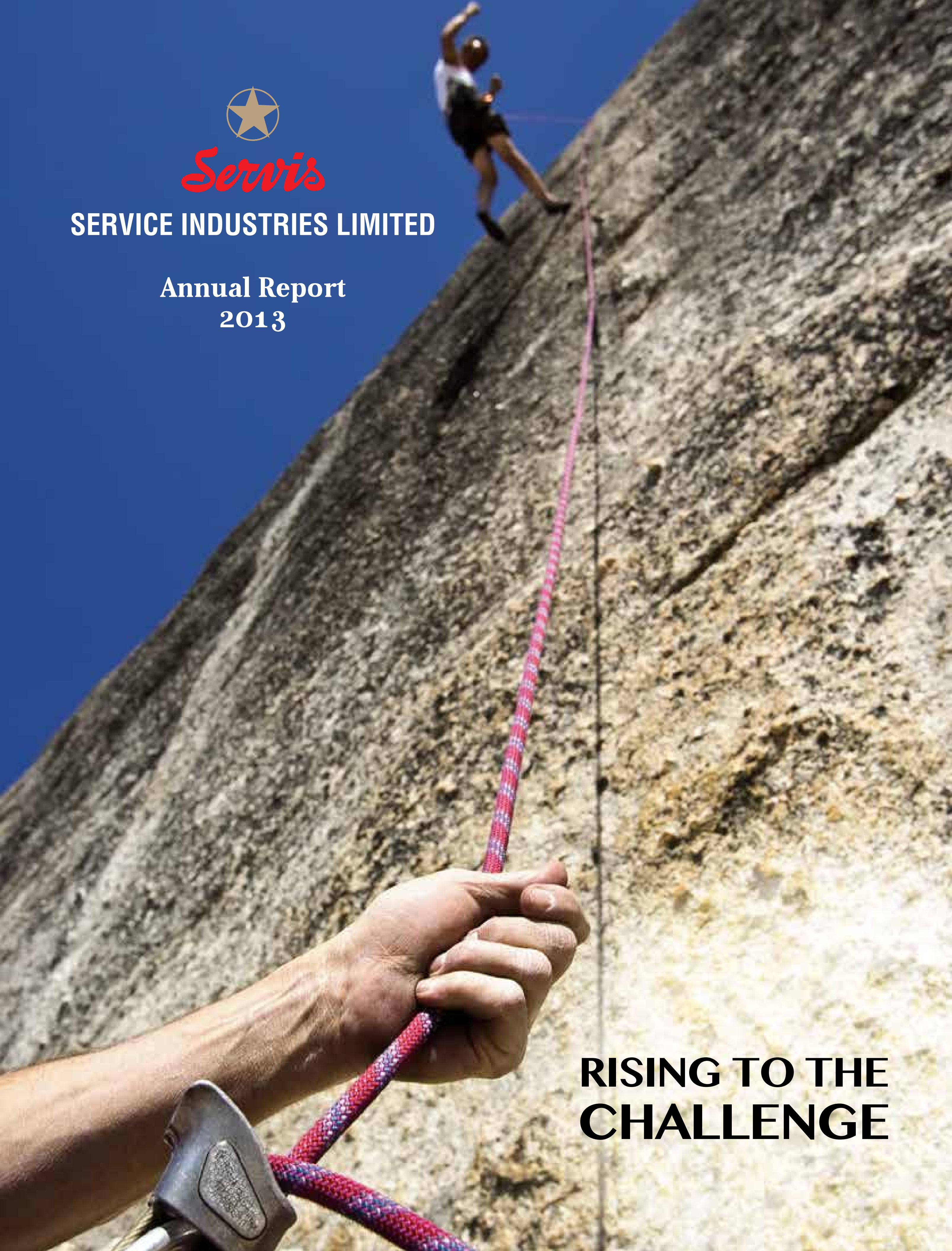
Servis

SERVICE INDUSTRIES LIMITED

Annual Report 2013



RISING TO THE CHALLENGE

About
Cover Concept

Service Industries has been phenomenal in shouldering its responsibility of cruising through challenges in last so many decades. In fact we transformed every challenge along the way into a learning opportunity that enriched our experience and skill further. Despite the bleak global backdrop, harsh social- economic conditions and cut throat competition we have remained determined in percolating reform and innovation to achieve healthy sustainable growth. We never stopped offering the best, sharing and giving back to the community even in the worst times, which is the reason we are recognized as the largest footwear manufacturer and exporter of Pakistan.

In the present and future too, we remain steadfast in making happen the impossible for us, our customers and community.

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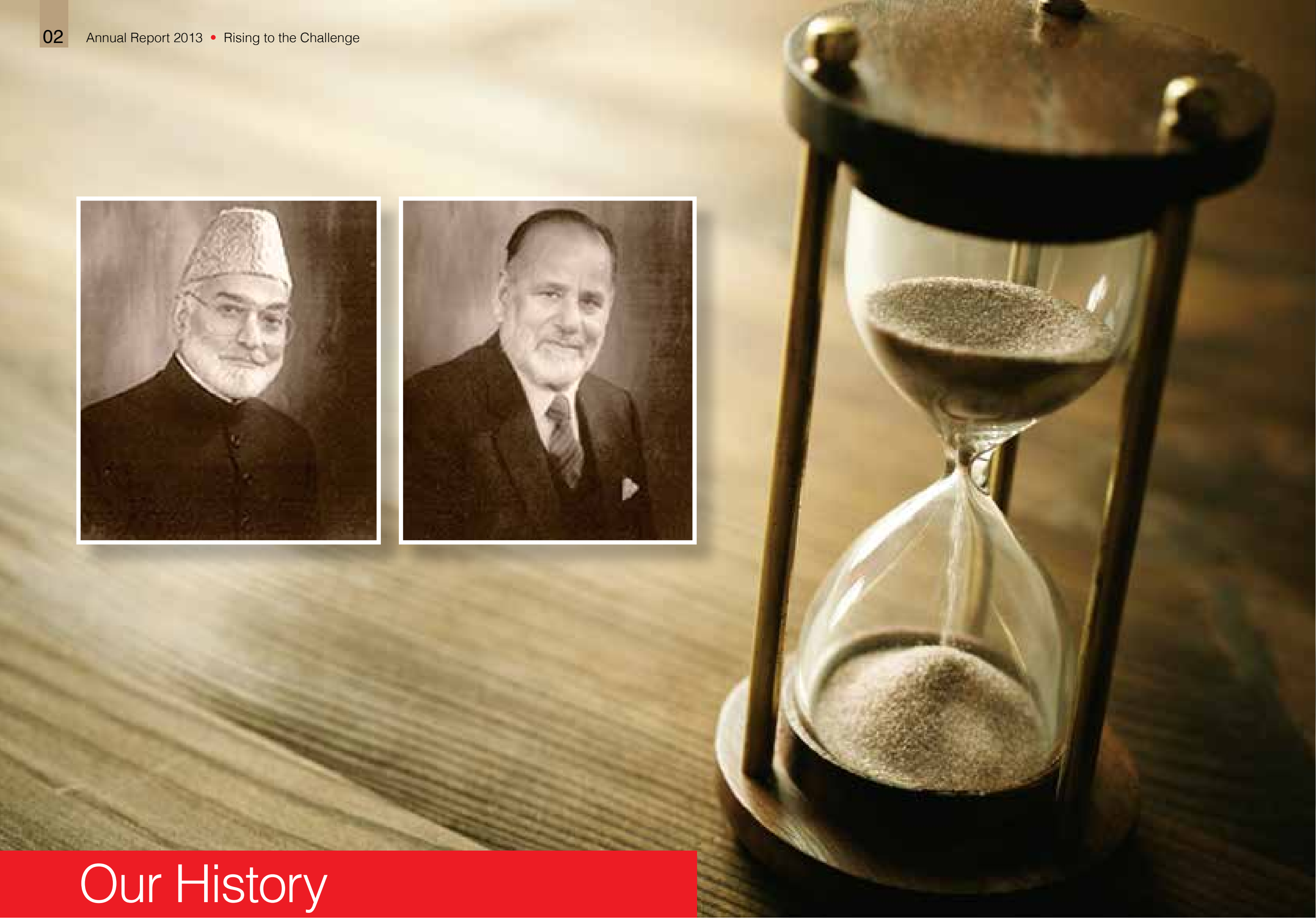


Our History

The story of 'Servis' begins with a group of friends - young, energetic, fresh from college - who established Service Industries in 1953, the company went public in 1968.

These young men, named Ch. Nazar Mohammad (Late), Ch. Mohammad Husain (Late) – both from Gujrat district and Ch. Mohammad 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 Gulberg, Lahore. This started production in the same year. The industry started manufacturing various types of shoes. Later management shifted the factory from Lahore to Gujrat.

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

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

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

To Our Shareholders

"We will continue to measure success, in every business, by our ability to increase market share and deliver profitability. We are confident that by building on the progress we made in 2013, we will be able to achieve market share gains in 2014."

Our Vision

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

Our Mission

- To be a result oriented and profitable Company by consistently improving market share, quality, diversity, availability, presentation, reliability and customer acceptance.
- To emerge as a growth oriented ensuring optimum return and value addition to its shareholders.
- To ensure cost consciousness in decision making and operations without compromising the commitment to quality.
- To create an efficient resource management and conducive business environment. Evolving an effective leadership by creating a highly professional and motivated management team fully equipped to meet any challenge.
- To keep abreast with modern technology and designs to optimize production and enhance brand image to attain international recognition for the Company's product.
- To set up highly ethical business standards and be a good corporate citizen, contributing towards the development of the national economy and assisting charitable causes.
- To adopt appropriate safety rules and environment friendly policies.

Company Information

Board of Directors
Chaudhry Ahmed Javed
Chairman
Mr. Omar Saeed
Chief Executive
Mr. M Ijaz Butt
Mr. Arif Saeed
Mr. Hassan Javed
Mr. Riaz Ahmed
Mr. Shaukat Ellahi Shaikh
Mr. Muhammad Amin
Mr. Manzoor Ahmed
(NIT Nominee)

Advisor
Ch. Ahmad Saeed

Company Secretary
Mr. Iftikhar Ahmad

Chief Financial Officer
Mr. Jawwad Faisal

Audit Committee
Mr. Manzoor Ahmed
Chairman
Mr. Hassan Javed
Member
Mr. Riaz Ahmed
Member
Mr. Muhammad Amin
Member

Human Resource & Remuneration Committee
Mr. Riaz Ahmed
Chairman
Mr. Arif Saeed
Member
Mr. Muhammad Amin
Member

Auditors
M/s. S.M. Masood & Co.
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: 042-35751990-96
Fax: 042-35710593, 35712109
Email: sil@servis.com
Website: www.servisgroup.com

Shares Registrar
M/s Hameed Majeed Associates
(Pvt.) Limited
1st Floor, H.M. House, 7-Bank Square,
The Mall, Lahore.
Tel: 042-37235081-2
Fax: 042-37358817

Karachi & Lahore
Stock Exchange Symbol
SRVI

Factories
- G.T. Road, Gujrat.
- Muridke-Sheikhupura Road, Muridke.

Web Presence
www.servisgroup.com

Bankers
Habib Bank Limited
United Bank Limited
MCB Bank Limited
Allied Bank Limited
Faysal Bank Limited
SAMBA Bank Limited
Barclays Bank PLC, Pakistan
Standard Chartered Bank (Pakistan) Limited
Bank Alfalah Limited
Meezan Bank Limited

Management Team
(Footwear Division)
Mr. Jawwad Faisal
Chief Financial Officer
Mr. Ghulam Mohammad
General Manager - Gujrat Plant
Mr. Muhammad Sohail Akhtar Chaudhry
General Manager Sales
Mr. Hassan Ehsan
General Manager Exports

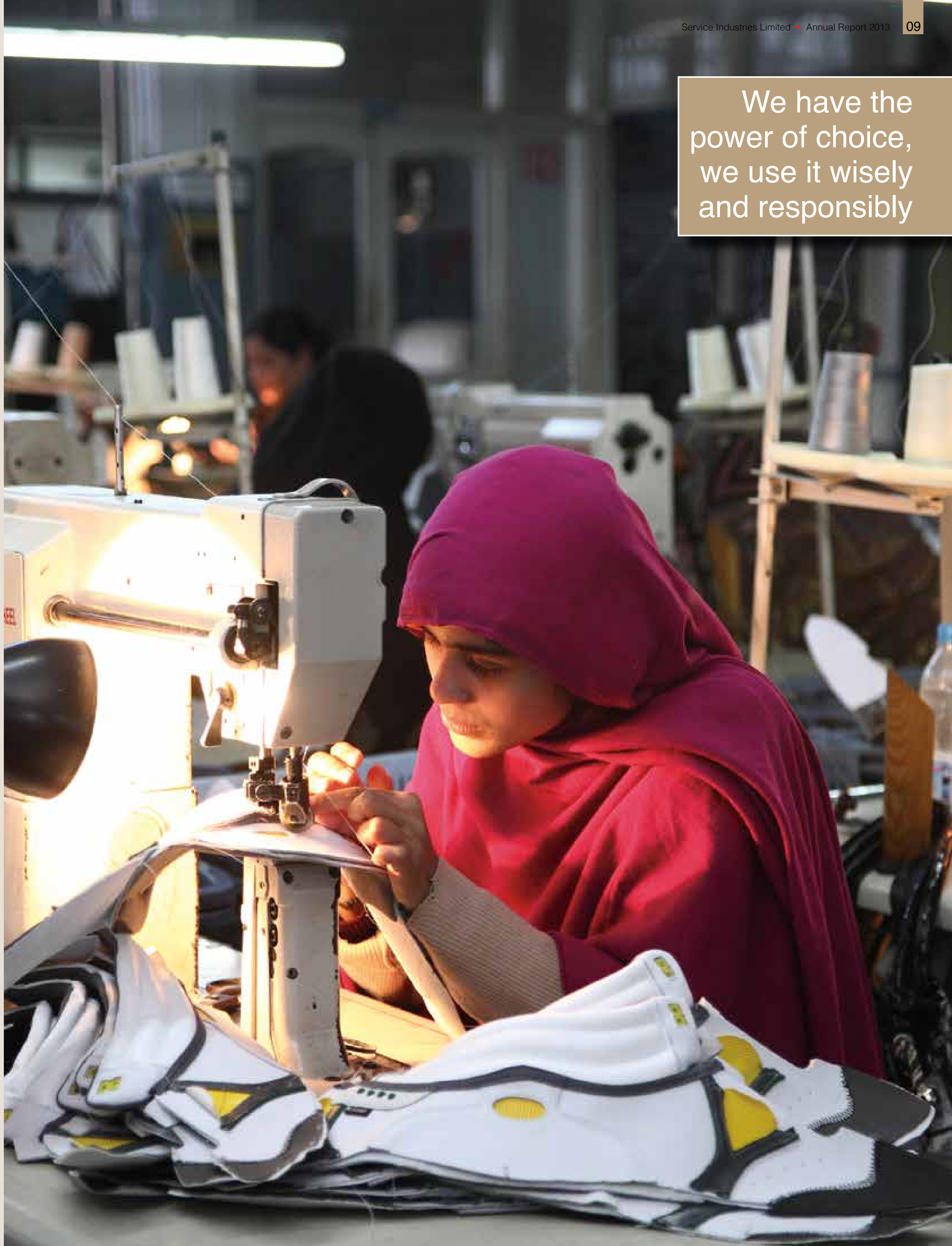
Management Team
(Tyre Division)
Mr. Jawwad Faisal
Chief Financial Officer
Mr. Muhammad Ejaz
Country Manager Sales & Marketing
Mr. Ghulam Ahmad Cheema
General Manager
Mr. Ghazanfar Ali
Chief Technical Manager

Corporate Social Responsibility (CSR)

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

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

1. **CORPORATE PHILANTHROPY**
2. **COMMUNITY INVESTMENT**
3. **OTHER AREAS ENVIRONMENTAL PROTECTION, INDUSTRIAL RELATION ETC.**



We have the power of choice, we use it wisely and responsibly

Corporate Social Responsibility (CSR)

CORPORATE PHILANTHROPY

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

a) Chaudhry Nazar Muhammad, Mohammad Hussain Memorial Society Hospital

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

- Operation Theater
- Laboratory
- X-ray
- Ultrasound

Approximately 26,517 patients were treated in the year 2013 in this hospital which offers free surgical care to the patients residing in Gandhra and its neighboring villages.

b) Service Free dispensary

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

- Ultrasound
- X-ray
- Laboratory

Approximately 44,035 patients received free medication and consultation in the year 2013 from here.

c) Dar-ul-Kafala

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

- Recreational activities
- Events and gatherings
- Healthcare
- Meals

d) Service High School for Boys

Established in Gujrat this school serves as an educational institute for the underprivileged students in the area. A total of 250 students are enrolled in this school.

e) Bagh-e-Rehmat

Set up in Lahore, this educational institute offers both primary and secondary education options for underprivileged boys and girls. More than 380 students are receiving education from this institute.

Corporate Social Responsibility (CSR)

COMMUNITY INVESTMENT

a) Shalamar Hospital

This hospital was established in 1982 in Lahore, with the help of the contribution made by the founders of our company, Chaudhry Nazar Mohammad and Chaudhry Mohammad Hussain. It is owned by the Businessman Hospital Trust (BHT) which strives to provide health care services to patients belonging to varying income groups with special emphasis to those who belong to lower and middle income groups. In 2013 a donation of PKR 19.3 m was made by Service Industries Limited to this medical facility.

Service Industries Limited also donates PKR 9 m to other organizations, entities and NGOs, like;

- Servis Charitable Trust;
- Progressive Education Network;
- Thalassemia Society of Pakistan;
- Pakistan Society for the Rehabilitation of the Disabled – PSRD
- Sindh Institute of Urology (SIUT);
- Care Foundation;

b) PEN- Progressive Education Network

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

OTHER AREAS

a) Industrial Relations

The personal productivity of our employees is the key asset to our organization. With a family of more than 8000 employees working in different areas, we are proud to be the source of earning for them and their families. The excellent mentoring of our managers and their work relationship with the subordinates has enabled us to perfect efficient management at workplace; a vital ingredient for the success of any organization.

b) Employment of females and Special Persons

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

c) Occupational Safety and Health

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

d) Business Ethics and Anti-Corruption Measures

We are known for adhering to the highest principles of business ethics. We have a commitment of conducting our business with honesty and integrity and in full compliance with applicable laws and regulations. These principles are inculcated into our work philosophy so that every employee can associate with it at which ever positions they are serving. This is the reason each year all the employees and directors of the company sign a Statement of Ethics & Business Practices, which explains that

> "A panoramic opportunity on a global scale to demonstrate the finest aspects of our abilities."

e) Consumer Protection Measures

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

f) Contribution to National Exchequer

During the year 2013 the company contributed PKR 730 million towards national exchequer on account of taxes, duties and levies.

Notice of Annual General Meeting

Notice is hereby given that the 57th Annual General Meeting of Shareholders of Service Industries Limited will be held on Tuesday the 29th April, 2014 at 11:00 a.m. at Shalimar Tower Hotel, Adjacent Servis House, 2-Main Gulberg, Lahore to transact the following business:

1. To confirm the minutes of the last Annual General Meeting held on 30th April, 2013.

2. To receive, consider and adopt the Audited Accounts of the Company and the Directors' and Auditors' Reports thereon for the year ended 31st December 2013.

3. To approve the final cash dividend Rs.10 per share of Rs.10/- each (100%) for the year ended 31st December, 2013 as recommended by the Board of Directors in addition to interim dividend already paid @75% making a total dividend of Rs.17.50 per share (175%).

4. To appoint Auditors and to fix their remuneration. Retiring Auditors M/s. S.M. Masood & Company, Chartered Accountants, being eligible have offered themselves for re-appointment.

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

By order of the Board

Date: April 2, 2014
Place: Lahore

Iftikhar Ahmad
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from 23/04/2014 to 29/04/2014 (both days inclusive). Transfers received in order by our Company's Shares Registrar M/s. Hameed Majeed Associates (Pvt.) Limited, 1st Floor, H.M. House, 7-Bank Square, The Mall, Lahore by the close of business on 22/04/2014 will be considered in time for entitlement of dividend.

2. A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf.

3. Duly completed forms of proxy must be deposited with the Company Secretary at the Registered Office of the Company at Servis House, 2-Main Gulberg, Lahore not later than 48 hours before the time appointed for the meeting.

4. Shareholders are requested to notify to the Company's Shares Registrar any change in their addresses immediately.

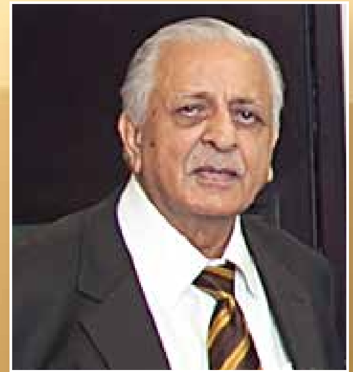
5. In pursuance with the Securities & Exchange Commission of Pakistan (SECP) notification No.831(1)2012 dated July 05, 2012, the shareholders possessing physical shares are requested to immediately send a copy of their Computerized National Identity Card (CNIC) to our Registrar Office, M/s. Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7-Bank Square, Lahore for printing/insertion of CNIC number on respective dividend warrant.
In case of non-receipt of the copy of valid CNIC and non-compliance of the above requirement, the Company will be constrained to withhold dispatch of dividend warrants to such shareholders. Corporate entities are also requested to submit their NTN at the address of our Registrar as given above.

6. CDC account holders will further have to follow the guidelines as laid down in Circular No.1 dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan.

Board of Directors

Chaudhry Ahmed Javed
Chairman

Mr. Omar Saeed
Chief Executive Officer



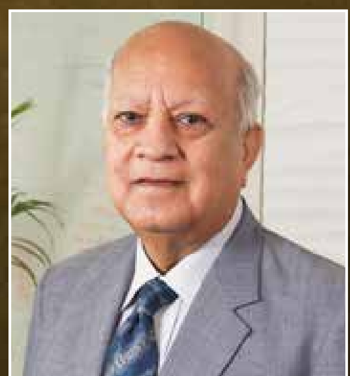
Mr. M. Ijaz Butt
Director

Mr. Arif Saeed
Director

Mr. Hassan Javed
Director

Mr. Riaz Ahmed
Director

Mr. Shaukat Ellahi Shaikh
Director



Mr. Muhammad Amin
Director

Mr. Manzoor Ahmed
Director

Group Executive Committee

Mr. Omar Saeed
Chief Executive Officer

Mr. Omar Saeed is a graduate of Brown University and did his Masters in Business Administration from Harvard Business School. He is the Chief Executive Officer of Service Industries Limited since 2011. He ran Service Sales Corporation as Chief Operating Officer from 2002 to 2010 and is the founder Chairman of Ovex Technologies. He serves as a director on the boards of Atlas Battery Limited, Speed (Pvt) Limited and Systems (Pvt) Limited. Mr. Saeed also serves as President of Harvard Business School Club of Pakistan and is an adjunct faculty member at LUMS.

Mr. Arif Saeed
Director

Mr. Arif Saeed graduated from Oxford University. He is the Director of Service Industries Limited. He served Dar Es Salam Textile Mills Limited as Chief Executive Officer from 1992 to 2006. Mr. Saeed also served Lahore Stock Exchange and All Pakistan Textile Mills Association as Chairman and Vice Chairman of Punjab Daanish Schools & Center of Excellence Authority. Mr. Saeed is currently the Chairman of Quaid-e-Azam Solar Power (Pvt) Limited and Punjab Power Development Company Limited. He is also on the Boards of Saif Textile Mills Limited, Punjab Social Security & Health Management Company, Punjab Industrial Estates Development & Management Company and Competitiveness Support Fund.

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 the 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 ten 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.

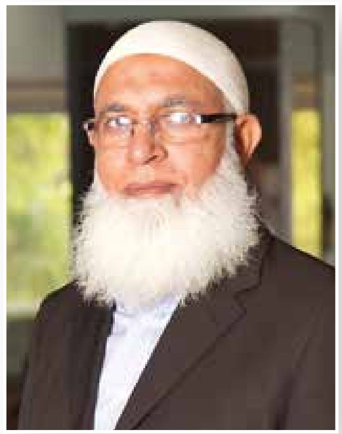
Management Team

Mr. Jawwad Faisal
Chief Financial Officer

Mr. Muhammad Ejaz
Country Manager Sales & Marketing
Tyre Division

Mr. Ghulam Mohammad
General Manager – Gujrat Plant
Footwear Division

Mr. Muhammad Sohail Akhtar Chaudhry
General Manager Sales
Footwear Division



Mr. Ghulam Ahmed Cheema
General Manager
Tyre Division

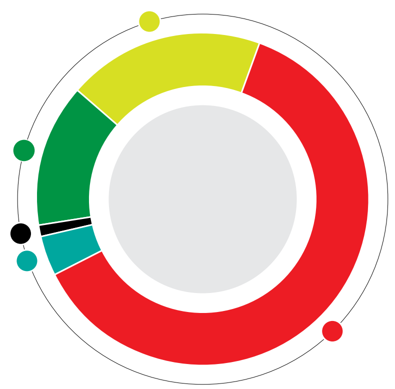
Mr. Hassan Ehsan
General Manager - Exports
Footwear Division

Mr. Ghanzanfar Ali
Chief Technical Manager
Tyre Division

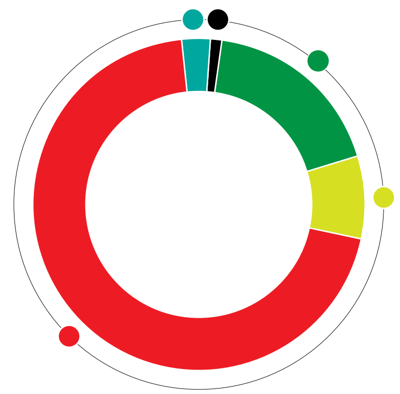
Statement of Value Addition and its Distribution

	2013 Amount	2013 Percentage	2012 Amount	2012 Percentage
Wealth Generated				
Sales	14,685,638		12,167,267	
Less: Purchased Materials & Services	(11,278,773)		(9,818,365)	
Other Income	58,429		58,005	
Wealth Created	3,465,294		2,406,907	
Wealth Distributed				
Employee Remuneration, Benefits, and Facilities	2,157,991	62.27	1,687,048	70.09
To Government				
Taxation	128,080	3.70	65,081	2.70
Workers Welfare Fund	15,253	0.44	3,927	0.16
To Society				
Donations	29,104	0.84	18,319	0.76
To Lenders of Capital				
Dividend to Shareholders*	180,432	5.21	120,295	5.00
Finance cost	306,329	8.84	322,151	13.38
Retained In Business				
Depreciation	198,735	5.74	177,114	7.36
Amortization	10,478	0.30	5,926	0.25
Retained Profit	438,893	12.67	7,045	0.29
	648,106	18.70	190,086	7.90
	3,465,294	100.00	2,406,907	100.00

Distribution of Wealth - 2013



Distribution of Wealth - 2012



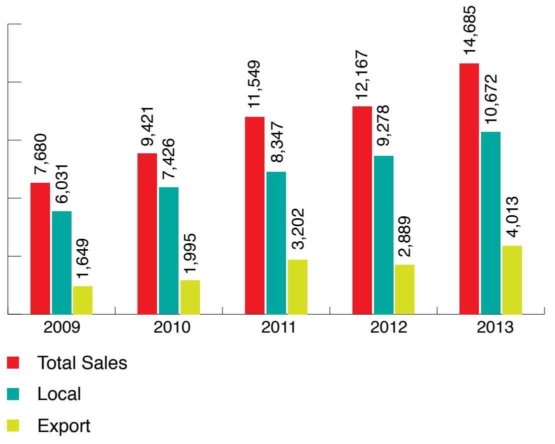
Employees
Government
Society
To lenders of Capital
Retained in Business

Six Years at a Glance

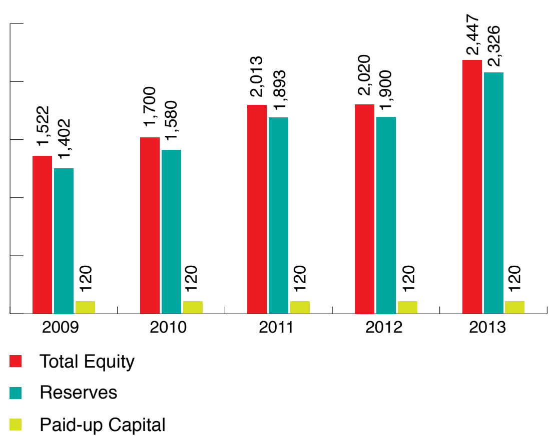
	2013	2012	2011	2010	2009	2008
	(Rupees in million)					
Sales	14,686	12,167	11,549	9,421	7,680	6,393
Gross Profit	2,367	1,546	1,569	1,293	1,594	1,038
Profit Before Tax	747	192	535	488	936	478
Profit After Tax	619	127	433	328	661	341
Share Capital	120	120	120	120	120	120
Share Holder's Equity	2,447	2,020	2,013	1,700	1,522	1,042
Property, Plant & Equipment	1,901	1,649	1,612	1,425	1,024	887
Total Assets	6,992	6,422	5,639	4,543	3,651	3,342
Net current assets	1,093	974	827	727	820	530
Market Value Per Share (Rupees)	545	167	195	240	266	61
Dividend (%)						
Cash - Interim	75	-	25	-	75	-
Cash - Final	100	75	100	75	125	75
Profitability (%)						
Gross Profit	16.12	12.71	13.59	13.73	20.75	16.24
Profit Before Tax	5.09	1.58	4.63	5.18	12.19	7.48
Profit After Tax	4.22	1.05	3.75	3.48	8.60	5.33
Return to Shareholders						
R.O.E - Before Tax (%)	30.54	9.53	26.56	28.71	61.49	45.91
R.O.E - After Tax (%)	25.31	6.30	21.53	19.30	43.42	32.70
E.P.S - After Tax (Rupees)	51.49	10.59	36.03	27.28	54.94	28.32
Price Earning Ratio	10.58	15.78	5.41	8.80	4.84	2.15
Activity (Times)						
Sales To Total Assets	2.10	1.89	2.05	2.07	2.10	1.91
Sales To Fixed Assets	7.72	7.38	7.16	6.61	7.50	7.20
Inventory Turnover Ratio	5.27	4.98	5.81	6.04	4.89	5.56
Interest Coverage Ratio	3.44	1.60	3.25	3.75	6.83	3.89
Liquidity/Leverage						
Current Ratio (Times)	1.29	1.26	1.26	1.31	1.46	1.28
Break-up Value per Share (Rupees)	203.44	167.93	167.34	141.30	126.54	86.60
Total Liabilities To Equity (Times)	1.86	2.18	1.80	1.67	1.40	2.21
Debt Equity Ratio (Times)	20:80	19:81	14:86	16:84	14:86	30:70

Financial Highlights

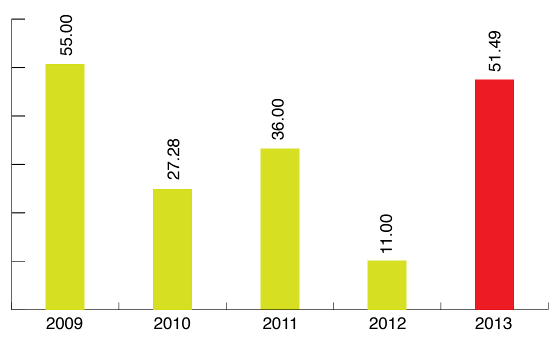
Sales
(Rupees in million)



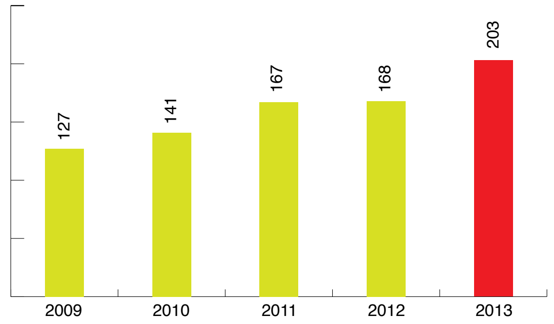
Shareholder's equity
(Rupees in million)



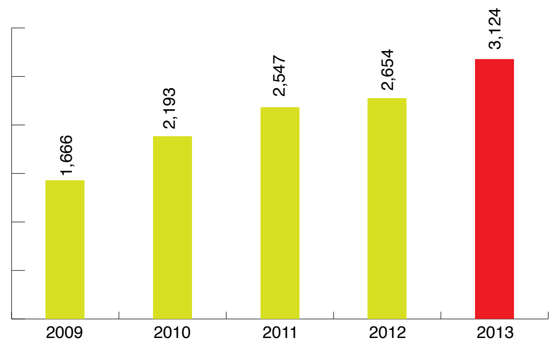
Earnings per share
(In Rupees)



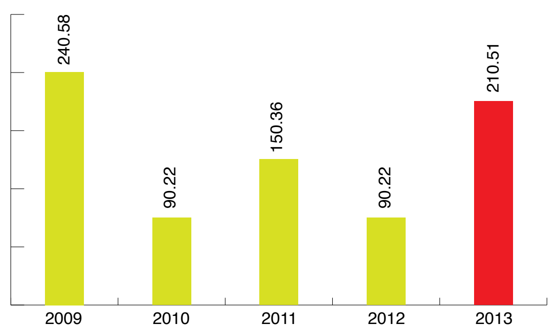
Break-up value per share
(In Rupees)



Operating fixed assets
(Rupees in million)



Dividend
(Rupees in million)



Horizontal & Vertical Analysis

Balance Sheet

	2013	2012	2011	2010	2009	2008
	(Change from preceding year)					
Horizontal Analysis						
Equity and Liabilities						
Share Capital & Reserve	21.48%	0.35%	18.42%	11.67%	46.12%	37.95%
Non-Current Liabilities	20.28%	41.56%	-3.41%	40.71%	-17.76%	-11.55%
Current Liabilities	0.18%	18.51%	33.64%	32.19%	-5.23%	53.05%
Total Equity and Liabilities	8.88%	13.87%	24.14%	24.42%	9.26%	36.37%
Assets						
Non-Current Assets	26.39%	2.92%	13.71%	39.19%	13.06%	6.46%
Current Assets	2.65%	18.35%	28.97%	18.58%	7.83%	52.52%
Total Assets	8.88%	13.87%	24.14%	24.42%	9.26%	36.37%
Vertical Analysis						
Equity and Liabilities						
Share Capital and Reserve	35.00%	31.46%	35.70%	37.42%	41.69%	31.17%
Non-Current Liabilities	11.08%	9.94%	8.00%	10.28%	9.09%	12.08%
Current Liabilities	53.92%	58.60%	56.30%	52.30%	49.22%	56.75%
Total Equity and Liabilities	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Assets						
Non-Current Assets	30.45%	26.23%	29.02%	31.69%	28.32%	27.37%
Current Assets	69.55%	73.77%	70.98%	68.31%	71.68%	72.63%
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Profit and Loss Account

	2013	2012	2011	2010	2009	2008
	(Change from preceding year)					
Horizontal Analysis						
Sales	20.70%	5.35%	22.58%	22.67%	20.13%	41.41%
Cost of Sales	15.98%	6.42%	22.78%	33.54%	13.66%	40.57%
Gross Profit	53.05%	-1.45%	21.32%	-18.84%	53.51%	45.91%
Distribution Cost	10.58%	69.01%	19.75%	50.31%	19.63%	32.15%
Admin & Other Expenses	41.16%	5.76%	36.21%	12.42%	30.89%	17.88%
Finance Cost	-4.90%	35.53%	33.74%	10.79%	-2.89%	9.88%
Other Income	0.73%	42.98%	106.48%	7.73%	52.85%	90.11%
Total Expenses	19.61%	30.87%	28.44%	22.48%	17.45%	17.80%
Net Profit Before Taxation	288.30%	-64.01%	9.57%	-47.87%	95.73%	102.47%
Provision for Taxation	96.80%	-35.72%	-36.65%	-41.92%	100.08%	84.10%
Net Profit After Tax	386.35%	-70.62%	32.08%	-50.35%	93.97%	110.97%
Vertical Analysis						
Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Sales	83.88%	87.29%	86.41%	86.27%	79.25%	83.76%
Gross Profit	16.12%	12.71%	13.59%	13.73%	20.75%	16.24%
Distribution Cost	4.11%	4.48%	2.79%	2.86%	2.33%	2.34%
Admin & Other Expenses	5.23%	4.47%	4.46%	4.01%	4.38%	4.02%
Financial Cost	2.08%	2.65%	2.06%	1.89%	2.09%	2.58%
Other Income	-0.40%	-0.48%	-0.35%	-0.21%	-0.24%	-0.19%
Total Expenses	11.03%	11.13%	8.96%	8.55%	8.56%	8.76%
Net Profit Before Taxation	5.09%	1.58%	4.63%	5.18%	12.19%	7.48%
Provision for Taxation	0.87%	0.53%	0.88%	1.70%	3.58%	2.15%
Net Profit After Tax	4.22%	1.05%	3.75%	3.48%	8.60%	5.33%

Directors' Report to the Shareholders

The Board of Directors is pleased to present its Annual Report along with the audited financial statements of the Company for the year ended December 31, 2013.

THE ECONOMY

Pakistan's economy struggled against fiscal meltdown, rising unemployment, high inflation and prevailing security situation in the country resulting from war in neighboring Afghanistan. Chronic energy shortage which knocked around two percentage points from GDP combined with rising fuel and input costs maintained immense pressure on the hard hit manufacturing sector.

Another contributor to the slowdown in GDP growth was the deteriorating Investment to GDP ratio which reduced from 20% to 13% in a year. Despite these unfavorable conditions, overall economy expanded by 3.6% in the FY 2012-2013 down from 4.0% from previous year.

Pakistan Economic Overview	Year (2002-2007)	Year (2008-2013)
Economic growth	6 %	3 %
Fiscal deficit	4% of GDP	7% of GDP
Public debt	Rs. 4.5 Trillion	Rs. 15 Trillion
Rupee Value (against US $)	Rs. 60	Rs. 100

Business Review

During the year, your Company managed to achieve both top line and bottom line growth in all business segments.

Financial performance of the Company are as follows:-

	2013	2012	Variance
	Rs. in million		%
Sales (Net)	14,686	12,167	21%
Gross Margin (%)	16.1	12.7	27%
Profit before taxation	747	192	288%
Profit after taxation	619	127	386%
Earnings per share (Rs)	51.49	10.59	386%

Footwear

Footwear sales during the year increased from Rs. 6.6 billion to Rs. 8.1 billion representing growth of 22.5%.

Export revenue which increased by 41% spearheaded growth in footwear segment, whereas domestic revenue was 10% higher compared with 2012.

Footwear profitability witnessed a turnaround during the year as a result of improved productivity, better pricing and more efficient supply chain management. Improved euro rupee parity also helped improve our margins. Gross margins in footwear business increased sharply from 8.2% to 12.9% year on year, still short of the 15% target the management is pursuing.

Directors' Report to the Shareholders

Tyres and Tubes

Tyre business continued its upward progression. Market share and profitability growth went hand in hand. Increase in market share was testament to the successful marketing campaigns that your management launched in 2012 and continued in 2013. Whereas improved efficiencies in manufacturing and supply chain operations resulted in another strong year in terms of bottom line.

Tyre division's revenue increased from Rs 5.5 billion to Rs 6.6 billion during the year, a growth of 20%. Gross margins improved to 20.5% for the year as against 17.8% in 2012.

FUTURE OUTLOOK

We consider 2014 to be a better year for our footwear business. Your management's focus on export market diversification is likely to benefit from the new GSP Plus status for Pakistan. Our growth will again be spearheaded by exports, whereas in the local market our continued struggle against the tax avoiding cottage industry is likely to keep growth numbers limited.

In the Tyre Division, 2014 is expected to be another year of growth. Your management continues to invest in top manufacturing technology and another capacity expansion will come on line in the second quarter. We expect that the local market coupled with increased exports will allow us to run the additional capacity as soon as it is installed.

CHANGE IN ACCOUNTING POLICY

In 2013, the Company has changed its accounting policy in respect of recognition of actuarial losses arising from retirement benefit plan in pursuance of amendments in International Accounting Standard 19 'Employees Benefits'. This accounting policy change is effective from financial year beginning on or after January 1, 2013. As result of this change, the Company has recognized a cumulative charge of Rs.5.52 million to the opening balance of accumulated profit/(loss) and retirement benefits of gratuity fund.

SAFETY AND ENVIRONMENT

All efforts are made to make all processes environment friendly, safe and efficient. The Company complies with the standards of safety rules and regulations.

APPROPRIATIONS FOR THE YEAR 2013

Your Directors have recommended payment of cash dividend @ Rs 10/- per share (100%), in addition to the interim dividend of Rs. 7.50/- per share (75%).

	Rs. in million
Un-appropriated profit brought forward	217.51
Actuarial (loss)/gain on defined benefit plans-net	(5.53)
Final dividend @ Rs. 7.5 per share 2012	(90.22)
Interim dividend @ Rs.7.5 per share 2013	(90.22)
Transfer to reserve	-
Net profit after tax for the year 2013	619.33
Actuarial (loss)/gain on defined benefit plans-net	(6.23)
Total available for appropriation	644.64
Appropriation	
Final dividend @ Rs. 10/- per share 2013	120.29
Transfer to reserve	-
Un-appropriated profit carried forward	524.35

AUDIT COMMITTEE

The Board of Directors in compliance with the Code of Corporate Governance has established an audit committee. During the year 4 meetings of the committee were held.

HUMAN RESOURCES AND REMUNERATION COMMITTEE

The Board of Directors of the Company in compliance with the Code of Corporate Governance has established the human resource & remuneration committee. Majority of the members of the Committee are non-executive Directors. Three meetings of the Committee were held during the year.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Karachi and Lahore Stock Exchanges in their Listing Rules, relevant for the year ended December 31, 2013 have been duly complied with. The Directors confirm the Compliance of Corporate Governance and statement to this effect is annexed.

Directors' Report to the Shareholders

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- 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.
- The Directors, their spouses, minor children, CFO and Company Secretary did not trade in the shares of the Company except the following:

S. No.	Name	Shares purchased during the year	Shares sold during the year
1	Mr. Omar Saeed	83,650	5,000
2	Mr. Ahmed Javed	83,650	5,000
3	Mr. Arif Saeed	85,250	5,000
4	Mr. Hassan Javed	83,650	5,000

- The value of investments of provident, gratuity and pension funds based on their accounts were as follows:

Provident fund	(Un-Audited)	Rs. 1,041 million
Gratuity fund	(Un-Audited)	Rs. 63 million
Pension fund	(Un-Audited)	Rs. 64 million

- During the year under review four (04) board meetings were held .The attendance of the directors is as follows:

Director's Name	Meetings Attended
Mr. Ahmed Javed	3
Mr. Omar Saeed	4
Mr. M. Ijaz Butt	2
Mr. Arif Saeed	4
Mr. Hassan Javed	4
Mr. Riaz Ahmed	4
Mr. Muhammad Amin	4
Mr. Shaukat Ellahi Shaikh	3
Mr. Manzoor Ahmed	3

The directors who could not attend the meetings were granted leave of absence.

AUDITORS

The Auditors, M/s. S.M. MASOOD & CO., Chartered Accountants retire and offer themselves for re-appointment. The Directors, on the recommendation of the Audit Committee propose M/s. S.M. MASOOD & CO., Chartered Accountants, Lahore as auditors for the financial year 2014.

PATTERN OF SHAREHOLDING

The pattern of shareholding as on December 31, 2013 is annexed with this report.

CORPORATE SOCIAL RESPONSIBILTIES

Disclosure as required by Corporate Social Responsibility General Order, 2009 is annexed and forms part of this report.

ACKNOWLEDGEMENT

On behalf of the Board of directors and employees, we express our gratitude and appreciation to all our valued customers, distributors, dealers, financial institutions and shareholders for the trust and confidence shown in the Company.

The directors would like to express their sincere appreciation for the hard work and dedication shown by the management and employees of the company throughout the year.

In the end may Allah bestow his blessings on our country, our Company and all our staff/workers so that we continue to prosper and achieve good business results.

For and on behalf of the Board

Date: April 2, 2014
Place: Lahore

Omar Saeed
Chief Executive

Statement of Compliance

with the Code of Corporate Governance

For the year ended December 31, 2013

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

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of non-executive Directors on its Board. The Board of Directors comprises eight Directors, excluding the Chief Executive Officer (CEO). At present, the Board includes (4) executive Directors and (4) non-executive Directors.

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

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

4. There was no casual vacancy on the Board during the year end December 2013.

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

6. The board has developed a vision and mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.

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

9. Three Directors namely Mr. Hassan Javed, Mr. Manzoor Ahmed and Mr. Riaz Ahmed are certified Directors of the Company.

10. The board has approved appointment of CFO and Company Secretary including their remuneration and terms and conditions of employment.

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

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

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

14. The company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee. It comprises on four members, of whom three are non-executive directors and the chairman of the committee is also non-executive director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises on three .members, of whom two are non-executive directors and the chairman of the committee is also non-executive director.

18. The board has set up an effective internal audit function managed by the qualified and experienced personnel who are conversant with the policies and procedures of the company and are involved in the internal audit function on a full time basis.

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

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

21. The ‘closed period’, prior to the announcement of interim/final results was determined and intimated to directors, employees and stock exchanges.

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

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

For and on behalf of the Board

Date: April 2, 2014
Place: Lahore

Omar Saeed
Chief Executive

Review Report to the Members

on the Statement of Compliance with the Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of SERVICE INDUSTRIES LIMITED ("the Company") to comply with the Listing Regulation No. 35 of Karachi and Lahore Stock Exchanges, where the Company is listed.

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

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

Further, sub-regulation (x) of listing regulation No. 35 of Karachi and Lahore Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2013.

Date: April 2, 2014
Place: Lahore

S. M. Masood & Co.
Chartered Accountants

Audit Engagement Partner:
S. M. Masood

Auditors' Report to the Members

We have audited the annexed balance sheet of SERVICE INDUSTRIES LIMITED ("the Company") as at December 31, 2013 and the related profit & loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b. In our opinion:

   (i) the balance sheet and profit & loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes as stated in note 7.1 with which we concur;

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

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

c. in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit & loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2013 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

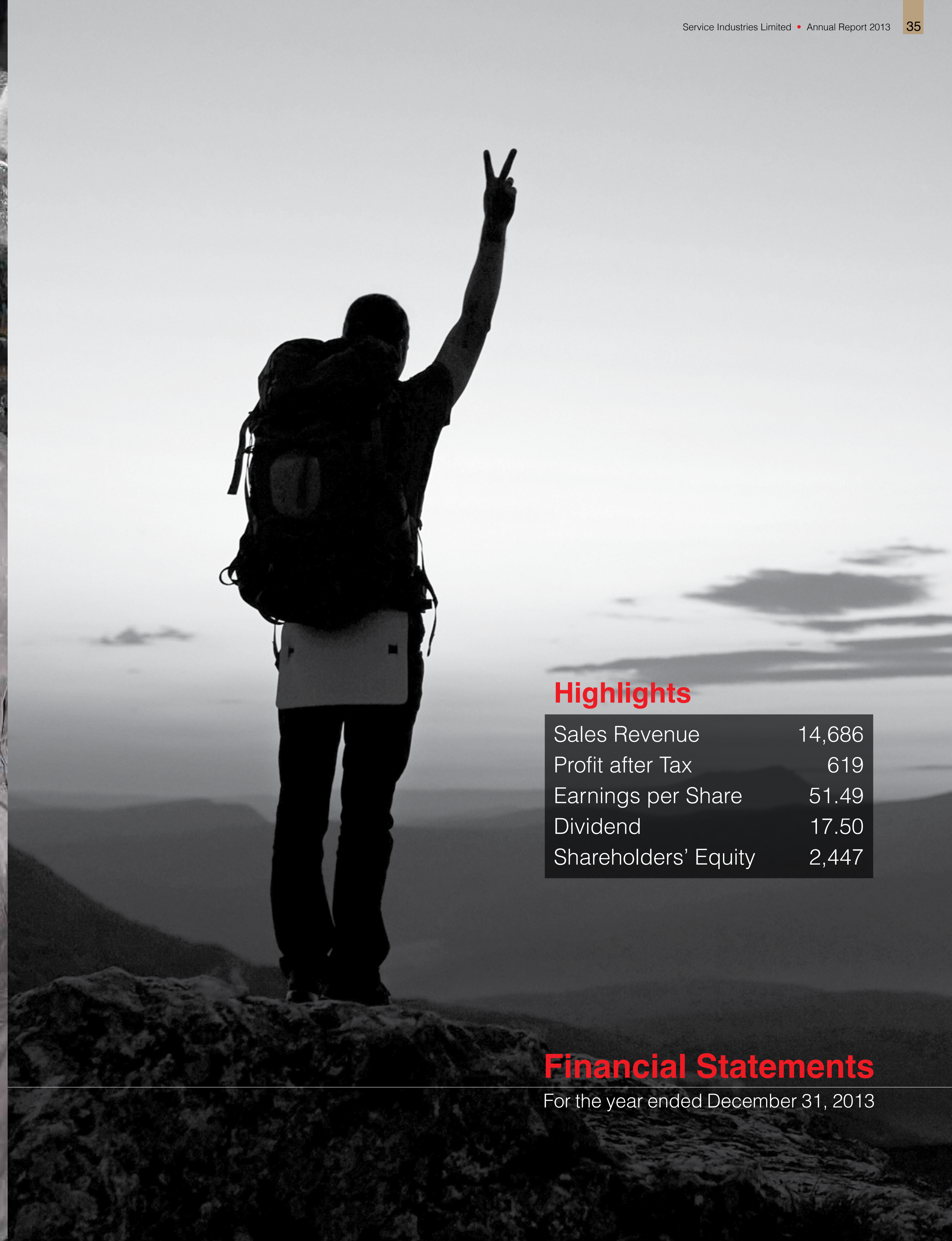
d. in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Date: April 2, 2014
Place: Lahore

S. M. Masood & Co.
Chartered Accountants

Audit Engagement Partner:
S. M. Masood

Laser like focus combined with unwavering determination



Highlights

Sales Revenue	14,686
Profit after Tax	619
Earnings per Share	51.49
Dividend	17.50
Shareholders' Equity	2,447

Financial Statements

For the year ended December 31, 2013

Balance Sheet
As at December 31, 2013

	Note	2013	2012 (Restated)
		(Rupees in '000)	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital			
20,000,000 (2012: 20,000,000) ordinary shares of Rs. 10/- each:		200,000	200,000
Paid up share capital	9	120,288	120,288
Reserves	10	2,326,798	1,894,136
		2,447,086	2,014,424
Non-current liabilities			
Long term financing - secured	11	514,365	400,215
Liabilities against assets subject to finance lease	12	-	-
Long term deposits	13	3,655	2,600
Deferred liabilities	14	256,718	241,321
		774,738	644,136
Current liabilities			
Trade and other payables	15	1,975,589	1,497,358
Interest and markup accrued	16	51,125	51,581
Short term borrowings - secured	17	1,514,289	2,087,818
Current portion of:			
long term financing - secured	11	114,013	57,508
liabilities against assets subject to finance lease	12	-	14,898
Provision for taxation	38	114,889	53,785
		3,769,905	3,762,948
Contingencies and commitments	18	-	-
		6,991,729	6,421,508

The annexed notes 1 to 50 form an integral part of these financial statements.

Chaudhry Ahmed Javed
Chairman

Date: April 2, 2014
Place: Lahore

Balance Sheet
As at December 31, 2013

	Note	2013	2012
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	19	1,901,092	1,648,805
Intangible assets	20	16,119	11,994
Long term investment	21	177,032	-
Long term loans	22	5,106	326
Long term deposits	23	29,837	23,465
		2,129,186	1,684,590
Current assets			
Stores, spares and loose tools	24	115,791	104,370
Stock in trade	25	2,322,432	2,132,742
Trade debts	26	1,244,470	1,244,889
Loans and advances	27	241,099	230,423
Trade deposits and prepayments	28	17,033	15,128
Other receivables		6,389	14,805
Tax refunds due from government	29	890,923	981,132
Cash and bank balances	30	24,406	13,429
		4,862,543	4,736,918
		6,991,729	6,421,508

Omar Saeed
Chief Executive

Profit and Loss Account
For the year ended December 31, 2013

	Note	2013 (Rupees in '000)	2012
Sales - net	31	14,685,638	12,167,267
Cost of sales	32	12,318,716	10,620,854
Gross profit		2,366,922	1,546,413
Operating expenses			
Distribution cost	33	603,176	545,476
Administrative expenses	34	613,584	511,790
Other operating expenses	35	154,857	32,580
		1,371,617	1,089,846
Operating profit before other income		995,305	456,567
Other operating income	36	58,429	58,005
Operating profit		1,053,734	514,572
Finance cost	37	306,329	322,151
Profit before taxation		747,405	192,421
Taxation	38	128,080	65,081
Profit after taxation		619,325	127,340
Earnings per share - basic and diluted (Rupees)	39	51.49	10.59

The annexed notes 1 to 50 form an integral part of these financial statements.

Chaudhry Ahmed Javed
Chairman

Omar Saeed
Chief Executive

Date: April 2, 2014
Place: Lahore

Statement of Comprehensive Income
For the year ended December 31, 2013

	Note	2013 (Rupees in '000)	2012
Profit after taxation		619,325	127,340
Other comprehensive income		-	-
Actuarial (loss) / gain on defined benefit plans - net	14.2.6	(6,231)	2,193
Total Comprehensive Income for the year		613,094	129,533

The annexed notes 1 to 50 form an integral part of these financial statements.

Chaudhry Ahmed Javed
Chairman

Omar Saeed
Chief Executive

Date: April 2, 2014
Place: Lahore

Cash Flow Statement

For the year ended December 31, 2013

	Note	2013	2012
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	41	1,646,324	343,569
Finance cost paid		(306,785)	(328,266)
Ijarah rentals paid		(34,338)	(22,962)
Income tax paid		(21,605)	(248,254)
Staff retirement benefits		(19,093)	(6,000)
W.P.P.F and W.W.F paid		(21,539)	(29,420)
Net cash generated from / (used in) operating activities		1,242,964	(291,333)
CASH FLOW FROM INVESTING ACTIVITIES			
Speed (Private) Limited (associated company)	21.1	(162,408)	-
Capital expenditure		(471,210)	(275,913)
Proceeds from sale of property, plant and equipment		7,988	65,855
Long term loans - net		(4,780)	50
Long term deposits - net		(6,372)	(12,405)
Net cash used in investing activities		(636,782)	(222,413)
CASH FLOW FROM FINANCING ACTIVITIES			
Lease rentals paid		(14,898)	(11,335)
Short term borrowings - net		(573,529)	486,728
Long term financing		170,655	158,946
Dividend paid		(178,488)	(119,209)
Long term deposits		1,055	(20)
Net cash (used in) / generated from financing activities		(595,205)	515,110
Net increase/ (decrease) in cash and cash equivalents		10,977	1,364
Cash and cash equivalents at the beginning of the year		13,429	12,065
Cash and cash equivalents at the end of the year	30	24,406	13,429

The annexed notes 1 to 50 form an integral part of these financial statements.

Chaudhry Ahmed Javed
Chairman

Omar Saeed
Chief Executive

Date: April 2, 2014
Place: Lahore

Statement of Changes in Equity

For the year ended December 31, 2013

	Paid up Share Capital	Capital reserves: Capital gain	Capital reserves: Share premium	Revenue reserves: General reserve	Revenue reserves: Unappropriated profit	Total
	(Rupees in '000)					
Balance as at December 31, 2011	120,288	102,730	21,217	1,358,208	410,463	2,012,906
Experience adjustments	-	-	-	-	(7,720)	(7,720)
Balance as at December 31, 2011 (restated)	120,288	102,730	21,217	1,358,208	402,743	2,005,186
Final dividend for the year ended December 31, 2011 @ Rs. 10.00 per share	-	-	-	-	(120,295)	(120,295)
Transfer to general reserve	-	-	-	200,000	(200,000)	-
Total comprehensive income for the year	-	-	-	-	129,533	129,533
Balance as at December 31, 2012	120,288	102,730	21,217	1,558,208	211,981	2,014,424
Final dividend for the year ended December 31, 2012 @ Rs. 7.50 per share	-	-	-	-	(90,216)	(90,216)
Interim dividend for the year ended December 31, 2013 @ Rs. 7.50 per share	-	-	-	-	(90,216)	(90,216)
Total comprehensive income for the year	-	-	-	-	613,094	613,094
Balance as at December 31, 2013	120,288	102,730	21,217	1,558,208	644,643	2,447,086

The annexed notes 1 to 50 form an integral part of these financial statements.

Chaudhry Ahmed Javed
Chairman

Omar Saeed
Chief Executive

Date: April 2, 2014
Place: Lahore

Notes to the Financial Statements

For the year ended December 31, 2013

1. LEGAL STATUS AND OPERATIONS

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

2. STATEMENT OF COMPLIANCE

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

3. USE OF ESTIMATES AND JUDGMENTS

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgment about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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.

Judgments made by the management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in respective policy notes.

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2014:

- Offsetting financial assets and financial liabilities (amendments to IAS 32). These amendments clarify the meaning of “currently has a legally enforceable right to set off”. It will be necessary to assess the impact to the entity by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.
- IAS 36 Impairment of assets - recoverable amount disclosures for non-financial assets. The amendments remove the requirement to disclose the recoverable amount of a cash-generating unit (or group of cash-generating units) to which a significant amount of goodwill or intangible assets with indefinite useful lives have been allocated in periods when no impairment or reversal has been recognized (this requirement having been inadvertently introduced as part of consequential amendments on the introduction of IFRS 13; and introduce additional disclosure requirements in respect of assets for which an impairment has been recognized or reversed and for which the recoverable amount is determined using fair value less costs of disposal).
- IAS 39 Financial Instruments - recognition and measurement - novation of derivatives and continuation of hedge accounting. The amendment allows the continuation of hedge accounting (under IAS 39 and IFRS 9 chapter on hedge accounting) when a derivative is novated to a clearing counterparty and certain conditions are met.
- IFRIC 21 - Levies. It defines a levy as a payment to a government for which an entity receives no specific goods or services. A liability is recognized when the obligating event occurs. The obligating event is the activity that triggers payment of the levy. This is typically specified in the legislation that imposes the levy.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan.

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 27 (Revised 2011) – Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11

5. New accounting standards, amendments and IFRS interpretations that are effective for the year ended December 31, 2013

5.1 The following standards, amendments and interpretations are effective from accounting period beginning on or after January 01, 2013. These standards, interpretations and the amendments are either not relevant to the Company’s operations or are not expected to have significant impact on the Company’s financial statements other than certain additional disclosures.

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipments and servicing equipments. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.
- IAS 32 Financial Instruments, presentation is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

Notes to the Financial Statements
For the year ended December 31, 2013

- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The amendments have no impact on financial statements of the Company.
- IFRS 7 Financial Instruments is amended to align disclosures offsetting financial assets and financial liabilities. These amendments require an entity to disclose information about rights to set off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.
- IFRIC 20 - Stripping Costs in the production phase of a surface mine. This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity.
- Amendments to IAS 1 - Presentation of Financial Statements. This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.
- Amendments to IAS 1 - Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income (effective from accounting period beginning on or after July 01, 2012). The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point of time (for example, net gains on hedges of net investments, exchange differences on translation of foreign operations, net movements on cash flow hedges and net losses or gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). Income tax on items of other comprehensive income is required to be allocated on the same basis i.e. the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments require retrospective application.

5.2 The following amendment is effective from accounting period beginning on or after January 01, 2013 and have significant impact on the Company's financial statements for the year as discussed in the pursing paragraph. These changes are considered as change in accounting policies.

- Amendments to IAS 19 - Employee Benefits (effective from accounting period beginning on or after January 01, 2013). The amendments eliminate the corridor approach and therefore require an entity to recognize changes in defined benefit plans obligations and plan assets when they occur. All actuarial gains or losses arising during the year are recognized immediately through other comprehensive income. The amendments also require additional disclosures and retrospective application with certain exceptions.

6. BASIS OF MEASUREMENT

6.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

6.2 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

7. SIGNIFICANT ACCOUNTING POLICIES

7.1 Employees' retirement benefits

i) Defined contribution plan

The Company operates an approved contributory provident fund for its permanent employees. Equal monthly contributions are made to the fund by the Company and the employees at the rate of 7.5% of basic salary.

ii) Defined benefit plans

a) Gratuity scheme

- 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.
- Actuarial gains / losses for the defined benefit plan are recognised in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent periods. The past service costs are recognised at the earlier of when the amendment or curtailment occurs and when the Company has recognised related restructuring or terminations.
- Provisions are made in the financial statements to cover obligations on the basis of actuarial valuations carried out with sufficient regularity by an independent actuary, the latest valuation having been carried out as at December 31, 2013. The calculations of actuary are based on the "Projected Unit Credit Method".
- Change in Accounting policy

  As disclosed in 5.2 to these financial statements, during the year the Company has changed its accounting policy in respect of recognition of actuarial gains and losses, past service costs and expected return on plan assets, whereby with effect from current year, the Company has recognised:
- All past service costs at the earlier of when the amendment or curtailment occurs and when the Company has recognised related restructuring or termination benefits, instead of past policy, where the past service costs were recognised as an expense on a straight line basis over the average period until the benefits became vested, and if the benefits were already vested, following the introduction of or changes to a scheme, past service costs were recognised immediately in profit and loss account; and
- Interest on net defined benefit obligation (net of plan assets) in profit and loss account, which is calculated using the discount rate used to measure the defined benefit obligation or asset, and expected returns on plan assets will no longer be recognised in profit and loss account.
- The above change has been accounted for in accordance with the requirements of IAS 19 - Employee Benefits (Revised), as required under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, such a change to be applied retrospectively.

Notes to the Financial Statements
For the year ended December 31, 2013

– Had there been no change in accounting policy due to recognition of actuarial gains / losses on defined benefit plans in accordance with IAS 19 (Revised), the following would have been the impacts as of January 01, 2012, December 31, 2012 and December 31, 2013 and for the years then ended:

– As at January 01, 2012

Net liability would have been decreased by Rupees 7.72 million.

Unappropriated profits would have been increased by Rupees 7.72 million.

– As at and for the year ended December 31, 2012

Net liability would have been decreased by Rupees 5.53 million.

Other comprehensive income would have been decreased by Rupees 2.19 million.

– As at and for the year ended December 31, 2013

Net liability would have been decreased by Rupees 11.76 million.

Other comprehensive income would have been increased by Rupees 6.23 million.

b) Pension scheme

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

These funds are administered by trustees. Calculation of gratuity and pension requires assumptions to be made of future outcomes which mainly includes increase in remuneration, expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

7.2 Compensated absences

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

7.3 Taxation

i) Current tax

The provision for current taxation is based on the taxability of certain income streams of the Company under the presumptive tax regime at the applicable tax rates while the remaining income streams are taxable at the current rate of taxation under the normal tax regime after taking into account available tax credits and tax rebates, if any.

ii) Deferred tax

The Company accounts for deferred taxation using the balance sheet liability method, on all temporary differences arising between the carrying amount of the assets and liabilities in the financial statements and their tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax assets, if any, 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. Deferred tax is not recognised on temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination; and that affects neither accounting nor taxable profit or loss.

The deferred tax is calculated at rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case they are included in equity.

7.4 Foreign currency transactions and translation

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currencies during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are recorded in the profit and loss account.

7.5 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. Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

7.6 Property, plant and equipment

7.6.1 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 19.1 to the financial statements using the reducing balance method. Residual values and the useful life of assets are reviewed and adjusted, if appropriate, at the end of each financial year. Depreciation on additions to owned assets is charged from the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which the asset is disposed off.

Maintenance and normal repairs are charged to profit and loss account as and when these are incurred, while major renewals and improvements are capitalized. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within "other income" in profit and loss accounts.

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.

Notes to the Financial Statements
For the year ended December 31, 2013

7.6.2 Intangible assets

Expenditure incurred to acquire computer software programs are capitalized as intangible assets which are stated at cost less accumulated amortisation and any identified impairment loss. Intangible assets are amortized using straight line method over a period of three years.

Amortization on additions to intangible assets is charged from the month in which an asset is acquired or capitalized while no amortisation is charged for the month in which the asset is disposed off.

7.6.3 Investments

Investment in equity instruments of associated company is initially recognized at cost and subsequently accounted for at the Company's share of their underlying net assets using the equity method of accounting.

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

7.6.4 Capital work in progress

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

7.6.5 Leases

Finance leases

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are initially recognised at the lower of present value of minimum lease payments under the lease agreement and the fair value of the assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss.

Assets acquired under a finance lease are depreciated over the useful life of the asset on reducing balance method at the rates given in Note 19.1. Depreciation of leased assets is charged to profit and loss account.

Depreciation on additions to leased assets is charged from the month in which the asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

Ijarah assets

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

7.7 Impairment

The carrying amount of the Company's assets is reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In the absence of any information about the fair value of a cash-generating unit, the recoverable amount is deemed to be value in use. Impairment losses are recognised as expense in the profit and loss account.

7.8 Inventories

These are stated at lower of cost and net realisable value, except for stocks in transit which are valued at invoice price plus related expenses incurred thereon up to the balance sheet date. The cost is determined on the following basis:

7.8.1 Stores, spares and loose tools

Useable stores, spares and loose tools are valued principally on first-in first-out basis.

7.8.2 Stock in trade

Raw materials and packing material	On first-in first-out basis
Work in process and finished goods	At cost of direct materials, labour and appropriate portion of production overheads

Provision is made in the financial statements for obsolete and slow moving items, based on estimates regarding their usability.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

7.9 Stores, spares and loose tools

These are valued at lower of cost and net realisable value less impairment. The Company reviews the carrying amount of stores, spares and loose tools on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools. Impairment is also made for slow moving and / or items identified as surplus to the Company's requirement.

7.10 Trade debts and other receivables

Trade debts are carried at original invoice amount less any provision for doubtful debts based on a review of all outstanding amounts at the balance sheet date. Bad debts are written off when identified.

Other receivables are stated at amortized cost. Known impaired receivables are written off, while receivables considered doubtful are provided for.

7.11 Revenue

Sales are recognised on dispatch of goods to the customers. For goods sold on 'Sale or Return' basis, adjustment is made for stocks not sold at the year end. Dividend income is recognised when the Company's right to receive is established. Other income for services rendered is recognised on accrual basis.

7.12 Government grants

Government grants for meeting revenue expenses are netted off from respective expenses in the year in which they become receivable.

7.13 Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost as the case may be. The particular measurement methods adopted are disclosed in the individual policy statement associated with each item.

Notes to the Financial Statements

For the year ended December 31, 2013

7.14 Off setting

Financial assets and liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

7.15 Markup bearing borrowings

Markup bearing borrowings are recognised initially at cost less attributable transaction costs. Subsequent to initial recognition, markup bearing borrowings are stated at original cost less subsequent repayments.

The Company accounts for lease obligations by recording the asset and corresponding liability there against determined on the basis of discounted value of total minimum lease payments. The finance charge is recognised in the profit and loss account using the effective markup rate method.

7.16 Related parties' transactions

The Company enters into transactions with related parties on arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods, except in extremely rare circumstances where, subject to approval of Board of Directors, it is in the interest of the Company to do so.

Parties are said to be related if they are able to influence the operating and financial decisions of the Company and vice versa.

7.17 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and bank balances.

7.18 Provisions

Provisions are recognised in the balance sheet when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

7.19 Dividend and appropriation of reserves

Dividend and appropriation of reserves are recognised in the financial statements in the period in which these are declared and approved respectively.

7.20 Trade and other payables

Liabilities for trade and other payables are carried at cost, which is the fair value of the consideration to be paid in future for goods and services.

8. SEGMENT REPORTING

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are regularly reviewed by the Company's Chief Executive to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

			2013	2012
			(Rupees in '000)	
9. PAID UP SHARE CAPITAL				
Issued, subscribed and paid -up:				
2013	2012			
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

	2013	2012
	(Number of Shares)	
9.1 Ordinary shares of the Company held by associated company as at year end are as follows:		
- Shahid Arif Investment (Private) Limited	10,144	10,144

	Note	2013	2012 (Restated)
		(Rupees in '000)	
10. RESERVES			
Capital reserves			
Share premium	10.1	21,217	21,217
Capital gains		102,730	102,730
		123,947	123,947
Revenue reserves			
General reserve		1,558,208	1,558,208
Unappropriated profits		644,643	211,981
		2,202,851	1,770,189
		2,326,798	1,894,136

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

Notes to the Financial Statements

For the year ended December 31, 2013

	2013	2012
	(Rupees in '000)	
11. LONG TERM FINANCING - SECURED		
Loan from banking companies		
Loan - I	20,829	31,244
Loan - II	22,393	33,589
Loan - III	35,758	50,061
Loan - IV	6,827	9,103
Loan - V	4,030	5,374
Loan - VI	3,215	4,287
Loan - VII	70,429	84,515
Loan - VIII	239,550	239,550
Loan - IX	84,989	-
Loan - X	29,188	-
Loan - XI	111,170	-
	628,378	457,723
Less: current portion	(114,013)	(57,508)
	514,365	400,215

I. This represents long term finance obtained from Habib Bank Limited 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, 2011 and December 30, 2015 respectively. The markup rate is 6 months KIBOR + 170 bps per annum (2012: KIBOR + 170 bps per annum) to be set on the first business day of each six month period. This loan was subsequently re-financed by State Bank of Pakistan, long term financing facility (SBP LTFF) having a markup rate of 10.25% per annum.

II. This represents long term finance obtained from Habib Bank Limited 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 25, 2011 and December 25, 2015 respectively. The markup rate is 6 months KIBOR + 170 bps per annum (2012: KIBOR + 170 bps per annum) to be set on the first business day of each six month period. This loan was subsequently re-financed by SBP LTFF facility having a markup rate of 10.50% per annum.

Loans I and II are secured by a registered first pari passu mortgage charge over land & building and plant & machinery for Rs. 264 million (2012: Rs 264 million).

III. This represents long term finance obtained from State Bank of Pakistan through Faysal Bank Limited under SBP LTFF scheme, 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, 2011 and June 28, 2016 respectively. The markup rate is fixed at 10% per annum (2012: 10% per annum).

IV. This represents long term finance obtained from State Bank of Pakistan through Faysal Bank Limited under SBP LTFF scheme, 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, 2012 and September 14, 2016 respectively. The markup rate is fixed at 10% per annum (2012: 10% per annum).

V. This represents long term finance obtained from State Bank of Pakistan through Faysal Bank Limited under SBP LTFF scheme, 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 April 27, 2012 and October 25, 2016 respectively. The markup rate is fixed at 10.70% per annum (2012: 10.70% per annum).

VI. This represents long term finance obtained from State Bank of Pakistan through Faysal Bank Limited under SBP LTFF scheme, 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 April 27, 2012 and October 25, 2016 respectively. The markup rate is fixed at 10.70% per annum (2012: 10.70% per annum).

VII. This represents long term finance obtained from State Bank of Pakistan through Faysal Bank Limited under SBP LTFF scheme, 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 May 1, 2013 and November 2, 2017 respectively. The markup rate is fixed at 12.20% per annum (2012: 12.20% per annum).

The Company has Rs. 40.50 million (2012: Rs. 30.03 million) undrawn borrowing facility at the balance sheet date against loan III, IV, V, VI and VII above. These loans are secured by a registered first pari passu mortgage over land and building and hypothecation on all existing and future fixed assets for Rs. 334 million (2012: Rs 334 million).

VIII to XI. These represent long term finance loans obtained from Meezan Bank Limited under term loan limit of Rs. 500 million approved in 2012 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, 2018 respectively. The markup rate is 6 month KIBOR + 40 bps per annum. The availed loans are of Rs 464.895 million which 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.

	2013	2012
	(Rupees in '000)	
12. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Balance as on January 01	-	26,233
Add: Assets acquired during the year	-	-
	-	26,233
Less: Payments/ adjustments during the year	-	(11,335)
	-	14,898
Less: Shown under current liabilities	-	(14,898)
Balance as on December 31	-	-

12.1 The total lease rentals due under the lease agreements aggregate Rs. Nil (2012: Rs. 16.15 million) and are payable in quarterly and half yearly installments under various lease agreements. The present value of minimum lease payments has been discounted at interest rate implicit in the lease, which equates to an interest rate of approximately 13.71% to 15.74% per annum.

Notes to the Financial Statements
For the year ended December 31, 2013

12.2 The future minimum lease payments is the sum of present value of minimum lease payments and financial charges to which the Company is committed under the lease agreements and are as follows:

	2013			2012		
	(Rupees in '000)					
	Minimum lease payments	Present value of minimum lease payments	Finance cost	Minimum lease payments	Present value of minimum lease payments	Finance cost
Due within one year	-	-	-	16,152	14,898	1,254
Due after one year but not later than five years	-	-	-	-	-	-
Later than five years	-	-	-	-	-	-
	-	-	-	16,152	14,898	1,254

	2013	2012
	(Rupees in '000)	
13. LONG TERM DEPOSITS		
Deposits of light truck & tube dealers and others	3,655	2,600
	3,655	2,600

13.1 The deposits are of light truck tube dealers and others, who have permitted in writting the utilization of such money by the Company in pursuance of section 226 of the Companies' Ordinance, 1984.

	Note	2013	2012 (Restated)
		(Rupees in '000)	
14. DEFERRED LIABILITIES			
Deferred taxation	14.1	216,976	203,783
Gratuity fund payable	14.2	39,742	37,538
		256,718	241,321
14.1 Deferred tax liability is made up as follows:			
Accelerated depreciation		241,523	234,537
Liabilities against assets subject to finance lease		-	4,477
Deferred tax asset against provision for doubtful debts		(17,520)	-
Tax credit under section 113		(7,027)	(35,231)
		216,976	203,783

14.2 Gratuity fund payable

The details of actuarial valuations of defined gratuity scheme carried as at December 31, 2013 are as follows:

	Note	2013	2012 (Restated)
		(Rupees in '000)	
14.2.1 The amounts recognized in the balance sheet			
Present value of defined benefit obligations	14.2.4	102,634	91,104
Fair value of plan assets	14.2.5	(62,892)	(53,566)
Balance sheet liability as at December 31		39,742	37,538

	Note	2013	2012 (Restated)
		(Rupees in '000)	
14.2.2 Movement in the net liability recognised in the balance sheet			
Opening balance		37,538	30,620
Charge for the year	14.2.3	15,066	15,111
Payments during the year		(19,093)	(6,000)
Remeasurements chargeable to OCI	14.2.6	6,231	(2,193)
Closing balance		39,742	37,538
14.2.3 Amounts recognized in the profit and loss account			
Current service cost		10,937	11,284
Interest cost		10,021	10,276
Expected return on plan assets		(5,892)	(6,449)
Actuarial loss charge		-	-
		15,066	15,111
14.2.4 Changes in the present value of defined benefit obligation			
Opening defined benefit obligation		91,104	82,210
Current service cost		10,937	11,284
Interest cost		10,021	10,276
Benefits paid		(19,198)	(8,978)
Remeasurements:			
Experience adjustments		9,770	(3,688)
		102,634	91,104
14.2.5 Changes in the fair value of the plan assets			
Opening fair value of plan assets		53,566	51,591
Expected return		5,892	6,449
Contribution by employer		19,093	6,000
Benefits paid		(19,198)	(8,978)
Experience adjustments		3,539	(1,496)
		62,892	53,566
14.2.6 Amounts recognized in the other comprehensive income			
Actuarial (loss) / gain		(6,231)	2,193
		(6,231)	2,193

Notes to the Financial Statements

For the year ended December 31, 2013

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

	2013		2012	
	Rupees in thousands	%	Rupees in thousands	%
Unit Trust	50,935	80.99	36,808	68.71
Term Deposit	11,833	18.81	12,923	24.13
Other Assets	124	0.20	3,835	7.16
	62,892	100.00	53,566	100.00

	2013	2012
	(Rupees in '000)	
14.2.8 Actual return on plan assets		
Expected return on plan assets	5,892	6,449
Actuarial gain/ (loss) on assets	3,539	(1,496)
	9,431	4,953

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

	2013	2012
	(Percentage %)	
14.2.9 Principal actuarial assumptions		
The principal assumptions in the actuarial valuation are as follows:		
Discount rate	11	12.5
Expected rate of salary increase	12.5	11
Expected rate of return on investments	11.5	10

14.2.10 Amounts for current and previous four annual periods are as follows:

	2013	2012	2011	2010	2009
			(Rupees in '000)		
Defined Benefit Plan					
Defined benefit obligation	102,634	91,104	82,210	72,274	61,382
Plan assets	(62,892)	(53,566)	(51,591)	(39,457)	(35,774)
Deficit	39,742	37,538	30,619	32,817	25,608
Experience adjustments on plan liabilities	9,770	(3,688)	3,808	1,600	(1,488)
Experience adjustments on plan assets	3,539	(1,496)	9,297	1,071	709

	Note	2013	2012
		(Rupees in '000)	
15. TRADE AND OTHER PAYABLES			
Trade creditors		956,289	704,596
Accrued liabilities		479,111	343,487
Bills payable	15.1	327,700	174,337
Advances from customers		92,325	195,856
Provident fund payable		19,036	14,348
(Receivable) / payable from pension fund trust		(16)	3
Workers' profit participation fund	15.2	40,234	10,429
Workers' welfare fund	15.3	43,735	39,479
Unclaimed dividend		10,033	8,089
Others		4,670	4,153
Due to government agencies on account of:			
Staff income tax		1,480	1,027
Suppliers income tax		992	1,554
		1,975,589	1,497,358

15.1 This represents letter of credits for purchase of raw material.

	Note	2013	2012
15.2 Workers' profit participation fund			
Balance as at January 01		10,429	28,807
Add: provision for the year	35	40,140	10,334
Interest for the year		207	708
		50,776	39,849
Less: payments during the year		10,542	29,420
Balance as at December 31		40,234	10,429
15.3 Workers' welfare fund			
Balance as at January 01		39,479	35,552
Add: provision for the year	35	15,253	3,927
		54,732	39,479
Less: payments / adjustments during the year		10,997	-
Balance as at December 31		43,735	39,479
16. INTEREST AND MARKUP ACCRUED			
Long term financing - secured		6,104	6,673
Short term borrowings - secured		45,021	44,908
		51,125	51,581

Notes to the Financial Statements
For the year ended December 31, 2013

17. SHORT TERM BORROWINGS - SECURED

From banks and other financial institutions:

	Sanctioned limit 2013	Sanctioned limit 2012	Availed limit 2013	Availed limit 2012
	(Rupees in '000)			
Under mark up arrangements with consortium banks:				
Cash credits	3,000,000	2,150,000	165,600	1,062,368
Export refinance	1,348,689	975,689	1,348,689	975,689
Finance Against Trust Receipts	-	49,761	-	49,761
	4,348,689	3,175,450	1,514,289	2,087,818

These running finance facilities have been availed from various banks. The rates of mark up range between 9.91% to 10.81% (2012: 9.88% to 13.80% per annum). Running finances amounting to Rs. 165.6 million (2012: 1,062.4 million) are secured by way of hypothecation of the Company's present and future stocks, receivables, stores and spares and a second charge over the fixed assets of the Company.

18. CONTINGENCIES AND COMMITMENTS

Contingencies

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

18.2 The Additional Collector (Adjudication) of Pakistan Customs Computerized System, Karachi had initiated case against the Company for failure to pay leviable sales tax and income tax of Rs. 18.6 million and Rs. 4.1 million respectively at import of tyre cord fabrics during the period w.e.f. August 2007 to July 2008 by wrongly claiming sales tax zero rating in terms of S.R.O 509 (1)/2007 dated 09-06-2007. The case has been remanded back by the Appellate Tribunal Inland Revenue, Lahore to the Commissioner (Appeals) LTU, Lahore, which is still pending. According to the Company's legal counsel, the Company has a strong case with high probability of its success.

18.3 The Deputy Director of Pakistan Employees Social Security Institute, Gujrat has initiated two cases against the Company. In the first case the alleged amount recoverable by the PESSI is Rs. 4.80 million covering the period from January 1987 to September 1992 on account of short payment of contributions. In the second case, Rs.1.98 million is to be recoverable by the Company from PESSI on account of wrongly paid contributions covering the period from July 1992 to September 1993. Both cases have been decided against the Company by the Director General Recovery PESSI, Lahore. Now the Company has filed an appeal before Social Security Court, Lahore, which is pending. As per legal counsel of the Company, the Company has strong legal grounds for its success.

18.4 The Deputy Commissioner Inland Revenue, LTU had initiated a case against the Company after post Sales Tax refund audit in which demand of Rs. 27.92 million was raised. The Company filed an appeal before CIR (Appeals) in which the demand was cancelled except two points having impact of Rs. 2.65 million. The Company had further filed an appeal before Tribunal against said points. As per legal counsel of the Company, the Company has strong legal grounds for its success.

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

Commitments

18.5 Guarantees issued in ordinary course of business through banks are of Rs. 60.03 million (2012: Rs. 65.01 million).

18.6 Irrevocable letters of credit outstanding at the year end are of Rs. 994.22 million (2012: Rs. 466.79 million).

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

	Note	2013	2012
		(Rupees in '000)	
Not later than one year		25,867	32,049
Later than one year and not later than five years		62,057	75,990
Later than five years		-	-
		87,924	108,039

19. PROPERTY, PLANT AND EQUIPMENT

	Note	2013	2012
Operating fixed assets	19.1	1,819,162	1,502,733
Capital work in progress	19.2	81,930	146,072
		1,901,092	1,648,805

Notes to the Financial Statements

For the year ended December 31, 2013

19.1 Operating fixed assets

2013

(Rupees in '000)

Particulars	COST				Rate	ACCUMULATED DEPRECIATION				W.D.V. as at
	As at January 01, 2013	Addition/ transfers	Disposals	As at December 31, 2013	%	As at January 01, 2013	Charge for the year	Adjustments/ transfers	As at December 31, 2013	December 31, 2013
Owned										
Freehold land	7,106	-	-	7,106	-	-	-	-	-	7,106
Building on freehold land	387,238	86,078	-	473,316	5-10	172,875	22,997	-	195,872	277,444
Plant and machinery	1,714,939	342,607	19,723	2,037,823	10	712,360	118,217	17,959	812,618	1,225,205
Furniture, fixture and fittings	31,691	1,059	3	32,747	10	18,839	1,304	3	20,140	12,607
Vehicles	32,983	3,753	7,001	29,735	20	17,071	3,190	3,308	16,953	12,782
Service equipments	393,285	98,569	3,134	488,720	10-30	195,289	27,752	2,796	220,245	268,475
Leasehold improvements	5,271	12,725	-	17,996	33.33	4,330	2,348	-	6,678	11,318
Last and moulds	31,425	5,364	-	36,789	50	11,960	20,604	-	32,564	4,225
Total - owned	2,603,938	550,155	29,861	3,124,232		1,132,724	196,412	24,066	1,305,070	1,819,162
Leased assets										
Plant and machinery	41,931	-	41,931	-	10	15,338	1,995	17,333	-	-
Equipments	8,630	-	8,630	-	10	3,704	328	4,032	-	-
Total - leased	50,561	-	50,561	-		19,042	2,323	21,365	-	-
Grand total - 2013	2,654,499	550,155	80,422	3,124,232		1,151,766	198,735	45,431	1,305,070	1,819,162

2012

(Rupees in '000)

Particulars	COST				Rate	ACCUMULATED DEPRECIATION				W.D.V. as at
	As at January 01, 2012	Addition/ transfers	Disposals	As at December 31, 2012	%	As at January 01, 2012	Charge for the year	Adjustments/ transfers	As at December 31, 2012	December 31, 2012
Owned										
Freehold land	7,106	-	-	7,106	-	-	-	-	-	7,106
Building on freehold land	334,005	53,233	-	387,238	5-10	154,396	18,479	-	172,875	214,363
Plant and machinery	1,637,582	83,772	6,415	1,714,939	10	611,377	106,591	5,608	712,360	1,002,579
Furniture, fixture and fittings	30,956	802	67	31,691	10	17,472	1,390	23	18,839	12,852
Vehicles	109,058	3,686	79,761	32,983	20	32,691	7,578	23,198	17,071	15,912
Service Equipments	372,291	21,059	65	393,285	10-30	169,484	25,857	52	195,289	197,996
Leasehold improvements	5,271	-	-	5,271	33.33	2,573	1,757	-	4,330	941
Last & Mould	-	31,425	-	31,425	50	-	11,960	-	11,960	19,465
Total - owned	2,496,269	193,977	86,308	2,603,938		987,993	173,612	28,881	1,132,724	1,471,214
Leased assets										
Plant and machinery	41,931	-	-	41,931	10	12,383	2,955	-	15,338	26,593
Equipment	8,630	-	-	8,630	10	3,157	547	-	3,704	4,926
Total - leased	50,561	-	-	50,561		15,540	3,502	-	19,042	31,519
Grand Total - 2012	2,546,830	193,977	86,308	2,654,499		1,003,533	177,114	28,881	1,151,766	1,502,733

	Note	2013	2012
		(Rupees in '000)	
19.1.1 Depreciation charge for the year has been allocated as follows:			
Cost of sales	32	185,135	159,276
Administrative expenses	34	13,600	17,838
		198,735	177,114

19.1.2 Disposal of property, plant and equipment

Particulars	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Sold to	Mode of Disposal
Plant and machinery						
Having book value exceeding Rs. 50,000						
Automatic machine for washing pu sole	459	257	202	100	Shabbir Ahmed	Negotiation
Automatic upper molding m/c model lg-22168	266	205	61	15	Shabbir Ahmed	Negotiation
Steam boiler(w/tube)	788	732	56	1,398	M.I.A Manufacturer	Negotiation
Toe lasting	400	297	103	50	Shabbir Ahmed	Negotiation
Ult tube press	291	178	113	213	M.I.A Manufacturer & General	Negotiation
Automatic spraying	1,780	1,648	132	254	Abdul Razzaq	Negotiation
Insole injection moulding with chiller	5,930	5,500	430	170	Shabbir Ahmed	Negotiation
Multima machine	2,555	2,367	188	103	Abdul Razzaq	Negotiation
Single needle sewing	1,382	1,282	100	63	Muhammad Yameen	Negotiation
Rotary padding	929	861	68	93	Abdul Razzaq	Negotiation
Sole stitching machine	241	172	69	30	Shabbir Ahmed	Negotiation
	15,021	13,499	1,522	2,489		
Having book value less than Rs. 50,000	4,702	4,460	242	1,325	Miscellaneous	Negotiation
Total of plant and machinery	19,723	17,959	1,764	3,814		
Furniture fixture						
(Having book value less than Rs. 50,000)	3	3	-	-	Mr. Rauf	Company policy
Vehicles						
Having book value exceeding Rs. 50,000						
Toyota saloon	1,409	899	510	510	Mr.Hassan Javed	Company policy
Suzuki alto	473	331	142	142	Mohammed Saeed Qureshi	Company policy
Honda city	329	207	122	-	Mr. Mir Sultan Anwar	Company policy
Honda cg-125	97	23	74	85	N/A	Insurance claim
Honda cg-125	87	35	52	75	N/A	Insurance claim
Honda cg-125	88	34	54	54	Mr. Munir Ahmed	Company policy
Honda city	1,312	788	524	-	Mr Mushtaq Baig	Company policy
Honda city	637	348	289	1,086	Khalida Pervaiz	Negotiation
Suzuki swift dx	660	-	660	693	Mr Rao Hamayoun	Company policy
Toyota crolla	601	183	418	426	Mr. Jawwad Faisal	Company policy
Toyota crolla	1,013	283	730	757	Mr. Usman Amjad	Company policy
	6,706	3,131	3,575	3,828		
Having book value less than Rs. 50,000	295	177	118	128		
Total of vehicles	7,001	3,308	3,693	3,956		
Service equipments						
Having book value exceeding Rs. 50,000						
Laptop del core i7 system	106	49	56	-	Mr. Adnan Wasal	Company policy
Having book value less than Rs. 50,000	3,028	2,747	282	218	Miscellaneous	Negotiation
Total of service equipment	3,134	2,796	338	218		
Total - 2013	29,861	24,066	5,795	7,988		
Total - 2012	86,308	28,881	57,427	65,855		

Notes to the Financial Statements

For the year ended December 31, 2013

19.2 Capital work in progress

	Building	Plant and Machinery	Furniture and Fixure	Service Equipment	Total 2013	Total 2012
					(Rupees in '000)	
Balance as at January 01	60,920	72,753	-	12,399	146,072	67,405
Additions during the year	70,314	40,869	56	65,449	176,688	172,421
Transfers / adjustments during the year	(86,078)	(107,741)	(28)	(46,983)	(240,830)	(93,754)
Balance as at December 31	45,156	5,881	28	30,865	81,930	146,072

	Note	2013	2012
		(Rupees in '000)	
20. INTANGIBLE ASSETS			
Oracle and other software programs	20.1	16,119	11,694
Software programs under development	20.2	-	300
		16,119	11,994
20.1 Cost			
As at January 01		21,904	17,585
Additions / transfers during the year		14,903	4,319
As at December 31		36,807	21,904
Amortization			
As at January 01		10,210	4,284
Charge for the year		10,478	5,926
As at December 31		20,688	10,210
Book value as at December 31		16,119	11,694
Rate of amortization		33.33%	33.33%
20.2 Software programs under development			
As at January 01		300	1,350
Additions during the year		-	3,269
Transfers during the year		(300)	(4,319)
As at December 31		-	300

	Note	2013	2012
		(Rupees in '000)	
21. LONG TERM INVESTMENT			
Investment at equity method			
Speed (Private) Limited - associated company			
Cost of investment			
1,624,079 (2012: Nil) fully paid			
ordinary shares of Rs. 100/- each	21.1	162,408	-
Share of post acquisition profit	21.2	14,624	-
		177,032	-

21.1 Cost of Investment of Rupees 167.98 million adjusted with the distribution received from pre-acquisition profits of Speed (Private) Limited of Rupees 5.57 million which brings Cost of Investment to Rupees 162.41 million.

	Note	2013	2012
		(Rupees in '000)	
21.2 Share of profit at beginning of the year		-	-
Share of profit for the period	21.3	14,624	-
Share of profit		14,624	-
21.3 Total assets		621,997	-
Total liabilities		76,995	-
Net assets		545,002	-
Sales-net		599,112	-
Profit for the period		65,813	-
Company's share of associated company's profit for the period		14,624	-
21.4 Breakup value per share (Rupees)		847.8	-
Percentage of holding		22.22%	-
22. LONG TERM LOANS			
Considered good			
- due from executives	22.1	5,775	-
- due from other employees		1,003	474
		6,778	474
Less: current portion of long term loans		(1,672)	(148)
		5,106	326

Notes to the Financial Statements

For the year ended December 31, 2013

	2013	2012
	(Rupees in '000)	
22.1 Reconciliation of loans to executives:		
Balance as at January 01	-	-
Add: Disbursements during the year	5,850	-
Less: Repayments during the year	(75)	-
Balance as at December 31	5,775	-

22.2 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.

22.3 The maximum aggregate amount due from the executives in respect of loans at the end of any month during the year was Rs. 5.8 million (2012: Rs. Nil).

	2013	2012
	(Rupees in '000)	
23. LONG TERM DEPOSITS		
Long term deposits with:		
Leasing companies	14,050	13,172
Government agencies	7,190	5,074
Others	8,597	5,219
	29,837	23,465
24. STORES, SPARES AND LOOSE TOOLS		
Machinery spares	45,753	40,163
Stores	80,472	71,591
Loose tools	420	682
Less: Provision for slow moving and obsolete items	(10,854)	(8,066)
	115,791	104,370

24.1 Stores, spares and loose tools include items which may result in fixed capital expenditures but are not distinguishable.

	2013	2012
	(Rupees in '000)	
25. STOCK IN TRADE		
Raw material	1,136,077	1,164,969
Packing material	32,409	23,787
Work in process	345,118	419,117
Finished goods: Own production	683,475	453,982
Purchased	28,128	26,389
Goods in transit	187,111	100,671
Less: provision for slow moving items, obsolete items and net realisable value	(89,886)	(56,173)
	2,322,432	2,132,742

25.1 Finished goods of Rs. 75.76 million (2012: Rs. 34.58 million) are being carried at net realisable value and an amount of Rs. 14.33 million (2012: Rs. 10.46 million) has been charged to cost of sales, being the cost of inventory written down during the year.

	Note	2013	2012
		(Rupees in '000)	
26. TRADE DEBTS			
Secured - against irrevocable letters of credit		315,958	232,124
Unsecured - considered good:			
Due from related parties:	26.1 & 26.2		
- SAB Polymer Industries (Private) Limited		15,289	20,089
- SBL Trading (Private) Limited		-	36,967
Other customers		913,223	955,709
Unsecured - considered doubtful		71,648	1,288
Less: Provision for doubtful debts		(71,648)	(1,288)
		1,244,470	1,244,889

26.1 These relate to normal business of the Company.

26.2 SBL Trading (Private) Limited and SAB Polymer Industries (Private) Limited are associated companies due to common directorship.

	Note	2013	2012
		(Rupees in '000)	
27. LOANS AND ADVANCES			
Advances - considered good:			
- Staff		359	759
- Suppliers		84,725	26,090
- Others		1,744	3,475
Letters of credit		152,599	199,951
Current portion of long term loans	22	1,672	148
		241,099	230,423

27.1 Chief Executive and Directors have not taken any advance from the Company during the year under review.

	2013	2012
	(Rupees in '000)	
28. TRADE DEPOSITS AND PREPAYMENTS		
Security deposits	8,321	8,625
Prepayments	8,712	6,503
	17,033	15,128

Notes to the Financial Statements

For the year ended December 31, 2013

	Note	2013	2012
		(Rupees in '000)	
29. TAX REFUNDS DUE FROM GOVERNMENT			
Custom duty rebate		99,346	78,846
Excise duty		124	5,518
Advance income tax	29.1	587,986	620,166
Sales tax		203,467	276,602
		890,923	981,132
29.1 Advance income tax:			
Opening balance		620,166	487,373
Tax deducted / deposited for the year		272,592	248,254
Adjustment / refund for the year		(304,772)	(115,461)
		587,986	620,166
30. CASH AND BANK BALANCES			
Cash in hand		1,206	1,179
Balances with banks in current accounts:			
- Local currency		17,504	7,981
- Foreign currency		5,696	1,140
Cash in transit	30.1	-	3,129
		24,406	13,429

30.1 This represents cash sales at the shops on closing date but not deposited in the bank accounts. This amount is certified by the management of the Company.

	2013	2012
	(Rupees in '000)	
31. SALES - NET		
Export sales	4,057,949	2,910,518
Discounts, commissions, etc.	(44,795)	(21,121)
	4,013,154	2,889,397
Local sales	12,396,613	10,401,976
Sales tax and excise duty	(1,411,192)	(901,583)
Discounts, commissions, etc.	(312,937)	(222,523)
	10,672,484	9,277,870
	14,685,638	12,167,267

	Note	2013	2012
		(Rupees in '000)	
31.1 Sale of footwear (Net)			
Export sales		3,646,087	2,580,580
Local sales		4,463,359	4,039,503
		8,109,446	6,620,083
Sale of tyres and tubes (Net)			
Export sales		367,163	307,472
Local sales		6,199,345	5,174,172
		6,566,508	5,481,644
Sale of technical rubber products (Net)			
Export sales		-	1,345
Local sales		9,684	64,195
		9,684	65,540
		14,685,638	12,167,267
32. COST OF SALES			
Raw material consumed	32.1	8,793,031	7,755,316
Salaries, wages and benefits	32.2	1,651,330	1,289,972
Stores and spares consumed		173,201	199,607
Packing material consumed		436,058	362,562
Fuel and power		683,252	478,934
Insurance		11,137	9,301
Travelling expenses		6,526	4,920
Repair and maintenance		102,338	87,670
Entertainment		3,050	2,004
Depreciation	19.1.1	185,135	159,276
Provision for slow moving items, obsolete items and net realizable value		36,500	14,345
Other manufacturing charges		224,194	232,822
		12,305,752	10,596,729
Work in process: As at January 01		419,117	300,306
As at December 31		(345,118)	(419,117)
		73,999	(118,811)
Cost of goods manufactured		12,379,751	10,477,918
Finished goods: As at January 01		480,371	579,504
Purchases during the year		170,197	43,803
As at December 31		(711,603)	(480,371)
		(61,035)	142,936
		12,318,716	10,620,854

Notes to the Financial Statements
For the year ended December 31, 2013

	Note	2013	2012
		(Rupees in '000)	
32.1 Raw material consumed			
Balance as at January 01		1,164,969	968,134
Purchases during the year	32.3	8,764,139	7,952,151
Balance as at December 31		(1,136,077)	(1,164,969)
		8,793,031	7,755,316
32.2 Salaries, wages and benefits			
Salaries, wages and benefits		1,576,070	1,232,798
Provident fund contribution		62,614	50,410
Gratuity contribution		12,571	6,698
Pension fund contribution		75	66
		1,651,330	1,289,972

32.3 Custom duty rebate for the year amounting to Rs. 76.66 million (2012: Rs. 42.42 million) has been adjusted against raw material consumed.

	Note	2013	2012
		(Rupees in '000)	
33. DISTRIBUTION COST			
Freight and insurance	33.1	216,383	187,522
Salaries and benefits	33.2	61,771	58,733
Advertisement and publicity		165,455	133,182
Entertainment		6,487	4,928
Samples		73,408	81,153
Others		79,672	79,958
		603,176	545,476

33.1 This includes export expenses of Rs. 139.63 million (2012: Rs. 131.82 million).

	2013	2012
	(Rupees in '000)	
33.2 Salaries and benefits		
Salaries and benefits	59,436	56,666
Gratuity contribution	9	-
Provident fund contribution	2,317	2,058
Pension fund contribution	9	9
	61,771	58,733

	Note	2013	2012
		(Rupees in '000)	
34. ADMINISTRATIVE EXPENSES			
Salaries and benefits	34.1	404,750	328,009
Communication		9,061	9,982
Printing and stationery		4,316	4,607
Travelling and conveyance		13,744	12,819
Entertainment		13,989	14,736
Motor car expenses		29,977	28,217
Insurance		2,763	3,791
Rent, rates and taxes		7,004	5,493
Fuel and power		22,245	22,449
Repairs and maintenance		5,854	5,948
General expenses		14,727	7,623
Auditor's remuneration	34.2	3,536	3,183
Legal and professional charges		13,453	9,810
Subscription		1,426	1,125
Depreciation	19.1.1	13,600	17,838
Amortization on intangible assets	20.1	10,478	5,926
Ijarah rentals		34,338	22,962
Computer running expenses		6,845	5,656
Advertisement		1,478	1,616
		613,584	511,790
34.1 Salaries and benefits			
Salaries and benefits		392,016	310,307
Gratuity contribution		2,486	8,307
Provident fund contribution		10,217	9,362
Pension fund contribution		31	33
		404,750	328,009
34.2 Auditor's remuneration			
Audit fee		1,694	1,540
Half yearly review		466	424
Taxation and other advisory services		1,210	1,100
Out of pocket expenses		166	119
		3,536	3,183
35. OTHER OPERATING EXPENSES			
Donations	35.1	29,104	18,319
Workers' profit participation fund		40,140	10,334
Workers' welfare fund		15,253	3,927
Provision for doubtful debts		70,360	-
		154,857	32,580

Notes to the Financial Statements
For the year ended December 31, 2013

35.1 None of the directors of the Company has interest in the donee.

	Note	2013 (Rupees in '000)	2012
36. OTHER OPERATING INCOME			
Profit on disposal of property, plant and equipment		2,193	5,427
Rental income		738	6,051
Profit on sales and lease back		-	3,001
Scrap sales and others		40,175	42,123
Share of profit from associated company	21.3	14,624	-
Interest from associated companies		699	1,403
		58,429	58,005
37. FINANCE COST			
Interest/ markup on:			
- Short term borrowings		222,390	263,873
- Long term financing		52,294	30,614
Bank commission, fees and charges		31,035	25,314
Finance charge on leased assets		610	2,350
		306,329	322,151
38. TAXATION			
Current tax		114,889	53,785
Deferred tax		13,191	11,296
		128,080	65,081
38.1 Numerical reconciliation of tax charge for the year			
Profit before taxation		747,405	192,421
Applicable tax rate 34% (2012: 35%)		254,118	67,348
Tax effect of amounts that are:			
Inadmissible expenses		9,062	3,980
Admissible expenses		8,868	32,382
Exempt income		(26,065)	12,730
Presumptive tax regime		(20,606)	(51,359)
Minimum tax credit / tax credit		(97,297)	-
		(126,038)	(2,267)
		128,080	65,081
Average effective tax rate charged to profit and loss account		17.14%	33.82%

39. EARNINGS PER SHARE - BASIC AND DILUTED

	2013	2012
39.1 Basic earnings per share		
Profit after tax	619,325	127,340
Weighted average number of ordinary shares outstanding during the year	12,028,789	12,028,789
Basic earning per share (Rupees)	51.49	10.59

39.2 Diluted earnings per share

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

40. 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:

	2013			2012		
Particulars	Directors	Chief Executive	Executives	Directors	Chief Executive	Executives
	(Rupees in '000)					
Managerial remuneration	40,300	10,833	98,817	34,866	9,008	93,950
Utilities	16,120	4,333	62,395	14,413	3,801	56,506
Retirement and other benefits	23,048	11,582	27,290	1,307	675	22,652
Total	79,468	26,748	188,502	50,586	13,484	173,108
No. of persons	4	1	100	4	1	83

Meeting fee of Rs. 960,000 (2012: Rs. 1,050,000) 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, 2013

	Note	2013	2012
		(Rupees in '000)	
41. CASH GENERATED FROM OPERATIONS			
Profit before taxation		747,405	192,421
Adjustments for non-cash charges and other items:			
Depreciation	19.1	198,735	177,114
Amortization	20.1	10,478	5,926
Gratuity provision	14.2.3	15,066	15,111
Finance cost	37	306,329	322,151
Provision for slow moving and obsolete items		36,500	14,345
Provision for workers' profit participation fund		40,140	10,334
Provision for workers' welfare fund		15,253	3,927
Provision for doubtful debts		70,360	-
Ijarah rentals		34,338	22,962
Share of profit from Speed (Private) Limited	21.3	(14,624)	-
Profit on sale of property, plant and equipment		(2,193)	(8,428)
		710,382	563,442
Operating profit before working capital changes		1,457,787	755,863
Changes in working capital			
(Increase) / decrease in current assets			
Stores, spares and loose tools		(14,209)	(24,827)
Stock in trade		(223,403)	(200,673)
Trade debts		(69,942)	(306,433)
Loans and advances		(10,676)	(61,565)
Trade deposits and prepayments		(1,905)	(7,446)
Tax refunds due from government		58,029	(68)
Other receivables		8,416	(13,547)
		(253,690)	(614,559)
Increase / (decrease) in current liabilities			
Trade and other payables		442,226	202,265
Cash generated from operations		1,646,324	343,569

42. FINANCIAL RISK MANAGEMENT

42.1 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 programme 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:

	2013	2012 (Restated)
	(Rupees in '000)	
Long term loans	5,106	326
Long term deposits	29,837	23,465
Trade debts	1,316,119	1,246,177
Loans and advances	3,775	4,382
Trade deposits	8,321	8,625
Other receivables	6,389	14,805
Bank balances	23,200	9,121
	1,392,747	1,306,901

- All the trade debtors at the balance sheet date represent domestic and foreign parties.
- The maximum exposure to credit risk before any enhancements for trade debts at the reporting date by type of customer was:

	2013	2012
	(Rupees in '000)	
Foreign parties	315,958	232,124
Local parties	1,000,160	1,014,053
	1,316,118	1,246,177

The aging of trade receivable at the reporting date is:

	2013			2012		
	Gross debtors	Provision	Net debtors	Gross debtors	Provision	Net debtors
	(Rupees in thousands)					
Past due 0 - 30 days	732,520	-	732,520	674,955	-	674,955
Past due 31 - 60 days	335,571	-	335,571	390,413	-	390,413
Past due 61 - 90 days	56,746	-	56,746	64,085	-	64,085
Past due 91 - 120 days	47,287	-	47,287	11,973	-	11,973
Past due 121 - 150 days	22,062	-	22,062	16,320	-	16,320
Past due 151 - 365 days	50,184	-	50,184	67,788	-	67,788
Past due 365 & above	71,748	71,648	100	20,643	1,288	19,355
	1,316,118	71,648	1,244,470	1,246,177	1,288	1,244,889

Notes to the Financial Statements
For the year ended December 31, 2013

(b) Credit quality of major financial assets

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

Banks	Rating Short term	Rating Long term	Rating agency	2013 Amount (Rupees in '000)	2012 Amount (Rupees in '000)
National Bank of Pakistan	A-1+	AAA	JCR-VIS	276	419
Allied Bank Limited	A1+	AA+	PACRA	-	-
Bank Al Habib Limited	A1+	AA+	PACRA	122	68
Faysal Bank Limited	A1+	AA	PACRA	1,209	1,230
Habib Bank Limited	A1+	AA+	PACRA	1,951	1,951
MCB Bank Limited	A1+	AAA	PACRA	13	13
NIB Bank Limited	A1+	AA-	PACRA	588	322
Samba Bank Limited	A-1	AA-	JCR-VIS	439	401
Soneri Bank Limited	A1+	AA-	PACRA	699	326
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	156	131
United Bank Limited	A-1+	AA+	JCR-VIS	11,254	2,099
Meezan Bank Limited	A-1+	AA	JCR-VIS	6,493	2,161
				23,200	9,121

(ii) Liquidity risk

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

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

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

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
			(Rupees in '000)		
December 31, 2013					
Long term financing	628,378	628,378	114,013	466,455	47,910
Liabilities against assets subject to finance lease	-	-	-	-	-
Long term deposits	3,655	3,655	-	3,655	-
Trade and other payables	1,880,792	1,880,792	1,880,792	-	-
Interest and markup accrued	51,125	51,200	51,200	-	
Short term borrowings	1,514,289	1,514,289	1,514,289	-	-
	4,078,239	4,078,314	3,560,294	470,110	47,910
December 31, 2012					
Long term financing	457,723	457,723	57,508	352,305	47,910
Liabilities against assets subject to finance lease	14,898	15,000	15,000	-	-
Long term deposits	2,600	2,600	-	2,600	-
Trade and other payables	1,298,921	1,298,921	1,298,921	-	-
Interest and markup accrued	51,581	51,600	51,600	-	-
Short term borrowings	2,087,818	2,087,818	2,087,818	-	-
	3,913,541	3,913,662	3,510,847	354,905	47,910

(a) Financial instruments by categories

	2013 (Rupees in '000)	2012 (Rupees in '000)
Assets as per balance sheet		
Long term loans	5,106	326
Long term deposits	29,837	23,465
Trade debts	1,316,119	1,246,177
Loans and advances	3,775	4,382
Trade deposits	8,321	8,625
Other receivables	6,389	14,805
Bank balances	23,200	9,121
	1,392,747	1,306,901
Liabilities as per balance sheet - at amortized cost		
Long term financing	628,378	457,723
Liabilities against assets subject to finance lease	-	14,898
Long term deposits	3,655	2,600
Interest and markup accrued	51,125	51,581
Short term borrowings	1,514,289	2,087,818
Trade and other payables	1,880,792	1,298,921
	4,078,239	3,913,541

(iii) Market risk

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

(a) Currency risk

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

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

		Debtors	Cash and bank balances	Gross financial assets exposure	Trade and other payables	Net exposure
USD in ('000)	2013	526	-	526	2,703	(2,177)
USD in ('000)	2012	290	-	290	1,167	(877)
EURO in ('000)	2013	1,823	39	1,862	303	1,559
EURO in ('000)	2012	1,613	9	1,622	325	1,297
GBP in ('000)	2013	-	-	-	-	-
GBP in ('000)	2012	70	-	70	-	70

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For the year ended December 31, 2013

Significant exchange rates

	Rupees per					
	US Dollar		Euro		British Pound	
	Average	Reporting date	Average	Reporting date	Average	Reporting date
2013	97.61	105.3	129.68	144.63	158.9	174.25
2012	93.42	97.14	119.14	128.45	146.77	157.01

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.

	2013	2012
	(Rupees in '000)	
Effect on profit and loss		
US Dollar	(22,929)	(8,519)
Euro	22,544	16,660
GBP	-	1,099
	(385)	9,240

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

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

(b) Other price risk

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

(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. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk.

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

	2013	2012	2013	2012
	Effective interest rate	Carrying amount	(Rupees in '000)	
	%	%		
Fixed rate instruments				
Financial liabilities				
Long term financing	10 to 12.20	10 to 12.20	163,481	218,173
Floating rate instruments				
Financial liabilities				
Long term financing	9.42 to 10.54	9.82	464,897	239,550
Liabilities against assets subject to finance lease	-	13.71 to 15.74	-	14,898
Short term borrowing:				
Cash credit	9.91 to 10.81	9.88 to13.80	165,600	1,062,368
Export refinance	8.90 to 9.42	9.00 to 11.00	1,348,689	975,689
FATR	-	9.88 to13.80	-	49,761
			1,514,289	2,087,818
			2,142,667	2,560,439

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have (decreased) / increased profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

	Interest rate 100 bps	
	Decrease in profit	Increase in profit
	(Rupees in '000)	
As at 31 December 2013		
Cash credit	1,656	(1,656)
Export refinance	13,487	(13,487)
	15,143	(15,143)
As at 31 December 2012		
Cash credit	10,624	(10,624)
Export refinance	9,757	(9,757)
	20,381	(20,381)

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

Notes to the Financial Statements

For the year ended December 31, 2013

42.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date. It is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

42.3 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 maximise 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.

No changes were made in the objectives, policies or processes from the previous year. The Company monitors capital using gearing ratio, which is debt divided by equity plus net debt. Long term debt represents long term financing and liabilities against assets subject to finance lease as referred in Note 11 and 12. Total capital employed includes 'total equity' as shown in the balance sheet plus long term debt. The Company's strategy, which was unchanged from last year, was to maintain optimal capital structure in order to minimize cost of capital.

The gearing ratio as at year ended December 31:

	Note	2013	2012 (Restated)
		(Rupees in '000)	
Long term debt	11 & 12	514,365	400,215
Equity	9 & 10	2,447,086	2,014,424
Total capital employed		2,961,451	2,414,639
Gearing ratio		17.37%	16.57%

43. 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 40 are as follows:

Party Name	Relationship with Company	Nature of transactions	Amount of transactions	2013 Closing balance Debit	2013 Closing balance Credit	2012 (Restated) Closing balance Debit	2012 (Restated) Closing balance Credit
			(Rupees in '000)				
SAB Polymer Industries (Private) Limited	Associated Company	Sales	1,368	15,289	-	20,089	-
		Interest	699	699	-	589	-
SBL Trading (Private) Limited	Associated Company	Sales	-	-	-	40,405	-
		Interest	-	-	-	814	-
Service Provident Fund Trust	Provident fund	Contribution	75,148	-	19,036	-	14,348
Service Industries Pension Fund Trust	Pension fund	Contribution	115	-	(16)	-	3
Service Industries Limited Employees Gratuity Fund	Gratuity fund	Contribution	15,066	-	39,742	-	37,538

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

44. PROVIDENT FUND RELATED DISCLOSURES

	Un-audited 2013	Audited 2012
	(Rupees in '000)	
Size of the fund - Total assets	1,140,123	805,556
Cost of investments	758,697	633,246
Fair value of investments	1,038,724	719,873
Percentage of investments made	91.11%	89.36%

44.1 The break-up of fair value of investments is as follows:

	2013	2012	2013	2012
	(Percentage)		(Rupees in '000)	
Fixed / Deposits with banks	42%	45%	434,062	322,099
Pakistan Investment Bonds / Treasury bills	8%	11%	87,112	78,348
Mutual funds - open end	3%	14%	34,074	99,338
Mutual funds - close end	21%	22%	218,128	160,677
Listed securities	26%	8%	265,348	59,411
	100%	100%	1,038,724	719,873

Notes to the Financial Statements

For the year ended December 31, 2013

44.2 Investments out of provident fund have been made in accordance with the provision of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

	2013	2012
45. NUMBER OF EMPLOYEES		
Number of employees as on December 31	8,668	8,381
Average number of employees during the year	8,525	7,781

46. PLANT CAPACITY

Footwear division

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

	Installed capacity		Actual production	
	2013	2012	2013	2012
Number of tyres	11,132,680	9,778,080	7,006,603	6,135,309
Number of tubes	23,116,080	19,595,056	19,327,060	15,879,798

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

47. 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 division
- Technical rubber products

Segment analysis for the year ended December 31, 2013.

(Rupees in '000)

	Footwear		Tyre Division		Technical Rubber Products		Total	
	2013	2012	2013	2012	2013	2012	2013	2012 (Restated)
External sales	8,109,446	6,620,083	6,566,508	5,481,644	9,684	65,540	14,685,638	12,167,267
Inter-segment sales	-	-	-	-	-	-	-	-
Total revenue	8,109,446	6,620,083	6,566,508	5,481,644	9,684	65,540	14,685,638	12,167,267
Profit / (loss) before tax and unallocated expenses	575,370	111,443	1,006,093	729,619	(83,463)	16,016	1,498,000	857,078
Unallocated corporate expenses:								
Finance cost	-	-	-	-	-	-	(278,572)	(298,347)
Other operating expenses	-	-	-	-	-	-	(491,497)	(377,523)
Other operating income	-	-	-	-	-	-	19,474	11,213
Taxation	-	-	-	-	-	-	(128,080)	(65,081)
Profit after taxation	-	-	-	-	-	-	619,325	127,340
Segment assets	3,400,093	3,322,417	2,448,472	1,775,740	65,170	138,148	5,913,735	5,236,305
Unallocated assets	-	-	-	-	-	-	1,077,994	1,185,203
Consolidated assets	-	-	-	-	-	-	6,991,729	6,421,508
Segment liabilities	-	-	-	-	-	-	-	-
Unallocated liabilities	-	-	-	-	-	-	4,544,643	4,407,084
Consolidated liabilities	-	-	-	-	-	-	4,544,643	4,407,084
Segment capital expenditure	83,919	82,207	462,432	105,442	-	248	546,351	187,897
Unallocated capital expenditure	-	-	-	-	-	-	3,804	6,080
Consolidated capital expenditure	-	-	-	-	-	-	550,155	193,977
Non-cash expenses other than depreciation and amortization								
Provision for slow moving stock	(69,620)	(53,963)	(9,106)	(7,572)	(22,014)	(2,704)	(100,740)	(64,239)
Depreciation and amortization expense other than software programs								
Depreciation and amortization	104,260	73,459	85,009	55,276	2,325	3,125	191,594	166,719
Unallocated depreciation and amortization	-	-	-	-	-	-	7,141	10,395
Consolidated depreciation and amortization	-	-	-	-	-	-	198,735	177,114
47.1 Reconciliation of segment profit								
Total profit for reportable segments	-	-	-	-	-	-	1,498,000	857,078
Unallocated expenses	-	-	-	-	-	-	(750,595)	(664,657)
Profit before tax	-	-	-	-	-	-	747,405	192,421

Notes to the Financial Statements

For the year ended December 31, 2013

48. AUTHORIZATION DATE

These financial statements were authorised for issue by the Board of Directors on April 02, 2014.

49. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on April 02, 2014, has proposed a final cash dividend of Rs.10/- per share (2012: Rs. 7.50/- per share) for approval of the members at the Annual General Meeting to be held on April 29, 2014. The Board has also recommended to transfer Rs. Nil (2012: Nil) to general reserve from unappropriated profit.

50. GENERAL

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

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

Chaudhry Ahmed Javed
Chairman

Omar Saeed
Chief Executive

Date: April 2, 2014
Place: Lahore

Pattern of Shareholding

As on December 31, 2013

Number of ShareHolders	Shareholdings From	Shareholdings To	Total Number of Share Held	Percentage of Total Capital
562	1 -	100	21,637	0.18
365	101 -	500	106,982	0.89
207	501 -	1000	152,347	1.27
133	1001 -	5000	320,177	2.66
24	5001 -	10000	170,154	1.41
12	10001 -	15000	149,723	1.24
3	15001 -	20000	56,500	0.47
4	20001 -	25000	89,878	0.75
2	25001 -	30000	54,474	0.45
2	35001 -	40000	72,396	0.60
2	40001 -	45000	82,249	0.68
1	45001 -	50000	49,009	0.41
1	50001 -	55000	53,288	0.44
1	55001 -	60000	57,500	0.48
1	60001 -	65000	64,900	0.54
1	70001 -	75000	72,017	0.60
1	80001 -	85000	82,482	0.69
1	85001 -	90000	88,140	0.73
1	90001 -	95000	94,937	0.79
1	95001 -	100000	100,000	0.83
1	100001 -	105000	104,048	0.86
1	150001 -	155000	153,773	1.28
1	175001 -	180000	180,000	1.50
1	405001 -	410000	406,507	3.38
1	475001 -	480000	477,218	3.97
1	610001 -	615000	610,460	5.07
1	780001 -	785000	781,015	6.49
1	795001 -	800000	800,000	6.65
1	840001 -	845000	842,126	7.00
1	1015001 -	1020000	1,018,896	8.47
1	1020001 -	1025000	1,022,545	8.50
1	1660001 -	1665000	1,660,475	13.80
1	2030001 -	2035000	2,032,936	16.90
1,338			12,028,789	100.00

Categories of Shareholders

As on December 31st, 2013

Sr.#	Categories	No. of Shareholders	Shares Held	Percentage of Capital
1	Directors, Chief Executive Officer, and their spouse and minor children	8	5,471,616	45.4877
2	Associated Companies, Undertakings and Related Parties	1	10,144	0.0843
3	NIT and ICP	1	900	0.0075
4	Banks, Development Financial Instituations,	27	1,087,604	9.0417
5	Insurance Companies, Non Banking Financial Instituations	1	4,354	0.0362
6	Modarbas and Mutual Funds	4	1,823,439	15.1590
7	General Public (Local)	1,288	2,971,615	24.7042
8	Others	8	659,117	5.4795
	TOTAL:	1,338	12,028,789	100.0000

Detailed Categories of Shareholders

As on December 31, 2013

Sr. #	Name	No. of Shares Held
Chief Executive Officer		
1	Mr. Omar Saeed	1,018,896
Directors and their Spouses		
2	Chaudhary Ahmed Javed	2,032,936
3	Mr. Arif Saeed	1,022,545
4	Mr. M. Ijaz Butt	40,069
5	Mr. Hassan Javed	781,015
6	Riaz Ahmed	4,000
7	Mrs. Fatima Saeed W/O Mr Arif Saeed	94,937
8	Mrs. Najma Butt W/O Mr M.Ijaz Butt	477,218
		5471616
Associated Companies, Undertakings and Related Parties		
1	M/S Shahid Arif Investments (Pvt) Limited.	10,144
		10,144
NIT and ICP		
1	M/S Investment Corp of Pakistan	900
		900
Banks, Development Financial Instituations, Non Banking Financial Instituations		
1	M/S Fateh Industries Ltd	145
2	Trustee-Allied Engineering & Services Ltd Empl Provident Fund	700
3	Prudential Securities Limited	594
4	Y.S. Securities & Services (Pvt) Ltd.	122
5	Asian Securities Limited	57,500
6	M/S West Pakistan Tanks/Terminals Limited.	15
7	M/S Borjan (Pvt) Limited	1,605
8	Uhf Consulting (Private) Limited	12
9	Pyramid Investments (Pvt) Ltd.	130
10	Nh Securities (Pvt) Limited.	72
11	Haral Sons (Pvt) Ltd	900
12	Time Securities (Pvt.) Ltd.	1,200
13	Ncc - Pre Settlement Delivery Account	14,300
14	Adeel & Nadeem Securities (Pvt) Ltd.	13
15	Shafi Lifestyle (Pvt) Limited	7,500
16	Ever Fresh Farms (Pvt) Limited	7,500
17	Sherman Securities (Private) Limited	10,000
18	The Bank Of Khyber	28,500
19	National Bank Of Pakistan	944
20	National Bank Of Pakistan	842,126
21	Ace Securities (Pvt.) Limited	100
22	Fikrees (Smc-Pvt) Ltd.	100
23	Mohammad Munir Mohammad Ahmed Khanani Securities	12,500
24	The Bank Of Punjab, Treasury Division.	100,000
25	Msmaniar Financials (Pvt) Ltd.	26
26	Awj Securities (Private) Limited.	500
27	First Dawood Investment Bank Limited	500
		1,087,604

Sr. #	Name	No. of Shares Held
Insurance Companies		
1	EFU Life Assurance Ltd.	4,354
		4,354
Modarbas and Mutual Funds		
1	National Bank Of Pakistan-Trustee Department Ni(U)T Fund	1,660,475
2	CDC - Trustee Nit-Equity Market Opportunity Fund	88,140
3	CDC - Trustee Akd Opportunity Fund	21,536
4	Golden Arrow Selected Stocks Fund Limited	53,288
		1,823,439
General Public (Local)		2,971,615
Others		
1	M/S Service Charitable Trust	11,587
2	Trustee National Bank Of Pakistan Emp Benevolent Fund	5,396
3	Trustee National Bank Of Pakistan Employees Pension Fund	153,773
4	Dar-Es-Salaam Textile Mills Ltd./Staff Provident Fund Trust	4,500
5	Trustee Service Provident Fund	406,507
6	The Trustee,Ghulaman E Abbas Educational & Medical Trust	364
7	Trustee - Service Provident Fund	64,900
8	Deputy Administrator Abandoned Properties Organization	12,090
		659,117
	Grand Total	12,028,789

Shareholders holding more than 5% voting rights:

1	Mr. Arif Saeed	1,022,545
2	Mr. Ahmad Saeed	610,460
3	Mrs. Shahida Naeem	800,000
4	Mr.Omar Saeed	1,018,896
5	Chaudhary Ahmed Javed	2,032,936
6	Mr. Hassan Javed	781,015
7	National Bank Of Pakistan-Trustee Department Ni(U)T Fund	1,660,475
8	National Bank Of Pakistan	842,126
	Total	8,768,453

Notes

Form of Proxy
SERVICE INDUSTRIES LIMITED

I/we ______________________________ s/o, d/o, w/o ______________________________

of ____

being a member of SERVICE INDUSTRIES LIMITED holding ______________________________

ordinary shares hereby appoint ______________________ of ______________________

or failing him/her ______________________ of ______________________
member of SERVICE INDUSTRIES LIMITED as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 57th Annual General Meeting of the Company to be held on Tuesday, April 29, 2014 at 11:00 am and at any adjournment thereof.

As a witness my/our hand/deal this ____________ day of ____________ 2014

signed by the said ____

in the presence of 1. ____

2. ____

____

Folio /CDC Account No.

Signature on revenue Stamp of approved value

(Signature should agree with the specimen signature registered with Company)

Important:

1. This proxy form, duly completed and signed, must be received at the registered office of the company, Servis House, 2-Main Gulberg, Lahore not less than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he himself is a member of the company, except that a Company/Institution may appoint a person who is not a member of the company.
3. If the member appoints more than one proxy, all such forms of proxy shall be rendered invalid.

For CDC Account Holders/Corporate Entities:

In addition to the above requirements have to be met.

i. The proxy form shall be witnessed by two persons whose name, address and CNIC numbers shall be mentioned on the form.
ii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the form of proxy.
iii. The proxy shall produce his original NIC or original passport at the time of meeting.
iv. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signatures shall be submitted (unless it has been provided earlier) along with the proxy form to the company.

AFFIX
CORRECT
POSTAGE

The Company Secretary

SERVICE INDUSTRIES LIMITED
Servis House, 2-Main Gulberg,
Lahore-54662, Pakistan.

SERVICE INDUSTRIES LIMITED

Servis House
2-Main Gulberg, Lahore-54662, Pakistan.
Tel: +92-42-35751990-96
Fax: +92-42-35711827, 35710593
www.servisgroup.com

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