)	66,889
Workers' welfare fund	12.2	64,280	60,386
Unclaimed dividend		23,930	18,122
Others		11,904	6,092
Due to government agencies on account of:			
Staff income tax		4,111	466
Suppliers income tax		2,283	5,716
		3,259,519	3,223,831
12.1 Workers' profit participation fund			
Balance as at January 01		66,889	50,844
Add: provision for the year	31	77,321	68,045
		144,210	118,889
Less: payments during the year		(146,963)	(52,000)
Balance as at December 31		(2,753)	66,889

	Note	2016 Amount Rupees in thousand	2015 Amount
12.2 Workers' welfare fund			
Balance as at January 01		60,386	34,529
Add: provision for the year	31	3,894	25,857
		64,280	60,386
Less: payments / adjustments during the year		–	–
Balance as at December 31		64,280	60,386
13 Interest and mark-up accrued			
Long term financing - secured		15,692	22,845
Short term borrowings - secured		28,670	30,141
		44,362	52,986
14 Short term borrowings			
From banks and other financial institutions:			
		Sanctioned limit	Availed limit
		2016	2015
		2016	2015
		<-----Rupees in thousand----->	
Under mark up arrangements with consortium banks:			
Cash credits		3,638,746	2,569,367
Export refinance		2,059,651	2,431,533
Import loan		1,583,503	–
		7,281,900	5,000,900
		3,242,870	1,662,360

These short term borrowing facilities have been availed from various banks. The rates of markup range between 1.3% to 6.83% (2015: 3.62% to 6.12% per annum). Short term borrowing facilities are secured by way of hypothecation of present and future current assets of the Holding Company which include but not limited to stores, spare parts, loose tools, stock in trade, goods, merchandise, products, stock of finished and unfinished goods, raw materials, packing materials, work in process, including chemicals and other stocks etc.

15 Contingencies and commitments

Contingencies

- 15.1 The Collectorate of Customs, Sambrial (Sialkot) initiated a case against the Holding Company on March 15, 2003 before the Collector of Customs, Sales Tax and Central Excise (Adjudication) Lahore. The Customs department had alleged that the consignments of the Holding Company were released without the payment of duties and taxes amounting to Rs. 17.99 million. The Holding Company has strongly put forward its case that the said consignments were cleared against demand drafts prepared in favor of Collector of Customs, Sambrial Dry Port Trust and had been duly credited in the designated bank account. The case has been decided in favor of the Holding Company by Collector (Appeal) Customs. The department has filed an appeal against the said decision before Sales Tax, Federal Excise and Customs Tribunal, Lahore, which is still pending. However, the Holding Company has a strong case therefore no provision has been made in these consolidated financial statements against the case.

Notes to the Consolidated Financial Statements

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- 15.2 The Additional Collector (Adjudication) of Pakistan Customs Computerized System, Karachi initiated case against the Holding Company for failure to pay leviable sales tax and income tax of Rs. 18.6 million and Rs. 4.1 million respectively at import of tyre cord fabrics during the period w.e.f. August 2007 to July 2008 by wrongly claiming sales tax zero rating in terms of S.R.O 509 (1)/2007 dated 09-06-2007. The case has been remanded back by the Appellate Tribunal Inland Revenue, Lahore to the Commissioner Inland Revenue (Appeals-I), Lahore, which is still pending. According to the Holding Company's legal counsel, the Holding Company has a good arguable case and there is likelihood that the same will be decided in its favor.
- 15.3 The Deputy Director of Pakistan Employees Social Security Institute (PESSI), Gujrat initiated three cases against the Holding Company. In the first case the alleged amount recoverable by the PESSI is Rs. 4.80 million covering the period from January 1987 to September 1992 on account of short payment of contributions. In the second case, Rs. 1.98 million is to be recoverable by the Holding Company from PESSI on account of wrongly paid contributions covering the period from July 1992 to September 1993. Both cases have been decided against the Holding Company by the Director General Recovery PESSI, Lahore. In the third case, Rs. 77.6 million is recoverable by PESSI. The case had been decided in the favor of the Holding Company in the year 2013 but the case is re-opened in the year 2014. The Holding Company has filed an appeal before Social Security Court, Lahore, during the pendency of the matter PESSI send a recovery notice for the same amount. The Holding Company has filed a writ petition before Lahore High Court, Lahore. As per legal counsel of the Holding Company, the Holding Company has strong legal grounds for its success.
- 15.4 The Deputy Commissioner Inland Revenue, LTU initiated a case against the Holding Company after post Sales Tax refund audit in which demand of Rs. 27.92 million was raised. The Holding Company filed an appeal before CIR (Appeals) in which the demand was cancelled except two points having impact of Rs. 2.65 million. The Holding Company had further filed an appeal before Tribunal against said points.

In management's opinion, chances of success in the aforesaid case are strong and there is no likelihood of any unfavorable outcome.

Commitments

- 15.5 Guarantees issued in ordinary course of business through banks are of Rs. 1,855.89 million (2015: Rs. 1,302.83 million).
- 15.6 Irrevocable letters of credit outstanding at the year end are of Rs. 1,657.62 million (2015: Rs. 1,169.53 million).
- 15.7 The amount of future ijarah rentals for ijarah financing and the period in which these payments will become due are as follows:

		2016	2015
	Note	Amount	Amount
		Rupees in thousand	
Not later than one year		68,824	64,351
Later than one year and not later than five years		100,558	161,951
Later than five years		-	-
		169,382	226,302
16 Property, plant and equipment			
Operating fixed assets	16.1	4,116,625	3,240,772
Capital work in progress	16.2	629,310	141,928
		4,745,935	3,382,700

16.1 Operating fixed assets

December 31, 2016 Particulars	Cost				Accumulated depreciation				W.D.V. as at December 31, 2016
	As at January 01, 2016	Additions/ transfers	Disposals	As at December 31, 2016	Rate %	Charge for the year	Adjustments/ transfers	As at December 31, 2016	
	<-----Rupees in thousand----->				<-----Rupees in thousand----->				
Owned									
Freehold land	7,106	-	35	7,071	-	-	-	-	7,071
Building on freehold land	860,609	69,601	13,748	916,462	5-10	55,749	4,839	320,519	595,943
Plant and machinery	3,001,752	1,009,342	73,157	3,937,937	10	213,627	39,233	1,322,920	2,615,017
Furniture, fixture and fittings	36,641	5,849	48	42,442	10	1,664	44	24,418	18,024
Vehicles	27,169	8,571	6,654	29,086	20	3,217	4,552	12,540	16,546
Service equipments	1,078,074	79,967	19,768	1,138,273	10-30	86,621	14,189	400,130	738,143
Leasehold improvements	12,868	136,072	-	148,940	33.33	22,118	-	23,059	125,881
Total - 2016	5,024,219	1,309,402	113,410	6,220,211		382,996	62,857	2,103,586	4,116,625
	<-----Rupees in thousand----->				<-----Rupees in thousand----->				
December 31, 2015 Particulars	Cost				Accumulated depreciation				W.D.V. as at December 31, 2015
	As at January 01, 2015	Additions/ transfers	Disposals	As at December 31, 2015	Rate %	Charge for the year	Adjustments/ transfers	As at December 31, 2015	
	<-----Rupees in thousand----->				<-----Rupees in thousand----->				
Owned									
Freehold land	7,106	-	-	7,106	-	-	-	-	7,106
Building on freehold land	622,266	238,343	-	860,609	5-10	46,352	-	269,609	591,000
Plant and machinery	2,660,808	351,721	10,777	3,001,752	10	190,557	951	1,148,526	1,853,226
Furniture, fixture and fittings	33,687	2,954	-	36,641	10	1,353	-	22,798	13,843
Vehicles	22,165	8,820	3,816	27,169	20	2,992	2,274	13,875	13,294
Service equipments	741,557	337,917	1,400	1,078,074	10-30	67,527	714	327,698	750,376
Leasehold improvements	10,479	12,868	10,479	12,868	33.33	941	7,799	941	11,927
Last and moulds	38,092	-	38,092	-	50	6,188	38,092	-	-
Total - 2015	4,136,160	952,623	64,564	5,024,219		315,910	49,830	1,783,447	3,240,772

Notes to the Consolidated Financial Statements

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16.1.1 Depreciation charge for the year has been allocated as follows:

	Note	2016 Amount Rupees in thousand	2015 Amount
Cost of sales	28	344,321	304,814
Administrative expenses	30	15,956	11,096
Distribution cost	29	22,719	–
		382,996	315,910

16.1.2 Disposal of property, plant and equipment

Particulars	Cost	Accumulated depreciation	Net book value	Sale proceeds	Sold to	Mode of disposal
<-----Rupees in thousand----->						
Land						
Having book value less than Rs. 50,000	35	-	35	3,875	Land Sold to BD	Negotiation
	35	-	35	3,875		
Building						
Having book value exceeding Rs. 50,000						
Brick Soling In Stroage Area	3,707	849	2,858	294	M.I.A Manufacture	Negotiation
Civil Work for Press Installation	327	3	324	69	A-Aziz & Sons	Negotiation
Civil work & Press installation	349	100	249	53	A-Aziz & Sons	Negotiation
Rice Husk Fired Boiler	8,517	3,511	5,006	675	M.I.A Manufacture	Negotiation
Rickshaw Tyre Curing Hall	642	309	334	71	A-Aziz & Sons	Negotiation
Storage area for Rice Husk	162	55	107	13	M.I.A Manufacture	Negotiation
	13,704	4,827	8,878	1,175		
Building						
Having book value less than Rs. 50,000	44	12	31	5	A-Aziz & Sons	Negotiation
Total of Building	13,748	4,839	8,909	1,180		
Plant & machinery						
Having book value exceeding Rs. 50,000						
Auto Hydraulic Moulding	326	267	59	40	Z.A Traders	Negotiation
Foot Bed Pressing Machine	247	192	55	37	Z.A Traders	Negotiation
Automatic Grooving Machine	3,011	369	2,642	2,763	M/S Torielli rag Pietro & C.	Negotiation
BOM Rickshaw Installation	1,167	379	789	167	A-Aziz & Sons	Negotiation
Conveyor Super Matic	5,851	5,557	293	294	Muhammad Yameen	Negotiation
Cording Machine	235	-	235	242	Transfer to Sri Lanka	Negotiation
Crimping M/C 163/47A (Caprice)	1,271	465	806	1,401	Transfer to Sri Lanka	Negotiation
Cutting Plotter	4,924	1,424	3,500	3,500	Transfer to SSL	Negotiation
Digitizing Table Cal Comp	480	139	341	341	Transfer to SSL	Negotiation
Further Adding Tire Curing	381	114	266	57	A-Aziz & Sons	Negotiation
Pneu. 2 Station Boot Leg	267	194	73	105	Transfer to SSL	Negotiation
Pump Hot Water Bom	827	375	453	96	A-Aziz & Sons	Negotiation
Refurbishment Of Rice Husk B	5,899	2,047	3,852	468	M.I.A Manufacture	Negotiation
Rice Husk Fired Boiler	28,021	11,552	16,469	2,221	M.I.A Manufacture	Negotiation
Shoe Master Classic	474	65	409	409	Transfer to SSL	Negotiation
Sole Attaching Press	260	130	130	132	Transfer to SSL	Negotiation
Stroble M/C Model CS-4060	256	55	201	210	Transfer to SSL	Negotiation
Toe Forming M/C Model	1,481	620	861	1,000	Transfer to SSL	Negotiation
Wrinkle Chasing M/C	223	105	118	152	Transfer to SSL	Negotiation
Gradation of Rice Husk Boiler	1,998	623	1,375	158	M.I.A Manufacture	Negotiation
	57,599	24,672	32,927	13,793		
Having book value less than Rs. 50,000	15,558	14,561	997	2,341	Misc.	Negotiation
Total of plant & machinery	73,157	39,233	33,924	16,134		

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

Particulars	Cost	Accumulated depreciation	Net book value	Sale proceeds	Sold to	Mode of disposal
<-----Rupees in thousand----->						
Furniture & Fixture						
Having book value less than Rs. 50,000	48	44	4	1	Misc.	Negotiation
Total of Furniture & Fixture	48	44	4	1		
Vehicles						
Having book value exceeding Rs. 50,000						
Honda C.G 125 M.Qasim	103	28	74	88	Jubli Insurance.Co	Negotiation
Honda Civic LE-7939	1,365	437	928	750	Irfan Ahmed	Negotiation
HondaCivic Pros- F Arif Sb	1,963	1,338	625	1,150	Khurram Motors	Negotiation
Millat Forkleft Truck Capaci	913	814	99	354	Muhammad Ayub	Negotiation
Millat Forklift Truck 3-Tons	913	826	87	348	Cheema Enterprises	Negotiation
Toyota High-Roof Van	953	817	136	980	Mr. Irshad Gujjar	Negotiation
	6,210	4,260	1,949	3,670		
Having book value less than Rs. 50,000	444	292	154	118	Misc.	Negotiation
Total of vehicles	6,654	4,552	2,103	3,788		
Service equipments						
Having book value exceeding Rs. 50,000						
A.Conditioner Plant H.Office	1,829	1,420	409	130	Mohammad Yaseen Kabaria	Negotiation
Accessories for Hot water & Cold	372	121	251	53	A-Aziz & Sons	Negotiation
BOM Hot water pumps	480	156	324	69	A-Aziz & Sons	Negotiation
BOM Rickshaw Installaion	593	137	457	97	A-Aziz & Sons	Negotiation
Bias Cutter Chain hoist	154	34	120	25	A-Aziz & Sons	Negotiation
Control Room of Rice Husk Boiler	204	44	160	16	M.I.A Manufacture	Negotiation
Electric Cable+ instrumentation	198	3	194	41	A-Aziz & Sons	Negotiation
LASTS CE-1,2,5	713	663	50	50	Muhammad Aslam Muridke	Negotiation
Pump Cold Water Centifugal	83	31	52	11	A-Aziz & Sons	Negotiation
Pump Hot Water Multi Stage	245	91	154	33	A-Aziz & Sons	Negotiation
Steam Traps	997	380	617	131	A-Aziz & Sons	Negotiation
Stand by elevator for RH + motors	1,193	267	927	197	A-Aziz & Sons	Negotiation
Steam trap thermodynamic	985	320	665	141	A-Aziz & Sons	Negotiation
Water Pump Movitec	435	197	238	50	A-Aziz & Sons	Negotiation
	8,481	3,864	4,618	1,044		
Having book value less than Rs. 50,000	11,287	10,325	960	686	Misc.	Negotiation
Total service equipments	19,768	14,189	5,578	1,730		
Total - 2016	113,410	62,857	50,553	26,708		
Total - 2015	64,564	49,830	14,734	14,227		

16.2 Capital Work in Progress

					2016 Amount	2015 Amount
	Building	Plant and machinery	Furniture and fixture	Leasehold improvements	Service equipment	Total
	<-----Rupees in thousand----->					
Balance as at January 01	62,304	39,573	-	-	40,051	141,928
Additions during the year	453,451	1,093,215	466	19,694	25,397	1,592,223
Transfers / adjustments during the year	(69,601)	(993,120)	-	-	(42,120)	(1,104,841)
Balance as at December 31	446,154	139,668	466	19,694	23,328	629,310

	Note	2016 Amount Rupees in thousand	2015 Amount
17 Intangible assets			
Software programs	17.1	2,720	5,640

17.1 Cost

As at January 01	40,111	37,212
Additions / transfers during the year	552	4,822
Disposal	-	(1,923)
As at December 31	40,663	40,111
Amortization		
As at January 01	34,471	29,115
Charge for the year	3,472	6,638
Disposals	-	(1,282)
As at December 31	37,943	34,471
Book value as at December 31	2,720	5,640
Rate of amortization	33.33%	33.33%

18 Long term investments

These represents long term investments in:

Related parties	18.1	248,174	227,208
Others	18.2	-	96,312
		248,174	323,520

18.1 Investment in Related Parties:

18.1.1 Investment in Associate:

Speed (Private) Limited	247,694	227,208
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18.1.2 Investment in Joint Venture:

S2 Power Limited (24,000 fully paid shares of Rs.10/- each)	240	-
S2 Hydro Limited (24,000 fully paid shares of Rs.10/- each)	240	-
	480	-
	248,174	227,208

Notes to the Consolidated Financial Statements

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	Note	2016 Amount Rupees in thousand	2015 Amount
18.1.1.1 Speed (Private) Limited - associated company			
Cost of investment			
160,709 fully paid ordinary shares of Rs. 100/- each (2015: 142,839)		190,949	190,949
Share of post acquisition reserve			
As at the beginning of the year		36,259	41,871
Share of post acquisition profit for the year / period		30,932	60,094
Less: Dividends received during the year		(10,446)	(65,706)
		56,745	36,259
		247,694	227,208
18.1.1.2 The registered office of Speed (Private) Limited is situated at Office no.1, First Floor, Service Club Extension Building Mereweather Road, Karachi.			
	Note	2016 Amount Rupees in thousand	2015 Amount
18.1.1.3 Current assets			
Non current assets		949,475	687,230
Current liabilities		287,209	174,648
Non current liabilities		377,593	96,337
Revenue - net for the year / period		2,170	2,170
Expenses for the year / period		1,761,433	1,554,133
Profit for the year / period		1,620,193	1,282,711
Other comprehensive income for the year		141,240	271,422
Total comprehensive income for the year		-	-
Net assets of the associate		141,240	271,422
Percentage of holding		856,921	763,371
Share in net assets of associate		21.90%	21.90%
18.1.1.4 Breakup value per share (Rupees)			
		187,664	167,178
		1,168	1,040
18.1.1.5 Reconciliation of share in net assets of associate with carrying value of investment			
Share in net assets of associate		187,664	167,178
Add: Goodwill		60,030	60,030
Carrying value of investment in associate		247,694	227,208

	Note	2016 Amount Rupees in thousand	2015 Amount
18.2			
Investment in quoted securities - Available for sale investments			
Hub Power Company			
Equity held Nil (2015: 0.033%)			
Nil (2015: 385,000) fully paid ordinary shares of Rs.10 each		-	39,501
Fauji Cement Company Limited			
Equity held Nil (2015: 0.045%)			
Nil (2015: 600,000) fully paid ordinary shares of Rs.10 each		-	22,092
K Electric Limited			
Equity held Nil (2015: 0.017%)			
Nil (2015:4,666,500) fully paid ordinary shares of Rs.3.5 each		-	34,719
		-	96,312
19			
Long term loans			
Considered good			
- due from executives	19.1	20,101	9,434
- due from other employees		938	859
		21,039	10,293
Less: current portion of long term loans	23	(5,608)	(3,210)
		15,431	7,083
19.1			
Reconciliation of loans to executives			
Balance as at January 01		9,434	10,622
Add: Disbursements during the year		18,010	4,461
Less: Repayments during the year		(7,343)	(5,649)
Balance as at December 31		20,101	9,434
19.2			
These represent interest free loans to executives and employees for general purpose and house building, which are recoverable in monthly installments over a period of 10 years and are secured by a charge on the assets purchased and / or amount due to the employees against retirement benefits. These are stated at cost.			
19.3			
The maximum aggregate amount due from the executives in respect of loans at the end of any month during the year was Rs. 23.644 million (2015: Rs. 13.90 million).			

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

	Note	2016 Amount Rupees in thousand	2015 Amount
20	Stores, spares and loose tools		
	Machinery spares	52,590	56,849
	Stores	2,246	71,082
	Loose tools	68,851	3,596
	Less:		
	Provision for slow moving and obsolete items	20.1 (23,482)	(16,957)
		100,205	114,570
20.1	Movement for provisions:		
	Balance at the beginning of the year	16,957	11,603
	Provisions made during the year	10,256	6,605
	Adjusted during the year	(437)	-
	Reversals made during the year	(3,294)	(1,251)
	Charge for the year	6,525	5,354
	Balance at the end of the year	23,482	16,957
21	Stock in trade		
	Raw material	963,419	1,213,355
	Packing material	62,506	38,739
	Work in process	288,944	392,647
	Finished goods: Own production	920,504	864,755
	Purchased	454,825	193,204
	Goods in transit	133,763	183,162
	Provision for slow moving, obsolete items and net realizable value	21.1 (94,223)	(166,006)
		2,729,738	2,719,856
21.1	Movement for provisions:		
	Balance at the beginning of the year	166,006	102,947
	Provisions made during the year	45,156	105,807
	Reversals made during the year	(116,939)	(42,748)
	Charge for the year	(71,783)	63,059
	Balance at the end of the year	94,223	166,006

21.2 Finished goods of Rs. 632.6 million (2015: Rs. 88.4 million) are being carried at net realizable value and an amount of Rs. 34.35 million (2015: Rs. 43.62 million) has been charged to cost of sales, being the cost of inventory written down during the year.

	Note	2016 Amount Rupees in thousand	2015 Amount
22 Trade debts			
Secured - Against irrevocable letters of credit		688,453	328,501
Unsecured - Considered good		1,794,758	1,198,978
Unsecured - Considered doubtful		65,670	45,939
Provision for doubtful debts	22.1	(65,670)	(45,939)
		2,483,211	1,527,479
22.1 Movement of provision for doubtful debts is as follows:			
Balance at the beginning of the year		45,939	71,399
Provisions made during the year		23,046	32,096
Bad debts written off		(1,212)	(53,832)
Recoveries made during the year		-	(3,724)
Reversals made during the year		(2,103)	-
		19,731	(25,460)
Balance at the end of the year		65,670	45,939
22.2 These relate to normal business of the Holding Company.			
23 Loans and advances			
Advances - considered good:			
- Staff		1,901	1,166
- Suppliers		36,118	141,525
- Others		77,910	4,201
Letters of credit		232,492	83,569
Current portion of long term loans	19	5,608	3,210
		354,029	233,671
24 Trade deposits and prepayments			
Security deposits		31,875	58,979
Prepayments		53,894	17,740
		85,769	76,719
25 Tax refunds due from government			
Custom duty rebate		126,389	161,841
Excise duty		64	49
Advance income tax		828,429	775,780
Sales tax		429,962	344,286
		1,384,844	1,281,956

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

	Note	2016 Amount Rupees in thousand	2015 Amount
26 Cash and cash equivalents			
Cash in hand		4,835	1,697
Balances with banks in current accounts:			
- Local currency		40,627	29,055
- Foreign currency		181	4,836
Balances with banks in deposit accounts:			
- Foreign currency		62,962	-
Term deposits with banks		178,144	424,258
Cash in transit		1,496	-
		288,245	459,846

27 Sales - net			
Export sales		4,918,730	5,152,464
Discounts, commissions, etc.		(81,830)	(113,500)
		4,836,900	5,038,964
Local sales		16,622,039	15,007,563
Sales tax and excise duty		(1,949,052)	(1,813,123)
Discounts, commissions, etc.		(525,459)	(688,668)
		14,147,528	12,505,772
		18,984,428	17,544,736

27.1 Export sales include net exchange rate gain of Rupees 216.92 million (2015: 199.6 million gain).

	Note	2016 Amount Rupees in thousand	2015 Amount
27.2 Sale of footwear (Net)			
Export sales		4,145,549	4,488,753
Local sales		5,470,748	4,839,952
		9,616,297	9,328,705
Sale of tyres and tubes (Net)			
Export sales		691,352	550,211
Local sales		8,663,011	7,665,719
		9,354,363	8,215,930
Sale of technical rubber products (Net)			
Export sales		-	-
Local sales		13,768	101
		13,768	101
		18,984,428	17,544,736

	Note	2016 Amount Rupees in thousand	2015 Amount
28 Cost of sales			
Raw material consumed	28.1	9,514,194	9,660,367
Salaries, wages and benefits	28.2	2,442,442	2,292,956
Stores and spares consumed		257,182	224,430
Packing material consumed		603,231	549,376
Fuel and power		647,398	693,393
Insurance		18,373	17,012
Travelling expenses		13,682	13,455
Repair and maintenance		115,142	108,779
Entertainment		3,864	2,756
Depreciation	16.1.1	344,321	304,814
Provision for slow moving items, obsolete items and net realizable value		(65,258)	84,412
Other manufacturing charges		136,669	176,555
		14,031,240	14,128,305
Work in process: As at January 01		392,647	441,215
As at December 31		(288,944)	(392,647)
		103,703	48,568
Cost of goods manufactured		14,134,943	14,176,873
Finished goods: As at January 01		1,057,958	757,398
Purchases during the year		1,391,157	652,357
As at December 31		(1,375,329)	(1,057,958)
		1,073,786	351,797
		15,208,729	14,528,670
28.1 Raw material consumed			
Balance as at January 01		1,213,355	1,251,540
Purchases during the year	28.3	9,264,258	9,622,182
Balance as at December 31		(963,419)	(1,213,355)
		9,514,194	9,660,367
28.2 Salaries, wages and benefits			
Salaries, wages and benefits		2,339,388	2,195,560
Provident fund contribution		86,258	79,583
Gratuity contribution		16,788	17,730
Pension fund contribution		8	83
		2,442,442	2,292,956

28.3 Custom duty rebate for the year amounting to Rs. 73.77 million (2015: Rs. 79.68 million) has been adjusted against raw material consumed.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

	Note	2016 Amount Rupees in thousand	2015 Amount
29 Distribution cost			
Freight and insurance	29.1	218,119	216,840
Salaries and benefits	29.2	155,191	118,678
Advertisement and publicity		318,041	203,411
Entertainment		9,642	6,031
Samples		66,439	78,511
Depreciation	16.1.1	22,719	–
Amortization on intangible assets	17.1	39	–
Others		183,400	100,954
		973,590	724,425
29.1	This includes export expenses of Rs. 91.10 million (2015: Rs. 98.68 million).		
29.2 Salaries and benefits			
Salaries and benefits		150,885	114,739
Gratuity contribution		(66)	56
Provident fund contribution		4,368	3,880
Pension fund contribution		4	3
		155,191	118,678
30 Administrative expenses			
Salaries and benefits	30.1	669,346	521,908
Communication		10,266	9,164
Printing and stationery		6,393	5,294
Travelling and conveyance		33,424	16,933
Entertainment		23,359	20,319
Motor car expenses		16,918	18,694
Insurance		4,118	5,009
Rent, rates and taxes		22,301	12,693
Fuel and power		22,203	19,664
Repairs and maintenance		10,248	10,355
General expenses		32,099	30,190
Auditors' remuneration	30.2	6,286	4,272
Legal and professional charges		19,631	12,935
Subscription		1,567	1,439
Depreciation	16.1.1	15,956	11,096
Amortization on intangible assets	17.1	3,433	6,638
Ijarah rentals		70,041	71,839
Computer running expenses		14,850	10,971
Advertisement		1,027	195
Preliminary Expenses		941	–
		984,407	789,608

	Note	2016 Amount Rupees in thousand	2015 Amount
30.1 Salaries and benefits			
Salaries and benefits		648,287	508,803
Gratuity contribution		11,027	6,380
Provident fund contribution		15,439	12,726
Pension fund contribution		(5,407)	(6,001)
		669,346	521,908
30.2 Auditors' remuneration			
Audit fee		2,376	1,863
Half yearly review		844	513
Taxation and other advisory services		2,592	1,701
Out of pocket expenses		474	195
		6,286	4,272
31 Other operating expenses			
Donations	31.1	62,472	42,708
Workers' profit participation fund		77,321	68,045
Workers' welfare fund-Current Year		17,092	25,857
Workers' welfare fund-Prior Year Reversal		(13,198)	–
Reversal of Custom Rebate		20,713	–
Loss on disposal of property, plant and equipment		23,805	–
Loss on sale of shares		3,404	–
Provision for doubtful debts		20,943	28,158
Others		163	–
		212,715	164,768
31.1 None of the directors of the Company has interest in the donee.			
32 Other income			
Income from financial assets			
Dividend income		5,285	3,018
Share of profit from associated company		30,932	60,094
Income on term deposits with bank		13,077	77,939
		49,294	141,051
Income from non-financial assets			
Profit / (Loss) on disposal of property, plant and equipment		–	(1,148)
Scrap sales and others		40,959	96,446
Rental income		9,826	9,809
		50,785	105,107
		100,079	246,158

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

	Note	2016 Amount Rupees in thousand	2015 Amount
33 Finance cost			
Interest / markup on:			
- Short term borrowings		135,261	165,807
- Long term financing		61,422	99,883
Bank commission, fees and charges		40,164	50,726
		236,847	316,416
34 Taxation			
Current tax-Current Year		204,507	251,056
Current tax-Prior Year		(55,560)	-
Deferred tax		47,830	49,393
Super tax		27,031	20,711
		223,808	321,160
34.1 Numerical reconciliation of tax charge for the year			
Profit before taxation		1,468,219	1,267,007
Applicable tax rate 31% (2015: 32%)		455,148	405,442
Tax effect of amounts that are:			
Inadmissible expenses		12,143	11,158
Tax effect of dividend		449	17,607
Admissible expenses		(29,730)	(3,045)
Exempt income		(28,193)	(43,277)
Presumptive tax regime		(56,483)	(41,183)
Minimum tax credit / tax credit		(100,997)	(38,200)
Effect of change in tax rates		-	(8,053)
Super tax		27,031	20,711
Tax effect of prior years		(55,560)	-
		(231,340)	(84,282)
		223,808	321,160
Average effective tax rate charged to profit and loss account		15.24%	25.35%
35 Earnings per share - basic and diluted (Rupees) attributable to owners of holding company			
35.1 Basic earnings per share			
Profit after tax (Rupees in thousands)		1,244,411	945,847
Weighted average number of ordinary shares outstanding during the year		12,028,789	12,028,789
Basic earnings per share (Rupees)		103.54	78.63

35.2 Diluted earnings per share

There is no dilution effect on basic earnings per share of the Holding Company as the Holding Company has no such commitments.

36 Remuneration of directors, chief executive and executives

The aggregate amount for remuneration, including benefits to directors, the chief executive and executives of the Holding Company charged in these financial statements are as follows:

Particulars	<-----Rupees in thousand----->					
	Directors	2016		2015		
		Chief executive	Executives	Directors	Chief executive	Executives
Managerial remuneration	69,187	18,733	176,900	58,067	15,708	172,454
Utilities	13,837	3,747	115,100	11,613	3,142	110,501
Retirement and other benefits	66,432	30,152	98,848	56,724	25,786	86,574
Total	149,456	52,632	390,848	126,404	44,636	369,529
No. of persons	4	1	158	4	1	151

Meeting fee of rupees 1.65 million (2015: rupees 1.77 million) was paid to non-executive directors. The chief executive, executive directors and some of the executives of the Holding Company are provided with Holding Company maintained vehicles in accordance with Holding Company's policy.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

	Note	2016 Amount Rupees in thousand	2015 Amount
37 Cash generated from operations			
Profit before taxation		1,468,219	1,267,007
Adjustments for non-cash charges and other items:			
Depreciation	16.1.1	382,996	315,910
Amortization	17.1	3,472	6,638
Employee benefit plans	11.2.3	22,353	18,146
Loss on sale of shares		3,404	-
Finance cost	33	236,847	316,416
Provision for slow moving and obsolete items		(65,258)	68,413
Provision for workers' profit participation fund		77,321	68,045
Provision for workers' welfare fund		3,894	25,857
Provision for doubtful debts		20,943	28,372
Ijarah rentals		70,041	71,839
Share of profit from Speed (Private) Limited	18.1.1	(30,932)	(60,094)
Loss / (Profit) on sale of property, plant and equipment		23,805	1,148
		748,886	860,690
Operating profit before working capital changes		2,217,105	2,127,697
Changes in working capital			
(Increase) / decrease in current assets			
Stores, spares and loose tools		7,840	(11,813)
Stock in trade		61,901	(178,554)
Trade debts		(976,675)	87,012
Loans and advances		(120,358)	(78,930)
Trade deposits and prepayments		(9,050)	(59,390)
Tax refunds, due from / to government		(50,239)	(65,056)
Other receivables		(17,573)	(38,747)
		(1,104,154)	(345,478)
Increase / (decrease) in current liabilities			
Trade and other payables		95,628	1,053,751
Cash generated from operations		1,208,579	2,835,970

38 Financial risk management

38.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, other price risk and interest rate risk). The Group's overall risk management program focuses on the unpredictability of financial markets and seeks 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 credit risk, liquidity risk, currency risk, other price risk and interest rate risk.

(i) 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.

(a) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Note	2016 Amount	2015 Amount
Rupees in thousand			
Long term loans		15,431	7,083
Long term deposits		77,956	52,152
Trade debts		2,548,881	1,573,418
Loans and advances		85,419	8,577
Trade deposits		31,875	58,979
Other receivables		75,699	58,126
Bank balances		281,914	458,149
		3,117,175	2,216,484
Trade debts			
Foreign parties		688,453	328,501
Local parties		1,860,428	1,244,917
		2,548,881	1,573,418

	2016			2015		
	Gross debtors	Provision	Net debtors	Gross debtors	Provision	Net debtors
<-----Rupees in thousand----->						
Neither past due nor impaired	2,472,004	–	2,472,004	1,481,168	–	1,481,168
Impaired	76,877	(65,670)	11,207	92,250	45,939	46,311
	2,548,881	(65,670)	2,483,211	1,573,418	45,939	1,527,479

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

(b) Credit rating of major bank accounts

Banks	Rating		Rating agency	2016	2015
	Short term	Long term		Amount	Amount
				Rupees in thousand	
Bank Alfalah Limited	A1+	AA+	PACRA	347,210	224,248
Askari Bank Limited	A-1+	AA-	PACRA	346,944	173,500

(ii) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet.

	Carrying amount	<-----Rupees in thousand----->			
		Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
December 31, 2016					
Long term financing	1,221,079	1,221,079	223,058	998,021	-
Long term deposits	5,268	5,268	-	5,268	-
Trade and other payables	2,266,042	2,266,042	2,266,042	-	-
Interest and mark-up accrued	44,362	44,362	44,362	-	-
Short term borrowings	3,242,870	3,242,870	3,242,870	-	-
	6,779,621	6,779,621	5,776,332	1,003,289	-
December 31, 2015					
Long term financing	1,103,020	1,103,020	221,170	847,183	34,667
Long term deposits	3,665	3,665	-	3,665	-
Trade and other payables	2,174,241	2,316,136	2,316,136	-	-
Interest and mark-up accrued	52,986	52,986	52,986	-	-
Short term borrowings	1,662,360	1,662,360	1,662,360	-	-
	4,996,272	5,138,167	4,252,652	850,848	34,667

	Note	2016 Amount Rupees in thousand	2015 Amount
(a) Financial instruments by categories			
Assets as per balance sheet			
Long term loans		15,431	7,083
Long term deposits		77,956	52,152
Trade debts		2,548,881	1,573,418
Loans and advances		85,419	8,577
Trade deposits		31,875	58,979
Other receivables		75,699	58,126
Cash and bank balances		288,245	459,846
		3,123,506	2,218,181
Liabilities as per balance sheet			
Long term financing		1,221,079	1,103,020
Long term deposits		5,268	3,665
Interest and mark-up accrued		44,362	52,986
Short term borrowings		3,242,870	1,662,360
Trade and other payables		2,266,042	2,174,241
		6,779,621	4,996,272

According to classifications of IAS-39, all financial assets are classified as loans and receivables and all financial liabilities are designated at amortized cost.

(iii) Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Group's income or the value of its holdings of financial instruments.

(a) 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.

The Group is exposed to currency risk arising from various currency exposures, primarily with respect to the Euro and US Dollar. Currently, the Group's foreign exchange risk exposure is restricted to the amounts receivable / payable to foreign entities. The Group uses forward exchange contracts to hedge its foreign currency risk, when considered appropriate. The Group's exposure to currency risk is as follows:

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

		Debtors	Cash and bank balances	Gross financial assets exposure	Trade and other payables	Net exposure
USD in ('000)	2016	755	–	755	(1,489)	(734)
USD in ('000)	2015	796	–	796	(524)	272
EURO in ('000)	2016	4,677	2	4,678	(533)	4,145
EURO in ('000)	2015	2,145	42	2,187	–	2,187

Significant exchange rates

	<-----Rupees per----->			
	US Dollar		Euro	
	Average	Reporting date	Average	Reporting date
2016	104.77	104.79	115.96	110.32
2015	102.74	104.60	113.53	114.32

Sensitivity analysis

At reporting date, if the PKR had strengthened by 10% against the foreign currencies with all other variables held constant, before tax profit for the year would have been lower by the amount shown below, mainly as a result of net foreign exchange gain on translation of foreign debtors, foreign currency bank account and trade and other payables.

	Note	2016 Amount Rupees in thousand	2015 Amount
Effect on profit and loss			
US Dollar		(7,688)	2,845
Euro		45,731	25,002
		38,043	27,847

The weakening of the PKR by 10% against foreign currencies would have had an equal but opposite impact on the post tax loss.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Group.

(b) Other price risk

Other 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 Group is not exposed to commodity and equity price risk.

(c) 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 Group has no significant long – term interest – bearing assets. The Group interest rate risk arises from long term financing and short term borrowing. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk.

At the balance sheet date the interest rate profile of the Group's interest bearing financial instruments was:

	2016	2015	2016	2015
	Effective interest rate		Carrying amount	
	%	%	Rupees in thousand	
Fixed rate instruments				
Financial liabilities				
Long term financing	0.00	10.00 to 10.70	–	–
Floating rate instruments				
Financial liabilities				
Long term financing	6.21 to 8.55	6.81 to 10.60	1,221,079	1,103,020
Short term borrowings:				
Cash credit	6.34 to 7.51	6.81 to 11.07	(476,909)	(494,513)
Export refinance	2.25 to 4.00	4.00 to 7.00	2,059,652	2,156,873
Import loan	1.3 to 1.65	–	1,660,127	–
			3,242,870	1,662,360
			4,463,949	2,765,380

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Group.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have (decreased) / increased profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

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For the year ended December 31, 2016

	Interest rate 100 bps	
	Decrease in profit Rupees in thousand	Increase in profit Rupees in thousand
As at December 31 2016		
Long term financing	12,211	12,211
Short term financing		
Cash credit	(4,769)	(4,769)
Export refinance	20,597	20,597
Import loan	16,601	16,601
	44,640	44,640
As at December 31 2015		
Long term financing	11,030	11,030
Short term financing		
Cash credit	(4,945)	(4,945)
Export refinance	21,569	21,569
	27,654	27,654

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Group.

38.2 Capital risk management

The Group objectives while managing capital are to safeguard the Group ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain healthier capital ratios in order to support its business and maximize shareholders' value. The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to the shareholders, return on capital to shareholders or issue new shares.

The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Long term debt represents long term financing as referred in Note 9. Total capital employed includes 'total equity' as shown in the balance sheet plus long term debt. The Group strategy, which was unchanged from last year, was to maintain optimal capital structure in order to minimize cost of capital.

	Note	2016 Amount Rupees in thousand	2015 Amount
The gearing ratio as at year ended December 31			
Long term debt	9	998,021	881,850
Equity	7 & 8	4,382,864	3,603,069
Total capital employed		5,380,885	4,484,919
Gearing ratio	(In %age)	18.55%	19.66%

39 Related party transactions

The related parties comprise associated companies, entities over which the directors are able to exercise influence, staff retirement funds, directors and key management personnel. The transactions with related parties other than remuneration and benefits to key management personnel under the terms of their employment which are disclosed in the Note 36 are as follows:

Relationship with Company	Nature of transactions	Transactions for the year ended Dec 31, 2016	December 31, 2016 Closing balance		December 31, 2015 Closing balance	
			Debit	Credit	Debit	Credit
Associates	Investment	480	248,174	-	227,208	-
	Advances	7,500	7,500	-	-	-
	Expenses	1,869	1,869	-	-	-
	Others	3,782	-	3,782	-	-
Retirement Benefits	Contribution	128,419	-	49,111	-	41,856

All transaction with the related parties have been carried out on commercial terms and conditions.

40 Plant capacity

Footwear division

Due to the nature of the Company's business production capacity is not determinable.

	Installed capacity		Actual production	
	2016	2015	2016	2015
Number of tyres	14,085,900	12,906,400	10,618,111	9,125,152
Number of tubes	36,302,000	30,248,400	34,439,191	27,020,832

The capacity of the plant was utilized to the extent of orders received.

	Note	2016	2015
		Amount	Amount
		Rupees in thousand	
41 Provident fund related disclosures			
Size of the fund - Total assets		1,877,372	1,460,981
Cost of investments		995,599	941,229
Fair value of investments		1,744,351	1,328,783
Percentage of investments made		92.91%	90.95%

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

41.1 The break-up of investments is as follows:

	2016		2016	
	Percentage	Amount Rupees in thousand	Percentage	Amount Rupees in thousand
Fixed income SMA / TDR	25%	248,033	24%	419,111
PIBs / Treasury bills	12%	126,614	7%	121,499
Mutual funds	48%	475,490	21%	367,744
Listed securities	15%	145,462	48%	835,997
	100%	995,599	100%	1,744,351

	2015		2015	
	Percentage	Amount Rupees in thousand	Percentage	Amount Rupees in thousand
Fixed income SMA / TDR	65%	602,541	50%	659,302
PIBs / Treasury bills	9%	86,798	7%	87,187
Mutual funds	11%	106,428	8%	107,648
Listed securities	15%	145,462	35%	474,646
	100%	941,229	100%	1,328,783

41.2 Investments out of provident fund have been made in accordance with the provision of section 227 of the companies Ordinance, 1984 and the rules formulated for this purpose. The break-up of investments for 2016 is based on audited accounts.

42 Number of employees

	2016	2015
Number of employees as on December 31	9,733	9,830
Average number of employees during the year	9,782	9,435

43 Segment reporting

Segment information is presented in respect of the Holding Company's business. The primary format, business segment, is based on the Holding Company's management reporting structure. Its manufacturing facilities are located at Gujrat and Muridke. The Muridke unit is engaged in the production of footwear while the facility at Gujrat unit is engaged in the production of footwear, tyres and tubes and technical rubber products.

Segment results, assets and liabilities include items directly attributable to segment as well as those that can be allocated on a reasonable basis. Unallocated assets and liabilities include short term and long term borrowings, employees retirement benefits and other operating liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year.

The Holding Company's operations comprise of the following main business segments:

- Footwear
- Tyre and tube
- Technical rubber products.

Segment analysis for the year ended December 31, 2016

-----Rupees in thousand----->								
	Footwear		Tyre division		Technical rubber products		Total	Total
	2016	2015	2016	2015	2016	2015	2016	2015
External sales	9,616,297	9,328,705	9,354,363	8,215,930	13,768	101	18,984,428	17,544,736
Inter - segment sales	-	-	-	-	-	-	-	-
Total revenue	9,616,297	9,328,705	9,354,363	8,215,930	13,768	101	18,984,428	17,544,736
Profit / (loss) before tax and unallocated expenses	985,294	693,978	1,384,565	1,380,950	991	(9,577)	2,370,850	2,065,351
Unallocated corporate expenses:								
Finance cost							(200,648)	(271,913)
Other operating expenses							(774,894)	(686,795)
Other operating income							72,911	160,364
Taxation							(223,808)	(321,160)
Profit after taxation							1,244,411	945,847
Total assets for reportable segments	5,001,031	4,423,137	5,686,775	4,026,899	23,055	21,133	10,710,861	8,471,169
Unallocated assets:							1,984,840	1,772,149
Total assets as per balance sheet							12,695,701	10,243,318
Segment liabilities	-	-	-	-	-	-	-	-
Unallocated liabilities							8,312,837	6,640,249
Total Liabilities as per balance sheet							8,312,837	6,640,249
Segment capital expenditure	297,523	343,620	1,487,831.36	374,484	-	-	1,785,354	718,104
Unallocated capital expenditure	-	-	-	-	-	-	11,981	15,521
Consolidated capital expenditure							1,797,335	733,625
Non-cash expenses other than depreciation and amortization								
Provision for slow moving stock	(74,389)	(58,343)	9,131	(10,070)	-	-	(65,258)	(68,413)
Depreciation and amortization expense								
Depreciation and amortization	134,813	106,226	239,135	200,526	1,577	1,770	375,525	308,522
Unallocated depreciation and amortization	-	-	-	-	-	-	10,943	14,026
Consolidated depreciation and amortization							386,468	322,548
43.1 Total profit for reportable segments							2,370,850	2,065,351
Unallocated expenses							(902,631)	(798,344)
Profit before tax							1,468,219	1,267,007

43.2 Revenues from one customer of the Holding Company footwear segments represented approximately Rs. 3,023.13 million (2015: 3,863.09 million) of the Company's total revenues.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

44 Authorization date

These financial statements were authorized for issue by the Board of Directors on March 30, 2017.

45 Events after the balance sheet date

The Board of Directors in its meeting held on March 30, 2017 has proposed a final cash dividend of Rs. 25 per share (2015: Rs. 25 per share) for approval of the members at the annual general meeting to be held on April 28, 2017. The Board has also recommended to transfer Rs. Nil (2015: Nil) to general reserve from unappropriated profit.

46 General

46.1 Previous year's figures have been re-arranged, wherever necessary for the purpose of comparison. However no material re-arrangements have been made.

46.2 Figures have been rounded off to the nearest thousand of rupees, except stated otherwise.

Chaudhry Ahmed Javed
(Chairman)

Omar Saeed
(Chief Executive)

Pattern of Shareholding

As at December 31, 2016

Number of Shareholders	Shareholding		Total Shares held
	From	To	
597	1	100	22,894
431	101	500	128,721
228	501	1000	171,807
195	1001	5000	446,093
40	5001	10000	285,040
11	10001	15000	135,188
4	15001	20000	75,800
7	20001	25000	161,967
2	25001	30000	53,500
1	30001	35000	34,300
1	35001	40000	36,224
3	40001	45000	123,849
1	45001	50000	49,009
1	50001	55000	54,050
1	70001	75000	72,017
1	75001	80000	75,350
1	80001	85000	82,482
1	90001	95000	94,937
1	95001	100000	99,390
1	100001	105000	104,048
1	135001	140000	136,172
1	150001	155000	153,773
1	475001	480000	477,218
1	510001	515000	510,460
1	555001	560000	558,407
1	725001	730000	730,000
1	755001	760000	758,015
1	815001	820000	819,976
2	995001	1000000	1,995,441
1	1570001	1575000	1,572,725
1	2005001	2010000	2,009,936
1,540			12,028,789

Pattern of Shareholding

As at December 31, 2016

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage
Directors, Chief Executive Officer, and their spouses and minor children	8	5,380,116	44.7270
Associated Companies, undertakings and related Parties	3	580,138	4.8229
NIT and ICP	1	900	0.0075
Banks, Development Financial Institutions, Non Banking Financial Institutions	4	836,420	6.9535
Insurance Companies	5	12,054	0.1002
Modarabas and Mutual Funds	20	1,953,353	16.2390
General Public			
a. Local	1,415	2,273,680	18.9020
b. Foreign	3	27,100	0.2253
Others (to be specified)			
1- Joint Stock Companies	23	87,424	0.7268
2- Foreign Companies	1	5,000	0.0416
2- Pension Funds	15	199,033	1.6546
3- Others	42	673,571	5.5997
	1,540	12,028,789	100.0000
Shareholders holding 10% or more	2	3,582,661	29.7841

Information required under the Code of Corporate Governance

Categories of Shareholders	Number of Shares held	Percentage
Associated Companies, undertakings and related parties		
SHAHID ARIF INVESTMENTS (PRIVATE) LIMITED	10,144	0.0843
TRUSTEE - SERVICE PROVIDENT FUND TRUST	558,407	4.6423
TRUSTEE - SERVICE CHARITABLE TRUST	11,587	0.0963
Mutual Funds		
CDC - TRUSTEE AKD INDEX TRACKER FUND (CDC)	1,188	0.0099
CDC - TRUSTEE DAWOOD ISLAMIC FUND (CDC)	1,000	0.0083
CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND (CDC)	2,000	0.0166
CDC - TRUSTEE HBL - STOCK FUND (CDC)	54,050	0.4493
CDC - TRUSTEE HBL IPF EQUITY SUB FUND (CDC)	2,800	0.0233
CDC - TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND (CDC)	8,300	0.0690
CDC - TRUSTEE HBL MULTI - ASSET FUND (CDC)	5,900	0.0490
CDC - TRUSTEE HBL PF EQUITY SUB FUND (CDC)	2,800	0.0233
CDC - TRUSTEE MCB PAKISTAN ISLAMIC STOCK FUND (CDC)	22,450	0.1866
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND (CDC)	34,300	0.2851
CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND (CDC)	26,000	0.2161
CDC - TRUSTEE NAFA ISLAMIC STOCK FUND (CDC)	10,150	0.0844
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC)	1,572,725	13.0747
CDC - TRUSTEE NIT ISLAMIC EQUITY FUND (CDC)	75,350	0.6264
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND (CDC)	99,390	0.8263
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND (CDC)	4,500	0.0374
CDC-TRUSTEE HBL ISLAMIC STOCK FUND (CDC)	9,350	0.0777
CDC-TRUSTEE PAK. INT. ELEMNT ISLAMIC ASSET ALLOCATION FUND (CDC)	13,050	0.1085
Directors and their spouses and minor children		
Mr. OMAR SAEED	995,896	8.2793
CHAUDHARY AHMED JAVED	2,009,936	16.7094
Mr. HASSAN JAVED	758,015	6.3017
Mr. M. IJAZ BUTT	40,069	0.3331
Mr. ARIF SAEED	999,545	8.3096
Mr. RIAZ AHMED	4,500	0.0374
MRS. NAJMA BUTT W/O MR M. IJAZ BUTT	477,218	3.9673
MRS. FATIMA SAEED W/O MR ARIF SAEED	94,937	0.7892
Executives		
	-	-
Public Sector Companies and Corporations		
	-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds		
	1,055,557	8.7753
Shareholders holding five percent or more voting rights		
CHAUDHARY AHMED JAVED	2,009,936	16.7094
MR. ARIF SAEED	999,545	8.3096
MR. OMAR SAEED	995,896	8.2793
MRS. SHAHIDA NAEEM	730,000	6.0688
MR. HASSAN JAVED	758,015	6.3017
NATIONAL BANK OF PAKISTAN	820,920	6.8246
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1,572,725	13.0747

To: All Shareholders of the Company

ABSTRACT UNDER SECTION 218 OF THE COMPANIES ORDINANCE, 1984

We are pleased to inform you that the Board of Directors of the Company in their meeting held on August 25, 2016 has revised the remuneration of the Chief Executive and Working Directors of the Company. The detail is as under:

- Chief Executive Officer – Rs. 24,720,000/- per annum
- Working Directors (4) – Rs. 22,800,000/- per annum

In addition to the above, the Board also approved a Bonus @ 6% of net profit after tax to the Group Executive Committee which comprises Chief Executive Officer, Mr. Omar Saeed and Two Working Directors, Mr. Arif Saeed and Mr. Hassan Javed, for the financial year ending December 31, 2016.

There is no change in other terms and conditions of their appointment.

Yours faithfully,



Waheed Ashraf
Company Secretary

Form of Proxy

60th Annual General Meeting

I/We _____ of _____
_____ being a member(s) of Service Industries Limited and holder of _____
ordinary Shares hereby appoint Mr. / Mrs. / Miss _____ of _____
or failing him / her _____ of _____ as my/our proxy in my / our absence to attend and
vote for me / us on my / our behalf at the 60th Annual General Meeting of the Company to be held on April 28, 2017 and / or
at any adjournment thereof.

In witness thereof I / We have signed and set my / our hands seal thereon this _____ day of _____
2017 in the presence of _____

Signed this _____ day of _____ 2017

Folio No.	CDC Account No.	
	Participant I.D.	Account No.

Signature on Five -Rupees
Revenue Stamp

The Signature should
agree with the specimen
registered with the
Company.

Important:

1. This Proxy Form, duly completed and signed, must be deposited at the registered office of the Company not less than 48 hours before the time of holding the meeting.
2. If a member appoints more than one proxy and more than one instrument of proxies are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
3. For CDC Account Holders / Corporate Entities

In addition to the above the following requirements have to be met:

- Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
- The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
- In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form to the Company.

**AFFIX
CORRECT
POSTAGE**

The Company Secretary
Service Industries Limited
Servis House, 2-Main Gulberg,
Lahore.

میں / ہم _____ سروس انڈسٹریز لمیٹڈ کے ممبر کی حیثیت سے اور حال _____
عمومی حصص، محترم / محترمہ _____ کو یا ان کی غیر حاضری کی صورت میں محترم / محترمہ _____
کو اپنا / ہمارا پراکسی مقرر کرتا ہوں تاکہ میری غیر موجودگی کی صورت میں میری / ہماری طرف سے کمپنی کے 60 ویں اجلاس عام جو کہ مورخہ 28 اپریل 2017 صبح 11 بجے منعقد ہو رہا ہے، میں شرکت / حق رائے دہی استعمال کر سکیں۔

گواہ نمبر 1

نام _____ دستخط _____ مورخہ _____

گواہ نمبر 2

نام _____ دستخط _____ مورخہ _____

پانچ روپے مالیت کی ریونیولمنٹ پر دستخط کریں۔	سی ڈی سی اکاؤنٹ نمبر		فولیو نمبر
	اکاؤنٹ نمبر	پارٹیسپنٹ آئی ڈی	
(دستخط کمپنی میں درج نمونہ دستخط کے مطابق ہونے چاہئیں)			

اہم ہدایات:

1. پراکسیز کے موثر ہونے کیلئے لازم ہے کہ وہ اجلاس سے 48 گھنٹے قبل کمپنی کو موصول ہوں۔
2. ایک سے زیادہ پراکسی مقرر کرنا یا جمع کروانا، ناقابل قبول ہوگا۔
3. سی ڈی سی اکاؤنٹ ہولڈرز / کارپوریٹ اداروں کیلئے۔

اوپر دی گئی ہدایت کے علاوہ مندرجہ ذیل شرائط بھی پوری کرنا ہوں گی۔

- حصص یافتگان کے نمائندوں سے التماس ہے کہ وہ اپنے کمپیوٹر ڈیٹا کو قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپی پراکسی فارم کے ساتھ کمپنی میں جمع کرائیں۔
- حصص یافتگان کے نمائندوں سے التماس ہے کہ وہ اپنے کمپیوٹر ڈیٹا کو قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپی اپنے ہمراہ لے کر آئیں۔
- کارپوریٹ ادارے کی صورت میں، بورڈ آف ڈائریکٹرز کی قرارداد یا پاور آف اٹارنی بمعہ دستخط کا نمونہ پراکسی فارم کے ساتھ جمع کروانا ضروری ہوگا۔



**AFFIX
CORRECT
POSTAGE**

The Company Secretary
Service Industries Limited
Servis House, 2-Main Gulberg,
Lahore.

ریٹائرمنٹ کی سہولیات میں سرمایہ کاری

کمپنی اپنے ملازمین کیلئے ریٹائرمنٹ کی سہولیات کی منصوبہ بندی رکھتی ہے جو کہ متعلقہ ٹرسٹیز بورڈ کے مطابق ہے۔ اس سرمایہ کاری کی قدر متعلقہ آڈٹ شدہ مالی گوشواروں کے مطابق مندرجہ ذیل ہے۔

31 دسمبر 2014	31 دسمبر 2015	31 دسمبر 2016	
(روپے لاکھ میں)			
1,346	1,328	1,744	پراویڈنٹ فنڈ
75	76	99	گریجویٹ فنڈ
69	72	77	پنشن فنڈ

شیرز ہولڈنگ کی تفصیل

کمپنی پاکستان سٹاک ایکسچینج پر لسٹڈ ہے۔ 31 دسمبر 2016 تک کی شیرز ہولڈنگ کی تفصیل اس سالانہ رپورٹ میں شامل ہے۔ ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری، انٹرنل آڈٹ کاسٹ برادران کی بیویاں اور چھوٹے بچوں نے کمپنی کے شیرز کی خرید و فروخت نہیں کی۔

بیلنس شیٹ کے بعد واقعہ

31 دسمبر کے بعد اس سالانہ رپورٹ تک کوئی تبدیلی ایسی نہیں ہوئی جو کہ اس مالی گوشوارے پر اثر انداز ہو سوائے حتمی ڈیویڈنڈ کے جس کی منظوری اراکین سالانہ اجلاس عام میں کریں گے ماس کا اندراج آئندہ سال کے مالیاتی گوشوارے میں ظاہر کیا جائے گا۔

اعتراف

ہم اپنے قابل قدر صارفین کے شکرگزار ہیں کہ جنہوں نے ہماری مصنوعات پر اعتماد کیا اور ہماری مسلسل سرپرستی کی جس نے کمپنی کی نمونہ بنائی بنایا۔ کمپنی اپنے ملازمین اور اسکے قابل فخر عزم، دلی کوششوں اور وفاداری بھی تہہ دل سے شکر یہ ادا کرتی ہے۔ علاوہ ازیں ہم اپنے سپلائرز، کاروباری شراکت داروں، مالی اداروں، توثیق کنندہ اداروں کے دوسرے سٹیک ہولڈرز کی حمایت انتہائی قدر کی نگاہ سے دیکھتے ہیں جو کہ ہماری کمپنی کی ترقی کیلئے مدد اور تعاون کر رہے ہیں۔

ہم آئندہ سالوں میں بھی اچھے نتائج حاصل کرنے کیلئے پر عزم ہیں، بورڈ کی جانب سے اپنے شیرز ہولڈرز کا مخلص ترین شکر یہ ادا کرتا ہوں کہ انہوں نے ہم پر بھروسہ اور اعتماد کیا اور ہماری غیر متزلزل حمایت جاری رکھی۔

بورڈ کیلئے اور جانب سے

مورخہ 30 مارچ 2017
جگہ: لاہور

عمر سعید
چیف ایگزیکٹو

کارپوریٹ گورننس کے بہترین طریقوں پر عمل

کمپنی تمام اخلاقی اور قانونی ضوابط پر پورا تارنے بلکہ اس سے بھی آگے بڑھنے کیلئے پرعزم ہے۔ بورڈ نے لگاتار بہتری کیلئے ایک راستے کی تشکیل کر دی ہے جو کہ لگاتار موجودہ طریقوں کو چیلنج کرتا رہتا ہے اور یہ اس بات کا تقاضا کرتا ہے کہ کمپنی میں وقت کے ساتھ ساتھ بدلاؤ آئے اور جب مناسب مواقع آئیں تو کمپنی اس کیلئے تیار ہو۔ چنانچہ کمپنی مارکیٹ میں دستیاب بہترین ملازمین حاصل کرے اور ان کو وہ مہارت اور مواقع دے جس سے وہ اعلیٰ اہداف کو حاصل کرنے والے بن جائیں۔

ہیومن ریسورس اور ریویو نیریشن کمیٹی

یہ کمیٹی تین اراکین پر مشتمل ہے جن میں سے زیادہ تر نان ایگزیکٹو ڈائریکٹرز ہیں۔ اس سال 2 مئی تک ہوئیں ہیں۔ یہ کمیٹی ایگزیکٹو کے معاوضے، انکی کارکردگی کے جائزے اور جانشینی کی منصوبہ بندی وغیرہ کے بارے میں اپنی سفارشات بورڈ کو پیش کرتے ہیں۔

سال کے دوران مینڈیٹ اور سرگرمیاں

بورڈ آف ڈائریکٹرز اور اس کی آڈٹ اور ہیومن ریسورس اور ریویو نیریشن کمیٹیوں کی تعداد اور ان کی حاضری مندرجہ ذیل ہے۔

ڈائریکٹرز کے نام	بورڈ آف ڈائریکٹرز	آڈٹ کمیٹی	ایچ آر اینڈ آر کمیٹی
جناب احمد جاوید	4/5	N/A	N/A
جناب عمر سعید	5/5	N/A	N/A
جناب اعجاز بٹ	5/5	N/A	N/A
جناب عارف سعید	4/5	N/A	2/2
جناب حسن جاوید	5/5	N/A	N/A
جناب ریاض احمد	4/5	5/5	2/2
جناب محمد امین	5/5	5/5	2/2
جناب شوکت الہی شیخ	2/5	N/A	N/A
جناب منظور احمد (تقریری، 15 مارچ 2016)	1/5	1/5	N/A
جناب قیصر مفتی (تقریری، 7 جون 2016)	2/5	1/5	N/A

بورڈ اور کمیٹی کے اجلاسوں میں شرکت نہ کرنے والے ڈائریکٹرز کے لئے غیر حاضری کی رخصت منظور کی گئی۔

بورڈ آف ڈائریکٹرز میں تبدیلیاں

جناب منظور احمد نے بورڈ سے 15 مارچ 2016 کو استعفیٰ دیا اور بورڈ نے اُنکی جگہ جناب قیصر مفتی کو 7 جون 2016 کو مقرر کیا۔

انتظامیہ کمیٹی

یہ کمیٹی پر مشتمل ہے جو کہ مینڈیٹ میں اہم کاروباری منصوبے، مسائل اور اپنے اپنے شعبے کی تازہ ترین صورتحال بحث کرتے ہیں۔ کارپوریٹ گورننس کی ضابطہ اخلاق کے مطابق بورڈ کی منظوری کے لئے پیش کئے جانے والے اہم معاملات زیر بحث لائے جاتے ہیں۔

کمپنیز آرڈیننس 1984 کی دفعہ 218 کے تحت خلاصہ

کمپنیز آرڈیننس 1984 کی دفعہ 218 کے تحت خلاصہ اس رپورٹ میں شامل ہے جو کہ کو پہلے ہی تمام شیئرز ہولڈرز کو بھیجا جا چکا ہے۔

بیرونی آڈیٹرز

ایس ایم مسعود اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے اس سال کے دوران استعفیٰ دیا تھا اور آڈٹ کمیٹی کی سفارش پر رحمان سرفراز رحیم اقبال رفیق اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کی تقرری کی گئی تھی۔

بورڈ کے ڈائریکٹرز نے آڈٹ کمیٹی کی سفارش پر رحمان سرفراز رحیم اقبال رفیق اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کی بیرونی آڈیٹرز کے طور پر 31 دسمبر 2017 تک تقرری کی تجویز پیش کی ہے۔

اس سال کمپنی نے ایک غیر جانبدار کمپنی کی خدمات حاصل کی ہیں جس نے ہمارے اندرونی کنٹرولز اور کام کرنے کے طریقوں کا جائزہ لیا ہے تاکہ شفاف مالی معلومات فراہم ہو سکے اور قواعد و قوانین سے ہم آہنگی کو یقینی بنایا جاسکے۔ اس سے ہمارے کام کرنے کے طریقوں میں بھی بہتری آئی ہے۔

کمپلائنس پرائیکٹ نظر

کمپنی کارپوریٹ گورننس کی اصولوں پر سختی سے عمل پیرا ہے جو کہ سیکورٹیز اور ایچ آر اینڈ آر آف پاکستان نے جاری کیا ہے۔ اسے اس رپورٹ میں کمپلائنس کے بیان کی شکل میں مختصراً درج کیا گیا ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ کے فریم ورک پر ڈائریکٹرز کے بیانات

جیسا کہ کارپوریٹ گورننس کے ضابطہ اخلاق متقاضی ہے ہم ڈائریکٹرز کی جانب سے بیان کرنے میں خوش محسوس کرتے ہیں کہ:

- 1- انتظامیہ کے تیار کردہ مالی گوشوارے کمپنی کے معاملات، کام کرنے کے طریقے، کیش فلو اور ایکویٹی میں تبدیلی کو منصفانہ طریقے سے پیش کرتے ہیں۔
- 2- کمپنی نے اچھی طرح سے اکاؤنٹس کے کھاتے تیار کر رکھے ہیں۔
- 3- مالی گوشواروں اور اکاؤنٹنگ اسٹیٹسٹ کی تیاری میں مناسب اکاؤنٹنگ پالیسیاں تسلسل کے ساتھ استعمال کی جارہی ہیں۔
- 4- مالی گوشواروں کی تیاری بین الاقوامی مالی رپورٹنگ معیارات (IFRS) کے مطابق کی گئی ہے۔
- 5- کمپنی نے ٹھوس اندرونی کنٹرولز لاگو کر رکھے ہیں جس سے یہ یقینی بنایا جاتا ہے کہ غلط معلومات نہ ملے اور نقصان نہ ہو۔ اندرونی کنٹرولز کے نظام کا باقاعدگی سے جائزہ لیا جاتا ہے۔ یہ نظام بورڈ آڈٹ کمیٹی نے بنایا ہے اور اس کو جب ضرورت ہو بہتر کیا جاتا ہے۔
- 6- کمپنی کے لگاتار پچھلے میں کسی قسم کا کوئی ٹیک نہیں ہے۔
- 7- کارپوریٹ گورننس کے بہترین طریقوں سے ہٹنے کے کوئی شواہد نہیں ہے۔
- 8- پچھلے 6 سالوں کے اہم آپریٹنگ اور مالی اعداد و شمار اس سالانہ رپورٹ میں درج ہے۔

آڈٹ کمیٹی

آڈٹ کمیٹی تین اراکین پر مشتمل ہے جس میں سے دو نان ایگزیکٹو ڈائریکٹرز ہیں اور ایک انڈیپنڈنٹ ڈائریکٹر ہے۔ کمپنی کا چیئر مین نان ایگزیکٹو ڈائریکٹر ہے۔ اس کمیٹی کے حوالے کی شرائط لسٹنگ قوانین کے مطابق ترتیب دی گئیں ہیں اور کمیٹی کو اس کی تعمیل کرنے کا حکم دیا گیا ہے۔ کمیٹی کی اس سال 5 مئی تک ہوئیں۔

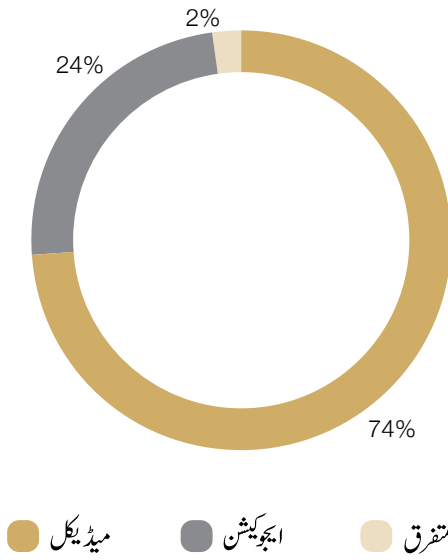
ایک غیر جانب دار انٹرنل آڈٹ کا شعبہ جس کے سربراہ چیف انٹرنل آڈیٹر ہیں جو کہ بورڈ آڈٹ کمیٹی کو رپورٹ پیش کرتے ہیں، وہ کمپنی کے کھاتے اور مالی معلومات بہم پہنچانے کے طریقے، اندرونی کنٹرولز کے مؤثر ہونے، رسک سے نپٹنے اور اندرونی اور بیرونی آڈٹ کے طریقے کا جائزہ لیتے ہیں۔

کیش فلوز اور کیپیٹل ایکسیڈنٹ پیچر

کارپوریٹ سوشل ذمہ داری سروس میں ہمارے لیے پائیدار ترقی، منافع بخش اور طویل المیعاد نمو کا ایک ذریعہ ہے۔ ہم نے آئندہ نسلوں کو بہتر زندگی دینے کا عزم کر رکھا ہے اور اس طرح منافع، ہماری زمین اور لوگوں کے درمیان ایک توازن حاصل کرنا ہمارا ہدف ہے۔

سروسز انڈسٹری لیڈنگ میں سٹیٹیلٹی ہماری کاروباری حکمت عملی کا انتہائی اہم جزو ہے۔ ہمیں اندرونی اور بیرونی سٹیک ہولڈرز کے ساتھ معاملات میں ذمہ دارانہ کاروبار کے طریقوں سے رہنمائی حاصل ہوتی ہے اور ہمارے روزمرہ کے معاملات میں ماحول اور سماجی ذمہ داری انتہائی اہم ہے۔ ہم یقین رکھتے ہیں کہ سٹیٹیلٹی کاروبار بڑھانے کا ایک بڑا موقع ہے، خاص طور پر توانائی اور وسائل کے موثر استعمال اور بہترین آجربنے کے ہدف کے حصول میں۔

کارپوریٹ سوشل ذمہ داری میں کنٹریبیوشن



مستقبل پر ایک نظر

آپ کی کمپنی اپنے اسٹیک ہولڈرز کے لیے قدر پیدا کرنے کیلئے پر عزم ہے۔ کمپنی کی اپنے آپ کو دونوں کاروباروں میں پوزیشن کرنے کی ایک مستقل حکمت عملی اپنائی ہوئی ہے۔ مزید برآں، پائیدار شرح نمو کو یقینی بنانے اور سٹیک ہولڈرز کے لیے قدر پیدا کرنے اور بدلتے ہوئے ماحول کے ساتھ رفتار برقرار رکھنے کیلئے کمپنی اپنے کاروبار کے تمام سیکٹرز پر گہری نظر رکھے ہوئے ہے۔

اپنی کاروباری تنوع کی حکمت عملی پر عمل کرتے ہوئے آپ کی کمپنی بہتر سرمایہ کاری کے مواقع کی تلاش جاری رکھے گی۔ پاکستان میں جو تازہ کاروبار میں بڑھتے ہوئے مقابلے کے باوجود آپ کی کمپنی لاگت کی کمی اور نئے ٹیکنالوجی میں سرمایہ کاری کے نتیجے میں پیداواری استعداد اضافے سے حصص یافتگان کے سرمائے کو مزید منافع بخش بنانے پر اپنی توجہ مرکوز رکھے گی۔

سال 2016 میں پاکستان کا جی ڈی پی بڑھ کر 4.7% ہو گیا ہے۔ جو کہ ایک صحت مند مستقبل قریب کی طرف اشارہ کرتا ہے۔ اقتصادی نمو کا یہ رجحان پائیدار رہنے کی توقع ہے بشرطیکہ حکومت کی پالیسیوں میں تسلسل رہا اور سیکورٹی صورتحال اچھی رہی۔

کمپنی کی بڑے سرمایہ کی ضرورت بنیادی طور پر اندرونی وسائل سے پوری کی جاتی ہے اور کچھ بیرونی سرمایہ بھی پرنھنوا کر لیا جاتا ہے۔ کیش فلوز اور سرمایہ کی ضرورت کی مستقل نگرانی کی جاتی ہے۔ کمپنی طویل المیعاد نمو کیلئے لگاؤ سرمایہ کاری جاری رکھتی ہے۔ کاروبار سے 462 ملین روپے کیش حاصل ہوا۔ سال 2016 میں کمپنی میں 1.8 بلین روپے کی سرمایہ کاری کی (0.7 بلین روپے 2015) جو کہ بنیادی طور پر ٹائر بنانے والے پلانٹ کی استعداد بڑھانے کے لیے استعمال ہوئی۔

کمپنی کی اہم سرگرمیاں اور کاروبار کے سیکٹرز

کمپنی دو بڑی ڈویژنوں یعنی ٹائر اور ٹیوب ور جو تے بنانے میں کام کر رہی ہے۔

رиск، غیر ممکنات اور ان سے بچاؤ

کاروبار کو لگاتار کامیاب بنانے کیلئے خطروں سے موثر طور پر بچنا ایک کنجی کی حیثیت رکھتا ہے ہمارا خطرات سے نپٹنے کا نظام اندرونی کنٹرول ہمارے کاروبار کو ممکنہ خطروں سے نپٹنے میں مدد دیتے ہیں۔ کمپنی کو مندرجہ ذیل خطرات ہو سکتے ہیں جن سے بچاؤ کیلئے خاص منصوبہ بندی کی گئی ہے۔

آپریشنل رиск

آپریشنل رиск وہ ہے جو کمپنی کو آسانی چلانے کی راہ میں رکاوٹ بن سکتے ہیں۔ ہمارے اہم آپریشنل رиск میں سے خام مال کی فراہمی، گاہک کے ساتھ تعلقات، افراط زر اور اہم ملازمین کا چھوڑ جانا ہے۔ ان خطرات سے بچاؤ کیلئے مختلف تدابیر اختیار کی جاتی ہے جیسا کہ خام مال کیلئے متبادل ذرائع ڈیولپ کرنا، ضرورت کے مطابق وسائل اور مہارت کا استعمال، مشینوں کو بہتر کرنا، پروڈکشن اور خام مال کی فراہمی میں مضبوط منصوبہ بندی اور کام کرنے کے طریقوں کو سادہ رکھنا شامل ہے۔ اس کے علاوہ ذمہ داریوں کی مناسب تقسیم، تربیت اور مہارت میں، بہتری ملازمین کی جاب روٹیشن اور انہیں بااختیار بنانے پر عمل درآمد کیا جاتا ہے۔

مالی رиск

مالی رиск وہ ہے جن کی وجہ سے کمپنی کو مالی نقصان ہو سکتا ہے۔ مالی رиск کو اس رپورٹ کے نوٹس میں تفصیل سے بیان کیا گیا ہے جس میں مارکیٹ رиск، کریڈٹ رиск اور لیکوڈٹی رиск شامل ہیں۔

کمپلائنس رиск

کمپنی اس بات سے بخوبی واقف ہے کہ قواعد و قوانین سے غیر ہم آہنگی کی صورت میں جرمانہ، کمپنی کا بلیک لیٹ ہونا یا لائسنس کی منسوخی کا سامنا کرنا پڑھ سکتا ہے۔ کمپنی قواعد و قوانین سے غیر ہم آہنگی کو قطعاً نہ برداشت کرنے کی پالیسی اپنا رکھی ہے۔ ان خطرات سے بچنے کے علاوہ کمپنی قواعد و ضوابط کی اہم آہنگی کے لیے ایک انتہائی موثر نظام بنا رکھا ہے۔ مزید برآں، کمپنی کا کاروبار کا ضابطہ اخلاق واضح طور پر سب ڈائریکٹرز، ایگزیکٹوز اور دوسرے ملازمین سے کمپنی کی توقعات بیان کرتا ہے۔ کمپنی اپنے ملازمین اور کاروباری شراکت داروں کی حوصلہ افزائی کرتی ہے کہ وہ کسی قسم کی غیر ہم آہنگی کی اطلاع اس اعتماد ساتھ دیں کہ ان پر اس کے منفی نتائج نہیں ہوں گے۔

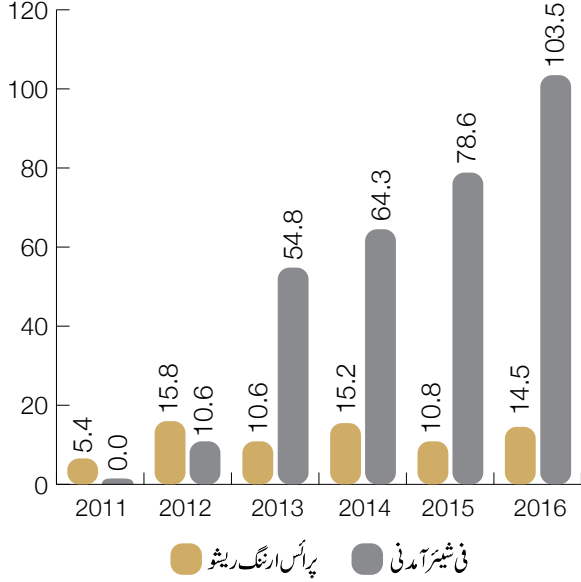
ماحول، صحت اور سیفٹی

یہ سروس کا عزم ہے کہ ہر کسی کو محفوظ، چوٹ سے پاک کام کرنے کی جگہ فراہم کریں جہاں ہر کوئی صحت مند اور ہشاش بشاش ہو اور معاشرے کو محفوظ بنائے۔ ماحول، صحت اور سیفٹی سروس کے ہر درجے کے ملازمین کے لیے ایک ترجیح ہے اور اس سال ہم نے ماحول، صحت اور سیفٹی کی طرف لوگوں کے رویے کو بدلنے کیلئے اس کے بارے میں شعور پیدا کرنے اور ٹھوس آراء دینے پر توجہ مرکوز کی ہے۔

ڈائریکٹرز رپورٹ برائے حصص یافتگان

1,469 ملین ہو گیا ہے۔ اس مدت کے دوران فی شیئر آمدنی 103.54 روپے رہی جو کہ پچھلے سال کی اسی مدت کے مقابلے میں 32% زیادہ ہے۔

پرائس ارننگ ریٹو اور فی شیئر آمدنی



ڈائریکٹرز کمپنی کی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔ اس رپورٹ میں کمپنی کی 31 دسمبر 2016 تک کی سالانہ مالیاتی معلومات پیش کی جا رہی ہے۔ ماضی قریب میں مجموعی طور پر معیشت میں نمایاں بہتری آئی ہے۔ لیکن سماجی اور سیاسی ماحول میں تبدیلی نہ آنے کی وجہ سے کاروباری حالات غیر مستحکم رہے ہیں۔ آپ کی کمپنی نے مشکلات کے باوجود آپریشنل کارکردگی کے ذریعے آمدن میں اضافہ زیادہ منافع حاصل کیا ہے، جیسا کہ مندرجہ ذیل مالیاتی کارکردگی میں درج ہے۔

مالیاتی کارکردگی

فیصد تبدیلی	مالیاتی سال 2016 روپے، ہزار میں	مالیاتی سال 2015 روپے، ہزار میں	
8%	18,984,428	17,544,736	خالص فروخت
25%	3,775,699	3,016,066	کل منافع
8%	1,706,140	1,583,423	آپریٹنگ منافع
16%	1,469,295	1,267,007	منافع قبل از ٹیکس
32%	1,245,487	945,847	منافع بعد از ٹیکس
32%	103.5	78.6	فی شیئر آمدنی (روپے)

تصرف

مالیاتی سال 2016 کا تصرف مختصراً مندرجہ ذیل ہے۔

3,603	یکم جنوری 2016 پر کل جمع شدہ منافع
1,262	مالیاتی سال 2016 کا بعد از ٹیکس منافع
(301)	2015 کے مالیاتی سال 25 روپے فی شیئر کے حساب سے حتمی ڈیویڈنڈ
(180)	مالیاتی سال 2016 کا 15 روپے فی شیئر کے حساب سے عبوری ڈیویڈنڈ
4,384	31 دسمبر 2016 پر کل جمع شدہ منافع

6 سال کے آپریٹنگ اور مالیاتی اعداد و شمار

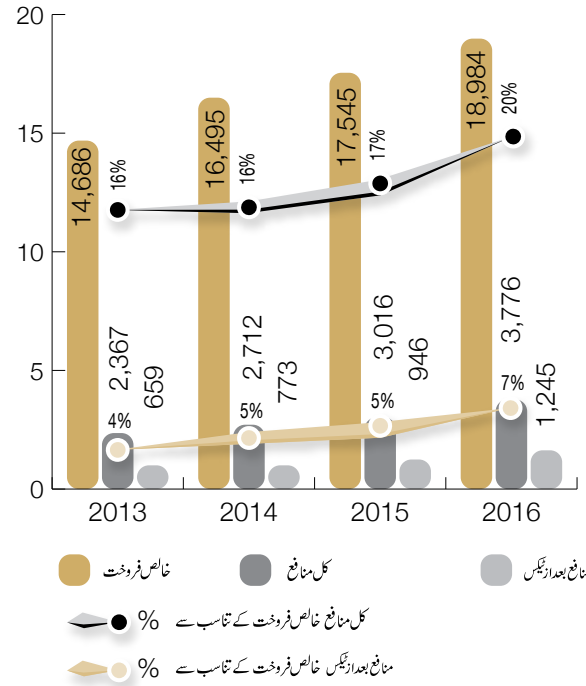
پچھلے 6 سال کے اہم آپریٹنگ اور مالیاتی اعداد و شمار اس رپورٹ میں درج کیے گئے ہیں۔

کمپنی کی کارکردگی کا جائزہ

بورڈ نے کمپنی کی کارکردگی پر مستقل نظر رکھنے کا ایک نظام ترتیب دیا ہے۔ بورڈ کا ہر رکن بورڈ کی مینٹنگ میں مستعدی سے اپنی شمولیت کو یقینی بناتا ہے، اہم معاملات پر تفصیلی گفتگو ہوتی ہے اور انتظامیہ کو واضح ہدایات دی جاتی ہیں اور ان ہدایات پر عمل درآمد مستقل نظر رکھی جاتی ہے۔

کمپنی کی کارکردگی کا جائزہ لینے کے لیے انتظامیہ نے مختلف معیارات بنا رکھے ہیں جن میں صنعتی شرح نمو، ہم مرتبہ کمپنیوں کی صورت حال، پچھلے سالوں میں کارکردگی اور کمپنی پر اثر انداز ہونے والے مجموعی اقتصادی اور کاروباری حالات شامل ہیں۔

بجٹ بنایا جاتا ہے اور اصل کارکردگی کا بجٹ سے تقابلی جائزہ سال کے دوران باقاعدگی سے لیا جاتا ہے تاکہ بلا تاخیر اصلاح کی جاسکے۔ عمل کمپنی کے دونوں سیکٹرز کے لیے کیا جاتا ہے۔ بورڈ اس بات کو یقینی بناتا ہے کہ کمپنی میں کارپوریٹ گورننس کے بہترین طریقے لاگو ہیں۔ بورڈ کمپنی کے کاروبار کے سیکٹرز کی کارکردگی کا ہر سہ ماہی کے اختتام پر جائزہ لیتا ہے۔ اس کا مقصد کم کارکردگی والے سیکٹرز کو بہتر کرنا اور منافع بخش سیکٹرز میں شرح نمو کے اضافے کے مواقع پر زور دینا ہے۔



ہر سال اپنے بنیادی کاروبار پر توجہ، لاگت میں بچت، ٹھوس مالیاتی انتظام اور ملازمین کے عزم اور لگن کو بڑھانے کے لیے کوششوں کی وجہ سے کمپنی کی کارکردگی بہتر رہی ہے۔ آپ کی کمپنی نے اس سال 18.98 بلین روپے کی فروخت کا ہدف حاصل کیا جبکہ پچھلے سال فروخت 17.54 بلین روپے تھی۔ اس طرح ایک مستحکم شرح نمو 8% رہی ہے جس کی بنیادی وجہ کاروباری حجم میں اضافہ ہے۔ ہماری برآمدات کمزور یورو کی وجہ سے لگا تار متاثر ہو رہی ہے۔

سازگار لاگت، بہتر ملٹی پلٹی مصنوعات، پیداواری کارکردگی، کام کرنے کی صلاحیت میں بہتری اور لگاتار جدید ٹیکنالوجی میں سرمایہ کاری کی بدولت قبل از ٹیکس منافع 16% یعنی 1,267 ملین سے بڑھ کر

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