

Annual Report 2018

**empowering
people..**



Servis

Service Industries Limited



Cover Story

Empowering people is an ongoing process of providing the tools, training, resources, encouragement, authority and motivation to your employees which they need to perform at the optimum level. It not only helps to build an atmosphere of trust between the Company and the employees but it also allows them to make the best possible decisions in critical situations. It encourages them to come up with the best and brightest ideas that have never been thought of before which can help in speeding up processes and produce quality materials and services resulting in healthy growth and success of the Company.

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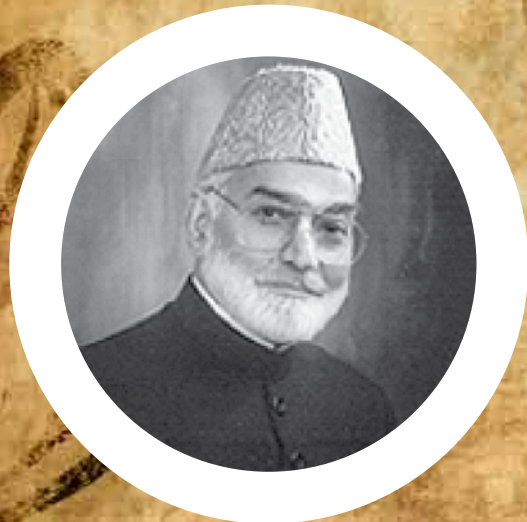
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Our History



Ch. Nazar Muhammad



Ch. Muhammad Hussain

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

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

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

Humility, fairness and respect were the values close to the heart of these founders and it were these 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.

“Whether you think you can, or you think you can't, you're right.”

- Henry Ford

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 cooperate citizen, contributing towards the development of the national economy and assisting charitable causes.

To adopt appropriate safety rules and environment friendly policies.

Company Information

Board of Directors

Chaudhry Ahmed Javed

(Chairman)

Non-Executive Director

Mr. Arif Saeed

(Chief Executive Officer)

Executive Director

Mr. Omar 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

Chief Financial Officer

Mr. Badar Ul Hassan

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

MCB Islamic 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



“No company, small or large can win over the long run without energized employees who believe in the mission and understand how to achieve it!”

-Jack Welch, General Electric



Geographical Presence

Our products are available in more than thirty countries.



Corporate Social Responsibility

Responsible business is central to our Company. Long before CSR became a common endeavor for businesses in Pakistan. Charity and responsibility towards stakeholders associated with SIL was a guiding principle of our operations. We have worked hard over the years to embed SIL's founding values of giving back, improving communities and changing lives in our culture. As an ethically responsible business entity, we have incorporated strong internal processes, controls and initiatives. Our philanthropic undertakings have spanned investments in education and health sectors. Some highlights from 2018 on both fronts are shared below.



“It’s not the tools you have faith in, tools are just tools. They work, or they don’t work. It’s the people you have faith in or not.”

-Steve Jobs, Apple

Ethical Business Initiatives

SIL has adopted various meaningful measures to provide a safe, healthy and ethical environment for its employees, customers and stakeholders.

a) 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 in responsible and ethical business practices in global supply chain providing our family of over 11,000+ employees the best working conditions for increased productivity.

b) Asia's first solar powered footwear factory

SIL Muridke is home to Asia's first solar-powered footwear factory. This 1MW solar power park is spread over four acres of land and consists of 3,125 solar panels with an annual power generation of 1,500 MWh. The initiative is equivalent to planting a 100 trees daily, reducing carbon dioxide emissions by 730 tons annually. This 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 context.

c) Diversity & Inclusion

SIL is proud to be an equal opportunity employer and encourages the participation and inclusion of women and persons with disabilities in the workforce. SIL has also set up dedicated production lines for women in both Gujrat and Muridke footwear factories, currently employing 300+ women.

d) Occupational Safety & Health

Our procedures have been laid down in such a manner that it provides safe, clean 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

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

Business Ethics & Anti-Corruption

We are committed to conducting our business with honesty, integrity and in full compliance with applicable laws and regulations. Our Statement of Ethics & Business Practices spells out clearly that it is SIL'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.

Contribution to National Exchequer

SIL contributed PKR 1,460 million towards national exchequer on account of taxes, duties and levies in 2018.



Philanthropy

SIL has been contributing to various social welfare projects and institutions over the years. In 2018, SIL set up its own Foundation to facilitate and institutionalize the Company's longstanding tradition of philanthropy and community investment as a socially responsible company. As the custodian of all its CSR activities, Servis Foundation aims to take forward the company's legacy of charitable giving to empower its employees and communities. Our major philanthropic endeavors - primarily in health and education during 2018 - include:

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

Located in Gandhra, the hospital is a primary health care unit for community providing subsidized consultation by a General Physician, free medicines, subsidized pathology facilities. Approximately 50 patients receive services from this primary health care unit on daily basis.



b) **Shirin Javed Memorial Clinic**

Located in Gujrat, the clinic offers subsidized consultation by a General Physician, free medicines, subsidized pathology and radiology facility. Approximately 80 patients receive free medication and primary care consultation on a daily basis from this clinic.



c) **Service High School for Boys run by The Citizen's Foundation (TCF)**

Established in Gujrat and located on main GT Road, this school serves as an educational institute for the underprivileged students in the area. TCF took over the school in May 2018, making it operational in 2018. 185 students are enrolled in high school grades in this school, studying free of cost. The first batch of students since adoption by TCF is being prepared for Higher Secondary Board examinations that are going to be held in early 2019.

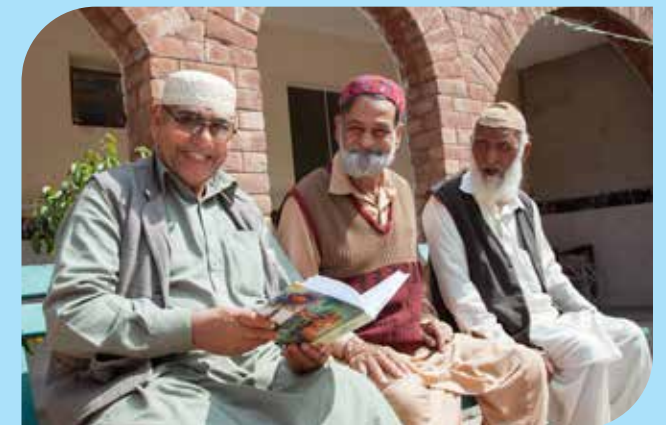


d) **Bagh-e-Rehmat School:**

Set up in Lahore, this educational institute offers both primary and secondary education for underprivileged boys and girls. The school has adopted a name for itself and more than 400 students are receiving education from this institute.

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 provides shelter, recreational activities, regular medical checkups, nutritious food, 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.

g) **Donations to external institutions in health and education sectors**

In 2018, SIL donated PKR 48.6M to community welfare organizations like Shalamar Institute of Health Sciences, Kidney Center Gujrat, Sundas Foundation, The Citizens Foundation, CARE Foundation, and Forman Christian College. These donations have served a variety of social purposes ranging from purchase of medical assets/equipment, operational costs, and student scholarships.



Notice of Annual General Meeting

Notice is hereby given that the 62nd Annual General Meeting ("AGM") of Service Industries Limited will be held on Tuesday, the April 30, 2019 at 11:00 a.m. at Shalimar Tower Hotel, Adjacent Servis House, 2-Main Gulberg, Lahore to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the standalone and consolidated audited financial statements of the Company for the year ended December 31, 2018, together with the Directors' and Auditors' Reports thereon and Chairman's Review Report.
2. To approve, as recommended by the Board of Directors, the payment of final cash dividend of Rs. 30 per share i.e. @ 300% for the year ended December 31, 2018.
3. To appoint Company's auditors and fix their remuneration. The Board and the Audit Committee have recommended the appointment of M/s. Riaz Ahmad & Company, Chartered Accountants as auditors of the Company in place of retiring auditors M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants. Accordingly, the members are hereby given the notice as required under Section 246(2) of the Companies Act, 2017 regarding appointment of an auditor other than the retiring auditors.

Special Business:

4. To approve, as recommended by the Directors, issue of bonus shares in proportion of 25 Ordinary Shares for every 100 Ordinary Shares held by the Members (i.e. @ 25%).

Attached to this Notice is a statement of material facts and proposed resolution(s) pertaining to the Special Business to be transacted at the AGM.

Lahore
April 08, 2019

By Order of the Board

WAHEED ASHRAF
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from April 23, 2019 to April 30, 2019 (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 22, 2019 will be considered in time for the purpose of entitlement of final cash dividend and bonus shares to the transferees and to attend and vote at the AGM.
2. A member of the Company entitled to attend and vote at the AGM may appoint another member as his/her proxy to attend and vote in place of him/her at the meeting. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the time of meeting. A proxy must be a member of the Company.
3. Shareholders, who have deposited their shares into Central Depository Company of Pakistan, must bring their participant's ID numbers and account/sub account numbers along with original Computerized National Identity Cards or original Passports at the time of attending the meeting in order to facilitate identification of respective shareholders. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of meeting.
4. 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 Shares 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.
5. As approved by the members in their meeting held on September 27, 2016, the Company has sent its Annual Report 2018 to its shareholders in the form of CD. Any member requiring printed copy of Annual Report 2018 may send a request using a Standard Request Form placed on Company's website.
6. The Government of Pakistan has made certain amendments in the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These rates are as follows:

(a) For filers of income tax returns	15%
(b) 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%.

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.

Notice of Annual General Meeting

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

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

7. A valid tax exemption certificate is necessary for exemption from the deduction of withholding tax under Section 150 of the Income Tax Ordinance, 2001. Members who qualify under Income Tax Ordinance, 2001 and wish to seek an exemption must provide a copy of their valid tax exemption certificate to the Shares Registrar prior to the date of book closure otherwise tax will be deducted according to applicable law.
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 / Shares 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 herein-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 2018 along with Auditors and Directors Reports thereon and Chairman's Review Report on its website: www.servisgroup.com.
11. Members having physical shares are requested to immediately notify the change in their addresses, if any to our Shares Registrar, whereas CDC account holders are requested to contact their CDC Participant / 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, 2019.

Item No. 4 of the Agenda - Issue of Bonus Shares to Members

The Board of Directors in their meeting held on April 03, 2019 have recommended issue of bonus shares in proportion of 25 Ordinary Shares for every 100 Ordinary Shares held by the Members (i.e. 25%) and decided that a sum of Rs. 30,071,970 be appropriated from the free reserves for issue of 3,007,197 bonus shares. After the issue of bonus shares, the paid-up capital of the Company will increase to Rs. 150,359,860. The Directors are of the opinion that the reserves of the Company are adequate for capitalization of Rs. 30,071,970 for issue of proposed bonus shares.

The following resolution is proposed to be passed as Ordinary Resolution, with or without modification.

"Resolved that

- (i) A sum of Rs. 30,071,970 (Rupees thirty million seventy one thousand nine hundred and seventy) out of the free reserves of the Company be capitalized and applied towards issue of 3,007,197 Ordinary shares of Rs. 10 each as bonus shares in the proportion of 25 Ordinary Shares for every 100 Ordinary Shares (i.e., @25%) held by every Member whose name appears on the Members' Register at the close of business on April 22, 2019.
- (ii) These bonus shares shall rank pari passu in all respects with the existing shares but shall not be eligible for the final cash dividend declared for the year ended December 31, 2018.
- (iii) Members entitled to fractions of shares shall be given the sale proceeds of their fractional entitlements for which purpose the fractions shall be consolidated into whole shares and sold on the Pakistan Stock Exchange Limited.
- (iv) The Chief Executive Officer or any Director be and is hereby authorized to give effect to this resolution and to do or cause to be done all acts, deeds and things that may be necessary or required for issue, allotment and distribution of the said bonus shares, sale of fractions and payment of the sale proceeds of the fractional shares."

The Directors of the Company are not directly or indirectly interested in this special business except to the extent of entitlements of bonus shares on their shareholdings.

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, 2020.	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 time-line of investment, where investment decision was to be implemented in a specified time	The investment will be made as and when funds are required by the associated Company.	The investment will be made as and when funds are required by the subsidiary Company.	The investment will be made as and when funds are required by the associated Company.
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	As per audited financial statements for the year ended June 30, 2015 the balance sheet size was Rs. 20,000, loss after tax was Rs. 553,975 and loss per share was Rs. 276.99. As per latest audited financial statements for the year ended June 30, 2018 the balance sheet size is Rs. 3, loss for the year is Rs. 125,522 and loss per share is Rs. 2.51.	As per audited financial statements for the year ended December 31, 2016 the balance sheet size was Rs. 125,598,508, loss after tax was Rs. 1,076,142 and loss per share was Rs. 8.85. As per latest audited financial statements for the year ended December 31, 2018 the balance sheet size is Rs. 260,729,642, profit after tax is Rs. 37,446,742 and earnings per share is Rs. 1.71.	There is no material change in the financial statement of the company since the date of passing of special resolution.



Board of Directors



Chaudhry Ahmed Javed
Chairman



Mr. Arif Saeed
Chief Executive Officer



Mr. Omar Saeed
Director



Mr. Hassan Javed
Director



Mr. Muhammad Amin
Director



Mr. Riaz Ahmed
Director



Mr. Osman Saifullah Khan
Director



Mr. Rehman Naseem
Director



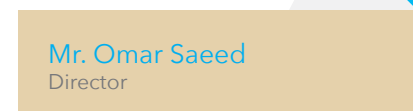
Mr. Shahid Hussain Jatoi
Director

Group Executive Committee



Mr. Arif Saeed
Chief Executive Officer

Mr. Arif Saeed graduated from Oxford university. He is the Chief Executive Officer 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. Mr. Saeed is currently the Chairman of National Power Parks Management Company (Pvt.) Limited.



Mr. Omar Saeed
Director

Mr. Omar Saeed graduated with high honors from Brown University and did his Master's in Business Administration from Harvard Business School.

Omar has served as the Chief Executive Officer of Service Industries Limited (SIL) from 2011 to 2018. Under his stewardship, SIL won the highly prestigious Pakistan Stock Exchange Top 25 Companies Award for the years 2011, 2013, 2014 and 2015. Prior to that, Omar was responsible for building Servis into Pakistan's largest footwear retailer, with 500 stores and more than PKR 12b in annual revenues. He founded Ovex Technologies in 2004, which went on to become one of Pakistan's leading call center companies before the business was sold in 2011.

He has served on the Boards of various private and public companies including The Bank of Punjab, Systems Limited, Atlas Insurance Limited, Atlas Battery Limited, Forman Christian College and Speed (Private) Limited. He has also been an adjunct faculty member of LUMS where he taught entrepreneurship.



Mr. Hassan Javed
Director

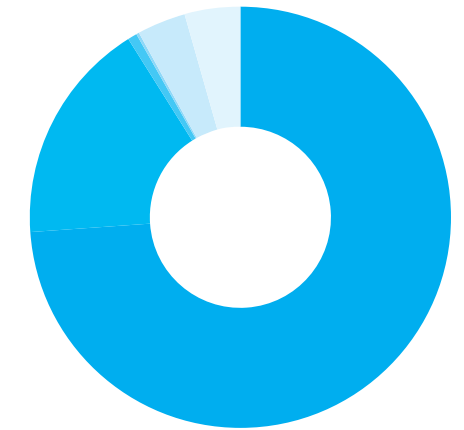
Mr. Hassan Javed is a leather technologist from Nene College United Kingdom and Shoe Technologist from ISMS School Czech Republic. He is a Director of Service Industries Limited. Mr. Javed also served Service Industries Limited in various capacities most notably as the Resident Director of Gujrat for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

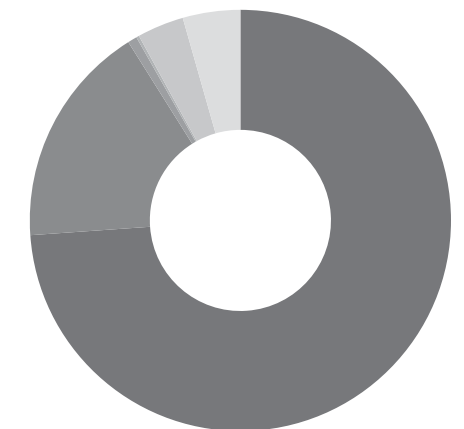
	2018		2017	
	(Rs in '000)	%	(Rs in '000)	%
Wealth Generated				
Sales	23,908,934		20,898,174	
Other income	433,751		357,867	
Bought-in-material & services	(17,985,577)		(15,704,455)	
	6,357,108	100	5,551,586	100
Wealth Distributed				
To Employees				
Remuneration, benefits, and facilities	3,897,236	61	3,652,773	66
To Government				
Taxation	143,978	2	144,954	3
Workers welfare fund	8,302	0	6,492	0
To Society				
Donation	48,605	1	45,974	1
To Lenders				
Dividend	264,634	4	421,008	8
Mark up & finance cost	588,940	9	341,885	6
Retained for Reinvestment & Future Growth				
Depreciation	600,011	9	460,902	8
Amortization	1,179	0	1,791	0
Retained profit	804,223	13	475,807	9
Unappropriated profit, depreciation & amortization	1,405,413	22	938,500	17
	6,357,108	100	5,551,586	100

Wealth Generated & Distributed

	2018	
	Amount	%
Bought-in-material & services	17,985,577	73.88
To Employees	3,897,236	16.01
To Government	152,280	0.63
To Society	48,605	0.20
To Lenders	853,574	3.51
Retained for Reinvestment & Future Growth	1,405,413	5.77
Total	24,342,685	100

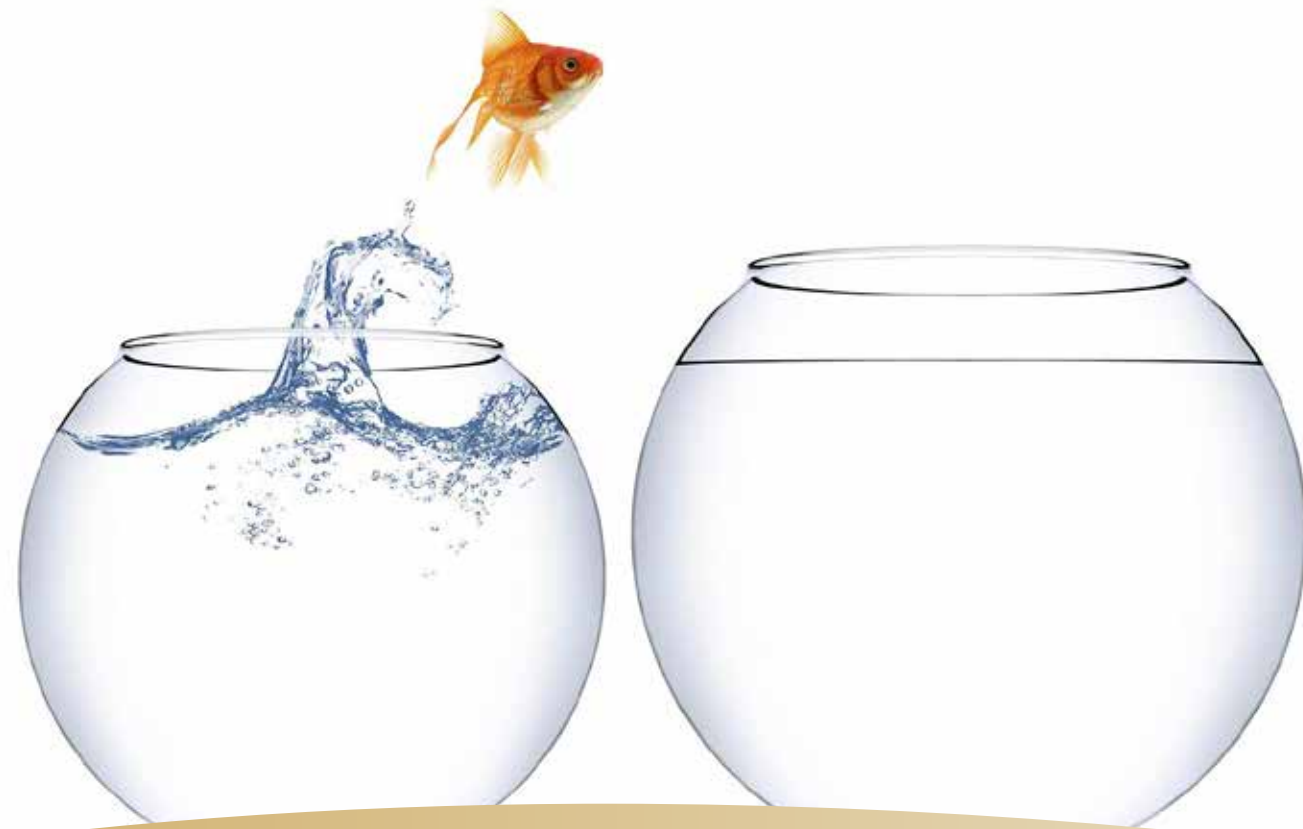


	2017	
	Amount	%
Bought-in-material & services	15,704,455	73.88
To Employees	3,652,773	17.18
To Government	151,446	0.71
To Society	45,974	0.22
To Lenders	762,893	3.59
Retained for Reinvestment & Future Growth	938,500	4.42
Total	21,256,041	100

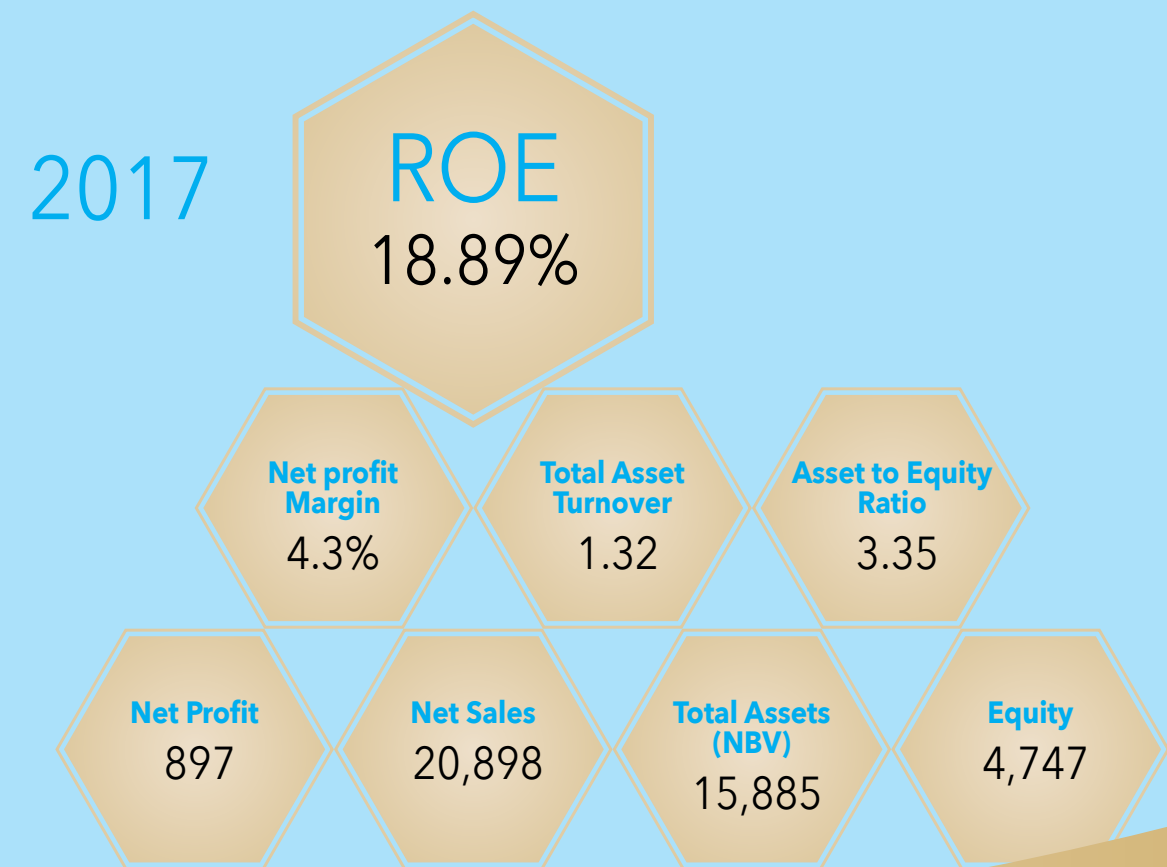
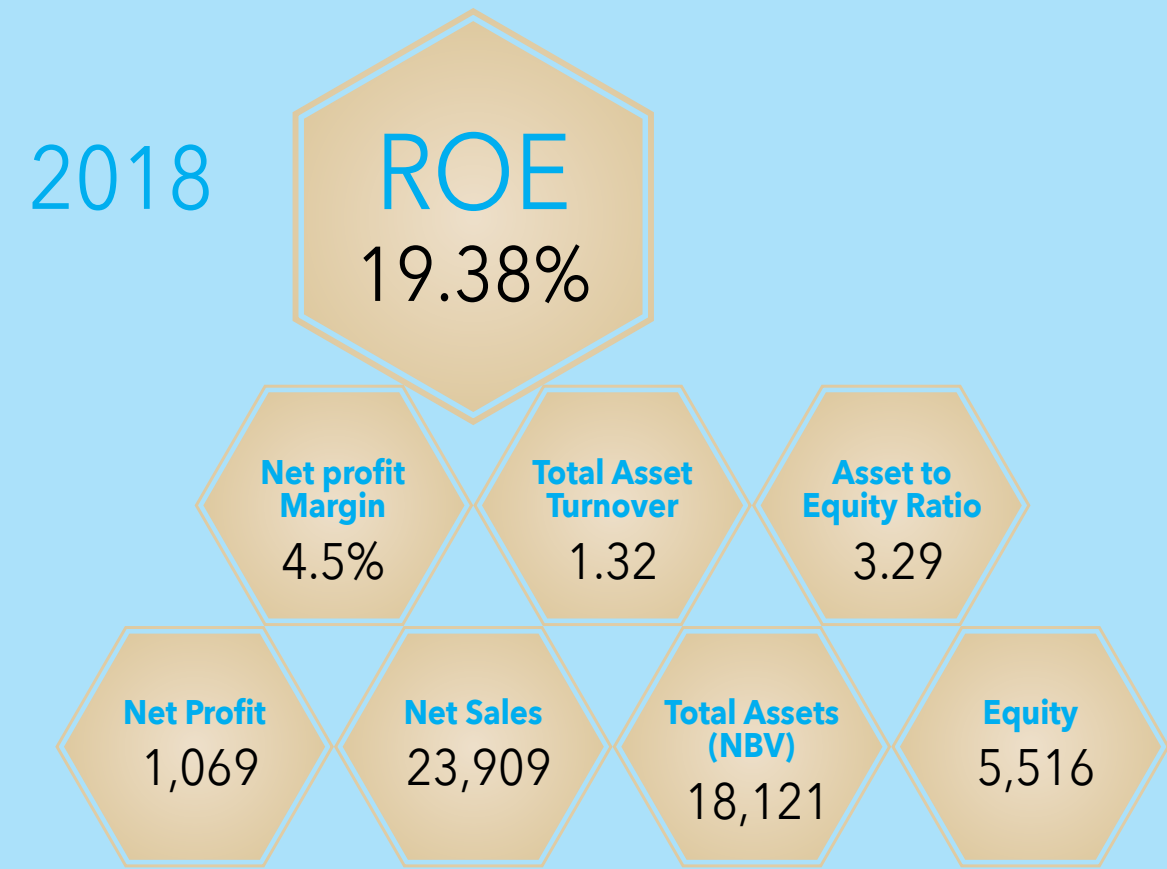


Key Financial Information

	2018	2017		2018	2017
Sales Revenue (Rs in Million)	23,909	20,898	▲	Share Equity (Rs in Million)	5,516 4,747 ▲
Operating Profit (Rs in Million)	1,802	1,384	▲	Price Earning Ratio (In times)	8 10 ▼
Profit before taxation (Rs in Million)	1,213	1,042	▲	No of Employees	10,906 10,858 ▲
Profit after taxation (Rs in Million)	1,069	897	▲	Current Ratio	1.1 1.1 ▲
Earnings per share (EPS) (Rupees)	88.9	74.6	▲	Cash Generated from Operations (Rs in Million)	255 (955) ▲
Fixed Assets (Rs in Million)	7,614	6,597	▲	Finance Cost (Rs in Million)	589 342 ▲
EBITDA (Rs in Million)	2,403	1,846	▲	Taxation (Rs in Million)	144 145 ▼



Dupont Analysis

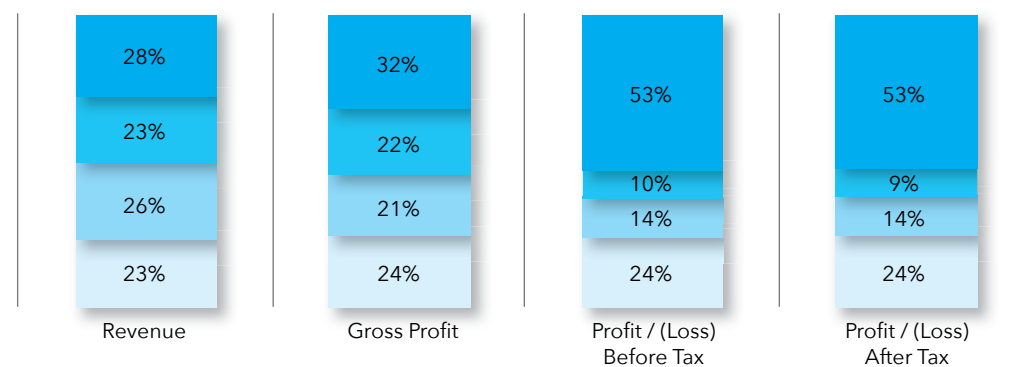


Quarterly Analysis

2018

Particulars	2018				
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
Rupees in '000					
Revenue	5,525,719	6,247,106	5,507,727	6,628,382	23,908,934
Cost of Sales	(4,524,211)	(5,355,636)	(4,580,232)	(5,287,504)	(19,747,583)
Gross Profit	1,001,508	891,470	927,495	1,340,878	4,161,351
Distribution Cost	(352,903)	(366,026)	(389,558)	(414,847)	(1,523,334)
Administrative Expenses	(282,702)	(274,164)	(289,195)	(283,632)	(1,129,693)
Other Operating Expenses	(49,485)	(36,718)	(16,497)	(37,599)	(140,299)
Operating Profit before other income	316,418	214,562	232,245	604,800	1,368,024
Other Income	80,841	84,985	52,258	215,666	433,751
Operating Profit	397,259	299,547	284,503	820,467	1,801,775
Finance Cost	(111,694)	(133,652)	(163,905)	(179,689)	(588,940)
Profit before taxation	285,565	165,895	120,598	640,778	1,212,835
Taxation	(26,874)	(19,310)	(20,199)	(77,595)	(143,978)
Profit after tax	258,691	146,585	100,399	563,183	1,068,857

1st Qtr 2nd Qtr 3rd Qtr 4th Qtr

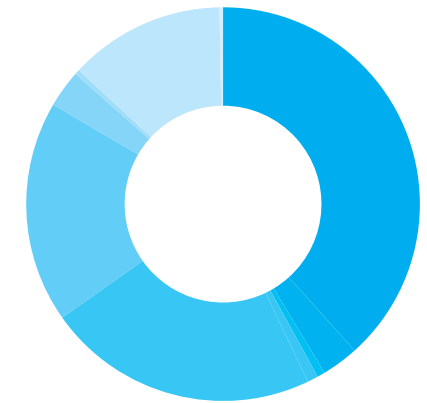


Balance Sheet Composition

Fixed and Current Assets

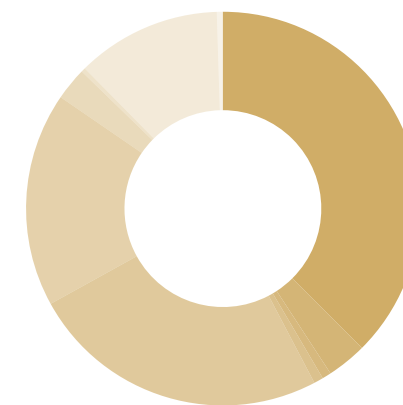
2018

Property, Plant and equipment	38%
Long term investments	3%
Long term loans and deposits	1%
Stores, spares and loose tools	1%
Stock in trade	22%
Trade debts - net	18%
Advances and prepayments	3%
Other receivables	0%
Income tax - net	13%
Cash and bank balances	0%



2017

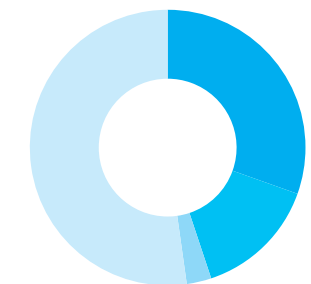
Property, Plant and equipment	38%
Long term investments	3%
Long term loans and deposits	1%
Stores and spares	1%
Stock in trade	25%
Trade debts - net	18%
Advances and prepayments	3%
Other receivables	0%
Income tax - net	12%
Cash and bank balances	0%



Equities and Liabilities

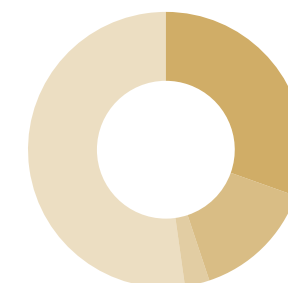
2018

Equity & reserves	30%
Long term financing	14%
Non current liabilities	3%
Current liabilities	52%

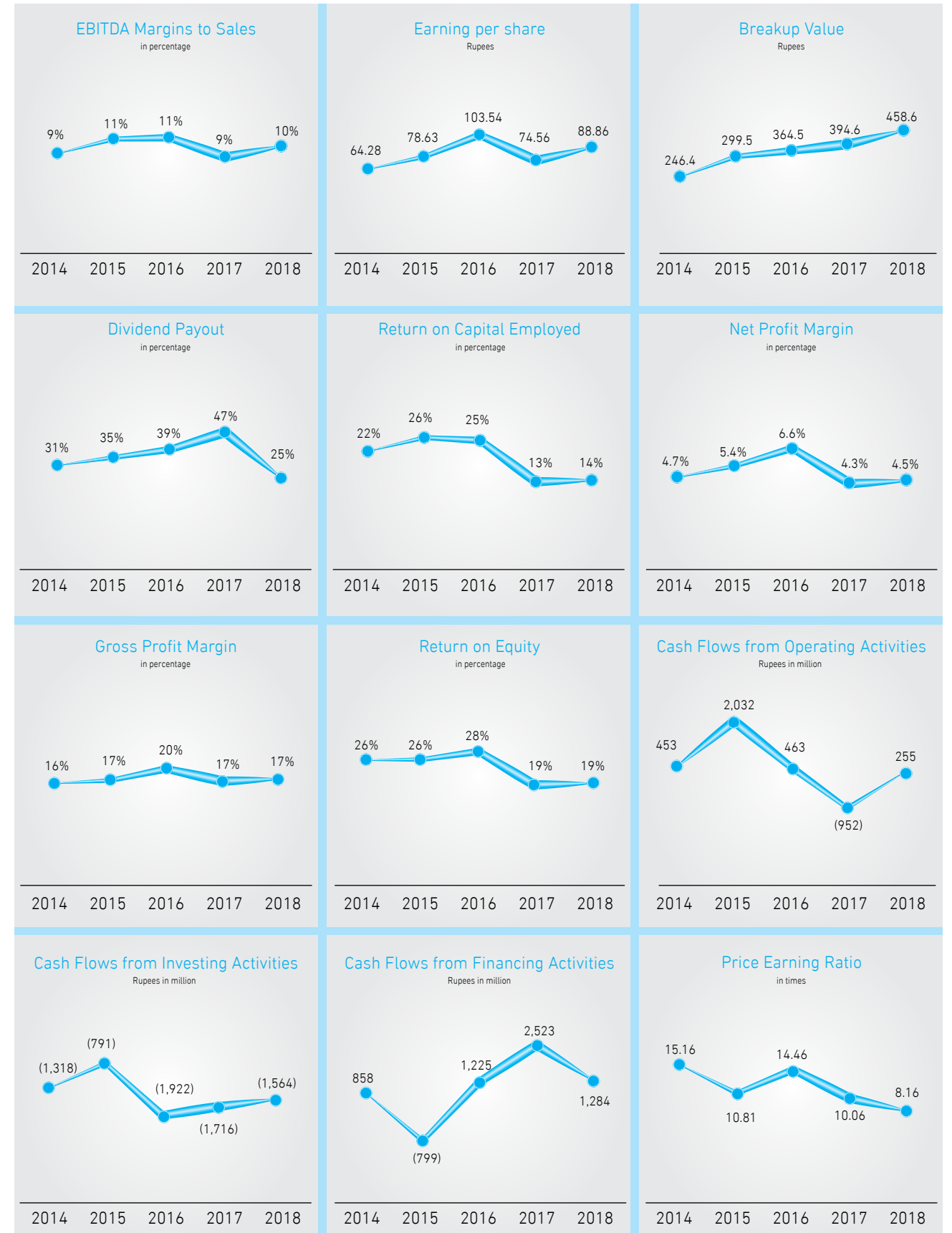
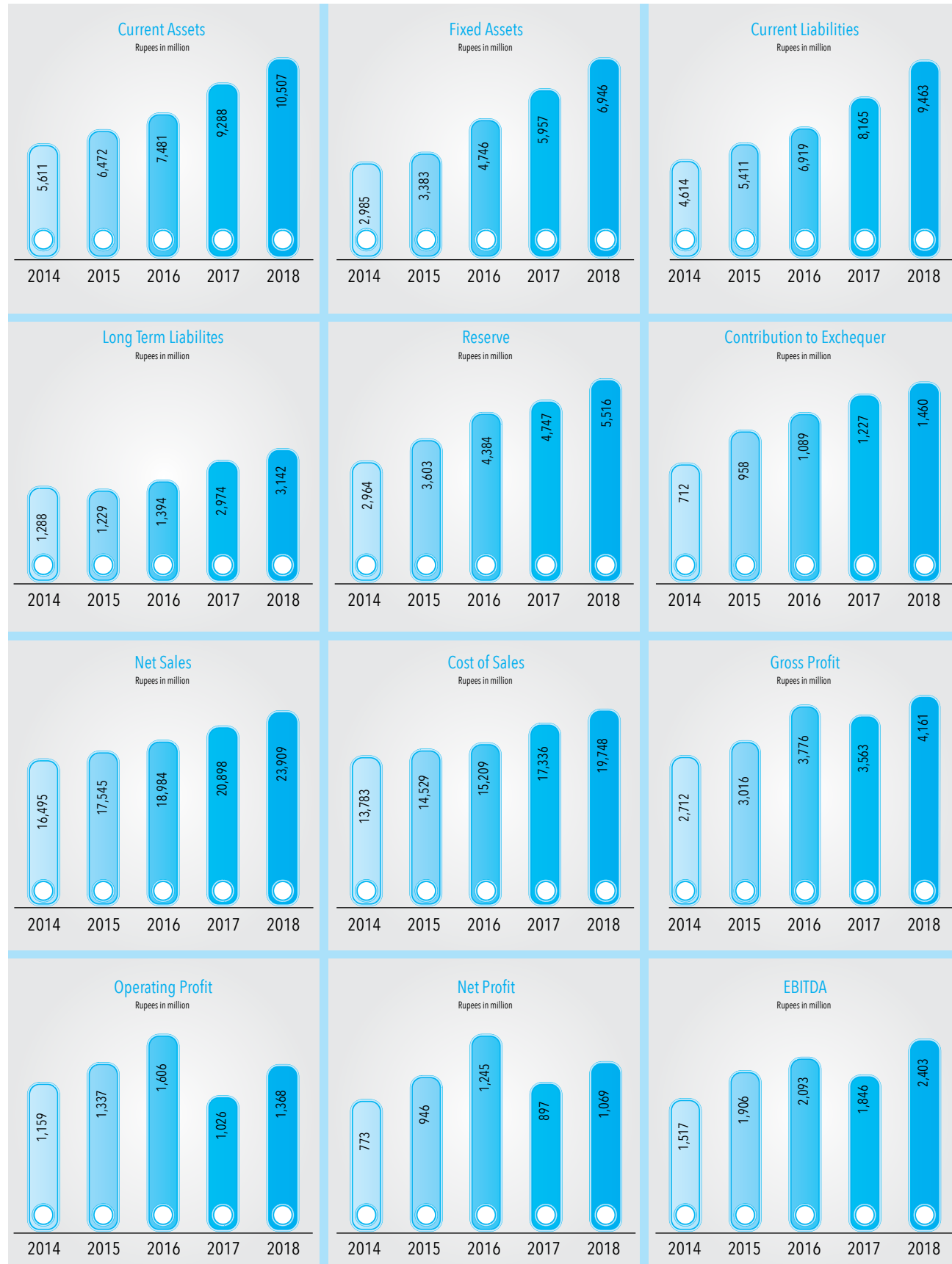


2017

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



Analytical Review



Six Years at a Glance

Description	2018	2017	2016	2015	2014	2013
	Rupees in million					
Sales	23,909	20,898	18,984	17,545	16,495	14,686
Gross profit	4,161	3,563	3,776	3,016	2,712	2,367
Profit before tax	1,213	1,042	1,469	1,267	944	747
Profit after tax	1,069	897	1,245	946	773	619
Share capital	120	120	120	120	120	120
Share holder's equity	5,516	4,747	4,384	3,603	2,964	2,447
Property, plant & equipment	6,946	5,957	4,746	3,383	2,985	1,901
Total assets	18,121	15,885	12,697	10,243	8,866	6,992
Net current assets	1,044	1,123	562	1,061	998	1,093
Market Value Per Share (Rs.)	725	750	1497	850	975	545
Dividend (%)						
Cash - Interim	-	85	150	125	100	75
Cash - Final	300	220	265	250	150	100
Bonus shares	25	-	-	-	-	-
Profitability (%)						
Gross Profit	17.41	17.05	19.89	17.19	16.44	16.12
Profit Before Tax	5.07	4.98	7.74	7.22	5.72	5.09
Profit After Tax	4.47	4.29	6.56	5.39	4.69	4.21
Return to Shareholders						
R.O.E -Before Tax (%)	21.99	21.95	33.52	35.16	31.86	30.54
R.O.E -After Tax (%)	19.38	18.89	28.41	26.25	26.09	25.31
E.P.S-After Tax (Rs.)	88.86	74.56	103.54	78.63	64.28	51.49
Price Earning Ratio	8.16	10.06	14.46	10.81	15.16	10.58
Activity (Times)						
Sales To Total Assets	1.32	1.32	1.50	1.71	1.86	2.10
Sales To Fixed Assets	3.44	3.51	4.00	5.19	5.53	7.72
Inventory Turnover Ratio	4.96	5.22	5.58	5.24	5.35	5.27
Interest Coverage Ratio	3.06	4.05	7.20	5.00	3.85	3.44
Liquidity/Leverage						
Current Ratio	1.11	1.14	1.08	1.20	1.22	1.29
Break-up Value per Share	458.58	394.62	364.45	299.54	246.40	203.44
Total Liabilities To Equity	2.29	2.35	1.90	1.84	1.99	1.86
Debt Equity Ratio	39:61	38:62	21:79	23:77	27:73	20:80

“Leaders become great not because of their power but, because of their ability to empower others.”

-John Maxwell



Horizontal Analysis

	2018		2017		2016		2015		2014	
	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %
Balance Sheet										
Equity & Reserve	5,516,165	16.2	4,746,761	8.3	4,383,940	21.7	3,603,069	21.6	2,963,949	21.1
Long term financing	2,617,155	7.6	2,431,930	143.7	998,021	13.2	881,850	(8.0)	958,315	86.3
Non Current Liabilities	524,871	(3.1)	541,668	36.8	396,060	14.1	346,996	5.1	330,162	26.8
Current Liabilities	9,462,932	15.9	8,164,511	18.0	6,918,703	27.9	5,411,403	17.3	4,613,658	22.4
	18,121,123	14.1	15,884,870	25.1	12,696,724	24.0	10,243,318	15.5	8,866,084	26.8
Non Current Assets										
Property Plant and Equipment	6,946,303	16.6	5,957,312	25.5	4,745,935	40.3	3,382,700	13.3	2,984,513	57.0
Intangible Assets	2,562	175.8	929	(65.8)	2,720	(51.8)	5,640	(30.3)	8,097	(49.8)
Long term investments	549,917	5.4	521,663	39.5	373,855	15.6	323,520	58.4	204,279	100.0
Long term loans & deposits	115,460	(1.4)	117,155	25.5	93,387	57.7	59,235	2.3	57,913	65.7
Current Assets										
Stores, Spares and Loose Tools	159,415	30.2	122,467	22.2	100,205	(12.5)	114,570	6.0	108,111	(6.6)
Stock in-trade	4,044,171	3.2	3,917,187	43.5	2,729,738	0.4	2,719,856	4.4	2,604,361	12.1
Trade Debts	3,300,338	18.0	2,797,402	12.7	2,483,211	62.6	1,527,479	(7.0)	1,642,863	32.0
Loans, Advances & Receivables	463,549	56.9	295,456	0.8	293,228	25.5	233,671	51.0	154,741	(35.8)
Trade Deposits and Prepayments	93,469	(29.1)	131,883	53.8	85,769	11.8	76,719	342.7	17,329	1.7
Other Receivables	74,259	33.8	55,496	(26.7)	75,699	30.2	58,126	199.9	19,379	203.3
Tax Refund due from Govt.	2,317,919	22.7	1,888,736	36.4	1,384,345	8.0	1,281,956	22.6	1,046,056	17.4
Short term Investments	-	0.0	-	0.0	103,745	0.0	-	0.0	-	0.0
Cash and Cash Equivalents	53,761	(32.1)	79,184	(64.8)	224,887	(51.1)	459,847	2393.5	18,442	(24.4)
	18,121,123	14.1	15,884,870	25.1	12,696,724	24.0	10,243,318	15.5	8,866,084	26.8

	2018		2017		2016		2015		2014	
	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %
Profit & Loss										
Net Sales	23,908,934	14.4%	20,898,174	10.1	18,984,428	8.2	17,544,736	6.4	16,495,123	12.3
Cost of Sales	19,747,583	13.9%	17,335,541	14.0	15,208,729	4.7	14,528,670	5.4	13,783,455	11.9
Gross Profit	4,161,351	16.8%	3,562,633	(5.6)	3,775,699	25.2	3,016,066	11.2	2,711,668	14.6
Administration and Distribution cost	2,793,327	10.1%	2,536,846	16.9	2,169,555	29.2	1,678,801	8.1	1,553,100	13.2
Operating profit	1,368,024	33.0%	1,025,787	(36.1)	1,606,144	20.1	1,337,265	15.4	1,158,568	16.4
Other income	433,751	22.1%	357,867	257.9	99,996	(59.4)	246,158	109.6	117,461	101.0
Finance cost	588,940	72.3%	341,885	44.3	236,845	(25.1)	316,416	(4.6)	331,581	8.2
Profit before taxation	1,212,835	16.4%	1,041,769	(29.1)	1,469,295	16.0	1,267,007	34.2	944,448	26.4
Taxation	143,978	(0.7%)	144,954	(35.2)	223,808	(30.3)	321,160	87.6	171,196	33.7
Profit after taxation	1,068,857	19.2%	896,815	(28.0)	1,245,487	31.7	945,847	22.3	773,252	24.9

Vertical Analysis

	2018		2017		2016		2015		2014	
	Rs '000	CONTR. %	Rs '000	CONTR. %	Rs '000	CONTR. %	Rs '000	CONTR. %	Rs '000	CONTR. %
Balance Sheet										
Equity & Reserve	5,516,165	30.4	4,746,761	29.9	4,383,940	34.5	3,603,069	35.2	2,963,949	33.4
Long term financing	2,617,155	14.4	2,431,930	15.3	998,021	7.9	881,850	8.6	958,315	10.8
Non Current Liabilities	524,871	2.9	541,668	3.4	396,060	3.1	346,996	3.4	330,162	3.7
Current Liabilities	9,462,932	52.2	8,164,511	51.4	6,918,703	54.5	5,411,403	52.8	4,613,658	52.0
	18,121,123	100.0	15,884,870	100.0	12,696,724	100.0	10,243,318	100.0	8,866,084	100.0
Non Current Assets										
Property Plant and Equipment	6,946,303	38.3	5,957,312	37.5	4,745,935	37.4	3,382,700	33.0	2,984,513	33.7
Intangible Assets	2,562	0.0	929	0.0	2,720	0.0	5,640	0.1	8,097	0.1
Long term investments	549,917	3.0	521,663	3.3	373,855	2.9	323,520	3.2	204,279	2.3
Long term loans & deposits	115,460	0.6	117,155	0.7	93,387	0.7	59,235	0.6	57,913	0.7
Current Assets										
Stores, Spares and Loose Tools	159,415	0.9	122,467	0.8	100,205	0.8	114,570	1.1	108,111	1.2
Stock in-trade	4,044,171	22.3	3,917,187	24.7	2,729,738	21.5	2,719,856	26.6	2,604,361	29.4
Trade Debts	3,300,338	18.2	2,797,402	17.6	2,483,211	19.6	1,527,479	14.9	1,642,863	18.5
Loans, Advances & Receivables	463,549	2.6	295,456	1.9	293,228	2.3	233,671	2.3	154,741	1.7
Trade Deposits and Prepayments	93,469	0.5	131,883	0.8	85,769	0.7	76,719	0.7	17,329	0.2
Other receivables	74,259	0.4	55,495	0.3	75,699	0.6	58,126	0.6	19,379	0.2
Tax Refund due from Govt.	2,317,919	12.8	1,888,736	11.9	1,384,345	10.9	1,281,956	12.5	1,046,056	11.8
Short term Investments	-	0.0	-	0.0	103,745	0.8	-	0.0	-	0.0
Cash and Cash Equivalents	53,761	0.3	79,185	0.5	224,887	1.8	459,847	4.5	18,442	0.2
	18,121,123	100.0	15,884,870	100.0	12,696,724	100.0	10,243,318	100.0	8,866,084	100.0

	2018		2017		2016		2015		2014	
	Rs '000	CONTR. %	Rs '000	CONTR. %	Rs '000	CONTR. %	Rs '000	CONTR. %	Rs '000	CONTR. %
Profit & Loss										
Net Sales	23,908,934	100.0	20,898,174	100.0	18,984,428	100.0	17,544,736	100.0	16,495,123	100.0
Cost of Sales	19,747,583	82.6	17,335,541	83.0	15,208,729	80.1	14,528,670	82.8	13,783,455	83.6
Gross Profit	4,161,351	17.4	3,562,633	17.0	3,775,699	19.9	3,016,066	17.2	2,711,668	16.4
Administration and Distribution cost	2,793,327	11.7	2,536,846	12.1	2,169,555	11.4	1,678,801	9.6	1,553,100	9.4
Operating profit	1,368,024	5.7	1,025,787	4.9	1,606,144	8.5	1,337,265	7.6	1,158,568	7.0
Other income	433,751	1.8	357,867	1.7	99,996	0.5	246,158	1.4	117,461	0.7
Finance cost	588,940	2.5	341,885	1.6	236,845	1.2	316,416	1.8	331,581	2.0
Profit before taxation	1,212,835	5.1	1,041,769	5.0	1,469,295	7.7	1,267,007	7.2	944,448	5.7
Taxation	143,978	0.6	144,954	0.7	223,808	1.2	321,160	1.8	171,196	1.0
Profit after taxation	1,068,857	4.5	896,815	4.3	1,245,487	6.6	945,847	5.4	773,252	4.7

Chairman's Review

On behalf of the Board of Directors, I am pleased to present to you the Annual Report of Service Industries Limited ("the Company") showing overall performance of the Company and effectiveness of the leadership in attaining the Company's aims and objectives for the year ended December 31, 2018.

I am pleased to report that the performance of the Board remained par excellence throughout the year and their contributions effectively steered the Company towards achievement of its objectives and creation of new benchmarks, while maintaining its reputation for good governance and providing steady returns to our shareholders.

The Company has a nine (9) member Board of Directors ("the Board") which comprises of individuals with diverse background having core competencies, knowledge and experience relevant to the business of the Company. The Composition of the Board and its Committees is in accordance with the requirements of Companies Act, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2017.

The Board has developed a mechanism for annual evaluation of Board's own performance, members of the Board and its Committees in compliance with the provisions of Listed Companies (Code of Corporate Governance) Regulations 2017. The performance evaluation mechanism also ensures that all statutory and legal requirements are fulfilled with regard to procedures, meetings and oversight role of the Board.

During the financial year 2018, the Board successfully achieved targets and objectives set for the growth of the Company by performing the following functions:

- Ensured effective and robust oversight.
- Supervised overall corporate strategy, key financial performance indicators and other budgetary targets.
- Ensured the quality and appropriateness of financial reporting and the transparency of disclosures.
- Carried out risk assessment especially relating to regulatory and legal requirements, market trends, materials' supply and price, energy availability and cost, foreign exchange fluctuations, interest rate and liquidity.

- Reviewed effectiveness of internal control system.
- Evaluated the significant investments.
- Reviewed details of financing facilities availed by the Company.
- Ensured timely dissemination of price sensitive and inside information to relevant regulatory authorities.

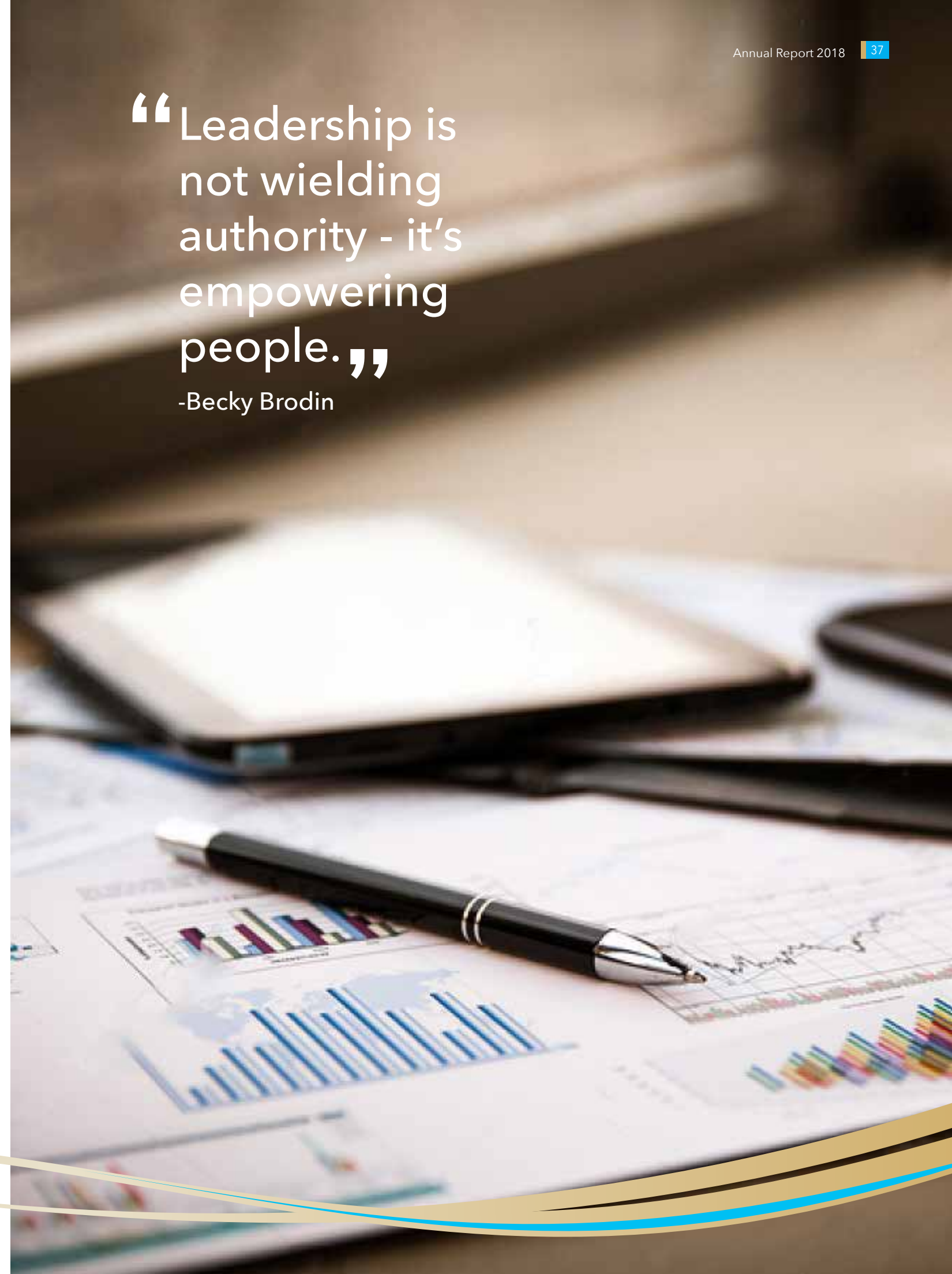
The Board of the company is fully committed to add value to the shareholders' wealth. Consistent with our commitment to provide steady returns to our shareholders, the Board is pleased to propose a final cash dividend of Rs 30/- per share and bonus shares of 25%.

Chaudhry Ahmed Javed
Chairman

April 03, 2019
Lahore

“Leadership is not wielding authority - it's empowering people.”

-Becky Brodin



Directors' Report to the Shareholders

The Board of Directors of Service Industries Limited (SIL) 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, 2018 ("FY 2018").

The Directors' Report has been prepared in accordance with section 227 of the Companies Act, 2017. This report is to be submitted to the members at the Annual General Meeting of the Company to be held on April 30, 2019.

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 continues to face the ever-present challenges of rapid escalation in costs owing to inflation and major 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 also simultaneously adversely effected which is a significant portion of our direct material cost both in case of Tyre and Footwear. The Company, despite all these challenges, has remained focused on continued sustainability of its operations by providing quality products to its customers.

The company performed well by delivering revenue growth in spite of challenges mentioned above and managed a better profitability in both Footwear and Tyre Divisions against last year. The summary of our Financial Performance is as follows:

Key Performance Indicators (KPIs) for FY 2018 v/s FY 2017

KPIs	FY 2018 Rs'000	FY 2017 Rs'000	Percentage Change
Net Sales	23,908,934	20,898,174	14%
Operating profit	1,801,775	1,383,654	30%
Profit before tax	1,212,835	1,041,769	16%
Net profit after tax	1,068,857	896,815	19%

Export Footwear

Our Footwear Export Sales reflected a healthy growth of 45% attributed through quantity & value. The devaluation of PKR against foreign currencies also had a positive impact on profitability.

The strategy to diversify our customer base and invest in business development started to bear fruit in 2018. The management faced a delicate balancing act. To extract more from its core customers, a greater focus was maintained on generating savings from supply chain process to be more price efficient.

Our core strength is in-house product development facility developed against demand of new markets and changing retail landscape of the world. With new product development, we participate in all international fairs, roadshows & visit markets. This is part of the management aggressive sales efforts to boost sales & develop new customers.

Domestic Footwear

Our domestic Footwear sales showed a decline as compared to last year.

We are looking at broadening the domestic customer base. Product development and innovation will be at the heart of our efforts to revive growth in domestic manufacturing.

Our wholesale business did quite well in the year 2018 as compared to 2017 both in revenue and profitability terms. The key drivers were:

- Customer expansion vis a vis investment in putting up a professional sales team structure.
- Continuous and gradual improvements in product portfolio.
- Restructuring of customer margin system and employee commission and bonus plans.

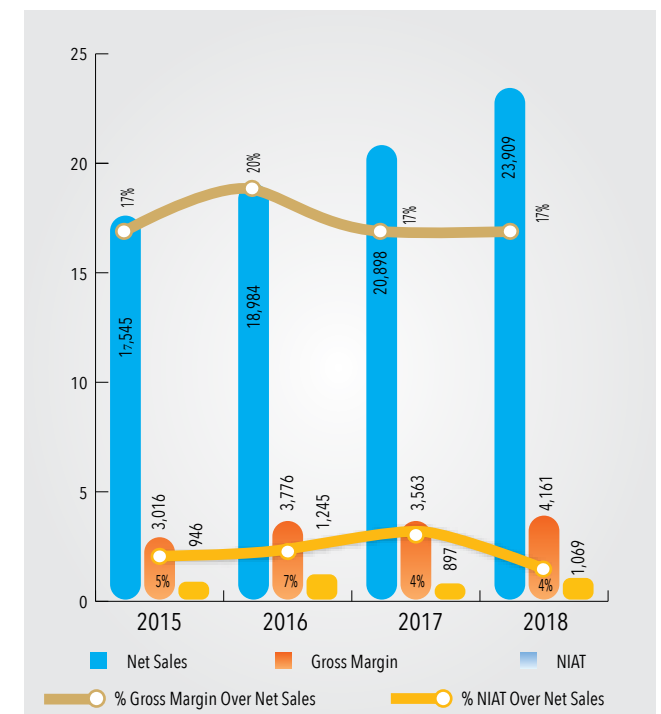
Our retail business continues to be under pressure given the prevailing market conditions. We were, however, able to improve the product margin slightly despite the competitive pressure and discount driven market. Our biggest challenge remains to be competitive in the market devoid of level playing field.

The management is committed to increase productivity (cost optimization), innovation and product development and enhancing the image of our retail brand - SHOEBOX.

Tyre Division

Tyre Division, as the major revenue contributor, has shown a Top Line growth of 21% in 2018 with a better profit growth compared to 2017. 2018 was the election year and the economy of Pakistan saw unprecedented volatility. Pakistani rupee was subject to massive depreciation during the year causing massive inflation in the raw material prices; due to which the market had to undertake multiple price increases. This increase badly affected the consumer purchasing power and in return lowered market demand than expected. Slow market demand and prevailing uncertainty in trade channel caused the top line to shrink as compared to internal revenue targets. However, effective management of the prevailing situation led to an increase in revenue of the Company both in local as well as export markets in the financial year 2018 as compared to the last year.

Given the segment wise analysis above, the Company managed to increase the Profit after Tax by 19% from PKR 897 million to PKR 1,069 million.



Earning Per Share (EPS)

The earnings per share of the Company stood at PKR 88.86 during the year ended 31st December as compared to PKR 74.56 during last year reflecting an increase of 17%.

As we look forward to the year ahead with added vigor, we will continue to review our strategies to ensure that they remain relevant and most suited, in line with changing dynamics in the local and global marketplace. We will reinforce those strategies which serve us well whilst exploring alternatives as changing dynamics may require.

Appropriations

Following is the summary of appropriations made during FY 2018

	PKR in million
Accumulated equity as at January 01, 2018	4,747
Total comprehensive income for FY 2018	1,034
Final Dividend @ PKR 22 per ordinary share for FY 2017	(265)
Accumulated equity as at December 31, 2018	5,516

The Board of Directors of the Company in their meeting held on April 03, 2019 has recommended a final cash dividend of Rs. 30 per share (i.e. 300%) along with issuance of bonus shares in proportion of 25 ordinary shares for every 100 ordinary shares held by the members (i.e. 25%).

Key Operating and Financial Data of last 6 Years

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

Directors' Report to the Shareholders

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 the 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 mainly through internal cash generation with some reliance on external financing. 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 inflows from operations were recorded at PKR 255 million in the year ended 2018 as compared to negative PKR (952) million recorded in the last year due to better working capital management. During the current year, the company made a capital investment of PKR 1.6 billion (2017: PKR. 1.7 billion) mainly on account of Capex incurred on Agri tyre & tube plant.

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 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 our company is exposed.

A senior management team also carries out intensive budgeting and planning exercise including SWOT analysis of the Company and its business segments. On the basis of the same, key challenges are addressed and opportunities are identified, action plans are 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 objectives and targets without compromising the occupational safety of our dedicated employees.

2018 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. The Company remained highly concerned towards improving the environmental sustainability. The export oriented footwear unit located at Muridke is home to Asia's first solar-powered footwear factory. This 1MW solar power park is spread over four acres of land and consists of 3,125 solar panels with an annual power generation of 1,500 MWh. This initiative is equivalent to planting a 100 trees daily, reducing carbon dioxide emissions by 730 tons annually. Further investment has been made to install a 440 KW solar plant at the same location to cater to the electricity needs of the enhanced production. This 440 KW solar plant has commenced its commercial production in February 2019. This step on the road to go green gives SIL the benefit to market their products as an eco-friendly exporter in an increasing environmentally conscious global context.

“Don't be afraid.
Be focused.
Be determined.
Be hopeful.
Be empowered.”
-Michelle Obama



Directors' Report to the Shareholders

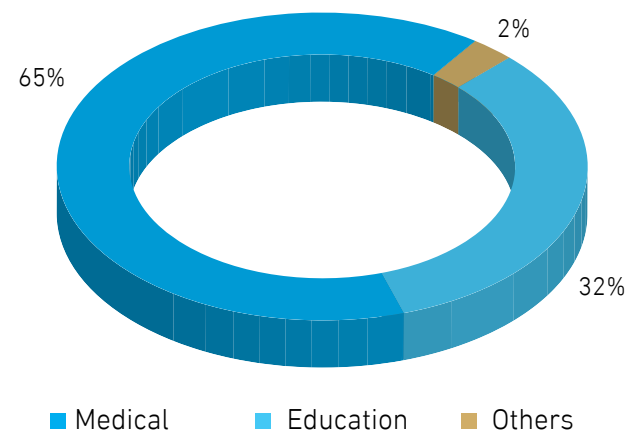
Corporate Social Responsibility

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 48 million on account of CSR activities in various sectors.

Contribution to CSR



Company's Future Outlook

We are hopeful that the Company's ability to deliver strong, profitable growth by driving a robust investment strategy, supported by conducive customer-oriented needs will help the Company to accelerate growth.

Management at SIL is truly committed to deliver strong shareholder value in tough economic environment in Pakistan. The strength of our Brands, coupled with the unique mix of talent and capability that we add to the market makes us well positioned to continue as a 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 businesses 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.

The company continues to utilize the services of independent firms to evaluate internal controls and operations to ensure fair financial reporting processes, compliance with applicable laws and adherence with internal control systems. This also results 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 Listed Companies (Code of Corporate Governance) Regulations, 2017 duly reviewed by the external auditors.

Directors Statements on Corporate and Financial Reporting Framework

Following is the Directors' statement on Corporate and Financial Reporting framework:

- 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.

Adequacy of Internal Financial Controls

The Company has established an effective and efficient system of internal and financial controls to safeguard the assets of the Company, prevent and detect fraud and ensure compliance with all statutory and legal requirements. The internal control structure is regularly reviewed and monitored by the Internal Audit function duly established by the Board. Audit Committee reviews the internal control system on quarterly basis in accordance with the term of its reference.

Directors' Remuneration

The Board of Directors has approved Directors' Remuneration Policy. The main features of the policy are as follows:

- The Company shall not pay remuneration to its non-executive directors including independent directors except for meeting fee for attending Board and its Committees meetings.
- The Company will reimburse or incur expenses of travelling and accommodation of Directors in relation to attending of Board and its Committees meetings.
- The Directors' Remuneration Policy will be reviewed and approved by the Board of Directors from time to time.

Composition of Board and Committees

As per requirements of Clause 36 of Listed Companies (Code of Corporate Governance) Regulations 2017, the composition of the Board and its committees is given in serial No. 1 and 2 of "Statement of Compliance" annexed to the Annual Report.

Audit Committee

The Audit Committee consists of three members, two of whom 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 Code of Corporate Governance and advised to the Committee for compliance.

The Committee held four (4) meetings during the year. Attendance by each member was as follows:

Name of Member	Attendance
Mr. Muhammad Amin - Chairman	4
Mr. Riaz Ahmed - Member	4
Mr. Rehman Naseem - Member	0

Human Resource and Remuneration Committee

The Human Resource & Remuneration Committee comprises of three members one of whom is Independent Director, one is Non-Executive Director and one is Executive Director. The Chairman of the committee is an Independent Director. The Committee is involved in making recommendations to the Board regarding executives' remuneration, performance evaluation and succession planning etc. The Committee held two (2) meetings during the year. Attendance by each member was as follows:

Name of Member	Attendance
Mr. Osman Saifullah Khan - Chairman	2
Mr. Arif Saeed - Member	1
Mr. Riaz Ahmed - Member	2

Meetings of the Board of Directors

During the year under review, four (4) meetings of the Board of Directors of the Company were held and the attendance position is as follows:

Name of Director	Attendance
Mr. Ahmed Javed	1
Mr. Arif Saeed	4
Mr. Omar Saeed	4
Mr. Hassan Javed	3
Mr. Osman Saifullah Khan	1
Mr. Rehman Naseem	2
Mr. Riaz Ahmed	4
Mr. Muhammad Amin	4
Mr. Shahid Hussain Jatoi	4

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

Change of Chief Executive

Mr. Omar Saeed resigned from the position of Chief Executive of the Company with effect from January 01, 2019. The Board of Directors of the Company has appointed Mr. Arif Saeed as Chief Executive of the Company with effect from January 01, 2019.

Management Committee

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

External Auditors

The Board of Directors, on the recommendation of Audit Committee of the Company has proposed the appointment of M/s. Riaz Ahmad & Company, Chartered Accountants as external auditors of the Company in place of retiring auditors M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, for the financial year ending December 31, 2019.

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, 2018	December 31, 2017
	(Rupees in million)	
Provident Fund	1,013	1,252
Gratuity Fund	82	83

Pattern of Shareholding

The pattern of shareholding as at December 31, 2018 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 December 31, 2018 till the date of this report, which can have an impact on the financial statements, except for the declaration of final cash dividend of Rs. 30 per share (i.e. 300%) along with issuance of bonus shares in proportion of 25 ordinary shares for every 100 ordinary shares held by the members (i.e. 25%) which is subject to the approval of the Members in the forthcoming Annual General Meeting and the effect of which will be reflected in the next year's (Financial Year 2019) financial statements.

Acknowledgment

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

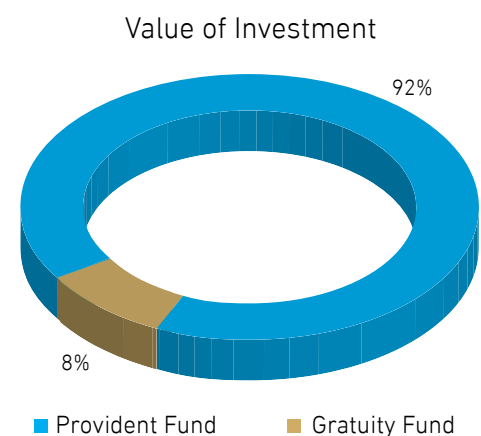
We look forward to continue deliver results in the coming years.

For and on behalf of the board

Chaudhry Ahmed Javed
Chairman

Arif Saeed
Chief Executive

April 03, 2019
Lahore



“In technology, it’s about the people: -getting the best people, retaining them, nurturing a creative environment and helping to find a way to innovate.”

-Marissa Mayer, Yahoo

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

Name of Company: Service Industries Limited
Year ended: December 31, 2018

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of Directors are nine (9) as per the following:

Category	Names
Male	9
Female	-

2. The composition of Board is as follows:

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

3. The Directors have confirmed that none of them is serving as a Director on more than five listed companies, including this company.
4. 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.
5. 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.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board / shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. 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. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.

8. The Board of Directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations.

9. 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. As per requirement of sub-Regulation 2 of Regulation 20 of Listed Companies (Code of Corporate Governance) Regulations, 2017, one Director Mr. Arif Saeed has been exempted by SECP from the requirements of Directors' Training Program and two Directors meet the criteria of minimum 14 years of education and 15 years of experience on the Boards of listed companies for which SECP's approval will be obtained within time allowed in these regulations.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:

a) Audit Committee

Names	Designation held
Mr. Muhammad Amin	Chairman
Mr. Riaz Ahmed	Member
Mr. Rehman Naseem	Member

b) HR and Remuneration Committee

Names	Designation held
Mr. Osman Saifullah Khan	Chairman
Mr. Arif Saeed	Member
Mr. Riaz Ahmed	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the committee were as per following:

a) Audit Committee:

Four quarterly meetings were held during the financial year ended December 31, 2018.

b) HR and Remuneration Committee:

Two meetings of HR and Remuneration Committee were held during the financial year ended December 31, 2018.

15. 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.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

Chaudhry Ahmed Javed
Chairman

Arif Saeed
Chief Executive

April 03, 2019
Lahore

Review Report on The Statement of Compliance Contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **SERVICE INDUSTRIES LIMITED** for the year ended 31 December 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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 Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended 31 December 2018.

Rahman Sarfaraz Rahim Iqbal Rafiq,
Chartered Accountants
Engagement Partner: Rashid Rahman Mir
Place: Lahore.
Date: April 03, 2019

Auditors' Report to The Members

Opinion

We have audited the annexed financial statements of Service Industries Limited (the Company), which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of the profit and comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

Sr. No	Key audit matters	How the matter was addressed in our audit
1	<p>First time application of third and fourth schedules to the Companies Act, 2017</p> <p>In view of promulgation of the Companies Act 2017, the third and fourth schedules to the Companies Act, 2017 became applicable for the first time for the preparation of the Company's annual financial statements for the year ended December 31, 2018.</p> <p>The Companies Act, 2017 (including third and fourth schedules) forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.</p> <p>The changes are considered as a key audit matter in view of the significant changes in disclosures in the financial statements and failure in compliance may have financial & reputation impact. Refer note 4.1 to the financial statements.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> • Obtained understanding of the requirements regarding preparation, disclosure and filing of financial statements applicable to the Company and assessed the design and operation of its key controls over preparation and filing of financial statements. • Reviewed minutes of meetings of Board of Directors, Audit Committee and internal audit reports for any recorded instances of potential noncompliance and maintained a high level of vigilance when carrying out other audit procedures for indication of non-compliance. • Reviewed financial statements to ensure completeness and accuracy of disclosures in the financial statements to ensure compliance with reporting and disclosure requirements of Companies Act, 2017.
2	<p>Capitalization of property ,plant and equipment</p> <p>Refer to notes 6.6 & 16 to the financial statements. The Company has incurred significant amount of capital expenditure during the year amounting to Rs. 1,599 million majority of which is attributable to the expansion of manufacturing facilities. We considered capitalization of property, plant and equipment as a key audit matter because there is a risk that amounts being capitalized may not meet the capitalization criteria with related implications on Depreciation charge for the year.</p>	<ul style="list-style-type: none"> • Obtained understanding of the design and implementation of management controls over capitalization and performing tests of control over authorization of capital expenditure and ensured accuracy of its recording in the system; • Testing, on sample basis, the costs incurred on projects with supporting documentation and contracts; • Assessing the nature of costs incurred for the capital projects through testing, on sample basis, of amounts recorded and considering whether the expenditure meets the criteria for capitalization as per the applicable accounting standards; • Conducted visit to the sites to which significant capital expenditure relates to verify existence of manufacturing facilities expansion;

Sr. No	Key audit matters	How the matter was addressed in our audit
3	<p>Revenue</p> <p>The Company has recognized export sales revenue of Rs. 7.300 billion which constitutes 31% of Company's total turnover. The Company recognizes revenue based on terms and conditions of transaction with varying customers. We identified export revenue as key audit matter as revenue recognition is subject to management's judgment on whether risks and rewards has been properly transferred, and therefore carries the risk of inappropriate recognition without transfer of those risks and rewards.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> • Obtaining understanding of the process and mechanism involved in recognition of export revenue and conducting tests on sample basis in order to assess the operating effectiveness of internal controls adopted over the recognition and measurement of revenue transactions especially with regard to shipment and billing; • Assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards; • Vouching sample of revenue transactions recorded during the year and comparing them with contracts/ invoices, outward gate passes, letter of credits, goods declaration and other relevant underlying documents and verifying exchange rates for such transactions from reliable sources;

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; 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 Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditors' report is Mr Rashid Rahman Mir.

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Lahore.
Date: April 03, 2019

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Financial Statements

Statement of Financial Position

As at December 31, 2018

	Note	2018 Amount Rupees in thousand	2017 Amount
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital 100,000,000 (2017:100,000,000) ordinary shares of Rs. 10/- each:		1,000,000	1,000,000
Paid up share capital	7	120,288	120,288
Reserves	8	5,395,877	4,626,473
		5,516,165	4,746,761
Non-current liabilities			
Long term financing	9	2,617,155	2,431,930
Long term deposits	10	3,243	5,258
Deferred liabilities	11	521,628	536,410
		3,142,026	2,973,598
Current liabilities			
Trade and other payables	12	2,739,985	2,901,932
Uncashed dividend warrants		32,002	27,774
Interest and mark-up accrued	13	146,917	108,065
Short term borrowings	14	5,633,361	4,520,732
Current portion of long term financing	9	699,725	451,642
Provision for taxation	34	210,942	154,366
		9,462,932	8,164,511
		18,121,123	15,884,870
Contingencies and commitments	15		

The annexed notes from 1 to 47 form an integral part of these financial statements.

Chaudhry Ahmed Javed
(Chairman)

Arif Saeed
(Chief Executive)

Badar Ul Hassan
(Chief Financial Officer)

	Note	2018 Amount Rupees in thousand	2017 Amount
ASSETS			
Non-current assets			
Property, plant and equipment	16	6,946,303	5,957,312
Intangible assets	17	2,562	929
Long term investments	18	549,917	521,663
Long term loans	19	20,450	17,762
Long term deposits		95,010	99,393
		7,614,242	6,597,059
Current assets			
Stores, spares and loose tools	20	159,415	122,467
Stock in trade	21	4,044,171	3,917,187
Trade debts	22	3,300,338	2,797,402
Loans, advances and receivables	23	463,549	295,456
Trade deposits and prepayments	24	93,469	131,883
Other receivables		74,259	55,496
Tax refunds due from government	25	2,317,919	1,888,736
Cash and cash equivalents	26	53,761	79,184
		10,506,881	9,287,811
		18,121,123	15,884,870

Statement of Profit or Loss

For the year ended December 31, 2018

	Note	2018 Amount Rupees in thousand	2017 Amount
Sales - net	27	23,908,934	20,898,174
Cost of sales	28	19,747,583	17,335,541
Gross profit		4,161,351	3,562,633
Operating expenses			
Distribution cost	29	1,523,334	1,300,341
Administrative expenses	30	1,129,694	1,084,215
Other operating expenses	31	140,299	152,290
		2,793,327	2,536,846
Operating profit before other income		1,368,024	1,025,787
Other income	32	433,751	357,867
Operating profit		1,801,775	1,383,654
Finance cost	33	588,940	341,885
Profit before taxation		1,212,835	1,041,769
Taxation	34	143,978	144,954
Profit after taxation		1,068,857	896,815
Earnings per share - basic and diluted (Rupees)	35	88.86	74.56

The annexed notes from 1 to 47 form an integral part of these financial statements.

Chaudhry Ahmed Javed
(Chairman)

Arif Saeed
(Chief Executive)

Badar Ul Hassan
(Chief Financial Officer)

Statement of Comprehensive Income

For the year ended December 31, 2018

	Note	2018 Amount Rupees in thousand	2017 Amount
Profit after taxation		1,068,857	896,815
Other comprehensive income			
Items that may reclassify to profit and loss account			
(Loss) / gain on Investments - net of tax		(7,550)	(32,224)
Add: Adjustment for amount transferred to profit and loss account		-	(40,436)
Items that may not reclassify to profit and loss account			
Actuarial gain / (loss) on defined benefit plans - net of tax (Gratuity Fund)		(27,269)	40,326
		(34,819)	(112,986)
Total comprehensive income for the year		1,034,038	783,829

The annexed notes from 1 to 47 form an integral part of these financial statements.

Chaudhry Ahmed Javed
(Chairman)

Arif Saeed
(Chief Executive)

Badar Ul Hassan
(Chief Financial Officer)

Statement of Changes in Equity

For the year ended December 31, 2018

	Capital reserves			Revenue reserves		Total
	Paid up share capital	Capital gains	Share premium	General reserve	Unappropriated profits	
	Rupees in thousand					
Balance as at December 31, 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
Final dividend for the year ended December 31, 2017 @ Rs. 22 per share	-	-	-	-	(264,634)	(264,634)
Total comprehensive income for the year	-	-	-	-	1,034,038	1,034,038
Balance as at December 31, 2018	120,288	102,730	21,217	1,558,208	3,713,722	5,516,165

The annexed notes from 1 to 47 form an integral part of these financial statements.

Chaudhry Ahmed Javed
(Chairman)

Arif Saeed
(Chief Executive)

Badar Ul Hassan
(Chief Financial Officer)

Statement of Cash Flows

For the year ended December 31, 2018

	Note	2018 Amount Rupees in thousand	2017 Amount
Cash flows from operating activities			
Cash generated from operations	37	1,232,172	(178,768)
Finance cost paid		(550,088)	(278,183)
Ijarah rentals paid		(68,700)	(72,940)
Income tax paid		(276,074)	(335,830)
Staff retirement benefits paid		(10,735)	(33,282)
W.W.F (Paid) / Received		(6,492)	2,872
W.P.P.F paid		(65,000)	(56,000)
Net cash generated from / (used in) operating activities		255,083	(952,131)
Cash flows from investing activities			
Dividend from associated Company	18	28,124	24,106
Capital expenditure		(1,600,636)	(1,704,908)
Addition in intangible assets		(2,812)	-
Proceeds from sale of property, plant and equipment		2,057	6,672
Investment in subsidiary company		-	(93,000)
Short Term Investment		-	103,745
Long term loans - net		(2,688)	(2,331)
Long Term Investment		7,550	(29,600)
Long term deposits - net		4,383	(21,437)
Net cash used in investing activities		(1,564,022)	(1,716,753)
Cash flows from financing activities			
Short term borrowings - net		1,112,629	1,277,862
Long term financing		433,308	1,662,493
Dividend paid		(260,406)	(417,164)
Long term deposits		(2,015)	(10)
Net cash generated from / (used in) financing activities		1,283,516	2,523,181
Net (increase) / decrease in cash and cash equivalents		(25,423)	(145,703)
Cash and cash equivalents at the beginning of the year		79,184	224,887
Cash and cash equivalents at the end of the year	26	53,761	79,184

The annexed notes from 1 to 47 form an integral part of these financial statements.

Chaudhry Ahmed Javed
(Chairman)

Arif Saeed
(Chief Executive)

Badar Ul Hassan
(Chief Financial Officer)

Notes to the Financial Statements

For the year ended December 31, 2018

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 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.

Geographical location and address of business units/plants

Purpose	Location	Address
Registered Office	Lahore	Servis House, 2-Main Gulberg, Lahore-54662
Factory Site	Muridke	Muridke-Sheikhupura Road
Factory Site	Gujrat	G.T. Road, Gujrat.

Information on significant investments of the Company in subsidiaries and associated undertakings is disclosed in note 18.

1.1 Summary of significant events and transitions in the current reporting period.

The company's financial position and performance were particularly affected by the following events and transactions during the reporting period:

- The exchange rate of United States Dollar to Pak Rupees has increased from Pak Rupees 110.55 as at January 01, 2018 to Pak Rupees 138.25 as at 31 December 2018.
- The Company, in an attempt to diversify its market portfolio further with regard to tyre and tube products, has identified a new segment relating to Agricultural Tractors and is installing a new plant in order to cater to that segment. The entering of the new market is expected to have positive impact on both the volume and profitability of the Company.
- Due to the first time application of financial reporting requirements under the Companies Act, 2017, including disclosure and presentation requirements of the fourth schedule of the Companies Act, 2017, some of the amounts reported for the previous period include additional information along with relevant disclosures refer note 4.1
- For a detailed discussion about the Company's performance, please refer to the Directors' report.

2 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

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 judgments or estimates, which if inaccurate or wrong could materially effect the current financial statements or the next years financial statements.

4 Initial Application of a Standard, Amendment or an Interpretation to an Existing Standard and Forthcoming Requirements

4.1 Amendments in the statutory financial reporting framework applicable to the Company:

The third and fourth schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fourth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Additional disclosures include but are not limited to:

Note	Particular
1	Geographical location and address of business units/plants
1.1	Significant transactions & events effecting the company's financial position and performance
16.1.1.1	Particulars of immovable assets of the Company
34.2	Management assessment of sufficiency of tax provision in the financial statements
36	Change in threshold for identification of executives
39	Additional disclosure requirements for related parties
40	Additional disclosure requirements for production capacity
42	Additional disclosure requirements for number of employees

4.2 Standards and interpretations that have become effective but are not relevant to the Company:

The following standards (revised or amended) and interpretations became effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the company:

- IFRS 2 - Share Based Payments - (Amended)
- IFRS 4 - Insurance contracts - (Amended)-(applicable for annual periods beginning on or after 1 January 2018). IFRS 17 will replace IFRS 4 as of 1 January 2021.
- IAS 28 - Investments in Associates-(Amended resulting from Annual Improvements 2014-2016).
- IAS 40 - Investment Property - (Amended- Transfers of Investment Property)-(applicable for annual periods beginning on or after 1 January 2018).
- IFRIC 22 - Foreign Currency Transaction and Advance Consideration - (applicable for annual periods beginning on or after 1 January 2018).

4.3 Forthcoming requirements not effective in current year and not considered relevant

The following standards (revised or amended) and interpretations of approved accounting standards are only

Notes to the Financial Statements

For the year ended December 31, 2018

effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the company's operations or are not notified by SECP:

- IFRS 1 - First-time Adoption of International Financial Reporting Standards - (Amended)-(effective for annual periods beginning on or after 1 January 2018) - Not notified by SECP.
- IFRS 3 - Business Combinations - (Amendments resulting from Annual Improvements 2015-2017- (applicable for annual periods beginning on or after 1 January 2019)
- IFRS 3 - Business Combinations - (Amended by Definition of a Business)-(applicable for annual periods beginning on or after 1 January 2020)
- IFRS 9 - Financial Instruments: Classification and Measurements - (applicable for annual periods beginning on or after 1 July 2018).
- IFRS 11 - Joint Arrangements (Amended by Annual Improvements to IFRS Standards 2015-2017) - (applicable for annual periods beginning on or after 1 January 2019).
- IFRS 14 - Regulatory Deferral Accounts - (applicable for annual periods beginning on or after 1 January 2016) - Not notified by SECP.
- IFRS 15 - Revenue from Contracts with Customers - (applicable for annual periods beginning on or after 1 July 2018).
- IFRS 16 - Leases - (applicable for annual periods beginning on or after 1 January 2019)
- IFRS 17- Insurance Contracts - (effective for annual periods beginning on or after 1 January 2021) - Not notified by SECP.
- IAS 12- Income Taxes - (Amended)-(effective for annual periods beginning on or after 1 January 2019).
- IAS 19 - Employee Benefits-(Amended)- (effective for annual periods beginning on or after 1 January 2019).
- IAS 23 - Borrowing Costs-(Amendments resulting from annual improvements 2015-2017 cycle)- (effective for annual periods beginning on or after 1 January 2019).
- IAS 28 - Investments in Associates-(Amended by Long-term Interests in Associates and Joint Ventures)- (effective for annual periods beginning on or after 1 January 2019).
- IFRIC 23 - Uncertainty Over Income Tax Treatments - (applicable for annual periods beginning on or after 1 January 2019).

The Company expects that the adoption of the above revision, amendments and interpretation of the standards will not materially affect the Company's financial statements in the period of initial application as they are either not relevant to the Company's operations or are not expected to have significant impact on Company's financial statements other than increased disclosure in some cases.

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 6.6.4 and 6.6.5. 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 recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

ii) Defined benefit plans

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

The company'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 recognized 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 recognized immediately in the statement of 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 recognized in statement of 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 recognized immediately in statement of profit or loss. The Company recognizes 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 statement of profit or loss. except to the extent that it relates to items recognized 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.

Notes to the Financial Statements

For the year ended December 31, 2018

By virtue of amendments introduced through the Finance Act 2018, 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 20% 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 5% of its accounting profit before tax. The liability in respect of such income tax, if any, is recognized when the prescribed time period for distribution of dividend expires.

ii) Deferred tax

Deferred tax is recognized 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 recognized 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.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized 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 statement of profit or loss, 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 statement of profit or loss 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 Capital work in progress

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

6.6.3 Intangible assets

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

6.6.4 Investments in equity - subsidiaries

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

6.6.5 Investments in equity - associates

Interests in associates are accounted for, using the equity method. Those are initially recognized 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.

6.6.6 Ijarah assets

The Company recognizes ijarah payments under an Ijarah agreement as an expense in the statement of profit or loss 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 recognized 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.

Notes to the Financial Statements

For the year ended December 31, 2018

6.7.2 Financial Assets

Financial assets 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 recognized in statement of profit or loss. Similarly, reversals of impairment losses are also dealt in statement of profit or loss.

Equity-accounted investments

Impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount. The impairment loss is recognized in statement of 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 recognized 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 statement of financial position balance sheet, if the Company has a legally enforceable right to setoff the recognized amounts and the Company intends to settle either on a net basis or realize the asset and settle the liability simultaneously.

6.11 Cash and cash equivalents

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

6.12 Provisions

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

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

6.13 Dividend

Dividend is recognized 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.

		2018 Amount Rupees in thousand	2017 Amount
7	Paid up share capital		
	Issued, subscribed and paid up:		
	Number of Shares		
	2018	2017	
	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
		88,456	88,456
	12,028,789	12,028,789	120,288
			120,288
*All the shares are similar with respect to their rights including on voting, board selection, first refusal and block voting.			
7.1	Ordinary shares of the Company held by associated company as at year end are as follows:		
		2018	2017
		Number of Shares	
	- Shahid Arif Investments (Private) Limited [0.0843% - (2017: 0.0843%)]	10,144	10,144
		2018 Amount	2017 Amount
	Note	Rupees in thousand	
8	Reserves		
	Capital reserves		
	Share premium	8.1	21,217
	Capital gains	102,730	102,730
		123,947	123,947
	Revenue reserves		
	General reserve	1,558,208	1,558,208
	Unappropriated profits	3,713,722	2,944,318
		5,271,930	4,502,526
		5,395,877	4,626,473

Notes to the Financial Statements

For the year ended December 31, 2018

8.1 This reserve can be utilized by the Company only for the purposes specified in section 81 (2) and 81 (3) of the Companies Act, 2017.

	Note	2018	2017
		Amount Rupees in thousand	Amount
9 Long term financing			
Total long term financing	9.1 & 9.2	3,316,880	2,883,572
Less: current portion		(699,725)	(451,642)
		2,617,155	2,431,930

9.1 Loan from banking companies

	2018	2017
Loan - I	105,000	175,000
Loan - II	100,000	150,000
Loan - III	225,000	250,000
Loan - IV	360,000	450,000
Loan - XI	129,968	42,776
Loan - XII	720,000	800,000
Loan - XIII	500,000	500,000
Loan - XIV	235,125	235,125
Loan - XV	75,110	83,694
Loan - XVI	500,000	-
Loan - XVII	21,908	-
	2,972,111	2,686,595
Less: current portion	(636,073)	(348,584)
	2,336,038	2,338,011

9.2 Islamic term finance

	2018	2017
Loan - V	8,499	25,497
Loan - VI	2,919	8,757
Loan - VII	33,351	55,585
Loan - VIII	-	71,865
Loan - IX	-	35,273
Loan - X	300,000	-
	344,769	196,977
Less: current portion	(63,652)	(103,058)
	281,117	93,919

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 19, 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.

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.

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 20, 2018 and December 20, 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 represents 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 This represent long term finance loan obtained from Meezan Bank Limited under Islamic Diminishing Musharakah of Rs. 300 million approved May 2018 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 November 18, 2019 and May 18, 2024 respectively. The markup rate is 6 month KIBOR + 12.5 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 15% margin.

XI These represent long term finance loans obtained from Habib Bank Limited of Rs. 130 million approved in 2017 and 2018 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. 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. 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. 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 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.

XIV 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

Notes to the Financial Statements

For the year ended December 31, 2018

350 bps per annum. The loan is secured by first pari passu charge over fixed assets of the Company with 25% margin.

XV 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. The loan is secured by first pari passu charge over fixed assets of the Company with 25% margin.

XVI These represent long term finance loans obtained from Allied Bank Limited of Rs. 500 million approved in 2018 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 29, 2019 and June 29, 2024 respectively. The markup rate is 6 month KIBOR + 15 bps per annum. The loan is secured by ranking charge over fixed assets of the Company with 25% margin.

XVII These represent long term finance loans obtained from Allied Bank Limited of Rs. 100 million approved in 2018 for a period of Ten years under LTFF scheme of SBP, repayable on quarterly basis. The loan is not fully disbursed and its tentative expiry date is October 31, 2028. The markup rate is 225 bps per annum. The loan is secured by ranking charge over fixed assets of the Company with 25% margin.

		2018 Amount Rupees in thousand	2017 Amount
10	Long term deposits		
	10.1	3,243	5,258
10.1	This represent deposits of dealers and others, who have permitted the utilization of such money by the Company in pursuance of section 217 of the Companies Act, 2017.		
11	Deferred liabilities		
	11.1	341,182	407,961
	11.2	180,446	128,449
		521,628	536,410
11.1	Deferred tax liability is made up as follows:		
	Deferred tax impact against accelerated depreciation	450,525	441,617
	Deferred tax asset against provisions	(44,592)	(47,633)
	Deferred tax impact against -minimum tax adjustment	(89,640)	-
	Deferred tax impact against investment - Investment in associate	24,889	13,977
		341,182	407,961

11.2 Employees benefit plans

	Note	2018 Amount Rupees in thousand	2017 Amount
11.2.1 The amounts recognized in the statement of financial position			
Present value of defined benefit obligations	11.2.4	262,604	213,626
Fair value of plan assets	11.2.5	(82,158)	(85,177)
Statement of financial position liability as at December 31		180,446	128,449
11.2.2 Movement in the net liability recognized in the statement of financial position			
Opening balance	11.2.3	128,449	85,036
Charge for the year		(35,153)	28,366
Payments during the year		(10,785)	(25,279)
Remeasurements chargeable to OCI	11.2.6	27,269	40,326
Closing balance		180,446	128,449
11.2.3 Amounts recognized in the statement of profit or loss			
Current service cost		25,360	22,575
Interest cost		17,182	13,597
Interest income on plan assets		(7,029)	(7,806)
		35,513	28,366
11.2.4 Changes in the present value of defined benefit obligation			
Opening defined benefit obligation		213,626	186,612
Current service cost		25,360	22,575
Interest cost		17,182	13,597
Benefits paid		(10,735)	(33,282)
Remeasurements:			
Actuarial losses from changes in financial assumptions		2,790	121
Experience adjustments		14,381	24,003
		262,604	213,626
11.2.5 Changes in the fair value of the plan assets			
Opening fair value of plan assets		85,178	101,576
Interest income on plan assets		7,029	7,806
Contribution by employer		10,785	25,279
Benefits paid		(10,735)	(33,282)
Return on plan assets excluding interest income		(10,099)	(16,202)
		82,158	85,177
11.2.6 Amounts recognized in the other comprehensive income			
Experience adjustments		14,381	24,003
Return on plan assets excluding interest income		10,099	16,202
Actuarial (gain) / loss from changes in financial assumptions		2,790	121
Actuarial (gain) / loss chargeable to OCI		27,269	40,326

Notes to the Financial Statements

For the year ended December 31, 2018

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

	2018 Rupees in thousand	2018 %	2017 Rupees in thousand	2017 %
Unit trust	70,442	85.74	71,283	83.69
Term deposit	11,608	14.13	11,833	13.89
Other assets	108	0.13	2,061	2.42
	82,158	100	85,177	100

	Note	2018 Amount Rupees in thousand	2017 Amount Rupees in thousand
Interest income on plan assets		7029	7,806
Return on plan assets excluding interest income		(10,099)	(16,202)
		(3,070)	(8,396)

11.2.8 Return on plan assets

Interest income on plan assets	7029	7,806
Return on plan assets excluding interest income	(10,099)	(16,202)
	(3,070)	(8,396)

The expected return on plan assets is based on the market expectation and depends 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 statement of financial position date.

11.2.9 Principal actuarial assumptions

	Percentage	Percentage
Discount rate	13.25	8.25
Expected rate of salary increase	12.25	7.25
Expected rate of return on investments	8.25	8.00

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 2017.

Discount Rate + 100 bps	236,009	194,251
Discount Rate - 100 bps	283,121	236,149
Salary increase + 100 bps	283,477	236,463
Salary increase - 100 bps	235,324	193,633

	Note	2018 Amount Rupees in thousand	2017 Amount Rupees in thousand
12 Trade and other payables			
Trade creditors		1,544,752	1,415,618
Accrued liabilities		905,545	989,400
Bills payable		124,482	266,858
Advances from customers		139,361	180,541
Provident fund payable		30,250	27,634
Workers' profit participation fund	12.1	(23,147)	(1,585)
Workers' welfare fund	12.2	8,302	6,492
Others		8,111	8,224
Tax deducted at source		2,329	8,750
		2,739,985	2,901,932
12.1 Workers' profit participation fund			
Balance as at January 01		(1,585)	(2,753)
Add: provision for the year	31	41,734	54,296
		40,149	51,543
Less: payments during the year		(63,296)	(53,128)
Balance as at December 31		(23,147)	(1,585)
12.2 Workers' welfare fund			
Balance as at January 01		6,492	64,280
Add: provision for the year	31	8,302	6,492
		14,794	70,772
Less: payments / adjustments during the year		(6,492)	(64,280)
Balance as at December 31		8,302	6,492
13 Interest and mark-up accrued			
Long term financing - secured		58,854	43,453
Short term borrowings - secured		88,063	64,612
		146,917	108,065
14 Short term borrowings			
From banks and other financial institutions:			
		Sanctioned limit	Availed limit
		2018	2017
		2018	2017
		Rupees in thousand	
Under mark up arrangements with consortium banks:			
Cash credits		6,144,000	6,709,136
Export refinance		3,496,752	2,273,764
		9,640,752	8,982,900
		5,633,361	4,520,732

Notes to the Financial Statements

For the year ended December 31, 2018

These short term borrowing facilities have been availed from various banks. The rates of markup range between 2.1% to 11.15% (2017: 1.3% to 7.01% 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 and loose tools, stock in trade, trade debts, amount due from government etc.

15 Contingencies and commitments

Contingencies

- 15.1 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 CIR (Appeals), which is pending for hearing. 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, hence, no provision has been made in these financial statements.
- 15.2 The Deputy Director of Pakistan Employees Social Security Institute (PESSI), Gujrat initiated two 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. The matter was decided against the company by the Institution and Company filed an appeal before the Social Security Court, Lahore, which is pending for hearing. In second case, PESSI initiated a case of Rupees 77.6 million against the Company, against which a complaint was filed to the Institution. Social Security Institution disposed of our complaint while refereeing the matter to the local office Gujrat for reconsideration after re-checking of record. The local office Gujrat, raised a demand of same amount, against which the Company filed a complaint; which is pending adjudication before the Institution. During the pendency of matter before the Institution, a recovery notice was issued by the local office. The Company filed a writ petition before the Honorable Lahore High Court wherein the recovery notice was suspended by the Honorable Lahore High Court. As per legal counsel of the Company, the Company has strong legal grounds for its success.
- 15.3 The DCIR, LTU initiated a case against the Company of 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 canceled except two points having impact of Rupees 2.65 million. The Company had further filed an appeal before ATIR against said points. The management of the Company is confident that decision will be in favour of the Company hence, no provision has been made in these financial statements
- 15.4 The DCIR, LTU initiated sales tax audit for the year 2013-2014 in which demand of Rupees 182.70 million was created. The Company has filed an appeal with CIR (Appeals) who confirmed the demand of Rupees 10 million and remanded back certain charges to the tune of 172.7 million. The Company filed an appeal with ATIR against the decision of 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.
- 15.5 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.
- 15.6 Honorable Lahore High Court has allowed a petition filled by the Company against show-cause notice issued by DCIR amounting to 13 million. The show-cause notice was issued on account of post sales tax refunds audit of various tax periods. FBR challenged the decision in august in Supreme Court of Pakistan, 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
- 15.7 The DCIR, LTU initiated a case of withholding tax audit for tax year 2011 in which a demand of Rupees 40.03 million under Section 161 and 205 of The Income Tax Ordinance, 2001 was created. The Company preferred an appeal before CIR (Appeal) which is pending for hearing. The management of Company is confident that decision shall be in favor of Company, hence, no provision has been made in these financial statements.
- 15.8 The DCIR, LTU conducted income tax audit for the year 2011 in which a demand of rupees 19.6 million was created. The Company preferred an appeal before the 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.
- 15.9 The Company has challenged, before Honorable 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 Honorable Lahore High Court has issued stay order in favor 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 High Court, Lahore, the vires of clauses (h) and (l) 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 Honorable Lahore High Court has issued stay order in favor 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(Appeals) which were dismissed against the Company without discussing the merits of the cases. The Company has filed appeal with ATIR 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.
- 15.12 The CIR, LTU passed an order regarding Crest discrepancies of sales tax for an amount of Rupees 11.1 million. The Company filed an appeal with ATIR 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.

Commitments

- 15.13 Guarantees issued in ordinary course of business through banks are of Rs. 523 million (2017: Rs. 1,882 million).
- 15.14 Irrevocable letters of credit outstanding at the year end are of Rs. 486.71 million (2017: Rs. 1,370.16 million).
- 15.15 The amount of future ijarah rentals for ijarah financing and the period in which these payments will become due are as follows:

Not later than one year	61,109	75,144
Later than one year and not later than five years	87,154	121,914
Later than five years	-	-
	148,263	197,058

Notes to the Financial Statements

For the year ended December 31, 2018

	Note	2018 Amount Rupees in thousand	2017 Amount
16 Property, plant and equipment			
Operating fixed assets	16.1	5,726,524	4,739,012
Capital work in progress	16.2	1,219,779	1,218,300
		6,946,303	5,957,312

16.1 Operating fixed assets

December 31, 2018

Particulars

Particulars	Cost			Rate %	As at January 01, 2018	As at December 31, 2018	Disposals	Additions/ transfers	As at January 01, 2018	Charge for the year	Accumulated depreciation Adjustments / transfers December 31, 2018	As at December 31, 2018	W.D.V. as at December 31, 2018
	As at January 01, 2018	As at December 31, 2018	As at January 01, 2018										
Owned													
Freehold land	7,071	-	-	-	-	7,071	-	-	-	-	-	-	7,071
Building on freehold land	1,261,889	354,290	-	5-10	392,522	1,616,179	-	354,290	96,395	-	488,917	1,127,262	1,127,262
Plant and machinery	4,448,779	1,007,169	7,223	10	1,565,418	5,448,725	7,223	1,007,169	360,451	6,041	1,919,828	3,528,897	3,528,897
Furniture, fixture and fittings	52,093	6,991	212	10	26,862	58,872	212	6,991	3,037	18	29,881	28,991	28,991
Vehicles	38,330	5,483	719	20	15,594	43,094	719	5,483	5,433	435	20,592	22,502	22,502
Service equipments	1,250,884	103,950	4,231	10-30	479,296	1,350,603	4,231	103,950	101,076	3,594	576,778	773,825	773,825
Leasehold improvements	201,440	121,275	15,340	10	41,782	307,375	15,340	121,275	33,619	6,002	69,399	237,976	237,976
Total - 2018	7,260,486	1,599,158	27,725		2,521,474	8,831,919	27,725	1,599,158	600,011	16,090	3,105,395	5,726,524	5,726,524

December 31, 2017

Particulars

Particulars	Cost			Rate %	As at January 01, 2017	As at December 31, 2017	Disposals	Additions/ transfers	As at January 01, 2017	Charge for the year	Accumulated depreciation Adjustments / transfers December 31, 2017	As at December 31, 2017	W.D.V. as at December 31, 2017
	As at January 01, 2017	As at December 31, 2017	As at January 01, 2017										
Owned													
Freehold land	7,071	-	-	-	-	7,071	-	-	-	-	-	-	7,071
Building on freehold land	916,462	358,169	12,742	5-10	320,519	1,261,889	12,742	358,169	75,319	3,316	392,522	869,367	869,367
Plant and machinery	3,937,937	547,440	36,598	10	1,322,920	4,448,779	36,598	547,440	270,447	27,949	1,565,418	2,883,361	2,883,361
Furniture, fixture and fittings	42,442	9,651	-	10	24,418	52,093	-	9,651	2,444	-	26,862	25,231	25,231
Vehicles	29,086	12,191	2,947	20	12,540	38,330	2,947	12,191	5,116	2,062	15,594	22,736	22,736
Service equipments	1,138,273	132,617	20,006	10-30	400,130	1,250,884	20,006	132,617	88,182	9,016	479,296	771,588	771,588
Leasehold improvements	148,940	55,850	3,350	20	23,059	201,440	3,350	55,850	19,393	670	41,782	159,658	159,658
Total - 2017	6,220,211	1,115,918	75,643		2,103,586	7,260,486	75,643	1,115,918	460,901	43,013	2,521,474	4,739,012	4,739,012

Notes to the Financial Statements

For the year ended December 31, 2018

financial statements.

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

	Note	2018 Amount Rupees in thousand	2017 Amount
Cost of sales	28	531,143	418,094
Administrative expenses	30	18,221	15,348
Distribution cost	29	50,647	27,460
		600,011	460,902

16.1.1.1 Particulars of immovable property (i.e. land and building) in the name of the Company are as follows:

Location	Description of immovable property	Total Area (In Sq Feet)
a) Lahore	Head Office	29,842
b) Muridke	Factory & Residential Colony	1,376,320
c) Gujrat	Factory & Residential Colony	2,038,608

16.1.2 Disposal of property, plant and equipment

The details of operating fixed assets disposed-off during the year having books value exceeding Rs. 500,000 are as follows:

Particulars	Cost	Accumulated depreciation	Net book value	Sale proceeds	Sold to	Relationship	Mode of disposal
Having book value exceeding Rs. 50,000							
Assets-Leasehold improvements	15,340	6,002	9,338	-	other party	Nil	Write Off
Total of Building	15,340	6,002	9,338	-			

16.2 Capital Work in Progress

							2018 Amount	2017 Amount
	Building	Plant and machinery	Furniture and fixture	Leasehold improvements	Service equipment	Vehicles	Total	Total
	<-----Rupees in thousand----->							
Balance as at January 01	364,384	743,911	209	72,354	37,352	91	1,218,301	629,310
Additions during the year	350,396	912,647	3,008	69,999	124,616	149	1,460,815	1,701,502
Transfers / adjustments during the year	(354,290)	(880,652)	(2,668)	(142,353)	(79,134)	(240)	(1,459,337)	(1,112,512)
Balance as at December 31	360,490	775,906	549	-	82,834	-	1,219,779	1,218,300

	Note	2018 Amount Rupees in thousand	2017 Amount
		2018 Amount Rupees in thousand	2017 Amount
	Note		

17 Intangible assets

Software programs	17.1	2,562	929
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17.1 Cost

As at January 01	40,663	40,663
Additions / transfers during the year	2,812	-
Disposal	-	-
As at December 31	43,475	40,663

Amortization

As at January 01	39,734	37,943
Charge for the year	1,179	1,791
Disposals	-	-
As at December 31	40,913	39,734
Book value as at December 31	2,562	929
Rate of amortization	33.33%	33.33%

Amortization charge for the year has been allocated as follows:

Administrative expenses	30	882	1,758
Distribution cost	29	297	33
		1,179	1,791

18 Long term investments

These represents long term investments in:

Related parties	18.1	527,867	492,063
Others	18.2	22,050	29,600
		549,917	521,663

18.1 Investment in Related Parties:

18.1.1 Investment in Subsidiary:

Service Industries Capital (Private) Limited	218,681	218,681
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18.1.2 Investment in Associate:

Speed (Private) Limited	308,706	272,902
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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

	527,867	492,063
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Notes to the Financial Statements

For the year ended December 31, 2018

	Note	2018 Amount Rupees in thousand	2017 Amount
18.1.2.1 Speed (Private) Limited - associated company			
Cost of investment			
160,709 fully paid ordinary shares of Rs. 100/- each (2017: 160,709)		190,949	190,949
Share of post acquisition reserve			
As at the beginning of the year		81,953	56,745
Share of post acquisition profit for the year / period		63,928	49,314
Less: Dividends received during the year		(28,124)	(24,106)
		117,757	81,953
		308,706	272,902
18.1.2.2 The registered office of Speed (Private) Limited is situated at Office no.1, First Floor, Service Club Extension Building Mereweather Road, Karachi.			
	Note	2018 Amount Rupees in thousand	2017 Amount
18.1.2.3 Current assets		1,179,245	1,006,562
Non current assets		252,094	267,254
Current liabilities		293,863	299,800
Non current liabilities		1,970	1,970
Revenue - net for the year / period		2,336,356	2,105,040
Expenses for the year / period		2,044,445	1,879,859
Profit for the year / period		291,911	225,181
Total comprehensive income for the year		291,911	225,181
Net assets of the associate		1,135,507	972,046
Percentage of holding		21.90%	21.90%
Share in net assets of associate		248,676	212,872
18.1.2.4 Breakup value per share (Rupees)		1,548	1,325
18.1.2.5 Reconciliation of share in net assets of associate with carrying value of investment			
Share in net assets of associate		248,676	212,872
Add: Goodwill		60,030	60,030
Carrying value of investment in associate		308,706	272,902
18.2 Investment in quoted securities - Available for sale investments			
TRG Pakistan Limited			
1,000,000 fully paid ordinary shares (2017- 1,000,000)	18.2.1	29,600	61,824
Fair value adjustment		(7,550)	(32,224)
		22,050	29,600

	Note	2018 Amount Rupees in thousand	2017 Amount
19 Long term loans			
Considered good			
- due from executives	19.1	28,877	22,013
- due from other employees		1,591	1,014
		30,468	23,027
Less: current portion of long term loans	23	(10,018)	(5,265)
		20,450	17,762
19.1 Reconciliation of loans to executives			
Balance as at January 01		22,013	20,101
Add: Disbursements during the year		15,638	14,550
Less: Repayments during the year		(8,774)	(12,638)
Balance as at December 31		28,877	22,013
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. 27.333 million (2017: Rs. 22.333 million).			
19.4 No amount is due from Directors and Chief Executives.			
	Note	2018 Amount Rupees in thousand	2017 Amount
20 Stores, spares and loose tools			
Machinery spares		32,805	42,267
Stores		146,864	106,372
Loose tools		4,141	3,058
Less:			
Provision for slow moving and obsolete items	20.1	(24,395)	(29,230)
		159,415	122,467
20.1 Movement for provisions:			
Balance at the beginning of the year		29,230	23,482
Provisions made during the year		2,986	7,717
Reversals made during the year		(7,821)	(1,969)
Charge for the year		(4,835)	5,748
Balance at the end of the year		24,395	29,230

Notes to the Financial Statements

For the year ended December 31, 2018

	Note	2018 Amount Rupees in thousand	2017 Amount
21 Stock in trade			
Raw material		1,500,550	1,315,442
Packing material		75,718	67,312
Work in process		398,416	294,958
Finished goods: Own production		1,083,533	1,460,688
Purchased		875,582	747,454
Goods in transit		240,401	172,339
Provision for slow moving, obsolete items and net realizable value	21.1	(130,029)	(141,006)
		4,044,171	3,917,187

21.1 Movement for provisions:

Balance at the beginning of the year		141,006	94,223
Provision/(Reversal) for the year		(10,977)	46,783
Balance at the end of the year		130,029	141,006

21.2 Finished goods of Rs. 233 million (2017: Rs. 239.8 million) are being carried at net realizable value and an amount of Rs. 76 million (2017: Rs. 55.78 million) has been charged to cost of sales, being the cost of inventory written down during the year.

	Note	2018 Amount Rupees in thousand	2017 Amount
22 Trade debts			
Secured - Against irrevocable letters of credit		369,260	288,757
Unsecured - Considered good		2,931,078	2,508,645
Unsecured - Considered doubtful		70,929	39,232
Provision for doubtful debts	22.1	(70,929)	(39,232)
		3,300,338	2,797,402

22.1 Movement of provision for doubtful debts is as follows:

Balance at the beginning of the year		39,232	65,670
Provisions made during the year		31,697	23,256
Bad debts written off		-	(49,694)
		31,697	(26,438)
Balance at the end of the year		70,929	39,232

22.2 These relate to normal business of the Company.

22.3 During the year, no trade debts were written of against provision for doubtful debts.

22.4 Trade debt due from related party is as follows:

Party Name	2018 Amount Rupees in thousand	2017 Amount
Service Shoes Lanka (Private) Limited	51,936	34,752

22.5 The aging of trade receivable (associated companies) at the reporting date is:

	Note	Associated Companies 2018 Amount Rupees in thousand	2017 Amount
Upto 30 days		4,678	5,891
30 to 90 days		23,284	13,718
Past due 90 days		23,974	15,143
		51,936	34,752

The maximum aggregate amount receivable from the above related party at the end of any month during the year was as follows:

Service Shoes Lanka (Private) Limited	63,154	40,279
---------------------------------------	--------	--------

22.6 As on 31 Dec 2018, disclosure in respect of outstanding export debtors along with type of arrangements are as follows:

Region	Letter of Credit		Cash against documents	
Asia	1,455	3,787	51,936	34,752
Europe	338,088	284,971	83,862	33,611
U.S.A	29,717	-	71,010	-
Russia	-	-	8,645	-
Australia	-	-	5,058	-
	369,260	288,757	220,511	68,363

23 Loans, advances and receivables

Advances - considered good:

- Staff	23.1	2,933	2,973
- Suppliers		60,740	68,633
- Others	23.2	20,836	17,087
Letters of credit		369,022	201,498
Current portion of long term loans	19	10,018	5,265
		463,549	295,456

23.1 There has been no loans and advances given to Directors.

23.2 This includes balance of Nil /- (2017: Rs. .02 million) due from Subsidiary company - Service Industries Capital (Private) Limited.

This includes balance of Rs. 1.9 million/- (2017: Rs.1.9 million) due from Joint venture- S2 Power Limited.

None of the aforementioned amounts are past due or impaired.

23.3 The maximum aggregate amount receivable from related parties at the end of any month during the year is as follows:

Service Industries Capital (Private) Limited	152	100
S2 Power Limited	1,901	2,164

Notes to the Financial Statements

For the year ended December 31, 2018

		2018	2017
	Note	Amount Rupees in thousand	Amount Rupees in thousand
24 Trade deposits and prepayments			
Security deposits		47,854	59,791
Prepayments		45,615	72,092
		93,469	131,883
25 Tax refunds due from government			
Custom duty rebate		549,881	216,876
Excise duty		-	1,459
Advance income tax		1,129,740	1,014,127
Sales tax		638,298	656,274
		2,317,919	1,888,736
26 Cash and cash equivalents			
Cash in hand		6,257	7,537
Balances with banks in current accounts:			
- Local currency		41,863	68,910
- Foreign currency		688	384
Cash in transit		4,953	2,353
		53,761	79,184
27 Sales - net			
Export sales		7,436,952	5,251,200
Discounts, commissions, etc.		(136,454)	(192,787)
		7,300,498	5,058,413
Local sales		20,172,404	18,960,419
Sales tax		(2,301,140)	(2,103,261)
Discounts, commissions, etc.		(1,262,828)	(1,017,397)
		16,608,436	15,839,761
		23,908,934	20,898,174
27.1	Export sales include net exchange rate gain of Rupees 142.42 million (2017: 141.72 million gain).		
27.2 Sale of footwear (Net)			
Export sales		6,383,526	4,394,699
Local sales		4,892,011	6,063,950
		11,275,537	10,458,649
Sale of tyres and tubes (Net)			
Export sales		913,356	663,714
Local sales		11,699,282	9,768,601
		12,612,638	10,432,315
Sale of technical rubber products (Net)			
Export sales		3,617	-
Local sales		17,142	7,210
		20,759	7,210
		23,908,934	20,898,174

	Note	2018 Amount Rupees in thousand	2017 Amount Rupees in thousand
28 Cost of sales			
Raw material consumed	28.1	11,759,451	10,817,055
Salaries, wages and benefits	28.2	2,832,874	2,672,405
Stores and spares consumed		274,647	201,162
Packing material consumed		635,158	641,027
Fuel and power		725,126	666,204
Insurance		21,589	20,105
Travelling expenses		18,156	11,811
Repair and maintenance		148,811	138,103
Entertainment		4,574	5,164
Depreciation	16.1.1	531,143	418,094
Provision for slow moving items, obsolete items and net realizable value		(15,813)	52,530
Other manufacturing charges		151,463	132,334
		17,087,179	15,775,994
Work in process: As at January 01		294,957	288,944
As at December 31		(398,415)	(294,957)
		(103,458)	(6,013)
Cost of goods manufactured		16,983,721	15,769,981
Finished goods:			
As at January 01		2,208,141	1,375,329
Purchases during the year		2,514,835	2,398,372
As at December 31		(1,959,114)	(2,208,141)
		2,763,862	1,565,560
		19,747,583	17,335,541
28.1 Raw material consumed			
Balance as at January 01		1,315,442	963,419
Purchases during the year	28.3	11,944,559	11,169,078
Balance as at December 31		(1,500,550)	(1,315,442)
		11,759,451	10,817,055
28.2 Salaries, wages and benefits			
Salaries, wages and benefits		2,719,392	2,565,963
Provident fund contribution		99,767	94,142
Gratuity contribution		13,715	12,296
Pension fund contribution		-	4
		2,832,874	2,672,405
28.3	Custom duty rebate for the year amounting to Rs. 114.45 million (2017: Rs. 79.64. million) has been adjusted against raw material consumed.		

Notes to the Financial Statements

For the year ended December 31, 2018

	Note	2018 Amount Rupees in thousand	2017 Amount
29 Distribution cost			
Freight and insurance	29.1	393,104	265,469
Salaries and benefits	29.2	260,065	176,784
Advertisement and publicity		206,723	398,998
Entertainment		13,248	11,432
Samples		129,058	69,455
Depreciation	16.1.1	50,647	27,460
Amortization on intangible assets	17.1	297	33
Rent, rates and taxes		222,683	160,288
Postage and courier		44,040	31,897
Electricity		34,255	17,726
Traveling and conveyance		36,964	39,974
Others		132,250	100,825
		1,523,334	1,300,341
29.1	This includes export expenses of Rs. 202.1 million (2017: Rs. 110.80 million).		
29.2 Salaries and benefits			
Salaries and benefits		246,700	171,677
Gratuity contribution		4,973	-
Provident fund contribution		8,392	5,104
Pension fund contribution		-	3
		260,065	176,784
30 Administrative expenses			
Salaries and benefits	30.1	762,563	749,288
Communication		24,395	16,444
Printing and stationery		6,504	6,885
Travelling and conveyance		34,693	36,101
Entertainment		23,728	22,520
Motor car expenses		31,823	15,483
Insurance		3,444	3,527
Rent, rates and taxes		21,759	25,604
Fuel and power		21,712	21,981
Repairs and maintenance		23,197	8,686
General expenses		46,264	44,509
Auditors' remuneration	30.2	3,819	3,569
Legal and professional charges		30,806	22,408
Subscription		2,432	1,534
Depreciation	16.1.1	18,221	15,348
Amortization on intangible assets	17.1	882	1,758
Ijarah rentals		68,700	72,940
Computer running expenses		1,894	12,876
Advertisement		2,858	2,754
		1,129,694	1,084,215

	Note	2018 Amount Rupees in thousand	2017 Amount
30.1 Salaries and benefits			
Salaries and benefits		725,411	715,136
Gratuity contribution		16,824	16,071
Provident fund contribution		20,328	18,070
Pension fund contribution		-	11
		762,563	749,288
30.2 Auditors' remuneration			
Audit fee		2,555	2,323
Half yearly review		609	554
Taxation and other certification services		494	449
Out of pocket expenses		161	243
		3,819	3,569
31 Other operating expenses			
Donations	31.1	48,605	45,974
Workers' profit participation fund	12.1	41,734	54,296
Workers' welfare fund-Current Year	12.2	8,302	6,492
Workers' welfare fund-Prior Year Reversal		-	(16,633)
Loss on disposal/impairment of property, plant and equipment		9,961	25,958
Turn Over tax		-	7,921
Tax on operating expenses		-	5,025
Provision for doubtful debts		31,697	23,257
		140,299	152,290

31.1 Donations

The names of donees to whom donation amount exceeds PKR 500,000 are as follows:

Kidney center Gujarat		12,000	6,000
Shalamar Hospital		14,882	22,954
Sundas Foundation		5,000	-
Sindh Institue Of Urology & Transplantation		1,000	1,000
Service Charitable Trust	31.1.1	5,171	5,392
The Citizens Foundation		3,000	2,400
Wise Education Society		5,000	-
Dost Foundation		600	2,000

31.1.1 Following directors are the trustees of Service Charitable Trust:

- Mr. Omar Saeed
- Mr. Arif Saeed
- Mr. Hassan Javed

Notes to the Financial Statements

For the year ended December 31, 2018

	Note	2018 Amount Rupees in thousand	2017 Amount
32 Other income			
Income from financial assets			
Dividend income		-	578
Share of profit from associated company		63,929	49,315
Income on term deposits with bank		-	3,627
		63,929	53,520
Income from non-financial assets			
Special Custom Rebate		313,751	203,000
Foreign Exchange Gain/(Loss)		25	-
Scrap sales and others		46,244	87,307
Rental income		9,802	14,040
		369,822	304,347
Total other income		433,751	357,867
33 Finance cost			
Interest / markup on:			
- Short term borrowings		344,898	194,314
- Long term financing		204,774	111,053
Bank fees and charges		39,268	36,518
		588,940	341,885
34 Taxation			
Tax-Current Year		191,496	123,805
Tax-Prior Year		(185)	(47,266)
Deferred tax		(66,779)	37,854
Super tax		19,446	30,561
		143,978	144,954
34.1 Numerical reconciliation of tax charge for the year			
Profit before taxation		1,212,835	1,041,769
Applicable tax rate 29% (2017: 30%)		-	312,531
Tax effect of amounts that are:			
Inadmissible expenses		-	170,005
Tax effect of dividend		-	(130)
Admissible expenses		-	(253,921)
Exempt income		-	(84,792)
Presumptive tax regime		-	72,710
Minimum tax credit / tax credit		-	(54,744)
Super tax		-	30,561
Tax effect of prior years		-	(47,266)
		-	(167,577)
		-	144,953
Average effective tax rate charged to profit and loss account		00.00%	13.91%

*Tax charge reconciliation for the current year is not prepared as the company is charged to minimum tax and the relation between income tax expense and accounting profit is not meaningful.

34.2 In view of the management, sufficient tax provision has been made in the Company's financial statements. Comparisons of tax provision as per the financial statements viz-a-viz tax assessment for last three years is as follows:

Tax year	Tax provision as per financial statements	Tax as per assessment
	Amounts in thousand	
2016	251,056	195,496
2017	204,507	157,241
2018	123,805	123,620

35 Earnings per share - basic and diluted

35.1 Basic earnings per share

Profit after tax (Rupees in thousands)	1,068,857	896,815
Weighted average number of ordinary shares outstanding during the year	12,028,789	12,028,789
Basic earnings per share (Rupees)	88.86	74.56

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.

36 Remuneration of directors, chief executive and executives

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

Particulars	<-----Rupees in thousand----->					
	Directors	2018 Chief executive	Executives	Directors	2017 Chief executive	Executives
Managerial remuneration	45,958	24,921	177,998	40,708	22,079	130,873
Utilities	9,192	4,984	120,235	8,142	4,416	83,720
Retirement and other benefits	55,062	28,065	72,645	49,614	25,222	54,133
Total	110,212	57,970	370,878	98,464	51,717	268,726
No. of persons	2	1	77	2	1	53

Meeting fee of rupees 1.416 million (2017: rupees 2.16 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.

Notes to the Financial Statements

For the year ended December 31, 2018

	Note	2018 Amount Rupees in thousand	2017 Amount
37 Cash generated from operations			
Profit before taxation		1,212,835	1,041,769
Adjustments for non-cash charges and other items:			
Depreciation	16.1.1	600,011	460,901
Amortization	17.1	1,179	1,791
Employee benefit plans	11.2.3	35,513	28,366
Finance cost	33	588,940	341,885
Provision for slow moving and obsolete items		(15,812)	52,531
Provision for workers' profit participation fund		41,734	54,296
Provision for workers' welfare fund		8,302	(10,141)
Provision for doubtful debts		31,697	23,256
Ijarah rentals		68,700	72,940
Share of profit from Speed (Private) Limited	18.1	(63,928)	(49,314)
Loss / (Profit) on sale of property, plant and equipment		9,961	25,958
		1,306,297	1,002,469
Operating profit before working capital changes		2,519,132	2,044,238
Changes in working capital			
(Increase) / decrease in current assets			
Stores, spares and loose tools		(32,113)	(28,010)
Stock in trade		(116,007)	(1,234,232)
Trade debts		(534,633)	(337,447)
Loans and advances		(168,093)	(2,228)
Trade deposits and prepayments		38,414	(46,114)
Tax refunds, due from / to government		(313,570)	(318,194)
Other receivables		(18,763)	20,203
		(1,144,765)	(1,946,022)
Increase / (decrease) in current liabilities			
Trade and other payables		(142,195)	(276,985)
Cash generated from operations		1,232,172	(178,768)

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	2018 Amount Rupees in thousand	2017 Amount
Long term investments-Available for sale	22,050	29,600
Long term investments	527,867	492,063
Long term loans	20,450	17,762
Long term deposits	95,010	99,393
Trade debts	3,371,267	2,836,634
Loans, advances and receivables	33,787	25,325
Trade deposits	47,854	59,791
Other receivables	74,259	55,496
Bank balances	42,551	69,294
	4,235,095	3,685,358
Trade debts		
Foreign parties	369,260	288,757
Local parties	3,002,007	2,547,877
	3,371,267	2,836,634

	2018			2017		
	Gross debtors	Provision	Net debtors	Gross debtors	Provision	Net debtors
	←-----Rupees in thousand-----→					
Neither past due nor impaired	3,241,982	-	3,241,982	2,766,791	-	2,766,791
Past due more than 365 days	125,285	48,776	76,509	115,300	61,412	53,888
	3,367,267	48,776	3,318,491	2,882,091	61,412	2,820,679

(b) Credit rating of major bank accounts

The Company's exposure to credit risk against balances with various commercial banks is as follows:

The credit quality of Company's bank balances can be assessed with reference to external credit rating agencies as follows:

Banks	Rating		Rating agency	2018 Amount Rupees in thousand	2017 Amount
	Short term	Long term			
Allied Bank Limited	A1+	AAA	PACRA	27,740	50,086
Askari Bank Limited	A1+	AA+	PACRA	20	5
Bank Alfalah Limited	A1+	AA+	PACRA	109	287
Bank AlHabib Limited	A1+	AA+	PACRA	2,264	581
Faysal Bank Limited	A1+	AA	PACRA	4,622	1,741
Habib Bank Limited	A1+	AAA	JCR-VIS	475	505
MCB Bank Limited	A1+	AAA	PACRA	224	4,199
Meezan Bank Limited	A1+	AA+	JCR-VIS	364	94

Notes to the Financial Statements

For the year ended December 31, 2018

Banks	Rating		Rating agency	2018	2017
	Short term	Long term		Amount	Amount
Rupees in thousand					
National Bank of Pakistan	A1+	AAA	PACRA	892	2,757
Samba Bank Limited	A1	AA	JCR-VIS	49	40
Soneri Bank Limited	A1+	AA-	PACRA	16	16
Standard Chartered Bank	A1+	AAA	PACRA	353	2,499
United Bank Limited	A1+	AAA	JCR-VIS	5,423	6,483
Total				42,551	69,294

(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 date of statement of financial position.

	Carrying amount	Rupees in thousand			
		Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
December 31, 2018					
Long term financing	3,316,880	3,316,880	699,725	2,617,155	-
Long term deposits	3,243	3,243	-	3,243	-
Trade and other payables	2,585,219	2,585,219	2,585,219	-	-
Uncashed dividend warrants	32,002	32,002	32,002	-	-
Interest and mark-up accrued	146,917	146,917	146,917	-	-
Short term borrowings	5,633,361	5,633,361	5,633,361	-	-
	11,717,622	11,717,622	9,097,224	2,620,398	-
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	2,688,850	2,688,850	2,688,850	-	-
Uncashed dividend warrants	27,774	27,774	27,774	-	-
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	-

	Note	2018	2017
		Amount	Amount
Rupees in thousand			
(a) Financial instruments by categories			
Assets as per statement of financial position			
Long term investments-Available for sale		22,050	29,600
Long term investments		527,867	492,063
Long term loans		20,450	17,762
Long term deposits		95,010	99,393
Trade debts		3,371,267	2,836,634
Loans, advances and receivables		33,787	25,325
Trade deposits		47,854	59,791
Other receivables		74,259	55,496
Cash and bank balances		53,761	79,184
		4,246,305	3,695,248
Liabilities as per statement of financial position			
Long term financing		3,316,880	2,883,572
Long term deposits		3,243	5,258
Interest and mark-up accrued		146,917	108,065
Short term borrowings		5,633,361	4,520,732
Uncashed dividend warrants		32,002	27,774
Trade and other payables		2,585,219	2,688,850
		11,717,622	10,234,251

According to classifications of IAS-39, all financial assets with exception of long term investment, 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 with 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 from / 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:

Notes to the Financial Statements

For the year ended December 31, 2018

		Debtors	Cash and bank balances	Gross financial assets exposure	Trade and other payables	Net exposure
USD in ('000)	2018	2,243	2	2,245	(642)	1,603
USD in ('000)	2017	373	2	375	(2,252)	(1,877)
EURO in ('000)	2018	2,344	3	2,347	(235)	2,112
EURO in ('000)	2017	2,613	2	2,615	(157)	2,458
GBP in ('000)	2018	163	-	163	-	163
GBP in ('000)	2017	75	-	75	-	75

Significant exchange rates

	←-----Rupees per-----→			
	US Dollar		Euro	
	Average	Reporting date	Average	Reporting date
2018	123.17	138.98	144.92	159.24
2017	105.62	110.50	118.04	131.79

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	2018 Amount Rupees in thousand	2017 Amount
Effect on profit and loss			
US Dollar		22,273	(20,746)
Euro		33,638	32,393
		55,911	11,647

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 materially 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 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 statement of financial position date the interest rate profile of the Company's interest bearing financial instruments was:

	2018 Effective interest rate Percentage	2017 Effective interest rate Percentage	2018 Carrying amount Rupees in thousand	2017 Carrying amount Rupees in thousand
Fixed rate instruments				
Financial liabilities				
Long term financing	-	-	-	-
Floating rate instruments				
Financial liabilities				
Long term financing	2.25 to 10.95	6.31 to 6.61	3,316,880	2,883,572
Short term borrowings:				
Cash credit	9.22 to 11.26	6.30 to 7.01	2,136,006	2,246,968
Export refinance	2.25	2.25	3,497,355	2,273,764
Import loan	2.00 to 2.2	1.30 to 3.10	-	-
			5,633,361	4,520,732
			8,950,241	7,404,304

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 statement of financial position 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 2017.

	Interest rate 100 bps	
	Decrease in profit	Increase in profit
	Rupees in thousand	
As at December 31 2018		
Long term financing	(33,169)	33,169
Short term borrowings		
Cash credit	(21,360)	21,360
Export refinance	(34,974)	34,974
Import loan	-	-
	(89,503)	89,503
As at December 31 2017		
Long term financing	(28,836)	28,836
Short term borrowings		
Cash credit	(22,470)	22,470
Export refinance	(22,738)	22,738
Import loan	-	-
	(74,044)	74,044

Notes to the Financial Statements

For the year ended December 31, 2018

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 statement of financial position plus long term debt. The Company's strategy, which was unchanged from last year, was to maintain optimal capital structure in order to minimize cost of capital.

	Note	2018 Amount Rupees in thousand	2017 Amount Rupees in thousand
The gearing ratio as at year ended December 31			
Long term debt	9	2,617,155	2,431,930
Equity	7 & 8	5,516,165	4,746,761
Total capital employed		8,133,320	7,178,691
Gearing ratio	(In %age)	32.18%	33.88%

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:

following are the related parties with whom the company had entered into transactions during the year

Sr No.	Name of related party	Basis of Relationship	Transactions entered or agreements and / or arrangements in place during the financial year	Direct Shareholding %
1	S2 Power Limited	Associated undertaking	No	48%
2	S2 Hydro Limited	Associated undertaking	No	48%
3	Speed (Private) Limited	Associated undertaking	Yes	21.9%
4	SBL Trading (Private) Limited	Associated undertaking	Yes	Nil
5	Service Industries Capital (Pvt) Ltd	Subsidiary Company	Yes	100%
6	Service Shoes Lanka (Private) Limited	Subsidiary Company	Yes	Nil
7	Service Provident Fund Trust	Employment benefit plan	Yes	Nil
8	Employees Gratuity Fund Trust	Post Employment benefit plan	Yes	Nil
9	Mr. Arif Saeed	Director	Yes	8.3096%
10	Mr. Omar Saeed	Director	Yes	8.6326%

Sr No.	Name of related party	Basis of Relationship	Transactions entered or agreements and / or arrangements in place during the financial year	Direct Shareholding %
11	Mr. Chaudhry Ahmad Javed	Director	Yes	4.3890%
12	Mr. Hassan Javed	Director	Yes	18.9547%
13	Mr. Osman Saifulah Khan	Director	Yes	0.0008%
14	Mr. Riaz Ahmad	Director	Yes	0.0374%
15	Mr. Rehman Naseem	Director	Yes	0.0067%
16	Mr. Muhammad Amin	Director	Yes	0.0003%
17	Mr. Fatima Saeed	Spouse of director	Yes	0.7892%

Transactions with related parties

Transaction with related parties and associated undertakings, other than those disclosed elsewhere in the financial statements are as follows:

	2018 Amount Rupees in thousand	2017 Amount Rupees in thousand
Associated companies		
Expenses	-	13,396
Dividend received	28,124	24,106
Investment Made	-	93,000
Reimbursement of expense	3,802	-
Sales of goods	83,743	84,098
Retirement benefit	164,000	145,701
Key management personnel		
Dividend paid	100,145	161,861

All transaction with the related parties have been carried out at arms length at normal commercial rate.

39.1 Disclosure regarding subsidiary incorporated outside Pakistan:

Particulars	Detail
Name	Service Shoes Lanka (Private) Limited
Address	No 143/17, Sri Wickrema Mawatha, Colombo
Basis of association	Subsidiary of Service Industries Capital Pvt Limited which is wholly owned subsidiary of Service Industries Limited
Percentage of share holding	60%
CEO	Maalik Aziz
Operational status	Manufacturing
Latest audited FS	Unaudited
Investment in foreign currency	600,000 USD

Notes to the Financial Statements

For the year ended December 31, 2018

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	
	2018	2017	2018	2017
Number of tyres	18,534,780	17,053,960	10,402,393	10,549,966
Number of tubes	51,628,500	42,543,900	37,861,408	35,428,101

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

	Un-audited 2018 Amount	Audited 2017 Amount

Rupees in thousand

Note

41 Provident fund related disclosures

Size of the fund - Total assets	1,366,256	1,392,722
Cost of investments	913,399	841,434
Fair value of investments	1,213,779	1,255,439
Percentage of investments made	88.84%	90.14%

41.1 The break-up of investments is as follows:

	2018		2018	
	Cost of investment		Fair value of investment	
	Percentage	Amount Rupees in thousand	Percentage	Amount Rupees in thousand
Mutual funds	62.2%	567,949	50.1%	607,603
Listed securities	15.9%	145,462	33.4%	404,923
Cash at Bank	21.9%	199,988	16.5%	201,253
	100%	913,399	100%	1,213,779

	2017		2017	
	Cost of investment		Fair value of investment	
	Percentage	Amount Rupees in thousand	Percentage	Amount Rupees in thousand
PIBs / Treasury bills	14.8%	124,488	9.4%	117,736
Mutual funds	67.5%	567,949	57.0%	715,363
Listed securities	17.3%	145,462	33.4%	418,805
Cash at Bank	0.4%	3,535	0.3%	3,535
	100%	841,434	100%	1,255,439

41.2 As at the reporting date, the Service Provident Fund Trust is in the process of regularizing its investments in accordance with section 218 of the Companies Act, 2017 and the regulations formulated for this purpose in terms of SRO 731(I)/2018 issued by Securities and Exchange Commission of Pakistan on 06 June 2018 which allows transition period of one year for bringing the Employees Provident Fund Trust in conformity with the requirements of regulations.

42 Number of employees

The total and average number of employees during the year as at 31 December 2018 and 2017 respectively are as follows:

	2018	2017
Number of factory employees as at 31 December	9,968	10,204
Number of other employees as at 31 December	938	654
	10,906	10,858
Average number of factory employees during the year	10,086	9,602
Average number of other employees during the year	796	694
	10,882	10,296

43 Segment reporting

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

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

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

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

- Footwear
- Tyre and tube
- Technical rubber products.

Notes to the Financial Statements

For the year ended December 31, 2018

43.1 Segment analysis For the year ended December 31, 2018

	-----Rupees in thousand-----							
	Footwear		Tyre division		Technical rubber products		Total	Total
	2018	2017	2018	2017	2018	2017	2018	2017
External sales	11,275,537	10,458,649	12,612,638	10,432,315	20,759	7,210	23,908,934	20,898,174
Inter - segment sales	-	-	-	-	-	-	-	-
Total revenue	11,275,537	10,458,649	12,612,638	10,432,315	20,759	7,210	23,908,934	20,898,174
Profit / (loss) before tax and unallocated expenses	1,473,057	1,204,281	1,242,514	816,598	(7,850)	(10,379)	2,707,721	2,010,500
Unallocated corporate expenses:								
Finance cost							(850,278)	(307,580)
Other operating expenses							(774,926)	(779,698)
Other operating income							130,318	118,547
Taxation							(143,978)	(144,954)
Profit after taxation							1,068,857	896,815
Total assets for reportable segments	6,942,869	5,769,296	8,662,533	7,949,945	54,481	46,964	15,659,883	13,766,205
Unallocated assets:							2,461,240	2,118,664
Total assets as per statement of financial position							18,121,123	15,884,870
Segment liabilities	-	-	-	-	-	-	-	-
Unallocated liabilities							12,604,958	11,138,109
Total Liabilities as per statement of financial position							12,604,958	11,138,109
Segment capital expenditure	350,580	362,830	1,241,758	1,337,461	-	-	1,592,338	1,700,291
Unallocated capital expenditure	-	-	-	-	-	-	8,301	4,617
Consolidated capital expenditure							1,600,639	1,704,908
Non-cash expenses other than depreciation and amortization								
Provision for slow moving stock	(15,820)	32,380	(754)	20,151	762	-	(15,812)	52,531
Depreciation and amortization expense								
Depreciation and amortization	179,313	146,556	413,065	307,267	1,267	1,409	593,645	455,232
Unallocated depreciation and amortization	-	-	-	-	-	-	7,544	7,460
Consolidated depreciation and amortization							601,189	462,692
43.2 Total profit for reportable segments							2,707,721	2,010,500
Unallocated expenses							(1,494,886)	(968,731)
Profit before tax							1,212,835	1,041,769

43.3 Revenues from one customer of the Group's footwear segments represented approximately Rs.2,669 million (2017: 2,435 million) of the Company's total revenues.

44 Authorization date

These financial statements were authorized for issue by the Board of Directors on April 03, 2019.

45 Events after the balance sheet date

The Board of Directors in its meeting held on April 03, 2019 has proposed a final cash dividend of PKR 30/- per share (2017: Rs. 22 per share) and bonus shares @ 25% for approval of the members at the annual general meeting to be held on April 30, 2019. The Board has also recommended to transfer Rs. Nil (2017: Nil) to general reserve from unappropriated profit.

46 Corresponding Figures

Corresponding Figures have been rearranged and reclassified ,wherever necessary , for the purpose of comparison. However no significant reclassification has been made in these financial statements except for as mentioned below:

Reclassification from Statement of Financial Position	Reclassification to Statement of Financial Position	Rupees in Thousands
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Trade and other payables	Uncashed dividend warrants	27,774
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47 General

47.1 Previous year's figures have been re-arranged, wherever necessary for the purpose of comparison. However no material re-arrangements have been made except disclosed in note 46.

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

Chaudhry Ahmed Javed
(Chairman)

Arif Saeed
(Chief Executive)

Badar Ul Hassan
(Chief Financial Officer)

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Consolidated Financial Statements

Group Directors' Report to The Shareholders

The Directors take pleasure in presenting their report together with the Consolidated Financial statements of Service Industries Limited ("The Holding Company") and its Subsidiary Companies (together referred to as Group) for the year ended December 31, 2018.

The Group comprises of Service Industries Limited, Service Industries Capital (Private) Limited, a wholly owned subsidiary of Service Industries Limited and Service Shoes Lanka (Private) Limited, a subsidiary company of Service Industries Capital (Private) Limited.

Service Industries Limited

The Directors' Report providing a commentary on the performance of Service Industries Limited for the year ended December 31, 2018 has been presented separately. Service Industries Limited has annexed its consolidated financial statements along with its separate financial statements, in accordance with the requirements of International Financial Reporting Standards and Companies Act 2017.

Service Industries Capital (Private) Limited

Service Industries Capital (Private) Limited is a wholly owned subsidiary of Service Industries Limited. Service Industries Capital (Private) Limited got registered under the Companies Ordinance, 1984 (now the Companies Act 2017) in Pakistan as a company limited by shares on November 10, 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 subsidiary company of Service Industries Capital (Private) Limited, which is wholly owned subsidiary of Service Industries Limited. Service Shoes Lanka (Private) Limited is a Private Limited Liability Company incorporated on July 16, 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.

Clarification to Qualification in Audit Report

In their Report to the Members, Auditors have stated that consolidated financial statements of Service Industries Limited and its Subsidiary Companies include un-audited figures pertaining to Service Shoes Lanka (Private) Limited, a subsidiary of Service Industries Capital (Private) Limited. The audit of Service Shoes Lanka (Private) Limited is in process hence, we have used un-audited financial statements of Service Shoes Lanka (Private) Limited in the preparation of Consolidated Financial Statement of Service Industries Limited and its subsidiary companies.

For and on behalf of the Board

Chaudhry Ahmed Javed
Chairman

Arif Saeed
Chief Executive

April 03, 2019
Lahore

Auditors' Report To The Members On Consolidated Financial Statements

Qualified Opinion

We have audited the annexed consolidated financial statements of Service Industries Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information. 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.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance, consolidated changes in equity and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Qualified Opinion

The financial statements of Service Shoes Lanka (Private) Limited (the Subsidiary Company of SICPL), for the year ended 31 December 2018 were Un-audited. Hence, total assets of Rupees 230.502 million as at 31 December 2018, total turnover of Rupees 233.121 million, net loss and comprehensive loss of Rupees 69.245 million for the year ended 31 December 2018 pertaining to the aforesaid Company have been incorporated in these consolidated financial statements by the management using Un-audited financial statements. Consequently, we were unable to determine whether any adjustments to these accounts were necessary.

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

Sr. No	Key audit matters	How the matter was addressed in our audit
1	<p>First time application of third and fourth schedules to the Companies Act, 2017</p> <p>First time application of third and fourth schedules to the Companies Act, 2017</p> <p>In view of promulgation of the Companies Act, 2017, the third and fourth schedules to the Companies Act, 2017 became applicable for the first time for the preparation of the Group's annual financial statements for the year ended December 31, 2018.</p> <p>The Companies Act, 2017 (including third and fourth schedules) forms an integral part of the statutory financial reporting framework as applicable to the Group and amongst others, prescribes the nature and content of disclosures in relation to various elements of the consolidated financial statements.</p> <p>The changes are considered as a key audit matter in view of the significant changes in disclosures in the consolidated financial statements and failure in compliance may have financial & reputational impact. Refer note 4.1 to the consolidated financial statements.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> • Obtained understanding of the requirements regarding preparation, disclosure and filing of consolidated financial statements applicable to the Group and assessed the design and operation of its key controls over preparation and filing of consolidated financial statements. • Reviewed minutes of meetings of Board of Directors, Audit Committee and internal audit reports for any recorded instances of potential non-compliance and maintained a high level of vigilance when carrying out other audit procedures for indication of non-compliance. • Reviewed consolidated financial statements to ensure completeness and accuracy of disclosures in the consolidated financial statements to ensure compliance with reporting and disclosure requirements of Companies Act, 2017.
2	<p>Capitalization of property, plant and equipment</p> <p>Refer to notes 6.6 & 16 to the consolidated financial statements.</p> <p>The Group has incurred significant amount of capital expenditure during the year amounting to Rs. 1,633 million majority of which is attributable to the expansion of manufacturing facilities.</p> <p>We considered capitalization of property, plant and equipment as a key audit matter because there is a risk that amounts being capitalized may not meet the capitalization criteria with related implications on depreciation charge for the year.</p>	<ul style="list-style-type: none"> • Obtained understanding of the design and implementation of management controls over capitalization and performing tests of control over authorization of capital expenditure and ensured accuracy of its recording in the system; • Testing, on sample basis, the costs incurred on projects with supporting documentation and contracts; • Assessing the nature of costs incurred for the capital projects through testing, on sample basis, of amounts recorded and considering whether the expenditure meets the criteria for capitalization as per the applicable accounting standards; • Conducted visit to the sites to which significant capital expenditure relates to verify existence of manufacturing facilities expansion.

Sr. No	Key audit matters	How the matter was addressed in our audit
3	<p>Revenue</p> <p>The Group has recognized export sales revenue of Rs. 7.440 billion which constitutes 31% of Group's total turnover. The Group recognizes revenue based on terms and conditions of transaction with varying customers.</p> <p>We identified export revenue as key audit matter as revenue recognition is subject to management's judgment on whether risks and rewards has been properly transferred, and therefore carries the risk of inappropriate recognition without transfer of those risks and rewards.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> • Obtaining understanding of the process and mechanism involved in recognition of export revenue and conducting tests on sample basis in order to assess the operating effectiveness of internal controls adopted over the recognition and measurement of revenue transactions especially with regard to shipment and billing; • Assessing the appropriateness of the Group's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards; • Vouching sample of revenue transactions recorded during the year and comparing them with contracts/ invoices, outward gate passes, letter of credits, goods declaration and other relevant underlying documents and verifying exchange rates for such transactions from reliable sources.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements of the group and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, the Group should have consolidated Service Shoes Lanka (Private) Limited (the Subsidiary Company of SICPL) based on audited financial statements. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements

in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Mr Rashid Rahman Mir.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Mr Rashid Rahman Mir.

Rahman Sarfaraz Rahim Iqbal Rafiq,
Chartered Accountants
Lahore.
Date: April 03, 2019

Consolidated Statement of Financial Position

As at December 31, 2018

	Note	2018 Amount Rupees in thousand	2017 Amount
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital 100,000,000 (2017:100,000,000) ordinary shares of Rs. 10/- each:		1,000,000	1,000,000
Paid up share capital	7	120,288	120,288
Reserves & Retained Earnings	8	5,379,198	4,613,014
Attributable to owners of the holding company		5,499,486	4,733,302
Non-Controlling Interest		(16,322)	10,662
		5,483,164	4,743,964
Non-current liabilities			
Long term financing	9	2,617,155	2,431,930
Long term deposits	10	3,243	5,258
Deferred liabilities	11	521,628	536,596
		3,142,026	2,973,784
Current liabilities			
Trade and other payables	12	2,881,556	2,936,698
Uncashed dividend warrants		32,002	27,774
Interest and mark-up accrued	13	146,917	108,065
Short term borrowings	14	5,722,630	4,589,272
Current portion of long term financing	9	699,725	451,642
Provision for taxation	34	214,255	154,366
		9,697,085	8,267,817
Contingencies and commitments	15	-	-
		18,322,275	15,985,565

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.

Chaudhry Ahmed Javed
(Chairman)

	Note	2018 Amount Rupees in thousand	2017 Amount
ASSETS			
Non-current assets			
Property, plant and equipment	16	7,054,975	6,060,867
Intangible assets and goodwill	17	43,179	39,546
Long term investments	18	506,914	455,648
Long term loans	19	20,450	17,762
Long term deposits		95,010	99,393
		7,720,528	6,673,216
Current assets			
Stores, spares and loose tools	20	159,415	122,467
Stock in trade	21	4,122,896	3,973,831
Trade debts	22	3,273,650	2,741,731
Loans, advances and receivables	23	479,530	305,841
Trade deposits and prepayments	24	94,917	137,700
Other receivables		77,019	56,848
Tax refunds due from government	25	2,321,479	1,889,483
Cash and cash equivalents	26	72,841	84,448
		10,601,747	9,312,349
		18,322,275	15,985,565

Arif Saeed
(Chief Executive)

Badar Ul Hassan
(Chief Financial Officer)

Consolidated Statement of Profit or Loss

For the year ended December 31, 2018

	Note	2018 Amount Rupees in thousand	2017 Amount
Sales - net	27	24,058,312	20,958,955
Cost of sales	28	19,901,407	17,408,777
Gross profit		4,156,905	3,550,178
Operating expenses			
Distribution cost	29	1,542,734	1,303,730
Administrative expenses	30	1,169,326	1,097,111
Other operating expenses	31	140,299	152,434
		2,852,359	2,553,275
Operating profit before other income		1,304,546	996,903
Other income	32	476,455	361,607
Operating profit		1,781,001	1,358,510
Finance cost	33	596,649	343,707
Profit before taxation		1,184,352	1,014,803
Taxation	34	147,105	145,139
Profit after taxation		1,037,247	869,664
Attributable to:			
Owners of the holding company		1,064,945	881,339
Non-controlling interest		(27,698)	(11,675)
		1,037,247	869,664
Earnings per share - basic and diluted (Rupees)	35	88.53	73.27

Attributable to the owners of the holding Company

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.

Chaudhry Ahmed Javed
(Chairman)

Arif Saeed
(Chief Executive)

Badar Ul Hassan
(Chief Financial Officer)

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2018

	Note	2018 Amount Rupees in thousand	2017 Amount
Profit after taxation		1,037,247	869,664
Other comprehensive income			
Items that may reclassify to profit and loss account			
(Loss) / gain on Investments - net of tax		(7,550)	(32,224)
Add: Adjustment for amount transferred to profit and loss account		-	(40,436)
Exchange difference on translation of foreign subsidiary		(378)	2,023
Exchange difference on translation of goodwill		1,784	1,784
		(27,269)	(40,326)
Items that may not reclassify to profit and loss account			
Actuarial gain / (loss) on defined benefit plans - net of tax (Gratuity Fund)		(27,269)	(40,326)
		(33,413)	(109,179)
Total comprehensive income for the year		1,003,834	760,485
Attributable to:			
Owners of the holding company		1,030,818	771,446
Non-controlling interest		(26,984)	(10,961)
Total comprehensive income for the year		1,003,834	760,485

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.

Chaudhry Ahmed Javed
(Chairman)

Arif Saeed
(Chief Executive)

Badar Ul Hassan
(Chief Financial Officer)

Consolidated Statement of Changes in Equity

For the year ended December 31, 2018

	Paid up share capital	Capital reserves		Revenue reserves			Attributable to owners the holding company	Non- Interest	Total controlling
		Capital gains	Share premium	Exchange translation reserve	General reserve	Unappropri- ated profits			
Rupees in thousand									
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
Final dividend for the year ended December 31, 2017 @ Rs. 22 per share	-	-	-	-	-	(264,634)	(264,634)	-	(264,634)
Total comprehensive income for the year	-	-	-	692	-	1,030,126	1,030,818	(26,984)	1,003,834
Balance as at December 31, 2018	120,288	102,730	21,217	3,785	1,558,208	3,693,258	5,499,486	(16,322)	5,483,164

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.

Chaudhry Ahmed Javed
(Chairman)

Arif Saeed
(Chief Executive)

Badar Ul Hassan
(Chief Financial Officer)

Statement of Consolidated Cash Flows

For the year ended December 31, 2018

	Note	2018	2017
		Amount Rupees in thousand	Amount
Cash flows from operating activities			
Cash generated from operations	37	1,232,696	(236,885)
Finance cost paid		(557,797)	(280,004)
Ijarah rentals paid		(68,700)	(72,940)
Income tax paid		(276,073)	(335,830)
Staff retirement benefits paid		(10,735)	(33,282)
W.P.P.F (Paid) / Receipt		(6,492)	2,872
W.P.P.F paid		(65,000)	(56,000)
Net cash generated from / (Used in) operating activities		247,899	(1,012,069)
Cash flows from investing activities			
Dividend from associated Company	18	46,184	25,616
Receipt of pre-acquisition profit from associated company		-	3,020
Capital expenditure		(1,619,117)	(1,714,704)
Addition in intangible assets		(2,812)	-
Proceeds from sale of property, plant and equipment		2,057	6,672
Investment in associated companies		-	(92,856)
Acquisition of subsidiary company		-	(6,304)
Short Term Investment		-	103,745
Long term loans - net		(2,688)	(2,331)
Long Term Investment		7,550	(29,600)
Long term deposits - net		4,383	(21,437)
Net cash used in investing activities		(1,564,443)	(1,728,179)
Cash flows from financing activities			
Short term borrowings - net		1,133,358	1,289,526
Long term financing		433,308	1,662,493
Exchange differences on translation of investments in foreign subsidiary		692	2,023
Liabilities against assets subject to finance lease		-	(417)
Dividend paid		(260,406)	(417,164)
Long term deposits		(2,015)	(10)
Net cash generated from / (used in) financing activities		1,304,937	2,536,451
Net (decrease) / increase in cash and cash equivalents		(11,607)	(203,797)
Cash and cash equivalents at the beginning of the year		84,448	288,245
Cash and cash equivalents at the end of the year	26	72,841	84,448

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.

Chaudhry Ahmed Javed
(Chairman)

Arif Saeed
(Chief Executive)

Badar Ul Hassan
(Chief Financial Officer)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

1 Legal status and operations

Service Industries Limited (the Holding 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 Holding Company are quoted on the Pakistan Stock Exchange. The principal activities of the Holding Company are purchase, manufacture and sale of footwear, tyres and tubes and technical rubber products.

Geographical location and address of business units/plants

Purpose	Location	Address
Registered Office	Lahore	Servis House, 2-Main Gulberg, Lahore-54662
Factory Site	Muridke	Muridke-Sheikhupura Road
Factory Site	Gujrat	G.T. Road, Gujrat.

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 (now the Companies Act 2017) 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 Wickrama Mawatha, Colombo 15 and the principal place of business is located at Katunayake.

1.1 Summary of significant events and transitions in the current reporting period.

The Group's financial position and performance were particularly affected by the following events and transactions during the reporting period:

- The exchange rate of United States Dollar to Pak Rupees has increased from Pak Rupees 110.55 as at January 01, 2018 to Pak Rupees 138.25 as at 31 December 2018.
- The Holding Company, in an attempt to diversify its market portfolio further with regard to tyre and tube products, has identified a new segment relating to Agricultural Tractors and is installing a new plant in order to cater to that segment. The entering of the new market is expected to have positive impact on the both the volume and profitability of the Group.

- Due to the first time application of financial reporting requirements under the Companies Act, 2017, including disclosure and presentation requirements of the fourth schedule of the Companies Act, 2017, some of the amounts reported for the previous period include additional information along with relevant disclosures refer note 4.1

- For a detailed discussion about the Group's performance, please refer to the Directors' report.

2 Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

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 or 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 or loss account where applicable. The gain / loss arising on dilution of interest in an equity accounted investee is recognized in the profit or 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 or loss account.

3 Use of estimates and judgments

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

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

4 Initial Application of a Standard, Amendment or an Interpretation to an Existing Standard and Forthcoming Requirements

4.1 Amendments in the statutory financial reporting framework applicable to the Group:

The third and fourth schedule to the Companies Act, 2017 became applicable to the Group for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fourth schedule) forms an integral part of the statutory financial reporting framework applicable to the Group and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Additional disclosures include but are not limited to:

Note	Particular
1	Geographical location and address of business units/plants
1.1	Significant transactions & events effecting the company's financial position and performance
16.1.1.1	Particulars of immovable assets of the Group
34.2	Management assessment of sufficiency of tax provision in the financial statements
36	Change in threshold for identification of executives
39	Additional disclosure requirements for related parties
40	Additional disclosure requirements for production capacity
42	Additional disclosure requirements for number of employees

4.2 Standards and interpretations that have become effective but are not relevant to the Group:

The following standards (revised or amended) and interpretations became effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the Group:

- IFRS 2 - Share Based Payments - (Amended)
- IFRS 4 - Insurance contracts - (Amended)-(applicable for annual periods beginning on or after 1 January 2018). IFRS 17 will replace IFRS 4 as of 1 January 2021.
- IAS 28 - Investments in Associates-(Amended resulting from Annual Improvements 2014-2016).
- IAS 40 - Investment Property - (Amended- Transfers of Investment Property)-(applicable for annual periods beginning on or after 1 January 2018).
- IFRIC 22 - Foreign Currency Transaction and Advance Consideration - (applicable for annual periods beginning on or after 1 January 2018).

4.3 Forthcoming requirements not effective in current year and not considered relevant

The following standards (revised or amended) and interpretations of approved accounting standards are only effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Group's operations or are not notified by SECP :

- IFRS 1 - First-time Adoption of International Financial Reporting Standards - (Amended)-(effective for annual periods beginning on or after 1 January 2018) - Not notified by SECP.
- IFRS 3 - Business Combinations - (Amendments resulting from Annual Improvements 2015-2017 Cycle)-(applicable for annual periods beginning on or after 1 January 2019)
- IFRS 3 - Business Combinations - (Amended by Definition of a Business)-(applicable for annual periods beginning on or after 1 January 2020)
- IFRS 9 - Financial Instruments: Classification and Measurements - (applicable for annual periods beginning on or after 1 July 2018).
- IFRS 11 - Joint Arrangements (Amended by Annual Improvements to IFRS Standards 2015-2017 Cycle)-(applicable for annual periods beginning on or after 1 January 2019).
- IFRS 14 - Regulatory Deferral Accounts - (applicable for annual periods beginning on or after 1 January 2016) - Not notified by SECP.
- IFRS 15 - Revenue from Contracts with Customers - (applicable for annual periods beginning on or after 1 July 2018).
- IFRS 16 - Leases - (applicable for annual periods beginning on or after 1 January 2019)
- IFRS 17- Insurance Contracts - (effective for annual periods beginning on or after 1 January 2021) - Not notified by SECP.
- IAS 12- Income Taxes - (Amended)-(effective for annual periods beginning on or after 1 January 2019).
- IAS 19 - Employee Benefits-(Amended)- (effective for annual periods beginning on or after 1 January 2019).
- IAS 23 - Borrowing Costs-(Amendments resulting from annual improvements 2015-2017 cycle)- (effective for annual periods beginning on or after 1 January 2018).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

- IAS 28 - Investments in Associates-(Amended by Long-term Interests in Associates and Joint Ventures)- (effective for annual periods beginning on or after 1 January 2019).
- IFRIC 23 - Uncertainty Over Income Tax Treatments - (applicable for annual periods beginning on or after 1 January 2019).

The Group expects that the adoption of the above revision, amendments and interpretation of the standards will not materially affect the Group's financial statements in the period of initial application as they are either not relevant to the Group's operations or are not expected to have significant impact on Group's financial statements other than increased disclosure in some cases.

5 Basis of preparation

5.1 Accounting convention

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

5.2 Functional and presentation currency

The 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 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 2018, 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 20% 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 at the rate of 5% of its accounting profit before tax. The liability in respect of such income tax, if any, is recognized 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.

Unrecognized 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 Holding 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 or 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

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 Capital work in progress

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

6.6.3 Intangible assets

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

6.6.3 Ijarah assets

The Holding Company recognizes ijarah payments under an Ijarah agreement as an expense in the profit or 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 assets 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 or 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

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.

			2018	2017	
			Amount	Amount	
			Rupees in thousand		
7	Paid up share capital				
	Issued, subscribed and paid up:				
	Number of Shares				
	2018	2017			
	3,183,190	3,183,190	Ordinary shares of Rs. 10/- each fully paid in cash	31,832	31,832
	8,845,599	8,845,599	Ordinary shares of Rs. 10/- each issued as bonus shares	88,456	88,456
	12,028,789	12,028,789		120,288	120,288

*All the shares are similar with respect to their rights including on voting, board selection, first refusal and block voting.

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

	2018	2017
	Number of Shares	
- Shahid Arif Investments (Private) Limited [0.084% - (2017: 0.084%)]	10,144	10,144

	Note	2018 Amount	2017 Amount
		Rupees in thousand	
8	Reserves		
	Capital reserves		
	Share premium	21,217	21,217
	Capital gains	102,730	102,730
	Exchange translation reserve	3,785	3,093
		127,732	127,040
	Revenue reserves		
	General reserve	1,558,208	1,558,208
	Unappropriated profits	3,693,258	2,927,766
		5,251,466	4,485,974
		5,379,198	4,613,014

8.1 This reserve can be utilized by the Company only for the purposes specified in section 81 (2) and 81 (3) of the Companies Act, 2017.

9 Long term financing

	Note	2018	2017
Total long term financing	9.1 & 9.2	3,316,880	2,883,572
Less: current portion		(699,725)	(451,642)
		2,617,155	2,431,930

9.1 Loan from banking companies

	2018	2017
Loan - I	105,000	175,000
Loan - II	100,000	150,000
Loan - III	225,000	250,000
Loan - IV	360,000	450,000
Loan - XI	129,968	42,776
Loan - XII	720,000	800,000
Loan - XIII	500,000	500,000
Loan - XIV	235,125	235,125
Loan - XV	75,110	83,694
Loan - XVI	500,000	-
Loan - XVII	21,908	-
	2,972,111	2,686,595
Less: current portion	(636,073)	(348,584)
	2,336,038	2,338,011

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

9.2 Islamic term finance

Loan - V	8,499	25,497
Loan - VI	2,919	8,757
Loan - VII	33,351	55,585
Loan - VIII	-	71,865
Loan - IX	-	35,273
Loan - X	300,000	-
	344,769	196,977
Less: current portion	(63,652)	(103,058)
	281,117	93,919

- 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 19, 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 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. The loan is secured by first pari passu charge over fixed assets of the Holding Company with 25% margin.
- III These represent long term finance loans obtained from MCB Bank Limited of Rs. 250 million approved in 2016 for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on March 28, 2018 and September 28, 2022 respectively. The markup rate is 6 month KIBOR + 25 bps per annum. The loan is secured by first pari passu charge over fixed assets of the Holding Company with 25% margin.
- IV These represent long term finance loans obtained from Allied Bank Limited of Rs. 250 million approved in 2016 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 20, 2018 and December 20, 2022 respectively. The markup rate is 6 month KIBOR + 15 bps per annum. The loan is secured by first pari passu charge over fixed assets of the Holding Company with 25% margin.
- V to IX These represent long term finance loans obtained from Meezan Bank Limited under Islamic Diminishing Musharakah upto a limit of Rs. 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 This represent long term finance loan obtained from Meezan Bank Limited under Islamic Diminishing Musharakah of Rs. 300 million approved May 2018 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 November 18, 2019 and May 18, 2024 respectively. The markup rate is 6 month KIBOR + 12.5 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 15% margin.

- XI These represent long term finance loans obtained from Habib Bank Limited of Rs. 130 million approved in 2017 and 2018 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. 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. 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. 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 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 Holding Company with 25% margin.
- XIV 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. The loan is secured by first pari passu charge over fixed assets of the Holding Company with 25% margin.
- XV 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. The loan is secured by first pari passu charge over fixed assets of the Holding Company with 25% margin.
- XVI These represent long term finance loans obtained from Allied Bank Limited of Rs. 500 million approved in 2018 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 29, 2019 and June 29, 2024 respectively. The markup rate is 6 month KIBOR + 15 bps per annum. The loan is secured by ranking charge over fixed assets of the Holding Company with 25% margin.
- XVII These represent long term finance loans obtained from Allied Bank Limited of Rs. 100 million approved in 2018 for a period of Ten years under LTFF scheme of SBP, repayable on quarterly basis. The loan is not fully disbursed and its tentative expiry date is October 31, 2028. The markup rate is 225 bps per annum. The loan is secured by ranking charge over fixed assets of the Holding Company with 25% margin.

	Note	2018 Amount Rupees in thousand	2017 Amount
10 Long term deposits	10.1	3,243	5,258

- 10.1 This represent deposits of dealers and others, who have permitted the utilization of such money by the Holding Company in pursuance of section 217 of the Companies Act, 2017.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	Note	2018 Amount Rupees in thousand	2017 Amount
11 Deferred liabilities			
Deferred taxation	11.1	341,182	408,147
Employee benefits plans	11.2	180,446	128,449
		521,628	536,596
11.1 Deferred tax liability is made up as follows:			
Deferred tax impact against accelerated depreciation		450,525	441,617
Deferred tax asset against provisions		(44,592)	(47,633)
Deferred tax impact against -minimum tax adjustment		(89,640)	-
Deferred tax impact against investment - Investment in associate		24,889	14,163
		341,182	408,147
11.2 Employees benefit plans			
11.2.1 The amounts recognized in the statement of financial position			
Present value of defined benefit obligations	11.2.4	262,604	213,626
Fair value of plan assets	11.2.5	(82,158)	(85,177)
Statement of financial position liability as at December 31		180,446	128,449
11.2.2 Moment in the net liability recognized in the statement of financial position			
Opening balance		128,449	85,036
Charge for the year	11.2.3	35,513	28,366
Payments during the year		(10,785)	(25,279)
Remeasurements chargeable to OCI	11.2.6	27,269	40,326
Closing balance		180,446	128,449
11.2.3 Amounts recognized in the statement of profit or loss			
Current service cost		25,360	22,575
Interest cost		17,182	13,597
Interest income on plan assets		(7,029)	(7,806)
		35,513	28,366
11.2.4 Changes in the present value of defined benefit obligation			
Opening defined benefit obligation		213,626	186,612
Current service cost		25,360	22,575
Interest cost		17,182	13,597
Benefits paid		(10,735)	(33,282)
Remeasurements:			
Actuarial losses from changes in financial assumptions		2,790	121
Experience adjustments		14,381	24,003
		262,604	213,626

	Note	2018 Amount Rupees in thousand	2017 Amount
11.2.5 Changes in the fair value of the plan assets			
Opening fair value of plan assets		85,178	101,576
Interest Income on plan assets		7,029	7,806
Contribution by employer		10,785	25,279
Benefits paid		(10,735)	(33,282)
Return on plan assets excluding interest income		(10,099)	(16,202)
		82,158	85,177
11.2.6 Amounts recognized in the other comprehensive income			
Experience adjustments		14,381	24,003
Return on plan assets excluding interest income		10,099	16,202
Actuarial (gain) / loss from changes in financial assumptions		2,790	121
Actuarial (gain) / loss chargeable to OCI		27,269	40,326

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

	2018 Rupees in thousand	2018 %	2017 Rupees in thousand	2017 %
Gratuity scheme				
Unit trust	70,442	85.74	71,283	83.69
Term deposit	11,608	14.13	11,833	13.89
Other assets	108	0.13	2,061	2.42
	82,158	100	85,177	100

	Note	2018 Amount Rupees in thousand	2017 Amount
11.2.8 Return on plan assets			
Interest income on plan assets		7029	7,806
Return on plan assets excluding interest income		(10,099)	(16,202)
		(3,070)	(8,396)

The expected return on plan assets is based on the market expectation and depends 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 statement of financial position date.

	Percentage	Percentage
11.2.9 Principal actuarial assumptions		
Discount rate	13.25	8.25
Expected rate of salary increase	12.25	7.25
Expected rate of return on investments	8.25	8.00

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

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 2017.

	Note	2018 Amount Rupees in thousand	2017 Amount Rupees in thousand
Discount Rate + 100 bps		236,009	194,251
Discount Rate - 100 bps		283,121	236,149
Salary increase + 100 bps		283,477	236,463
Salary increase - 100 bps		235,324	193,633
12 Trade and other payables			
Trade creditors		1,631,051	1,435,099
Accrued liabilities		955,724	1,003,646
Bills payable		124,482	266,858
Advances from customers		139,361	180,542
Provident fund payable		30,250	27,634
Workers' profit participation fund	12.1	(23,147)	(1,585)
Workers' welfare fund	12.2	8,302	6,492
Others		13,204	9,262
Tax deducted at source		2,329	8,750
		2,881,556	2,936,698
12.1 Workers' profit participation fund			
Balance as at January 01		(1,585)	(2,753)
Add: provision for the year	31	41,734	54,296
		40,149	51,543
Less: payments during the year		(63,296)	(53,128)
Balance as at December 31		(23,147)	(1,585)
12.2 Workers' welfare fund			
Balance as at January 01		6,492	64,280
Add: provision for the year	31	8,302	6,492
		14,794	70,772
Less: payments / adjustments during the year		(6,492)	(64,280)
Balance as at December 31		8,302	6,492
13 Interest and mark-up accrued			
Long term financing - secured		58,854	43,453
Short term borrowings - secured		88,063	64,612
		146,917	108,065

14 Short term borrowings

From banks and other financial institutions:

	Sanctioned limit		Availed limit	
	2018	2017	2018	2017
	<-----Rupees in thousand----->			
Under mark up arrangements with consortium banks:				
Cash credits	6,144,000	6,708,236	2,225,275	2,315,508
Export refinance	3,496,752	2,273,764	3,497,355	2,273,764
	9,640,752	8,982,000	5,722,630	4,589,272

These short term borrowing facilities have been availed from various banks. The rates of markup range between 2.1% to 11.15% (2017: 1.3% to 7.01% 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 and loose tools, stock in trade, trade debts, amount due from government etc.

The short term running finance facility has been 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 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 CIR (Appeals), which is pending for hearing. 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, hence, no provision has been made in these financial statements.
- 15.2 The Deputy Director of Pakistan Employees Social Security Institute (PESSI), Gujrat initiated two cases against the Holding 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. The matter was decided against the Holding Company by the Institution and Holding Company filed an appeal before the Social Security Court, Lahore, which is pending for hearing. In second case, PESSI initiated a case of Rupees 77.6 million against the Holding Company, against which a complaint was filed to the Institution. Social Security Institution disposed of our complaint while referring the matter to the local office Gujrat for reconsideration after re-checking of record. The local office Gujrat, raised a demand of same amount, against which the Holding Company filed a complaint; which is pending adjudication before the Institution. During the pendency of matter before the Institution, a recovery notice was issued by the local office. The Holding Company filed a writ petition before the Honorable Lahore High Court wherein the recovery notice was suspended by the Honorable Lahore High Court. As per legal counsel of the Holding Company, the Holding Company has strong legal grounds for its success.
- 15.3 The DCIR, LTU initiated a case against the Holding Company of 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 canceled except two points having impact of Rupees 2.65 million. The Holding Company had further filed an appeal

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

before ATIR against said points. The management of the Holding Company is confident that decision will be in favour of the Holding Company hence, no provision has been made in these financial statements.

15.4 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 has filed an appeal with CIR (Appeals) who confirmed the demand of Rupees 10 million and remanded back certain charges to the tune of 172.7 million. The Holding Company filed an appeal with ATIR against the decision of 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.

15.5 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 Holding Company, hence, no provision has been made in these financial statements.

15.6 Honorable Lahore High Court has allowed a petition filled by the Company against show-cause notice issued by DCIR amounting to 13 million. The show-cause notice was issued on account of post sales tax refunds audit of various tax periods. FBR challenged the decision in august in Supreme Court of Pakistan, 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 DCIR, LTU initiated a case of withholding tax audit for tax year 2011 in which a demand of Rupees 40.03 million under Section 161 and 205 of The Income Tax Ordinance, 2001 was created. The Holding Company preferred an appeal before CIR (Appeal) which is pending for hearing. The management of Holding Company is confident that decision shall be in favor of Holding Company, hence, no provision has been made in these financial statements.

15.8 The DCIR, LTU conducted income tax audit for the year 2011 in which a demand of rupees 19.6 million was created. The Holding Company preferred an appeal before the CIR (Appeals) which is pending for hearing. The management is confident that decision will be in favor of the Holding Company, hence, no provision has been made in these financial statements.

15.9 The Holding Company has challenged, before Honorable Lahore High Court, 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 Honorable Lahore High Court has issued stay order in favor 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 High Court, Lahore, the vires of clauses (h) and (l) 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 Honorable Lahore High Court has issued stay order in favor 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(Appeals) which were dismissed against the Holding Company without discussing the merits of the cases. The Holding Company has filed appeal with ATIR which is pending for hearing. The management is confident that decision will be in favor of the Holding Company, hence, no provision has been made in these financial statements.

15.12 The CIR, LTU passed an order regarding Crest discrepancies of sales tax for an amount of Rupees 11.1 million. The Holding Company filed an appeal with ATIR which is pending for hearing. The management is confident that decision will be in favor of the Holding Company, hence, no provision has been made in these financial statements

Commitments

15.13 Guarantees issued in ordinary course of business through banks are of Rs. 523 million (2017: Rs. 1,882 million).

15.14 Irrevocable letters of credit outstanding at the year end are of Rs. 486.71 million (2017: Rs. 1,370.16 million).

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

	Note	2018 Amount Rupees in thousand	2017 Amount
Not later than one year		61,109	75,144
Later than one year and not later than five years		87,154	121,914
Later than five years		-	-
		148,263	197,058
16 Property, plant and equipment			
Operating fixed assets	16.1	5,835,196	4,842,097
Capital work in progress	16.2	1,219,779	1,218,770
		7,054,975	6,060,867

16.1 Operating fixed assets

Particulars	Cost			Accumulated depreciation			W.D.V. as at December 31, 2018
	As at January 01, 2018	Additions / transfers	Disposals	As at January 01, 2018	Charge for the year	Adjustments / Exchange / Other Adjustments	
	Rupees in thousand			Rupees in thousand			
Owned							
Freehold land	7,071	-	-	-	-	-	7,071
Building on freehold land	1,309,990	362,957	-	393,627	99,101	4,952	497,680
Plant and machinery	4,488,865	1,019,700	7,223	1,567,440	365,241	6,041	1,934,506
Furniture, fixture and fittings	53,277	7,784	212	26,990	3,342	18	30,745
Vehicles	45,416	8,171	719	16,525	7,336	435	25,823
Service equipments	1,262,352	113,287	4,231	479,950	102,595	3,594	580,511
Leasehold improvements	201,440	121,275	15,340	41,782	33,619	6,002	69,399
Total - 2018	7,368,411	1,633,174	27,725	2,526,314	611,234	16,090	3,138,664

Particulars	Cost			Accumulated depreciation			W.D.V. as at December 31, 2017
	As at January 01, 2017	Additions / transfers	Disposals	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	406,270	12,742	320,519	76,382	3,316	393,627
Plant and machinery	3,937,937	587,526	36,598	1,322,920	272,392	27,949	1,567,440
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	16,525
Service equipments	1,138,273	144,085	20,006	400,130	88,811	9,016	479,950
Leasehold improvements	148,940	55,850	3,350	23,059	19,393	670	41,782
Total - 2017	6,220,211	1,223,843	75,643	2,103,586	465,556	43,013	2,526,314

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

	Note	2018 Amount Rupees in thousand	2017 Amount
Cost of sales	28	537,109	420,535
Administrative expenses	30	23,478	17,562
Distribution cost	29	50,647	27,459
		611,234	465,556

16.1.1.1 Particulars of immovable property (i.e. land and building) in the name of the Company are as follows:

Location	Description of immovable property	Total Area (In Sq Feet)
		a) Lahore
b) Muridke	Factory & Residential Colony	1,376,320
c) Gujrat	Factory & Residential Colony	2,038,608

16.1.2 Disposal of property, plant and equipment

The details of operating fixed assets disposed-off during the year having books value exceeding Rs. 500,000 are as follows:

Particulars	Cost	Accumulated depreciation	Net book value	Sale proceeds		Relationship	Mode of disposal
				Sold to	Relationship		
<-----Rupees in thousand----->							
Having book value exceeding Rs. 500,000							
Assets-Leasehold improvements	15,340	6,002	9,338	-	other party	Nil	Write Off
Total	15,340	6,002	9,338	-			

16.2 Capital Work in Progress

							2018 Amount	2017 Amount
	Building	Plant and machinery	Furniture and fixture	Leasehold improvements	Service equipment	Vehicles	Total	Total
<-----Rupees in thousand----->								
Balance as at January 01	364,384	744,382	209	72,354	37,352	91	1,218,770	629,310
Additions during the year	350,396	912,647	3,008	69,999	124,616	149	1,460,815	1,701,972
Transfers / adjustments during the year	(354,290)	(881,121)	(2,668)	(142,353)	(79,134)	(240)	(1,459,806)	(1,112,512)
Balance as at December 31	360,490	775,908	549	-	82,834	-	1,219,779	1,218,770

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	Note	2018 Amount Rupees in thousand	2017 Amount
17 Intangible assets and goodwill			
Software programs	17.1	9,275	7,426
Goodwill	17.1	33,904	32,120
		43,179	39,546

17.1 Intangible assets and goodwill

	Software program		Goodwill	
	2018	2017	2018	2017
	←-----Rupees in thousand----->			
Cost				
As at January 01	47,214	40,663	32,120	30,336
Additions / transfers during the year	2,812	6,190	-	-
Disposal	-	-	-	-
Effect of movements in exchange rates	473	361	1,784	1,784
As at December 31	50,499	47,214	33,904	32,120
Amortization				
As at January 01	39,788	37,943	-	-
Charge for the year	1,320	1,845	-	-
Disposals	-	-	-	-
Effects of movements in exchange rate	116	-	-	-
As at December 31	41,224	39,788	-	-
Book value as at December 31	9,275	7,426	33,904	32,120
Rate of amortization	33.33%	33.33%		

Amortization charge for the year has been allocated as follows:

Administrative expenses	30	1,023	1,812
Distribution cos	29	297	33
		1,320	1,845

18 Long term investments

These represents long term investments in:

Related parties	18.1	484,864	426,048
Others	18.2	22,050	29,600
		506,914	455,648

18.1 Investment in Related Parties:

18.1.1 Investment in Associate:

Speed (Private) Limited	18.1.1.1	484,384	425,568
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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
		484,864	426,048

Note	2018 Amount Rupees in thousand	2017 Amount
18.1.1.1 Speed (Private) Limited - associated company		
Cost of investment-SIL		
160,709 fully paid ordinary shares of Rs. 100/- each (2017: 160,709)	190,949	190,949
Cost of investment-SICPL		
30,200 fully paid shares of Rs. 2,044.40 each (2017: 30,200)	58,721	58,721
73,000 fully paid ordinary shares of Rs. 1,272 each (2017: 73,000)	92,856	92,856
Share of post acquisition reserve		
As at the beginning of the year	83,042	56,745
Share of post acquisition profit for the year / period	105,000	51,913
Less: Dividends received during the year	(46,184)	(25,616)
	141,858	83,042
	484,384	425,568

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.

18.1.1.4 Current assets	1,179,245	1,006,562
Non current assets	252,094	267,254
Current liabilities	293,863	299,800
Non current liabilities	1,970	1,970
Revenue - net for the year / period	2,336,356	2,105,040
Expenses for the year / period	2,044,445	1,879,859
Profit for the year / period	291,911	225,181
Total comprehensive income for the year	291,911	225,181
Net assets of the associate	1,135,507	972,046
Percentage of holding	35.97%	35.97%
Share in net assets of associate	408,461	349,645
18.1.1.5 Breakup value per share (Rupees)	1,548	1,325

18.1.1.6 Reconciliation of share in net assets of associate with carrying value of investment

Share in net assets of associate	408,461	349,645
Add: Goodwill	75,923	75,923
Carrying value of investment in associate	484,384	425,568

18.2 Investment in quoted securities - Available for sale investments

TRG Pakistan Limited		
1,000,000 fully paid ordinary shares (2017- 1,000,000)	18.2.1	29,600
Fair value adjustment		(7,550)
		22,050
		29,600

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For the year ended December 31, 2018

18.2.1 These share were originally purchased for Rs. 61,823,891/-

18.3 Investment in subsidiaries and associate have been made in accordance with the requirements of the Companies Act, 2017.

	Note	2018 Amount Rupees in thousand	2017 Amount Rupees in thousand
19 Long term loans			
Considered good			
- due from executives	19.1	28,877	22,013
- due from other employees		1,591	1,014
		30,468	23,027
Less: current portion of long term loans	23	(10,018)	(5,265)
		20,450	17,762
19.1 Reconciliation of loans to executives			
Balance as at January 01		22,013	20,101
Add: Disbursements during the year		15,638	14,550
Less: Repayments during the year		(8,774)	(12,638)
Balance as at December 31		28,877	22,013

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. 27.333 million (2017: Rs. 22.333 million).

19.4 No amount is due from Directors and Chief Executive.

20 Stores, spares and loose tools

Machinery spares		32,805	42,267
Stores		146,864	106,372
Loose tools		4,141	3,058
Less:			
Provision for slow moving and obsolete items	20.1	(24,395)	(29,230)
		159,415	122,467

20.1 Movement for provisions:

Balance at the beginning of the year		29,230	23,482
Provisions made during the year		2,986	7,717
Reversals made during the year		(7,821)	(1,969)
Charge for the year		(4,835)	5,748
Balance at the end of the year		24,395	29,230

	Note	2018 Amount Rupees in thousand	2017 Amount Rupees in thousand
21 Stock in trade			
Raw material		1,545,085	1,337,845
Packing material		75,722	68,841
Work in process		423,069	311,171
Finished goods: Own production		1,092,326	1,476,907
Purchased		875,582	747,454
Goods in transit		240,401	172,339
Engineering Consumable		480	250
Stationary		260	30
Provision for slow moving, obsolete items and net realizable value	21.1	(130,029)	(141,006)
		4,122,896	3,973,831

21.1 Movement for provisions:

Balance at the beginning of the year		141,006	94,223
Provision/(Reversal) for the year		(10,977)	46,783
Balance at the end of the year		130,029	141,006

21.2 Finished goods of Rs. 233 million (2017: Rs. 239.8 million) are being carried at net realizable value and an amount of Rs. 76 million (2017: Rs. 55.78 million) has been charged to cost of sales, being the cost of inventory written down during the year.

22 Trade debts

Secured - Against irrevocable letters of credit		369,260	288,757
Unsecured - Considered good		2,904,390	2,452,974
Unsecured - Considered doubtful		70,929	39,232
Provision for doubtful debts	22.1	(70,929)	(39,232)
		3,273,650	2,741,731

22.1 Movement of provision for doubtful debts is as follows:

Balance at the beginning of the year		39,232	65,670
Provisions made during the year		31,697	23,256
Bad debts written off		-	(49,694)
Reversals/ adjustments made during the year		-	-
		31,697	(26,438)
Balance at the end of the year		70,929	39,232

22.2 These relate to normal business of the Holding Company.

22.3 During the year, no trade debts were written off against provision for doubtful debts.

22.4 As on 31 Dec 2018, disclosure in respect of outstanding export debtors along with type of arrangements are as follows:

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

Region	Letter of Credit		Cash against documents	
Asia	1,455	3,787	51,936	34,752
Europe	338,088	284,971	83,862	33,611
U.S.A	29,717	-	71,010	-
Russia	-	-	8,645	-
Australia	-	-	5,058	-
	369,260	288,758	220,511	68,363

	Note	2018 Amount Rupees in thousand	2017 Amount
23 Loans, advances and receivables			
Advances - considered good:			
- Staff	23.1	2,948	3,007
- Suppliers		76,706	78,463
- Others	23.2	20,836	17,608
Letters of credit		369,022	201,498
Current portion of long term loans	19	10,018	5,265
		479,530	305,841

23.1 There has been no loans and advances given to Directors
This includes balance of Rs. 1.9 million/- (2017: Rs.1.9 million) due from Joint venture- S2 Power Limited.
None of the aforementioned amounts are past due or impaired.

23.2 The maximum aggregate amount receivable from related parties at the end of any month during the year is as follows:

S2 Power Limited	1,901	2,164
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	2018 Amount	2017 Amount
24 Trade deposits and prepayments		
Security deposits	47,854	59,820
Prepayments	47,063	77,880
	94,917	137,700

	2018 Amount	2017 Amount
25 Tax refunds due from government		
Custom duty rebate	549,881	216,876
Excise duty	-	1,459
Advance income tax	1,132,948	1,014,626
Sales tax	638,650	656,522
	2,321,479	1,889,483

	Note	2018 Amount Rupees in thousand	2017 Amount
26 Cash and cash equivalents			
Cash in hand		6,262	7,605
Balances with banks in current accounts:			
- Local currency		60,749	72,861
- Foreign currency		688	1,481
Balances with banks in deposit accounts:			
- Foreign currency		189	147
Cash in transit		4,953	2,354
		72,841	84,448

	2018 Amount	2017 Amount
27 Sales - net		
Export sales	7,576,885	5,311,584
Discounts, commissions, etc.	(136,454)	(192,787)
	7,440,431	5,118,797
Local sales	20,181,849	18,960,816
Sales tax	(2,301,140)	(2,103,261)
Discounts, commissions, etc.	(1,262,828)	(1,017,397)
	16,617,881	15,840,158
	24,058,312	20,958,955

27.1 Export sales include net exchange rate gain of Rupees 142.42 million (2017: 141.72 million gain).

27.2 Sale of footwear (Net)

Export sales	6,523,459	4,455,083
Local sales	4,901,456	6,064,347
	11,424,915	10,519,430

Sale of tyres and tubes (Net)

Export sales	913,356	663,714
Local sales	11,699,282	9,768,601
	12,612,638	10,432,315

Sale of technical rubber products (Net)

Export sales	3,617	-
Local sales	17,142	7,210
	20,759	7,210
	24,058,312	20,958,955

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	Note	2018 Amount Rupees in thousand	2017 Amount
28 Cost of sales			
Raw material consumed	28.1	11,809,379	10,872,749
Salaries, wages and benefits	28.2	2,897,361	2,691,930
Stores and spares consumed		274,772	201,181
Packing material consumed		643,844	643,974
Fuel and power		728,344	667,321
Insurance		21,589	20,105
Travelling expenses		18,156	11,811
Repair and maintenance		150,310	138,547
Entertainment		4,574	5,164
Depreciation	16.1.1	537,109	420,535
Provision for slow moving items, obsolete items and net realizable value		(15,813)	52,530
Other manufacturing charges		171,379	140,259
		17,241,004	15,866,106
Work in process:			
As at January 01		311,170	292,401
As at December 31		(423,069)	(311,170)
		(111,899)	(18,769)
Cost of goods manufactured		17,129,105	15,847,337
Finished goods:			
As at January 01		2,224,361	1,387,429
Purchases during the year		2,516,329	2,398,372
As at December 31		(1,968,388)	(2,224,361)
		2,772,302	1,561,440
		19,901,407	17,408,777
28.1 Raw material consumed			
Balance as at January 01		1,337,845	963,419
Purchases during the year	28.3	12,016,619	11,247,175
Balance as at December 31		(1,545,085)	(1,337,845)
		11,809,379	10,872,749
28.2 Salaries, wages and benefits			
Salaries and wages		2,783,879	2,585,488
Provident fund contribution		99,767	94,142
Gratuity contribution		13,715	12,296
Pension fund contribution		-	4
		2,897,361	2,691,930

28.3 Custom duty rebate for the year amounting to Rs. 114.45 million (2017: Rs. 79.64. million) has been adjusted against raw material consumed.

	Note	2018 Amount Rupees in thousand	2017 Amount
29 Distribution cost			
Freight and insurance	29.1	393,104	265,469
Salaries and benefits	29.2	260,065	176,784
Advertisement and publicity		206,781	399,046
Entertainment		13,248	11,432
Samples		135,451	72,796
Depreciation	16.1.1	50,647	27,459
Amortization on intangible assets	17.1	297	33
Rent, rates and taxes		222,683	160,288
Postage and courier		44,040	31,897
Electricity		34,255	17,726
Traveling and conveyance		36,964	39,974
Others		145,199	100,825
		1,542,734	1,303,729
29.1 This includes export expenses of Rs. 202.1 million (2017: Rs. 110.80 million).			
29.2 Salaries and benefits			
Salaries and benefits		246,700	171,677
Gratuity contribution		4,973	-
Provident fund contribution		8,392	5,104
Pension fund contribution		-	3
		260,065	176,784
30 Administrative expenses			
Salaries and benefits	30.1	785,777	756,711
Communication		24,975	16,648
Printing and stationery		6,738	7,008
Travelling and conveyance		36,158	36,349
Entertainment		24,301	22,773
Motor car expenses		31,822	15,483
Insurance		4,195	3,738
Rent, rates and taxes		23,361	25,819
Fuel and power		22,780	22,305
Repairs and maintenance		23,874	8,843
General expenses		48,703	45,261
Auditors' remuneration	30.2	3,959	3,700
Legal and professional charges		32,265	22,988
Subscription		2,464	1,541
Depreciation	16.1.1	23,478	17,562
Amortization on intangible assets	17.1	1,023	1,812
Ijarah rentals		68,700	72,940
Computer running expenses		1,894	12,876
Advertisement		2,858	2,754
		1,169,326	1,097,111

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	Note	2018 Amount Rupees in thousand	2017 Amount
30.1 Salaries and benefits			
Salaries and benefits		748,625	722,559
Gratuity contribution		16,824	16,071
Provident fund contribution		20,328	18,070
Pension fund contribution		-	11
		785,777	756,711
30.2 Auditors' remuneration			
Audit fee		2,695	2,454
Half yearly review		609	554
Other certification services		494	449
Out of pocket expenses		161	243
		3,959	3,700
31 Other operating expenses			
Donations	31.1	48,605	46,017
Workers' profit participation fund	12.1	41,734	54,296
Workers' welfare fund-Current Year	12.2	8,302	6,492
Workers' welfare fund-Prior Year Reversal		-	(16,633)
Loss on disposal of property, plant and equipment		9,961	25,958
Turn Over tax		-	7,921
Tax on operating expenses		-	5,025
Provision for doubtful debts		31,697	23,257
Others		-	101
		140,299	152,434

31.1 Donations

The names of donees to whom donation amount exceeds PKR 500,000 are as follows:

Kidney center Gujarat		12,000	6,000
Shalamar Hospital		14,882	22,954
Sundas Foundation		5,000	-
Sindh Institue Of Urology & Transplantation		1,000	1,000
Service Charitable Trust	31.1.1	5,171	5,392
The Citizens Foundation		3,000	2,400
Wise Education Society		5,000	-
Dost Foundation		600	2,000

31.1.1 Following directors are the trustees of Service Charitable Trust:

- Mr. Omar Saeed
- Mr. Arif Saeed
- Mr. Hassan Javed

	Note	2018 Amount Rupees in thousand	2017 Amount
32 Other income			
Income from financial assets			
Dividend income		-	578
Share of profit from associated company		105,001	51,914
Income on term deposits with bank		-	3,743
Interest income		152	-
		105,153	56,235
Income from non-financial assets			
Special Custom Rebate		313,751	203,000
Foreign exchange gain / (loss)		1,033	663
Scrap sales and others		46,716	87,669
Rental income		9,802	14,040
		371,302	305,372
		476,455	361,607
33 Finance cost			
Interest / markup on:			
- Short term borrowings		350,293	195,757
- Long term financing		204,774	111,053
Bank fees and charges		41,582	36,897
		596,649	343,707
34 Taxation			
Tax-Current Year		194,809	123,805
Tax-Prior Year		(185)	(47,266)
Deferred tax		(66,965)	38,039
Super tax		19,446	30,561
		147,105	145,139
34.1 Numerical reconciliation of tax charge for the year			
Profit before taxation		1,184,352	1,014,803
Applicable tax rate 29% (2017: 30%)		-	312,571
Tax effect of amounts that are:			
Inadmissible expenses		-	170,005
Tax effect of dividend		-	(130)
Admissible expenses		-	(253,920)
Exempt income		-	(84,792)
Presumptive tax regime		-	72,710
Minimum tax credit / tax credit		-	(46,470)
Super tax		-	30,561
Tax effect of prior years		-	(47,266)
		-	(159,302)
		-	145,139
Average effective tax rate charged to profit and loss account		0.00%	14.30%

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

*Tax charge reconciliation for the current year is not prepared as the company is charged to minimum tax and the relation between income tax expense and accounting profit is not meaningful.

34.2 In view of the management, sufficient tax provision has been made in the Company's financial statements. Comparisons of tax provision as per the financial statements viz-a-viz tax assessment for last three years is as follows:

Tax year	Tax provision as per financial statements	Tax as per assessment
	Amounts in thousand	
2016	251,056	195,496
2017	204,507	157,241
2018	123,805	123,620

35 Earnings per share - basic and diluted

35.1 Basic earnings per share

Profit after tax (Rupees in thousands)	1,064,945	881,339
Weighted average number of ordinary shares outstanding during the year	12,028,789	12,028,789
Basic earnings per share (Rupees)	88.53	73.27

35.2 Diluted earnings per share

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

36 Remuneration of directors, chief executive and executives

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

Particulars	<-----Rupees in thousand----->					
	2018			2017		
	Directors	Chief executive	Executives	Directors	Chief executive	Executives
Managerial remuneration	45,958	24,921	177,998	40,708	22,079	130,873
Utilities	9,192	4,984	120,235	8,142	4,416	83,720
Retirement and other benefits	55,062	28,065	72,645	49,614	25,222	54,133
Total	110,212	57,970	370,878	98,464	51,717	268,726
No. of persons	2	1	77	2	1	53

Meeting fee of rupees 1.416 million (2017: rupees 2.16 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.

Note	2018	2017
	Amount	Amount
Rupees in thousand		
37 Cash generated from operations		
Profit before taxation	1,184,352	1,014,803
Adjustments for non-cash charges and other items:		
Depreciation	611,234	465,556
Amortization	1,320	1,845
Employee benefit plans	35,513	28,366
Finance cost	596,649	343,708
Provision for slow moving and obsolete items	(15,812)	52,531
Provision for workers' profit participation fund	41,734	54,296
Provision for workers' welfare fund	8,302	(10,141)
Provision for doubtful debts	31,697	23,256
Ijarah rentals	68,700	72,940
Share of profit from Speed (Private) Limited	(105,000)	(51,913)
Exchange (gain) / Loss	714	(176)
Loss / (Profit) on sale of property, plant and equipment	9,961	25,958
	1,285,012	1,006,226
Operating profit before working capital changes	2,469,364	2,021,029
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(32,113)	(28,010)
Stock in trade	(138,089)	(1,253,477)
Trade debts	(563,616)	(240,315)
Loans, advances and receivable	(173,689)	(12,613)
Trade deposits and prepayments	42,783	(51,931)
Tax refunds, due from / to government	(316,383)	(318,442)
Other receivables	(20,171)	29,251
	(1,201,278)	(1,875,537)
Increase / (decrease) in current liabilities		
Trade and other payables	(35,390)	(382,377)
Cash generated from operations	1,232,696	(236,885)

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

(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:

	2018 Amount Rupees in thousand	2017 Amount Rupees in thousand
	Note	
Long term investments-Available for sale	22,050	29,600
Long term investments	484,864	426,048
Long term loans	20,450	17,762
Long term deposits	95,010	99,393
Trade debts	3,344,579	2,780,963
Loans and advances	33,802	25,881
Trade deposits	47,854	59,820
Other receivables	77,019	56,848
Bank balances	61,437	74,489
	4,187,065	3,570,804
Trade debts		
Foreign parties	369,260	288,757
Local parties	2,975,319	2,492,206
	3,344,579	2,780,963

	2018			2017		
	Gross debtors	Provision	Net debtors	Gross debtors	Provision	Net debtors
	<-----Rupees in thousand----->					
Neither past due nor impaired	3,267,230	-	3,267,230	2,780,481	-	2,780,481
Past due more than 365 days	125,285	48,776	76,509	115,300	61,412	53,888
	3,392,515	48,776	3,343,739	2,895,781	61,412	2,834,369

(b) Credit rating of major bank accounts

The Group's exposure to credit risk against balances with various commercial banks is as follows:

The credit quality of Company's bank balances can be assessed with reference to external credit rating agencies as follows:

Banks	Rating		Rating agency	2018	2017
	Short term	Long term		Amount	Amount
				Rupees in thousand	
Allied Bank Limited	A1+	AAA	PACRA	27,740	50,086
Askari Bank Limited	A1+	AA+	PACRA	20	5
Bank Alfalah Limited	A1+	AA+	PACRA	109	287
Bank AlHabib Limited	A1+	AA+	PACRA	2,264	581
Faysal Bank Limited	A1+	AA	PACRA	4,622	1,741
Habib Bank Limited	A1+	AAA	JCR-VIS	475	505
MCB Bank Limited	A1+	AAA	PACRA	224	4,199
MCB Bank Limited-SL	A+	A+	ICRA (SL)	-	-
Meezan Bank Limited	A1+	AA+	JCR-VIS	364	94
National Bank of Pakistan	A1+	AAA	PACRA	892	2,757
Samba Bank Limited	A1	AA	PACRA	49	40
Soneri Bank Limited	A1+	AA-	PACRA	16	16
Standard Chartered Bank	A1+	AAA	PACRA	353	2,499
United Bank Limited	A1+	AAA	JCR-VIS	5,424	6,483

(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 Company's reputation.

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

	<-----Rupees in thousand----->				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
December 31, 2018					
Long term financing	3,316,880	3,316,880	699,725	2,617,155	-
Long term deposits	3,243	3,243	-	3,243	-
Trade and other payables	2,726,790	2,726,790	2,726,790	-	-
Uncashed dividend warrants	32,002	32,002	32,002	-	-
Interest and mark-up accrued	146,917	146,917	146,917	-	-
Short term borrowings	5,722,630	5,722,630	5,722,630	-	-
	11,948,462	11,948,462	9,328,064	2,620,398	-

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	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	2,723,615	2,723,615	2,723,615	-	-
Uncashed dividend warrants	27,774	27,774	27,774	-	-
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	-
			2018	2017	
			Amount	Amount	
		Note	Rupees in thousand		
(a) Financial instruments by categories					
Assets as per statement of financial position					
Long term investments-Available for sale			22,050	29,600	
Long term investments			484,864	426,048	
Long term loans			20,450	17,762	
Long term deposits			95,010	99,393	
Trade debts			3,344,579	2,780,963	
Loans and advances			33,802	25,881	
Trade deposits			47,854	59,820	
Other receivables			77,019	56,848	
Cash and bank balances			72,652	84,448	
			4,198,280	3,580,763	
Liabilities as per statement of financial position					
Long term financing			3,316,880	2,883,572	
Long term deposits			3,243	5,258	
Interest and mark-up accrued			146,917	108,065	
Short term borrowings			5,722,630	4,589,272	
Uncashed dividend warrants			32,002	27,774	
Trade and other payables			2,726,790	2,723,615	
			11,948,462	10,337,556	

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

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

(a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

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

		Debtors	Cash and bank balances	Gross financial assets exposure	Trade and other payables	Net exposure
USD in ('000)	2018	2,243	2	2,245	(642)	1,603
USD in ('000)	2017	373	3	376	(2,252)	(1,876)
EURO in ('000)	2018	2,344	3	2,347	(235)	2,112
EURO in ('000)	2017	2,613	2	2,615	(157)	2,458
GBP in ('000)	2018	163	-	163	-	163
GBP in ('000)	2017	75	-	75	-	75
LKR in ('000)	2018	33,221	633	33,854	(7,916)	25,938
LKR in ('000)	2017	19,014	9,395	28,409	(19,159)	9,250

Significant exchange rates

	<-----Rupees per----->					
	US Dollar		Euro		Lkr	
	Average	Reporting date	Average	Reporting date	Average	Reporting date
2018	123.17	138.98	144.92	159.24	0.74	0.76
2017	105.62	110.5	118.04	131.79	0.69	0.72

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.

	2018	2017
	Amount	Amount
	Rupees in thousand	
Effect on profit and loss		
US Dollar	22,273	(20,731)
Euro	33,638	32,393
LKR	1,971	666
	57,882	12,328

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

(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 materially 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 statement of financial position date the interest rate profile of the Group's interest bearing financial instruments was:

	2018	2017	2018	2017
	Effective interest rate		Carrying amount	
	Percentage	Percentage	Rupees in thousand	
Fixed rate instruments				
Financial liabilities				
Long term financing	-	-	-	-
Floating rate instruments				
Financial liabilities				
Long term financing	2.25 to 10.95	6.31 to 6.61	3,316,880	2,883,572
Short term borrowings:				
Cash credit	9.22 to 11.26	6.34 to 7.01	2,225,275	2,315,508
Export refinance	2.25	2.25	3,497,355	2,273,764
Import loan	2.00 to 2.2	1.30 to 3.10	-	-
			5,722,630	4,589,272
			9,039,510	7,472,844

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 statement of financial position 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 2017.

	Interest rate 100 bps	
	Decrease in profit	Increase in profit
	Rupees in thousand	
As at December 31 2018		
Long term financing	(33,169)	33,169
Short term financing		
Cash credit	(22,253)	22,253
Export refinance	(34,974)	34,974
Import loan	-	-
	(90,396)	90,396
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

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 statement of financial position 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	2018 Amount	2017 Amount
		Rupees in thousand	
The gearing ratio as at year ended December 31			
Long term debt	9	2,617,155	2,431,930
Equity	7 & 8	5,499,486	4,733,302
Total capital employed		8,116,641	7,165,232
Gearing ratio	(In %age)	32.24%	33.94%

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

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:

Following are the related parties with whom the Group had entered into transactions during the year:

Sr No.	Name of related party	Basis of Relationship	Transactions entered or agreements and / or arrangements in place during the financial year	Direct Shareholding %
1	S2 Power Limited	Associated undertaking	No	48%
2	S2 Hydro Limited	Associated undertaking	No	48%
3	Speed (Private) Limited	Associated undertaking	Yes	21.9%
4	SBL Trading (Private) Limited	Associated undertaking	Yes	Nil
5	Service Industries Capital (Pvt) Ltd	Subsidiary Company	Yes	100%
6	Service Shoes Lanka (Private) Limited	Subsidiary Company	Yes	Nil
7	Service Provident Fund Trust	Employment benefit plan	Yes	Nil
8	Employees Gratuity Fund Trust	Post Employment benefit plan	Yes	Nil
9	Mr. Arif Saeed	Director	Yes	8.3096%
10	Mr. Omar Saeed	Director	Yes	8.6326%
11	Mr. Chaudhry Ahmad Javed	Director	Yes	4.3890%
12	Mr. Hassan Javed	Director	Yes	18.9547%
13	Mr. Osman Saifulah Khan	Director	Yes	0.0008%
14	Mr. Riaz Ahmad	Director	Yes	0.0374%
15	Mr. Rehman Naseem	Director	Yes	0.0067%
16	Mr. Muhammad Amin	Director	Yes	0.0003%
17	Mr. Fatima Saeed	Spouse of director	Yes	0.7892%

Transactions with related parties

Transaction with related parties and associated undertakings, other than those disclosed elsewhere in the financial statements are as follows:

	2018 Amount Rupees in thousand	2017 Amount
Associated companies		
Expenses	-	13,396
Dividend received	46,184	25,616
Investment Made	-	93,000
Reimbursement of expense	3,802	-
Retainment benefit	164,000	145,701
Key management personnel		
Dividend paid	100,145	161,861

All transaction with the related parties have been carried out at arms length at normal commercial rate.

39.1 Disclosure regarding subsidiary incorporated outside Pakistan:

Particulars	Detail
Name	Service Shoes Lanka (Private) Limited
Address	No 143/17, Sri Wickrama Mawatha, Colombo
Basis of association	Subsidiary of Service Industries Capital Pvt Limited which is wholly owned subsidiary of Service Industries Limited
Percentage of share holding	60%
CEO	Maalik Aziz
Operational status	Manufacturing
Latest audited FS	Unaudited
Investment in foreign currency	600,000 USD

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	
	2018	2017	2018	2017
Number of tyres	18,534,780	17,053,960	10,402,393	10,549,966
Number of tubes	51,628,500	42,543,900	37,861,408	35,428,101

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

	Audited 2018 Amount Rupees in thousand	Audited 2017 Amount
Note		

41 Provident fund related disclosures

Size of the fund - Total assets	1,366,256	1,392,722
Cost of investments	913,399	841,434
Fair value of investments	1,213,779	1,255,439
Percentage of investments made	88.84%	90.14%

41.1 The break-up of investments is as follows:

	2018		2018	
	Cost of investment Amount Rupees in thousand	Percentage	Fair value of investment Amount Rupees in thousand	Percentage
Mutual funds	567,949	62.2%	607,603	50.0%
Listed securities	145,462	15.9%	404,923	33.4%
Cash at Bank	199,988	21.9%	201,253	16.6%
	913,399	100%	1,213,779	100%

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	2017		2017	
	Percentage	Amount Rupees in thousand	Percentage	Amount Rupees in thousand
PIBs / Treasury bills	14.8%	124,488	9.4%	117,736
Mutual funds	67.5%	567,949	57.0%	715,363
Listed securities	17.3%	145,462	33.4%	418,805
Cash at Bank	0.4%	3,535	0.3%	3,535
	100%	841,434	100%	1,255,439

41.2 As at the reporting date, the Service Provident Fund Trust is in the process of regularizing its investments in accordance with section 218 of the Companies Act, 2017 and the regulations formulated for this purpose in terms of SRO 731(I)/2018 issued by Securities and Exchange Commission of Pakistan on 06 June 2018 which allows transition period of one year for bringing the Employees Provident Fund Trust in conformity with the requirements of regulations.

42 Number of employees

The total and average number of employees during the year as at 31 December 2018 and 2017 respectively are as follows:

	2018	2017
Number of factory employees as at 31 December	10,116	10,338
Number of other employees as at 31 December	956	670
	11,072	11,008
Average number of factory employees during the year	9,532	9,740
Average number of other employees during the year	901	631
	10,433	10,371

43 Segment reporting

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

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

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

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

- Footwear
- Tyre and tube
- Technical rubber products

43.1 Segment analysis For the year ended December 31, 2018

	Rupees in thousand							
	Footwear		Tyre division		Technical rubber products		Total	Total
	2018	2017	2018	2017	2018	2017	2018	2017
External sales	11,424,915	10,519,430	12,612,638	10,432,315	20,759	7,210	24,058,312	20,958,955
Inter - segment sales	-	-	-	-	-	-	-	-
Total revenue	11,424,915	10,519,430	12,612,638	10,432,315	20,759	7,210	24,058,312	20,958,955
Profit / (loss) before tax and unallocated expenses	1,459,989	1,150,263	1,242,514	816,598	(7,850)	(10,379)	2,694,653	1,956,482
Unallocated corporate expenses:								
Finance cost							(865,695)	(307,581)
Other operating expenses							(774,923)	(752,644)
Other income							130,317	118,547
Taxation							(147,105)	(145,140)
Profit after taxation							1,037,247	869,664
Total assets for reportable segments	7,187,855	6,126,081	8,662,533	7,949,945	54,481	46,964	15,904,869	14,122,990
Unallocated assets:							2,417,406	1,862,574
Total assets as per balance sheet							18,322,275	15,985,565
Total Liabilities as per balance sheet							12,839,111	11,241,601
Segment capital expenditure	361,799	372,626	1,241,758	1,337,461	-	-	1,603,557	1,710,087
Unallocated capital expenditure	-	-	-	-	-	-	8,301	4,617
Consolidated capital expenditure							1,611,858	1,714,704
Non-cash expenses other than depreciation and amortization								
Provision for slow moving stock	(15,820)	32,380	(754)	20,151	762	-	(15,812)	52,531
Depreciation and amortization expense								
Depreciation and amortization	190,678	151,265	413,065	307,267	1,267	1,409	605,010	459,941
Unallocated depreciation and amortization	-	-	-	-	-	-	7,544	7,460
Consolidated depreciation and amortization							612,554	467,401
43.2 Total profit for reportable segments							2,694,653	1,956,482
Unallocated expenses							(1,510,301)	(941,679)
Profit before tax							1,184,352	1,014,802

43.3 Revenues from one customer of the Group's footwear segments represented approximately Rs.2,669 million (2017: 2,435 million) of the Company's total revenues.

44 Authorization date

These consolidated financial statements were authorized for issue by the Board of Directors on April 03, 2019.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

45 Events after the Statement of Financial Position date

The Board of Directors in its meeting held on April 03, 2019 has proposed a final cash dividend of PKR 30/- per share (2017: Rs. 22 per share) and bonus shares @ 25% for approval of the members at the annual general meeting to be held on April 30, 2019. The Board has also recommended to transfer Rs. Nil (2017: Nil) to general reserve from unappropriated profit.

46 Corresponding Figures

Corresponding Figures have been rearranged and reclassified ,wherever necessary , for the purpose of comparison. However, no significant reclassification has been made in these consolidated financial statements except for as mentioned below:

Reclassification from Statement of Financial Position	Reclassification to Statement of Financial Position	Rupees in Thousands
Trade and other payables	Uncashed dividend warrants	27,774

47 General

47.1 Previous year's figures have been re-arranged, wherever necessary for the purpose of comparison. However no material re-arrangements have been made except disclosed in note 46.

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

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Chaudhry Ahmed Javed
(Chairman)

Arif Saeed
(Chief Executive)

Badar Ul Hassan
(Chief Financial Officer)

Pattern of Shareholding

As at December 31, 2018

Number of Shareholders	Shareholding		Total Shares held
	From	To	
648	1	100	22,720
398	101	500	111,790
219	501	1,000	163,224
160	1,001	5,000	361,174
30	5,001	10,000	208,517
7	10,001	15,000	78,818
10	15,001	20,000	185,404
1	20,001	25,000	20,617
2	25,001	30,000	59,740
1	30,001	35,000	31,200
2	35,001	40,000	76,184
4	40,001	45,000	165,449
2	45,001	50,000	95,609
1	60,001	65,000	63,480
1	75,001	80,000	78,500
2	80,001	85,000	166,152
1	85,001	90,000	87,163
1	90,001	95,000	94,937
1	95,001	100,000	99,948
1	100,001	105,000	104,048
1	105,001	110,000	108,490
1	135,001	140,000	136,172
1	150,001	155,000	153,773
1	340,001	345,000	341,354
1	485,001	490,000	486,220
1	525,001	530,000	527,940
1	555,001	560,000	558,407
1	795,001	800,000	796,202
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	2,280,001	2,285,000	2,280,015
1,505			12,028,789

Pattern of Shareholding

As at December 31, 2018

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage
Directors, Chief Executive Officer, and their spouses and minor children	9	4,946,273	41.1203
Associated Companies, undertakings and related Parties	3	580,138	4.8229
NIT and ICP	5	1,753,185	14.5749
Banks, Development Financial Institutions, Non Banking Financial Institutions	3	812,420	6.7540
Insurance Companies	4	55,500	0.4614
Modarabas and Mutual Funds	9	123,470	1.0265
General Public			
a. Local	1,431	3,358,590	27.9213
b. Foreign	5	34,050	0.2831
Others (to be specified)			
1- Joint Stock Companies	26	146,724	1.2198
2- Foreign Companies	1	16,000	0.1330
3- Pension Funds	2	163,673	1.3607
4- Others	7	38,766	0.3223
	1,505	12,028,789	100.0000
Shareholders holding 10% or more	2	3,839,140	31.9163

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 (CDC)	558,407	4.6423
TRUSTEE - SERVICE CHARITABLE TRUST	11,587	0.0963
Mutual Funds		
CDC - TRUSTEE ATLAS STOCK MARKET FUND (CDC)	500	0.0042
CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND (CDC)	2,200	0.0183
CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND (CDC)	1,420	0.0118
CDC - TRUSTEE MCB PAKISTAN STOCK FUND (CDC)	40,700	0.3384
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND (CDC)	7,800	0.0648
CDC - TRUSTEE UBL DEDICATED EQUITY FUND (CDC)	3,850	0.0320
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND (CDC)	19,600	0.1629
CDC - TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND- EQUITY SUB FUND (CDC)	29,740	0.2472
Directors and their spouses and minor children		
MR. ARIF SAEED (CDC)	999,545	8.3096
MR. OMAR SAEED (CDC)	1,038,396	8.6326
CHAUDHRY AHMAD JAVED (CDC)	527,940	4.3890
MR. HASAN JAVED (CDC)	2,280,015	18.9547
MR. OSMAN SAIFULAH KHAN (CDC)	100	0.0008
MR. RIAZ AHMAD (CDC)	4,500	0.0374
MR. REHMAN NASEEM (CDC)	800	0.0067
MR. MUHAMMAD AMIN (CDC)	40	0.0003
MRS. FATIMA SAEED W/O MR. ARIF SAEED	94,937	0.7892
Executives		
	-	-
Public Sector Companies and Corporations		
	-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds		
	1,049,253	8.7228
Shareholders holding five percent or more voting rights		
MR. HASAN JAVED (CDC)	2,280,015	18.9547
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC)	1,559,125	12.9616
MR. OMAR SAEED (CDC)	1,038,396	8.6326
MR. ARIF SAEED (CDC)	999,545	8.3096
NATIONAL BANK OF PAKISTAN (CDC)	811,920	6.7498
MST. SHAHIDA NAEEM (CDC)	796,202	6.6191

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

Name	Purchase	Sale
Mr. Omar Saeed - Director	42,500	-
Mr. Hassan Javed - Director	22,000	-

Mr. Ahmed Javed gifted 1,500,000 shares of the Company to his son Mr. Hassan Javed on 18-12-2018.

528,465 shares of the Company transmitted from Late Mr. Ahmad Saeed to his wife Mrs. Nighat Saeed on 15-10-2018.

Form of Proxy

62nd 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 62nd Annual General Meeting of the Company to be held on April 30, 2019 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 _____ 2019
 in the presence of _____

Signed this _____ day of _____ 2019

Folio No.	CDC Account No.		Signature on Five -Rupees Revenue Stamp
	Participant I.D.	Account No.	
			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

باستھواں سالانہ اجلاس عام

میں / ہم _____ سروس انڈسٹریز لمیٹڈ کے ممبر کی حیثیت سے اور حامل _____

عمومی حصص، محترم / محترمہ _____ کو یا اُن کی غیر حاضری کی صورت میں محترم / محترمہ _____

کو اپنا / ہمارا پراکسی مقرر کرتا / کرتی ہوں کہ میری غیر موجودگی کی صورت میں میری / ہماری طرف سے کمپنی کے 62 ویں سالانہ اجلاس عام جو کہ مورخہ 30 اپریل 2019 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 _____

AFFIX
CORRECT
POSTAGE

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

سی ڈی سی اکاؤنٹ نمبر		فولیو نمبر
اکاؤنٹ نمبر	پارٹیسپنٹ آئی ڈی	

پانچ روپے مالیت کی
ریونیولٹ پر دستخط کریں۔

(دستخط کمپنی میں درج نمونہ دستخط
کے مطابق ہونے چاہئیں)

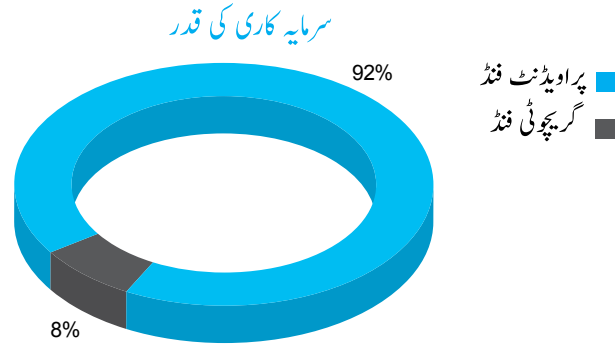
اہم ہدایات:

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 چاہیئے۔
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 ہونگی۔

- حصص یافتگان کے نمائندوں سے التماس ہے کہ وہ اپنے کمپیوٹر ڈاؤن لوڈ شدہ 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 ڈاؤن لوڈ شدہ 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 بعد دستخط کا نمونہ پراکسی فارم کے ساتھ جمع کروانا ضروری ہوگا۔





حصص یافتگان کی تفصیل

31 دسمبر 2018 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

31 دسمبر 2018 کے بعد اس سالانہ رپورٹ تک کوئی تبدیلی ایسی نہیں ہوئی جو کہ اس مالی گوشوارے پر اثر انداز ہو سوائے حتیٰ ڈیویڈنڈ 30 روپے فی شیئر (یعنی 300 فیصد) بمعہ ہر 100 عام حصص پر 25 عام حصص دیئے جائیں گے جس کی منظوری حصص یافتگان کے سالانہ اجلاس عام میں اعلان کرنے سے مشروط ہے۔ اس کا اندراج آئندہ سال کے مالی گوشوارے میں کیا جائے گا۔

اعتراف

ہم تہہ دل سے بورڈ کے ممبران کی قابل قدر رہنمائی اور تعاون کے مشکور ہیں۔ علاوہ ازیں ہم تمام ملازمین کی انتھک اور پر عزم کوششوں اور ہمارے گاہکوں کی ہماری مصنوعات پر اعتماد کے بھی شکر گزار ہیں۔

میں بورڈ کی جانب سے اپنے حصص یافتگان کا مخلص ترین شکر یہ ادا کرتا ہوں کہ انہوں نے ہم پر بھروسہ کیا اور ہماری غیر متزلزل حمایت جاری رکھی۔

ہم آئندہ سالوں میں اچھے نتائج حاصل کرنے کیلئے پر عزم ہیں۔

مخائب بورڈ

چوہدری احمد جاوید
چیئرمین

عارف سعید
چیف ایگزیکٹو

مورخہ 3 اپریل 2019
لاہور

بورڈ آف ڈائریکٹرز کی میٹنگز

اس سال 4 بورڈ میٹنگز ہوئیں۔ ممبران کی حاضری مندرجہ ذیل ہے۔

ڈائریکٹرز	حاضری
جناب احمد جاوید	1
جناب عارف سعید	4
جناب عمر سعید	4
جناب حسن جاوید	3
جناب عثمان سیف اللہ خان	1
جناب رحمان نسیم	2
جناب ریاض احمد	4
جناب محمد امین	4
جناب شاہد حسین جتوئی	4

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

چیف ایگزیکٹو کی تبدیلی:

جناب عمر سعید نے 1 جنوری، 2019 کو چیف ایگزیکٹو کے عہدے سے استعفیٰ دیا۔ بورڈ آف ڈائریکٹرز نے جناب عارف سعید کو 1 جنوری، 2019 سے کمپنی کا چیف ایگزیکٹو مقرر کیا ہے۔

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 بھی زیر بحث لائے جاتے ہیں۔

بیرونی آڈیٹرز

آڈٹ کمیٹی کی سفارش پر بورڈ آف ڈائریکٹرز نے میسرز ریاض احمد اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کو ریٹائر ہونے والے آڈیٹرز میسرز رحمان سرفراز رحیم اقبال رفیق، چارٹرڈ اکاؤنٹنٹس کی جگہ بیرونی آڈیٹرز کی تقرری 31 دسمبر 2019 کے مالی سال کے لئے تجویز کی 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۔

پراویڈنٹ فنڈ	31 دسمبر 2018	31 دسمبر 2017
پراویڈنٹ فنڈ	1,013	1,252
گرچیوٹی فنڈ	82	83

بورڈ اور کمیٹیوں کی ساخت

لسٹڈ کمپنیوں کے چلانے کے قواعد و ضوابط کی شق نمبر 36 (کارپوریٹ گورننس کے ضابطہ اخلاق ریگولیشن 2017) کے تحت بورڈ اور کمیٹیوں کی ساخت کمپلائنس کے بیان میں سیریل نمبر 1 اور نمبر 2 میں درج ہے۔ جو کہ اس سالانہ رپورٹ کے ساتھ منسلک کیا گیا 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 لسٹنگ قوانین (کارپوریٹ گورننس کے ضابطہ اخلاق ریگولیشن 2017) کے مطابق ترتیب دی گئیں ہیں اور کمیٹی کو اس کی تعمیل کرنے کا حکم دیا گیا ہے۔

کمیٹی کی اس سال 4 میٹنگز ہوئیں۔ ہر ممبر کی حاضری درج ذیل ہے:

ممبران	حاضری
جناب محمد امین - چیئرمین	4
جناب ریاض احمد - ممبر	4
جناب رحمان نسیم - ممبر	0

ہومن ریسورس اور میسجیریشن 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۔ کمیٹی ایگزیکٹوز کے معاوضے، انکی کارکردگی کے جائزے اور جانشینی کی منصوبہ بندی وغیرہ کے بارے میں اپنی سفارشات بورڈ کو پیش کرتے ہیں۔

اس سال 2 میٹنگز ہوئیں۔ ہر ممبر کی حاضری درج ذیل ہے:

ممبران	حاضری
جناب عثمان سیف اللہ خان - چیئرمین	2
جناب عارف سعید - ممبر	1
جناب ریاض احمد - ممبر	2

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 ایکویٹی 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 اسٹیٹیمٹ کی تیاری میں مناسب اکاؤنٹنگ پالیسیاں تسلسل کے ساتھ استعمال کی جارہی ہیں۔
- 4 - مالی گوشواروں کی تیاری بین الاقوامی مالی رپورٹنگ معیارات 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 شک نہیں ہے۔
- 7 - کارپوریٹ گورننس کے بہترین طریقوں سے ہٹنے کے کوئی شواہد نہیں ہے۔
- 8 - پچھلے 6 سالوں کے اہم آپریٹنگ اور مالی اعداد و شمار اس سالانہ رپورٹ میں درج ہے۔

مستند اندرونی مالی کنٹرولز

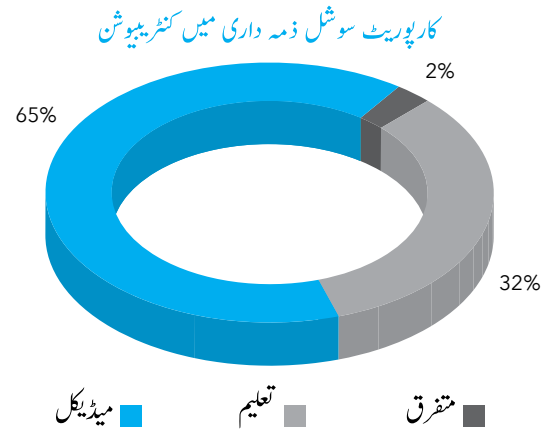
کمپنی نے اندرونی اور مالی کنٹرول کا انتہائی موثر نظام اختیار کیا ہوا ہے جو کہ کمپنی کے اثاثہ جات کی حفاظت کو یقینی بناتا ہے، دھوکہ دہی کی شناخت کرتا ہے، اس سے بچاتا ہے اور متعلقہ قوانین کی پاسداری کو یقینی بناتا ہے۔

اندرونی آڈٹ کا شعبہ جو کہ بورڈ نے ترتیب دیا ہے۔ اندرونی کنٹرول کے نظام کی مناسب وقفہ سے نظر ثانی اور نگرانی کرتا ہے۔ آڈٹ کمیٹی وضع کردہ اصولوں کے مطابق اندرونی کنٹرول کے نظام پر سہ ماہی نظر ثانی کرتی ہے۔

ڈائریکٹرز کا معاوضہ

ڈائریکٹرز بورڈ کے ڈائریکٹرز کے معاوضہ کے لئے ایک پالیسی منظور کی ہے۔ اس پالیسی کے اہم نکات درج ذیل ہیں

- کمپنی اپنے نان ایگزیکٹو ڈائریکٹرز بشمول انڈیپنڈنٹ ڈائریکٹرز کو کوئی معاوضہ نہیں ادا کرے گی، ماسوائے اس کے کہ وہ کسی بورڈ یا کمیٹی اجلاس میں شامل ہوں۔
- کمپنی بورڈ یا کمیٹی اجلاس میں شامل ہونے سے متعلقہ سفری اور رہائشی اخراجات ادا کرے گی۔
- ڈائریکٹرز کے معاوضہ کی پالیسی پر وقتاً فوقتاً نظر ثانی کی جائے گی اور اس کی منظوری دی جائے گی۔



مستقبل پر ایک نظر:

مضبوط سرمایہ کاری کی حکمت عملی اور سازگار مارکیٹ کی بدولت ہم کمپنی کی صحت مند اور منافع بخش نمو کو یقینی بنانے کے لئے پر امید ہیں۔

مشکل معاشی حالات کے باوجود کمپنی کی انتظامیہ اپنے حصص یافتگان کو ان کے حصص کی اچھی قدر فراہم کرنے کے لئے پر عزم ہے۔ ہمارے برانڈ کی مضبوطی اور ہماری صلاحیتوں کی بدولت ہم لگاتار جو توں اور نائر دونوں کا روبرو میں سب سے آگے ہیں۔

کارپوریٹ گورننس کے بہترین طریقوں پر عمل

کمپنی تمام اخلاقی اور قانونی ضوابط پر پراثرانے 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 اُس 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۔ کمپنی لگاتار اپنی مصنوعات کی اقسام کا جائزہ لیتی رہتی ہے تاکہ معاشرے کے سب سے اہم مسئلہ کا حل نکال سکے، یعنی اپنے حصص یافتگان کے لیے لگاتار منافع پیدا کرتی رہے۔

آپکی 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 طرح ہمیں اپنی پروڈکشن میں قدر بڑھانے کا ہدف بھی حاصل ہوتا ہے۔

کمپلائنس پر ایک نظر

کمپنی کارپوریٹ گورننس کی اصولوں پر سختی سے عمل پیرا ہے جو کہ سیکورٹیز اور ایکسچینج کمیشن آف پاکستان نے جاری کیے ہیں۔ اسے اس رپورٹ میں لسٹڈ کمپنیوں کے کمپلائنس (کارپوریٹ گورننس کے ضابطہ اخلاق ریگولیشن 2017) کے بیان کی شکل میں مختصراً درج کیا گیا ہے جس کا جائزہ بیرونی آڈیٹرز بھی لے چکے ہیں۔

رہسک، غیر ممکنات اور ان سے بچاؤ

کمپنی کارسک منجمنٹ پروگرام کمپنی کی کارکردگی پر ممکنہ مضر اثرات کو کم کرنے پر مرکوز رہتا ہے۔ کمپنی کی سینئر انتظامیہ ریسک منجمنٹ 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 آپریشنل ریسک 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، الیکشن پلان بنائے جاتے ہیں اور ان پر عمل درآمد کیا جاتا ہے تاکہ طویل المعیار اہداف حاصل کئے جاسکیں۔

ماحول، صحت اور سیفٹی

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

سال 2018 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 ماحولی استحکام کی طرف خصوصی توجہ دیتی رہی ہے۔ مرید کے میں واقع برآمدی طرز پر بنا ہوا جو توں کا یونٹ ایشیا کا پہلا شمسی توانائی سے چلنے والا کارخانہ ہے۔ یہ 1 میگاواٹ شمسی توانائی کا پلانٹ چار ایکڑ رقبے پر پھیلا ہوا ہے اور 3125 شمسی پینلوں پر مشتمل ہے۔ جسکی سالانہ بجلی کی پیداوار 1500 میگاواٹ گھنٹہ ہے۔ یہ اقدام روزانہ 100 درخت لگانے کے مترادف ہے۔ جس سے 730 ٹن سالانہ کاربن ڈائی آکسائیڈ کا اخراج کم ہوتا ہے۔ اسی فیکٹری میں مزید 440 میگاواٹ کا شمسی بجلی گھر لگایا گیا ہے تاکہ بڑھتی ہوئی پروڈکشن کی ضرورت کو پورا کیا جاسکے۔ 440 میگاواٹ کے بجلی گھر نے فروری 2019 میں کام کرنا شروع کیا۔ ماحول کو سرسبز رکھنے کے اس قدم نے سروس انڈسٹریز کو ماحول دوست برآمد کنندہ کے طور پر بڑھتے ہوئے عالمی ماحولیاتی شعور کے تناظر میں اپنی مصنوعات فروخت میں زبردست معاون ہے۔

کمپنی کی سماجی ذمہ داری

ہم یہ یقین رکھتے ہیں کہ ذمہ دار اور متواتر چلنے والے کاروباروں کا ایک صحت مند اور پھلتا پھولتا معاشرہ تشکیل دینے میں عالمی برادری کے ذمہ دار شہری ہونا، ہمارے کام کرنے کے طریقوں، ملازمین کی تقرری، ہماری حمایت یافتہ سرگرمیوں اور جو تعلقات جو ہم استوار کرتے ہیں، میں واضح طور پر جھلکتا ہے۔ ہم لوگوں کی سب سے چلی سطح پر صحت تعلیم اور بنیادی طبی سہولتیں پہنچانے کی ضرورت کو بخوبی سمجھتے ہیں۔ سال 2018 کے دوران کمپنی نے 48 ملین روپے اس مد میں خرچ کئے۔

تصرف

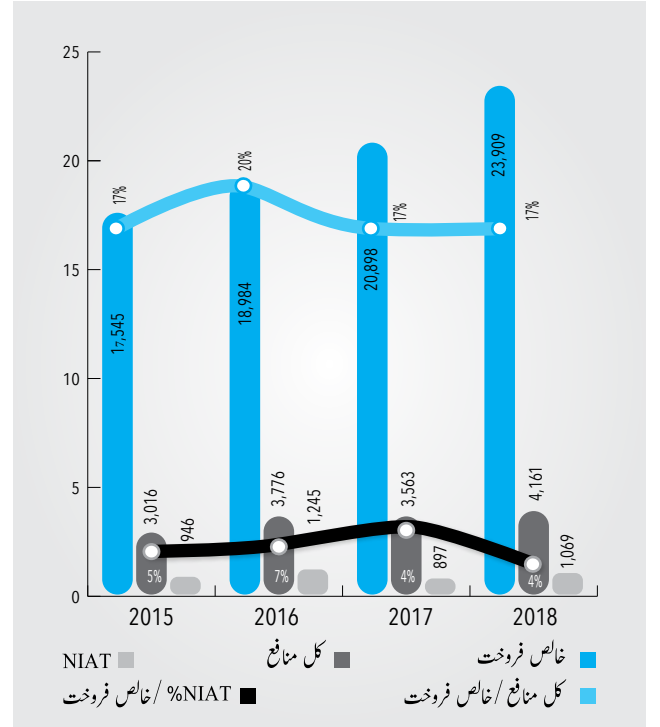
مالیاتی سال 2018 کا تصرف مختصراً مندرجہ ذیل ہے۔

یکم جنوری 2018 پر کل جمع شدہ لیکوٹی	4,747
مالیاتی سال 2018 کی آمدنی	1,034
2017 کے مالیاتی سال کا 22 روپے فی شیئر کے حساب سے حتمی ڈیویڈنڈ	(265)
31 دسمبر 2018 پر کل جمع شدہ لیکوٹی	5,516

کمپنی کے بورڈ آف ڈائریکٹرز نے 3 اپریل 2019 کو ہونے والے اجلاس میں حتمی زر نقد منافع منقسمہ 30 روپے فی حصص یعنی 300 فیصد بدم بونس شیئرز 25 فیصد کے حساب سے تجویز کیا ہے۔

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۔



فی شیئر آمدنی

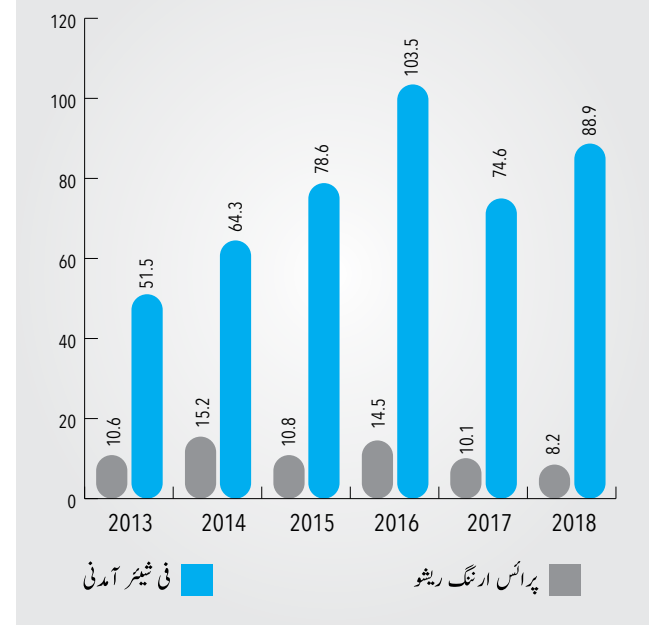
اس سال فی شیئر آمدنی 88.86 رہی جو کہ پچھلے سال 74.56 روپے تھی، یہ 17% اضافہ ظاہر کرتی ہے۔

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 سیکشنس کے لیے کیا جاتا ہے۔ بورڈ اس بات کو یقینی بناتا ہے کہ کاروبار کے بہترین طریقوں پر عمل درآمد ہو رہا ہے۔ بورڈ کاروبار کے دونوں سیکشنس کی کارکردگی کا ہر سہ ماہی کے اختتام پر جائزہ لیتا ہے۔ اس کا مقصد کم کارکردگی والے سیکشنس کو بہتر کرنا اور منافع بخش سیکشنس میں شرح نمو کے اضافے کے مواقع پر زور دینا ہے۔

کیش فلوز اور کیپیٹل ایکسیڈنڈیچر

کمپنی کی بڑے سرمایہ کی ضرورت بنیادی طور پر اندرونی وسائل سے پوری کی جاتی ہے اور کچھ بیرونی سرمایہ پر بھی انحصار کیا جاتا ہے۔ کیش فلوز اور سرمایہ کی ضرورت کی مستقل نگرانی کی جاتی ہے۔ کمپنی طویل المیعاد نمو کیلئے لگاتار سرمایہ کاری جاری رکھتی ہے۔ اس سال سرمایہ کے بہتر استعمال کی وجہ سے 255 ملین روپے کیش حاصل ہوا جبکہ پچھلے سال یہ منفی 952 ملین روپے تھا۔ سال 2018 میں کمپنی میں 1.6 بلین روپے کی سرمایہ کاری کی جو کہ 2017 میں 1.7 بلین روپے تھی جو کہ بنیادی طور پر زرعی نائر اور ٹیوب بنانے والے پلانٹ کی استعداد بڑھانے کے لیے استعمال ہوئے۔

پرائس ارننگ ریشو اور فی شیئر آمدنی



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۔

ڈائریکٹرز رپورٹ برائے حصص یافتگان

سروس انڈسٹریز لمیٹڈ کے بورڈ آف ڈائریکٹرز 31 دسمبر 2018 کو ختم ہونے والے مالی سال کے آڈٹ شدہ حسابات پر مبنی رپورٹ پیش کر رہے ہیں۔

ڈائریکٹرز رپورٹ کمپنیز ایکٹ 2017 کے سیکشن 227 کے تحت تیار کی گئی ہے۔ یہ رپورٹ کمپنی کے سالانہ اجلاس جو کہ مورخہ 30 اپریل 2019 کو منعقد ہو گا اس میں کمپنی کے ممبرز کو پیش کی جائے گی۔

ہم اس بات پر یقین رکھتے ہیں کہ پاکستان کے جوتے اور نائز کی صنعت معیشت میں حصہ لینے کی بہت بڑی صلاحیت رکھتی ہے، نہ صرف محصولات ادا کر کے بلکہ روزگار کی فراہمی، زرمبادلہ کمانے اور صنعت میں ملازمین کو بہتر مند بنانے میں۔

کمپنی کو افراط زر اور روپے کی لگاتار قدر میں کمی کی وجہ سے لاگت میں تیزی سے اضافے کا سامنا ہے۔ اگرچہ روپے کی قدر میں کمی کسی حد تک برآمدات بڑھانے میں مثبت کردار ادا کرتی ہے، لیکن درآمد شدہ خام مال کی قیمت ہمارے نائز اور جوتوں کے شعبوں میں منافع کو بڑی طرح متاثر کیا ہے۔ کمپنی نے ان تمام مشکلات کے باوجود گاہکوں کو اعلیٰ معیار کی مصنوعات فراہم کر کے اپنے آپریٹرز کو لگاتار چلا رہی ہے۔

بادوجود مندرجہ بالا چیلنجوں کے آپ کی کمپنی کی فروخت میں اضافہ ہوا ہے اور آپ کی کمپنی نے نائز اور جوتوں دونوں شعبوں میں پچھلے سال کی نسبت اچھی کارکردگی کا مظاہرہ کیا ہے۔ جیسا کہ ذیل میں دی گئی مالی کارکردگی سے ظاہر ہے۔

مالی سال 2017 اور 2018 کی کارکردگی کا موازنہ

	مالیاتی سال 2018 روپے ہزاروں	مالیاتی سال 2017 روپے ہزاروں	فیصد تبدیلی
خالص فروخت	23,908,934	20,898,174	14%
آپریٹنگ منافع	1,801,775	1,383,654	30%
منافع قبل از ٹیکس	1,212,835	1,041,769	16%
منافع بعد از ٹیکس	1,068,857	896,815	19%

جوتوں کی برآمدات

جوتوں کے زیادہ حجم اور قدر کی وجہ سے 45% صحت مند اضافہ ہوا ہے۔ روپے کی قدر میں کمی کا بھی منافع پر مثبت اثر پڑا ہے۔

ہماری مارکیٹ کی تنوع کی حکمت عملی اور کاروبار کو آگے بڑھانے کی کوششوں کا فائدہ 2018 میں آنا شروع ہو گیا ہے۔ انتظامیہ کو ایک انتہائی مشکل توازن قائم رکھنا تھا یعنی اپنے اہم کابھکوں سے زیادہ منافع حاصل کرنا اور خام مال کی خریداری میں سچت پر بھی توجہ مرکوز رکھنا۔

کمپنی کی سب سے اہم طاقت نئی مارکیٹوں اور دنیا میں ریٹیل کے کاروبار کی بدلتی ہوئی صورت حال کے مطابق مصنوعات کو تیار کرنا ہے۔

نئی مصنوعات کو تیار کر کے ہم ہر بین الاقوامی نمائشوں، روڈ شووز اور مارکیٹ کا دورہ کرتے ہیں۔ یہ انتظامیہ کی انتہائی تیزی سے فروخت کو بڑھانے اور نئے گاہک بنانے کی کوششوں کا حصہ ہے۔

مقامی فروخت

جوتوں کی مقامی فروخت میں پچھلے سال کے مقابلے میں کمی واقع ہوئی ہے۔ ہم مقامی گاہکوں کی تعداد بڑھانے پر غور کر رہے ہیں۔ نئی مصنوعات تیار کرنا ہماری مقامی فروخت کی نمو کو دوبارہ اپنے مقام پر لانے میں سب سے اہم حکمت عملی ہوگی۔

ہمارے تھوک کاروبار 2018 سے 2017 کے مقابلے میں آمدنی اور منافع دونوں طرف سے بہت اچھا رہا ہے۔ جسکی وجہ مندرجہ ذیل ہیں:

- گاہکوں میں اضافہ اور اس کے مطابق تجربہ کار سیلز ٹیم میں سرمایہ کاری۔
- مصنوعات کی اقسام میں لگاتار اور تدریجاً بہتری۔
- گاہک کے منافع کے نظام، ملازمین کی کمیشن اور بونس پلان کو دوبارہ ترتیب دینا۔

ہمارا ریٹیل کاروبار موجودہ مارکیٹ کی صورت حال کی وجہ سے لگاتار دباؤ کا شکار ہے۔ تاہم زبردست مقابلے کی اور رعایتی قیمت پر فروخت کی فضا میں بھی ہم کسی حد تک منافع بڑھانے میں کامیاب ہوئے ہیں۔ ہمارے لیے سب سے مشکل مرحلہ غیر مساوی کاروباری ماحول میں مقابلہ کرنا ہے۔

انتظامیہ لاگت میں کمی کے نئے طریقوں کا استعمال اور نئی مصنوعات تیار کرنے اور اپنے ریٹیل برانڈز کو باس کی سہاگہ بہتر کرنے کیلئے پر عزم ہے۔

نائز ڈویژن

نائز ڈویژن بڑی آمدنی کا ذریعہ ہے۔ اس نے 2018 میں 21% صحت مند نمو کا مظاہرہ کیا ہے اور 2017 سے بہتر منافع کی نمو بھی آئی ہے۔ 2018 انتخابات کا سال تھا اور پاکستانی معیشت کے انتہائی غیر یقینی حالات رہے۔ روپے کی قدر میں انتہائی کمی ہوئی جس کی وجہ سے خام مال کی قیمت میں انتہائی اضافہ ہوا۔ جس کی وجہ سے مارکیٹ میں قیمتیں متعدد بار بڑھیں۔ اس اضافے سے صارفین کی قوت خرید بہت زیادہ متاثر ہوئی جس کی وجہ سے مارکیٹ میں توقع سے زیادہ مانگ میں کمی رہی۔ سست مارکیٹ اور غیر یقینی کاروباری صورت حال کی وجہ سے فروخت کے اہداف حاصل نہیں ہو سکے۔ تاہم اس صورت حال میں موثر اقدامات کی بدولت پچھلے سال کی نسبت سال 2018 میں مقامی فروخت اور برآمدات میں اضافہ ہوا۔

مندرجہ بالا شعبہ وار تجزیہ کی روشنی میں کمپنی کا بعد از ٹیکس منافع 897 ملین روپے سے 1069 ملین روپے یعنی 19% فیصد بڑھا۔

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