



Expanding Possibilities..



Servis

Service Industries Limited

Contents

Cover Story

It is not only moving that creates new starting points. Sometimes, all it takes is a subtle shift in perspective, an opening of the mind, an intentional pause and reset, or a new route to start to see new options and new possibilities

–Kristin Armstrong

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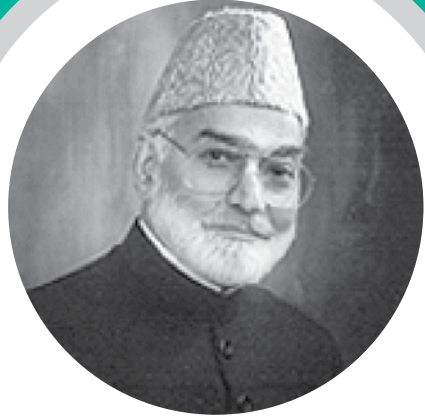
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Our History

“Nothing limits achievement like small thinking; nothing expands possibilities like unleashed imagination.”



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.

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.

“The possibilities are numerous once we decide to act and not react.”

Company Information

Board of Directors

Chaudhry Ahmed Javed
(Chairman)

Non-Executive Director

Mr. Omar Saeed
(Chief Executive Officer)

Executive Director

Mr. Arif Saeed
Executive Director

Mr. Hassan Javed
Executive Director

Mr. Riaz Ahmed
Non-Executive Director

Mr. Osman Saifullah Khan
Independent Director

Mr. Rehman Naseem
Independent Director

Mr. Muhammad Amin
Independent Director

Mr. Shahid Hussain Jatoi
Independent Director

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. Rehman Naseem
Member

Human Resource and Remuneration Committee

Mr. Osman Saifullah Khan
Chairman

Mr. Arif Saeed
Member

Mr. Riaz Ahmed
Member

Bankers

Allied Bank Limited

Askari Bank Limited

Bank Al Habib Limited

Bank Alfalah Limited

Soneri Bank Limited

Faysal Bank Limited

Habib Bank Limited

MCB Bank Limited

Meezan Bank Limited

Samba Bank Limited

Standard Chartered Bank (Pakistan) Limited

United Bank Limited

National Bank Limited

JS 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.

Web Presence

www.servisgroup.com



“The impossible can always be broken down into possibilities.”

Geographical Presence

Our products are available in more than thirty countries.



Corporate Social Responsibility

Corporate Social Responsibility (CSR) is an integral part of SIL's commitment. The basic aim is to strive to better serve our employees, customers and shareholders as well as our communities and environment. The intention is simple – to give back, share prosperity and help society to build and grow.

Our CSR is classified into the following categories:

- Internal Initiatives
- Corporate Philanthropy
- Community Investment

“Corporate social responsibility is measured in terms of businesses improving conditions for their employees, shareholders, communities, and environment.”



Internal Initiatives:

SIL has taken certain initiatives to provide a safe, healthy and ethical environment for all internal stakeholders like employees, customers and shareholders associated with the company.

a) Asia's First Solar Powered Footwear Factory

In September 2017, SIL Muridke completed the installation of a 1MW Solar Power Park, spread over four acres of land, consisting of 3,125 solar panels with an annual power generation of 1,500 MWh, becoming the first solar powered footwear factory in Asia.

The initiative is equivalent to planting a 100 trees daily, reducing Carbon Dioxide emissions by 730 tonnes annually. This initial step on the road to go green gives SIL's customers the benefit to market their products as eco-friendly in an increasingly environmentally conscious global population.

b) Industrial Relations

SIL is Business Social Compliance Initiative (BSCI) certified, promoting workplace conditions in accordance with human rights, ILO conventions and national labor law. Additionally, SIL has been a member of SEDEX Global since 2015, ensuring our dedication to driving improvements as responsible and ethical business practices in the global supply chain, providing our family of over 10,000 employees the best working conditions for increased productivity.

c) Employment of females and persons with special needs

SIL is proud to be an equal opportunity employer and encourages the participation of females and persons with special needs in the workforce. SIL has taken steps to create a work environment conducive to females by dedicating separate production lines in both Gujrat and Muridke Footwear factories, employing 413 females currently.

d) Occupational Safety and Health

Our procedures have been gauged to provide a safe, clean, injury and illness-free environment to our employees. SIL has obtained OHSAS 1800:2007 Occupational Health and Safety Management Certification, an international standard providing a framework to identify, control and decrease the risks associated with health and safety within the workplace.

e) Consumer Protection Measures

SIL is ISO 9001:2008 certified, ensuring a Quality Management System focused on consistently providing products that meet customers and applicable statutory and regulatory requirements. SIL is also a member of SATRA Technologies since 2010 who conduct research and tests on footwear and leather products to ensure the product is comfortable, safe, performs well and is durable.

f) Business Ethics and Anti-Corruption Measures

We have a commitment of conducting our business with honesty and integrity and in full compliance with applicable laws and regulations. Our Statement of Ethics & Business Practices states 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."

g) Contribution to National Exchequer

SIL contributed PKR 1,227 million towards national exchequer on account of taxes, duties and levies in the year 2017.



Corporate Philanthropy:

SIL has been actively giving back to the community by setting up and running institutions in the areas of health, education and community service.

a) Chaudhry Nazar Muhammad, Muhammad Hussain Memorial Society Hospital:

Located in Gandhra, the hospital is a primary care facility for the community, providing subsidized consultation by a General Physician, free medicines, subsidized basic lab tests and ultrasound facility. Approximately 24,254 patients were treated in the year 2017 with over 3,700 tests conducted in this hospital.



b) Shirin Javed Memorial Clinic:

Located in Gujrat, the Clinic offers subsidized consultation by a General Physician, free medicines, subsidized basic lab tests and x-ray facility. Approximately 35,882 patients received free medication and consultation in the year 2017 from the Clinic.



c) Service High School for Boys:

Established in Gujrat and located on main GT Road, this school serves as an educational institute for the underprivileged students in the area. A total of 225 students are enrolled in this school from classes 6 to 10, studying completely free of cost. In 2017, 88% of the students passed the board examinations for grade 10 and 81% passed the board examinations for grade 9.



d) Bagh-e-Rehmat School:

Set up in Lahore, this educational institute offers both primary and secondary education options for underprivileged boys and girls. The school has adopted a name for itself and more than 400 students are receiving education from this institute. The pass rate is 100% for grade 5 and grade 8 board examinations.



e) Dar-ul-Kafala:

Located at Bhatta Chowk, Lahore, this exclusive multi-residence housing facility aims to provide shelter to homeless senior citizens of the city and its suburbs. The project not only provides shelter, but also ensures that they have recreational activities to participate in, regular medical checkups, nutritious food and events and gatherings to keep the occupants busy and entertained.



f) Service Mosque:

SIL operates a fully functional Jamia Mosque for the community on GT Road. The beautiful mosque serves the spiritual needs of employees as well as the surrounding community.



Community Investment:

SIL is an avid supporter of community outreach programs that aim to better the lives of the underprivileged through the provision of health services, education and community development. In 2017, SIL donated PKR 46 million to organizations and NGOs like:

a) Shalamar Hospital

This hospital was established in 1982 in Lahore, with the help of the contribution made by the founders of our company. In 2017 a donation of PKR 23 million was made by SIL to this medical facility in the form of patient care as well as a donation of ambulances.

b) The Citizen Foundation

SIL Sponsors a TCF School for an annual amount of PKR 2.4 million. The YPO Pakistan Campus is a Primary School with a student body strength of 200 located in Oghi, Mansehra District, KPK.

c) Kidney Center, Gujrat

d) Foreman Christian College

e) The Pakistan Society for the Rehabilitation of the Disabled



Notice of Annual General Meeting

Notice is hereby given that the 61st Annual General Meeting of Service Industries Limited will be held on **Monday, the April 30, 2018 at 11:00 a.m.** at Shalimar Tower Hotel, Adjacent Servis House, 2–Main Gulberg, Lahore to transact the following business:

Ordinary Business:

- To receive, consider and adopt the separate and consolidated audited financial statements of the Company for the year ended December 31, 2017, together with the Directors' and Auditors' Reports thereon and Chairman's Review Report.
- To approve the cash dividend for the year ended December 31, 2017 as follows:
A final cash dividend of Rs. 22 per share i.e. 220% as recommended by the Board of Directors;
An interim cash dividend of Rs. 10 per share i.e. 100% already declared and paid to the shareholders of the Company during the year ended December 31, 2017 out of which Rs. 1.50 i.e. 15% is apportioned for the Tax Year 2017 in order to satisfy the requirements of Section 5A of the Income Tax Ordinance, 2001 "inserted vide Finance Act 2017".
- To appoint Auditors and to fix their remuneration. Audit Committee and the Board of Directors have recommended the name of retiring auditors M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants for re-appointment as auditors of the Company.

Special Business:

- To consider and if thought fit, to approve, subject to regulatory permission(s), the long-term investment of up to US \$ 1 Million (United States Dollars One Million Only) in equivalent Pakistani Rupees in the proposed wholly owned subsidiary to be incorporated in United States of America (USA) with the name, SIL USA Inc., or any other name approved by the Regulatory body in USA, by passing the following resolution as special resolution, with or without modification, addition or deletion:

"Resolved that pursuant to the requirement of Section 199 of the Companies Act, 2017 and subject to regulatory permission, the approval of the members be and is hereby accorded for long term investment of up to US \$ 1 Million (United States Dollars One Million Only) in equivalent Pakistani Rupees in the capital of the proposed wholly owned subsidiary company to be incorporated in USA with the name, SIL USA Inc., or any other name approved by the Regulatory body in USA, as per terms and conditions disclosed to the members.

Further resolved that the above said special resolution shall be valid for five (5) years from the date it is passed and Mr. Omar Saeed, Chief Executive or Mr. Arif Saeed or Mr. Hassan Javed, Directors of the Company be and are hereby singly empowered and authorized to undertake the decision of said investment as and when deemed appropriate and necessary in the best interest of the Company and its shareholders and obtain necessary regulatory permission, to take all steps and actions necessary to give effect to the above resolution and to do or cause to be done all acts, deeds and things, filing of all necessary documents and to sign and execute documents that may be considered necessary or necessary for the purpose of implementing this resolution."

A statement under Section 134(3) of the Companies Act, 2017 pertaining to the Special business is annexed to the notice of meeting sent to the members.

By Order of the Board

WAHEED ASHRAF
Company Secretary

Lahore
April 06, 2018

NOTES:

- The Share Transfer Books of the Company will remain closed from April 24, 2018 to April 30, 2018 (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 23, 2018 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.
- 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.
- 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.
- 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.
- In accordance with the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders. In order to receive dividends directly into their bank account, shareholders are requested to fill in Electronic Credit Mandate Form available on Company's website www.servisgroup.com and send it duly signed along with a copy of CNIC to the Share Registrar of the Company M/s. Corplink (Pvt.) Limited, Wings Arcade, 1–K, Commercial, Model Town, Lahore in case of physical shares. In case shares are held in CDC then Electronic Credit Mandate Form must be submitted directly to shareholder's Broker/Participant/CDC Account Services.
- As approved by the members in their meeting held on September 27, 2016, the Company has sent its Annual Report 2017 to its shareholders in the form of CD. Any member requiring printed copy of Annual Report 2017 may send a request using a Standard Request Form placed on Company website.
- Pursuant to the provisions of the Finance Act 2017, the rates of deduction of income tax from Dividend payments have been revised as under:–
 - For filers of income tax returns 15%
 - For non-filers of income tax returns 20%

To enable the Company to make tax deduction on the amount of cash dividend @15% 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 15%.

Notice of Annual General Meeting

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 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
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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.

8. Pursuant to Section 223 (7) of the companies Act, 2017 the Company can send the financial statements etc., to its shareholders electronically. In this regard, the members are requested to send their email information on the standard 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.
9. Pursuant to the provisions of the Companies Act, 2017, the shareholders residing in a city and holding at least 10% of the total paid up share capital may demand the Company to provide the facility of video-link for participating in the meeting. The demand for video-link facility shall be received by the Share Registrar at the address given here in above at least ten (10) days prior to the date of the meeting on the standard form available on the company's website.
10. The Company has placed the audited annual financial statements for the year ended 31 December 2017 along with Auditors and Directors Reports thereon and Chairman's review report on its website: www.servisgroup.com.
11. Members are advised to immediately notify the change in their addresses, if any to our Shares Registrar, whereas CDC account holders are requested to contact their CDC participants / CDC account services.

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017 CONCERNING THE SPECIAL BUSINESS TO BE TRANSACTED AT THE ANNUAL GENERAL MEETING:

This statement sets out the material facts concerning the Special Business to be transacted at the Annual General Meeting of the Company to be held on April 30, 2018.

- a) The Board of Directors of the Company has resolved to incorporate a wholly owned subsidiary company in USA by the name of SIL USA Inc., or any other name as approved by the regulatory body in USA. The Company will be incorporated as a Limited Liability Company (LLC) which will be wholly owned by Service Industries Limited (SIL) although proposed LLC Company will not have shares of Stock.
- b) The main object of the proposed wholly owned subsidiary will be to act as a liaison office of the Company's marketing department providing access, information and other services relating to US market.

- c) Approval of the members of the Company is sought for making long term investment up to US \$ 1 Million (United States Dollars One Million Only) in equivalent Pakistani Rupees in the capital of the proposed wholly owned subsidiary company subject to regulatory permission(s).
- d) The information required to be disclosed to the members under S.R.O No. 1240(1)/2017 dated 06 December 2017 Companies (Investment in Associated Companies or Associated Undertakings) Regulations 2017, is as follows:

Ref. No.	Requirement	Information
(a)	Disclosure for all types of investments:	
	(A) Disclosure regarding associated company	
(i)	Name of associated company or associated undertaking	SIL USA Inc., (proposed) or any other name approved by the Regulatory Body in USA.
(ii)	Basis of relationship	The proposed company will be wholly owned subsidiary of Service Industries Limited.
(iii)	Earnings per share for the last three years	Not Applicable as proposed company will be a newly incorporated company.
(iv)	Break-up value per share, based on latest audited financial statements	Not Applicable
(v)	Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements	Not Applicable
(vi)	In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely	Not Applicable
	(I) Description of the project and its history since conceptualization	Not applicable
	(II) Starting date and expected date of completion of work	Not applicable
	(III) Time by which such project shall become commercially operational	Not applicable
	(IV) Expected time by which the project shall start paying return on investment	Not applicable
	(V) Funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts	Not applicable
	(B) General Disclosures	
(i)	Maximum amount of investment to be made	Up to US \$ 1 million in equivalent Pakistani Rupee. As the proposed LLC do not have shares of Stock. The investment will be made in the capital of the proposed subsidiary company by acquiring percentage of ownership.

(ii)	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	To form a wholly owned subsidiary which will perform as Company's marketing Office to provide access, information and other services relating to US market. The wholly owned subsidiary will exploit new markets in USA to boost up exports of footwear and leather products of its holding company (SIL) which will, hopefully, increase revenues and profitability of the Company in the long term. Investment will be for long term.
(iii)	Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds	Own funds of the Company.
	(I) justification for investment through borrowings	Not Applicable
	(II) detail of collateral, guarantees provided and assets pledged for obtaining such funds	Not Applicable
	(III) cost benefit analysis	Not Applicable
(iv)	Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	No Agreement is required as the Company will be incorporating its subsidiary.
(v)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	The Directors, Chief Executive, Sponsors, majority shareholders and their relatives of the Company have no interest, directly or indirectly, in the subsidiary, except in their capacities as being Directors, Chief Executive and the sponsors of the proposed subsidiary.
(vi)	In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs	Not Applicable
(vii)	Any other important details necessary for the members to understand the transaction	None
(b)	Additional disclosure regarding Equity Investment	
(i)	Maximum price at which securities will be acquired	Not Applicable, the Company will invest in the capital of the proposed subsidiary.
(ii)	In case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof	Not Applicable
(iii)	Maximum number of securities to be acquired	Not Applicable
(iv)	Number of securities and percentage thereof held before and after the proposed investment	Investment is to be made in a new company. The Company will hold 100% of ownership in the proposed LLC Company.
(v)	Current and preceding twelve weeks' weighted average market price where investment is proposed to be made in listed securities;	Not Applicable
(vi)	Fair value determined in terms of sub-regulation (1) of regulation 5 for investments in unlisted securities	The proposed LLC will not have shares of stock. The subsidiary is being incorporated by the Company with 100% ownership.



“Just Beyond the horizon of the so called impossible is infinite possibility.”

Notice of Annual General Meeting

Statement under Rule 4(2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017

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. The validity of resolution for investment in S2 Power Limited was extended, in the EOGM of the Company held on July 28, 2017, for further three (3) years i.e., up to July 27, 2017.	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.	An investment of Rs. 218.68 million has been made so far by the Company.	An investment of Rs. 240,000 has been made so far by the Company.
Reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in a specified time	No deviation from the approved timeline.	No deviation from the approved timeline.	No deviation from the approved timeline.
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	The balance sheet size of S2 Power Limited as at June 30, 2017 is Rs. 5.50 million and loss incurred for the year ended June 30, 2017 is Rs. 1.03 million.	The balance sheet size of Service Industries Capital (Private) Limited as at December 31, 2017 is Rs. 220 million and profit after tax for the year ended December 31, 2017 is Rs. 2.23 million.	There is no material change in the financial statement of the company since the date of passing of special resolution.

Inspection:

The documents relating to special business can be inspected by the shareholders from the date of issuance of this notice till the date of meeting at the registered office of the Company during usual business hours from Monday to Friday (9 a.m. – 5 p.m.).



Board of Directors



Chaudhry Ahmed Javed
Chairman



Mr. Omar Saeed
Chief Executive Officer



Mr. Arif Saeed
Director



Mr. Hassan Javed
Director



Mr. Muhammad Amin
Director



Mr. Riaz Ahmed
Director



Mr. Osman Saifullah Khan
Director



Mr. Rehman Naseem
Director



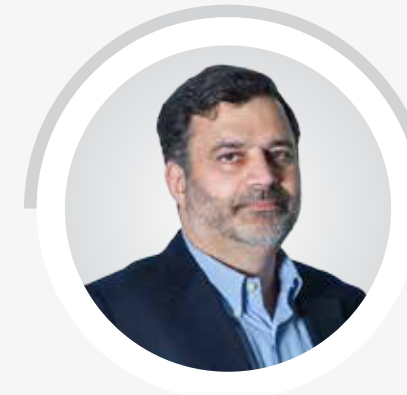
Mr. Shahid Hussain Jatoi
Director

Group Executive Committee



Mr. Omar Saeed
Chief Executive Officer

Mr. Omar Saeed graduated with high honors from Brown University and did his Masters in Business Administration from Harvard Business School. He is the Chief Executive Officer of Service Industries Limited (SIL) since 2011. Prior to his role at SIL, Omar ran the country's largest footwear retailer from 2002 to 2010. He has served on the Boards of various private and public companies, and is currently on the Boards of Service Shoes Lanka (Private) Limited and Speed (Private) 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. He has also served on the Boards of Sui Northern Gas Pipelines Limited as well as Saif Textile Mills Limited. 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

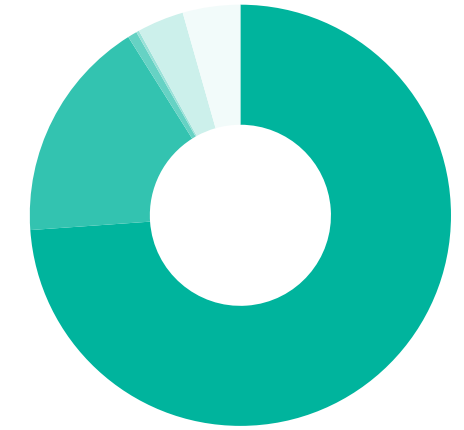
Mr. Hassan Javed is a leather technologist from Nene College United Kingdom and Shoe Technologist from ISMS School Czech Republic. He is a Director of Service Industries Limited. Mr. Javed also served Service Industries Limited in various capacities most notably as the Resident Director of Gujrat for 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

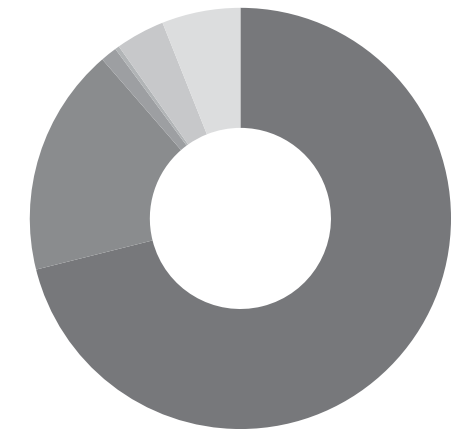
	2017		2016	
	(Rs in '000)	%	(Rs in '000)	%
Wealth Generated				
Sales	20,898,174		18,984,428	
Other income	357,867		99,996	
Bought-in-material & services	(15,704,455)		(13,567,952)	
	5,551,586	100	5,516,472	100
Wealth Distributed				
To Employees				
Remuneration, benefits, and facilities	3,652,773	66	3,344,300	61
To Government				
Taxation	144,954	3	223,808	4
Workers welfare fund	6,492	0	17,092	0
To Society				
Donation	45,974	1	62,472	1
To Lenders				
Dividend	421,008	8	481,152	9
Mark up & finance cost	341,885	6	236,845	4
Retained for Reinvestment & Future Growth				
Depreciation	460,902	8	382,996	7
Amortization	1,791	0	3,472	0
Retained profit	475,807	9	764,335	14
Unappropriated profit, depreciation & amortization	938,500	17	1,150,803	21
	5,551,586	100	5,516,472	100

Wealth Generated & Distributed

2017		
	Amount	%
● Bought-in-material & services	15,704,455	73.88
● To Employees	3,652,773	17.18
● To Government	151,446	0.71
● To Society	45,974	0.22
● To Lenders	762,893	3.59
● Retained for Reinvestment & Future Growth	938,500	4.42
Total	21,256,041	100.00



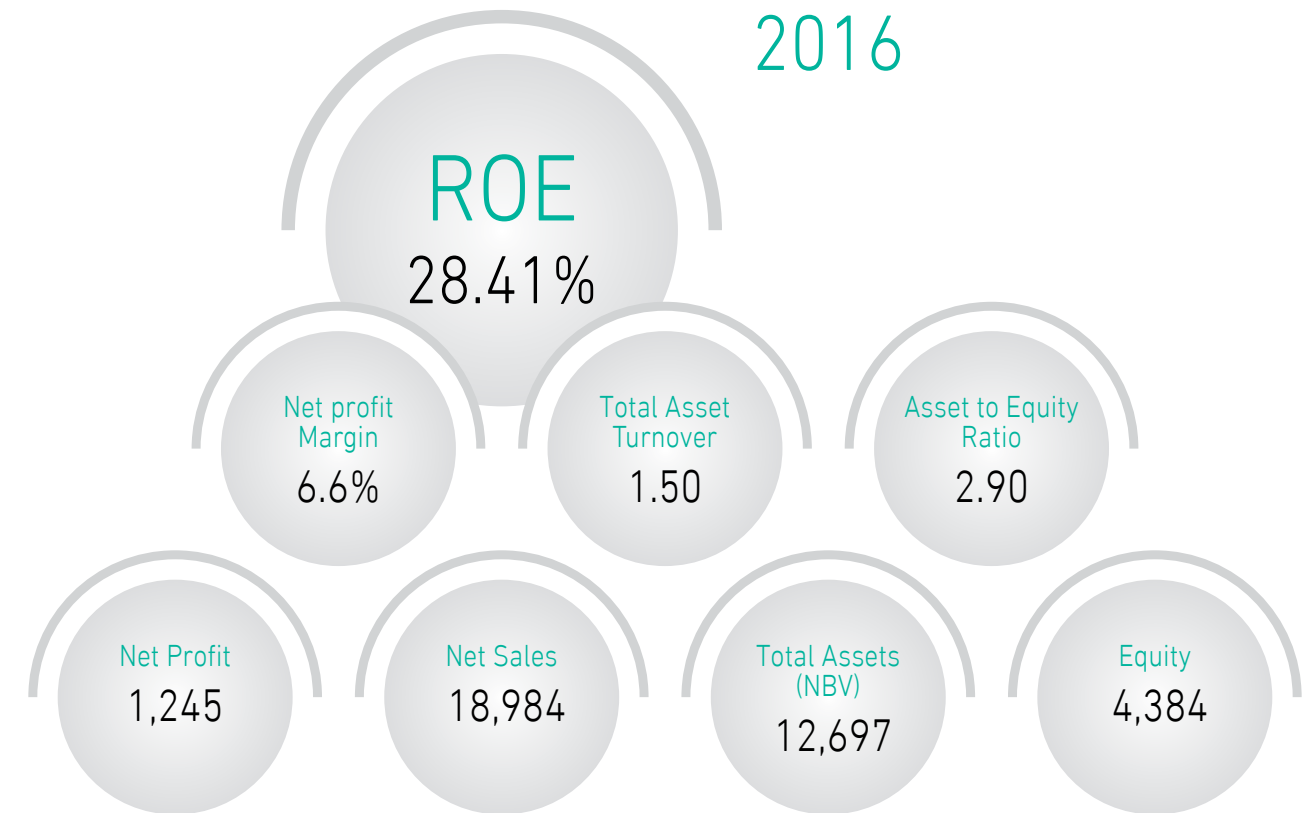
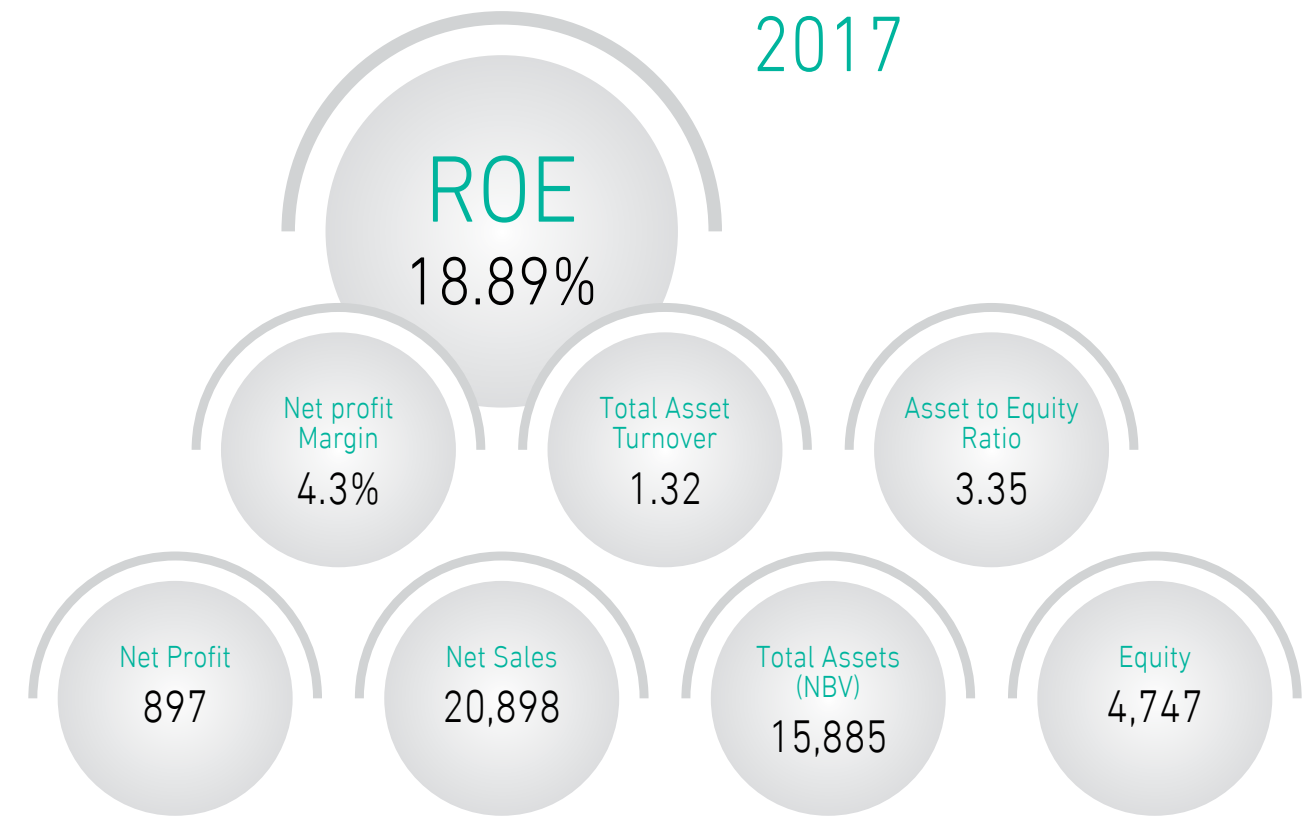
2016		
	Amount	%
● Bought-in-material & services	13,567,952	71.09
● To Employees	3,344,300	17.52
● To Government	240,900	1.26
● To Society	62,472	0.33
● To Lenders	717,997	3.76
● Retained for Reinvestment & Future Growth	1,150,803	6.03
Total	19,084,424	100.00



Key Financial Information

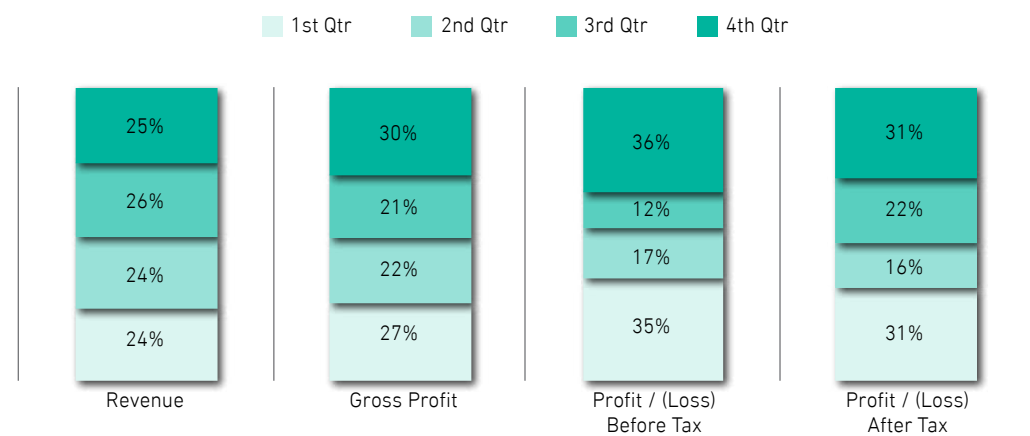
	2017	2016		2017	2016		
Sales Revenue (Rs in Million)	20,898	18,984	▲	Share Equity (Rs in Million)	4,747	4,384	▲
Operating Profit (Rs in Million)	1,384	1,706	▼	Price Earning Ratio (In times)	10	14.5	▼
Profit/(Loss) before taxation (Rs in Million)	1,042	1,469	▼	No of Employees	10,858	9,733	▲
Profit/(Loss) after taxation (Rs in Million)	897	1,245	▼	Current Ratio	1.1	1.1	▲
Earnings/(Loss) per share (EPS) (Rupees)	74.6	103.5	▼	Cash Generated from Operations (Rs in Million)	(955)	463	▼
Fixed Assets (Rs in Million)	6,597	5,216	▲	Finance Cost (Rs in Million)	342	237	▼
EBITDA (Rs in Million)	1,846	2,093	▼	Taxation (Rs in Million)	145	224	▲

Dupont Analysis



Quarterly Analysis

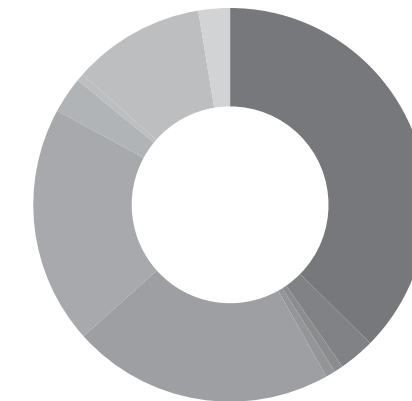
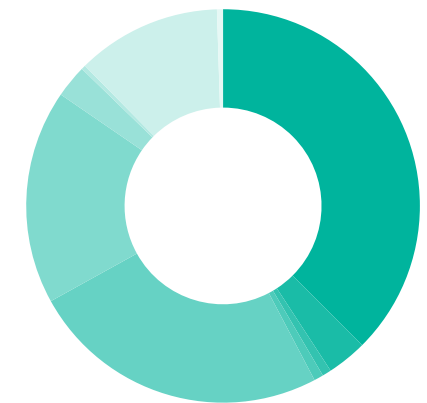
Particulars	2017				
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
	Rupees in '000				
Revenue	5,103,296	5,110,890	5,363,103	5,320,885	20,898,174
Cost of Sales	(4,142,140)	(4,328,146)	(4,606,025)	(4,259,230)	(17,335,541)
Gross Profit	961,156	782,744	757,078	1,061,655	3,562,633
Distribution Cost	(293,422)	(371,815)	(329,256)	(305,848)	(1,300,341)
Administrative Expenses	(271,209)	(246,877)	(267,104)	(299,029)	(1,084,215)
Other Operating Expenses	(67,033)	(9,545)	(19,434)	(53,598)	(152,290)
Operating Profit before other income	329,492	154,507	141,284	403,180	1,025,787
Other Operating Income	86,495	108,681	82,493	77,518	357,867
Operating Profit	415,987	263,188	223,777	480,698	1,383,654
Finance Cost	(53,008)	(84,266)	(96,189)	(108,422)	(341,885)
Profit before taxation	362,979	178,922	127,588	372,276	1,041,769
Taxation	(82,166)	(35,286)	69,789	(97,290)	(144,954)
Profit after tax	280,813	143,636	197,377	274,986	896,815



Balance Sheet Composition

Fixed and Current Assets

2017	
Property, Plant and equipment	38%
Long term investments	3%
Long term loans and deposits	1%
Stores and spares	1%
Stock in trade	25%
Trade debts – net	18%
Advances and prepayments	3%
Other receivables	0%
Income tax – net	12%
Cash and bank balances	0%



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

Equities and Liabilities

2017	
Equity & reserves	30%
Long term financing	15%
Non current liabilities	3%
Current liabilities	51%



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

Analytical Review



Six Years at a Glance

Description	2017	2016	2015	2014	2013	2012
	Rupees in '000					
Sales	20,898	18,984	17,545	16,495	14,686	12,167
Gross profit	3,563	3,776	3,016	2,712	2,367	1,546
Profit before tax	1,042	1,469	1,267	944	747	192
Profit after tax	897	1,245	946	773	619	127
Share capital	120	120	120	120	120	120
Share holder's equity	4,747	4,384	3,603	2,964	2,447	2,020
Property, plant & equipment	5,957	4,746	3,383	2,985	1,901	1,649
Total assets	15,885	12,697	10,243	8,866	6,992	6,422
Net current assets	1,123	562	1,061	998	1,093	974
Market Value Per Share (Rs.)	750	1497	850	975	545	167
Dividend (%)						
Cash – Interim	85	150	125	100	75	–
Cash – Final	220	265*	250	150	100	75
Profitability (%)						
Gross Profit	17.05	19.89	17.19	16.44	16.12	12.71
Profit Before Tax	4.98	7.74	7.22	5.72	5.09	1.58
Profit After Tax	4.29	6.56	5.39	4.69	4.21	1.04
Return to Shareholders						
R.O.E –Before Tax (%)	21.95	33.52	35.16	31.86	30.54	9.53
R.O.E –After Tax (%)	18.89	28.41	26.25	26.09	25.31	6.30
E.P.S–After Tax (Rs.)	74.56	103.54	78.63	64.28	51.49	10.59
Price Earning Ratio	10.06	14.46	10.81	15.16	10.58	15.78
Activity (Times)						
Sales To Total Assets	1.32	1.50	1.71	1.86	2.10	1.89
Sales To Fixed Assets	3.51	4.00	5.19	5.53	7.72	7.38
Inventory Turnover Ratio	5.22	5.58	5.24	5.35	5.27	4.98
Interest Coverage Ratio	4.05	7.20	5.00	3.85	3.44	1.60
Liquidity/Leverage						
Current Ratio	1.14	1.08	1.20	1.22	1.29	1.26
Break-up Value per Share	394.62	364.45	299.54	246.40	203.44	167.34
Total Liabilities To Equity	2.35	1.90	1.84	1.99	1.86	2.18
Debt Equity Ratio	38:62	21:79	23:77	27:73	20:80	19:81

* It includes 15% of interm cash dividend, paid during the year 2017 apportioned for tax year 2017 in order to satisfy the requirements of Section 5A of the Income Tax Ordinance, 2001 "inserted vide Finance Act 2017".



“Our Aspirations
are our
Possibilities”

Horizontal Analysis

	2017		2016		2015		2014		2013	
	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %
Balance Sheet										
Equity & Reserve	4,746,761	8.3	4,383,940	21.7	3,603,069	21.6	2,963,949	21.1	2,447,086	21.5
Long term financing facilities	2,431,930	143.7	998,021	13.2	881,850	(8.0)	958,315	86.3	514,365	28.5
Non Current Liability	541,668	36.8	396,060	14.1	346,996	5.1	330,162	26.8	260,373	6.7
Current Liabilities	8,164,511	18.0	6,918,703	27.9	5,411,403	17.3	4,613,658	22.4	3,769,905	0.2
	15,884,870	25.1	12,696,724	24.0	10,243,318	15.5	8,866,084	26.8	6,991,729	8.9
Property Plant and Equipment	5,957,312	25.5	4,745,935	40.3	3,382,700	13.3	2,984,513	57.0	1,901,092	15.3
Intangibles	929	(65.8)	2,720	(51.8)	5,640	(30.3)	8,097	(49.8)	16,119	34.4
long term investment	521,663	39.5	373,855	15.6	323,520	58.4	204,279	100.0	177,032	0.0
long term loan & deposit	117,155	25.5	93,387	57.7	59,235	2.3	57,913	65.7	34,943	46.9
Current Asset										
Stores and spares	122,467	22.2	100,205	(12.5)	114,570	6.0	108,111	(6.6)	115,791	10.9
Stock in-trade	3,917,187	43.5	2,729,738	0.4	2,719,856	4.4	2,604,361	12.1	2,322,432	8.9
Trade Debts	2,797,402	12.7	2,483,211	62.6	1,527,479	(7.0)	1,642,863	32.0	1,244,470	0.0
Loans & Advances	295,456	0.8	293,228	25.5	233,671	51.0	154,741	(35.8)	241,099	4.6
Trade Deposits and Prepayments	131,883	53.8	85,769	11.8	76,719	342.7	17,329	1.7	17,033	12.6
Other receivables	55,496	(26.7)	75,699	30.2	58,126	199.9	19,379	203.3	6,389	(56.8)
Taxation	1,888,736	36.4	1,384,345	8.0	1,281,956	22.6	1,046,056	17.4	890,923	(9.2)
Short term Investments	-	0.0	103,745	0.0	-	0.0	-	0.0	-	-
Cash and Balance	79,184	(64.8)	224,887	(51.1)	459,847	2393.5	18,442	(24.4)	24,406	81.7
	15,884,870	25.1	12,696,724	24.0	10,243,318	15.5	8,866,084	26.8	6,991,729	8.9

	2017		2016		2015		2014		2013	
	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %
Profit & Loss										
Net Sales	20,898,174	10.1	18,984,428	8.2	17,544,736	6.4	16,495,123	12.3	14,685,638	20.7
Cost of Sales	17,335,541	14.0	15,208,729	4.7	14,528,670	5.4	13,783,455	11.9	12,318,716	16.0
Gross Profit	3,562,633	(5.6)	3,775,699	25.2	3,016,066	11.2	2,711,668	14.6	2,366,922	53.1
Administration and selling expenses	2,536,846	16.9	2,169,555	29.2	1,678,801	8.1	1,553,100	13.2	1,371,617	25.9
Operating profit	1,025,787	(36.1)	1,606,144	20.1	1,337,265	15.4	1,158,568	16.4	995,305	118.0
Other income	357,867	257.9	99,996	(59.4)	246,158	109.6	117,461	101.0	58,429	0.7
Financial charges	341,885	44.3	236,845	(25.1)	316,416	(4.6)	331,581	8.2	306,329	(4.9)
Profit before taxation	1,041,769	(29.1)	1,469,295	16.0	1,267,007	34.2	944,448	26.4	747,405	288.4
Provision for taxation	144,954	(35.2)	223,808	(30.3)	321,160	87.6	171,196	33.7	128,080	96.9
Profit after taxation	896,815	(28.0)	1,245,487	31.7	945,847	22.3	773,252	24.9	619,325	386.3

Vertical Analysis

	2017		2016		2015		2014		2013	
	Rs '000	CONTR. %	Rs '000	CONTR. %	Rs '000	CONTR. %	Rs '000	CONTR. %	Rs '000	CONTR. %
Balance Sheet										
Equity & Reserve	4,746,761	29.9	4,383,940	34.5	3,603,069	35.2	2,963,949	33.4	2,447,086	35.0
Long term financing facilities	2,431,930	15.3	998,021	7.9	881,850	8.6	958,315	10.8	514,365	7.4
Non Current Liability	541,668	3.4	396,060	3.1	346,996	3.4	330,162	3.7	260,373	3.7
Current Liabilities	8,164,511	51.4	6,918,703	54.5	5,411,403	52.8	4,613,658	52.0	3,769,905	53.9
	15,884,870	100.0	12,696,724	100.0	10,243,318	100.0	8,866,084	100.0	6,991,729	100.0
Property Plant and Equipment	5,957,312	37.5	4,745,935	37.4	3,382,700	33.0	2,984,513	33.7	1,901,092	27.2
Intangibles	929	0.0	2,720	0.0	5,640	0.1	8,097	0.1	16,119	0.2
Long term investment	521,663	3.3	373,855	2.9	323,520	3.2	204,279	2.3	177,032	2.5
Long term loans & deposit	117,155	0.7	93,387	0.7	59,235	0.6	57,913	0.7	34,943	0.5
Current Assets										
Stores and spares	122,467	0.8	100,205	0.8	114,570	1.1	108,111	1.2	115,791	1.7
Stock in-trade	3,917,187	24.7	2,729,738	21.5	2,719,856	26.6	2,604,361	29.4	2,322,432	33.2
Trade Debts	2,797,402	17.6	2,483,211	19.6	1,527,479	14.9	1,642,863	18.5	1,244,470	17.8
Loans & Advances	295,456	1.9	293,228	2.3	233,671	2.3	154,741	1.7	241,099	3.4
Trade Deposits and Prepayments	131,883	0.8	85,769	0.7	76,719	0.7	17,329	0.2	17,033	0.2
Other receivables	55,496	0.3	75,699	0.6	58,126	0.6	19,379	0.2	6,389	0.1
Taxation	1,888,736	11.9	1,384,345	10.9	1,281,956	12.5	1,046,056	11.8	890,923	12.7
Short term Investments	-	0.0	103,745	0.8	-	0.0	-	0.0	-	0.0
Cash and Balance	79,185	0.5	224,887	1.8	459,847	4.5	18,442	0.2	24,406	0.3
	15,884,870	100.0	12,696,724	100.0	10,243,318	100.0	8,866,084	100.0	6,991,729	100.0

	2017		2016		2015		2014		2013	
	Rs '000	CONTR. %	Rs '000	CONTR. %	Rs '000	CONTR. %	Rs '000	CONTR. %	Rs '000	CONTR. %
Profit & Loss										
Net Sales	20,898,174	100.0	18,984,428	100.0	17,544,736	100.0	16,495,123	100.0	14,685,638	100.0
Cost of Sales	17,335,541	83.0	15,208,729	80.1	14,528,670	82.8	13,783,455	83.6	12,318,716	83.9
Gross Profit	3,562,633	17.0	3,775,699	19.9	3,016,066	17.2	2,711,668	16.4	2,366,922	16.1
Administration and selling expenses	2,536,846	12.1	2,169,555	11.4	1,678,801	9.6	1,553,100	9.4	1,371,617	9.3
Operating profit	1,025,787	4.9	1,606,144	8.5	1,337,265	7.6	1,158,568	7.0	995,305	6.8
Other income	357,867	1.7	99,996	0.5	246,158	1.4	117,461	0.7	58,429	0.4
Financial charges	341,885	1.6	236,845	1.2	316,416	1.8	331,581	2.0	306,329	2.1
Profit before taxation	1,041,769	5.0	1,469,295	7.7	1,267,007	7.2	944,448	5.7	747,405	5.1
Provision for taxation	144,954	0.7	223,808	1.2	321,160	1.8	171,196	1.0	128,080	0.9
Profit after taxation	896,815	4.3	1,245,487	6.6	945,847	5.4	773,252	4.7	619,325	4.2

Chairman's Review

It's an honour for me being entrusted with the role of chairman of SIL's Board of Directors.

I am also pleased to report that the performance of the Board remained par excellence throughout the year and their contributions effectively steered the Company through one of the most difficult times, besides providing steady returns to its shareholders.

Our Board of Directors helped us not only in achieving growth in the existing business, but also directed your company in geographical diversification through start up of footwear operations in Srilanka and in business diversification through accelerating Genuine Parts Business while maintaining its reputation for good governance.

The Board and Management of the Company are committed to add value in the shareholders' wealth. The Company expects better performance during the financial year 2018. Consistent with our commitment to provide steady returns to our shareholders, the Board is pleased to propose a final dividend of Rs 22/- per share in addition to interim distributions of Rs 10/- per share, aggregating to an annual profit payout of over 40%.

Your company continued to contribute towards the society and country in terms of being one of the largest providers of employment opportunity and leading exporter in both Footwear and Tyre segment.

CHAUDHRY AHMED JAVED
Chairman

March 29, 2018
Lahore



“Another day, a whole another set of Possibilities.”

Directors' Report to the Shareholders

The Board of Directors of Service Industries Limited is pleased to present to you its Annual Report along with the company's audited financial statements of the Company for the **year ended December 31, 2017** ("FY 2017").

The Directors' Report has been prepared in accordance with section 236 of the Companies Ordinance, 1984 and regulation 5.19 of Pakistan Stock Exchange Limited. This report is to be submitted to the members at the Annual General Meeting of the Company to be held on April 30, 2018.

We continue to believe that Pakistan's Footwear and Tyre Industry has a great potential for contributing to the economy, not only by paying taxes, generating employment, earning foreign exchange but also by developing skills of people employed in the industry.

The Company faces challenges of rapid escalation in costs owing to inflation and the recent devaluation of the Pak Rupee. Although, the devaluation of the PKR to some extent contributes positively toward revenue growth in export segment, the cost of imported raw material is adversely affecting margins of our Tyre and Footwear segments. In addition to this, fluctuation in the commodity price of Rubber is also one of the key elements affecting profitability of our Tyre business. Efforts are being made to offset increase in manufacturing and operating cost through productivity improvements, cost containment and process simplification.

Your company performed well by delivering revenue growth but due to challenges mentioned above, profitability was affected mainly in our Tyre business as reflected in the Financial Performance below:

Key Performance Indicators (KPIs) for FY 2017 compared FY 2016

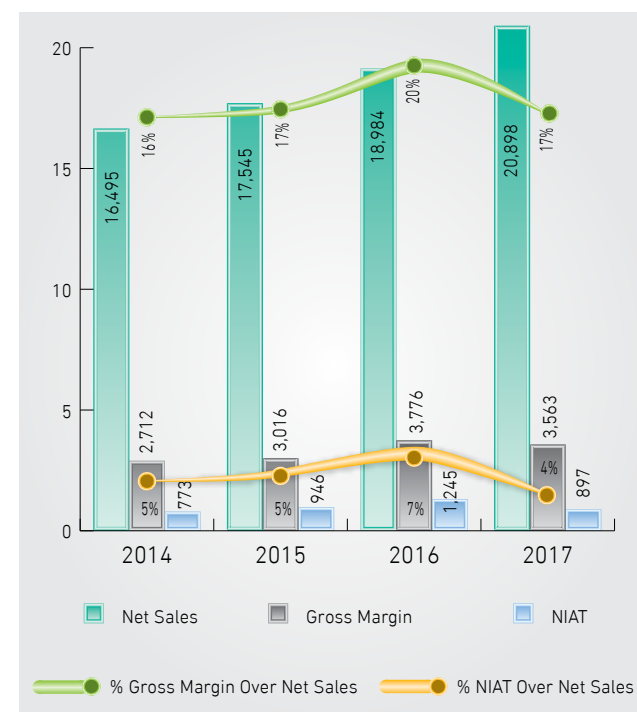
KPIs	FY 2017 Rs'000	FY 2016 Rs'000	Percentage Change
Net Sales	20,898,174	18,984,428	10%
Operating profit / (loss)	1,383,654	1,706,140	(19%)
Profit / (Loss) before income tax expense	1,041,769	1,469,295	(29%)
Net profit / (loss) after tax for the year	896,815	1,245,487	(28%)
Earnings / (Loss) per share (rupees)	74.56	103.5	(28%)

Your Company achieved sales of PKR 20.9 billion during the year compared to PKR 18.98 billion during corresponding year, with a growth of 10% driven by both Footwear and Tyre segment of your company. Our Footwear Export Sales reflected growth both due to increase in volume and due to improvement in Euro during the last quarter of the year. Local Sales of Footwear also showed growth as a result of positive developments in our footwear retail business.

There was also strong top-line growth in Tyre Segment mainly driven by volume growth in Tyre and doubling the sale in the Servis Genuine Parts business started recently.

Due to unfavorable input costs, mainly higher rubber prices, our costs increased more significantly than the increase in the selling prices resulting in lower gross margins.

During the year, operating expenses increased as compared to corresponding period mainly due to investment in startup of new retail outlets and extended efforts on its brand recognition. As a result, your Company showed the decline in Profit after Tax of 28% from PKR 1,245 million to PKR 897 million.



The earnings per share stood at PKR 74.56 during the year under review reflecting a decline of 28% over Last Year.



As we look to the year ahead, we will continue to review our strategy to ensure that we remain relevant and in line with changing dynamics in the local and global marketplace.

Appropriations

Following is the summary of appropriations made during FY 2017:

	PKR in million
Accumulated Profit as at January 01, 2017	4,384
Net profit after taxation for FY 2017	784
Final Dividend @ PKR 25 per ordinary share for FY 2016	(301)
Interim Dividend @ PKR 10 per ordinary share for FY 2017	(120)
Accumulated profit as at December 31, 2017	4,747

Key Operating and Financial Data of last 6 Years

An overview of key operating and financial data for last 6 years is annexed to 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.

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 working capital are managed through internal cash generation with some reliance on external financing. Similarly for Capital Expenditure, financing is done through Financial Institutions. 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 outflows from operations were recorded at PKR 952 million due to aggressive investment in working capital on newly started business of your company. During the current year, your company made a capital investment of Rs.1.7 billion (2016: Rs. 1.8 billion) mainly to increase capacity of our tyre manufacturing plant.

Company's Principal Activities and Business Segments

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

Risks, Uncertainties and Mitigations

The Company's overall risk management program focuses on minimizing potential adverse effects on the Company's performance. Company's senior



Directors' Report to the Shareholders

management team carry out the overall risk management for the Company and the results are shared with the Board of Directors. This entails identifying, evaluating and addressing strategic, financial, commercial and operational risks to which your company is exposed.

A senior management team also carries out intensive budgeting and planning exercise including SWOT analysis of the Company and its segment. On the basis of the same, key challenges are addressed and opportunities identified, action plans developed and executed to achieve the long term strategic objectives of the Company.

Environment, Health and Safety (EHS)

With vigorous and sustainable processes in place, we take pride in our ability to fulfill our purpose without compromising the occupational safety of our dedicated employees.

2017 was a highly productive and successful year for Environment, Health and Safety (EHS) whereby all goals were achieved and a truly EHS enriched culture was promoted throughout the organization.

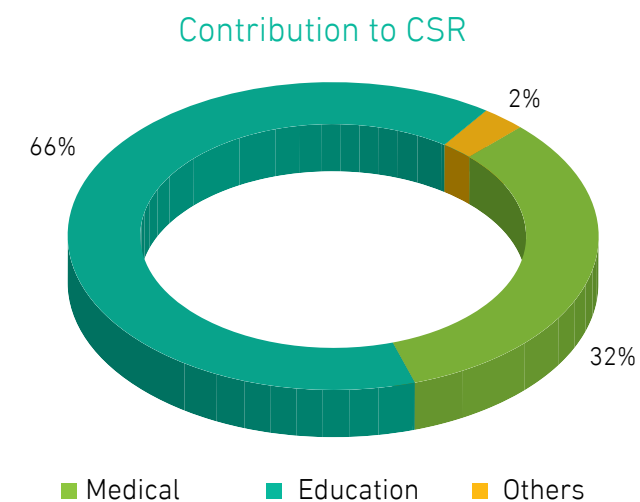
Corporate Social Responsibility

At Service, we believe that responsible, sustainable

businesses have an important role to play in building a healthy, thriving society. This commitment to global citizenship shapes the way we operate, the people we hire, the activities we support and the relationships we develop.

We understand the need for outreach programs at the grass root level, focusing on health, education, and general medical relief.

During the year the Company contributed PKR 46 million in various sectors.



Improving environmental sustainability is another key area of concern, where your company is focused.

During the year your company installed 1 Mega Watt Solar Power Plant in our export-oriented footwear plant and become first Solar Powered footwear factory in Asia not only protecting environment but also contributing towards one of the major area of concern of electricity, that your country is facing.

Company's Future Outlook

I express my confidence in the Company's ability to deliver strong, profitable growth by driving a robust investment strategy, supported by conducive customer-oriented needs will help us to accelerate growth.

Management at Service is committed in delivering strong shareholder value, supported by the improving economic outlook projected for 2018, being an election year. The strength of our Brands, coupled with the unique mix of talent and capability that we bring to the market makes us well positioned to continue as leader in both Footwear and Tyre business.

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.

Your company continued to utilize 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.

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),

Directors' Report to the Shareholders

we, for and on behalf of the Directors are pleased to state that:

- 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.
- Proper books of account have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in the preparation of financial statements.
- 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.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- 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 Independent Directors and one is Non-Executive Director. The Chairman of the committee is an Independent 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 of whom one is Independent Director, one is Non-Executive Director and one is

Executive Director. The Chairman of the committee is an Independent Director. Four (4) 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

During the year, five (5) Board meetings, five (5) Audit Committee meetings and four (4) Human Resource and Remuneration (HR&R) Committee meetings were held. The attendance of Board and its Committee members is as follows:

Board and its Committees	Number of Meetings Attended		
	Board of Directors	Audit Committee	Human Resource and Remuneration Committee
Mr. Ahmed Javed	3/5	N/A	N/A
Mr. Omar Saeed	5/5	N/A	N/A
Mr. Arif Saeed	5/5	N/A	4/4
Mr. Hassan Javed	5/5	N/A	N/A
Mr. Riaz Ahmed	5/5	5/5	4/4
Mr. Muhammad Amin	5/5	5/5	4/4
Mr. M. Ijaz Butt (Retired with effect from July 30, 2017)	1/5	N/A	N/A
Mr. Shaikat Ellahi Shaikh (Retired with effect from July 30, 2017)	3/5	N/A	N/A
Mr. Osman Saifullah Khan (Elected with effect from July 31, 2017)	1/5	N/A	N/A
Mr. Rehman Naseem (Elected with effect from July 31, 2017)	1/5	0/5	N/A
Mr. Qaisar Mufti (Resigned on October 12, 2017)	4/5	4/5	N/A
Mr. Shahid Hussain Jatoi (Appointed on October 27, 2017)	0/5	N/A	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

During the year, election of the Directors was held at the Extraordinary General Meeting on July 28, 2017. The

following nine Directors were elected for the next term of three years:

1. Mr. Ahmed Javed	6. Mr. Riaz Ahmed
2. Mr. Omar Saeed	7. Mr. Muhammad Amin
3. Mr. Arif Saeed	8. Mr. Osman Saifullah Khan
4. Mr. Hassan Javed	9. Mr. Qaisar Mufti
5. Mr. Rehman Naseem	

The Board re-appointed Mr. Omar Saeed as Chief Executive of the Company for a term of three years.

Mr. Qaisar Mufti resigned from the Board on October 12, 2017 and Mr. Shahid Hussain Jatoi was appointed by the Board to fill the casual vacancy on October 27, 2017.

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.

External Auditors

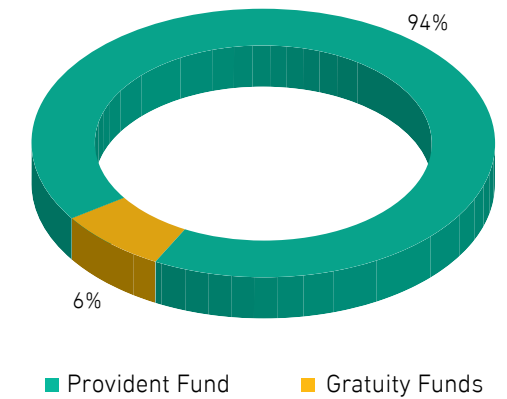
The present Auditors M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, retire and being eligible, offer themselves for re-appointment. The Board of Directors endorses the recommendation of the Audit Committee for their re-appointment as auditors of the Company for the financial year ending December 31, 2018.

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, 2017	December 31, 2016	December 31, 2015
	(Rupees in million)		
Provident Fund	1,252	1,744	1,328
Gratuity Fund	83	99	76
Pension Fund	–	77	72

Value of Investment



The Company was operating approved defined benefit funded pension plan for its eligible employees. During the year, the Board of Directors has resolved to wind up the fund w.e.f. August 31, 2017 and a lump sum pension amount as recommended by the actuary of the fund after completion of all legal formalities was paid to each member, after payment of all taxes and legal cost if applicable, associated with winding up.

Pattern of Shareholding

The pattern of shareholding as at December 31, 2017 along with disclosure as required under the Code of Corporate Governance is included in this Annual Report. All trades in the shares of the Company, if any, carried out by the Directors, CEO, CFO, Company Secretary, Head of Internal Audit and their spouses and minor children are also annexed.

Post Balance Sheet Event

There have been no material changes or events since 31st of December 2017 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 2018) financial statements.

Acknowledgement

I would like to convey my sincere appreciation to my colleagues on the Board for their valuable guidance and support and to all our employees for their tireless effort, dedication and commitment and, our customers for their trust in our products. On behalf of the Board I also wish to extend my gratitude to our shareholders for their support and trust placed in us.

We look forward to continuing to deliver results in the coming years.

For and on behalf of the board

CHAUDHRY AHMED JAVED
Chairman

OMAR SAEED
Chief Executive

March 29, 2018
Lahore



“When you have exhausted all possibilities, remember this you haven’t.”

Statement of Compliance

with the Code of Corporate Governance

For the year ended December 31, 2017

This Statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19 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:

- 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 Directors	Mr. Osman Saifullah Khan Mr. Rehman Naseem Mr. Muhammad Amin Mr. Shahid Hussain Jatoi
Executive Directors	Mr. Omar Saeed Mr. Arif Saeed Mr. Hassan Javed
Non-Executive Directors	Chaudhry Ahmed Javed Mr. Riaz Ahmed

(The Independent Directors meet the criteria of independence under clause 5.19.1.(b) of the CCG).

- The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.
- 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.
- A casual vacancy occurring on the Board on 12-10-2017 was filled up by the Directors within 15 days.

- 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.

- 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.

- 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.

- 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.

- Five Directors Mr. Omar Saeed, Mr. Hassan Javed, Mr. Riaz Ahmed, Mr. Muhammad Amin, and Mr. Shahid Hussain Jatoi have completed the Directors' Training Program. Two Directors meet the criteria of minimum 14 years of education and 15 years of experience on the Boards of listed companies.

- There was no change in the position of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, during the year.

- 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.

- The Financial Statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

- 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.

- The Company has complied with all the corporate and financial reporting requirements of the CCG.

- The Board has formed an Audit Committee. It comprises three members, of whom one is Non-Executive Director and two are Independent Directors. The Chairman of the committee is an Independent Director.

- 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.

- The Board has formed a Human Resource and Remuneration Committee. It comprises three members, of whom one is Non-Executive Director and one is Independent Director. The Chairman of the committee is an Independent Director.

- 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.

- 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).

- 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.

- 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.

- Material / price sensitive information has been disseminated among all market participants at once through the stock exchange.

- 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.

- We confirm that all other material principles enshrined in the CCG have been complied with.

CHAUDHRY AHMED JAVED
Chairman

OMAR SAEED
Chief Executive

March 29, 2018
Lahore

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, 2017 to comply with the relevant Listing Regulation No. 5.19 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 the approval of the 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, 2017.

Date: March 29, 2018

Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS
Engagement Partner: Rashid 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, 2017 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, 2017 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.

Date: March 29, 2018

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

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Financial Statements

Balance Sheet

As at December 31, 2017

	Note	2017 Amount Rupees in thousand	2016 Amount
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital 100,000,000 (2016: 100,000,000) ordinary shares of Rs. 10/- each:		1,000,000	1,000,000
Paid up share capital	7	120,288	120,288
Reserves	8	4,626,473	4,263,652
		4,746,761	4,383,940
Non-current liabilities			
Long term financing	9	2,431,930	998,021
Long term deposits	10	5,258	5,268
Deferred liabilities	11	536,410	390,792
		2,973,598	1,394,081
Current liabilities			
Trade and other payables	12	2,929,706	3,259,466
Interest and mark-up accrued	13	108,065	44,362
Short term borrowings	14	4,520,732	3,242,870
Current portion of long term financing	9	451,642	223,058
Provision for taxation	34	154,366	148,947
		8,164,511	6,918,703
		15,884,870	12,696,724
Contingencies and commitments	15		

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

Chaudhry Ahmed Javed
(Chairman)

	Note	2017 Amount Rupees in thousand	2016 Amount
ASSETS			
Non-current assets			
Property, plant and equipment	16	5,957,312	4,745,935
Intangible assets	17	929	2,720
Long term investments	18	521,663	373,855
Long term loans	19	17,762	15,431
Long term deposits		99,393	77,956
		6,597,059	5,215,897
Current assets			
Stores, spares and loose tools	20	122,467	100,205
Stock in trade	21	3,917,187	2,729,738
Trade debts	22	2,797,402	2,483,211
Loans and advances	23	295,456	293,228
Trade deposits and prepayments	24	131,883	85,769
Other receivables		55,496	75,699
Tax refunds due from government	25	1,888,736	1,384,344
Short Term Investment		-	103,745
Cash and cash equivalents	26	79,184	224,887
		9,287,811	7,480,826
		15,884,870	12,696,724

Omar Saeed
(Chief Executive)

Ashfaq Alidina
(Chief Financial Officer)

Profit and Loss Account

For the year ended December 31, 2017

	Note	2017 Amount Rupees in thousand	2016 Amount
Sales – net	27	20,898,174	18,984,428
Cost of sales	28	17,335,541	15,208,729
Gross profit		3,562,633	3,775,699
Operating expenses			
Distribution cost	29	1,300,341	973,590
Administrative expenses	30	1,084,215	983,413
Other operating expenses	31	152,290	212,552
		2,536,846	2,169,555
Operating profit before other income		1,025,787	1,606,144
Other income	32	357,867	99,996
Operating profit		1,383,654	1,706,140
Finance cost	33	341,885	236,845
Profit before taxation		1,041,769	1,469,295
Taxation	34	144,954	223,808
Profit after taxation		896,815	1,245,487
Earnings per share – basic and diluted (Rupees)	35	74.56	103.54

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

Chaudhry Ahmed Javed
(Chairman)

Omar Saeed
(Chief Executive)

Ashfaq Alidina
(Chief Financial Officer)

Statement of Comprehensive Income

For the year ended December 31, 2017

	Note	2017 Amount Rupees in thousand	2016 Amount
Profit after taxation		896,815	1,245,487
Other comprehensive income			
Items that may reclassify to profit and loss account			
(Loss) / gain on Investments – net of tax		(32,224)	–
Add: Adjustment for amount transferred to profit and loss account		(40,436)	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)		(40,326)	9,306
		(112,986)	16,536
Total comprehensive income for the year		783,829	1,262,023

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

Chaudhry Ahmed Javed
(Chairman)

Omar Saeed
(Chief Executive)

Ashfaq Alidina
(Chief Financial Officer)

Cash Flow Statement

For the year ended December 31, 2017

	Note	2017 Amount Rupees in thousand	2016 Amount Rupees in thousand
Cash flow from operating activities			
Cash generated from operations	37	(178,768)	1,270,401
Finance cost paid		(278,183)	(245,469)
Ijarah rentals paid		(72,940)	(70,041)
Income tax paid		(335,830)	(330,237)
Staff retirement benefits paid		(33,282)	(14,987)
W.P.P.F Receipt		2,872	-
W.P.P.F paid		(56,000)	(146,963)
Net cash generated from operating activities		(952,131)	462,704
Cash flow from investing activities			
Dividend from associated Company	18	24,106	10,446
Capital expenditure		(1,704,908)	(1,797,336)
Proceeds from sale of property, plant and equipment		6,672	26,748
Investment in subsidiary company		(93,000)	(125,681)
Investment in associated companies		-	(480)
Proceeds from sale of long term investment		-	101,709
Short Term Investment		103,745	(103,745)
Long term loans – net		(2,331)	(8,348)
Long Term Investment		(29,600)	-
Long term deposits – net		(21,437)	(25,804)
Net cash used in investing activities		(1,716,753)	(1,922,491)
Cash flow from financing activities			
Short term borrowings – net		1,277,862	1,580,510
Long term financing		1,662,493	118,059
Dividend paid		(417,164)	(475,344)
Long term deposits		(10)	1,603
Net cash generated from / (used in) financing activities		2,523,181	1,224,828
Net (decrease) / increase in cash and cash equivalents		(145,703)	(234,959)
Cash and cash equivalents at the beginning of the year		224,887	459,846
Cash and cash equivalents at the end of the year	26	79,184	224,887

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

Chaudhry Ahmed Javed
(Chairman)

Omar Saeed
(Chief Executive)

Ashfaq Alidina
(Chief Financial Officer)

Statement of Changes in Equity

For the year ended December 31, 2017

	Paid up share capital	Capital reserves Capital gains	Share premium	Revenue reserves General reserve	Unappropriated profits	Total
	Rupees in thousand					
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
Final dividend for the year ended December 31, 2016 @ Rs. 25 per share	-	-	-	-	(300,720)	(300,720)
Interim dividend for the year ended December 31, 2017 @ Rs. 10 per share	-	-	-	-	(120,288)	(120,288)
Total comprehensive income for the year	-	-	-	-	783,829	783,829
Balance as at December 31, 2017	120,288	102,730	21,217	1,558,208	2,944,318	4,746,761

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

Chaudhry Ahmed Javed
(Chairman)

Omar Saeed
(Chief Executive)

Ashfaq Alidina
(Chief Financial Officer)

Notes to the Financial Statements

For the year ended December 31, 2017

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 the Companies Act, 2017), 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. As per the requirements of circular No. 23/2017 dated October 4, 2017 issued by Securities & Exchange Commission of Pakistan (SECP), companies whose financial year closes after December 31, 2017 shall prepare financial statements in accordance with the provisions of the Companies Act, 2017. Accordingly, 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 issued 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 7 – Statement of Cash Flows

IAS-12 Income Taxes

IFRS 12 – Disclosure of Interests in Other Entities

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

IIFRS 1 – First-time Adoption of International Financial Reporting Standards (Not notified by SECP)

IFRS 2 – Share Based Payments

IFRS 3 – Business Combinations

IFRS 4 – Insurance contracts (Not notified by SECP)

IFRS 9 – Financial Instruments: Classification and Measurements

IFRS 10 – Consolidated Financial Statements

IFRS 11 – Joint Arrangements

IFRS 14 – Regulatory Deferral Accounts (Not notified by SECP)

IFRS 15 – Revenue from Contracts with Customers

IFRS 16 – Leases (Not notified by SECP)

IFRS 17 – Insurance Contracts (Not notified by SECP)

IAS 12 – Income Taxes (Amended by Annual Improvements to IFRS Standards 2015–2017 Cycle)

IAS 19 – Employee Benefits

IAS 28 – Investments in Associates and Joint Venture

IAS 39 – Financial Instruments: Recognition and Measurement

IAS 40 – Investment Property

IFRIC 22 – Foreign Currency Transaction and Advance Consideration

IFRIC 23 – Uncertainty Over Income Tax Treatments

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 The financial statements are the separate financial statements in which investment in subsidiaries and associated entities are accounted for as per policies given at 6.6.3 and 6.6.4. Consolidated financial statements are prepared and presented separately.

5.3 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

Notes to the Financial Statements

For the year ended December 31, 2017

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'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 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.

By virtue of amendments introduced through the Finance Act 2017, the provisions of section 5A of the Income Tax Ordinance, 2001, have been amended to the effect that a listed company that derives profit for a tax year but does not distribute at least 40% of its after tax profits within six months of the end of the said tax year, through cash or bonus shares, shall be liable to pay tax at the rate of 7.5% of its accounting profit before tax. The liability in respect of such income tax, if any, is recognised when the prescribed time period for distribution of dividend expires.

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

Notes to the Financial Statements

For the year ended December 31, 2017

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 Investments in equity – subsidiaries

“Investment in subsidiary company is measured at cost as per the requirements of IAS-27 “Separate Financial Statements”.

6.6.4 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.

6.6.5 Capital work in progress

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

6.6.6 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 set off 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, 2017

		2017	2016
		Amount	Amount
		Rupees in thousand	
7	Paid up share capital		
	Issued, subscribed and paid up:		
	Number of Shares		
	2017	2016	
	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	120,288

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

	2017	2016
	Number of Shares	
- Shahid Arif Investments (Private) Limited (8.43% – 2016 : 8.43%)	10,144	10,144

		2017	2016
		Amount	Amount
		Rupees in thousand	
8	Reserves		
	Capital reserves		
	Share premium	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	2,944,318	2,581,497
		4,502,526	4,139,705
		4,626,473	4,263,652

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

		2017	2016
		Amount	Amount
		Rupees in thousand	
9	Long term financing		
	Total long term financing	2,883,572	1,221,079
	Less: current portion	(451,642)	(223,058)
		2,431,930	998,021

		2017	2016
		Amount	Amount
		Rupees in thousand	
9.1	Loan from banking companies		
	Loan – I	175,000	245,000
	Loan – II	150,000	200,000
	Loan – III	250,000	250,000
	Loan – IV	450,000	250,000
	Loan – X	42,776	–
	Loan – XI	800,000	–
	Loan – XII	500,000	–
	Loan – XIII	235,125	–
	Loan – XIV	83,694	–
		2,686,595	945,000
	Less: current portion	(348,584)	(120,000)
		2,338,011	825,000

9.2 Islamic term finance

Loan – V	25,497	42,494
Loan – VI	8,757	14,594
Loan – VII	55,585	77,819
Loan – VIII	71,865	95,820
Loan – IX	35,273	45,352
	196,977	276,079
Less: current portion	(103,058)	(103,058)
	93,919	173,021

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 + 15 bps per annum (2016: 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.

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 + 15 bps per annum. 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.

Notes to the Financial Statements

For the year ended December 31, 2017

- IV These represent long term finance loans obtained from Allied Bank Limited of Rs. 250 million approved in 2016 and Rs. 200 million approved in 2017 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.
- V to IX These represent long term finance loans obtained from Meezan Bank Limited under Islamic Diminishing Musharakah upto a limit of Rs. 638 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 + 15 bps per annum (2016: 6 month KIBOR +15 bps per annum). 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.
- X These represent long term finance loans obtained from Habib Bank Limited of Rs. 42.776 million approved in 2017 for a period of ten years under LTFF scheme of SBP, repayable on quarterly basis with a grace period of two years. The first and last installments fall due on Aug 31, 2019 and May 31, 2027 respectively. The markup rate is 350 bps per annum (2016 : nil). The loan is secured by first pari passu charge over fixed assets of the Company with 25% margin.
- XI These represent long term finance loans obtained from MCB Bank Limited of Rs. 800 million approved in 2017 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 December 30, 2018 and June 30, 2023 respectively. The markup rate is 6 month KIBOR + 14 bps per annum (2016 : nil). The loan is secured by first pari passu charge over fixed assets of the Company with 25% margin.
- XII These represent long term finance loans obtained from MCB Bank Limited of Rs. 500 million approved in 2017 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 27, 2019 and December 27, 2023 respectively. The markup rate is 6 month KIBOR + 10 bps per annum. The loan is secured by first pari passu charge over fixed assets of the Company with 25% margin.
- XIII These represent long term finance loans obtained from Habib Bank Limited of Rs. 235.125 million approved in 2017 for a period of six years under LTFF scheme of SBP, repayable on quarterly basis with a grace period of two years. The first and last installments fall due on Sep 22, 2019 and June 23, 2023 respectively. The markup rate is 350 bps per annum (2016 : nil). The loan is secured by first pari passu charge over fixed assets of the Company with 25% margin.
- XIV These represent long term finance loans obtained from Habib Bank Limited of Rs. 83.694 million approved in 2017 for a period of ten years under LTFF scheme of SBP. The first and last installments fall due on Oct 6, 2017 and July 6, 2027 respectively. The markup rate is 250 bps per annum (2016 : nil). The loan is secured by first pari passu charge over fixed assets of the Company with 25% margin.

	2017	2016
	Amount	Amount
	Rupees in thousand	
10 Long term deposits	5,258	5,268

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.

	2017	2016
	Amount	Amount
	Rupees in thousand	
	Note	
11 Deferred liabilities		
Deferred taxation	11.1	407,961
Employee benefits plans	11.2	370,107
		20,685
		390,792

11.1 Deferred tax liability is made up as follows:

Deferred tax impact against accelerated depreciation	441,617	403,058
Deferred tax asset against provision for doubtful debts	(47,633)	(42,910)
Deferred tax impact against gain on employee benefit plans	-	-
Deferred tax impact against investment – Investment in associate	13,977	9,959
Deferred tax impact against investment – Available for sale	-	-
	407,961	370,107

11.2 Employees benefit plans

		Gratuity scheme		Pension scheme	
		2017	2016	2017	2016
		Amount	Amount	Amount	Amount
	Note	Rupees in thousand			

11.2.1 The amounts recognized in the balance sheet

Present value of defined benefit obligations	11.2.4	213,626	186,612	-	13,646
Fair value of plan assets	11.2.5	(85,177)	(101,576)	-	(77,997)
Balance sheet liability as at December 31		128,449	85,036	-	(64,351)

11.2.2 Movement in the net liability recognised in the balance sheet

Opening balance		85,036	81,551	-	(60,497)
Charge for the year	11.2.3	28,366	27,748	-	(5,395)
Payments during the year		(25,279)	(14,957)	-	(30)
Remeasurements chargeable to OCI	11.2.6	40,326	(9,306)	-	1,570
Closing balance		128,449	85,036	-	(64,352)

Notes to the Financial Statements

For the year ended December 31, 2017

Note	Gratuity scheme		Pension scheme	
	2017 Amount	2016 Amount Rupees in thousand	2017 Amount	2016 Amount
11.2.3 Amounts recognized in the profit and loss account				
Current service cost	22,575	21,082	–	67
Interest cost	13,597	13,779	–	1,110
Expected return on plan assets	(7,806)	(7,113)	–	(6,557)
Contribution made by employees	–	–	–	(15)
	28,366	27,748	–	(5,395)
11.2.4 Changes in the present value of defined benefit obligation				
Opening defined benefit obligation	186,612	161,631	–	13,033
Current service cost	22,575	21,082	–	67
Interest cost	13,597	13,779	–	1,110
Benefits paid	(33,282)	(17,052)	–	(1,389)
Remeasurements:	–	–	–	–
Actuarial losses from changes in financial assumptions	121	(443)	–	918
Experience adjustments	24,003	7,615	–	(93)
	213,626	186,612	–	13,646
11.2.5 Changes in the fair value of the plan assets				
Opening fair value of plan assets	101,576	80,080	–	73,530
Expected return	7,806	7,113	–	6,557
Contribution by employer	25,279	14,957	–	44
Benefits paid	(33,282)	(17,052)	–	(1,389)
Experience adjustments	(16,202)	16,478	–	(745)
	85,177	101,576	–	77,997
11.2.6 Amounts recognized in the other comprehensive income				
Experience adjustments	24,003	7,615	–	(93)
Interest income on plan assets	16,202	(16,478)	–	745
Actuarial (gain) / loss from changes in financial assumptions	121	(443)	–	918
Actuarial (gain) / loss chargeable in OCI	40,326	(9,306)	–	1,570

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

	2017 Rupees in thousand	2017 %	2016 Rupees in thousand	2016 %
Gratuity scheme				
Unit trust	71,283	83.69	87,612	86.25
Term deposit	11,833	13.89	11,833	11.05
Other assets	2,061	2.42	2,131	2.10
	85,177	100	101,576	100
Pension Scheme				
Bank Al Habib Limited	–	–	–	–
Pak Oman Investment Company Limited	–	–	32,134	41.20
MCB – Cash Optimizer	–	–	36,704	47.06
MCB – Dynamic Cash Fund	–	–	–	–
National Investment Trust Limited	–	–	8,432	10.81
Cash at Bank(s)	–	–	728	0.93
	–	–	77,998	100

11.2.8 Return on plan assets

Expected return on plan assets	7,806	7,113	–	6,557
Actuarial gain/ (loss) on assets	(16,202)	16,478	–	(745)
	(8,396)	23,591	–	5,812

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.

	2017 Percentage	2016 Percentage	2017 Percentage	2016 Percentage
11.2.9 Principal actuarial assumptions				
Discount rate	8.25	8	–	8
Expected rate of salary increase	7.25	7	–	7
Expected rate of return on investments	8	9	–	9

11.2.10 Year end sensitivity analysis (± 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 2016.

Notes to the Financial Statements

For the year ended December 31, 2017

	2017 Amount	2016 Amount	2017 Amount	2016 Amount
Note	Rupees in thousand		Rupees in thousand	
Discount Rate + 100 bps	194,251	170,702	-	12,724
Discount Rate - 100 bps	236,149	205,221	-	14,702
Salary increase + 100 bps	236,463	205,522	-	13,649
Salary increase - 100 bps	193,633	170,155	-	13,644
			2017 Amount	2016 Amount
	Note		Rupees in thousand	
12 Trade and other payables				
Trade creditors			1,415,618	1,242,305
Accrued liabilities			989,400	767,566
Bills payable			266,858	213,890
Advances from customers			180,541	903,524
Provident fund payable			27,634	28,426
Workers' profit participation fund	12.1		(1,585)	(2,753)
Workers' welfare fund	12.2		6,492	64,280
Unclaimed dividend			27,774	23,930
Others			8,224	11,904
Due to government agencies on account of:				
Staff income tax			6,220	4,111
Suppliers income tax			2,530	2,283
			2,929,706	3,259,466
12.1 Workers' profit participation fund				
Balance as at January 01			(2,753)	66,889
Add: provision for the year	31		54,296	77,321
			51,543	144,210
Less: payments during the year			(53,128)	(146,963)
Balance as at December 31			(1,585)	(2,753)
12.2 Workers' welfare fund				
Balance as at January 01			64,280	60,386
Add: provision for the year			6,492	3,894
			70,772	64,280
Less: payments / adjustments during the year			(64,280)	-
Balance as at December 31			6,492	64,280
13 Interest and mark-up accrued				
Long term financing - secured			43,453	15,692
Short term borrowings - secured			64,612	28,670
			108,065	44,362

14 Short term borrowings

From banks and other financial institutions:

	Sanctioned limit		Availed limit	
	2017	2016	2017	2016
	Rupees in thousand			
Under mark up arrangements with consortium banks:				
Cash credits	6,709,136	3,638,746	2,246,968	(476,909)
Export refinance	2,273,764	2,059,651	2,273,764	2,059,652
Import loan	-	1,583,503	-	1,660,127
	8,982,900	7,281,900	4,520,732	3,242,870

These short term borrowing facilities have been availed from various banks. The rates of markup range between 1.3% to 7.01% (2016: 1.3% to 6.83% 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 Rupees 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 (Appeals) 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 Rupees 18.6 million and 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 Rupees 4.80 million covering the period from January 1987 to September 1992 on account of short payment of contributions. In the second case, Rupees 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, Rupees 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.

Notes to the Financial Statements

For the year ended December 31, 2017

15.4 The DCIR, LTU initiated a case against the Company after post Sales Tax refund audit in which demand of Rupees 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 Rupees 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.

15.5 The DCIR, LTU initiated sales tax audit for the year 2013-2014 in which demand of Rupees 182.70 million was created. The Company filed an appeal before CIR(Appeals) which is pending for hearing. The management of the Company is confident that decision will be in favor of the Company, hence, no provision has been made in these financial statements.

15.6 The DCIR, LTU initiated income tax audit for the year 2014 in which a demand of Rupees 123 million was created. The Company preferred an appeal before CIR(Appeals) which is pending for hearing. The management is confident that decision will be in favor of the Company, hence, no provision has been made in these financial statements.

15.7 The Company preferred an appeal against FBR in Honorable Lahore High Court for show cause notice of post sales tax refund audit for various tax periods. The writ petition has been accepted. As of reporting date Rupees 13 million is payable on this account but the management of Company is confident that payment will not be required.

15.8 The DCIR, LTU initiated a case of withholding tax audit for tax year 2011 in which a demand of Rupees 38.71 million under Section 161 and 205 of The Income Tax Ordinance, 2001 was created. The Company preferred an appeal before ATIR as its appeal before CIR (Appeals) was unsuccessful. The Company expects a favourable outcome of the appeal based on advice of tax counsel.

15.9 The Company has challenged, before Honourable Lahore High Court, Lahore, the vires of first proviso to sub-clause (x) of clause (4) of SRO 491(1)/2016 dated 30 June 2016 issued under sections 3 and 4 read with sections 8 and 71 of the Sales Tax Act, 1990 whereby through amendment in the earlier SRO 1125(I)/2011 dated 31 December 2011 adjustment of input sales tax on packing material of all sorts has been disallowed. The Honourable Lahore High Court has issued stay order in favour of the Company. Consequently, the Company has claimed input sales tax paid on packing material in its respective monthly sales tax returns. The management, based on advice of the legal counsel, is confident of favorable outcome of its appeal. An amount of Rupees 41.18 million being the provision is made these financial statements.

15.10 The Company has challenged, before Honourable Lahore High Court, Lahore, the vires of clauses (h) and (i) to sub-section (1) of section 8 of the Sales Tax Act, 1990 whereby claim of input sales tax in respect of building materials, electrical and gas appliances, pipes, fittings, wires, cables and ordinary electrical fittings and sanitary fittings have been disallowed. The Honourable Lahore High Court has issued stay order in favour of the Company and has allowed the Company to claim input sales tax paid on such goods in its monthly sales tax returns. Consequently, the Company has claimed input sales tax on such goods in its respective monthly sales tax returns. An amount of Rupees 3.82 million being the provision is made these financial statements.

15.11 The DCIR, LTU initiated income tax cases of tax years 2006 and 2008. A demand of 12.7 million and 68.4 million respectively were created by amending returns. Appeals were preferred with CIR(A) which were dismissed against the Company without discussing the merits of the cases. The Company is on process of filing appeal with ATIR. The management is confident that decision will be in favor of the Company, hence, no provision has been made in these financial statements.

Commitments

15.12 Guarantees issued in ordinary course of business through banks are of Rs. 1,882 million (2016: Rs. 1,855.89 million).

15.13 Irrevocable letters of credit outstanding at the year end are of Rs. 1,370.16 million (2016: Rs. 1,657.62 million).

15.14 The amount of future ijarah rentals for ijarah financing and the period in which these payments will become due are as follows:

		2017	2016
	Note	Amount	Amount
		Rupees in thousand	
Not later than one year		75,144	68,824
Later than one year and not later than five years		121,914	100,558
Later than five years		-	-
		197,058	169,382
16	Property, plant and equipment		
Operating fixed assets	16.1	4,739,012	4,116,625
Capital work in progress	16.2	1,218,300	629,310
		5,957,312	4,745,935

Notes to the Financial Statements

For the year ended December 31, 2017

16.1 Operating fixed assets

December 31, 2017

Particulars	Cost			Accumulated depreciation			W.D.V. as at December 31, 2017
	As at January 01, 2017	Additions / transfers	Disposals December 31, 2017	As at January 01, 2017	Charge for the year	Adjustments / transfers	
	Rupees in thousand			Rupees in thousand			
Owned							
Freehold land	7,071	-	-	-	-	-	7,071
Building on freehold land	916,462	358,169	12,742	320,519	75,319	3,316	869,367
Plant and machinery	3,937,937	547,440	36,598	1,322,920	270,447	27,949	2,883,361
Furniture, fixture and fittings	42,442	9,651	-	24,418	2,444	-	25,231
Vehicles	29,086	12,191	2,947	12,540	5,116	2,062	22,736
Service equipments	1,138,273	132,617	20,006	400,130	88,182	9,016	771,588
Leasehold improvements	1,48,940	55,850	3,350	23,059	19,393	670	159,658
Total - 2017	6,220,211	1,115,918	75,643	2,103,586	460,901	43,013	2,521,474

December 31, 2016

Particulars	Cost			Accumulated depreciation			W.D.V. as at December 31, 2016
	As at January 01, 2016	Additions / transfers	Disposals December 31, 2016	As at January 01, 2016	Charge for the year	Adjustments / transfers	
	Rupees in thousand			Rupees in thousand			
Owned							
Freehold land	7,106	-	35	-	-	-	7,071
Building on freehold land	860,609	69,601	13,748	269,609	55,749	4,839	595,943
Plant and machinery	3,001,752	1,009,342	73,157	1,148,526	213,627	39,233	2,615,017
Furniture, fixture and fittings	36,641	5,849	48	22,798	1,664	44	18,024
Vehicles	27,169	8,571	6,654	13,875	3,217	4,552	16,546
Service equipments	1,078,074	79,967	19,768	327,698	86,621	14,189	738,143
Leasehold improvements	12,868	136,072	-	941	22,118	-	125,881
Total - 2016	5,024,219	1,309,402	113,410	1,783,447	382,996	62,857	2,103,586

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

	Note	2016 Amount Rupees in thousand	2015 Amount Rupees in thousand
Cost of sales	28	418,094	344,321
Administrative expenses	30	15,348	15,956
Distribution cost	29	27,460	22,719
		460,902	382,996

16.1.2 During 2017, the Company reviewed the useful life of leasehold improvements which resulted in changes in the expected usage of the said assets. The leasehold improvements, which the management had previously depreciated at the rate of 20% is now expected to be depreciated at the rate of 10% on straight line basis. The effect of these changes on actual and expected depreciation expense is as follows:

	2017	2018	2019	2020	2021	Later
	Rupees in thousand					
(Decrease)/ Increase in depreciation expense	(19,393)	(15,966)	(15,966)	(15,966)	(15,966)	83,256

Notes to the Financial Statements

For the year ended December 31, 2017

Leasehold Improvements						
16.1.3 Disposal of property, plant and equipment						
Particulars	Cost	Accumulated depreciation	Net book value	Sale proceeds	Sold to	Mode of disposal
←-----Rupees in thousand-----→						
Building						
Having book value exceeding Rs. 50,000						
Boundary Wall in Cricket Ground	1,361	392	969	-		Write Off
Boundary wall for RH storage area	95	31	64	-		
Brick Soling In Storage Area For Rice Husk	3,707	1,224	2,483	-		
Carbon Storage Shed	1,751	484	1,267	-		
Civil work cost for installation	1,043	43	1,000	-		
Civil work for Hot water system	1,869	380	1,489	-		
Civil work of trench & foundation	2,396	584	1,812	-		
Rice Husk Shed	491	168	323	-		
	12,713	3,306	9,407	-		
Building						
Having book value less than Rs. 50,000						
	29	10	19	-		Write Off
Total of Building	12,742	3,316	9,426	-		
Plant & machinery						
Having book value exceeding Rs. 50,000						
DESMA MACHINE	8,157	7,920	237	253	RANA JAMSHAI	Negotiation
HYDRAULIC VELKANIZING PRESS	2,307	2,169	138	147	RANA JAMSHAI	Negotiation
INJECTION PRESS	375	317	58	62	RANA JAMSHAI	Negotiation
INJECTION PRESS	382	323	59	63	RANA JAMSHAI	Negotiation
INSEAM TRIMING MACHINE	254	200	54	57	RANA JAMSHAI	Negotiation
SOLE MOULDING MACHINE 6 STATION	2,233	1,466	767	819	RANA JAMSHAI	Negotiation
THERMOPLASTIC INJ.MOULDING M/C	3,546	2,795	751	801	RANA JAMSHAI	Negotiation
WELT SHOE STICHING MACHINE	497	392	105	112	RANA JAMSHAI	Negotiation
WIRE SIDE LASTING MACHINE	355	280	75	80	RANA JAMSHAI	Negotiation
Installation charges for piping	816	80	736	-		Write Off
MACHINE BOX STRETCH WRAPPING LA	350	162	188	214	Sheikh Khajoo Bhai & Co.	Negotiation
MACHINE DOUBLE NEEDLE FLAT	219	126	93	99	RANA JAMSHAI	Negotiation
SOLE STICHING M/C MODEL 8910	1,296	262	1,034	1,296	SSL	Negotiation
Steam Trap for Tyre and Tube	1,092	273	819	-		Write Off
TYRE CURING PRESS BOM 2 DAYLIGHT 42"	891	409	482	-		Write Off
Tire Curing Presses BOM 4 station each(30")	1,788	702	1,086	-		Write Off
RH boiler economizer	1,917	540	1,377	-		Write Off
	26,475	18,416	8,059	4,003		
Having book value less than Rs. 50,000						
	10,123	9,533	590	626	Muhammad Yameen & Rana Jamshaid	Negotiation
Total of plant & machinery	36,598	27,949	8,649	4,629		

Particulars	Cost	Accumulated depreciation	Net book value	Sale proceeds	Sold to	Mode of disposal
←-----Rupees in thousand-----→						
Vehicles						
Having book value exceeding Rs. 50,000						
BKIE HONDA CG-125	104	33	71	97	Khurram Motor Lahore	Negotiation
Honda Civic VTI Prosmatec	2,008	1,438	570	570		
	2,112	1,471	641	667		
Having book value less than Rs. 50,000						
	835	591	244	470	Misc.	Negotiation
Total of vehicles	2,947	2,062	885	1,137		
Service equipments						
Having book value exceeding Rs. 50,000						
HOT WATER TANK (D-AIR)	2,710	1,351	1,359	-		Write Off
Heel Plated Slide	392	310	82	111	Muhammad Yameen	Negotiation
Insulation of Steam Lines of MC + BC Tyre & Tube (B.CODE	1,018	274	744	-		Write Off
Last Gerdi Half Shoes	473	375	98	135	Muhammad Yameen	Negotiation
New electric cable + Pannels for BOM & Hot water unit (B.CODE	327	101	226	-		Write Off
Piping + accessories (3.2.65)	3,702	972	2,730	-		Write Off
Platform for BOM (B.CODE 3.2.66)	296	84	212	-		Write Off
RH Boiler drum to drum tubes replacement	3,357	774	2,583	-		Write Off
Apple Macbook	165	84	81	81	Sohail Chaudhary	Negotiation
Steam Flexible Pipes for Curing Presses (3.2.73)	3,296	970	2,326	-		Write Off
	15,736	5,295	10,441	327		
Having book value less than Rs. 50,000						
	4,270	3,721	549	579	Misc.	Negotiation
Total service equipments	20,006	9,016	10,990	906		
Leasehold improvements						
Having book value exceeding Rs. 50,000						
Assets at Emporium Mall	3,350	670	2,680	-		Write Off
Total leasehold improvements	3,350	670	2,680			
Total - 2017	75,643	43,013	32,630	6,672		
Total - 2016	113,410	62,857	50,553	26,708		

16.2 Capital Work in Progress

	Building machinery fixture	Plant and equipment	Furniture improvements	Leasehold equipment	Service	Vehicles	2017 Amount	2016 Amount
←-----Rupees in thousand-----→								
Balance as at January 01	446,154	139,668	466	19,694	23,328	-	629,310	141,928
Additions during the year	277,123	1,153,107	3,179	129,074	137,406	1,613	1,701,502	1,592,223
Transfers / adjustments during the year	(358,893)	(548,864)	(3,436)	(76,414)	(123,382)	(1,523)	(1,112,512)	(1,104,841)
Balance as at December 31	364,384	743,911	209	72,354	37,352	90	1,218,300	629,310

Notes to the Financial Statements

For the year ended December 31, 2017

	Note	2017 Amount Rupees in thousand	2016 Amount
17 Intangible assets			
Software programs	17.1	929	2,720
17.1 Cost			
As at January 01		40,663	40,111
Additions / transfers during the year		-	552
Disposal		-	-
As at December 31		40,663	40,663
Amortization			
As at January 01		37,943	34,471
Charge for the year		1,791	3,472
Disposals		-	-
As at December 31		39,734	37,943
Book value as at December 31		929	2,720
Rate of amortization		33.33%	33.33%
18 Long term investments			
These represents long term investments in:			
Related parties	18.1	492,063	373,855
Others	18.2	29,600	-
		521,663	373,855
18.1 Investment in Related Parties:			
18.1.1 Investment in Subsidiary:			
Service Industries Capital (Private) Limited		218,681	125,681
18.1.2 Investment in Associate:			
Speed (Private) Limited		272,902	247,694
18.1.3 Investment in Joint Venture:			
S2 Power Limited (24,000 fully paid shares of Rs.10/- each)		240	240
S2 Hydro Limited (24,000 fully paid shares of Rs.10/- each)		240	240
		480	480
		492,063	373,855

	Note	2017 Amount Rupees in thousand	2016 Amount
18.1.2.1 Speed (Private) Limited – associated company			
Cost of investment			
160,709 fully paid ordinary shares of Rs. 100/- each (2016: 160,709)		190,949	190,949
Share of post acquisition reserve			
As at the beginning of the year		56,745	36,259
Share of post acquisition profit for the year / period		49,314	30,932
Less: Dividends received during the year		(24,106)	(10,446)
		81,953	56,745
		272,902	247,694
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.			
18.1.2.3 Current assets		1,006,562	949,475
Non current assets		267,254	287,209
Current liabilities		299,800	377,593
Non current liabilities		1,970	2,170
Revenue – net for the year / period		2,105,040	1,761,433
Expenses for the year / period		1,879,859	1,620,193
Profit for the year / period		225,181	141,240
Other comprehensive income for the year		-	-
Total comprehensive income for the year		225,181	141,240
Net assets of the associate		972,046	856,921
Percentage of holding		21.90%	21.90%
Share in net assets of associate		212,872	187,664
18.1.2.4 Breakup value per share (Rupees)		1,325	1,168
18.1.2.5 Reconciliation of share in net assets of associate with carrying value of investment			
Share in net assets of associate		212,872	187,664
Add: Goodwill		60,030	60,030
Carrying value of investment in associate		272,902	247,694

Notes to the Financial Statements

For the year ended December 31, 2017

	Note	2017 Amount Rupees in thousand	2016 Amount
18.2	Investment in quoted securities – Available for sale investments		
	TRG Pakistan Limited		
	1,000,000 fully paid ordinary shares (2016 – Nil)	29,600	–
		29,600	–
19	Long term loans		
	Considered good		
	– due from executives	19.1 22,013	20,101
	– due from other employees	1,014	938
		23,027	21,039
	Less: current portion of long term loans	23 (5,265)	(5,608)
		17,762	15,431

		2017 Amount Rupees in thousand	2016 Amount
19.1	Reconciliation of loans to executives		
	Balance as at January 01	20,101	9,434
	Add: Disbursements during the year	14,550	18,010
	Less: Repayments during the year	(12,638)	(7,343)
	Balance as at December 31	22,013	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. 22.333 million (2016: Rs. 23.644 million).

	Note	2017 Amount Rupees in thousand	2016 Amount
20	Stores, spares and loose tools		
	Machinery spares	42,267	52,590
	Stores	106,372	2,246
	Loose tools	3,058	68,851
	Less:		
	Provision for slow moving and obsolete items	20.1 (29,230)	(23,482)
		122,467	100,205

		2017 Amount Rupees in thousand	2016 Amount
20.1	Movement for provisions:		
	Balance at the beginning of the year	23,482	16,957
	Provisions made during the year	7,717	10,256
	Adjusted during the year	–	(437)
	Reversals made during the year	(1,969)	(3,294)
	Charge for the year	5,748	6,525
	Balance at the end of the year	29,230	23,482

		2017 Amount Rupees in thousand	2016 Amount
21	Stock in trade		
	Raw material	1,315,442	963,419
	Packing material	67,312	62,506
	Work in process	294,958	288,944
	Finished goods: Own production	1,460,688	920,504
	Purchased	747,454	454,825
	Goods in transit	172,339	133,763
	Provision for slow moving, obsolete items and net realizable value	21.1 (141,006)	(94,223)
		3,917,187	2,729,738

		2017 Amount Rupees in thousand	2016 Amount
21.1	Movement for provisions:		
	Balance at the beginning of the year	94,223	166,006
	Provisions made during the year	63,472	45,156
	Reversals made during the year	(16,689)	(116,939)
	Charge for the year	46,783	(71,783)
	Balance at the end of the year	141,006	94,223

21.2 Finished goods of Rs. 239.8 million (2016: Rs. 632.6 million) are being carried at net realizable value and an amount of Rs. 55.78 million (2016: Rs. 34.35 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, 2017

	Note	2017 Amount Rupees in thousand	2016 Amount
22 Trade debts			
Secured – Against irrevocable letters of credit		425,089	688,453
Unsecured – Considered good		2,372,313	1,794,758
Unsecured – Considered doubtful		39,232	65,670
Provision for doubtful debts	22.1	(39,232)	(65,670)
		2,797,402	2,483,211

22.1 Movement of provision for doubtful debts is as follows:

Balance at the beginning of the year	65,670	45,939
Provisions made during the year	23,256	23,046
Bad debts written off	(49,694)	(1,212)
Reversals made during the year	–	(2,103)
	(26,438)	19,731
Balance at the end of the year	39,232	65,670

22.2 These relate to normal business of the Company.

23 Loans and advances

Advances – considered good:

– Staff		2,973	1,901
– Suppliers		68,633	36,118
– Others	23.1	17,087	17,109
Letters of credit		201,498	232,492
Current portion of long term loans	19	5,265	5,608
		295,456	293,228

23.1 This includes balance of Rs. 20,000/- (2016 : Rs. 941,150) due from Subsidiary company – Service Industries Capital (Private) Limited on account of expenses paid on its behalf.

24 Trade deposits and prepayments

Security deposits		59,791	31,875
Prepayments		72,092	53,894
		131,883	85,769

25 Tax refunds due from government

Custom duty rebate		216,876	126,389
Excise duty		1,459	64
Advance income tax		1,014,127	827,930
Sales tax		656,274	429,962
		1,888,736	1,384,345

	Note	2017 Amount Rupees in thousand	2016 Amount
26 Cash and cash equivalents			
Cash in hand		7,537	4,835
Balances with banks in current accounts:			
– Local currency		68,910	40,231
– Foreign currency		384	181
Term deposits with banks		–	178,144
Cash in transit		2,353	1,496
		79,184	224,887

27 Sales – net

Export sales	5,251,200	4,918,730
Discounts, commissions, etc.	(192,787)	(81,830)
	5,058,413	4,836,900
Local sales	18,960,419	16,622,039
Sales tax and excise duty	(2,103,261)	(1,949,052)
Discounts, commissions, etc.	(1,017,397)	(525,459)
	15,839,761	14,147,528
	20,898,174	18,984,428

27.1 Export sales include net exchange rate gain of Rupees 141.72 million (2016: 216.92 million gain).

27.2 Sale of footwear (Net)

Export sales	4,394,699	4,145,549
Local sales	6,063,950	5,470,748
	10,458,649	9,616,297
Sale of tyres and tubes (Net)		
Export sales	663,714	691,352
Local sales	9,768,601	8,663,011
	10,432,315	9,354,363
Sale of technical rubber products (Net)		
Export sales	–	–
Local sales	7,210	13,768
	7,210	13,768
	20,898,174	18,984,428

Notes to the Financial Statements

For the year ended December 31, 2017

	Note	2017 Amount Rupees in thousand	2016 Amount
28 Cost of sales			
Raw material consumed	28.1	10,817,055	9,514,194
Salaries, wages and benefits	28.2	2,672,405	2,442,442
Stores and spares consumed		201,162	257,182
Packing material consumed		641,027	603,231
Fuel and power		666,204	647,398
Insurance		20,105	18,373
Travelling expenses		11,811	13,682
Repair and maintenance		138,103	115,142
Entertainment		5,164	3,864
Depreciation	16.1.1	418,094	344,321
Provision for slow moving items, obsolete items and net realizable value		52,530	(65,258)
Other manufacturing charges		132,334	136,669
		15,775,994	14,031,240
Work in process: As at January 01		288,944	392,647
As at December 31		(294,957)	(288,944)
		(6,013)	103,703
Cost of goods manufactured		15,769,981	14,134,943
Finished goods: As at January 01		1,375,329	1,057,958
Purchases during the year		2,398,372	1,391,157
As at December 31		(2,208,141)	(1,375,329)
		1,565,560	1,073,786
		17,335,541	15,208,729

28.1 Raw material consumed

Balance as at January 01		963,419	1,213,355
Purchases during the year	28.3	11,169,078	9,264,258
Balance as at December 31		(1,315,442)	(963,419)
		10,817,055	9,514,194

28.2 Salaries, wages and benefits

Salaries, wages and benefits		2,565,963	2,339,388
Provident fund contribution		94,142	86,258
Gratuity contribution		12,296	16,788
Pension fund contribution		4	8
		2,672,405	2,442,442

28.3 Custom duty rebate for the year amounting to Rs. 79.64 million (2016: Rs. 73.77 million) has been adjusted against raw material consumed.

	Note	2017 Amount Rupees in thousand	2016 Amount
29 Distribution cost			
Freight and insurance	29.1	265,469	218,119
Salaries and benefits	29.2	176,784	155,191
Advertisement and publicity		398,998	318,041
Entertainment		11,432	9,642
Samples		69,455	66,439
Depreciation	16.1.1	27,460	22,719
Amortization on intangible assets	17.1	33	39
Others		350,710	183,400
		1,300,341	973,590

29.1 This includes export expenses of Rs. 110.80 million (2016: Rs. 91.10 million).

29.2 Salaries and benefits

Salaries and benefits		171,677	150,885
Gratuity contribution		–	(66)
Provident fund contribution		5,104	4,368
Pension fund contribution		3	4
		176,784	155,191

30 Administrative expenses

Salaries and benefits	30.1	749,288	669,346
Communication		16,444	10,266
Printing and stationery		6,885	6,393
Travelling and conveyance		36,101	33,424
Entertainment		22,520	23,359
Motor car expenses		15,483	16,918
Insurance		3,527	4,118
Rent, rates and taxes		25,604	22,301
Fuel and power		21,981	22,203
Repairs and maintenance		8,686	10,248
General expenses		44,509	32,099
Auditors' remuneration	30.2	3,569	6,233
Legal and professional charges		22,408	19,631
Subscription		1,534	1,567
Depreciation	16.1.1	15,348	15,956
Amortization on intangible assets	17.1	1,758	3,433
Ijarah rentals		72,940	70,041
Computer running expenses		12,876	14,850
Advertisement		2,754	1,027
		1,084,215	983,413

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For the year ended December 31, 2017

	Note	2017 Amount Rupees in thousand	2016 Amount
30.1 Salaries and benefits			
Salaries and benefits		715,136	648,287
Gratuity contribution		16,071	11,027
Provident fund contribution		18,070	15,439
Pension fund contribution		11	(5,407)
		749,288	669,346
30.2 Auditors' remuneration			
Audit fee		2,323	2,323
Half yearly review		554	844
Taxation and other certification services		449	2,592
Out of pocket expenses		243	474
		3,569	6,233
31 Other operating expenses			
Donations	31.1	45,974	62,472
Workers' profit participation fund		54,296	77,321
Workers' welfare fund–Current Year		6,492	17,092
Workers' welfare fund–Prior Year Reversal		(16,633)	(13,198)
Reversal of Custom Rebate		–	20,713
Loss on disposal of property, plant and equipment		25,958	23,805
Loss on sale of shares		–	3,404
Turn Over tax		7,921	–
Tax on operating expenses		5,025	–
Provision for doubtful debts		23,257	20,943
		152,290	212,552
31.1 None of the directors of the Company has interest in the donee.			
32 Other income			
Income from financial assets			
Dividend income		578	5,285
Share of profit from associated company		49,315	30,932
Income on term deposits with bank		3,627	12,994
		53,520	49,211
Income from non-financial assets			
Profit / (Loss) on disposal of property, plant and equipment		–	–
Special Custom Rebate		203,000	–
Scrap sales and others		87,307	40,959
Rental income		14,040	9,826
		304,347	50,785
		357,867	99,996

	Note	2017 Amount Rupees in thousand	2016 Amount
33 Finance cost			
Interest / markup on:			
– Short term borrowings		194,314	135,261
– Long term financing		111,053	61,422
Bank commission, fees and charges		36,518	40,162
		341,885	236,845
34 Taxation			
Current tax–Current Year		123,805	204,507
Current tax–Prior Year		(47,266)	(55,560)
Deferred tax		37,854	47,830
Super tax		30,561	27,031
		144,954	223,808
34.1 Numerical reconciliation of tax charge for the year			
Profit before taxation		1,041,769	1,469,295
Applicable tax rate 30% (2016: 30%)		312,531	455,481
Tax effect of amounts that are:			
Inadmissible expenses		170,005	12,143
Tax effect of dividend		(130)	449
Admissible expenses		(253,921)	(30,063)
Exempt income		(84,792)	(28,193)
Presumptive tax regime		72,710	(56,483)
Minimum tax credit / tax credit		(54,744)	(100,997)
Super tax		30,561	27,031
Tax effect of prior years		(47,266)	(55,560)
		(167,577)	(231,673)
		144,954	223,808
Average effective tax rate charged to profit and loss account		13.91%	15.23%
35 Earnings per share – basic and diluted			
35.1 Basic earnings per share			
Profit after tax (Rupees in thousands)		896,815	1,245,487
Weighted average number of ordinary shares outstanding during the year		12,028,789	12,028,789
Basic earnings per share (Rupees)		74.56	103.54
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, 2017

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-----					
	2017			2016		
	Directors	Chief executive	Executives	Directors	Chief executive	Executives
Managerial remuneration	72,146	22,079	232,624	69,187	18,733	176,900
Utilities	14,429	4,416	149,251	13,837	3,747	115,100
Retirement and other benefits	53,685	25,222	107,397	66,432	30,152	98,848
Total	140,260	51,717	489,272	149,456	52,632	390,848
No. of persons	4	1	195	4	1	158

Meeting fee of rupees 2.16 million (2016: rupees 1.65 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	2017 Amount Rupees in thousand	2016 Amount
37 Cash generated from operations			
Profit before taxation		1,041,769	1,469,295
Adjustments for non-cash charges and other items:			
Depreciation	16.1.1	460,901	382,996
Amortization	17.1	1,791	3,472
Employee benefit plans	11.2.3	28,366	22,353
Loss on sale of shares		-	3,404
Finance cost	33	341,885	236,845
Provision for slow moving and obsolete items		52,531	(65,258)
Provision for workers' profit participation fund		54,296	77,321
Provision for workers' welfare fund		(10,141)	3,894
Provision for doubtful debts		23,256	20,943
Ijarah rentals		72,940	70,041
Share of profit from Speed (Private) Limited	18.1	(49,314)	(30,932)
Loss / (Profit) on sale of property, plant and equipment		25,958	23,805
		1,002,469	748,884
Operating profit before working capital changes		2,044,238	2,218,179
Changes in working capital			
(Increase) / decrease in current assets			
Stores, spares and loose tools		(28,010)	7,840
Stock in trade		(1,234,232)	61,901
Trade debts		(337,447)	(976,675)
Loans and advances		(2,228)	(59,557)
Trade deposits and prepayments		(46,114)	(9,050)
Tax refunds, due from / to government		(318,194)	(50,239)
Other receivables		20,203	(17,573)
		(1,946,022)	(1,043,353)
Increase / (decrease) in current liabilities			
Trade and other payables		(276,985)	95,575
Cash generated from operations		(178,768)	1,270,401

Notes to the Financial Statements

For the year ended December 31, 2017

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	2017		2016	
	Amount	Amount	Amount	Amount
	Rupees in thousand			
Long term loans	17,762	15,431		
Long term deposits	99,393	77,956		
Trade debts	2,836,634	2,548,881		
Loans and advances	25,325	24,618		
Trade deposits	59,791	31,875		
Other receivables	55,496	75,699		
Bank balances	69,294	218,556		
	3,163,695	2,993,016		
Trade debts				
Foreign parties	425,089	688,453		
Local parties	2,411,545	1,860,428		
	2,836,634	2,548,881		

	2017			2016		
	Gross debtors	Provision	Net debtors	Gross debtors	Provision	Net debtors
	Rupees in thousand					
Neither past due nor impaired	2,186,283	–	2,186,283	2,472,004	–	2,472,004
Impaired	695,808	129,345	566,463	76,877	65,670	11,206.75
	2,882,091	129,345	2,752,746	2,548,881	65,670	2,483,211

(b) Credit rating of major bank accounts

Banks	Rating		Rating agency	2017	2016
	Short term	Long term		Amount	Amount
	Rupees in thousand				
Bank Alfalah Limited	A1+	AA+	PACRA	300,000	347,210
Askari Bank Limited	A-1+	AA+	PACRA	523,270	346,944

(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, 2017					
Long term financing	2,883,572	2,883,572	451,642	2,431,930	–
Long term deposits	5,258	5,258	–	5,258	–
Trade and other payables	2,716,624	2,716,624	2,716,624	–	–
Interest and mark-up accrued	108,065	108,065	108,065	–	–
Short term borrowings	4,520,732	4,520,732	4,520,732	–	–
	10,234,251	10,234,251	7,797,063	2,437,188	–
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	–

Notes to the Financial Statements

For the year ended December 31, 2017

	Note	2017 Amount Rupees in thousand	2016 Amount
(a) Financial instruments by categories			
Assets as per balance sheet			
Long term loans		17,762	15,431
Long term deposits		99,393	77,956
Trade debts		2,836,634	2,548,881
Loans and advances		25,325	24,618
Trade deposits		59,791	31,875
Other receivables		55,496	75,699
Cash and bank balances		79,184	224,887
		3,173,585	2,999,347
Liabilities as per balance sheet			
Long term financing		2,883,572	1,221,079
Long term deposits		5,258	5,268
Interest and mark-up accrued		108,065	44,362
Short term borrowings		4,520,732	3,242,870
Trade and other payables		2,716,624	2,265,989
		10,234,251	6,779,568

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)	2017	373	2	275	(2,252)	(1,877)
USD in ('000)	2016	755	-	755	(1,489)	(734)
EURO in ('000)	2017	2,613	2	2,615	(157)	2,458
EURO in ('000)	2016	4,677	2	4,678	(533)	4,145
GBP in ('000)	2017	75	-	75	-	75
GBP in ('000)	2016	-	-	-	-	-

Significant exchange rates

	Rupees per			
	US Dollar		Euro	
	Average	Reporting date	Average	Reporting date
2017	105.62	110.50	118.04	131.79
2016	104.77	104.79	115.96	110.32

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	2017 Amount Rupees in thousand	2016 Amount
Effect on profit and loss			
US Dollar		(20,746)	(7,688)
Euro		32,393	45,731
		11,647	38,043

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, 2017

(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:

	2017	2016	2017	2016
	Effective interest rate		Carrying amount	
	%	%	Rupees in thousand	
Fixed rate instruments				
Financial liabilities				
Long term financing	0.00	0.00	-	-
Floating rate instruments				
Financial liabilities				
Long term financing	6.31 to 6.61	6.21 to 8.55	2,883,572	1,221,079
Short term borrowings:				
Cash credit	6.30 to 7.01	6.34 to 7.51	2,246,968	(476,909)
Export refinance	2.25	2.25 to 4.00	2,273,764	2,059,652
Import loan	1.30 to 3.10	1.3 to 1.65	-	1,660,127
			4,520,732	3,242,870
			7,404,304	4,463,949

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 2016.

	Interest rate 100 bps	
	Decrease in profit	Increase in profit
	Rupees in thousand	
As at December 31 2017		
Long term financing	28,836	28,836
Short term financing		
Cash credit	22,470	22,470
Export refinance	22,738	22,738
Import loan	-	-
	74,044	74,044
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

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.

		2017	2016
	Note	Amount	Amount
		Rupees in thousand	
The gearing ratio as at year ended December 31			
Long term debt	9	2,431,930	998,021
Equity	7 & 8	4,746,761	4,383,940
Total capital employed		7,178,691	5,381,961
Gearing ratio	(In %age)	33.88%	18.54%

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, 2017	December 31, 2017 Closing balance		December 31, 2016 Closing balance	
			Debit	Credit	Debit	Credit
			Associates	Investment	-	273,382
	Advances	3,374	10,874	-	7,500	-
	Expenses	634	2,503	-	1,869	-
	Others	-	-	3,782	-	3,782
Subsidiary	Advances	20	20	-	941	-
	Investment	93,000	218,681	-	125,681	-
Retirement Benefits	Contribution	145,701	-	156,083	-	49,111

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	
	2017	2016	2017	2016
Number of tyres	17,053,960	14,085,900	10,549,966	10,618,111
Number of tubes	42,543,900	36,302,000	35,428,101	34,439,191

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

	Audited 2017 Amount	Audited 2016 Amount
Note	Rupees in thousand	
	1,392,722	1,877,372
	837,899	995,599
	1,251,904	1,744,351
	89.89%	92.91%

41 Provident fund related disclosures

Size of the fund – Total assets	1,392,722	1,877,372
Cost of investments	837,899	995,599
Fair value of investments	1,251,904	1,744,351
Percentage of investments made	89.89%	92.91%

41.1 The break-up of investments is as follows:

	2017		2017	
	Cost of investment Percentage	Amount Rupees in thousand	Fair value of investment Percentage	Amount Rupees in thousand
Fixed income SMA / TDR	0%	-	0%	-
PIBs / Treasury bills	15%	124,488	9%	117,736
Mutual funds	68%	567,949	57%	715,363
Listed securities	17%	145,462	34%	418,805
	100%	837,899	100%	1,251,904

	2016		2016	
	Cost of investment Percentage	Amount Rupees in thousand	Fair value of investment 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

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

	2017	2016
Number of employees as on December 31	10,858	9,733
Average number of employees during the year	10,296	9,782

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.

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Segment analysis For the year ended December 31, 2017

	Rupees in thousand							
	Footwear		Tyre division		Technical rubber products		Total 2017	Total 2016
	2017	2016	2017	2016	2017	2016		
External sales	10,458,649	9,616,297	10,432,315	9,354,363	7,210	13,768	20,898,174	18,984,428
Inter – segment sales	-	-	-	-	-	-	-	-
Total revenue	10,458,649	9,616,297	10,432,315	9,354,363	7,210	13,768	20,898,174	18,984,428
Profit / (loss) before tax and unallocated expenses	1,204,281	985,294	816,598	1,384,565	(10,379)	992	2,010,500	2,370,850
Unallocated corporate expenses:								
Finance cost							(307,580)	(200,646)
Other operating expenses							(779,698)	(773,737)
Other operating income							118,547	72,828
Taxation							(144,954)	(223,808)
Profit after taxation							896,815	1,245,487
Total assets for reportable segments	5,769,296	5,001,031	7,949,945	5,686,775	46,964	23,055	13,766,205	10,710,861
Unallocated assets:							2,118,664	1,985,863
Total assets as per balance sheet							15,884,870	12,696,724
Segment liabilities	-	-	-	-	-	-	-	-
Unallocated liabilities							11,138,109	8,312,784
Total Liabilities as per balance sheet							11,138,109	8,312,784
Segment capital expenditure	362,830	297,523	1,337,461	1,487,831	-	-	1,700,291	1,785,354
Unallocated capital expenditure	-	-	-	-	-	-	4,617	11,981
Consolidated capital expenditure							1,704,908	1,797,335
Non-cash expenses other than depreciation and amortization								
Provision for slow moving stock	32,380	(74,389)	20,151	9,131	-	-	52,531	(65,258)
Depreciation and amortization expense								
Depreciation and amortization	146,556	134,813	307,267	239,135	1,409	1,577	455,232	375,525
Unallocated depreciation and amortization	-	-	-	-	-	-	7,460	10,943
Consolidated depreciation and amortization							462,692	386,468
43.1 Total profit for reportable segments							2,010,500	2,370,850
Unallocated expenses							(968,731)	(901,555)
Profit before tax							1,041,769	1,469,295

43.2 Revenues from one customer of the Group's footwear segments represented approximately Rs. 2,435 million (2016: 3,023.13 million) of the Company's total revenues.

44 Authorization date

These financial statements were authorized for issue by the Board of Directors on March 29, 2018.

45 Events after the balance sheet date

The Board of Directors in its meeting held on March 29, 2018 has proposed a final cash dividend of Rs. 22 per share (2016: Rs. 25 per share) for approval of the members at the annual general meeting to be held on April 30, 2018. The Board has also recommended to transfer Rs. Nil (2016: 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)

Ashfaq Alidina
(Chief Financial Officer)

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Consolidated Financial Statements

Group Directors' Report to The Shareholders

The Directors take pleasure in presenting their Report along with the Group Consolidated Financial Information of the Service Industries Limited (SIL) for the year ended December 31, 2017.

The SIL Group comprises of Service Industries Limited, the holding company 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, 2017 has been presented separately. It also includes a brief description of the subsidiary company of the holding company. The holding company has annexed its consolidated financial statements along with its separate financial statements, in accordance with the requirements of International Financial Reporting Standards and Companies Ordinance, 1984.

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. During the year ended December 31, 2017, SICPL invested an aggregate amount of PKR 62.8 million in a subsidiary namely Service Shoes Lanka (Private) Limited and PKR 151.6 million in an associated company namely, Speed (Private) Limited.

Clarification to Qualification in Audit Report

In Audit Report to the Members of SICPL, Auditors have stated that consolidated financial statements of SICPL include un-audited figures pertaining to Service Shoes Lanka (Private) Limited (SSL), a subsidiary of SICPL. The year end of the subsidiary company is March 31 as per the local law of Srilanka, country of incorporation. The subsidiary company has applied for the change in the accounting year to December 31, to coincide with its holding company, SICPL and the audit of the same is in process. Hence, we have used un-audited financial statements of the subsidiary company (SSL) to prepare Consolidated Financial Statements of SICPL.

For and on behalf of the Board

CHAUDHRY AHMED JAVED

Chairman

March 29, 2018

Lahore

OMAR SAEED

Chief Executive

Auditors' Report To The Members On Consolidated Financial Statements

We have audited the annexed consolidated financial statements comprising balance sheet of **SERVICE INDUSTRIES LIMITED ('the Holding Company')** and its Subsidiary Companies as at 31 December 2017 and the related consolidated profit & 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 opinion on the financial statements of Service Industries Limited and Service Industries Capital (Private) Limited (SICPL), whereas the relevant financial statements of Service Shoes Lanka (Private) Limited (SSLPL) the Subsidiary of SICPL have remained un-audited. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements of **Service Shoes Lanka (Private) Limited ('the Subsidiary Company of SICPL)**, for the period ended 31 December 2017 were un-audited. Hence, total assets of Rupees 205,022,631/- as at 31 December 2017, total turnover of Rupees 60,782,050/-, net loss and comprehensive loss of Rupees 29,186,917/- for the period ended 31 December 2017 pertaining to the aforesaid Company have been incorporated in these consolidated financial statements by the management using un-audited financial statements.

In our opinion, except for any adjustments that may have been required due to the un-audited figures in respect of **Service Shoes Lanka (Private) Limited** as referred to in above paragraphs of the report, the consolidated financial statements present fairly the financial position of the Holding Company and its Subsidiary Companies as at 31 December 2017 and the results of their operations for the year then ended.

Date: March 29, 2017

Rahman Sarfaraz Rahim Iqbal Rafiq

CHARTERED ACCOUNTANTS

Engagement Partner: Rashid Rahman Mir

Lahore

Consolidated Balance Sheet

As at December 31, 2017

	Note	2017 Amount Rupees in thousand	2016 Amount Rupees in thousand
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital 100,000,000 (2016: 100,000,000) ordinary shares of Rs. 10/- each:		1,000,000	200,000
Paid up share capital	7	120,288	120,288
Reserves	8	4,613,014	4,262,576
Attributable to owners of the holding company		4,733,302	4,382,864
Non-controlling interest		10,662	-
		4,743,964	4,382,864
Non-current liabilities			
Long term financing	9	2,431,930	998,021
Long term deposits	10	5,258	5,268
Deferred liabilities	11	536,596	390,792
		2,973,784	1,394,081
Current liabilities			
Trade and other payables	12	2,964,472	3,259,519
Interest and mark-up accrued	13	108,065	44,362
Short term borrowings	14	4,589,272	3,242,870
Current portion of long term financing	9	451,642	223,058
Provision for taxation	34	154,366	148,947
		8,267,817	6,918,756
Contingencies and commitments	15	-	-
		15,985,565	12,695,701

The annexed notes from 1 to 48 form an integral part of these financial statements.

Chaudhry Ahmed Javed
(Chairman)

	Note	2017 Amount Rupees in thousand	2016 Amount Rupees in thousand
ASSETS			
Non-current assets			
Property, plant and equipment	16	6,060,867	4,745,935
Intangible assets and Goodwill	17	39,546	2,720
Long term investments	18	455,648	248,174
Long term loans	19	17,762	15,431
Long term deposits		99,393	77,956
		6,673,216	5,090,216
Current assets			
Stores, spares and loose tools	20	122,467	100,205
Stock in trade	21	3,973,831	2,729,738
Trade debts	22	2,741,731	2,483,211
Loans and advances	23	305,841	354,029
Trade deposits and prepayments	24	137,700	85,769
Other receivables		56,848	75,699
Tax refunds due from government	25	1,889,483	1,384,844
Short Term Investment		-	103,745
Cash and cash equivalents	26	84,448	288,245
		9,312,349	7,605,485
		15,985,565	12,695,701

Omar Saeed
(Chief Executive)

Ashfaq Alidina
(Chief Financial Officer)

Consolidated Profit and Loss Account

For the year ended December 31, 2017

	Note	2017 Amount Rupees in thousand	2016 Amount
Sales – net	27	20,958,955	18,984,428
Cost of sales	28	17,408,777	15,208,729
Gross profit		3,550,178	3,775,699
Operating expenses			
Distribution cost	29	1,303,730	973,590
Administrative expenses	30	1,097,154	984,407
Other operating expenses	31	152,391	212,715
		2,553,275	2,170,712
Operating profit before other income		996,903	1,604,987
Other income	32	360,944	100,079
Operating profit		1,357,847	1,705,066
Finance cost	33	343,044	236,847
Profit before taxation		1,014,803	1,468,219
Taxation	34	145,139	223,808
Profit after taxation		869,664	1,244,411
Attributable to:			
Owners of the holding company		881,339	1,244,411
Non-controlling interest		(11,675)	–
		869,664	1,244,411
Earnings per share – basic and diluted (Rupees) attributable to owners of the holding company	35	73.27	103.45

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

Chaudhry Ahmed Javed
(Chairman)

Omar Saeed
(Chief Executive)

Ashfaq Alidina
(Chief Financial Officer)

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2017

	Note	2017 Amount Rupees in thousand	2016 Amount
Profit after taxation		869,664	1,244,411
Other comprehensive income			
Items that may reclassify to profit and loss account			
Loss on Investments		(32,224)	–
Add: Adjustment for amount transferred to profit and loss account		(40,436)	8,800
Exchange difference on translation of foreign subsidiary		2,023	
Exchange difference on translation of goodwill		1,784	
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)		(40,326)	9,306
		(109,179)	16,536
Total comprehensive income for the year		760,485	1,260,947
Attributable to:			
Owners of the holding company		771,446	1,260,947
Non-controlling interest		(10,961)	–
		760,485	1,260,947

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

Chaudhry Ahmed Javed
(Chairman)

Omar Saeed
(Chief Executive)

Ashfaq Alidina
(Chief Financial Officer)

Consolidated Cash Flow Statement

For the year ended December 31, 2017

	Note	2017 Amount Rupees in thousand	2016 Amount
Cash flow from operating activities			
Cash generated from operations	37	(236,885)	1,208,579
Finance cost paid		(280,004)	(245,471)
Ijarah rentals paid		(72,940)	(70,041)
Income tax paid		(335,830)	(330,736)
Staff retirement benefits paid		(33,282)	(14,987)
W.P.P.F Receipt		2,872	-
W.P.P.F paid		(56,000)	(146,963)
Net cash (used in)/ generated from operating activities		(1,012,069)	400,381
Cash flow from investing activities			
Dividend from associated Company	18.1.1.1	25,616	10,446
Receipt of Pre acquisition profit from associated company		3,020	-
Capital expenditure		(1,714,704)	(1,797,336)
Proceeds from sale of property, plant and equipment		6,672	26,748
Investment in associated companies		(92,856)	(480)
Proceeds from sale of long term investment		-	101,709
Acquisition of subsidiary		(6,304)	-
Short Term Investment		103,745	(103,745)
Long term loans – net		(2,331)	(8,348)
Long Term Investment		(29,600)	-
Long term deposits – net		(21,437)	(25,804)
Net cash used in investing activities		(1,728,179)	(1,796,810)
Cash flow from financing activities			
Short term borrowings – net		1,289,526	1,580,510
Long term financing		1,662,493	118,059
Exchange differences on translation of investments in foreign subsidiary		2,023	-
Liabilities against assets subject to finance lease		(417)	-
Dividend paid		(417,164)	(475,344)
Long term deposits		(10)	1,603
Net cash generated from financing activities		2,536,451	1,224,828
Net decrease in cash and cash equivalents		(203,797)	(171,601)
Cash and cash equivalents at the beginning of the year		288,245	459,846
Cash and cash equivalents at the end of the year	26	84,448	288,245

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

Chaudhry Ahmed Javed
(Chairman)

Omar Saeed
(Chief Executive)

Ashfaq Alidina
(Chief Financial Officer)

Consolidated Statement of Changes in Equity

For the year ended December 31, 2017

	Paid up share capital	Capital reserves		Revenue reserves		Attributable to owners	Non- Interest	Total controlling	
		Capital gains	Share premium	Exchange translation reserve	General reserve				Unappropri- ated profits of the holding company
	Rupees in thousand								
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
Final dividend for the year ended December 31, 2016 @ Rs. 25 per share	-	-	-	-	-	(300,720)	(300,720)	-	(300,720)
Interim dividend for the year ended December 31, 2017 @ Rs. 10 per share	-	-	-	-	-	(120,288)	(120,288)	-	(120,288)
Addition due to subsidiary acquisition	-	-	-	-	-	-	-	21,623	21,623
Total comprehensive income for the year	-	-	-	3,093	-	768,353	771,446	(10,961)	760,485
Balance as at December 31, 2017	120,288	102,730	21,217	3,093	1,558,208	2,927,766	4,733,302	10,662	4,743,964

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

Chaudhry Ahmed Javed
(Chairman)

Omar Saeed
(Chief Executive)

Ashfaq Alidina
(Chief Financial Officer)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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 Act, 2017), 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 Shoes Lanka (Private) Limited – Holding of 60% by Service Industries Capital (Private) Limited;

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.

Service Shoes Lanka (Private) Limited

Service Shoes Lanka (Private) Limited is a Private Limited Liability Company incorporated on July 16th, 2015 and domiciled in Sri Lanka under the provisions of the Companies Act No. 07 of 2007. The registered office of the Company is located at No 143/17, Sri Wickrema Mawatha, Colombo 15 and the principal place of business is located at Katunayake.

2 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. As per the requirements of circular No. 23/2017 dated October 4, 2017 issued by Securities & Exchange Commission of Pakistan (SECP), companies whose financial year closes after December 31,2017 shall prepare financial statements in accordance with the provisions of the Companies Act, 2017. Accordingly, 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 issued 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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.

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 7– Statement of Cash Flows

IAS-12 Income Taxes

IFRS 12 – Disclosure of Interests in Other Entities

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

IFRS 1 – First-time Adoption of International Financial Reporting Standards (Not notified by SECP)

IFRS 2 – Share Based Payments

IFRS 3 – Business Combinations

IFRS 4 – Insurance contracts (Not notified by SECP)

IFRS 9 – Financial Instruments: Classification and Measurements

IFRS 10 – Consolidated Financial Statements

IFRS 11 – Joint Arrangements

IFRS 14 – Regulatory Deferral Accounts (Not notified by SECP)

IFRS 15 – Revenue from Contracts with Customers

IFRS 16 – Leases (Not notified by SECP)

IFRS 17 – Insurance Contracts (Not notified by SECP)

IAS 12– Income Taxes (Amended by Annual Improvements to IFRS Standards 2015–2017 Cycle)

IAS 19– Employee Benefits

IAS 28 – Investments in Associates and Joint Venture

IAS 39 – Financial Instruments: Recognition and Measurement

IAS 40 – Investment Property

IFRIC 22 – Foreign Currency Transaction and Advance Consideration

IFRIC 23 – Uncertainty Over Income Tax Treatments

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 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'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.

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.

By virtue of amendments introduced through the Finance Act 2017, the provisions of section 5A of the Income Tax

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

Ordinance, 2001, have been amended to the effect that a listed company that derives profit for a tax year but does not distribute at least 40% of its after tax profits within six months of the end of the said tax year, through cash or bonus shares, shall be liable to pay tax at the rate of 7.5% of its accounting profit before tax. The liability in respect of such income tax, if any, is recognised when the prescribed time period for distribution of dividend expires.

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 (a) 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.

6.4 (b) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Pak Rupees at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Pak Rupees at the exchange rate at the date of transactions. Foreign currency differences are recognised in Other Comprehensive Income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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 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.

		2017	2016
		Amount	Amount
		Rupees in thousand	
7	Paid up share capital		
	Issued, subscribed and paid up:		
	Number of Shares		
	2017	2016	
	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
	12,028,78	12,028,789	120,288
			120,288

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

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

		2017	2016
		Amount	Amount
		Rupees in thousand	
8	Reserves		
	Capital reserves		
	Share premium	21,217	21,217
	Capital gains	102,730	102,730
	Exchange translation reserve	(3,093)	-
		127,040	123,947
	Revenue reserves		
	General reserve	1,558,208	1,558,208
	Unappropriated profits	2,927,766	2,580,421
		4,485,974	4,138,629
		4,613,014	4,262,576

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

	Note	2017 Amount Rupees in thousand	2016 Amount
9 Long term financing			
Total long term financing	9.1 & 9.2	2,883,572	1,221,079
Less: current portion		(451,642)	(223,058)
		2,431,930	998,021
9.1 Loan from banking companies			
Loan – I		175,000	245,000
Loan – II		150,000	200,000
Loan – III		250,000	250,000
Loan – IV		450,000	250,000
Loan – X		42,776	–
Loan – XI		800,000	–
Loan – XII		500,000	–
Loan – XIII		235,125	–
Loan – XIV		83,694	–
		2,686,595	945,000
Less: current portion		(348,584)	(120,000)
		2,338,011	825,000
9.2 Islamic term finance			
Loan – V		25,497	42,494
Loan – VI		8,757	14,594
Loan – VII		55,585	77,819
Loan – VIII		71,865	95,820
Loan – IX		35,273	45,352
		196,977	276,079
Less: current portion		(103,058)	(103,058)
		93,919	173,021

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 + 15 bps per annum (2016: 6 month KIBOR + 15 bps). 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 + 15 bps per annum (2016: 6 month KIBOR + 15 bps). 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 (2016: 6 month KIBOR + 25 bps). 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 and Rs. 200 million approved in 2017 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 (2016: 6 month KIBOR + 15 bps). 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. 638 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 + 15 bps per annum. 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.

X These represent long term finance loans obtained from Habib Bank Limited of Rs. 42.776 million approved in 2017 for a period of ten years under LTFF scheme of SBP, repayable on quarterly basis with a grace period of two years. The first and last installments fall due on Aug 31, 2019 and May 31, 2027 respectively. The markup rate is 350 bps per annum (2016: NIL). The loan is secured by first pari passu charge over fixed assets of the Holding Company with 25% margin.

XI These represent long term finance loans obtained from MCB Bank Limited of Rs. 800 million approved in 2017 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 December 30, 2018 and June 30, 2023 respectively. The markup rate is 6 month KIBOR + 14 bps per annum (2016: NIL). The loan is secured by first pari passu charge over fixed assets of the Holding Company with 25% margin.

XII These represent long term finance loans obtained from MCB Bank Limited of Rs. 500 million approved in 2017 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 27, 2019 and December 27, 2023 respectively. The markup rate is 6 month KIBOR + 10 bps per annum (2016: NIL). The loan is secured by first pari passu charge over fixed assets of the Holding Company with 25% margin.

XIII These represent long term finance loans obtained from Habib Bank Limited of Rs. 235.125 million approved in 2017 for a period of six years under LTFF scheme of SBP, repayable on quarterly basis with a grace period of two years. The first and last installments fall due on Sep 22, 2019 and June 23, 2023 respectively. The markup rate is 350 bps per annum (2016: NIL). The loan is secured by first pari passu charge over fixed assets of the Holding Company with 25% margin.

XIV These represent long term finance loans obtained from Habib Bank Limited of Rs. 83.694 million approved in 2017 for a period of ten years under LTFF scheme of SBP. The first and last installments fall due on Oct 6, 2017 and July 6, 2027 respectively. The markup rate is 250 bps per annum (2016: NIL). The loan is secured by first pari passu charge over fixed assets of the Holding Company with 25% margin.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

	Note	2017 Amount Rupees in thousand	2016 Amount
10 Long term deposits		5,258	5,268
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.			
11 Deferred liabilities			
Deferred taxation	11.1	408,147	370,107
Employee benefits plans	11.2	128,449	20,685
		536,596	390,792
11.1 Deferred tax liability is made up as follows:			
Deferred tax impact against accelerated depreciation		441,617	403,058
Deferred tax asset against provision for doubtful debts		(47,633)	(42,910)
Deferred tax impact against gain on employee benefit plans		-	-
Deferred tax impact against investment – Investment in associate		14,163	9,959
Deferred tax impact against investment – Available for sale		-	-
		408,147	370,107

11.2 Employees benefit plans

	Note	Gratuity scheme		Pension scheme	
		2017 Amount	2016 Amount	2017 Amount	2016 Amount
		Rupees in thousand			
11.2.1 The amounts recognized in the balance sheet					
Present value of defined benefit obligations	11.2.4	213,626	186,612	-	13,646
Fair value of plan assets	11.2.5	(85,177)	(101,576)	-	(77,997)
Balance sheet liability as at December 31		128,449	85,036	-	(64,351)
11.2.2 Movement in the net liability recognised in the balance sheet					
Opening balance		85,036	81,551	-	(60,497)
Charge for the year	11.2.3	28,366	27,748	-	(5,395)
Payments during the year		(25,279)	(14,957)	-	(30)
Remeasurements chargeable to OCI	11.2.6	40,326	(9,306)	-	1,570
Closing balance		128,449	85,036	-	(64,352)
11.2.3 Amounts recognized in the profit and loss account					
Current service cost		22,575	21,082	-	67
Interest cost		13,597	13,779	-	1,110
Expected return on plan assets		(7,806)	(7,113)	-	(6,557)
Contribution made by employees		-	-	-	(15)
		28,366	27,748	-	(5,395)
11.2.4 Changes in the present value of defined benefit obligation					
Opening defined benefit obligation		186,612	161,631	-	13,033
Current service cost		22,575	21,082	-	67
Interest cost		13,597	13,779	-	1,110
Benefits paid		(33,282)	(17,052)	-	(1,389)
Remeasurements:					
Actuarial losses from changes in financial assumptions		121	(443)	-	918
Experience adjustments		24,003	7,615	-	(93)
		213,626	186,612	-	13,646
11.2.5 Changes in the fair value of the plan assets					
Opening fair value of plan assets		101,576	80,080	-	73,530
Expected return		7,806	7,113	-	6,557
Contribution by employer		25,279	14,957	-	44
Benefits paid		(33,282)	(17,052)	-	(1,389)
Experience adjustments		(16,202)	16,478	-	(745)
		85,177	101,576	-	77,997

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

	Gratuity scheme		Pension scheme	
	2017 Amount	2016 Amount	2017 Amount	2016 Amount
Note	Rupees in thousand			
11.2.6 Amounts recognized in the other comprehensive income				
Experience adjustments	24,003	7,615	-	(93)
Interest income on plan assets	16,202	(16,478)	-	745
Actuarial (gain) / loss from changes in financial assumptions	121	(443)	-	918
Actuarial (gain) / loss chargeable in OCI	40,326	(9,306)	-	1,570

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

	2017 Rupees in thousand	2017 %	2016 Rupees in thousand	2016 %
Gratuity scheme				
Unit trust	71,283	83.69	87,612	86.25
Term deposit	11,833	13.89	11,833	11.65
Other assets	2,061	2.42	2,131	2.10
	85,177	100.00	101,576	100.00

	2017 Rupees in thousand	2017 %	2016 Rupees in thousand	2016 %
Pension Scheme				
Bank Al Habib Limited	-	-	-	-
Pak Oman Investment Company Limited	-	-	32,134	41.20
MCB – Cash Optimizer	-	-	36,704	47.06
MCB – Dynamic Cash Fund	-	-	-	-
National Investment Trust Limited	-	-	8,432	10.81
Cash at Bank(s)	-	-	728	0.93
	-	-	77,998	100.00

	Gratuity scheme		Pension scheme	
	2017 Amount	2016 Amount	2017 Amount	2016 Amount
Note	Rupees in thousand			
11.2.8 Return on plan assets				
Expected return on plan assets	7,806	7,113	-	6,557
Actuarial gain/ (loss) on assets	(16,202)	16,478	-	(745)
	(8,396)	23,591	-	5,812

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.

	2017 Percentage	2016 Percentage	2017 Percentage	2016 Percentage
11.2.9 Principal actuarial assumptions				
Discount rate	8.25	8	-	8
Expected rate of salary increase	7.25	7	-	7
Expected rate of return on investments	8	9	-	9

11.2.10 Year end sensitivity analysis (± 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 2016.

	2017 Amount	2016 Amount	2017 Amount	2016 Amount
	Rupees in thousand		Rupees in thousand	
Discount Rate + 100 bps	194,251	170,702	-	12,724
Discount Rate – 100 bps	236,149	205,221	-	14,702
Salary increase + 100 bps	236,463	205,522	-	13,649
Salary increase – 100 bps	193,633	170,155	-	13,644

	Note	2017 Amount	2016 Amount
		Rupees in thousand	
12 Trade and other payables			
Trade creditors		1,435,099	1,242,305
Accrued liabilities		1,003,646	767,619
Bills payable		266,858	213,890
Advances from customers		180,542	903,524
Provident fund payable		27,634	28,426
Workers' profit participation fund	12.1	(1,585)	(2,753)
Workers' welfare fund	12.2	6,492	64,280
Unclaimed dividend		27,774	23,930
Others		9,262	11,904
Due to government agencies on account of:			
Staff income tax		6,220	4,111
Suppliers income tax		2,530	2,283
		2,964,472	3,259,519

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

	Note	2017 Amount Rupees in thousand	2016 Amount
12.1 Workers' profit participation fund			
Balance as at January 01		(2,753)	66,889
Add: provision for the year	31	54,296	77,321
		51,543	144,210
Less: payments during the year		(53,128)	(146,963)
Balance as at December 31		(1,585)	(2,753)
12.2 Workers' welfare fund			
Balance as at January 01		64,280	60,386
Add: provision for the year	31	6,492	3,894
		70,772	64,280
Less: payments / adjustments during the year		(64,280)	-
Balance as at December 31		6,492	64,280
13 Interest and mark-up accrued			
Long term financing – secured		43,453	15,692
Short term borrowings – secured		64,612	28,670
		108,065	44,362
14 Short term borrowings			
From banks and other financial institutions:			
		Sanctioned limit	Availed limit
		2017	2016
		2017	2016
		Rupees in thousand	
Under mark up arrangements with consortium banks:			
Cash credits		6,708,236	3,638,746
Export refinance		2,273,764	2,059,651
Import loan		-	1,583,503
		8,982,000	7,281,900
		4,589,272	3,242,870

These short term borrowing facilities have been availed from various banks. The rates of markup range between 1.3% to 7.01% (2016: 1.3% to 6.83% 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..

The short term borrowings also include running finance facility availed from MCB Bank Limited Sri Lanka. The facility carries markup of LIBOR + 3% per annum and are secured by way of lien over export purchase orders.

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.
- 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 DCIR, LTU initiated a case against the Holding Company after post Sales Tax refund audit in which demand of Rupees 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 Rupees 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.
- 15.5 The DCIR, LTU initiated sales tax audit for the year 2013-2014 in which demand of Rupees 182.70 million was created. The Holding Company filed an appeal before CIR (Appeals) which is pending for hearing. The management of the Holding Company is confident that decision will be in favor of the Holding Company, hence, no provision has been made in these financial statements.
- 15.6 The DCIR, LTU initiated income tax audit for the year 2014 in which a demand of Rupees 123 million was created. The Holding Company preferred an appeal before CIR (Appeals) which is pending for hearing. The management is confident that decision will be in favor of the Company, hence, no provision has been made in these financial statements.
- 15.7 The Holding Company preferred an appeal against FBR in Honorable Lahore High Court for show cause notice of post sales tax refund audit for various tax periods. The writ petition has been accepted. As of reporting date Rupees 13 million is payable on this account but the management of the Holding Company is confident that payment will not be required.

- 15.8 The DCIR, LTU initiated a case of withholding tax audit for tax year 2011 in which a demand of Rupees 38.71 million under Section 161 and 205 of The Income Tax Ordinance, 2001 was created. The Holding Company preferred an appeal before ATIR as its appeal before CIR (Appeals) was unsuccessful. The Holding Company expects a favourable outcome of the appeal based on advise of tax counsel.
- 15.9 The Holding Company has challenged, before Honourable Lahore High Court, Lahore, the vires of first proviso to sub-clause (x) of clause (4) of SRO 491(1)/2016 dated 30 June 2016 issued under sections 3 and 4 read with sections 8 and 71 of the Sales Tax Act, 1990 whereby through amendment in the earlier SRO 1125(I)/2011 dated 31 December 2011 adjustment of input sales tax on packing material of all sorts has been disallowed. The Honourable Lahore High Court has issued stay order in favour of the Holding Company. Consequently, the Holding Company has claimed input sales tax paid on packing material in its respective monthly sales tax returns. The management, based on advice of the legal counsel, is confident of favorable outcome of its appeal. An amount of Rupees 41.18 million being the provision is made these financial statements.
- 15.10 The Holding Company has challenged, before Honourable Lahore High Court, Lahore, the vires of clauses (h) and (i) to sub-section (1) of section 8 of the Sales Tax Act, 1990 whereby claim of input sales tax in respect of building materials, electrical and gas appliances, pipes, fittings, wires, cables and ordinary electrical fittings and sanitary fittings have been disallowed. The Honourable Lahore High Court has issued stay order in favour of the Holding Company and has allowed the Holding Company to claim input sales tax paid on such goods in its monthly sales tax returns. Consequently, the Holding Company has claimed input sales tax on such goods in its respective monthly sales tax returns. An amount of Rupees 3.82 million being the provision is made these financial statements.
- 15.11 The DCIR, LTU initiated income tax cases of tax years 2006 and 2008. A demand of 12.7 million and 68.4 million respectively were created by amending returns. Appeals were preferred with CIR(A) which were dismissed against the Company without discussing the merits of the cases. The Company is on process of filing appeal with ATIR. The management is confident that decision will be in favor of the Company, hence, no provision has been made in these financial statements.

Commitments

- 15.12 Guarantees issued in ordinary course of business through banks are of Rs. 1,728.95 million (2016: Rs. 1,855.89 million).
- 15.13 Irrevocable letters of credit outstanding at the year end are of Rs. 1,209.31 million (2016: Rs. 1,657.62 million).
- 15.14 The amount of future ijarah rentals for ijarah financing and the period in which these payments will become due are as follows:

Note	2017	2016
	Amount Rupees in thousand	Amount
Not later than one year	75,144	68,824
Later than one year and not later than five years	121,914	100,558
Later than five years	-	-
	197,058	169,382

16 Property, plant and equipment

Operating fixed assets	16.1	4,842,097	4,116,625
Capital work in progress	16.2	1,218,770	629,310
		6,060,867	4,745,935

16.1 Operating fixed assets

Particulars	Cost		Accumulated depreciation				W.D.V. as at December 31, 2017
	As at January 01, 2017	Additions / transfers	Disposals	As at December 31, 2017	Charge for the year	Adjustments / transfers	
Owned							
Freehold land	7,071	-	-	-	-	-	7,071
Building on freehold land	916,462	406,270	12,742	320,519	76,382	3,316	916,363
Plant and machinery	3,937,937	587,526	36,598	1,322,920	272,392	27,949	2,921,425
Furniture, fixture and fittings	42,442	10,835	-	24,418	2,567	-	26,990
Vehicles	29,086	19,277	2,947	12,540	6,011	2,062	28,891
Service equipments	1,138,273	144,085	20,006	400,130	88,811	9,016	782,402
Leasehold improvements	148,940	55,850	3,350	23,059	19,393	670	159,658
Total - 2017	6,220,211	1,223,843	75,643	2,103,586	465,556	43,013	4,842,097

Particulars	Cost		Accumulated depreciation				W.D.V. as at December 31, 2016
	As at January 01, 2016	Additions / transfers	Disposals	As at January 01, 2016	Charge for the year	Adjustments / transfers	
Owned							
Freehold land	7,106	-	-	269,609	55,749	-	7,071
Building on freehold land	860,609	69,601	13,748	1,148,526	213,627	4,839	595,943
Plant and machinery	3,001,752	1,009,342	73,157	1,148,526	39,233	39,233	2,615,017
Furniture, fixture and fittings	36,641	5,849	48	22,798	1,664	44	18,024
Vehicles	27,169	8,571	6,654	13,875	3,217	4,552	16,546
Service equipments	1,078,074	79,967	19,768	327,698	86,621	14,189	738,143
Leasehold improvements	12,868	136,072	-	941	22,118	-	125,881
Total - 2016	5,024,219	1,309,402	113,410	1,783,447	382,996	62,857	4,116,625

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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

		2017 Amount Rupees in thousand	2016 Amount Rupees in thousand
	Note		
Cost of sales	28	420,535	344,321
Administrative expenses	30	17,562	15,956
Distribution cost	29	27,459	22,719
		465,556	382,996

16.1.2 During 2017, the Company reviewed the useful life of leasehold improvements which resulted in changes in the expected usage of the said assets. The leasehold improvements, which the management had previously depreciated at the rate of 20% is now expected to be depreciated at the rate of 10% on straight line basis. The effect of these changes on actual and expected depreciation expense is as follows:

	2017	2018	2019	2020	2021	Later
	<-----Rupees in thousand----->					
(Decrease)/ Increase in depreciation expense	(19,393)	(15,966)	(15,966)	(15,966)	(15,966)	83,256

16.1.3 Disposal of property, plant and equipment

Particulars	Cost	Accumulated depreciation	Net book value	Sale proceeds	Sold to	Mode of disposal
<-----Rupees in thousand----->						
Building						
Having book value exceeding Rs. 50,000						
Boundary Wall in Cricket Ground	1,361	392	969	-		Write Off
Boundry wall for RH storage area	95	31	64	-		
Brick Soling In Stroage Area For Rice Husk	3,707	1,224	2,483	-		
Carbon Storage Shed'	1,751	484	1,267	-		
Civil work cost for installation	1,043	43	1,000	-		
Civil work for Hot water system	1,869	380	1,489	-		
Civil work of trench & foundation	2,396	584	1,812	-		
Rice Husk Shed	491	168	323	-		
	12,713	3,306	9,407	-		
Building						
Having book value less than Rs. 50,000	29	10	19	-		Write Off
Total of Building	12,742	3,316	9,426	-		
Plant & machinery						
Having book value exceeding Rs. 50,000						
DESMA MACHINE	8,157	7,920	237	253	RANA JAMSHAI	Negotiation
HYDRAULIC VELKANIZING PRESS	2,307	2,169	138	147	RANA JAMSHAI	Negotiation
INJECTION PRESS	375	317	58	62	RANA JAMSHAI	Negotiation
INJECTION PRESS	382	323	59	63	RANA JAMSHAI	Negotiation
INSEAM TRIMING MACHINE	254	200	54	57	RANA JAMSHAI	Negotiation
SOLE MOULDING MACHINE 6 STATION	2,233	1,466	767	819	RANA JAMSHAI	Negotiation
THERMOPLASTIC INJ,MOULDING M/C	3,546	2,795	751	801	RANA JAMSHAI	Negotiation
WELT SHOE STICHING MACHINE	497	392	105	112	RANA JAMSHAI	Negotiation
WIRE SIDE LASTING MACHINE	355	280	75	80	RANA JAMSHAI	Negotiation
Installation charges for piping	816	80	736	-		Write Off
MACHINE BOX STRETCH WRAPPING LA	350	162	188	214	Sheikh Khajoo Bhai & Co.	Negotiation
MACHINE DOUBLE NEEDLE FLAT	219	126	93	99	RANA JAMSHAI	Negotiation
SOLE STITCHING M/C MODEL 8910	1,296	262	1,034	1,296	SSL	Negotiation
Steam Trap for Tyre and Tube	1,092	273	819	-		Write Off
TYRE CURING PRESS BOM 2 DAYLIGHT 42"	891	409	482	-		Write Off
Tire Curing Presses BOM 4 station each(30")	1,788	702	1,086	-		Write Off
RH boiler economizer	1,917	540	1,377	-		Write Off
	26,475	18,416	8,059	4,003		
Having book value less than Rs. 50,000	10,123	9,533	590	626	Muhammad Yameen & Rana Jamshaid	Negotiation
Total of plant & machinery	36,598	27,949	8,649	4,629		

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

Particulars	Cost	Accumulated depreciation	Net book value	Sale proceeds	Sold to	Mode of disposal		
							2017 Amount	2016 Amount
<-----Rupees in thousand----->								
Vehicles								
Having book value exceeding Rs. 50,000								
BIKE HONDA CG-125	104	33	71	97	Khurram Motor Lahore	Negotiation		
Honda Civic VTI Prosmatec	2,008	1,438	570	570				
	2,112	1,471	641	667				
Having book value less than Rs. 50,000								
	835	591	244	470	Misc.	Negotiation		
Total of vehicles	2,947	2,062	885	1,137				
Service equipments								
Having book value exceeding Rs. 50,000								
HOT WATER TANK (D-AIR)	2,710	1,351	1,359	-		Write Off		
Heel Plated Slide	392	310	82	111	Muhammad Yameen	Negotiation		
Insulation of Steam Lines of MC + BC Tyre & Tube (B.CODE)	1,018	274	744	-		Write Off		
Last Gerdi Half Shoes	473	375	98	135	Muhammad Yameen	Negotiation		
New electric cable + Pannels for BOM & Hot water unit (B.CODE)	327	101	226	-		Write Off		
Piping + accessories (3.2.65)	3,702	972	2,730	-		Write Off		
Platform for BOM (B.CODE 3.2.66)	296	84	212	-		Write Off		
RH Boiler drum to drum tubes replacement	3,357	774	2,583	-		Write Off		
Apple Macbook	165	84	81	81	Sohail Chaudhary	Negotiation		
Steam Flexible Pipes for Curing Presses (3.2.73)	3,296	970	2,326	-		Write Off		
	15,736	5,295	10,441	327				
Having book value less than Rs. 50,000								
	4,270	3,721	549	579	Misc.	Negotiation		
Total service equipments	20,006	9,016	10,990	906				
Leasehold improvements								
Having book value exceeding Rs. 50,000								
Assets at Emporium Mall	3,350	670	2,680	-				
Total leasehold improvements	3,350	670	2,680	-				
Total - 2017	75,643	43,013	32,630	6,672				
Total - 2016	113,410	62,857	50,553	26,708				

16.2 Capital Work in Progress

	2017 Amount							2016 Amount
	Building machinery fixture	Plant and and	Furniture improvements	Leasehold equipment	Service	Vehicles	Total	
<-----Rupees in thousand----->								
Balance as at January 01	446,154	139,668	446	19,694	23,328	-	629,310	141,928
Additions during the year	277,123	1,153,578	3,179	129,074	137,406	1,613	1,701,972	1,592,223
Transfers / adjustments during the year	(358,893)	(548,864)	(3,436)	(76,414)	(123,382)	(1,523)	(1,112,512)	(1,104,841)
Balance as at December 31	364,384	744,382	209	72,354	37,352	90	1,218,770	629,310

	Note	2017 Amount		2016 Amount	
		Rupees in thousand			
17 Intangible assets and goodwill					
Software programs	17.1	7,426		2,720	
Goodwill	17.1	32,120		-	
		39,546		2,720	

17.1 Intangible assets and goodwill

	Software program		Goodwill	
	2017	2016	2017	2016
<-----Rupees in thousand----->				
Cost				
As at January 01	40,663	40,111	-	-
Additions / transfers during the year	6,190	552	30,336	-
Disposal	-	-	-	-
Effect of movements in exchange rates	361	-	1,784	-
As at December 31	47,214	40,663	32,120	-
Amortization				
As at January 01	37,943	34,471	-	-
Charge for the year	1,845	3,472	-	-
Disposals	-	-	-	-
As at December 31	39,788	37,943	-	-
Book value as at December 31	7,426	2,720	32,120	-
Rate of amortization	20%	33.33%		

18 Long term investments

These represents long term investments in:

		2017 Amount	2016 Amount
Related parties	18.1	426,048	248,174
Others	18.2	29,600	-
		455,648	248,174

18.1 Investment in Related Parties:

18.1.1 Investment in Associate:

Speed (Private) Limited		425,568	247,694
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18.1.2 Investment in Joint Venture:

S2 Power Limited (24,000 fully paid shares of Rs.10/- each)		240	240
S2 Hydro Limited (24,000 fully paid shares of Rs.10/- each)		240	240
		480	480
		426,048	248,174

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

Note	2017	2016
	Amount Rupees in thousand	Amount
18.1.1.1 Speed (Private) Limited – associated company		
Cost of investment–SIL		
160,709 fully paid ordinary shares of Rs. 100/- each (2016: 160,709)	190,949	190,949
Cost of investment–SICPL		
30,200 fully paid shares of Rs. 2,044.40 each (2016: Nil)	58,721	–
73,000 fully paid ordinary shares of Rs. 1,272 each (2016: Nil)	92,856	–
Share of post acquisition reserve		
As at the beginning of the year	56,745	36,259
Share of post acquisition profit for the year / period	51,913	30,932
Less: Dividends received during the year	(25,616)	(10,446)
	83,042	56,745
	425,568	247,694
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.		
18.1.1.3 Cost of Investment of Rupees 61.74 million adjusted with the distribution received from pre-acquisition profits of Speed (Private) Limited of Rupees 3.02 million which brings Cost of Investment to Rupees 58.72 million.		
18.1.2.4 Current assets	1,006,562	949,475
Non current assets	267,254	287,209
Current liabilities	299,800	377,593
Non current liabilities	1,970	2,170
Revenue – net for the year / period	2,105,040	1,761,433
Expenses for the year / period	1,879,859	1,620,193
Profit for the year / period	225,181	141,240
Other comprehensive income for the year	–	–
Total comprehensive income for the year	225,181	141,240
Net assets of the associate	972,046	856,921
Percentage of holding	35.97%	21.90%
Share in net assets of associate	349,645	187,664
18.1.1.5 Breakup value per share (Rupees)	1,325	1,168
18.1.1.6 Reconciliation of share in net assets of associate with carrying value of investment		
Share in net assets of associate	349,645	187,664
Add: Goodwill	75,923	60,030
Carrying value of investment in associate	425,568	247,694

18.1.3 Interest in associate

Name of associated company	Note	Country of incorporation	% of ownership interest		Measurement Method	Quoted Fair Value		Carrying Amount	
			2017	2016		2017	2016	2017	2016
Speed (Private) Limited	18.1.3.1	Pakistan	35.97%	–	Equity Method	Not Available	Not Available	425,568	–
18.1.3.1 Speed (Private) Limited is engaged in business of distribution of International brands of footwear, apparels, watches, bags and sunglasses etc.									
18.2 Investment in quoted securities – Available for sale investments									
TRG Pakistan Limited									
1,000,000 fully paid ordinary shares (2016 – Nil)							29,600		–
							29,600		–

Note	2017	2016	
	Amount Rupees in thousand	Amount	
19 Long term loans			
Considered good			
– due from executives	19.1	22,013	20,101
– due from other employees		1,014	938
		23,027	21,039
Less: current portion of long term loans	23	(5,265)	(5,608)
		17,762	15,431
		2017	2016
		Amount	Amount
			Rupees in thousand

19.1 Reconciliation of loans to executives

Balance as at January 01	20,101	9,434
Add: Disbursements during the year	14,550	18,010
Less: Repayments during the year	(12,638)	(7,343)
Balance as at December 31	22,013	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. 22.333 million (2016: Rs. 23.644 million).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

	Note	2017 Amount Rupees in thousand	2016 Amount
20 Stores, spares and loose tools			
Machinery spares		42,267	52,590
Stores		106,372	2,246
Loose tools		3,058	68,851
Less:			
Provision for slow moving and obsolete items	20.1	(29,230)	(23,482)
		122,467	100,205
20.1 Movement for provisions:			
Balance at the beginning of the year		23,482	16,957
Provisions made during the year		7,717	10,256
Adjusted during the year		-	(437)
Reversals made during the year		(1,969)	(3,294)
Charge for the year		5,748	6,525
Balance at the end of the year		29,230	23,482
21 Stock in trade			
Raw material		1,337,845	963,419
Packing material		68,841	62,506
Work in process		311,171	288,944
Finished goods: Own production		1,476,907	920,504
Purchased		747,454	454,825
Goods in transit		172,339	133,763
Engineering Consumable		250	-
Stationary		30	-
Provision for slow moving, obsolete items and net realizable value	21.1	(141,006)	(94,223)
		3,973,831	2,729,738
21.1 Movement for provisions:			
Balance at the beginning of the year		94,223	166,006
Provisions made during the year		63,472	45,156
Reversals made during the year		(16,689)	(116,939)
Charge for the year		46,783	(71,783)
Balance at the end of the year		141,006	94,223

21.2 Finished goods of Rs. 239.8 million (2016: Rs. 632.6 million) are being carried at net realizable value and an amount of Rs. 55.78 million (2016: Rs. 34.35 million) has been charged to cost of sales, being the cost of inventory written down during the year.

	Note	2017 Amount Rupees in thousand	2016 Amount
22 Trade debts			
Secured – Against irrevocable letters of credit		355,748	688,453
Unsecured – Considered good		2,385,983	1,794,758
Unsecured – Considered doubtful		39,232	65,670
Provision for doubtful debts	22.1	(39,232)	(65,670)
		2,741,731	2,483,211
22.1 Movement of provision for doubtful debts is as follows:			
Balance at the beginning of the year		65,670	45,939
Provisions made during the year		23,256	23,046
Bad debts written off		(49,694)	(1,212)
Reversals made during the year		-	(2,103)
		(26,438)	19,731
Balance at the end of the year		39,232	65,670
22.2 These relate to normal business of the Holding Company.			
23 Loans and advances			
Advances – considered good:			
– Staff		3,007	1,901
– Suppliers		78,463	36,118
– Others		17,608	77,910
Letters of credit		201,498	232,492
Current portion of long term loans	19	5,265	5,608
		305,841	354,029
24 Trade deposits and prepayments			
Security deposits		59,820	31,875
Prepayments		77,880	53,894
		137,700	85,769
25 Tax refunds due from government			
Custom duty rebate		216,876	126,389
Excise duty		1,459	64
Advance income tax		1,014,626	828,429
Sales tax		656,522	429,962
		1,889,483	1,384,844

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

26 Cash and cash equivalents

Cash in hand	7,605	4,835
Balances with banks in current accounts:		
– Local currency	72,861	40,627
– Foreign currency	1,481	181
Balances with banks in deposit accounts:		
– Foreign currency	147	62,962
Term deposits with banks	–	178,144
Cash in transit	2,354	1,496
	84,448	288,245

27 Sales – net

Export sales	5,311,584	4,918,730
Discounts, commissions, etc.	(192,787)	(81,830)
	5,118,797	4,836,900
Local sales	18,960,816	16,622,039
Sales tax and excise duty	(2,103,261)	(1,949,052)
Discounts, commissions, etc.	(1,017,397)	(525,459)
	15,840,158	14,147,528
	20,958,955	18,984,428

27.1 Export sales include net exchange rate gain of Rupees 141.72 million (2016: 216.92 million gain).

27.2 Sale of footwear (Net)

Export sales	4,455,083	4,145,549
Local sales	6,064,347	5,470,748
	10,519,430	9,616,297

Sale of tyres and tubes (Net)

Export sales	663,714	691,352
Local sales	9,768,601	8,663,011
	10,432,315	9,354,363

Sale of technical rubber products (Net)

Export sales	–	–
Local sales	7,210	13,768
	7,210	13,768
	20,958,955	18,984,428

	Note	2017 Amount Rupees in thousand	2016 Amount
28 Cost of sales			
Raw material consumed	28.1	10,872,749	9,514,194
Salaries, wages and benefits	28.2	2,691,930	2,442,442
Stores and spares consumed		201,181	257,182
Packing material consumed		643,974	603,231
Fuel and power		667,321	647,398
Insurance		20,105	18,373
Travelling expenses		11,811	13,682
Repair and maintenance		138,547	115,142
Entertainment		5,164	3,864
Depreciation	16.1.1	420,535	344,321
Provision for slow moving items, obsolete items and net realizable value		52,530	(65,258)
Other manufacturing charges		140,259	136,669
		15,866,106	14,031,240
Work in process: As at January 01		288,944	392,647
As at December 31		(307,713)	(288,944)
		(18,769)	103,703
Cost of goods manufactured		15,847,337	14,134,943
Finished goods: As at January 01		1,375,329	1,057,958
Purchases during the year		2,398,372	1,391,157
As at December 31		(2,212,261)	(1,375,329)
		1,561,440	1,073,786
		17,408,777	15,208,729

28.1 Raw material consumed

Balance as at January 01		963,419	1,213,355
Purchases during the year	28.3	11,247,175	9,264,258
Balance as at December 31		(1,337,845)	(963,419)
		10,872,749	9,514,194

28.2 Salaries, wages and benefits

Salaries, wages and benefits		2,585,488	2,339,388
Provident fund contribution		94,142	86,258
Gratuity contribution		12,296	16,788
Pension fund contribution		4	8
		2,691,930	2,442,442

28.3 Custom duty rebate for the year amounting to Rs. 79.64 million (2016: Rs. 73.77 million) has been adjusted against raw material consumed.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

	Note	2017 Amount Rupees in thousand	2016 Amount
29 Distribution cost			
Freight and insurance	29.1	265,469	218,119
Salaries and benefits	29.2	176,784	155,191
Advertisement and publicity		399,046	318,041
Entertainment		11,432	9,642
Samples		72,796	66,439
Depreciation	16.1.1	27,459	22,719
Amortization on intangible assets	17.1	33	39
Others		350,711	183,400
		1,303,730	973,590
29.1 This includes export expenses of Rs. 110.80 million (2016: Rs. 91.10 million).			
29.2 Salaries and benefits			
Salaries and benefits		171,677	150,885
Gratuity contribution		–	(66)
Provident fund contribution		5,104	4,368
Pension fund contribution		3	4
		176,784	155,191
30 Administrative expenses			
Salaries and benefits	30.1	756,711	669,346
Communication		16,648	10,266
Printing and stationery		7,008	6,393
Travelling and conveyance		36,349	33,424
Entertainment		22,773	23,359
Motor car expenses		15,483	16,918
Insurance		3,738	4,118
Rent, rates and taxes		25,819	22,301
Fuel and power		22,305	22,203
Repairs and maintenance		8,843	10,248
General expenses		45,261	32,099
Auditors' remuneration	30.2	3,700	6,286
Legal and professional charges		22,988	19,631
Subscription		1,541	1,567
Depreciation	16.1.1	17,562	15,956
Amortization on intangible assets	17.1	1,812	3,433
Ijarah rentals		72,940	70,041
Computer running expenses		12,876	14,850
Advertisement		2,754	1,027
Preliminary Expenses		–	941
Donation		43	
		1,097,154	984,407

	Note	2017 Amount Rupees in thousand	2016 Amount
30.1 Salaries and benefits			
Salaries and benefits		722,559	648,287
Gratuity contribution		16,071	11,027
Provident fund contribution		18,070	15,439
Pension fund contribution		11	(5,407)
		756,711	669,346
30.2 Auditors' remuneration			
Audit fee		2,454	2,376
Half yearly review		554	844
Taxation and other certification services		449	2,592
Out of pocket expenses		243	474
		3,700	6,286
31 Other operating expenses			
Donations	31.1	45,974	62,472
Workers' profit participation fund		54,296	77,321
Workers' welfare fund–Current Year		6,492	17,092
Workers' welfare fund–Prior Year Reversal		(16,633)	(13,198)
Reversal of Custom Rebate		–	20,713
Loss on disposal of property, plant and equipment		25,958	23,805
Loss on sale of shares		–	3,404
Turn Over tax		7,921	–
Tax on operating expenses		5,025	–
Provision for doubtful debts		23,257	20,943
Others		101	163
		152,391	212,715
31.1 None of the directors of the Company has interest in the donee.			
32 Other income			
Income from financial assets			
Dividend income		578	5,285
Share of profit from associated company		51,914	30,932
Income on term deposits with bank		3,743	13,077
		56,235	49,294
Income from non-financial assets			
Profit / (Loss) on disposal of property, plant and equipment		–	–
Special Custom Rebate		203,000	–
Scrap sales and others		87,669	40,959
Rental income		14,040	9,826
		302,709	50,785
		360,944	100,079

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

	2017 Amount Rupees in thousand	2016 Amount
Note		
33 Finance cost		
Interest / markup on:		
– Short term borrowings	195,757	135,261
– Long term financing	111,053	61,422
Bank commission, fees and charges	36,897	40,164
Exchange loss / (gain)	(663)	–
	343,044	236,847
34 Taxation		
Current tax–Current Year	123,805	204,507
Current tax–Prior Year	(47,266)	(55,560)
Deferred tax	38,039	47,830
Super tax	30,561	27,031
	145,139	223,808
34.1 Numerical reconciliation of tax charge for the year		
Profit before taxation	1,014,803	1,468,219
Applicable tax rate 30% (2015: 31%)	304,441	455,148
Tax effect of amounts that are:		
Inadmissible expenses	170,005	12,143
Tax effect of dividend	(130)	449
Admissible expenses	(253,920)	(29,730)
Exempt income	(84,792)	(28,193)
Presumptive tax regime	72,710	(56,483)
Minimum tax credit / tax credit	(46,470)	(100,997)
Super tax	30,561	27,031
Tax effect of prior years	(47,266)	(55,560)
	(159,302)	(231,340)
	145,139	223,808
Average effective tax rate charged to profit and loss account	14.30%	15.24%
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)	881,338	1,244,411
Weighted average number of ordinary shares outstanding during the year	12,028,789	12,028,789
Basic earnings per share (Rupees)	73.27	103.45

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 consolidated financial statements are as follows:

Particulars	<-----Rupees in thousand----->					
	2017			2016		
	Directors	Chief executive	Executives	Directors	Chief executive	Executives
Managerial remuneration	72,146	22,079	232,624	69,187	18,733	176,900
Utilities	14,429	4,416	149,251	13,837	3,747	115,100
Retirement and other benefits	53,685	25,222	107,397	66,432	30,152	98,848
Total	140,260	51,717	489,272	149,456	52,632	390,848
No. of persons	4	1	159	4	1	158

Meeting fee of rupees 2.16 million (2016: rupees 1.65 million) was paid to non-executive directors. The chief executive, executive directors and some of the executives of the 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, 2017

	Note	2017 Amount Rupees in thousand	2016 Amount
37 Cash generated from operations			
Profit before taxation		1,014,803	1,468,219
Adjustments for non-cash charges and other items:			
Depreciation	16.1.1	465,556	382,996
Amortization	17.1	1,845	3,472
Employee benefit plans	11.2.3	28,366	22,353
Loss on sale of shares		-	3,404
Finance cost	33	343,708	236,847
Provision for slow moving and obsolete items		52,531	(65,258)
Provision for workers' profit participation fund		54,296	77,321
Provision for workers' welfare fund		(10,141)	3,894
Provision for doubtful debts		23,256	20,943
Ijarah rentals		72,940	70,041
Share of profit from Speed (Private) Limited	18.1.1.1	(51,913)	(30,932)
Exchange(gain) / Loss		(176)	-
Loss / (Profit) on sale of property, plant and equipment		25,958	23,805
		1,006,226	748,886
Operating profit before working capital changes		2,021,029	2,217,105
Changes in working capital			
(Increase) / decrease in current assets			
Stores, spares and loose tools		(28,010)	7,840
Stock in trade		(1,253,477)	61,901
Trade debts		(240,315)	(976,675)
Loans and advances		(12,613)	(120,358)
Trade deposits and prepayments		(51,931)	(9,050)
Tax refunds, due from / to government		(318,442)	(50,239)
Other receivables		29,251	(17,573)
		(1,875,537)	(1,104,154)
Increase / (decrease) in current liabilities			
Trade and other payables		(382,377)	95,628
Cash generated from operations		(236,885)	1,208,579

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	2017 Amount Rupees in thousand	2016 Amount
Long term loans		17,762	15,431
Long term deposits		99,393	77,956
Trade debts		2,780,963	2,548,881
Loans and advances		25,881	85,419
Trade deposits		59,820	31,875
Other receivables		56,848	75,699
Bank balances		74,489	281,914
		3,115,156	3,117,175
Trade debts			
Foreign parties		355,748	688,453
Local parties		2,425,215	1,860,428
		2,780,963	2,548,881

	2017			2016		
	Gross debtors	Provision	Net debtors	Gross debtors	Provision	Net debtors
	<-----Rupees in thousand----->					
Neither past due nor impaired	2,199,973	-	2,199,973	2,472,004	-	2,472,004
Impaired	695,808	129,345	566,463	76,877	65,670	11,207
	2,895,781	129,345	2,766,436	2,548,881	65,670	2,483,211

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

(b) Credit rating of major bank accounts

Banks	Rating		Rating agency	2017	2016
	Short term	Long term		Amount	Amount
Bank Alfalah Limited	A1+	AA+	PACRA	300,000	347,210
Askari Bank Limited	A-1+	AA-	PACRA	523,270	346,944

(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.

	←-----Rupees in thousand----->				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
December 31, 2017					
Long term financing	2,883,572	2,883,572	451,642	2,431,930	-
Long term deposits	5,258	5,258	-	5,258	-
Trade and other payables	2,751,389	2,751,389	2,751,389	-	-
Interest and mark-up accrued	108,065	108,065	108,065	-	-
Short term borrowings	4,589,272	4,589,272	4,589,272	-	-
	10,337,556	10,337,556	7,900,368	2,437,188	-
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	-

	Note	2017	2016
		Amount	Amount
(a) Financial instruments by categories			
Long term loans		17,762	15,431
Long term deposits		99,393	77,956
Trade debts		2,780,963	2,548,881
Loans and advances		25,881	85,419
Trade deposits		59,820	31,875
Other receivables		56,848	75,699
Cash and bank balances		84,448	288,245
		3,125,115	3,123,506
Liabilities as per balance sheet			
Long term financing		2,883,572	1,221,079
Long term deposits		5,258	5,268
Interest and mark-up accrued		108,065	44,362
Short term borrowings		4,589,272	3,242,870
Trade and other payables		2,751,389	2,266,042
		10,337,556	6,779,621

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 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, 2017

		Debtors	Cash and bank balances	Gross financial assets exposure	Trade and other payables	Net exposure
USD in ('000)	2017	373	3	376	(2,252)	(1,876)
USD in ('000)	2016	755	–	755	(1,489)	(734)
EURO in ('000)	2017	2,613	2	2,615	(157)	2,458
EURO in ('000)	2016	4,677	2	4,678	(533)	4,145
GBP in ('000)	2017	75	–	75	–	75
GBP in ('000)	2016	–	–	–	–	–
LKR in ('000)	2017	19,014	9,395	28,409	(19,159)	9,250
LKR in ('000)	2016	–	–	–	–	–

Significant exchange rates

←-----Rupees per----->

	US Dollar		Euro		Lkr	
	Average	Reporting date	Average	Reporting date	Average	Reporting date
	2017	105.62	110.50	118.04	131.79	0.69
2016	104.77	104.79	115.96	110.32	–	–

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.

	2017 Amount Rupees in thousand	2016 Amount
Effect on profit and loss		
US Dollar	(20,731)	(7,688)
Euro	32,393	45,731
	11,662	38,043

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's 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:

	2017 Effective interest rate %	2016 %	2017 Carrying amount Rupees in thousand	2016
Fixed rate instruments				
Financial liabilities				
Long term financing	0.00	0.00	–	–
Floating rate instruments				
Financial liabilities				
Long term financing	6.31 to 6.61	6.21 to 8.55	2,883,572	1,221,079
Short term borrowings:				
Cash credit	6.34 to 7.01	6.34 to 7.51	2,315,508	(476,909)
Export refinance	2.25	2.25 to 4.00	2,273,764	2,059,652
Import loan	1.3 to 3.1	1.3 to 1.65	–	1,660,127
			4,589,272	3,242,870
			7,472,844	4,463,949

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 2016.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

	Interest rate 100 bps	
	Decrease in profit	Increase in profit
	Rupees in thousand	
As at December 31 2017		
Long term financing	28,836	28,836
Short term financing		
Cash credit	23,155	23,155
Export refinance	22,738	22,738
Import loan	-	-
	74,729	74,729
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

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's objectives while managing capital are to safeguard the Group'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 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's strategy, which was unchanged from last year, was to maintain optimal capital structure in order to minimize cost of capital.

	Note	2017 Amount Rupees in thousand	2016 Amount
The gearing ratio as at year ended December 31			
Long term debt	9	2,431,930	998,021
Equity	7 & 8	4,733,302	4,382,864
Total capital employed		7,165,232	5,380,885
Gearing ratio	(In %age)	33.94%	18.55%

39 Business Combination

39.1 Subsidiary Acquired

	Principal Activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred
				Rupees in thousand
Service Shoes Lanka (Private) Limited	Manufacture of footwear	28/Jul/2017	60%	62,770
				62,770

The Service Shoes Lanka (Private) Limited was acquired through SICPL direct subsidiary of the SIL, so as to continue the expansion of the Group's activities on footwear manufacturing.

39.2 The consideration was made in cash through foreign currency bank account.

39.3 Assets acquired and liabilities recognized at the date of acquisition

	2017 Rupees in thousand
Service Shoes Lanka (Private) Limited	
Non-Current assets	98,601
	6,190
	104,791
Current assets	37,400
	41,461
	10,400
	56,466
	145,727
Total assets	250,518
Current Liabilities	
	139,583
	56,877
	196,460
Total liabilities	196,460
Net Assets acquired	54,058

39.4 The non-controlling interest

The non-controlling interest (40% ownership interest in Service Shoes Lanka (Private) Limited recognized at the acquisition date was measured by reference to the proportionate share of net assets method of non-controlling interest and amounted to Rs. 21,623,066.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

39.5 Goodwill arising on acquisition

	Rupees in thousand
Consideration Transferred	62,770
Add: Non-controlling interest (40% ownership interest in Service Shoes Lanka (Private) Limited)	21,623
Less: Fair value of identifiable net assets acquired	(54,058)
Goodwill arising on acquisition	30,335

The consideration paid for the combination effectively include amounts in relation to the benefit of opportunities available abroad in leather and footwear sectors to earn better returns for the Company and its members. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill arising on this acquisition is not expected to be deductible for tax purposes.

39.6 Net cash outflow on acquisition of subsidiary

	Rupees in thousand
Consideration paid in cash	62,770
Less: Cash and cash equivalents balances acquired	56,466
Net cash outflow on acquisition of subsidiary	6,304

40 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	December 31, 2017		December 31, 2016	
			Dec 31, 2017	Closing balance	Closing balance	
			Debit	Credit	Debit	Credit
Associates	Investment	-	426,048	-	248,174	-
	Advances	3,374	10,874	-	7,500	-
	Expenses	634	2,503	-	1,869	-
	Others	-	-	3,782	-	3,782
Retirement Benefits	Contribution	145,701	-	156,083	-	49,111

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

41 Plant capacity

Footwear division

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

Tyre division

	Installed capacity		Actual production	
	2017	2016	2017	2016
Number of tyres	17,053,960	14,085,900	10,549,966	10,618,111
Number of tubes	42,543,900	36,302,000	35,428,101	34,439,191

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

	Note	2017	2016
		Amount	Amount
		Rupees in thousand	
42 Provident fund related disclosures			
Size of the fund – Total assets		1,392,722	1,877,372
Cost of investments		837,899	995,599
Fair value of investments		1,251,904	1,744,351
Percentage of investments made		89.89%	92.91%

42.1 The break-up of investments is as follows:

	2017		2017	
	Cost of investment	Fair value of investment	Cost of investment	Fair value of investment
	Percentage	Amount	Percentage	Amount
		Rupees in thousand		Rupees in thousand
Fixed income SMA / TDR	0%	-	0%	-
PIBs / Treasury bills	15%	124,488	10%	117,736
Mutual funds	68%	567,949	57%	715,363
Listed securities	17%	145,462	33%	418,805
	100%	837,899	100%	1,251,904
	2016		2016	
	Cost of investment	Fair value of investment	Cost of investment	Fair value of investment
	Percentage	Amount	Percentage	Amount
		Rupees in thousand		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

42.2 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.

43 Number of employees

	2017	2016
Number of employees as on December 31	11,008	9,733
Average number of employees during the year	10,371	9,782

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

44 INTERESTS IN OTHER ENTITIES

Non-Controlling interest (NCI)

Set out below is summarized financial information for Service Shoes Lanka (Private) Limited – Subsidiary Company that has non-controlling interest that is material to the Group. The amount disclosed for Subsidiary Company is before inter-company elimination:

Note	2017 Amount Rupees in thousand	2016 Amount
Summarized Balance Sheet		
Non-Current Assets	110,052	-
Current Assets	94,971	-
Non-Current Liabilities	(5,686)	-
Current Liabilities	(172,445)	-
Net Assets	26,892	-
Accumulated non-controlling interest	10,662	-
Summarized Statement of Comprehensive income		
Revenue	60,782	-
Loss for the year	(29,187)	-
Other comprehensive Income	-	-
Total comprehensive Income	(29,187)	-
Loss allocated to Non-controlling interest	(11,675)	-
Summarized Cash Flow Statement		
Cash flow from operating activities	(118,038)	-
Cash flow from investing activities	(3,827)	-
Cash flow from financing activities	71,116	-
Net Increase / (decrease) in cash and cash equivalents	(50,749)	-

45 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, 2017

	Rupees in thousand							
	Footwear		Tyre division		Technical rubber products		Total	Total
	2017	2016	2017	2016	2017	2016	2017	2016
External sales	10,519,430	9,616,297	10,432,315	9,354,363	7,210	13,768	20,958,955	18,984,428
Inter-segment sales	-	-	-	-	-	-	-	-
Total revenue	10,519,430	9,616,297	10,432,315	9,354,363	7,210	13,768	20,958,955	18,984,428
Profit / (loss) before tax and unallocated expenses	1,150,263	985,294	816,598	1,384,565	(10,379)	992	1,956,482	2,370,850
Unallocated corporate expenses:								
Finance cost							(307,581)	(200,648)
Other operating expenses							(752,644)	(774,894)
Other income							118,547	72,911
Taxation							(145,139)	(223,808)
Profit after taxation							869,665	1,244,411
Total assets for reportable segments	6,126,081	5,001,031	7,949,945	5,686,775	46,964	23,055	14,122,990	10,710,861
Unallocated assets:							1,862,575	1,984,840
Total assets as per balance sheet							15,985,565	12,695,701
Segment liabilities	-	-	-	-	-	-	-	-
Unallocated liabilities							11,241,601	8,312,837
Total Liabilities as per balance sheet							11,241,601	8,312,837
Segment capital expenditure	372,626	297,523	1,337,461	1,487,831	-	-	1,710,087	1,785,354
Unallocated capital expenditure	-	-	-	-	-	-	4,617	11,981
Consolidated capital expenditure							1,714,704	1,797,335
Non-cash expenses other than depreciation and amortization								
Provision for slow moving stock	32,380	(74,389)	20,151	9,131	-	-	52,531	(65,258)
Depreciation and amortization expense								
Depreciation and amortization	151,265	134,813	307,267	239,135	1,409	1,577	459,941	375,525
Unallocated depreciation and amortization	-	-	-	-	-	-	7,460	10,943
Consolidated depreciation and amortization							467,401	386,468
45.1 Total profit for reportable segments							1,956,482	2,370,850
Unallocated expenses							(941,679)	(902,631)
Profit before tax							1,014,803	1,468,219

45.2 Revenues from one customer of the Group's footwear segments represented approximately Rs. 2,435 million (2016: 3,023.13 million) of the Company's total revenues.

46 Authorization date

These consolidated financial statements were authorized for issue by the Board of Directors on March 29, 2018.

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47. Events after the balance sheet date

The Board of Directors in its meeting held on March 29, 2018 has proposed a final cash dividend of Rs. 22 per share (2016: Rs. 25 per share) for approval of the members at the annual general meeting to be held on April 30, 2018. The Board has also recommended to transfer Rs. Nil (2016: Nil) to general reserve from unappropriated profit.

48. General

- 48.1 Previous year's figures have been re-arranged, wherever necessary for the purpose of comparison. However no material re-arrangements have been made.
- 48.2 Figures have been rounded off to the nearest thousand of rupees, except stated otherwise.

Chaudhry Ahmed Javed
(Chairman)

Omar Saeed
(Chief Executive)

Ashfaq Alidina
(Chief Financial Officer)

Pattern of Shareholding

As at December 31, 2017

Number of Shareholders	Shareholding		Total Shares held
	From	To	
669	1	100	24,241
396	101	500	113,032
212	501	1,000	156,450
173	1,001	5,000	386,892
38	5,001	10,000	267,892
10	10,001	15,000	128,348
8	15,001	20,000	148,144
5	20,001	25,000	112,177
4	25,001	30,000	111,150
1	35,001	40,000	36,224
4	40,001	45,000	163,729
2	45,001	50,000	95,609
1	60,001	65,000	63,480
1	75,001	80,000	79,930
1	80,001	85,000	82,482
1	90,001	95,000	94,937
1	100,001	105,000	104,048
1	105,001	110,000	107,990
1	135,001	140,000	136,172
1	150,001	155,000	153,773
1	485,001	490,000	486,220
1	525,001	530,000	528,465
1	555,001	560,000	558,407
1	735,001	740,000	737,500
1	755,001	760,000	758,015
1	810,001	815,000	810,976
2	995,001	1,000,000	1,995,441
1	1,555,001	1,560,000	1,559,125
1	2,025,001	2,030,000	2,027,940
1,540			12,028,789

Pattern of Shareholding

As at December 31, 2017

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage
Directors, Chief Executive Officer, and their spouses and minor children	9	4,881,773	40.5841
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	824,920	6.8579
Insurance Companies	7	42,354	0.3521
Modarabas and Mutual Funds	26	2,038,705	16.9485
General Public			
a. Local	1,450	3,312,962	27.5419
b. Foreign	4	32,150	0.2673
Others (to be specified)			
1- Joint Stock Companies	24	93,144	0.7743
2- Foreign Companies	2	18,500	0.1538
2- Pension Funds	2	158,873	1.3208
3- Others	8	44,370	0.3689
	1,540	12,028,789	100.0000
Shareholders holding 10% or more	2	3,587,065	29.8207

Information required under the Code of Corporate Governance

Categories of Shareholders	Number of Shares held	Percentage
Associated Companies, undertakings and related parties		
M/S 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 ABL STOCK FUND	24,240	0.2015
CDC – TRUSTEE ALHAMRA ISLAMIC STOCK FUND	25,150	0.2091
CDC – TRUSTEE APF-EQUITY SUB FUND	2,000	0.0166
CDC – TRUSTEE APIF – EQUITY SUB FUND	4,000	0.0333
CDC – TRUSTEE ATLAS ISLAMIC STOCK FUND	20,020	0.1664
CDC – TRUSTEE DAWOOD ISLAMIC FUND	4,000	0.0333
CDC – TRUSTEE FIRST DAWOOD MUTUAL FUND	3,500	0.0291
CDC – TRUSTEE HBL – STOCK FUND	40,780	0.3390
CDC – TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND	7,460	0.0620
CDC – TRUSTEE HBL MULTI – ASSET FUND	2,120	0.0176
CDC – TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	1,420	0.0118
CDC – TRUSTEE MCB PAKISTAN ISLAMIC STOCK FUND	40,700	0.3384
CDC – TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	26,000	0.2161
CDC – TRUSTEE NAFA ISLAMIC STOCK FUND	9,830	0.0817
CDC – TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1,559,125	12.9616
CDC – TRUSTEE NIT ISLAMIC EQUITY FUND	79,930	0.6645
CDC – TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	107,990	0.8978
CDC – TRUSTEE PAKISTAN CAPITAL MARKET FUND	8,900	0.0740
CDC – TRUSTEE UBL RETIREMENT SAVINGS FUND – EQUITY SUB FUND	15,000	0.1247
CDC – TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND– EQUITY SUB FUND	16,640	0.1383
CDC – TRUSTEE ALHAMRA ISLAMIC ASSET ALLOCATION FUND	13,050	0.1085
CDC – TRUSTEE HBL ISLAMIC STOCK FUND	7,390	0.0614
CDC – TRUSTEE NITIPF EQUITY SUB-FUND	1,000	0.0083
MSCBFSL TRUSTEE ABL ISLAMIC DEDICATED STOCK FUND	800	0.0067
Directors and their spouses and minor children		
MR. OMAR SAEED	995,896	8.2793
CHAUDHARY AHMED JAVED	2,027,940	16.8591
MR. HASSAN JAVED	758,015	6.3017
MR. ARIF SAEED	999,545	8.3096
MR. OSMAN SAIFULAH KHAN	100	0.0008
MR. REHMAN NASEEM	800	0.0067
MR. MUHAMMAD AMIN	40	0.0003
MR. RIAZ AHMED	4,500	0.0374
MRS. FATIMA SAEED W/O MR. ARIF SAEED	94,937	0.7892
Executives	568,534	4.7264
Public Sector Companies and Corporations	–	–
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	1,043,807	8.6776

Shareholders holding five percent or more voting rights

CHAUDHARY AHMED JAVED	2,027,940	16.8591
MR. ARIF SAEED	999,545	8.3096
MR. OMAR SAEED	995,896	8.2793
MRS. SHAHIDA NAEEM	737,500	6.1311
MR. HASSAN JAVED	758,015	6.3017
NATIONAL BANK OF PAKISTAN	811,920	6.7498
CDC – TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1,559,125	12.9616

Trade in shares of the Company by Directors, Executives and their spouses and minor children

Name	Purchase	Sale
Mr. Muhammad Amin – Director	40	–
Mr. Qaisar Mufti – Ex Director (Resigned on 12-10-2017)	100	–

18,004 shares of the Company transmitted to Mr. Ahmed Javed – Chairman / Director from his mother.

18,005 shares of the Company transmitted to Mr. Ahmad Saeed – Executive from his mother.

9,002 shares of the Company transmitted to Mrs. Najma Butt (Spouse of Mr. M. Ijaz Butt Executive) from her mother.

Form of Proxy

61st 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 61st Annual General Meeting of the Company to be held on April 30, 2018 at 11:00 a.m and
 / or at any adjournment thereof.

In witness thereof I / We have signed and set my / our hands seal thereon this _____ day of _____ 2018
 in the presence of _____

Signed this _____ day of _____ 2018

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. A proxy must be a member of the Company.
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.

پراکسی فارم

اکسٹھواں سالانہ اجلاس عام

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 اُن کی غیر حاضری کی صورت میں محترم / محترمہ _____

کو اپنا / ہمارا پراکسی مقرر کرنا / کرتی ہوں کہ میری غیر موجودگی کی صورت میں میری / ہماری طرف سے کمپنی کے 61 ویں سالانہ اجلاس عام جو کہ مورخہ 30 اپریل 2018
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 _____

فولیو نمبر	سی ڈی سی اکاؤنٹ نمبر	
	اکاؤنٹ نمبر	پارٹیشن آئی ڈی

پانچ روپے مالیت کی
ریونیونٹ پر دستخط کریں۔

(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 گھنٹہ قبل کمپنی کو موصول ہوں۔ پراکسی کمپنی کے ممبرز میں سے ہی ہونا چاہیے۔
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۔



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

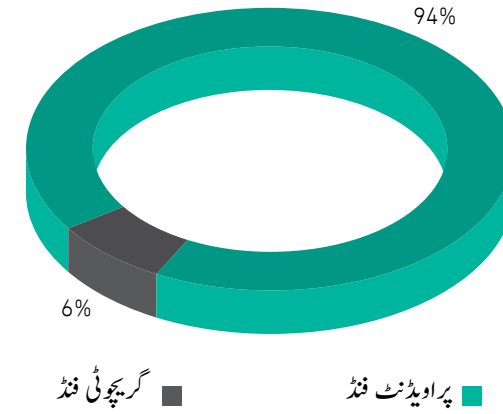
سال 2018 کے لیے تعیناتی منظور کرتا ہے۔

ریٹائرمنٹ کی سہولیات میں سرمایہ کاری

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

31 دسمبر 2015	31 دسمبر 2016	31 دسمبر 2017
1,328	1,744	1,252
76	99	83
72	77	-

سرمایہ کاری کی قدر



کمپنی اہل ملازمین کے لیے ایک منظور شدہ پنشن کا منصوبہ چلا رہی تھی۔ 31 اگست 2017 سے بورڈ آف ڈائریکٹرز نے اسے ختم کر دیا ہے۔ اس کے بجائے تمام قانونی معاملات اور محصولات ادا کرنے کے بعد ہر ممبر کو یکمشت رقم ادا کر دی گئی ہے۔

حصص یافتگان کی تفصیل

31 دسمبر 2017 کی حصص یافتگان کی تفصیل اس سالانہ رپورٹ میں درج کی گئی ہے۔ کمپنی کے حصص میں اگر کسی ڈائریکٹر، سی ای او، سی ایف او، کمپنی سیکریٹری، اندرونی آڈٹ کے سربراہ، ان کی بیویاں یا چھوٹے بچوں نے خرید و فروخت کی ہے تو وہ بھی اس رپورٹ میں درج کر دی گئی ہے۔

بیلنس شیٹ کے بعد تبدیلیاں

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، اس کا اندراج آئندہ سال کے مالی گوشوارے میں کیا جائے گا۔

اعتراف

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

ہم آئندہ سالوں میں اچھے نتائج حاصل کرنے کیلئے پر عزم ہیں۔ میں بورڈ کی جانب سے اپنے حصص یافتگان کا مخلص ترین شکریہ ادا کرتا ہوں کہ انہوں نے ہم پر بھروسہ کیا اور ہماری غیر متزلزل حمایت جاری رکھی۔

مخائب بورڈ

چوہدری احمد جاوید
چیئر مین

عمر سعید
چیئر ایگزیکٹو

مورخہ 29 مارچ 2018
لاہور

ڈائریکٹرز	بورڈ آف ڈائریکٹرز	آڈٹ کمیٹی	ایچ آر اینڈ آر کمیٹی
جناب احمد جاوید	3/5	N/A	N/A
جناب عمر سعید	5/5	N/A	N/A
جناب عارف سعید	5/5	N/A	4/4
جناب حسن جاوید	5/5	N/A	N/A
جناب ریاض احمد	5/5	5/5	4/4
جناب محمد امین	5/5	5/5	4/4
جناب اعجاز بٹ (30 جولائی 2017 سکہوش)	1/5	N/A	N/A
جناب شوکت الہی شیخ (30 جولائی 2017 سکہوش)	3/5	N/A	N/A
جناب عثمان سیف اللہ خان (31 جولائی 2017 تقرری)	1/5	N/A	N/A
جناب رحمان نسیم (31 جولائی 2017 تقرری)	1/5	0/5	N/A
جناب قیصر مفتی (12 اکتوبر 2017)	4/5	4/5	N/A
جناب شاہد حسین جتوئی (تقرری 27 اکتوبر 2017)	0/5	N/A	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

اس سال 28 جولائی 2017 کی غیر معمولی اجلاس عام میں ڈائریکٹرز کا انتخاب ہوا۔ درج ذیل 9 ڈائریکٹرز اگلے تین سال کے لیے منتخب ہوئے۔

- 1) جناب احمد جاوید
- 2) جناب عمر سعید
- 3) جناب عارف سعید
- 4) جناب حسن جاوید
- 5) جناب رحمان نسیم
- 6) جناب ریاض احمد
- 7) جناب محمد امین
- 8) جناب عثمان سیف اللہ خان
- 9) جناب قیصر مفتی

بورڈ نے جناب عمر سعید کو اگلے تین سالوں کے لیے دوبارہ چیئر ایگزیکٹو مقرر کیا ہے۔

جناب قیصر مفتی نے 12 اکتوبر 2017 کو مستعفی ہوئے اور جناب شاہد حسین جتوئی کو عارضی آسامی پر کرنے کے لیے 27 اکتوبر 2017 کو ڈائریکٹر مقرر کر دیا گیا۔

انتظامیہ کمیٹی

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

بیرونی آڈیٹرز

سال 2017 کے بیرونی آڈیٹرز رحمان سرفراز رحیم اقبال رفیق چارٹرڈ اکاؤنٹنٹس ریٹائر ہو گئے ہیں اور اپنی قابلیت کی بنیاد پر دوبارہ تعیناتی کے لیے درخواست دی ہے۔ بورڈ، آڈٹ کمیٹی کی سفارش کی توثیق کرتا ہے اور ان کی

تصرف

مالیاتی سال 2017 کا تصرف مختصراً مندرجہ ذیل ہے۔

4,384	یکم جنوری 2017 یرکل جمع شدہ منافع
784	مالیاتی سال 2017 کا بعد از ٹیکس منافع
(301)	2016 کے مالیاتی سال 25 کا روپے فی شیئر کے حساب سے حتمی ڈیویڈنڈ
(120)	مالیاتی سال 2017 156 روپے فی شیئر کے حساب سے عبوری ڈیویڈنڈ
4,747	31 دسمبر 2017 یرکل جمع شدہ منافع

مستقبل میں ہم اپنی حکمت عملی کا جائزہ لیتے رہیں گے تاکہ مقامی اور بین الاقوامی منڈیوں میں بدلتی صورت حال سے مطابقت جاری رکھی جاسکے۔

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 میٹنگ 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 پر 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 کی 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۔ یہ عمل کمپنی کے دونوں سیکٹرز کے لیے کیا جاتا ہے۔ بورڈ اس بات کو یقینی بناتا ہے کاروبار کے بہترین طریقوں پر عمل درآمد ہو رہا ہے۔ بورڈ کاروبار کے دونوں 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۔

کیش فلو اور کیپیکل ایکسپینڈیچر

کمپنی کی بڑے سرمایہ کی ضرورت بنیادی طور پر اندرونی وسائل سے پوری کی جاتی ہے اور کچھ بیرونی سرمایہ بھی پراگھار کیا جاتا ہے۔ کیش فلو اور سرمایہ کی ضرورت کی مستقل نگرانی کی جاتی ہے۔ کمپنی طویل المیعاد نمو کیلئے لگاتار سرمایہ کاری جاری رکھتی ہے۔ کاروبار سے 952 ملین روپے کیش حاصل ہوا۔ سال 2017 میں کمپنی میں 1.7 بلین روپے کی سرمایہ کاری کی (2016) 1.8 بلین روپے جو کہ بنیادی طور پر نئے بنانے والے پلانٹ کی استعداد بڑھانے کے لیے استعمال ہوئے۔

کمپنی کی اہم سرگرمیاں اور کاروبار کے سیکٹرز

کمپنی دو بڑی ڈویژنوں یعنی ٹائر اور ٹیوب اور جوئے بنانے میں کام کر رہی ہے۔

رسک، غیر ممکنات اور ان سے بچاؤ

کمپنی کارسک منجھٹ پروگرام کمپنی کی کارکردگی پر ممکنہ مضر اثرات کو کم کرنے پر مرکوز رہتا ہے۔ کمپنی کی سینئر انتظامیہ رسک منجھٹ کا کام سرانجام دیتی ہے اور اپنے نتائج بورڈ آف ڈائریکٹرز کے سامنے رکھتی ہے۔ اس کارروائی میں حکمت عملی سے متعلقہ، مالی، کمرشل اور آپریٹنگ رسک کی شناخت، جائزہ اور اسکے حل شامل ہیں۔

سینئر انتظامیہ کی ٹیم ایک انتہائی تفصیلی بجٹنگ اور منصوبہ بندی کرتی ہے جس میں SWOT Analysis شامل ہے۔ اس کی بنیاد پر اہم مسائل کے حل پر توجہ دی جاتی ہے، مواقع ڈھونڈے جاتے ہیں، ایکشن پلان بنائے جاتے ہیں اور ان پر عمل درآمد کیا جاتا ہے تاکہ طویل المیعاد اہداف حاصل کئے جاسکیں۔

ماحول، صحت اور سیفٹی

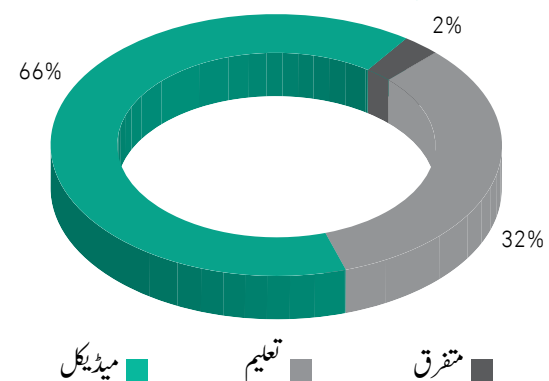
بھرپور انداز میں لگاتار چلنے والے پروڈکشن سروس میں ہم اپنی قابلیت پر فخر محسوس کرتے ہیں کہ ہم بغیر اپنے تندرستی سے کام کرنے والے ملازمین کی سیفٹی پر سمجھوتا بغیر کئے اپنے مقاصد حاصل کر رہے ہیں۔

سال 2017 ماحول، صحت اور سیفٹی کے لئے ایک کامیاب سال تھا جس میں تمام اہداف حاصل کیے گئے اور ماحول، صحت اور سیفٹی کا ماحول پوری کمپنی میں اچھی طرح فروغ پایا۔

کمپنی کی سماجی ذمہ داری

ہم یہ یقین رکھتے ہیں کہ ذمہ دار اور متواتر چلنے والے کاروباروں کا ایک صحت مند اور چھلتا پھولتا معاشرہ تشکیل دینے میں ایک اہم کردار ہے۔ عالمی برادری کے پر عزم شہری ہونے کا احساس ہمارے کام کرنے کے طریقے، ملازمین، سرگرمیاں اور تعلقات جنہی ہم حمایت کرتے ہیں میں واضح طور پر نظر آتا ہے۔ ہم لوگوں کی سب سے چلی سطح پر صحت، تعلیم اور بنیادی طبی سہولتیں پہنچانے کی ضرورت کو بخوبی سمجھتے ہیں۔ سال 2017 کے دوران کمپنی نے 46 ملین روپے اس مد میں خرچ کئے۔

کارپوریٹ سوشل ذمہ داری میں کنٹریبیوشن



ماحولیاتی سسٹیمز بھی ایک اہم توجہ طلب معاملہ ہے جس پر آپ کی کمپنی توجہ مرکوز کئے ہوئے ہے۔

سال 2017 میں آپ کی کمپنی نے برآمدات سے منسلک جوتوں کے پلانٹ میں ایک میگا واٹ شمسی توانائی کا پلانٹ لگایا ہے۔ اور اس طرح براعظم ایشیا میں پہلا شمسی توانائی سے چلنے والا جوتوں کا پلانٹ بن گیا ہے۔ اس طرح نہ صرف ماحول کو آلودگی سے بچایا ہے بلکہ ملک کو درپیش بجلی کی کمی کے مسئلے کو کم کرنے میں بھی اہم کردار ادا کیا ہے۔

مستقبل پر ایک نظر:

ہمیں اپنی کمپنی پر یقین ہے کہ مضبوط سرمایہ کاری کی حکمت عملی اور سازگار مارکیٹ کے حالات سے منافع بخش شرح نمو برقرار رہے گی۔

کمپنی کی انتظامیہ اپنے مخصوص یانٹگان کو ان کے حصص کی اچھی قدر فراہم کرنے کے لئے پر عزم ہے جسکی ایک وجہ سال 2018 میں ایکشن کی وجہ سے بہتر متوقع اقتصادی صورت حال ہے۔ ہمارے برانڈ کی مضبوطی اور ہماری صلاحیتوں کی بدولت ہم لگاتار جوتوں اور ٹائر دونوں کاروباروں میں سب سے آگے ہیں۔

کارپوریٹ گورننس کے بہترین طریقوں پر عمل

کمپنی تمام اخلاقی اور قانونی ضوابط پر پراتنے بلکہ اس سے بھی آگے بڑھنے کیلئے پر عزم ہے۔ بورڈ نے لگاتار بہتری کیلئے ایک طریقہ کار تشکیل کر دیا 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 تبدیلی 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۔

آپ کی کمپنی ایک غیر جانبدار کمپنی کی خدمات حاصل کئے ہوئے ہے جو کہ ہمارے اندرونی کنٹرولز اور کام کرنے کے طریقوں کا جائزہ لیتی 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۔

کیپلائنس پر ایک نظر

کمپنی کارپوریٹ گورننس کی اصولوں پر سختی سے عمل پیرا ہے جو کہ سیکورٹیز اور ایکٹیوٹیج کمیشن آف پاکستان نے جاری کیے ہیں۔ اسے اس رپورٹ میں کیپلائنس کے بیان کی شکل میں مختصراً درج کیا گیا ہے جس کا جائزہ بیرونی آڈیٹرز بھی لے چکے ہیں۔

رپورٹ 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 خوشی محسوس کرتے ہیں کہ:

1 - انتظامیہ کے تیار کردہ مالی گوشوارے، کمپنی کے معاملات، کام کرنے کے

طریقے، کیش فلو اور لیکوٹی میں تبدیلی کو احسن طریقے سے پیش کرتے ہیں۔

2 - کمپنی نے اچھی طرح سے اکاؤنٹس کے کھاتے تیار کر رکھے ہیں۔

3 - مالی گوشواروں اور اکاؤنٹنگ اسٹیٹمنٹ کی تیاری میں مناسب اکاؤنٹنگ پالیسیاں تسلسل کے ساتھ استعمال کی جارہی ہیں۔

4 - مالی گوشواروں کی تیاری بین الاقوامی مالی رپورٹنگ میعادت کے مطابق کی گئی ہے

5 - کمپنی نے ٹھوس اندرونی کنٹرولز لاگو کر رکھے ہیں جس سے 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 چلنے میں کسی قسم کا کوئی ٹک نہیں ہے۔

7 - کارپوریٹ گورننس کے بہترین طریقوں سے بننے 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 ایک نان ایگزیکٹو ڈائریکٹر ہے اور دو انڈیپنڈنٹ ڈائریکٹرز ہیں۔ کمیٹی کا چیئرمین انڈیپنڈنٹ ڈائریکٹر ہے۔ اس کمیٹی کے حوالے کی شرائط اسٹیک قوانین کے مطابق ترتیب دی گئیں ہیں اور کمیٹی کو اس کی تعمیل کرنے کا حکم دیا گیا ہے۔ کمیٹی کی اس سال 5 میٹنگز ہوئیں۔

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

ہیومن ریسورس اور ریویویشن کمیٹی

یہ کمیٹی تین اراکین پر مشتمل ہے جن میں سے ایک نان ایگزیکٹو ڈائریکٹر، ایک انڈیپنڈنٹ ڈائریکٹر اور ایک ایگزیکٹو ڈائریکٹر ہیں۔ کمیٹی کا چیئرمین انڈیپنڈنٹ ڈائریکٹر ہے۔ اس سال 4 میٹنگز ہوئیں ہیں۔ کمیٹی ایگزیکٹوز 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 میٹنگز اور سرگرمیاں

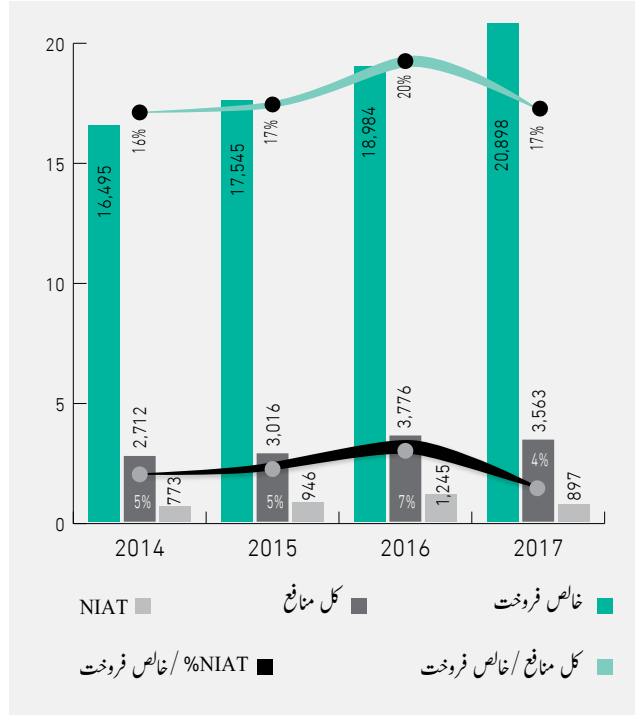
اس سال 5 بورڈ میٹنگز، 5 آڈٹ کمیٹی میٹنگز اور 4 ہیومن ریسورس اور ریویویشن کمیٹی میٹنگز ہوئیں۔

بورڈ آف ڈائریکٹرز اور بورڈ کی کمیٹیوں کے ممبران کی حاضری مندرجہ ذیل ہے۔

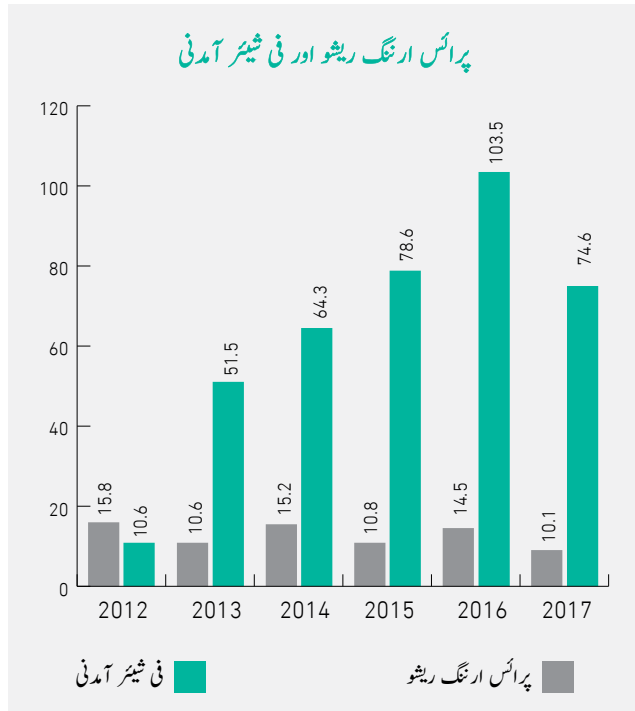
اضافہ اور سروس کے جھنڈوں پر زہ جات کی فروخت کا دوگنا ہونا ہے۔

ناسازگار خام مال کی لاگت کی وجہ سے ہماری لاگت میں قیمت فروخت کی نسبت زیادہ اضافہ ہوا ہے جس کی وجہ سے منافع کم رہا ہے۔

اس سال کے دوران آپریٹنگ اخراجات پچھلے سال کے مقابلے میں زیادہ رہے ہیں جسکی وجہ سے ریٹیل آؤٹ لیٹس شروع کرنا اور برانڈ کی مضبوطی کے لئے کوششیں ہیں اسی وجہ سے آپریٹنگ منافع 1245 ملین روپے سے 897 ملین روپے ہو گیا جو کہ 28% کم ظاہر کرتا ہے۔



فی شیئر آمدنی 74.56 روپے رہی جو کہ پچھلے سال سے 28% کم ظاہر کرتی ہے۔



ڈائریکٹرز رپورٹ برائے حصص یافتگان

سروس انڈسٹریز لمیٹڈ کے بورڈ آف ڈائریکٹرز 31 دسمبر 2017 کو ختم ہونے والے مالی سال کے آڈٹ شدہ حسابات پر مبنی رپورٹ پیش کر رہے ہیں۔

ڈائریکٹرز رپورٹ کمپنیز آرڈیننس 1984 کے سیکشن 236 اور پاکستان سٹاک ایکسچینج ریگولیشن 5.19 کے تحت تیار کی گئی ہے۔ یہ رپورٹ کمپنی کے سالانہ اجلاس جو کہ مورخہ 30 اپریل 2018 کو منعقد ہوگا اس میں کمپنی کے ممبرز کو پیش کی جائے گی۔

ہم اس بات پر یقین رکھتے ہیں کہ پاکستان کی جوتے اور ٹائر انڈسٹری معیشت میں حصہ لینے، روزگار کی فراہمی، زرمبادلہ کمانے اور صنعت میں ملازمت کے مواقع پیدا کرنے کی بہت بڑی صلاحیت رکھتی ہے۔

کمپنی کو افراط زر اور روپے کی حالیہ قدر میں کمی کی وجہ سے لاگت میں تیزی سے اضافے کا سامنا ہے۔ اگرچہ روپے کی قدر میں کمی حد تک درآمدات بڑھانے میں مثبت کردار ادا کرتا ہے، لیکن درآمد شدہ خام مال کی قیمت ہمارے ٹائر اور جوتوں میں منافع کو بڑی طرح متاثر کر رہی ہے۔ اس کے علاوہ، ربر کی بدلتی ہوئی قیمت بھی ہمارے ٹائر کے کاروبار کے منافع کو متاثر کرتی ہے۔ پیداوری اور آپریٹنگ لاگت کو پروڈکشن میں بہتری، لاگت بڑھنے سے روکنا اور پروڈکشن کے طریقوں کو آسان بنانے کے ذریعے کم کرنے کی کوشش کی جا رہی ہے۔

آپ کی کمپنی کی فروخت میں اضافہ ہوا ہے اور آپ کی کمپنی نے اچھی کارکردگی کا مظاہرہ کیا ہے لیکن مندرجہ بالا چیلنجوں کی وجہ سے، ٹائر کے کاروبار میں منافع متاثر ہوا ہے جیسا کہ ذیل میں دی گئی مالی کارکردگی سے ظاہر ہے۔

مالی سال 2016 اور 2017 کی کارکردگی کا موازنہ

فصد تبدیلی	مالیاتی سال 2016 روپے، ہزاروں	مالیاتی سال 2017 روپے، ہزاروں	حصص یافتگان
10%	18,984,428	20,898,174	خالص فروخت
(19%)	1,706,140	1,383,654	آپریٹنگ منافع
(29%)	1,469,295	1,041,769	منافع قبل از ٹیکس
(28%)	1,245,487	896,815	منافع بعد از ٹیکس
(28%)	103.5	74.56	فی شیئر آمدنی (روپے)

آپ کی کمپنی نے اس سال کے دوران 20.9 بلین روپے کی فروخت کی جبکہ پچھلے سال 18.98 بلین روپے کی فروخت حاصل کی، جو کہ 10% شرح نمو میں اضافہ ظاہر کرتی ہے جس میں اضافہ جوتے اور ٹائر دونوں سیکٹرز کا حصہ ہے۔ ہمارے جوتے کی برآمد سیکٹرز میں اضافہ ہوا ہے جس کی وجہ سے سال کی آخری سہ ماہی کے دوران حجم میں اضافہ اور یورو کی قدر میں بہتری ہے۔ جوتوں کی مقامی فروخت میں بھی اضافہ ہوا ہے جسکی وجہ جوتوں کے ریٹیل کاروبار میں بہتری ہے۔

ٹائر کے کاروبار میں زبردست اضافہ ہوا ہے جس کی اہم وجہ کاروباری حجم میں

Investors' Education

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